

2002

(No. 7)



2002

PARLIAMENT OF TASMANIA

## **AUDITOR-GENERAL**

## **ANNUAL REPORT 2001-2002**

**October 2002**

*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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25 October 2002

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 2002.

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

|   |    | Target     | 1999   | 2000   | 2001  | 2002         |
|---|----|------------|--------|--------|-------|--------------|
| <b>OUR CLIENTS</b>  |    |            |        |        |       |              |
| Organisations and activities audited  | AC |            | 103    | 112    | 117   | <b>118</b>   |
| Qualified audit opinions issued   | AC |            | 9      | 5      | 5     | <b>4</b>     |
| Client General Satisfaction Index   | AC | 75         | 71     | 74     | 76    | <b>N/a</b>   |
| Parliamentarian General Satisfaction Index  | AC | 75         | N/s    | 74     | 74    | <b>N/a</b>   |
| Number of reports to Parliament   | FY | 8          | 5      | 6      | 6     | <b>6</b>     |
| <b>OUR BUSINESS</b>   |    |            |        |        |       |              |
| <i>Timeliness and Quality</i>   |    |            |        |        |       |              |
| • Financial Audits completed within 4 months of balance date                        | AC | 100%       | N/a    | 50%    | 48%   | <b>N/a</b>   |
| • Client index on timeliness of audits  | AC | 75%        | N/a    | 67     | 75    | <b>N/a</b>   |
| • Financial Audits completed with 30 days of receipt of signed financial statements | AC | 90%        | N/a    | 79%    | 93%   | <b>N/a</b>   |
| • Number of performance audits  | FY | 6          | 2      | 3      | 5     | <b>4</b>     |
| <i>Cost Efficiency Measures</i>   |    |            |        |        |       |              |
| • Break-even on financial audits  | AC | Break even | Profit | Profit | Loss  | <b>Loss</b>  |
| • Consume Appropriation for performance audits                                      | FY | 100%       | 100%   | 100%   | 100%  | <b>100%</b>  |
| • Usefulness index  |    |            |        |        |       |              |
| o Ministerial Report  | AC | 75         | N/s    | N/s    | 80    | <b>N/a</b>   |
| o Performance Audits  | AC | 75         | N/s    | N/s    | 70    | <b>N/a</b>   |
| <b>OUR PEOPLE</b>   |    |            |        |        |       |              |
| Staff Satisfaction Index  | FY | 75         | N/s    | N/s    | N/a   | <b>62</b>    |
| Employees – Average FTE   | FY |            | 33.4   | 33.4   | 35.1  | <b>35</b>    |
| Days sick leave per employee  | FY |            | 8.8    | 7.8    | 7.3   | <b>12.7</b>  |
| Training - % of total resources   | FY |            | 7%     | 11%    | 12%   | <b>13%</b>   |
| Number of grievances lodged   | FY | 0          | 0      | 0      | 0     | <b>0</b>     |
| Workers Compensation Claims   | FY | 0          | 0      | 1      | 0     | <b>1</b>     |
| <b>OUR FINANCES</b>   |    |            |        |        |       |              |
| Revenue from operating activities (\$'000)  | FY |            | 2 860  | 2 884  | 3 002 | <b>3 136</b> |
| Total Expenses from operating activities (\$'000)                                   | FY |            | 2 877  | 2 738  | 2 964 | <b>3 293</b> |
| Operating surplus/(deficiency) after taxation (\$'000)                              | FY | 0          | (17)   | 110    | 20    | <b>100</b>   |
| Net assets (\$'000)   |    |            | 1 378  | 1 251  | 1 023 | <b>882</b>   |

N/s No survey conducted.

N/a Not available at the time of tabling report. The surveys are conducted six months after the end of the financial year.

AC Audit Cycle (1<sup>st</sup> November – 31<sup>st</sup> October)

**FY** Financial Year ended 30 June

## Auditor-General's Message

Revenue for the Office was slightly up from last year but was offset by higher expenses. The result for the year was a profit from ordinary activities of \$100,000 after tax. Part of this profit was due to a change in accounting policy that will have a continuing negative effect on reported profits. A further contributing factor was the increase in the scope of the Report No 2 to Parliament, which is also likely to increase annual costs but not greatly once new processes stabilise. However, if the Office is to operate in a commercial manner, ie at or close to a breakeven position, it will be necessary to increase audit fees to match the increase in employee entitlements over the last few years and to improve the efficiency of the audit process. I will be proposing increases for most audit fees for 2002-03 audits in a submission to the Treasurer for his determination.

Last year I reported that the percentage of audits completed by 31 October, ie 4 months after the end of the financial year, was only 50%. The corresponding figure for the most recent audit cycle was 48%. This continues to be of concern and I am taking further steps to break the cycle of late commencement of audits and late finalisations.

During the year I requested the ACT Auditor-General to provide senior staff to review the audit work papers for a number of audits. The review was largely positive but some aspects of documentation and process could be improved. The next review will be scheduled in three years.

I retained a consultant to conduct a staff survey. The survey was the first of its kind for the Office. It covered issues such as communication, leadership, motivation, personal satisfaction, etc. Some useful suggestions emerged and the management team is attempting to deal with these.

The recent election for the House of Assembly led to the prorogation of Parliament for an extended period. Two special reports had been prepared and were scheduled for delivery to the presiding officers for tabling in Parliament during this period. Acting on the basis of advice received from the Solicitor-General, I delayed publication of these reports because, while there was no explicit impediment, it may have involved some discourtesy to Parliament. I do not believe that this is a tenable long term situation and I have initiated a request to the Treasurer to amend the *Financial Management and Audit Act 1990* to provide for tabling and publication out of session and I have suggested a mechanism to the President of the Legislative Council and the Speaker of the House of Assembly to deal with the problem in the interim.

Last year, 2001, was the 175<sup>th</sup> anniversary of the appointment of the first Colonial Auditors for Tasmania. That appointment was the predecessor of the Tasmanian Audit Office. To mark the occasion I have commissioned Ms Lindy Scripps to write a history of the Colonial Auditors and the Office.

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



# Future Directions

The future directions for 2002-03 will focus on business processes and people development and will include:

- Earlier completion of financial audits;
- Consolidating information management procedures based on revised information policies and procedures;
- Consolidating and improving any business processes with respect to information technology;
- Address any areas of concern identified by our clients in order to maintain our level of client service;
- Finalise and implement a new performance management and professional development system based on competencies and skills;
- Redesign the Office's professional development program with the aim of enhancing staff knowledge and capability; and
- Improve the processes involved with the Office's human resource management and financial management systems.

## Our Mission

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

## Our Vision

*“Excellence in Audit Services”*

## Our Values

*“Accountability, Client Service, Our People and  
Professionalism”*

# 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 structured in such a way that it has four sections and these comprise:

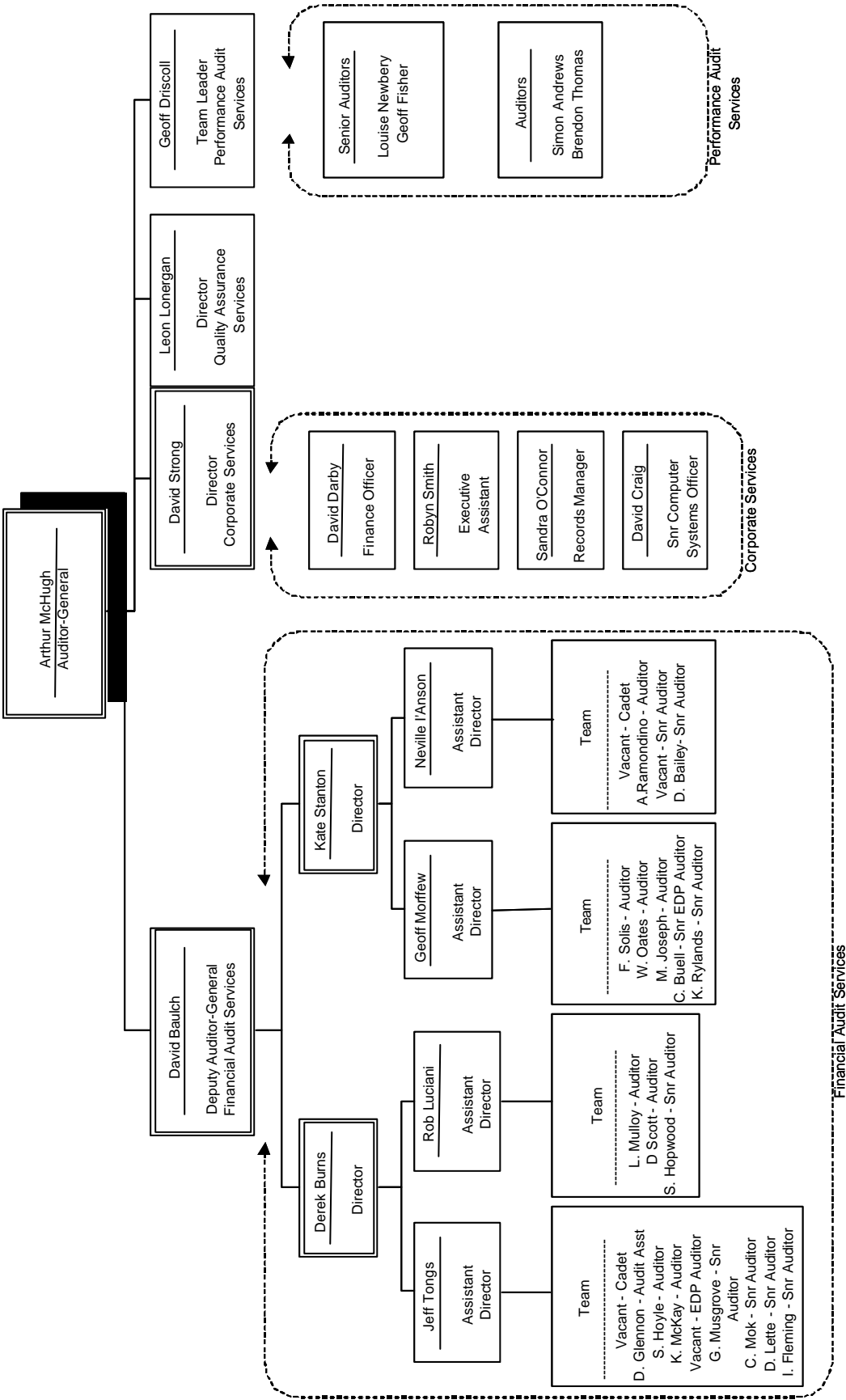
- Financial audit services;
- Performance and compliance audit services;
- Quality assurance services; and
- Corporate services.

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 in respect of audit services to the Director Quality Assurance; and
- Corporate services to the Director Corporate Services.

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

ORGANISATION CHART



## EXECUTIVE MANAGEMENT TEAM

The key management personnel are listed below:

### AUDITOR-GENERAL

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

### DEPUTY AUDITOR-GENERAL

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

### DIRECTOR CORPORATE SERVICES

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

### DIRECTOR QUALITY ASSURANCE

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

### DIRECTOR FINANCIAL AUDIT

**Kate Stanton**  
B Ec LLB MPA CPA  
**Responsibilities:** Efficient and cost effective management of a team of financial auditors and a portfolio of audits of public sector entities, ensuring the promotion of improved public sector financial management.

### DIRECTOR FINANCIAL AUDIT

**Derek Burns**  
B Comm CPA  
**Responsibilities:** Efficient and cost effective management of a team of financial auditors and a portfolio of audits of public sector entities, ensuring the promotion of improved public sector financial management.

## **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; 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 by the Auditor-General as follows:

- 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;
- Audit Qualifications Committee; and
- Financial Audit Management 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 ITIMC met once 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 3 times during the year and the issues discussed were:

- ILOT policy;
- Travelling on audits with respect to job costings;
- Completion of financial audits;

- Office uniform;
- CPA Program – fee reimbursement;
- CPA Program – time off for study;
- Staff Survey;
- Teamwork;
- Review of audit procedures; and
- Influenza vaccinations.

## **EEO Consultative Committee**

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

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

The members of the committee are as follows:

- Auditor-General (Chair);
- Deputy Auditor-General;
- Director Corporate Services;
- Five staff members; and
- A representative of the Community and Public Sector Union.

