

PUBLIC ACCOUNTS COMMITTEE

Report on Review of the Tasmanian
Auditor-General's Office

March 2024

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Preamble

The Tasmanian Audit Act 2008 (Act) sets out the Tasmanian Auditor-General's functions, mandate and powers. The purpose of the Act is to ensure that Tasmania has an Auditor-General with the necessary functions, immunities and independence that provides for the independent audit of the public sector and related entities.

Section 44 of the Act - Periodic review of the Tasmanian Audit Office (TAO) mandates that:

- The TAO is to be subject to a review of its operational efficiency, effectiveness and economy at least once every five years. Audit Standard ASAE 3500 – *Performance Engagements* defines these as:
 - *Economy* – the performance principle relating to the minimisation of the costs of resources, within the operational requirements of timeliness and availability of required quantity or quality.
 - *Efficiency* – the performance principle relating to the minimisation of inputs employed to deliver the intended outputs in terms of quality, quantity and timing.
 - *Effectiveness* – the performance principle relating to the extent to which the intended objectives at a program or entity level are achieved.
- An independent auditor be engaged by the Governor, or the Treasurer may recommend a registered company auditor within the meaning of the Corporations Act to conduct the review.
- A summary of findings is to be provided to the Auditor-General and to invite the Auditor-General to make submissions or comments on the content of the summary of findings.
- The findings of the review and any submissions or comments by the Auditor-General are to be submitted to the Public Accounts Committee.

The review of the efficiency, effectiveness and economy of the operations of the TAO is to cover:

- The Governance framework of the TAO, including evaluation of the adequacy of internal risk management, operating procedures and controls.
- The conduct of Financial Audit engagements, to assess the audit methodology, tools and techniques, including the new Audit system implemented in 2020 “*CaseWare*”.
- The conduct of Performance and Compliance audits, and Investigations. To assess the methodology, tools and techniques deployed are adequate and appropriate, and the extent to which recommendations are practical and actionable.
- Assess the effectiveness of the approach to implementing data analytics in Audits.
- Assess the relevance of the strategies set by the Auditor-General in the Strategic Plans 2016-2020 and 2021-2024, and the extent to which they are being delivered.
- Assess the general management of the TAO, including the organisational structure and the TAO leadership team, the organisation of resources, the allocation of audits, the outsourcing of audits and the setting and monitoring of audit fees.
- Assess the operation of the TAO's quality controls systems, including compliance with Auditing Standards.
- Assess the TAO's relationships with its primary stakeholders, in particular Parliament, the Treasurer, the Public Accounts Committee and heads of State entities as defined in the *Audit Act 2008*.

- Review steps taken in response to the 2018-year review into the efficiency, effectiveness and economy of the operations of the TAO.
- Any such other matters as considered relevant by the Reviewer.

Although the Act mandates a review of the functions of the Auditor-General, the Terms of Reference predominantly focus on the TAO rather than the Auditor-General. In alignment with the 2018 Section 44 Review, this report primarily uses the term "TAO" unless the context necessitates the use of "Auditor-General." The entities audited by the TAO are referred to as "auditees".

Our firm, Moore Australia Audit (Vic), was selected to carry out the review – which is now completed, and our report follows. It includes feedback from the Auditor-General.

Introduction to the Section 44 review

The review team – George Dakis (Partner), Katrina Francisco (Associate Director), Kaisee Chwalko (National Head of Technical Audit) and Michael Lam (Senior Manager) were appointed by the Treasurer in October 2023 to complete the review.

The approach to the Section 44 review included examination of:

- policies and procedures;
- charters and terms of reference;
- agenda and minutes of various committee meetings;
- strategic plans and business unit plans;
- CaseWare files – Financial and Performance audit (Audit system);
- reports from various sources, Surveys and ORIMA reports;
- benchmarking data and reports from the Australasian Council of Auditors-General (ACAG); and
- meeting with staff and stakeholders.

The Review Team, in the course of this review, met with stakeholders which included Senior members of Statutory Authorities, Government Owned Enterprises, Departments, the Chair of the Risk and Audit Committee of the TAO, and relevant Integrity Bodies.

