



Tasmanian
Audit Office

Tasmanian Audit Office **Annual Report** **2017-18**

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.

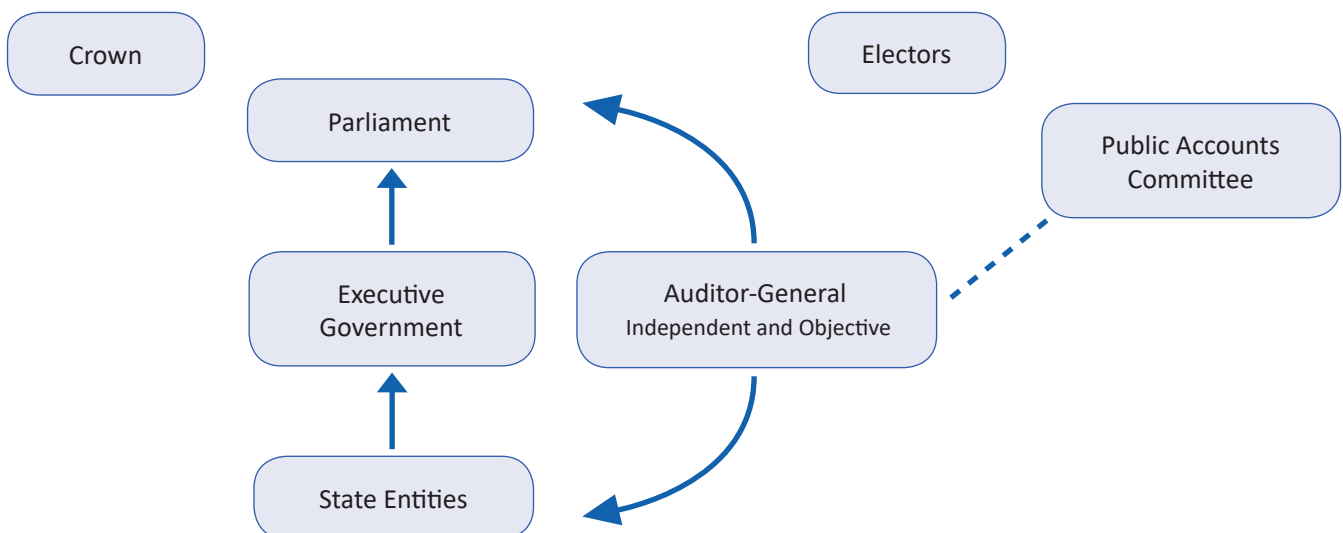
We can also carry out investigations but only relating to public money or to public property. In addition, the Auditor-General is now responsible for state service employer investigations.

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.





Tasmanian Audit Office

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30 October 2018

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 2018.

Yours sincerely

Rod Whitehead
Auditor-General
30 October 2018

cc Public Accounts Committee

TABLE OF CONTENTS

AUDITOR-GENERAL'S MESSAGE	1
DEPUTY AUDITOR-GENERAL'S MESSAGE	4
HIGHLIGHTS, ACHIEVEMENTS & INITIATIVES	6
OUR OFFICE	11
OUR PEOPLE	20
OUR PERFORMANCE	31
OUR FINANCES	42
APPENDICIES	71
Appendix 1: ASX Governance Principles	72
Appendix 2: Service on Other Committees	77
Appendix 3: Speeches, Presentations, Representation on Other Committees and Publications	78
Appendix 4: List of Clients and Audits During 2017-18	80
Appendix 5: External Audit Service Providers	84
Appendix 6: Asset Management, Risk and Pricing Policy, and Government Procurement	87
Appendix 7: Superannuation Declaration	90
Appendix 8: Organisational Structure	91
Appendix 9: Publications and Reports	92
Appendix 10: Compliance Index and Disclosure Requirements	93



Message from the Auditor-General

I take pleasure in presenting my report for the 2017-18 financial year.

The Tasmanian Audit Office (Office) is charged with auditing the Tasmanian public sector – comprising over 180 entities, with expenditure exceeding \$9.8 billion, assets exceeding \$42.0 billion and more than 42 000 employees.

For the 2017 audit cycle we completed 117 State entity financial statement audits with 92% of our audit opinions issued on time. We tabled three performance audit and investigation reports, one probity audit report and one audit report covering the Employer functions under the *State Service Act 2000*. In response to a request from the Parliamentary Standing Committee of Public Accounts (PAC) we provided a report to them on Special Care Packages for Children in Out of Home Care.

We reported 187 audit matters in completing our financial audits and our performance, probity and employer audits contained 21 recommendations for improving economy, efficiency and effectiveness. Our vision and commitment is to provide insights that inform and challenge government to improve outcomes for citizens.

I am immensely proud of the work we do and of the dedicated staff of my Office who strive in everything they do to make a positive contribution to this State. We continue to be recognised for our integrity and professionalism and for the important role we play as one of the independent agencies that provide the checks and balances integral to our system of government.

Strengthening our relationships

Our relationship with stakeholders is crucial to the role of our office. During 2017-18 we continued to increase our engagement with our various stakeholder groups including the PAC, Parliamentarians, those charged with the governance of entities across the Tasmanian public sector and media organisations. We also made a concerted effort during 2017-18 to visit most councils throughout Tasmania, meeting with Mayors, General Managers and other senior executives to better understand their key strategies, challenges and development opportunities and to discuss ways in which we can improve our performance.

We continue to provide presentations to various professional and community bodies covering our role, the outcomes of our work, and improvements to public sector accountability and transparency. We also delivered our annual client seminars in Hobart and Launceston and our annual audit committee seminar in Hobart, with a focus on the forthcoming implementation of new accounting standards relating to revenue recognition, financial instruments and lease accounting. We consistently challenge ourselves to identify ways to enhance our messaging, our reporting format and our communication channels.

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 second full year of our 2016-2020 strategic plan. 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, and the key capabilities – expertise, contemporary communication, advanced analytics and future-looking audit - that we must continue to develop to deliver 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.

Significant areas of focus during the 2017-18 year included:

- Progressing the restructure of the Office to ensure we are “rightsized” to deliver on our commitments and to face the challenges of the future
- Investing in learning and development opportunities for our people
- Refining audit deliverables
- Commencing the process to replace our audit technology platform.

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, Stephen Morrison, Natalie Verdouw and Jeff Tongs for their commitment and hard work during 2017-18. During the year we farewelled Jara Dean, our Financial Audit Services Assistant Auditor-General, and I thank Jara for the significant contribution he made during his 13 year tenure with the Office.

During the year we also farewelled Audit Committee member Norm McIlpatrick after three years of service and welcomed new member Glenn Appleyard who commenced in January 2018. I thank both Norm and Glenn and continuing Chair, Tracy Matthews, for their contribution to the governance of the Office.

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, the 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
30 October 2018



A portrait of a middle-aged man with grey hair, a beard, and a mustache, smiling. He is wearing a light-colored suit jacket, a white shirt, and a patterned tie. A small, square, gold-colored badge with the letters "CIA" is pinned to his lapel. The background is a light blue gradient with a pattern of overlapping hexagons in various shades of blue and grey. The text "Message from the Deputy Auditor-General" is overlaid in the bottom right corner in a bold, blue, sans-serif font.

Message from the Deputy Auditor-General

This year, while quite challenging but at the same time rewarding. In the face of a high level of staff turnover and unplanned absences our staff across the Office rallied to ensure we delivered the vast majority of our work. Given our small scale this was a remarkable feat and something we should all be proud of.

During the year we progressed decisions relating to changes in our organisational structure resulting in re-profiling of some positions. While I acknowledge this impacted on delivery of work commitments, we also need to understand that while we are always busy, not to take action would result in us simply standing still as an organisation. This would be contrary to the Office's commitment to continuous improvement and ultimately undermine achievement of our strategic objectives. The challenge for leaders is to be courageous, support and manage such change. The quote below expresses this better than I ever could.

*"Decision is the spark that ignites action. Until a decision is made, nothing happens....
Decision is the courageous facing of issues, knowing that if they are not faced,
problems will remain forever unanswered." -Wilfred A. Peterson*

Our senior leadership group is committed to helping make the Office an outstanding place to work. As a result, we also commenced a program to look at our organisational culture. We initiated this program for two main reasons:

- People are central and fundamental to our success.
- We need to adapt over time as new generations of staff come through with different needs and expectations.

We are taking an inclusive approach to developing our culture. With office-wide commitment and clarity, leadership and perseverance I am confident this can be done.

This year we continued supporting staff to undertake learning and development activities, through identified actions in individual development plans, office-wide activities and technical sessions specific to individual business units. Part of this involved the introduction of voluntary lunch-time technical financial auditing and reporting sessions.

We continued the twinning program with the Republic of Fiji Office of the Auditor-General. The program's objective is 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 in 2019, building on the work we have done to date.

A significant risk for us has been the fast approaching end-of-life of our current audit toolset, IPSAM. After examining options available, we decided to trial a commercially available product, CaseWare, during 2019. This will be a significant project that will ensure we maintain a contemporary approach to our audit work and possibly achieve some efficiencies.

Financially, the Office continued to be in a strong 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.

For 2019, it is looming as another important year with a number of key activities are already, namely development of our organisational culture, ramping-up the twinning work with Fiji, implementation of a new audit toolset and the next independent review (S.44) of the Office due for completion in February 2019.

To conclude, it has been a tumultuous year. The perseverance and understanding of our clients and stakeholders together with the support, commitment and hard work of our staff cannot be underestimated and is gratefully appreciated. It is pleasing to see how through a co-operative and collaborative approach, we were able to meet most of our commitments.



Ric De Santi

Deputy Auditor-General / Chief Operating Officer

30 October 2018



Highlights, Achievements & Initiatives

OUR OFFICE



The Office delivered 12 publications, which included four volumes of outcomes from the audits of state entity financial statements. Five performance, compliance and special investigation reports along with two Office publications; the Annual Report and Annual Plan of Work. Details are provided at Appendix 9.



The Office provided form audit opinions on the financial statements of government businesses and departments.



We continued to hold information sessions annually for clients, audit committee members and senior executives. At the recent sessions we successfully trialled the use of Poll Everywhere software in obtaining real-time data on participants views.

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

The Office continued to meet with key stakeholder groups including Parliamentarians and Parliamentary Committees, accountable authorities of State entities, accounting and audit professional bodies, and media representatives in accordance with our Stakeholder Relationship Program.



We continued to facilitate the twinning arrangements with the Office of the Auditor-General, Fiji, with some milestones being achieved. Our new plan was revised following the appointment of a new Auditor-General and changes to the operations of his Office.

OUR GOVERNANCE

The Audit Committee for the Office met four times during the year and provided strong oversight over the financial and operational performance of the Office.



An quality assurance review in Performance Audit Services (PAS) was conducted which found most of the Office's quality control policies and procedures were followed.

Five internal audit reviews were conducted. 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 particularly in the quality assurance area.

OUR PEOPLE



Human Resources Plan completed.

Re-profiling exercise continued with expected completion by the end of October 2018.

At 30 June 2018, we had 39.16 FTEs (2017, 42.9).





During the year 15 staff left the office (2016-17, ten) with nine joining (2016-17, nine).

Incidents and workers compensation claims both reduced in 2017-18. There were no workers' compensation claims for the period (2016-17, two).

Our health and wellbeing program was revised and we developed a diversity and inclusion strategy.

100% of 12 month performance plans completed.

New graduate and cadet program guidelines were approved covering 2018-2021.

Our biennial staff survey was completed during the year.

Organisational culture change program commenced.

OUR PERFORMANCE



As at 28 September 2018, 90% (2016-17, 92%) of financial audit opinions were issued within 45 days of receipt of financial statements.



We tabled a total of four reports in Parliament on the outcomes of performance and compliance audits (seven in 2016-17). The decrease in reports being tabled was due to the audits being more complex.



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

The Office's 30 June 2018 financial statements were audited with an unqualified audit opinion issued within required timeframes.

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

OUR FINANCE



Received \$2.429m in funding from the Government (2016-17, \$2.173m).

Generated \$5.453m in fees for audit services (\$4.862m).

Incurred costs totalling \$7.358m (\$7.323m).

Achieved a Net operating balance of \$0.545m surplus 2017-18, (\$0.145m deficit).

Cash and deposits balance was \$3.550m (\$3.092m).

**Net
Result
\$545K**

OUR STRATEGIC PLAN INITIATIVES

FUTURE EXPERTISE

Enhancing our learning and development framework	Investigation and initial implementation of e-learning modules.
Develop strategies to embed our values into our desired culture.	Towards the end of 2017-18 the Office commenced a culture change program.
Enhance our capability framework to articulate career pathways to grow and develop our people.	Initial development to occur in 2018-19.
Facilitate increased mentoring and coaching relationships.	Amendments to the Office's performance management framework commenced with emphasis on mentoring and coaching. In addition, informal and formal mentoring opportunities have been provided to staff in 2017-18.
Develop a more unified approach across the business units to achieve efficiencies and enable more agile and adaptable resourcing.	<p>A formal plan of graduate rotations was put in place across units during 2017-18.</p> <p>As part of the re-profiling exercise the ability to move staff across units was discussed and was starting to be developed.</p>
Establish guidance relating to the use of experts and specialists in our audit activities.	Policy and procedure for the engagement of experts and specialists is being developed.
Embed the use of experts into our audit activities.	Policy and procedure for the engagement of experts and specialists is being developed.

CONTEMPORARY COMMUNICATION

Refine audit deliverables (including report templates, content, style consistency, publishing requirements and resources).	<p>In the process of refinement with the development of a whole of office style guide.</p> <p>All publications are now prepared using Adobe Indesign providing improved product quality.</p>
Implement stakeholder relationship management model.	Stakeholder contact program developed with a technology solution to be investigated during 2018-19.
Continue and enhance client and audit committee seminars.	Introduced the Poll Everywhere software which allowed participants to express their views on certain issues during the course of the sessions. These views were then collectively represented to the group in graphical form in real-time. Post-event surveys continue to explore ways to enhance participant value.

ADVANCED ANALYTICS

Monitor state, national and global trends relating to data analytics and 'big data'.	Set as an agenda item for Strategic Executive Management Group (SEMG) meetings. Connected with the Australasian Council of Auditors-General (ACAG) group and attending whole of ACAG meetings on data analytics.
Increase audit analytic activity and improve capability of our people.	Provided additional TeamMate Analytics licenses to more staff across the Office. Improved and increased the use of TeamMate Analytics in undertaking various audit techniques such as sampling and journal testing.

