

1997

PARLIAMENT OF TASMANIA

AUDITOR-GENERAL
ANNUAL REPORT 1996-97

Presented to both Houses of Parliament in accordance with the requirements of Section 33 AB of the Tasmanian State Service Act 1984 and Section 27 of the Financial Management and Audit Act 1990

By Authority:
Government Printer, Tasmania

© Crown in Right of the State of Tasmania August 1997

Auditor-General's reports are available from the Tasmanian Audit Office, HOBART.

Tasmanian Audit Office
GPO Box 851
Hobart
TASMANIA 7001

Phone: (03) 6233 4030, **Fax** (03) 6233 2957
Email: admin@audit.tas.gov.au
Home Page: <http://www.audit.tas.gov.au>

This report is printed on recycled paper.

ISSN 1327 2586

Our Reference: 00400/260
Your Reference:

Enquiries: Dr A J McHugh
Telephone: (03) 6233 3093

31 July 1997

Hon R Cornish MHA
Minister for Finance
Level 9 Executive Building
15 Murray Street
HOBART

Dear Mr Cornish

In accordance with the requirements of Section 33 AB of the Tasmanian State Service Act 1984 and Section 27 of the Financial Management and Audit Act 1990, I have pleasure in presenting the Tasmanian Audit Office's annual report for the year ended 30 June 1997.

Yours sincerely

A J McHugh
AUDITOR GENERAL

Enc.

TABLE OF CONTENTS

PROFILE OF THE OFFICE	1
SERVICE DELIVERY.....	5
CORPORATE PLAN.....	7
FUTURE DIRECTIONS.....	15
ORGANISATION AND MANAGEMENT	17
LEGISLATION ADMINISTERED.....	19
MAJOR DOCUMENTS PRODUCED	19
CORPORATE SERVICES	21
HUMAN RESOURCE MANAGEMENT.....	25
PUBLIC ACCESS	35
MANAGEMENT POLICIES.....	37
EXTERNAL AND INTERNAL SCRUTINY	39
COMMENTARY ON FINANCIAL RESULTS.....	43
GLOSSARY	80
APPENDICES	82
APPENDIX 1 – ADDITIONAL HUMAN RESOURCE STATISTICS	84
COMPLIANCE INDEX TO DISCLOSURE REQUIREMENTS: 1996-1997.....	88
ALPHABETICAL INDEX.....	92

TABLE OF FIGURES

	Page
1. Audit Responsibilities of the Office	2
2. Number of Qualified Audit Reports Issued	3
3. Allocation of In-House Audit Time - 1997	6
4. Organisation Chart	17
5. Major Documents Produced	19
6. Staff Recruitment 1996-97	25
7. Staff Recruitment and Turnover 1992-97	25
8. % Total Staff by Gender for the period ended June 92 to June 97	26
9. Number of Staff by Gender by Salary Range (\$'000) - 30 June 1997	26
10. Breakdown of Staff by Age and Gender – 30 June 97	27
11. Length of Employment with the Office as at 30 June 1997	27
12. Sick Leave Statistics	28
13. Full-Time Equivalent Staff Numbers by Category 1992-97	28
14. Annual and Long Service Leave Statistics	29
15. Training Statistics - by Category for 1996-97	29
16. Training Statistics 1992-97	30
17. Summary of Results of Staff for the ASCPA's CPA Program	30
18. Workers' Compensation Statistics 1992-97	33
19. Freedom of Information Statistics 1996-97	35
20. Staff Age Profile – Head Count – 1995-97	83
21. Staff Salary Profile – Head Count (FTE Salary) 1995-97	83
22. Staff Turnover – Head Count	84
23. Staff Movements – Head Count	84
24. Staff Awards – Full-Time Equivalents	84
25. Equal Employment – Head Count	84
26. Staff Recruitment – Head Count	85
27. Staff Category – Head Count	85
28. Staff Category – Full-Time Equivalent	85

PROFILE OF THE OFFICE

CHARTER

The Office is part of the accountability mechanism whereby the Parliament holds the Government accountable for fulfilling its responsibilities.

The Government is obliged to account to taxpayers, through the Parliament, for its management of public funds. It must ensure that funds are properly raised, protected from loss and spent with maximum efficiency and effectiveness for the purposes approved by the Parliament. This duty to account is discharged in part by the production of annual financial statements. The information in these statements needs to be examined by a suitably qualified independent person to ensure that it is sound, accurate and complete.

The Auditor-General is responsible for ensuring that this is done.

LEGISLATION

The *Financial Management and Audit Act 1990* is the main legislation governing the appointment, tenure, duties, responsibilities and authority of the Auditor-General. This Act provides the legal basis for the Auditor-General's access to all government information and the freedom to report findings arising from audits to Parliament.

The Auditor-General is responsible for audits under *the Financial Management and Audit Act 1990*, *Government Business Enterprises Act 1995* and other Tasmanian Acts. The Auditor-General also has responsibilities in respect of Commonwealth grants and payments to the State under Commonwealth legislation.

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

AUDIT INDEPENDENCE

The Audit Office is not a part of the Government itself. This independence from the Executive Government of the day and the state service is vital if the Audit Office is to perform its work effectively and make independent and unbiased judgements.

The Auditor-General is an independent Officer appointed by the Governor.

The Auditor-General is not subject to control or direction either by the Parliament or the Government.

The independence of the Auditor-General is assured by wide powers assigned by legislation. This independence ensures that findings which arise from a range of financial and wider performance audits are communicated regularly to the Parliament without interference, fear or favour.

THE AUDIT MANDATE

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

This mandate provides the Auditor-General with a basis, not only for the provision of audit reports on the financial statements of public bodies, but also for bringing to the attention of Parliament cases of waste, mismanagement, non-compliance and fraud.

DESCRIPTION OF AUDIT TYPES

The Auditor-General, when carrying out his audit responsibilities, conducts two types of audits, classified as financial audits and performance audits.

Financial Audits

Any audit assignment which relates to forming an opinion on the annual financial statements of a public sector entity is a financial audit. These audits provide independent assurances to the Parliament and the community that the information presented in financial statements of public sector entities is presented fairly in accordance with Australian Accounting Standards.

As at 30 June, the Auditor-General had specific responsibility for issue of audit opinions for auditees as follows:-

	1993	1994	1995	1996	1997
Appropriations from the Public Account to His Excellency the Governor's Establishment, Legislative Council, House of Assembly and Legislature-General.	4	4	4	4	4
Departments including branch offices, schools, technical and further education colleges and courts located throughout Tasmania	14	14	13	13	14
Marine Boards and Port Authorities	7	7	7	7	7
Local Government Authorities	29	29	29	29	29
Regional Health Boards which control public hospitals	3	3	3	3	3
Government Business Enterprises	23	24	20	20	20
Other public bodies including water, trading, registration, superannuation, marketing and other authorities.	68	46	50	56	61
TOTAL	148	127	126	132	138

Financial audits are conducted using a risk-based audit methodology which involves designing an audit program to address organisational risks and management controls. The financial audit methodology requires extensive use of audit software during the planning, testing and evaluation phases, together with the use of data analysis packages. These facilities ensure that the audits are conducted in the most efficient manner and that opinions formed on financial statements are provided on a timely basis.

The outcome of a financial statement audit is either an “unqualified” report or a “qualified” report. The auditor issues an unqualified report when the auditor forms the opinion that the financial statements present fairly the affairs and transactions of the auditee. In the case of a qualified report, the auditor forms the opinion that the auditee has not complied with one or more applicable Australian Accounting Standard or some other fundamental accounting principle.

The extent of qualified reports is shown in the following table:-

	1992-93	1993-94	1994-95	1995-96
Audit reports	196	146	144	150
Reports on special purpose grants	7	9	9	9
Reports to Insurance and Superannuation Commission	6	6	6	6
	209	161	159	165
Qualified reports	40	14	13	10
% of reports Qualified	19.1%	8.6%	8.2%	6.1%

Note that the total number of audit reports issued exceeded the number of auditees stated on the previous table because, in some cases, more than one report is issued.

Performance Audits

A performance audit is an audit that deals with any aspects of an organisation’s effectiveness, economy, efficiency or compliance with relevant legislation.

Performance audits extend beyond the examination of the financial affairs and transactions of a government agency to encompass issues of significance to the community such as health, safety and the environment.

The audit process begins with the planning phase which identifies the issues to be examined, timing, objectives, approach to be used and the resources required.

The next stage of an audit involves the systematic gathering, analysis and testing of information. Modern audit techniques (including the application of computer technology) are used to examine and evaluate information, develop conclusions and make constructive recommendations as required.

The results of all audit reviews are discussed with, and formally communicated to, senior management of audit clients. The audit process culminates in the presentation of an audit report to the audit client, with the more significant issues included in Auditor-General's Reports to the Parliament.

REPORTS TO PARLIAMENT

The Reports highlight issues requiring the attention of the Parliament or the Government, and can also contain recommendations to assist audit clients to improve their management and increase their operational effectiveness.

The Auditor-General does not have the authority to implement recommendations made in Reports - that is the role of the Parliament or the Government.

SERVICE DELIVERY

As previously discussed under the section 'The Audit Mandate' the Auditor-General has a broad responsibility. Under section 46 of the *Financial Management and Audit Act* 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.

As indicated in the table on page 2 the Auditor-General has the specific responsibility for the issuing of audit opinions for 138 auditees. The financial audits are performed by either:

- staff of the office or
- private sector auditing firms.

These financial audits are categorised as follows:

- audits conducted by the staff of the Office;
- local government contracts; and
- audits contracted out by the Auditor-General.

AUDITS CONTRACTED OUT

Fees for financial audits that have been contracted out for the 1996-97 audit cycle represent 6.6% of the fees raised for that year (1995-96, 6.6%).

Audits that the Auditor-General contracts out require the contract auditors to undertake all facets of the audit, subject to review by the Auditor-General. Draft audit reports and draft management letters are prepared by the contract auditor; the final reports are issued by the Auditor-General.

LOCAL GOVERNMENT AUDITS

Section 85 of *Local Government Act 1993* provides:-

- "(1) The accounts and financial reports of a Council are subject to the *Financial Management and Audit Act 1990*.
- (2) The accounts and financial reports of the Council may be audited by private auditors with the approval of, and subject to any terms and conditions determined by the Auditor-General".

In consultation with the Minister for Local Government, terms and conditions have been developed for Councils to use private sector auditors.

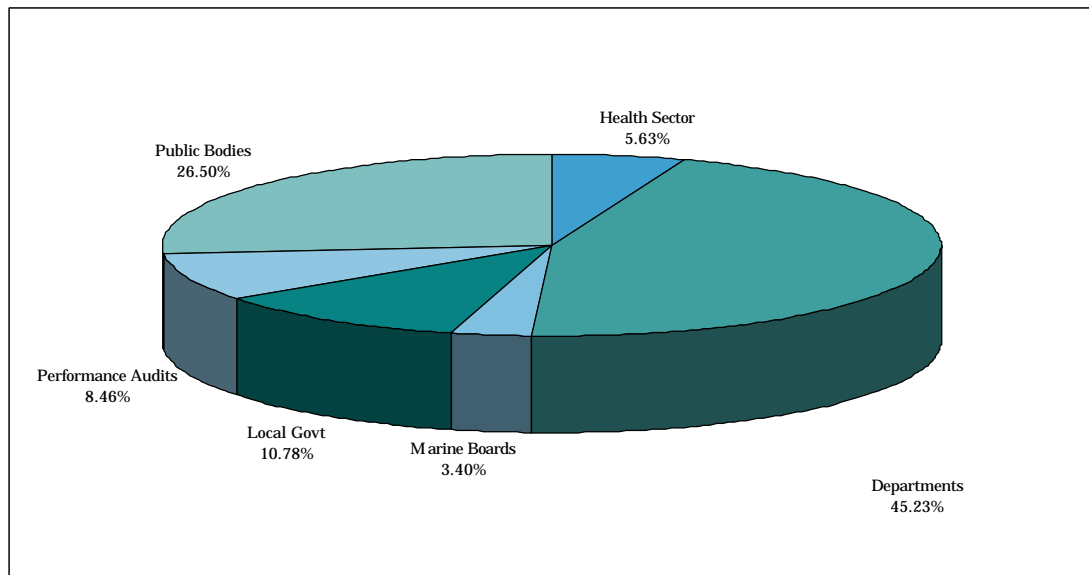
The scheme provides that the working papers of the private auditors are subject to review by the Office and for the report on the financial statements to be issued by the Auditor-General.

To assist the private sector auditors involved in Council audits, an annual meeting is held with them to discuss and resolve matters raised by Councils and by the private sector auditors in relation to general accounting and asset recognition issues.

