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PARLIAMENT OF TASMANIA

AUDITOR-GENERAL

ANNUAL REPORT 2000-2001

November 2001

Presented to both Houses of Parliament in accordance with the requirements of Section 36 of the State Service Act 2000 and Section 27 of the Financial Management and Audit Act 1990

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9 November 2001

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 36 of the *State Service Act 2000* 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 2001.

Yours sincerely

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

A J McHugh
AUDITOR-GENERAL

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The Year at a Glance

	1997	1998	1999	2000	2001
OUR CLIENTS					
Organisations and activities audited	114	119	103	112	117
Qualified audit opinions issued	10	7	9	5	5
Client General Satisfaction Index	69	71	72	N/a	74
Parliamentarian General Satisfaction Index	77	78	No Survey	No Survey	No Survey
Number of reports to Parliament	9	10	5	6	6
OUR BUSINESS					
<i>Timeliness</i>					
<ul style="list-style-type: none"> Financial Audits completed within 4 months of balance date 	N/a	N/a	N/a	N/a	44.5%
<ul style="list-style-type: none"> Client index on timeliness of audits 	N/a	N/a	N/a	N/a	75
<ul style="list-style-type: none"> Financial Audits completed with 30 days of receipt of signed financial statements 	N/a	N/a	N/a	N/a	74.4%
<ul style="list-style-type: none"> Number of performance audits 	6	7	2	3	5
<i>Cost Efficiency Measures</i>					
<ul style="list-style-type: none"> Break-even on financial audits - % Profit/(% Loss) 	N/a	N/a	5.17%	5.82%	(3.82%)
<ul style="list-style-type: none"> Consume Appropriation for performance audits 	100%	100%	100%	100%	100%
<ul style="list-style-type: none"> Usefulness index <ul style="list-style-type: none"> Ministerial Report 	73	76	No Survey	No Survey	No Survey
<ul style="list-style-type: none"> Performance Audits 	55	62	No Survey	No Survey	No Survey
OUR PEOPLE					
Employees – Average	38.3	35.2	33.4	33.4	35.1
Days sick leave per employee	4.2	7.3	8.8	7.8	7.3
Training - % of total resources	1.1%	0.9%	1.0%	1.4%	1.1%
Number of grievances lodged	0	0	0	0	0
Workers Compensation Claims	0	1	0	1	0
OUR FINANCES					

Total Income (\$'000)	3 114	3 097	2 860	2 884	3 002
Total Expenditure (\$'000)	3 188	4 017	2 877	2 847	3 001
Operating surplus/(deficiency) after dividend and income tax (\$'000)	(74)	(20)	(17)	37	1
Net assets (\$'000)	1 615	1 495	1 378	1 251	1 023

Auditor-General's Message

This calendar year marks the 175th year of operation of the Tasmanian Audit Office and its predecessor Colonial Auditors. We plan to celebrate the anniversary in November. Some press coverage has occurred already (*The Advocate* Saturday 5 May 2001 Page 34).

The Office continued to operate at or near a break-even financial result before tax (\$38 000 profit) and paid a small dividend (\$19 000) to the Consolidated fund. In addition the Office repaid \$130 000 into the Consolidated Fund representing one half of the Reserved by Law appropriation and for the fifth year in succession, an additional \$100 000 in a voluntary equity reduction.

The profile of senior financial audit staff has been strengthened by the creation of two positions as Directors of Audit with accompanying changes to their teams. The IT audit capacity has been strengthened.

A position of Team Leader, Performance Audit was created and the tasks expanded to include a specific component of compliance and regularity audit. This latter activity has been funded from resources freed up from efficiencies in the financial audit program.

Two entry-level positions as financial audit cadets have been filled to tap into the market for above average part-time students who wish to combine work with their studies.

The Office has attempted to make more regular, focussed communication with our clients and has continued to hold the annual accounting standards update seminar in Hobart and Launceston.

Staffing has been maintained at a level that theoretically exceeds the number required to perform the audits in a reasonable time and cost. This policy is designed to redress the current situation where audit planning and execution for the current financial year only commences in earnest after the Christmas holidays. The corollary is that many audits are not completed until the latter part of November for the preceding financial year. I do not regard this as being consistent with current best practice.

The Office has had a specific position with a quality control focus for some time and I have every reason to believe that the work of the financial auditors is satisfactory. However, I have decided to engage an independent expert to review a sample of audit files and report to me by the end of this calendar year. This mirrors the requirements for a review found in the audit legislation of several other Australian states.

Dr Arthur McHugh
Auditor-General

Future Directions

External Reporting

The Office will be implementing new initiatives in respect of the preparation of reports for Parliament. These initiatives will include improvements in readability and information content.

Staff Support and Personal Development

The Office will be providing additional support to staff in terms of their development over the coming years by increasing the funding and time availability for staff to undertake professional development. The Office will capitalise on the marketing initiatives made in respect of our recruitment advertising. The Office will be implementing a new professional development and appraisal system.

Internal Systems

The Office during the next year will rollout its practice management system to all staff. This will allow all staff to access up to date information about the clients they are managing and will allow management to access up to performance information. The Office will be introducing electronic document management to handle both inward and outward corporate correspondence in accordance with the Office's information management policies and procedures. The Office will be introducing a new appraisal system for all staff. The Office will be extending the boundaries beyond the physical boundaries of our leased offices by allowing staff to access all corporate systems while they are in the field as if they were in the office. The Office's external web site and intranet will be re-developed.

Our 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 that 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.

Our Structure

ORGANISATION AND MANAGEMENT

OVERVIEW

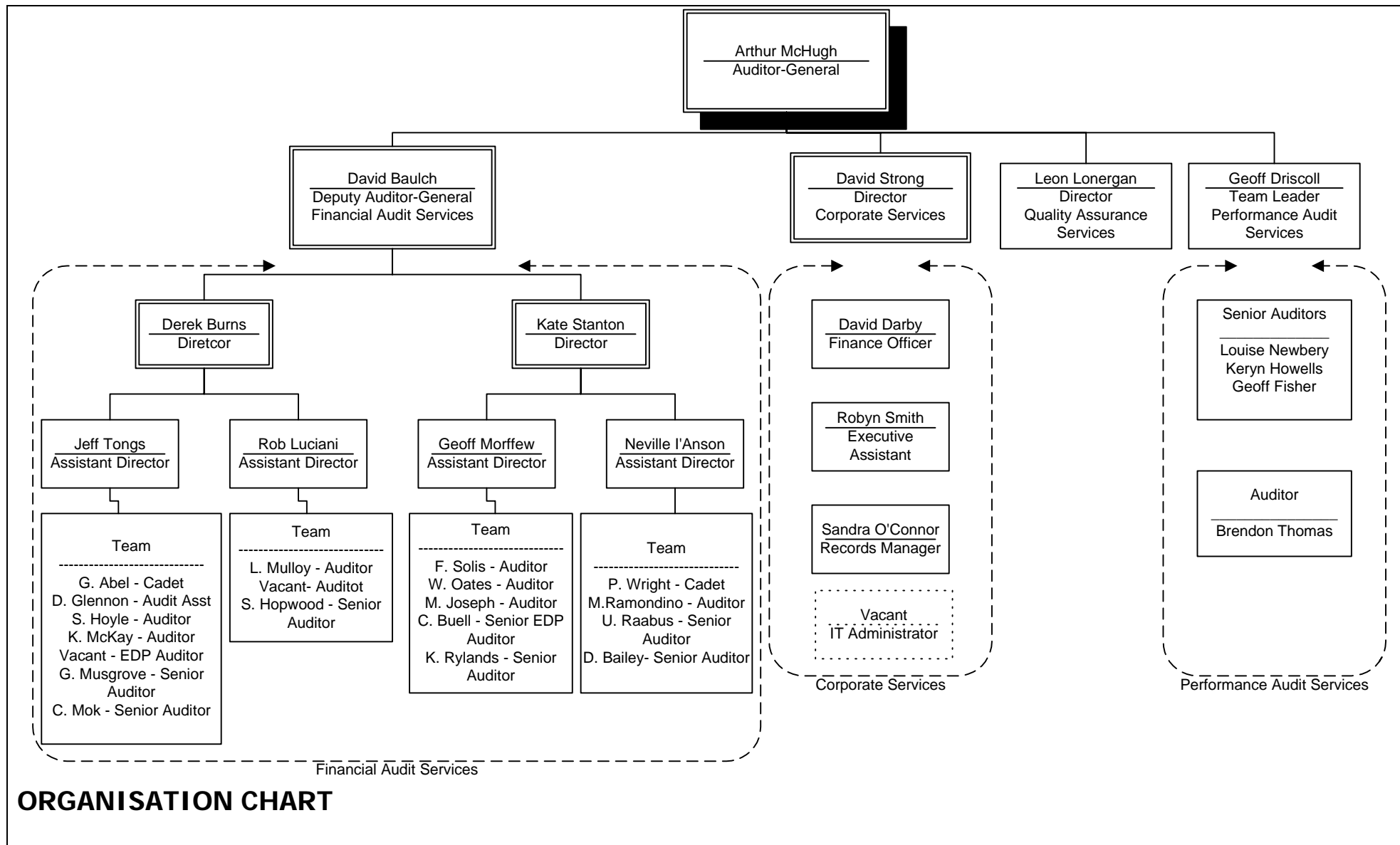
The Office is comprised of four sections:

- financial audit services;
- performance and compliance audit services;
- quality assurance services; 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;
- performance and compliance audit services to the Team Leader Performance Audit;
- quality assurance to the Director Quality Assurance; and
- corporate services to the Director Corporate Services.

During the year the Office's structure was reviewed and as a result an additional management level (Directors) was inserted into the structure of the Financial Audit Services division.



EXECUTIVE MANAGEMENT TEAM

The key management personnel are listed below:-

AUDITOR-GENERAL

Arthur 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

David 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

David 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).

DIRECTOR QUALITY ASSURANCE

Leon Lonergan
CPA
Responsibilities: For ensuring the Office's audit methodology complies with current auditing standards and is complied with during the performance of all audits. Manages the portfolio of contracted financial audits.

