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2003

PARLIAMENT OF TASMANIA

AUDITOR-GENERAL

ANNUAL REPORT 2002-2003

September 2003

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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19 September 2003

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 2003.

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	2003
<i>Volume of Activity</i>							
Organisations and activities audited	AC		122	121	122	129	141
Qualified audit opinions issued	AC		9	5	5	4	3
Client General Satisfaction Index	AC	75	71	74	76	73	N/a
Parliamentarian General Satisfaction Index	AC	75	N/s	74	74	73	N/a
Number of reports to Parliament	FY	8	5	6	6	6	8
<i>Timeliness and Quality</i>							
Financial Audits completed within 4 months of balance date	AC	95%	N/a	50%	48%	62%	N/a
Client index on timeliness of audits	AC	75%	N/a	67	75	71	N/a
Financial Audits completed with 30 days of receipt of signed financial statements	AC	90%	N/a	79%	93%	94%	N/a
<i>Staff</i>							
Staff Satisfaction Index	FY	75	N/s	N/s	N/a	62	64
Employees – Average FTE	FY		33.4	33.4	35.1	35	36
Days sick leave per employee	FY		8.8	7.8	7.3	12.7	7.5
Training - % of total resources	FY		7%	11%	12%	13%	10%
Number of grievances lodged	FY	0	0	0	0	0	0
Workers Compensation Claims	FY	0	0	1	0	1	1
<i>Finances</i>							
Break-even on financial audits – Profit/(Loss) as a percentage of audits fees	AC	0.0%	4.2	4.1	(4.0)	(11.9)	(2.3)
Revenue from operating activities (\$'000)	FY		2 860	2 884	3 002	3 136	3 389
Total Expenses from operating activities (\$'000)	FY		2 877	2 738	2 964	3 293	3 464
Operating surplus/(deficiency) after taxation (\$'000)	FY	0	(17)	110	20	100	(63)
Net assets (\$'000)			1 378	1 251	1 023	882	719

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 (1st November – 31st October)

FY Financial Year ended 30 June

Auditor-General's Message

I commend the government for amending the *Financial Management and Audit Act 1990* to provide for more timely annual reporting by departments, Government Business Enterprises and Statutory Authorities. This will provide an opportunity for Parliamentary scrutiny to occur before the Parliament rises at the end of the year. However, it will require considerable effort by the reporting entities and the Tasmanian Audit Office to achieve the desired outcome. The new deadline of 15 November is not onerous by comparison with other jurisdictions but the improvement of two weeks will test those entities that do not assign the task a reasonable priority.

Time savings can be achieved by entities and auditors alike by ensuring that all possible tasks that can be done prior to the end of the financial year are completed. These may include actions to ensure that non-current asset registers and all reconciliations are up to date while auditors must complete all interim audit work. Further time savings will occur if entities adopt a full accrual approach to accounting rather than the popular method of making adjustments at the end of the financial year to cash based reporting.

There will have to be an improvement in quality control over the financial statements that are submitted for audit checking since many statements submitted now that purportedly meet the current deadline in fact lack essential components required by the auditors such as the Statement of Cash Flows and a full set of notes to the accounts let alone proper working papers to support the calculations.

While I have emphasized the financial statement and audit aspects of the annual reporting process it is actually the information in the whole report that is the issue. The next target for improvement once the reporting time frame has been bedded down must be to examine how to make performance reporting more meaningful. The Tasmania Together process has demonstrated how to report some key aspects of the State's performance in relation to some selected broad-based targets. More reporting entities should adopt targeted outputs and outcomes and report against them with explanatory text.

It would be idealistic to assume that annual reports and their financial statements are ever going to achieve a mass readership. But as in the stock market where it only takes a handful of analysts to influence prices, so too advances in public administration can come from only a relatively few interested readers who have access to timely and relevant information. Those involved in the process of preparing the annual reports should bear this in mind and eschew cynicism.

Dr Arthur McHugh
Auditor General

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”

The Tasmanian Audit 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 complies in all material respects with Australian Accounting Standards.

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, compliance/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.

OFFICE STRUCTURE

As at 30 June 2003 the structure of the Office consists of 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.

With the pending retirement of the Director Quality Assurance on 31 July 2003 the structure of the Office will change to three sections:

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

Under this arrangement the Director Performance audits and Quality assurance will responsible for the day-to-day operations of the new section.

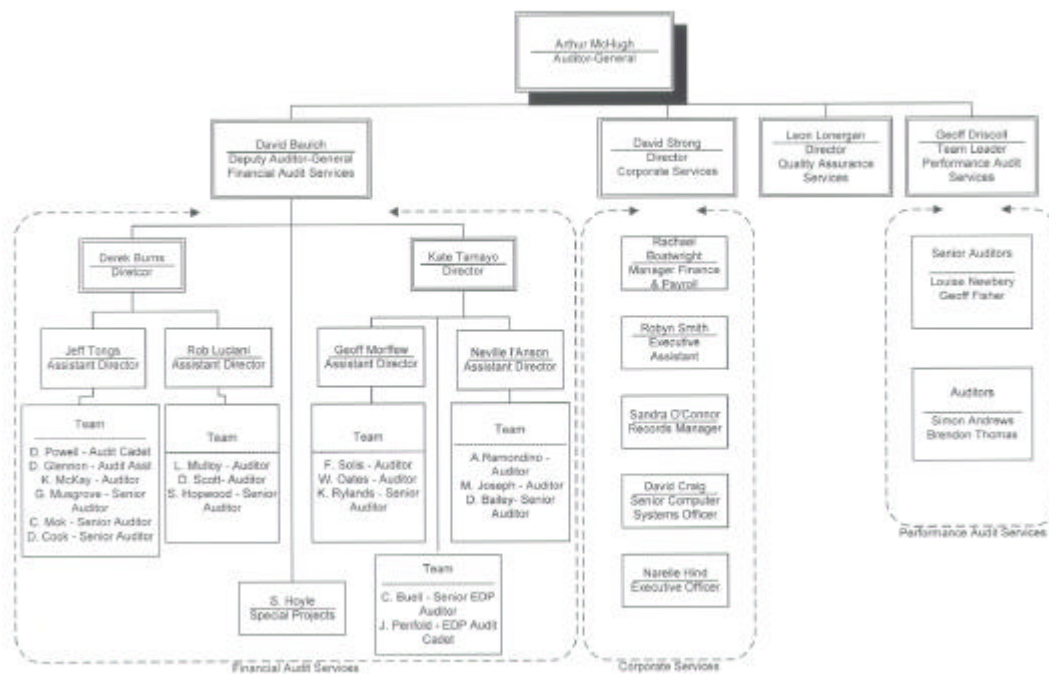
OFFICE ACCOMMODATION

The Office occupies leased properties in Hobart and Launceston.

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

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

ORGANISATION CHART



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;
- Finances of the Office; and
- Internal control and risk management.

Membership consists of:

- Auditor-General;
- Deputy Auditor-General;
- Director Quality Assurance;
- 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.

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.

EEO Consultative Committee

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

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

Workplace Health and Safety Committee

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

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

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

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 organisational needs of the Office.

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.

Financial Audit Management Committee

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

PRICING POLICIES

Audit fees are the main source of revenue for the Office. In addition, the Office receives a 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.

Our Business

OUR CLIENTS INCLUDE

- Parliament, our principal client;
- Portfolio Ministers, Heads of Agency and Chief Executive Officers;
- Tasmanian State public sector organisations; and
- The Tasmanian public.

OUR OBJECTIVES

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 will act honestly, ethically and fairly.

FUNDING

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.

KEY ACHIEVEMENTS

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

Our clients indicated the Office had improved our performance in the following areas:

- Knowledge of the client's business and industry;
- Accessibility to senior audit staff;
- Improved processes;
- Ability to meet timeframes;
- Responsiveness to requests from clients; and
- Addressed previous concerns of clients.

AREAS FOR IMPROVEMENT

- Clients have requested more involvement with the planning of the audit timeframes so as to understand our expectations of them;
- Our clients have indicated that the time taken from financial submission to issuing an audit opinion needs to be improved;
- Although the Office conducts accounting standard update seminars clients continue to indicate that the Office should provide technical advice on such matters;
- There needs to be greater communication between Board members/Senior client staff and senior audit staff;
- 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.

