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PARLIAMENT OF TASMANIA

AUDITOR-GENERAL

ANNUAL REPORT 1999-2000

September 2000

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

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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>

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23 October 2000

Hon Dr D Crean MLC
Treasurer
Level 9 Executive Building
15 Murray Street
HOBART 7000

Dear Dr Crean

In accordance with the requirements of Section 33AB 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 2000.

Yours sincerely

A handwritten signature in black ink, appearing to read 'A J McHugh'.

A J McHugh
AUDITOR-GENERAL

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Foreword

EXCELLENCE BY EXAMPLE

All of us at the Tasmanian Audit Office are acutely aware that we are liable to be judged by our own standards. If we expect efficiency in others, we should provide a model of best practice in our own operations.

We are delivering to that standard in many areas of our work.

The cost of audit services over a group of representative audits has decreased in real terms by more than 30 percentage points since 1996.

We return substantial sums annually to the Consolidated Fund. In this financial year we returned \$ 285 000.

The Office is technologically advanced and uses modern audit software.

Our quality control program has improved over previous years due to dedicating additional resources to it.

Our performance audit reports continue to provide assurance about important activities of government that transcend the financial dimension.

However there is no room for complacency.

We aim to do much better in timely completion of financial audits. The present situation whereby only 52% of audit work for the previous financial year completed prior to 31 October is not acceptable as a long term standard of achievement.

We need to ensure that we keep training levels high in order to maintain audit quality.

We need to ensure that we have a better understanding of the needs of the entities that we audit and that conversely, they are kept informed of the nature and progress of the audit process. We have commenced some initiatives in this area. Staff will receive training in client service and account management principles, client newsletters and seminars will be better targeted and more regular and a revised client survey will be implemented from November this year.

In April this year, we completed the audit report on the first published Whole of Government report on the operations of the public sector in Tasmania. The report prepared by the Department of Treasury and Finance conformed to the relevant Australian Standard.

This achievement continues a long tradition of service to the Tasmanian Parliament and to the Tasmanian public that dates from the appointment of the first Colonial Auditor in 1826.

The Tasmanian Audit Office will strive to uphold this tradition.

***Dr Arthur McHugh,
Auditor General***

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.

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.

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.

Highlights

New Corporate Direction for the Office

The Office commissioned an independent survey of client department and authorities during the year. The results indicated that communication between auditors and clients could be improved and there was a perception that their needs were not being met in all cases. In addition, the previous annual survey form was seen as inadequate to provide feedback to the Office for the larger clients.

We have addressed this in two ways. The Office has collectively reviewed its Mission, Vision and Values to ensure that these better reflect principles of high standards of client service in addition to our primary commitment to Parliament. Training of staff has commenced in client service and account management techniques. Our annual survey instrument has been redesigned with professional input. Senior staff including the Auditor-General will meet individually at least annually with major client departments and authorities to receive feedback on our performance. We now have a Client Service Charter that spells out the standard to which we aspire.

First Audit Opinion Issued on Whole Of Government Financial Statements

The Tasmanian government has published annual financial reports for many years. These were limited to cash-based statements supplemented by some additional information about some financial assets and liabilities. They did not consolidate the information about all of the State's "wholly owned subsidiaries" such as departments, statutory authorities and government businesses. However for the first time in April 2000, the government published statements that incorporated the full range of financial information specified the relevant Australian Accounting Standard.

I am pleased to say that the Audit Office was able to issue an unqualified audit opinion on these statements.

When a second set of these annual financial statements becomes available next year it will be possible to provide some interesting analysis of how the public sector is progressing and to compare this with the situation in other states.

Rotational Model of Contract Auditing

Government policy at present generally seeks to have government services provided directly by the public service where this is efficient. Accordingly, the level of contracted audit work is low at 2.5%. Nevertheless, it is essential to stay aware of best practice and to monitor audit efficiency in terms of cost and timeliness.

The Office policy is therefore to ensure that there is constant recourse to the private sector market to provide a benchmark. Each year, a few audits are put to tender to the private sector, usually for a term of 3 years. Tenders are required to be in the form of a fixed price with the only adjustment being for CPI increases or major changes in the scope of the audit. Tenders are evaluated on quality before cost is considered. A representative of the auditee board or senior

management is invited to provide input to the evaluation process. The final decision is made by the Auditor-General alone.

At the conclusion of the term of the contract is terminated and the audit returns to be performed by staff of the Audit Office. This ensures that the Office does not lose knowledge of the business. It will normally be the case that when the audit is regained, the fee will be no greater than that under the contract.

As this process is repeated over time, the Office will be able to compare its methodology and costs with the private sector in order to ensure that we continue to offer an efficient and professional service.

At this level of contracting and under the rotational model, there is no question of staff redundancies.

KEY PERFORMANCE INDICATORS

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

Key Operating Statistics	1996	1997	1998	1999	2000
Organisations and activities audited	122	114	119	103	112
Employees (FTE over the year)	41.0	38.3	35.2	33.4	33.4

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

Key Financial Statistics	1996	1997	1998	1999	2000
	\$'000	\$'000	\$'000	\$'000	\$'000
Total operating income	3 424	3 060	3 097	2 860	2 884
Total operating expense	3 303	3 188	3 087	2 877	2 847
Change in Net Assets Resulting from Operations	121	(74)	(20)	(17)	37
Total Assets	2 556	2 325	2 211	2 175	2 180
Net Assets	1 789	1 615	1 495	1 378	1 251

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 increased as a result of an improvement work in progress for financial audit services as at 30 June being 39% compared with 37% last year. Total operating expenses declined as a result of decreases in overhead expenditure such as depreciation and information technology.

Net assets declined as a result of the equity reduction payment of \$163 000 made to the Consolidated Fund.

Efficiency	1996	1997	1998	1999	2000
Audit costs per thousand dollars of state public sector transactions based on Total Outlays and Revenue (Derived from benchmarking formula)	0.63	0.63	0.63	0.58	
Audit costs per thousand dollars of state public sector transactions based on Cash Receipts and Payments from Operating Activities (Derived from benchmarking formula)					0.42

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). Given that the ABS publication is not finalised until nine months after the end of the financial year the value of transactions is calculated by adjusting the previous years figure by CPI for the current year. In the years 1996-1999 the series was based on total outlays and receipts whereas from 2000 the series is based on cash receipts and payments from the Cash Flow Statement.

Corresponding benchmarking figures for WA and the ACT Audit Offices are shown below. Figures for 1999-2000 are not yet available from these jurisdictions. A benchmarking formula has not yet been derived for comparison between Audit Offices at this time.

	1996-97	1997-98	1998-99	1999-2000
Tasmania	0.63	0.63	0.58	0.42
Western Australia	0.63	0.59	0.63	n/a
ACT	0.73	0.77	0.97	n/a

These figures indicate that the efficiency of the Office when compared with the other jurisdictions is improving.

Economy	1996	1997	1998	1999	2000
Average staff salary (\$ per FTE)	42 693	46 858	49 133	46 380	47 535
Average Accommodation cost per employee (\$)	4 126	4 450	3 812	3 304	3 452
Average charge out rate (\$ per hr)	73.42	77.96	76.71	90.65	79.88

Average staff salary increased as a result salary increase across the board for all staff.

Accommodation cost per employee increased between 1996 and 1997 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 improved this statistic for 1998. From April 1999, the Office has entered into a new five year lease arrangement with a decreased rental rate and a substantial rent free period.

The average charge out rate decreased substantially this year. Dividing the accrued costs for the year by the number of productive hours performed by staff derives the average charge out rate. For 1999-2000 the accrued costs were \$2 616 812 (\$2 702 777 - 1999) (excludes capital charge and tax equivalence costs) and the productive hours were 32 759 (29 813 - 1999).

Future Directions

The principal objectives for the next year will be to

- implement the client service and communication initiative
- increase the uniformity of application of our audit methodology
- complete audits in a more timely fashion.

We aim to develop an improved level of communication between the Office and our clients. This will be achieved by staff training and by more time being spent face to face with client management at the planning, interim audit and completion phases.

The annual survey form has been redesigned with professional input and the survey will be complemented by meetings between the Auditor-General and senior staff of the client organisation to review the audit process.

The Office will upgrade its newsletter dealing with significant developments in accounting standards, legislation and Treasurer's Instructions.

The Office will enlarge its seminar program.

The uniformity of application of audit methodology will continue to be monitored by the Manager, Quality Assurance. Any observations arising from this review will be fed back into training. In addition, the Office will re-establish a dedicated IT auditor position to take responsibility for the more complex computer system audits.

The Office will attempt to complete audits in a more timely fashion. However this will require the co-operation of auditees.

Additional audit work will be directed towards obtaining assurance that the major financial systems are functioning according to specification that in turn are adequate to ensure that transactions are processed accurately. With a greater reliance on the system reliability that can be obtained earlier in the audit cycle, it should be possible to limit audit activity after the end of the financial year to mainly confirmation that the financial statements accurately reflect the general ledger.

We will also commence planning for the audit cycle much earlier; preferably during November and December.

Our target for the efficiency indicator of Audit Reports certified by 31 October in this audit cycle will be to return to a result in excess of 60% and then to build on that in future years.

Finally, we will establish a small dedicated resource to deliver a steady stream of audit work directed towards regularity and compliance. This rounds out the comprehensive financial audit process by addressing compliance with legislation and organisational policies.

Our Mission

“ To add value to public sector performance and accountability in Tasmania ”

Our Vision

“ Excellence in Audit Services ”

Our Values

“ Accountability, Client Service, Our People and Professionalism ”

Accountability

“ We will safeguard the interests of the community, the Parliament and its laws.

We hold ourselves accountable for managing our resources efficiently and effectively.

We will be responsive to the needs and expectations of our clients. ”

PUBLIC SECTOR MANAGEMENT AND ACCOUNTABILITY

The Office is funded for a single output group - Public Sector Management and Accountability - which comprises the following activities:

- financial audit services;
- performance audit services; and
- reports to Parliament.