## **Workplace Health and Safety Committee**

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

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

- to facilitate consultation and co-operation between the Auditor-General and persons working at the Office in initiating, developing and implementing measures designed to ensure the health and safety of the persons at the Office;
- to keep itself informed about standards relating to health and safety in Offices of a comparable nature;
- to review and make recommendations to the Auditor-General on rules and procedures at the Office relating to the health and safety of the persons working within the Offices;

- to recommend to the Auditor-General the establishment, maintenance and monitoring of programs, measures and procedures within the Office relating to the health and safety of the persons working at the offices;
- to keep, in an accessible place and form, such information as is provided under this Act and by the Auditor-General regarding the hazards to persons that arise or may arise at the Offices;
- to consider and make recommendations to the Auditor-General relating to training and education in, and promotion of, health and safety at the Offices;
- to consider and make recommendations to the Auditor-General relating to changes to be made within the Offices following an accident or dangerous incident; and
- to perform such other functions as may be given the committee, with its consent, by the Auditor-General or as may be prescribed.

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

### **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 Committees (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 committee met on a monthly basis.

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

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

The committee met once during the year.

### **Financial Audit Management Committee**

Monitor the financial audit programme to ensure completion of quality financial audits within agreed timetables.

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

- Deputy Auditor-General (Chair);
- Directors of Financial Audit; and
- Assistant Directors of Financial Audit.

The committee meets on a monthly basis.

## MANAGEMENT POLICIES

### ASSET MANAGEMENT

#### Accommodation

The Office occupies leased properties in Hobart and Launceston.

The Office currently leases a portion of Level 2 Henley House, 1 Civic Square, Launceston.

The Office also entered into a new 10 year lease from 1 July 2001 for the 5<sup>th</sup> floor of 144 Macquarie Street, Hobart. The Office leases 14 car parking spaces at 29 Sandy Bay Road, Sandy Bay, 4 car parking spaces at Tasmanian Redline Coaches, Charles Street, Launceston, and 2 car parking spaces at 144 Macquarie St, Hobart.

#### 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 Executive Management Group is responsible for the Office's system of internal controls. The Group constantly monitors the operational and financial aspects of the Office's activities and, through other committees, the Group considers the recommendations and advice of external auditors and other external advisers on the operational and financial risks that face the Office.

The Group ensures that recommendations made by the external auditors and other external advisers are investigated and, where considered necessary, appropriate action is taken to ensure that the Office has an appropriate internal control environment in place to manage the key risks identified.

In addition, the Group investigates ways of enhancing existing risk management strategies, including appropriate segregation of duties, the employment and training of suitably qualified and experienced personnel, in conjunction with the recommendations of the other committees.

### 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.

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

# 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.

Our clients indicated the Office had improved our performance in the following areas: timely follow-up; adherence to agreed timetables; understanding the client's business; prompt and courteous service; communication; frequency of contact; audit management; ability to deliver; and meeting performance expectations. They also indicated that the Office compares favourably to external providers.

## OUR CLIENTS INCLUDE

- Parliament, our principal client;
- Tasmanian State public sector organisations; and
- Other groups of people and stakeholders who may use the Office's reports or otherwise have an interest in our work, such as Australasian Auditing Offices, professional bodies and other financial institutions.

## AREAS FOR IMPROVEMENT

- Our clients seek more advice of accounting changes
- Although the Office has improved, our clients request that we further develop our understanding of their businesses.
- Increase further our frequency of contact with clients and keep abreast of our clients' business changes.
- Ensure the client information in our reports is accurate and reflects our understanding of our clients.





## FINANCIAL STATEMENT AUDIT CLIENTS

The Office during 2001-2002 issued 113 financial audit reports. The 113 financial audit reports related to two audit reports for financial statements prior to 1 November 2000, 109 audit reports for financial statements with periods ending between 1 November 2000 and 31 October 2001 and two audit reports for financial statements for the period ending after 1 November 2001.

### CLIENTS AS AT 30 JUNE 2002

|  | 1998<br>FY | 1999<br>FY | 2000<br>FY | 2001<br>FY | 2002<br>FY |
|--|------------|------------|------------|------------|------------|
| 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         | 9          | 9          | 9          | 9          |
| Local Government Authorities   | 29         | 29         | 29         | 29         | 29         |
| State-Owned Corporations   | 8          | 8          | 8          | 8          | 8          |
| Government Business Enterprises  | 17         | 17         | 16         | 16         | 15         |
| Other public bodies including water, trading, registration, superannuation, marketing and other authorities.                     | 48         | 36         | 36         | 37         | 46         |
| <b>TOTAL</b>   | <b>119</b> | <b>103</b> | <b>102</b> | <b>103</b> | <b>111</b> |

As part of the Office's commitment to improved service provision all clients are surveyed during an audit and at the conclusion of the audit. The survey questionnaire allows the Office to benchmark its performance and set improvement measures in respect of the clients' perception of performance.

| Key Performance Measures   | Target            | 1998<br>AC        | 1999<br>AC        | 2000<br>AC        | 2001<br>AC               |
|--|-------------------|-------------------|-------------------|-------------------|--------------------------|
| Survey of clients on timeliness of audits                              | Good to Very Good | No Survey         | No Survey         | Good              | <b>Good to Very Good</b> |
| Survey of clients on general satisfaction with the quality of services | Good to Very Good | Good to Very Good | Good to Very Good | Good to Very Good | <b>Good to Very Good</b> |
| Survey of client satisfaction with the level of financial audit fees   | Good to Very Good | No Survey         | No Survey         | Neutral to Good   | <b>Good</b>              |

### ***Survey of Clients on Timeliness of Audits***

The key performance indicator target relating to timeliness is 75% (Good to Very Good rating). In the previous year, the Office was rated as Good (67%) but this year the Office achieved a Good to Very Good rating (75%). This rating indicates that the clients accept the fact that the timeliness issue associated with preparing financial statements and issuing an audit report is a shared responsibility and there is a recognition that all parties can improve further.

### ***Survey of Clients on General Satisfaction with the Quality of Services***

The key performance indicator target relating to quality of services is 75% (Good to Very Good rating). In the previous year, the Office was rated as Good to Very Good (74%) and this year once again rated as Good to Very Good (78%). The improvement in the rating score is significant (4%) and is due in part to the stability of the audit teams assigned to clients and the fact the staff demonstrated to their clients that they understand each client's business.

### ***Survey of Clients on Level of Satisfaction with Financial Audit Fees***

The key performance indicator target relating to satisfaction with fees is 75% (Good to Very Good rating). In the previous year, the Office was rated as Neutral to Good (62%) but this year the Office achieved a Good rating (73%). The improvement in this rating, while not achieving the target rating, is substantial (9%). The improvement is seen as clients indicating that they consider the service provided is value for the fee charged.

### ***Client General Satisfaction Index***

Each year the Office surveys its clients, covering topics such as performance satisfaction, timeliness, communication and audit process. As indicated in the Section – *The Year at a Glance*, the performance indicator target is 75%, being a Good to Very Good rating. The Office each year has improved by one to two percentage points. During 2001-02, the Office achieved the target of 76% for the 2000-01 audit cycle and will now be aiming to at least maintain this level, while striving to improve further still.

Our clients were asked to indicate where they believed the Office could improve in respect of dealing with their business needs. While the concerns listed below are repeated from last year, clients have also indicated the Office has improved in most areas, in some cases substantially. Client concerns identified were:

- Adherence to timetables;
- Understanding their business;
- Maintaining contact;
- Keeping abreast of business changes;
- Meeting 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.

Our clients also indicated that the Office had improved and had strengths in the following areas:

- Updating clients about accounting changes;
- Access to and involvement of senior staff in the audit process;
- Willingness to improved our processes;
- Technical knowledge;
- Working relationship between client and the Office;
- Visibility on the clients' premises;
- Minimal impact of staffing
- Capability to perform;
- Knowledge of business;
- Resolving issues as they arise;
- Ability to meet timeframes; and
- Staff who are competent, professional, objective, courteous, understanding and willing to assist.

## 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 four reports in Parliament in respect of performance audits.

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

In respect of performance audits the Parliamentarians are surveyed annually. The first survey was conducted during 2001-02. The measures that will be reported are detailed below.

| <b>Key Performance Measures</b>   | <b>Target</b>     | <b>2001<br/>FY</b> |
|---|-------------------|--------------------|
| Survey stakeholders on the general satisfaction with the quality of performance audits        | Good to Very Good | <b>Good</b>        |
| Survey stakeholders on the contribution of Performance Audits to public sector accountability | Good to Very Good | <b>Good</b>        |
| Survey stakeholders on satisfaction with the usefulness of Performance Audit reports          | Good to Very Good | <b>Good</b>        |

Under its new corporate strategic focus, the Office surveys its clients, stakeholders and staff annually. The Office has surveyed Parliamentarians in the past to ascertain their perception of performance and the usefulness of the reports the Office produces, both performance audit reports and other statutory reports on the Treasurer's Financial Statements, government agencies and other public bodies. In the last survey of Parliamentarians in 1997, the response rate was 40%, while this year the response rate was only 27%.

The results for the General Satisfaction Index rated the Office at 74%. The target is 75%. The Office is reviewing how the Parliamentarians are surveyed in the future. The Office is also looking at building a closer relationship with Parliamentarians.

The results for the Usefulness Index rated the Office at 70%. The target is 75%. As part of the survey process, the Office asked Parliamentarians how the Office could improve its processes in respect of reports. As a result, the Office will be providing executive summaries and briefing sessions when a report is tabled.

The results for the Contribution Index rated the Office at 74%. The target is 75%.



# 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 issued 117 general purpose financial report audits.

We tabled four performance audit reports in Parliament.

We tabled our annual report on Government Departments, Public Bodies and the Public Account.

We commenced/completed nine performance/compliance audit examinations.

We implemented the key recommendations that were endorsed by the Executive Management Group with respect to audit methodology, the office practice management system and information technology strategies.

We continued to implement Key Account management principles and adopt the Office's audit role model in respect of all audits.

We commenced the tighter integration of our internal information systems, financial system, practice management system and internal reporting.

## OUR SERVICES INCLUDED

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



## AREAS FOR IMPROVEMENT

- Earlier and more efficient completion of financial audits;
- Realigning revenues and costs;
- Further training on account management and the Office's audit role model;
- Continuing improvement in managing the audit process;
- Improved communications with client; and
- 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 extent of qualified reports is shown in the following table for the financial years indicated:

|                         | <b>1997-<br/>1998</b> | <b>1998-<br/>1999</b> | <b>1999-<br/>2000</b> | <b>2000-<br/>2001</b> |
|-------------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Financial audit reports | 119                   | 103                   | 117                   | <b>115</b>            |
| Qualified audit reports | 9                     | 5                     | 5                     | <b>4</b>              |
| % of reports Qualified  | 7.6%                  | 4.9%                  | 4.3%                  | <b>3.5%</b>           |

During the year four 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.

| <b>Key Performance Measures</b>  | <b>Target<br/>AC</b> | <b>Actual<br/>2000-2001</b> |
|--|----------------------|-----------------------------|
| Number of financial statement audits completed within four months of financial statement date      | 100%                 | <b>48%</b>                  |
| Number of financial audits completed within 30 days of receiving final signed financial statements | 90%                  | <b>93%</b>                  |

### **Financial Statement Audits Completed Within Four Months of Balance Date**

While the Office does not have performance agreements with our clients in respect of issuing audit reports within a specific time frame, the Office has its own benchmarks. Most of the Office’s clients have a 30 June balance date and, as such, the Office’s benchmark is that all clients will receive an audit report within four months of the balance date, that is, by 31 October. Our performance to date quite clearly indicates an improvement is required. However, this indicator must be balanced against the legislative requirement that agencies, for example, do not have to provide a set of financial statements earlier, other than the requirement to table their annual reports in Parliament by 30 November each year, including audited financial statements. The Office is working with clients to ensure accurate financial statements are provided earlier so as to improve the process and timeliness of completing all financial statement audits.

### **Financial Statement Audits Completed Within 30 Days of Receipt of Signed Final Financial Statements**

This performance indicator illustrates how effective the Audit Office is in providing an audit report within 30 days of receiving signed final financial statements (see above). The

performance indicator target for the Office is 90% based on the fact that, due to current practices and past experience, there is a bottleneck in October and November. This bottleneck is due partly to the Office's own work schedule during this period.

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 excluding 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. Even where the audits of local government or other entities are previously carried out by the private sector, the final audit opinion is signed by the Auditor-General who takes ultimate responsibility for the audit. The following table indicates the number of audits conducted by the Audit Office and private sector firms.

|   | 1997-<br>1998<br>FY | 1998-<br>1999<br>FY | 1999-<br>2000<br>FY | 2000-<br>2001<br>FY | 2001-<br>2002<br>FY |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|
| Non local government audits conducted by private sector firms (Target 5 to 6 per annum) | 6                   | 5                   | 5                   | 5                   | 6                   |
| Local government audits conducted by private sector firms                               | 8                   | 6                   | 6                   | 6                   | 5                   |
| Audits conducted by the Tasmanian Audit Office  | 105                 | 92                  | 106                 | 104                 | 107                 |
| <b>TOTAL</b>  | <b>119</b>          | <b>103</b>          | <b>117</b>          | <b>115</b>          | <b>118</b>          |

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.