In addition to meeting with the Auditor-General, Deputy Auditor-General and Senior Management of the TAO, the Review Team also met with staff from various levels from Financial Audit Services, Performance Audit Services, Data Analytics and IT Audit, and Corporate Support and Strategy.

Structure of the Report

For ease of reading, our report is laid out in the same order as the tender documents and subsequent contract:

- Section 1. Governance Framework, Risk Management and Operational Controls
- Section 2. Conduct of Financial Audit Engagements
- Section 3. Conduct of Performance Audits Engagements
- Section 4. Data Analytics
- Section 5. Strategic Objectives and Critical Success Factors – Strategic Planning
- Section 6. General Office Management
- Section 7. Quality Control Systems
- Section 8. Relationship with primary and key Stakeholders
- Section 9. Internal Audit Reviews
- Section 10. Follow up on TAO recommendations – Performance Audits
- Section 11. Response to the 2018 Section 44 review

Incoming Auditor-General

It is opportunistic that the Section 44 – Five-Year review of the TAO was conducted in late 2023 and completed in the first quarter of 2024. As we have noted, the current Auditor-General, Mr Rod Whitehead, is due to end his term of appointment as Tasmania’s Auditor-General in March 2024. As the current Auditor-General completes his fixed term and a new Auditor-General is set to commence on 1 May 2024, this review presents an opportunity to offer feedback and suggestions for operational improvement to the incoming Auditor-General.

This report endeavours to serve as a resource to support the incoming Auditor-General. This review’s suggestions for structure, planning, quality controls, governance, and internal workforce matters are targeted at the incoming Auditor-General. Additionally, the review provides improvement opportunities addressing ongoing issues, underscoring the significance of their execution. Specific recommendations have been organised to encourage the proactive involvement of the pertinent government entities in their evolving roles and to foster a more reflective engagement between the TAO and the relevant government entities.

Note: throughout the report, the terms improvement opportunities and recommendations may be used interchangeably.

Acknowledgements

We express our appreciation for the assistance provided by the TAO and the Auditor-General throughout the conduct of this review. Special thanks are extended to the Corporate Support and Strategy team for efficiently coordinating responses to numerous inquiries and providing additional information. Our gratitude is extended to the numerous TAO staff, key stakeholders and many others who generously provided appropriate feedback and thoughts thought the review.

Executive Summary

Over the past five years to 2023, Tasmania and the rest of Australia has faced significant challenges both domestically and internationally. These have included major natural disasters, a pandemic that changed the way most of us lived, worked and played, and changes to major government initiatives and programs.

Despite these obstacles, in our opinion, the Tasmanian Audit Office ('TAO') has successfully navigated through these turbulent times and has served the State as required. This review concludes that, on the whole, the TAO fulfills its functions economically, effectively, and efficiently. However, like any organisation, there are areas where improvement opportunities can be made.

As the tenure of the current Auditor-General is coming to an end and a new Auditor-General is set to begin on 1 May 2024, there exists a timely opportunity to offer feedback and suggestions aimed at improving the operations of the TAO. This report serves as a resource for the incoming Auditor-General.

The recommendations outlined in this review, covering areas such as structure, planning, governance, and internal workforce issues, are specifically tailored for the incoming Auditor-General's consideration. Additionally, recommendations are provided for ongoing issues to underscore the importance of their implementation.

In the last five years, the structure of the TAO has changed especially in the senior management level with the departure of the Deputy Auditor-General and Director of Corporate and Support and Strategy. We have noted that the impetus of new senior management may have provided a revitalised approach to the strategic and operational management of the TAO.

The TAO is facing similar challenges as many private employers in the highly competitive labour market for auditors and finance professionals. One significant issue that the TAO is grappling with is a notable rise in staff attrition. The Performance Audit Team lost all but three staff at the beginning of 2023. However, the TAO has proactively changed their recruitment model and utilised flexible and different arrangements and Visa sponsorship programs to attract the right calibre of staff.

