



Tasmanian Audit Office

Report of the Auditor-General 2016-17 Financial Audits

Volume 4

Audits of State entities 30 June and 31 December 2017

Presentation to Members of Parliament

12 June 2018

Report Contents

- **Final 30 June and 31 December audits**
- **2017 Financial audit cycle**
- **Audits dispensed with**
- **Setting of audit fees**
- **Developments in financial reporting**
- **Public sector readiness**
- **Agency audit committees**

2017 Audit Cycle

Our financial
audit clients



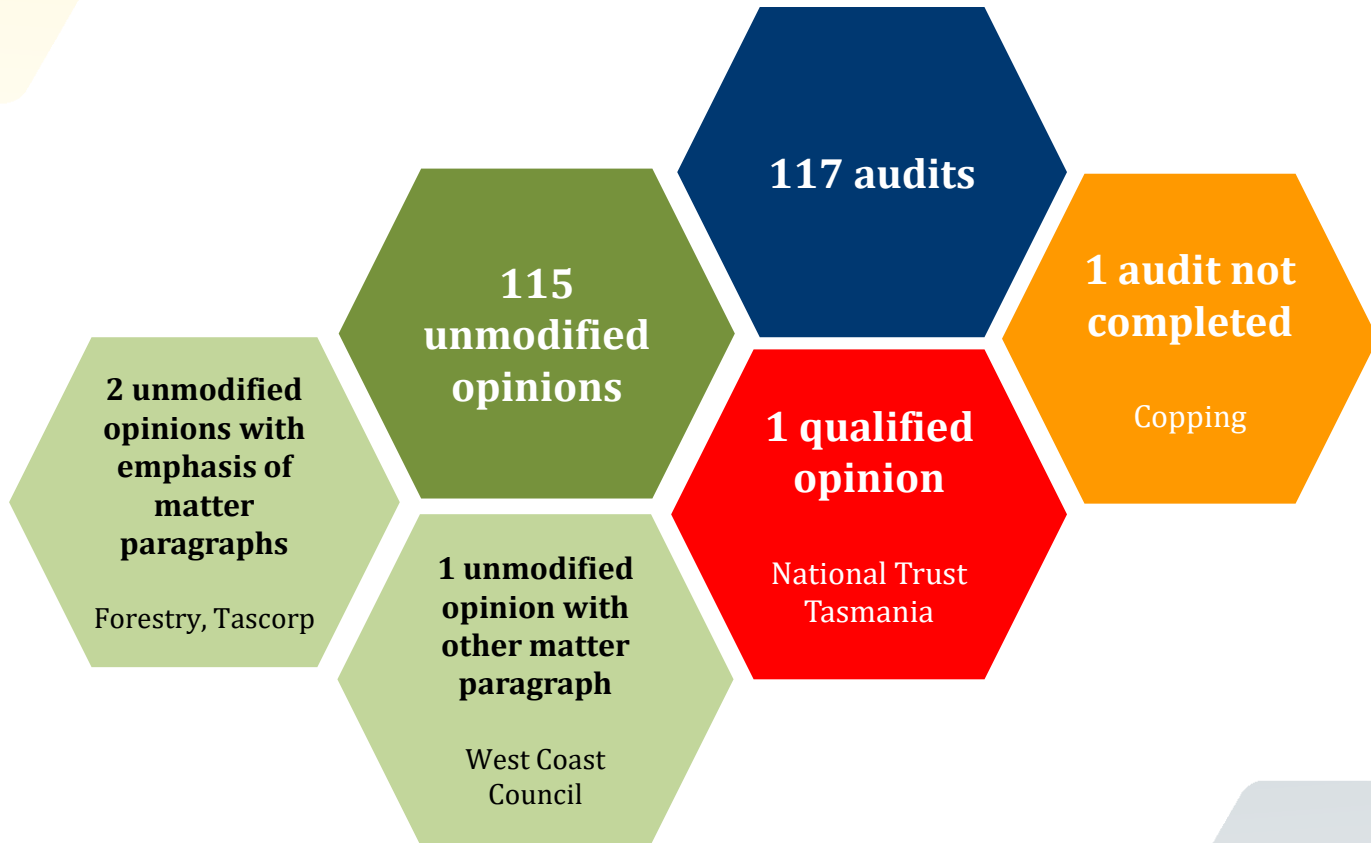
Submission of Financial Statements (30 June Audits)