Approximately one-third of Councils negotiate three year audit service contracts each year. However, due to the proposed re-structuring of Local Government announced in the Premier's Directions Statement, a number of the Councils whose audit service contracts have expired have opted for new contracts to be for a one year period. Where this has not been the case, provision has been made in contracts for them to lapse in the event of the Council being amalgamated. The results of the audit tendering process for this year were:

Number of Councils	9
Audits awarded to the private sector	1
Audits awarded to the Tasmanian Audit Office	5
Councils deferred decision until 31 December 1997	3

ALLOCATION OF IN-HOUSE AUDIT TIME - 1997



CORPORATE PLAN

The Mission of the Office is to:-

Perform high quality, independent and cost effective audits, which add value to our clients.

Provide reports to Parliament that are fair, relevant, timely and of high quality.

The Office is funded for a single output group (Public Sector Management Accountability) which comprises four outputs.

- financial audit services
- reports to Parliament
- performance audit services
- whole of government services

The Office is divided into the three operational sections illustrated on page 17.

The four outputs are produced by all the sections.

OFFICE AS A WHOLE

Statistics and performance indicators for the Office as a whole are shown below:-

Key Operating Statistics	1993	1994	1995	1996	1997
Organisations and activities audited	148	127	126	132	138
Employees (FTE)	61.15	54.25	46.17	40.96	36.36

The number of organisations and activities audited declined between 1993 and 1997 principally due to the allocation of the audits of various registration boards to the private sector. Otherwise, the number has remained relatively stable. Other changes relate to the audits of some State primary schools.

Staff numbers continued to fall (by natural attrition) as the Office attained greater efficiency in the delivery of administrative and audit services.

This Office runs its operations on an accrual basis rather than cash which is used traditionally by government departments.

The following statistics are based on accrual accounting information unless otherwise stated.

Key Financial Statistics	1993	1994	1995	1996	1997
	\$'000	\$'000	\$'000	\$'000	\$'000
Total operating income	3 301	3 581	3 455	3 424	3 060
Total operating expense	3 285	3 447	3 169	3 303	3 188
Change in Net Assets Resulting from Operations	16	134	436	121	(74)
Total Assets	232	2 342	2 437	2 556	2 325
Net Assets	(484)	1 302	1 650	1 789	1 615

A more detailed analysis of the financial affairs of the Office appears under the commentary on financial results for the year later in this report.

Total operating income declined due to several factors. Revenue was adversely affected by the monitoring required of the firearms buyback. This diverted audit resources from financial audits proper and the charges imposed on the firearms project were insufficient by some \$117 500 to recoup the opportunity of loss of time. Over-runs in financial audits for 1995-96 delayed the commencement of the 1996-97 audits thus reducing revenue. There were also reductions in audit fees.

Total operating expenses declined mainly due to reduced staffing but there was additional depreciation expense on new computer equipment and audit methodology acquired during the year.

The operating loss after abnormal items is attributable to the factors identified above.

Abnormal items made substantial contributions to the result for the year. The largest component was the adjustment to the provision for long service leave. The provision was adjusted down by \$94 841 based on a reassessment of when employees would actually take their leave entitlements. Approximately 100 square metres of rented office space was deemed excess to the immediate requirements of the Office and will be sub-let as from 1 July 1997 to 23 April 1999 at a rate less than that paid to the lessor by the Office. In accordance with the provisions of UIG No. 1 a provision for the difference has been established and the expense of \$25 795 charged to the Operating Statement. The remaining items are described in the notes to the financial statements.

In May 1997 the Office made a voluntary return of \$100000 of equity to the government, being the first of three such annual payments. Accordingly net assets declined from 1996 to 1997 due to this contribution and the operating loss.

Efficiency	1993	1994	1995	1996	1997
Audit costs per thousand dollars of state public sector transactions	0.75	0.76	0.68	0.63	0.63

One measure of efficiency of the Office is the total cost of running the Office compared to total State public sector transactions ie revenues plus expenditures. The relevant statistic is derived from ABS publication Government Finance Statistics (ABS Catalogue No. 5512.0). The current cost of 63 cents per \$'000 of State transactions compares with 63 in 1995/96 and 68 in 1994/95.

Corresponding figures for WA and the ACT Audit Offices are shown below. Figures for 1996-97 are not yet available from these jurisdictions.

	1994-95	1995-96	1996-97
Tasmania	0.68	0.63	0.63
West Australia	0.64	0.59	n/a
ACT	0.69	0.67	n/a

Economy	1993	1994	1995	1996	1997
Average staff salary (\$ per FTE)	n/a	40 239	40 849	42 693	46 858
Average Accommodation cost per employee (\$)	4 563	4 111	4 029	4 126	4 373
Average charge out rate (\$ per hr)	60.88	63.50	66.38	73.42	77.96

Average staff salary continues to rise. Factors include the move from the administrative and clerical award to the professional award, the yearly increments available to most staff under the awards and the retention of senior staff and consequent lack of recruitment at the entry level.

Accommodation cost per employee increased over 1996 due to the decrease in staff numbers. The lease arrangements make it relatively inflexible to economise on office space but the Office was successful in obtaining a tenant for a part of the leased space in Hobart from July 1997. This action will improve this statistic for 1998.

The charge out rate continues to rise as a result of spreading semi-fixed overheads over a smaller revenue base.

OUTPUT 1 FINANCIAL AUDIT SERVICES

Financial audit services are the financial attest and regularity audits of the Treasurer, government departments and public bodies.

Performance Indicators

Effectiveness	1993	1994	1995	1996	1997
Auditee audit satisfaction index	n/a	n/a	n/a	3.04	3.09

A survey of auditees was conducted after the 1994-95 and 1995-96 audits. An index was constructed of "satisfaction" with the performance of the Office by the auditees. The 1995-96 survey included all auditees whereas the 1994-95 survey did not include Council audits. The index of 3.09 represents an average answer on a 0 (strong disagreement) to 4.0 (strong agreement) scale, corresponding to slightly more than "agreement" with the proposition that performance has been satisfactory.

Efficiency	1993	1994	1995	1996	1997
Attest audit costs per thousand dollars of state public sector transactions	0.71	0.70	0.61	0.56	0.55
Index of audit fees (real terms) for retained audits (1993/94=100)	n/a	100	95.2	90.9	84.2
Audit reports certified by 31 October based on hours	45%	61%	68%	78%	84%
Average financial audit revenue per FTE (financial auditors)	57 201	65 918	78 814	89 508	87 018

The estimated cost of the pure attest function (audit of financial statements) and the reporting to Parliament relative to total public sector transactions is 55 cents.

	1994-95	1995-96	1996-97
Tasmania	0.61	0.56	0.55
West Australia	0.36	0.31	n/a
ACT	0.37	0.34	n/a

A further indication of efficiency in the broad is the index of audit fees. This index is calculated using 1993-94 as a base year where the index is set at 100. The index refers only to the 92 audits that have remained with the Office over the period and is calculated in real terms ie dollar values are compared after adjustment for changes in the Consumer Price Index. The index demonstrates that the Auditor-General's policy of attempting to keep audit fee increases

at CPI less 1% for each year since 1994 has been successful since the index has declined from 100.0 in 1994 to 84.2 in 1997.

Most auditees have a requirement to report before the end of November in each year and to include audited financial statements in those reports. As a service to auditees, the Office seeks to complete as many audits as possible one month before this deadline. The target in the corporate plan was 85% by hours. The result of 84% exceeded the result in 1996.

The financial audit revenue per FTE employee measures the revenue generating capacity of financial auditing staff. The measure peaked in 1996 and declined slightly in 1997 due mainly to the drop in financial audit revenues.

Financial	Estimate	Actual
Budget (Cash)	\$'000	\$'000
Expenditure	2 741	2 900
Revenue	2 741	2 728

Expenditure exceeded the estimate because the estimates did not include a subsequent increase in the partial salary reimbursement for the Auditor-General (\$95 236.53) the equity reduction (\$100 000) paid into the Consolidated Fund. Revenue was slightly less than estimated on a cash basis because there was less interim billing for audit fees. Revenue is obtained almost entirely from audit fees levied directly on the auditee. These fees are not paid into the Consolidated Fund.

OUTPUT 2 REPORTS TO PARLIAMENT

Reports presented to Parliament are on the results of the audit of the Public Sector entities and any other significant items as they become apparent during the year.

The reports provide Parliament with independent assurance on the financial statements of Government Departments and Public Bodies, and information on significant matters relating to the financial performance of the entities. The reports include material non-compliance issues and relate any significant matter on the Public Account which requires the attention of Parliament.

All Reports were tabled on or in advance of the statutory deadlines.

Performance indicators

Efficiency	1993	1994	1995	1996	1997
Number of reports to Parliament	8	4	6	8	9

The number of reports to Parliament was similar to 1996. There were six performance audit reports

- No. 15 Cash Management in Local Government August 1996
- No. 16 Accounting Manuals and Compliance with Procedures August 1996
- No. 17 Air Travel April 1997
- No. 18 Administration of State Government Concessions May 1997
- No. 19 Compliance with Superannuation Guarantee Arrangements May 1997
- No. 20 Review of Computer Controls in Government Departments June 1997

as well as the Annual Report (July 1996), the report on the Public Account (Sept 1996) and the general report on Government Departments and Public Bodies (Nov 1996). These latter reports were all tabled in advance of the statutory deadlines. The resources devoted to the performance audits (\$284 000) exceeded the amount allocated from the appropriation (\$268 000).

Effectiveness	1993	1994	1995	1996	1997
Parliament audit satisfaction index					
Usefulness Index on Public Account/Report No 2	n/a	n/a	n/a	1.50	1.46
Usefulness Index on Performance Audit Reports	n/a	n/a	n/a	1.35	1.10
Parliamentary Contribution to Accountability	n/a	n/a	n/a	1.54	1.54

The Office regards the Parliament as its main client. Members of Parliament are surveyed annually to determine their perception of the work of the Office. Total responses were 22 in 1996 and 13 in 1997. Due to the low response rate in 1997 inferences from the results should be treated with caution. Three measures are reported here.

The index of usefulness of the Report on the Public Account and the Report on Government Departments and Public Bodies is an average of members' responses coded as 2 for "very useful", 1 for "useful" and 0 for "not useful". This index shows a slight decline. This is puzzling because the Report on Government Departments included summary information on all significant statutory authorities and Government Business Enterprises. Much effort was involved in adding this material although a considerable portion was setup costs which will not recur.

The index of usefulness of the Performance Audit Reports is an average of the responses coded as above. The index declined sharply in 1997. It is not clear whether this was due to the subject matter of the reports, the interests of the respondents or other causes.

The third index is a composite derived from answers to the questions concerning whether "the work of the Tasmanian Audit Office has contributed to Parliamentary debate and better public sector accountability". The index remained at 1.54 which is midway between "useful" and

Financial	Estimate	Actual
Budget (Cash)	\$'000	\$'000
Expenditure	59	75
Revenue	59	61

Expenditure exceeded the estimate because of the output 1 work in progress not reaching target, therefore under the output costing methodology outputs 2, 3 and 4 received a greater proportion of the office's overhead than was budgeted for.

OUTPUT 3 PERFORMANCE AUDIT SERVICES

Performance audits of the economy, efficiency and effectiveness of selected aspects of Public Sector entities' activities.

Performance indicators

Efficiency	Target	Actual
Performance audit reports		6

Indicators of the effectiveness of these reports are shown under Output 2 (Reports to Parliament).

Financial	Estimate	Actual
Budget (Cash)	\$'000	\$'000
Expenditure	266	292
Revenue	266	274

Expenditure exceeded the target because of the output 1 work in progress not reaching target, therefore under the output costing methodology outputs 2, 3 and 4 received a greater proportion of the office's overhead than was budgeted for.

OUTPUT 4 WHOLE OF GOVERNMENT SERVICES

Providing representation on and making representations to committees of the Parliament and entities.

Conduct special investigations in the public interest.

Performance indicators

Financial	Estimate	Actual
Budget (Cash)	\$'000	\$'000
Expenditure	53	47
Revenue	53	53

FUTURE DIRECTIONS

REVIEW OF LEGISLATION

The *Financial Management and Audit Act 1990* is set down for review under National Competition Policy principles during 1997-98. In my view, such a review is not required. However, if this review proceeds, it will need to assess whether the requirements for public sector entities to have their financial statements audited by the Auditor-General constitute a restriction on competition and if so, whether the public policy objective can be achieved by a less restrictive means.

A similar review conducted in Victoria provoked strong emotions.

I have reviewed the Victorian material and recommendations. In my opinion the majority of the defensible policy objectives for Tasmania can be achieved within the framework of the existing Act ie they can be achieved by administrative means without the necessity for legislative amendments.

During 1997-98 I intend to seek support from key stakeholders for such changes.

In any event, I intend to seek to voluntarily subject the Office to a tax equivalent regime and a capital charge in order to benchmark the efficiency and economy of the Office against the private sector.

AUDIT METHODOLOGY

During 1995/96 the Office trialled an audit planning package, Planet, which was developed by Price Waterhouse and tailored to suit public sector entities. In 1996/97 the use of Planet was extended to most audits of greater than 100 hours. Planet is an expert system which provides a risk based approach to producing testing programs for each audit.

