



AUDITOR-GENERAL ANNUAL REPORT 2003-04

SEPTEMBER 2004



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## Snapshot of the Office

### Our History

The first Auditor-General of Tasmania was George Boyes. He took office on 21 November 1824 and was known as the Colonial Auditor.

The history of the office has been documented in a book, *Independence a Framework for Accountability*, that will be launched on the anniversary of Mr Boyes' appointment. Written by Lindy Scripps, the book analyses the development of public accountability, and discusses the personalities and key events that have influenced the Office's work and role over 180 years.

### Enabling Legislation

The main statute that establishes our responsibilities is the *Financial Management and Audit Act 1990*. This legislation governs the appointment and independence of the Auditor-General and defines the powers and responsibilities of the Auditor-General.

### Audit Responsibilities

At 30 June 2004, the Auditor-General was responsible for:

- > Auditing the Treasurer's Annual Report and the Consolidated Financial Statements for the State of Tasmania;
- > Conducting financial statement audits for 134 State public sector entities, including Parliament, government departments, public bodies, state-owned corporations and local government entities; and
- > Undertaking wide-ranging performance audits concerned with the economic, efficient and effective use of public resources and compliance audits to ensure compliance with legislation and policies.

### Operating environment

Public Sector Entities (including local government) audited:

- > Receive approximately \$4 659m in revenue (2002-03);
- > Incur approximately \$4 451m in expenditure (2002-03); and
- > Hold over \$20 097m in assets (2002-03).

**Available Resources**

At 30 June 2004, we:

- > Had 34 in-house staff (35 at 30 June 2003);
- > Engaged 4 external audit service providers (4 during 2002-03);
- > Received \$0.744m funding from the Government for performance and compliance audits (\$0.581m in 2002-03); and
- > Raised \$2.325m in revenue from financial audit services (\$2.358m in 2002-03).

**Reports Tabled**

During the 2003/04 financial year we tabled six (2002/03, eight) reports in Parliament being:

- > Special Report No. 47 – Public Sector Web Sites;
- > Special Report No. 48 – Grants to the Community Sector;
- > Special Report No. 49 – Staff Selection in Government Agencies;
- > Special Report No. 50 – Police Response Times;
- > Audit Report on the Public Account 2002/03; and
- > Report on the Audit of Government Departments and Public Bodies.

We met our requirements within the Tasmania *Together* 2020 framework.

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## Highlights of 2003-04

### Accountability to Parliament

- > Parliament passed some minor changes to our audit legislation which, together with changes affecting financial management in public sector bodies, will have a direct impact on the Office (see page 4).
- > During the year Arthur McHugh retired after 11 years as Auditor-General and his replacement Mike Blake commenced on 10 May 2004.

### Parliamentary reports and services

- > Presented 4 performance and compliance audit reports to Parliament (2002-03 - 6 reports) (see page 9).
- > Introduced briefings to Members and press releases on our reports presented to Parliament (see page 17).
- > Restructured our performance audit services business unit by commencing compliance audits by using dedicated teams established from surplus staffing in the financial audit services business unit (see page 8).

### Audit reports on financial statements

- > Issued 121 audit opinions on financial statements (2002-03 - 119 audit opinions). Seventy-five per cent were completed within the specified timeframe (see page 20).
- > For the first time the Office met the performance measure of completing audits within 30 days of receipt of signed financial statements (see page 23).

### Perceptions of Office performance

- > Achieved a satisfaction level of 75 per cent from our financial audit clients (see page 24).
- > Achieved a satisfaction level of 73 per cent from the Members of Parliament (see page 15).
- > Achieved a satisfaction level of 60 per cent from the staff (see page 42).

### Managing our Office

- > Reviewed our corporate planning processes (see page 5).
- > Restructured the corporate services business unit by adding additional resources and reassigning duties.
- > Commenced the process for replacing our job costing system (see page 35).

### Community awareness

- > The Office actively participated in raising funds for charitable organisations during the year (see page 43).
- > The Office agreed to sponsor a University Award for students undertaking studies in auditing (see page 44).

### Financial performance

- > Our net financial result for the year was a surplus of \$18 361 (2002-03 - loss of \$63 196) (see page 46).
- > Audit fee revenue of \$3.173m (2002-03 - \$3.078m) (see page 47).
- > Our net working capital decreased to \$0.557m as at 30 June 2004 (2002-03 - \$0.681m) (see page 47).



## Auditor-General's Message

The 2003-2004 financial reporting cycle is the first following revisions to the *Financial Management and Audit Act 1990* requiring more timely completion of financial statements. To some extent this change coincided with the need for public sector entities to commence preparing for the introduction from 1 January 2005 of International Financial Reporting Standards. The Tasmanian Audit Office (the Office) responded effectively to these changes by holding a series of client seminars in May 2004 focusing on how more timely financial reporting could be achieved and the impact of the new accounting standards.

Public sector entities have responded positively to these challenges and, in the main, the new reporting timeframes have, to date, been achieved. There is, however, more to be done and we continue to work closely with client management and the Department of Treasury and Finance to assure continuous improvement in financial reporting. At the same time the Office is updating audit approaches in response to these changes.

Dr Arthur McHugh's retirement in November 2003 after 12 years as Auditor-General leaves a gap that will not be easily filled. Arthur's contribution to the Tasmanian Audit Office and to the Tasmanian public sector has been significant and I wish him well in his new ventures. My thanks to David Baulch and the Office Executive for their effective management of the Office prior to my appointment. It has been a most busy period for David more so due to this period of change coinciding with his term as President of CPA Australia.

Prior to my appointment the Office Executive had initiated a revised corporate planning framework. This was an inclusive process involving all staff and resulted in the adoption of a Corporate Plan for 2004 to 2008 and associated annual business and operational plans. This process reconfirmed our mission of "enhancing accountability of public sector performance in Tasmania", determined how we will achieve this and the performance indicators to be applied in measuring our progress. I commend this process and look forward to delivering the financial audit, performance audit and other agreed targets.

A major Office initiative this year was the establishment, initially on a temporary basis, of a compliance audit function operating within the Performance Audit business unit. This is proving to be a positive development and one that I hope to see become permanent.

This Annual Report records our progress in delivering our output of "Public Sector Management and Accountability" and more specifically our two sub-outputs of Parliamentary reports and services, and audit reports on financial statements. Progress to date is encouraging and I thank all Office staff for their considerable efforts in our achievements. There is however much more to be done as we strive for enhancing accountability and I look forward to working with all Office staff in achieving this goal.

A handwritten signature in black ink, appearing to read 'Mike Blake'.

Mike Blake,  
Auditor-General

# Accountability to Parliament

## Role of the Auditor-General

The Office is part of the accountability framework where we assist the Parliament in holding the Government accountable for fulfilling its responsibilities.

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

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*, *Local Government Act 1993* and other relevant legislation such as the Corporations Act. The Auditor-General also has audit 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 his statutory requirements. The Auditor-General is the administrative head of the Office and the Auditor-General may engage private sector firms as his agents.

## Independence of the Auditor-General

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 and it is not part of the Government itself. This independence from the Executive Government of the day is vital if the Audit Office is to perform its work effectively and make independent and unbiased judgments.

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

## Audit Mandate

The Auditor-General has a broad-scope mandate for comprehensive auditing that embodies the components generally referred to as financial audit, compliance audit and performance audit. The areas subject to examination under these audit components can include the management of financial, human and other resources. The Auditor-General must report the results of all audits directly to Parliament.

The Auditor-General must provide an audit opinion on the annual financial statements of all audited agencies, and on the Treasurer's Annual Report and the Consolidated Financial Statements of the State. The Auditor-General may also investigate instances of waste, impropriety or lack of financial prudence in the use of public resources, and has the power to investigate whether the government and its agencies effectively, efficiently and economically use public resources.

### **What is a financial audit?**

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 assurance 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 methodology that involves designing an audit program to address organisational risks and management controls. The financial audit methodology requires the 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. An unqualified report is issued when the auditor forms the opinion that the financial statements present fairly the affairs and transactions of the client. In the case of a qualified report, the auditor forms the opinion that the client has not complied with one or more applicable Australian Accounting Standards or some other fundamental accounting principle.

### **What is a performance audit?**

A performance audit is an audit that deals with any aspects of an entity's economy, efficiency and effectiveness or compliance with relevant legislation/laws or government instructions/directives. The compliance element of these audits is sometimes referred to as compliance audits (refer below).

These audits extend beyond the examination of the financial affairs and transactions of a government agency or public body to encompass issues considered of significance to the Parliament.

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.

The results of all audit reviews are discussed with, and formally communicated to, senior management of entities concerned. The audit process culminates in the presentation of an audit report to the entity(ies) being audited, with more significant issues included in a Special Report to Parliament by the Auditor-General.

### **What is a compliance audit?**

A compliance audit assesses how well public sector bodies comply with a selection of legal requirements, government policies, internal controls or central agency directives. The process involves testing a representative sample of public sector bodies, and our recommendations often highlight solutions that could be applied across the public sector. Sometimes the Office undertakes special audits that examine a specific issue within a public sector body.

The process is the same as performance audits where there are phases of planning, testing and execution and reporting. The Auditor-General tables the reports in Parliament as Special Reports.

### **Enhancement to audit legislation**

During the financial year, Parliament passed minor amendments to the *Financial Management and Audit Act 1990 (FMAA 1990)*. These amendments affect both the Audit Office and public sector entities by altering the reporting timeframe for financial statements and annual reports. Most of the changes were in the Financial Management section of the *FMAA 1990* and therefore relate to public sector entities.



The implication of the amendments is that the Audit Office has to adjust its audit program to accommodate the earlier reporting timeframes. The Office supported the amendments passed.

The other change is in the Audit section of the *FMAA 1990* and brings forward the tabling date for the Auditor-General's report to Parliament on the audit of Government departments and public bodies in respect of the preceding financial year from 31 May to 31 December - an amendment the Office supported as the report had been tabled prior to 30 November in previous years.

A further amendment allows the Auditor-General to present audit reports while Parliament is in recess to the Clerk of each House of Parliament thus making these reports public even though Parliament is not sitting. This allows greater flexibility to the Auditor-General, and helps avoid delays in public disclosure of matters in audit reports. While the Office supported this amendment, it plans wherever possible to table reports when Parliament is sitting.

### Corporate Planning

While it is a legislative requirement for the Office to provide an overview of its strategic plan under *Section 9 of the State Service Regulations 2001* it is not a requirement for the Office to make public its detailed Corporate Plan for publication. During the year the Office embarked on a review of its corporate planning processes and as a result of this review changes have been made. These changes were made to ensure the Office establishes best practice processes in relation to Corporate Governance. As a result the Office has redefined its strategic planning framework and processes. This focused the executive management team on our role and outcomes included:

- > recommitment to our vision, "Excellence in Audit Services";
- > revision to our mission statement, "To enhance accountability of public sector performance in Tasmania";
- > revision to our understanding of our external environment;
- > redefining of our products and services;
- > redefining of our stakeholders; and
- > redefining of our outcomes.

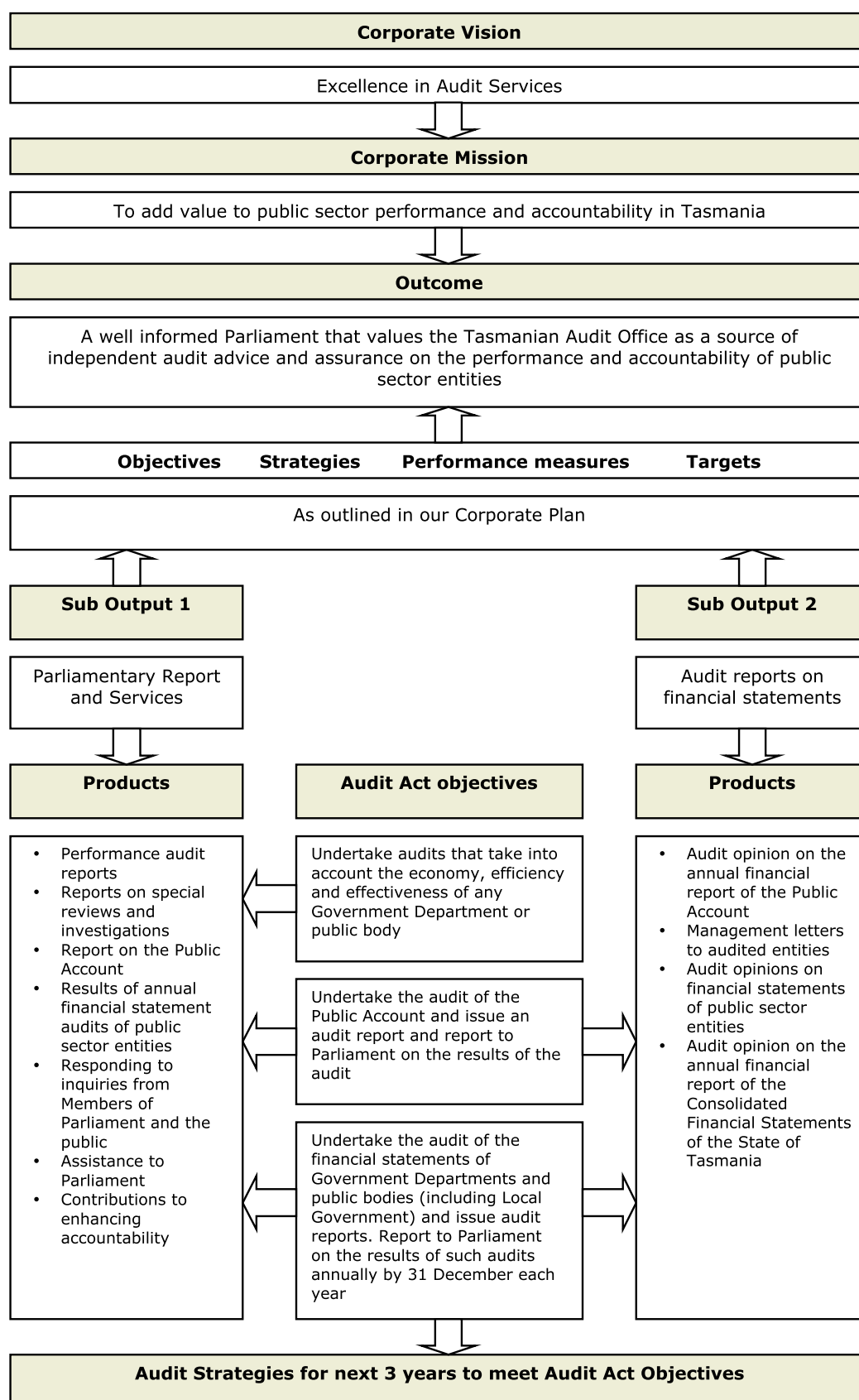
The State of Tasmania applies an output based management system that underpins the allocation of funds from the State Budget. While the Office is largely a fee for service operation it is still a government department and it operates within the budgetary system. The Office's outcome is to have:

"Stakeholders, including Parliament, who are well-informed and who value the Tasmanian Audit Office as a source of independent audit advice and assurance on the performance and accountability of public sector entities".

The sole output of the Office is "Public Sector Management and Accountability" and this output encompasses our products and services (sub-outputs) which are:

- > Parliamentary reports and services (see page 7); and
- > Audit reports on financial statements (see page 19).

The following diagram links the planned outcomes with various products and services that the Office delivers under these sub-outputs. The diagram also shows the relationship of those products and services with our legislative mandate.



## Parliamentary Reports and Services

The Parliament is our main client and our reports and services are aimed at meeting its needs.

Our audit work and reports are designed to assure the Parliament that the public sector resource management practices are efficient and effective and to suggest ways the public sector can improve its performance. These reports provide commentary and advice on contemporary public sector developments to the Parliament, its committees, the Government, public sectors bodies and other external parties.

These objectives are in line with our mission to provide services that enhance accountability of public sector performance in Tasmania.

### Performance against corporate targets

PERFORMANCE MEASURES	UNIT OF MEASURE	2003-04 TARGET <sup>1</sup>	2003-04 ACHIEVEMENT	2004-05 TARGET
<b>Cost</b> The delivery of reports and services are successfully completed within agreed cost budgets (see page 8).	\$million	.801	<b>.848</b>	1.007
<b>Quantity</b> Produce the legislated reports and the minimum number of reports as defined in Tasmania <i>Together</i> (see page 9).	number	6	<b>6</b>	6
<b>Timeliness</b> Reports completed within planned timeframes (see page 15).	per cent	100	<b>50</b>	100
Legislated reports tabled by prescribed date (see page 15).	per cent	100	<b>100</b>	100
<b>Quality</b> Overall level of satisfaction with performance and compliance audit reports (see page 15).	per cent	75	<b>73</b>	75
Overall level of satisfaction with the report on Government agencies and public bodies (see page 15).	per cent	75	<b>95</b>	75

Note 1 – per 2003/04 Budget Paper No. 2

Further commentary explaining the performance measures is included on pages 8 to 16.

### Cost targets

The costs of services provided in 2003-04 were:

PRODUCT	TARGET 2003-04 (\$m)	ACTUAL 2003-04 (\$m)	TARGET 2004-05 (\$m)
<b>Parliamentary reports</b>			
Performance and compliance audits	.701	<b>.739</b>	.907
Report on the Public Account	.000	<b>.001</b>	.000
Report on Government Departments and Public Bodies	.100	<b>.104</b>	.100
<b>Parliamentary services</b>			
Responding to inquiries from Members of Parliament and the public	.000	<b>.004</b>	.000
<b>Total costs</b>	<b>.801</b>	<b>.848</b>	<b>1.007</b>

This table indicates that the Office spent more time on performance and compliance audits than originally planned although the difference is minor.

### Future Plans

During the year the Office increased the size of the Performance Audit Services Business Unit by creating a team within that unit to undertake compliance audit activity. The members of this team were seconded from the Financial Audit Services Business Unit and the Government has provided funds to support this initiative until 30 June 2005. The Office intends to negotiate with the Government to provide funding on a permanent basis. The business unit has a staffing of 6.5 full time equivalents.

