



**Tasmanian**  
Audit Office

October 2016



## **ANNUAL REPORT 2015-16**

Strive • Lead • Excel | To Make a Difference

## 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.



## Tasmanian Audit Office

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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 2016.

Yours sincerely



Rod Whitehead  
Auditor-General

27 October 2016

cc      Public Accounts Committee





## STRATEGIC EXECUTIVE MANAGEMENT GROUP

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

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## AUDITOR-GENERAL'S MESSAGE

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As I write this, I am just over six months into my appointment as Auditor-General of Tasmania, having commenced on 30 March 2016. Many of the achievements highlighted in this Annual Report were accomplished under the leadership of the previous Auditor-General, Mike Blake. I wish to recognise Mike's significant contribution to the Tasmanian Audit Office (TAO) – under his stewardship he created a strong organisation with a reputation for professionalism, integrity and transparency. He greatly increased the profile of TAO and our work now receives increased attention from Parliament, the public sector and the community. Mike's personal legacy is strongly reflected in our Vision – to Strive • Lead • Excel | To Make a Difference.

I would also like to thank Deputy Auditor-General, Ric De Santi, and Director, CSS, Patty Johnson for their support and valuable counsel during my first three months as Auditor-General.

### A very successful year

I have inherited a high-performing organisation that conducts its operations effectively. This is illustrated through the achievement of a high proportion of our performance expectations for 2015–16 – we delivered 97% of our audit opinions on time and tabled six performance audit reports in Parliament. This is an excellent result, especially in a year of transition.

The TAO's work is having a clear impact on the public sector. We frequently see examples of our work stimulating public sector reform, informing Parliamentary debate, and being quoted in the media and community. We continually look for ways to share our audit findings and communicate them in a way that increases their impact.

### Dedicated and highly qualified professionals

Our achievements reflect the professionalism and dedication of TAO staff. Our professional staff are highly skilled and trained, and are committed to producing quality work. They are supported by a high performing team of corporate support staff who ensure the office runs efficiently and effectively. I express my appreciation to everyone at TAO for their dedication and professionalism. I continue to be impressed by the quality of their work and the ongoing satisfaction of Parliamentarians and our audit clients.

I also thank the external firms that we contract to assist in delivering audit services to the public sector. As our representatives, we place strong emphasis on their ability to deliver audits that achieve or exceed quality expectations within agreed timeframes.

### The importance of audit

The role of the Auditor-General and TAO is a vital component of Tasmania's parliamentary system and a crucial part of Tasmania's public accountability framework. To the citizens and Parliament of Tasmania it is a principal source of information on the performance of the public sector. We provide information on how well the sector is managing the resources of the State, and we report on what we find – both good and bad.

Current economic times require the government to deliver more with fewer resources, and this continues to be a challenge for the public sector. Under these pressures, state entities may decide to reduce resources that support internal control and accountability mechanisms, leading to less internal scrutiny of financial management and performance.



This increases the importance of the role that audit plays in holding the government to account for its performance.

On 30 June 2016 we published our Annual Plan of Work for 2016-17. This plan, which is available on our website, allows the community, the public sector and Parliament to examine our planned program of work and it is a key part of our accountability framework. Like other state entities, TAO operates within resource constraints. We therefore seek to target our efforts to maximise the impact of our program of work.

### Strengthening our relationships

Our relationship with stakeholders is crucial to the role of our office. We continue to engage with the Public Accounts Committee (PAC) in presenting findings from our audits and in discussing topics for future audit consideration. We frequently meet with Parliamentarians, heads of agencies, chief executive officers of government business entities and state owned companies, general managers of councils and chairs of audit committees. All these interactions are designed to engage in conversations about performance and accountability in the public sector, and help frame our plan of work for the future.

We also continue to deliver free client and audit committee seminars. These events take considerable resources from the office, such as the hiring of event venues and the time to prepare and deliver presentations. We continue to monitor feedback we receive from these seminars to assess whether the benefit derived by attendees exceeds the cost of providing these events.

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***“...the way government operates is rapidly evolving and we must be adaptable to change to ensure that our audit role remains relevant and sustainable.”***

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### Focusing on the future

Just prior to the end of the 2016 financial year we revisited the strategic plan for the office. The 2012-2015 strategic plan and supplementary strategy plan have served TAO well. At a meeting of the Strategic Executive Management Group (SEMG), it was decided to retain the vision, purpose and values of the office. In addition, the four pillars of our strategic framework – to be relevant, sustainable, independent and reputable, and adaptable, were also seen as being important attributes that should continue to define the future strategies and actions of TAO.

Our strategic planning session involved all TAO staff. In looking forward to 2025 we considered the factors that will influence the future delivery of government services – community expectations and influence, commonwealth and state relations, the emergence and influence of technology, the availability of funding and the relationship between the public and private sector in delivering public services. The themes were examined in conjunction with factors impacting the future of audit – the impact of technology, open databases, changing audit scope and approach, community expectations regarding public sector accountability and the challenge in attracting and retaining skilled audit personnel. We are still developing the strategies that will take us into the future – but one thing is certain, the way government operates is rapidly evolving and we must be adaptable to change to ensure that our audit role remains relevant and sustainable.

On a final note, I wish to thank the Public Accounts Committee for the support and suggestions they provide to me and my office and to the many other Parliamentarians we have the opportunity to engage with throughout the year.



Rod Whitehead  
Auditor-General

## CHIEF OPERATING OFFICER'S MESSAGE

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The 2015-16 financial year like many others has gone by quickly with the Office continuing to produce a significant amount of work for such a small organisation. This can only be achieved through the dedication and hard work of our staff. The year was most notably marked by the retirement of our Auditor-General for the past 11 years, Mike Blake. I would like to pay tribute to Mike who earned the respect of all those he dealt with through his knowledgeable, helpful and pragmatic approach. I would also like to welcome our new Auditor-General, Rod Whitehead. We stand ready to help him to take the Office forward.

### DELIVERING WORK THAT MATTERS

Our ongoing commitment is to deliver on our mandate by providing timely and useful reports to Parliament on the performance of the Tasmanian Public Sector. In 2015-16 we again completed an ambitious work program delivering 11 reports to Parliament and completing 119 financial audits as well as 76 grant acquittals.

Our performance audit program provided a mix of audits on contemporary topics while our financial audit probity and waste work continues to focus on topical areas.

Our Annual Plan of Work reflects a continuation of this program, outlining the areas we plan to look at in the coming years. The Plan is available on our website.

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***"Our ongoing commitment is to deliver on our mandate by providing timely and useful reports to Parliament on the performance of the Tasmanian Public Sector."***

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### Highlights 2016

#### Positive client feedback

Client feedback remains strong with staff engaging with clients to understand their needs and ensure we work together to achieve the best possible outcomes from our audits.

#### Positive staff feedback

This year marked the biennial staff survey which produced strong results indicating high levels of staff satisfaction. As with all things, there is always room for improvement and SEMG has identified a number of areas to work on over the next two years.

#### Responding to changing audit expectations

With the audit profession looking to improve its relevance we have commenced a pilot of enhanced, or long-form, audit opinions aimed at providing users of financial statements with greater insight into the audit process, particularly financial reporting risks as seen through the auditors eyes. The pilot has progressed well with the SEMG due to evaluate results towards the end of 2016 before deciding on whether to adopt this style of audit reporting for all clients.

#### Managing our workforce

Our emphasis on supporting and developing staff continues, as does our strong desire to provide a safe and healthy workplace.



This year we completed a partial reorganisation of the financial audit unit following a number of staff departures. This reorganisation has resulted in clearer responsibilities and improved resource scheduling. It has also given some staff the opportunity to step up to more senior supervisory roles. As the 2016-17 audit cycle will commence on 1 November 2016, plans are being made to finalise the structure of this unit. Other areas of the Office are also being reviewed to give us the best chance to achieve our strategic objectives and provide our stakeholders and clients with quality audit services into the future.

### Financial results

The Office has never been in a stronger financial position, testament to those involved in the financial management of the Office. This has enabled us to continue to have nil or minimal increases in audit fees and puts us in the position to be able to invest in the staff and systems to help us achieve our future plans.

### Data analytics

This year we increased our use of data analytics as part of financial audits. To date this work has produced excellent results and we look forward to an extension of it in future years.

Strategic Plan 2016-2020 – Towards the end of the year we commenced development of a new strategic plan. Our session with all staff in late June provided a number of ideas on the challenges and opportunities facing the Office providing a sound basis for finalisation of the plan by SEMG in the latter part of 2016.

### Fiji Twinning

During the year we commenced a formal three year Twinning Program with the Office of the Auditor-General of the Republic of Fiji (OAGF). The overall objective of the Program is for the Office to support OAGF to ensure both offices have in place sustainable business policies and practices to conduct efficient high-quality financial audits that comply with relevant standards and meet stakeholder requirements. We are fortunate to have received funding from the Department of Foreign Affairs and Trade which covers costs of the program other than staff time.

In the year we completed two visits to Fiji, the first being a scoping exercise to help us develop a detailed plan for the duration of the Program. The second visit was to finalise the plan and commence implementation. This Program provides a number of exciting opportunities for both offices and our staff through the exchange ideas and knowledge, from both work and cultural perspectives. We look forward to the Program gaining momentum through 2016-17, including the commencement of staff secondments.

To conclude, I would like to thank all of our staff for their commitment and contributions during 2015-16 as well as our stakeholders and clients for their collaboration and support.



Ric De Santi  
**Deputy Auditor-General/Chief Operating Officer**



## SENIOR MANAGEMENT

**Assistant Auditor-General – PAS** Geoff Driscoll, **Director CSS** Patty Johnson, **Deputy Auditor-General/COO** Ric De Santi, **Auditor-General** Rod Whitehead, **Assistant Auditor-General – FAS** Jara Dean,

## HIGHLIGHTS FOR 2014-15

	Page
<b>Governance</b>	<b>15</b>
Four internal audits conducted during the year with no major findings.	
As at August 2016, 94% of recommendations arising from the S.44 external audit review by Nexia Australia were completed.	
<b>People</b>	<b>37</b>
At 30 June 2016, we had 43.3 (42.2 in 2015) full-time equivalent employees (FTE).	
Due to the Excess Hours agreement, the average number of accrued in lieu of overtime (ILOOT) days per employee at year end and the total ILOOT days accrued at year end were Nil. (2015, Nil, Nil respectively).	
During the year six staff left the Office (10 in 2014-15) with seven joining (15 in 2014-15).	
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.	
<b>Performance</b>	<b>53</b>
Six performance audit reports tabled in Parliament.	
97% of financial audit opinions issued within 45 days of receipt of financial statements.	
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 2016 financial statements audited with a clear audit opinion issued within required timeframes.	
Unqualified review opinion issued on our key performance indicators (KPIs).	
<b>Finances</b>	<b>65</b>
Received \$2.485m in funding from the Government (\$2.169m in 2014-15).	
Generated \$5.818m in fees for audit services (\$5.356m in 2014-15).	
Incurred costs totalling \$7.709m (\$7.724m in 2014-15).	
Achieved a comprehensive result of \$0.657m (\$0.059m in 2014-15).	
Cash and deposits balance was \$2.801m (\$2.078m in 2014-15).	



## ACHIEVEMENTS AND REFLECTIONS ON 2015-16

The Office addressed a number of initiatives in 2015-16. 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.
Continue to have discussions with key stakeholders in relation to the Office operating under its own enterprise agreement or similar.	Continued discussions have taken place with no outcome as yet determined
FAS will implement CASPER, Computer-Assisted Audit Techniques (CAATs) and electronic Lead Schedules.	CAATs and electronic lead schedules were implemented for selected audits. CASPER was deferred due to staff availability and technical issues following transfer of methodology support to Queensland Audit Office (QAO).
The Office will finalise all actions and responses to agreed recommendations that arose from the Nexia Australia review held in November 2013.	Nearly all recommendations have been completed. A small number will be finalised in 2016-17.
PAS will fulfil the Plan of Work 2015-16 including at least seven reports to Parliament.	Six reports were completed.
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 and trial the new longer form audit report for selected clients.	Completed.
FAS will conduct at least one other cross-sector review or project.	Review commenced in 2015-16 and will be completed in 2016-17.
FAS will make further enhancements with Parliamentary reports on the outcomes of financial audits.	Completed.
Office of the Auditor-General (OAG) will initiate meetings with Parliamentarians based on an annual plan which is to be developed.	Ongoing meetings and plan has been completed.
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 Victorian Auditor-General's Office (VAGO) and QAO.	Evaluated as part of addressing Nexia Australia recommendation to map the methodology to current auditing standards.

Initiative	Outcome
An independent review of the Office's processes will be undertaken in March 2016 by staff from other audit offices through the Australasian Council of Auditors-General (ACAG) Quality Committee.	Completed in June 2016 with outcomes to be reported in 2016-17.
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: <ul style="list-style-type: none"> <li>- Gifts and Benefits Policy and Procedure</li> <li>- Health and Wellbeing Program</li> <li>- Grievance and Diversity Policy and Procedure</li> <li>- Recruitment and Selection Policy and Procedure.</li> </ul>	All completed along with others during the year. The Recruitment and Selection Policy and Procedure will be updated in line with State Government changes to diversity in 2017-18.
Roll out Communications Strategy to staff.	Completed.
Update the Office's Business Continuity Plan (BCP) in line with Internal Audit recommendations.	Completed.
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.	Processes have been improved resulting in a higher completion rate with further initiatives to be implemented in 2016-17.
PAS will meet the average time of nine months to complete each performance audit.	Met.
Continue to provide information sessions annually for clients and audit committees.	Completed.
The Auditor-General will issue one performance audit report in relation to an aspect of the State's Employer responsibilities.	Completed.
Completion of the Workplace Health and Safety Plan for 2015-16.	Completed.
During 2015-16 the Office will review and update its existing Injury Management Plan and seek approval from WorkSafe Tasmania.	Completed.
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.	Review completed and twinning arrangements are continuing as per plan developed.

## GOALS FOR 2016-17

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### OUR ONGOING INITIATIVES FOR 2016-17 INCLUDE THE FOLLOWING:

- The Office will respond to new and revised accounting and auditing standards and contribute to their development at exposure draft stages.
- 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 2016-17 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 continue with completion reports for all higher risk audits and provide 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 with Parliamentary reports on the outcomes of financial audits.
- OAG will initiate meetings with Parliamentarians based on an annual plan which is to be developed.
- 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.
- FAS will continue to 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.
- Compliance with the *Workplace Health and Safety Act 2012* by 31 December 2016.
- Continue to facilitate twinning arrangements with Fiji, aimed at providing co-operation and support between our offices in accordance with the agreed plan.



## **OUR STRATEGIC INITIATIVES AS PER THE STRATEGIC PLAN 2016 – 2020 FOR 2016-17 INCLUDE THE FOLLOWING:**

### **Future Expertise**

- Establish guidance relating to the use of experts and specialists in our audit activities.
- Enhance the learning and development framework.
- Develop strategies to embed our values into our desired culture.
- Enhance our capability framework to articulate career pathways to grow and develop our people.
- Develop a more unified approach across TAO business units to achieve efficiencies and enable more agile and adaptable resourcing (One Office).
- Embed the use of experts into our audit activities.
- Facilitate increased mentoring and coaching relationships.

### **Contemporary Communication**

- Implement improved stakeholder relationship management model.
- Refine audit deliverables (including report templates, content, style consistency, publishing requirements and resources).
- Continue and enhance client and audit committee seminars.

### **Advanced Analytics**

- Monitor state, national and global trends relating to data analytics and 'big data'.
- Increase audit analytic activity and improve capability of our people.

### **Future Audit**

- Strengthen the quality and assurance framework.
- Review and enhance performance audit methodology and toolset.
- Continue to drive improvement and innovation throughout the TAO.
- Monitor national and global trends relating to the future of assurance services.
- Maintain a contemporary and supported audit methodology and technology platform.

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## GOVERNANCE

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## THE OFFICE

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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* (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 findings arising therefrom. We also undertake up to seven performance audits each year and report the outcomes to Parliament. Our reports are public documents when tabled in Parliament and are accessible on our website: [www.audit.tas.gov.au](http://www.audit.tas.gov.au).

### ROLE OF THE AUDITOR-GENERAL

The Office is part of the public sector 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. These financial statements are audited to ensure that they fairly present financial information. 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.

### 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.

### Strategic Plan

The 2016-2020 Strategic Plan is being finalised and during this development the office has improved the strategic framework. This revised 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.

## Future Capability

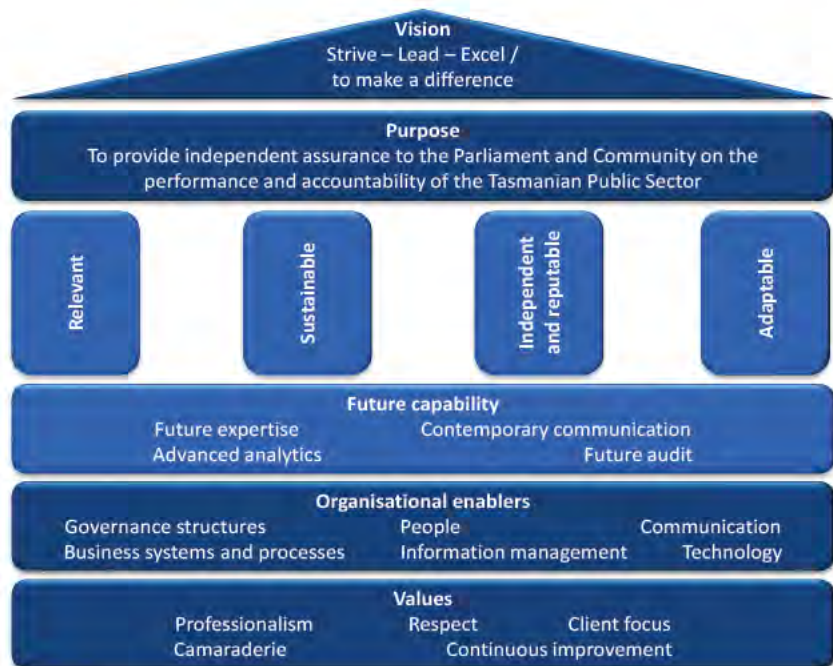
To achieve our strategic pillars and respond to changes in our environment, our business model needs to continually evolve. The TAO's ability to deliver on its purpose into the future will be enabled by our ability to maintain a professional audit practice, an effective corporate support function, an agile workforce, and contemporary systems and information.