The performance measure is in respect of the last financial audit cycle.

| Key Performance Measure  | 1998<br>AC | 1998<br>AC | 1999<br>AC | 2000<br>AC | 2001<br>AC |
|--|------------|------------|------------|------------|------------|
| Ensure that financial audit services are delivered at break-in overall | N/a        | Profit     | Profit     | Loss       | 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 2001 - 2002 Performance Audit Services tabled the following reports.

### **Special Report No. 37 – Archives Office of Tasmania (AOT)**

This audit assessed the processes involved in appraisal, transfer, storage and retrieval of records at AOT. We also sought to determine if adequate mechanisms were in place to identify, store, protect and maintain records created and held by government agencies for posterity. Although the audit focussed principally on AOT's operations, it also included a limited review of archival practices in a sample of government departments. Overall, our impression of AOT was quite favourable and although a number of recommendations were made they did not reflect major problems. We considered that a more formalised approach to strategic planning would be of value for measurement of progress. Other recommendations centred on the development and review of disposal schedules as a mechanism to filter records.

### **Special Report No. 38 – Implementation of Goods and Services Tax in Government Agencies and Local Government Entities**

The objective of this audit was to ascertain the extent of compliance with GST legislative requirements. Further we also sought to assess compliance with central and locally developed implementation plans. Audit testing was conducted at three departments and a local government council. We found substantial compliance with GST legislation and concluded that the management of the implementation process and establishment of internal systems and controls has been effective. Nonetheless, we recommended that agencies continue to educate new staff as well as provide refresher training where required. We further recommended that a private tax ruling in respect of some grant payments be obtained from the Australian Taxation Office.

### **Special Report No. 39 – Bank Account Reconciliations**

As mentioned above, the role of the performance audit group was expanded with the addition of the compliance function and Report 39 was the first such report. The audit's objective was to ascertain the extent to which all inner budget agencies achieved compliance with Treasurer's Instructions covering the control of bank accounts. We concluded that while some departments were performing bank reconciliations to high standards, serious problems existed with the reconciliation process at other agencies, or sometimes for specific bank accounts. Recommendations were made at two levels, i.e. whole of government and individual agencies. The former included recommendations regarding documentation of policies and procedures to guide staff, adequate supervision of the function and training of staff as required.

### **Special Report No. 40 – Environmental Management and Pollution Control**

This performance audit was concerned with the Department of Primary Industries, Water and Environment's handling of the permit system whereby medium to large-scale industries' operations are subject to environmental conditions. Although pollution control was managed by the permit conditions some areas for improvement were identified in the report. First, the effectiveness of management could be improved by developing an integrated database that would combine the existing separate information systems. Second, the department should produce standardised procedures to guide staff and ensure that inspections, and attendant reporting, are handled consistently and transparently. Third, more information should be publicly available about the department's activities in monitoring permits. Finally, a policy should be produced to provide the basis for appropriate and transparent selection of enforcement actions.

### **Interstate Consultancy**

The Tasmanian Audit Office tabled a report into food safety in August 2000 (Special Report No. 33 "Food Safety"). Following a request from the Victorian Auditor-General's Office, we supplied input to their planned audit on this topic.

### **National Performance Audit Workshop**

In October 2001 the Australian National Audit Office (ANAO) hosted the third annual performance audit workshop in Canberra. Most states and territories, including Tasmania, sent representatives to this forum and two performance auditors from New Zealand also attended. Each participant presented a workshop session. As with the two previous workshops, there was an opportunity to exchange ideas and experiences, as well as to compare methodologies and topics under development. An example of a specific outcome to benefit this office was the development by ANAO of an introductory course for newly recruited performance auditors.

| <b>Key Performance Measures</b>  | <b>Target FY</b>  | <b>1998 FY</b>  | <b>1999 FY</b> | <b>2000 FY</b> | <b>2001 FY</b> | <b>2002 FY</b>         |
|--|-------------------|-----------------|----------------|----------------|----------------|------------------------|
| Number of performance/compliance audits undertaken (completed/commenced) each year | 6                 | 7               | 2              | 3              | 6              | <b>9</b>               |
| Number of performance/compliance audit reports tabled each year                    | 6                 | 7               | 2              | 3              | 5              | <b>4</b>               |
| Survey Parliamentarians on usefulness of the Performance Audit Reports             | Good to Very Good | Neutral to Good | No Survey      | No Survey      | No Survey      | <b>Neutral to Good</b> |
| Conduct performance audits within the appropriation granted by Parliament          | Cost (\$'000)     | 233             | 236            | 252            | 337            | <b>292</b>             |
|  | Budget (\$'000)   | 254             | 265            | 315            | 283            | <b>266</b>             |

## Reports to Parliament

In addition to the Performance Audit Reports, the Auditor-General prepares annually a Report on the Public Account (Report No. 1) and a Report on Government Departments and Public Bodies (Report No. 2). These 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.

| <b>Key Performance Measures</b>   | <b>Target AC</b>       | <b>1997 AC</b>    | <b>1998 AC</b> | <b>1999 AC</b> | <b>2000 AC</b> | <b>2001 AC</b>           |
|---|------------------------|-------------------|----------------|----------------|----------------|--------------------------|
| Survey Parliamentarians on usefulness of the Report on Ministerial Portfolios                           | Good to Very Good      | Good to Very Good | No Survey      | No Survey      | No Survey      | <b>Good to Very Good</b> |
| Report on Public Account to be tabled simultaneously with the Treasurer's Financial Statement prior to: | 30 September each year | 25 Sept 1997      | 24 Sept 1998   | 17 Sept 1999   | 29 Sept 2000   | <b>14 Sept 2001</b>      |
| Report on Ministerial Portfolios to be tabled by:   | 30 November each year  | 25 Nov 1997       | 7 Dec 1998     | 30 Nov 1999    | 30 Nov 2000    | <b>27 Nov 2001</b>       |

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

|  | <b>Copies Printed</b> | <b>Production Cost \$</b> | <b>Printing Cost \$</b> | <b>Total Cost \$</b> |
|--|-----------------------|---------------------------|-------------------------|----------------------|
| <b>Performance/Compliance Audit Reports</b>  |                       |                           |                         |                      |
| Special Report No 37 – Archives Office of Tasmania   | 150                   | 45 092                    | 1 985                   | 47 077               |
| Special Report No 38 – Implementation of Goods and Services Tax in Government Agencies and Local Government Entities | 150                   | 45 882                    | 1 765                   | 47 647               |
| Special Report No 39 – Bank Account Reconciliations  | 150                   | 137 944                   | 2 385                   | 140 329              |
| Special Report No 40 – Environmental Management and Pollution Control  | 150                   | 75 500                    | 4 983                   | 80 483               |
|  |                       | <b>304 418</b>            | <b>11 118</b>           | <b>315 536</b>       |
| <b>Annual Reports as required by the Financial Management and Audit Act</b>  |                       |                           |                         |                      |
| Report No 1 – The Public Account; and Report No 2 – Government Departments and Public Bodies (two volumes)           | 150                   | 189 433                   | 13 245                  | 202 678              |
|  |                       | <b>189 433</b>            | <b>13 245</b>           | <b>202 678</b>       |

|  |  |         |        |         |
|--|--|---------|--------|---------|
|  |  | 493 851 | 24 363 | 518 214 |
|--|--|---------|--------|---------|

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.

## **EXTERNAL AND INTERNAL SCRUTINY**

### **EXTERNAL REVIEW**

#### **Quality Review of Audit Working Papers**

The TAO Corporate Plan provides that periodically a quality assurance review be undertaken by representatives from another Auditor-General's Office, and arrangements were made for the ACT Auditor-General's Office to undertake a review during December 2001 and January 2002. The review encompassed an examination of working paper files for eight audits representing different audit clients across the state carried out by different TAO audit teams. The cost of the review was \$13 000.

The objective of the review was to assess whether in relation to a sample of financial audits, the audit files demonstrated that sufficient audit evidence was available to support a clear audit opinion and that the approach complied with auditing standards.

The review was confined to an examination of documentation contained within the audit files. Documentation held by audit clients was not examined. The ACT review of TAO assessments of such matters as control environment, computer environment, etc. was limited to considering whether the audit approach was internally consistent and had been subject to an appropriate level of review by TAO staff. The review procedures involved the examination of selected parts of the audit files.

The review report received in February 2002 identified a number of areas where the appropriate amount of audit evidence was not available within the audit file to support the conclusions being drawn by the audit teams.

Recommendations made by the review team included:

- Improving the extent of documentation in relation to the amount of audit work undertaken and the conclusions drawn from that work,
- Giving consideration to the employment of external experts for the review of such things as EDP audit approach, income tax calculations and actuarial assessments,
- Ensuring that any changes to the planned audit approach are appropriately documented and approved,
- Making greater use of checklists to ensure completeness of audit working papers, and

- Ensuring that analytical review comments were substantiated more fully.

Since the report was received the TAO has undertaken a review of the audit manual and updated a number of areas based on suggestions for improvement. A review of documentation standards and checklists has also been undertaken.

In future EDP specialists will sign-off the EDP audit approach, while audit managers will be specifically responsible for reviewing taxation and actuarial issues. Audit managers will also be responsible for ensuring that analytical review procedures are substantiated and documented more fully.

## 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 2002. Their Audit Report is attached to the financial statements contained in this Report.

## CONSULTANTS and CONTRACTORS ENGAGED DURING THE YEAR

The Office engaged consultants and contractors to the value of \$209 263 during the year. The following is a list by value greater than \$3 000.

| Consultant             | Services                             | Cost   |
|------------------------|--------------------------------------|--------|
| Alphawest Pty Ltd      | IT Consultants                       | 52 000 |
| Wise Lord & Ferguson   | Audit Contractor                     | 41 500 |
| Jeff Roorda            | Consultant                           | 27 500 |
| KPMG                   | Audit Contractor                     | 13 645 |
| ACT Auditor-General    | Peer Review                          | 13 000 |
| Technology One Pty Ltd | IT Vendor                            | 12 171 |
| REMUS Consortium       | Payroll Outsourcing Services         | 11 526 |
| Lee Page Pty Ltd       | Professional Development Consultants | 8 032  |
| Portera Pty Ltd        | IT Vendor                            | 8 027  |
| Gillian Groom          | Occupational Consultant              | 7 770  |
| Digital Ink            | Consultants                          | 4 083  |
| Moore Robsons          | Audit Contractor                     | 3 164  |



## ADMINISTRATIVE POLICIES

### Recycling

The Office is committed to using recycled products, and providing materials 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 2001-02 the Office did not award any contract in excess of \$50 000.

## PUBLIC ACCESS

### FREEDOM OF INFORMATION

|                            |                                     |
|----------------------------|-------------------------------------|
| <b>FOI Contact Officer</b> | David Strong                        |
| <b>Location</b>            | Level 5 144 Macquarie Street HOBART |
| <b>Telephone</b>           | (03) 6233 4030                      |

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

Continuation of the Office's cadetship program.

Undertook a survey of all Office staff on the Office working environment.

Implementation of new processes to address issues identified from staff survey.

## 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 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.

## 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

|                | 1997-1998       | 1998-1999       | 1999-2000      | 2000-2001      | 2001-2002      |
|----------------|-----------------|-----------------|----------------|----------------|----------------|
| Claims Lodged  | 1               | 0               | 1              | 0              | 1              |
| Days Lost      | 14.3            | 0               | 3              | 0              | 16.5           |
| Cost of Claims | \$3 407         | \$2 470         | \$1 940        | \$1 583        | \$24 136       |
| <b>Premium</b> | <b>\$12 397</b> | <b>\$10 066</b> | <b>\$9 786</b> | <b>\$9 714</b> | <b>\$8 579</b> |

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. While the Office reached a level of female representation at 33% in the previous year, this year it has reduced to approximately 30% due to resignations.

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

| Key Performance Measures                         | Target            | 1998 FY   | 1999 FY   | 2000 FY   | 2001 FY   | 2002 FY                |
|--|-------------------|-----------|-----------|-----------|-----------|------------------------|
| Regular office consultative committee meetings   | Four per year     | 4         | 3         | 3         | 3         | <b>3</b>               |
| Number of grievances lodged by staff             | None              | None      | None      | None      | None      | <b>None</b>            |
| Conduct annual survey to rate staff satisfaction | Good to Very Good | No Survey | No Survey | No Survey | No Survey | <b>Neutral to Good</b> |

## Staff Survey

In March 2002, the Office conducted its first staff survey to ascertain an assessment of the staff climate. The survey established a baseline from which to improve and identified areas for organizational development and improvement.