The Office has planned to undertake performance and compliance audits during the next financial year in the following areas:

- > Infrastructure fund;
- > Government Corporate Credit Cards;
- > Financial delegations;
- > Members' and Ministers' Travel;
- > Fringe Benefits Tax;
- > Maintenance of asset registers;
- > Freedom of Information;
- > Security of buildings used by government departments;
- > Annual reports of public sector entities;
- > Gun control;
- > Child protection;
- > Housing Tasmania;
- > Training and development;
- > Preservation and maintenance of roads and bridges; and
- > Vocational education and training.

### Quantity targets

This performance measure relates to the completion of reports to the Parliament. Parliamentary reports result from the conduct of financial audits, performance audits, compliance audits and special investigations. The Office is required to table an annual report on the audit of Government departments and public bodies and at least four reports resulting from performance and compliance examinations to meet the targets within Tasmania *Together 2020*.

The table below details our performance.



(left to right) Don Bailey, Geoff Driscoll, Stephen Hoyle, Brendon Thomas, Geoff Fisher and Simon Andrews.

TYPE OF REPORT	TARGET	ACHIEVEMENT	COMMENT
Performance and Compliance Audits	4	4	While there is a target in the Tasmania Together framework the Office has planned to table six reports. During the year the Office tabled four reports and elected not to proceed with another. Two other reports were nearing completion at 30 June and will be tabled on the first available sitting day of Parliament in August 2004.
Report on the Public Account	1	1	This report is an audit opinion on the Treasurer's Annual Report and had to be tabled simultaneously with the tabling of the statements on or before the 30 September. This target was met. Under the recent changes to the <i>Financial Management and Audit Act 1990</i> it will no longer be necessary to prepare this report as a separate document.
Report on Government agencies and public bodies	1	1	This report is required to be tabled in Parliament by the 31st May each year for the preceding financial year. The Office has a target of tabling this report before 30 November each year and this target was met.
<b>Total</b>	<b>6</b>	<b>6</b>	

### Performance Audit and Compliance Audit Reports

Parliamentary reports focus on areas that offer the best potential for the public sector to improve resource management, and enhance accountability and transparency. These reports result from conducting performance and compliance audits.

During the 2003-04 financial year the Office tabled four reports in Parliament and a synopsis of these reports is given below:

#### *Special Report No. 47 - Public Sector Web Sites*



The performance audit objective was to evaluate the effectiveness of a broad range of public sector web sites. Our testing was conducted with the general user or 'man in the street' in mind, placing emphasis on usability and accessibility. We examined 34 web sites covering a range of sectors of public administration, namely government departments, port corporations, state-owned enterprises and councils. We prepared 34 client scorecards showing individual performance and specific feedback on areas identified for potential improvement.

Overall, the audit ratings reflected a good standard. The best performing entities were government departments while the lowest rankings were split between state-owned enterprises and port corporations.

Areas where public sector web sites could be improved were:

- > Staff with prime responsibilities should be identified;
- > Some documents or entire sites were slow to load;
- > Accessibility for non-English speaking users;
- > Search facilities should be available; and
- > Some combinations of fonts and colours were hard to read.

### Special Report No. 48 - Grants to the Community Sector



The report was concerned with the administration of four grant programs (with an annual value of \$81m) by the Department of Health and Human Services to aid disabled or disadvantaged people. We found that grants made in previous years determined current funding levels and that this pattern of historic trends ran counter to *Best Practice Guidelines*.

The audit identified shortcomings related to needs-based planning as well as program monitoring and review. Administration of grants could be strengthened by:

- > Introducing more opportunities for considering change in the selection of funded organisations;
- > Clarifying basic rules for continuing funding; and
- > Modifying the specification of the form and content of financial reports provided by funded organisations.

Key recommendations included:

- > Needs-based planning should be implemented to assist with better targeting of resources to areas of greatest need;
- > Programs should establish whether proposals involving new arrangements and/or providers should be sought;
- > Explicit guidelines for negotiating change to service delivery should be developed;
- > Independent auditors should be engaged to undertake random special purpose audits of sample organisations;
- > Improved organisational governance and managerial practice should be facilitated through a training program; and
- > Appropriate independence should be ensured in the evaluation of grant programs.

*Special Report No. 49 - Staff Selection in Government Agencies*

This compliance audit examined whether agencies had acted in accordance with applicable legislation in respect to staff appointment and promotion. We were satisfied that selection panels, when used, had members with requisite knowledge of the vacant position as well as the appropriate technical knowledge. Selections were fair and effective and in the great majority of cases selected for examination proper processes were being followed and documented.

However, 16% of our sample had people acting in a position for more than six months before the vacancy was advertised. This delay conferred a decisive advantage with the incumbent successful in each case. In 7% of cases (at 5 agencies) the duration of the selection process exceeded our 100-day benchmark. Post-selection counselling was not offered to 16% of unsuccessful applicants. In particular, external applicants were less likely to be offered post-selection counselling.

Key recommendations included:

- > Agencies are to align their staff selection guidelines with current legislation and Commissioner's Directions;
- > Agencies are encouraged to advertise vacant positions as soon as possible;
- > Selection process to be completed within 100 days;
- > Agencies are encouraged to offer post-selection counselling to all unsuccessful applicants;
- > Agencies should ensure that reasons are documented for short-listing decisions for all applicants; and
- > Referee reports should always be obtained for short-listed applicants.



*Special Report No. 50 - Police Response Times*

The audit focused on the way in which Tasmania Police handled urgent calls for assistance with emphasis on the management of response times for such incidents. We found that Police responded within a reasonable time frame. However, there were limitations in the information that had been available for review. The report found that Tasmania Police did not have a framework in place to formally evaluate response times. There were no guidelines for consistently grading the urgency of incoming calls nor was a record made of the urgency of each incident. The report recommended that police arrival times should be more rigorously recorded to improve the reliability of data.

Examples of slow and no-response incidents were followed up during the audit. These were explained by cancellations, or other reasons such as deferred attendance initiated by the caller. Timeliness of police response was essentially unaffected by factors such as location, time of day, or day of the week.

Key recommendations included:

- > The Tasmania Police requirement for sufficient comments regarding an incident to be recorded in the Command and Control System (CACS) should be reinforced to Radio Dispatch Service (RDS) operators to ensure accurate communication of urgency.
- > Tasmania Police should define and record urgency gradings. In doing so, consideration should be given to redefining incident types to reflect levels of urgency.
- > Tasmania Police should encourage notification and recording of attendance at the scene of an incident to improve the integrity of response data.
- > Tasmania Police should consider developing a performance framework around response times that would include goal setting, monitoring and analysis.
- > Tasmania Police should consider appropriate dissemination of reports regarding timeliness of response to the Command level so that deployment of resources can be optimised.
- > Tasmania Police should publish a 'Guarantee of Service' or similar, clearly indicating commitments that will be met in terms of responding to incidents.

### Parliamentary Reports on State Finances

In accordance with the statutory requirements of the *Financial Management and Audit Act 1990 (FMAA 1990)* the Office tabled two reports in Parliament.

#### *The Public Account 2002-03*

The *FMAA 1990* requires that the Treasurer shall, before 31 August each year, prepare in accordance with the regulations, and submit to the Auditor-General, financial statements for the Public Account in respect of the preceding financial year. The *FMAA 1990* also requires that the Treasurer shall, on or before 30 September each year, cause copies of the financial statements and the Auditor-General's report on those statements to be laid before both Houses of Parliament.

The Office issued an unqualified audit opinion on 23 September 2003 for the 2002-03 financial year.

#### *Government Departments and Public Bodies 2002-03*

The *FMAA 1990* requires the Auditor-General to table in Parliament a report on the audit of Government departments and public bodies for the financial year. The report for the 2002-03 financial year was tabled on 18 November 2003. The report is a four volume set and provides a detailed financial analysis of the financial statements of Government departments and public sector bodies. The report also details significant items that arose from the conduct of financial audits and some of these items were:

- > The valuation of the housing portfolio;
- > The fines collection system;
- > Savage River rehabilitation project;
- > The lease arrangements of the Abt Railway;
- > Medical malpractice claims;
- > The valuation of forests;
- > The continuing Government Business Enterprise status of the Port Arthur Historic Site Management Authority;
- > The classification of revenue as capital by the Rivers and Waters Supply Commission;
- > Ongoing maintenance issues of the Tasmanian International Velodrome; and
- > The joint venture agreement between Hobart Ports Corporation and Toll Transport.

Other issues raised in the report were:

- > Tabling of Special Reports in Parliament;
- > Timeliness of Annual Reports;
- > Community Support Levy;
- > Sale of the former Department of Transport Site; and
- > Timeliness and quality of financial statements.

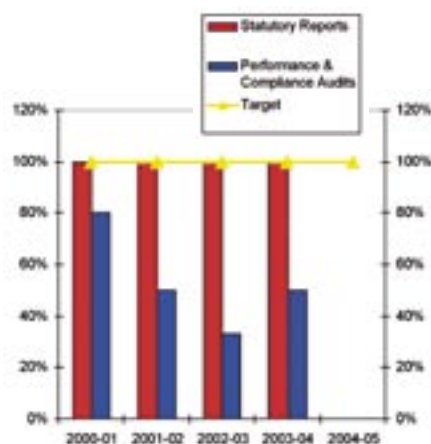
### Timeliness targets

The Office has set performance targets for the completion of reports to Parliament.

Our external target is to have all reports tabled in the planned parliamentary session and also we have internal targets to ensure we achieve these external targets.

While we have met the external timeliness targets we need to improve the achievement of our internal targets. During the year the Office reviewed both its audit and publication processes. This resulted in an agreement between business units to reduce the final publication phase by seven working days.

For performance and compliance audits the target measure for timeliness is to complete the audit within eight months. In 2003-04 this target achievement was 50%. This was influenced by changes to the staffing in the business unit. The statutory reports met the target dates.



### Quality targets

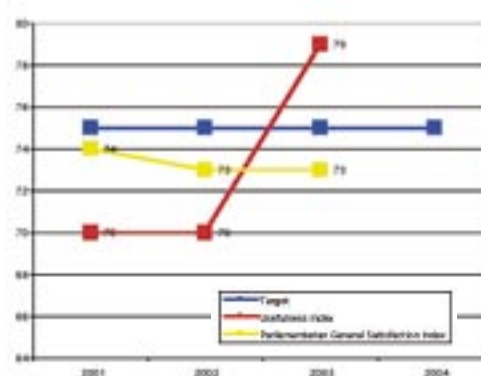
The quality of our products and services is appraised by conducting surveys of two stakeholder groups - Members of Parliament and senior management within audit clients.

#### Feedback on reports from Members of Parliament

Feedback is effective for confirming that our audits have examined the most appropriate subjects, our reports are clear and concise in their findings and recommendations and are of use to readers. Each year we survey the Members of Parliament with mixed results in terms of the percentage of returns. The Office is reviewing the manner in which we collect the views of Members.

Last year's survey yielded a 38% response rate compared to 17% the previous year. The Office uses two measures as an indicator of our performance in relation to Parliamentary reports - a general satisfaction index and a usefulness index. The chart below illustrates our performance against our target.

This diagram illustrates that the Office has maintained a general satisfaction level just below our performance measure target for several years while the usefulness index exceeded the performance measure target for the first time since the Office commenced surveys and is a significant improvement on the previous year. While the above measures are encouraging the participation rate is still of concern. The Office in partnership with other State Audit Offices is in the process of tendering to a professional body to conduct surveys on our behalf.



The following table presents the level of satisfaction with individual reports, cost, number of recommendations made and accepted.

TITLE OF REPORT	CLIENT SATISFACTION (%)	COST (\$)	RECOMMENDATIONS MADE (no.)	RECOMMENDATIONS ACCEPTED (no.)
Special Report No 47 – Public Sector Web Sites	91	54 200	5	-
Special Report No 48 – Grants to the Community Sector	88	75 595	33	33
Special Report No 49 – Staff Selection in Government Agencies	N/a	132 433	11	11
Special Report No 50 – Police Response Times	N/a	61 819	8	8
<b>Average</b>	<b>90</b>	<b>81 011</b>	<b>14</b>	<b>13</b>
Report on the Public Account 2002-03	95	440	Not relevant	Not relevant
Report on Government Departments and Public Bodies 2002-03	95	103 605	Not relevant	Not relevant

*N/a = not applicable. At the time of preparing this Annual Report the Office had not surveyed the Members about these reports.*

The above indicators show that the Members of Parliament have indicated a Very Good satisfaction rating for the Performance Audit and Compliance Audit Reports tabled during the year and an Excellent satisfaction rating for the Reports dealing with the financial performance of public sector entities.

While there was a strong acceptance of the recommendations put forward by the Office, assessing the implementation of these recommendations is a separate exercise and will be reviewed when the Office follows up on the reports. This is probably a more accurate measure of our ability to make recommendations that enhance the accountability and performance of public sector entities.

### Future Plans

The Office has entered into a partnership arrangement with other Audit Offices of Australia to undertake surveys of Members of Parliament. The NSW Audit Office has tendered for the provision of survey services for the Audit Offices. The successful tenderer will undertake the survey of Members of Parliament for our Office and collate the results. The survey instrument will include a core set of questions that all Audit Offices will use and results will be used by the Audit Offices to benchmark against each other while another set of Office related questions will be used for internal benchmarking.

### Other Parliamentary Services

Each year, the Office provides a wide range of services that complement our parliamentary reports. This involves advising and commenting on contemporary issues to those key parties - including parliamentary committees, central government agencies and peak professional bodies - that enhance accountability in public sector management.

### Assistance to Parliament

Office staff brief Members of Parliament on the day we table reports in Parliament and there has been encouraging attendance at these sessions. Staff have also attended Parliamentary Committees such as the Public Accounts Committee either at the invitation of the Committees or on their own accord.

### Inquiries from Members of Parliament and the public

Each year the Office receives inquiries from Members of Parliament and the public about the actions of public sector agencies and employees. While we cannot always fully satisfy their concerns we aim to respond to their inquiries promptly. Sometimes these inquiries lead to specific audits or investigations that can result in the preparation of individual reports or form part of issues raised in the report on Government departments and public bodies.

### Enhancing accountability in public sector performance

In any one year the Office advises central agencies and individual agencies in such areas as draft legislation, Treasurer's Instructions, accounting standards, new proposals for financial management and in particular this year the implications of the adoption in Australia of the International Financial Reporting Standards (IFRS) framework.

During 2003-04 the Office liaised with the Department of Treasury and Finance on the changes to the *Financial Management and Audit Act 1990 (FMAA 1990)* and the implications of IFRS.

The Office also:

- > Issued newsletters to all our clients outlining the implications of new accounting standards and in particular the implications of the IFRS framework;
- > Conducted client seminars to discuss the implications of the IFRS framework and the implications of the earlier reporting requirements in *FMAA 1990* and the Office's expectations of clients in meeting the new reporting dates;
- > Briefed new Members of Parliament on the role of the Auditor-General and the Office;
- > Drafted model financial statements for local government for circulation; and
- > As a member of the Australasian Council of Auditors-General assisted in responding to accounting, auditing and other exposure drafts.

## Interstate organisations and international delegations

### *International visitors*

During 2003-04, the Office hosted representatives of the Chinese National Audit Office. This visit occurred on 25 May 2004 and was the first visit by an international Audit Office to our State for some considerable time and it provided an unique opportunity to exchange information.

### *Contributions to professional bodies*

A number of our senior staff hold positions in a variety of professional bodies, committees and societies. These include the Australian Accounting Standards Board's Urgent Issues Group, Centres of Excellence of CPA Australia, the Public Sector Accountants Committee of CPA Australia, the Tasmanian Divisional Council of CPA Australia, the Tasmanian Divisional Council of the Institute of Public Administration Australia, and Standards Australia.

Our Deputy Auditor-General David Baulch was the National President of CPA Australia from April 2003 to March 2004. During the period from November 2003 to May 2004 he was the Acting Auditor-General.



### *Interaction with the Australasian Council of Auditors-General*

Our Office is a member of the Australasian Council of Auditors-General (ACAG) which promotes the development of public sector accounting and auditing through a variety of committees, responses to exposure drafts and quality assurance programs.



*Members of the Chinese National Audit Office and the Tasmanian Audit Office.*

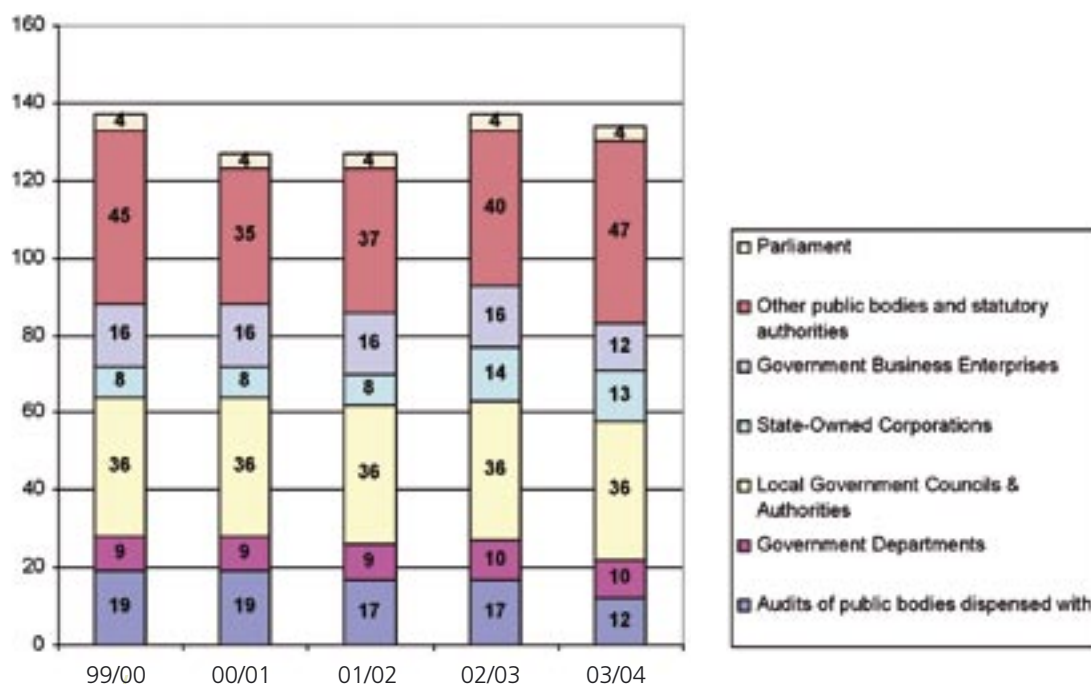
## Audit Reports on Financial Statements

The Auditor-General has a statutory responsibility to examine the annual financial statements of government agencies and public bodies, and to express an audit opinion on the fair presentation of those financial statements.

