



Tasmanian Audit Office



Annual plan of work

2018-19

June 2018

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.

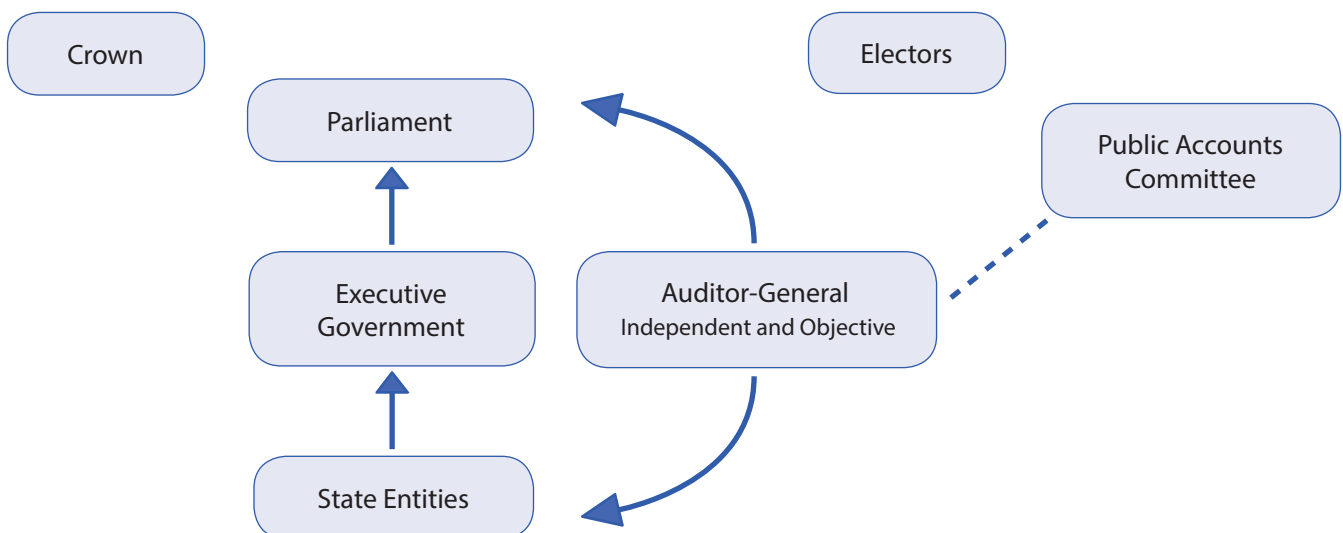
We can also carry out investigations but only relating to public money or to public property. In addition, the Auditor-General is now responsible for state service employer investigations.

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.



27 June 2018

Chair
Public Accounts Committee
HOBART
President
Legislative Council
HOBART
Speaker
House of Assembly
HOBART

Dear Chair, President and Speaker,

In accordance with section 11 of the *Audit Act 2008*, I submit my annual plan of work for the 2018-19 financial year.

Yours sincerely



Rod Whitehead
Auditor-General

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INTRODUCTION

Pursuant to section 11 of the *Audit Act 2008* (the Act) by 30 June each year I am required to prepare and present to the Parliamentary Standing Committee of Public Accounts (Committee) an Annual Plan (Plan) that describes the proposed work program for the coming financial year. This provides the Tasmanian Parliament, the Tasmanian public sector and the community with an opportunity to understand our priorities and scrutinise our proposed work program for 2018–19.

The Plan is a key accountability document for the Tasmanian Audit Office (Office). It is my statement of intent on what we will audit or examine during the forthcoming years and the reports we expect to table in Parliament.

In developing the Plan we continuously monitor issues and developments across the public sector and we consult extensively with relevant stakeholders throughout the year. In exercising my discretionary power to undertake audits and examinations, I am conscious that our reports need to be of relevance to Parliamentarians and of interest to members of the public. In formulating this year's Plan, I have decided to undertake a reduced number of performance audits each year and use our remaining resources to undertake a series of shorter and narrower focused examinations.

As in past years, we have set ourselves an ambitious schedule of work. I am confident that the talented, experienced and dedicated staff of the Office will strive to deliver on the commitment that we have outlined in the Plan.

Finally, I thank Parliamentarians, public sector staff and members of the community who have engaged with us to help formulate our 2018-19 plan of work.



Rod Whitehead
Auditor-General



Table 1: Proposed reports to Parliament and other significant publications 2018-19 and 2019-20

Note: ▲ indicates a new report not in the previous annual plan of work.

2018-19	2019-20
Performance audits	
Tasmanian Prison Service	Management of State roads
High school attendance and student engagement	Decision-making process for expressions of interest for tourism investment opportunities in national parks
Emergency departments	Information and communications technology (ICT) strategy and investment
Royal Hobart Hospital (RHH) redevelopment project	
Examinations and investigations	
University of Tasmania (UTAS) investment in new student accommodation buildings and management of existing student accommodation buildings	Effectiveness of risk management and internal audit functions ▲
	Council procurement ▲
	Effectiveness of shared services arrangements ▲
Financial audits	
Volume 1: Treasurer's Annual Financial Report and results of General Government Sector (GGS) Entities 2017-18	Volume 1: Treasurer's Annual Financial Report and results of GGS Entities 2018-19
Volume 2: Government Businesses and Tasmanian Water and Sewerage Corporation Pty Ltd 2017-18	Volume 2: Government Businesses and Tasmanian Water and Sewerage Corporation Pty Ltd 2018-19
Volume 3: Local Government Authorities 2017-18	Volume 3: Local Government Authorities 2018-19
Volume 4: State entities 31 December 2018, findings relating to 2017-18 audits and other matters	Volume 4: State entities 31 December 2019, findings relating to 2018-19 audits and other matters
Probity examinations	
Use of credit cards by Ministers, Ministerial advisors and GGS executives	Expenditure and payment trends in the GGS ▲
Audit of Employer functions and powers	
Effectiveness of performance management in the GGS	Management of under-performance in the GGS ▲
Tasmanian Audit Office accountability reports	
Annual report 2017-18	Annual report 2018-19
Annual plan of work 2019-20	Annual plan of work 2020-21

OUR MANDATE

ROLE OF THE AUDITOR-GENERAL

The role of the Auditor-General is to provide independent assurance to the Tasmanian Parliament and the community on the performance and accountability of the Tasmanian public sector. We do this primarily by undertaking financial audits, performance audits and other examinations and investigations of State entities (as defined in section 4 of the Act). The entities themselves are accountable to Parliament for their use of public resources and the powers conferred on them by Parliament.

