



Annual Report 2014-15

October 2015

THE TASMANIAN AUDIT OFFICE

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

Vision

Strive | Lead | Excel
To make a difference.

Purpose

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

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 Logo

- Strong emergence – the whole is greater than the sum of its parts
- Synergy – collaborating to achieve more together than we can as individuals.



Each element of the logo represents an element of auditing (standards, regulations and legislation; client information and evidence; analysis and reporting). Through analysis of these elements, we are able to envision the bigger picture – in our auditing work, how we report outcomes and as the way forward for the Office.

Our History

Since the appointment of the first Colonial Auditor in 1826, the role of the Auditor-General has been to provide impartial and independent scrutiny of government practices. This tradition is as relevant today as it was in 1826, and since then the role of the Auditor-General has been strengthened and clarified by successive legislation.

Hon Peter Gutwein MHA
Treasurer

Dear Treasurer

In accordance with the requirements of section 36 of the *State Service Act 2000* and section 27 of the *Financial Management and Audit Act 1990*, I am pleased to submit, for presentation to Parliament, the Annual Report for the Tasmanian Audit Office for the year ended 30 June 2015.

Yours sincerely



H M Blake
Auditor-General

29 October 2015

cc Public Accounts Committee



STRATEGIC EXECUTIVE MANAGEMENT GROUP

Deputy Auditor-General/Chief Operating Officer Ric De Santi, **Auditor-General** Mike Blake, **Director, Corporate Support Services (CSS)** Patty Johnson

TABLE OF CONTENTS

AUDITOR-GENERAL'S MESSAGE	4
CHIEF OPERATING OFFICER'S MESSAGE	7
HIGHLIGHTS FOR 2014-15	10
ACHIEVEMENTS AND REFLECTIONS ON 2014-15	11
GOALS FOR 2015-16	14
GOVERNANCE	15
REPORTS TO PARLIAMENT	31
OUR PEOPLE	37
OUR PERFORMANCE	57
OUR FINANCES	71
APPENDICES	113

AUDITOR-GENERAL'S MESSAGE



Every financial year brings fresh and exciting opportunities and challenges. 2014-15 was no exception. Of significance is how we respond. My report this year summarises how and why we responded the way we have.

Overall, I concluded we have had another successful year serving Parliamentarians and audit clients. This could not have been achieved without a dedicated team effort for which I thank all staff and our contractors.

What we planned and did

My Office's annual plan of work for 2014-15 included the following observations with actions taken included where relevant:

"The plan includes a number of new items including:

- My response to the independent review of my Office called for under section 44 of the *Audit Act 2008*. The review highlighted a number of continuous improvement initiatives. Steps are being planned or taken to address these. This includes recommendations that will require legislative change which will be pursued with the Public Accounts Committee (PAC), the Treasurer and Treasury. At the time of writing, we had completed 73% of the 64 recommendations made. As it relates to legislative change, a number of changes were taken up with government and, following reasonable consideration, either rejected, are being worked through or dealt with as part of changes to my Office's statement of understanding with the PAC.
- A separate section dealing with new initiatives introduced by us for the 2014-15 cycle. Achievements in relation to these initiatives are reported on page 10 of this annual report.
- A more comprehensive series of projects for the Financial Audit Services (FAS) business unit including details of on-going work we are doing aimed at improved reporting by agencies of key performance efficiency indicators. FAS completed five comprehensive reports this year with achievements in relation to these initiatives reported in this annual report.
- The Performance Audit program is again aspirational including a number of high level service delivery projects aimed at both efficiency and effectiveness across a number of agencies. Included for the second year are projects addressing the State's 'employer' function. Our Performance Audit Services (PAS) business unit completed and tabled six reports this year and one 'employer' audit was finalised by me.
- Public sector agencies and local government councils are increasingly operating in more complex environments and under difficult financial pressures. This plan is, to an extent, aimed at assurance projects that will highlight opportunities for improvements in the delivery of public services and, where possible, identify efficiencies. Evident from independent Parliamentary and client surveys this year was high levels of satisfaction by them with outputs from our work comprising reports to Parliament and management letters. In addition, we participated in a number of cross-sector forums and made presentations to chief financial officers,

members of audit committees and senior management all aimed at continuous improvement and better understanding.

- Additions to the plan this year include a discussion on risks and pressures facing the Office. This was deliberate in view of the significant change taking place in our public sector including local government and government businesses. Change is now a constant and it is incumbent on us to anticipate this, influence that change where possible, be nimble in responding and participate as relevant. Not surprising was the relative accuracy of this statement. Page 127 of this annual report includes a brief discussion of the risks and pressures highlighted and how we responded.”

“...the environment in which we work changes frequently. To date we have been on the front foot and adapted when needed.”

Strategic plans

This annual report represents the last full financial year of our 2012-15 strategic plan. This plan has served us well. Our four pillars of ‘sustainable, independent and reputable, adaptable and relevant’ along with the continuing need to address organisational capacity, provided an effective focus for management decision making and managing risk. On an exception basis, I deal with these pillars here with further detail provided on page 17:

Sustainable

We had two important and related initiatives for 2014-15:

- work is required to address our impact on our environment, and
- completion of a five-year financial plan.

Independent and reputable

In the 2013-14 annual report I noted that my, and our, appetite for risk regarding our independence and reputation was very low. During 2014-15 steps were taken to revisit all risks and to finalise our risk appetite. Outcomes are described on page 127.

Adaptable

In the 2013-14 annual report I noted that the environment in which we work changes frequently. To date we have been on the front foot and adapted when needed. However, change is constant and we must, and will, be prepared. 2014-15 was no different as we adapted by:

- responding to changing structural arrangements within our public sector
- moving to new premises
- adapting to declining budgets
- adjusting our plans of work to address risks in our clients.

Relevant

In the 2013-14 annual report I noted that relevance for us is about remaining contemporary, competitive and customer focused in meeting the needs of our staff, stakeholders, audit clients and being true to our mandate. Surveys of Parliamentarians this year indicate their satisfaction with the relevance of our work. This was not by chance. Much effort goes into designing the work we do and planning each financial and performance audit project.

Overall conclusion

At a staff information day on 30 June 2015 I provided my reflections on 2014-15 concluding with three messages:

- we had completed another successful year
- this was only possible due to a dedicated team effort for which I thanked all TAO staff and our contractors and
- recognising the nature of our work, it was time to start all over again!

Other thanks

My thanks also for the support and suggestions from the PAC and the many other Parliamentarians and stakeholders that we have the opportunity to interact with. Their willingness to engage with us and to challenge and question what we do adds value to subsequent projects and reports assisting in our never ending journey of always making a difference.



H M Blake
Auditor-General

CHIEF OPERATING OFFICER'S MESSAGE



My thanks to all of our staff for their efforts and contributions to the Office which has again delivered on its mandate by successfully undertaking its financial and performance audit programs as planned.

Financially the Office again produced an excellent outcome, a small surplus and strong cash position, with costs tightly contained allowing us to only pass on a very modest increase in financial audit fees.

One thing that defines the Office is that it never stands still. In 2014-15 we continued to move forward with further positive developments including:

- implementation of the latest upgrade to our financial audit methodology, Integrated Public Sector Audit Methodology (IPSAM), with version 4 better focusing the planning of audits
- streamlining of our internal committee arrangements with the new Strategic Executive Management Group (SEMG) replacing the former Executive Management and the Strategic Leadership Groups
- implementation of a new performance management system which has received wide acceptance by all staff and will provide the basis for us to better develop staff into the future
- seamless relocation to new premises in late June 2015 bringing a modern and fresh new work environment together with significant savings in rental costs
- high levels of satisfaction from members of Parliament and clients in our biennial surveys
- enhancements to our Service Level Agreement (SLA) with Department of Justice bringing further improvements in our corporate area
- improvements in operations of the financial audit unit to respond to suggestions made by staff in October 2014
- influx of a large number of new staff bringing new ideas and enthusiasm.

Despite all of the improvements we have achieved, the Office needs to keep looking for new ways to do things to ensure it is as efficient as possible. At the same time the quality of our work needs to continue to improve, particularly in the financial audit area.

“One thing that defines the Office is that it never stands still. In 2014-15 we continued to move forward with further positive developments ...”

Above all else, 2015-16 will be somewhat of a watershed year with a new Auditor-General expected to start in January 2016 and perhaps other changes in our senior ranks.

I would like to take this opportunity to pay tribute to our outgoing Auditor-General; Mike Blake who has brought a pragmatic stakeholder focused approach to the

Office. We will miss his knowledge and drive to make a difference but above all else we will celebrate his contribution to Tasmania. He will be a hard act to follow. On behalf of all staff I would like to wish him all the best in his future endeavours.

For such a small Office we should all be proud of how it continues to ‘punch above its weight’. Thank you to all that have helped through yet another eventful and fulfilling year.



Ric De Santi
Chief Operating Officer/Deputy Auditor-General



SENIOR MANAGEMENT

Assistant Auditor General – PAS Geoff Driscoll, Assistant Auditor General – FAS Jara Dean, Director CSS Patty Johnson, Auditor-General Mike Blake, Director, Technical and Quality Jeff Tongs, Deputy Auditor-General/COO Ric De Santi

HIGHLIGHTS FOR 2014-15

	Page
Governance and Risk	15
Four internal audits conducted during the year with no major findings.	
As at 30 June 2015, 58% of recommendations arising from the S.44 external audit review by Nexia Australia were completed.	
People	37
At 30 June 2015, we had 42.2 (40.0 in 2014) full-time equivalent employees (FTE).	
Due to the Excess Hours agreement, the average number of accrued in lieu of overtime (ILOT) days per employee at year end and the total ILOT days accrued at year end were Nil. (2014, Nil, Nil respectively).	
During the year 10 staff left the Office (Seven in 2013-14) with 15 joining (11 in 2013-14).	
Development and ongoing implementation of the Office's Workplace Health and Safety plans and system for full compliance of the <i>Workplace Health and Safety Act 2012</i> by 31 December 2016.	
Performance	53
Six performance audit reports tabled in Parliament.	
92% of financial audit opinions issued within 45 days of receipt of financial statements.	
Higher satisfaction by financial audit clients.	
The Auditor-General can contract private sector auditing firms to undertake audits on his behalf once they have met our qualification criteria. To date, there are 13 private sector auditing firms on our audit register and they are detailed in Appendix 6.	
The 30 June 2015 financial statements audited with a clear audit opinion issued within required timeframes.	
Unqualified review opinion issued on our key performance indicators (KPIs).	
Finances	67
Received \$2.169m in funding from the Government (\$2.233m in 2013-14).	
Generated \$5.356m in fees for audit services (\$5.329m in 2013-14).	
Incurred costs totalling \$7.724m (\$7.233m in 2013-14).	
Achieved a comprehensive result of \$0.059m (\$0.553m in 2013-14).	
Cash and deposits balance was \$2.078m (\$2.071m in 2013-14).	

ACHIEVEMENTS AND REFLECTIONS ON 2014-15

The Office addressed a number of initiatives in 2014-15. Progress on these is detailed in the table below.

Initiative	Outcome
The Office will respond to new and revised accounting and auditing standards and contribute to their development at exposure draft stages.	Completed.
We will continue to, with everything we do, take action to reduce the Office's impact on the environment and to be a good corporate citizen through participation in fundraising activities and community programs.	Completed. The Office has moved to more environmentally friendly accommodation with less floor space. The Office has continued to support one charity this year through casual clothes days and charity events. This year it is the Cancer Council.
The Office will relocate to new premises with a small footprint to minimise cost and reduce our impact on the environment.	Completed.
Continue to be financially sustainable which includes the Office operating under its own enterprise agreement or similar.	The Office is now in a financially sustainable position but continues to have discussions with key stakeholders in relation to operating under our own enterprise agreement or similar.
FAS will implement the latest version of the audit toolset, IPSAM 4. In addition, other audit improvement systems will be introduced such as computer aided auditing techniques (CAAT's), a lead schedule system and the ability for external audit providers to provide deliverables through a portal (CASPER) directly into IPSAM.	IPSAM 4 implemented, CAAT's and lead schedule systems trialled. CASPER deferred until 2015-16 due to other priorities and limited resources available.
The Office will respond to and action agreed recommendations that arose from the Nexia Australia review held in November 2013.	On track for completion in 2015-16.
PAS will fulfil the Plan of Work 2014-15 including at least seven reports to Parliament.	Six reports tabled in Parliament.
FAS will continue to meet, at least, biennially, with those charged with governance and to present audit strategies and completion, or equivalent, reports. As part of this process, we will explain our audit methodology.	Completed.
FAS will introduce completion reports for all higher risk audits.	Completed.
FAS and PAS will complete a follow-up audit and FAS will conduct at least one other cross-sector review or project.	Follow-up audit completed but no cross-sector review was completed.

Initiative	Outcome
CSS to finalise a 5 year budget.	Due to Whole of Government budgeting of four out-years, a four year budget was prepared and decisions are being made based on this forecast.
Office of the Auditor-General (OAG) will initiate meetings with Parliamentarians based on an annual plan which is to be developed.	Completed.
OAG will evaluate the audit methodology to ensure it remains current. This is to be conducted by the Director, Technical and Quality with support from Victorian Auditor-General's Office (VAGO) and Queensland Audit Office (QAO).	Deferred until 2015-16 due to other priorities.
OAG will finish the implementation of the quality assurance framework developed in 2012-13.	Commenced with completion scheduled for 2015-16.
Continue to review all the Office's policy and procedures to ensure changes to structures are accurately reflected and that all staff understands and are aware of them.	<p>Completed:</p> <ul style="list-style-type: none"> • Performance Management System • WHS Plan for 2014-15 • Alcohol and Drug Policy and Procedure • Motor Vehicle Policy and Procedure • Disability Action Plan <p>Roll over to 2015-16:</p> <ul style="list-style-type: none"> • Health and Wellbeing Program • Grievance and Diversity Policy and Procedure • Recruitment and Selection Policy and Procedure.
CSS to develop and complete a Communications Strategy.	Strategy completed – roll out to staff in 2015-16.
Our internal auditors will review our Business Continuity Plan and ensure it is suitable for the size and nature of our Office.	Review completed, recommendations for improvement to be finalised in 2015-16.
Finalise and implement the Information Security Plan as per Whole of Government timelines.	On track for completion by required timeframes in 2016-17.
Review, update and re-implement the Office's electronic records system TRIM.	Completed.

Initiative	Outcome
FAS will improve its processes to ensure it reaches the 100% target of issuing financial audit opinions within 45 days of accepting signed financial statements from clients.	Not met due to impact of staff losses and implementation of IPSAM 4.
PAS will meet the average time of nine months to complete each performance audit.	Not met. Impacted by the complex nature of audits undertaken.
The Office will develop an audit quality manual in line with recommendations arising from the Nexia Australia Report.	Commenced and will be completed in 2015-16.
In our financial audit reports to Parliament we will further develop efficiency KPI's for departments and commence identifying a series of similar measures for local government.	Update only provided as departments had made limited progress. Range of operational efficiency measures published for local government.
Continue to provide information sessions annually for clients and audit committees.	Completed.
The Auditor-General will issue 'two' performance audit reports, one on recruitment practices and the other on absenteeism.	The recruitment practices report was presented to Parliament in 2014-15 but due to budget reductions only one report will be tabled per year. Absenteeism report tabled in July 2015.
The Office will commence capturing lost time to aid in the calculation of a Lost Time Index. The target measure will be zero.	The Office had no lost time during the 2014-15.

GOALS FOR 2015-16

Our initiatives for 2015-16 include the following:

- The Office will respond to new and revised accounting and auditing standards and contribute to their development at exposure draft stages.
- Continue to have discussions with key stakeholders in relation to the Office operating under its own enterprise agreement or similar.
- FAS will implement CASPER, CAATs and electronic Lead Schedules.
- The Office will finalise all actions and responses to agreed recommendations that arose from the Nexia Australia review held in November 2013.
- PAS will fulfil the Plan of Work 2015-16 including at least seven reports to Parliament.
- FAS will continue to meet, at least, biennially, with those charged with governance and to present audit strategies and completion, or equivalent, reports. As part of this process, we will explain our audit methodology.
- FAS will introduce completion reports for all higher risk audits and trial the new longer form audit report for selected clients.
- FAS will conduct at least one other cross-sector review or project.
- FAS will make further enhancements to its Parliamentary reports on the outcomes of financial audits.
- OAG will initiate meetings with Parliamentarians based on an annual plan which is to be developed.



Financial Auditor Reece Munnings, **Principal Financial Auditor** Jesse Penfold, and **Assistant Auditor-General FAS** Jara Dean

- OAG will evaluate the financial audit methodology to ensure it remains current. This is to be conducted by the Director, Technical and Quality with support from VAGO and QAO.
- An independent review of the Office's quality processes will be undertaken in March 2016 by staff from other audit offices through the Australasian Council of Auditors-General (ACAG) Quality Committee.
- Continue to review all the Office's policy and procedures to ensure changes to structures are accurately reflected and that all staff understand and are aware of them. This will include:
 - Gifts and Benefits Policy and Procedure
 - Health and Wellbeing Program
 - Grievance and Diversity Policy and Procedure
 - Recruitment and Selection Policy and Procedure.
- Roll out Communications Strategy to staff.
- Update the Office's BCP in line with Internal Audit recommendations.
- FAS will improve its processes to ensure it reaches the 100% target of issuing financial audit opinions within 45 days of accepting signed financial statements from clients.
- PAS will meet the average time of nine months to complete each performance audit.
- Continue to provide information sessions annually for clients and audit committees.
- The Auditor-General will issue one performance audit report in relation to an aspect of the State's Employer responsibilities.
- Completion of the Workplace Health and Safety plan for 2015-16.
- During 2015-16 the Office will review and update its existing Injury Management Plan and seek approval from Work Safe Tasmania.
- Continue to facilitate twinning arrangements with Fiji, aimed at providing co-operation and support between our offices. During the year the Office will conduct a review of their operations to provide suggestions for improvements.



Mike Blake, Minyan Qiu, Damian Cook, Jeff Tongs and Jara Dean –
CPA Recognition.

GOVERNANCE

The Office	16
Organisational structure	18
How we are funded	18
Our outcome and outputs	18
Legislative and regulatory framework	19
Corporate governance framework	20
Independent scrutiny - external and internal	23
Quality assurance reviews	25
Strategic plan 2012-15	26
Compliance and communication	26



FAS: Jara Dean, James Palfrey, Tony Bellamy, Jesse Penfold, Darren Lette, Tony Knight, Sarah Wang, Reece Munnings, Jordan Quinn, Ric De Santi, Bruce Williams

THE OFFICE

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

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 approximately 170 financial statement audits of the diverse range of State entities referred to in Appendix 5 and report to Parliament on significant issues arising. We also undertake up to seven performance audits each year and report the outcomes to Parliament. In addition, in 2012-13 the Auditor-General commenced undertaking State Service employer reviews and investigations with the first report tabled in Parliament in August 2014. Our reports are public documents when tabled in Parliament and are accessible on our website: www.audit.tas.gov.au.

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. In addition, our website includes a presentation video on the Auditor-General discussing the role of the Office.

Vision

Strive | Lead | Excel – To make a difference.

Purpose

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

Strategic Objectives

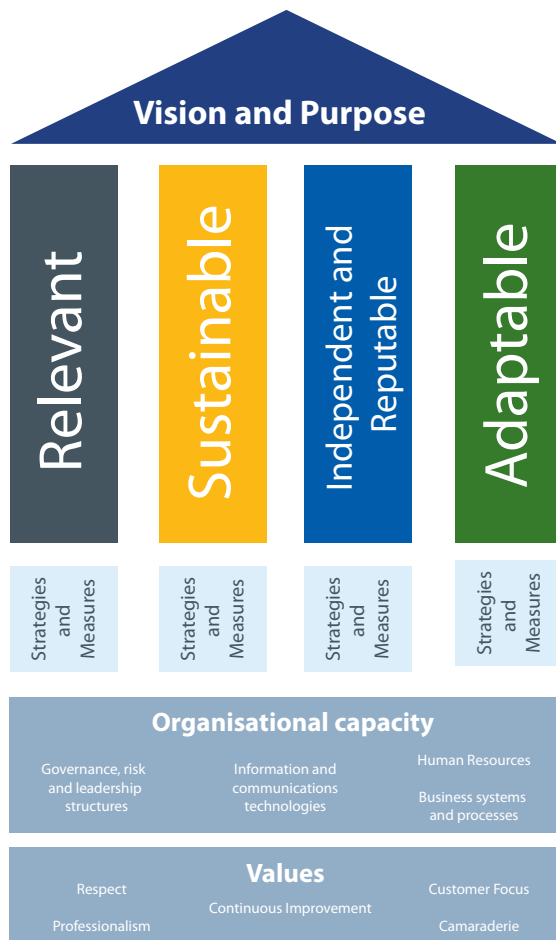
With our purpose, outcome and outputs in mind, we apply the following strategic objectives:

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

Supplementary Strategic Plan

During 2013-14, the Office undertook a significant review of its 2012-15 Strategic Plan. This resulted in the development of a Supplementary Strategic Plan.

From 1 July 2014, the Office implemented a new strategic framework which included four 'Pillars' as detailed in the Auditor-General's message on page 4. The framework is as follows:



The Pillars represent:

Relevant

We remain contemporary, competitive and customer focused to meet the needs of our staff, stakeholders, clients and mandate.

Sustainable

We adopt practices that will enable us to continue to do what we do without adverse effect on our finances, people, the environment or society.

Independent and Reputable

We preserve our independence and reputation to ensure that we maintain the confidence of our stakeholders and clients.

Adaptable

We are nimble and responsive in the face of an ever-changing environment and take advantage of opportunities as they arise.

Organisational capacity

Relevant organisational capacity underpins our strategic plan without which achievement of our goals would be impossible. Existing organisational capacity is based on our governance and leadership structures, systems and processes in particular our:

- legislative mandate
- financial and human resources
- business systems and processes
- information and communications technology
- management of risk.

These factors are constantly under review with strategies and actions taken to improve capacity when necessary.

Our Values

Our values represent how we work with each other and the way we serve our clients and engage with our stakeholders. Following are our values as identified by our staff:

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.