The survey addressed issues such as communication, leadership, motivation, personal satisfaction, staff development, supervision and teamwork. All staff participated and were given the opportunity to provide additional comments.

The survey highlighted areas where the Office is doing well and areas that require further development. The Executive Management Group and staff are working together to address issues raised in the survey.

## HUMAN RESOURCE MANAGEMENT

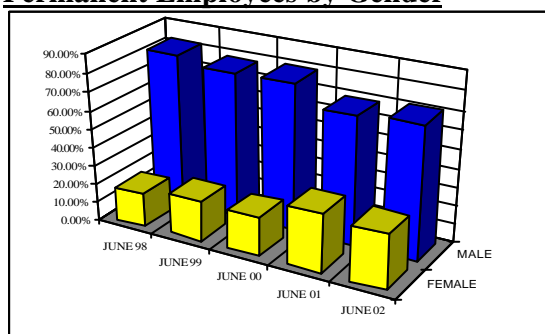
### Staff Recruitment and Turnover

|  | 1999-<br>2000  | 2000-<br>2001 | 2001-<br>2002 |
|--|----------------|---------------|---------------|
| <b>Permanent</b>                             |                |               |               |
| <b>Employees 1 July</b>                      | <b>32</b>      | <b>33</b>     | <b>34</b>     |
| <b>Losses</b>                                |                |               |               |
| Retirements                                  | 1              | -             | -             |
| Resignations                                 | 6              | 3             | 1             |
| Promotions                                   | 1              | 2             | 3             |
|  | <b>(8)</b>     | <b>(5)</b>    | <b>(4)</b>    |
| <b>Gains</b>                                 |                |               |               |
| State Service                                | -              | -             | -             |
| Non-State Service                            | 4              | 6             | 4             |
| Conversion from<br>Temporary to<br>Permanent | 5              | -             | -             |
|  | <b>9</b>       | <b>6</b>      | <b>4</b>      |
| <b>Total Permanent<br/>Employees</b>         | <b>33</b>      | <b>34</b>     | <b>34</b>     |
| Plus Temporary<br>Employees                  | 2              | 1             | 2             |
| <b>Number of Staff<br/>30 June</b>           | <b>35</b>      | <b>35</b>     | <b>36</b>     |
| <b>% Change / Year</b>                       | <b>(16.7%)</b> | <b>(0%)</b>   | <b>2.8%</b>   |

During the year the Office recruited four permanent staff to offset the loss of four permanent staff through resignations and promotions to other public sector entities. The temporary positions relate to staff employed to assist the Office complete its financial audit responsibilities by 31 October 2002.

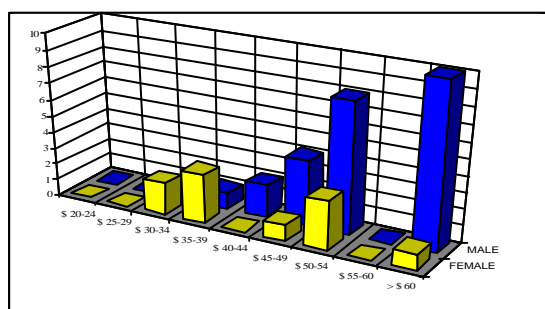
The number of permanent staff has remained relatively constant over the last three years.

### Permanent Employees by Gender



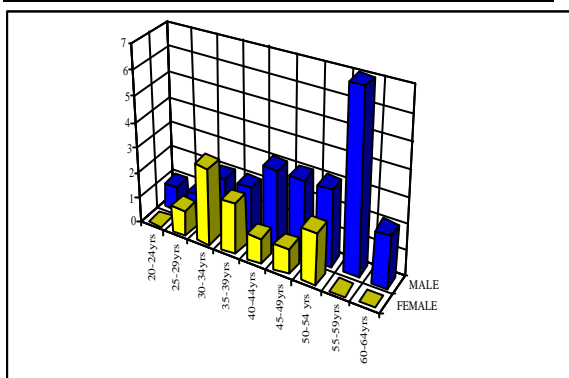
The gender ratio has altered slightly during the past year with the ratio of males to females now being 2.5 to 1 compared to the previous year of 2 to 1.

### 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 relatively longer length of service of males.

### Permanent Employees By Age By Gender

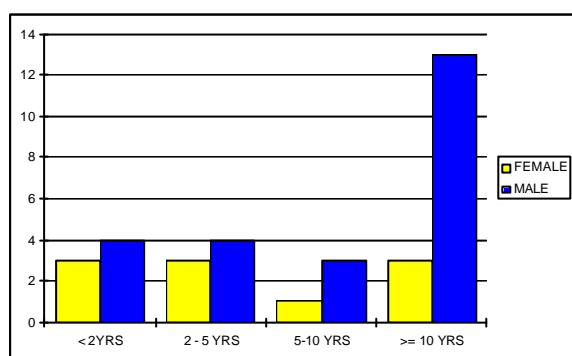


### Equal Employment

|                                     |          |          |
|-------------------------------------|----------|----------|
| Disabilities                        | 1        | 0        |
| Aboriginal & Torres Strait Islander | 0        | 0        |
| Non-English Speaking Background     | 1        | 1        |
|                                     | <u>2</u> | <u>1</u> |

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. This presents a problem for younger staff seeking a career in the Office, but on the other hand it is a benefit for the office in respect of retaining corporate knowledge.

### Head Counts - Permanent and Temporary

|                           | Male<br>30 June<br>2002 | Female<br>30 June<br>2002 |
|---------------------------|-------------------------|---------------------------|
| <b>Staff Recruitment</b>  |                         |                           |
| From within State Service | 0                       | 0                         |
| Non-State Service         | 3                       | 1                         |
| Temporary to Permanent    | 0                       | 0                         |
|                           | <u>3</u>                | <u>1</u>                  |
| <b>Staff Turnover</b>     |                         |                           |
| Redundancy                | 0                       | 0                         |
| Retirements               | 0                       | 0                         |
| Promotions within Service | 1                       | 2                         |
| Deaths                    | 0                       | 0                         |
| Resignations              | 1                       | 0                         |
|                           | <u>2</u>                | <u>2</u>                  |
| <b>Staff Movements</b>    |                         |                           |
| Secondments               | 0                       | 0                         |
| Leave without Pay         | 0                       | 0                         |
|                           | <u>0</u>                | <u>0</u>                  |
| <b>Staff by Location</b>  |                         |                           |
| Hobart                    | 25                      | 7                         |
| Launceston                | 1                       | 3                         |
|                           | <u>26</u>               | <u>10</u>                 |

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 adversely affect the work of the office.

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

The figures published are from those staff who have declared any aspect of personal background.

| <b><u>Staff Age Profile - Head Counts</u></b> | <b>Male</b> | <b>Female</b> |
|---|-------------|---------------|
| 15 - 19 years                                 | 0           | 0             |
| 20 - 24 years                                 | 1           | 0             |
| 25 - 29 years                                 | 1           | 1             |
| 30 - 34 years                                 | 2           | 3             |
| 35 - 39 years                                 | 3           | 2             |
| 40 - 44 years                                 | 3           | 1             |
| 45 - 49 years                                 | 3           | 1             |
| 50 - 54 years                                 | 3           | 2             |
| 55 - 59 years                                 | 8           | 0             |
| 60 - 99 years                                 | 2           | 0             |
|   | <b>26</b>   | <b>10</b>     |

**Average Age** **47.0** **39.8**

| <b><u>Staff Salary Profile - Head Counts</u></b> | <b>Male</b> | <b>Female</b> |
|--|-------------|---------------|
| < \$15 000                                       | 0           | 0             |
| \$15 001 - \$20 000                              | 0           | 0             |
| \$20 001 - \$25 000                              | 0           | 0             |
| \$25 001 - \$30 000                              | 0           | 0             |
| \$30 001 - \$35 000                              | 1           | 2             |
| \$35 001 - \$40 000                              | 1           | 3             |
| \$40 001 - \$45 000                              | 2           | 0             |
| \$45 001 - \$50 000                              | 4           | 1             |
| \$50 001 - \$55 000                              | 8           | 3             |
| \$55 001 - \$60 000                              | 0           | 0             |
| \$60 000 - \$65 000                              | 6           | 0             |
| \$65 001 - \$70 000                              | 2           | 1             |
| > \$70 000                                       | 2           | 0             |
|  | <b>26</b>   | <b>10</b>     |

**Average Salary**

| <b><u>Staff Categories - Head Counts</u></b> | <b>Male</b> | <b>Female</b> |
|--|-------------|---------------|
| Prescribed                                   | 2           | 0             |
| Permanent Full-Time                          | 22          | 9             |
| 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)             | 2           | 0             |
| Part-Time Temporary - S38 (1)(b)             | 0           | 0             |
|  | <b>26</b>   | <b>10</b>     |

| <b><u>Staff Categories - FTEs</u></b> | <b>Male</b> | <b>Female</b> |
|---------------------------------------|-------------|---------------|
| Prescribed                            | 2           | 0             |
| Permanent Full-Time                   | 22          | 8.75          |
| 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)      | 2           | 0             |



(1)(b)

|                           |           |             |
|---------------------------|-----------|-------------|
| Part-Time Temporary - S38 | 0         | 0           |
| (1)(b)                    | <b>26</b> | <b>9.75</b> |

**Staff Awards - FIEs**

|                                     | <b>Male</b> | <b>Female</b> |
|-------------------------------------|-------------|---------------|
| Administrative & Clerical Employees | 3           | 2             |
| Professional Employees              | 21          | 7.75          |
| Contract                            | 2           | 0             |
|                                     | <b>26</b>   | <b>9.75</b>   |

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

In relation to salary profile, 81% of the staff have a salary in excess of \$40 000. However, there is a significant discrepancy between the genders; the average salary for males is influenced by the combined salaries of the Auditor-General and Deputy Auditor-General that total \$277 279. By excluding these salaries the average salary for males is \$52 748, while the average salary for females is \$45 000.

As a result of improved planning and earlier commencement of audit work the need to use temporary staff has diminished.

The Office employs temporary staff during its peak period of June to November each year if the need arises.

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

| <b><u>Staff by Category - Head Counts</u></b> | <b>June 2001</b> | <b>June 2002</b> |
|---|------------------|------------------|
| Executive Management                          | 6                | 6                |
| Managers                                      | 6                | 6                |
| Auditors                                      | 20               | 20               |
| IT Support                                    | 0                | 1                |
| Administration Staff                          | 3                | 3                |
|   | <b>35</b>        | <b>36</b>        |
| Average Staff for the year                    | <b>35.08</b>     | <b>35.75</b>     |

## LEAVE MANAGEMENT

### Annual Leave

|   | <b>30 June 2000</b> | <b>30 June 2001</b> | <b>30 June 2002</b> |
|---|---------------------|---------------------|---------------------|
| Number of employees whose accrued annual leave credits is in excess of 40 working days. | 8                   | 4                   | 2                   |

### Long Service Leave

|  | <b>30 June 2000</b> | <b>30 June 2001</b> | <b>30 June 2002</b> |
|--|---------------------|---------------------|---------------------|
| Number of employees whose accrued long service leave is in excess of 100 working days. | 1                   | 1                   | 3                   |

### Sick Leave

|  | <b>30 June 2000</b> | <b>30 June 2001</b> | <b>30 June 2002</b> |
|--|---------------------|---------------------|---------------------|
| Full Pay Sick Leave (Days)   | 280.9               | 245.8               | 405.7               |
| Half Pay Sick Leave (Days)   | 0.0                 | 0.0                 | 49.1                |
| No Pay Sick Leave (Days)   | 0.0                 | 10.01               | 0.0                 |
| Total Sick Leave Days  | <b>280.9</b>        | <b>255.9</b>        | <b>454.8</b>        |
| Average Per Employee (Days)  | 7.8                 | 7.3                 | 12.7                |
| Number of employees who took leave in excess of 100 hours (13.6 days). | 4                   | 3                   | 4                   |

The management structure of the Office during the year is indicated in the organization chart illustrated earlier in this report and remains unchanged from the previous year.

The Office has had a three-year strategy to reduce the significant leave balances of staff.

The numbers of employees with excessive annual leave balances has reduced over the three-year period.

As at 30 June there are three employees with an accrued long service leave balance in excess of 100 days. There are eight employees with accrued balances in excess of ninety days.