This output provides:-

- Financial audits of all public sector entities which results in an audit opinion being issued on the financial statements of such entities;
- Performance audits of the economy, efficiency and effectiveness of selected aspects of Public Sector Entities activities;
- Reports presented to Parliament on the results of the audit of the Public Sector entities and any other significant items as they become apparent during the year; and
- Conducting of special investigations in the public interest.

Financial Audits

Any audit assignment that 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.

Financial audits are conducted using a risk-based audit methodology that 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.

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

	1996	1997	1998	1999	2000
Appropriations from the Public Account to Office of the Governor, Legislative Council, House of Assembly and Legislature-General.	4	4	4	4	4
Government Departments	13	13	13	9	9
Local Government Authorities	29	29	29	29	29
State - Owned Corporations	1	1	8	8	8
Government Business Enterprises	20	24	17	17	16
Other public bodies including water, trading, registration, superannuation, marketing and other authorities.	54	43	48	36	36
TOTAL	121	114	119	103	102

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:-

	1995-96	1996-97	1997-98	1998-99
Audit reports	135	127	119	103
Reports on special purpose grants	9	11	7	15
Reports to Insurance and Superannuation Commission	6	6	6	6
	150	144	132	124
Qualified audit reports	10	7	9	5
% of reports Qualified	6.7%	4.9%	6.8%	4.0%

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.

The financial audits are categorised as follows:

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

AUDITS CONTRACTED OUT

Five audits were contracted out, (1998-99, 5).

Fees for financial audits that have been contracted out for the 1999-2000 audit cycle¹ represent 2.5% of the fees raised for that audit cycle (1998-99, 2.3%). These fees are paid in the subsequent financial year.

Audits that the Auditor-General contracts out require the contract auditors to undertake all facets of the field 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 whereby Councils may choose to use private sector auditors. Currently fifteen Councils have requested the Office to provide the audit service, eight have been secured through a tender process and six have been assigned to the private sector through a tender process.

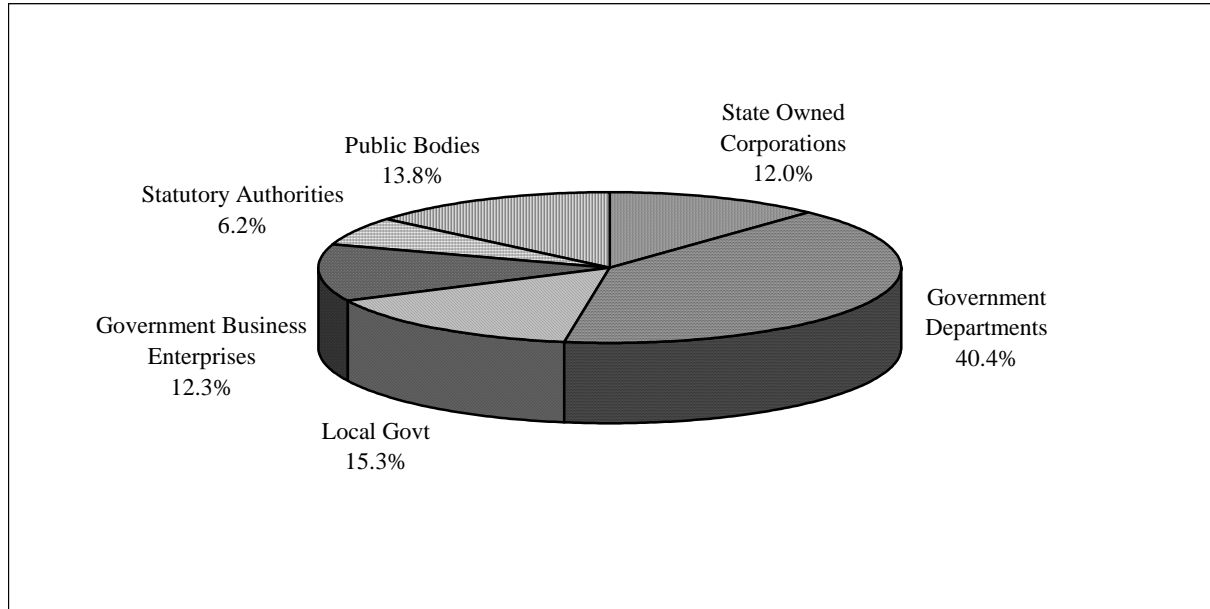
The scheme provides that the working papers of the private auditors are subject to review by the Office and for the report on the financial statements to be issued by the Auditor-General.

Audits conducted by the private sector	6
Audits conducted by the Tasmanian Audit Office	23
Number of Councils	29

¹ The audit cycle is the period between 1 November and 31 October, eg 1 November 1997 to 31 October 1998 in the 1998 audit cycle.

ALLOCATION of in-house time for financial audits

Financial Audits for 2000 audit cycle



KEY PERFORMANCE INDICATORS

<i>Efficiency</i>	1996	1997	1998	1999	2000
Attest audit costs per thousand dollars of state public sector transactions (Derived from benchmarking formula)	0.56	0.55	0.55	0.52	0.38
Index of audit fees (real terms) (1993/94=100)	87.7	81.2	76.3	70.9	67.6
Audit reports certified by 31 October based on hours	78%	84%	54%	66%	52%
Average financial audit revenue per FTE (financial auditors)	89 508	81 868	94 645	105 980	83 812

Attest Audit Efficiency

The attest audit costs per thousand dollars of state public sector transactions differs from the similar statistics provided earlier in this report because they relate only to financial attest audit costs rather than the total costs of the office that include other activities. This statistic shows in the years 1996-1999 a considerable improvement in efficiency. For this year as the basis for

determining the cost has changed it is difficult to draw a conclusive picture except to state that the index would have been below the previous year.

The estimated cost of the pure attest function (audit of financial statements) and the reporting to Parliament relative to total public sector transactions is 38 cents per thousand dollars of transactions.

	1996-97	1997-98	1998-99	1999-2000
Tasmania	0.55	0.55	0.52	0.38
Western Australia	0.33	0.34	0.39	n/a
ACT	0.38	0.46	0.63	n/a

The corresponding benchmarking figures for pure financial attest audit for West Australia and the ACT Audit Offices are shown in the table above. Figures for 1999-2000 are not yet available from these jurisdictions. The variation between the figures quoted on page 11 for “audit costs” and the figure for financial attest costs is explained by the level of performance audit activity of each jurisdiction. For 1998-99, performance audit activity as a percentage of total activity for Tasmania was 10%, the ACT 35%, and for Western Australia a percentage has not been published.

Index of Audit Fees

A further indication of efficiency in the broad sense is the index of audit fees. This index is calculated in real terms, i.e. 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 64.7 in 2000.

Timeliness of Audits

Most auditees have a requirement to report before the end of November in each year and to include auditee financial statements in these reports. As a service to auditees, the Office seeks to complete as many audits as possible one month before this deadline. The Office’s ultimate target is 85% by hours and 60% in the next audit cycle. The result again this year was disappointing at 52%. My Report No 2 “Government Departments and Public Bodies for 1998-99” under Part 6.2 outlines my concerns in respect of the timeliness and quality of financial statements.

Financial Audit Revenue

The financial audit revenue per FTE employee measures the revenue generating capacity of financial audit staff. The measure decrease this year is due to the number of full-time equivalents increasing and the audit fee revenue decreasing in comparison to the previous year.

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. The information is evaluated to 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.

In the early part of the financial year the Performance Audit section was busy completing audits of Y2K preparations of essential services. At each of these bodies the auditors focused on work that had been done under the headings of testing, compliance, business continuity and governance. Two-tiered reports were produced. The first level was addressed to the auditee and contained a confidence rating that reflected the state of progress on their Y2K project. The second level was an amalgamated report that was tabled in Parliament.

Another performance audit that carried over from the previous financial year concerned competitive tendering and contracting. Auditors reviewed six outsourced services, including various acute health care services, surveying and Local Government valuations. The audit found that monitoring of outsourced services should be more objective. Further, financial and service monitoring should be strengthened to ensure that the State achieves value-for-money on competitive tendering.

Literacy and numeracy in Tasmanian Government schools was examined. Our objectives were to identify Department of Education test outcomes and the extent to which they are made public and to examine what action the Department took to address performance that was below target. We found that at Year 7 there was alarming under-performance of boys' literacy and with boys' and girls' numeracy. We also found that only a small proportion of funds were applied to catch up programs in literacy and numeracy at the secondary sector.

An audit was carried out on the subject of State assistance to industry by the Department of State Development. We reviewed a selection of examples dating from 1997 up to the present. We concluded that State aid to industry was effective in creating new job opportunities or maintaining existing positions. We also found that without assistance it is probable that Tasmania would not have won the projects in the sample – particularly call centres. Our recommendations included better analysis of benefits and related costs to the State; improvements to the Department's record keeping; and public disclosure of government assistance and benefits provided to firms. This report was tabled and published in July 2000.

Two performance audits started late in 1999/2000 will be tabled shortly. The first is a review of the food safety role of Local Government and the second concerns procurement of goods and services by all State Departments.

Preliminary work was carried out on two performance audits that did not proceed. The first was management of National Parks and the reason for not continuing was that a 10-year management plan had been implemented in the preceding year and it was too soon to be able to draw meaningful conclusions. The second project concerned housing and it too was halted for reasons connected with timing. When the preliminary survey was made a new 4-year Commonwealth-State Housing Agreement was in the throes of being negotiated and an audit would not have served a useful purpose at that time.

In addition to the above performance audits staff also conducted a special investigation into roadside maintenance. This arose from a query initiated by a member of the public and involved an examination of practices and contract administration in the Transport Division of the Department of Infrastructure, Energy and Resources. A separate report to Parliament was not made in respect of this task.

