



Tasmanian Audit Office

*Strive, lead, excel to
Make a Difference*

**ANNUAL REPORT
2008-09**

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Communication objective

The Tasmanian Audit Office (TAO) Annual Report summarises our financial and corporate performance for 2008-09. In keeping with our vision, the report's theme is making a difference.

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

We welcome and value your feedback. Please send your comments to David Strong by

Email to: david.strong@audit.tas.gov.au or Fax to: (03) 6226 0199 or

Mail to: General Manager – Strategy and Governance
Tasmanian Audit Office
GPO Box 851
HOBART Tasmania 7001

This report and past annual reports can be viewed on our website at www.audit.tas.gov.au. Electronic copies are also available on request.

Our vision

STRIVE | LEAD | EXCEL | TO MAKE A DIFFERENCE

Our purpose

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

Our values

Professionalism - How we go about our work

Respect - How we treat others and expect to be treated

Customer Focus- How we deliver our services

Camaraderie - How we work together

Continuous Improvement - How we move forward and work better

20 October 2009

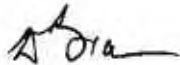
Hon Michael Aird MLC
Treasurer

Dear Treasurer

In accordance with the requirements of section 36 of the *State Service Act 2000* and section 27 of the *Financial Management and Audit Act 1990*, I am pleased to submit, for presentation to Parliament, the Annual Report of the Tasmanian Audit Office for the year ended 30 June 2009.

The report has been prepared in accordance with the provisions of the *State Service Act 2000* and the *Financial Management and Audit Act 1990*.

Yours sincerely



H M Blake
AUDITOR-GENERAL



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At a glance

Constantly challenging ourselves

What we do

The Tasmanian Audit Office undertakes audits, financial, compliance and performance, and special investigations and reports the outcomes to Parliament.

Our organisation

Since the appointment of George Thomas William Blamey Boyes as Colonial Auditor (now titled Auditor-General) on 25 November 1826, the independent office of the Auditor-General continues to play an important role in Tasmania. Since then there have been nineteen Auditors-General with Mike Blake the incumbent.

The role of the Tasmanian Audit Office is to assist the Auditor-General in providing the Tasmanian Parliament and the community with quality independent audits of all State entities.

Through our audit and reporting activities we aim to make a difference to how State entities manage public funds and provide services by promoting and strengthening public sector accountability. Our principal legislation is the *Audit Act 2008*, which defines the powers and responsibilities of the Auditor-General. Our primary client is the Tasmanian Parliament.

We undertake 170 financial statement audits of a diverse range of State entities and report to Parliament on significant issues arising. We also undertake a minimum of eight performance audits each year and report the outcomes to Parliament. Our reports are public documents and are accessible on our website: www.audit.tas.gov.au.

Our people

At 30 June 2009, we had full-time equivalent staffing of 41.4 (41.2 in 2008). Our staff perform financial, compliance and performance audits and conduct investigations. The Auditor-General can contract up to 15 qualified private sector auditing firms who may undertake audits on his behalf.

Our operations

We received \$2.250m in funding from the government (\$0.313m in 2007-08) and generated \$3.755m from fees for audit services (\$4.715m in 2007-08).

Our *Strategic Plan 2008-2011 "Making A Difference"* outlines how we meet our responsibilities, and contains long-term strategic objectives and critical success factors setting the future direction for the Office.

Highlights 2008-09

Rewards from improved processes and committed, motivated staff

Our highlights for 2008-09 included:

- Tabled seven (eight in 2007-08) performance audit reports in Parliament.
- Completed all financial audits for the 2007-08 cycle where management had presented financial statements for audit and overall these audits were completed within 4% of budget.
- Tabled two reports in Parliament on the outcomes of financial audits conducted.
- Updated our performance audit manual and applied our integrated public sector audit methodology to compliance and performance audits.
- Introduction on 1 March 2009 of the *Audit Act 2008*. This necessitated a number of changes to the manner in which we do business with changes also needed by State entities. Implementation of these changes proceeded effectively.
- Maintained and in some cases improved levels of satisfaction by Parliamentarians and auditees regarding our reports and our financial and performance audit services.
- The following observation by the independent reviewer of the Office following their review this year – “Overall I believe that the Tasmanian Audit Office is providing an important service in an efficient and effective manner, and the Parliament and people of Tasmania are achieving good value from the office’s use of the taxpayer’s dollar. It achieves this notwithstanding the relatively small size of the Office, the complexity of its role and the demands on it”.
- Silver Award in the Australian Annual Reports award and Highly Commended Award in the Institute of Public Administration Tasmania Reporting Awards.

Auditor-General's Report

Striving to Make a Difference



The Tasmanian Audit Office continues to be an exciting and challenging place to work. Changing accounting and auditing standards and increasingly complex business, social and service delivery environments require that we be well prepared and responsive. These conditions, along with growing numbers of requests for us to investigate matters of public interest, keep us focussed on making a difference.

During 2008-09 we amended our practices and, where relevant those of our clients, to address changes brought about by the *Audit Act 2008* which was effective 1 March 2009. This Act introduced changes that will enhance accountability by our clients and by us.

We set ourselves four critical success factors:

1. Sustainable business performance

This CSF relates to our own performance which for 2008-09 was mixed when measured against the targets we set for ourselves. We performed well in completing our audits, in our reporting to the Parliament and there was a high take up by State entities of recommendations made in our reports. Our cash flow was well managed but we again operated at a deficit which will be carefully addressed next year.

2. Highly regarded products and services

It is most pleasing to report very high levels of satisfaction by Parliamentarians regarding the usefulness, validity of our opinions and recommendations and readability of our reports. Parliamentarians also indicated very high satisfaction regarding the topics we select for audit. Also pleasing was 72% satisfaction by State entities we audit regarding our financial audit work. We still have work to do regarding earlier completion of financial audits but our performance in this regard is improving. The New Audit Act will require still more improvement.

3. Continuously improving operational performance

Our public sector specific audit methodology was rated highly by an independent reviewer this year although he also reported a need for us to improve our quality assurance practices which is being addressed. Our internal auditor, following an audit of our fee setting arrangements, made recommendations the implementation of which will also benefit our operations.

4. Motivated employees

Our staff were instrumental in the implementation of our values and in their participation in the Office's various health and well-being initiatives. The most recent staff satisfaction survey indicated high levels of staff moral. Our next improvement step needs to be around managing our carbon footprint. I am confident our move to new premises will focus our attention more on this important initiative.

Independent peer review

I was particularly pleased by the following observation by an independent reviewer of the Office:

“Overall I believe that the Tasmanian Audit Office is providing an important service in an efficient and effective manner, and the Parliament and people of Tasmania are achieving good value from the office’s use of the taxpayer’s dollar. It achieves this notwithstanding the relatively small size of the Office, the complexity of its role and the demands on it.”

However, the Review also identified a number of areas where improvements could be made that would further enhance the quality of our operations and relationships. Recommendations were made to assist us in addressing the changes necessary. Steps have already been taken to address the recommendations made.

The future

A feature of this report is the number of occasions where we outline actions planned for the future. I look forward to working with my staff as we address these intentions.

Thank you to all my staff for the manner in which you have accepted the challenges in 2008-09 and your preparedness to face those ahead of us. I have no doubt that satisfying these challenges, and the opportunities they give rise to, will help us to make a difference.



Mike Blake
AUDITOR-GENERAL

20 October 2009

Performance against budget and major initiatives

Budget management is important

Budgetary framework

The Office budget was included in Chapter 19 of Budget Paper No 2, Volume 2 in the 2008-09 Budget Papers. Outcomes of our financial performance against budget are comprehensively dealt with in the audited financial statements included later in this Report.

Performance information against our outputs

Our performance targets, set out in Chapter 19 of Budget Paper No 2, Volume 2 along with our achievements are detailed in the table below.

Performance Measure	Unit of measure	'05-06 Actual	'06-07 Actual	'07-08 Actual	'08-09 Target	'08-09 Actual
Parliamentary Reports and Services						
Parliamentarian General Satisfaction Index ¹	%	na	95	na	75	92
Number of Performance Audit Reports Tabled	Number	9	9	8	8	7
Number of Statutory Reports on Outcomes of Financial Audits	Number	2	2	2	2	2
Audit Assurance						
Financial statement audits completed within 30 days of receipt of signed financial statements	%	78	93	61	90	77
Client General Satisfaction Index ¹	%	93	76	na	75	72
Number of clients in portfolio	Number	158	158	154	158	170

¹ The satisfaction index is calculated when the bi-annual Parliamentarian and Client surveys are conducted.

Our target of completing 77% of our financial audits within 30 days of receipt of signed financial statements was not met but was a major improvement on 2007-08. Despite not achieving this, all of our statutory financial reporting responsibilities were satisfied.

Explanations for other variances against targets are detailed in the section of this report headed "Operational Performance Summary 2008-09".

Major Initiatives

The major initiatives, and our achievements, were:

- The improvement of Statutory Reports to Parliament on Outcomes of Financial Audits through the enhancement of reported information, report style and readability, financial report analysis and more informed commentary. The Budget allocation of \$57 000 for this initiative has increased the total Budget to \$300 000 in 2008-09, with annual funding increases of three per cent per annum thereafter to enable the advancement of this initiative.

The major improvement initiated this year was the inclusion of high level summary information in these Reports. This was aimed at directing the attention of readers to important financial results in summary form earlier in each chapter.

- Directly addressing carbon emissions by measuring the Office's carbon footprint and establishing ways to reduce its impact.

Our performance is detailed in the section of this Report titled Corporate Social Responsibility – Environmental.

- Reviewing procurement policies to ensure the purchase of products that have a reduced impact on climate change.

This initiative has still to be addressed.

- Using motor vehicles that meet guidelines for reducing carbon emissions and further enhancing the Office's existing recycling process.

In 2008-09 we replaced one of our vehicles with a diesel motored type. The results of our recycling processes are also dealt with in the section titled Corporate Social Responsibility – Environmental.



Matt Graver (Financial Audit Cadet) at behind the Wheel Driver Training - February 2009

Organisational Framework

Strong strategic planning and processes lead to the achievement of our goals

Our vision and purpose

Our agreed Vision and Purpose during this reporting period were:

Vision

STRIVE | LEAD | EXCEL | TO MAKE A DIFFERENCE

Strive to make a difference by producing quality reports and services that enable the recipient to understand the recommendations made therein so they can be implemented to improve service delivery in the public sector. Making a difference by leading by example in that we practice what we say. Excel at what we do so that our recommendations are relevant, timely and accepted and, therefore, "make a difference".

Purpose

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

Our outcome and outputs

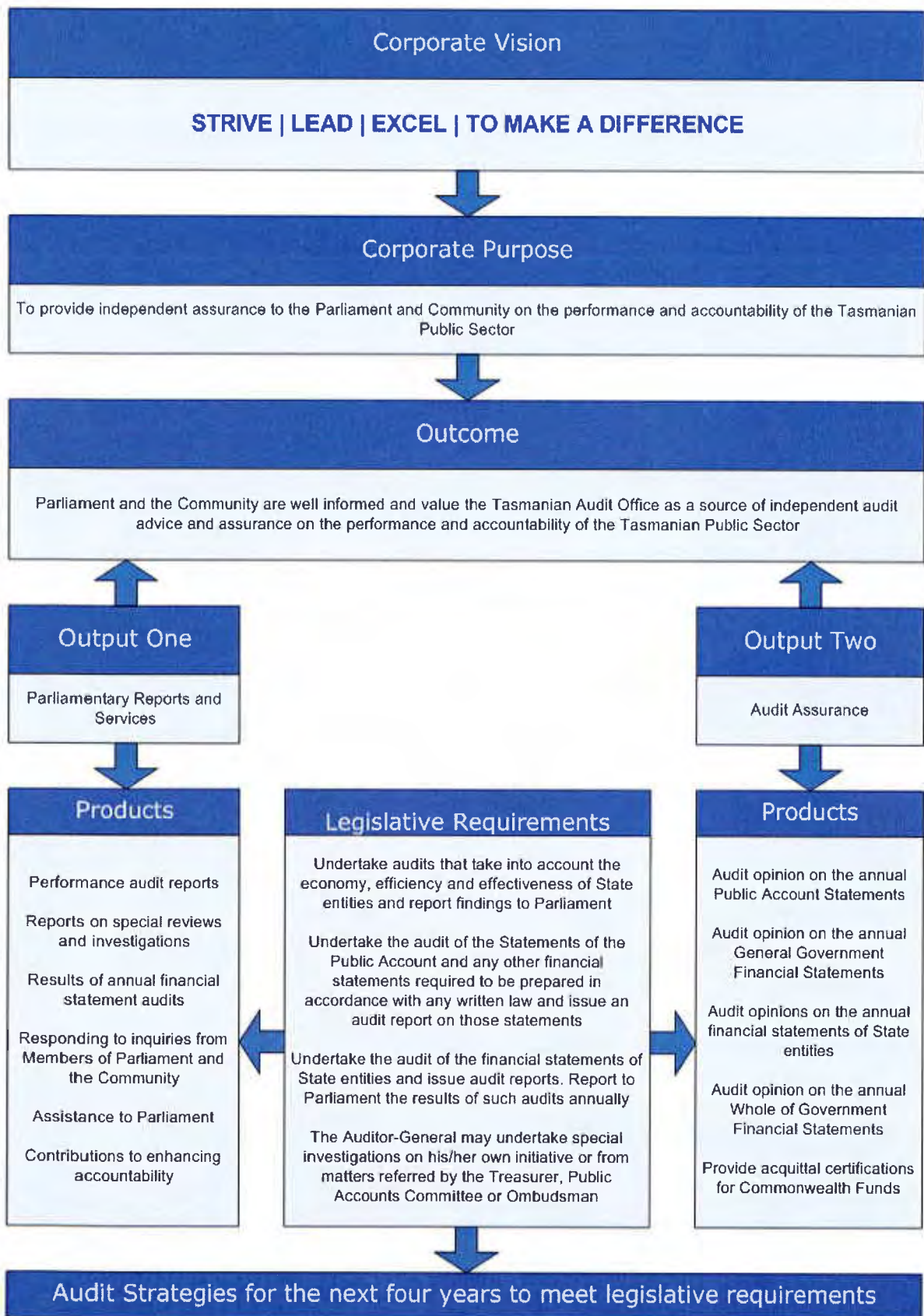
Through the Tasmanian public sector budgetary process we identified one outcome supported by two outputs that are consistent with our vision and purpose. The outcome is:

Parliament and Community are well informed and value the Tasmanian Audit Office as a source of independent audit advice and assurance on the performance and accountability of the Tasmanian Public Sector.

The outputs we must deliver to enable achievement of our outcome are:

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

Our Vision and Purpose are linked to our Outcome and Outputs as demonstrated on the following page.



Our strategic objectives and associated critical success factors

With our outcome and outputs in mind, we designed the following two Strategic Objectives:

- Confidence in the performance and accountability of public sector entities and
- Improved service delivery by public sector entities.

To enable us to achieve these objectives, and to measure our performance, we established four Critical Success Factors:

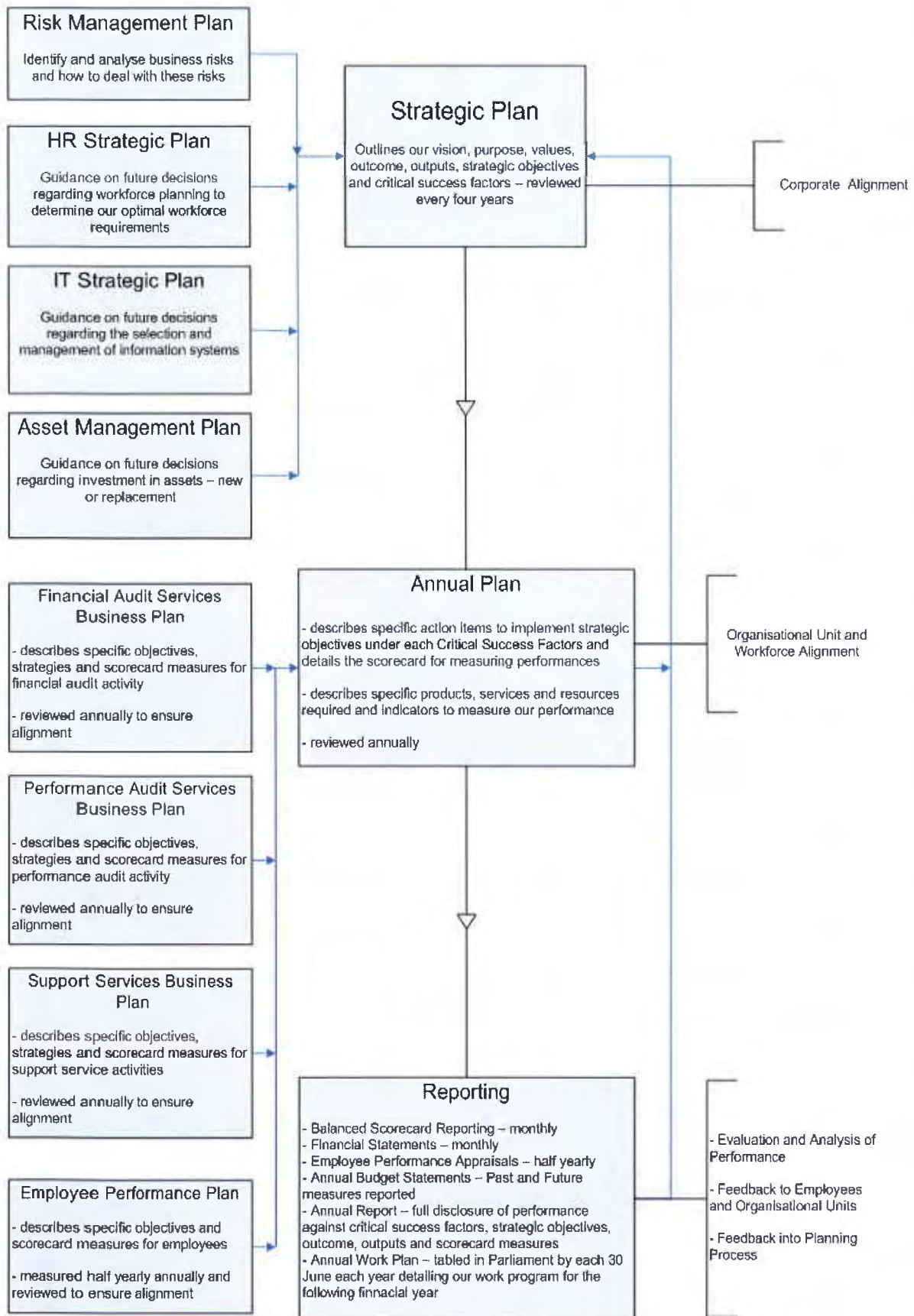
- Sustainable Business Performance
 - Efficient and effective office operations
 - Financial sustainability
- Highly Regarded Products and Services
 - Soundly based, credible and balanced reports and opinions
 - Reports and opinions that lead to improved public sector performance and accountability
 - Undertaking audits/investigations on the right topics at the right time
- Continuously Improving Operational Performance
 - Effective business systems
 - Contemporary audit methodologies
 - Effective quality assurance
- Motivated Employees
 - Capable, motivated and satisfied employees
 - Effective teams

Our Strategic Plan 2008-11 "Making A Difference" brings together our vision, purpose, strategic objectives and critical success factors and how we measure and report our performance through our balanced scorecard. The BSC reports present our performance as measured by actual results against targets for each identified key performance indicator. The data for establishing the actual results was gathered from:

- Stakeholder feedback particularly from Parliamentarians and audit clients
- Achievements against annual plans
- Benchmarking our performance over time and against our peers
- Acceptance and implementation of our recommendations
- Timeliness of all the work we do
- Employee feedback.

Our Strategic Plan "Making A Difference" and associated annual work plans can be accessed and download from our website. Our strategic planning framework is illustrated on the following page.

Strategic Planning Framework



Operational Performance Summary 2008-09

Accountability, a key to improved performance

In this section we explain our performance for 2008-09.

During this period our vision was to “strive, lead and excel to make a difference” and our purpose was “to provide independent assurance to the Parliament and Community on the performance and accountability of the Tasmanian Public sector”. We set two strategic objectives and four critical success factors aimed at delivering our purpose. These CSFs were – providing sustainable business performance, highly regarded products and services, continuously improving operational performance and managing motivated teams.

Measuring our performance against these CSFs is reported internally by applying our balanced scorecard reporting framework. Set out below we report our performance against these four CSFs.

Sustainable business performance

Our objective is that we manage our finances sustainably and we operate efficiently and effectively. The measures below are aimed at addressing these objectives.

Financial sustainability

Measure	Target	Actual
Net operating result for Financial Audit Services (FAS) business unit	> break-even	- 3.95%
Budgeted net operating result achieved	>=0	Operating deficit
Maintain positive cash flow	Positive	Positive
Financial ratios achieved	100%	100%
Unqualified audit report	Unqualified	Achieved

Operating in a financially sustainable manner leads to less reliance by us on government support. The FAS business unit operated at a deficit in 2008-09 and steps have been taken to address this. Despite this, the Office’s cash flow was satisfactory.

Efficient and effective audit office operations

Measure	Target	Actual
Number of compliance and performance audits tabled in Parliament	8	7
Number of statutory reports to Parliament following financial statements audits of State entities	2	2
Compliance and performance audits completed within eight months	100%	43%
Percentage compliance and performance audit recommendations agreed and acted on	70%	74%

Our performance against this objective was satisfactory in particular the high level of take up of recommendations made in our compliance and performance audit reports to Parliament. We missed our target of eight reports primarily due to delays by clients in providing information and the low achievement regarding eight month completion was caused by the Hydro Hedges report which took almost 24 months to complete and the Management of Threatened Species report which took almost 18 months.

Highly regarded products and services

The Parliament is our main client and our reports and services are aimed at meeting its needs. Our audit work and reports are designed to inform the Parliament about the performance of State entities. Secondary but significant clients are the State entities we audit. In their case our work is aimed at providing assurance regarding their financial reports and their financial and non-financial performance. As a result, our objectives are to:

- prepare soundly based, credible, balanced and timely reports and opinions that lead to improved performance and accountability
- undertake audits and investigations on the right topics at the right time.

The measures below are aimed at addressing these objectives.