DIRECTOR FINANCIAL AUDIT

Kate Stanton
B Ec LLB MPA CPA
Responsibilities: Responsible for the efficient and cost effective management of a team of financial auditors and a portfolio of audits of public sector entities.

DIRECTOR FINANCIAL AUDIT

Derek Burns
B Comm CPA
Responsibilities: Responsible for the efficient and cost effective management of a team of financial auditors and a portfolio of audits of public sector entities.

CORPORATE GOVERNANCE

The corporate governance framework that 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;
- Director Corporate Services;
- Director Quality Assurance; and
- Directors Financial Audit.

The EMG meets on a monthly basis.

To assist in the stewardship of the Office the EMG has established a number of standing committees with appropriate terms of reference. These committees are:

- Information Technology and Information Management Committee;
- EEO Consultative Committee;
- Workplace Health and Safety Committee;
- Office Consultative Committee;
- Professional Development Committee;
- Financial Audit Methodology Committee;
- Performance Audit Methodology Committee; and
- Audit Qualifications 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);
- Director Quality Assurance;
- Director Financial Audit – Teammate Administrator;
- Senior Computer Systems Officer; and
- Records Manager.

The committee did not meet during the year.

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.

The committee met two times during the year and the issues discussed were:

- Industrial Agreement;
- Representation on the Committee;
- State Service Accumulation Scheme;
- Corporate Planning Day;
- Vacant IT Administrator position;
- Reimbursement of CPA subscriptions;
- Communications with clients;
- Staff training;
- Phones in the Office;
- ILOT; and
- Car Parking in Launceston

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.

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.

Professional Development Committee

The Professional Development Committee provides a strategic role for Professional Development and additional assurance that the Professional Development Program meets the organizational needs of the Office.

The members of the committee are as follows:

- Deputy Auditor-General (Chair);
- Director Corporate Services;
- Director Quality Assurance;
- Directors of Financial Audit; and
- Team Leader Performance Audit.

The committee meets on a monthly basis.

Audit Methodology Committee (Financial Audit and Performance Audit)

Provide a strategic role in the maintenance of the financial audit and performance audit methodologies. Provide assurance that the methodologies meet the needs of the organisation and professional standards. Review the performance of the methodologies.

The members of the financial audit methodology committee are as follows:

- Deputy Auditor-General (Chair);
- Director Quality Assurance; and
- Directors of Financial Audit.

The members of the performance audit methodology committee are as follows:

- Auditor-General (Chair);
- Director Quality Assurance; and
- Team Leader Performance Audit.

The committees meet on a monthly basis.

MANAGEMENT POLICIES

ASSET MANAGEMENT

Accommodation

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

The Office has a current lease for the 5th floor in the TGIO Building, Macquarie Street, Hobart that expires in April 2004. The Office is currently negotiating an extension to this lease and this extension is for 10 years from 1 July 2001.

Information Technology

The Office is reliant upon information technology to carry out its business. The Office's current Information Technology Plan is under review as the Office seeks to implement and find more cost effective solutions for the business needs of the Office.

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 CPA Australia and the Institute of Chartered Accountants in Australia. The standards provide the fundamental benchmarks and quality assurance guidelines that 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; and
- 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.

The Treasurer determines audit fees charged 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 that 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. The Auditor-General must approve any proposed departures from the policy.

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, Directors 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.

Our Clients

OUR OBJECTIVE

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

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

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

KEY ACHIEVEMENTS

Audit clients surveyed indicated that in their opinion the Office rated Good to Very Good in respect of client satisfaction.

The implementation of key account management principles where clients are classified according to their significance in terms of fee and impact on the state budget. The category of the client determines the amount of contact they receive and the allocation of the Office's senior staff to clients.

Increased focus on client relationships through regular visits and contact.

Client information sessions that included commentary on accounting standards and legislative amendments.

OUR CLIENTS INCLUDE

- Parliament, our principal client; and
- Tasmanian State public sector organisations.

AREAS FOR IMPROVEMENT

- Regularly survey stakeholders in respect of performance audits.
- More useful and readable reports.
- Understand our client's current and emerging needs.
- More contact with CEOs and senior managers.

FINANCIAL STATEMENT AUDIT CLIENTS

During the 2000-01 year the Office completed 117 financial statement audits for 102 clients for the 2000 financial audit cycle. During 2000-01 the Office commenced auditing financial statements audits for 103 clients as 30 June 2001.

	1997	1998	1999	2000	2001
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	9	9	9
Local Government Authorities	29	29	29	29	29
State – Owned Corporations	1	8	8	8	8
Government Business Enterprises	24	17	17	16	16
Other public bodies including water, trading, registration, superannuation, marketing and other authorities.	43	48	36	36	37
TOTAL	114	119	103	102	103

As part of the Office's new corporate strategy all clients are surveyed at the conclusion of the audit but regular contact is maintained to ensure the Office is meeting the expectations of client and issues are addressed in a timely manner.. A new survey questionnaire was devised so the Office could benchmark its performance and set improvement measures in respect of the clients' perception of performance. These measures are detailed below and this is the initial year so there are no comparisons for some of the measures.

Key Performance Measures	Target	1995-1996	1996-1997	1997-1998	1998-1999	1999-2000
Survey of clients on timeliness of audits	Good to Very Good		Good	Good	No Survey	Good
Survey of clients on general satisfaction with the quality of services	Good to Very Good		Good to Very Good	Good to Very Good	No Survey	Good to Very Good
Survey of clients on level of satisfaction with financial audit services	Good to Very Good		Neutral to Good	Good	No Survey	Good to Very Good

Survey of client satisfaction with the level of financial audit fees	Good to Very Good		Neutral to Good	Neutral to Good	No Survey	Survey did not address this criteria
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Clients were asked to indicate where they believed the Office could improve in respect of dealing with their business needs. The major areas identified are listed below:

- adherence to timetables;
- understanding their business;
- maintaining enough contact;
- keeping abreast of business changes;
- meeting their expectations; and
- comparison with private sector auditors.

The Office will address these concerns by:

- understanding their business better and that means:
 - improving our understanding of their general business environment;
 - improving our understanding of their role and objectives;
 - improving our knowledge of their business segments or programs; and
 - improving our understanding of their business risk;
- more contact with the client by:
 - attending audit committee meetings;
 - regular contact with CEOs, Heads of Agencies, etc;
 - building a relationship with the CFOs; and
 - regular contact with senior managers;
- keeping the clients informed and up to date on issues by:
 - regular newsletters;
 - seminars; and
 - write to client on specific issues;
- explaining and justifying our audit fees in terms of risks and discuss options the client can take to assist the Office in reducing our fees.

PERFORMANCE AUDIT CLIENTS

The major clients in respect of performance audits are:

- Parliament;
- Portfolio Ministers;
- Heads of Agency, Chief Executive Officers, General Managers etc; and
- The Public

During the year the Office conducted seven performance audits and tabled five reports in Parliament in respect of performance audits and forwarded on other report to the responsible Portfolio Ministers.

The details of the performance audit reports are summarised later in the report.

As required under the Office's new Corporate Plan various stakeholders in respect of performance audits will be surveyed annually. The first survey will be conducted during 2001-02 and the Office will publish the results annually. The measures that will be reported are detailed below:

- the general satisfaction with the quality of performance audits;
- the level of satisfaction with Performance Audits; and
- the satisfaction with the cost/benefit of budget allocation.

The target level for all of the above key performance measures is Good to Very Good.

Our Business

OUR OBJECTIVES

We will seek to understand our clients' business environment.

We will seek to continuously improve our client service.

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

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

Key Achievements

We conducted 117 financial report audits and reviews.

We tabled five performance audit reports in Parliament.

We conducted six performance audit examinations and undertook one compliance audit.

Introduced new layout formats for our reports.

Key recommendations in respect of methodology, the office practice management system and information technology strategies direction were put forward by the new management committees and were endorsed by the Executive Management team.

Implemented Key Account management principles and adopted the Office's audit role model in respect of all audits.

Our Services Included

- financial statement audits;
- performance audits;
- compliance audits;
- special reviews/investigations; and
- reports to Parliament.

Areas for Improvement

- Further roll out of the Office's practice management system to all staff;
- Further training on account management and the Office's audit role model;
- Improvement in managing the audit process;
- Improved communications with client;
- Tighter integration of our internal information systems, financial system, practice management system and internal reporting;
- Continually review and enhance our information systems to ensure optimum support for our business needs.

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 that 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.

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 Office during 2000-2001 issued 115 financial audit reports in respect of the financial statements for the 1999-2000 financial year for public sector entities, and two financial reports for the financial year ended 31 December 2000. In respect of the 1999-2000 financial year there are two audit reports to be issued when the Office receives financial statements from the clients.

The extent of qualified reports is shown in the following table for the financial years indicated:-

	1996-1997	1997-1998	1998-99	1999-2000
Financial audit reports	127	119	103	117
Qualified audit reports	7	9	5	5
% of reports Qualified	5.5%	7.6%	4.9%	4.3%

During the year 5 of the audit opinions the Office issued were qualified. The majority of these qualifications were a result of our clients not complying with accounting standards in the preparation of the financial reports.

Whilst the Office does not have performance agreements with our clients in respect of issuing audit reports within a specific timeframe the Office has its own benchmarks.

Key Performance Measures	Target	Actual 1999-2000
Number of financial statement audits completed within four months of financial statement date	100%	53.4%
Number of financial audits completed within 15 days of receiving final signed financial statements	90%	92.61%

Under Section 46 of the *Financial Management and Audit Act 1990* the Auditor-General discharges his/her responsibility by appointing officers within the Office, or some other suitably qualified persons to carry out the whole or a part of an audit or investigation. As one of the Office's performance indicators five to six audits at any time in addition to local government audits will be contracted to the private sector so the Office's audit fees are market tested.

Under Section 85 of the *Local Government Act 1993* the private sector auditing firms may conduct audits of the accounts and financial reports of Councils. The private sector audit firms are selected via a tendering process that includes the Audit Office. The following table indicates the number of audits conducted by the Audit Office and private sector firms.

