

SUMMARY 2009-10 ANNUAL REPORT



Foreword

This Summary Annual Report for the Tasmanian Audit Office highlights our achievements, and in some cases lack thereof, during the financial year ended 30 June 2010. The Summary Report has, for the first time, been audited.

Performance audit program

We have continued to be responsive to requests for audits and investigations. Despite this, a number of planned performance and compliance audits were completed and our target of eight special reports was exceeded by two. I am increasingly confident that the topics addressed in our special reports, including those arising from requests, result in us having a positive impact when auditing the effectiveness and efficiency of policy implementation. Similarly, I believe that our reports have an influence on policy development. Completing ten reports by our small performance audit team was a strong achievement.

Financial audit program

The financial audit team was effective in bringing forward audit completion this year, as evidenced by completing 17 financial audits by 31 August 2009. That achievement was in response to increasing numbers of requests from auditees to synchronise the finalisation of audits with certification by accountable authorities. Bringing forward financial audit work was deliberately planned, being consistent with the need for us to prepare for the earlier reporting deadlines effective 30 June 2011. This work is succeeding and resulted in 27 audit reports signed by 31 August 2010.

Our target of completing two reports on financial audit outcomes was achieved, with our financial analysis and more succinct reporting of financial outcomes, in my assessment, improving. Our decision to increase the level of trend reporting in financial performance should also assist accountable authorities in their own assessments of their performance as well as facilitating comparison with other State entities.

The financial audit team has again been effective in interacting with audit committees and senior management. The seminars run on accounting updates, and other relevant business information, continue to be relevant to the needs of senior client accounting staff.

To conclude, for 2009–10, we continued to strive to satisfy our primary purpose of providing independent assurance to the Parliament and Community on the performance and accountability of the Tasmanian Public Sector. However, this task is never ending and continuous improvement remains an essential objective for us.

The full annual report can be downloaded from our website www.audit.tas.gov.au.

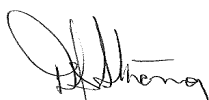
Mike Blake
24 August 2010

To the readers of this audited summary annual report of the TAO for the year ended 30 June 2010

In our opinion, the information reported in this summary annual report is consistent with the full annual report from which it is derived and complies with Accounting Standard AASB 1039 Concise Financial Report



Mike Blake
Auditor-General
24 August 2010



David Strong
GM - Strategy & Governance
24 August 2010

Office Locations and Contacts

Office Locations

Main Office: Level 4 15 Murray Street
HOBART
Branch Office: Level 2 Henty House 1
Civic Square LAUNCESTON

Contact

Postal Address: GPO Box 851 HOBART 7001
Email Address: admin@audit.tas.gov.au
Phone: (03) 6226 0100
Fax: (03) 6226 0199

Highlights in 2009-10

- Completed nine (seven in 2008-09) performance audit reports covering 10 audits/investigations in Parliament.
- Completed all financial audits for the 2008-09 cycle where management had presented complete financial statements for audit and overall these audits were completed within 1.35% of budget.
- Tabled two reports in Parliament on the outcomes of financial audits conducted.
- Commencement on 1 March 2009 of the *Audit Act 2008*. This necessitated the Office tabling its Annual Plan Work in both Houses of Parliament. This occurred in June 2009 for the 2009–10 financial year and in June 2010 for 2010-11.
- Relocated our Hobart Office to new premises in September 2009.
- Conducted the biennial staff satisfaction survey with the work environment rating improving by 10 basis points. Overall staff satisfaction decreased slightly compared to the previous result which was expected. The survey highlighted some constructive areas for improvement.
- First graduates employed under the Office's Graduate Program commenced in July 2009.
- Engaged students to work on relevant projects as part the Corporate Internship program conducted by the University of Tasmania.
- Launched our rewards and recognition program resulting in the awarding of the annual Boyes Award to the first recipient Jessica Balding. The Above and Beyond Award was awarded to Sandra O'Connor, Monique Poxon and Jara Dean.

Organisational Framework

Vision

STRIVE | LEAD | EXCEL | TO MAKE A DIFFERENCE

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

Purpose

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

Our outcome and outputs

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

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

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

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

Our Vision and Purpose are linked to our Outcome and Outputs.

At a glance

What we do

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

Our organisation

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

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

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

Our people

At 30 June 2010, we had full-time equivalent staffing of 43.4 (41.4 in 2009). We perform financial, compliance and performance audits and conduct investigations. The Auditor-General can contract from up to 15 qualified private sector auditing firms who may undertake audits on his behalf.

