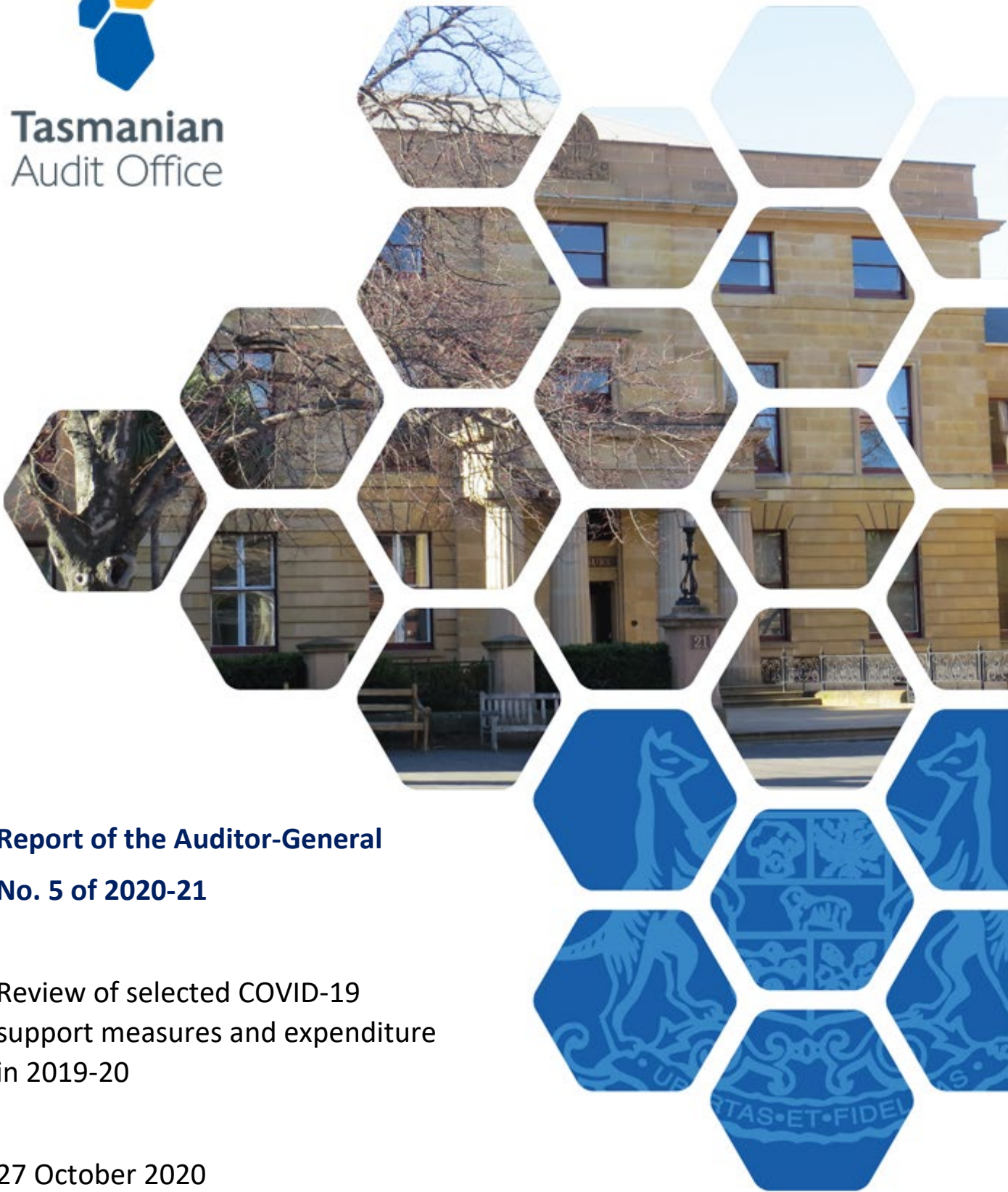




Tasmanian
Audit Office



**Report of the Auditor-General
No. 5 of 2020-21**

Review of selected COVID-19
support measures and expenditure
in 2019-20

27 October 2020

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

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 report findings and outcomes to Parliament.

