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# Client Information Session

## General Government and other NFP sector

10 May 2022

# Agenda

| Time | Presenter | Topic |
|---|---|---|
| 09:30 – 09:35 | Rod Whitehead | Introduction |
| 09:35 – 10:05 | Stephen Morrison | Matters from 2021<br>• 2021 audit findings for general government entities and other NFP sector entities<br>• Prior period errors<br>Audit focus areas of 2022<br>• Accounting position papers<br>• High risk audit areas audit approach<br>• Internal control focus areas for 2022 |
| 10:05 – 10:30 | David Bond | • ASA 315 (Identifying and Assessing the Risks of Material Misstatement)<br>• Documentation of key controls and assessment of work of experts<br>• Better practice |
| 10:30 – 10:40 | | Break |
| 10:40 – 11:05 | Jeff Tongs | • Overview of financial reporting changes<br>• Current technical accounting issues<br>• Other Reporting Considerations |
| 11:05 – 11:30 | Gary Emery | Performance Audit<br>• COVID-19 wrap up |
| 11:30 – 11:40 | Rod Whitehead | Questions and Close |

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# 2021 findings and 2022 Focus areas

Stephen Morrison

# Topics

- Matters from 2021
  - 2021 audit findings
  - Prior period errors
- Audit focus areas of 2022
  - Accounting position papers
  - High risk audit areas audit approach
  - Internal control focus areas for 2022

# 2021 Findings (overall)

**Findings from 31 December 2020 and 30 June 2021 financial statement audits**

**State entities and audited subsidiaries of State entities**
**31 December 2020 and 30 June 2021**

**272**
Audit matters raised

**107**
Audit matters raised in prior periods assessed as unresolved

Table 2: 31 December 2020 and 30 June 2021 audit findings by classification and risk rating

| 2021 | High Risk | Moderate Risk | Low Risk | Total |
|---|---|---|---|---|
| Internal control | 5 | 61 | 114 | 180 |
| Non-compliance with laws and regulations | 0 | 3 | 0 | 3 |
| Other significant matters | 3 | 1 | 0 | 4 |
| Financial reporting | 7 | 46 | 32 | 85 |
| Total | 15 | 111 | 146 | 272 |

# 2021 Findings (overall)

Table 2: 31 December 2020 and 30 June 2021 audit findings by classification and risk rating

| 2021 | High Risk | Moderate Risk | Low Risk | Total |
|---|---|---|---|---|
| **Internal control** | **5** | **61** | **114** | **180** |
| Control environment | 0 | 0 | 1 | 1 |
| Risk assessment | 1 | 9 | 34 | 44 |
| Information system and communication | 1 | 18 | 43 | 62 |
| Control activity | 2 | 23 | 31 | 56 |
| Monitoring activity | 1 | 11 | 5 | 17 |

# 2021 Findings (overall)

Table 2: 31 December 2020 and 30 June 2021 audit findings by classification and risk rating

| 2021 | High Risk | Moderate Risk | Low Risk | Total |
|---|---|---|---|---|
| **Financial reporting** | **7** | **46** | **32** | **85** |
| Accounting estimate | 0 | 8 | 7 | 15 |
| Accounting standard non-compliance | 0 | 21 | 6 | 27 |
| Disclosure | 2 | 1 | 8 | 11 |
| Fair value | 3 | 11 | 7 | 21 |
| Going concern | 1 | 0 | 0 | 1 |
| Related party transactions | 0 | 0 | 1 | 1 |
| Unintentional misstatement | 1 | 5 | 3 | 9 |

# 2021 findings (by sector)

Table 4: 31 December 2020 and 30 June 2021 audit findings by sector and risk rating

| 2021 | High Risk | Moderate Risk | Low Risk | Total |
|---|---|---|---|---|
| General Government Sector | 3 | 26 | 48 | 77 |
| Government Business | 1 | 20 | 20 | 41 |
| Local Government | 3 | 47 | 63 | 113 |
| Other | 8 | 18 | 15 | 41 |
| **Total** | **15** | **111** | **146** | **272** |

# 2021 findings (GGS and Other)

31 December 2020 and 30 June 2021 audit findings by classification and risk rating

| 2021 | High Risk | Moderate Risk | Low Risk | Total |
|---|---|---|---|---|
| Internal control | 3 | 31 | 52 | 86 |
| Non-compliance with laws and regulations | 0 | 1 | 0 | 1 |
| Other significant matters | 3 | 1 | 0 | 4 |
| Financial reporting | 5 | 11 | 11 | 27 |
| Total | 11 | 44 | 63 | 118 |