FINANCIAL STATEMENT AUDITS

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:

	1997- 1998	1998- 1999	1999- 2000	2000- 2001	2001- 2002
Financial audit reports	119	103	117	115	119
Qualified audit reports	9	5	5	4	3
% of reports Qualified	7.6%	4.9%	4.3%	3.5%	2%

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

The Office during 2002-2003 issued 119 financial audit reports. The 119 financial audit reports related to 7 audit reports for financial statements prior to 1 November 2001, 109 audit reports for financial statements with periods ending between 1 November 2001 and 31 October 2002 and 3 audit reports for financial statements for the period ending after 1 November 2002.

CLIENTS AS AT 30 JUNE 2003

	1999 FY	2000 FY	2001 FY	2002 FY	2003 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	9	9	9	9	10
Local Government Authorities	36	36	36	36	36
State-Owned Corporations	8	8	8	8	14
Government Business Enterprises	17	16	16	16	16
Other public bodies including trading, registration, superannuation, marketing and other authorities.	29	29	30	39	44
Audit of public bodies dispensed with	19	19	19	17	17
TOTAL	122	121	122	129	141

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

Key Performance Measures	Target AC	Actual 2000-2001	Actual 2001-2002
Number of financial statement audits completed within four months of financial statement date	95%	48%	62%
Number of financial audits completed within 30 days of receiving final signed financial statements	90%	93%	94%

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. 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). While the Office receives financial statements by the statutory dates, these statements in the majority of cases are still in draft format and, even if there are signed financial statements, the statements may still need amendments as a result of audit findings. The legislation does not clearly stipulate that the financial statements to be forwarded are of a final nature. The performance indicator target for the Office is 90 per cent based on the fact that there is a heavy demand on the Office's staff to complete audits during October and November as a result of the practice of some clients providing draft signed financial statements that require subsequent revisions before the Office can issue an audit report.

Management of Financial Audits

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 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.

Under Section 41 of the *Financial Management and Audit Act 1990* the Auditor-General can dispense with audits after giving consideration to alternative accountability arrangements for the public bodies concerned. Two of the aspects considered were the materiality of the financial transactions involved and the most cost-effective means of conducting the audits.

The following table indicates the total portfolio of audits:

	1998- 1999 FY	1999- 2000 FY	2000- 2001 FY	2001- 2002 FY	2002- 2003 FY
Non local government audits contracted to private sector firms by the Audit Office (Target 5 to 6 per annum)	5	5	5	5	10
Local government audits conducted by private sector firms	6	6	6	6	4
Audits conducted by the Tasmanian Audit Office	92	91	92	99	110
Audits of public bodies dispensed with	19	19	19	19	17
TOTAL	122	121	134	135	141

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 AC	1999 AC	2000 AC	2001 AC	2002 AC
Ensure that financial audit services are delivered at break-in overall Profit/(Loss) expressed as a percentage of financial audit fees for the audit cycle	% 4.2	% 4.1	% (4.0)	% (11.9)	% (2.3)

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 AC	1999 AC	2000 AC	2001 AC	2002 AC
Survey of clients on timeliness of audits	Good to Very Good	No Survey	No Survey	Good	Good to Very Good	Good to Very Good
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	Good to Very Good	Good to Very Good
Survey of client satisfaction with the level of financial audit fees	Good to Very Good	No Survey	No Survey	Neutral to Good	Good to Very Good	Good

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 to Very Good (75%) and this year the Office just achieved a Good to Very Good rating (71%). While the rating was maintained the point value decreased by 4 percentage points and this is in line with the comments provided by our clients indicating a concern with delays with issuing audit opinions after the submission of financial statements. The Office believes that our processes have been improved and the concerns of our clients have been addressed.

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 (78%) while this year the rating was Good to Very Good (75%). While the rating remained unchanged and the percentage rating decreased by 3% to the target value.

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 Good to Very Good rating (73%) but this year the Office was rated as Good (67%). This decrease in the rating may be explained by the fact that the Office globally applied an increase in the audit fee for clients.

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. In the previous year the Office obtained a rating of 76% and each year previous had improved by one to two percentage points. During 2002-03, the Office achieved a rating of 73% for the 2001-02 audit cycle while this is a decrease it is within reach of our target. The average for the past five years is 75%.

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 and the involvement of clients at the planning stage;
- Communication between audit staff, between audit staff and client staff and between senior staff of both organisations;
- Delays in issuing audit opinions after the submission of financial statements; and
- Gap in the technical knowledge between senior audit staff and field audit staff.

The Office has improved in the areas of understanding the clients business according to the majority of clients and this is pleasing to note as the staff have endeavoured to improve in this area. The Office will continue to improved its process and will address any 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:

- Technical knowledge;
- Knowledge of the client's business and industry;
- Staff who are competent, professional, objective, courteous, understanding and willing to assist;
- Accessibility to senior staff during the audit process;
- Responsiveness of staff to requests;
- Willingness of the Office to accept criticism and respond by improving processes and addressing concerns;
- Ability to meet timeframes; and
- Staff continuity on audits.

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 2002 - 2003 the Performance Audit Group tabled six reports. A synopsis of these reports is given below:

Special Report No. 41 – Keeping Schools Safe

Abuse and harassment, as well as substance/drug-related problems, are primary safety concerns in the school environment. The audit examined the extent to which schools complied with Department of Education policies and procedures designed to manage these issues. The prevalence of abuse and harassment was difficult to quantify because state-wide data examined represented only those incidents that resulted in suspension. Teachers estimated that between 2% to 3% of secondary students require a program beyond that able to be provided by the school. Although the numbers in primary schools are currently lower many teachers believe they are increasing.

The report recommended that the department should improve communication with schools on issues of concern such as behavioural policy. In relation to substance/drug-related issues recommendations were made that schools where these problems exist should seek additional support through the *National School Drug Education Project*. School communities should be surveyed to determine levels of satisfaction with existing intervention programs.

Special Report No. 42 – Follow Up of Performance Audits

The aim of this project was to ascertain the extent to which the recommendations were taken up from six performance audits tabled between 1997 and 1999, viz.:

Year	Auditee	Title
1997	All depts	Review of computer controls in government departments
1997	One dept	Special investigation into administrative processes associated with preservation and maintenance of the Port Arthur historic site
1997	Two depts and four councils	Land information and adverse possession
1997	One dept	Managing school maintenance and minor works
1998	All depts	Use of motor vehicles in government agencies
1998	All depts	Payment of accounts in government agencies

Responses received from the smaller groups of auditees indicated that recommendations made in those performance audits had a high degree of acceptance. Audits with a whole of government focus were less successful. Some departments indicated complete acceptance while there were others where the take up had been significantly less. Reasons cited in these cases related to resourcing issues, timing or the view that the benefits gained from implementing a particular recommendation would be disproportionate compared with the effort involved. Nevertheless, it appears that our recommendations were widely implemented by agencies.

Special Report No. 43 – Oral Health Service: Something to Smile About?

The audit’s objectives were to determine whether the provision of the oral health function was efficient, effective and equitable as well as to review strategies put into effect for its management. The report identified numerous defects in the operation of the service including unacceptable waiting lists for routine dental work and low participation rates. Strategic

management was poor and failed to address critical issues including the shortage of dentists and increasing waiting lists until the current budget submission. While the dental service had maintained a reasonable level of commercial efficiency in relation to its cost structure, there was scope for substantial improvement. Twenty nine separate recommendations were made with emphasis laid on strategic planning, particularly the development and analysis of performance indicators

Special Report No. 44 – Managing Community Service Orders

Community Service Orders (CSOs) are non-custodial sentencing options made by courts that require offenders to undertake unpaid work in the community. Our audit assessed the effectiveness of the Department of Justice and Industrial Relations' management of this form of penalty for adult offenders. We found that comprehensive measurement of management's performance could not be made due to the limited availability of information. However, it was apparent that Tasmania outperformed other jurisdictions by a wide margin when it came to successful completion of CSOs. Amongst other things, the report recommended that better performance indicators be developed including statistics on recidivism. It was also recommended that parole officers should more closely supervise CSOs to ensure their timely completion.

Special Report No. 45 – Registered Business Names and Incorporated Associations: What's In a Name?

This audit assessed the effectiveness of the Business Affairs Office (BAO) in its management of the registers of business names and incorporated associations. This work also covered an assessment of the level of service and accessibility to the public. Testing drew on a statistically representative sample from the relevant BAO databases. We identified weaknesses in the administration of the relevant Acts suggesting that up to 21% of business names were not currently registered as required. Tasmania's fees for registration were comparable with those levied by other jurisdictions but the current level of non-compliance indicated that potential revenue was not being collected. A total of 18 recommendations were made, including one that BAO should more clearly define its guiding principles and produce an up to date procedures manual. We further recommended that BAO should implement compliance programs to improve adherence to the legislation.

