

10 October 2013

Hon Lara Giddings MHA

Treasurer

Dear Treasurer

In accordance with the requirements of section 36 of the *State Service Act 2000* and section 27 of the *Financial Management and Audit Act 1990*, I am pleased to submit, for presentation to Parliament, the Annual Report for the Tasmanian Audit Office for the year ended 30 June 2013.

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

Yours sincerely



H M Blake

Auditor-General

TABLE OF CONTENTS

AUDITOR-GENERAL'S REPORT	4
HIGHLIGHTS	6
ORGANISATION OVERVIEW	7
PERFORMANCE REPORT	9
Our performance report	10
Influential products and services	10
Financial sustainability	12
Effective operational performance	12
Motivated and capable employees	13
Benchmarking	15
Independent auditor's review of the performance report	18
OFFICE INFORMATION	19
Organisational structure	20
How we are funded	20
Legislative and regulatory framework	20
Corporate governance framework	21
Committees	22
Operational Committees	23
Our outcome and outputs report	25
Independent scrutiny, both internal and external	29
Strategic Plan 2012-15	31
Compliance and communication	33
What we said we would do during 2012-13	36
What we will do during 2013-14	37
OUR PEOPLE	40
Human resources strategic plan	41
Staff ethics	41
Complaints about employees	41
Employee profile	41
Leave management	42
Recruitment and selection	43
Graduate, cadetship and internship programs	43
Professional development	45
Study assistance	45
Performance management	45
Workplace health, safety and welfare	45
Workplace diversity	46
Industrial and workplace relations	46
Internal grievance procedure	47
Independent employee satisfaction survey	47
Tasmanian State Service workforce survey	48
Employee participation	48
Social	49
Rewards and recognitions	49
OUR FINANCES	51
Financial summary	52
Independent auditor's report	57
Certification of financial statements	59
Financial statements	60
Notes on financial statements	64
APPENDICES	93
Organisation chart	94
Corporate governance framework	95
Composition of office committees	100
Service on other committees	101
List of clients and audits during 2012-13	102
External audit service providers	104
Asset management, risk and pricing policy, and government procurement	106
Superannuation declaration	109
Recent publications	110
Compliance index and disclosure requirements	111
Abbreviations and acronyms	116
ALPHABETICAL INDEX	117

OUR HISTORY

Significant events in the history of the
Tasmanian Audit Office

1804	Sullivans Cove established
1810	Creation of Police Fund (first accounting records)
1825	Van Diemen's Land separated from NSW
1826	GTWB Boyes appointed as Auditor of Civil Accounts
1829	Creation of the Audit Office
1855	<i>Constitution Act 1855</i> enacted
1856	Tasmania becomes a self governing colony
1858	<i>Audit Act 1858</i> enacted
1888	Designations changed to Auditor-General and Audit Department and the <i>Audit Act 1888</i> enacted
1901	<i>Audit Act 1901</i> enacted following Federation, JW Israel, former Auditor-General of Tasmania, appointed as Auditor-General of the Commonwealth
1918	<i>Audit Act 1918</i> enacted
1951	Launceston office opened
1979	<i>Audit Amendment Act 1979</i> enacted following many amendments to Audit Act in prior years
1984	Office has a staff of 90, the largest contingent to date
1990	<i>Financial Management and Audit Act 1990</i> enacted
1992	Designation changed to Tasmanian Audit Office and the Burnie office closed
2009	<i>Audit Act 2008</i> commenced



EXECUTIVE BUILDING

AUDITOR-GENERAL'S REPORT 2012-13

Strategic plans

At the time of writing we were 20 months into our 2012-15 strategic plan, with about 60% of strategies due for completion by 30 June 2013 finalised or under review. The plan identified two significant risks:

- 1. Key person dependency and the need to improve services provided by our corporate support area.** I am pleased to report that this was addressed when, following a six month transition, elements of our human resources, finance and information system functions were outsourced under a shared services agreement signed in June. This was achieved following significant effort by all staff in Corporate Support Services (CSS) and our Chief Operating Officer (COO).
- 2. Our financial sustainability.** Evident from our financial results is that this risk was addressed. This was done by completion of a zero-based budgeting exercise, delays in filling staff vacancies or, in some cases, not replacing departing staff, improvements in management of our working capital, and despite holding audit fee increases to 4% which was less than Adult Weekly Ordinary Time Earnings (AWOTE).

Other achievements to date are outlined on pages 31-33 and 36-37 of this annual report. Progress against our four-year strategic plan and its on-going relevance will be comprehensively reviewed in December 2013. This review will encompass consideration of the appropriateness of our Key Performance Indicators (KPIs).

Office Appropriation

Steps taken to reduce our financial sustainability risk enabled us to operate within our current, declining, Appropriation as this relates to our performance audit and reporting responsibilities. In addition, we reduced our performance audit projects from eight to seven per annum, reduced report print runs and the format and content of reports on financial audit outcomes have been reviewed and rationalised to some extent.

Recent surveys of Parliamentarians highlighted the need for greater explanation about how the Office is funded. Details are provided on page 20 of this Annual Report. Noted in that section is that the Parliament, to whom we report and, ultimately, our primary client, has no say in setting our Annual Appropriation other than on the floor of the Parliament or via the annual Estimates Committee process. This means that, effectively, the Executive, whose programs and agencies we audit, sets our budget thereby potentially reducing our independence.

While the Executive has always, in my experience, treated me and my Office fairly, this may not always be the case. In any event, I am firmly of the view that the Parliament should be more directly involved in setting our Appropriation before it is finalised for inclusion within the Budget papers and I will continue to raise this independence risk with the Public Accounts Committee (PAC) and with Government.

Managing expectations

Our biennial independent survey of Parliamentarians and auditees was completed this year. Details are provided later in this annual report but the high level result was 96% satisfaction by Parliamentarians with our services. This is a very strong outcome and a credit to all staff in our Office.

Future expectations

2013-14 will see completion of the first review of our Office under section 44 of the *Audit Act 2008* preparations for which are under way with my expectation that a report will be provided to the PAC in February 2014. I am hopeful that the review will confirm the direction set for the Office, provide pointers for consideration and constructive suggestions for improvement. I look forward to completion of the review and reading its findings.

Concluding observations

Despite our small size, our Office achieves a great deal annually. This is evident by:

- timely completion of a challenging financial audit program
- preparation for the Parliament of five volumes covering financial audit outcomes and seven performance audit reports
- provision of technical updates, training and advice to auditees and making presentations at a number of external conferences or functions
- compliance with our corporate responsibilities.

This could not have been achieved without the efforts of all of our staff, contractors, Audit Committee and our internal and external auditors. My thanks to them all.

My thanks also to the PAC, and the many other Parliamentarians that we have the opportunity to interact with, for their support and suggestions.



Mike Blake
Auditor-General



HIGHLIGHTS

- 96% overall satisfaction rating by Parliamentarians
- Positive operating result achieved
- Seven performance audits tabled in Parliament
- Higher satisfaction by financial audit clients
- Increased employee participation in health and well-being initiatives
- Successful completion of transition to outsourced arrangements for a number of back-office functions



ORGANISATION OVERVIEW

What we do

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

Our role

The Office's role is to assist the Auditor-General in providing the Tasmanian Parliament and the community with quality independent audits of all State entities.

Through our audit and reporting activities we aim to make a difference to how State entities manage public funds and provide services by promoting and strengthening public sector accountability. Our principal legislation is the *Audit Act 2008* (the Audit Act), which defines the powers and responsibilities of the Auditor-General. We undertake 179 financial statement audits of the diverse range of State entities referred to in Appendix 5 and report to Parliament on significant issues arising. We also undertake up to seven performance audits each year and report the outcomes to Parliament. Our reports are public documents when tabled in Parliament and are accessible on our website: www.audit.tas.gov.au. In addition, in 2012-13 the Auditor-General commenced undertaking State service employer reviews and investigations.

Our people

At 30 June 2013, we had 39.4 (43.7 in 2012) full-time equivalent employees (FTE). The Auditor-General can contract private sector auditing firms to undertake audits on his behalf once they have met our qualification criteria. To date there are 13 private sector auditing firms on our audit register and they are detailed in Appendix 6.

Our operations

We received \$2.408m in funding from the government (\$2.412m in 2011-12), generated \$4.797m from fees for audit services (\$4.723m in 2011-12) and incurred costs totalling \$6.744m (\$7.026m in 2011-12).

Strategic planning

Our Strategic Plan 2012-15 outlines how we meet our responsibilities, contains long-term strategic objectives and critical success factors setting our current and future direction. The over-arching strategies, or seven themes, are outlined on page 32 of this Report under the heading Strategic Plan 2012-15.

The Office in brief

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

Vision

Strive | Lead | Excel
To make a difference.

Purpose

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

Strategic objectives

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

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

Critical success factors

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

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

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.

PERFORMANCE REPORT

Our performance report	10
Influential products and services	10
Financial sustainability	12
Effective operational performance	12
Motivated and capable employees	13
Benchmarking	15
Independent Auditor's review of the performance report	18



Our performance report

In this section we explain our performance for 2012-13 by reference to our Key Performance Indicators (KPIs).

Measuring our performance against our four Critical Success Factors (CSFs) is reported annually. The KPIs reported were published in June 2012 in our Annual Plan of Work for 2012-13. Also, while not identified as performance measures against our CSFs, we include measures reported as benchmarks by the Australasian Council of Auditors-General (ACAG) in its annual Macro-Benchmarking Report. Our KPIs were independently assessed with the review opinion published at the end of this section. In the following tables we report our actual results and by use of the following symbols indicate our assessment of each result.

Performance achieved	✓
Performance not measured	—
Performance not achieved	✗

Influential products and services

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

Our objectives for this CSF are:

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

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

Key Performance Indicators	2009-10 Actual	2010-11 Actual	2011-12 Actual	2012-13 Target	2012-13 Actual	Result
Soundly based, credible, balanced and timely reports and opinions that lead to improved performance and accountability						
All financial audits opinions to be issued within 45 days of receipt of final signed financial statements (Audits relating to the 2012-13 audit cycle) *	N/a	N/a	96%	100%	96%	✗
Performance and compliance audits are completed on average within nine months	Achieved	Achieved	Not Achieved	Achieved	Not Achieved	✗
Reports and opinions that lead to improved public sector performance and accountability						
Survey of Parliamentarians by independent biennial survey:						
• Overall satisfaction with the Auditor-General's reports and services	Nm	96%	Nm	75%	96%	✓
• Provide valuable information on public sector performance	Nm	85%	Nm	80%	95%	✓
• Reports and services help to improve public sector administration	Nm	66%	Nm	75%	85%	✓

Key Performance Indicators	2009-10 Actual	2010-11 Actual	2011-12 Actual	2012-13 Target	2012-13 Actual	Result
Percentage of recommendations agreed and acted upon 24 months since the tabling of a performance/compliance audit report	74%	81%	82%	70%	Nm	—
Survey of audit clients by independent biennial survey:						
• Performance Audit - overall performance (process, reporting, value)	Nm	63%	Nm	75%	79%	✓
• Financial Audit - overall performance (process, reporting, value)	Nm	76%	Nm	75%	77%	✓
Undertaking audits/investigations on the right topics at the right time						
Survey of Parliamentarians by independent biennial survey:						
• High level of performance audits addressing key areas of interest	Nm	48%	Nm	75%	85%	✓
Our stakeholders understand and recognise the value of our people, products and services in contributing to improving public administration						
Survey of Parliamentarians by independent biennial survey:						
• Responsiveness of the Auditor-General or his office	Nm	100%	Nm	85%	100%	✓
• Extent to which the advice/information provided by the Auditor-General or his Office addressed your needs	Nm	87%	Nm	85%	100%	✓

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

For the 2012-13 audit cycle, 96% of financial audits were completed within 45 days of receipt of financial statements from clients. This was a good result given it was the second year after the implementation of new deadlines required by the Audit Act applied to all State entities.

Completion of performance and compliance audits on average within nine months was not achieved this year predominantly because the audit of hospital bed management and primary preventative health took just under two years to complete due to its complexity. Without this audit times averaged eight months.

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

We measure the implementation of agreed recommendations by conduct of follow-up of performance and compliance audits completed two to three years previously. During 2012-13 no follow-up audits were undertaken.

Following its recent review of Special Report No. 72 Public Sector Performance Information, the Public Accounts Committee has recommended that a framework be implemented supporting and mandating the Auditor-General to annually audit the Key Performance Indicators of an Agency disclosed in the Agency's annual report.

Financial sustainability

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

Key Performance Indicators	2009-10 Actual	2010-11 Actual	2011-12 Actual	2012-13 Target	2012-13 Actual	Result
Effective financial operations *						
Positive net operating result, that is >= 1% of turnover	Nm	Achieved	Achieved	Achieved	Achieved	✓
Positive cash flows with an End of Year (EOY) cash balance > \$600 000	Nm	Achieved	Achieved	Achieved	Achieved	✓
Build cash reserves accumulative each year by \$150 000	Nm	Achieved	Achieved	Achieved	Achieved	✓

* New measures adopted from 2010-11.

For 2012-13 the Office achieved a net result of \$0.399m or 5.42% of revenue.

The Office's cash balance of \$1.485m was higher than expected mainly because of the lower level of receivables at 30 June 2013, increase in revenue received in advance and lower work in progress. Actual receivables were \$0.543m compared to budget \$0.368m and prior year \$0.847m and work in progress lower this year by \$0.105m with revenue received in advance higher by \$0.092m compared to last year.

Effective operational performance

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

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

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

Key Performance Indicators	2009-10 Actual	2010-11 Actual	2011-12 Actual	2012-13 Target	2012-13 Actual	Result
Efficient and effective office operations						
Reports tabled in Parliament:						
• Performance and compliance audits and special investigations	Nm	8	7	7	7	✓
• Report of the Auditor-General on the outcomes of financial audits *	2	2	1	1	1	✓
Independent audit opinion on the financial statements of the Office	Unqualified	Unqualified	Unqualified	Unqualified	Unqualified	✓

Key Performance Indicators	2009-10 Actual	2010-11 Actual	2011-12 Actual	2012-13 Target	2012-13 Actual	Result
Effective quality assurance						
Annual independent assessment of a selection of audit 'cold' files that concludes that the Office is conducting audits in accordance with its audit methodology and Australian Auditing Standards:						
• Financial audits	Nm	Nm	Positive**	Positive	Nm	—
• Performance audits	Nm	Nm	Positive**	Positive	Nm	—
Number of major findings with significant impact/ramifications reported to the Office's Audit Committee by our internal auditor	None	None	None	None	None	✓
Effective processes, systems and management practices that meet our business needs						
Independent assessment that concludes that the Office is operating efficiently and effectively **	Nm	Nm	Achieved	Achieved	Nm	—

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

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

We tabled a total of seven reports in Parliament on the outcomes of performance audits. The decline in the total number of these reports was mainly attributable to the reduction in budget received as Appropriation from Government. We tabled one report on the outcomes of financial audits of State entities. This report comprised five volumes, four in November 2012 and one in May 2013.

Two internal audits reviews were conducted in 2012-13 covering:

- Procurement Compliance Audit
- Payroll Review

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

External Review

Under section 44 of the Audit Act, an external review to determine the efficiency, effectiveness and economy of the operations of the Office will be carried out in November 2013. The review will be performed by Nexia Melbourne with a report expected to be provided to the Public Accounts Committee in February 2014. This review is held at least once every five years.

Motivated and capable employees

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

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

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

Key Performance Indicators	2009-10 Actual	2010-11 Actual	2011-12 Actual	2012-13 Target	2012-13 Actual	Result
Motivated and satisfied employees						
Employee satisfaction as measured by the Office's independent biennial employee survey	70%	Nm	76%	75% or if not 75% then improving	Nm	—
Employee turnover rate	Nm	13%	11%	< 10%	23%	✗
Employees acknowledge our Office values and behaviours exhibited in our workplace (measured by surveys)	Nm	73%	74%	85%	Nm	—
Employee capability that matches our business needs						
Percentage of employees who have professional qualifications	Nm	79%	94%	> 85%	88%	✓
Percentage of employees who are members of professional bodies	Nm	81%	77%	> 85%	72%	✗
Percentage of employees who undertake 10 days of professional development per annum	Nm	29%	11%	100%	33%	✗
Percentage of employee professional development plans implemented	Nm	Nm	32%	100%	79%	✗
Employee well-being						
Employee participation in health and well-being initiatives	Nm	67%	80%	75%	98%	✓
Sick leave taken by employees (average)	Nm	9.3	8.4	< 5 days	5.1	✗
No excess leave balances	Nm	2%	2%	< 5%	9%	✗

Due to changes to our objectives in 2010-11 new measures were introduced causing a number of measures not to be reported in 2009-10.

An important part of our assessment of staff satisfaction is our biennial staff satisfaction surveys. During the 2012-13 year the biennial staff satisfaction survey was not conducted. The next survey will be conducted during 2013-14.

The first State Service Workforce Survey (TSS Workforce Survey) was undertaken in May 2013 by the Head of the State Service through the State Service Management Office (SSMO). The survey results will inform organisational workforce planning and development policies and initiatives. TSS Workforce Survey results are reported on Page 48.

The increase in turnover was mainly due to fixed term employees finishing their contract during the year.

The percentage of employees with professional qualifications has reduced slightly due to the employment of an extra cadet/graduate during the year and the employment of two corporate staff that do not have formal qualifications but extensive experience. As at 30 June 2013 we had four staff undertaking studies leading to full membership of professional bodies.

The slight increase in the number of employees accessing professional development opportunities is partly due to the improvement in the percentage of professional development plans being implemented. However, the level is still lower than the target mainly due to the limited change taking place in Australian Accounting and Auditing Standards. Management will continue to place emphasis on the requirement for professional development plans being implemented and actioned.

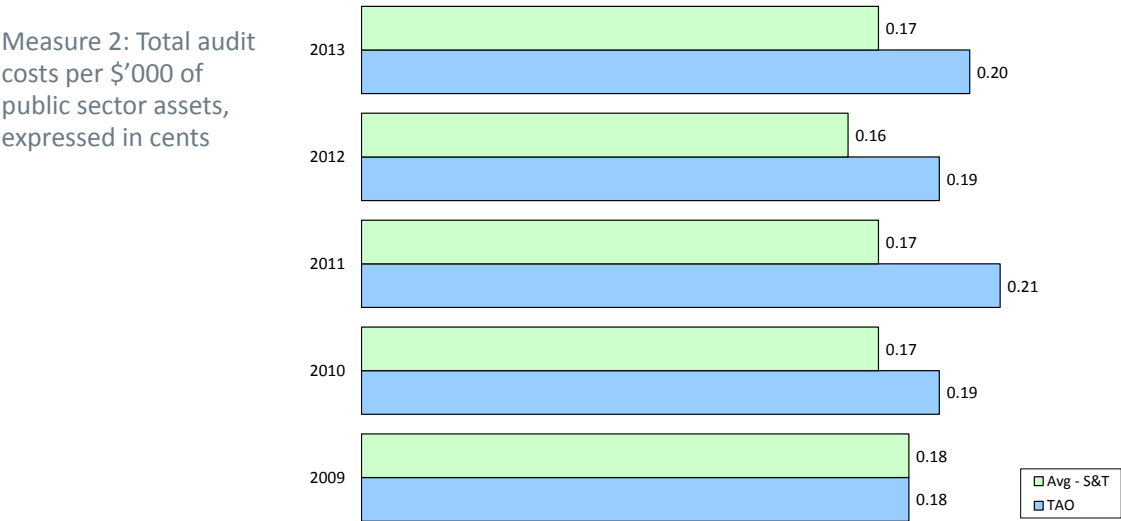
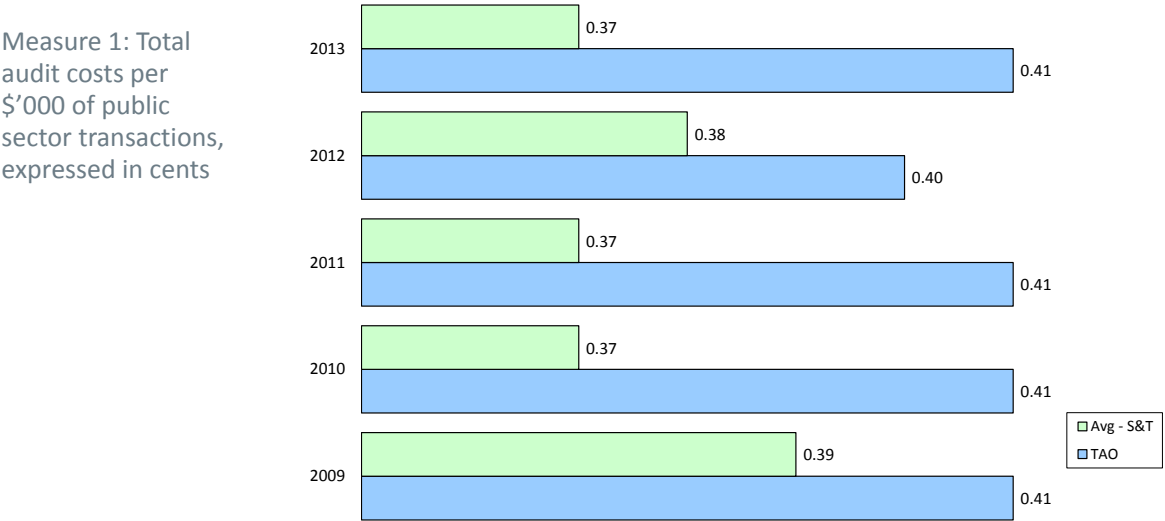
More employees participated in our health and wellbeing initiatives. Consulting with staff and then formalising these activities into our Health and Wellbeing Plan for 2011-2013 increased awareness and improved this rating significantly. The most popular initiative of the program is the provision of fresh fruit for staff.

Average sick leave taken by employees decreased by approximately three days. This is an improvement on the previous year but still slightly higher than target.

Due to ongoing structural changes across the Office in 2012-13 excess leave balances increased from last year. Relevant staff have leave management plans in place and their balances will be reduced over the 2013-14 year.

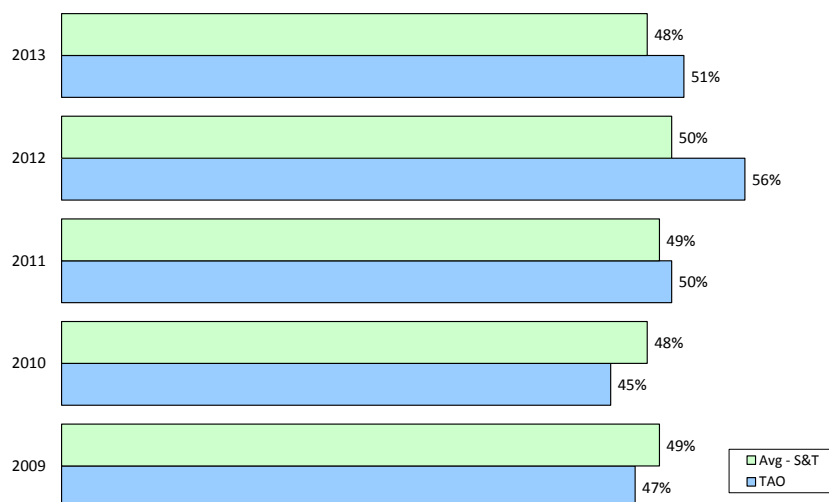
BENCHMARKING

To help us evaluate our performance we benchmark ourselves against the national average for other State and Territory audit offices as reported in the annual ACAG Macro-Benchmarking report. The following results cover the period 2009 to 2013.