### Range of audit responsibilities

At 30 June 2003, the Auditor-General was responsible for the audit of the Treasurer's Annual Report, the consolidated financial statements of the State of Tasmania and audits of 134 public sector bodies including government agencies and local government. Based on published data for 2002-03 these public sector bodies collected revenue of approximately \$4 659m, spent approximately \$4 451m and held over \$20 097m in assets.

Type of and number of public sector bodies audited are:



A complete listing of the clients audited as at 30 June 2004 appears on the inside of the back cover of this report.

We audited a number of clients during the year that no longer exist as at 30 June 2004 such as Civil Construction Services Corporation, Tasmanian Grain Elevators Board and Stanley Cool Stores Board.



### Performance against corporate targets

The Office's performance for 2003-04, against the four targets of the Audit Reports on Financial Statements sub-output appears below:

PERFORMANCE MEASURES	UNIT OF MEASURE	2002-03 AUDIT CYCLE TARGET	2002-03 AUDIT CYCLE ACHIEVEMENT	2003-04 AUDIT CYCLE TARGET
<b>Cost</b>				
The delivery of services within agreed cost budgets (see page 21).	\$ million	2.178	<b>2.316</b>	2.342
	Per cent	+/- 5%	<b>+ 6%</b>	+/- 5%
<b>Quantity</b>				
Audit opinions issued to public sector bodies (see page 22).	Number	137	<b>121</b>	134
Audit opinion on the 2002-03 Treasurer's Annual Financial Statements (see page 14).	Number	1	<b>1</b>	1
Audit opinion on the 2002-03 Consolidated Financial Statements of the State of Tasmania (see page 14).	Number	1	<b>1</b>	1
<b>Timeliness</b>				
Reports completed within planned timeframes (see page 23).	Per cent	100	<b>75</b>	100
<b>Quality</b>				
Overall level of satisfaction with the quality of audit services (see page 24).	Per cent	75	<b>75</b>	75

Further commentary explaining the performance measures is included on pages 21 to 24.



Members of Financial Audit Services (left to right) Wayne Oates, Christina Buell, Andrea Ramondino, Geoff Morffew, Neville I'Anson, Keith Rylands, Jesse Penfold, Kate Tamayo, Kylie Cook and Faboila Solis.



### Cost targets

The costs of the Audit reports on financial statements Sub-output in 2003-04 were:

PRODUCT	TARGET 2002-03 Audit Cycle (\$m) & (+/- %)	ACTUAL 2002-03 Audit Cycle (\$m) & (+/- %)	TARGET 2003-04 Audit Cycle (\$m) & (+/- %)
<b>Audit reports on financial statements</b>			
Audits conducted with internal resources	2.012m +/- 5%	<b>2.148m</b> <b>+ 6.7%</b>	2.138 +/- 5%
Audits involving external audit service providers as agents of the Auditor-General	0.127m +/- 5%	<b>0.127m</b> <b>0%</b>	0.163m +/- 5%
Audits involving external audit service providers for local government authorities	0.009m +/- 5%	<b>0.009m</b> <b>0%</b>	0.010m +/- 5%
Audit of the Treasurer's Annual Financial Statements	0.014m +/- 5%	<b>0.012m</b> <b>- 17.6%</b>	0.014m +/- 5%
Audit of the Consolidated Financial Statements of the State of Tasmania	0.014m +/- 5%	<b>0.020m</b> <b>+ 36.4%</b>	0.014m +/- 5%
<b>Total cost and outcome</b>	<b>2.178m</b> <b>+/- 5%</b>	<b>2.316m</b> <b>+ 6.3%</b>	<b>2.342m</b> <b>+/- 5%</b>

The above table indicates that for the 2002-03 audit cycle that was completed during the 2003-04 financial year the Office exceeded the performance measure target by 1.3% overall. This outcome was reviewed and it was recommended to the Treasurer that audit fees in the future should increase annually by the Average Weekly Ordinary Time Earnings (AWOTE) for the public sector instead of by the Consumer Price Index (CPI). The rationale for this change is that the Office's major expense relates to employing staff and wage increases have been exceeding CPI for some time. The Office also reviewed the level of audit fees being charged on an audit by audit basis and recommended increases where warranted. The Treasurer approved the fee recommendations. The Office is progressing well towards its target for the 2003-04 audit cycle.

For the 2002-03 financial audit cycle the total cost of providing audit opinions on financial statements increased to \$2.316m (\$2.140 m for the 2001-02 financial audit cycle).

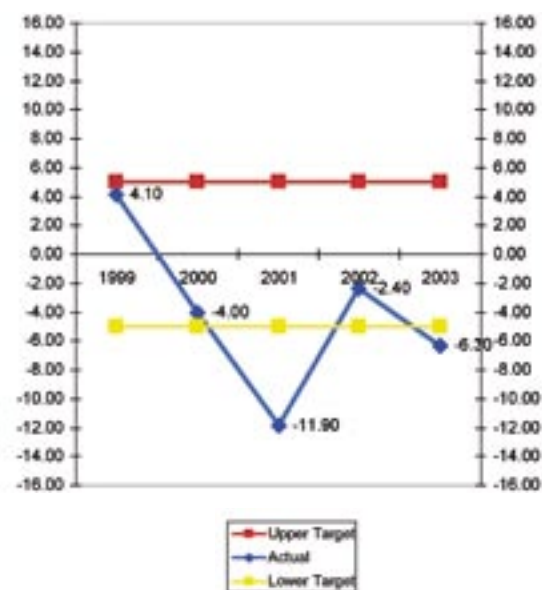
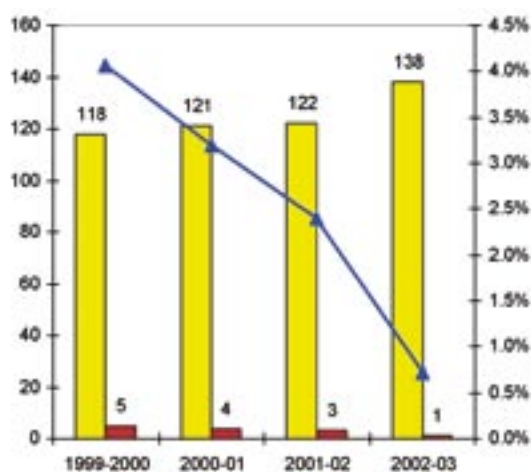
The Office's financial audit services business unit operates on a fee for service basis and thus charges all clients fees for audit services provided and these funds are paid into a Special Deposits and Trust Fund within the Consolidated Fund. The resulting revenue for the 2002-03 financial audit cycle was \$2.178m (\$2.089m for the 2001-02 financial audit cycle). This resulted in a loss for the financial audit cycle of \$0.138m or -6.3% (\$0.051m or 2.4% loss for the 2001-02 financial audit cycle).

The graph below indicates the level of profit or loss incurred for the audit cycle. The audit cycle result differs from the financial year result in that the audit cycle is from 1 November to 31 October and thus in any given financial year there are segments of two audit cycles. The Office has a performance measure that it will operate within a band of 5% profit and 5% loss on any audit cycle. The graph below indicates that

the Office has fallen outside this band twice - for the 2001 and 2003 audit cycles. After the 2003 audit cycle, as mentioned above, the Office reviewed the audit fees for clients and made recommendations to increase the level of fees. The Office will monitor closely our performance for the 2004 audit cycle and indications to date suggest an improved result for this performance measure.

### Quantity targets

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



The number of audit opinions issued each year varies from the number of clients because some clients have multiple opinions issued for financial statements. This matter is illustrated below:

	1999-00	2000-01	2001-02	2002-03
Total Number of Clients	137	127	127	137
Less Dispensed Audit Clients	19	17	17	17
Total Number of Clients Audited	118	108	110	120
Financial audit reports issued	118	121	122	138

## Timeliness targets

### Audit opinions issued within statutory deadlines

The *Financial Management and Audit Act 1990 (FMAA 1990)* sets out the annual reporting and audit requirements for government agencies and public sector bodies. Under section 28 of the *FMAA 1990* each government agency and public sector body must submit its annual financial statements to the Auditor-General by 31 August each year (within 45 days of the end of the financial year from 30 June 2004). Other public sector bodies are governed by the *Local Government Act 1993*, the *Government Business Enterprises Act 1995* and the *Corporations Law*.

Under section 58(2) of the *FMAA 1990* the Auditor-General must express an opinion on the financial statements so as to allow the government agency or public body to table its annual report in Parliament by 30 November (by 15 October from 30 June 2004).

While these are the statutory requirements the Office measures its performance using the following measures:

	ACTUAL 2001-02 AUDIT CYCLE	TARGET 2002-03 AUDIT CYCLE	ACTUAL 2002-03 AUDIT CYCLE	TARGET 2003-04 AUDIT CYCLE
Number of financial statement audits completed within four months of financial statement date (for 2003-04 audit cycle 3.5 mths)	62%	95%	71%	95%
Number of financial statement audits completed within 30 days of receiving final signed financial statements	94%	90%	92%	95%

Most public sector entities prior to 30 June 2004 did not have to provide financial statements to the Office until two months after balance date. There are no incentives for public sector entities to provide signed financial statements earlier other than the requirement to table their annual reports in Parliament including an audit report. The Office has encouraged clients to forward their statements earlier and provided assistance and advice on how this can be achieved. There has been a gradual improvement in the actual results for this measure.

For the first time the Office met the performance measure of completing audits within 30 days of receipt of signed final financial statements.



Members of Financial Audit Services (left to right) Matthew Joseph, Grant Musgrove, Donna Powell, Damian Cook, Jeff Tongs and Derek Burns. Absent David Glennon.



Rob Luciani, Simone Hopwood and Debbie Scott.

## Quality targets

### Level of external satisfaction with the conduct of financial statement audits

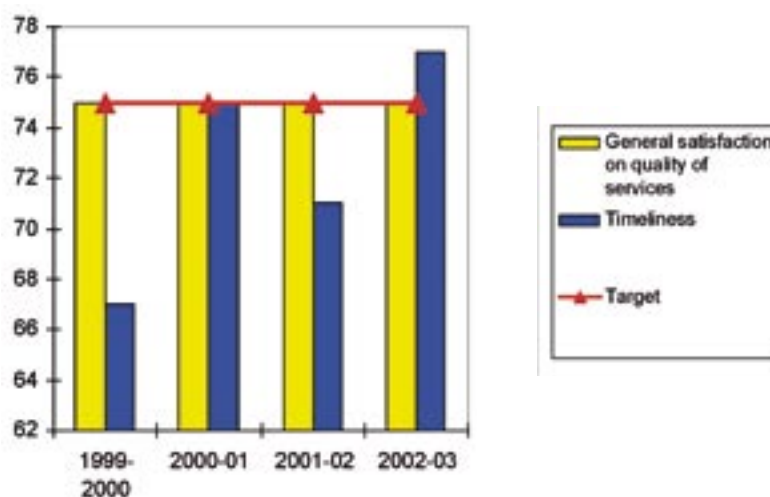
As part of the Office's commitment to improved service provision to our financial audit clients, surveys are conducted at the conclusion of the audit. The survey allows the Office to benchmark its performance and implement measures to improve service delivery.

The survey allows the executive management of clients to rate our financial statement audit services against a range of indicators. These indicators included our audit processes, timeliness, business understanding, fees and communication. Apart from rating our performance clients are asked to identify areas that the Office does well and areas where the Office can improve and this information is fed into strategies for improvement.

The survey asks for an overall rating of satisfaction with our financial statement audit services. The chart below shows that our clients have consistently rated our performance as Good to Very Good (75%) and this met our target.

The Office has developed the following strategies to deal with improvements to our service:

- > Increase our understanding of our clients' business;
- > Ensure regular contact and consultation with clients during the audit process;
- > Ensure post audit discussions are completed prior to audit sign-off;
- > Provide clients with an opportunity to comment on draft extracts of our report to Parliament; and
- > Agree timetables in advance with clients for submission of financial statements and working papers.



## Financial Statement Working Paper Awards

Since 1995-96 the Office has presented an award for the best set of financial statement working papers for Government Departments. In my report "Government Departments and Public Bodies 2002-03" the reasons for not presenting this award in 2000-01 and 2001-02 have been stated.

The financial statement working papers are a fundamental tool for the preparation of financial statements for financial statement preparers and a valuable resource for auditors to use to verify the transactions and balances presented in the financial statements.

The purpose of financial statement working papers are:

- > To provide a framework for the compilation of financial statements by current and future preparers;
- > To provide a central reference to the evidence required to support transactions, balances and estimates disclosed in the financial statements;
- > To provide a trail between the entity's financial records for the year and the financial statements for the year, which can be followed by persons having a quality assurance function; and
- > To provide a record of the quality control processes employed in the preparation of the financial statements.

For the year 2002-03 the award categories were changed. There are now three categories:

- > Government Departments;
- > Local Government; and
- > State-Owned Corporations/Government Business Enterprises and other Statutory Authorities.

## Resourcing our financial statements audits

### Management of Financial Audits

While the Auditor-General is responsible for auditing all public sector bodies under the *Financial Management and Audit Act 1990 (FMAA 1990)* there is discretionary power as to who will conduct the audits on behalf of the Auditor-General. Under Section 46 of the *FMAA 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. The Office outsourced ten financial audits to the private sector under the supervision of the Auditor-General.

Under Section 41 of the *FMAA 1990* the Auditor-General can dispense with audits after consideration of 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 audits.

Under Section 85 of the *Local Government Act 1993* private sector auditing firms may conduct audits of 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.

### Current resource mix for financial statement audits

The table below indicates the mix of audit service providers for the Office's financial audit portfolio:

	1999-00	2000-01	2001-02	2002-03	2003-04
Non local government financial statement audits contracted to private sector audit firms by the Auditor-General	5	5	5	9	9
Local government audits conducted by private sector audit firms	6	6	6	5	5
Audits conducted by the Tasmanian Audit Office	107	85	91	106	104
Audits of public bodies dispensed with	19	19	19	17	16
Total number of audits in portfolio	<b>137</b>	<b>127</b>	<b>127</b>	<b>137</b>	<b>134</b>

### Policy for resourcing of financial statement audits

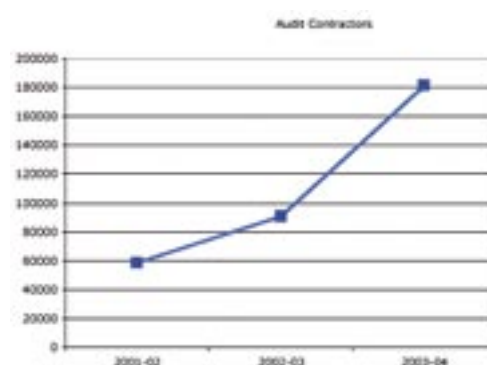
As explained above either the Office's Financial Audit Services Group or external audit service providers undertake audits as agents of the Auditor-General. The Office is currently developing a financial statement audit resourcing policy that will take into consideration:

- > The Office's relationship with its principal client Parliament;
- > The structure of our auditing portfolio and desired staffing mix;
- > The level of outsourcing of financial audit services;
- > The rotation of our own Directors of Audit or external audit providers on every audit every five years in line with best practice to ensure audit independence and a fresh and objective perspective; and
- > The stability of our auditing portfolio in terms of growth and shrinkage.

### Use of external audit service providers in 2003-04

During 2003-04, the Office paid \$0.181m to external audit service providers for financial statement audits. A comparison of payments over the last three years appears below.

The increase reflects an increase in fees charged and an increase in the number of audits contracted to the private sector. The following table sets out the commitments to external audit service providers for the 2003-04 financial statement audits of clients.



### Financial Statement Audits for 2003-04, Commitments to External Audit Service Providers

KPMG (4 audits)	67 920
Wise Lord and Ferguson (2 audits)	50 135
WHK Denison (2 audits)	19 303
Deloitte Touche Tohmatsu (1 audit)	6 772
<b>Total</b>	<b>\$144 130</b>

## Other Performance Achievements

The Office set itself a number of internal objectives for 2003/04. Outcomes are recorded in the following table:

### Our performance against internal corporate targets

TARGET FOR THE YEAR	ACHIEVEMENT
Replace the existing practice management information system (see page 35).	The Office prepared a detailed specification for the new system. Technology One Pty Ltd was engaged to develop the system. The system will come on line in early 2004-05.
Introduce new processes associated with the information management system (see page 35).	The Office introduced new features of our information management system to manage electronic documents.
Improve our financial statement and performance audit methodologies to keep up with best practice (see page 45).	Our methodology committees met regularly during the year to evaluate the future direction of our methodologies.
Review all human resources policies and procedures (see page 38).	Commenced reviewing all policies and procedures during the year and will be completed in 2004-05.
Review all financial management policies and procedures.	Commenced reviewing all policies and procedures during the year and will be completed in 2004-05.
Review all information technology and information policies and procedures (see page 35).	Commenced reviewing all policies and procedures during the year and will be completed in 2004-05.
Improve the reporting process for the Parliamentary report on Government departments and public bodies (see page 4).	The Office introduce new software to manage the collation process for the report resulting in a 25% reduction in cost.
Revise our strategic planning framework (see page 5 & 33).	Implemented a new corporate governance framework and strategic planning process.
Revise our professional development program (see page 40).	Drafted an annual professional development program for staff from interviews with them.
Have effective post-audit quality assurance reviews of a representative sample of audits (see page 45).	Conducted a quality assurance review of a sample of financial audits managed by each Assistant Director of Financial Audit.

