



**Tasmanian**  
Audit Office

# Tasmanian Audit Office **Annual Report** **2018-19**

**Strive • Lead • Excel** | *To Make a Difference*



# THE TASMANIAN AUDIT OFFICE

The Tasmanian Audit Office is a State entity which assists the Auditor-General to provide an independent view of the financial and operational performance of State entities. This is done by conducting financial (attest) and performance, or other audits and investigations and by reporting to Parliament.

## Vision

Strive • Lead • Excel  
*To Make a Difference.*

## 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.

## Our History

Since the appointment of the first Colonial Auditor in 1826, the role of the Auditor-General has been to provide impartial and independent scrutiny of government practices. This tradition is as relevant today as it was in 1826, and since then the role of the Auditor-General has been strengthened and clarified by successive legislation.

## OFFICE CONTACTS

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Right to Information Officer:

Patty Johnson: [Patty.Johnson@audit.tas.gov.au](mailto:Patty.Johnson@audit.tas.gov.au)

## COMMUNICATION OBJECTIVE

The Tasmanian Audit Office's Annual Report summarises our financial and corporate performance for 2018-19. 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 Patty Johnson by either:

Email to: [admin@audit.tas.gov.au](mailto:admin@audit.tas.gov.au)

Fax to: (03) 6173 0999

Mail to: Assistant Auditor-General, Corporate Support and Strategy  
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](http://www.audit.tas.gov.au).

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# Tasmanian Audit Office

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30 October 2019

Hon Peter Gutwein MP  
Treasurer  
Parliament House  
HOBART TAS 7000

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 for the Tasmanian Audit Office for the year ended 30 June 2019.

Yours sincerely



Rod Whitehead  
**Auditor-General**

Copy for: Public Accounts Committee

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A photograph of two men in suits. The man on the left is older, with white hair and a beard, wearing a dark suit, white shirt, and a blue tie with white polka dots. The man on the right is younger, with grey hair and glasses, wearing a dark suit, white shirt, and a blue and white striped tie. They are both smiling. The background is a dark, wood-paneled wall.

# Messages from the **Auditor-General** and **Deputy** **Auditor-General**





## MESSAGE FROM THE AUDITOR-GENERAL

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I take pleasure in presenting my report for the 2018-19 financial year. The Tasmanian Audit Office (the Office) is charged with auditing the Tasmanian public sector comprising over 165 entities, with expenditure exceeding \$11.6 billion, assets exceeding \$43.3 billion and more than 46 000 employees.

### Our achievements

For the 2018 audit cycle we completed 122 State entity financial statement audits with 88% of our audit opinions issued on time. We tabled three performance audit and investigation reports, one probity audit report and one audit report covering the Employer functions under the *State Service Act 2000* (State Service Act).

We reported 140 audit matters in completing our financial audits and our performance, probity and employer audits contained 44 recommendations for improving economy, efficiency and effectiveness. Our vision and commitment is to provide insights that inform and encourage the Government to improve outcomes for citizens.

During the year we finalised the re-profiling of the Office to ensure we have the right capability and resources to deliver on our commitments and to face the challenges of the future. In conjunction with this process we embarked on a culture improvement program which involved a 'frank and fearless' discussion about the barriers we need to address to achieve the culture we wish to embrace across the Office. This discussion also identified the systemic issue of high workload pressures at various times of the year and the Office is committed to addressing and resolving these concerns.

I am immensely proud of the work we do and of the dedicated staff of my Office who strive in everything they do to make a positive contribution to this State. We continue to be recognised for our integrity and professionalism and for the important role we play as one of the independent agencies that provide the checks and balances integral to our system of government.

### Strengthening our relationships

Our relationship with the Parliament is crucial to the role of our office and we fulfil this through our interactions with the Parliamentary Standing Committee of Public Accounts (PAC), the presentation of our reports to members of Parliament on the day of tabling, and through our meetings with Parliamentarians throughout the year.

During 2018-19 we continued our engagement with other key stakeholders, representing those charged with the governance of entities across the Tasmanian public sector. These meetings inform public sector leaders on the results of our work and assist us by bringing matters to our attention for future audit consideration.

We continued to provide presentations to various the media and other professional bodies and associations covering our role, the outcomes of our work, and improvements to public sector accountability and transparency. We also delivered our annual client information sessions in Hobart and Devonport with a focus on the forthcoming implementation of new accounting standards relating to financial instruments, revenue recognition and lease accounting. Our annual audit committee information session in Hobart focused on managing cyber complexity and risk.

All our interactions with stakeholders are designed to engage in conversations about public sector developments, performance and accountability with the aim of improving the performance of the Tasmanian public sector.



## Focusing on the future

This report reflects the third full year of our 2016-2020 strategic plan. Our strategic direction is based on four key focus areas – relevant, sustainable, independent and reputable, and adaptable – which are critical to our future existence and success, and the key capabilities – expertise, contemporary communication, advanced analytics and future-looking audit – that we must continue to develop to deliver our purpose in the future.

Significant areas of focus during the 2018-19 year included:

- finalising the re-profiling of the Office
- enhancing the performance assessment framework with greater focus on career and individual development
- refining audit deliverables and renewing our audit service provider panel
- progressing the process to replace our audit technology platform
- identifying opportunities to utilise data analytics into the audit process.

Further detail on our strategic initiatives is included in this Annual Report.

## Acknowledgements

Our achievements reflect the professionalism and dedication of our people. Our audit professionals are highly skilled and trained and are committed to producing quality work. They are supported by a high performing team of corporate support staff who ensure the Office runs efficiently and effectively. I express my appreciation to everyone at the Office for their dedication and professionalism.

I would especially like to thank my professional and dedicated executives Ric De Santi, Jeff Tongs, Patty Johnson, Stephen Morrison and Gary Emery for their commitment and hard work during 2018-19. During the year we farewelled Natalie Verdouw, our Performance Audit Services Assistant Auditor-General, and I thank Natalie for the significant contribution she made during her two year tenure with the Office.

At the end of the financial year we farewelled Audit Committee chair Tracy Matthews after five years of service. I thank Tracy and continuing Audit Committee member, Glenn Appleyard, for their contribution to the governance of the Office.

I thank the audit service providers we contract to assist in delivering audit services to the public sector. As our representatives, we place strong emphasis on their ability to deliver audits that achieve or exceed quality expectations within agreed timeframes.

I also thank the Parliament and in particular, the PAC, for their continued support throughout the year. I would also like to acknowledge the cooperation and assistance extended by all State entities to my staff during the year. Mutual respect is an important element of the audit process and I am grateful that executives and staff throughout the public sector share this same view and willingly give their time and effort to assist the audit process.



Rod Whitehead  
Auditor-General





## MESSAGE FROM THE DEPUTY AUDITOR-GENERAL

It is with great pleasure I present my report for 2018-19.

I would like to start by thanking all of our staff for their support, commitment and hard work throughout the year. I also acknowledge the perseverance and understanding of our clients and stakeholders during a period of significant change for the Office. Without a co-operative and collaborative approach by all we would not be able to meet our commitments.

This year, was again quite tumultuous with the operational aspects of the Office again affected by the re-profiling program that was only finalised in November 2018. It was pleasing to start to fill vacant positions on a permanent basis following the program's completion and to see more highly experienced employees join the Office. In particular,

I would like to welcome Gary Emery (commenced June 2019) and Leigh Franklin (commenced July 2019), to the roles of Assistant Auditors-General in Performance Audit and Financial Audit, respectively. Unfortunately, as we were unable to fill all vacant positions we again reverted to short-term staffing arrangements and increased contracting out of audits, including performance audits. While these were more costly, by drawing down on our cash reserves we ensured we had sufficient staffing to undertake our planned program of work.

During the year we continued on our culture program, with staff expressing concerns over workload. As we return to a more normal staffing establishment, it is expected we will have sufficient staff to undertake our work, thereby helping to mitigate some of the workload pressures. In order to support development of the right culture, the Executive Committee took the conscious decision place greater emphasis on acknowledging behaviours consistent with our values and to call out those that are not. It is expected this will help to reinforce the notion of 'how we do things around here'.

Our learning and development activities continue to be of great importance. The Office supports actions arising from individual development plans, conducts office-wide activities and technical sessions specific to individual business units. With the influx of a number of new staff during the year, in the early part of 2019 we conducted a week long induction program for new starters in financial audit. This was aimed at helping them to more quickly 'come up to speed'.

Financially, it was a difficult year for the Office driven by the increased costs resulting from the re-profiling program. This was expected to some degree with cash reserves having been built up to cover this eventuality. Despite this, our financial position at 30 June 2019 remains strong.

In June 2019, we were advised of budget savings measures we will need to achieve over the forward estimates. As a result, we are recalibrating our budget, including our operational model together with associated impact on our Annual Plan of Work.

From 1 January 2019, we replaced our Senior Executive Leadership Group (SEMG) with a newly constituted Executive Committee. This committee comprised the previous members of the SEMG but was expanded to include all Assistant Auditor-General (AAG). This has been a positive step that allows greater input into decision making and improves the flow of information into the business units.

The five year independent review of the Office required under section 44 of the *Audit Act 2008* (Audit Act) was completed in February 2019. It was pleasing to note that there were no adverse findings raised within the report. The review identified 42 improvement opportunities relating to the conduct of financial and performance audits. When implemented, these will further strengthen the operations of the Office.

As noted in my report last year, our current audit toolset is nearing the end of its useful life and we are currently progressing a replacement product. This significant project will ensure we maintain a contemporary approach to our audit work and possibly achieve some efficiencies.

Our twinning program with the Republic of Fiji Office of the Auditor-General continued with a visit in December 2018. This visit provided an opportunity to gauge progress in corporate support and the conduct of financial audits, both of which showed sound progress. We also had a specific focus on helping to identify improvement opportunities in performance audit, which had only recently been recommenced. We look forward to the program continuing building on the work done to date. I would like to extend my thanks to Patty Johnson, AAG Corporate Support and Strategy (CSS), for her outstanding contribution in managing the program, in addition to her other duties.

I would also like to acknowledge the excellent support provided by staff in our CSS Unit. Their efforts often go unseen but without them the Office could not function effectively.

As you will have read, a lot has taken place in the Office and 2020 will be no different. Most notably, finalisation our staffing arrangements, budget reset, implementation of a new audit toolset and continuation of our culture program will all ensure the Office is positioned for future success.



Ric De Santi

**Deputy Auditor-General / Chief Operating Officer**

Fiji twinning program





A woman with long brown hair, wearing a black blazer and a necklace with two interlocking circles, is smiling and looking down at a document. A man with a grey beard, wearing a dark suit and a blue patterned tie, is also smiling and looking at the same document. The document they are holding has a white background with a pattern of blue and orange hexagons. The text "Highlights, achievements and initiatives" is overlaid on the right side of the image in a large, bold, blue font.

# Highlights, achievements and initiatives



## OUR OFFICE

The Office delivered 12 publications, which included five volumes of outcomes from the audits of state entity financial statements. Five performance, compliance and special investigation reports along with two Office publications; the Annual Report and Annual Plan of Work. Details are provided at Appendix 9.



We continued to hold information sessions annually for clients, audit committee members and senior executives.

The Office responded to new and revised accounting and auditing standards and contributed to their development at the exposure draft stage.

The Office continued to meet with key stakeholder groups including Parliamentarians and Parliamentary Committees, accountable authorities of State entities, accounting and audit professional bodies, and media representatives in accordance with our Stakeholder Relationship Program.

We continued to facilitate the twinning arrangements with the Office of the Auditor-General, Fiji.



## OUR PEOPLE

Re-profiling exercise continued over the period.

Culture Change program with the implementation of monthly staff pulse surveys commenced.

A new fixed-term register was redesigned to accommodate broader range of available audit positions.



At 30 June 2019, we had 41.9 FTEs (2018, 39.2).

During the year 12 staff left the office (2017-18, 15) with 20 joining (2017-18, nine).

There was one workers' compensation claim for the period (2017-18, nil).

Our health and wellbeing program was continued and we incorporated actions from the Tasmanian State Service Aboriginal Strategy 2022 into our Diversity and Inclusion Strategy.

We participated in a number of cultural events and festivals including Harmony Day, NAIDOC Week and International Women's Day.



## OUR GOVERNANCE

The Audit Committee for the Office met four times during the year and provided strong oversight over the financial and operational performance of the Office.

The second, five year S.44 Audit Act review of the Office's efficiency, effectiveness and economy of operations was completed in February 2019.

Three internal audit reviews were conducted. The results of the internal audits indicated we had effective systems and processes.

16 Office policy and procedures were reviewed and approved.

**Internal audit reviews**  
**3**

## OUR PERFORMANCE

For the 2018 audit cycle, 88% (2016-17, 92%) of financial audit opinions were issued within 45 days of receipt of financial statements.

**Financial audit opinions issued within 45 days**  
**88%**

We tabled a total of five reports in Parliament on the outcomes of performance and compliance audits (four in 2017-18).

The Office's 30 June 2019 financial statements were audited with an unqualified audit opinion issued within required timeframes.

An unqualified review opinion was issued on our key performance indicators (KPIs).

## OUR FINANCES

Received \$2.45m in funding from the Government (2017-18, \$2.43m).

Generated \$5.24m in fees for audit services (2017-18, \$5.45m).

Incurred costs totalling \$8.36m (2017-18, \$7.36m).

Achieved a Net operating balance of \$0.62m deficit (2017-18, \$0.55m surplus).

Cash and deposits balance was \$2.83m (2017-18, \$3.55m).

**Govt. funding**  
**\$2.45m**

**Fees generated**  
**\$5.24m**

**Net operating balance**  
**\$0.62m**  
**deficit**



# OUR STRATEGIC PLAN INITIATIVES

## FUTURE EXPERTISE

Enhancing our learning and development framework	Implementation of e-learning modules continued
Develop strategies to embed our values into our desired culture	The Office continued a culture change program throughout the period
Facilitate increased mentoring and coaching relationships	Informal and formal mentoring opportunities have been provided to staff in 2018-19 and formally noted in performance development plans
Establish guidance relating to the use of experts and specialists in our audit activities	Policy and procedure for the engagement of experts and specialists is being developed

## CONTEMPORARY COMMUNICATION

Refine audit deliverables (including report templates, content, style consistency, publishing requirements and resources)	Whole of office style guide being developed internally
Enhance internal communication enabling	Staff to communicate and share information efficiently. Weekly staff communicate by the Auditor-General commenced
Continue and enhance client and audit committee seminars	Post-event surveys continue to explore ways to enhance participant value

## ADVANCED ANALYTICS

Monitor state, national and global trends relating to data analytics and 'big data'	Set as an agenda item for Executive Committee meetings. Continued participation with the Australasian Council of Auditors-General (ACAG) group and attending ACAG data analytics sub-group meetings
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## FUTURE AUDIT

Continue to drive improvement and innovation throughout the Office	<p>The improvements register continued and items entered this year included (but not limited to):</p> <ul style="list-style-type: none"> <li>• migration of stakeholder lists into a single source for improved integration</li> <li>• implementation of the online portal to manage short term vehicle hire</li> <li>• Office wide implementation of electronic signatures</li> <li>• implementation of Office 365, One Drive to improve the secure share of documents with clients and stakeholders</li> <li>• development of workflow to automate approval process for correspondence</li> </ul>
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## FUTURE AUDIT (CONT.)

Strengthen the quality and assurance framework including our internal quarterly review recommendations	Quality assurance manual continues to be updated. External audit quality assurance reviews conducted. Review findings incorporated into learning and development programs
Review and enhance performance audit methodology and toolset	Commenced as part of the transition from our current audit toolset to a new toolset
Monitor national and global trends relating to the future of assurance services	Monitored via ACAG meetings, engagement activities with professional bodies and standards setters
Maintain a contemporary and supported audit methodology and technology platform	Commenced planning for the transition from our current audit toolset to a new toolset



# Our Office



# Tasmanian Audit Office

## Vision

Strive – Lead – Excel / to make a difference

## Purpose

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

The Office is an independent State entity which assists the Auditor-General to provide an independent view of the financial and operational performance of State entities. As such the Office is part of the public sector accountability framework assisting Parliament in holding the Government accountable for fulfilling its responsibilities. This is done by conducting financial (attest), performance (non-attest) and compliance, or other audits and investigations and reporting the outcomes of these to Parliament.

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 which defines the powers and responsibilities of the Auditor-General. We undertake financial statement audits of the diverse range of State entities, as detailed in Appendix 4, and report to Parliament on significant findings arising therefrom. We also undertake a number of performance audits each year and report the outcomes to Parliament. Our reports are public documents when tabled in Parliament and are accessible on our website: [www.audit.tas.gov.au](http://www.audit.tas.gov.au).

## ROLE AND MANDATE OF THE AUDITOR-GENERAL

The Government is obliged to account to the citizens of Tasmania, through the Parliament, for its management of public funds and 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 is discharged through the Auditor-General's broad mandate of comprehensive auditing that embodies the components generally referred to as financial audit, performance audit and compliance 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, and on components of the Treasurer's Annual Financial Report including the General Government Sector and Total State Financial Statements. 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.

As noted previously, the Auditor-General may also examine the performance and exercise of the State Employer's functions and powers under the State Service Act. The State Employer may also request the Auditor-General to conduct an investigation into any matter which relates to the administration or management of the State Service.

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

## LEGISLATIVE AND REGULATORY FRAMEWORK

The Audit Act is the main legislation governing the appointment, tenure, duties, responsibilities and authority of the Auditor-General. The Audit Act provides a legal basis for the Auditor-General to access Government information and the freedom to report findings arising from audits to Parliament. 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 Office is not part of the government itself. This independence from the Executive Government is vital if we are to perform our work effectively and make independent, unbiased judgments.

The independence of the Auditor-General is assured under the Audit Act. This independence ensures that findings arising from financial, performance and compliance audits and investigations are communicated regularly to Parliament without interference.

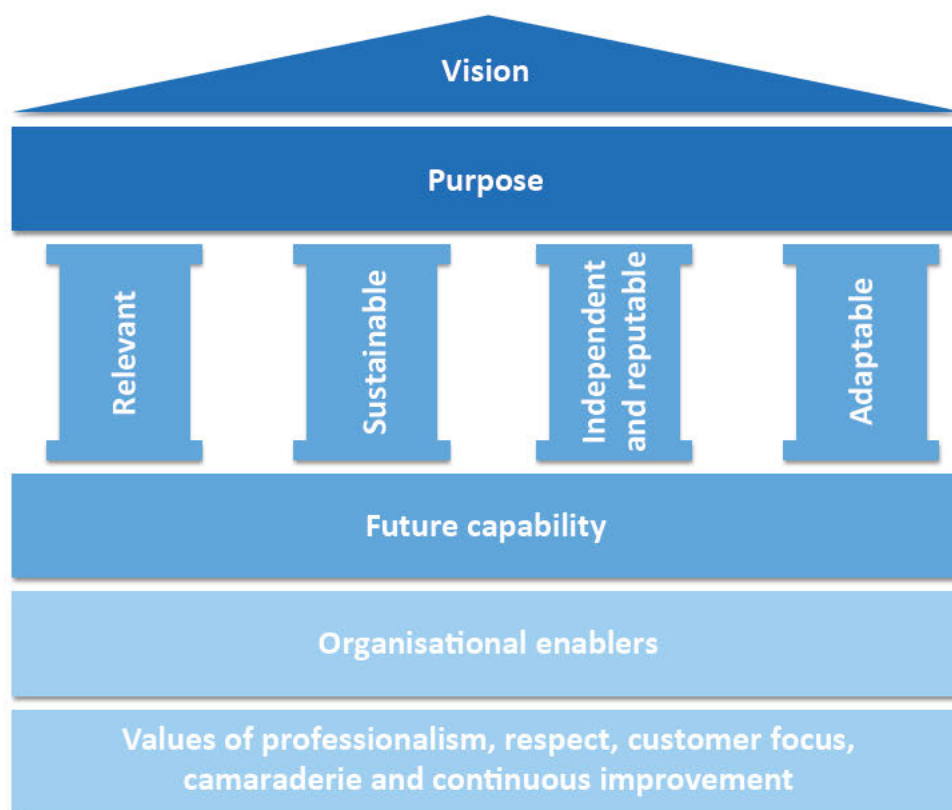
The Auditor-General is responsible for the audits of financial information prepared under the *Financial Management and Audit Act 1990*, *Government Business Enterprises Act 1995*, *Local Government Act 1993* and other relevant legislation such as the *Corporations Act 2001* (Cth). We also audit acquittal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

Future performance and compliance audits and special investigations are summarised in our Annual Plan of Work which is completed prior to 30 June each year.



## STRATEGIC PLAN

Our four key strategic focus areas of being relevant, sustainable, independent and reputable, and adaptable (our strategic pillars) provide the framework for our strategies to deliver on our purpose and vision.



For more on the Strategic Plan, or other information about our Office visit [www.audit.tas.gov.au](http://www.audit.tas.gov.au)

## FUTURE CAPABILITY

To achieve our strategic pillars and respond to changes in our environment, our business model needs to continually evolve. The Office's ability to deliver on its purpose into the future will be enabled by our ability to maintain a professional audit practice, an effective corporate support function, an agile workforce, and contemporary systems and information. Four key capabilities that we will invest in over the period covered by this Strategic Plan are:





## ORGANISATIONAL ENABLERS

Our ability to deliver on our mandate as a public sector audit office is underpinned by our organisational enablers. These are the attributes that enable us to operate and underpin our ability to invest in our future capacity and achieve our strategic pillars.



## ORGANISATIONAL STRUCTURE

The Office's organisational structure can be found in Appendix 8 of this Report.

## HOW WE ARE FUNDED, OUTCOME AND OUTPUTS

The Office charges State entities fees for financial audit services and receives a Parliamentary Appropriation for undertaking performance and compliance audits, special investigations and the preparation, publishing of statutory reports to Parliament and the Auditor-General's on-costs.

The Office is also funded through a Parliamentary Appropriation (Reserved by Law) for the Auditor-General's salary.

Our budget, outputs, outcomes and performance information was included in Chapter 20 of Budget Paper No 2, Volume 2 in the 2018-19 Budget Papers (pp 59-66). Outcomes of our financial performance against budget are dealt with in the audited financial statements in the Our Finances section of this Report. Our performance targets are detailed in the Our Performance section of this Report and our goals and achievements are included in the Highlights, Achievements and Initiatives section of this Report.