Soundly based, credible, balanced and timely reports and opinions leading to improved performance and accountability

Measure	Target	Actual
All financial audit opinions issued within 45 days of receipt of signed financial statements	100%	80%
Overall satisfaction by Parliamentarians on our performance and compliance audit reports regarding the usefulness and validity of opinions and recommendations	75%	92%
Overall satisfaction by financial audit clients regarding financial audit services provided	75%	72%
Overall satisfaction by Parliamentarians as to the readability of the Office's annual report and its description of our role	75%	75%

With the exception of the first measure, all targets were or were close to being achieved or exceeded. We have work to do regarding earlier completion of financial statement audits which is being addressed by planning to complete balance date work prior to financial year end.

Undertaking audits and investigations on the right topics at the right time

Measure	Target	Actual
Overall satisfaction by Parliamentarians on our performance and compliance audit reports		
- worthwhile topics	75%	92%
- style and readability of reports	75%	92%
- usefulness	75%	92%

All targets exceeded indicating a high level of satisfaction by Parliamentarians with our performance and compliance audit reports.

Continuously improving operational performance

For us to meet our strategic objectives, we need to apply effective processes and methodologies that are rigorous and proven. We do this by applying:

- contemporary audit methodologies
- effective quality assurance
- effective processes, systems and management practices.

The measures below are aimed at addressing these objectives.

Measure	Target	Actual
Contemporary audit methodologies: findings by external peer reviewer	Positive	Positive
Effective quality assurance findings following independent quality review of financial audit working papers	Positive	Positive but suggested improvements
findings following independent quality review of performance and compliance audit working papers	Positive	Positive but suggested improvements
Reports following conduct of internal audits	Positive	Positive but suggested improvements
Effective processes, systems and management practices External peer review	Positive	Positive but suggested improvements

It is pleasing to report that an independent peer reviewer concluded our audit methodologies are sound. However, improvements were identified in the application thereof following quality assurance reviews and reviews of internal processes and systems. The suggested improvements are valid and are being addressed.

Motivated employees

Like all organisations, we rely on our staff to achieve our corporate objectives. We aim to provide an environment in which are staff:

- are capable, motivated and satisfied
- work effectively in teams
- recognise their environmental responsibilities and are involved in our community
- are healthy and who value our commitment to their well being.

The measures below are aimed at addressing these objectives. References to ('08) are to the results of a staff satisfaction survey conducted in that calendar year.

Measure	Target	Actual
Measures of staff satisfaction in relation to:		
- Motivation	75%	81% ('08)
- Involvement	75%	80% ('08)
- Personal satisfaction	75%	80% ('08)
- Staff development	75%	77% ('08)
- Organisational commitment	75%	83% ('08)
- Rewards and recognition	75%	77% ('08)
Measures of team effectiveness:		
- Performance management	75%	75% ('08)
- Teamwork	75%	82% ('08)
- Supervision	75%	80% ('08)
Staff recognise their environmental responsibilities and our involvement in our community		
- Carbon footprint impact	Lower impact	Stable Increasing
- Support for and commitment to community activities and organisations	Increasing participations	
Staff are healthy and value our commitment to their well-being:		
- Participation in health and well-being initiatives	Improved participation	66% - an improvement 88%
- Well-being index	>= 80%	

All our staff satisfaction and team effectiveness targets were exceeded. These measures are surveyed biennially. In addition, staff continue to demonstrate their commitment to our environmental, community and well-being responsibilities.

Our People

A dynamic and diverse workforce of highly skilled and motivated people

Staff profile

At 30 June 2009 we had a staff of 41.4 full-time equivalents (FTE). Our staff numbers increased from 42 last year to 43 this year.

Temporary and contract staff continue to meet absences due to secondments, unfilled vacancies and peak workload.

Staffing	2007-08	2008-09
Size of workforce at 30 June - FTE	41.2	41.4
Workforce at 30 June - Headcount	42	43
Number of staff who left TAO	6	2
Number of staff who joined TAO	8	3
Number of part-time staff	3	4
Average age of workforce at 30 June	40.8	42.9

The higher average age of our workforce is largely influenced by the relative stability in our workforce this year. The number of staff employed on a part-time basis increased with these staff able to move between full and part-time. To date this part-time flexibility has been used by women.

A breakdown of the distribution of the workforce by organisational unit at 30 June was as follows:

Unit	2007-08	2008-09
Financial Audit Services	63%	63%
Performance Audit Services	18%	20%
Support Services	19%	17%

A breakdown of our staff based on gender is set out on the following page:

Workforce	2007-08	2008-09
Number of Males as %	53.7%	55.8%
Number of Females as %	46.3%	44.2%
Average Age – Male	46.1	47.3
Average Age – Female	37.9	39.0
Average Salary – Male	\$75 599	\$94 543
Average Salary – Female	\$57 093	\$63 005
Part-time – No. of Males	0	0
Part-time – No. of Females	3	4

We have a relatively even gender profile with marginally more men employed than women, with the majority employed on a permanent basis. The age profile indicates that the average age by gender remained relatively constant as younger employees replaced retirees. The age profile of our staff mirrors the national trend with a significant number of employees between 45 – 60 years. In view of this, we take succession planning seriously with regular review of options. The significant increase in the average salary between genders was influenced by salaries struck under the new Tasmanian State Service Award and by contract positions.

Leave management

Managing staff leave entitlements is important because not doing so:

- negatively impacts our financial performance and position
- has an operational impact particularly when staff must take longer periods of leave than normal and
- can negatively impact on the health and well-being of our staff.

A breakdown of the leave is as follows:

Leave	2007-08	2008-09
Average sick leave days taken per employee	6.6	8.7
Total number of sick leave days	237	346
Average number of recreation leave days per employee	20.8	17.7
Total recreation leave days accrued	770	707
Employees with > 35 days accrued recreation leave	3	2
Average no. of days LSL per employee accrued	44.9	43.1
Total LSL days accrued	1 665	1 726
Employees with LSL > 100 days	0	0
Average number of ILOT days per employee	3.7	6.77
Total ILOT days accrued	136	74

We have not performed well in managing our staff leave in recent years primarily due to staff shortages. However, during 2008-09 the average accrued recreation leave balances decreased.

The average sick leave taken per employee increased mainly as a result of a small number of employees suffering long-term medical conditions.

Recruitment and selection

We recruit in accordance with policies determined by the State Service Commissioner under the relevant provisions of the *State Service Act 2000*. In line with these policies, our processes for selection reflect the merit principle, which ensures that all applicants are assessed in terms of who best meet the selection criteria for the primary competencies required for each position and, therefore, demonstrate the strongest capacity to undertake the functions required of the position.

The Office continues to participate in the University of Tasmania's Careers fair and the level of interest in working for the Office was again high. We also participated in careers fairs run by two of the professional accounting bodies.

Our level of recruiting this year was lower than it has been in recent years.

Graduate and Cadetship programs

During the year the Office developed a Graduate program enabling us to employ people who have recently graduated. These employees undertake post graduate studies such as those offered by the professional accounting bodies.

The graduate program is similar to the Cadetship program in that these employees work and study part-time until their post graduate courses are complete. At 30 June 2009 the Office had advertised positions in anticipation of offering two graduate positions in this program.

Our cadet program is a development initiative and a response to our ageing staff profile. The program allows participants the opportunity to work and gain experience while studying part-time for an appropriate degree. The intention of the program is that cadets will work in all business units to enable them to gain broader experience.

The cadet program is normally for six years, but it may be shorter depending on the amount of university study each cadet has completed before beginning the program.

To date six cadets have completed their cadetships, four of whom are now in financial audit positions and three cadets are still completing their cadetships.

	2007-08	2008-09
Cadetships in place at financial year end	4	4

Professional development

We are committed to providing appropriate high-quality learning and development opportunities for our people. All staff and supervisors are encouraged to identify their learning and development needs through the performance management process and to ensure that training and development courses identified are consistent with their own and Office objectives.

The table below summarises our investment in staff training, development and coaching.

Professional development	2007-08	2008-09
Average days per FTE	11.9	9.3
Average investment per FTE	\$2 418	\$1 578

During 2008-09 a draft learning and development program for each position was prepared based on the Office's competency framework. This is to be completed by 31 December and will enable staff and their supervisors to identify development opportunities relevant to their current positions and to positions they may aspire to.

Study assistance

Our study assistance program supports and encourages staff who wish to undertake studies consistent with their workplace requirements and career aspirations.

We currently have five staff members undertaking further studies in bachelor degrees and other professional accounting programs.

We support our staff by allowing them to take time off on full pay to study and prepare for examinations and we provide some financial assistance. Our staff are encouraged to undertake post-graduate study such as the professional programs offered by Australia's professional accounting bodies.

Performance management

Following the introduction of the new Tasmanian State Service Awards, amendments were made to the Office's performance management system. These were aimed at complying with the Awards and to ensure achievement of our operational responsibilities. This included focusing on rewarding effective performance and the introduction of a rewards and recognition program commencing in 2009-10.

Occupational health, safety and welfare

We continue to be active in managing Occupational Health, Safety and Welfare by identifying risks and addressing problems promptly.

Workplace inspections of all premises were conducted and a report prepared and presented to the EMG with recommendations being actioned. Ergonomic assessments are conducted for all new staff and when requested by existing staff.

During the year our staff voluntarily participated in a whole-of-government health and well-being survey the results of which will be used to influence our existing health and well-being programs.

We continued our walking initiatives via the Global Corporate Challenge (www.gcc2008.com), and the Cancer Council's Relay for Life. This year our participation rate in the annual influenza vaccination program increased by 10%. Our participation in the Global Corporate Challenge increased by 66% with 83% of staff participating. These programs assist our management of sick leave which was 8.7 days in 2008-09 (2007-08, 6.6 days).

Employee assistance program

Our employee assistance programs continued to provide support to staff on matters personal to them. During 2009-10 the program will be reviewed and relaunched to improve staff awareness.

Workplace diversity

We maintain our commitment to workplace diversity through our recruitment and selection practices, our performance management system and the provision of training and development opportunities. Our Human Resources Strategic Plan continues to promote our workplace diversity initiatives.

In addition, this year we established an informal 'diversity group' comprising a cross section of the Office reporting to the Auditor-General. Matters raised were addressed including suggestions for inclusion at our new premises to which we moved in September 2009.

No complaints of workplace discrimination or harassment were received during 2008-09.



Sashi Ram, Fabiola Solis and Tina Wang at FAS Staff Training in November 2008

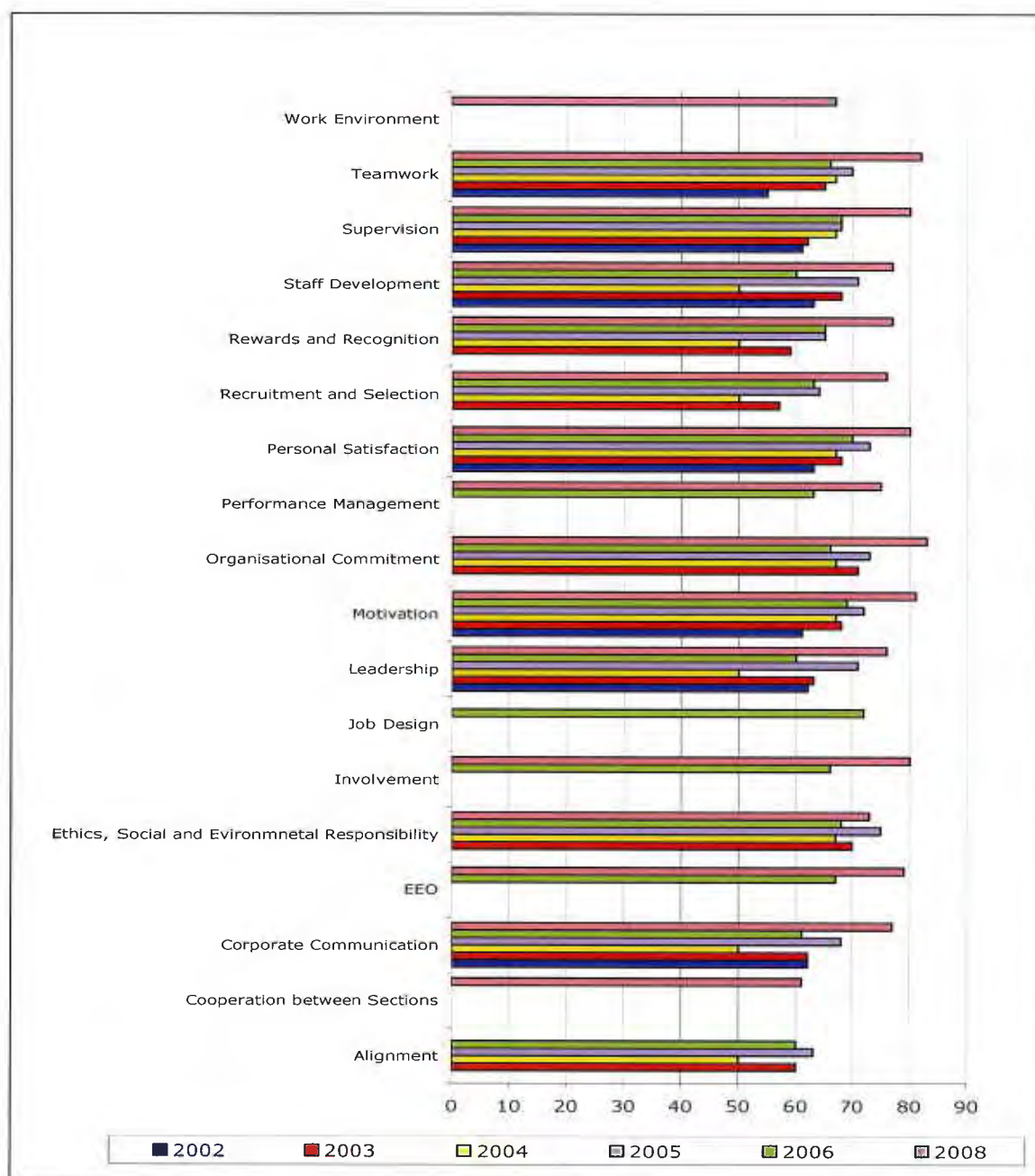
Employee participation

We recognise the importance of involving staff in decisions that affect them. In line with our values, we promote a culture that is based on mutual respect and trust facilitating innovation, customer focus and continual improvement.

Employee involvement and participation continues to be sought through "all staff" emails, direct approaches and open Office discussions.

Independent staff survey

We recognise that our people are the key to improving our overall efficiency and performance. To measure our internal organisational effectiveness we commenced measuring staff satisfaction seven years ago. The survey conducted in June 2008 had a participation rate of 97% with the results showing an improvement in staff satisfaction and morale. This result was most encouraging particularly when considering the disruption caused by the recruitment process undertaken in the previous year. The results of the survey are detailed in the following graph:



The consultant conducting the survey concluded as follows:

“This is the sixth TAO Staff Survey and the responses provided are markedly more positive than in any previous survey. The comments are more constructive and affirm the effort being made to build a stronger and more effective organisation.”

Surveys are conducted biennially.

Human resources strategic plan

Our investment in our people is our most significant cost requiring a strategic focus in human resource management. We are committed to a strategic approach to the management of our people through:

- providing a clear strategic focus for workforce management
- creating a safe, supportive and equitable work environment for employees which sustains high levels of satisfaction, empowerment, commitment and accountability
- supporting processes and practices which recognise and reward excellence and valuing the contribution people make to our success
- promoting leadership and coaching thereby supporting managers in effectively managing their employees
- ensuring our human resource policies and practices provide transparency, honesty and fairness in the management of our people and
- maximising our return on our human investment.

Future outlook

We will:

- develop plans to reduce our accumulated leave balances
- finalise a professional development program
- continue with our values implementation plan.



Phillip Chung at the FAS end of financial year breakfast with a Customer Focus Values Postcard

Operational Summary - Financial Audit Services

Overview

The Financial Audit Services (FAS) business unit comprises 25.4 FTE, 20.7 in Hobart and 4.7 in Launceston. Its activities in 2008-09 were:

- Undertaking the statutory audit of 137 annual financial statements of State entities with 101 audits undertaken in-house. In addition, 33 audits were dispensed with.
- Generating revenue from fees for audits conducted totalling, \$3.661 m.
- Contracting to private sector audit firms 36 financial audits with fees of \$1.044m and specialist work, such as audits of taxation balances and information technology systems with fees of \$0.069m.
- Tabling in Parliament two reports on the outcomes of financial audits, costing \$0.453m to produce.

This work resulted in the issue of one qualified audit opinion.

Key measures

Measure	Last Year	Target	This Year
Parliamentary Satisfaction – Usefulness of Reports	N/M	75%	92%
Client Satisfaction – Audit Services	N/M	75%	72%
Outcome of external cold file reviews	Positive	Positive	Positive with suggested improvements
Audit reports issued within 45 days of receipt of signed financial statements	61%	100%	80%
Training days per full-time equivalent	13.1	10	9
Completion of performance appraisals	100%	100%	100%
Achieve prescribed chargeable activity	88%	100%	87%
Break-even financial result for audit cycle	1% profit	> break-even	3.95% deficit
Table reports in Parliament in target months	100%	100%	100%

N/M = Not measured in that year



Methodology Training Day at Oatlands – December 2008

Operational performance

To achieve its purpose, the Financial Audit Services (FAS) business unit must conduct financial statement audits with the objective of issuing an audit opinion on the financial statements of State Entities as well as the General Government, Public Account and Whole-of-Government statements. These opinions must be issued in a timely manner so that we can meet our statutory obligations and allow State Entities to meet their statutory reporting requirements. This requires cooperation and commitment from all parties. We inform our principal client, Parliament, on the outcomes of these audits by tabling reports in Parliament.

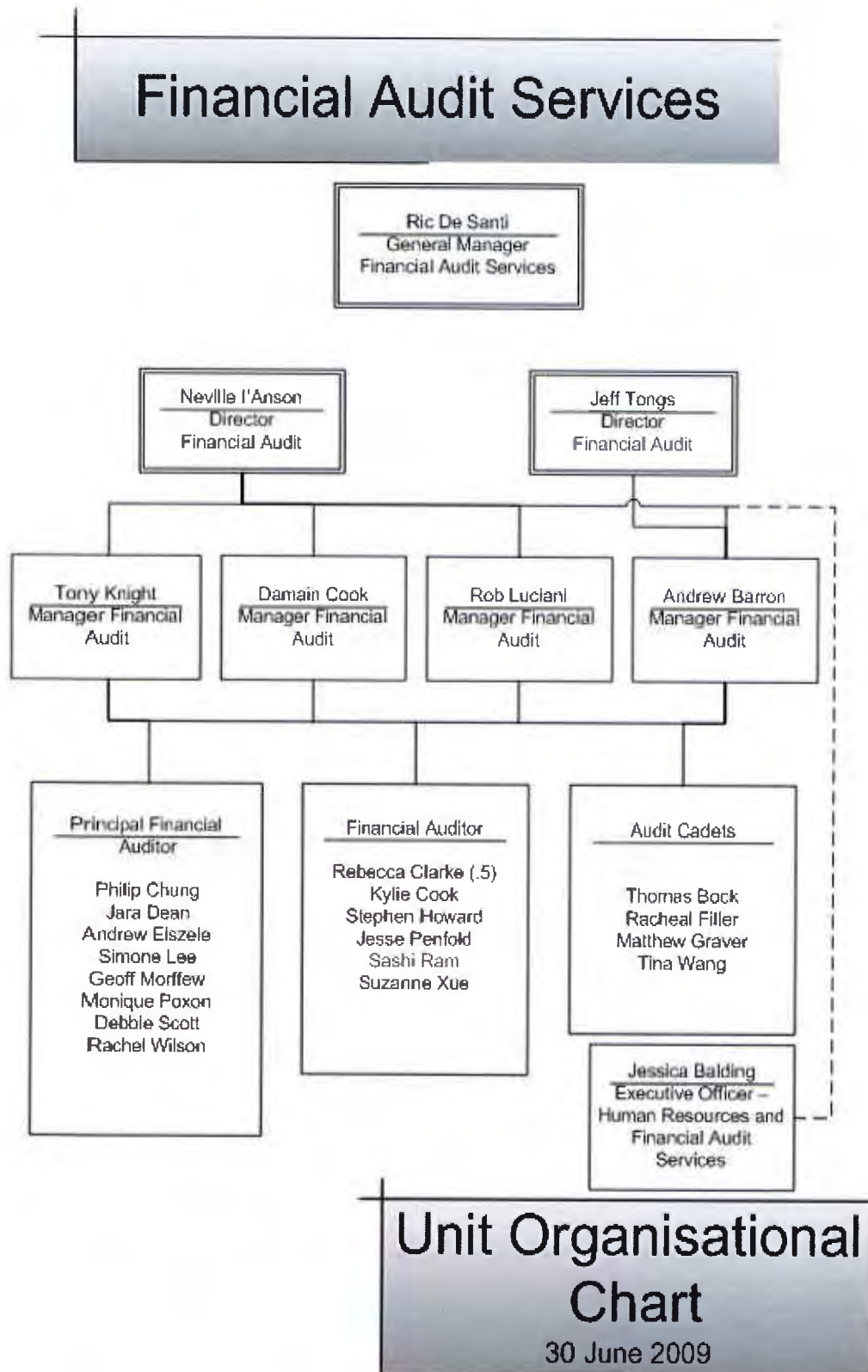
During the year, FAS met the objective of completing all the audits of State Entities that submitted financial statements to us. The outcomes of the audits, timeliness of the process and status of audits are detailed in our reports to Parliament referred to on page 28.

FAS internal processes were satisfactorily complied with in that staff received professional development, quality assurance reviews were positive, performance appraisals were conducted and the audits for the 2007-08 audit cycle were completed within the performance parameters. In contrast, in terms of timeliness FAS was unable to achieve the performance targets for the completion of audits. However, compared to the previous year, performance improved markedly due to the unit's more stable staffing and being in the second year of its use of its new financial audit methodology. In addition, the pace of introduction of new accounting and auditing standards abated somewhat during the year. FAS again found it difficult to achieve its targeted level of chargeable activity due mainly to the influences of staff turnover and absenteeism.



Financial Audit Business Unit – Tarraleah November 2008

Unit structure



Reports to Parliament

The *Audit Act 2008* requires that FAS table in the Parliament one report annually on the outcomes of its financial audit work. In satisfaction of this requirement, FAS tabled the following two reports:

- Government Departments and Public Bodies 2007-08 in November 2008. This Report dealt with the outcomes from audits completed of the Public Account Statements, the General Government Financial Statements (formerly the Budget Outcomes Statements), the Whole-of-Government Financial Statements (formerly the Consolidated Statements for the State of Tasmania) and financial statements prepared by Government Departments, State-Owned Corporations (SOC), Statutory Authorities, Government Business Enterprises (GBE), and other public bodies together with special comments on various other matters.
- Local Government Authorities and Public Bodies 2007-08 in May 2009. This Report dealt with the outcomes from financial statement audits of Local Government Authorities and three other State entities reporting for the financial year ended 30 June 2008. Also included were the results from our audits of the financial statements of three State entities reporting at 31 December 2008. In addition a comparative analysis covering all councils and water authorities was again included.