TARGET FOR THE YEAR	ACHIEVEMENT
Conduct review of Corporate Services functions and implement any changes.	A review of corporate services functions was undertaken that resulted in another position being created and duties being reassigned to all positions within the Corporate Services business unit.
Continue to implement the Office's information technology structure to assist audit staff undertake audits in the field (see page 35).	Implemented an environment where staff can access the Office's corporate information network securely from anywhere.
Redevelop the Office intranet (see page 35).	The Office intranet was redesigned and continues to be updated regularly.
Implement strategies to better communicate with Parliament and other key stakeholders (see page 36).	During the year the Office introduced briefings to Members of Parliament on reports tabled and offered new Members a briefing on the role of the Office.
Reviewed our pricing/fee policy (see page 82).	The Office reviewed its pricing policy in respect of financial audit fees and changed the annual fee increase index from CPI to AWOTE for the public sector.



Corporate Services staff (left to right) Rachael Boatwright, David Strong, Robyn Smith, Sandra O'Connor, David Craig and Narelle Hind.



## Managing Our Office

The Office is seen as a role model for public sector management and performance and thus the Office must operate within the paradigm of economy, efficiency and effectiveness just as we expect of those we audit.

The Office aims to be an exemplary employer that meets the needs and expectations of our stakeholders by managing our business with maximum efficiency and effectiveness. We can only fulfil these expectations if we have the appropriate frameworks in place.

### Corporate Governance

During the year the Office reviewed its internal structures and processes such as the corporate governance structure and strategic planning framework. This process commenced during 2003-04 and continues in 2004-05.

In early November 2003 the Executive Management Team commenced a review of our corporate governance framework. This included reviewing the frameworks of other State and Territory Audit Offices and adopting some of their approaches and, where adopted, modifying them for our size and structure.

The Office's corporate governance framework comprises four specific elements and these elements are grouped into organisational context and accountability obligations. The elements that constitute organisational context for governance policies and practices are "strategy and direction" and "structures and relationships" while the elements that focus on the accountability obligations arising from the implementation of the policies and procedures are "compliance and accountability" and "performance monitoring".

The central pillars of the corporate governance framework are stewardship, leadership, control, risk management, monitoring and reporting.

The following diagram explains the various components of each element making up the corporate governance framework and how they inter-relate:

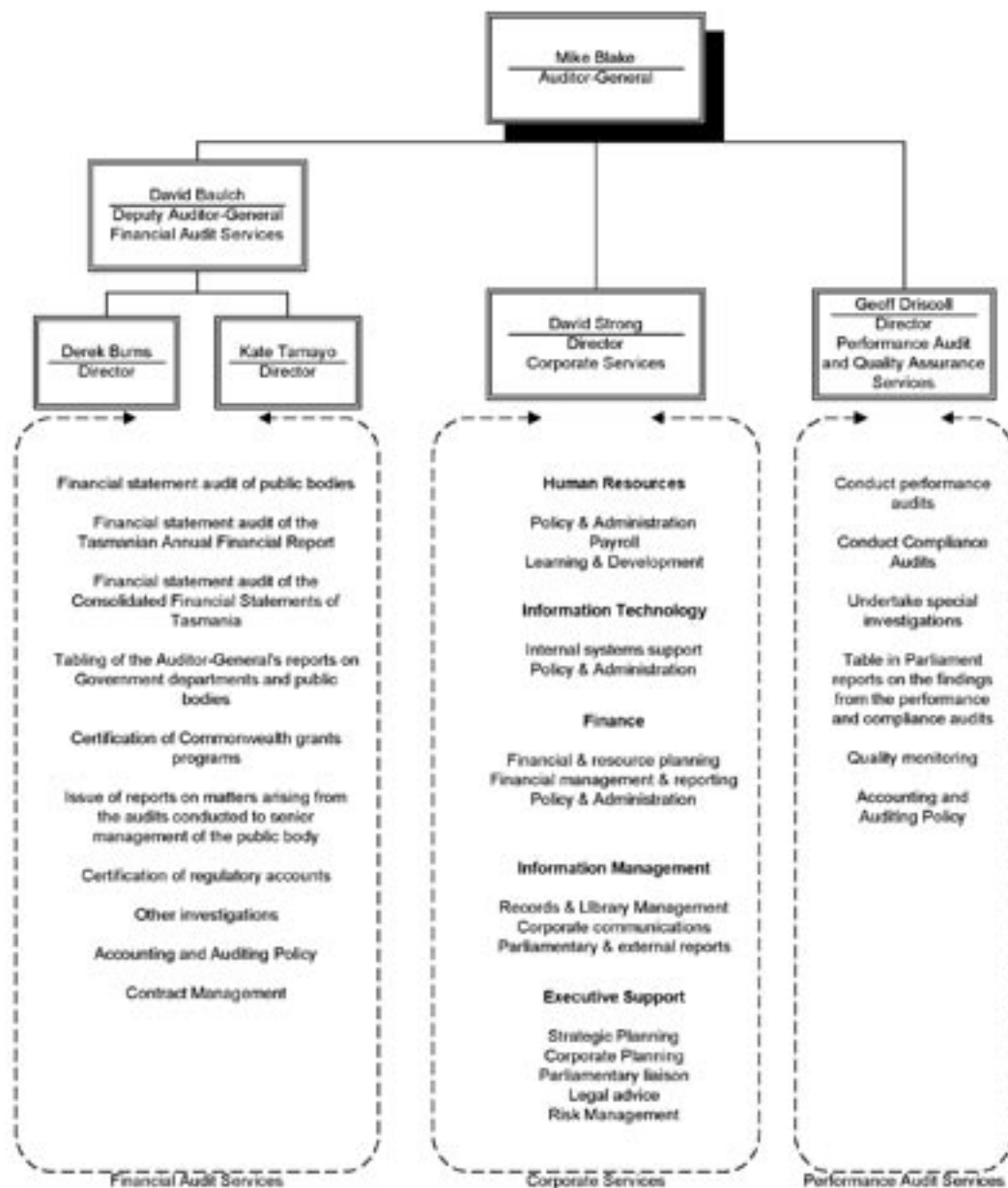


The major components of this framework are addressed in detail below.

## Stewardship

### Senior management structure

The following chart outlines our management structure at 30 June 2004.



## Committees

Seven committees support the Office's management:



### ***Executive Management Team***

The Executive Management Team (EMT) is the senior management group that assists in the governance of the Office and it is responsible for the Office's strategic direction, overseeing operational activities, policy formulation, and monitoring performance against corporate goals and milestones.

### ***Information and Communications Technology and Information Management Committee***

The Information and Communications Technology and Information Management Committee (ICT&IMC) has responsibility for ensuring that the use and application of the Office's information resource is consistent with the corporate direction and business functions of the Office. It also ensures the efficient and effective deployment of the Office's information technology in the performance of Office business.



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

- > the strategic direction of the Office's information management;
- > the endorsement of the Office's information, strategic and operational goals;
- > the approval of corporate information policies and standards; and
- > the Office's participation in government information projects.



### ***Office Consultative Committee***

The Office Consultative Committee (OCC) provides a forum for management and staff to exchange ideas and information, and consult on issues concerning both parties.

The OCC also incorporates the Equal Employment Opportunity Consultative Committee (EEOCC) and the Workplace Health and Safety Committee (WHSC).

The EEOCC is responsible for the provision of advice, assistance, direction and support for EEO planning and implementation in the Office. The WHSC is constituted in accordance with the *Workplace Health and Safety Act 1995*.

### ***Professional Development Committee***

The Professional Development Committee (PDC) provides a strategic role for professional development and additional assurance that the professional development program meets the organisational needs of the Office.





#### **Audit Qualifications Committee**

The Audit Qualifications Committee (AQC) meets when it is recommended to qualify a client's financial statements and the purpose of committee is to evaluate the recommendation and either endorse or not endorse the recommendation.



#### **Audit Methodology Committee**

The Audit Methodology Committee (AMC) provides a strategic role in the maintenance of the financial audit and performance audit methodologies; provides assurance that the methodologies meet the needs of the Office and conforms to professional standards; and reviews the effectiveness of the methodologies.



#### **Financial Audit Management Committee**

The Financial Audit Management Committee (FAMC) monitors the financial audit program to ensure the completion of quality financial audits within agreed timetables and budgets.

Details of the composition of all of these committees are contained in Appendix 2.

The committee structure within the Office is being reviewed as part of the new corporate governance framework.

#### **Risk Management**

Risk management is an integral part of effective corporate governance. It identifies and assesses risks, and adopts appropriate treatments to reduce risks to acceptable levels.

At the beginning of the year the Office participated in ComCover's risk management benchmarking survey as a means of measuring our performance. In November the Office commenced a review of our risk management processes based on the Standards Australia Standard and as at 30 June 2004 we have identified our risks and are currently developing appropriate risk management treatments as we process our risk management policy and plan. During the latter part of the financial year the Office again participated in ComCover's risk management benchmarking survey and the comparison between the two surveys noted below indicates that while the Office is moving towards best practice there are some areas still requiring improvement.

Participation in the ComCover survey is assisting the Office to prioritise its risk management practices and to benchmark them against a recognised framework.

Key Performance Indicator (KPI)	Total Population KPI score	Score per KPI 2004	Score per KPI 2003	Comparison 2003/2004
1. Risk Management Framework	4 4 4	4 4 4 4	4	Increase
2. Risk Management Implementation	4 4 4 4	4 4 4 4	4 4	Increase
3. Non-Quantitative Risk Transfer	4 4 4	4	4	No change
4. Quantitative Risk Transfer	4 4 4 4	4 4 4	4	Increase
5. Business Continuity Planning	4 4 4	4 4 4 4	4 4	Increase
6. Communication	4 4	4	4 4	Increase
7. Training/Awareness	4 4	4 4 4 4	4 4 4 4	No change
8. Resources	4 4	4	4	No change
9. Monitoring and Review	4 4 4	4 4 4	4	Increase
10. Measuring Performance	4 4	4	4	No change
Weighted Overall KPI Score*	4 4 4	4 4 4	4	Increase
*Definitions: <span style="margin-left: 20px;">4 Basic/Elementary</span> <span style="margin-left: 20px;">4 Evolving/Progressively Developing</span> <span style="margin-left: 20px;">4 Under Active Implementation/Well Developed</span> <span style="margin-left: 20px;">4 Advanced Implementation</span> <span style="margin-left: 20px;">4 Continuously Improving</span>				

### Internal Audit

There were no internal audits conducted in the year. The external audit of the Office's annual financial statements provides an equivalent opportunity to regularly gain independent assurance on the functioning of internal controls and reporting.

### External Review

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 Office invites other State Audit Offices to conduct reviews of our financial audit methodology and performance audit methodology on a triennial basis. The next reviews are timetabled for 2004-05 and 2005-06 respectively. The Office will also be seeking a review of its entire operations in the near future.

### 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, was appointed for a term of three years commencing with the audit for the year ended 30 June 2004. Its audit report is attached to the financial statements contained in this annual report.

### Leadership

Leadership comprises the elements that constitute the organisational context for our governance policies and practices and these elements are strategy and direction, and structures and relationships. The following commentary focuses on these elements.

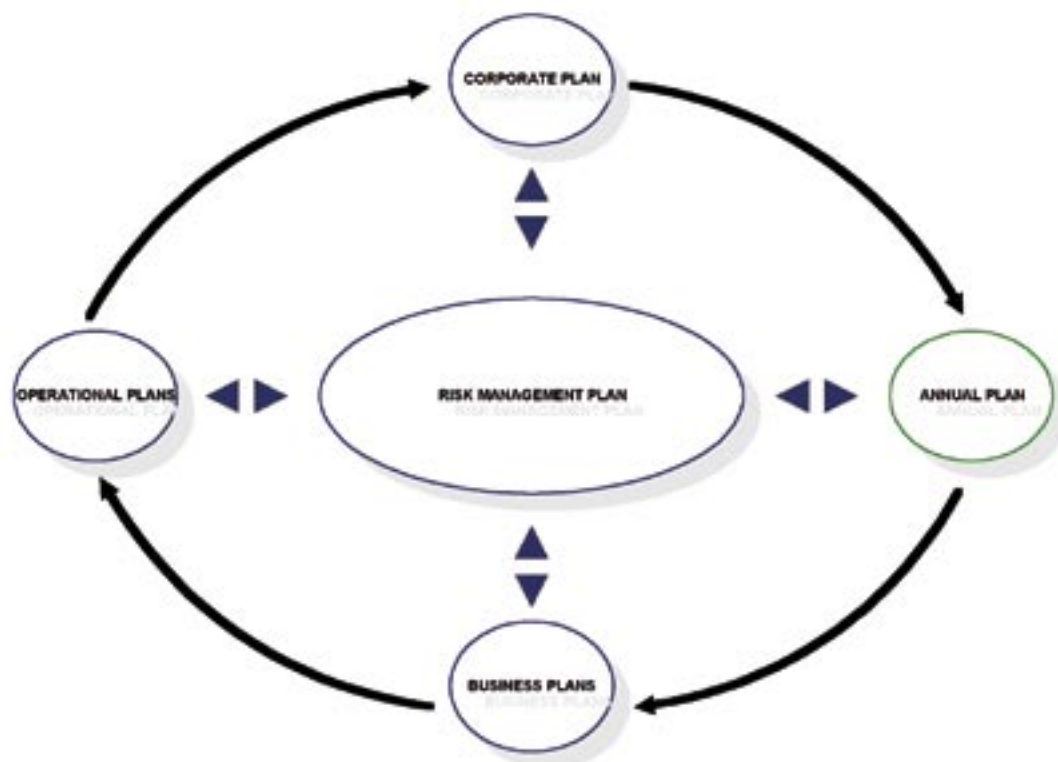
### Strategy and Direction

As mentioned earlier in this report the Office has reviewed its strategic planning framework to ensure it is consistent with our governance framework. The context of our strategic planning framework is provided by our risk management plan. This plan is reviewed annually to identify and analyse all our business risks and indicate how we will deal with them. This involves carrying out a detailed environment scan that is aimed at identifying emerging public sector developments, and any consequential accountability implications that may impact on our activities. It enables the Office to update its knowledge of international, national and local trends in public sector practices. It also ensures that the Office's audit focus adequately reflects shifts in public sector strategies and operations, including changes in direction of government policy.

During the review of our planning processes the Office adopted the following planning framework to operate in the above context:

- > **Corporate Plan** - The Corporate Plan is prepared every three years to outline our vision and values and to describe the strategies against which we will measure our performance.
- > **Annual Plan** - The Annual Plan incorporates our scorecard that forms the basis for measuring our success against our strategies, and specific initiatives to be taken to achieve our objectives. The Office's Annual Report includes our scorecard results (see pages 5 to 26).
- > **Business Plans** - Business units prepare operational plans each year to describe the products and services to be delivered, the resources required, and the KPIs to be used to measure their performance.
- > **Operational Plans** - The operational plans are prepared to support the business plans. These plans deal with particular aspects of our business.

Our strategic planning framework can be represented diagrammatically as follows:



During 2003-4 the Office undertook a major review of its strategic planning documentation. This involved revisiting our vision and mission statements, restating our statement of values and ethics, revisiting our codes of conduct and restructuring our objectives and strategies. All staff participated in this exercise. The review process produced a new strategic planning framework for the Office. To achieve the Office's mission, it has developed five objectives and associated strategies along with relevant performance criteria and measures. Our five objectives are:

- > Undertake high-quality independent audit activities;
- > Produce relevant reports to Parliament on the performance and accountability of public sector entities;
- > Meet the needs and expectations of our stakeholders;
- > Be identified as an exemplary employer; and
- > Manage our business with maximum efficiency and effectiveness.

In May 2004 the Office's Corporate Plan was endorsed and approved.



## Business and Operational Plans

### Business Plans

While the Corporate Plan outlines strategic directions for the Office, the Business and Operational Plans set out the plan for achieving the year's planned outputs. The Business Plans for 2004/05 for each business unit were approved and endorsed prior to 30 June 2004. The Executive Management Team monitors progress against the objectives contained within these plans.

### Operational Plans

#### *Information and Communication Technology Planning*

The ICT&IM Committee is currently revising the strategic plan for information and communications technology and information management. While this plan is currently being revised several strategic initiatives were undertaken during the year including:

- > In line with our policy of replacing computer hardware every four years the Office replaced laptop and desktop computers;
- > Additional hardware was purchased to bolster our server infrastructure to achieve our desired outcome of staff being connected to our network from anywhere in a secure environment;
- > Additional hardware was purchased to allow the Office to implement its new practice management system; and
- > The Office commenced a project to replace our existing practice management with a system that will fully integrate with the Office's financial management and human resource management system.

It was agreed the Office's existing practice management system would be replaced as it was no longer supported within Australia. The main aims of the replacement project were to:

- > Remove the risk of no support for the product to one of greater reliance on key personnel within the Office to support the product;
- > Link the financial management and human resource management systems to the practice management system;
- > Improve data accessibility for everyone;
- > Use browser technology to deliver the system to users;
- > Provide flexible, user-driven, data query facilities;
- > Incorporate other internal business process changes;
- > Improve the accuracy, consistency and timely archiving of data; and
- > Ensure that the Office has effective technical support for the software.

#### *Information Management*

During 2003-04 the Office implemented further features to our records management system. These features included integrating our email system with our records management system as we moved towards the goal of capturing and retrieving electronic records. The Office also introduced electronic workflow to complement the introduction of electronic documents management.

The Office redesigned and launched its intranet and modified the external web site.

### **Corporate Communications Strategy**

Our corporate communications strategy aims to make our key stakeholders - Parliament, audited public sector bodies, the community, other Auditors-General, the accounting profession, and staff - more aware of our role and work.

In line with this, our corporate communications activities during 2003-04 included:

- > Reviewing our Corporate Communications Charter and Client Service Charter;
- > Ongoing website updates;
- > Providing presentations to Member of Parliament with respect to the role of the Office and reports tabled in Parliament; and
- > Distributing a newsletter to all our clients.

### **Structures and Relationships**

The Audit Office recognises the need to build and retain its corporate knowledge base through a commitment to our people. To transform the Office into a learning organisation relies on attracting and retaining human resources that are team-based, client-focused, flexible, creative and supportive. An objective of our Corporate Plan is to be an exemplary employer. Our achievements against the strategies are summarised in the following table.