FUTURE AUDIT

Continue to drive improvement and innovation throughout the Office.	During the year two innovative development exercises were provided to staff. One was in the area of data analytics whereby the outcome was used as part of a probity examination. More will be offered in the future. The improvements register was refreshed and will be communicated more across the Office in 2018-19. Items entered this year included: <ul style="list-style-type: none">• Electronic correspondence with use of automatic workflows• Improved productivity reports for FAS and PAS• SMS burst service which can contact all staff efficiently and effectively.
Strengthen the quality and assurance framework.	The engagement of external quality assurance reviewers occurred during 2017-18 along with an internal audit focussing on quality assurance activities. This will aid in strengthening the quality and assurance framework in the Office.
Review and enhance performance audit methodology and toolset.	Progressing. Will be done as part of the transition from our current audit toolset to a new toolset from 2019-20.
Monitor national and global trends relating to the future of assurance services.	Monitored via ACAG meetings, engagement activities with professional bodies and standards setters as well as an item on the SEMG agenda.
Maintain a contemporary and supported audit methodology and technology platform.	The current methodology is reviewed annually with transition to a new technology platform which is currently being investigated.



**Our
Office**



Tasmanian Audit Office

Vision

Strive – Lead – Excel / to make a difference

Purpose

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

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 detailed in Appendix 4 and report to Parliament on significant findings arising therefrom. We also undertake a number of 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.



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 of 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.

LEGISLATIVE AND REGULATORY FRAMEWORK

The Audit Act is the main 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.

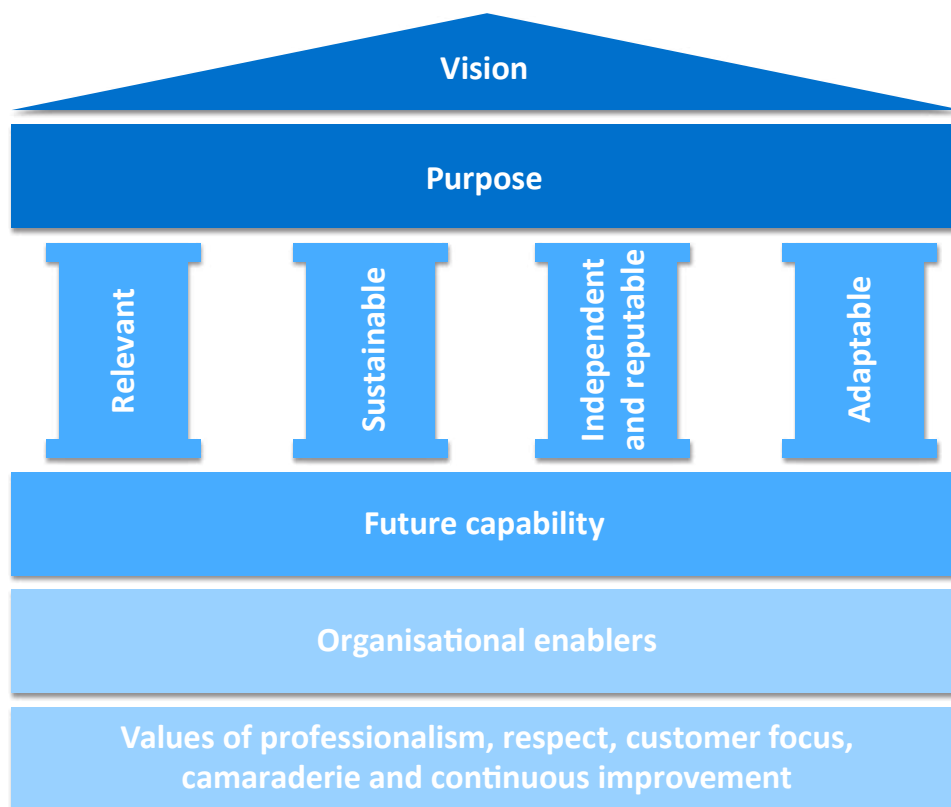
The independence of the Auditor-General is assured under the Audit Act. This independence ensures that findings arising from financial, performance and compliance audits and investigations are communicated regularly to Parliament without interference.

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.

STRATEGIC PLAN

Our four key strategic focus areas of being relevant, sustainable, independent and reputable, and adaptable (our strategic pillars) provide the framework for our strategies to deliver on our purpose and vision.



For more on the Strategic Plan, or other information about our Office visit www.audit.tas.gov.au

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:



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.

01	Governance structures Leadership, organisational and risk management structures facilitate essential oversight of our activities.	People	02	Attracting and retaining highly skilled and engaged people underpins the delivery of quality services.
03	Communication Effective communication is vital to preserving our reputation and achieving operational excellence.	Business systems and processes	04	Productivity is enhanced through the use of efficient and effective business systems and processes.
05	Information management Effective information management facilitates efficient service delivery, confidentiality, privacy and security.	Technology	06	Contemporary technology underpins the delivery of quality audit and corporate support services.



ORGANISATIONAL STRUCTURE

The Office's organisational structure can be found in Appendix 8 of this Report.

HOW WE ARE FUNDED, OUTCOME AND OUTPUTS

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 budget, outputs, outcomes and performance information was included in Chapter 19 of Budget Paper No 2, Volume 2 in the 2017-18 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.

ANNUAL PLAN OF WORK

The Audit Act requires the preparation of an Annual Plan of Work for presentation to the PAC, 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 PAC and our responses to them. Our Annual Plan of Work for 2018-19 was submitted to PAC on 27 June 2018.

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 Plan of Work, 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 implications.

FINANCIAL AUDIT SERVICES (FAS)

Part 4 of the Audit Act deals with the Auditor-General's auditing functions with sections 16 to 22 detailing the audit requirements for financial statements of the Treasurer, State entities and audited subsidiaries of State entities. FAS is responsible for the audit of these financial statements.

FAS also undertakes audits by arrangement, which includes regulatory financial statements and grant or funding acquittals.

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. We also continued to produce our model financial statements for local government, aimed at assisting councils in meeting their statutory financial reporting obligations and provide input into Treasury's model financial statements for departments.

In 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).

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 5 and 6.

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 and are noted in the list of State entities and audited subsidiaries of State entities in Appendix 4.

PERFORMANCE AUDIT SERVICES (PAS)

Section 23 of the Audit Act allows the Auditor-General to carry out examinations and investigations, including performance audits, and this work is usually performed by PAS.

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.

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.

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

PARLIAMENTARY PRESENTATIONS

In line with our aim to be open and transparent, we provide presentations to Parliamentarians when we table reports in Parliament. Parliamentarians were invited to presentations on the day of tabling reports. If Parliament was not sitting when issued, presentations were offered in both Hobart and Launceston.

These presentations highlight our approaches to the audits and key findings affording Parliamentarians the opportunity to seek further information. These sessions continue to be well attended and based on Parliamentary surveys along with informal feedback, the reports and these briefings continue to add value.

During the year the Auditor-General also meets regularly with the PAC to brief them on our audit plans and audit reports.

Our reports are listed in Appendix 9 of this report and can be accessed via our website:

www.audit.tas.gov.au.

SERVICES PROVIDED TO PARLIAMENTARIANS AND STATE ENTITIES

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

- advice and assistance to Parliament, including submissions to Parliamentary committees on matters relevant to their inquiries
- responding to inquiries from Members of Parliament, State entities and the public, which sometimes lead to the conduct of audits
- comment to central agencies and other State entities in such areas as draft Treasurer's Instructions (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.

INFORMATION SESSIONS

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 we provide an annual information session for members of client audit committees.

The Audit Committee and Senior Management information session was held in June 2018 and included guest speakers from the Integrity Commission and Derwent Valley Council. The topics addressed were managing conflicts of interest presented by Richard Bingham, CEO of the Integrity Commission, and public sector corruption presented by Mark Eady, Executive Manager Corporate and Community Services, Derwent Valley Council. The Office also provided an update on financial reporting, areas of interest and recent audit findings. A panel of experienced audit committee chairs, David Hudson, Phillip Mussared and Tracy Matthews discussed the topic of the composition of audit committees.

The Office also delivered annual client information sessions in Hobart and Launceston in June 2018. These covered technical updates on leases, revenue, financial instruments and property, plant and equipment as well as other current accounting developments and issues.

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.

No requests were received in 2017-18.

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 2017-18.



**Our
People**

THE IMPORTANCE OF PEOPLE

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

We achieve this 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.

Our focus for 2017-18 was on:

- undertaking a re-profiling exercise across the Office to ensure the Office is operated as effectively, efficiently and economically as practicable
- continuing to attract, recruit and retain staff to meet our statutory obligations and deliver on the Office's purposes
- developing the 2018-19 Human Resources (HR) plan to track HR initiatives that contribute towards achieving our four strategic focus areas and demonstrate the Office's commitment to people
- running our biennial staff survey and launching a cultural change program to assist with actioning the outcomes of this, and to ensure we have motivated, capable, supported people who will give their best in fulfilling our organisational purpose
- developing a contemporary Graduate and Cadet Program which will run until 2021
- ongoing health and wellbeing initiatives and offerings including a revised Health and Wellbeing Program which will operate through to 2020
- developing a Diversity and Inclusion Strategy that goes through to 2020
- encouraging individual development, learning and continuous across the whole Office
- continuing to review policies and procedures and provide best practice processes to staff.

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



OUR PEOPLE STATISTICS

KEY			
Increase ▲	No Change ●	Decrease ▼	
	2015-16	2016-17	2017-18
Size of the workforce at 30 June - head count	46	45	42 ▼
Size of the workforce at 30 June - FTE	43.3	42.9	39.2 ▼
Number of employees who left during the year	6	10	15 ▲
Number of employees who commenced during the year	7	9	9 ●
Number of permanent part-time employees	1	-	2 ▲
Number of fixed-term part-time employees	-	2	2 ●
Number of fixed-term employees	14	15	14 ▼
Number of full-time employees working agreed reduced hours	7	5	6 ▲
Average age of workforce at 30 June	41.0	39.8	41.5 ▲

Headcount across the Office decreased slightly and turnover increased predominantly, and expectedly, due to re-profiling activities occurring across a number and variety of classification levels and business units within the Office. The re-profiling meant a number of permanent positions were not filled while consultation occurred and other interrelated processes were undertaken. Managing a larger cohort of fixed-term employees meant staff were more likely to be actively seeking alternate permanent opportunities or exiting contracts before expected cessation dates. However, staff turnover does continue to bring fresh ideas and diversity to the Office.

All other areas of our workforce profile remained relatively consistent, with our average age increasing slightly, to 41.5 years, and our FTE decreasing to 39.2.

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

	2015-16	2016-17	2017-18
Number of males as a %	58.7	55.6	61.9 ▲
Number of females as a %	41.3	44.4	38.1 ▼
Average age – male (years)	41.9	38.9	41.4 ▲
Average age – females (years)	38.7	40.4	41.6 ▲
Average salary – male	\$103 893	\$105 211	\$105 343 ▲
Average salary – female	\$83 616	\$89 359	\$99 719 ▲
No. of males working agreed reduced hours	1	1	1 ●
No. of females working agreed reduced hours	6	4	5 ▲

The Office's recently approved Diversity and Inclusion Strategy applies to all aspects of the employee lifecycle and includes a number of strategies to prevent unlawful discrimination and harassment, remove any barriers to workplace diversity and promote a positive workplace culture. The Office aims to have a composition that not only has the right skills and values to meet our strategic objectives but is reflective of the broad and diverse community we serve.

The overall gender balance did not improve this reporting period, however, the rate is not dissimilar to previous years. The Office continues to provide a number of inclusive and flexible working practices to encourage a diverse range of candidates to apply. Staff continued to access the Office's flexible working arrangements, varying FTE levels and start and finish times outside of core hours.

The higher average salary for males is influenced by the Auditor-General and Deputy Auditor-General positions both being held by males. The Office has two female senior managers, the Assistant Auditor-General (AAG) PAS and the Director CSS. Additional female senior audit managers hired in the reporting period further reduced the wage differential to \$5 624 (\$15 852 in 2016-17).

Leave Profile	2015-16	2016-17	2017-18	
Average sick leave days taken during the year per employee	4.9	8.9	8.0	▼
Total number of sick leave days taken during the year	232.0	401.0	337.6	▼
Average number of accrued recreation leave days per employee at year end	15.5	15.8	14.4	▼
Total recreation leave days accrued at year end	712.8	709.5	606.4	▼
Employees with >35 days accrued recreation leave at 30 June	1	1	2	▲
Average number of accrued long service leave (LSL) days per employee at year end	33.6	35.2	24.4	▼
Total LSL days accrued at year end	1 546.2	1 584.7	1 023.0	▼
Employees with >100 days accrued LSL at 30 June	1	1	1	●

Average sick days taken during 2017-18 decreased to 8.0 days, an improvement on the prior year by 0.9 days. This improvement can be attributed to a number of factors, including a reduction in employees on paid long-term personal leave and a refresh of the health and wellbeing program encouraging a culture within the Office that values, supports and improves the health and wellbeing of employees.

Two employees maintained high recreation leave balances, with one also maintaining a high LSL balance. Staff turnover and shortages made long periods of leave difficult, however, leave management plans were in place to address these high balances. These plans are used to manage these high balances to meet our ongoing commitment to providing good work-life balance for all employees.



WORKPLACE HEALTH, SAFETY AND WELLBEING

The Office continued to invest in and proactively manage, employee health, safety and wellbeing. We have a number of measures in place to improve our safety culture and protect staff from workplace injury and harm. To help create a safe and healthy workplace, the Office:

- conducted regular workplace inspections
- provided comprehensive Workplace Health and Safety (WHS) reporting to SEMG every quarter on WHS incidents, risks and issues
- continued to provide ongoing training throughout the year for first aid officers, fire wardens and employees with legislative responsibilities
- ensured all worksites and office vehicles contained first aid kits
- refreshed the Office's Health and Wellbeing Program for a further two years, identifying priority areas and committing to new activities in consultation with staff
- continued to partner with the Department of Justice (DoJ) Health and Wellbeing Champions network to provide greater access to a wide range of activities for employees
- provided influenza vaccinations, an Employee Assistance Program (EAP), fresh fruit, sponsorship for office teams and sporting events, flexibility during work hours to participate in wellness activities, balanced catering at events, educational information to staff through internal communication channels and formal and online training where required.