In 1996/97 the Office also began a trial of another Price Waterhouse product, TeamMate, which provides for computerised audit working papers. The trial is proceeding satisfactorily and a decision whether to fully implement TeamMate will be made in the latter part of 1997.

PERFORMANCE AUDITING

As a result of the recommendations arising from a review conducted by a senior officer of the Victorian Audit Office (see page 39) a small specialised section will be set up to supervise and conduct performance audits.

IMPACT OF FUTURE DIRECTIONS STATEMENT

There is no direct impact on the Office arising from the Premier's Future Directions Statement. However the implementation of the policies will require considerable changes in information processing, some of which will have financial ramifications.

These will be monitored by the Office.

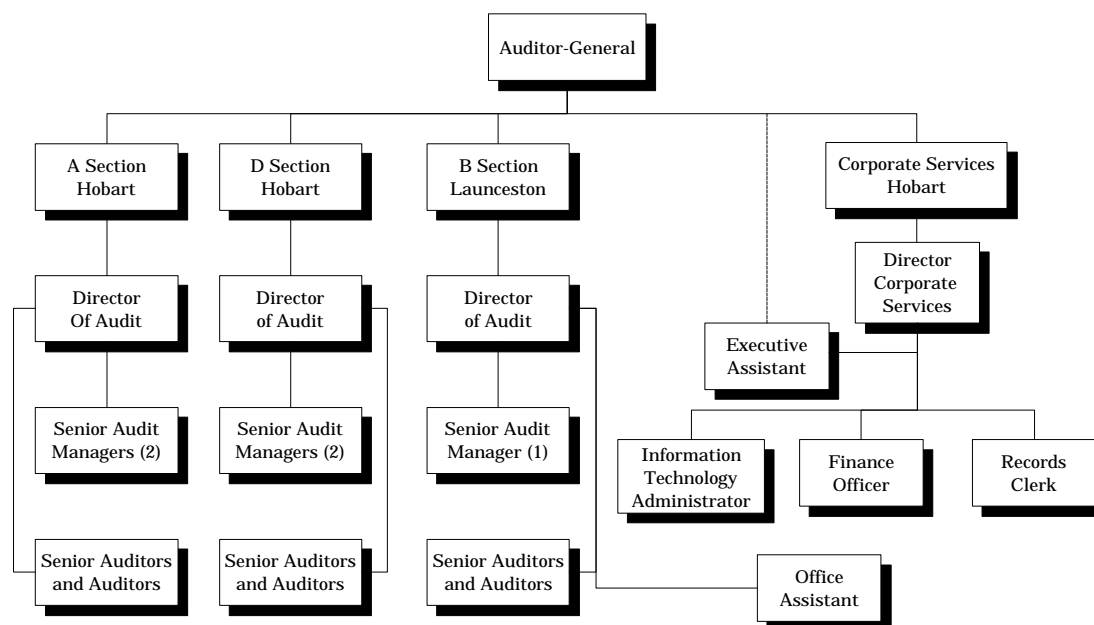
ORGANISATION AND MANAGEMENT

OVERVIEW

The structure of the Office has not changed significantly since 30 June 1996. The structure is such that the Auditor-General presides over an executive management team consisting of the Directors of Audit and the Director of Corporate Services.

It is envisaged within the next twelve months the management structure will be altered to enable the Office to be benchmarked against the private sector.

ORGANISATION CHART



KEY MANAGEMENT PERSONNEL

The key management personnel are listed below:-

AUDITOR-GENERAL

Dr A J McHugh Bsc (Hons) (University of Sydney) PhD (University of Sydney)
BA (Macquarie University) FCPA
Responsibilities: Auditor-General and administrative head of the Tasmanian Audit Office

DIRECTOR CORPORATE SERVICES

D J Strong
B Bus (University of Tasmania)
ASA MACS PCP
Responsibilities: The Office's principal accounting officer, human resource manager and information resource manager (including records management and information technology).

DIRECTORS OF AUDIT

L M Collis CPA
Also Deputy Auditor-General
D W R Baulch FCPA
E De Santi CPA
B Bus (University of Tasmania)
Responsibilities: Provide policy advice to the Auditor-General. Manage staff of their audit section in accordance with contemporary audit practices.



Left to Right: Ric De Santi, David Strong, Laurie Collis, Arthur McHugh and David Baulch

LEGISLATION ADMINISTERED

The Audit Office is responsible for the administration of the *Financial Management and Audit Act 1990* in so far as it relates to audit matters.

MAJOR DOCUMENTS PRODUCED

	Copies Printed	Production Cost \$	Printing Cost \$	Total Cost \$
Special Report No 15 - Cash Management in Local Government ¹	435	22 326	1 440	23 766
Special Report No 16 -Accounting Manuals and Compliance with Procedures ¹	335	51 382	1 810	53 192
Special Report No 17 - Air Travel	380	20 968	1 715	22 683
Special Report No 18 -Administration of State Government Concessions	300	22 664	1 215	23 879
Special Report No 19 - Compliance with Superannuation Guarantee Arrangements	300	34 687	950	35 637
Special Report No 20 - Review of Computer Controls in Government Departments	300	29 495	1 045	30 540
		181 522	8 175	189 697
Annual Report of the Office	300	5 874	4 990	10 864
Report No 1 - Public Account ²	465	231	1 370	1 601
Report No 2 – Government Departments and Public Bodies	350	75 366	5 003	80 369
		81 471	11 363	92 834
		262 993	19 538	282 531

Note:

1. The reports were tabled during 1996-97, however, the audit was substantially conducted during 1995-96.

2. The audit of the public account has in addition to the cost of reporting an audit fee of \$ 81 650.

CORPORATE SERVICES

OVERVIEW

The Corporate Services Section comprises of the following functional units:-

- Human Resource Management
- Computer Services and Support
- Finance and Administration
- Executive Support

There are six full-time equivalent staff employed.

OBJECTIVES

Human Resource Management

Provides support and advice to management and staff of the Tasmanian Audit Office on all issues concerning the management of people at work and delivers a range of services directed at providing the Tasmanian Audit Office with a highly skilled, motivated and productive workforce.

Computer Services and Support

Provides IT related services to all areas of the Tasmanian Audit Office and also contributes to the development of policies, procedures and standards involving information technology issues.

Finance and Administration

The principal responsibilities are:-

- preparation and on-going management of the Tasmanian Audit Office budget;
- payment of accounts and processing of receipts;
- payment of salaries and maintenance of the leave management system;
- records management and office communications; and
- provision of accommodation, equipment and office stationary.

Executive Support

Provides the Executive management of the Office with Secretarial support and services.

During the year the section undertook the following major tasks:

Corporate Services Review

The review of corporate services was completed during the year. The report contained 58 recommendations. The steering committee and corporate services staff have endorsed the recommendations, which will improve and deliver a high quality service.

Some of the recommendations have no associated costs attached because they are recommendations for changes in processes.

The major recommendations from the review result from the risks of not replacing administrative system developed in-house. The review recommends the replacement of the Office's management information and planning system (MIPS) and records management system. Steps are underway to find suitable third party solutions.

The Office has outsourced its payroll and leave processing functions to the Tasmanian Government Payroll/Personnel Consortium effective from 1st July 1997 as recommended and abolished one vacant position within Corporate Services.

The other major recommendations relate to information technology (IT) where the Office needs to fully utilise its high investment in IT. These recommendations include the full implementation of audit methodology software and the development of a data warehouse and Office intranet, full installation of automated system management software to allow the use of internet enabled products to improve help desk capabilities, workflow and overall office management.

The benefits to the Office from the implementation of the recommendations from the review will be:

- the provision of a high quality service to our stakeholders;
- accrual and value added savings;
- greater job satisfaction and improved motivation of staff;
- streamlined processes;
- no duplication of effort;
- improved documentation and workflow management and records management;
- integration of records management processes into the business processes;
- enhanced customer support and the provision of in-house specific IT training.
- reduce the risk of losing intellectual capital;
- faster response to queries;
- easier accessibility to information and the distribution thereof;
- enhanced presentation of information;
- the minimisation of business risk.

The staff is working towards the achievement of these benefits during the next year.

Annual Report

The section was able to meet its objective of producing the Office's annual report for 1995-96 by 31 July 1996. A pleasing result was the Office being presented with a Commended Certificate for our 1994/95 annual report in the Tasmanian State Government Agency category for the Annual Reports Award from the Tasmanian Division of the Institute of Public Administration Australia.

Recycling

The Office is committed to using recycled products, and providing materials for recycling to the Hobart City Council.

HUMAN RESOURCE MANAGEMENT

STAFFING INFORMATION

STAFF RECRUITMENT

Appointments were made to temporary vacant positions from applications received during 1995-96. Details are as follows:-

Total	Male	Female	State Service	Non-State Service
1	0	1	0	1

All field audit staff appointed to positions in the Office during the year possessed accounting qualifications.

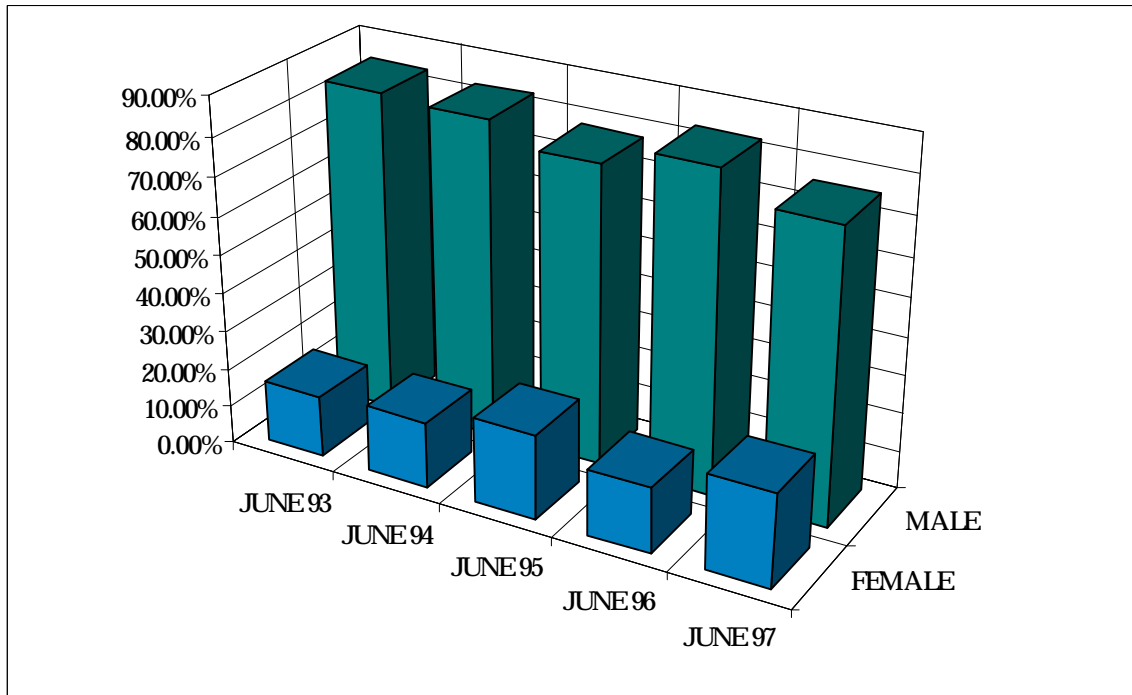
STAFF RECRUITMENT AND TURNOVER

The rate of staff turnover in the Office has declined sharply in recent years.

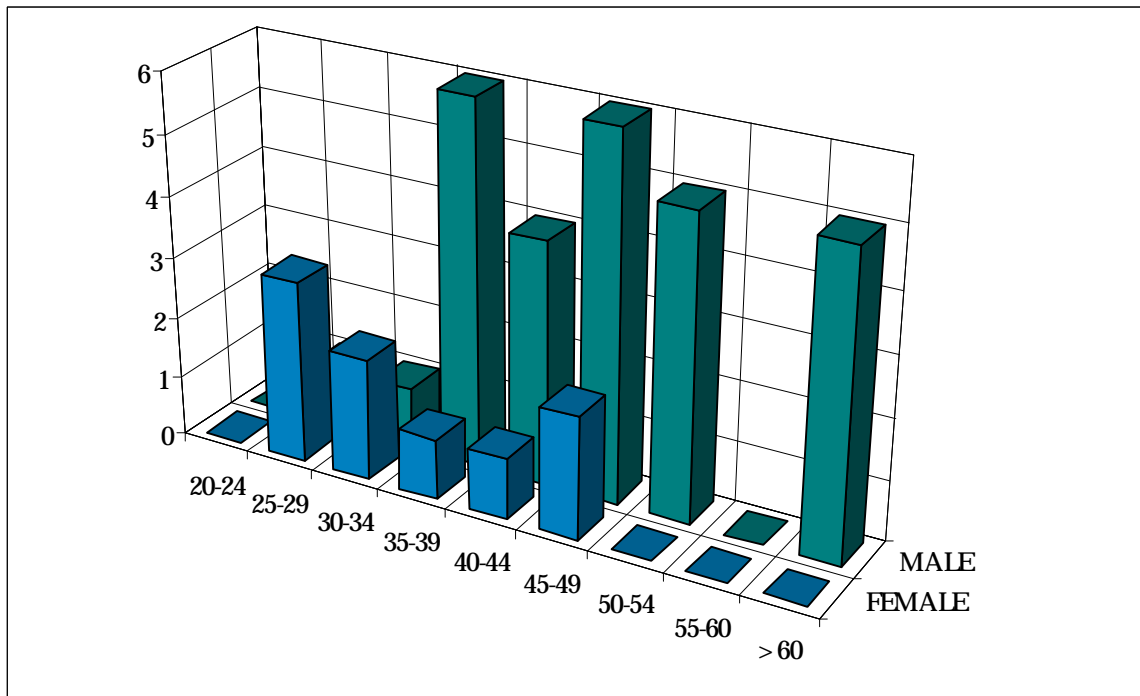
Employment statistics are represented as full-time equivalents and are detailed below.