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# 2021 findings (GGS and Other)

31 December 2020 and 30 June 2021 audit findings by classification and risk rating

| 2021 | High Risk | Moderate Risk | Low Risk | Total |
|---|---|---|---|---|
| **Internal control** | **3** | **31** | **52** | **86** |
| Control environment | 0 | 0 | 0 | 0 |
| Risk assessment | 1 | 4 | 16 | 21 |
| Information system and communication | 0 | 7 | 17 | 24 |
| Control activity | 2 | 14 | 15 | 31 |
| Monitoring activity | 0 | 6 | 4 | 10 |

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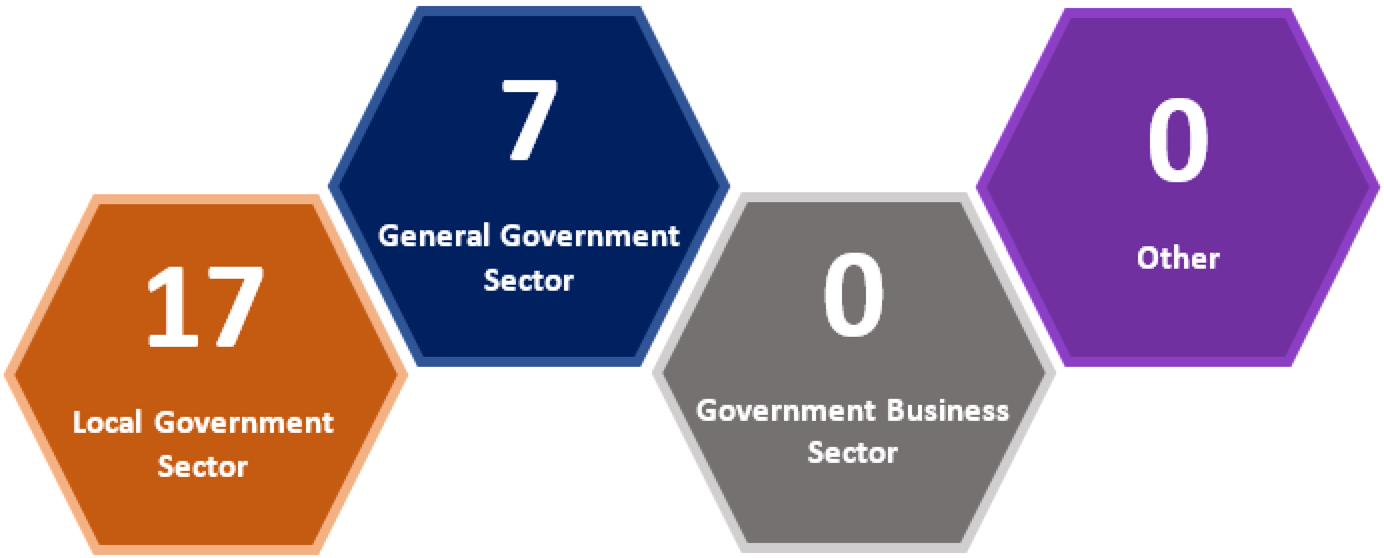
# 2021 findings (GGS and Other)

31 December 2020 and 30 June 2021 audit findings by classification and risk rating

| 2021 | High Risk | Moderate Risk | Low Risk | Total |
|---|---|---|---|---|
| **Financial reporting** | **5** | **11** | **11** | **27** |
| Accounting estimate | 0 | 1 | 6 | 7 |
| Accounting standard non-compliance | 0 | 4 | 3 | 7 |
| Disclosure | 2 | 1 | 1 | 4 |
| Fair value | 1 | 2 | 0 | 3 |
| Going concern | 1 | 0 | 0 | 1 |
| Related party transactions | 0 | 0 | 0 | 0 |
| Unintentional misstatement | 1 | 3 | 1 | 5 |

# Prior period errors (Overall)

Figure 11: Prior period errors - by sector

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# Prior period errors (GGS)