The Office also conducted special investigations and provide assistance on projects in the public interest. These activities included:

- MAIB Road Study Task Force; and
- Financial Reporting of Government.

KEY PERFORMANCE INDICATORS

<i>Efficiency</i>	1996 \$'000	1997 \$'000	1998 \$'000	1999 \$'000	2000 \$'000
Cost of Performance Audit Activity	280	292	233	236	252
Number of Reports Produced	5	6	7	2	3
Average performance audit revenue per FTE (performance auditors)	n/a	n/a	n/a	101 282	83 999

Cost of Performance Audit Activity

The cost of performance audit activity this year is on average in relation to the previous years. With a dedicated unit for performance audit activity the expectation is that the unit will produce approximately \$270 000 worth of activity. Some of this activity will not result in reports being produced as it related to investigations and research.

Number of Reports Produced

The Office has a corporate goal of producing four to six performance audit reports per financial year. The last two years the Office has not met this target. The performance unit has been set up in accordance with the recommendations stemming from an external review of the Office and there has been some time spent on formulating policies and procedures relating to its operation.

Average Performance Audit Revenue

There is an expectation that a performance auditor will generate approximately \$90 000 of performance audit activity each year. This year the average was \$83 999 due to the performance audit unit not achieving 3 900 hours of productive activity due to the full time equivalent being only 2.84 for the year instead of 3.0.

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.

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.

Performance indicators

<i>Efficiency</i>	1996	1997	1998	1999	2000
Performance Audit Reports	5	6	7	2	3
Other Reports to Parliament	3	3	3	3	3

MAJOR DOCUMENTS PRODUCED

	Copies Printed	Production Cost \$	Printing Cost \$	Total Cost \$
Performance Audit Reports				
Special Report No 29 – Competitive Tendering and Contracting by Government Departments	300	67 161	1 660	68 821
Special Report No 30 – The Year 2000: Coming Ready or Not	300	43 894	2 615	46 509
Special Report No 31 - Literacy and Numeracy in Tasmanian Government Schools	300	38 675	2 570	41 245
		149 730	6 845	156 575
Annual Reports as required by the Financial Management and Audit Act				
Report No 1 - Public Account	300	7 028	634	1 662
Report No 2 – Government Departments and Public Bodies	300	63 278	6 510	69 788
		64 306	7 144	71 450
		214 036	13 989	228 025

All of the above reports can be accessed via the Office's Internet home page
<http://www.audit.tas.gov.au/reports/index.html>

Client Service

“ We will seek to understand our clients' business environment.

We value service that meets the needs of each client or stakeholder.

We will seek to continuously improve our client service. ”

CLIENT SERVICE

In recent years management reform in government has been aimed at improving public administration within the State. The objective of delivering improved service to clients has become an operating principle practiced by all public sector entities.

In November 1999 the Audit Office engaged independent consultants Global Business Intelligence to conduct independent interviews with some of our clients. As a result of these interviews Global Business Intelligence produced a report on how the Office is perceived by its clients. At the same time the Office was conducting internal quality assurance reviews with some clients. Both these reviews resulted in the Office engaging consultants from Public Matters and Lee Page to assist the Office in redefining our corporate image.

This review resulted in assistance being sought to develop a client service culture with the Office and the development of a marketing plan and strategies.

The Office in consultation with its own staff, our clients and other stakeholders produced the following documents:

- Client Service Charter;
- Statement of Values;
- Code of Ethics;
- Code of Conduct;
- Communications Charter; and
- Corporate Plan for 2000/01.

The Audit Office considers the Parliament of Tasmania as its primary client.

In our day to day business dealings with departments and other public bodies for which we provide direct audit services our client service focus is paramount to the way in which we do business.

The Service Charter

The Office's prime service is the provision of financial and performance audit services. The Office will measure its performance against the service standards and publish the results in our Annual Report.

Our Service Standards are:

For Financial Audit Services:

We will:

- appoint an account manager whose responsibilities will include:
 - dealing directly with the client in the first instance; and
 - liaising with the client's nominated representative when we visit the client's premises;
- know your business and industry;
- seek your input when developing our audit approach and setting the fee;
- provide an engagement letter and audit strategy;
- develop a mutually agreed timetable for the delivery of audit services;
- provide advice and assistance with changes to accounting standards and Generally Accepted Accounting Principles (GAAP);
- maintain contact during the audit process to ensure we are meeting your needs;
- provide you with audit services that comply with auditing standards and relevant legislation;
- discuss issues with you prior to finalising the audit report;
- provide timely reports after completion of each phase of the audit; and
- provide you with an audit opinion and management letter within 30 days of receipt of signed financial statements.

For Performance Audit Services:

We will:

- seek input from the performance audit consultative committee when determining our annual audit program;
- seek input from the steering committee when developing our audit approach;
- know the business and industry;
- seek input from you when developing our audit strategy;
- provide you with audit services that comply with auditing standards and relevant legislation;
- discuss issues with you prior to finalising the audit report;
- prepare draft reports for comment; and
- table in Parliament a report of our findings within 6 months of commencement of the audit.

Our Constraints

We:

- cannot provide a general consultancy service;
- cannot provide an audit service that is unrelated to auditing financial statement;
- cannot provide a systems audit that is unrelated to a focus on internal controls;
- do not look specifically for fraud; and
- do not prepare a client's financial statements.

Why? Because auditing standards and the *Financial Management and Audit Act 1990* prohibit the Office from doing so.

Our Statement of Values

Accountability

- We will safeguard the interests of the community, the Parliament and its laws.
- We hold ourselves accountable for managing our resources efficiently and effectively.
- We will be responsive to the needs and expectations of our clients.

Client Service

- We will seek to understand our clients' business environment.
- We value service that meets the needs of each client or stakeholder.
- We will seek to continuously improve our client service.

Our People

- We value diversity and respect individual rights and freedoms.
- We will respond to the needs and aspirations of our staff.
- We value teamwork and will encourage each other to fulfil our potential.

Professionalism

- We will act honestly, ethically and fairly with an independent and unbiased attitude.
- We value our professional skills and promote the pursuit of excellence.
- We value creativity and will develop innovative solutions for service delivery.

Code of Ethics

We will act with professional responsibility and integrity in our dealings with stakeholders, clients, colleagues and the community generally.

We acknowledge that:

Public Interest

We will at all times safeguard the interests of the Office and our clients, ensuring that we and they do not conflict with the duties and loyalties owed to the community and its laws.

Objectivity

We will act in a manner that is free from prejudice, conflict of interest and bias.

Integrity

We will operate at all times in a manner that is professional, fair, equitable and which engenders a sense of trust in all our colleagues and clients.

Honesty

We will be honest in our dealings with our clients, our colleagues and to Parliament.

Independence

We will carry out our duties impartially and without fear or favour so as to maintain the independence of the Office

Respect for People

We will conduct ourselves professionally and show respect and courtesy to all our colleagues, clients and those who have dealings with us.

Competence

We will maintain the relevant skills and knowledge to enable us to undertake our work.

Confidentiality

We will respect the confidentiality of information acquired in the course of our work.

These documents can be accessed on the Office's home page at <http://www.audit.tas.gov.au>

QUALITY ASSURANCE

The Office is committed to providing excellent services to all our clients regardless of whether this service is delivered by our own staff or our agents.

The Office conducts internal reviews of our work processes and procedures to ensure the Office is delivered an excellence service in accordance with auditing standards and we are at least striving to meet our clients' expectations.

The Office is subject to an external review of its operations on a three yearly basis. There was no external review last financial year.

The Office in the past has conducted a survey of all our clients to ascertain a rating of our performance by the means of a questionnaire. Last year the Office conducted two separate one-on-one interviews of some major clients to better gauge our performance. The first interview was conducted by the Office's Manager for Quality Assurance, Leon Lonergan and the second round of interviews with other major clients was conducted by Global Business Intelligence.

The feedback from these interviews has been fed into a review of our operations. This has resulted in a change in direction for the Office in relation to client service.

The Office for the first time conducted an information session on accounting standards for our clients. This event exceeded our expectations especially as the number of participants exceeded 100.

The Office intends to conduct two information sessions per year in future.

KEY PERFORMANCE INDICATORS

Effectiveness	1996	1997	1998	1999	2000
Auditee audit satisfaction index	3.04	3.09	2.95	3.05	n/a

The auditee survey results relate to the financial years 1995-96, 1996-97, 1997-98 and 1998-99 and were conducted approximately seven months after the end of each period for audits conducted by the Office. As stated previously for the year 2000 the Office did not conduct its annual client survey so there is no measure for auditee audit satisfaction.

An index was constructed of "Satisfaction" with the performance of the Office by the auditees. The index of 3.05 represents an average answer on a (strong disagreement) to (strong agreement) scale, corresponding to slightly higher than 3.00 which represents "agreement" with proposition that performance has been satisfactory.

PUBLIC ACCESS

FREEDOM OF INFORMATION

FOI Contact Officer	David Darby
Location	Level 5 144 Macquarie Street HOBART
Telephone	(03) 6233 2879

No requests were received and no requests were carried over.

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 earlier in this Report under Major Documents Produced.

Our People

“ We value diversity and respect individual rights and freedoms.

We will respond to the needs and aspirations of our staff.