	1992-93	1993-94	1994-95	1995-96	1996-97
Permanent Employees 1 July	58	59	47.5	42	38
Losses					
Redundancy	-	5	-	-	-
Retirements	2	2	3	1	2
Resignations	3	7	3	4	2
Promotions (Other Agencies)	2	5	3	1	-
Deaths	1	-	-	-	-
	-8	-19	-9	-6	-4
Gains					
State Service	-	-	1	-	-
Non-State Service	9	7.5	1.5	-	-
Conversion from Temporary to Permanent	-	-	1	2	-
	9	7.5	3.5	1	0
Total Permanent Employees	59	47.5	42	38	34
Plus temporary employees	0	2	2	3	3
Number Employed 30 June	59	49.5	44	41	37
% change per year	1.7	(16.1)	(11.1)	(6.81)	(9.78)
% cumulative change – 1/7/92	1.7	(14.6)	(24.1)	(29.3)	(36.2)

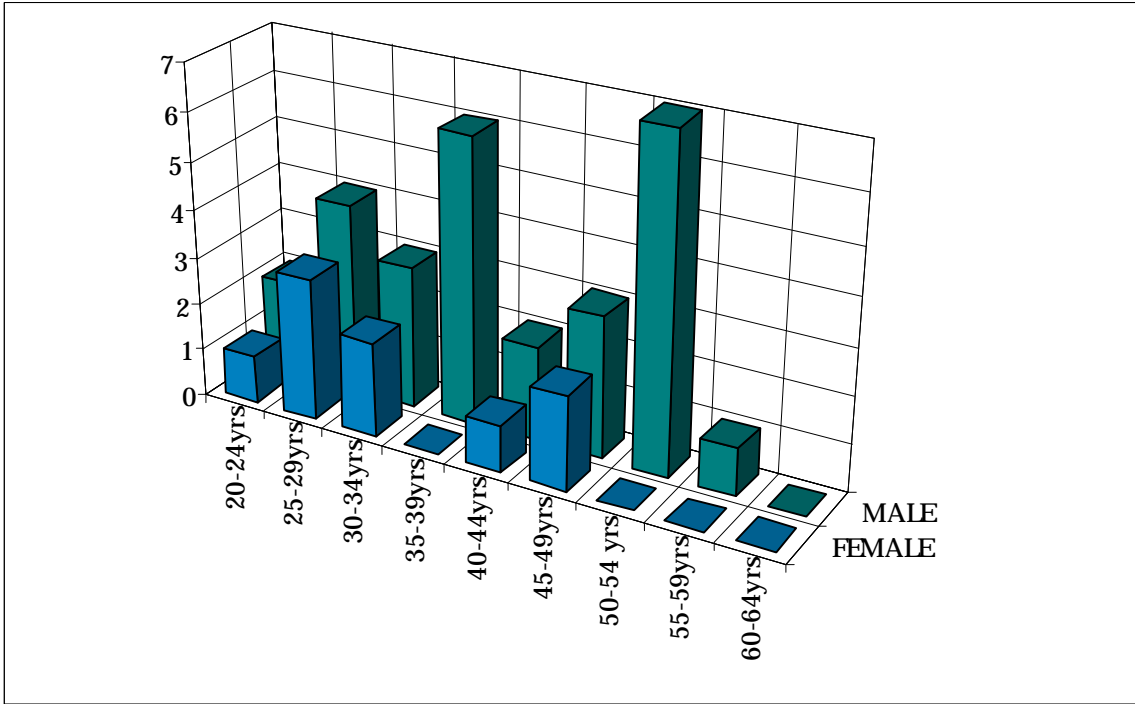
% Total Staff by Gender for the Period June 93 To June 97



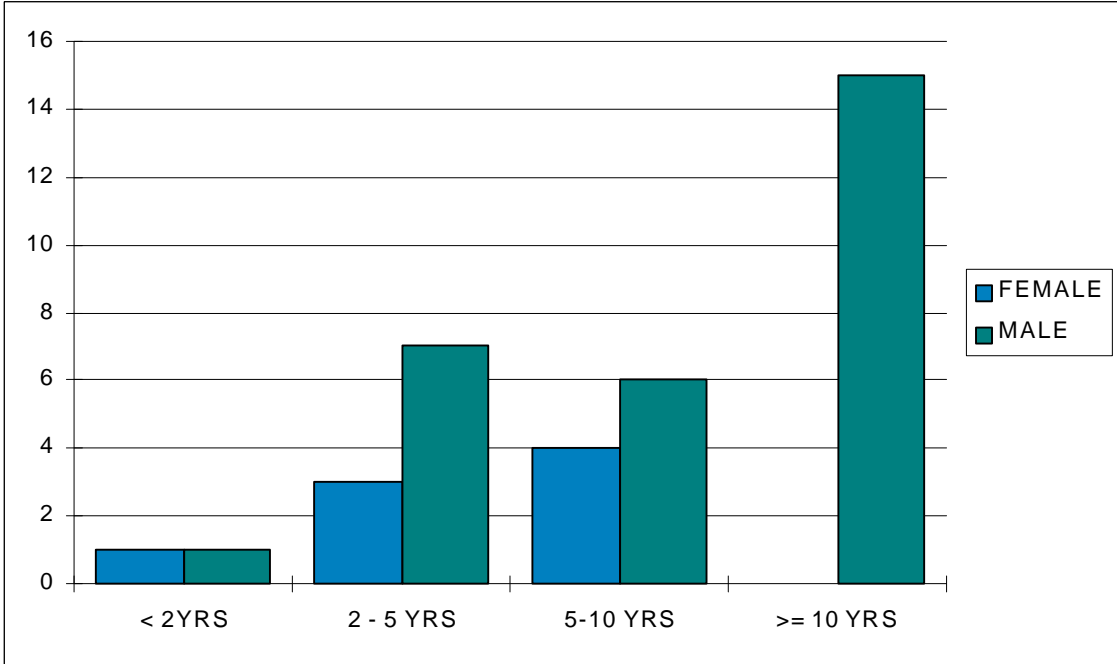
Number of Staff by Gender by Salary Range (\$000) as at 30 June 1997



Breakdown of Staff by Age And Gender as at 30 June 1997



Length of Employment with the Office as at 30 June 1997



STAFF BY CATEGORY

	June 93	June 94	June 95	June 96	June 97
Executive Management	7	6	6	5	5
Managers	5	6	5	5	5
Audit Staff	40	32	28	25	23
DP Support Staff	2	2	1	1	1
Administration Staff	5	3.5	4	4	3
	59	49.5	44	40	37
Average Staff for the year	61.15	54.25	46.17	40.96	38.31

LEAVE MANAGEMENT

SICK LEAVE

	1992-93	1993-94	1994-95	1995-96	1996-97
Full Pay Sick Leave (Days)	473.5	221.0	252.0	127.1	158.9
Half Pay Sick Leave (Days)	43.1	22.1	0	0	0.0
No pay Sick Leave (Days)	0	18.0	53.0	0	0.0
Total Sick Leave Taken (Days)	516.6	261.1	305.0	127.9	158.9
Average Per Employee (Days)	8.4	4.1	6.6	3	4.2
Number of Officers who took leave in excess of 100 hours	6	3	4	1	0

ANNUAL AND LONG SERVICE LEAVE

Details of the number of employees where accrued leave credits exceed the statutory limit as at 30 June are as follows:

	1992-93	1993-94	1994-95	1995-96	1996-97
Number of employees where Annual leave credits are in excess of 40 working days as at 30 June	2	7	7	13	13
Number of employees whose Long Service Leave credits are in excess of 100 working days as at 30 June	3	9	6	7	6

Employees are generally required to reduce their annual leave credits to less than 40 working days as at 30 September in each year.

The Office is developing a strategy with staff to reduce the above excess leave balances over the next 18 months.

STAFF DEVELOPMENT

Eligible Training Courses and Staff Development Activities

The training statistics are provided below.

Training provided to staff in the year comprised:-

- specialist in-house courses on the implementation of the new audit methodology, changes to accounting concepts and standards and audit standards, introduction to general EDP Controls and in the use of specific audit techniques.
- external courses sponsored by the accounting profession and other training institutions.

	External Courses	Internal Courses	Total Hours
Auditing, Accounting and Finance	363	459	822
EDP Auditing	0	54	54
Management and Public Administration	117	1	117
Human Resource Management	124	0	124
Communications and Personal Development	178	115	293
Information Technology	14	72	86
TOTAL	796	701	1 497

	1992-93	1993-94	1994-95	1995-96	1996-97
Number of days of training provided	398.7	370.0	536.2	292.6	204.2
Average number of days per employee	6.52	6.82	11.62	7.15	5.33

Study Assistance Policy

The Office encourages staff members to further their professional development by undertaking appropriate courses of study, usually at the University.

Study assistance may involve employees receiving time off and/or financial assistance. Time off is granted subject to the Office's convenience and the exact nature of the assistance is to some extent dependent on the benefit which the course of study is likely to bring to the Tasmanian State Service.

Continuing Professional Development

The Office encourages staff members to commit themselves to continuing professional development.

Subject to prior approval, staff are allowed time off during working hours to attend seminars.

The Office's contribution towards the cost of CPD courses, seminars, etc (for fees, travel, accommodation and meals) is dependent on funds available and relevance of subjects to the Office's functions.

Graduates within the Office wishing to undertake CPD are reimbursed 50% of the fees involved upon successful completion of the Programme.

CPA Results

During the year 5 employees participated in 12 subjects of the CPA Program conducted by the Australian Society of Certified Practising Accountants.

A summary of their results is tabled below.

Pass	Credit	Distinction
6	4	2

EQUAL EMPLOYMENT OPPORTUNITY

The Office is committed to non-discriminatory employment policies and practices. A committee of staff has the responsibility to oversight the implementation of the policy, prepare annual plans of issues to be addressed and to act as contact persons for staff with any grievances.

EQUAL EMPLOYMENT OPPORTUNITY POLICY

The Tasmanian Audit Office is committed to employment policies and practices which do not discriminate against individuals on the basis of sex, ethnic origin, marital status, physical disability, religion, political opinion or other characteristic.

Equal employment opportunity is a means of:

- improving efficiency in the Tasmanian Audit Office because, by removing direct and indirect barriers to employment and promotion, it ensures that the best person is available for every job on merit;
- improving the motivation and job satisfaction of employees; and
- ensuring that a diversity of views, talents and skills is available to the Tasmanian Audit Office and Parliament which it serves.

The Tasmanian Audit Office has a commitment to:

- ensure fairness and equity in all employment practices, policies and conditions of service;
- ensure that all recruitment, promotion and selection procedures are non-discriminatory, including the representation of both men and women on selection panels, and the development of position descriptions and selection criteria which canvass the widest possible interpretation of skills and experience relevant to the functions of the Office;
- ensure employees, regardless of sex, marital status, ethnic origin and physical disability have equal access to staff development programmes, job rotation, inter-departmental working groups, secondments, work assignments and other procedures which may expand an employee's range of work experience and enhance career prospects; and
- ensure all conditions of service are applied fairly and equitably to all employees.

INDUSTRIAL DEMOCRACY

A Consultative Committee was established in October 1992, with the aim of providing a forum for management and staff to exchange ideas and information, and consult on issues concerning both parties.

Membership of the Committee at 30 June 1997 was:-

Auditor-General;
Director Corporate Services;
Staff of the Office (5), and
Representative of the Community and Public Sector Union
(State Public Services Federation Tasmania).

3 meetings were held during the year.

Issues discussed at these meetings included:

Occupational Health and Safety
Industrial Agreement
Accommodation
Equal Employment Opportunity
Audit Methodology
Information Technology
Adequacy of Office Equipment
External Reviews of the Office

During the year there were no days lost due to industrial disputes.