## Organisational enablers

Relevant organisational enablers underpin our strategic plan without which achievement of our goals would be impossible. Existing organisational enablers are 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. The Office values are embedded in the performance management system for all employees. 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

The Office consists of four business units FAS, PAS, OAG and CSS. A Service Level Agreement (SLA) with the Department of Justice (Justice) continued during the 2015-16 financial year. The services outsourced include information technology, finance, human resources, and information management.

A detailed organisation chart as at 30 June 2016 is included at Appendix 1 of this Report.

## HOW WE ARE FUNDED

The Office charges State entities 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 2015-16 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 53.

Our goals and achievements for 2015-16 are included and reported on pages 10-12 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.

Future performance and compliance audits and special investigations are summarised in our Annual Plan of Work which is completed prior to 30 June each year.

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 under the Audit Act. This independence ensures that findings arising from financial, performance and compliance audits and investigations are communicated regularly to 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 examine the performance and exercise of the Employer's functions and powers under the *State Service Act 2000*.

The Employer may also request the Auditor-General to conduct an investigation into any matter which relates to the administration or management of the State Service.

## CORPORATE GOVERNANCE FRAMEWORK

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

- Audit Committee
- SEMG
- 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, Tracy Matthews and Norm McIlpatrick, and one internal appointment being Rob Luciani, Senior Group Leader, FAS. Tracy Matthews is Chair of the Committee. Matters considered by the Committee in 2015-16 included:

- Annual Plan of Work for 2016-17
- 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.

## SEMG

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 he considers 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 2015-16:

### 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 McIlfratrick*



## **INDEPENDENT SCRUTINY - EXTERNAL AND INTERNAL**

We participate in internal and external reviews and independent benchmarking to gauge our performance and identify improvement opportunities. 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**

The internal auditor function was undertaken initially by ShineWing Australia (ShineWing) until a tender process was undertaken and the successful tenderer was Oakton Service Pty. Ltd. (Oakton) was appointed. The following audits in 2015-16 were conducted in accordance with our three year internal audit plan:

#### **Procurement Compliance Review (undertaken by ShineWing):**

The objective of this review was to undertake a compliance review against Treasurer's Instructions and covered all procurement for the period 1 July 2014 to 30 June 2015.

#### **IT Security, Performance and Reporting Review for the period 1 July 2014 to 30 June 2015 (undertaken by ShineWing):**

The objective of the review was to assess the adequacy of IT security, performance monitoring and reporting for the period 1 July 2014 to 30 June 2015.

#### **Staff Performance Management Follow Up Review (undertaken by Oakton):**

The objective of the audit was to conduct a post implementation review of the Office's staff performance management and professional development system to assess whether the system had been adequately implemented and to evaluate whether previous Internal Audit recommendations have been actioned.

#### **IT Security, Performance Monitoring and Reporting Review – May 2016 (undertaken by Oakton):**

The objective of the review was to assess the adequacy of the Office's IT security controls, including IT security strategy, policies, procedures and technical controls. The audit assessed whether IT Security controls have been appropriately designed and are operating effectively and reviewed whether the Information Security risks associated with the outsourcing arrangement are being effectively managed.

Summary of Findings and Recommendations from 2015-16 internal audits are provided below.

Audit	High	Moderate	Low	Rating <sup>1</sup> Management awareness point
Procurement Compliance Review	-	-	-	-
IT Security, Performance and Reporting Review for the period 1 July 2014 to 30 June 2015	-	1	1	-
Staff Performance Management Follow Up Review	-	3	-	-
IT Security, Performance Monitoring and Reporting Review - May 2016	-	7	6	-

<sup>1</sup> 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. Note that the IT Security, Performance Monitoring and Reporting Review - May 2016 recommendations mainly consisted of matters relating to the IT control environment at Justice. Justice are currently implementing these 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. A peer review was conducted in June 2016 with the final report and recommendations due in August/September 2016 for consideration.

### External Review

The Nexia Australia report contained a number of recommendations aimed at improving the Office's operations. The Office has implemented 94% of the recommendations, as at August 2016. The remaining recommendations will be finalised during the 2016-17 financial year.

The status as at August 2016 are as follows:

Nexia Australia Report recommendations overall status	
Total	64
Completed	60
Percentage completed	94%
Commenced	4
Percentage yet to be commenced	0%

## External Audit

Under the Audit Act, the Governor appoints an independent registered company auditor to audit our financial statements. Nexia Melbourne Audit Pty Ltd (formerly 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 2016 the auditors completed their examination of our 2015-16 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 project.

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. 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 the Our Performance section of this Report. This survey presents benchmarking comparisons of the survey results across six Audit Offices participating in this benchmarking process.

## 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 2015-16.

## 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*.

## 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 2015-16, there were no RTI requests.

## 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*. No requests were received in 2015-16.

## 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.



Reporting under s86 of the *Public Interest Disclosure Act 2002* and our response:

	Response
Information as to how persons may obtain or access copies of the current procedures established by the public body under the Act	Public Interest Disclosure procedures are published on the Office's website <a href="http://www.audit.tas.gov.au">www.audit.tas.gov.au</a>
The number and types of disclosures made to the relevant public body during the year and the number of disclosures determined to be a public disclosure	Nil
The number of disclosures determined by the relevant public body to be public interest disclosures that it investigated during the year	Nil
The number and types of disclosed matters referred to the public body during the year by the Ombudsman	Nil
The number and types of disclosed matters referred during the year by the public body to the Ombudsman to investigate	Nil
The number and types of investigations of disclosed matters taken over by the Ombudsman from the public body during the year	Nil
The number and types of disclosed matters that the relevant public body has declined to investigate during the year	Nil
The number and type of disclosed matters that were substantiated upon investigations and the action taken on completion of the investigation	Nil
Any recommendation made by the Ombudsman that relate to the relevant public body	Nil

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

## 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.

External speeches and presentations delivered during 2015-16 are listed below.

Date	Event	Presenter
6 July 2015	Local Government Audit Panels Forum <i>Observations and expectations – first year observations and focus for 2015-16 from TAO</i>	Mike Blake
12 November 2015	Local Government Association of Tasmania Asset Management Forum - <i>Audit of Tasmanian Local Government Roads</i> "/Other relevant topic/s	Ric De Santi/Jara Dean
18 November 2015	Australian Public Sector Anti-Corruption Conference 2015 - <i>Value of Audit in Preventing Corruption (including fraud)</i>	Mike Blake
25 February 2016	Auditor-General's Office of the Republic of Fiji - <i>Twinning program</i>	Ric De Santi
18 March 2016	Local Government Inter-Jurisdictional Forum - <i>Financial governance and performance assessment of councils</i>	Ric De Santi
2 May 2016	Client Information Session – Hobart - <i>De-cluttering of Financial Statements Audit Findings 2015 and Areas of Interest 2016 Standards Update, Recent Performance Audits</i>	Ric De Santi/ Jara Dean/ Jeff Tongs/ Simon Andrews
3 May 2016	Client Information Session – Launceston - <i>De-cluttering of Financial Statements Audit Findings 2015 and Areas of Interest 2016 Standards Update, Recent Performance Audits</i>	Ric De Santi/ Jara Dean/ Jeff Tongs/ Simon Andrews
4 May 2016	Cradle Coast Authority – NW Audit Panel Members - <i>Audit Panel functions &amp; responsibilities. Role of Audit Panel Members, Developments in governance, codes of conduct, Standards Update, Developments in Financial Reporting - Decluttering, Audit Findings and Areas of Interest</i>	Ric De Santi/ Rod Whitehead/ Jeff Tongs/ Jara Dean
4 May 2016	Cradle Coast Authority – NW Financial Management Group - <i>Audit Panel functions &amp; responsibilities. Role of Audit Panel Members, Developments in governance, codes of conduct, Standards Update, Developments in Financial Reporting - Decluttering, Audit Findings and Areas of Interest</i>	Ric De Santi/ Rod Whitehead/ Jeff Tongs/ Jara Dean
9 May 2016	Clarence City Council - <i>Role of the Auditor-General and Financial Sustainability</i>	Rod Whitehead/ Ric De Santi
18 May 2016	University of Tasmania - Guest Lecture Hobart and Launceston - <i>Role of Auditor-General, Introduction to Audit Reports</i>	Ric De Santi/ Jara Dean
9 June 2016	Auditor-General's Office of the Republic of Fiji - <i>Governance and policy development framework</i>	Ric De Santi
27 June 2016	Audit Committee and Senior Management Information Session - <i>Update on financial reporting, areas of interest, recent findings, Audit Quality - Panel Discussion</i>	Ric De Santi/ Rod Whitehead

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 2016-17 was submitted to PAC, President and Speaker on 24 June 2016.

## **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 fifth year.

The Audit Committee and Senior Management information session was held in June 2016 and included guest speakers from Deloitte and KPMG. The topics addressed were fair value measurements, cyber security and a panel discussion on audit quality. The Office provided an update on financial reporting, areas of interest and recent audit findings.

The Office also delivered annual client information sessions in Hobart, Launceston and Burnie in May 2016. These included technical updates and developments, topics on cyber security and business continuity. 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.

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## REPORTS TO PARLIAMENT

Output - parliamentary reports and services

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Output - audit assurance

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*Murray St, Hobart*

## 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](http://www.audit.tas.gov.au/publications).**

### Reports to Parliament on the Outcomes of Financial Audits

In 2015-16 FAS tabled the following reports:

November 2015:

- Volume 2 – Audits of General's Report on the Financial Statements of State entities - Government Business 2014-15
- Volume 3 – Local Government Authorities and Tasmanian Water and Sewerage Corporation Pty Ltd 2014-15.

December 2015:

- Volume 1 – Analysis of the Treasurer's Annual Financial Report 2014-15.

May 2016:

- Volume 4 – State entities 30 June and 31 December 2015, findings relating to 2014-15 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 2015-16, six performance audit reports and one State service employee review report were completed and tabled in Parliament:

- Absenteeism in the State Service
- Capital works programming and management
- Vehicle fleet usage and management in other state entities
- Follow up of four reports published since June 2011
- Provision of social housing
- Funding of Common Ground Tasmania
- Compliance with legislation.

## 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. 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 the audit of a state entity. 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 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:

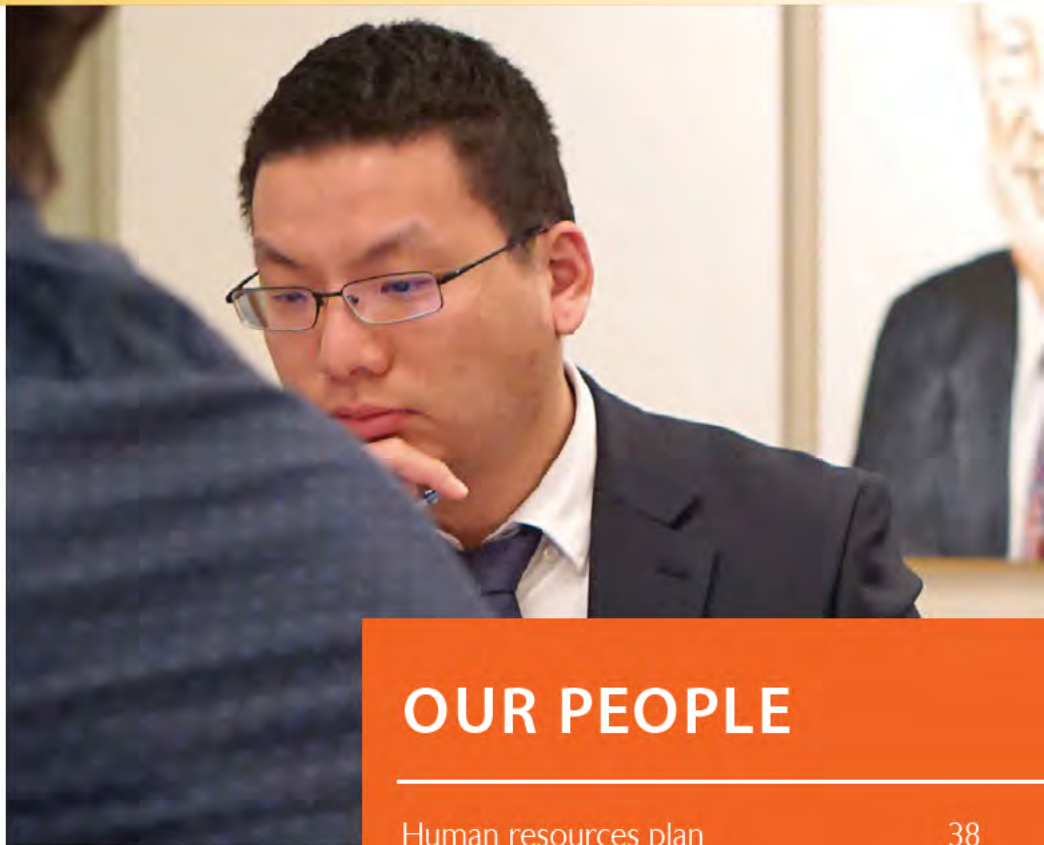
- consulting Parliamentarians and entities
- conducting an environmental scan of key risks and challenges to public administration
- understanding the operations of agencies and identifying areas that could potentially improve performance.

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

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## 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
- recruiting and maintaining a skilled workforce with access to modern technological tools to efficiently and effectively deliver audit services
- 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 development and coaching that links to talent management, 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 effort and output from our staff to enable us to deliver on our strategic objectives.

Our SEMG together with CSS staff are responsible for ensuring our HR initiatives are implemented and the outcomes are measured. A new Human Resources plan is scheduled to be drafted in 2016-17.

## STAFF ETHICS

The Office maintains a commitment to high ethical standards, which is supported by our legislative, governance and policy framework. All of 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 are adhered to by all staff.

Our Corporate Governance Framework and the ASX Governance Principles, found in Appendix 2, promote appropriate leadership, ethics, culture and responsible decision-making within the Office. To support these principles the office has implemented a number of processes to ensure our independence is not compromised.

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 of conduct, 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.

At an audit engagement level, all staff declare independence on the audits they are assigned.

The Auditor-General and Deputy Auditor-General provide a declaration annually of interests to the Tasmanian Parliamentary Standing Committee of Public Accounts. On a quarterly basis, the Auditor-General provides gifts and benefits forms and register. This gifts and benefits information is also published on the Office's website.

During the 2015-16 reporting period, 33 declarations of a reportable or suspect gift or benefit were made by staff. The Office participated in the Integrity Commissions 'Thanks



is enough” campaign in the reporting period to better manage ethical risks that emerge when gifts and benefits are offered to public sector employees.

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

## EMPLOYEE PROFILE

Employees	2015-16	2014-15	2013-14
Size of the workforce at 30 June - head count	46	45	43
Size of the workforce at 30 June - FTE	43.3	42.2	40.0
Number of employees who left during the year	6	10	7
Number of employees who commenced during the year	7	15	11
Number of permanent part-time employees	1	-	1
Number of fixed-term part-time employees	0	-	2
Number of fixed-term employees	14	Nm	Nm
Number of full-time employees working reduced hours	7	7	5
Average age of workforce at 30 June	41.0	39.9	41.0
Nm = Not measured			

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

Unit	2015-16 No.	2014-15 No.	2013-14 No.	2015-16 %	2014-15 %	2013-14 %
OAG	4	4	4	9	9	9
FAS	30	30	25	65	67	58
PAS	6	6	8	13	13	19
CSS	6	5	6	13	11	14



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

Gender Profile and Age	2015-16	2014-15	2013-14
Number of males as a %	58.7	62.2	58.1
Number of females as a %	41.3	37.8	41.0
Average age – male (years)	41.9	41.9	43.4
Average age – females (years)	38.7	36.7	37.2
Average salary – male (FTE)	\$103 893	\$106 648	\$107 416
Average salary - female (FTE)	\$83 616	\$83 063	\$78 525
No. of males working agreed reduced hours	1	2	1
No. of females working agreed reduced hours	6	5	4

The overall proportion of men and women employed across the Office remained relatively consistent, with a 3.5% improvement in the number of women being employed providing a slightly more balanced profile. An increased number of female applicants for Financial Audit Services graduate roles assisted in improving this figure.

In 2015-16, flexible working arrangements were available and utilised by staff to support family or caring responsibilities. This was supported by the Office's Carer's action plan, which continues to promote a supportive workplace for employees who have caring responsibilities. At 30 June 2016, seven employees were accessing flexible working arrangements, which is consistent with the prior year and demonstrates our ongoing commitment to enabling staff to balance work and life responsibilities.

Our four Business Units have maintained a similar headcount to the prior year. Commencement and exit figures are relatively consistent, with an employee turnover rate of 13%, down 10% on the previous year. This improvement in the Office's turnover rate is primarily due to targeted efforts from the SEMG on improving employee engagement. Our stable workforce profile has meant little change in the average age of male and female employees.

The average salary for males is heavily influenced by the salary of the Auditor-General, and Deputy Auditor-General. The Office has one female senior manager, the Director, CSS, who also sits on SEMG. The wage gap between male and female employees improved slightly with a difference of \$20 277, down from \$23 585 in the previous reporting period.