Special Report No. 46 – Leave in Government Departments

Leave represents a significant employee cost with recreation leave estimated to be 8%, long service leave 2.5% and sick leave 2% of aggregate employee entitlement expenditure. The audit examined compliance aspects of long service leave, recreation leave, sick leave and to a lesser extent other forms of leave. However, the main focus of the audit was excess leave balances. Despite successful efforts by Government departments to reduce large excess balances down to legislated limits, the liability has continued to outpace increases in employee salaries. This situation may have significant consequences such as health and safety concerns together with additional costs because of large lump sum payments on retirement. On the plus side, with few exceptions, employee leave is taken and recorded in accordance with applicable legislation. Similarly, employee absences were accounted for by approved leave forms and sick leave was supported by medical certificates.

Key Performance Measures	Target FY	1999 FY	2000 FY	2001 FY	2002 FY	2003 FY
Number of performance/ compliance audit reports tabled each year	6	2	3	5	4	6
Survey Parliamentarians on usefulness of the Performance Audit Reports	Good to Very Good	No Survey	No Survey	No Survey	Very Good	Very Good
Cost of performance audits	(\$'000)	236	252	337	549	581

During the year the Office tabled six reports in Parliament – Special Report 41, 42, 43, 44,45 and 46 and there is a synopsis of these reports earlier in the annual 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.

Key Performance Measures	Target	2001	2002
Survey stakeholders on the general satisfaction with the quality of performance audits	Good to Very Good	Very Good	Very Good
Survey stakeholders on the contribution of Performance Audits to public sector accountability	Good to Very Good	Very Good	Very Good
Survey stakeholders on satisfaction with the usefulness of Performance Audit reports	Good to Very Good	Very Good	Very Good

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 last year's survey, the response rate was 17 per cent while in previous years the response rates were 27 per cent (2001) and 40 per cent (1997). The response rates in the previous years were poor making last year's response very disappointing.

The results for the General Satisfaction Index for performance and compliance audits rated the Office at 73% down from 74% for the previous year. The target is 75%.

The results for the Usefulness Index of performance and compliance audits rated the Office at 70% the same as the previous year. The target is 75%. The Office, as a result of previous

feedback, has provided executive summaries and briefing sessions when a report has been tabled.

The results for the Contribution Index rated the Office at 73% down on the previous year of 75%. The target is 75%.

Given a low response rate it is difficult to draw much from the results.

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.

Key Performance Measures	Target AC	1998 AC	1999 AC	2000 AC	2001 AC	2002 AC
Survey Parliamentarians on usefulness of the Report on Ministerial Portfolios	Good to Very Good	No Survey	No Survey	No Survey	Very Good	Very Good
Report on Public Account to be tabled simultaneously with the Treasurer's Financial Statement prior to:	30 September each year	24 Sept 1998	17 Sept 1999	29 Sept 2000	14 Sept 2001	17 Sept 2002
Report on Ministerial Portfolios to be tabled by:	30 November each year	7 Dec 1998	30 Nov 1999	30 Nov 2000	27 Nov 2001	18 Nov 2002

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

MAJOR DOCUMENTS PRODUCED

	Copies Printed	Production Cost \$	Printing Cost \$	Total Cost \$
Performance/Compliance Audit Reports				
Special Report No 41 – Keeping Schools Safe	150	91 151	8 313	99 464
Special Report No 42 – Follow-up of Performance Audits 2000-01	150	27 690	7 150	34 840
Special Report No 43 – Oral Health – Something to Smile About?	150	73 025	7 703	80 728
Special Report No 44 – Managing Community Service Orders	150	63 381	4 525	67 906
Special Report No 45 – Registered Business Names and Incorporated Associations: What's In Name?	150	76 525	3 970	80 535
Special Report No 46 – Leave in Government Departments	150	130 392	4 732	135 124
		462 164	36 393	498 597
Annual Reports as required by the Financial Management and Audit Act				
Report No 1 – The Public Account; and Report No 2 – Government Departments and Public Bodies (four volumes)	150	125 668	14 270	139 938
		125 668	14 270	139 938
		587 832	50 663	638 535

All of the above reports can be accessed via the Office's Internet home page:

<http://www.audit.tas.gov.au/reports/index.html>

EXTERNAL AND INTERNAL SCRUTINY

EXTERNAL REVIEW

Quality Review of Performance Audit Methodology

The question is sometimes asked: “Who audits the auditor?” In day-to-day matters internal control is provided through management’s quality assurance processes, but another accepted practice is peer review. This involves one audit office or firm reviewing another. Benefits of peer review are independence and impartiality as well as transparency.

The Tasmanian Auditor-General invited the ACT Auditor-General to undertake a review of a sample of performance audits performed by his Office. The ACT Auditor-General agreed to the request and asked his Director of Performance Audits to undertake the review. The review was performed in March 2003, and addressed three recent performance audits and their associated reports.

Positive findings

- 1. There is adequate justification in the reports to support the audit findings, conclusions and recommendations**
- 2. Sufficient appropriate audit evidence is generally contained in the working papers to support the audit findings, conclusions and recommendations.**
- 3. The audits were generally planned and conducted effectively in accordance with applicable auditing standards.**
- 4. Users of the audit reports are generally satisfied with their quality and usefulness as a means of adding value to public sector performance and accountability in Tasmania.**

Adverse findings

- 1. The reports do not clearly and appropriately state the opinions, findings, conclusions and recommendations arising from the audits.**

The review considered that there was a need for:

- Opinions to be clearly and explicitly stated;
- Improvements in readability, and logical structure of reports;
- Recommendations to be at a less detailed level; and
- All reports to include a detailed response.

Accepted. The identified deficiencies have been addressed in subsequent reports.

2. The Review was unable to form a view on whether there was adequate justification in the reports to support the audit opinions.

The review argued that audit opinions were either not provided in the reports, or were not clearly or succinctly stated.

his view is not accepted. Whilst accepting that opinions can be stated more succinctly for some reports, it is our view that clear opinions were provided for each report, and that in each case the opinion was based on findings outlined in the report.

3. There is scope to improve the quality of audit evidence in some areas.

Accepted

4. The audits could also have been targeted to consider strategic level issues.

The review argued that audits were focused at a procedural level, and that given the material disclosed, there was scope for the audits to have been refocused to also include strategic issues.

We accept that it is good practice to consider refocus of the audit where early findings indicate a need to do so. For the three audits reviewed, we consider that we adequately considered the extent to which we should pursue additional strategic issues and made a conscious decision to adopt the ultimate position.

5. There is scope to further strengthen links with the Parliament.

The Chairman of the Public Accounts Committee considers that performance audit reports are held in very high regard by the Parliament. However, there was no routine mechanism in the Parliament for automatic review of audit reports, and follow-up of either the Government or an agency's response to the findings and recommendations.

Accepted. Reports are now formally lodged with the PAC.

Overall the review was an extremely valuable exercise. In some instances we thought the Review's opinions were overstated, nevertheless, most of the detailed findings have been accepted and recommendations implemented.

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 2003. 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 \$194 316 during the year. The following is a list by value greater than \$3 000.

Consultant	Services	Cost
Wise Lord & Fergusson	Audit Contractor	54 386
Alphawest Pty Ltd	Information Technology Consultants	29 900
Jet Personnel	Contract Staff	29 680
Technology One Pty Ltd	Information Technology Consultants	16 790
KPMG Pty Ltd	Audit Contractor	16 348
Lindy Scripps	Researcher and Author	11 000
Deloitte Touche Tohmatsu	Auditor	7 700
REMUS Consortium	Payroll	6 881
Andrew Schmidt	Information Technology Consultant	6 762
Gillian Groom	Occupational Health Consultant	3 475
Moore Robsons	Audit Contractor	3 400
Lee Page Pty Ltd	Professional Development Consultants	3 080

ADMINISTRATIVE POLICIES

Recycling

The Office is committed to using recycled products, and providing materials for recycling.

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 2002-03 the Office did not award any contract in excess of \$50 000.

PUBLIC ACCESS

Refer to the inside of the front cover of the report for the access guide for the Office.

FREEDOM OF INFORMATION

FOI Contact Officer	David Strong
Location	Level 5 144 Macquarie Street HOBART
Telephone	(03) 6233 4030

One request was received and processed at a cost of \$2 000. 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 previous staff survey.

AREAS FOR IMPROVEMENT

- Continue to review the implementation of the Office's new performance appraisal system;
- Continue to refine the Office's professional development program to ensure staff receive appropriate training; and
- Continue to address the concerns raised by staff in the Office's annual staff survey.