INDUSTRIAL AGREEMENT

The Industrial Agreement that expired in January 1997 provided for the achievement of certain targets by staff with bonus payments to staff consequent upon attaining these targets. While payments were made under the Agreement in 1996, the final payment possible in January 1997 was not made because the necessary targets were not achieved. The inhibiting factor was the considerable degree to which allocated audit time was exceeded.

An amended draft Agreement to cover the period January 1997 to January 1998 was put to staff but was not approved. Consequently the only variation to the award that survives is the arrangement regulating the accumulation and utilisation of overtime.

OCCUPATIONAL HEALTH AND SAFETY

The responsible officer for health and safety at the workplace is:-

David Strong
Director Corporate Services
 Phone: (03) 6233 3092
 Fax: (03) 6233 2957

The Office has developed policies in relation to occupational health and safety and rehabilitation. These policies and the related procedures have been included in the Offices OHS Policy and Procedures Manual.

During the year the Office performance was measured against the audit criteria for 'Building and Sustaining Commitment' as specified in Safety Map and the outcome of the review indicated the Office was complying satisfactorily against the criteria.

WORKERS COMPENSATION STATISTICS

	1992-93	1993-94	1994-95	1995-96	1996-97
Claims Lodged	0	0	0	1	0
Days Lost	0	0	0	0	0
Cost of Claims	0	0	0	0	0
Premium	\$14 592	\$12 938	\$12 660	\$10 752	\$14 856

PUBLIC ACCESS

FREEDOM OF INFORMATION

FOI Contact Officer	David Darby
Location	Level 5 144 Macquarie Street Hobart

Telephone:	(03) 6233 2879
-------------------	----------------

Number of Requests received	0
------------------------------------	---

The following information is held by the Office:-

Audit Working Papers and Files

This information is confidential to the Auditor-General. Any information in respect to an auditee should be sought directly from that auditee.

Reports of the Auditor-General

Details are shown on page 33 of this Report of Reports issued by the Auditor-General.

INVOLVEMENT WITH COMMITTEES

Committees on which staff of the Office have served during the year either as members or in an advisory capacity were as follows:-

Australasian Council of Auditors-General

Member

Executive Committee

Liaison Committee

Professional Committees

Public Sector Accounting Standards Board (until Dec 96)

Urgent Issues Group

Australian Society of Certified Practising Accountants

National Council

Divisional Council

Branch Council

Public Sector Committee

Commerce and Industry Committee

Public Practice Committee

Institute of Chartered Accountants – Congress Committee

Inter-Government/Public Bodies Committees

University of Tasmania - Faculty of Business

Tasmanian Ingres Users Association Committee

Treasury Accrual Accounting Working Party

Inter-Government/Public Bodies Committees (cont)

Local Government Accountants Group (North-West Region)

Forestry Evaluation Committee

Payroll/Personnel Consortium

Steering Committee

IT Reference Group

HR Reference Group

Treasury Better Annual Reports Committees

Steering Committee

Working Party Committee

Treasury Output Working Group

Finance Group

Planning Group

Training Consortium

Steering Committee

Network Tasmania Project

Business Evaluation Committee

EEO Contact Officer's Network Committee

Information Technology Managers Group

Year 2000 Working Party

MANAGEMENT POLICIES

ASSET MANAGEMENT

ACCOMMODATION

The Office occupies Government owned or leased properties in Hobart and Launceston.

The Office is currently required to lease the 5th floor in the TGIO Building, Macquarie Street, until the expiry date of the lease on 23 April 1999.

INFORMATION TECHNOLOGY

The Office is maintaining its policy of replacing IT hardware every two to three years.

The Office's disaster recovery and backup policy document is in its final draft after being revised.

The Office is continually developing its internal network to facilitate access by the public via the internet.

RISK MANAGEMENT

The major risk exposures of the Office are associated with the conduct of audits.

To minimise these risks, audits are conducted in accordance with Australian Auditing Standards, which are issued jointly by the Australian Society of Certified Practising Accountants and the Institute of Chartered Accountants in Australia. The standards provide the fundamental benchmarks and quality assurance guidelines which must be followed by members of the accounting profession.

The Office minimises these risks by:-

- reviewing its audit methodology regularly;
- ensuring the review process as defined in the Audit Manual is performed;
- ensuring that an external quality assurance review is performed periodically on a selection of financial audit working papers.
- ensuring that a quality assurance review is performed periodically to evaluate the performance audits conducted.

The Office attempts to minimise the risk of injury to workers by reviewing work practices and the office environment.

The risk of information loss and equipment loss is minimised by ensuring disaster/recovery procedures are performed, and officers follow the code of conduct relating to securing computer equipment and information.

PRICING POLICIES

The Office is dependent upon audit fees as the main source of revenue and a small budget appropriation for the Auditor-General's salary, Performance Audits, Reports to Parliament and Whole-of-Government Services.

Audit fees charged are determined by the Treasurer after consultation with the Auditor-General in accordance with Section 56 of the Financial Management and Audit Act 1990.

Fees are calculated on the basis of meeting the full cost of operating the Office. Individual fees are determined on a number of criteria which include size, history, risk, complexity, systems in place including internal controls, organisation and accounting changes and location.

TAO Charging Policy

This policy covers a number of different types of work. Any proposed departures from the policy must be approved by the Auditor-General.

This policy is concerned with substantial commitments of time as it would be counter-productive to insist on charging for every small service provided by the Office. As a guide, times of more than 20 hours represents a substantial amount of time that should be accounted for.

The aim is to seek recovery of full direct cost plus overheads where that is feasible in the circumstances.

Financial audits constitute most of the throughput of the Office. Each audit should recover the full cost of auditors, Managers, Directors and the Auditor-General and include a proportional amount of overheads.

If additional hours above allocated hours are traced to auditee causes the excess should be recovered.

Documents tabled in Parliament are supplied free of charge where stocks of a print run already exist. It may be necessary to seek recovery of costs if material needs to be photocopied in large numbers or reprinted.

All services provided to other Auditor-General offices are free of charge unless there is an external third party involved in the supply of the service, e.g. a training course delivered by a third party.

EXTERNAL AND INTERNAL SCRUTINY

EXTERNAL REVIEW

PERFORMANCE AUDITS

A senior member of the staff of the Victorian Auditor-General was commissioned to report on the performance audit work done by the Office. The cost of this review was \$23 100.

A summary of the findings and recommendations appears below.

Recommendations:

A specialist performance audit unit be established within the TAO to provide the critical impetus for achieving wide-ranging improvement in the TAO's performance auditing functions.

The Auditor-General develop a submission outlining the appropriate course of action for the setting up and financing of a dedicated performance audit unit.

The gathering of data by the TAO for performance audit topic selection be pursued in a more systematic manner through the establishment and use of a performance audit database.

The TAO initiate consultation with the Public Accounts Committee to explore avenues aimed at facilitating receipt of parliamentary suggestions on audit topics for consideration in the development of its annual performance audit program.

The TAO establish co-operative arrangements for the canvassing of views and suggestions on performance audit topics with the Government's central agencies and the major individual audited agencies.

With the advent of a collaborative approach within the State to performance audit topic selection, all parties aim to achieve a greater commitment to ensuring that audit findings and recommendations are properly considered and, where deemed necessary, acted upon in a timely and effective manner.

Specific audit selection criteria, reflecting matters of overall risk and materiality as well as the potential for generating meaningful and useful information for the Parliament, Government and taxpayers, be developed by the TAO to assist prioritising of audit topics.

The TAO move, as a matter of priority to implement a complete and modern performance audit methodology to guide decision making of audit staff and to facilitate achievement of maximum effectiveness and efficiency in the management of audits.

The Auditor-General evaluate alternative options for the development of a modern performance audit methodology, including an assessment of the costs and benefits of utilising the methodology of a larger audit office.

In line with contemporary performance audit practices in other audit offices, the TAO consider avenues available for making greater use of external specialist assistance or advice on its performance audits.

Specific auditee satisfaction targets for performance audit services be formulated and a comparison of actual results against targets be periodically reported to Parliament.

An eventual attestation function, specified under legislation, and requiring the TAO to report on the accuracy and relevance of performance information conveyed by agencies to Parliament in annual reports, be given strong consideration.

AUDITOR-GENERAL'S RESPONSE

I have accepted the recommendations.

I intend to set up a two person specialist performance audit unit from November 1997. This unit will be able to call on other staff from time to time or external specialists. The unit will have the choice and implementation of a revised performance audit methodology as its first priority.

The unit can be financed from existing resources at this level.

The unit will undertake a more structure, formalised and consultative process for selecting performance audit topics.

I have conveyed my view to central agencies that it would be inappropriate to require formal attestation by the Office of performance indicators in annual reports at this time. This is because the indicators are still in a developmental phase in most agencies. However this type of information is as essential to making a judgement of the performance of an agency as the more traditional financial information and it should eventually be subjected to independent scrutiny. That should occur when systems have matured and the indicators have been refined.

SURVEY OF AUDITEES

The Office conducted its annual survey of auditees and results are tabulated and discussed at page 10.

INTERNAL AUDIT

No internal audit was undertaken this year

EXTERNAL AUDIT

Under Section 45 of the *Financial Management and Audit Act 1990*, the Governor may appoint an independent Registered Company Auditor to perform an audit of the financial statements of the Tasmanian Audit Office. Deloitte Touche Tohmatsu, Chartered Accountants, Hobart, were appointed for a term of three years expiring on 30 June 1997. Their Audit Report is attached to the financial statements contained in this Report.

COMMENTARY ON FINANCIAL RESULTS

The financial statements appear on pages 45-77.

All comments are stated in \$'000.

FINANCIAL STATEMENTS PREPARED ON A CASH BASIS

Adequate explanations for the variances in receipts and payments are set out in Note 3(c).

FINANCIAL STATEMENTS PREPARED ON AN ACCRUAL BASIS

Operating Statement

Employee entitlements declined from \$1974 to \$1887 mainly because of the write back of the provision for long service leave explained at Note 15. Depreciation expense increased overall because of the increased depreciation on computer equipment due to the disposal of equipment that was almost fully depreciated and the purchase of new equipment. Contract auditors' fees decreased because there was a one off payment for services in 1996 that did not recur.

Operating revenue is shown as having increased in 1997 but this includes the reclassification of the amount appropriated from government. This was previously appropriated directly to the Office but now is paid indirectly through the Finance-General appropriation to Treasury. On this basis, overall revenue actually declined for the reasons set out earlier in this Report.

Apart from the reclassification issue, revenues from government were actually stable.

The abnormal items detailed in Note 15 contributed a net \$54 to the results for the year.

The overall loss for the year of \$74 represents a 2.3% loss on the total cost of services of \$3188.

STATEMENT OF FINANCIAL POSITION

Current Assets

Receivables are down due to the decline in interim billing in 1997 and Work in Progress is correspondingly higher than in 1996. The total of current assets is down mainly due to the payment of the return of equity of \$100.

Investment in non-current assets is down mainly because obsolete IT assets were sold or disposed during the year.

Current liabilities are down and non-current liabilities are up, because of the changed approach to the calculation of the liability for long service leave as described in Note 2(e).

Equity is down because of the operating loss and the return of equity.

Statement of Cash Flows

Employee entitlements are shown as having decreased in 1997.

User charges and fees increased due to the reclassification of the government appropriation (see Note 3(c)(3)) and decreased due to generally lower audit fees, the less remunerative audit time spent on the firearms buyback and the decrease in interim billing.

The equity reduction of \$100 in 1997 represents the first of three such payments to be made annually as the Auditor-General determined that the funds were not essential to the functions of the Office.

The cash balance at the end of the financial year although substantial, is only adequate to fund current liabilities and provide funds to meet employee salaries as they fall due.

Output Schedule

This Statement recasts the Operating Statement into high level categories of expenses and revenues but is otherwise identical. It is drawn up on an accrual basis. All revenues and expenses contribute to the single output group (consisting of four outputs) described in Note 4.