We value teamwork and will encourage each other to fulfil our potential. ”

ORGANISATION AND MANAGEMENT

OVERVIEW

The Office is structured in such a way that it has four sections and these comprise of:

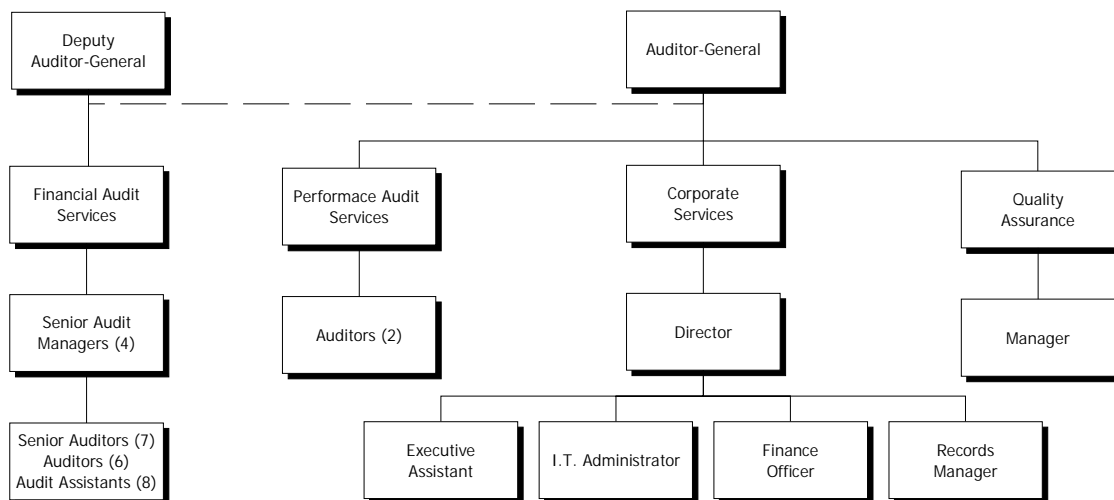
- financial audit services;
- performance audit services;
- quality assurance; and
- corporate services.

The Auditor-General as the head of the organization has total responsibility for the operations of the Office. The Auditor-General has delegated the day-to-day operations of:

- financial audit services to the Deputy Auditor-General;
- quality assurance to the Manager Quality Assurance; and
- corporate services to the Director Corporate Services.

The Auditor-General supervises the day-to-day operations of the performance audit services section.

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

DEPUTY AUDITOR-GENERAL

D W R Baulch FCPA
Responsibilities: Provide policy advice to the Auditor-General. Manage staff of the financial audit section in accordance with contemporary audit practices.

DIRECTOR CORPORATE SERVICES

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

COMMITMENT TO OUR PEOPLE

The Audit Office recognizes the need to build and retain its corporate knowledge base through a commitment to our people. To transform the Office into a learning organization relies on attracting and retaining human resources who are team-based, client-focussed, flexible, creative and supportive.

The Audit Office supports the principles of Equal Employment Opportunity and Anti-Discrimination legislation. The Office recognizes the importance of legislated occupational health and safety requirements in terms of employee well being. The audit office has an active Social Club and offers an Employee Assistance Program.

OCCUPATIONAL HEALTH AND SAFETY

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

David Strong
Director Corporate Services

The Office's policies in relation to occupational health and safety and rehabilitation are set out in its OHS Policy and Procedures Manual.

Workers Compensation Statistics

	1995-96	1996-97	1997-98	1998-99	1998-99
Claims Lodged	1	0	1	0	1
Days Lost	0	0	14.25	0	3
Cost of Claims	0	0	\$1 197	\$3 154*	\$312
Premium	\$10 752	\$14 856	\$12 397	\$10 066	\$9 786

* Relates to previous years claim.

As part of the Office's procedures in relation to induction and on-going awareness several actions have been undertaken:-

- staff have been instructed on the correct use of ergonomic chairs and setting up their work environment;
- staff attended a seminar on back care; and
- ergonomic chairs were purchased and other aids provided such as foot stools and reading stands.

Some staff are having ongoing consultation in relation to back-related complaints and the Office is assisting with financing initial rehabilitation programs.

The total cost of the consultancy service was \$3 362 that included assisting staff on rehabilitation programs. The attendance for these programs occurs outside business hours.

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.

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.

MANAGING CULTURAL DIVERSITY

The Office has produced a document titled "Managing Cultural Diversity in Our Workplace" which deals with issues associated with maintaining a safe work environment for everyone and dealing with discrimination and harassment.

The document is was released on 20 September 1999 and all staff attended the launch of the document and subsequent training programs.

SUPERANNUATION DECLARATION

I, Arthur John McHugh, hereby certified that the Tasmanian Audit Office has met its obligations under the *Superannuation Guarantee (Administration) Act 1992* of the Commonwealth in respect of any employee who is a member of a complying superannuation scheme to which the Tasmanian Audit Office contributes.



A J McHugh
30 June 2000

HUMAN RESOURCE MANAGEMENT

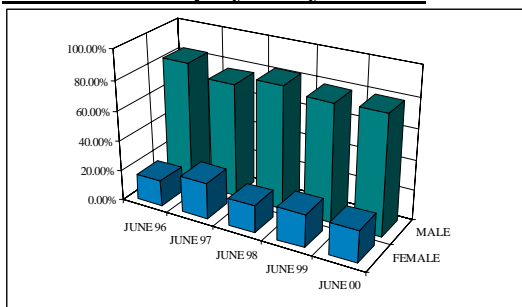
Staff Recruitment and Turnover

	1997-1998	1998-1999	1999-2000
Permanent Employees 1 July	34	32	32
Losses			
Redundancy	-	-	-
Retirements	1	1	1
Resignations	2	2	6
Promotions	-	-	1
Deaths	-	-	-
	(3)	(3)	(8)
Gains			
State Service	-	1	-
Non-State Service	1	2	4
Conversion from Temporary to Permanent	-	-	5
	1	3	9
Total Permanent Employees	32	32	33
Plus Temporary Employees	1	10	2
Number of Staff 30 June	33	42	35
% Change / Year	(10.8%)	27.3%	(16.7%)

During the year the Office recruited nine permanent staff to offset the lost of eight permanent staff through retirement, resignations and promotions to other public sector entities. The Office released all of the temporary staff employed during July - November 1999 except for five who were offered permanent positions. In addition four permanent positions were advertised and filled as other staff left.

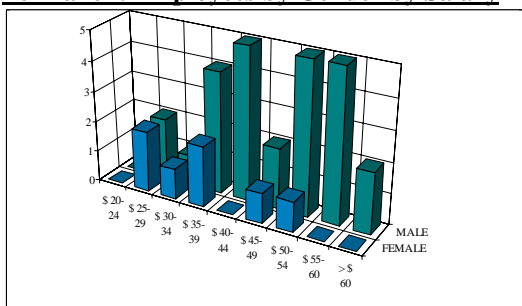
In terms of head counts for permanent staff the number has remained constant over the last three years. This year the number of temporary staff employed has decreased by 80%.

Permanent Employees by Gender



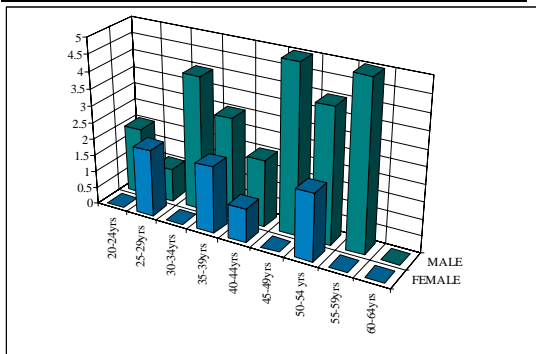
The gender ratio has remained unchanged in comparison to last year at four males to one female.

Permanent Employees by Gender by Salary



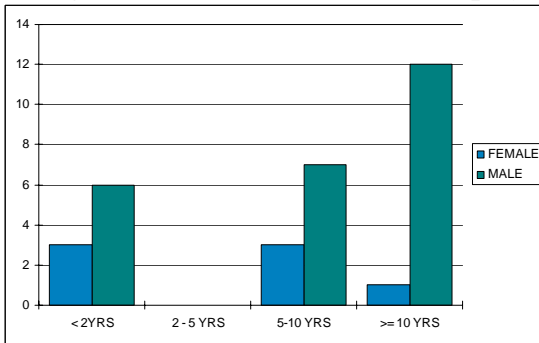
At the lower end of the salary range the ratio by gender is 1:1. At the mid to top end of the salary range the difference is quite noticeable. One of the factors is the length of service of male staff that has had an impact on career paths of employees of both sexes within the Office.

Permanent Employees By Age By Gender



The age profile of the Office indicates the Office has a very mature work force. This age profile has been influenced by the length of service of a majority of the employees.

Length of Service of Permanent Employees



At least a third of the staff employed by the Office have worked for the Office for in excess of 10 years. In fact nine of employees have worked for the Office for more than 15 years. In terms of a career in the Office this is a problem, but on the other hand it is a benefit for the office in respect of retaining corporate knowledge.

Head Counts - Permanent and Temporary

	Male 30 June 2000	Female 30 June 2000
Staff Recruitment		
From within State Service	0	0
Non-State Service	2	2
Temporary to Permanent	4	1
	6	3
Staff Turnover		
Redundancy	0	0
Retirements	1	0
Promotions within Service	0	1
Deaths	0	0
Resignations	4	2
	5	3
Staff Movements		
Secondments	1	0
Leave without Pay	0	1
	1	1
Staff by Location		
Hobart	25	6
Launceston	2	2
	27	8
Equal Employment		
Disabilities	1	0
Aboriginal & Torres Strait Islander	0	0
Non-English Speaking Background	2	1
	3	1

During the year the net staff movement for both genders was constant, although there was a gender imbalance that has a lot to do with the gender imbalance of the applications. This aspect of our recruitment is currently being reviewed to ensure the process for attracting applicants is more balanced.

The Office has traditionally supported staff in participating in secondment arrangements with other organizations within and outside the public sector. The Office supports staff taking leave without pay to pursue other personal goals where this does not advertently offset the work of the office.

The Office has maintained the number of staff in our Launceston Office.

The Office respects and supports all staff for who they are regardless of their abilities and backgrounds. The figures published are from those staff who have declared any aspect of personal background.