## ANNUAL PLAN OF WORK

The Audit Act requires the preparation of an Annual Plan of Work for presentation to the PAC, by no later than 30 June each year. We must consult with the PAC in developing this Plan and record within it any suggestions made by the PAC and our responses to them. Our Annual Plan of Work for 2019-20 was submitted to PAC on 26 June 2019.

In developing our Plan of Work, we adopt an ongoing and integrated approach to planning financial statement and performance audits. In this context, we endeavour to maintain a balance between planning and delivering audits that address the key risks and challenges facing the Tasmanian public sector and individual entities while also embarking on contemporary audits that are responsive to the changing environment.

When developing the Plan of Work, we undertake a process that involves:

- consulting Parliamentarians and entities
- conducting an environmental scan of key risks and challenges to public administration
- understanding the operations of agencies and identifying areas that could potentially improve performance.

From the rolling program of potential performance audit topics, cross agency audits and other ad-hoc requests from stakeholders, the selection and conduct (including timing, scope and method) of audits is at the discretion of the Auditor-General. In choosing which audits to undertake a number of factors are taken into account, including the:

- significant positive impacts on agency performance
- broader implications outside the audited agencies
- whole-of-government implications.

Performance audits and examinations expected to be tabled or commenced during 2019-20 are included in our 'Annual Plan of Work' which can be located at: <https://www.audit.tas.gov.au/publication/annual-plan-of-work-2019-20>

## FINANCIAL AUDIT SERVICES

Part 4 of the Audit Act deals with the Auditor-General's auditing functions, with sections 16 to 22 detailing the audit requirements for financial statements of the Treasurer, State entities and audited subsidiaries of State entities. The Finance Audit Services (FAS) business unit is responsible for the audit of these financial statements.

FAS also undertakes audits by arrangement, which include regulatory financial statements and grant or funding acquittals.

Section 17 of the Audit Act requires accountable authorities of State entities and audited subsidiaries to submit financial statements that are 'complete in all material respects' to the Auditor-General within 45 days of the end of the financial year.

We have determined that 'complete in all material respects' means that the financial statements must:

- be signed by the accountable authority or appropriate senior finance officer at the time they are submitted
- comply with relevant legislative requirements
- comply with Australian Accounting Standards. In the case of government departments, compliance with the Treasury's model financial statements will satisfy this requirement.

Having carried out an audit of the financial statements of a State entity, section 19 requires the Auditor-General to prepare and sign an opinion based on that audit and provide it to the State entity's responsible Minister, with a copy to the relevant accountable authority. Section 19 also requires the Auditor-General to finalise the audit opinion for a State entity, or an audited subsidiary of a State entity, within 45 days of receiving the financial statements from the accountable authority. We are also required to provide the Minister with a copy of any formal communication of audit findings. FAS works closely with clients to address various accounting matters during the course of its financial audit work. We also continued to produce our model financial statements for local government, aimed at assisting councils in meeting their statutory financial reporting obligations and provide input into Treasury's model financial statements for departments.

In conducting its audits, FAS uses the Integrated Public Sector Audit Methodology (IPSAM) toolset which complies with Australian Auditing Standards (AAS) issued by the Australian Auditing and Assurance Standards Board (AUASB).



## Management of Financial Audits

While the Auditor-General is responsible for auditing all State entities, under the Audit Act there is discretionary power as to who will conduct the audits. Under section 33, 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 have established a panel of audit service providers following a public tender process, and it is from this panel suitably qualified persons are selected to conduct contracted audits. Details of outsourced audits and external audit service providers are included in Appendices 5 and 6.

## Audit Dispensation

Under section 18(2) of the Audit Act, following consultation with the Treasurer, the Auditor-General can dispense with the audit of a State entity. Audits dispensed with are detailed in reports to Parliament and are noted in the list of State entities and audited subsidiaries of State entities in Appendix 4.

## PERFORMANCE AUDIT SERVICES

Section 23 of the Audit Act allows the Auditor-General to carry out examinations and investigations, including performance audits, and this work is usually performed by the Performance Audit Services (PAS) business unit.

The objectives of a performance audit are twofold. The first is to provide Parliament with assurance relating to the administration of Government entities and programs. The second is to assist public sector managers by identifying and promoting better administrative and management practices.

Performance audits can include an examination of one or more of the following:

- economy (minimising costs)
- efficiency (maximising the ratio of outputs to inputs)
- effectiveness (the extent to which intended outcomes are achieved)
- legislative and policy compliance.

Audits are carried out using our own methodology which is consistent with requirements of auditing standards and methodologies used by other audit offices. We utilise the IPSAM toolset to document work completed.

The Auditor-General may also undertake audits examining the performance and exercise of the Employers functions and powers under the State Service Act.

## PARLIAMENTARY PRESENTATIONS

In line with our aim to be open and transparent, we provide presentations to Parliamentarians when we table reports in Parliament. Parliamentarians were invited to presentations on the day of tabling reports. If Parliament is not sitting when reports are tabled, presentations are offered in both Hobart and Launceston.

These presentations highlight our audit approach and key findings affording Parliamentarians the opportunity to obtain further information. These sessions continue to be well attended and based on Parliamentary surveys, along with informal feedback, the reports and presentations continue to add value.

During the year the Auditor-General also meets regularly with the PAC to brief them on our audit plans and audit reports.

Reports tabled during 2018-19 are listed in Appendix 9 of this Report and can be accessed via our website: [www.audit.tas.gov.au](http://www.audit.tas.gov.au).

## SERVICES PROVIDED TO PARLIAMENTARIANS AND STATE ENTITIES

Our reports and audit activities are complemented by providing a range of other services to Parliament and State entities. These services foster enhanced accountability and performance while promoting better practice in the public sector. They include:

- advice and assistance to Parliament, including submissions to Parliamentary committees on matters relevant to their inquiries
- responding to inquiries from Members of Parliament, State entities and the public, which sometimes lead to the conduct of audits
- comment to central agencies and other State entities in such areas as draft Treasurer's Instructions (TIs), financial management proposals and the development of accountability proposals such as audit committee charters
- guidance to State entities, arising from our audit work, in specific areas of governance, management and accountability
- comment to external bodies on emerging developments associated with the public sector including commentary on draft accounting and auditing pronouncements
- advice to Members of Parliament on our role.

## INFORMATION SESSIONS

Overseeing the annual audit process is a key responsibility of an audit committee. A regular dialogue between the chairperson of the audit committee and senior audit team members allows for fostering of ongoing, timely and open communication while respecting the responsibilities of each party.

To help facilitate this, we provide an annual information session for chairs of State entity audit committees. The Audit Committee and Senior Management information session was held in May 2019 and included guest speakers, Ross Byrne and Glen Lewis on Cyber Security. A panel consisting of Glenn Lewis, Ross Byrne, Michelle Swallow and Yvonne Rundle discussed the questions audit committees should ask in managing cyber complexity and risk. In addition, the Office presented accounting standards and audit updates.

The Office also delivered annual client information sessions in Hobart and Devonport in May 2019. These covered technical updates on new standards related to leases, revenue and financial instruments as well as other current accounting and auditing developments and issues. The Hobart session included a presentation by Craig Jeffrey, Department of Treasury and Finance in relation to the new *Financial Management Act 2016*, and presentations by representatives from State entities on their approach to transitioning to new accounting standards.

## COMPLIANCE AND COMMUNICATION

We communicate with openness, accountability and transparency.

### Integrity

We are committed to ensuring the Office and its staff operate with the utmost of integrity. As part of this, the Office adheres to the *Integrity Commission Act 2009*.



## Right to Information

We are committed to ensuring our administrative information is available to the public. The *Right to Information Act 2009* (RTI Act) gives the public, the media and members of Parliament the right to access information we hold, unless the information is exempt from release.

Under section 6 of the RTI Act the Auditor-General is exempt from providing any requested information unless it relates to our administration. Information relating to financial and performance audits conducted and reports to Parliament are regarded as exempt being classified as internal working information, as is information compiled in making preliminary assessments following receipt of referrals.

No requests were received in 2018-19.

## 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*.

No requests were received in 2018-19.

## Public Interest Disclosures

The purpose of the *Public Interest Disclosures Act 2002* (PID Act) 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 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.

Copies of the Office's current PID procedures are available by contacting the Public Interest Disclosure Officer.

In accordance with the requirements of section 86 of the PID Act, the Office advises that in the 2018-19 financial year:

- no disclosures of public interest were made to the Office
- no public interest disclosures were investigated by the Office
- no disclosed matters were referred to the Office by the Tasmanian Ombudsman
- no disclosed matters were referred by the Office to the Ombudsman to investigate
- no investigations of disclosed matters were taken over by the Ombudsman from the Office
- there were no disclosed matters the Office decided not to investigate
- there were no disclosed matters substantiated on investigation as there were no disclosed matters
- the Ombudsman made no recommendations under the Act that relate to the Office.

## Process for Appealing Decisions by the Office

The Office does not administer any legislation and the nature of the Office's remit under the Audit Act is that there are no appealable decisions made by the Office.



# Our people



## THE IMPORTANCE OF PEOPLE

To meet the four key strategic focus areas in our strategic plan a commitment and investment in the management of our people is of significant importance.

We achieve this through:

- providing a clear strategic focus for workforce management and developing an underlying workforce plan
- recruiting and maintaining an adequately skilled workforce with access to modern technological tools to efficiently and effectively deliver audit services
- 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 development and coaching that links to talent management, 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.

Our focus for 2018-19 was on:

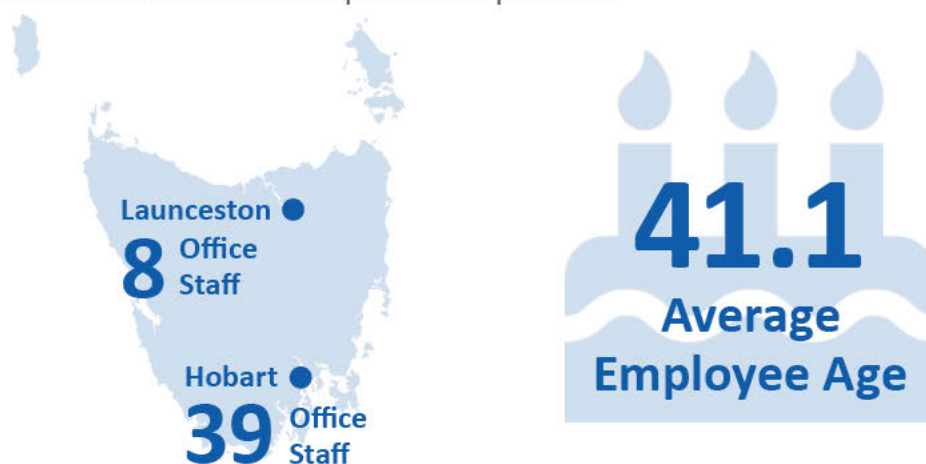
- finalising and implementing outcomes from the re-profiling exercise across the Office, ensuring ongoing effective, efficient and economic operations across the Office
- advertising a number of permanent positions post re-profiling and continuing to attract, recruit and retain staff to meet our statutory obligations and deliver on the Office's purpose
- working towards objectives in our Human Resources (HR) plan, further demonstrating the Office's commitment to our people
- taking further action and conducting activities as part of the ongoing Culture Change program, including the implementation of monthly pulse surveys. Working towards having more motivated, capable, and supported people who will give their best in fulfilling our organisational purpose
- ongoing health and wellbeing initiatives and offerings including a revised Health and Wellbeing Program which will operate through to 2020
- new fixed-term register designed and approved to incorporate a broader range of available audit positions to better address capability gaps and skill shortages in the short-term
- encouraging individual development, learning and continuous improvement across the whole Office
- incorporating actions from the Tasmanian State Service Aboriginal Strategy 2022 into our Diversity and Inclusion Strategy
- continuing to review policies and procedures and provide best practice processes to staff.

Our Executive Committee, together with CSS staff, are responsible for ensuring our HR initiatives are implemented and the outcomes are measured.

## OUR PEOPLE STATISTICS

KEY				
Increase ▲	No Change ●	Decrease ▼		
	2016-17	2017-18	2018-19	
Size of the workforce at 30 June – FTE	42.9	39.2	41.9	▲
Size of the workforce at 30 June – head count	45	42	47	▲
Number of employees on secondment, leave without pay and identified employees at 30 June	6	3	7	▲
Number of employees who left during the year	10	15	11	▼
Number of employees who commenced during the year	9	9	20	▲
Number of permanent part-time employees	-	2	2	●
Number of fixed-term part-time employees	2	2	4	▲
Number of fixed-term employees	15	14	17	▲
Number of full-time employees working agreed reduced hours	5	6	4	▼
Average age of workforce at 30 June	39.8	41.5	41.1	▼

Our headcount increased this reporting period in-line with the finalisation of our re-profiling and the establishment of our revised structure. The filling of a number of permanent positions has commenced across a range of classification levels and business units. A small number of fixed-term positions are still in place as we continue to transition towards our final structure and the recruitment of the remainder of vacant permanent positions.



A breakdown of our employees by salary, age and gender is set out in the table below:

	2016-17	2017-18	2018-19	
Number of males as a %	55.6	61.9	61.7	▼
Number of females as a %	44.4	38.1	38.3	▲
Average age – male (years)	38.9	41.4	41.4	●
Average age – female (years)	40.4	41.6	39.2	▼
Average salary – male	\$105 211	\$105 343	\$102 217	▼
Average salary – female	\$89 359	\$99 719	\$89 156	▼
No. of males working agreed reduced hours	1	1	0	▼
No. of females working agreed reduced hours	4	5	4	▼



The Office aims to have a staffing mix that not only has the right skills and values to meet our strategic objectives but is reflective of the broad and diverse community we serve. Our Diversity and Inclusion Strategy continued into this reporting period, with strategies to ensure everyone has access to employment opportunities, our employees are valued and respected, and we support our employees to be the best that they can be. Key achievements and activities under this framework are discussed in further detail below.

Our overall gender balance did not vary significantly this reporting period and was not dissimilar to previous years. The Office continues to provide a number of inclusive and flexible working practices to encourage a diverse range of candidates to apply. Staff continued to access the Office's flexible working arrangements, varying FTE levels and start and finish times outside of core hours.

Average salaries decreased for both males and females. This was due, in part, to our re-profiling activities, ensuring that the duties and responsibilities, and accompanying classifications, match the volume, nature and complexity of the workload. This assessment of all positions and structure ensured we have the right responsibilities at the right levels. The higher than average salary for males is impacted by six out of seven of our Executive Committee roles being filled by males including the Auditor-General and Deputy Auditor-General.

	2016-17	2017-18	2018-19	
Average sick leave days taken during the year per employee	8.9	8.0	13.2	▲
Total number of sick leave days taken during the year	401.0	337.6	621.4	▲
Average number of accrued recreation leave days per employee at year end	15.8	14.4	16.4	▲
Total recreation leave days accrued at year end	709.5	606.4	752.5	▲
Employees with >35 days accrued recreation leave at 30 June	1	2	5	▲
Average number of accrued long service leave (LSL) days per employee at year end	35.2	24.4	20.6	▼
Total LSL days accrued at year end	1 584.7	1 023.0	969.2	▼
Employees with >100 days accrued LSL at 30 June	1	1	0	▼

A number of factors contributed to an increase in average sick leave days taken by employees, including several employees with long term non work-related illnesses.

Long Service Leave management improved this reporting period, with no staff holding balances above 100 days. Leave plans continue to be utilised to manage high recreation leave balances to meet our ongoing commitment to providing good work-life balance for all employees.

## WORKPLACE HEALTH, SAFETY AND WELLBEING

The Office continued to invest in and proactively manage, employee health, safety and wellbeing. We have a number of measures in place to improve our safety culture and protect staff from workplace injury and harm. To help create a safe and healthy workplace, the Office:

- conducted regular workplace inspections
- provided comprehensive Workplace Health and Safety (WHS) reporting to Executive Committee and Audit Committee every quarter on reported WHS incidents, risks and issues
- continued to provide ongoing training throughout the year for first aid officers, fire wardens and employees with legislative responsibilities
- ensured all worksites and office vehicles contained first aid kits
- implemented activities from the Office's Health and Wellbeing Program

- continued to partner with the Department of Justice Health and Wellbeing Champions network to provide greater access to a wide range of activities for employees
- offered influenza vaccinations, the Employee Assistance Program (EAP), fresh fruit, sponsorship for office teams and sporting events, flexibility during work hours to participate in wellness activities, balanced catering at events, educational information to staff through internal communication channels and formal and online training where required.

The provision of annual WHS refresher training and tailored information for staff and managers occurred again in 2018-19. Staff utilised both the Office's learning management system and face-to-face sessions to receive training and information on policies, procedures and practices, hazard and risk areas, mental health and wellbeing, reporting, and organisational and individual responsibilities. A variety of ergonomic equipment, training and assessments from an occupational therapist continued to be provided to all employees.

The Office continues to support employees who have been absent from the workplace with comprehensive return-to-work support, in-line with ED29 *Managing Employees Absent from the Workplace* and the Office's Injury Management Program. This may include reduced hours and/or provision of a return to work coordinator to support successful reintegration back into the Office. We continued to provide employees with access to independent EAP offering support to those seeking assistance with work related or personal matters.

The following measures were indicators of our success or of areas for improvement, in providing a safe and healthy work environment:

	2016-17	2017-18	2018-19	
No. of hazards and incidents reported	9	8	7	▼
No. of workers' compensation claims	2	0	1	▲
No. of first aid officers	3	3	2	▼

Reporting levels remained relatively consistent, indicating our robust culture of hazard identification was maintained this year.

## WORKPLACE DIVERSITY

The Office is committed to building diversity and inclusion initiatives into our workplace culture and practices. We aim to provide a supportive and respectful work environment which recognises and values the diversity of our employees and the community we serve. We maintain and monitor our commitment to workplace diversity through the Office's *Diversity and Inclusion Strategy and Action Plan 2017-2020*. This Strategy acknowledges every employee of any gender, age, ethnicity or cultural background, disability, sexual orientation, religious faith or those with caring responsibilities can make valuable contributions to achieving our business outcomes. It supports all aspects of employment, people management and development within the Office.

Harmony Day, international food lunch





Our action areas under this plan include:

- building an inclusive and diverse workforce
- supporting our employees
- working together to create change.

Key activities in 2018-19 included:

- refreshing our graduate and cadet programs
- participating in Max Employment internship programs to increase our levels of youth recruitment
- reinforcing our culture of flexible working options through internal communications
- utilising the Department of Premier and Cabinet's Tasmanian Women's Register to ensure gender balanced representation on our Audit Committee
- participating and acknowledging in many cultural events and festivals such as Harmony Day, NAIDOC week, and International Women's Day
- promotion of the diversity of our staff through our culture refresh and values programs.

## RECRUITMENT AND SELECTION

From November 2018 the Office commenced recruiting permanent staff to fill positions post re-profiling work that commenced in 2017-18. There has been a slight decrease in staff turnover this financial year as the Office moves towards stabilising the staffing structure and continuing to provide opportunities for personal and career development.

Our recruitment and selection policies and procedures reflect the merit principle. All staff participating on recruitment panels undertake training prior to being on a panel to ensure they have a sound understanding of the key processes and their individual responsibilities, including the key elements of the recruitment and selection process, an understanding of our policies and procedures, conflicts of interest, the merit principle, unconscious bias and diversity in recruitment.

To ensure our ongoing commitment to attracting and retaining skilled staff, we continue to have strong links with the University of Tasmania, attending career fairs, student information sessions, participating in the internship programs and giving a guest lecture. The Office also works closely with professional accounting bodies and attends appropriate career events run by these bodies as they occur.

## INDUSTRIAL AND WORKPLACE RELATIONS

During the year, we continued to implement and adhere to all aspects of the Tasmanian State Service Award and the directions issued under the State Service Act. Employment Directions are issued by the Minister administering the State Service Act and relate to the administration of the State Service and employment matters relevant to the Act. The Office takes advice and guidance from these directions as they are introduced. For further information, refer to [www.dpac.tas.gov.au/ssmo](http://www.dpac.tas.gov.au/ssmo). Employees have the right to lodge reviews under the State Service Act related to employment decisions that have an impact on them. During the year, no reviews were lodged.

## GRADUATE, CADETSHIP AND INTERNSHIP PROGRAMS

We continue to offer graduate and cadetship employment programs to students who are undertaking, or have recently completed, a bachelor degree in a relevant discipline at a recognised tertiary institution. Our revised graduate program now runs for four years, providing graduates an additional year to finalise post-graduate studies and consolidate on-the-job knowledge.

Our cadetship program is aimed at students seeking the opportunity to work and gain experience whilst studying part-time. The program provides cadets with an opportunity to work across all our business units to enable them to gain broad office experience.

The Office's structured graduate program is similar to the cadetship program in that graduates work and study until their approved postgraduate course is complete. The postgraduate course undertaken may be any of the professional programs offered by the professional accounting bodies, recognised tertiary institutions or other bodies related to the employee's duties and responsibilities.

In addition to the cadet and graduate programs, the Office supported an intern through the Chartered Accountants Australia and New Zealand (CA ANZ) Achiever Program. The program places a tertiary student looking for a career in accounting, finance or business in our Office for 12 weeks. For the interns, they obtain great experience and the opportunity to build networks within the Tasmanian State Service. As an Office, we get exposure to promising talent in the labour market as well as an opportunity to build our reputation with highly engaged university students.

The following table summarises the number of cadets and graduates employed at the Office at 30 June 2019:

	2016-17	2017-18	2018-19	
Total no. of cadets at 30 June	1	0	0	●
Total no. of graduates at 30 June	5	2	7	▲
Cadets employed in FAS	1	0	0	●
Cadets employed in PAS	0	0	0	●
Graduates employed in FAS (FTE)	4.5	2.0	7.0	▲
Graduates employed in OAG (FTE)	0.5	0.0	0.0	●

Graduate numbers significantly increased in 2018-19 due to the finalisation of our Office structure post re-profiling activities, with a greater number of graduate positions now available in our establishment. We have two graduates in our Launceston office and five in Hobart.