## LEAVE MANAGEMENT

A breakdown of leave is as follows:

Leave Profile	2015-16	2014-15	2013-14
Average sick leave days taken during the year per employee	4.9	6.8	5.6
Total number of sick leave days taken during the year	220.9	309.0	241.8
Average number of accrued recreation leave days per employee at year end	15.5	13.4	13.9
Total recreation leave days accrued at year end	712.8	604.0	599.6
Employees with >35 days accrued recreation leave at 30 June	1	3	3
Average number of accrued long service leave (LSL) days per employee at year end	33.6	37.0	35.3
Total LSL days accrued at year end	1 546	1 669	1 518
Employees with >100 days accrued LSL at 30 June	1	-	-

The Office introduced a revised health and wellbeing program during 2015-16, this program promoted an increased healthy work /life balance for our employees. Subsequently, the average sick leave days taken during the year per employee decreased by 1.9 days.

It is pleasing to note that only one employee has a recreational leave balance exceeding 35 days, indicating that employees are taking leave owed and staff with large balances have effective leave management plans in place to reduce the level overall level of leave balances.

In 2015-16 flexible working arrangements were available and utilised by a number of staff to support family or caring responsibilities. In the reporting period 11 employees accessed flexible working arrangements throughout the year, nine women and two men.

## 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.

To ensure our ongoing commitment to attracting and retaining skilled staff, we continue to have strong links with UTAS, attending their Career Fairs, Student Information Sessions and participating in their Business Internship Program. The Office also works closely with professional accountancy bodies and attends appropriate career events run by these bodies as they occur.



*Waqas Durani and Andrew Clark*

## 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. This year, the Office welcomed our first PAS cadet in recent years, while FAS continued to support a cadet in their work and study.

The Office has a structured graduate program, which 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.



In 2015-16 the Office partnered with the Elizabeth College Business School and the University of Tasmania to provide Elizabeth College business students with an opportunity to discover and explore the world of business outside the classroom. This program gives students first-hand experience in a business environment and helps them when choosing their career path. Throughout the year, the Office hosted two students, Martha Galea and Lewis Reason. Both students spent time in FAS, PAS and CSS experiencing the different types of work and tasks in each section.



*Martha Galea completed a placement at the Tasmanian Audit Office*

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

	2015-16	2014-15	2013-14
Total no. of cadets at 30 June	2	2	1
Total no. of graduates at 30 June	9	5	3
Cadets employed in FAS	1	2	1
Cadets employed in PAS	1	0	0
Graduates employed in FAS (FTE)	8.5	5	3
Graduates employed in OAG (FTE)	0.5	0	0



*Tasmanian Audit Office CPA Certificate Presentation Ceremony, left to right; Rob Luciani, Reece Munnings, Mike Blake, Simon Andrews, Bruce Williams.*

## PROFESSIONAL DEVELOPMENT

The Office is committed to providing high quality learning and development opportunities for all employees. Employees and their managers are encouraged to identify learning and development needs through the Office's performance management process and to continually seek additional learning opportunities as they arise throughout the year. 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 is due for review in the 2016-17 reporting period.

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

	2015-16	2014-15	2013-14
Average days per FTE	9.0	7.4	6.8
Average investment per FTE	\$2 448	\$2 492	\$1 300

There has been a consistent year on year improvement for the average days of training per FTE, increasing by 1.6 days in 2015-16. The continued focus on the Office's new performance management system has led to increased awareness and uptake of learning and development opportunities.

During the year we had a number of employees successfully complete their professional body entrance examinations; we also had two employees complete their Bachelor degrees, one in the Arts and one in Business, and we had one employee complete their Master of Professional Accounting. A number of staff members attended industry based seminars and conferences such as; the IMPACT conference – International Meeting of Performance Audit Critical Thinkers, the CA Audit Conference and the Risk Management Excellence Forum.

## 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 degrees as part of the Office's Cadetship Program.
- Professional Programs, such as CPA (professional level) and the CA ANZ programs or honours degree – nine employees are currently studying one of the accounting bodies' professional programs. Two employees completed their professional program during the year.



## PERFORMANCE MANAGEMENT

Our performance management system was reviewed and updated in 2014-15 and this review continued into 2015-16. Updates made were a result of a moderation review of the system and were based on feedback from staff and managers. These updates were made in line with Employment Direction No. 26, *Managing Performance in the State Service*.

Training and information was provided to all staff throughout the year, with all employees attending a performance management refresher course at six months and all managers attending performance management update training and further training on conducting performance reviews. These sessions continue to focus on areas such as effective communication and conflict resolution.

Additional focus was placed on the career development of the individual and the learning and development tools required by the employee to assist them in their career development.

## 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. We continue to provide ergonomic assessments to employees who feel they would benefit from one.

The Office reinvigorated our health and wellbeing program this year. The revamped program focuses on the inclusion of all employees in activities. Whilst it continues to encourage employees to be active, it also specifically focuses on the mental health of employees and ways in which stress can be reduced in the workplace. One of the most successful initiatives has been the introduction of stress reduction activities in the tearoom. These have encouraged employees to stand up and take a break from their desk throughout the working day. It also encouraged conversation and allowed staff from different business units to speak to other and fostered collaboration and information sharing. In addition to this, employees have participated in various fun runs throughout the year; the Deputy Auditor-General participated in the Great Cycle Challenge to raise money towards fighting childhood cancer. Other initiatives such as fresh fruit and influenza vaccinations have continued 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:

	2016	2015	2014
No. of incidents reported	3	7	8
No. of workers' compensation claims	1	0	1
No. of first aid officers	3	2	3

The number of incidents reported decreased again this year, 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. Since the introduction of the online reporting system in 2014, reportable incidents have steadily decreased. The investment in training of all employees and group leaders has had a positive impact on workplace behaviour relating to workplace health and safety. There are two nominated Health and Safety Representatives, one in Hobart and one in Launceston, who help promote a safe workplace and facilitate the flow of information about health and safety between the Office and employees.

As part of the Office's mandatory workplace health and safety training for all employees, the Office ran a session by the charity SpeakUp Stay ChatTY on the subject of mental health and suicide awareness. The Office also participated in the White Ribbon Day march to advocate against domestic violence. The focus this year was on the mental health of employees and the Office encouraged all employees to attend sessions relating to retaining good 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 development opportunities. Our Strategic Plan and Diversity Action plan contain initiatives to promote our workplace diversity. In addition, the Office is involved in the Whole of Government Diversity Action Group.

During the year the Office hosted a Harmony Day afternoon tea to celebrate the ethnic diversity of the workplace. Employees brought dishes that reflected their culture, further promoting diversity in the workplace.

## INDUSTRIAL AND WORKPLACE RELATIONS

During the year, we continued to implement and adhere to all 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](http://www.dpac.tas.gov.au/ssmo).

The Office has one employee who sits on the State Service Industrial Relations (IR) Practitioner Committee.

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.

## GRIEVANCES AND COMPLAINTS

### Internal Grievance Procedure

The Office's grievance procedures were updated in February 2016. The updated procedures are designed to address grievances at the earliest possible opportunity and to avoid escalation to a formal grievance process. In addition, it supports the principles of equity, fairness and provide all parties involved with natural justice. It is hoped that through consultation, co-operation and mediation, amicable resolutions can be achieved.

There were no formal internal grievance complaints lodged in 2015-16.

### Complaints About Employees

We maintain internal procedures for investigating complaints about how we behave and carry out our responsibilities; this includes formal inquiries or disciplinary procedures under the *State Service Act 2000*. The TAO Grievance Procedure was reviewed in February 2016 and a Respectful Workplace Behaviour Policy was developed in April 2016. No grievances were reported during the 2015-16 reporting period.

## 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 2017-18.

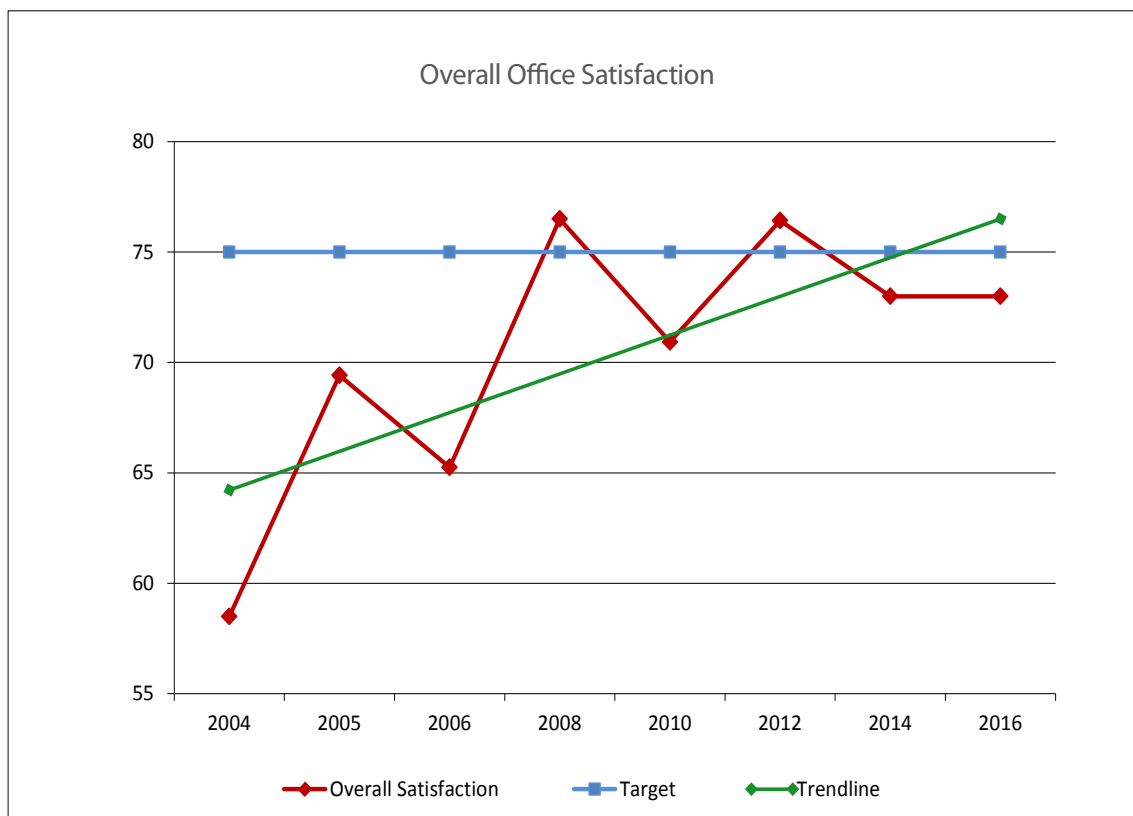
The following table summarises the employee rating on each surveyed category. In each case our target is a rating of 75%.

Category	2016	2014	2012
Co-operation between business units	64	67	68
Corporate communications	68	71	82
Equal employment opportunity	73	75	79
Involvement	77	79	82
Leadership	73	72	80
Motivation	77	75	80
Performance management	71	68	74
Personal satisfaction	78	75	79
Recruitment and selection	70	70	72
Rewards and recognition	74	79	71
Staff development	70	70	72
Supervision	73	69	77
Teamwork	73	73	75
Work environment	76	77	79
<b>Total average</b>	<b>73</b>	<b>73</b>	<b>76</b>

The 2016 survey had a participation rate of 100%, allowing for solid conclusions to be drawn from the results. The focus of this year's survey was on how well people work together, their response to the values adopted in 2008 and their ideas about how business performances could be improved.

The overall satisfaction rating of 73% is consistent with the 2014 rating, with minor variations over a number of categories. The majority of respondents rated communication highly and felt they were well informed about goals, priorities and decisions within the Office. Our strong flexible working practices and family friendly policies were acknowledged, along with the improvement in performance management after the introduction of a new policy since the last survey. There is a sense of accomplishment from the work the Office conducts, and the majority of staff like their work, trust their colleagues and enjoy coming to work.

Initiatives stemming from this year's survey include further information sharing activities between business units, improved presentation of policies and procedures, an increased focus on continuous improvement and the recruitment and retention of talented staff. SEMG will develop specific strategies to address these areas.



## TASMANIAN STATE SERVICE WORKFORCE SURVEY

The fourth State Service Workforce Survey was undertaken in May 2016 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 have not yet been received.

## 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.

A communications strategy for the Office was developed in the reporting period, which supports the Office's purpose by identifying ways to effectively communicate and engage with external stakeholders. In June 2016, all staff were involved in a strategic planning day to develop the priorities for our new strategic plan.



## SOCIAL RESPONSIBILITY

### Workforce and Community Committees and Bodies

The Office supports staff to be good corporate citizens. 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 the 2015 calendar year the Office so far, supported the Cancer Council and donated a total of \$767. In the 2016 calendar year the Office has donated \$612 of fundraising monies to Speak up Stay ChatTY. Funds are raised via free dress days, morning teas and other social activities.

The Office also participated in the following fundraising activities:

- Dress Down Day in aid of the relief for those affected by Cyclone Winston in Fiji
- Curry Luncheon in aid of the relief for those affected by Cyclone Winston in Fiji
- Donations to the Deputy Auditor-General's Great Cycle Challenge to raise funds to fight cancer in children
- Donations of toys and books in aid of incoming Syrian Refugees, collected in partnership with the Rotary Club of Hobart.

Additionally, Waqas Durrani was awarded for the 'Pride of Australia Fair Go Medal' which recognises an Australian permanent resident or citizen who has enriched Australia through their community involvement, hard work and willingness to embrace their new home. We congratulate Waqas on such a wonderful achievement.

### Climate Change

The Office is committed to reducing emissions associated with our operations through reducing energy usage and waste. In June 2015 we relocated our Hobart office to smaller premises in a newly refurbished energy-efficient building at 144 Macquarie Street. This resulted in a significant reduction in operating costs as well as energy usage.

In addition to the significant energy reduction achieved by relocation to the new office premises, the Office continues to demonstrate its commitment to reducing emissions by:

- efficient use of office equipment and building facilities
- minimising vehicle and air travel
- maintaining a fleet of four fuel efficient vehicles with all shared by staff as required, including private plate vehicles
- recycling waste where possible
- initiating a toner recycling program for the Hobart office and other building tenants.

## REWARDS AND RECOGNITION

We believe it is 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:

- Awarded quarterly, the Making a Difference Award recognises employees who, throughout the year, have exceeded expectations in certain areas.
- The Way of the TAO Award recognises an employee, or team, who significantly contributes to the wellbeing and happiness of the Office throughout the year and is awarded annually.

In 2015-16 The Way of TAO was awarded to:

- Debbie Scott
- Simone Lee.

During 2015-16, the following employees received quarterly recognition awards:

- Rebecca Inman
- Danny Moore
- Stacy Brennan
- Anthony Bellamy
- Reece Munnings
- Jessica Leonard
- Richard Jolly

- Waqas Durrani
- Jordan Quinn
- Andrew Eiszele
- Tamara Cox
- Anne Cunningham
- Patty Johnson
- Brad George.

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

- Ric De Santi – 30 Years of Service to the Office
- Rob Luciani – 30 Years of Service to the Office
- Jeff Tongs – 20 Years of Service to the Office
- Jara Dean – 10 Years of Service to the Office
- Rebecca Inman – 10 Years of Service to the Office.

The following milestones were reached by our employees:

	Year	Description
Mike Blake	2016	CPA Australia, Tasmanian Divisional Council President's Award for Excellence in Service and Leadership
Bruce Williams	2016	Advancement to CPA
Reece Munnings	2016	Advancement to CPA
Tony Knight	2016	Advancement to Fellow of CPA
Debbie Scott	2016	20 Years of Membership of CPA Australia
Simon Andrews	2016	10 Years of Membership of CPA Australia



## OUR PERFORMANCE

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OUR PERFORMANCE REPORT

In this section we explain our performance for 2015-16 by reference to our Key Performance Indicators (KPIs). 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

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 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	2012-13 Actual	2013-14 Actual	2014-15 Actual	2015-16 Target	2015-16 Actual	Result
Survey of Parliamentarians by independent biennial survey:						
Overall satisfaction with the Auditor-General's reports and services	96%	Nm	97%	Nm	Nm	—
Provide valuable information on public sector performance	95%	Nm	88%	Nm	Nm	—
Reports and services help to improve public sector administration	85%	Nm	87%	Nm	Nm	—
High level of performance audits addressing key areas of interest	85%	Nm	94%	Nm	Nm	—
Responsiveness of the Auditor-General or his Office	100%	Nm	100%	Nm	Nm	—
Extent to which the advice/information provided by the Auditor-General or his Office addressed your needs	100%	Nm	100%	Nm	Nm	—
Survey of audit clients by independent biennial survey:						
Performance Audit - overall performance (process, reporting, value)	79%	Nm	69%	Nm	Nm	—
Financial Audit - overall performance (process, reporting, value)	77%	Nm	80%	Nm	Nm	—

## FINANCIAL INDICATORS

The KPIs in the following table are in relation the Our Finances section of this Report which supports our Sustainable Pillar:

Key Performance Indicators	2012-13 Actual	2013-14 Actual	2014-15 Actual	2015-16 Target	2015-16 Actual	Result
Positive net operating result, that is $\geq 1\%$ of turnover	Achieved	Achieved	Not Achieved	Achieved	Achieved	✓
Positive cash flows with an End of Year (EOY) cash balance $> \$600\,000$	Achieved	Achieved	Achieved	Achieved	Achieved	✓
Increase cash reserves by \$150 000 each year	Achieved	Achieved	Not Achieved	Achieved	Achieved	✓
Independent un-modified audit opinion on the financial statements of the Office	Achieved	Achieved	Achieved	Achieved	Achieved	✓

## OPERATIONAL AND GOVERNANCE INDICATORS

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

Key Performance Indicators	2012-13 Actual	2013-14 Actual	2014-15 Actual	2015-16 Target	2015-16 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%	98%	92%	100%	97%	✗
Performance and compliance audits are completed on average within nine months	Not Achieved	Achieved	Not Achieved	Achieved	Achieved	✓
Percentage of recommendations agreed and acted upon 24 months since the tabling of a performance/compliance audit report	Nm	Nm	64%	70%	77%	✓
Performance and compliance audits and special investigations tabled in Parliament	7	7	6	7	6	✗

Key Performance Indicators	2012-13 Actual	2013-14 Actual	2014-15 Actual	2015-16 Target	2015-16 Actual	Result
Conducting audits, reviews or investigations and reporting of employer functions under the <i>State Service Act 2000</i> tabled in Parliament	-	-	1	1	1	✓
Report of the Auditor-General on the outcomes of financial audits tabled in Parliament	1	1	1	1	1	✓
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	Nm	Nm	Positive	Positive	Positive	✓
Performance audits	Nm	Nm	Nm	Positive	Positive	✓
Number of major findings with significant impact/ramifications reported to the Office's Audit Committee by our internal auditor	None	None	2	None	None	✓

For the 2015-16 audit cycle, 97% of financial audits were completed within 45 days of receipt of financial statements from clients as at 20 September 2016. Two audits as at this date did not meet this target. Process improvements were made in 2014-15 with the percentage completed increased in 2015-16. Further improvements will be implemented with the view to meet the 100% target in the 2017 audit season.

