



Tasmanian
Audit Office



Annual Report 2020-21

26 October 2021

About this report

This report covers the activities of the Tasmanian Audit Office for the reporting period 1 July 2020 to 30 June 2021.

It provides a summary of the Office's achievements against its published strategy and other relevant performance measures.

The financial statements within this report were prepared in accordance with Australian Accounting Standards, the Treasurer's Instructions and other authoritative requirements.

This report is available online at: www.audit.tas.gov.au/publication-category/annual-report/

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Auditor-General's reports and other reports published by the Office can be accessed via the Office's website. For further information please contact:

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26 October 2021

Hon Peter Gutwein MP
Treasurer
Parliament House
HOBART TAS 7000

Dear Treasurer

Tasmanian Audit Office – Annual Report 2020-21

In accordance with the requirements of section 36 of the *State Service Act 2000* and sections 42 and 44 of the *Financial Management Act 2016*, I am pleased to submit, for presentation to Parliament, the Annual Report for the Tasmanian Audit Office for the year ended 30 June 2021.

Yours sincerely

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Rod Whitehead
Auditor-General

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Message from the Auditor-General

I take pleasure in presenting my report for 2020-21.

Another challenging year

Although 2019-20 will be remembered as the year COVID-19 significantly disrupted the lives of most Tasmanians, the ongoing effects of the pandemic were felt through most of 2020-21 even though Tasmania experienced only a handful of cases throughout the year.

For the Tasmanian Audit Office (the Office), the effects of the COVID-19 pandemic affected our ability to complete our audit program as planned and the nature of the audit work we undertook.

Although the Office returned to office-based working from 13 July 2020, compliance with physical distancing requirements meant we had to retain a mix of working from our offices in Hobart and Launceston, our homes and client sites for all of 2020-21.

From a financial statement audit (financial audit) perspective, the COVID-19 lockdown in the last quarter of 2019-20 meant our audit work was not as far progressed as planned, and as at 30 June 2020, we completed only 61.0% of the financial audit work we had planned to complete. Despite the adoption of connectivity platforms such as Teams, Zoom, OneDrive and continued use of email, audit productivity was not as high as when audit teams attend client sites in person. The outcome of this was, during 2020-21, only 55.4% of our financial audits were completed within the statutory requirement of 45 days after the financial statements were submitted to the Office.

Conversely, our performance audit team had a productive year with 11 reports on the outcomes of performance and compliance audits and special investigations tabled in Parliament during 2020-21. Of these reports, 4 were originally intended to be tabled before 30 June 2020, however with the onset of COVID-19, the temporary suspension of Parliament and many government agencies focused on responding to COVID-19 impacts in the last quarter of 2019-20, a decision was made to defer the tabling of these reports to 2020-21.

COVID-19 had a strong influence on our annual plan of work for 2020-21 with 4 performance audits examining aspects of the Government's response to COVID-19 planned to be tabled in 2020-21. These 4 audits were subsequently separated into 9 discrete audits/reviews with 5 of these audits/reviews tabled in 2020-21.

One of our significant successes during 2020-21 was the piloting of CaseWare Audit System (CaseWare) to replace our end-of-life Lotus Notes audit technology platform. Following positive outcomes from the pilot project a decision was made to use CaseWare for all 30 June 2021 financial audits and to also use it for all performance audits commencing after 1 January 2021. In addition to migrating to CaseWare, the Performance Audit team revised their performance audit methodology during 2020-21.

Our financial performance

Our financial result for 2020-21 was a surplus of \$104,000 compared to a budgeted loss of \$60,000 and a loss of \$787,000 for 2019-20. The positive financial result reflected:

- an 11.1% increase in financial audit hours charged for 2020-21
- a conscious decision to reduce the use of audit service providers for both financial and performance audits
- continued cost savings in supplies and consumables, especially in travel and transport costs.

Our favourable financial result was also achieved notwithstanding a decision to waive all base audit fee increases for 30 June 2020 financial statement audits in recognition of the impact COVID-19 was having on many State entities.

At the end of 2020-21 we concluded our twinning arrangement with the Office of the Auditor-General of Fiji. This arrangement commenced in January 2016 and was supported with funding of \$250,000 from the Australian Government Department of Foreign Affairs and Trade to cover travel costs, specialist training and professional consultants. Upon the completion of the twinning arrangement unspent funds of \$43,667 were returned to the Department of Foreign Affairs and Trade.

Strengthening our relationships

Notwithstanding the communication challenges presented by COVID-19, we continued to engage with key stakeholders throughout the year.

Our relationship with the Parliament is crucial to the success of our role and we manage this through regular interaction with the Parliamentary Standing Committee of Public Accounts (Public Accounts Committee), the presentation of our reports to members of Parliament and meetings with Parliamentarians throughout the year.

We continued to engage with leaders of Tasmanian public sector entities through periodic meetings to inform them about the results of our work and our future activities, and to enable us to understand the challenges facing and addressed by State entities.

Audit commitments and resourcing constraints restricted our ability to deliver presentations during 2020-21, including our annual client information session and audit committee information session. Following receipt of favourable comments from past attendees about knowledge and insights shared at these information sessions, we will endeavour to recommence them during 2021-22.

Acknowledgements

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. I express my appreciation for their work and the manner in which they have responded to the challenges presented throughout 2020-21. I also thank our contracted audit service providers for their work in delivering audit services to public sector on our behalf.

I express my appreciation to all members of the Office Executive Committee and the external members of Risk and Audit Committee, Glenn Appleyard, Georgie Ibbott and David Hudson, for the work they have performed during the course of the year. I also thank the Parliament and in particular, the Public Accounts Committee, 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 executives and staff throughout the public sector share this same view and willingly give their time and effort to assist the work of my Office.

Lastly, I wish to acknowledge the significant contribution of former Deputy Auditor-General, Ric De Santi who retired on 2 July 2021 following a 39 year career with the Office. In addition to serving the Office with distinction, Ric made a tremendous professional contribution in keeping members of the Parliament informed on financial and governance matters, providing assurance services and advice to Tasmanian public sector entities, enhancing knowledge sharing and collaboration across public sector audit offices and professional bodies throughout Australasia and encouraging the growth and development of accounting and financial professionals in Tasmania.



Rod Whitehead
Auditor-General

Highlights for 2020-21

| | |
|---|---|
|  | <p>14 reports to Parliament (2019-20, 8):</p> <ul style="list-style-type: none"> • One report, comprising two volumes, on the outcomes of financial audit (2019-20, 1 report) • 11 reports on the outcomes of performance and compliance audits and special investigations (2019-20, 5 reports) • Annual Report 2019-20 • Annual Plan of Work 2021-22 <p>Published</p> <ul style="list-style-type: none"> • Three guidance papers to assist State entities understand financial reporting implications related to COVID-19 • Two Accounting and Auditing Developments Newsletters (July and December 2020). |
|  | <p>In a year disrupted by COVID-19, 55% of financial statement audit opinions were issued within 45 days of receipt of the financial statements from State entities and audited subsidiaries (2019-20, 61%).</p> |
|  | <p>Successfully implemented CaseWare and revised financial and performance audit methodologies.</p> |
|  | <p>We received an unmodified audit opinion on our 30 June 2021 financial statements, within the required timeframe.</p> <p>We received an unmodified review opinion on our key performance indicators (KPIs).</p> |
|  | <p>Our Risk and Audit Committee met four times during the year and continued to provide strong oversight over the Office's financial and operational performance.</p> <p>One internal audit review was conducted. The results of the internal audit indicated that in the main we had effective systems and processes with areas for continuous improvement in our learning and development practices.</p> |

The 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 we are 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 2008* (Audit Act) which defines the powers and responsibilities of the Auditor-General. We undertake financial statement audits of the diverse range of State entities 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.

Our audit and other services

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 Financial 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 the model financial statements for local government, aimed at assisting councils in meeting their statutory financial reporting obligations and we provide input into Treasury's model financial statements for departments.

In conducting its audits, FAS uses CaseWare which complies with Australian Auditing Standards issued by the Australian Auditing and Assurance Standards Board.

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 this 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.

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 the report to Parliament on the results of our financial audits.

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 Auditor-General may also undertake audits examining the performance and exercise of the Employers functions and powers under the *State Service Act 2000* (State Service Act).

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 audit and assurance standards and methodologies used by other audit offices. We utilise CaseWare to document work completed.

Eleven reports, which can be accessed via our website, were tabled during 2020-21.

| Reports to Parliament on the Outcomes of Performance and Compliance Audits and Special Investigations | Date Released |
|---|-------------------|
| Effectiveness of Internal Audit | 27 August 2020 |
| Management of Underperformance in the Tasmanian State Service | 27 August 2020 |
| Expressions of Interest for Tourism Investment Opportunities | 22 September 2020 |
| ICT Strategy, Critical Systems and Investment | 27 October 2020 |
| Review of Selected COVID-19 Support Measures and Expenditure in 2019-20 | 27 October 2020 |
| Management of State Road Network | 19 November 2020 |
| Procurement in Local Government | 10 December 2020 |
| COVID-19 – Small Business Hardship Grant Program | 9 February 2021 |
| COVID-19 – Pandemic Response and Mobilisation | 23 March 2021 |
| COVID-19 Support Measures – Payroll Tax Waiver | 24 June 2021 |
| COVID-19 – Allocation, Distribution and Replenishment of Personal Protective Equipment | 24 June 2021 |

Referrals to the Auditor-General

Each year, members of the Tasmanian community, elected officials or other agencies write to the Auditor-General to convey matters of specific concern or interest. Referrals are acknowledged and then triaged before a decision is made as to whether an examination will be conducted. A summary of referrals assessed in 2020-21 compared to the prior year is provided below.

| Referrals | 2020-21 | 2019-20 |
|--|---------|-----------------|
| Number of new referrals received | 22 | 58 |
| Number with no further action required | 8 | 41 |
| Number of examinations finalised | 14 | 12 ¹ |
| Number of examinations in progress | 0 | 2 |
| Number referred onto other agencies (not in Auditor-General's mandate) | 0 | 3 |

Note 1: The Auditor-General decided not to prepare a report to Parliament for the 12 examinations completed. Two reports were tabled in Parliament in 2019-20 that related to referrals received during 2018-19.

Services provided to parliamentarians and State entities

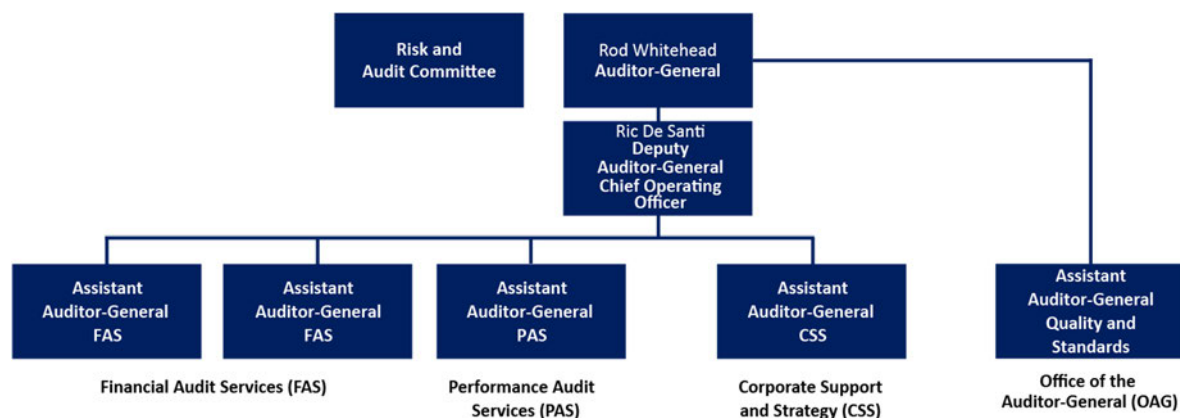
Our reports and audit activities are complemented by providing a range of other services to Parliament and State entities. These services foster enhanced accountability and performance while promoting better practice in the public sector. They include:

- presentations to Parliamentarians on audit reports tabled in Parliament
- regularly meeting with the Public Accounts Committee to brief them on our audit plans and audit reports
- 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
- advice to Members of Parliament on the role of the Auditor-General and the Office
- provision of comments to central agencies and other State entities on matters such as draft Treasurer's Instructions, 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.

Leadership and governance

Organisational structure

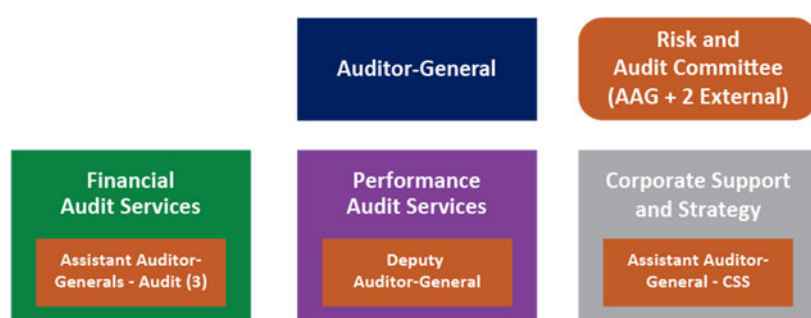
Our organisational structure for the year ended 30 June 2021 is shown below.