COMMITMENT TO OUR PEOPLE

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

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

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

	1998-1999	1999-2000	2000-2001	2001-2002	2002-2003
Claims Lodged	0	1	0	1	1
Days Lost	0	3	0	16.5	3
Cost of Claims	\$2 470	\$1 940	\$1 583	\$24 136	\$17 334
Premium	\$10 066	\$9 786	\$9 714	\$8 579	\$12 252

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 issues associated with the environment in which they work and if necessary the Office assists 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. The cost of this service for the year was \$ 3 475.

EQUAL EMPLOYMENT OPPORTUNITY

The Office is committed to increasing its female workforce. The Office has reached its highest level of female representation at 34%.

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

Key Performance Measures	Target	1999 FY	2000 FY	2001 FY	2002 FY	2003 FY
Regular office consultative committee meetings	Four per year	3	3	3	3	3
Number of grievances lodged by staff	None	None	None	None	None	None
Conduct annual survey to rate staff satisfaction	Very Good	No Survey	No Survey	No Survey	Room for Improvement	Room for Improvement

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. In March 2003 a further staff survey was undertaken with a revised set of questions.

The survey addressed factors such as alignment, communication and co-operation, ethics, social and environmental responsibility, leadership, motivation, organisational commitment, personal satisfaction, recruitment and selection, rewards and recognition, staff development, supervision and teamwork. The staff participation rate was 95% and the staff were given the opportunity to provide additional comments.

In comparison to the previous survey the actions undertaken during the previous year had a positive impact on staff. All the factors received an increased rating. The first survey established the baseline for each factor so in comparison to this baseline the second survey indicated the following:

- The improvement in Teamwork and Motivation was substantial;
- Personal Satisfaction and Staff Development improved significantly;
- Supervision and Leadership improved marginally; and
- Communication and Co-operation remained constant in its rating.

The Executive Management Group and staff are working together to address issues raised in the survey and improve the ratings for each factor.

HUMAN RESOURCE MANAGEMENT

Staff Recruitment and Turnover

	2000- 2001	2001- 2002	2002- 2003
Permanent			
Employees 1 July	33	34	34
Losses			
Retirements	-	-	-
Resignations	3	1	1
Promotions	2	3	-
	(5)	(4)	(1)
Gains			
State Service	-	-	1
Non-State Service	6	4	4
Conversion from Temporary to Permanent	-	-	-
	6	6	5
Total Permanent Employees	34	34	38
Plus Temporary Employees	1	2	0
Number of Staff 30 June	35	36	38
% Change / Year	(0%)	(2.8%)	5.5%

During the year the Office recruited four permanent staff to offset the need for temporary staff this included employing two audit cadets. The temporary positions as at 30 June 2002 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

Gender	June 1999	June 2000	June 2001	June 2002	June 2003
Male	78%	79%	69%	71%	66%
Female	22%	21%	31%	29%	34%

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

Length of Service of Permanent Employees

Length of Service	Male	Female
< 2 yrs	3	3
2 – 5 yrs	7	5
5 – 10 yrs	3	2
>= 10 yrs	12	3
	25	13

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 30 June 2003	Female 30 June 2003
Staff Recruitment		
From within State Service	0	0
Non-State Service	2	1
Temporary to Permanent	0	0
	2	1

Staff Turnover

	Male	Female
Redundancy	0	0
Retirements	1	0
Promotions within Service	0	2
Deaths	0	0
Resignations	0	0
	1	2

Staff Movements

	Male	Female
Secondments	0	0
Leave without Pay	0	0
	0	0

Staff by Location

	Male	Female
Hobart	24	10
Launceston	1	3
	25	13

Equal Employment

	Male	Female
Disabilities	1	0
Aboriginal & Torres Strait Islander	0	0
Non-English Speaking Background	1	1
	2	1

Staff Age Profile - Head Counts

	Male	Female
15 - 19 years	0	0
20 - 24 years	2	0
25 - 29 years	1	3
30 - 34 years	2	3
35 - 39 years	2	3
40 - 44 years	4	1
45 - 49 years	2	1
50 - 54 years	4	2
55 - 59 years	5	0
60 - 99 years	3	0
	25	13

Average Age

45.6 37.8

Staff Salary Profile - Head Counts

Male Female

< \$15 000	0	0
\$15 001 - \$20 000	0	0
\$20 001 - \$25 000	1	0
\$25 001 - \$30 000	0	1
\$30 001 - \$35 000	0	1
\$35 001 - \$40 000	1	2
\$40 001 - \$45 000	2	3
\$45 001 - \$50 000	4	1
\$50 001 - \$55 000	2	3
\$55 001 - \$60 000	5	1
\$60 000 - \$65 000	6	0
\$65 001 - \$70 000	0	0
> \$70 000	4	1
	25	13
Average Salary	61 787	46 054

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 applicants.

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.

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 \$46 054.

Average Staff for the year **35.54** **36.53**

<u>Staff Categories - Head Counts</u>	Male	Female
Prescribed	1	0
Permanent Full-Time	22	11
Permanent Part-Time	0	1
Fixed Term Full- Time	2	1
	25	13

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

<u>Staff Categories - FTEs</u>	Male	Female
Prescribed	1	0
Permanent Full-Time	22	11
Permanent Part-Time	0	0.75
Fixed Term Full Time	2	1
	25	12.75

By the Office undertaking a cadetship program has resulted in employing less temporary staff during the peak period of June to November each year.

<u>Staff Awards - FTEs</u>	Male	Female
Administrative & Clerical Employees	2	3.75
Professional Employees	21	8
Contract	3	1
	25	12.75

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

<u>Staff by Category - Head Counts</u>	June 2002	June 2003
Executive Management	6	6
Managers	6	5
Auditors	20	22
IT Support	1	1
Administration Staff	3	4
	36	38

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.

LEAVE MANAGEMENT

Annual Leave

	30 June 2001	30 June 2002	30 June 2003
Number of employees whose accrued annual leave credits is in excess of:			
35 working days	6	3	0
15 working days	19	18	15

The Office had a three-year strategy to reduce the significant leave balances of staff. As 30 June 2003 the Office had achieved its objective of having no employee accrued annual leave balance in excess of 35 days. The next objective is to have no employee with an accrued annual leave balance in excess of 15 days as at 30 June each year.

Long Service Leave

	30 June 2001	30 June 2002	30 June 2003
Number of employees whose accrued long service leave is in excess of 100 working days.			
	1	3	2

As at 30 June there are two employees with an accrued long service leave balance in excess of 100 days and both will be retiring during 2003-04. There are eight employees with accrued balances in excess of eighty days.

Sick Leave

	30 June 2001	30 June 2002	30 June 2003
Full Pay Sick Leave (Days)	245.8	405.7	285.0
Half Pay Sick Leave (Days)	0.0	49.1	0.0
No Pay Sick Leave (Days)	10.01	0.0	0.0
Total Sick Leave Days	255.9	454.8	285.0
Average Per Employee (Days)	7.3	12.7	7.5
Number of employees who took leave in excess of 100 hours (13.6 days).	3	4	4
Lost productivity due to sick leave expressed as a FTE	0.98	1.65	1.10

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 158, that is at least 55 % of the total sick leave taken by employees of the Office.

The productivity lost as a result of sick leave equates to one full-time equivalent employee or in revenue terms approximately \$126 000.

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	1998-99 FY	1999-00 FY	2000-01 FY	2001-02 FY	2002-03 FY
Number of days of training provided (Includes internal and external training)	224.9	375.8	569.50	506.2	517.0
Average number of days per employee	6.74	10.49	16.23	14.24	13.85
Training Costs as a percentage of Total Resources	7%	11%	12%	13%	10%

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 2003

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

Professional Committees

CPA Australia

Board of Directors

Executive Committee

Remuneration Committee

Deakin CPA MBA Advisory Board

Ethics and Corporate Governance Centre of Excellence

Tasmanian Divisional Council

Tasmanian Divisional Industry and Commerce Committee

Tasmanian Divisional Women's Committee

CPAA and ICAA – Joint Standing 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

Contact Officers Committee

University of Tasmania Faculty of Commerce Course Advisory Committee

Our Finances

COMMENTARY ON OUR FINANCES

The Audit Office is managed on a commercial basis. Revenue from 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 34 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. All revenue is paid into that account rather than being paid into the Consolidated Fund. Revenue consists of financial audit fees that are approved by the Treasurer each year. Audit fees cash flow increased during the year due to a changed billing policy whereby auditees were invoiced at every stage where a significant amount of work had been completed rather than waiting for the entire job to be finished. The cash flow also increased because audit work was more advanced as at 30 June 2003 than at the corresponding time last year and individual audit fees rose by an average of 2.8 %.