ORGANISATIONAL STRUCTURE

Due to increasing costs and funding pressures, during the 2012-13 financial year the Office undertook discussions with two State government agencies for them to provide a number of back office functions for a fee under a SLA. After assessing each proposal, the Office selected the Department of Justice (Justice) and in June 2013 entered into a SLA for services in relation to some functions of information technology, finance, human resources and information management. The SLA was effective from 1 July 2013 and is reflected in the Office's operations for the full 2014-15 financial year.

A detailed organisation chart as at 30 June 2015 is included at Appendix 1 of this Report.

HOW WE ARE FUNDED

The Office charges fees for financial audit services. Since 1 July 2008 the Office has been funded by a direct Parliamentary Appropriation for undertaking performance and compliance audits, special investigations, and the preparation and publishing of statutory reports to Parliament. The Office is also funded through a Parliamentary Appropriation (Reserved By Law) for the Auditor-General's salary and on costs.

From 2013 the Auditor-General has been provided the powers to audit State Service employer functions the cost of which is reimbursed, on a cost recovery basis, from the Department of Premier and Cabinet (DPAC). The cost of these functions initially was up to a limit of \$0.185m per annum but was reduced to \$0.105m from 1 July 2014.

OUR OUTCOME AND OUTPUTS

Budgetary Framework

Our budget was included in Chapter 19 of Budget Paper No 2, Volume 2 in the 2014-15 Budget Papers. Outcomes of our financial performance against budget are comprehensively dealt with in the audited financial statements in the Our Finances section of this Report.

Outcome and Outputs

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

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

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

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

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

Performance Against our Outputs

Our performance targets, set out in Chapter 19 of Budget Paper No 2, Volume 2, are detailed in our Performance Report on page 57.

Our goals are included and reported on pages 13-14 of this annual report.

LEGISLATIVE AND REGULATORY FRAMEWORK

Legislation

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

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

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

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

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

Independence

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

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

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

Mandate

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

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

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

- conduct an annual review or audit of the State Service Employer Report prepared by the Secretary, DPAC which occurred during 2013-14. This was a one-off review.

- Investigations referred by the Employer under the *State Service Act 2000* which the Auditor-General agrees to conduct and/or
- own-motion investigations, audits or reviews initiated by the Auditor-General.

CORPORATE GOVERNANCE FRAMEWORK

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

- Audit Committee
- Strategic Executive Management Group (SEMG)
- Strategic Leadership Group (SLG) (replaced by SEMG 1 January 2015)
- Executive Management Group (EMG) (replaced by SEMG 1 January 2015)
- Remuneration Committee
- Procurement Review Committee (PRC).

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

Office Committees

Audit Committee

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

The Committee comprises two independent members, Sue Baker and Tony Pedder (both until December 2014), replaced by Tracy Matthews and Norm McIfatrick, and one internal appointment being Geoff Driscoll, Assistant Auditor-General, PAS until December 2014, replaced by Rob Luciani, Manager FAS. Tracy Matthews is Chair of the Committee. Matters considered by the Committee in 2014-15 included:

- Annual Plan of Work for 2015-16
- assessment of the internal and external auditors' performance
- strategic internal audit plan
- external audit plan
- review of management letters prepared by the external auditor and of actions taken by management on matters raised
- internal audits conducted, reports issued and actions taken by management
- monitor and review the effectiveness of the systems of internal control including information systems
- risk management plan
- advice to the Auditor-General
- review of the Office's financial statements
- high risk transactions and projects undertaken during the year.

SLG - ceased March 2015

The SLG's primary purpose was to develop processes and monitoring arrangements and to implement actions to achieve the TAO's strategic objectives. The focus of this Committee was the Office's strategic plan and associated risk management. These objectives have since been transferred to the SEMG.

EMG - ceased January 2015

- This Committee's primary purpose was establishing processes and monitoring arrangements to implement actions to achieve TAO's agreed corporate objectives, compliance with agreed values and external requirements as well as management of the Office's risks. These objectives have since been transferred to the SEMG.

SEMG

The SEMGs functions comprise:

- review and monitor the office's risk management framework
- report to the Auditor-General on progress against the Office's strategic plan including developing, refining and implementing associated action plans
- provide an advisory forum for the Auditor-General to raise operational or strategic matters she/he consider relevant
- promote greater integration and collaboration between business units and support services to facilitate consistency and ensure achievement of the Office's strategic objectives
- openly discuss all matters that may affect the strategic direction and expectations of the Office, its people and reputation and make decisions in the best interest of the Office and its people
- endorse and promote the Office's values in all aspects that affect the strategic direction of the Office
- monitor and respond to the effects on the Office's strategic direction of changes in government policy and statutory requirements or the Office's risk profile
- discuss strategic application of financial, physical, information and human resources across the Office
- set and mandate operational directions which are consistent with the Office's strategic goals, risks and values
- review and approve implementation of the Office's improvements register
- monitor and approve WHS strategies and implementation
- oversight of information, records and technology resources
- provide a forum to which employees feel that they can direct issues for consideration, review, discussion and be notified of outcomes through the appropriate member of the SEMG
- monitor major projects or acquisitions to ensure they meet needs of users, are affordable, comply with legislative requirements and align with and support TAO's strategic directions, priorities and values
- monitor the Office's performance against annual plans
- oversee compliance with policies and other legislative requirements and review and endorse operational policies and procedures.
- ensure agreed actions arising from internal and external reviews are implemented
- provide a forum for communication of directions and queries from the Auditor-General
- promotion of health, safety and wellbeing of staff while meeting our legal obligations.

Operational Committees

In addition to the two groups referred to previously, our governance arrangements included the operation of the following sub-committees during 2014-15:

PRC

This Committee is chaired by the Assistant Auditor-General, PAS and includes the Director, Technical and Quality, Assistant Auditor-General, FAS and the Director, CSS. The purpose of this Committee is to review tender evaluations for the purchase (and lease) of goods and services valued in excess of \$50 000, including selective tenders. The Committee ensures that a fair and equitable process has been followed and that the Purchasing Principles including all relevant Treasurer's Instructions (TIs), as outlined in the Office's Procurement Policy, are complied with.

Remuneration Committee

This Committee is a sub-set of the SEMG and is chaired by the COO. It also comprises other Business Unit Managers. The purpose of this Committee is to ensure consistent application of Office's performance management policies and that decisions relating to salary progressions, including advanced assessments, are supported by appropriate evidence.

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



Audit Committee: Rob Luciani, Tracy Matthews, and Norm McIlpatrick

INDEPENDENT SCRUTINY - EXTERNAL AND INTERNAL

We participate in internal and external reviews and independent benchmarking to gauge our performance and seek to improve where we can. The key elements of this independent scrutiny include:

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

Internal Audit

Our internal auditors, ShineWing Australia, carried out the following audits in 2014-15 in accordance with our three year strategic internal audit plan:

Business Continuity & Disaster Recovery Plan Review:

The objective of this review was to assess the adequacy and appropriateness of TAO's Business Continuity and IT Disaster Recovery planning systems, processes, and procedures following the completion of the Business Support Services Restructure Project up to 30 October 2014.

Procurement Compliance Review:

This review examined procurements that the Office had undertaken against compliance with the TIs .

Service Level Agreement (SLA) Review (Post Implementation):

The objectives of this review included an assessment of whether:

- the BSS Restructure Project Plan objectives have been met
- duplication of effort in activities undertaken by TAO and Justice exist and
- service specifications and performance measures have been adequately delivered.

Staff Performance Management and Professional Development Review:

The objective of the review is to assess the adequacy and effectiveness of the TAO's Staff Performance Management and Professional Development processes.

Summary of Findings and Recommendations from 2014-15 internal audits are provided below.

Audit	Rating ¹			
	High	Moderate	Low	Management awareness point
Business Continuity & Disaster Recovery Plan Review	2	-	-	-
Procurement Compliance Review	-	-	-	-
Service Level Agreement (SLA) Review (Post Implementation)	-	-	2	-
Staff Performance Management and Professional Development Review	-	2	-	1
Total	2	2	2	1

¹ Rating:

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

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

QUALITY ASSURANCE REVIEWS

Independent Peer Reviews

ACAG has developed an approach to help individual Audit Offices demonstrate to internal and external stakeholders that they meet relevant legal and professional standards. The last peer review was conducted during 2011-12. No independent review was conducted during 2014-15 however one is scheduled for March 2016.

External Review

The Nexia Australia report contained a number of recommendations aimed at improving the Office's operations. The Office has commenced addressing the recommendations with a view to this work being completed in 2015-16.

The status as at 30 June 2015 are as follows:

Nexia Australia Report recommendations overall status (as at June 2015)	
Total	64
Completed	37
Percentage completed	58%
Commenced	10
Percentage commenced	16%
Percentage yet to be commenced	26%

As at October 2015, 73% of the Nexia Australia Report recommendations were completed.

External Audit

Under the Audit Act, the Governor appoints an independent registered company auditor to audit our financial statements. Hayes Knight (Audit) Pty Ltd were awarded the audit by the Governor for the financial years 30 June 2014, 2015 and 2016 with an option to extend for another two.

In August 2015 the auditors completed their examination of our 2014-15 financial statements. Their unqualified audit report is attached to the financial statements contained in this annual report. The external auditors also reviewed our key performance indicators with their report included in the Our Performance section of this Report.

Benchmarking Against Other Audit Offices

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

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

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

Parliamentary and Client Surveys

On a biennial basis we conduct independent surveys of Parliamentarians and audit clients relating to our financial and performance audit functions, the outcomes from which are reported in this annual report. This survey presents benchmarking comparisons of the survey results across six Audit Offices participating in this benchmarking process.

STRATEGIC PLAN 2012-15

This four-year plan was developed in the context of significant current, and likely future, change faced by the Tasmanian Public Sector. The general government sector faces budgetary pressures with flow-on implications for us both in terms of our own funding and as actions are taken by clients to manage budgets.

During the 2013-14 year the Office conducted a review of the Strategic Plan 2012-15 and formulated a Supplementary Strategic Plan. This incorporates the use of 'pillars' with explanations detailed on pages 5 and 17 of this Report. A new strategic plan will be developed during 2015-16.

COMPLIANCE AND COMMUNICATION

We communicate with openness, accountability and transparency.

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 2014-15.

Integrity

We are committed to ensuring the Office and its staff operate with the utmost of integrity. As part of this, the Office adheres to the *Integrity Commission Act 2009*. In particular, the Office implemented the Integrity Commission's training modules 'Speak Up' and 'Social Media at Work'. These modules were delivered in 2014-15 for all Office staff. This will also help to ensure that the Office complies with Section 32 of the *Integrity Commission Act 2009*.

Right to Information

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

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

The Auditor-General is also required to comply with section 46 of the Audit Act the practical effect of which is to forbid him and any person employed in his Office or contracted by him from disclosing any confidential matter that comes to his or their knowledge in the course of employment or duties under either the Audit Act or another Act.

Because of this, the provision displaces any other duty or obligation to disclose information which might otherwise arise and only permits the disclosure of such information if that disclosure is required in connection with the administration of the Audit Act or in connection with the administration of that other Act.

In 2014-15, there was one RTI request.

Protecting Privacy

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

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

There were requests in 2014-15 from a person seeking access to, or update of, personal information held by us pertaining to them. This information was provided.

Public Interest Disclosures

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

We are committed to the aims and objectives of the Act recognising the value of transparency and accountability in our administrative and management practices. Also, we support making disclosures that reveal corrupt conduct 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 2014-15 we received no public interest disclosure requests.

Speeches, Presentations, Representation on Other Committees and Publications

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

Some of our external speeches and presentations are listed below.

Date	Event	Presenter
2 July 2014	CPA Public Sector Discussion Group <i>Chair Launceston discussion group – Best Practice in Integrity and Ethics Across the Public Sector</i>	Ric De Santi
3 July 2014	CPA Public Sector Discussion Group <i>Chair Burnie discussion group – Succession Ready</i>	Ric De Santi
28 July 2014	CPA Public Sector Discussion Group <i>Chair Hobart discussion group – A Positive Approach to Employee Selection</i>	Ric De Santi
27 August 2014	CPA Australia – Kate Stanton Memorial Lecture <i>Hobart panel member – The Next Generation of Accountants</i>	Ric De Santi
28 August 2014	CPA Australia – Kate Stanton Memorial Lecture <i>Launceston panel member – The Next Generation of Accountants</i>	Ric De Santi
14 October 2014	CPA Australia Congress – <i>Chair two concurrent sessions</i>	Ric De Santi
14 October 2014	CPA Australia Congress – <i>Performance Audit in the Public Sector – Lessons Learned</i>	Mike Blake
14 October 2014	CPA Australia Congress <i>Opening Address</i>	Rob Luciani
5 November 2014	Australian Institute of Project Managers <i>Project Management – An Auditor's Perspective</i>	Mike Blake
21 November 2014	CPA Public Sector Leaders Lunch <i>Chair session – Opportunities and Challenges in Entity Formation and Transition</i>	Ric De Santi
26 November 2014	CPA Public Sector Discussion Group <i>Chair Hobart discussion group – Save Energy Save Money</i>	Ric De Santi
18 February 2015	LGMA Finance Conference – Hot Topics <i>Areas of Interest: an Audit Office Perspective</i>	Ric De Santi
26 February 2015	Huon Valley Council <i>The Role of the Auditor-General</i>	Mike Blake
12 March 2015	Council General Managers <i>Auditor General's Report Volume 4 – Councils</i>	Mike Blake
23 March 2015	CPA Public Sector Discussion Group <i>Launceston discussion group – Tasmanian Audit Office Update</i>	Ric De Santi/ Rob Luciani
24 March 2015	CPA Public Sector Discussion Group <i>Chair Hobart discussion group – Tasmanian Audit Office</i>	Ric De Santi
24 March 2015	CPA Public Sector Discussion Group <i>Hobart discussion group – Tasmanian Audit Office Update</i>	Mike Blake/ Jara Dean

Date	Event	Presenter
31 March 2015	Council Deputy General Managers <i>Auditor General's Report Volume 4 – Councils</i>	Mike Blake
9 April 2015	Public Sector Internal Audit Conference 2015 – <i>Singapore - Performance Audit in the Public Sector</i>	Mike Blake
16 April 2015	UTAS <i>Presentation of TAO auditing award to winner</i>	Rob Luciani
13 May 2015	UTAS <i>Presentation to Auditing Students - Launceston</i>	Ric De Santi
13 May 2015	UTAS <i>Presentation to Auditing Students - Hobart</i>	Jara Dean
13 May 2015	Client Information Session – Hobart <i>Developments in Financial Reporting</i>	Jeff Tongs
13 May 2015	Client Information Session – Hobart <i>Cyber Security and Other Recent Performance Audits</i>	Mike Blake
13 May 2015	Client Information Session – Hobart <i>Audit Findings 2014 and Areas of Interest 2015</i>	Jara Dean
13 May 2015	Client Information Session – Hobart <i>Session Chair</i>	Ric De Santi
14 May 2015	Client Information Session – Launceston <i>Developments in Financial Reporting</i>	Jeff Tongs
14 May 2015	Client Information Session – Launceston <i>Cyber Security and Other Recent Performance Audits</i>	Mike Blake
14 May 2015	Client Information Session – Launceston <i>Audit Findings 2014 and Areas of Interest 2015</i>	Jara Dean
14 May 2015	Client Information Session – Launceston <i>Session Chair</i>	Ric De Santi
18 June 2015	Tasmanian Health Service Governing Council <i>The Importance of Governance – Audit and Risk</i>	Mike Blake/ Ric De Santi
25 June 2015	Information Session for members of Audit Committees <i>Audit Findings 2014 and Areas of Interest 2015</i>	Jara Dean
25 June 2015	Information Session for members of Audit Committees <i>Developments in Governance</i>	Mike Blake

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

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

Annual Plan of Work

The Audit Act requires the preparation of an Annual Plan of Work for tabling with PAC, 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. Our Annual Plan of Work for 2015-16 was submitted to PAC, President and Speaker on 26 June 2015.

Parliamentary Presentations, PAC Meetings and Information Sessions

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

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

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

Overseeing the annual audit process is a key responsibility of an audit committee. A regular dialogue between the chairperson of the audit committee and senior audit team members allows for fostering of ongoing, timely and open communication between the audit committee and the external auditor while respecting the responsibilities of each party. To help facilitate this, information sessions for members of client audit committees were held for the fourth year.

The information session was held in June 2015 and included guest speakers from Hydro Tasmania and Deepa Economics. The topics addressed were performance metrics, a Chairman's expectation of an audit committee and measuring productivity. The Office provided information on common audit findings and developments in governance.

The Office also delivered annual client information sessions in Hobart and Launceston in May 2015. These included technical updates and developments, topics on cyber-security, risk management and audit findings and areas of interest. We were grateful for the support of a number of accounting firms that kindly provided speakers. Attendees found these sessions informative and worthwhile so the Office will continue to deliver them.



Jesse Penfold and Andrew Clark, **Tasmanian Audit Office**

REPORTS TO PARLIAMENT

Output - parliamentary reports and services	33
Output - audit assurance	34





Flags over Parliament House

OUTPUT - PARLIAMENTARY REPORTS AND SERVICES

Parliamentarians were invited to presentations on the day of tabling. If Parliament was not sitting when issued, presentations were offered on non-sitting days in both Hobart and Launceston. Informal feedback on the usefulness of these volumes was positive.

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

Reports to Parliament on the Outcomes of Financial Audits

In 2014-15 FAS tabled the following reports:

November 2014:

- Volume 3 – Government Businesses 2013-14
- Volume 2 – General Government and Other State entities 2013-14

December 2014:

- Volume 1 – Analysis of the Treasurer's Annual Financial Report 2013-14

February 2015:

- Volume 4 – Local Government Authorities, Joint Authorities and Tasmanian Water and Sewerage Corporation Pty Ltd 2013-14

June 2015:

- Volume 5 – State entities 30 June and 31 December 2014, findings relating to 2013-14 audits and other matters

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

Reports to Parliament on the Outcomes of Performance and Compliance Audits and Special Investigations

During 2014-15, six performance audit reports and one state service employee review report were completed and tabled in Parliament:

- Recruitment practices in the State Service (Employer Related Review)
- Follow up of selected Auditor-General reports: October 2009 to September 2011
- Motor vehicle fleet management in government departments
- Security of information and communications technology (ICT) infrastructure
- Tasmanian Museum and Art Gallery: compliance with the National Standards for Australian Museums and Galleries
- Road management in local government
- Number of public primary schools.

Services Provided to Parliamentarians and State Entities

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

- advice and assistance to Parliament, including submissions to Parliamentary committees on matters relevant to their inquiries
- responding to inquiries from Members of Parliament, State entities and the public, which sometimes lead to the conduct of audits
- comment to central agencies and other State entities in such areas as draft TIs, 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
- regular meetings with PAC.

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. FAS is responsible for the annual audit of the financial statements of approximately 170 State entities (a complete listing is provided in Appendix 5). FAS is also responsible for the audit of the General Government Sector Financial Statements, the Public Account Statements and the Total State Financial Statements as well as the audit of in excess of 80 acquittal statements. FAS' role includes conducting financial audits, managing financial audits contracted to the private sector and managing financial audits dispensed with.

Whilst not a legislative requirement, when conducting audits of financial statements, regard is had to whether there has been any lack of probity or prudence in the management or application of public resources.

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 Treasury's model financial statements will satisfy this requirement.

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

When conducting its audits, FAS uses the IPSAM toolset which complies with Australian Auditing Standards (AAS) issued by the Australian Auditing and Assurance Standards Board (AuASB).

Close links have been developed with other audit offices, in relation to IPSAM, mainly VAGO and QAO. FAS participates in IPSAM user group meetings to help ensure the methodology remains current and provides the most efficient and effective means for completing audits.

Management of Financial Audits

While the Auditor-General is responsible for auditing all State entities, under the Audit Act there is discretionary power as to who will conduct the audits. Under section 33, the Auditor-General discharges his responsibility by appointing officers within the Office, or some other suitably qualified persons to carry out the whole or a part of an audit or investigation. We have established a panel of external audit service providers that is updated from time to time and it is from this panel that other suitably qualified persons are selected to conduct contracted audits. In the 2014-15 financial year, we outsourced 9 financial audits to the private sector. Details of the outsourced audits and of external audit service providers are included on our website and in Appendix 6.

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

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

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

Performance Audit Services

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

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

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

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

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

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

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

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

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

Audits are carried out using our own methodology which is consistent with requirements of auditing standards and methodologies used by other audit offices. We utilise the IPSAM toolset to document work completed. Our target is at least seven audits per year.

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

OUR PEOPLE

Human resources plan	38
Staff ethics	38
Complaints about employees	38
Employee profile	39
Leave management	40
Recruitment and selection	41
Graduate, cadetship and internship programs	42
Professional development	43
Study assistance	44
Performance management	44
Workplace health, safety and welfare	45
Workplace diversity	46
Industrial and workplace relations	46
Internal grievance procedure	47
Independent employee satisfaction survey	51
Tasmanian State Service workforce survey	48
Employee participation	48
Social information	48
Rewards and recognition	50

Senior Financial Auditor Hanna Jones,
Principal Performance Analyst Danny Moore,
Senior Financial Auditor Minyan Qiu



HUMAN RESOURCES (HR) PLAN

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

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

Our SEMG together with CSS staff are responsible for ensuring our HR initiatives are implemented and the outcomes are measured.

STAFF ETHICS

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

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

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

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

COMPLAINTS ABOUT EMPLOYEES

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

EMPLOYEE PROFILE

Employees	2014-15	2013-14	2012-13
Size of the workforce at 30 June – head count	45	43	43
Size of the workforce at 30 June – FTE	42.2	40.0	39.4
Number of employees who left during the year	10	7	10
Number of employees who commenced during the year	15	11	6
Number of permanent part-time employees	0	1	1
Number of fixed-term part-time employees	0	2	0
Number of full-time employees working reduced hours	7	5	4
Average age of workforce at 30 June	39.9	41.0	41.5

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

Unit	2014-15 No.	2013-14 No.	2012-13 No.	2014-15 %	2013-14 %	2012-13 %
OAG	4	4	4	9	9	9
FAS	30	25	25	67	58	59
PAS	6	8	8	13	19	16
CSS	5	6	7	11	14	16

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

Gender Profile and Age	2014-15	2013-14	2012-13
Number of males as a %	62.2	58.1	62.8
Number of females as a %	37.8	41.9	37.2
Average age – male (years)	41.9	43.4	41.6
Average age – females (years)	36.7	37.2	41.2
Average salary – male	\$106 648	\$107 416	\$100 561
Average salary – female	\$83 063	\$78 525	\$77 901
No. of males working agreed reduced hours	2	1	1
No. of females working agreed reduced hours	5	4	3

Our gender profile continues to change from prior years with the percentage difference in the number of males and females employed in the Office increasing from 16.2% to 24.4%. The predominant reason for this movement is the increase in the proportion of males applying for roles in the Office, in particular, the graduate roles.