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 2015-16 covering:

- Procurement Compliance Review
- Staff Performance Management Follow Up Review
- IT Security, Performance Monitoring and Reporting Review for the period 1 July 2014 to 30 June 2015
- IT Security, Performance Monitoring and Reporting Review – May 2016.

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



## PEOPLE INDICATORS

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

Key Performance Indicators	2012-13 Actual	2013-14 Actual	2014-15 Actual	2015-16 Target	2015-16 Actual	Result
Employee satisfaction as measured by the Office's independent biennial employee survey	Nm	73%	Nm	75%	73%	✗
Employee turnover rate	23%	15%	23%	<10%	13%	✗
Employees acknowledge our Office values and behaviours exhibited in our workplace (measured by surveys)	Nm	79%	87%	Nm	Nm	—
Percentage of employees who have University degree and/or professional qualifications	88%	91%	89%	>85%	91%	✓
Percentage of employees who are members of professional bodies	72%	72%	69%	>85%	57%	✗
Percentage of employees who undertake 10 days of professional development per annum	33%	21%	38%	100%	39%	✗
Percentage of employee professional development plans finalised	79%	93%	93%	100%	100%	✓
Employee participation in health and well-being initiatives	98%	98%	100%	75%	100%	✓
Sick leave taken by employees (average)	5.1	5.6	6.9	<5 days	4.8	✓
No excess leave balances	9%	5%	2%	<5%	2%	✓

Employee satisfaction was slightly lower than the target of 75%. Additional projects have been identified by management to implement during 2016-17. Office Turnover has reduced to levels that have not been seen in previous years. The main reason turnover has occurred in 2015-16 is through staff obtaining promotions.

The percentage of employees who are members of professional bodies decreased due to the employment of five graduates during the year. As at 30 June 2016 we had nine staff undertaking studies leading to full membership of professional bodies.

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 ongoing implementation of the performance management system which focuses on individual staff development. As can be seen above the Office met the target of 100% for all professional development plans being finalised.

Employees participated in our health and wellbeing initiatives during 2015-16. The Health and Wellbeing Plan for 2016-18 was formulated through consultation with staff.

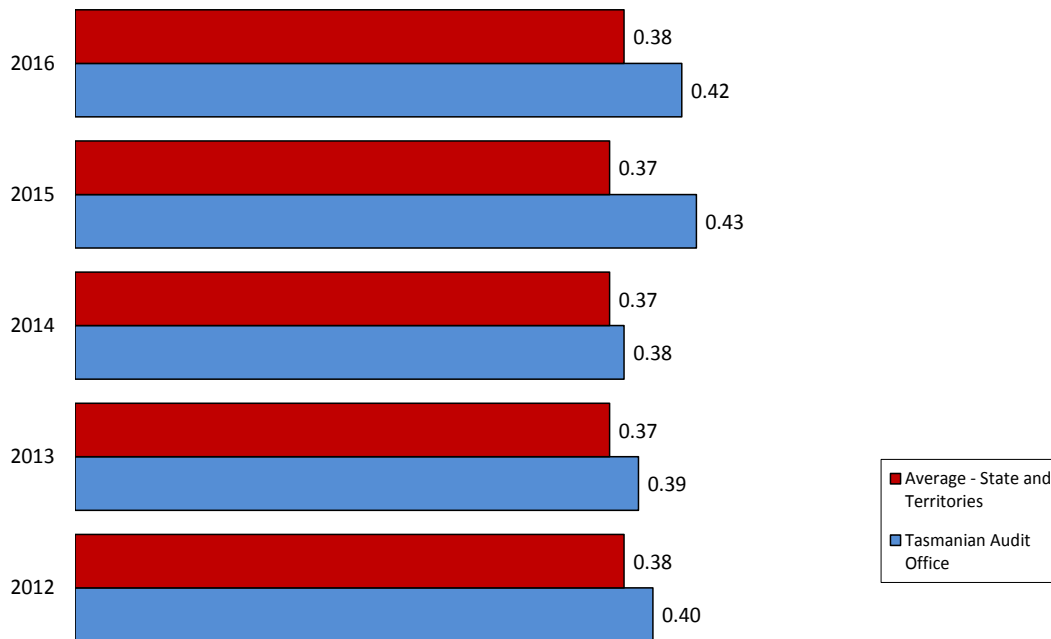
Initiatives have included continuation of the provision of healthy fruit and vegetables and learnings for staff in relation to stress management techniques.

## 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 2012-2016.

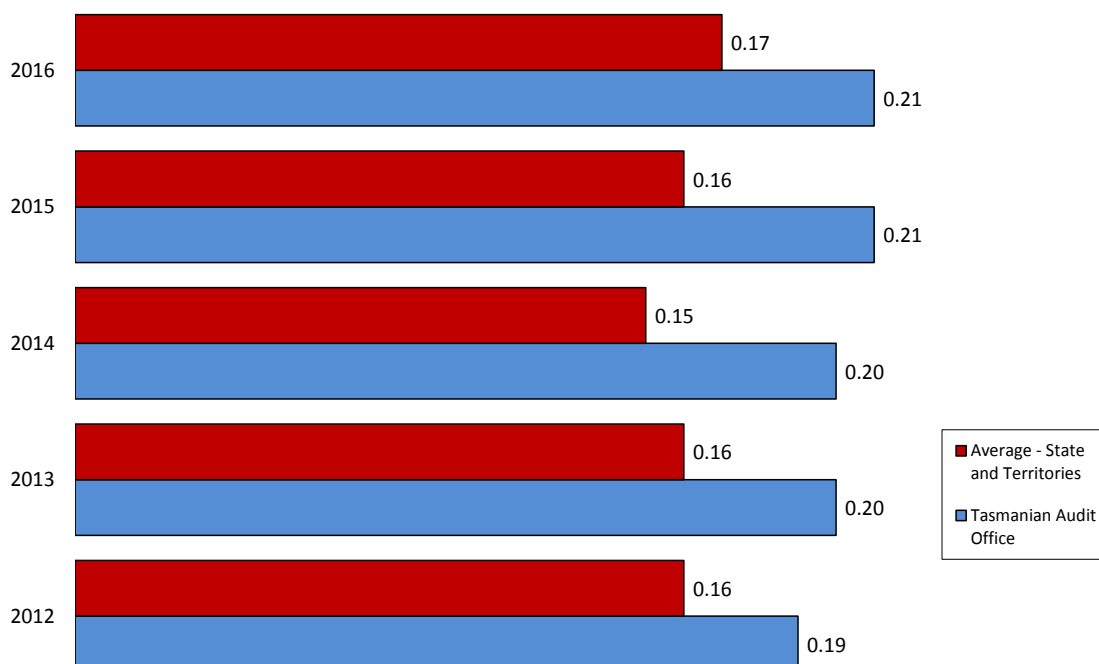
### Measure One:

**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**

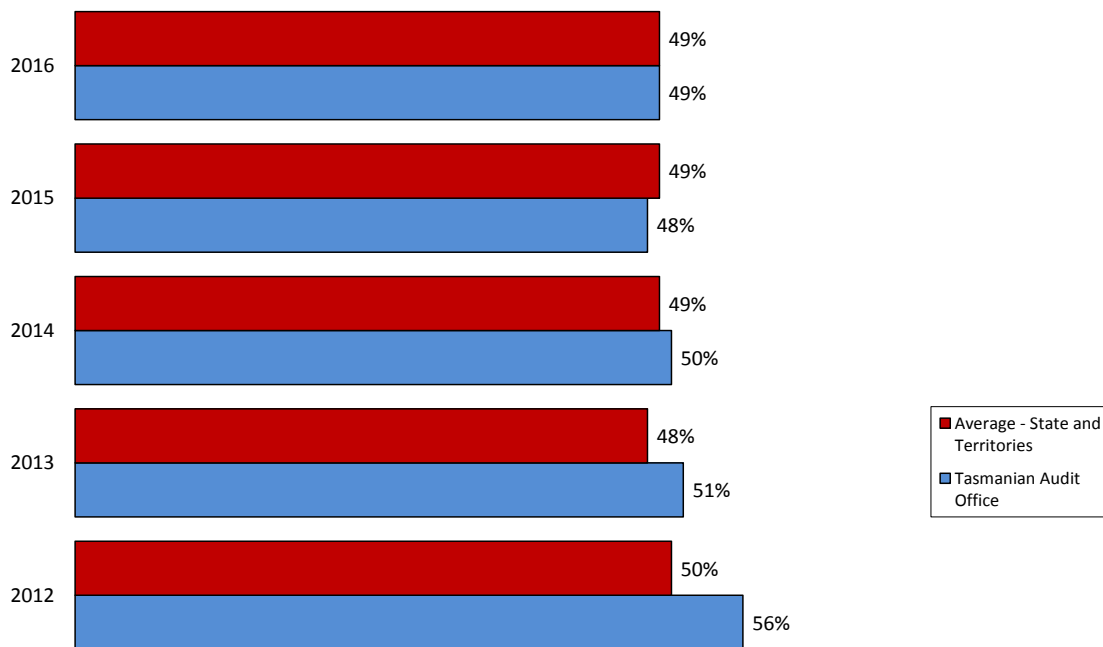




In relation to the first two measures, we expect our costs as a proportion of total State transactions and assets to be higher than most other states. Typically, State entities in Tasmania are smaller than their interstate counterparts as is our Office. Both measures confirm this expectation.

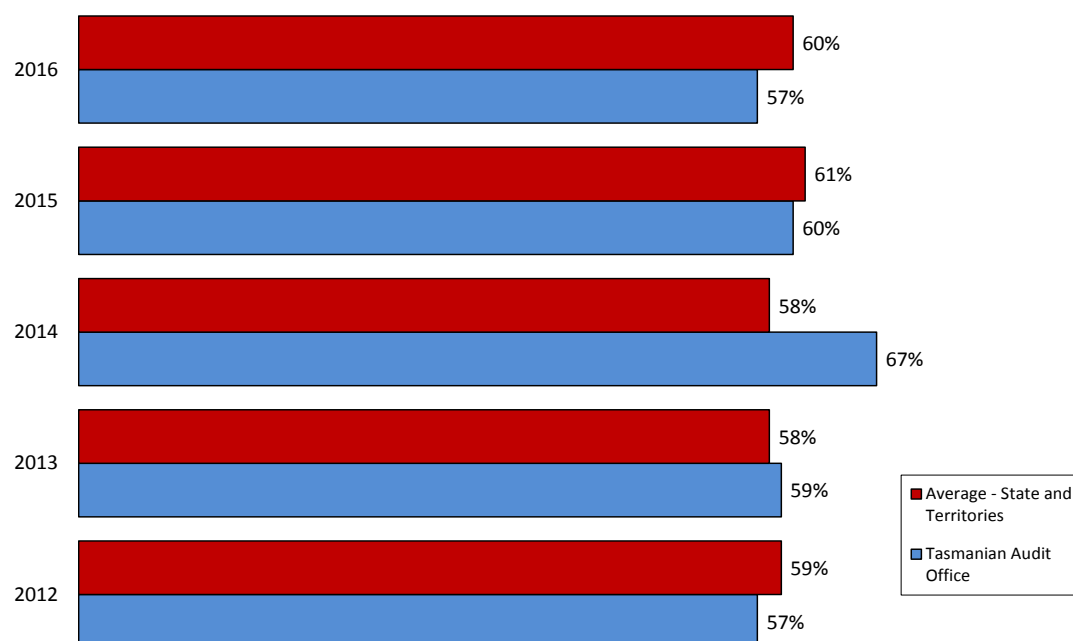
### Measure Three:

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



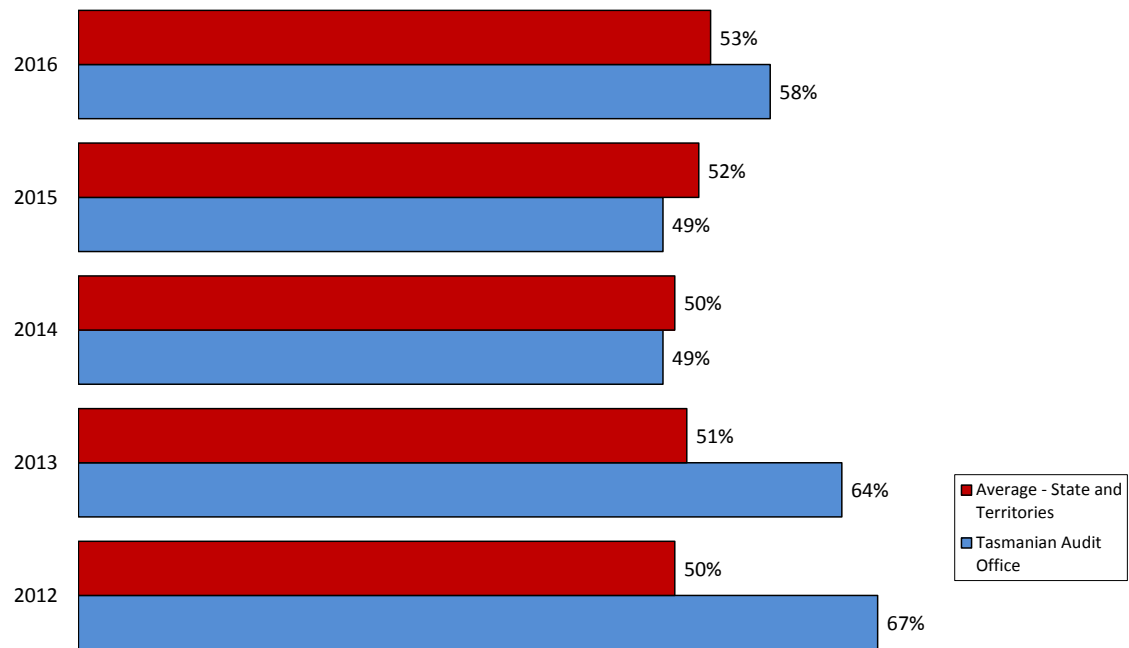
### Measure Four:

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



#### Measure Five:

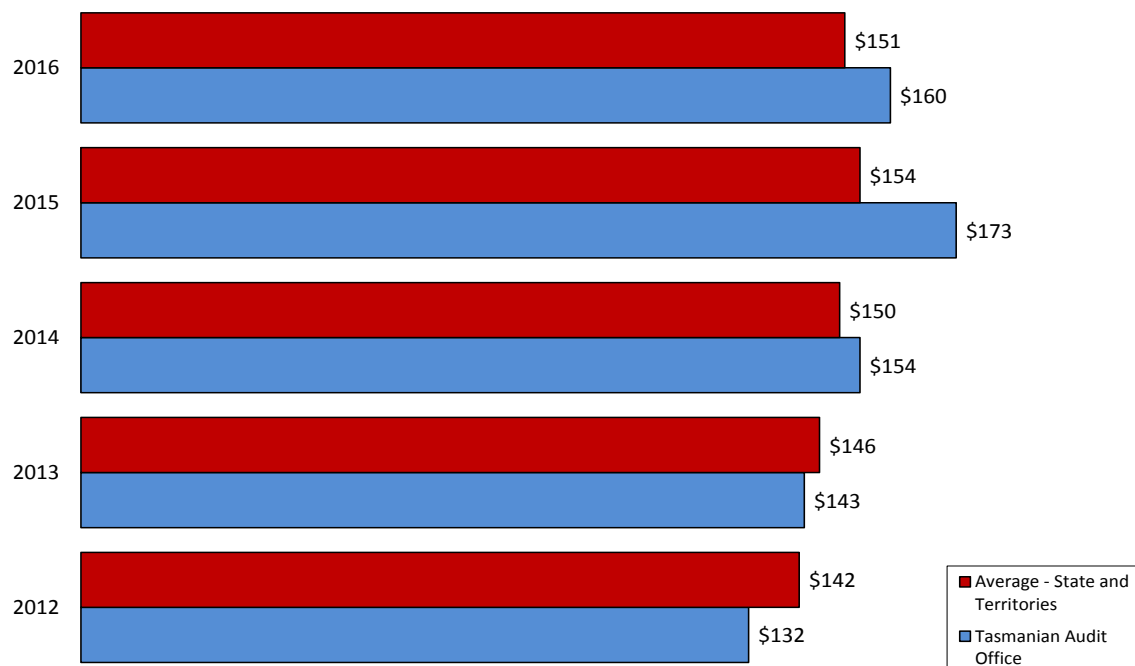
##### Percentage of total paid hours of non-attest audit staff charged to non-attest audit activities



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. The downward movement in attest chargeable hours has resulted from changes due to a re-profiling exercise whereby when more senior staff left they were replaced with graduates. Non-attest improvements were due to a concerted effort in focussing on productivity during 2015-16.