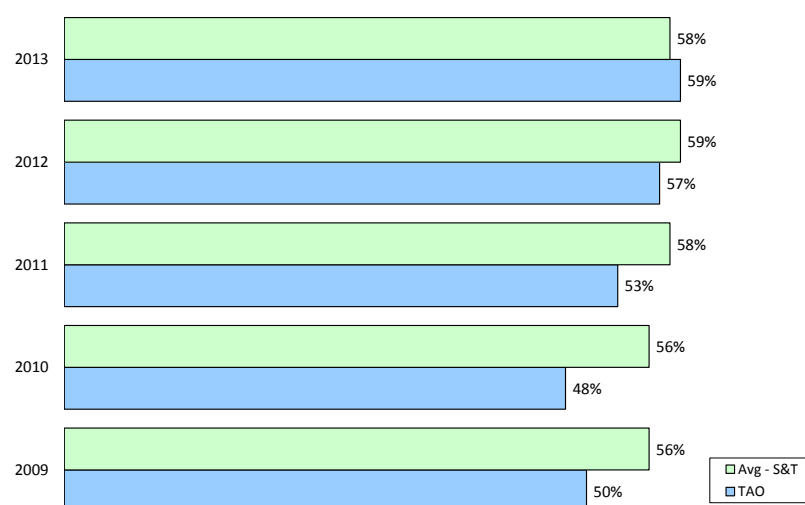


We expect our costs as a proportion of total state transactions and assets to be higher than most other states. Typically, State entities in Tasmania are smaller than their interstate counterparts as is our Office. Both measures confirm this expectation.

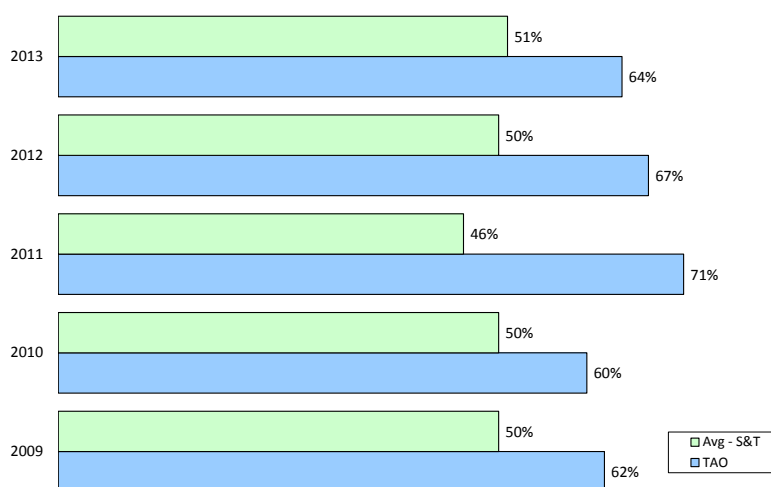
Measure 3:
Percentage of total
(whole of office) paid
hours charged to audit
activities



Measure 4:
Percentage of total
paid hours of attest
audit staff charged
to attest audit
activities



Measure 5:
Percentage of
total paid hours of
non-attest audit
staff charged to
non-attest audit
activities

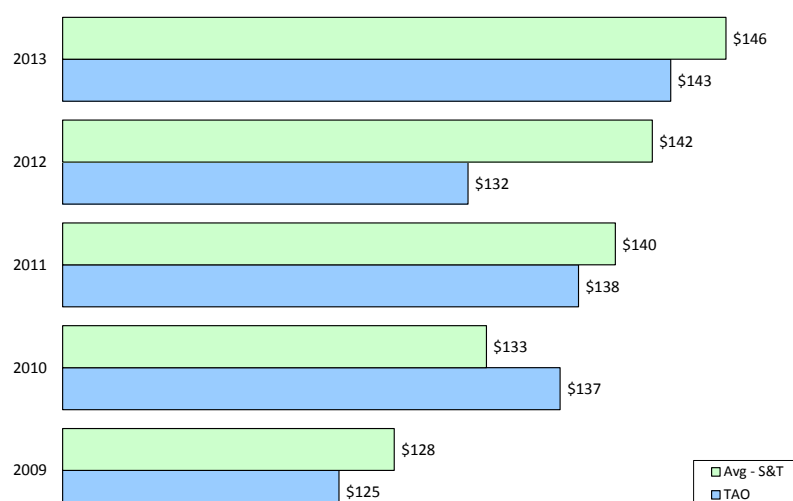


Productivity of our staff has a direct impact on our operating results. All auditors are expected to achieve a minimum level of billable hours after allowing for leave, professional development and administration. Total paid hours include the hours of our corporate staff as well as annual leave of all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

We are pleased to note that for Measure 3, the percentage of total paid hours charged to audit activities, we have now reached parity with the States and Territories. Measures 3 and 4 are consistent with the State and Territories measures.

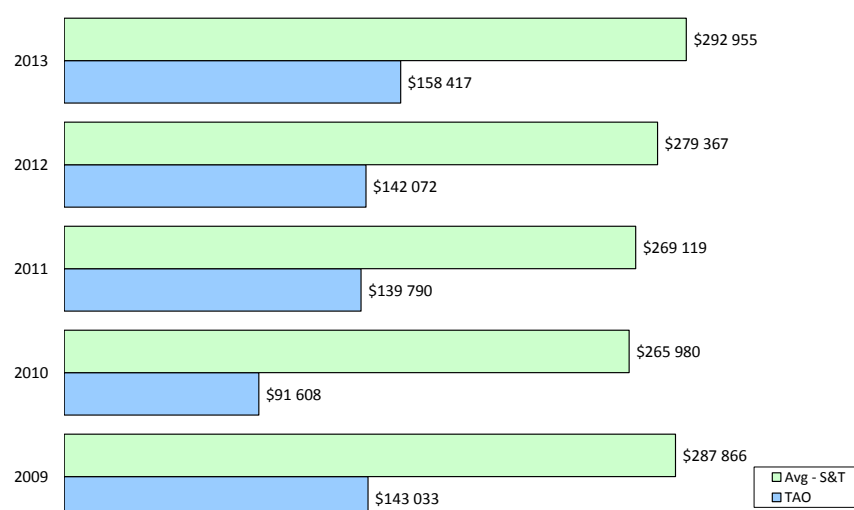
The productivity of our performance audit (non-attest) employees, as depicted in measure 5, whilst it did drop in 2012 and 2013 it still remained well above the national average. This continues to be a pleasing result.

Measure 6: Cost per audit hour charged to audit



Hourly charge rates have a direct impact on the level of audit fees we charge. It is generally acknowledged that our hourly charge-out rates will be less than our mainland counterparts, as reflected in the measure in 2009. While 2010 was adversely impacted by higher employee and accommodation costs, necessitating increases in audit fees, we were able to contain costs in 2011 to 2013 so as to achieve parity with the States and Territories average. The movement from 2012 to 2013 reflects the increase in acquittals undertaken in 2012 which were one-offs. These related to Disaster Recovery Program acquittals. Minimising the cost of our audit work remains an ongoing objective for the Office.

Measure 7: Cost per performance audit



Measure 7 confirms our expectation that the cost of preparing performance and compliance audit reports will be lower than the national average. This measure is largely affected by the scope and type of audits undertaken each year. This was the case in 2010 when we carried out a number of smaller audits, particularly special investigations. During the period 2011 to 2013 our program returned to normal resulting in a more typical average cost per audit.

Independent auditor's review of the performance report



Hayes Knight Audit Pty Ltd

ABN: 86 005 105 975

Level 12, 31 Queen St,
Melbourne, VIC 3000

T: 03 8613 8888 F: 03 8613 8800

Email: info@hayesknichtaudit.com.au

www.hayesknicht.com.au

Registered Audit Company 291969

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

Report on the Performance Report

We have reviewed the accompanying performance report, as set out on pages 10 to 17, which comprises the Key Performance Indicators as at the 30 June 2013.

Auditor-General's Responsibility for the Performance Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the performance report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 - Review of an Interim Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, anything has come to our attention that causes us to believe that the Performance Report does not present fairly the key performance indicators of efficiency and effectiveness. As the auditor of the entity, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

Conclusion

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the performance report does not fairly represent the key performance indicators of efficiency and effectiveness for the period ended 30 June 2013.

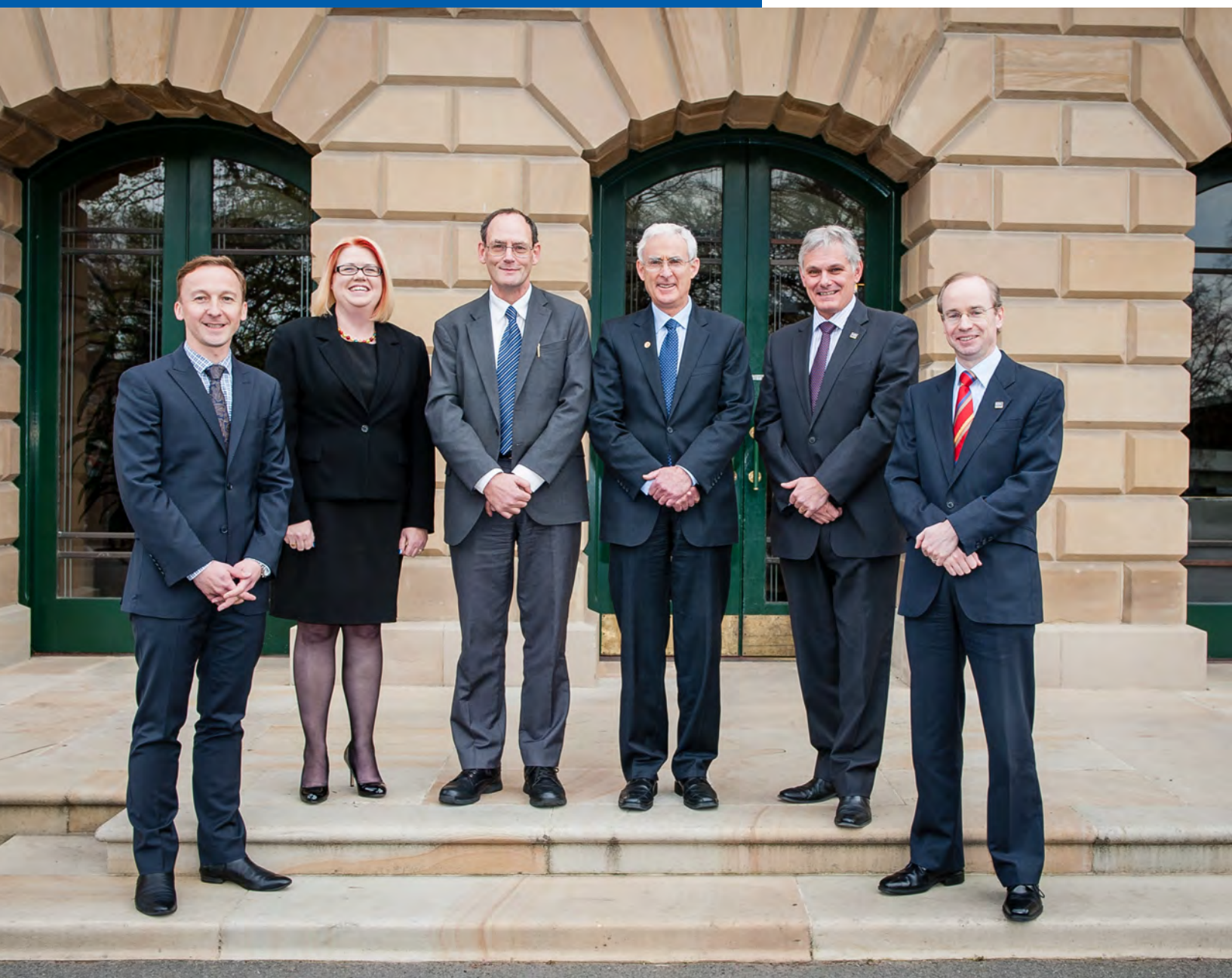
HAYES KNIGHT AUDIT PTY LTD
Chartered Accountants
Melbourne

Andrew Wehrens
Director
24 September 2013

An independent Member of the Hayes Knight Group and Morison International.
Liability limited by a scheme approved under Professional Standards Legislation.
Associated Offices : Adelaide | Auckland | Brisbane | Darwin | Melbourne | Perth | Sydney

OFFICE INFORMATION

Organisational structure	20
How we are funded	20
Legislative and regulatory framework	20
Corporate governance framework	21
Committees	22
Operational committees	23
Our outcome and outputs report	25
Independent scrutiny, both internal and external	29
Strategic Plan 2012-15	31
Compliance and communication	33
What we said we would do during 2012-13	36
What we will do during 2013-14	37



Organisational structure

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

A detailed organisation chart as at 30 June 2013 is included at Appendix 1 of this Report.

How we are funded

The Office charges fees for financial audit services. Since 1 July 2008 the Office has been funded by a direct Parliamentary Appropriation for undertaking performance and compliance audits, special investigations, and the preparation and publishing of statutory reports to Parliament. The Office is also funded through a Parliamentary Appropriation for the Auditor-General's salary and associated allowances. From 2013 the Auditor-General has been provided the powers to audit State service employer functions the cost of which is reimbursed, on an expenditure basis, via invoice to the Department of Premier and Cabinet. The cost of these functions are up to a limit of \$185 000 per annum.

Legislative and regulatory framework

Role of the Auditor-General

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

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

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

The Auditor-General offers briefings to all members of Parliament about the role of the Office and the Audit Act.

Legislation

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

The Auditor-General is responsible for the audits of financial information prepared under the *Financial Management and Audit Act 1990*, *Government Business Enterprises Act 1995*, *Local Government Act 1993* and other relevant Legislation such as the *Corporations Act 2001*. We also audit acquittal statements associated with Commonwealth grants and payments to the State under Commonwealth legislation.

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

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

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

Independence

The Office is not part of the government itself. This independence from the Executive Government is vital if we are to perform our work effectively and make independent unbiased judgments.

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

The independence of the Auditor-General is assured by wide powers of legislation. This independence ensures that findings arising from financial, performance and compliance audits and investigations are communicated regularly to the Parliament without interference.

Mandate

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

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

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

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

Corporate governance framework

Governance is a fundamental responsibility of the Auditor-General assisted by the Office's executive management.

Our governance policy documents and governance principles outline how we govern and manage our activities. These arrangements sit alongside our vision, purpose, strategic objectives and our values. They also outline how we acquit our stewardship responsibilities but do not detail separately approved delegations but records how and when delegations are made. For us, governance:

- specifies the distribution of rights, roles and responsibilities among the different participants in the Office such as the Auditor-General, executive management and various committees
- spells out the rules and procedures for making decisions on strategic and operational matters. By doing this, it provides the structure through which our corporate objectives are set, and the means of attaining these objectives including monitoring performance.

Our governance policy was formulated based on the governance guidelines recommended by the Australian National Audit Office (ANAO) and by the Australian Stock Exchange (ASX) in its paper headed "ASX Corporate Governance Council: Corporate Governance Principles and Recommendations 2nd Edition" (the ASX Principles issued in 2007). Details of each of these principles and how they relate to the Office are provided in Appendix 2.

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

- Strategic Leadership Group (SLG) and its sub-committee:
 - Quality Review Steering Committee

- Executive Management Group (EMG) and its sub-committees:
 - Human Resources Committee (now includes Workplace Health and Safety matters)
 - Information Management Committee
 - Remuneration Committee
 - Procurement Review Committee.

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

Committees

Strategic Leadership Group

The SLG's primary purpose is to develop processes and monitoring arrangements and to implement actions to achieve Tasmanian Audit Office's (TAO) strategic objectives. The focus of this committee is the Office's strategic plan.

The objectives of the SLG are to:

- report to the Auditor-General on progress against the Office's strategic plan including developing, refining and implementing associated action plans
- provide an advisory forum for the Auditor-General to raise operational or strategic matters she/he consider relevant
- promote greater integration and collaboration between business units and support services to facilitate consistency and ensure achievement of the Office's strategic objectives
- openly discuss all matters that may affect the strategic direction of the Office, its people and reputation and make decisions in the best interest of the Office and its people
- endorse and promote the Office's values in all aspects that affect the strategic direction of the Office
- monitor and respond to the effects on the Office's strategic direction of changes in government policy, statutory requirements or the Office's risk profile.

This group is chaired by the Auditor-General and comprises the EMG together with financial and performance audit managers as well as the Practice Manager - CSS. The performance of SLG is evaluated annually by means of external and self-appraisal.

Executive Management Group

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

The objectives of the EMG are to:

- discuss strategic application of financial, physical, information and human resources across the Office
- set and mandate operational directions which are consistent with the Office's strategic goals, risks and values
- promote greater integration and collaboration between business units and support services to facilitate consistency and improve performance in the profitability and service delivery of the Office
- openly discuss all matters that may affect the operations of the Office, its people and reputation and make decisions in the best interest of the Office and its people
- endorse and promote the Office's values in all aspects that affect the operations of the Office
- provide a forum to which employees feel that they can direct issues for consideration, review, discussion and be notified of outcomes whether through their General Manager or the appropriate member of the EMG
- monitor major projects or acquisitions to ensure they meet needs of users, are affordable, comply with legislative requirements and align with and support TAO's strategic directions, priorities and values

- review and endorse operational policies
- monitor the Office's performance against annual plans and risk management strategies
- oversee compliance with policies and other legislative requirements
- ensure agreed actions arising from internal and external reviews are implemented
- provide a forum for communication of directions and queries from the Auditor-General
- monitor and respond to the effects of changes in government policy, statutory requirements and the Office's risk profile
- oversee the operations of EMG's sub-committees.

The group is chaired by the COO and comprises the General/Practice Managers of CSS, Performance Audit Services (PAS), Financial Audit Services (FAS), and the Technical and Quality Director representing the Office of the Auditor-General (OAG). The performance of EMG is evaluated annually by means of external and self-appraisal.

Operational committees

In addition to the two groups referred to previously, our governance arrangements include the operation of the following sub-committees.

Human Resources Committee (HRC)

The Office's most valuable resource is its people. This committee fulfills an important function in helping the Office to apply contemporary people management practices that contribute to achievement of its strategic objectives and values. The Office also has a responsibility to protect the health and safety of employees, contractors, stakeholders or members of the public who may be affected by our activities which is an essential part of risk management.

During 2012-13 the Office re-aligned the HRC and the existing Workplace Health and Safety (WHS) committees so that the HRC will directly address WHS matters as well. This Committee will address the ongoing implementation of the new workplace health and safety legislation.

As a sub-committee of the EMG, the HRC's primary purpose is to assist the EMG in fulfilling its responsibilities in relation to the oversight of Human Resource Management (HRM) and the promotion of health, safety and well-being of staff while meeting our legal obligations. The role of this committee is to also provide a governance structure for HRM and assist the Office in providing a safe place to work for staff, contractors and visitors.

The objectives of the HRC are to:

- ensure corporate ownership of human resource issues
- facilitate good people management and health and safety practices within the Office
- identify best practice and recommend strategic directions and priorities in Human Resources (HR) policy, to align with and support TAO's strategic directions, priorities and values
- set and mandate operational directions for HRM which are consistent with the Office's strategic business goals and values
- ensure human resource development and maintenance actions best meet the overall priorities of the Office
- ensure systems and processes are implemented to meet legislative requirements and needs of users
- provide a forum to which employees feel that they can direct issues for consideration, review, discussion and be notified of outcomes whether through the Chairperson, their representative or other appropriate member of the HRC
- monitor the implementation of HR policies and report on progress and recommend appropriate action
- monitor and advise on HR issues
- ensure corporate ownership of health and safety matters
- review the efficiency and functionality of the Office's Safety Management System (SMS) ensuring it meets legislative requirements and needs of users
- identify actions, remedy issues and introduce improvements to the Office's SMS consistent with overall business priorities
- provide direct assistance to the EMG regarding HR issues
- act as a consultative group to which staff of TAO can refer HR issues.

The HRC is chaired by the COO and includes nominated representatives from each of the Office's four business units. It also includes a management representative and elected representatives from each of the Office's business units and our Launceston office.

Information Management Committee (IMC)

The Office's information and technology resources are an integral part of its operations. This Committee fulfills an important function in helping the Office to apply contemporary Information, Records and Technology Management (IRTM) practices that contribute to achievement of its strategic objectives.

The IMC's primary purpose is to assist the EMG in fulfilling its responsibilities in relation to the oversight of its information, records and technology resources. The IMC also provides a governance structure for IRTM in the Office.

The objectives of the IMC are to:

- ensure corporate ownership of IRTM issues
- develop and maintain strategic plans for IRTM consistent with the Office's overall strategic plan and business imperatives
- set and mandate operational directions for the management of information, records and technology which are consistent with the Office's strategic business goals
- ensures that system development and maintenance project priorities best meet the overall priorities of the Office
- ensure systems and processes are implemented to meet legislative requirements and needs of users
- provide a forum to which employees feel they can direct issues for consideration, review, discussion and be notified of outcomes whether through the Chairperson, their representative or other appropriate member of the IMC
- fulfill the role of an Information Security Committee as defined by the Tasmanian Government Information Security Policy.

The IMC is chaired by the GM - FAS and includes nominated representative from each of the Office's business units.

Procurement Review Committee

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

Remuneration Committee

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

Quality Review Steering Committee

This committee is a sub-set of the SLG was established to oversee the implementation of quality assurance review recommendations and to ensure the Office is ready for its formal external review conducted pursuant to the requirements of the *Audit Act 2008*.

Details of members of each committee can be found in Appendix 3.

Our outcome and outputs report

Budgetary framework

Our budget was included in Chapter 20 of Budget Paper No 2, Volume 2 in the 2012-13 Budget Papers. Outcomes of our financial performance against budget are comprehensively dealt with in the audited financial statements in the Our Finances section of this Report.

Our outcome and outputs

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

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

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

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

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

Performance against our outputs

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

Planned achievements are spelt out in Chapter 20 and reported on pages 31-33 and 36-37 of this annual report.