GUIDING LEGISLATION

The Act is the principal piece of legislation governing and guiding the Auditor-General and the Office. It establishes the Auditor-General's mandate, provides the legal basis for his powers and identifies the Auditor-General's responsibilities.

The key responsibility of the Auditor-General is to audit the financial statements of State entities and to report the results of those audits to Parliament. In addition, the Auditor-General must audit the Public Account Statements and any other statements prepared by the Treasurer in accordance with any written law.

The Act also provides the Auditor-General with the authority to undertake:

- 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
- compliance audits examining compliance by a State entity, or a subsidiary of a State entity, with written laws or its own internal policies
- examinations or investigations into any matter relating to the accounts or accounting and financial management information systems of the Treasurer, a State entity or a subsidiary of a State entity
- investigations into any matter relating to public money, other money, public property or other property
- examinations of the performance and exercise of the Employer's functions and powers under the *State Service Act 2000*.

Other audits can also be entered into by arrangement.

OUR FUNDING, OUTPUTS AND TARGETS

The resources allocated to the Office each year to undertake our audits and examinations and prepare our reports are determined through Tasmania's annual budget process. Under the State Budget framework, our resourcing is incorporated into one output group, Public Sector Management and Accountability. The services the Office must deliver to enable achievement of this Outcome are:

- Audit Assurance – independent assurance of Tasmanian public sector financial reporting, administration, control and accountability
- Parliamentary Reports and Services – independent assessment of the performance of selected State entity activities, including scope for improving economy, efficiency, effectiveness and compliance.

Performance measures for these outputs are published each year in the State Budget Papers and the achievement of these targets are reported in our annual report.

COMMUNICATING OUR FINDINGS

The Act prescribes our reporting responsibilities, which include:

- the provision of audit reports, and any management letters, to the relevant State entity's responsible Minister and to the relevant accountable authority on completion of individual financial statement audits
- reporting to Parliament on or before 31 December in each year on the audit of the financial statements of State entities, and audited subsidiaries, in respect of the preceding financial year
- reporting, at the discretion of the Auditor-General, the outcomes of performance or compliance audits, examinations or investigations, to the Parliament, or the Committee or the Joint Committee.

In addition to the above requirements, we have a stakeholder engagement framework that aims to share our audit findings and to encourage State entities to act on audit recommendations.

We engage through discussions, briefings and presentations with a broad range of stakeholders, including Members of Parliament, the Committee, heads of departments, State entity executive management, chairs of boards and audit committees, mayors of councils and other integrity bodies.

We also communicate findings of audits through presentations, media releases, media interviews, submissions to inquiries and reviews, and lectures. We also provide information on our website (www.audit.tas.gov.au) — including full and summarised reports, presentations and audio summaries.

INFORMATION SESSIONS AND OTHER COMMUNICATIONS

We continue to facilitate information sessions for:

- members of audit committees and senior executives in State entities to keep them abreast of developments in governance, foster a better understanding of the relationship between audit committees and the Office and to provide an opportunity for the exchange of ideas and networking
- State entity corporate, accounting and internal audit staff to ensure they are kept aware of relevant changes in financial reporting requirements and other recent developments impacting financial management and auditing.

We aim to communicate our audit findings and recommendations more broadly to other State entities where those findings and recommendations are of relevance to those entities.

IMPROVING PUBLIC SECTOR PERFORMANCE

Through our audit work, we collect information, knowledge and experience that has relevance beyond solely acquitting our legislative responsibilities. While we have strict confidentiality provisions around audit evidence, there is some information that we are able to share that can be used by external stakeholders to help inform their own activities.

We have a unique perspective on the regulatory and policy framework governing the accountability of the Tasmanian public sector. We draw on our experience, expertise and research to contribute to the development of audit and accountability policy in the Tasmanian public sector, including reforms to legislation, regulation and standards. This takes the form of submissions to relevant Parliamentary or government inquiries, meetings with representatives of State entities developing policy on audit and accountability issues entities, and comments on exposure drafts of new accounting and auditing standards relevant to the Tasmanian public sector. These activities help to increase the impact of our audits, as they ensure that the audit function remains robust and relevant to the Tasmanian community.

ACCOUNTABILITY AND REPORTING PUBLICATIONS

The Act includes accountability and reporting requirements for the Office specifically, our Plan and our annual report.

The annual report contains our financial statements and a report of operations. The financial statements are audited by an independent auditor who is appointed by the Governor, on the recommendation of the Treasurer. The financial statements of the Office are prepared in accordance with the Treasurer's Instructions (TIs) issued under the provisions of the *Financial Management and Audit Act 1990* (FMAA) and applicable Australian Accounting Standards. The annual report includes an acquittal of our output performance measures established in the State Budget Papers and other key performance indicators.

FACTORS SHAPING OUR WORK PROGRAM

A FOCUSED AND RELEVANT WORK PROGRAM

In developing this Plan, we have undertaken an environmental scan of topical issues in the state, national and global public sector environment and conducted extensive stakeholder consultation to identify and guide the development of our audit and examination areas of focus. This ensures that our work program keeps up with the changing priorities and challenges of the Tasmanian public sector.