Table 5: Summary of prior period errors

| Entity | Prior Period Error |
|---|---|
| Abt Railway Ministerial Corporation | Misallocation between asset classes. |
| Department of Education | Omission of underground infrastructure assets as part of a previous revaluation. |
| Department of Justice | Omission of Prison building assets as part of a previous revaluation. |
| Department of Primary Industries, Parks, Water and Environment. | Reassessment of the control status and fair value of land assets subject to peppercorn lease arrangements, previously removed. |
| Integrity Commission | Correction to lease calculations on adoption of the new leasing standard. |
| Legislature-General | Incorrect recognition of lease liability under AASB 16 *Leases*. |
| Tasmanian Economic Regulator | Correction to basis of revenue recognition under AASB 15 Revenue from Contracts with Customers and AASB 1058 Income of Not-for-Profit Entities. |

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# Accounting position papers

- Should form part of financial statement/management process
- Types and examples
  - Changes in accounting policy
  - New standards
  - Annual assessments of useful lives and other estimates
  - Consideration of reports from experts (eg. Valuations)
  - Consideration of impairment and expected credit losses
  - Other matters of significance effecting the accounting or disclosures in the financial statements

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# High risk areas – control approach

- Presumption that management will have controls in place for high risk areas
- Audit reliance on key controls (focus area in 2022)
- Key assertions at risk (eg. completeness, accuracy, existence, valuation, presentation and disclosure)
- Design and Implementation of key controls
- Operating effectiveness of key controls
- Reporting of control deficiencies/areas for improvement
- Impact on audit approach

# Internal control focus areas 2022

- General IT controls (examples)
  - Governance
  - Change management
  - Access management
  - Service organisations (Iaas, Paas, Saas)
  - Disaster recovery/backups
- Payroll (examples)
  - Valid employees
  - Correct rates
  - Masterfile changes
  - Leave balances/approvals
  - Payroll reconciliations

# Internal control focus areas 2022

- Property, Plant and Equipment (examples)
  - Independent review of asset/WIP reconciliations
  - Management review and approval of valuations or indices applied to assets
  - Application controls and the calculation of indices/depreciation rates applied to assets
  - Managements review of remaining useful lives of assets
  - Management assessment of impairment indicators
  - Controls around commissioning of assets of a timely basis

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# 2021 / 2022 Audit focus areas

David Bond

# Audit focus areas

Areas subject to audit focus include:

1. consideration by those charged with governance (TCWG) and management of the risks relevant to financial reporting objectives
2. extent to which the design and implementation of appropriate controls and processes are adequately documented
3. reliance on information produced by experts.

# Business risks relevant to financial reporting objectives

- Australian Auditing Standard  ASA  315 - required to consider if the entity has a process for identifying business risks relevant to financial reporting objectives.
- If such a process does not exist, then this would be deemed to be a significant deficiency in internal control.
- Does it specifically address business risks relevant to financial reporting objectives?

# Process for identifying business risks relevant to financial reporting objectives


Committee of Sponsoring Organizations of the Treadway Commission (COSO) developed a COSO Framework for evaluating internal controls.

For the purposes of the Australian Auditing Standards, the system of internal control comprises the same five inter-related components

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# What could go wrong?

- Control environment:
  - Inadequate governance structures
  - Poor commitment to integrity and ethical values
  - Unclear assignment of authority and responsibility
  - Inability to attract, develop and retain competent individuals
  - Limited governance over information technology and communication systems/changes

# What could go wrong?

- Information system and communication:
  - IT applications – working around controls that initiate, process, record and report transactions or information
  - IT infrastructure – limited oversight of network, operating systems, and databases and their related hardware and software
  - IT processes – poor controls over access, change management, IT operations
  - Breakdowns in initiating, recording, processing and correcting (if necessary) transactions

# What could go wrong?

- Information system and communication:
  - Limited capture, processing and disclosure of other events and conditions (other than transactions) in the financial report
  - Deficient/missing accounting records
  - Unclear financial reporting process to prepare the financial statements
  - Inadequate resources relevant to the above

# What could go wrong?

- Control activities:
  - Absence of authorisations and approvals
  - Limited review of reconciliations
  - Over-reliance on manual verifications
  - Poor physical controls
  - Inadequate safeguarding of assets
  - Inadequate segregation of duties
  - Overriding of IT controls - completeness checks, validity checks, input controls

# What could go wrong?

- Monitoring activities:
  - Limited processes to monitor the effectiveness of controls, identification and remediation of control deficiencies
  - No, or ineffective, internal audit function
  - Limited processes to test the effectiveness of IT controls, identification and remediation of IT control deficiencies

# What could go wrong?

- Financial reporting considerations:
  - Going concern
  - Fair value
  - Estimates
  - Key judgements
  - Related party transactions
  - Accounting standards
  - Disclosures
  - Use of experts
  - Unintentional misstatement
  - Intentional misstatement
  - Asset misappropriation
  - Fraud
  - Non-compliance – laws, etc.