The provision of defensive driver training continued, to mitigate against the risk posed to employees who are regularly required to use motor vehicles in the conduct of their work. Tailored information sessions with an Occupational Therapist were also provided to educate and remind staff on how to work safely off-site. All staff are provided with a variety of ergonomic equipment options to that end. We continued to provide individual ergonomic assessments to employees who feel they would benefit from one.

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 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 continued to provide employees with access to independent EAP who offer support to those seeking assistance with work related or personal matters. The following measures were indicators of our success or of areas for improvement, in providing a safe and healthy work environment:

	2015-16	2016-17	2017-18	
No. of incidents reported	3	9	8	▼
No. of workers' compensation claims	1	2	-	▼
No. of first aid officers	3	3	3	●

Workers compensation claims reduced in 2017-18 and incident reporting remained relatively stable due to ongoing promotion and education around online reporting tools for hazards, near misses and injuries. The investment in training of all employees and managers 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

The Office is committed to building diversity and inclusion initiatives into our workplace culture and practices. We aim to provide a supportive and respectful work environment which recognises and values the diversity of our employees and the community we serve. These commitments are informed by the following principles:

- everyone has access to our employment opportunities
- our employees are valued and respected
- we support our employees to be the best they can be.

We maintain and monitor our commitment to workplace diversity through the Office's *Diversity and Inclusion Strategy and Action Plan 2017-2020*. This Strategy acknowledges that every employee of any gender, age, ethnicity or cultural background, disability, sexual orientation, religious faith or those with caring responsibilities can make valuable contributions to achieving our business outcomes. It supports all aspects of employment, people management and development within the Office.

The action areas for the Office are building an inclusive and diverse workforce, supporting our employees and working together to create change. Initiatives against each of these action areas are reported on to the SEMG, with a number already complete including:

- the ongoing training of managers and staff on recruitment panels in unconscious bias
- review of the Office's recruitment and selection processes to ensure accessibility and consistent messaging and information
- practices to encourage and increase identification as Aboriginal or Torres Strait Islander
- offering e-learning courses in diversity and discrimination and information sessions run by Equal Opportunity Tasmania in relation to discrimination, harassment and bullying awareness
- continued support of White Ribbon initiatives
- re-approval of the Office's Cadet and Graduate program.

RECRUITMENT AND SELECTION

In 2017-18 we undertook a comprehensive review of our recruitment and selection framework to ensure full compliance with the *State Service Act 2000*, including State Service Employment and Ministerial Directions. In addition, our policies and selection procedures reflect the merit principle and continue to provide contemporary and best practice processes, including the introduction of short-form applications in accordance with guidelines developed by State Service Management Office. The merit principle ensures 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. All panel members are provided training in recruitment and selection, with a focus in the upcoming reporting period on diversity and unconscious bias.

To ensure our ongoing commitment to attracting and retaining skilled staff, we continue to have strong links with the University of Tasmania (UTAS), attending career fairs, student information sessions and participating in the Business Internship Program. The Office also works closely with professional accounting 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 are issued by the Minister administering the *State Service Act 2000* and relate to the administration of the State Service and employment matters relevant to the Act. The Office takes advice and guidance from these directions as they are introduced. For further information, refer to www.dpac.tas.gov.au/ssmo. The Office has one employee who sits on the State Service Industrial Relations (IR) Practitioner Committee. 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.

The Office's structured graduate program, which is similar to the cadetship program in that graduates work and study until their approved postgraduate course is complete, was revised and renewed in 2018. The postgraduate course undertaken 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 addition, the Office supported two UTAS corporate interns in the PAS business unit, a business administration trainee who has spent time in both CSS and FAS, a Youth Jobs PaTH intern in CSS, and assisted with a short-term placement for an individual in FAS through the Multicultural Placement Services (Catholic Care).

The following table summarises the number of cadets and graduates employed at the Office at 30 June 2018:

	2015-16	2016-17	2017-18
Total no. of cadets at 30 June	2	1	- ▼
Total no. of graduates at 30 June	9	5	2 ▼
Cadets employed in FAS	1	1	- ▼
Cadets employed in PAS	1	-	- ●
Graduates employed in FAS (FTE)	8.5	4.5	2.0 ▼
Graduates employed in OAG (FTE)	0.5	0.5	0.0 ▼

The Office's establishment varied as part of the re-profiling exercise being undertaken. Subsequently, cadet and graduate numbers dropped while this process was finalised with more positions expected to be filled in 2018-19.



PROFESSIONAL DEVELOPMENT

The Office remained 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. We continue to offer customised courses through an e-learning system and a full subscription to Lynda.com.

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 cultural acclimatisation to the Office. The following table summarises our investment in staff training, development and coaching:

	2015-16	2016-17	2017-18	
Average days per FTE	9.0	8.7	6.6	▼
Average investment per FTE	\$2 448	\$2 318	\$2 321	▲

In addition, to the professional development opportunities included in the above, 26 employees participated in on-the-job training, with an average of 11.8 days claimed per employee.

The Office renewed its Recognised Employer Partner status with CPA Australia, whereby employees gain recognition for practical experience and continuing professional development. Included in the benefits for our staff is that they are automatically recognised as meeting their annual continuing professional development obligation. For the Office, this partnership is recognition of our best practice professional development standards and our commitment to the development of our employees. The Office is currently working towards achieving similar status with Chartered Accountants Australia and New Zealand (CA ANZ).

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 bodies such as CPA Australia, CA ANZ, Australian Human Resources Institute (AHRI) and Australian Institute of Company Directors (AICD).

In 2017-18, employees undertook studies in the following areas:

- bachelor, honours and master level degrees
- professional programs, such as CPA Australia and CA ANZ and AHRI certification
- Tasmanian Leaders Program
- AICD
- Tasmanian Executive Leadership Development Program
- a number of State Service coordinated programs, including the Graduate Development Program.

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 provided to all staff and managers on performance management with a focus on career development and coaching. All staff have performance plans in place that include performance indicators linked to business unit and organisational objectives, and behaviours in relation to our values. Six and 12 monthly reviews were conducted during 2017-18 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. This year a number of staff were awarded the quarterly Making a Difference Award. This award recognises employees who, throughout the year, exceeded expectations in certain areas.

Recipients for 2017-18 were:

- Waqas Durrani (FAS)
- Alexander Balding (CSS)
- Christopher Bayley (CSS)
- Alison Murray (CSS)
- Jessica Reardon (CSS)
- Martin Ma (FAS)
- Damian Cook (PAS)
- Hina Durrani (FAS)
- Beverley Pasanen (PAS)
- Thomas Evans (FAS).



STAFF ETHICS

The Office maintains a commitment to high ethical standards, 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 developed our own values and guide to conduct. 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 these principles the Office implemented a number of processes to ensure the independence of the Office is not compromised. Formal procedures require disclosure of any real or perceived conflict of interest and in this regard employees are required to take no part in decisions or audits where real or perceived conflicts of interest may arise. All employees must sign an annual declaration stating they will conduct their work in accordance with codes of conduct, policies and values and must state real or perceived conflicts of interest. Conflicts are also documented and assessed prior to the commencement of each audit.

The Auditor-General and Deputy Auditor-General provide a declaration of interests to PAC on an annual basis, and the Auditor-General's gifts and benefits forms and register on a quarterly basis. For all staff during the 2017-18 reporting period, 19 declarations of a reportable gift, benefit or hospitality were made. The Office again reminded staff of the Integrity Commission's "*Thanks is enough*" campaign 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 2017-18.

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 2017-18 reporting period.

EMPLOYEE PARTICIPATION AND ENGAGEMENT

We recognise the importance of involving employees in decisions that affect them. In line with our values, we promote a culture based on mutual respect and trust, facilitating innovation, customer focus and continuous improvement. Employee involvement and participation continues to be sought through 'all staff' emails, direct approaches, open Office discussions, communiques and consultation. We continue to run quarterly staff information sessions for all employees covering technical and procedural matters and monthly informal staff meetings that cover values and culture based topics. We utilise the Skype for Business software to connect with Launceston based employees so they are not always required to travel. The internal Office newsletter is published bi-monthly and promotes office news, policies, procedures, staff profile and general information.

We recognise our people are the key to improving our overall efficiency and performance. To measure our internal organisational effectiveness we commenced measuring employee satisfaction ten years ago. This survey is conducted biennially and was run again this reporting period.

The survey attracted a 91% response rate and positive findings included:

- staff have a clear understanding of our purpose and still strongly identify with the Office's purpose and values
- people enjoy the nature of the work they do and see it as meaningful and relevant
- the role and contribution of the Office is seen as important
- people feel they have a safe and secure working environment and possesses the knowledge and skills to do their job well.

Areas for improvement centred on:

- communication
- collaboration across teams
- improved innovation and risk taking
- recognising and valuing contributions towards success
- career building within the Office
- values modelling.

To address these recommendations the Office will establish a dedicated action group to formulate an approach. The next survey is scheduled to be run in 2019-20.

SOCIAL RESPONSIBILITY

Workforce and Community

This year a number of employees were supported in their participation on both internal and external committees. Further details can be found in Appendix 2.

The Office continues to support the Tasmanian School of Business and Economics Prize Awards. The Tasmanian Audit Office Prize in Auditing is awarded annually to the student enrolled in Auditing (Unit BFA303) who achieves the highest aggregate mark in the unit across the school. The 2018 award was presented to Jessica Pross.

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 2017 calendar year the Office supported Dogs Home of Tasmania and donated a total of \$455 to this worthwhile organisation. So far in the 2018 calendar year the Office donated \$460 of fundraising monies to the Smith Family, raised via free dress days, morning teas and other social activities.

The Office also participated in the following fundraising activities:

- Stress Down Day
- R U OK? Day
- Stronger Together – 2017 Mental Health Week
- National Wear Red Day
- White Ribbon Walk.

Climate Change

The Office is committed to reducing emissions associated with our operations through limiting 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:

- converting all outgoing correspondence from paper form to digital
- distributing Auditor-General's Reports to Parliament in digital form
- use of efficient office equipment and building facilities
- minimising vehicle and air travel and using ecofriendly options where available
- maintaining a fleet of four fuel efficient vehicles, which are shared by staff as required (including private-plated vehicles)
- recycling waste where possible, including toner.

Our People



Our Performance

OUR PERFORMANCE REPORT

In this section we explain our performance for 2017-18 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 partially achieved or 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	2014-15 Actual	2015-16 Actual	2016-17 Actual	2017-18 Target	2017-18 Actual	Result
Survey of Parliamentarians by independent biennial survey:						
Overall satisfaction with the Auditor-General's reports and services	97%	Nm	100%	Nm	Nm	—
Provide valuable information on public sector performance	88%	Nm	97%	Nm	Nm	—
Reports and services help to improve public sector administration	87%	Nm	91%	Nm	Nm	—
High level of performance audits addressing key areas of interest	94%	Nm	85%	Nm	Nm	—
Responsiveness of the Auditor-General or his Office	100%	Nm	100%	Nm	Nm	—
Extent to which the advice/information provided by the Auditor-General or his Office addressed your needs	100%	Nm	100%	Nm	Nm	—
Survey of audit clients by independent biennial survey:						
Performance Audit - overall performance (process, reporting, value)	69%	Nm	73%	Nm	Nm	—
Financial Audit - overall performance (process, reporting, value)	80%	Nm	79%	Nm	Nm	—

FINANCIAL INDICATORS

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

Key Performance Indicators	2014-15 Actual	2015-16 Actual	2016-17 Actual	2017-18 Target	2017-18 Actual	Result
Positive net operating result, that is $\geq 1\%$ of turnover	Not Achieved	Achieved	Not Achieved	Achieved	Achieved	✓
Positive cash flows with an End of Year (EOY) cash balance $> \$600\,000$	Achieved	Achieved	Achieved	Achieved	Achieved	✓
Increase cash reserves by \$150,000 each year	Not Achieved	Achieved	Achieved	Achieved	Achieved	✓
Independent un-modified audit opinion on the financial statements of the Office	Achieved	Achieved	Achieved	Achieved	Achieved	✓



OPERATIONAL AND GOVERNANCE INDICATORS

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

Key Performance Indicators	2014-15 Actual	2015-16 Actual	2016-17 Actual	2017-18 Target	2017-18 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)	92%	97%	92%	100%	90%	✗
Performance and compliance audits are completed on average within nine months	Not Achieved	Achieved	Not Achieved	Achieved	Not Achieved	✗
Percentage of recommendations agreed and acted upon 24 months since the tabling of a performance/compliance audit report	64%	77%	84%	70%	64%	✗
Performance and compliance audits and special investigations tabled in Parliament	6	6	6	7	4	✗
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	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	Positive	Positive	Negative	Positive	Nm	—
Performance audits	Nm	Positive	Negative	Positive	Partial	—
Number of major findings with significant impact/ramifications reported to the Office's Audit Committee by our internal auditor	2	None	None	None	1	✗

For the 2017-18 audit cycle, 90% of financial audits were completed within 45 days of receipt of financial statements from clients as at 28 September 2018. This was mainly due to unexpected staff turnover at critical times in the audit cycle.

We tabled a total of three reports in Parliament on the outcomes of performance and compliance audits. The decrease in reports being tabled was due to audits being more complex. The Office did provide the PAC with an investigation report on Special Care Packages for Children in Out of Home Care. This report does not feature in reports tabled in Parliament.

Our Performance

Tasmanian Audit Office | Annual Report 2017-18

A quality assurance review in PAS was conducted which found most of the Office's quality control policies and procedures were followed, some areas of non-compliance were noted in relation to:

- adequacy of documentation of compliance with the Office's systems of control
- extent of staff supervision during the audit planning phase
- consideration of entity level risks
- conduct of an Engagement Quality Control Review.

Five internal audit reviews were conducted in 2017-18 covering:

- Procurement
- Leave Management
- Workplace Health and Safety
- Audit Quality Assurance Processes
- IPSAM security testing.

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 particularly in the quality assurance area.