Despite the greater cash inflow, the retained cash balance at 30 June 2003 fell by \$0.124m from the previous year due to the payment of dividend and cash equivalent charges.

The overall financial position of the Audit Office is sound at present but the issues underlying the downward trend in the cash position will require rectification prior to the 2004-05 budget cycle.

Statement of Financial Performance

User charges include fees for financial audits and amounts received through Finance-General for performance audits, investigations and reports to Parliament. Performance audits attracted more funding due to a higher level of equivalent full time staff while financial audit fees rose due to the factors described above.

Other revenue from ordinary activities fell due to the non-recurrence of changes in accounting policy that affected the 2001-02 result. The 2002-03 amount is more representative of the normal operations.

Employee entitlements rose due to normal increases in awards.

Contractors and consultants expense is mainly payments to audit firms that conduct audit fieldwork on behalf of the Auditor-General. In addition, the Audit Office paid \$11 000 for the production of research into the history of the Office. It is intended to publish this work when it is complete.

Information technology expense decreased from last year due to reduced network costs and reduced software license costs.

Accommodation expense increased slightly due to the expiry of an initial rental subsidy from the building owner. The Office has taken the opportunity of a reconfiguration of a floor at Henty House to reduce its accommodation requirements in Launceston. This will produce a small saving over future years.

Depreciation is down slightly due to a continuing attempt to rationalise hardware and achieve maximum life from portable computers.

The overall operating deficit has reduced from the previous year and now more closely approximates the Office's objective of achieving a break-even result.

Statement of Financial Position

Cash has decreased due to the factors described earlier but receivables have increased due to the earlier billing policy and the increase in financial audit fees. Correspondingly, work in progress has decreased due to the change in billing policy.

The overall tax asset comprises a current and a non-current portion. The overall amount has remained fairly constant. The larger part of this asset will be recouped through the eventual payment of employee entitlements such as annual and long service leave balances.

Computer equipment and leasehold improvements declined due to depreciation and a lower than usual replacement of personal computers.

Employee entitlement liabilities increased markedly due to an increase in the estimated long service leave provision. This resulted from a change in the Australian accounting standard that required the use of estimated future salary levels and on-costs in the calculation of the liability,

Payables declined mainly due to the absence of a dividend that was not payable due to the loss for the year.

Equity reduced owing to the loss for the year, the payment of a capital charge and the effect of a change in an accounting standard that added to the estimated cost of settling annual and long serve leave obligations in the future.

Statement of Cash Flows

User charges and employee entitlement amounts were up due to the reasons described previously. GST are up due to increased invoicing for audit fees and a reduction GST outstanding at year end.

Payments for the acquisition of assets (mostly IT equipment in 2001-02) was down sharply as the Office sought to extend the usable life of personal computers.

The Office paid both a dividend and a capital charge in 2002-03 but these both relate to the operations of the 2001-02 financial year while the amounts in 2001-02 relate to the 2000-01 financial year.

**TASMANIAN AUDIT OFFICE
FINANCIAL STATEMENTS FOR THE YEAR ENDED
30 JUNE 2003**

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TASMANIAN AUDIT OFFICE

Statement of Compliance with Consolidated Fund Appropriation and other External Requirements for the year ended 30 June 2003

	Note	2002	2003	2003	
		Actual	Estimate	Actual	Variation
		\$ '000	\$ '000	\$ '000	\$ '000
Opening Balance		1 010	767	767	
Receipts					
Consolidated Fund:					
Reserved by Law		252	298	239	59
Total Consolidated Fund		252	292	239	59
Other Receipts:					
Gross cash proceeds from sale of assets		2	2	1	1
Revenue not paid into Consolidated Fund		2 670	2 651	3 185	(534)
GST collections and refunds	12(a)	250	257	240	17
Total Other Receipts		2 922	2 910	3 426	(516)
TOTAL FUNDING OF OUTPUTS		3 174	3 208	3 665	(457)
EXPENDITURE BY OUTPUT GROUP					
Public Sector Management & Accountability	12(a)	3 417	3 509	3 789	(280)
TOTAL		3 417	3 509	3 789	(280)

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 2003

	Note	2002 Actual \$ '000	2003 Estimate \$ '000	2002 Actual \$ '000	Variation \$ '000
R007 - Auditor-General's Salary and Allowances		252	298	239	59
		<u>252</u>	<u>298</u>	<u>239</u>	<u>59</u>

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 2003**

	Note	Balance 30-Jun-02 \$ '000	2003 Receipts \$ '000	2003 Expenditure \$ '000	Balance 30-Jun-03 \$ '000
T644 - Tasmanian Audit Office Operating Account		767	3 665	3 789	643
		<u>767</u>	<u>3 665</u>	<u>3 789</u>	<u>643</u>

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 2003

	Note	2003 Actual \$ '000	2002 Actual \$ '000
Revenue from ordinary activities			
User charges	1.3(b), 2.1	3 078	2 653
Recurrent appropriations	1.3(a)	239	252
Other revenue from ordinary activities	1.3(d), 2.2	71	227
Gross proceeds from the disposal of assets	1.3(c), 2.3	<u>1</u>	<u>4</u>
Total revenue from ordinary activities		<u>3 389</u>	<u>3 136</u>
Expenses from ordinary activities			
Employee entitlements	1.4(a), 3.1	2 484	2 286
Other expenses from ordinary activities	1.4(d), 3.2	302	295
Contractors and Consultants	1.4(d)	144	164
Information Technology	1.4(d)	130	159
Accommodation	1.4(d)	153	143
Materials, Supplies and Services	1.4(d)	138	125
Depreciation	1.4(b), 3.3	113	121
Written down value of disposed assets	1.4(c), 3.4	<u>-</u>	<u>-</u>
Total expenses from ordinary activities		<u>3 464</u>	<u>3 293</u>
Net operating surplus/(deficit) from ordinary operating activities before income tax equivalents		<u>(75)</u>	<u>(157)</u>
Income Tax equivalence expense	1.9(a), 3.5	(12)	(257)
Net Profit/(Loss)		<u>(63)</u>	<u>100</u>
Increase/(decrease) in asset revaluation reserve arising on revaluation of non-current assets	1.9(a), 3.5	-	-
Total Revenue, Expense and Valuation Adjustments Recognised Directly in Equity		<u>-</u>	<u>-</u>
Total changes in equity other than those resulting from transactions with the Tasmanian State Government in its capacity as owner		<u>(63)</u>	<u>100</u>

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

TASMANIAN AUDIT OFFICE
Statement of Financial Position as at 30 June 2003

	Note	2003 Actual \$ '000	2002 Actual \$ '000
Assets			
Current Assets			
Cash on hand and deposit accounts	1.5(a)	644	767
Receivables	1.5(b), 5.1, 12(b)	388	260
Work in progress	1.5(c), 5.2, 12(b)	104	228
Current tax assets	1.5(d),3.5, 5.3, 12(b)	30	159
Other current assets	1.5(d), 5.3, 12(b)	<u>31</u>	<u>62</u>
Total current assets		<u>1 197</u>	<u>1 476</u>
Non-Current Assets			
Computer Equipment & Leasehold Improvements	1.5(e), 5.4, 5.5,12(b)	220	279
Non-current tax assets	1.5(d),3.5(c),5.3,12(b)	<u>306</u>	<u>200</u>
Total non-current assets		<u>526</u>	<u>479</u>
Total assets		<u>1 723</u>	<u>1 955</u>
Liabilities			
Current Liabilities			
Employee entitlements	1.6(a), 6.1, 12(b)	315	283
Payables	1.6(b), 6.2, 12(b)	238	307
Current tax liabilities	1.9(a), 6.2, 11	<u>19</u>	<u>87</u>
Total current liabilities		<u>572</u>	<u>677</u>
Non-Current Liabilities			
Employee entitlements	1.6(b), 6.1, 12(b)	399	326
Deferred tax liabilities	1.9(a), 3.5(b), 6.2	<u>33</u>	<u>70</u>
Total non-current liabilities		<u>432</u>	<u>396</u>
Total liabilities		<u>1 004</u>	<u>1 073</u>
Net assets (liabilities)		<u>719</u>	<u>882</u>
Equity			
Contributed capital	7.1	1 168	1 168
Reserves		-	-
Retained profits	1.10, 7.2	<u>(449)</u>	<u>(286)</u>
Total Equity	1.10, 7	<u>719</u>	<u>882</u>