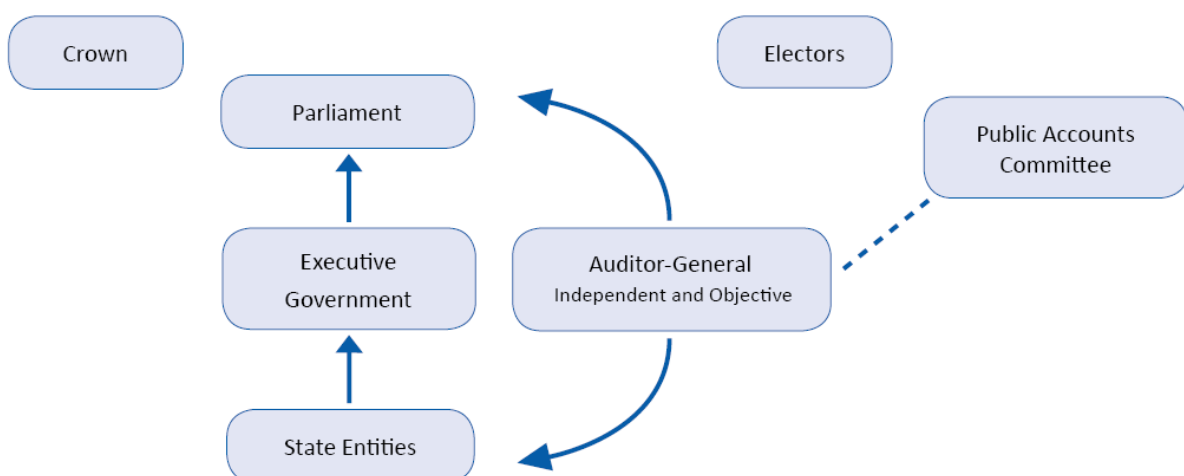
We also conduct performance audits and compliance audits. Performance audits examine whether a State entity is carrying out its activities effectively and doing so economically and efficiently. Audits may cover all or part of a State entity's operations, or consider particular issues across a number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

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





2020
PARLIAMENT OF TASMANIA

**Report of the Auditor-General No. 5 of 2020-21:
Review of selected COVID-19 support measures and expenditure in 2019-20**

27 October 2020

Presented to both Houses of Parliament pursuant to
Section 30(1) of the *Audit Act 2008*

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President, Legislative Council
Speaker, House of Assembly
Parliament House
HOBART

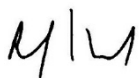
Dear Mr President, Madam Speaker

Report of the Auditor-General No. 5 of 2020-21: Review of selected COVID-19 support measures and expenditure in 2019-20

This interim report relates to my review of COVID-19 stimulus measures and targeted financial support payments and expenditures. It reports on expenditure from the \$150.0m COVID-19 provision established under the *Appropriation (Supplementary Appropriation for 2019-20) Act 2020* to meet potential costs associated with further action required to be taken by the Government in response to the COVID-19 pandemic.

This report has been prepared consequent to examinations conducted under section 23 of the *Audit Act 2008*. The objective of the review was to express a limited assurance opinion on the authority to spend on the Support Measures, controls around the transfer of funds from the Department of Treasury and Finance to agencies and actual expenditure in 2019-20.

Yours sincerely



Rod Whitehead
Auditor-General

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Independent assurance report

This independent assurance report is addressed to the President of the Legislative Council and the Speaker of the House of Assembly. It relates to my review of expenditure made in 2019-20 from the \$150.0m provision established under the *Appropriation (Supplementary Appropriation for 2019-20) Act 2020* to meet potential costs associated with further action required to be taken by the Government in response to the COVID-19 pandemic (the Support Measures).

Review objective

The objective of the review was to express a limited assurance opinion on the controls around the transfer of funds from the Department of Treasury and Finance (Treasury) to agencies and whether agencies maintained sufficient and appropriate evidence to support expenditure on the Support Measures.

Review scope

The review examined the controls around the transfer of funds from Treasury to agencies and expenditure incurred in 2019-20.

The review did not examine:

- controls around procurement
- controls around the payment of funds to grant recipients and suppliers
- rolling forward of unexpended funds to 2020-21
- expenditure in 2020-21.

Review approach

The review was conducted in accordance with Australian Standard on Assurance Engagements ASAE 3000 *Assurance Engagements Other than Audits or Reviews of Historical Financial Information* and ASAE 3150 *Assurance Engagements on Controls* issued by the Auditing and Assurance Standards Board, to express a limited assurance conclusion.