The increase in the number of graduates hired by the Office, along with natural attrition, has also seen a slight shift in the average age of both our male and female employees. The average age of males decreased by 1.5 years and the average age of females decreased by 0.5 years.

The average male salary decreased by \$2 768 due to the natural attrition of a senior level employee and the higher number of male employees at the graduate level which are at a lower salary range. The average female salary increased by \$4 538 due to the increased number of females being employed at higher levels within the Office. The average salary for males is still higher than for females by \$21 584. The average salary for males is heavily influenced by the salary of the Auditor-General, one Senior Executive Service position, and the next six highest salaried positions in the Office being held by males.

The Office has one female senior manager, the Director, CSS, who also sits on the SEMG. The Office continues to encourage all participation of males and females at senior management discussions by inviting them to attend senior management meetings. The Office supports all staff in the workplace by providing a wide range of family friendly benefits and flexible working conditions. A number of our employees work reduced hours to meet family commitments.

LEAVE MANAGEMENT

A breakdown of leave is as follows:

Leave Profile	2014-15	2013-14	2012-13
Average sick leave days taken during the year per employee	6.8	5.6	5.1
Total number of sick leave days taken during the year	309.0	241.8	223.0
Average number of accrued recreation leave days per employee at year end	13.4	13.9	15.1
Total recreation leave days accrued at year end	604.0	599.6	650.0
Employees with >35 days accrued recreation leave at 30 June	3	3	5
Average number of accrued long service leave (LSL) days per employee at year end	37.0	35.3	36.6
Total LSL days accrued at year end	1 669	1 518	1 576
Employees with >100 days accrued LSL at 30 June	0	0	0
Average number of accrued ILOT days per employee at year end	0.0	0.0	1.4
Total ILOT days accrued at year end	0	0	61

The average number of sick leave days taken by employees increased by 1.2 days, due largely to a number of non-work related illnesses and injuries to Office employees during the year.

The Office continues to promote a healthy work/life balance for our employees and is pleased to note a decrease in the average number of accrued recreational leave days per employee. The number of employees with recreational leave balances exceeding 35 days has remained steady at 3 employees. Employees who have a high recreational leave balance have completed leave management plans to ensure these balances are reduced during the 2015-16 financial year and are kept at an acceptable level going forward.

The average number of accrued in lieu of overtime (ILOT) days per employee has reduced to zero. This is due to the negotiation and signing of a new excess hours agreement in the 2013 calendar year. This agreement means that employees are using time in lieu for breaks and holidays and is further promoting the Office's commitment to a healthy work life balance for all its employees. In 2015-16, a new indicator will be reported replacing the ILOT indicators. This new indicator will provide information in relation to the average accrual of excess hours during the financial audit season.

RECRUITMENT AND SELECTION

Our recruitment policies and procedures comply with the *State Service Act 2000*, including State Service Employment and Ministerial Directions. In line with these policies, all selection procedures reflect the merit principle. Merit principle ensures that all applicants are assessed in terms of who best meets the selection criteria for the primary competencies required for each position and, therefore, demonstrate the strongest capacity to undertake the required functions. The Office's recruitment and selection framework will be reviewed in 2015-16.

We continue to have strong links with UTAS, attending their Career Fairs, Student Information Sessions and participating in their in Business Internship Program. The Office also works closely with professional accountancy bodies and attends appropriate career events run by these bodies as they occur.

Our recruitment efforts this year primarily focused on the recruitment of graduates and cadets to the Office.



TAO Cadets: Elise Roberts and James Palfrey looking over recently tabled reports.

GRADUATE, CADETSHIP AND INTERNSHIP PROGRAMS

We offer graduate and cadetship programs to students who are undertaking, or have recently completed, a bachelor degree in a relevant discipline at a recognised tertiary institution.

Our cadetship program aimed at students who are seeking the opportunity to work and gain experience whilst studying part-time. The program provides cadets with an opportunity to work across all our business units to enable them to gain broad office experience. The program duration is six years, but may be shorter depending on the amount of studies completed prior to commencing on the program.

The Office has a structured graduate program. The program is similar to the cadetship program in that graduates work and study until their post-graduate course is complete. The post-graduate course may be any of the professional programs offered by the professional accounting bodies, recognised tertiary institutions or other bodies related to the employee's responsibilities.

We continue to support the internship programs of Certified Practising Accountants Australia (CPA), the Chartered Accountants Australia and New Zealand (CAANZ), and UTAS. These programs provide students with invaluable work experience. This financial year we provided a placement for Jane Hogan through the UTAS Business Internship program.

The Office participates in the Work Placement Program (WPP) run by DPAC. This is an initiative to assist recent humanitarian entrants to Tasmania gain work experience and improve their job readiness by providing them with work experience in State government agencies. This year, Lai Nar (Nora Sy) joined the Office on a two week placement, rotating through all the business units.



Nora receiving her certificate upon completion of WPP

The following table summarises the number of cadets and graduates employed at the Office.

	2014-15	2013-14	2012-13
Total no. of cadets at 30 June	2	1	3
Total no. of graduates at 30 June	5	3	1
Cadets employed in FAS	2	1	3
Graduates employed in FAS	5	3	1

PROFESSIONAL DEVELOPMENT

The Office is committed to providing high quality learning and development opportunities for our employees. All employees and their managers are encouraged to identify learning and development needs through the performance management process and to continually seek additional learning opportunities as they may arise. Employee's objectives and those of the Office are considered when identifying appropriate development opportunities.

All new graduates and cadets participate in our Buddy Program. This program pairs new employees with an Office employee who mentors them in their technical development and aids in their cultural acclimatisation to the Office. This program provides new employees with additional professional assistance and guidance.

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

	2014-15	2013-14	2012-13
Average days per FTE	7.4	6.8	7.4
Average investment per FTE	\$2 492	\$1 300	\$1 740

The average days of training per FTE increased by 1.4 days. This was due to a number of reasons including; increased employee awareness of their own learning and development needs, the roll out of an upgrade to the Office's audit methodology and corresponding training, an increase in the number of participants in the Buddy Program and the participation of all employees in mental health awareness training sessions. These higher training days resulted in an increase in the average investment for training per FTE by \$1 192.

During the year we had a number of employees successfully complete their professional exams and one employee successfully completed the Industrial Relations Capability Program, while another completed the Company Directors Course of the Australian Institute of Company Directors. A number of staff members attended industry based seminars and conferences such as; the Australia and New Zealand School of Government (ANZSOG) Annual Conference; the 2014 Public Sector Update and the CPA Congress.

The Auditor-General attended the Public Sector Internal Audit (PSIA) Conference in Singapore where he presented a session titled 'Performance Audit in the Public Sector'. This presentation focused on how the Tasmanian Audit Office sees performance audit as benefiting government (and Parliament) as a whole and how internal auditors can apply some of the Audit Office's thinking through their work. This presentation was well received by the delegates at the conference and the Auditor-General was commended for his speech.



Mike Blake **presenting at PSIA Audit Conference, Singapore 2015**

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. We also provide appropriate financial assistance for administrative costs and text books. Our employees are encouraged to undertake post-graduate study, such as professional programs run by Australia's professional accounting bodies.

Employees undertook studies in the following areas

- Bachelor Degrees – two employees continued their bachelor degree as part of the Office's Cadetship Program.
- Professional Programs, such as CPA (professional level) and the CAANZ programs or honours degree – four employees are currently studying or have recently completed one of the accounting bodies' professional programs. Two employees recently commenced professional program studies.

PERFORMANCE MANAGEMENT

Our performance management system was updated and implemented during 2014-15. The update focused on simplifying the process of developing performance plans and undertaking performance reviews. The update was made in line with Employment Direction No.26 *Managing Performance in the State Service*.

The updated system is designed to be holistic so that it provides the following benefits for all staff:

- Sets clear expectations of work required.
- Shows direct correlation between the individual's role and Office direction.
- Rewards and recognises accomplishments and achievements.
- Addresses any issues of weaknesses.
- Gives weight and relevance to individual development.
- Provides a framework for providing relevant support and identifying relevant training.

The system was implemented through a number of training sessions which focused on what the system is meant to achieve and clarified the commitment expected from both employees and management. These sessions also addressed specific performance related topics such as effective communication and conflict resolution. Additional training sessions were held for managers to aid them in the successful implementation of the system within their teams.

Additional focus was placed on individual learning and developing with focused training plans developed and implemented for all employees.

WORKPLACE HEALTH, SAFETY AND WELFARE

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

Due to our move to new premises and redesigned work stations, the Office offered ergonomic assessments to all employees. These independent assessments prompted additional adjustments made to the workstations so that they were set up correctly for each individual employee.

The Office's Health and Wellbeing program continues to be active. We encourage staff to participate in walking, running and cycling activities. This year the Office entered a team in the BUPA Step challenge, with all members of the team greatly improving their physical activity as a result of wearing a pedometer. Also, a team participated in the Point to Pinnacle in November 2014. The Office hosted a mindfulness session during the year which prompted a monthly mediation group to form. Other initiatives such as fresh fruit and influenza vaccinations continue to be offered to all staff.

Annual warden training by the Tasmanian Fire Service was conducted during the year. St Johns Ambulance Services provides first aid training to our first aid officers and services the first aid kits as required. Employees with legislative responsibilities will continue ongoing training in the coming year.

The Office provides employees who have been absent from the workplace for a period of time due to illness or injury with comprehensive return-to-work support. This may include reduced hours and/or a return to work coordinator to support their successful reintegration into the Office. This process is in line with ED29, *Managing Employees Absent from the Workplace* and the Office's Injury Management Program.

We continue to provide employees with access to independent employee assistance providers (EAP) who offer support to those seeking assistance with work related or personal matters.

The following measures are indicators of our success, or of areas for improvement, in providing a safe and healthy work environment:

	2015	2014
No. of incidents reported	7	8
No. of workers' compensation claims*	0	1
No. of first aid officers	2	3

* Ongoing, claim since completed in August 2014.

The number of incidents reported decreased slightly, largely due to the increased effectiveness of the Office's online reporting tool which ensures relevant controls are put in place when hazards or risks are reported and are followed up on regularly. Last year was the first year that the online reporting system was used in the Office, this saw a spike in the number of reportable instances which has since levelled off. The investment in the training of all employees on workplace health and safety risks and hazards has also seen a positive change in workplace behaviour relating to workplace health and safety.

The Office has elected Health and Safety Representatives (HSRs) under the *Workplace Health and Safety Act 2012*, in both the Hobart and Launceston offices. These HSRs facilitate the flow of information about health and safety between the Office and its employees.

As part of the Office's mandatory Workplace Health and Safety training for all employees, the Office implemented compulsory mental health awareness training. All employees were required to complete an online training module on mental health and also were required to attend a face-to-face seminar on being mentally healthy in the workplace. Senior managers also attended additional training which focused on equipping them with tools to deal with mental health in the workplace.

WORKPLACE DIVERSITY

We maintain our commitment to workplace diversity through our recruitment and selection practices, our performance management processes and the provision of training and development opportunities. Our Strategic Plan contains initiatives to promote our workplace diversity. The Office's workplace diversity policy and plan are currently being reviewed.

INDUSTRIAL AND WORKPLACE RELATIONS

During the year, we continued to implement aspects of the Tasmanian State Service Award and the directions issued under the *State Service Act 2000*. Employment Directions (ED) are issued by the Minister administering the *State Service Act 2000* and relate to the administration of the State Service and employment matters relevant to the Act. The Office takes advice and guidance from these directions as they are introduced. For further information, refer to www.dpac.tas.gov.au/ssmo.

The Office has one employee who sits on the State Service Industrial Relations (IR) Practitioner Committee. One employee completed the State Service IR capability training program during the year.

Employees have the right to lodge reviews under the *State Service Act 2000* related to employment decisions that have an impact on them. During the year, no reviews were lodged.

INTERNAL GRIEVANCE PROCEDURE

The Office's policy on managing diversity and grievances and the associated procedures provide guidance on dealing with internal grievances and incorporate the principles of natural justice. These are designed to address grievances at the earliest possible opportunity and to avoid escalation to a formal grievance process. It is hoped that through consultation, co-operation and mediation, amicable resolutions can be achieved. These policies and procedures are currently under review and will be updated in the coming year.

There were no internal grievance complaints lodged in 2014-15.

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 ten years ago. This survey is conducted biennially; the next survey will be in 2015-16.

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

Category	2014	2012	2010
Co-operation between business units	67	68	65
Corporate communications	71	82	70
Equal employment opportunity	75	79	76
Involvement	79	82	75
Leadership	72	80	73
Motivation	75	80	75
Performance management	68	74	67
Personal satisfaction	75	79	75
Recruitment and selection	70	72	60
Rewards and recognition	79	71	73
Staff development	70	72	69
Supervision	69	77	69
Teamwork	73	75	62
Work environment	77	79	77
Total average	73	76	70

Our last survey, conducted in May 2014, had a participation rate of 95% with the results showing a decrease in employee satisfaction and morale compared with the previous survey in 2012. There has been significant turnover of staff across most of the Office which could result in the changes to ratings. Management will focus on improvements across the Office in the areas of performance management and development, and embedding a culture of continuous improvement. In addition, the Office will finalise a Communications Strategy and the review of the Diversity and Grievance Policies.



TASMANIAN STATE SERVICE WORKFORCE SURVEY

The third State Service Workforce Survey was undertaken in May 2015 by the Head of the State Service through the State Service Management Office (SSMO). This survey gauges employee views about their employment, and in turn, gathers information about workforce behaviour, management and leadership, workforce performance, workplace health and safety, capability, personal development and employment matters of the Tasmanian State Service.

The overall results for the Office were pleasing with the areas of teamwork, camaraderie, awareness of organisational policy and procedures, integrity and feedback on performance all scoring above the State Service average. The results also highlighted areas for continued focus, these included; performance management, developing people, change management and continuing to promote a healthy work environment.



Dr. Ivan Zwart **Principal Performance Analyst, undertakes voluntary lunchtime meditation sessions for Audit Office employees**

EMPLOYEE PARTICIPATION

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

Employee involvement and participation continues to be sought through 'all staff' emails, direct approaches, open Office discussions, communiques and committee consultation. We continue to run quarterly staff information sessions for all employees, we utilise the Lync software to connect with Launceston based employees so that they are not always required to travel. The internal Office newsletter is published bi-monthly and promotes office news, policies, procedures, staff profile and general information.

We are currently in the process of implementing a new communication strategy which will encompass the best use of social media. We will continue to involve our employees in the formation of our Strategic Plans and consider their feedback and input.

SOCIAL INFORMATION

Workforce and Community Committees and Bodies

We encourage our employees to actively participate in all aspects of their work and professional lives. This year a number of employees were on both internal and external committees. Further details can be found in Appendix 3 and 4.

Community Involvement and Support

The Office is an active supporter of many charities with the Office's Social Club taking on a key role in hosting a number of fundraising activities throughout the year. In January 2015, the Office voted to, once again, donate the majority of its fundraising monies to the Cancer Council for the calendar year. Funds are raised via free dress days and other activities from January to December.

The Office also participated in the following fundraising activities:

- Dress Down day for Pader Girls Academy in Uganda.
- Movember 2014.
- Cancer Council Biggest Morning Tea.

In addition, the Auditor-General participated in the Salvation Army 'CEO Sleep Out for the Salvos'. The Office supported this cause by raising \$726.40 through a raffle and silent auction which was run at the annual end of financial year dinner.

The Office raised \$1 023 for our current charity of choice, the Cancer Council.



Principal Financial Auditor Debbie Scott **participating in the silent auction in aid of the Salvation Army, CEO Sleepout**



Director, Technical and Quality Jeff Tongs, **Senior Financial Auditor** Darren Lette **and Financial Auditor** Bruce Williams **enjoying an Office social function in aid of the Salvation Army CEO sleep out.**

REWARDS AND RECOGNITION

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

The objectives of our Program include:

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

We have a number of annual awards for employees which are presented by the Auditor-General:

- The Boyes Award, named after the first Auditor-General, recognises an employee who, throughout the year, has exceeded expectations and is an outstanding performer in the Office.
- The Above and Beyond Award recognises employees who, throughout the year, has exceeded expectations in certain areas.
- The Way of the TAO Award recognises an employee, or team, who significantly contribute to the wellbeing and happiness of the Office throughout the year.

In 2014-15 The Way of TAO was awarded to:

- Julie Bellette
- Jessica Leonard
- Rhiannon Steele.

The 2014-15 Boyes Award and Above and Beyond Awards will be presented in December 2015, which is in line with the new performance management cycle implemented during the year.

Quarterly awards are also awarded as part of our rewards and recognition program. These are called 'Making a difference awards'.

During 2014-15, the following employees received quarterly recognition awards:

- Andrew Clark
- Anne Cunningham
- Damian Cook
- Danny Moore
- James Hay
- Jeff Tongs
- Jessica Leonard
- Kerry Conyard
- Mathew Nicholls
- Rhiannon Steele.

Years of service awards were also presented to members of staff:

- Geoff Driscoll – 35 years of State and Commonwealth service
- Debbie Scott – 25 years of State service.

The following milestones were reached by our employees:

		Year	Description
Derek Burns	CPA	2014	20 Year Member of CPA Australia
Patty Johnson	CPA	2014	20 Year Member of CPA Australia
Damian Cook	FCPA	2015	30 Year Member of CPA Australia
Debbie Scott	FCPA	2015	Fellow of CPA Australia
Mike Blake	FCPA	2015	20 Year Member of CPA Australia
Minyan Qui	CPA	2015	10 Year Member of CPA Australia
Jara Dean	CPA	2015	10 Year Member of CPA Australia
Jeffrey Tongs	FCPA	2015	20 Year Member of CPA Australia

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OUR PERFORMANCE

Our performance report	54
Parliamentarian and audit client Survey indicators	55
Financial indicators	56
Operational and Governance indicators	57
People indicators	59
Benchmarking	60
Independent Auditor's review	65

Principal Performance Analysts

Damian Cook, Danny Moore, and Dr. Ivan Zwart



OUR PERFORMANCE REPORT

In this section we explain our performance for 2014-15 by reference to our KPIs.

Measuring our performance against our four pillars of Sustainable, Independent and Reputable, Adaptable and Relevant is reported annually. The KPIs reported were published in June 2014 in our Annual Plan of Work for 2014-15 and in our Supplementary Strategic Plan 2012-2015. Also, while not identified as performance measures against our four pillars, we include measures reported as benchmarks by ACAG in its annual Macro-Benchmarking Report. Our KPIs were independently assessed by our external auditors with a review opinion published at the end of this section. In the following tables we report our actual results and by use of the following symbols indicate our assessment of each result.

KEY					
Performance achieved	✓	Performance not measured	—	Performance not achieved	✗

PARLIAMENTARIAN AND AUDIT CLIENT SURVEY INDICATORS

The KPIs in the following table are in relation to the Parliamentarian and Audit Client Surveys which supports our Relevant, Independent and Reputable Pillars:

Key Performance Indicators	2011-12 Actual	2012-13 Actual	2013-14 Actual	2014-15 Target	2014-15 Actual	Result
Survey of Parliamentarians by independent biennial survey:						
Overall satisfaction with the Auditor-General's reports and services	Nm	96%	Nm	75%	97%	✓
Provide valuable information on public sector performance	Nm	95%	Nm	80%	88%	✓
Reports and services help to improve public sector administration	Nm	85%	Nm	75%	87%	✓
High level of performance audits addressing key areas of interest	Nm	85%	Nm	75%	94%	✓
Responsiveness of the Auditor-General or his Office	Nm	100%	Nm	85%	100%	✓
Extent to which the advice/information provided by the Auditor-General or his Office addressed your needs	Nm	100%	Nm	85%	100%	✓
Survey of audit clients by independent biennial survey:						
Performance Audit - overall performance (process, reporting, value)	Nm	79%	Nm	75%	69%	✗
Financial Audit - overall performance (process, reporting, value)	Nm	77%	Nm	75%	80%	✓

We conduct biennial satisfaction surveys of Parliamentarians and State entities. The most recent survey in 2014-15 indicated high levels of satisfaction with our reports by Parliamentarians. The next survey is due in 2016-17. The survey of audit clients, performance audit – overall performance, not meeting the target by 6%, may be due to a different method that was used to follow up past audit recommendations. PAS suggests that this measure will improve the next time that this survey is conducted with no further action required at the moment.

FINANCIAL INDICATORS

The KPIs in the following table are in relation to Our Finance section which supports our Sustainable Pillar:

Key Performance Indicators	2011-12 Actual	2012-13 Actual	2013-14 Actual	2014-15 Target	2014-15 Actual	Result
Positive net operating result, that is $\geq 1\%$ of turnover	Achieved	Achieved	Achieved	Achieved	Not Achieved	✗
Positive cash flows with an End of Year (EOY) cash balance $> \$600\,000$	Achieved	Achieved	Achieved	Achieved	Achieved	✓
Build cash reserves accumulative each year by \$150 000	Achieved	Achieved	Achieved	Achieved	Not Achieved	✗
Independent audit opinion on the financial statements of the Office	Unqualified	Unqualified	Unqualified	Unqualified	Unqualified	✓

For 2014-15 the Office achieved a net result of \$0.059m or 0.76% of revenue. This is not surprising as the Office has more than satisfied any issues around sustainability with a cash balance of \$2.078m. KPI's such as positive net operating result that is $\geq 1\%$ of turnover and building of cash reserves are at this point in time not as important as the Office's cash balance.