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	2014-15 Actual	2015-16 Actual	2016-17 Actual	2017-18 Target	2017-18 Actual	Result
Employee satisfaction as measured by the Office's independent biennial employee survey	Nm	73%	Nm	Nm	Nm	—
Employee turnover rate	23%	13%	22%	<10%	33%	✗
Percentage of employees who have University degree and/or professional qualifications	89%	91%	87%	>85%	95%	✓
Percentage of employees who are members of professional bodies	69%	57%	62%	>85%	83%	✗
Percentage of employees who undertake 10 days of professional development per annum	38%	39%	33%	100%	10%	✗
Percentage of employee professional development plans finalised	93%	100%	100%	100%	100%	✓
Employee participation in health and well-being initiatives	100%	100%	100%	75%	100%	✓
Sick leave taken by employees (average)	6.9	4.8	8.9	<5 days	8.0	✗
No excess leave balances	2%	2%	2%	<5%	2%	✓

Office turnover increased due to graduates and staff obtaining other promotional opportunities in other departments or private entities. In addition, the Office is in the process of undertaking a re-profiling exercise so vacant positions were filled on a fixed-term basis. Some fixed term positions expired during the year.

The percentage of employees who had a University degree or professional qualification increased due to the employment of qualified fixed-term auditors due to vacancies noted above. Due to the fixed-term nature of some positions at crucial audit times, the level of training fell below normal levels. An Office-wide training and development program has been formulated for 2018-19.

The Office is working collaboratively with professional associations to provide professional development. An example of such was 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 2017-18. The Health and Wellbeing Plan for 2018-20 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.

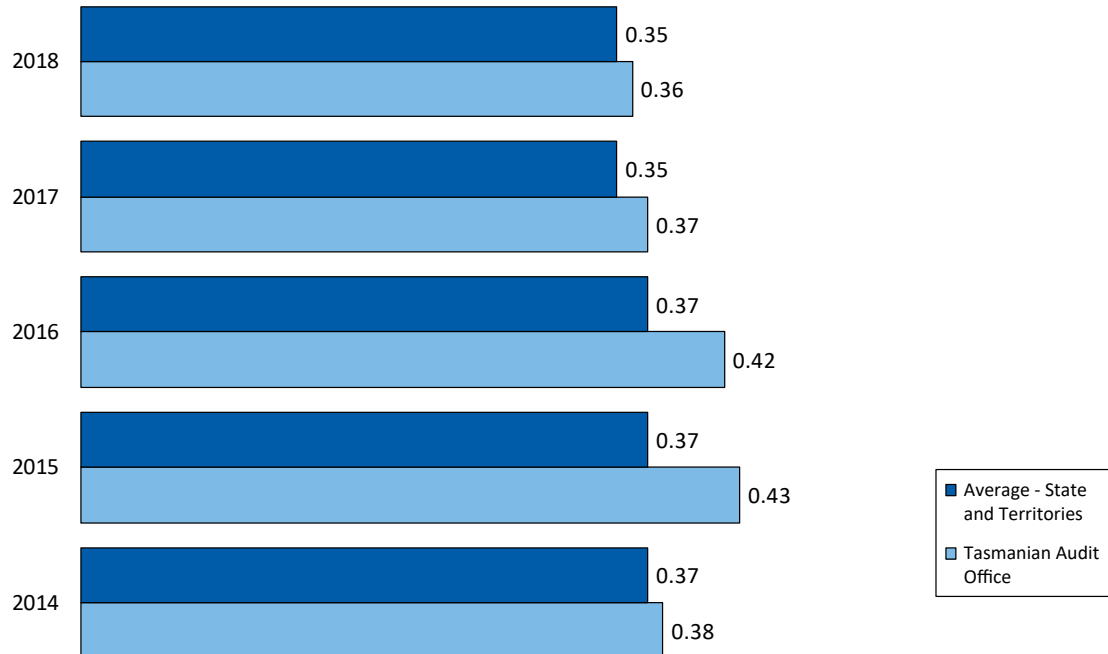
Sick leave taken by employees decreased slightly across the Office with one employee being on long-term sick leave. As noted above we encourage staff to participate in health and wellbeing initiatives and these are detailed more in the People Chapter of this Annual Report.

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 2014-2018.

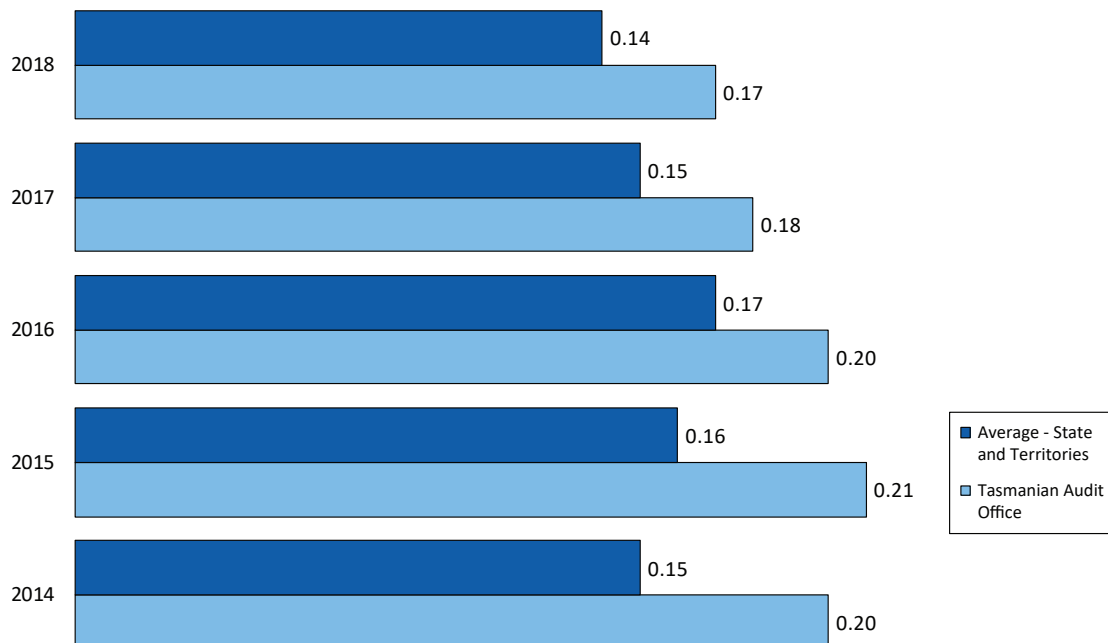
Measure One:

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



Measure Two:

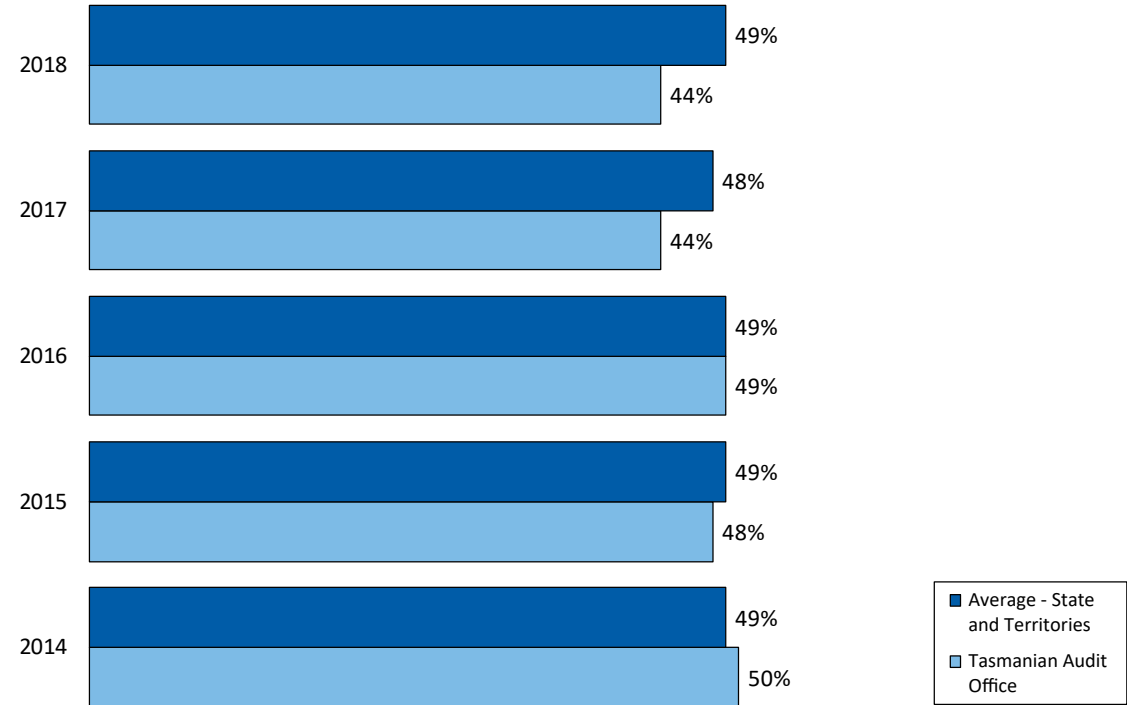
Total audit costs per \$'000 of public sector assets, expressed in cents



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.

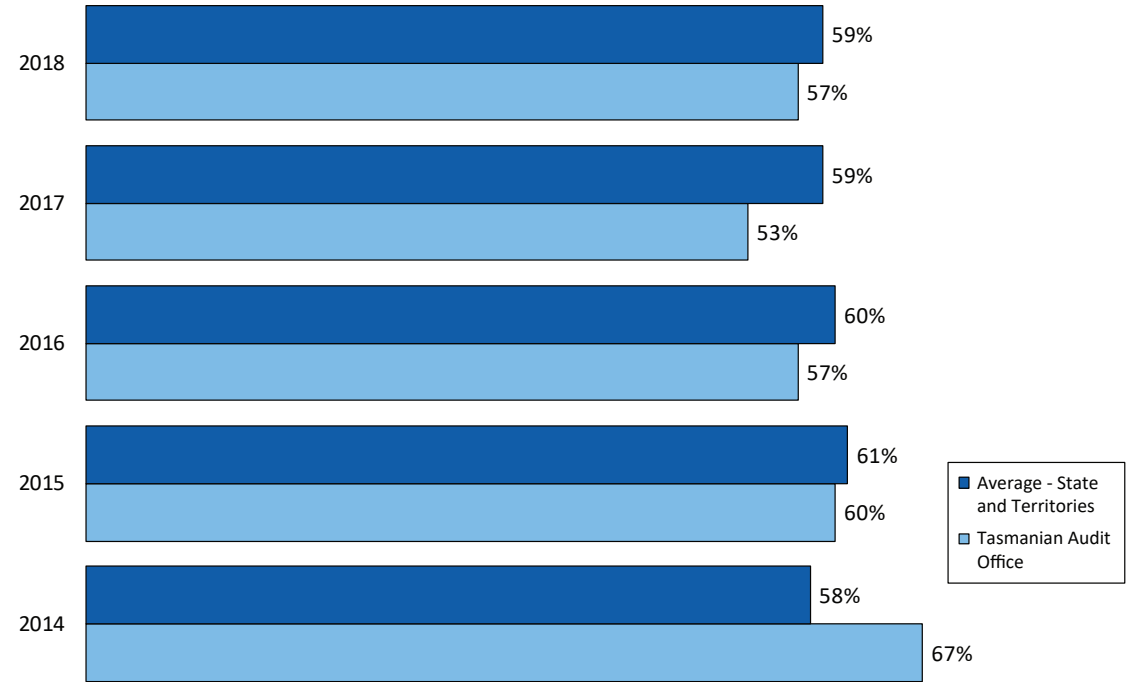
Measure Three:

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



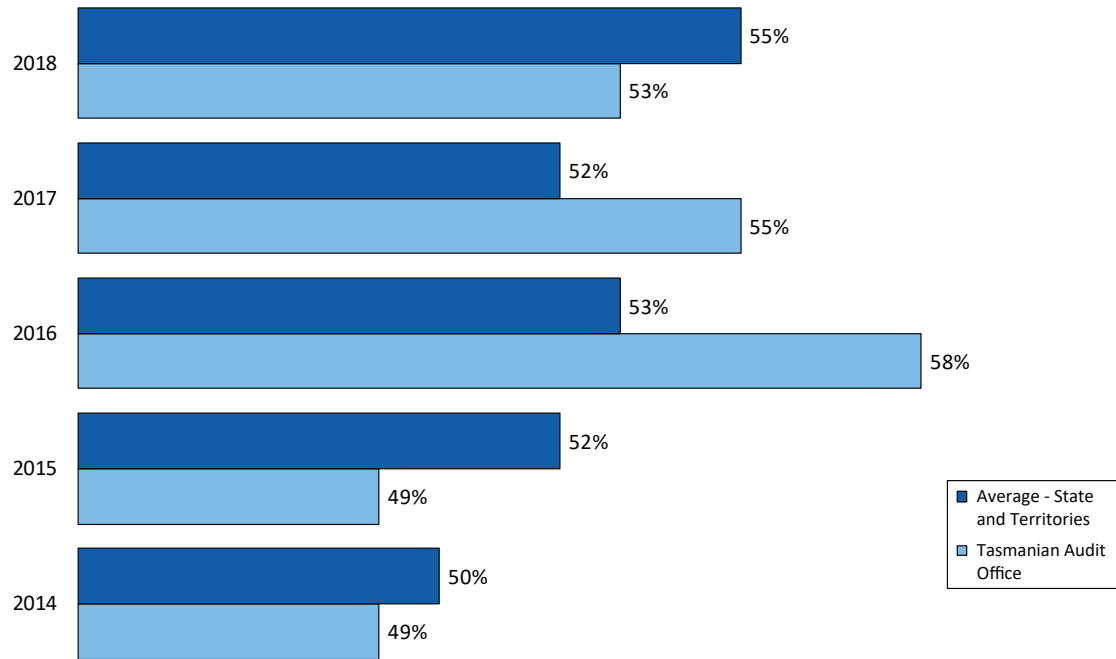
Measure Four:

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



Measure Five:

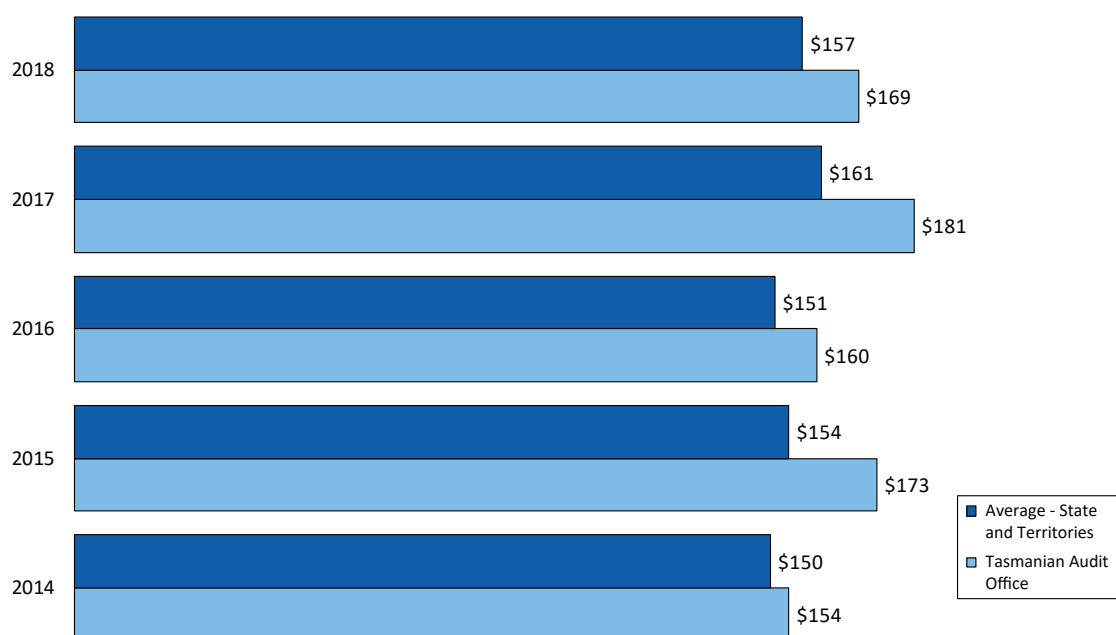
Percentage of total paid hours of non-attest audit staff charged to non-attest audit activities



In relation to measures three to five, we note 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 was 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 new staff. In addition, a number of positions were filled using fixed-term resources as a result of an office-wide re-profiling exercise taking place. Non-attest activities slightly fell due to staff attrition and a slight increase in leave.

