

16 TASMANIAN AUDIT OFFICE

AGENCY OUTLINE

The Auditor-General is responsible for audits under the *Financial Management and Audit Act 1990*, the *Government Business Enterprises Act 1995*, the *Local Government Act 1993*, and other Acts. The Auditor-General also has responsibilities in respect of Commonwealth grants and payments to the State under Commonwealth legislation.

The statutory office of the Auditor-General is established by the Financial Management and Audit Act. The Tasmanian Audit Office (Office) supports the Auditor-General in meeting his statutory responsibilities and the Auditor-General is the Head of the Office. The Office is part of the accountability mechanism whereby the Parliament holds the Government accountable for fulfilling its financial responsibilities.

STRATEGIC FOCUS

The strategic focus of the Office is to provide independent audit assurance to Parliament concerning:

- the financial statements of the Treasurer, government agencies and other public bodies; and
- the economy, efficiency and effectiveness of the operations of those entities.

This strategic focus has been recognised in the Tasmania *Together* benchmarks. Under Goal 15 - 'Have a system of government that is accountable to the people and plans for the future at all levels' it is stated that one of the challenges is to 'maintain the number of performance-based audits conducted by the Auditor-General'.

The services provided by the Office include:

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

The Office's vision statement is 'Excellence in Audit Services'.

The Office's mission is 'To add value to public sector performance and accountability in Tasmania'.

The Office's value statement is 'Accountability, Client Service, Our People and Professionalism'.

KEY STRATEGIES

In order to achieve or assist in the achievement of the above strategic focus, the Tasmanian Audit Office is implementing the following key strategies:

- increasing focus on client relationships and key account management principles;
- timely completion of financial statement audits;
- conducting at least eight performance audits each financial year;
- increasing the readability, usefulness and timeliness of our reports; and
- providing appropriate professional development opportunities for our staff.

2003-04 MAJOR INITIATIVES

As part of the above key strategies, the Tasmanian Audit Office is implementing the following major initiatives:

- regularly surveying stakeholders in respect of performance audits and financial audits;
- making more contact with Heads of Agency, Chief Executive Officers and senior managers;
- making more contact with Parliamentarians;
- increasing the Office's understanding of client's business and providing up to date information on issues likely to impact clients; and
- continuing to implement and refine business processes to ensure the Office achieves best practice in respect of key account management and client relationship management.

SUMMARY AGENCY 2003-04 BUDGET INFORMATION

Financial Summary

Table 16.1: Summary Financial Information for the Tasmanian Audit Office

	2002-03 Budget \$'000	2003-04 Budget \$'000	Variation %
OPERATING REVENUE			
Revenue from Government			
Reserved by Law ¹	298	254	(14.8)
Other Revenue ²	2 915	3 332	14.3
TOTAL	3 213	3 586	11.6
OPERATING EXPENSES			
Public Sector Management and Accountability	3 350	3 553	6.1
TOTAL	3 350	3 553	6.1
NET OPERATING RESULT	(137)	33	124.1

Notes:

1. This decrease is due to a recalculation of funding for the Auditor-General's salary.
2. This increase reflects the additional revenue expected to be received for services provided by the Office during 2003-04.

DETAILED OUTPUT GROUP 2003-04 BUDGET INFORMATION

The sole Output of the Tasmanian Audit Office is provided under Output Group 1, Public Sector Management and Accountability.

Output Group 1: Public Sector Management and Accountability

Description

The Office's Outcome Statement is:

'A well-informed Parliament, that values the Tasmanian Audit Office as a source of independent audit advice and assurance on the performance and accountability of public sector entities'.

The Auditor-General's principal aim is to improve accountability and encourage economic, efficient and effective use of public resources in Tasmania.

The Auditor-General is responsible for auditing the financial affairs and other activities of the Parliament and around 118 public sector organisations, including government agencies, public bodies, government businesses, superannuation funds, health services, educational institutions and Local Government.

Audit findings and recommendations address:

- improvements in the management practices and systems of government organisations;
- fair presentation of financial statements; and
- compliance with legislative and other requirements.

The process to determine audit findings and recommendations involves the carrying out of two types of audits: financial audits and performance audits.

Financial Audits

Any audit assignment that relates to forming an opinion on the annual financial statements of a public sector entity is a financial audit. These audits provide independent assurances to the Parliament and the community that the information in the financial statements of public sector entities is presented fairly and in accordance with Australian Accounting Standards.