OPERATIONAL AND GOVERNANCE INDICATORS

The KPIs in the following table are in relation to Our Governance section which supports all of our Pillars:

Key Performance Indicators	2011-12 Actual	2012-13 Actual	2013-14 Actual	2014-15 Target	2014-15 Actual	Result
All financial audits opinions to be issued within 45 days of receipt of final signed financial statements (Audits complete within financial reporting year)	96%	96%	98%	100%	92%	✗
Performance and compliance audits are completed on average within nine months	Not Achieved	Not Achieved	Achieved	Achieved	Not Achieved	✗
Percentage of recommendations agreed and acted upon 24 months since the tabling of a performance/ compliance audit report	82%	Nm	Nm	70%	64%	✗
Performance and compliance audits and special investigations tabled in Parliament	7	7	7	7	6	✗
Conducting audits, reviews or investigations and reporting of employer functions under the <i>State Service Act 2000</i> tabled in Parliament	-	-	-	1	1	✓
Report of the Auditor-General on the outcomes of financial audits tabled in Parliament*	1	1	1	1	1	✓

Key Performance Indicators	2011-12 Actual	2012-13 Actual	2013-14 Actual	2014-15 Target	2014-15 Actual	Result
Annual independent assessment of a selection of audit files that concludes that the Office is conducting audits in accordance with its audit methodology and Australian Auditing Standards:						
Financial audits	Positive**	Nm	Nm	Positive	Positive	✓
Performance audits	Positive**	Nm	Nm	Positive	Nm	—
Number of major findings with significant impact/ramifications reported to the Office's Audit Committee by our internal auditor	None	None	None	None	2	✗

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

** 2011-12 results were based on independent reviews utilising highly experienced staff from other jurisdictions under ACAG's audit review framework. In return the Office participated in the ACAG team that reviewed the NSW Audit Office. In 2014-15, reviews were undertaken in-house by the Director – Technical and Quality.

For the 2014-15 audit cycle, 92% of financial audits were completed within 45 days of receipt of financial statements from clients. This reflects the updating of auditing methodology (IPSAM 4) that occurred during this audit season. The Office made a significant investment in time to train staff in relation to the new methodology with the planning sections of each audit file requiring significant revision. Staffing losses also impacted.

The length of time taken to table performance reports for the year was around 10 months. This was mainly due to the complexity of scoping the Security of information and communications technology (ICT) infrastructure report and withholding tabling to enable agencies to update controls because of the sensitive nature of some findings.

We measure the implementation of agreed recommendations by conducting a follow-up of performance and compliance audits completed two to three years previously. This year the recommendations agreed and acted upon were less than the target by 6% mainly as a result of the report titled Follow up of Public sector productivity: a ten-year comparison. The recommendation implementation rate was 46%. This was due to some departments not agreeing with the methodology we applied.

We tabled a total of six reports in Parliament on the outcomes of performance and compliance audits, one less than targeted due to staff absences and one staff departure.

Four internal audit reviews were conducted in 2014-15 covering:

- Procurement Compliance Review
- Business Continuity Planning (BCP) and Disaster Recovery Planning (DRP) Review
- Staff Performance Management and Professional Development Review
- Service Level Agreement (SLA) (Post Implementation) Review.

The results of the internal audits indicated we had effective systems and processes although recommendations were made suggesting further improvements which are being addressed, in particular in the area of BCP and DRP which will be addressed in 2015-16.

PEOPLE INDICATORS

The KPIs in the following table are in relation to the Our People section which supports our Adaptable Pillar and Organisational Capacity which underpins all of the Pillars:

Key Performance Indicators	2011-12 Actual	2012-13 Actual	2013-14 Actual	2014-15 Target	2014-15 Actual	Result
Employee satisfaction as measured by the Office's independent biennial employee survey	76%	Nm	73%	Nm	Nm	—
Employee turnover rate	11%	23%	15%	<10%	23%	×
Employees acknowledge our Office values and behaviours exhibited in our workplace (measured by surveys)	74%	Nm	79%	85%	87%	✓
Percentage of employees who have professional qualifications	94%	88%	91%	>85%	89%	✓
Percentage of employees who are members of professional bodies	77%	72%	72%	>85%	69%	×
Percentage of employees who undertake 10 days of professional development per annum	11%	33%	21%	100%	38%	×
Percentage of employee professional development plans implemented	32%	79%	93%	100%	93%	×
Employee participation in health and well-being initiatives	80%	98%	98%	75%	100%	✓
Sick leave taken by employees (average)	8.4	5.1	5.6	<5 days	6.9	×
No excess leave balances	2%	9%	5%	<5%	2%	✓

The increase in turnover was mainly due to fixed term staff being recruited for the 2014 audit season only.

The percentage of employees with memberships in professional bodies decreased slightly due to the employment of extra cadets and graduates during the year. As at 30 June 2015 we had five staff undertaking studies leading to full membership of professional bodies.

The increase in the number of employees accessing professional development opportunities is partly due to the improvement in the percentage of professional development plans being implemented. In addition, the Office is working collaboratively with professional associations to provide professional development. An example of such is the Office maintaining its Recognised Employer status with CPA Australia and the introduction of a new performance management system which focuses on individual staff development. Management will continue to place emphasis on the requirement for professional development plans being implemented and actioned.

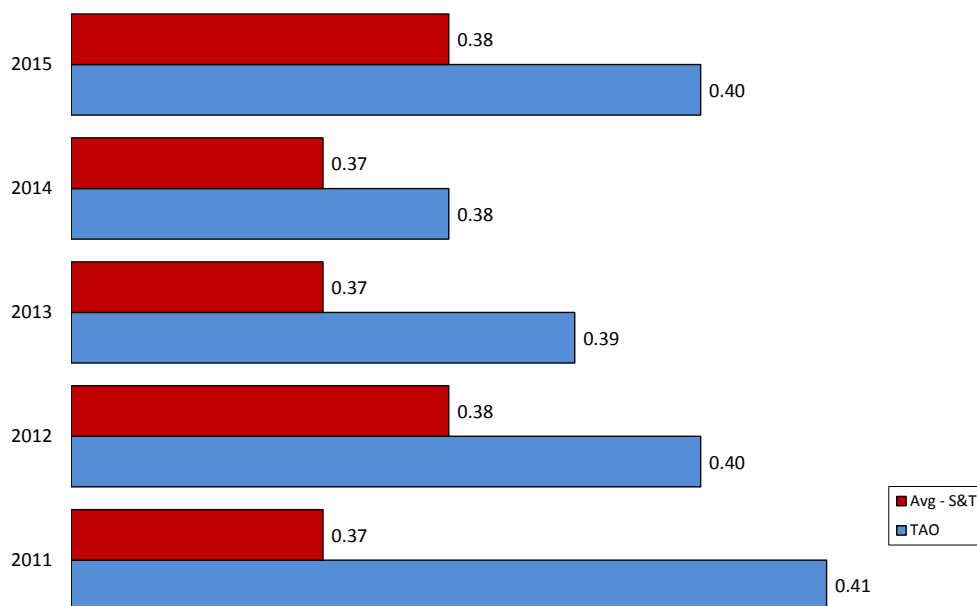
Employees participated in our health and wellbeing initiatives. Consulting with staff and then formalising these activities into our Health and Wellbeing Plan for 2011-2013 increased awareness and improved this rating. The most popular initiative is the provision of fresh fruit for staff. A review of this initiative will be undertaken by December 2015 and it will continue to have the focus on improving health and wellbeing for all staff.

BENCHMARKING

To help us evaluate our performance we benchmark ourselves against the national average of other State and Territory audit offices as reported in the annual ACAG Macro-Benchmarking report. The following results cover the period 2011-2015.

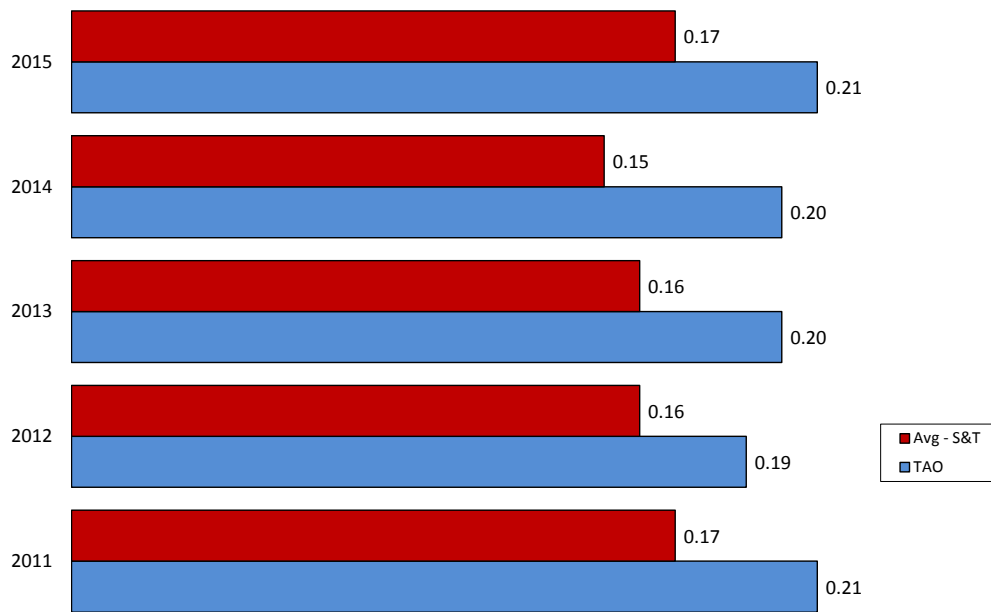
Measure One:

Total audit costs per \$'000 of public sector transactions, expressed in cents



Measure Two:

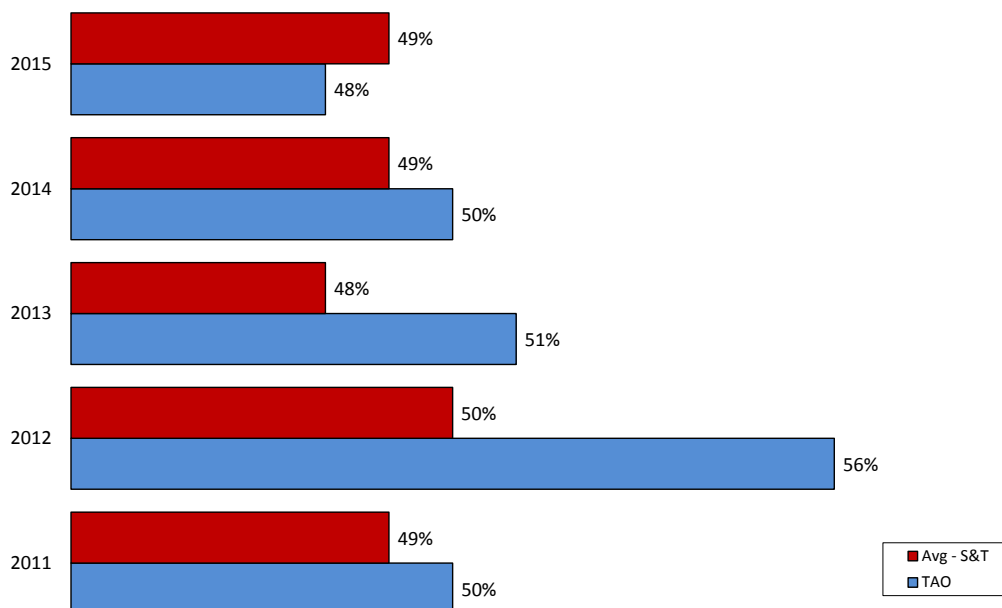
Total audit costs per \$'000 of public sector assets, expressed in cents



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

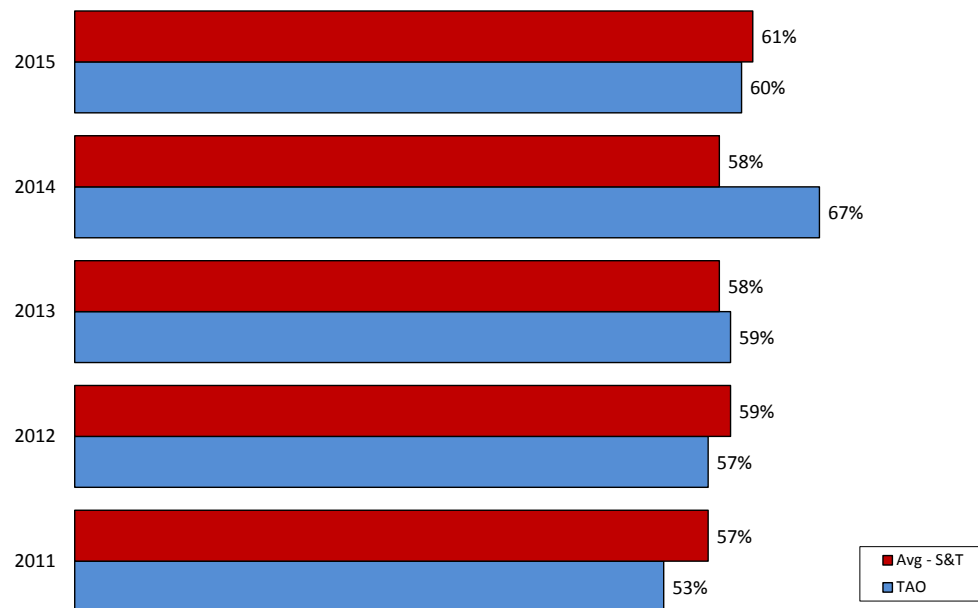
Measure Three:

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



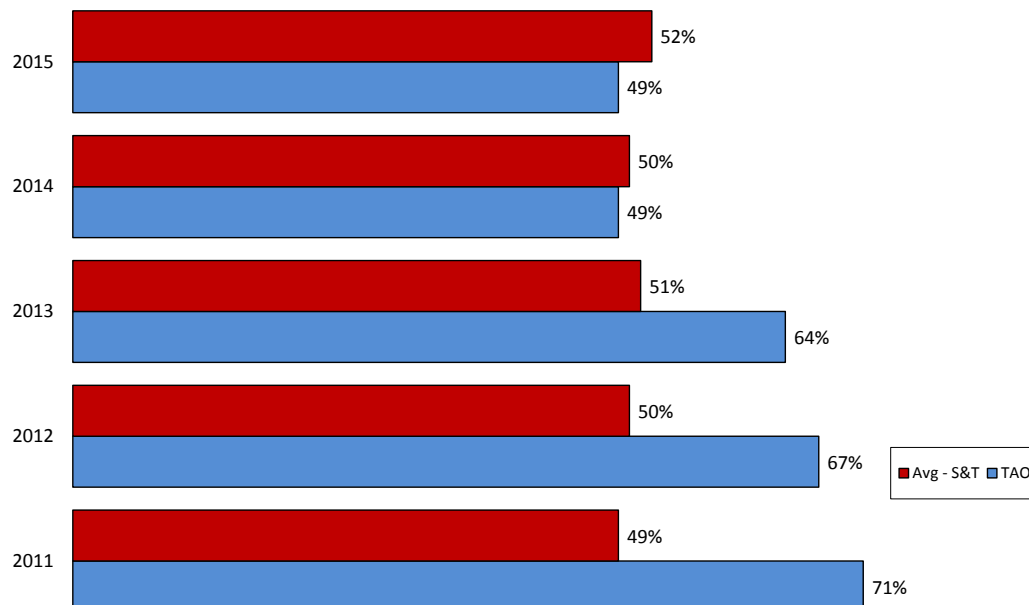
Measure Four:

Percentage of total paid hours of attest audit staff charged to attest audit activities



Measure Five:

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

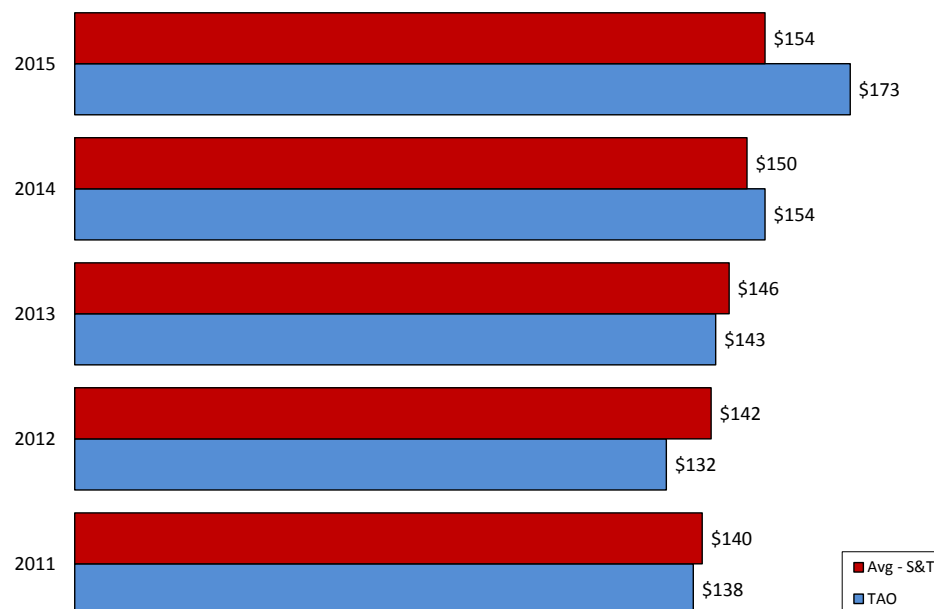


In relation to Measures three to five, we note that productivity of our staff has a direct impact on our operating results. All auditors are expected to achieve a minimum level of billable hours after allowing for leave, professional development and administration. Total paid hours include the hours of our corporate staff as well as annual leave for all employees. During 2015 however, an upgrade of our audit methodology (IPSAM 4) was introduced which required a large amount of training and up skilling for financial audit staff. In addition, a new performance management system was introduced. Both of these improvements required a large amount of training which impacted on productivity. It is expected that this will turn around in 2015-16.

The overall decline in Measure five over the years is as a result of better recording and identification in relation to administrative costs versus chargeable costs due to the way funding has been provided from Government. The movement from 2013 to 2015 was mainly due to higher leave taken by staff and some resourcing issues in 2015. These will be addressed during the 2015-16 financial year.

Measure Six:

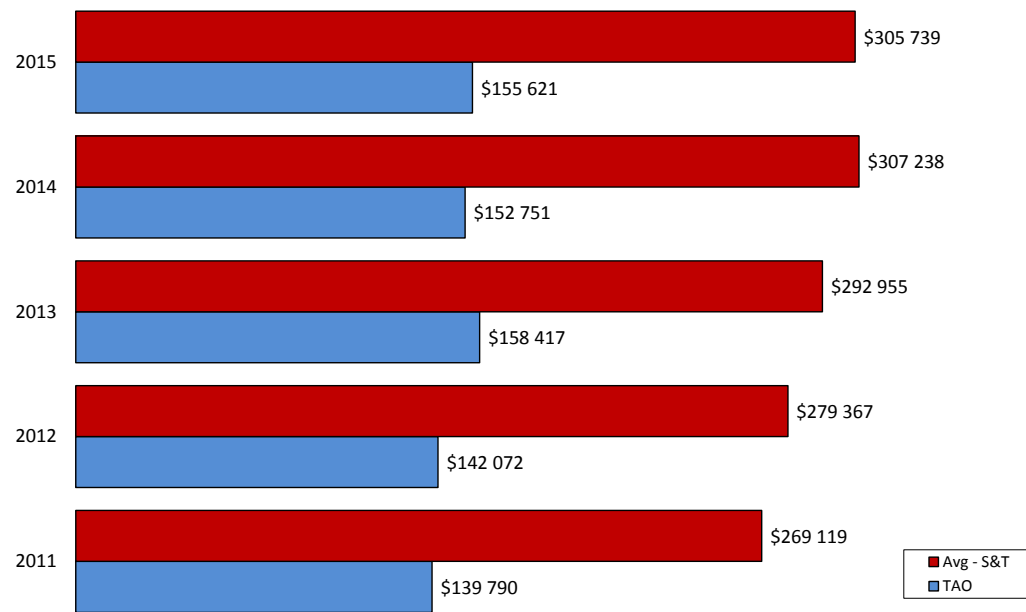
Cost per audit hour charged to audit activities



The increase in cost from 2013 to 2015 represents fewer audits conducted in conjunction with slight increases in costs. The main increases in costs reflect the cost of obtaining short-term resources for the 2014 and 2015 audit seasons. Minimising the cost of our audit work remains an on-going objective for the Office.

Measure Seven:

Cost per performance audit (\$)



Measure Seven confirms our expectation that the cost of conducting performance and compliance audits and associated reports will be lower than the all State and Territory average. This measure is largely affected by the scope and type of audits undertaken each year. In 2014, more efficient internal processes were implemented which resulted in a slightly reduced cost per performance audit. The increase in 2015 represents normal increases in costs, particularly salaries, from year to year.

INDEPENDENT AUDITOR'S REVIEW OF THE PERFORMANCE REPORT



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

Report on the Performance Report

We have reviewed the accompanying performance report, as set out on pages 57 to 68, which comprises the key performance indicators for the 2015 financial year.

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 Standard on Review Engagements ASRE 2405 *Review of Historical Financial Information Other than a Financial Report*, 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 2405 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

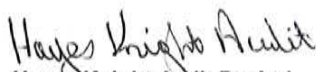
A review of a performance report consists of making enquiries, primarily of persons responsible for financial and accounting matters and applying other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently 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 review, we have complied with the independence requirements of the Australian professional ethical pronouncements.

Conclusion

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the performance report does not present fairly the key performance indicators of efficiency and effectiveness for the year ended 30 June 2015.