## PROFESSIONAL DEVELOPMENT

Our commitment to providing high quality learning and development opportunities for all employees remained consistent. Employees and their managers are encouraged to identify learning and development needs through the Office's performance management process and to continually seek additional learning opportunities as they arise throughout the year. Individual development plans were restructured to reflect the 70:20:10 model for learning and development. This model holds that 70 percent of knowledge should be gained from job-related experiences, 20 percent from interactions with others (coaching and mentoring) and 10 percent from formal educational events.

We continue to offer customised courses through an e-learning system and a full subscription to Lynda.com and all new graduates and cadets participate in our Buddy Program. This program pairs these employees with an Office employee who mentors them in their technical development and aids in cultural acclimatisation to the Office.

The following table summarises our investment in staff training, development and coaching:

	2016-17	2017-18	2018-19	
Average days per FTE	8.7	6.6	14.3	▲
Average investment per FTE	\$2 318	\$2 321	\$1 905	▼

The figures above include on-the-job training for the first time this year, increasing the average days per FTE and lowering the average investment per FTE.



The Office remains a Recognised Employer Partner with CPA Australia, whereby employees gain recognition for practical experience and continuing professional development. One of the benefits for our staff is they are automatically recognised as meeting their annual continuing professional development obligation. For the Office, this partnership is recognition of our professional development standards and our commitment to the development of our employees. We are continuing to work towards achieving similar status with CA ANZ.

## STUDY ASSISTANCE

Our study assistance program supports and encourages employees who wish to undertake studies consistent with their workplace requirements and career aspirations. We support our employees by allowing them to take time off to study and prepare for examinations, and appropriate financial assistance for administrative costs and text books.

## PERFORMANCE MANAGEMENT

Performance management continues to be conducted in line with Employment Direction 26 *Managing Performance in the State Service*. Annual refresher training was provided to all staff and managers on performance management with a focus on positive feedback conversations. All staff have performance plans in place that include performance indicators linked to business unit and organisational objectives, and behaviours in relation to our values. Half yearly and annual reviews were conducted during 2018-19 for all staff. More detailed information is available in the 'Our performance' Chapter of this Report.

## REWARD AND RECOGNITION

We believe it is important to congratulate employees who make an exceptional contribution to our work environment and achievement of objectives. This recognition may take the form of a simple verbal acknowledgement, written acknowledgement via newsletters, value cards and other publications or formal recognition. The objectives of our Reward and Recognition and High Achiever Programs include:

- recognising and rewarding outstanding contributions made by individuals and teams of individuals
- promoting increased awareness of best practices and successful development strategies in ways that will assist us to achieve our vision to 'Make a Difference'
- helping us foster an environment of shared success and commitment
- highlighting behaviours and activities that have benefited us and showcased our employees as role models
- being a fair and flexible practice
- recognising each individual and each team, can make a difference.

Making a Difference award recipients, May 2019



We have a number of awards for employees which are presented by the Auditor-General. This year a number of staff were awarded the quarterly Making a Difference Award. This award recognises employees who exceeded expectations in certain areas.

Recipients for 2018-19 were:

- Llewelyn Newlyn
- Dipesh Gautam
- Jessica Leonard
- Jessica Reardon
- Willa Oddleifson
- Tim Nicholas
- Simone Lee
- Andrew Eiszele
- Linzi Tian
- Rob Luciani.

## STAFF ETHICS

The Office maintains a commitment to high ethical standards, supported by our legislative, governance and policy framework. All our employees must adhere to the *Tasmanian State Service Code of Conduct* and the *State Service Principles* under the State Service Act. In addition, we have developed our own values and *Guide to Conduct*. Our Corporate Governance Framework and the ASX Governance Principles, found in Appendix 1, promote appropriate leadership, ethics, culture and responsible decision-making within the Office. To support these principles the Office implemented a number of processes to ensure the independence of the Office is not compromised. Formal procedures require disclosure of any real or perceived conflict of interest and in this regard employees are required to take no part in decisions or audits where real or perceived conflicts of interest may arise. All employees must sign an annual declaration stating they will conduct their work in accordance with codes of conduct, policies and values and must state real or perceived conflicts of interest. Conflicts are also documented and assessed prior to the commencement of each audit.

The Auditor-General provide a declaration of interests to PAC on an annual basis, and the Auditor-General's gifts and benefits forms and register on a quarterly basis. For all staff during the 2018-19 reporting period, 12 declarations of a reportable gift, benefit or hospitality were made. The Office again reminded staff of the Integrity Commission's "Thanks is enough" campaign to better manage ethical risks that emerge when gifts and benefits are offered to public sector employees.

## GRIEVANCES AND COMPLAINTS

The Office's Grievance and Respectful Workplace Behaviour Policies are designed to address grievances at the earliest possible opportunity and to avoid escalation to a formal grievance process. In addition, they support the principles of equity, fairness and provide all parties involved with natural justice through consultation, co-operation and mediation. Where possible, we endeavour to achieve amicable resolutions.

We maintain internal procedures for investigating complaints about how we behave and carry out our responsibilities; this includes formal inquiries or disciplinary procedures under the State Service Act. There was one formal internal grievance complaint lodged in 2018-19.



## EMPLOYEE PARTICIPATION AND ENGAGEMENT

We recognise the importance of involving employees in decisions that affect them. In line with our values, we promote a culture based on mutual respect and trust, facilitating innovation, customer focus and continuous improvement. Employee consultation, involvement and participation continues to be sought through 'all staff' emails, pulse surveys, direct approaches, open Office discussions, communiques and consultation. We continue to run quarterly staff information sessions for all employees covering technical and procedural matters and monthly informal staff meetings that cover values and culture based topics. We utilise the Skype for Business to connect with Launceston based employees so they are not always required to travel. The internal Office newsletter is published bi-monthly and promotes office news, policies, procedures, staff profiles and general information.

We recognise our people are the key to improving our overall efficiency and performance. To measure our internal organisational effectiveness we commenced measuring employee satisfaction ten years ago. This survey is now conducted annually. The survey attracted an 84% response rate and positive findings included:

- having a clear understanding of the Office's core purpose, and its importance
- strong identification with our purpose of 'Strive. Lead. Excel. To Make a Difference'
- staff enjoy the nature and variety of work they do.

Areas for improvement centred on:

- career and learning and development
- communication around key issues
- positive feedback and reward and recognition of team and individual contributions towards success
- working collaboratively and communication between business areas
- being innovative and able to take calculated risks.

To address these recommendations the Office has commenced a culture review program. Focus groups have been conducted with key action areas identified. The Executive Committee has oversight of this program and business areas are being engaged as required to action relevant priority areas.



## **SOCIAL RESPONSIBILITY**

### **Workforce and Community**

This year a number of employees were supported in their participation on both internal and external committees. Further details can be found in Appendix 2.

The Office continues to support the Tasmanian School of Business and Economics Prize Awards. The Tasmanian Audit Office Prize in Auditing is awarded annually to the student enrolled in Auditing (Unit BFA303) who achieves the highest aggregate mark in the unit across the school. The 2018 award had dual recipients, Miss Jacqueline Aldridge and Mr Yong Shen Goh.

### **Community Involvement and Support**

The Office is an active supporter of many charities with the Office's social club taking on a key role in hosting a number of fundraising activities throughout the year.

In the 2018 calendar year, the Office supported the Smith Family and donated a total of \$752 to this worthwhile organisation. In the 2019 calendar year, we are supporting Diabetes Tasmania with \$420 of fundraising monies donated so far, raised via free dress days, morning teas and other social activities.

The Office also participated and supported the following causes and events:

- Cancer Council Biggest Morning Tea
- Harmony Day
- World Mental Health Day
- Ride2Work Day
- Movember
- Remembrance Day
- Anzac Day
- International Day for Tolerance
- International Human Rights Day
- White Ribbon Walk
- NAIDOC Week
- National Sorry Day.

### **Climate Change**

The Office is committed to reducing emissions associated with our operations through limiting energy usage and waste. Smaller premises in an energy-efficient building continues to provide a reduction in operating costs as well as energy usage. In addition, the Office continues to demonstrate its commitment to reducing emissions by:

- issuing all outgoing correspondence in digital form (new initiative)
- distributing Auditor-General's Reports to Parliament in digital form
- use of efficient office equipment and building facilities
- minimising vehicle and air travel and using ecofriendly options where available
- maintaining a fleet of four fuel efficient vehicles, which are shared by staff as required (including private-plated vehicles)
- recycling waste where possible, including toner and coffee pods
- issuing staff with drink bottles and keep cups to reduce single use plastic ware at training and events.





# Our performance

## OUR PERFORMANCE REPORT

In this section we explain our performance for 2018-19 by reference to our KPIs.

Our KPIs were independently assessed by our external auditors with a review opinion published at the end of this section. In the following tables we report our actual results and by use of the following symbols indicate our assessment of each result.

KEY			
Performance achieved	✓	Performance partially achieved or not measured	–
		Performance not achieved	✗

### PARLIAMENTARIAN AND AUDIT CLIENT SURVEY INDICATORS

We conduct biennial satisfaction surveys of Parliamentarians and State entities. The most recent survey in 2018-19 indicated high levels of satisfaction with our reports by Parliamentarians. The next survey is due in 2020-21.

The KPIs in the following table are in relation to the Parliamentarian and Audit Client Surveys which support our Relevant, Independent and Reputable Pillars:

Key Performance Indicators	2015-16 Actual	2016-17 Actual	2017-18 Actual	2018-19 Target	2018-19 Actual	Result
<b>Survey of Parliamentarians by independent biennial survey:</b>						
Overall satisfaction with the Auditor-General's reports and services	Nm	100%	Nm	75%	100%	✓
Provide valuable information on public sector performance	Nm	97%	Nm	80%	100%	✓
Reports and services help to improve public sector administration	Nm	91%	Nm	75%	93%	✓
High level of performance audits addressing key areas of interest	Nm	85%	Nm	75%	95%	✓
Responsiveness of the Auditor-General or his Office	Nm	100%	Nm	85%	100%	✓
Extent to which the advice/information provided by the Auditor-General or his Office addressed your needs	Nm	100%	Nm	85%	100%	✓
<b>Survey of audit clients by independent biennial survey:</b>						
Performance Audit - overall performance (process, reporting, value)	Nm	73%	Nm	75%	69%	✗
Financial Audit - overall performance (process, reporting, value)	Nm	79%	Nm	75%	77%	✓



## FINANCIAL INDICATORS

The KPIs in the following table are in relation the Our Finances section of this Report which supports our Sustainable Pillar:

Key Performance Indicators	2015-16 Actual	2016-17 Actual	2017-18 Actual	2018-19 Target	2018-19 Actual	Result
Positive net operating result, that is $\geq 1\%$ of turnover	Achieved	Not Achieved	Achieved	Achieved	Not Achieved	✗
Positive cash flows with an End of Year (EOY) cash balance $> \$600\,000$	Achieved	Achieved	Achieved	Achieved	Not Achieved	✗
Increase cash reserves by \$150 000 each year	Achieved	Achieved	Achieved	Achieved	Not Achieved	✗
Independent un-modified audit opinion on the financial statements of the Office	Achieved	Achieved	Achieved	Achieved	Achieved	✓

**Note:** In 2017-18, the Office decided to use existing cash reserves to fund the office-wide re-profiling program which was largely implemented during 2018-19. The unfavourable result for three indicators reflects this decision, with results expected to improve over the next two years. The end of year cash balance still exceeded \$600,000.

## OPERATIONAL AND GOVERNANCE INDICATORS

The KPIs in the following table are in relation to the Our Governance section of this Report which support all of our Pillars:

Key Performance Indicators	2015-16 Actual	2016-17 Actual	2017-18 Actual	2018-19 Target	2018-19 Actual	Result
All financial audits opinions to be issued within 45 days of receipt of final signed financial statements (Audits completed within the financial reporting year) <sup>1</sup>	97%	92%	90%	100%	88%	✗
Performance and compliance audits are completed on average within nine months	Achieved	Not Achieved	Not Achieved	Achieved	Not Achieved	✗
Percentage of recommendations agreed and acted upon 24 months since the tabling of a performance/ compliance audit report	77%	84%	64%	70%	Nm	—
Performance and compliance audits and special investigations tabled in Parliament <sup>2</sup>	6	6	4	6	4	✗
Conducting audits, reviews or investigations and reporting of employer functions under the State Service Act tabled in Parliament	1	1	1	1	1	✓
Report of the Auditor- General on the outcomes of financial audits tabled in Parliament	1	1	1	1	1	✓

Key Performance Indicators	2015-16 Actual	2016-17 Actual	2017-18 Actual	2018-19 Target	2018-19 Actual	Result
<b>Annual independent assessment of a selection of audit files that concludes the Office is conducting audits in accordance with its audit methodology and Australian Auditing Standards<sup>3</sup>:</b>						
Financial audits	Positive	Negative	Nm	Positive	Positive	✓
Performance audits	Positive	Negative	Partial	Positive	Positive	✓
Number of major findings with significant impact/ramifications reported to the Office's Audit Committee by our internal auditor	None	None	1	None	None	✓

**Notes:**

- 1 For financial audits completed during 2018-19, 88% were completed within 45 days of receipt of financial statements from clients. These represent audits with reporting dates of 30 June 2018 and 31 December 2018. This is different to the method of calculation in prior years, which used reporting dates of 31 December and 30 June of the following year. In future, the Office will report the percentage of audits completed on time during the financial year that the annual report covers. Unfilled vacant positions following completion of the office-wide re-profiling program contributed to 15 audits not being completed within 45 days of receipt of financial statements from clients.
  - 2 We tabled a total of four reports in Parliament on the outcomes of performance and compliance audits. The decrease in reports being tabled was due to audits being more complex and unfilled vacant positions following completion of the office-wide re-profiling program.
  - 3 The Office's five year independent review was conducted by Moore Stephens during the year. Whilst the report identified 42 improvement opportunities relating to the conduct of financial and performance audits, there were no adverse findings raised within the report.
- Three internal audit reviews were conducted in 2018-19 covering:
- General financial controls
  - Follow up IT security
  - Information and records management.

The results of the internal audits indicated we had effective systems and processes although recommendations were made suggesting further improvements, which are currently being implemented.



## PEOPLE INDICATORS

The KPIs in the following table are in relation to the Our People section of this Report which supports our Adaptable Pillar and Organisational Capacity which underpins all of the Pillars:

Key Performance Indicators	2015-16 Actual	2016-17 Actual	2017-18 Actual	2018-19 Target	2018-19 Actual	Result
Employee satisfaction as measured by the Office's independent biennial employee survey <sup>1</sup>	73%	Nm	Nm	Nm	Nm	—
Employee turnover rate <sup>2</sup>	13%	22%	33%	<10%	26%	✗
Percentage of employees who have University degree and/or professional qualifications	91%	87%	95%	>85%	94%	✓
Percentage of employees who are members of professional bodies	57%	62%	83%	>85%	87%	✓
Percentage of employees who undertake 10 days of professional development per annum <sup>3</sup>	39%	33%	10%	100%	28%	✗
Percentage of employee professional development plans finalised	100%	100%	100%	100%	91%	✗
Employee participation in health and well-being initiatives <sup>4</sup>	100%	100%	100%	75%	100%	✓
Sick leave taken by employees (average) <sup>5</sup>	4.8	8.9	8.0	<5 days	13.2	✗
No excess leave balances	2%	2%	2%	<5%	4%	✓

Notes:

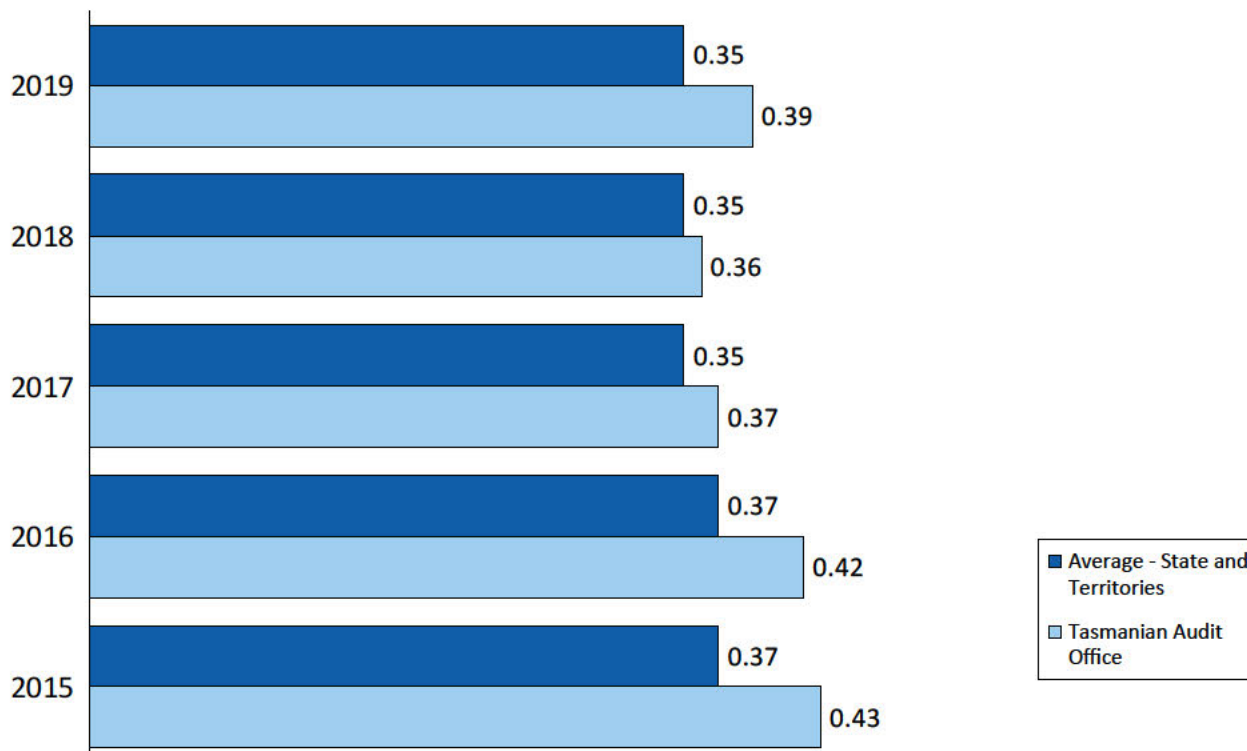
- 1 Employee satisfaction will no longer be measured by an independent biennial employee survey. In future, the Office will report on employee satisfaction through the annual whole of State Service Survey.
- 2 Office turnover decreased slightly with the finalisation of the office-wide re-profiling program. This rate should continue to reduce next financial year.
- 3 Last year due to the fixed-term nature of some positions at crucial audit times, the level of training fell below normal levels. An office-wide training and development program had been formulated and introduced for 2018-19 which included focussing on 70% on-the-job training, 20% coaching and mentoring with 10% formal training principles. Therefore, the number of days undertaking professional development may change in the future. Notwithstanding the high number of employees who recently joined the Office, it was pleasing to see the percentage of employees who had undertaken professional development increase from last year.
- 4 Employees participated in our health and wellbeing initiatives during 2018-19. The Health and Wellbeing Plan for 2018-20 was formulated through consultation with staff. Initiatives included continuation of the provision of healthy fruit and vegetables and learnings for staff in relation to stress management techniques.
- 5 Sick leave taken by employees increased across the Office with more than one employee being on long-term sick leave. As noted above we encourage staff to participate in health and wellbeing initiatives and these are detailed more in the People Chapter of this Annual Report.

## BENCHMARKING

To help us evaluate our performance we benchmark ourselves against the national average of other State and Territory audit offices as reported in the annual ACAG Macro-Benchmarking report. The following results cover the period 2015-2019.