Measure Six:

Cost per audit hour charged to audit activities

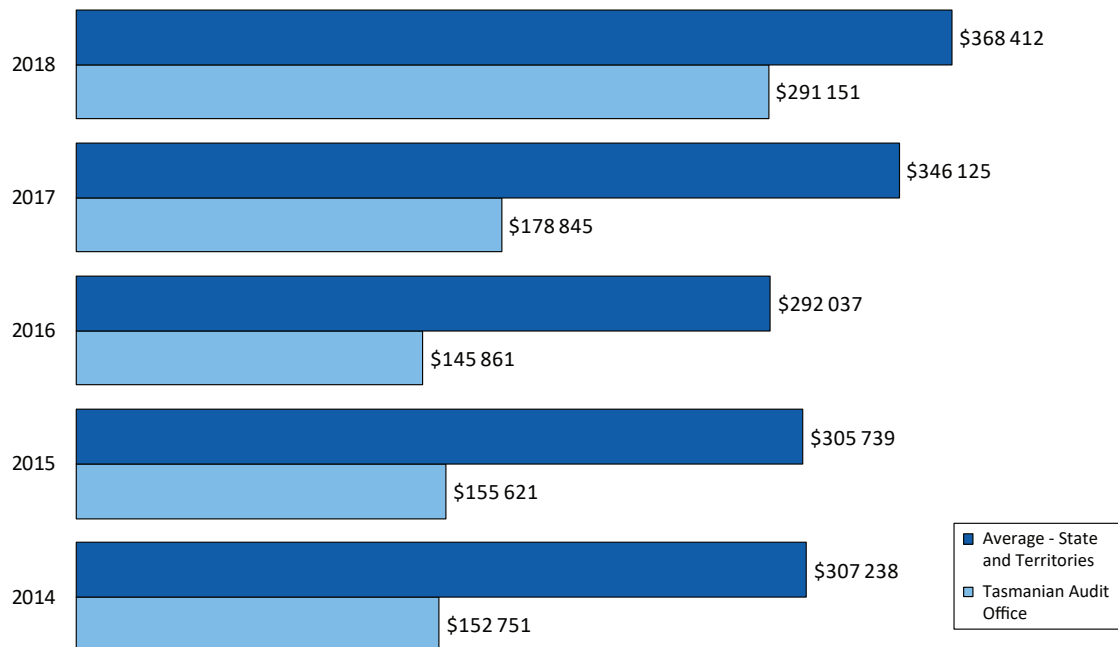


The increase in cost in 2015 represented fewer audits conducted in conjunction with slight increases in costs by utilising fixed term resources.

The 2016 to 2018 fluctuations were explained by the cost of obtaining short-term resources and/or delays in recruiting of key positions. In the next year the Office envisages these fluctuations will reduce with the finalisation of the Office-wide re-profiling program.

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 represented normal increases in costs, particularly salaries, from year to year. In 2016 the reduction of costs was mainly a result of the employment of a graduate in Performance Audit and a more senior position not recruited for, hence the increase in 2017. The increase in 2018 represented the level of complexity for audits during 2017-18.

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 2018 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 2018.



Nexia Melbourne Audit Pty Ltd
Melbourne



Geoff S. Parker
Director

Dated this 9th day of October 2018



**Our
Finance**

Financial Performance

Overall, the Office continued to be in a strong financial position. A summary of the financial outcomes are provided below.

Revenue

Overall revenue increased mainly as a result of the timing of audit revenue receipts and additional acquittal revenues. Appropriations mainly increased due to employer audit appropriation and indexation. Employer audit appropriation is now being provided direct to the Office

Revenue	2017-18 (\$'000s)	2016-17 (\$'000s)	2015-16 (\$'000s)	2014-15 (\$'000s)	2013-14 (\$'000s)
User charges	5 453	4 862	5 818	5 356	5 329
Appropriations					
Reserve-by-law	435	402	580	437	455
Auditor-General on-costs	80	116	-	-	-
Auditor-General recruitment	-	-	126	-	-
Performance audits and reports	1 914	1 655	1 779	1 732	1 778
Other revenue	21	143	63	258	223
Total	7 903	7 178	8 366	7 783	7 785

Expenditure

From the previous year to 2017-18, no major movements occurred in expenditure. However, from a budget perspective overall the surplus forecast was \$5 000 a difference of \$540 000. This was mainly due to delays in recruiting vacant positions, underspend on the use of experts and the delay in finalising the re-profiling process in 2017-18 which will now occur in 2018-19.

Expenditure	2017-18 (\$'000s)	2016-17 (\$'000s)	2015-16 (\$'000s)	2014-15 (\$'000s)	2013-14 (\$'000s)
Employee benefits	4 945	4 923	4 964	4 684	4 353
Other expenses	707	796	771	672	664
Audit contractors	1 082	993	1 321	1 556	1 495
Information technology	157	111	111	208	152
Accommodation	396	430	459	477	456
Depreciation/Amortisation	71	70	83	127	113
Total	7 358	7 323	7 709	7 724	7 233
Surplus/(Deficit)	545	(145)	657	59	552

Financial Position

Assets increased from last year mainly as a result of additional cash held at the end of the financial year resulting from instalment billing in June 2018 with less expenditure paid as detailed previously. Liabilities slightly decreased as a result of some long-term staff departing the Office, hence lower entitlements accrual.

Assets	2017-18 (\$'000s)	2016-17 (\$'000s)	2015-16 (\$'000s)	2014-15 (\$'000s)	2013-14 (\$'000s)
Financial assets	4 263	3 774	3 647	3 120	2 959
Non-financial assets	262	322	372	304	185
Total	4 525	4 096	4 019	3 424	3 144

Liabilities	2017-18 (\$'000s)	2016-17 (\$'000s)	2015-16 (\$'000s)	2014-15 (\$'000s)	2013-14 (\$'000s)
Financial liabilities	25	46	71	85	153
Non-financial liabilities	1 648	1 743	1 496	1 544	1 255
Total	1 673	1 789	1 567	1 629	1 408
Net Assets/Equity	2 852	2 307	2 452	1 795	1 736



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 2018, 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 2018 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 2018, 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.

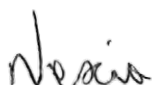
In preparing the financial report, the Auditor-General is responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Auditor-General either intend to liquidate the 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. This description forms part of our auditor's report.



Nexia Melbourne Audit Pty Ltd
Melbourne



Geoff S. Parker
Director

Dated this 10th day of August 2018

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 2018 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

10 August 2018



Ric De Santi
Chief Operating Officer

10 August 2018

Statement of Comprehensive Income for the year ended 30 June 2018

	Notes	2018 Budget \$'000s	2018 Actual \$'000s	2017 Actual \$'000s
Continuing operations				
Revenue and other income from transactions				
Revenue from Government				
Appropriation revenue - RBL	3.1	479	435	402
Appropriation revenue - recurrent	3.1	2 014	1 994	1 771
User charges	3.2	5 683	5 453	4 862
Other revenue	3.3	13	21	143
Total revenue and other income from transactions		8 189	7 903	7 178
Expenses from transactions				
Employee benefits	4.1(a)	5 356	4 945	4 923
Depreciation and amortisation	4.2	49	71	70
Audit contractors	4.3	1 115	1 082	993
Supplies and consumables	4.4, .1(a)	1 370	949	964
Other expenses	4.5	294	311	373
Total expenses from transactions		8 184	7 358	7 323
Net result from transactions (net operating balance)		5	545	(145)
Net result		5	545	(145)
Comprehensive result		5	545	(145)

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 2018

	Notes	2018 Budget \$'000s	2018 Actual \$'000s	2017 Actual \$'000s
Assets				
<i>Financial assets</i>				
Cash and deposits*	8.1, 2.2(a)	2 756	3 550	3 092
Receivables and work in progress	5.1, 2.2(b)	826	713	682
<i>Non-financial assets</i>				
Leasehold improvements, plant and equipment	5.2	279	195	264
Intangibles	5.3	5	14	16
Other assets	5.4	29	53	42
Total assets		3 895	4 525	4 096
Liabilities				
Payables	6.1	65	25	46
Employee benefits	6.2	1 122	1 216	1 226
Other liabilities	6.4	360	432	517
Total liabilities		1 547	1 673	1 789
Net assets		2 348	2 852	2 307
Equity				
Contributed capital		1 168	1 168	1 168
Accumulated surplus/(deficit)		1 180	1 684	1 139
Total equity*		2 348	2 852	2 307

*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 2018

	Notes	2018 Budget \$'000s	2018 Actual \$'000s	2017 Actual \$'000s
		Inflows (Outflows)	Inflows (Outflows)	Inflows (Outflows)
Cash flows from operating activities				
Cash inflows				
Appropriation receipts - recurrent		2 014	2 014	1 771
Appropriation receipts - RBL		479	434	402
User charges	2.3(a)	5 936	5 371	5 212
GST receipts	2.3(b)	672	789	752
Other cash receipts		13	21	125
Total cash inflows		9 114	8 629	8 262
Cash outflows				
Employee benefits	2.3(c)	(5 611)	(4 956)	(4 830)
GST payments		(672)	(763)	(734)
Audit contractors		(1 120)	(1 077)	(993)
Supplies and consumables	2.3(d)	(1 358)	(1 059)	(1 012)
Other cash payments		(294)	(316)	(389)
Total cash outflows		(9 055)	(8 171)	(7 958)
Net cash from operating activities	8.2	59	458	304
Cash flows from investing activities				
Cash outflows				
Payments for acquisition of non-financial assets		(29)	-	(13)
Total cash outflows		(29)	-	(13)
Net cash from (used by) investing activities		(29)	-	(13)
Net increase/(decrease) in cash and cash equivalents held		30	458	291
Cash and deposits at the beginning of the reporting period		2 726	3 092	2 801
Cash and deposits at the end of the reporting period	8.1	2 756	3 550	3 092

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 2018

	Contributed equity \$'000	Accumulated surplus \$'000	Total equity \$'000s
Balance as at 1 July 2017	1 168	1 139	2 307
Total comprehensive result	-	545	545
Balance as at 30 June 2018	1 168	1 684	2 852

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

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 2018

Note 1 Office Output Schedules	53
1.1 Output Group Information	53
Note 2 Explanations of Material Variances between Budget and Actual Outcomes	53
2.1 Statement of Comprehensive Income	53
2.2 Statement of Financial Position	53
2.3 Statement of Cash Flows	54
Note 3 Income from Transactions	54
3.1 Revenue from Government	54
3.2 User Charges	55
3.3 Other Revenue	55
Note 4 Expenses from Transactions	55
4.1 Employee Benefits	55
4.2 Depreciation and Amortisation	57
4.3 Audit Contractors	57
4.4 Supplies and Consumables	58
4.5 Other Expenses	58
Note 5 Assets	58
5.1 Receivables and work in progress	58
5.2 Leasehold Improvements, Plant and Equipment	59
5.3 Intangibles	60
5.4 Other Assets	61
Note 6 Liabilities	61
6.1 Payables	61
6.2 Employee Benefits	61
6.3 Superannuation	62
6.4 Other Liabilities	62
Note 7 Commitments and Contingencies	63
7.1 Schedule of Commitments	63
Note 8 Cash Flow Reconciliation	64
8.1 Cash and Deposits	64
8.2 Reconciliation of Net Result to Net Cash from Operating Activities	64
8.3 Reconciliation of liabilities arising from financing activities	64
Note 9 Financial Instruments	65
9.1 Risk Exposures	65
9.2 Categories of Financial Assets and Liabilities	67
9.3 Comparison between Carrying Amount and Net Fair Value of Financial Assets and Liabilities	67
9.4 Net Fair Values of Financial Assets and Liabilities	67
Note 10 Events Occurring After Balance Date	67
Note 11 Other Significant Accounting Policies and Judgements	68
11.1 Objectives and Funding	68
11.2 Basis of Accounting	68
11.3 Reporting Entity	68
11.4 Functional and Presentation Currency	68
11.5 Changes in Accounting Policies	68
11.6 Comparative Figures	69
11.7 Rounding	70
11.8 Office Taxation	70
11.9 Goods and Services Tax	70
Note 12 Auditor's Remuneration	70
Note 13 Principal Address and Registered Office	70

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 2017-18 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 10 per cent of Budget estimate and \$100 000.

The Statement of Comprehensive Income Note 2.1 and Statement of Cash Flows Note 2.3 include a revised budget column which depicts a change in allocation from the original budget as published in the Budget Papers where applicable. These changes were made to reflect actual anticipated cost allocations. The variance explanations are based upon original budget compared with actuals.

2.1 Statement of Comprehensive Income

	Note	Budget \$'000	Actual \$'000	Variance \$'000	Variance %
Supplies and consumables	(a)	1 370	949	421	31

Notes to Statement of Comprehensive Income variances

- (a) The under budget in Supplies and consumables mainly represents the delay in engaging the external contractor for the provision of the current employer audit, the under-spend on experts and the delay in the re-profiling process within the Office leading to underspend in employee support costs.