Hayes Knight Audit Pty Ltd
Melbourne


Geoff S. Parker
Director

Dated this 14 day of OCTOBER 2015

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OUR FINANCES

Financial Summary	68
Financial performance	68
Independent auditor's report	73
Certification of financial statements	75
Financial statements	76
Notes to and forming part of the Financial Statements	80

Auditor-General Mike Blake and Director, Technical and Quality Jeff Tongs



FINANCIAL SUMMARY

FINANCIAL PERFORMANCE

Key indicators of our financial performance and position for the year ended 30 June 2015 include:

- A positive net operating balance for the financial year of \$0.059m (2013-14 positive net operating balance of \$0.552m), which was in line with the budget of \$0.033m (\$0.055m).
- A very comparable revenue amount of \$7.783m in 2014-15 to \$7.785m in 2013-14 showed revenue on par with last year. Compared to budget of \$7.401m meant an increase of \$0.382m mainly as a result of extra funding received via a request for additional funds from Treasury of \$0.050m due to increased costs of reports to Parliament. In addition, increases in user charges were received predominantly due to unanticipated audit related work conducted.
- An increase in expenditure from \$7.233m in 2013-14 to \$7.724m this year was more than our budget by \$0.356m predominantly related to additional expenditure on audit contractors due to unanticipated client work.
- Improvement in equity, and net assets, by \$0.059m, being the net surplus for the year and by \$0.026m compared to budget – the budget had anticipated a smaller net surplus for the year.
- From a day to day operations point of view, management of the Office's net working capital is critical. Key components are cash and deposits, receivables, work in progress, payables and revenue received in advance the net of which was \$2.854m at 30 June 2015, \$2.724m at 30 June 2014 and \$1.809m budget. The improvement between 2014 and 2015 primarily related to the net operating balance of \$0.059m for the year and the increase in work in progress of \$0.122m.
- Non-financial assets increased by \$0.272m compared to the position at 30 June 2014 mainly due to the capitalisation of costs in relation to the refurbishment of Level 8, 144 Macquarie Street.

The following table details the movements in revenue for the past four years and for 2014-15:

Revenue	2014-15 (\$'000s)	2013-14 (\$'000s)	2012-13 (\$'000s)	2011-12 (\$'000s)	2010-11 (\$'000s)
User charges	5 356	5 329	4 797	4 723	4 691
Appropriations					
Reserve-by-law	437	455	430	385	377
Performance audits and reports	1 732	1 778	1 978	2 027	2 046
Other revenue	258	223	150	128	90
Total	7 783	7 785	7 355	7 263	7 204

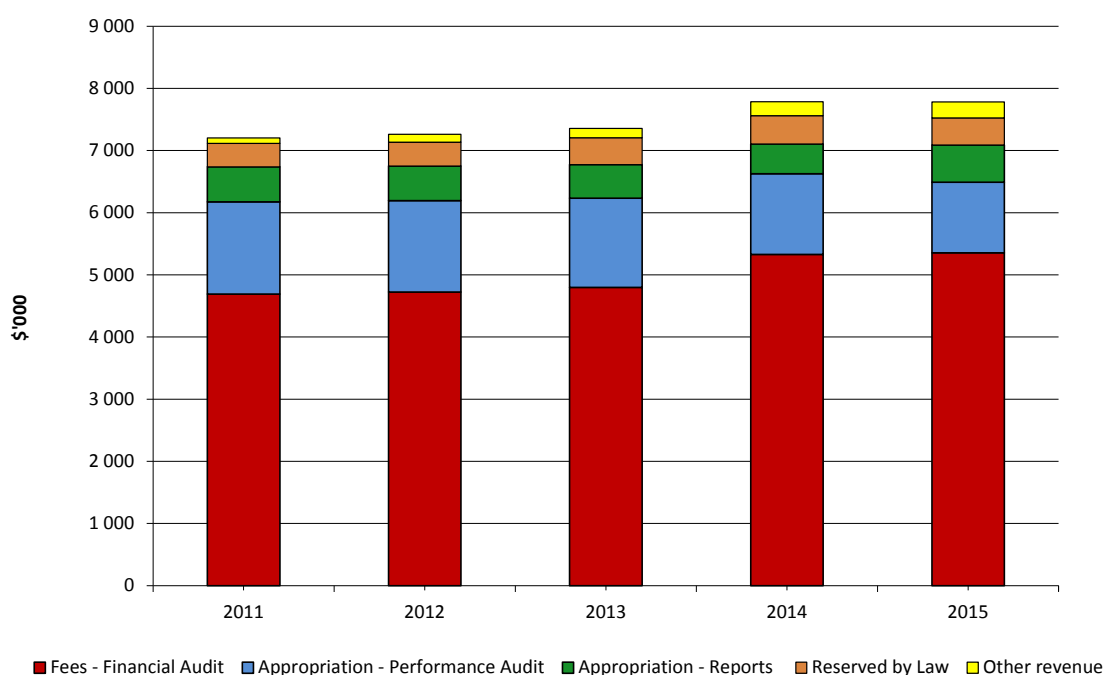
During the 2011-12 budget process, Government advised that our Appropriation funding for the next three years, through to 2013-14, would be reduced, resulting in the drop from \$2.046m in 2011-12. In 2015-16 the Office will receive additional funding of \$0.050m per year for probity/cross sector reviews reducing the cumulative impact by 30 June 2016 to \$0.205m. The reductions relate to our Appropriation for performance audits, investigations, probity/cross sector reviews and preparation of both financial and performance audit reports.

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

- a restructure in our performance audit unit which included completion of one fewer reports from 1 July 2012
- a review of our “back office” functions. As at 1 July 2013 a number of back office functions have been outsourced to the Department of Justice.
- a zero based budget exercise was conducted in 2013-14, the main purpose of which was to examine all costs including levels of staffing. A close review of the budget is also conducted annually to ensure the Office is operating at its optimum.
- This has led to more functions being outsourced to Justice and the relocation of the Office to smaller premises providing significant rent savings.

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

Revenue, 2014-15 and previous four years



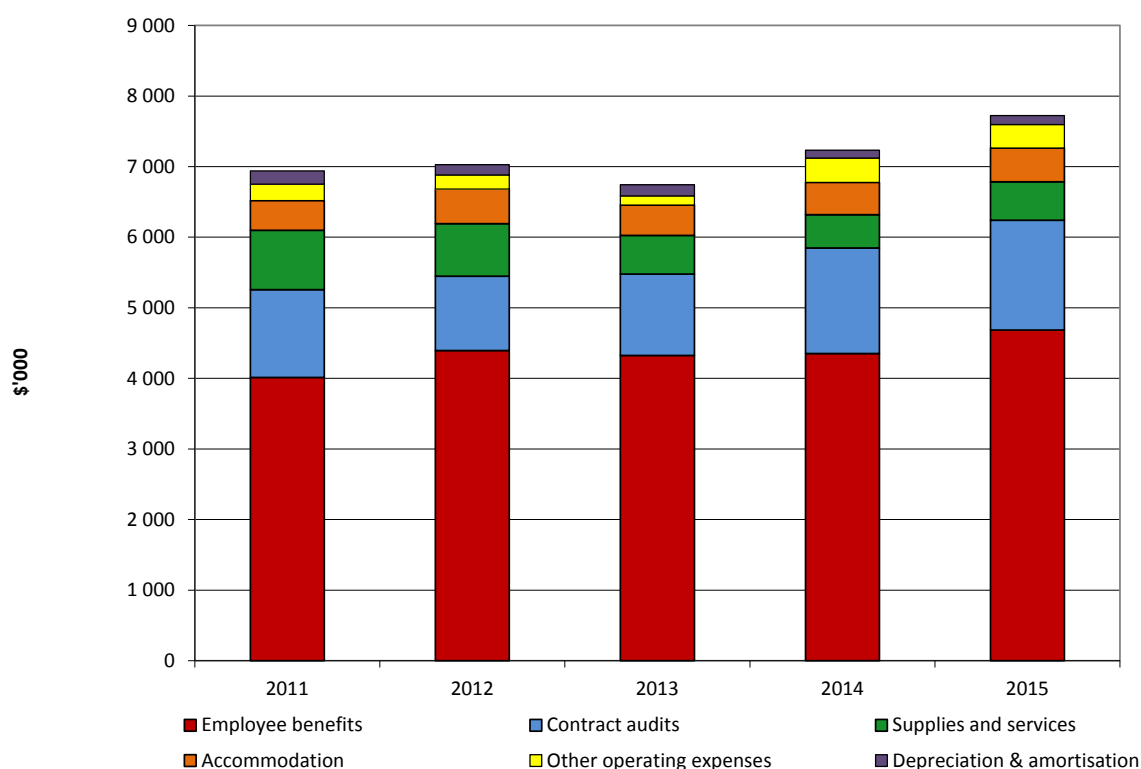
Comments below compare financial performance relating to revenue between 2013-14 and 2014-15.

Our total revenue remained consistent with the previous year. Once again this year the revenue target for financial audit activity was exceeded due to unanticipated work conducted for clients by the Office and contractors.

The following table details the movements in expenditure and our surplus/deficit for the past four years and for 2014-15.

Expenditure	2014-15 (\$'000s)	2013-14 (\$'000s)	2012-13 (\$'000s)	2011-12 (\$'000s)	2010-11 (\$'000s)
Employee benefits	4 684	4 353	4 324	4 395	4 012
Other expenses	672	664	521	828	902
Audit contractors	1 556	1 495	1 155	1 052	1 246
Information technology	208	152	156	116	171
Accommodation	477	456	431	491	421
Depreciation/Amortisation	127	113	157	144	188
Total	7 724	7 233	6 744	7 026	6 940
Surplus/(Deficit)	59	552	611	237	264

Commentary on movements in expenditure between 2013-14 and 2014-15 are noted in the next graph.



Expenditure, 2014-15 and previous four years

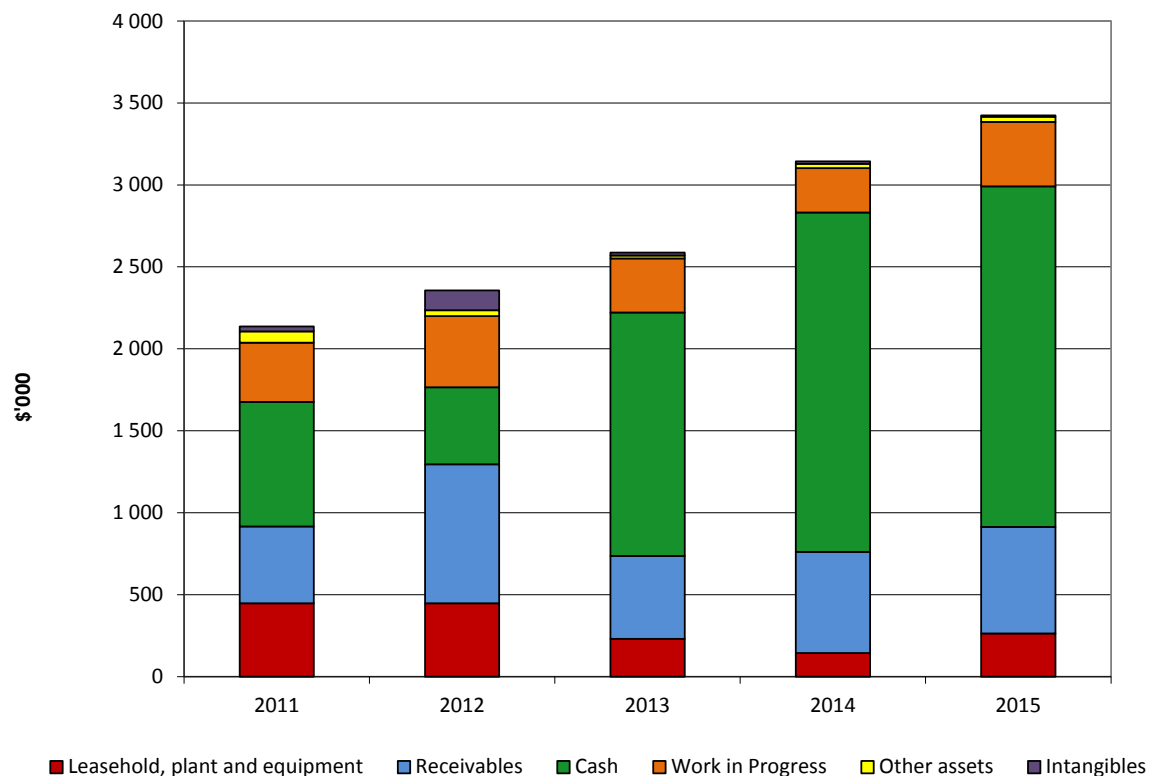
Employee benefits was on par compared to last year, when indexation and increments are taken into account and were \$0.358m lower than budget. This occurred as a result of delays in filling vacant positions and the flow-on effect of outsourcing some corporate support functions from 1 July 2013 with resulting resource requirements being below budget. The main movement in expenditure was the increase in audit contractors as a result of additional unanticipated work being undertaken for Office clients.

Financial Position

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

Assets	2014-15 (\$'000s)	2013-14 (\$'000s)	2012-13 (\$'000s)	2011-12 (\$'000s)	2010-11 (\$'000s)
Financial assets	3 120	2 959	2 321	1 752	1 589
Non-financial assets	304	185	266	604	548
Total	3 424	3 144	2 587	2 356	2 137

Total assets by asset type presented graphically



Comments below compare assets between 30 June 2014 and 30 June 2015.

The primary change to our financial position since 30 June 2014 was an increase in our equity by \$0.059m (2013-14, increase of \$0.553m) to \$1.795m (2013-14, \$1.736m) being due to the positive net result of \$0.059m.

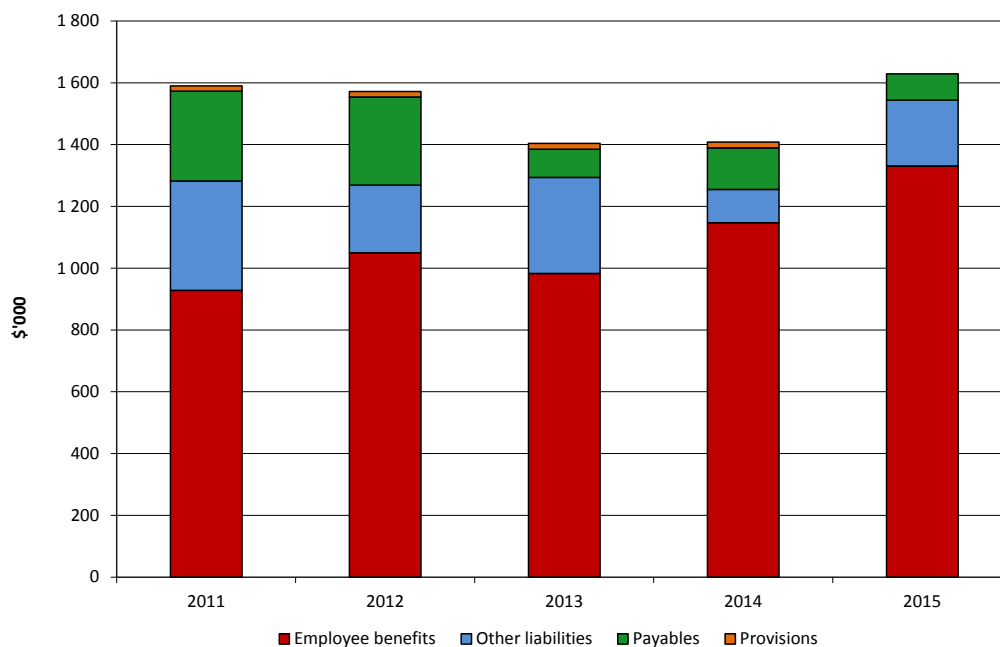
The \$0.161m increase in financial assets, comprising our bank balance, receivables and unbilled work-in-progress, was mainly as a result of a higher work in progress balance of \$0.122m.

Non-financial assets, comprising leasehold improvements, plant and equipment and intangibles, increased by \$0.119m mainly due to the capitalisation of relevant refurbishment costs of new premises. This relocation occurred in June 2015.

Liabilities and net assets/equity

Liabilities	2014-15 (\$'000s)	2013-14 (\$'000s)	2012-13 (\$'000s)	2011-12 (\$'000s)	2010-11 (\$'000s)
Financial liabilities	85	153	110	303	308
Non-financial liabilities	1 544	1 255	1 294	1 269	1 282
Total	1 629	1 408	1 404	1 572	1 590
Net Assets/Equity	1 795	1 736	1 183	784	547

Total liabilities by liability type presented graphically



Comments below compare liabilities between 30 June 2014 and 30 June 2015.

The majority of financial liabilities were creditors, \$0.085m (2013-14, \$0.134m), predominantly operational invoices received after 30 June 2015. The majority of non-financial liabilities were leave provisions and revenues received in advance. The latter increased to \$0.155m at 30 June 2015 from \$0.101m at 30 June 2014 primarily due to the timing of instalment billing. Instalment billing assists the cash flows of both our Office and clients but can result in audit clients paying fees when audit work is incomplete resulting in the recognition of revenues received in advance.

Employee benefits increased by \$0.184m to \$1.331m at 30 June 2015 due to staff increments and State Service salary rises. At 30 June 2015 days leave accrued balances were:

- Recreation leave, 618 days (2014, 600 days)
- Long service leave, 1 714 days (2014, 1 576 days)
- Excess hours agreement, 0 days (2014, 0 days).

INDEPENDENT AUDITORS REPORT



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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 2015, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the Office's certification.

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 Australian Accounting Interpretations) and the Financial Management and Audit Act 1990 and Audit Act 2008, and for such internal control as the Auditor-General determines is necessary to enable the preparation of a financial report that is free from material misstatement, whether due to fraud or error

Auditor's Responsibility

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

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

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INDEPENDENT AUDITORS REPORT

Independent Auditor's Report to the Governor of Tasmania in relation to the Tasmanian Audit Office

Independence

In conducting our audit, we have complied with the independence requirements of the 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 the Tasmanian Audit Office as at 30 June 2015 and its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards (including Australian Accounting Interpretations) and the Financial Management and Audit Act 1990 and Audit Act 2008.

Hayes Knight Audit
Hayes Knight Audit Pty Ltd
Melbourne


Geoff S. Parker
Director

Dated this 12 day of August 2015

STATEMENT OF CERTIFICATION

We certify that the accompanying financial statements of the Tasmanian Audit Office are in agreement with the relevant accounts and records and have been prepared in compliance with the Treasurer's Instructions issued under the provisions of the Financial Management and Audit Act 1990 to present fairly the financial transactions for the year ended 30 June 2015 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
12 August 2015



Ric De Santi
Chief Operating Officer
12 August 2015

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2015

	Notes	2015 Budget \$'000	2015 Actual \$'000	2014 Actual \$'000
<i>Continuing operations</i>				
Revenue and other income from transactions				
Revenue from Government				
Appropriation revenue – RBL	1.6(a), 6.1	544	437	455
Appropriation revenue – recurrent	1.6(a), 6.1	1 662	1 732	1 778
User charges	1.6(b), 6.2	5 010	5 356	5 329
Other revenue	1.6(c), 6.3	185	258	223
Total revenue and other income from transactions		7 401	7 783	7 785
Expenses from transactions				
Employee benefits	1.7(a), 7.1	5 042	4 684	4 353
Depreciation and amortisation	1.7(b), 7.2	53	127	113
Audit contractors	1.7	1 115	1 556	1 495
Supplies and consumables	1.7, 7.3	1 133	1 022	928
Other expenses	1.7(c), 7.4	25	335	344
Total expenses from transactions		7 368	7 724	7 233
Net result from transactions (net operating balance)		33	59	552
Other economic flows included in net result				
Net gain/(loss) on write-off/sale of non-financial assets	1.8(a), 8.1	–	–	1
Total other economic outflows included in net result		–	–	1
Net result		33	59	553
Comprehensive result		33	59	553

This Statement of Profit or Loss and Other 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 2015

	Notes	2015 Budget \$'000	2015 Actual \$'000	2014 Actual \$'000
Assets				
<i>Financial assets</i>				
Cash and deposits*	1.9(a), 12.1	1 492	2 078	2 071
Receivables and work in progress	1.9(b), 9.1	683	1 042	888
<i>Non-financial assets</i>				
Leasehold improvements, plant and equipment	1.9(d), 9.2	280	264	144
Intangibles	1.9(e), 9.3	-	8	15
Other assets	1.9, 9.4	45	32	26
Total assets		2 500	3 424	3 144
Liabilities				
Payables	1.10(a), 10.1	65	85	134
Employee benefits	1.10(c), 10.2	925	1 331	1 147
Provisions	1.10(b), 10.3	-	-	19
Other liabilities	1.10(e), 10.4	346	213	108
Total liabilities		1 336	1 629	1 408
Net assets		1 164	1 795	1 736
Equity				
Contributed capital		1 168	1 168	1 168
Accumulated surplus/(deficit)		(4)	627	568
Total equity*		1 164	1 795	1 736

*The budget is formulated without regard to the actual financial position at any one point in time. It has historically understated cash and equity balances.