<u>Staff Age Profile - Head Counts</u>	Male	Female
15 - 19 years	0	0
20 - 24 years	2	0
25 - 29 years	1	2
30 - 34 years	4	0
35- 39 years	3	2
40 - 44 years	2	1
45 - 49 years	6	1
50 - 54 years	4	2
55 - 59 years	5	0
60 - 99 years	0	0
	27	8

Average Age 44.05 39.60

<u>Staff Salary Profile - Head Counts</u>	Male	Female
< \$ 19 000	0	0
\$19 001 - \$23 000	0	0
\$23 001 - \$ 27 000	1	0
\$27 001 - \$31 000	4	3
\$31 001 - \$35 000	0	1
\$35 001 - \$40 000	4	2
\$40 001 - \$45 000	5	0
\$45 001 - \$50 000	2	1
\$50 001 - \$55 000	5	1
\$55 001 - \$60 000	5	0
\$60 000 >s	2	0
	27	8

Average Salary \$50 726 \$36 764

<u>Staff Categories - Head Counts</u>	Male	Female
Prescribed	2	0
Permanent Full-Time	24	6
Permanent Part-Time	0	1
Full-Time Temporary - S38 (1)(a)	0	0
Part-Time Temporary - S38 (1)(a)	0	0
Full-Time Temporary - S38 (1)(b)	1	1
Part-Time Temporary - S38 (1)(b)	0	0
	27	8

<u>Staff Categories - FTEs</u>	Male	Female
Prescribed	2	0
Permanent Full-Time	24	6
Permanent Part-Time	0	.68
Full-Time Temporary - S38 (1)(a)	1	1
Part-Time Temporary - S38 (1)(a)	0	0
Full-Time Temporary - S38 (1)(b)	0	0
Part-Time Temporary - S38 (1)(b)	0	0
	27	7.68

<u>Staff Awards - FTEs</u>	Male	Female
Administrative & Clerical Employees	3	1.68
Professional Employees	22	6
Contract	2	0
	27	7.68

The Office has a very mature age profile. The average age of staff is greater than 40 years. Sixty percent of the staff are aged greater than 40 years. This fact coupled with the length of service of some employees is a significant staff management issue for the Office over the next five to ten years.

In relation to salary profile sixty percent of the staff have a salary in excess of \$40 000. There is a significant discrepancy between the genders, however, the average salary for males is influenced by the combined salaries of the Auditor-General and Deputy Auditor-General that total \$250 000.

This year the number of temporary staff has reduced from ten to two as the Office has been able to reduce the backlog of work in relation to audit planning and the Office has not lost key staff during the critical period of the audit work cycle.

As mentioned previously the number of temporary staff has reduced. The Office employs temporary staff during its peak period of June to November each year if the need arises.

The majority of staff are employed under the Professional Employees Award as the positions relating to auditing require formal qualifications and specialist skills.

Staff by Category - Head Counts	June 1999	June 2000
Executive Management	3	3
Managers	5	5
Auditors	29	23
IT Support	1	1
Administration Staff	3	3
	41	35
Average Staff for the year	33.36	35.81

The Office has a relatively flat management structure as indicated in the organization chart illustrated earlier in this report.

LEAVE MANAGEMENT

Annual and Long Service Leave

	30 June 1998	30 June 1999	30 June 2000
Number of employees whose accrued annual leave credits is in excess of 40 working days.	3	9	8
Number of employees whose accrued long service leave is in excess of 100 working days.	5	1	1

The Office's three year strategy to reduce the significant leave balances of staff is presently at the end of year one.

As at 30 June 2000, no employee is to have an accrued annual leave balance in excess of 40 days. However, there are eight employees who have annual leave balances in excess of this target. Four of these employees are corporate services staff who due to operational issues have been unable to take leave.

By 30 June 2001:

- no employee will have an accrued balance in excess of 30 days.

By 20 June 2002:

- no employee will have an accrued balance in excess of 15 days.

As at 30 June only one employee has a long service leave balance in excess of 100 days but Ministerial approval has been granted. There are six employees with balances in excess of ninety days.

Sick Leave

	30 June 1998	30 June 1999	30 June 2000
Full Pay Sick Leave (Days)	256.8	285.8	280.9
Half Pay Sick Leave (Days)	0.0	7.0	0.0
No Pay Sick Leave (Days)	0.0	2.0	0.0
Total Sick Leave Days	256.8	294.8	280.9
Average Per Employee (Days)	7.3	8.8	7.84
Number of employees who took leave in excess of 100 hours (13.6 days).	4	5	4

The four employees who took in excess of 100 hours of sick leave did so for severe medical conditions, and the total sick leave days used was 142 that is at least 50 % of the total sick leave taken by employees of the Office.

Professionalism

“ We will act honestly, ethically and fairly with an independent and unbiased attitude.

We value our professional skills and promote the pursuit of excellence.

We value creativity and will develop innovative solutions for service delivery. ”

PROFESSIONALISM

The Auditor-General's mandate covers a diverse range of public sector entities with operations encompassing a variety of accounting systems and legislation. To deal with such diversity, the Audit Office employs professionally qualified permanent staff with specialized knowledge in accounting, auditing, corporations law and information systems.

Due to the technical requirements associated with a position in the Audit Office, the professional tertiary accountancy qualifications demanded by the Office are of the highest order and on-going professional development in relevant fields is encouraged.

In view of the importance and high prevalence of professional qualifications amongst Audit staff, strong professional ties exist between the Audit office and professional bodies such as CPA Australia.

As mentioned earlier in this report the Office has issued a Code of Ethics to which all staff must adhere.

PROFESSIONAL DEVELOPMENT

The Audit Office is committed to encouraging its staff to undertake professional development to ensure they are technically competent and receive appropriate training and development opportunities. The aim is facilitate the development and learning of all Audit Office staff while consciously transforming the organization to meet the needs of our clients.

The Audit Office's professional development is based on learning principles and the transfer of knowledge and skills to the workplace. It incorporates a combination of:

- in-house courses on audit methodology, changes to accounting and audit standards, audit software for planning and workpapers and in the use of specific audit techniques.
- external courses sponsored by the accounting profession and other training institutions.

	Person-Hours
Training Management	34
External Courses/Conferences	376
On Job Training Not Specific to a Client	876
In House Training Seminars	1 468
On Job Training Specific to Clients	2
TOTAL	2 756

	1995-96	1996-97	1997-98	1998-99	1999-2000
Number of days of training provided	292.6	204.2	157.3	224.9	375.8
Average number of days per employee	7.15	5.33	4.46	6.74	10.49

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 nature and extent of the assistance is 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.

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
- Member of Executive Committee and Liaison Committee

Professional Committees

- Urgent Issues Group
- CPA Australia
 - National Council
 - National Council Audit and Risk Committee
 - National Council Nominating and Development Committee
 - National Public Sector Committee
- Divisional Council
 - Divisional Investigation Committee
 - Divisional Network Committee
 - Divisional Public Sector Committee
- Institute of Public Administration Australia
 - Divisional Council Tasmania
- Australasian Evaluation Society
 - Divisional Council
 - Regional Committee
 - Board and Executive Committee

Intra-Government/Public Bodies Committees

- Office for Multicultural and Ethnic Affairs
 - Ethnic Liaison Officer
- EEO Committees
 - Changing Workplace Behaviour Policy Development Sub-committee
 - Contact Officers Committee
- University of Tasmania Faculty of Business
- Remus Consortium
 - Steering Committee
 - HR Reference Group
- Training Consortium
 - Steering Committee
- Tasmanian Women's Policy Network

Corporate Governance

“ ...The challenge for any governing body is to steer a course that achieves an effective balance in holding management to account, exercising stewardship, enhancing value, and ensuring public and shareholder confidence. ”

“Only by doing what we ourselves consider to be right and good can we travel the road of self-respect. ”

Garth Wood

“We are continually faced by great opportunities brilliantly disguised as insoluble problems. ”

CORPORATE GOVERNANCE

The corporate governance framework which supports the Auditor-General in the efficient, effective and economical operation of the Tasmanian Audit Office consists of a senior management body, the Executive Management Group (EMG).

Executive Management Group

The EMG is a senior management body that assist in the governance of the Audit Office. In this supporting role the EMG is responsible for:

- the Office's strategic direction;
- overview of the operational activities of the Audit Office;
- policy formulation; and
- finances of the Office.

Membership consists of:

- Auditor-General;
- Deputy Auditor-General; and
- Director Corporate Services.

To assist in the stewardship of the Office the EMG has established a number of standing committees with appropriate terms of reference by the Auditor-General as follows:

- Information Technology and Information Management Committee;
- EEO Consultative Committee;
- Workplace Health and Safety Committee; and
- Office Consultative Committee.

Information Technology and Information Management Committee

The ITIMC has responsibility and accountability for ensuring the:

- Use and application of the Audit Office's information resource is consistent with the corporate directions and business functions of the Office; and
- Efficient and effective deployment of the Office's information technology in the performance of Office business.

The role of the ITIMC is essentially strategic in nature and its principal function is to make recommendations to the Auditor-General regarding:

- Determination of the strategic direction of the Audit Office's information management;
- Endorsement of the Audit Office's information strategic and operational goals;
- Approval of corporate information policies and standards; and
- Audit Office participation in whole of government information projects.

The ITIMC meets when necessary. The members of the ITIMC are as follows:

Director Corporate Services (Chair);
Manager Quality Assurance;
IT Administrator; and
Records Manager.

EEO Consultative Committee

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

The EEO Consultative Committee is responsible for the provision of advice, assistance, direction and support for EEO planning and implementation in the Audit Office. Meetings are held at least on a quarterly basis.

The members of the committee are as follows:

Auditor-General (Chair);

Deputy Auditor-General;

Director Corporate Services;

Five staff members; and

A representative of the Community and Public Sector Union.

Workplace Health and Safety Committee

The Workplace Health and Safety Committee (WHSC) is constituted in accordance with the *Workplace Health and Safety Act 1995*.