Audits that are contracted to private sector firms require the contract auditors to undertake all facets of a filed audit, subject to review by the Auditor-General. The audit report issued in respect of the financial statements is issued and signed by the Auditor-

General. The contract auditors only act as an agent of the Auditor-General in respect of undertaking the audit.

	1996-1997	1997-1998	1998-1999	1999-2000	2000-2001
Non local government audits conducted by private sector firms (Target 5 to 6 per annum)	6	6	5	5	5
Local government audits conducted by private sector firms	8	8	6	6	6
Audits conducted solely by the Tasmanian Audit Office	113	105	92	106	104
TOTAL	127	119	103	117	115

The Office has a strong focus on completing financial audits on budget and as previously stated there is a strong incentive to ensure the Office is cost effective. While it is desirable that all audits individually break-even this is not an achievable target. However the Office has a target of completing the entire portfolio of financial audits within the total financial audit fee revenue base.

Key Performance Measure	1996	1998	1998	1999	2000
Ensure that financial audit services are delivered at break-even overall in each audit cycle	N/a	N/a	Profit	Profit	Loss

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 that 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.

During the period 2000 - 2001 Performance Audit Services tabled the following reports.

Special Report No. 32 - Assistance to Industry

The objective of this audit was to assess the effectiveness and efficiency of management of assistance to industry processes as undertaken by the Department of State Development that has primary responsibility for this area. Performance auditors examined payments made in relation to 19 companies or projects between July 1996 and December 1999 against best practice standards noted in a 1998 report by the Audit Office of New South Wales. Recommendations were made regarding the methods used to evaluate major projects for assistance and the need for departmental guidelines. As well, recommendations were also made in relation to matters of public disclosure and accountability.

Special Report No. 33 – Food Safety

The audit focussed on monitoring of food safety by Local Government's Environmental Health Officers (EHOs). Auditors examined the staffing of EHO positions, the planning and conducting of inspections, integration of the results of inspections, and the monitoring and reporting of food safety functions. Recommendations made in the report mainly centred on issues of transparency and accountability as they relate to processes undertaken by Councils. However, commendations of best practice were made to the West Tamar and Central Coast Councils.

Special Report No. 34 – Procurement

This audit of procurement practices was conducted across all government departments with the objectives of ascertaining the degree of compliance with relevant policies and procedures, as well as examining the broader concepts of probity and accountability. Based on the Department of Treasury and Finance's *Handbook for Government Procurement* four main criteria were applied, viz: value for money utilising open and effective competition; enhancement of opportunities for local business; management; and the tender process. Prior to tabling, individual reports were sent to the departments identifying areas where improvements could be made. Additionally, some generic recommendations were made that affected most agencies. In this category were recommendations regarding enhanced transparency of procurement activities, e.g. public disclosure regarding exemptions from normal tendering processes and the issue of 'commercial-in-confidence'.

Special Report No. 35 – Software Licensing

The objective of this audit was to assess the effectiveness and efficiency of the way in which departments and government businesses manage software licensing. Amongst other things, the audit examined management's commitment to legal software use, the security of software and methods used to monitor licence conditions. Although generally favourable in its findings, it was recommended that organisations should implement a procedure for all staff to sign an Employee Compliance Statement indicating their agreement to legal software use. It was also recommended that as

technology allows, organisations should consider using automated tools to aid management of software licences.

Special Report No. 36 – Collection of Receivables and Loans in Tasmanian Government Departments

The objective was to review receivables and loan collection practices across the majority of government departments and examine how efficiently and effectively this collection was managed. The audit was concerned with examining agency accounting controls and collection procedures, credit management and the use of performance measures and management reporting. Significant shortcomings were identified and recommendations were made that departments ensure that policy frameworks exist and that they are widely available to relevant staff. Further recommendations covered the establishment of thresholds for follow-up of outstanding receivables and the prioritisation of recovery action for amounts above the threshold.

The Office also conducted one performance audit – namely Internet Security. A report was not tabled in Parliament due to sensitivity and confidentiality concerns but reports were forwarded to the responsible Portfolio Ministers detailing the outcomes of the performance audit.

Preliminary work was carried out developing performance audit topics that will form the framework for the next year's program.

Compliance and Regulatory Audits

In November 2000 a cycle of compliance audits was started. The objective of the first of these audits was to ascertain the extent to which all inner budget agencies achieved compliance with Treasurer's Instructions covering the control of bank accounts. Audit criteria focussed on the adequacy of controls in place. Work is proceeding and a report will be tabled in Parliament before the end of the calendar year.

Special Investigations

At the Tasmanian Museum and Art Gallery (TMAG) a small-scale special investigation was made of the valuation and recording assets. The emphasis in this study was on issues arising from the cataloguing process. In particular, work was done to determine the extent of valuations entered into the catalogue database and also to verify the existence of items located in running acquisitions register. A report was provided to the TMAG Director.

Key Performance Measures	Target	1997	1998	1999	2000	2001
Number of performance audits undertaken each year	6	6	7	2	3	6
Number of performance audit reports tabled each year	6	6	7	2	3	5

Survey Parliamentarians on usefulness of the Performance Audit Reports	Good to Very Good	Neutra l to Good	Neutra l to Good	No Survey	No Survey	No Surve y
Conduct performance audits within the allocated appropriation granted by Parliament	Cost (\$'000)	292	233	236	252	337
	Budget (\$'000)	266	254	265	315	283

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 that requires the attention of Parliament.

Key Performance Measures	Target	1997	1998	1999	2000	2001
Survey Parliamentarians on usefulness of the Report on Ministerial Portfolios	Good to Very Good	Good to Very Good	Good to Very Good	No Survey	No Survey	No Survey
Report on Public Account to be tabled simultaneously with the Treasurer's Financial Statement prior to	30 September each year	25 Sept 1996	25 Sept 1997	24 Sept 1998	17 Sept 1999	29 Sept 2000
Report on Ministerial Portfolios to be tabled by	30 November each year	25 Nov 1996	25 Nov 1997	7 Dec 1998	30 Nov 1999	30 Nov 2000

The survey of Parliamentarians in respect of the usefulness of the Report on Ministerial Portfolios will be conducted for the first time during 2001-2002.

The Office has met the performance measures in respect of tabling the Report on the Public Account and the Report on Ministerial Portfolios.

MAJOR DOCUMENTS PRODUCED

	Copies Printed	Production Cost \$	Printing Cost \$	Total Cost \$
Performance Audit Reports				
Special Report No 32 – Assistance to Industry	200	65 462	2 057	67 519
Special Report No 33 – Food Safety	200	34 199	1 474	35 673
Special Report No 34 – Procurement in Tasmanian Government Departments	200	83 001	2 323	85 324
Special Report No 35 – Software Licensing	200	33 478	1 518	34 996
Special Report No 36 – Collection of Receivables and Loans in Tasmanian Government Departments	200	63 339	1 897	65 236
		279 479	9 269	288 748
Annual Reports as required by the Financial Management and Audit Act				
Report No 1 & No 2 – Government Departments and Public Bodies and the Public Account	200	65 715	4 658	70 373
		65 715	4 658	70 373
		345 194	13 927	359 121

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

CORPORATE SERVICES

The Corporate Services section provides support to the Office's financial and performance auditing services. The functions include financial reporting, management reporting, human resources and payroll, information technology and information management.

Key achievements during the year included:

- full implementation of GST
- implementation of marketing initiatives;
- leasehold renovations;
- implementation of recommendations in the information technology strategic plan;
- further integration of the Office's records management system;
- further enhancements to the Office's induction program;
- implementation of the Office's cadetship scheme; and
- undertook a full ergonomic assessment of individual work areas, and included the ergonomic assessment as part of the induction program for all new employees.

EXTERNAL AND INTERNAL SCRUTINY

EXTERNAL REVIEW

There was no external review in this year.

INTERNAL AUDIT

No internal audit was undertaken this year

EXTERNAL AUDIT

Under Section 45 of the *Financial Management and Audit Act 1990*, the Governor may appoint an independent Registered Company Auditor to perform an audit of the financial statements of the Tasmanian Audit Office. Deloitte Touche Tohmatsu, Chartered Accountants, Hobart, were appointed for a term of three years expiring on completion of the audit for the year ended 30 June 2001. Their unqualified audit report is attached to the financial statements contained in this Report.

CONSULTANTS and CONTRACTORS ENGAGED DURING THE YEAR

The Office engaged the following consultants and contractors during the year:-

Consultant	Services	Cost
Wise Lord & Ferguson	Audit Contractor	42 200
ITAC	Audit Contractor	24 100
Darren Lette	Audit Contractor	18 508
KPMG	Audit Contractor	16 850
Alphawest Pty Ltd	IT Consultants	12 500
REMUS Consortium	Payroll Outsourcing Services	11 525
Jet Personnel	Short Term Employment	11 144
Lee Page Pty Ltd	Professional Development Consultants	8 121
Public Matters	Publicity Consultants	6 841
De Santi & Associates	Audit Contractor	5 300
Technology One Pty Ltd	IT Vendor	3 280
Moore Robsons	Audit Contractor	3 068
Bruce Miller	Photographer	2 310
Gillian Groom	Occupational Consultant	2 065
Luttrell & Pyefinch	Architectural Services	1 880
Solicitor –General	Lease Preparation	834
Portera Pty Ltd	IT Vendor	795
Cheryl Pettman	Consultant	513
Mary McArthur	Physiotherapist	367
Tas Sports Physiotherapy	Physiotherapist	165

ADMINISTRATIVE POLICIES

Recycling

The Office is committed to using recycled products, such as this report, and providing materials, such as paper and cardboard, for recycling to the Hobart City Council.

Support for 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 2000-01 the Office did not award any contract in excess of \$50 000.

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 Office holds the following information

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

OUR OBJECTIVES

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.

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

Key Achievements

A new cadetship program.

New recruitment advertising program.

Establishment of a Professional Development Committee.

Areas for Improvement

- Appraisal system needs reviewing and appraisals to be conducted for all staff on a regular basis;
- Professional Development within the Office needs reviewing to ensure staff receive appropriate training.

