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# Our Organisation

## Constantly challenging ourselves

### What we do

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

### Our role

The role of the Tasmanian Audit Office is to assist the Auditor-General in providing the Tasmanian Parliament and the community with quality independent audits of all State 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 174 financial statement audits of the diverse range of State entities referred to in Appendix 3 and report to Parliament on significant issues arising. We also undertake a minimum of eight performance audits each year and report the outcomes to Parliament. Our reports are public documents when tabled in Parliament and are accessible on our website: [www.audit.tas.gov.au](http://www.audit.tas.gov.au).

### Our people

At 30 June 2011, we had 39.0 (43.4 in 2010) full-time equivalent (FTE) employees. 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 18 private sector auditing firms on our audit register and they are detailed in Appendix 5.

### Our operations

We received \$2.423m in funding from the government (\$2.301m in 2009-10) and generated \$4.697m from fees for audit services (\$4.157m in 2009-10).

### Strategic planning

Our Strategic Plan 2008-11 "Making a Difference" outlines how we meet our responsibilities, and contains long-term strategic objectives and critical success factors setting our current and future direction.

## Our history

Significant events in the history of the Tasmanian Audit Office

			GTWB Boyes appointed as Auditor of Civil Accounts	Creation of the Audit Office			<i>Audit Act 1858 enacted</i>	Designations changed to Auditor- General and Audit Department. <i>Audit Act 1888 enacted</i>
1804	1810	1825	1826	1829	1855	1856	1858	1888
Sullivans cove established	Creation of Police Fund ... (first accounting records)	Van Diemen's Land separated from NSW			<i>Constitution Act 1855 enacted</i>	Tasmania becomes a self governing colony		

Significant events in the history of Tasmania



## Highlights

Positive operating result achieved	Pages 10 and 68
Twelve reports tabled in Parliament	Pages 11 and 25
98% of financial audit opinions issued	Page 12
Increased satisfaction by Parliamentarians	Page 12
Increased understanding of our role	Page 13
Earlier completion of financial audits	Page 34
Maintained level of investment in learning and development	Page 39
Awarded Recognised Knowledge Employer Partner by CPA Australia	Page 44
Satisfactory results from internal audit reviews	Page 53
Silver award received for 2009-10 Annual Report	Page 61

## Our history

### Significant events in the history of the Tasmanian Audit Office

<i>Audit Act 1901</i> enacted following Federation, JW Israel, former Auditor-General of Tasmania, appointed as Auditor-General of the Commonwealth	<i>Audit Act 1918</i> enacted following several amendments in prior years	Launceston office opened	<i>Audit Amendment Act 1979</i> enacted following many amendments to <i>Audit Act</i> in prior years	Office has a staff of 90, the largest contingent to date	<i>Financial Management and Audit Act 1990</i> enacted	Designation changed to Tasmanian Audit Office	<i>Audit Act 2008</i> enacted
1901	1918	1951	1979	1984	1990	1992	2008

Federation

### Significant events in the history of Tasmania



# Auditor-General's Report 2010-11

Striving to make a difference

## Our Legislative and Regulatory Framework

The Audit Act commenced operating in March 2009 with audits, both financial and performance, completed under this Act since then. The 2010-11 financial audit cycle sees completion of transition arrangements under which State-Owned Companies, Local Government Councils and some other State-owned entities were given additional time to prepare for the requirement to submit completed financial statements for audit within 45 days of 30 June. These entities were required to satisfy this requirement at 30 June 2011 with much work done to assist each of them to prepare for this. To a significant extent this requirement was met with details to be provided to Parliament in my November 2011 reports.

To date the new Act has served us well. The need for some revisions has been identified in three respects. Firstly to amend consequential changes made on the enactment of the *Integrity Commission Act 2009*, secondly to facilitate information sharing with other integrity entities in appropriate circumstances, and thirdly to facilitate the conduct of collaborative performance or compliance audits with Auditors-General from other Australian jurisdictions. Discussions about proposed changes are at an advanced stage and I am hopeful they will be presented to Parliament soon.

## Our Strategic Framework and Performance (KPI) Report

Our 2008-11 strategic plan has run its course with most objectives set four years ago achieved. Steps are under way to finalise a plan for 2012-15 with my intention being to launch this by December 2011. In the mean time, a re-assessment of our strategic framework resulted in no change to our vision, purpose, values or strategic objectives but variations to our critical success factors and associated key performance indicators. These are aimed at maintaining the existing focus on the Parliament and introducing clarity around internal objectives and benchmarks.

We have continued the practice of having our performance report reviewed by our external auditor and it is pleasing to note their clean review opinion. More importantly, it is pleasing to report our achievements in 2010-11 in particular the 83% overall level of satisfaction

by Parliamentarians as to the usefulness of the opinions and recommendations made in our reports.

## Our People

As reported in the "Our People" section of this report, our staff numbers declined this year. Despite this, we exceeded our internal benchmarks and brought forward completion of financial statement audits. This was a significant achievement by our Financial Audit Services unit having a direct impact on our surplus of \$264,000 this year. Completion and tabling by the Performance Audit Services of 10 special reports, our target is eight, this year was a very strong outcome by staff in this unit. Working in the background, our Business Services Support met all of their statutory and other demands despite staff shortages at various times during the year.

## Our Governance, Corporate and Social Responsibility

Internal governance arrangements continue to meet our expectations and I remain of the view that we contribute strongly in our role as corporate citizens in particular our ongoing support for the Cancer Foundation's Relay for Life program. However, on the environmental front, I am disappointed with our progress in achieving internal milestones with steps put in place to improve our performance particularly in reducing our carbon footprint.

## Our Finances

After some years of incurring operating deficits, we returned a surplus of \$264,000 this year. Surpluses are important for a number of reasons including:

- they reduce our reliance on government support thus enhancing independence
- they represent internal efficiency
- surpluses lead to more positive cash inflows facilitating working capital management and providing funds for investment in staff and required assets.

However, our short to medium term outlook is not promising with deficits budgeted in each of the next four years. This is not sustainable with steps taken to address this by developing a range of funding options for



government to consider. At the time of preparing this report, it was too early to report progress.

In conclusion, my sincere gratitude to every member of our staff, and to members of our Audit Committee, for their commitment and dedication to achieving our objectives in the past twelve months. As always, due to the nature of our role and work, we must get up and do it all again next year. Also as always, I look forward to the opportunities this presents.



Mike Blake  
Auditor-General



# Our Legislative and Regulatory Framework

## A strong legislative framework provides a clear mandate

The Tasmanian Audit Office is a State entity that provides support and services to the Auditor-General. The Auditor-General is authorised and required to act independently in relation to the performance of the functions of the Auditor-General and, subject to the Audit Act and other written laws, has complete discretion in the performance of those functions.

### *The Role of the Auditor-General*

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

The government is obliged to account to the citizens of Tasmania, through the Parliament, for its management of public funds and 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.

### *Is Enshrined in 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 the legal basis for the Auditor-General's access to all government information and the freedom to report findings arising from audits to Parliament.

The Auditor-General is responsible for audits 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 an 18 month to two year program summarised in our Annual Plan of Work.

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 the Auditor-General may engage private sector firms as his agents.

### *That Ensures His Independence*

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

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

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

### *And Defines His Mandate*

The Auditor-General has a broad-scope mandate for comprehensive auditing that embodies the components generally referred to as financial audit, 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.



# 1

## Section I

## Our Strategic Framework and Performance (KPI) Report



### SECTION CONTENT

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<b>Our performance (KPI) report</b>	<b>10</b>
<b>Independent review report on our performance (KPI) report for 2010-11</b>	<b>19</b>
<b>Our strategic direction beyond 2010-11</b>	<b>21</b>



# Our Strategic Framework

Strong strategic planning processes lead to the achievement of our goals

## Our strategic objectives and associated critical success factors

Through the Tasmanian public sector budgetary process we identified an operational outcome and two linked outputs that are consistent with our vision and purpose. The outcome and outputs are discussed in the section titled “Our Outcome and Outputs”. With our outcome and outputs in mind, we developed the following two Strategic Objectives:

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

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

- Sustainable Business Performance
  - efficient and effective office operations
  - financial sustainability
- Highly Regarded Products and Services
  - soundly based, credible and balanced reports and opinions
  - reports and opinions that lead to improved public sector performance and accountability
  - undertaking audits/investigations on the right topics at the right time
- Continuously Improving Operational Performance
  - effective business systems
  - contemporary audit methodologies
  - effective quality assurance
- Motivated Employees
  - capable, motivated and satisfied employees
  - effective teams.

## Vision

STRIVE | LEAD | EXCEL  
TO MAKE A DIFFERENCE

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





## Purpose

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

Our Strategic Plan 2009-12 “Making A Difference” brings together our vision, purpose, strategic objectives and critical success factors and how we measure and report our performance through our balanced scorecard (BSC). Our BSC reports present performance as measured by actual results against targets for each identified key performance indicator. The data for establishing the actual results was gathered from:

- stakeholder feedback particularly from Parliamentarians and audit clients
- achievements against annual plans
- benchmarking our performance over time and against our peers
- acceptance and implementation of our recommendations
- employee feedback.

Our Strategic Plan and associated annual work plans can be accessed and downloaded from our website ([www.audit.tas.gov.au](http://www.audit.tas.gov.au)). Our strategic planning framework is illustrated in Appendix 9 of this annual report.

During the year we reviewed progress against our Strategic Plan 2009-12 to assess its ongoing relevance, success factors and performance measures. The results of the review are discussed at the end of this section. Our Performance Report that follows covers the period 2010-11.

### Our values

**Professionalism** - How we go about our work

**Respect** - How we treat others and expect to be treated

**Customer Focus** - How we deliver our services

**Camaraderie** - How we work together

**Continuous Improvement** - How we move forward and work better

# Our Performance (KPI) Report

## Accountability, a key to improved performance

In this section we explain our performance for 2010-11 by reference to our key performance indicators (KPIs).

Measuring our performance against our four CSFs is reported internally by applying our BSC reporting framework. We report below our performance against these four CSFs. The KPIs reported were published in our Annual Plan of Work for 2010-11. Also, while not identified as performance measures against our CSFs,

we include measures of efficiency that are reported as benchmarks from the Australasian Council of Auditors-General (ACAG) Annual Macro-Benchmarking report.

Our KPIs were independently assessed with the review opinion published at the end of this section.

## Sustainable business performance

Our objective is that we manage our finances sustainably and we operate efficiently and effectively. The KPIs below are aimed at addressing these objectives.

### Financial Sustainability

Operating in a financially sustainable manner leads to less reliance by us on government support. We were able to reverse trends in previous years by achieving an operating surplus and increasing our cash balance. We did not fully spend the appropriation allocated for performance audits with this funding carried forward to 2011-12. The

operating surplus arose due to reduced employee costs and increased revenue from user charges. Primary credit for this goes to our Financial Audit Services (FAS) business unit achieving a net operating surplus for audits completed during 2010-11 equivalent to 1.5% of revenue.

The operating surplus, along with the introduction of cyclical billing arrangements, resulted in a consequent improvement in cash flows.

Key Performance Indicators	Actual 08-09	Actual 09-10	Target 10-11	Actual 10-11	Result
Net operating result for FAS business unit	Loss (3.95%)	Loss (1.35%)	> break-even	1.5%	✓
Budgeted net operating result achieved	Operating deficit	Operating deficit	>=0	Operating surplus	✓
Maintain positive cash flow	Positive	Positive	Positive	Positive	✓
Unqualified audit report	Unqualified	Unqualified	Unqualified	Unqualified	✓

Operating Surplus  
Achieved



### Efficient and effective audit office operations

Our performance against this objective was satisfactory.

We tabled ten reports in Parliament on the outcomes of two performance audits, five compliance audits and three special investigations.

We tabled two reports (five volumes) on the outcomes of financial audits of State entities, one in November 2010 and the other in June 2011.

Completion within our target of eight months was not

met but, once again, priority given to ad-hoc special investigations caused delays on some performance audit projects as did delays from State entities in responding to our reports.

The way we measure the implementation of agreed recommendations is to conduct follow-up of performance audits completed two to three years previously. During 2010-11 two follow-ups were undertaken and the percentage of recommendations acted upon was 64%. In the following section we explain the percentage of recommendations adopted in Special Reports 91 and 97.

Key Performance Indicators	Actual 08-09	Actual 09-10	Target 10-11	Actual 10-11	Result
Number of performance and compliance audits completed	7	10	8	10	✓
Number of statutory reports to Parliament following financial statement audits of State entities	2	2	2	2	✓
Performance and compliance audits completed within 8 months	43%	66%	100%	40% <sup>1</sup>	✗
Percentage performance and compliance recommendations agreed and acted upon	74%	70%	70%	64% <sup>2</sup>	✗

Performance and  
Compliance audits  
Target = 8

This year = 10

# Our Performance (KPI) Report

cont...

## Highly regarded 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 the Parliament about the performance of State entities. Secondary but significant clients are the State entities we audit. In their case our work is aimed at providing assurance regarding financial reports and financial and non-financial performance. Our products and services are aimed at providing our stakeholders with relevant information to evaluate the performance of State entities and the effectiveness of public administration. Our objectives for this CSF are to:

- prepare soundly based, credible, balanced and timely reports and opinions that lead to improved performance and accountability
- undertake audits and investigations on the right topics at the right time
- ensure our stakeholders understand and recognise the value of our people, products and services.

Our KPIs are aimed at addressing these objectives. During 2010-11 we conducted our biennial survey of Parliamentarians, financial and performance audit clients. The survey results are recorded against the KPIs in the following tables.

### Soundly based, credible, balanced and timely reports and opinions leading to improved performance and accountability

Our latest survey indicated high levels of satisfaction with our reports by Parliamentarians and satisfaction by audit clients with our financial audit services.

It is particularly pleasing to note our improvement in completing financial audits in a timelier manner. This remains an important target particularly in view of changes to reporting arrangements from 30 June 2011.

Key Performance Indicators	Actual 08-09	Actual 09-10	Target 10-11	Actual 10-11	Result
All financial audit opinions issued within 45 days of receipt of signed financial statements	80%	92%	100%	98%	✓
Overall satisfaction by Parliamentarians of our performance and compliance audit reports regarding the usefulness and validity of opinions and recommendations	92%	N/a	75%	83%	✓
Overall satisfaction by Parliamentarians in our Reports to Parliament on State entities regarding usefulness	92%	N/a	75%	84%	✓
Overall satisfaction by financial audit clients on the financial audit services provided	72%	N/a	70%	76%	✓

## Satisfaction by Parliamentarians of usefulness of opinions and recommendations

83%



### Undertaking audits and investigations on the right topics at the right time

The latest survey indicated high levels of satisfaction by Parliamentarians with the topics we undertook and the style and readability of our reports.

Key Performance Indicators	Actual 08-09	Actual 09-10	Target 10-11	Actual 10-11	Result
Parliamentarians' satisfaction that our performance and compliance audits concentrated on worthwhile topics	92%	N/a	75%	96%	✓
Parliamentarians' satisfaction that our performance and compliance audits were of a suitable style and the reports were readable	92%	N/a	75%	100%	✓

The improved rating on readability is encouraging as the writing style was amended during this period. While not recorded as a KPI the overall satisfaction by Parliamentarians with our reports and services was 97%

compared to 92% in 2008-09 when the survey was last conducted. There was a strong indication that the changes we made in relation to topic selection and reporting were correct.

### Ensuring our stakeholders understand and recognise the value of our people, products and services

For the second time as part of the biennial Parliamentary satisfaction survey we sought to evaluate the level of understanding Parliamentarians have of our role and their assessment of the readability of our annual report. It is pleasing to report the readability of our annual report has increased as has the understanding of our role by Parliamentarians since the last review in 2008-09.

## Satisfaction by Parliamentarians of our reports

97%

Key Performance Indicators	Actual 08-09	Actual 09-10	Target 10-11	Actual 10-11	Result
Parliamentarian satisfaction on the readability of our annual report	75%	N/a	75%	100%	✓
Parliamentarians' view that the annual report increased their understanding of the Office's role	82%	N/a	75%	93%	✓

Increased  
understanding  
of our role by  
Parliamentarians

# Our Performance (KPI) Report

Cont...

## Continuously improving operational performance

For us to meet our strategic objectives, we need to apply effective processes and methodologies that are rigorous and proven. We do this by applying:

- contemporary audit methodologies
- effective quality assurance
- effective processes, systems and management practices.

We measure the effectiveness of our audit methodology triennially. The next review is due in 2011-12. The 2008-09 assessment was positive.

Our quality assurance program requires that a selection of financial audit work papers are independently reviewed each year and performance audits biennially.

We assess the effectiveness of our internal processes, systems and practices by initiating triennial external peer reviews and regular internal audits. During 2010-11 two internal audits and a follow-up audit on the internal audits from the previous two years were conducted.

The KPIs below are aimed at addressing these objectives.

Key Performance Indicators	Actual 08-09	Actual 09-10	Target 10-11	Actual 10-11	Result
Positive findings by the external peer review that our audit methodologies are contemporary and effective	Achieved	Not measured	Achieved	Not measured	✓
Effective quality assurance as measured by achieving positive outcomes from:					
• an independent review of financial audit working papers	Positive but suggested improvement	Positive but suggested improvement	Positive	To be measured in 2011-12	—
• an independent review of performance audit working papers	Positive but suggested improvement	Not measured	Positive	To be measured in 2011-12	—
• internal audit reviews undertaken	Positive but suggested improvement	Not measured	Positive	Positive but suggested improvement	✓
Positive findings by the external peer review that processes, systems and management practices are satisfactory	Positive but suggested improvement	Not measured	Positive	To be measured in 2011-12	—

Overall our performance against this objective was satisfactory.



## Motivated employees

We rely on our employees to achieve our corporate objectives. We aim to provide an environment in which our employees:

- are capable, motivated and satisfied
- work effectively in teams
- recognise their environmental responsibilities and are involved in our community
- are healthy and value our commitment to their well being.

We undertake biennial staff satisfaction surveys dealing with the first two objectives, the last being conducted in 2009-10 when our average target was 75% and we achieved 71%.

The KPIs below are aimed at addressing third and fourth objectives.

Key Performance Indicators	Actual 08-09	Actual 09-10	Target 10-11	Actual 10-11	Result
Employees recognise their environmental responsibilities and our involvement in our community:					
• Carbon footprint impact	Stable	Lower impact	Lower impact	Higher impact	✗
• Support for and commitment to community activities and organisations	Increased	Maintained	Increased participation	Maintained	—
Employees are health and value our commitment to their wellbeing:					
• Participation in health and wellbeing	Increased	Decreased	Increased participation	Increased	✓
• Wellbeing index	88%	86%	>=80%	76%	✗

The carbon footprint impact by the Office increased and this was due to higher electricity usage. Our Corporate Social Responsibility Group is addressing this.

Our employees participated in more health and wellbeing initiatives during the year. The Human Resource committee has commenced developing a health and wellbeing plan based on feedback from employees.

The decrease in the health and wellbeing index was due to a higher number of days of sick leave per employee. The increase in the days of sick leave per employee was influenced by one employee taking sick leave in excess of 20 weeks and two others taking sick leave in excess of four weeks. In all cases, this was as a result of non-work related illnesses.



# Our Performance (KPI) Report

Cont...

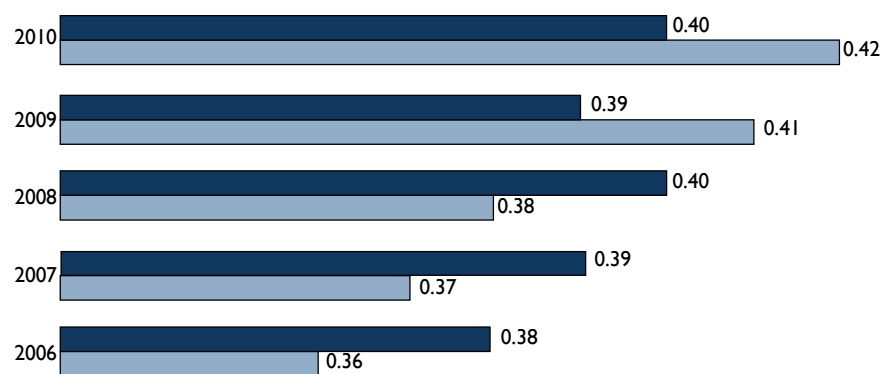
## Measures of efficiency and effectiveness

To evaluate our performance with respect to efficiency and effectiveness 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 benchmarks cover the period 2006 to 2010; the results for 2011 are not available due to the timing of data collection.

In the following graphs we are represented by light blue and State and Territory average is dark blue.

Measures 1 and 2 deal with audit costs.

### Measure 1: Total audit costs per \$'000 of public sector transactions



### Measure 2: Total audit costs per \$'000 of public sector assets



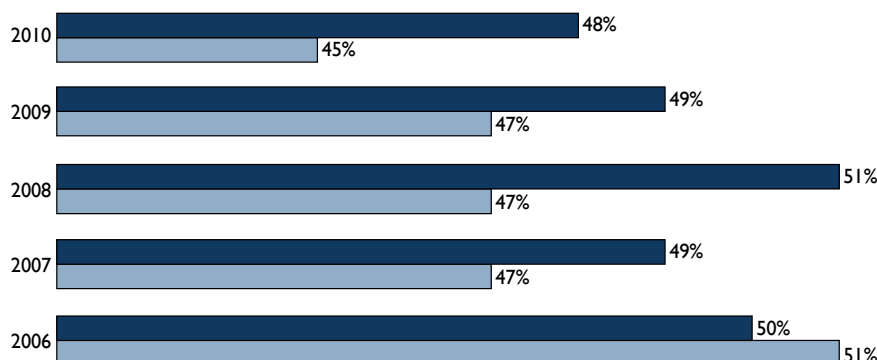
We expect our costs, as a proportion of total state assets and transactions, to be higher than most other states. Typically state entities in Tasmania are smaller than their interstate counterparts as is our Office. The total audit costs based on public sector transactions confirms this expectation.

In 2009 and 2010 we increased our financial audit fees by 12.1% and 9.5% respectively which resulted in us exceeding the all state average in 2009-10 and 2010-11.

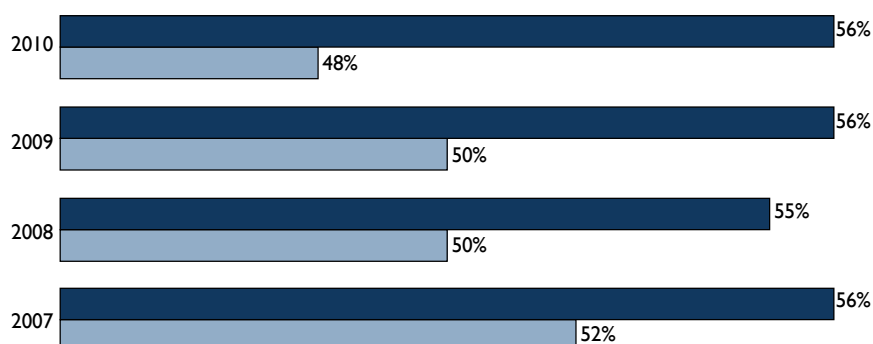


Measures 3, 4, and 5 deal with our productivity.

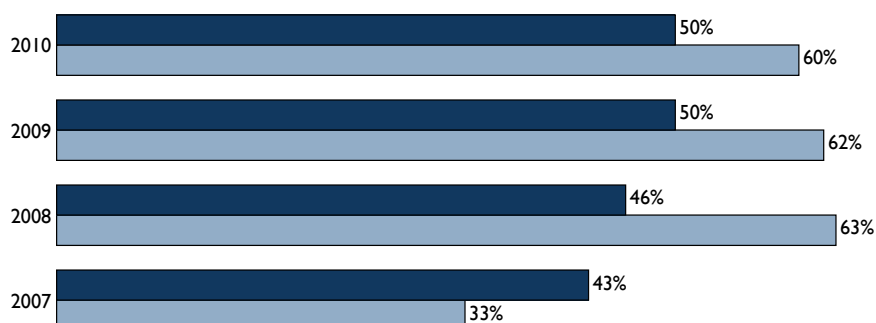
**Measure 3: Percentage of total (whole of office) paid hours charged to audit activities**



**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**



The productivity of our staff has a direct impact on our bottom line. Each auditor, whether financial or performance, is expected to recover a minimum number of hours after allowing for leave, professional development and administration. Total paid hours includes the hours of corporate employees and leave of all employees.

As indicated in measure 3, as a percentage of total paid hours charged to audit activities we have been between 2% and 4% below the national average. During the last four years there have been significant periods of maternity leave and other special leave that has impacted on our performance.

Another reason for the lower productivity is the ratio of corporate employees to audit employees, expected in a small office.

Regarding measure 4, the productivity of our financial audit (attest audit) employees was below the national average for the past four years. The productivity of the financial audit unit was affected the most by the significant periods of maternity and special leave.

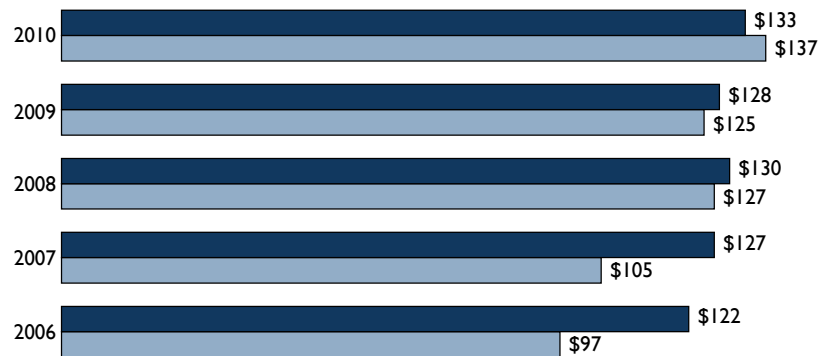
The productivity of our performance audit (non-attest) employees, as indicated in measure 5, was above the national average for the same period, which is a most pleasing result.

# Our Performance (KPI) Report

Cont...