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 2015

	Notes	2015 Budget \$'000	2015 Actual \$'000	2014 Actual \$'000
Cash flows from operating activities		Inflows (Outflows)	Inflows (Outflows)	Inflows (Outflows)
Cash inflows				
Appropriation receipts – recurrent		1 662	1 732	1 778
Appropriation receipts – RBL		544	437	455
User charges		5 219	5 275	5 109
GST receipts		639	919	802
Other cash receipts		185	214	219
Total cash inflows		8 249	8 577	8 363
Cash outflows				
Employee benefits		(5 210)	(4 494)	(4 167)
GST payments		(639)	(881)	(852)
Audit contractors		(1 280)	(1 604)	(1 460)
Supplies and consumables		(972)	(845)	(934)
Other cash payments		(25)	(516)	(343)
Total cash outflows		(8 126)	(8 340)	(7 756)
Net cash from operating activities	12.2	123	237	607
Cash flows from investing activities				
Cash inflows				
Proceeds from the sale of non-financial assets		-	-	1
Total cash inflows		-	-	1
Cash outflows				
Payments for acquisition of non-financial assets		(81)	(230)	(22)
Total cash outflows		(81)	(230)	(22)
Net cash from (used by) investing activities		(81)	(230)	(21)
Net increase/(decrease) in cash and cash equivalents held		42	7	586
Cash and deposits at the beginning of the reporting period		1 450	2 071	1 485
Cash and deposits at the end of the reporting period	12.1	1 492	2 078	2 071

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 2015

	Contributed equity \$'000	Accumulated surplus \$'000	Total equity \$'000
Balance as at 1 July 2014	1 168	568	1 736
Total comprehensive result	-	59	59
Balance as at 30 June 2015	1 168	627	1 795

	Contributed equity \$'000	Accumulated surplus \$'000	Total equity \$'000
Balance as at 1 July 2013	1 168	15	1 183
Total comprehensive result	-	553	553
Balance as at 30 June 2014	1 168	568	1 736

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 2015

Note 1	Significant Accounting Policies	82
1.1	Objectives and Funding	82
1.2	Basis of Accounting	82
1.3	Reporting Entity	82
1.4	Functional and Presentation Currency	82
1.5	Changes in Accounting Policies	83
1.6	Income from Transactions	84
1.7	Expenses from Transactions	85
1.8	Other Economic Flows Included in Net Result	86
1.9	Assets	88
1.10	Liabilities	89
1.11	Leases	89
1.12	Unrecognised Financial Instruments	89
1.13	Judgements and Assumptions	89
1.14	Budget Information	89
1.15	Rounding	89
1.16	Office Taxation	89
1.17	Goods and Services Tax	90
Note 2	Office Output Schedules	90
2.1	Output Group Information	90
Note 3	Explanations of Material Variances between Budget and Actual Outcomes	90
3.1	Statement of Profit or Loss and Other Comprehensive Income	90
3.2	Statement of Financial Position	91
3.3	Statement of Cash Flows	92
Note 4	Events Occurring After Balance Date	92
Note 5	Significant Account Judgements	93
Note 6	Income from Transactions	93
6.1	Revenue from Government	93
6.2	User Charges	93
6.3	Other Revenue	93

Note 7	Expenses from Transactions	94
7.1	Employee Benefits	94
7.2	Depreciation and Amortisation	96
7.3	Supplies and Consumables	96
7.4	Other Expenses	97
Note 8	Other economic outflows Included in Net Result	97
8.1	Net Loss on Non-financial Assets	97
Note 9	Assets	97
9.1	Receivables and work in progress	97
9.2	Leasehold Improvements, Plant and Equipment	98
9.3	Intangibles	99
9.4	Other Assets	100
Note 10	Liabilities	100
10.1	Payables	100
10.2	Employee Benefits	101
10.3	Provisions	101
10.4	Other Liabilities	102
Note 11	Commitments and Contingencies	103
11.1	Schedule of Commitments	103
Note 12	Cash Flow Reconciliation	104
12.1	Cash and Deposits	104
12.2	Reconciliation of Net Result to Net Cash from Operating Activities	104
Note 13	Financial Instruments	104
13.1	Risk Exposures	104
13.2	Categories of Financial Assets and Liabilities	107
13.3	Comparison between Carrying Amount and Net Fair Value of Financial Assets and Liabilities	107
13.4	Net Fair Values of Financial Assets and Liabilities	107
Note 14	Auditor's Remuneration	108
Note 15	Principal Address and Registered Office	108

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. Performance audits of Employer functions under the *State Service Act 2000* are funded by the Department of Premier and Cabinet.

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

The Financial Statements were signed by the Auditor-General and the Chief Operating Officer on 12 August 2015. Compliance with AAS may not result in compliance with International Financial Reporting Standards (IFRS), 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 1055 *Budgetary Reporting* – The objective of this Standard is to specify budgetary disclosure requirements for the whole of government, General Government Sector (GGS) and not-for-profit entities within the GGS of each government. Disclosures made in accordance with this Standard provide users with information relevant to assessing performance of an entity, including accountability for resources entrusted to it. There is no financial impact. However, while this is a new accounting standard, the Office already complies – refer note 3.
- 2013-9 Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments [Operative dates: Part A Conceptual Framework – 20 December 2013; Part B Materiality – 1 January 2014; Part C Financial Instruments – 1 January 2015] – The objective of this Standard is to make amendments to the Standards and Interpretations listed in the Appendix:
 - (a) as a consequence of the issue of Accounting Framework AASB CF 2013-1 *Amendments to the Australian Conceptual Framework*, and editorial corrections, as set out in Part A of this Standard;
 - (b) to delete references to AASB 1031 *Materiality* in other Australian Accounting Standards, and to make editorial corrections, as set out in Part B of this Standard; and
 - (c) as a consequence of the issuance of IFRS 9 *Financial Instruments – Hedge Accounting* and amendments to IFRS 9, IFRS 7 and IAS 39 by the IASB in November 2013, as set out in Part C of this Standard.

There is no material financial impact.

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

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

- AASB 15 *Revenue from Contracts with Customers* – The objective of this Standard is to establish the principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing, an uncertainty of revenue and cash flows arising from a contract with a customer. This Standard applies to annual reporting periods beginning on or after 1 January 2017. Where an entity applies the Standard to an earlier annual reporting period, it shall disclose that fact. The potential financial impact of the Standard has not yet been determined however it is unlikely to have a material impact.
- 2010-7, 2014-7 and 2014-8 *Amendments to Australian Accounting Standards arising from AASB 9* – The objective of these Standards is to make amendments to various standards as a consequence of the issuance of AASB 9 *Financial Instruments* in December 2010. The potential financial impact of the Standard has not yet been determined.
- 2014-4 *Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation* [AASB 116 & AASB 138] – The objective of this Standard is to make amendments to:
 - (a) AASB 116 *Property, Plant and Equipment*; and
 - (b) AASB 138 *Intangible Assets*;

as a consequence of the issuance of International Financial Reporting Standard *Clarification of Acceptable Methods of Depreciation and Amortisation* (Amendments to IAS 16 and IAS 38) by the International Accounting Standards Board in May 2014. There will be no financial impact.

- 2014-8 Amendments to Australian Accounting Standards arising from AASB 9 (December 2014) – Application of AASB 9 (December 2009) and AASB 9 (December 2010) [AASB 9 (2009 & 2010)] – The objective of this Standard is to make amendments to:

- (a) AASB 9 *Financial Instruments* (December 2009); and
- (b) AASB 9 *Financial Instruments* (December 2010);

as a consequence of the issuance of AASB 9 *Financial Instruments* in December 2014. There will be no financial impact.

- 2015-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101 [AASB 7, AASB 101, AASB 134 & AASB 1049] – The objective of this Standard is to make amendments to various standards (as noted) as a consequence of the issuance of International Financial Reporting Standard Disclosure Initiative (Amendments to IAS 1) by the International Accounting Standards Board in December 2014, and to make an editorial correction. The potential financial impact of the Standard has not yet been determined however it is unlikely to have a material impact.
- 2015-3 Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 *Materiality* – The objective of this Standard is to affect the withdrawal of AASB 1031 *Materiality* and to delete references to AASB 1031 in the Australian Accounting Standards, as set out in paragraph 13 of this Standard. There will be no material financial impact.
- 2015-6 Amendments to Australian Accounting Standards – *Extending Related Party Disclosures to Not-for-Profit Public Sector Entities* – The objective of this Standard is to extend the scope of AASB 124 *Related Party Disclosures* to include not-for-profit public sector entities. There will be no material financial impact.

1.6 Income from Transactions

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

(a) Revenue from Government

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

(b) User Charges

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

(c) Other revenue

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

1.7 Expenses from Transactions

Expenses are recognised in the Statement of Profit or Loss and Other 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 periods 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 periods are:

Leased buildings

– 144 Macquarie Street, Hobart	6 years
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Leased buildings

– Launceston	12 years
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(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 effect on the estimated future cash flows of that asset.

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

All impairment losses are recognised in the Statement of Profit or Loss and Other Comprehensive Income.

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

(c) Impairment – Non financial assets

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

All impairment losses are recognised in Statement of Profit or Loss and Other Comprehensive Income.

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

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

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

1.9 Assets

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

(a) Cash and deposits

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

(b) Receivables

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

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

(c) Work in progress

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

(d) Leasehold improvements, plant and equipment

(i) Valuation basis

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

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

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

(ii) Subsequent costs

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

(iii) Asset recognition threshold

The asset capitalisation threshold adopted by the Office is \$5 000. Assets valued at less than \$5 000 are charged to the Statement of Profit or Loss and Other Comprehensive Income in the year of purchase.

(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 2015.

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

(d) Superannuation

(i) Defined contribution plans

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

(ii) Defined benefit plans

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

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

(e) Revenue Received in Advance

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

1.11 Leases

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

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. Details of significant accounting judgements are included in Note 5.

1.14 Budget Information

Budget information refers to original estimates as disclosed in the 2014-15 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 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 (ATO). Receivables and payables are stated inclusive of GST. The net amount recoverable, or payable, to the ATO is recognised as an asset or liability within the Statement of Financial Position.

In the Statement of Cash Flows, the GST component of cash flows arising from operating, investing or financing activities which is recoverable from, or payable to, the 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 a single output called Public Sector Management and Accountability to fulfil its Outcome Statement of ensuring that it provides independent assurance to the Parliament and community on the performance and accountability of the Tasmanian Public Sector. The summary of budgeted and actual revenues and expenses for this Output are the same as in the Statement of Profit or Loss and Other Comprehensive Income. Therefore, the inclusion of a separate Output Schedule is not necessary.

Explanations of material variances between budget and actual outcomes are provided in Note 3 below. A reconciliation of the net result of the Output Group to the net surplus on the Statement of Profit or Loss and Other 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 \$100 000.

The Statement of Profit or Loss and Other Comprehensive Income note 3.1 and Statement of Cash Flows note 3.3 include a revised budget column which depicts a change in allocation from the original budget as published in the Budget Papers where applicable. These changes were made to reflect actual anticipated cost allocations. The variance explanations are based upon original budget compared with actuals.

3.1 Statement of Profit or Loss and Other Comprehensive Income

	Note	Budget \$'000	Actual \$'000	Variance \$'000	Variance %
Appropriation revenue – RBL	(a)	544	437	107	20
Audit contractors	(b)	1 115	1 556	(441)	(40)
Supplies and consumables	(c)	1 133	1 022	111	10
Other expenses	(c)	25	335	(310)	(1 240)

Notes to Statement of Profit or Loss and Other Comprehensive Income variances

(a) Appropriation revenue – RBL is provided to fund the salary and on-costs of the Auditor-General. For 2014-15, the jurisdictions on which the Auditor-General salary is determined did not provide increases for their respective positions. Therefore the Auditor-General received a very slight increase in salary in July 2014 and did not utilise the allocation for RBL funding.

(b) Audit contractors increased as a result of additional work being undertaken and changes to the portfolio of outsourced audits.

(c) Supplies and consumables are lower than expected as a result of the Service Level Agreement (SLA) costs being budgeted in supplies and consumables rather than other expenses. This then would have made supplies and consumables over budget which reflects a slight increase in expenditure for Integrated Public Sector Auditing Methodology (IPSAM) and TRIM records management information system licence and support agreements that weren't budgeted. Other expenses would then be within budget materiality parameters.

3.2 Statement of Financial Position

Budget estimates for the 2014-15 Statement of Financial Position were compiled prior to the completion of the actual outcomes for 2013-14. As a result, the actual variance from the Original Budget estimate will be impacted by the difference between estimated and actual opening balances for 2014-15. The following variance analysis therefore includes major movements between the 30 June 2014 and 30 June 2015 actual balances.

	Note	Budget \$'000	2014 Actual \$'000	2015 Actual \$'000	Budget Variance \$'000	Actual Variance \$'000
Cash and deposits	(a)	1 492	2 071	2 078	586	7
Receivables and work in progress	(b)	683	888	1 042	359	154
Employee benefits	(c)	925	1 147	1 331	(406)	(184)
Accumulated surplus/(deficit)	(a)	(4)	568	627	631	59

Notes to Statement of Financial Position variances

3.2 Statement of Financial Position budget is formulated without regard to the actual financial position at any one point in time. It has historically understated the changes in cash and equity.

(a) The increase in cash and deposits was mainly due to unanticipated savings obtained in relation to the timing of staff recruitment. The cash and deposits improvement is also reflected in the better than anticipated accumulated surplus/(deficit) of \$631 000.

The budget for both cash and deposits and accumulated surplus/(deficit) does not properly reflect significantly improved financial performance and cash flow management in the past two financial years which includes 2014-15. Details are:

- Net surpluses of \$612 000
- Operating cash flows of \$844 000

(b) Receivables and work in progress balances are greater than expected as a result of increased billing being conducted in June 2015 due to a delay in the progress of financial audit activities.

(c) The variance in employee benefits represents entitlements that were not accurately budgeted for and thus not taking into account the changing profile of the office. More detailed budget analysis and amendments have been undertaken for the 2015-16 budget year.

3.3 Statement of Cash Flows

	Note	Budget \$'000	Actual \$'000	Variance \$'000	Variance %
Appropriation receipts - RBL	(a)	544	437	(107)	(20)
GST Receipts	(b)	639	919	280	44
Employee benefits	(c)	5 210	4 494	716	14
GST payments	(b)	639	881	(242)	(38)
Audit contractors	(d)	1 280	1 604	(324)	(25)
Supplies and consumables	(e)	972	845	127	13
Other cash payments	(f)	25	516	(491)	(1 964)
Payments for acquisition of non-financial assets	(g)	81	230	(149)	(184)

Notes to Statement of Cash Flows variances

(a) See note 3.1(a)

(b) GST Receipts and GST payments are both over budget as a result of additional audit work being undertaken by external audit contractors leading to increased audit fees being received.

(c) Employee benefits are lower than expected due to staff illness and staff positions not being filled as soon as expected in the financial year. Positions were filled in March 2015.

(d) See note 3.1(b)

(e) See note 3.1(c)

(f) See note 3.1(c)

(g) The increase in payments for acquisition of non-financial assets reflects some of the refurbishment of Level 8, 144 Macquarie Street. These payments were not included in the budget figures as their costs were unknown at the time.

NOTE 4 EVENTS OCCURRING AFTER BALANCE DATE

There have been no events subsequent to balance date which would have a material effect on the Office's Financial Statements as at 30 June 2015.

NOTE 5 SIGNIFICANT ACCOUNT JUDGEMENTS

Judgements made by the Office that have significant effects on the Financial Statements are disclosed below:

- Carrying amount of receivables (refer Note 1.9(b), 9.1);
- Carrying amount of work in progress (refer Note 1.9(c), 9.1);
- Payables (refer Note 1.10(a), 10.1);
- Provisions for employee benefits (refer Note 1.10(c), 10.2);
- Revenue received in advance (refer Note 1.10(e), 10.4); and
- Depreciation and amortisation rates (refer Note 1.7(b), 7.2(a), 7.2(b)).

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.

NOTE 6 INCOME FROM TRANSACTIONS

6.1 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.

	2015 Budget \$'000	2015 Actual \$'000	2014 Actual \$'000
Revenue from Government			
Appropriation revenue – recurrent	1 662	1 732	1 778
Items Reserved by Law – Auditor General’s salary and associated allowances	544	437	455
Total	2 206	2 169	2 233

6.2 User Charges

	2015 \$'000	2014 \$'000
Financial Audit Services	5 356	5 329
Total	5 356	5 329

6.3 Other Revenue

	2015 \$'000	2014 \$'000
Reserved by law – Auditor-General leave provisions	41	(14)
Performance audits of employer functions	106	167
Miscellaneous	111	70
Total	258	223

NOTE 7 EXPENSES FROM TRANSACTIONS

7.1 Employee Benefits

(a) Employee expenses

	2015	2014
	\$'000	\$'000
Wages and salaries	4 042	3 820
Superannuation – defined contribution scheme	354	306
Superannuation – defined benefit scheme	115	147
Other employee expenses	173	80
Total	4 684	4 353

Superannuation expenses relating to defined benefits schemes relate to payments into the Consolidated Fund. The amount of the payment is based on an employer contribution rate determined by the Treasurer, on the advice of the State Actuary. The current employer contribution is 12.75 per cent (2014: 12.5 per cent) of salary.

Superannuation expenses relating to defined contribution schemes are paid directly to the relevant superannuation fund at a rate of 9.5 per cent (2014: 9.25 per cent) of salary. In addition, the Office is also required to pay to Treasury a “gap” payment equivalent to 3.5 per cent of salary in respect of employees who are members of the contribution schemes.

(b) Remuneration of Key management personnel

2015	Short-term benefits		Long-term benefits			Total
	Salary	Other Benefits	Super-annuation	Long Service Leave	Termination Benefits	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Key management personnel						
H M Blake, Auditor-General	349	32	52	19	-	452
E R De Santi, Deputy Auditor-General/Chief Operating Officer	186	22	24	11	-	243
P R Johnson, Director – Corporate Support Services	110	1	10	1	-	122
G A Driscoll, Assistant Auditor-General – Performance Audit Services (to 31/12/2014)	79	7	10	2	-	98
J J Tongs, Technical and Quality Director (to 31/12/2014)	71	6	9	2	-	88
J K Dean, Assistant Auditor-General – Financial Audit Services (to 31/12/2014)	77	6	7	2	-	92
Total	872	74	112	37	-	1 095

2014	Short-term benefits		Long-term benefits			Total
	Salary	Other Benefits	Super-annuation	Long Service Leave	Termination Benefits	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Key management personnel						
H M Blake, Auditor-General	326	18	53	11	-	408
E R De Santi, Deputy Auditor-General/Chief Operating Officer	190	34	30	8	-	262
P R Johnson, Director – Corporate Support Services	108	2	10	3	-	123
G A Driscoll, Assistant Auditor-General – Performance Audit Services	144	-	18	9	-	171
J J Tongs, Technical and Quality Director	144	2	17	2	-	165
J K Dean, Assistant Auditor-General – Financial Audit Services	147	2	13	8	-	170
Total	1 059	58	141	41	-	1 299

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the agency, directly or indirectly.

Remuneration during 2014-15 for key personnel is set by the *Audit Act 2008* for the Auditor-General, and the *State Service Act 2000* for all other personnel. Remuneration and other terms of employment are specified in employment contracts and awards. Remuneration includes salary, motor vehicle and other non-monetary benefits. Long term employee expenses include long service leave, superannuation obligations and termination payments. Short-term benefits include motor vehicle and car parking fringe benefits in addition to annual leave and any other short term benefits. Fringe benefits have been reported at the grossed up reportable fringe benefits amount. The Fringe Benefits Tax (FBT) year runs from 1 April to 31 March each year, any FBT attributable to key management personnel is reported on that basis.

Acting Arrangements

When members of key management personnel are unable to fulfil their duties, consideration is given to appointing other members of senior staff to their position during their period of absence. Individuals are considered members of key management personnel when acting arrangements are for more than a period of one month. There were no acting arrangements for key management personnel in excess of one month during 2014-15.

Changes in Key Management Personnel in 2014-15

An internal management restructure took place during 2014-15 and from 1 January 2015, the Assistant Auditors General Performance Audit Services and Financial Audit Services and the Technical and Quality Director are no longer considered to be key management personnel. As a result, their 2014-15 remuneration is included up until 31 December 2014.

7.2 Depreciation and Amortisation

(a) Depreciation

	2015 \$'000	2014 \$'000
Computer equipment – hardware	15	16
Office equipment, furniture and fittings	3	–
Total	18	16

(b) Amortisation

	2015 \$'000	2014 \$'000
Intangibles – computer software	7	12
Leasehold improvements	99	83
Lease make-good	3	2
Total	109	97
Total depreciation and amortisation	127	113

7.3 Supplies and Consumables

	2015 \$'000	2014 \$'000
Audit fees – financial audit and review of key performance report	21	16
Audit fees – internal audit	48	40
Operating lease costs	385	371
Consultants	56	20
Property services	92	85
Communications	13	15
Information technology	208	152
Travel and transport	116	101
Printing	13	45
Plant and Equipment	27	34
Office Requisites	28	35
Other supplies and consumables	15	14
Total	1 022	928

7.4 Other Expenses

	2015	2014
	\$'000	\$'000
Salary on-costs	25	18
Corporate support provided by the Department of Justice	247	250
Finance Cost (unwinding of Make-good)	1	1
IT Audit contractors	25	-
Property insurance	8	8
Other Expenses	29	67
Total	335	344

NOTE 8 OTHER ECONOMIC OUTFLOWS INCLUDED IN NET RESULT

8.1 Net Loss on Non-financial Assets

	2015	2014
	\$'000	\$'000
Gain on disposal of computer equipment	-	1
Total net loss on non-financial assets	-	1

NOTE 9 ASSETS

9.1 Receivables and work in progress

	2015	2014
	\$'000	\$'000
User charges	494	503
Work in progress	393	271
Reserved by law – Auditor-General long service leave receivable	155	114
Total	1 042	888
Settled within 12 months	1 042	774
Settled in more than 12 months	-	114
Total	1 042	888

9.2 Leasehold Improvements, Plant and Equipment

(a) Carrying amount

	2015 \$'000	2014 \$'000
Computer equipment - hardware		
At cost	46	46
Less: Accumulated depreciation	(46)	(31)
Total	-	15
Office equipment, furniture and fittings		
At cost	24	13
Less: Accumulated depreciation	(3)	-
Total	21	13
Leasehold improvements		
At cost	720	500
Less: Accumulated amortisation	(483)	(384)
	237	116
Work in progress (at cost)	6	-
Total	243	116
Total leasehold improvements, plant and equipment	264	144

(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.

2015	Computer equipment \$'000	Office equipment, furniture and fittings \$'000	Leasehold improvements \$'000	Total \$'000
Carrying value at 1 July	15	13	116	144
Additions	-	11	220	231
Net movements in work in progress	-	-	6	6
Depreciation and amortisation	(15)	(3)	(99)	(117)
Carrying value at 30 June	-	21	243	264

2014	Computer equipment \$'000	Office equipment, furniture and fittings \$'000	Leasehold improvements \$'000	Total \$'000
Carrying value at 1 July	31	-	199	230
Additions	-	13	-	13
Depreciation and amortisation	(16)	-	(83)	(99)
Carrying value at 30 June	15	13	116	144

9.3 Intangibles

(a) Carrying amount

	2015 \$'000	2014 \$'000
Intangibles with a finite useful life		
Software at cost	52	52
Less: Accumulated amortisation	(44)	(37)
Total intangibles	8	15

(b) Reconciliation of movements

	2015 \$'000	2014 \$'000
Carrying amount at 1 July	15	18
Additions	-	9
Amortisation expense	(7)	(12)
Carrying amount at 30 June	8	15

9.4 Other Assets

(a) Carrying amount

	2015 \$'000	2014 \$'000
Other current assets		
Prepayments	32	24
Total	32	24
Other non-current assets		
Lease make-good	-	16
Less: Accumulated amortisation	-	(14)
Total	-	2
Utilised within 12 months	32	26
Total other assets	32	26

(b) Reconciliation of movements in lease make-good

	2015 \$'000	2014 \$'000
Carrying amount at 1 July	3	5
Amortisation expense	(3)	(2)
Carrying amount at 30 June	-	3

The lease make-good was wound up in June 2015 when the Office moved to new leased accommodation at Level 8, 144 Macquarie Street Hobart. Refer to Note 10.3 for details.