CORPORATE STRATEGY	ACHIEVEMENT
Deliver a professional development program to address the technical and managerial development needs of staff (see page 40).	Drafted an annual professional development program for staff from interviews with staff.
Introduce a capabilities framework based on competencies as a basis for career development, talent management and succession planning (see pages 38 – 42).	The capabilities framework is being developed in conjunction with the overall human resource management. The Office has used the expertise of other ACAG members to assist in its development.
Conduct an annual staff survey (see page 42).	The Office conducted its annual survey and there overall was a decrease in the overall index.
Develop a Staff Reward and Recognition Scheme (see page 41).	Drafted a staff reward and recognition scheme that was presented to staff. The working party is revising the scheme proposal in light of feedback received.

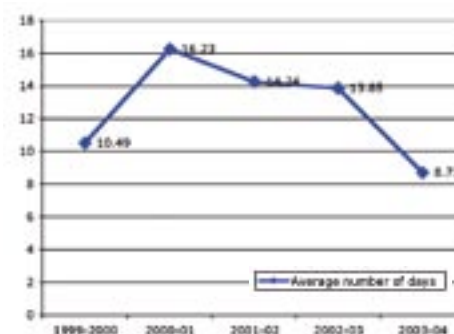


## Our People

The following charts show our progress against corporate targets and they generally indicate that the Office is progressing well towards these targets.

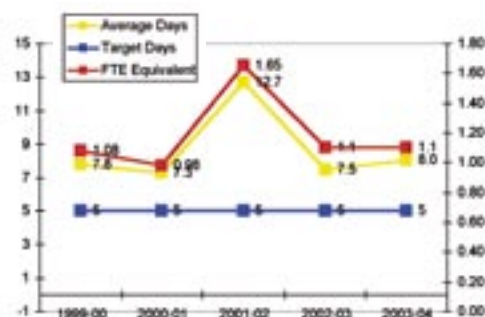
### Average Number of Training Days per Employee

The Office provides training for staff both internal and external and the target is at least five days per year. Strategies are in place to address the downward trend in training days.



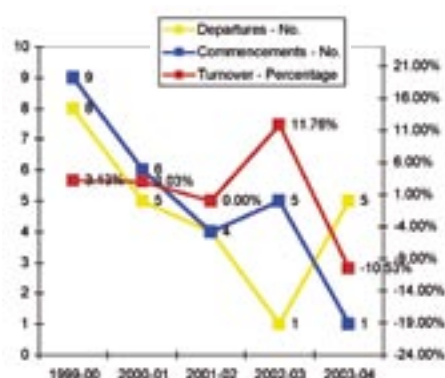
### Average Number of Sick Leave Days per Employee

The Office allows for five days sick leave per employee in its performance measures. Over the last five years this target has been exceeded.



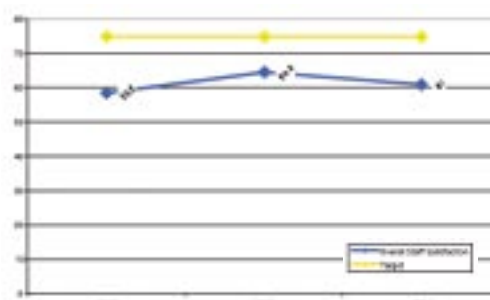
### Recruitment - Departures, Turnovers & Commencements

The Office has taken steps in early 2004/05 to recruit additional financial audit staff for both Offices in Launceston and Hobart.



### Staff Satisfaction Index

The overall satisfaction index has fallen slightly compared to the previous year but is still higher than the rating for the inaugural survey. Later in the report the individual segments are rated which show a decline. The Office is addressing the issues raised by staff.



## People Management Framework

As mentioned earlier in this report the Office reviewed the practices of other State Audit Offices and in terms of people management the Office has adopted the framework used by the Victorian Audit Office. This framework is depicted below and the following commentary reflects the structure of that framework.

### Recruitment and retention

One of our strategies is to devise recruitment practices that keep pace with the changing external environment and attract competent and skilled staff to the Office.

### Recruitment Program

The Office is currently reviewing all human resources management policies and procedures and our recruitment policy is included in this process.

The recent changes to the Office's external web site provides a career opportunities page where information about careers is available as well as current vacancies.

### Induction Program

During the year we commenced a review of our induction program and, amongst other options, are considering taking advantage of the whole of government induction program designed for government agencies. This review process is not yet complete.

### Graduate Development Program

The Office encourages all recent graduates to undertake the Government's sponsored graduate development program to supplement their recent degree and induction program.

The Office also encourages our graduates to work towards Certified Practising Accountant (CPA) or Chartered Accountant (CA) membership by providing financial and coaching opportunities.

We congratulate Andrea Ramondino, Christina Buell and Matthew Joseph on obtaining their CPA status.

### Mentor Scheme

The Office has a mentor scheme that allows all staff to have a mentor. The mentor can be a person employed by the Office or someone external to the Office.

### Secondments

The Office encourages staff to take secondments to or from other government agencies and other Audit Offices. Secondments to or from our Office in 2003-04 were:

- > Narelle Hind from the Department of Health and Human Services; and
- > Louise Newbery to the Department of Health and Human Services.

These secondments resulted in both employees accepting positions in the organisation they were seconded to.

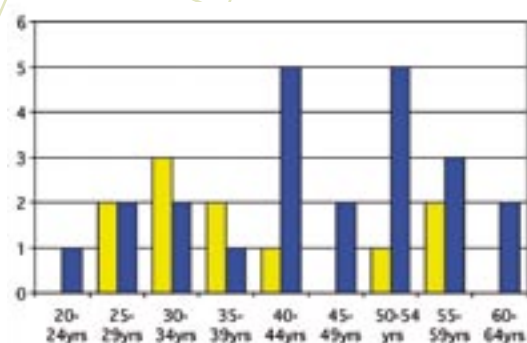


### Employee Behaviour and Wellbeing

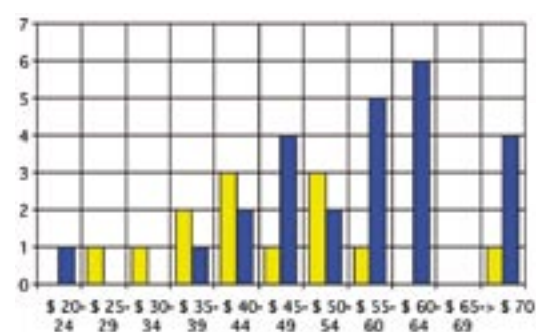
In line with our corporate strategies the Office manages its people in an exemplary manner in line with corporate values. The Office applies a range of codes, policies and initiatives and these include:

- > A Code of Ethics. The code was reviewed during the year as part of the corporate governance review and reissued to all staff.
- > A Code of Conduct. The code was reviewed during the year as part of the corporate governance review and following minor modifications reissued to all staff. All employees must also adhere to the code of conduct promulgated in the *State Service Act 2000*.
- > A Managing Diversity Plan is currently under review that commits the Office to promoting and supporting diversity throughout the Office.
- > A Statement of Values. The statement was also reviewed and modified during the year and reissued to all staff.
- > A draft staff declaration for staff to sign indicating their understanding of the Office's codes and policies and declaring conflicts of interest is nearing finalisation.
- > The induction program for all new staff includes information on anti-discrimination laws and expected behaviours.
- > The Office has an Employee Assistance Program where staff can seek professional and confidential counselling from an external provider to deal with issues affecting their work whether personal or work-related.

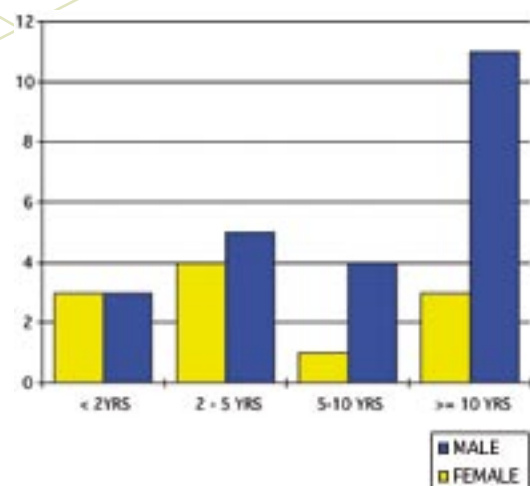
*Staff Profile by Age*



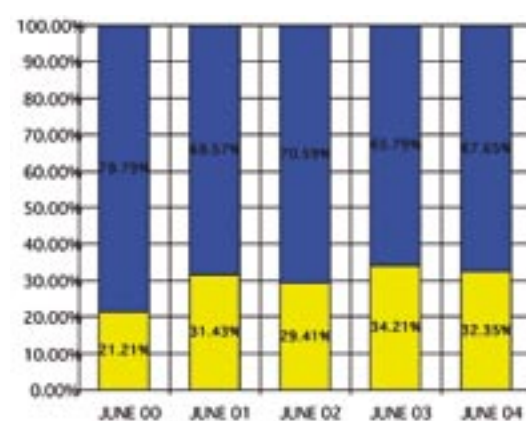
*Staff Profile by Salary*



*Length of Service within the Office*



*Staff by Gender*

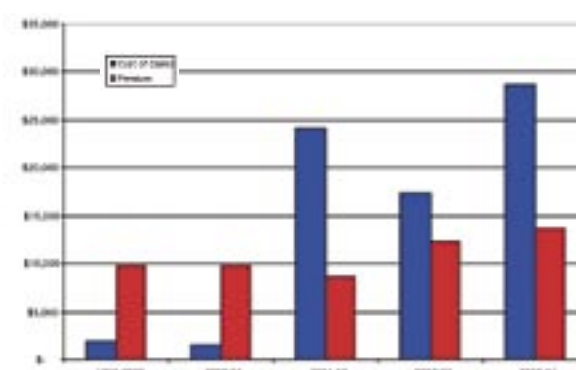
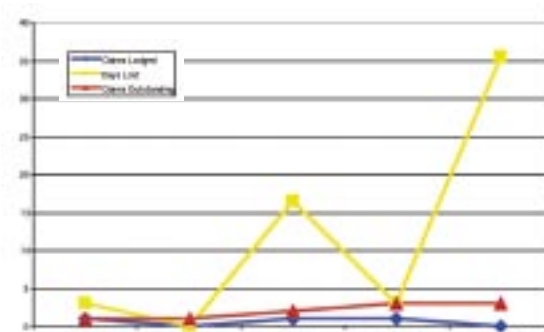


### Health and Safety

The Office has always had a strong focus on staff safety particularly in relation to providing appropriate ergonomic equipment to staff whether in the Office or in the field. The Office continues to utilise the professional skills of an external consultant to provide independent advice on safety issues.

In accordance with the *Workplace Health and Safety Act 1995* David Strong, Director Corporate Services is the appointed responsible officer.

The following graph illustrates the number of claims per year and the number of claims still open at 30 June each year. There are currently 3 claims open with no new claims in 2003/04. Although last year saw the highest number of days of workers compensation leave all staff have returned to work on modified duties or have been given aids to assist them undertake their normal duties.



With the number of claims lodged and outstanding the costs have increased and our premium has increased to reflect our claim history. Two of the claims are currently being closed with one claim still being managed actively with the employee still working.

### Professional Development

The Office is committed to achieving its aim of having well-designed, annual learning and development programs to help our staff attain high standards of professional skills and performance.

During the year as part of the performance appraisal scheme training needs for all staff were identified and these training needs are the basis for the Office's annual learning and development program. This program will be delivered internal and external providers. The Office is currently working with the Tasmanian Training Consortium to develop the annual program.

	2000-01	2001-02	2002-03	2003-04	2004-05 Target
Number of days of training provided	569.5	506.2	517.0	310.0	500.0
Average number of days per employee	16.23	14.24	13.85	8.72	14.0
Training costs as a % of total resources	12%	13%	10%	7%	10%

**Employee Relations**

One of the Office's aims is to provide a stimulating environment for our staff and one of the important aspects of achieving this aim is employee relations. Our staff have various opportunities to discuss any issues that concern them. This can be during the performance appraisal process, via the Office Consultative Committee and in normal staff interaction.

During the year the Government signed a new State Wages Agreement and the Office will be reviewing its policies in relation to issues within the agreement such as flexible working arrangements. Presently staff have access to flexible working hours, tele-commuting and extended leave.

The new State Service Wages Agreement will deliver salary increases of 14.1% over three years. During the next year the Office will be reviewing the classification structure of positions within the Office to ensure salaries are comparable with similar positions in similar Offices.

The Office is currently reviewing all of its human resources management policies and procedures. Considerable work has been achieved to date and it is anticipated this task will be completed early in the next financial year.

As part of the Office's new reporting regime of using the balanced scorecard approach the Executive Management Team will receive detailed information outlining the Office's work force demographics and this information will assist with future human resource management policies and planning.

During the year the Office commenced reviewing its internal grievance procedures and this process is nearing completion. There were no internal grievances during the year.

The Office revised its performance appraisal scheme during the year and every staff member participated in this process. This resulted in some minor modifications to the scheme. The scheme requires staff to develop performance goals linked to the Office's Corporate Plan and their Unit's Business Plan and their performance are measured against these goals.

The Office is currently developing a reward and recognition scheme for staff. The initial draft has been referred to a working party for further consideration.

### Organisational Effectiveness

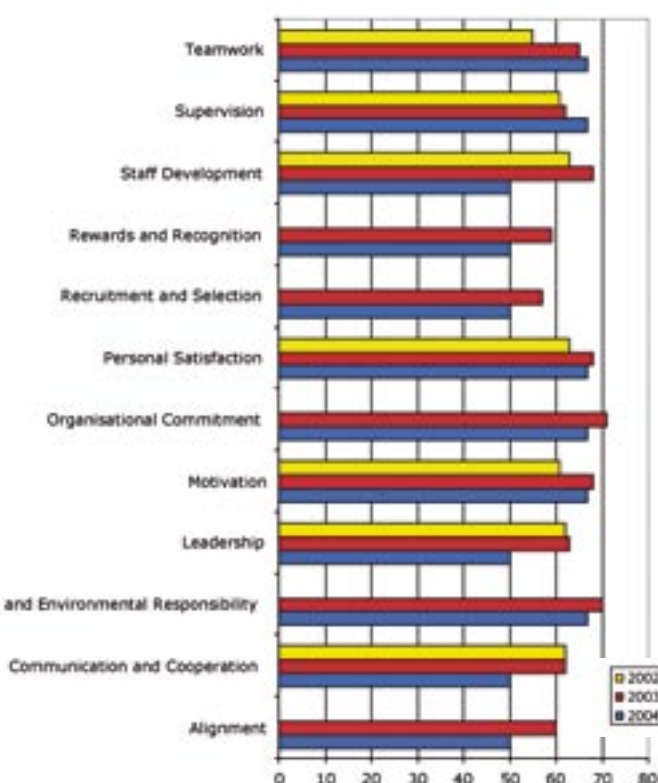
The Office recognises that people are the key to improving our overall efficiency and performance. To measure our organisational effectiveness the Office commenced measuring staff satisfaction two years ago and during 2003-04 the Office conducted its annual staff survey.

The survey addresses 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 88%, down in comparison to previous years. The results are:

This year's survey results show a downward trend overall and indicate that there has been a deterioration in staff satisfaction over nearly all factors measured in the last 12 months.

The Office is developing strategies to reverse this trend back to our target of 75%. The survey participants highlighted certain areas and noted others for improvement as follows:

- > Overall commitment of staff to goals and objectives has improved;
- > Better preparation in planning and commencement of interim audits;
- > Improvement in training courses, both frequency and content;
- > Improved teamwork;
- > IT changes have been dealt with well;
- > The effort to identify staff training needs was appreciated;
- > Receiving recognition has been a great morale boost;
- > Corporate/business planning processes seem to have taken a quantum leap forward; and
- > Business direction is clearer.





### Staff Participation in Community Activities

The Office has also participated in fund raising events such as Red Nose Day, Daffodil Day, and similar events. On these days the staff dress down for the day and pay for the privilege by donating money to the cause being supported. The Office raised in excess of \$3 000 for charities.

Prior to Daffodil Day two of our staff members challenged the rest of the staff to a fund raising competition. The staff rose to the challenge and with the assistance of other tenants within the building raised approximately \$900 for charity and as a result these staff members had their heads shaved.

The Office also participated in the Cancer Council's Relay for Life. This event was held in February 2004 and is an event where teams walk for 24 hours non-stop and raise money via sponsorship for cancer research. The Office's team consisted of 15 participants who endured four seasons within the 24 hours. The event was a success and all staff enjoyed the social atmosphere and the chance to work as a team in a different environment. The Office raised approximately \$2 560 and has committed to participating next year.



*David Craig and David Strong before being shaved.*



*David Strong and David Craig after being shaved.*



*The participants in the Relay for Life relay with a certificate of appreciation.*



*Stephen Hoyle and Narelle Hind with the Office's mascot.*



**University of Tasmania - Tasmanian Audit Office Prize - 2003**

In association with the School of Accounting & Finance, University of Tasmania, the Office has agreed to sponsor a prize for the student with the highest mark in the unit Auditing. For the 2003 academic year there were two students who attained the highest mark, Hilary Cure and Phillipa Salewicz. At the Award Evening on 23 March 2004 Kate Tamayo as Acting Deputy Auditor-General presented the awards to Hilary and Phillipa. The Office will be supporting the award in future years.



Kate Tamayo, Hilary Cure and Phillipa Salewicz

**Environmental Responsibility**

The Office is committed to using recycled products and providing materials for recycling. We produce reports on recycled paper and use recycled printer cartridges. This year the Office commenced the following initiatives:

- > Ceased the purchase of wooden stirrers and plastic cups;
- > Recycle our newspapers, milk and plastic cartons and cans; and
- > Encourage staff to print in duplex mode to reduce paper usage.

## Control

Control comprises the elements of “compliance and accountability” and “performance monitoring”. The following commentary focuses on these elements.

## Compliance and Accountability

### Quality assurance practices

As mentioned earlier in this report the Office is seen as a role model in relation to public sector management. The Office strives for best practice in relation to all the activities it undertakes and this is very much the case with the way we conduct our audits. The Office aims to continually raise the standard of our audit activities to meet the needs of Parliament and our clients.