Environmental scanning

Environmental scanning is a year-round process that includes ongoing research as well as the identification of key risks and challenges for public sector performance and accountability. It provides audit teams with an understanding of the particular context of that sector, as well as any relevant policy goals and service objectives set by the government of the day.

Our scanning includes consideration of media reports, relevant external publications, information gathered from audits, and the examination of underlying trends to identify state, national and international public sector developments that may influence our work program.

Examples of scanning activities include sourcing information from Parliamentary committees, other Auditor-General offices, integrity bodies, the Productivity Commission, various documentation - such as budget papers and annual reports and State entity strategies and structures.

We also use input from members of the community who have shared their concerns about public sector performance and accountability.

Stakeholder consultation

We consult widely to gather information and ideas for audit topics and to discuss the merits of, and approach to, potential audit and examination topics. We seek input from Parliamentarians, Parliamentary committees, the public sector and other key stakeholders.

We analyse consultation feedback to identify recurring themes and instances of high relevance to our mandate, which are then considered in formulating our Plan.

Public sector and other key sector stakeholders

Along with gathering information from the public sector, we consult heads of departments, State entity executive management, chairs of boards, audit committees and State entity employees to help us understand the context of the information we have gathered and to assess the value of potential audit topics. We also consult other Tasmanian integrity bodies, including the Integrity Commission.

Representatives from our Office also meet with representatives from industry, peak bodies, advocacy groups, community groups, unions and academics.

Parliamentarians

The interests of Parliamentarians are particularly relevant to our work as they represent the interests of their communities. Throughout the year, we collect ideas and feedback from Parliamentarians on our work program through Parliamentary report tabling briefings, one-on-one meetings, surveys and correspondence.

Parliamentary Standing Committee for Public Accounts

Our key mechanism for consulting Parliament on our proposed work program is through this Committee. The Act requires us to seek and consider the Committee's comments on our draft Plan. In addition, we are required to publish any changes to the draft Plan suggested by the Committee that the Auditor-General does not adopt in the final Plan.

Due to the timing of the 2018 Tasmanian state election, the reconstituted Committee did not have sufficient time to review and comment on the draft Plan. Consequently, this Plan has been finalised without formal feedback from the Committee.

Input for future audit topics

We will continue to consult with key stakeholders, including audited State entities and their audit committees, as we develop audit and examination topics for future annual plans. We also welcome ideas and input from the community on topics of interest for future years. Suggestions can be directed to the Auditor-General via post or on our website (www.audit.tas.gov.au/contact-us/).

DECIDING ON THE WORK PROGRAM

Our scanning, consultation and analysis led to the identification of a large range of possible audit and examination topics for 2018–19 and future years. Each potential audit or examination was assessed as part of the selection process and then the balance and coverage of the program was considered as a whole.

Assessing topics

Potential audit or examination topics are selected by considering how effectively they cover our legislative obligation to assess waste, probity and financial resource management, and address risks within the operating environment of the audited State entities.

Potential audit and examination topics are assessed based on a consideration of the following factors:

Significance - financial materiality

Financial materiality reflects the financial resources attributed to the State entity program or activity — the value of the assets, annual expenditure and annual revenue against a relevant financial base (such as the entity's net operating result or the relevant expenditure or revenue category).

Significance - material nature, influence or public interest

Materiality by nature recognises that an activity or program may have importance to perceptions of public administration and accountability by its very nature; that is, even if it is not significant financially (fraud, abuse of authority or waste may be 'material by nature' regardless of the amounts involved).

Influence recognises that an State entity activity or program may have considerable influence or leverage beyond the entity itself. These activities may have low financial materiality but have a significant impact on other areas of the Tasmanian public sector or community. For example, a policy setting body may be quite small but its influence can be extensive.

In considering the qualitative significance of a potential performance audit or examination topic, we also take into account the impact of an error or irregularity on public accountability and the level of parliamentary and public interest in the outcome of the audit or examination.

Risk to good management

Priority may be given to an area or activity where we consider there are higher risks to good management. In considering risks, we consider financial, social and environmental risks. This will include an assessment of risk factors such as:

- nature, where the nature of the subject matter creates inherent risks, such as new and emerging programs, innovative approaches, development of complex or innovative ICT products
- history, where previous reviews or audits in the relevant area have identified weaknesses in controls, systems or approaches that appear ongoing or have widespread effects
- change, where the subject area has been subject to significant change, such as being given an expanded or markedly different role than in the past or significant change of personnel, especially in leadership positions
- visibility and transparency, whereby risks tend to increase when activities are not open to public scrutiny or where policy, guidelines, and processes effecting the activity or area are not in the public domain.

Potential impact

The potential of a performance audit or examination to promote public accountability and, through its recommendations, improvements in administration is an important consideration. Impact can be increased where recommendations arising from an audit or examination are likely to have:

- significant positive impacts on State entity performance
- broader implications outside the audited State entity
- whole of government application.

Other reviews

If there have been previous reviews by competent authorities, the Auditor-General is less likely to initiate a performance audit or examination on the same topic. Such reviews include internal and external audits and evaluations by bodies such as the Integrity Commission, Ombudsman and Commissioner for Children and Young People. In assessing this criterion, the Office considers the independence, coverage, date and quality of any previous reviews, whether the outcomes were made public and whether the State entity implemented the agreed recommendations.

Auditability

Audit selection takes into account the auditability of the proposed topic which is influenced by such matters as the complexity of the subject matter and the availability of acceptable audit or examination criteria, performance standards or reliable information. Other factors considered include the availability of human and financial resources (e.g. audit staff, contractors, consultants or subject matter experts to act as advisers) and the likely duration of the audit or examination.