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 2003

	Note	2003 Actual \$ '000	2002 Actual \$ '000
Cash flows from operating activities	12(b)		
User charges		2 799	2 582
Recurrent appropriations	12(b)	239	252
GST receipts on services	11	224	230
GST receipts from ATO	11	16	61
Interest received		16	28
Other cash receipts		55	11
Employee entitlements		(2 434)	(2 227)
Other cash payments		(525)	(635)
GST payments to ATO	11	(229)	(156)
GST payments on purchases	11	(98)	(94)
Taxation equivalents		(34)	(17)
Total cash provided by/(used in) operating activities	8(b)	<u>29</u>	<u>35</u>
Cash flows from investing activities	12(b)		
Gross proceeds from the sale of assets		1	4
Payments for acquisition of assets		(54)	(192)
Net cash provided by/(used in) investing activities		<u>(53)</u>	<u>(188)</u>
Cash flows from financing activities	12(b)		
Dividend		(50)	(19)
Capital Charge		(49)	(71)
Net cash provided by/(used in) financing activities		<u>(99)</u>	<u>(90)</u>
Net increase (decrease) in cash held		(123)	(243)
Cash at the beginning of the reporting period		767	1 010
Cash at the end of the reporting period	8(a)	<u>644</u>	<u>767</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 2003

Note	Description
1	Summary of significant accounting policies
1.1	Objectives and funding
1.2	Basis of preparation
1.3	Revenue recognition
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>Plant and equipment</i>
1.6	Liabilities
a)	<i>Payables</i>
b)	<i>Provisions for employee entitlements</i>
c)	<i>Superannuation</i>
1.7	Leases
1.8	Goods and services tax
1.9	Rounding
1.10	Office taxation, dividends and capital charge
a)	<i>Income tax</i>
b)	<i>Dividend</i>
c)	<i>Capital charge</i>
1.11	Changes in accounting policy
a)	<i>Employee benefits</i>
b)	<i>Provisions</i>
2	Revenue from ordinary activities
2.1	User charges
2.2	Other revenues from ordinary activities
2.3	Gross proceeds and expenses from the disposal of fixed assets
3	Expenses from ordinary activities
3.1	Employee entitlements
3.2	Other expenses from ordinary activities Depreciation
3.3	Depreciation
3.4	Write down value of disposed assets
3.5	Income tax equivalence

4 Outputs of the Office

5 Assets

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

13 Principal Address and Registered Office

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 Consensus Views, others authoritative pronouncements of the Australian Standards Board.

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

Assets and liabilities are recognised in the 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 Recognition

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. Revenues are recognised at a fair value of the consideration received net of the amount of goods and service tax (GST) payable to the taxation authority.

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.

The gain or loss on disposal is calculated as the difference between the carrying amount at the time of disposal and the net proceeds on disposal.

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 a straight line basis annually, 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.

Work in progress is valued at the lower of cost or net realisable value.

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

1) Wages and Salaries

Liabilities for employee benefits for wages and salaries expected to be settled within 12 months of the year-end represent obligations resulting from employee's services provided to reporting date, calculated at undiscounted amounts based on remuneration wage and salary rates the Office expects to pay as at reporting date including related on-costs.

2) Annual Leave

Liabilities for employee benefits for annual leave expected to be settled within 12 months of the year-end represent present obligations resulting from employees' services provided to reporting date, calculated at undiscounted amounts based on expected future increases in wage and salary rates including related on-costs.

3) Long Service Leave

The provision for employee entitlements for long service leave represents the present value of the estimated future cash outflows to be made resulting from employees' service provided to reporting date.

The provision is calculated using expected future increases in wage and salary rates including related on-costs and expected settlement dates based on turnover history and is discounted using the rates attaching to national government bonds at reporting date that most closely match the terms on maturity of the related liabilities. The unwinding of the discount is treated as long service leave expense.

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 Goods and service tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST is incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as a current asset or liability in the Statement of Financial Position.

Cash flows are included in the Statement of Cash Flows on a gross basis. The GST components of cash flow arising from investing and financing activities that are recoverable from, or payable to, the taxation authority are classified as operating cash flows.

1.9 Rounding

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

1.10 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 income statement method of tax effect accounting. The income 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 statement of financial position as a future income tax equivalent benefit or a deferred income tax equivalent liability. Future income tax benefits will only be brought to account when realisation of the asset is assured beyond reasonable doubt. Future income 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.

1.11 Change in Accounting Policy

(a) Employee Benefits

The Office has applied the revised AASB 1028 "Employee Benefits" for the first time from 1 July 2002.

The liability for annual leave and long service leave is now calculated using the remuneration rates the Office expects to pay as at each reporting date, not wage and salary rates current at reporting date.

The initial adjustments to the financial report as at 1 July 2002 as a result of this change are:

\$56 000 increase in provisions for annual and long service leave; and

\$56 000 decrease in opening retained profits.

(b) Provisions

The Office has applied AASB 1044 "Provisions, Contingent Liabilities and Contingent Assets" for the first time from 1 July 2002.

Dividends are now recognised at the time they are determined.

There is no impact on net profit for the current financial year to 30 June 2003.

Restated Statement of Financial Performance

	2003 \$'000 *	2002 \$'000 Restated
Revenue from ordinary activities		
User charges	3 078	2 653
Recurrent appropriations	239	252
Other revenue from ordinary activities	71	227
Gross proceeds from the disposal of assets	<u>1</u>	<u>4</u>
Total revenue from ordinary activities	<u>3 389</u>	<u>3 136</u>
Expenses from ordinary activities		
Employee entitlements	2 484	2 342
Other expenses from ordinary activities	302	295
Contractors and Consultants	144	164
Information Technology	130	159
Accommodation	153	143
Materials, Supplies and Services	138	125
Depreciation	113	121
Written down value of disposed assets	<u>-</u>	<u>-</u>
Total expenses from ordinary activities	<u>3 464</u>	<u>3 349</u>
Net operating surplus/(deficit) from ordinary operating activities before income tax equivalents	<u>(75)</u>	<u>(213)</u>
Income Tax equivalence expense	<u>(12)</u>	<u>(257)</u>
Net Profit/(Loss)	<u>(63)</u>	<u>44</u>
Increase/(decrease) in asset revaluation reserve arising on revaluation of non-current assets	-	-
Total Revenue, Expense and Valuation Adjustments Recognised Directly in Equity	<u>-</u>	<u>-</u>
Total changes in equity other than those resulting from transactions with Tasmanian State Government in its capacity as owner	<u>(63)</u>	<u>44</u>
In relation to the aggregate adjustment to the opening retained earnings for the financial year of \$56,000 the following amounts relate to financial years prior to 2002.		<u>0</u>

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

	2003	2002
	\$'000	\$'000
Services		
Financial Audit Services	2 358	1 970
Performance & Compliance Audit Services	581	549
Report to Parliament	139	134
Total	<u>3 078</u>	<u>2 653</u>

2.2 Other Revenues from Ordinary Activities

	2003	2002
	\$'000	\$'000
Revenue as a result of Change in Accounting Policy	-	155
Revenue as a result of Lease Incentive Write Off	-	34
Interest	19	27
Miscellaneous Income	52	11
	<u>71</u>	<u>227</u>

2.3 Gross Proceeds and Expense From the Disposal of Fixed Assets

	2003	2002
	\$'000	\$'000
Non-financial assets - office and computer equipment:		
Revenue (proceeds) from sale	1	4
Written down value of disposed assets	-	-
	<u>1</u>	<u>4</u>

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

	2003	2002
	\$'000	\$'000
Wages and Salaries – Ordinary Time	1 935	1 791
Annual Leave	145	144
Long Service Leave	54	34
Superannuation	220	200
Payroll Tax	130	117
	<u>2 286</u>	<u>2 286</u>

3.2 Other Expenses from Ordinary Activities

	2003	2002
	\$'000	\$'000
Miscellaneous	128	147
Travel and Transport	85	72
Training	36	32
Insurance	14	17
Fringe Benefits Tax	19	14
Workers Compensation Premium	13	8
Audit of the Financial Report	<u>7</u>	<u>5</u>
	<u>302</u>	<u>295</u>

3.3 Depreciation

	2003	2002
	\$'000	\$'000
Computer Equipment – Hardware	84	75
Computer Equipment – Software	19	36
Office Equipment & Furniture	3	3
Leasehold Improvements	<u>7</u>	<u>7</u>
	<u>113</u>	<u>121</u>