Changes to the organisational structure post 30 June 2021

Our organisational structure was changed on 1 July 2021 following the retirement of the outgoing Deputy Auditor-General/Chief Operating Officer and the dissolution of the Office of the Auditor-General business unit.

The new organisational structure is shown below.



Executive Committee

Our Executive Committee is responsible for assisting the Auditor-General and ensuring the Office meets its service delivery obligations and core business objectives. Our Executive Committee for the year ended 30 June 2021 comprised:

- Rod Whitehead, Auditor-General
- Ric De Santi, Deputy Auditor-General/Chief Operating Officer
- Jeff Tongs, Assistant Auditor-General (Quality and Standards)
- Patty Johnson, Assistant Auditor-General (Corporate Support and Strategy)
- Gary Emery, Assistant Auditor-General (Performance Audit Services)
- Stephen Morrison, Assistant Auditor-General (Financial Audit Services)
- Leigh Franklin, Assistant Auditor-General (Financial Audit Services) (resigned 16 April 2021).



Pictured above (L-R): Gary Emery, Rod Whitehead, Patty Johnson, Jeff Tongs, Stephen Morrison and Leigh Franklin

From 1 July 2021, our Executive Committee was reduced to comprise Auditor-General, the Deputy Auditor-General, one Assistant Auditor-General – Audit and the Assistant Auditor-General – CSS.

Risk and Audit Committee

We have a Risk and Audit Committee in accordance with the Treasurer’s Instruction Internal Audit (FC-2) made under the *Financial Management Act 2016*.

The role of the Committee provides assistance to the Auditor-General in fulfilling corporate governance responsibilities relating to our:

- financial and performance reporting (including the preparation of the annual report and audit of the financial statements)
- system of risk oversight and management
- system of internal control (including internal control framework, legislative and policy compliance, internal audit coverage and performance reporting).

The Committee also:

- monitors the activities and effectiveness of internal audit
- monitors our response to external reviews and evaluations of the Office and the implementation of appropriate recommendations arising from the same
- undertakes other activities related to its responsibilities as requested by the Auditor-General.

Risk management and audit

Reviewing key business risks is fundamental to our strategic and business processes i.e. all major projects undertaken including those relating to our financial and performance auditing services, and to key corporate service functions.

During 2020-21, we refreshed our Enterprise Risk Register (see Appendix 3 for further details).

The status of agreed residual risk treatments identified on the Register is periodically assessed by the Executive Committee and the Risk and Audit Committee.

As part of the three lines of defence model, our strategic internal audit program is structured around assessing management controls and associated internal control measures associated with the key identified risks.

Internal audit

Internal audit assesses the quality and performance of specific functions in the Office. Before the end of each financial year, the Risk and Audit Committee in conjunction with our internal auditors develop the internal audit plan for the coming year. This plan lists proposed audits and when they will be carried out.

The Office engaged Grant Thornton to deliver the internal audit program. Due to the impact of COVID-19 one internal audit program was completed during 2020-21.

Independent financial statement audit and performance report review

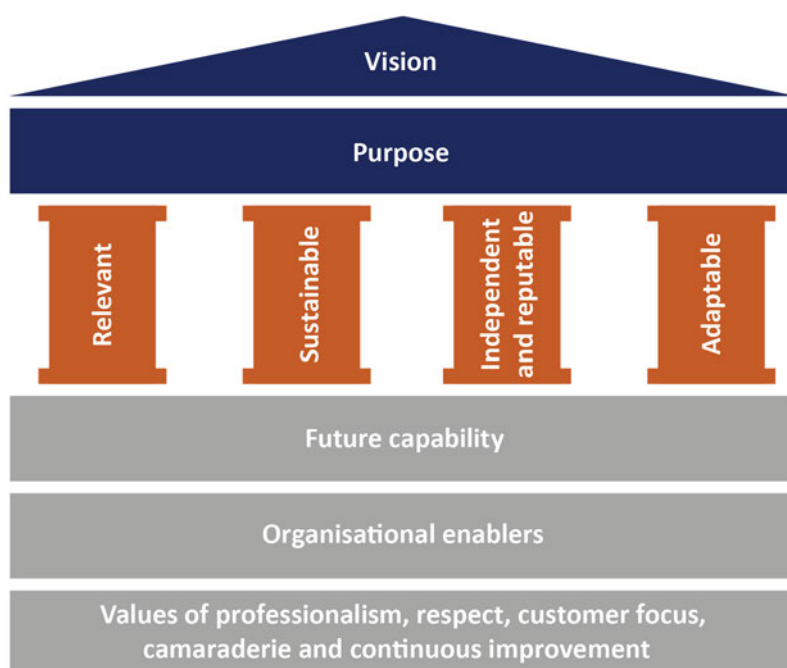
Nexia Australia undertake the annual independent audit of our financial statements and review of our performance report.

Periodic review of the Office

Under section 44 of the Audit Act, we are subject to a review of the efficiency, effectiveness and economy of our operations at least once in every five year period. The last review was conducted by Moore Stephens Audit (Vic) in February 2019 and covered the period 2014-2018. A copy of the review report is available on our website under 'About Us – Our Accountability'.

Our strategic direction

Our Strategic Plan 2016-2020, shown below, illustrates the Office's vision, purpose, strategic focus (pillars), future capability and values.



The four key future capabilities we invested in over the duration of the strategic plan are presented below.



Our progress towards developing these key capabilities during 2020-21 is summarised below.

Future expertise

With respect to fostering individualised career development, technical specialisation, leadership development and greater engagement with experts, we continued to progress:

- ongoing development of e-learning modules with the Department of Justice and other Australian Audit Offices
- our workforce planning strategy
- completion of our working from home policy
- participation in the State Services Managers Essential program.

Contemporary communications

We proactively engaged with stakeholders to produce accessible and engaging audit reports. Key activities included:

- launching a new whole-of-office style guide and a suite of updated contemporary templates for all Office communications
- continuing to engage with and support the Australasian Council of Auditors-General (ACAG) and the Tasmanian Integrity Commission.

Our staff were encouraged to participate in events and committees relevant to the objectives of the Office.

External speeches and presentations delivered during 2020-21 are listed below:

| Date | Presentation | Presenter/s |
|-------------------|---|---|
| 2 July 2020 | Premier's Local Government Council, Launceston Local Government Sector Financial Position – Pre and Post COVID-19 | Rod Whitehead Ric De Santi |
| 14 July 2020 | Institute of Internal Auditors, Hobart Auditing in the COVID-19 environment | Rod Whitehead |
| 25 September 2020 | Recently Elected Legislative Council Members, Hobart Role of the Auditor-General and Tasmanian Audit Office | Rod Whitehead |
| 20 October 2020 | Local Government Asset Management Group Meeting Found assets and depreciation methodology | Ric De Santi |
| 26 October 2020 | Governance Institute of Australia, Tasmanian Governance Forum, Hobart Observations on governance and risk management arising from COVID-19 | Rod Whitehead |
| 5 November 2020 | Local Government General Managers Meeting, Four Mile Creek Tasmanian Audit Office Update | Rod Whitehead Ric De Santi |
| 29 April 2021 | Local Government Asset Management Group Meeting Audit findings from 31 December 2019 and 30 June 2020 financial statement audits | Ric De Santi |
| 24 May 2021 | North West Tasmanian Councils' Finance Group, Virtual Presentation Tasmanian Audit Office Update | Rod Whitehead Ric De Santi Jeff Tongs |
| 21 June 2021 | Recently Elected Legislative Council Members, Hobart Role of the Auditor-General and Tasmanian Audit Office | Rod Whitehead |

Advanced analytics

In developing a strong analytical capability that delivers high quality and impactful audit insights and findings, we:

- continued participation with the ACAG data analytics sub-group meetings
- utilised TeamMate Analytics in financial audits.

Future audit

We invested in new audit technologies to enhance productivity and successfully transitioned from the Integrated Public Sector Audit Methodology (IPSAM) to CaseWare for conducting our audits (both financial and performance audit). We continued to monitor national and global trends relating to assurance services via ACAG meetings, engagement activities with professional bodies and standards setters.

Our team

As at 30 June 2021, our workforce comprised of 46 staff who are a blend of auditors, specialists and support team members. In line with our diversity and inclusion strategy, we continued to aim to have a staffing mix that not only has the right skills and values to meet the Office's objective but is reflective of the broad and diverse community we operate in.

We continued to respond to the COVID-19 pandemic, balancing the health and well-being of staff whilst maintaining service delivery expectations. Our staff primarily worked from home as appropriate during the year. Our Disaster Recovery Team monitored the status and effects of COVID-19, responding to advice from the Australian and Tasmanian Governments.

Appendix 1 details our staff related statistics for FY 2020-21.

Workplace health, safety and wellbeing

We continued to proactively manage staff health, safety and wellbeing including a number of measures in place to improve safety culture and protect staff from workplace injury and harm. Throughout the reporting period we:

- continued our COVID-19 safety protocols and implementation plan
- conducted regular workplace inspections
- provided regular Workplace Health and Safety reporting to the Executive Committee and Risk and Audit Committee
- continued to provide ongoing training throughout the year for first aid officers, fire wardens and staff with legislative responsibilities
- continued to partner with the Department of Justice Health and Wellbeing Champions network to provide greater access to a wide range of activities for staff
- offered influenza vaccinations, 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.

In addition to providing access to an independent employee assistance provider for those staff seeking assistance with work related or personal matters, we met our obligations by continuing to support staff who had been absent from the workplace with comprehensive return-to-work support in-line with *Employment Direction 29 - Managing Employees Absent from the Workplace* and our Injury Management Program.

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 State Service Act. We take advice and guidance from these directions as they are introduced. Staff 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.

Performance assessment

The performance of our staff are regularly assessed in line with *Employment Direction 26 - Managing Performance in the State Service*. Annual refresher training was again provided to all staff and managers on providing performance feedback with a focus on quality feedback conversations. All staff have performance plans in place that include performance indicators linked to business unit and organisational objectives and adherence to our values. Half yearly and annual reviews were conducted during 2020-21 for all staff. More detailed information is available in the 'Our Performance' chapter of this report.

Workforce and community

This year a number of staff were supported in their participation on both internal and external committees. Further details can be found in Appendix 2. We continue 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 2020 award recipient was Miss Yunshan Wang.

Due to the effects of COVID-19 we supported and participated in a reduced number of causes and events compared to previous years. We raised \$236 for the Cancer Council Biggest Morning Tea held in May 2021.

Our performance

Performance report

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

| | | | |
|------------------------|--|----------------------------|-----------------------------|
| ☑ Performance achieved | – Performance achieved or not measured | ☒ Performance not achieved | Nm Performance not measured |
|------------------------|--|----------------------------|-----------------------------|

Parliamentarian and audit client survey indicators

We usually conduct biennial satisfaction surveys of Members of Parliament and Clients. No survey was conducted in 2020-21 due to resourcing constraints. The most recent survey in 2018-19 indicated high levels of satisfaction with our reports by Parliamentarians. The KPIs in the following table are in relation to the Parliamentarian and Audit Client Surveys which support the Office's Relevant, Independent and Reputable Pillars:

| Key Performance Indicators | 2017-18 Actual | 2018-19 Actual | 2019-20 Actual | 2020-21 Target | 2020-21 Actual | Result |
|--|----------------|----------------|----------------|----------------|----------------|--------|
| Overall satisfaction with the Auditor-General's reports and services | Nm | 100% | Nm | 75% | Nm | – |
| Provide valuable information on public sector performance | Nm | 100% | Nm | 80% | Nm | – |
| Reports and services help to improve public sector administration | Nm | 93% | Nm | 75% | Nm | – |
| High level of performance audits addressing key areas of interest | Nm | 95% | Nm | 75% | Nm | – |
| Responsiveness of the Auditor-General or their Office | Nm | 100% | Nm | 85% | Nm | – |

| Key Performance Indicators | 2017-18 Actual | 2018-19 Actual | 2019-20 Actual | 2020-21 Target | 2020-21 Actual | Result |
|--|----------------|----------------|----------------|----------------|----------------|--------|
| Extent to which the advice/ information provided by the Auditor-General or their Office addressed user needs | Nm | 100% | Nm | 85% | Nm | – |
| Performance Audit – overall performance (process, reporting, value) | Nm | 69% | Nm | 75% | Nm | – |
| Financial Audit – overall performance (process, reporting, value) | Nm | 77% | Nm | 75% | Nm | – |

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 | 2017-18 Actual | 2018-19 Actual | 2019-20 Actual | 2020-21 Target | 2020-21 Actual | Result |
|--|----------------|----------------|----------------|----------------|----------------|-------------------------------------|
| Positive net operating result, that is $\geq 1\%$ of turnover | Not achieved | Not achieved | Not achieved | Achieved | Achieved | <input checked="" type="checkbox"/> |
| Positive cash flows | Achieved | Not achieved | Not achieved | Achieved | Achieved | <input checked="" type="checkbox"/> |
| End of Year cash balance $> \$600\,000$ | Achieved | Achieved | Achieved | Achieved | Achieved | <input checked="" type="checkbox"/> |
| Increase cash reserves by \$150 000 each year | Achieved | Not achieved | Not achieved | Achieved | Achieved | <input checked="" type="checkbox"/> |
| Independent unmodified audit opinion on the financial statements of the Office | Achieved | Achieved | Achieved | Achieved | Achieved | <input checked="" type="checkbox"/> |

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 | 2017-18 Actual | 2018-19 Actual | 2019-20 Actual | 2020-21 Target | 2020-21 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) ¹ | 90% | 88% | 61% | 100% | 55% | ☒ |
| Performance and compliance audits are completed on average within nine months ² | Not 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 ² | 64% | Nm | Nm | 70% | Nm | – |
| Performance and compliance audits and special investigations tabled in Parliament ² | 4 | 4 | 4 | 6 | 11 | ☑ |
| 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 | 2017-18 Actual | 2018-19 Actual | 2019-20 Actual | 2020-21 Target | 2020-21 Actual | Result |
|--|----------------|----------------|----------------|----------------|----------------|--------|
| 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 ³ | | | | | | |
| Financial audits | Nm | Positive | Nm | Positive | Nm | – |
| Performance audits | Partial | Positive | Nm | Positive | Nm | – |
| Number of major findings with significant impact/ ramifications reported to the Office's Audit Committee by the internal auditor ⁴ | 1 | None | None | None | None | ☑ |

Notes:

1. 55% of financial audits completed during 2020-21 were completed within 45 days of receipt of financial statements from clients. These represent audits with reporting dates of 30 June 2020 and 31 December 2020. The result for 2020-21 was impacted by the COVID-19 pandemic and the implementation of work-from-home arrangements which adversely impacted the time to complete audits.
2. We tabled a total of 11 reports in Parliament on the outcomes of performance and compliance audits. The increase was attributed to a focus on shorter COVID-19 related reviews and audits and the tabling of three reports held back from tabling in 2019-20 following the outbreak of COVID-19.
3. Our five year independent review was conducted by Moore Stephens during 2018-19. 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.
4. One internal audit review was conducted in 2020-21 covering the Office's enterprise risk register.