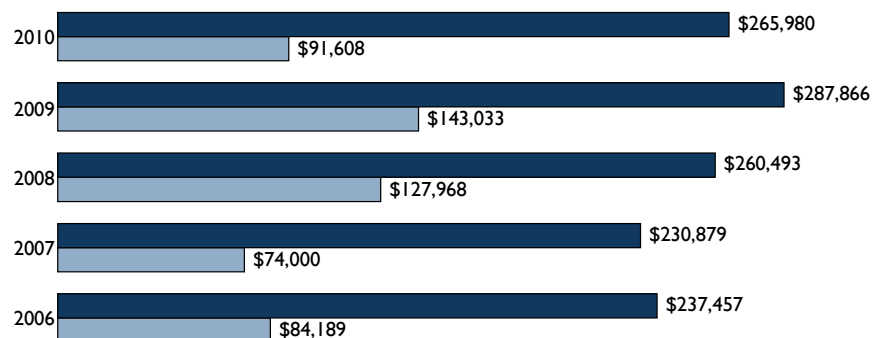
Measure 6 and 7 detail costs per audit hour for all audits and total cost per report for performance audits.

## Measure 6: Cost per Audit Hour Charged to Audit



It would be expected that our charge-out rates would be less than the larger Audit Offices which was the case prior to 2010. The increase in 2010 was due to higher employee and accommodation costs, which necessitated the increases in audit fees referred to in measure I previously.

## Measure 7: Cost per Performance Audits



We would expect our costs of preparing performance and compliance audits to be lower than the interstate average, which was the case. The main variable is the scope of each audit.



# Independent review report on our performance report (KPI) for 2010-11



## 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, which comprises the Key Performance Indicators as at the 30 June 2011.

### ***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.

**Clements Dunne & Bell Partnership. Chartered Accountants.**

Independent member of BKR International and Walker Wayland Australasia Ltd

Level 14, 350 Queen Street, Melbourne Victoria 3000 Australia.

Telephone (03) 8618 2222. Fax (03) 8618 2200. Website [www.cdb.com.au](http://www.cdb.com.au)

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# Independent review report on our performance report (KPI) for 2010-11

Cont...



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

### 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 2011.

A handwritten signature in blue ink that reads 'Clements Dunne &amp; Bell'.

**CLEMENTS DUNNE & BELL PARTNERSHIP**  
Chartered Accountants  
Melbourne

A handwritten signature in blue ink that reads 'A. Wehrens'.

**Andrew Wehrens**  
Partner  
16 August 2011

**Clements Dunne & Bell Partnership. Chartered Accountants.**  
Independent member of BKR International and Walker Wayland Australasia Ltd  
Level 14, 350 Queen Street, Melbourne Victoria 3000 Australia.  
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# Our strategic direction beyond 2010-11

As mentioned earlier in this section, during 2010-11 in preparation for our next strategic plan we reviewed our vision, purpose, values, strategic objectives and critical success factors. As a result there were no changes to our vision, purpose, values or strategic objectives. We have however made alterations to our critical success factors and performance measures.

These alterations were minor but assisted in clarifying our purpose and direction.

The revised critical success factors and performance measures that will be reported against in future annual reports are:

Influential Products and Services	Target 2011-12
<b>Soundly based, credible, balanced and timely reports and opinions</b>	
All financial audits opinions to be issued within 45 days of receipt of final signed financial statements	100%
Performance and compliance audits are completed on average within nine months	Achieved
Survey Parliamentarians on the balance and identification of issues and their implications of our reports on the outcomes of financial audits and performance and compliance audits and special investigations undertaken by annual internal survey.	75%
<b>Reports and opinions that lead to improved public sector performance and accountability</b>	
Survey Parliamentarians on our performance and compliance audit and special investigation reports by independent biennial survey and annual internal survey to measure <ul style="list-style-type: none"> <li>Usefulness and assistance to Parliamentarians</li> </ul>	75%
Survey clients on their satisfaction with the financial audit services provided by our Office and our contractors by both the independent biennial survey and an annual internal survey	70%
Percentage of recommendations agreed and acted upon 24 months since the tabling of a performance/compliance audit report	70%
<b>Undertaking audits/investigations on the right topics at the right time</b>	
Survey Parliamentarians with respect to all our reports tabled in Parliament by independent biennial survey and annual internal survey to measure <ul style="list-style-type: none"> <li>Are the topics relevant and worthwhile</li> <li>The style and readability of reports conveys the topic issues and recommendations</li> </ul>	75% 75%
<b>Our stakeholders understand and recognise the value of our people, products and services in contributing to improving public administration</b>	
Survey Parliamentarians with respect to all our annual report on the operations of our Office by independent biennial survey and annual internal survey to measure <ul style="list-style-type: none"> <li>The style and readability of the report</li> <li>Does the report provide a clear understanding to the reader of Auditor-General's role</li> </ul>	75% 75%
<b>Financial Sustainability</b>	
<b>Effective financial operations</b>	
Positive net operating result that is $\geq 1\%$ of turnover	Achieved
Positive cash flows with a EOY cash balance $> \$600\ 000$	Achieved
Build cash reserves accumulative each year by \$150 000	Achieved

# Our strategic direction beyond 2010-11

Cont...

Effective Operational Performance	Target 2010-11
<b>Efficient and effective office operations</b>	
Reports tabled in Parliament:	
• Performance audits (at least)	4
• Compliance audits (at least)	3
• Special investigations (at least)	1
• Report of the Auditor-General on the outcomes of financial audits (5 volumes)	1
Independent audit opinion on the financial statements of the Office	Unqualified
Independent assessment that concludes that Office is operating efficiently and effectively	Achieved
<b>Effective quality assurance</b>	
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	Positive
• Performance audits	Positive
Number of major findings (Rated as "High") with significant impact/ramifications reported to the Office's Audit Committee by our internal auditor.	None
<b>Motivated and Capable Employees</b>	
<b>Motivated and satisfied employees</b>	
Employee satisfaction as measured by the Office's independent biennial employee survey and the annual Tasmanian public sector employee survey.	75% or if not 75% then improving
Employee engagement as measured by the Office's independent biennial employee survey and the annual Tasmanian public sector employee survey.	75% or if not 75% then improving
Employee turnover rate	< 10%
Employees acknowledge our Office values and behaviours are exhibited in our workplace (measured by surveys)	85%
<b>Employee capability that matches our business needs</b>	
Percentage of employees who have professional qualifications	> 85%
Percentage of employees who are members of professional bodies	> 85%
Percentage of employees who undertake 10 days of professional development per annum	100%
Percentage of employee professional development plans implemented	100%
Professional development plans result in an improvement in the level of performance of employees. Staff and supervisors acknowledge an improvement in the level of on-the-job performance (measured by annual survey)	80%
<b>Employee well-being</b>	
Employee participation in health and well-being initiatives	75%
Sick leave taken by employees (average)	Year on year reduction
Percentage of employees who have excess leave balances	< 5%

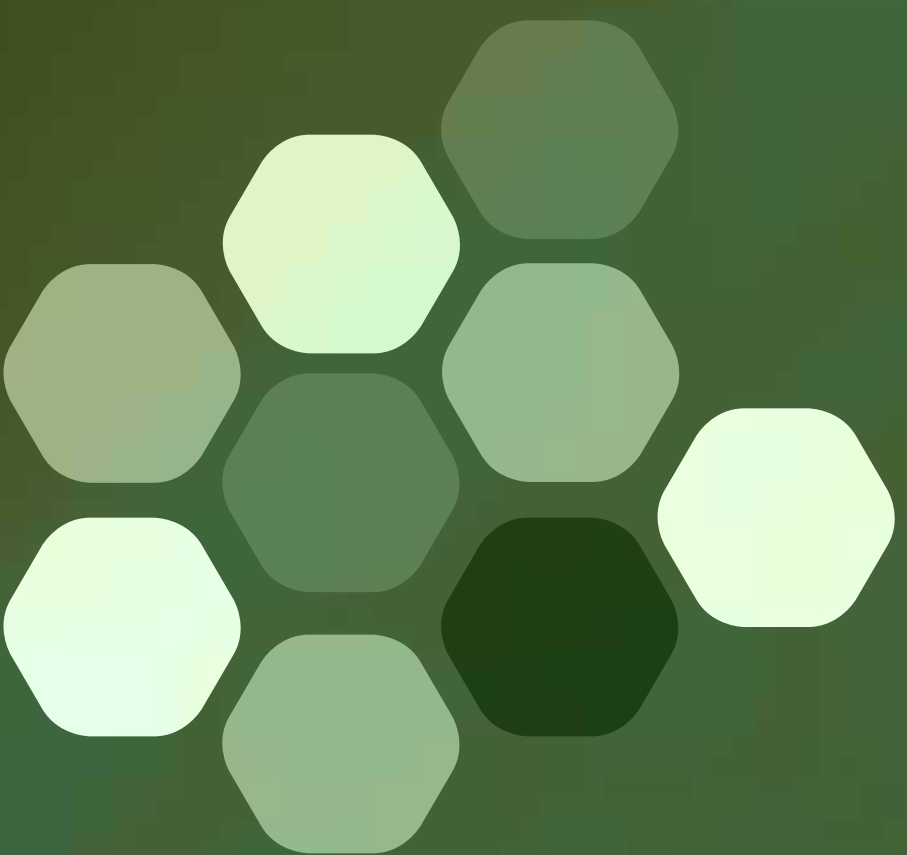




# 2

## Section 2

### Our Outcome and Outputs Report



#### SECTION CONTENT

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Output - Parliamentary reports and services	25
Output - Audit Assurance	32
<b>Major initiatives</b>	<b>34</b>

# Our outcome and outputs report

## Budget management and responsibility is important

### Budgetary framework

Our budget was included in Chapter 20 of Budget Paper No 2, Volume 2 in the 2010-11 Budget Papers. Outcomes of our financial performance against budget are comprehensively dealt with in the audited financial statements in Section 6 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:

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

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

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

Our Outcome and Outputs are linked to our previously

stated Vision, Purpose and Strategic Objectives and this relationship is illustrated diagrammatically in Appendix 10 in this annual report.

### Performance against our outputs

Our performance targets, set out in Chapter 20 of Budget Paper No 2, Volume 2, along with our achievements, are detailed in the table below.

The satisfaction index for Parliamentarians and clients was calculated from our biennial Parliamentary and Client surveys, conducted during 2010-11. In the following table, N/m means not measured in that year.

Outcomes relating to our outputs and explanations for the achievements against the KPIs are detailed in the previous section titled “Our Performance Report”. The only exception is the Parliamentary general satisfaction index measuring their satisfaction with our statutory and performance audit reports which is measured biennially. We achieved a higher satisfaction rating in comparison to the previous survey result in 2008-09.

Key Performance Indicators	Actual 07-08	Actual 08-09	Actual 09-10	Target 10-11	Actual 10-11	Result
Parliamentary Reports and Services						
• Parliamentary general satisfaction index	N/m	92%	N/m	75%	97%	✓
• Number of performance audit reports tabled	8	7	10	8	10	✓
• Number of statutory reports on outcomes of financial audits	2	2	2	2	2	✓
• Performance audits completed within eight months	88%	43%	66%	100%	40%	✗
• Recommendations agreed and acted upon from performance audits	94%	74%	70%	70%	64%	✗
Audit Assurance						
• All financial audit opinions issued within 45 days of receipt of final signed financial statements	94%	80%	92%	100%	98%	✗
• Client general satisfaction index	N/m	72%	N/m	75%	76%	✓



## Output - Parliamentary Reports and Services

### Reports to Parliament on the outcomes of financial audits

The Audit Act requires the Auditor-General to table in the Parliament a report on the financial audits of State entities, and audited subsidiaries of State entities, in respect of the preceding financial year. Such reports 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 acquitted by tabling two reports annually, one in November and the other in May or June. The latter generally covers local government authorities and 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 former report covers most entities with 30 June balance dates including government departments, government business enterprises, state owned companies, superannuation funds and other state authorities. This report also includes commentary on the audit of the General Government Financial Statements, the Public Account Statements, and the Total State Financial Statements as well as details of any additional audits dispensed with.

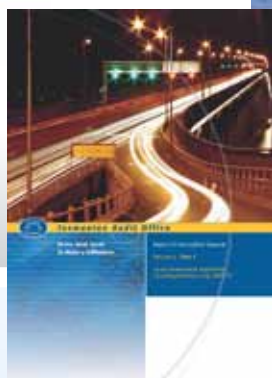
In 2010-11 the FAS unit tabled the following reports:

- November 2010, a three-volume report on:

- Volume 1 - Analysis of Treasurer's Annual Financial Report 2009-10
- Volume 2 - Executive and Legislature, Government Departments and other General Government State Sector Entities 2009-10
- Volume 3 - Government Business Enterprises, State Owned Companies and Superannuation Funds 2009-10
- May and June 2011:
  - Volume 4 - Local Government Authorities including Business Units 2009-10
  - Volume 5 - Other State Entities 30 June 2010 and 31 December 2010, including University of Tasmania.

These reports 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. In conducting its work, FAS complies with auditing standards issued by the Australian Auditing and Assurance Standards Board (AUASB).

These reports can be viewed and/or downloaded from our website [www.audit.tas.gov.au](http://www.audit.tas.gov.au). Parliamentarians were invited to presentations on the day of tabling and informal feedback on the usefulness of these two reports was positive.



# Our outcome and outputs report

Cont...

## Section 2

### Output - Parliamentary Reports and Services

#### 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 at least eight 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.

Of the 24 projects planned, the following six Special reports were completed and tabled in Parliament during 2010-11:

- # 90: Science education in public high schools
- # 91: Follow up of Special Reports 62-65 and 70
- # 95: Fraud control
- # 97: Follow up of Special Reports 69-73
- # 98: Premier's Sundry Grants and Urban Renewal and Heritage Fund
- # 99: Bushfire management.

Audits not included in the plan of work, but which were given priority, resulted in the following Special reports:

#### Special Report No. 90 Science education in public high schools

Studying science stimulates students' natural curiosity and sense of wonder about their world, as they participate in experiences that enable them to explore, question, test and conduct research. Many of the skills acquired through scientific training can also be applied elsewhere in life.

Most students in Tasmania's public schools are taught science between kindergarten and Year 10. Only upon reaching their senior secondary years can students elect not to study science. The Department of Education (DoE) has responsibility for overseeing all of Tasmania's public high schools. However, whilst DoE provides some central support and direction it has also given schools a significant degree of autonomy.

This audit was concerned with whether or not Tasmanian public high schools were fulfilling their role of providing general scientific literacy and preparing students for future studies in the field of science. The audit objectives were to:

- assess the effectiveness of secondary science education in Tasmania

- # 92: Public sector productivity: a ten-year comparison
- # 93: Investigations 2004-2010
- # 94: Election promise: five per cent price cap on electricity prices
- # 96: Appointment of the Commissioner for Children.

This totalled 10 audits/investigations completed. All tabled reports are available on our web site at [www.audit.tas.gov.au](http://www.audit.tas.gov.au) and are summarised below.

These reports are prepared by our Performance Audit Services (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 AUASB:

- ASAE 3100 Compliance Engagements and
- ASAE 3500 Performance Engagements.

- review the strategic management of secondary science education.

The scope of the audit encompassed teaching of science provided by DoE in public high schools in 2009. The audit included a review of science teaching at eight schools selected to provide coverage of large and small, rural and urban schools across the state.

Overall, we concluded that DoE ensures that the Tasmanian public high school science education program is conducted in an effective manner, however we made twelve recommendations aimed at further effectiveness.



## Special Report No. 91 Follow up of Special Reports 62-65 and 70



We conduct follow-up audits to inform Parliament about the extent to which State entities have acted on recommendations made in previous Special Reports.

This follow-up audit looked at Special Reports 62–65, tabled between November 2006 and April 2007. It also revisits a part of Special Report 70, tabled in November 2007, which examined

the replacement of police vessel Freycinet. Details of the reports, with the percentage of recommendations implemented stated in brackets, are listed below:

- Special Report No. 62, a performance audit examining training and development (55%)
- Special Report No. 63, a compliance audit examining

environmental management and pollution control by local government (68%)

- Special Report No. 64, a compliance audit examining implementation of aspects of the Building Act 2000<sup>1</sup>
- Special report No. 65, contained two compliance audits: Management of an award breach<sup>2</sup>; and Selected allowances and nurses' overtime (no recommendations made)
- Special Report No. 70, but focusing only on replacement of police vessel Freycinet (100%). The follow up report contained four recommendations related to matters revisited in Special Report No. 70.

<sup>1</sup> During the audit, the Department of Justice (DoJ) advised us that recommendations contained within Special Report 64, Implementation of aspects of the Building Act 2000, were not acted upon because the functions previously exercised by the Tasmanian Compliance Corporation Pty Ltd had now been absorbed by the department. We therefore felt it was unnecessary for us to revisit Special Report 64, because its findings and recommendations related to an outsourcing of building regulation responsibilities to an external party.

<sup>2</sup> Not revisited by this report.

## Special Report No. 92 Public sector productivity: a ten-year comparison

Life in modern societies involves collective access to many publicly provided goods and services. There are numerous situations where it may be preferable for goods and services to be delivered by governments because it is more efficient and effective to provide them on that basis, for example:

- It is impossible to restrict benefits to those people that would be willing to pay for services. Examples include courts, prisons and policing services.
- Some goods and services provide benefits to the whole community and not just the immediate recipient. Examples are education and immunisation programs.
- Some goods and services are of such critical importance to the community that government provision is required to guard against the risk of commercial failure of private sector business. Examples are hospital services and fire fighting.

In the private sector, competitive market conditions mean that businesses must match or exceed the efficiency of competitors if they are to succeed. For much of the public sector there is no such equivalent pressure to maximise efficiency, which leaves the risk that governments will be less efficient.

That lack of competition, or of a price signal, is one of the reasons that public bodies are now commonly subject to independent audits of efficiency, such as those performed by us. Normally, this is done at the micro level (that is, for a particular service or service provider). However, this audit looked at the macro level and sought to form an opinion on overall public sector efficiency by measuring increases in employee numbers, average employee costs and service delivery over the period 1999–00 to 2008–09.



The report contained three recommendations related to: departments developing indicators of efficiency and quality and publish these indicators in their annual report; that departments measure changes in service delivery and employee costs and this information be used as an input into Budget processes and that the Department of Treasury and Finance conduct and publish 5-year reviews of changes in service delivery and employee costs.



# Our outcome and outputs report

Cont...

## Special Report No. 93 Investigations 2004-2010



From time to time, we receive requests or referrals from various parties including Members of Parliament, members of the public, the media, public sector agencies, the Ombudsman and others to conduct audits or investigations. In the period May 2004 to June 2010, more than eighty matters were formally or informally referred for investigation.

- take no further action
- refer the matter to a more appropriate authority
- address the matter as part of our normal financial audit program
- investigate or audit the matter using a combination of our resources along with those of an auditee often resulting in management letters addressed to those charged with governance within that auditee. Where a finding is significant, we may include this in a report to Parliament
- investigate or audit the matter resulting in a report to Parliament.

The Report summarised actions taken and any outcomes of the investigations during the period.

The report contained four recommendations.

Every one of these matters is assessed under an internal protocol application which results in any of the following decisions to:

## Special Report No. 94 Election promise: five per cent price cap on electricity prices

Late in 2009, it appeared likely that Tasmanian electricity consumers would be faced with substantial price hikes in the near future. In the lead up to the 2010 state election, the Labor Party promised to place a one year price cap of five per cent on electricity prices for non-contestable (i.e. essentially domestic) customers. Dividends from Aurora Energy Pty Ltd (Aurora) to government would, largely, fund the price cap initiative.

In the meantime, it emerged that Aurora had serious financial problems and the government later abandoned the price cap, offering instead a one off \$100 electricity related payment for concession cardholders.

The objective of the audit was to form an opinion on whether the caretaker government knew, or should

have known, about Aurora's financial position at the time of the price cap announcement.

Our findings were that the Labor Party's pre-selection commitment was genuine and it had sound reason to believe that the payments could be afforded by Aurora. The decision to abandon the price cap was based on new information of sufficient weight.



## Special Report No. 95 Fraud control



Integration of fraud into the overall risk management is essential. Fraud management and response plans, codes of conduct and governance codes are some of the policies that assist in raising employee awareness. Issuing a policy by itself however is insufficient. People need to be educated and held accountable to these guidelines or behaviours are unlikely to change.

Entities should also ensure that all business processes, particularly those assessed as having a high exposure to fraud, are subject to a rigorous system of internal controls that are well documented, updated regularly and understood by all personnel.

An effective internal control system is not protection against fraud. However, it is obvious that such a system is a vital element of an appropriate fraud control program. Reasonable controls along with internal audit testing, improve the likelihood that fraud indicators will be detected and considered for further investigation.

Overall, we concluded that attention needs to be paid, in varying degrees, to the organisation's culture at all entities audited to improve the effectiveness of the fraud prevention and detection mechanisms currently in place.

33 recommendations were made, aimed at a range of improvements that need to be made by State entities to manage the risk of fraud with the responses to those recommendations being received positively.

## Special Report No. 96 Appointment of the Commissioner for Children

The Commissioner for Children (Commissioner) is an independent office created in 1997, with the intention of providing oversight and advocacy of government child protection practices. In July/August 2010, the position was advertised, as required by legislation. The selection process and appointment occurred in the midst of a storm of media and public outrage over the government's failure to protect a particular 12-year-old child, which led to a report being issued by the then Commissioner with a number of adverse findings. Following a selection process, the incumbent was not reappointed.

The Premier asked me to look into the selection process and I agreed. Expanding on the Premier's request, the work undertaken included a comparison of the Commissioner's conditions of appointment with other similarly independent Tasmanian statutory Offices.

Overall, I concluded that the selection process underlying the appointment of the Commissioner was thorough, objective and free from bias. However, the selection report did not provide persuasive evidence of a thorough, logical and objective selection process.

Regarding other similarly independent Tasmanian statutory Offices, I concluded that a number of differences exist which may not be in the best interests of effective public administration.

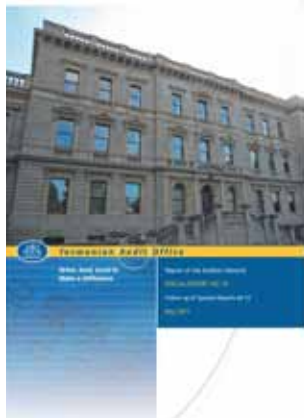




# Our outcome and outputs report

Cont...

## Special Report No. 97 Follow up of Special Reports 69-73



Follow up audits inform Parliament about the extent to which State entities have acted on recommendations made in previous Special Reports.

The four reports selected for follow up (with the percentage of recommendations implemented in brackets) were:

- Special Report No. 69, a performance audit examining public building security at Service Tasmania, Schools and Libraries (83%)
  - Special Report No. 70, contained two compliance audits examining: Procurement in government departments (95%); and Payment of accounts by government departments (86%)
  - Special Report No. 71, a compliance audit examining: Property in police possession (83%); and Control of assets: portable and attractive items (38%) - this low rate of implementation primarily related to delays in rolling out a Whole of Agency integrated financial system, which will include procedures aimed at improving controls over portable and attractive items.
  - Special Report No. 73, a performance audit examining timeliness in the Magistrates Court (71%).
- The report contained one recommendation which related to a worsening situation of backlog cases in the Magistrates Court.

## Special Report No. 98 Premier's Sundry Grants and Urban Renewal and Heritage Fund

During 2010, I received correspondence from the Leader of the Opposition expressing concerns regarding Premier's Sundry Grants Program (Premier's Grants). In addition, The Greens also raised concerns with the Urban Renewal and Heritage Fund (URHF). I decided to examine both funds as part of a single audit. The objective of the audit was to ascertain whether the funds complied with guidelines, were apolitical and were adequately monitored and reported. As appropriate, we used the principles contained in Treasurer's Instruction 709 (TI 709) Grant Management Framework, which provide a set of instructions for departments to follow when offering grants to external organisations.

### *Premier's Sundry Grants Program*

We found no persuasive evidence that Premier's Grants were being provided for political advantage. However, guidelines were inadequate and poorly promulgated, approval processes did not include objective assessment,

eligibility criteria were informal and monitoring was not common.

### *Urban Renewal and Heritage Fund*

We found no evidence of overt political use of the URHF with funded projects based on a genuine apolitical assessment by Treasury. On the other hand, there were instances of non-compliance with the principles and Treasurer's Instruction 709 in the areas of risk assessment, monitoring and reporting.

The report contained thirteen recommendations, seven relating to the Premier's Grants and six to the URHF.



## Special Report No. 99 Bushfire management



Bushfires are an inherent part of the Australian landscape that have the potential to become catastrophes. In living memory, Tasmania has suffered severe loss of life and property damage and the 2009 bushfires in Victoria horrified the nation, triggering widespread concern as to how the risks could be better contained in future.

Against that backdrop, we decided that it was timely to investigate the State's preparedness to cope with bushfires. To assess whether Tasmania was keeping up-to-date, we decided to determine the extent to which recommendations from

COAG's 2004 report National inquiry on Bushfire Mitigation and Management had been taken up.

Our objective was to determine whether State entities with an emergency management, land management or a fire fighting role had implemented the recommendations from COAG 2004 report as a guide to assessing whether or not responsible entities were keeping pace with contemporary knowledge and practice.

We concluded that the level of uptake of the COAG 2004 recommendations was not outstanding although much had been achieved with no recommendations ignored and there was commitment to keeping pace with contemporary knowledge and practice. However, we believe more could be done, with eleven recommendations aimed at achieving this.



Danny Moore and Simon Andrews discussing a draft performance audit report

# Our outcome and outputs report

Cont...

## Section 2

### 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 submission to Parliamentary committees on matters relevant to their inquiries
- responding to inquiries from Members of Parliament, State entities and the public, which sometimes leads 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 175 State entities (a complete listing is provided in Appendix 3). 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 50 acquittal statements. FAS' role includes conducting financial audits, managing financial audits contracted to the private sector and managing financial audits dispensed with.

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 management letter we may issue in relation to any audit.

FAS works closely with auditees 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 conduct our annual client seminars promoting awareness of developments in accounting. These seminars are also aimed at facilitating consistent interpretation and



application of new and existing accounting standards.