Output - Parliamentary reports and services

Reports to Parliament on the outcomes of financial audits

The Audit Act requires the Auditor-General to table in Parliament a report on the financial audits of State entities, and audited subsidiaries of State entities, in respect of the preceding financial year. Such report must include a list of audits dispensed with and details of the basis upon which audit fees are calculated.

This requirement to report on the outcomes of financial audits is discharged by tabling a series of five volumes each year generally in November and December (volumes one to four) and May or June (volume five). The last volume generally covers those entities with 31 December balance dates. It also includes the basis upon which fees are calculated, fee setting arrangements and audits dispensed with. The first four volumes cover most entities with 30 June balance dates including government departments, government business enterprises, state owned companies, water corporations, superannuation funds, other state entities and local government authorities. These volumes also include commentary on the audit of the Treasurer's Annual Financial Report comprising the General Government Sector Financial Statements, the Public Account Statements, and the Total State Financial Statements as well as details of any additional audits dispensed with.

In 2012-13 the FAS unit tabled the following:

November 2012:

- Volume 1 - Analysis of the Treasurer's Annual Financial Report 2011-12
- Volume 2 - Executive and Legislature, Government Departments, other General Government Sector State entities, other State entities and Superannuation Funds 2011-12
- Volume 3 - Government Business Enterprises, State Owned Companies and Water Corporations 2011-12
- Volume 4 - Parts 1 and 2 - Local Government Authorities 2011-12

May 2013:

- Volume 5 - Other State Entities 30 June 2012 to 31 December 2012.

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

Parliamentarians were invited to presentations on the day of tabling and informal feedback on the usefulness of these volumes was positive.

These volumes can be viewed and/or downloaded from our website: www.audit.tas.gov.au.

Reports to Parliament on the outcomes of performance and compliance audits and special investigations

Under Part 4 of the Audit Act the Auditor-General may carry out examinations or investigations as defined by section 23.

The Audit Act also requires the Auditor-General to prepare an annual plan of work each year. This plan of work contained a program of performance and compliance audits planned for completion over the next 24 to 30 months with the objective of completing up to seven per year. The plan of work makes it clear, however, that the program is subject to change based on higher priorities that may arise from time to time.

During 2012-13 the following seven Special Reports were completed and tabled in Parliament:

- Sale of TOTE Tasmania (July 2012)
- Tasports: benefits of amalgamation (October 2012)
- Compliance with the *Tasmanian Adult Literacy Action Plan 2010-15* (December 2012)
- National Partnership Agreement on Homelessness (March 2013)
- Royal Derwent Hospital: site sale (March 2013)
- Hospital bed management and primary preventive health (May 2013)
- Department of Health and Human Services - Output based expenditure (May 2013) (included in Financial Statements of State entities: Volume 5 - Other State entities)

These reports are prepared by our PAS business unit which manages our performance and compliance audit and investigations program. Audits are aimed at providing assurance, not on financial statements, but on service delivery or compliance by accountable authorities. In conducting its work, PAS complies with the following auditing standards issued by the Australian Auditing and Assurance Standards Board (AUASB):

- ASAE 3100 Compliance Engagements
- ASAE 3500 Performance Engagements.

All reports are available on our website at www.audit.tas.gov.au.

Services provided to Parliamentarians and State entities

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

- advice and assistance to Parliament, including submissions to Parliamentary committees on matters relevant to their inquiries
- responding to inquiries from Members of Parliament, State entities and the public, which sometimes lead to the conduct of audits
- comment to central agencies and other State entities in such areas as draft Treasurer's Instructions, financial management proposals and the development of accountability proposals such as audit committee charters
- guidance to State entities, arising from our audit work, in specific areas of governance, management and accountability

- comment to external bodies on emerging developments associated with the public sector including commentary on draft accounting and auditing pronouncements
- advice to Members of Parliament on our role
- briefings to Members of Parliament about our reports.

Output - Audit assurance

Financial audit services

Part 4 of the Audit Act deals with the Auditor-General's financial statement auditing functions with sections 16 to 22 detailing the statutory financial audit requirements. The FAS business unit is responsible for the annual audit of the financial statements of 179 State entities (a complete listing is provided in Appendix 5). FAS is also responsible for the audit of the General Government Sector Financial Statements, the Public Account Statements and the Total State Financial Statements as well as the audit of in excess of 100 acquittal statements. FAS' role includes conducting financial audits, managing financial audits contracted to the private sector and managing financial audits dispensed with. The Auditor-General may at any time carry out an examination or investigation for purposes as detailed under section 23 of the Audit Act.

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

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

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

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

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

When conducting its audits, FAS uses an Integrated Public Sector Audit Methodology (IPSAM) toolset which complies with Australian Auditing Standards issued by the AUASB.

Close links have been developed with other audit offices, in relation to IPSAM, mainly the Victorian Auditor-General's Office and the Queensland Audit Office. FAS participate in the IPSAM user group to help ensure the methodology remains current and provides the most efficient and effective means for completing audits.

Management of financial audits

While the Auditor-General is responsible for auditing all State entities, under the Audit Act there is discretionary power as to who will conduct the audits. Under section 33 the Auditor-General discharges his responsibility by appointing officers within the Office, or some other suitably qualified persons to carry out the whole or a part of an audit or investigation. We have established a panel of external audit service providers that is updated from time to time and it is from this panel that suitably qualified persons are selected to conduct contracted audits. In the 2012-13 financial year, we outsourced 30 financial audits to the private sector. Details of the outsourced audits and of external audit service providers are included on our website and in Appendix 6.

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

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

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

Performance audit services

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

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

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

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

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

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

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

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

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

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

The Auditor-General may also undertake additional functions under the *State Service Act 2000*.

These functions are carried out by the Auditor-General himself with support from external contractors. Reporting on these activities will start to occur in 2013-14.

Independent scrutiny, both external and internal

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

Audit Committee

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

The Committee comprises two independent members, Sue Baker and Tony Pedder, and one internal appointment being the GM - PAS. Sue Baker is Chair of the committee. Matters considered by the committee in 2012-13 included:

- service level agreement
- Annual Plan of Work for 2013-14
- assessment of the internal auditor's performance
- performance of our external auditor
- strategic internal audit plan
- external audit plan
- review of management letters prepared by the external auditor and of actions taken by management on matters raised
- internal audits conducted, reports issued and actions taken by management
- monitor and review the effectiveness of the systems of internal control including information systems
- risk management plan and Office policies
- review of the Office's financial statements and the annual report
- high risk transactions and projects undertaken during the year.

Internal Audit

Our internal auditors, Moore Stephens, Melbourne, carried out the following audits in 2012-13 in accordance with the three year strategic audit plan:

Procurement compliance review - the procurement compliance review examined procurements that the Office had undertaken against compliance with the Treasurer's Instructions.

Payroll review – this review was performed to ensure the recently upgraded payroll system was operating and achieving its intended objectives.

Summary of Findings and Recommendations from 2012-13 internal audits are provided on the next page.

Audit	Rating ¹			
	High	Moderate	Low	Management awareness point
Procurement compliance review	-	-	3	1
Payroll review	-	1	1	-
Total	-	1	4	1

1 Rating:

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

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

Quality Assurance Reviews

Independent Peer Reviews

ACAG has developed an approach to help individual Audit Offices demonstrate to internal and external stakeholders that they meet relevant legal and professional standards. The last peer review was conducted during 2011-12. No Independent Review was conducted during 2012-13.

External Review

Under section 44 of the Audit Act, an external review to determine the efficiency, effectiveness and economy of the operations of the Office will be carried out in November 2013. The review will be carried out by Nexia Melbourne with a report expected to be provided to PAC in February 2014. This review is held at least once every five years.

External Audit

Under the Audit Act, the Governor appoints an independent registered company auditor to perform an audit of our financial statements. Clements, Dunne & Bell (CDB), a Melbourne based firm, was initially appointed in 2008-09. The appointment was extended on 31 August 2010 to cover the 30 June 2012 and 2013 financial years. In January 2013, CDB merged with Hayes Knight (Audit) Pty Ltd and are now known as Hayes Knight (Audit) Pty Ltd. In August 2013 the auditors completed their examination of our 2012-13 financial statements. Their unqualified audit report is attached to the financial statements contained in this annual report. The external auditors also reviewed our key performance indicators with their report included in the Performance (KPI) Report section of this annual report.



Benchmarking against other audit offices

We continue to participate in benchmarking coordinated by ACAG which covers our entire office operations and is referred to as the ACAG Macro Benchmarking.

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

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

Parliamentary and client surveys

On a biennial basis we conduct independent surveys of Parliamentarians and financial audit clients relating to our financial and performance audit functions, the outcomes from which we reported earlier in this annual report. This survey presents the benchmarking comparisons of the survey results across six Audit Offices participating in the benchmarking process with the latest survey being conducted 2012-13. Three separate benchmarking processes were implemented. These covered Parliamentary surveys, financial audit client surveys and performance audit client surveys. The Office findings and comparisons to state and territories (as a whole) are detailed in this Annual Report in the Performance Report section starting on page 9.

Strategic Plan 2012-15

This four-year plan was developed in the context of significant current, and likely future, change faced by the Tasmanian Public Sector. The general government sector face budgetary pressures with flow-on implications for us both in terms of our own funding and as actions are taken by clients to manage budgets. In these environments audit risks, and opportunities, increase with this strategic plan considering these under seven themes each defined by an over-arching principle and supported by a strategy as follows:

Themes	Principle	Strategies and progress to date
Profit	We operate on a sustainably profitable basis with adequate reserves facilitating operational effectiveness and independence in line with our mandate. Our financial audit fees must be competitive, benchmarked against appropriate factors.	Ensure the Office operates under a financially sustainable funding model underpinned by relevant legislation, efficient Office operations and an Office enterprise, or equivalent, agreement. We will comply with the <i>Audit Act 2008</i> at costs less than the all State averages in the ACAG benchmarks.
		As can be seen in the financial statements, the Office has achieved a good net result leading to it being financially sustainable. Despite this, the Office is continuing to explore operating under its own enterprise or equivalent agreement.
		Review into the viability of sharing back office functions has been completed. Continuing discussions will occur in 2013-14 with integrity entities in relation to co-location.

Themes	Principle	Strategies and progress to date
Products	The products we offer must be contemporary, of highest quality, timely, relevant and comply with the Audit Act such that we remain an essential source of reference by Parliamentarians and the public sector. Our products are financial audits and performance (of efficiency and effectiveness and follow the dollar) and compliance audits and investigations.	Collaborate continually with relevant stakeholders to ensure our audits, reports and communication mediums provide assurance, satisfy expectations and add value to public sector performance and accountability. Ensure compliance with auditing standards including internal quality assurance processes which meet best practice.
		<p>Ongoing development and improvement of Statutory Reports to Parliament on outcomes of financial audits through the enhancement of reported information, report style and readability, financial report analysis, and more informed commentary.*</p> <p>After wide consultation the plan of work for 2013-14 was completed by June 2013.*</p>
Premises	We will provide our staff with a professional, safe and secure office environment and appropriate facilities enabling them to work productively.	Explore all options aimed at assessing and benchmarking current costs and maximum utility of existing office premises and alternatives.
Processes	We apply processes, and associated systems, in keeping with a small and straightforward business while recognising our broader information risks and reporting responsibilities.	<p>Ensure that by 31 December 2013, the Office's processes and systems are cost efficient.</p> <p>Completion of the replacement of the Office's payroll and job costing systems occurred October 2012.*</p> <p>Implementation of the changed role of COO finalised during 2012-13.*</p>
		<p>Ongoing continuous improvement to financial audit processes and engagement with State entities to ensure financial statements, and audit reports thereon, are issued in a timely manner and in accordance with the requirements of the <i>Audit Act 2008</i>.*</p> <p>Established a Quality Assurance Committee and program.</p> <p>Ongoing refinement of processes and review of existing policies and procedures.</p>

Themes	Principle	Strategies and progress to date
People	We employ dedicated and talented people with a strong work ethic. Our employees have a passion for working for TAO and serving the public interest and do so consistent with our values. We offer fair remuneration, providing staff with career enhancing opportunities and we make merit based appointments. We commit to offering a family friendly and discrimination free environment. Our objectives include the need to achieve a work/life balance. We manage performance and aim to be an employer of choice.	By 31 March 2014, the Office's people management arrangements represent best practice and consistency with in-house policies.
Partnerships	Where relevant and appropriate, we work in partnership with other integrity entities, the PAC (or other Committees of the Parliament), suppliers of audit services, the Australasian Council of Auditors-General, the University of Tasmania, Standards Setting bodies and relevant professional bodies, as long as in doing so our independence is not compromised.	Established partnering arrangements aimed at better satisfying our other themes. During 2012-13 the Office provided comments on all relevant exposure drafts and discussion papers coordinated by ACAG.*
Planet	As a responsible corporate citizen we must do what we can to minimise harm to the planet and our community and we must show leadership in supporting community fundraising for appropriate causes.	We will work towards having in place arrangements that minimise our carbon impact and maximise our contribution to our community by 31 December 2015.* Concentration has been on increasing access to more electronic documents available thereby decreasing the number of printed publications.

* Budget initiatives 2012-13 as published in the Budget Paper No. 2, Government Services, Volume 2, Chapter 20.

Compliance and communication

Summary annual report

We have again issued a separate summary annual report. It is aimed at providing readers with a snapshot of our performance in 2012-13.

Integrity

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

Right to information

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

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

The Auditor-General is also required to comply with section 46 of the Audit Act the practical effect of which is to forbid him and any person employed in his Office or contracted by him from disclosing any confidential matter that comes to his or their knowledge in the course of employment or duties under either the Audit Act or another Act. Because of this, the provision displaces any other duty or obligation to disclose information which might otherwise arise and only permits the disclosure of such information if that disclosure is required in connection with the administration of the Audit Act or in connection with the administration of that other Act.

Protecting privacy

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

When dealing with private information, we do so in accordance with the *Personal Information Protection Act 2004*. There was one request in 2012-13 from a person seeking access to, or update of, personal information held by us pertaining to them. This information was provided.

Public interest disclosures

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

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

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

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

During 2012-13 we received no public interest disclosure requests.

Speeches, presentations, representation on other committees and publications

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

Some of our external speeches and presentations are listed below.

Date	Event	Presenter
August 2012	Institute of Internal Auditors, Australia - 'Internal audit in the Tasmanian Government'	Mike Blake
September 2012	Chartered Secretaries Australia - 'The Auditor-General reports'	Mike Blake
October 2012	University of the 3rd Age - 'Role of the Auditor-General'	Mike Blake
October 2012	Certified Practising Accountant (CPA) Public sector leaders luncheon - Chairperson - 'New communicative power: 'Entitlement and the why and how to social media engagement'	Ric De Santi
November 2012	Break O'Day Council governance workshop - 'Benefits of audit committees'	Mike Blake
December 2012	Not for profit sector Policy Network - 'Role of the Auditor-General'	Mike Blake

Date	Event	Presenter
April 2013	ACPAC 2013 Biennial conference - <i>Public Accounts Committees: Adapting to a changing environment</i> - 'Statutory recognition of the Auditor-General as an independent Officer of Parliament - does it make a difference?'	Mike Blake
April 2013	Not for profits Peak Network - 'Role of the Auditor-General'	Mike Blake
May 2013	Municipal Association of Victoria (MAV) Insurance Conference - 'Fraud control in local government performance audit'	Geoff Fisher
June 2013	Combined southern and northern Asset Managers Group - 'Road depreciation project'	Jara Dean, Rob Luciani
June 2013	CPA - Public sector leaders luncheon - Chairperson: 'Structural Changes in the Tasmanian Economy'	Ric De Santi
June 2013	Institute of Internal Auditors - 'Management of fraud risk, drawing on recent reports by accounting firms, the Queensland Audit Office and the Tasmanian Audit Office'	Mike Blake
June 2013	University retirees association - 'Role of the Auditor-General'	Mike Blake

Details of service on other committees are contained in Appendix 4.

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

Annual Plan of Work

The Audit Act also requires the preparation of an Annual Plan of Work for tabling with the President of the Legislative Council and the Speaker of the House of Assembly by no later than 30 June each year. We must consult PAC in developing this Plan and record within it any suggestions made by the committee and our responses to them. We presented to the President and the Speaker our Annual Plan of Work for 2012-13 in June 2012. Our Annual Plan of Work for 2013-14 was submitted to the President and the Speaker in June 2013.

Parliamentary presentations, PAC meetings and information sessions

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

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

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

Overseeing the annual audit process is a key responsibility of an audit committee. A regular dialogue between the chairperson of the audit committee and senior audit team members allows for fostering of ongoing, timely and open communication between the audit committee and the external auditor while respecting the responsibilities of each party. To help facilitate this, in June 2012 we conducted our first information session for members of client audit committees. The information session focused on the role of audit committees and their interaction with external auditors. It also provided an opportunity for an exchange of ideas on any concerns that may exist and to network with members of other audit committees. A technical part included an update on new and emerging accounting issues. Another information session was held in June 2013 which was just as successful. In addition, the Office recommenced its annual client information sessions in both Launceston and Hobart. The agenda included updates on accounting standards and other relevant topics. These sessions will continue in the future.

What we said we would do during 2012-13

Other than those listed under the seven themes the Office addressed a number of other initiatives for 2012-13 were also noted in our last annual report. Progress on these is detailed in the table below.

Initiative	Actions
<p>PAS will:</p> <ul style="list-style-type: none"> table a PAS report following an audit of homelessness the scope and criteria for which has been agreed with participating jurisdictions across Australia establish a partnering arrangement with the University of Tasmania. 	<ul style="list-style-type: none"> report on homelessness - <i>National Partnership Agreement on Homelessness</i> - tabled in March 2013 signed Memorandum of Understanding with the University of Tasmania in August 2012
<p>FAS will:</p> <ul style="list-style-type: none"> submit selected volumes for review by the ACAG report review group have assessed the need for an information technology audit capability with access to, and/or the development of, a relevant data centre both of which will be aimed at our financial audit and performance audit functions carry out an assessment of financial audit strategies aimed at ensuring appropriate assessments of risk conduct research into impacts on State entities of the Commonwealth's carbon price. 	<p>All initiatives completed</p>
<p>CSS will:</p> <ul style="list-style-type: none"> redevelop the Office's websites to ensure it meets relevant standards and provide reports to executive management on usage. This is aimed at ensuring our website meets contemporary standards facilitating ease of access by stakeholders and others benchmark property prices in Hobart and Launceston to ensure rates we are paying, and will be paying, are competitive and to explore options for reducing floor space in Hobart evaluate the quantum of the Office's compliance costs complete implementation of the recommendations of a business process review conducted in February 2011. The objective of this is to enable our business support functions to improve our back office operational effectiveness and efficiency find the best tools to measure and report on our carbon footprint including a green procurement guide for staff. 	<ul style="list-style-type: none"> To be completed by 31 December 2013 No longer required Delayed until June 2014 Completed with outsourcing of some back office functions Delayed until 30 June 2014
<p>The Technical and Quality Director will:</p> <ul style="list-style-type: none"> design a quality assurance plan for implementation develop an audit outsourcing policy around risk and scope but within budget parameters draft an audit practice statement for publications. 	<p>All initiatives completed</p>

Initiative	Actions
<p>The HRC will:</p> <ul style="list-style-type: none"> • revise their Customer Service Charter • research best practice performance management review systems and recommend to the Executive Management Team adoption of an appropriate system along with relevant implementation and induction plans • continue with periodic pulse surveys - the objective of which is to assess staff engagement and identify matters of concern and best practice promptly • review our WHS Framework to ensure compliance with harmonisation legislation from 1 January 2013 • review our grievance process • develop an HR communications strategy (as part of the greater Office communications strategy) • develop a new HR strategic plan which will include workforce plans, succession plans, retention plans, identification of skills needed to satisfy all Office needs, recruitment plans, reward and recognition arrangements and mechanisms to manage or reduce key person dependencies • re-implement Office values. 	<ul style="list-style-type: none"> • The Customer Service Charter was replaced with the principles noted in the Office's Strategic Plan and Values • To be completed by December 2013 • To be completed annually • To be completed by January 2014 as per requirements • To be completed in December 2013 • Part of Office communications strategy to be completed in June 2014 • Completed in June 2013 • Continuing/ongoing
<p>The IMC will:</p> <ul style="list-style-type: none"> • develop an Information and Communications Technology (ICT) Strategic Plan • complete an Information Security policy and procedure • undertake testing of the Business Continuity Plan, inclusive of disaster recovery. 	<ul style="list-style-type: none"> • Completed in June 2013 • Policy completed in June 2013. Procedure is being developed • Plan developed. To be tested and revised by December 2013

What we will do during 2013-14

Our initiatives for 2013-14 include:

1. undertake audits of the State Service employer function under the *State Service Act 2000*
2. implement and update the Office's Strategic Plan 2012-15
3. ongoing development and improvement of Statutory Reports to Parliament on outcomes of financial audits through the enhancement of reported information, report style and readability, financial report analysis, and more informed commentary
4. continuous improvement to financial audit processes and engagement with State entities to ensure financial statements, and audit reports thereon, are issued in a timely manner and in accordance with the requirements of the *Audit Act 2008*
5. ongoing development of a forward program of performance and compliance audits for inclusion in annual plans of work
6. respond to new and revised accounting and auditing standards and contribute to their development at exposure draft stages
7. continue to establish systems facilitating measurement of the Office's carbon emissions and then take action to reduce the Office's impact.

Other initiatives:

- continue to be financially sustainable operating under a business model that minimises financial risk and results in a build up of free cash facilitating operational flexibility and greater independence. This includes the Office operating under its own enterprise, or equivalent, agreement aimed at managing our industrial environment in the best interests of the Office, staff and Parliament

- examine options related to office accommodation including co-location with other similar bodies
- continue to review all the Office's policies and procedures to ensure changes to structures are accurately reflected and that all Staff understand and are aware of them
- respond to and action agreed recommendations arising from the external review of the Office in November 2013.

PAS will:

- fulfill the Plan of Work 2013-14 including at least seven reports to Parliament.

FAS will:

- complete a review of the operational costs of the unit
- to continue to meet, at least biannually, with those charged with governance and to present audit strategies and completion, or equivalent, reports. As part of this process, we will explain our audit methodology. Where an audit strategy has been issued, completion or equivalent reports should commence with the 2013-14 cycle.
- complete a follow-up audit in conjunction with performance audit staff and at least one other cross-sector review or project
- take over management of contracted financial audits from the Technical and Quality Director
- implement latest version of the audit toolset, IPSAM.

CSS will:

- develop a longer-term financial plan covering at least the next five years
- continue the redevelopment of the Office's website to ensure that it meets all relevant standards and requirements and is contemporary
- evaluate the quantum of the Office's compliance costs
- reconstitute the Office's "Green Team" with the aim of identifying and implementing the best tools for measuring and reporting of our carbon footprint including a green procurement guide for staff
- finalise the transition of some back office functions to Justice. This will include implementing and reporting of key performance indicators
- upgrade the audit toolset, IPSAM, to version 4. This will be completed in conjunction with FAS and will encompass training for all relevant staff.

