



**Tasmanian**  
Audit Office



**Tasmanian Audit Office**  
**Annual Report 2016-17**

October 2017

**Strive • Lead • Excel** | To Make a Difference

## THE ROLE OF THE AUDITOR-GENERAL

The Auditor-General's roles and responsibilities, and therefore of the Tasmanian Audit Office, are set out in the *Audit Act 2008 (Audit Act)*.

Our primary responsibility is to conduct financial or 'attest' audits of the annual financial reports of State entities. State entities are defined in the Interpretation section of the Audit Act. We also audit those elements of the Treasurer's Annual Financial Report reporting on financial transactions in the Public Account, the General Government Sector and the Total State Sector.

Audits of financial reports are designed to add credibility to assertions made by accountable authorities in preparing their financial reports, enhancing their value to end users.

Following financial audits, we issue a variety of reports to State entities and we report periodically to the Parliament.

We also conduct performance audits and compliance audits. Performance audits examine whether a State entity is carrying out its activities effectively and doing so economically and efficiently. Audits may cover all or part of a State entity's operations, or consider particular issues across a number of State entities.

Compliance audits are aimed at ensuring compliance by State entities with directives, regulations and appropriate internal control procedures. Audits focus on selected systems (including information technology systems), account balances or projects.

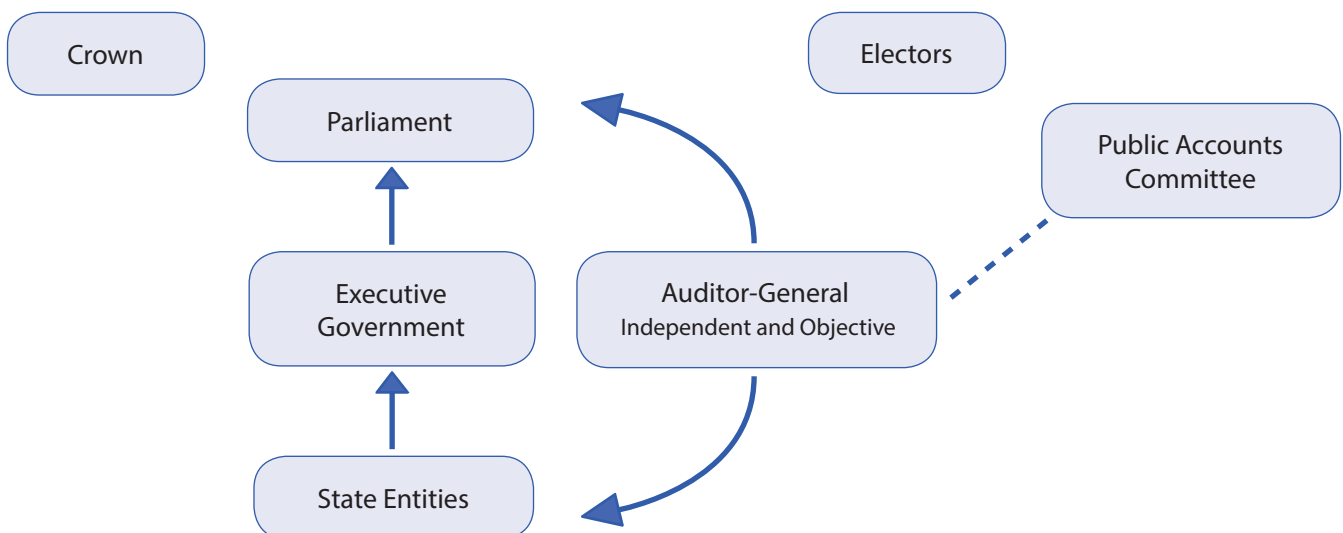
We can also carry out investigations but only relating to public money or to public property. In addition, the Auditor-General is now responsible for state service employer investigations.

Performance and compliance audits are reported separately and at different times of the year, whereas outcomes from financial statement audits are included in one of the regular volumes of the Auditor-General's reports to the Parliament normally tabled in May and November each year.

Where relevant, the Treasurer, a Minister or Ministers, other interested parties and accountable authorities are provided with opportunity to comment on any matters reported. Where they choose to do so, their responses, or summaries thereof, are detailed within the reports.

### The Auditor-General's Relationship with the Parliament and State Entities

The Auditor-General's role as Parliament's auditor is unique.





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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 2017.

Yours sincerely



Rod Whitehead  
**Auditor-General**  
31 October 2017

cc      Public Accounts Committee

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# Message from the Auditor-General

## A PRODUCTIVE AND SUCCESSFUL YEAR

I take pleasure in presenting my report for the 2016-17 financial year.

The Tasmanian Audit Office (Office) is charged with auditing the Tasmanian public sector – comprising over 180 varied entities, with expenditure exceeding \$9.0 billion, assets exceeding \$39.0 billion and more than 25 000 full-time equivalent employees (FTE). Each year we are challenged by changes to legislation, structures, operations, systems and more. The 2016-17 financial year was no exception and I am very proud to say that the Office responded as I would expect – professionally.

This year we completed 123 State entity financial statement audits with 97% of our audit opinions issued on time as at 30 September 2017. We tabled six performance audit reports, one probity audit report and one audit report covering the Employer functions under the *State Service Act 2000*.

We reported 209 audit matters in completing our financial audits and our performance, probity and employer audits contained 50 recommendations for improving economy, efficiency and effectiveness. While the reports are the most visible signs of effort and how Parliament, media and the public will mostly judge our impact, the reality is that most of our effort and effectiveness has little visibility. Our true effort, and that which has the most impact on public sector performance and transparency, are the many conversations and consultations my staff have across the Tasmanian public sector each year.

## THE IMPORTANCE OF AUDIT

The role of the Auditor-General and Office 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.

On 22 June 2017 we published our Annual Plan of Work for 2017-18. 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, the Office 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. During 2016-17 we made a concerted effort to increase our engagement with our various stakeholder groups including the Public Accounts Committee (PAC), Parliamentarians, those charged with the governance of entities across the Tasmanian public sector and media organisations. We continue to provide presentations on the role of the Auditor-General and Office to various professional and community bodies. We also delivered our annual client seminars in Hobart and Devonport and our annual audit committee seminar in Hobart. We consistently challenge ourselves to identify ways to enhance our messaging, our reporting format and our communication channels.

During 2016-17 we introduced face to face post-audit assessments for a sample of financial audit clients to gain further insight into our financial audit performance. The outcomes from these assessments have been enlightening and will assist us in enhancing our audit delivery into the future. In the coming year we will also extend this program to our performance audits.

All these interactions are designed to engage in conversations about public sector developments, performance and accountability to improve the performance of the Tasmanian public sector.

## FOCUSING ON THE FUTURE

This report reflects the first full year of our 2016-2020 strategic plan. We have continued with our ambitious goal of 'Strive – Lead – Excel / to make a difference' in providing independent assurance to the Parliament and Community on the performance and accountability of the Tasmanian public sector.

Our strategic direction is based on four key focus areas – relevant, sustainable, independent and reputable, and adaptable - which are critical to our future existence and success. Our strategic plan also identifies the key capabilities – expertise, contemporary communication, advanced analytics and future-looking audit - that we must continue to develop to deliver on our purpose in the future.

In progressing the key elements of our strategic plan we have the opportunity to shape our own future and focus our efforts on those areas that are most important to delivering a program of audit and related services that continue to improve public sector performance and promote transparency and accountability. In doing so, we strive to improve our own practices and capabilities to demonstrate value and support the delivery of our services that are valued by Parliament, the Tasmanian Public Sector and the Tasmanian community. Further detail on our strategic initiatives is included in the annual report.

## ACKNOWLEDGEMENTS

Our achievements reflect the professionalism and dedication of our people. Our audit professionals 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 the Office for their dedication and professionalism.

I would especially like to thank my professional and dedicated executives Ric De Santi, Patty Johnson, Jara Dean, Geoff Driscoll, Natalie Verdouw and Jeff Tongs for their commitment and hard work during 2016-17. Their ongoing responsiveness and commitment to changes I have sought during the year means we are well placed to fulfil our responsibilities to the Tasmanian Parliament and our audit clients.

I 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.

I also thank the Parliament of Tasmania and in particular, PAC for their continued support throughout the year.

I would also like to acknowledge the cooperation of all public authorities with my staff during the year. An audit is a joint effort between auditor and auditee and I am grateful that executives and staff throughout the public sector share this same view and willingly give their time and effort to assist the audit process.



Rod Whitehead  
**Auditor-General**

A man with a grey beard and glasses, wearing a dark suit, light blue shirt, and a patterned tie. He is smiling and looking towards the right. A laptop is visible in front of him, and a small pin is on his lapel. The background is a bright, out-of-focus indoor setting.

# Message from the Chief Operating Officer

This year has flown by with the Office continuing to produce a significant volume work, especially our reports to Parliament, delivering on our mandate by providing timely and useful reports to Parliament on the performance of the Tasmanian Public Sector.

Highlights of the year included:

- Information management –successful completion, by Corporate Support Services (CSS), of a significant upgrade and restructure of our records management system, TRIM. The objective of this project was to implement an effective and efficient records management structure that not only rectified a number of existing problems but ensured a better fit with our business needs. The outcome has been a simplified records management system that better satisfies our record keeping needs.
- Governance policy review – During the year we reviewed our governance arrangements and established a Senior Leadership Group (SLG) comprising the Office executive and heads of all other business units. The SLG's primary purpose is to work in the best interests of the Office and its staff, clients and Parliament by ensuring the Office effectively shares information across business units, including achievement of business unit plans and objectives and consistent promotion of Office values. The SLG will serve as a key driver of the concept of 'One Office' articulated in our Strategic Plan.
- Parliamentary and Client satisfaction – This year saw the biennial independent surveys again being conducted with feedback continuing to show high levels of satisfaction with our work.
- Responding to changing audit expectations – We completed a pilot of enhanced, or long-form, financial 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. Based on this, the Office executive decided to adopt this style of audit reporting for all government businesses for 30 June 2017 with it being extended over to the next two years to government departments and local government, respectively.
- Managing our workforce - Our emphasis on supporting and developing our staff continued, as did our strong desire to provide a safe and healthy workplace. Our staff in CSS completed an internal review confirming compliance with Workplace Health and Safety (WHS) legislation, implemented on-line learning and development modules, reviewed grievance and respectful behaviour policies and provided refresher training on performance management.
- Organisational structure - We commenced the process of reviewing our organisational structure. A key first step was to address risks arising from being on the professional stream of the Tasmanian State Service Award. After consultation with staff and the union, the decision was made to move to general stream. To ensure existing staff were not disadvantaged, grandfathering provisions have been applied. This now enables us to commence consultations on a broader review of the Office's structure to ensure we are able to deliver on our 2016-2020 Strategic Plan.
- Financial results - The Office continued to be in a strong financial position, testament to those involved in the financial management of the Office. This has enabled us to continue to limit increases in audit fees and put us in the position to be able to invest in staff and systems to help achieve our future plans.
- Data analytics – This year we continued the use of data analytics as part of our audits and began engagement with other audit offices to learn from their experiences and explore opportunities for collaboration. The results to date have been very positive and, consistent with our Strategic Plan, we look forward to an increase of our data analytics capacity in the future.
- Fiji twinning – With the appointment of new Auditor-General for the Republic of Fiji and changes that occurred within his office, we have reset the program to ensure it meets the changed circumstances. The overall objective of the program remains unchanged, for us to support Fiji 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 look forward to the Program continuing, building on the work we have done to date.

We continue to achieve a significant amount for such a small office which would not be possible without the dedication, commitment and hard work of our staff. I would like to extend my thanks to all of our staff, as well as our stakeholders and clients for their collaboration and support.



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

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# Highlights, Achievements & Initiatives

## Our Office

11

The Office responded to new and revised accounting and auditing standards and contributed to their development at exposure draft stages.

Performance Audit Services (PAS) target is to complete seven reports during the year. The Assistant Auditor-General, Performance Audit Services (AAG PAS) resigned during 2016-17 and there was a delay in recruiting the new AAG PAS leading to only six reports being tabled.

Financial Audit Services (FAS) continued 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 explained our audit methodology.

FAS continued to provide completion reports for all higher risk audits and provided new longer form audit reports for selected clients.

FAS conducted one cross-sector review which was tabled in Parliament. This report was the Use of Fuel Cards Report.

FAS continued to further enhance Parliamentary reports on the outcomes of financial audits.

Office of the Auditor-General (OAG) initiated meetings with Parliamentarians based on an annual plan which was developed.

OAG evaluated the financial audit methodology and ensured it was up to date. This evaluation was undertaken by the Director - Technical and Quality with support from Victorian Auditor-General's Office (VAGO) and Queensland Audit Office (QAO).

Continued to hold information sessions annually for clients and audit committees.

Continued to facilitate twinning arrangements with Fiji, with some milestones being achieved. The plan has since been revised due to the recent appointment of a new Auditor-General in Fiji were completed.

## Our governance

19

Three internal audits conducted during the year with no major findings.

All recommendations arising from the S.44 external audit review by Nexia Australia were completed.

## Our people

33

At 30 June 2017, we had 42.9 (43.3 in 2016) FTEs.

During the year 10 staff left the office (six in 2015-16) with nine joining (seven in 2015-16).

The Office's WHS plans and systems were fully compliant of the Workplace Health and Safety Act 2012 by 31 December 2016.

## Our performance

43

As at 30 September 2017, 97% (97% in 2015-16) of financial audit opinions issued within 45 days of receipt of financial statements.

PAS target average timeframe for tabling reports was 9 months however for this year the average time was 10.4 months due to vacancies in the unit.

The Auditor-General issued one performance audit report in relation to an aspect of the State's Employer responsibilities.

The 30 June 2017 financial statements were audited with a clear audit opinion issued within required timeframes.

Unqualified review opinion issued on our key performance indicators (KPIs).

## Our finances

53

Received \$2.173m in funding from the Government (\$2.485m in 2015-16).

Generated \$4.862m in fees for audit services (\$5.818m in 2015-16).

Incurred costs totalling \$7.323m (\$7.709m in 2015-16).

Achieved a Net operating balance of \$0.145m deficit, (\$0.657m surplus in 2015-16).

Cash and deposits balance was \$3.092m (\$2.801m in 2015-16).



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Our  
Office

## THE OFFICE

The Office is an independent State entity which assists the Auditor-General to provide an independent view of the financial and operational performance of State entities. As such the Office is part of the public sector accountability framework assisting Parliament in holding the Government accountable for fulfilling its responsibilities. This is done by conducting financial (attest), performance (non-attest) 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, which defines the powers and responsibilities of the Auditor-General. We undertake financial statement audits of the diverse range of State entities referred to in Appendix 3 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 AND MANDATE OF THE AUDITOR-GENERAL

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 is discharged through the Auditor-General's broad mandate by 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.