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

Close links have been developed with other audit offices, in relation to IPSAM (Integrated Public Sector Audit Methodology), mainly the Victorian Auditor-General's Office (VAGO) and the Queensland Audit Office (QAO). FAS participate in a quality assurance program which involves a review of audit files for compliance with our methodology on a reciprocal basis with other ACAG Audit Offices.

### 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 register of external audit service providers that is updated annually

and it is from this register that suitably qualified persons are selected to conduct contracted audits. In the 2010-11 financial year, we outsourced 38 financial audits to the private sector. Details of the outsourced audits and of external audit service providers are included on our website and in Appendices 4 and 5.

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

The audits dispensed with are detailed in the reports to Parliament previously referred to and are noted in the list of clients in Appendix 3.

The following table indicates the type and number of audits outsourced, the number of audits conducted in-house and the number of audits dispensed with:

	2006-07	2007-08	2008-09	2009-10	2010-11
Number of non local government audits conducted by private sector audit firms	28	26	27	27	35
Number of local government audits conducted by private sector audit firms	7	9	9	6	3
Audits conducted by the Tasmanian Audit Office	91	88	101	104	100
Audits of State entities dispensed with	32	31	33	36	36
<b>Total number of audits in portfolio</b>	<b>158</b>	<b>154</b>	<b>170</b>	<b>173</b>	<b>174</b>

# Major initiatives

## What we said we would do during 2010-11

We stated last year that the following initiatives were to be actioned during the year:

Readability of our Statutory Reports to Parliament on Outcomes of Financial Audits to be enhanced by improving the report style, better financial analysis and more informed commentary.	The Parliamentarians in our latest satisfaction survey rated us an improving. Further improvements were made to the Statutory reports by continuing to provide improved sustainability reporting for local government entities and increased number of volumes to include chapters on all State entities regardless of size.	✓
To meet the requirements of the Audit Act improvements to our audit processes and greater engagement with State entities was required to ensure audit reports were issued in a timely manner.	This was achieved by earlier planning and conduct of interim audits and by improved liaison with audit clients. By 15 August 2010 we had completed 27 audits whereas at 31 August 2011 we had completed only 17 audits.	✓
Development of a detailed forward program for performance and compliance audits for inclusion in the annual plan of work.	This initiative was achieved with the forward plan published in the Annual Plans of Work for 2010-11 by 30 June 2011.	✓
Updating our audit manuals and methodologies for both financial and performance audits for new auditing standards anticipated to have effect from 31 December 2010.	These tasks were undertaken and completed.	✓
Directly address carbon emissions by measuring the Office's carbon foot print and establishing ways to reduce its impact.	The Office has partially measured its carbon emission impact. Details are provided in the Corporate Social Responsibility section of this report. We continue to explore opportunities to measure and reduce our impact.	✓
Review our procurement policies to ensure the purchase of products that have a reduced impact on climate change.	We are developing a guideline on green procurement.	✓
Review our motor vehicles usage and further enhance our recycling processes.	As the opportunities arose we leased diesel powered cars which reduced our carbon emissions.	✓

## What we will do during 2011-12

Our initiatives for 2011-12 are a continuation of those established in 2010-11. These initiatives are:

- 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
- continuous improvement to financial audit processes and engagement with State entities to ensure financial statements and audit reports thereon are issued
- ongoing development of a detailed forward program for performance and compliance audits for inclusion on our annual plan of work
- responding to new and revised accounting and auditing standards and contributing to their development at the exposure draft stages
- continuing to establish systems facilitating measurement of the Office's carbon emissions and then continuing to take action to reduce our impact.





# 3

## Section 3

### Our People

#### SECTION CONTENT

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# Our People

A dynamic and diverse workforce of highly skilled and motivated people

## Human resource strategic plan

Investment in our people is the most significant cost 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 the health and safety committee and human resource management staff are responsible for ensuring our human resources (HR) strategic plan initiatives are implemented and the outcomes are measured.

## Employee profile

At 30 June we had a workforce of 39.0 FTEs compared to 43.4 last year. Our employee numbers decreased from 45 last year to 41 this year.

During the year we updated our temporary employment registers when we required employees for short term

assignments. The reduction in headcount resulted from holding vacant positions in our auditing business units open at year end. We are considering the appropriate structure for the FAS unit and due to reduced appropriation funding we held off filling a vacancy in the PAS unit.

Employees	2009-10	2010-11
Size of the workforce at 30 June - Headcount	45	41
Size of the workforce at 30 June - FTE	43.4	39.0
Number of employees who left during the year	4	7
Number of employees who commenced during the year	8	4
Number of permanent part-time employees	1	1
Number of full-time employees working reduced hours	6	5
Average age of workforce at 30 June	40.8	40.6

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

A breakdown of the distribution of the workforce based on headcount by organisational unit at 30 June for the past two years is as follows:

Unit	2009-10 Nos.	2010-11 Nos.	2009-10 %	2010-11 %
Auditor-General	1	1	2	2
Financial Audit Services (FAS)	27	24	60	58
Performance Audit Services (PAS)	9	8	20	20
Business Support Services (BSS)	8	8	18	20





A breakdown of our employees by gender is set out in the table below:

Gender Profile	2009-10	2010-11
Number of Males as a %	51.1	56.1
Number of Females as a %	48.9	43.9
Average Age – Male (Yrs)	44.1	42.8
Average Age – Females (Yrs)	37.5	38.0
Average Salary - Male	\$100 865	\$104 107
Average Salary - Female	\$60 864	\$76 610
No. of Males working agreed reduced hours	0	0
No. of Females working agreed reduced hours	6	6

Our gender profile has seen an increase in the difference between the number of male and female employees from one to five as a result of staff turnover. Our age profile remained constant but the average age of our male employees decreased as a result of resignations and retirements. The increase in the average salaries was influenced by salary progressions awarded in accordance with the Tasmanian State Service Award. The average

female salary increased as a result of fewer female cadets and graduates in 2010-11. The average salary for males is heavily influenced by the salary of the Auditor-General and the fact the next 11 highest salaried positions in the Office are held by males. 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	2009-10	2010-11
Average sick leave days taken during the year per employee	5.1	9.3
Total number of sick leave days taken during the year	229	381
Average number of accrued recreation leave days per employee at year end	11.3	15.4
Total recreation leave days accrued at year end	508	629
Employees with > 35 days accrued recreation at 30 June	0	4
Average number of accrued long service leave (LSL) days per employee at year end	39.5	40.2
Total LSL days accrued at year end	1 778	1 647
Employees with > 100 days accrued LSL at 30 June	0	0
Average number of accrued ILOT days per employee at year end	1.7	1.3
Total ILOT days accrued at year end	76	54

The average sick leave taken increased during the year is a reversal of the trend in previous years. The increase was influenced by one employee taking sick leave in excess of

20 weeks and two others taking sick leave in excess of four weeks as a result of non-work related illnesses.

### Recruitment and selection

We recruit in accordance with policies determined by the State Service Commissioner under the relevant provisions of the *State Service Act 2000* (State Service Act). 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 participate in careers fairs run by two of the professional accounting bodies and in career information days at junior secondary high schools.

Our recruiting this year was primarily directed at our cadetship and graduate programs to replace resignations, cadets and graduates during the year.

### Graduate and cadetship programs

We offer two programs to potential and existing employees who are undertaking or have recently completed a bachelor degree at a recognised University.

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 graduate program is similar to the cadetship program in that while these employees work they study part-time until their post-graduate course is complete. The post-graduate course is any of the professional programs offered by the professional accounting bodies or other bodies related to the employee's responsibilities or a post-graduate degree at a recognised University.

During the year we offered places in our graduate and cadet programs and two applicants were appointed as cadets. In our FAS business unit during the year two of our cadets and one graduate resigned and a cadet transferred from the PAS to FAS.



James Hay - Cadet



	2009-10	2010-11
Total no. of cadets at 30 June	4	5
Total no. of graduates at 30 June	3	1
Cadets employed in FAS	3	4
Cadets employed in PAS	1	0
Graduates employed in FAS	2	0
Graduates employed in PAS	1	1

## Professional development

We are committed to providing high-quality learning and development opportunities for our employees. All employees and supervisors are encouraged to identify their 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.

During the year we continued to offer learning and development opportunities to our employees and provided guidance to assist employees and supervisors identify development needs for each employee consistent with their current role as well as future role aspirations.

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

	2009-10	2010-11
Average days per FTE	14.2	13.2
Average investment per FTE	\$1 891	\$1 893

## 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. Our employees are encouraged to undertake post-graduate study, such as the professional programs run by Australia's professional accounting bodies.

We currently have ten (nine in 2010-11) employees undertaking studies as follows:

- Bachelor degrees – five employees via our cadetship program and one employee via assisted study
- Professional programs, such as the Certified Practising Accountant (CPA) and Chartered Accountant

(CA) programs or an honours degree – two of our graduates are undertaking the professional programs of the accounting bodies and the other is undertaking an honours degree. Another employee is studying one of the accounting bodies' professional programs via assisted study.



Suzanne Xue (fourth from left) receiving her CPA certificate

# Our People

Cont...

## Performance management

Our performance management system was reviewed during the year resulting in changes to simplify the process of undertaking performance assessments. During the year we commenced drafting policies and procedures related to managing poor performance although finalisation will depend on changes being made by government.

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 43 for details on Reward and Recognition).

## Occupational health, safety and welfare

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

Workplace inspections of both our premises were conducted and a report prepared and presented to the Executive Management Group (EMG) with recommendations actioned. The members of our health and safety committee conduct an inspections annually of both our office sites and prepare reports for consideration by the HR committee.

During the year we undertook modifications of our Launceston office and we had all our electrical equipment tested and tagged.

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

As a result of feedback from our employees and research undertaken by government, our human resources

committee is developing a health and well-being program to encourage employees to participate in activities to improve their own health.

During the year those employees who hold legislative positions related to health and safety, workplace bullying, harassment and discrimination and workplace diversity undertook training to ensure they have the required skills.

We continued our walking initiatives via the Global Corporate Challenge (GCC) ([www.gcc2010.com](http://www.gcc2010.com)), and the Cancer Council's Relay for Life. This year our participation rate in the annual influenza vaccination program remained steady and employee participation in the GCC increased from three teams to four. These programs are having an impact on the level of our sick leave taken by staff even though this year the average taken increased due to special circumstances.

Two workers compensation claims were lodged during the year and there was only one outstanding claims at year end. There were no other major incidents.

## Employee assistance program

Our employee assistance program continues to provide support to staff on matters personal to them. During the year will increased the number of providers who could provide our employees with assistance.

During the year six staff accessed the program.

## 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.

We appointed a new contact officer and arranged for our contact officers for diversity to undertake training to refresh and update their skills.



Jara Dean - RUOK Day 2010



## 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 and the Directions issued under that Act.

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 with the State Service Commissioner.

During the year union representatives visited our Office regularly to provide information to members. They also recognised 30 years of union membership of one of our employees, David Strong.

We have an internal grievance process where employees can lodge a complaint. There were no formal grievances lodged during the year.

## 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 eight years ago. Our last survey conducted in May 2010 had a participation rate of 94% with the results showing a decrease in employee satisfaction and morale compared to the previous survey in 2008. To an extent the decline may have been caused by events in that year including the impact of the Hobart

office relocation, tighter audit completion deadlines, implementation of a revised performance management system, implementation of the graduate program and changes in our workforce profile.

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

	2006 %	2008 %	2010 %
Co-operation between business units	N/m	61	65
Corporate Communications	61	77	70
Equal Employment Opportunity	67	79	76
Involvement	66	80	75
Leadership	60	76	73
Motivation	69	81	75
Organisational Commitment	66	83	78
Performance Management	63	75	67
Personal Satisfaction	70	80	75
Recruitment and Selection	63	76	60
Rewards and Recognition	65	77	73
Staff Development	60	77	69
Supervision	68	80	69
Teamwork	66	82	62
Work Environment	N/m	67	77

The survey compiler's report provided reasons for declines and recommendations for addressing them. There were also positives including improvements in

"co-operation between business units" and "work environment" with the latter influenced by employees' views of new office in Hobart.

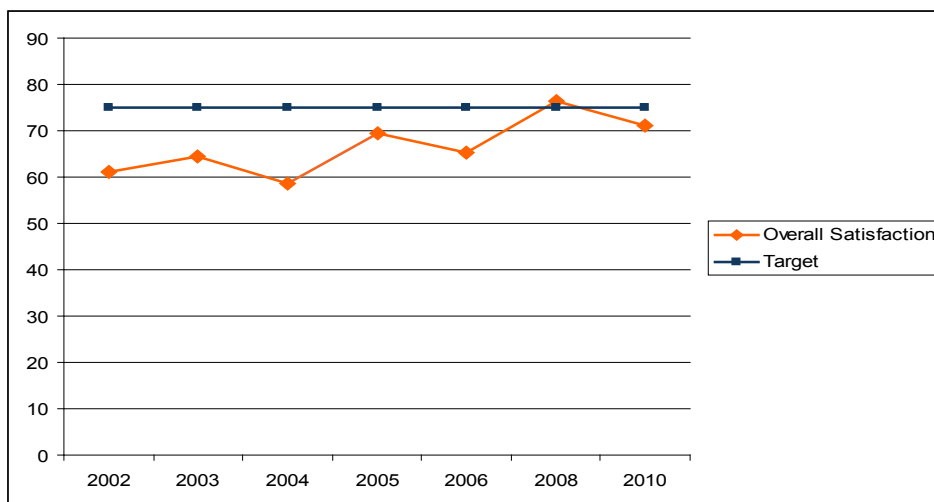
# Our People

## Cont...

The graph below illustrates the overall satisfaction of our employees from 2002 to 2010 during which period seven surveys were conducted. Since 2006 the surveys have been conducted on a biennial basis. The trend is that every second survey indicates an improved overall satisfaction rating followed by a decreased rating in the subsequent survey generally no lower than the previous highest rated

survey. So in essence we are continually improving over a seven-year cycle.

The 2010 survey contained eight recommendations, some specific to the Office as a whole, while others were business unit specific. During the year we addressed all recommendations and finalised the actions.



## 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 and open Office discussions. We are investigating how to best use social media as another means to communicate with our employees. This project may extend to others outside the Office.

## Secondment and Internships

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 Rebecca Woodland undertook a ICAA internship with us. During her time with us, she worked in all our business units.

We have been exploring secondment opportunities with other Audit Offices nationally and internationally for some time and it is pleasing to report that we have established a secondment with the Audit Office of Ontario. One of our performance auditors will be spending six months at the Audit Office of Ontario while a performance auditor from that Office will be spending time with us as part of a reciprocal arrangement.

During the year we offered the opportunity for university students as part of their study to engage in an internship with us. This year Fabian Lapolla undertook a corporate internship with FAS.



Rebecca Woodland



Fabian Lapolla





## 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, other publications or formal recognition.

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

- The Boyes Award, named after the first Auditor-General, to recognise an employee who has consistently achieved outstanding and/or significant results against one or more of the criteria.
- The Above and Beyond Award recognise 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 award 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 benefitted 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. After careful deliberations the following employees received the Above and Beyond Awards:

- Rob Luciani
- Alex Irwin

We also present awards for length of service with one award made in 2010-11.

### **Years of Service to the Tasmanian State Service:**

25 Years – Rob Luciani

### **Years of Service to the Tasmanian Audit Office:**

20 Years – Rob Luciani

We congratulate Reece Munnings on being enrolled on the Dean's Roll of Excellence in the Faculty of Business at the University of Tasmania for his 2010 academic result.



Mike Blake presenting Alex Irwin the Above and Beyond Award



# Our People

## Cont...

The Boyes Award was not awarded this year.

The following employees received quarterly recognition awards:

- Minyan Qiu
- Narelle Absolom
- Catherine De Santi
- Rachael Daniels
- Rohan Grant
- Jesse Penfold
- Vanessa Svoase
- Monique Poxon
- Tom Bock
- Phillip Chung
- Rob Luciani



Mike Blake presenting Rob Luciani the Above and Beyond Award

During the year the Office was recognised by CPA Australia as a Recognised Knowledge Employer Partner. Our comprehensive graduate program and our study support programs and competency framework met CPA's CPD and PER requirement. We are the first organisation in Tasmania to be recognised by CPA Australia.

*"Coupled with your financial support and superior development of your financial staff, CPA Australia are pleased to announce that the Tasmanian Audit Office has successfully become our Recognised Knowledge Employer Partner."*



### What we will do during 2011-12

Our initiatives for 2011-12 are:

- fully implement revised OH&S practices to ensure compliance with legislation
- implement our health and well-being program
- extend our employee assistance program
- review our learning and development program
- undertake more regular surveys of staff to evaluate their satisfaction
- reduce our accumulated leave balances
- review our grievance processes
- encourage increased employee participation
- develop a new HR strategic plan
- develop a revised customer service charter
- ensure our professional development budget is fully expended on appropriate learning and development
- implement strategies to ensure our new KPIs are achieved



# 4

## Section 4

### Our Governance, Corporate and Social Responsibility

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# Corporate Governance Framework

## We take governance seriously

Our governance policy documents our governance principles outlining how we govern and manage our activities. These arrangements need to be read alongside our vision, purpose, strategic objectives and our values. It also outlines how we acquit our stewardship responsibilities. It does 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, the EMG, Committees established by the Auditor-General and management and
- spells out the rules and procedures for making decisions on corporate and operational affairs. By doing this, it provides the structure through which our objectives are set, and the means of attaining those objectives and monitoring performance.<sup>1</sup>

Therefore, governance is a fundamental responsibility of the Auditor-General assisted by the EMG, committees and management.

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).

<sup>1</sup> OECD Principles of Governance

## Principle 1 - Effective management oversight

(ASX Principle 1 – Lay solid foundations for management and oversight and ASX Principle 2 – Structure the Board to add value)

The Auditor-General is a statutory appointment under the Audit Act and the head of agency under the State Service Act. He guides and monitors the business and affairs of the Office on behalf of Parliament. The Office does not, therefore, operate under a Board which means there is a risk of no independent input into the operations of the Office. This is addressed by the establishment of the Audit Committee which comprises two independent persons having relevant skills and the Deputy Auditor-General.

The performance of the Auditor-General is evaluated by a number of mechanisms including details provided in this annual report, Parliamentary and Client surveys (see results of last surveys in our Performance (KPI) Report

section of this annual report), triennial peer reviews and by reviews established under section 44 of the Audit Act.

The Auditor-General is supported by:

- the EMG
- the Audit Committee
- a number of other internal committees.

The Auditor-General, via the EMG, delegates responsibility for the operation and administration of Office functions to the General Managers of the three business units who ensure the efficiency of their operations and report to the EMG.



## 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)

We achieve this principle by implementing:

- relevant planning processes involving all staff (see Appendix 10 in this annual report). This includes agreement on strategic objectives and associated critical success factors and reporting mechanisms
- an effective code of conduct – we have our own guide to conduct and also apply the code of conduct established in the State Service Act
- our agreed values being Professionalism, Respect, Camaraderie, Customer Service and Continuous Improvement. These values are considered in our decision making deliberations
- processes to ensure we comply with our statutory obligations
- the signing by employees of annual declarations of conflict of interest and agreeing to comply with codes of conduct and live our values
- relevant human resource management policies and

procedures

- prompt action to investigate reports of unethical practices.

The objective of this principle is for the EMG to ensure that all employees act with utmost integrity and objectivity, striving at all time to enhance the reputation and performance of our Office.

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

As part of its Charter, the Audit Committee assesses the effectiveness of the implementation of our ethics and culture.

## Principle 3 - Safeguard integrity in financial reporting

(ASX Principle 4 – Have a structure to independently verify and safeguard the integrity of the Office's financial reporting and ASX Principle 5 – Promote timely and balanced disclosure of all material matters concerning the Office)

There are two elements to this principle:

Integrity in financial reporting – in this regard we

- apply appropriate short (quarterly) and long term (5 years) budgeting processes
- prepare monthly financial statements within seven working days of month end that include explanatory comments and financial projections
- ensure that our Business Unit General Managers manage their financial performance so as to achieve their budgets by providing monthly budget vs actual analysis
- prepare annual financial statements that are consistent with Treasurer's Instructions and, therefore, Australian Accounting Standards and these are regarded as

minimum requirements. Where relevant we make additional disclosures where this is consistent with the need to be fully transparent and accountable for our financial performance

- certify our financial statements, signed by the Auditor-General and General Manager – Strategy and Governance, after each member of the EMG signs representations of compliance
- have our annual financial statements audited.

Integrity in annual reporting – in this regard we

- prepare an annual report (this report) that accounts to Parliament for our performance in achieving our strategic and corporate objectives. This annual report is submitted to the Treasurer for tabling within statutory deadlines.
- demonstrate leadership by including in the annual report an appropriate management discussion and analysis and reviewed key performance indicators (see our Performance Report section of this annual report)
- include in the annual report details of our governance

# Corporate Governance Framework

Cont...

and risk management practices.

Consistent with its Charter, the Audit Committee reviews our annual report. In previous years this has been an “after the event” review but this year the annual report has been reviewed by the Audit Committee before publication. Our General Manager – Strategy and

Governance is responsible for the development of true and fair financial reports and of reliable indicators of our performance that are dependent on the existence of effective corporate policies and internal systems.

## Principle 4 - External stakeholder relationships

(ASX Principle 6 – Respect the rights of shareholders and facilitate the effective exercise of those rights)

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

- the Auditor-General
- State entities, as defined by the Audit Act, being audited and
- auditing firms engaged to conduct financial or performance audits on our behalf.

Our stakeholders include members of Parliament, the Public Accounts Committee (PAC), the media, the public, State entity management and our employees.

To ensure we have effective communications and relations with these stakeholders we apply the following practices:

- The Auditor-General
  - meets with Parliamentarians (at least biennially) to gauge their assessment of our performance and assess their views on projects scheduled and reports tabled
  - meets with the Premier, Treasurer and Leaders of Opposition parties on the same matters bi-annually
  - from time to time meets with Secretaries, CEOs and equivalent levels of management of State entities on the same matters
  - meets with relevant media at least annually.
- The Office

- conducts biennial independent surveys of Parliamentarians and State entities aimed at assessing our performance
- complies with a signed memorandum of understanding with the PAC aimed at maintaining and improving respective understanding of each other’s roles and improving public sector accountability
- The General Managers of the FAS and PAS business units
  - meet with senior client management, including those charged with governance, as appropriate. Our objectives are to ensure strong understanding of client operations, effectively plan and complete our audits and manage risk. To assess our performance relevant surveys are conducted from time to time
  - present our audit findings to appropriate forums including to Parliamentarians and audit committees
  - meets with relevant media from time to time.

Our General Manager Strategy and Governance, and Managers, Finance and Human Resources and ICT and Information Management, where relevant, and subject to the approval of the Auditor-General participate in State-wide committees established to consider, review and manage corporate policies in the general government sector. Where such involvement may prejudice our independence approval may not be granted.

## 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 our policy that all risks be identified, assessed, monitored and managed. This is a responsibility of the members of the EMG and all employees. Our approach is consistent with the new Risk Management Standard

AS/NZS ISO 31000:2009. During the year our risk management policy and procedures were reviewed and amended where required to ensure consistency with the new standard.

We have our own risk management policy which details the mechanisms to be applied in managing, reporting and regularly evaluating our risks. In the following sub-section



“Managing Risk” we provide further details on our risks and our management thereof.

Our General Manager – Strategy and Governance is required to design internal controls and associated reporting mechanisms bearing in mind our employee numbers and the associated difficulty in ensuring adequate separation of responsibilities to ensure:

- our financial, human resource and information systems and controls operate effectively
- our business continuity and disaster recovery systems operate effectively and are regularly tested
- effective internal reporting mechanisms are in place including relevant exception reporting.

## 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 assesses on a bi-annual basis the performance of EMG members and reviews their salaries annually in accordance with Tasmanian State Service requirements.

Our remuneration committee reviews salary progression recommendations for all other employees. Our General Managers evaluate the performance of their respective employees in accordance with our performance management system.

Our remuneration arrangements are governed by the requirements of the State Service Act for senior executives and the Tasmanian State Service Award for all other employees. The remuneration of the Auditor-General is governed by the arrangements detailed in the Audit Act. In Note 14 to the Financial Statements, detailed in Section 7 of this annual report, we have disclosed the remuneration details of the members of the EMG and members of the Audit Committee.



# Corporate Governance Framework

Cont...

## Organisational structure

A detailed organisation chart as at 30 June 2011 is illustrated in Appendix 11 of this annual report.



Ric De Santi,  
Geoff Driscoll,  
Mike Blake and  
David Strong

## Executive Management Group

Our EMG meets formally every six weeks and focuses on:

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

The EMG takes responsibility for the activities of the Information Management Committee, ensuring that the use and application of our information resource is consistent with our corporate direction and business functions. It also ensures the efficient and effective deployment of our information technology in the performance of our business.

A review of business processes and the formulation of a business continuity strategy (initiated in late 2009-10) was in the final stages of completion at year end. The EMG has oversight of our implementation of the government's Information Security Charter, a process that is anticipated to take several months to complete, although significant progress was made this year and it is expected that this Charter to be completed on schedule.

Details of EMG members are:

### Auditor-General

#### **Mike Blake B Com FCA FCPA FCS NIA and member of the AICD**

Mike commenced as Auditor-General for Tasmania on 10 May 2004 after being the Auditor-General of the Northern Territory. He is currently a member of the Auditing and Assurance Standards Board and the National Board of the Institute of Chartered Accountants. Mike's career covers a period of 39 years including senior management positions in private sector auditing firms in Malawi, Zimbabwe and Western Australia (WA) followed by periods with the Western Australian Office of the Auditor-General (five years) and WA Metropolitan Health Service Board (four years) prior to moving to the Northern Territory.

### **Deputy Auditor-General and General Manager - Financial Audit Services**

#### **Ric De Santi B Bus FCPA**

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

Ric is a Bachelor of Business (Accounting), is a Registered Company Auditor and a Fellow of CPA Australia. Ric is a





past President of the Tasmanian Division of CPA Australia and continues to serve on the Tasmanian Division.