2.2 Statement of Financial Position

Budget estimates for the 2017-18 Statement of Financial Position were compiled prior to the completion of the actual outcomes for 2016 17. As a result, the actual variance from the Original Budget estimate will be impacted by the difference between estimated and actual opening balances for 2017-18. The following variance analysis therefore includes major movements between the 30 June 2017 and 30 June 2018 actual balances.

	Note	Budget \$'000	2018 Actual \$'000	2017 Actual \$'000	Budget Variance \$'000	Actual Variance \$'000
Cash and deposits	(a)	2 756	3 550	3 092	794	458
Receivables and work in progress	(b)	826	713	682	(113)	31

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) The larger than expected balance in Cash and deposits reflects the timing of payments of experts and external contractors for the provision of the employer audit. In addition, the timing of payments in relation to the re-profiling process that the Office is currently undertaking.
- (b) Receivables and work in progress is lower than expected due to timing of financial audit work for the 2018 audit cycle.

2.3 Statement of Cash Flows

	Note	Budget \$'000	Actual \$'000	Variance \$'000	Variance %
User charges	(a)	5 936	5 371	(565)	(10)
GST Receipts	(b)	672	789	117	17
Employee benefits	(c)	5 611	4 956	655	12
Supplies and consumables	(d)	1 358	1 059	299	22

Notes to Statement of Cash Flows variances

- (a) User charges are under budget due to the timing of receipt of audit fees.
- (b) GST receipts are higher than budgeted due to timing differences from 2016-17.
- (c) Employee benefits are lower than budgeted due to a delay in recruiting permanent positions due to a re-profiling process being conducted during 2017-18.
- (d) The under budget in Supplies and consumables mainly represents the delay in engaging the external contractor for the provision of the current employer audit, the under-spend on experts and the delay in the re-profiling process within the Office leading to underspend in employee support costs.

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.

	2018 Budget \$'000	2018 Actual \$'000	2017 Actual \$'000
Revenue from Government			
Appropriation revenue - recurrent	2 014	1 994	1 771
Items Reserved by Law – Auditor General's salary and associated allowances	479	435	402
Total	2 493	2 429	2 173

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.

	2018 \$'000	2017 \$'000
Financial Audit Services	5 453	4 862
Total	5 453	4 862

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.

	2018 \$'000	2017 \$'000
Reserved by law – Auditor-General leave provisions	-	32
Performance audits of employer functions	-	93
Miscellaneous	21	18
Total	21	143

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

	2018 \$'000	2017 \$'000
Wages and salaries	4 313	4 293
Superannuation – defined contribution scheme	425	388
Superannuation – defined benefit scheme	102	109
Other employee expenses	105	133
Total	4 945	4 923

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 12.95 per cent (2017: 12.85 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 (2017: 9.5 per cent) of salary. In addition, the Office is also required to pay to Treasury a “gap” payment equivalent to 3.45 per cent (2017: 3.35 per cent) of salary in respect of employees who are members of the contribution schemes.

(b) Remuneration of Key management personnel

2018	Short-term benefits		Long-Term-Benefits			Total
	Salary \$'000	Other Benefits \$'000	Super- annuation \$'000	Other Benefits and Long	Termination Benefits \$'000	
				Service Leave \$'000		
R J Whitehead, Auditor-General	367	17	35	-	-	419
E R De Santi, Deputy Auditor-General/Chief Operating Officer	212	20	27	(8)	-	251
P R Johnson, Director – Corporate Support Services	123	-	16	(5)	-	134
Total	702	37	78	(13)	-	804

2017	Short-term benefits		Long-Term-Benefits			Total
	Salary	Other Benefits	Super-annuation	Other Benefits and Long	Termination Benefits	
				Service Leave		
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
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
Total	681	35	75	46	-	837

Note: E R De Santi also acted as the Auditor-General during the following periods: 07/05/2018 – 01/06/2018. P R Johnson also acted as the Chief Operating Officer from 07/07/2017 – 14/07/2017.

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 2017-18 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 2017-18.

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

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

(a) Depreciation

	2018 \$'000	2017 \$'000
Office equipment, furniture and fittings	6	6
Total	6	6

(b) Amortisation

	2018 \$'000	2017 \$'000
Intangibles – computer software	2	1
Leasehold improvements	63	63
Total	65	64
Total depreciation and amortisation	71	70

4.3 Audit Contractors

	2018 \$'000	2017 \$'000
Audit Contractors	1 055	962
IT Audit contractors	27	31
Total	1 082	993

4.4 Supplies and Consumables

	2018 \$'000	2017 \$'000
Audit fees – financial audit and review of key performance report	20	20
Audit fees – internal audit	52	37
Operating lease costs	317	320
Consultants and contractors	128	87
Property services	79	110
Communications	7	18
Information technology	157	111
Travel and transport	69	107
Printing	9	1
Plant and equipment	5	15
Office requisites	6	8
Personnel expenses	38	54
Other supplies and consumables	62	76
Total	949	964

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.

	2018 \$'000	2017 \$'000
Salary on-costs	37	35
Service level agreements – DoJ and Queensland Audit Office	256	327
Property insurance	7	8
Other Expenses	11	3
Total	311	373

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.

	2018 \$'000	2017 \$'000
User charges	420	589
Work in progress	252	52
Reserved by law – Auditor-General leave receivable	41	41
Total	713	682
Settled within 12 months	713	682
Settled in more than 12 months	-	-
Total	713	682

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.

(a) Carrying amount

	2018 \$'000	2017 \$'000
Office equipment, furniture and fittings		
At cost	32	32
Less: Accumulated depreciation	(22)	(16)
Total	10	16
Leasehold improvements		
At cost	368	368
Less: Accumulated depreciation	(183)	(120)
Total	185	248
Total	195	264

(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.

2018	Office equipment, furniture and fittings \$'000	Leasehold improvements \$'000	Total \$'000
Carrying value at 1 July	16	248	264
Depreciation and amortisation	(6)	(63)	(69)
Carrying value at 30 June	10	185	195

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

5.3 Intangibles

An intangible asset is recognised where:

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

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

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

(a) Carrying amount

	2018 \$'000	2017 \$'000
Intangibles with a finite useful life		
Software at cost	19	19
Less: Accumulated amortisation	(5)	(3)
Total intangibles	14	16

(b) Reconciliation of movements

	2018 \$'000	2017 \$'000
Carrying amount at 1 July	16	7
Additions	-	10
Amortisation expense	(2)	(1)
Carrying amount at 30 June	14	16

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.

	2018 \$'000	2017 \$'000
Other current assets		
Prepayments	53	42
Total	53	42
Utilised within 12 months	53	42
Total other assets	53	42

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.

	2018 \$'000	2017 \$'000
Creditors	25	46
Total	25	46
Settled within 12 months	25	46
Total	25	46

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.

	2018 \$'000	2017 \$'000
Accrued salaries	35	37
Annual leave	319	306
Long service leave	706	743
Superannuation	133	136
State service accumulated leave scheme	23	4
Total	1 216	1 226
Settled within 12 months	440	397
Settled in more than 12 months	776	829
Total	1 216	1 226

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.

	2018 \$'000	2017 \$'000
Other liabilities		
Revenue received in advance	267	325
GST liability	79	69
Rent incentive liability	86	123
Total	432	517
Settled within 12 months	383	431
Settled in more than 12 months	49	86
Total	432	517

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

	2018 \$'000	2017 \$'000
By type		
<i>Lease Commitments</i>		
Operating leases	955	885
Total lease commitments	955	885
<i>Other commitments</i>		
Contract Audits	1 830	1 479
Service Level Agreement with DoJ	260	511
Other commitments	-	34
Total other commitments	2 090	2 024
Total by type	3 045	2 909
By maturity		
<i>Operating lease commitments</i>		
One year or less	296	293
From one to five years	503	592
Over five years	156	0
Total operating lease commitments	955	885
<i>Other commitments</i>		
One year or less	1 095	1 189
From one to five years	995	835
Total other commitments	2 090	2 024
Total	3 045	2 909

(a) Operating Leases

Operating leases relate to Office accommodation and motor vehicles. For Launceston Office accommodation, the head lease option with the Department of Treasury and Finance was accepted and the lease will now end in 2027. For Hobart Office accommodation the remaining lease term is three years after the relocation from Level 4, 15 Murray Street to Level 8, 144 Macquarie Street. For one year, from 1 July 2015 to 30 June 2016 the Office did 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 2018 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.

	2018 \$'000	2017 \$'000
Special Deposits and Trust Fund balance		
Special Deposits and Trust Account T644	3 550	3 092
Total cash and deposits	3 550	3 092

8.2 Reconciliation of Net Result to Net Cash from Operating Activities

	2018 \$'000	2017 \$'000
Net result from transactions	545	(145)
Depreciation and amortisation	71	70
Decrease (increase) in Receivables and work in progress	(31)	164
Decrease (increase) in Prepayments	(11)	(7)
Increase (decrease) in Tax Liabilities	10	19
Increase (decrease) in Employee entitlements	(10)	89
Increase (decrease) in Payables	(21)	(25)
Increase/(decrease) in Provisions	(37)	(36)
Increase (decrease) in Other liabilities	(58)	175
Net cash from/(used in) operating activities	458	304

8.3 Reconciliation of liabilities arising from financing activities

The Office does not have any liabilities arising from financing activities.

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)
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 not met due to staff recruitment issues at 30 June 2018 and 94% 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 2018.	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 27 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 \$'000	Past due 60 days \$'000	Total \$'000
Analysis of financial assets that are past due at 30 June 2018 but not impaired			
User charges	8	16	24
Total	8	16	24
Analysis of financial assets that are past due at 30 June 2017 but not impaired			
User charges	-	4	4
Total	-	4	4

(c) Liquidity risk

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

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

Financial Instrument	Accounting and strategic policies (including recognition criteria and measurement basis)	Nature of underlying instrument (including significant terms and conditions affecting the amount. Timing and certainty of cash flows)
Financial liabilities		
Payables	The Office's Business Plan critical success factor of sustainable business performance is supported by the key performance measure of maintaining a positive cash balance of \$200 000, in order to have sufficient liquidity to meet its liabilities when they fall due. This target was met at 30 June 2018.	As per Treasurer's Instruction 1125 the Office pays within suppliers' credit terms. Where there are no credit terms specified Office policy is to pay within 30 days.

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

Maturity analysis for financial liabilities			
	1 Year \$'000	Undiscounted Total \$'000	Carrying Amount \$'000
2018 Financial liabilities			
Payables	25	25	25
Total	25	25	25
2017 Financial liabilities			
Payables	46	46	46
Total	46	46	46

(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 2018, 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

	2018 \$'000	2017 \$'000
Financial assets		
Cash and cash equivalents	3 550	3 092
Receivables and work in progress	713	682
Total	4 263	3 774
Financial liabilities		
Payables	25	46
Total	25	46

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

	Carrying Amount 2018 \$'000	Net Fair Value 2018 \$'000	Carrying Amount 2017 \$'000	Net Fair Value 2017 \$'000
Financial assets				
Cash in Special Deposits and Trust Fund	3 550	3 550	3 092	3 092
Receivables and work in progress	713	713	682	682
Total financial assets	4 263	4 263	3 774	3 774
Financial liabilities (Recognised)				
Payables	25	25	46	46
Total financial liabilities (Recognised)	25	25	46	46

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 2018.

Note 11 Other Significant Accounting Policies and Judgements

11.1 Objectives and Funding

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

The Office charges fees for financial audit services. Since 1 July 2008 the Office has been funded by a direct Parliamentary appropriation for undertaking performance and compliance audits, special investigations and the publishing of statutory reports to Parliament. The Office is also funded through a Parliamentary appropriation for the Auditor-General's salary and associated allowances. Performance audits of Employer functions under the *State Service Act 2000* are funded by the Department of Premier and Cabinet.

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

11.2 Basis of Accounting

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

- 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 10 August 2018. 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 AASB that are relevant to its operations and effective for the current annual reporting period. These include:

- *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 Property, Plant and Equipment* and *AASB 138 Intangible Assets*, 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. 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 financial impact is expected to be minimal.
- *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 financial impact is expected to be minimal.
- *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, which is expected to be material. For more information on commitments refer note 7.1.

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 (GST).

11.9 Goods and Services Tax

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

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

	2018 \$'000	2017 \$'000
Financial audit fees	18	18
Fee to review key performance indicator report	2	2
Total	20	20

Note 13 Principal Address and Registered Office

Level 8
144 Macquarie St
Hobart TASMANIA 7000
Australia



Appendices

APPENDIX 1: 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 Chief Operating Officer (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
- 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 the model financial statements as required by TI and, therefore compliant with AAS. These model statements are regarded as a minimum requirement. Where relevant, additional disclosures will be made, consistent with the need to be fully transparent and accountable for our financial performance
 - the annual financial statements will be accompanied by representations of compliance by each member of the SEMG and certification of the financial report by the COO and the Auditor-General. These representations and certifications will be completed by no later than 14 August each year

- the annual financial statements will be independently audited.
- Integrity in annual reporting – in this regard, the Office will:
 - prepares an annual report that accounts to Parliament performance in achieving our strategic and corporate objectives at both a business unit and whole-of-office level. This report will be prepared and submitted to the Treasurer in good time to facilitate tabling by prior to 31 October each year
 - demonstrate leadership by including in the annual report:
 - an appropriate Management Discussion and Analysis
 - independently reviewed KPIs
 - include in the annual report details of the Office's governance and risk management practices.

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, present their audit plan and audit findings to the Audit Committee for review. The Committee advises the Auditor-General on any significant matters that may arise from such review.

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

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

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

- the Auditor-General (as a statutory position)
- State entities as defined in the Audit Act 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 COO and heads of the FAS and PAS business units will:
 - meet with senior client management, including those charged with governance, as appropriate. The objectives will be to ensure strong understanding of client operations, effectively planned and completed audits and management of risk. Relevant surveys will be conducted from time to time
 - present audit findings to the appropriate forums including to Parliamentarians
 - meet with relevant media from time to time
 - arrange client training forums as required
 - arrange forums with members of audit committees from time to time.
- the Director, CSS, where relevant, and subject to advance approval of the COO, will participate in state-wide committees established to consider, review and manage corporate policies in the General Government Sector. Where such involvement may prejudice the Office's independence, approval will not be granted.
- the 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 COO and Director, CSS are required to:

- design internal controls and associated reporting mechanisms to ensure that, bearing in mind our small staff numbers and therefore the associated difficulty in ensuring adequate separation of responsibilities:
- 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 DoJ.