Both reports can be viewed and/or downloaded from our website www.audit.tas.gov.au.

Parliamentarians were invited to presentations on the day of tabling and informal feedback on the usefulness of the reports was positive.

Management of financial audits

While the Auditor-General is responsible for auditing all State entities, under the *Audit Act 2008* (the Act), there is discretionary power as to who will conduct the audits. Under section 33 of the Act the Auditor-General discharges his responsibility by appointing officers within the Office, or some other suitably qualified persons to carry out the whole or a part of an audit or investigation. We outsourced 36 financial audits to the private sector under the supervision of the Auditor-General and these audits are listed in the Appendices in this report.

We have established a register of external audit service providers that is updated annually and it is from this register that suitably qualified persons are selected to conduct audits. The list of external audit service providers is included on our website and in the Appendices in this report.

Under section 18(2) of the Act, following consultation with the Treasurer, the Auditor-General can dispense with audits after consideration of alternative accountability arrangements for the State entities concerned. Two aspects considered were the materiality of the financial transactions involved and the most cost effective means of conducting audits. The audits dispensed with are detailed in the reports to Parliament previously referred to and are noted in the list of clients in the Appendices in this report.

The table below indicates the mix of audit service providers for our financial audit portfolio:

	2005-06	2006-07	2006-07	2007-08	2008-09
Number of non local government financial statement audits contracted to private sector audit firms by the Auditor-General	13	28	28	26	27
Number of local government audits conducted by private sector audit firms	6	7	7	9	9
Audits conducted by the Tasmanian Audit Office	103	91	91	88	101
Audits of public bodies dispensed with	32	32	32	31	33
Total number of audits in portfolio	145	154	158	154	170

Outlook for 2009-10

We will:

- continue FAS staff team building/culture program
- maintain resourcing at levels adequate to meet our performance targets
- FAS management to communicate recent developments, promote customer service and organisational values at FAS unit meetings
- continue to review effectiveness of audit scheduling and resourcing processes
- continue adopting a team approach to audit work
- share resources between geographic locations and business units as far as is appropriate
- ensure efficient and streamlined management of contract audit functions in order to maximise productive audit work
- review Parliamentary reporting processes by assigning responsibility to individuals for each report
- recognise values and behaviours at every opportunity
- continue our mentoring program for all cadets.

Raechel Filler, Ric De Santi, Rob Luciani and Damian Cook at the FAS Methodology and Lawn Bowls Day – March 2009



Operational Summary - Performance Audit Services

Overview

The Performance Audit Services (PAS) business unit comprises 8.1 FTE, 7.6 in Hobart and 0.5 in Launceston. Its activities in 2008-09 were:

- undertaking the statutory, although discretionary, responsibility of conducting performance audits, compliance audits and special investigations and reported findings to the Parliament
- tabling seven reports in the Parliament
- generating revenue of \$1.387m from times spent on audits charged at an hourly rate.

Key measures

Measure	Last Year	Target	This Year
Parliamentary Satisfaction:			
▪ Worthwhile topics	N/m	75%	92%
▪ Style and readability	N/m	75%	92%
▪ Usefulness	N/m	75%	92%
Outcome of internal cold file reviews	Positive	Positive	N/M
Number of reports tabled in Parliament	8	8	7
Training days per full-time equivalent	9.4	10.0	11.8
Completion of performance appraisals	100%	100%	100%
Audits completed within 8 months	88%	100%	43%
Recommendations agreed and acted upon within two years after tabling	94%	70%	74%

N/M = Not measured in that year

Operational performance

The Parliamentary survey, which is conducted every two years, indicated a high level of satisfaction by Parliamentarians tabled with PAS reports.

A primary objective of the PAS business unit is to table eight reports in Parliament on the outcomes of the audits in that program. The PAS unit tabled seven reports, one less than target primarily due to delays in obtaining information and feedback from clients.

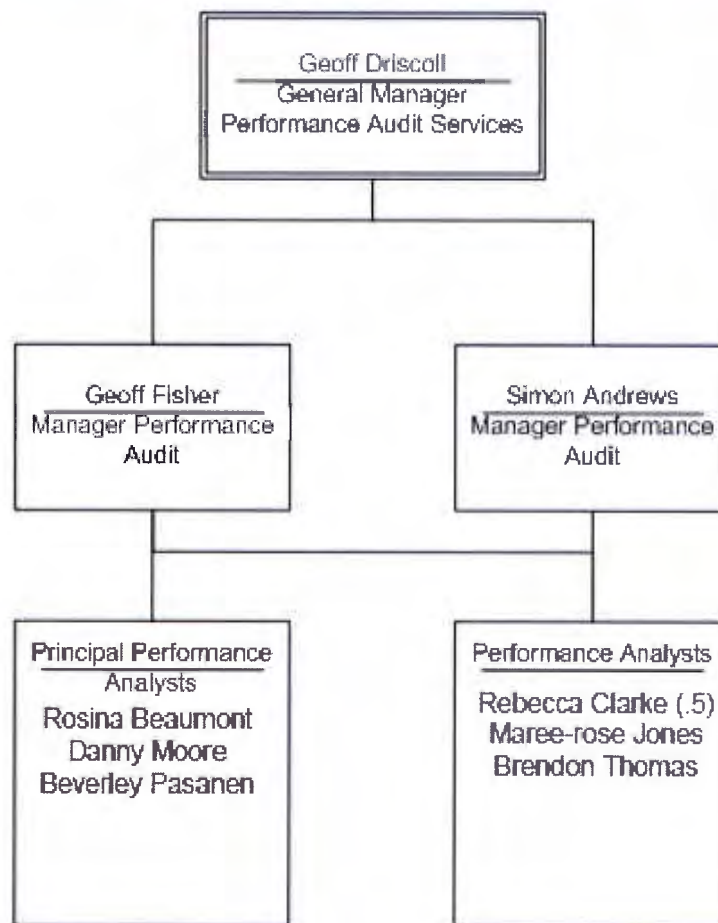
Historically, the most difficult target has been completion of audits within eight months because of the impact of staff shortages and the need to interrupt the standard program to perform urgent work. In 2008-09 the section achieved 43% for this measure which was low primarily due to one project taking two years to complete.

The measure of 'Recommendations agreed and acted on' was determined from a follow-up audit, which found a strong take-up of recommendations by audited entities.

Overall, PAS continues to perform strongly.

Unit structure

Performance Audit Services



Unit Organisational Chart

30 June 2009

Reports to Parliament

As noted previously, during the year seven reports were tabled in Parliament resulting from compliance and performance audits completed and special investigations undertaken. These reports are available on our web site at www.audit.tas.gov.au and are summarised below.



Special Report No. 75 – Executive termination payments

Audit Purpose and Findings

The objective of this compliance audit was to verify whether severance payments, made between December 2003 and December 2007, to senior executives in the public sector were in accordance with the relevant terms and conditions of their employment.

A wide range of public sector organisations was covered by the audit including government departments, local government councils and state-owned companies.

The report found heads of public sector organisations had often exercised their discretionary powers to make ex gratia payments that went beyond the terms of employment contracts.

The report contained six recommendations aimed at strengthening compliance with applicable legislation, policies and procedures.

Client Response

Department of Premier and Cabinet	In the interests of transparency it is reasonable to expect that state service agencies document termination processes involving officers ... I note the ex gratia payments identified in the report were negotiated to take account of individual circumstances which is appropriate as they vary from case to case. Furthermore, it is important to understand that the payments have a reasonable basis in untested legal obligation ...
Department of Treasury and Finance	Treasury is broadly supportive of the report recommendations with the exception of Recommendation number 6 and part of Recommendation number 3, it is our view that Heads of Agency ought to be accountable for and able to approve ex gratia termination payments as a normal part of agency business.
Department of Health and	The department accepts the findings outlined in the report and

Human Services	is of the view that the recommendations are the appropriate response to the issues raised. DHHS is also supportive of the removal of the current ambiguity around how termination provisions are to be applied.
Aurora Energy	Aurora Energy has reviewed the report and understands that the executive termination payments reviewed by the Audit in Aurora were found to be correct and in line with the terms and conditions of their individual employment contracts. We appreciate the work of the Audit Office and support the recommendations made
Transend	Transend has reviewed the report and agrees with the recommendations contained within the report. Transend is in the final stages of reviewing its executive contracts of employment. In this regard, the report recommendations will be taken into account as part of the review.
TOTE Tasmania	A review of the Senior Executive contract will be undertaken. All changes to executive remuneration are approved by the Remuneration Committee or a subset of that Committee. The payment summary sheet identifies all entitlements and payments, and is authorised by the delegated officer. This summary sheet forms an integral part of all termination documentation. Thank you for the Department's efforts in this review.
RBF	Notwithstanding that RBF already complies with some of the recommendations, RBF's agreed with the six recommendations. It is noted that the review mentioned in Recommendation 2 be coordinated centrally by the Public Sector Management Office.
Other audit clients	All other organisations involved in the audit accepted the report, indicated their satisfaction or had no comment to make on the recommendations

Special Report No. 76 – Complaint handling in local government

Audit purpose and Findings

Using a sample of six councils, the objective of this performance audit was to assess whether they were complying with the complaint-handling requirements of the *Local Government Act 1993* and its associated regulations. In addition, we assessed councils against a complaint-handling best practice international standard. We looked at complaints dating back to early 2006.

We found that council complaint-handling systems could not fully support general managers in meeting their legislative responsibilities. Information management systems were also incapable of ensuring that all complaints were actioned and made it difficult for councils to use the information to improve services.

The report contained 12 recommendations aimed at improving how councils deal with complaints and ensuring they comply with current legislation.

Client Response

Devonport City Council	In summary, Devonport City Council accepts the findings and recommendations of the <i>Complaint Handling in Local Government Audit Report</i> and notes it confirms the opportunity for improvements identified in Council's earlier review
Kentish Council	There are no issues identified in the draft report and the list of recommendations that the Council should not seek to comply, or cannot be addressed with improved technology, staff

	training and staff resources. I suspect that the smaller councils who are currently dealing with vital issues relating to overall financial sustainability will continue to struggle in this regard.
Kingborough Council	Improvements will be made to the capturing and classification of genuine complaints within the records management system. This will improve the way Council records complaints, allows for appropriate retrieval of documents, tracks response times and progress, easier reporting and analysis of the complaints register. Reporting from the complaints register will be included in Council's Annual Report which is available to the public.
Other councils audited	The remaining councils offered no comments.

Special Report No. 77 – Food safety: Safe as eggs?

Audit Purpose and Findings

In this performance audit, the objective was to express an opinion on the effectiveness of government's role in food safety particularly as it related to egg production, retail of raw eggs and manufacture and sale of egg-related products. The audit focused on the Department of Primary Industries and Water, the Director of Public Health and a sample of five local government councils.

While council food safety inspections of food premises were reportedly of a high standard, shortages of qualified staff meant some councils could not conduct the necessary level of annual inspections. The inspection program for Tasmanian egg producers was comprehensive, thorough and up-to-date.

When outbreaks of food borne illness had occurred, the Director of Public Health responded quickly and effectively, to investigate incidents and eliminate sources of contamination.

Day-to-day coordination between government bodies was praised.

The report contained 13 recommendations aimed at improving food safety.

Client Response

Councils	Responses from councils addressed each of the report's recommendations specifically and are not reproduced here. Generally, there was wide spread acceptance of the recommendations and preparedness to implement them. On the other hand, Devonport City Council was more critical and offered the following comments: "Council find it difficult to comprehend why the focus of this audit is on Local Government and why 11 of the 13 recommendations are directed at Local Government. This audit was conducted to determine the safety of eggs to the consumer in response to the salmonella outbreaks of the past 3 years however there are still questions that remain unanswered as to why these outbreaks occurred."
Department of Primary Industries and Water	The department supports the introduction of egg stamping in Tasmania. The department will continue to work towards agreement of an MOU by Food Safety Forum members by the end of this year and remains optimistic of achieving that.
Department of Health and	The department is pleased to learn that one of the outcomes from the audit was that the office of the Director of Public

Human Services

Health was found to have acted 'quickly and effectively' in response to food borne illness out breaks. This was aided by a close collaboration with officers from the Department of Primary Industries and Water and the respective local government council Environmental Health Officers.

Special Report No. 78 – Management of threatened species

Audit Purpose and Findings

The objectives of this audit were twofold; to determine the effectiveness of measures to identify, report on and protect threatened species and to review management of functions and areas related to their identification and protection.

The scope was concerned with activities of the Resource Management and Conservation (RMC) Division of the Department of Primary Industries and Water. Therefore, the audit excluded conservation activities of other public sector bodies with a conservation role.

In Tasmania, a habitat-based approach to managing threatened species was successful with protection of large areas of Tasmania including national parks, state forests, marine reserves and privately owned land. The process for listing a species as threatened was also sound.

However, delays in completing listing statements, preparing information about important habitats, including cataloguing them at a species level, and developing recovery plans were a concern.

The report contained 19 recommendations aimed at improving the ongoing protection and restoration of threatened species. There was also a recommendation that the department considered a more strategic approach to managing threatened species.

Client Response

Department of Primary Industries and Water

The department provided a six-page response that was published in full in the report. Essentially, that response criticised the audit for concentrating primarily on the role of the RMC. In a rejoinder, the Auditor-General stated the scope and approach were appropriate because the focus was on the work of RMC with my approach targeted at existing approved plans and strategies



Jara Dean, Ric De Santi and Simon Andrews – Awarded CPA membership status March 2009

Special Report No. 79 – Follow up of performance audits: April–August 2006

Audit Purpose and Findings

Our follow up of completed performance audits aimed to assess the extent to which state entities implemented recommendations made in six previous reports tabled between April and August 2006. Those reports with the respective rates of implementation were:

- No. 59 Delegations in government agencies (80%)
- No. 59 Local government delegations (61%)
- No. 59 Overseas travel (100%)
- No. 60 Building security (84%)
- No. 60 Contracts appointing Global Value Management (94%)
- No. 61 Elective surgery in public hospitals (67%).

We were pleased that for each report, management had made changes to implement the recommendations. Of a total of 58 recommendations only one had been completely rejected. Where recommendations had not been implemented, we sought and received explanations as to why this was the case.

Client Response

Various	The audit clients involved stated that they were happy with the report's conclusions and the follow up process in general.
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Special Report No. 80 – Hydro hedges

Audit Purpose and Findings

As a result of a referral by the Tasmanian Ombudsman, the audit investigated foreign exchange and interest rate hedging transactions entered into by Hydro Tasmania from March 2000 to November 2002 as they related to the Basslink agreements.

The audit found that Hydro Tasmania was sufficiently committed to the Basslink project that it had to take steps to mitigate risks arising. Hydro Tasmania's risk management practices were appropriate, a sound commercial decision was made at the time and that it complied with the relevant Treasurer's Instruction.

The report contained a single recommendation that government set thresholds relating to capital investment and economic impact for determining public projects. Such projects should be determined at their commencement and there should be biannual progress reports to the Parliament.

Client Response

Hydro-Electric Corporation	No response was provided to our audit findings
Department of Treasury and Finance	<p>As you have noted, government businesses are scrutinised on an annual basis through the Government Business Scrutiny Committee of Parliament.</p> <p>The establishment of fixed reporting times prior to the financial close of a project would not be in the commercial interests of the government business. However, consistent with the government's contracts disclosure policy of openness and transparency, there may be a case for government businesses to publish a project summary of each major project within three months of the financial close of the project.</p> <p>Such an approach would require further consideration by the government and consultation with government businesses.</p>
Tasmanian Ombudsman	The report represents a very careful and considered appraisal of

	the matter of referral, and leaves me in no doubt that the decision to hedge was appropriately taken and managed. I very much appreciate the quality of the investigation that has been carried out.
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Special Report No. 81 – Contract management

Audit Purpose and Findings

The primary audit objective was to determine the effectiveness of management of large-scale and/or ongoing contracts in government departments. The scope encompassed contracts entered into between 1999 and 2008.

The contracts and departments concerned were:

- Rail Management and Maintenance Deed (DIER)
- Upgrading of the Bass Highway, Westbury and Hagley Bypasses (DIER)
- Gas Distribution Development Agreement: Stage 2A Restated (DED)
- Operations and Maintenance Agreement for the Optic Fibre Backbone (Department of Treasury and Finance)
- Deed of Agreement with the Federal Group (Department of Treasury and Finance)

Contract management had been reasonably effective but there was scope for better management of risks, especially prior to entering into contracts. There was also a need for improved monitoring of contractors' compliance with the terms of the contracts.

The report made four recommendations

Client Response

Department of Economic Development and Tourism	The department will take on board the recommendation in relation to major procurements in the future.
Department of Infrastructure, Energy and Resources	Generally, the department supported the recommendations.
Department of Treasury and Finance	Treasury will ensure that the Auditor-General's conclusions are taken into account in establishing an appropriate monitoring regime should similar circumstances arise again in the future.

Outlook for 2009-10

We will:

- finalise our internal Performance Audit manual with a focus on ensuring compliance with the *Audit Act 2008* and quality assurance standards
- continue to increase the readability of our reports and expand our reader base
- increase the efficiency of our internal processes
- build on the working relationship with the Public Accounts Committee.

Operational Summary - Support Services

Overview

The Support Services (SS) business unit operated with 6.7 FTE all based in Hobart. It provided the following services to the Office:

- human resources
- finance
- risk management
- information technology
- information management
- strategic management and governance
- administrative services.

Key measures

Measure	Last Year	Target	This Year
Unqualified audit report	Unqualified	Unqualified	Unqualified
Overhead budget accuracy	6.1% under	+/- 5%	5.7% under budget
Cash balance at year end	Positive	Positive	Positive
Financial Performance Index	83	>= 80%	95%
Training days per full-time equivalent	9.0	10.0	8.0
Completion of performance appraisals	100%	100%	100%
Survey of Parliamentarians on the Office's annual report for			
- readability	N/M	75%	75%
- understanding of the role of the Office	N/M	75%	92%

N/M – not measured

Operational performance

Our external auditors Clements, Dunne & Bell issued an unqualified audit report on the financial statements for the year ended 30 June 2009 on 17 August 2009.

The Support Services unit has responsibility for ensuring that the approved corporate overhead budget is managed effectively. This it achieved with actual expenditure on corporate overheads being 5.7% under budget this year.

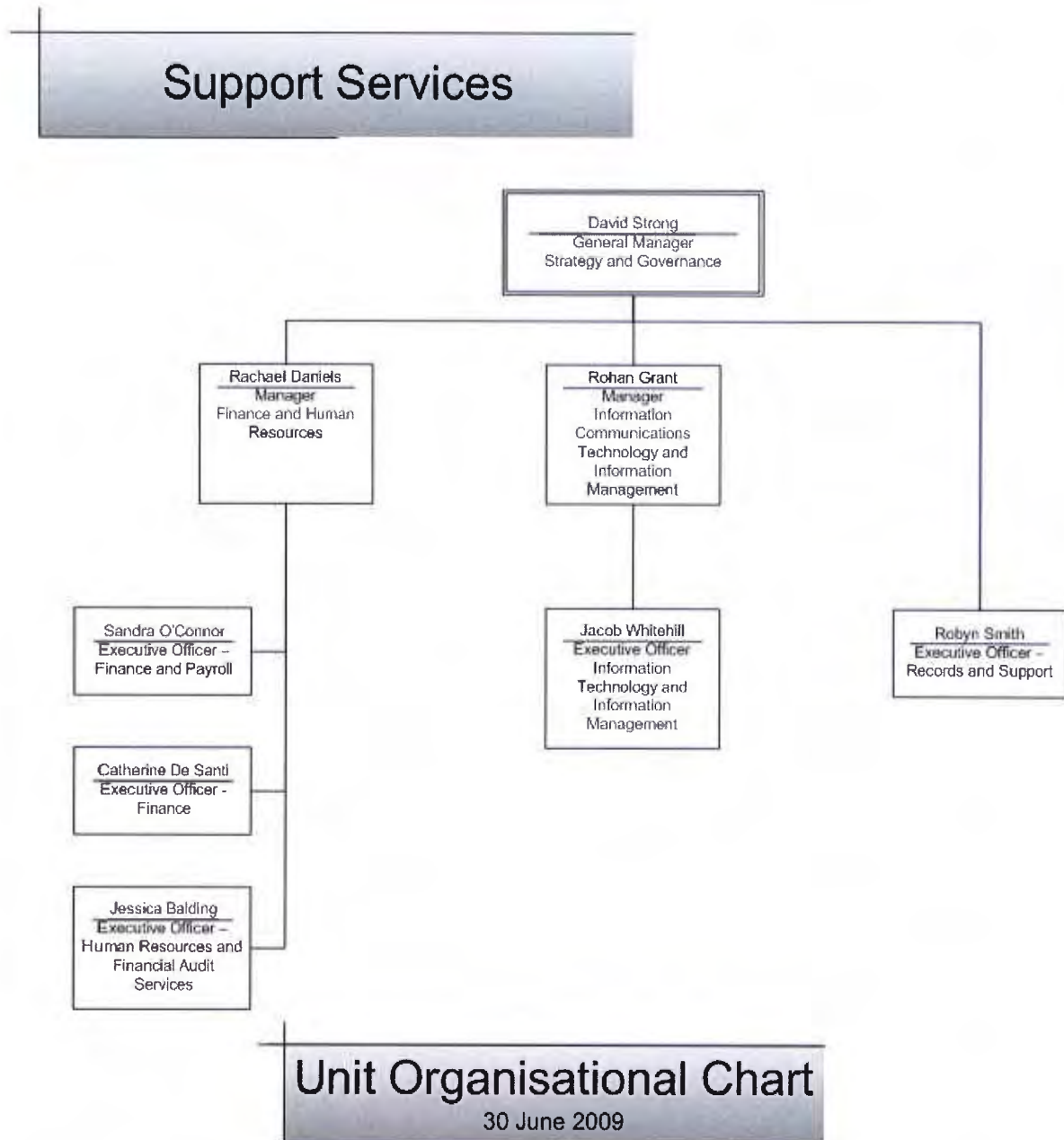
The Office has no overdraft facility requiring it to manage its cash carefully. In comparison to the previous year we increased the balance of financial assets by 36% from \$0.848m to \$1.151m primarily by introducing instalment billing arrangements for all clients. This performance excluded cash received in advance to pay for capital funding associated with the Office's move to new premises in September 2009 but included work in progress.