People indicators

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

| Key Performance Indicators | 2017-18 Actual | 2018-19 Actual | 2019-20 Actual | 2020-21 Target | 2020-21 Actual | Result |
|---|----------------|----------------|----------------|----------------|----------------|--------|
| Staff satisfaction as measured by our independent employee survey ¹ | 48% | Nm | 58% | 75% | Nm | – |
| Staff turnover rate ² | 33% | 26% | 29% | <10% | 26% | ☑ |
| Percentage of staff who have University degree and/or professional qualifications | 95% | 94% | 89% | >85% | 93% | ☑ |

| Key Performance Indicators | 2017-18 Actual | 2018-19 Actual | 2019-20 Actual | 2020-21 Target | 2020-21 Actual | Result |
|--|----------------|----------------|----------------|----------------|----------------|--------|
| Percentage of staff who are members of professional bodies | 83% | 87% | 82% | >85% | 89% | ☑ |
| Percentage of staff who undertake 10 days of professional development per annum ³ | 10% | 28% | 42% | 100% | 7% | ☒ |
| Percentage of staff professional development plans finalised | 100% | 91% | 85% | 100% | 98% | ☒ |
| Personal leave taken by staff (average) ⁴ | 8.0 | 13.2 | 6.1 | <5 days | 7.5 | ☒ |
| No excess leave balances | 2% | 4% | 4% | <5% | 7% | ☒ |

Notes:

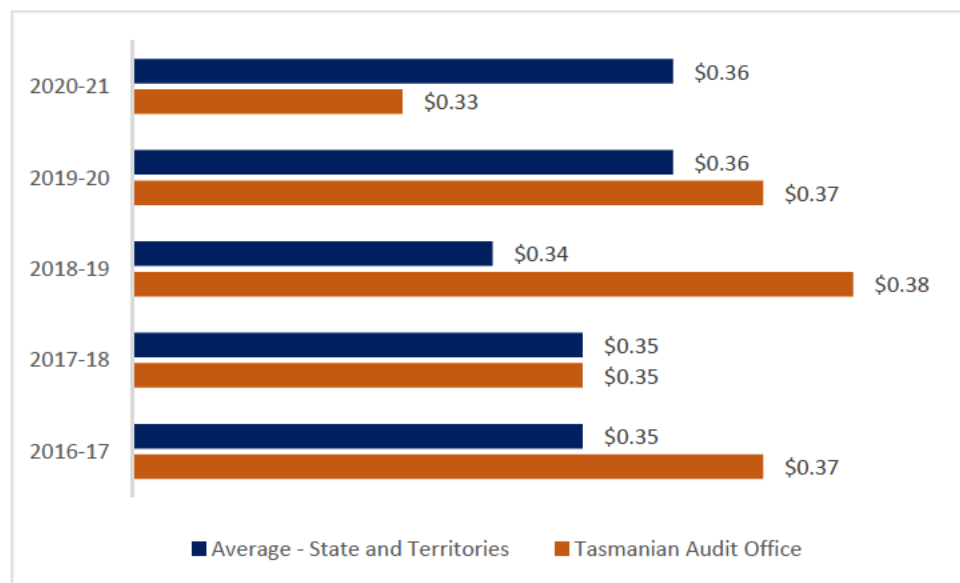
1. Annual whole of State Service Survey was postponed this financial year.
2. Our turnover decreased and should continue to do so next financial year.
3. The % includes all types of training conducted within the Office. The continuing impacts of COVID-19 and staff turnover impacted this measure.
4. Personal leave taken by staff increased across the Office (continuing impact of COVID-19 and two staff on prolonged non-compensable return to work programs).

ACAG benchmarking

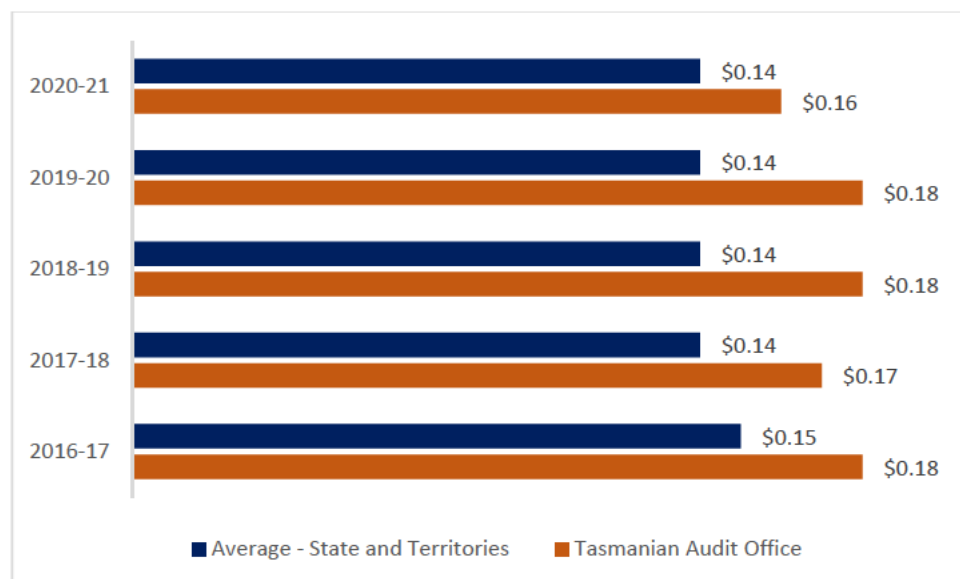
We evaluate performance against seven measures by benchmarking against the national average of other State and Territory audit offices as reported in the annual ACAG Macro-Benchmarking report. The following results cover the period 2016-17 to 2020-21.

With respect to Measures 1 and 2, 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.

1. Total audit costs (excluding payroll costs) per \$'000 of public sector transactions



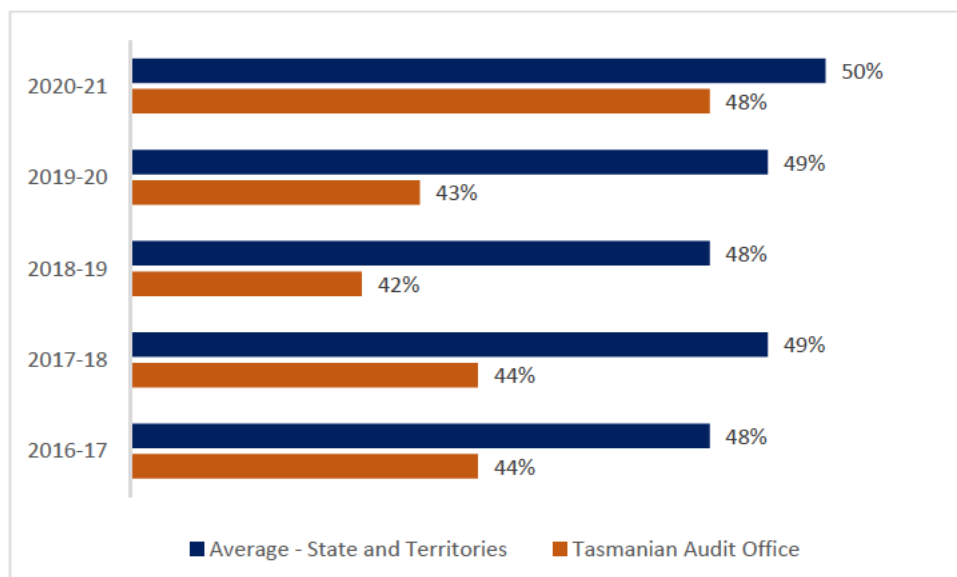
2. Total audit costs (excluding payroll costs) per \$'000 of public sector assets



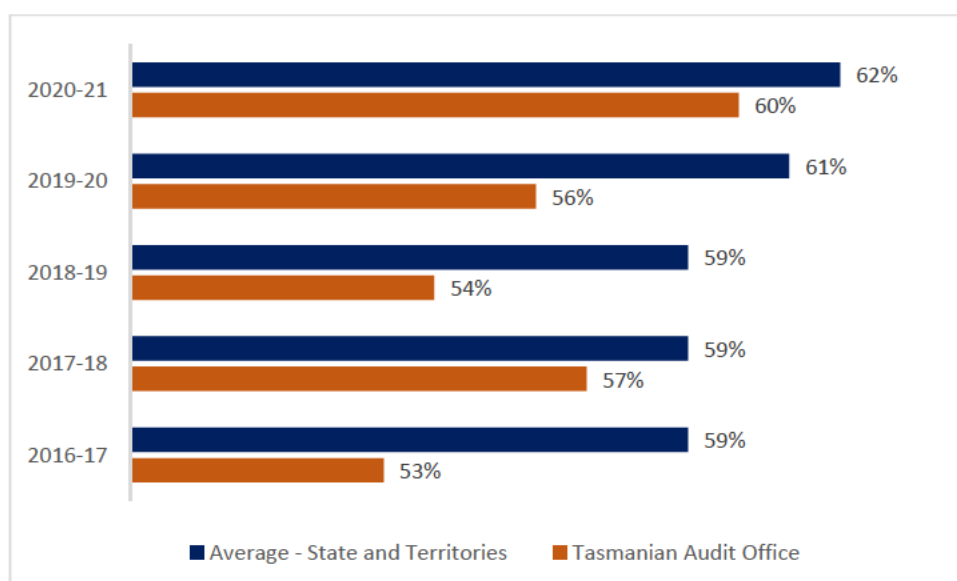
In relation to Measures 3 to 5, productivity of our staff has a direct impact on our operating results. All auditors are expected to achieve a minimum level of billable hours after allowing for leave, professional development and administration. Total paid hours include the hours

of our corporate staff as well as personal and recreation leave for all staff. The increase in hours charged to audit and attest activities in 2020-21 was due to a reduction in the volume of contracted out audits and an increase in staff employed in the non-attest audit area.