The governance framework of the TAO, as outlined in its Corporate Governance Policy, has undergone revisions and updates since the 2018 review. The policy serves as a guiding document for the principles governing the TAO's governance and management activities, integrating the "4th Edition of the ASX Corporate Governance Council: Corporate Governance Principles and Recommendations." Committees within the TAO, such as the Risk and Audit Committee and the Executive Committee, play crucial roles in supporting the Auditor-General in meeting legislative obligations and strategic planning. These committees oversee, advise on, and advocate for strategic and operational objectives, guided by charters or terms of reference. Several areas for improvement have been identified within the TAO's governance framework. Despite these areas for improvement, the TAO demonstrates a commitment to refining its governance practices, as evidenced by ongoing enhancements to the Risk Management Policy and other supporting governance tools.

Central to the TAO's responsibilities are its financial audits, aimed at instilling confidence in the accuracy and fairness of financial statements. The TAO assesses whether these statements align with relevant financial reporting frameworks, ensuring the comprehensive presentation of material information. The audit function is managed both internally by TAO staff and externally through contracted Audit Service Providers (ASPs). Additionally, a framework of signing officers, including the Auditor-General and Assistant Auditor-Generals, oversees the audit process, ensuring compliance and accountability.

Despite the effectiveness of the audit process, areas for improvement have been identified. These include enhancing documentation practices to capture discussions with ASPs and clients, reviewing methodologies, and considering the appointment of a Technical Advisor to address complex accounting issues promptly. Despite these areas for improvement, the TAO has shown a commitment to adapting to changes in auditing standards, implementing efficient audit software, and engaging in continuous improvement initiatives to uphold audit quality and effectiveness.

The TAO plays a vital role in ensuring accountability and transparency in the utilisation of public resources by conducting Performance Audits, which evaluate the effectiveness, efficiency, economy, and legislative compliance of public sector entities. Through these audits, valuable recommendations are provided to public sector entities, empowering them to enhance their management objectives, processes, and service delivery, ultimately leading to improved public services. The TAO adheres to standard audit principles and methodologies, as outlined in the Performance Audit Manual (PAM) and supported by the CaseWare system, although there are ongoing efforts to align the two more closely. The TAO also undergoes peer reviews and surveys to assess its performance and gather feedback for continuous improvement.

However, the TAO faces challenges such as budget overruns and delays in Performance audit activities, attributed to factors like resource constraints. Despite these challenges, efforts are being made to address these issues to ensure the effectiveness and integrity of Performance audit processes, which are crucial for enhancing the overall performance and impact of the TAO's Performance audit activities.

The integration of data analytics into Financial and Performance audits offers numerous benefits, including enhanced risk assessment, improved audit efficiency, and better detection of errors and fraud. Data analytics enables auditors to analyse large datasets comprehensively, identify anomalies, assess risks, and automate repetitive tasks, ultimately leading to higher audit quality and increased confidence in financial and performance reporting. While there is a willingness from the government department to engage in future data analytics projects, improvements such as ensuring data analytics staff possess a solid grasp of finance and accounting concepts and developing proper project plans are necessary to realise the full benefits of data analytics in audits.

The Strategic Audit Plan 2021-2024 has been redeveloped. The plan has undergone revisions to streamline its content while incorporating more relevant points compared to the previous version of 2016-2020. The TAO's approach includes an Annual Plan of Work, which is reviewed annually and the Business Unit Plans to ensure alignment with strategic objectives and performance measures. While opportunities for improvement exist, the TAO's comprehensive framework lays a solid foundation for continuous enhancement, overseen by the Executive Committee and reviewed by the Risk and Audit Committee.

The TAO regularly conducts surveys to gauge the satisfaction and perceptions of Parliamentarians and auditees, providing Key Performance Indicators (KPIs) for evaluation. The 2022 survey of Parliamentarians revealed generally positive ratings, with high satisfaction levels regarding the TAO's reports and services. However, there was a slight decline in perceptions regarding the effectiveness of the Auditor-General in informing Parliament about public sector accountability. The financial audit auditees highlighted lower satisfaction levels compared to previous years, particularly in audit reporting aspects such as accuracy and timeliness. Performance audit auditees, however, reported improved perceptions, especially regarding audit reporting and value, indicating a positive trend in this area.