### Audit Methodologies

The Office places a high priority on ensuring that it has modern and effective methodologies for all audit activities. This is evidenced by the fact the Office has a dedicated committee, that is responsible for ensuring that our methodologies for financial and performance audits reflects best practice, and by creating within our structure the position of Director Quality Assurance.

A key aspect of our operational activities is to improve our audit policies and methodologies. These policies and methodologies assist with:

- > Ensuring compliance with the legislative framework governing the audit environment in which the Office operates;
- > Ensuring that the Office complies with standards promulgated by the professional auditing bodies;
- > Implementing quality assurance processes for all audit activities; and
- > Providing Office staff with appropriate guidance on audit assignments.

### Financial Audit Policy Manual

The Office’s Financial Audit Manual guides staff in the conduct of financial statement audits. During the year the manual was reviewed and modified where necessary. The auditors in the field can now access the manual and other information on the Office’s intranet in a controlled and secure manner.

### Performance Audit Policy Manual

The Office’s Performance Audit Manual guides staff in the conduct of performance and compliance audits. During the year the manual was reviewed and modified where necessary. Like the financial auditors the performance auditors can access the manual and other associated information via the Office’s secure intranet.

### Adherence to best practice principles and standards

To comply with auditing standards and Office policies, procedures are maintained that safeguard the quality of our auditing and these procedures include:

- > Involving senior officers in all phases of the audit, including approving the planning memorandum and reviewing significant matters arising on each audit;
- > Implementing key account principles for all audits to ensure high risk audits involve senior officers within the Office; and
- > Quality assurance processes that require senior staff to review audit results so that the audit meets our own professional standards, this involves having a three-tiered review process.

### **Post-audit quality reviews**

In addition to the review processes applied during the audit process the Office has a series of external quality assurance reviews to supplement the above measures. This includes:

- > An annual post-audit quality review program by the Director Quality Assurance that involves a detailed review of a sample of completed audits;
- > Clients completing annual surveys that measure aspects of the audit process including their satisfaction with the quality of the audit; and
- > Peer reviews by another Audit Office on financial audit and performance audit processes. These are conducted every three years - the next peer review for financial audit is due in 2004-05 and for performance audit in 2005-06.

### ***Freedom of Information***

The Office has a professional relationship with its clients, and the information gathered during the conduct of audits is confidential and not available to third parties.

The administrative processes of the Office come under the Freedom of Information legislation. There were no applications under the legislation during the year. The Office's freedom of information officer is David Strong, Director Corporate Services.

### **Performance Monitoring**

The Office applies sound performance monitoring practices including:-

- > Preparation of full accrual monthly financial statements for consideration by the Executive Management Team within 5 working days of month end;
- > Budget vs Actual reports on a monthly basis;
- > Variance Analysis reports on job costing on a monthly basis to ensure accurate overhead recovery and full utilisation of staff;
- > Aged analysis reports for creditors and debtors; and
- > Leave entitlement accrual reports.

### **Financial performance**

Some key indicators of the Office's financial performance during 2003-04 included:

- > A net surplus for the period of \$18 361 (2002-03, \$(63 196)); and
- > Net assets at balance date of \$0.737m (2002-03, \$0.719m).

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 this 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 a dividend to the Government.

Performance audits, investigations and the cost of reporting to Parliament are managed on a cost recovery basis from an appropriation from Parliament that is managed by the Department of Treasury and Finance.

The Auditor-General's salary and on-costs are a Reserved-by law item within the State's annual budget.

The following table is a five year summary of the Office's financial performance:

	1999-00	2000-01	2001-02	2002-03	2003-04
Revenue from operating activities (\$'000)	2 884	3 002	3 136	3 389	<b>3 628</b>
Expenditure on operating activities (\$'000)	2 738	2 964	3 293	3 464	<b>3 610</b>
Operating surplus/(loss) (\$'000)	110	20	100	(63)	<b>18</b>

The operating revenue and expenditure for the Office has gradually increased every year from 30 June 2000. The majority of the cost is related to employee costs.

#### Details on movements in revenue and expenditure

	2001-02 (\$'000)	2002-03 (\$'000)	2003-04 (\$'000)
<b>Revenue</b>			
User charges	2 653	3 078	3 173
Recurrent appropriations	252	239	362
Other revenue	231	72	101
<b>Total</b>	<b>3 136</b>	<b>3 389</b>	<b>3 636</b>
<b>Expenditure</b>			
Employee Benefits	2 286	2 516	2 484
Other expenses from ordinary activities	420	461	484
Audit Contractors	164	91	181
Information technology	159	130	184
Accommodation	143	153	153
Depreciation	121	113	117
Written down value of disposed assets	0	0	7
Income tax equivalence	(257)	(12)	8
<b>Total</b>	<b>3 036</b>	<b>3 452</b>	<b>3 618</b>
<b>Operating Surplus/(Loss)</b>	<b>100</b>	<b>(63)</b>	<b>18</b>

The Office has steadily increased its revenue over the last three years and this has been matched by increases in expenditure of employee costs, information technology and audit contractors.

**Financial position**

	2001-02 (\$'000)	2002-03 (\$'000)	2003-04 (\$'000)
<b>Assets</b>			
Current assets	1 476	1 197	879
Non-current assets	479	526	577
<b>Total assets</b>	<b>1 955</b>	<b>1 723</b>	<b>1 456</b>
<b>Liabilities</b>			
Current liabilities	677	572	322
Non-current liabilities	396	432	397
<b>Total liabilities</b>	<b>1 073</b>	<b>1 004</b>	<b>719</b>
<b>Net Assets</b>	<b>882</b>	<b>719</b>	<b>737</b>

While the value of total assets and liabilities both decreased significantly the value of net assets increased marginally. There was a significant decrease in the Office's cash balance although net working capital remains steady. The Office is still in a sound financial position.

**Performance management**

Another element of performance monitoring is performance management against output targets which has been dealt with elsewhere in this annual report.



## FINANCIAL STATEMENTS

03-04







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# Statement of Financial Performance

for the year ended 30 June 2004

	Notes	2004 \$'000	2003 \$'000
<b>Revenue from ordinary activities</b>			
Revenue from Government	1(o)(i), 3	362	239
User charges	1(o)(ii), 4.1	3 173	3 078
Gross proceeds from the disposal of assets	1(o)(iv), 4.2	-	1
Other revenue from ordinary activities	1(o)(iii), 4.3	101	71
<b>Total revenue from ordinary activities</b>	<b>6</b>	<b>3 636</b>	<b>3 389</b>
<b>Expenses from ordinary activities</b>			
Employee benefits expense	1(f)(i), 5.1	2 484	2 516
Depreciation and amortisation	1(d), 5.2	117	113
Audit contractors		181	91
Information technology		184	130
Accommodation		153	153
Written down value of disposed assets	1(f)(ii), 4.2	7	-
Other expenses from ordinary activities	1(f)(iii), 5.3	484	461
<b>Total expenses from ordinary activities</b>	<b>6</b>	<b>3 610</b>	<b>3 464</b>
<b>Net operating surplus (deficit) from ordinary activities before income tax equivalence expense</b>		<b>26</b>	<b>(75)</b>
Income tax equivalence expense	1(h), 5.4	8	(12)
<b>Net surplus (deficit) attributable to the State</b>	<b>9.2</b>	<b>18</b>	<b>(63)</b>
<b>Total changes in equity other than those resulting from transactions with the Tasmanian State Government in its capacity as owner</b>		<b>18</b>	<b>(63)</b>

This Statement of Financial Performance should be read in conjunction with the accompanying notes.

## Statement of Financial Position

as at 30 June 2004

	Notes	2004 \$'000	2003 \$'000
<b>Assets</b>	1(b)		
<b>Current assets</b>			
Cash on hand and deposit accounts	1(c), 7.1	121	644
Receivables	1(n), 7.2	609	388
Work in Progress	1(q), 7.3	40	104
Current tax assets	1(h), 5.4(c), 7.4	50	30
Other current assets	7.5	59	31
<b>Total current assets</b>		<b>879</b>	<b>1 197</b>
<b>Non-current assets</b>			
Computer & Office Equipment	1(k), 7.6, 7.7	321	215
Leasehold improvements	1(k), 7.6, 7.7	-	5
Deferred tax assets	1(h), 5.4(c), 7.4	256	306
<b>Total Non-current assets</b>		<b>577</b>	<b>526</b>
<b>Total assets</b>		<b>1 456</b>	<b>1 723</b>
<b>Liabilities</b>	1(j)		
<b>Current liabilities</b>			
Employee benefits	1(e), 1(m), 8.1	195	317
Payables	1(l), 8.2	79	169
Current tax liabilities	1(h), 8.3	37	19
Other current liabilities	8.4	11	11
<b>Total current liabilities</b>		<b>322</b>	<b>516</b>
<b>Non-current liabilities</b>			
Employee benefits	1(e), 1(m), 8.1	338	399
Deferred tax liabilities	1(h), 5.4(b), 8.3	12	33
Other non-current liabilities	8.4	47	56
<b>Total Non-current liabilities</b>		<b>397</b>	<b>488</b>
<b>Total liabilities</b>		<b>719</b>	<b>1 004</b>
<b>Net assets</b>		<b>737</b>	<b>719</b>
<b>Equity</b>			
Contributed capital	9.1	1 168	1 168
Retained profits (losses)	9.2	(431)	(449)
<b>Total Equity</b>		<b>737</b>	<b>719</b>

This Statement of Financial Position should be read in conjunction with the accompanying notes.

# Statement of Cash Flows

for the year ended 30 June 2004

	Notes	2004 \$'000	2003 \$'000
<b>Cash flows from operating activities</b>			
<b>Cash inflows</b>			
Recurrent appropriations		362	239
User charges		3 008	2 799
GST receipts	1(g)	240	240
Interest received		10	16
Other cash receipts		116	55
<b>Total cash inflows</b>		<b>3 736</b>	<b>3 349</b>
<b>Cash outflows</b>			
Employee benefits		(2 667)	(2 466)
GST payments	1(g)	(246)	(327)
Taxation equivalents		-	(34)
Other cash payments		(1 077)	(493)
<b>Total cash outflows</b>		<b>(3 990)</b>	<b>3 320</b>
<b>Net cash from (used by) operating activities</b>	10.2	<b>(254)</b>	<b>29</b>
<b>Cash flows from investing activities</b>			
<b>Cash inflows</b>			
Gross proceeds from the disposal of non-current assets		-	1
<b>Total cash inflows</b>		<b>-</b>	<b>1</b>
<b>Cash outflows</b>			
Payments for acquisition of non-current assets		(225)	(54)
<b>Total cash outflows</b>		<b>(225)</b>	<b>(54)</b>
<b>Net cash from (used by) investing activities</b>		<b>(225)</b>	<b>(53)</b>
<b>Cash flows from financing activities</b>			
<b>Cash outflows</b>			
Dividend paid		-	(50)
Capital Charge		(44)	(49)
<b>Total cash outflows</b>		<b>(44)</b>	<b>(99)</b>
<b>Net cash from (used by) financing activities</b>		<b>(44)</b>	<b>(99)</b>
<b>Net increase (decrease) in cash held</b>		<b>(523)</b>	<b>(123)</b>
<b>Cash at the beginning of the reporting period</b>		<b>644</b>	<b>767</b>
<b>Cash at the end of the reporting period</b>	10.1	<b>121</b>	<b>644</b>

This Statement of Cash Flows should be read in conjunction with the accompanying notes.

## Notes to and forming part of the Financial Statements for the year ended 30 June 2004

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#### Objectives and Funding

#### Outputs of the Office

- a) Acquisition of Assets
- b) Assets
- c) Cash and cash equivalents
- d) Depreciation and Amortisation
- e) Employee Benefits
- f) Expenditure Recognition
  - i) Employee Entitlements
  - ii) Written Down Value of Disposed Physical Assets
  - iii) Other Expenses from Ordinary Activities
- g) Goods and Services Tax
- h) Income Tax
- i) Leased Assets (including lease incentives)
- j) Liabilities
- k) Non-current Physical Assets
  - i) Valuation Basis
  - ii) Asset Recognition Threshold
- l) Payables
- m) Provisions (including dividends)
- n) Receivables
- o) Revenue Recognition
  - i) Revenues from Government
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  - iii) Interest
  - iv) Gross Proceeds from the Disposal of Assets
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### Note 2 Adoption of Australian Equivalents to International Financial Reporting Standards

### Note 3 Revenue from State Government

### Note 4 Revenue from Ordinary Activities

- 4.1 User Charges
- 4.2 Gross Proceeds & Expenses from the Disposal of Non-current Assets
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### Note 5 Expenses from Ordinary Activities

- 5.1 Employee Entitlements
- 5.2 Depreciation and Amortisation
- 5.3 Other Expenses from Ordinary Activities
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**Note 10 Cash Flow Reconciliation**

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**Note 11 Average Staffing Levels****Note 12 Financial Instruments - Terms, Conditions and Accounting Policies**

- 12.1 Financial Instruments
- 12.2 Net Fair Values of Financial Assets and Liabilities
- 12.3 Credit Risk Exposures

**Note 13 Auditor's Remuneration****Note 14 Principal Office and Registered Address**



### **Note 1 Significant Accounting Policies**

This financial report is a general purpose financial report that has been prepared in accordance with the *Financial Management and Audit Act 1990*, Australian Accounting Standards, Statements of Accounting Concepts and Urgent Issues Group Consensus Views and complies with other requirements of the law.

The financial report is prepared on an accrual accounting basis in accordance with the historical cost convention and except where stated, does not take into account changing money values or current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets.

The accounting policies adopted, and the classification and presentation of items, are consistent with those of the previous year, except, where a change is required to comply with an Australian Accounting Standard or Urgent Issues Group Consensus Views, or an alternative accounting policy or an alternative presentation or classification of an item, as permitted by an Australian Accounting Standard, is adopted to improve the relevance and reliability of the financial report. Where practicable, comparative amounts are presented and classified on a basis consistent with the current year.

### **Objectives and Funding**

The Office is structured to provide audit assurance to Parliament concerning the financial statements of the Treasury, Government Departments and public bodies and the economy, efficiency and effectiveness of those entities.

The Office is predominantly funded through fees for service. The undertaking of financial, performance and compliance audits and the publishing of reports are fee for service activities. The Office is also funded through a Parliamentary appropriation for the Auditor-General's salary and associated allowances. The financial report encompasses all funds through which the Office controls resources to carry on its functions.

The continued existence of the Office in its present form, undertaking its current activities, is dependent on the support of the Parliament and on the Office's ability to charge appropriate fees to recover its operational costs.

### **Outputs of the Office**

Information about the Office's output group is set out in Note 6 Outputs of the Office.

The significant policies that have been adopted in the preparation of the financial report are:

#### **a) Acquisition of Assets**

Assets acquired are recorded at the cost of acquisition, being the purchase consideration determined as at the date of acquisition plus costs incidental to the acquisition.

#### **b) 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.

#### **c) Cash and cash equivalents**

Cash on hand and in deposit accounts are stated at nominal value.

For the purpose of the Statement of Cash Flows, cash includes cash on hand and in deposit accounts.

**d) Depreciation and Amortisation**

Non-current assets are depreciated on a straight-line basis to write off the net cost of each asset group over its expected useful life to the Office. The expected useful lives used in the calculation of depreciation are as follows:

Furniture and fittings	Between 4 to 10 years
Computer equipment - Hardware	Between 3 to 4 years
Computer equipment - Software	Between 3 to 5 years
Office equipment	Between 5 to 10 years

The cost of improvements to or on leased properties is amortised over the unexpired period of the lease or the estimated useful life of the improvement to the Office, whichever is the lesser.

**e) Employee Benefits**

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave when it is probable that settlement will be required and they are capable of being measured reliably.

Provisions made in respect of wages and salaries, annual leave and long service leave expected to be settled within 12 months, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Provisions made in respect of other employee benefits such as long service leave that are not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the Office in respect of services provided by employees up to the reporting date.

**f) Expenditure Recognition**

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.

**i. Employee Benefits**

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

**ii. Written Down Value of Disposed Physical Assets**

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

**iii. 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.

**g) Goods and Services Tax**

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

- i. where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expenses; or
- ii. for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

Cash flows are included in the statement of cash flows on a net basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

#### **h) Income Tax**

Tax-effect accounting principles are adopted whereby income tax expense is calculated on pre-tax accounting profits after adjustment for permanent differences. The tax-effect of timing differences, which occur when items are included or allowed for income tax purposes in a period different to that for accounting, is shown at current taxation rates in the deferred tax assets and deferred tax liabilities, as applicable. The recipient of the income tax payable is the State Government.

#### **i) Leased Assets (including lease incentives)**

In accordance with government policy the Office has no finance leases.

Operating lease payments are recognised as an expense on a basis that reflects the pattern in which economic benefits from the leased asset are consumed.

##### *Lease incentives*

Lease incentives received to enter into non-cancellable operating leases, are recognised as a liability. Lease payments are allocated between rental expense, reduction of the liability and, where appropriate, interest expense over the term of the lease.

#### **j) 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.

#### **k) Non-current Physical Assets**

##### *i. Valuation Basis*

All Non-current physical assets are recorded at historic cost.

##### *ii. Asset Recognition Threshold*

The asset capitalisation threshold adopted by the Office is \$1 000. Assets valued at less than \$1 000 are charged to the Statement of Financial Performance in the year of purchase and if that asset is considered not to be an attractive item.

#### **l) Payables**

Payables, including goods received and services incurred but not yet invoiced, are recognized when the Office becomes obliged to make future payments as a result of a purchase of goods or services.

#### **m) Provisions (including dividends)**

Provisions are recognised when the Office has a present obligation, the future sacrifice of economic benefits is probable, and the amount of the provision can be measured reliably.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is probable that recovery will be received and the amount of the receivable can be measured reliably.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cashflows estimated to settle the present obligation, its carrying amount is the present value of those cashflows.

**Dividends**

A provision is recognised for dividends when they have been declared or determined in accordance with Government policy on or before the reporting date.