Balance and coverage of the program

When finalising topic selection, we consider whether we have effectively covered our legislative obligations to review efficiency, effectiveness, economy and compliance with all relevant legislation and regulation and to consider waste, probity and resource management. We also consider the spread of activity across sectors and State entities as well as ensuring there is coordination between the financial audit and performance audit programs. Additionally, we consult with other integrity bodies to minimise duplication across the broader integrity system. We believe this process has created a balanced, efficient and effective audit program for 2018–19 and 2019–20 that addresses our legislative obligations while remaining responsive to areas of public interest.

Our audit program is not static and is subject to periodic review. Changes in, or delays to, the program can arise primarily from:

- the identification of a higher priority audit or examination undertaken at the discretion of the Auditor-General
- an audit or examination undertaken at the request of the Committee, Treasurer, Ombudsman or Integrity Commission
- an audit or examination undertaken in collaboration with the Auditor-General of the Commonwealth or another State or a Territory
- reviews undertaken by State entities or other third parties
- resource constraints.

Normally, audits and examination planned but not commenced in the one year will be 'rolled over' into the audit program of the following year where they continue to be relevant. In some cases, following further consideration, audits may be removed from the program.

FINANCIAL AUDIT PROGRAM

OVERVIEW OF OUR FINANCIAL AUDIT PROGRAM

Key outputs from our financial audit program are summarised below.

Opinions on financial statements of State entities

The Auditor-General (including authorised delegates) issues audit opinions on whether the financial statements of State entities fairly present, or give a true and fair view of, their financial position and performance for the year in accordance with applicable Australian Accounting Standards and the relevant legislative reporting framework.

Opinion on the Annual Financial Report of the State of Tasmania

The Treasurer's Annual Financial Report (TAFR) presents the consolidated financial position and performance of the Total State and the GGS. It also includes the Public Account statement prepared on a cash accounting basis incorporating all transactions, operational or capital in nature, entered into by State entities from the Special Deposit and Trust Funds and Consolidated Fund. The TAFR is a key accountability document for informing Parliament and the public. The Act requires the Auditor-General to express an opinion as to whether the TAFR is fairly presented in accordance with the FMAA and applicable Australian Accounting Standards.

Parliamentary reports on results of financial audits

At the conclusion of each audit cycle, the Office tables a report in Parliament about the results of our audits of public sector entities' financial statements and our audit of the TAFR. Currently we do this in one report comprising four volumes:

- Volume 1 — Treasurer's Annual Financial Report and results of GGS Entities
- Volume 2 — Government Businesses and Tasmanian Water and Sewerage Corporation Pty Ltd
- Volume 3 — Local Government Authorities
- Volume 4 — State entities 31 December year-end, findings relating to audits and other matters.

Our reports include comments on selected areas of focus covering key elements of financial and asset management and governance.

We aim to table Volumes 1 to 3 by the last Parliamentary sitting period for the calendar year and Volume 4 by the end of April/early May of the following year. Where this is not achievable, we table Volumes 1 to 3 as soon as is practicable after the last sitting period. Each tabling is followed by a presentation to Parliamentarians to provide them with a summary of the volume being tabled and to highlight matters of importance. Where reports are finalised and tabled out of session, we will continue to offer presentations to members of Parliament in both the north and south of the State.

Probity examinations

Outcomes from probity examinations may be reported to Parliament, the Committee or the Joint Committee. Outcomes from probity examinations may be reported and tabled as individual reports or may be included in our reports to Parliament about the results of our audits of public sector entities' financial statements.

Audits by arrangement

Under the Act we have the ability to conduct audits and provide other services of a kind commonly performed by auditors. We undertake audits by arrangement covering:

- audits required by regulatory authorities
- audits of council special committees
- audits under the *Aged Care Act 1997* and the *Accountability Principles 2014*
- grant acquittals.

DELIVERING OUR FINANCIAL AUDITS

Under the Act, State entities must submit their financial statements to the Auditor-General within 45 days after the end of each financial year (that is, 14 August for June balance date reporting and 14 February for December balance date reporting). The Office must then audit the financial statements and issue an audit report outlining compliance with relevant legislation and the applicable financial reporting framework within 45 days of their receipt. Where signed financial statements are received prior to 14 August/February, our 45 day completion obligation commences from the date of receipt.

Financial audits are performed in accordance with Australian Auditing and Assurance Standards issued by the Australian Auditing and Assurance Standards Board. Whilst not a legislative requirement, when conducting annual financial audits, we give regard to probity considerations related to the management or use of public resources.

In conducting financial audits, we use an electronic financial audit methodology known as IPSAM (Integrated Public Sector Audit Methodology). IPSAM was specifically designed for the management of audits in the public sector environment and includes:

- reviewing the probity of matters associated with the management or use of public resources
- assessing compliance with relevant acts, regulations, Government policies and other prescribed requirements
- reporting to Parliament on matters arising from audits or relating to the Auditor-General's other activities in accordance with relevant legislation.

Financial audits are conducted by either financial audit staff of the Office or contracted audit firms. All audits conducted with the assistance of contracted audit firms are subject to project management and quality assurance review by the Office and all audit opinions are issued by the Auditor-General or an Office authorised delegate.

Our audit portfolio management objective is to achieve a balanced allocation of higher risk, material and/or strategic audits between our staff and externally engaged firms. This allocation takes into consideration our financial budgetary requirements and opportunities for our staff to develop their skills and experience. Our resourcing decisions also take into account the level of highly specialised technical skills or expertise required in an audit which may not currently exist within our Office. In instances where it is not practical or viable to build this expertise internally, external specialists are contracted to provide this capability.

PLANNED FINANCIAL AUDIT OUTPUTS FOR 2018–19

We will continue to deliver a diverse range of financial audit and assurance services in 2018–19 pursuant to the Act. Table 2 provides an overview of those activities and any other applicable legislative frameworks.