An assurance engagement to report on the design and operating effectiveness of controls involves performing procedures to obtain evidence about the suitability of the design of controls to achieve the control objectives and the operating effectiveness of controls throughout the period.

The procedures performed in a limited assurance review vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement and consequently the level of assurance obtained in a limited assurance review is substantially lower than the assurance that would be obtained had a reasonable assurance engagement been performed.

The review evaluated the following criteria:

1. Were controls around the transfer of funds to agencies suitably designed, implemented and operating effectively?
2. Did agencies maintain sufficient and appropriate evidence to support expenditure on the Support Measures?

I conducted my limited assurance review by making such enquiries and performing such procedures I considered reasonable in the circumstances.

Evidence for the review was obtained primarily through discussions with relevant personnel and examining corroborative documentation. Documentation to support actual expenditure on the Support Measures was obtained from the Departments of Communities Tasmania (Communities Tasmania), Health (Health), Premier and Cabinet (DPAC), Primary Industries, Parks, Water and Environment (DPIPWE) and State Growth (State Growth) as well as Treasury.

I believe that the evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Responsibilities of management

Treasury was responsible for maintaining controls around the transfer of funds to agencies that were suitably designed, implemented and operating effectively. Agencies were responsible for maintaining sufficient and appropriate evidence to support expenditure on the Support Measures.

Responsibilities of the Auditor-General

My responsibility was to express a limited assurance conclusion on whether controls around the transfer of funds from Treasury to agencies were suitably designed, implemented and operating effectively and whether agencies maintained sufficient and appropriate evidence to support expenditure on the Support Measures for the period to 30 June 2020.

Independence and quality control

I have complied with the independence and other relevant ethical requirements relating to assurance engagements, and apply Auditing Standard ASQC 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Reports and Other Financial Information, and Other Assurance Engagements* in undertaking this assurance review.

Conclusion

Based on the procedures I have performed and the evidence I have obtained, nothing has come to my attention that causes me to believe that, in all material respects:

- (a) controls around the transfer of funds to agencies were not suitably designed, implemented and operating effectively
- (b) agencies did not maintain sufficient and appropriate evidence to support expenditure on the Support Measures.



Rod Whitehead
Auditor-General

27 October 2020

Submissions and comments received

In accordance with section 30(2) of the *Audit Act 2008* (Audit Act), a summary of findings or Report extract was provided to the Treasurer, and other persons who, in my opinion, had a special interest in the Report, with a request for submissions or comments.

Submissions and comments we receive are not subject to the audit nor the evidentiary standards required in reaching an audit conclusion. Responsibility for the accuracy, fairness and balance of these comments rests solely with those who provided the response. However, views expressed by the responders were considered in reaching audit conclusions.

Section 30(3) of the Act requires this Report include any submissions or comments made under section 30(2) or a fair summary of them. Submissions received are included below.

Premier and Treasurer

The \$150 million appropriation into Finance-General during 2019-20 to meet the costs associated with the COVID-19 pandemic was a key element of this Government's social and economic support packages.

I am pleased to note the Auditor-General's conclusion to this matter.

The Honourable Peter Gutwein MP

Premier and Treasurer

Department of Treasury and Finance

Treasury notes the process used to conduct this limited assurance review and the findings of this report, and has no further comments.

Thank you for the opportunity to comment on this audit report.

Tony Ferrall

Secretary

Detailed findings

Introduction

- 1.1 The Government's emergency management response to the coronavirus pandemic commenced on 2 March 2020 when the State Emergency Management Committee was stood up.
- 1.2 On 24 March 2020, both Houses of Parliament considered and passed the *Appropriation (Supplementary Appropriation for 2019-20) Bill 2020*. The Second Reading Speech for the Bill and the associated debate acknowledged the establishment of a provision of \$150 million to Finance-General to meet potential costs associated with further action required to be taken by the Government in response to the COVID-19 pandemic.
- 1.3 On 26 March 2020, the Premier announced a Social and Economic Package that included Support Measures to support health, businesses and jobs, households and individuals and community organisations. A number of these measures were funded through the \$150.0m provision established in Finance-General.
- 1.4 This is our first report in a series covering our review of COVID-19 stimulus measures and targeted financial support payments and expenditures. Future reports will cover our review of the payroll tax waiver administered by Treasury, Small Business Hardship Program administered by State Growth and the Community Support Fund administered by Communities Tasmania.