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-focused, 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.

Key Performance Measures	Target	1997	1998	1999	2000	2001
Regular office consultative committee meetings	Four per year	3	4	3	3	3
Number of grievances lodged by staff	None	None	None	None	None	None

The Office will be conducting annual staff satisfaction surveys and the results will be published in the Office's annual report. The target is to achieve a Good to Very Good rating from staff.

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

	1996-97	1997-98	1998-99	1999-2000	2000-2001
Claims Lodged	0	1	0	1	0
Days Lost	0	14.25	0	3	0
Cost of Claims	0	\$1 197	\$3 154*	\$312	\$4 492*
Premium	\$14 856	\$12 397	\$10 066	\$9 786	\$9 714

* 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 as part of the Office's induction program; and
- ergonomic chairs are purchased and other aids provided such as footstools 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 Office provides a consultancy service by contracting an external occupational therapist to oversee ergonomic issues within the Office and this includes assisting staff on rehabilitation programs.

Equal Employment Opportunity

The Office is committed to increasing its female workforce. We have made steady progress with figures rising from 20% to 33% over the past year.

Women in senior management positions has always been an issue for the Office, and it is pleasing to report that during the year Kate Stanton was appointed to a Senior Executive Management position within the Office.

The cadetship program launched during the year allowed the Office to employ both young and mature aged students.

The Office continues to support staff who have disabilities or who are incapacitated due to illness.

HUMAN RESOURCE MANAGEMENT

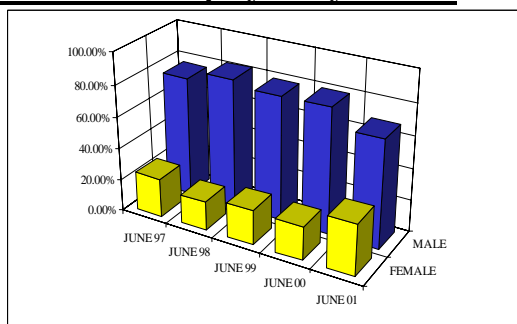
Staff Recruitment and Turnover

	1998-1999	1999-2000	2000-2001
Permanent Employees 1 July	32	32	33
Losses			
Retirements	1	1	-
Resignations	2	6	3
Promotions	-	1	2
	(3)	(8)	(5)
Gains			
State Service	1	-	-
Non-State Service	2	4	6
Conversion from Temporary to Permanent	-	5	-
	3	9	6
Total Permanent Employees	32	33	34
Plus Temporary Employees	10	2	1
Number of Staff 30 June	42	35	35
% Change / Year	27.3%	(16.7%)	(0%)

During the year the Office recruited six permanent staff to offset the lost of five permanent staff through resignations and promotions to other public sector entities. The temporary position relates to a staff member from the Department of Justice and Industrial Relations being on secondment to the Office.

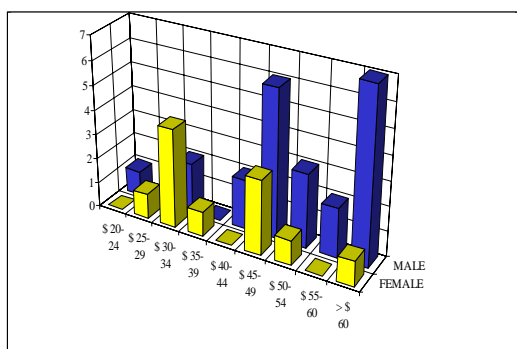
In terms of head counts for permanent staff the number has remained constant over the last three years.

Permanent Employees by Gender



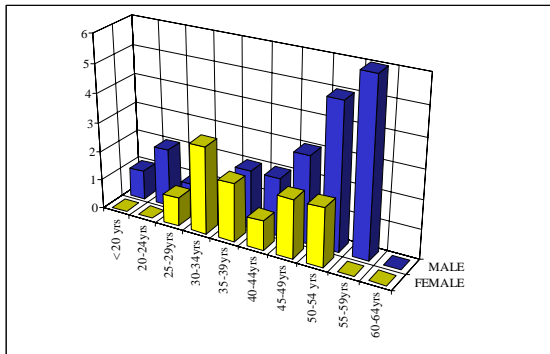
The gender ratio has changed significantly during the past year with the ratio of males to females being now two to one compared to the previous four years of four to one.

Permanent Employees by Gender by Salary



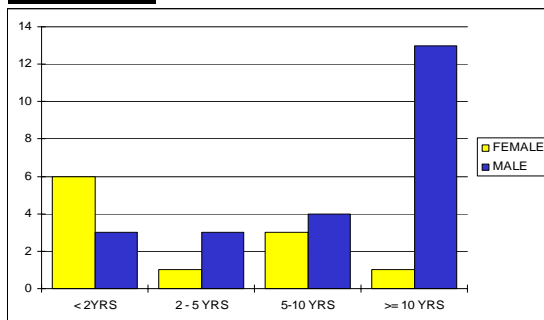
At the lower end of the salary range the ratio by gender is 1:1. At the mid to top end of the salary range the difference is quite noticeable. One of the factors is the length of service of male staff that has had an impact on career paths of employees of both sexes within the Office.

Permanent Employees By Age By Gender



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

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 employees have worked for the Office for more than 15 years. While this is good in terms of retaining corporate knowledge within the organisation it has had the impact of limiting the career path of junior staff and as a result the staff turnover for the Office over the last two years has been higher than anticipated..

Head Counts - Permanent and Temporary

	Male 30 June 2001	Female 30 June 2001
Staff Recruitment		
From within State Service	0	0
Non-State Service	2	4
Temporary to Permanent	0	0
	2	4
Staff Turnover		
Redundancy	0	0
Retirements	0	0
Promotions within Service	2	0
Deaths	0	0
Resignations	3	0
	5	0
Staff Movements		
Secondments	0	0
Leave without Pay	0	0
	0	0
Staff by Location		
Hobart	23	9
Launceston	1	2
	24	11
Equal Employment		
Disabilities	1	0
Aboriginal & Torres Strait Islander	0	0
Non-English Speaking Background	2	2

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.

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 detract from Office requirements.

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 any disability and their background. The figures published are from those staff that have declared any aspect of personal background.

<u>Staff Age Profile - Head Counts</u>	Male	Female
15 - 19 years	1	0
20 - 24 years	2	0
25 - 29 years	0	1
30 - 34 years	2	3
35 - 39 years	2	3
40 - 44 years	3	0
45 - 49 years	3	1
50 - 54 years	5	3
55 - 59 years	6	0
60 - 99 years	0	0
	24	11

Average Age	45.21	40.27
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<u>Staff Salary Profile - Head Counts</u>	Male	Female
< \$ 15 000	0	0
\$15 001 - \$20 000	0	0
\$20 001 - \$ 25 000	1	0
\$25 001 - \$30 000	0	1
\$30 001 - \$35 000	2	4
\$35 001 - \$40 000	0	1
\$40 001 - \$45 000	2	0
\$45 001 - \$50 000	6	3
\$50 001 - \$55 000	3	1
\$55 001 - \$60 000	3	0
\$60 000 - \$65 000	5	1
\$65 001 - \$70 000	2	0
	24	11

Average Salary	\$56 440	\$42 072
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<u>Staff Categories - Head Counts</u>	Male	Female
Prescribed	2	0
Permanent Full-Time	21	10
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	0
Part-Time Temporary - S38 (1)(b)	0	0
	24	11

<u>Staff Categories - FTEs</u>	Male	Female
Prescribed	2	0
Permanent Full-Time	21	10
Permanent Part-Time	0	68
Full-Time Temporary - S38 (1)(a)	1	0
Part-Time Temporary - S38 (1)(a)	0	0
Full-Time Temporary - S38 (1)(b)	0	0
Part-Time Temporary - S38 (1)(b)	0	0
	24	10.68

<u>Staff Awards - FTEs</u>	Male	Female
Administrative & Clerical Employees	3	1.68
Professional Employees	19	9
Contract	2	0
	24	10.68

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.

Award as the positions relating to auditing require formal qualifications and specialist skills.

In relation to salary profile 77% 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 \$260 000.

The use of temporary staff has reduced as the Office has been able to reduce the backlog of work in relation to audit planning.

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

Staff by Category - Head Counts	June 2000	June 2001
Executive Management	3	6
Managers	5	6
Auditors	23	20
IT Support	1	0
Administration Staff	3	3
	35	35
Average Staff for the year	35.81	35.08

The Office has changed the management structure during the year as indicated in the organization chart illustrated earlier in this report.

LEAVE MANAGEMENT

Annual Leave

	30 June 1999	30 June 2000	30 June 2001
Number of employees whose accrued annual leave credits is in excess of 40 working days.	9	8	4

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

The target as at 30 June 2001, was that no employee should have an accrued annual leave balance in excess of 45 days. However, there are six employees who have annual leave balances in excess of this target. Three of these employees are corporate services staff who due to operational issues have been unable to take leave.

Long Service Leave

	30 June 1999	30 June 2000	30 June 2001
Number of employees whose accrued long service leave is in excess of 100 working days.	1	1	1

By 30 June 2002:

- no employee will have an accrued balance in excess of 35 days.

Sick Leave

	30 June 1999	30 June 2000	30 June 2001
Full Pay Sick Leave (Days)	285.8	280.9	245.8
Half Pay Sick Leave (Days)	7.0	0.0	0.0
No Pay Sick Leave (Days)	2.0	0.0	10.01
Total Sick Leave Days	294.8	280.9	255.9
Average Per Employee (Days)	8.8	7.84	7.29
Number of employees who took leave in excess of 100 hours (13.6 days).	5	4	3

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.

The three 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 121 that is at least 47.5 % of the total sick leave taken by employees of the Office.

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.