Our operations

We received \$2.301m in funding from the government (\$2.2503m in 2008-09) and generated \$4.157m from fees for audit services (\$3.755m in 2008-09).

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

Governance

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

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

These aims are supported by a strong governance framework.

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

1. Effective management oversight
2. Appropriate leadership, ethics, culture and responsible decision-making
3. Safeguard integrity in financial reporting
4. External stakeholder relationships

5. Recognise and manage risk
6. Remunerate fairly and responsibly.

The governance policy is aligned to our risk assessments with responsibilities allocated to members of the Executive Management Team for actioning.

Performance against budget and major initiatives

Performance against our outputs

Our performance targets, set out in Chapter 18 of Budget Paper No 2 for 2009-10, Volume 2 along with our achievements are detailed in the table below.

Performance Measure	Unit of measure	KPI Reference
Parliamentary Reports and Services		
Parliamentarian General Satisfaction Index ¹	%	N/a
Number of Performance Audit Reports completed	Number	BP1
Number of Statutory Reports on Outcomes of Financial Audits	Number	BP2
Performance audits completed within 8 months	%	BP3
Recommendations agreed and acted upon from performance audits	%	BP4
Audit Assurance		
Financial audit opinions issued within 45 days of receipt of final signed financial statements	%	BP5
Client General Satisfaction Index ¹	%	BP6

1. The satisfaction index is calculated when the biennial Parliamentarian and Client surveys are conducted.

The above performance measures are detailed in the next section and can be found by locating the KPI reference in the following tables. The only exception is the overall satisfaction of Parliamentarians of our statutory reports and performance audit reports, which was previously measured in 2008-09 with an actual result of 92 compared to the target of 75.

The Budget Paper refers to several initiatives that would be undertaken and most of those were achieved and included:

- further enhancements to the statutory reports by improvements to report style and more informed financial analysis and commentary
- improvements in the process of issuing audit reports in a more timely manner to meet the requirements of the *Audit Act 2008*
- development of a more detailed forward program for performance audits for inclusion in the annual plan of work
- updating our financial and performance audit manuals to reflect the changes in auditing standards
- refurbishment of our new accommodation with features to allow us to reduce carbon emissions or used recycled materials
- reviewing our usage of motor vehicles and other man-made materials
- an increase in recycling of materials, such as paper, plastic and cardboard.

Operational Performance Summary 2009-10

We measure four critical success factors. Our performance against these was:

Sustainable business performance

Our objective is that we manage our finances sustainably and we operate efficiently and effectively.

Financial sustainability

Measure	Actual 08-09	Target	Actual 09-10
Net operating result for Financial Audit Services (FAS) business unit	Loss (3.95%)	> break-even	Loss (1.35%)
Budgeted net operating result achieved	Operating deficit	>=0	Operating deficit
Maintain positive cash flow	Positive	Positive	Positive
Financial ratios achieved	100%	100%	Nm
Unqualified audit report	Achieved	Unqualified	Achieved

While continuing to maintain positive cash flows, despite taking steps to avoid this, another operating deficit was disappointing. Budget strategies have been updated in response to this.

Efficient and effective audit office operations

Measure	Actual 08-09	Target	Actual 09-10
Number of compliance and performance audits completed in Parliament (BP1)	7	8	10
Number of statutory reports to Parliament following financial statements audits of State entities (BP2)	2	2	2
Compliance and performance audits completed within eight months (BP3)	43%	100%	66%
Percentage compliance and performance audit recommendations agreed and acted on (BP4)	74%	70%	Nm

We tabled eight reports in Parliament on the outcomes of nine performance audits and special investigations. Another compliance project was completed but not tabled. Completion within our target of eight months improved but, once again, priority given to ad-hoc special investigations caused delays on some performance audit projects.

The way we measure the implementation of agreed recommendations is to conduct follow-up of audits completed two to three years ago. At 30 June the 2009-10 follow-up was not complete.

We tabled two reports on the outcomes of financial audits of State entities.

Highly regarded products and services

The Parliament is our main client and our reports and services are aimed at meeting its needs.