The OAG will:

- initiate meetings with Parliamentarians
- all audit methodologies are to be evaluated annually to ensure they remain current. The Technical and Quality Director to complete this exercise with the Victorian Auditor-General's Office/Queensland Audit Office annually with a report to the Auditor-General
- fully implement the quality assurance framework developed in 2012-13.

The HRC will:

- finalise the review and update of the Office's performance management system
- continue with periodic pulse surveys - the objective is to assess staff engagement and identify matters of concern and best practice promptly
- ensure compliance with the WHS legislation
- review the Office's grievance policy and procedures
- develop and complete an office-wide communications strategy (including social media)
- re-implement and reinforce the Office values
- implement integrity training program for all staff utilising modules developed by the Integrity Commission
- conduct a biennial staff survey.

The IMC will:

- continue the review of the Business Continuity Plan and ensure testing has taken place
- review the ICT Strategic Plan for changes due to outsourcing some back office functions
- finalise and implement the Information Security Plan
- review, update and re-implement the Office's electronic records system TRIM
- ensure the ongoing flexibility of the Office's work environment, investigate and assess the usefulness of various technologies such as tablets and wireless networking keeping in mind information security issues.



OUR PEOPLE

Human resources strategic plan	41
Staff ethics	41
Complaints about employees	41
Employee profile	41
Leave management	42
Recruitment and selection	43
Graduate, cadetship and internship programs	43
Professional development	45
Study assistance	45
Performance management	45
Workplace health, safety and welfare	45
Workplace diversity	46
Industrial and workplace relations	46
Internal grievance procedure	47
Independent employee satisfaction survey	47
Tasmanian State Service workforce survey	48
Employee participation	48
Social	49
Rewards and recognitions	49



Human Resources Strategic Plan

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

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

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

Staff ethics

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

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

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

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

Complaints about employees

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

Employee profile

At 30 June 2013 we had a workforce of 39.4 FTEs compared to 43.7 the previous year. Our employee numbers decreased from 47 to 43 this year. The decrease in head count results from vacant positions not being filled in 2012-13.

During the year we utilised our fixed-term temporary employment registers when we required employees for short term assignments or to cover absences due to parental and personal leave.

Employees	2010-11	2011-2012	2012-13
Size of the workforce at 30 June - Head count	41	47	43
Size of the workforce at 30 June - Full-time Equivalent (FTE)	39	43.7	39.4
Number of employees who left during the year	8	6	10
Number of employees who commenced during the year	4	12	6
Number of permanent part-time employees	1	2	1
Number of full-time employees working reduced hours	5	3	4
Average age of workforce at 30 June	40.6	41.5	41.5

Two of our permanent full-time employees worked reduced hours after returning from maternity leave. Others worked reduced hours for personal reasons.

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

Unit	2010-11 Nos.	2011-12 Nos.	2012-13 Nos.	2010-11 %	2011-12 %	2012-13 %
Office of the Auditor-General	1	4	4	2	9	9
FAS	27	27	25	58	57	59
PAS	9	8	7	20	17	16
CSS	8	8	7	20	17	16

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

Gender Profile and Age	2010-11	2011-12	2012-13
Number of Males as a %	56.1	56.5	62.8
Number of Females as a %	43.9	43.5	37.2
Average Age – Male (Years)	42.8	44.3	41.6
Average Age – Females (Years)	38	37.8	41.2
Average Salary – Male	\$104 107	\$99 644	\$100 561
Average Salary - Female	\$76 610	\$76 351	\$77 901
No. of Males working agreed reduced hours	0	0	1
No. of Females working agreed reduced hours	6	3	3

Our gender profile has moved with an increase in the difference between male and female employees from 13% to 25.6%. The main reason for the movement is the structural changes in Corporate Support Services. Our age profile also shifted slightly, with the average age of males decreasing by 2.7 years and the average age of females increasing by 3.4 years.

The average male salary increased, primarily due to normal salary increments during the year. The average salary for males is still higher than for females by \$22 660. The average salary for males is heavily influenced by the salary of the Auditor-General, one Senior Executive Service position being filled by a male, and the next seven highest salaried positions in the office being held by males. This is a slight decrease on the previous year.

During 2012-13 the Office appointed a female in the Practice Manager role. She represents Corporate Support on the EMG. The Office continues to encourage female participation at senior management discussions by inviting them to senior management meetings. A number of our female employees continue to work reduced hours after returning from maternity leave.

Leave management

Managing employee leave entitlements is important because not doing so:

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

A breakdown of the leave is as follows:

Leave Profile	2010-11	2011-12	2012-13
Average sick leave days taken during the year per employee	9.3	8.4	5.1
Total number of sick leave days taken during the year	381	393	223
Average number of accrued recreation leave days per employee at year end	15.4	12.1	15.1
Total recreation leave days accrued at year end	629	568	650
Employees with > 35 days accrued recreation leave at 30 June	4	2	5
Average number of accrued long service leave (LSL) days per employee at year end	40.2	36.6	36.6
Total LSL days accrued at year end	1 647	1 718	1 576
Employees with > 100 days accrued LSL at 30 June	0	0	0
Average number of accrued in lieu of overtime (ILOT) days per employee at year end	1.3	3.1	1.4
Total ILOT days accrued at year end	54	145	61

The decrease in sick leave this year is pleasing. This level nearly meets the level that would be deemed reasonable for an office of this size. Continuing focus on workplace health and safety will assist in keeping sick leave at this level.

Recreation leave balances were higher than the previous year and five employees have balances exceeding 35 days. These employees have completed leave management plans to ensure these balances are reduced during the 2013-14 financial year and then kept at an acceptable level ongoing.

The average number of in lieu of overtime days per employee has decreased. This is primarily due to staff using time in lieu for breaks and holidays and in some cases using this type of leave instead of recreation leave.

Recruitment and selection

Our recruitment policies and procedures are conducted in accordance with the *State Service Act 2000*, including the State Service Employment Directions. 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 meet the selection criteria for the primary competencies required for each position and, therefore, demonstrate the strongest capacity to undertake the required functions.

We continued to participate in the University of Tasmania's Careers Fair and the level of interest in working in the Office was again high. In addition, we participated in careers fairs run by two of the professional accounting bodies.

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

Graduate, cadetship and internship programs

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

Our cadetship program is a development initiative and a response to addressing our workforce profile. The program allows participants the opportunity to work and gain experience while studying part-time for an appropriate degree. The intention of the program is that cadets will work in all business units to enable them to gain broader experience. The program is normally six years, but may be shorter depending on studies completed before commencing the program.

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

We continued to support the internship programs of both CPA Australia and the Institute of Chartered Accountants Australia (ICAA). These programs are both eight weeks in duration where graduates who are student members of the professional bodies are given work experience with organisations.

This year Damien Beven undertook a CPA internship with the office working in FAS and has continued as an Audit Assistant under the Fixed-Term Employment Register arrangements.

	2010-11	2011-12	2012-13
Total no. of cadets at 30 June	5	3	3
Total no. of graduates at 30 June	1	1	1
Cadets employed in FAS	5	3	3
Graduates employed in FAS	0	1	1
Graduates employed in PAS	1	0	0



Professional development

We are committed to providing high-quality learning and development opportunities for our employees. All employees and their supervisors are encouraged to identify learning and development needs through the performance management process and through project evaluation processes. As part of this process our employees’ objectives and those of the Office are considered when identifying appropriate development opportunities.

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

	2010-11	2011-12	2012-13
Average days per FTE	13.2	9.5	7.4
Average investment per FTE	\$1 893	\$858	\$1 740

During the year 15 managers took part in a Leadership and Management Program held from February to June 2013. The program was designed for both skilled managers and those new to the role and focused on the key role of the manager and the skills required to support, develop and manage people for optimum individual and team performance.

Study assistance

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

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

Employees undertook studies in the following areas:

- bachelor degrees – Three employees continued with their degrees via our cadetship program and one as a graduate
- professional programs, such as the Certified Practising Accountant (CPA) and Chartered Accountant (CA) programs or an honours degree – Four employees are studying one of the accounting bodies’ professional programs via assisted study.

Performance management

Our performance management system was reviewed during the year resulting in changes aimed at simplifying the process of undertaking performance assessments. Reporting requirements of Employment Direction No. 26 *Managing performance in the State Service* are included for the first time this year.

We have a remuneration committee which oversees salary progression recommendations and approves salary progression involving advanced assessment.

We continued to recognise outstanding performance at the business unit and Office level (see page 49 for details under Rewards and Recognition).

Workplace health, safety and welfare

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

Ergonomic assessments are conducted for all new employees on commencement and existing employees on request. Any recommendations from our independent assessor are acted upon within a reasonable timeframe.

The Office's Health and Wellbeing Program continued this year. The Office encouraged staff to participate in walking events conducted by the Global Corporate Challenge (GCC), and a fitness program and corporate gym memberships run through Personal Best Fitness. Fresh fruit and an annual influenza vaccination program were also available for staff. The Office also put together a team to compete in the Dragons Abreast Hobart - Corporate Regatta 2013.

Annual Warden training by the Tasmanian Fire Service was also conducted. Employees with legislative responsibilities will be re-elected and trained in the coming year.

Absenteeism levels decreased this year indicating these initiatives have had a positive impact.

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

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

The following measures are indicators of our success in actively providing a safe and healthy work environment:

	2012	2013
No. of incidents reported	1	1
No. of workers' compensation claims *	1	0
No. of First Aid Officers	5	5

* one ongoing

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 Resource Strategic Plan contains initiatives to promote our workplace diversity.

The Office continued to participate in the Department of Premier and Cabinet's Work Placement Program. This program is designed for recently arrived humanitarian entrants living in Tasmania to gain experience working in government and gain exposure to the Australian workplace culture. The Office hosted Aweke Getachew, a mathematics student from the University of Tasmania. Aweke spent a week in each of our business units learning about the role of the Auditor-General. On conclusion of the program, Aweke was presented with a certificate by Cassy O'Connor MP, Minister for Human Services and Community Development, at a graduation ceremony at Parliament House.

Industrial and workplace relations

During the year, we continued to implement aspects of the Tasmanian State Service Award and changes made to the *State Service Act 2000* and the directions issued under that Act. With the recent passage of amendments to the *State Service Act 2000*, Employment Directions will replace a number of Ministerial Directions (MDs) and Commissioner's Directions (CDs). Employment Directions are issued by the Minister administering the *State Service Act 2000* and relate to the administration of the State Service and employment matters relevant to the Act. For further information, refer to www.dpac.tas.gov.au.

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

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

In February 2013 a new Employment Direction came into effect to prescribe workplace arrangements and requirements for supporting State Service officers and employees experiencing family violence, and their co-workers.

Internal grievance procedure

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

We have an internal grievance process where employees can lodge a complaint. There were no complaints lodged for 2012-13.

Independent employee satisfaction survey

We recognise that our people are the key to improving our overall efficiency and performance. To measure our internal organisational effectiveness we commenced measuring employee satisfaction nine years ago. Our last survey conducted in May 2012, had a participation rate of 95% with the results showing an increase in employee satisfaction and morale compared to the previous survey in 2010. There were significant average improvements in the areas of Corporate Communication, Recruitment and Selection, and Teamwork. This survey is conducted biennially with the next one scheduled to be held in 2013-14.

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

Gender Profile	2006 %	2008 %	2010 %	2012 %
Co-operation between business units	Nm	61	65	68
Corporate Communications	61	77	70	82
Equal Employment Opportunity	67	79	76	79
Involvement	66	80	75	82
Leadership	60	76	73	80
Motivation	69	81	75	80
Performance Management	63	75	67	74
Personal Satisfaction	70	80	75	79
Recruitment and Selection	63	76	60	72
Rewards and Recognition	65	77	73	71
Staff Development	60	77	69	72
Supervision	68	80	69	77
Teamwork	66	82	62	75
Work Environment	Nm	67	77	79
Total Average	65	76	70	76

Tasmanian State service workforce survey

The first State Service Workforce Survey was undertaken in May 2013 by the Head of the State Service through the SSMO. This survey gauges employee views about their employment, and in turn, gathers information about workforce behaviour, management and leadership, workforce performance, workplace health and safety, capability and development, and employment matters of the Tasmanian State Service. The overall results for the Office were pleasing with the following measures (expressed as percentage of satisfaction):

Workforce Success (Organisational Culture)	72.43%
Workforce Capability and Performance	71.43%
Leadership, Management and Workforce Behaviour	75.36%
Workforce Identity, Attitude and Principles	77.90%

All of these results were higher than the whole of service percentages.

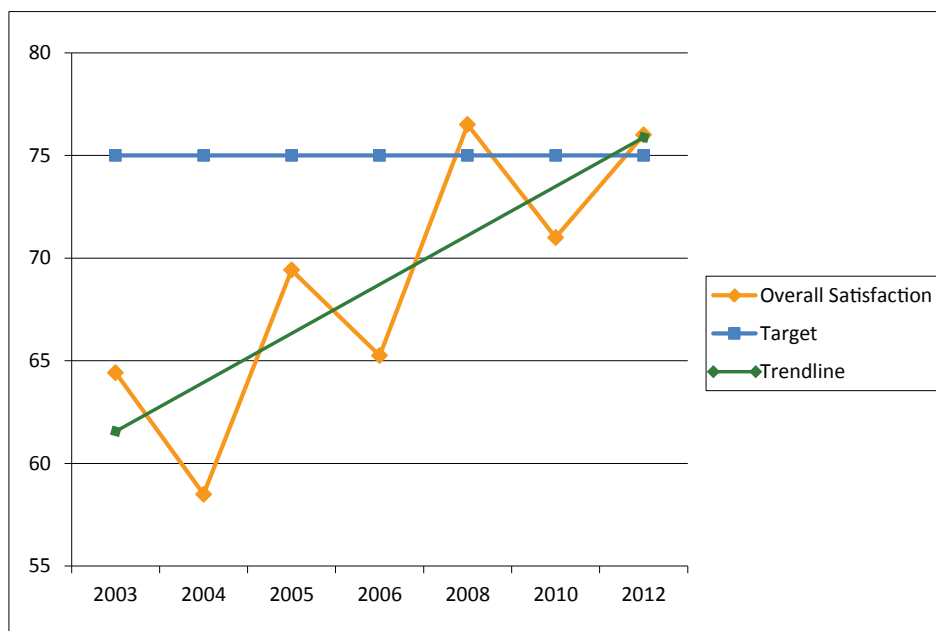
The areas where the Office needs to focus attention are:

Management of underperformance	42.86%
Development of good people managers	50.00%
Rewarding of effective people managers	50.00%

The Office has already started to work on these areas above by providing structured management and leadership training to senior management. Further training and support will be provided during 2013-14.

Employee participation

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



Employee involvement and participation continues to be sought through “all staff” emails, direct approaches, open Office discussions, regular office forums, internal newsletters and committee consultation. In 2012-13 we introduced the concept of communiques following all Office committee meetings. These communiques provide staff with a snapshot of each committees deliberations. We are investigating how to best use social media as another means to communicate with our employees and plan to develop a communications policy in the coming year. This indicator is measured biennially with the next survey due in 2013-14.

Social

Workforce and community committees and bodies

We encourage our employees to actively participate in all aspects of their work and professional lives. This year a number of employees were represented on both internal and external committees. Further details can be found in the Appendix 4 of this report.

Community involvement and support

The Office continued to participate in community fundraising events. The Social Club runs a casual dress day each month collecting donations for various charities. This year donations have supported the Cancer Council, Cystic Fibrosis, the Red Cross Bushfire Appeal and the Salvation Army's Red Shield appeal. The Social Club donated \$890 to charities in 2012-13, including \$600 for the Tasmanian Bushfire appeal.

The Office also put together a team to take part in Movember, with the team raising \$1 190 towards men's health awareness. The Office also put together a team to compete in the Dragons Abreast Hobart - Corporate Regatta 2013. The Auditor-General participated in the Salvation Army's Homelessness Sleepover, raising much needed funds for this worthwhile cause.

Social Club functions included the annual bake off, frequent welcome, farewell and birthday celebrations, curry lunch, and end-of-financial-year and end-of-calendar-year celebrations.



Above and left: Dragons Abreast Hobart - Corporate Regatta 2013



Rewards and recognition

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

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

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

As part of our rewards and recognition program we also present awards quarterly. These are made by the business units to individuals or teams.

The objectives of our program include:

- recognising and rewarding outstanding contributions made by individuals, and teams of individuals
- promoting increased awareness of best practices and successful development strategies in ways that will assist us to achieve our vision, "To make a difference"
- helping us foster an environment of shared success and commitment
- highlighting behaviours and activities that have benefited us and showcased our employees as role models
- being a fair and flexible practice that is woven into the fabric of our culture
- recognising that each individual, and each team, can make a difference.

Nominations were received for the Boyes Award and the Above and Beyond Award.

The Boyes Award was awarded to:

- Patty Johnson – CSS.

The Above and Beyond Award was awarded to:

- Reece Munnings – FAS
- Jesse Penfold - FAS.

The following employees received quarterly recognition awards:

- Bruce Williams - FAS
- Minyan Qiu - FAS
- Jesse Penfold - FAS
- Reece Munnings - FAS
- Russell Webb - FAS
- Patty Johnson - CSS
- Kerry Conyard - CSS
- Jessica Reardon - CSS
- Rhiannon Steele - CSS
- Mathew Nicholls - CSS.



OUR FINANCES

Financial summary	52
Independent auditor's report	57
Certification of financial statements	59
Financial statements	60
Notes on financial statements	64



Financial summary

Financial performance

Key indicators of our financial performance in 2012-13 and position at 30 June 2013 include:

- A positive net operating balance for the financial year of \$0.611m (2011-12 positive net operating balance of \$0.237m), which was a healthy result in particular when compared to the budget of \$0.004m. Significant contributors to this were lower employee benefits and savings in information technology and accommodation costs.
- A small increase in revenue from \$7.263m in 2011-12 to \$7.355m this year which was slightly lower than our budget by \$0.064m predominantly due to user charges and Reserved by Law budget that were not fully expended during the 2012-13 year as well as a reduction in Appropriation due to the Office no longer being required to pay payroll tax from 1 October 2012.
- A decrease in expenditure from \$7.026m in 2011-12 to \$6.744m this year which was less than our budget by \$0.671m predominantly related to savings in employee benefits including reduced leave entitlements. In addition there were also savings in various areas of expenditure including information technology and accommodation costs as well as payroll tax ceasing to be paid from 1 October 2012.
- A positive net result of \$0.399m (2011-12 positive net result of \$0.237m), less than the net operating balance by \$0.212m due to the decision to change the Office's accounting policy as it relates to its fixed assets capitalisation threshold and to write off previously capitalised financial software. Further details are provided in notes 1.5(c) and 3.1 in the audited financial statements.
- Improvement in equity, and net assets, by \$0.399m compared to 2012, being the net result for the year, and by \$0.698m compared to budget – the budget had anticipated a small net surplus for the year. Net assets also improved due to improved cash management and recovery of financial audit debtors.
- From a day to day operations point of view, management of the Office's net working capital is critical. Key components are cash and deposits, receivables, work in progress, payables and revenue received in advance the net of which were \$1.966m at 30 June 2013, \$1.258m at 30 June 2012 and \$1.222m budget. The improvement between 2012 and 2013 primarily related to the net operating balance of \$0.611m for the year and the reduction in work in progress and debtors of \$0.409m.
- Non-financial assets decreased by \$0.338m compared to the position at 30 June 2012 mainly due to the decision to change the accounting policy in relation to the asset capitalisation threshold (now \$0.005m) and to outsource some back office corporate functions. Together these decisions resulted in the write off of non-financial assets by \$0.212m.