Our financial performance index is derived from our financial functions being the age of accounts payable and receivable, how quickly we turn work in progress into cash receipts, managing our

revenue and expenditure budgets to ensure we meet our financial outcomes target and maintaining positive cash flows. As at year end our financial performance index was 95%.

A survey of Parliamentarians about our annual report was completed for the first time this year. The results were positive.

Unit structure



Strategy and governance

During the year, as required by our governance policy, our governance and risk management frameworks were reviewed and our vision, purpose and values included in all relevant Office publications. Steps were taken to evaluate how we manage our governance and risks more

directly. See further comments under the sections headed Governance and Managing Risk later in this Report.

The implementation of our new strategic planning framework continued along with implementation of reporting and review mechanisms.

The SS business unit continued the development of policies and procedures. Recommendations from internal and external reviews are being addressed.

All delegations for finance, human resources and information management were reviewed and amendments became effective 1 July 2009.

Human resources

Recruitment

The Office recruited staff in accordance with its recruitment and selection framework. As a result of the new Tasmanian State Service Awards changes were made to statements of duties.

After the recruitment process the Office's competency and recruitment and selection frameworks were evaluated and some minor amendments/enhancements made in light of the experiences from the process.

Industrial and workplace relations

During 2008-09 Government and the Public Sector Union agreed to a revised salary policy which will result in large salary increases for Office staff. Implications for audit fees are being considered.

No internal grievances were lodged during the year (one was lodged in 2007-08).

No formal applications for review under the *State Service Act 2000* of recruitment decisions were lodged this year.

The Office developed a graduate recruitment program this year which was approved by Government. It supplements our cadetship program and will be implemented in 2009-10.

Health and safety

Our voluntary influenza vaccination program recorded an increased participation rate again this year and our participation in the Global Corporate Challenge (see www.gcc2008.com.au) increased by 66% with five teams entering this year. Thirty five out a possible staff of 42 participated.

No workers compensation claims were lodged this year and there were no outstanding claims at year end. Also, no workplace injuries were reported and there were no days lost due to workplace injury.

Ergonomic assessments for new staff and staff requesting a review were conducted by our consultant during the year and where instructed equipment was purchased. Workplace safety inspections were carried out, the results reported to the EMG and following approval, the recommendations are being actioned.

Our Employee Assistance Program continues to be available to staff and this program was accessed by staff during the year.

Financial management and administrative services

Upgrades of financial systems previously scheduled for 2007-08 occurred this year although the delay pushed back implementation of a revised costing system which has still to be undertaken. Other financial, human resource and information systems continue to operate unchanged.

Accommodation

As reported in 2007-08, our accommodation in Hobart is inadequate and since October 2007 the Office has been negotiating tenancies that meets our requirements. This eventuated in funding being provided to facilitate our move in September 2009 to Level 4, 15 Murray Street.

Information and communications technology

This year we completed the rollout of IPSAM for use by our Performance Auditors. In addition we upgraded our intranet and following the end of June 2009 we commenced a project aimed at updating our internet website.

Our target to update our IC&T strategic plan during 2008-09 was not met. This is now scheduled for 2009-10 and once completed we will finalise our business continuity plan and associated policies and procedures. We then plan to test our disaster recovery plan.

Information management

In 2008-09 we upgraded our records management system and provided training to staff. A clean desk and clear screen policy was also introduced which included the conduct of un-announced checks to ensure compliance.

We continue to publish all Office reports on our external website.

Outlook for 2009-10

We will:

- implement recommendations arising from an internal audit initiated of our human resource practices and our management of sensitive data
- complete the IC&T strategic plan
- implement recommendations arising from the independent peer review of the Office
- continue the roll out of policies and procedures as they are developed. This will include relevant staff awareness and training sessions.



Jake Whitehill, Jess Balding, Catherine De Santi and David Strong at the Support Services Christmas Breakfast – December 2008.

Regulatory and Legislative Framework

A strong legislative framework provides a clear mandate

The Role of the Auditor-General.....

The Office is part of the accountability framework where we assist the Parliament in holding the Government accountable for fulfilling its responsibilities.

The Government is obliged to account to the citizens of Tasmania, through the Parliament, for its management of public funds and in the achievement of agreed outputs. It must ensure that funds are properly raised, protected from loss and spent with maximum efficiency and effectiveness for the purposes approved by the Parliament. This duty to account is discharged in part by the preparation by State entities of annual financial statements. The information in these statements needs to be audited by a suitably qualified independent person to ensure that they fairly present financial performance. The Auditor-General is responsible for ensuring that this is done.

The accountability of State entities is also assessed by the Auditor-General's discretionary mandate to conduct compliance and performance audits and special investigations.

The Auditor-General offers briefings to all Members of Parliament about the role of the Office and the *Audit Act 2008*.

Is Enshrined in Legislation.....

From 1 March 2009 the *Audit Act 2008* became the main legislation governing the appointment, tenure, duties, responsibilities and authority of the Auditor-General. This Act provides the legal basis for the Auditor-General's access to all government information and the freedom to report findings arising from audits to Parliament.

Changes initiated by the introduction of the *Audit Act 2008* were comprehensively summarised and made known to all audit staff and clients to facilitate smooth transition from the *Financial Management and Audit Act 1990*. An important feature in the new Act was the inclusion of requirements that will strengthen the prior informal arrangements with the Public Accounts Committee.

The Auditor-General is responsible for audits of financial information prepared under the *Financial Management and Audit Act 1990*, *Government Business Enterprises Act 1995*, *Local Government Act 1993* and other relevant legislation such as the *Corporations Act 2001*. We also audit certificates prepared associated with Commonwealth grants and payments to the State under Commonwealth legislation.

Performance and compliance projects and special investigations are designed by the Auditor-General under an 18 month to two year program summarised in an Annual Plan of Work.

The Tasmanian Audit Office is a government department established to assist the Auditor-General in meeting his statutory requirements. The Auditor-General is the administrative head of the Office and the Auditor-General may engage private sector firms as his agents.

That Ensures His Independence.....

The Office is responsible for the administration of the *Audit Act 2008* in so far as it relates to audit matters and it is not part of the Government itself. This independence from the Executive Government is vital if the Office is to perform its work effectively and make independent and unbiased judgments.

The Auditor-General is an independent Officer appointed by the Governor and is not subject to control or direction either by the Parliament or the Government.

The independence of the Auditor-General is assured by wide powers assigned by legislation. This independence ensures that findings arising from financial and compliance and performance audits and investigations are communicated regularly to the Parliament without interference.

And Defines His Mandate

The Auditor-General has a broad-scope mandate for comprehensive auditing that embodies the components generally referred to as financial audit, compliance audit and performance audit. The areas subject to examination under these audit components can include the management of financial, human and other resources. The Auditor-General reports the results of audits directly to Parliament.

The Auditor-General must provide an audit opinion on the annual financial statements of all State entities, on components of the Treasurer's Annual Financial Report and on the Consolidated Financial Statements of the State. The Auditor-General may also investigate instances of waste, impropriety or lack of financial prudence in the use of public resources, and has the power to investigate whether the government and its agencies effectively, efficiently and economically use public resources.



Mike Blake, Ric De Santi, Jeff Tongs and Rob Luciani on a client visit to Tamar Valley Power Station

Governance

We take governance seriously

Our aim is to manage the Office and our people in such a manner as to ensure that we maintain an effective and sustainable organisation.

This aim underpins all aspects of our operations: sustainable business performance, highly regarded products and services, continuously improving operational performance and motivated employees.

These aims are supported by a strong governance framework.

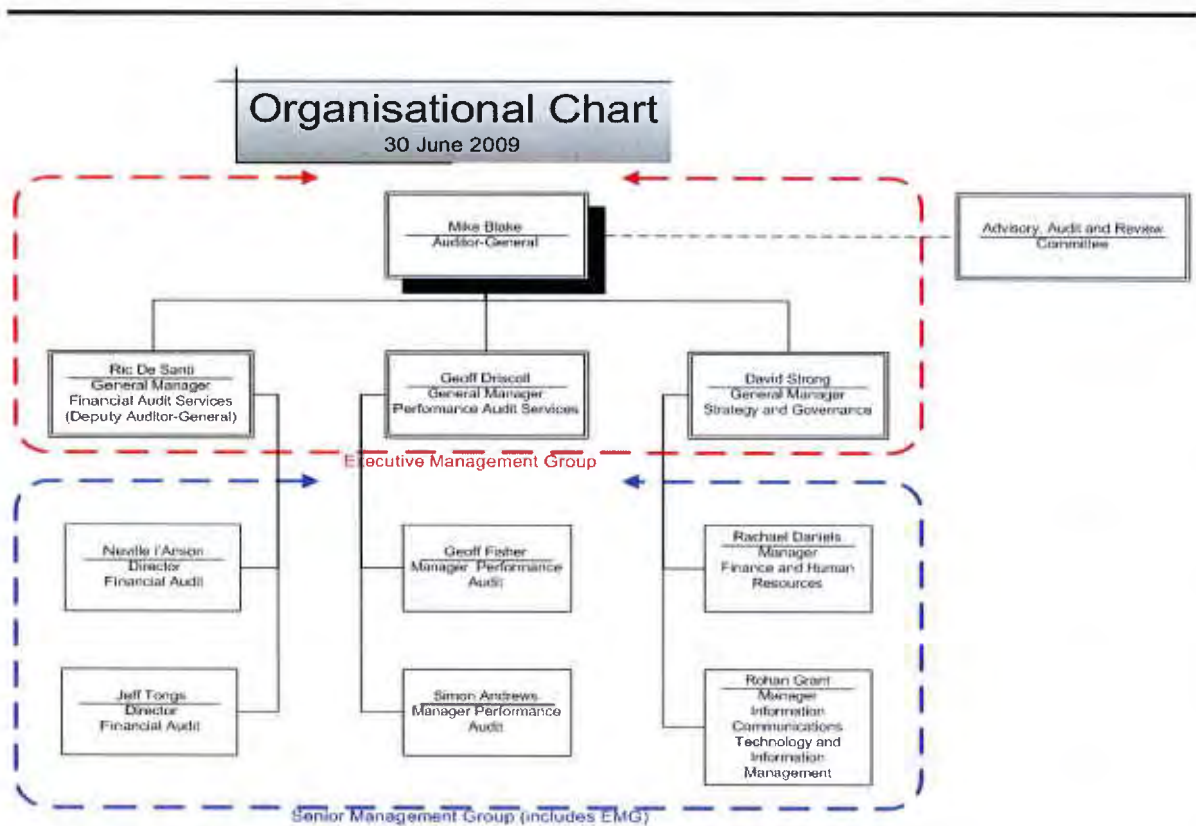
Our governance is based on being accountable and transparent for our performance and operations and is based on the following six principles:

1. Effective management oversight
2. Appropriate leadership, ethics, culture and responsible decision-making
3. Safeguard integrity in financial reporting
4. External stakeholder relationships
5. Recognise and manage risk
6. Remunerate fairly and responsibly.

The governance policy is aligned to our risk assessments with responsibilities allocated to members of the Executive Management Team for actioning. The remainder of this section outlines our committee structures, internal and external audit arrangements and the outcomes from recent benchmarking.

Organisational structure

Our organisational structure at 30 June 2009 is recorded in the Chart below:



Executive Management Group

Our Executive Management Group (EMG) meets formally every two months and focuses on:

- setting corporate direction, objectives, goals and policies
- monitoring key operational matters, emerging issues and progress against plans
- managing risk
- reviewing resources and
- advising the Auditor-General of important developments in the public sector and in accounting and auditing.

Details of EMG members are:

Auditor-General

Mike Blake B Com FCA FCPA FCS and member of the AICD

Mike commenced as Auditor-General for Tasmania on 10 May 2004 after being the Auditor-General of the Northern Territory. He is currently a member of Auditing and Assurance Standards Board. Mike's career covers a period of 37 years including senior management positions in private sector auditing firms in Malawi, Zimbabwe and Western Australian followed by periods with the Western Australian Office of the Auditor-General (five years) and WA's Metropolitan Health Service Board (four years) prior to moving to the Northern Territory.

Deputy Auditor-General

Ric De Santi B Bus FCPA

Ric started his working career with us as an audit cadet in 1976. Based in Launceston Ric progressed to the position of Director of Audit. In 1998 he moved to Racing Tasmania as

Business Manager. In 2004 he returned as Director Quality Assurance and was promoted to Deputy Auditor-General in 2006.

Ric has a Bachelor of Business (Accounting), is a Registered Company Auditor and a Fellow of CPA Australia. Ric is currently President of the Tasmanian Division of CPA Australia.

General Manager – Performance Audit Services

Geoff Driscoll BEc BSc CPA

Geoff joined us in 1992 as a Senior EDP Auditor after working at the Australian National Audit Office for eight years. In 1998 he joined the Department of Justice as a Finance Systems Officer. Geoff returned to the Office in 2000 as a Senior Performance Auditor and was subsequently promoted to Director Performance Audit. In December 2007 he was appointed General Manager – Performance Audit Services. Geoff has a Bachelor of Economics, a Bachelor of Science and is a member of CPA Australia.

General Manager – Strategy and Governance

David Strong B Bus FCPA MAHRI ISACA

David joined us in 1988 as an EDP Auditor after spending eight years with the Tasmanian Development Authority. In 1989 he became responsible for managing our IT infrastructure and in 1993 was promoted to Manager Corporate Services taking responsibility for financial management, human resources management, information and communications technology, information management and corporate planning.

Remuneration Committee

Members of the EMG also comprise the Remuneration Committee. It reviews and approves salary increments and decisions regarding advanced assessment.

The Senior Management Group

This group meets immediately prior to EMG meetings and comprises members of EMG and third level managers who report to EMG on their respective activities being progress with financial, compliance and performance audits and regarding Office finances, human resources and information management and systems.

2009 Senior Management Group
– Neville I’Anson, Rohan Grant, Simon Andrews, Geoff Fisher, Rachael Daniels and Jeff Tongs



Operational committees

In addition to the three committees referred to previously, our governance arrangements included the operation of the following committees:

Information Management Committee

This Committee has responsibility for ensuring that the use and application of our information resource is consistent with the corporate direction and business functions of the Office. It also ensures the efficient and effective deployment of our information technology in the performance of Office business.

The Committee did not meet during 2008-09 with information management activities addressed by EMG.

Human Resources Committee

This Committee assists the EMG to set human resources strategic direction and the development of policies and practices. It met on several occasions during the year primarily to consider and recommend changes arising for the Office of revised HR management directions provided by government. This Committee is working with the informal diversity group established this year.

Health and Safety Committee

This Committee is a sub-committee of the HRC. It aims to provide and maintain a safe and healthy work environment where all employees understand and comply with occupational health and safety (OH&S) principles. It also provides a forum where employees can openly communicate and discuss OH&S matters and concerns. The Committee and the Employee Safety Representatives play a key role in promoting employee wellbeing. It played a key role in assessing OH&S issues arising from the planned move to new premises

Independent scrutiny, both external and internal

We engage in internal and external reviews and independent benchmarking to gauge our performance and seek to improve where we can.

The elements of this independent scrutiny include:

- our Advisory, Audit and Review Committee
- our Internal audit function
- other internal reviews
- independent peer reviews
- external audit
- benchmarking.

Advisory, Audit and Review Committee

This Committee, established in 2007, has two primary objectives. Its advisory objective is aimed at providing the Auditor-General with advice from time to time on matters that may be raised by him or on matters initiated by the Committee collectively and individually. The audit and review objectives are to provide independent assurance and assistance to the Auditor-General on the Office's governance, risk, control, and compliance framework, its external accountability responsibilities and in meeting the Office's corporate objectives.

During the year the Committee met four times with attendance by committee members as follows:

Committee member	Attendance Record
Mr Graeme Kennedy – Chair	4
Dr Elaine Stratford	4
Mr Michael Harris	4

During the year the Committee considered and advised the Auditor-General on various matters relating to its Charter.

Internal Audit

During 2008-09, Moore Stephens, our internal auditor, conducted an internal audit of our fee setting policies which resulted in three recommendations all of which were actioned as appropriate.

Internal Reviews

Under a reciprocal arrangement with the ACT Audit Office a quality assurance review of a number of 30 June 2008 financial audit files was carried out. The purpose of this review was to assess the quality of our financial audit work and advising us of any areas for improvement. Recommendations made are being actioned by the FAS business unit.

In addition, we continue to review practices and procedures to ensure compliance with the requirements of APES 320 "Quality Control for Firms" issued by the Accounting Professional And Ethical Standards Board (www.apesb.org.au). This is an ongoing process.

Independent Peer Reviews

We initiate independent peer reviews of our whole of office activities once every three years with one conducted this year by Bob Sendt & Associates. Mr Sendt made 26 recommendations all of which are being addressed. Importantly, in his executive summary Mr Sendt concluded as follows:

Overall I believe that the Tasmanian Audit Office is providing an important service in an efficient and effective manner, and the Parliament and people of Tasmania are achieving good value from the office's use of the taxpayer's dollar. It achieves this notwithstanding the relatively small size of the Office, the complexity of its role and the demands on it.

The views of key stakeholders I interviewed – Members of Parliament and senior officers from a range of state and local government entities - were, almost exclusively, very complementary of the professionalism of the Auditor-General and his team. The approachability that the Auditor-General has brought to the role and the extent of engagement that now takes place between the Office and its audit clients were

particularly appreciated by those clients. These views accord with results from the more formal, regular feedback surveys that the Office conducts.

Staff also appear to be very highly engaged with the Office, loyal to the Auditor-General and feel a strong sense that they are part of something worthwhile. The Office has set out a vision for the future and a set of values it wants to operate by that are both aspirational and relevant to staff.

I found that the Office is open and accountable about its performance. It has a sound approach to determining its strategic objectives, in ensuring that its activities are consistent with those objectives and in managing its performance.

The Review identified a number of areas where improvements could be made that would further enhance the quality of its operations and relationships. Recommendations have been made to assist the Office in addressing the changes necessary.

The single most important need for improvement relates to ensuring the quality of the Office's audit processes, both financial report audit and performance audit. The Review identified shortcomings in both areas that need urgent attention. Over the last few years the professional and technical standards that accountants and auditors must adhere to have become increasingly rigorous. It is essential that the Office continues to meet the challenge of these requirements.

Under the new *Audit Act 2008* these reviews will become a statutory requirement.

External Audit

Under the *Audit Act 2008*, the Governor appoints an independent registered company auditor to perform an audit of the financial statements of the Tasmanian Audit Office. Clements, Dunne & Bell, a Melbourne based firm, was appointed this year and completed its audit in August 2009.

Their unqualified to audit report is attached to the financial statements contained in this annual report.

Benchmarking against other Audit Offices

We continue to participate in benchmarking coordinated by the Australasian Council of Auditors-General (ACAG) which covers our entire office operations and is referred to as the ACAG Macro Benchmarking. In addition, certain state based audit offices participate in parliamentary and client satisfaction surveys relating to our financial and performance audit functions the outcomes from which we reported earlier in this annual report.

The ACAG Macro Benchmarking project is an annual exercise that has been conducted since 1994. The overall purpose of the project is to provide, to the extent practicable, comparable information about audit offices across Australia on qualitative and quantitative benchmarks of the operations of their offices while recognising the specific characteristics of each jurisdiction. The information obtained identifies areas for improvement.

The following benchmarks record our performance against the average for all states and territories (S&T) in Australia therefore excluding the Commonwealth.

Measure	Year	Tasmania	Average S & T
Contracting out as a % of number of audits	06-07	16%	41%
	07-08	26%	42%
Contracting out as a % of audit fees	06-07	24%	37%
	07-08	26%	39%

The percentage of audits contracted out compared to other states and territories is influenced by the Northern Territory which contracts 100% of its audits. The Office's target is 20 – 25% of audits based on value.

Measure	Year	Tasmania \$	Average S & T \$
Total audit costs per \$'000 of public sector transactions expressed in cents	02-03	0.36	0.39
	03-04	0.37	0.40
	04-05	0.39	0.41
	05-06	0.36	0.38
	06-07	0.38	0.41
	07-08	0.38	0.42
Total audit costs per \$'000 of public sector assets expressed in cents	02-03	0.17	0.21
	03-04	0.17	0.22
	04-05	0.18	0.22
	05-06	0.16	0.20
	06-07	0.17	0.21
	07-08	0.17	0.21
Total financial audit costs per \$'000 of public sector transactions expressed in cents	05-06	0.26	0.31
	06-07	0.32	0.34
	07-08	0.29	0.34
Total financial audit costs per \$'000 of public sector assets expressed in cents	05-06	0.12	0.16
	06-07	0.14	0.18
	07-08	0.13	0.17

Bearing in mind our relative in-efficiency due to economies of scale, our costs per transaction or per asset value have remained constant and compare favourably with our peers.



Jeff Tongs, Jara Dean and Tony Knight in Canberra for an ACT Audit Review – December 2008

Measure	Year	Tasmania	Average S & T
Percentage of total (whole of office) paid hours charged to audit activities	05-06	51%	50%
	06-07	47%	49%
	07-08	47%	51%
Percentage of total (whole of office) paid hours charged to financial audit activities	05-06	35%	39%
	06-07	38%	40%
	07-08	34%	39%
Percentage of total (whole of office) paid hours charged to performance audit activities	05-06	15%	11%
	06-07	9%	9%
	07-08	13%	11%
Percentage of total paid hours of financial audit staff charged to financial audit activities	06-07	52%	56%
	07-08	50%	55%
Percentage of total paid hours of performance audit staff charged to performance audit activities	06-07	33%	49%
	07-08	63%	46%
Cost per audit hour charged to audit activities	05-06	\$97	\$122
	06-07	\$103	\$128
	07-08	\$130	\$130

Our percentage of time charged to financial audit activities is below the S&T average and is being addressed. On the other hand, the percentage of time charged to performance audit activities improved strongly and our average cost per audit hour is now equivalent to the S&T average. Our increases in recent years reflect increasing staff costs.

Measure	Year	Tasmania	Average S & T
Cost per financial audit opinion	05-06	\$28 620	\$45 522
	06-07	\$32 857	\$47 953
	07-08	\$33 349	\$52 135

Our average costs per audit opinion increased in line with rising salaries and greater audit effort.