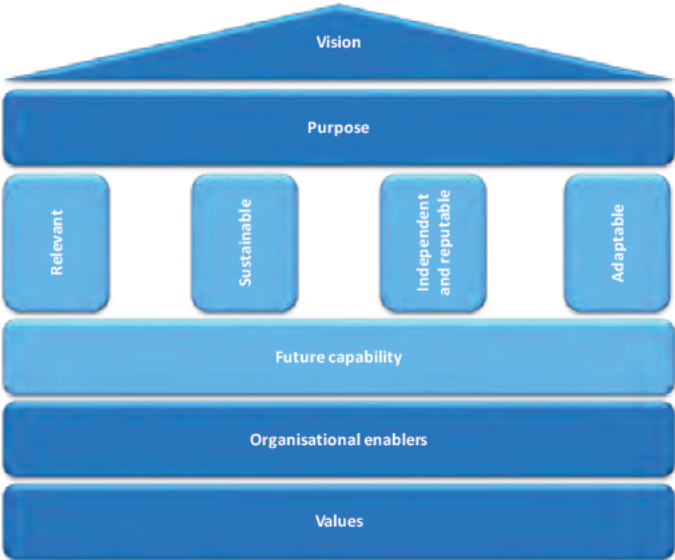
As noted previously, the Auditor-General may also examine the performance and exercise of the Employer's functions and powers under the *State Service Act 2000*.

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.

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



STRATEGIC PLAN



**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 four key strategic focus areas (our strategic pillars) provide the framework for our strategies to deliver on our purpose.

01

**Relevant**  
The Office is committed to remaining contemporary, competitive and client focused to meet the needs of our people, stakeholders, clients and mandate.

02

**Sustainable**  
The Office will adopt practices that will enable us to deliver our mandate without adverse effects on our people, finances, environment and society.

03

**Independent and reputable**  
The Office will preserve our independence and reputation to ensure that we maintain the confidence of our stakeholders, client and the community.

04

**Adaptable**  
The Office will be 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 Office'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. Four key capabilities that we will invest in over the period covered by this Strategic Plan are:



Our strategic plan initiatives are:

### **Future expertise:**

- Enhancing our 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.
- Facilitate increased mentoring and coaching relationships.
- Develop a more unified approach across the business units to achieve efficiencies and enable more agile and adaptable resourcing.
- Establish guidance relating to the use of experts and specialists in our audit activities.
- Embed the use of experts into our audit activities.

### **Contemporary communication:**

- Refine audit deliverables (including report templates, content, style consistency, publishing requirements and resources).
- Implement improved stakeholder relationship management model.
- 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:**

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

## ORGANISATIONAL ENABLERS

Our ability to deliver on our mandate as a public sector audit office is underpinned by our organisational enablers. These are the attributes that enable us to operate and underpin our ability to invest in our future capacity and achieve our strategic pillars.



## OUR VALUES

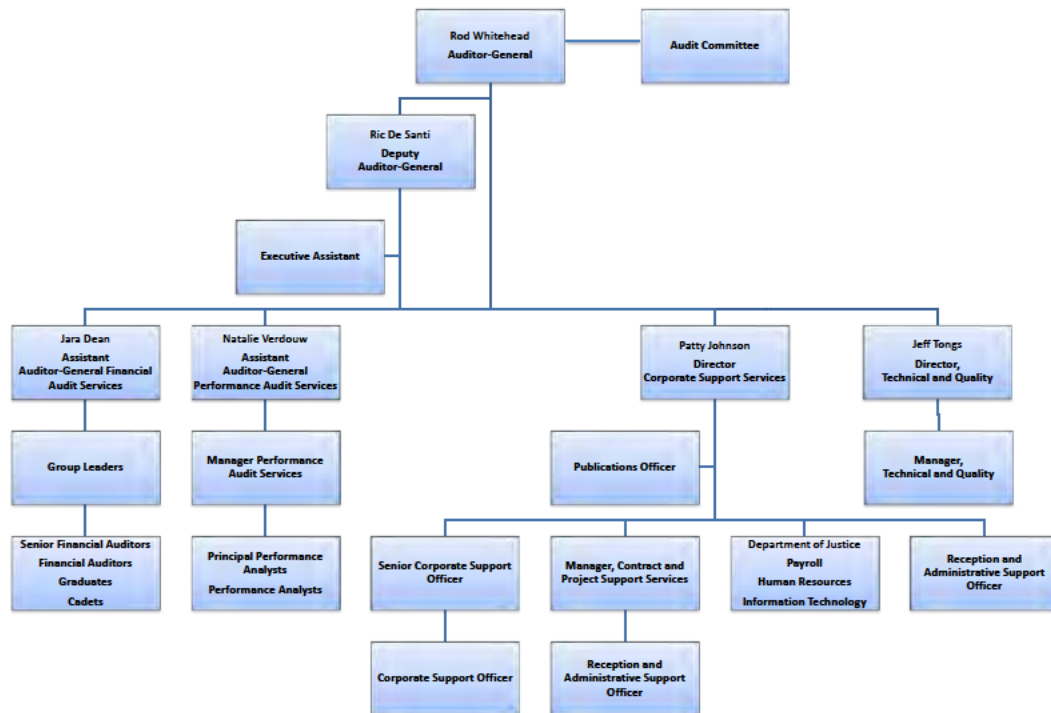
Our values guide us in achieving our vision and in performing our role objectively, with impartiality and in the best interests of the Parliament, the Tasmanian Public Sector and the Tasmanian Community.



## 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 2016-17 financial year. The services outsourced include information technology, finance, human resources, and information management.

Organisational Chart as at 30 June 2017



## HOW WE ARE FUNDED

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

## OUR OUTCOME AND OUTPUTS

Our budget, outputs, outcomes and performance information was included in Chapter 19 of Budget Paper No 2, Volume 2 in the 2016-17 Budget Papers. Outcomes of our financial performance against budget are comprehensively dealt with in the audited financial statements in the Our Finances section of this Report. Our performance targets are detailed in Our Performance section of this and our goals and achievements are included in the Highlights, Achievements & Initiatives section of this Report.

## LEGISLATIVE AND REGULATORY FRAMEWORK

The Audit Act is the main legislation governing the appointment, tenure, duties, responsibilities and authority of the Auditor-General. This Audit 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 an independent Officer appointed by the Governor and is not subject to control or direction either by the Parliament or the Government.

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 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.

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.

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.



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# Our Governance

## CORPORATE GOVERNANCE FRAMEWORK

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

- Audit Committee
- Strategic Executive Management Group (SEMG)
- SLG
- 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 Simon Andrews, Manager - PAS (Rob Luciani, Manager – Technical and Quality, OAG was replaced by Simon Andrews in December 2016). Tracy Matthews is Chair of the Committee. Matters considered by the Committee in 2016-17 included:

- Annual Plan of Work for 2017-18
- 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

SEMG consists of the Auditor-General (Rod Whitehead), Deputy Auditor-General/Chief Operating Officer (Ric De Santi) and the Director – CSS (Patty Johnson) and the 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 the Office'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.

## SLG (constituted April 2017)

SLG consists of SEMG with the addition of Assistant Auditor-General, Financial Audit Services (AAG FAS) (Jara Dean), AAG PAS (Natalie Verdouw) and Director – Technical and Quality (Jeff Tongs) and the functions comprise:

- Make recommendations to the SEMG aimed at assisting with the Office's achievement of its strategic objectives, including organisational values.
- Develop associated action plans and allocate responsibilities for achievement.
- Provide a forum for raising strategic, operational and emerging matters.
- Promote integration and collaboration between business units and support services to facilitate consistency and ensure achievement of strategic and operational objectives.
- Provide a forum to which employees can direct issues for consideration, review, discussion and be notified of outcomes.

## Operational Committees

In addition to the three groups referred to previously, our governance arrangements included the operation of the following sub-committees during 2016-17:

### PRC

This Committee is chaired by the AAG PAS (Natalie Verdouw from April 2017 and previously Geoff Driscoll) and includes the Director, Technical and Quality (Jeff Tongs), AAG FAS (Jara Dean) and the Director, CSS (Patty Johnson). 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 Chief Operating Officer (Ric De Santi). It also comprises other business unit managers as required. 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.

## INDEPENDENT SCRUTINY - EXTERNAL AND INTERNAL AUDIT

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

### Internal Audit

The internal audit function was undertaken by Oakton Service Pty. Ltd. (Oakton) and the following audits in 2016-17 were conducted in accordance with our three year internal audit plan:

#### Governance, Policy and Procedure, and Management Structure Review

The objective of the audit was to provide assurance that the Office had established and applied a sound corporate governance framework to enable it to operate in an ethical manner. Specifically the audit was directed towards assessing whether policies, procedures and responsibilities have been established to comply with legislative requirements and corporate governance best practices.

#### Information and Records Management

The objective of the audit is to provide assurance that the Office's information management and records management policies, practices and procedures were adequate for ensuring that records relating to audit files and working papers are captured, retained and readily available, and were consistent with best practice.

## Fee Setting Framework

The objective of this audit was to provide assurance over the Office's fee setting framework to ensure the adequacy of the cost allocation and charge out rate models and whether the framework has been consistently and effectively applied.

Summary of Findings and Recommendations from 2016-17 internal audits are provided below.

Audit	Rating <sup>1</sup>			Management awareness point
	High	Moderate	Low	
Governance, Policy and Procedure, and Management Structure Review	-	-	-	1
Information and Records Management	-	2	1	-
Fees Setting Framework	-	-	-	-

<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.

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.

## External Audit

Under the Audit Act, the Governor appoints an independent registered company auditor to audit our financial statements. Nexia Melbourne Audit Pty Ltd were awarded the audit by the Governor for the financial years 30 June 2014, 2015 and 2016 and were extended for the option period for another two.

## 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 were received in 2016-17. Management are currently working on a plan to implement the recommendations.

### External and Internal Reviews

The Nexia Australia report recommendations from the last external review were all implemented during 2016-17.

The Office also engaged external parties to assist in the annual internal audit review program. Recommendations were reported and management are implementing in 2017-18.

### 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.

### 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 2016-17, 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 2016-17.

## 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 2016-17 are listed below.

Date	Event	Presenter
1 July 2016	Institute of Internal Auditors, Australia (Tasmania Division) <i>"Internal audit – a personal reflection"</i>	Rod Whitehead
12/13 September 2016	Local Government Association of Tasmania audit panel workshops	Ric De Santi
14 September 2016	University of Tasmania (UTAS) - Industry Insights	Ric De Santi
3 October 2016	Media presentation - Hobart <i>"Role of the Auditor-General"</i>	Rod Whitehead
17 October 2016	Media presentation - Launceston <i>"Role of the Auditor-General"</i>	Rod Whitehead
18 October 2016	Media presentation - Burnie <i>"Role of the Auditor-General"</i>	Rod Whitehead
24 November 2016	2016 Australian Universities Financial Officers Group (AUSFOG) conference <i>"University financial reporting developments"</i>	Rod Whitehead
15 February 2017	Local Government AASB 124 Presentation - Hobart	Ric De Santi
16 February 2017	Local Government AASB 124 Presentation – Burnie	Ric De Santi
17 February 2017	Local Government AASB 124 Presentation - Launceston	Ric De Santi
17 March 2017	2017 Tasmanian Leaders Program Panel discussion <i>"Upholding public integrity"</i>	Rod Whitehead
24 March 2017	Certified Practising Accountants (CPA) UTAS - IPREP <i>"A work preparation and internship program for international students"</i>	Ric De Santi
27 March 2017	AASB 124 Presentation – Glenorchy City Council	Ric De Santi
3 April 2017	AASB 124 Presentation – Clarence City Council	Ric De Santi

Date	Event	Presenter
11 April 2017	AASB 124 Presentation – Brighton Council	Ric De Santi
8 May 2017	Client presentation seminar - Hobart <i>"Accounting Standards Updated"</i>	Rod Whitehead Ric De Santi Rob Luciani Jara Dean Simon Andrews Jeff Tongs
10 May 2017	Client presentation seminar - Devonport <i>"Accounting Standards Updated"</i>	Rod Whitehead Ric De Santi Rob Luciani Jara Dean Simon Andrews Jeff Tongs
11 May 2017	UTAS – Industry Insights	Ric De Santi
12 May 2017	Tasmanian State Sector Graduate Learning and Development Program <i>"Role of the Auditor-General"</i>	Rod Whitehead
29 May 2017	AASB 124 Presentation – Department of Police, Fire & Emergency Management (DPFEM)	Ric De Santi
31 May 2017	UTAS – Guest Lecture, Auditing - Launceston	Ric De Santi
8 June 2017	AASB 124 Presentation – King Island Council	Ric De Santi
15 June 2017	Information Session for Senior Management and Members of Audit Committees - Hobart	Rod Whitehead Ric De Santi Natalie Verdouw
26 June 2017	Media Briefing - Hobart <i>"Role of the Auditor-General and 2017-18 Annual Plan of Work"</i>	Rod Whitehead

Details of service on other committees are contained in Appendix 2.

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 2017-18 was submitted to PAC, President and Speaker on 22 June 2017.

## 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 sixth year.

The Audit Committee and Senior Management information session was held in June 2017 and included guest speakers from Deloitte, KPMG and Dr Eva Tsahuridu from CPA Australia.

The topics addressed were financial risk, ethical leadership and culture and risk culture and conduct. 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 and Devonport in May 2017. These included technical updates and developments, topics on related party disclosures and recent performance audits.





# Reports to Parliament

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

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

In 2016-17 FAS tabled the following reports:

November 2016:

- Volume 2 – Government Businesses 2015-16
- Volume 1 – Analysis of the Treasurer's Annual Financial Report, General Government Sector Entities and the Retirement Benefits Fund 2015-16

December 2016:

- Volume 3 – Local Government Authorities and Tasmanian Water and Sewerage Corporation Pty Ltd 2015-16

May 2017:

- Volume 4 – State entities 30 June and 31 December 2016

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 2016-17, six performance audit reports, one probity audit and one State service employee review report were completed and tabled in Parliament:

- Ambulance emergency services
- Workforce Planning in the Tasmanian State Service
- Event funding
- Park management
- Funding the forest agreements
- Follow up of selected Auditor-General reports: September 2011 to June 2014
- Use of fuel cards
- Gambling revenue and managing harm from gambling

## 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 Treasurers Instructions (TI's), 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

### FAS

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 180 State entities (a complete listing is provided in Appendix 3). FAS is also responsible for the audit of the General Government Sector Financial Statements, the Public Account Statements and the Total State Financial Statements as well as the audit of in excess of 80 acquittal statements. FAS' role includes conducting financial audits, managing financial audits contracted to the private sector and managing financial audits dispensed with.

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

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

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

- be signed by the accountable authority or appropriate senior finance officer 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 Integrated Public Sector Audit Methodology (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 4 and 5.

### Audit Dispensation

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 3.

## PAS

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:

- significant positive impacts on agency performance
- broader implications outside the audited agencies
- whole-of-government applications.

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

To meet the four key strategic focus areas in our strategic plan a commitment and investment in the management of our human resources is of significant importance.

We are committed to a strategic approach to the management of our people through:

- providing a clear strategic focus for workforce management and developing an underlying workforce plan
- recruiting and maintaining an adequately 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 our return on our human investment to enable us to deliver on our strategic objectives.