Volumes 1 - 3		
Detailing results of 30 June financial statements audits tabled in Parliament before 31 December 2017		
30 June 2017 Balance Date		
109* Financial statements submitted for audit	94% Financial statements submitted on time	92% Audits completed on time
Treasurers Annual Financial Statements	Submitted on time	Audit completed on time

Submission of Financial Statements (31 December Audits)

Volume 4		
Detailing results of 31 December financial statement audits tabled in Parliament		
31 December 2017 Balance Date		
7* Financial statements submitted for audit	86% Financial statements submitted on time	100% Audits completed on time

Audit Opinions



Findings from 2017 Audits

2017

187

Audit matters
raised

119

Audit matters
raised in prior
periods assessed as
unresolved

2016

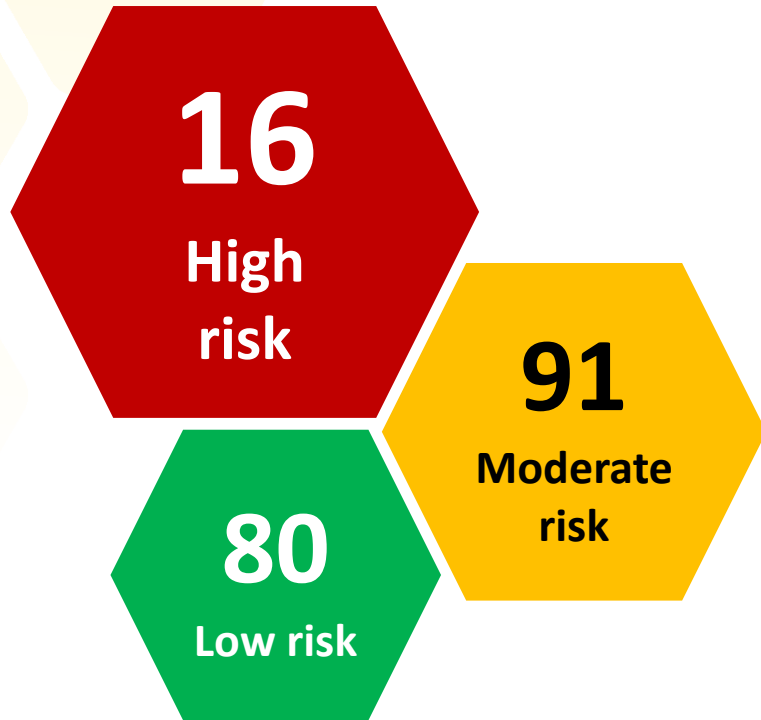
209

Audit matters
raised

85

Audit matters raised