Key Performance Measures	1996-97	1997-98	1998-99	1999-2000	2000-01
Number of days of training provided (Includes internal and external training)	204.2	157.3	224.9	375.8	569.50
Average number of days per employee	5.33	4.46	6.74	10.49	16.23
External Training Costs as a percentage of Total Resources (Target 3%)	1.1%	0.9%	1.0%	1.4%	1.1%

SUPERANNUATION DECLARATION

I, Arthur John McHugh, hereby certify 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 2001

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

Convenor

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

National Professional Standards Committee

Ethics and Corporate Governance Centre of Excellence

Divisional Council

Divisional Investigation Committee

Divisional Public Sector Committee

Institute of Public Administration Australia

Divisional Council Tasmania – President

Divisional Council Tasmania – Treasurer

Intra-Government/Public Bodies Committees

Multicultural Tasmania

Multicultural 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

Tasmanian Statistical Advisory Committee

Our Finances

Our Objective

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

Commentary on our Financial Results

Key Statistics

Financial Statements

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 income tax equivalent charge on any profits and pays a capital charge based on closing net worth.

Performance audit work, special 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 State's annual budget.

The Auditor-General's salary and on-costs is a Reserved-by-law item within the State's annual budget. By agreement with Treasury, this appropriation has been offset with an annual payment of one half of the amount to the Consolidated Fund. This amounted to \$130 000 this year. In addition, the Office has volunteered a cash transfer of \$100 000 to the Consolidated Fund. This is the fifth such equity reduction provided.

The financial statements appear on the following 27 pages.

Statement of Compliance

The cash statements have been truncated relative to previous years in accordance with Treasury requirements as the accrual-based statements are more informative.

There is only a single output group entitled "Public Sector Management and Accountability". This covers the financial and performance audit work of the Office.

Total receipts were slightly lower than anticipated due to an overestimate of GST collections.

Total expenditure was down on the estimate of \$3.502m by \$0.276m due to an over estimate of the GST payable on purchases and the fact that operating expenses were less than anticipated.

The closing cash balance (\$1.010m) is similar to the previous financial year and funds staff salaries, creditors and accrued staff entitlements pending the billing and collection of audit fees. The Office has the Treasurer's approval to carry this forward to the 2001-2002 financial year. The cash balance is held in T644 being the Tasmanian Office Operating Account within the Special Deposit and Trust fund.

Statement of Financial Performance

The Statement of Financial Performance shows a profit of \$38 000 before taxation equivalence (previous year \$146 000). Taxation equivalence of \$18 000 and a dividend of \$19 000 were paid.

Revenue was up by \$100 000 from last year mostly due to small CPI-related increases to audit fees. Revenue included \$0.419m paid from Finance-General to fund performance audits, investigations and reports to Parliament.

Expenses increased by \$226 000 mainly due to increased salary payments.

Both revenues and expenses are shown net of GST in accordance with accounting principles.

Expenses include a below the line capital charge of \$0.071m. This is reckoned at a current market interest rate on the closing equity balance. The charge is paid into the Consolidated Fund.

Statement of Financial Position

Several items are of interest.

Receivables are down from \$815 000 to \$192 000 due to a system of more frequent billing for audit services.

Leasehold improvements of \$19 000 represent expenditure made to accommodate the current staffing complement.

The investment in computer equipment is stable at \$188 000 because the investment in equipment and software balanced the depreciation charge.

Total current plus non-current employee liabilities have decreased from \$601 000 to \$550 000 despite salary increases due to a policy of enforcing limits on the accumulation of annual and long service leave.

Total equity has reduced from \$1.251m to \$1.023m largely due to the equity transfers referred to above.

Statement of Cash Flows

User charges cash inflows are down on the previous year due to the cessation of the initial effect of the introduction of more timely billing for audit services as performed.

Interest received increased due to the receipt of delayed interest relating to the previous year.

The Office continued to invest in technology (\$120000) in order to maintain support for its office and audit hardware and software.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2001

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PUBLIC ACCOUNT GENERAL PURPOSE FINANCIAL STATEMENTS

Statement of Compliance

Statement of Financial Performance

Statement of Financial Position

Statement of Cash Flows

Notes to the Financial Statements

Certification of Financial Statements

Audit Report

TASMANIAN AUDIT OFFICE

Statement of Compliance with Consolidated Fund Appropriation and other External Requirements for the year ended 30 June 2001

	Note	2000	2001	2001	
		Actual	Estimate	Actual	Variation
		\$ '000	\$ '000	\$ '000	\$ '000
Opening Balance		1 012	1 066	1 066	
Receipts					
Consolidated Fund:					
Reserved by Law		218	259	258	1
Total Consolidated Fund		218	259	258	1
Other Receipts:					
Gross cash proceeds from sale of assets		2	-	4	(4)
Revenue not paid into Consolidated Fund		2 730	2 708	2 714	(6)
GST collections and refunds	12(a)	-	265	194	71
Total Other Receipts		2 732	2 973	2 912	61
TOTAL FUNDING OF OUTPUTS		2 950	3 232	3 170	62
EXPENDITURE BY OUTPUT GROUP					
Public Sector Management & Accountability	12(a)	2 896	3 502	3 226	276
TOTAL		2 896	3 502	3 226	276
TOTAL OUTPUT GROUP EXPENDITURE		2 896	3 502	3 226	276
CLOSING BALANCE		1 066	796	1 010	(214)

Note: The Statement of Compliance with Consolidated Fund Appropriation and other External Requirements is prepared on a cash basis, and as such, line items may not agree to line items in the Statement of Financial Performance, that has been prepared on an accrual basis.

TASMANIAN AUDIT OFFICE
Statement of Items Reserved by Law for the year ended 30 June 2001

	Note	2000 Actual \$ '000	2001 Estimate \$ '000	2001 Actual \$ '000	Variation \$ '000
R007 - Auditor-General's Salary and Allowances	12(b)	218	259	258	1
		218	259	258	1

TASMANIAN AUDIT OFFICE
**Statement of Receipts and Expenditure for the Office Accounts within the Special Deposits and Trust
Fund for the year ended 30 June 2001**

	Note	Balance 30-Jun-00 \$ '000	2001 Receipts \$ '000	2001 Expenditure \$ '000	Balance 30-Jun-01 \$ '000
T644 - Tasmanian Audit Office Operating Account		1 066	3 170	3 226	1 010
		1 066	3 170	3 226	1 010

Account Number and Name**Purpose**

T644 - Tasmanian Audit Office Operating Account

To record transactions associated with the receipt and expenditure of funds managed by the Office

TASMANIAN AUDIT OFFICE
Statement of Financial Performance for the year ended 30 June 2001

	Note	2001 Actual \$ '000	2000 Actual \$ '000
Revenue from ordinary activities			
User charges	1.3(b), 2.1	2 660	2 576
Gross proceeds from the disposal of assets	1.3(c), 2.2	4	2
Other revenue from ordinary activities	1.3(d), 2.4	<u>80</u>	<u>66</u>
Total revenue from ordinary activities		<u>2 744</u>	<u>2 644</u>
Expenses from ordinary activities			
Employee entitlements	1.4(a), 3.1	2 085	1 951
Depreciation	1.4(b), 3.2	104	106
Written down value of disposed assets	1.4(c), 3.3	-	-
Other expenses from ordinary activities	1.4(d), 3.4	<u>775</u>	<u>681</u>
Total expenses from ordinary activities		<u>2 964</u>	<u>2 738</u>
Profit (Loss) from ordinary activities before appropriations from Government		<u>(220)</u>	<u>(94)</u>
Recurrent appropriations	1.3(a)	258	218
Assets assumed (liabilities transferred)	2.3	-	22
Profit (Loss) from ordinary activities before income tax equivalents		<u>38</u>	<u>146</u>
Income Tax equivalence expense	1.9(a), 3.5	18	36
Net Profit		<u>20</u>	<u>110</u>
Provision for Dividend	1.9(b)	19	73
Total changes in equity other than those resulting from transactions with owners as owners	7	<u>1</u>	<u>37</u>

Note: The above Statement of Financial Performance should be read in conjunction with the

accompanying notes.

TASMANIAN AUDIT OFFICE
Statement of Financial Position as at 30 June 2001

	Note	2001 Actual \$ '000	2000 Actual \$ '000
Assets			
Current Assets			
Cash on hand and deposit accounts	1.5(a)	1010	1066
Receivables	1.5(b), 5.1, 12(b)	192	815
Work in progress	1.5(c), 5.2, 12(b)	464	9
Tax assets	5.3, 12(b)	26	60
Other current assets	1.5(d), 5.3, 12(b)	24	38
Total current assets		1716	1988
Non-Current Assets			
Computer Equipment	1.5(e), 5.4, 5.5	188	189
Leasehold Improvements	1.5(e), 5.4, 5.5	19	0
Office Equipment	1.5(e), 5.4, 5.5	2	3
Total non-current assets		209	192
Total assets		1925	2180
Liabilities			
Current Liabilities			
Employee entitlements	1.6(b), 6.1, 12(b)	221	305
Payables and other current liabilities	1.6(a), 6.2, 12(b)	282	232
Tax liabilities	1.9(a), 6.2	76	77
Total current liabilities		579	614
Non-Current Liabilities			
Employee entitlements	1.6(b), 6.1, 12(b)	329	296
Tax liabilities	1.9(a), 6.2	-6	19
Total non-current liabilities		323	315
Total liabilities		902	929
Net assets (liabilities)		1023	1251
Total Equity	7	1023	1251

Note: The above Statement of Financial Position should be read in conjunction with the accompanying notes.

TASMANIAN AUDIT OFFICE

Statement of Cash Flows for the year ended 30 June 2001

	Note	2001 Actual \$ '000	2000 Actual \$ '000
Cash flows from operating activities			
Cash inflows			
User charges		2 575	2 701
GST receipts on services	11, 12(b)	157	-
GST receipts from ATO	11, 12(b)	37	-
Interest received		120	-
Other cash receipts		19	7
Total cash inflows		2 908	2 708
Cash outflows			
Employee entitlements		2 137	1 998
GST payments on purchases	11, 12(b)	69	-
GST payments to ATO	11, 12(b)	118	-
Other cash payments	12(b)	461	502
Total current assets		2 785	2 500
Total cash from (used by) operating activities	8(b)	123	208
Cash flows from investing activities			
Cash inflows			
Gross proceeds from the disposal of assets		4	2
Total cash inflows		4	2
Cash outflows			
Payments for acquisition of assets		120	111
Total cash outflows		120	111
Net cash from (used by) investing activities		(116)	(109)
Cash flows from Government			
Cash inflows			
Recurrent appropriations	12(b)	258	218
Assumption of Liabilities		-	22
Total cash inflows		258	240
Cash outflows			
Taxation equivalents	12(b)	36	-
Dividend	12(b)	73	-
Capital Charge		91	122
Equity Reduction	12(b)	121	163
Total cash outflows		321	285
Net cash provided by Government		(63)	(45)
Net increase (decrease) in cash held		(56)	54
Cash at the beginning of the reporting period		1 066	1 012
Cash at the end of the reporting period	8(a)	1 010	1 066

Note: The above Statement of Cash Flows should be read in conjunction with the accompanying notes.