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

Measure	Actual 08-09	Target	Actual 09-10
All financial audit opinions issued within 45 days of receipt of signed financial statements (BP5)	80%	100%	92%
Overall satisfaction by Parliamentarians on our performance and compliance audit reports regarding the usefulness and validity of opinions and recommendations	92%	75%	Nm
Overall satisfaction by financial audit clients regarding financial audit services provided	72%	75%	Nm
Overall satisfaction by Parliamentarians on our reports on the State entities regarding usefulness (BP6)	94%	75%	Nm
Overall satisfaction by Parliamentarians as to the readability of the Office's annual report and its description of our role	75%	75%	Nm

It is pleasing to note our improvement in completing financial audits in a timelier manner. This remains an important target particularly in view of the end to the reporting transition arrangements at 30 June 2011.

We conduct biennial satisfaction surveys of Parliamentarians and State entities. The 2008-09 survey indicated high levels of satisfaction with our Reports by Parliamentarians, satisfaction by audit clients with our financial audit services and satisfaction by Parliamentarians with our annual report.

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

Measure	Actual 08-09	Target	Actual 09-10
Overall satisfaction by Parliamentarians on our performance and compliance audit reports			
- worthwhile topics	92%	75%	Nm
- style and readability of reports	92%	75%	Nm

As previously noted, we conduct biennial satisfaction surveys of Parliamentarians and State entities. The 2008-09 survey indicated high levels of satisfaction by Parliamentarians with the topics we audit and the style and readability of our reports.

Continuously improving operational performance

For us to meet our strategic objectives, we need to apply effective processes and methodologies that are rigorous and proven.

Measure	Actual 08-09	Target	Actual 09-10
Contemporary audit methodologies: findings by external peer reviewer	Positive	Positive	Nm
Effective quality assurance	Positive but suggested improvements	Positive	Positive but suggested improvements
Findings following independent quality review of financial audit working papers	Positive but suggested improvements	Positive	Nm
Findings following independent quality review of performance and compliance audit working papers	Positive but suggested improvements	Positive	Nm
Effective processes, systems and management practices	Positive but suggested improvements	Positive	Nm
External peer review and internal audits	Positive but suggested improvements	Positive	Nm
Reports following conduct of internal audits	Positive but suggested improvements	Positive	Positive but suggested improvements

We measure the effectiveness of our audit methodologies triennially. The 2008-09 assessment was positive.

Our QA program requires that a selection of financial audit work papers are independently reviewed each year and performance audits biennially. Reviews of financial audit working papers indicated that our opinions were supported by audit work conducted but that some procedures and documentation require improvement. The 2008-09 review of performance audit work papers resulted in a positive report.

We assess the effectiveness of our internal processes, systems and practices by initiating triennial external peer reviews and regular internal audits. During 2009-10 several internal audits were conducted which indicated that we have effective systems but recommendations were made suggesting some changes and greater adherence to existing processes.

Motivated employees

Like all organisations, we rely on our staff to achieve our corporate objectives. The measures below are aimed at addressing these objectives. References to ('08) are to the results of a staff satisfaction survey conducted in that calendar year.

Measure	Actual 08-09	Target	Actual 09-10
Measures of staff satisfaction in relation to:			
- Motivation	81% ('08)	75%	75%
- Involvement	80% ('08)	75%	75%
- Personal satisfaction	80% ('08)	75%	75%
- Staff development	77% ('08)	75%	69%
- Organisational commitment	83% ('08)	75%	78%
- Rewards and recognition	77% ('08)	75%	73%
Measures of team effectiveness:			
- Performance management	75% ('08)	75%	67%
- Teamwork	82% ('08)	75%	62%
- Supervision	80% ('08)	75%	69%
Staff recognise their environmental responsibilities and our involvement in our community			
- Carbon footprint impact	Stable	Lower impact	Lower impact
- Support for and commitment to community activities and organisations	Increasing	Increasing participations	Level maintained
Staff are healthy and value our commitment to their well-being:			
- Participation in health and well-being initiatives	66% - an improvement	Improved participation	Decreased participation
- Well-being index	88	>= 80	86

We conduct staff surveys once every two years. The 2009-10 survey indicated that in most categories the ratings decreased compared to the previous survey. Despite this, at least 50% of the measures are at our acceptable level. Feedback from staff was constructive and is being addressed.

As a result of not having a structured health and well-being plan for the year staff participation in these activities decreased. Our community involvement and initiatives to reduce our carbon footprint were actively supported.