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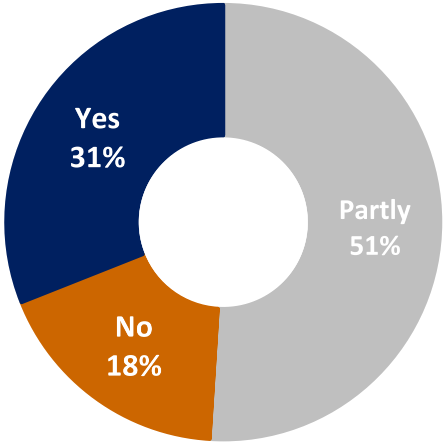
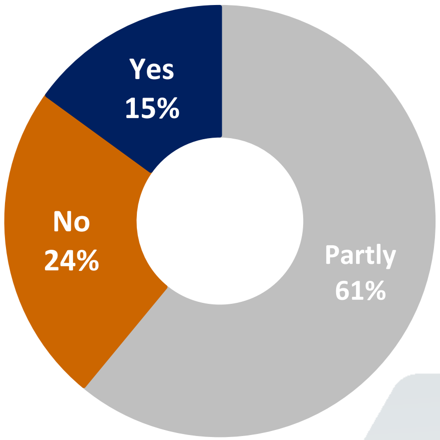
# Documentation of key internal controls relevant to financial reporting objectives

- How well are key internal controls:
  - understood?
  - documented?




Only a third of respondents felt that it was clear who is responsible for setting the standards for controls and designing controls within their organisations

- KPMG Controls Transformation and Automation Survey across 300 organisations, March 2021




Nearly a quarter of respondents said the controls were not formally documented with over 60 percent saying that only some controls were documented (e.g. financial)

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# Documentation of key internal controls relevant to financial reporting objectives

ASIC guidance:

- Entities must have appropriate processes and records to support information in the financial report rather than rely on the independent auditor.
- An entity must keep written financial records that:
  - correctly record and explain the entity’s transactions and its financial position and performance
  - enable true and fair financial statements to be prepared and audited.

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# Documentation of key internal controls relevant to financial reporting objectives

ASIC guidance:

- TCWG's and management's obligation extends to ensuring that the entity's records are complete and accurate by adopting appropriate accounting policies and designing and implementing appropriate controls and processes.
- This obligation exists regardless of whether books and records are maintained in-house or outsourced to a third party, or whether they are electronic or in hard copy.

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# Reliance on works of experts

- Management's expert - an individual or organisation possessing expertise in a field other than accounting or auditing, whose work in that field is used by the entity to assist the entity in preparing the financial report.
- Management should document their:
  - consideration of the competence, capabilities and objectivity of the expert
  - understanding of the work of that expert
  - evaluation of the appropriateness of the expert's work for use in preparing the financial statements.
- Audit committees should evaluate management's assessment.

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# Overview of financial reporting changes, technical accounting issues, and other reporting considerations

Jeff Tongs

# Topics

Overview of financial reporting changes:

- Cloud Computing - accounting for SaaS
- Administrative Restructures
- AABS 1060: GPFS Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities
- Property Leases (Treasury or Agency ?)
- Concessionary Leases & Other Leasing Considerations
- Other Reporting Considerations
- Guidance paper - accounting for assets valued using current replacement cost
- New accounting standards

# Cloud Computing /Software-as-a-Service (SaaS)

***IFRIC Agenda Decision** - Configuration or Customisation Costs in a Cloud Computing Arrangement*

The SaaS arrangement gave the customer the right to receive access to the supplier's application software over the contract term (i.e. it is a service contract, not an intangible asset). The customer received no other goods and services but incurred costs for:

**Configuration** - involved the setting of various 'flags' or 'switches' within the application software, or defining values or parameters, to set up the software's existing code to function in a specified way.