Performance Audits

A performance audit is an audit that evaluates whether an organisation is achieving its objectives effectively, economically, efficiently and in compliance with all relevant legislation.

Table 16.2: Summary Financial Information - Output Group 1

	2002-03	2003-04	
Public Sector Management and Accountability	Budget	Budget	Variation
	\$'000	\$'000	%
OPERATING REVENUE			
Revenue from Government			
Reserved by Law ¹	298	254	(14.8)
Investment Income	15	48	220.0
Sales of Goods and Services ²	2 900	3 284	13.2
TOTAL	3 213	3 586	11.6
OPERATING EXPENSES			
Employee Entitlements			
Salaries and Wages	2 137	2 157	0.9
Other Employee Related Expenses ³	160	221	38.1
Superannuation	220	230	4.5
Depreciation and Amortisation	103	86	(16.5)
Supplies and Consumables			
Travel and Transport	75	80	6.7
Communications	27	28	3.7
Consultancies ³	95	159	67.4
Rent ³	105	145	38.1
Other Accommodation Related Expenses	6	7	16.7
Information Technology	90	98	8.9
Other Supplies and Consumables	332	342	3.0
TOTAL	3 350	3 553	6.1
EXPENSE BY OUTPUT			
1.1 Public Sector Management and Accountability	3 350	3 553	6.1
TOTAL	3 350	3 553	6.1

Notes:

1. The decrease in Reserved by Law funding is due to a recalculation of the Auditor-General's salary.
2. The increase in Sales of Goods and Services reflects the additional revenue expected to be received for services provided by the Office during 2003-04.
3. The increase for 2003-04 reflects a more accurate estimation based on actual expenditure in 2002-03.

Table 16.3: Performance Information - Output Group 1

Performance Measure	Unit of measure	2000-01 Actual	2001-02 Actual	2002-03 Target	2003-04 Target
Financial statement audits completed within four months of balance date	%	48	62	95	95
Financial statement audits completed within 30 days of receipt of signed final financial statements	%	93	94	90	90
Client General Satisfaction Index	%	76	73	75	75
Client index on timeliness of financial statement audits	%	75	71	75	75
Number of performance audits undertaken during the year	Number	6.0	9.0	7.6	8.0
Usefulness index for performance audits	%	70	70	75	75
Parliamentarian General Satisfaction Index	%	74	73	75	75

Performance Information Comments

The Office redeveloped its performance indicators as a result of the Office's new corporate strategy and focused on performance indicators that the Office has control over.

Financial Statement Audits Completed within four months of Balance Date

While the Office does not have performance agreements with our clients in respect of issuing audit reports within a specific time frame, the Office has its own benchmarks. Most of the Office's clients have a 30 June balance date and, as such, the Office's benchmark is that all clients will receive an audit report within four months of the balance date, that is by 31 October. Our performance has improved from 48 per cent to 62 per cent but is still a long way short of the target of 95 per cent. The target has been revised down from 100 per cent to 95 per cent as some clients repeatedly forward signed financial statements post 30 November each year. The adjustment recognises that this client behaviour is beyond our control. This indicator must be balanced against the legislative requirement that agencies, for example, do not have to provide a set of financial statements to the Office until 31 August each year. Therefore, in effect, the Office has only two months to meet this target. There are no incentives for agencies and other public bodies to provide final signed financial statements earlier, other than the requirement to table their annual reports in Parliament by 30 November each year, including audited financial statements. The Office is working with clients to ensure accurate financial statements are provided earlier so as to improve the process and timeliness of completing all financial statement audits.

Financial Statement Audits Completed within 30 days of Receipt of Signed Final Financial Statements

This performance indicator illustrates how effective the Office is in providing an audit report within 30 days of receiving signed final financial statements. While the Office receives financial statements by the statutory dates, these statements in the majority of cases are still in draft format and, even if there are signed financial statements, the statements may still need amendments as a result of audit findings. The legislation does not clearly stipulate that the financial statements to be forwarded are of a final nature. The performance

indicator target for the Office is 90 per cent based on the fact that there is a heavy demand on the Office's staff to complete audits during October and November as a result of the practice of some clients providing draft signed financial statements that require subsequent revisions before the Office can issue an audit report.

Client General Satisfaction Index

Each year, the Office surveys its clients covering topics such as performance, satisfaction, timeliness, communication and audit process. The performance indicator target is 75 per cent, being a good to very good rating. The Office achieved a satisfaction rate of 73 per cent for the 2001-02 audit cycle, which was slightly down from the previous year (76 per cent). Over the past five years, the average was 75 per cent.