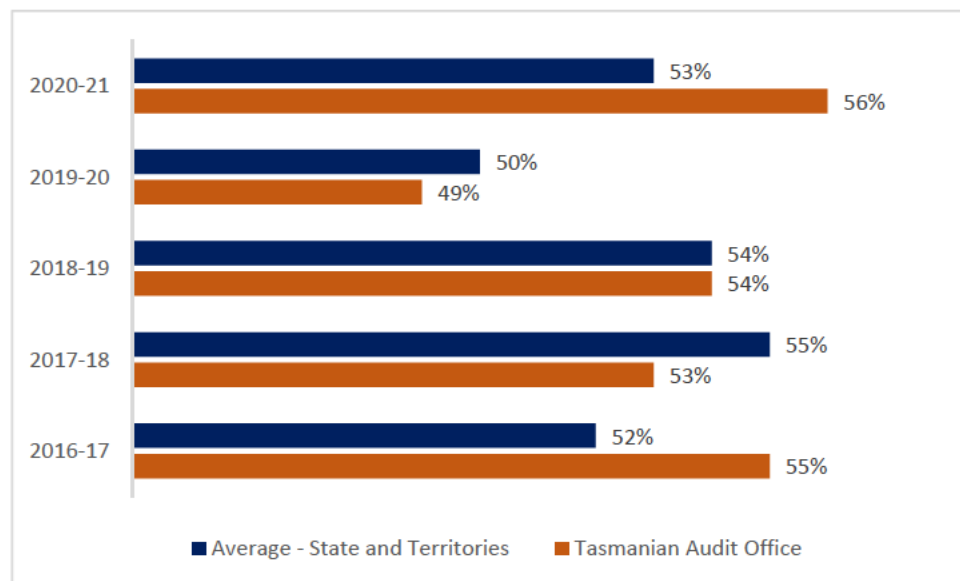
3. Percentage of total (whole of office) paid hours charged to audit activities



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

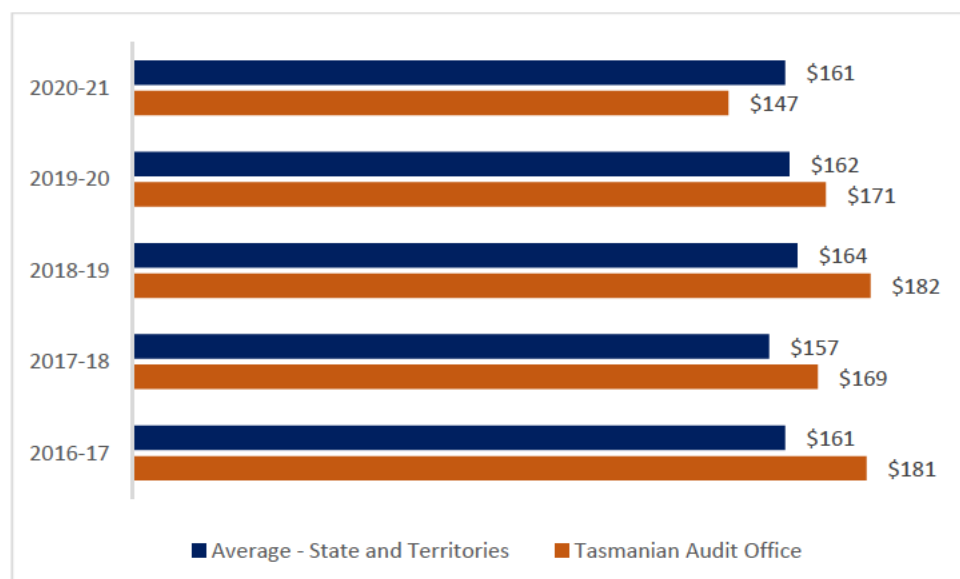


5. Percentage of total paid hours of non-attest audit staff charged to non-attest audit activities



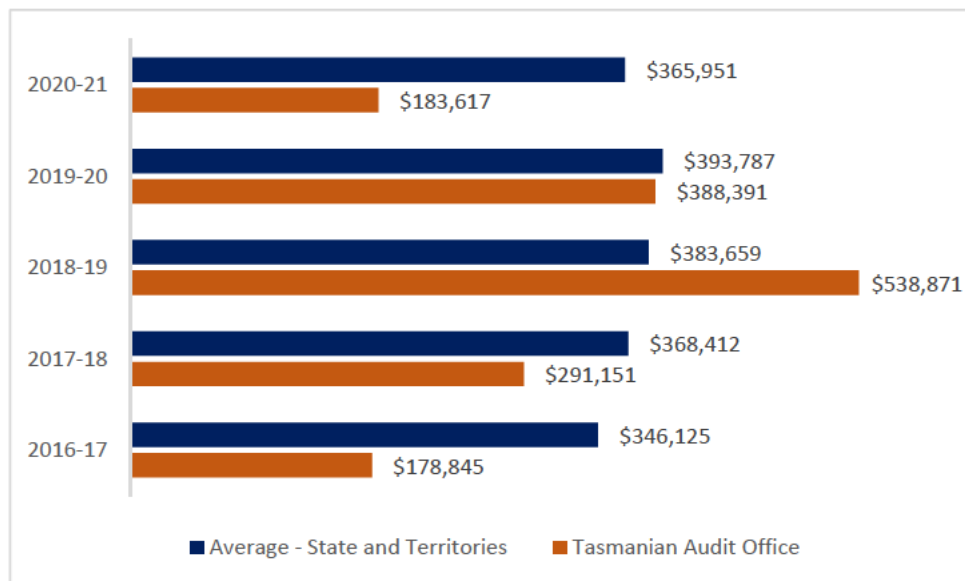
As indicated in Measure 6, the cost per audit hour has decreased since 2018-19, largely due to additional hours worked attributed to the introduction of new or revised accounting standards in 2019-20.

6. Cost per audit hour charged to audit activities



Measure 7 shows the decrease in cost per audit performance audits completed during 2020-21 which is attributed to a focus on shorter COVID-19 related reviews and audits.

7. Cost per performance audit



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 2021 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.

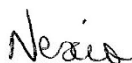
A review of a performance report consists of making enquiries, primarily of persons responsible for financial and accounting matters and applying other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently 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 2021.



**Nexia Melbourne Audit Pty Ltd
Melbourne**



**Andrew S. Wehrens
Director**

Dated this 15th day of October 2021

Financial statements

Statement of certification

I 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 Act 2016* to present fairly the financial transactions for the year ended 30 June 2021 and the financial position as at the end of that year.

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



Rod Whitehead
Auditor-General

13 August 2021

Statement of comprehensive income for the year ended 30 June 2021

| | Notes | 2021 Budget \$'000 | 2021 Actual \$'000 | 2020 Actual \$'000 |
|--|-------------|--------------------------|--------------------------|--------------------------|
| Income from continuing operations | | | | |
| Revenue from Government | | | | |
| Appropriation revenue - recurrent | 4.1 | 2 110 | 2 110 | 2 030 |
| Appropriation revenue - RBL | 4.1 | 516 | 436 | 398 |
| Financial audit services | 4.2 | 5 525 | 5 675 | 5 202 |
| Other revenue | 4.3 | 30 | 34 | 89 |
| Total revenue from continuing operations | | 8 181 | 8 255 | 7 719 |
| Expenses from continuing operations | | | | |
| Employee benefits | 5.1(a) | 5 624 | 5 558 | 5 216 |
| Depreciation and amortisation | 5.2 | 64 | 35 | 71 |
| Audit contractors | 2.1(a), 5.3 | 1 072 | 1 341 | 1 943 |
| Supplies and consumables | 2.1(b), 5.4 | 1 123 | 804 | 946 |
| Other expenses | 5.5 | 358 | 413 | 330 |
| Total expenses from continuing operations | | 8 241 | 8 151 | 8 506 |
| Net result from continuing operations | | (60) | 104 | (787) |
| Net result | | (60) | 104 | (787) |
| Comprehensive result | | (60) | 104 | (787) |

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 2021

| | Notes | 2021 Budget* \$'000 | 2021 Actual \$'000 | 2020 Actual \$'000 |
|---|--------------|---------------------------|--------------------------|--------------------------|
| Assets | | | | |
| Financial assets | | | | |
| Cash and deposits | 2.2(a), 10.1 | 2 079 | 2 714 | 2 258 |
| Receivables | 2.2(b), 6.1 | 352 | 566 | 433 |
| Contract assets | 2.2(c), 6.2 | 266 | 428 | 405 |
| Non-financial assets | | | | |
| Leasehold improvements, plant and equipment | 2.2(d), 6.3 | 206 | 54 | 88 |
| Intangibles | 6.4(a) | 13 | 21 | 10 |
| Other assets | 2.2(e), 6.5 | 250 | 90 | 24 |
| Total assets | | 3 166 | 3 873 | 3 218 |
| Liabilities | | | | |
| Payables | 7.1 | 56 | 234 | 138 |
| Employee benefits | 2.2(f), 7.2 | 1 246 | 1 441 | 1 281 |
| Contract liabilities | 2.2(g), 7.4 | 312 | 653 | 358 |
| Total liabilities | | 1 614 | 2 328 | 1 777 |
| Net assets | | 1 552 | 1 545 | 1 441 |
| Equity | | | | |
| Contributed capital | | 1 168 | 1 168 | 1 168 |
| Accumulated surplus / (deficit) | | 384 | 377 | 273 |
| Total equity | | 1 552 | 1 545 | 1 441 |

*The budget is formulated without regard to the actual financial position at any one point in time.

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 2021

| | Notes | 2021 Budget \$'000 | 2021 Actual \$'000 | 2020 Actual \$'000 |
|---|-------|--------------------------|--------------------------|--------------------------|
| | | Inflows (Outflows) | Inflows (Outflows) | Inflows (Outflows) |
| Cash flows from operating activities | | | | |
| Cash inflows | | | | |
| Appropriation receipts – operating | 4.1 | 2 110 | 2 110 | 2 030 |
| Appropriation receipts – reserved by law | 4.1 | 516 | 436 | 398 |
| User charges | | 5 741 | 5 764 | 5 371 |
| GST receipts | | 672 | 731 | 890 |
| Other cash receipts | | 30 | 56 | 53 |
| Total cash inflows | | 9 069 | 9 097 | 8 742 |
| Cash outflows | | | | |
| Employee benefits | | (5 879) | (5 399) | (5 210) |
| GST payments | | (672) | (697) | (828) |
| Audit contractors | 2.3 | (1 072) | (1 265) | (1 921) |
| Supplies and consumables | 2.3 | (1 111) | (858) | (1 030) |
| Other cash payments | | (346) | (411) | (327) |
| Total cash outflows | | (9 080) | (8 630) | (9 316) |
| Net cash from/(used by) operating activities | 10.2 | (11) | 467 | (574) |
| Cash flows from investing activities | | | | |
| Cash outflows | | | | |
| Payments for acquisition of non-financial assets | | (21) | (11) | - |
| Total cash outflows | | (21) | (11) | - |
| Net cash from/(used by) investing activities | | (21) | (11) | - |
| Net increase/(decrease) in cash and cash equivalents held | | | | |
| | | (32) | 456 | (574) |
| Cash and cash equivalents at the beginning of the reporting period | | 2 111 | 2 258 | 2 832 |
| Cash and cash equivalents at the end of the reporting period | 10.1 | 2 079 | 2 714 | 2 258 |

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 2021

| | Contributed equity \$'000 | Accumulated surplus \$'000 | Total equity \$'000 |
|----------------------------|---------------------------------|----------------------------------|---------------------------|
| Balance as at 1 July 2020 | 1 168 | 273 | 1 441 |
| Total comprehensive result | - | 104 | 104 |
| Balance as at 30 June 2021 | 1 168 | 377 | 1 545 |

| | Contributed equity \$'000 | Accumulated surplus \$'000 | Total equity \$'000 |
|----------------------------|---------------------------------|----------------------------------|---------------------------|
| Balance as at 1 July 2019 | 1 168 | 1 060 | 2 228 |
| Total comprehensive result | - | (787) | (787) |
| Balance as at 30 June 2020 | 1 168 | 273 | 1 441 |

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 2021

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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 2020-21 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 \$'000 | Actual \$'000 | Variance \$'000 | Variance % |
|--------------------------|------|------------------|------------------|--------------------|---------------|
| Audit contractors | (a) | 1 072 | 1 341 | (269) | (25) |
| Supplies and consumables | (b) | 1 123 | 804 | 319 | 28 |

Notes to Statement of comprehensive income variances

(a) The increase in audit contractors reflects the engagement of additional audit providers for performance audit financial audit activity as a result of staff shortages.

(b) The decrease in supplies and consumables mainly reflects the ongoing reduction in travel and transport due to COVID-19, delays in internal audit and other contracted services such as information technology developments not progressing.

2.2 Statement of financial position

Budget estimates for the 2020-21 Statement of financial position* were compiled prior to the completion of the actual outcomes for 2020-21. As a result, the actual variance from the original budget estimate will be impacted by the difference between estimated and actual opening balances for 2020-21. The following variance analysis therefore includes major movements between the 30 June 2020 and 30 June 2021 actual balances.

| | | | 2021 | 2020 | Budget | Actual |
|---|------|--------|--------|--------|----------|----------|
| | Note | Budget | Actual | Actual | Variance | Variance |
| | | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Cash and deposits | (a) | 2 079 | 2 714 | 2 258 | 635 | 456 |
| Receivables | (b) | 352 | 566 | 433 | 214 | 133 |
| Contract assets | (c) | 266 | 428 | 405 | 162 | 23 |
| Leasehold improvements, plant and equipment | (d) | 206 | 54 | 88 | (152) | (34) |
| Other assets | (e) | 250 | 90 | 24 | (160) | 66 |
| Employee benefits | (f) | 1 246 | 1 441 | 1 281 | (195) | (160) |
| Contract liabilities | (g) | 312 | 653 | 358 | (341) | (295) |

Notes to Statement of financial position variances

* 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) The increase in Cash and deposits is mainly due to vacant position savings along with the early instalment billing for clients in June 2021.

(b) Receivables are higher than budgeted due to the timing of billing and timing of payment of invoices by State entities in June each year. Contract assets, representing financial audit services work in progress, is higher than budgeted due to improved progress on audits to 30 June 2021 compared to the prior year, which was impacted by the COVID-19 lockdown and working from home arrangements.

(c) Leasehold improvements are lower than budgeted due to the delay in the refurbishment at Level 8, 144 Macquarie Street, Hobart.

(d) The budget amount for other assets includes the recognition for major office accommodation relocation incentives which did not materialise. This will be corrected in future budget amendments.

(e) Employee benefits are higher this year due to the timing of the salary accrual for 2020-21.

(f) Contract liabilities includes revenue received in advance which is much higher than expected due to the early instalment billing for clients in June 2021.