#### Our focus for 2016-17 has been on:

- finalising the transition of our audit positions from the Professional Stream to General Stream, allowing greater flexibility for our staff and providing comparable levels to similar positions in the Public Sector
- conducting workforce analytics to support the development of our workforce plan
- partnering with the Department of Justice and other audit offices to provide a suite of contemporary e-Learning options for staff
- upgrading and restructuring our electronic document and records management system which has provided staff with access and control over performance management information
- ongoing health and wellbeing initiatives and offerings and the implementation of a risk assessment process to ensure the safety of our staff at all times, even at informal events
- updating the intranet with better access to policies, procedures for all staff

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

## Our people statistics

Headcount across the office remained stable, however turnover has increased on the prior year. This can be attributed to a change in the Office's graduate and cadet program to a fixed-term program, with half of turnover being at this level. Without permanent conversion upon completion of the three year program, there is higher likelihood that graduates will exit the program for more permanent roles. Additionally, several staff reached retirement age in 2016-17. Staff turnover continues to bring fresh ideas and diversity to the Office. All other areas of our workforce profile have remained relatively consistent, with our average age decreasing slightly, to 39.8 years and our FTE decreasing slightly to 42.9 in 2016-17.

The overall gender balance of men and women across all business units improved in 2016-17, indicating our increasing flexible working practices available to all staff, gender balanced development opportunities and diversity at all levels improved our gender representation. The average salary for males is influenced by the salary of the Auditor-General, and one senior executive position being held by a male. The Office has two female senior managers, the Director - CSS, who also sits on the SEMG and the AAG PAS. The additional female senior manager can explain the wage gap between male and female employees improving again this reporting period. The difference is now \$15 852, down from \$20 277 in the previous period.

This year our workplace flexibility arrangements procedure was amended so that all applications are taken to be accepted in the first instance. Additionally, recruitment advertisements now indicate workplace flexibility as an option for all positions. A number of staff have continued to access flexible working arrangements throughout the year, including varying their FTE levels and start and finish times outside of core hours. The Office's Carer's Action Plan continues to provide supportive arrangements for staff with caring responsibilities.

Leave Profile	2016-17	2015-16	2014-15
Average sick leave days taken during the year per employee	8.9	4.9	6.8
Total number of sick leave days taken during the year	401.0	232.0	309.0
Average number of accrued recreation leave days per employee at year end	15.8	15.5	13.4
Total recreation leave days accrued at year end	709.5	712.8	604.0
Employees with >35 days accrued recreation leave at 30 June	1	1	3
Average number of accrued long service leave (LSL) days per employee at year end	35.2	33.6	37.0
Total LSL days accrued at year end	1 584.7	1 546.2	1 669.0
Employees with >100 days accrued LSL at 30 June	1	1	-

Average sick leave days taken in 2016-17 rose to 8.9 days per employee, an increase of four days per employee on the previous year. One of the main reasons is there was one staff member who during the year had been on long-term personal leave. The Office continues to offer influenza vaccinations, an Employee Assistance provider (EAP) and a comprehensive health and wellbeing program to continue to support a healthier workforce. Our strong focus remains on increasing awareness around mental health and wellbeing, with a number of initiatives outlined below to support this goal.

Only one employee is maintaining a high recreation and long service leave balance which is being managed through a leave management plan. Leave management plans are utilised for staff to manage these high balances to ensure our ongoing commitment to striking a good work and life balance for all employees.

## Workplace health, safety and wellbeing

We continue to proactively manage WHS in the Office by identifying risks and addressing problems promptly. Comprehensively quarterly reviews are conducted by the SEMG on WHS incidents, risks and issues.

Our 2016-18 Health and Wellbeing Program principles include:

- promoting the benefits of physical activity
- promoting healthy and nutritional eating and
- promoting a cohesive and mentally healthy workplace.

The focus of our Health and Wellbeing Program continues to not only 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. The Office partners with the Justice Health and Wellbeing Champions network to provide greater access to a wide range of activities for employees. Some activities staff participated in this year include dragon boat racing for Dragons Abreast Hobart, the Raw Challenge, influenza vaccinations, mindfulness workshops, R U OK? Day, online health assessments, lunchtime pilates, the provision of fresh fruit, and a Fitbit step challenge.

We continue to provide ergonomic assessments to employees who feel they would benefit from one, and all audit staff are provided with a suite of ergonomic products upon commencement to ensure adequate set-up whilst they're working in the field at clients' premises.

First aid officers, fire wardens and employees with legislative responsibilities have continued to receive ongoing training throughout the year, and all worksites and office vehicles contain first aid kits. All staff now attend defensive driving courses on a regular basis to mitigate against risk posed to them as they are regularly required to use motor vehicles in the conduct of their work.

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 provision of a return to work coordinator to support their successful reintegration back 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 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:

	2016-17	2015-16	2014-15
No. of incidents reported	9	3	7
No. of workers' compensation claims	2	1	-
No. of first aid officers	3	3	2

The number of incidents reported increased this year, largely due to the increased promotion and awareness of the Office's online reporting tool for hazards, near misses and injuries. The investment in training of all employees and managers has had a positive impact on workplace behaviour relating to workplace health and safety, mandatory WHS eLearning modules are now completed by all staff annually.

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.

## Workplace diversity

We maintain our commitment to workplace diversity through our recruitment and selection practices, our performance management processes and the provision of training and development opportunities. Our Strategic Plan and Diversity Action plan contain initiatives to promote our workplace diversity. In addition, the Office is involved with a number of whole of service initiatives to support workplace diversity, including:

- the State Service Diversity and Inclusion Framework 2017-2020
- the Tasmanian State Service Aboriginal Employment Strategy
- the Tasmanian State Service Graduate Development Program
- supporting the White Ribbon program
- the People with Disabilities Employment Register and Aboriginal and Torres Strait Islander Employment Register.

## 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.

## 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.



## Graduate, cadetship and internship programs

We continue to offer graduate and cadetship employment 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 is 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 our PAS cadet was successful in being appointed to a performance analyst position at the conclusion of their studies, and FAS continued to support their cadet in 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 approved postgraduate course is complete. The postgraduate 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 duties and responsibilities.

In 2016-17 the Office continued our partnership with the Elizabeth College Business School and UTAS 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, Alice Cox and Johanna Paterson. Both students spent time in FAS, PAS and CSS experiencing the different types of work and tasks in each section.

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

	2016-17	2015-16	2014-15
Total no. of cadets at 30 June	1	2	2
Total no. of graduates at 30 June	5	9	5
Cadets employed in FAS	1	1	2
Cadets employed in PAS	-	1	-
Graduates employed in FAS (FTE)	4.5	8.5	5.0
Graduates employed in OAG (FTE)	0.5	0.5	-

## 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.

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

	2016-17	2015-16	2014-15
Average days per FTE	8.7	9.0	7.4
Average investment per FTE	\$2 318	\$2 448	\$2 492

In conjunction with Justice, the Office introduced an e-Learning system for all staff. The system integrates with Lynda.com, allowing staff to access online courses designed specifically for the state service, and the wide range of generic courses available through Lynda.com. We are working towards partnering with other Audit Offices to deliver more tailored technical content for staff in the coming year.

## 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 to study and prepare for examinations, and appropriate financial assistance for administrative costs and text books. Our employees are encouraged to undertake postgraduate study, such as professional programs run by Australia's professional accounting and professional bodies such as CPA, Chartered Accountants (CA), Australian Human Resources Institute (AHRI) and Australian Institute of Company Directors (AICD).

In 2016-17 employees undertook studies in the following areas:

- Bachelor Degrees – one employee continued their bachelor degree as part of the Office's Cadetship Program, and another graduated and progressed from the cadet program.
- Professional Programs, such as CPA and CA ANZ programs, or an honours degree – five employees are currently studying accounting body professional programs, one an honours degree, and two employees completed their professional program during the year.

## Performance management

Performance management continues to be conducted in line with Employment Direction No. 26, *Managing Performance in the State Service*. Annual refresher training was again provided to all staff and managers on performance management.

All staff have performance plans in place that outline performance indicators that are linked to business unit and organisational objectives, and behaviours in relation to our values. Six and 12 monthly reviews were conducted plans for all staff.



## Reward 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.

The Way of the TAO was awarded to Rhiannon Steele (CSS).

Making a Difference quarterly award recipients:

- Simon Andrews (PAS)
- Andrew Eiszele (FAS)
- Rhiannon Steele (CSS)

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

- Ric De Santi - 40 Years of service with the Tasmanian Government

The following milestones were reached by our employees:

- Andrew Clark (FAS) - advancement to CPA
- James Hay (FAS) - advancement to CPA
- James Palfrey (PAS) – Admitted to the degree of Bachelor of Business degree from UTAS.



## Staff ethics

The Office maintains a commitment to high ethical standards, which is supported by our legislative, governance and policy framework. All our employees must adhere to the Tasmanian State Service Code of Conduct and the State Service Principles under the *State Service Act 2000*. In addition, we have developed our own values.

Our Corporate Governance Framework and the ASX Governance Principles, found in Appendix 1, promote appropriate leadership, ethics, culture and responsible decision-making within the Office. To support this principle the Office has implemented a number of processes to ensure the independence of the Office 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. The Auditor-General provides a declaration of interests to the Tasmanian Parliamentary Standing Committee of Public Accounts on a quarterly basis, which includes the Auditor-General's gifts and benefits forms and register. This information is also published on the Office's website on a quarterly basis.

During the 2016-17 reporting period, 24 declarations of a reportable or suspect gift, benefit or hospitality were made by staff. The Office again reminded staff of 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.

## GRIEVANCES AND COMPLAINTS

### Internal grievance procedure

The Office's grievance procedure is 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 provides 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 2016-17.

### 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 Office's Grievance Procedure and Respectful Workplace Behaviour Policy remain in place. No grievances were reported during the 2016-17 reporting period.

### Tasmanian State Service People Matter Survey

The People Matters Survey was undertaken in May 2016 by the Head of the State Service through the State Service Management Office (SSMO), with results provided to the Office in October 2016. This survey gauges employee views about their employment, and in turn, gathers information about State Service values, employment principles, job satisfaction, engagement, feedback, policies and processes, change management, role clarity and enablers, reward and recognition, discrimination and bullying, career intentions, learning and development and wellbeing.

The overall results indicated strong positive responses in relation to ethical behaviour and alignment with organisational purpose. Areas for improvement included recognition for contributions and accomplishments, feedback and communications. Overall results were very positive, with the SEMG running an improvement exercise across the Office and implementing the outcomes of this exercise which included monthly informal staff information sessions.

## 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.

In response to feedback from staff wanting better communication between business units, monthly information sharing sessions as noted above have been running throughout 2016-17. These sessions are designed to share informal updates and less technical information between staff. The SLG has also been re-established to provide more opportunities for consultation with staff across all business units.

## 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 2.

### 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 2016 calendar year the Office supported Speak Up Stay ChatTY and donated a total of \$930 to this worthwhile organisation.

So far in the 2017 calendar year the Office donated \$400 of fundraising monies to the Dogs Home of Tasmania, raised via free dress days, morning teas and other social activities.

The Office also participated in the following fundraising activities:

- White Ribbon walk
- Dragons Abreast corporate day
- Mother's Day Classic
- Cancer Council Biggest Morning Tea

Hina and Waqas Durrani were awarded the 2016 Pride of Australia Tasmania Medal for their Youth Networking Employer Bridging events. Waqas, who arrived in Australia in 2012, and Hina, who arrived in 2014, visited schools to educate students as part of the Human Library project and founded the University of Tasmania's Pakistani Society. Together the pair comforted and supported people from differing cultural backgrounds, helping them adjust to life in Tasmania. The two also spent countless hours organising events to promote human rights. Congratulations to them both on their work, and on this award.

## Climate Change

The Office is committed to reducing emissions associated with our operations through reducing energy usage and waste. Smaller premises in an energy-efficient building continues to provide a reduction in operating costs as well as energy usage.

In addition, 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
- managing a toner recycling program for the Hobart office and other building tenants.






# Our Performance

## OUR PERFORMANCE REPORT

In this section we explain our performance for 2016-17 by reference to our 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 2016-17 indicated high levels of satisfaction with our reports by Parliamentarians. The next survey is due in 2018-19.

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	2013-14 Actual	2014-15 Actual	2015-16 Actual	2016-17 Target	2016-17 Actual	Result
<b>Survey of Parliamentarians by independent biennial survey:</b>						
Overall satisfaction with the Auditor-General's reports and services	Nm	97%	Nm	75%	100%	
Provide valuable information on public sector performance	Nm	88%	Nm	80%	97%	
Reports and services help to improve public sector administration	Nm	87%	Nm	75%	91%	
High level of performance audits addressing key areas of interest	Nm	94%	Nm	75%	85%	
Responsiveness of the Auditor-General or his Office	Nm	100%	Nm	85%	100%	
Extent to which the advice/information provided by the Auditor-General or his Office addressed your needs	Nm	100%	Nm	85%	100%	
<b>Survey of audit clients by independent biennial survey:</b>						
Performance Audit - overall performance (process, reporting, value)	Nm	69%	Nm	75%	73%	
Financial Audit - overall performance (process, reporting, value)	Nm	80%	Nm	75%	79%	

Performance audit – overall performance measure improved since the last survey and expectations are that this will continue to improve substantially when the survey is next undertaken as an emphasis has been placed on improving stakeholder communication.

## 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	2013-14 Actual	2014-15 Actual	2015-16 Actual	2016-17 Target	2016-17 Actual Not Achieved	Result
Positive net operating result, that is $\geq 1\%$ of turnover	Achieved	Not Achieved	Achieved	Achieved	Not 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	Not Achieved	Achieved	Achieved	Achieved	✓
Independent un-modified audit opinion on the financial statements of the Office	Achieved	Achieved	Achieved	Achieved	Achieved	✓

The net operating result was less than 1% mainly due to delays in recruitment of financial audit staff leading to less financial audit work being conducted prior to 30 June 2017.

This has a direct impact on the revenue received for the year.



## 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	2013-14 Actual	2014-15 Actual	2015-16 Actual	2016-17 Target	2016-17 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)	98%	92%	97%	100%	97%	✗
Performance and compliance audits are completed on average within nine months	Achieved	Not Achieved	Achieved	Achieved	Not Achieved	✗
Percentage of recommendations agreed and acted upon 24 months since the tabling of a performance/compliance audit report	Nm	64%	77%	70%	84%	✓
Performance and compliance audits and special investigations tabled in Parliament	7	6	6	7	6	✗
Conducting audits, reviews or investigations and reporting of employer functions under the <i>State Service Act 2000</i> tabled in Parliament	-	1	1	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 <sup>1</sup>	Nm	Positive	Positive	Positive	Negative	✗
Performance audits <sup>2</sup>	Nm	Nm	Positive	Positive	Negative	✗
Number of major findings with significant impact/ramifications reported to the Office's Audit Committee by our internal auditor	None	2	None	None	None	✓

Notes:

1. Negative rating relates to deficiencies in audit evidence and documentation for two reviewed 30 June 2016 financial audit engagements.
2. Negative rating relates to deficiencies in audit evidence and documentation for two reviewed performance audits conducted in 2014-15 and 2015-16.

For the 2016-17 audit cycle, 97% of financial audits were completed within 45 days of receipt of financial statements from clients as at 30 September 2017.

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.

An ACAG peer review was conducted during the year which provided recommendations in relation to audit documentation and file improvements. These are currently being implemented.