Client Index on the Timeliness of Financial Statement Audits

As part of the annual client survey, the Office asks questions in relation to the timeliness of financial statement audits completed. The target set by the Office is 75 per cent (good to very good), and in previous years the Office was rated as good (67 per cent in 1999-00), good to very good (75 per cent in 2000-01), and good to very good (71 per cent in 2001-02). This rating indicates that the clients accept the fact that the timeliness issue associated with preparing financial statements and issuing an audit report is a shared responsibility and there is a recognition that all parties can improve further.

Number of Performance Audits Undertaken during the Year

Under Goal 15 of Tasmania *Together*, it is stated that one of the challenges is to 'maintain the number of performance-based audits conducted by the Auditor-General'. The number of performance audit reports that are to undertaken each year is not stipulated. The Office has set a new target of undertaking 1.6 performance audits per FTE per year based on the staffing of and funding for the Performance Audit Division. The staffing level for 2002-03 is 4.75 FTEs so the target is 7.6 performance audits undertaken whereas the target for 2003-04, based on five FTEs, is eight performance audits undertaken.

Usefulness Index for Performance Audits and Parliamentarian General Satisfaction Index

Under its corporate strategic focus, the Office surveys its clients, stakeholders and staff annually. The Office has surveyed Parliamentarians in the past to ascertain their perception of performance and the usefulness of the reports the Office produces, both performance audit reports and other statutory reports on the Treasurer's Financial Statements, government agencies and other public bodies. In last year's survey, the response rate was 17 per cent while in previous years the response rates were only 27 per cent (2001) and 40 per cent (1997). The response rates in the previous surveys were poor, making last year's response very disappointing.

Given a low response rate, it is difficult to draw much from the results. The results for the General Satisfaction Index rated the Office at 73 per cent. The target is 75 per cent. Once again, in light of the poor response, the Office is reviewing how the Parliamentarians are surveyed in the future. The Office is also looking at building a closer relationship with the Parliamentarians.

The results for the Usefulness Index rated the Office at 70 per cent, this being unchanged from the last survey. The target is 75 per cent. The Office, as a result of previous feedback, has provided executive summaries and briefing sessions when a report is tabled.

DETAILED BUDGET STATEMENTS

Table 16.4: Output Group Expense Summary for the Tasmanian Audit Office

	2002-03 Budget	2003-04 Budget	Variation
	\$'000	\$'000	%
Output Group 1 - Public Sector Management and Accountability			
1.1 Public Sector Management and Accountability	3 350	3 553	6.1
	3 350	3 553	6.1
TOTAL AGENCY	3 350	3 553	6.1

Table 16.5: Statement of Financial Performance for the Tasmanian Audit Office

	2002-03 Budget	2003-04 Budget	Variation
	\$'000	\$'000	%
OPERATING REVENUE			
Revenue from Government			
Reserved by Law¹	298	254	(14.8)
Investment Income	15	48	220.0
Sales of Goods and Services²	2 900	3 284	13.2
TOTAL	3 213	3 586	11.6
OPERATING EXPENSES			
Employee Entitlements	2 297	2 378	3.5
Superannuation	220	230	4.5
Depreciation and Amortisation	103	86	(16.6)
Supplies and Consumables³	730	859	17.6
TOTAL	3 350	3 553	6.1
NET OPERATING RESULT	(137)	33	124.1

Notes:

1. The decrease is due to a recalculation of funding for the Auditor-General's salary.
2. The increase reflects the additional revenue expected to be received for services provided by the Office during 2003-04.
3. The increase in Supplies and Consumables for 2003-04 reflects a more accurate estimation based on actual expenditure in 2002-03.