Principle 6 Remunerate fairly and responsibly (ASX principle 8 – Remunerate fairly and responsibly).

The Auditor-General will assess on a regular basis the performance and salary packages where applicable of the COO and the Director, Technical and Quality. The COO assesses the AAG FAS, AAG PAS 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 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

As at 30 June 2018, our executive staff and managers were members of the following committees, professional associations, panels, working parties and community organisations:

ROD WHITEHEAD

ACAG - member

RIC DE SANTI

ACAG - Financial Reporting and Auditing Committee (FRAC) - Tasmanian Audit Office representative

ACAG - Heads of Financial Audit Group – Chair

CPA Australia – Board of Directors – Director (from 1 October 2017)

CPA Australia – Audit and Risk Committee – Member (from 1 October 2017)

CPA Australia – Member Engagement Committee – Member (from 1 October 2017)

CPA Australia – Tasmanian Divisional Council – Deputy President

CPA Australia - Public Sector Network - Tasmanian representative

Tasmanian Catholic Education Office (TCEO) – Commissioner and Chair of Finance Committee

PATTY JOHNSON

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

Sexual Assault Support Service - Treasurer

ACAG - Corporate Services Managers Group - Tasmanian Audit Office Representative

NATALIE VERDOUW

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

Christian Homes Tasmania Inc. - Board Member/Secretary

STEPHEN MORRISON

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

Legal Aid Commission of Tasmania – Commissioner (ceased 6 October 2017)

JEFF TONGS

ACAG - Financial Reporting and Accounting Committee - Tasmanian Audit Office representative

ACAG - Auditing Standards Committee - Tasmanian Audit Office representative

Australian Auditing and Assurance Standards Board - Project Advisory Group member ASAE 3500 (ceased October 2017)

SIMON ANDREWS

St Aloysius Catholic College Advisory Board – Chair (ceased December 2017)

ROB LUCIANI

CPA Australia - Tasmanian Divisional Council - Councillor (to 31 December 2017)

APPENDIX 3: 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 2017-18 are listed below.

Date	Event	Presenter/s
14 July 2017	Presentation - Institute of Internal Auditors, Australia (Tasmania Division) <i>"Role of the Auditor-General"</i>	Rod Whitehead
25 July 2017	Presentation - CPA Australia (Tasmania Division), Public Sector Discussion Group <i>"Audits, investigations and examinations"</i>	Rod Whitehead Ric De Santi
20 November 2017	Presentation – CPA Australia (Tasmania Division), Public Sector Leaders Series <i>"Comparisons between private sector and public sector auditing"</i>	Rod Whitehead
3 February 2018	Presentation – Glenorchy City Council, <i>"Role of the Auditor-General and recent local government audits"</i>	Rod Whitehead Ric De Santi
5 February 2018	Discussion – Southern Tasmanian Council Authority <i>"Use of credit cards by councils' general managers and elected members"</i>	Rod Whitehead Ric De Santi
21 March 2018	Presentation – Council General Managers Meeting <i>"Accounting and audit update"</i>	Rod Whitehead Ric De Santi Stephen Morrison
19 April 2018	Presentation CPA Australia Discussion Group <i>"Accounting Issues and New Accounting Standards"</i>	Rod Whitehead Ric De Santi Jeff Tongs Stephen Morrison
9 May 2018	Presentation North West Finance Group <i>"Accounting Issues and New Accounting Standards"</i>	Rod Whitehead Ric De Santi Jeff Tongs Stephen Morrison
10 May 2018	2017 Tasmanian School of Business and Economics Prize Awards	Debbie Scott
21 May 2018	UTAS – Guest Lecture, Auditing – Burnie <i>"Audit reporting"</i>	Stephen Morrison
23 May 2018	UTAS – Guest Lecture, Auditing – Launceston <i>"Audit reporting"</i>	Jeff Tongs
23 May 2018	Presentation – King Island Council <i>"Accounting Matters"</i>	Stephen Morrison
24 May 2018	Presentation – Local Government Forum – King Island <i>"Role of the Auditor-General"</i>	Stephen Morrison
25 May 2018	UTAS – Guest Lecture, Auditing – Hobart <i>"Audit reporting"</i>	Ric De Santi
5 June 2018	Presentation – Local Government Forum – North West <i>"Role of the Auditor-General"</i>	Ric De Santi
6 June 2018	Presentation – Local Government Forum – North <i>"Role of the Auditor-General"</i>	Rod Whitehead

Date	Event	Presenter/s
7 June 2018	Client Information Session - Launceston <i>"Accounting Issues and New Accounting Standards"</i>	Rod Whitehead Ric De Santi Jeff Tongs Stephen Morrison
8 June 2018	Client presentation seminar - Hobart <i>"Accounting Standards Update"</i>	Rod Whitehead Ric De Santi Jeff Tongs Stephen Morrison
13 June 2018	Presentation – Local Government Forum – South <i>"Role of the Auditor-General"</i>	Rod Whitehead
20 June 2018	Audit Committee and Senior Management Information Session - Hobart	Rod Whitehead Ric De Santi Jeff Tongs Stephen Morrison
27 June 2018	Presentation – Huon Valley Council <i>"Role of the Auditor-General"</i>	Rod Whitehead Ric De Santi

APPENDIX 4: LIST OF CLIENTS DURING 2017-18

Aboriginal Land Council of Tasmania¹

- palawa Enterprise Pty Ltd

AMC Search Ltd

ANZAC Day Trust

Asbestos Compensation Fund¹

Aurora Energy Pty Ltd

Board of Architects of Tasmania³

Break O'Day Council

Brighton Council

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

Brittons Swamp District Water Board⁴

Brittons Swamp Drainage Trust⁴

Burnie City Council

- Burnie Airport Corporation Unit Trust
- Burnie Airport Corporation Pty Ltd
- Tas Communications Unit Trust

Central Coast Council

Central Highlands Council¹

Circular Head Council

Clarence City Council

Copping Refuse Disposal Site Joint Authority¹

- C Cell Unit Trust¹
- C Cell Pty Ltd¹

Council of Law Reporting

Cradle Coast Authority

Department of Education including:

- Office of Tasmanian Assessment, Standards and Certification
- Office of the Education Registrar

Department of Health and Human Services including:

- Ambulance Tasmania
- Housing Tasmania
- Tasmanian Affordable Housing Limited
- Tasmanian State Pool Account

Department of Justice

Department of Police, Fire and Emergency Management¹

Department of Premier and Cabinet

Department of Primary Industries, Parks, Water and Environment

Department of State Growth including:

- Abt Railway Ministerial Corporation
- Tasmania Development and Resources
- Tasmanian Museum and Art Gallery

Department of Treasury and Finance

Derwent Valley Council

Devonport City Council

Dorset Council¹

- NE Core

Dulverton Regional Waste Management Authority

Egg Lagoon Drainage Trust³

Elizabeth Macquarie Irrigation Trust³

Flinders Council¹

Forest Practices Authority

Forthside Irrigation Water Trust³

George Town Council

Glamorgan Spring Bay Council

Glenorchy City Council

Hobart City Council

House of Assembly

Huon Valley Council

- Geeveston Town Hall Company Ltd²

Hydro-Electric Corporation¹

- Bell Bay Power Pty Ltd²
- Lofty Ranges Power Pty Ltd²
- Bell Bay Three Pty Ltd²
- RE Storage Holding Pty Ltd²
- Hydro Tasmania Consulting (Holding) Pty Ltd²
- HT Wind Operations Pty Ltd²
- AETV Pty Ltd²
- Woolnorth Bluff Point Holdings Pty Ltd²
- Woolnorth Studland Bay Holdings Pty Ltd²
- Heemskirk Holdings Pty Ltd²
- HT Wind Developments Pty Ltd²
- HT Wind New Zealand Pty Ltd²
- Momentum Energy Pty Ltd¹

Inland Fisheries Service¹

Integrity Commission

Kentish Council

King Island Council

Kingborough Council

- Kingborough Waste Service Pty Ltd²

Lake Nowhere-Else Dam / Whitemark Creek Irrigation Trust³

Latrobe Council

Launceston City Council

- Launceston Flood Authority

Lawrenny Irrigation Trust³

Legal Aid Commission of Tasmania

Legal Profession Board
 Legislative Council
 Legislature-General
 Local Government Association of Tasmania
 Lower Georges River Works Trust³
 Macquarie Point Development Corporation
 Marine and Safety Tasmania¹
 Meander Valley Council
 Metro Tasmania Pty Ltd

- Metro Coaches (Tas) Pty Ltd²

 Motor Accidents Insurance Board¹
 Mowbray Swamp Drainage Trust³
 National Trust of Australia (Tasmania)
 Northern Midlands Council
 Northern Tasmanian Development Corporation
 Office of the Director of Public Prosecutions
 Office of the Governor
 Office of the Ombudsman and Health Complaints Commissioner
 Port Arthur Historic Site Management Authority
 Private Forests Tasmania
 Property Agents Board
 Property Agents Trust
 Public Trustee
 Richmond Irrigation Trust³
 River Clyde Trust
 Royal Tasmanian Botanical Gardens
 Sense-Co Tasmania Pty Ltd²
 Solicitors' Trust
 Sorell Council¹
 Southern Midlands Council¹

- Heritage Building Solutions Pty Ltd²
- Heritage Education and Skills Centre Pty Ltd²

 Southern Tasmanian Councils Association
 State Fire Commission¹
 Superannuation Commission¹
 Sustainable Timber Tasmania

- Newood Holdings Pty Ltd
- Newood Energy Pty Ltd²
- Newood Huon Pty Ltd²
- Newood Smithton Pty Ltd²

 Tasman Council¹
 Tasmania University Union, Inc.
 Tasmanian Beef Industry (Research and Development) Trust¹
 Tasmanian Building and Construction Industry Training Board
 Tasmanian Community Fund

Tasmanian Dairy Industry Authority
 Tasmanian Economic Regulator
 Tasmanian Health Service
 Tasmanian Heritage Council
 Tasmanian Irrigation Pty Ltd
 Tasmanian Networks Pty Ltd

- FortyTwo24 Pty Ltd²
- Tasnetworks Holdings Pty Ltd²

 Tasmanian Pharmacy Authority³
 Tasmanian Ports Corporation Pty Ltd

- Bass Island Line Pty Ltd
- Flinders Island Ports Corporation Pty Ltd²
- King Island Ports Corporation Pty Ltd²

 Tasmanian Public Finance Corporation
 Tasmanian Railway Pty Ltd
 Tasmanian Timber Promotion Board³
 Tasmanian Water and Sewerage Corporation Pty Ltd
 Tasracing Pty Ltd
 TasTAFE
 Teachers Registration Board
 The Nominal Insurer
 Theatre Royal Management Board
 Togari Drainage Trust⁴
 Tourism Tasmania
 Treasurer's Annual Financial Report including:

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

 TT Line Company Pty Ltd
 University of Tasmania

- University of Tasmania Foundations Inc.
- UTAS Holdings Pty Ltd²

 Waratah-Wynyard Council
 Wellington Park Management Trust
 West Coast Council¹
 West Tamar Council
 Workcover Tasmania Board

Key:

1. Audits outsourced to external audit service 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. Audits have not met reporting requirements and dispensation is being reconsidered

APPENDIX 5: EXTERNAL AUDIT SERVICE PROVIDERS

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

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

The following 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
hanywhere - Melbourne
KPMG - Hobart and Launceston
PricewaterhouseCoopers - Melbourne
RSM Bird Cameron - Melbourne
Ruddicks - Launceston
Synectic Audit and Assurance Pty Ltd - Devonport
WLF - Hobart

The following table sets out the commitments to external audit service providers for 2017-18 financial statement audits.

Client	Service Description	Contractor	Fee ex GST
Aboriginal Land Council of Tasmania	Financial Attest Audit	Crowe Horwath	\$ 5 910
Aurora Energy Pty Ltd	Valuation of financial instruments	Ernst Young	\$ 24 000
Central Highlands Council	Financial Attest Audit	Crowe Horwath	\$ 19 700
Copping Refuse Disposal Site Joint Authority (Southern Waste Solutions)	Financial Attest Audit	BDO	\$ 9 495
Department of Justice	Financial Attest Audit	Deloitte	\$ 12 000
Department of Police and Emergency Management	Financial Attest Audit	KPMG	\$ 53 990
Dorset Council	Financial Attest Audit	KPMG	\$ 22 100
Flinders Council	Financial Attest Audit	Ruddicks	\$ 18 700
Hydro-Electric Corporation and Momentum Energy Pty Ltd	Financial Attest Audit	KPMG	\$ 280 000
Inland Fisheries Service	Financial Attest Audit	Crowe Horwath	\$ 15 050
Marine and Safety Tasmania (MAST)	Financial Attest Audit	Crowe Horwath	\$ 13 000
Motor Accidents Insurance Board of Tasmania (MAIB)	Financial Attest Audit	RSM Bird Cameron	\$ 70 025
Northern Tasmanian Development Corporation Ltd (NTD)	Financial Attest Audit	Crowe Horwath	\$ 5 000
Port Arthur Historic Site Management Authority (PAHSMA)	Financial Attest Audit	WLF	\$ 32 230
Sorell Council	Financial Attest Audit	WLF	\$ 21 360
Southern Midlands Council	Financial Attest Audit	Bentleys Tasmania	\$ 21 900
Southern Tasmanian Councils Association	Financial Attest Audit	Bentleys Tasmania	\$ 4 480
State Fire Commission	Financial Attest Audit	KPMG	\$ 38 990
Superannuation Commission as Trustee of the Retirement Benefits Fund.	Financial Attest Audit	RSM Bird Cameron	\$ 64 000
Tasman Council	Financial Attest Audit	WLF	\$ 19 710
Tasmanian Beef Industry (Research and Development) Trust	Financial Attest Audit	Crowe Horwath	\$ 950
Tasmanian Heritage Council	Financial Attest Audit	Bentleys Tasmania	\$ 3 350
Tasmanian Public Finance Corporation (TASCORP)	Valuation of financial instruments	Deloitte	\$ 45 000
Wellington Park Management Trust	Financial Attest Audit	Bentleys Tasmania	\$ 4 380
West Coast Council	Financial Attest Audit	Synectic	\$ 19 974

KPMG also provided assistance on a number of financial audits conducted by the Tasmanian Audit Office. The value of this work was \$16 415 (GST exclusive).