The four employees who took in excess of 100 hours of sick leave did so for severe medical conditions, and the total sick leave days used was 261, that is at least 57.5 % 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   | 1997-98<br>FY | 1998-99<br>FY | 1999-00<br>FY | 2000-01<br>FY | 2001-02<br>FY |
|--|---------------|---------------|---------------|---------------|---------------|
| Number of days of training provided<br>(Includes internal and external training) | 157.3         | 224.9         | 375.8         | 569.50        | <b>506.2</b>  |
| Average number of days per employee  | 4.46          | 6.74          | 10.49         | 16.23         | <b>14.24</b>  |
| Training Costs as a percentage of Total Resources                                | N/a           | 7%            | 11%           | 12%           | <b>13%</b>    |

## SUPERANNUATION DECLARATION

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



A J McHugh  
30 June 2002

## 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

Board of Directors

Board Corporate Governance Committee

Board Council Nominating and Development Committee

National Public Sector Committee

National Professional Standards Committee

Ethics and Corporate Governance Centre of Excellence

Divisional Council

Public Sector Accountant's Committee

Divisional Industry and Commerce Committee

Institute of Public Administration Australia

Divisional Council Tasmania – Immediate past President

Divisional Council Tasmania – Treasurer

### **Intra-Government/Public Bodies Committees**

Office for Multicultural and Ethnic Affairs

Ethnic Liaison Officer

EEO Committees

Changing Workplace Behaviour Policy Development Sub-committee

Contact Officers Committee

University of Tasmania Faculty of Business

Remus Consortium

Steering Committee

HR Reference Group

Training Consortium

Steering Committee

Tasmanian Women's Policy Network

Tasmanian Statistical Advisory Committee



# Our Finances

## OUR OBJECTIVE

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

## COMMENTARY ON OUR FINANCES

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

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

The Auditor-General's salary and on-costs is a Reserved-by-law item within the annual state budget. This appropriation has been partially offset over the last few years by voluntary cash transfers and by an arrangement whereby 50% of the Reserved-by-law amount is reimbursed to the Consolidated Fund. These transfers were referred to as equity reductions in 2001 and previous years. Note 1.10 to these financial statements indicates that the reimbursement of 50% of the Auditor-General's Salary and Allowances is now treated as an employee entitlement expense.

The financial statements appear on the following 32 pages.

## Financial Statements Prepared on a Cash Basis

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

The cash balance decreased from \$1.010m at 30 June 1991 to \$0.767m at 30 June 2002. Cash receipts in total were almost unchanged from 2001. Cash expenditure increased by \$0.191m over 2001.

The Office has the Treasurer's approval to carry forward the closing cash balance to the 2002-2003 financial year. This balance has to fund the Office for staff salaries and entitlements and creditors pending the billing and collection of audit fees.

## Statement of Financial Performance

The Statement shows a net operating deficit before tax of \$157 000 before adjusting for the effects of a change in accounting policy. After tax revenues were boosted by \$257 000 as a one-off result of the accounting policy changes described in Note 1.10.

Revenue was affected by a boost of \$155 000 as a result of the accounting policy change as shown in Note 2.3. This is a non-recurring item. The increase in employee entitlements of \$201 000 was partly attributable to the inclusion therein of the 50% of the Auditor-General's salary reimbursed to the Consolidated Fund (previously treated as an equity distribution) and to general increases in staffing and staff salaries. This expense is a continuing cost.

The net adjustment required to bring before-tax revenues and expenses into line is therefore approximately \$312 000.

This realignment of revenues and expenses will be pursued by making adjustments to financial audit fees and employee costs. The former are likely to require general increases slightly in excess of the CPI whereas employee costs will be managed by reduction of the number of financial auditors by one or two by natural attrition. Revenue should also be increased as a result of earlier completion of financial audits.

## Statement of Financial Position

Cash reduced by \$243 000 from the balance held at the end of the previous year. The surplus from operations declined markedly and the Office continued to invest in IT equipment and paid a dividend of \$19 000 and a capital charge of \$71 000.

The cash balance is sufficient to fund the normal operations of the Office.

Work in progress was lower than the previous year as the audits were not as advanced at 30 June 2002 compared with 30 June 2001.

The deferred tax liability of \$70 000 is mainly a consequence of the level of work in progress.

Total equity declined as a result of the adjustment resulting from the change in accounting policy, \$142 000, the dividends paid and provided for, \$50 000 and a capital charge of \$49 000 offset by the net surplus for the year of \$100 000 (see Note 7.2).



**TASMANIAN AUDIT OFFICE**  
**FINANCIAL STATEMENTS FOR THE YEAR ENDED**  
**30 JUNE 2002**

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**PUBLIC ACCOUNT GENERAL PURPOSE FINANCIAL STATEMENTS**

Statement of Compliance

Statement of Financial Performance

Statement of Financial Position

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Notes to the Financial Statements

Certification of Financial Statements

Auditor's Report

## TASMANIAN AUDIT OFFICE

## Statement of Compliance with Consolidated Fund Appropriation and other External Requirements for the year ended 30 June 2002

|   | Note  | 2001<br>Actual<br>\$ '000 | 2002<br>Estimate<br>\$ '000 | 2001<br>Actual<br>\$ '000 | Variation<br>\$ '000 |
|---|-------|---------------------------|-----------------------------|---------------------------|----------------------|
| <b>Opening Balance</b>                    |       | <b>1 066</b>              | <b>1 010</b>                | <b>1 010</b>              |                      |
| <b>Receipts</b>                           |       |                           |                             |                           |                      |
| <b>Consolidated Fund:</b>                 |       |                           |                             |                           |                      |
| Reserved by Law                           |       | 258                       | 292                         | 252                       | 40                   |
| <b>Total Consolidated Fund</b>            |       | <b>258</b>                | <b>292</b>                  | <b>252</b>                | <b>40</b>            |
| <b>Other Receipts:</b>                    |       |                           |                             |                           |                      |
| Gross cash proceeds from sale of assets   |       | 4                         | 2                           | 2                         | -                    |
| Revenue not paid into Consolidated Fund   |       | 2 714                     | 2 694                       | 2 670                     | 24                   |
| GST collections and refunds               | 12(a) | 194                       | 278                         | 250                       | 28                   |
| <b>Total Other Receipts</b>               |       | <b>2 912</b>              | <b>2 974</b>                | <b>2 922</b>              | <b>52</b>            |
| <b>TOTAL FUNDING OF OUTPUTS</b>           |       | <b>3 170</b>              | <b>3 266</b>                | <b>3 174</b>              | <b>92</b>            |
| <b>EXPENDITURE BY OUTPUT GROUP</b>        |       |                           |                             |                           |                      |
| Public Sector Management & Accountability | 12(a) | 3 226                     | 3 441                       | 3 417                     | 24                   |
| <b>TOTAL</b>                              |       | <b>3 226</b>              | <b>3 441</b>                | <b>3 417</b>              | <b>24</b>            |

**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 2002**

|  | Note | 2001<br>Actual<br>\$ '000 | 2002<br>Estimate<br>\$ '000 | 2001<br>Actual<br>\$ '000 | Variation<br>\$ '000 |
|--|------|---------------------------|-----------------------------|---------------------------|----------------------|
| R007 - Auditor-General's Salary and Allowances |      | 258                       | 292                         | 252                       | 40                   |
|  |      | <b>258</b>                | <b>292</b>                  | <b>252</b>                | <b>40</b>            |

**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 2002**

|   | Note | Balance<br>30-Jun-01<br>\$ '000 | 2002<br>Receipts<br>\$ '000 | 2002<br>Expenditure<br>\$ '000 | Balance<br>30-Jun-02<br>\$ '000 |
|---|------|---------------------------------|-----------------------------|--------------------------------|---------------------------------|
| T644 - Tasmanian Audit Office Operating Account |      | 1 010                           | 3 174                       | 3 417                          | 767                             |
|   |      | <b>1 010</b>                    | <b>3 174</b>                | <b>3 417</b>                   | <b>767</b>                      |

**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 2002**

|  | Note              | 2002<br>Actual<br>\$ '000 | 2001<br>Actual<br>\$ '000 |
|--|-------------------|---------------------------|---------------------------|
| <b>Revenue from ordinary activities</b>  |                   |                           |                           |
| User charges   | 1.3(b), 2.1       | 2 653                     | 2 660                     |
| Recurrent appropriations   | 1.3(a)            | 252                       | 258                       |
| Other revenue from ordinary activities   | 1.3(d), 1.10, 2.3 | 227                       | 80                        |
| Gross proceeds from the disposal of assets   | 1.3(c), 2.2       | <u>4</u>                  | <u>4</u>                  |
| <b>Total revenue from ordinary activities</b>  |                   | <b><u>3 136</u></b>       | <b><u>3 002</u></b>       |
| <b>Expenses from ordinary activities</b>   |                   |                           |                           |
| Employee entitlements  | 1.4(a), 3.1       | 2 286                     | 2 085                     |
| Other expenses from ordinary activities  | 1.4(d), 3.4       | 295                       | 227                       |
| Contractors and Consultants  | 1.4(d)            | 164                       | 183                       |
| Information Technology   | 1.4(d)            | 159                       | 106                       |
| Accommodation  | 1.4(d)            | 143                       | 124                       |
| Materials, Supplies and Services   | 1.4(d)            | 125                       | 135                       |
| Depreciation   | 1.4(b), 3.2       | 121                       | 104                       |
| Written down value of disposed assets  | 1.4(c), 3.3       | <u>-</u>                  | <u>-</u>                  |
| <b>Total expenses from ordinary activities</b>   |                   | <b><u>3 293</u></b>       | <b><u>2 964</u></b>       |
| <b>Net operating surplus/(deficit) from ordinary operating activities before income tax equivalents</b>                                  |                   | <b><u>( 157 )</u></b>     | <b><u>38</u></b>          |
| Income Tax equivalence expense   | 1.9(a), 3.5       | <u>( 257 )</u>            | <u>18</u>                 |
| <b>Net Profit/(Loss)</b>   |                   | <b><u>100</u></b>         | <b><u>20</u></b>          |
| Increase/(decrease) in asset revaluation reserve arising on revaluation of non-current assets  | 1.9(a), 3.5       | -                         | -                         |
| <b>Total Revenue, Expense and Valuation Adjustments Recognised Directly in Equity</b>  |                   | <b><u>-</u></b>           | <b><u>-</u></b>           |
| <b>Total changes in equity other than those resulting from transactions with the Tasmanian State Government in its capacity as owner</b> | 7.2               | <b><u>100</u></b>         | <b><u>20</u></b>          |

**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 2002**

|   | Note               | 2002<br>Actual<br>\$ '000 | 2001<br>Actual<br>\$ '000 |
|---|--------------------|---------------------------|---------------------------|
| <b>Assets</b>                                 |                    |                           |                           |
| <b>Current Assets</b>                         |                    |                           |                           |
| Cash on hand and deposit accounts             | 1.5(a)             | 767                       | 1 010                     |
| Receivables                                   | 1.5(b), 5.1, 12(b) | 260                       | 192                       |
| Work in progress                              | 1.5(c), 5.2, 12(b) | 228                       | 464                       |
| Current tax assets                            | 1.5(d), 5.3, 12(b) | 159                       | 26                        |
| Other current assets                          | 1.5(d), 5.3, 12(b) | <u>62</u>                 | <u>24</u>                 |
| <b>Total current assets</b>                   |                    | <b><u>1 476</u></b>       | <b><u>1 716</u></b>       |
| <b>Non-Current Assets</b>                     |                    |                           |                           |
| Computer Equipment and Leasehold Improvements | 1.5(e), 5.4, 5.5   | 279                       | 209                       |
| Non-current tax assets                        | 1.5(d), 5.3, 12(b) | <u>200</u>                | <u>-</u>                  |
| <b>Total non-current assets</b>               |                    | <b><u>479</u></b>         | <b><u>209</u></b>         |
| <b>Total assets</b>                           |                    | <b><u>1 955</u></b>       | <b><u>1 925</u></b>       |
| <b>Liabilities</b>                            |                    |                           |                           |
| <b>Current Liabilities</b>                    |                    |                           |                           |
| Employee entitlements                         | 1.6(a), 6.1, 12(b) | 283                       | 221                       |
| Payables                                      | 1.6(b), 6.2, 12(b) | 307                       | 282                       |
| Current tax liabilities                       | 1.9(a), 6.2        | <u>87</u>                 | <u>76</u>                 |
| <b>Total current liabilities</b>              |                    | <b><u>677</u></b>         | <b><u>579</u></b>         |
| <b>Non-Current Liabilities</b>                |                    |                           |                           |
| Employee entitlements                         | 1.6(b), 6.1, 12(b) | 326                       | 329                       |
| Deferred tax liabilities                      | 1.9(a), 6.2        | <u>70</u>                 | <u>(6)</u>                |
| <b>Total non-current liabilities</b>          |                    | <b><u>396</u></b>         | <b><u>323</u></b>         |
| <b>Total liabilities</b>                      |                    | <b><u>1 073</u></b>       | <b><u>902</u></b>         |
| <b>Net assets (liabilities)</b>               |                    | <b><u>882</u></b>         | <b><u>1 023</u></b>       |
| <b>Equity</b>                                 |                    |                           |                           |
| Contributed capital                           | 7.1                | 1 168                     | 1 168                     |
| Reserves                                      |                    | -                         | -                         |
| Retained profits                              | 7.2, 1.10          | <u>(286)</u>              | <u>(145)</u>              |
| <b>Total Equity</b>                           | 7, 1.10            | <b><u>882</u></b>         | <b><u>1 023</u></b>       |