#### **General Manager – Performance Audit Services** **Geoff Driscoll BEc BSc**

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

#### **General Manager – Strategy and Governance** **David Strong B Bus FCPA CAHRI ISACA**

David joined us in 1988 as an EDP Auditor after spending

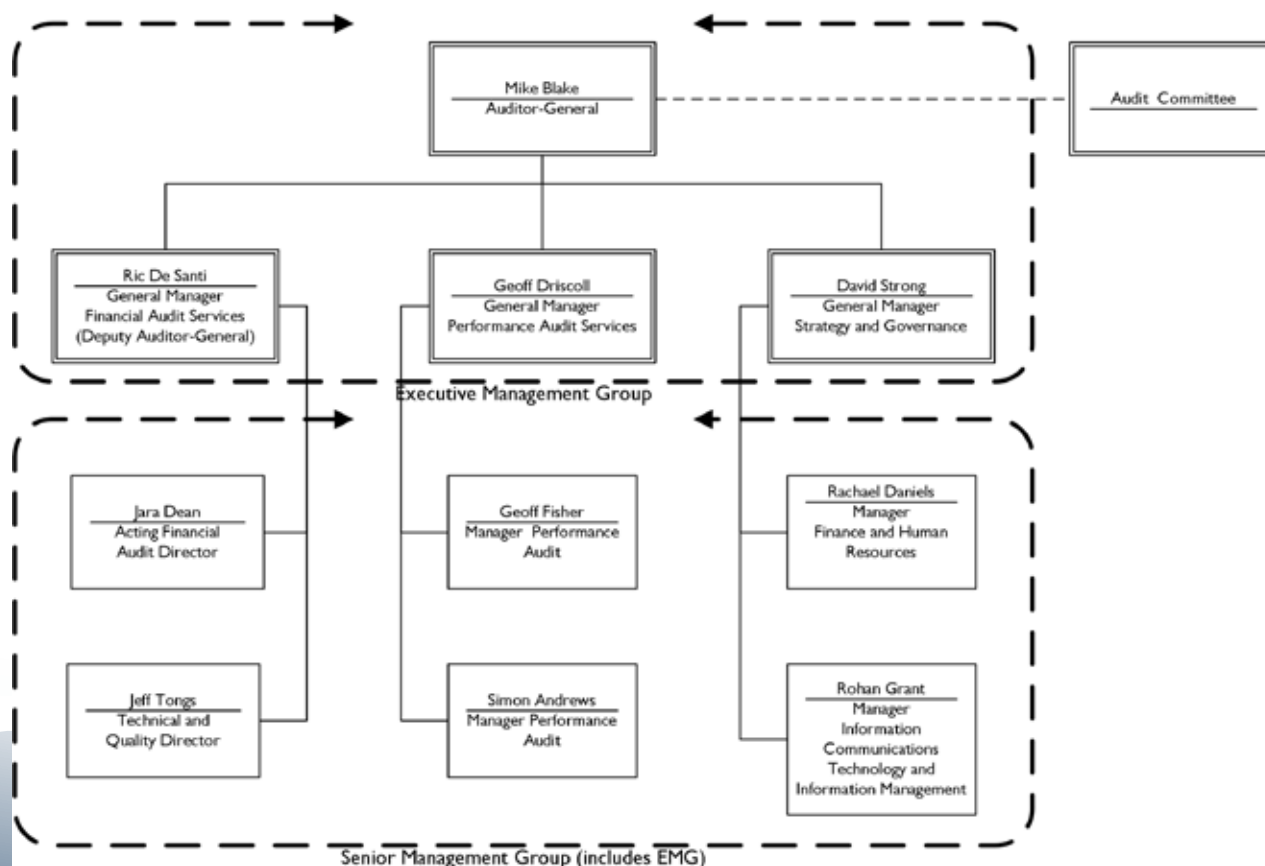
eight years with the Tasmanian Development Authority. In 1989 he became responsible for managing our ICT infrastructure and in 1993 was promoted to Manager Corporate Services taking responsibility for financial management, human resources management, information and communications technology, information management and corporate planning. In August 2007 was promoted to General Manager – Strategy and Governance and manages the Business Support Services unit.

David is a Bachelor of Business. He is a Fellow of CPA Australia and a Certified Professional of the Australian Human Resources Institute (AHRI) and Information Systems Audit and Controls Association (ISACA). He is currently the President of the Tasmanian Division of CPA Australia. He was previously a member of the Tasmanian Council of AHRI and Treasurer of the Tasmanian Division of the Institute of Public Administration Australia.

## Senior Management Group

This group meets six weekly and comprises members of EMG and third level managers who report to EMG on their respective activities being progress with financial, compliance and performance audits and regarding Office

finances, human resources and ICT systems. The members of the Senior Management Group are listed in the organisational structure diagram below



# Corporate Governance Framework

Cont...

## Operational committees

In addition to the two committees referred to previously, our governance arrangements include the operation of the following committees:

### Remuneration Committee

Members of the EMG also comprise the Remuneration Committee. It reviews and approves salary progression decisions involving advanced assessment.

### Human Resources Committee

This Committee assists the EMG to set our human resources strategic direction and in the development of policies and practices. It met on several occasions during the year primarily to consider and recommend changes arising from revised HR management directions provided by government. The Committee works with our informal diversity group.

The HR Committee is currently working on various initiatives including managing employee performance, establishing a health and well-being program and implementing our learning and development framework which is aimed at increasing our competency and capability.

### Health and Safety Committee

This Committee is a sub-committee of the HR Committee. It aims to provide and maintain a safe and healthy work environment where all employees understand and comply with occupational health and

safety (OH&S) principles. It also provides a forum where employees can openly communicate and discuss OH&S matters and concerns. The Committee and the Employee Safety Representatives play a key role in promoting employee wellbeing. It played a key role in assessing OH&S issues arising from our move to new premises in Hobart.

### Procurement Review Committee

This Committee reviews all of our evaluations for procurements valued at \$50 000 or more (excluding GST) including open tenders, selective tenders and quotations prior to a contract being awarded. The Committee must ensure that a fair and equitable process is followed and that the relevant procurement principles and mandatory processes are adhered to.

### Corporate and Social Responsibility Committee

This Committee is responsible for making recommendations to the EMG on what we can do effectively and efficiently to reduce our impact on the environment and community, and where we can assist those in need within our Tasmanian community. This Committee meets at least twice a year. The Committee is also known as the 'Green Team'!



# Independent scrutiny, both external and internal

Published independent assessment is the best form of accountability and transparency

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

The elements of this independent scrutiny include:

- our 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 Mrs Sue Baker and Mr Tony Pedder and one internal appointment being Deputy Auditor-General Mr Ric De Santi. Mrs Sue Baker was appointed as chair of the committee.

Matters under discussion included:

- Annual Plans of Work for 2010-11 and 2011-12
- appointment of our internal auditor and assessment of their performance
- performance of our external auditor
- our strategic internal audit plan
- the external audit plan for 2010-11
- 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
- internal business plans
- risk management plan and Office policies
- high risk transactions and projects undertaken during the year.

## Satisfactory results from internal audit reviews

## Internal Audit

Our internal auditors, Moore Stephens, Melbourne were reappointed for a further three years during 2010-11. In accordance with the three year strategic audit plan, they carried out the following audits in 2010-11:

- General Financial Controls Review – the overall conclusion was that our internal controls with respect to financial systems and processes are, in all material respects, adequate to ensure financial fraud could be detected and that our financial systems can be relied upon for accurate information.
- Occupational Health and Safety Review - our internal auditors concluded that our internal controls with respect to OH&S processes are, in all material aspects, adequate for us to meet our legislative responsibilities.
- Follow-up Review on previous internal audits – our internal auditors reported that 22 of 33 recommendations made in previous reports had either been completed or required no further action. The outstanding eleven recommendations in the main relate to Sensitive Data and General Financial Controls which are being actioned by management.

Audit Committee  
met 4 times with  
100% attendance of all  
members

# Independent scrutiny, both external and internal

Cont...

## Quality Assurance Reviews

### External

Under a reciprocal arrangement with other ACAG Audit Offices periodic quality assurance reviews of a number of financial audit files are carried out. The purpose of these reviews is to assess the quality of our financial audit work and advise us on areas for improvement. Under this reciprocal arrangement, a senior FAS staff member reviewed VAGO's audit working paper files during the year.

The most recent external review of our audit working paper files under this arrangement was conducted in 2009-10 by VAGO officers and their recommendations were addressed during the 2010-11.

### Internal

Our Director – Technical and Quality Assurance commenced an internal review of audit working paper files related to the planning of financial audits with a report still to be finalised. A review of performance audit working paper files is scheduled for 2011-12.

In addition, we continue to review practices and procedures to ensure compliance with the requirements of APES 320 "Quality Control for Firms" issued by the Accounting Professional And Ethical Standards Board ([www.apesb.org.au](http://www.apesb.org.au)). This is an ongoing process.

## Independent Peer Reviews

We initiate independent peer reviews of our whole of Office activities once every three years with the last conducted in 2008-09 by Bob Sendt & Associates. Mr Sendt made 26 recommendations and during the year we reviewed our response to those recommendations and

our progress to date as did our Audit Committee.

Under the Audit Act these reviews become a statutory requirement.

## 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, a Melbourne based firm, was appointed in 2008-09 and completed its third audit in August 2011.

Their unqualified to 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. In addition, certain state based audit offices participate in parliamentary and client satisfaction surveys relating to our financial and performance audit functions the outcomes from which we reported earlier in this annual report.

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 October/November each year based on the previous year's outcomes.

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

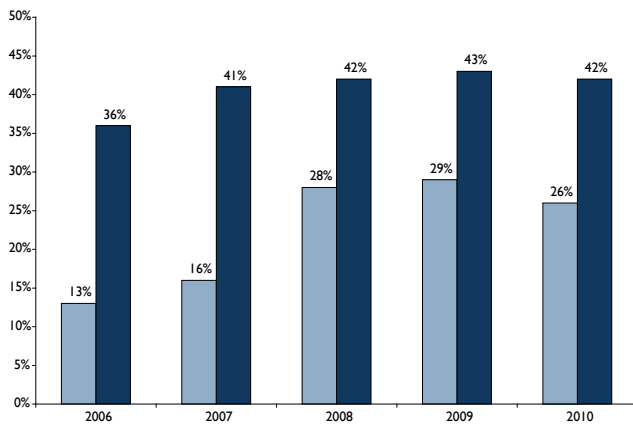
In the following graphs we are represented by light blue and State and Territory average in dark blue.



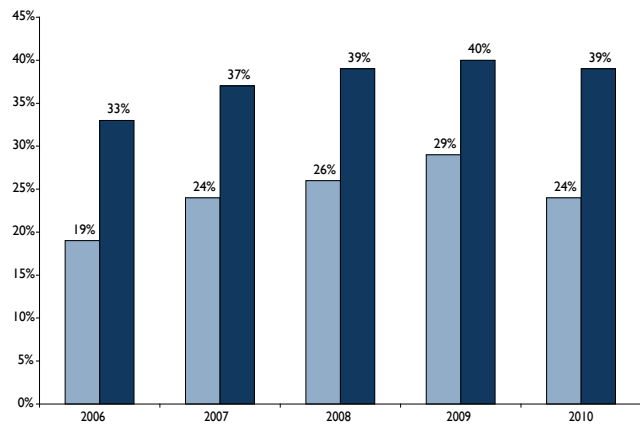
## Use of contractors

Measures 8 and 9 show the level of contracting out of financial audits to the private sector.

**Measure 8: Contracting out as a % of number of audits**



**Measure 9: Contracting out as a % of financial audit fees**



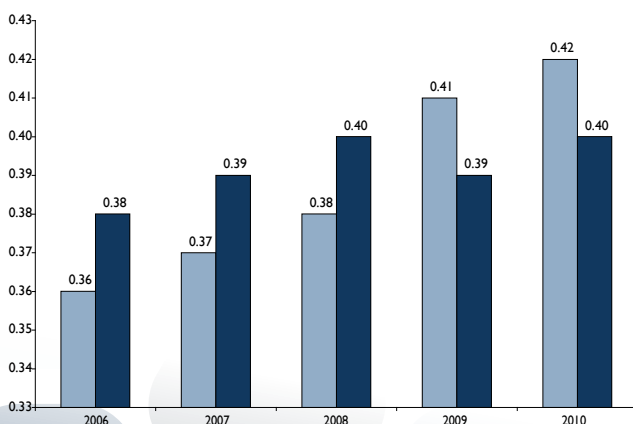
The percentage of audits contracted compared to other States and Territories is influenced by the Northern Territory which contracts 100% of its audits to the private sector. Our target is contract out between 20% - 25% of our financial audits. Appendices 4 and 5 detail which audits we have contracted out and which private sector auditing firms are presently registered to undertake financial audits for us. The number as a percentage of

the total and the contracted fee value as a percentage of total fees have been similar for the past three years and the differential from the S&T national average has remain similar. The level of contracting out has a direct impact on our ability to recover our overhead costs. The more contracting without operational changes means recovering our overhead costs over a smaller internal fee base.

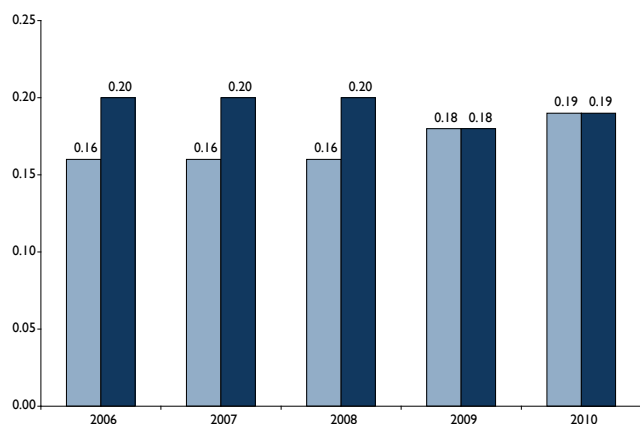
## Total Office benchmarks

Measures 10 to 13 compare our office operations.

**Measure 10: Total audit costs per \$'000 of public sector transactions expressed as cents**



**Measure 11: Total audit costs per \$'000 of public sector assets expressed as cents**



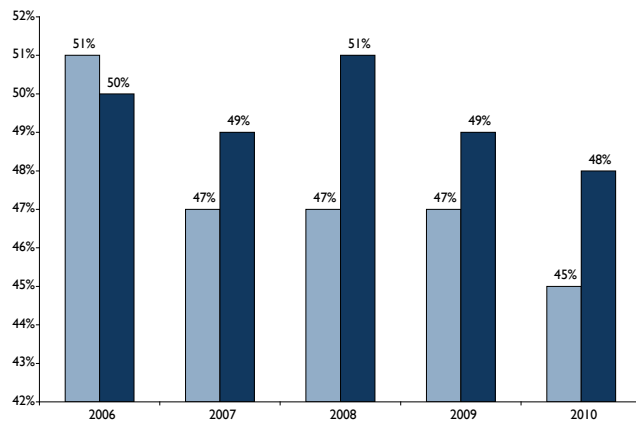
In the past two years we have moved from being below to being above the S&T average for audit costs related to public sector transactions and for audit costs related to public sector assets from being below the average to being

equal to the average. As detailed earlier in the report the main reason for this upward trend is that our employee related costs increased by 25% over that period.

# Independent scrutiny, both external and internal

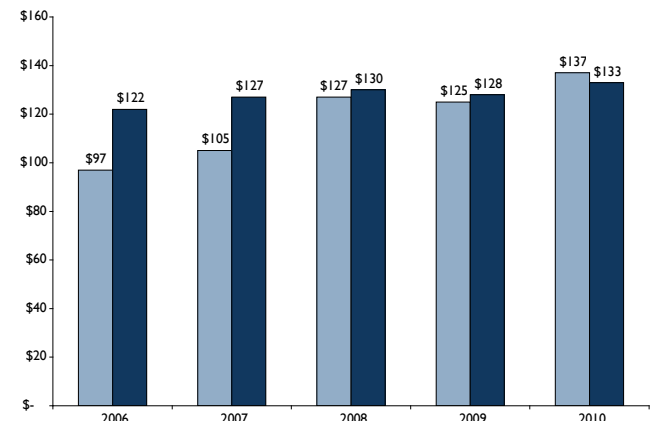
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**Measure 12: Percentage of total (whole of office) paid hours charged to audit activities**



The percentage of total paid hours charged to audit activities has remained relatively constant and just below the S&T average. This benchmark includes all leave taken by employees and abnormal levels of leave taken significantly impact on the time charged as a percentage of total paid hours. Every year we have experienced abnormal levels of leave taken the leave taken includes sick leave, maternity and accumulated recreation and long service leave. Another influence on this benchmark is the number of employees who do not undertake audit related

**Measure 13: Cost per audit hour charged to audit activities**



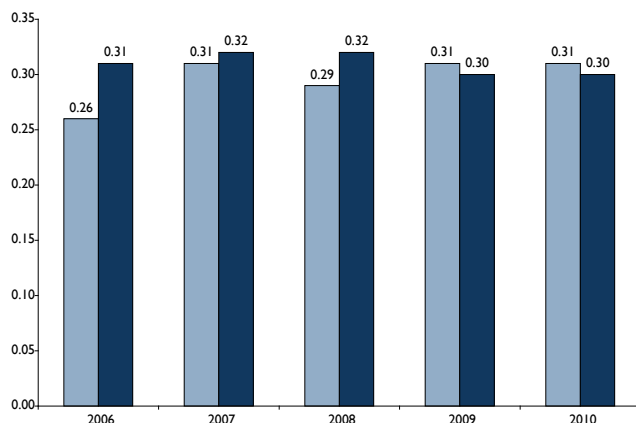
activities. We have calculated based on the current staffing and based on an average level of leave being taken that 50% is the benchmark.

The cost per audit hour charged to audit activities has been moving towards the S&T average and for 2008-09 exceeded that average. As mentioned above this has been due mainly to the increase in employee related costs.

## Financial audit related benchmarks

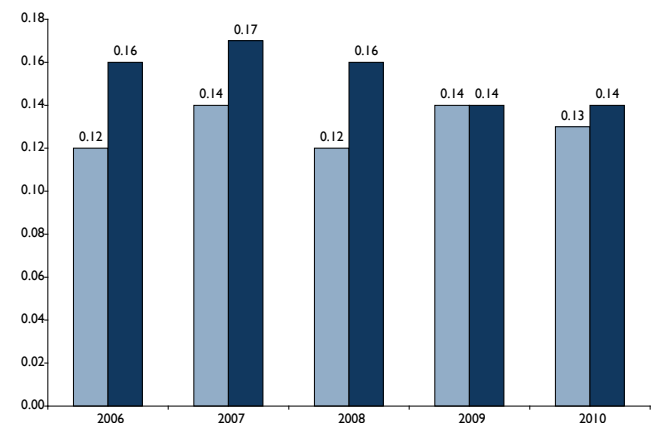
Measures 14 to 19 benchmark our financial audit (attest audit) activities against the S&T average.

**Measure 14: Total attest audit costs per \$'000 of public sector transactions expressed as cents**



Like our total costs in the past two years we have moved from being below to being above the S&T average for attest audit costs related to public sector transactions and for attest audit costs related to public sector assets from

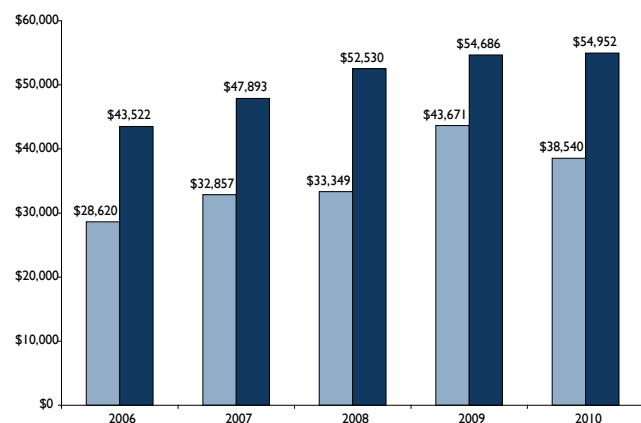
**Measure 15: Total attest audit costs per \$'000 of public sector assets expressed as cents**



being below the average to being equal to the average. As detailed earlier in the report the main reason for this upward trend is that our employee related costs increased by 25% over that period.

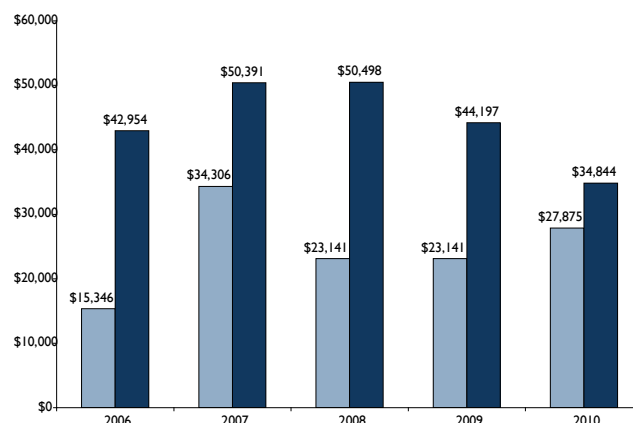


**Measure 16: Cost per financial audit opinions for State entities excluding local government**



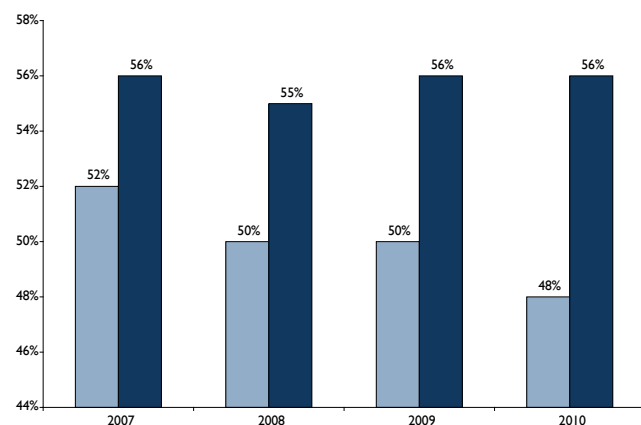
Our financial audit opinions are significantly less than the S&T average although the gap has been narrowing over the period. This is reflective of the increases in our operational expenses over that time. While the S&T average cost per opinion for State entities has increased by

**Measure 17: Cost per financial audit opinions for local government entities**



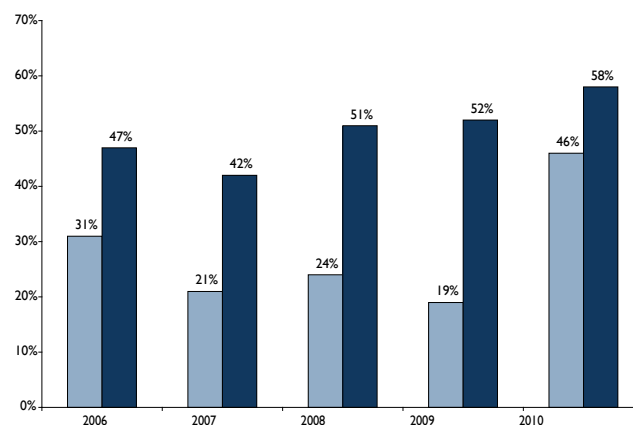
26% over the period our cost per opinion has increased by 35%. Whereas the local government entities the S&T average cost per opinion has decreased by 19% compared to our cost per opinion has increased by 82%.

**Measure 18: Percentage of total financial audit staff charged to financial audit activities**



There has been very little change or improvement in the ratio of paid hours to hours charged to financial audit activity either by our own employees or by employees in S&T audit offices. The variations over the years have been influenced by any abnormal levels of leave taken by financial audit staff in any particular year.

**Measure 19: Financial audit opinions issued within 3 months**



In 2009-10 we significantly improved our performance of issuing financial audit opinions within 3 months. This has been an outstanding achievement but one that was required to ensure we meet of statutory obligations within the Audit Act which requires us to issue an audit opinion with 45 days of receipt of signed financial statements.



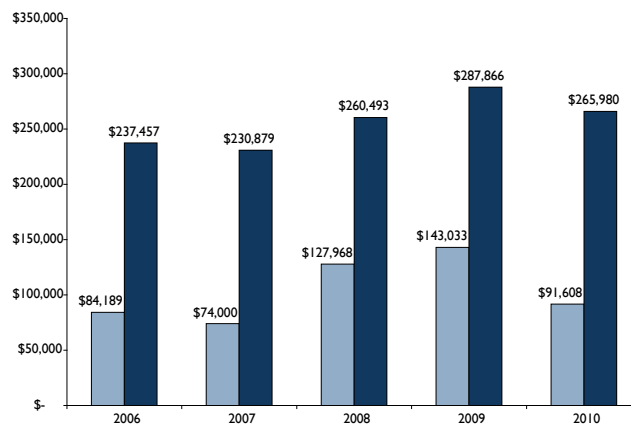
# Independent scrutiny, both external and internal

Cont...

## Performance audit related benchmarks

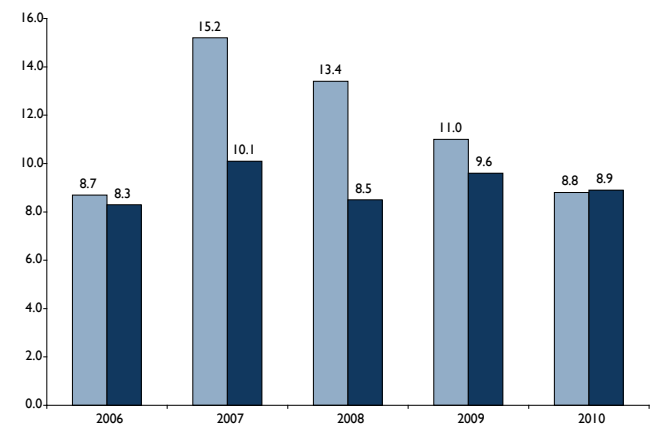
Measures 20 and 21 benchmark our performance audit (non-attest audit) activities against the S&T average.