Measure	Duration	Tasmania	Average S & T
Timeframes for issuing financial audit opinions as measured in 2007-08	5+ mths	8%	12%
	4 - 5 mths	19%	11%
	3 - 4 mths	48%	26%
	2 - 3 mths	18%	42%
	1 - 2 mths	7%	9%
	< 1 mth	0%	0%

Our performance in 2007-08 improved when we completed 73% of our audits within four months of financial year end (56% in 2006-07). The S&T average was 77% in 2007-08 (69% in 2006-07).

Measure	Year	Tasmania	Average S & T
Cost per performance audit report	05-06	\$84 189	\$237 457
	06-07	\$74 000	\$230 879
	07-08	\$127 968	\$263 122
Average elapsed time (mths) per performance audit report	05-06	8.7	8.3
	06-07	15.2	10.1
	07-08	13.4	9.0

The above measures relate to performance audit activities. It is very pleasing to note the considerably lower average cost per audit and the small improvement in elapsed time. The high average cost in 2007-08 was primarily caused by our project on managing threatened species which cost in excess of \$170 000 and took over 18 months to complete.



Ric De Santi thanking David Harradine (Deloitte) for speaking at our 2009 Client Information Session in Hobart.

Managing Risk

A structured approach to risk management

Reviewing key business risks is fundamental to our strategic and business processes. We also apply risk management to all major projects undertaken including those relating to our financial and performance auditing services, and to key corporate service functions.

An independently facilitated risk management assessment identified that our key business risks are:

- inadequate management of risks
- issuance of an inappropriate audit opinion/parliamentary report
- inappropriate governance structure
- inappropriate or unauthorised use of client information
- inadequate business continuity plan or disaster recovery plan
- loss of key resources/inability to maintain appropriate staff levels
- injury or harm to employees
- poor financial budgeting leading to a cash deficiency
- financial fraud.

We maintain strategic and operational risk registers, which provide a detailed assessment of the likelihood and consequences of various risks, and actions taken to mitigate these risks. Each year the registers are reviewed, evaluated and updated.

A report on the status of risk treatments identified on the registers is presented to the EMG.

We address our risks through steps such as:

- Identifying audit topics of public interest
- regularly meeting with Parliamentarians and key clients
- quality assurance reviews
- peer reviews
- allocating responsibility for managing risks to appropriate staff and in business plans
- continuing to improve the quality, readability and balance in our reporting
- ensuring we have a workplace that attracts and retains the staff we need
- prompt monthly financial reporting inclusive of profit projections
- ensuring we are properly governed.

Staff ethics

All our staff must adhere to the Tasmanian State Service code of conduct and principles under the *State Service Act 2000*. We have developed our own statement of values which we all adhere to.

Formal procedures require disclosure of any real or apparent conflict of interest and in this regard staff are required to take no part in decisions or audits where real or apparent conflicts of interest may arise. All staff sign an annual declaration stating that they will conduct their work in accordance with codes, policies and values and must state real or apparent conflicts of interest. Conflicts are also assessed prior to the commencement of all audits.

Complaints about staff

We maintain internal procedures for investigating complaints about how we behave and carry out our responsibilities; this includes formal inquiry and/or disciplinary procedures under the *State Service Act 2000*.

No internal or external grievances were lodged this year.

Confidential information

We develop and/or receive information while conducting audits of State entities that must be protected from unauthorised disclosure. All staff, immediately on joining, sign an acknowledgement that all information gained when conducting audits remains confidential and our clean desk and clean screen policies reinforce this.

Our policies and procedures also respect the privacy of personal information we receive.

We maintain a variety of security systems and procedures designed to safeguard confidential information. Our internal and external auditors review our general and IT security arrangements, business continuity systems and procedures from time to time.

Disclosure

To operate transparently, while protecting confidential information, we:

- comply with the *Freedom of Information Act 1991*
- practice openness and transparency through information provided in our annual report and business plans, and all our reports are placed on our external website
- our Annual Plan of Work is now a public document and is placed on our website
- issue media releases when performance audit reports are tabled in Parliament
- update information in publications and on our website.

Insurance

Our insurance arrangements are with the Tasmanian Risk Management Fund and cover the following:

- travel insurance
- general property
- personal accident
- transit
- motor vehicles
- general liability.

Communication

We communicate with openness, accountability and transparency

We pride ourselves on being open and transparent with all our stakeholders, including clients and employees. Over the years we have continually improved our communications and regularly assess our performance by seeking feedback from clients, employees and other stakeholders such as suppliers. We report on performance, both good and poor.

Award-winning annual report

Our 2007-08 annual report was entered in two assessments:

- the Australian Annual Reports award – we achieved a silver award (bronze in 2006-07)
- the Institute of Public Administration Tasmanian Division Reporting Awards achieving a highly commended award.

Freedom of information

We are committed to ensuring our administrative information is available to the public. The *Freedom of Information Act 1991* (FOI) gives the public, the media and members of Parliament the right to access information we hold, unless the information is exempt from release. Information relating to financial and performance audits conducted and reports to Parliament are regarded as exempt being classified as internal working information.

One request was received this year. It related to a performance audit with the material being confidential under section 33 of the Act. The request was denied on the basis of the material sought being exempt.

Protecting privacy

We are committed to protecting each individual's privacy in the way we collect, use or disclose personal information. We also ensure that individuals have a degree of control over their own personal information.

When dealing with private information, we do so in accordance with the *Personal Information Protection Act 2004*.

Speeches and publications

Some of our more important speeches and publications are listed below:

Speeches

Date	Topic and Where	Who
Nov 08	CPA Australia Tasmanian conference on contemporary issues and future challenges in public sector audit, financial and non-financial reporting and governance	Mike Blake
Mar 09	DPAC leadership group on KPIs	Mike Blake
May 09	NIA Tasmanian conference on the impact of the global financial crisis on accounting standards	Mike Blake
Various dates	Presentation to Members of Parliament on the role of the Auditor-General and of the Office	Mike Blake
May 09	Presentations at the TAO Annual update seminar	Ric De Santi

Publications

Sep 08	Special Report No. 75 - Executive Termination Payments
Oct 08	Annual Report
Nov 08	Special Report No. 76 - Complaint handling in Local Government
Nov 08	Special Report No. 77 - Food safety: safe as eggs?
Nov 08	Auditor-General's Report No. 2 of 2008 - Government departments and public bodies 2007-08
Mar 09	Special Report No. 78 - Management of threatened species: - April - August 2006
May 09	Special Report No. 79 - Follow-up of performance audits
May 09	Auditor-General's Report No 1 of 2009 - Local Government Authorities and Other public bodies 2007-08
Jun 09	Special Report No. 80 - Hydro hedges
Jun 09	Special Report No. 81 - Contract management
Jun 09	Annual Plan of Work 2009-10

All of these publications can be accessed and/or downloaded from the Office's website www.audit.tas.gov.au.

Public interest disclosures

The *Public Interest Disclosures Act 2002* came into effect on 1 January 2004. Its purpose is to encourage and facilitate disclosures about the improper conduct of public officers or public bodies.

We are committed to the aims and objectives of the Act recognising the value of transparency and accountability in our administrative and management practices. Also, we support making disclosures that reveal corrupt conduct, conduct involving a substantial mismanagement of public resources, or conduct involving a substantial risk to public health and safety or the environment.

We do not tolerate improper conduct by our staff, or taking of reprisals against those who come forward to disclose such conduct. All reasonable steps are taken to protect people who make such disclosures from any detrimental action in reprisal for making the disclosure. We will also afford natural justice to any person who is the subject of a disclosure.

During 2008-09 we received no Public Interest Disclosure reports.

Parliamentary presentations, PAC meetings and client seminars

In line with our aim to be open and transparent, we continued our practice of making presentations to Parliamentarians when we table reports in Parliament. These presentations provide Parliamentarians with briefings on our reports highlighting our approaches to the audits and key findings affording them the opportunity to seek clarification. These sessions continue to be well attended and feedback remains encouraging.

Annually the financial audit services unit conducts a client seminar in which we present information on topical subjects such as developments in accounting and auditing standards, common issues found during audits and our perspective on issues being raised in the public sector. These seminars are well attended and feedback is encouraging.

During the year the Auditor-General meets with the Public Accounts Committee (PAC) to brief them on our audit plans facilitating interaction between us and this important accountability Committee.

The *Audit Act 2008* requires, for the first time in 2009, the preparation of an Annual Plan of Work for tabling with the Speaker and the President by no later than 30 June. We must consult with the PAC in developing this Plan and record within it any suggestions made by the Committee and our responses to them. This was done during the period March to May 2009.



Andrew Gray from KPMG speaking at our 2009 Client Information Session in Launceston.

Corporate Social Responsibility

Being a responsible corporate citizen is important to us

This section of our report details how we address our social responsibilities. We have adopted the reporting criteria applied by Global Reporting Initiative (www.globalreporting.org) and, where relevant, we reported against government's environmental initiatives detailed in the Budget Papers for 2008-09 – see section headed "Performance against budget" earlier in this Report.

Social

Workforce capacity and diversity

Our demographics match the broader Australian community in that we are an ageing workforce where the average age for a male was 47.3 years and female 39.0 years. The ratio of male to female employees improved over the last five years. Over 90% of our employees are bachelor degree qualified and the average number of days professional development was 9.3 days (11.9 in 2007-08) and the financial investment per FTE on average totalled \$1 578 (\$2 418 in 2007-08). The performance of our employees is assessed biannually with an outcome being agreed professional development plans.

Workforce health and safety

During the year we continued our health and well being programme with the objective of ongoing support for the health and well-being of all employees. The programme included seminars, workshops, active participation and health assessments. We continued our influenza vaccination programme and encouraged employees to participate in walking events conducted by the Global Corporate Challenge. These initiatives have seen a levelling of the number of days absenteeism due to sickness and work related injury. The number of reported minor incidents reduced and there was no time lost to injuries. Employees accessed our employee assistance program during the year when they required assistance with work related or personal issues. Our health and safety committee has 50/50 representation of management and staff.

Workforce and community committees and bodies

We encourage our employees to actively participate in all aspects of their work and professional lives. Some of our Committees include a cross section of staff representation and our employees hold positions on professional bodies. Representation on both internal and external committees is detailed in the Appendices of this report.

Community involvement and support

We participate in community fund raising events and continue to adopt the Council Cancer as our major charity. Our major event is the Cancer Council's Relay for Life which occurs each year in February - teams walk for 24 hours non-stop and raise money via sponsorship for cancer research. We raised in excess of \$3 900 for the relay.

Environmental

We are committed to recycling consumables we use such as paper, printer cartridges and general waste. We use recycled paper for our reports and we encourage staff to print on both sides of paper.

The following table details our performance:

	2006-07	2007-08	2008-09
Printer copies – black	270 491	155 268	188 672
Printer copies – colour	98 801	292 358	188 047
Reams of paper purchased	438	450	426
Waste recycled – newspaper (litres)	N/m	1 320	1 440
Waste recycled – plastic, cans, etc (litres)	N/m	2 760	4 080
Paper shredded (kgs)	N/m	896	1 703
Total report production run (no. of copies)	4 550	3 850	2 620
Total report production run (no. of pages)	448 700	481 950	524 410

N/m = Not measured in that year

Whilst the Office has improved in some areas, such as decreasing the number of production run copies of Special Reports and printer copies, the Office is committed to further reducing its environmental impact. A Corporate Social Responsibility Committee established during the year will consider ways to reduce our carbon footprint.

Economic

In 2008-09 we generated financial turnover of \$6.033m, compared to \$5.048m in the previous financial year. This turnover enables us to pay the salaries for our workforce which is fed back into local, regional, state and national economies with flow on effects to other individuals and organisations.

Our clients are the Parliament and State entities and the revenue generated is from them. We received \$2.250m in direct financial assistance from the Government, \$0.313m in the previous year. The increase arose from the decision to direct appropriate performance audit services in 2008-09.

Suppliers

Our supply chain includes over 100 suppliers in a variety of industries and covers products such as computers, stationery supplies, vehicles and fuel, subcontractors and consultants and utilities. Our suppliers range from some of Australia's largest companies to small locally operated businesses and in 2008-09 we purchased over \$2.185m (\$1.783m in 2007-08) in products and services.

What we will do next year

We will monitor our social performance via regular data collection and reporting about:

- the impact of our vehicle usage
- our energy usage

- our carbon emissions and how these can be offset
- our awareness of the impacts we make on the environment including the impact of our report production runs and our internal printing and photocopying
- the impact on the environment of our new accommodation.

We will also review our suppliers' practices in relation to sustainability.



2009 Relay for Life participants – David Strong, Danny Moore, Judy Hyneman, Ben Strong, Marco De Santi, Ric De Santi and Rachael Daniels.



2008 Winning Global Corporate Challenge Team
Robyn Smith, Rosina Beaumont, Geoff Fisher, Raechel Filler and Rohan Grant

Financial Summary

Our goal is to break even

We apply financial performance monitoring practices including:

- preparation of full accrual monthly financial statements, including profitability projections, for consideration by the EMG
- preparation of full accrual monthly budget vs actual reports for whole of Office operations and at the business unit level
- variance analysis reports on job progress against audit fees weekly
- variance analysis reports on overhead recovery and productivity
- aged analysis reports for creditors and debtors
- leave entitlement reports quarterly.

Financial performance

Key indicators of our financial performance in 2008-09 include:

- a net deficit for the financial year of \$0.105m (2007-08 deficit of \$0.271m) prior to accounting for capital receipts of \$0.350m
- revenue increased from \$5.048m in 2007-08 to \$6.035m this financial year which was short of budget by \$0.317m
- expenditure increased from \$5.317m in 2007-08 to \$6.140m this year which exceeded budget by \$0.823m predominantly in employee related costs.

The following table details the movements in revenue and expenditure for the past five years:

	2004-05 (\$'000)	2005-06 (\$'000)	2006-07 (\$'000)	2007-08 (\$'000)	2008-09 (\$'000)
Revenue					
Use charges	3 487	4 262	4 384	4 715	3 755
Appropriations					
• Reserve-by-law	301	276	301	313	362
• Performance audits and reports	0	0	0	0	1 888
Other revenue	119	56	108	20	14
Total	3 907	4 594	4 793	5 048	6 035
Expenditure					
Employee benefits	2 542	2 805	3 022	3 187	3 639
Other expenses	581	507	670	824	850
Audit contractors	181	680	670	751	1 179
Information technology	117	90	129	117	124
Accommodation	176	198	201	253	223
Depreciation/Amortisation	146	149	140	184	122
WDV disposed assets	11	0	0	3	3
Income tax equivalence	294	0	0	0	0
Total	4 323	4 429	4 832	5 319	6 140
Operating surplus/(deficit)*	(416)	165	(39)	(271)	(105)

* This excludes receipt of \$350 000 as a contribution towards the Office's relocation to new premises

Comments below compare financial performance between 2007-08 and 2008-09.

Our revenue increased steadily over the past five years. This year the revenue target was not met due the chargeable activity of FAS (94%) and PAS (88%) not reaching target. While these levels of productivity were strong, they resulted, in the case of FAS in higher than planned work-in-progress write downs which directly impacted profitability. Another reason for the deficit was under-recovery of the cost of preparing reports to Parliament dealing with financial audit outcomes.

Employee benefits increased as a result of the flow on impact of the Office re-structure early in 2007-08 and due to changes brought in by the Tasmanian State Service Awards.

Higher expenditure on audit contractors is consistent with outsourcing decisions, higher fees for some larger clients and increases in AWOTE.

Accommodation costs decreased 12% because 2007-08 included back-payments following a rent review in that year.

Depreciation expense decreased 34% due to some office equipment being fully depreciated this year.

Steps are being taken to address the fact that costs are increasing at rates greater than the growth in revenues.

Financial position

Our financial position is summarised in the table below.

	2004-05 (\$'000)	2005-06 (\$'000)	2006-07 (\$'000)	2007-08 (\$'000)	2008-09 (\$'000)
Assets					
Financial assets	823	1 030	809	848	1 501
Non-financial assets	260	483	581	412	283
Total	1 083	1 513	1 390	1 260	1 784
Liabilities					
Financial liabilities	364	185	139	161	212
Non-financial liabilities	408	852	814	933	1 229
Total	772	1 037	953	1 094	1 441
Net Assets/Equity	311	476	437	166	343

The primary change to our financial position since 30 June 2008 was the improvement in our equity by \$0.177m (2007-08, decrease of \$0.271m) to \$0.343m (2008-09, \$0.166m) all being due to the receipt of \$0.350m in capital funding referred to earlier.

The financial assets, comprising our bank balance, receivables and unbilled work-in-progress, were high due to improved billing arrangements and the receipt in 2008-09 of capital funding already referred to. These easily cover our financial liabilities primarily being trade and other creditors.

Non-financial assets, primarily office equipment and leasehold improvements, reduced in 2008-09 in line with depreciation charges.

The majority of non-financial liabilities were leave provisions and unearned revenues. The latter increased from \$0.052m at 30 June 2008 to \$0.270m at 30 June 2009 due to changes in our billing arrangements.

Financial outlook

We are:

- undertaking a review of all expenditure to identify savings
- ensuring productivity targets are met
- being business-like in relation to recovering audit cost over-runs
- ensuring timely completion of financial audits facilitating back-log catch-up and
- managing down accumulated leave balances.

Financial Report for 2008-09

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**INDEPENDENT AUDITOR'S REPORT
TO THE GOVERNOR OF TASMANIA IN RELATION TO THE
TASMANIAN AUDIT OFFICE**

Report on the Financial Report

We have audited the accompanying financial report, of the Tasmanian Audit Office (the agency), which comprises the balance sheet as at 30th June 2009 for the year then ended and the income statement, the cash flow statement, statement of recognised income and expense for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the certification of the financial statements.

Auditor-General's Responsibility for the Financial Report

The Auditor-General is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Financial Management and Audit Act 1990. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion of the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Auditor-General, as well as evaluating the overall presentation of the financial report.

Clements Dunne & Bell Partnership. Chartered Accountants.
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**INDEPENDENT AUDITOR'S REPORT
TO THE GOVERNOR OF TASMANIA IN RELATION TO THE
TASMANIAN AUDIT OFFICE**

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements.

Opinion

In our opinion, the financial report of the Tasmanian Audit Office presents fairly, in all material respects the financial position of Tasmanian Audit Office as of 30th June 2009 and of its financial performance and cash flows for the year then ended in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Financial Management and Audit Act 1990.

Clements Dunne & Bell

CLEMENTS DUNNE & BELL PARTNERSHIP
Chartered Accountants
Melbourne

A. Wehrens

Andrew Wehrens
Partner
17th August 2009

Clements Dunne & Bell Partnership, Chartered Accountants.
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Certification of Financial Statements

For the Year Ended 30 June 2009

We certify that the accompanying financial statements of the Tasmanian Audit Office are in agreement with the relevant accounts and records and have been prepared in compliance with the Treasurer's Instructions issued under the provisions of the Financial Management and Audit Act 1990 to present fairly the financial transactions for the year ended 30 June 2009 and the financial position as at the end of the year.

At the date of signing, we are not aware of any circumstances that would render any particulars included in the financial statements to be misleading or inaccurate.

Mike Blake
Auditor-General

13 August 2009

David Strong
**General Manager – Strategy
and Governance**

13 August 2009

To provide independent assurance to the Parliament and Community on the performance and accountability of the Tasmanian Public Sector
• Professionalism • Rigour • Objectivity • Continued Improvement • Customer Focus

Making a Difference

Income Statement for the year ended 30 June 2009

	Notes	2009 Budget \$'000	2009 Actual \$'000	2008 Actual \$'000
Revenue and other income				
Appropriation revenue – RBL	1.5(a), 3.1(b), 5.1	353	362	313
Appropriation revenue – recurrent	1.5(a), 3.1(a), 5.1	1 652	1 888	-
User charges	1.5(e), 5.2	3 670	3 755	4 715
Interest	1.5(e), 3.1(c)	43	14	17
Other revenue	1.5(e)	-	16	3
Total income and other revenue		5 718	6 035	5 048
Expenses				
Employee benefits	1.6(a), 6.1	3 642	3 639	3 187
Depreciation and amortisation	1.6(b), 3.1(d), 6.2	131	122	184
Payroll tax		189	191	165
Audit contractors	1.6(e), 3.1(e)	654	1 179	751
Accommodation	1.6(e), 3.1(f)	286	223	253
Information technology	1.6(e), 3.1(g)	171	124	117
Materials and supplies	1.6(e), 3.1(h)	191	210	196
Other expenses	1.6(e), 6.5	454	449	463
Loss on write-off of non-financial assets	1.5(e), 6.3	-	3	3
Total expenses		5 718	6 140	5 319
Net deficit before accommodation capital funding, gain on lease make-good, write-off and impairment losses.		-	(105)	(271)
Accommodation capital funding	5.3	-	350	-
Net gain on lease make-good write-off	3.1(i), 7.5(b), 8.2(b)	-	7	-
Impairment losses	1.6(e), 3.1(j), 6.4	-	(75)	-
Net surplus (deficit) attributable to the State		-	177	(271)

This Income Statement should be read in conjunction with the accompanying notes.

Budget information refers to original estimates and has not been subject to audit.

Explanations of material variances between budget and actual outcomes are provided in Note 3 of the accompanying notes.

Balance Sheet as at 30 June 2009

	Notes	2009 Budget \$'000	2009 Actual \$'000	2008 Actual \$'000
Assets				
<i>Financial assets</i>				
Cash and deposits	1.7(a), 3.2(a), 11.1	584	731	329
Receivables	1.7(b), 3.2(b), 7.1	234	570	230
Work In progress	1.7(b), 3.2(c), 7.2	323	200	289
<i>Non-financial assets</i>				
Leasehold improvements, plant and equipment	1.7(b), 3.2(d), 7.3	326	144	232
Intangibles	1.7(e), 3.2(e), 7.4	94	72	114
Other assets	7.5	67	67	66
Total assets		1 628	1 784	1 260
Liabilities				
<i>Financial Liabilities</i>				
Payables	1.8(a), 3.2(f), 8.1	183	212	161
<i>Non-financial Liabilities</i>				
Provisions	1.8(b), 8.2	-	-	15
Employee benefits	1.8(c), 8.3, 8.4	919	912	824
Other liabilities	1.8(c), 1.8(e), 3.2(g), 8.5	45	317	94
Total liabilities		1 147	1 441	1 094
Net assets		481	343	166
Equity				
Contributed capital		1 168	1 168	1 168
Accumulated deficit		(687)	(825)	(1002)
Total equity	10.1	481	343	166

This Balance Sheet should be read in conjunction with the accompanying notes.