**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 2002**

|  | Note  | 2002<br>Actual<br>\$ '000 | 2001<br>Actual<br>\$ '000 |
|--|-------|---------------------------|---------------------------|
| <b>Cash flows from operating activities</b>                  | 12(b) |                           |                           |
| User charges   |       | 2 582                     | 2 575                     |
| Recurrent appropriations                                     | 12(b) | 252                       | 258                       |
| GST receipts on services                                     | 11    | 230                       | 157                       |
| GST receipts from ATO  | 11    | 61                        | 37                        |
| Interest received  |       | 28                        | 120                       |
| Other cash receipts  |       | 11                        | 19                        |
| Employee entitlements  |       | ( 2 227 )                 | ( 2 137 )                 |
| Other cash payments  |       | ( 635 )                   | ( 461 )                   |
| GST payments to ATO  | 11    | ( 156 )                   | ( 118 )                   |
| GST payments on purchases                                    | 11    | ( 94 )                    | ( 69 )                    |
| Taxation equivalents   |       | ( 17 )                    | ( 36 )                    |
| <b>Total cash provided by/(used in) operating activities</b> | 8(b)  | <u><b>35</b></u>          | <u><b>345</b></u>         |
| <b>Cash flows from investing activities</b>                  | 12(b) |                           |                           |
| Gross proceeds from the sale of assets                       |       | 4                         | 4                         |
| Payments for acquisition of assets                           |       | ( 192 )                   | ( 120 )                   |
| <b>Net cash provided by/(used in) investing activities</b>   |       | <u><b>( 188 )</b></u>     | <u><b>( 116 )</b></u>     |
| <b>Cash flows from financing activities</b>                  | 12(b) |                           |                           |
| Dividend   |       | ( 19 )                    | ( 73 )                    |
| Capital Charge   |       | ( 71 )                    | ( 91 )                    |
| Equity reduction   |       | -                         | ( 121 )                   |
| <b>Net cash provided by/(used in) financing activities</b>   |       | <u><b>( 90 )</b></u>      | <u><b>( 285 )</b></u>     |
| Net increase (decrease) in cash held                         |       | ( 243 )                   | ( 56 )                    |
| Cash at the beginning of the reporting period                |       | <u>1 010</u>              | <u>1 066</u>              |
| <b>Cash at the end of the reporting period</b>               | 8(a)  | <u><b>767</b></u>         | <u><b>1 010</b></u>       |

**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  |
|----------|--|
| <b>1</b> | <b>Summary of significant accounting policies</b>                      |
| 1.1      | Objectives and funding   |
| 1.2      | Basis of accounting  |
| 1.3      | Revenue  |
| a)       | <i>Revenues from Government - Appropriation</i>                        |
| b)       | <i>User charges</i>  |
| c)       | <i>Gross proceeds from the disposal of assets</i>                      |
| d)       | <i>Interest</i>  |
| 1.4      | Expenses   |
| a)       | <i>Employee entitlements</i>   |
| b)       | <i>Depreciation</i>  |
| c)       | <i>Written down value of disposed physical assets</i>                  |
| d)       | <i>Other expenses from ordinary activities</i>                         |
| 1.5      | Assets   |
| a)       | <i>Cash on hand and deposit accounts</i>                               |
| b)       | <i>Receivables</i>   |
| c)       | <i>Work in progress</i>  |
| d)       | <i>Other assets</i>  |
| e)       | <i>Computer equipment, office equipment and leasehold improvements</i> |
| 1.6      | Liabilities  |
| a)       | <i>Payables</i>  |
| b)       | <i>Provisions for employee entitlements</i>                            |
| c)       | <i>Superannuation</i>  |
| 1.7      | Leases   |
| 1.8      | Rounding   |
| 1.9      | Office Taxation, Dividends and Capital Charge                          |
| 1.10     | Change in Accounting Policy  |
| <b>2</b> | <b>Revenue from ordinary activities</b>                                |
| 2.1      | User charges   |
| 2.2      | Gross proceeds and expenses from the disposal of fixed assets          |
| 2.3      | Other revenues from ordinary activities                                |
| <b>3</b> | <b>Expenses from ordinary activities</b>                               |
| 3.1      | Employee entitlements  |
| 3.2      | Depreciation   |
| 3.3      | Write down value of disposed assets                                    |
| 3.4      | Other expenses from ordinary activities                                |
| 3.5      | Income tax equivalence   |
| <b>4</b> | <b>Outputs of the Office</b>   |

**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-current 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**

- 7.1 Contributed capital
- 7.2 Retained profits

**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, except for the treatment of the refund of 50% of the Reserved by Law item for the Auditor-General's Salary and Allowance. Previously this was treated as an equity reduction; from 1 July 2001 it will be treated as an operating expense and the consequential effect is that it will effect the operating result of the Office. The second policy change is that the capital charge prior to 1 July 2001 was treated as an operating expense; now it will be treated as a contribution to the Government, similar to that of a dividend (refer Note 1.10).

Assets and liabilities are recognised in the 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 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 – 10 years |
| Leasehold Improvements | 3 years      |
| Office Equipment       | 3 – 4 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 that 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 less amounts invoiced.

*d) Other Assets*

The other assets category includes prepayments and tax assets.

*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, unless that asset is considered to be an attractive item.

**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 Rounding**

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 that 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 that 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 after 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 balance of opening equity as at 1 July each year multiplied by a rate 1% greater than the interest earning rate on the Office's business operating account at the beginning of the reporting period.

## **1.10 Change in Accounting Policy**

In accordance with 6.4 of ASS6, the Office discloses the cumulative financial effect of a change in two accounting policies.

The changes in accounting policy are:

- a) The capital charge prior to 1 July 2001 was treated as an operating expense. From 1 July 2001 the capital charge will be treated as an equity transaction akin to a fixed preference dividend. At the time of the policy change it was estimated that the effect was to reduce operating expenditure by approximately \$70,000.
- b) The 50% reimbursement of the appropriation for the Auditor-General's Salary and Allowances prior to 1 July 2001 was treated as an equity reduction. From 1 July 2001 this reimbursement will be treated, as an operating expense as the receipt of the appropriation is treated as revenue. At the time of the policy change it was estimated that the effect was to increase operating expenses by approximately \$146,000.

## Restated Statement of Financial Performance

|  | 2002<br>\$'000<br>* | 2001<br>\$'000<br>Restated |
|--|---------------------|----------------------------|
| <b>Revenue from ordinary activities</b>  |                     |                            |
| User charges   | 2 653               | 2 660                      |
| Recurrent appropriations   | 252                 | 258                        |
| Other revenue from ordinary activities   | 227                 | 80                         |
| Gross proceeds from the disposal of assets   | 4                   | 4                          |
| <b>Total revenue from ordinary activities</b>  | <b>3 136</b>        | <b>3 002</b>               |
| <b>Expenses from ordinary activities</b>   |                     |                            |
| Employee entitlements  | 2 286               | 2 085                      |
| Other expenses from ordinary activities  | 295                 | 266                        |
| Contractors and Consultants  | 164                 | 183                        |
| Information Technology   | 159                 | 106                        |
| Accommodation  | 143                 | 124                        |
| Materials, Supplies and Services   | 125                 | 135                        |
| Depreciation   | 121                 | 104                        |
| Written down value of disposed assets  | -                   | -                          |
| <b>Total expenses from ordinary activities</b>   | <b>3 293</b>        | <b>3 003</b>               |
| <b>Net operating surplus/(deficit) from ordinary operating activities before income tax equivalents</b>  | <b>( 157 )</b>      | <b>( 1 )</b>               |
| Income Tax equivalence expense   | ( 257 )             | -                          |
| <b>Net Profit/(Loss)</b>   | <b>100</b>          | <b>( 1 )</b>               |
| Increase/(decrease) in asset revaluation reserve arising on revaluation of non-current assets  | -                   | -                          |
| <b>Total Revenue, Expense and Valuation Adjustments Recognised Directly in Equity</b>  | <b>-</b>            | <b>-</b>                   |
| <b>Total changes in equity other than those resulting from transactions with Tasmanian State Government in its capacity as owner</b>                                       | <b>100</b>          | <b>( 1 )</b>               |
| In relation to the aggregate adjustment to the opening retained earnings for the financial year of \$155,000 the following amounts relate to financial years prior to 2001 |                     | <b>193</b>                 |



**Note 2: Revenue from ordinary activities****2.1 User Charges**

|                            | <b>2002</b>         | <b>2001</b>         |
|----------------------------|---------------------|---------------------|
|                            | <b>\$'000</b>       | <b>\$'000</b>       |
| <b>Services</b>            |                     |                     |
| Financial Audit Services   | 1 970               | 2 179               |
| Performance Audit Services | 487                 | 337                 |
| Compliance Audit           | 62                  | 62                  |
| Special Investigations     | -                   | 14                  |
| Report to Parliament       | 134                 | 68                  |
| <b>Total</b>               | <b><u>2 653</u></b> | <b><u>2 660</u></b> |

**2.2 Gross Proceeds and Expense From the Disposal of Fixed Assets**

|  | <b>2002</b>     | <b>2001</b>     |
|--|-----------------|-----------------|
|  | <b>\$'000</b>   | <b>\$'000</b>   |
| <b>Non-financial assets - office and computer equipment:</b> |                 |                 |
| Revenue (proceeds) from sale                                 | 4               | 4               |
| Written down value of disposed assets                        | -               | -               |
|  | <b><u>4</u></b> | <b><u>4</u></b> |

**2.3 Other Revenues from Ordinary Activities**

|  | <b>2002</b>       | <b>2001</b>      |
|--|-------------------|------------------|
|  | <b>\$'000</b>     | <b>\$'000</b>    |
| Revenue as a result of Change in Accounting Policy | 155               | -                |
| Revenue as a result of Lease Incentive Write Off   | 34                | -                |
| Interest   | 27                | 61               |
| Miscellaneous Income                               | 11                | -                |
| Salary Reimbursement for Secondment Agreements     | -                 | 19               |
|  | <b><u>227</u></b> | <b><u>80</u></b> |

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

|                                    | <b>2002</b>         | <b>2001</b>         |
|------------------------------------|---------------------|---------------------|
|                                    | <b>\$'000</b>       | <b>\$'000</b>       |
| Wages and Salaries – Ordinary Time | 1 791               | 1 597               |
| Annual Leave                       | 144                 | 135                 |
| Long Service Leave                 | 34                  | 32                  |
| Superannuation                     | 200                 | 203                 |
| Payroll Tax                        | 117                 | 118                 |
|                                    | <b><u>2 286</u></b> | <b><u>2 085</u></b> |

### 3.2 Depreciation

|                               | 2002<br>\$'000 | 2001<br>\$'000 |
|-------------------------------|----------------|----------------|
| Computer Equipment – Hardware | 75             | 71             |
| Computer Equipment – Software | 36             | 31             |
| Office Equipment & Furniture  | 3              | 1              |
| Leasehold Improvements        | 7              | 1              |
|                               | <u>121</u>     | <u>104</u>     |

### 3.3 Write Down Value of Assets for Disposed Assets

|  | 2002<br>\$'000 | 2001<br>\$'000 |
|--|----------------|----------------|
| <b>Non-financial assets - office and computer equipment:</b> |                |                |
| Computer Equipment at Cost                                   | 38             | 28             |
| Computer Equipment - Accumulated Depreciation                | <u>( 38 )</u>  | <u>( 28 )</u>  |
|  | <u>-</u>       | <u>-</u>       |

### 3.4 Other Expenses from Ordinary Activities

|                              | 2002<br>\$'000 | 2001<br>\$'000 |
|------------------------------|----------------|----------------|
| Miscellaneous                | 147            | 8              |
| Travel and Transport         | 72             | 70             |
| Training                     | 32             | 33             |
| Insurance                    | 17             | 11             |
| Fringe Benefits Tax          | 14             | 20             |
| Workers Compensation Premium | 8              | 10             |
| Audit Expenses               | 5              | 4              |
| Capital Charge               | -              | 71             |
|                              | <u>295</u>     | <u>227</u>     |