The TAO's performance index scores from auditee surveys showed mixed results, with declining satisfaction noted in various aspects, particularly in financial audit reporting. While there are noticeable disparities between Parliamentarian perceptions and those of auditees, the TAO's strategic audit framework remains aligned with legislative requirements. There are opportunities for improvement, especially in addressing discrepancies highlighted in the ORIMA reports. The incoming Auditor-General should conduct a thorough review of these reports to identify areas for enhancement and ensure the continued development of a robust audit framework.

In response to the challenges brought about by the COVID-19 pandemic, the TAO swiftly adapted its operations to ensure service continuity and support for its staff. Recognising the pivotal role of its employees, the TAO prioritises understanding their perspectives through regular internal surveys and participation in broader State Service surveys. Challenges persist due to a nationwide shortage of audit skills, impacting recruitment and retention efforts. Nevertheless, the TAO has implemented innovative strategies such as maintaining a higher-than-average Full-Time Equivalent (FTE) in the audit team, offering permanent contracts with enhanced support for entry-level staff, and visa sponsorship.

The staff survey conducted by the Tasmanian State Service Management Office, the TAO scored better in all categories than the whole of Tasmanian State Service. The survey also provided a comparison of the TAO's results for 2018 and 2020, where the 2023 results show an improvement in all questions asked. The positive employee survey results showed that the TAO has made positive gains in the workplace environment.

The TAO Policy Register acts as a central hub housing essential policies, procedures, manuals, and significant documents. It's crucial for organisations to uphold current policies and procedures to guarantee legal adherence, operational smoothness, risk mitigation, consistency, and employee contentment. We observed certain documents haven't been reviewed or updated in a timely manner. Management should conduct a thorough examination of the Register, prioritise areas for enhancement, and fortify review protocols.

Staff performance reviews play a pivotal role in fostering employee engagement, development, and overall organisational success. These reviews offer a structured approach to assessing performance, setting objectives, delivering feedback, and making informed decisions regarding talent management. By providing constructive feedback, employees gain insights into their strengths and areas for improvement, aligning individual goals with organisational objectives. The reviewed noted that the Performance Management Policy requires updating and improving the alignment between position description document and the Performance Management Manual.

Conflict of interest declarations are crucial for promoting transparency, integrity, and accountability within an organisation. By encouraging employees to disclose potential conflicts and implementing measures to manage them, organisations can maintain trust, protect their reputation, and mitigate risks associated with conflicts of interest, including perceived conflicts of interest. The TAO should consider developing a comprehensive Personal Relationship Policy, addressing disclosure requirements, handling situations involving personal relationships among employees, and fostering a professional and inclusive workplace culture. These measures can promote a positive work environment for all staff members and external stakeholders' perceptions.

The review of audit files highlights the TAO's commitment to quality control, with all previous recommendations for enhancing engagement quality having been implemented. However, there remain areas for improvement, such as ensuring timely completion and proper documentation of audit files, as well as monitoring and addressing inconsistencies in risk assessments. Additionally, the consideration of independence at the engagement level is crucial, necessitating measures to confirm independence throughout the engagement process and to reinforce compliance with independence requirements. Improvement opportunities also include reviewing policies on retaining draft financial statements and issuing management reports promptly to stakeholders. Furthermore, the report from Grant Thornton identifies medium and low risks regarding the review of quality-related policies and procedures, as well as areas for performance improvement, such as updating the Risk Register and enhancing policy and procedure documents. The TAO has responded to these findings by taking or planning appropriate actions, indicating a proactive approach to addressing identified issues and enhancing overall quality control processes.

The TAO undergoes various internal and external peer reviews, demonstrating a commitment to quality improvement. While commendable efforts have been made to address identified issues, there were instances where recurring improvements resurfaced, despite being previously deemed adequately resolved. To minimise the recurrence of such findings, it's imperative for the TAO to implement Root Cause Analysis on both internal and external review outcomes. This approach ensures that remedial actions effectively address the underlying causes identified in the reviews, thereby enhancing the organisation's overall quality management process.