in prior periods
assessed as
unresolved

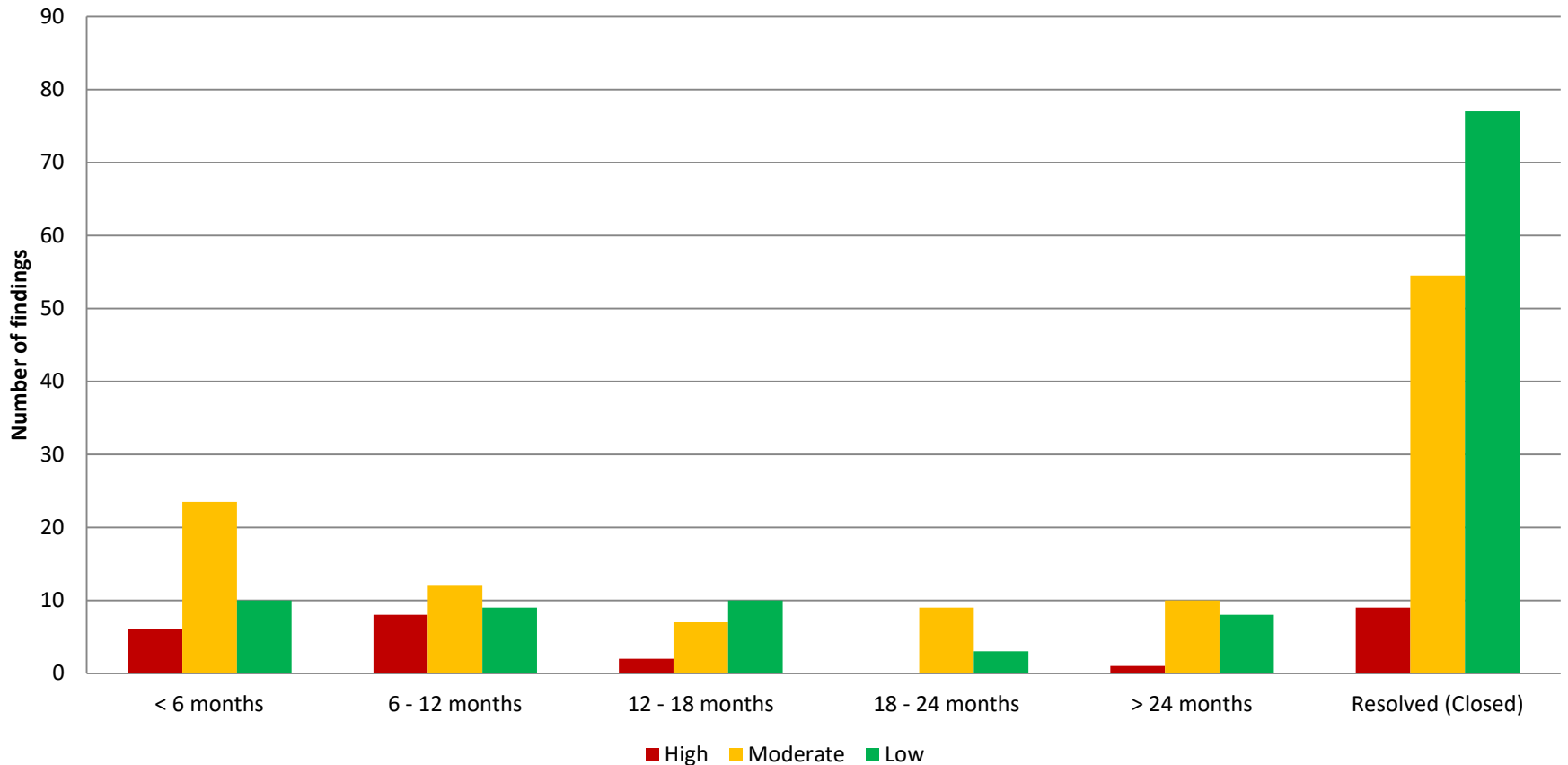
Audit findings by risk rating/sector



Other

4	30	15
2	16	24
10	43	39
0	2	2

Previously reported findings (Yet to be resolved)



University of Tasmania

(including University Foundation and AMC Search)

\$679M ▲

Total income

\$620M ▼

Total expenses

(\$7M) ▲

Underlying
result

\$59M ▲

Net result

3.4

Domestic
student load

:

1

International
student load

1.3

Academic
staff

:

1

Non-academic
staff



University of Tasmania

(including University Foundation and AMC Search)

\$478M

Land and buildings

\$462M

Cash and
investments

\$94M

Borrowings

\$90M

Employee
provisions

Key environment influences:

- Major capital projects
- University transformation projects
- Future of higher education reform



Developments in Financial Reporting

International Accounting Standards Board (IASB)