2.3 Statement of Cash Flows

| | Note | Budget \$'000 | Actual \$'000 | Variance \$'000 | Variance % |
|--------------------------|--------|------------------|------------------|--------------------|---------------|
| Audit contractors | 2.1(a) | (1 072) | (1 265) | (193) | (18) |
| Supplies and consumables | 2.1(b) | (1 111) | (858) | 253 | 23 |

Note 3. Underlying result

The Office has not recognised any non-operational capital funding or other one-off transactions relating to funding for capital projects. Accordingly, the Underlying net result from continuing operations does not differ from the Net result from continuing operations reported in the Statement of comprehensive income

Note 4. Revenue

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.

Income is recognised in accordance with the requirements of AASB 15 *Revenue from Contracts with Customers* or AASB 1058 *Income of Not-for-Profit Entities*, dependent on whether there is a contract with a customer defined by AASB 15.

4.1 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 as they do not contain enforceable and sufficiently specific obligations as defined by AASB 15. Except for any amounts identified as carried forward, control arises in the period of appropriation.

Revenue from Government includes revenue from appropriations, unexpended appropriations rolled over under section 23 of the *Financial Management Act 2016* and Items Reserved by Law. The Budget information is based on original estimates and has not been subject to audit.

| | 2021 Budget \$'000 | 2021 Actual \$'000 | 2020 Actual \$'000 |
|--|--------------------------|--------------------------|--------------------------|
| Appropriation revenue – recurrent | 2 110 | 2 110 | 2 030 |
| Items reserved by law – Auditor-General's salary and associated allowances | 516 | 436 | 398 |
| | 2 626 | 2 546 | 2 428 |

4.2 Financial audit services

Revenue recognition relating to the provision of financial audit services is recognised over time as the services are performed and performance obligations satisfied. Recognition is in

accordance with the terms of the client services agreement or engagement letter, adjusted for any time that may not be recoverable with reference to the hours incurred. The *Audit Act 2008* provides an enforceable right to payment for audit services provided.

| | 2021 | 2020 |
|---------------------------------------|--------------|--------------|
| | \$'000 | \$'000 |
| Financial audit services user charges | 5 675 | 5 202 |
| | 5 675 | 5 202 |

4.3 Other revenue

Revenue from expense reimbursements and the Australasian Council of Auditors-General (ACAG) reimbursement for the Financial Reporting and Accounting Committee Secretariat is recognised when billed. The movement in leave provisions is recognised at 30 June 2021 based on the Auditor-General's leave entitlements.

| | 2021 | 2020 |
|--|-----------|-----------|
| | \$'000 | \$'000 |
| Reserved by law – Auditor-General leave provisions | (22) | 37 |
| Miscellaneous | 56 | 52 |
| | 34 | 89 |

Note 5. Expenses

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.

5.1 Employee Benefits

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

(a) Employee expenses

| | 2021 | 2020 |
|--|--------------|--------------|
| | \$'000 | \$'000 |
| Wages and salaries | 4 893 | 4 505 |
| Superannuation – defined contribution scheme | 481 | 434 |
| Superannuation – defined benefit scheme | 102 | 106 |
| Other employee expenses | 82 | 171 |
| | 5 558 | 5 216 |

Superannuation expenses relating to defined benefits schemes relate to payments into the Public Account. 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 (2020: 12.95 per cent) of salary. Superannuation expenses

relating to defined contribution schemes are paid directly to superannuation funds at a rate of 9.5 per cent (2020: 9.5 per cent) of salary. In addition, the Office is also required to pay into the Public Account a 'gap' payment equivalent to 3.45 per cent (2020: 3.45 per cent) of salary in respect of employees who are members of the contribution schemes.

(b) Remuneration of key management personnel

| 2021 | Short-term benefits | | Long-term benefits | | | Total |
|--|---------------------|----------------|--------------------|---|------------------------------|--------|
| | Salary | Other Benefits | Superan- nation | Other Benefits and Long Service Leave | Termin- ation Benefits | |
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Key management personnel | | | | | | |
| R J Whitehead, Auditor-General | 371 | 20 | 35 | (22) | - | 404 |
| E R De Santi, Deputy Auditor-General/Chief Operating Officer | 237 | 21 | 31 | (45) | - | 244 |
| P R Johnson, Assistant Auditor-General – Corporate Support and Strategy | 94 | - | 9 | 6 | - | 109 |
| S G Morrison, Assistant Auditor-General – Financial Audit Service | 165 | - | 21 | (30) | - | 156 |
| J J Tongs, Assistant Auditor-General – Quality and Standards | 165 | - | 21 | (26) | - | 160 |
| G B Emery, Assistant Auditor-General – Performance Audit Service | 162 | - | 15 | 12 | - | 189 |
| L C Franklin, Assistant Auditor-General – Financial Audit Service (resigned as at 16 April 2021) | 135 | - | 13 | (7) | - | 141 |
| Acting key management personnel | | | | | | |
| S M Scott, Acting Assistant Auditor-General – Corporate Support and Strategy (from 26 October 2020 to 31 January 2021) | 33 | - | 3 | 3 | - | 39 |
| | 1 362 | 41 | 148 | (109) | - | 1 442 |

| 2020 | Short-term benefits | | Long-term benefits | | | Total | |
|------|---------------------|----------------|--------------------|---|--------|--------|------------------------------|
| | Salary | Other Benefits | Superan- uation | Other Benefits and Long Service Leave | | | Termin- ation Benefits |
| | | | | | | | |
| | | | | | | | |
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | |

Key management personnel

| | | | | | | |
|--|--------------|-----------|------------|------------|----------|--------------|
| R J Whitehead, Auditor-General | 367 | 15 | 35 | 37 | - | 454 |
| E R De Santi, Deputy Auditor-General/Chief Operating Officer | 215 | 21 | 28 | 39 | - | 303 |
| P R Johnson, Assistant Auditor-General – Corporate Support and Strategy | 129 | - | 12 | 3 | - | 144 |
| S G Morrison, Assistant Auditor-General – Financial Audit Service | 159 | - | 21 | 62 | - | 242 |
| J J Tongs, Assistant Auditor-General – Quality and Standards | 163 | - | 21 | 45 | - | 229 |
| G B Emery, Assistant Auditor-General – Performance Audit Service | 159 | - | 15 | 12 | - | 186 |
| L C Franklin, Assistant Auditor-General – Financial Audit Service (from 29-7-19) | 149 | - | 14 | 6 | - | 169 |
| | 1 341 | 36 | 146 | 204 | - | 1 727 |

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 2020-21 for key management personnel is set by the *Audit Act 2008* for the Auditor-General, and the *State Service Act 2000* for all other personnel.

Remuneration and other terms of employment are specified in employment contracts and awards. Remuneration includes salary, allowances, motor vehicle and other non-monetary benefits. Long term employee expenses include long service leave and superannuation obligations.

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 7.2), 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.

(c) Related party transactions

There are no material related party transactions requiring disclosure.

5.2 Depreciation and amortisation

All applicable 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.

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 8 years

Leased buildings – Launceston 10 years

(a) Depreciation

| | Major depreciation period | 2021 \$'000 | 2020 \$'000 |
|--|---------------------------|----------------|----------------|
| Office equipment, furniture and fittings | 5 years | - | 4 |
| | | - | 4 |

(b) Amortisation

| | Major amortisation rate (%) | 2021 \$'000 | 2020 \$'000 |
|--|-----------------------------------|----------------|----------------|
| Intangibles – computer software | 10 | 2 | 2 |
| Leasehold improvements | | | |
| Hobart office | 3.56 | | |
| Launceston office | 10.00 | 33 | 65 |
| | | 35 | 67 |
| Total depreciation and amortisation | | 35 | 71 |

5.3 Audit contractors

| | 2021 \$'000 | 2020 \$'000 |
|----------------------|----------------|----------------|
| Audit contractors | 1 292 | 1 896 |
| IT audit contractors | 49 | 47 |
| | 1 341 | 1 943 |

5.4 Supplies and consumables

| | 2021 \$'000 | 2020 \$'000 |
|---|----------------|----------------|
| Audit fees – financial audit and review of key performance report | 19 | 21 |
| Audit fees – internal audit | 23 | 46 |
| Lease expense (operating lease costs) | 441 | 377 |
| Consultants and contractors | 3 | 47 |
| Property services | 72 | 79 |
| Communications | 5 | 7 |
| Information technology | 139 | 134 |
| Travel and transport | 37 | 103 |
| Printing | 4 | 1 |
| Plant and equipment | 8 | 2 |

| | 2021 | 2020 |
|--------------------------------|------------|------------|
| | \$'000 | \$'000 |
| Office requisites | 7 | 13 |
| Personnel expenses | 22 | 28 |
| Other supplies and consumables | 24 | 88 |
| | 804 | 946 |

Audit fees payable to Nexia Melbourne Audit Pty Ltd for the audit of the Office's financial statements were \$19 100 (2019-20 \$20 976)

Lease expense includes lease rentals for short-term leases, lease of low value assets and variable lease payments. Refer to note 6.2 for breakdown of lease expenses and other lease disclosures.

5.5 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.

| | 2021 | 2020 |
|---|------------|------------|
| | \$'000 | \$'000 |
| Workers compensation insurance | 40 | 40 |
| Service level agreements – DoJ and QAO | 276 | 267 |
| Property insurance | 4 | 5 |
| Fiji Twinning underspent funds on Department of Foreign Affairs and Trade Agreement | 44 | - |
| Other expenses | 49 | 18 |
| | 413 | 330 |

Note 6. 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.

6.1 Receivables

Receivables are initially recognised at fair value plus any directly attributable transaction costs. Trade receivables that do not contain a significant financing component are measured at the transaction price.

Receivables are held with the objective to collect the contractual cash flows and are subsequently measured at amortised cost using the effective interest method. Any subsequent changes are recognised in the net result for the year when impaired, derecognised or through the amortisation process.

An allowance for expected credit losses is recognised for all debt financial assets not held at fair value through profit and loss. The expected credit loss is based on the difference between the contractual cash flows and the cash flows that the entity expects to receive, discounted at the original effective interest rate.

For trade receivables, a simplified approach in calculating expected credit losses is applied, with a loss allowance based on lifetime expected credit losses recognised at each reporting date. The Department has established a provision matrix based on its historical credit loss experience for trade receivables, adjusted for forward-looking factors specific to the receivable.

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 11.1.

| | 2021 | 2020 |
|--|------------|------------|
| | \$'000 | \$'000 |
| User charges | 485 | 330 |
| Reserved by law – Auditor-General leave receivable | 81 | 103 |
| Less: Provision for impairment | - | - |
| Less: Expected credit loss | - | - |
| | 566 | 433 |
| Settled within 12 months | 485 | 330 |
| Settled in more than 12 months | 81 | 103 |
| | 566 | 433 |

6.2 Contract assets

Contract assets represents costs incurred and profit recognised on financial audit engagements that are in progress and have not yet been invoiced at reporting date. Contract assets are valued at net realisable value after providing for any expected credit losses. Contract assets are recognised in the Statement of financial position and the movement recognised in the Statement of comprehensive income.

| | 2021 | 2020 |
|---|------------|------------|
| | \$'000 | \$'000 |
| Contract assets (work in progress) | 428 | 405 |
| | 428 | 405 |
| Balance at 1 July | 405 | 251 |
| Add, Costs related to financial audit services provided | 6 307 | 5 335 |
| Less, Transfers to receivables | (5 848) | (5 026) |
| Add, Movement in revenue in advance | 295 | (23) |
| Less, Provision for impairment | (731) | 132 |
| Balance at 30 June | 428 | 405 |

6.3 Leasehold Improvements, plant and equipment

(i) Valuation basis

All non-current physical assets, including any work in progress, are recorded at historic cost less accumulated depreciation and accumulated impairment losses. All assets within a class of assets are measured on the same basis.

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.

Fair value is based on the highest and best use of the asset. Unless there is an explicit Government policy to the contrary, the highest and best use of an asset is the current purpose for which the asset is being used or build occupied.

The recognised fair value of non-financial assets is classified according to the fair value hierarchy that reflects the significance of the inputs used in making these measurements.

- *Level 1* the fair value is calculated using quoted prices in active markets
- *Level 2* the fair value is estimated using inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices),and
- *Level 3* the fair value is estimated using inputs for the asset or liability that are not based on observable market data.