TASMANIAN AUDIT OFFICE



FINANCIAL STATEMENTS

FOR THE YEAR ENDED

30 JUNE 1997

TASMANIAN AUDIT OFFICE

FINANCIAL STATEMENTS

CONTENTS

PUBLIC ACCOUNT – CASH STATEMENTS

Financial Summary

- Summary of Financial Transactions
- Source of Funds
- Summary of Expenditure
- Explanation of significant variations

Consolidated Fund Transactions

- Explanation of significant variations

Special Deposits and Trust Fund Accounts

PUBLIC ACCOUNT – ACCRUAL STATEMENTS

Operating Statement

Statement of financial position

Statement of cash flows

Revenues and Expenses by Output Group

Notes to the financial statements

Certification of financial statements

Audit report

**PUBLIC ACCOUNT
CASH STATEMENTS
30 JUNE 1997**

TASMANIAN AUDIT OFFICE

Financial summary for the year ended 30 June 1997

Summary of Financial Transactions

	Note	1996 Actual \$'000	1997 Estimate \$'000	1997 Actual \$'000	Variation \$'000
OPENING BALANCE		924	946	946	-
Total receipts	3(c)(1)	3 338	3 066	3 116	50
Total expenditure	3(c) (2)	(3 316)	(3 119)	(3 314)	(195)
CLOSING BALANCE		946	893	748	(145)

Closing balance of accounts in the Special Deposits and Trust Fund
Administered by the Office consist of:

Business Unit Account (T644)	748
TOTAL CLOSING BALANCE	748

TASMANIAN AUDIT OFFICE

Financial summary for the year ended 30 June 1997 (continued)

Source of Funds

	Note	1996 Actual \$'000	1997 Estimate \$'000	1997 Actual \$'000	Variation \$'000
OPENING BALANCE		924	946	946	-
Consolidated Fund:					
Annual Appropriation		387	-	-	-
Reserved by Law	3(c)(1)	111	115	159	44
Total Consolidated Fund		498	115	159	44
Other Receipts					
Proceeds from sale of assets		-	-	10	10
Operating revenue not paid into Consolidated Fund		2 840	2 951	2 947	(4)
Total Other Receipts		2 840	2 951	2 957	6
TOTAL RECEIPTS		3 338	3 066	3 116	50
TOTAL SOURCE OF FUNDS		4 262	4 012	4 062	50
Less					
Closing balance:					
Other	3(c)(1-2)	946	893	748	145
Total closing balance		946	893	748	145
TOTAL FUNDING OF OUTPUTS	3(c)(1-2)	3 316	3 119	3 314	195

TASMANIAN AUDIT OFFICE

Financial summary for the year ended 30 June 1997 (continued)

Summary of Expenditure

	Note	1996 Actual \$'000	1997 Estimate \$'000	1997 Actual \$'000	Variation \$'000
OUTPUT GROUP 1					
Public Management and Accountability	3(c)(2)				
1.1 Financial Audit Services		2 956	2 741	2 900	(159)
1.2 Reports to Parliament		47	59	75	(16)
1.3 Performance Audit Services		268	266	292	(26)
1.4 Special Audit Investigations and Representations for Whole of Government		45	53	47	6
TOTAL OUTPUT GROUP 1		3 316	3 119	3 314	(195)
TOTAL OUTPUT GROUPS		3 316	3 119	3 314	(195)
TOTAL EXPENDITURE		3 316	3 119	3 314	(195)

TASMANIAN AUDIT OFFICE

Consolidated Fund Transactions for the year ended 30 June 1997

	Note	1996 Actual \$'000	1997 Estimate \$'000	1997 Actual \$'000	Variation \$'000
EXPENDITURE FROM THE CONSOLIDATED FUND TOWARDS THE COST OF PRODUCING OUTPUTS					
Reserved by Law	3(c)(1)	111	115	159	44
TOTAL EXPENDITURE		111	115	159	44

TASMANIAN AUDIT OFFICE

Special Deposits and Trust Fund Statement of Receipts and Expenditure for the year ended 30 June 1997

T644 -Tasmanian Audit Office Operating Account
To record transactions with the receipt and disbursement of funds for activities
undertaken by the Tasmanian Audit Office

	Note	1996 Actual \$'000	1997 Actual \$'000
OPENING BALANCE		924	946
RECEIPTS			
Appropriation	3(c)(3)	387	-
Reserved by Law	3(c)(1)	111	159
Fees for Service	3(c)(3)	2 643	2 861
Proceeds from Sale of Equipment	3(c)(4)	81	10
Interest	3(c)(5)	75	55
Other		41	31
TOTAL RECEIPTS		3 338	3 116
PAYMENTS			
Employee Entitlements	3(c)(6)	1 853	1 890
Superannuation		204	201
Payroll Tax	3(c)(7)	113	139
Fringe Benefits Tax		14	16
Workers Compensation		9	15
Purchases of Office Equipment and Leasehold Improvements	3(c)(8)	199	123
Purchases of Goods and Services	3(c)(9)	836	735
Purchase of Motor Vehicles	3(c)(10)	43	-
Equity Reduction	3(c)(11)	-	100
Refund Auditor-Generals Salary	3(c)(12)	45	95
TOTAL PAYMENTS		3 316	3 314
CLOSING BALANCE		946	748
CLOSING BALANCE CONSISTS OF:			
Approved Carry Forward Funds		946	748
		946	748

**PUBLIC ACCOUNT
ACCRUAL STATEMENTS
30 JUNE 1997**

TASMANIAN AUDIT OFFICE

Operating Statement for the year ended 30 June 1997

	Note	1997 \$'000	1996 \$'000
OPERATING EXPENSES			
Employee entitlements	2(e)	(1 887)	(1 974)
Superannuation and Payroll Tax	2(f)	(313)	(304)
Depreciation	2(d),5	(197)	(178)
Accommodation	2(g),16	(159)	(169)
Materials, Supplies & Services		(74)	(76)
Information Technology		(148)	(158)
Contract Auditors Fees		(130)	(204)
Travel and Transport		(82)	(80)
Training		(34)	(38)
Other		(164)	(122)
TOTAL COST OF SERVICES		(3 188)	(3 303)
OPERATING REVENUE			
User charges and fees	6(d)	2 814	2 800
Other revenues	6	66	107
TOTAL OPERATING REVENUE		2 880	2 907
NET COSTS OF SERVICES		(308)	(396)
REVENUES FROM GOVERNMENT			
	3		
Recurrent Appropriation		159	498
Assumption of Liabilities		23	9
TOTAL REVENUES FROM GOVERNMENT		182	507
NET REVENUES FROM DISPOSAL OF NON-CURRENT ASSETS		(2)	10
NET REVENUE FROM ABNORMAL ITEMS	15	54	-
CHANGE IN NET ASSETS RESULTING FROM OPERATIONS	12	(74)	121

TASMANIAN AUDIT OFFICE

Statement of Financial Position as at 30 June 1997

	Note	1997 \$'000	1996 \$'000
CURRENT ASSETS			
Cash on hand and deposit accounts		748	946
Receivables	7	58	404
Work in Progress		1 041	737
Prepayments	8	88	5
TOTAL CURRENT ASSETS		1 935	2 092
NON-CURRENT ASSETS			
Plant, equipment and vehicles	9	390	464
TOTAL NON-CURRENT ASSETS		390	464
TOTAL ASSETS		2 325	2 556
CURRENT LIABILITIES			
Payables		8	25
Employee entitlements	14	327	709
Other		26	3
TOTAL CURRENT LIABILITIES		361	737
NON-CURRENT LIABILITIES			
Employee entitlements	14	350	30
TOTAL NON-CURRENT LIABILITIES		350	30
TOTAL LIABILITIES		710	767
EQUITY			
Equity on Formation	10	1 168	1 168
Accumulated surplus		447	621
TOTAL EQUITY		1 615	1 789
TOTAL LIABILITIES AND EQUITY		2 325	2 556

TASMANIAN AUDIT OFFICE

Statement of Cash Flows for the year ended 30 June 1997

	Note	1997 \$'000	1996 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments			
Employee Entitlements		(2 108)	(2 170)
Goods & Services		(874)	(859)
Receipts			
User charges and fees		2 879	2 643
Interest received		53	75
Other		13	38
NET CASH USED IN OPERATING ACTIVITIES	12	(37)	(273)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for the purchase of non-current assets	11	(135)	(242)
Receipts from the sale of non-current assets		10	81
NET CASH USED IN INVESTING ACTIVITIES		(125)	(161)
CASH FLOWS FROM GOVERNMENT			
Receipts from appropriation			
Recurrent		-	387
Reserved by Law		159	111
Payments to Government			
Equity Reduction		(100)	
Refund Auditor-General's Salary		(95)	(45)
NET CASH PROVIDED BY GOVERNMENT		(36)	453
Net increase (decrease in cash held)		(198)	19
Cash at the beginning of the year	12	946	927
CASH AT THE END OF THE YEAR	12	748	946

TASMANIAN AUDIT OFFICE

Output Schedule Office's Expenses and Revenues prepared on an accrual basis for the year ended 30 June 1997

OUTPUT GROUP	1		<i>TOTAL</i>	
	1997 \$'000	1996 \$'000	1997 \$'000	1996 \$'000
EXPENSES AND REVENUES				
EXPENSES				
Employee Costs	2 200	2 278	2 200	2 278
Depreciation	197	178	197	178
Materials, Supplies & Services	627	725	627	725
Other	164	122	164	122
TOTAL	3 188	3 313	3 188	3 313
REVENUES				
Government	182	507	182	507
User charges and fees	2 814	2 907	2 814	2 907
Other revenues	118	10	118	10
TOTAL	3 114	3 424	3 114	3 424
REVENUE LESS EXPENSES	(74)	121	(74)	121

TASMANIAN AUDIT OFFICE

Notes to and forming part of the financial statements for the year ended 30 June 1997

1 Objectives and Funding

The Office's objective is to provide independent audit assurance to Parliament concerning the financial statements of the Treasurer, Government Departments and Public bodies and the economy, efficiency and effectiveness of the operations of those entities

The Office is partially funded by Parliamentary appropriations. It provides financial audit services on a fee-for-service basis and the fees charged are based on estimated times to perform the audits.

Fees are approved by the Treasurer.

The funding from audit fees and appropriations is credited to an operating account in the Special Deposits and Trust Fund and costs of operating the Office were met from those funds.

2 Significant Accounting Policies

(a) Basis of Accounting

The financial statements have been prepared in accordance with the Treasurer's Instructions issued under the provisions of the Financial Management and Audit Act 1990. For activities financed through the Public Account, selected statements have been prepared on a cash basis of accounting. These statements comprise a Summary of Financial Transactions, a Summary of Consolidated Fund Transactions and a statement for the Officers account in the Special Deposits and Trust Fund.

Other financial statements in respect of the total activities of the Office have been prepared on an accrual basis in accordance with applicable Australian Accounting Standards and other mandatory professional reporting requirements (Urgent Issues Group Consensus Views), and Treasurer's Instructions. Collectively these financial statements comprise the Office's general purpose financial report.

They have been prepared on the accrual basis of accounting using historical cost accounting.

The Office is subject to payroll tax but is otherwise a non tax paying entity.

(b) Appropriations

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

(c) Valuation of non-current assets

The asset capitalisation threshold adopted by the Office is \$5 000. Assets valued at less than \$5 000 are charged to the Operating Statement in the year of purchase, except where it is deemed the asset is an attractive item.

Assets are grouped on the basis of having a similar nature or function in the operations of the Office.

(d) Depreciation of Non-Current Assets

All non-current 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 the following class of assets at the stated depreciation rates:

Office Equipment and Furniture, on a straight line basis balance	25%
Information Technology, on a straight line basis	33% to 50%
Leasehold Improvements, on a straight line basis	20%

(e) Employee Entitlements

Liabilities for employee entitlements in respect of wages and salaries, annual leave, and other current employee entitlements are accrued at nominal amounts calculated on the basis of current wage and salary rates.

Obligations to employees in respect of accumulated leave credits in lieu of overtime are included with employee entitlements.

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.

Consideration is given, when assessing expected future payments, to expected future wage and salary levels, experience of employee departures and periods of service.

Expected future payments are discounted using interest rates attaching, as at the reporting date, to the Commonwealth Government guaranteed securities with terms to maturity that match, as closely as possible, the estimated future cash outflows.

On-costs include payroll tax and employer superannuation contributions.

The classification of the liability for long service leave has been completed on the basis that entitlements in respect of service equal or greater than ten years are shown as a current liability where the employee has indicated their intention to take leave during the next twelve months. The remaining balance is classified as non-current and discounted accordingly.

Amounts shown for annual and long service leave are based on the provisions of the Tasmanian State Service Act and Regulations, the General Conditions of Service Award SO85 and the Long Service Leave (State Employees) Act 1994.

(f) *Superannuation*

Employees of the Office contribute to the Retirement Benefits Fund (RBF) scheme.

The new RBF scheme is a superannuation scheme which took effect from 1 July 1994 for employees in the Tasmanian public Sector.

A superannuation provision is maintained in the Special Deposits and Trust Fund for all Departments.

The Office's obligation in respect of superannuation is extinguished by the payment of the employers contribution based on 11% of salaries for contributory members and the appropriate Superannuation Guarantee charge in respect of non-contributors.

(g) *Leases*

The Office has entered into an operating lease agreement for accommodation where the lessors effectively retain all of

the risks and benefits incident to ownership of the items held under the operating lease. Equal instalments of the lease payments are charged to the Operating Statement over the lease term as this is representative of the pattern of benefits to be derived from the leased property.

(h) Comparatives

Where necessary comparatives have been amended to reflect current year disclosure requirements.