**n) Receivables**

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

**o) 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 fair value of the consideration received net of the amount of goods and services tax (GST) payable to the taxation authority.

*i. Revenues from Government*

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

*ii. User Charges*

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

*iii. Interest*

Interest revenue is recognised as it accrues.

*iv. 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.

**p) Superannuation**

No superannuation liability is recognised for the accruing superannuation benefits of Office employees. This liability is held centrally and is 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.

**q) 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.

**r) Comparative Figures**

Comparative figures have been adjusted to conform to changes in presentation in these financial statements, where required.

**s) Rounding**

All amounts in the financial statements have been rounded to the nearest thousand dollars, unless otherwise stated. Where the result of expressing amounts to the nearest thousand dollars would result in an amount of zero, the financial statement will contain a note expressing the amount to the nearest whole dollar.

## Note 2 Adoption of Australian Equivalents to International Financial Reporting Standards

The adoption of Australian equivalents to International Financial Reporting Standards will not result in changes in accounting policies that are expected to have a material impact on the Office's financial report.

## Note 3 Revenue from State Government

Revenue from Government includes revenue from appropriations, including appropriations carried forward under section 8A of the Public Account Act 1986, and from Items Reserved by Law.

	2004 Actual \$'000	2004 Original Budget \$'000	2003 Actual \$'000
Items Reserved by Law:			
R007 – Auditor-General's Salary & Allowances	362	254	239
<b>Total Revenue from Government</b>	<b>362</b>	<b>254</b>	<b>239</b>

## Note 4 Revenue from Ordinary Activities

### 4.1 User Charges

	2004 \$'000	2003 \$'000
Financial Audit Services	2 325	2 358
Performance and Compliance Audit	744	581
Reports to Parliament	104	139
<b>Total</b>	<b>3 173</b>	<b>3 078</b>

### 4.2 Gross Proceeds and Expense from the Disposal of Non-Current Assets

Office and computer equipment		
Revenue (proceeds) from sales	-	1
Written down value of disposed assets	(7)	-
<b>Total</b>	<b>(7)</b>	<b>1</b>

### 4.3 Other Revenues from Ordinary Activities

Interest	11	19
Other	90	52
<b>Total</b>	<b>101</b>	<b>71</b>

**Note 5 Expenses from Ordinary Activities****5.1 Employee Benefits Expense**

	<b>2004</b>	<b>2003</b>
	<b>\$'000</b>	<b>\$'000</b>
Wages and salaries	1 881	1 935
Annual leave	172	145
Long service leave	42	54
Superannuation	223	220
Payroll Tax	134	130
Fringe Benefits Tax	18	19
Worker's Compensation	14	13
<b>Total</b>	<b>2 484</b>	<b>2 516</b>

**5.2 Depreciation and Amortisation**

Depreciation of computer and office equipment	111	106
Amortisation of leasehold improvements	6	7
<b>Total</b>	<b>117</b>	<b>113</b>

*a) Depreciation and Amortisation expense for the reporting period was charged in respect of:*

<b>Depreciation</b>		
Computer Equipment – Hardware	71	84
Computer Equipment – Software	32	19
Office Equipment and Furniture and Fittings	8	3
Amortisation		
Leasehold improvements	6	7
<b>Total</b>	<b>117</b>	<b>113</b>

**5.3 Other Expenses from Ordinary Activities**

Materials and Supplies	132	138
Reimbursement of 50% of the Auditor-General's Remuneration Package	148	120
Travel and Transport	86	85
Training	56	36
Consultants	39	60
Insurance	13	14
Miscellaneous Expenses	10	8
<b>Total</b>	<b>484</b>	<b>461</b>

#### 5.4 Income Tax Equivalence

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

	2004 \$'000	2003 \$'000
<b>Profit from ordinary activities before income tax equivalents</b>	<b>26</b>	<b>(75)</b>
(a) <i>Income tax equivalent expense calculated at 30% of operating profit</i>	8	(12)
<b>Permanent Differences</b>		
Revenue from a change in accounting policy	-	-
Prior Period Adjustment	-	-
Income tax equivalent expense attributable to profit from ordinary activities	8	(12)
Income tax equivalent expense comprises movements in:		
Provision for income tax	-	-
Future income tax benefit	29	24
Provision for deferred income tax	(21)	(36)
<b>Total income tax equivalence expense</b>	<b>8</b>	<b>(12)</b>
(b) <i>Provision for Deferred Income Tax</i>		
Provision for deferred income tax comprises the estimated expense at the applicable rate of 30% on the following items:		
Work in Progress	(12)	(30)
Prepayments	-	(2)
Accrued Income	-	(1)
<b>Total (Note 8.3)</b>	<b>(12)</b>	<b>(33)</b>
(c) <i>Future income tax benefit</i>		
Future income tax benefit comprises the estimated future benefit at the applicable rate of 30% on the following items:		
Employee Benefits	153	194
Revenue in Advance	1	1
Lease Incentive Liability	17	19
Capitalised Expenditure	3	3
Losses Carried Forward	124	113
Difference in WDV of Assets for accounting and income tax purposes	8	6
<b>Total (Note 7.4)</b>	<b>306</b>	<b>336</b>



## Note 6 Outputs of the Office

### 6.1 Office Outputs

The Office has only one major output and that encapsulates the two fundamental elements of the role of the Office:

- > the provision of reports to Parliament; and
- > the conduct of financial statement audits.

### 6.2 Statement of Outputs

Note: the following information has been prepared on an accrual accounting basis.

#### Output Group 1 – Public Sector Management and Accountability

	Original Budget 2004 \$'000	Revised Budget 2004 \$'000	Actual 2004 \$'000	Actual 2003 \$'000
<b>OPERATING REVENUE</b>				
Revenue from Government				
Reserved by Law	254	352	362	239
Sales of Goods and Services	3 284	3 324	3 173	3 078
Other Revenue	48	128	101	72
<b>TOTAL</b>	<b>3 586</b>	<b>3 804</b>	<b>3 636</b>	<b>3 389</b>
<b>OPERATING EXPENSES</b>				
Employee Entitlements	2 608	2 552	2 484	2 516
Depreciation & Amortisation	86	120	117	113
Audit Contractors & Consultants	159	149	220	151
Accommodation	152	152	153	153
Information Technology	98	179	184	130
Travel and Transport	80	84	86	85
Other Expenses	370	414	366	316
<b>TOTAL</b>	<b>3 553</b>	<b>3 650</b>	<b>3 610</b>	<b>3 464</b>
<b>NET OPERATING RESULT</b>	<b>33</b>	<b>154</b>	<b>26</b>	<b>(75)</b>
<b>EXPENSE BY OUTPUT</b>				
Public Sector Management & Accountability	3 553	3 650	3 610	3 464
<b>TOTAL</b>	<b>3 553</b>	<b>3 650</b>	<b>3 610</b>	<b>3 464</b>

**Note 7 Assets****7.1 Cash and Deposits***a) Cash held in the Special Deposits and Trust Fund*

This represents the balance of Accounts held in the Special Deposits and Trust Fund, excluding those Accounts that are administered or held in a trustee capacity or agency arrangement.

	<b>2004 Actual \$'000</b>	<b>2003 Actual \$'000</b>
T644 – Tasmanian Audit Office Operating Account	121	644
<b>Total</b>	<b>121</b>	<b>644</b>

**7.2 Receivables**

	<b>2004 \$'000</b>	<b>2003 \$'000</b>
<b>Current</b>		
User charges (inclusive of GST)	523	280
User charges (GST Free)	86	78
Sundry Debtor (inclusive of GST)	-	28
Interest	-	2
<b>Total</b>	<b>609</b>	<b>388</b>

**7.3 Work in Progress**

Work in progress comprises unbilled revenue as at 30 June	40	104
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**7.4 Tax Assets**

<b>Current</b>		
Future Income Tax Benefit	50	30
	<b>50</b>	<b>30</b>
<b>Non-Current</b>		
Future Income Tax Benefit	256	306
	<b>256</b>	<b>306</b>
<b>Total</b>	<b>306</b>	<b>336</b>

**7.5 Other Assets**

<b>Current</b>		
Prepayments	59	31
	<b>59</b>	<b>31</b>

**7.6 Computer and Office Equipment and Leasehold Improvements**

	<b>2004</b>	<b>2003</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Leasehold Improvements</b>		
Leasehold improvements – at cost	187	187
Less: accumulated amortisation	(187)	(182)
<b>Total leasehold improvements</b>	<b>-</b>	<b>5</b>
<b>Office Equipment</b>		
At cost	76	74
Less: accumulated depreciation	(64)	(56)
<b>Total office equipment</b>	<b>12</b>	<b>18</b>
<b>Furniture and Fittings</b>		
At cost	93	82
Less: accumulated depreciation	(83)	(82)
<b>Total furniture and fittings</b>	<b>10</b>	<b>-</b>
<b>Computer Equipment - Hardware</b>		
At cost	532	447
Less: accumulated depreciation	(374)	(303)
<b>Total computer equipment - hardware</b>	<b>158</b>	<b>144</b>
<b>Computer Equipment - Software</b>		
At cost	363	243
Less: accumulated depreciation	(222)	(190)
<b>Total computer equipment - software</b>	<b>141</b>	<b>53</b>
<b>Total Computer and Office Equipment and Leasehold Improvements</b>	<b>321</b>	<b>220</b>

### 7.7 Reconciliation of Non-current Physical Assets

Reconciliations of the carrying amounts of each class of Property, Plant and Equipment at the beginning and end of the current and previous financial year are set out below.

	Computer Equipment \$000	Office Equipment & Furniture \$000	Leasehold Improvements \$000
<b>2004</b>			
Carrying amount at start of year	197	18	5
Additions – at cost	213	12	-
Disposals – at written down value	(7)	-	-
Depreciation/Amortisation expense	(104)	(8)	(5)
<b>Carrying amount at end of year</b>	<b>299</b>	<b>22</b>	<b>-</b>
<b>2003</b>			
Carrying amount at start of year	261	6	12
Additions – at cost	39	15	-
Disposals – at written down value	-	-	-
Depreciation/Amortisation expense	(103)	(3)	(7)
<b>Carrying amount at end of year</b>	<b>197</b>	<b>18</b>	<b>5</b>

Carrying Amount means:

- (a) in relation to an asset, the amount at which the asset is recorded in the accounting records as at a particular date. In application to a depreciable asset, “carrying amount” means the net amount after deducting accumulated depreciation; and
- (b) in relation to a class of assets, the sum of the carrying amounts of the assets in that class.

**Note 8 Liabilities****8.1 Employee Entitlements**

	<b>2004</b>	<b>2003</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Current</b>		
Accrued FBT	5	2
Accrued salaries	-	68
Annual leave	119	142
Long service leave	42	94
Accrued Superannuation	-	7
Accrued Payroll Tax	20	4
Accrued In Lieu of Overtime	9	-
<b>Total</b>	<b>195</b>	<b>317</b>
<b>Non-current</b>		
Long service leave	338	399
<b>Total</b>	<b>338</b>	<b>399</b>
<b>Total Employee Entitlements</b>	<b>533</b>	<b>716</b>

**8.2 Payables**

<b>Current</b>		
Creditors	79	125
Capital Charge	-	44
<b>Total</b>	<b>79</b>	<b>169</b>

**8.3 Tax Liabilities**

<b>Current</b>		
Provision for Income Tax	-	-
Tax liabilities – GST owed to the ATO	37	19
	<b>37</b>	<b>19</b>
<b>Non-Current</b>		
Provision for Deferred Income Tax	12	33
	<b>12</b>	<b>33</b>
<b>Total Tax Liabilities</b>	<b>49</b>	<b>52</b>

**8.4 Other Liabilities**

	2004 \$'000	2003 \$'000
<b>Current</b>		
Revenue in Advance	3	3
Lease Incentive Liability	8	8
	<b>11</b>	<b>11</b>
<b>Non-Current</b>		
Lease Incentive Liability	47	56
	<b>47</b>	<b>56</b>
<b>Total Other Liabilities</b>	<b>58</b>	<b>67</b>

**8.5 Schedule of Commitments****(a) Operating Leases**

Operating leases relate to office accommodation and motor vehicles. For office accommodation the lease terms are between 5 and 10 years, with an option to extend for a further 5 or 10 years. All operating lease contracts contain market review clauses. The motor vehicle lease is governed by the Government's contract where vehicles are leased and replaced every two years or 40,000 kilometres of use whichever is the earlier event.

<b>By Maturity</b>		
One year or less	164	164
From one to five years	602	611
Over five years	304	460
<b>Total</b>	<b>1 070</b>	<b>1 235</b>

**(b) Contract Audits**

Commitments for the payment of future auditing services under contracts in existence at the reporting date, payable as follows:

One year or less	113	127
From one to five years	69	182
<b>Total</b>	<b>182</b>	<b>309</b>

The total amount committed for contract audit services was less compared to the previous year, due to the timing of the rolling tender programme.

**Note 9 Equity and Movements in Equity****9.1 Contributed Capital**

	<b>2004</b>	<b>2003</b>
	<b>\$'000</b>	<b>\$'000</b>
Equity on Formation	1 168	1 168

**9.2 Retained Profits**

<b>Balance at the beginning of the financial year</b>	<b>(449)</b>	<b>(286)</b>
Net effect on initial adoption of Revised AASB 1028 "Employee Benefits"	-	(56)
Net surplus/(loss)	18	(63)
Equity Reduction	-	(44)
<b>Balance at the end of the financial year</b>	<b>(431)</b>	<b>(449)</b>
<b>Total Equity</b>	<b>737</b>	<b>719</b>

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

**9.3 Dividend**

In respect of the financial year ended 30 June 2004, the Office will pay on August 31 2004 a dividend to the Government of \$9 181, representing 50% of after tax profit.

**Note 10 Cash Flow Reconciliation****10.1 Reconciliation of Cash per Statement of Financial Position to Statement of Cash Flows**

	<b>2004</b>	<b>2003</b>
	<b>\$'000</b>	<b>\$'000</b>
Cash at year end per Statement of Cash Flows	121	644
Statement of Financial Position items comprising above cash: 'Financial Asset – Cash' being the balance of the Special Deposits and Trust Account T644	121	644

**10.2 Reconciliation of Operating Surplus to Net Cash Provided by Operating Activities**

<b>Net Operating surplus (deficit)</b>	<b>26</b>	<b>(75)</b>
Depreciation/Amortisation	117	113
Net Loss(Profit) from sale of non-financial assets	7	(1)
Decrease (increase) in receivables	(221)	(128)
Decrease (increase) in prepayments	(28)	-
Decrease (increase) in work in progress	64	124
Decrease (increase) in other assets	-	(11)
Increase (decrease) in employee entitlements	(183)	50
Increase (decrease) in payables	(48)	(8)
Increase (decrease) tax liabilities	18	(69)
Increase (decrease) in other liabilities	(6)	34
<b>Net cash provided (used) by operating activities</b>	<b>(254)</b>	<b>29</b>

**Note 11 Average Staffing Levels**

	<b>2004</b>	<b>2003</b>
The average number of employees employed by the Office during the year was:	35.67	36.53



**Note 12 Financial Instruments -Terms, Conditions and Accounting Policies**

<b>Financial Instrument</b>	<b>Accounting Policies and Methods (including recognition criteria and measurement basis)</b>	<b>Nature of underlying instrument (including significant terms &amp; conditions affecting the amount, timing and certainty of cash flows)</b>
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 5.13%.
Receivables for user charges	These receivables are recognised at the nominal amounts due, less any provision for bad and doubtful debts. Collectability of debts is reviewed at the balance date. Provisions are made when collection of the debt is judged to be less rather than more likely.	Credit terms are 30 days.
Financial Liabilities	Financial liabilities are recognised when a present obligation to another party is entered into and the amount of the liability can be reliably measured.	
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 or services have been received (and irrespective of having been invoiced).	Settlement is usually made within 30 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 that have been recognised on the Statement of Financial Position is generally the carrying amount, net of any provision for doubtful debts.

**c) Interest rate exposures**

The Office's exposure to interest rate risk and the effective weighted average interest rate by maturity periods is set out in Note 12.1. For interest rates applicable to each class of asset or liability refer to individual notes to the financial statements.

Exposures arise predominantly from assets and liabilities bearing variable interest rates as the Office intends to hold fixed rate assets and liabilities to maturity.

## 12.1 Financial Instruments

## a) Interest Rate Risk

	Weighted Average Effective Interest Rate	Fixed Interest Maturing In:				Non- Interest Bearing	Total
		Floating Interest Rate	1 Year or Less	Over 1 Year to 5 Years	More than 5 Years		
2004	%	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Financial Assets							
Cash	5.13	-	-	-	-	-	-
Cash in Special Deposits and Trust Fund	5.13	121	-	-	-	-	121
Work in Progress	-	-	-	-	-	40	40
Receivables	-	-	-	-	-	609	609
<b>Total Financial Assets (recognised)</b>		<b>121</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>649</b>	<b>770</b>
Financial Liabilities							
Payables	-	-	-	-	-	116	116
Provisions	-	-	-	-	-	3	3
<b>Total financial liabilities (recognised)</b>						<b>119</b>	<b>119</b>
Unrecognised indemnity		-	-	-	-	-	-

	Weighted Average Effective Interest Rate	Fixed Interest Maturing In:				Non- Interest Bearing	Total
		Floating Interest Rate	1 Year or Less	Over 1 Year to 5 Years	More than 5 Years		
2003	%	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Financial Assets							
Cash	4.5	-	-	-	-	-	-
Cash in Special Deposits and Trust Fund	4.5	644	-	-	-	-	644
Work in Progress	-	-	-	-	-	104	104
Receivables	-	-	-	-	-	388	388
<b>Total Financial Assets (recognised)</b>		<b>644</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>492</b>	<b>1 136</b>
Financial Liabilities							
Payables	-	-	-	-	-	188	188
Provisions	-	-	-	-	-	3	3
<b>Total financial liabilities (recognised)</b>						<b>191</b>	<b>191</b>
Unrecognised indemnity		-	-	-	-	-	-

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

	<b>2004</b>	<b>2003</b>
	<b>Total carrying amount</b>	<b>Total carrying amount</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Financial assets</b>		
Cash in Special Deposits and Trust Fund	121	644
Work in Progress	40	104
Receivables for User Charges	609	388
<b>Total financial assets</b>	<b>770</b>	<b>1 136</b>
<b>Financial Liabilities (recognised)</b>		
Trade creditors	118	188
Provisions	3	3
<b>Total financial liabilities (recognised)</b>	<b>121</b>	<b>191</b>

**Financial Assets**

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

**Financial Liabilities**

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

**12.3 Credit Risk Exposures**

The Office's maximum exposures to credit risk at the 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 Position.