Three internal audit reviews were conducted in 2016-17 covering:

Fee Setting Framework

Governance, Policy and Procedure, and Management Structure Review

Information and Records Management

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	2013-14 Actual	2014-15 Actual	2015-16 Actual	2016-17 Target	2016-17 Actual	Result
Employee satisfaction as measured by the Office's independent biennial employee survey	73%	Nm	73%	Nm	Nm	—
Employee turnover rate	15%	23%	13%	<10%	22%	✗
Percentage of employees who have University degree and/or professional qualifications	91%	89%	91%	>85%	87%	✓
Percentage of employees who are members of professional bodies	72%	69%	57%	>85%	62%	✗
Percentage of employees who undertake 10 days of professional development per annum	21%	38%	39%	100%	33%	✗
Percentage of employee professional development plans finalised	93%	93%	100%	100%	100%	✓
Employee participation in health and well-being initiatives	98%	100%	100%	75%	100%	✓
Sick leave taken by employees (average)	5.6	6.9	4.8	<5 days	8.9	✗
No excess leave balances	5%	2%	2%	<5%	2%	✓

Office turnover increased due to graduates obtaining permanent positions and staff moving onto promotions in other departments or private entities.

The percentage of employees who are members of professional bodies increased due to the employment of qualified fixed term auditors due to vacancies noted above.

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 2016-17. The Health and Wellbeing Plan for 2016-18 was formulated through consultation with staff. Initiatives included continuation of the provision of healthy fruit and vegetables and learnings for staff in relation to stress management techniques.

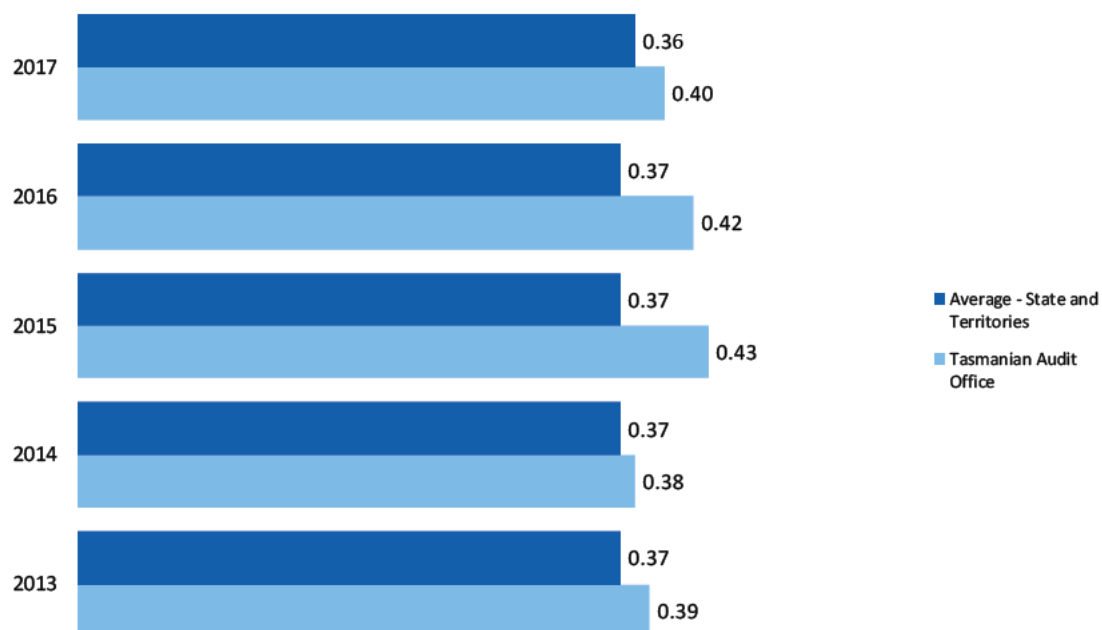
Sick leave taken by employees increased across the Office with one employee being on long term sick leave. As noted above we encourage staff to participate in health and wellbeing initiatives and these are detailed more in the People Chapter of this Annual Report.

## 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 2013-2017.

### Measure One:

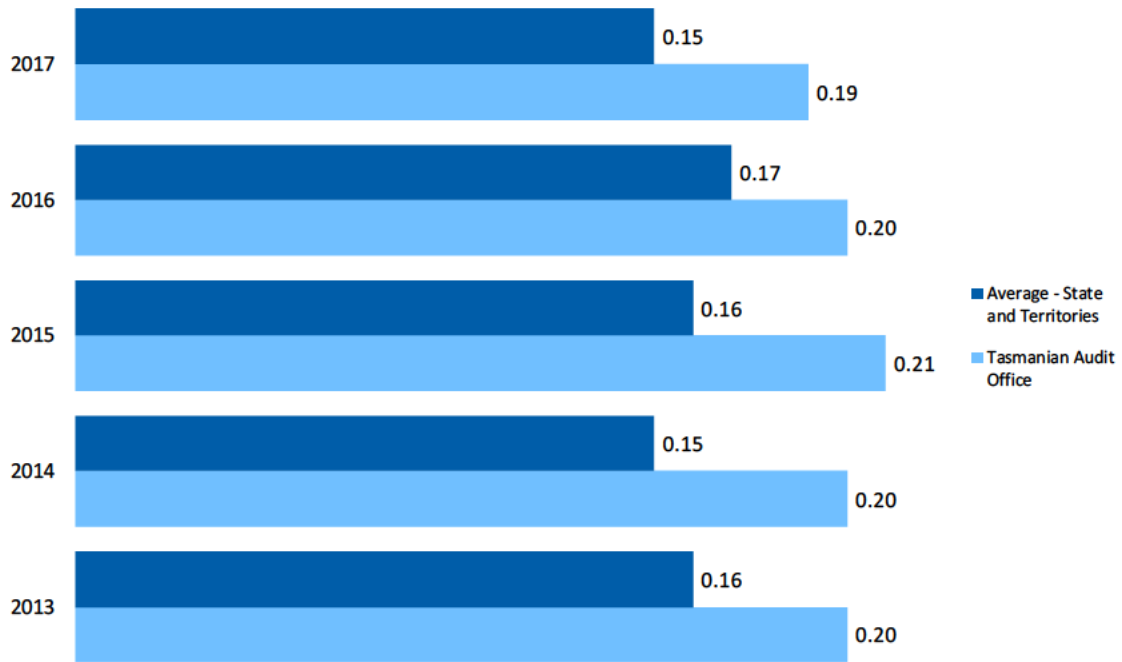
Total audit costs per \$'000 of public sector transactions, expressed in cents



!

## Measure Two:

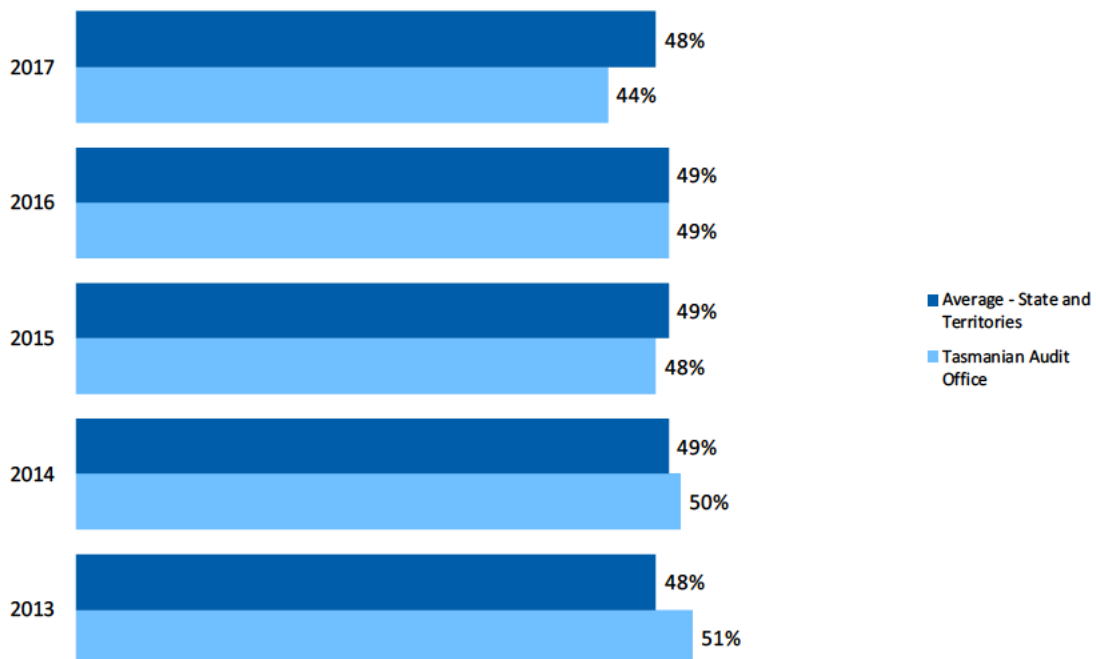
Total audit costs per \$'000 of public sector assets, expressed in cents



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.

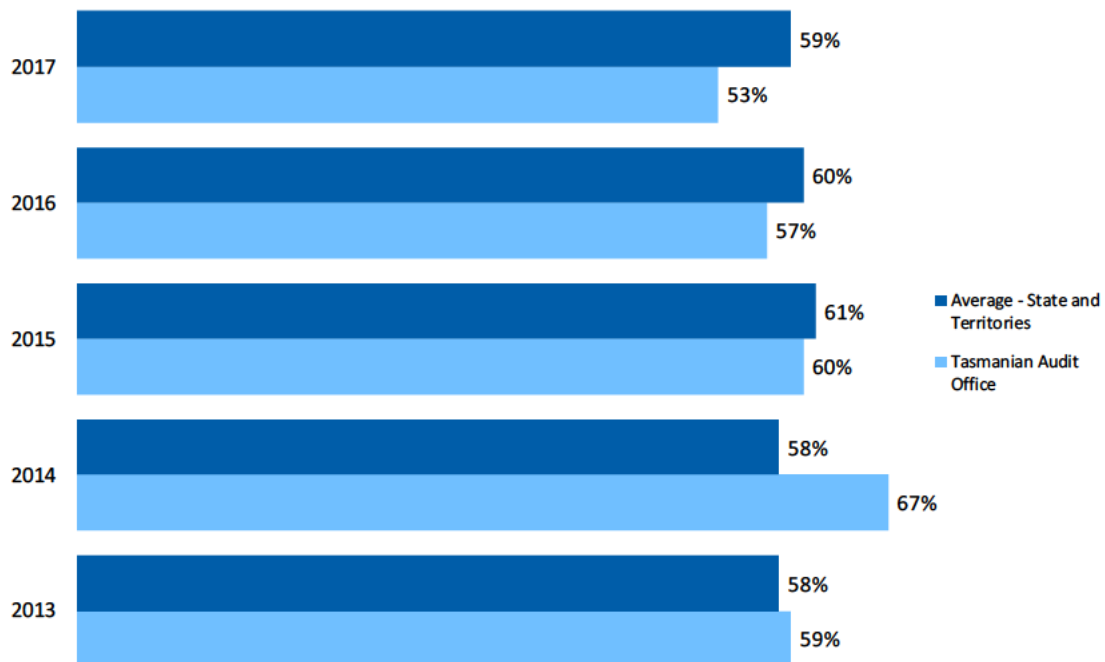
## MEASURE THREE:

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



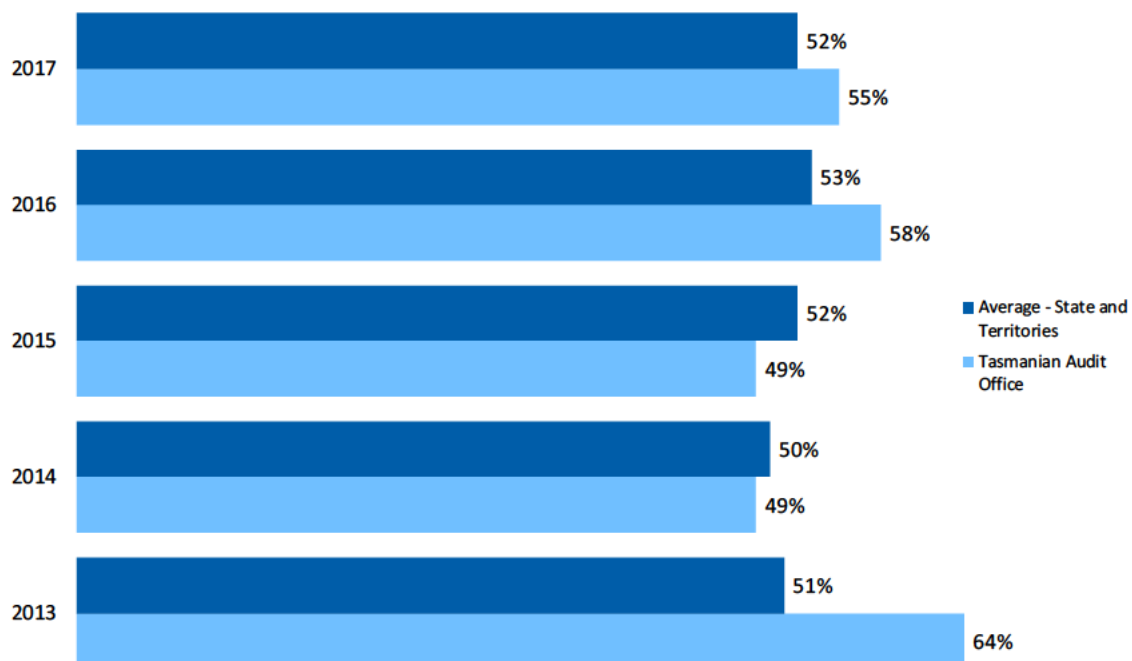
#### Measure Four:

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



#### Measure Five:

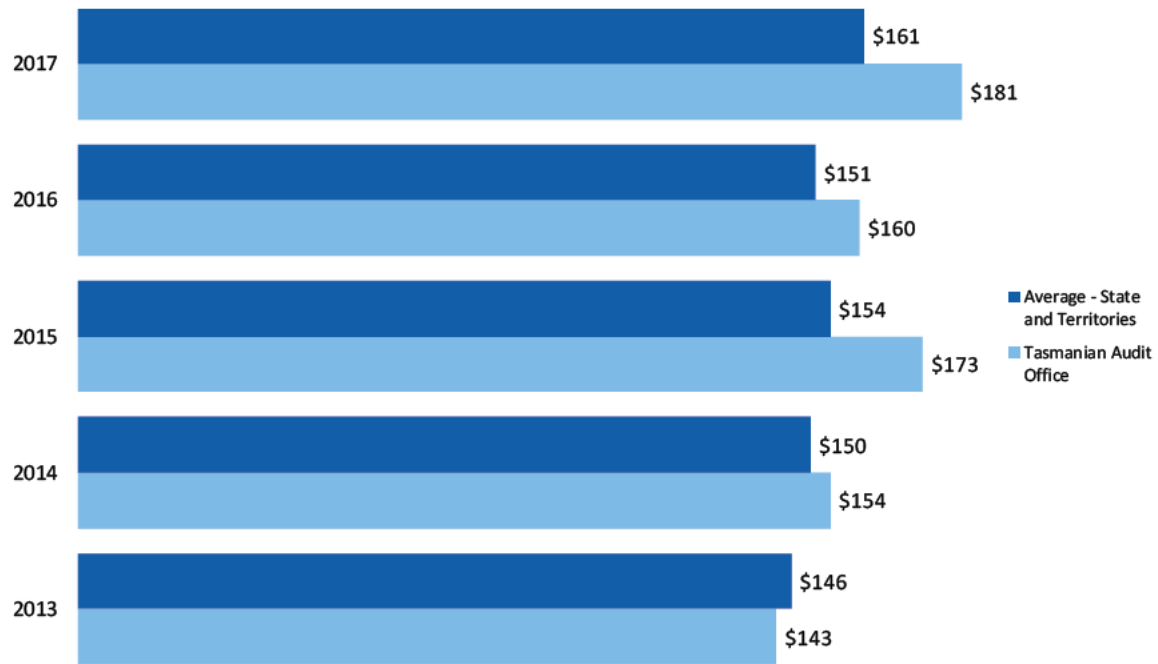
Percentage of total paid hours of non-attest audit staff charged to non-attest audit activities



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 personal and recreation leave for all employees. The downward movement in chargeable hours is mainly due to the employment of fixed term staff to replace vacant positions and the need for a larger amount of on the job training for those new staff and a slight increase in personal leave taken during the year. Non-attest activities have slightly fallen due to a slight increase in leave which also includes the AAG PAS taken leave entitlements prior to leaving the Office.