Table 16.6: Statement of Financial Position as at 30 June for the Tasmanian Audit Office

	2003 Budget \$'000	2004 Budget \$'000	Variation %
CURRENT ASSETS			
Cash ¹	480	666	38.8
Receivables	260	260	....
Prepayments	20	20	....
Accrued Revenue ²	228	478	109.6
Tax Assets	105	105	....
Other ³	42	....	(100.0)
TOTAL	1 135	1 529	34.7
NON-CURRENT ASSETS			
Receivables	200	200	....
Plant and Equipment ⁴	279	157	(43.8)
TOTAL	479	357	(25.5)
TOTAL ASSETS	1 614	1 886	16.8
CURRENT LIABILITIES			
Payables ⁵	130	238	83.0
Employee Entitlements	283	281	(0.8)
Accrued Expenses	177	177	....
Other	33	19	(42.5)
TOTAL	623	715	14.7
NON-CURRENT LIABILITIES			
Employee Entitlements	326	326	....
Other	70	70	....
TOTAL	396	396	....
TOTAL LIABILITIES	1 019	1 111	9.0
NET ASSETS	595	775	30.2

Notes:

1. The increased 2003-04 estimate reflects the increase in receipts received in 2002-03.
2. Accrued Revenue includes work in progress and, with the Office realising the gains from improved internal processes, the Office is more advanced in its audit program than in previous years.
3. The Office had a lease incentive asset from the prior year brought to account.
4. The decrease in Plant and Equipment is as a result of depreciation.
5. The increase in Payables for 2003-04 reflects a more accurate estimation.

Table 16.6: Statement of Financial Position as at 30 June for the Tasmanian Audit Office (continued)

	2003	2004	
	Budget	Budget	Variation
	\$'000	\$'000	%
ADMINISTERED ITEMS			
CURRENT ASSETS			
Cash	(14)	...	(100.0)
Tax Assets	14	...	(100.0)
TOTAL	...	...	...
NON-CURRENT ASSETS			
TOTAL	...	...	...
TOTAL ASSETS	...	...	...
CURRENT LIABILITIES			
TOTAL	...	...	...
NON-CURRENT LIABILITIES			
TOTAL	...	...	...
TOTAL LIABILITIES	...	...	...
NET ASSETS	...	...	...

Table 16.7: Statement of Cash Flows for the Tasmanian Audit Office

	2002-03	2003-04	
	Budget	Budget	Variation
	\$'000	\$'000	%
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts			
Revenue from Government			
Reserved by Law¹	298	254	(14.8)
Interest Received	15	48	220.0
Sales of Goods and Services²	2 638	3 034	15.0
Payments			
Employee Entitlements	(2 241)	(2 382)	6.2
Superannuation	(220)	(231)	5.0
Supplies and Consumables	(784)	(833)	6.2
NET CASH FROM/(USED IN) OPERATING ACTIVITIES	(294)	(110)	62.6
CASH FLOWS FROM INVESTING ACTIVITIES			
NET CASH FROM/(USED IN) INVESTING ACTIVITIES	....	....	....
CASH FLOWS FROM FINANCING ACTIVITIES			
NET CASH FROM/(USED IN) FINANCING ACTIVITIES	....	....	....
Net Increase/(Decrease) In Cash Held	(294)	(110)	62.6
Cash at the Beginning of Reporting Period	774	776	0.2
Cash at the End of Reporting Period	480	666	38.8

Notes:

1. The decrease is due to a recalculation of funding for the Auditor-General's salary.
2. The increase reflects the additional revenue expected to be received for services provided by the Office during 2003-04.

**Table 16.7: Statement of Cash Flows for the Tasmanian Audit Office
(continued)**

	2002-03	2003-04	
	Budget	Budget	Variation
	\$'000	\$'000	%
ADMINISTERED ITEMS			
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts			
Revenue from Government	....	....	....
GST Receipts	257	264	2.7
Payments			
GST Payments	(264)	(264)	....
NET CASH FROM/(USED IN) OPERATING ACTIVITIES	(7)	....	(100.0)
CASH FLOWS FROM INVESTING ACTIVITIES			
NET CASH FROM/(USED IN) INVESTING ACTIVITIES	....	....	....
CASH FLOWS FROM FINANCING ACTIVITIES			
NET CASH FROM/(USED IN) FINANCING ACTIVITIES	....	....	....
Net Increase/(Decrease) In Cash Held	(7)	....	(100.0)
Cash at the Beginning of Reporting Period	(7)	....	(100.0)
Cash at the End of Reporting Period	(14)	....	(100.0)

Table 16.8: Reconciliation of Operating Expenses to Consolidated Fund Appropriation

	2002-03	2003-04
	Budget	Budget
	\$'000	\$'000
Total Operating Expenses	3 350	3 553
Adjustments for non-cash items		
Depreciation	(103)	(86)
Employee Entitlements	(56)	5
Supplies and Consumables	54	(26)
Total Cash Cost of Outputs	3 245	3 446
Other funding sources	(2 947)	(3 192)
Total Consolidated Fund Appropriation	298	254