TASMANIAN AUDIT OFFICE

Notes to and forming part of the financial statements for the year ended 30 June 2001

Note Description**1 Summary of significant accounting policies**

- 1.1 Objectives and funding
- 1.2 Basis of accounting
- 1.3 Revenue
 - a) *Revenues from Government - Appropriation*
 - b) *User charges*
 - c) *Gross proceeds from the disposal of assets*
 - d) *Interest*
- 1.4 Expenses
 - a) *Employee entitlements*
 - b) *Depreciation*
 - c) *Written down value of disposed physical assets*
 - d) *Other expenses from ordinary activities*
- 1.5 Assets
 - a) *Cash on hand and deposit accounts*
 - b) *Receivables*
 - c) *Work in progress*
 - d) *Other assets*
 - e) *Computer equipment , leasehold improvements and office equipment*
- 1.6 Liabilities
 - a) *Payables*
 - b) *Provisions for employee entitlements*
 - c) *Superannuation*
- 1.7 Leases
- 1.8 Comparative Figures
- 1.9 Office Taxation, Dividends and Capital Charge
 - a) *Income tax*
 - b) *Dividend*
 - c) *Capital charge*

2 Revenue from ordinary activities

- 2.1 User charges
- 2.2 Gross proceeds and expenses from the disposal of fixed assets
- 2.3 Assets assumed
- 2.4 Other revenues from ordinary activities

3 Expenses from ordinary activities

- 3.1 Employee entitlements
- 3.2 Depreciation
- 3.3 Write down of assets
- 3.4 Other expenses from ordinary activities
- 3.5 Income tax equivalence

4 Outputs of the Office**5 Assets**

- 5.1 Receivables
- 5.2 Work in progress
- 5.3 Other assets
- 5.4 Computer equipment, leasehold improvements and office equipment
- 5.5 Reconciliation of non-physical assets

6 Liabilities

- 6.1 Employee entitlements
- 6.2 Payables and other liabilities
- 6.3 Schedule of commitments

7 Equity and Movements in Equity**8 Cash Flow Reconciliation****9 Average staffing levels****10 Financial instruments**

- 10.1 Terms, conditions and accounting policies
 - a) *Derivative instruments not shown in the Statement of Financial Position*
 - b) *Credit risk exposures*
 - c) *Interest rate risk*
- 10.2 Net fair value of financial assets and liabilities
- 10.3 Credit risk exposure

11 Goods and Services Tax**12 Explanatory Statement**

Note 1: Summary of significant accounting policies**1.1 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 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.

1.2 Basis of Accounting

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

- the Treasurer's Instructions issued under the provisions of the Financial Management and Audit Act 1990; and
- Australian Accounting Standards in particular AAS 29 'Financial reporting by Government Departments' and Urgent Issues Group Abstracts.

Except where stated, the financial statements have been prepared on an accrual basis and are in accordance with historical cost convention. The accounting policies are generally consistent with the previous year.

Assets and liabilities are recognised in the Office's Statement of Financial Position when it is probable that future economic benefits will flow and the amounts of the assets or liabilities can be reliably measured.

Revenues and expenses are recognised in the Office's Statement of Financial Performance when the flow or consumption or loss of economic benefits has occurred and can be reliably measured.

1.3 Revenue

Revenues are recognised in the Statement of Financial Performance when it is probable that the inflow or other enhancement or saving in outflows of future economic benefits has occurred and can be measured reliably.

a) Revenues from Government - Appropriations

Appropriations are recognised as revenues in the period in which the Office gains control of the appropriated funds.

b) User Charges

Amounts earned in exchange for the provision of goods and services are recognised when the good or service is provided.

c) Gross Proceeds From the Disposal of Assets

Revenue from the sale of non-current assets is recognised when control of the asset has passed to the buyer.

d) Interest

Interest revenue is recognised as it accrues.

1.4 Expenses

Expenses are recognised in the Statement of Financial Performance when it is probable that the consumption or loss of future economic benefits resulting in a reduction in assets and/or an increase in liabilities has occurred and the consumption or loss of future economic benefits can be measured reliably.

a) Employee Entitlements

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

b) Depreciation

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 on an annual basis, using rates that are reviewed annually. Major depreciation periods are:

Computer Equipment	3 years
Leasehold Improvements	5 years
Office Equipment	5 years

c) Written Down Value of Disposed Physical Assets

The written down value reflects the carrying value of the asset at the time of disposal.

d) Other Expenses from Ordinary Activities

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

1.5 Assets

Assets are recognised in the Statement of Financial Position when it is probable that the future economic benefits embodied in the asset will eventuate and the asset possesses a cost or other value that can be measured reliably.

a) Cash on Hand and Deposit Accounts

Cash means notes, coins any deposits held at call with a bank or financial institution, as well as funds held in the Special Deposits and Trust Fund.

b) Receivables

Receivables are recognised at the amounts receivable as they are due for settlement. Collectability of receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible, are written off. A provision for doubtful debts is raised where some doubts exist as to collection.

c) Work in Progress

Work in progress is measured by the actual hours spent to date on the individual audits multiplied by the appropriate charge out rate per employee category.

d) Other Assets

The other assets category includes prepayments.

e) Computer Equipment, Leasehold Improvement and Office Equipment

(i) Valuation basis

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.

(ii) Asset recognition threshold

The asset capitalisation threshold adopted by the Office is \$5 000. Assets valued at less than \$5 000 are charged to the Statement of Financial Performance in the year of purchase.

1.6 Liabilities

Liabilities are recognised in the Statement of Financial Position when it is probable that the future sacrifice of economic benefits will be required and the amount of the liability can be measured reliably.

a) Payables

Payables, including accruals not yet billed, are recognised when the Office becomes obliged to make future payments as a result of a purchase of assets or services.

b) Provisions for Employee Entitlements

Liabilities for wages and salaries and annual leave are recognised, and are measured as the amount unpaid at the reporting date at current pay rates in respect of employees' services up to that date.

A liability for long service leave is recognised, and is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date.

c) Superannuation

No superannuation liability is recognised for accruing superannuation benefits of Office employees. This liability is held centrally and recognised within the Finance-General Division of the Department of Treasury and Finance.

During the reporting period, the Office paid 11% of salary in respect of contributory members of the Retirement Benefits Fund into the Superannuation Provision Account within the Special Deposits and Trust Fund. The Office paid the appropriate Superannuation Guarantee Charge into the nominated superannuation fund in respect of non-contributors.

1.7 Leases

The Office has entered into a number of operating lease agreements for accommodation and motor vehicles, where the lessors effectively retain all of the risks and benefits incidental to ownership of the items leased. Equal instalments of lease payments are charged to the Statement of Financial Performance over the lease term as this is representative of the pattern of benefits to be derived from the leased property.

The Office received a lease incentive. In accordance with UIG 3 "Lease 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.

1.8 Comparative Figures

All amounts in the financial statements have been rounded to the nearest thousand dollars unless otherwise stated.

1.9 Office Taxation, Dividends and Capital Charge

The Office is exempt from all forms of taxation except fringe benefits tax, payroll tax and the goods and service tax.

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

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 Business Enterprises Act 1995.

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

- 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.

(a) 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 taxation 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.

(b) Dividend

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

(c) 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 1% greater than the interest earning rate on the Office's business operating account.

Note 2: Revenue From Ordinary Activities

2.1 User Charges

	2001 \$'000	2000 \$'000
Services		
Financial Audit Services	2 179	2 216
Performance Audit Services	337	252
Compliance Audit	62	-
Special Investigations	14	37
Report to Parliament	68	71
Total	<u>2 660</u>	<u>2 576</u>

2.2 Gross Proceeds and Expense From the Disposal of Fixed Assets

	2001 \$'000	2000 \$'000
Non-financial assets - office and computer equipment:		
Revenue (proceeds) from sale	4	2
Written down value of disposed assets	-	-
	<u>4</u>	<u>2</u>

2.3 Assets Assumed

	2001	2000
	\$'000	\$'000
Long Service Leave	-	22
	<u>-</u>	<u>22</u>

Under the Office's commercialisation agreement where the Office incurs additional costs in respect of accrued liabilities for employee entitlements as at 30 June 1993, the Consolidated Fund meets the pre 30 June 1993 amount.