### Measure Six:

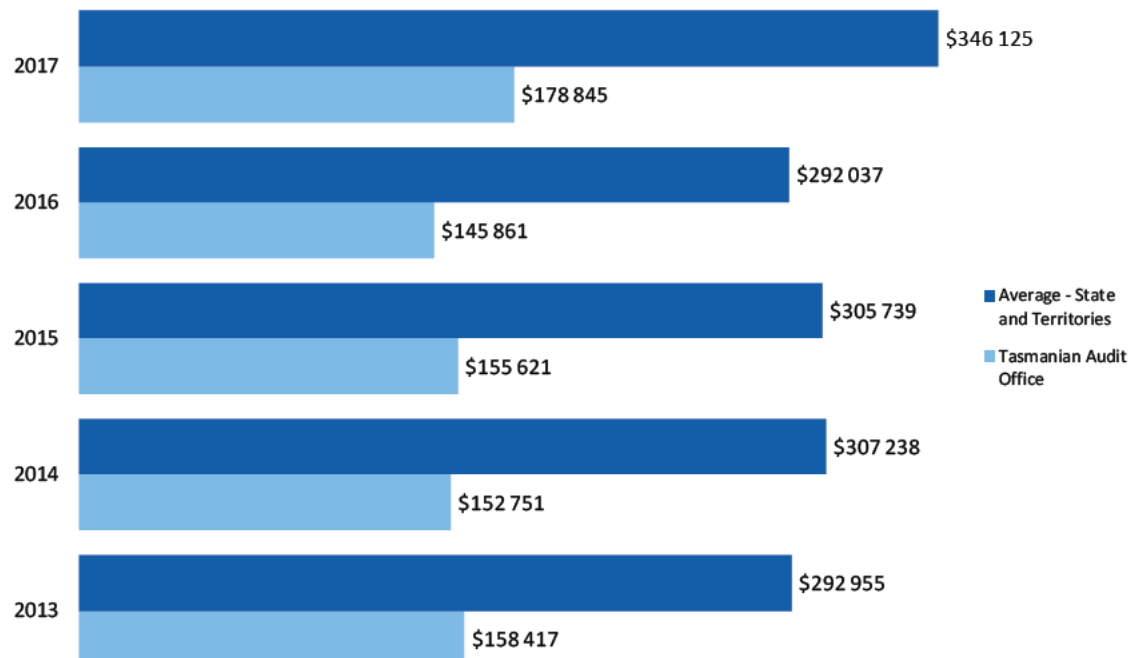
Cost per audit hour charged to audit activities



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, 2016 and 2017 audit seasons. Again vacant positions and the need to recruit at short notice has affected the cost per audit hour charged to audit activities. Minimising the cost of our audit work remains an on-going objective for the Office.

### Measure Seven:

Cost per performance audit (\$)



Measure Seven confirms our expectation that the cost of conducting performance and compliance audits and associated reports will be lower than the all State and Territory average. This measure is largely affected by the scope and type of audits undertaken each year. In 2014, more efficient internal processes were implemented which resulted in a slightly reduced cost per performance audit. The increase in 2015 represents normal increases in costs, particularly salaries, from year to year. In 2016 the reduction of costs was mainly as a result of the employment of a graduate in Performance Audit and a more senior position not been recruited for, hence the increase in 2017.

## **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, included within the annual report, which comprises the key performance indicators for the 2017 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.

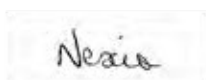
A review of a performance report consists of making enquiries, primarily of persons responsible for financial and accounting matters and applying other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently 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 2017.



**Nexia Melbourne Audit Pty Ltd**  
Melbourne



**Geoff S. Parker**  
Director

Dated this 10<sup>th</sup> day of October 2017



# Our Finance

## FINANCIAL PERFORMANCE

Key indicators of our financial performance and position for the year ended 30 June 2017 include:

- A negative net operating balance for the financial year of \$0.145m (2015-16, \$0.657m). The variance to budget of \$0.036m (\$0.041m) was mainly due to an increase in revenue received in advance and a lower work in progress as a result of vacant positions and the time lag of recruiting. This also effected expenditure with less expended on employee benefits, supplies and consumables.
- Revenue of \$7.178m was \$1.188m lower than the previous year due to unbudgeted revenue received from additional audit work undertaken in 2015-16 compounded by an increase in Revenue received in advance and a lower work in progress as a result of vacant positions and the time lag of recruiting. This also explains the variance of \$0.904m below budget of \$8.082m.
- Expenditure was below budget due to the reasons above by \$0.386m to last year and \$0.868m to budget.
- A slight decrease in equity, and net assets, by \$0.145m, being the net result 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 \$3.403m at 30 June 2017, \$3.417m at 30 June 2016 and \$2.802m budget.
- Non-financial assets decreased by \$0.050m compared to 30 June 2016 mainly due to the depreciation charge for the year.

The following table details the movements in revenue for the past four years and for 2016-17:

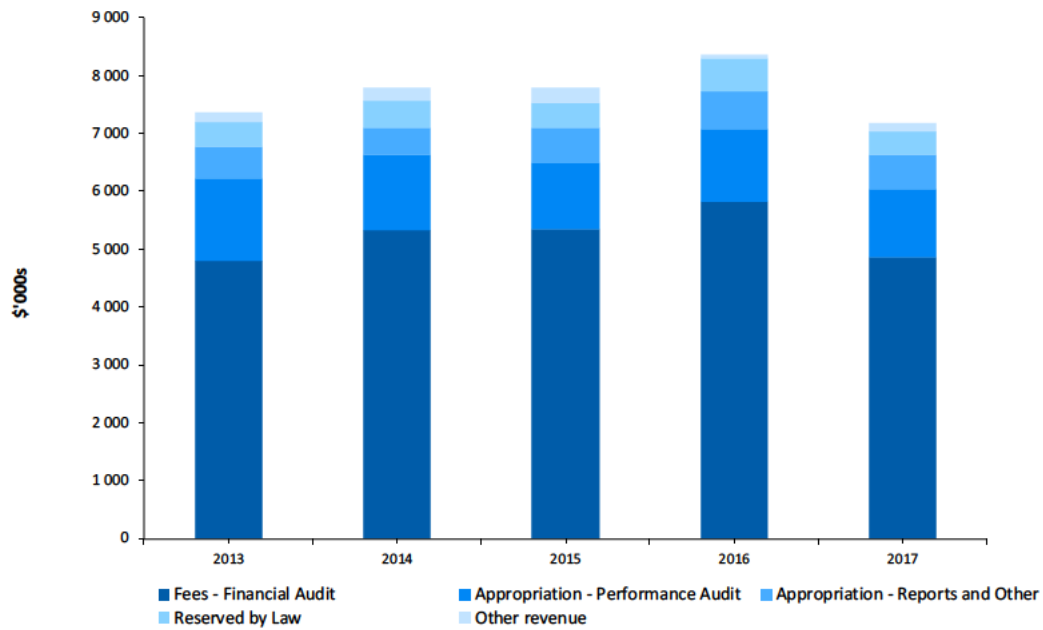
Revenue	2016-17 (\$'000s)	2015-16 (\$'000s)	2014-15 (\$'000s)	2013-14 (\$'000s)	2012-13 (\$'000s)
User charges	4 862	5 818	5 356	5 329	4 797
Appropriations					
Reserve-by-law	402	580	437	455	430
Auditor-General on-costs	116	-	-	-	-
Auditor-General recruitment	-	126	-	-	-
Performance audits and reports	1 655	1 779	1 732	1 778	1 978
Other revenue	143	63	258	223	150
<b>Total</b>	<b>7 178</b>	<b>8 366</b>	<b>7 783</b>	<b>7 785</b>	<b>7 355</b>

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 from 2011-12 to 30 June 2017 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.

The Office absorbed the reductions to date and will continue to analyse areas for efficiencies and cost reductions.

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

## Revenue, 2016-17 and previous four years



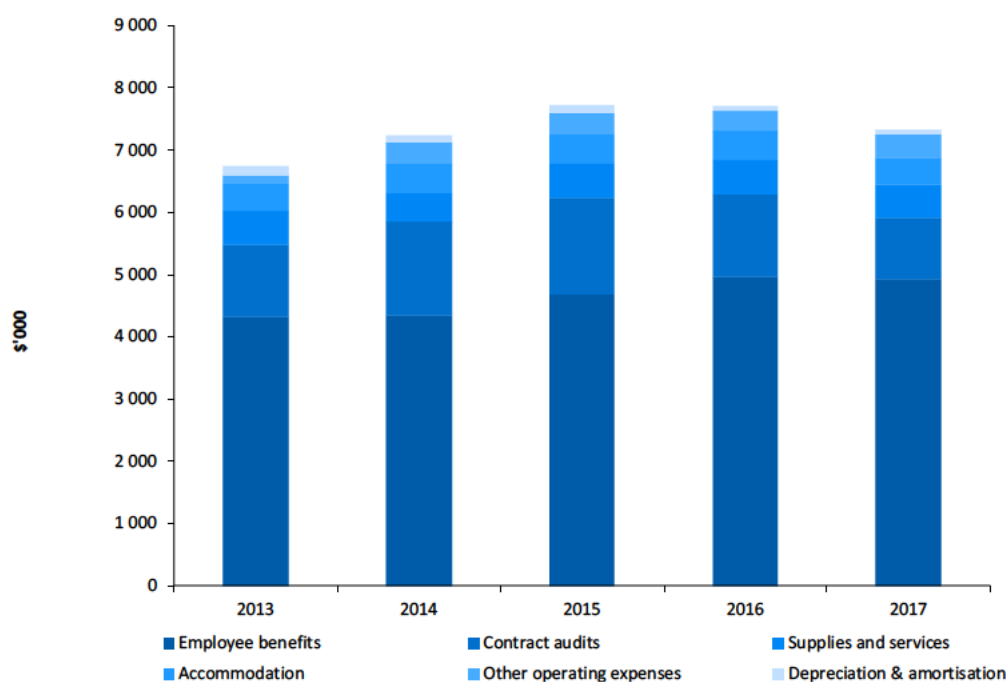
Comments below compare financial performance relating to revenue between 2015-16 and 2016-17.

Our total revenue decreased from the previous year. This was mainly due to additional unbudgeted revenue received in 2015-16, the effect being inflating normal audit revenue received added to by a reduction in audit revenue received this year as a result of an increase in revenue received in advance and a lower work in progress due to vacant positions and the time lag of recruiting.

Expenditure	2016-17 (\$'000s)	2015-16 (\$'000s)	2014-15 (\$'000s)	2013-14 (\$'000s)	2012-13 (\$'000s)
Employee benefits	4 923	4 964	4 684	4 353	4 324
Other expenses	796	771	672	664	521
Audit contractors	993	1 321	1 556	1 495	1 155
Information technology	111	111	208	152	156
Accommodation	430	459	477	456	431
Depreciation/Amortisation	70	83	127	113	157
<b>Total</b>	<b>7 323</b>	<b>7 709</b>	<b>7 724</b>	<b>7 233</b>	<b>6 744</b>
<b>Surplus/(Deficit)</b>	<b>(145)</b>	<b>657</b>	<b>59</b>	<b>552</b>	<b>611</b>

Commentary on movements in expenditure between 2015-16 and 2016-17 are noted in the next graph.

## Expenditure, 2016-17 and previous four years

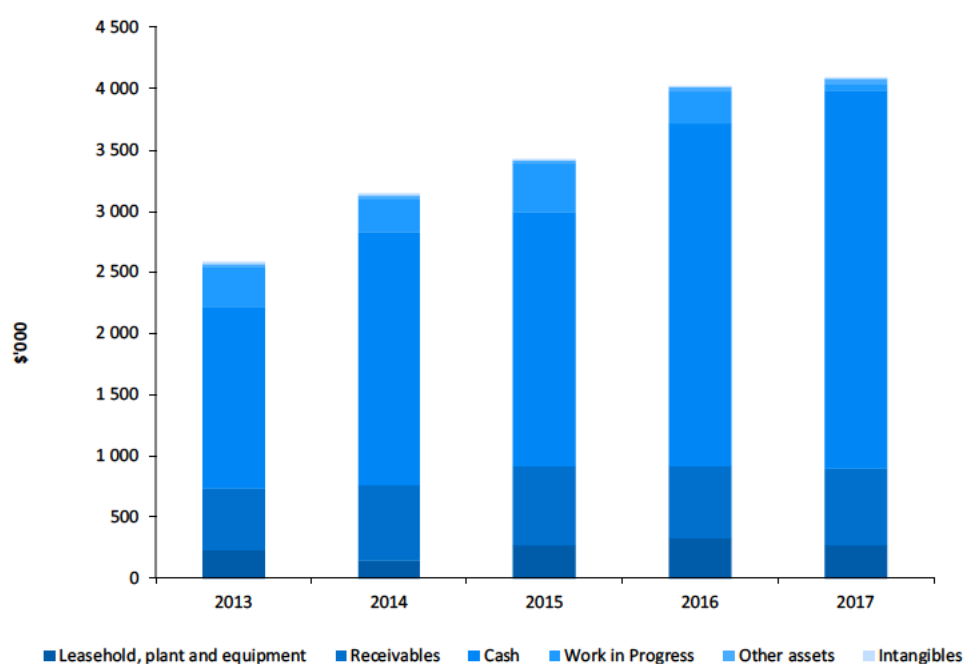


Overall Total expenses were lower than last year due to the vacant positions of staff and associated decrease in other expenses.