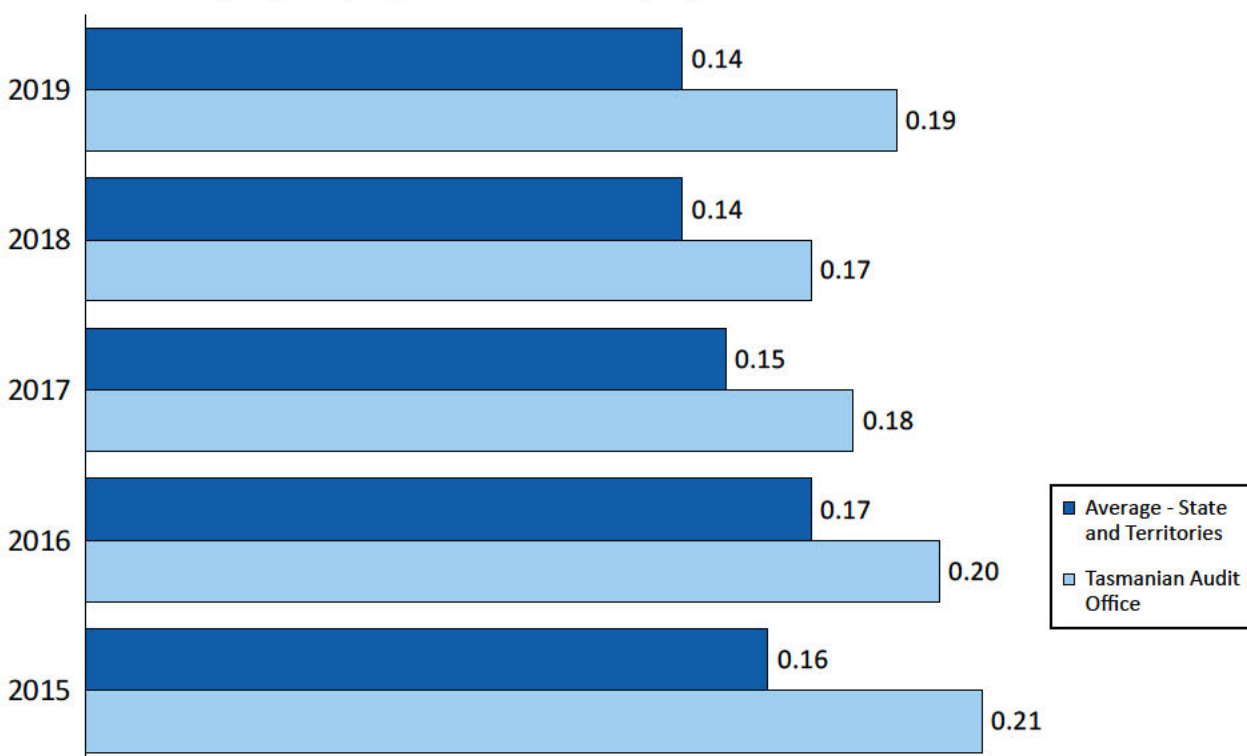
### Measure One:

Total audit costs per \$'000, of public sector transactions, expressed in cents



### Measure Two:

Total audit costs per \$'000, of public sector assets, expressed in cents

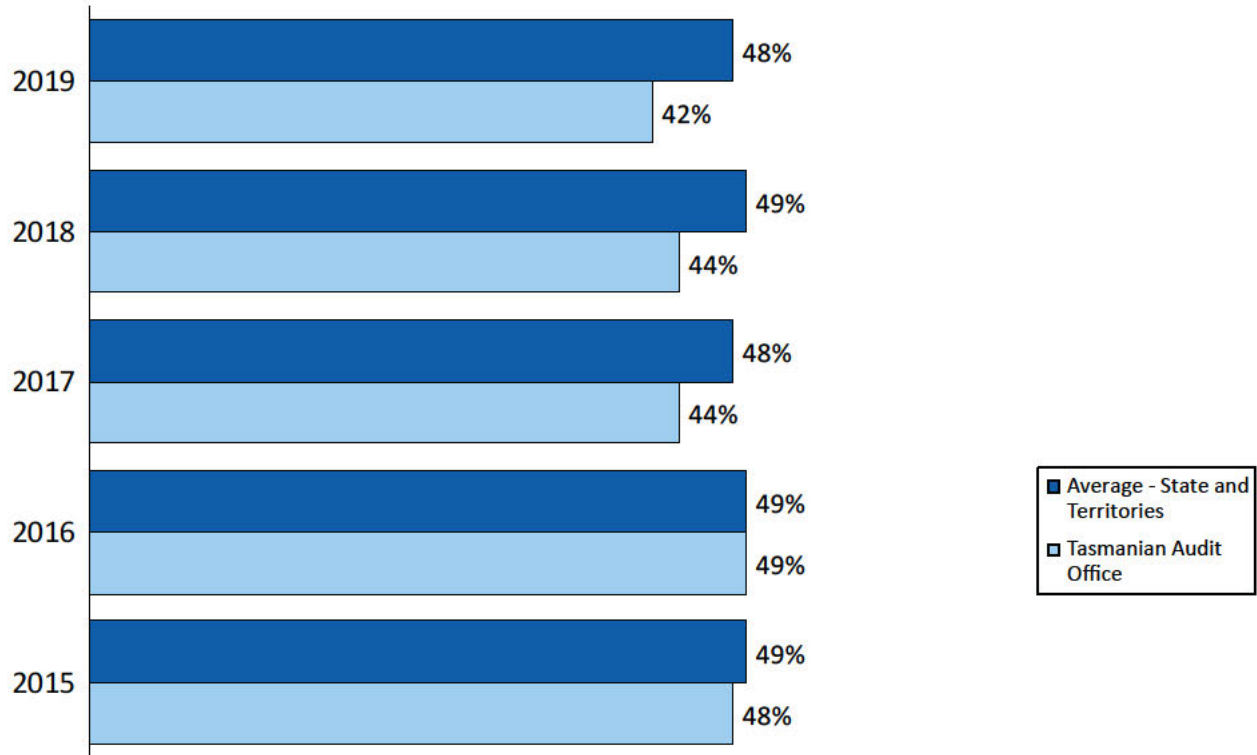




In relation to the first two measures, we expect our costs as a proportion of total State transactions and assets to be higher than most other states. Typically, State entities in Tasmania are smaller than their interstate counterparts as is our Office. Both measures confirm this expectation.

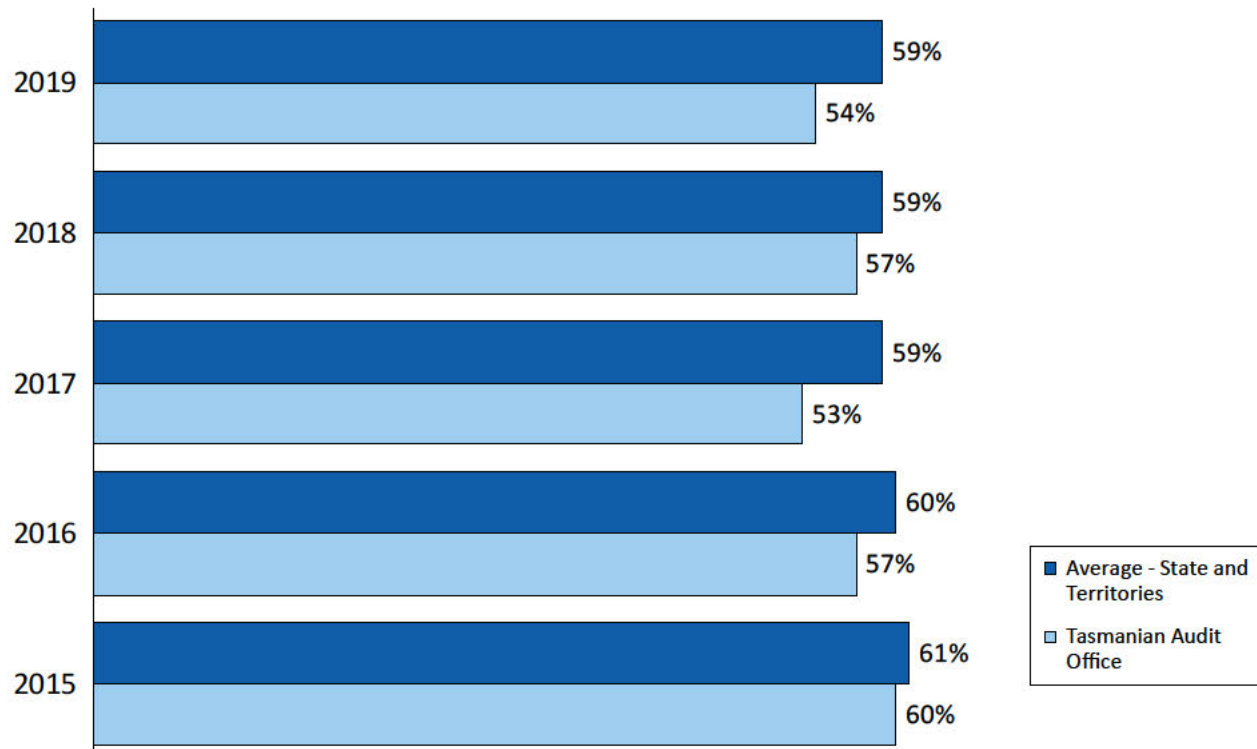
### Measure Three:

Percentage of total (whole of office) paid hours charged to audit activities



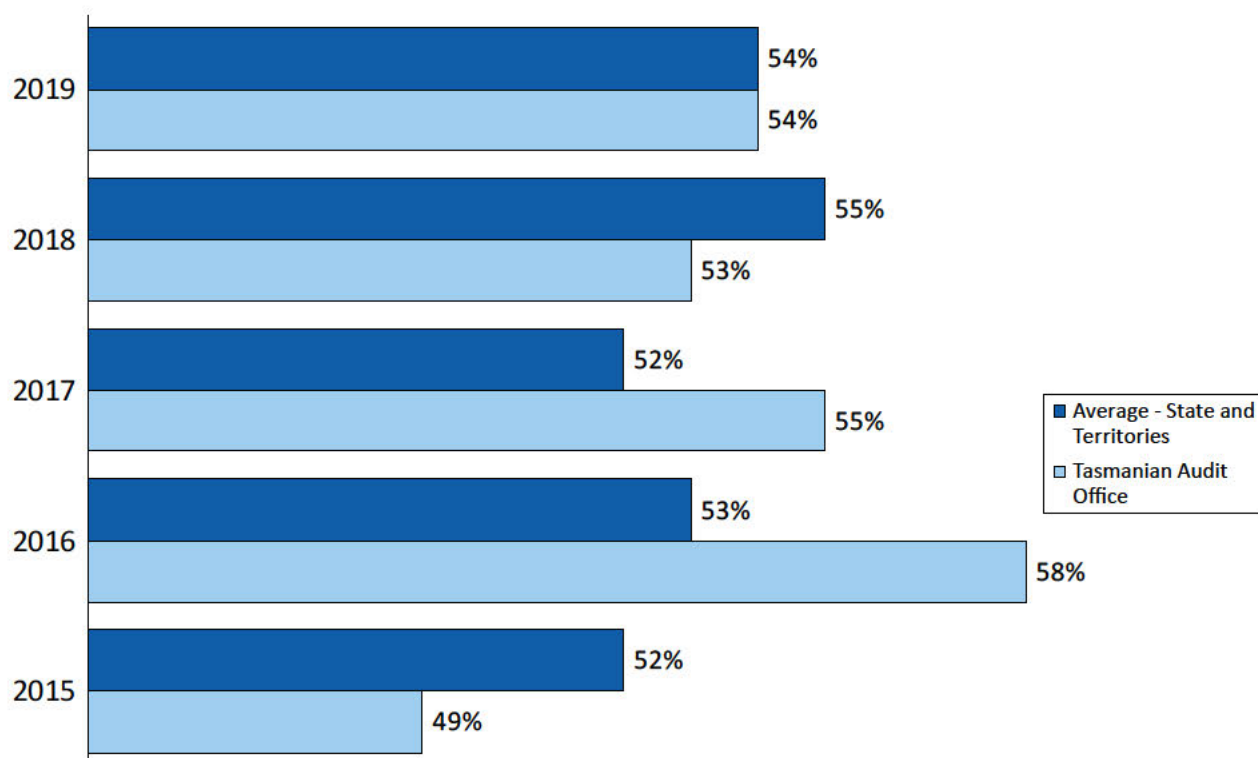
### Measure Four:

Percentage of total paid hours of attest audit staff charged to attest audit activities



### Measure Five:

Percentage of total paid hours of non-attest audit staff charged to non-attest audit activities

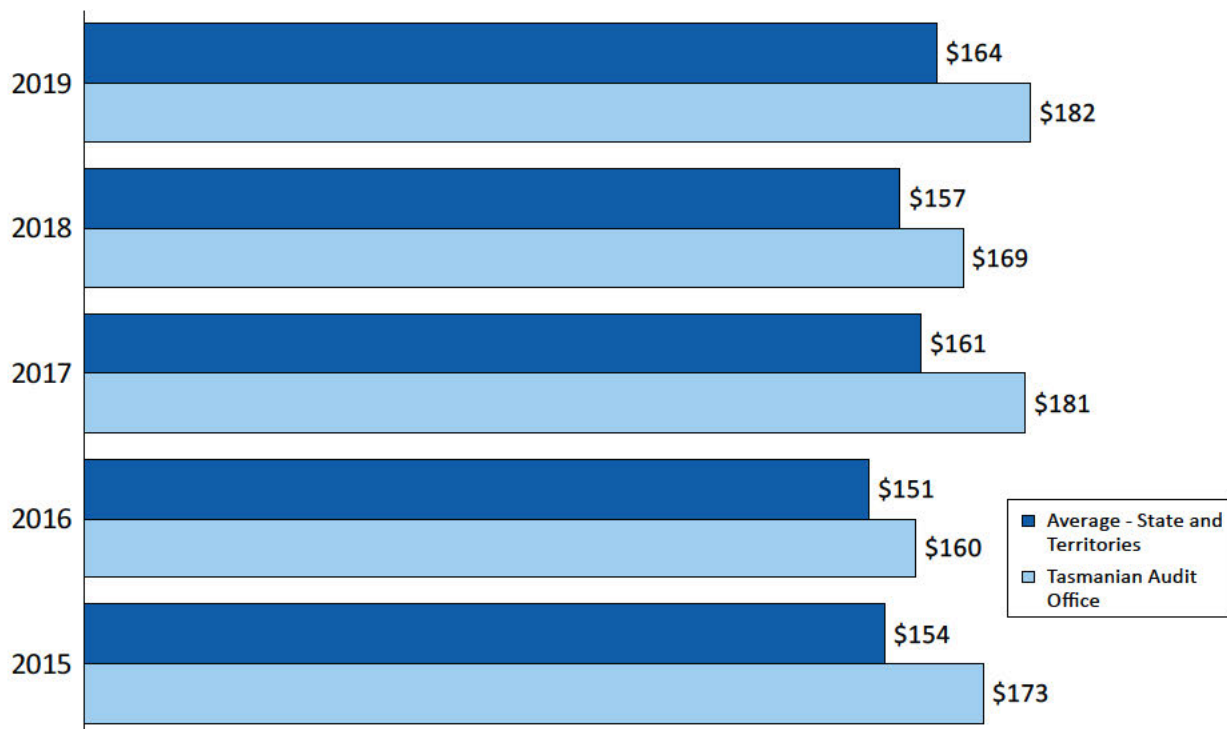


In relation to measures three to five, we note productivity of our staff has a direct impact on our operating results. All auditors are expected to achieve a minimum level of billable hours after allowing for leave, professional development and administration. Total paid hours include the hours of our corporate staff as well as personal and recreation leave for all employees. The downward movement in chargeable hours was mainly due to the employment of fixed-term staff to replace vacant positions, higher leave taken and the need for a larger amount of on-the-job training for new staff. In addition, a number of positions were filled using fixed-term resources as a result of the office-wide re-profiling program which concluded during the year. This commenced during 2017-18 with a greater impact this year causing the measures to further decrease. The Office expects these measures to improve from 2019-20.



### Measure Six:

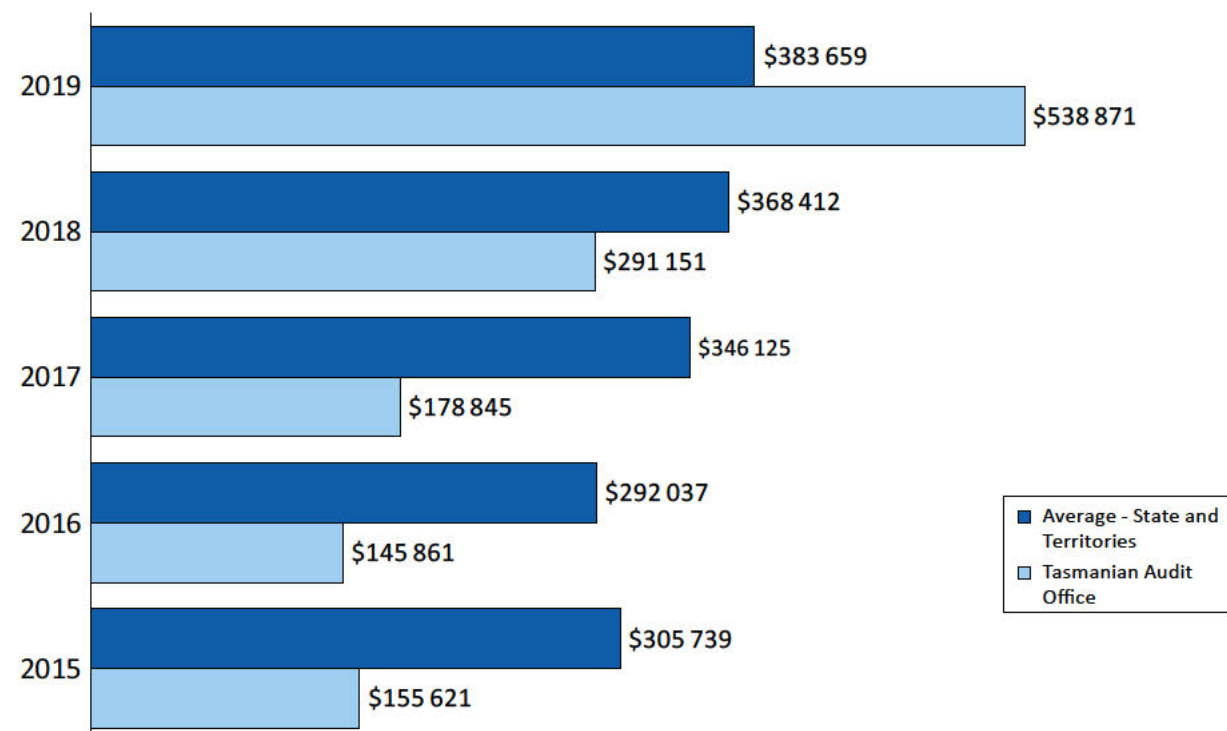
#### Cost per audit hour charged to audit activities



The 2016 to 2019 fluctuations were explained by the cost of obtaining short-term resources and/or delays in recruiting of key positions due to the office-wide re-profiling program.

### Measure Seven:

#### Cost per performance audit (\$)



The increase in cost per audit performance audits completed during 2018-19 is attributed to a lower number of audit completed and the scope and complexity of the audit completed.



## **Independent Auditor's Review Report to the Governor of Tasmania in relation to the Tasmanian Audit Office**

### **Report on the Performance Report**

We have reviewed the accompanying performance report, included within the annual report, which comprises the key performance indicators for the 2019 financial year.

#### *Auditor-General's Responsibility for the Performance Report*

The Auditor-General is responsible for the preparation of the performance report. This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation of the performance report to ensure that the report fairly represents the key performance indicators of efficiency and effectiveness.

#### *Auditor's Responsibility*

Our responsibility is to express a conclusion on the performance report based on our review. We conducted our review in accordance with Standard on Review Engagements ASRE 2405 *Review of Historical Financial Information Other than a Financial Report*, in order to state whether, on the basis of the procedures described, anything has come to our attention that causes us to believe that the performance report does not present fairly the key performance indicators of efficiency and effectiveness. As the auditor of the entity, ASRE 2405 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a performance report consists of making enquiries, primarily of persons responsible for financial and accounting matters and applying other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

#### *Independence*

In conducting our review, we have complied with the independence requirements of the Australian professional ethical pronouncements.

#### *Conclusion*

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the performance report does not present fairly the key performance indicators of efficiency and effectiveness for the year ended 30 June 2019.

**Nexia Melbourne Audit Pty Ltd  
Melbourne**

**Andrew S. Wehrens  
Director**

Dated this 15<sup>th</sup> day of October 2019

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# Our finances



## FINANCIAL PERFORMANCE

A summary of the financial performance of the Office is provided below.

### Revenue

Overall revenue decreased mainly as a result of the timing of audit revenue receipts and a delay in fulfilling the financial audit program due to vacant positions following the completion of the Office re-profiling program. Appropriations mainly increased due to indexation.

Revenue	2018-19 \$'000s	2017-18 \$'000s	2016-17 \$'000s	2015-16 \$'000s	2014-15 \$'000s
User charges	5 238	5 453	4 862	5 818	5 356
<i>Appropriations</i>					
Reserve-by-law	410	435	402	580	437
Auditor-General on-costs	86	80	116	-	-
Auditor-General recruitment	-	-	-	126	-
Performance audits and Parliamentary reporting	1 954	1 914	1 655	1 779	1 732
Other revenue	51	21	143	63	258
<b>Total</b>	<b>7 739</b>	<b>7 903</b>	<b>7 178</b>	<b>8 366</b>	<b>7 783</b>

### Expenditure

The major movement in expenditure for 2018-19 was the increased use of contract audit services for financial and performance audits. This increase reflected vacant positions post the Office re-profiling program.

Expenditure	2018-19 \$'000s	2017-18 \$'000s	2016-17 \$'000s	2015-16 \$'000s	2014-15 \$'000s
Employee benefits	5 035	4 945	4 923	4 964	4 684
Other expenses	790	707	796	771	672
Audit contractors	1 892	1 082	993	1 321	1 556
Information technology	97	157	111	111	208
Accommodation	476	396	430	459	477
Depreciation/Amortisation	73	71	70	83	127
<b>Total</b>	<b>8 363</b>	<b>7 358</b>	<b>7 323</b>	<b>7 709</b>	<b>7 724</b>

### Surplus/(Deficit)

The Office endeavours to achieve small surpluses each year. As noted above, the completion of the Office re-profiling program resulted in a number of unfilled vacant positions, leading to an increased use of external audit service providers to assist with the completion of financial and performance audits.

Surplus/(Deficit)	2018-19 \$'000s	2017-18 \$'000s	2016-17 \$'000s	2015-16 \$'000s	2014-15 \$'000s
Total revenues	7 739	7 903	7 178	8 366	7 783
Total expenses	8 363	7 358	7 323	7 709	7 724
<b>Surplus/(Deficit)</b>	<b>(624)</b>	<b>545</b>	<b>(145)</b>	<b>657</b>	<b>59</b>

## FINANCIAL POSITION

Assets decreased from last year mainly as a result of a reduction in cash held at the end of the financial year resulting from planned expenditure on contracted audit service providers and the timing of financial audit fees. Liabilities increased due to a small number of outstanding contractor invoices at 30 June 2019.

	2018-19 \$'000s	2017-18 \$'000s	2016-17 \$'000s	2015-16 \$'000s	2014-15 \$'000s
<b>Assets</b>					
Financial assets	3 860	4 263	3 774	3 647	3 120
Non-financial assets	204	262	322	372	304
<b>Total</b>	<b>4 064</b>	<b>4 525</b>	<b>4 096</b>	<b>4 019</b>	<b>3 424</b>
<b>Liabilities</b>					
Financial liabilities	125	25	46	71	85
Non-financial liabilities	1 711	1 648	1 743	1 496	1 544
<b>Total</b>	<b>1 836</b>	<b>1 673</b>	<b>1 789</b>	<b>1 567</b>	<b>1 629</b>
<b>Net Assets/Equity</b>	<b>2 228</b>	<b>2 852</b>	<b>2 307</b>	<b>2 452</b>	<b>1 795</b>



## **Independent Auditor's Report to the Governor of Tasmania in relation to the Tasmanian Audit Office**

### **Report on the Audit of the Financial Report**

#### **Opinion**

We have audited the financial report of the Tasmanian Audit Office, which comprises the statement of financial position as at 30 June 2019, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the statement of certification.

In our opinion, the accompanying financial report presents fairly, in all material respects, the financial position of the Tasmanian Audit Office as at 30 June 2019 and its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards and the Financial Management and Audit Act 1990 and Audit Act 2008.

#### **Basis for opinion**

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the 'auditor's responsibilities for the audit of the financial report' section of our report. We are independent of the Office in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

#### **Other information**

The Auditor-General is responsible for the other information. The other information comprises the information in the Tasmanian Audit Office's annual report for the year ended 30 June 2019, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of the other information we are required to report that fact. The annual report is expected to be made available to us after the date of this independent auditor's report.