2.4 Other Revenues From Ordinary Activities

	2001	2000
	\$'000	\$'000
Interest	61	66
Salary Reimbursement for Secondment Agreements	19	-
	<u>80</u>	<u>66</u>

Note 3: Expenses from Ordinary Activities**3.1 Employee Entitlements**

	2001	2000
	\$'000	\$'000
Wages and Salaries	1 676	1 522
Annual Leave	71	115
Long Service Leave	17	26
Superannuation	203	175
Payroll Tax	118	113
	<u>2 085</u>	<u>1 951</u>

3.2 Depreciation

	2001	2000
	\$'000	\$'000
Computer Equipment - Hardware	71	59
Computer Equipment - Software	31	30
Office Equipment & Furniture	1	17
Leasehold Improvements	1	-
	<u>104</u>	<u>106</u>

3.3 Write Down of Assets

	2001	2000
	\$'000	\$'000
Non-financial assets - office and computer equipment:		
Computer Equipment at Cost	28	358
Computer Equipment - Accumulated Depreciation	<u>(28)</u>	<u>(358)</u>
	<u>-</u>	<u>-</u>

3.4 Other Expenses from Ordinary Activities

	2001	2000
	\$'000	\$'000
Audit Expenses	4	4
Information Technology	106	92
Accommodation	124	115
Materials, Supplies & Services	135	95
Contractors and Consultants	183	98
Travel and Transport	70	70
Training	33	40
Capital Charge	71	92
Workers Compensation Premium	10	10
Insurance	11	11
Sales Tax Equivalence	-	30
Fringe Benefits Tax	20	22
Miscellaneous	<u>8</u>	<u>2</u>
	<u>775</u>	<u>681</u>

3.5 Income Tax Equivalence

The prima facie income tax equivalent expense on pre-tax accounting profit reconciles in the accounts as follows:

	2001 \$'000	2000 \$'000
Profit from ordinary activities before income tax equivalents	<u>38</u>	<u>146</u>
Income tax equivalent expense calculated at 34% of operating profit (2000 36%)	<u>12</u>	<u>52</u>
Permanent differences		
Profit on Sale of Assets	-	(3)
Net adjustment to deferred income tax liabilities and assets to reflect the decrease in company tax rate to 30%	<u>6</u>	<u>-</u>
Income tax equivalent expense attributable to profit from ordinary activities	<u>18</u>	<u>49</u>
Income tax equivalent expense comprises movements in:		
Provision for tax equivalent expenses	9	21
Future income tax benefit	34	5
Provision for deferred income tax	<u>(25)</u>	<u>23</u>
Total income tax equivalent expense	<u>18</u>	<u>49</u>

Note 4: Outputs of the Office

The Office has only one output and this output covers the entire operation of the Office.

The following information is a duplication of the financial statements presented prior to these notes.

Output Group 1: Public Sector Management and Accountability

	2001	2000
	Actual	Actual
	\$ '000	\$ '000
Revenue from ordinary activities		
User charges	2 660	2 576
Gross proceeds from the disposal of assets	4	2
Other revenue from ordinary activities	<u>80</u>	<u>66</u>
Total revenue from ordinary activities	<u>2 744</u>	<u>2 644</u>
Expenses from ordinary activities		
Employee entitlements	2 085	1 951
Depreciation	104	106
Written down value of disposed assets	-	-
Other expenses from ordinary activities	<u>775</u>	<u>681</u>
Total expenses from ordinary activities	<u>2 964</u>	<u>2 738</u>
Profit (Loss) from ordinary activities before appropriations from Government	<u>(220)</u>	<u>(94)</u>
Recurrent appropriations	258	218
Assets assumed (liabilities transferred)	-	22
Profit (Loss) from ordinary activities before income tax equivalents	<u>38</u>	<u>146</u>
Income Tax equivalence expense	18	36
Net Profit	<u>20</u>	<u>110</u>
Provision for Dividend	19	73
Total changes in equity other than those resulting from transactions with owners as owners	<u>1</u>	<u>37</u>

Note 5: Assets**5.1 Receivables**

	2001	2000
	\$'000	\$'000
User Charges including GST	189	751
Interest	<u>3</u>	<u>64</u>
	<u>192</u>	<u>815</u>
Current	192	815
Non-current	<u>-</u>	<u>-</u>
	<u>192</u>	<u>815</u>

5.2 Work in progress

	2001	2000
	\$'000	\$'000
Work in progress	<u>464</u>	<u>9</u>
	<u>464</u>	<u>9</u>

5.3 Other Assets

	2001	2000
	\$'000	\$'000
Tax Assets		
Future Income Tax Benefit	<u>26</u>	<u>60</u>
	<u>26</u>	<u>60</u>
Other Assets		
Prepayments	<u>24</u>	<u>38</u>
	<u>24</u>	<u>38</u>

5.4 Computer Equipment, Leasehold Improvements and Office Equipment

	2001	2000
	\$'000	\$'000
Leasehold Improvements		
Leasehold improvements - at cost	187	167
Less: accumulated amortisation	<u>(168)</u>	<u>(167)</u>
Total leasehold improvements	<u>19</u>	<u>-</u>
Office Equipment		
Office Equipment - at cost	52	52
Less: accumulated depreciation	<u>(52)</u>	<u>(52)</u>
Total office equipment	<u>-</u>	<u>-</u>

Furniture & Fittings

Furniture & Fittings - at cost	82	82
Less: accumulated depreciation	<u>(80)</u>	<u>(79)</u>
Total furniture and fittings	<u>2</u>	<u>3</u>

Computer Equipment - Hardware

Computer Equipment - Hardware - at cost	355	272
Less: accumulated depreciation	<u>(199)</u>	<u>(145)</u>
Total computer equipment - hardware	<u>156</u>	<u>127</u>

Computer Equipment - Software

Computer Equipment - Software - at cost	167	179
Less: accumulated depreciation	<u>(135)</u>	<u>(117)</u>
Total computer equipment - software	<u>32</u>	<u>62</u>

Total Computer Equipment, Office Equipment and Leasehold Improvements

	209	192
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5.5 Reconciliation of Non-Current Physical Assets

	Computer Equip \$'000	Office Equip & Fittings \$'000	Leasehold Imprv \$'000
2000			
Carrying amount at start of year	167	20	-
Additions - at cost	110	-	-
Disposals - at written down value	-	-	-
Depreciation/amortisation expense	<u>(88)</u>	<u>(17)</u>	-
Carrying amount at end of year	<u>189</u>	<u>3</u>	<u>-</u>
2001	\$'000	\$'000	\$'000
Carrying amount at start of year	189	3	-
Additions - at cost	100	-	20
Disposals - at written down value	-	-	-
Depreciation/amortisation expense	<u>(101)</u>	<u>(1)</u>	<u>(1)</u>
Carrying amount at end of year	<u>188</u>	<u>2</u>	<u>19</u>

Note 6: Liabilities**6.1 Employee Entitlements**

	2001	2000
	\$'000	\$'000
Accrued Salaries	45	40
Accrued Superannuation	5	4
Accrued Payroll Tax	3	3
Accrued ILOT	1	5
Annual Leave	12	47
Long Service Leave	484	503
	<u>550</u>	<u>602</u>
Current	221	305
Non-current	329	297
	<u>550</u>	<u>602</u>

6.2 Payables and Other Liabilities

	2001	2000
	\$'000	\$'000
Payables		
Creditors	151	15
Revenue in Advance	2	2
Lease Incentive Liability	34	46
Accrued FBT	5	5
Capital Charge	71	91
Dividend	19	73
	<u>282</u>	<u>232</u>
Tax Liabilities		
GST owed to the ATO	26	-
Provision for Income Tax	50	77
Provision for Deferred Income Tax	(6)	19
	<u>70</u>	<u>96</u>
Total Payables & Tax Liabilities	<u>352</u>	<u>328</u>
Current	358	309
Non-current	(6)	19
	<u>352</u>	<u>328</u>

6.3 Schedule of Commitments

Schedule of Commitments as at 30 June 2001

	2001 \$'000	2000 \$'000
By Type		
Lease Commitments		
Operating Leases - Accommodation	133	94
Operating Leases - Motor Vehicles	<u>36</u>	<u>23</u>
	<u>169</u>	<u>117</u>

By Maturity

Lease Commitments		
One Year or less	169	102
From one to five years	696	306
Over five years	<u>931</u>	<u>-</u>
	<u>1 796</u>	<u>408</u>

Note 7: Equity and Movements in Equity

	2001 \$'000	2000 \$'000
Balance as at July 2000	1 252	1 378
Net surplus/deficit	1	37
Equity reduction	(230)	(163)
Balance as at June 2001	<u>1 023</u>	<u>1 252</u>

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

Note 8: Cash Flow Reconciliation

	2001	2000
	\$'000	\$'000
(a) Reconciliation of cash per Statement of Financial Position to Statement of Cash Flows		
Cash at year end per Statement of Cash Flows	1 010	1 066
Statement of Financial Position items comprising above cash: 'Financial Asset - Cash'	1 010	1 066
(b) Reconciliation of operating surplus to net cash provided by operating activities:		
Profit/(Loss) from ordinary activities before appropriations from Government	(220)	(94)
Non-cash items:		
Depreciation/Amortisation	104	106
(Profit)/Loss on disposal of assets	(4)	(2)
Sales Tax	-	31
Contributions to Government	91	91
(Increase)/decrease in current assets:		
Current Receivables	623	(742)
Work in Progress	(455)	757
Other assets	14	98
Increase/(decrease) in current liabilities:		
Current Payables	54	30
Employee Entitlements	(85)	8
Other Liabilities	(32)	(21)
Increase/(decrease) in non-current liabilities:		
Employee Entitlements	33	(54)
Tax liabilities	-	-
Net Cash provided (used) by operating activities	<u>123</u>	<u>208</u>

Note 9: Average Staffing Levels

	2001	2000
	Number	Number
The average staffing levels for the Office during the year were:	35.08	35.81

Note 10: Financial Instruments

10.1 Terms, Conditions and Accounting Policies

Financial Instrument	Accounting Policies and Methods (Including recognition criteria and measurement basis)	Nature of underlying instrument (including significant terms & conditions affecting the amount, timing and certainty of cash flows)
Financial Assets	.Financial assets are recognised when control over future economic benefits is established and the amount of the benefit can be reliably measured.	
Cash	Deposits are recognised at their nominal amounts. Interest is credited to revenue as it accrues	The Office's business operating account is a Trust account in the Special Deposits and Trust Funds at the Department of Treasury and Finance. The interest is calculated on the minimum daily balance and the average interest rate was 5.13%.
Receivables for user charges	These receivables are recognised at the nominal amounts due, less any provision for bad and doubtful debts. Collectability of debts is reviewed at balance date. Provisions are made when collection of debts is judged to be less than rather more likely.	Credit terms are 30 days.
Financial Instrument		
Creditors	Creditors and accruals are recognised at their nominal amounts, being the amounts at which the liabilities will be settled. Liabilities are recognised to the extent that the goods and services have been received (and irrespective of having been invoiced).	Settlement is usually made within 14 days.

(a) Derivative instruments no shown in the Statement of Financial Position

The Office does not hold any derivative financial instruments.