(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:

| | |
|--|---------|
| Office equipment, furniture and fittings | \$5 000 |
| Leasehold improvements | \$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

| | 2021 | 2020 |
|--|--------|--------|
| | \$'000 | \$'000 |
| Office equipment, furniture and fittings | | |
| At cost | 19 | 32 |
| Less: Accumulated depreciation | (19) | (32) |
| | - | - |
| Leasehold improvements | | |
| At cost | 401 | 401 |
| Less: Accumulated amortisation | (347) | (313) |
| | 54 | 88 |
| Total leasehold improvements, plant and equipment | 54 | 88 |

(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.

| 2021 | Office equipment, furniture and fittings \$'000 | Leasehold improvements \$'000 | Total \$'000 |
|--------------------------------|---|-------------------------------------|-----------------|
| Carrying value at 1 July 2020 | - | 88 | 88 |
| Additions | - | - | - |
| Depreciation and amortisation | - | (34) | (34) |
| Carrying value at 30 June 2021 | - | 54 | 54 |

| 2020 | Office equipment, furniture and fittings \$'000 | Leasehold improvements \$'000 | Total \$'000 |
|--------------------------------|---|-------------------------------------|-----------------|
| Carrying value at 1 July 2019 | 4 | 153 | 157 |
| Additions | - | - | - |
| Depreciation and amortisation | (4) | (65) | (69) |
| Carrying value at 30 June 2020 | - | 88 | 88 |

6.4 Intangible assets

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 assets held by the Office 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

| | 2021 | 2020 |
|---------------------------------------|-----------|-----------|
| | \$'000 | \$'000 |
| Intangibles with a finite useful life | | |
| Software at cost | 19 | 19 |
| Less: Accumulated amortisation | (11) | (9) |
| | <u>8</u> | <u>10</u> |
| Work in progress (at cost) | 13 | - |
| | <u>21</u> | <u>10</u> |

(b) Reconciliation of movements

| | 2021 | 2020 |
|----------------------------------|-----------|-----------|
| | \$'000 | \$'000 |
| Carrying amount at 1 July | 10 | 12 |
| Net movement in Work in progress | 13 | - |
| Amortisation expense | (2) | (2) |
| Carrying amount at 30 June | <u>21</u> | <u>10</u> |

6.5 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.

| | 2021 | 2020 |
|---------------------------|-----------|-----------|
| | \$'000 | \$'000 |
| Other assets | | |
| Prepayments | 90 | 24 |
| Total other asset | <u>90</u> | <u>24</u> |
| Utilised within 12 months | 90 | 24 |
| Total other assets | <u>90</u> | <u>24</u> |

Note 7. 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.

7.1 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.

| | 2021 | 2020 |
|--------------------------|------------|------------|
| | \$'000 | \$'000 |
| Creditors and accruals | 134 | 85 |
| GST liability | 100 | 53 |
| | 234 | 138 |
| Settled within 12 months | 234 | 138 |
| | 234 | 138 |

Settlement is usually made within 30 days.

7.2 Employee liabilities

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.

Other employee entitlements 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.

| | 2021 | 2020 |
|--------------------------------|--------------|--------------|
| | \$'000 | \$'000 |
| Accrued salaries | 350 | 77 |
| Annual leave | 366 | 399 |
| Long service leave | 596 | 667 |
| Superannuation | 129 | 138 |
| | 1 441 | 1 281 |
| Settled within 12 months | 668 | 431 |
| Settled in more than 12 months | 773 | 850 |
| | 1 441 | 1 281 |

7.3 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.

7.4 Contract liabilities

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

The contract liability has increased significantly during the year due to the early instalment billing for clients in June 2021.

| | 2021 | 2020 |
|--|--------|--------|
| | \$'000 | \$'000 |
| Revenue received in advance | 653 | 358 |
| Revenue recognised during the year that was included in the contract liability balance at the beginning of the year | 358 | 381 |
| Revenue recognised during the year from performance obligations satisfied (or partially satisfied) in previous years | - | - |

Note 8. Commitments

8.1 Schedule of commitments

Commitments represent those contractual arrangements entered by the Office that are not reflected in the Statement of financial position.

Leases are recognised as right-of-use assets and lease liabilities in the Statement of financial position, excluding short term leases and leases for which the underlying asset is of low value, which are recognised as an expense in the Statement of comprehensive income.

| | 2021 | 2020 |
|--|--------------|--------------|
| | \$'000 | \$'000 |
| Commitments by type | | |
| Contract audits | 2 670 | 2 864 |
| SLA with Department of Justice | 280 | 554 |
| Office rent and motor vehicle fleet agreements | 629 | 402 |
| Other commitments | 203 | 102 |
| Total commitments | 3 782 | 3 922 |
| Commitments by maturity | | |
| One year or less | 1 821 | 1 661 |
| From one to five years | 1 961 | 2 102 |
| Over five years | - | 159 |
| Total commitments | 3 782 | 3 922 |

(a) Office rent and motor vehicle fleet agreements

For Launceston Office accommodation the remaining commitment is six years. For Hobart Office accommodation the remaining term is three years. Both of these leases are held by the Department of Treasury and Finance.

The motor vehicle commitments are governed by the Government's contract held by the Department of Treasury and Finance. Motor Vehicle commitments have been calculated based on the agreements entered into as at 30 June 2021 and the value and remaining term of the outstanding commitment payments. All amounts shown are inclusive of GST.

(b) Other Commitments

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

Note 9. Contingent assets and liabilities

Contingent assets and liabilities are not recognised in the Statement of financial position due to uncertainty regarding any possible amount or timing of any possible underlying claim or obligation.

The Office does not have any contingent assets or liabilities.

Note 10. Cash flow reconciliation

Cash means notes, coins, any deposits held at call with a bank or financial institution, as well as funds held in Specific Purpose Accounts, being short term of three months or less and highly liquid. Deposits are recognised at amortised cost, being their face value.

10.1 Cash and Deposits

Cash and cash equivalents includes the balance of the Specific Purpose Accounts held by the Office, and other cash held, excluding those accounts which are administered or held in a trustee capacity or agency arrangement.

| | 2021 | 2020 |
|--------------------------------|--------------|--------------|
| | \$'000 | \$'000 |
| Special Purpose Account – S644 | 2 714 | 2 258 |
| Total cash and deposits | 2 714 | 2 258 |

10.2 Reconciliation of net result to net cash from / (used in) operating activities

| | 2021 | 2020 |
|--|--------|--------|
| | \$'000 | \$'000 |
| Net result from transactions | 104 | (787) |
| Depreciation and amortisation | 34 | 71 |
| Decrease (increase) in Receivables | (133) | 344 |
| Decrease (increase) in Contract assets | (23) | (154) |
| Decrease (increase) in Prepayments | (66) | 11 |
| Increase (decrease) in Tax liabilities | 47 | 28 |
| Increase (decrease) in Employee entitlements | 160 | 25 |
| Increase (decrease) in Payables | 49 | (40) |
| Increase (decrease) in Contract liabilities | 295 | (23) |
| Increase (decrease) in Provisions | - | (49) |
| Net cash from / (used in) operating activities | 467 | (574) |

10.3 Reconciliation of liabilities arising from financing activities

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

Note 11. Financial instruments

11.1 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) |
|----------------------------------|--|---|
| Financial Assets | | |
| Receivables and work in progress | Our 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 shortages and delays due to COVID-19. At 30 June 2021 86% of debtors were <30 days again due to the impact of COVID. All debtors are deemed receivable at 30 June 2021. | Normal credit terms are 30 days. |
| Cash and deposits | Our 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 2020. | 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:

| | 2021 | 2020 |
|--------------------------------------|------------|------------|
| | \$'000 | \$'000 |
| Financial audit services receivables | 485 | 330 |
| Total | 485 | 330 |

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 are as follows:

| 2021 | Not past due | Past due 1-30 days | Past due 31-60 days | Past due 61-90 days | Total |
|---------------------------------|--------------|--------------------|---------------------|---------------------|--------|
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Expected credit loss rate (A) | 0% | 0% | 0% | 0% | 0% |
| Total gross carrying amount (B) | 416 | - | 69 | - | 485 |
| Expected credit loss (A x B) | - | - | - | - | - |

| 2020 | Not past due | Past due 1-30 days | Past due 31-60 days | Past due 61-90 days | Total |
|---------------------------------|--------------|--------------------|---------------------|---------------------|--------|
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Expected credit loss rate (A) | 0% | 0% | 0% | 0% | 0% |
| Total gross carrying amount (B) | 198 | 67 | 24 | 41 | 330 |
| Expected credit loss (A x B) | - | - | - | - | - |

(c) Liquidity risk

Liquidity risk is the risk that the Office will not be able to meet its financial obligations as they fall due. Our 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) |
|------------------------------|---|--|
| Financial liabilities | | |
| Payables | Our 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 2021. | As per Treasurer's Instruction FC-7 the Office pays within suppliers' credit terms. Where there are no credit terms specified Office policy is to pay within 14 days of receipt of a correctly rendered tax invoice. |

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:

| 2021 | Maturity analysis for financial liabilities | | |
|------------------------------|---|--------------------|-----------------|
| | 1 Year | Undiscounted Total | Carrying Amount |
| | \$'000 | \$'000 | \$'000 |
| Financial liabilities | | | |
| Payables | 234 | 234 | 234 |
| Total | 234 | 234 | 234 |

| 2020 | Maturity analysis for financial liabilities | | |
|------------------------------|---|--------------------|-----------------|
| | 1 Year | Undiscounted Total | Carrying Amount |
| | \$'000 | \$'000 | \$'000 |
| Financial liabilities | | | |
| Payables | 138 | 138 | 138 |
| Total | 138 | 138 | 138 |

(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 2021, the Office does not have any interest bearing assets or liabilities. As a result, its exposure to market risk is minimal.

11.2 Categories of financial assets and liabilities

| | 2021 | 2020 |
|------------------------------|--------------|--------------|
| | \$'000 | \$'000 |
| Financial assets | | |
| Cash and cash equivalents | 2 714 | 2 258 |
| Receivables | 566 | 433 |
| Total | 3 280 | 2 691 |
| Financial liabilities | | |
| Financial liabilities | 234 | 138 |
| Total | 234 | 138 |

11.3 Comparison between carrying amount and net fair value of financial assets and liabilities

| | Carrying amount 2021 \$'000 | Net fair value 2021 \$'000 | Carrying amount 2020 \$'000 | Net fair value 2020 \$'000 |
|---|--------------------------------------|-------------------------------------|--------------------------------------|-------------------------------------|
| Financial assets | | | | |
| Cash in Special Deposits and Trust Fund | 2 714 | 2 714 | 2 258 | 2 258 |
| Receivables | 566 | 566 | 433 | 433 |
| Total financial assets | 3 280 | 3 280 | 2 691 | 2 691 |
| Financial liabilities (recognised) | | | | |
| Payables | 234 | 234 | 138 | 138 |
| Total financial liabilities (Recognised) | 234 | 234 | 138 | 138 |

11.4 Net fair values of financial assets and liabilities

| 2021 | Net Fair Value Level 1 \$'000 | Net Fair Value Level 2 \$'000 | Net fair Value Level 3 \$'000 | Net Fair Value Total \$'000 |
|------------------------------------|----------------------------------|----------------------------------|----------------------------------|--------------------------------|
| Financial assets | | | | |
| Cash and deposits | 2 714 | - | - | 2 714 |
| Receivables | 566 | - | - | 566 |
| Total financial assets | 3 280 | - | - | 3 280 |
| Financial liabilities | | | | |
| Payables | 234 | - | - | 234 |
| Total financial liabilities | 234 | - | - | 234 |

| 2020 | Net Fair Value Level 1 \$'000 | Net Fair Value Level 2 \$'000 | Net fair Value Level 3 \$'000 | Net Fair Value Total \$'000 |
|------------------------------------|----------------------------------|----------------------------------|----------------------------------|--------------------------------|
| Financial assets | | | | |
| Cash and deposits | 2 258 | - | - | 2 258 |
| Receivables | 433 | - | - | 433 |
| Total financial assets | 2 691 | - | - | 2 691 |
| Financial liabilities | | | | |
| Payables | 138 | - | - | 138 |
| Total financial liabilities | 138 | - | - | 138 |

The recognised fair values of financial assets and financial liabilities are classified according to the fair value hierarchy that reflects the significance of the inputs used in making these measurements. The Office uses various methods in estimating the fair value of a financial instrument. The methods comprise:

- *Level 1* the fair value is calculated using quoted prices in active markets
- *Level 2* the fair value is estimated using inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices), and

- *Level 3* the fair value is estimated using inputs for the asset or liability that are not based on observable market data.

Note 12. 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 2021.

Note 13. Other significant accounting policies and judgements

13.1 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.

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

13.2 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 Act 2016*.

The financial statements were signed by the Auditor-General on 13 August 2021.

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 except for those changes outlined in note 13.5.

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.

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

13.3 Reporting entity

The financial statements include all the controlled activities of the Office. The Office is a single reporting entity.

13.4 Functional and presentation currency

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

13.5 Changes in accounting policies

(a) Impact of new and revised Australian Accounting Standards and Interpretations

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.

New and revised Australian Accounting Standards and amendments thereof and Interpretations effective for the current year that are relevant to the Office include:

AASB 2018-7 Amendments to Australian Accounting Standards – Definition of Material

This Standard amends AASB 101 *Presentation of Financial Statements* and AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*, and makes consequential amendments to several other pronouncements and publications. The Office has adopted these amendments for the first time in the current year. The amendments make the definition of material in AASB 101 easier to understand and are not intended to alter the underlying concept of materiality in Australian Accounting Standards. The concept of 'obscuring' material information with immaterial information has been included as part of the new definition. The threshold for materiality influencing users has been changed from 'could influence' to 'could reasonably be expected to influence'. The definition of material in AASB 108 has been replaced by a reference to the definition of material in AASB 101. In addition, the Standard also amends other Australian Accounting Standards and the Conceptual Framework that contain a definition of 'material' or refer to the term 'material' to ensure consistency.