Budget information refers to original estimates and has not been subject to audit.

Explanations of material variances between budget and actual outcomes are provided in Note 3 of the accompanying notes

Cash Flow Statement for the year ended 30 June 2009

	Notes	2009 Budget \$'000	2009 Actual \$'000	2008 Actual \$'000
Cash flows from operating activities				
Cash inflows		Inflows (Outflows)	Inflows (Outflows)	Inflows (Outflows)
Appropriation receipts – RBL	3.3(c)	353	362	313
Appropriation receipts – recurrent	3.3(a)	1 652	1 888	-
User charges		3 670	3 722	4 719
GST receipts	3.3(d)	544	698	532
Interest received	3.3(e)	43	14	17
Other cash receipts	3.3(f)	-	17	3
Total cash inflows		6 262	6 701	5 584
Cash outflows				
Employee benefits		(3 242)	(3 240)	(2 806)
Superannuation	3.3(g)	(330)	(311)	(277)
GST payments	3.3(h)	(544)	(698)	(533)
Other cash payments	3.3(i)	(1 909)	(2 331)	(1 862)
Total cash outflows		(6 025)	(6 580)	(5 478)
Net cash from operating activities	11.2	237	121	106
Cash flows from investing activities				
Cash inflows				
Accommodation funding – Appropriation	3.3(b)	-	200	-
Accommodation funding – Agency contributions	3.3(b)	-	150	-
		-	350	-
Cash outflows				
Payments for acquisition of non-financial assets		(52)	(69)	(80)
Total cash outflows		(52)	(69)	(80)
Net cash from (used by) investing activities		(52)	281	(80)
Net increase in cash held		185	402	26
Cash and deposits at the beginning of the reporting period		399	329	303
Cash and deposits at the end of the reporting period	11.1	584	731	329

This Cash Flow Statement should be read in conjunction with the accompanying notes.

Budget information refers to original estimates and has not been subject to audit.

Explanations of material variances between budget and actual outcomes are provided in Note 3 of the accompanying notes.

Statement of Recognised Income and Expense for the year ended 30 June 2009

		2009	2008
		\$'000	\$'000
Net surplus/(deficit) for the financial year	10.1	177	(271)
Total recognised income and expense for the financial year		177	(271)

This Statement of Recognised Income and Expense should be read in conjunction with the accompanying notes.

Notes to and forming part of the Financial Statements for the year ended 30 June 2009

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Note 1 Significant Accounting Policies

1.1 Objectives and Funding

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

In a departure from prior years the undertaking of performance and compliance audits and the publishing of statutory reports to Parliament are now funded through a Parliamentary appropriation, whereas previously these were fee for service activities. The Office is also funded through a Parliamentary appropriation for the Auditor-General's salary and associated allowances and charges fees for financial audit activities. The financial report encompasses all funds through which the Office controls resources to carry on its functions.

The continued existence of the Office in its present form, undertaking its current activities, is dependent on the support of the Parliament and on the Office's ability to charge appropriate fees to recover its operational costs. All the Office's activities are classified as controlled.

1.2 Basis of Accounting

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

- Treasurer's Instructions issued under the provisions of the *Financial Management and Audit Act 1990*; and
- Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB).

From 1 January 2005, Australian Accounting Standards include Australian Equivalents to International Financial Reporting Standards (AEIFRS). The Office operates as a non-profit entity for financial reporting purposes. Compliance with the Australian Accounting Standards (AASBs and AASs) may not result in compliance with International Financial Reporting Standards (IFRS), as the AASBs and AASs include requirements and options available to not-for-profit organisations that are inconsistent with IFRS.

The financial statements were signed by the Auditor-General on 13 August 2009.

The Financial Statements have been prepared on an accrual basis and, except where stated, are in accordance with the historical cost convention. The accounting policies are generally consistent with the previous year except for those changes outlined in Note 1.4 below.

1.3 Functional and Presentation Currency

The Financial Statements are presented in Australian dollars.

1.4 Changes in Accounting Policies

(a) Impact of new and revised Accounting Standards

In the current year, the Office has adopted all of the new and revised Standards and interpretations issued by the Australian Accounting Standards Board that are relevant to its operations and effective for the current annual reporting period. These include:

- AASB 2008-10 *Amendments to Australian Accounting Standards: Reclassification of Financial Instruments* permits the reclassification of certain non-derivative financial assets. The Office does not intend on reclassifying its financial assets in the current period, accordingly there will be no financial impact.
- AASB 2007-9 *Amendments to Australian Accounting Standards arising from the Review of AASs 27, 29 and 31* – The primary focus of this Standard has been on relocating, where necessary, the requirements in AASs 27, 29 and 31, substantively unamended (with some exceptions) into topic-based Standards. The Standards will not have a material financial impact on the Financial Statements.
- AASB Interpretation 14 AASB 119 *the Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction* – The interpretation clarifies when refunds or reductions in future contributions in relation to defined benefit assets should be regarded as available and provides guidance on the impact of minimum funding requirements on such assets. It also gives guidance on when a MFR might give rise to a liability. The interpretation will not have a material financial impact on the Financial Statements.

(b) Impact of new and revised Accounting Standards yet to be applied

The following applicable Standards have been issued by the AASB and are yet to be applied:

- AASB 2007-8 *Amendments to Australian Accounting Standards Arising from AASB 101* - revised standard to be applied in reporting periods on or after 1 January 2009. The Standard will not have a financial impact on the Financial Statements but will require a number of changes in disclosures.
- AASB 2007-10 *Further Amendments to Australian Accounting Standards arising from AASB 101* revised Standard to be applied from reporting periods beginning on or after 1 January 2009. This Standard changes the term “general purpose financial report” to “general purpose financial statements” and the term “financial report” to “financial statements”, where appropriate, in Australian Accounting Standards (including Interpretations) and the *Framework* to better align with IFRS terminology. The Standard will not have a financial impact on the Financial Statements.

1.5 Revenue

Revenue is recognised in the Income Statement when an increase in future economic benefits, related to an increase or a decrease of a liability, has arisen that can be measured reliably.

(a) Revenue from Government

Appropriations, whether recurrent or capital, are recognised as revenues in the period in which the Office gains control of the appropriated funds.

(b) User Charges

Amounts earned in exchange for the provision of goods are recognised when the good is provided and title has passed. Revenue from the provision of services is recognised when the service has been provided.

(c) Interest

Interest on funds invested is recognised as it accrues using the effective interest rate method.

(d) Gain (loss) from the sale of non-financial assets

Gains or losses from the sale of non-financial assets are recognised when control of the asset has passed to the buyer.

(e) Other revenue

Revenue from sources other than those identified above are recognized in the Income Statement when an increase in future economic benefits related to an increase in an asset or a decrease of a liability has arisen that can be measured reliably.

1.6 Expenses

Expenses are recognised in the Income Statement when a decrease in future economic benefits, related to a decrease in asset or an increase of a liability, has arisen that can be measured reliably.

(a) Employee benefits

Employee benefits include, where applicable, entitlements to wages and salaries, annual leave, sick leave, long service leave, superannuation, leave in lieu and any other post-employment benefits.

(b) Depreciation and amortisation

All non-financial assets having a limited useful life are systematically depreciated over their useful lives in a manner that reflects the consumption of their service potential.

Depreciation is provided for on a straight line basis using rates which are reviewed annually. Major depreciation periods are:

Physical assets (Depreciation)

Furniture and fittings	4-10 years
Computer equipment - hardware	3-4 years
Office equipment	3-10 years

Intangible assets (Amortisation)

Computer equipment - software	3-5 years
-------------------------------	-----------

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

Leasehold improvements	10 per cent
Lease "make good"	10 per cent

(c) Impairment – Financial Assets

Financial assets are assessed at each reporting date to determine whether there is any objective evidence that there are any financial assets that are impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss, in respect of a financial asset measured at amortised cost, is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate.

All impairment losses are recognised in the Income Statement.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost, the reversal is recognised in profit or loss.

(d) Impairment – Non-financial Assets

All non-financial assets are assessed to determine whether any impairment exists. Impairment exists when the recoverable amount of an asset is less than its carrying amount. Recoverable amount is the higher of fair value less costs to sell and value in use. The Office's assets are not used for the purpose of generating cash flows; therefore value in use is based on depreciated replacement cost where the asset would be replaced if deprived of it.

All impairment losses are recognised in the Income Statement.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(e) Other expenses

Expenses including accruals not yet billed are recognised when the Office becomes obliged to make future payments or as a result of a purchase of goods and services.

1.7 Assets

Assets are recognised in the Balance Sheet when it is probable that the future economic benefits will flow to the Office and the asset has a cost or value that can be measured reliably.

(a) Cash and deposits

Cash means notes, coins, any deposits held at call with a bank or financial institution, as well as funds held in the Special Deposits and Trust Fund. Deposits are recognised at their nominal amounts.

(b) Receivables

Receivables are recognised at amortised cost, less any impairment losses, however, due to the short settlement period, receivables are not discounted back to their present value.

(c) Work in Progress

Work in progress is measured by the actual hours spent to date on the individual audits multiplied by the appropriate charge out rate per employee category, less amounts invoiced. Work in progress is valued at the lower of cost or net realisable value. Impairment losses are recognised when there is an indication that there is a measurable decrease in the recoverability of work in progress.

(d) Non-current Physical Assets

(i) Valuation basis

All non-current physical assets are recorded at historic cost less accumulated depreciation and accumulated impairment losses.

(ii) Asset recognition threshold

The asset capitalisation threshold adopted by the Office is \$1 000. Assets valued at less than \$1 000 are charged to the Income Statement in the year of purchase (other than where they form part of a group of similar items which are material in total or if the asset is considered to be an attractive item).

(iii) Impairment

The carrying amounts of non-current physical assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated.

(e) Intangibles

An intangible asset is recognised where:

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

Intangible assets held by the Office are valued at cost and are amortised on a straight line basis over their estimated useful life.

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

1.8 Liabilities

Liabilities are recognised in the Balance Sheet when it is probable that an outflow of resources embodying economic benefits will result from the settlement of a present obligation and the amount at which the settlement will take place can be measured reliably.

(a) Payables

Payables, including goods received and services incurred but not yet invoiced, are recognised at the nominal amount when the Office becomes obliged to make future payments as a result of a purchase of assets or services.

(b) Provisions

Provisions are recognised when it is probable that a payment will be made and the amount of the payment can be reliably measured. Any right to reimbursement relating to some or all of the provision is recognised as an asset when it is virtually certain that the reimbursement will be received.

(c) Employee Benefits

Liabilities for wages and salaries and annual leave are recognised when an employee becomes entitled to receive a benefit. Those liabilities expected to be realised within 12 months are measured as the amount expected to be paid. Other employee entitlements are measured as the present value of the benefit at 30 June 2009, where the impact of discounting is material, and at the amount expected to be paid if discounting is not material.

A liability for long service leave is recognised, and is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date.

The Office has recognised a liability for the Auditor-General's employee entitlement provisions even though the provisions will be paid as a Reserved by Law item, funded by way of an appropriation to the Office when paid out in the future.

(d) Superannuation

(i) Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognised as an expense when they fall due.

(ii) Defined benefits plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan.

The Office does not recognise a liability for the accruing superannuation benefits of its employees. This liability is held centrally and is recognised within the Finance-General Division of the Department of Treasury and Finance.

(e) Revenue Received in Advance

Three percent of the unexpended balance of appropriation to the Office for Performance and Compliance audits is able to be carried forward and is recognised as a liability, revenue received in advance in the initial year. The carry forward from the initial year is recognised as revenue in the reporting year.

The Office invoices for financial audit work on an agreed schedule basis. Where work is invoiced and where a proportion of the scheduled work has not been undertaken, this proportional amount is recognised as revenue in advance. In previous years the Office billed as work was completed.

1.9 Leases

The Office has entered into a number of operating lease agreements for property, plant and equipment, where the lessors effectively retain all the risks and benefits incidental to ownership of the items leased. Equal instalments of lease payments are charged to the Income Statement over the lease term, as this is representative of the pattern of benefits to be derived from the leased property.

The Office is prohibited by Treasurer's Instruction 502 *Leases* from holding finance leases.

1.10 Unrecognised financial instruments

Non-derivative financial instruments comprise trade and other receivables, cash and cash equivalents, and trade and other payables that are recognised at amortised cost. Difference between amortised cost and fair value are not recognised in the Balance Sheet being immaterial.

1.11 Judgements and assumptions

In the application of Australian Accounting Standards, the Office is required to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The only area where estimates of any material amount are made regularly relates to the carrying amount of work in progress.

The Office has made no assumptions concerning the future that may cause a material adjustment to the carrying amounts of assets and liabilities within the next reporting period.

1.12 Budget Information

Budget information refers to original estimates as disclosed in the 2008-09 Budget Papers and is not subject to audit.

1.13 Rounding

All amounts in the Financial Statements have been rounded to the nearest thousand dollars, unless otherwise stated. Where the result of expressing amounts to the nearest thousand dollars would result in an amount of zero, the financial statement will contain a note expressing the amount to the nearest whole dollar.

1.14 Departmental Taxation

The Office is exempt from all forms of taxation except Fringe Benefits Tax, Payroll Tax and Goods and Services Tax.

1.15 Goods and Services Tax

Revenue, expenses and assets are recognized net of the amount of Goods and Services Tax, except where the GST incurred is not recoverable from the Australian Taxation Office. Receivables and payables are stated inclusive of GST. The net amount recoverable, or payable, to the ATO is recognised as an asset or liability within the Balance Sheet.

In the Cash Flow Statement, the GST component of cash flows arising from operating, investing or financing activities that is recoverable from, or payable to, the Australian Taxation Office is, in accordance with the Australian Accounting Standards, classified as operating cash flows.

Note 2 Office Output Schedules

2.1 Output Group Information

The Office only has one output group and that is to enable the Office to fulfil its Outcome Statement of ensuring that it provides independent assurance to the Parliament and community on the performance and accountability of the Tasmanian Public Sector.

Budget information refers to original estimates and has not been subject to audit.

Output Group 1 – Public Sector Management and Accountability

	2009 Budget \$'000	2009 Actual \$'000	2008 Actual \$'000
Revenue			
Appropriation revenue - RBL	353	362	313
Appropriation revenue - recurrent	1 652	1 888	-
User charges	3 670	3 755	4 715
Interest	43	14	17
Other revenue	-	16	3
Total	5 718	6 035	5 048
Expenses			
Employee benefits	3 642	3 639	3 187
Depreciation and amortisation	131	122	184
Payroll tax	189	191	165
Audit contractors	654	1 179	751
Accommodation	286	223	253
Information technology	171	124	117
Materials and supplies	191	210	196
Other expenses	454	449	463
Loss on sale of non-financial assets	-	3	3
Total	5 718	6 140	5 319
Net deficit before accommodation capital funding, gain on lease make-good write off and impairment losses	-	(105)	(271)
Accommodation capital funding	-	350	-
Net gain on lease make-good write-off	-	7	-
Impairment losses	-	(75)	-
Net Surplus (deficit)	-	177	(271)
Expense by output			
Public Sector Management and Accountability	5 718	6 140	5 319
Total	5 718	6 140	5 319

Because there is only one output group, explanations of material variances between budget and actual outcomes are provided in Note 3 of the accompanying notes. A reconciliation of the total net results of the Output Group has not been reconciled to the Net surplus from the Income Statement as the Office has only one output group. For the same reason there is no reconciliation between the total net assets deployed for the Output Group to Net assets from the Balance Sheet.

Note 3 Explanations of Material Variances between Budget and Actual Outcomes

The following are brief explanations of material variances between Budget estimates and actual outcomes. Variances are considered material where the variance exceeds the greater of 5 per cent of Budget estimate and \$40 000.

3.1 Income Statement

	Notes	Budget \$'000	Actual \$'000	Variance \$'000	Variance %
Appropriation revenue - recurrent	(a)	1 652	1 888	236	14
Appropriation revenue - RBL	(b)	353	362	9	3
Interest	(c)	43	14	(29)	(67)
Depreciation and amortization	(d)	131	122	9	7
Audit contractors	(e)	654	1 179	(525)	(80)
Accommodation	(f)	286	223	63	22
Information technology	(g)	171	124	47	27
Materials and supplies	(h)	191	210	(19)	(10)
Accommodation capital funding	(i)	-	350	350	100
Impairment losses	(j)	-	75	(75)	(100)

Notes to Income Statement variances

(a) The variation is due to a request for additional funding for reports to Parliament of \$110 000 and \$90 000 for Performance and Compliance Audits. The remaining \$36 000 relates to additional funding carried forward from the previous year..

(b) Following the implementation of the *Audit Act 2008* the method of determining the Auditor-General's salary has altered resulting in a higher salary than originally budgeted.

(c) Interest received is lower than budgeted due to lower interest rates.

(d) The variation relates to a lower level of computer and office equipment purchases than budgeted, as well as later purchasing and commissioning of software and hardware than originally planned, resulting in lower charges for depreciation and amortisation.

(e) The variance is due to increased audits contracted out. The original budget also does not include fees for contractors for Performance Audit and CIS and taxation audit consulting.

(f) The variance is comprised of savings on 2008 back rent accrued at 30 June 2008 as well as savings on 2009 rent of current premises compared to budget. The budget also includes increased accommodation costs for new premises in anticipation of relocation during 2009. The relocation has not eventuated in the current period.

(g) The original budget for annual software licences includes software no longer used. Actual software licence fees are also lower than budgeted.

(h) There are a number of small positive and negative variances within the line items that comprised materials and supplies however the main variances are due to an increase in printing costs for the reports to Parliament as well as an increase in subscriptions, compared to budget.

(i) The original budget does not include funding for fit out and furniture for relocation to new premises.

(j) This variance relates to the impairment loss on leasehold improvements as a result of the pending relocation of Office premises in late 2009 instead of being due at the lease expiry period of 2015.

3.2 Balance Sheet

	Notes	Budget \$'000	Actual \$'000	Variance \$'000	Variance %
Cash and deposits	(a)	584	731	147	25
Receivables	(b)	234	570	336	143
Work in progress	(c)	323	200	(123)	(38)
Leasehold improvements, plant and equipment	(d)	326	144	(182)	(56)
Intangibles	(e)	94	72	(22)	(23)
Payables	(f)	183	212	(29)	(16)
Other liabilities	(g)	45	317	(272)	(600)

Notes to Balance Sheet variances

(a) Cash and deposits exceeds budget mainly due to accommodation funding received.

(b) Receivables exceed budget as the Office changed its billing policy during the current year. Previously bills were issued after a "phase", e.g. the interim audit was completed. The majority of bills are now issued under a scheduled billing arrangement resulting in work in progress being converted to receivables earlier than budgeted.

(c) Work in progress refer 3.2(b).

(d) The variance results from a lower level of purchases of computer and office equipment than budgeted and the write-off of leasehold improvements.

(e) The variance in intangibles results from the write-off of software and fewer software purchases than budgeted.

(f) The balance for creditors at balance date was higher than anticipated, due to late receipt of contractor invoices. Office policy is to pay on 30 days or agreed terms.

(g) The variance results from of a change in billing policy. Refer note 1.8(e).

3.3 Cash Flow Statement

	Note	Budget \$'000	Actual \$'000	Variance \$'000	Variance %
Appropriation receipts – recurrent	(a)	1 652	1 888	236	14
Accommodation funding	(b)	-	350	350	100
Appropriation receipts – RBL	(c)	353	362	9	3
GST receipts	(d)	544	698	154	28
Interest received	(e)	43	14	(29)	(67)
Other cash receipts	(f)	-	17	17	100
Superannuation payments	(g)	330	311	19	6
GST payments	(h)	544	698	(154)	(28)
Other cash payments	(i)	1 909	2 331	(422)	(22)

Notes to Cash Flow Statement variances

- (a) The variation is due to a revision in the budget for Reports to Parliament of \$110 000 and \$90 000 for Performance and Compliance Audits.
- (b) The original budget does not include funding for fit out and furniture for relocation to new premises.
- (c) Following the implementation of the *Audit Act 2008* the method of determining the Auditor-General's salary has altered resulting in a higher salary than originally budgeted.
- (d) The variation is due to higher than budgeted cash payments resulting in higher than budgeted GST receipts.
- (e) Interest received is lower than budgeted due to lower interest rates.
- (f) This variance relates to miscellaneous cash receipts, mainly for reimbursements, not included in the budget.
- (g) Actual superannuation payments are lower than budgeted.
- (h) The variation is due to higher than budgeted user charges resulting in greater GST payments than budgeted.
- (i) The variance in other cash payments is due to audit contractors and materials and supplies being higher than budgeted.

Note 4 Events Occurring After Balance Date

There have been no events subsequent to balance date which would have a material effect on the Office's Financial Statements as at 30 June 2009.

Note 5 Income

5.1 Appropriation Revenue

Revenue from Appropriations includes revenue from appropriations and Items Reserved by Law. The Budget information is based on original estimates and has not been subject to audit.

	2009 Budget \$'000	2009 Actual \$'000	2008 Actual \$'000
Appropriation revenue - recurrent			
Performance and Compliance Audit	1 297	1 387	-
External Review	55	48	-
Reports to Parliament	300	453	-
	1 652	1 888	-
Items Reserved by Law – Auditor General’s salary and associated on-costs	353	362	313
Total revenue from Government	2 005	2 250	313

In previous years Performance and Compliance audits and reports to Parliament were directly charged to the Department of Treasury and Finance as a user charge. From 1 July 2008 funding for these was paid as a direct appropriation to the Office. For 2008 comparatives of Performance and Compliance audits and reports to Parliament see note 5.2.

5.2 User Charges

	2009 \$'000	2008 \$'000
Financial Audit Services	3 755	3 359
Performance and Compliance Audit	-	1 061
Reports to Parliament	-	295
Total	3 755	4 715

For 2009 comparatives of Performance and Compliance audits and reports to Parliament see note 5.1.

5.3 Capital Funding

Accommodation capital funding – appropriation	200	-
Accommodation capital funding – agency contributions	150	-
Total	350	-

Note 6 Expenses

6.1 Employee benefits

	2009 \$'000	2008 \$'000
Salaries	2 925	2 582
Annual leave	262	211
Long service leave	108	83
Fringe benefits tax	33	34
Superannuation – defined contribution scheme	183	151
Superannuation – defined benefit scheme	128	126
Total	3 639	3 187

Superannuation expenses relating to defined benefits schemes relate to payments into the Superannuation Provision Account held centrally and recognized within the Finance-General Division of the Department of Treasury and Finance. The amount of the payments is based on an employer contribution rate determined by the Treasurer, on the advice of the State Actuary. The current employer contribution is 11 per cent of salary.