**Customisation** - involved modifying the software code in the application or writing additional code. Customisation generally changes, or creates additional, functionalities within the software.

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https://www.ifrs.org/content/dam/ifrs/supporting-implementation/agenda-decisions/2021/configuration-or-customisation-costs-in-a-cloud-computing-arrangement-mar-21.pdf

# Cloud Computing /Software-as-a-Service (SaaS)

**IFRIC decisions:**

- rejected the view that a SaaS contract created a separate intangible asset, or a lease, as there was no control over software code
- rejected the view that the SaaS contract itself in this case represented an intangible asset (despite intangible asset is defined as arising from contractual or other legal rights)
- costs related to getting these services ready for use **cannot be capitalised** as an intangible asset
- Expense upfront or over the contract for service period (depending upon “distinct services" test)

# Cloud Computing /Software-as-a-Service

## Distinct Service or Not a Distinct Service? Apply AASB 15?

**If the configuration/customisation service is:**

- **a distinct service** from the right to receive access to the supplier's software, the costs are expensed upfront when performed.
- **not a distinct service** from the right access to the supplier's software, the costs are recognised as expenses as/when the supplier provides access over the contract term. This usually means recognising a prepaid asset upfront, which unwinds over the contract term.
- completed by a third-party supplier, recognise the costs as an expense when the service is performed.

# Cloud Computing /Software-as-a-Service (SaaS)

Issues to consider:

- What costs have been capitalised for what projects?
- What assets controlled by the entity do the costs represent?
  - Is it computer code? *"Show me the code"*
- Who provided the services? - SaaS/cloud computing company, third party, internal costs?
- What is the breakdown of services delivered in the contract and what are the costs relating to each service?
  - Know your contract – know your costs
  - Different costs could be expensed upfront or over time
    *(prepayment or intangible if software)*

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# Cloud Computing /Software-as-a-Service (SaaS)

## Transition:

- Change in accounting policy, not via a standard or interpretation
- Not an error – change is based on ‘new information’
- Retrospective application applies:
  - Opening position 1 July 2020
    - Write-off applicable capitalised costs to retained earnings
    - Reclassify applicable costs to prepayments
  - 1 July 2020 to 30 June 2021 restated
    - Expense what was capitalised under old policy
    - Reverse amortisation of what was previously capitalised
    - Reclassify cash flows
  - 1 July 2021–30 June 2022
    - Make sure of new policy

# Administrative Restructures

- AASB 1004: *Contributions* applies in
  - Restructure of administrative arrangements (paras 54-59)
- Administrative restructures are designated as a contribution by owners, as they are non-discretionary in nature and result from the decisions of the Government as owner.
- DOTAF Model Statements – Note 13.2 provides guidance on Net Contributed or relinquished Equity.
- Also Guidance in the Financial Management - Better Practice Guidelines

### 13.2 Administrative restructuring

Net assets received under a restructuring of administrative arrangements are designated as contributions by owners and adjusted directly against equity. Net assets relinquished are designated as distributions to owners. Net assets transferred are initially recognised at the amounts at which they were recognised by the transferring department immediately prior to the transfer.

As a result of a restructuring of administrative arrangements, the Department assumed responsibility for *(specify activities)* on *(specify date)*. The Department relinquished its responsibility for *(specify activities)* on *(specify date)*.

In respect of activities assumed, the net book values of assets and liabilities transferred to the Department from *(specify Department)* for no consideration and recognised as at the date of transfer were:

| | | 2022<br>$'000 | 2021<br>$'000 |
|---|---|---|---|
| | **Contributions by owners** | | |
| AASB 1004(58) | *(Specify assets by class)* | X | X |
| AASB 1004(54) | Total assets recognised | X | X |
| AASB 1004(58) | *(Specify liabilities by class)* | X | X |
| AASB 1004(55) | Total liabilities recognised | X | X |
| | **Net assets (liabilities) assumed on restructure** | **X** | **X** |