### Measure 20: Cost per performance audit report



It would be expected due to the size of our operations that the average cost of producing a performance audit report should be significantly below the average of all S&T audit offices. This is the case we have a target of tabling eight reports per year with an average elapsed time of eight months. Therefore in any given year this equates to twelve performance audits being completed. With a budget in 2008-09 of \$1.387m this equates to an average

### Measure 21: Average elapsed time (months) per performance audit report



cost of \$115 000 per performance audit. For 2008-09 our average cost of \$91 000 was significantly below this average. The cost of undertaking a performance audit is directly related to resources allocated and the complexity of the audit topic. The average elapsed time achieved for performance audits in 2009-10 was just under the S&T average and above our own internal benchmark.

## Staff ethics

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

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

## 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.

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.

No formal internal or external grievances were lodged this year.



## Confidential information

We develop and/or receive information while conducting audits of State entities that must be protected from unauthorised disclosure. All employees, immediately on joining, sign an acknowledgement that all information gained when conducting audits remains confidential and our clean desk and clean screen policies reinforce this.

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

We maintain a variety of security systems and procedures designed to safeguard confidential information. Our internal and external auditors review our general and ICT security arrangements, business continuity systems and procedures from time to time. These procedures include our clean desk and clean screen policies. Identified breaches are resolved immediately with details reported to EMG and the Audit Committee.

## Disclosure

To operate transparently, while protecting confidential information, we:

- comply with the *Right to Information Act 2009*, the *Personal Information Protection Act 2004* and the *Public Interest Disclosures Act 2002*
- practice openness and transparency through information provided in our annual report and business plans, and all our reports are placed on our external website
- place our Annual Plan of Work on our external website
- issue media releases when performance audit reports are tabled in Parliament
- update information in publications and on our external website.

# Managing Risk

## An enterprise-wide approach to risk management

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

During 2010-11 we reviewed our risk management policy and plan to ensure it was consistent with Risk Management Standard AS/NZS ISO 31000:2009. As a result of this review modifications were made to assessed risks and to internal reporting. This included a simplified report and improved monitoring. The review resulted in revised risks, risk ratings and risk treatments. As a result of this review, our key business risks were identified as:

- financial sustainability
- inadequate recruitment and retention strategy
- injury or harm to employees
- issuance of an inappropriate audit opinion/parliamentary report
- inappropriate or unauthorised use of client information and/or audit work papers and findings
- financial fraud
- inadequate business continuity plan and/or disaster recovery plans.

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.

### 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 and general liability.

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

Our strategic internal audit program is structured around our risks with internal audits being undertaken every year based on our risks. As a result of the change in our risks, we have requested our internal auditors to review our re-assessment and any flow-on implications for planned internal audits. This will happen in 2011-12.

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
- 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.



# Communication

## We communicate with openness, accountability and transparency

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

### Annual report

As part of the process of continually improving our annual report for content and readability we submit it for external evaluation to Australasian Reporting Awards Pty Ltd (ARAAwards). This body assesses annual reports and provides feedback to organisations on how to improve their reports. If an annual report meets reporting criteria an organisation may receive an award.

We received a silver award for our 2009-10 annual report from the ARAwards. Feedback in relation to the 2009-10 annual report has been incorporated into the content and production of this report.

As part of the biennial Parliamentary satisfaction survey conducted during 2010-11 Parliamentarians were asked to rate our annual report on its readability and explanation of the role of the Auditor-General. Parliamentarians rated the readability of our annual report at 100%, an improvement from 75% in 2008-09, and that the report increased their understanding of our role at 93%, again an improvement from 75% in 2008-09.

### 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 2010-11.

### 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

### 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



David Strong with 2011 Australasian Reporting Award

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.

No requests for information were received during the year.

accordance with the *Personal Information Protection Act 2004*.

There were no requests in 2010-11 from persons seeking access to, or update of, personal information held by us pertaining to them.

### 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 2010-11 we received no public interest disclosure reports.

### Speeches, presentations and publications

Some of our speeches, presentations and publications are listed below.

Date	Presentation Topic and Location	Presenter
October 2010 and May 2011	Training Consortium – Introduction to the Public Sector – Role of the Auditor-General	Ric De Santi
June 2011	Legislative Council – Induction – Role of the Auditor-General	Mike Blake
	<b>Award</b>	
March 2011	Faculty of Business – University of Tasmania- Awards Night – Hobart Campus Audit Office Auditing Prize presented to Bret Cowley and Neil Spargo	Mike Blake
April 2011	Faculty of Business – University of Tasmania- Awards Night – Launceston Campus Audit Office Auditing Prize presented to Johanna Lethborg	David Strong



Mike Blake, centre, with Audit Office Auditing Prize with Bret Cowley, left, and Neil Spargo, right



Date	Publication
July 2010	Special Report No. 90 – Science education in public high schools
September 2010	Special Report No. 91 – Follow up of special reports: 62 -65 and 70
October 2010	Annual Report and summary annual report
October 2010	Special Report No. 92 – Public sector productivity: a ten year comparison
November 2010	Special Report No. 93 – Investigations 2004 - 2010
November 2010	Special Report No. 94 – Election promise: five per cent cap on electricity prices
November 2010	Auditor-General's Report on the Analysis of the Treasurer's Annual Financial Report
November 2010	Auditor-General's Report on the Executive and Legislature, Government Departments and other General Government State Sector Entities
November 2010	Auditor-General's Report on the Government Business Enterprises, State Owned Companies and Superannuation Funds
February 2011	Special Report No. 95 – Fraud control
April 2011	Special Report No. 96 – Appointment of the Commissioner for Children
May 2011	Special Report No. 97 – Follow up of special reports 69 - 73
June 2011	Special Report No. 98 – Premier's Sundry Grants and Urban Renewal And heritage Fund
June 2011	Special Report No. 99 – Bushfire management
June 2011	Auditor-General's Report on the Local Government Authorities including Business Units
June 2011	Auditor-General's Report on the Other State Entities 30 June 2010 and 31 December 2010, including the University of Tasmania
June 2011	Annual Plan of Work 2011-12

All of these publications can be accessed and/or downloaded from our website [www.audit.tas.gov.au](http://www.audit.tas.gov.au).

In addition, each month we issue client newsletters, also available on our website, dealing with developments in

## Parliamentary presentations, PAC meetings and client seminars

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.

Annually FAS conducts a client seminar in which we present information on topical subjects such as developments in accounting and auditing standards, common issues found during audits and our perspective on issues being raised in the public sector. These seminars are well attended and feedback is positive.

During the year the Auditor-General meets with the PAC

accounting and auditing standards and regulation, recently issued performance audit reports and other matters relevant to them. We also issue internal newsletters each week. These are aimed at keeping staff informed about developments within our Office.

to brief them on our audit plans facilitating interaction between us and this important accountability Committee.

The Audit Act requires the preparation of an Annual Plan of Work for tabling with the President of the Legislative Council and the Speaker of the House of Assembly by no later than 30 June each year. We must consult with the PAC in developing this Plan and record within it any suggestions made by the Committee and our responses to them. We presented to the President and the Speaker our Annual Plan of Work for 2010-11 in June 2010. This annual report publishes our performance against that Plan of Work.

As required by the Act we completed our Annual Plan of Work for 2011-12 and submitted it to the President and the Speaker in June 2011.



# Corporate Social Responsibility

## Being a responsible corporate citizen is important to us

This section of our report details how we address our social and environmental responsibilities. We have adopted the reporting criteria applied by the Global Reporting Initiative ([www.globalreporting.org](http://www.globalreporting.org)) and, where relevant,

we report against government's environmental initiatives detailed in the Budget Papers for 2010-11 – see section headed "Our Outcome and Outputs Report" earlier in this Report.

### Social

#### Workforce capacity and diversity

In the past our demographics matched the broader Australian community in that our workforce was ageing. However, this improved in 2010-11 when the average age at 30 June 2011 for male and female employees was 42.7 years (44.1 years in 2009-10) and 38.0 years (37.5 years in 2009-10). The ratio of male to female employees improved over the last five years with the ratio at 30 June 2011 being 56:44 (51:49, 2010). Over 90% of our employees are bachelor degree qualified and the average number of days professional development was 13.2 days (14.2 in 2009-10) with the financial investment per FTE averaging \$1 893 (\$1 891 in 2009-10).

The performance of our employees is assessed biannually with an outcome being agreed professional development plans.

#### Workforce health and safety

During the year we continued to encourage our employees to undertake health and well being activities and we provided awareness sessions on stress and anxiety and bullying and harassment. We continued our influenza (including swine flu) vaccination program and encouraged employees to participate in walking events conducted by the Global Corporate Challenge. These initiatives have seen a levelling in the number of days of absenteeism due to reduced sickness and resulted in the number of reported minor incidents reducing. We did lose twenty weeks of productivity from one employee and four weeks of productivity from two other employees as a result of non-work related illnesses. This increased the average number of sick leave days taken per employee from 5 days to 9 days.

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. During the year six employees accessed the program.

Our health and safety committee has 50:50 representation of management and employees. We are currently developing a fully funded health and well-being program which will include seminars, workshops, activity based participation and health assessments. This included the provision of fruit during working hours.

#### Workforce and community committees and bodies

We encourage our employees to actively participate in all aspects of their work and professional lives. Some of our Committees include a cross section of employee representation and our employees hold positions on professional bodies. Representation on both internal and external committees is detailed in the Appendices of this report.

#### Community involvement and support

We participate in community fund raising events and continue to adopt the Cancer Council as our major charity. Our major event is the Cancer Council's Relay for Life which occurs each year in February - teams walk for 24 hours non-stop and raise money via sponsorship for cancer research. We raised in excess of \$1 955 for the relay.



Deputy Auditor-General,  
Ric De Santi in the final hours of the Cancer Council's Relay for Life





## Environmental

We are committed to recycling consumables we use such as paper, printer cartridges and general waste, and reducing our energy consumption. We use recycled paper for our reports and we encourage staff to print on both sides of paper to reduce paper consumption. The following table details our performance:

	2006-07	2007-08	2008-09	2009-10	2010-11
Printer copies – black	270 491	155 268	188 672	249 752	243 365
Printer copies – colour	98 801	292 358	188 047	64 979	80 246
Reams of paper purchased	438	450	426	440	480
Waste recycled – newspaper (litres)	N/m	1 320	1 440	1 920	1 200
Waste recycled – plastic, cans, etc (litres)	N/m	2 760	4 080	3 120	1 800
Paper shredded (litres)	N/m	1 120	2 129	5 740	4 498
Total report production run (no. of copies)	4 550	3 850	2 620	2 470	3 205
Total report production run (no. of pages)	448 700	481 950	524 410	238 500	329 995
Electricity consumed (KWh) – Hobart Office	N/m	N/m	N/m	60 990	72 685
Fuel consumption – Unleaded (litres)	N/m	N/m	N/m	8 134	2 369
Fuel consumption – Diesel (litres)	N/m	N/m	N/m	2 993	6 190

N/ m = Not measured in that year

In an attempt to measure our CO<sup>2</sup> emissions we have used the following to produce a measure of 101 637 kgs (101.6 tonnes) (in 2010 98 494 kgs (98.5 tonnes)):

	Units	Annual CO <sup>2</sup> Emissions (KG)
Energy Use – Electricity (Hobart Office)	72 685 Kwh	72 685
Transport Use – Diesel powered cars	6 190 Litres	18 570
Transport Use – Unleaded powered cars	2 369 Litres	6 663
Waste – Paper, consumables, etc	7 498 Litres	3 749
Total		101 637

By leasing diesel powered cars we have reduced our fuel consumption thus decreasing our carbon emissions. This decrease has been offset by increased consumption of electricity and materials resulting in increased carbon emissions compared to previously. These measures do not include all of our operations as we do not have all

the data recording mechanisms in place, however they reflect an expected trend. Our Green Team is working with government agencies to improve our measurement techniques and to identify areas where we can make a significant difference.

## Economic

In 2010-11 we generated financial turnover of \$7.204m, compared to \$6.511m in the previous financial year. This turnover enables us to pay the salaries for our workforce which is fed back into local, regional, state and national economies with flow on effects to other individuals and organisations.

Our clients are the Parliament and State entities and the revenue generated is from them. We received \$2.423m in direct financial assistance from the government, \$2.301m in the previous year.

### Suppliers

Our supply chain includes over 100 suppliers in a variety of industries and covers products such as computers, stationery supplies, vehicles and fuel, subcontractors and consultants and utilities. Our suppliers range from some of Australia's largest companies to small locally operated businesses and in 2010-11 we purchased over \$2.508m (\$2.220m in 2009-10) in products and services. The majority on the increase relates to the expenditure on leasehold improvements at our new Hobart premises.



# Major initiatives

## What we said we would do during 2010-11

We stated last year that we would action the following initiatives in 2010-11:

Develop a fully funded health and well-being program.	Our HR Committee discussed a program and sought ideas from staff. The program will be finalised in 2011-12. Staff were encouraged to participate in events sponsored by us.	✗
Further reduce the impact of our vehicle usage by leasing more energy efficient cars and manage the number of kilometres travelled	During the year we exchanged petrol powered cars with diesel powered cars when leases expired. This has had a positive impact on our carbon emissions.	✓
Reduce our energy usage by firstly measuring all energy consumed for both our offices and then implement energy efficient practices.	We are measuring the electricity usage in our Hobart Office but are unable at this stage to measure the usage in our Launceston office. We have encouraged staff to turn off electrical items when their use is not required. Monthly usage of electricity for our Hobart office for 2010-11 was 6 057Kwhs per month compared to 6 099 Kwhs per month in 2009-10.	—
Broaden the measurement of our carbon footprint and examine ways to offset our emissions.	No progress was made during the year to refine our measurement of our carbon emissions. We did purchase carbon offsets for air travel.	✗
Continue to find ways to produce reports and information in a manner that has a minimal impact on the environment.	While we reduced the number of report copies produced, we produced more reports with more pages. We continued to produce the reports on recycled paper and encouraged users to download electronic versions from our website.	—
Survey suppliers to identify which of them support environmental sustainability	No progress was made.	—

## What we will do during 2011-12

Our initiatives for 2011-12 are a continuation of those established in 2010-11. These initiatives are:

- finalise our health and well-being program
- monitor and report on our motor vehicle fleet and minimise the number of kilometres travelled for personal use
- identify opportunities to purchase carbon offsets that have the best environmental impact
- identify what areas of our operations have the biggest impact on carbon emissions and concentrate our efforts there
- find the best tools to measure and report on our carbon footprint
- through education change the behaviours of our employees
- explore opportunities to only produce electronic copies of our publications
- produce a green procurement guide for our procurement officers.



# 5

## Section 5

## Our Finances



### SECTION CONTENT

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# Financial Summary

Our goal is to generate sufficient surpluses to facilitate re-investment

We apply financial performance monitoring practices including:

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

## Financial performance

Key indicators of our financial performance in 2010-11 include:

- a surplus for the financial year of \$0.266m (2009-10 deficit of \$0.104m)
- an increase in revenue from \$6 511m in 2009-10 to \$7 204m this financial year, which exceeded our budget by \$0.101m predominantly due to user charges and other revenue exceeding budget
- an increase in expenditure from \$6.616m in 2009-10 to \$6.940m this year which was less than our budget by \$0.243m predominantly related to savings in employee benefits but with those savings off-set to an extent by higher audit contractor costs, accommodation expenses and materials and supplies.

### Revenue

The following table details the movements in revenue for the past four years and our budget forecast for the next two years:

	2007-08 (\$'000)	2008-09 (\$'000)	2009-10 (\$'000)	2010-11 (\$'000)	2011-12 (\$'000)	2012-13 (\$'000)
<b>Revenue</b>						
User charges	3 359	3 755	4 157	4 691	4 581	4 520
Appropriations						
• Reserve-by-law	313	362	391	377	453	492
• Performance audits and reports	1 356	1 888	1 910	2 046	2 120	2 125
Other revenue	20	37	53	90	15	0
<b>Total</b>	<b>5 048</b>	<b>6 042</b>	<b>6 511</b>	<b>7 204</b>	<b>7 169</b>	<b>7 137</b>

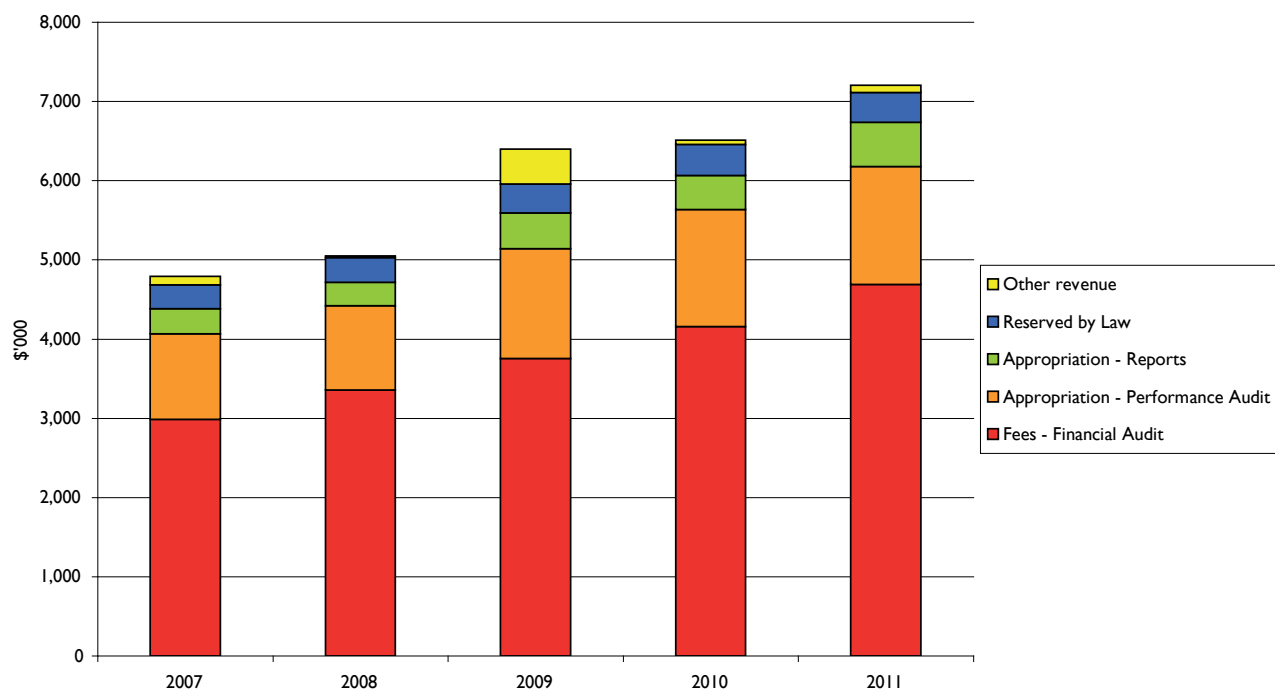
During the year the Government, through the budget process, advised us that our appropriation for the next four years would be reduced. This included removal of interest earned on our cash balances with the total cumulative effect over the next four years totaling \$0.732m.

We agreed to these reductions and our strategies to absorb them are:

- not to fill a vacant position within PAS for the period,
- without reducing information provided to Parliamentarians, to review the level of detail provided in our reports to Parliament
- to re-visit report production costs
- following initial discussions with Treasury, to propose a sustainable funding model for our Office.



### Revenue by type at 2010-11 and in the previous four years



Comments below compare financial performance relating to revenue between 2009-10 and 2010-11.

Our total revenue increased significantly compared to the previous year almost entirely due to our FAS unit achieving revenue targets. This strong result by FAS resulted from earlier audit planning and field work execution of those plans to meet our agreed timetables. Additional audit work undertaken by our audit contractors contributed to this result.

# Financial Summary

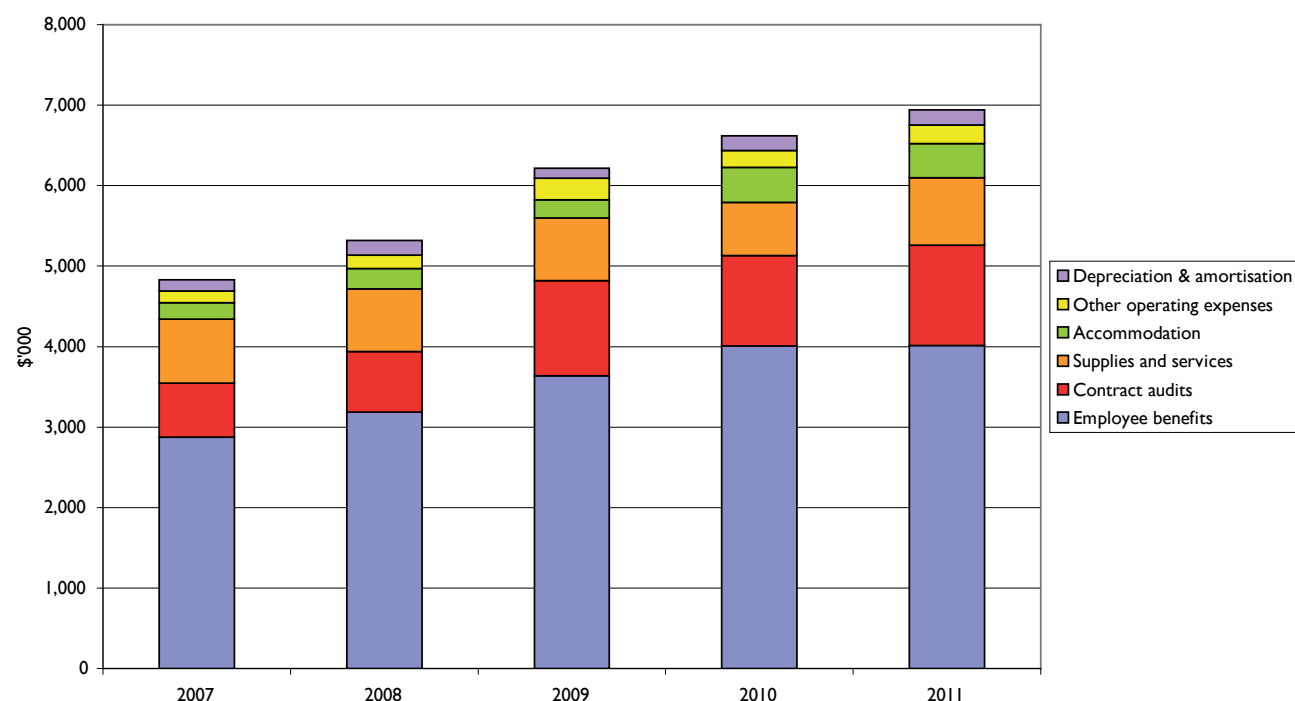
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## Expenditure

The following table details the movements in expenditure for the past four years and our budget forecast for the next two years:

	2007-08 (\$'000)	2008-09 (\$'000)	2009-10 (\$'000)	2010-11 (\$'000)	2011-12 (\$'000)	2012-13 (\$'000)
<b>Expenditure</b>						
Employee benefits	3 187	3 639	4 006	4 012	4 770	4 924
Other expenses	827	853	754	902	691	703
Audit contractors	751	1 179	1 123	1 246	977	1 010
Information technology	117	124	121	171	169	175
Accommodation	253	223	433	421	435	460
Depreciation / Amortisation	184	122	180	188	176	145
<b>Total</b>	<b>5 319</b>	<b>6 140</b>	<b>6 617</b>	<b>6 940</b>	<b>7 218</b>	<b>7 417</b>
<b>Operating surplus / (deficit)</b>	<b>(271)</b>	<b>(98)</b>	<b>(104)</b>	<b>266</b>	<b>(49)</b>	<b>(280)</b>

## Expenditure by type at 2010-11 and in the previous four years



Employee benefits increased only marginally compared to last year but was \$0.658m below our forecast budget. This occurred as a result of not having a full establishment of employees for the entire year, which, together with revised working arrangements and employees taking periods of leave without pay, reduced expenditure on employee benefits. Other expenses increased compared

to the previous year predominantly due to the conduct of biennial surveys and additional consultant costs. Information technology costs were higher due to the roll-out technology to assist our auditing units undertake their operations. In addition, the level of payments to contractors engaged to undertake audits on our behalf increased as did associated revenue.





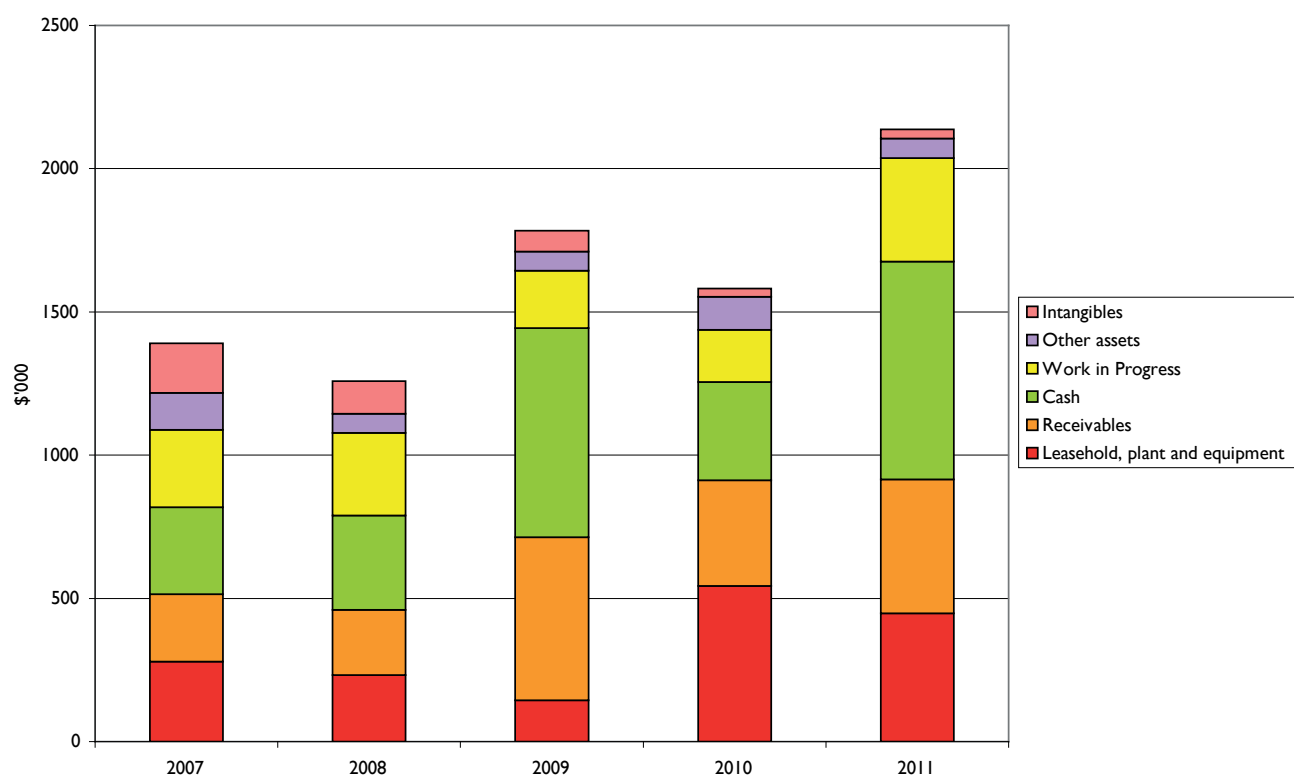
## Financial position

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

### Assets

	2007-08 (\$'000)	2008-09 (\$'000)	2009-10 (\$'000)	2010-11 (\$'000)	2011-12 (\$'000)	2012-13 (\$'000)
<b>Assets</b>						
Financial assets	883	1 543	894	1 589	1 159	1 111
Non-financial assets	412	283	687	548	636	493
<b>Total</b>	<b>1 295</b>	<b>1 826</b>	<b>1 581</b>	<b>2 137</b>	<b>1 795</b>	<b>1 604</b>

### Assets by type at 30 June 2011 and in the previous four years



The primary change to our financial position since 30 June 2010 was an increase in our equity by \$0.266m (2009-10, decrease of \$0.104m) to \$0.547m (2009-10, \$0.281m) all due to the operating surplus of \$0.266m.