Table 2: Financial audits and assurance activities expected to be conducted in 2018–19

2018-19	Number ¹
Financial statement audits	
<i>Financial Management and Audit Act 1990</i>	17
<i>Local Government Act 1993</i>	36
<i>Corporations Act 2001</i>	15
<i>Government Business Enterprises Act 1995</i>	7
Other legislation or reporting frameworks	42
Audits by arrangement	9
<i>Total financial statement audits</i>	126
Probity examination	
Reporting of outcomes from any probity examinations — not included in other Parliamentary reports	1
Parliamentary report	
<i>Audit Act 2008</i> — report on the results of financial audits	1
Other audits	
Audits by arrangement, including regulatory audits	7
Funding acquittals ²	76

1. The number of audits conducted varies each year due to changes in the number of public sector entities and the level of audit dispensation provided.

2. Based on 2016-17 data. Acquittals are only conducted if required under agreements related to specific funding programs.

Our financial audit program is dynamic, reflecting changes such as the creation of new entities and the cessation of others, including the impacts of machinery of government changes in the composition of portfolio departments and associated entities. As such, the number of audit and assurance activities we conduct can change throughout the year and over time in accordance with changes in the number of public sector entities.

PROBITY EXAMINATIONS

Probity examinations assess whether there has been any lack of probity or prudence in the management or application of public resources. Tables 3 and 4 provide further detail on current and future probity examinations.

Table 3: Probity examinations in progress

Audit or examination	Background	State entities covered
Use of credit cards by Ministers, Ministerial advisors and GGS executives	<p>This examination will assess the probity and propriety of purchases made on credit cards or Tasmanian Government Cards by Ministers, Ministerial advisors and GGS executives.</p> <p>This examination follows on from our work examining the use of credit cards by council general managers, mayors, councillors and aldermen.</p>	GGS, Ministers and Ministerial advisors, GGS executives

Table 4: Probity examinations expected to commence in 2018–19 and 2019–20

Note: ▲ indicates a new audit or examination not in the previous annual plan of work.

Audit or examination	Background	State entities covered
2018-19		
Expenditure and payment trends in the GGS ▲	This examination will identify trends in government expenditure and payments, specifically, the increase in expenditure towards the end of the financial year with a focus on expenditure just below tender and quotation thresholds.	Departments and Tasmanian Health Service (THS)
2019-20		
Contracts appointing council general managers	This examination will assess recruitment processes, contractual and remuneration arrangements and performance assessment for council general managers.	Selected councils

PERFORMANCE AUDIT AND EXAMINATION PROGRAM

OVERVIEW OF OUR PERFORMANCE AUDIT AND EXAMINATION PROGRAM

Under Part 4 of the Act the Auditor-General may carry out a range of examinations or investigations as defined by section 23. This includes:

- 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 (commonly referred to as a performance audit)
- f. examining the efficiency, effectiveness and economy with which a related entity of a State entity performs functions) on behalf of the State entity, in partnership or jointly with the State entity or as the delegate or agent of the State entity.

DELIVERING OUR PERFORMANCE AUDITS AND EXAMINATIONS

Performance audits

A performance audit is a review or examination of the operations of a State entity or any other entity that uses public money or public property that aims to provide the Parliament with assurance relating to the administration and/or outcomes of State entity activities and programs. Performance audits also encourage better administrative and management practices by identifying and alerting public sector leaders to areas of weakness and highlighting areas of innovation and good practice for adoption more broadly across the public sector.

A performance audit can be entity specific or involve examination of a common issue as part of a broader cross entity audit involving a number of State entities. Performance audits include an examination of one or more of the areas illustrated in Figure 1.

Figure 1: Types of criteria commonly included in performance audits

Economy Definition: Acquisition of the appropriate quality and quantity of resources at the appropriate times and at the best cost. Examples: <ul style="list-style-type: none"> • goods and services are procured for the best possible price • desired quality standards have been achieved within time and budget parameters. 	Efficiency Definition: The use of resources such that output is optimised for any given set of resource inputs, or input is minimised for any given quantity and quality of output. Examples: <ul style="list-style-type: none"> • resources are used to maximise output of activity levels • controls and monitoring are used to track and manage resource use and improve efficiency.
Effectiveness Definition: The achievement of the objectives or other intended effects of activities at a program or entity level. Examples: <ul style="list-style-type: none"> • the entity has achieved its stated objectives • the project has delivered the solution in accordance with the agreed specification. 	Compliance Definition: State entity compliance with all relevant regulation, policies and rules. Examples: <ul style="list-style-type: none"> • the entity can demonstrate compliance with objectives, functions and requirements of relevant legislation • the entity has systems and processes to monitor compliance and address instances of non-compliance.

Performance audits are conducted in accordance with relevant standards issued by the Australian Auditing and Assurance Standards Board. These standards cover planning, conduct, evidence, communication, reporting and other elements of performance audits.

Our performance audits are typically delivered by our staff, however, we periodically engage subject matter experts to advise our performance audit teams on complex and technical issues. We also use contractors to supplement our staff resources where required.

Performance audits are designed and conducted to provide 'reasonable assurance', although a performance review may provide a 'limited assurance' opinion if it is determined that, as a result of the less extensive nature of the audit, the acceptable risk associated with the findings is higher than for a reasonable assurance engagement.

The outcomes of our performance audits are tabled in Parliament as they are completed.

Examinations and investigations

The purpose of this program is to supplement our indepth audits with shorter, more narrowly focused examinations and investigations which will be undertaken and delivered within three to five months. This will enable State entities to realise the benefits of our findings and recommendations more quickly for high impact/high visibility programs and decisions.

Follow up examinations

We are committed to conducting follow-up examinations to monitor entity progress in implementing recommendations from previous performance audits and examinations and to verify that actions taken by entities have been effective in addressing the recommendations. Audits or examinations selected for follow up exclude those subject to follow up by the Committee.