- Issued new Conceptual Framework (March 2018)
 - Applies on or after 1 January 2020
- ‘Reporting entity’ concept change
- Implications for Australia
 - No more Special Purpose Financial Statements?
- Australian Accounting Standards Board (AASB) need to align Australian reporting requirements

Australia is the only country in the world to have this problem



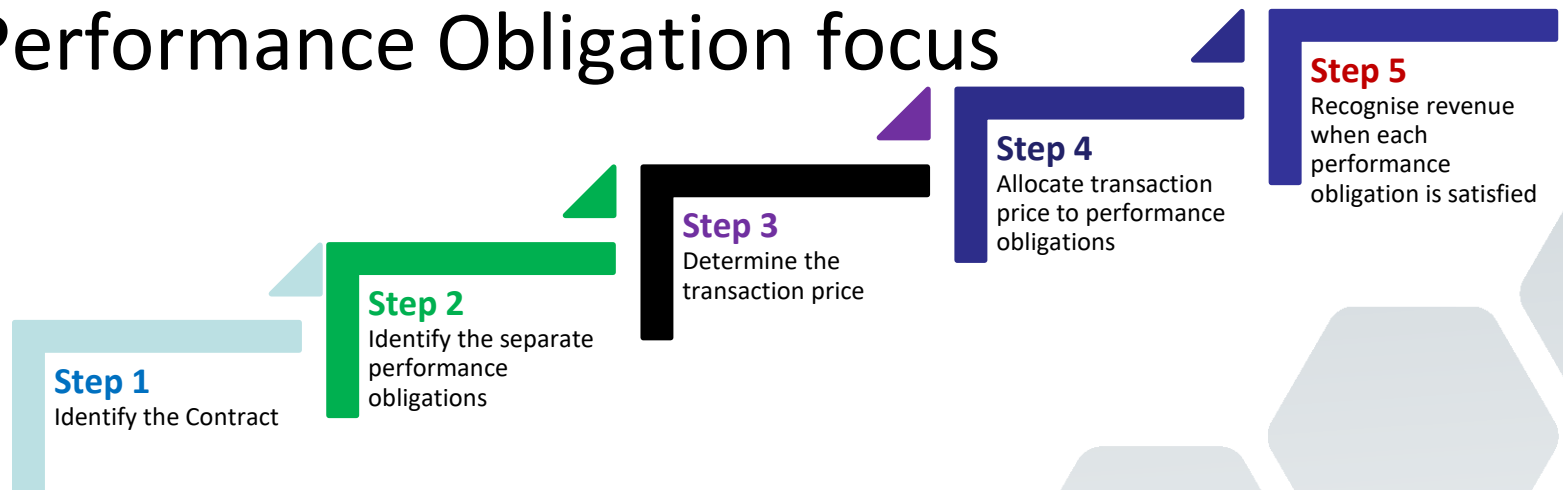
Reporting in 2017-18

- New Financing Activity Disclosures in the Statement of Cash Flows
 - New reconciliation of balances required
- Gov't Bus' Remuneration Template updated
 - Improved incentive, performance and termination disclosure requirements
- Related Party Disclosures
 - Prior year went well
 - Continue to further improve disclosure process

Looking Further Forward (AASB15)

Revenue from Contracts with Customers

- Applies:
 - For-Profit entities - 1 Jan 2018 (30 June 2019)
 - Not-For-Profit entities – 1 Jan 2019 (30 June 2020)
- 5 Step Model for revenue recognition
- Performance Obligation focus