3 Appropriations

(a) Reconciliation of Appropriations to Government Revenues

	1997	1996
	\$'000	\$'000
Total Appropriations	159	498
Net Cash from Government	159	498
Other Government Revenues:		
Assumption of Liabilities	23	9
Total Government Revenues	<u>182</u>	<u>507</u>

(b) Assumption of Liabilities

Under the commercialisation agreement where the Office incurs additional cost in respect of the accrual liabilities for employee entitlements as at 30 June 1993, the Consolidated Fund would meet the pre 30 June 1993 amount.

This Office considers the assumption of this liability as abnormal revenue.

During the reporting period, the Government agreed to settle the Office's obligations in respect of the following items:

Employee Entitlements		
Long Service Leave	23	9
	<u>23</u>	<u>9</u>

(c) Material variances

Information about the Office's Outputs and the expenses and revenues which are reliably attributable to those Outputs is set out in the Output schedule.

**1997
\$'000**

(c)(1) The variation in cash receipts from the Budget estimate is explained by the increase in the Auditor-General's salary as a consequence of a review of the salaries of statutory office holders. This resulted in the Reserved by Law item R007 being understated in the budget by \$44 000.

(c)(2) The Office has an agreement with the Department of Treasury and Finance to refund 60% of the Reserved by Law item. As a consequence of the increase in the Reserved by Law item the amount to be refunded also increased. The Office was required to pay additional payroll tax as the Office was incorrectly applying the general exemption. The Office has also agreed to reduce its equity by \$100 000 by a cash transfer to the Department of Treasury and Finance

Equity Reduction	100
Auditor-General's Salary Increase	44
Reserved by Law Refund	26
Additional Payroll Tax	15
Increased Superannuation on Auditor-General's Salary	5
TOTAL	190

(c)(3) In 1995-96, the appropriation represented funding for performance audits, reports to Parliament and whole of government activities. In 1996-97, this funding has been transferred to Finance-General. While funding has been transferred to Finance-General the services will still be undertaken by the Office and, as such, payment for the provision of the services will be included in "Operating Revenue not paid into the Consolidated Fund". Fees for Service constitutes the funds received for financial audit services plus the transferred appropriation mentioned. This administrative change explains the significant variance.

(c)(4) The variance is explained by the reduced amount of equipment sold, and the fact the opportunity to raise revenue from the sale of motor vehicles has been removed with the creation of Tas Fleet.

(c)(5) The variation in interest revenue is in line with a reduced cash balance and declining interest rates.

(c)(6) The variation is explained by the increases in salaries of staff, notably the increase in the Auditor-General's

salary.

- (c)(7) The variance in payroll tax is due to the Office applying the general exemption as a small business for 1995/96, however, the State Revenue Office ruled that this exemption was not applicable. Consequently, additional payroll tax for 1995/96 was paid this year.
- (c)(8) The Office has a policy of replacing portable computers every two years. The Office did not bulk purchase portables this year.
- (c)(9) In line with the Office's policy to reduce costs associated with Office overheads, this variance illustrates the implementation of this policy.
- (c)(10) The Office no longer owns motor vehicles as vehicles are) leased from Tas Fleet.
- (c)(11) The Office has agreed to refund \$100 000 per annum to) the Department of Treasury and Finance as a reduction in equity for three years commencing 1996-97.
- (c)(12) In accordance with the terms of its commercialisation) agreement with the Government, the Office is committed to return 60% of its Reserved by Law funding to the Consolidated Fund in 1996-97.

4 Outputs of the Office

- (a) The Office has only one output group of which the objective is:
"To provide independent audit assurance to Parliament concerning the financial statements of the Treasurer, Government Departments and other public bodies and the economy, efficiency and effectiveness of the operations of those entities".

(b) Output summary

OUTPUT GROUP 1

Objective:

To provide independent audit assurance to Parliament concerning:

- the financial statements of the Treasurer, government departments and public bodies; and
- the economy, efficiency and effectiveness of those entities operations.

Intended Outputs:	1997	1996
The Office provides the following outputs:	\$'000	\$'000
• financial audit services		
• reports to Parliament		
• performance audit services		
• whole of government services		

Key Performance Measures

The Office over the years has been continuously improving the earlier completion of financial statement audits; 46% by 31 October in 1992-92 to 84% in 1995-96, and issuing audit reports to auditees.

Reports presented to Parliament are on the results of the audit of the Public Account, public sector entities, and any other significant items as they became apparent. The Office's aim is to table its annual report on the Public Account and report on Ministerial Portfolios in Parliament by the prescribed tabling dates.

The Office conducts performance audits of the economy, efficiency, and effectiveness of selected aspects of public sector entities' activities. The Office's goal is to complete these audits within the amount appropriated to the Office.

Key Performance Indicators

Percentage of financial audits completed by 31 October	84%	78%
Reports tabled within prescribed time frames	Yes	Yes
Aggregate cost of performance audits at least equal to funding from appropriation		
	Target	246
	Actual	280

5 Depreciation Expense

Depreciation expense for the reporting period was charged in respect of:

Computer Equipment	140	125
Motor Vehicles	0	2
Office Equipment and Furniture	26	18
Leasehold Improvements	31	33
	<hr/>	<hr/>
	197	178

6 Revenues	1997	1996
	\$'000	\$'000
(a) User Charges and Fees		
Revenues include proceeds from audit fees charged by the Office for audit services performed.		
(b) Proceeds from Sales of Goods and Services		
Proceeds from the sale of goods and services are recognised as revenues as they are controlled by the Office and can be deployed for the achievement of its objectives.		
They are not required to be paid into the Consolidated Fund.		
(c) Net Revenues from Disposal of Non-Current Assets		
Proceeds from the disposal of Computer Equipment	10	0
Less: Written down value of Computer Equipment	12	0
	<u>(2)</u>	<u>0</u>
Proceeds from the disposal of Office Equipment	0	2
Less: Written down value of Office Equipment	0	4
	<u>0</u>	<u>(2)</u>
Proceeds from the disposal of Motor Vehicles	0	81
Less: Written down value of Motor Vehicles	0	69
	<u>0</u>	<u>12</u>
(d) Audit Revenue		
Financial Audit Fees Raised	2096	2,698
Add Work in Progress (30 June)	1 041	737
	<u>3110</u>	<u>3,435</u>
Less Adjusted Work in Progress (1 July)	(741)	(635)
Financial Audit Fees Revenue	2 369	2 800
Firearms Project Fees	88	0
Fees for Whole of Government Services	357	0
User charges and fees	2 814	2 800

7 Receivables

Fees payable in respect of the audit of the 1995-96 accounts were raised in the 1996-97 financial year in accordance with the provisions of Section 56 of the Financial Management and Audit Act 1990.

This year interim bills were not raised.

Work in Progress is the percentage completion of the audit of financial statements, ie. the actual hours spent to date on the audit divided by the allocated hours for the audit.

	1997	1996
	\$'000	\$'000
The value of work in progress is determined by multiplying the audit fee by the percentage completion.		
Audit Fees and Charges Outstanding	55	404
Sundry Debtors	0	0
	55	404
Debts written off as non-collectable	0	19

8 Other Current Assets

Prepayments	88	5
-------------	----	---

9 Non-Current Assets

Plant Equipment, Furniture and Vehicles

Computer Equipment	570	845
(Accumulated Depreciation)	(306)	(552)
	264	293
Office Equipment & Furniture and Leasehold Improvements	281	268
(Accumulated Depreciation)	(155)	(98)
	126	170
Total	390	463

10 Equity and Changes in Equity

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

Equity on Formation	1 168	1 168
Accumulated Surplus		
Balance as at the beginning of the period	621	482
Change during the period		
Long Service Leave Adjustment		
Equity Reduction	(100)	62
Transfer of ownership of Motor Vehicles	-	(44)
Change in Net Assets Resulting from Operations	(74)	121
	(174)	139
Balance as the end of the period	447	621
Total Equity at the end of the reporting period	1 615	1 789

11 Purchase of Non-Current Assets	1997	1996
	\$'000	\$'000
Motor Vehicles	0	44
Computer Equipment	122	171
Office Equipment and Leasehold Improvements	13	27
	135	242

12 Reconciliation of Net Cash used in Operating Activities to Net Cost of Services

For the purposes of the statement of cash flows, "cash" includes cash on hand and deposit accounts.

Cash	748	946
Total	748	946

Net Cost of Services

Abnormal Items	54	-
Refund of Auditor-General's Salary	95	45

Items not involving Cash

Depreciation	197	178
Employee Entitlements	(40)	63

	2	(110)
--	---	-------

(Increase)/Decrease in Receivables	346	(55)
------------------------------------	-----	------

(Increase)/Decrease in Work in Progress	(304)	(102)
---	-------	-------

(Increase)/Decrease in Other Non Current Assets	(83)	6
---	------	---

Increase/(Decrease) in Revenue in Advance	23	-
---	----	---

(Decrease) Increase in Payables	(17)	(12)
---------------------------------	------	------

Net Cash used in Operating Activities	(37)	(273)
--	-------------	--------------

13 Non-Cash Financing and Investment Activities

Assumption of Liabilities

During the reporting period, the Government agreed to settle the Office's obligation in respect of employee's entitlements amounting to \$23 045 (1996 - \$ 9 137). Also refer Note 3(b).

14 Employee Entitlements	1997 \$'000	1996 \$'000
Current		
Accrued Salary and Related Salary Payments	23	32
Industrial Agreement Accruals	-	22
In Lieu of Overtime	7	13
Leave Loading	4	3
Annual Leave	237	227
Long Service Leave	56	412
	327	709
Non-Current		
Long Service Leave	350	30
	350	30
Employee Entitlements	677	739

15 Abnormal Items

The Office reassessed its treatment of long service leave for staff with more than ten years service. This reassessment resulted in the classification of the current liability being based on the employees intention to take leave during the next twelve months and the remaining balance being classified as non-current and discounted accordingly. The result is abnormal revenue of \$94 841.

UIG No. 1 states that when a lease is non-cancellable and future payments thereunder are for surplus space, a liability and an expense shall be recognised. If this surplus space is sub-let at a loss, the amount of the liability and expense recognised shall be determined as the net of any probable sublease revenue.

The Office identified surplus space under its non-cancellable accommodation lease in May 1997, and enter into a sublease arrangement with a tenant in June 1997 which will result in the Office incurring a \$25 795 shortfall in rent recovery. This has been treated as an abnormal item.

The Office was required to pay additional payroll tax as the Office incorrectly applied the general exemption for small business. This amounted to \$14 500.

16 Operating Lease Commitments

	1997	1996
	\$'000	\$'000
At the reporting date, the Office had the following obligations under non-cancellable operating leases (these obligations are not recognised as liabilities):		
Not later than 1 year	159	159
Later than 1 year and not later than 2 years	129	159
Later than 2 years and not later than 5 years	—	129
	<u>298</u>	<u>447</u>

17 Auditor's Remuneration

Amounts received, or due and receivable by the independent auditor	4	4
--	---	---

CERTIFICATION OF THE FINANCIAL STATEMENTS

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 Treasurer's Instructions issued under the provisions of the *Financial Management and Audit Act 1990* to present fairly the financial transactions for the year ended 30 June 1997 and the financial position as at end of the year.

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



A J McHugh
AUDITOR-GENERAL

18 July 1997

**Deloitte Touche
Tohmatsu**



Level 9, ANZ Centre
22 Elizabeth St Hobart 7000
GPO Box 777H
Hobart Tasmania 7001 Australia

DX 197
Facsimile (002) 24 2055
Telephone (002) 21 7200

**INDEPENDENT AUDIT REPORT TO THE TREASURER
RE: TASMANIAN AUDIT OFFICE**

Scope

We have audited the attached General Purpose Financial Statements of the Tasmanian Audit Office for the year ended 30 June 1997, being Public Account – Cash Statements comprising Financial Summary Consolidated Fund Transactions and Special Deposits and Public Account – Accrual Statements comprising Operating Statement, Statement of Financial Position, Statement of Cash Flows and Notes to the Financial Statements. The Auditor General is responsible for the preparation and presentation of the financial statements and the information they contain. We have conducted an independent audit of those financial statements in order to express an opinion on them to the Treasurer.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance as to whether the financial statements are free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial statements and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion as to whether, in all material respects, the financial statements are presented fairly in accordance with the provisions of the Financial Management and Audit Act 1990, applicable Australian Accounting Standards and other mandatory professional reporting requirements (Urgent Issues Group Consensus Views) and Treasurer's instructions.

The audit opinion expressed in this report has been formed on the above basis.

Audit Opinion

In our opinion, the Financial Statements of the Tasmanian Audit Office are properly drawn up:

- a) so as to give a true and fair view of the Office's financial position as at 30 June 1997 and the results of its operations and its cashflows for the financial year ended on that date; and
- b) in accordance with applicable Australian Accounting Standards; and
- c) in accordance with the provisions of the Financial Management and Audit Act 1990.