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

Revenue	2008-09 (\$'000)	2009-10 (\$'000)	2010-11 (\$'000)	2011-12 (\$'000)	2012-13 (\$'000)	2013-14 (\$'000)
User charges	3 755	4 157	4 691	4 723	4 797	4 904
Appropriations						
Reserve-by-law	362	391	377	385	430	527
Performance audits and reports	1 888	1 910	2 046	2 027	1 978	1 778
Other revenue	20	53	90	128	150	185
Total	6 042	6 511	7 204	7 263	7 355	7 394

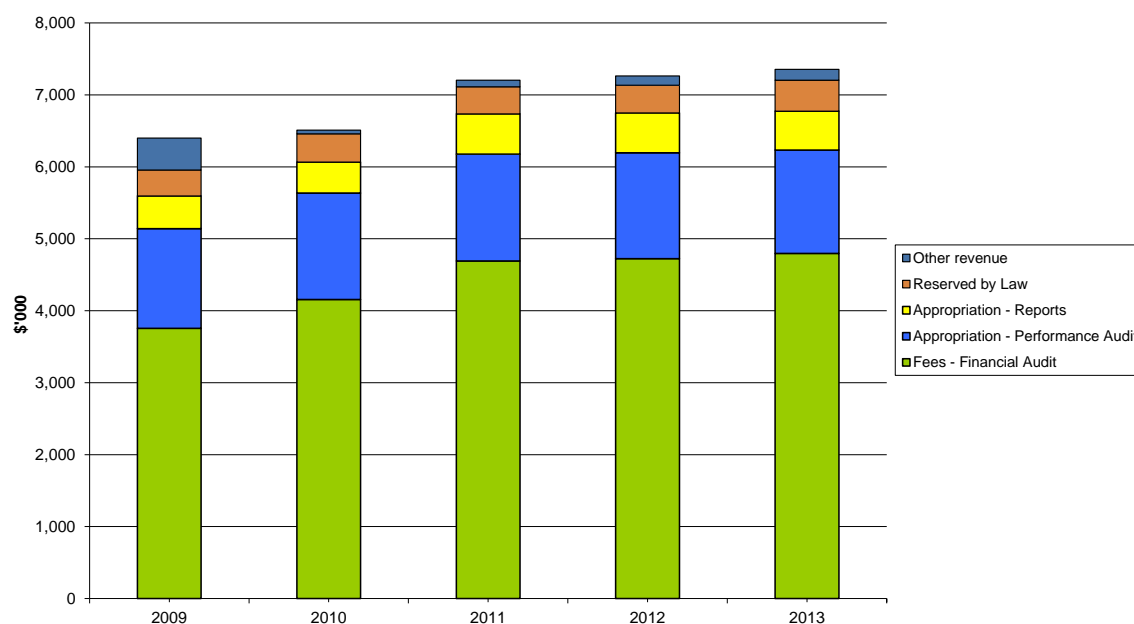
During the 2011-12 budget process, Government advised us that our appropriation funding for the next three years, through to 2013-14, would be reduced. Additional savings were required through the 2012-13 budget process such that the cumulative impact by 30 June 2016 will see our budget reduced by \$0.255m.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

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

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

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

Revenue, 2012-13 and previous four years



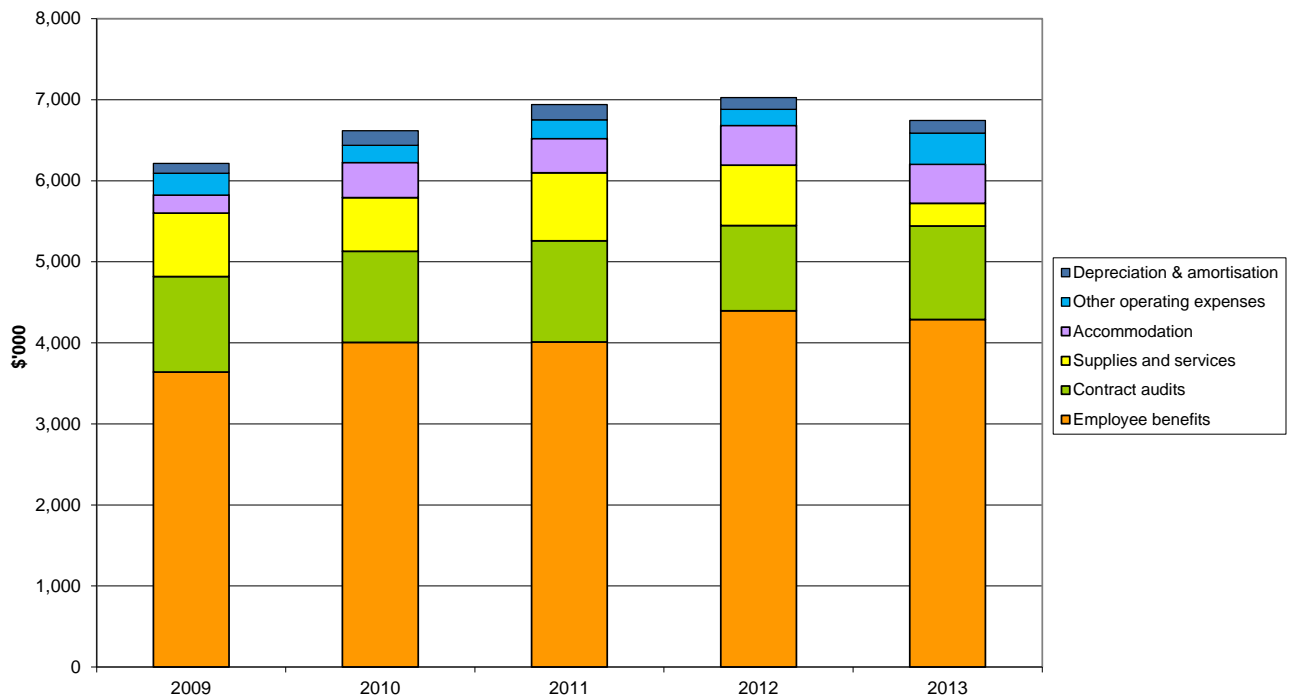
Comments below compare financial performance relating to revenue between 2011-12 and 2012-13. Our total revenue increased slightly compared to the previous year. This year the revenue target for financial audit activity was met while the target for Appropriation funding was not for Reserved by Law funding. The most significant revenue increase for the year compared to the previous year was a 17.2% increase in other revenue. This was mainly as a result of workers compensation receivable and the receipt of funding for the Auditor-General's work in relation to State Service investigations starting in June 2013 which were not budgeted.

The following table details the movements in expenditure for the past five years and our budget for 2013-14:

Expenditure	2008-09 (\$'000)	2009-10 (\$'000)	2010-11 (\$'000)	2011-12 (\$'000)	2012-13 (\$'000)	2013-14 (\$'000)
Employee benefits	3 639	4 006	4 012	4 395	4 220	5 040
Other expenses	853	754	902	828	619	558
Audit contractors	1 179	1 123	1 246	1 052	1 155	1 102
Information technology	124	121	171	116	110	166
Accommodation	223	433	421	491	483	489
Depreciation/Amortisation	122	180	188	144	157	94
Total	6 140	6 617	6 940	7 026	6 744	7 449
Net Operating Balance	(98)	(104)	266	237	611	(55)

Commentary on movements in expenditure between 2011-12 and 2012-13 are noted below in the next graph.

Expenditure, 2012-13 and previous four years



Employee benefits decreased compared to last year and were \$0.692m lower than budget. This occurred as a result of vacant positions not being filled and lower entitlement accruals due to better management of staff leave. In addition, the Office is no longer required to pay payroll tax from 1 October 2012.

The main movement in expenditure was the decrease in printing, classified under other expenses, due to less reports being printed and more distributed electronically. In addition, contracted services were less in areas such as internal audit and information management due to projects being held over to 2013-14 as a result of some back office functions being outsourced to an external provider from 1 July 2013.

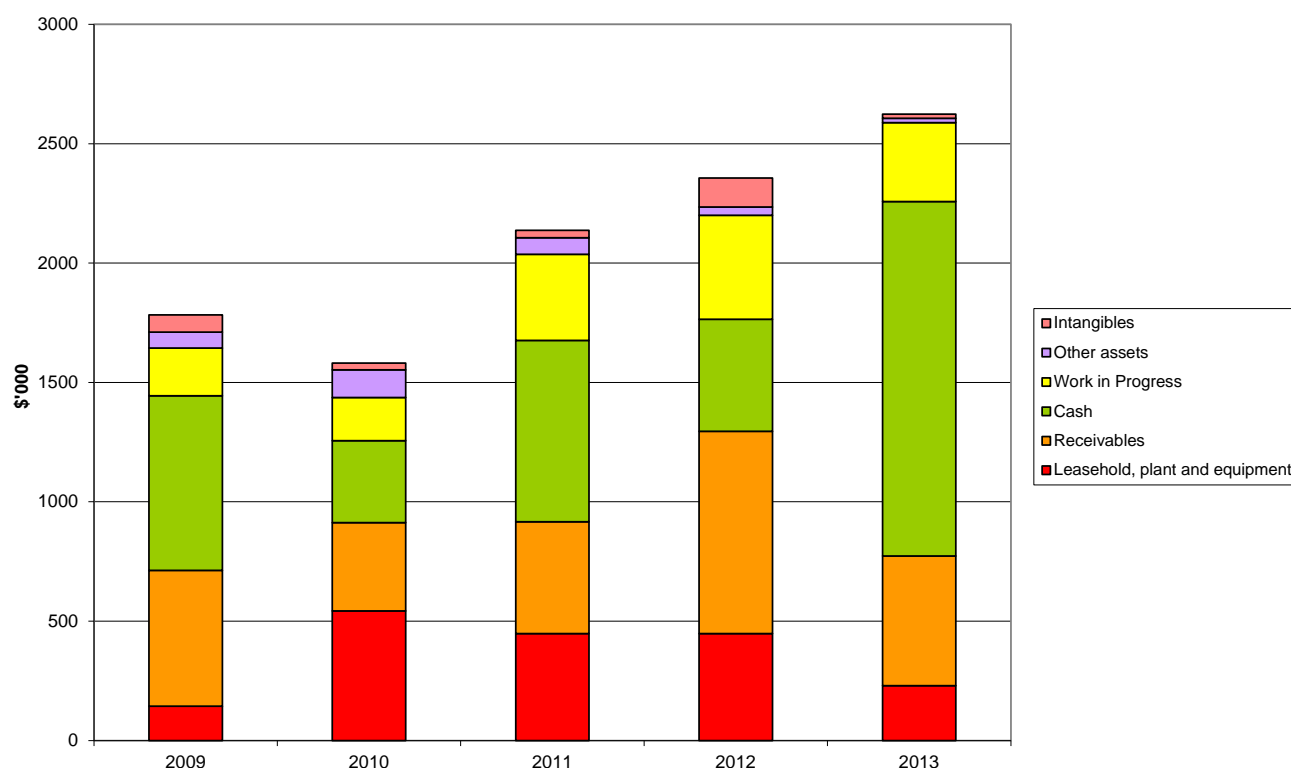
Financial position

Our financial position is summarised in the tables and graphs below which include our budget for 2013-14.

Assets

Assets	2008-09 (\$'000)	2009-10 (\$'000)	2010-11 (\$'000)	2011-12 (\$'000)	2012-13 (\$'000)	2013-14 (\$'000)
Financial assets	1 543	894	1 589	1 752	2 358	1 524
Non-financial assets	283	687	548	604	266	527
Total	1 826	1 581	2 137	2 356	2 624	2 051

Total assets by asset type presented graphically excluding the budget



Comments below compare assets between 30 June 2012 and 30 June 2013.

The primary change to our financial position since 30 June 2012 was an increase in our equity by \$0.399m (2011-12, increase of \$0.237m) to \$1.183m (2011-12, \$0.784m) being due to the positive net result of \$0.399m.

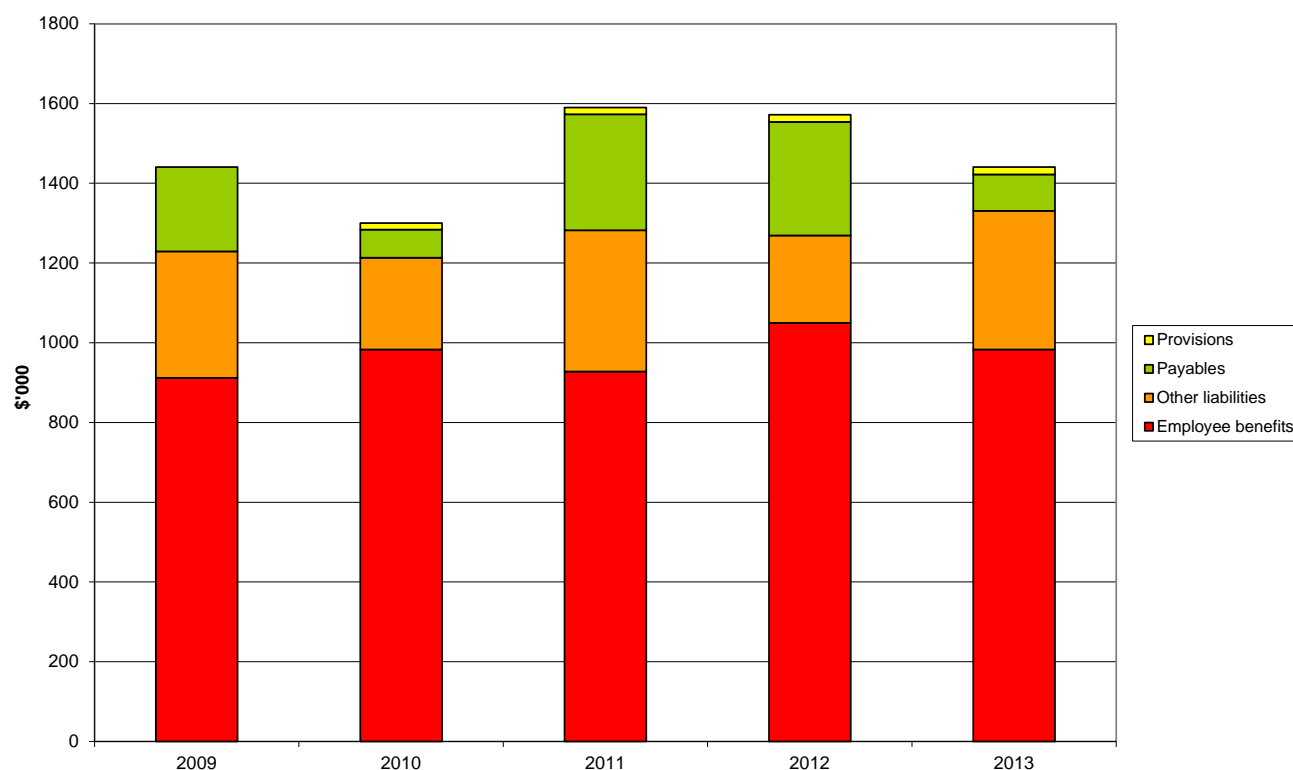
The \$0.268m increase in financial assets, comprising our bank balance, receivables and unbilled work-in-progress, was mainly as a result of a higher bank balance of \$1.015m offset partly by decreases in receivables and work-in-progress of \$0.304m and \$0.105m, respectively. During 2012-13 emphasis was on improving debtor and work-in-progress management.

Non-financial assets, comprising leasehold improvements, plant and equipment and intangibles, decreased by \$0.338m mainly due to depreciation and amortisation, \$0.157m, and the write-off by \$0.212m of assets because of the combined effects of a change in accounting policy by increasing the capitalisation threshold to \$0.005m, and the outsourcing of some back office functions.

Liabilities and net assets/equity

Liabilities	2008-09 (\$'000)	2009-10 (\$'000)	2010-11 (\$'000)	2011-12 (\$'000)	2012-13 (\$'000)	2013-14 (\$'000)
Financial liabilities	212	87	308	303	110	129
Non-financial liabilities	1 229	1 213	1 282	1 269	1 331	1 289
Total	1 441	1 300	1 590	1 572	1 441	1 418
Net Assets/Equity	385	281	547	784	1 183	633

Total liabilities by liability type presented graphically excluding the budget



Comments below compare liabilities between 30 June 2012 and 30 June 2013.

The majority of financial liabilities is creditors, \$0.091m (2011-12, \$0.285m), predominantly unpaid audit contractors.

The majority of non-financial liabilities were leave provisions and revenues received in advance. The latter increased to \$0.301m at 30 June 2013 from \$0.209m at 30 June 2012 primarily due to earlier billing of work on an instalment basis.

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

Employee benefits decreased by \$0.067m to \$0.983m at 30 June 2013 due to an overall decrease in salaries and days leave accrued. At 30 June 2013 days leave accrued were:

- Recreation leave, 650 days (2012, 568 days)
- Long service leave, 1 576 days (2012, 1 718 days)
- In lieu of overtime, 61 days (2012, 145 days).

Independent Auditor's Report



Hayes Knight Audit Pty Ltd

ABN: 86 005 105 975

Level 12, 31 Queen St,

Melbourne, VIC 3000

T: 03 8613 8888 F: 03 8613 8800

Email: info@hayesknightsaudit.com.au

www.hayesknight.com.au

Registered Audit Company 291969

INDEPENDENT AUDITOR'S REPORT TO THE GOVERNOR OF TASMANIA IN RELATION TO THE TASMANIAN AUDIT OFFICE'S ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

Report on the Financial Statements

We have audited the accompanying financial statements, of the Tasmanian Audit Office (the Office), which comprise the statement of financial position as at 30 June 2013 and the statement of comprehensive income, the statement of cash flows and statement of changes in equity for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the certification of the financial statements.

Auditor-General's Responsibility for the Financial Report

The Auditor-General is responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Financial Management and Audit Act 1990 and Audit Act 2008. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements that are 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 statements 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 statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, 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 statements 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 statements.

An independent Member of the Hayes Knight Group and Morison International.

Liability limited by a scheme approved under Professional Standards Legislation.

Associated Offices : Adelaide | Auckland | Brisbane | Darwin | Melbourne | Perth | Sydney

Independent Auditor's Report



Hayes Knight Audit Pty Ltd

ABN: 86 005 105 975

Level 12, 31 Queen St,

Melbourne, VIC 3000

T: 03 8613 8888 F: 03 8613 8800

Email: info@hayesknightaudit.com.au

www.hayesknight.com.au

Registered Audit Company 291969

INDEPENDENT AUDITOR'S REPORT (Cont) TO THE GOVERNOR OF TASMANIA IN RELATION TO THE TASMANIAN AUDIT OFFICE'S ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

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

Independence

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

Opinion

In our opinion, the financial statements of the Tasmanian Audit Office presents fairly, in all material respects the financial position of Tasmanian Audit Office as of 30 June 2013 and of its financial performance and 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 and Audit Act 2008.

HAYES KNIGHT AUDIT PTY LTD
Chartered Accountants
Melbourne

Andrew Wehrens
Partner
15 August 2013

An independent Member of the Hayes Knight Group and Morison International.


Liability limited by a scheme approved under Professional Standards Legislation.

Associated Offices : Adelaide | Auckland | Brisbane | Darwin | Melbourne | Perth | Sydney

Certification of Financial Statements for the year ended 30 June 2013

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 2013 and the financial position as at the end of that year.

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

A handwritten signature in black ink, appearing to read 'Mike Blake', enclosed within a faint rectangular border.

Mike Blake
Auditor-General
9 August 2013

A handwritten signature in black ink, appearing to read 'Ric De Santi', enclosed within a faint rectangular border.

Ric De Santi
Chief Operating Officer
9 August 2013

Statement of Comprehensive Income for the year ended 30 June 2013

This Statement of Comprehensive Income should be read in conjunction with the accompanying notes. Budget information refers to original estimates and has not been subject to audit.

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

	Notes	2013 Budget \$'000	2013 Actual \$'000	2012 Actual \$'000
Continuing operations				
Revenue and other income from transactions				
Revenue from Government				
Appropriation revenue - RBL	1.6(a), 3.1(a), 5.1	512	430	385
Appropriation revenue - recurrent	1.6(a), 5.1	2 102	1 978	2 027
User charges	1.6(b), 5.2	4 805	4 797	4 723
Other revenue	1.6(c), 3.1(b), 5.3	-	150	128
Total revenue and other income from transactions		7 419	7 355	7 263
Expenses from transactions				
Employee benefits	1.7(a), 3.1(b), 6.1	4 912	4 220	4 395
Depreciation and amortisation	1.7(b), 6.2	145	157	144
Payroll tax	1.7, 3.1(c)	249	67	199
Audit contractors	1.7	1 118	1 155	1 052
Accommodation	1.7	511	483	491
Information technology	1.7, 3.1(d)	162	110	116
Materials and supplies	1.7	155	169	207
Other expenses	1.7(c), 3.1(e), 6.3	163	383	422
Total expenses from transactions		7 415	6 744	7 026
Net result from transactions (net operating balance)		4	611	237
Other economic flows included in net result				
Net loss on write-off/sale of non-financial assets	1.8(a), 3.1(f), 7.1	-	212	-
Total other economic flows included in net result		-	212	-
Net result		4	399	237
Comprehensive result		4	399	237

Statement of Financial Position as at 30 June 2013

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

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

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

	Notes	2013 Budget \$'000	2013 Actual \$'000	2012 Actual \$'000
Assets				
<i>Financial Assets</i>				
Cash and deposits	1.9(a), 3.2(a), 11.1	943	1 485	470
Receivables	1.9(b), 3.2(b), 8.1	368	543	847
Work in progress	1.9(c), 3.2(c), 8.2	430	330	435
<i>Non-financial assets</i>				
Leasehold improvements, plant and equipment	1.9(d), 3.2(d), 8.3	132	230	448
Intangibles	1.9(e), 3.2(e), 8.4	258	18	121
Other assets	1.9, 8.5	-	18	35
Total assets		2 131	2 624	2 356
Liabilities				
Payables	1.10(a), 3.2(f), 9.1	275	91	285
Provisions	1.10(b), 9.2	18	19	18
Employee benefits	1.10(c), 3.2(g), 9.3	1 115	983	1 050
Revenue received in advance	1.10(e), 3.2(h), 9.5	193	301	209
Other liabilities	1.10, 9.6	45	47	10
Total liabilities		1 646	1 441	1 572
Net assets		485	1 183	784
Equity				
Contributed capital		1 168	1 168	1 168
Accumulated surplus/(deficit)		(683)	15	(384)
Total equity		485	1 183	784

Statement of Cash Flows for the year ended 30 June 2013

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

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

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

	Notes	2013 Budget \$'000	2013 Actual \$'000	2012 Actual \$'000
Cash flows from operating activities		Inflows (Outflows)	Inflows (Outflows)	Inflows (Outflows)
Cash inflows				
Appropriation receipts - recurrent		2 102	1 978	2 027
Appropriation receipts - RBL	3.3(a)	512	430	385
User charges	3.3(b)	4 805	5 316	4 252
GST receipts	3.3(c)	637	508	487
Other cash receipts	3.3(d)	-	167	131
Total cash inflows		8 056	8 399	7 282
Cash outflows				
Employee benefits	3.3(e)	(4 387)	(3 910)	(3 930)
Superannuation		(453)	(420)	(401)
GST payments	3.3(c)	(637)	(508)	(487)
Other cash payments		(2 381)	(2 499)	(2 524)
Total cash outflows		(7 858)	(7 337)	(7 342)
Net cash from operating activities	11.2	198	1 062	(60)
Cash flows from investing activities				
Cash outflows				
Payments for aquisition of non-financial assets	3.3(f)	(81)	(47)	(230)
Net cash used by investing activities		(81)	(47)	(230)
Net increase/(decrease) in cash and cash equivalents held		117	1 015	(290)
Cash and deposits at the beginning of the reporting period		826	470	760
Cash and deposits at the end of the reporting period	11.1	943	1 485	470

Statement of Changes in Equity for the year ended 30 June 2013

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

	Contributed equity \$'000	Accumulated Surplus/deficit \$'000	Total equity \$'000
Balance as at 1 July 2012	1 168	(384)	784
Total comprehensive result	-	399	399
Balance as at 30 June 2013	1 168	15	1 183
Balance as at 1 July 2011	1 168	(621)	547
Total comprehensive result	-	237	237
Balance as at 30 June 2012	1 168	(384)	784

Notes to and forming part of the Financial Statements

Note 1 Significant Accounting Policies	65	9.4 Superannuation	82
1.1 Objectives and Funding	65	9.5 Revenue received in advance	83
1.2 Basis of Accounting	65	9.6 Other Liabilities	83
1.3 Reporting Entity	65		
1.4 Functional and Presentation Currency	65	Note 10 Commitments and Contingencies	84
1.5 Changes in Accounting Policies	65	10.1 Schedule of Commitments	84
1.6 Income from Transactions	68		
1.7 Expenses from Transactions	68	Note 11 Cash Flow Reconciliation	85
1.8 Other Economic Flows included in Net Result	69	11.1 Cash and Deposits	85
1.9 Assets	69	11.2 Reconciliation of Net Result to Net Cash from Operating Activities	85
1.10 Liabilities	70		
1.11 Leases	71	Note 12 Financial Instruments	85
1.12 Unrecognised Financial Instruments	71	12.1 Risk Exposures	85
1.13 Judgements and Assumptions	71	12.2 Categories of Financial Assets and Liabilities	89
1.14 Budget Information	72	12.3 Comparison between Carrying Amount and Net Fair Value of Financial Assets and Liabilities	89
1.15 Rounding	72	12.4 Net Fair Values of Financial Assets and Liabilities	89
1.16 Office Taxation	72		
1.17 Goods and Services Tax	72	Note 13 Auditor's Remuneration	90
Note 2 Office Output Schedules	72	Note 14 Key Management Personnel Compensation	90
2.1 Output Group Information	72		
		Note 15 Principal Address and Registered Office	92
Note 3 Explanations of Material Variances between Budget and Actual Outcomes	73		
3.1 Statement of Comprehensive Income	73		
3.2 Statement of Financial Position	73		
3.3 Statement of Cash Flows	74		
Note 4 Events Occurring After Balance Date	74		
Note 5 Income from transactions	75		
5.1 Revenue from Government	75		
5.2 User Charges	75		
5.3 Other Revenue	75		
Note 6 Expenses from transactions	76		
6.1 Employee Benefits	76		
6.2 Depreciation and Amortisation	76		
6.3 Other Expenses	77		
Note 7 Other economic flows included in net result	77		
7.1 Net Loss on Non-financial Assets	77		
Note 8 Assets	78		
8.1 Receivables	78		
8.2 Work in Progress	78		
8.3 Leasehold Improvements, Plant and Equipment	78		
8.4 Intangibles	80		
8.5 Other Assets	80		
Note 9 Liabilities	81		
9.1 Payables	81		
9.2 Provisions	81		
9.3 Employee Benefits	82		

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, and all state entities, and the economy, efficiency and effectiveness of those entities.