#### **Auditor-General' 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 and Financial Management and Audit Act 1990 and Audit Act 2008, and for such internal control as the Auditor-General determines is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

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In preparing the financial report, the Auditor-General is responsible for assessing the Office's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Auditor-General either intend to liquidate the Office or to cease operations, or have no realistic alternative but to do so.

#### **Auditor's responsibility for the audit of the financial report**

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Office's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by those charged with governance.
- Conclude on the appropriateness of those charged with governance's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Office's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Office to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

**Nexia Melbourne Audit Pty Ltd  
Melbourne**

**Andrew S. Wehrens  
Director**

Dated this 9th day of August 2019

## Statement of Certification

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 2019 and the financial position as at the end of that 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.



Rod Whitehead  
**Auditor-General**

**9 August 2019**

Ric De Santi  
**Chief Operating Officer**

**9 August 2019**

## STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2019

	Notes	2019 Budget \$'000s	2019 Actual \$'000s	2018 Actual \$'000s
<b>Continuing operations</b>				
<b>Revenue and other income from transactions</b>				
Revenue from Government				
Appropriation revenue - RBL	3.1	494	410	435
Appropriation revenue - recurrent	3.1	2 038	2 020	1 994
Other revenue from Government	3.1	-	20	-
User charges	3.2	5 693	5 238	5 453
Other revenue	3.3	13	51	21
<b>Total revenue and other income from transactions</b>		<b>8 238</b>	<b>7 739</b>	<b>7 903</b>
<b>Expenses from transactions</b>				
Employee benefits	4.1(a)	5 455	5 035	4 945
Depreciation and amortisation	4.2(b)	49	73	71
Audit contractors	4.3, 2.1(a)	1 337	1 892	1 082
Supplies and consumables	4.4	1 118	1 042	949
Other expenses	4.5	293	321	311
<b>Total expenses from transactions</b>		<b>8 252</b>	<b>8 363</b>	<b>7 358</b>
<b>Net result from transactions (net operating balance)</b>		<b>(14)</b>	<b>(624)</b>	<b>545</b>
<b>Net result</b>		<b>(14)</b>	<b>(624)</b>	<b>545</b>
<b>Comprehensive result</b>		<b>(14)</b>	<b>(624)</b>	<b>545</b>

This Statement of Comprehensive Income 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 2 of the accompanying notes.



## STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2019

	Notes	2019 Budget \$'000s	2019 Actual \$'000s	2018 Actual \$'000s
<b>Assets</b>				
<i>Financial assets</i>				
Cash and deposits*	8.1, 2.2(a)	3 141	2 832	3 550
Receivables and work in progress	5.1, 2.2(b)	662	1 028	713
<i>Non-financial assets</i>				
Leasehold improvements, plant and equipment	5.2	204	157	195
Intangibles	5.3	16	12	14
Other assets	5.4	34	35	53
<b>Total assets</b>		<b>4 057</b>	<b>4 064</b>	<b>4 525</b>
<b>Liabilities</b>				
Payables	6.1	40	125	25
Employee benefits	6.2	1 216	1 256	1 216
Other liabilities	6.4	503	455	432
<b>Total liabilities</b>		<b>1 759</b>	<b>1 836</b>	<b>1 673</b>
<b>Net assets</b>		<b>2 298</b>	<b>2 228</b>	<b>2 852</b>
<b>Equity</b>				
Contributed capital		1 168	1 168	1 168
Accumulated surplus/(deficit)		1 130	1 060	1 684
<b>Total equity*</b>		<b>2 298</b>	<b>2 228</b>	<b>2 852</b>

\*The budget is formulated without regard to the actual financial position at any one point in time. It has historically understated cash and equity balances.

This Statement of Financial Position 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 2 of the accompanying notes.

## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2019

	Notes	2019 Budget \$'000s	2019 Actual \$'000s	2018 Actual \$'000s
		Inflows (Outflows)	Inflows (Outflows)	Inflows (Outflows)
<b>Cash flows from operating activities</b>				
<b>Cash inflows</b>				
Appropriation receipts - recurrent		2 038	2 020	2 014
Appropriation receipts - RBL		494	410	434
User charges	2.3(a)	5 946	5 109	5 371
GST receipts	2.3(b)	672	804	789
Other cash receipts		13	25	21
<b>Total cash inflows</b>		<b>9 163</b>	<b>8 368</b>	<b>8 629</b>
<b>Cash outflows</b>				
Employee benefits	2.3(c)	(5 710)	(4 974)	(4 956)
GST payments		(672)	(885)	(763)
Audit contractors	2.3(d)	(1 274)	(1 828)	(1 077)
Supplies and consumables		(1 174)	(1 044)	(1 059)
Other cash payments		(293)	(322)	(316)
<b>Total cash outflows</b>		<b>(9 123)</b>	<b>(9 053)</b>	<b>(8 171)</b>
<b>Net cash from operating activities</b>	8.2	<b>40</b>	<b>(685)</b>	<b>458</b>
<b>Cash flows from investing activities</b>				
<b>Cash outflows</b>				
Payments for acquisition of non-financial assets		(21)	(33)	-
<b>Total cash outflows</b>		<b>(21)</b>	<b>(33)</b>	<b>-</b>
<b>Net cash from (used by) investing activities</b>		<b>(21)</b>	<b>(33)</b>	<b>-</b>
<b>Net increase/(decrease) in cash and cash equivalents held</b>		<b>19</b>	<b>(718)</b>	<b>458</b>
<b>Cash and deposits at the beginning of the reporting period</b>		<b>3 122</b>	<b>3 550</b>	<b>3 092</b>
<b>Cash and deposits at the end of the reporting period</b>	8.1	<b>3 141</b>	<b>2 832</b>	<b>3 550</b>

This Statement of Cash Flows 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 2 of the accompanying notes.

## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2019

	Contributed equity \$'000s	Accumulated surplus \$'000s	Total equity \$'000s
<b>Balance as at 1 July 2018</b>	<b>1 168</b>	<b>1 684</b>	<b>2 852</b>
Total comprehensive result	-	(624)	(624)
<b>Balance as at 30 June 2019</b>	<b>1 168</b>	<b>1 060</b>	<b>2 228</b>

	Contributed equity \$'000s	Accumulated surplus \$'000s	Total equity \$'000s
<b>Balance as at 1 July 2017</b>	<b>1 168</b>	<b>1 139</b>	<b>2 307</b>
Total comprehensive result	-	545	545
<b>Balance as at 30 June 2018</b>	<b>1 168</b>	<b>1 684</b>	<b>2 852</b>

This Statement of Changes in Equity should be read in conjunction with the accompanying notes.



## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

<b>Note 1</b>	<b>Office Output Schedules</b>	<b>53</b>
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## NOTE 1 OFFICE OUTPUT SCHEDULES

### 1.1 Output Group Information

The Office only has a single output called Public Sector Management and Accountability 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. The summary of budgeted and actual revenues and expenses for this Output are the same as in the Statement of Comprehensive Income. Therefore, the inclusion of a separate Output Schedule is not necessary. Explanations of material variances between budget and actual outcomes are provided in Note 2 below. A reconciliation of the net result of the Output Group to the net surplus on the Statement of Comprehensive Income is not necessary as the Office only has one output group. For the same reason there is no separate reconciliation between the total net assets deployed for the Output Group to net assets on the Statement of Financial Position.

## NOTE 2 EXPLANATIONS OF MATERIAL VARIANCES BETWEEN BUDGET AND ACTUAL OUTCOMES

Budget information refers to original estimates as disclosed in the 2018-19 Budget Papers and is not subject to audit.

The following are brief explanations of material variances between the original Budget estimates and actual outcomes. Variances are considered material where the variance exceeds the greater of 10 per cent of Budget estimate and \$100 000.

The Statement of Comprehensive Income Note 2.1 and Statement of Cash Flows Note 2.3 include a revised budget column which depicts a change in allocation from the original budget as published in the Budget Papers where applicable. These changes were made to reflect actual anticipated cost allocations. The variance explanations are based upon original budget compared with actuals.

### 2.1 Statement of Comprehensive Income

	Note	Budget \$'000s	Actual \$'000s	Variance \$'000s	Variance %
Audit contractors	(a)	1 337	1 892	(555)	(42)

#### Notes to Statement of Comprehensive Income variances

- (a) Audit Contractors are higher than expected to budget as a result of outsourcing some performance audits and obtaining assistance to meet financial audit deadlines due to vacant positions.

### 2.2 Statement of Financial Position

Budget estimates for the 2018-19 Statement of Financial Position were compiled prior to the completion of the actual outcomes for 2018-19. As a result, the actual variance from the Original Budget estimate will be impacted by the difference between estimated and actual opening balances for 2018-19. The following variance analysis therefore includes major movements between the 30 June 2018 and 30 June 2019 actual balances.

	Note	Budget \$'000s	2019 Actual \$'000s	2018 Actual \$'000s	Budget Variance \$'000s	Actual Variance \$'000s
Cash and deposits	(a)	3 141	2 832	3 550	(309)	(718)
Receivables and work in progress	(b)	662	1 028	713	366	315



#### Notes to Statement of Financial Position variances

2.2 Statement of Financial Position budget is formulated without regard to the actual financial position at any one point in time. It has historically understated the changes in cash and equity.

- (a) Cash and deposits are lower than expected due to the increase in use of audit contractors as detailed at 2.1(a).
- (b) Receivables and work in progress is higher than expected due to the timing of financial audit work for the 2019 audit season.

### 2.3 Statement of Cash Flows

	Note	Budget \$'000s	Actual \$'000s	Variance \$'000s	Variance %
User charges	(a)	5 946	5 109	(837)	(14)
GST Receipts	(b)	672	804	132	20
Employee benefits	(c)	5 710	4 974	(736)	(13)
Audit contractors	(d)	1 274	1 828	(554)	(43)

#### Notes to Statement of Cash Flows variances

- (a) User charges are less than budget due to the delays in recruitment which as affected receivables and work in progress.
- (b) GST receipts are higher than budgeted due to timing differences in 2017-18 which had a flow on effect for 2018-19.
- (c) Employee benefits are lower than expected due to vacant positions as a result of the office wide re-profiling exercise undertaken during 2018-19.
- (d) Refer 2.1(a).

### NOTE 3 REVENUE FROM TRANSACTIONS

Revenue is recognised in the Statement of Comprehensive Income 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.

#### 3.1 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. Except for any amounts identified as carried forward, control arises in the period of appropriation.

Revenue from Government includes revenue from appropriations, appropriations carried forward under section 8A(2) of the *Public Account Act 1986* and Items Reserved by Law.

The Budget information is based on original estimates and has not been subject to audit.

	2019 Budget \$'000s	2019 Actual \$'000s	2018 Actual \$'000s
<b>Revenue from Government</b>			
Appropriation revenue – recurrent	2 038	2 020	1 994
Items Reserved by Law – Auditor-General's salary and associated allowances	494	410	435
Appropriation carried forward under section 8A(2) of the <i>Public Account Act 1986</i> taken up as revenue in the current year	-	20	-
<b>Total</b>	<b>2 532</b>	<b>2 450</b>	<b>2 429</b>

### 3.2 User Charges

Revenue recognition relating to the provision of services is determined with reference to the stage of completion of the transaction at the end of the reporting period and calculated on the basis of actual hours spent to date on individual audits multiplied by the appropriate charge out rate per employee. Stage of completion is determined by assessing the extent of work performed to date as compared to total services to be performed. Revenue is recognised only to the extent that related costs are recoverable.

	2019 \$'000s	2018 \$'000s
Financial Audit Services	5 238	5 453
<b>Total</b>	<b>5 238</b>	<b>5 453</b>

### 3.3 Other Revenue

Revenue from sources other than those identified above is recognised 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.

	2019 \$'000s	2018 \$'000s
Reserved by law – Auditor-General leave provisions	26	-
Miscellaneous	25	21
<b>Total</b>	<b>51</b>	<b>21</b>

## NOTE 4 EXPENSES FROM TRANSACTIONS

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

### 4.1 Employee Benefits

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

#### (a) Employee expenses

	2019 \$'000s	2018 \$'000s
Wages and salaries	4 385	4 313
Superannuation – defined contribution scheme	422	425
Superannuation – defined benefit scheme	107	102
Other employee expenses	121	105
<b>Total</b>	<b>5 035</b>	<b>4 945</b>

Superannuation expenses relating to defined benefits schemes relate to payments into the Consolidated Fund. The amount of the payment is based on an employer contribution rate determined by the Treasurer, on the advice of the State Actuary. The current employer contribution is 12.95 per cent (2018: 12.95 per cent) of salary.

Superannuation expenses relating to defined contribution schemes are paid directly to the relevant superannuation fund at a rate of 9.5 per cent (2018: 9.5 per cent) of salary. In addition, the Office is also required to pay into Consolidated Fund a “gap” payment equivalent to 3.45 per cent (2018: 3.45 per cent) of salary in respect of employees who are members of the contribution schemes.

(b) Remuneration of Key management personnel

2019	Short-term benefits		Long-term benefits			Total
	Salary	Other Benefits	Super-annuation	Other Benefits and Long Service Leave	Termination Benefits	
	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s	
Key management personnel						
R J Whitehead, Auditor-General	366	16	35	26	-	443
E R De Santi, Deputy Auditor-General/ Chief Operating Officer	211	20	27	(8)	-	250
P R Johnson, AAG – Corporate Support and Strategy	130	-	12	12	-	154
S G Morrison, AAG – Financial Audit Service (from 1-1-19)	74	-	9	(4)	-	79
J J Tongs, AAG – Quality and Standards (from 1-1-19)	77	-	10	(4)	-	83
G B Emery, AAG – Performance Audit Service (from 3-6-19)	12	-	1	1	-	14
Total	870	36	94	23	-	1 023

**Note:** The Senior Executive Management Group was expanded as at 1 January 2019. The Executive Committee now consists of the Auditor-General, Deputy Auditor-General and all of the AAGs.



2018	Short-term benefits		Long-term benefits			Total
	Salary	Other Benefits	Super-annuation	Other Benefits and Long Service Leave	Termination Benefits	
	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s	
Key management personnel						
R J Whitehead, Auditor-General	367	17	35	-	-	419
E R De Santi, Deputy Auditor-General/ Chief Operating Officer	212	20	27	(8)	-	251
P R Johnson, Director – Corporate Support Services	123	-	16	(5)	-	134
Total	702	37	78	(13)	-	804

**Note:** E R De Santi also acted as the Auditor-General during the following periods: 22/8/18 – 29/8/19, 16/4/19 – 18/4/19, 24/4/19, 26/4/19 and 11/6/19. P R Johnson acted as the Chief Operating Officer from 2/7/18 – 10/7/18 and 24/6/19. S G Morrison acted as Deputy Auditor-General for 24/6/19 and J J Tongs acted as Deputy Auditor-General from 2/7/18 – 10/7/18.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the agency, directly or indirectly.

Remuneration during 2018-19 for key personnel is set by the Audit Act for the Auditor-General, and the State Service Act for all other personnel. Remuneration and other terms of employment are specified in employment contracts and awards. Remuneration includes salary, allowances and other non-monetary benefits.

Long term employee expenses include annual and long service leave, superannuation obligations and termination payments. Short-term benefits include motor vehicle and car parking fringe benefits in addition to any other short term benefits. Fringe benefits have been reported at the grossed up reportable fringe benefits amount. The Fringe Benefits Tax (FBT) year runs from 1 April to 31 March each year, any FBT attributable to key management personnel is reported on that basis.

It should be noted that because annual and long service leave liabilities are calculated by discounting future cashflows (detailed in Note 6.2), the termination payments received by any key management personnel may not necessarily correspond with the leave liability associated to that individual.

### **Acting Arrangements**

When members of key management personnel are unable to fulfil their duties, consideration is given to appointing other members of senior staff to their position during their period of absence. Individuals are considered members of key management personnel when acting arrangements are for more than a period of one month. There were no acting arrangements for key management personnel in excess of one month during 2018-19.

### **(c) Related Party Transactions**

There are no material related party transactions requiring disclosure.

## 4.2 Depreciation and Amortisation

All non-financial assets having a limited useful life are systematically depreciated over their useful lives in a manner which 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:

Computer equipment - hardware	5 years
Office equipment	5 years

All intangible assets having a limited useful life are systematically amortised over their useful lives reflecting the pattern in which the asset's future economic benefits are expected to be consumed by the Office. Major amortisation periods are:

Computer equipment - software	10 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 periods are:

Leased buildings - 144 Macquarie Street, Hobart	6 years
Leased buildings - Launceston	12 years

### (a) Depreciation

	2019 \$'000s	2018 \$'000s
Office equipment, furniture and fittings	6	6
<b>Total</b>	<b>6</b>	<b>6</b>

### (b) Amortisation

	2019 \$'000s	2018 \$'000s
Intangibles – computer software	2	2
Leasehold improvements	65	63
<b>Total</b>	<b>67</b>	<b>65</b>
<b>Total depreciation and amortisation</b>	<b>73</b>	<b>71</b>

## 4.3 Audit Contractors

	2019 \$'000s	2018 \$'000s
Audit Contractors	1 834	1 055
IT Audit contractors	58	27
<b>Total</b>	<b>1 892</b>	<b>1 082</b>

#### 4.4 Supplies and Consumables

	2019 \$'000s	2018 \$'000s
Audit fees – financial audit and review of key performance report	21	20
Audit fees – internal audit	39	52
Operating lease costs	375	317
Consultants and contractors	58	128
Property services	101	79
Communications	10	7
Information technology	97	157
Travel and transport	166	69
Printing	6	9
Plant and equipment	4	5
Office requisites	12	6
Personnel expenses	37	38
Other supplies and consumables	116	62
<b>Total</b>	<b>1 042</b>	<b>949</b>

#### 4.5 Other Expenses

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

	2019 \$'000s	2018 \$'000s
Salary on-costs	36	37
Service level agreements – DoJ and Queensland Audit Office	261	256
Property insurance	5	7
Other Expenses	19	11
<b>Total</b>	<b>321</b>	<b>311</b>

#### NOTE 5 ASSETS

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

##### 5.1 Receivables and work in progress

In 2017-18 receivables were recognised at amortised cost, less any impairment losses, however, due to the short settlement period, receivables were not discounted back to their present value. In addition, receivables were subject to an annual review for impairment, where there was objective evidence that, as a result of one or more events that occurred after the initial recognition, the future cash flows have been affected.

From 2018-19 receivables that do not contain a significant financing component are measured at amortised cost, which represents their transaction value. An assessment for impairment is conducted on an expected credit loss basis at each reporting date. When determining whether the



credit risk has increased significantly since initial recognition, and when estimating the expected credit loss, the Office considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Office's historical experience, an informed credit assessment and forward-looking information.

Work in progress is determined with reference to the stage of completion of the transaction at the end of the reporting period and calculated on the basis of actual hours spent to date on individual audits multiplied by the appropriate charge out rate per employee. Impairment losses are recognised when there is an indication that there is a measurable decrease in the recoverability of work in progress.

The Office has recognised a receivable for the Auditor-General's leave entitlement equivalent to the liability for those entitlements on the basis that they will be funded by Parliamentary appropriation.

The Office maintains a strong accounts receivable management program whereby all outstanding receivables are followed up in a timely fashion. In addition, the nature of the Office's clients has also led to the Office not recording impairments of receivables for a number of years.

For ageing analysis of the financial assets past due but not impaired, refer to Note 9.1.

	2019 \$'000s	2018 \$'000s
User charges	710	420
Work in progress	251	252
Reserved by law – Auditor-General leave receivable	67	41
<b>Total</b>	<b>1 028</b>	<b>713</b>
Settled within 12 months	961	713
Settled in more than 12 months	67	-
<b>Total</b>	<b>1 028</b>	<b>713</b>

## 5.2 Leasehold Improvements, Plant and Equipment

### (i) Valuation basis

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

Cost includes expenditure that is directly attributable to the acquisition of the asset. The costs of self constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of leasehold improvements, plant and equipment have different useful lives, they are accounted for as separate items (major components) of relevant assets.

### (ii) Subsequent costs

The cost of replacing part of an item of leasehold improvements, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Office and its costs can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of day to day servicing of leasehold improvements, plant and equipment are recognised in the Statement of Comprehensive Income as incurred.

**(iii) Asset recognition threshold**

The asset capitalisation threshold adopted by the Office is \$5 000. Assets valued at less than \$5 000 are charged to the Statement of Comprehensive Income in the year of purchase. Assets valued at less than these thresholds are charged to the Statement of Comprehensive Income in the year of purchase (other than where they form part of a group of similar items which are material in total).

**(a) Carrying amount**

	2019 \$'000s	2018 \$'000s
<b>Office equipment, furniture and fittings</b>		
At cost	32	32
Less: Accumulated depreciation	(28)	(22)
<b>Total</b>	<b>4</b>	<b>10</b>
<b>Leasehold improvements</b>		
At cost	401	368
Less: Accumulated amortisation	(248)	(183)
<b>Total</b>	<b>153</b>	<b>185</b>
<b>Total leasehold improvements, plant and equipment</b>	<b>157</b>	<b>195</b>

**(b) Reconciliation of movements**

Reconciliations of the carrying amounts of each class of leasehold improvements, 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 amortisation.

2019	Office equipment, furniture and fittings \$'000s	Leasehold improvements \$'000s	Total \$'000s
<b>Carrying value at 1 July 2018</b>	<b>10</b>	<b>185</b>	<b>195</b>
Additions	-	33	33
Depreciation and amortisation	(6)	(65)	(71)
<b>Carrying value at 30 June 2019</b>	<b>4</b>	<b>153</b>	<b>157</b>

2018	Office equipment, furniture and fittings \$'000s	Leasehold improvements \$'000s	Total \$'000s
<b>Carrying value at 1 July 2017</b>	<b>16</b>	<b>248</b>	<b>264</b>
Depreciation and amortisation	(6)	(63)	(69)
<b>Carrying value at 30 June 2018</b>	<b>10</b>	<b>185</b>	<b>195</b>

### 5.3 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.

Intangibles are reported at cost less any accumulated amortisation and any accumulated impairment loss.

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.