The functions of the Health and Safety Committee of the Office are:

- to facilitate consultation and co-operation between the Auditor-General and persons working at the Office in initiating, developing and implementing measures designed to ensure the health and safety of the persons at the Office;
- to keep itself informed about standards relating to health and safety in Offices of a comparable nature;
- to review and make recommendations to the Auditor-General on rules and procedures at the Office relating to the health and safety of the persons working within the Offices;
- to recommend to the Auditor-General the establishment, maintenance and monitoring of programs, measures and procedures within the Office relating to the health and safety of the persons working at the offices;
- to keep, in an accessible place and form, such information as is provided under this Act and by the Auditor-General regarding the hazards to persons that arise or may arise at the Offices;
- to consider and make recommendations to the Auditor-General relating to training and education in, and promotion of, health and safety at the Offices;
- to consider and make recommendations to the Auditor-General relating to changes to be made within the Offices following an accident or dangerous incident; and
- to perform such other functions as may be given the committee, with its consent, by the Auditor-General or as may be prescribed.

The membership of this committee is determined by the employees, but the general principle is that one person from each classification level represents that level. The committee consists of workplace safety representatives from each office, a union representative, an EEO representative, employee representatives, the Auditor-General and a secretary nominated by the Auditor-General.

Office Consultative Committee

A Consultative Committee exists to provide a forum for management and staff to exchange ideas and information, and consult on issues concerning both parties.

This committee incorporates the EEO Consultative Committee and the Workplace Health and Safety Committee and meets on a quarterly basis.

The members of the committee are as follows:

Auditor-General (Chair);

Deputy Auditor-General;

Director Corporate Services;

Five staff members; and

A representative of the Community and Public Sector Union.

EXTERNAL AND INTERNAL SCRUTINY

EXTERNAL REVIEW

There was no external review in this year.

INTERNAL AUDIT

No internal audit was undertaken this year

CONSULTANTS ENGAGED DURING THE YEAR

The Office engaged the following consultants during the year:-

Consultant		Cost
Gillian Groom	Ongoing Assessment and Rehabilitation of Staff	\$3 362
Global Business Intelligence	Independent Survey of clients	\$3 600
Public Matters	Development of Marketing Plan	\$9 000
Lee Page Pty Ltd	Training Programs & Consulting	\$22 207
Remus Pay Consortium	Payroll Outsourcing Fee	\$11 525
Tower Software	Implementation of Software and Training	\$2 700
INVISIC Pty Ltd	Software Development	\$9 341
Technology One Pty Ltd	Consulting	\$2 992

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 completion of the audit for the year ended 30 June 2000. Their Audit Report is attached to the financial statements contained in this Report.

MANAGEMENT POLICIES

ASSET MANAGEMENT

Accommodation

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

The Office has renewed the lease of the 5th floor in the TGIO Building, Macquarie Street, Hobart in its own right from April 1999 to April 2004.

Information Technology

The Office is reliant upon information technology to carry out its business. The Office has a draft Information Technology Plan for 1999 and beyond.

This plan addresses the future IT infrastructure requirements of the Office in light of our future direction and government policy.

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 and the Deputy Auditor-General and include a proportional amount of overheads.

If additional hours above allocated hours are traced to auditee causes, action is taken to review the excess.

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.

ADMINISTRATIVE POLICIES

Recycling

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

Support of Tasmanian Businesses

The Office is committed to purchasing from Tasmanian businesses for the provision of goods and services where it is cost effective to do so. Currently it is estimated that 90% of the goods and services purchased by the Office are procured from Tasmanian businesses. During 1999-2000 the Office did not award any contract in excess of \$50 000.

Financial Management

COMMENTARY ON FINANCIAL RESULTS

The Audit Office is managed on a commercial basis. Revenue from financial audit fees covers all costs involved in the provision of the service including staff salaries and on-costs, administration, accommodation and equipment charges. The Office also pays an income tax equivalent charge on any profits and pays a capital charge based on opening net worth.

Performance Audit work investigations and the cost of reporting to Parliament are managed on a cost recovery basis out of an appropriation from Parliament that is included within the Finance-General section of the annual budget.

The Auditor General's salary and on-costs is a Reserved-by-law item within the annual budget. This appropriation has been partially offset over the last few years by voluntary cash transfers to the consolidated fund described in this report as equity reductions.

The financial statements appear on following 26 pages.

FINANCIAL STATEMENTS PREPARED ON A CASH BASIS

The Special Deposit and Trust Fund account T644 records all the cash transactions of the Office.

The cash balance increased from \$1 012 000 at 30 June 1999 to \$1 066 000 at 30 June 2000.

Cash receipts were up on the previous year due to the introduction of quarterly billing for financial audit fees. Other receipts were down, in particular interest earned on our operating account due to the Department of Treasury and Finance not crediting the account by 30 June.

Cash payments were up in total from \$2.641m to \$2.733m. Employee entitlements were up by \$109 000 due to increased salaries and termination payments made to retiring staff. Purchases of office equipment increased by \$79 000 as a result of upgrading information technology equipment. Purchases of goods and services decreased.

The Office made a further payment of \$164 000 to the Consolidated Fund as an equity reduction.

Further explanations for variances in these statements are set out in Note 4 of the 'Notes to and forming part of the Financial Statements'.

FINANCIAL STATEMENTS PREPARED ON AN ACCRUAL BASIS

Operating Statement

Employee entitlements increased by \$65 000 on an accrual basis due mainly increased salaries for staff.

Accommodation expense decreased slightly due to a renegotiation of the lease of the Hobart Office. Information Technology expense decreased by \$128 000 as the impact of the previous year's decision to rationalise software licences.

User charges remained constant in comparison to last year.

The result for the year was a net increase in net assets of \$146 000 before allowing for income tax and dividends.

Statement of Financial Position

The Office is managed on the basis of attempting to achieve a break-even operating result or a small profit. Hence the non-cash expense for depreciation can lead to an increase in cash where the replacement of assets is not immediately required as was the case. Cash increased by \$54 000.

Receivables increased by \$782 000 due to the raising of invoices for all work performed as at 30 June and as a result work in progress is down in comparison to the previous year.

Plant and equipment (net of accumulated depreciation) increased by \$5 000 because the cost of acquisitions (\$111 000) for the year exceeded the depreciation charge for the year (\$106 000) .

The total liability (current plus non-current) for employee entitlements decreased because employees took more leave.

Equity ie the net worth of the Office, decreased by \$127 000 as a result of the small profit for the year (\$37 000) and the return of equity (\$164 000) to the Consolidated Fund.

Statement of Cash Flows

Employee entitlements and goods and services increased in comparison to last year.

User charges and fees and the receipts from appropriation in total increased in comparison to the previous year as a result of quarterly billing.

The sales tax/capital change decreased in comparison to the previous year by \$52 000, because.

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 described in Note 5.

TASMANIAN AUDIT OFFICE



FINANCIAL STATEMENTS

FOR THE YEAR ENDED

30 JUNE 2000

TASMANIAN AUDIT OFFICE

FINANCIAL STATEMENTS

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Certification of financial statements

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PUBLIC ACCOUNT
CASH STATEMENTS
30 JUNE 2000

TASMANIAN AUDIT OFFICE

Financial summary for the year ended 30 June 2000

Source of Funds

	Note	1999 Actual \$'000	2000 Estimate \$'000	2000 Actual \$'000	Variation \$'000
OPENING BALANCE		854	1 012	1 012	
Consolidated Fund:					
Reserved by Law	4.1	204	230	218	12
Total Consolidated Fund		204	230	218	12
Other Receipts					
Proceeds from sale of assets		-	-	2	(2)
Operating revenue not paid into Consolidated Fund	4.2	2 695	2 700	2 730	(30)
Total Other Receipts		2 695	2 700	2 732	(32)
TOTAL RECEIPTS		2 899	2 930	2 950	(20)
TOTAL SOURCE OF FUNDS		3 753	3 942	3 962	(20)
Less					
Equity Reduction	4.3	100	300	163	137
Closing balance:					
Other		1 012	1 038	1 066	(29)
TOTAL FUNDING OF OUTPUTS		2 641	2 604	2 733	(129)

Summary of Expenditure

OUTPUT GROUP 1					
Public Management and Accountability					
1.1 Public Sector Management and Accountability	4.4	2 641	2 604	2 733	(129)
TOTAL OUTPUT GROUP 1		2 641	2 604	2 733	(129)
TOTAL OUTPUT GROUPS		2 641	2 604	2 733	(129)
TOTAL EXPENDITURE		2 641	2 604	2 733	(129)

TASMANIAN AUDIT OFFICE

**Consolidated Fund Transactions for the year ended
30 June 2000**

	Note	1999 Actual \$'000	2000 Estimate \$'000	2000 Actual \$'000	Variation \$'000
EXPENDITURE FROM THE CONSOLIDATED FUND TOWARDS THE COST OF PRODUCING OUTPUTS					
Reserved by Law		204	230	218	12
TOTAL EXPENDITURE		204	230	218	12

TASMANIAN AUDIT OFFICE

**Special Deposits and Trust Fund
Statement of Receipts and Expenditure
for the year ended 30 June 2000**

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	1999 Actual \$'000	2000 Actual \$'000
OPENING BALANCE		854	1 012
RECEIPTS			
Reserved by Law	4.1	204	218
Fees for Service	4.2	2 588	2 700
Proceeds from Sale of Equipment		-	2
Interest	4.5	36	-
Other		71	30
TOTAL RECEIPTS		2 899	2 950
PAYMENTS			
Employee Entitlements	4.6	1 622	1 731
Superannuation		169	157
Payroll Tax		106	132
Fringe Benefits Tax		8	11
Workers Compensation		10	10
Purchases of Office Equipment and Leasehold Improvements	4.7	44	111
Purchases of Goods and Services	4.8	508	474
Sales Tax Equivalent/Capital Charge		174	107
TOTAL PAYMENTS		2 641	2 733
Closing Balance Prior to Equity Reduction		1 112	1 229
Equity Reduction	4.3	100	163
CLOSING BALANCE		1 012	1 066
CLOSING BALANCE CONSISTS OF:			
Approved Carry Forward Funds		1 012	1 066
		1 012	1 066