## Financial Position

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

Assets	2016-17 (\$'000s)	2015-16 (\$'000s)	2014-15 (\$'000s)	2013-14 (\$'000s)	2012-13 (\$'000s)
Financial assets	3 774	3 647	3 120	2 959	2 321
Non-financial assets	322	372	304	185	266
<b>Total</b>	<b>4 096</b>	<b>4 019</b>	<b>3 424</b>	<b>3 144</b>	<b>2 587</b>



## Total assets by asset type presented graphically

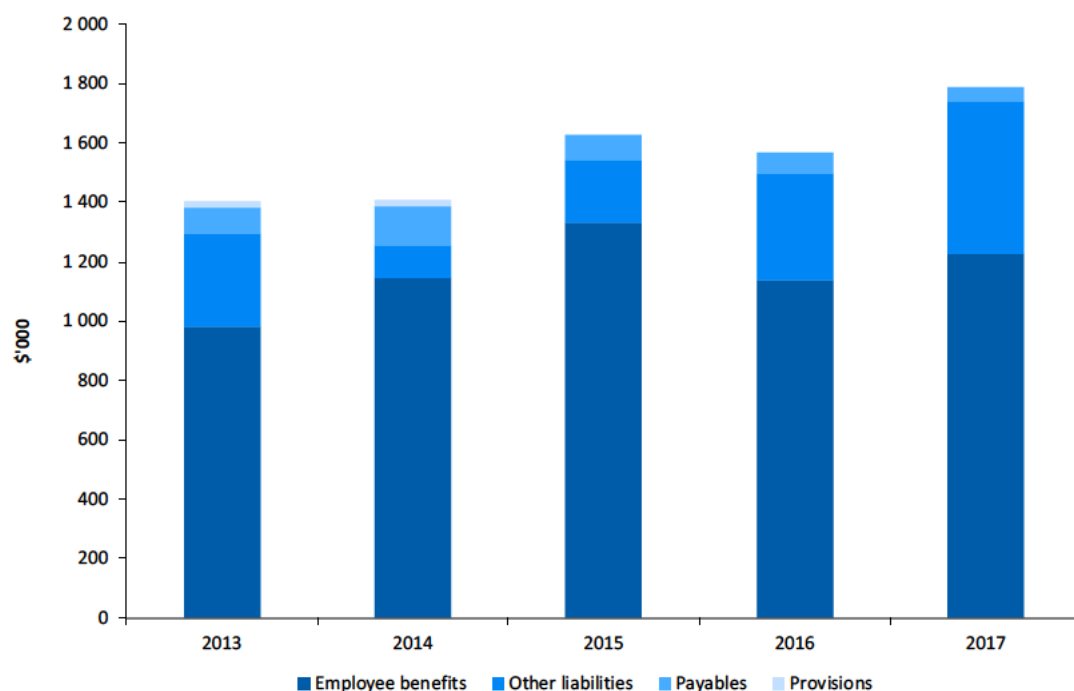
Comments below compare assets between 30 June 2016 and 30 June 2017.

The \$0.127m increase in financial assets, comprising our bank balance, receivables and unbilled work-in-progress, is reflective of our increase in cash as at 30 June 2017.

Non-financial assets, comprising leasehold improvements, plant and equipment and intangibles, decreased by \$0.050m mainly due to the annual depreciation charge.

## Liabilities and net assets/equity

Liabilities	2016-17 (\$'000s)	2015-16 (\$'000s)	2014-15 (\$'000s)	2013-14 (\$'000s)	2012-13 (\$'000s)
Financial liabilities	46	71	85	153	110
Non-financial liabilities	1 743	1 496	1 544	1 255	1 294
<b>Total</b>	<b>1 789</b>	<b>1 567</b>	<b>1 629</b>	<b>1 408</b>	<b>1 404</b>
<b>Net Assets/Equity</b>	<b>2 307</b>	<b>2 452</b>	<b>1 795</b>	<b>1 736</b>	<b>1 183</b>



## Total liabilities by liability type presented graphically

Comments below compare liabilities between 30 June 2016 and 30 June 2017.

Financial liabilities consisted of creditors, \$0.046m (2015-16, \$0.071m), predominantly representing operational invoices received after 30 June 2017. The majority of Non-financial liabilities were leave provisions and revenues received in advance.

Employee benefits increased by \$0.089m to \$1.226m at 30 June 2017 mainly due normal leave accruals. At 30 June 2017 leave accrued balances were:

- Recreation leave, 709 days (2016, 737 days)
- Long service leave, 1 584 days (2016, 1 596 days)
- Excess hours agreement, 0 days (2016, 0 days).

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

### **Report on the Audit of the Financial Report**

#### **Opinion**

We have audited the financial report of the Tasmanian Audit Office, which comprises the statement of financial position as at 30 June 2017, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the statement of certification.

In our opinion, the accompanying financial report presents fairly, in all material respects, the financial position of the Tasmanian Audit Office as at 30 June 2017 and its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards and the Financial Management and Audit Act 1990 and Audit Act 2008.

#### **Basis for opinion**

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the 'auditor's responsibilities for the audit of the financial report' section of our report. We are independent of the entity in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

#### **Other information**

The Auditor-General is responsible for the other information. The other information comprises the information in the Tasmanian Audit Office's annual report for the year ended 30 June 2017, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of the other information we are required to report that fact. The annual report is expected to be made available to us after the date of this independent auditor's report.

### **Auditor-General' 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 and 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 the financial report that is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Auditor-General is responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Auditor-General either intend to liquidate the entity or to cease operations, or have no realistic alternative but to do so.

### **Auditor's responsibility for the audit of the financial report**


Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at The Australian Auditing and Assurance Standards Board website at:

[http://www.auasb.gov.au/auditors\\_responsibilities/ar4.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf). This description forms part of our auditor's report.

*Nexia*

**Nexia Melbourne Audit Pty Ltd**  
Melbourne

  
**Geoff S. Parker**  
Director

Dated this *11* day of *AUGUST* 2017



## Statement of Certification

We certify that the accompanying financial statements of the Tasmanian Audit Office are in agreement with the relevant accounts and records and have been prepared in compliance with the Treasurer's Instructions issued under the provisions of the *Financial Management and Audit Act 1990* to present fairly the financial transactions for the year ended 30 June 2017 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**  
**11 August 2017**



**Ric De Santi**  
**Chief Operating Officer**  
**11 August 2017**

# STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2017

	Notes	2017 Budget \$'000s	2017 Actual \$'000s	2016 Actual \$'000s
<b>Continuing operations</b>				
<b>Revenue and other income from transactions</b>				
Revenue from Government				
Appropriation revenue - RBL	3.1	460	402	580
Appropriation revenue - recurrent	3.1	1 853	1 771	1 905
User charges	3.2, 2.1(a)	5 604	4 862	5 818
Other revenue	3.3	165	143	63
<b>Total revenue and other income from transactions</b>		<b>8 082</b>	<b>7 178</b>	<b>8 366</b>
<b>Expenses from transactions</b>				
Employee benefits	4.1	5 256	4 923	4 964
Depreciation and amortisation	4.2	54	70	83
Audit contractors	4.3	1 411	993	1 321
Supplies and consumables	4.4, 2.1(b)	1 171	964	1 023
Other expenses	4.5	299	373	318
<b>Total expenses from transactions</b>		<b>8 191</b>	<b>7 323</b>	<b>7 709</b>
<b>Net result from transactions (net operating balance)</b>		<b>(109)</b>	<b>(145)</b>	<b>657</b>
<b>Net result</b>		<b>(109)</b>	<b>(145)</b>	<b>657</b>
<b>Comprehensive result</b>		<b>(109)</b>	<b>(145)</b>	<b>657</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 2017

	Notes	2017 Budget* \$'000s	2017 Actual \$'000s	2016 Actual \$'000s
<b>Assets</b>				
<i>Financial assets</i>				
Cash and deposits*	8.1, 2.2(a)	1 989	3 092	2 801
Receivables and work in progress	5.1, 2.2(b)	1 042	682	846
<i>Non-financial assets</i>				
Leasehold improvements, plant and equipment	5.2	300	264	330
Intangibles	5.3	-	16	7
Other assets	5.4	27	42	35
<b>Total assets</b>		<b>3 358</b>	<b>4 096</b>	<b>4 019</b>
<b>Liabilities</b>				
Payables	6.1	79	46	71
Employee benefits	6.2	1 319	1 226	1 137
Other liabilities	6.4, 2.2(c)	233	517	359
<b>Total liabilities</b>		<b>1 631</b>	<b>1 789</b>	<b>1 567</b>
<b>Net assets</b>		<b>1 727</b>	<b>2 307</b>	<b>2 452</b>
<b>Equity</b>				
Contributed capital		1 168	1 168	1 168
Accumulated surplus/(deficit)		559	1 139	1 284
<b>Total equity*</b>		<b>1 727</b>	<b>2 307</b>	<b>2 452</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 2017

	Notes	2017 Budget \$'000s	2017 Actual \$'000s	2016 Actual \$'000s
<b>Cash flows from operating activities</b>		Inflows (Outflows)	Inflows (Outflows)	Inflows (Outflows)
<b>Cash inflows</b>				
Appropriation receipts - recurrent		1 853	1 771	1 905
Appropriation receipts - RBL		460	402	580
User charges	2.3(a)	5 872	5 212	5 883
GST receipts	2.3(b)	635	752	759
Other cash receipts		165	125	196
<b>Total cash inflows</b>		<b>8 985</b>	<b>8 262</b>	<b>9 323</b>
<b>Cash outflows</b>				
Employee benefits	2.3(c)	(5 516)	(4 830)	(5 163)
GST payments	2.3(d)	(635)	(734)	(771)
Audit contractors		(1 411)	(993)	(1 129)
Supplies and consumables		(1 168)	(1 012)	(966)
Other cash payments		(299)	(389)	(416)
<b>Total cash outflows</b>		<b>(9 029)</b>	<b>(7 958)</b>	<b>(8 445)</b>
<b>Net cash from operating activities</b>	8.2	<b>(44)</b>	<b>304</b>	<b>878</b>
<b>Cash flows from investing activities</b>				
<b>Cash outflows</b>				
Payments for acquisition of non-financial assets		(31)	(13)	(155)
<b>Total cash outflows</b>		<b>(31)</b>	<b>(13)</b>	<b>(155)</b>
<b>Net cash from (used by) investing activities</b>		<b>(31)</b>	<b>(13)</b>	<b>(155)</b>
<b>Net increase/(decrease) in cash and cash equivalents held</b>		<b>(75)</b>	<b>291</b>	<b>723</b>
<b>Cash and deposits at the beginning of the reporting period</b>		<b>2 064</b>	<b>2 801</b>	<b>2 078</b>
<b>Cash and deposits at the end of the reporting period</b>	8.1	<b>1 989</b>	<b>3 092</b>	<b>2 801</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 2017

	Contributed equity \$'000	Accumulated surplus \$'000	Total equity \$'000s
<b>Balance as at 1 July 2016</b>	<b>1 168</b>	<b>1 284</b>	<b>2 452</b>
Total comprehensive result	-	(145)	(145)
<b>Balance as at 30 June 2017</b>	<b>1 168</b>	<b>1 139</b>	<b>2 307</b>

	Contributed equity \$'000s	Accumulated surplus \$'000s	Total equity \$'000s
<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>

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 2017

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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 2016-17 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 \$'000s	Actual \$'000s	Variance \$'000s	Variance %
User Charges	(a)	5 604	4 862	(742)	(13)
Supplies and consumables	(b)	1 171	964	207	18

#### Notes to Statement of Comprehensive Income variances

(a) User charges are lower than budgeted due to an increase of revenue received in advance and a lower work in progress balance as a result of vacant positions and the time lag of recruiting. In addition, the Office's client base has contracted slightly as a result of the merger of clients.

(b) Supplies and consumables are lower compared to budget as a result of less reimbursements expected for professional fees from staff and lower travel and transport costs.

## 2.2 Statement of Financial Position

Budget estimates for the 2016-17 Statement of Financial Position were compiled prior to the completion of the actual outcomes for 2015-16. As a result, the actual variance from the Original Budget estimate will be impacted by the difference between estimated and actual opening balances for 2016-17. The following variance analysis therefore includes major movements between the 30 June 2016 and 30 June 2017 actual balances.

	Note	Budget \$'000s	2017 Actual \$'000s	2016 Actual \$'000s	Budget Variance \$'000s	Actual Variance \$'000s
Cash and deposits	(a)	1 989	3 092	2 801	1 103	291
Receivables and work in progress	(b)	1 042	682	846	(360)	(164)
Other liabilities	(c)	233	517	359	(284)	(158)

### 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) Due to timing of an office realignment the balance of cash and deposits is higher than budgeted.
- (b) Receivables and work in progress are lower than expected due to the delays in completion of audit work as a result of staff losses and the lag in timing to recruit new staff.
- (c) Other liabilities are higher than budgeted mainly due to an increase in revenue received in advance on audit fees. Directly the result of instalments being billed without the work being completed as explained in (b) above.

## 2.3 Statement of Cash Flows

	Note	Budget \$'000s	Actual \$'000s	Variance \$'000s	Variance %
User charges	(a)	5 872	5 212	(660)	(11)
GST receipts	(b)	635	752	117	18
Employee benefits	(c)	5 516	4 830	686	12
GST payments	(d)	635	734	(99)	(16)

### Notes to Statement of Cash Flows variances

- (d) The decrease in user charges is mainly due to the client base contracting slightly and the timing of receipts between financial years.
- (e) GST receipts are higher than budgeted due to timing differences from 2015-16.
- (f) Employee benefits are lower than budgeted due to vacant positions and the time lag of recruiting replacement staff.
- (g) GST payments are higher than budgeted due to timing differences from 2015-16.

### 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.

	2017 Budget \$'000s	2017 Actual \$'000s	2016 Actual \$'000s
<b>Revenue from Government</b>			
Appropriation revenue - recurrent	1 853	1 771	1 905
Items Reserved by Law - Auditor-General's salary and associated allowances	460	402	580
<b>Total</b>	<b>2 313</b>	<b>2 173</b>	<b>2 485</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.

	2017 \$'000s	2016 \$'000s
Financial Audit Services	4 862	5 818
<b>Total</b>	<b>4 862</b>	<b>5 818</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.

	2017 \$'000s	2016 \$'000s
Reserved by law – Auditor-General leave provisions*	32	(108)
Performance audits of employer functions	93	94
Miscellaneous	18	77
<b>Total</b>	<b>143</b>	<b>63</b>

Previously whenever Auditor-General leave provisions were accounted for they were recorded as 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

	2017 \$'000s	2016 \$'000s
Wages and salaries	4 293	4 269
Superannuation – defined contribution scheme	388	399
Superannuation – defined benefit scheme	109	113
Other employee expenses	133	183
<b>Total</b>	<b>4 923</b>	<b>4 964</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 12.85 per cent (2016: 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 (2016: 9.5 per cent) of salary. In addition, the Office is also required to pay to Treasury a “gap” payment equivalent to 3.35 per cent (2016: 3.25 per cent) of salary in respect of employees who are members of the contribution schemes.

#### (b) Remuneration of Key management personnel

	Short-term benefits		Long-term benefits			Total
	Salary \$'000s	Other Benefits \$'000s	Super- annuation \$'000s	Leave Benefits \$'000s	Termination Benefits \$'000s	
<b>2017</b>						<b>\$'000s</b>
R J Whitehead, Auditor-General	358	17	34	32	-	441
E R De Santi, Deputy Auditor-General/Chief Operating Officer	202	18	26	8	-	254
P R Johnson, Director – Corporate Support Services	121	-	15	6	-	142
<b>Total</b>	<b>681</b>	<b>35</b>	<b>75</b>	<b>46</b>	<b>-</b>	<b>837</b>

<b>2016</b>						
H M Blake, Auditor-General (to 29/3/2016)	261	12	60	(143)	127	317
R J Whitehead, Auditor-General (from 30/3/2016)	90	45	8	7	-	150
E R De Santi, Deputy Auditor-General/Chief Operating Officer	208	20	27	21	-	276
P R Johnson, Director – Corporate Support Services	117	-	11	14	-	142
<b>Total</b>	<b>676</b>	<b>77</b>	<b>106</b>	<b>(101)</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, 23/3/2016 to 29/3/2016 and 13/4/17 to 27/4/17. P R Johnson also acted as the Chief Operating Officer from 6/6/2016 to 10/6/2016. The negative Leave Benefits balance for H M Blake are reflective of the reduction of his annual and long services balances to zero and corresponding conversion to cash (Termination Benefits) on his resignation on 29/3/2016.*

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 2016-17 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, allowances and other non-monetary benefits.