Our examination of Stakeholder engagement yielded both positive feedback and areas for improvement. Interviews with Stakeholders revealed a diverse range of perspectives and comments, encompassing both favourable and constructive criticism. Upon assessment, it became apparent that certain comments could be linked to the ongoing staff attrition issue that has impacted the TAO over the last few years. It is anticipated that upon the conclusion of the current initiatives taken, there will be an overall enhancement in auditee perceptions of the TAO.

Within each section of the report, we have outlined our evaluations and, where relevant, identified opportunities for improvement.

We would like to take this opportunity to thank the Auditor-General and the TAO staff for their assistance in conducting the review. We also welcome the incoming Auditor-General for any questions regarding our report.

MOORE AUSTRALIA AUDIT (VIC)



GEORGE S. DAKIS
Partner – Audit & Assurance

Melbourne, Victoria

12 March 2024

Auditor-General submission on the 2023 review of the Tasmanian Audit Office

Dear Mr Dakis,

I thank Moore Australia for its report on the 2023 review of the Tasmanian Audit Office (TAO).

I welcome the overall conclusion that the TAO fulfills its functions economically, effectively, and efficiently.

It has been my privilege to lead the TAO over the past eight years. I especially acknowledge and thank the TAO staff and contracted audit service providers who have worked diligently to provide independent assurance to the Parliament and Community on the performance and accountability of the Tasmanian Public Sector.

It is affirming for the TAO to be recognised for the vital role it plays in ensuring accountability and transparency in the State's use of public resources, and for the commitment shown in continually improving audit quality and effectiveness.

I also wish to thank Parliament, audit clients, and stakeholders for their work with the TAO and for the regular feedback they provide in stakeholder engagement and client service assessment interviews. Immense value is placed on this direct feedback along with the independent survey results of financial and performance audit clients and benchmarking against Audit Offices in other jurisdictions around Australia. This feedback is closely analysed with improvement actions continually incorporated in strategic and business unit plans and in the conduct of audits.

Changes in senior management over the past five years assisted the executive team in introducing fresh perspectives and approaches to strategic and operational management, leading to positive transformations and improvements in organisational performance.

The TAO places significant emphasis on governance and risk management, as evidenced by ongoing enhancements to its Corporate Governance Policy. These efforts underscore a commitment to refining governance practices, ensuring alignment with industry standards and best practices. Additionally, notable improvements in the Risk Matrix and Assessment Register highlight a proactive approach to identifying, assessing, and mitigating risks, ultimately contributing to enhanced organisational resilience and effectiveness in risk management.

Significant strides have been made in improving audit processes and quality control mechanisms, particularly with the implementation of CaseWare audit software in 2020. These enhancements have resulted in greater efficiency and effectiveness in conducting audits, as indicated by stakeholders' satisfaction with the quality of work and communication received. The dedication to maintaining high standards in audit processes reflects an ongoing commitment to professionalism, excellence, and continuous improvement.

Employee satisfaction and recruitment have been key focus areas for TAO, especially amidst the challenge of a global shortage of skilled audit professionals. Despite these obstacles, TAO has prioritised employee feedback and implemented innovative strategies to retain talented staff and foster a positive workplace environment. Significant gains in employee satisfaction underscore TAO's efforts to create a supportive and engaging work culture, which is essential for attracting and retaining top talent in a competitive environment.

TAO's strategic planning framework and key performance indicators have played a crucial role in driving continuous enhancement and alignment of organisational, business unit and individual staff goals. Stakeholders, including Parliamentarians, have expressed satisfaction with the reports and services provided by TAO, indicating effective performance in meeting stakeholder expectations. The performance measures and positive feedback demonstrate TAO's focus on delivering value and maintaining stakeholder trust and confidence.

Despite facing various obstacles over the past 5 years, TAO has managed to navigate through turbulent times, demonstrating resilience and adaptability in fulfilling its functions under the *Audit Act 2008*. This achievement is particularly notable given the challenges encountered and demonstrates effective management and strategic decision-making. Adaptation to external factors, such as the COVID-19 pandemic, demonstrates agility and responsiveness in ensuring continuity of operations and supporting employees. Transitioning to a hybrid working model reflects TAO's commitment to employee well-being and organisational resilience in the face of evolving challenges and uncertainties.