#### Measure Six:

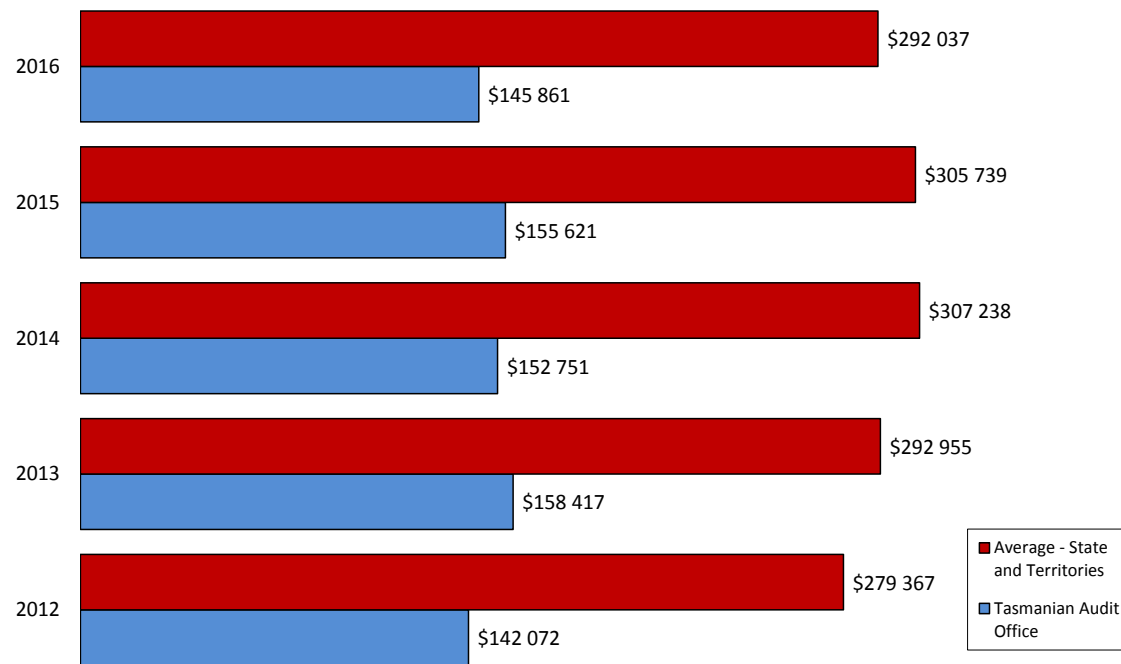
##### Cost per audit hour charged to audit activities



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, 2015 and 2016 audit seasons. Minimising the cost of our audit work remains an on-going objective for the Office and this is evidenced by a re-profiling exercise undertaken in late 2015 to appoint additional graduates is starting to initially reflect in reduced 2016 costs.

#### 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. In 2016 the reduction of costs was mainly as a result of the employment of a graduate in PAS and a more senior position not recruited for.

# INDEPENDENT AUDITOR'S REVIEW OF THE PERFORMANCE REPORT



## 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 53 to 66, which comprises the key performance indicators for the 2016 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 2016.

Nexia Melbourne Audit Pty Ltd  
Melbourne

Geoff S. Parker  
Director

Dated this 12 day of October 2016

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## FINANCIAL SUMMARY

### FINANCIAL PERFORMANCE

Key indicators of our financial performance and position for the year ended 30 June 2016 include:

- A positive net operating balance for the financial year of \$0.657m (2014-15, \$0.059m). The variance to budget of \$0.041m (\$0.033m) was mainly due to vacant positions and unbudgeted revenue received from additional audit work undertaken.
- Revenue of \$8.366m was \$0.583m higher than the previous year due to unbudgeted revenue received from additional audit work undertaken. This also explains the variance of \$0.592m above budget of \$7.774m.
- Expenditure was almost the same as the previous year and under budget by \$0.024m which was a pleasing result.
- Improvement in equity, and net assets, by \$0.657m, being the net surplus for the year. From an operational perspective, 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 is \$3.417m at 30 June 2016, \$2.725m at 30 June 2015 and \$2.935m budget. The improvement between years is primarily related to the net operating balance of \$0.657m in 2015-16 and \$0.059m in 2014-15 which is reflected in the increase in cash and deposits.
- Non-financial assets increased by \$0.065m compared to 30 June 2015 mainly due to the final capitalisation of costs relating to the refurbishment of our office at Level 8, 144 Macquarie Street, Hobart.

The following table details the movements in revenue for the past four years and for 2015-16:

Revenue	2015-16 (\$'000s)	2014-15 (\$'000s)	2013-14 (\$'000s)	2012-13 (\$'000s)	2011-12 (\$'000s)
User charges	5 818	5 356	5 329	4 797	4 723
Appropriations					
Reserve-by-law	580	437	455	430	385
Auditor-General recruitment	126	-	-	-	-
Performance audits and reports	1 779	1 732	1 778	1 978	2 027
Other revenue	63	258	223	150	128
<b>Total</b>	<b>8 366</b>	<b>7 783</b>	<b>7 785</b>	<b>7 355</b>	<b>7 263</b>

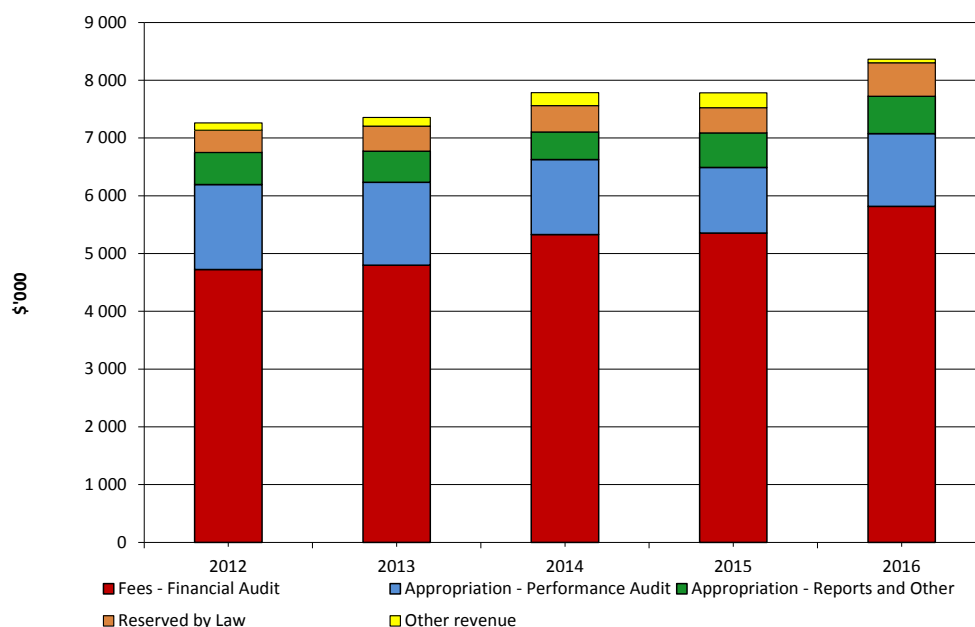
During the 2011-12 budget process, Government advised that our Appropriation funding for the three years through to 2013-14 would be reduced, resulting in the decrease from \$2.046m in 2011-12. In 2015-16 the Office received additional funding of \$0.050m per annum for probity/cross sector reviews reducing the cumulative impact of the appropriation reductions to 30 June 2016 of \$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 resulted in report consolidation requiring one less report 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 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, 2015-16 and previous four years



Comments below compare financial performance relating to revenue between 2014-15 and 2015-16.

Our total revenue increased from the previous year. This was mainly due to an increase in Appropriation relating to the recruitment of the new Auditor-General and the increase in User charges due to anticipated audit work conducted.

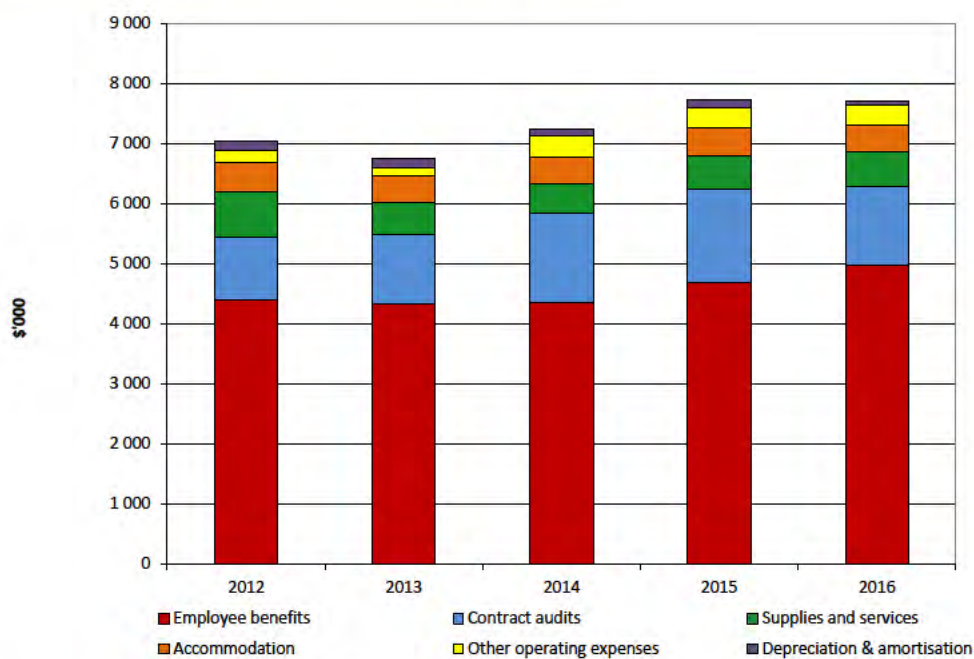


The following table details the movements in expenditure and our surplus/deficit for the past four years and for 2015-16.

Expenditure	2015-16 (\$'000s)	2014-15 (\$'000s)	2013-14 (\$'000s)	2012-13 (\$'000s)	2011-12 (\$'000s)
Employee benefits	4 964	4 684	4 353	4 324	4 395
Other expenses	771	672	664	521	828
Audit contractors	1 321	1 556	1 495	1 155	1 052
Information technology	111	208	152	156	116
Accommodation	459	477	456	431	491
Depreciation/Amortisation	83	127	113	157	144
<b>Total</b>	<b>7 709</b>	<b>7 724</b>	<b>7 233</b>	<b>6 744</b>	<b>7 026</b>
<b>Surplus/(Deficit)</b>	<b>657</b>	<b>59</b>	<b>552</b>	<b>611</b>	<b>237</b>

Commentary on movements in expenditure between 2014-15 and 2015-16 are noted in the next graph.

### Expenditure, 2015-16 and previous four years



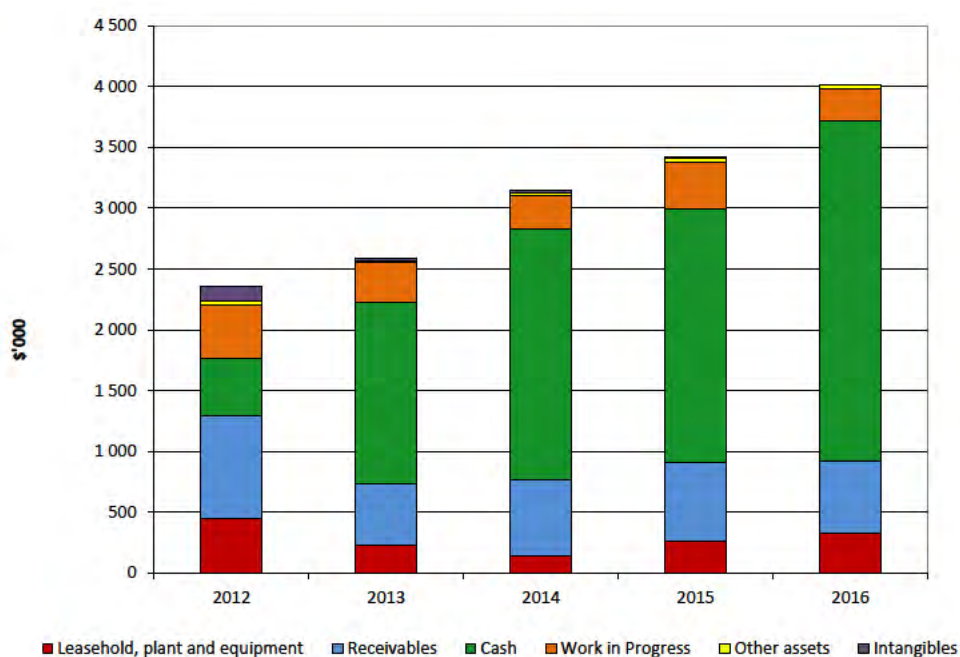
Overall Total expenses were on par with last year. Employee benefits were higher compared to last year, when indexation and increments are taken into account and were \$0.303m lower than budget. This occurred as a result of delays in filling vacant positions which was offset by lower audit contract costs than last year.

## Financial Position

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

Assets	2015-16 (\$'000s)	2014-15 (\$'000s)	2013-14 (\$'000s)	2012-13 (\$'000s)	2011-12 (\$'000s)
Financial assets	3 647	3 120	2 959	2 321	1 752
Non-financial assets	372	304	185	266	604
<b>Total</b>	<b>4 019</b>	<b>3 424</b>	<b>3 144</b>	<b>2 587</b>	<b>2 356</b>

### Total assets by asset type presented graphically



Comments below compare assets between 30 June 2015 and 30 June 2016.

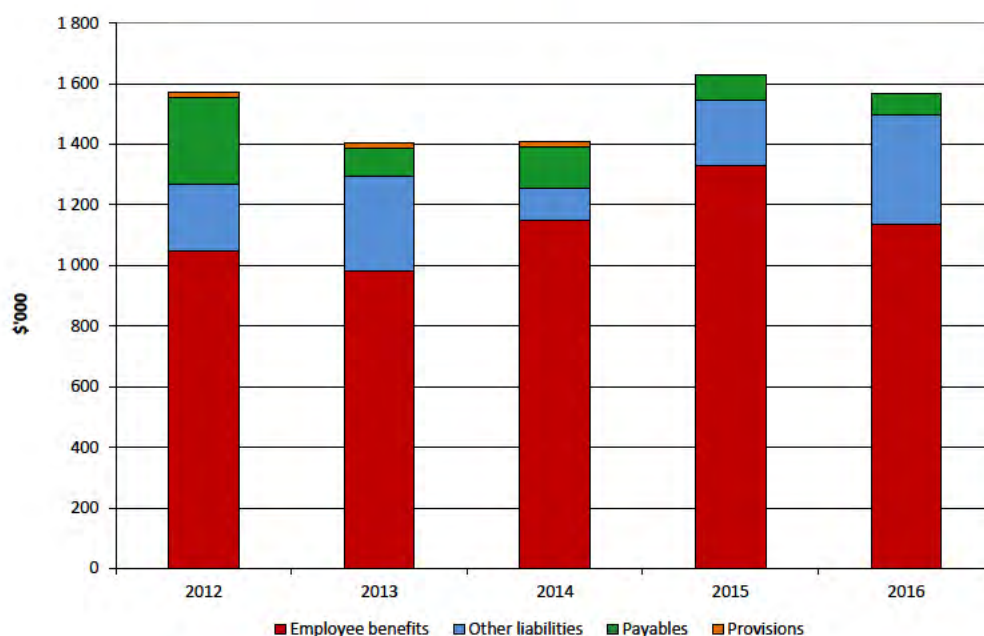
The \$0.527m increase in financial assets, comprising our bank balance, receivables and unbilled work-in-progress, is reflective of our positive net result of \$0.657m for 2015-16.

Non-financial assets, comprising leasehold improvements, plant and equipment and intangibles, increased by \$0.068m mainly due to the final capitalisation of refurbishment costs for the Hobart office which we relocated to in June 2015.

## Liabilities and net assets/equity

Liabilities	2015-16 (\$'000s)	2014-15 (\$'000s)	2013-14 (\$'000s)	2012-13 (\$'000s)	2011-12 (\$'000s)
Financial liabilities	71	85	153	110	303
Non-financial liabilities	1 496	1 544	1 255	1 294	1 269
<b>Total</b>	<b>1 567</b>	<b>1 629</b>	<b>1 408</b>	<b>1 404</b>	<b>1 572</b>
<b>Net Assets/Equity</b>	<b>2 452</b>	<b>1 795</b>	<b>1 736</b>	<b>1 183</b>	<b>784</b>

## Total liabilities by liability type presented graphically



Comments below compare liabilities between 30 June 2015 and 30 June 2016.

Financial liabilities consisted of creditors, \$0.071m (2014-15, \$0.085m), predominantly representing operational invoices received after 30 June 2016. The majority of Non-Financial liabilities were leave provisions and revenues received in advance.

Employee benefits decreased by \$0.194m to \$1.137m at 30 June 2016 mainly due to the retiring Auditor-General leaving the Office in March 2016. At 30 June 2016 leave accrued balances were:

- Recreation leave, 737 days (2015, 618 days)
- Long service leave, 1 596 days (2015, 1 714 days)
- Excess hours agreement, 0 days (2015, 0 days).





## 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 2016, 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 Auditor-General, as well as evaluating the overall presentation of the financial report.

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

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# INDEPENDENT AUDITOR'S 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 2016 and of 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.

A handwritten signature in black ink, appearing to read "Nexia".

**Nexia Melbourne Audit Pty Ltd**  
Melbourne

A handwritten signature in black ink, appearing to read "Geoff S. Parker".

**Geoff S. Parker**  
Director

Dated this 15 day of August 2016



## STATEMENT OF CERTIFICATION

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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 2016 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.