Long term employee expenses include annual and long service leave, superannuation obligations and termination payments. Short-term benefits include motor vehicle and car parking fringe benefits in addition to 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 2016-17.

#### **(c) Related Party Transactions**

There are no material related party transactions requiring disclosure.

## **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

	2017 \$'000s	2016 \$'000s
Office equipment, furniture and fittings	6	6
<b>Total</b>	<b>6</b>	<b>6</b>

(b) Amortisation

	2017 \$'000s	2016 \$'000s
Intangibles – computer software	1	1
Leasehold improvements	63	76
<b>Total</b>	<b>64</b>	<b>77</b>
<b>Total depreciation and amortisation</b>	<b>70</b>	<b>83</b>

#### 4.3 Audit Contractors

	2017 \$'000s	2016 \$'000s
Audit Contractors	962	1 211
IT Audit contractors	31	110
<b>Total</b>	<b>993</b>	<b>1 321</b>

#### 4.4 Supplies and Consumables

	2017 \$'000s	2016 \$'000s
Audit fees – financial audit and review of key performance report	20	16
Audit fees – internal audit	37	41
Operating lease costs	320	323
Consultants	87	67
Property services	110	74
Communications	18	17
Information technology	111	111
Travel and transport	107	129
Printing	1	4
Plant and Equipment	15	11
Office Requisites	8	11
Personnel expenses	54	116
Other supplies and consumables	76	103
<b>Total</b>	<b>964</b>	<b>1 023</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.

	2017 \$'000s	2016 \$'000s
Salary on-costs	35	26
Service level agreements – DoJ and QAO	327	247
Property insurance	8	9
Other Expenses	3	36
<b>Total</b>	<b>373</b>	<b>318</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.

	2017 \$'000s	2016 \$'000s
User charges	589	579
Work in progress	52	258
Reserved by law – Auditor-General leave receivable	41	9
<b>Total</b>	<b>682</b>	<b>846</b>
Settled within 12 months	682	846
Settled in more than 12 months	-	-
<b>Total</b>	<b>682</b>	<b>846</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 the 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

	2017 \$'000s	2016 \$'000s
<b>Office equipment, furniture and fittings</b>		
At cost	32	32
Less: Accumulated depreciation	(16)	(9)
<b>Total</b>	<b>16</b>	<b>23</b>
<b>Leasehold improvements</b>		
At cost	368	365
Less: Accumulated amortisation	(120)	(58)
<b>Total</b>	<b>248</b>	<b>307</b>
<b>Total leasehold improvements, plant and equipment</b>	<b>264</b>	<b>330</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.

	Office equipment furniture and fittings \$'000s	Leasehold improvements \$'000s	Total \$'000s
<b>2017</b>			
<b>Carrying value at 1 July</b>	<b>23</b>	<b>307</b>	<b>330</b>
Additions	-	3	3
Depreciation and amortisation	(7)	(62)	(69)
<b>Carrying value at 30 June</b>	<b>16</b>	<b>248</b>	<b>264</b>
<b>2016</b>			
<b>Carrying value at 1 July</b>	<b>21</b>	<b>243</b>	<b>264</b>
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>	<b>23</b>	<b>307</b>	<b>330</b>

### 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

	2017 \$'000s	2016 \$'000s
<b>Intangibles with a finite useful life</b>		
Software at cost	19	9
Less: Accumulated amortisation	(3)	(2)
<b>Total intangibles</b>	<b>16</b>	<b>7</b>

(b) Reconciliation of movements

	2017 \$'000s	2016 \$'000s
<b>Carrying amount at 1 July</b>	7	8
Additions	10	-
Amortisation expense	(1)	(1)
<b>Carrying amount at 30 June</b>	<b>16</b>	<b>7</b>

## 5.4 Other Assets

Other assets comprise prepayments. Prepayments relate to actual transactions that are recorded at cost with the asset at balance date representing the un-utilised component of the prepayment.

	2017 \$'000s	2016 \$'000s
<b>Other current assets</b>		
Prepayments	42	35
<b>Total</b>	<b>42</b>	<b>35</b>
 Utilised within 12 months	42	35
<b>Total other assets</b>	<b>42</b>	<b>35</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.

	2017 \$'000s	2016 \$'000s
Creditors	46	71
<b>Total</b>	<b>46</b>	<b>71</b>
Settled within 12 months	46	71
<b>Total</b>	<b>46</b>	<b>71</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.

	2017 \$'000s	2016 \$'000s
Accrued salaries	37	18
Annual leave	306	293
Long service leave	743	695
Superannuation	136	127
State service accumulated leave scheme	4	4
<b>Total</b>	<b>1 226</b>	<b>1 137</b>
Settled within 12 months	397	343
Settled in more than 12 months	829	794
<b>Total</b>	<b>1 226</b>	<b>1 137</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.

	2017 \$'000s	2016 \$'000s
<b>Other liabilities</b>		
Revenue received in advance	325	150
GST liability	69	50
Rent incentive liability	123	159
<b>Total</b>	<b>517</b>	<b>359</b>
Settled within 12 months	431	230
Settled in more than 12 months	86	129
<b>Total</b>	<b>517</b>	<b>359</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

	2017 \$'000s	2016 \$'000s
<b>By type</b>		
<i>Lease Commitments</i>		
Operating leases	885	1 133
<b>Total lease commitments</b>	<b>885</b>	<b>1 133</b>
<i>Other commitments</i>		
Contract Audits	1 479	1 862
SLA with Department of Justice	511	837
Other commitments	34	19
<b>Total other commitments</b>	<b>2 024</b>	<b>2 718</b>
<b>Total by type</b>	<b>2 909</b>	<b>3 851</b>
<b>By maturity</b>		
<i>Operating lease commitments</i>		
One year or less	293	284
From one to five years	592	849
More than five years	-	-
<b>Total operating lease commitments</b>	<b>885</b>	<b>1 133</b>
<i>Other commitments</i>		
One year or less	1 189	1 388
From one to five years	835	1 330
<b>Total other commitments</b>	<b>2 024</b>	<b>2 718</b>
<b>Total</b>	<b>2 909</b>	<b>3 851</b>

#### (a) Operating Leases

Operating leases relate to Office accommodation and motor vehicles. For Launceston Office accommodation the remaining lease term is one year, with an option to extend for a further 10 years. For Hobart Office accommodation the remaining lease term is four 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 2017 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.

	2017 \$'000s	2016 \$'000s
<b>Special Deposits and Trust Fund balance</b>		
Special Deposits and Trust Account T644	3 092	2 801
<b>Total cash and deposits</b>	<b>3 092</b>	<b>2 801</b>

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

	2017 \$'000s	2016 \$'000s
Net result from transactions	(145)	657
Depreciation and amortisation	70	83
Decrease (increase) in Receivables and work in progress	164	203
Decrease (increase) in Prepayments	(7)	(3)
Increase (decrease) in Tax Liabilities	19	(8)
Increase (decrease) in Employee entitlements	89	(194)
Increase (decrease) in Payables	(25)	(14)
Increase/(decrease) in Provisions	(36)	159
Increase (decrease) in Other liabilities	175	(5)
<b>Net cash from/(used in) operating activities</b>	<b>304</b>	<b>878</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 Work In Progress (WIP) at < \$200 000 and a 95% target of maintaining aged debtors at < 30 days. The unbilled WIP target was met at 30 June 2017 and 99% 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 2017.	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 28 separate debtors, with six 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:

	Past due 30 days \$'000s	Past due 60 days \$'000s	Total \$'000s
<b>Analysis of financial assets that are past due at 30 June 2017 but not impaired</b>			
User charges	0	4	4
<b>Total</b>	<b>0</b>	<b>4</b>	<b>4</b>
<b>Analysis of financial assets that are past due at 30 June 2016 but not impaired</b>			
User charges	66	16	82
<b>Total</b>	<b>66</b>	<b>16</b>	<b>82</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)
----------------------	--	---

**Financial Liabilities**

Payables	The Office's Business Plan critical success factor of sustainable business performance is supported by the key performance measure of maintaining a positive cash balance of \$200 000, in order to have sufficient liquidity to meet its liabilities when they fall due. This target was met at 30 June 2017.	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.
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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:

Maturity analysis for financial liabilities			
	1 Year \$'000s	Undiscounted Total \$'000s	Carrying Amount \$'000s
<b>2017 Financial Liabilities</b>			
Payables	46	46	46
<b>Total</b>	<b>46</b>	<b>46</b>	<b>46</b>
<b>2016 Financial Liabilities</b>			
Payables	71	71	71
<b>Total</b>	<b>71</b>	<b>71</b>	<b>71</b>

(d) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. As of 30 June 2017, 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

	2017 \$'000s	2016 \$'000s
<b>Financial assets</b>		
Cash and cash equivalents	3 092	2 801
Receivables and work in progress	682	846
<b>Total</b>	<b>3 774</b>	<b>3 647</b>
<b>Financial Liabilities</b>		
Payables	46	71
<b>Total</b>	<b>46</b>	<b>71</b>

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

	Carrying Amount 2017 \$'000s	Net Fair Value 2017 \$'000s	Carrying Amount 2016 \$'000s	Net Fair Value 2016 \$'000s
<b>Financial assets</b>				
Cash in Special Deposits and Trust Fund	3 092	3 092	2 801	2 801
Receivables and work in progress	682	682	846	846
<b>Total financial assets</b>	<b>3 774</b>	<b>3 774</b>	<b>3 647</b>	<b>3 647</b>
<b>Financial liabilities (Recognised)</b>				
Payables	46	46	71	71
<b>Total financial liabilities (Recognised)</b>	<b>46</b>	<b>46</b>	<b>71</b>	<b>71</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 by 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 2017.

### 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:

- 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 11 August 2017. 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:

- *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. There is no financial impact.

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

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

- AASB 9 *Financial Instruments* and 2014-7 *Amendments to Australian Accounting Standards arising from AASB 9 (December 2014)* - the objective of these Standards is to establish principles for the financial reporting of financial assets and financial liabilities that will present relevant information to users of financial statements for their assessment of the amounts, timing, uncertainty of an entity's future cash flows, and to make amendments to various accounting standards as a consequence of the issuance of AASB 9. These standards apply to annual reporting periods beginning on or after 1 January 2018. The future impact is to recognise impairment losses on financial assets on an expected basis rather than an incurred basis and introduces a fair value through other comprehensive income category for non-equity financial assets. The financial impact is expected to be minimal.
- 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. In accordance with 2015-8 *Amendments to Australian Accounting Standards - Effective Date of AAS 15*, this Standard applies to annual reporting periods beginning on or after 1 January 2018. Where an entity applies the Standard to an earlier annual reporting period, it shall disclose that fact. The future impact is to enhance disclosure in relation to revenue from contracts with customers. The Office has commenced reviewing the financial impact of this standard.
- 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 when AASB 15 is applied, 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 Office has commenced reviewing the financial impact of this standard.
- 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.
- 2016-3 *Amendments to Australian Accounting Standards - Clarifications to AASB 15* - The objective of this Standard is to clarify the requirements on identifying performance obligations, principal versus agent considerations and the timing of recognising revenue from granting a licence. This Standard applies to annual periods beginning on or after 1 January 2018. The impact is enhanced disclosure in relation to revenue. The Office has commenced reviewing the financial impact of this standard.
- 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 Office has commenced reviewing the financial impact of this standard.
- 2016-4 *Amendments to Australian Accounting Standards - Recoverable Amount of Non-Cash-Generating Specialised Assets of Not-for-Profit Entities* - The objective of this Standard is to amend AASB 136 Impairment of Assets to remove references to depreciated replacement cost as a measure of value in use for not-for-profit entities and to clarify that the recoverable amount of primarily non-cash-generating assets of not-for-profit entities which are typically specialised in nature and held for continuing use of their service capacity, is expected to be materially the same as fair value determined under AASB 13 Fair Value Measurement, with the

consequence that AASB 136 does not apply to such assets that are regularly revalued to fair value under the revaluation model in AASB 116 and AASB 138, and AASB 136 applies to such assets accounted for under the cost model in AASB 116 and AASB 138. This Standard applies to annual reporting periods beginning on or after 1 January 2017. The impact is enhanced disclosure in relation to non-cash-generating specialised assets of not-for-profit entities. The Office has commenced reviewing the financial impact of this standard.

## 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.

	2017 \$'000s	2016 \$'000s
Financial audit fees	18	14
Fee to review key performance indicator report	2	2
<b>Total</b>	<b>20</b>	<b>16</b>

## NOTE 13 PRINCIPAL ADDRESS AND REGISTERED OFFICE

Level 8  
144 Macquarie St  
Hobart TASMANIA 7000

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# Appendices

## APPENDIX 1: 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 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 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, Office 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 Office satisfies this principle is reported in the annual report under Our 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 the records management system 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 Office 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 TI's and, therefore, AAS. 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 Chief Operating Officer 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, the Office 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 KPIs
  - disclosure of key management compensation
  - include in the annual report details of the Office's governance and risk management practices
  - prepare, and have independently reviewed, a concise annual report.

Consistent with its Charter, the Audit Committee reviews the Office'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 Chief Operating Officer 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 and any other entities where an audit engagement has been entered into by arrangement under the Audit Act
- auditing firms engaged to conduct financial or performance audits on the Office's behalf.