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

**Note 13 Auditor's Remuneration**

	<b>2004</b>	<b>2003</b>
	<b>\$'000</b>	<b>\$'000</b>
Audit fees	6	7

The Treasurer in accordance with the *Financial Management and Audit Act 1990* appoints the auditor of the Tasmanian Audit Office. Deloitte was appointed in 2003 for three years.

**Note 14 Principal Address and Registered Office**

The Office's principal address is and the registered office is located at:

Level 5  
144 Macquarie Street  
HOBART TASMANIA



We certify that the attached financial statements for the Tasmanian Audit Office have been prepared in accordance with the provisions of the *Financial Management and Audit Act 1990*, applicable Australian Accounting Standards and other mandatory professional reporting requirements.

We further state that, in our opinion, the information set out in the statement of financial performance, statement of financial position and statement of cash flows and notes to and forming part of the financial statements present fairly the financial transactions during the year ended 30 June 2004 and financial position of the Office as at 30 June 2004.

We are not aware of any circumstances that would render any particulars included in the financial statements to be misleading or inaccurate.

A handwritten signature in black ink, appearing to read "M Blake".

Mike Blake  
*Auditor-General*  
5 August 2004

A handwritten signature in black ink, appearing to read "D Strong".

David Strong  
*Director Corporate Services*  
5 August 2004

**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 2004 as set out on pages 1 to 27. 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 2004 and the results of its operations and its cash flows for the year then ended.

*Deborah Touche Tohmatsu*

DELOITTE TOUCHE TOHMATSU

*Lyn Cox*

Lyn Cox  
Partner  
Chartered Accountants

Hobart, 19 August 2004

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

## APPENDICES

03-04



## Appendix 1 – Employees of the Office

As at 30 June 2004 the Office employed 34 full-time employees. The list of employees is detailed below:

Employee	Position	Location
Mike Blake	Auditor-General	Hobart
David Baulch	Deputy Auditor-General	Hobart
<b>Financial Audit Services</b>		
Derek Burns	Director	Hobart
Kate Tamayo	Director	Hobart
Neville I'Anson	Assistant Director	Hobart
Rob Luciani	Assistant Director	Launceston
Geoff Morffew	Assistant Director	Hobart
Jeff Tongs	Assistant Director	Hobart
Christina Buell	Senior EDP Auditor	Hobart
Damian Cook	Senior Auditor	Hobart
Simone Hopwood	Senior Auditor	Launceston
Grant Musgrove	Senior Auditor	Hobart
Andrea Ramondino	Acting Senior Auditor	Hobart
Keith Rylands	Senior Auditor	Hobart
Kylie Cook	Auditor	Hobart
Matthew Joseph	Auditor	Hobart
Wayne Oates	Auditor	Hobart
Donna Powell	Auditor	Hobart
Debbie Scott	Auditor	Launceston
Fabiola Solis	Auditor	Hobart
David Glennon	Audit Assistant	Hobart
Jesse Penfold	EDP Audit Cadet	Hobart
<b>Performance and Compliance Audit Services</b>		
Geoff Driscoll	Director	Hobart
Geoff Fisher	Acting Assistant Director	Hobart
Simon Andrews	Senior Auditor	Hobart
Don Bailey	Senior Auditor	Hobart
Stephen Hoyle	Auditor	Hobart
Brendon Thomas	Auditor	Hobart
<b>Corporate Services</b>		
David Strong	Director	Hobart
Rachael Boatwright	Manager, Finance and Payroll	Hobart
David Craig	Senior Computer Systems Officer	Hobart
Narelle Hind	Executive Officer	Hobart
Sandra O'Connor	Executive Officer	Hobart
Robyn Smith	Executive Officer	Hobart

## Appendix 2 - Composition of the Committees

### Executive Management Team

The members of the team are:

- > Mike Blake – Chair;
- > David Baulch;
- > Derek Burns;
- > Kate Tamayo;
- > Geoff Driscoll; and
- > David Strong

### Information and Communications Technology and Information Management Committee

The members of the committee are:

- > David Strong – Chair;
- > David Baulch;
- > Derek Burns;
- > David Craig;
- > Narelle Hind;
- > Geoff Fisher; and
- > Christina Buell.

### Office Consultative Committee

The members of the committee are:

- > Mike Blake – Chair;
- > David Baulch;
- > David Strong;
- > Derek Burns;
- > Simon Andrews;
- > Matthew Joseph; and
- > Sandra O'Connor.

### Professional Development Committee

The members of the committee are:

- > David Strong – Chair;
- > David Baulch;
- > Derek Burns;
- > Kate Tamayo; and
- > Geoff Driscoll.

### Audit Methodology Committee

The members of the committee are:

- > Mike Blake – Chair;
- > David Baulch;
- > Derek Burns;
- > Kate Tamayo; and
- > Geoff Driscoll.

### Audit Qualifications Committee

The members of the committee are:

- > Mike Blake – Chair;
- > David Baulch;
- > Derek Burns;
- > Kate Tamayo; and
- > Geoff Driscoll.

### Financial Audit Management Committee

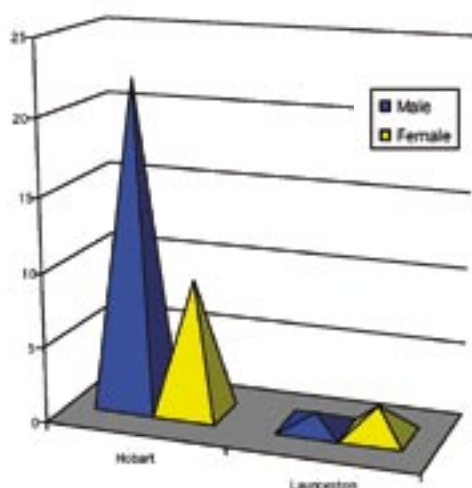
The members of the committee are:

- > David Baulch – Chair;
- > Derek Burns;
- > Kate Tamayo;
- > Neville I'Anson;
- > Rob Luciani;
- > Geoff Morffew; and
- > Jeff Tongs.

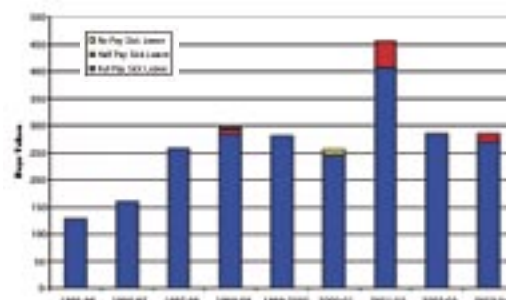


## Appendix 3 - Additional staff statistics

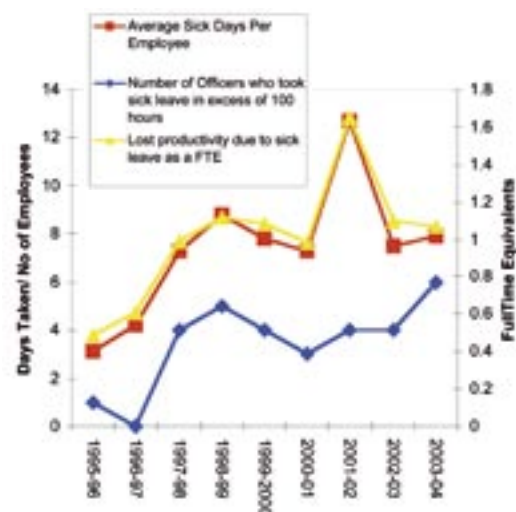
### Staff by Location



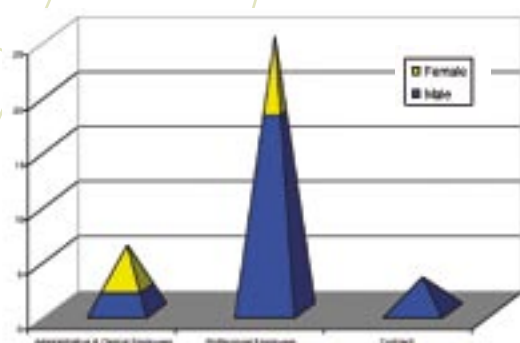
### Sick Leave



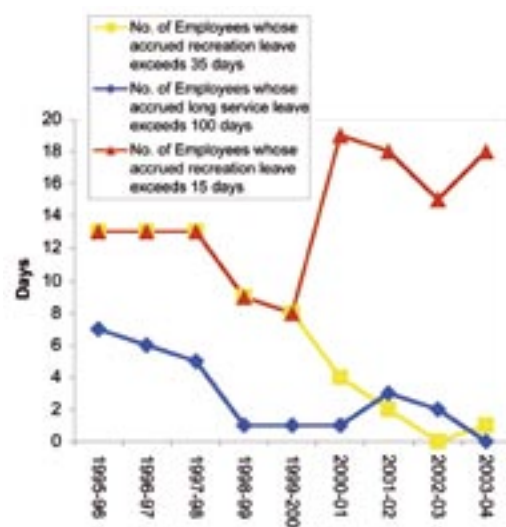
### Sick Leave Analysis



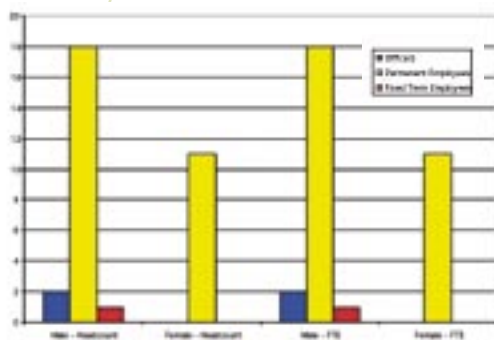
### Staff by Awards



### Annual Leave and Long Service Leave



### Staff by Category



## Appendix 4 - Additional compliance statistics

### Asset Management and Pricing Policies

#### Major Capital Projects

By the very nature of our business the Office has limited investment in capital works. From time to time the Office undertakes minor works associated with fit-outs of the tenancies leased. These minor works are funded from the Office's own financial resources.

#### Asset Management

The financial statements for 2003-04 are reported on an accrual basis, and contain full details of the Office's asset management policies as notes to the statements.

Office assets have been valued in accordance with the Office's accounting policies and procedures, and these values are disclosed in the statements, together with appropriate notes on valuation methods.

Details of the Office's assets are recorded in the asset module of the Office's financial management system. This provides a direct link between the Office's asset register and the general ledger, thus enhancing financial reporting.

#### Pricing Policies

Audit fees for conducting financial, performance and compliance audits are the main source of revenue for the Office. In addition, the Office receives a budget appropriation for the Auditor-General's salary and associated allowances.

The Treasurer determines audit fees charged for financial audits 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 applying a number of criteria that include size, history, risk, complexity, systems in place including internal controls, organisation and accounting changes and location. Given no change in any of the criteria fees would increase year to year by the movement in the Consumer Price Index (CPI). During 2003-04 the Auditor-General sought approval from the Treasurer to increase fees in line with the movement in Average Weekly Ordinary Time Earnings for the public sector instead of CPI. This request was approved.

## Government Procurement

### Support for Local Business

For contracts awarded during 2003-04 with values in excess of \$50 000 the following individual details as per Treasurer Instruction TI 701 (1)(i)(i) are noted:-

	2003-04
Total number of contracts awarded	1
Total number of contracts awarded to Tasmanian businesses	1
Number of tenders called	1
Total number of bids received	4
Total number of bids received from Tasmanian businesses	0
Total value of contracts awards	\$55 000
Total value of contracts awarded to Tasmanian businesses	\$55 000 (100%)

### Superannuation Declaration

I, Mike Blake, hereby certify that the Tasmanian Audit Office has met its obligations under the Australian Government's Superannuation Guarantee (Administration) Act 1992 in respect of those employees of the Office who are members of the following complying superannuation schemes to which the Office contributes:

- > AXA Australia
- > FSP Applications Trust Account
- > MLC Master Key Superannuation Fund



H M Blake  
30 June 2004

## 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
<b>GENERAL</b>		
	Table of contents	iii
	Alphabetical index	87
	Glossary of abbreviations and acronyms	N/a
<b>OVERVIEW</b>		
SSR 9(a)(i)	Overview of the Agency's Strategic Plan, including its corporate objectives, functions and related programs.	5
SSA s. 36(1)(a)	The performance of the functions and exercise of powers of the Head of Agency, under any written law.	3
FMAA s.27(1)(a)		
FMAA s.27(1)(b) subject to s.27 (2)	A report by any statutory office-holder employed in, or attached to, the Agency, except where required to report under any other Act.	2
SSA s. 36(1)(b)		
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)	Details of major changes affecting programs, objectives or organisational structure.	5
TI 701 (1)(b)		

<b>ORGANISATIONAL STRUCTURE</b>		
SSR 9(a)(ii)	Organisational Chart as at the end of the reporting year.	30, 79
SSR 9(a)(iii)	Description of the relationship between the organisational structure and the program structure of the Agency.	30
<b>PERFORMANCE MANAGEMENT</b>		
TI 701 (1)(a) & (e)	A summary, together with quantitative measures where relevant, of the objectives and functions of programs or activities, including significant outcomes, key efficiency measures, targets, proposed plans and any ministerial objectives.	5-28
TI 701 (1)(b)	Economic or other factors that have affected the achievement of operational objectives.	N/a
<b>STATUTORY AND NON-STATUTORY BODIES AND COMPANIES</b>		
	A list of Statutory and Non-Statutory Bodies of which the Agency is a parent body. A list of names of companies.	N/a
<b>LEGISLATION ADMINISTERED AND MAJOR DOCUMENTS PUBLISHED</b>		
SSR 9(d)	List of legislation administered by the Agency during the year and any significant changes to that legislation.	i
SSR 9(c)(i)	Details of major documents or publications produced by the Agency.	9
<b>PUBLIC ACCESS AND AWARENESS OF SERVICES PROVIDED</b>		
SSR 9(c)(ii)	List of contact officers and points of public access in relation to services provided by the Agency.	Back Cover
SSR 9(c)(i)	Details of activities undertaken to develop community awareness of the Agency and the services it provides.	43-44
FOI Act s. 56	Freedom of Information details for the financial year.	46
SSR 9(c)(iii)	Outline of the processes available for appeals against decisions made by the Agency.	N/a
<b>HUMAN RESOURCE MANAGEMENT</b>		
SRR 9(b)(i)	Recruitment policies and programs.	38
SSR 9(b)(ii)	Report on officer and employee development activities.	40
SSR 9(b)(iii)	Work place diversity programs.	39
SSR 9(b)(iv)	Industrial democracy plans, together with an outline of the process available for appeals against decisions made by the Agency.	41
SSR 9(b)(v)	Outline of internal grievance procedures.	N/a
SSR 9(b)(vi)	Summary of Occupational Health and Safety strategies.	40
PSSRA s. 13	Statement regarding contributions to non-RBF superannuation funds, including a statement that the Agency has met its obligations under the Superannuation Guarantee (Administration) Act 1992	83

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.	82
TI 701 (1)(f)	Statement of risk management policies and an outline of significant risk management activities and initiatives	32
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	82
EXTERNAL/INTERNAL SCRUTINY		
TI 701(1)(i)&(ii)	Details of all major contracts awarded, including the value of work and the name and locality of contractors.	26
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 crossed-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.	83
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.	50
TI 701 (1)(m)	Auditor report on Financial Statements.	77

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Accountability on your behalf

Our Vision

“Excellence in Audit Services”.

Our Mission

“To enhance accountability of public sector performance in Tasmania”.

Our Values

- Accountability
- Client Service
- Our People
- Professionalism

2003-04 Corporate Focus

Stakeholders, including Parliament, who are well-informed and who value the Tasmanian Audit Office as a source of independent audit advice and assurance on the performance and accountability of public sector entities.

Five Year Summary

		Target	2000	2001	2002	2003	2004
Volume of Activity							
Organisations and activities audited	AC		137	127	127	137	134
Qualified audit opinions issued	AC	0	5	5	4	3	1
Client General Satisfaction Index	AC	75	74	76	73	75	N/a
Parliamentarian General Satisfaction Index	AC	75	74	74	73	73	N/a
Number of reports to Parliament	FY	8	6	6	6	8	6
Timeliness and Quality							
Financial Audits completed within 4 months of balance date	AC	95%	50%	48%	62%	71%	N/a
Client index on timeliness of audits	AC	75%	67%	75%	71%	75%	N/a
Financial Audits completed with 30 days of receipt of signed financial statements	AC	90%	79%	93%	94%	92%	N/a
Staff							
Staff Satisfaction Index	FY	75	N/s	N/a	62	64	60
Employees – Average FTE	FY		33.4	35.1	35	36	34
Days sick leave per employee	FY	5%	7.8	7.3	12.7	7.5	7.9
Training - % of total resources	FY	10%	11%	12%	13%	10%	7%
Number of grievances lodged	FY	0	0	0	0	0	0
Workers Compensation Claims	FY	0	1	0	1	1	0
Finances							
Break-even on financial audits – Profit/ (Loss) as a percentage of audits fees	AC	0.0%	4.1	(4.0)	(11.9)	(2.3)	N/a
Revenue from operating activities (\$'000)	FY		2 884	3 002	3 136	3 389	3 636
Total Expenses from operating activities (\$'000)	FY		2 738	2 964	3 293	3 464	3 610
Operating surplus/(deficiency) after taxation (\$'000)	FY	0	110	20	100	(63)	18
Net assets (\$'000)	FY		1 251	1 023	882	719	737

N/s: No survey conducted. The surveys are conducted six months after the end of the financial year.  
N/a: Not available at the time of tabling report.  
AC: Audit Cycle (1st November – 31st October)  
FY: Financial Year ended 30 June