Rod Whitehead  
Auditor-General  
15 August 2016



Ric De Santi  
Chief Operating Officer  
15 August 2016

## STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2016

	Notes	2016 Budget \$'000	2016 Actual \$'000	2015 Actual \$'000
<i>Continuing operations</i>				
<b>Revenue and other income from transactions</b>				
Revenue from Government				
Appropriation revenue - RBL	3.1	568	580	437
Appropriation revenue - recurrent	3.1	1 779	1 905	1 732
User charges	3.2	5 262	5 818	5 356
Other revenue	3.3	165	63	258
<b>Total revenue and other income from transactions</b>		<b>7 774</b>	<b>8 366</b>	<b>7 783</b>
<b>Expenses from transactions</b>				
Employee benefits	4.1	5 267	4 964	4 684
Depreciation and amortisation	4.2	72	83	127
Audit contractors	4.3	966	1 321	1 582
Supplies and consumables	4.4	1 405	1 023	1 022
Other expenses	4.5	23	318	309
<b>Total expenses from transactions</b>		<b>7 733</b>	<b>7 709</b>	<b>7 724</b>
<b>Net result from transactions (net operating balance)</b>		<b>41</b>	<b>657</b>	<b>59</b>
<b>Net result</b>		<b>41</b>	<b>657</b>	<b>59</b>
<b>Comprehensive result</b>		<b>41</b>	<b>657</b>	<b>59</b>

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

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

Explanations of material variances between budget and actual outcomes are provided in Note 2 of the accompanying notes.

## STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2016

	Notes	2016 Budget \$'000	2016 Actual \$'000	2015 Actual \$'000
<b>Assets</b>				
<i>Financial assets</i>				
Cash and deposits*	8.1	2 363	2 801	2 078
Receivables and work in progress	5.1	868	846	1 042
<i>Non-financial assets</i>				
Leasehold improvements, plant and equipment	5.2	169	330	264
Intangibles	5.3	-	7	8
Other assets	5.4	28	35	32
<b>Total assets</b>		<b>3 428</b>	<b>4 019</b>	<b>3 424</b>
<b>Liabilities</b>				
Payables	6.1	128	71	85
Employee benefits	6.2	1 127	1 137	1 331
Other liabilities	6.4	168	359	213
<b>Total liabilities</b>		<b>1 423</b>	<b>1 567</b>	<b>1 629</b>
<b>Net assets</b>		<b>2 005</b>	<b>2 452</b>	<b>1 795</b>
<b>Equity</b>				
Contributed capital		1 168	1 168	1 168
Accumulated surplus/(deficit)		837	1 284	627
<b>Total equity*</b>		<b>2 005</b>	<b>2 452</b>	<b>1 795</b>

\*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 2 of the accompanying notes.

## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2016

	Notes	2016 Budget \$'000	2016 Actual \$'000	2015 Actual \$'000
<b>Cash flows from operating activities</b>		Inflows (Outflows)	Inflows (Outflows)	Inflows (Out- flows)
<b>Cash inflows</b>				
Appropriation receipts - recurrent		1 779	1 905	1 732
Appropriation receipts - RBL		568	580	437
User charges		5 614	5 883	5 275
GST receipts		598	759	919
Other cash receipts		165	196	214
<b>Total cash inflows</b>		<b>8 724</b>	<b>9 323</b>	<b>8 577</b>
<b>Cash outflows</b>				
Employee benefits		(5 619)	(5 163)	(4 494)
GST payments		(598)	(771)	(881)
Audit contractors		(966)	(1 129)	(1 604)
Supplies and consumables		(1 401)	(966)	(845)
Other cash payments		(23)	(416)	(516)
<b>Total cash outflows</b>		<b>(8 607)</b>	<b>(8 445)</b>	<b>(8 340)</b>
<b>Net cash from operating activities</b>	<b>8.2</b>	<b>117</b>	<b>878</b>	<b>237</b>
<b>Cash flows from investing activities</b>				
<b>Cash outflows</b>				
Payments for acquisition of non-financial assets		(131)	(155)	(230)
<b>Total cash outflows</b>		<b>(131)</b>	<b>(155)</b>	<b>(230)</b>
<b>Net cash from (used by) investing activities</b>		<b>(131)</b>	<b>(155)</b>	<b>(230)</b>
<b>Net increase/(decrease) in cash and cash equivalents held</b>		<b>(14)</b>	<b>723</b>	<b>7</b>
<b>Cash and deposits at the beginning of the reporting period</b>		<b>2 377</b>	<b>2 078</b>	<b>2 071</b>
<b>Cash and deposits at the end of the reporting period</b>	<b>8.1</b>	<b>2 363</b>	<b>2 801</b>	<b>2 078</b>

This Statement of Cash Flows should be read in conjunction with the accompanying notes. Budget information refers to original estimates and has not been subject to audit. Explanations of material variances between budget and actual outcomes are provided in Note 2 of the accompanying notes.

## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2016

	Contributed equity	Accumulated surplus	Total equity
	\$'000	\$'000	\$'000
<b>Balance as at 1 July 2015</b>	<b>1 168</b>	<b>627</b>	<b>1 795</b>
Total comprehensive result	-	657	657
<b>Balance as at 30 June 2016</b>	<b>1 168</b>	<b>1 284</b>	<b>2 452</b>

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

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



## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

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## **NOTE 1      OFFICE OUTPUT SCHEDULES**

### **1.1      Output Group Information**

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

Explanations of material variances between budget and actual outcomes are provided in Note 2 below. A reconciliation of the net result of the Output Group to the net surplus on the Statement of Comprehensive Income is not necessary as the Office only has one output group. For the same reason there is no separate reconciliation between the total net assets deployed for the Output Group to net assets on the Statement of Financial Position.

## NOTE 2 EXPLANATIONS OF MATERIAL VARIANCES BETWEEN BUDGET AND ACTUAL OUTCOMES

Budget information refers to original estimates as disclosed in the 2015-16 Budget Papers and is not subject to audit.

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 Comprehensive Income Note 2.1 and Statement of Cash Flows Note 2.3 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.

### 2.1 Statement of Comprehensive Income

	Note	Budget \$'000	Actual \$'000	Variance \$'000	Variance %
User charges	(a)	5 262	5 818	556	11
Audit contractors	(b)	966	1 321	(355)	(37)
Supplies and consumables	(c)	1 405	1 023	382	27
Other expenses	(d)	23	318	(295)	(>100)

#### Notes to Statement of Comprehensive Income variances

(a) User charges are greater than budgeted due to unexpected work being charged during the year. This is mainly due to the increase in acquittals and IT audits.

(b) Audit contractors are also above the amount budgeted again due to the increase in contract audits allocated for the 30 June 2015 and 30 June 2016 financial years. The associated budget was not amended to reflect this reallocation.

(c) Refer to 2.1 (d), costs were budgeted for the Service Level Agreements in Supplies and Consumables but costed to other expenses

(d) The Service Level Agreement for some corporate support services and QAO audit methodology support has been costed to other expenses. These costs were not reflected in the original budget.

### 2.2 Statement of Financial Position

Budget estimates for the 2015-16 Statement of Financial Position were compiled prior to the completion of the actual outcomes for 2014-15. As a result, the actual variance from the Original Budget estimate will be impacted by the difference between estimated and actual opening balances for 2015-16. The following variance analysis therefore includes major movements between the 30 June 2015 and 30 June 2016 actual balances.

	Note	Budget \$'000	2016 Actual \$'000	2015 Actual \$'000	Budget Variance \$'000	Actual Variance \$'000
Cash and deposits	(a)	2 363	2 801	2 078	438	723
Leasehold improvements, plant and equipment	(b)	169	330	264	161	66
Other liabilities	(c)	168	359	213	(191)	(146)

## Notes to Statement of Financial Position variances

2.2 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) Unexpected audit income was received in 2015-16 resulting in higher than budgeted Cash and deposits. See 2.1 (a). In addition, costs savings in supplies and consumables and salaries and wages due to vacant positions contributed to the increase in Cash and deposits held at 30 June 2016.

(b) At the time of budget formulation the Office could not quantify the amount of Leasehold improvements, plant and equipment that was to be capitalised after the relocation to Level 8, 144 Macquarie Street. The difference in budget to actual reflects this capitalisation.

(c) Other liabilities increased actuals compared to budget is mainly as a result of the recognition of rent lease liability due to the accounting treatment of the one year rent free on the relocation to Level 8, 144 Macquarie Street.

## 2.3 Statement of Cash Flows

	Note	Budget \$'000	Actual \$'000	Variance \$'000	Variance %
GST receipts	(a)	598	759	161	27
GST payments	(a)	598	771	(173)	(29)
Other cash payments	(b)	23	416	(393)	(>100)

## Notes to Statement of Cash Flows variances

(a) GST receipts and payments are indicative of payments and receipts that have GST included. At the time of developing the budget the GST was estimated.

(b) See 2.1(c).

### NOTE 3 INCOME FROM TRANSACTIONS

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

#### 3.1 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. Except for any amounts identified as carried forward, control arises in the period of appropriation.

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.

	2016 Budget \$'000	2016 Actual \$'000	2015 Actual \$'000
<b>Revenue from Government</b>			
Appropriation revenue - recurrent	1 779	1 905	1 732
Items Reserved by Law – Auditor General's salary and associated allowances	568	580	437
<b>Total</b>	<b>2 347</b>	<b>2 485</b>	<b>2 169</b>

#### 3.2 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.

	2016 \$'000	2015 \$'000
Financial Audit Services	5 818	5 356
<b>Total</b>	<b>5 818</b>	<b>5 356</b>



### 3.3 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.

	2016 \$'000	2015 \$'000
Reserved by law – Auditor-General leave provisions*	(108)	41
Performance audits of employer functions	94	106
Miscellaneous	77	111
<b>Total</b>	<b>63</b>	<b>258</b>

\*Previously whenever Auditor-General leave provisions were accounted for they were recorded as movements in revenue. The negative movement substantially reflects the payment on separation of the former Auditor-General.

### NOTE 4 EXPENSES FROM TRANSACTIONS

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

#### 4.1 Employee Benefits

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

##### (a) Employee expenses

	2016 \$'000	2015 \$'000
Wages and salaries	4 269	4 042
Superannuation – defined contribution scheme	399	354
Superannuation – defined benefit scheme	113	115
Other employee expenses	183	173
<b>Total</b>	<b>4 964</b>	<b>4 684</b>

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 (2015: 12.75 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 (2015: 9.5 per cent) of salary. In addition, the Office is also required to pay to Treasury a “gap” payment equivalent to 3.25 per cent (2015: 3.25 per cent) of salary in respect of employees who are members of the contribution schemes.

(b) Remuneration of Key management personnel

2016	Short-term benefits		Long-term benefits			Total
	Salary	Other Benefits	Super-annuation	Long Service Leave	Termination Benefits	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Key management personnel</b>						
H M Blake, Auditor-General (to 29/3/2016)	250	(5)	60	(115)	127	317
R J Whitehead, Auditor-General (from 30/3/2016)	88	53	8	1	-	150
E R De Santi, Deputy Auditor-General/Chief Operating Officer	206	35	27	8	-	276
P R Johnson, Director – Corporate Support Services	120	3	11	8	-	142
<b>Total</b>	<b>664</b>	<b>86</b>	<b>106</b>	<b>(98)</b>	<b>127</b>	<b>885</b>

*Note: E R De Santi also acted as the Auditor-General during the following periods: 8/9/2015 to 9/9/2015, 5/10/2015 to 9/10/2015, 29/2/2016 to 20/3/2016 and 23/3/2016 to 29/3/2016. P R Johnson also acted as the Chief Operating Officer from 6/6/2016 to 10/6/2016.*

*The negative Other Benefits and Long Service Leave balances for H M Blake are reflective of the reduction of his annual and long service leave balances to zero and corresponding conversion to cash (Termination Benefits) on his resignation on 29/3/2016.*

2015	Short-term benefits		Long-term benefits			Total
	Salary	Other Benefits	Super-annuation	Long Service Leave	Termination Benefits	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Key management personnel</b>						
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, Director, Technical and Quality (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
<b>Total</b>	<b>872</b>	<b>74</b>	<b>112</b>	<b>37</b>	<b>-</b>	<b>1 095</b>

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 2015-16 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.

It should be noted that because annual and long service leave liabilities are calculated by discounting future cashflows (detailed in Note 6.2), the termination payments received by any key management personnel may not necessarily correspond with the leave liability associated to that individual.

### 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 2015-16.

## 4.2 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:

Computer equipment - hardware	5 years
Office equipment	5 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	10 years
-------------------------------	----------

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

Leased buildings – 144 Macquarie Street, Hobart	6 years
Leased buildings – Launceston	12 years

(a) Depreciation

	2016	2015
	\$'000	\$'000
Computer equipment - hardware	6	15
Office equipment, furniture and fittings	-	3
<b>Total</b>	<b>6</b>	<b>18</b>

(b) Amortisation

	2016	2015
	\$'000	\$'000
Intangibles – computer software	1	7
Leasehold improvements	76	99
Lease make-good	-	3
<b>Total</b>	<b>77</b>	<b>109</b>
<b>Total depreciation and amortisation</b>	<b>83</b>	<b>127</b>

4.3 Audit Contractors

	2016	2015
	\$'000	\$'000
Audit Contractors	1 211	1 557
IT Audit contractors	110	25
<b>Total</b>	<b>1 321</b>	<b>1 582</b>

#### 4.4 Supplies and Consumables

	2016	2014
	\$'000	\$'000
Audit fees – financial audit and review of key performance report	16	21
Audit fees – internal audit	41	48
Operating lease costs	323	385
Consultants	67	56
Property services	74	92
Communications	17	13
Information technology	111	208
Travel and transport	129	116
Printing	4	13
Plant and Equipment	11	27
Office Requisites	11	8
Personnel expenses	116	20
Other supplies and consumables	103	15
<b>Total</b>	<b>1 023</b>	<b>1 022</b>

#### 4.5 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

	2016	2015
	\$'000	\$'000
Salary on-costs	26	25
Corporate support provided by the Department of Justice	247	247
Finance Cost (unwinding of Make-good)	-	1
Property insurance	9	8
Other Expenses	36	28
<b>Total</b>	<b>318</b>	<b>309</b>



## NOTE 5 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.

### 5.1 Receivables and work in progress

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.

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.

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.

	2016	2015
	\$'000	\$'000
User charges	579	494
Work in progress	258	393
Reserved by law – Auditor-General long service leave receivable	9	155
<b>Total</b>	<b>846</b>	<b>1 042</b>
Settled within 12 months	846	1 042
Settled in more than 12 months	-	-
<b>Total</b>	<b>846</b>	<b>1 042</b>

### 5.2 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 Statement of Comprehensive Income as incurred.

### (iii) Asset recognition threshold

The asset capitalisation threshold adopted by the Office is \$5 000. Assets valued at less than \$5 000 are charged to the Statement of Comprehensive Income in the year of purchase. Assets valued at less than these thresholds are charged to the Statement of Comprehensive Income in the year of purchase (other than where they form part of a group of similar items which are material in total).

#### (a) Carrying amount

	2016	2015
	\$'000	\$'000
<b>Computer equipment - hardware</b>		
At cost	-	46
Less: Accumulated depreciation	-	(46)
<b>Total</b>	<b>-</b>	<b>-</b>
<b>Office equipment, furniture and fittings</b>		
At cost	32	24
Less: Accumulated depreciation	(9)	(3)
<b>Total</b>	<b>23</b>	<b>21</b>
<b>Leasehold improvements</b>		
At cost	365	720
Less: Accumulated amortisation	(58)	(483)
	<b>307</b>	<b>237</b>
Work in progress (at cost)	-	6
<b>Total</b>	<b>307</b>	<b>243</b>
<b>Total leasehold improvements, plant and equipment</b>	<b>330</b>	<b>264</b>

## (b) Reconciliation of movements

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

2016	Computer equipment \$'000	Office equipment, furniture and fittings \$'000	Leasehold improvements \$'000	Total \$'000
<b>Carrying value at 1 July</b>	-	21	243	264
Additions	-	8	146	154
Net movements in work in progress	-	-	(6)	(6)
Depreciation and amortisation	-	(6)	(76)	(82)
<b>Carrying value at 30 June</b>	-	23	307	330

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

## 5.3 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.

(a) Carrying amount

	2016	2015
	\$'000	\$'000
<b>Intangibles with a finite useful life</b>		
Software at cost	9	52
Less: Accumulated amortisation	(2)	(44)
<b>Total intangibles</b>	<b>7</b>	<b>8</b>

(b) Reconciliation of movements

	2016	2015
	\$'000	\$'000
<b>Carrying amount at 1 July</b>	<b>8</b>	<b>15</b>
Amortisation expense	(1)	(7)
<b>Carrying amount at 30 June</b>	<b>7</b>	<b>8</b>

5.4 Other Assets

	2016	2015
	\$'000	\$'000
<b>Other current assets</b>		
Prepayments	35	32
<b>Total</b>	<b>35</b>	<b>32</b>
Utilised within 12 months	35	32
<b>Total other assets</b>	<b>35</b>	<b>32</b>

## NOTE 6 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.

### 6.1 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.

	2016	2015
	\$'000	\$'000
Creditors	71	85
<b>Total</b>	<b>71</b>	<b>85</b>
Settled within 12 months	71	85
<b>Total</b>	<b>71</b>	<b>85</b>

Settlement is usually made within 30 days.

### 6.2 Employee Benefits

#### Key estimate and judgement

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. Employee benefits are measured as the present value of the benefit at 30 June, where the impact of discounting is material, and at the amount expected to be paid if discounting is not material. The Office assumes that all staff annual leave balances less than 20 days will be settled within 12 months, and therefore valued at nominal value, and balances in excess of 20 days will be settled in greater than 12 months and therefore calculated at present value.

A liability for long service leave is recognised, and is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. The Office makes a number of assumptions regarding the probability that staff who have accrued long service leave, but are ineligible to take it will remain with the Office long enough to take it. For those staff eligible to take their long service leave, the Office assumes that they will utilise it on average, evenly over the following ten years. All long service leave that will be settled within 12 months is calculated at nominal value and all long service leave that will be settled in greater than 12 months is calculated at present value.