### 3.5 Income Tax Equivalence

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

|   | 2002<br>\$'000        | 2001<br>\$'000   |
|---|-----------------------|------------------|
| <b>Profit from ordinary activities before income tax equivalents</b>  | <b><u>( 157 )</u></b> | <b><u>38</u></b> |
| Income tax equivalent expense calculated at 30% of operating profit (2001 34%)                                  | <u>( 47 )</u>         | <u>12</u>        |
| <b>Permanent differences</b>  |                       |                  |
| Revenue from change in accounting policy  | ( 46 )                | -                |
| Prior Period Adjustment   | <u>( 164 )</u>        | <u>-</u>         |
| Net adjustment to deferred income tax liabilities and assets to reflect the decrease in company tax rate to 30% | <u>-</u>              | <u>6</u>         |
| Income tax equivalent expense attributable to profit from ordinary activities                                   | <u>( 257 )</u>        | <u>18</u>        |
| Income tax equivalent expense comprises movements in:   |                       |                  |
| Provision for tax equivalent expenses   | -                     | 9                |
| Future income tax benefit   | ( 333 )               | 34               |
| Provision for deferred income tax   | <u>76</u>             | <u>( 25 )</u>    |
| Total income tax equivalent expense   | <u>( 257 )</u>        | <u>18</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

|   | 2002<br>Actual<br>\$ '000 | 2001<br>Actual<br>\$ '000 |
|---|---------------------------|---------------------------|
| <b>Revenue from ordinary activities</b>       |                           |                           |
| User charges                                  | 2 653                     | 2 660                     |
| Recurrent appropriations                      | 252                       | 258                       |
| Gross proceeds from the disposal of assets    | 4                         | 4                         |
| Other revenue from ordinary activities        | <u>227</u>                | <u>80</u>                 |
| <b>Total revenue from ordinary activities</b> | <b><u>3 136</u></b>       | <b><u>3 002</u></b>       |

|  |                           |                      |
|--|---------------------------|----------------------|
| <b>Expenses from ordinary activities</b>   |                           |                      |
| Employee entitlements  | 2 286                     | 2 085                |
| Depreciation   | 121                       | 104                  |
| Written down value of disposed assets  | -                         | -                    |
| Other expenses from ordinary activities  | <u>886</u>                | <u>775</u>           |
| <b>Total expenses from ordinary activities</b>   | <b><u>3 293</u></b>       | <b><u>2 964</u></b>  |
| <br><b>Profit (Loss) from ordinary activities before income tax equivalents</b>  | <br><b><u>( 157 )</u></b> | <br><b><u>38</u></b> |
| <br><b>Net Profit/(Loss)</b>   | <br><b><u>100</u></b>     | <br><b><u>20</u></b> |
| <br><b>Total Revenue, Expense and Valuation Adjustments Recognised Directly in Equity</b>  | <br><b><u>-</u></b>       | <br><b><u>-</u></b>  |
| <br><b>Total changes in equity other than those resulting from transactions with the Tasmanian State Government in its capacity as owner</b> | <br><b><u>100</u></b>     | <br><b><u>20</u></b> |

#### Note 5: Assets

##### 5.1 Receivables

|                            | <b>2002</b>       | <b>2001</b>       |
|----------------------------|-------------------|-------------------|
|                            | <b>\$'000</b>     | <b>\$'000</b>     |
| User Charges including GST | 245               | 189               |
| Sundry Debtor              | 13                | -                 |
| Interest                   | <u>2</u>          | <u>3</u>          |
|                            | <b><u>260</u></b> | <b><u>192</u></b> |
| <br>Current                | 260               | 192               |
| Non-current                | <u>-</u>          | <u>-</u>          |
|                            | <b><u>260</u></b> | <b><u>192</u></b> |

##### 5.2 Work in progress

|                  | <b>2002</b>       | <b>2001</b>       |
|------------------|-------------------|-------------------|
|                  | <b>\$'000</b>     | <b>\$'000</b>     |
| Work in progress | <u>228</u>        | <u>464</u>        |
|                  | <b><u>228</u></b> | <b><u>464</u></b> |

##### 5.3 Other Assets

|   | <b>2002</b>       | <b>2001</b>      |
|---|-------------------|------------------|
|   | <b>\$'000</b>     | <b>\$'000</b>    |
| <b>Tax Assets</b>                       |                   |                  |
| Future Income Tax Benefit – Current     | 159               | 26               |
| Future Income Tax Benefit – Non-Current | <u>200</u>        | <u>-</u>         |
|   | <b><u>359</u></b> | <b><u>26</u></b> |

|                     | 2002<br>\$'000   | 2001<br>\$'000   |
|---------------------|------------------|------------------|
| <b>Other Assets</b> |                  |                  |
| Lease Incentive     | 42               | -                |
| Prepayments         | <u>20</u>        | <u>24</u>        |
|                     | <u><b>62</b></u> | <u><b>24</b></u> |

#### 5.4 Computer Equipment, Leasehold Improvements and Office Equipment

|  | 2002<br>\$'000    | 2001<br>\$'000    |
|--|-------------------|-------------------|
| <b>Leasehold Improvements</b>  |                   |                   |
| Leasehold improvements – at cost   | 187               | 187               |
| Less: accumulated amortisation   | <u>( 175 )</u>    | <u>( 168 )</u>    |
| Total leasehold improvements   | <u><b>12</b></u>  | <u><b>19</b></u>  |
| <b>Office Equipment</b>  |                   |                   |
| Office Equipment – at cost   | 59                | 52                |
| Less: accumulated depreciation   | <u>( 53 )</u>     | <u>( 52 )</u>     |
| Total office equipment   | <u><b>6</b></u>   | <u><b>-</b></u>   |
| <b>Furniture &amp; Fittings</b>  |                   |                   |
| Furniture & Fittings – at cost   | 82                | 82                |
| Less: accumulated depreciation   | <u>( 82 )</u>     | <u>( 80 )</u>     |
| Total furniture and fittings   | <u><b>-</b></u>   | <u><b>2</b></u>   |
| <b>Computer Equipment – Hardware</b>   |                   |                   |
| Computer Equipment – Hardware – at cost                                      | 450               | 355               |
| Less: accumulated depreciation   | <u>( 238 )</u>    | <u>( 199 )</u>    |
| Total computer equipment – hardware  | <u><b>212</b></u> | <u><b>156</b></u> |
| <b>Computer Equipment – Software</b>   |                   |                   |
| Computer Equipment – Software – at cost                                      | 220               | 167               |
| Less: accumulated depreciation   | <u>( 171 )</u>    | <u>( 135 )</u>    |
| Total computer equipment – software  | <u><b>49</b></u>  | <u><b>32</b></u>  |
| <b>Total Computer Equipment, Office Equipment and Leasehold Improvements</b> | <u><b>279</b></u> | <u><b>209</b></u> |

## 5.5 Reconciliation of Non-Current Physical Assets

|                                       | Computer<br>Equip<br>\$'000 | Office<br>Equip &<br>Fittings<br>\$'000 | Leasehold<br>Imprv<br>\$'000 |
|---------------------------------------|-----------------------------|---|------------------------------|
| <b>2002</b>                           |                             |   |                              |
| Carrying amount at start of year      | 187                         | 2                                       | 19                           |
| Additions – at cost                   | 185                         | 7                                       | -                            |
| Disposals – at written down value     | -                           | -                                       | -                            |
| Depreciation/amortisation expense     | (111)                       | (3)                                     | (7)                          |
| <b>Carrying amount at end of year</b> | <b>261</b>                  | <b>6</b>                                | <b>12</b>                    |

## Note 6: Liabilities

## 6.1 Employee Entitlements

|                        | <b>2002</b><br><b>\$'000</b> | <b>2001</b><br><b>\$'000</b> |
|------------------------|------------------------------|------------------------------|
| Accrued Salaries       | 53                           | 45                           |
| Accrued Superannuation | 6                            | 5                            |
| Accrued Payroll Tax    | 4                            | 3                            |
| Accrued ILOT           | -                            | 1                            |
| Annual Leave           | 157                          | 155                          |
| Long Service Leave     | 389                          | 341                          |
|                        | <b>609</b>                   | <b>550</b>                   |
| Current                | 283                          | 221                          |
| Non-current            | 326                          | 329                          |
|                        | <b>609</b>                   | <b>550</b>                   |

## 6.2 Payables and Other Liabilities

|                           | <b>2002</b><br><b>\$'000</b> | <b>2001</b><br><b>\$'000</b> |
|---------------------------|------------------------------|------------------------------|
| <b>Payables</b>           |                              |                              |
| Creditors                 | 130                          | 151                          |
| Revenue in Advance        | 3                            | 2                            |
| Lease Incentive Liability | 72                           | 34                           |
| Accrued FBT               | 3                            | 5                            |
| Capital Charge            | 49                           | 71                           |
| Dividend                  | 50                           | 19                           |
|                           | <b>307</b>                   | <b>282</b>                   |

**Tax Liabilities**

|   |                   |                   |
|---|-------------------|-------------------|
| GST owed to the ATO                         | 54                | 26                |
| Provision for Income Tax                    | 33                | 50                |
| Provision for Deferred Income Tax           | 70                | (6)               |
|   | <u>157</u>        | <u>70</u>         |
| <b>Total Payables &amp; Tax Liabilities</b> | <u><b>464</b></u> | <u><b>352</b></u> |
| Current                                     | 394               | 358               |
| Non-current                                 | 70                | (6)               |
|   | <u><b>464</b></u> | <u><b>352</b></u> |

**6.3 Schedule of Commitments****Schedule of Commitments as at 30 June 2002**

|                                   | <b>2002</b>         | <b>2001</b>         |
|-----------------------------------|---------------------|---------------------|
|                                   | <b>\$'000</b>       | <b>\$'000</b>       |
| <b>By Type</b>                    |                     |                     |
| <b>Lease Commitments</b>          |                     |                     |
| Operating Leases – Accommodation  | 157                 | 133                 |
| Operating Leases – Motor Vehicles | 33                  | 36                  |
|                                   | <u><b>190</b></u>   | <u><b>169</b></u>   |
| <b>By Maturity</b>                |                     |                     |
| <b>Lease Commitments</b>          |                     |                     |
| One Year or less                  | 190                 | 169                 |
| From one to five years            | 768                 | 696                 |
| Over five years                   | 969                 | 931                 |
|                                   | <u><b>1 927</b></u> | <u><b>1 796</b></u> |

**Note 7: Equity and Movements in Equity****7.1 Contributed Capital**

|                     | <b>2002</b>   | <b>2001</b>   |
|---------------------|---------------|---------------|
|                     | <b>\$'000</b> | <b>\$'000</b> |
| Equity on Formation | <b>1 168</b>  | <b>1 168</b>  |

**7.2 Retained Profits**

|   | <b>2002</b><br><b>\$'000</b> | <b>2001</b><br><b>\$'000</b> |
|---|------------------------------|------------------------------|
| <b>Balance at the beginning of the financial year</b> | <b>( 145 )</b>               | <b>84</b>                    |
| Adjustment as a result of Change in Accounting Policy | ( 142 )                      | -                            |
| Net surplus/(loss)                                    | 100                          | 20                           |
| Dividends provided for or paid                        | ( 50 )                       | ( 19 )                       |
| Equity reduction                                      | ( 49 )                       | ( 230 )                      |
| <b>Balance at the end of the financial year</b>       | <b><u>( 286 )</u></b>        | <b><u>( 145 )</u></b>        |
| <b>Total equity</b>                                   | <b><u>882</u></b>            | <b><u>1 023</u></b>          |

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

**Note 8: Cash Flow Reconciliation**

|  | <b>2002</b><br><b>\$'000</b> | <b>2001</b><br><b>\$'000</b> |
|--|------------------------------|------------------------------|
| <b>(a) Reconciliation of cash per Statement of Financial Position to Statement of Cash Flows</b> |                              |                              |
| Cash at year end per Statement of Cash Flows   | 767                          | 1 010                        |
| Statement of Financial Position items comprising above cash: 'Financial Asset - Cash'            | 767                          | 1 010                        |
| <b>(b) Reconciliation of operating surplus to net cash provided by operating activities:</b>     |                              |                              |
| <b>Net Profit/(Loss)</b>   | <b>( 157 )</b>               | <b>20</b>                    |
| <b>Non-cash items:</b>   |                              |                              |
| Depreciation/Amortisation  | 121                          | 104                          |
| (Profit)/Loss on disposal of assets  | ( 4 )                        | ( 4 )                        |
| Contributions to Government  | ( 191 )                      | 91                           |
| <b>(Increase)/decrease in current assets:</b>  |                              |                              |
| Current Receivables  | ( 68 )                       | 623                          |
| Work in Progress   | 236                          | ( 455 )                      |
| Other assets   | ( 38 )                       | 14                           |