ACQUITTAL OF THE 2017-18 PERFORMANCE AUDIT PROGRAM

An acquittal of our planned 2017–18 performance audit program is provided in Table 5 below.

Table 5: Performance audit reports planned to be tabled in 2017-18

Audit project	Commencement		Completion		Tabled
	Planned	Actual	Planned	Actual	
Tasmanian Prison Service	N/a	Jul 2016	Oct 2017	In progress	N/a
Water and sewerage in Tasmania: Assessing the outcomes of industry reform	N/a	Sep 2016	Sep 2017	Oct 2017	Nov 2017
High school attendance and student engagement	N/a	Sep 2016	Apr 2018	In progress	N/a
Emergency departments	N/a	Jun 2017	Apr 2018	In progress	N/a
Follow up audit	Aug 2017	Aug 2017	May 2018	Apr 2018	May 2018
Management of State roads	Sep 2017	Yet to commence	Jun 2018	Yet to commence	N/a

N/a - not applicable

The timing of the completion of our performance audits has been impacted by:

- the lead auditor for the Tasmanian Prison Service audit being seconded to the Department of Treasury and Finance (Treasury)
- increased complexity relating to the Water and sewerage in Tasmania: Assessing the outcomes of industry reform audit, which resulted in resources being diverted from other audits to enable this audit to be completed by October 2017
- completion of an investigation into procurement of goods and services from CT Management Group Pty Ltd by Glenorchy City Council, the report of which was tabled in Parliament in October 2017
- completion of an audit assessment at the request of the Committee into the management of children in out of home care (OOHC) and the performance of selected entities receiving Special Care Packages, the report of which was provided to the Committee in January 2018.

PLANNED PERFORMANCE AUDIT AND EXAMINATION OUTPUTS FOR 2018-19

In 2018–19, we plan to complete four performance audits and one examination.

Table 6: Planned completion of performance audits and examinations in 2018-19

Audit project	Type	Planned commencement	Planned tabling
Tasmanian Prison Service	Performance audit	N/a	Mar 2019
High school attendance and student engagement	Performance audit	N/a	Mar 2019
Emergency departments	Performance audit	N/a	Apr 2019
RHH redevelopment project	Performance audit	Aug 2018	May 2019
UTAS investment in new student accommodation buildings and management of existing student accommodation buildings	Examination	Dec 2018	May 2019

N/a - not applicable

PERFORMANCE AUDITS IN PROGRESS

Table 7: Performance audits in progress

Audit or examination	Overview	State entities covered
Tasmanian Prison Service	<p>The objective of the audit is to form an opinion on whether Tasmanian Prison Service is efficiently and effectively managing its operations. The audit will assess:</p> <ul style="list-style-type: none"> elements of governance, including strategic planning, risk management, performance reporting workforce management asset management management of other costs. 	Department of Justice, Tasmanian Prison Service
High school attendance and student engagement	<p>The objective of this audit will be to express an opinion on the effectiveness of the management of student attendance and engagement. The audit will cover full and part time students in Years 7 to 10 at Tasmanian Government high schools between 1 January 2014 and 31 December 2017.</p>	Department of Education
Emergency departments	<p>This audit will assess the performance of the Emergency departments (ED) in Tasmania's four major hospitals and to express an opinion on whether the EDs are performing efficiently and effectively.</p> <p>This audit is being conducted from the perspective of ED patients on their journey through the ED.</p> <p>The first three audit criteria have therefore been developed to reflect the questions a patient may ask during the three distinct phases within the ED care pathway — arrival at the ED, clinical treatment and discharge.</p> <p>The audit will assess the performance of the four EDs within each of these phases against established key performance measures. The audit will also examine whether THS has addressed findings or implemented recommendations arising from previous reviews of the EDs to improve the efficiency and effectiveness of the emergency medical care process.</p> <p>The fourth audit criterion will evaluate whether THS is effectively managing EDs.</p> <p>The Committee also requested that this audit consider:</p> <ul style="list-style-type: none"> the occurrence and frequency of ambulance ramping affecting access to the ED matters causing bed blockage in inpatient areas, such as patients awaiting aged care beds. 	Department of Health and Human services (DHHS), THS, Ambulance Tasmania

PERFORMANCE AUDITS AND EXAMINATIONS EXPECTED TO COMMENCE IN 2018-19 AND 2019-20

Table 8: Performance audits and examinations expected to commence in 2018-19 and 2019-20

Note: ▲ indicates a new audit or examination not in the previous annual plan of work.

Audit or examination	Overview	State entities covered
2018-19		
RHH redevelopment project	<p>The RHH is being redeveloped at a cost of \$689 million and it is the largest social infrastructure project ever undertaken by the State. The RHH project is significant in terms of its scale, complexity, cost, the resources allocated and its importance in providing enhanced and sustainable health care services and outcomes to the community.</p> <p>In January 2014 we examined the effectiveness of the governance, project management and initial implementation of the RHH redevelopment project. This review will be the second review of the project, reflecting the ongoing nature of the project, and the key project lifecycle stages and milestones.</p> <p>The audit will examine the project status and will review the arrangements established by the State to enable the project to be delivered on time, within budget and with the intended benefits realised. The audit will also assess the effectiveness of processes for:</p> <ul style="list-style-type: none"> • risk management • budgetary and financial management • contract administration and management. 	DHHS, THS, RHH Redevelopment Steering Committee
UTAS investment in new student accommodation buildings and management of existing student accommodation buildings	<p>In recent years, UTAS has made a significant investment in the construction of student accommodation at Burnie, Launceston and Hobart and has expanded its 'footprint' into the respective central business districts. These arrangements have included various land exchanges and related transactions impacting government, UTAS and councils.</p> <p>This examination will focus on the quality of business cases, decision making (including procurement) and monitoring arrangements as well as post completion evaluation. The audit will also assess any impacts on existing UTAS student accommodation facilities including leasing arrangements.</p>	UTAS, Hobart, Burnie and Launceston City Councils