PUBLIC ACCOUNT
ACCRUAL STATEMENTS
30 JUNE 2000

TASMANIAN AUDIT OFFICE

Operating Statement for the year ended
30 June 2000

	Note	2000 \$'000	1999 \$'000
OPERATING EXPENSES			
Employee entitlements	2.5	(1 664)	(1 591)
Superannuation and Payroll Tax	2.6	(288)	(275)
Depreciation	2.4,6	(106)	(202)
Accommodation	2.7	(115)	(148)
Materials, Supplies & Services		(95)	(81)
Information Technology		(92)	(220)
Contractor and Consultants		(102)	(73)
Travel and Transport		(70)	(60)
Training		(40)	(28)
Other		(166)	(199)
TOTAL COST OF SERVICES		(2 738)	(2 877)
OPERATING REVENUE			
User charges and fees	7	2 576	2 549
Other revenues	7	66	69
TOTAL OPERATING REVENUE		2 642	2 618
NET COSTS OF SERVICES		(96)	(259)
REVENUES FROM GOVERNMENT			
Recurrent Appropriation	3.1	218	204
Assumption of Liabilities	3.2	22	38
TOTAL NET REVENUES FROM GOVERNMENT		240	242
NET REVENUES FROM DISPOSAL OF NON-CURRENT ASSETS	7	2	-
NET REVENUE FROM ABNORMAL ITEMS		-	-
CHANGE IN NET ASSETS RESULTING FROM OPERATIONS BEFORE INCOME TAX		146	(17)
INCOME TAX EXPENSE	2.10	36	-
CHANGE IN NET ASSETS RESULTING FROM OPERATIONS AFTER INCOME TAX		110	(17)
DIVIDEND PROVIDED FOR	2.10	73	-
CHANGE IN NET ASSETS RESULTING FROM OPERATIONS AFTER PROVIDING FOR DIVIDEND		37	(17)

TASMANIAN AUDIT OFFICE

Statement of Financial Position as at 30 June 2000

	Note	2000 \$'000	1999 \$'000
CURRENT ASSETS			
Cash on hand and deposit accounts		1 066	1 012
Receivables	2.9,8	815	133
Work in Progress		9	766
Future Income Tax Benefit	2.10,14	60	-
Prepayments		38	77
TOTAL CURRENT ASSETS		1 988	1 988
NON-CURRENT ASSETS			
Plant, equipment and furniture	9	192	187
TOTAL NON-CURRENT ASSETS		192	187
TOTAL ASSETS		2 180	2 175
CURRENT LIABILITIES			
Payables		111	80
Employee entitlements	13	305	298
Provision for Income Tax	2.10,14	77	-
Provision for Dividend	2.10	73	-
Other	15	48	69
TOTAL CURRENT LIABILITIES		614	447
NON-CURRENT LIABILITIES			
Provision for Deferred Income Tax		19	
Employee entitlements	13	296	350
TOTAL NON-CURRENT LIABILITIES		315	350
TOTAL LIABILITIES		929	797
EQUITY	10	1 251	1 378
TOTAL LIABILITIES AND EQUITY		2 180	2 175

TASMANIAN AUDIT OFFICE

Statement of Cash Flows for the year ended
30 June 2000

	Note	2000 \$'000 Inflows (Outflows)	1999 \$'000 Inflows (Outflows)
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments			
Employee Entitlements		(1 998)	(1 897)
Goods & Services		(443)	(526)
Receipts			
User charges and fees		2 642	2 588
Interest received		-	36
Other		7	33
NET CASH FROM OPERATING ACTIVITIES		208	234
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for the purchase of non-current assets	11	(111)	(44)
Receipts from the sale of non-current assets	7	2	-
NET CASH FROM INVESTING ACTIVITIES		(109)	(44)
CASH FLOWS FROM GOVERNMENT			
Receipts from appropriation			
Reserved by Law	3.1	218	204
Assumption of Liabilities	3.2	22	38
Payments to Government			
Equity Reduction	2.3	(163)	(100)
Sales Tax / Capital Charge	2.10	(122)	(174)
NET CASH PROVIDED BY GOVERNMENT		(45)	(32)
Net increase (decrease in cash held)		54	158
Cash at the beginning of the year		1 012	854
CASH AT THE END OF THE YEAR		1 066	1 012

TASMANIAN AUDIT OFFICE

Output Schedule
Office's Expenses and Revenues prepared on an accrual basis for the
year ended 30 June 2000

OUTPUT GROUP	1	1999
	2000	
	\$'000	\$'000
EXPENSES AND REVENUES		
EXPENSES		
Employee Costs	1 952	1 866
Depreciation	106	202
Materials, Supplies & Services	514	610
Other	275	199
TOTAL	2 847	2 877
REVENUES		
Government	240	242
User charges and fees	2 576	2 549
Other revenues	68	69
TOTAL	2 884	2 860
REVENUE LESS EXPENSES	37	(17)

The Office only has one output group.

TASMANIAN AUDIT OFFICE

Notes to and forming part of the financial statements for the year ended 30 June 2000

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 for performance audits, special investigations and reports to Parliament. It provides all financial audit services on a fee-for-service basis and the fees charged are based on estimated times to perform the audits. These fees-for-service 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 are met from those funds.

2. Significant Accounting Policies

2.1 Basis of Accounting

The financial statements are required by section 27 of the *Financial Management and Audit Act 1990*.

The statements have been prepared in accordance with:

- Treasurer's Instructions issued under the provisions of the *Financial and Audit Act 1990*;
- Australian Accounting Standards;
- other authoritative pronouncements of the Australian Accounting Standards Boards; and
- the Consensus Views of the Urgent Issues Group.

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 Office's 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. These statements comprise:

- an Operating Statement;
- a Statement of Financial Position;
- a Statement of Cash Flows; and
- an Output Schedule for Expenses and Revenues.

2.2 Revenues from Government

The Office receives funding from the Consolidated Fund for the Auditor-General's Salary and Allowances on the basis that the salary and allowance is classified as a Reserved by Law payment.

There is also funding for Whole of Government activities such as performance audits, special investigations and reports to Parliament. These activities are funded from Finance-General on the basis of work performed.

Any funding from the Government is recognised as revenue in the period in which the Office gains control of that funding.

2.3 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.

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

2.4 Depreciation of Non-Current Assets

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

Depreciation is provided for the following class of assets at the stated depreciation rates:

- Office Equipment and Furniture, on a straight line basis (25%).
- Information Technology, on a straight line basis (33%)
- Leasehold Improvements, on a straight line basis (20%)

2.5 Employee Entitlements

Wages and Salaries, Annual Leave and ILOT

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 in accordance with employee conditions and awards.

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

Long Service Leave

A liability for long service leave is recognised. Entitlements in respect of service equal or greater than ten years are shown as a current liability where the employees have indicated their intention to take leave during the next twelve months. The remaining balance is classified as non-current and discounted accordingly.

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.

2.6 Superannuation

Most employees of the Office contribute to the Retirement Benefits Fund (RBF) scheme that covers 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 employer's contribution based on 11% of salaries for contributory members and the appropriate Superannuation Guarantee Charge in respect of non-contributors.

2.7 Leases

The Office has entered into a number of operating lease agreements for buildings, office equipment and motor vehicles where the lessors effectively retain all of the risks and benefits incident to ownership of the items held under the operating leases.

The Office has entered into an operating lease agreement for accommodation for the period 24 April 1999 until 23 April 2004.

The Office received a lease incentive. In accordance with UIG 3 "Lessee Accounting for Lease Incentives Under a Non-Cancellable Operating Lease" the Office has recognised the lease incentive as a liability. The liability will be reduced by allocating lease rental payments between rental expense and reduction of the liability.

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.

2.8 Accounts Payable

Liabilities are recognised for amounts to be paid in the future for goods and services received, whether billed or not billed to the Office. Accounts payable are normally settled with 28 days.

2.9 Accounts Receivable

Trade debtors to be settled within 30 days are carried at amounts due. The collectibility of debts is assessed at balance date and specific provision is made for any doubtful debts.

2.10 Taxation Equivalence, Dividend and Capital Charge

The Office pays payroll tax, fringe benefits tax and wholesale sales tax.

The Audit Office has entered into an agreement with the Treasurer that the Office will be subject to a tax equivalence regime based on the model adopted under the *Government Enterprises Act 1995*.

The Office is required to pay into the Consolidated Fund each year:

- an amount equivalent to the Wholesale Sales Tax payable on all items exempt under exemption 126 in Schedule 1 of the *Sales Tax (Exemption & Classification) Act 1992*;
- an amount equivalent to income tax payable;
- an amount equivalent to a capital charge on the net assets of the Office; and
- an amount equivalent to the dividend declared from operating profits.

Wholesale Sales Tax

The Wholesale Sales Tax (WST) equivalent is payable in the year the expenditure occurs while the amount for income tax, capital charge and dividend is raised as an asset and/or a liability. With the introduction of the Goods and Services Tax (GST) the WST will not be payable after 30 June 2000.

Income Tax

The Office has adopted the liability method of tax effect accounting. The taxation equivalent charge is calculated on operating profit adjusted for permanent differences between and accounting income. The tax effect of timing differences which arise from items being brought to account in different periods for tax and accounting purposes, is carried forward in the balance sheet as a future tax equivalent benefit or a deferred tax equivalent liability. Future tax benefits will only be brought to account when realisation of the asset is assured beyond reasonable doubt. Future tax benefits relating to tax losses are only brought to account when their realisation is virtually certain.

Dividend

The Office has agreed to pay into the Consolidated Fund a dividend that will be equivalent to 50% of the Operating Surplus before Income Tax each year.