Financial assets, comprising our bank balance, receivables and unbilled work-in-progress, increased respectively by; cash, \$0.417m, receivables, \$0.168m and unbilled work-in-progress, \$0.160m, all due to higher levels of financial audit activity. These financial assets easily cover our financial liabilities primarily being trade and other creditors.

Non-financial assets, primarily office equipment and leasehold improvements, decreased due to depreciation and amortisation charges.

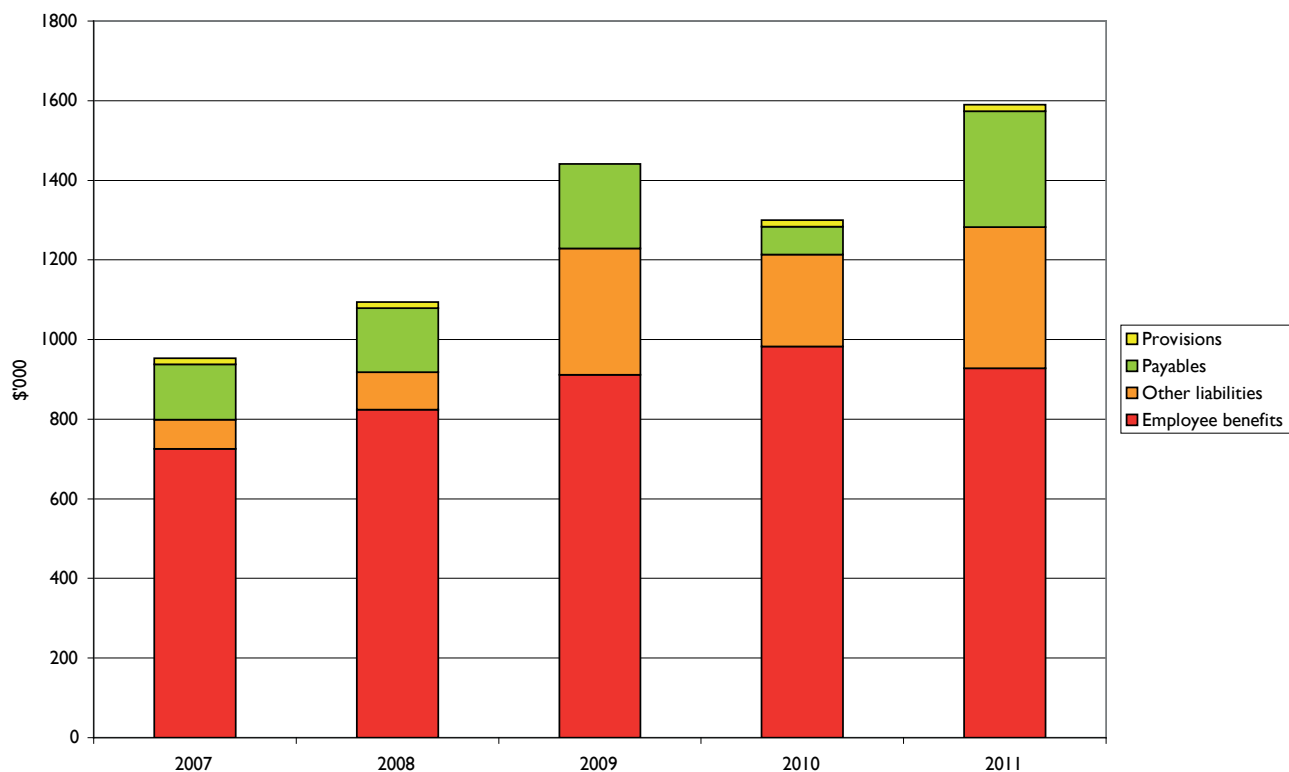
We are forecasting a reduction in our net assets primarily due to ongoing deprecation and amortisation charges, the anticipated short term impact of lower appropriation funding and expected lower rates of audit fee increases.

## Liabilities

	2007-08 (\$'000)	2008-09 (\$'000)	2009-10 (\$'000)	2010-11 (\$'000)	2011-12 (\$'000)	2012-13 (\$'000)
<b>Liabilities</b>						
Financial liabilities	176	212	87	308	93	70
Non-financial liabilities	918	1 229	1 213	1 282	1 292	1 404
<b>Total</b>	<b>1 094</b>	<b>1 441</b>	<b>1 300</b>	<b>1 590</b>	<b>1 385</b>	<b>1 474</b>
<b>Net Assets/Equity</b>	<b>201</b>	<b>385</b>	<b>281</b>	<b>547</b>	<b>410</b>	<b>130</b>



## Liabilities by type at 30 June 2011 and in the previous four years



The majority of financial liabilities was trade creditors, \$0.291m (\$0.071m, 2009-10) most of which was unpaid audit contractors.

The majority of non-financial liabilities were leave provisions and unearned revenues. The latter increased to \$0.293m at 30 June 2011 from \$0.184m at 30 June 2010 primarily due to the implementation of instalment

billing arrangements for many financial audit clients. These arrangements can result in work associated with the fees billed occurring as, or after, work is progressing leading to the recognition of unearned revenue. Employee benefits decreased by \$0.055m to \$0.928m at 30 June 2011 primarily due to less staff at 30 June 2011 and positive action taken to manage this liability.

# Major initiatives

## What we said we would do during 2010-11

We stated last year that the following initiatives would be actioned during the year:

Review all expenditure to identify savings	We reviewed overheads and, where practicable, reduced costs	✓
Ensure productivity targets are met	Overall productivity targets were met. This is reflected in actual revenue being above budget	✓
Be business like in relation to recovering audit cost over-runs	Improvements made – also reflected in improved FAS performance	✓
Ensure timely completion of financial audits facilitating a catch up of the back-log.	Achieved with a resultant increased in financial audit revenue and higher percentage audit completion at 30 June 2011	✓
Manage down accumulated leave balances	Some progress made although there remain a small number of employees with high leave balances	✓
Conduct a review to determine the most appropriate funding arrangement for us	Review commenced in 2011-12	✓

## What we will do during 2011-12

Despite our 2011-12 budget, our initiatives for 2011-12 include:

- conclude our review into the most appropriate funding model
- continue to find expenditure savings
- refine our business processes
- achieve our financial operation KPIs
  - net operating result  $\geq$  1% of turnover
  - cash balance at year end  $>$  \$0.600m
  - build cash reserves accumulatively by \$0.150m each year
- manage our accumulative leave balances
- limit audit fee increases to 3 to 4%.



# 6

## Section 6

### Our Financial Report 2010-11



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# Independent auditor's report



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

### Report on the Financial Report

We have audited the accompanying financial report, of the Tasmanian Audit Office (the Office), which comprises the statement of financial position as at 30 June 2011 for the year then ended and the statement of comprehensive income, the statement of cash flows, 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 report 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 report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

### *Auditor's Responsibility*

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

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

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

**Clements Dunne & Bell Partnership. Chartered Accountants.**  
Independent member of BKR International and Walker Wayland Australasia Ltd  
Level 14, 350 Queen Street, Melbourne Victoria 3000 Australia.  
Telephone (03) 8618 2222. Fax (03) 8618 2200. Website [www.cdb.com.au](http://www.cdb.com.au)  
Liability limited by a scheme approved under Professional Standards Legislation







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

### **Independence**

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

### **Opinion**

In our opinion, the financial report of the Tasmanian Audit Office presents fairly, in all material respects the financial position of Tasmanian Audit Office as of 30 June 2011 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*.

A handwritten signature in blue ink that reads 'Clements Dunne &amp; Bell'.

**CLEMENTS DUNNE & BELL PARTNERSHIP**  
Chartered Accountants  
Melbourne

A handwritten signature in blue ink that reads 'A. Wehrens'.

**Andrew Wehrens**  
Partner  
9 August 2011

# Certification of Financial Statements

## Certification of Financial Statements

**For the Year Ended 30 June 2011**

We certify that the accompanying financial report 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 2011 and the financial position as at the end of that year.

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



**Mike Blake**  
**Auditor-General**

**8 August 2011**



**David Strong**  
**General Manager**  
**Strategy and Governance**  
**8 August 2011**



# Statement of Comprehensive Income for the year ended 30 June 2011

	Notes	2011 Budget \$'000	2011 Actual \$'000	2010 Actual \$'000
<b>Continuing operations</b>				
<b>Revenue and other income from transactions</b>				
Revenue from Government				
Appropriation revenue - RBL	1.6(a), 3.1(a), 5.1	420	377	391
Appropriation revenue - recurrent	1.6(a), 5.1	2 061	2 046	1 910
User charges	1.6(b), 5.2, 3.1(b),	4 648	4 691	4 157
Interest	3.1(c)	54	21	14
Other revenue	1.6(d), 3.1(d), 5.3	-	69	39
<b>Total revenue and other income from transactions</b>		<b>7 183</b>	<b>7 204</b>	<b>6 511</b>
<b>Expenses from transactions</b>				
Employee benefits	1.7(a), 3.1(e), 6.1	4 670	4 012	4 006
Depreciation and amortisation	1.7(b), 6.2	194	188	180
Payroll tax	1.7	253	232	210
Audit contractors	1.7, 3.1(f)	932	1 246	1 123
Accommodation	1.7, 3.1(g)	349	421	433
Information technology	1.7	165	171	121
Materials and supplies	1.7, 3.1(h)	154	217	176
Other expenses	1.7(c), 6.3	466	453	367
<b>Total expenses from transactions</b>		<b>7 183</b>	<b>6 940</b>	<b>6 616</b>
<b>Net result from transactions (net operating balance)</b>		<b>-</b>	<b>264</b>	<b>(105)</b>
<b>Other economic flows included in net result</b>				
Net gain on write-off/sale of non-financial assets	1.8(a), 7.1	-	2	1
<b>Total other economic flows included in net result</b>		<b>-</b>	<b>2</b>	<b>1</b>
<b>Net result</b>		<b>-</b>	<b>266</b>	<b>(104)</b>
<b>Comprehensive result</b>		<b>-</b>	<b>266</b>	<b>(104)</b>

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.

# Statement of Financial Position as at 30 June 2011

	Notes	2011 Budget \$'000	2011 Actual \$'000	2010 Actual \$'000
<b>Assets</b>				
<i>Financial assets</i>				
Cash and deposits	1.9(a), 11.1	749	760	343
Receivables	1.9(b), 3.2(a), 8.1	300	468	370
Work in progress	1.9(c), 3.2(b), 8.2	201	361	181
<i>Non-financial assets</i>				
Leasehold improvements, plant and equipment	1.9(d), 3.2(c), 8.3	353	448	543
Intangibles	1.9(d), 8.4	30	31	28
Other assets	8.5	68	69	116
<b>Total assets</b>		<b>1 701</b>	<b>2 137</b>	<b>1 581</b>
<b>Liabilities</b>				
Payables	1.10(a), 3.2(d), 9.1	238	291	71
Provisions	1.10(b), 3.2(e), 9.2	-	17	16
Employee benefits	1.10(c), 3.2(f), 9.3	1 102	928	983
Revenue received in advance	1.10(e), 3.2(g), 9.5	-	308	184
Other liabilities	9.6	19	46	46
<b>Total liabilities</b>		<b>1 359</b>	<b>1 590</b>	<b>1 300</b>
<b>Net assets</b>		<b>342</b>	<b>547</b>	<b>281</b>
<b>Equity</b>				
Contributed capital		1 168	1 168	1 168
Accumulated deficit		(826)	(621)	(887)
<b>Total equity</b>		<b>342</b>	<b>547</b>	<b>281</b>

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

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

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



# Statement of Cash Flows for the year ended 30 June 2011

		2011	2011	2010
	Notes	Budget	Actual	Actual
		\$'000	\$'000	\$'000
<b>Cash flows from operating activities</b>		Inflows (Outflows)	Inflows (Outflows)	Inflows (Outflows)
<b>Cash inflows</b>				
Appropriation receipts - recurrent		2 061	2 061	1 910
Appropriation receipts - RBL	3.3(a)	420	377	391
User charges	3.3(b)	4 648	4 529	4 346
GST receipts	3.3(c)	589	483	424
Interest received	3.3(d)	54	21	14
Other cash receipts	3.3(e)	-	62	25
<b>Total cash inflows</b>		<b>7 772</b>	<b>7 533</b>	<b>7 110</b>
<b>Cash outflows</b>				
Employee benefits	3.3(f)	(4 264)	(3 695)	(3 578)
Superannuation	3.3(g)	(432)	(372)	(358)
GST payments	3.3(c)	(589)	(482)	(425)
Other cash payments	3.3(h)	(2 180)	(2 476)	(2 605)
<b>Total cash outflows</b>		<b>(7 465)</b>	<b>(7 025)</b>	<b>(6 966)</b>
<b>Net cash from operating activities</b>	11.2	<b>307</b>	<b>508</b>	<b>144</b>
<b>Cash flows from investing activities</b>				
<b>Cash inflows</b>				
Proceeds from the disposal of non-financial assets		-	2	1
<b>Total cash inflows</b>		<b>-</b>	<b>2</b>	<b>1</b>
<b>Cash outflows</b>				
Payments for acquisition of non-financial assets		(176)	(93)	(533)
<b>Total cash outflows</b>		<b>(176)</b>	<b>(93)</b>	<b>(533)</b>
<b>Net cash used by investing activities</b>		<b>(176)</b>	<b>(91)</b>	<b>(532)</b>
<b>Net increase (decrease) in cash and cash equivalents held</b>		<b>131</b>	<b>417</b>	<b>(388)</b>
<b>Cash and deposits at the beginning of the reporting period</b>		<b>618</b>	<b>343</b>	<b>731</b>
<b>Cash and deposits at the end of the reporting period</b>	11.1	<b>749</b>	<b>760</b>	<b>343</b>

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

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

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

# Statement of Changes in Equity for the year ended 30 June 2011

	Contributed Equity \$'000	Accumulated deficit \$'000	Total equity \$'000
<b>Balance as at 1 July 2010</b>	<b>1 168</b>	<b>(887)</b>	<b>281</b>
Total comprehensive result	-	266	253
<b>Balance as at 30 June 2011</b>	<b>1 168</b>	<b>(621)</b>	<b>534</b>

	Contributed Equity \$'000	Accumulated deficit \$'000	Total equity \$'000
<b>Balance as at 1 July 2009</b>	<b>1 168</b>	<b>(783)</b>	<b>385</b>
Total comprehensive result	-	(104)	(104)
<b>Balance as at 30 June 2010</b>	<b>1 168</b>	<b>(887)</b>	<b>281</b>

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





# Notes to and forming part of the Financial Statements for the year ended 30 June 2011

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## Note I - Significant Accounting Policies

### I.1 Objectives and Funding

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

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

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

### I.2 Basis of Accounting

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

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

The Financial Statements were signed by the Auditor-General and General Manager – Strategy and Governance on 8 August 2011.

Compliance with Australian Accounting Standards 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 IFRS. The Office is considered to be not-for-profit and may adopt some accounting policies under the AAS that do not comply with IFRS.

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

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

### I.3 Reporting Entity

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

### I.4 Functional and Presentation Currency

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

### I.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 that are relevant to its operations and effective for the current annual reporting period. These include:

- AASB 2008 3 Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127 – This Standard introduces some minor terminology changes. There is no expected financial impact of applying these changes.



- AASB 2009-5 *Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project* – This Standard introduces small disclosure and classification changes. There is no expected financial impact of applying these changes.

(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 2009-11 *Amendments to Australian Accounting Standards arising from AASB 9* – The amendments require modification to the disclosure of categories of financial assets. It is not anticipated that there will be any financial impact.
- AASB 1053 *Application of Tiers of Australian Accounting Standards* – This Standard establishes a differential financial reporting framework consisting of two tiers of reporting requirements for preparing general purpose financial statements. The Standard does not have any financial impact on the Office. However, it may affect disclosures if reduced disclosure requirements apply.
- AASB 1054 *Australian Additional Disclosures* – This standard has arisen as a result of the decision, as part of the Trans-Tasman Convergence Project, to move any requirements (for-profits only) which were over and above IFRS requirements to a separate standard. As the inclusions in this standard are simply sections moved from other standards, currently in operation, there will be no material impact when the standard is applied.
- AASB 2010-2 *Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements* – This Standard makes amendments to introduce reduced disclosure requirements for certain types of entities. There is no expected financial impact of applying these changes, as the Office is likely to be considered a Tier 1 entity.
- AASB 2010-6 *Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets* – This Standard includes additional presentation and disclosure requirements for financial assets. It is not expected to have a financial impact.
- AASB 2010-7 *Amendments to Australian Accounting Standards arising from AASB 9* – This Standard makes minor revisions, however it is not expected to have a financial impact.
- AASB 2009-12 *Amendments to Australian Accounting Standards* – This Standard introduces a number of terminology changes. There is no expected financial impact.
- AASB 2010-5 *Amendments to Australian Accounting Standards* – This Standard introduces terminology changes as well as presentation changes, however, it is not anticipated that there will be any financial impact.

## 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) **Interest**

Interest on funds invested is recognised as it accrues using the effective interest rate method.

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

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

### (c) Other expenses

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

## 1.8 Other Economic Flows included in Net Result

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

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

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

### (b) Impairment – Financial assets

Financial assets are assessed at each reporting date to determine whether there is any objective evidence of impairment. A financial asset is considered to be impaired if one or more events have had a negative 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. Nil in 2010-11.



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. Nil in 2010-11.

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 2010-11.

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

(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 2011, 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*

Three per cent of the unexpended balance of appropriation to the Office for performance and compliance audits and reporting to Parliament is able to be carried forward and is recognised as a liability, revenue received in advance in the initial year. The carry forward from the initial year is recognised as revenue in advance (refer notes 5.1 and 9.5).

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), revenue in advance, refer note 1.10(e), provisions for employee benefits, refer note 1.10(c) and payables refer note 1.10(a).

(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 review 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) *Provision for employee benefits*

In calculating the annual leave provision the salary level used is the salary band applicable for all staff as at 31 December 2011, based on the assumption that all staff receive their next salary progression, including advanced assessment points, if applicable.

In calculating the long service leave provision the salary level used for all staff currently eligible to take long service is the salary band applicable as at 30 June 2012, based on the assumption that all staff will receive their next salary progression, including advanced assessment points, if applicable, and also because these staff are entitled to access their long service leave now. For staff not yet entitled to take long service leave the top of the salary band, including advance assessment points is used, based on the assumption that staff will have progressed to the top of the salary band by the time they become eligible to access long service leave.

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

(iv) *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 2010-11 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.



## 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. 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 Australian Taxation Office is, in accordance with the Australian Accounting Standards, classified as operating cash flows.

## Note 2 - Office Output Schedules

### 2.1 Output Group Information

The Office only has one output group, 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.

#### Output Group 1 – Public Sector Management and Accountability

	2011 Budget \$'000	2011 Actual \$'000	2010 Actual \$'000
<b>Continuing operations</b>			
<b>Revenue and other income from transactions</b>			
Revenue from government			
Appropriation revenue - RBL	420	377	391
Appropriation revenue - recurrent	2 061	2 046	1 910
User charges	4 648	4 691	4 157
Interest	54	21	14
Other revenue	-	69	39
<b>Total revenue and other income from transactions</b>	<b>7 183</b>	<b>7 204</b>	<b>6 511</b>
<b>Expenses from transactions</b>			
Employee benefits	4 670	4 012	4 006
Depreciation and amortisation	194	188	180
Payroll tax	253	232	210
Audit contractors	932	1 246	1 123
Accommodation	349	421	433
Information technology	165	171	121
Materials and supplies	154	217	176
Other expenses	466	453	367
<b>Total expenses from transactions</b>	<b>7 183</b>	<b>6 940</b>	<b>6 616</b>
<b>Net result from transactions (net operating balance)</b>	<b>-</b>	<b>264</b>	<b>(105)</b>
<b>Other economic flows included in net result</b>			
Net gain on sale of non-financial assets	-	2	1
<b>Total other economic flows included in net result</b>	<b>-</b>	<b>2</b>	<b>1</b>
<b>Net result</b>	<b>-</b>	<b>266</b>	<b>(104)</b>



	2011 Budget \$'000	2011 Actual \$'000	2010 Actual \$'000
<b>Expense by output</b>			
Public sector management and accountability	7 183	6 940	6 616
<b>Total</b>	<b>7 183</b>	<b>6 940</b>	<b>6 616</b>

#### Net Assets

Total assets deployed for public sector management and accountability	2 137	1 581
Total liabilities incurred for public sector management and accountability	(1 590)	(1 300)
<b>Net assets deployed for public sector management and accountability</b>	<b>547</b>	<b>281</b>

Because there is only one output group, explanations of material variances between budget and actual outcomes are provided in Note 3 of the accompanying notes. 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.

### 3.1 Statement of Comprehensive Income

	Note	Budget \$'000	Revised Budget \$'000	Actual \$'000	Variance \$'000	Variance %
Appropriation revenue - RBL	(a)	420	417	377	(43)	(10)
User charges	(b)	4 648	4 374	4 691	43	1
Interest	(c)	54	21	21	(33)	(61)
Other revenue	(d)	-	69	69	69	100
Employee benefits	(e)	4 670	4 213	4 012	658	14
Audit Contractors	(f)	932	921	1 246	(314)	(33)
Accommodation	(g)	349	421	421	(72)	(21)
Materials and supplies	(h)	154	203	217	(63)	(41)

#### Notes to Statement of Comprehensive Income variances

- (a) The variance relates to lower actual higher duty allowance (\$10 000) and lower non-salary items (\$32 000), including travel allowances costs, airfares and car parking. Refer note 5.1.
- (b) The original budget was revised downwards due to a restructure in Financial Audit Services (FAS) reducing staff numbers. Actual is higher than revised budget due to hours charged to date being ahead of budget, rates increases and more work undertaken by audit contractors due to the timing of work undertaken.
- (c) The budget was revised downwards due to a lower level of interest than originally budgeted.
- (d) The variance relates to miscellaneous cash receipts, mainly for reimbursements, not included in the budget.
- (e) The budget was revised downwards largely due to variation from the planned establishment arising from a vacancy in Performance Audit Services (\$100,000) and a restructure in FAS (\$206,000). Salary savings also resulted from some employees taking leave without pay, some employees changing from full time to part time hours, some staff commencing later than planned and unplanned resignations during the reporting period.
- (f) The variance relates to the timing of audit work undertaken by contractors and rates increases.
- (g) The budget was revised due to a rent review increase for the Hobart premises.
- (h) The original budget was revised largely due to printing reports to Parliament (\$25 000). In addition there were a number of small positive and negative variances within the line items that comprises materials and supplies. The main variance is due to advertising costs exceeding budget (\$17 000).

### 3.2 Statement of Financial Position

	Note	Budget \$'000	Actual \$'000	Variance \$'000	Variance %
Receivables	(a)	300	468	168	56
Work in progress	(b)	201	361	160	80
Leasehold improvements, plant and equipment	(c)	353	448	95	27
Payables	(d)	238	291	(53)	(22)
Provisions	(e)	-	17	(17)	(100)
Employee benefits	(f)	1 102	928	174	16
Revenue received in advance	(g)	-	308	(289)	(15)

#### Notes to Statement of Financial Position variances

- (a) There was a higher level of receivables at year end as result of scheduled billing being higher than budget.
- (b) There was a higher level of work in progress at year end than budgeted as a result of chargeable activity being higher than estimated. Refer 3.1(b).
- (c) The variance results from leasehold improvements being understated in the budget.
- (d) The variance relates to audit contractor invoices received post year end related to activity undertaken during the year. Refer 3.1(f).
- (e) The variance results from provision of lease make-good not included in the budget.
- (f) The variance results from a lower level of accrued salaries refer 3.1(e) and also a reduction in the long service leave provision (\$75 000) due to staff retirements and a lower discounting rate from the previous reporting period.
- (g) The variance results from a higher level of revenue in advance than budgeted. Refer 3.1(b).