In response to previous other reviews, including the 2018 section 44 review, TAO has demonstrated a commitment to continuous improvement by implementing recommendations and documenting them in the Register of Recommendations, that is regularly scrutinised by the Risk and Audit Committee. This proactive approach reflects TAO's commitment to transparency, accountability, and adherence to audit standards and best practices, ultimately contributing to operational effectiveness and performance improvement.

I appreciate you highlighting in your report the significant improvements discussed above, together with further improvement opportunities. There are, however, matters in your report where I respectfully disagree, or that warrant further comment or clarification, as summarised below:

1. The report uses the terms improvement opportunities and recommendations interchangeably, and although they are related concepts, they differ in their focus and purpose. A recommendation provides specific advice or guidance for action to address a specific issue or achieve a desired outcome. An improvement opportunity is a potential area or aspect within a system, process, or situation that could be enhanced or optimised, or an area where there is room for growth, enhancement, or refinement.
2. The report contains several improvement opportunities that suggest TAO continues what to do what it is currently doing. My view is these are not improvement opportunities.
3. The report contains significant anecdotal information, such as verbatim statements from people the review team interviewed. This information is reported without context and gives a view about TAO, which as stated within your report, is not supported by other information. Anecdotal statements are singular datapoints and should not be used to imply the existence of a more systemic issue without other corroborative evidence.
4. The report commentary includes factual inaccuracies, or comments that warrant further correction or clarification. I brought these matters to your attention on the draft report, but since they remain, I have listed them in the following table for clarification.

Report section	As reported	Correction or clarification
Executive Summary	In the last five years, the structure of the TAO has changed especially in the senior management level with the departure of the Deputy Auditor-General and Director of Corporate and Support and Strategy.	Changes to structure of the TAO are different to changes in senior personnel. The only significant change to the structure is the establishment of the Data Analytics and IT Audit Unit. In the past five years, two Deputy Auditors-General have departed.
Executive Summary	One significant issue that the TAO is grappling with is a notable rise in staff attrition.	This statement is true to the end of June 2023. This trend has recently reversed, with only one staff member departing in the past nine months.

Report section	As reported	Correction or clarification
Executive Summary	The audit function is managed both internally by TAO staff and externally through contracted Audit Service Providers.	Financial audits are all managed internally but delivered using internal teams and contracted audit service providers.
Executive Summary	A framework of signing officers, including the Auditor-General and Assistant Auditor-Generals, oversees the (financial) audit process, ensuring compliance and accountability.	The financial audit unit is managed by the Auditor-General in conjunction with financial audit Assistant Auditors-General. Signing Officers are delegated by the Auditor-General and they are a member of an audit engagement team responsible for overseeing the conduct of an audit engagement and signing the auditor's report on the financial statements.
Executive Summary	The Strategic Audit Plan 2021-2024 has been redeveloped. The plan has undergone revisions to streamline its content while incorporating more relevant points compared to the previous version of 2016-2020.	The TAO Strategic Plan 2021-2024 was developed without reference to the previous strategic plan for 2016-2020. The TAO Strategic Plan 2021-2024 has not been revised.
Executive Summary	The TAO should consider developing a comprehensive Personal Relationship Policy.	The Personal Relationship Policy was under development prior to the commencement of the Section 44 review.
Section 2.3	Our review of these smaller engagements did not discover any discrepancies in the audit programs compared to other engagements.	The TAO uses the same audit methodology for all financial audits, irrespective of size, so no discrepancies in audit programs would arise.
Section 5.1	The TAO Strategic Plan 2021-2024 has been redeveloped when compared to the 2016 – 2020 Strategic Plan.	The TAO Strategic Plan 2021-2024 was developed without reference to the previous strategic plan for 2016-2020.