The controls around the transfer of funds from the \$150.0m provision to agencies were effective.

- 1.5 The process for determining amounts transferred to agencies in 2019-20 ran from March 2020 to June 2020. Information used to determine the funding allocation for 2019-20 included discussions with, or information from, the Premier's Office on the likely level of expenditure on Support Measures in 2019-20 and subsequent years and information from agencies on expenditure incurred in relation to the pandemic.
- 1.6 Subsequent to the initial allocation of Support Measures, new or updated Support Measures to be allocated against the provision were identified through Government announcements and/or advice from agencies.
- 1.7 The Budget Management Branch of Treasury was responsible for tracking all commitments and provided advice, as required, to the Secretary of Treasury and the Treasurer as to the level of available funding.
- 1.8 All transfers to agencies were approved by the Secretary of Treasury under Section 20 of the *Financial Management Act 2016*. The Secretary had appropriate authority to make these transfers pursuant to a delegation from the Treasurer provided under Section 50 of the *Financial Management Act 2016*.

Agencies maintained sufficient and appropriate evidence to support expenditure on the Support Measures.

1.9 Evidence provided to us by agencies to support expenditure on the Support Measures included:

- finance system transaction reports
- Excel spreadsheets tracking expenditure incurred
- invoices for selected transactions.

1.10 Our review of the evidence provided by agencies indicated the expenditure incurred was relevant to the Support Measures undertaken by the agency. A summary of estimated expenditure on the Support Measures for 2019-20 as published by Treasury in the Economic and Fiscal Update Report - August 2020 together with expenditure verified by us is provided in Table 1. Variations between estimated expenditure and verified expenditure are attributed to factors such as the timing of the provision of estimated expenditure information to Treasury by agencies and the availability of other funding sources to agencies to meet the cost of support measures. Further expenditure on some Support Measures is expected to be incurred in 2020-21 following approval for some agencies to rollover funding from 2019-20 to 2020-21.

Table 1: Expenditure on Support Measures

Agency	Support Measure	Estimated expenditure (\$'000s)	Verified expenditure (\$'000s)
Communities Tasmania	Community Support Fund	12 800	12 517
	Housing and Homelessness Support	2 085	1 786
	Temporary Visa Holders	2 000	1 726
	Child Safety System ¹	1 250	397
	Family Violence ¹	1 000	367
	Sport and Recreation Support ²	500	1 915
	Returned Service League Support	500	225
	No Interest Loan Scheme Increase	500	500
	Private Rental Incentive Scheme ¹	250	9
Health	Health COVID-19 General Allocation ³	43 200	37 036
	Primary Health Support ⁴	2 800	3 951
	Mental Health Program ⁵	1 500	1 827

Agency	Support Measure	Estimated expenditure (\$'000s)	Verified expenditure (\$'000s)
DPAC	Essential Communications ⁶	1 500	1 500
	State Sector – Casual Worker Support ⁷	1 000	0
DPIPWE	Parks and Wildlife Management	225	33
State Growth	Small Business Grants Program	60 000	59 338
	Rapid Response Skills Initiative ⁸	3 150	183
	Critical Airfreight Support – Bass Strait Islands	1 600	1 221
	Critical Airfreight Support – Time Sensitive Air Freight including Seafood ⁹	1 000	27
	Small Business Continuity Advice ¹⁰	750	1 580
	Creative and Cultural Industries Support ¹¹	500	845
	Small Business \$50.0m Interest Free Loans ¹²	150	0
	Tourism and Hospitality Financial Counselling	100	150
	Digital Ready for Business Program	100	100
	Rural Financial Counselling Service	100	100
	Supporting our local Chamber of Commerce	100	67
Finance-General	Small Business Electricity Waiver ¹³	2 000	787
	Local Government \$150.0m Interest Free Loans – interest rebates ¹⁴	400	0
Total budgeted and actual expenditure in 2019-20		141 060	128 187
Unallocated funding		8 940	21 813
Total		150 000	150 000

Notes:

1. The remaining funding has been reallocated to 2020-21 in line with the expected timing of payments. Significant lead time was required for a number of Communities Tasmania Support Measures.
2. Demand for support for local sporting organisations was significant in 2019-20. Tranche One of the Sport and Recreation COVID-19 Support Fund supported 25 organisations. Total funding for this Support Measure was \$2.0m (\$0.5m in 2019-20 and \$1.5m in 2020-21).
3. The cost of the Government's response and the proportion of the costs to be funded by the Commonwealth Government through the National Partnership on COVID-19 Response is yet to be finalised.
4. The initial estimated funding for this Support Measure was \$3.0m (\$2.8m in 2019-20 and \$0.2m in 2020-21). There were subsequent rounds of funding announced and provided, with total funding for this Support Measure increasing to \$5.0m (\$3.69m in 2019-20 and \$1.31m in 2020-21). Verified expenditure included funding from additional sources.
5. Total initial estimated funding for this Support Measure was \$3.0m (\$1.5m in 2019-20 and \$1.5m in 2020-21). There were subsequent rounds of funding announced and provided, with total funding for this Support Measure increasing to \$4.0m (\$1.89m in 2019-20 and \$2.11m in 2020-21). Verified expenditure included funding from additional sources.
6. Expenditure above the initial estimated expenditure amount has been reimbursed to DPAC by Health and is included in the Health COVID-19 General Allocation expenditure.
7. Support for State Sector Casual Workers was not required in 2019-20.
8. Funding of \$2.85m was reallocated to 2020-21 in line with the expected timing of payments.
9. The Tasmanian Government and the Australian Government's International Freight Assistance Mechanism are supporting a flight between Hobart and Sydney to link to international flights. The service is primarily providing access for live seafood exports to Asian markets. Commitments are in place for 2020-21.
10. There was significant demand for this Support Measure with over 4000 applications received.
11. Total funding allocated to this Support Measure was \$1.5m (\$0.5m in 2019-20 and \$1.0m in 2020-21). Funding was reallocated from 2020-21 into 2019-20 to meet program demand.
12. Funding was reallocated to 2020-21 to align with the expected timing of interest payments.

13. A reimbursement was provided to electricity retail businesses other than Aurora for waiving eligible small business customers' next electricity bill after 1 April 2020.
14. Approval for the majority of loans under the Local Government Loans Program was provided by the Treasurer in May 2020. On drawing down the loan, Tasmanian Public Finance Corporation provide a repayment schedule for interest payments, which is usually in six-monthly instalments. After an interest payment is made, Councils send an invoice to Treasury for the amount of interest paid and Treasury provides a reimbursement. As a result of this process, actual expenditure will not be incurred until 2020-21. Up to date information on loans approved under the program is available on Treasury's website.

Acronyms and abbreviations

Audit Act	<i>Audit Act 2008</i>
Communities Tasmania	Department of Communities Tasmania
DPAC	Department of Premier and Cabinet
DPIPWE	Department of Premier and Cabinet
Health	Department of Health
State Growth	Department of State Growth
Treasury	Department of Treasury and Finance

Audit Mandate and Standards Applied

Mandate

Section 23 of the *Audit Act 2008* states that:

- (1) The Auditor-General may at any time carry out an examination or investigation for one or more of the following purposes:
 - (a) examining the accounting and financial management information systems of the Treasurer, a State entity or a subsidiary of a State entity to determine their effectiveness in achieving or monitoring program results;
 - (b) investigating any matter relating to the accounts of the Treasurer, a State entity or a subsidiary of a State entity;
 - (c) investigating any matter relating to public money or other money, or to public property or other property;
 - (d) examining the compliance of a State entity or a subsidiary of a State entity with written laws or its own internal policies;
 - (e) examining the efficiency, effectiveness and economy of a State entity, a number of State entities, a part of a State entity or a subsidiary of a State entity;
 - (f) examining the efficiency, effectiveness and economy with which a related entity of a State entity performs functions –
 - (i) on behalf of the State entity; or
 - (ii) in partnership or jointly with the State entity; or
 - (iii) as the delegate or agent of the State entity;
 - (g) examining the performance and exercise of the Employer's functions and powers under the *State Service Act 2000*.
- (2) Any examination or investigation carried out by the Auditor-General under subsection (1) is to be carried out in accordance with the powers of this Act

Standards Applied

Section 31 specifies that:

'The Auditor-General is to perform the audits required by this or any other Act in such a manner as the Auditor-General thinks fit having regard to -

- (a) the character and effectiveness of the internal control and internal audit of the relevant State entity or audited subsidiary of a State entity; and
- (b) the Australian Auditing and Assurance Standards.'

The auditing standards referred to are Australian Auditing Standards as issued by the Australian Auditing and Assurance Standards Board.



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