The Office charges fees for financial audit services. Since 1 July 2008 the Office has been funded by a direct Parliamentary Appropriation for undertaking performance and compliance audits, special investigations, state service employer investigations and the publishing of statutory reports to Parliament. The Office is also funded through a Parliamentary Appropriation for the Auditor-General's salary and associated allowances.

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

During the 2012-13 financial year, the Office undertook discussions with state government agencies to provide a number of back office functions for a fee under a service level agreement (SLA). Agreement was reached and the Office and the Department of Justice has entered into a SLA for services in relation to some functions of information technology, finance, human resources and information management. The SLA is effective from 1 July 2013.

1.2 Basis of Accounting

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

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

The Financial Statements were signed by the Auditor-General and the Chief Operating Officer on 9 August 2013. Compliance with Australian Accounting Standards (AAS) may not result in compliance with International Financial Reporting Standards, as the AAS include requirements and options available to not-for-profit organisations that are inconsistent with International Financial Reporting Standards (IFRS). The Office is considered to be not-for-profit and may adopt some accounting policies under the AAS that do not comply with IFRS.

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

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

1.3 Reporting Entity

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

1.4 Functional and Presentation Currency

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

1.5 Changes in Accounting Policies

(a) Impact of new and revised Accounting Standards

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

- AASB 2011-1 *Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project* [AASBs 1, 5, 101, 107, 108, 121, 128, 132 & 134 and Interpretations 2, 112 & 113] – this Standard, in conjunction with AASB 1054, removes disclosure requirements from other Standards and incorporates them in a single Standards to achieve convergence between Australian and New Zealand Accounting Standards. There is no financial impact.

- AASB 2011-9 *Amendments to Australian Accounting Standards – Presentation of Items Other Comprehensive Income* [AASB 1, 5, 7, 101, 112, 120, 121, 132, 133, 134, 1039 & 1049] – This Standard requires to group items presented in other comprehensive income on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). There is no financial impact.
- AASB 2012-6 *Amendments to Australian Accounting Standards – Mandatory Effective Date of AASB 9 and Transition Disclosures* [AASB 9, AASB 2009 11, AASB 2010 7, AASB 2011 7 & AASB 2011 8] – This Standard amends the mandatory effective date of AASB 9 Financial Instruments so that AASB 9 is required to be applied for annual reporting periods beginning on or after 1 January 2015 instead of 1 January 2013. There is no financial impact.

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

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

- AASB 9 *Financial Instruments* – This Standard supersedes AASB 139 Financial Instruments: Recognition and Measurement, introducing a number of changes to accounting treatments. The Standard was reissued in December 2010. The Standard was issued in August 2011 but is not yet available for application by not for profit entities. There is no material impact.
- AASB 13 *Fair Value Measurement* – This Standard defines fair value, sets out a framework for measuring fair value and requires disclosures about fair value measurements. AASB 13 Fair Value Measurement sets out a new definition of ‘fair value’ as well as new principles to be applied when determining the fair value of assets and liabilities. The new requirements will apply to all of the Office’s assets and liabilities (excluding leases), that are measured and/or disclosed at fair value or another measurement based on fair value.

The Office’s only non-current assets are leasehold improvements, plant and equipment and intangibles which are recognised at cost less depreciation and less impairments if relevant. As a result, AASB 13 will have no impact on the Office’s Financial Statements.

However, AASB 13 will require an increased amount of information to be disclosed in relation to fair value measurements for both assets and liabilities. To the extent that any fair value measurement for an asset or liability uses data that is not ‘observable’ outside the Office, the amount of information to be disclosed will be relatively greater. In view of the nature of the Office’s assets and liabilities, additional disclosure is not anticipated.
- AASB 119 *Employee Benefits* – This Standard supersedes AASB 119 Employee Benefits, introducing a number of changes to accounting treatments. The Standard was issued in September 2012. The Office has determined that the potential impact of application is immaterial.
- AASB 2010-7 *Amendments to Australian Accounting Standards arising from AASB 9* (December 2010) [AASBs 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023 & 1038 and Interpretations 2, 5, 10, 12, 19, & 127] – This Standard makes consequential amendments to other Australian Accounting Standards and Interpretations as a result of issuing AASB 9 in December 2010. There is no financial impact.
- AASB 2011-8 *Amendments to Australian Accounting Standards arising from AASB 13* [AASB 1, 2, 3, 4, 5, 7, 101, 116, 117, 118, 119, 120, 121, 131, 132, 133, 134, 136, 138, 139, 140, 141, 1004, 1023 & 1038 and Interpretations 2, 4, 12, 13, 14, 17, 19, 131 & 132] – This Standard replaces the existing definition and fair value guidance in other Australian Accounting Standards and Interpretations as the result of issuing AASB 13 in September 2011. There is no financial impact.
- AASB 2011-10 *Amendments to Australian Accounting Standards arising from AASB 119* (September 2011) [AASB 1, 8, 101, 124, 134, 1049, & 2011 8 and Interpretation 14] – This Standard makes amendments to other Australian Accounting Standards and Interpretations as a result of issuing AASB 119 in September 2011. There is no financial impact.
- AASB 2012-2 *Amendments to Australian Accounting Standards - Disclosures – Offsetting Financial Assets and Financial Liabilities* [AASB 7 & AASB 132] – This Standard amends the required disclosures in AASB 7 to include information that will enable users of an Office’s Financial Statements to evaluate the effect or potential effect of netting arrangements, including rights of set-off associated with the Office’s recognised financial assets and recognised financial liabilities, on the Office’s financial position. There is no financial impact.
- AASB 2012-3 *Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities* [AASB 132] – This Standard adds application guidance to AASB 132 to address inconsistencies identified in applying some of the offsetting criteria, including clarifying the meaning of “currently has a legally enforceable right of set off” and that some gross settlement systems may be considered equivalent to net settlement. There is no financial impact.
- AASB 2012-5 *Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle* [AASB 1, AASB 101, AASB 116, AASB 132 & AASB 134 and Interpretation 2] – This Standard makes amendments to the Australian Accounting Standards and Interpretations as a consequence of the annual improvements process. There is no financial impact.

- AASB 2013-1 *Amendments to AASB 1049 – Relocation of Budgetary Reporting Requirements* – This Standard removes the requirements relating to the disclosure of budgetary information from AASB 1049 (without substantive amendment). All budgetary reporting requirements applicable to public sector entities are now located in a single, topic based, Standard AASB 1055 Budgetary Reporting. There is no financial impact.

(c) Change in accounting estimates

During the 2011-12 year the Office undertook a major upgrade to its financial systems software affecting general ledger, payroll and job costing. The upgrade resulted in an extension to the remaining useful life of the software. This extended period was estimated at three years, being the expected time before another major upgrade will be required. Amortisation was to continue to be on a straight line basis and no residual value was attributed to the software. As at 1 July 2013, the Department of Justice has undertaken to provide the Office with some financial function support and as such the investment in the financial software no longer will provide benefit. Therefore as at 30 June 2013, the balance of all capitalised software has been written down to nil.

The effect is shown below:

	Note	2011-12	2012-13
		\$	\$
Statement of Comprehensive Income			
Additional amortisation		-	29 209
Statement of Financial Position			
Cost of Software Upgrade		87 628	87 628
Accumulated Amortisation		-	(29 209)
Write-off Payroll and Job Costing System	7.1	-	(58 419)
Carrying Value of Capitalisation		87 628	-

(d) Voluntary change in accounting policy

The Financial Statements have been prepared on the basis of a retrospective application of a voluntary change in accounting policy relating to the capitalisation threshold of Non-Current Assets.

The new accounting policy will capitalise assets having a cost basis of \$5 000 and above.

The previous accounting policy capitalised assets having a cost basis of \$1 000 and above.

The new accounting policy was adopted on 1 July 2012 and has been applied retrospectively. Management judges that the change in policy will result in the Financial Statements providing more relevant and no less reliable information because it leads to a more reasonable valuation of the Office's non-current physical assets and better aligns with Treasurer's Instructions.

Given the recommendation in Treasurer's Instruction 303, and comparing the current policy to Agencies of similar size and scope, management determined that the asset recognition threshold was set too low and that the cost of accounting for a large number of low value items exceeded the benefit of having that information. In addition, the Office will keep a register of all assets that are deemed to be portable and attractive items regardless of their value. The portable and attractive items will not form part of the Financial Statements unless their value is \$5 000 or greater. The impact of the change in accounting policy on the Statement of Comprehensive Income, Statement of Financial Position and Statement of Changes in Equity is set out below:

Statement of Comprehensive Income

Non-financial assets (excluding other assets) having a cost basis less than \$5 000 and a written down value of greater than \$Nil have been adjusted to take up the remaining depreciation expense and write-off these assets of \$212 460 (2012: \$60 307).

Statement of Financial Position

The carrying amount of Non-financial assets (excluding other assets) at 30 June 2012 has decreased by \$60 307. The carrying amount of Non-financial assets (excluding other assets) at 30 June 2013 has decreased by \$212 460.

Statement of Changes in Equity

The impact of the change in accounting policy has resulted in a decrease Equity of \$212 460 (2012: \$60 307).

1.6 Income from Transactions

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

(a) Revenue from Government

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

(b) User Charges

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

(c) Other revenue

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

1.7 Expenses from Transactions

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

(a) Employee benefits

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

(b) Depreciation and amortisation

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

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

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

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

Computer equipment - software	3-5 years
-------------------------------	-----------

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

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

(c) Other expenses

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

1.8 Other Economic Flows included in Net Result

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

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

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

(b) Impairment – Financial assets

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

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

All impairment losses are recognised in the Statement of Comprehensive Income.

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

(c) Impairment – non financial assets

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

All impairment losses are recognised in Statement of Comprehensive Income.

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

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

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

The Office calculated the impact of the revaluation of the present values of the long service leave liability due to changes in the bond interest rate. The impact was determined to be immaterial. The change in the present value of the long service leave liability is mainly due to the increase in accumulated balances and increases in salaries during 2012-13.

1.9 Assets

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

(a) Cash and deposits

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

(b) Receivables

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

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

(c) Work in progress

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

(d) Leasehold improvements, plant and equipment

(i) Valuation basis

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

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

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

(ii) Subsequent costs

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

(iii) Asset recognition threshold

The asset capitalisation threshold adopted by the Office is \$5 000. Assets valued at less than \$5 000 are charged to the Statement of Comprehensive Income in the year of purchase. This is a change in accounting policy, refer 1.5 (d).

(e) Intangibles

An intangible asset is recognised where:

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

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

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

1.10 Liabilities

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

(a) Payables

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

(b) Provisions

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

(c) Employee benefits

Liabilities for wages and salaries and annual leave are recognised when an employee becomes entitled to receive a benefit. Those liabilities expected to be realised within 12 months are measured as the amount expected to be paid. Other employee entitlements are measured as the present value of the benefit at 30 June 2013, 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.

(d) Superannuation

(i) Defined contribution plans

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

(ii) Defined benefit plans

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

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

(e) Revenue Received in Advance

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

1.11 Leases

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

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

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

1.12 Unrecognised Financial Instruments

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

1.13 Judgements and Assumptions

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

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

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

(i) *Receivables*

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

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

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

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

(iii) *Payables*

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

1.14 Budget Information

Budget information refers to original estimates as disclosed in the 2012-13 Budget Papers and is not subject to audit.

1.15 Rounding

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

1.16 Office Taxation

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

1.17 Goods and Services Tax

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

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

Note 2 Office Output Schedules

2.1 Output Group Information

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

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

Note 3 Explanations of Material Variances between Budget and Actual Outcomes

The following are brief explanations of material variances between the original Budget estimates and actual outcomes. Variances are considered material where the variance exceeds the greater of 10 per cent of Budget estimate and \$40 000. The Statement of Comprehensive Income note 3.1 and Statement of Cash Flows note 3.3 include a revised budget column which depicts a change in allocation from the original budget as published in the Budget Papers. These changes were made to reflect actual anticipated cost allocations. The variance explanations are based upon original budget compared with actuals.

3.1 Statement of Comprehensive Income

	Note	Budget \$'000	Revised Budget \$'000	Actual \$'000	Variance \$'000	Variance %
Appropriation revenue - RBL	(a)	512	512	430	(82)	(16)
Employee benefits	(b)	4 912	4 912	4 220	692	14
Payroll tax	(c)	249	67	67	182	73
Information technology	(d)	162	162	110	52	32
Other expenses	(e)	163	163	383	(220)	(135)
Net loss on write off/sale of non-financial assets	(f)	-	-	(212)	(212)	NA

Notes to Statement of Comprehensive Income variances

(a) Actual costs incurred by the Auditor-General were below budget. This was mainly due to less travel and other expenses incurred during the financial year.

(b) The decrease in Employee benefits is mainly due to vacant positions carried in Corporate Support Services as a result of transition of some corporate functions to an external service provider on 1 July 2013. In addition, this decrease also reflects the reduction in leave entitlement accrual balances for staff as at 30 June 2013.

(c) The decrease in payroll tax is due to the Office no longer being required to pay payroll tax on employee benefits from 1 October 2012.

(d) The decrease in Information technology costs is due to certain IT works no longer required to be undertaken as a result of transition of information technology support to an external service provider on 1 July 2013.

(e) The increase in other expenses represents unbudgeted costs in relation to the ACAG survey, travel and transport and professional development.

(f) The net loss on write off/sale of non-financial assets represents the change in accounting policy in relation to the increase in the capitalisation of fixed assets and the write off of financial software due to some corporate functions transferring to an external service provider.

3.2 Statement of Financial Position

	Note	Budget \$'000	Actual \$'000	Variance \$'000	Variance %
Cash and deposits	(a)	943	1 485	542	57
Receivables	(b)	368	543	175	48
Work in progress	(c)	430	330	(100)	(23)
Leasehold improvements, plant and equipment	(d)	132	230	98	74
Intangibles	(e)	258	18	(240)	(93)
Payables	(f)	275	91	184	67
Employee benefits	(g)	1 115	983	132	12
Revenue received in advance	(h)	193	301	(108)	(56)

Notes to Statement of Financial Position variances

- (a) The increase in cash and deposits is as a result of improved invoice and recovery of outstanding audit debtors.
- (b) The increase in receivables is as a result of audit invoices being raised in June 2013 and the increase in the Auditor-General's long service leave receivable.
- (c) The decrease in work in progress reflects the improved invoicing of audit debtors and the audit invoices being raised in June 2013.
- (d) The movement in leasehold improvements, plant and equipment represents forecast purchases not occurring due to the transition of certain back office functions being transferred to an external service provider.
- (e) The decrease in intangibles reflects the write-off of financial software due to certain back office functions being transferred to an external service provider.
- (f) Payables have decreased due to improved management of creditors.
- (g) The decrease in employee entitlements represents better management of staff leave balances and staff moving to an external service provider as a result some corporate functions transferring to that service provider.
- (h) The increase in revenue received in advance reflects collection of user charges received where the work has not yet been completed. The amount reflects timings of audit work completed as a result of client delays and slightly earlier billing of instalments.

3.3 Statement of Cash Flows

	Note	Budget \$'000	Revised Budget \$'000	Actual \$'000	Variance \$'000	Variance %
Appropriation revenue - RBL	(a)	512	512	430	(82)	(16)
User charges	(b)	4 805	4 805	5 316	511	11
GST receipts	(c)	637	637	508	(129)	(20)
Other revenue	(d)	-	-	167	167	100
Employee benefits	(e)	4 387	4 387	3 910	477	11
Net loss on write-off/sale of non-financial assets	(f)	-	-	(212)	(212)	NA
GST payments	(c)	637	637	508	129	20

Notes to Statement of Cash Flows variances

- (a) Refer 3.1(a)
- (b) The increase in user charges reflects the improved billing, work in progress and debtor management policies implemented during 2013.
- (c) GST receipts and payments are below budget due to lower GST-related expenditure incurred mainly as a result of expenditure not being spent due to the transition of some corporate functions to an external service provider.
- (d) Other revenue was not budgeted for during 2013. Other revenue is mainly made up of paid parental leave reimbursement, Auditor-General director's fees and workers compensation reimbursement.
- (e) Refer 3.1(b).
- (f) Refer 3.1(f).

Note 4 Events Occurring After Balance Date

There have been no events subsequent to balance date which would have a material effect on the Office's Financial Statements as at 30 June 2013.

Note 5 Income from Transactions

5.1 Revenue from Government

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

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

	2013 Budget \$'000	2013 Actual \$'000	2012 Actual \$'000
Revenue from Government			
Appropriation revenue - recurrent	2 120	1 978	2 027
Items Reserved by Law – Auditor-General’s salary and associated allowances	512	430	385
Total	2 614	2 408	2 412

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

5.2 User Charges

	2013 Actual \$'000	2012 Actual \$'000
Financial Audit Services	4 797	4 723
Total	4 797	4 723

5.3 Other Revenue

	2013 Actual \$'000	2012 Actual \$'000
Reserved by law – Auditor-General leave provisions	27	25
Miscellaneous	123	103
Total	150	128

Note 6 Expenses from Transactions

6.1 Employee Benefits

	2013 \$'000	2012 \$'000
Salaries	3 812	3 640
Annual leave	(19)	247
Long service leave	(112)	83
Fringe benefits tax	28	24
Superannuation – defined contribution scheme	345	277
Superannuation – defined benefit scheme	166	124
Total	4 220	4 395

Superannuation expenses relating to defined benefits schemes relate to payments into the Consolidated Fund. The amount of the payment is based on an employer contribution rate determined by the Treasurer, on the advice of the State Actuary. The current employer contribution is 12.5 per cent of salary. Superannuation expenses relating to defined contribution schemes are paid directly to superannuation funds at a rate of nine per cent of salary. In addition, the Office is also required to pay into the Consolidated Fund a “gap” payment equivalent to 3.5 per cent of salary in respect of employees who are members of contribution schemes.

6.2 Depreciation and Amortisation

(a) Depreciation

	2013 \$'000	2012 \$'000
Computer equipment - hardware	10	7
Office equipment, furniture and fittings	8	37
Total	18	44

(b) Amortisation

	2013 \$'000	2012 \$'000
Intangibles – computer software	52	10
Leasehold improvements	84	87
Lease make-good	3	3
Total	139	100
Total depreciation and amortisation	157	144

6.3 Other Expenses

	2013 \$'000	2012 \$'000
Audit fees – external	19	14
Audit fees – internal	33	65
Worker's compensation	18	44
Travel and transport	122	170
Training	98	40
Consultants	79	71
Insurance	10	12
Miscellaneous	3	5
Finance cost (unwinding of lease make-good discount)	1	1
Total	383	422

Note 7 Other Economic Outflows Included in Net Result

7.1 Net Loss on Non-financial Assets

	Notes	2013 \$'000	2012 \$'000
Net loss on disposal of physical assets:			
Computer equipment - hardware	8.3(b)	(78)	-
Office equipment, furniture and fittings	8.3(b)	(23)	-
Intangibles - computer software	8.4(b)	(87)	-
Leasehold improvements	8.3(b)	(24)	-
Total net loss on non-financial assets		(212)	-

Note 8 Assets

8.1 Receivables

	2013 \$'000	2012 \$'000
User charges (inclusive of GST)	407	711
Reserved by law – Auditor-General long service leave receivable	128	86
Worker's compensation receivable	8	25
Report receivable – State's contribution	-	25
Total	543	847
Settled within 12 months	415	761
Settled in more than 12 months	128	86
Total	543	847

8.2 Work in Progress

	2013 \$'000	2012 \$'000
Work in progress comprises unbilled revenue as at 30 June	330	435
Total	330	435
Settled within 12 months	330	435
Settled in more than 12 months	-	-
Total	330	435

8.3 Leasehold Improvements, Plant and Equipment

(a) Carrying amount

	2013 \$'000	2012 \$'000
Computer equipment - hardware		
At cost	112	315
Less: Accumulated depreciation	(81)	(206)
Total	31	109

	2013 \$'000	2012 \$'000
Office equipment, furniture and fittings		
At cost	72	216
Less: Accumulated depreciation	(72)	(184)
Total	-	32
Leasehold improvements		
At cost	500	536
Less: Accumulated amortisation	(301)	(229)
Total	199	307
Total leasehold improvements, plant and equipment	230	448

(b) Reconciliation of movements

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

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

2012		Computer equipment \$'000	Office equipment, furniture and fittings \$'000	Leasehold improvements \$'000	Total \$'000
Carrying value at 1 July		9	53	386	448
Additions		107	-	8	131
Disposals		-	(16)	-	-
Depreciation and amortisation		(7)	(37)	(87)	(131)
Carrying value at 30 June		109	32	307	448

8.4 Intangibles

(a) Carrying amount

	2013 \$'000	2012 \$'000
Intangibles with a finite useful life		
Software at cost	104	362
Less: Accumulated amortisation	(86)	(241)
Total Intangibles	18	121

(b) Reconciliation of movements

	Notes	2013 \$'000	2012 \$'000
Carrying amount at 1 July		121	31
Additions		37	100
Write-off	7.1	(87)	-
Amortisation expense		(53)	(10)
Carrying amount at 30 June		18	121

8.5 Other Assets

(a) Carrying amount

	2013 \$'000	2012 \$'000
Other current assets		
Prepayments	13	27
Total	13	27
Other non-current assets		
Lease make-good	16	16
Less: Accumulated amortisation	(11)	(8)
Total	5	8
Utilised within 12 months	13	27
Utilised in more than 12 months	5	8
Total other assets	18	35

(b) Reconciliation of movements in lease make-good

	2013 \$'000	2012 \$'000
Carrying amount at 1 July	8	11
Additions	-	-
Amortisation expense	(3)	(3)
Carrying amount at 30 June	5	8

Note 9 Liabilities

9.1 Payables

	2013 \$'000	2012 \$'000
Creditors	91	259
Payroll tax payable	-	26
Total	91	285
Settled within 12 months	91	285
Settled in more than 12 months	-	-
Total	91	285

Settlement is usually made within 30 days.