Audit or examination	Overview	State entities covered
Management of State roads	<p>The Department of State Growth (State Growth) is responsible for managing significant road networks throughout the State encompassing more than 3 700 kilometres of road with a replacement value of \$7 billion.</p> <p>This audit will assess whether Tasmania's State road network is being effectively and efficiently managed and maintained. The audit will examine:</p> <ul style="list-style-type: none"> • the strategic asset management of the State road network • road infrastructure asset management policies and systems • road construction activities including tendering and contractor management • maintenance, remediation and upgrade of the State road network. <p>The Committee also requested this audit consider the scrutiny of tendering processes to consider value for money in terms of time taken to complete road upgrades/maintenance and the impact of public disruption on productivity.</p>	State Growth
Effectiveness of risk management and internal audit functions ▲	<p>Risk management is a critical element of good corporate governance. Effective risk management enables entities to improve their decision making by allowing them to make informed decisions about risks.</p> <p>This examination will assess whether government departments and the THS are building risk management capabilities and embedding a sound risk culture throughout their organisations. The examination will assess whether:</p> <ul style="list-style-type: none"> • entities can demonstrate that senior management has provided a mandate for, and is committed to, risk management • information about risk is communicated effectively throughout the entities • entities are building risk management capabilities. <p>The examination will also look at the internal audit function for departments and the THS and assess how well they use their internal audit resources. This will include an evaluation of the role and positioning of the internal audit function within departments and THS, its independence and objectivity, the alignment of internal audit plans with departmental goals and risks, quality assurance and resourcing, performance against stakeholder expectations, and the communication of internal audit outcomes and insights.</p>	State departments and THS

Audit or examination	Overview	State entities covered
Decision making process for expressions of interest for tourism investment opportunities in national parks	<p>This audit will examine governance arrangements and compliance with decisions made under expression of interest bid guidelines issued by Treasury and guidelines issued by Department of Primary Industries, Park, Water and Environment (DPIPWE) regarding investment opportunities in Tasmanian national parks.</p> <p>This audit will assess whether:</p> <ul style="list-style-type: none"> • there is effective whole-of-government oversight and coordination of expression of interest bids in Tasmania's national parks • governance arrangements ensure a clearly defined separation of duties and personnel between the assessment and approval functions • there is clarity and consistency in how regard is given to other relevant processes and approval requirements in related procurement policy documents (including relevant guidelines and TIs). <p>We will also assess the extent to which advice was provided by Crown Law and/or the Solicitor-General and the extent to which that advice was implemented or not.</p>	State Growth, Office of the Coordinator-General, DPIPWE
ICT strategy and investment	<p>ICT governance should focus on the delivery of business change at an affordable cost and with an acceptable level of risk. ICT governance is an integral part of enterprise governance and consists of the leadership and organisational structures and processes that ensure an organisation's information technology supports its strategies and objectives.</p> <p>This audit will examine the effectiveness of ICT governance across major GGS entities, including the effectiveness of ICT strategy and the extent to which legacy systems are being identified and managed for replacement.</p>	GGS, THS, Office of eGovernment
2019-20		
Council procurement ▲	<p>This compliance audit will assess whether procurement of goods and services by councils is being undertaken in accordance with the:</p> <ul style="list-style-type: none"> • <i>Local Government Act 1993</i> • <i>Local Government (General) Regulations 2015</i> • council's Code for Tenders and Contracts • council's internal policies, procedures and manuals. <p>The audit will also examine the extent to which council internal audit activity has examined procurement compliance.</p>	Selected councils

Audit or examination	Overview	State entities covered
Effectiveness of shared services arrangements ▲	<p>A shared services arrangement facilitates the delivery of back office support services such as accounting, human resources, payroll, information technology, legal, compliance, purchasing and security. The arrangement can allow a number of organisations to share operational tasks, avoid duplication and provide economies of scale.</p> <p>This examination will assess the effectiveness of selected shared services arrangements to determine whether they achieve efficiencies and deliver value to their “customers”. The examination will focus on:</p> <ul style="list-style-type: none"> • governance arrangements including oversight and planning • mechanisms to ensure the effective delivery of services • reporting arrangements and review activities provide for ongoing monitoring and continuous improvements to the operation of the shared services arrangement. 	State departments and THS
Children in out of home care ▲	<p>In August 2017, the Office received a request from the Committee to undertake a performance audit into compliance and service delivery of OOHC provided to children in State care.</p> <p>In response to the request an initial audit assessment was undertaken to determine the:</p> <ul style="list-style-type: none"> • established or stated audit or review requirements for OOHC service providers • nature, timeliness and number of specific checks or audits undertaken • outcomes of those checks/audits including number of reports made • actions taken when reports were made. <p>In addition, the audit assessment examined payments made to external providers for OOHC Special Care Packages.</p> <p>On completion of the assessment, we concluded:</p> <ul style="list-style-type: none"> • DHHS had a plan to make improvements to OOHC provided to children in State care • DHHS be afforded time to implement planned reforms. <p>This audit will be undertaken to assess the extent to which DHHS has implemented and achieved the intended outcomes of the planned reforms.</p>	DHHS, selected care providers