I thank you and the review team for your work which forms an important part of the overall transparency and accountability framework for the TAO. Your report will be a valuable reference for the Parliamentary Standing Committee of Public Accounts and the incoming Auditor-General.

Rod Whitehead
Auditor-General

7 March 2024

1. Governance Framework, Risk Management and Operation Controls

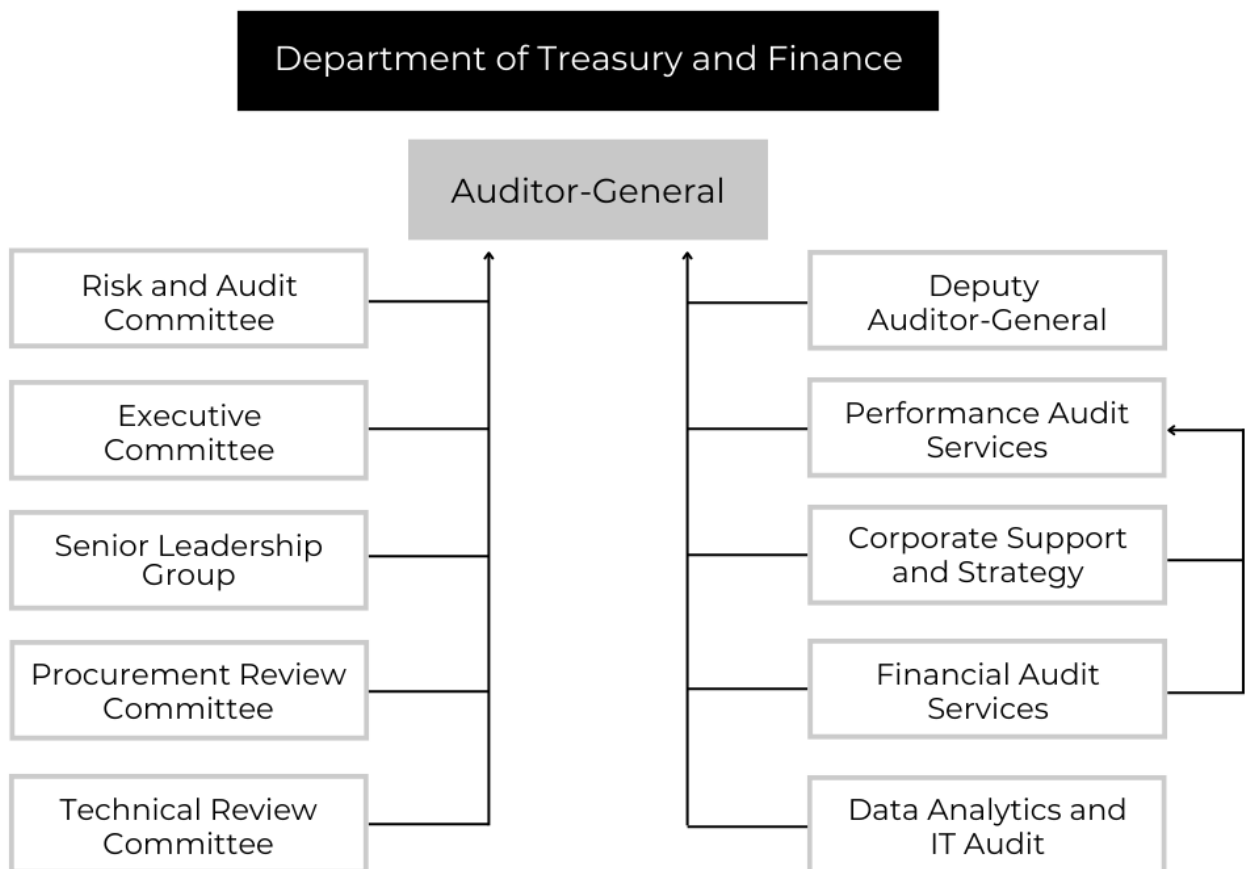


1.1 General - Corporate Governance Policy

The TAO's governance framework is well-documented in the *Corporate Governance Policy*. This policy outlines the principles governing the TAO's governance and the management of its activities. Notably, the policy has undergone revision and updates since the 2018 review.