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

The Office has not applied a new Australian Accounting Standard or Interpretation that has been issued but is not yet effective. Those that have an impact on the Office's financial statements include:

- AASB 2020-1 Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-Current and AASB 2020-6 Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current – Deferral of Effective Date (effective for annual reporting periods beginning on or after 1 January 2022)

- AASB 2020-3 Amendments to Australian Accounting Standards – Annual Improvements 2018-2020 and Other Amendments (effective for annual reporting periods beginning on or after 1 January 2022)
- AASB 2021-2 Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates (effective for annual reporting periods beginning on or after 1 January 2023).

The Office has undertaken an assessment of the impact of new and revised Accounting Standards yet to be applied and has determined they will have no material impact on the Office's financial statements.

(c) Impact of COVID-19 on the Financial Statements

COVID-19 has had a minimal impact on the financial statements of the Office. Expenditure incurred directly due to COVID-19 was less than \$1 000 in 2020-21, compared with approximately \$8 000 in 2019-20. It should also be noted that the Receivables and work in progress balance at 30 June 2020 and 2021 is higher than previous years due to the ongoing impacts on the work program.

13.6 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.

13.7 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.

13.8 Office taxation

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

13.9 Goods and Services Tax

Revenue, expenses and assets are recognised net of the amount of Goods and Services Tax (GST), 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 14. Auditor's remuneration

The Governor, on recommendation of the Treasurer, in accordance with the *Audit Act 2008*, appoints the auditor of the Tasmanian Audit Office. Nexia Melbourne Audit Pty Ltd were appointed in 2019 for a period of three years.

| | 2021 | 2020 |
|--|-----------|-----------|
| | \$'000 | \$'000 |
| Financial audit fees | 17 | 19 |
| Fee to review key performance indicator report | 2 | 2 |
| Total | 19 | 21 |

Note 15. Principal address and registered office

Level 8
144 Macquarie St
Hobart TASMANIA 7000.

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 (the Office), which comprises the statement of financial position as at 30 June 2021, 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 financial report presents fairly, in all material respects, the financial position of the Tasmanian Audit Office as at 30 June 2021 and of its financial performance and its cash flows for the year then ended in accordance with the Australian Accounting Standards and the *Financial Management Act 2016*.

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 auditor independence requirements and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (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

Those Auditor-General is responsible for the other information. The other information comprises the information included in the Tasmanian Audit Office's annual report for the year ended 30 June 2021 but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly 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 this 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's responsibility for the financial report

The Auditor-General is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and *Financial Management Act 2016*, 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.

Nexia Melbourne Audit Pty Ltd

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Liability limited by a scheme approved under Professional Standards Legislation.

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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 intends to liquidate the Office or to cease operations, or has no realistic alternative but to do so.

The Auditor-General is responsible for overseeing the Office's financial reporting process.

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 13th day of August 2021



Acronyms and abbreviations

| | |
|---------------------------|---|
| AAS | Australian Accounting Standards |
| AASB | Australian Accounting Standards Board |
| ACAG | Australasian Council of Auditors-General |
| ATO | Australian Taxation Office |
| Audit Act | <i>Audit Act 2008</i> |
| CaseWare | CaseWare Audit System |
| Cth | Commonwealth |
| FAS | Financial Audit Services |
| FBT | Fringe Benefits Tax |
| FRAC | Financial Reporting and Auditing Committee |
| FTE | full-time equivalent |
| GST | Goods and Services Tax |
| HOFA | Heads of Financial Audit Group |
| IFRS | International Financial Reporting Standards |
| IPSAM | Integrated Public Sector Audit Methodology |
| KPI(s) | Key performance indicator(s) |
| Public Accounts Committee | Parliamentary Standing Committee of Public Accounts |
| PAS | Performance Audit Services |
| PID Act | <i>Public Interest Disclosure Act 2002</i> |
| RTI Act | <i>Right to Information Act 2009</i> |
| State Service Act | <i>State Service Act 2000</i> |
| Office | Tasmanian Audit Office |
| WIP | Work in Progress |

Appendix 1 – Statistics on our staff

Our establishment

Our full-time equivalent (FTE) staffing level remained relatively stable this reporting period, with a slight increase on prior year. Fixed-term staff numbers continued to decrease during 2020-21, supporting our ongoing work to fully implement revised structure put in place after the re-profiling work conducted in 2018-19. Global audit skill shortages continue to provide challenges in recruiting and retaining staff.

| Measures | 2020-21 | 2019-20 | 2018-19 | 2017-18 |
|---|---------|---------|---------|---------|
| Size of the workforce at 1 July (head count) | 45 | 47 | 42 | 45 |
| Number of staff on secondment, leave without pay and identified staff at 1 July (head count) | 6 | 7 | 3 | 6 |
| Number of staff who left during the year (head count) | (12) | (12) | (11) | (15) |
| Number of staff who commenced during the year (head count) | 12 | 9 | 20 | 9 |
| Number of staff on secondment, leave without pay and identified staff at 30 June (head count) | (5) | (6) | (7) | (3) |
| Size of the workforce at 30 June (head count) | 46 | 45 | 47 | 42 |
| Size of the workforce at 30 June – FTE | 43.2 | 41.6 | 41.9 | 39.2 |
| Number of permanent part-time staff | 2 | 2 | 2 | 2 |
| Number of fixed-term part-time staff | 2 | 4 | 4 | 2 |
| Number of fixed-term staff | 10 | 12 | 17 | 14 |
| Number of full-time staff working agreed reduced hours | 5 | 2 | 4 | 6 |
| Average age of workforce at 30 June | 44 | 42 | 41 | 42 |

We aim 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 operate in. Work continues on a detailed roadmap in the form of a Workforce Strategy and

underpinning documents that will better allow us to continue to ensure we have the right people, in the right jobs, at the right time.

Our Diversity and Inclusion Strategy includes initiatives to ensure everyone has access to employment and other opportunities. Our people are valued, respected, and are supported to be the best that they can be.

Our gender balance did not vary significantly from the previous years, with even representation across male and female genders becoming slightly more balanced. Average salaries for females increased, reflecting this improved gender balance.

Gender related information is set out in the table below:

| Measures | 2020-21 | 2019-20 | 2018-19 | 2017-18 |
|---|-----------|-----------|-----------|-----------|
| Number of males as a % | 58.7 | 60.0 | 61.7 | 61.9 |
| Number of females as a % | 39.1 | 38.8 | 38.3 | 38.1 |
| Undisclosed gender as a % | 2.2 | 2.2 | - | - |
| Average age – male (years) | 44.4 | 44.2 | 41.4 | 41.4 |
| Average age – female (years) | 42.1 | 38.1 | 39.2 | 41.6 |
| Average age – undisclosed (years) | * | * | - | - |
| Average salary – male | \$113 177 | \$114 674 | \$102 217 | \$105 343 |
| Average salary – female | \$97 190 | \$85 988 | \$89 156 | \$99 719 |
| No. of males working agreed reduced hours | 0 | 0 | 0 | 1 |
| No. of females working agreed reduced hours | 5 | 2 | 4 | 5 |
| No. of undisclosed working agreed reduced hours | 0 | 0 | - | - |

Note: Results for categories with insufficient responses to de-identify are replaced with an asterisk (*)

This reporting period provided a slight increase in average sick leave days taken by staff. This can be attributed, in part, to the relaxation of COVID-19 awareness practiced by staff in the previous reporting period. With no community transmission for a significant period, it appears a return to more typical sick leave patterns has occurred. Accrued recreation leave entitlements continue to be impacted by COVID-19, with staff deferring large portions of planned leave due to ongoing travel restrictions.

Long Service Leave management continues to be practiced, with no staff holding balances above 100 days. Leave plans continue to be utilised to manage high recreation leave

balances to meet the our ongoing commitment to providing good work-life balance for all staff, with a slight decrease in staff with accrued recreation leave balances in excess of 35 days.

| Measures | 2020-21 | 2019-20 | 2018-19 | 2017-18 |
|--|---------|---------|---------|---------|
| Average sick leave days taken during the year per staff member | 7.49 | 6.59 | 13.2 | 8.0 |
| Total number of sick leave days taken during the year | 323.6 | 274.6 | 621.4 | 337.6 |
| Average number of accrued recreation leave days per employee at year end | 19.7 | 18.2 | 16.4 | 14.4 |
| Total recreation leave days accrued at year end | 884.2 | 819.1 | 752.5 | 606.4 |
| Staff with >35 days accrued recreation leave at 30 June | 5 | 6 | 5 | 2 |
| Average number of accrued long service leave days per employee at year end | 22.7 | 18.9 | 20.6 | 24.4 |
| Total long service leave days accrued at year end | 1 045.9 | 852.7 | 969.2 | 1 023.0 |
| Staff with >100 days accrued long service leave at 30 June | 0 | 0 | 0 | 1 |

Workplace health and safety measures

The following indicators reflect our performance in providing a safe and healthy work environment. Reporting levels remained relatively consistent with prior years.

| Measures | 2020-21 | 2019-20 | 2018-19 | 2017-18 |
|---------------------------------------|---------|---------|---------|---------|
| No. of hazards and incidents reported | 4 | 6 | 7 | 8 |
| No. of workers' compensation claims | 1 | 0 | 1 | 0 |
| No. of first aid officers | 2 | 1 | 2 | 3 |

Graduate and cadetship program

We continued to offer graduate employment programs to students who are undertaking, or have recently completed, a bachelor degree in a relevant discipline at a recognised tertiary institution. Running for four years, the program provides graduates an additional year to finalise post-graduate studies and consolidate on-the-job knowledge. The following table summarises the number of cadets and graduates employed at the Office at 30 June 2021:

| Measures | 2020-21 | 2019-20 | 2018-19 | 2017-18 |
|---|---------|---------|---------|---------|
| Total no. of cadets at 30 June | 0 | 0 | 0 | 0 |
| Total no. of graduates at 30 June (employed in FAS) | 7 | 5 | 7 | 2 |

Professional development

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

It is notable that while the average days per FTE remained consistent with the prior year, the dollar investment per FTE did decrease significantly. This can, in part, be attributed to the decreased cost of training delivery in virtual formats, rather than face-to-face. In addition, our learning and development approach is to encourage the 70-20-10 approach, whereby staff obtain 70% of their knowledge from on-the-job related experiences. The following table summarises our investment in staff training, development and coaching over the period:

| Measures | 2020-21 | 2019-20 | 2018-19 | 2017-18 |
|----------------------------|---------|---------|---------|---------|
| Average days per FTE | 5.5 | 5.7 | 14.3 | 6.6 |
| Average investment per FTE | \$1 029 | \$2 676 | \$1 905 | \$2 321 |

Appendix 2 – Service in the community

As at 30 June 2021, our executive staff and senior managers were members of the following committees, professional associations, panels, working parties and community organisations:

| Officer | Entity | Position |
|------------------|---|---|
| Rod Whitehead | ACAG | Member Financial Reporting and Auditing Committee (FRAC) – Chair |
| Ric De Santi | ACAG | Heads of Financial Audit Group (HOFA) – Chair FRAC – Office representative |
| | CPA Australia | Board of Directors – Director Audit, Risk and Compliance Committee – Member Member Engagement Committee – Member Tasmanian Divisional Council – Deputy President Public Sector Network – Tasmanian representative |
| | Catholic Education Commission of Tasmania | Commissioner and Chair of Resources and Sustainability Standing Committee |
| Patty Johnson | ACAG | Corporate Services Managers Group – Office representative Data Analytics Group – Office representative Communications – Office representative |
| | Office of Tasmanian Assessment, Standards and Certification | Conduct Review Committee – Chair |
| | State Service Management Office | HR Forum – Office Representative |
| Stephen Morrison | ACAG | HOFA – Office representative Inter-jurisdiction CaseWare Collaboration Group |

| Officer | Entity | Position |
|-------------|---|---|
| Jeff Tongs | ACAG | FRAC – Office representative Auditing Standards Committee – Office representative Australian Auditing and Assurance Standards Board |
| | Australian Auditing and Assurance Standards Board | Project Advisory Group – Public Sector Audit Issues – Member |
| Simon Scott | ACAG | Audit Office Legal Advisers Sub-Committee – Office representative |
| | Hobart Friendly Society Dispensary Ltd | Non-Executive Company Director |

Appendix 3 – Risk management and asset management

Risk management

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

During 2020-21 we continued to monitor key risks and associated treatment plans. In addition, we revisited our key headline risks on our Enterprise Risk Register:

- inability to attract, develop and retain staff due to failure to provide appropriate learning and development opportunities or poor Office organisational culture
- issuance of inappropriate audit opinions and/or reports due to failure to provide sufficient resources to conduct Office audits (appropriately skilled staff, physical resources, experts and time)
- loss or misuse of sensitive information held by Office due to inadequate physical ICT security measures, inappropriate access, use or distribution of the Office's sensitive information to unauthorised third parties or failure to enforce Office's contractual obligations with respect to confidentiality agreements
- failure to protect peoples' health and wellbeing due to hazard or threat prevalent in the community, complex and demanding nature of work or inappropriate behaviour in the workplace
- non-compliance or breach of Office's statutory requirements due to failure of Office to follow the law or Government policy
- audit outcomes not meeting stakeholder and/or client expectations due to failure to regularly engage with clients and stakeholders, failure of ensuring stakeholders and clients understand Office's mandate or failure to understand/meet client and stakeholder expectations
- key vendors failing to deliver goods and/or services to the Office's expectations due to failure to contract manage the Office/vendor contractual obligations
- failure of key ICT systems due to failure of vendor to recover from a critical business interruption
- Office's statutory independence is compromised due to State Government not keeping at arm's length from the Office's operations
- adverse fraud and/or corruption event due to Office staff member/contractor/third party engaging in unlawful activity, and
- Office's inability to sustainably manage its operations due to the Office not having the right mix of skilled and competent staff.