Financial Summary

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

	2005-06 (\$'000)	2006-07 (\$'000)	2007-08 (\$'000)	2008-09 (\$'000)	2009-10 (\$'000)
Revenue					
Use charges	4 262	4 384	4 715	3 755	4 157
Appropriations					
• Reserve-by-law	276	301	313	362	391
• Performance audits and reports	0	0	0	1 888	1 910
Other revenue	56	108	20	37	53
Total	4 594	4 793	5 048	6 042	6 511
Expenditure					
Employee benefits	2 805	3 022	3 187	3 639	4 006
Other expenses	507	670	824	850	753
Audit contractors	680	670	751	1 179	1 123
Information technology	90	129	117	124	121
Accommodation	198	201	253	223	433
Depreciation/Amortisation	149	140	184	122	180
WDV disposed assets	0	0	3	3	1
Total	4 429	4 832	5 319	6 140	6 617
Operating surplus/(deficit)	165	(39)	(271)	(98)	(104)

Our costs and revenues increased significantly over the past five years due to a number of factors including new auditing and accounting standards, restructures leading to higher salaries, new awards also leading to higher salaries and more complex operating environments for our clients, requiring additional audit effort.

Financial position

Our financial position is summarised in the table below:

	2005-06 (\$'000)	2006-07 (\$'000)	2007-08 (\$'000)	2008-09 (\$'000)	2009-10 (\$'000)
Assets					
Financial assets	1 030	809	848	1 543	894
Non-financial assets	483	581	412	283	687
Total	1 513	1 390	1 260	1 826	1 581
Liabilities					
Financial liabilities	185	139	161	212	87
Non-financial liabilities	852	814	933	1 229	1 213
Total	1 037	953	1 094	1 441	1 300
Net Assets/Equity	476	437	166	385	281

This summary highlights our declining equity position. As previously indicated, steps have been taken to address this in 2010-11.

Audit Opinion



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

Report on the Summary Financial Report

The accompanying concise financial report of the Tasmanian Audit Office comprises the summarised statement of financial position as at 30 June 2010, the summarised statement of revenue and expenditure, derived from the audited financial report of the Tasmanian Audit Office for the year ended 30 June 2010 and the discussion and analysis. The concise financial report does not contain all the disclosures required by the Australian Accounting Standards.

Auditor-General's Responsibility for the Financial Report

The Auditor-General is responsible for the preparation and presentation of the concise financial report in accordance with Accounting Standard AASB 1039 Concise Financial Reports, and the Financial Management and Audit Act 1990. This responsibility includes establishing and maintaining internal control relevant to the preparation of the concise financial report; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on the concise financial report based on our audit procedures. We have conducted an independent audit, in accordance with Australian Auditing Standards, of the financial report of the Tasmanian Audit Office for the year ended 30 June 2010. Our audit report on the financial report for the year was signed on 20 August 2010 and was not subject to any modification. The Australian Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report for the year is free from material misstatement.

Our procedures in respect of the concise financial report included testing that the information in the concise financial report is derived from, and is consistent with, the financial report for the year, and examination on a test basis, of evidence supporting the amounts discussion and analysis and other disclosures which were not directly derived from the financial report for the year. These procedures have been undertaken to form an opinion whether, in all material respects, the concise financial report complies with Accounting Standard AASB 1039 Concise Financial Reports and whether the discussion and analysis complies with the requirements laid down in AASB 1039 Concise Financial Reports.

Clements Dunne & Bell Partnership, Chartered Accountants.
Independent member of BKR International and Walker Wayland Australasia Ltd
Level 14, 350 Queen Street, Melbourne Victoria 3000 Australia.
Telephone (03) 8618 2222. Fax (03) 8618 2200. Website www.cdb.com.au
Liability limited by a scheme approved under Professional Standards Legislation



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

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

Independence

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

Auditor's Opinion

In our opinion, the concise financial report including the discussion and analysis of the Tasmanian Audit Office for the year ended 30 June 2010 complies with Accounting Standard AASB 1039 Concise Financial Reports.

Clements Dunne & Bell

A. Wehrens

CLEMENTS DUNNE & BELL PARTNERSHIP
Chartered Accountants
Melbourne

Andrew Wehrens
Partner
24 August 2010

Clements Dunne & Bell Partnership, Chartered Accountants.
Independent member of BKR International and Walker Wayland Australasia Ltd
Level 14, 350 Queen Street, Melbourne Victoria 3000 Australia.
Telephone (03) 8618 2222. Fax (03) 8618 2200. Website www.cdb.com.au
Liability limited by a scheme approved under Professional Standards Legislation