Superannuation expenses relating to the defined contribution scheme are paid directly to the superannuation fund at a rate of nine per cent of salary. In addition, Departments are also required to pay into the SPA a "gap" payment equivalent to two per cent of salary in respect of employees who are members of the contribution scheme.

6.2 Depreciation and amortization

Computer equipment – hardware	49	68
Office equipment, furniture and fittings	15	42
Total	64	110

(b) Amortisation

Intangibles – computer software	44	59
Leasehold improvements	13	14
Leasehold make-good	1	1
Total	58	74
Total depreciation and amortisation	122	184

6.3 Loss on write-off of non-financial assets

	2009 \$'000	2008 \$'000
Computer equipment - hardware		
At cost		
Accumulated depreciation	271	43
Cost	(274)	(46)
Loss on sale	(3)	(3)

6.4 Impairment losses

Non-financial assets – impairment losses

Leasehold improvements	75	-
Total	75	-

Descriptions of any circumstances of material impairment losses are at Notes 7.3(a).

6.5 Other expenses

Audit fees	10	8
Worker's compensation	13	13
Travel and transport	136	137
Training	63	90
Consultants	189	189
Insurance	9	11
Miscellaneous expenses	29	15
Total	449	463

Note 7 Assets

7.1 Receivables

User charges (inclusive of GST)	569	228
Interest	1	2
Total	570	230
Settled within 12 months	570	230
Settled in more than 12 months	-	-
Total	570	230

7.2 Work in Progress

	2009 \$'000	2008 \$'000
Work in progress comprises unbilled revenue as at 30 June	200	289
Total	200	289
Settled within 12 months	200	289
Settled in more than 12 months	-	-
Total	200	289

7.3 Leasehold improvements, plant and equipment

(a) Carrying amount

Computer equipment – hardware

At cost	257	516
Less: Accumulated depreciation	(170)	(392)
Total	87	124

Office equipment, furniture and fittings

At cost	176	150
Less Accumulated depreciation	(151)	(135)
Total	25	15

Leasehold improvements

At cost	35	131
Less: Accumulated depreciation	(3)	(38)
Total	32	93

Total leasehold improvements, plant and equipment

144	232
------------	------------

During 2008-09, leasehold improvements were assessed as being impaired. The impairment arose as a result of the Office relocation to new premises in 2009-10, rather than after the lease expiry on 2015. The amount of the impairment loss for leasehold improvements is \$75 000, refer to Note 6.4.

(b) Reconciliation of movements

Reconciliations of the carrying amounts of each class of property, plant and equipment at the beginning and end of the current and previous financial year are set out below. Carrying value means the net amount after deducting accumulated depreciation and accumulated impairment losses.

2009	Computer equipment Amount	Office equipment, furniture and fittings	Leasehold improvements	Total
	\$'000	\$'000	\$'000	\$'000
Carrying value at 1 July	124	15	93	223
Additions	15	25	27	67
Disposals	(3)	-	-	(3)
Impairment losses	-	-	(75)	(75)
Depreciation and amortisation	(49)	(15)	(13)	(77)
Carrying value at 30 June	87	25	32	144

2008	Computer equipment Amount	Office equipment, furniture and fittings	Leasehold improvements	Total
	\$'000	\$'000	\$'000	\$'000
Carrying value at 1 July	115	57	107	279
Additions	80	-	-	80
Disposals	(3)	-	-	(3)
Depreciation and amortisation	(68)	(42)	(14)	(124)
Carrying value at 30 June	124	15	93	232

7.4 Intangibles

(a) Carrying amount

	2009 \$'000	2008 \$'000
Intangibles with a finite useful life		
Software at cost	313	441
Less: Accumulated amortisation	(241)	(327)
Total	72	114

(b) Reconciliation of movements

	2009 \$'000	2008 \$'000
Carrying amount at 1 July	114	173
Additions	2	-
Amortisation	(44)	(59)
Carrying amount at 30 June	72	114

7.5 Other Assets

(a) Carrying amount

Other current assets

Prepayments	67	56
Total	67	56

Other non-current assets

Lease make-good	-	14
Less: Accumulated depreciation	-	(4)
Total	-	10

Settled within 12 months	67	56
Settled in more than 12 months	-	10
Total	67	66

(b) Reconciliation of movements

Carrying amount at 1 July	10	11
Amortisation expense	(1)	(1)
Write-back lease make-good	(9)	-
Carrying amount at 30 June	-	10

Note 8 Liabilities

8.1 Payables

Creditors	199	151
Payroll tax payable	5	2
Accrued fringe benefits tax	8	8
Total	212	161
Settled within 12 months	212	161
Settled in more than 12 months	-	-
Total	212	161

Settlement is usually made within 30 days.

8.2 Provisions

	2009	2008
	\$'000	\$'000

(a) Carrying amount

Provision for lease make-good	-	15
Total	-	15
Settled within 12 months	-	-
Settled in more than 12 months	-	15
Total	-	15

The lease make-good provision provided for work to be carried out at the expiry of the lease period in 2015, to restore the current premises to the original condition prior to fit out by the Office. The Office has committed to relocating to new premises during the next reporting period and no longer has a present obligation to restore the premises.

(b) Reconciliation of movements in provisions

Balance at 1 July	15	15
Increases	1	-
Less write-off lease make-good	(16)	-
Balance at 30 June	-	15

8.3 Employee benefits

Accrued salaries	60	36
Annual leave	265	238
Long service leave	555	488
Superannuation	5	4
SSALS	4	4
In lieu of overtime	23	54
Total	912	824
Settled within 12 months	449	378
Settled in more than 12 months	463	446
Total	912	824

8.4 Superannuation

(a) Type of plan

Retirement Benefits Fund Scheme

The RBF contributory scheme is an unfunded defined benefits scheme for which the Office has a liability in respect of Tasmanian Public Sector employees under the age of 65 and appointed prior to 15 May 1999. The scheme provides eligible employees with a lump sum or pension benefits on attainment of retirement age. The benefits are calculated based on the number of years of service and the employee's average salary for the previous three years.

The scheme was closed to new members on 15 May 1999.

An independent actuarial assessment is undertaken into the RBF Scheme as at 30 June each financial year.

8.5 Other liabilities

	2009	2008
	\$'000	\$'000
Revenue received in advance		
Other revenue received in advance	270	52
Other liabilities		
Employee benefits - on-costs	47	42
Total	317	94
Settled within 12 months	290	68
Settled in more than 12 months	27	26
Total	317	94

Note 9 Commitments and Contingencies

9.1 Schedule of Commitments

	2009 \$'000	2008 \$'000
By type		
<i>Capital commitments</i>		
Property, plant and equipment	100	-
Accommodation	400	-
Total capital commitments	500	-
<i>Lease Commitments</i>		
Operating leases	3 341	2 595
Total lease commitments	3 341	2 595
<i>Other commitments</i>		
Contract Audits	1 626	1 627
Total	1 626	1 627
By maturity		
<i>Capital commitments</i>		
One year or less	500	-
From one to five years	-	-
More than five years	-	-
Total capital commitments	500	-
<i>Operating lease commitments</i>		
One year or less	446	265
From one to five years	1 957	1 247
More than five years	938	1 083
Total operating lease commitments	3 341	2 595
<i>Other commitments</i>		
One year or less	681	759
From one to five years	945	868
More than five years	-	-
Total other commitments	1 626	1 627
Total	5 467	4 222

(a) Capital Commitments

The Office is relocating to new premises in the next reporting period. The Office has budgeted for or entered into, commitments for fit-out of the new premises and additional furniture and equipment.

(b) Operating Leases

Operating leases relate to office accommodation and motor vehicles. For Launceston Office accommodation the lease term is 10 years, with an option to extend for a further 10 years. For Hobart accommodation the lease term is 6 years. All operating lease contracts contain certain market review clauses. The motor vehicle lease is governed by the Government's contract where vehicles are leased and replaced every two years.

(c) Other Commitments

Commitments exist for the payments of future auditing services under contract as at the reporting date.

Note 10 Equity and Movements in Equity

10.1 Reconciliation of equity

	Accumulated Deficits		Contributed Capital		Total Equity	
	2009	2008	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 July	(1 002)	(731)	1 168	1 168	166	437
Net surplus/deficit	177	(271)	-	-	177	(271)
Balance at 30 June	(825)	(1 002)	1 168	1 168	343	166

Equity represents the residual interests in the net assets of the Office.

Note 11 Cash Flow Reconciliation

11.1 Cash and deposits

Cash and Deposits includes the balance of the Special Deposits and Trust Fund Accounts held by the Office, and other cash held, excluding those accounts which are administered or held in a trustee capacity or agency arrangement.

	2009	2008
	\$'000	\$'000
Special Deposits and Trust Fund balance		
Special Deposits and Trust Account T644	731	329
Total cash and deposits	731	329

11.2 Reconciliation of Operating (Deficit) to Net Cash from Operating Activities

	2009 \$'000	2008 \$'000
Net surplus (deficit)	177	(271)
Depreciation and amortisation	122	184
(Gain) loss from sale of non-financial assets	3	3
(Gain) loss from impairment of non-financial assets	75	-
(Gain) loss from write-off of lease make-good	(7)	-
Write-back borrowing cost on leasehold make-good	1	-
Accommodation capital funding	(350)	-
Decrease (increase) in Receivables	(340)	6
Decrease (increase) in Prepayments	(11)	62
Decrease (increase) in Work in progress	89	33
Decrease (increase) in Other assets	-	-
Increase (decrease) in Employee entitlements	93	99
Increase (decrease) in Payables	51	22
Increase (decrease) in Tax liabilities	-	(2)
Increase (decrease) in Other liabilities	218	(30)
Net cash from operating activities	121	106

Note 12 Financial Instruments

12.1 Risk exposures

(a) Risk management policies

The Office has exposure to the following risks from its use of financial instruments:

- credit risk;
- liquidity risk; and
- market risk.

The Auditor-General has overall responsibility for the establishment and oversight of the Office's risk management framework. Risk management policies are established to identify and analyse risks faced by the Office, to set appropriate risk limits and controls, and to monitor risks and adherence to limits.

(b) Credit risk exposures

Credit risk is the risk of financial loss to the Office if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

Under the *Audit Act 2008* section 27(4) audit fees are a debt to the Crown, and therefore the office's credit risk exposure is considered minimal.

Financial Instrument	Accounting and strategic policies (including recognition criteria and measurement basis)	Nature of underlying instrument (including significant terms and conditions affecting the amount. Timing and certainty of cash flows)
<i>Financial Assets</i>		
<i>Receivables</i>	<i>The Office's Business Plan critical success factor of sustainable business performance is supported by the key performance measures of maintaining unbilled wip at <\$200 000 and a 95% target of maintaining aged debtors at <30 days. These targets were met at 30 June 2009.</i>	<i>Normal credit terms are 30 days</i>
<i>Cash and deposits</i>	<i>The Office's Business Plan critical success factor of sustainable business performance is supported by the key performance measure of maintaining a positive cash balance of \$200 000. This target was met as at 30 June 2009.</i>	<i>Cash means notes, coins and any deposits held at call with a bank or financial institution</i>

The carrying amount of financial assets recorded in the Financial Statements, net of any allowances for losses, represents the Office's maximum exposure to credit risk without taking into account of any collateral or other security.

There has been no change to credit risk policy since the previous reporting period.

During the year the Office changed its billing policy. Previously bills were issued after a "phase", e.g. the interim audit, has been completed. The majority of bills are now issued under a scheduled billing arrangement, as agreed with clients. The scheduled fee arrangement helps to ensure positive cash flows are maintained.

The current user charges consist of 37 separate debtors, with 6 of these with balances in excess of \$20 000. Past history and the fact that user charges are a debt to the Crown, indicate there is no risk to the credit quality of these financial assets.

Analysis of financial assets that are past due at 30 June 2009 but not impaired

	Current	Past due 30 days	Past due 60 days	Total
	\$'000	\$'000	\$'000	\$'000
User charges	484	85	-	569
Interest	1	-	-	1
Total	485	85	-	570

Analysis of financial assets that are past due at 30 June 2008 but not impaired

	Current	Past due 30 days	Past due 60 days	Total
	\$'000	\$'000	\$'000	\$'000
User charges	202	26	-	228
Interest	2	-	-	2
Total	204	26	-	230

(c) Liquidity risk

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

The Office, as part of its risk management plan, manages liquidity risk through processes that ensure effective audit operations, timely billing of work in progress and recovery of debtors and effective cash flow management. This includes managing annual and long service leave arrangements to minimise potential negative cash flow impacts. As stated in note 12.1(b), the Office changed its billing policy to scheduled billing which helps ensure sufficient liquidity to meet liabilities when they fall due.

Financial Instrument	Accounting and strategic policies (including recognition criteria and measurement basis)	Nature of underlying instrument (including significant terms and conditions affecting the amount. Timing and certainty of cash flows)
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Financial Liabilities

<i>Payables</i>	<i>The Office's Business Plan critical success factor of sustainable business performance is supported by the key performance measures of maintaining a positive cash balance of \$200 000 in order to have sufficient liquidity to meet its liabilities when they fall due. This target was met at 30 June 2009.</i>	<i>As per Treasurer's Instruction 1125 the Office pays within suppliers' credit terms. Where there are no credit terms Office policy is to pay within 30 days.</i>
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The following tables detail the undiscounted cash flows payable by the Office by remaining contractual maturity for its financial liabilities. It should be noted that as these are undiscounted, totals may not reconcile to the carrying amounts presented in the Balance Sheet.

	2009 Maturity analysis for financial liabilities							
	1 Year	2	3	4	5	More than 5	Undiscounted Total	Carrying Amount
	Years	Years	Years	Years	Years	Years		
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Financial liabilities								
Payables	212	-	-	-	-	-	-	212
Total	212	-	-	-	-	-	-	212

2008

	Maturity analysis for financial liabilities							
	1 Year	2	3	4	5	More than 5	Undiscounted Total	Carrying Amount
	Years	Years	Years	Years	Years	Years		
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Financial liabilities								
Payables	161	-	-	-	-	-	161	161
Total	161	-	-	-	-	-	161	161

(d) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. The primary market risk that the Office is exposed to is interest rate risk.

There has been no change to policies in relation to market risk since the previous reporting period.

At the reporting date the interest rate profile of the Office's interest bearing financial instruments was:

	2009 \$'000	2008 \$'000
Variable rate instruments		
Financial assets	731	329
Total	731	329

Changes in variable rates of 100 basis points at reporting date would have the following effect on the Office's profit or loss and equity:

	Income Statement		Equity	
	100 basis points increase	100 basis points decrease	100 basis points increase	100 basis points decrease
30 June 2009				
Financial assets – 1%	3,000	(3,000)	3,000	(3,000)
Net sensitivity	3,000	(3,000)	3,000	(3,000)
30 June 2008				
Financial Assets – 1%	3,000	(3,000)	3,000	(3,000)
Net sensitivity	3,000	(3,000)	3,000	(3,000)

The Office earns interest on the funds in Special Deposits and Trust Fund T644. The interest rate sensitivity analysis is based on the average of the opening and estimated closing balance of T644 multiple by 100 basis points (1%). This analysis assumes all other variables remain constant.

12.2 Categories of Financial Assets and Liabilities

	2009 \$'000	2008 \$'000
Financial assets		
Cash and cash equivalents	731	329
Receivables and work in progress	770	519
Total	1 501	848
Financial Liabilities		
Payables	212	161
Total	212	161

12.3 Net Fair Values of Financial Assets and Liabilities

	2009		2008	
	Total Carrying Amount \$'000	Net Fair Value \$'000	Total Carrying Amount \$'000	Net Fair Value \$'000
Financial assets				
Cash in Special Deposits and Trust Fund	731	731	329	329
Receivables	570	570	230	230
Work in progress	200	200	289	289
Total financial assets	1 501	1 501	848	848
Financial liabilities (Recognised)				
Payables	212	212	161	161
Total financial liabilities (Recognised)	212	212	161	161

Financial Assets

The net fair values of cash and non-interest bearing monetary financial assets approximate their carrying amounts.

Financial Liabilities

The net fair values for trade creditors are approximated by their carrying amounts.

Note 13 Auditor's Remuneration

The Governor in accordance with the *Audit Act 2008* appoints the Auditor of the Tasmanian Audit Office. Clements Dunne and Bell Partnership was appointed in 2009. MDHC Audit Assurance Pty Ltd was the previous auditor.

	2009 \$'000	2008 \$'000
Audit fees	10	8

Note 14 Key Management Personnel Compensation

Key management personnel are determined to be the four members of the Executive of the Office. Compensation in 2008-2009 for key management personnel amounted to the following:

	2009	2008
	\$'000	\$'000
Short term employee benefits	732	676
Long term employee benefits	17	19

Note 15 Principal Address and Registered Office

Ground Floor
144 Macquarie Street
Hobart TASMANIA

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Appendix 1 – Employees of the Office

As at 30 June 2009 the Office employed 39 full-time employees, four part-time employees and one contractor.

Employee	Position	Location
Mike Blake	Auditor-General	Hobart
Financial Audit Services		
Ric De Santi	Deputy Auditor-General	Hobart
Neville I'Anson	Director Financial Audit	Hobart
Jeff Tongs	Director Financial Audit	Hobart
Andrew Barron	Manager Financial Auditor	Hobart
Damian Cook	Manager Financial Auditor	Hobart
Tony Knight	Manager Financial Auditor	Hobart
Rob Luciani	Manager Financial Auditor	Launceston
Philip Chung	Principal Financial Auditor	Hobart
Jara Dean	Principal Financial Auditor	Hobart
Andrew Eizsele	Principal Financial Auditor	Hobart
Simone Hopwood	Principal Financial Auditor	Launceston
Geoff Morffew	Principal Financial Auditor	Hobart
Debbie Scott	Principal Financial Auditor	Launceston
Rachel Wilson	Principal Financial Auditor	Launceston
Monique Poxon	Principal Financial Auditor	Hobart
Kylie Cook	Financial Auditor	Hobart
Steve Howard	Financial Auditor	Hobart
Jesse Penfold	Financial Auditor	Hobart
Sashi Ram	Financial Auditor	Hobart
Suzanne Xue	Financial Auditor	Hobart
Rebecca Clarke	Financial Auditor and Performance Analyst	Launceston
Thomas Bock	Audit Cadet	Launceston
Raechel Filler	Audit Cadet	Hobart
Matthew Graver	Audit Cadet	Hobart
Tina Wang	Audit Cadet	Hobart
Performance Audit Services		
Geoff Driscoll	General Manager	Hobart
Simon Andrews	Manager Performance Audit	Hobart
Geoff Fisher	Manager Performance Audit	Hobart
Rosina Beaumont	Principal Performance Analyst	Hobart
Danny Moore	Principal Performance Analyst	Hobart
Beverley Pasanen	Principal Performance Analyst	Hobart
Brendon Thomas	Performance Analyst	Hobart
Maree-Rose Jones	Performance Analyst	Hobart
Support Services		
David Strong	General Manager - Strategy and Governance	Hobart
Rachael Daniels	Manager - Finance and Human Resources	Hobart
Rohan Grant	Manager - ICT and Information Management	Hobart
Robyn Smith	Executive Officer - Executive Support and Records	Hobart
Catherine De Santi	Executive Officer - Finance	Hobart
Sandra O'Connor	Executive Officer - Finance and Payroll	Hobart
Jessica Balding	Executive Officer - HR and FAS	Hobart
Jacob Whitehill	Executive Officer - ICT and IM - Traineeship	Hobart

Appendix 2 - Composition of Office Committees

Executive Management Team and Remuneration Committee

The members of the team are:

- Mike Blake – Chair
- Ric De Santi
- Geoff Driscoll
- David Strong.

Senior Management Team

The members of the team are:

- Mike Blake – Chair
- Ric De Santi
- Geoff Driscoll
- David Strong
- Neville I'Anson
- Jeff Tongs
- Andrew Barron
- Geoff Fisher
- Simon Andrews
- Rachael Daniels
- Rohan Grant.

Human Resources Committee

The members of the committee are:

- David Strong - Chair
- Simon Andrews
- Rachael Daniels
- Debbie Scott
- Tony Knight
- Jessica Balding.

Information Management Committee

The members of the committee are:

- Ric De Santi – Chair
- David Strong
- Rohan Grant
- Geoff Fisher
- Jeffrey Tongs.

Health and Safety Committee

The members of the committee are:

- Rachael Daniels – Chair
- Tony Knight
- Sandra O'Connor and
- Beverley Pasanen.