NOTE 10 LIABILITIES

10.1 Payables

	2015 \$'000	2014 \$'000
Creditors	85	134
Total	85	134
Settled within 12 months	85	134
Total	85	134

Settlement is usually made within 30 days.

10.2 Employee Benefits

	2015	2014
	\$'000	\$'000
Accrued salaries	159	119
Annual leave	265	251
Long service leave	754	628
Superannuation	149	145
State service accumulated leave scheme	4	4
Total	1 331	1 147
Settled within 12 months	580	419
Settled in more than 12 months	751	728
Total	1 331	1 147

10.3 Provisions

(a) Carrying amount

	2015	2014
	\$'000	\$'000
Provision for lease make-good	-	19
Total	-	19
Settled within 12 months	-	19
Total	-	19

(b) Reconciliation of movements in provisions

	2015	2014
	\$'000	\$'000
Balance at 1 July	19	19
Increases	1	-
Wind up of provision	(20)	-
Balance at 30 June	-	19

The lease make-good provision provides for work to be carried out at the expiry of the lease period to restore the premises to the original condition prior to fit out by the Office. This lease expired in June 2015, with the Office moving to new accommodation in Hobart, as a result, the provision was wound up in June 2015, when the Office's lease expired. The new Hobart accommodation lease does not contain a requirement to make good upon completion of the lease, as a result, no provision is required at 30 June 2015.

10.4 Other Liabilities

	2015	2014
	\$'000	\$'000
Other liabilities		
Revenue received in advance	155	101
GST liability	58	7
Total	213	108
Settled within 12 months	213	108
Total	213	108

NOTE II COMMITMENTS AND CONTINGENCIES

II.1 Schedule of Commitments

	2015	2014
	\$'000	\$'000
By type		
<i>Lease Commitments</i>		
Operating leases	1 281	697
<i>Total lease commitments</i>	1 281	697
<i>Other commitments</i>		
Contract Audits	2 343	1 259
SLA with Department of Justice	-	283
Other commitments	75	75
<i>Total other commitments</i>	2 418	1 617
Total by type	3 699	2 314
By maturity		
<i>Operating lease commitments</i>		
One year or less	67	752
From one to five years	1 120	303
More than five years	94	-
<i>Total operating lease commitments</i>	1 281	1 055
<i>Other commitments</i>		
One year or less	1 188	817
From one to five years	1 230	442
<i>Total other commitments</i>	2 418	1 259
Total	3 699	2 314

(a) Operating Leases

Operating leases relate to Office accommodation and motor vehicles. For Launceston Office accommodation the remaining lease term is three years, with an option to extend for a further 10 years. For Hobart Office accommodation the remaining lease term is six years after the relocation from Level 4, 15 Murray Street to Level 8, 144 Macquarie Street. For one year, starting 1 July 2015 the Office will not pay rent for this lease as agreed with the Department of Premier and Cabinet however, the lease expense will be recorded based on the saving across the life of the lease. All operating lease contracts contain certain market review clauses. The motor vehicle leases are governed by the Government's contract where vehicles are leased and replaced. Motor Vehicle Lease Commitments have been calculated based on the lease agreements entered into by the Office as at 30 June 2015 and the value and remaining term of the outstanding lease payments. All amounts shown are inclusive of GST.

(b) Other Commitments

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

NOTE 12 CASH FLOW RECONCILIATION

12.1 Cash and Deposits

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

	2015	2014
	\$'000	\$'000
Special Deposits and Trust Fund balance		
Special Deposits and Trust Account T644	2 078	2 071
Total cash and deposits	2 078	2 071

12.2 Reconciliation of Net Result to Net Cash from Operating Activities

	2015	2014
	\$'000	\$'000
Net result from transactions	59	552
Depreciation and amortisation	127	113
Decrease (increase) in Receivables and work in progress	(162)	(52)
Decrease (increase) in Prepayments	(8)	(26)
Increase (decrease) in Tax Liabilities	51	(3)
Increase (decrease) in Employee entitlements	184	180
Increase (decrease) in Payables	(49)	43
Increase (decrease) in Provisions	(19)	-
Increase (decrease) in Other liabilities	54	(200)
Net cash from/(used in) operating activities	237	607

NOTE 13 FINANCIAL INSTRUMENTS

13.1 Risk Exposures

(a) Risk management policies

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

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

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

(b) Credit risk exposures

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

Financial Instrument	Accounting and strategic policies (including recognition criteria, measurement basis and credit quality of instrument)	Nature of underlying instrument (including significant terms and conditions affecting the amount. Timing and certainty of cash flows)
----------------------	--	---

Financial Assets

Receivables and work in progress	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 2015, however 99.2% 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 2015.	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 24 separate debtors, with four 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 2015 but not impaired			
	Past due 30 days \$'000	Past due 60 days \$'000	Total \$'000
User charges	24	-	24
Total	24		24

Analysis of financial assets that are past due at 30 June 2014 but not impaired			
	Past due 30 days \$'000	Past due 60 days \$'000	Total \$'000
User charges	-	4	4
Total	-	4	4

(c) Liquidity risk

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

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

Financial Instrument	Accounting and strategic policies (including recognition criteria and measurement basis)	Nature of underlying instrument (including significant terms and conditions affecting the amount. Timing and certainty of cash flows)
Financial Liabilities		
Payables	The Office's Business Plan critical success factor of sustainable business performance is supported by the key performance measure of maintaining a positive cash balance of \$200 000, in order to have sufficient liquidity to meet its liabilities when they fall due. This target was met at 30 June 2015.	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:

2015

	Maturity analysis for financial liabilities		
	1 Year	Undiscounted Total	Carrying Amount
	\$'000	\$'000	\$'000
Financial liabilities			
Payables	85	85	85
Total	85	85	85

2014

	Maturity analysis for financial liabilities		
	1 Year	Undiscounted Total	Carrying Amount
	\$'000	\$'000	\$'000
Financial liabilities			
Payables	134	134	134
Total	134	134	134

(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. As of 30 June 2015, the Office does not have any interest bearing assets or liabilities. As a result, its exposure to market risk is minimal.

13.2 Categories of Financial Assets and Liabilities

	2015	2014
	\$'000	\$'000
Financial assets		
Cash and cash equivalents	2 078	2 071
Receivables and work in progress	1 042	888
Total	3 120	2 959
Financial Liabilities		
Payables	85	134
Total	85	134

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

	Carrying Amount 2015	Net Fair Value 2015	Carrying Amount 2014	Net Fair Value 2014
	\$'000	\$'000	\$'000	\$'000
Financial assets				
Cash in Special Deposits and Trust Fund	2 078	2 078	2 071	2 071
Receivables and work in progress	1 042	1 042	888	888
Total financial assets	3 120	3 120	2 959	2 959
Financial liabilities (Recognised)				
Payables	85	85	134	134
Total financial liabilities (Recognised)	85	85	134	134

13.4 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 of payables approximate by their carrying amounts.

NOTE 14 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. Hayes Knight Audit Pty Ltd were appointed in 2014 for a period of up to five years.

	2015	2014
	\$'000	\$'000
Financial audit fees	17	13
Fee to review key performance indicator report	4	3
Total	21	16

NOTE 15 PRINCIPAL ADDRESS AND REGISTERED OFFICE

Level 8

144 Macquarie St

Hobart TASMANIA 7000

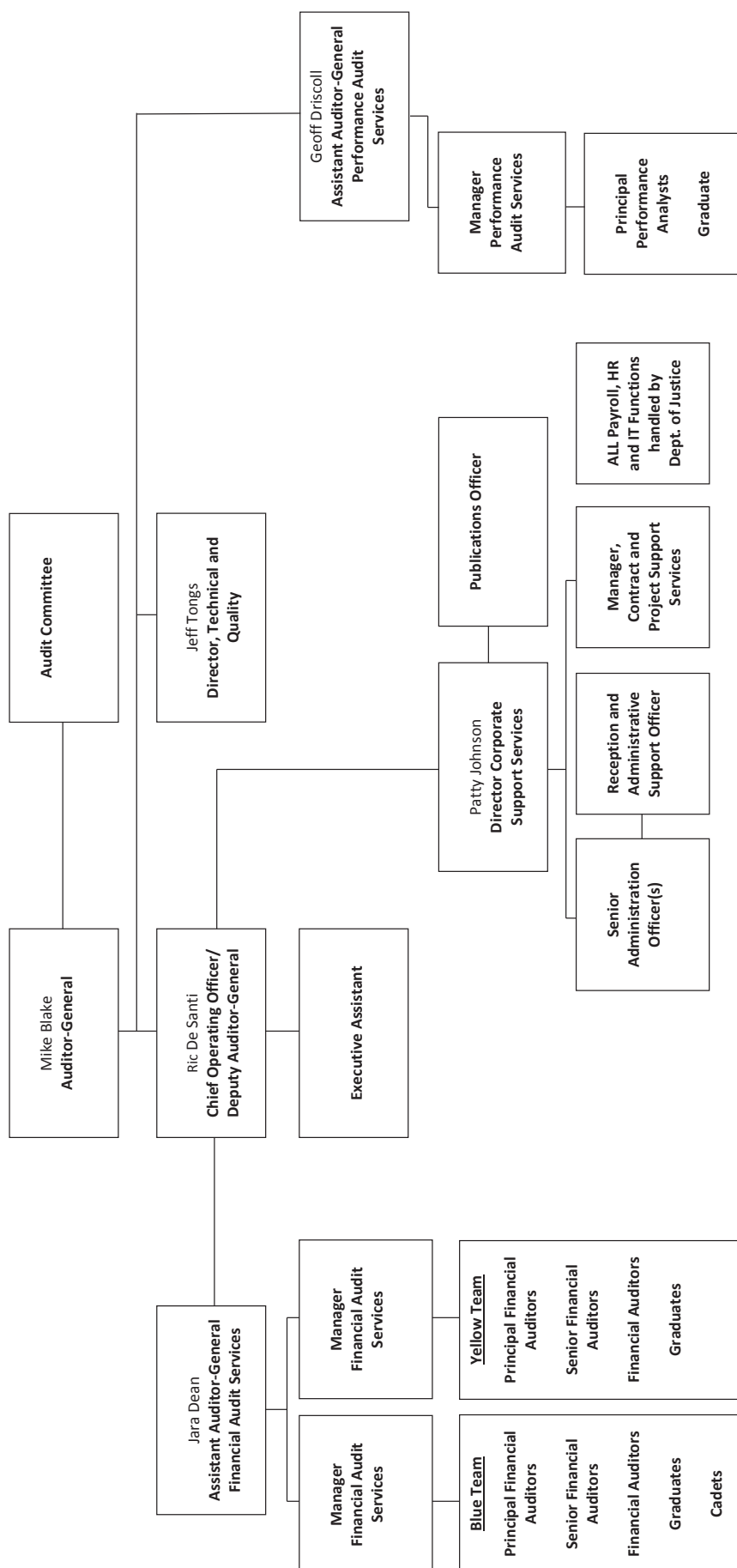
APPENDICES

Organisational chart	110
Corporate governance framework	111
Composition of office committees	117
Service on other committees	118
List of clients and audits during 2014-15	119
External audit service providers	125
Asset management, risk and pricing policy, and government procurement	127
Superannuation declaration	130
Recent publications	131
Compliance index and disclosure requirements	132
Acronyms and abbreviations	137
Index	139



Principal Performance Analyst Danny Moore, **Assistant Auditor-General – PAS** Geoff Driscoll, **and**
Manager PAS Simon Andrews

APPENDIX I: ORGANISATIONAL CHART



Organisational Chart
July 2015

APPENDIX 2: CORPORATE GOVERNANCE FRAMEWORK

ASX GOVERNANCE PRINCIPLES

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

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

This is addressed by the existence of the Audit Committee (refer to committees on page 22) whose role is to provide independent assurance and assistance to the Auditor-General on the Office's governance, risk, control, and compliance framework, its external accountability responsibilities and in meeting the Office's corporate objectives.

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

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

The Auditor-General is supported by:

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

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

The main responsibilities of SEMG are satisfied by:

- SEMG meetings – these are held on a regular basis usually once every month or whenever a need arises. Meetings are arranged administratively by the COO who will arrange an agenda, together with papers concerning items for discussion and minutes of discussions and actions
- items reviewed at each meeting include but are not limited to financial results for the period, performance against budgets, TAO and business unit objectives, reports from Business Unit Heads, risk management, workplace health and safety matters, continuous improvement registers, achievements against governance responsibilities and discussion on strategic matters
- discussions and decisions regarding recruitment, policy development, business cases and capital expenditure.

Outcomes from deliberations by SEMG are communicated to all staff via communiqués issued bi-monthly.

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

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

For all major projects, as determined by SEMG, a project team is established to provide oversight or progress and ensure that project deliverables are met. Project managers will report back to SEMG as per the project's communication strategy.

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

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

This principle is achieved by TAO implementing:

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

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

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

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

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

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

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

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

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

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

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

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

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

- the Auditor-General

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

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

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

- the Auditor-General will:
 - offer to meet with Members of Parliament from time to time (not less than biennially) to, amongst other things, gauge their assessment of our performance and assess their views on projects undertaken and reports tabled
 - meet with the Premier, Treasurer and Leaders of the Opposition parties biennially for the same reason
 - conduct independent surveys of Parliamentarians and Agencies aimed at assessing our performance
 - comply with the informal memorandum of understanding with the PAC aimed at maintaining and improving respective understanding each other's roles and improving public sector accountability
 - meet with Secretaries, CEOs and equivalent levels of management in Councils and other State entities from time to time to, amongst other things, gauge their assessment of our performance
 - meet with relevant media at least annually
 - meet with other interest groups as decided from time to time
 - meet with other Auditors-General at least biennially.
- The COO and heads of the FAS and PAS business units will:
 - meet with senior client management, including those charged with governance, as appropriate. The objectives will be to ensure strong understanding of client operations, effectively planned and completed audits and management of risk. Relevant surveys will be conducted from time to time
 - present audit findings to the appropriate forums including to Parliamentarians
 - meet with relevant media from time to time
 - arrange client training forums as required
 - arrange forums with members of audit committees from time to time.
- the Director, CSS, where relevant, and subject to advance approval of the COO, will participate in state-wide committees established to consider, review and manage corporate policies in the General Government Sector. Where such involvement may prejudice the Office's independence, approval will not be granted.
- the Assistant Auditor-General, FAS will also:
 - meet with contracted auditors as appropriate.
- In addition, the Office will:
 - on each occasion that plans for a FAS special project or a PAS audit are finalised, place such plans on the Office's website

- on each occasion that a FAS or PAS report is tabled in the Parliament, offer to brief Parliamentarians on those reports and issue a media statement
- all reports and media statements are placed on our website.

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

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

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

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

These processes resulted in:

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

The TAO manages these risks in the following manner by:

- structuring SEMG agendas to include a focus on managing identified risks
- regularly re-assessing our performance in managing risks and our rating of risks
- allocating risk management responsibilities
- requiring Business Units to take responsibility for risks relevant to them by including these in annual business plans
- including in the Charter of the Audit Committee a requirement for it to review TAO's risk management practices and its risk based internal audit program
- including in the three year internal audit program a requirement for TAO's internal auditor to assess our progress in managing risks
- requiring heads of business units to certify annually to the Auditor-General that they have complied with allocated responsibilities relating to managing risk
- including in TAO's annual report a summary of our risk management policies and any outcomes there-from.

In addition to the risk management policies and practices outlined, the COO and Director, CSS are required to:

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

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

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

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

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

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

APPENDIX 3: COMPOSITION OF OFFICE COMMITTEES (as at 30 June 2015)

STRATEGIC EXECUTIVE MANAGEMENT GROUP AND REMUNERATION COMMITTEE

The members of the committee are:

- Ric De Santi – Chair, Remuneration Committee
- Patty Johnson
- Mike Blake – Chair, Strategic Executive Management Group

PROCUREMENT REVIEW COMMITTEE

The members of the committee are:

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

EXECUTIVE MANAGEMENT GROUP

The members of the group are:

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

This group was disbanded in January 2015

STRATEGIC LEADERSHIP GROUP

The members of the group are:

- Mike Blake – Chair
- Ric De Santi
- Geoff Driscoll
- Geoff Fisher (Retired in 2015)
- Simon Andrews
- Jeff Tongs
- Jara Dean
- Anthony Knight
- Robert Luciani
- Patty Johnson

This committee was disbanded in January 2015

APPENDIX 4: SERVICE ON OTHER COMMITTEES

As at 30 June 2015, our executive staff/managers were members of the following committees, professional associations, panels, working parties and community organisations:

MIKE BLAKE

- Australasian Council of Auditors-General (ACAG) - member
- National Board of Chartered Accountants Australia and New Zealand – member and chair of the Audit and Risk Committee
- Integrity Commission – ex-officio member
- Member of the Australian Accounting Standards Board from 1 January 2015
- Treasurer (honorary) of St George's Anglican Church, Battery Point
- Latrobe University - Centre for Public Sector Governance, Accountability and Performance – advisory board member
- Diocesan Remuneration Commission – member
- St Michael's Collegiate School – board member and member of the Finance and Audit Committee

RIC DE SANTI

- ACAG – Financial Reporting and Auditing Committee (FRAC) – Tasmanian representative
- ACAG – FRAC Heads of Financial Audit Group – TAO representative
- CPA Australia – Public Sector Network – Tasmanian representative
- CPA Australia – External Reporting Centre of Excellence – member
- Tasmanian Catholic Education Office (TCEO) – Commissioner and Chair of Finance Committee

PATTY JOHNSON

- Procurement Reference Group – State Government
- State Service Management Office (SSMO) Representative – vacancy control, HR managers, IR Practitioners Network

JARA DEAN

- ACAG – FRAC Heads of Financial Audit Group – Tasmanian Audit Office representative

JEFF TONGS

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

SIMON ANDREWS

- St Aloysius Catholic College Advisory Board – Deputy Chair

ROB LUCIANI

- CPA Australia – Tasmanian Divisional Council – Councilor since Dec 2014, President 2014
- Launceston City Soccer Club – Treasurer

APPENDIX 5: LIST OF CLIENTS DURING 2014-15

STATE ENTITIES – EFFECTIVE AT 30 JUNE 2015

Executive and Legislature

Office of the Governor

House of Assembly

Legislative Council

Legislature-General

MINISTERIAL DEPARTMENTS (INCLUDING ADMINISTERED ACTIVITIES)

Department of State Growth including

Abt Railway Ministerial Corporation

Intelligent Island**

Tasmania Development and Resources

Tasmanian Museum and Art Gallery

Department of Education

Australian Vocational Education and Training Management Information
Statistical Standard (AVETMIS)**

Department of Health and Human Services including

Aged care financial report**

Ambulance Tasmania

Housing Tasmania

Mersey Community Hospital**

Tasmanian Affordable Housing Limited

Tasmanian Health Organisation North (Tasmanian Health Service with effect
from 1 July)

Tasmanian Health Organisation North West

Tasmanian Health Organisation South

Tasmanian State Pool Account

Department of Justice

Department of Police and Emergency Management

Department of Premier and Cabinet including

Tasmanian Early Years Foundation

Department of Primary Industries, Parks, Water and Environment

Department of Treasury and Finance including

Finance General

Treasurer's Annual Financial Report

General Government Sector Financial Statements

Public Account Statements

Total State Sector 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 benefit of wind farms

AETV Pty Ltd*

Bell Bay Power Pty Ltd*

Bell Bay Three Pty Ltd*

Entura Hydro Tasmania India Pty Ltd*

Hydro Tasmania Consulting (Holding) Pty Ltd*

Hydro Tasmania South Africa (Pty) Ltd*

HT Wind Developments Pty Ltd*

HT Wind Operations Pty Ltd*

Lofty Ranges Power Pty Ltd*

Momentum Energy Pty Ltd

RE Storage Holding Pty Ltd*

Macquarie Point Development Authority

Motor Accidents Insurance Board

Port Arthur Historic Site Management Authority

Private Forests Tasmania

Public Trustee

Tasmanian Public Finance Corporation

STATE OWNED COMPANIES

Aurora Energy Pty Ltd

Metro Tasmania Pty Ltd

Metro Coaches (Tas) Pty Ltd*

Tasmanian Irrigation Pty Ltd

Tasmanian Ports Corporation Pty Ltd

Flinders Island Ports Corporation Pty Ltd*

King Island Ports Corporation Pty Ltd*

Tasmanian Railway Pty Ltd

Tasmanian Networks Pty Ltd

Auroracom Pty Ltd*

Ezikey Group Pty Ltd *

Tasracing Pty Ltd

TT Line Company Pty Ltd

LOCAL GOVERNMENT COUNCILS

Break O'Day Council

Brighton Council

Brighton Industrial and Housing Corporation Pty Ltd

Microwise Australia Pty Ltd

Burnie City Council

Burnie Airport Corporation Unit Trust

Tas 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
 Kingborough Waste Service Pty Ltd*
Latrobe Council
Launceston City Council
 York Park and Inveresk Precinct Authority
 Launceston Flood Authority
Meander Valley Council
Northern Midlands Council
Sorell Council
Southern Midlands Council
 Heritage Building Solutions Pty Ltd*
 Heritage Education and Skills Centre Pty Ltd*
Tasman Council
Waratah-Wynyard Council
West Coast Council
West Tamar Council

LOCAL GOVERNMENT 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 Inc.
Southern Tasmanian Councils Association
Southern Waste Strategy Authority

LOCAL GOVERNMENT CORPORATIONS

Tasmanian Water and Sewerage Corporation Pty Ltd

OTHER STATE ENTITIES

Aboriginal Land Council of Tasmania

ANZAC Day Trust
 Asbestos Compensation Fund
 Board of Architects of Tasmania★
 Brittons Swamp District Water Board★
 Brittons Swamp Drainage Trust★
 Council of Law Reporting
 Egg Lagoon Drainage Trust★
 Elizabeth Macquarie Irrigation Trust★
 Forest Practices Authority
 Forthside Irrigation Water Trust★
 Integrity Commission
 Inland Fisheries Service
 Lake Nowhere-Else Dam / Whitemark Creek Irrigation Trust★
 Lawrenny Irrigation Trust★
 Legal Aid Commission of Tasmania
 Legal Profession Board
 Lower Georges River Works Trust★
 Marine and Safety Tasmania
 Mowbray Swamp Drainage Trust★
 National Trust of Australia (Tasmania)
 Office of the Director of Public Prosecutions
 Office of the Ombudsman and Health Complaints Commissioner
 Property Agents Board
 Property Agents Trust
 River Clyde Trust
 Retirement Benefits Fund Board
 RBF Financial Planning Pty Ltd
 RBF Direct Property Pty Ltd★
 RBF Property Pty Ltd★
 Richmond Irrigation Trust★
 Royal Tasmanian Botanical Gardens
 Schools Registration Board of Tasmania★
 Solicitors' Trust
 State Fire Commission

Tasmanian Beef Industry (Research and Development) Trust
Tasmanian Building and Construction Industry Training Board
Tasmanian Community Fund
Tasmanian Dairy Industry Authority
Tasmanian Economic Regulator
Tasmanian Heritage Council
Tasmanian Pharmacy Authority★
Tasmanian Timber Promotion Board★
Tasmanian Wilderness World Heritage Area★★
TasTAFE
Teachers Registration Board
Theatre Royal Management Board
The Nominal Insurer
Togari Drainage Trust★
Tourism Tasmania
University of Tasmania
 AMC Search Ltd
 Sense-Co Tasmania Pty Ltd★
 UTASAT Pty Ltd★
 UTAS Holdings Pty Ltd★
 Higher Education Research Data Collection★★
Wellington Park Management Trust
Workcover Tasmania Board

HONORARY AUDITS

University of Tasmania Foundation Inc.