	2016	2015
	\$'000	\$'000
Accrued salaries	18	159
Annual leave	293	265
Long service leave	695	754
Superannuation	127	149
State service accumulated leave scheme	4	4
<b>Total</b>	<b>1 137</b>	<b>1 331</b>
Settled within 12 months	343	580
Settled in more than 12 months	794	751
<b>Total</b>	<b>1 137</b>	<b>1 331</b>

### 6.3 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.

#### Key estimate and judgement

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.

## 6.4 Other Liabilities

Other liabilities are recognised in the Statement of Financial Position when it is probable that the 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.

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.

	2016	2015
	\$'000	\$'000
<b>Other liabilities</b>		
Revenue received in advance	150	155
GST liability	50	58
Rent incentive liability	159	-
<b>Total</b>	<b>359</b>	<b>213</b>
Settled within 12 months	230	213
Settled in more than 12 months	129	-
<b>Total</b>	<b>359</b>	<b>213</b>

As an incentive for the Office to relocate to new accommodation at level 8, 144 Macquarie St Hobart, the Office was offered the first year's rent for free. The Office has elected to record this rent saving over the life of the lease (six years). The rent saving will be allocated on an annual basis to reduce the rent expense, with the incentive liability recorded at 30 June each year being reflective of the rent incentive remaining to be allocated over the remainder of the lease.

## NOTE 7 COMMITMENTS AND CONTINGENCIES

### 7.1 Schedule of Commitments

	2016	2015
	\$'000	\$'000
<b>By type</b>		
<i>Lease Commitments</i>		
Operating leases	1 133	1 281
<b>Total lease commitments</b>	<b>1 133</b>	<b>1 281</b>
<i>Other commitments</i>		
Contract Audits	1 862	2 343
SLA with Department of Justice	837	-
Other commitments	19	75
<b>Total other commitments</b>	<b>2 718</b>	<b>2 418</b>
<b>Total by type</b>	<b>3 851</b>	<b>3 699</b>
<b>By maturity</b>		
<i>Operating lease commitments</i>		
One year or less	284	67
From one to five years	849	1 120
More than five years	-	94
<b>Total operating lease commitments</b>	<b>1 133</b>	<b>1 281</b>
<i>Other commitments</i>		
One year or less	1 388	1 188
From one to five years	1 330	1 230
<b>Total other commitments</b>	<b>2 718</b>	<b>2 418</b>
<b>Total</b>	<b>3 851</b>	<b>3 699</b>

## (a) Operating Leases

Operating leases relate to Office accommodation and motor vehicles. For Launceston Office accommodation the remaining lease term is two years, with an option to extend for a further 10 years. For Hobart Office accommodation the remaining lease term is five 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 on this lease as agreed with the Department of Premier and Cabinet, with the lease incentive expense being recorded over the life of the lease (refer Note 6.4). 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 2016 and the value and remaining term of the outstanding lease payments. All amounts shown are inclusive of GST. The Office is prohibited by Treasurer's Instruction 502 Leases from holding finance leases.

## (b) Other Commitments

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

## NOTE 8 CASH FLOW RECONCILIATION

### 8.1 Cash and Deposits

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

	2016 \$'000	2015 \$'000
<b>Special Deposits and Trust Fund balance</b>		
Special Deposits and Trust Account T644	2 801	2 078
<b>Total cash and deposits</b>	<b>2 801</b>	<b>2 078</b>

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

	2016 \$'000	2015 \$'000
Net result from transactions	657	59
Depreciation and amortisation	83	127
Decrease (increase) in Receivables and work in progress	203	(162)
Decrease (increase) in Prepayments	(3)	(8)
Increase (decrease) in Tax Liabilities	(8)	51
Increase (decrease) in Employee entitlements	(194)	184
Increase (decrease) in Payables	(14)	(49)
Increase (decrease) in Other liabilities	154	35
<b>Net cash from/(used in) operating activities</b>	<b>878</b>	<b>237</b>

## NOTE 9 FINANCIAL INSTRUMENTS

### 9.1 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)
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#### 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 2016, however 85.9% 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 2016.	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 30 separate debtors, with five 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 2016 but not impaired			
	Past due 30 days	Past due 60 days	Total
	\$'000	\$'000	\$'000
User charges	66	16	82
<b>Total</b>	<b>66</b>	<b>16</b>	<b>82</b>

Analysis of financial assets that are past due at 30 June 2015 but not impaired			
	Past due 30 days	Past due 60 days	Total
	\$'000	\$'000	\$'000
User charges	24	-	24
<b>Total</b>	<b>24</b>	<b>-</b>	<b>24</b>

### (c) Liquidity risk

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

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

Financial Instrument	Accounting and strategic policies (including recognition criteria and measurement basis)	Nature of underlying instrument (including significant terms and conditions affecting the amount. Timing and certainty of cash flows)
<b>Financial Liabilities</b>		
Payables	The Office's Business Plan critical success factor of sustainable business performance is supported by the key performance measure of maintaining a positive cash balance of \$200 000, in order to have sufficient liquidity to meet its liabilities when they fall due. This target was met at 30 June 2016.	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:

2016	Maturity analysis for financial liabilities		
	1 Year	Undiscounted Total	Carrying Amount
	\$'000	\$'000	\$'000
<b>Financial liabilities</b>			
Payables	71	71	71
<b>Total</b>	<b>71</b>	<b>71</b>	<b>71</b>

2015	Maturity analysis for financial liabilities		
	1 Year	Undiscounted Total	Carrying Amount
	\$'000	\$'000	\$'000
<b>Financial liabilities</b>			
Payables	85	85	85
<b>Total</b>	<b>85</b>	<b>85</b>	<b>85</b>

#### (d) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. As of 30 June 2016, the Office does not have any interest bearing assets or liabilities. As a result, its exposure to market risk is minimal.

## 9.2 Categories of Financial Assets and Liabilities

	2016	2015
	\$'000	\$'000
<b>Financial assets</b>		
Cash and cash equivalents	2 801	2 078
Receivables and work in progress	846	1 042
<b>Total</b>	<b>3 647</b>	<b>3 120</b>
<b>Financial Liabilities</b>		
Payables	71	85
<b>Total</b>	<b>71</b>	<b>85</b>

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

	Carrying Amount 2016 \$'000	Net Fair Value 2016 \$'000	Carrying Amount 2015 \$'000	Net Fair Value 2015 \$'000
<b>Financial assets</b>				
Cash in Special Deposits and Trust Fund	2 801	2 801	2 078	2 078
Receivables and work in progress	846	846	1 042	1 042
<b>Total financial assets</b>	<b>3 647</b>	<b>3 647</b>	<b>3 120</b>	<b>3 120</b>
<b>Financial liabilities (Recognised)</b>				
Payables	71	71	85	85
<b>Total financial liabilities (Recognised)</b>	<b>71</b>	<b>71</b>	<b>85</b>	<b>85</b>

### 9.4 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 their carrying amounts.

### NOTE 10 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 2016.

### NOTE 11 OTHER SIGNIFICANT ACCOUNTING POLICIES AND JUDGEMENTS

#### 11.1 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.

## 11.2 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 15 August 2016. 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.

## 11.3 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.

## 11.4 Functional and Presentation Currency

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

## 11.5 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:

- 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 2015; Part C *Financial Instruments* – 1 January 2016] - 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 the 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 the Standard; and

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 the Standard. There is no material financial impact.

- 2015-1 *Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012 2014 Cycle* [AASB 1, AASB 2, AASB 3, AASB 5, AASB 7, AASB 11, AASB 110, AASB 119, AASB 121, AASB 133, AASB 134, AASB 137 & AASB 140] – The objective of this Standard is to make amendment to Australian Accounting Standards that arise from the issuance of International Financial Reporting Standard *Annual Improvements to IFRSs 2012 2014 Cycle* by the IASB. This Standard applies to annual reporting periods beginning on or after 1 January 2016. There is no material financial impact.
- AASB 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 amend AASB 101 to provide clarification regarding the disclosure requirements in AASB 101. This Standard applies to annual reporting periods beginning on or after 1 January 2016. This has resulted in some changes in the presentation of these financial statements.
- AASB 2015 3 *Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality* – The objective of this Standard is to effect the withdrawal of AASB 1031 *Materiality* and to delete references to AASB 1031 in the Australian Accounting Standards. This Standard is applicable to annual reporting periods beginning on or after 1 July 2015. 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 financial impact is yet to be determined.
- 2010 7, 2014 7 and 2015-7 *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 financial impact is yet to be determined.

- 2014 5 *Amendments to Australian Accounting Standards arising from AASB 15* – The objective of this Standard is to make amendments to Australian Accounting Standards and Interpretations arising from the issuance of AASB 15 *Revenue from Contracts with Customers*. This Standard applies to annual reporting periods beginning on or after 1 January 2017, except that the amendments to AASB 9 (December 2009) and AASB 9 (December 2010) apply to annual reporting periods beginning on or after 1 January 2018. This Standard shall be applied when AASB 15 is applied. The financial impact is yet to be determined.
- 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 make amendments to AASB 124 *Related Party Disclosures* to extend the scope of that Standard to include not-for-profit public sector entities. This Standard applies to annual reporting periods beginning on or after 1 July 2016. The impact is increased disclosure in relation to related parties.
- 2015 8 *Amendments to Australian Accounting Standards – Effective Date of AASB 15* – The objective of this Standard is to amend the mandatory effective date of AASB 15 *Revenue from Contracts with Customers* so that AASB 15 is required to be applied for annual reporting periods beginning on or after 1 January 2018 instead of 1 January 2017. The financial impact is yet to be determined.
- 2016 2 *Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107* – The objective of this Standard is to amend AASB 107 *Statement of Cash Flows* to require entities preparing statements in accordance with Tier 1 reporting requirements to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non cash changes. This Standard applies to annual periods beginning on or after 1 January 2017. The impact is increased disclosure in relation to cash flows and non cash changes.
- AASB 16 *Leases* – The objective of this Standard is to introduce a single lessee accounting model and require a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. This Standard applies to annual reporting periods beginning on or after 1 January 2019. The impact is enhanced disclosure in relation to leases. The financial impact is yet to be determined.

## 11.6 Comparative Figures

Comparative figures have been adjusted to reflect any changes in accounting policy or the adoption of new standards. Details of the impact of changes in accounting policy on comparative figures are at Note 11.5.

Where amounts have been reclassified within the Financial Statements, the comparative statements have been restated.

The comparatives for external administrative restructures are not reflected in the Financial Statements.

## 11.7 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.

## 11.8 Office Taxation

The Office is exempt from all forms of taxation except Fringe Benefits Tax and the Goods and Services Tax.

## 11.9 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 12 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. Nexia Melbourne Audit Pty Ltd (formerly Hayes Knight Audit Pty Ltd) were appointed in 2014 for a period of up to five years.

	2016 \$'000	2015 \$'000
Financial audit fees	14	17
Fee to review key performance indicator report	2	4
<b>Total</b>	<b>16</b>	<b>21</b>

## NOTE 13 PRINCIPAL ADDRESS AND REGISTERED OFFICE

Level 8  
144 Macquarie St  
Hobart TASMANIA 7000

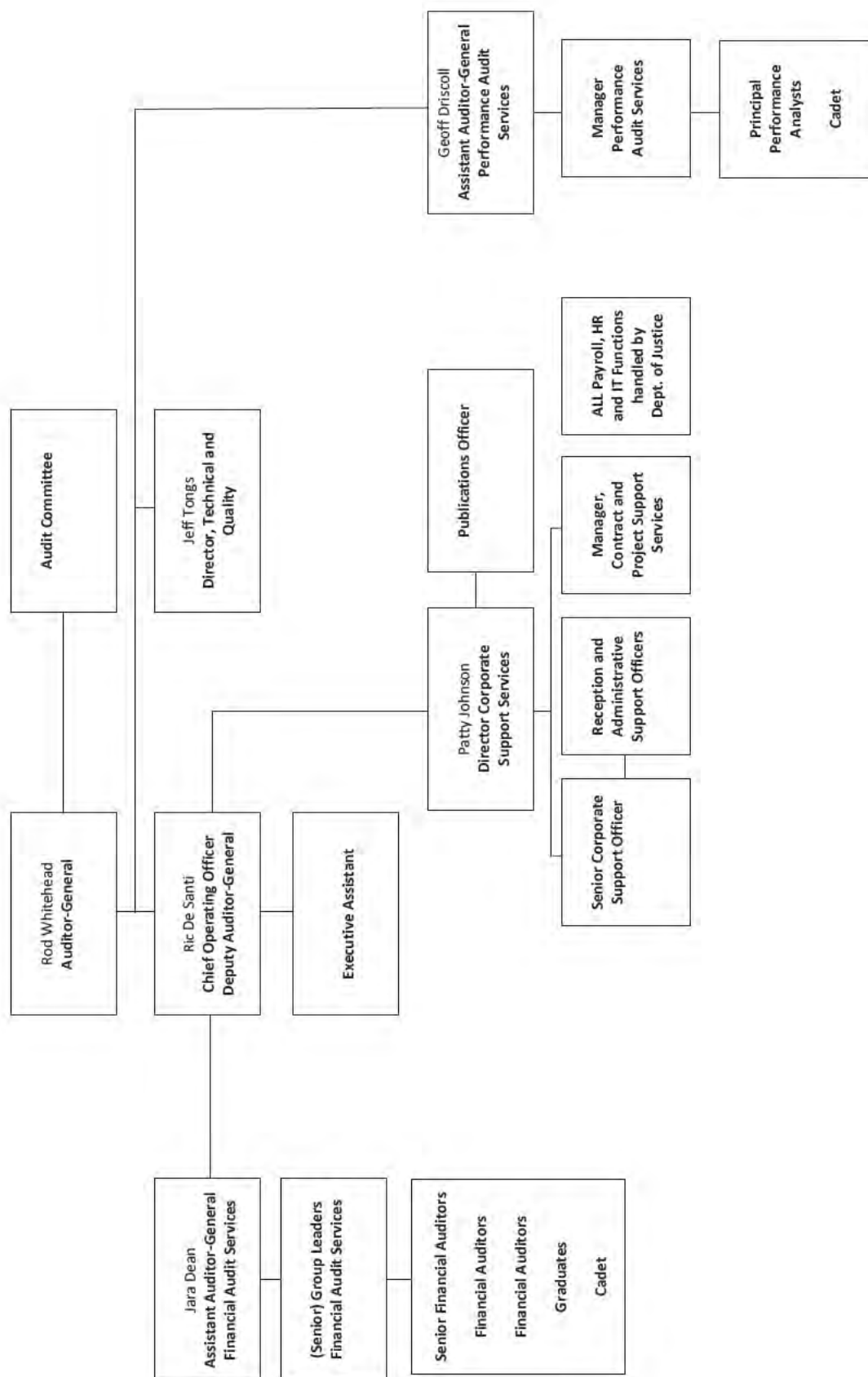


# APPENDICES

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## APPENDIX 1: ORGANISATIONAL CHART



**Organisational Chart**  
June 2016



## APPENDIX 2: CORPORATE GOVERNANCE FRAMEWORK

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### 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*. The Auditor-General will guide and monitor the business and affairs of the Office on behalf of the Parliament. The Office does not, therefore, operate under a board which means there is a risk of no independent input into the operations of the Office.

This is addressed by the existence of the Audit Committee (refer to committees on page 20) 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 organisational structure facilitates 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 fulfill prescribed 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 weekly basis.

The main responsibilities of SEMG are satisfied through meetings held on a regular basis, usually once every month or whenever a need arises. Meetings are arranged administratively by the Director - CSS 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 Act ethically and responsibly).

This principle is achieved by the Office 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 - the Office 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 the Office 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 Office 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 corporate 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 security holders).

The Auditor-General's client is the Parliament of Tasmania.

The Office's clients are:

- the Auditor-General (as a statutory position)
- 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 Office staff.

Practices the Office 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 are finalised for a FAS special project or a PAS audit, 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
  - place all reports and media statements on our website.

**Principle 5 Recognise and manage risk** (ASX principle 7 – Recognise and manage risk).

It is Office 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 the Office 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, the Office has developed a risk management policy and implemented the mechanisms 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 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).

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 AAG, FAS and Director, CSS. This will be done within the context of the Tasmanian Public Sector.

The Office has established a Remuneration Committee being members of the SEMG. Heads of Business units will evaluate the performance of respective staff in accordance

with the Office's performance management system including the timely assessment of performance relating to annual salary progressions and advanced assessments.

In the absence of an Office 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 2016)**

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### **STRATEGIC EXECUTIVE MANAGEMENT GROUP AND REMUNERATION COMMITTEE**

The members of the committee are:

- Mike Blake – Chair, SEMG resigned 29 March 2016
- Rod Whitehead – Chair, SEMG commenced 30 March 2016
- Ric De Santi – Chair, Remuneration Committee
- Patty Johnson.