In respect of activities relinquished, the Department transferred the following assets and liabilities to *(specify Department)*:

| | | 2022<br>$'000 | 2021<br>$'000 |
|---|---|---|---|
| | **Distributions to owners** | | |
| AASB 1004(58) | *(Specify assets by class)* | X | X |
| AASB 1004(54) | Total assets relinquished | X | X |
| AASB 1004(58) | *(Specify liabilities by class)* | X | X |
| AASB 1004(55) | Total liabilities relinquished | X | X |
| | **Net assets (liabilities) relinquished on restructure** | **X** | **X** |
| | **Net contribution by the Government as owner during the period** | **X** | **X** |

# Administrative Restructures

AASB 1004 *Contributions* applies

- Net assets received or relinquished are designated as a Contribution or Distribution to Owners, which is a requirement of the standard, so we're talking Contributed Equity
- What's a Contribution by Owners in One Department should match the Distribution to Owners in the other, per the table
- Any relevant balance remaining in an Asset Revaluation Reserve of the transferor in respect of those assets transferred must be moved to Accumulated Funds.

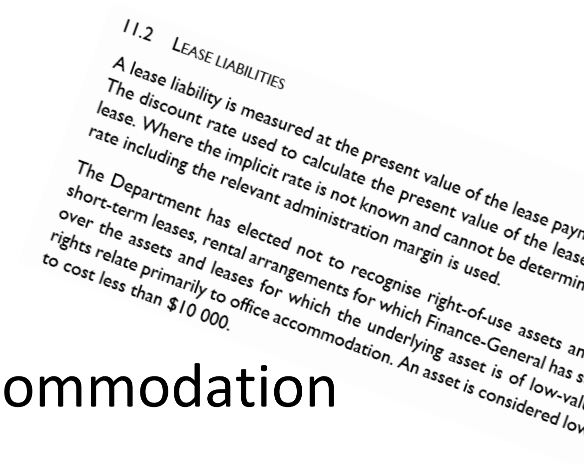
# AABS 1060: *General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities*

- AASB 2019-1 *Amendments to Australian Accounting Standards – References to the Conceptual Framework*
- "Reporting Entity" concept introduced by IASB. "An entity that is required, or chooses, to prepare general purpose financial statements."
- Conflicted with Australian concept of a "reporting entity" and "non-reporting entity" based upon "dependent users". If not changed, Australian entities would be non-compliant with IFRS.
- Non-reporting entity and special purpose financial statements removed (AASB 2020-2) for for-profit entities. "Specified Disclosure" reporting framework introduced.

# AABS 1060: *General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities*

- Conceptual Framework (CF)
  - Mandatory application for for-profit private sector entities.
  - For-profit public sector entities can elect to apply if IFRS compliance is necessary
  - <u>Not for use by NFP private and public sector entities</u>
- AASB 1060 introduces the 'Simplified Disclosures' framework for Tier 2 entities - disclosures now combined into a single standard
- Replaces the previous 'Reduced Disclosure Requirements' (RDR) framework. - "shaded" disclosure paragraphs now redundant
- DOES NOT APPLY to Agencies and Statutory Bodies who apply the FMA or other Act that requires Tier 1 (full) GPFR

# Property Leases


11.2 LEASE LIABILITIES
A lease liability is measured at the present value of the lease paym
The discount rate used to calculate the present value of the lease
lease. Where the implicit rate is not known and cannot be determin
rate including the relevant administration margin is used.
The Department has elected not to recognise right-of-use assets an
short-term leases, rental arrangements for which Finance-General has s
over the assets and leases for which the underlying asset is of low-val
rights relate primarily to office accommodation. An asset is considered lo
to cost less than $10 000.

- Centralised management of major office accommodation leases is facilitated by Finance-General
- Department's do not to recognise right-of-use assets and lease liabilities arising from rental arrangements for which Finance-General has substantive substitution rights

Remember:

  - Only applies to Finance-General accommodation leases
  - Office fit outs may be a separate arrangement, part of leasing arrangement or separate asset? Useful Life?
  - Agencies need to ensure other leases are appropriately recognised over lease term, including likely extensions

# Concessionary Leases

- Temporary exemptions still allows Not-for-Profit lessees to elect to measure ROU assets at ‘cost’
  (refer to option added in AASB 16 in para Aus 25.1).
- ROU assets can be treated as a separate class of asset, despite a similar nature and use
- What’s next in public sector NFP lessees?
  - decision deferred on extending the ‘cost’ option, until additional guidance on fair value measurement for such ROU assets is discussed. (Refer ED 318)

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# Other Leasing Considerations