#### (a) Carrying amount

	2019 \$'000s	2018 \$'000s
<b>Intangibles with a finite useful life</b>		
Software at cost	19	19
Less: Accumulated amortisation	(7)	(5)
<b>Total intangibles</b>	<b>12</b>	<b>14</b>

#### (b) Reconciliation of movements

	2019 \$'000s	2018 \$'000s
<b>Carrying amount at 1 July</b>	<b>14</b>	<b>16</b>
Amortisation expense	(2)	(2)
<b>Carrying amount at 30 June</b>	<b>12</b>	<b>14</b>

### 5.4 Other Assets

Other assets comprise prepayments. Prepayments relate to actual transactions that are recorded at cost with the asset at balance date representing the un-utilised component of the prepayment.

	2019 \$'000s	2018 \$'000s
<b>Other current assets</b>		
Prepayments	35	53
<b>Total</b>	<b>35</b>	<b>53</b>
Utilised within 12 months	35	53
<b>Total other assets</b>	<b>35</b>	<b>53</b>



## NOTE 6 LIABILITIES

Liabilities are recognised in the Statement of Financial Position 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.

### 6.1 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.

	2019 \$'000s	2018 \$'000s
Creditors	125	25
<b>Total</b>	<b>125</b>	<b>25</b>
Settled within 12 months	125	25
<b>Total</b>	<b>125</b>	<b>25</b>

Settlement is usually made within 30 days.

### 6.2 Employee Benefits

#### *Key estimates and judgements*

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. Employee benefits are measured as the present value of the benefit at 30 June, where the impact of discounting is material, and at the amount expected to be paid if discounting is not material. The Office assumes that all staff annual leave balances less than 20 days will be settled within 12 months, and therefore valued at nominal value, and balances in excess of 20 days will be settled in greater than 12 months and therefore calculated at present value.

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 makes a number of assumptions regarding the probability that staff who have accrued long service leave, but are ineligible to take it will remain with the Office long enough to take it. For those staff eligible to take their long service leave, the Office assumes that they will utilise it on average, evenly over the following ten years. All long service leave that will be settled within 12 months is calculated at nominal value and all long service leave that will be settled in greater than 12 months is calculated at present value.

	2019 \$'000s	2018 \$'000s
Accrued salaries	38	35
Annual leave	334	319
Long service leave	744	706
Superannuation	140	133
State service accumulated leave scheme	-	23
<b>Total</b>	<b>1 256</b>	<b>1 216</b>
Settled within 12 months	343	440
Settled in more than 12 months	913	776
<b>Total</b>	<b>1 256</b>	<b>1 216</b>

## 6.3 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 benefit plans

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

### Key estimates and judgements

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

## 6.4 Other Liabilities

Other liabilities are recognised in the Statement of Financial Position when it is probable that the 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.

The Office invoices for financial audit work on an agreed instalment basis. Where work has been invoiced but work has not been undertaken, an amount is recognised as revenue in advance.

	2019 \$'000s	2018 \$'000s
<b>Other liabilities</b>		
Revenue received in advance	381	267
GST liability	25	79
Rent incentive liability	49	86
<b>Total</b>	<b>455</b>	<b>432</b>
Settled within 12 months	443	383
Settled in more than 12 months	12	49
<b>Total</b>	<b>455</b>	<b>432</b>

As an incentive for the Office to relocate to new accommodation at Level 8, 144 Macquarie St, Hobart, the Office was offered the first year's rent for free. The Office has elected to record this rent saving over the life of the lease (six years). The rent saving will be allocated on an annual basis to reduce the rent expense, with the incentive liability recorded at 30 June each year being reflective of the rent incentive remaining to be allocated over the remainder of the lease.

## NOTE 7 COMMITMENTS AND CONTINGENCIES

### 7.1 Schedule of Commitments

	2019 \$'000s	2018 \$'000s
<b>By type</b>		
<i>Lease Commitments</i>		
Operating leases	692	955
<b>Total lease commitments</b>	<b>692</b>	<b>955</b>
<i>Other commitments</i>		
Contract Audits	3 134	1 830
Service Level Agreement with DoJ	-	260
Other commitments	37	-
<b>Total other commitments</b>	<b>3 171</b>	<b>2 090</b>
<b>Total by type</b>	<b>3 863</b>	<b>3 045</b>
<b>By maturity</b>		
<i>Operating lease commitments</i>		
One year or less	307	296
From one to five years	269	503
Over five years	116	156
<b>Total operating lease commitments</b>	<b>692</b>	<b>955</b>
<i>Other commitments</i>		
One year or less	1 774	1 095
From one to five years	1 397	995
<b>Total other commitments</b>	<b>3 171</b>	<b>2 090</b>
<b>Total by type</b>	<b>3 863</b>	<b>3 045</b>

#### (a) Operating Leases

Operating leases relate to Office accommodation and motor vehicles. For Launceston Office accommodation the remaining lease term is eight years. For Hobart Office accommodation the remaining lease term is one year. For one year, from 1 July 2015 to 30 June 2016 the Office did not pay rent on this lease as agreed with the Office of Premier and Cabinet, with the lease incentive expense being recorded over the life of the lease (refer Note 6.4). All operating lease contracts contain certain market review clauses.

The motor vehicle leases are governed by the Government's contract where vehicles are leased and replaced. Motor Vehicle Lease Commitments have been calculated based on the lease agreements entered into by the Office as at 30 June 2019 and the value and remaining term of the outstanding lease payments. All amounts shown are inclusive of GST. The Office is prohibited by Treasurer's Instruction 502 Leases from holding finance leases.

#### (b) Other Commitments

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



## NOTE 8 CASH FLOW RECONCILIATION

### 8.1 Cash and Deposits

Cash and deposits includes the balance of the Special Deposits and Trust Fund Accounts held by the Office.

	2019 \$'000s	2018 \$'000s
<b>Special Deposits and Trust Fund balance</b>		
Special Deposits and Trust Account T644	2 832	3 550
<b>Total cash and deposits</b>	<b>2 832</b>	<b>3 550</b>

### 8.2 Reconciliation of Net Result to Net Cash from / (used in) Operating Activities

	2019 \$'000s	2018 \$'000s
Net result from transactions	(624)	545
Depreciation and amortisation	73	71
Decrease (increase) in Receivables and work in progress	(316)	(31)
Decrease (increase) in Prepayments	18	(11)
Increase (decrease) in Tax Liabilities	(54)	10
Increase (decrease) in Employee entitlements	40	(10)
Increase (decrease) in Payables	100	(21)
Increase/(decrease) in Provisions	(37)	(37)
Increase (decrease) in Other liabilities	115	(58)
<b>Net cash from/(used in) operating activities</b>	<b>(685)</b>	<b>458</b>

### 8.3 Reconciliation of liabilities arising from financing activities

The Office does not have any liabilities arising from financing activities.

## NOTE 9 FINANCIAL INSTRUMENTS

### 9.1 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.

Financial Instrument	Accounting and strategic policies (including recognition criteria, measurement basis and credit quality of instrument)	Nature of underlying instrument (including significant terms and conditions affecting the amount. Timing and certainty of cash flows)
<b>Financial assets</b>		
Receivables and work in progress	The Office's Business Plan critical success factor of sustainable business performance is supported by the key performance measures of maintaining unbilled Work In Progress (WIP) at < \$200 000 and a 95% target of maintaining aged debtors at < 30 days. The unbilled WIP target was not met due to staff recruitment issues at 30 June 2019 and 99% of debtors at 30 June were < 30 days.	Normal credit terms are 30 days.
Cash and deposits	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 2019.	Cash means notes, coins and any deposits held at call with a bank or financial institution.

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.

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.

Except as detailed in the following table, 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:

	2019 \$'000s	2018 \$'000s
User charges	710	420
<b>Total</b>	<b>710</b>	<b>420</b>

#### ***Receivables age analysis - expected credit loss***

The simplified approach to measuring expected credit losses is applied, which uses a lifetime expected loss allowance for all trade receivables.

The expected loss rates are based on historical observed loss rates adjusted for forward looking factors that will have an impact on the ability to settle the receivables. The loss allowance for trade debtors as at 30 June 2019 and 1 July 2018 (adoption of AASB 9) are as follows:

#### Expected credit loss analysis of receivables as at 30 June 2019

	Not past due \$'000s	Past due 1-30 days \$'000s	Past due 31-60 days \$'000s	Past due 61-90 days \$'000s	Total \$'000s
Expected credit loss rate (A)	0%	0%	0%	0%	0%
Total gross carrying amount (B)	497	40	-	173	710
Expected credit loss (A x B)	-	-	-	-	-

#### Expected credit loss analysis of receivables as at 1 July 2018 (adoption date of AASB 9)

	Not past due \$'000s	Past due 1-30 days \$'000s	Past due 31-60 days \$'000s	Past due 61-90 days \$'000s	Total \$'000s
Expected credit loss rate (A)	0%	0%	0%	0%	0%
Total gross carrying amount (B)	396	8	15	1	420
Expected credit loss (A x B)	-	-	-	-	-

The following tables is for comparative purposes only, and represents the age analysis that was published as part of the Office's 2017-18 financial statements under the previous accounting standards.

#### Analysis of financial assets that are past due at 30 June 2018 but not impaired

	Past due 30 days \$'000s	Past due 60 days \$'000s	Total \$'000s
User charges	15	1	16

#### (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.

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)
<b>Financial Liabilities</b>		
Payables	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, in order to have sufficient liquidity to meet its liabilities when they fall due. This target was met at 30 June 2019.	As per Treasurer's Instruction 1125 the Office pays within suppliers' credit terms. Where there are no credit terms specified Office policy is to pay within 30 days.



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 Statement of Financial Position:

2019	Maturity analysis for financial liabilities		
	1 Year \$'000s	Undiscounted Total \$'000s	Carrying Amount \$'000s
<b>Financial liabilities</b>			
Payables	125	125	125
<b>Total</b>	<b>125</b>	<b>125</b>	<b>125</b>

2018	Maturity analysis for financial liabilities		
	1 Year \$'000s	Undiscounted Total \$'000s	Carrying Amount \$'000s
<b>Financial liabilities</b>			
Payables	25	25	25
<b>Total</b>	<b>25</b>	<b>25</b>	<b>25</b>

(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. As of 30 June 2019, the Office does not have any interest bearing assets or liabilities. As a result, its exposure to market risk is minimal.

## 9.2 Categories of Financial Assets and Liabilities

AASB 9 Carrying amount (New Standard)		2019 \$'000s
<b>Financial assets</b>		
Cash and cash equivalents		2 832
Amortised cost		1 028
<b>Total</b>		<b>3 860</b>
<b>Financial Liabilities</b>		
Financial liabilities measured at amortised cost		125
<b>Total</b>		<b>125</b>
AASB 139 Carrying amount (Old Standard)		2018 \$'000s
<b>Financial assets</b>		
Cash and cash equivalents		3 550
Loans and receivables		713
<b>Total</b>		<b>4 263</b>
<b>Financial Liabilities</b>		
Financial liabilities measured at amortised cost		25
<b>Total</b>		<b>25</b>

### 9.3 Comparison between Carrying Amount and Net Fair Value of Financial Assets and Liabilities

	Carrying Amount 2019 \$'000s	Net Fair Value 2019 \$'000s	Carrying Amount 2018 \$'000s	Net Fair Value 2018 \$'000s
<b>Financial assets</b>				
Cash in Special Deposits and Trust Fund	2 832	2 832	3 550	3 550
Receivables and work in progress	1 028	1 028	713	713
<b>Total financial assets</b>	<b>3 860</b>	<b>3 860</b>	<b>4 263</b>	<b>4 263</b>
<b>Financial liabilities (Recognised)</b>				
Payables	125	125	25	25
<b>Total financial liabilities (Recognised)</b>	<b>125</b>	<b>125</b>	<b>25</b>	<b>25</b>

### 9.4 Net Fair Values of Financial Assets and Liabilities

The Office does not recognise any financial assets or financial liabilities at fair value.

#### **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 of payables approximate by their carrying amounts.

### NOTE 10 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 2019.

### NOTE 11 OTHER SIGNIFICANT ACCOUNTING POLICIES AND JUDGEMENTS

#### 11.1 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.

The Office charges fees for financial audit services. Since 1 July 2008 the Office has been funded by a direct Parliamentary appropriation for undertaking performance and compliance audits, special investigations and the publishing of statutory reports to Parliament. The Office is also funded through a Parliamentary appropriation for the Auditor-General's salary and associated allowances. Performance audits of Employer functions under the State Service Act are funded by the Department of Premier and Cabinet.

These Financial statements encompass all funds through which the Office controls resources to carry on its functions.

#### 11.2 Basis of Accounting

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

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

The Financial Statements were signed by the Auditor-General and the Chief Operating Officer (COO) on 9 August 2019. Compliance with AAS may not result in compliance with International Financial Reporting Standards (IFRS), as the AAS include requirements and options available to not-for-profit organisations that are inconsistent with IFRS. The Office is considered to be not-for-profit and may adopt some accounting policies under the AAS that do not comply with IFRS. 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 consistent with the previous year. The Financial Statements have been prepared on the basis that the Office is a going concern. The continued existence of the Office in its present form, undertaking its current activities, is dependent on Government policy and partially on continuing appropriations by Parliament for the Office's performance and compliance audits and reporting to Parliament.

### 11.3 Reporting Entity

All the Office's activities are classified as controlled with these Financial Statements including all controlled activities. The Office is a single reporting entity.

### 11.4 Functional and Presentation Currency

These Financial Statements are presented in Australian dollars, which is the Office's functional currency.

### 11.5 Changes in Accounting Policies

#### (a) Impact of new and revised Accounting Standards

In the current year, the Office 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 7 Financial Instruments: Disclosures* – the objective of this Standard is to require entities to provide disclosures in their financial statements that enable users to evaluate the significance of financial instruments for the entity's financial position and performance; and the nature and extent of risks arising from financial instruments to which the entity is exposed during the period and at the end of the reporting period, and how the entity manages those risks. The amendments to this Standard have resulted in a reconciliation being required where there is a reclassification of financial assets or liabilities resulting from the adoption of AASB 9, as a result there is no financial impact.
- *AASB 9 Financial Instruments* – the objective of this Standard is to establish principles for the financial reporting of financial assets and financial liabilities that will present relevant information to users of financial statements for their assessment of the amounts, timing, uncertainty of an entity's future cash flows, and to make amendments to various accounting standards as a consequence of the issuance of AASB 9. AASB 9 has replaced accounting for impairment losses with a forward looking credit loss approach. The Office has applied AASB 9 retrospectively and has not restated comparative information which was reported under AASB 139. The Office's assessment for impairment of receivables at year end did not result in the recognition of any expected credit losses. This is consistent with the assessment in the prior year and, as a result, no adjustment was required to opening equity. For further details of the Office's assessment for impairment of receivables refer to Note 5.1. The only change resulting from the introduction of AASB 9 was in the categorisation of receivables financial assets from loans and receivables under AASB 139, to amortised cost under AASB 9. Other categories remained unchanged. For further details on categories of financial assets and liabilities refer to Note 9.2.



## (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 15 Revenue from Contracts with Customers* – The objective of this Standard is to establish the principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing, an uncertainty of revenue and cash flows arising from a contract with a customer. In accordance with *2015-8 Amendments to Australian Accounting Standards - Effective Date of AASB 15*, this Standard applies to annual reporting periods beginning on or after 1 January 2019. Where an entity applies the Standard to an earlier annual reporting period, it shall disclose that fact. The future impact is to enhance disclosure in relation to revenue from contracts with customers. The financial impact is expected to be minimal.
- *2014-5 Amendments to Australian Accounting Standards arising from AASB 15* – The objective of this Standard is to make amendments to Australian Accounting Standards and Interpretations arising from the issuance of AASB 15 Revenue from Contracts with Customers. This Standard applies when AASB 15 is applied, except that the amendments to AASB 9 (December 2009) and AASB 9 (December 2010) apply to annual reporting periods beginning on or after 1 January 2018. This Standard shall be applied when AASB 15 is applied. The financial impact is expected to be minimal.
- *2016-3 Amendments to Australian Accounting Standards – Clarifications to AASB 15* – The objective of this Standard is to clarify the requirements on identifying performance obligations, principal versus agent considerations and the timing of recognising revenue from granting a licence. This Standard applied to annual periods beginning on or after 1 January 2019. The impact is enhanced disclosure in relation to revenue. The financial impact is expected to be minimal.
- *AASB 16 Leases* – The objective of this Standard is to introduce a single lessee accounting model and require a lessee to recognise assets and liabilities. This Standard applied to annual reporting periods beginning on or after 1 January 2019. The standard will result in most of the Office's operating leases being brought onto the Statement of Financial Position and additional note disclosures. The calculation of the lease liability will take into account appropriate discount rates, assumptions about the lease term, and required lease payments. A corresponding right to use of asset will be recognised, which will be amortised over the term of the lease. There are limited exceptions relating to low-value leases and short-term leases. Operating lease costs will no longer be shown. The Statement of Comprehensive Income impact of the leases will be through amortisation and interest charges. The Office's current operating lease cost is shown in notes 7.1. In the Statement of Cash Flows, lease payments will be shown as cash flows from financing activities instead of operating activities. The financial impact is estimated to affect the Statement of Financial Position in the area of Assets and Liabilities within the range of \$700 000 to \$800 000. The impact on Retained Earnings is expected to be minimal.

### 11.6 Comparative Figures

Comparative figures have been adjusted to reflect any changes in accounting policy or the adoption of new standards. Details of the impact of changes in accounting policy on comparative figures are at Note 11.5.

Where amounts have been reclassified within the Financial Statements, the comparative statements have been restated.

The comparatives for external administrative restructures are not reflected in the Financial Statements.

### 11.7 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 Statements include a note expressing the amount to the nearest whole dollar.

### 11.8 Office Taxation

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

### 11.9 Goods and Services Tax

Revenue, expenses and assets are recognised net of the amount of Goods and Services Tax, except where the GST incurred is not recoverable from the Australian Taxation Office (ATO). 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 Statement of Financial Position.

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

## NOTE 12 AUDITOR'S REMUNERATION

The Governor, on recommendation of the Treasurer, in accordance with the Audit Act, appoints the auditor of the Tasmanian Audit Office. Nexia Melbourne Audit Pty Ltd were appointed in 2019 for a period of three years.

	2019 \$'000s	2018 \$'000s
Financial audit fees	19	18
Fee to review key performance indicator report	2	2
<b>Total Auditor's remunerations</b>	<b>21</b>	<b>20</b>

## NOTE 13 PRINCIPAL ADDRESS AND REGISTERED OFFICE

Level 8  
144 Macquarie St  
Hobart TASMANIA 7000

## ACRONYMS AND ABBREVIATIONS

AAG	Assistant Auditor-General
AAS	Australian Auditing Standards
ACAG	Australasian Council of Auditors-General
ATO	Australian Taxation Office
AUASB	Assurance Standards Board
Audit Act	<i>Audit Act 2008</i>
CA ANZ	Chartered Accountants Australia and New Zealand
COO	Chief Operating Officer
CSS	Corporate Support and Strategy
EAP	Employee Assistance Program
EOI	Expressions of Interest
EOY	End of Year
FAS	Finance Audit Services
FBT	Fringe Benefits Tax
FMAA	<i>Financial Management and Audit Act 1990</i>
FRAC	Financial Reporting and Auditing Committee
FTEs	Full Time Employees
HOFA	Heads of Financial Audit Group
HR	Human Resources
IFRS	International Financial Reporting Standards
IPSAM	Integrated Public Sector Audit Methodology
KPIs	key performance indicators
LSL	long service leave
PAC	Parliamentary Standing Committee of Public Accounts
PAS	Performance Audit Services
PID Act	<i>Public Interest Disclosures Act 2002</i>
Q&S	Quality and Standards
RTI Act	<i>Right to Information Act 2009</i>
SEMG	Senior Executive Leadership Group
SSMO	State Service Management Office
State Service Act	<i>State Service Act 2000</i>
the Act	<i>Financial Management Act 2016</i>
the Office	Tasmanian Audit Office
TIs	Treasurer's Instructions
WHS	Workplace Health and Safety
WIP	Work In Progress





# Appendices

## APPENDIX 1: ASX GOVERNANCE PRINCIPLES

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### PRINCIPLE 1 – EFFECTIVE MANAGEMENT OVERSIGHT

#### **ASX Governance Principle 1 – Lay solid foundations for management and oversight: Recommendations 1.5 and 1.7**

The Auditor-General is a statutory appointment under the Audit Act and the Head of Agency under the State Service Act. The Auditor-General guides and monitors the business and affairs of the Office on behalf of the Parliament. The Office does not, therefore, operate under a board which means there is a risk of no independent input into the operations of the Office.

This is addressed by the existence of the Audit Committee whose role is 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.

The organisational structure facilitates greater accountability of the Office against its strategic objectives by separating the Auditor-General from day to day administration of the Office. It also provides enhanced independence for the AAG Quality and Standards (Q&S) from the conduct of audits.

The performance of the Auditor-General is not separately evaluated other than by Parliamentary and Client surveys.

The Auditor-General is supported by:

- Executive Committee
- Audit Committee
- the appointment of selected individual staff to fulfil prescribed positions that are provided with the training and resources necessary to fulfil their allocated functions. Their roles are outlined to them at the times of their appointment.

The Auditor-General delegates to Executive Committee responsibility for strategic matters, operation and administration of Office functions, and activities to the COO and AAGs who ensure the efficiency of operations. AAGs report to Executive Committee. The COO reports to the Auditor-General on a weekly basis.

The main responsibilities of Executive Committee are satisfied through meetings held on a regular basis (usually once every month or whenever a need arises). Meetings are administrated on a three (3) month rotational basis and the relevant AAG arranges agenda, together with papers concerning items for discussion and minutes of discussions and actions. Items reviewed at each meeting include (but are not limited to) financial results for the period, performance against budgets, Office and business unit objectives, reports from AAGs, risk management, workplace health and safety matters, continuous improvement registers, achievements against governance responsibilities and discussion on strategic matters, discussions and decisions regarding recruitment, policy development, business cases and capital expenditure.

Outcomes from deliberations by Executive Committee are communicated to all staff via communiqués.