**Increase/(decrease) in current liabilities:**

|                       |        |        |
|-----------------------|--------|--------|
| Current Payables      | 3      | 54     |
| Employee Entitlements | 62     | ( 85 ) |
| Tax Liabilities       | ( 17 ) | ( 18 ) |
| Other Liabilities     | 37     | ( 32 ) |

**Increase/(decrease) in non-current liabilities:**

|                       |       |    |
|-----------------------|-------|----|
| Employee Entitlements | ( 3 ) | 33 |
| Tax liabilities       | 54    | -  |

|   |           |            |
|---|-----------|------------|
| <b>Net Cash provided (used) by operating activities</b> | <b>35</b> | <b>345</b> |
|---|-----------|------------|

**Note 9: Average Staffing Levels**

|  | <b>2002<br/>Number</b> | <b>2001<br/>Number</b> |
|--|------------------------|------------------------|
| The average staffing levels for the Office during the year were: | 35.54                  | 35.08                  |

**Note 10: Financial Instruments****10.1 Terms, Conditions and Accounting Policies**

| <b>Financial Instrument</b>  | <b>Accounting Policies and Methods<br/>(including recognition criteria and measurement basis)</b>   | <b>Nature of underlying instrument (including significant terms &amp; conditions affecting the amount, timing and certainty of cash flows)</b>   |
|------------------------------|---|--|
| <b>Financial Assets</b>      | 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 over the period was 4.24%. |
| 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 the debt is judged to be less than rather than more likely. | Credit terms are 30 days.  |
| <b>Financial Liabilities</b> |   |  |

|           |   |  |
|-----------|---|--|
| 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 not shown in the Statement of Financial Position**

The Office does not hold any derivative financial instruments.

**(b) Credit risk exposures**

The credit risk on financial assets of the Office, which have been recognised in the Statement of Financial Position, is generally the carrying amount net of any provisions for doubtful debts.

**(c) Interest Rate Risk**

|                                     | 2002         | 2002      | 2001         | 2001      |
|-------------------------------------|--------------|-----------|--------------|-----------|
|                                     |              | Weighted  |              | Weighted  |
|                                     |              | Average   |              | Average   |
|                                     |              | Effective |              | Effective |
|                                     |              | Interest  |              | Interest  |
|                                     | \$'000       | Rate      | \$'000       | Rate      |
| <b>Financial Assets</b>             |              |           |              |           |
| <b>Floating Interest Rate</b>       |              |           |              |           |
| Cash at Bank                        | 767          | 4.24%     | 1 010        | 5.13%     |
| <b>Total Floating Interest Rate</b> | <b>767</b>   |           | <b>1 010</b> |           |
| <b>Non-Interest Bearing</b>         |              |           |              |           |
| Receivables for user charges        | 247          | n/a       | 192          | n/a       |
| <b>Total Floating Interest Rate</b> | <b>247</b>   |           | <b>192</b>   |           |
| <b>Total Financial Assets</b>       | <b>1 014</b> |           | <b>1 202</b> |           |
| <b>Financial Liabilities</b>        |              |           |              |           |
| <b>Non-Interest Bearing</b>         |              |           |              |           |
| Payables                            | 130          | n/a       | 151          |           |
| <b>Total Floating Interest Rate</b> | <b>130</b>   |           | <b>151</b>   |           |
| <b>Total Financial Liabilities</b>  | <b>130</b>   |           | <b>151</b>   |           |

**10.2 Net Fair Values of Financial Assets and Liabilities**

| 2002     | 2002     |
|----------|----------|
| Total    | Total    |
| carrying | carrying |
| amount   | amount   |
| \$'000   | \$'000   |

**Financial Assets**

|                              |     |       |
|------------------------------|-----|-------|
| Cash at Bank                 | 767 | 1 010 |
| Receivables for user charges | 247 | 192   |

|                               |              |              |
|-------------------------------|--------------|--------------|
| <b>Total financial assets</b> | <b>1 014</b> | <b>1 202</b> |
|-------------------------------|--------------|--------------|

**Financial Liabilities**

|          |     |     |
|----------|-----|-----|
| Payables | 130 | 151 |
|----------|-----|-----|

|                                    |            |            |
|------------------------------------|------------|------------|
| <b>Total financial liabilities</b> | <b>130</b> | <b>151</b> |
|------------------------------------|------------|------------|

**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**

|  | <b>2002</b>   | <b>2001</b>   |
|--|---------------|---------------|
|  | <b>\$'000</b> | <b>\$'000</b> |
| GST paid on purchases                    | 94            | 70            |
| GST receipts from ATO                    | 61            | 63            |
|  | <u>33</u>     | <u>7</u>      |
| GST on invoices raised                   | 230           | 177           |
| GST payments to ATO                      | 156           | 144           |
|  | <u>74</u>     | <u>33</u>     |
| <b>(Amount Owed to ATO)/Due from ATO</b> | <b>( 41 )</b> | <b>( 26 )</b> |

**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 be those greater than 10%.

**Statement of Financial Position****Receivables**

The outstanding amount as at 30 June 2001 is marginally higher in comparison to the previous year as a result of clients not paying their interim invoices prior to 30 June as expected.

**Work in Progress**

The WIP balance is less than the previous year as the level of progress in the current audit cycle is not as advanced as planned.

**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**

Other Assets as a result of a lease incentive asset brought about by the Office entering into a new accommodation lease.

**Computer Equipment**

The Office acquired new computer hardware and software in accordance with its Information Technology Strategic Plan.

**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. Hence, the leave liability for annual leave is static and the increase for long service leave reflects the annual accrual.

**Payables and other liabilities**

Payables and other liabilities include items not reflected in the previous year's balance such as lease incentive liability.

**Statement of Cash Flows****Cash flows from operating activities**

The overall variation between the two years is minimal. However for the individual comparisons the following explanations are provided: Interest – two years of interest were received in 2001; GST receipts were greater in 2002 than in 2001.

The cash outflow for employee entitlements was greater than the previous year; GST payments were also greater as a result of greater level of purchases; and Other cash payments were greater than in the previous year, mainly as a result of increased payments for information technology.

**Cash flows from financing activities**

The Office did not pay an equity reduction this year equivalent to 50% of the Auditor-General's Salary as this payment is now treated as a miscellaneous expense.

**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 2002**

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 2002 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.

A handwritten signature in black ink, appearing to be 'D W R Baulch', written in a cursive style.

D W R Baulch  
**ACTING AUDITOR-GENERAL**

2<sup>nd</sup> September 2002

# Auditor's Report

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**Deloitte  
Touche  
Tohmatsu**

**INDEPENDENT AUDIT REPORT TO THE  
TREASURER IN RELATION TO THE TASMANIAN AUDIT OFFICE**

Scope

We have audited the financial report of Tasmanian Audit Office for the financial year ended 30 June 2002 as set out on pages 1 to 25. The Auditor-General is responsible for the financial report. We have conducted an independent audit of the financial report in order to express an opinion on it to the Treasurer.

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

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

Audit Opinion

In our opinion, the financial report presents fairly in accordance with applicable Accounting Standards, other mandatory professional reporting requirements in Australia and the Financial Management and Audit Act 1990, the financial position of Tasmanian Audit Office as at 30 June 2002 and the results of its operations and its cash flows for the year then ended.

*Deloitte Touche Tohmatsu*

DELOITTE TOUCHE TOHMATSU

*RJ Whitehead*

RJ Whitehead  
Partner  
Chartered Accountants

Hobart, 2 September 2002

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



# Compliance Index to Disclosure Requirements

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 |
|---|---|----------|
| <b>GENERAL</b>  |   |          |
|   | Table of contents   | i        |
|   | Alphabetical index  | 81       |
|   | Glossary of abbreviations and acronyms  | N/a      |
| <b>OVERVIEW</b>   |   |          |
| SSR 9(a)(i)   | Overview of the Agency's Strategic Plan, including its corporate objectives, functions and related programs.                          | 5        |
| SSA s. 36(1)(a)<br><br>FMAA<br>s.27(1)(a)                           | The performance of the functions and exercise of powers of the Head of Agency, under any written law.                                 | 5-6      |
| FMAA<br>s.27(1)(b)<br>subject to s.27<br>(2)<br><br>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. | 2        |
| SSR 9(a)(v)   | Detail of, and reasons for, major initiatives taken by the Agency to develop and give effect to Government policy.                    | 3        |
| SSR 9(a)(iv)<br><br>TI 701 (1)(b)                                   | Details of major changes affecting programs, objectives or organisational structure.  | 7        |
| <b>ORGANISATIONAL STRUCTURE</b>                                     |   |          |
| SSR 9(a)(ii)  | Organisational Chart as at the end of the reporting year.   | 8        |
| SSR 9(a)(iii)   | Description of the relationship between the organisational structure and the program structure of the Agency.                         | 7, 24    |

| <b>PERFORMANCE MANAGEMENT</b>                                 |  | <b>Location</b> |
|---|--|-----------------|
| 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. | 1, 17-43        |
| TI 701 (1)(b)   | Economic or other factors that have affected the achievement of operational objectives.  | N/a             |
| <b>STATUTORY AND NON-STATUTORY BODIES AND COMPANIES</b>       |  |                 |
|   | A list of Statutory and Non-Statutory Bodies of which the Agency is a parent body. A list of names of companies.   | N/a             |
| <b>LEGISLATION ADMINISTERED AND MAJOR DOCUMENTS PUBLISHED</b> |  |                 |
| SSR 9(d)  | List of legislation administered by the Agency during the year and any significant changes to that legislation.  | 5               |
| SSR 9(c)(i)   | Details of major documents or publications produced by the Agency.   | 30              |
| <b>PUBLIC ACCESS AND AWARENESS OF SERVICES PROVIDED</b>       |  |                 |
| SSR 9(c)(ii)  | List of contact officers and points of public access in relation to services provided by the Agency.   | Inside Cover    |
| SSR 9(c)(i)   | Details of activities undertaken to develop community awareness of the Agency and the services it provides.  | 2               |
| FOI Act s. 56   | Freedom of Information details for the financial year.   | 33              |
| SSR 9(c)(iii)   | Outline of the processes available for appeals against decisions made by the Agency.   | N/a             |

| <b>HUMAN RESOURCE MANAGEMENT</b>                     |  | <b>Location</b> |
|--|--|-----------------|
| SRR 9(b)(i)  | Recruitment policies and programs.   | 36              |
| SSR 9(b)(ii)   | Report on officer and employee development activities.   | 42              |
| SSR 9(b)(iii)  | Work place diversity programs.   | 37              |
| SSR 9(b)(iv)   | Industrial democracy plans, together with an outline of the process available for appeals against decisions made by the Agency.  | 11-12           |
| SSR 9(b)(v)  | Outline of internal grievance procedures.  | 36              |
| SSR 9(b)(vi)   | Summary of Occupational Health and Safety strategies.  | 36              |
| 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>                 | 42              |
| <b>ASSET MANAGEMENT AND RISK MANAGEMENT POLICIES</b> |  |                 |
| TI 701 (1)(d)(i) & (ii)                              | Details of major capital projects.   | N/a             |
| TI 701 (1)(g)  | Statement of asset management policies and an outline of asset management strategies and initiatives.  | 15              |
| TI 701 (1)(f)  | Statement of risk management policies and an outline of significant risk management activities and initiatives   | 15              |
| 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 | 15              |

| <b>EXTERNAL/INTERNAL SCRUTINY</b>    |  | <b>Location</b> |
|--------------------------------------|--|-----------------|
| TI 701(1)(i)&(ii)                    | Details of all major contracts awarded, including the value of work and the name and locality of contractors.  | 32              |
| 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. | 33              |
| TI 701 (1)(j)                        | Amounts of public property, revenue and debts written off by the Minister or Head of Agency.   | N/a             |
| TI 701(1)(k)                         | Amount of losses/damage to public property or money.   | N/a             |
| <b>ANY OTHER MATTERS</b>             |  |                 |
| TI 701 (1)(n)                        | Any matters deemed relevant by the Head of Agency.   | N/a             |
| <b>FINANCIAL STATEMENTS</b>          |  |                 |
| TI 701 (1)(l)<br>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.   | 45              |
| TI 701 (1)(m)                        | Auditor-General's report on Financial Statements.  | 75              |

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