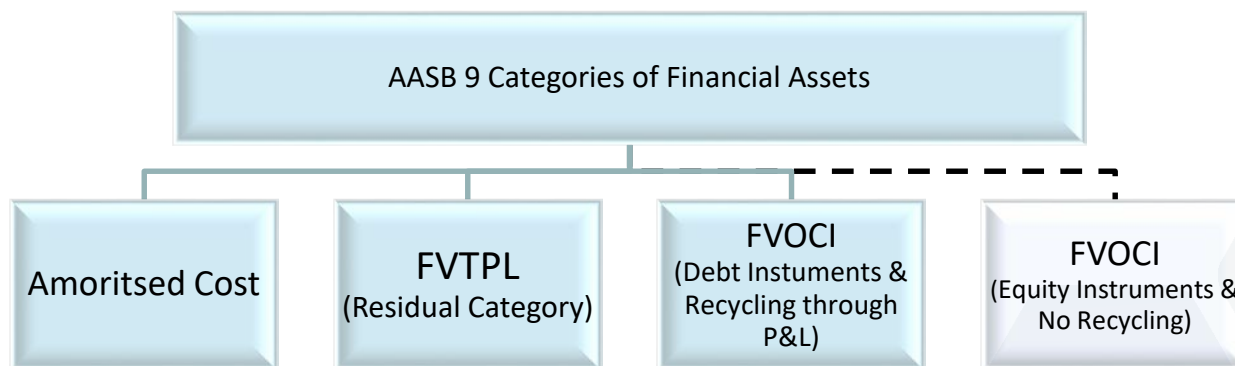
Looking Further Forward (AASB1058) Income for Not-For-Profit Entities

- Applied with AASB15
- Deals with:
 1. Transactions where consideration to acquire an asset is significantly less than fair value, principally to further NFP objectives
 - Grants
 - Non-contractual statutory income
 - Peppercorn leases
 2. Receipt of volunteer services.

Looking Further Forward (AASB 9)

Financial Instruments

- Applies: - 1 Jan 2018 (30 June 2019)
- Simplifies the model for classifying and recognising financial assets
 - entity's business model for managing the asset
 - contractual cash flow characteristics



Looking Further Forward (AASB 16)

Leases

- Applies: - 1 Jan 2019 (30 June 2020)
- Leased assets and liabilities to be recognised on the Balance Sheet
- measured at the present value of unavoidable lease payments
- Leased/Right-of-use Asset (Depreciated)
- Lease Liability (Lease & Finance Exp)

Public Sector Readiness

Focus - Impacts of new standards to Public Sector
(Revenue / Financial Instruments / Leases)

- Observations included:
 - lack of understanding, non-engagement or boiler plating with short inadequate comments
 - a high proportion were “yet to assess” the impacts
 - discussions of likely impacts were generally poor
 - assessments stating “no expected impact” was contrary to financial statement disclosures

Outcome – Entities need to revisit assessments.

Agency Audit Committees

- Play a key accountability role in the governance framework of Tasmanian public sector agencies.
- Management retains ultimate accountability for operations.
- Should independently review and assess the effectiveness of key aspects of an agency's operations.
- We assessed committees':
 - composition
 - operational arrangements
 - roles and responsibilities, as documented in the current charter.
- Review performed against:
 - TI 108 *Internal Audit*
 - better practice guidance (ANAO's *Public Sector Audit Committees: Independent assurance and advice for Accountable Authorities*).

Agency Audit Committees

- Review found significant room for improvement in the governance arrangements.
- Audit composition needs to be addressed to ensure independence. We found audit committees generally:
 - lacked a majority of independent members
 - did not have an independent Chair
 - had members who held management positions in the Agency, creating potential conflicts of interest.
- Several recommendations made that include amendments to Treasurer's Instruction and improvements to audit committee charters.

Agency Audit Committees

Treasurer's Instruction amended to:

- ensure composition of the Audit Committee supports an adequate level of independence
- require annual review of audit committee charters
- ensure committee's commission an annual assurance map
- include oversight and/or review of:
 - financial reporting responsibilities
 - the financial report
 - performance reporting responsibilities
 - risk management function
 - system of internal control.



Agency Audit Committees

Audit Committee Charters amended to:

- include a members-only meeting with TAO (at least annually) and periodic review of the performance of external audit
- be more specific on the role of the committee in reviewing financial reporting responsibilities and the financial report
- include oversight of performance reporting
- include oversight of the agency's responsibility to manage exposure to fraud risk to ensure the audit committee complies with Treasurer's Instructions.



Questions



Thank you