Audit or examination	Overview	State entities covered
Retention and attainment of year 12 students ▲	<p>The government's current policy to improve Year 12 retention rates is to extend all public high schools to the final senior grade by 2022. As at 2018, Years 11 and 12 will be offered at 38 state high schools. The government intends to extend this to a further five high schools in 2019, leaving 14 schools to be extended to Year 12 by 2022.</p> <p>This audit will examine the effectiveness of the policy in increasing retention and attainment of students. The audit will also examine the impact of the government policy to extend Years 11 and 12 in high schools on Colleges. This audit will be undertaken after the end of the 2019 calendar year as a follow-on to the student attendance and engagement audit undertaken in 2017-18.</p>	Department of Education
Review of ICT projects and initiatives ▲	<p>Information on the status and outcomes of public sector ICT initiatives is often difficult to obtain. Most State entities provide little, if any, public information specifying these details.</p> <p>This audit will assess whether significant ICT investments have enhanced government services or addressed the problems they were meant to resolve and whether public resources have been spent in an efficient and effective manner.</p>	Various State entities
Pre-construction management of significant projects by UTAS	<p>UTAS is proposing to undertake an ambitious program of significant building developments which include the \$96 million Hedberg Centre for creative industries and performing arts, the \$300 million Northern Campus relocation projects and the \$400 million science, technology, engineering and maths research and teaching facility in Hobart.</p> <p>This audit will examine how UTAS manages pre-construction activities, including the engagement and use of consultants and experts.</p>	UTAS

EXAMINATION OF EMPLOYER FUNCTIONS AND POWERS

The Act provides the Auditor-General with the authority to examine the performance and exercise of the Employer's functions and powers under the *State Service Act 2000*. The Employer is defined as the Minister administering the *State Service Act 2000*, currently the Premier of Tasmania.

The Office currently receives funding to enable it to undertake one examination per annum.

The Auditor-General may also conduct an investigation into the administration or management of the State Service under Section 18 of the *State Service Act 2000* if requested to do so by the Employer.

Table 9: Employer examinations in progress

Examination	Overview	State entities covered
Effectiveness of performance management practices in the GGS	<p>State entities operate within a similar framework as the private sector when managing performance.</p> <p>State entities must comply with the <i>Fair Work Act 2009</i>, the <i>Industrial Relations Act 1984</i> and other relevant legislation, such the <i>Australian Human Rights Commission Act 1986</i> and the <i>Disability Discrimination Act 1992</i>.</p> <p>The main difference between the private and public sectors is that the majority of State entities must also comply with:</p> <ul style="list-style-type: none"> • <i>State Service Act 2000</i> • Employment Direction 26 <i>Managing Performance in the State Service</i> • Managing Performance Guidelines for the Tasmanian State Service. <p>This examination will evaluate the effectiveness of performance management practices with a focus on the actions and conversations relating to:</p> <ul style="list-style-type: none"> • expected performance of teams and individuals • goal-setting for teams and individuals • informal and formal feedback • learning and development • recognition of good performance. 	State departments and THS

Table 10: Employer examinations expected to be commenced in 2018–19 and 2019–20

Note: ▲ indicates a new audit or examination not in the previous annual plan of work.

Examination	Overview	State entities covered
2018-19		
Management of under-performance in the GGS ▲	<p>Performance management of employees is critical to supporting a high performing State Service workforce. While the management of underperformance is only one aspect of an effective performance management framework, it is important because underperforming employees negatively impact efficiency, productivity and morale.</p> <p>Underperformance, in whole or in part, is to be actively managed and addressed by the processes in Employment Direction No. 26 <i>Managing Performance in the State Service</i>.</p> <p>The objective of this examination is to assess the effectiveness of the management of underperformance in the State Service and identify opportunities for improvement. The examination will consider:</p> <ul style="list-style-type: none"> • how effectively State entities are managing underperformance • whether State entities documented underperformance procedures contribute to the effective management of underperformance • whether State entity management practices contribute to the effective management of underperformance. 	State departments and THS
2019-20		
Redeployment arrangements	<p>This audit will assess:</p> <ul style="list-style-type: none"> • compliance with, and effectiveness of, established redeployment rules (employment directions and guidelines) • the effectiveness of redeployment arrangements including vacancy control • how surplus positions are identified and how redeployees are managed. 	State departments and THS

APPENDIX A - LIST OF ACRONYMS AND ABBREVIATIONS

Act	<i>Audit Act 2008</i>
Committee	Parliamentary Standing Committee of Public Accounts
DHHS	Department of Health and Human Services
DPIPWE	Department of Primary Industries, Parks, Water and Environment
ED	Emergency department
Employer	<i>Minister administering the State Service Act 2000</i> (currently the Premier of Tasmania)
FMAA	<i>Financial Management and Audit Act 1990</i>
GGS	General Government Sector
ICT	Information and communications technology
IPSAM	Integrated Public Sector Audit Methodology
Office	Tasmanian Audit Office
OOHC	Out of Home Care
Plan	Annual plan describing the Auditor-General's proposed work program for the following financial year
RHH	Royal Hobart Hospital
State	Tasmania
State Growth	Department of State Growth
TAFR	Treasurer's Annual Financial Report
THS	Tasmanian Health Service
TIs	Treasurer's Instructions issued under section 23 of the <i>Financial Management and Audit Act 1990</i> and section 114 of the <i>Government Business Enterprises Act 1995</i>
Treasury	Department of Treasury and Finance
UTAS	University of Tasmania

AUDIT MANDATE AND STANDARDS APPLIED

Mandate

Section 17(1) of the *Audit Act 2008* states that:

‘An accountable authority other than the Auditor-General, as soon as possible and within 45 days after the end of each financial year, is to prepare and forward to the Auditor-General a copy of the financial statements for that financial year which are complete in all material respects.’

Under the provisions of section 18, the Auditor-General:

- ‘(1) is to audit the financial statements and any other information submitted by a State entity or an audited subsidiary of a State entity under section 17(1).’

Under the provisions of section 19, the Auditor-General:

- ‘(1) is to prepare and sign an opinion on an audit carried out under section 18(1) in accordance with requirements determined by the Australian Auditing and Assurance Standards
- (2) is to provide the opinion prepared and signed under subsection (1), and any formal communication of audit findings that is required to be prepared in accordance with the Australian Auditing and Assurance Standards, to the State entity’s appropriate Minister and provide a copy to the relevant accountable authority.’

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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