Other contracts entered into during the 2017-18 financial year not associated with financial statement audits:

Client	Service Description	Contractor	Fee ex GST
Tasmanian Audit Office (TAO)	Employer Audit - Performance Management in the State Service	PricewaterhouseCoopers	\$ 120 000
Tasmanian Audit Office (TAO)	Internal Audit	Oakton	\$ 40 000
Tasmanian Audit Office (TAO)	IPSAM Support	Queensland Audit Office (QAO)	\$ 15 000
Tasmanian Audit Office (TAO)	Human Resource Services	Hexagon Pty Ltd	\$ 15 950
Tasmanian Audit Office (TAO)	Human Resource Services	Dundonald Pty Ltd trading as Tomten Consulting	\$ 30 500
Tasmanian Networks Pty Ltd (TasNetworks)	Non financial review of Regulatory Information Notices	GHD Pty Ltd	\$ 56 000

APPENDIX 6: ASSET MANAGEMENT, RISK AND PRICING POLICY, AND GOVERNMENT PROCUREMENT

ASSET MANAGEMENT

The financial statements for 2017-18 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 also held in the Office's financial management system. 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 2017-18 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 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 was 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 2017-18 financial year audits, the adjustment to fees was 2% for General Government Sector entities % for government businesses and 6% for local government councils.

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 5).

The following details are provided in accordance with Treasurer's Instruction 1111 and 1213 for all contracts awarded (excluding consultancies) and tenders called during 2017-18 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	4
Total number of contracts awarded to Tasmanian businesses	3
Value of contracts awarded	\$ 2 269 940
Value of contracts awarded to Tasmanian businesses	\$ 2 143 790
Total number of tenders called and/or quotation processes run	1
Total number of bids and/or written quotations received	4
Total number of bids and/or written quotations received from Tasmanian businesses	2

Includes official orders and quotations that have been entered into during the 2017-18 financial year from the external audit providers panel as referred in Appendix 5.

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

Name of Contractor	Contractor Location	Client	Service Description	Contract Period	Total Contract Value
Deloitte	Hobart	Tasmanian Public Finance Corporation (TASCORP)	Review of year end valuation of financial instruments	3 years	\$ 138 500
Deloitte	Hobart	Department of Primary Industries, Parks, Water and Environment (DPIPWE)	Financial Attest Audit	3 years + 2 year option	\$ 533 520
Ernst & Young	Melbourne	Aurora Energy Pty Ltd	Review of year end valuation of financial instruments	3 years + 2 year option	\$ 126 150
KPMG	Hobart	Hydro-Electric Corporation and Momentum Energy Pty Ltd	Financial Attest Audit	3 years + 2 year option	\$ 1 471 770
Price-waterhouse-Coopers	Melbourne	Tasmanian Audit Office (TAO)	Employer Audit - Performance Management in the State Service	1 year	\$ 120 000
RSM Bird Cameron	Melbourne	Superannuation Commission as Trustee of the Retirement Benefits Fund	Financial Attest Audit	2 years	\$ 128 000

Consultancies over \$50 000

Nil.

Goods and Services Exemption TI 1107

Nil.

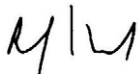
Procurement Complaints

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

APPENDIX 7: SUPERANNUATION DECLARATION

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

Australian Super
Fiducian Super Services
Hostplus Super
MLC Wrap Super
MLC Wrap Super - Super Service
PublicSectorSuper Accum. Plan
RBF Contributory Scheme
RBF Tas Accumulation Scheme
Retail Employees Super Fund
Sun Super
Tasplan Superannuation
Unisuper Limited
Whitehead Super Fund



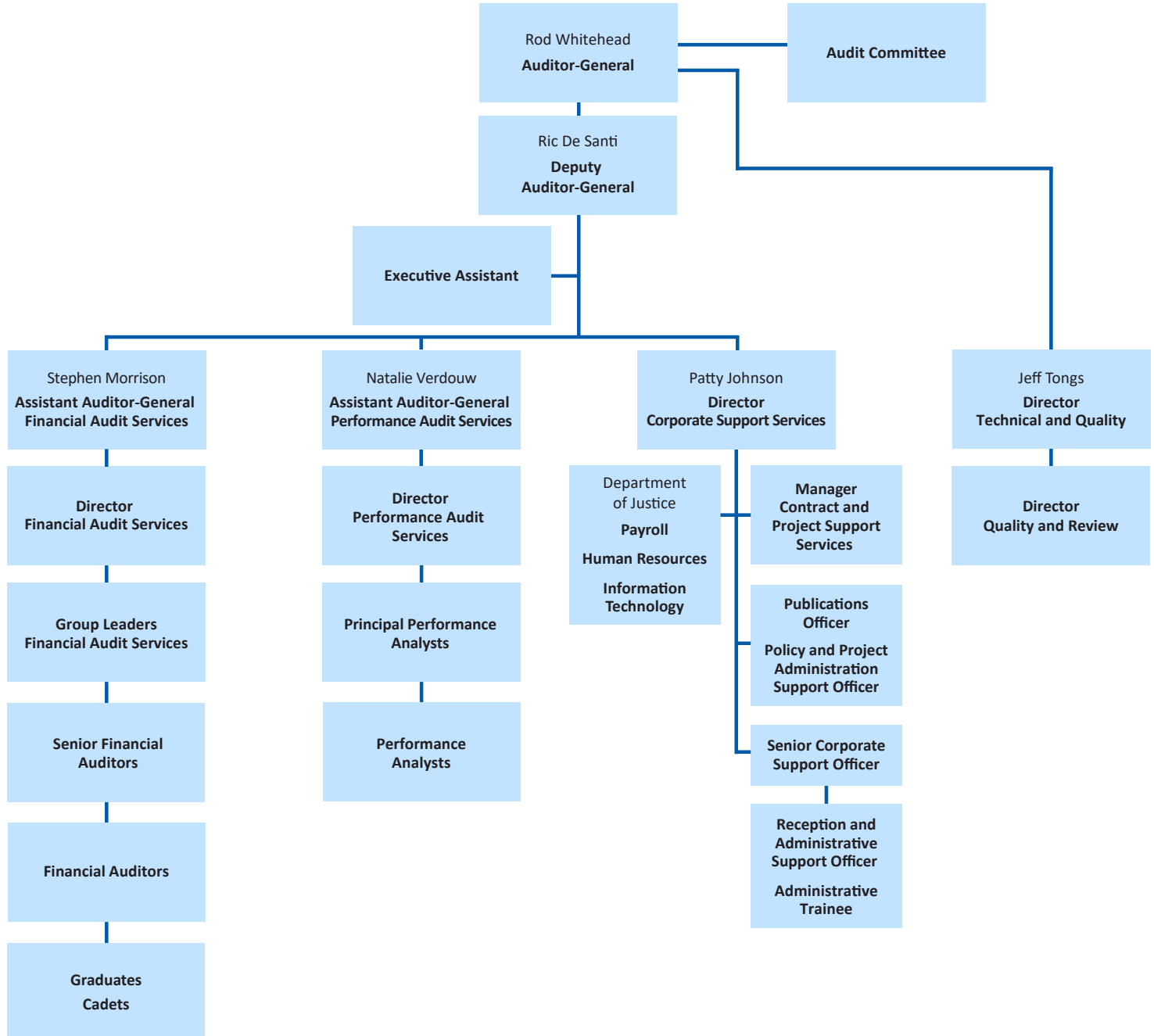
Rod Whitehead

30 June 2018

APPENDIX 8: ORGANISATIONAL STRUCTURE

Organisational Chart as at 30 June 2018

The Office consists of four business units FAS, PAS, OAG and CSS. A SLA with the DoJ continued during the 2017-18 financial year. The services outsourced include information technology, finance, human resources, and information management.



APPENDIX 9: PUBLICATIONS AND REPORTS

Reports to Parliament on the Outcomes of Financial Audits

In 2017-18 the Office tabled one report on the outcomes of financial audits separated into four volumes. 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 2017-18 five reports were completed and tabled in Parliament. This included one employer review report.

Name of Publication	Date Released
Reports to Parliament on the Outcomes of Financial Audits	
Volume 1 - Treasurer's Annual Financial Report and Results of General Government Sector Entities 2016-17	Nov 2017
Volume 2 – Government Businesses and Tasmanian Water and Sewerage Corporation Pty Ltd 2016-17	Nov 2017
Volume 3 – Local Government Authorities 2016-17	Nov 2017
Volume 4 – State entities 30 June and 31 December 2017	Jun 2018
Reports to Parliament on the Outcomes of Performance and Compliance Audits and Special Investigations	
Investigation into procurement of goods and services from CT Management Group Pty Ltd by Glenorchy City Council	Oct 2017
Water and sewerage in Tasmania: Assessing the outcomes of industry reform	Nov 2017
Appointment of Tasmanian State Service Senior Executive Officers, General Stream Bands 9 and 10 and Professional Stream Band 6 Positions	Nov 2017
Use of credit cards by councils' general managers and elected members	Nov 2017
Report to PAC - Special Care Packages for Children in Out of Home Care	Jan 2018
Follow up of selected Auditor-General reports – March 2015 to May 2015	May 2018
Office Publications	
Annual Plan of Work 2018-19	Oct 2017
Annual Report	Jun 2018

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 bi-monthly internal newsletters. These are aimed at keeping staff informed about developments within our Office.

APPENDIX 10: COMPLIANCE INDEX AND DISCLOSURE REQUIREMENTS

SECTION AND COMPLIANCE

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

DETAILS

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

PAGE

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

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

Section	Compliance	Page	Details
Overview			
Strategic plan	SSR s9(a)(i)	14	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)	32	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)	16	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)	9	Details of, and reasons for, any major changes which have taken place in relation to the programs, aims, functions or organisational structure of the Office.
Organisational Structure			
Office organisation chart	SSR s9(a)(ii)	92	An organisational chart illustrating the Office's administrative structure, including regional locations, and officers.
Why we are structured this way	SSR s9(a)(iii)	16	A description of the relationship between the organisational structure and the program management structure of the Office

Section	Compliance	Page	Details
Performance Management			
Performance summary	TI 201 (1)(a) & (e)	32	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)	32	Economic or other factors that have affected the achievement of operational objectives.
Carbon emissions - climate change and environmental impact		30	Outlines our corporate social responsibility initiatives.
Legislation Administered			
Legislation administered	SSR s9(d)	94	A list of legislation administered by the Office during the year.
Legislation enacted during the year	SSR s9(d)	13	A list of legislation enacted during the year for which the Office is responsible, including details of significant changes to legislation previously administered by the Office.
Public Access and Awareness of Services Provided			
Key contacts	SSR s9(c)(ii)	Back Cover	List of contact officers and points of public access in relation to services provided by the Office.
Community awareness	SSR s9(c)(i)	30	Details of activities undertaken to develop community awareness of the Office and the services it provides.
Agency publications	SSR s9(c)(i)	93	List of documents published by any internal or external body of the Office during the year.
Right to information requests	RTI	19	Right to information details for the year.
Public interest disclosure investigations	PID s86	19	List the number of public interest disclosures made to the Office and the procedures for making public interest disclosures to the Office.
Human Resource Management			
Recruitment and selection	SSR s9(b)(i)	25	Details of recruitment policies and program including statistical information for the year.
Staff development	SSR s9(b)(ii)	27	Information relating to employee training and development activities, including statistical information for the year.
Equal Employment Opportunities	SSR s9(b)(iii)	25	A description of the Office's workplace diversity programs, including statistical information for the year.
Industrial democracy	SSR s9(b)(iv)	25	Details of the processes established to ensure employee participation in industrial relation matters within the Office.
Internal grievance procedures	SSR s9(b)(v)	29	Summary of internal grievance procedures.
Workplace health and safety	SSR s9(b)(vi)	24	Outline of workplace health and safety.

Section	Compliance	Page	Details
Appeals process	SSR s9(c)(iii)	29	An outline of the processes available for appeals against decisions made by the Office.
Performance management	SSA s36(1)(ba)	27	The Office's approach to the development and implementation of performance management.
Superannuation contributions	PSSRA s13	91	Certification by the relevant Office manager relating to contributions to non-RBF superannuation funds, including a report that the Office has met its obligations under the <i>Superannuation Guarantee (Administration) Act 1992</i> .
Asset Management and Risk Management Policies			
Pricing policies	TI 201 (1)(c)	88	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)	90	Information on major capital projects or undertakings.
Risk management	TI 201 (1)(f)	88	Statement of risk management policies and an outline of significant risk management strategies and initiatives.
Asset management	TI 201 (1)(g)	88	Statement of asset management policies and an outline of asset management strategies and initiatives.
Government Procurement			
Support for local business	TI 1111 3(a) & (b)	89	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 1111 3(b)(ii)	85-90	Detailed information on all contracts awarded including a description of the contract, the total value of the contract and the name and locality of contractors.
Consultancies awarded during the year	TI 1111 3(b)(ii)	85-90	Detailed information on all consultancies awarded including the name of the consultant, a description of the consultancies, the total value of the contract and locality of consultants.
Other matters	TI 201 (1)(l)	Annual Report	Any matters deemed relevant by the Auditor-General.
Financial Statements			
Financial statements	AA s17(3) FMAA s27(1)(c) FMAA s27(2), (3) & (4) TI 201 (1)(j)	43-70	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)	45	Independent Auditor's Report on the Office's Financial Statements.

THE TASMANIAN AUDIT OFFICE

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

Vision

Strive | Lead | Excel
To make a difference.

Purpose

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

Our Values

Professionalism - How we go about our work

Respect - How we treat others and expect to be treated

Customer Focus - How we deliver our services

Camaraderie - How we work together

Continuous Improvement - How we move forward and work better.

Our Logo

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

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

Our History

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

OFFICE CONTACTS

Protected Disclosure Officer:

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Procurement Complaints Officer:

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

Privacy Information Officer:

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

Right to Information Officer:

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

COMMUNICATION OBJECTIVE

The Tasmanian Audit Office's (TAO) Annual Report summarises our financial and corporate performance for 2015-16. In keeping with our vision, the report's theme is 'making a difference'.

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

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

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

Fax to: (03) 6173 0999

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

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

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Cover photo:

'Eastern Shore, Tasman Bridge and Hobart'
Tourism Australia & Graham Freeman

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