### 3.3 Statement of Cash Flows

	Note	Budget \$'000	Revised Budget \$'000	Actual \$'000	Variance \$'000	Variance %
Appropriation receipts - RBL	(a)	420	415	377	(43)	(10)
User charges	(b)	4 648	4 374	4 529	(119)	(3)
GST receipts	(c)	589	589	483	(106)	(18)
Interest received	(d)	54	21	21	(33)	(61)
Other cash receipts	(e)	-	-	62	(62)	(100)
Employee benefits	(f)	4 264	3 838	3 695	569	13
Superannuation	(g)	432	407	372	60	14
GST payments	(c)	589	589	482	107	18
Other cash payments	(h)	2 180	2 096	2 476	(296)	(14)



## Notes to Statement of Cash Flows variances

- (a) Refer 3.1(a).
- (b) Actual cash received was above budget due to revised billing arrangements and increased productivity. Refer to 3.1(b).
- (c) GST receipts and payments are below budget due to lower GST-related expenditure incurred.
- (d) The budget was revised downwards due to a lower level of interest than originally budgeted.
- (e) The variance relates to miscellaneous cash receipts, mainly for reimbursements, not included in the budget.
- (f) Refer 3.1(e).
- (g) The variance in superannuation is in line with the lower level of salaries. Refer 3.1(e).
- (h) The variance in other cash payments is due to higher payments for audit contractors, materials and supplies and accommodation.

## Note 4 - Events Occuring 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 2011.

## 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.

	2011 Budget \$'000	2011 Actual \$'000	2010 Actual \$'000
<b>Revenue from government</b>			
Appropriation revenue - recurrent	2 061	2 046	1 910
Items Reserved by Law – Auditor General's salary and associated allowances	420	377	391
<b>Total</b>	<b>2 481</b>	<b>2 423</b>	<b>2 301</b>

Section 8A(2) of the Public Account Act allows for an unexpended balance of an appropriation to be transferred to an Account in the Special Deposits and Trust Fund for such purposes and conditions as approved by the Treasurer. In the initial year, the carry forward is recognised as a liability, Revenue Received in Advance. The carry forward from the initial year is recognised as revenue in the reporting year, assuming that the conditions of the carry forward are met and the funds are expended. The Office carried forward from 2010-11 to 2011-12 \$15 142 in accordance with section 8A(2) of the *Public Account Act 1986* (refer note 9.5).



## 5.2 User Charges

	2011 Actual \$'000	2010 Actual \$'000
Financial Audit Services	4 691	4 157
<b>Total</b>	<b>4 691</b>	<b>4 157</b>

## 5.3 Other Revenue

Contribution – Reserved by law – Auditor-General leave provisions	6	14
Miscellaneous	63	25
<b>Total</b>	<b>69</b>	<b>39</b>

# Note 6 - Expenses from transactions

## 6.1 Employee Benefits

Salaries	3 244	3 159
Annual leave	288	287
Long service leave	60	150
Fringe benefits tax	39	39
Superannuation – defined contribution scheme	249	244
Superannuation – defined benefit scheme	132	127
<b>Total</b>	<b>4 012</b>	<b>4 006</b>

Superannuation expenses relating to defined benefits schemes relate to payments into the Superannuation Provision Account held centrally and recognised within the Finance-General Division of the Department of Treasury and Finance. The amount of the payment is based on an employer contribution rate determined by the Treasurer, on the advice of the State Actuary. The current employer contribution is 12.3 per cent of salary.

Superannuation expenses relating to employee contribution schemes are paid directly to superannuation funds at a rate of nine per cent of salary. In addition, the Office is required to pay into the SPA a “gap” payment equivalent to 3.3 per cent of salary in respect of employees who are not members of the defined benefits schemes but whose salary is funded by appropriation.

## 6.2 Depreciation and Amortisation

### (a) Depreciation

	2011	2010
	\$'000	\$'000
Computer equipment - hardware	37	44
Office equipment, furniture and fittings	37	30
<b>Total</b>	<b>74</b>	<b>74</b>

### (b) Amortisation

Intangibles – computer software	33	44
Leasehold improvements	78	60
Lease make-good	3	2
<b>Total</b>	<b>114</b>	<b>106</b>
<b>Total depreciation and amortisation</b>	<b>188</b>	<b>180</b>

## 6.3 Other Expenses

Audit fees – external	14	16
Audit fees – internal	23	13
Worker's compensation	16	16
Travel and transport	150	151
Training	77	84
Consultants	159	51
Insurance	8	8
Miscellaneous	5	28
Finance cost (unwinding of lease make-good discount)	1	-
<b>Total</b>	<b>453</b>	<b>367</b>



## Note 7 - Other economic flows included in net result

### 7.1 Net Gain on Non-financial Assets

	2011	2010
	\$'000	\$'000
Net gain on disposal of physical assets	2	1
<b>Total net gain on non-financial assets</b>	<b>2</b>	<b>1</b>

## Note 8 - Assets

### 8.1 Receivables

User charges (inclusive of GST)	404	313
Contribution – Reserved by law – Auditor-General long service leave receivable	61	56
Interest	3	1
<b>Total</b>	<b>468</b>	<b>370</b>
Settled within 12 months	407	314
Settled in more than 12 months	61	56
<b>Total</b>	<b>468</b>	<b>370</b>

### 8.2 Work in Progress

Work in progress comprises unbilled revenue as at 30 June	361	181
<b>Total</b>	<b>361</b>	<b>181</b>
Settled within 12 months	361	181
Settled in more than 12 months	-	-
<b>Total</b>	<b>361</b>	<b>181</b>

### 8.3 Leasehold Improvements, Plant and Equipment

(a) *Carrying amount*

	2011	2010
	\$'000	\$'000
<b>Computer equipment - hardware</b>		
At cost	208	225
Less: Accumulated depreciation	(199)	(180)
<b>Total</b>	<b>9</b>	<b>45</b>
<b>Office equipment, furniture and fittings</b>		
At cost	199	227
Less: Accumulated depreciation	(146)	(138)
<b>Total</b>	<b>53</b>	<b>89</b>
<b>Leasehold improvements</b>		
At cost	528	473
Less: Accumulated amortisation	(142)	(64)
<b>Total</b>	<b>386</b>	<b>409</b>
<b>Total leasehold improvements, plant and equipment</b>	<b>448</b>	<b>543</b>

(b) *Reconciliation of movements*

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

2011	Computer equipment \$'000	Office equipment, furniture and fittings \$'000	Leasehold improvements \$'000	Total \$'000
<b>Carrying value at 1 July</b>	<b>45</b>	<b>89</b>	<b>409</b>	<b>543</b>
Additions	1	1	55	57
Disposals	-	-	-	-
Depreciation and amortisation	(37)	(37)	(78)	(152)
<b>Carrying value at 30 June</b>	<b>9</b>	<b>53</b>	<b>386</b>	<b>448</b>



2010	Computer equipment \$'000	Office equipment, furniture and fittings \$'000	Leasehold improvements \$'000	Total \$'000
<b>Carrying value at 1 July</b>	<b>87</b>	<b>25</b>	<b>32</b>	<b>144</b>
Additions	2	94	437	533
Disposals	-	-	-	-
Depreciation and amortisation	(44)	(30)	(60)	(134)
<b>Carrying value at 30 June</b>	<b>45</b>	<b>89</b>	<b>409</b>	<b>543</b>

## 8.4 Intangibles

(a) *Carrying amount*

	2011 \$'000	2010 \$'000
<b>Intangibles with a finite useful life</b>		
Software at cost	262	313
Less: Accumulated amortisation	(231)	(285)
<b>Total</b>	<b>31</b>	<b>28</b>
<b>Total intangibles</b>	<b>31</b>	<b>28</b>

(b) *Reconciliation of movements*

<b>Carrying amount at 1 July</b>	<b>28</b>	<b>72</b>
Additions	36	-
Amortisation expense	(33)	(44)
<b>Carrying amount at 30 June</b>	<b>31</b>	<b>28</b>

## 8.5 Other Assets

(a) *Carrying amount*

	2011	2010
	\$'000	\$'000
<b>Other current assets</b>		
Prepayments	58	101
GST receivable	-	1
<b>Total</b>	<b>58</b>	<b>102</b>
Settled within 12 months	58	102
Settled in more than 12 months	-	-
	58	102
<b>Other non-current assets</b>		
Lease make-good	16	16
Less: Accumulated depreciation	(5)	(2)
<b>Total</b>	<b>11</b>	<b>14</b>
<b>Total other assets</b>	<b>69</b>	<b>116</b>

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

<b>Carrying amount at 1 July</b>	<b>14</b>	<b>-</b>
Additions	-	16
Amortisation expense	(3)	(2)
<b>Carrying amount at 30 June</b>	<b>11</b>	<b>14</b>





## Note 9 - Liabilities

### 9.1 Payables

	2011	2010
	\$'000	\$'000
Creditors	286	67
Payroll tax payable	5	4
<b>Total</b>	<b>291</b>	<b>71</b>
Settled within 12 months	291	71
Settled in more than 12 months	-	-
<b>Total</b>	<b>291</b>	<b>71</b>

Settlement is usually made within 30 days.

### 9.2 Provisions

#### (a) Carrying amount

Provision for lease make-good	17	16
<b>Total</b>	<b>17</b>	<b>16</b>
Settled within 12 months	-	-
Settled in more than 12 months	17	16
<b>Total</b>	<b>17</b>	<b>16</b>

#### (b) Reconciliation of movements in provisions

<b>Balance at 1 July</b>	<b>16</b>	<b>-</b>
Increases	1	16
<b>Balance at 30 June</b>	<b>17</b>	<b>16</b>

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

### 9.3 Employee Benefits

	2011	2010
	\$'000	\$'000
Accrued salaries	82	129
Annual leave	267	218
Long service leave	547	594
Superannuation	9	13
State service accumulated leave scheme	4	4
Leave in lieu of overtime	19	25
<b>Total</b>	<b>928</b>	<b>983</b>
Settled within 12 months	436	464
Settled in more than 12 months	492	519
<b>Total</b>	<b>928</b>	<b>983</b>

### 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. Further details are provided in note 6.



## 9.5 Revenue received in advance

	2011 \$'000	2010 \$'000
<b>Revenue received in advance</b>		
Appropriation carried forward from current year under section 8A of the <i>Public Account Act 1986</i>	15	-
Other revenue received in advance	293	184
	<b>308</b>	<b>184</b>
Settled within 12 months	308	184
Settled in more than 12 months	-	-
<b>Total</b>	<b>308</b>	<b>184</b>

## 9.6 Other Liabilities

<b>Other liabilities</b>		
Employee benefits – on-costs	46	46
<b>Total</b>	<b>46</b>	<b>46</b>
Settled within 12 months	18	16
Settled in more than 12 months	28	30
<b>Total</b>	<b>46</b>	<b>46</b>

## Note 10 - Commitments and Contingencies

### 10.1 Schedule of Commitments

	2011	2010
	\$'000	\$'000
<b>By type</b>		
<i>Lease Commitments</i>		
Operating leases	2 374	2 987
<b>Total lease commitments</b>	<b>2 374</b>	<b>2 987</b>
<i>Other commitments</i>		
Contract Audits	1 619	1 951
<b>Total other commitments</b>	<b>1 619</b>	<b>1 951</b>
<b>Total by type</b>	<b>3 993</b>	<b>4 938</b>
<b>By maturity</b>		
<i>Operating lease commitments</i>		
One year or less	440	462
From one to five years	1 572	2 015
More than five years	362	510
<b>Total operating lease commitments</b>	<b>2 374</b>	<b>2 987</b>
<i>Other commitments</i>		
One year or less	794	1 056
From one to five years	825	895
More than five years	-	-
<b>Total other commitments</b>	<b>1 619</b>	<b>1 951</b>
<b>Total</b>	<b>3 993</b>	<b>4 938</b>

(a) *Operating Leases*

Operating leases relate to Office accommodation and motor vehicles. For Launceston Office accommodation the remaining lease term is seven years, with an option to extend for a further 10 years. For Hobart Office accommodation the remaining lease term is four 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 at a minimum of three years, previously two years.

(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.

	2011	2010
	\$'000	\$'000
<b>Special Deposits and Trust Fund balance</b>		
Special Deposits and Trust Account T644	760	343
<b>Total cash and deposits</b>	<b>760</b>	<b>343</b>

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

Net result	266	(104)
Depreciation and amortisation	188	180
(Gain) loss from sale of non-financial assets	(2)	(1)
Decrease (increase) in Receivables	(96)	242
Decrease (increase) in Prepayments	43	(34)
Decrease (increase) in Work in progress	(180)	19
Decrease (increase) in tax assets	1	(1)
Increase (decrease) in Employee entitlements	(58)	71
Increase (decrease) in Payables	220	(141)
Increase (decrease) in Other liabilities	126	(87)
<b>Net cash from operating activities</b>	<b>508</b>	<b>144</b>

## Note 12 - Financial Instruments

### 12.1 Risk Exposures

#### (a) Risk management policies

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

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

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

#### (b) Credit risk exposures

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

Financial Instrument	Accounting and strategic policies (including recognition criteria, measurement basis and credit quality of instrument)	Nature of underlying instrument (including significant terms and conditions affecting the amount. Timing and certainty of cash flows)
<b>Financial Assets</b>		
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 2011, however 100 % 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 2011.	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 34 separate debtors, with 5 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 2011 but not impaired

	Current	Past due 30 days	Past due 60 days	Total
	\$'000	\$'000	\$'000	\$'000
User charges	404	-	-	404
Contribution – Reserved by law – Auditor-General long service leave receivable	-	-	61	61
Interest	3	-	-	3
<b>Total</b>	<b>407</b>	<b>-</b>	<b>61</b>	<b>468</b>

#### Analysis of financial assets that are past due at 30 June 2010 but not impaired

	Current	Past due 30 days	Past due 60 days	Total
	\$'000	\$'000	\$'000	\$'000
User charges	269	44	-	313
Contribution – Reserved by law – Auditor-General long service leave receivable	-	-	56	56
Interest	1	-	-	1
<b>Total</b>	<b>270</b>	<b>44</b>	<b>56</b>	<b>370</b>

#### (c) Liquidity risk

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

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

Financial Instrument	Accounting and strategic policies (including recognition criteria and measurement basis)	Nature of underlying instrument (including significant terms and conditions affecting the amount. Timing and certainty of cash flows)
<b>Financial Liabilities</b>		
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 2011.	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:



2011

	Maturity analysis for financial liabilities		
	I Year	Undiscounted	Carrying
	\$'000	Total	Amount
		\$'000	\$'000
<b>Financial liabilities</b>			
Payables	291	291	291
<b>Total</b>	<b>291</b>	<b>291</b>	<b>291</b>

2010

	Maturity analysis for financial liabilities		
	I Year	Undiscounted	Carrying
	\$'000	Total	Amount
		\$'000	\$'000
<b>Financial liabilities</b>			
Payables	71	71	71
<b>Total</b>	<b>71</b>	<b>71</b>	<b>71</b>

(d) *Market risk*

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. 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:

	2011	2010
	\$'000	\$'000
<b>Fixed rate instruments</b>		
Financial assets	760	343
<b>Total</b>	<b>760</b>	<b>343</b>

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	200 basis points decrease	200 basis points increase	200 basis points decrease
	\$ '000	\$ '000	\$ '000	\$ '000
<b>30 June 2011</b>				
<i>Financial asset – 2%</i>	15	(15)	15	(15)
<b>Net sensitivity</b>	<b>15</b>	<b>(15)</b>	<b>15</b>	<b>(15)</b>
<b>30 June 2010</b>				
<i>Financial asset – 2%</i>	7	(7)	7	(7)
<b>Net sensitivity</b>	<b>7</b>	<b>(7)</b>	<b>7</b>	<b>(7)</b>

The Office earns interest on the funds in the Special Deposits and Trust Fund T644. The interest rate sensitivity analysis is based on the average of the opening and estimated closing balance of T644 multiplied by 200 basis points (2%). This analysis assumes all other variables remain constant.

From 1 July 2011 the Special Deposit and Trust Fund T644 will not earn interest as a result of a change in government policy.

## 12.2 Categories of Financial Assets and Liabilities

	2011	2010
	\$'000	\$'000
<b>Financial assets</b>		
Cash and cash equivalents	760	343
Receivables	829	551
<b>Total</b>	<b>1 589</b>	<b>894</b>
<b>Financial Liabilities</b>		
Amortised cost	291	71
<b>Total</b>	<b>291</b>	<b>71</b>

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

	<b>Carrying Amount 2011 \$'000</b>	<b>Net Fair Value 2011 \$'000</b>	<b>Carrying Amount 2010 \$'000</b>	<b>Net fair Value 2010 \$'000</b>
<b>Financial assets</b>				
Cash in Special Deposits and Trust Fund	760	760	343	343
Receivables	829	829	551	551
<b>Total financial assets</b>	<b>1 589</b>	<b>1 589</b>	<b>894</b>	<b>894</b>
<b>Financial liabilities (Recognised)</b>				
Trade creditors	291	291	71	71
<b>Total financial liabilities (Recognised)</b>	<b>291</b>	<b>291</b>	<b>71</b>	<b>71</b>

### 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 were appointed in 2009.

	2011	2010
	\$'000	\$'000
Financial audit fees	12	13
Other audit services	2	3
	<b>14</b>	<b>16</b>

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

## Note 14 - Key Management Personnel Compensation

### Key Management Personnel

The Office's remuneration policy is in line with Reserve-by Law arrangements for the Auditor-General, Senior Executive Service arrangements for the Deputy-Auditor General and the General Manager, Performance Audit Services (PAS) and the State Service Award for the General Manager, Strategy and Governance (S&G). In the case of the Deputy Auditor-General and the General Manager PAS, contracts entered into 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 12.3%. Other than statutory annual and long-service leave arrangements, there are no other retirement benefits. However, each member of key management is entitled to sacrifice part of their salary to increase payments towards superannuation.

The Auditor-General, Deputy Auditor-General and General Manager PAS receive an executive vehicle for personal and business use and access to parking during business hours. The General Manager S&G is also provided with car parking.

All key management personnel are provided with a mobile phone for business and limited personal use.

- Performance incentives for the Deputy Auditor-General and General Manager PAS 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.

Member - \$4,000 per annum.

The Deputy Auditor-General is also a member of the Audit Committee but 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 2011**

		Post-employment benefits			Long-term benefits		Total
		Salary and leave	Bonus	Other*	Super-annuation	LSL	
		(\$ '000)	(\$ '000)	(\$ '000)	(\$ '000)	(\$ '000)	(\$ '000)
<b>Key Management Personnel</b>							
H M Blake, Auditor-General	2011	304	-	20	45	12	<b>381</b>
	2010	290	-	24	44	9	<b>367</b>
E R De Santi, Deputy Auditor-General	2011	158	8	18	21	(3)	<b>202</b>
	2010	155	7	16	18	1	<b>197</b>
G A Driscoll, General Manager - Performance Audit Services	2011	115	9	23	14	4	<b>165</b>
	2010	93	5	19	12	3	<b>132</b>
D J Strong, General Manager -Strategy &Governance	2011	106	-	2	12	(2)	<b>118</b>
	2010	90	-	2	10	6	<b>108</b>
<b>Total Key Management Personnel</b>	2011	683	17	63	92	11	<b>866</b>
	2010	628	12	61	84	19	<b>804</b>

\*Other includes phone, car parking & car benefits

## Note 15 - Principal Address and Registered Office

Level 4  
15 Murray St  
Hobart TASMANIA 7000



# 7

## Section 7

## Appendices

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# Appendix I

## Employees of the Office

As at 30 June 2011 the Office employed 40 full-time permanent employees and one part-time permanent employee. Currently six full-time employees have elected to temporarily work part-time.

Employee	Position	Location
Mike Blake	Auditor-General	Hobart
<b>Financial Audit Services</b>		
Ric De Santi	Deputy Auditor-General	Hobart
Jeff Tongs	Technical and Quality Director	Hobart
Jara Dean	Acting Financial Audit Portfolio Director	Hobart
Rob Luciani	Financial Audit Portfolio Manager	Launceston
Tony Knight	Financial Audit Leader	Hobart
Monique Poxon	Acting Financial Audit Leader	Hobart
Andrew Eiszele	Principal Financial Auditor	Hobart
Philip Chung	Principal Financial Auditor	Hobart
Simone Lee	Principal Financial Auditor	Launceston
Debbie Scott	Principal Financial Auditor	Launceston
Rachel Wilson	Principal Financial Auditor	Launceston
Darren Lette	Senior Financial Auditor	Hobart
Jesse Penfold	Senior Financial Auditor	Hobart
Minyan Qiu	Acting Senior Financial Auditor	Hobart
Derek Burns	Senior Financial Auditor	Hobart
Sashi Ram	Senior Financial Auditor	Hobart
Suzanne Xue	Senior Financial Auditor	Hobart
Kylie Cook	Financial Auditor	Hobart
Rebecca Clarke	Financial Auditor	Launceston
Thomas Bock	Cadet	Launceston
Matthew Graver	Cadet	Hobart
Patrick Trigg	Cadet	Hobart
James Hay	Cadet	Hobart
Reece Munnings	Cadet	Hobart
<b>Performance Audit Services</b>		
Geoff Driscoll	General Manager	Hobart
Simon Andrews	Manager Performance Audit	Hobart
Geoff Fisher	Manager Performance Audit	Hobart
Danny Moore	Principal Performance Analyst	Hobart
Beverley Pasanen	Principal Performance Analyst	Hobart
Damian Cook	Principal Performance Analyst	Hobart
Maree-Rose Jones	Performance Analyst	Hobart
Alex Irwin	Graduate	Hobart
<b>Business Support Services</b>		
David Strong	General Manager - Strategy and Governance	Hobart
Rachael Daniels	Manager – Finance and Human Resources	Hobart
Rohan Grant	Manager – ICT and Information Management	Hobart
Narelle Absolom	Senior Executive Officer – Information Management	Hobart
Aloma McCulloch	Executive Officer – Executive Support and Records	Hobart
Catherine De Santi	Executive Officer – Finance	Hobart
Sandra O'Connor	Executive Officer – Finance and Payroll	Hobart
Jessica Balding	Executive Officer – Human Resources	Hobart





# Appendix 2

## Composition of Office Committees

### Executive Management Group and Remuneration Committee

The members of the group are:

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

### Procurement Review Committee

The members of the committee are:

- Geoff Driscoll - Chair
- Rachael Daniels
- Jara Dean

### Senior Management Group

The members of the group are:

- Mike Blake – Chair
- Ric De Santi
- Geoff Driscoll
- David Strong
- Jeff Tongs
- Jara Dean
- Geoff Fisher
- Simon Andrews
- Rachael Daniels
- Rohan Grant

### Information Management Committee

The members of the committee are:

- Mike Blake – Chair
- Ric De Santi
- Geoff Driscoll
- David Strong
- Rohan Grant
- Narelle Absolom

### Human Resources Committee

The members of the committee are:

- David Strong - Chair
- Simon Andrews
- Rachael Daniels
- Monique Poxon
- Jessica Balding

### Health and Safety Committee

The members of the committee are:

- Rachael Daniels – Chair
- Monique Poxon
- Sandra O'Connor
- Beverley Pasanen
- Jessica Balding

# Appendix 3

## List of Clients and Audits during 2010-11

### Executive and Legislature

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

### Ministerial Departments

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

- Treasurer's Annual Financial Report
- General Government Financial Statements and Public Account Statements
- Total State Financial Statements

### Government Business Enterprises

Forestry Tasmania

- Newood Holdings Pty Ltd \*
- Newood Energy Pty Ltd \*
- Newood Huon Pty Ltd \*
- Newood Smithon Pty Ltd \*

Hydro-Electric Corporation

- 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 Operations Pty Ltd
- HT Wind New Zealand Pty Ltd \*
- Lofty Ranges Power Pty Ltd
- RE Storage Holding Pty Ltd
- Momentum Energy Pty Ltd
- Musselroe Holdings Pty Ltd \*
- Musselroe Wind Farm Pty Ltd
- Woolnorth Bluff Point Holdings Pty Ltd\*
- Woolnorth Bluff Point Wind Farm Pty Ltd
- Woolnorth Studland Bay Holdings Pty Ltd \*
- Woolnorth Studland Bay Wind Farm Pty Ltd

Motor Accidents Insurance Board  
Port Arthur Historic Site Management Authority  
Public Trustee  
Rivers and Water Supply Commission

- Tasmanian Irrigation Development Board Pty Ltd
- Tasmanian Irrigation Schemes Pty Ltd

Tasmanian Public Finance Corporation

### State Owned Companies

Aurora Energy Pty Ltd

- Aurora Energy (Tamar Valley) Pty Ltd \*
- Auroracom Pty Ltd \*
- Ezikey Group Pty Ltd \*

Metro Tasmania Pty Ltd

- Metro Coaches (Tas) 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  
TOTE Tasmania Pty Ltd

- Agility Interactive Pty Ltd \*
- Tas Radio Pty Ltd \*

Tasracing Pty Ltd  
Transend Networks Pty Ltd  
TT Line Company Pty Ltd

### Local Government

Councils:

Break O'Day Council  
Brighton Council

- 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  
Dorset Council  
Flinders Council  
George Town Council  
Glamorgan Spring Bay Council  
Glenorchy City Council  
Hobart City Council  
Huon Valley Council  
Kentish Council  
King Island Council  
Kingborough Council  
Latrobe Council  
Launceston City Council  
Meander Valley Council



Northern Midlands Council  
 Sorell Council  
 Southern Midlands Council  
 Tasman Council  
 Waratah-Wynyard Council  
 West Coast Council  
 West Tamar Council

#### Local Government Authorities:

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

#### Other State Entities

Aboriginal Land Council of Tasmania  
 Ambulance Tasmania  
 ANZAC Day Trust  
 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 \*  
 Forests and Forest Industry Council – Helsham Agreement  
 Grant Account \*\*  
 Forest Practices Authority  
 Forthside Irrigation Water Trust \*  
 Housing Tasmania  
 Integrity Commission  
 Inland Fisheries Service  
 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  
 Medical Radiation Science Professionals Registration Board \*  
 Mowbray Swamp Drainage Trust \*  
 National Heritage 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  
 Plumbers and Gasfitters Registration Board \*  
 Private Forests Tasmania  
 Property Agents Board  
 Property Agents Trust  
 Retirement Benefits Fund Board  
 • RBF Financial Planning Pty Ltd  
 • 66-80 Collins Street Pty Ltd \*  
 • RBF Property Pty Ltd \*  
 Richmond Irrigation Trust \*

Royal Tasmanian Botanical Gardens  
 Schools Registration Board of Tasmania \*  
 Solicitors' Trust  
 State Fire Commission  
 Sullivans Cove Management Authority  
 Tasmania Development and Resources  
 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 Heritage Council  
 Tasmanian Museum and Art Gallery  
 Tasmanian Pharmacy Authority \*  
 Tasmanian Qualifications Authority  
 Tasmanian Skills Institute  
 Tasmanian Wilderness World Heritage Area \*\*  
 Teachers Registration Board  
 Theatre Royal Management Board  
 The Nominal Insurer  
 Togari Drainage Trust \*  
 Tourism Tasmania  
 University of Tasmania  
 • AMC Search Ltd  
 • Higher Education Research Data Collection \*\*  
 • Southern Ice Porcelain Pty Ltd \*  
 Wellington Park Management Trust  
 Workcover Tasmania Board

#### Honorary Audits

Common Ground Tasmania Limited  
 University of Tasmania Foundations Inc.