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

Our strategic internal audit program is structured around the identified risks around internal controls associated with the Enterprise Risk Register.

In addition to internal audits, we address 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 our reporting
- ensuring we have a workplace that attracts and retains the staff required
- 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 insurance cover is for travel, general property, personal accident, transit, motor vehicles, general liability and workers compensation.

Asset management

The financial statements for 2020-21 contain full details of our assets. These 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 we track portable and attractive items on a register also held in our financial management system. This register is reviewed annually.

Appendix 4 – Government procurement and pricing policies

Government procurement

We ensure procurement is undertaken in accordance with the mandatory requirements of the Treasurer's Instructions relating to procurement, including that Tasmanian businesses are given every opportunity to compete for our business. The following table is a summary of the level of participation by Tasmanian businesses for contracts and procurement processes valued at \$50 000 or more (excluding GST).

Summary of participation by Tasmanian businesses (for contracts and procurement processes valued at \$50,000 or more)¹

| | |
|--|-------------|
| Total number of contracts awarded | 3 |
| Total number of contracts awarded to Tasmanian businesses ² | 1 |
| Value of contracts awarded | \$1 479 300 |
| Value of contracts awarded to Tasmanian businesses | \$89 150 |
| Total number of procurement processes run | 3 |
| Total number of submissions (bids) received | 5 |
| Total number of submissions (bids) received from Tasmanian businesses | 4 |

1. The values in this table do not include the value of options to extend nor GST
2. A Tasmanian business is a business operating in Tasmania that has a permanent office or presence in Tasmania and which employs Tasmanian workers.

Contracts valued \$50,000 or over (ex GST) (excluding consultancy contracts)

The following table provides detailed information on contracts valued at \$50 000 or more (excluding GST).

| Name of Contractor | Location | Description of Contract | Period of Contract | Value of Contract (Initial Period) | Value of Option to Extend |
|--------------------|------------------|---|----------------------|------------------------------------|---------------------------|
| Crowe Findex | Hobart, Tasmania | Review of year end valuation of financial instruments (Aurora | 3 years + 2 (option) | \$89 150 | \$56 300 |

| Name of Contractor | Location | Description of Contract | Period of Contract | Value of Contract (Initial Period) | Value of Option to Extend |
|------------------------------------|---------------------|--|--------------------------|------------------------------------|---------------------------|
| | | Energy Pty Ltd) | | | |
| RSM | Melbourne, Victoria | Financial Statement Audit (Hydro Electric Corporation and Momentum Energy Pty Ltd) | 3 years | \$1 185 000 | Nil |
| CaseWare Australia and New Zealand | Southbank, Victoria | ICT Contract (Audit Methodology Software) | 5 years + 2 + 2 (option) | \$205 150 | \$171 850 |

Consultancies over \$50,000

Nil

Contract Awarded as a Result of Limited Tendering

The following table provides detailed information on contracts awarded as a result of limited tendering:

| Name of Contractor | Description of Contract | Reasons for approval | Value of Contract (Initial Period) | Value of Option to Extend (Estimate) |
|------------------------------------|---|---|------------------------------------|--------------------------------------|
| CaseWare Australia and New Zealand | ICT Contract (Audit Methodology Software) | The cost to the Office adopting an open tendering methodology would outweigh the value for money benefits of adopting those methods as other jurisdictions (being Queensland Audit Office, South Australia Audit Office and Australian Capital Territory Audit Office) had recently undergone competitive tendering processes to award CaseWare | \$205 150 | \$171 850 |

| | | | | |
|--|--|---------------------------------------|--|--|
| | | as their respective IPSAM replacement | | |
|--|--|---------------------------------------|--|--|

Procurement complaints

We did not receive any complaints from businesses in relation to our procurement practices or procedures. We assisted Treasury in a review of a matter raised by an audit service provider with respect to the application of the Buy Local Policy to panel arrangements and standing offer contracts.

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.8 of 2020-21 Volume 1 Auditor-General's Report on the Financial Statements of State entities*, available from the Office's website.

Office contact officer

| Responsibility | Primary Contact Officer |
|--------------------------------|--|
| Procurement Complaints Officer | Janine McGuinness: admin@audit.tas.gov.au |

Appendix 5 – Superannuation declaration

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 staff of the Office who are members of the following complying superannuation schemes to which the Office contributes:

- AMP Directions Personal Super
- Australian Super
- HESTA Super Fund
- Hostplus Super
- ING Direct Living Super
- Legal Super
- Macquarie Super Manager
- MLC Wrap Super - Super Service
- MyNorth Super
- Public Sector Super Accum. Plan
- R & R Superannuation Fund
- RBF Contributory Scheme
- SmartMonday PRIME TESH (ExecS)
- Spirit Super
- Unisuper Limited
- VicSuper FutureSaver
- Whitehead Super Fund



Rod Whitehead
Auditor-General

30 June 2021

Appendix 6 – Right to information, privacy and public interest disclosures

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 that 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 and processed in 2020-21.

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 2020-21.

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 its 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 our current PID procedures are available by contacting the Public Interest Disclosure Officer.

In accordance with the requirements of section 86 of the PID Act, we advise that in the 2020-21 financial year:

- no disclosures of public interest were made to us
- no public interest disclosures were investigated by us

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

Process for appealing decisions by the Office

We do not administer any legislation and the nature of our remit under the Audit Act is that there are no appealable decisions made by the Office.

Office contact officers

| Responsibility | Primary Contact Officer |
|--------------------------------------|--|
| Public Interest Disclosure Officer | Gary Emery: admin@audit.tas.gov.au |
| Right to Information Officer | Gary Emery: admin@audit.tas.gov.au |
| Personal Information Contact Officer | Gary Emery: admin@audit.tas.gov.au |

Appendix 7 – 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 |
|-----------|---|
| Audit Act | <i>Audit Act 2008</i> |
| ED | Employment Direction |
| FR-3 | Treasurer's Instruction – Format of Financial Statements (FR-3) |
| FR-4 | Treasurer's Instruction – Annual Reports (FR-4) |
| FMA | <i>Financial Management Act 2016</i> |
| PID | <i>Public Interest Disclosures Act 2002</i> |
| RTI | <i>Right to Information Act 2009</i> |
| SGA | <i>Superannuation Guarantee (Administration) Act 1992 (Cth)</i> |
| SSA | <i>State Service Act 2000</i> |
| SSR | <i>State Service Regulations 2021</i> |

| Section | Compliance | Page | Details |
|---------------------------------|-----------------------------|-------|--|
| Overview | | | |
| Overview of strategic plan | SSR r9(a)(i) | 11-12 | an overview of the Office's strategic plan, including its aims, functions and related programs |
| Major initiatives | SSR r9(a)(v) | N/A | details of the major initiatives by the Office to develop and give effect to Government policy |
| Legislation administered | SSR r9(d) | N/A | list of legislation administered by the Office |
| Performance summary | SSA s36(1)(a) FR-4 cl 4.1.4 | 16-20 | Office's key efficiency and effectiveness indicators and the objectives to which the Outputs relate |
| Organisational structure | | | |
| Organisation chart | SSR r9(a)(ii) | 9 | an organisation chart illustrating the Office's administrative structure (including regional offices) and showing officers of the Office |
| Organisational structure | SSR r9(a)(iii) | 9 | a description of the relationship between the organisational structure and the program management structure of the Office |
| Major changes | SSR r9(a)(iv) | N/A | details of, and reasons for, any major changes which have taken place in relation to the programs, aims, functions or organisational structure of the Office |
| Staffing related | | | |
| Industrial democracy | SSR r9(b)(i) | 15 | processes established to ensure employee participation in industrial relations matters within the Office and any disputes affecting the Office |
| Workplace health and safety | SSR r9(b)(ii) | 14 | occupational health and safety strategies |

| Section | Compliance | Page | Details |
|------------------------------------|------------------------------|-------|--|
| Workplace wellbeing | ED 23 cl 5.2 | 14 | status and highlights of Office's health and wellbeing program |
| Performance management | SSA s36(1)(ba), ED 26 cl(10) | 15 | the Office's approach to the development and implementation of performance management |
| Superannuation obligations | PSSRA s55 | 75 | certification that the Office has met its superannuation obligations under the SGA |
| Public access to the Office | | | |
| Community awareness | SSR r9(c)(i) | 15 | 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) | 4,7 | list of publications by the Office |
| Speeches and presentations | SSR r9(c)(i) | 13 | list of speeches and presentations made by the Office |
| Contact officers | SSR r9(c)(ii) | 74,77 | list of contact officers and points of public access in relation to services provided by the Office |
| Appealable decision process | SSR r9(c)(iii) | 77 | an outline of the processes available for appeals against decisions made by the Office |
| Information disclosure | | | |
| Public interest disclosure | PID s86 | 76 | the reporting requirements for PIDs within the Office |
| Right to information | RTI s53 | 76 | the number of RTI applications that were received and processed under that Right to Information Act 2009 |
| Financial information | | | |
| Financial outcomes | FR-4 cl 4.1.1 | 26-60 | financial outcomes for Office programs |
| Financial statements | FMA s42(1) | 26-60 | financial statements of the Office |

| Section | Compliance | Page | Details |
|--|---------------------------|-------|--|
| Audit opinion | Audit Act s42(5) | 61-62 | independent auditor's report on the Office's financial statements |
| Head of agency certification | FMA s42(2), FR-3 cl 3.2 | 26 | Statement of Certification by Auditor-General |
| Presentation | FR-3 cl 3.2 | 61-62 | compliance with the Australian Accounting Standards and the use of the Model Financial Statements |
| Debts written off | FR-4 cl 4.1.7 | N/A | amounts in respect of public property, revenue and debts due to the State |
| Risk Management and asset management | | | |
| Risk management | FR-4 cl 4.1.5 | 70-71 | a statement of the Office's risk management policies, and an outline of significant risk management activities or initiatives |
| Asset management | FR-4 cl 4.1.6 | 71 | a statement of the Office's asset management policies, and an outline of asset management strategies and initiatives |
| Infrastructure projects | FR-4 cl 4.1.3 | N/A | infrastructure projects undertaken or being undertaken by the Office |
| Government procurement and pricing policies | | | |
| Support for local business | FR-4 cl 4.1.8.2 & 4.1.8.3 | 72 | a statement regarding the Office's support for Tasmanian businesses, and details of participation by Tasmanian businesses in procurement processes with a value of \$50,000 or more, together with information on their level of success in relation to procurement contracts with a value of \$50,000 or more |
| Contracts | FR-4 cl 4.1.8.4 | 72-73 | procurement contracts awarded with a value of \$50 000 or more, with consultancies separately listed |

| Section | Compliance | Page | Details |
|----------------------------|-----------------------------|------|---|
| Contract extensions | FR-4 4.1.8.6 (By Exception) | N/A | details of contracts awarded as a result of a contract extension approved pursuant to the TIs under certain exceptional circumstances |
| Applied disaggregation | FR-4 cl 4.1.8.5 | 73 | details of procurement contracts where a disaggregation exemption was applied, and procurement contracts awarded as a result of limited tendering (excluding direct sourcing from other agencies) |
| Confidentiality provisions | FR-4 cl 4.1.8.1 | N/A | details of executed contracts containing confidentiality provisions |
| Pricing policies | FR-4 cl 4.1.2 | 74 | pricing policies of the Office |

Audit mandate and standards applied

Mandate

Section 23 of the *Audit Act 2008* states that:

- (1) The Auditor-General may at any time carry out an examination or investigation for one or more of the following purposes:
 - (a) examining the accounting and financial management information systems of the Treasurer, a State entity or a subsidiary of a State entity to determine their effectiveness in achieving or monitoring program results;
 - (b) investigating any matter relating to the accounts of the Treasurer, a State entity or a subsidiary of a State entity;
 - (c) investigating any matter relating to public money or other money, or to public property or other property;
 - (d) examining the compliance of a State entity or a subsidiary of a State entity with written laws or its own internal policies;
 - (e) examining the efficiency, effectiveness and economy of a State entity, a number of State entities, a part of a State entity or a subsidiary of a State entity;
 - (f) examining the efficiency, effectiveness and economy with which a related entity of a State entity performs functions –
 - (i) on behalf of the State entity; or
 - (ii) in partnership or jointly with the State entity; or
 - (iii) as the delegate or agent of the State entity;
 - (g) examining the performance and exercise of the Employer's functions and powers under the *State Service Act 2000*.
- (2) Any examination or investigation carried out by the Auditor-General under subsection (1) is to be carried out in accordance with the powers of this Act

Standards applied

Section 31 specifies that:

'The Auditor-General is to perform the audits required by this or any other Act in such a manner as the Auditor-General thinks fit having regard to -

- (a) the character and effectiveness of the internal control and internal audit of the relevant State entity or audited subsidiary of a State entity; and
- (b) the Australian Auditing and Assurance Standards.'

The auditing standards referred to are Australian Auditing Standards as issued by the Australian Auditing and Assurance Standards Board.



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