DELOITTE TOUCHE TOHMATSU

Deloitte Touche Tohmatsu

L T Cox
Partner
Chartered Accountants
Hobart, 25 July 1997

GLOSSARY

Audit Cycle	is the period between 1 November and 31 October, eg 1 November 1996 to 31 October 1997 is the 1997 audit cycle.
Audit Opinion	is an opinion as to whether the information provided in the financial statement of a public sector entity is presented fairly in accordance with Australian Accounting Standards.
Financial Audit	is an audit which relates to forming an opinion on the annual financial statements of a public sector entity.
Outputs	are goods and services that are used by the government or by the public.
Outputs Budgeting	means that budgets are determined and managed on the basis of outputs.
Performance Audit	is an audit that deals with any aspect of an organisation's effectiveness, economy, efficiency or compliance with relevant legislation.

APPENDICES

APPENDIX 1 – ADDITIONAL HUMAN RESOURCE STATISTICS

STAFF AGE PROFILE - HEAD COUNTS

	30 June 1995		30 June 1996		30 June 1997	
	Male	Female	Male	Female	Male	Female
15-19 years	0	0	0	0	0	0
20-24 years	4	2	4	0	2	2
25-29 years	7	3	7	2	6	2
30-34 years	4	2	2	2	1	2
35-39 years	4	1	5	1	6	0
40-44 years	2	0	2	0	2	1
45-49 years	4	2	4	2	3	2
50-54 years	9	0	9	0	7	0
55-59 years	0	0	0	0	3	0
60-99 years	1	0	1	0	0	0
TOTALS	35	10	34	7	30	8
AVERAGE AGE	39.66	32.04	39.93	35.89	41.42	35

STAFF SALARY PROFILE - HEAD COUNTS (FTE SALARY)

	30 June 1995		30 June 1996		30 June 1997	
	Male	Female	Male	Female	Male	Female
< \$19 000	0	0	0	0	0	0
\$19 001 - \$23 000	0	0	0	0	0	0
\$23 001 - \$27 000	5	3	1	1	0	0
\$27 001 - \$31 000	2	2	4	2	0	3
\$31 001 - \$35 000	2	0	5	1	2	1
\$35 001 - \$40 000	6	3	4	0	6	1
\$40 001 - \$45 000	9	2	10	3	4	1
\$45 001 - \$50 000	1	0	0	0	7	2
\$50 001 - \$55 000	5	0	5	0	5	0
\$55 001 - \$60 000	3	0	1	0	0	0
\$60 001 >	2	0	4	0	5	0
TOTALS	35	10	34	7	29	8
AVERAGE SALARY	43 056	33 127	44 299	34 947	49 635	36 446

STAFF TURNOVER - HEAD COUNTS

	30 June 1995		30 June 1996		30 June 1997	
	Male	Female	Male	Female	Male	Female
Redundancy	0	0	0	0	0	0
Retirements	3	0	1	0	2	0
Promotions to other agencies	3	0	0	1	0	0
Deaths	0	0	0	0	0	0
Resignations	3	0	2	2	2	0
End of temporary appointment	0	0	0	0	2	0
TOTALS	9	0	3	3	6	0

STAFF MOVEMENTS - HEAD COUNTS

	30 June 1995		30 June 1996		30 June 1997	
	Male	Female	Male	Female	Male	Female
Secondments	0	0	0	0	0	0
Leave without pay	0	0	0	0	0	1
TOTALS	0	0	0	0	0	1

STAFF AWARDS - FULL-TIME EQUIVALENTS

	30 June 1995		30 June 1996		30 June 1997	
	Male	Female	Male	Female	Male	Female
Clerical Officers	33	9	30	6	4	2.36
Professional Officers	0	0	0	0	21	5
Contract	2	0	4	0	4	0
TOTALS	35	9	34	6	29	7.36

EQUAL EMPLOYMENT - HEAD COUNTS

	30 June 1995		30 June 1996		30 June 1997	
	Male	Female	Male	Female	Male	Female
Disabilities	0	0	1	0	1	0
Aboriginal & Torres Strait Islanders	0	0	0	0	0	0
Non English Speaking Background	1	0	1	0	1	0
TOTALS	1	0	2	0	2	0

STAFF RECRUITMENT - HEAD COUNTS

	30 June 1995		30 June 1996		30 June 1997	
	Male	Female	Male	Female	Male	Female
From within State Service	1	0	0	0	0	0
Non-State Service	3	.5	2	0	1	1
TOTALS	4	.5	0	0	1	1

STAFF CATEGORIES - HEAD COUNTS

	30 June 1995		30 June 1996		30 June 1997	
	Male	Female	Male	Female	Male	Female
Prescribed	1	0	1	0	1	0
Permanent Full-Time	31	8	28	5	27	5
Permanent Part-Time	0	2	0	2	0	2
Full-Time Temporary – S38(1)(a)	1	0	2	0	1	1
Part-Time Temporary – S38(1)(a)	0	0	0	0	0	0
Full-Time Temporary – S38(1)(b)	2	0	3	0	0	0
Part-Time Temporary - S38(1)(b)	0	0	0	0	0	0
TOTALS	35	10	34	7	29	8

STAFF CATEGORIES - FULL-TIME EQUIVALENTS

	30 June 1995		30 June 1996		30 June 1997	
	Male	Female	Male	Female	Male	Female
Prescribed	1	0	1	0	1	0
Permanent Full Time	31	8	28	5	27	5
Permanent Part Time	0	2	0	1	0	1.36
Full-time temporary - S38(1)(a)	1	0	2	0	1	1
Part-time temporary - S38(1)(a)	0	0	0	0	0	0
Full-time temporary - S38(1)(b)	2	0	3	0	0	0
Part-time temporary - S38(1)(b)	0	0	0	0	0	0
TOTALS	35	10	34	6	29	7.36

COMPLIANCE INDEX TO DISCLOSURE REQUIREMENTS: 1996-1997

This index has been prepared to facilitate identification of compliance with statutory disclosure requirements: Financial Management and Audit Act 1990 (FMAA) and Treasurer's Instructions (TI), the Tasmanian State Service Act 1984 (TSS) including Statutory Rule No. 123 of 1990 Tasmanian State Service (Agency Reporting) Regulations (TSS(AR)R) and other contemporary reporting practices.

REFERENCE	DESCRIPTION	PAGE
AIDS TO ACCESS		
	Table of Contents	I
	Alphabetical index	91
	Glossary of abbreviations and acronyms	79
OVERVIEW		
TSS(AR)R3(a)(i)	Overall mission and objectives of the Office including its strategic plan and related programs.	7
FMAAs.27(1)(a)	A report on the performance of the functions and powers of the Auditor-General under any written law.	7
TSSs.33AB(1)(a)		
FMAAs.27(1)(b)subject to s.27(2)TSSs.33AB(1)(b)	A report by any statutory office holder employed in or attached to the Office except where required to report under any other Act.	N/A
TSS(AR)r3(a)(v)	Major initiatives taken to develop and give effect to Government policy	N/A
T1701(1)(b)	Details of major changes affecting programs, objectives or organisational structure	17
TSS(AR)R3(a)(iv)		
STATUTORY/NON-STATUTORY BODIES AND COMPANIES		
	A list of statutory and non-statutory bodies	N/A
	A list of names of companies	N/A
LEGISLATION ADMINISTERED AND MAJOR DOCUMENTS PRODUCED		
TSS(AR)R3(e)	A list of legislation administered by the Office	19
TSS(AR)R3(d)(i)	A list of major documents or publications produced	19
ORGANISATIONAL STRUCTURE		
TSS(AR)R3(a)(ii)	Organisation Chart as at the end of the reporting year	17
TSS(AR)R3(a)(iii)	Details of relationship between corporate and program structure	7

PERFORMANCE INFORMATION

TI701(1)(a) & (e)	Performance information on sub-programs of the Office	7-14
-------------------	---	------

HUMAN RESOURCE MANAGEMENT

TSS(AR)Re(c)(i)	Staffing information as at 30 June.	25
	Total number of Full Time Equivalent (FTE) employees	25
	Total number of persons employed (head count)	25
	Total number of persons employed under applicable legislation	25
	• by classification	83
	• by award or agreement	83
	• by occupational category (standard title)	28
	• by age profile	83
	• by employment authority - office holder, temporary, contract, non-State service	83
	• by employment category - full-time, part-time, casual	83
	• by gender	83
	• by location	N/A
	• recruited and separated (ons and offs)	25
	• on secondment to and from other agencies or organisations	N/A
	• on leave without pay	83
	Total number of equal opportunity employees (ie employees with disabilities, Aboriginal and Torres Strait Islanders, people from non-English speaking backgrounds) under the same data categories as above	84
	Employee separations by category	83
	Sick leave days taken - full pay, half pay, no pay	28
	Average sick days per FTE	28
	Long service leave: number of employees whose credits exceed statutory limits	29
	Annual leave: number of employees whose credits exceed statutory limits (ie twice annual entitlements)	29

HUMAN RESOURCE MANAGEMENT (cont)

	Workers' compensations:	33
	<ul style="list-style-type: none"> • by nature of injury or illness • by number of cases • by days lost • by cost 	
	Average salary cost per FTE	9
TSS(AR)R3(c)(ii)	Eligible training courses and staff development activities	29
TSS(AR)R3(c)(iii)	Equal Employment Opportunity	31
TSS(AR)R3(c)(iv)	Industrial democracy plans with outline of process available	32
TSS(AR)R3(d)(iii)	for appeals against decisions by the Office	
TSS(AR)R3(c)(v)	Occupational health and safety strategies	33

ASSET MANAGEMENT, RISK POLICIES

TI 701(1)(d)(i) & (ii)	Major capital projects	N/A
TI 701(1)(g)	Asset management policies, strategies and initiatives	37
TI 701(1)(c)	Pricing policies of goods and services	38
TI 701(1)(f)	Risk management policies, activities or initiatives	37

EXTERNAL/INTERNAL SCRUTINY

	Consultants engaged during the period	39
	A list of titles and publishing dates of reports by any internal or external body.	19

PUBLIC ACCESS AND AWARENESS OF SERVICES PROVIDED

TSS(AR)R3(d)(ii)	A list of contact officers and points of public access	Inside cover
TSS(AR)R3(d)(i)	Activities undertaken to develop community awareness of the services the Office provides	35
	Freedom of Information details	35

FINANCIAL STATEMENTS

TI701(1)(h) & (j)	Financial statements of the Office including statements of any public body not required to report under any other Act, together with the audit opinion on those statements..	45
-------------------	--	----

N/A not applicable

ALPHABETICAL INDEX

A

APPENDICES, 81
ASSET MANAGEMENT, 37
AUDITS CONTRACTED OUT, 5
AUDIT INDEPENDENCE, 1
AUDIT MANDATE, 2
AUDIT TYPES, 2

C

CHARTER, 1
COMPLIANCE INDEX TO DISCLOSURE REQUIREMENTS, 87
COMMENTARY ON FINANCIAL RESULTS, 43
CORPORATE PLAN, 7
CORPORATE SERVICES, 21

E

EQUAL EMPLOYMENT OPPORTUNITY, 31
EXTERNAL SCRUTINY, 39
EXTERNAL REVIEW, 41

F

FINANCIAL AUDITS, 2,5
FINANCIAL STATEMENTS PREPARED ON AN ACCRUAL BASIS, 57
FINANCIAL STATEMENTS PREPARED ON CASH BASIS, 49
FREEDOM OF INFORMATION, 35
FUTURE DIRECTIONS, 15
FUTURE DIRECTIONS STATEMENT, IMPACT OF, 15

G

GLOSSARY, 79

H

HUMAN RESOURCE MANAGEMENT, 25
HUMAN RESOURCE STATISTICS, 25,83

I

INDEX, 91
INDUSTRIAL AGREEMENT, 32
INDUSTRIAL DEMOCRACY, 32
INTERNAL SCRUTINY, 41
INVOLVEMENT WITH COMMITTEES, 35

K

KEY MANAGEMENT PERSONNEL, 18

L

LEAVE MANAGEMENT, 28
LEGISLATION ADMINISTERED, 19
LEGISLATION, REVIEW OF, 15
LOCAL GOVERNMENT AUDITS, 5

M

MAJOR DOCUMENTS PRODUCED, 19
MANAGEMENT POLICIES, 37

N

NATIONAL COMPETITION POLICY, 15

O

OCCUPATIONAL HEALTH AND SAFETY, 33
ORGANISATION AND MANAGEMENT, 17
ORGANISATION CHART, 17
OUTPUTS, 10-14

P

PERFORMANCE AUDITS, 3,14,15,39
PRICING POLICIES, 38
PROFILE OF THE OFFICE, 1
PUBLIC ACCESS, 35

R

REPORTS TO PARLIAMENT, 4,12,19

RISK MANAGEMENT, 37

S

SERVICE DELIVERY, 5

STAFF DEVELOPMENT, 29

SURVEY OF AUDITEES, 10,41

W

WORKERS COMPENSATION STATISTICS, 33