3.4 Write Down Value of Assets for Disposed Assets

	2003	2002
	\$'000	\$'000
Non-financial assets - office and computer equipment:		
Computer Equipment at Cost	18	38
Computer Equipment - Accumulated Depreciation	<u>(18)</u>	<u>(38)</u>
	<u>-</u>	<u>-</u>

3.5 Income Tax Equivalence

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

	2003 \$'000	2002 \$'000
Profit from ordinary activities before income tax equivalents	<u>(75)</u>	<u>(157)</u>
Income tax equivalent expense calculated at 30% of operating profit (2001 34%)	<u>(12)</u>	<u>(47)</u>
Permanent differences		
Revenue from change in accounting policy	-	(46)
Prior Period Adjustment	<u>-</u>	<u>(164)</u>
Income tax equivalent expense attributable to profit from ordinary activities	<u>(12)</u>	<u>(257)</u>
Income tax equivalent expense comprises movements in:		
Provision for tax equivalent expenses	-	9
Future income tax benefit	24	34
Provision for deferred income tax	<u>(36)</u>	<u>(25)</u>
Total income tax equivalent expense	<u>(12)</u>	<u>18</u>

(b) Provision for deferred income tax

Provision for deferred income tax comprises the estimated expense at the applicable rate of 30% on the following items:

Work in Progress	30	68
Prepayments	2	1
Accrued Income	<u>1</u>	<u>1</u>
	<u>33</u>	<u>70</u>

(c) Future income tax benefit

Future income tax benefit comprises the estimated future benefit at the applicable rate of 30% on the following items:

Employee Benefits	194	186
Revenue in Advance	1	-
Lease Incentive Liability	19	19
Capitalised Expenditure	3	-
Losses Carried Forward	113	145
Difference in WDV of Assets for accounting and income tax purposes	<u>6</u>	<u>9</u>
	<u>336</u>	<u>359</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

	2003	2002
	Actual	Actual
	\$ '000	\$ '000
Revenue from ordinary activities		
User charges	3 078	2 653
Recurrent appropriations	239	252
Gross proceeds from the disposal of assets	71	4
Other revenue from ordinary activities	<u>1</u>	<u>227</u>
Total revenue from ordinary activities	<u>3 389</u>	<u>3 136</u>
Expenses from ordinary activities		
Employee entitlements	2 484	2 286
Depreciation	113	121
Written down value of disposed assets	-	-
Other expenses from ordinary activities	<u>867</u>	<u>886</u>
Total expenses from ordinary activities	<u>3 464</u>	<u>3 293</u>
Profit (Loss) from ordinary activities before income tax equivalents	<u>(75)</u>	<u>(157)</u>
Income Tax equivalence expense	<u>(12)</u>	<u>(257)</u>
Net Profit/(Loss)	<u>(63)</u>	<u>100</u>
Total Revenue, Expense and Valuation Adjustments Recognised Directly in Equity	<u>-</u>	<u>-</u>
Total changes in equity other than those resulting from transactions with the Tasmanian State Government in its capacity as owner	<u>(63)</u>	<u>100</u>

Note 5: Assets**5.1 Receivables**

	2003	2002
	\$'000	\$'000
User Charges including GST	358	245
Sundry Debtor	28	13
Interest	<u>2</u>	<u>2</u>
	<u>388</u>	<u>260</u>
Current	388	260
Non-current	<u>-</u>	<u>-</u>
	<u>388</u>	<u>260</u>

5.2 Work in progress

	2003	2002
	\$'000	\$'000
Opening Balance	228	464
Plus: Work in Progress Raised for the Year	<u>3 160</u>	<u>2 002</u>
	3 388	2 486
Plus: Profit recognised to date	<u>356</u>	<u>0</u>
	3 744	2 486
Less: Losses recognised to date	<u>(438)</u>	<u>(51)</u>
	3 306	2 435
Less: Progress billings	<u>(3 202)</u>	<u>(2 207)</u>
Closing Balance	<u>104</u>	<u>228</u>

Note: for 2002 the Losses recognised are the losses as at 30 June while profits and losses recognised during the year are included in the WIP raised for the year.

5.3 Other Assets

	2003	2002
	\$'000	\$'000
Tax Assets		
Future Income Tax Benefit – Current	30	159
Future Income Tax Benefit – Non-Current	<u>306</u>	<u>200</u>
	<u>336</u>	<u>359</u>
Other Assets		
Lease Incentive	-	42
Prepayments	<u>31</u>	<u>20</u>
	<u>31</u>	<u>62</u>

5.4 Computer Equipment, Leasehold Improvements and Office Equipment

	2003 \$'000	2002 \$'000
Leasehold Improvements		
Leasehold improvements – at cost	187	187
Less: accumulated amortisation	<u>(182)</u>	<u>(175)</u>
Total leasehold improvements	<u>5</u>	<u>12</u>
Office Equipment		
Office Equipment – at cost	74	59
Less: accumulated depreciation	<u>(56)</u>	<u>(53)</u>
Total office equipment	<u>18</u>	<u>6</u>
Furniture & Fittings		
Furniture & Fittings – at cost	82	82
Less: accumulated depreciation	<u>(82)</u>	<u>(82)</u>
Total furniture and fittings	<u>-</u>	<u>-</u>
Computer Equipment – Hardware		
Computer Equipment – Hardware – at cost	447	450
Less: accumulated depreciation	<u>(303)</u>	<u>(238)</u>
Total computer equipment – hardware	<u>144</u>	<u>212</u>
Computer Equipment – Software		
Computer Equipment – Software – at cost	243	220
Less: accumulated depreciation	<u>(190)</u>	<u>(171)</u>
Total computer equipment – software	<u>53</u>	<u>49</u>
Total Computer Equipment, Office Equipment and Leasehold Improvements	<u>220</u>	<u>279</u>

5.5 Reconciliation of Non-Current Physical Assets

2002	Computer Equip \$'000	Office Equip & Fittings \$'000	Leasehold Imprv \$'000
Carrying amount at start of year	261	6	12
Additions – at cost	39	15	-
Disposals – at written down value	-	-	-
Depreciation/amortisation expense	<u>(103)</u>	<u>(3)</u>	<u>(7)</u>
Carrying amount at end of year	<u>197</u>	<u>18</u>	<u>5</u>

Note 6: Liabilities**6.1 Employee Entitlements**

	2003	2002
	\$'000	\$'000
Accrued Salaries	68	53
Accrued Superannuation	7	6
Accrued Payroll Tax	4	4
Accrued ILOT	-	-
Annual Leave	142	157
Long Service Leave	493	389
	<u>714</u>	<u>609</u>
Current	315	283
Non-current	399	326
	<u>714</u>	<u>609</u>

6.2 Payables and Other Liabilities

	2003	2002
	\$'000	\$'000
Payables		
Creditors	125	130
Revenue in Advance	3	3
Lease Incentive Liability	64	72
Accrued FBT	2	3
Capital Charge	44	49
Dividend	-	50
	<u>238</u>	<u>307</u>
Tax Liabilities		
GST owed to the ATO	19	54
Provision for Income Tax	-	33
Provision for Deferred Income Tax	33	70
	<u>52</u>	<u>157</u>
Total Payables & Tax Liabilities	<u>290</u>	<u>464</u>
Current	257	394
Non-current	33	70
	<u>290</u>	<u>464</u>

6.3 Schedule of Commitments

Schedule of Commitments as at 30 June 2003

	2003 \$'000	2002 \$'000
By Type		
Lease Commitments		
Operating Leases – Accommodation	142	157
Operating Leases – Motor Vehicles	26	33
	<u>168</u>	<u>190</u>
By Maturity		
Lease Commitments		
One Year or less	168	190
From one to five years	679	768
Over five years	857	969
	<u>1 704</u>	<u>1 927</u>

Note 7: Equity and Movements in Equity

7.1 Contributed Capital

	2003 \$'000	2002 \$'000
Equity on Formation	1 168	1 168

7.2 Retained Profits

	2003 \$'000	2002 \$'000
Balance at the beginning of the financial year	(286)	(145)
Adjustment as a result of Change in Accounting Policy	-	(142)
Net effect of initial adoption of: Revised AASB 1028 “Employee Benefits”	(56)	-
Net surplus/(loss)	(63)	100
Dividends provided for or paid	-	(50)
Equity reduction	(44)	(49)
Balance at the end of the financial year	<u>(449)</u>	<u>(286)</u>
Total equity	<u>719</u>	<u>882</u>