\* Audits Dispensed with

\*\* Grant Acquittal

# Appendix 4

## Use of External Audit Service Providers for 2010-11 Audit Cycle

The following table sets out the commitments to external audit service providers for the 2010-11 financial statement audits.

Client	Contractor	Fee (\$'000) (excl. GST)
Aurora Energy Pty Ltd (including 3 subsidiaries, AFS License and Regulatory Accounts)	Ernst & Young	189
Break O'Day Council	AG Synectic Pty Ltd	16
Circular Head Council	AG Synectic Pty Ltd	19
Department of Education (including AVETMISS)	KPMG	100
HT Wind Operations Pty Ltd (including 11 subsidiaries)	PriceWaterhouse-Coopers	240
Hydro-Electric Corporation (including 6 subsidiaries)	Wise Lord and Ferguson	207
Northern Tasmanian Regional Development Board Ltd	Deloitte	11
Port Arthur Historic Site Management Authority	WHK Tasmania	22
Rivers and Water Supply Commission	BDO Kendalls	9
Property Agents Board	WHK Tasmania	2
Property Agents Trust	WHK Tasmania	2
Solicitors' Trust	WHK Denison	5
State Fire Commission	Deloitte	33
Tasmanian Irrigation Development Board Pty Ltd	BDO Kendalls	7
Tasmanian Irrigation Schemes Pty Ltd	BDO Kendalls	12
Tasmanian Public Finance Corporation	Deloitte	73



# Appendix 5

## External Audit Service Providers

The following auditing firms are included on the Register of External Audit Services Providers:

Name of Firm	Ranking
AG Synectic Pty Ltd - Devonport	Medium and Small
BDO Kendalls - Hobart	Medium and Small
Deloitte - Hobart	Large and Medium
Deloitte - Launceston	Medium and Small
Ernst & Young - Melbourne	Large and Medium
Grant Thornton - Melbourne	Large and Medium
Kaizen Audit & Assurance - Hobart	Medium and Small
KPMG - Hobart	Large, Medium and Small
KPMG - Launceston	Medium and Small
MDHC Audit Assurance - Melbourne	Large and Medium
Pitcher Partners - Melbourne	Large, Medium and Small
PricewaterhouseCoopers - Melbourne	Large and Medium
RSM Bird Cameron - Melbourne	Large and Medium
Ruddicks - Launceston	Medium and Small
Stamfords - Melbourne	Medium and Small
WHK Tasmania - Hobart	Medium and Small
WHK Tasmania - Launceston	Medium and Small
Wise Lord and Ferguson - Hobart	Large, Medium and Small

# Appendix 6

## Asset Management, Risk and Pricing Policy, and Government Procurement

### Major capital projects

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

During 2010-11 the Office spent \$49 000 on refurbishing our our leased premises at Level 2 Henty House 1 Civic Square Launceston.

### Asset management

The financial statements for 2010-11 are reported on an accrual basis, and contain full details of our asset management policies as notes to the statements.

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.

### Pricing policies

Audit fees for conducting financial audits are our main source of revenue. The Office receives appropriation funding for performance and compliance audits and

report to Parliament. In addition, we receive a budget appropriation for the Auditor-General's salary and associated allowances.

The Auditor-General determines audit fees annually with details provided in a report to Parliament.

Fees and appropriations are determined on the basis of meeting the full cost of operating the Office. Individual fees are determined by applying a number of criteria that include size, history, risk, complexity, systems in place including internal controls, organization and accounting changes and location. Time spent on audits is charged at determined hourly rates for each member of staff.

### Government Procurement

#### Support for local business

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

The following details are provided in accordance with Treasurer's Instruction 1111 for all contracts awarded (excluding consultancies) and tenders called during 2010-11 with values in excess of \$50 000.

Details	2010-11
Total number of contracts awarded	1
Total number of contracts awarded to Tasmanian businesses	0
Total value of contracts awarded (including possible extensions)	Up to \$100 000
Total value of contracts awarded to Tasmanian businesses (including possible extensions)	\$Nil
Number of tenders called	1
Number of bids received	1
Total number of bids received from Tasmanian businesses	0



#### Contractors over \$50 000

Name of contractor	Location of contractor	Description of contract	Period of contract	Value of contract
Moore Stephens	Melbourne	Internal Audit	3 Years+ 2 Years Extension	\$100 000

#### Consultancies over \$50 000

Name of consultant	Location of consultant	Description of consultancy	Period of consultancy	Value of consultancy
Nil				

#### Procurement complaints

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

# Appendix 7

## 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:

- Hesta Super Fund
- Hostplus
- Media Super
- MLC
- Tasplan
- TWUSuper



H M Blake

30 June 2011





# Appendix 8

## Service on other committees

During 2010-11, our staff were members of the following committees, professional associations, panels or working parties:

### Mike Blake

- Australasian Council of Auditors-General - Member
- Australian Auditing and Assurance Standards Board - ACAG Representative
- Institute of Public Administration - Tasmanian Division - Member
- Tasmanian Council of Professional Bodies - Chair
- National Board of the Institute of Chartered Accountants - Member

### Ric De Santi

- CPA Australia - Tasmanian Divisional Council - Councillor and past President
- ASIC Liaison Committee - Tasmania - CPA Australia Representative
- ACAG - Financial Reporting and Auditing Committee - Tasmanian Audit Office Representative
- ACAG - Practice Management Group - Tasmanian Audit Office Representative
- Tasmanian Council of Professional Bodies - Proxy for CPA Australia

### Geoff Driscoll

- ACAG - Performance Audit Group - Tasmanian Audit Office Representative

### David Strong

- CPA Australia - Tasmanian Divisional Council - Councillor and President
- Tasmanian Council of Professional Bodies - Delegate for CPA Australia
- ACAG - Contact Officer - Tasmanian Audit Office Representative
- ACAG - Practice Management Group - Tasmanian Audit Office Representative
- Public Sector Management Office - Agency Business Advisory Committee - Tasmanian Audit Office Representative

### Jeff Tongs

- National IPSAM User Group - Tasmanian Audit Office Representative
- ACAG - Financial Reporting and Auditing Committee - Tasmanian Audit Office Representative
- ACAG - Quality Assurance Committee - Tasmanian Audit Office Representative
- ACAG - IS Audit Group - Tasmanian Audit Office Representative

### Rachael Daniels

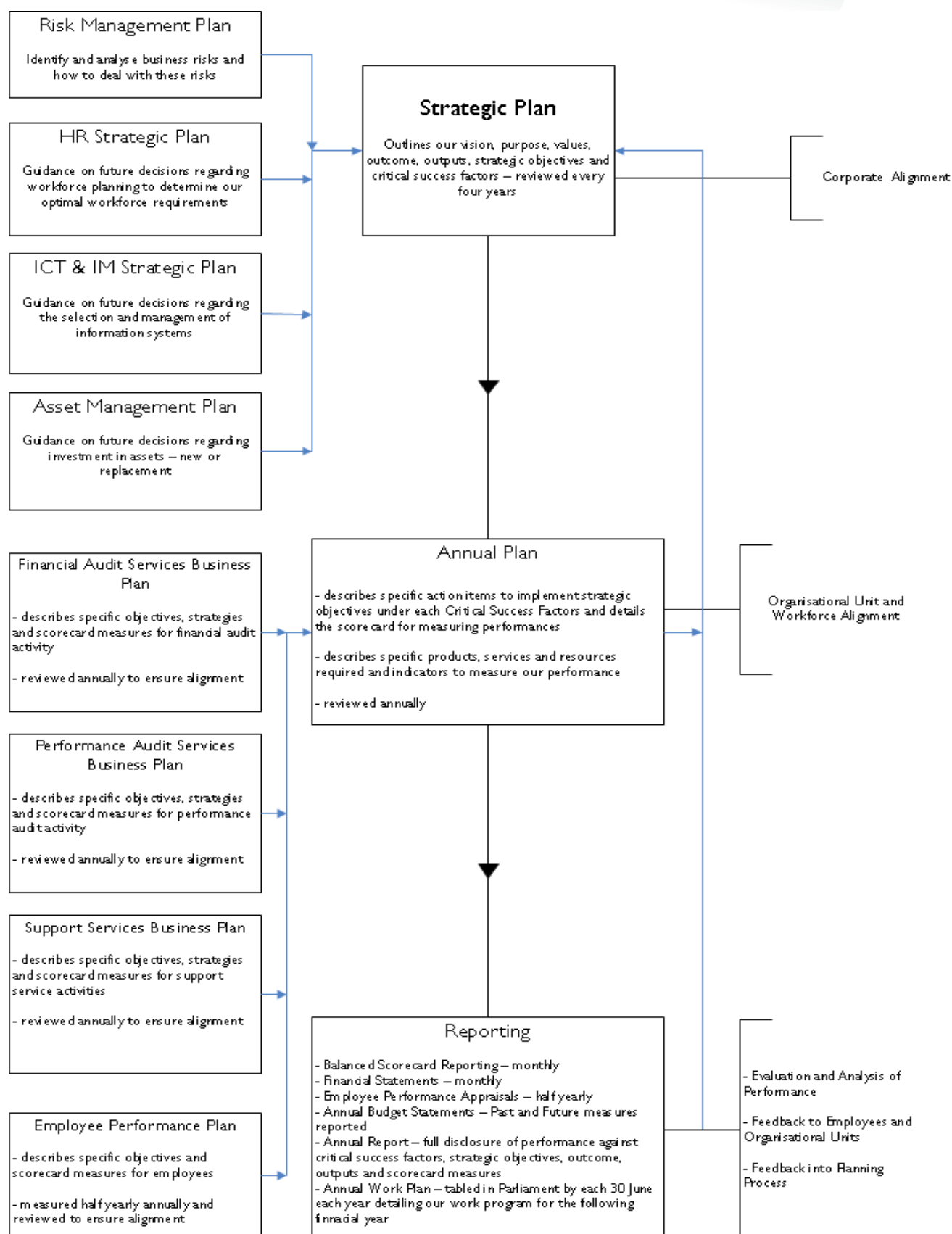
- ACAG - Practice Management Group - Tasmanian Audit Office Representative
- Department of Premier and Cabinet - Human Resources Management Group - Tasmanian Audit Office Representative

### Rohan Grant

- Department of Premier and Cabinet - IT Managers Group - Tasmanian Audit Office Representative
- Department of Premier and Cabinet - Information Security Reference Group - Tasmanian Audit Office Representative

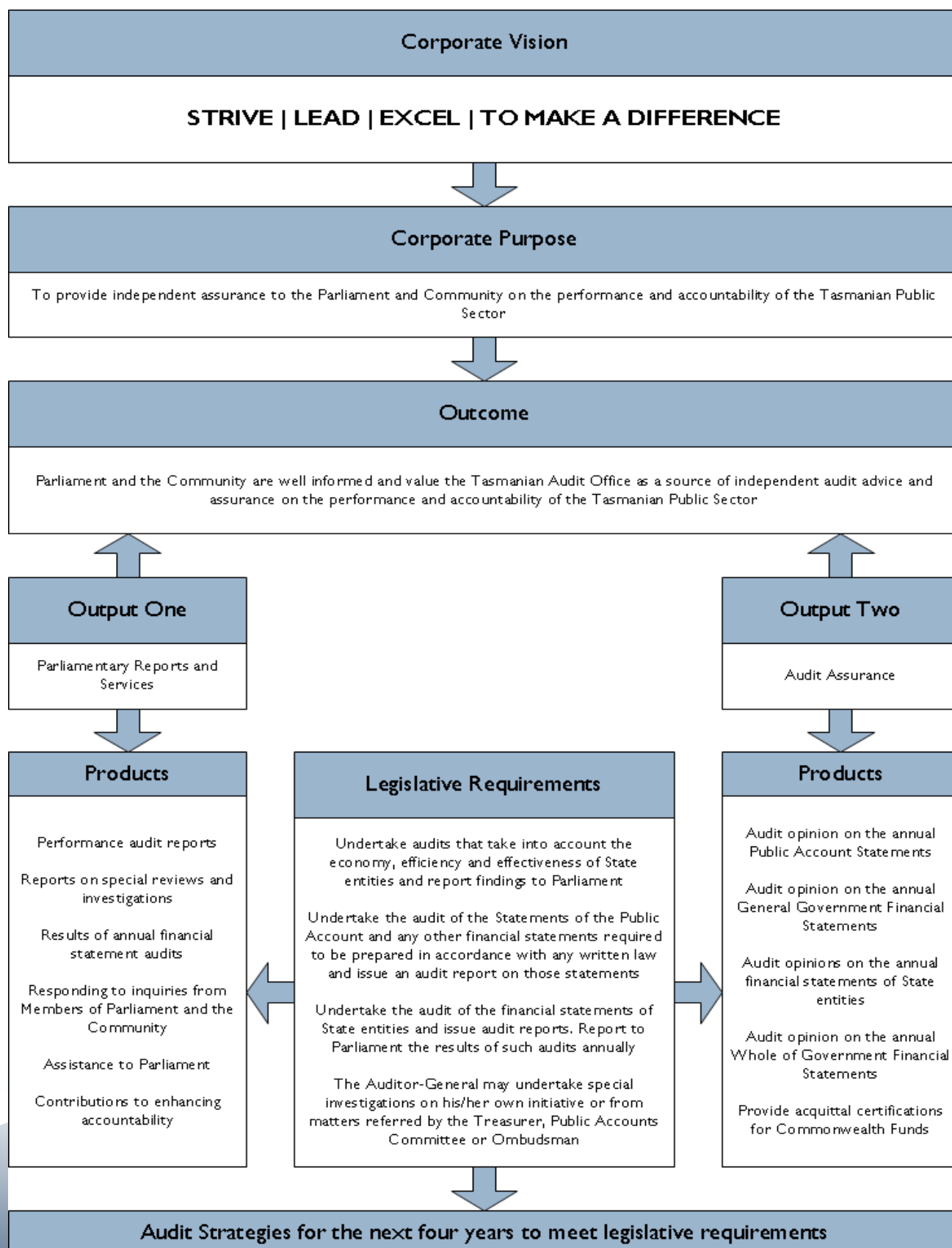
# Appendix 9

## Strategic Planning Framework



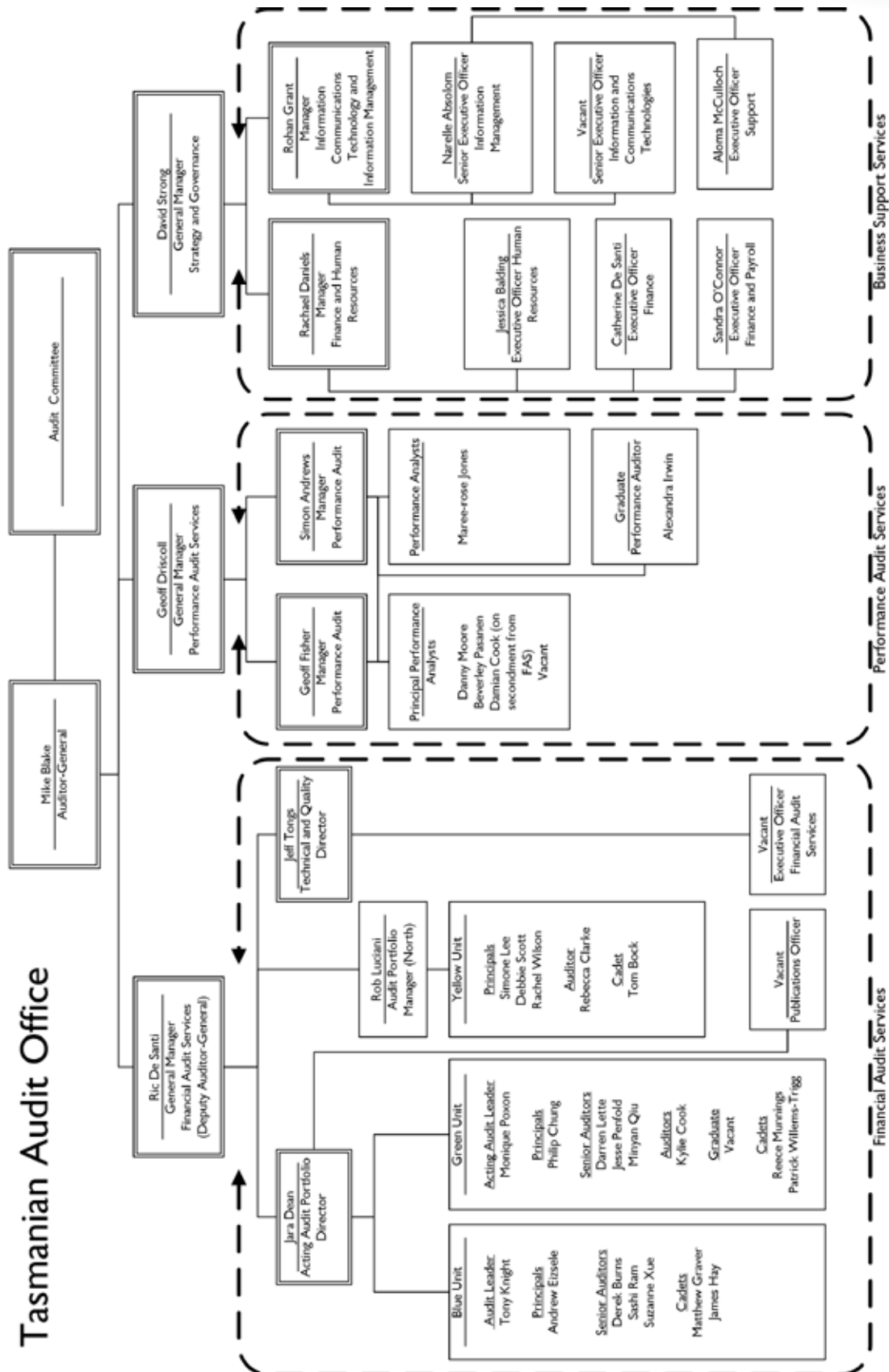
# Appendix 10

## Relationship between Strategic Objectives and Outcome and Outputs



# Appendix II

Our Organisational Chart as at 30 June 2011



**Organisational Chart**  
30 June 2011

# Appendix 12

## Abbreviations and Acronyms

Abbreviation	Full description	Abbreviation	Full description
ACAG	Australasian Council of Auditor-General	GCC	Global Corporate Challenge
ANAO	Australian National Audit Office	GST	Goods and services tax
AHRI	Australian Human Resources Institute	HR	Human Resources
AICD	Australian Institute of Company Directors	ICAA	Institute of Chartered Accountants. Australia
APES	Accounting Professional and Ethical Standards	ILOT	In lieu of overtime
ARAWARDS	Australasian Reporting Awards	IPSAM	Integrated Public Sector Audit Methodology
ASAE	Australian Standards on Assurance Engagements	ISACA	Information Systems Audit and Controls Association
ASX	Australian Stock Exchange	ICT	Information Communications and Technology
Audit Act	<i>Audit Act 2008</i>	KPI	Key performance indicator
AUASB	Australian Auditing and Accounting Standards Board	Kwh	Kilowatt Hours
BSC	Balanced scorecard	LSL	Long service leave
BSS	Business Support Services	NIA	National Institute of Accountants
CA	Chartered Accountant	NSW	New South Wales
CAHRI	Certified Australian Human Resources Institute	OH&S	Occupational Health and Safety
CEO	Chief Executive Officer	PAC	Public Accounts Committee
CO <sup>2</sup>	Carbon Dioxide	PAS	Performance Audit Services
CPA	Certified Practising Accountant	QAO	Queensland Audit Office
CSF	Critical Success Factor	RBF	Retirement Benefits Fund
COAG	Coalition of Australian Government	RTI	<i>Right to Information Act 2009</i>
DoE	Department of Education	S&T	States and Territories
EDP	Electronic Data Processing	Treasury	Department of Treasury and Finance
EMG	Executive Management Group	TI	Treasurer's Instructions
EOY	End of year	URHF	Urban Renewal and Heritage Fund
FAS	Financial Audit Services	VAGO	Victorian Auditor-General's Office
FCA	Fellow Chartered Accountants	WA	Western Australia
FCPA	Fellow Certified Practising Accountant		
FCS	Fellow Chartered Secretaries		
FMAA	<i>Financial Management and Audit Act 1990</i>		
FTE	Full-time equivalent		

# Appendix 13

## Compliance Index and Disclosure Requirements

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

with by the report in its entirety. Where denoted by N/a means this section is not applicable to the Office by virtue of our mandate.

The four columns in the index have the following meaning:

### Section and Compliance

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

### Details

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

### Page

This states where in the Annual Report the requirement is satisfied. In some instances, the requirement is complied

Key	Act
AA	<i>Audit Act 2008</i>
FMAA	<i>Financial Management and Audit Act 1990</i>
FOI	<i>Freedom of Information Act 1991</i>
PID	<i>Public Interest Disclosures Act 2002</i>
PSSRA	<i>Public Sector Superannuation Reform Act 1999</i>
SSA	<i>State Service Act 2000</i>
SSR	<i>State Service Regulations 2001</i>
TI	<i>Treasurer's Instructions</i>

Section	Compliance	Page	Details
General			
Table of contents		I	
Alphabetical index		I 33	
Glossary of abbreviations		I 29	
Overview			
Strategic plan	SSR s9(a)(i)	8	An overview of the Office's Strategic Plan, including its aims, functions and related programs.
Performance	SS s36(1)(a) FMAA s27(1)(a)	8-22	A report on the performance of the functions and exercise of powers of the Auditor-General, under any written law.
Major Initiatives	SSR s9(a)(v)	N/a	Details of major initiatives taken by the Office to develop and give effect to Government policy.
Major Changes during the Year	SSR s9(a)(iv)	21	Details of, and reasons for, any major changes which have taken place in relation to the programs, aims, functions or organisational structure of the Office.
Organisational Structure			
Office Organisational Chart	SSR s9(a)(ii)	I 28	An organisational chart illustrating the Office's administrative structure, including regional offices, and showing office of the Office.
Why We Are Structured This Way	SSR s9(a)(iii)	50	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)	8	A narrative summary, together with quantitative measures where relevant of the objectives and functions of programs or activities, including significant outcomes, key efficiency measures, targets, proposed plans and any ministerial objectives.
Performance Constraints	TI 201 (1)(b)	Annual Report	Economic or other factors that have affected the achievement of operational objectives.
Legislation Administered			



Legislation Administered	SSR s9(d)	6	A list of legislation administered by the Office during the year.
Legislation Enacted during the Year	SSR s9(d)	6	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)		Details of activities undertaken to develop community awareness of the Office and the services it provides.
Agency Publications	SSR s9(c)(i)	63	List of documents published by any internal or external body of the Office during the year.
Right to Information Requests	RTI	61	Right to Information details for the year.
Public Interest Disclosure Investigations	PID s86	62	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)	38	Details of recruitment policies and program including statistical information for the year.
Staff Development	SSR s9(b)(ii)	39	Information relating to employee training and development activities, including statistical information for the year.
Equal Employment Opportunities	SSR s9(b)(iii)	40	A description of the Office's workplace diversity programs, including statistical information for the year.
Industrial Democracy	SSR s9(b)(iv)	41	Details of the processes established to ensure employee participation in industrial relation matters within the Office.
Internal Grievance Procedures	SSR s9(b)(v)	41	Summary of internal grievance procedures.
Occupational Health and Safety	SSR s9(b)(vi)	40	Outline of Occupational Health and Safety strategies.
Appeals Process	SSR s9(c)(iii)	41	An outline of the processes available for appeals against decisions made by the Office.
Superannuation Contributions	PSSRA s13	124	Certification by the relevant Office manager relating to contributions to non RBF superannuation funds, including a report that the Office has met its obligations under the Superannuation Guarantee (Administration) Act 1992.
Asset Management and Risk Management Policies			
Pricing Policies	TI 201 (1)(c)	122	Pricing policies of goods and services provided, the last review date, and reference to documents that contain the pricing information, with details of cost recovery policies and their application, as appropriate.
Major Capital Projects	TI 201 (1)(d)	122	Information on major capital projects or undertakings.
Risk Management	TI 201 (1)(f)	60	Statement of risk management policies and an outline of significant risk management strategies and initiatives.
Asset Management	TI 201 (1)(g)	122	Statement of asset management policies and an outline of asset management strategies and initiatives.
Government Procurement			
Support for Local Business	TI 1111 3(a)	122	A narrative statement in the Introduction by the Auditor-General regarding the Office's support for local business.
Support for Local Business	TI 1111 3(b)(i)	122	Table summarising the Office's support for local business, including the number of procurement contracts awarded, the number of tenders called and the number of bids received, and the extent of local participation in procurement activities.

Contracts Awarded during the Year	TI 1110 3(b)(ii)(A)	123	Detailed information on all contracts awarded including a description of the contract, the total value of the contract and the name and locality of contractors.
Consultancies Awarded during the Year	TI 1110 3(b)(ii)(B)	123	Detailed information on all consultancies awarded including the name of the consultant, a description of the consultancies, the total value of the contract and locality of consultants.
Other Matters	TI 201 (I)(j)	Annual Report	Any matters deemed relevant by the Auditor-General.
Financial Statements			
Financial Statements	FMAA s27(1)(c) FMAA s27(2), (3) & (4) TI 201 (I)(j)	78	Financial Statements of the Office for the year; including financial statements of any statutory or public body not required to report under another Act.
Audit Opinion	FMAA s27(1)(c) TI 201 (I)(k)	76	Independent Auditor's Report on the Office's Financial Statements.





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