- Concessionary Leases for Lessors
  - No Change – should still account for the asset under lease

- Other Leasing changes
  - Lease Liabilities are scoped out of Financial Instruments – (rare exceptions)
  - Maturity analysis is required and now presented within the leasing note itself

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# Other Reporting Considerations

## Revenue and Income for Not-for-Profit (AASB 15/AASB 1058)

- AASB project:
  - Exposure Draft ED318 – Illustrative examples
  - Further education material expected (for 30 June 2022)
  - Some changes deferred for Post-Implementation Review (PIR)

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# Other Reporting Considerations

- Climate Related Risks and Financial Statements
  - Risk related to reported amounts
  - Climate risks in key assumptions in developing estimates
- Impact of COVID-19 on Financial Reporting
  - Disclosure of significant impacts
  - Are previously disclosed impacts still valid?

*Remember – Inclusion of key estimates, judgements and assumptions about the future are a requirement of AASB 101, and that includes comparative information if relevant to understanding the statements.*

*(AASB 101.122, 125 & 38)*

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# Guidance paper - accounting for assets valued using current replacement cost

- For entities accounting for assets recognised at fair value using the cost approach under AASB 13 *Fair Value Measurement*
- "Gross" or "Net" disclosure?
  - *Model Departmental Financial Statements – look for Gross*
- Notes key points in AASB 116
- Prospective focus on remaining useful life to the entity is central for the calculation of depreciation

- TAO website resources under Other Client Information

  https://www.audit.tas.gov.au/wp-content/uploads/Accounting-for-assets-valued-using-current-replacement-cost.pdf

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# New Accounting Standards

| | |
|---|---|
| 2023/24 | AASB 2021-2 *Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates* |
| 2023/24 | AASB 2020-6 *Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current – Deferral of Effective Date* |
| 2023/24 | AASB 17 *Insurance Contracts* (replaces AASB 1023) for private sector. AASB 1023 continues to apply for public sector insurers until…... |
| 2025/26 | Expected public sector application of AASB 17 Insurance Contracts. Exposure draft presently being drafted for release in 2022 |

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# All Financial Statements

- To Disclose or Not to Disclose
  - Beware clutter, consider materiality
- Superannuation Guarantee Levy
  - from 1 July 2022 the rate will increase by 0.5% to 10.5%
- Submission date for Financial Statements
  - Audit Act says 45 days
  - 14th Day in August

| August | | | | | | |
|---|---|---|---|---|---|---|
| Sun | Mon | Tue | Wed | Thr | Fri | Sat |
| | | | | ... | 12 | 13 |
| 14 | 15 | 16 | 17 | 18 | 19 | 20 |
| 21 | 22... | | | | | |

- Submission guidance on Website
  - Management certification option (+ Submission Checklist) prior to final certification by the accountable authority (i.e. Secretary)

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# References

- Software as a Service – IFRIC Interpretation
  https://www.ifrs.org/content/dam/ifrs/supporting-implementation/agenda-decisions/2021/configuration-or-customisation-costs-in-a-cloud-computing-arrangement-mar-21.pdf
- Climate-related and other emerging risks disclosures
  https://www.aasb.gov.au/admin/file/content102/c3/AASB_AUASB_Joint_Bulletin_Finished.pdf
- Impact of COVID-19 on Financial Reporting
  https://www.audit.tas.gov.au/client-reference-information/
  https://www.aasb.gov.au/admin/file/content102/c3/AASB19009_COVID19_FA.pdf
- Guidance Paper – 30 June 2022 financial statement submission
  Guidance-paper-30-June-2022-financial-statement-submission.pdf (audit.tas.gov.au)
- Guidance paper - accounting for assets valued using current replacement cost
  https://www.audit.tas.gov.au/wp-content/uploads/Accounting-for-assets-valued-using-current-replacement-cost.pdf

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# Performance audit: What we found from our COVID-19 work


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Report of the Auditor-General
No. 1 of 2021-22

COVID-19 Support Measures – Community Support

31 August 2021

# Impact of the pandemic on our annual performance audit plan of work

- During preparation of the 2020-21 Annual Plan of Work, the Parliamentary Standing Committee of Public Accounts suggested the Auditor-General examine aspects of the Government's response to COVID-19
- Suspended our normal performance audit programme of work
- Concerns from key departments on the burden we might place on them and our messaging
- Work undertaken remotely and with a new team
- Mixture of reasonable and limited assurance activity