Appendix 3 – List of Clients and Audits

Executive and Legislature

Office of the Governor

House of Assembly

Legislative Council

Legislature-General

Ministerial Departments

Department of Economic Development, Tourism and the Arts (formerly Economic Development and Tourism)

Department of Education

Department of Health and Human Services

Department of Infrastructure, Energy and Resources

Department of Justice

Department of Police and Emergency Management

Department of Premier and Cabinet

Department of Primary Industries Parks, Water and Environment (formerly Primary Industries and Water)

Department of Environment, Parks, Heritage and the Arts ***

Department of Treasury and Finance

- Treasurer's Annual Financial Report – General Government Statements and Public Account Statements
- Consolidated Financial Statements for the State of Tasmania

Government Business Enterprises

Forestry Tasmania

- Newwood Holdings Pty Ltd

Hydro-Electric Corporation

- Bell Bay Power Pty Ltd
- Bell Bay Three Pty Ltd
- Hydro Consulting (Holding) Pty Ltd
- Lofty Ranges Power Pty Ltd
- RE Storage Holding Pty Ltd
- Momentum Energy Pty Ltd

Motor Accidents Insurance Board

Port Arthur Historic Site Management Authority

Rivers and Water Supply Commission

- Tasmanian Irrigation Development Board
- Tasmanian Irrigation Schemes

Tasmanian Public Finance Corporation

The Public Trustee

State Owned Companies

Aurora Energy Pty Ltd

- Ezikey Group Pty Ltd
- Aurora Energy (Tamar Valley) Pty Ltd

Metro Tasmania Pty Ltd

Tasmanian Ports Corporation Pty Ltd

- King Island Port Corporation Pty Ltd

TOTE Tasmania Pty Ltd

Transend Networks Pty Ltd

TT Line Company Pty Ltd

Statutory Authorities

National Trust of Australia (Tasmania)

Private Forests Tasmania

Retirement Benefits Fund Board

- RBF Tas Planning Pty Ltd

State Fire Commission

Sullivans Cove Waterfront Authority

TAFE Tasmania ***

Tasmanian Dairy Industry Authority

Tasmanian Academy

Tasmanian Polytechnic

Tasmanian Racing Board

Tasmanian Skills Institute

Travel Agents Licensing Board

Local Government

Councils:

Break O'Day Council

Brighton Council

Burnie City Council

Central Coast Council

Central Highlands Council

Circular Head Council

Clarence City Council

Derwent Valley Council

Devonport City Council

Dorset Council

Flinders Council

George Town Council

Glamorgan Spring Bay Council

Glenorchy City Council

Hobart City Council

Huon Valley Council

Kentish Council

King Island Council

Kingborough Council

Latrobe Council

Launceston City Council

Meander Valley Council

Northern Midlands Council

Sorell Council

Southern Midlands Council

Tasman Council

- Tasman Multi-Purpose Centre

Waratah-Wynyard Council

West Coast Council

West Tamar Council

Authorities:

Copping Refuse Disposal Site Joint Authority

Cradle Coast Authority

Cradle Coast Water Authority ***

Dulverton Regional Waste Management Authority

Esk Water Authority ***

Hobart Regional Water Authority ***

Local Government Association of Tasmania

Northern Tasmanian Regional Development Board Ltd

Southern Tasmanian Councils Association

Southern Waste Strategy Authority

Tasmanian Water and Sewerage Corporation (Southern Region) Pty Ltd

Tasmanian Water and Sewerage Corporation (Northern Region) Pty Ltd

Tasmanian Water and Sewerage Corporation (North Western Region) Pty Ltd

Tasmanian Water and Sewerage Corporation (Common Services) Pty Ltd

Public Bodies

Aboriginal Land Council of Tasmania

ANZAC Day Trust

Board of Architects*

Brittons Swamp Drainage Trust *

Cheshunt Drainage Trust *

Chiropractors and Osteopaths Registration Board*

Clyde Water Trust

Council of Law Reporting

Davy Point Drainage Trust *

Dental Board of Tasmania*

Dental Prosthetists Registration Board of Tasmania*

Don River Irrigation Water Trust *

Egg Lagoon Drainage Trust *

Elizabeth Macquarie Irrigation Trust *

Forests and Forest Industry Council – Helsham Agreement Grant Account**

Forest Practices Board

Forthside Irrigation Water Trust *

Government Prices Oversight Commission

Housing Tasmania

- Home Ownership Assistance Program**

Inland Fisheries Service

Jim Bacon Foundation

Lake Nowhere-Else Dam / Whitemark Creek Irrigation Trust *

Launceston Sailors Home Trust

Lawrenny Irrigation Trust *

Legal Aid Commission of Tasmania

Legal Profession Board

Lobster Rivulet Drainage Trust *

Lower Georges River Works Trust *

Marine and Safety Tasmania

Medical Council of Tasmania*

Mowbray Swamp Drainage Trust *

National Heritage Trust

Nominal Insurer

Nursing Board of Tasmania*

Office of the Ombudsman and Health Complaints Commissioner

Office of the Tasmanian Energy Regulator

Optometrists Registration Board *

Pharmacy Board of Tasmania*

Physiotherapists Registration Board *

Plumbers and Gasfitters Registration Board*

Podiatrists Registration Board*

Psychologists Registration Board*

Radiographers Registration Board*
 Richmond Irrigation Trust *
 Royal Tasmanian Botanical Gardens
 Schools Registration Board of Tasmania *
 Tasmanian Ambulance Service
 Tasmanian Arts Advisory Board *
 Tasmanian Beef Industry (Research and Development) Trust
 Tasmanian Building and Construction Industry Training Board
 Tasmanian Community Fund
 Tasmanian Development and Resources
 Tasmanian Heritage Council
 Tasmanian Land Conservancy Inc *
 Tasmanian Museum and Art Gallery
 Tasmanian Wilderness World Heritage Area**
 Teachers Registration Board
 Theatre Royal Management Board
 Togari Drainage Trust *
 Tourism Tasmania
 Tsuneichi Fujii Fellowship Trust
 University of Tasmania

- UTAS AMC Search
- UTAS Innovations Ltd
- Higher Education Research Data Collection**

 Wellington Park Management Trust
 Western Creek Drainage Trust *
 Workcover Tasmania Board
 Workers Rehabilitation and Compensation Tribunal

* Audits Dispensed with
 ** Grant Acquittal
 ***Final audit



Monique Poxon at Queenstown

Appendix 4 - Use of External Audit Service Providers for the 2008-09 Audit Cycle

The following table sets out the commitments to external audit service providers for the 2008-09 financial statement audits.

Client	Contractor	Fee(\$'000) (excl GST)
Aboriginal Land Council	R J Ruddick	2
Circular Head Council	AG Synetec Pty Ltd	18
Clarence City Council	WHK Denison	22
Copping Refuse Disposal Site Joint Authority	WHK Denison	TBA
Council of Law Reporting	KPMG – Hobart	1
Cradle Coast Water Authority	Garrott and Garrott	10
Department of Infrastructure, Energy and Resources	Wise Lord and Ferguson	88
Department of Justice	KPMG – Hobart	61
Forest Practices Board	BDO Kendalls	2
George Town Council	Garrott and Garrott	11
Glamorgan-Spring Bay Council	Garrott and Garrott	16
Glenorchy City Council	Deloitte Touche Tohmatsu – Hbt	35
Government Prices Oversight Commission	BDO Kendalls	3
Hydro-Electric Corporation	Wise Lord and Ferguson	163
Northern Midlands Council	Garrott and Garrott	14
Office of the Energy Regulator	BDO Kendalls	3
Port Arthur Historic Site Management Authority	WHK Denison	25
Rivers and Water Supply Commission	BDO Kendalls	14
Royal Tasmanian Botanical Gardens	BDO Kendalls	8
Southern Regional Cemetery Trust	WHK Denison	8
Southern Waste Strategy Authority	BDO Kendalls	3
Sullivans Cove Waterfront Authority	Wise Lord and Ferguson	6
Tasmanian Beef Industry (Research and Development) Trust	R J Ruddick	1
Tasmanian Building and Construction Industry Training Board	Wise Lord and Ferguson	9
Tasmanian Community Fund	BDO Kendalls	2
Tasmanian Dairy Industry Association	R J Ruddick	3
Tasmanian Museum and Art Gallery	Wise Lord and Ferguson	3
Tasmanian Public Finance Corporation	Wise Lord and Ferguson	87

Client	Contractor	Fee(\$'000) (excl GST)
Teachers Registration Board	BDO Kendalls	2
Transend Networks Pty Ltd	Deloitte Touche Tohmatsu – Hbt	82
Travel Agents Licensing Board	KPMG – Hobart	1
TT-Line Pty Ltd	Deloitte Touche Tohmatsu – Ltn	39
Wellington Park Management Trust	BDO Kendalls	3
Workcover Tasmania Board	KPMG – Hobart	3
Workers Rehabilitation and Compensation Tribunal	KPMG – Hobart	3
	Total	751

Appendix 5 – External Audit Service Providers

The following auditing firms are included in the Register of External Audit Services Providers:

Name of Firm	Ranking
AG Synectec Pty Ltd - Devonport	Medium and Small
Deloitte Touche Tohmatsu – Hobart	Large and Medium
Deloitte Touche Tohmatsu – Launceston	Medium and Small
Ernst & Young – Melbourne	Medium and Small
Garrott and Garrott - Launceston	
BDO Kendalls - Hobart	Medium and Small
KPMG – Hobart	Large, Medium and Small
KPMG – Launceston	Medium and Small
MDHC Audit Assurance – Melbourne	Large and Medium
Pitcher Partners – Melbourne	
RSM Bird Cameron – Melbourne	
Ruddicks – Launceston	Medium and Small
Stamfords – Melbourne	Medium and Small
WHK Denison - Hobart	
Wise Lord and Ferguson - Hobart	Large, Medium and Small

Appendix 6 – Asset Management, Risk and Pricing Policy, and Government Procurement

Major capital projects

By the very nature of our business we have limited investment in capital works. From time to time we undertake minor works associated with fit-outs of the tenancies leased.

However, at 30 June 2009 we held \$350 000 in capital funding to enable a move to new premises in Hobart. The move occurred in late September 2009.

Asset management

The financial statements for 2008-09 are reported on an accrual basis, and contain full details of our asset management policies as notes to the statements.

Office assets are recorded in accordance with our accounting policies and procedures, and these amounts are disclosed in the statements, together with appropriate policies.

Details of our assets are recorded in the asset module of our financial management system. This provides a direct link between our asset register and the general ledger, thus enhancing financial reporting.

Pricing policies

Audit fees for conducting financial, performance and compliance audits are our main source of revenue. In addition, we receive a budget appropriation for the Auditor-General's salary and associated allowances.

The Auditor-General determines audit fees annually with details provided in a report to Parliament.

Fees are calculated on the basis of meeting the full cost of operating the Office. Individual fees are determined by applying a number of criteria that include size, history, risk, complexity, systems in place including internal controls, organization and accounting changes and location. Time spent on audits is charged at determined hourly rates for each member of staff.

Government Procurement

Support for local business

The Tasmanian Audit Office ensures that Tasmanian businesses are given every opportunity to compete for Office business. It is the Office's policy to support Tasmanian business whenever they offer best value for money for the Government. Every year the Office calls for businesses to register for providing external audit services on behalf of the Auditor-General (see Appendix 5).

The following details are provided in accordance with Treasurer's Instruction 1111 for all contracts awarded (excluding consultancies) and tenders called during 2008-09 with values in excess of \$50 000.

Details	2008-09
Total number of contracts awarded	3
Total number of contracts awarded to Tasmanian businesses	3
Total value of contracts awarded (including possible extensions)	\$0.489m - \$0.505m
Total value of contracts awarded to Tasmanian businesses (including possible extensions)	\$0.489m - \$0.505m
Number of tenders called	3
Number of bids received	7
Total number of bids received from Tasmanian businesses	4

Contractors over \$50 000

Name of contractor	Location of contractor	Description of contract	Period of contract	Value of contract
Deloitte	Sth Tasmania	Audit Services – State Fire Commission	3 Years	\$105 000 - \$109 000
KPMG	Sth Tasmania	Audit Services – Department of Education	3 Years	\$298 000 - \$310 000

Consultancies over \$50 000

Name of consultant	Location of consultant	Description of consultancy	Period of consultancy	Value of consultancy
Nil				


Procurement complaints

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

Appendix 7 – Superannuation Declaration

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

- UniSuper Fund
- MLC Master Key Superannuation Fund



H M Blake

30 June 2009

Appendix 8 - Service on other committees

Our staff were members of the following committees, professional associations, panels or working parties:

Mike Blake	<p>Australasian Council of Auditors-General</p> <p>Australian Auditing and Assurance Standards Board</p> <p>Institute of Chartered Accountants in Australia – Tasmanian Division</p> <p>Chartered Secretaries Australia – Tasmanian Council</p> <p>University of Tasmania – Faculty of Business Advisory Board</p> <p>Tasmanian Council of Professional Bodies</p>
Ric De Santi	<p>CPA Australia – President, Tasmanian Divisional Council</p> <p>ACAG – Financial Reporting and Auditing Committee</p>
Jeff Tongs	<p>CPA Australia – Tasmanian Public Sector Committee</p> <p>National IPSAM User Group</p>
Neville I’Anson	<p>ACAG – Heads of Information Systems Audit</p> <p>ACAG - University Audit Group</p>
Rob Luciani	<p>ACAG – APES 320 Review Group</p> <p>ACAG Representative - Australian Infrastructure Financial Management Guidelines Steering Committee</p>
David Strong	<p>CPA Australia – Tasmanian Divisional Council</p> <p>AHRI – Tasmanian Divisional Council</p>

Abbreviations

AHRI	Australian Human Resources Institute	GST	Goods and Services Tax
AASB	Australian Accounting Standards Board	HR	Human Resources
ACAG	Australasian Council of Auditor-General	HRC	Human Resources Committee
ACT	Australian Capital Territory	H&S	Health and Safety
AEIFRS	Australian Equivalents to International Financial Reporting Standards	IFRS	International Financial Reporting Standards
APES	Accounting Professional and Ethical Standards	ILOT	In lieu of overtime
BSC	Balanced scorecard	ipsam	Integrated public sector audit methodology
CEO	Chief Executive Officer	ISACA	Information Systems Audit and Controls Association
CPA	Certified Practising Accountant	ICT	Information Communications and Technology
CSF	Critical Success Factor	IM	Information Management
DHHS	Department of Health and Human Services	IP	Intellectual Property
DIER	Department of Infrastructure, Energy and Resources	IT	Information technology
DOE	Department of Education	LSL	Long service leave
DPEM	Department of Police and Emergency Management	MAD	Making a Difference
DPIWE	Department of Primary Industry, Water and the Environment	MAHRI	Member Australian Human Resources Institute
EDP	Electronic Data Processing	MS	Moore Stephens
EMG	Executive management group	Mths	Months
FAS	Financial Audit Services	PAC	Public Accounts Committee
FBT	Fringe benefits tax	PAS	Performance Audit Services
FCA	Fellow Chartered Accountants	RBF	Retirement Benefits Fund
FCPA	Fellow Certified Practising Accountant	SMG	Senior Management Group
FCS	Fellow Chartered Secretaries	SOC	State-owned corporation
FMAA	Financial Management and Audit Act	S&T	States and Territories
FOI	Freedom of Information	TAO	Tasmanian Audit Office
FTE	Full-time equivalent	TI's	Treasurer's Instructions
GBE	Government business enterprise	UTAS	University of Tasmania
GCC	Global Corporate Challenge	WA	Western Australia

Compliance Index and Disclosure Requirements

The Compliance Index has been compiled in response to the Auditor-General's Special report No. 4 of May 1991, *Standard of Annual reporting by Government Departments*.

The four columns in the index have the following meaning:

Section and Compliance

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

Details

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

Page

This states where in the Annual Report the requirement is satisfied. In some instances, the requirement is complied with by the report in its entirety. Where denoted by N/a means this section is not applicable to the Office by virtue of our mandate.

Key	Act
AA	<i>Audit Act 2008</i>
FMAA	<i>Financial Management and Audit Act 1990</i>
FOI	<i>Freedom of Information Act 1991</i>
PID	<i>Public Interest Disclosures Act 2002</i>
PSSRA	<i>Public Sector Superannuation Reform Act 1999</i>
SSA	<i>State Service Act 2000</i>
SSR	<i>State Service Regulations 2001</i>
TI	<i>Treasurer's Instructions</i>

Section	Compliance	Page	Details
GENERAL			
Table of Contents		Inside front cover	
Alphabetical Index		121	
Glossary of Abbreviations		116	
OVERVIEW			
Strategic Plan	SSR s9(a)(i)	8 - 22	An overview of the Office's Strategic Plan, including its aims, functions and related programs.
Performance	SS s36(1)(a) FMAA s27(1)(a)	8 - 22	A report on the performance of the functions and exercise of powers of the Auditor-General, under any written law.

Major Initiatives	SSR s9(a)(v)	7	Details of major initiatives taken by the Office to develop and give effect to Government policy.
Section	Compliance	Page	Details
OVERVIEW			
Major Changes during the Year	SSR s9(a)(iv)	N/a	Details of, and reasons for, any major changes which have taken place in relation to the programs, aims, functions or organisational structure of the Office.
ORGANISATIONAL STRUCTURE			
Office Organisational Chart	SSR s9(a)(ii)	25, 29, 37	An organisational chart illustrating the Office's administrative structure, including regional offices, and showing office of the Office.
Why We Are Structured This Way	SSR s9(a)(iii)	21	A description of the relationship between the organisational structure and the program management structure of the Office.
PERFORMANCE MANAGEMENT			
Performance Summary	TI 201 (1)(a) & (e)	28-35	A narrative summary, together with quantitative measures where relevant of the objectives and functions of programs or activities, including significant outcomes, key efficiency measures, targets, proposed plans and any ministerial objectives.
Performance Constraints	TI 201 (1)(b)	Annual Report	Economic or other factors that have affected the achievement of operational objectives.
LEGISLATION ADMINISTERED			
Legislation Administered	SSR s9(d)	51-52	A list of legislation administered by the Office during the year.
Legislation Enacted during the Year	SSR s9(d)	52	A list of legislation enacted during the year for which the Office is responsible, including details of significant changes to legislation previously administered by the Office.
PUBLIC ACCESS AND AWARENESS OF SERVICES PROVIDED			
Key Contacts	SSR s9(c)(ii)	123	List of contact officers and points of public access in relation to services provided by the Office.
Community Awareness	SSR s9(c)(i)	Annual Report	Details of activities undertaken to develop community awareness of the Office and the services it provides.
Agency Publications	SSR s9(c)(i)	26 30-35	List of documents published by any internal or external body of the Office during the year.
Freedom of Information Requests	FOI s56	53	Freedom of Information details for the year.
Public Interest Disclosure Investigations	PID s86	54	List the number of public interest disclosures made to the Office and the procedures for making public interest disclosures to the Office.
HUMAN RESOURCE MANAGEMENT			
Recruitment and Selection	SSR s9(b)(i)	18, 38	Details of recruitment policies and program including statistical information for the year.
Staff Development	SSR s9(b)(ii)	15	Information relating to employee training and development activities, including statistical information for the year.

Section	Compliance	Page	Details
HUMAN RESOURCE MANAGEMENT			
Equal Employment Opportunities	SSR s9(b)(iii)	16 - 20	A description of the Office's workplace diversity programs, including statistical information for the year.
Industrial Democracy	SSR s9(b)(iv)	38	Details of the processes established to ensure employee participation in industrial relation matters within the Office.
Internal Grievance Procedures	SSR s9(b)(v)	38	Summary of internal grievance procedures.
Occupational Health and Safety	SSR s9(b)(vi)	19 - 56	Outline of Occupational Health and Safety strategies.
Appeals Process	SSR s9(c)(iii)	38	An outline of the processes available for appeals against decisions made by the Office.
Superannuation Contributions	PSSRA s13	N/a	Certification by the relevant Office manager relating to contributions to non RBF superannuation funds, including a report that the Office has met its obligations under the <i>Superannuation Guarantee (Administration) Act 1992</i> .
ASSET MANAGEMENT AND RISK MANAGEMENT POLICIES			
Pricing Policies	TI 201 (1)(c)	112	Pricing policies of goods and services provided, the last review date, and reference to documents that contain the pricing information, with details of cost recovery policies and their application, as appropriate.
Major Capital Projects	TI 201 (1)(d)	112	Information on major capital projects or undertakings.
Risk Management	TI 201 (1)(f)	51-52	Statement of risk management policies and an outline of significant risk management strategies and initiatives.
Asset Management	TI 201 (1)(g)	112	Statement of asset management policies and an outline of asset management strategies and initiatives.
GOVERNMENT PROCUREMENT			
Support for Local Business	TI 1111 3(a)	56	A narrative statement in the Introduction by the Auditor-General regarding the Office's support for local business.
Support for Local Business	TI 1111 3(b)(i)	112	Table summarising the Office's support for local business, including the number of procurement contracts awarded, the number of tenders called and the number of bids received, and the extent of local participation in procurement activities.
Contracts Awarded during the Year	TI 1110 3(b)(ii)(A)	112	Detailed information on all contracts awarded including a description of the contract, the total value of the contract and the name and locality of contractors.
Contracts Awarded during the Year	TI 1110 3(b)(ii)(B)	112	Detailed information on all consultancies awarded including the name of the consultant, a description of the consultancies, the total value of the contract and locality of consultants.
Other Matters	TI 201 (1)(j)	Annual Report	Any matters deemed relevant by the Auditor-General.

Section	Compliance	Page	Details
FINANCIAL STATEMENTS			
Financial Statements	FMAA s27(1)(c) FMAA s27(2), (3) & (4) TI 201 (1)(j)	62	Financial Statements of the Office for the year; including financial statements of any statutory or public body not required to report under another Act.
Audit Opinion	FMAA s27(1)(c) TI 201 (1)(k)	63-64	Independent Auditor's Report on the Office's Financial Statements.

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Office Locations and Contacts

Office Locations

Main Office: Ground Floor 144 Macquarie Street HOBART.
From 1 October 2009 – Level 4, 15 Murray Street, Hobart

Branch Office: Level 2 Henty House 1 Civic Square LAUNCESTON

Contacts

General

Postal Address: GPO Box 851 HOBART Tasmania 7001

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Specific

Protected Disclosure Officer: Ric De Santi ric.desanti@audit.tas.gov.au

Procurement Complaints Officer: Ric De Santi ric.desanti@audit.tas.gov.au

Privacy Information Officer: Geoff Driscoll geoff.driscoll@audit.tas.gov.au

Freedom of Information Officer: Sandra O'Connor sandra.oconnor@audit.tas.gov.au

Five Year Summary

Continuous improvement is our goal

The table below provides a more comprehensive summary of our performance over the five year period 2004 – 2009.

Measure	2004-05	2005-06	2006-07	2007-08	2008-09
Achieve revenue target for financial audit services for the audit cycle completed during financial year	3.7% under	4.5% under	2.9% under	1.0% under	3.95% under
Achieve revenue target for performance audit services for the financial year	14.7% over	9.0% under	8.0% under	12% under	6% over
Break-even overall financial result	9.6% loss	3.7% profit	0.1% loss	5% loss	2.9% profit
Overall satisfaction - Parliamentarians	96%	N/m	95%	N/m	92%
Overall satisfaction - financial audit clients	68%	N/m	76%	N/m	72%
Statutory reports tabled by due date	100%	100%	100%	100%	100%
Annual report tabled by due date	100%	100%	100%	100%	100%
Financial statement audits completed within 30 days of signed financial statements for the audit cycle ending during the financial year	90%	78%	93%	61%	77%
Financial statements for Agencies, GBEs & SOCs signed within 3.5 mths of year-end for the audit cycle ending during the financial year	N/m	65%	80%	58%	63%
Financial statements for other public bodies signed within 4 mths of year-end for the audit cycle ending during the financial year	79%	53%	74%	60%	64%
Completion of performance audits within eight mths	38%	33%	56%	88%	43%
Unqualified audit report for our financial statements	Yes	Yes	Yes	Yes	Yes
Average number of days spent on training per FTE	14.5	7.9	12.3	12.9	9.3
Bi-annual performance appraisals completed	100%	100%	100%	100%	100%
Average days of sick leave per FTE	5.4	13.2	7.1	6.6	8.7
Number of workers compensation claims	0	1	1	0	0

N/m = Not measured in that year

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