9.2 Provisions

(a) Carrying amount

	2013 \$'000	2012 \$'000
Provision for lease make-good	19	18
Total	19	18
Settled within 12 months	-	-
Settled in more than 12 months	19	18
Total	19	18

(b) Reconciliation of movements in provisions

	2013 \$'000	2012 \$'000
Balance at 1 July	18	17
Increases	1	1
Balance at 30 June	19	18

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

9.3 Employee Benefits

	2013 \$'000	2012 \$'000
Accrued salaries	109	147
Annual leave	230	219
Long service leave	527	536
Superannuation	90	94
State service accumulated leave scheme	4	4
Leave in lieu of overtime	23	50
Total	983	1 050
Settled within 12 months	813	846
Settled in more than 12 months	170	204
Total	983	1 050

9.4 Superannuation

(a) Type of plan

Retirement Benefits Fund 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.

9.5 Revenue Received in Advance

	2013 \$'000	2012 \$'000
Revenue received in advance		
Appropriation carried forward from current year under section 8A of the <i>Public Account Act 1986</i>	-	-
Other revenue received in advance	301	209
	301	209
Settled within 12 months	301	209
Settled in more than 12 months	-	-
Total	301	209

9.6 Other Liabilities

	2013 \$'000	2012 \$'000
Other liabilities		
Employee benefits – on-costs	-	3
GST liability	47	7
Total	47	10
Settled within 12 months	47	10
Settled in more than 12 months	-	-
Total	47	10

Note 10 Commitments and Contingencies

10.1 Schedule of Commitments

	2013 \$'000	2012 \$'000
By type		
<i>Lease Commitments</i>		
Operating leases	990	1 523
Total lease commitments	990	1 523
<i>Other commitments</i>		
Contract Audits	1 311	1 110
Total other commitments	1 311	1 110
Total by type	2 301	2 633

By maturity		
<i>Operating lease commitments</i>		
One year or less	419	462
From one to five years	571	1 013
More than five years	-	48
Total operating lease commitments	990	1 523
<i>Other commitments</i>		
One year or less	783	642
From one to five years	528	468
More than five years	-	-
Total other commitments	1 311	1 110
Total	2 301	2 633

(a) Operating Leases

Operating leases relate to Office accommodation and motor vehicles. For Launceston Office accommodation the remaining lease term is five years, with an option to extend for a further 10 years. For Hobart Office accommodation the remaining lease term is two years. All operating lease contracts contain certain market review clauses. The motor vehicle leases are governed by the Government's contract where vehicles are leased and replaced.

Motor Vehicle Lease Commitments have been calculated based on the lease agreements entered into by the Office as at 30 June 2013 and the value and remaining term of the outstanding lease payments.

(b) Other Commitments

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

Note 11 Cash Flow Reconciliation

11.1 Cash and Deposits

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

	2013 \$'000	2012 \$'000
Special Deposits and Trust Fund Balance		
Special Deposits and Trust Account T644	1 485	470
Total cash and deposits	1 485	470

11.2 Reconciliation of Net Result to Net Cash from Operating Activities

	2013 \$'000	2012 \$'000
Net result from transactions	611	237
Depreciation and amortisation	157	144
Decrease (increase) in Receivables	304	(379)
Decrease (increase) in Prepayments	17	34
Decrease (increase) in Work in progress	105	(74)
Increase (decrease) in Tax liabilities	38	7
Increase (decrease) in Employee entitlements	(67)	122
Increase (decrease) in Payables	(194)	(6)
Increase (decrease) in Other liabilities	91	(145)
Net cash from/(used in) operating activities	1 062	(60)

Note 12 Financial Instruments

12.1 Risk Exposures

(a) Risk management policies

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

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

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

(b) Credit risk exposures

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

Financial Instrument	Accounting and strategic policies (including recognition criteria, measurement basis and credit quality of instrument)	Nature of underlying instrument (including significant terms and conditions affecting the amount. Timing and certainty of cash flows)
Financial Assets		
Receivables	The Office's Business Plan critical success factor of sustainable business performance is supported by the key performance measures of maintaining unbilled wip at < \$200 000 and a 95% target of maintaining aged debtors at < 30 days. The unbilled wip target was not met at 30 June 2013, however 97% of debtors at 30 June were <30 days.	Normal credit terms are 30 days.
Cash and deposits	The Office's Business Plan critical success factor of sustainable business performance is supported by the key performance measure of maintaining a positive cash balance of \$200 000. This target was met as at 30 June 2013.	Cash means notes, coins and any deposits held at call with a bank or financial institution.

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

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

The current user charges consist of 33 separate debtors, with 7 of these having balances in excess of \$20 000. Past history and the fact that user charges are a debt to the Crown, indicate there is no risk to the credit quality of these financial assets.

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

Analysis of financial assets that are past due at 30 June 2013 but not impaired				
	Current \$'000	Past due 30 days \$'000	Past due 60 days \$'000	Total \$'000
User charges	331	60	16	407
Contribution – Reserved by law – Auditor-General long service leave receivable	-	-	128	128
Worker's compensation receivable	8	-	-	8
Total	339	60	144	543

Analysis of financial assets that are past due at 30 June 2012 but not impaired

	Current \$'000	Past due 30 days \$'000	Past due 60 days \$'000	Total \$'000
User charges	566	115	30	711
Reserved by law - Auditor-General long service leave receivable	-	-	86	86
Worker's Compensation receivable	25	-	-	25
Report receivable - State's contribution	25	-	-	25
Total	616	115	116	847

(c) Liquidity risk

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

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

Financial Instrument	Accounting and strategic policies (including recognition criteria and measurement basis)	Nature of underlying instrument (including significant terms and conditions affecting the amount. Timing and certainty of cash flows)
Financial Liabilities		
Payables	The Office's Business Plan critical success factor of sustainable business performance is supported by the key performance measure of maintaining a positive cash balance of \$200 000, in order to have sufficient liquidity to meet its liabilities when they fall due. This target was met at 30 June 2013.	As per Treasurer's Instruction 1125 the Office pays within suppliers' credit terms. Where there are no credit terms specified Office policy is to pay within 30 days.

The following tables detail the undiscounted cash flows payable by the Office by remaining contractual maturity for its financial liabilities. It should be noted that as these are undiscounted, totals may not reconcile to the carrying amounts presented in the Statement of Financial Position:

2013	Maturity analysis for financial liabilities		
	1 Year \$'000	Undiscounted Total \$'000	Carrying Amount \$'000
Financial liabilities			
Payables	91	91	91
Total	91	91	91

2012	Maturity analysis for financial liabilities		
	1 Year \$'000	Undiscounted Total \$'000	Carrying Amount \$'000
Financial liabilities			
Payables	285	285	285
Total	285	285	285

(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.

There has been no change to policies in relation to market risk since the previous reporting period.

At the reporting date, the interest rate profile of the Office's interest bearing financial instruments was:

	2013 \$'000	2012 \$'000
Fixed rate instruments		
Financial assets	-	-
Total	-	-

Changes in variable rates of 200 basis points at reporting date would have the following effect on the Office's Statement of Comprehensive Income and Statement of Financial Position:

Sensitivity Analysis of Office's Exposure to Possible Changes in Interest Rates				
	Statement of Comprehensive Income		Statement of Financial Position	
	200 basis points increase \$'000	200 basis points decrease \$'000	200 basis points increase \$'000	200 basis points decrease \$'000
30 June 2013				
<i>Financial asset – 2%</i>	-	-	-	-
Net sensitivity	-	-	-	-
30 June 2012				
<i>Financial asset – 2%</i>	-	-	-	-
Net sensitivity	-	-	-	-

From 1 July 2012 the Special Deposit and Trust Fund T644 did not earn interest as a result of a change in Government policy.

12.2 Categories of Financial Assets and Liabilities

	2013 \$'000	2012 \$'000
Financial assets		
Cash and cash equivalents	1 485	470
Receivables and work in progress	873	1 282
Total	2 358	1 752
Financial Liabilities		
Payables	91	285
Total	91	285

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

	Carrying Amount 2013 \$'000	Net Fair Value 2013 \$'000	Carrying Amount 2012 \$'000	Net Fair Value 2012 \$'000
Financial assets				
Cash in Special Deposits and Trust Fund	1 485	1 485	470	470
Receivables and work in progress	873	873	1 282	1 282
Total financial assets	2 358	2 358	1 752	1 752
Financial liabilities (Recognised)				
Payables	91	91	285	285
Total financial liabilities (Recognised)	91	91	285	285

12.4 Net Fair Values of Financial Assets and Liabilities

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

Financial Assets

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

Financial Liabilities

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

Note 13 Auditor's Remuneration

The Governor, on recommendation of the Treasurer, in accordance with the *Audit Act 2008*, appoints the Auditor of the Tasmanian Audit Office. Clements Dunne and Bell Partnership (CDB) were appointed in 2009. In January 2013, CDB merged with Hayes Knight (Audit) Pty Ltd and are now known as Hayes Knight (Audit) Pty Ltd.

	2013 \$'000	2012 \$'000
Financial audit fees	16	12
Other audit services	3	2
	19	14

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

Note 14 Key Management Personnel Compensation

Key Management Personnel

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

	2013	2012
Auditor-General	Reserved by law	Reserved by law
Deputy Auditor-General/Chief Operating Officer	Senior Executive Service	Senior Executive Service
General Manager, Performance Audit Services (PAS)	Senior Executive Service and State Service Award	Senior Executive Service
General Manager, Financial Audit Services (FAS)	State Service Award	NA
Technical and Quality Director, Office of the Auditor-General (OAG)	State Service Award	NA
Practice Manager, Corporate Support Services (CSS) - Appointed Jan 2013	State Service Award	NA
General Manager, Strategy and Governance (S&G) - vacated Jan 2012	NA	State Service Award

Following an internal restructure, from 1 July 2012 the Executive Management Group now consists of the Deputy-Auditor General/Chief Operating Officer, Technical and Quality Director – OAG, General Manager – FAS, General Manager –PAS and the Practice Manager – CSS.

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

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

- The remuneration policy is in line with statutory, Senior Executive Service and State Service arrangements.
- All key management personnel receive a base salary and superannuation payments. In the case of the Auditor-General, superannuation payments are at the rate of 15%. For the other three key management personnel, this is 12.5% with the remainder being 9%. Other than statutory annual and long-service leave arrangements, there are no other retirement benefits.

- The Auditor-General, Deputy Auditor-General/Chief Operating Officer and General Manager-PAS (for part 2013 year) receive an executive vehicle for personal and business use and access to parking during business hours. The General Manager – FAS, Technical and Quality Director – OAG and the Practice Manager – CSS were provided partly funded car parking (rate 50%).
- All key management personnel are provided with a mobile phone for business and limited personal use.
- Performance incentives for the Deputy Auditor-General/Chief Operating Officer and General Manager – PAS (for part 2013 year) vary between nil, 5% and 10% and are generally only paid once predetermined key performance indicators have been met. The Auditor-General decides on bonuses to be paid based on annual performance assessments.

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

Non-executive directors

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

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

The Deputy Auditor-General/Chief Operating Officer was a member of the Audit Committee and received no remuneration for this. He vacated this position in December 2011. The vacated position was filled by the General Manager-PAS who receives no additional remuneration for this.

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

Table of Benefits and Payments for the Year Ended 30 June 2013							
		Short-term employment benefits			Long-term benefits		Total
		Salary and leave** \$'000	Bonus \$'000	Other* \$'000	Super-annuation \$'000	LSL** \$'000	\$'000
Key Management Personnel							
H M Blake, Auditor-General	2013	379	-	17	51	8	455
	2012	351	-	13	49	8	421
E R De Santi, Deputy Auditor-General/Chief Operating Officer	2013	165	14	17	24	17	237
	2012	175	13	13	22	11	234
G A Driscoll, General Manager - PAS	2013	153	-	10	17	4	184
	2012	125	9	15	15	3	167
J J Tongs, Technical and Quality Director	2013	145	-	1	16	3	165
	2012	NA	NA	NA	NA	NA	NA
J K Dean, General Manager - FAS	2013	144	-	1	12	3	160
	2012	NA	NA	NA	NA	NA	NA
P R Johnson, Practice Manager	2013	90	-	1	8	1	100
	2012	NA	NA	NA	NA	NA	NA

Table of Benefits and Payments for the Year Ended 30 June 2013

		Short-term employment benefits			Long-term benefits		Total
		Salary and leave** \$'000	Bonus \$'000	Other* \$'000	Super-annuation \$'000	LSL** \$'000	\$'000
D J Strong, General Manager - Strategy and Governance	2013	-	-	-	-	-	-
	2012	82	-	3	10	3	98
Total Key Management Personnel	2013	1 076	14	47	128	36	1 301
	2012	733	22	44	96	25	920

*Other includes phone, car parking & car benefits.

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

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

During last year a spouse of one of the key management personnel was an employee of the Office. They received benefits and payments during the year of \$Nil (2012, \$19 729).

Note 15 Principal Address and Registered Office

Level 4, 15 Murray St Hobart TASMANIA 7000

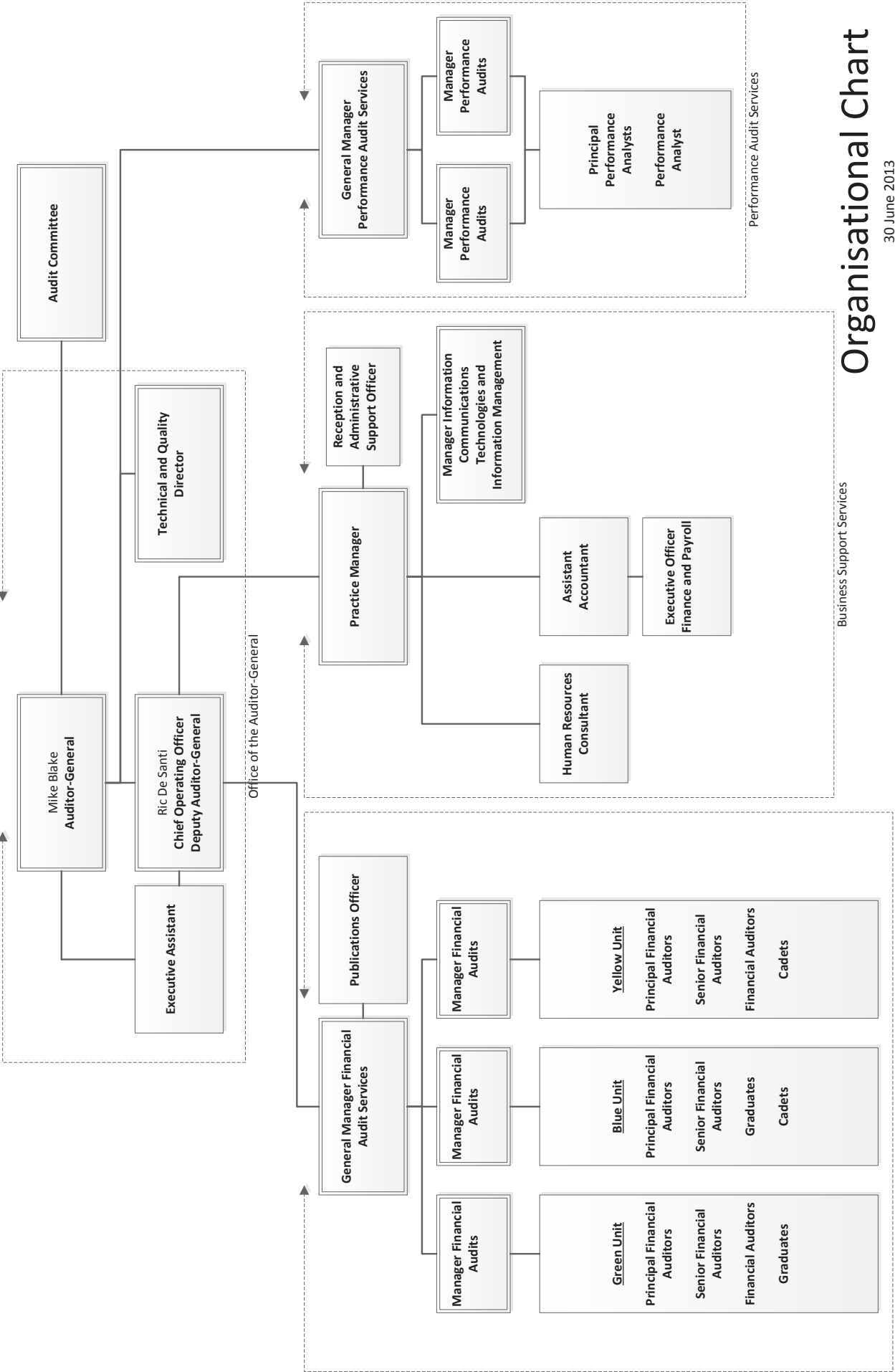
APPENDICES

Organisation chart	94
Corporate governance framework	95
Composition of office committees	100
Service on other committees	101
List of clients and audits during 2012-13	102
External audit service providers	104
Asset management, risk and pricing policy, and government procurement	106
Superannuation declaration	109
Recent publications	110
Compliance index and disclosure requirements	111
Abbreviations and acronyms	116
Alphabetical index	117



Organisation Chart

Tasmanian Audit Office



Organisational Chart

30 June 2013

Corporate Governance Framework

ASX Governance Principles

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

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

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

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

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

The Auditor-General is supported by:

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

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

The main responsibilities of EMG are satisfied by:

- EMG meetings – these are held on a regular basis usually once every month or whenever a need arises. Meetings are arranged administratively by the COO who will arrange an agenda, together with papers concerning items for discussion and minutes of discussions and actions
- items reviewed at each meeting include but are not limited to financial results for the period, performance against budgets, TAO and business unit objectives, balanced scorecard reports, reports from Business Unit Heads, risk management, achievements against governance responsibilities and discussion on strategic matters
- discussions and decisions regarding recruitment, policy development, business cases, capital expenditure and individual items of recurrent expenditure exceeding \$10 000
- receive and consider reports from the chairpersons of Executive sub-committees.

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

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

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

The main responsibilities of the Executive Sub-Committees are as documented in their respective Charters which established each of them. These Charters detail their composition, objectives, meeting arrangements and reporting responsibilities.

For all major projects, as determined by SLG or EMG, a Steering Committee is established to provide oversight or progress and ensure that project deliverables are met. Chairs of Steering Committees will report back to SLG, EMG or one of its sub-committees.

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

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

This principle is achieved by TAO implementing:

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

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

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

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

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

Integrity in financial reporting – in this regard, the TAO will:

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

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

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

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

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

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

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

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

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

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

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

- the Auditor-General will:
 - offer to meet with Members of Parliament from time to time (not less than biennially) to, amongst other things, gauge their assessment of our performance and assess their views on projects undertaken and reports tabled
 - meet with the Premier, Treasurer and Leaders of the Opposition parties biennially for the same reason
 - conduct independent surveys of Parliamentarians and Agencies aimed at assessing our performance
 - comply with the informal memorandum of understanding with the PAC aimed at maintaining and improving respective understanding each other's roles and improving public sector accountability
 - meet with Secretaries, CEOs and equivalent levels of management in Councils and other State entities from time to time to, amongst other things, gauge their assessment of our performance
 - meet with relevant media at least annually
 - meet with other interest groups as decided from time to time
 - meet with other Auditors-General at least biennially.
- The COO and heads of the FAS and PAS business units will:
 - meet with senior client management, including those charged with governance, as appropriate. The objectives will be to ensure strong understanding of client operations, effectively planned and completed audits and management of risk. Relevant surveys will be conducted from time to time
 - present audit findings to the appropriate forums including to Parliamentarians

- meet with relevant media from time to time
- arrange client training forums as required
- arrange forums with members of audit committees from time to time.
- the Practice Manager, where relevant, and subject to advance approval of the COO, will participate in state-wide committees established to consider, review and manage corporate policies in the General Government Sector. Where such involvement may prejudice the Office's independence, approval will not be granted.
- the GM-FAS will also:
 - meet with contracted auditors as appropriate.

In addition, the Office will:

- on each occasion that plans for a FAS special project or a PAS audit are finalised, place such plans on the Office's website
- on each occasion that a FAS or PAS report is tabled in the Parliament, offer to brief Parliamentarians on those reports and issue a media statement
- all reports and media statements are placed on our website.

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

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

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

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

These processes resulted in:

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

The TAO manages these risks in the following manner by:

- structuring SLG and EMG agendas to include a focus on managing identified risks
- regularly re-assessing our performance in managing risks and our rating of risks
- allocating risk management responsibilities
- requiring Business Units to take responsibility for risks relevant to them by including these in annual business plans
- including in the Charter of the Audit Committee a requirement for it to review TAO's risk management practices and its risk based internal audit program
- including in the three year internal audit program a requirement for TAO's internal auditor to assess our progress in managing risks

- requiring heads of business units to certify annually to the Auditor- General that they have complied with allocated responsibilities relating to managing risk
- including in TAO's annual report a summary of our risk management policies and any outcomes there-from.