The Office's stakeholders include members of Parliament, the PAC, 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 Chief Operating Officer 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 Chief Operating Officer, 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 AAG 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 Office 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 the Office's risk management practices and its risk based internal audit program
- including in the three year internal audit program a requirement for the Office'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 the Office'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 Chief Operating Officer 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:
  - Office's financial, human resource and information systems
  - controls operate effectively
  - Office'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 Chief Operating Officer, the AAG PAS and the Director, Technical and Quality. The Chief Operating Officer 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 2: SERVICE ON OTHER COMMITTEES

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As at 30 June 2017, our executive staff and managers were members of the following committees, professional associations, panels, working parties and community organisations:

### ROD WHITEHEAD

- Australasian Council of Auditors-General (ACAG) - member
- Integrity Commission (ceased 13 June 2017)

### RIC DE SANTI

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

### PATTY JOHNSON

- State Service Management Office (SSMO) Representative - vacancy control, HR managers, IR Practitioners Network
- Sexual Assault Support Service - Treasurer

### JARA DEAN

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

### JEFF TONGS

- ACAG - FRAC - Tasmanian Audit Office representative
- ACAG - Auditing Standards Committee - Tasmanian Audit Office representative
- Australian Auditing and Assurance Standards Board - Project advisory group member

### SIMON ANDREWS

- St Aloysius Catholic College Advisory Board - Chair

### ROB LUCIANI

- CPA Australia - Tasmanian Divisional Council - Councilor since Dec 2014, President 2014

## APPENDIX 3: LIST OF CLIENTS AND AUDITS DURING 2016-17

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### STATE ENTITIES – EFFECTIVE AT 30 JUNE 2017

#### 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 including:

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 including:

Aged care financial report  
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 including:

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

Department of Treasury and Finance including:

Finance General

Treasurer's Annual Financial Report including:

General Government Sector Financial Statements  
Public Account Statements  
Total State Sector Financial Statements

## GOVERNMENT BUSINESS ENTERPRISES

### Forestry Tasmania

Newood Holdings Pty Ltd

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

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

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

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

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

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

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

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

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

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

AETV Pty Ltd <sup>2</sup>

Woolnorth Bluff Point Holdings Pty Ltd<sup>2</sup>

Woolnorth Studland Bay Holdings Pty Ltd<sup>2</sup>

Heemskirk Holdings Pty Ltd<sup>2</sup>

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

HT Wind New Zealand Pty Ltd<sup>2</sup>

Momentum Energy Pty Ltd<sup>1</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

Bass Island Line 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

Auroracom 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<sup>1</sup>  
Circular Head Council  
Clarence City Council  
Derwent Valley Council  
Devonport City Council  
Dorset Council<sup>1</sup>  
Flinders Council<sup>1</sup>  
George Town Council  
Glamorgan Spring Bay Council  
Glenorchy City Council  
Hobart City Council  
Huon Valley Council  
    Geeveston Town Hall Company Ltd<sup>2</sup>  
Kentish Council  
King Island Council  
Kingborough Council  
    Kingborough Waste Service Pty Ltd<sup>2</sup>  
Latrobe Council  
Launceston City Council  
    York Park and Inveresk Precinct Authority  
    Launceston Flood Authority  
Meander Valley Council  
Northern Midlands Council  
Sorell Council<sup>1</sup>  
Southern Midlands Council<sup>1</sup>  
    Heritage Building Solutions Pty Ltd<sup>2</sup>  
    Heritage Education and Skills Centre Pty Ltd<sup>2</sup>  
Tasman Council<sup>1</sup>  
Waratah-Wynyard Council  
West Coast Council<sup>1</sup>  
West Tamar Council

## LOCAL GOVERNMENT AUTHORITIES

Copping Refuse Disposal Site Joint Authority<sup>1</sup>  
    C Cell Pty Ltd  
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<sup>5</sup>

## 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>6</sup>  
Brittons Swamp Drainage Trust<sup>6</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<sup>1</sup>  
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  
RBF Financial Planning Pty Ltd<sup>5</sup>  
Richmond Irrigation Trust<sup>3</sup>  
Royal Tasmanian Botanical Gardens  
Solicitors' Trust  
State Fire Commission<sup>1</sup>  
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</sup>  
TasTAFE  
Teachers Registration Board  
Theatre Royal Management Board  
The Nominal Insurer  
Togari Drainage Trust<sup>6</sup>  
Tourism Tasmania

University of Tasmania

AMC Search Ltd

Sense-Co Tasmania Pty Ltd<sup>2</sup>

Tasmania University Union, Inc.<sup>1</sup>

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

### 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*

*5 Final Audit*

*6 Audits have not met reporting requirements and dispensation is being reconsidered*

## APPENDIX 4: EXTERNAL AUDIT SERVICE PROVIDERS

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

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

The following 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 2016-17 financial statement audits.

Client	Service Description	Contractor	Fee ex GST
Aurora Energy Pty Ltd	Review of year end valuation of financial instruments 2016	Ernst & Young	20 000
Aurora Energy Pty Ltd	Review of year end valuation of financial instruments as at 30 June 2017	Ernst & Young	20 400
Central Highlands Council	Financial Statement Audit	Crowe Horwath	19 700
DHHS	IT Controls Advisory Services 2017	Deloitte	12 135
DHHS	IT Controls Advisory Services 2016	Deloitte	23 771
Justice	IT Controls Advisory Services 2017	Deloitte	15 000
Justice	IT Controls Advisory Services 2017-2019	Deloitte	36 725
DPFEM	Financial Statement Audit	KPMG	53 740
Department of Premier and Cabinet (DPAC)	IT Controls Advisory Services 2017	KPMG	9 000
Dorset Council	Financial Statement Audit	KPMG	113 968
Flinders Council	Financial Statement Audit	Ruddicks	97 316
Marine and Safety Tasmania (MAST)	Financial Statement Audit	Crowe Horwath	67 653
Motor Accidents Insurance Board (MAIB)	Financial Statement Audit	RSM Bird Cameron	70 000
Port Arthur Historic Site Management Authority (PAHSMA)	Financial Statement Audit	Wise Lord & Ferguson	167 726
Sorell Council	Financial Statement Audit	Wise Lord & Ferguson	111 158
Southern Midlands Council	Financial Statement Audit	Bentleys Tasmania	101 479
State Fire Commission	Financial Statement Audit	KPMG	202 906
State Fire Commission	Financial Statement Audit	KPMG	38 990
Tasman Council	Financial Statement Audit	Wise Lord & Ferguson	102 572
Tasmanian Affordable Housing Limited (TAHL)	External Audit Services 2016	Deloitte	12 000
Tasmanian Health Service (THS)	IT Controls Advisory Services 2017	Deloitte	12 135
Tasmanian Public Finance Corporation (TASCORP)	Financial Statement Audit	Deloitte	100 900
Various	Peer Review of Superannuation Liabilities 2017 for State Entities	PricewaterhouseCoopers (PwC)	35 000
West Coast Council	Financial Statement Audit	Synectic	19 426

Other contracts entered into during the 2016-17 financial year not associated with financial statement audits:

Client	Service Description	Contractor	Fee ex GST
Tasmanian Networks Pty Ltd (TasNetworks)	Non-financial review of Regulatory Information Notices (RINs)	GHD Pty Ltd	157 000
Tasmanian Audit Office	Human Resources Services	Dundonald Pty Ltd trading as Tomten Consulting	12 810
Tasmanian Audit Office	Editing and Proofreading Services	Maggie Sakko	550
Tasmanian Audit Office	Quality Review of Four Financial Audit Files	Michael Booth	12 000
Glenorchy City Council	Review of Stormwater Asset Valuations 2016-17	Reginald John Howard	4 000
Tasmanian Audit Office	HR Services	Dundonald Pty Ltd trading as Tomten Consulting	15 000

## APPENDIX 5: ASSET MANAGEMENT, RISK AND PRICING POLICY, AND GOVERNMENT PROCUREMENT

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### ASSET MANAGEMENT

The financial statements for 2016-17 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 Content Manager. 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 2016-17 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

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.12 of 2016-17 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 2016-17 financial year audits, the adjustment to fees was 2% for General Government Sector entities and an increase of 2% for the remaining entities.

## GOVERNMENT PROCUREMENT

### Support for Local Business

The 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 4).

The following details are provided in accordance with Treasurer's Instruction 1111 and 1213 for all contracts awarded (excluding consultancies) and tenders called during 2016-17 with values in excess of \$50 000.

#### **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	6
Total number of contracts awarded to Tasmanian businesses	5
Value of contracts awarded	\$201 360
Value of contracts awarded to Tasmanian businesses	\$189 360
Total number of tenders called and/or quotation processes run	1
Total number of bids and/or written quotations received	1
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 2016-17 financial year from the external audit providers panel as referred in Appendix 4.

Quotations were sought for the provision of internal audit services for the Office during 2016-17. 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 \$
GHD Pty Ltd	145 Ann Street, Brisbane	TasNetworks	RINs	3 years	157 000
Ruddicks	102 Tamar Street, Launceston	Flinders Council	Financial Attest Audit 2017-2019	3 years + 2 year option	97 316
KPMG	Level 2, 33 George Street, Launceston	State Fire Commission	Financial Attest Audit 2017-2019	3 years + 2 year option	202 906
Wise Lord & Ferguson	1st Floor, 160 Collins Street, Hobart	PAHSMA	Financial Attest Audit 2017-2019	3 years + 2 year option	167 726
Wise Lord & Ferguson	1st Floor, 160 Collins Street, Hobart	Tasman Council	Financial Attest Audit 2017-2019	3 years + 2 year option	102 572
Wise Lord & Ferguson	1st Floor, 160 Collins Street, Hobart	Sorell Council	Financial Attest Audit 2017-2019	3 years + 2 year option	111 158
Bentleys Tasmania Pty Ltd	Level 2, Sandy Bay Road, Hobart	Southern Midlands Council	Financial Attest Audit 2017-2019	3 years + 2 year option	101 479
KPMG	100 Melville Street, Hobart	Dorset Council	Financial Attest Audit 2017-2019	3 years + 2 year option	113 968
Crowe Horwath	142-146 Elizabeth Street, Hobart	MAST	Financial Attest Audit 2017-2019	3 years	67 653 (est.)

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 \$
RSM Bird Cameron	Melbourne	Motor Accidents Insurance Board (MAIB)	Financial Attest Audit 2016-2017	3 years	152 000

#### 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 6: SUPERANNUATION DECLARATION

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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
- AMP Flexible Super - 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
- Masterkey Custom - Superannuation Members
- MLC Wrap Super - Super Service
- Navigator Personal Retirement Plan - Superannuation Service
- Quadrant Superannuation Scheme
- Rest Personal
- 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 2017

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## APPENDIX 7: 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
<b>Overview</b>			
Strategic plan	SSR s9(a)(i)	13	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)	43	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)	7	Details of major initiatives taken by the Office to develop and give effect to Government policy.
Major changes during the year	SSR s9(a)(iv)	7	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.

Section	Compliance	Page	Details
<b>Organisational Structure</b>			
Office organisation chart	SSR s9(a)(ii)	16	An organisational chart illustrating the Office's administrative structure, including regional locations, and officers.
Why we are structured this way	SSR s9(a)(iii)	11	A description of the relationship between the organisational structure and the program management structure of the Office
<b>Performance Management</b>			
Performance summary	TI 201 (1)(a) & (e)	44	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)	44	Economic or other factors that have affected the achievement of operational objectives.
Carbon emissions - climate change and environmental impact	Premier's Agenda 2008 speech	42	Outlines our corporate social responsibility initiatives.
<b>Legislation Administered</b>			
Legislation administered	SSR s9(d)	107	A list of legislation administered by the Office during the year.
Legislation enacted during the year	SSRs9(d)	17	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.
<b>Public Access and Awareness of Services Provided</b>			
Key contacts	SSRs9(c)(ii)	Back Cover	List of contact officers and points of public access in relation to services provided by the Office.
Community awareness	SSRs9(c)(i)	42	Details of activities undertaken to develop community awareness of the Office and the services it provides.
Agency publications	SSRs9(c)(i)	29	List of documents published by any internal or external body of the Office during the year.
Right to information requests	RTI	24	Right to information details for the year.
Public interest disclosure investigations	PIDs86	25	List the number of public interest disclosures made to the Office and the procedures for making public interest disclosures to the Office.

Section	Compliance	Page	Details
<b>Human Resource Management</b>			
Recruitment and selection	SSRs9(b)(i)	37	Details of recruitment policies and program including statistical information for the year.
Staff development	SSRs9(b)(ii)	38	Information relating to employee training and development activities, including statistical information for the year.
Equal Employment Opportunities	SSRs9(b)(iii)	37	A description of the Office's workplace diversity programs, including statistical information for the year.
Industrial democracy	SSRs9(b)(iv)	37	Details of the processes established to ensure employee participation in industrial relation matters within the Office.
Internal grievance procedures	SSRs9(b)(v)	41	Summary of internal grievance procedures.
Workplace health and safety	SSRs9(b)(vi)	36	Outline of workplace health and safety.
Appeals process	SSRs9(c)(iii)	41	An outline of the processes available for appeals against decisions made by the Office.
Performance management	SSA s36(1)(ba)	38	The Office's approach to the development and implementation of performance management.
Superannuation contributions	PSSRA s13	106	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> .
<b>Asset Management and Risk Management Policies</b>			
Pricing policies	TI 201(1)(c)	102	Pricing policies of goods and services provided, the last review date, and reference to documents that contain the pricing information, with details of cost recovery policies and their application, as appropriate.
Major capital projects	TI 201(1)(d)	103	Information on major capital projects or undertakings.
Risk management	TI 201(1)(f)	102	Statement of risk management policies and an outline of significant risk management strategies and initiatives.
Asset management	TI 201(1)(g)	102	Statement of asset management policies and an outline of asset management strategies and initiatives.

Section	Compliance	Page	Details
<b>Government Procurement</b>			
Support for local business	TI 11113(a)&(b)	103	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)	104	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)	105	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.
<b>Financial Statements</b>			
Financial statements	AA s17(3) FMAA s27(1)(c) FMAA s27(2), (3) & (4) TI 201 (1)(j)	61-85	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)	58-60	Independent Auditor's Report on the Office's Financial Statements.

## APPENDIX 8: ACRONYMS AND ABBREVIATIONS

Abbreviation	Description
AAG FAS	Assistant Auditor-General, Financial Audit Services
AAG PAS	Assistant Auditor-General, Performance Audit Services
AAS	Australian Auditing Standards
AASB	Australian Accounting Standards Board
ACAG	Australasian Council of Auditors-General
AHRI	Australian Human Resources Institute
AICD	Australian Institute of Company Directors
ATO	Australian Taxation Office
AuASB	Australian Auditing and Assurance Standards Board
Audit Act	Audit Act 2008
AUSFOG	Australian Universities Financial Officers Group
AVETMIS	Australian Vocational Education and Training Management Information Statistical Standard
CA	Chartered Accountants
CPA	Certified Practising Accountants
CSS	Corporate Support Services
DHHS	Department of Health and Human Services
DPAC	Department of Premier and Cabinet
EAP	Employee Assistance provider
EOY	End of Year
FAS	Financial Audit Services
FBT	Fringe Benefits Tax
FRAC	Financial Reporting and Auditing Committee
FTE	full-time equivalent employees
HR	Human Resources
IFRS	International Financial Reporting Standards
IPSAM	Integrated Public Sector Audit Methodology
Justice	Department of Justice
KPIs	key performance indicators
LSL	long service leave
MAIB	Motor Accidents Insurance Board
MAST	Marine and Safety Tasmania
OAG	Office of the Auditor-General

Abbreviation	Description
Oakton	Oakton Service Pty. Ltd.
Office	The Tasmanian Audit Office
PAC	Public Accounts Committee
PAHSMA	Port Arthur Historic Site Management Authority
PAS	Performance Audit Services
PRC	Procurement Review Committee
PwC	PricewaterhouseCoopers
QAO	Queensland Audit Office
RINs	Regulatory Information Notices
RTI	Right to Information Act 2009
SLA	Service Level Agreement
SLG	Senior Leadership Group
SSMO	State Service Management Office
TAHL	Tasmanian Affordable Housing Limited
TAO	The Tasmanian Audit Office
TASCORP	Tasmanian Public Finance Corporation
TasNetworks	Tasmanian Networks Pty Ltd
TCEO	Tasmanian Catholic Education Office
THS	Tasmanian Health Service
Tis	Treasurer's Instructions
VAGO	Victorian Auditor-General's Office
WHS	Workplace Health and Safety
WIP	Work In Progress
UTAS	University of Tasmania
VAGO	Victorian Auditor-General's Office
WHS	Workplace health and safety
WIP	Work in progress

## COMMUNICATION OBJECTIVE

The Office's Annual Report summarises our financial and corporate performance for 2016-17. 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

## OFFICE CONTACTS

The Office's Annual Report summarises our financial and corporate performance for 2016-17. In keeping with our vision, the report's theme is 'making a difference'.

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