### **PROCUREMENT REVIEW COMMITTEE**

The members of the committee are:

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

## APPENDIX 4: SERVICE ON OTHER COMMITTEES

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As at 30 June 2016, our executive staff and managers were members of the following committees, professional associations, panels, working parties and community organisations:

### ROD WHITEHEAD (Commenced 30 March 2016)

- Australasian Council of Auditors-General (ACAG) - member
- Integrity Commission

### MIKE BLAKE (Resigned 29 March 2016)

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

### JEFF TONGS

- ACAG - FRAC - 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 AND AUDITS DURING 2015-16

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### STATE ENTITIES – EFFECTIVE AT 30 JUNE 2016

#### 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  
Tasmania Development and Resources  
Tasmanian Museum and Art Gallery  
Australian Vocational Education and Training Management Information Statistical Standard (AVETMIS)<sup>4</sup>

Department of Education

Office of Tasmanian Assessment, Standards and Certification  
Schools Registration Board of Tasmania<sup>2</sup>

Department of Health and Human Services including:

Ambulance Tasmania  
Housing Tasmania  
Tasmanian Affordable Housing Limited<sup>1</sup>  
Tasmanian State Pool Account

Tasmanian Health Service

Aged care financial report<sup>4</sup>  
Mersey Community Hospital<sup>4</sup>

Department of Justice

Department of Police, Fire and Emergency Management<sup>1</sup>

Department of Premier and Cabinet including

Tasmanian Early Years Foundation

Department of Primary Industries, Parks, Water and Environment

Tasmanian Wilderness World Heritage Area<sup>4</sup>

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<sup>2</sup>

Newood Energy Pty Ltd<sup>2</sup>

Newood Huon Pty Ltd<sup>2</sup>

Newood Smithon Pty Ltd<sup>2</sup>

Hydro-Electric Corporation<sup>1</sup>

AETV Pty Ltd <sup>2</sup>

Bell Bay Power Pty Ltd<sup>2</sup>

Bell Bay Three Pty Ltd <sup>2</sup>

Entura Hydro Tasmania India Pvt Ltd<sup>2</sup>

Hydro Tasmania Consulting (Holding) Pty Ltd<sup>2</sup>

Hydro Tasmania South Africa (Pty) Ltd<sup>2</sup>

HT Wind Developments Pty Ltd<sup>2</sup>

HT Wind Operations Pty Ltd<sup>2</sup>

Lofty Ranges Power Pty Ltd<sup>2</sup>

Momentum Energy Pty Ltd<sup>2</sup>

RE Storage Holding Pty Ltd<sup>2</sup>

Macquarie Point Development Corporation

Motor Accidents Insurance Board<sup>1</sup>

Port Arthur Historic Site Management Authority

Private Forests Tasmania

Public Trustee

Tasmanian Public Finance Corporation<sup>1</sup>

## STATE OWNED COMPANIES

Aurora Energy Pty Ltd

Metro Tasmania Pty Ltd

Metro Coaches (Tas) Pty Ltd<sup>2</sup>

Tasmanian Irrigation Pty Ltd

Tasmanian Ports Corporation Pty Ltd

Flinders Island Ports Corporation Pty Ltd<sup>2</sup>

King Island Ports Corporation Pty Ltd<sup>2</sup>

Tasmanian Railway Pty Ltd

Tasmanian Networks Pty Ltd

Auracom Pty Ltd<sup>2</sup>

Ezikey Group Pty Ltd<sup>2</sup>

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<sup>1</sup>  
 Glenorchy City Council  
 Hobart City Council  
 Huon Valley Council  
     Geeveton Town Hall Company, Ltd.  
 Kentish Council  
 King Island Council<sup>1</sup>  
 Kingborough Council  
     Kingborough Waste Service Pty Ltd<sup>2</sup>  
 Latrobe Council<sup>1</sup>  
 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<sup>2</sup>  
     Heritage Education and Skills Centre Pty Ltd<sup>2</sup>  
 Tasman Council  
 Waratah-Wynyard Council  
 West Coast Council  
 West Tamar Council

## **LOCAL GOVERNMENT AUTHORITIES**

Copping Refuse Disposal Site Joint Authority<sup>1</sup>  
 Cradle Coast Authority<sup>1</sup>  
 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  
Asbestos Compensation Fund<sup>1</sup>  
Board of Architects of Tasmania<sup>3</sup>  
Brittons Swamp District Water Board<sup>3</sup>  
Brittons Swamp Drainage Trust<sup>3</sup>  
Council of Law Reporting  
Egg Lagoon Drainage Trust<sup>3</sup>  
Elizabeth Macquarie Irrigation Trust<sup>3</sup>  
Forest Practices Authority  
Forthside Irrigation Water Trust<sup>3</sup>  
Integrity Commission  
Inland Fisheries Service  
Lake Nowhere-Else Dam / Whitemark Creek Irrigation Trust<sup>3</sup>  
Lawrenny Irrigation Trust<sup>3</sup>  
Legal Aid Commission of Tasmania  
Legal Profession Board  
Lower Georges River Works Trust<sup>3</sup>  
Marine and Safety Tasmania  
Mowbray Swamp Drainage Trust<sup>3</sup>  
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<sup>1</sup>  
    RBF Financial Planning Pty Ltd<sup>1</sup>  
    RBF Direct Property Pty Ltd<sup>2</sup>  
    RBF Property Pty Ltd<sup>2</sup>  
Richmond Irrigation Trust<sup>3</sup>  
Royal Tasmanian Botanical Gardens  
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<sup>3</sup>  
Tasmanian Timber Promotion Board<sup>2, 4</sup>  
TasTAFE  
Teachers Registration Board  
Theatre Royal Management Board

The Nominal Insurer  
Togari Drainage Trust<sup>3</sup>  
Tourism Tasmania  
University of Tasmania  
AMC Search Ltd  
Sense-Co Tasmania Pty Ltd<sup>2</sup>  
Tasmania University Union, Inc.<sup>1</sup>  
UTASAT Pty Ltd<sup>2</sup> (de-registered 12 January 2016)  
UTAS Holdings Pty Ltd<sup>2</sup>  
Higher Education Research Data Collection<sup>4</sup>  
Wellington Park Management Trust  
Workcover Tasmania Board

### **HONORARY AUDITS**

University of Tasmania Foundations Inc.  
ANZAC Day Trust

### **AUDITS BY ARRANGEMENT**

Clarence City Council - Special Committees:

Clarence Senior Citizens Centre  
Lindisfarne Citizens Activity Centre  
Risdon Vale Community Centre  
Clarence City Concert Band  
Howrah Recreation Centre  
Geilston Bay Community Centre

### **Key:**

*1 Audits outsourced to external audit services provider*

*2 Audits dispensed with but subject to procedures as part of the group audit of the controlling entity*

*3 Audits dispensed with where financial reporting and audit arrangements are appropriate.*

*4 Grant acquittal*

## APPENDIX 6: EXTERNAL AUDIT SERVICE PROVIDERS

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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
- Bentleys Tasmania - Hobart
- Crowe Horwath - Hobart and Launceston
- Deloitte - Hobart and Launceston
- Ernst & Young - Melbourne
- Grant Thornton - Melbourne
- hranywhere - Melbourne
- KPMG - Hobart and Launceston
- PricewaterhouseCoopers - Melbourne
- RSM Bird Cameron - Melbourne
- Ruddicks - Launceston
- Synectic Audit and Assurance Pty Ltd - Devonport
- Wise Lord & Ferguson - Hobart

The following table sets out the commitments to external audit providers for 2015-16 financial statement audits.

Client	Service Description	Contractor	Fee (\$'000) ex GST
Asbestos Compensation Fund	Actuarial Peer Review	KPMG	19
Aurora Energy	Review Year End Valuations of Financial Instruments	Ernst & Young	20
Copping Refuse Disposal Site Joint Authority	Financial Statement Audit	BDO	9
Cradle Coast Authority	Financial Statement Audit	KPMG	11
Department of Health and Human Services	IT Controls Advisory Services	Deloitte	24
Department of Police and Emergency Management	Financial Statement Audit	KPMG	55
Department of Premier and Cabinet	IT Controls Advisory Services	KPMG	9
Department of State Growth	IT Controls Advisory Services	KPMG	8
Glamorgan-Spring Bay Council	Financial Statement Audit	Crowe Horwath	26
Hydro Electric Corporation	Financial Statement Audit	Deloitte	344
King Island Council	Financial Statement Audit	Ruddicks	22
Latrobe Council	Financial Statement Audit	KPMG	22
Motor Accidents Insurance Board	Financial Statement Audit	RSM Bird Cameron	71
Retirement Benefits Fund Board	Financial Statement Audit	Wise Lord Ferguson	194
Tasmanian Affordable Housing Limited	Financial Statement Audit	Deloitte	12
Tasmanian Public Finance Corporation	Financial Statement Audit	Deloitte	103
West Coast Council	Financial Statement Audit	Synectic Audit and Assurance	20

Other official orders entered into during the 2015-16 financial year not associated with financial statement audits:

Client	Service Description	Contractor	Fee (\$'000) ex GST
Tasmanian Audit Office	Review of Valuation Practices for Council Road Assets	John Howard	11
Tasmanian Audit Office	People Matters Survey Review	Quartz Consulting	9
Tasmanian Audit Office	Independent Review of Financial Audit Services In-progress Files	Cain Consulting	14
Tasmanian Audit Office	Internal Audit Services	Oakton Services	40
Tasmanian Audit Office	Internal Audit Services	ShineWing	25
Tasmanian Networks	Non-financial Review of Regulatory Information Notices	GHD	49
Tasmanian Risk Management Fund	Actuarial Peer Review of Insurance Liabilities	Pricewaterhouse Coopers	20



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

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### ASSET MANAGEMENT

The financial statements for 2015-16 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.

### 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 2015-16 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 use of client information and/or audit working papers or findings
- poor stakeholder and client engagement or relationship management practices
- failure to look after our people
- loss of key resources.

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.

Fees for financial audits are determined by the Auditor-General pursuant to Section 27 of the Audit Act. The basis for setting fees is to be described in a report to Parliament dealing with the results of financial audit of State entities. The latest basis is detailed in the Report of the Auditor-General No.10 Volume 4 on our website.

Fees are set for each State entity commensurate with the size, complexity and risks of the audit engagement. Charge rates are based on the principle of the Office being able to recover its costs of operations and they comprise of two parts, direct salary cost and overhead recovery. Where circumstances surrounding the audit engagement have materially changed, additional fees may be sought from the State entity. For the current 2015-16 financial year audits, the adjustment to fees was nil for General Government Sector entities and an increase of 0.44% for the remaining entities.

## 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 2015-16 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 2016.

#### 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	4
Total number of contracts awarded to Tasmanian businesses	2
Value of contracts awarded	\$710 157
Value of contracts awarded to Tasmanian businesses	\$410 397
Total number of tenders called and/or quotation processes run	1
Total number of bids and/or written quotations received	4
Total number of bids and/or written quotations received from Tasmanian businesses	1

Includes official orders and quotations that have been entered into during the 2015-16 financial year from the external audit providers panel as referred in Appendix 6.

Quotations were sought for the provision of internal audit services for TAO during 2015-16. Four submissions were received, including only from a Tasmanian business. It is noted that businesses included on the Standing Panel of External Audit Providers were not eligible to provide a submission due to potential for conflict of interest.

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

Name of Contractor	Contractor Location	Client	Service Description	Contract Period	Total Contract Value \$
Deloitte	Hobart	Tasmanian Public Finance Corporation	Financial Statement Audit	3 years	309 101
GHD	Brisbane	Tasmanian Networks	Non-financial Review of Regulatory Information Notices	3 years	157 000
hranywhere	Melbourne	Tasmanian Audit Office	Review - Workforce Planning in the Tasmanian State Service	Report Completion	99 760
Oakton Services	Melbourne	Tasmanian Audit Office	Internal Audit Services	3 years + 2 year renewal option	200 000
Synectic	Devonport	West Coast Council	Financial Statement Audit	3 years + 2 year renewal option	101 296

The contract with Oakton Services Pty Ltd was established via a Request for Quotation process and published on the Tasmanian Government eTenders website. All other contracts were established by Official Order with members of the Office's Panel of External Audit Services Providers.

Contract extensions are detailed below and are in accordance with Instruction 1115(4).

Name of Contractor	Contractor Location	Client	Service Description	Contract Period	Total Contract Value \$
Deloitte	Hobart	Hydro Electric Corporation	Financial Statement Audit	2 years	695 467

## Consultancies over \$50 000

Nil.

## Goods and Services Exemption TI 1107

Nil.

## Procurement Complaints

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

## APPENDIX 8: SUPERANNUATION DECLARATION

---

I, Rodney James Whitehead, 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
- Care Super
- Commonwealth Essential Super
- Commonwealth Bank Group Super
- HESTA Super Fund
- Host-Plus Superannuation Fund
- Kinetic Super
- Media Super
- MLC Masterkey Business Super
- MLC Wrap Super - Super Service
- Navigator Personal Retirement Plan - Superannuation Service
- Quadrant Superannuation Scheme
- RBF Tasmanian Accumulation Scheme
- RBF Contributory Scheme
- Rest Personal Superannuation
- Russell Supersolution Master Trust
- Sunsuper Superannuation Fund
- Superwrap - Personal Super Plan
- Tasplan Super
- Unisuper
- Vicsuper Futuresaver
- Vision Super Saver
- The trustee for Whitehead Superannuation Fund



Rod Whitehead  
30 June 2016

## APPENDIX 9: RECENT PUBLICATIONS

Tabled	No.	Title
<b>2015</b>		
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
November	No. 5 of 2015-16	Volume 2 – Audits of General’s Report on the Financial Statements of State entities - Government Business 2014-15
November	No. 6 of 2015-16	Volume 3 – Local Government Authorities and Tasmanian Water and Sewerage Corporation Pty Ltd 2014-15
December	No. 7 of 2015-16	Volume 1 – Analysis of the Treasurer’s Annual Financial Report 2014-15
<b>2016</b>		
February	No. 8 of 2015-16	Provision of social housing
February	No. 9 of 2014-15	Funding of Common Ground Tasmania
May	No. 10 of 2014-15	Volume 4 – State entities 30 June and 31 December 2015, findings relating to 2014-15 audits and other matters
June	No. 11 of 2014-15	Compliance with legislation
August	No. 1 of 2016-17	Ambulance emergency services
October	No. 2 of 2016-17	Workforce Planning

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\*\*](http://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		134	
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)	54	A report on the performance of the functions and exercise of powers of the Auditor- General, under any written law.
Major initiatives	SSR s9(a)(v)	10	Details of major initiatives taken by the Office to develop and give effect to Government policy.



Section	Compliance	Page	Details
Major changes during the year	SSR s9(a)(iv)	10	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)	106	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)	55	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)	55	Economic or other factors that have affected the achievement of operational objectives.
Carbon emissions - climate change and environmental impact	Premier's Agenda 2008 speech	50	Outlines our corporate social responsibility initiatives.
Legislation Administered			
Legislation administered	SSR s9(d)	129	A list of legislation administered by the Office during the year.
Legislation enacted during the year	SSRs9(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	SSRs9(c)(ii)	113	List of contact officers and points of public access in relation to services provided by the Office.
Community awareness	SSRs9(c)(i)	50	Details of activities undertaken to develop community awareness of the Office and the services it provides.
Agency publications	SSRs9(c)(i)	33	List of documents published by any internal or external body of the Office during the year.

Section	Compliance	Page	Details
Right to information requests	RTI	26	Right to information details for the year.
Public interest disclosure investigations	PIDs86	26	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	SSRs9(b)(i)	42	Details of recruitment policies and program including statistical information for the year.
Staff development	SSRs9(b)(ii)	44, 45	Information relating to employee training and development activities, including statistical information for the year.
Equal Employment Opportunities	SSRs9(b)(iii)	46	A description of the Office's workplace diversity programs, including statistical information for the year.
Industrial democracy	SSRs9(b)(iv)	46	Details of the processes established to ensure employee participation in industrial relation matters within the Office.
Internal grievance procedures	SSRs9(b)(v)	47	Summary of internal grievance procedures.
Workplace health and safety	SSRs9(b)(vi)	45	Outline of workplace health and safety.
Appeals process	SSRs9(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	126	Certification by the relevant Office manager relating to contributions to non-RBF superannuation funds, including a report that the Office has met its obligations under the <i>Superannuation Guarantee (Administration) Act 1992</i> .
Asset Management and Risk Management Policies			
Pricing policies	TI 201(1)(c)	123	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.

Section	Compliance	Page	Details
Major capital projects	TI201(1)(d)	123	Information on major capital projects or undertakings.
Risk management	TI201(1)(f)	123	Statement of risk management policies and an outline of significant risk management strategies and initiatives.
Asset management	TI 201(1)(g)	123	Statement of asset management policies and an outline of asset management strategies and initiatives.
Government Procurement			
Support for local business	TI 11113(a) & (b)	124	Narrative statement in introduction/overview by Head of Agency summarising support for local businesses. Table summarising the Office's support for local business, including the number of procurement contracts awarded, the number of tenders called and the number of bids received, and the extent of local participation in procurement activities.
Contracts awarded during the year	TI 11113(b)(ii)	125	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 11113(b)(ii)	125	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)	74-104	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)	71-72	Independent Auditor's Report on the Office's Financial Statements.

## APPENDIX 11: 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	Audit Act 2008
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	Financial Management and Audit Act 1990
FTE	Full-time equivalent
GST	Goods and Services Tax
HRM	Human Resource Management
ICAA NZ	Institute of Chartered Accountants Australia and New Zealand
ICT	Information and Communication Technology
IFRS	International Financial Reporting Standards
ILOT	In lieu of time
IPSAM	Integrated Public Sector Audit Methodology

Abbreviation	Description
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	Public Interest Disclosures Act 2002
PSSRA	Public Sector Superannuation Reform Act 1999
QAO	Queensland Audit Office
RBF	Retirement Benefits Fund
RBL	Reserved by Law
RTI	Right to Information Act 2009
SLA	Service Level Agreement
SLG	Strategic Leadership Group
SSA	State Service Act 2000
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

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## OFFICE CONTACTS

Protected Disclosure Officer:

Ric De Santi: ***Ric.DeSanti@audit.tas.gov.au***

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Ric De Santi: ***Ric.DeSanti@audit.tas.gov.au***

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Geoff Driscoll: ***Geoff.Driscoll@audit.tas.gov.au***

Right to Information Officer:

Patty Johnson: ***Patty.Johnson@audit.tas.gov.au***

## COMMUNICATION OBJECTIVE

The Tasmanian Audit Office's (TAO) Annual Report summarises our financial and corporate performance for 2015-16. 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***.



## **Tasmanian** Audit Office

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**Office Hours** 9am to 5pm Monday to Friday

### **Launceston Office**

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