# Our Covid-19 plan of work

- Support Measures:
  - Review of expenditure in 2019-20
  - Small Business Hardship Grant Program
  - Payroll Tax Waiver
  - Community Support Fund
- Pandemic response and mobilisation
- Allocation, distribution and replenishment of PPE
- Response to social impacts
- Response to Social Impacts: mental health and digital inclusion

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# Preparedness and initial response

## Key findings

- Government acted quickly to ensure governance and oversight for its response
- While initial plans were not fully developed they were quickly adapted and largely effective

## Lessons

- The was a lack of preparedness with no pandemic scenario testing, PPE stock levels or plans specifically developed for a pandemic
- While governance for the response was quickly set up and agile it was over complicated

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# Resourcing the pandemic response

## Key findings

- Departments and other stakeholders were agile and reacted well to changing circumstances
- While there was some ‘burn out’ for staff, resourcing largely met needs
- Despite the small size of the State sector there was adequate capability

## Lessons

- Public Health were unable to cope in the early stages of the response and their role was quickly changed
- More tailored and targeted support for some staff was needed

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# Resourcing the pandemic response

## Key findings

- Those most at risk and vulnerable were identified and resources allocated
- Across the public sector the demand for PPE was largely met

## Lessons

- Some of the ways in which organisations worked more effectively/efficiently during the pandemic are starting to be lost

Tasmanian Audit Office

# Support and stimulus measures

## Key findings

- Effective contract management approach ensured there were enough hotel quarantine rooms to meet demand
- Stimulus measures provided real time support for people and businesses and processes ensured equity

## Lessons

- Having five agencies involved in quarantine resulted in some inefficiencies
- A lack of investment in grant management software prior to the pandemic impacted on the efficiency of grant program delivery

Tasmanian Audit Office

# Support and stimulus measures

## Key findings

- Use of existing systems and processes for allocating grants and funding reduced the risk of fraud

## Lessons

- Some of the system-based controls in the grant management software used were underutilised
- Existing local providers/ networks were not always utilised effectively

# Communication

## Key findings

- Communication to the public at a State level was clear

## Lessons

- Communication with the regions and local providers of services could have been better

# Questions and Close


Tasmanian Audit Office

# Administrative Restructures


## Q: What Budget information do I include?

Guidance is provided under the main statements in the Model Departmental Financial Statements relating to <u>original budget information</u> provided to Parliament as follows:

1. *Disclosure of budget information on the face of the Statement of (Comprehensive Income / Financial Position / Cash Flow) is mandatory and must represent the <u>original estimates as published</u> in the 2021-22 Budget Papers, unless an administrative restructure applicable to the full year was approved. Explanations of material variances between budget and actual outcomes must be provided in Note 4 where guidance is provided.*

With regard to AASB 1055 *Budgetary Reporting*, (AASB 1055.6-7) the focus of budgetary information to disclose is centred around what is presented to Parliament.

As noted in the guidance, if a restructure is only applicable for part of the year, original estimates as published are still required.

If a revised budget is presented during the reporting year, that may also be disclosed or could be referred to in addition to the original budget, in dealing with the explanation of variances. But we don't have this situation. (AASB 1055.11).

# Administrative Restructures


The AASB note in the Basis of Consideration that it could not explicitly cover all circumstances. (AASB 1055 BC16)

For example, after an original budget is presented to parliament, entities might be divided or combined (i.e. restructured) in ways that mean actual numbers do not directly relate meaningfully to original budget numbers. However, the Board noted that the principles in AASB 1055 could still be applicable in such circumstances.

Judgement needs to be exercised to meet the objective of the Standard.

Alternatively they also noted that in some circumstances, the original budgets presented to Parliament can sensibly be divided or combined in a way that aligns with a post-budget restructure and thereby facilitate explanations of individual variances. It might be necessary to explain a restructuring descriptively, because any allocation of the original budget presented to parliament would be quite arbitrary and may not have been replaced for the new entities involved by other budgets presented to Parliament in the period of the restructuring.

To conclude: for those entities with restructures during the year, original budget estimates apply. For new entities, there are no original budgets presented to Parliament. For both of these situations though, there may well be some published information in original budgets present to Parliament that could be drawn on when providing a descriptive explanation of material variances.