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

Note 8: Cash Flow Reconciliation

	2003 \$'000	2002 \$'000
(a) Reconciliation of cash per Statement of Financial Position to Statement of Cash Flows		
Cash at year end per Statement of Cash Flows	767	767
Statement of Financial Position items comprising above cash: 'Financial Asset - Cash'	767	767
(b) Reconciliation of operating surplus to net cash provided by operating activities:		
Net Profit/(Loss)	(75)	(157)
Non-cash items:		
Depreciation/Amortisation	113	121
(Profit)/Loss on disposal of assets	(1)	(4)
Contributions to Government	-	(191)
(Increase)/decrease in current assets:		
Current Receivables	(128)	(68)
Work in Progress	124	236
Other assets	(11)	(38)
Increase/(decrease) in current liabilities:		
Current Payables	(8)	3
Employee Entitlements	32	62
Tax Liabilities	(34)	(17)
Other Liabilities	34	37
Increase/(decrease) in non-current liabilities:		
Employee Entitlements	18	(3)
Tax liabilities	(35)	54
Net Cash provided (used) by operating activities	<u>29</u>	<u>35</u>

Note 9: Average Staffing Levels

	2003 Number	2002 Number
The average staffing levels for the Office during the year were:	36.53	35.54

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

Financial Instrument	Accounting Policies and Methods (including recognition criteria and measurement basis)	Nature of underlying instrument (including significant terms & conditions affecting the amount, timing and certainty of cash flows)
Financial Assets	Financial assets are recognised when control over future economic benefits is established and the amount of the benefit can be reliably measured.	
Cash	Deposits are recognised at their nominal amounts. Interest is credited to revenue as it accrues.	The Office's business operating account is a trust account in the Special Deposits and Trust Funds at the Department of Treasury and Finance. The interest is calculated on the minimum daily balance and the average interest rate over the period was 4.5%.
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.
Financial Liabilities		
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

	2003	2003	2002	2002
		Weighted Average Effective Interest Rate		Weighted Average Effective Interest Rate
	\$'000		\$'000	
Financial Assets				
Floating Interest Rate				
Cash at Bank	643	4.50%	767	4.24%
Total Floating Interest Rate	643		767	
Non-Interest Bearing				
Receivables for user charges	388	n/a	247	n/a
Total Floating Interest Rate	388		247	
Total Financial Assets	1 031		1 014	
Financial Liabilities				
Non-Interest Bearing				
Payables	169	n/a	229	n/a
Total Floating Interest Rate	169		229	
Total Financial Liabilities	169		229	

10.2 Net Fair Values of Financial Assets and Liabilities

	2003	2002
	Total carrying amount	Total carrying amount
	\$'000	\$'000
Financial Assets		
Cash at Bank	643	767
Receivables for user charges	388	247
Total financial assets	1 031	1 014
Financial Liabilities		
Payables	169	229
Total financial liabilities	169	229

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

	2003 \$'000	2002 \$'000
GST paid on purchases	78	94
GST receipts from ATO	<u>20</u>	<u>49</u>
	<u>58</u>	<u>45</u>
GST on invoices raised	251	230
GST payments to ATO	<u>174</u>	<u>131</u>
	<u>77</u>	<u>99</u>
(Amount Owed to ATO)/Due from ATO	<u>(19)</u>	<u>(54)</u>

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 2003 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. The Office also changed its invoicing policy from quarterly to monthly.

Work in Progress

The WIP balance is less than the previous year as a result of the change in invoicing policy.

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

The variation is the result of bringing the lease incentive asset to account last year.

Plant and Equipment

The Office acquired new computer hardware and software in accordance with its Information Technology Strategic Plan and the depreciation charge for the year exceeded the value of purchases during the year resulting in a decrease.

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 value of the leave entitlements in accordance with the accounting standard.

Payables and other liabilities

Payables and other liabilities have decreased as a result of no dividend being payable this year.

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:

User charges: increased as a result of the revised invoice billing policy.

The cash outflow for employee entitlements was greater than the previous year; GST payments to the ATO were greater as a result of the revised invoice billing policy; and Other cash

payments were reduced in comparison to the previous year as a result of decreased payments for information technology, accommodation and consultant fees.

Cash flows from investing activities

The Office purchased information technology equipment in accordance with its Strategic Plan.

Note 13: Principal Address and Registered Office

Level 5, 144 Macquarie Street
HOBART Tasmania 7000

**CERTIFICATION OF FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2003**

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 2003 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 J McHugh
AUDITOR-GENERAL

28th July 2003

Auditor's Report

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Touche
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**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 2003 as set out on pages 1 to 26. 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 2003 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, 4 August

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 three columns in the index have the following meaning:

Section and Compliance:

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

Details:

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

Location:

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

KEY:

SSA *State Service Act 2000*

SSR *State Service Regulations 2001*

TI *Treasurer's Instructions*

FMAA *Financial Management and Audit Act 1990*

FOI *Freedom of Information Act 1991*

PSSRA *Public Sector Superannuation Reform Act 1999*.

Section and Compliance	Details	Location
GENERAL		
	Table of contents	i
	Alphabetical index	79
	Glossary of abbreviations and acronyms	N/a
OVERVIEW		
SSR 9(a)(i)	Overview of the Agency's Strategic Plan, including its corporate objectives, functions and related programs.	4
SSA s. 36(1)(a) FMAA s.27(1)(a)	The performance of the functions and exercise of powers of the Head of Agency, under any written law.	4-5
FMAA s.27(1)(b) subject to s.27 (2) SSA s. 36(1)(b)	A report by any statutory office-holder employed in, or attached to, the Agency, except where required to report under any other Act.	2
SSR 9(a)(v)	Detail of, and reasons for, major initiatives taken by the Agency to develop and give effect to Government policy.	N/a
SSR 9(a)(iv) TI 701 (1)(b)	Details of major changes affecting programs, objectives or organisational structure.	5
ORGANISATIONAL STRUCTURE		
SSR 9(a)(ii)	Organisational Chart as at the end of the reporting year.	6
SSR 9(a)(iii)	Description of the relationship between the organisational structure and the program structure of the Agency.	5,11

PERFORMANCE MANAGEMENT		Location
TI 701 (1)(a) & (e)	A summary, together with quantitative measures where relevant, of the objectives and functions of programs or activities, including significant outcomes, key efficiency measures, targets, proposed plans and any ministerial objectives.	1, 11-35
TI 701 (1)(b)	Economic or other factors that have affected the achievement of operational objectives.	N/a
STATUTORY AND NON-STATUTORY BODIES AND COMPANIES		
	A list of Statutory and Non-Statutory Bodies of which the Agency is a parent body. A list of names of companies.	N/a
LEGISLATION ADMINISTERED AND MAJOR DOCUMENTS PUBLISHED		
SSR 9(d)	List of legislation administered by the Agency during the year and any significant changes to that legislation.	4
SSR 9(c)(i)	Details of major documents or publications produced by the Agency.	23
PUBLIC ACCESS AND AWARENESS OF SERVICES PROVIDED		
SSR 9(c)(ii)	List of contact officers and points of public access in relation to services provided by the Agency.	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.	26
SSR 9(c)(iii)	Outline of the processes available for appeals against decisions made by the Agency.	N/a

HUMAN RESOURCE MANAGEMENT		Location
SRR 9(b)(i)	Recruitment policies and programs.	30
SSR 9(b)(ii)	Report on officer and employee development activities.	34
SSR 9(b)(iii)	Work place diversity programs.	29
SSR 9(b)(iv)	Industrial democracy plans, together with an outline of the process available for appeals against decisions made by the Agency.	7-10
SSR 9(b)(v)	Outline of internal grievance procedures.	29
SSR 9(b)(vi)	Summary of Occupational Health and Safety strategies.	28
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>	34
ASSET MANAGEMENT AND RISK MANAGEMENT POLICIES		
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.	7
TI 701 (1)(f)	Statement of risk management policies and an outline of significant risk management activities and initiatives	7
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	10

EXTERNAL/INTERNAL SCRUTINY		Location
TI 701(1)(i)&(ii)	Details of all major contracts awarded, including the value of work and the name and locality of contractors.	25
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.	26
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
ANY OTHER MATTERS		
TI 701 (1)(n)	Any matters deemed relevant by the Head of Agency.	N/a
FINANCIAL STATEMENTS		
TI 701 (1)(l) FMAA s.27 (2) & (3)	Financial statements of the Department for the financial year, including statements of any public body not required to report under any other Act.	37
TI 701 (1)(m)	Auditor-General's report on Financial Statements.	71

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