AUDITS BY ARRANGEMENT

Natural Resource Management – North

★ Audits Dispensed with

★★ Grant Acquittal

APPENDIX 6: EXTERNAL AUDIT SERVICE PROVIDERS

The Office can appoint contractors under Section 33 of the *Audit Act 2008* to provide the following services:

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

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

- BDO – Hobart
- Deloitte – Hobart and Launceston
- Ernst & Young – Melbourne
- Grant Thornton – Melbourne
- Hrantywhere – Hobart and Melbourne
- Bentleys Tasmania – Hobart (Formerly Kaizen Audit & Assurance Pty Ltd Hobart)
- KPMG – Hobart and Launceston
- PricewaterhouseCoopers – Melbourne
- RSM Bird Cameron – Melbourne
- Ruddicks – Launceston
- Synectic Audit and Assurance Pty Ltd – Devonport
- Crowe Horwath – Hobart and Launceston
- Wise Lord & Ferguson – Hobart

The following table sets out the commitments to external audit providers for 2014-15 financial statement audits.

Client	Contractor	Fee (\$'000) ex GST
Aurora Energy Pty Ltd	Ernst & Young	150
West Coast Council	Synectic Audit and Assurance Pty Ltd	19
Tasmanian Networks Pty Ltd	Wise Lord Ferguson	25
Copping Refuse Disposal Site Joint Authority	BDO	9
Glamorgan-Spring Bay Council	Crowe Horwath	25
Tasmanian Public Finance Corporation	Deloitte	101
Cradle Coast Authority	KPMG	10
Department of Police and Emergency Management	KPMG	54
Latrobe Council	KPMG	22
MAIB	RSM Bird Cameron	70
King Island Council	Ruddicks	22
Retirement Benefits Fund Board (including 1 subsidiary)*	Wise Lord Ferguson	194
Hydro Electric Corporation (including 1 subsidiary*, AFSL Licence and Compliance Plan)	Deloitte	332

* Some subsidiaries were dispensed with.

Other official orders entered into during the 2014-15 financial year not associated with financial statement audits:

Audit - Other Contracts Client	Contractor	Fee (\$'000) (excl. GST)
TAO - Actuarial Peer Review of Superannuation Liabilities	Pricewaterhouse Coopers	35
TAO - Valuation Practices for Road Assets	Jeff Roorda and Associates	12
Tasmanian Networks Pty Ltd - Non financial review of RINS	GHD Pty Ltd	50
MAIB - Actuarial Peer Review of Claim Liabilities	Pricewaterhouse Cooper	25
Tasmanian Networks Pty Ltd - Assistance on segment of audit	Ernst & Young	377

Non Audit Contracts Client	Contractor	Fee (\$'000) (excl. GST)
TAO - Tenancy Fitout - Level 8, 144 Macquarie Street, Hobart	Tascon	229
TAO - Workstation Supply and Installation	Bentley House	64

APPENDIX 7: ASSET MANAGEMENT, RISK AND PRICING POLICY, AND GOVERNMENT PROCUREMENT

ASSET MANAGEMENT

The financial statements for 2014–15 are reported on an accrual basis, and contain full details of our assets. Office assets are recorded in accordance with our accounting policies and procedures, and these amounts are disclosed in the statements, together with appropriate policies.

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

Major Capital Projects

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

During 2014–15 the Office relocated from Level 4, 15 Murray Street to Level 8, 144 Macquarie Street. The Office went to tender for the refurbishment works and the provision of workstations.

MANAGING RISK

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

During 2014–15 we continued to monitor our key risks and associated treatment plans. Our key business risks are:

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

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

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

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

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

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

Insurance

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

PRICING POLICIES

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

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

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

GOVERNMENT PROCUREMENT

Support for Local Business

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

The following details are provided in accordance with Treasurer's Instruction 1111 and 1213 for all contracts awarded (excluding consultancies) and tenders called during 2014-15 with values in excess of \$50 000. Note that this table includes the External Audit Provider Panel for which no values have been assigned at 30 June 2015.

Summary of Participation by Local Business
(for contracts, tenders and/or quotation processes with a value of \$50 000 or over, ex GST)

Total number of contracts awarded	18
Total number of contracts awarded to Tasmanian businesses	13
Value of contracts awarded	\$1 725 477
Value of contracts awarded to Tasmanian businesses	\$1 126 695
Total number of tenders called and/or quotation processes run	2
Total number of bids and/or written quotations received	5
Total number of bids and/or written quotations received from Tasmanian businesses	3

Includes official orders and quotations that have been entered into during the 2014-15 financial year from the external audit providers panel as referred in Appendix 6.

Contracts with a value of \$50 000 or over (ex GST) and excluding consultancy contracts

Name of contractor	Location of contractor	Description of contract	Period of contract	Total value of contract \$
Tascon	Hobart	Tenancy Fitout - Level 8, 144 Macquarie Street, Hobart	Completion of report according to specifications	229 120
Bentley House	Hobart	Workstation Supply and Installation	Completion of report according to specifications	64 183
GHD Pty Ltd	Hobart	TasNetworks Non Financial Review of RINS	Completion of report according to specifications	50 000

Consultancies over \$50 000

Nil.

Goods and Services Exemption TI 1107

Nil.

Contract extensions are detailed below and are in accordance with Instruction III5(4)

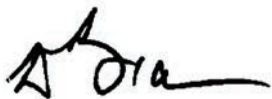
Procurement Complaints

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

APPENDIX 8: SUPERANNUATION DECLARATION

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

- AMP Flexible Lifetime Super
- Australian Super
- HESTA Super Fund
- Host-Plus Superannuation Fund
- Media Super
- MLC Masterkey Business Super
- MLC Wrap Super – Super Service
- Navigator Personal Retirement Plan – Superannuation Service
- Quadrant Superannuation
- RBF Tasmanian Accumulation Scheme
- RBF Contributory Scheme
- Rest Superannuation
- Russell Supersolution Master Trust
- Sunsuper Superannuation Fund
- Superwrap – Personal Super Plan
- Tasplan Super
- Vicsuper Futuresaver



H M Blake
30 June 2015

APPENDIX 9: RECENT PUBLICATIONS

Tabled	No.	Title
2014		
January	No. 6 of 2013-14	Royal Hobart Hospital Redevelopment; governance and project management report released – Jan 2014
February	No. 7 of 2013-14	Audit shows serious crime statistics steady – Feb 2014
February	No. 8 of 2013-14	Analysis of TAFR – 11 Feb 2014
May	No. 9 of 2013-14	Volume 5 – State entities 30 June and 31 December 2013, matters relating to 2012-13 audits and key performance indicators
May	No. 10 of 2013-14	Government radio communications
May	No. 11 of 2013-14	Compliance with the Alcohol, Tobacco and Other Drugs Plan 2008-13
June	No. 12 of 2013-14	Quality of Metro services
July	No. 13 of 2013-14	Teacher quality in Tasmanian public high schools
August	No 1 of 2014-15	Recruitment practices in the State Service
September	No. 2 of 2014-15	Follow up of selected reports in Government departments
September	No. 3 of 2014-15	Motor vehicle fleet management in government departments
November	No. 4 of 2014-15	Volume 3 – Audit of financial statements of Government businesses 2013-14
November	No. 5 of 2014-15	Volume 2 – Audits of General Government & Other State entities
December	No. 6 of 2014-15	Volume 1 – Analysis of the Treasurer's Annual Financial Report 2013-14
2015		
February	No. 7 of 2014-15	Volume 4 – Audits of Local government authorities, joint authorities and Tasmanian Water and Sewerage Corporation 2013-14
March	No. 8 of 2014-15	Security of information and communications technology (ICT) infrastructure
March	No. 9 of 2014-15	Tasmanian Museum and Art Gallery – compliance with National Standards for Australian Museums and Galleries
May	No. 10 of 2014-15	Number of public primary schools
May	No. 11 of 2014-15	Road management in local government
June	No. 12 of 2014-15	Volume 5 – Audits of State entities 30 June and 31 December 2014, matters relating to 2013-14
July	No. 1 of 2015-16	Absenteeism in the State Service
August	No. 2 of 2015-16	Capital works programming and management
October	No. 3 of 2015-16	Vehicle fleet usage and management in other state entities
October	No. 4 of 2015-16	Follow up of four reports published since June 2011

Auditor-General's reports are available from the Tasmanian Audit Office. These and other published reports can be accessed via the Office's website: www.audit.tas.gov.au/publications.

APPENDIX 10: COMPLIANCE INDEX AND DISCLOSURE REQUIREMENTS

SECTION AND COMPLIANCE

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

DETAILS

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

PAGE

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

Key	Act
AA	<i>Audit Act 2008</i>
FMAA	<i>Financial Management and Audit Act 1990</i>
RTI	<i>Right to Information Act 2009</i>
PID	<i>Public Interest Disclosures Act 2002</i>
PSSRA	<i>Public Sector Superannuation Reform Act 1999</i>
SSA	<i>State Service Act 2000</i>
SSR	<i>State Service Regulations 2011</i>
TI	<i>Treasurer's Instructions</i>

Section	Compliance	Page	Details
General			
Table of contents		3	
Alphabetical index		139	
Glossary		137	
Overview			
Strategic plan	SSR s9(a)(i)	16	An overview of the Office's Strategic Plan, including its aims, functions and related programs.
Performance report	SSA s36(1)(a) & (b) FMAA s27(1)(a)	53	A report on the performance of the functions and exercise of powers of the Auditor-General, under any written law.

Section	Compliance	Page	Details
Major initiatives	SSR s9(a)(v)	10	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)	15	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 organisation chart	SSR s9(a)(ii)	110	An organisational chart illustrating the Office's administrative structure, including regional locations, and officers.
Why we are structured this way	SSR s9(a)(iii)	18	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)	53	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)	53	Economic or other factors that have affected the achievement of operational objectives.
Carbon emissions – climate change and environmental impact	Premier's Agenda 2008 speech	10	Outlines our corporate social responsibility initiatives.
Legislation Administered			
Legislation administered	SSR s9(d)	132	A list of legislation administered by the Office during the year.

Section	Compliance	Page	Details
Legislation enacted during the year	SSR s9(d)	19	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)	117, 118	List of contact officers and points of public access in relation to services provided by the Office.
Community awareness	SSR s9(c)(i)	28	Details of activities undertaken to develop community awareness of the Office and the services it provides.
Agency publications	SSR s9(c)(i)	33	List of documents published by any internal or external body of the Office during the year.
Right to information requests	RTI	26	Right to information details for the year.
Public interest disclosure investigations	PID s86	27	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)	41	Details of recruitment policies and program including statistical information for the year.
Staff development	SSR s9(b)(ii)	43, 45	Information relating to employee training and development activities, including statistical information for the year.
Equal Employment Opportunities	SSR s9(b)(iii)	46	A description of the Office's workplace diversity programs, including statistical information for the year.
Industrial democracy	SSR s9(b)(iv)	46	Details of the processes established to ensure employee participation in industrial relation matters within the Office.

Section	Compliance	Page	Details
Internal grievance procedures	SSR s9(b)(v)	47	Summary of internal grievance procedures.
Workplace health and safety	SSR s9(b)(vi)	45	Outline of workplace health and safety.
Appeals process	SSR s9(c)(iii)	47	An outline of the processes available for appeals against decisions made by the Office.
Performance management	SSA s36(1)(ba)	44	The Office's approach to the development and implementation of performance management.
Superannuation contributions	PSSRA s13	130	Certification by the relevant Office manager relating to contributions to non-RBF superannuation funds, including a report that the Office has met its obligations under the <i>Superannuation Guarantee (Administration) Act 1992</i> .
132 Asset Management and Risk Management Policies			
Pricing policies	TI 201 (1)(c)	128	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)	127	Information on major capital projects or undertakings.
Risk management	TI 201 (1)(f)	127	Statement of risk management policies and an outline of significant risk management strategies and initiatives.
Asset management	TI 201 (1)(g)	127	Statement of asset management policies and an outline of asset management strategies and initiatives.

Section	Compliance	Page	Details
Government Procurement			
Support for local business	TI 1111 3(a) & (b)	128	<p>Narrative statement in introduction/overview by Head of Agency summarising support for local businesses.</p> <p>Table summarising the Office's support for local business, including the number of procurement contracts awarded, the number of tenders called and the number of bids received, and the extent of local participation in procurement activities.</p>
Contracts awarded during the year	TI 1111 3(b)(ii)	129	Detailed information on all contracts awarded including a description of the contract, the total value of the contract and the name and locality of contractors.
Consultancies awarded during the year	TI 1111 3(b)(ii)	129	Detailed information on all consultancies awarded including the name of the consultant, a description of the consultancies, the total value of the contract and locality of consultants.
Other matters	TI 201 (1)(l)	Annual Report	Any matters deemed relevant by the Auditor-General.
Financial Statements			
Financial statements	AA s17(3) FMAA s27(1)(c) FMAA s27(2), (3) & (4) TI 201 (1)(j)	75-108	Financial statements of the Office for the year; including financial statements of any statutory or public body not required to report under another Act.
Audit opinion	AA s42(5) TI 201 (1)(k)	73-74	Independent Auditor's Report on the Office's Financial Statements.

APPENDIX II: ACRONYMS AND ABBREVIATIONS

Abbreviation	Description
AAS	Australian Accounting Standards
AASB	Australian Accounting Standards Board
ACAG	Australasian Council of Auditors-General
ANAO	Australian National Audit Office
ASX	Australian Stock Exchange
ATO	Australian Taxation Office
AUASB	Australian Auditing and Accounting Standards Board
Audit Act or AA	<i>Audit Act 2008</i>
BCP	Business Continuity Plan
CA	Chartered Accountant
CAAT	Computer Aided Auditing Technique
CCOLA	Canadian Council of Legislative Auditors
CDB	Clemens, Dunne and Bell
CFT	Cystic Fibrosis Tasmania
COO	Chief Operating Officer
CPA	Certified Practising Accountant
CPSU	Community and Public Sector Union
CSF	Critical Success Factor
CSS	Corporate Support Services
DPAC	Department of Premier and Cabinet
EMG	Executive Management Group
EOY	End of Year
FAS	Financial Audit Services
FMAA	<i>Financial Management and Audit Act 1990</i>
FTE	Full-time equivalent
GST	Goods and Services Tax
HRC	Human Resources Committee
HRM	Human Resource Management
ICAAANZ	Institute of Chartered Accountants Australia and New Zealand
ICT	Information and Communication Technology
IFRS	International Financial Reporting Standards
ILOT	In lieu of time
IMC	Information Management Committee

Abbreviation	Description
IPSAM	Integrated Public Sector Audit Methodology
IT	Information Technology
KPI	Key Performance Indicator
LSL	Long service leave
N/A	Not applicable
Nm	Not measured
OAG	Office of the Auditor-General
PAC	Public Accounts Committee
PAS	Performance Audit Services
PID	<i>Public Interest Disclosures Act 2002</i>
PSSRA	<i>Public Sector Superannuation Reform Act 1999</i>
QAO	Queensland Audit Office
RBF	Retirement Benefits Fund
RBL	Reserved by Law
RTI	<i>Right to Information Act 2009</i>
SLA	Service Level Agreement
SLG	Strategic Leadership Group
SSA	<i>State Service Act 2000</i>
SSMO	State Service Management Office
SSR	State Service Regulations
TAO	Tasmanian Audit Office
TI	Treasurer's Instructions
TRIM	Total Records Information Management
TSS	Tasmanian State Service
UTAS	University of Tasmania
VAGO	Victorian Auditor-General's Office
WHS	Workplace health and safety
WIP	Work in progress

INDEX

A		Employee profile	39
Abbreviations and acronyms	137	Events occurring after balance date	92
Annual plan of work	30	Executive Management Group	21
Asset management, risk and pricing policy, and Government procurement	127	Expenditure, 2014-15 and previous four years	70
Assets	86, 97	Expenses from transactions	85, 94
Audit Committee	20	Explanations of material variances between budget and actual outcomes	90
Auditor-General's Message 2013-14	4	External audit	25
Auditor's remuneration	108	External audit service providers	124
B		External review	25
Benchmarking	60	F	
Benchmarking against other audit offices	25	Financial audit services	34
C		Financial instruments	104
Budgetary framework	21	Financial performance	68
C		Financial position	63, 71
Cash flow reconciliation	104	Financial summary	68
Certification of financial statements	68	Financial sustainability	51
Chief Operating Officer's Message	7	G	
Commitments and contingencies	103	Goals for 2015-16	13
Committees	23	Graduate, cadetship and internship programs	42
Community involvement and support	49	Governance	15
Complaints about employees	38	H	
Compliance and Communication	26	Highlights for 2013-14	9
Compliance index and disclosure requirements	132	Human Resources Committee	25
Composition of office committees	117	Human resources strategic plan	38
Corporate governance framework	20, 111	How we are funded	18
Cost per audit hour charged to audit	57	I	
Cost per performance audit	57	Income from transactions	84, 89
Critical success factors	19	Independence	22
E		Independent Auditor's Report	73
Effective operational performance	52	Independent Auditor's Review of Performance Report	65
Employee participation	48		

Independent employee satisfaction survey	47	Other economic outflows included in net result	85, 97
Independent peer reviews	25	Our finances	67
Independent scrutiny, external and internal	23	Our outcome and outputs report	18
Industrial and workplace relations	46	Our people	37
Influential products and services	49	Our performance	53
Information Management Committee	25	Our values	18
Internal audit	23	Output – audit assurance	30
Internal grievance procedure	46	Output – parliamentary reports and services	29
K		P	
Key management personnel compensation	98	Parliamentary and client surveys	26
L		Parliamentary presentations, PAC meetings and information sessions	30
Leave management	40	Percentage of total paid hours of attest audit staff charged to attest audit activities	56
Legislation	19, 100	Percentage of total paid hours of non-attest audit staff charged to non-attest audit activities	56
Legislative and regulatory framework	19	Percentage of total (whole of office) paid hours charged to audit activities	55
Liabilities	88	Performance	48
Liabilities and net assets/equity	72	Performance against our outputs	18
List of clients and audits for 2014–15	119	Performance audit services	35
M		Performance management	44
Management of financial audits	35	Performance report	52
Mandate	19	Principal address and registered office	108
Motivated and capable employees	53	Procurement Review Committee	22
N		Professional development	43
Notes to and forming part of the financial statements	80	Protecting privacy	27
O		Public interest disclosures	27
Office committees	20	Purpose of the TAO	16
Office information	18	Q	
Office output schedules	90	Quality assurance reviews	25
Operational committees	22	Quality Manual Working Group	25
Organisation chart	110	Quality Review Steering Committee	25
Organisational structure	18		

R

Recent publications	131
Recruitment and selection	41
Remuneration Committee	22
Reports to Parliament on the outcomes of financial audits	33
Reports to Parliament on the outcomes of performance and compliance audits and special investigations	33
Revenue, 2014-15 and previous four years	69
Rewards and recognition	49
Right to information	26
Role of the Auditor-General	16

S

Service on other committees	118
Services provided to Parliamentarians and State entities	34
Significant accounting policies	82
Social	48
Speeches, presentations, representation on other committees and publications	27
Staff ethics	38
Statement of cash flows	78, 92
Statement of changes in equity	79
Statement of profit/loss and other comprehensive income	76, 90
Statement of financial position	77, 91
Strategic Leadership Group	20
Strategic objectives	16
Strategic Plan 2012-15	26
Study assistance	44
Summary annual report	26
Summary of findings, recommendations from 2013-14 internal audits	32
Superannuation declaration	130
Supplementary Strategic Plan	16

T

Tasmanian State Service workforce survey	48
Total assets by asset type presented graphically	64
Total audit costs of public sector assets	55
Total audit costs of public sector transactions	55
Total liabilities by liability type presented graphically	72

V

Values	17
Vision	16

W

Workforce and community committees and bodies	48
Workplace health, safety and welfare	45
Workplace diversity	46

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OFFICE CONTACTS

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Privacy Information Officer:

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COMMUNICATION OBJECTIVE

The Tasmanian Audit Office's (TAO) Annual Report summarises our financial and corporate performance for 2014-15. In keeping with our vision, the report's theme is 'making a difference'.

Our aim is to provide an annual report that meets the needs of our stakeholders.

We welcome and value your feedback. Please send your comments to Patty Johnson by either:

Email to: ***admin@audit.tas.gov.au***

Fax to: (03) 6173 0999

Mail to: Director, Corporate Support Services
Tasmanian Audit Office, GPO Box 851, Hobart TASMANIA 7001

This report and past annual reports can be viewed on our website at ***www.audit.tas.gov.au***.



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