The main responsibilities of the AAGs, in addition to those detailed above include to:

- effectively and efficiently manage their respective units in order to achieve agreed business unit objectives
- achieve budgeted revenue and operate within budgeted expenditure
- ensure audits are completed to satisfactory levels of quality
- manage risk.

For all major projects, as determined by Executive Committee, a project team is established to provide oversight or progress and ensure that project deliverables are met. Project managers report back to Executive Committee as per the project's communication strategy.

The Office follows the State Service Diversity and Inclusion Policy and associated State Service Diversity and Inclusion Framework. The Office has established gender diversity commitments through the adoption of the Office's Diversity and Inclusion Strategy and Action Plan 2017-2020.

With respect to evaluating the performance of its senior staff at least annually, the Office requires all staff to be regularly evaluated for performance in accordance with the Office's Performance Management Policy.

## **PRINCIPLE 2 – APPROPRIATE LEADERSHIP, ETHICS, CULTURE AND RESPONSIBLE DECISION-MAKING**

### **ASX Governance Principle 3 – Instil a culture of acting lawfully, ethically and responsibly: Recommendations 3.1, 3.2, 3.3 and 3.4**

This principle is achieved by the Office implementing:

- relevant corporate planning processes involving all staff. This includes agreement on strategic objectives and associated critical success factors and reporting mechanisms
- an effective code of conduct – the Office applies the code of conduct established in the State Service Act details of which are available to all staff through the Guide to Conduct in the Tasmanian Audit Office
- the Office's agreed values which are Professionalism, Respect, Camaraderie, Customer Service and Continuous Improvement. These values are embedded in Executive Committee meeting arrangements and considered whenever decisions are made
- processes to ensure that the Office complies with its statutory obligations and the appointment of appropriate staff to fulfil statutory positions
- a requirement for staff to annually declare conflicts of interest (conflict of interest declarations are also made at the planning stages of all audits) and understanding of, and compliance with, the code of conduct and values
- relevant policies and procedures
- have an ongoing dialogue with the Integrity Commission
- deliver training programs developed by the Integrity Commission, and by other relevant trainers on ethics and integrity, to all Office staff
- prompt action to investigate reports of practices that are unethical or contrary to the Office's values
- follows the mandatory procedures required by public bodies under the *Public Interest Disclosures Act 2002*
- have a Fraud and Corruption Policy and supporting procedures.

The objective of this principle is for the Auditor-General and Executive Committee to ensure that all staff in the Office act with utmost integrity and objectivity, striving at all times to enhance the reputation and performance of the Office.

All staff in the Office have a degree of responsibility for leadership. In this regard the Office operates as one team supporting each other with the common goal of achieving individual and corporate objectives.



## PRINCIPLE 3 – SAFEGUARD INTEGRITY IN FINANCIAL REPORTING

### ASX Governance Principle 4 – Safeguard the integrity of corporate reports: Recommendations 4.1 and 4.2

There are two (2) elements to this principle:

- Integrity in financial reporting – in this regard, the Office will:
  - apply appropriate short and long-term budgeting processes
  - prepare annual financial statements consistent with the model financial statements as required by Treasurer's Instructions and, therefore compliant with Australian Accounting Standards. These model statements are regarded as a minimum requirement. Where relevant, additional disclosures will be made, consistent with the need to be fully transparent and accountable for our financial performance
  - the annual financial statements will be accompanied by representations of compliance by each member of the Executive Committee and certification of the financial report by the COO and the Auditor-General. These representations and certifications will be completed by no later than 14 August each year
  - the annual financial statements will be independently audited
- Integrity in annual reporting – in this regard, the Office will:
  - prepare an annual report that accounts to Parliament performance in achieving our strategic and corporate objectives at both a business unit and whole-of-office level. This report will be prepared and submitted to the Treasurer in good time to facilitate tabling by prior to 31 October each year
  - demonstrate leadership by including in the annual report:
    - an appropriate Management Discussion and Analysis
    - independently reviewed key performance indicators
  - include in the annual report details of the Office's governance and risk management practices.

Consistent with its Charter, the Audit Committee reviews the Office's financial statements before they are certified in accordance with the *Financial Management Act 2016* as well as the annual report, the latter being an 'after the event' exercise.

The external auditors, who are appointed by the Governor for a three plus two year period, present their audit plan and audit findings to the Audit Committee for review. The Committee advises the Auditor-General on any significant matters that may arise from such review.

The development of true and fair financial reports and of reliable indicators of performance requires the existence of effective corporate policies and internal systems. These are the responsibility of the COO and the AAG CSS.

With respect to the Office's Audit Committee, it is comprised of two independents (one being the chair of the Committee) and one internal member. The Office's annual report states the number of times the Audit Committee met during the relevant financial year.

## PRINCIPLE 4 – EXTERNAL STAKEHOLDER RELATIONSHIPS

### ASX Governance Principle 6 – Respect the rights of security holders: Recommendation 6.1

The Auditor-General's client is the Parliament of Tasmania. The Office's clients are:

- the Auditor-General (as a statutory position)
- State entities as defined in the Audit Act and any other entities where an audit engagement has been entered into by arrangement under the Audit Act
- auditing firms engaged to conduct financial or performance audits on the Office's behalf.

The Office's stakeholders include members of Parliament, the Parliamentary Advisory Committee (PAC), the media, the public, agency management and Office staff.

Practices the Office will apply to ensure effective communication and relations with these stakeholders include:

- the Auditor-General:
  - offers to meet with Members of Parliament from time to time (not less than biennially) to, amongst other things, gauge their assessment of the Office's performance and assess their views on projects undertaken and reports tabled
  - meets with the Premier, Treasurer and Leaders of the Opposition parties biennially for the same reason
  - conducts independent surveys of Parliamentarians and Agencies aimed at assessing the Office's performance
  - complies with the informal memorandum of understanding with the PAC aimed at maintaining and improving respective understanding each other's roles and improving public sector accountability
  - meets with Secretaries, Chief Executive Officers and equivalent levels of management in Councils and other State entities from time to time to, amongst other things, gauge their assessment of our performance
  - meets with relevant media at least annually
  - meets with other interest groups as decided from time to time
  - meets with other Auditors-General at least biennially.
- the COO and heads of the FAS and PAS business units:
  - meet with senior client management, including those charged with governance, as appropriate. The objectives will be to ensure strong understanding of client operations, effectively planned and completed audits and management of risk. Relevant surveys will be conducted from time to time
  - present audit findings to the appropriate forums including to Parliamentarians
  - meet with relevant media from time to time
  - arrange client training forums as required
  - arrange forums with members of audit committees from time to time.
- the AAG CSS (where relevant and subject to advance approval of the COO) participates in state-wide committees established to consider, review and manage corporate policies in the general Government Sector. Where such involvement may prejudice the Office's independence, approval will not be granted.
- the AAG FAS will also:
  - meet with contracted auditors as appropriate

In addition, the Office will:

- on each occasion that plans are finalised for a FAS special project or a PAS audit, place such plans on the Office's website
- on each occasion that a FAS or PAS report is tabled in the Parliament, offer to brief Parliamentarians on those reports and issue a media statement
- place all reports and media statements on the Office's website.

## **PRINCIPLE 5 – RECOGNISE AND MANAGE RISK**

### **ASX Governance Principle 7 – Recognise and manage risk: Recommendations 7.1, 7.2 and 7.3**

Under the *Financial Management Act 2016* (the Act), the Auditor-General is responsible for among other requirements, ensuring:

- the effective and efficient use of resources in achieving the Government's objectives
- that the Office's financial management processes, records, procedures, controls and internal management structures are appropriate, and
- the custody, control and management of (and accounting for), all public property, public money, other property and other money in the possession of (or under the control of), the Office.

Accordingly, it is incumbent on the Office to ensure that appropriate risk management practices and procedures are in place to recognise and mitigate the Office's exposure to risks, where practicable.

It is Office policy that all risks be identified, assessed, monitored and managed. This is a responsibility of the Auditor-General and Executive Committee. The approach applied is consistent with the risk management standard ([AS ISO 31000:2018 Risk Management – Guidelines](#)).

The Office has developed a risk management policy and implemented the mechanisms to manage, report and regularly evaluate its risks. These processes resulted in:

- the development of a risk based three (3) year internal audit plan
- a risk register documenting all identified risks ranked with the first being 'severe' requiring focussed management attention and better internal control implementation (where practicable), regular assessment and reporting to the last being 'low' which is managed through the existing control environment
- the development of risk management plans for the highest rated operational risks
- a reporting regime for the Auditor-General and Executive Committee.

The Office manages these risks in the following manner by:

- structuring Executive Committee agendas to include a focus on managing identified risks
- regularly re-assessing Office performance in managing risks and rating of risks
- allocating risk management responsibilities
- requiring Business Units to take responsibility for risks relevant to them by including these in annual business plans
- including in the Charter of the Audit Committee a requirement for it to review the Office's risk management practices and its risk based internal audit program
- including in the three (3) year internal audit program a requirement for the Office's internal auditor to assess our progress in managing risks

- requiring AAGs to certify annually to the Auditor-General that they have complied with allocated responsibilities relating to managing risk
- including in the Office's annual report a summary of risk management policies and any outcomes there-from.

In addition to the risk management policies and practices outlined, the COO and AAG CSS are required to:

- design internal controls and associated reporting mechanisms to ensure that, bearing in mind the Office's small staff establishment and therefore the associated difficulty in ensuring adequate separation of responsibilities
- ensure that the Office's financial, human resource and information systems controls operate effectively
- ensure that the Office's business continuity and disaster recovery systems operate effectively and are regularly tested
- ensure that effective internal reporting mechanisms are in place including relevant exception reporting.

To the extent, and without abrogating responsibility, relevant controls are included in the SLA for certain corporate functions undertaken by the DoJ.

## **PRINCIPLE 6 – REMUNERATE FAIRLY AND RESPONSIBLY**

### **ASX Governance Principle 8 – Remunerate fairly and responsibly: Recommendation 8.1**

The Auditor-General will assess on a regular basis the performance and salary packages where applicable of the COO and the AAG Q&S. The COO assesses the AAG FAS, AAG PAS and AAG CSS. This will be done within the context of the Tasmanian Public Sector.

The Office has established a Remuneration Committee being members of the Executive Committee. AAGs will evaluate the performance of respective staff in accordance with the Office's performance management system including the timely assessment of performance relating to annual salary progressions and advanced assessments.

In the absence of an Office specific industrial agreement, the Remuneration Committee must ensure that the remuneration arrangements accord with the relevant Tasmanian Public Sector award(s). This Committee's deliberations will include comparative assessment of outcomes from the Office's performance management system as it relates to all staff.



## APPENDIX 2: SERVICE ON OTHER COMMITTEES

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As at 30 June 2019, our executive staff and senior managers were members of the following committees, professional associations, panels, working parties and community organisations:

### ROD WHITEHEAD

Australasian Council of Auditors-General (ACAG) – Member

ACAG – Financial Reporting and Auditing Committee (FRAC) – Chair

### RIC DE SANTI

ACAG-FRAC – Tasmanian Audit Office representative

ACAG – Heads of Financial Audit Group (HOFA) – Chair

CPA Australia – Board of Directors – Director (from 1 October 2017)

CPA Australia – Audit, Risk and Compliance Committee – Member (from 1 October 2017)

CPA Australia – Member Engagement Committee – Member (from 1 October 2017)

CPA Australia – Tasmanian Divisional Council – Deputy President

CPA Australia – Public Sector Network – Tasmanian representative

Catholic Education Commission of Tasmania – Commissioner and Chair of Resources and Sustainability Standing Committee

### PATTY JOHNSON

State Service Management Office (SSMO) Representative – HR Forum

ACAG – Corporate Services Managers Group – Tasmanian Audit Office Representative

ACAG – Data Analytics Group – Tasmanian Audit Office Representative

### STEPHEN MORRISON

ACAG – HOFA – Tasmanian Audit Office representative

### JEFF TONGS

ACAG – FRAC – Tasmanian Audit Office representative

ACAG – Auditing Standards Committee – Tasmanian Audit Office representative

Australian Auditing and Assurance Standards Board – Project Advisory Group – Public Sector Issues – Member (from 7 March 2019)

### JANINE McGUINNESS

Working It Out Inc. – Board Member and Treasurer (to 31 December 2018)

### SIMON SCOTT

Association of Corporate Counsel Australia (Tasmania Division) – Committee Member

Hobart Friendly Society Dispensary Ltd – Non-Executive Company Director

## APPENDIX 3: SPEECHES, PRESENTATIONS AND OTHER REPRESENTATIONS

We encourage our staff to participate in events and committees relevant to the objectives of the Office.

External speeches and presentations delivered during 2018-19 are listed below.

Date	Event	Presenter/s
6 July 2018	<b>Presentation –</b> Institute of Internal Auditors, Hobart <i>"Comparisons between private sector and public sector auditing"</i>	Rod Whitehead
16 July 2018	<b>Presentation –</b> Local Government Forum, Flinders Island <i>"Role of the Auditor-General"</i>	Stephen Morrison
17 November 2018	<b>Presentation –</b> Local Government Association of Tasmania, Launceston <i>"Role of the Auditor-General and Tasmanian Audit Office"</i>	Rod Whitehead
6-7 March 2019	<b>Presentation –</b> Local Government Audit Panel Training Workshop, Hobart and Launceston <i>"Tasmanian Audit Office Update"</i>	Rod Whitehead Ric De Santi
15 March 2019	<b>Panel discussion –</b> Tasmanian Leaders Program, Hobart <i>"Transparency and Trust in the Bureaucracy"</i>	Rod Whitehead
23 March 2019	<b>Presentation –</b> Local Government Elected Members Training, Launceston <i>"Role of the Auditor-General and Tasmanian Audit Office"</i>	Rod Whitehead
4 April 2019	<b>Presentation –</b> Council General Managers Meeting, Launceston <i>"Accounting and audit update"</i>	Ric De Santi Stephen Morrison
5 April 2019	<b>Presentation –</b> Local Government Asset management Group, Launceston <i>"Accounting and audit update"</i>	Ric De Santi Stephen Morrison
8 May 2019	Tasmanian Audit Office Client Information Session, Devonport	Rod Whitehead Ric De Santi Jeff Tongs Stephen Morrison Jan Lynch

Date	Event	Presenter/s
9 May 2019	Tasmanian Audit Office Client Information Session, Hobart	Rod Whitehead Ric De Santi Jeff Tongs Stephen Morrison Janine McGuinness Simon Andrews
24 May 2019	<b>Guest Lecture –</b> University of Tasmania, Hobart <i>“Audit finalisation and reporting”</i>	Stephen Morrison
29 May 2019	Tasmanian Audit Office Audit Committee and Senior Executive Information Session, Hobart	Rod Whitehead Ric De Santi Jeff Tongs Stephen Morrison
29 May 2019	<b>Presentation –</b> CPA Australia Discussion Group, Hobart <i>“Trust, transparency and its impact on you”</i>	Rod Whitehead Ric De Santi Stephen Morrison
29 May 2019	2018 Tasmanian School of Business and Economics Prize Awards	Jessica Leonard
19 June 2019	<b>Presentation –</b> Hospital Access Solutions Summit, Hobart <i>“Performance of Tasmania’s four major hospitals in the delivery of Emergency Department services”</i>	Rod Whitehead Steven Vlahos
20 June 2019	<b>Presentation –</b> Human Resources Forum (HR Managers), Hobart <i>“Performance Management in the Tasmanian State Service: a focus on quality conversations”</i>	Rod Whitehead Janine McGuinness

## APPENDIX 4: LIST OF CLIENTS DURING 2018-19

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Aboriginal Land Council of Tasmania<sup>1</sup>

- palawa Enterprise Pty Ltd<sup>1, 4</sup>
- palawa Enterprise Unit Trust<sup>1, 4</sup>

AMC Search Ltd

ANZAC Day Trust

Asbestos Compensation Fund

Aurora Energy Pty Ltd

Board of Architects of Tasmania<sup>3</sup>

Brand Tasmania

Break O'Day Council

Brighton Council<sup>1</sup>

- Brighton Industrial and Housing Corporation Pty Ltd<sup>2</sup>
- Microwise Australia Pty Ltd<sup>1</sup>

Burnie City Council

- Tas Communications Unit Trust

Central Coast Council

Central Highlands Council<sup>1</sup>

Circular Head Council<sup>1</sup>

Clarence City Council

Copping Refuse Disposal Site Joint Authority<sup>1</sup>

- C Cell Unit Trust<sup>1</sup>
- C Cell Pty Ltd<sup>1, 4</sup>

Council of Law Reporting

Cradle Coast Authority

Department of Communities Tasmania

- Housing Tasmania
- Tasmanian Affordable Housing Limited

Department of Education including:

- Office of Tasmanian Assessment, Standards and Certification

Department of Health and Human Services including:

- Ambulance Tasmania
- Tasmanian State Pool Account

Department of Justice

Department of Police, Fire and Emergency Management<sup>1</sup>

Department of Premier and Cabinet

Department of Primary Industries, Parks, Water and Environment

Department of State Growth including:

- Abt Railway Ministerial Corporation
- Tasmania Development and Resources
- Tasmanian Museum and Art Gallery

Department of Treasury and Finance



Derwent Valley Council  
 Devonport City Council  
 Dorset Council<sup>1</sup>

- NE Care<sup>1</sup>

Dulverton Regional Waste Management Authority  
 Flinders Council<sup>1</sup>  
 Forest Practices Authority  
 George Town Council  
 Glamorgan Spring Bay Council  
 Glenorchy City Council  
 Hobart City Council  
 House of Assembly  
 Huon Valley Council

- Geeveston Town Hall Company Ltd<sup>2</sup>

Hydro-Electric Corporation<sup>1</sup>

- Bell Bay Power Pty Ltd<sup>2</sup>
- Lofty Ranges Power Pty Ltd<sup>2</sup>
- Bell Bay Three Pty Ltd<sup>2</sup>
- RE Storage Holding Pty Ltd<sup>2</sup>
- Hydro Tasmania Consulting (Holding) Pty Ltd<sup>2</sup>
- HT Wind Operations Pty Ltd<sup>2</sup>
- AETV Pty Ltd<sup>2</sup>
- Woolnorth Bluff Point Holdings Pty Ltd<sup>2</sup>
- Woolnorth Studland Bay Holdings Pty Ltd<sup>2</sup>
- Heemskirk Holdings Pty Ltd<sup>2</sup>
- Heemskirk Wind Farm Pty Ltd<sup>2</sup>
- HT Wind Developments Pty Ltd<sup>2</sup>
- HT Wind New Zealand Pty Ltd<sup>2</sup>
- Momentum Energy Pty Ltd<sup>1</sup>

Inland Fisheries Service<sup>1</sup>  
 Integrity Commission  
 Kentish Council  
 King Island Council  
 Kingborough Council

- Kingborough Waste Service Pty Ltd<sup>2</sup>

Latrobe Council  
 Launceston City Council

- Launceston Flood Authority

Legal Aid Commission of Tasmania  
 Legal Profession Board  
 Legislative Council  
 Legislature-General

Local Government Association of Tasmania  
 Macquarie Point Development Corporation  
 Marine and Safety Tasmania<sup>1</sup>  
 Meander Valley Council  
 Metro Tasmania Pty Ltd
 

- Metro Coaches (Tas) Pty Ltd<sup>2</sup>

 Motor Accidents Insurance Board<sup>1</sup>  
 National Trust of Australia (Tasmania)  
 Northern Midlands Council  
 Northern Tasmanian Development Corporation  
 Office of the Director of Public Prosecutions  
 Office of the Governor  
 Office of the Ombudsman and Health Complaints Commissioner  
 Port Arthur Historic Site Management Authority<sup>1</sup>  
 Private Forests Tasmania  
 Property Agents Board  
 Property Agents Trust  
 Public Trustee  
 Royal Tasmanian Botanical Gardens  
 Solicitors' Trust  
 Sorell Council<sup>1</sup>  
 Southern Midlands Council<sup>1</sup>

- Heritage Building Solutions Pty Ltd<sup>2</sup>
- Heritage Education and Skills Centre Pty Ltd<sup>2</sup>

 Southern Tasmanian Councils Association  
 State Fire Commission<sup>1</sup>  
 Superannuation Commission<sup>1</sup>  
 Sustainable Timber Tasmania
 

- Newood Holdings Pty Ltd
- Newood Energy Pty Ltd<sup>2</sup>
- Newood Huon Pty Ltd<sup>2</sup>
- Newood Smithton Pty Ltd<sup>2</sup>

 Tasman Council<sup>1</sup>  
 Tasmania University Union, Inc.  
 Tasmanian Beef Industry (Research and Development) Trust<sup>1</sup>  
 Tasmanian Building and Construction Industry Training Board  
 Tasmanian Community Fund  
 Tasmanian Dairy Industry Authority  
 Tasmanian Economic Regulator  
 Tasmanian Health Service  
 Tasmanian Heritage Council  
 Tasmanian Irrigation Pty Ltd

Tasmanian Networks Pty Ltd

- FortyTwo24 Pty Ltd
- Large Scale Renewables<sup>2</sup>
- Marinus Link Pty Ltd<sup>2</sup>
- Tasnetworks Holdings Pty Ltd<sup>2</sup>

Tasmanian Pharmacy Authority<sup>3</sup>

Tasmanian Ports Corporation Pty Ltd

- Bass Island Line Pty Ltd
- Flinders Island Ports Corporation Pty Ltd<sup>2</sup>
- King Island Ports Corporation Pty Ltd<sup>2</sup>

Tasmanian Public Finance Corporation

Tasmanian Railway Pty Ltd

Tasmanian Timber Promotion Board<sup>3</sup>

Tasmanian Water and Sewerage Corporation Pty Ltd

Tasracing Pty Ltd

TasTAFE

Teachers Registration Board

The Nominal Insurer

Theatre Royal Management Board

Togari Drainage Trust<sup>4</sup>

Tourism Tasmania

Treasurer's Annual Financial Report including:

- General Government Sector Financial Statements
- Public Account Statements
- Total State Sector Financial Statements

TT Line Company Pty Ltd

University of Tasmania

- Sense-Co Tasmania Pty Ltd<sup>2</sup>
- University of Tasmania Foundations Inc.
- UTAS Holdings Pty Ltd<sup>2</sup>

Waratah-Wynyard Council<sup>1</sup>

Wellington Park Management Trust

West Coast Council<sup>1</sup>

West Tamar Council

Workcover Tasmania Board

**Key:**

1. Audits outsourced to external audit service provider
2. Audits dispensed with but subject to procedures as part of the group audit of the controlling entity
3. Audits dispensed with where financial reporting and audit arrangements are appropriate
4. Did not trade in 2018-19

## APPENDIX 5: EXTERNAL AUDIT SERVICE PROVIDERS

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The Office can appoint contractors under section 33 of the Audit Act to provide the following services:

- a. financial attest audits of Tasmanian State entities or subsidiaries of those State entities, of any part thereof or
- b. performance audits examining the efficiency, effectiveness and economy of a State entity, a number of State entities, or a part of a State entity or a subsidiary of a State entity, or any part thereof or
- c. examination into any matter relating to the accounts of the Treasurer, a State entity or a subsidiary of a State entity, or any part thereof or
- d. examination into any matter relating to public money, other money or to public property or other property, or any part thereof or
- e. compliance audits examining the compliance by a State entity or a subsidiary of a State entity with written laws or its own internal policies, or any part thereof
- f. audits or reviews of the Employer functions under the State Service Act and
- g. draft reports to Parliament, or any part thereof on results of the above.