(b) Interest Rate Risk

	2001	2001	2000	2000
		Weighted Average Effective Interest Rate		Weighted Average Effective Interest Rate
	\$'000		\$'000	
Financial Assets				
Floating Interest Rate				
Cash at Bank	1 010	5.13%	1 066	5.25%
Total Floating Interest Rate	1 010		1 066	
Non-Interest Bearing				
Receivables for user charges	192	n/a	815	n/a
Total Floating Interest Rate	192		815	
Total Financial Assets	1 202		1 881	
Financial Liabilities				
Non-Interest Bearing				
Payables	151	n/a	111	
Total Floating Interest Rate	151		111	
Total Financial Liabilities	151		111	

10.2 Net Fair Values of Financial Assets and Liabilities

	2001		2000	
	Total carrying amount	Aggregate net fair value	Total carrying amount	Aggregate net fair value
	\$'000	\$'000	\$'000	\$'000
Financial Assets				
Cash at Bank	1 010	1 010	1 066	1 066
Receivables for user charges	192	192	815	815
Total financial assets	1 202	1 202	1 881	1 881
Financial Liabilities				
Payables	151	151	111	111
Total financial assets	151	151	111	111

Financial Assets

The net fair values of cash and non-interest bearing monetary financial assets approximate their carrying amounts.

Financial Liabilities

The net fair values for creditors are approximated by their carrying amounts.

10.3 Credit Risk Exposures

The Office's maximum exposures to credit risk at reporting date in relation to each class of recognised financial assets is the carrying amount of those assets as indicated in the Statement of Financial Performance.

The Office has no significant exposures to any concentrations of credit risk.

Note 11: Goods and Services Tax

	2001 \$'000	2000 \$'000
GST paid on purchases	70	-
GST receipts from ATO	<u>63</u>	<u>-</u>
	<u>7</u>	<u>-</u>
GST on invoices raised	177	-
GST payments to ATO	<u>144</u>	<u>-</u>
	<u>33</u>	<u>-</u>
	<u>(26)</u>	<u>-</u>
(Amount Owed to ATO)/Due from ATO		

Note 12: Explanatory Statement

- (a) Significant variations between budget estimates for receipts and payments and actual receipts and payments for the financial year.

Details and reasons for significant variations between estimates and actual results are detailed below.

Significant variations are considered to those greater than 10%.

GST refunds

The amount of GST on invoices raised and refunds for GST paid on purchases was lower than estimated.

Public Sector Management and Accountability

The amount of GST paid on purchases and GST on purchases and GST paid to the ATO was less than anticipated and other operating expenses were less than anticipated.

- (b) Significant variations between actual revenues and expenditures for the financial year and revenues and expenditures for immediately preceding financial year.

Details and reasons for significant variations between actual results with corresponding items of the preceding year are detailed below.

Significant variations are considered to those greater than 10%.

Statement of Financial Position**Receivables**

The outstanding amount as at 30 June 2001 is considerably less in comparison to the previous year as a result of the implementation of GST. At 30 June 2000 the Office invoiced all work in progress as at 30 June 2000 for administrative ease.

Work in Progress

The WIP balance is greater this year in comparison to the previous as the Office did not invoice WIP as at 30 June 2001.

Tax Assets

Tax assets balances moved in line with the tax accounting treatment of the profit/losses the Office achieves for a financial year.

Other Assets

Prepayments has decreased as result of rationalisation of software licensing.

Leasehold Improvements

The Office secured additional accommodation space during the year and incurred costs associated with improvements to our lease holding.

Employee Entitlements

The Office has a policy of ensuring staff do not exceed the statutory limits for leave balances for annual and long service leave. This year was the last year in a three year plan to achieve leave balances within statutory limits. Hence, the leave liability is reduced in comparison to the previous year.

Payables and other liabilities

Payables include items not reflected in the previous years balance such as GST owed to the ATO and equity reduction, while there have been reductions in dividend and capital charge provisions.

Statement of Cash Flows**Goods and Services Tax**

The impact of the GST in its first year of implementation is detailed with the cash flow statement

Other Cash Payments

The variation in comparison to the previous year is due to increased spending on recruitment advertising, consultants, information technology and accommodation.

Recurrent Appropriations

The appropriation is the Reserved by Law item for the Auditor-General's Salary and Allowances. The salary of the Auditor-General increased as at 1 July 2000 for the 2000-01 financial year.

Dividend and Taxation Equivalents

Dividend and taxation equivalents were paid for the first time during 2000-01.

Equity Reduction

The equity reduction is only reduced on a cash basis in comparison to the previous year, however, there is \$108,000 included as a current payable in the Statement of Financial Position.

**CERTIFICATION OF FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2001**

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 2001 and the financial position as at end of the year.

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

D W R Baulch
ACTING AUDITOR-GENERAL

23-Aug-2001

Compliance Index to Disclosure Requirements

The Compliance Index has been compiled in response to the *Auditor-General's Special Report No. 4 of May 1993, Standard of Annual Reporting by Government Departments*.

The four columns in the index have the following meaning:

Section and Compliance:

These refer to the statutory disclosure requirements in Tasmanian public sector legislation.

Details:

This is a brief statement of the instruction, clause, section or subsection of the corresponding statutory disclosure requirement.

Location:

This states where in the Annual Report the requirement is satisfied.

KEY:

SSA *State Service Act 2000*

SSR *State Service Regulations 2001*

TI *Treasurer's Instructions*

FMAA *Financial Management and Audit Act 1990*

FOI *Freedom of Information Act 1991*

PSSRA *Public Sector Superannuation Reform Act 1999*.

Section and Compliance	Details	Location
GENERAL		
	Table of contents	
	Alphabetical index	
	Glossary of abbreviations and acronyms	
OVERVIEW		
SSR 9(a)(i)	Overview of the Agency's Strategic Plan, including its corporate objectives, functions and related programs.	
SSA s. 36(1)(a) FMAA s.27(1)(a)	The performance of the functions and exercise of powers of the Head of Agency, under any written law.	
FMAA s.27(1)(b) subject to s.27 (2) SSA s. 36(1)(b)	A report by any statutory office-holder employed in, or attached to, the Agency, except where required to report under any other Act.	
SSR 9(a)(v)	Detail of, and reasons for, major initiatives taken by the Agency to develop and give effect to Government policy.	
SSR 9(a)(iv) TI 701 (1)(b)	Details of major changes affecting programs, objectives or organisational structure.	
ORGANISATIONAL STRUCTURE		
SSR 9(a)(ii)	Organisational Chart as at the end of the reporting year.	
SSR 9(a)(iii)	Description of the relationship between the organisational structure and the program structure of the Agency.	

PERFORMANCE MANAGEMENT		Location
TI 701 (1)(a) & (e)	A summary, together with quantitative measures where relevant, of the objectives and functions of programs or activities, including significant outcomes, key efficiency measures, targets, proposed plans and any ministerial objectives.	
TI 701 (1)(b)	Economic or other factors that have affected the achievement of operational objectives.	
STATUTORY AND NON-STATUTORY BODIES AND COMPANIES		
	A list of Statutory and Non-Statutory Bodies of which the Agency is a parent body. A list of names of companies.	
LEGISLATION ADMINISTERED AND MAJOR DOCUMENTS PUBLISHED		
SSR 9(d)	List of legislation administered by the Agency during the year and any significant changes to that legislation.	
SSR 9(c)(i)	Details of major documents or publications produced by the Agency.	
PUBLIC ACCESS AND AWARENESS OF SERVICES PROVIDED		
SSR 9(c)(ii)	List of contact officers and points of public access in relation to services provided by the Agency.	
SSR 9(c)(i)	Details of activities undertaken to develop community awareness of the Agency and the services it provides.	
FOI Act s. 56	Freedom of Information details for the financial year.	
SSR 9(c)(iii)	Outline of the processes available for appeals against decisions made by the Agency.	

HUMAN RESOURCE MANAGEMENT		Location
SRR 9(b)(i)	Recruitment policies and programs.	
SSR 9(b)(ii)	Report on officer and employee development activities.	
SSR 9(b)(iii)	Work place diversity programs.	
SSR 9(b)(iv)	Industrial democracy plans, together with an outline of the process available for appeals against decisions made by the Agency.	
SSR 9(b)(v)	Outline of internal grievance procedures.	
SSR 9(b)(vi)	Summary of Occupational Health and Safety strategies.	
PSSRA s.13	Statement regarding contributions to non-RBF superannuation funds, including a statement that the Agency has met its obligations under the <i>Superannuation Guarantee (Administration) Act 1992</i>	
ASSET MANAGEMENT AND RISK MANAGEMENT POLICIES		
TI 701 (1)(d)(i) & (ii)	Details of major capital projects.	
TI 701 (1)(g)	Statement of asset management policies and an outline of asset management strategies and initiatives.	
TI 701 (1)(f)	Statement of risk management policies and an outline of significant risk management activities and initiatives	
TI 701 (1)(c)	Pricing policies of goods and services provided, the last review date, and reference to documents that contain the pricing information; with details of cost-recovery policies and their application, as appropriate	

EXTERNAL/INTERNAL SCRUTINY		Location
TI 701(1)(i)&(ii)	Details of all major contracts awarded, including the value of work and the name and locality of contractors.	
TI 701 (1) (h)&(i)(i)	A narrative statement included in the Introduction/Overview by the head of Agency regarding the Agency's support for local businesses. This is cross-referenced to a table summarising level of participation by local business with regard to all contracts and tenders with a value greater than \$50,000.	
TI 701 (1)(j)	Amounts of public property, revenue and debts written off by the Minister or Head of Agency.	
TI 701(1)(k)	Amount of losses/damage to public property or money.	
ANY OTHER MATTERS		
TI 701 (1)(n)	Any matters deemed relevant by the Head of Agency.	
FINANCIAL STATEMENTS		
TI 701 (1)(l) FMAA s.27 (2) & (3)	Financial statements of the Department for the financial year, including statements of any public body not required to report under any other Act.	
TI 701 (1)(m)	Auditor-General's report on Financial Statements.	

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