Capital Charge

The Office has agreed to pay into the Consolidated Fund a capital charge that will be equivalent to the value of net assets multiplied by a rate equal to the interest earning rate on the Office's business operating account plus one per cent.

3. Revenues from Government

<i>3.1 Reconciliation of Funding to Government Revenues</i>	2000	1999
	\$'000	\$'000
Reserved by Law	218	204
Other Government Revenues:		
Assumption of Liabilities	22	38
Total Government Revenues	<u>240</u>	<u>242</u>

3.2 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 meets the pre 30 June 1993 amount.

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

Employee Entitlements		
Long Service Leave	22	38

4. Explanation of Material Variances

- 4.1** The Auditor-General's salary is determined by averaging the salaries of the Auditors-General of South Australia and Western Australia.
- 4.2** The Office introduced quarterly billing from 1 April 2000 and as a result receipts for audit fees have increased in comparison to the previous year.
- 4.3** The Office agreed to pay \$100,000 to the Consolidated Fund as a reduction in equity. As a result of the introduction of quarterly billing the Office agreed to pay into the Consolidated Fund the total amount received by budget agencies by 30 June 2000 to ensure this change was budget neutral. The amount was \$63 000.
- 4.4** The cash receipts for the year were essentially on target with the variance being explained by the Government assuming the liability for the long service leave of an employee who retired. The cash expenditure was over budget as a result of employee entitlements, contract payments and purchases of new assets being greater than anticipated.
- 4.5** As at 30 June 2000 the Department of Treasury and Finance had not credited the Office's operating account with interest earned.
- 4.6** Due to more staff being employed and the resignation and retirement of staff employee entitlements is greater in comparison to the previous year.
- 4.7** In accordance with the Office's IT Strategic Plan the Office upgraded computer hardware and purchased new computer software.
- 4.8** In accordance with its aims to reduce overhead expenditure, the Office was able to reduce expenditure on information technology and miscellaneous expenses, while expenditure on materials and supplies and contractors and consultants increased.

5. Outputs of the Office

The Office has only one output group "Public Sector Management and Accountability" 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".

Key Performance Measures

Issue of audit reports to auditees by 31 October of the relevant audit cycle (percentage completion weighted by audit hours).

Tabling of the Office's report on the Public Account and report on Ministerial Portfolios comprising Government Departments, Government Business Enterprises and statutory authorities 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.

	2000	1999
	\$'000	\$'000
Key Performance Indicators		
Percentage of financial audits completed by 31 October	53%	66%
Reports tabled within prescribed time frames	Yes	Yes
Aggregate cost of performance audits at least equal to funding from appropriation	252	236

6. Depreciation Expense

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

Computer Equipment	89	143
Office Equipment and Furniture	17	24
Leasehold Improvements	-	35
	<hr/>	<hr/>
	106	202

7. Revenues	2000	1999
	\$'000	\$'000
<i>Audit Revenue</i>		
Financial Audit Fees Raised	2 972	2 351
Add Work in Progress (30 June)	9	766
	<u>2 981</u>	<u>3 117</u>
Less Work in Progress (1 July)	(766)	(933)
Financial Audit Fees Revenue	2 215	2 184
Fees for Whole of Government Services	361	365
User charges and fees	2 576	2 549
Work in Progress is measured by the actual hours spent to date on the audit multiplied by the appropriate charge out rate per employee category.		
<i>Proceeds from Sales of Goods and Services</i>		
Proceeds from the sale of goods and services are not required to be paid into the Consolidated Fund.		
<i>Net Revenues from Disposal of Non-Current Assets</i>		
Proceeds from the disposal of Computer Equipment	2	-
Less: Written down value of Computer Equipment	-	-
	<u>2</u>	<u>-</u>
8. Receivables		
Audit Fees and Charges Outstanding	751	124
Sundry Debtors	64	9
	<u>815</u>	<u>133</u>
Debts written off as non-collectable	1	-
9. Non-Current Assets		
Plant, Equipment and Furniture		
Computer Equipment	452	698
(Accumulated Depreciation)	(263)	(531)
	<u>189</u>	<u>167</u>
Office Equipment & Furniture and Leasehold Improvements	300	300
(Accumulated Depreciation)	(297)	(280)
	<u>3</u>	<u>20</u>
Total	192	187

10. Equity and Changes in Equity	2000	1999
	\$'000	\$'000
Equity represents the residual interest in the net assets of the Office.		
Opening Equity	1 378	1 495
Less Equity Reduction	(163)	(100)
	1 215	1 395
Change in Net Assets Resulting from Operations	37	(17)
Equity at the end of the reporting period	1 252	1 378
11. Purchase of Non-Current Assets		
Computer Equipment	111	44
	111	44
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.		
Net Cost of Services	(96)	(259)
Sales Tax / Capital Charge	122	174
<i>Items not involving Cash</i>		
Depreciation	106	204
Employee Entitlements	(46)	(31)
Increase/(Decrease) in Other Non-Current Liabilities	(12)	
(Increase)/Decrease in Receivables	(742)	(120)
(Increase)/Decrease in Work in Progress	757	167
(Increase)/Decrease in Other Current Assets	98	-
(Increase)/Decrease in Other Non Current Assets	-	(13)
Increase/(Decrease) in Revenue in Advance	(9)	(8)
(Decrease)/Increase in Payables	30	120
Net Cash used in Operating Activities	208	234

13. Employee Entitlements	2000	1999
	\$'000	\$'000
Current		
Accrued Salary and Related Salary Payments	47	40
In Lieu of Overtime	5	7
Annual Leave	207	229
Long Service Leave	46	22
	<u>305</u>	<u>298</u>
Non-Current		
Long Service Leave	296	350
	<u>296</u>	<u>350</u>
14. Income Tax Equivalentents		
Income Tax Expense		
Prima facie income tax expense calculated at 36% on the operating profit	52	
Decrease in income tax expense due to:		
- Non assessable profit on sale of non current assets	(3)	
	<u>49</u>	
Abnormal Item - recoupment of prior year tax losses not previously brought to account	(13)	
	<u>36</u>	
Total income tax expense is comprised of:		
- Current income tax provision	21	
- Movement in Deferred Income Tax Liability	5	
- Movement in Future Income Tax Liability	23	
	<u>49</u>	
Provision for Income Tax		
Movements during the year were as follows:		
Balance at the beginning of the year	56	
Current income tax expense on operating profit	21	
Balance at end of the year	<u>77</u>	
15. Operating Lease Commitments		
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	102	56
Later than 1 year and not later than 2 years	102	102
Later than 2 years and not later than 5 years	204	306
	<u>408</u>	<u>464</u>
Lease Incentive Liability	46	
16. Auditor's Remuneration		
Amounts paid, or due and payable to 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 2000 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

3 August 2000

Deloitte Touche Tohmatsu
A.B.N. 74 490 121 060
ANZ Centre
Level 9
22 Elizabeth Street
Hobart TAS 7000
GPO Box 777H
Hobart TAS 7001 Australia

DX 197
Telephone (03) 6237 7000
Facsimile (03) 6237 7001
www.deloitte.com.au

**Deloitte
Touche
Tohmatsu**

INDEPENDENT AUDIT REPORT TO THE TREASURER
RE: TASMANIAN AUDIT OFFICE

Scope

We have audited the financial report of Tasmanian Audit Office for the year ended 30 June 2000, 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 financial report. We have conducted an independent audit of the financial report in order to express an opinion on it to the Treasurer.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the financial report is free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion whether, in material respects, the financial report is presented fairly in accordance with Accounting Standards, other mandatory professional reporting requirements, Financial Management and Audit Act 1990 and Treasurer's Instructions so as to present a view which is consistent with our understanding of the Tasmanian Audit Office's financial position, and performance as represented by the results of its operations and its cash flows.

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

Audit Opinion

In our opinion, the financial report of Tasmanian Audit Office presents fairly in accordance with applicable Accounting Standards and other mandatory professional reporting requirements the Tasmanian Audit Office's financial position as at 30 June 2000 and of its performance for the year ended on that date.

Deloitte Touche Tohmatsu
DELOITTE TOUCHE TOHMATSU



L. T. Cox
Partner
Chartered Accountants

Hobart, 9 August 2000

The liability of Deloitte Touche Tohmatsu, is limited by, and to the extent of, the Accountants' Scheme under the Professional Standards Act 1994 (NSW).

COMPLIANCE INDEX TO DISCLOSURE REQUIREMENTS : 1999-2000

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), *Public Sector Superannuation Reform Act 1999* (PSSRA) and other contemporary reporting practices.

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AIDS TO ACCESS		
	Table of Contents	i
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FMAAs.27(1)(a)	A report on the performance of the functions and powers of the Auditor-General under any written law.	4-7, 13-21
TSSs.33AB(1)(a)		
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	A list of names of companies	N/A
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TSS(AR)Re(c)(i)	Staffing information as at 30 June.	37-40
	Total number of Full Time Equivalent (FTE) employees	37-40
	Total number of persons employed (head count)	37
	Total number of persons employed under applicable legislation	
	<ul style="list-style-type: none"> • by classification • by award or agreement • by occupational category (standard title) • by age profile • by employment authority - office holder, temporary, contract, non-State service • by employment category - full-time, part-time, casual • by gender • by location • recruited and separated (ons and offs) • on secondment to and from other agencies or organisations • on leave without pay 	 39 39 33 39 39 39 38 38 38 38 38
	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	38
	Employee separations by category	38
	Sick leave days taken - full pay, half pay, no pay	40
	Average sick days per FTE	40
	Long service leave: number of employees whose credits exceed statutory limits	40

HUMAN RESOURCE MANAGEMENT (cont)

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	Workers' compensations:	35
	<ul style="list-style-type: none"> • by nature of injury or illness • by number of cases • by days lost • by cost 	
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TSS(AR)R3(d)(i)	Activities undertaken to develop community awareness of the services the Office provides	N/A
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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..	55-85
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