The Office maintains a Standing Panel of Audit Service Providers to provide these financial audit services.

The Office's Standing Panel of Audit Service Providers expired on 31 March 2019. The Office issued a Request for Tender in October 2018 to appoint a new Standing Panel (Financial Audit Services) for a three-year term, with an option to extend the arrangement for a further three years. The following eleven firms lodged successful tenders and have been invited and/or appointed to form the new Standing Panel.

- BDO Audit (TAS) – Hobart
- Bentleys Tasmania Audit Pty Ltd – Hobart
- Crowe Horwath Audit Australia – Hobart
- Deloitte Touche Tohmatsu – Hobart
- Ernst & Young – Melbourne
- KPMG – Hobart and Launceston
- PricewaterhouseCoopers Australia – Melbourne
- RSM Australia Pty Ltd – Melbourne
- Ruddicks Chartered Accountants – Launceston
- Synectic Audit and Assurance Pty Ltd – Devonport
- WLF Accounting & Advisory – Hobart

The following table sets out the commitments to external audit service providers for 2018-19 financial statement audits.



Client	Contractor	Service Description	Fee ex GST
Aboriginal Land Council of Tasmania	Financial Attest Audit	Crowe Horwath	\$6 010
Aurora Energy Pty Ltd	Capstone Asia Pacific Pty Ltd	IT and Controls Advisory Services	\$9 200
Brighton Council (including Microwise Australia Pty Ltd)	Financial Attest Audit	WLF	\$28 500
Central Coast Council	Financial Attest Audit	Deloitte	\$25 510
Central Highlands Council	Financial Attest Audit	Crowe Horwath	\$20 640
Circular Head Council	Financial Attest Audit	Crowe Horwath	\$26 000
Copping Refuse Disposal Site Joint Authority (Southern Waste Solutions)	Financial Attest Audit	BDO	\$13 100
Department of Health and Human Services	Deloitte	IT Controls Advisory Services	\$12 410
Department of Police and Emergency Management	Financial Attest Audit	KPMG	\$56 890
Department of Premier and Cabinet	KPMG	IT Controls Advisory Services	\$9 500
Department of Primary Industries, Parks, Water and Environment	IT Controls Advisory Services	Deloitte	\$17 000
Dorset Council (including North East Care Inc.)	Financial Attest Audit	KPMG	\$22 100
Flinders Council	Financial Attest Audit	Ruddicks	\$18 700
Hydro-Electric Corporation and Momentum Energy Pty Ltd	Financial Attest Audit	KPMG	\$296 440
Inland Fisheries Service	Financial Attest Audit	Crowe Horwath	\$15 290
Hobart City Council	Actuarial Report Review	The Heron Partnership	\$4 250
Marine and Safety Tasmania	Financial Attest Audit	Crowe Horwath	\$13 000
Launceston City Council	Actuarial Report Review	The Heron Partnership	\$4 250
Motor Accidents Insurance Board of Tasmania	Financial Attest Audit	RSM Bird Cameron	\$73 490
Northern Tasmanian Regional Development Corporation Ltd	Financial Attest Audit	Crowe Horwath	\$5 150
Port Arthur Historic Site Management Authority	Financial Attest Audit	WLF	\$30 230
Sorell Council	Financial Attest Audit	WLF	\$21 360

Client	Contractor	Service Description	Fee ex GST
Southern Midlands Council	Financial Attest Audit	Bentleys Tasmania	\$21 900
Southern Tasmanian Councils Association	Financial Attest Audit	Bentleys Tasmania	\$4 550
State Fire Commission	Financial Attest Audit	KPMG	\$42 180
Superannuation Commission (as Trustee of the Retirement Benefits Fund)	Financial Attest Audit	RSM Bird Cameron	\$65 030
Tasman Council	Financial Attest Audit	WLF	\$19 710
Tasmanian Beef Industry (Research and Development) Trust	Financial Attest Audit	Crowe Horwath	\$970
Tasmanian Health Service	Deloitte	IT Controls Advisory Services	\$12 410
Tasmanian Heritage Council	Financial Attest Audit	Bentleys Tasmania	\$3 400
Tasmanian Ports Corporation Pty Ltd (including Bass Island Line)	Financial Attest Audit	Deloitte	\$94 480
Tasmanian Public Finance Corporation (TasCorp)	Review management position paper – AASB 9 <i>Financial Instruments</i>	Deloitte	\$25 000
TasCorp	Valuation of financial instruments	Deloitte	\$46 000
Tasmanian Risk Management Fund	Actuarial peer review of TRMF insurance liabilities	PWC	\$22 000
Waratah-Wynyard Council	Financial Attest Audit	Crowe Horwath	\$23 000
Wellington Park Management Trust	Financial Attest Audit	Bentleys Tasmania	\$4 450
West Coast Council	Financial Attest Audit	Synectic	\$20 570

Audit Office of New South Wales, Queensland Audit Office, KPMG and Deloitte also provided assistance on a number of financial audits conducted by the Tasmanian Audit Office. The value of this work was \$129,213 (GST exclusive).

The following table sets out other contracts entered into during the 2018-19 financial year not associated with financial statement audits.

Client	Contractor	Service Description	Fee ex GST
Tasmanian Audit Office	Capstone Asia Pacific Pty Ltd	Quality Assurance Review	\$13 720
Tasmanian Audit Office	Deloitte	Performance Audit Support – ICT Strategy and Critical Systems	\$165 000

<b>Client</b>	<b>Contractor</b>	<b>Service Description</b>	<b>Fee ex GST</b>
Tasmanian Audit Office	Dundonald Pty Ltd (trading as Tomten Consulting)	Human Resource Services	<b>\$8 700</b>
Tasmanian Audit Office	Hays Specialist Recruitment	Human Resources Services	<b>\$35 500</b>
Tasmanian Audit Office	Insights Performance Impact Consulting – Performance Audit	Performance Audit Support – Emergency Department (Phase 2 & 3)	<b>\$86 800*</b>
Tasmanian Audit Office	Insights Performance Impact Consulting Pty Ltd	Performance Audit Support – Prisons Audit	<b>\$49 000</b>
Tasmanian Audit Office	Insights Performance Impact Consulting Pty Ltd	Performance Audit Support – Emergency Department	<b>\$49 000</b>
Tasmanian Audit Office	Ernst & Young	Performance Audit Support – Royal Hobart Hospital Redevelopment Project	<b>\$100 000</b>
Tasmanian Audit Office	Insights Performance Impact Consulting Pty Ltd	Fiji Twinning Project Support	<b>\$7 000</b>
Tasmanian Audit Office	John William Leaf (trading as Leaf Consulting)	Performance Audit Support	<b>\$30 000</b>
Tasmanian Audit Office	Mudmap Consulting Pty Ltd	Performance Audit Support	<b>\$6 000</b>
Tasmanian Audit Office	Mudmap Consulting Pty Ltd	Performance Audit Support – Emergency Department	<b>\$6 600</b>
Tasmanian Audit Office	Sean Lewis Green (trading as GAP Business Consulting)	Admin/IT Services	<b>\$2 600</b>
Tasmanian Audit Office	Synectic	Performance Audit Support – Expressions of Interest (EOI) Investment Opportunities in National Parks	<b>\$180 000</b>

**Note:**

\* Refer to page 96 for details of approval provided for direct/limited submission sourcing in accordance with Treasurer's Instructions 1114.

## APPENDIX 6: ASSET MANAGEMENT, RISK AND PRICING POLICY, AND GOVERNMENT PROCUREMENT

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### ASSET MANAGEMENT

The financial statements for 2018-19 contain full details of our assets. 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. In addition the Office tracks portable and attractive items on a register also held in the Office's financial management system. This register is reviewed annually.

### MANAGING RISK

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.

During 2018-19 we continued to monitor our key risks and associated treatment plans. Our key business risks are:

- inadequate management of risk
- issuance of inappropriate audit opinion/Parliamentary report
- inappropriate use of client information and/or audit working papers or findings
- loss of confidence in the Auditor-General and the Office
- failure to look after our people
- loss of key resources.

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.

A report on the status of risk treatments identified on the registers is periodically presented to the Executive Committee and the Audit Committee.

Our strategic internal audit program is structured around our risks with internal audits generally being undertaken based on our risks.

In addition to internal audits, we address our risks through steps such as:

- identifying audit topics of public interest
- regularly meeting with Parliamentarians and key clients
- quality assurance reviews
- independent 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 financial projections
- ensuring we are properly governed
- insurance.



Our insurance arrangements are with the Tasmanian Risk Management Fund and our insurance cover is for travel, general property, personal accident, transit, motor vehicles, general liability and workers compensation.

## PRICING POLICIES

Fees for financial audits are determined by the Auditor-General pursuant to section 27 of the Audit Act. The basis for setting fees is to be described in a report to Parliament dealing with the results of financial audit of State entities. The latest basis was detailed in the Report of the Auditor-General No.9 of 2017-18 Volume 4, available from our website.

## GOVERNMENT PROCUREMENT

### Support for Local Business

The Office ensures Tasmanian businesses are given every opportunity to compete for Office business. It is the Office's policy to support Tasmanian business whenever it offers the best value for money for the Government. Periodically the Office calls for businesses to register for the provision of external audit services on behalf of the Auditor-General (see Appendix 5).

The following details are provided in accordance with Treasurer's Instruction 1111 and 1213 for all contracts awarded (excluding consultancies) and tenders called during 2018-19 with values in excess of \$50 000.

#### Summary of Participation by Local Business

(for contracts, tenders and/or quotation processes with a value of \$50 000 or over, ex GST)

Total number of contracts awarded	20
Total number of contracts awarded to Tasmanian businesses	15
Value of contracts awarded*	\$695 800
Value of contracts awarded to Tasmanian businesses*	\$344 000
Total number of tenders called and/or quotation processes run	6
Total number of bids and/or written quotations received	20
Total number of bids and/or written quotations received from Tasmanian businesses	13

Includes official orders and quotations entered into during the 2018-19 financial year from the Standing Panel of Audit Service Providers as referred in Appendix 5.

\* Value of contracts does not include Official Orders for work issued under the Standing Panel contract.

## Contracts with a value of \$50 000 or over (ex GST) and excluding consultancy contracts

Name of Contractor	Contractor Location	Client	Service Description	Contract Period	Total Contract Value
Deloitte	Hobart	Tasmanian Ports Corporation Pty Ltd and Bass Island Line Pty Ltd	Financial Attest Audit 2019-2021	3 years + 2 year option	\$290 110
Deloitte	Hobart	Central Coast Council	Financial Attest Audit 2019-2021	3 years + 2 year option	\$78 330
Insights Performance Impact (IPI) Consulting Pty Ltd	Melbourne	Tasmanian Audit Office	Performance Audit Support – Emergency Department	Project	\$86 800
Synectic Audit and Assurance Pty Ltd	Devonport	Tasmanian Audit Office	Performance Audit – EOI Investment Opportunities in National Parks	Project	\$180 000
Deloitte	Melbourne	Tasmanian Audit Office	Performance Audit – ICT Strategy & Critical Systems	Project	\$165 000
GHD Pty Ltd	Hobart	Tasmanian Networks Pty Ltd	Review of non-financial Regulatory Notices	3 years	\$164 000
WLF Accounting and Advisory	Hobart	Brighton Council (including Microwise Pty Ltd)	Financial Attest Audit 2019-2021	3 years + 2 year option	\$87 510
Ernst & Young	Melbourne	Tasmanian Audit Office	Performance Audit – Royal Hobart Hospital Redevelopment Project	Project	\$100 000

## Consultancies over \$50 000

Nil.

### **Goods and Services Exemption TI 1114**

During the year, approval was granted for direct/limited submission sourcing in accordance with Treasurer's Instruction 1114 for Insights Performance Impact Consulting to conduct the Performance Audit Support - Emergency Department (Phase 2 and 3). The details are set out below.

This contract represented an extension to an extension to an existing contract, under which the first stage of the project had been completed. Approval to extend the contract without seeking alternative offers was made taking into account the very specialised nature of this audit work, the tight schedules to complete the audit within the required timeframe, and the contractor's unique knowledge of the audit project. It was not considered practicable or cost-effective to introduce a new contractor to the audit project at this stage.

### **Procurement Complaints**

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

## APPENDIX 7: SUPERANNUATION DECLARATION

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I, Rod Whitehead, hereby certify that the Tasmanian Audit Office has met its obligations under the Commonwealth *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:

Australian Super  
Commonwealth Essential Super  
HESTA Super Fund  
ING Direct Living Super  
Legal Super  
MLC Wrap Super – Super Service  
MyNorth Super  
Public Sector Super Accum. Plan  
RBF Contributory Scheme  
REST Employer Sponsored Super  
Sun Super  
Tasplan Superannuation  
Unisuper Limited  
Whitehead Super Fund



Rod Whitehead  
30 June 2019





## APPENDIX 9: PUBLICATIONS AND REPORTS

### REPORTS TO PARLIAMENT ON THE OUTCOMES OF FINANCIAL AUDITS

In 2018-19 the Office tabled one report on the outcomes of financial audits separated into four volumes. Audits conducted are aimed at providing assurance on financial statements of accountable authorities.

Reports to Parliament on the Outcomes of Financial Audits	Date Released
Volume 1 – Treasurer’s Annual Financial Report and Results of General Government Sector Entities 2017-18	Nov 2018
Volume 2 – Government Businesses 2017-18	Nov 2018
Volume 3 – Local Government Authorities 2017-18	Nov 2018
Volume 4 – Audit Summary 2017-18	Nov 2018
Volume 1 – State Entities 31 December 2018	May 2019

### REPORTS TO PARLIAMENT ON THE OUTCOMES OF PERFORMANCE AND COMPLIANCE AUDITS AND SPECIAL INVESTIGATIONS

During 2018-19 five reports were completed and tabled in Parliament. This included one Employer audit report.

Reports to Parliament on the Outcomes of Performance and Compliance Audits and Special Investigations	
Use of Tasmanian Government Cards by Central Agency Executives and Executive Assistants	Oct 2018
Administration of two Grant Programs by the Department of State Growth	Oct 2018
Performance Management in the Tasmanian State Service: A focus on quality conversations	Mar 2019
Student Attendance and Engagement: Years 7 to 10	Mar 2019
Performance of Tasmania’s four Major Hospitals in the Delivery of Emergency Department Services	May 2019
Office Publications	
Annual Plan of Work 2019-20	Jun 2019
Annual Report 2017-18	Oct 2018

## APPENDIX 10: COMPLIANCE INDEX AND DISCLOSURE REQUIREMENTS

### SECTION AND COMPLIANCE

These columns refer to the statutory disclosure requirements in 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.

Key	Act
AA	<i>Audit Act 2008</i>
ED	Employment Direction
FMAA	<i>Financial Management and Audit Act 1990</i>
PID	<i>Public Interest Disclosures Act 2002</i>
PSSRA	<i>Public Sector Superannuation Reform Act 2016</i>
RTI	<i>Right to Information Act 2009</i>
SSA	<i>State Service Act 2000</i>
SSR	<i>State Service Regulations 2011</i>
TI	Treasurer's Instructions

Section	Compliance	Page	Details
<b>Overview</b>			
Overview of Strategic Plan	SSR r9(a)(i)	14	an overview of the Office's strategic plan, including its aims, functions and related programs
Major Initiatives	SSR r9(a)(v)	9-10	details of the major initiatives by the Office to develop and give effect to Government policy
<b>Organisational Structure</b>			
Organisation Chart	SSR r9(a)(ii)	98	an organisation chart illustrating the Office's administrative structure (including regional offices) and showing officers of the Office
Organisational Structure	SSR r9(a)(iii)	98	a description of the relationship between the organisational structure and the program management structure of the Office
Major Changes	SSR r9(a)(iv)	Nil	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

Section	Compliance	Page	Details
<b>Human Resources Management</b>			
Industrial Democracy	SSR r9(b)(iv)	25	processes established to ensure employee participation in industrial relations matters within the Agency and any disputes affecting the Agency
Workplace Health and Safety	SSR r9(b)(vi)	23-24	outline of workplace health and safety
Workplace Wellbeing	ED 23 cl 5.2	23-24	status and highlights of Office's health and wellbeing program
Recruitment and Selection	TI 201 cl(1)(l)	25	any other matters deemed relevant by the Auditor-General
Staff Development	TI 201 cl(1)(l)	26	any other matters deemed relevant by the Auditor-General
Workplace Diversity	TI 201 cl(1)(l)	24-25	any other matters deemed relevant by the Auditor-General
Internal Grievance Procedures	TI 201 cl(1)(l)	28	any other matters deemed relevant by the Auditor-General
Performance Management	SSA s36(1) (ba), ED 26 cl(10)	26-27	the Office's approach to the development and implementation of performance management
Superannuation Obligations	PSSRA s55	97	certification that the Office has met its superannuation obligations
<b>Public Access to the Office</b>			
Community Awareness	SSR r9(c)(i)	18	details of activities undertaken by the Office to develop community awareness of the Office and the services it provides
Office Publications	SSR r9(c)(i)	99	list of publications by the Office
Speeches and Presentations	SSR r9(c)(i)	83-84	list of speeches and presentations made by the Office
Contact Officers	SSR r9(c)(ii)	Inside Cover	list of contact officers and points of public access in relation to services provided by the Office
Appealable Decision Process	SSR r9(c)(iii)	19	an outline of the processes available for appeals against decisions made by the Office
<b>Information Disclosure</b>			
Public Interest Disclosure	PID s86	19	the reporting requirements for PIDs within Office
Right to Information	RTI s53	18	the number of RTI applications that were received and processed under that Right to Information Act 2009
<b>Legislation Administered</b>			
Legislation Administered	SSR r9(d)	13	list of legislation administered by the Office



Section	Compliance	Page	Details
<b>Performance Information</b>			
Financial Outcomes	TI 201 cl1(a)	42-43	financial outcomes for Office programs
Performance Summary	FMAA s27(1), SSA s36(1)(a), TI 201 cl1(e)	32-39	Office's key efficiency and effectiveness indicators and the objectives to which the Outputs relate
Performance Constraints	TI 201 cl1(b)	32-39	economic and other factors which have affected the achievement of operational objectives
Climate Change	Govt Policy	30	summary of Office's climate change initiatives
<b>Asset Management, Risk Management and Pricing Policies</b>			
Pricing Policies	TI 201 cl1(c)	93	pricing policies of the Office
Major Capital Projects or Undertakings	TI 201 cl1(d) (i)-(ii)	Nil	any major capital projects or undertakings by the Office (uncompleted or completed)
Risk Management	TI 201 cl1(f)	93	a statement of the Office's risk management policies, and an outline of significant risk management activities or initiatives
Asset Management	TI 201 cl1(g)	93	a statement of the Office's asset management policies, and an outline of asset management strategies and initiatives
Debts Written Off	TI 201 cl1(h)	Nil	amounts in respect of public property, revenue and debts due to the State, written off by the Auditor-General
Loss and Damage	TI 201 cl1(i)	Nil	amount of losses and/or damage to public property or money and, where appropriate, the amount of losses recovered
<b>Financial Statements</b>			
Financial Statements	FMAA s27(1), TI 201 cl1(j)	42-73	financial statements of the Office
Audit Opinion	AA s42(5), TI 201 cl1(k)	44-45	independent auditor's report on the Office's financial statements
Head of Agency certification	TI 205 cl1	46	Statement of Certification by Auditor-General and the Chief Operating Officer
Presentation	TI 206	42-73	compliance with the Australian Accounting Standards and the use of the Model Financial Statements
<b>Office Procurement</b>			
Support for Local Business	TI 1111 cl3(a)&(b)(i)	94	the Office's support for local business, a table summarising the level of participation by local businesses with regard to all contracts and procurement processes with a value of \$50 000 or over (excluding GST)
Contracts	TI 1111 cl3(b)(ii)	95	detailed information on all contracts awarded with a value \$50 000 and over

Section	Compliance	Page	Details
Consultancy Contracts	TI 1111 cl3(b)(ii)	Nil	detailed information on all consultancies awarded with a value \$50 000 and over
Businesses that Provided Employment to Persons with Disabilities	TI 1111 cl3(b)(iii), TI 1127	Nil	any contracts with from businesses that provide employment to persons with disabilities (goods and services)
Limited/Direct Procurement	TI 1111 cl3(b)(iv), TI 1114	96	any contracts awarded as a result of a direct/limited submission sourcing process
Contract Extensions	TI 1111 cl3(b)(v), TI 1115	Nil	any contracts extensions approved in accordance with TI 1115(2): exceptional circumstances where the Auditor-General has had to approve the extension of a contract
Approved Disaggregation	TI 1111 cl3(b)(vi), TI 1119(5)	Nil	any contracts where an exemption from the requirement to disaggregate has been approved, in accordance with TI 1119(5): approval to allow aggregation may be granted by a Auditor-General where the benefits of aggregation clearly outweigh the potential negative impact on local SME suppliers/the local economy
Confidentiality of Government Contracts	TI 1111 cl3(b)(vii)	Nil	details of executed contracts containing confidentiality provisions as a result of approval by the Auditor-General under TI 1401
Procurement Complaints	TI 1117 cl4, TI 201 cl1(l)	96	all procurement complaints received during the financial year

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