In addition to the risk management policies and practices outlined, the COO and Practice Manager are required to:

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

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

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

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

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

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

Composition of Office Committees (as at 30 June 2013)

Strategic Leadership Group

The members of the group are:

- Mike Blake – Chair
- Ric De Santi
- Geoff Driscoll
- Geoff Fisher
- Simon Andrews
- Jeff Tongs
- Jara Dean
- Anthony Knight
- Robert Luciani
- Monique Poxon
- Rohan Grant
- Jessica Reardon
- Patty Johnson

Executive Management Group and Remuneration Committee

The members of the group are:

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

Human Resources Committee

The members of the committee are:

- Ric De Santi - Chair
- Simon Andrews
- Jesse Penfold
- Kerry Conyard
- Patty Johnson
- Jessica Reardon
- Reece Munnings

Information Management Committee

The members of the committee are:

- Jara Dean - Chair
- Geoff Fisher
- Derek Burns
- Jeff Tongs
- Patty Johnson
- Rohan Grant

Procurement Review Committee

The members of the committee are:

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

Quality Review Steering Committee

The members of the committee are:

- Monique Poxon - Chair
- Ric De Santi
- Simon Andrews
- Jeff Tongs

Secretary to committees:

- Julie Bellette
- Rhiannon Steele

Service on Other Committees

As at 30 June 2013, our senior staff were members of the following committees, professional associations, panels, working parties and community organisations:

Mike Blake

- Australasian Council of Auditors-General - member
- Tasmanian Council of Professional Bodies – retired as Chair in late 2012
- National Board of the Institute of Chartered Accountants – member
- Integrity Commission – ex-officio member
- On the expert panel supporting the Australian Accounting Standards Board
- Treasurer (honorary) of an Anglican Parish in Hobart
- Latrobe University - Centre for Public Sector Governance, Accountability and Performance - advisory board member

Ric De Santi

- ACAG - Financial Reporting and Auditing Committee (FRAC) - Tasmanian representative
- ACAG - FRAC Heads of Financial Audit Group - Tasmanian Audit Office representative
- ACAG - Practice Management Group - Tasmanian representative
- CPA Australia - Tasmanian Divisional Council – Divisional Councillor
- CPA Public Sector Network – Tasmanian representative
- CPA Australia - Representative Council member
- St Aloysius Catholic College Board – Chair
- Tasmanian Catholic Education Office Systemic Budget Committee - Board representative

Geoff Driscoll

- Tasmanian Audit Office Audit Committee – member (from December 2011)
- ACAG – Heads of Performance Audit Group - Tasmanian Audit Office representative

Patty Johnson

- ACAG - Practice Management Group - Tasmanian representative
- Cystic Fibrosis - Treasurer
- Procurement Reference Group - State Government

Jara Dean

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

Jeff Tongs

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

List of Clients and Audits during 2012-13

Executive and Legislature

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

Ministerial Departments

Department of Economic Development, Tourism and the Arts

- Tasmania Development and Resources
- Tasmanian Museum and Art Gallery
- Tourism Tasmania

Department of Education

- Schools Registration Board of Tasmania *

Department of Health and Human Services

- Housing Tasmania
- National Health Funding Pool - Tasmania
- Tasmanian Affordable Housing Limited
- Tasmanian Ambulance Service

Department of Infrastructure, Energy and Resources

- Abt Ministerial Corporation

Department of Justice

Department of Police and Emergency Management

Department of Premier and Cabinet

Department of Primary Industries, Parks, Water and Environment

Department of Treasury and Finance

- General Government Financial Statements and Public Account Statements
- Total State Financial Statements

Government Business Enterprises

Forestry Tasmania

- Newood Energy Pty Ltd *
- Newood Holdings Pty Ltd *
- Newood Huon Pty Ltd *
- Newood Smithton Pty Ltd *

Hydro-Electric Corporation

- AETV Pty Ltd
- Bell Bay Power Pty Ltd
- Bell Bay Three Pty Ltd *
- Heemskirk Holdings Pty Ltd *
- Heemskirk Wind Farm Pty Ltd *
- Hydro Tasmania Consulting (Holding) Pty Ltd *
- HT Wind Developments Pty Ltd *
- HT Wind New Zealand Pty Ltd *
- HT Wind Operations Pty Ltd
- Lofty Ranges Power Pty Ltd
- RE Storage Holding Pty Ltd
- Momentum Energy Pty Ltd

- Woolnorth Bluff Point Holdings Pty Ltd *
 - Woolnorth Studland Bay Holdings Pty Ltd *
- Macquarie Point Redevelopment Corporation
Motor Accidents Insurance Board
Port Arthur Historic Site Management Authority
Public Trustee
Tasmanian Public Finance Corporation

State Owned Companies

Aurora Energy Pty Ltd

- Auroracom Pty Ltd *
- Ezikey Group Pty Ltd *

Metro Tasmania Pty Ltd

- Metro Coaches (Tas) Pty Ltd *

Tasmanian Irrigation Pty Ltd

Tasmanian Ports Corporation Pty Ltd

- Flinders Island Ports Corporation Pty Ltd *
- King Island Ports Corporation Pty Ltd *

Tasmanian Railway Pty Ltd

Tasmanian Water and Sewerage Corporation (Southern Region) Pty Ltd

Tasmanian Water and Sewerage Corporation (Northern Region) Pty Ltd

Tasmanian Water and Sewerage Corporation (North Western Region) Pty Ltd

Tasmanian Water and Sewerage Corporation (Common Services) Pty Ltd

Tasracing Pty Ltd

Transend Networks Pty Ltd

TT Line Company Pty Ltd

Local Government

Councils:

Break O'Day Council

Brighton Council

- Brighton Industrial and Housing Corporation Pty Ltd
- Microwise Australia Pty Ltd

Burnie City Council

- Burnie Airport Corporation Unit Trust
- Burnie Sports and Events Unit Trust
- Tasmanian Communications Unit Trust

Central Coast Council

Central Highlands Council

Circular Head Council

Clarence City Council

Derwent Valley Council

Devonport City Council

- Devonport Maritime and Heritage Authority*

Dorset Council

Flinders Council

George Town Council

Glamorgan Spring Bay Council

Glenorchy City Council

List of Clients and Audits during 2012-13

Hobart City Council
Huon Valley Council
Kentish Council
King Island Council
Kingborough Council

- Kingborough Waste Service Pty Ltd*

Latrobe Council
Launceston City Council

- Launceston Flood Authority
- York Park and Inveresk Precinct Authority

Meander Valley Council
Northern Midlands Council
Sorell Council
Southern Midlands Council

- Heritage Building Solutions Pty Ltd *
- Heritage Education and Skills Centre Pty Ltd *

Tasman Council
Waratah-Wynyard Council
West Coast Council
West Tamar Council

Local Government Joint Authorities:

Copping Refuse Disposal Site Joint Authority
Cradle Coast Authority
Dulverton Regional Waste Management Authority
Northern Tasmanian Regional Development Board Ltd
Southern Tasmanian Councils Association
Southern Waste Strategy Authority

Other State Entities

Aboriginal Land Council of Tasmania
ANZAC Day Trust
Asbestos Compensation Fund
Board of Architects of Tasmania
Brittons Swamp District Water Board *
Brittons Swamp Drainage Trust *
Clyde Water Trust
Council of Law Reporting
Egg Lagoon Drainage Trust *
Elizabeth Macquarie Irrigation Trust *
Forest Practices Authority
Forests and Forest Industry Council – Helsham Agreement Grant Account **
Forthside Irrigation Water Trust *
Housing Tasmania
Inland Fisheries Service
Integrity Commission
Jim Bacon Foundation
Lake Nowhere-Else Dam / Whitemark Creek Irrigation Trust *
Lawrenny Irrigation Trust *
Legal Aid Commission of Tasmania
Legal Profession Board
Lower Georges River Works Trust *
Marine and Safety Tasmania
Mowbray Swamp Drainage Trust *
National Trust of Australia (Tasmania)
Office of the Director of Public Prosecutions
Office of the Ombudsman and Health Complaints Commissioner

Office of the Tasmanian Economic Regulator
Private Forests Tasmania
Property Agents Board
Property Agents Trust
Retirement Benefits Fund Board

- RBF Financial Planning Pty Ltd
- RBF Property Pty Ltd *
- 66-80 Collins Street Pty Ltd *

Richmond Irrigation Trust *
Royal Tasmanian Botanical Gardens
Solicitors' Trust
State Fire Commission
Tasmania Together Progress Board
Tasmanian Beef Industry (Research and Development) Trust
Tasmanian Building and Construction Industry Training Board
Tasmanian Community Fund
Tasmanian Dairy Industry Authority
Tasmanian Early Years Foundation
Tasmanian Health Organisation - North
Tasmanian Health Organisation - North West
Tasmanian Health Organisation - South
Tasmanian Heritage Council
Tasmanian Qualifications Authority
Tasmanian Skills Institute
Tasmanian Timber Promotion Board *
Tasmanian Wilderness World Heritage Area **
Taswater Pty Ltd *
Teachers Registration Board
Theatre Royal Management Board
The Nominal Insurer
Togari Drainage Trust *
University of Tasmania

- AMC Search Ltd
- Higher Education Research Data Collection **
- UTASAT Pty Ltd *

Wellington Park Management Trust
Workcover Tasmania Board

Honorary Audits

University of Tasmania Foundations Inc.

Audits by Arrangement

Common Ground Tasmania Limited
Local Government Association of Tasmania

* Audits Dispensed with

** Grant Acquittal

External Audit Service Providers

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

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

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

Name of Firm
BDO - Hobart
Deloitte – Hobart and Launceston
Ernst & Young - Melbourne
Grant Thornton - Melbourne
Hranywhere - Hobart
Kaizen Audit & Assurance Pty Ltd - Hobart
KPMG – Hobart and Launceston
PricewaterhouseCoopers - Melbourne
RMS Bird Cameron - Melbourne
Ruddicks - Launceston
Synectic Audit and Assurance Pty Ltd - Devonport
WHK – Hobart and Launceston
Wise Lord and Ferguson - Hobart

The following table sets out the commitments to external audit providers for the 2012-13 financial statement audits.

Client	Contractor	Fee (\$'000) (excl. GST)
Aurora Energy Pty Ltd (including 2 subsidiaries, AFSL Licence, Regulatory Accounts and Agreed Upon Procedures)	Ernst Young	309
Break O'Day Council	Synectic	24
Department of Education (including 1 subsidiary and AVETMISS)	KPMG	158
Hydro Electric Corporation (including 14 subsidiaries, AFSL Licence and Compliance Plan)	Deloitte	310
The Solicitors' Trust (December Audit)	WHK Tasmania	6
State Fire Commission	Deloitte	42
Tascorp	Deloitte	106
Tasmanian Affordable Housing Ltd	Deloitte	16

Asset Management, Risk and Pricing Policy, and Government Procurement

Asset management

The financial statements for 2012-13 are reported on an accrual basis, and contain full details of our assets. Office assets are recorded in accordance with our accounting policies and procedures, and these amounts are disclosed in the statements, together with appropriate policies.

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

Major capital projects

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

During 2012-13 the Office did not undertake any such works.

Managing risk

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

During 2012-13 we continued to monitor our key risks and associated treatment plans. Our key business risks are:

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

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

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

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

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

- identifying audit topics of public interest
- regularly meeting with Parliamentarians and key clients
- quality assurance reviews
- independent peer reviews
- allocating responsibility for managing risks to appropriate staff and in business plans
- continuing to improve the quality, readability and balance in our reporting

- ensuring we have a workplace that attracts and retains the staff we need
- prompt monthly financial reporting inclusive of financial projections
- ensuring we are properly governed.

Insurance

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

Pricing policies

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

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

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

Government procurement

Support for local business

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

The following details are provided in accordance with Treasurer's Instruction 1111 for all contracts awarded (excluding consultancies) and tenders called during 2012-13 with values in excess of \$50 000. Note that this table includes the External Audit Provider Panel for which no values have been assigned at 30 June 2013.

Details	2012-13
Total number of contracts awarded	14
Total number of contracts awarded to Tasmanian businesses	9
Total value of contracts awarded (including possible extensions)	\$1 535 000
Total value of contracts awarded to Tasmanian businesses (including possible extensions)	\$1 535 000
Number of tenders called	2
Number of bids received	21
Total number of bids received from Tasmanian businesses	12

Contracts over \$50 000 *

Name of contractor	Location of contractor	Description of contract	Period of contract	Value of contract \$
Deloitte	Hobart	Hydro Tasmania External Financial Audit	30/6/13 to 30/6/15**	1 535 000
Various (see Appendix 6)	Various	External Audit Provider Panel	From sign of contract 2013***	-

*Refer to Appendix 6 for details of financial audit contract arrangements.

** With an option to extend until 2017.

*** With first period three years then option to extend for another three years.

Consultancies over \$50 000

Nil.

Goods and Services Exemption TI 1107

Nil.

Procurement complaints

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

Superannuation Declaration

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

- AMP
- Care Super Pty Ltd
- Commonwealth Bank Group Super (OSF)
- Hesta Super Fund
- Hostplus
- Media Super
- MLC
- RBF Tasmania
- Russell Investments
- Tasplan
- TWUSuper
- Vision Super



H M Blake
30 June 2013

Recent publications

Date	Number	Title
July 2012	No. 1 of 2012-13	Sale of TOTE Tasmania
October 2012	No. 2 of 2012-13	Tasports: benefits of amalgamation
November 2012	No. 3 of 2012-13	Financial Statements of State entities: Volume 3 - Government Business Enterprises, State Owned Companies and Water Corporations 2011-12
November 2012	No. 4 of 2012-13	Financial Statements of State entities: Volume 4 parts 1 and 2 - Local Government Authorities 2011-12
November 2012	No. 5 of 2012-13	Financial Statements of State entities: Volume 1 - Analysis of the Treasurer's Annual Financial Report 2011-12
November 2012	No. 6 of 2012-13	Financial Statements of State entities: Volume 2 - Executive and Legislature, Government Departments, other General Government Sector State entities, other State entities and Superannuation Funds 2011-12
November 2012	-	Annual Report
December 2012	No. 7 of 2012-13	Compliance with the <i>Tasmanian Adult Literacy Action Plan 2010-15</i>
March 2013	No. 8 of 2012-13	National Partnership Agreement on Homelessness
March 2013	No. 9 of 2012-13	Royal Derwent Hospital: site sale
May 2013	No. 10 of 2012-13	Hospital bed management and primary preventive health
May 2013	No. 11 of 2012-13	Financial Statements of State entities: Volume 5 - Other State entities
May 2013	No. 11 of 2012-13	Department of Health and Human Services - Output based expenditure (included in Financial Statements of State entities: Volume 5 - Other State entities)

Compliance Index and disclosure requirements

Section and compliance

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

Details

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

Page

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

Key	Act
AA	<i>Audit Act 2008</i>
FMAA	<i>Financial Management and Audit Act 1990</i>
RTI	<i>Right to Information Act 2009</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 2011</i>
TI	<i>Treasurer's Instructions</i>

Section	Compliance	Page	Details
General			
Table of contents		2	
Alphabetical index		117	
Glossary		116	
Overview			
Strategic plan	SSR s9(a)(i)	31-33	An overview of the Office's Strategic Plan, including its aims, functions and related programs.
Performance report	SSA s36(1)(a) & (b) FMAA s27(1)(a)	9-18	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)	31-33 & 36-39	Details of major initiatives taken by the Office to develop and give effect to Government policy.
Major changes during the year	SSR s9(a)(iv)	4, 20	Details of, and reasons for, any major changes which have taken place in relation to the programs, aims, functions or organisational structure of the Office.
Statement of compliance with TIs	TI 111 3(a)	111-115	
Organisational Structure			
Office organisation chart	SSR s9(a)(ii)	94	An organisational chart illustrating the Office's administrative structure, including regional locations, and Officers.
Why we are structured this way	SSR s9(a)(iii)	20	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)	9-18	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.

Section	Compliance	Page	Details
Performance constraints	TI 201 (1)(b)	Annual Report	Economic or other factors that have affected the achievement of operational objectives.
Carbon emissions - climate change and environmental impact	Premier's Agenda 2008 speech	33	Outlines our corporate social responsibility initiatives
Legislation Administered			
Legislation administered	SSR s9(d)	20	A list of legislation administered by the Office during the year.
Legislation enacted during the year	SSR s9(d)	20	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)	Inside back cover	List of contact officers and points of public access in relation to services provided by the Office.
Community awareness	SSR s9(c)(i)	33-34	Details of activities undertaken to develop community awareness of the Office and the services it provides.
Agency publications	SSR s9(c)(i)	110	List of documents published by any internal or external body of the Office during the year.
Right to information requests	RTI	33-34	Right to information details for the year.
Public interest disclosure investigations	PID s86	34	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)	43	Details of recruitment policies and program including statistical information for the year.
Staff development	SSR s9(b)(ii)	45	Information relating to employee training and development activities, including statistical information for the year.

Section	Compliance	Page	Details
Equal Employment Opportunities	SSR s9(b)(iii)	46	A description of the Office's workplace diversity programs, including statistical information for the year.
Industrial democracy	SSR s9(b)(iv)	46	Details of the processes established to ensure employee participation in industrial relation matters within the Office.
Internal grievance procedures	SSR s9(b)(v)	47	Summary of internal grievance procedures.
Workplace health and safety	SSR s9(b)(vi)	45-46	Outline of workplace health and safety.
Appeals process	SSR s9(c)(iii)	46	An outline of the processes available for appeals against decisions made by the Office.
Performance management	SSA s36(1)(ba)	45	The Office's approach to the development and implementation of performance management.
Superannuation contributions	PSSRA s13	109	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)	107	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)	106	Information on major capital projects or undertakings.
Risk management	TI 201 (1)(f)	106-107	Statement of risk management policies and an outline of significant risk management strategies and initiatives.
Asset management	TI 201 (1)(g)	106	Statement of asset management policies and an outline of asset management strategies and initiatives.

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

Abbreviations and acronyms

Abbreviation	Description
AAS	Australian Accounting Standards
AASB	Australian Accounting Standards Board
ACAG	Australasian Council of Auditor-General
ANAO	Australian National Audit Office
APESB	Accounting Professional and Ethical Standards Board
ASAE	Australian Standards on Assurance Engagements
ASIC	Australian Securities and Investments Commission
ASX	Australian Stock Exchange
ATO	Australian Taxation Office
AUASB	Australian Auditing and Accounting Standards Board
Audit Act	<i>Audit Act 2008</i>
AWOTE	Adult Weekly Ordinary Time Earnings
CA	Chartered Accountant
CD	Commissioner's Declaration
CDB	Clemens, Dunne and Bell
CEO	Chief Executive Officer
COO	Chief Operating Officer
CO2	Carbon Dioxide
CPA	Certified Practising Accountant
CSF	Critical Success Factor
CSS	Corporate Support Services
DPAC	Department of Premier and Cabinet
EMG	Executive Management Group
EOY	End of Year
FAS	Financial Audit Services
FCS	Fellow Chartered Secretaries
FMAA	Financial Management and Audit Act 1990
FTE	Full-time equivalent
GCC	Global Corporate Challenge
GM	General Manager
GST	Goods and Services Tax
HR	Human Resources
HRC	Human Resources Committee
HRM	Human Resource Management
ICAA	institute of Chartered Accountants Australia
ICT	Information and Communication Technology

Abbreviation	Description
IFRS	International Financial Reporting Standards
ILOT	In lieu of time
IMC	Information Management Committee
IPSAM	Integrated Public Sector Audit Methodology
IRTM	Information, records and technology management
KPI	Key Performance Indicator
Kwh	Kilowatt hours
LSL	Long service leave
MD	Ministerial Directions
Nm	Not measured
OAG	Office of the Auditor-General
PAC	Public Accounts Committee
PAS	Performance Audit Services
RBF	Retirement Benefits Fund
RTI	Right to Information Act 2009
SLA	Service Level Agreement
SLG	Strategic Leadership Group
SMS	Safety Management System
SSMO	State Service Management Office
TAO	Tasmanian Audit Office
TI	Treasurer's Instructions
TRIM	Total Records Information Management
TSS	Tasmanian State Service
WHS	Workplace health and safety

INDEX

A

Abbreviations and acronyms	116
Annual plan of work	35
Asset management, risk and pricing policy, and Government procurement	106
Assets	69, 78
Audit Committee	29
Auditor-General's Report 2012-13	4
Auditor's remuneration	90

B

Benchmarking	15
Benchmarking against other audit offices	31
Budgetary framework	25

C

Cash flow reconciliation	85
Certification of financial statements for the year ended 30 June 2013	59
Commitments and contingencies	84
Committees	22
Community involvement and support	49
Complaints about employees	41
Compliance and Communication	33
Compliance index and disclosure requirements	111
Composition of office committees	100
Corporate governance framework	21, 95
Cost per audit hour charged to audit	17
Cost per performance audit	17
Critical success factors	8

E

Effective operational performance	12
Employee participation	48
Employee profile	41
Events occurring after balance date	74
Executive Management Group	22
Expenditure, 2012-13 and previous four years	54
Expenses from transactions	68, 76
Explanations of material variances between budget and actual outcomes	73
External audit	30
External audit service providers	104
External review	13, 30

F

Financial audit services	27
Financial instruments	85
Financial performance	52
Financial position	54
Financial summary	52

Financial sustainability	12
Future expectations, Auditor-General's Report 2012-13	4

G

Graduate, cadetship and internship programs	43
---	----

H

Highlights	6
Human Resources Committee	23
Human resources strategic plan	41
How we are funded	20

I

Income from transactions	68, 75
Independence	21
Independent Auditor's Report	57
Independent Auditor's Review of Annual Report	18
Independent employee satisfaction survey	47
Independent peer reviews	30
Independent scrutiny, both external and internal	29
Industrial and workplace relations	46
Influential products and services	10
Information Management Committee	24
Internal audit	29
Internal grievance procedure	47

K

Key management personnel compensation	90
---------------------------------------	----

L

Leave management	42
Legislation	20
Legislative and regulatory framework	20
Liabilities	55, 70, 81
List of clients and audits during 2012-13	102

M

Management of financial audits	27
Managing expectations, Auditor-General's Report 2012-13	4
Mandate	21
Motivated and capable employees	13

N

Notes to and forming part of the financial statements	64
---	----

O

Office in brief	7
Office information	19

Office output schedules	72
Operational committees	23
Organisation chart	94
Organisation overview	7
Organisational structure	20
Other economic flows included in net result	69, 77
Our finances	51
Our history	2
Our operations	7
Our outcome and outputs report	25
Our people	7, 40
Our role	7
Our values	8
Output - audit assurance	27
Output - parliamentary reports and services	25

P

Parliamentary and client surveys	31
Parliamentary presentations, PAC meetings and information sessions	35
Percentage of total paid hours of attest audit staff charged to attest audit activities	16
Percentage of total paid hours of non-attest audit staff charged to non-attest audit activities	16
Percentage of total (whole of office) paid hours charged to audit activities	16
Performance against our outputs	25
Performance audit services	28
Performance management	45
Performance report	9
Principal address and registered office	92
Procurement Review Committee	24
Professional development	45
Protecting privacy	34
Public interest disclosures	34
Purpose	7

Q

Quality assurance reviews	30
Quality Review Steering Committee	24

R

Recent publications	110
Recruitment and selection	43
Remuneration Committee	24
Reports to Parliament on the outcomes of financial audits	25
Reports to Parliament on the outcomes of performance and compliance audits and special investigations	26
Revenue, 2012-13 and previous four years	53
Rewards and recognition	49
Right to information	33
Role of the Auditor-General	20

S

Service on other committees	101
Services provided to Parliamentarians and State entities	26
Significant accounting policies	65
Social	49
Speeches, presentations, representation on other committees and publications	34
Staff ethics	41
Statement of cash flows for the year	62, 74
Statement of changes in equity	63
Statement of comprehensive income	60, 73
Statement of financial position	61, 73
Strategic Leadership Group	22, 100
Strategic objectives	8
Strategic Plan 2012-15	4, 31
Strategic planning, organisation overview	7
Study assistance	45
Summary annual report	33
Summary of findings and recommendations from 2012-13 internal audits	30
Superannuation declaration	109

T

Tasmanian State Service workforce survey	48
Total assets by asset type presented graphically excluding the budget	55
Total audit costs of public sector assets	15
Total audit costs of public sector transactions	15
Total liabilities by liability type presented graphically excluding the budget	56

V

Vision	7
--------	---

W

What we do, organisation overview	7
What we said we would do during 2012-13	36
What we will do during 2013-14	37
Workforce and community committees and bodies	49
Workplace health, safety and welfare	45
Workplace diversity	46