We commend the Auditor-General for the thorough update of the Corporate Governance Policy. The current version, in comparison to the 2018 policy, is more comprehensive and has integrated the "4th Edition of the ASX Corporate Governance Council: Corporate Governance Principles and Recommendations".

The following structure support the Governance framework of the TAO:



The Committees play a pivotal role in supporting the Auditor-General in meeting legislative obligations and strategic planning, by overseeing, advising on, and advocating for strategic and operational objectives. Each Committee is guided by a Charter or Terms of Reference or specific functions designed to aid the Auditor-General in implementing a robust Governance Framework within the TAO.

Improvement Opportunity

- The current Corporate Governance Policy was last reviewed in March 2023. Our review of the policy noted that the Sub-committee's name identified in the policy is incorrect. The Strategic Leadership Committee is now the Senior Leadership Group. The policy should reflect the change in name.
- The FAS Executive Committee – At this stage the terms of reference or charter for FAS Executive have not been developed. FAS Executive was only formed at the beginning of last year. It assisted with the merging of the Signing Officer (SO) meetings and the Methodology group at that point in time, as well as other ad-hoc meetings that the SO's were conducting. It is worth highlighting that the SO meetings and Methodology group did not have a term of reference or charter either. Now that the FAS Executive has been around for a year, and there are clear responsibilities, duties etc, management has indicated that there is consideration to formulate a Terms of Reference or Procedural guidance going forward.

TAO Comments

- The naming of the Strategic Leadership Committee to the Senior Leadership Group will be amended in the Corporate Governance Policy when it is next reviewed.
- We do not agree with the improvement opportunity regarding the FAS Executive Committee terms of reference or charter. Whilst the FAS Executive Committee is named in the Corporate Governance Policy, it does not operate as a formal sub-committee of the Executive Committee, and it will be removed from the Corporate Governance Policy when it is next reviewed. Senior staff within each business unit participate in operational meetings to discuss and address operational matters. Terms of reference or charters are not required for these operational meetings.

1.2 Risk and Audit Committee

The Audit Committee plays a crucial role in assisting the Auditor-General in fulfilling his corporate governance responsibilities. This includes financial and performance reporting, system of risk oversight and management, and system of internal controls.

The committee is required to have two independent members and including an independent chair and must meet at least four times a year. In addition to engaging with management, the committee is responsible for providing advice to the Auditor-General.

Our examination of the Audit Committee minutes reveals an engaged committee with well-defined agendas, addressing topics such as the strategic framework, internal and external audits, financial affairs, control framework, risk management, compliance matters, and other pertinent subjects.

Improvement Opportunity

- The charter is to be reviewed at least once a year. The last review/update was in August 2022. Management should ensure the compliance of the review period to ensure the Charter remains relevant and current.

TAO Comments

- We do not agree with the finding or the improvement opportunity. The Charter was reviewed out of session prior to the November 2022 meeting. The Charter was on the Committee work plan for review in March 2023. However, due to the review prior to the November 2022 meeting, when drafting the Agenda for the March 2023 meeting the Chair decided to schedule this review to a later meeting in the calendar year. The Charter was circulated for review at the 30 November 2023 meeting. Due to the end of the Chair's term, the Committee resolved that they were comfortable with the current version of the Charter and deferred a more in-depth review to the first meeting of 2024 when a new independent member is scheduled to be appointed to the TAO's Risk and Audit Committee.

1.3 Executive Committee

The Executive Committee is primarily tasked with aiding and collaborating with the Auditor-General on:

- establishing and overseeing the advancement of the Office's vision, values, mission, strategic goals, and operating principles;
providing guidance on significant changes to standards, legislation, and machinery of government alterations that have broad implications for the entire office;
- ensuring the Office's adherence to pertinent laws, directives, codes, and practices;
- monitoring the overall operations of the Office and fostering communication and collaboration across the entire office; and
- operating in alignment with the Office's values and operating principles.

The Executive Committee oversees the promotion of office culture and values, risk management, internal and external audit, and the five-year reviews, financial performance, and remuneration assessments. Its scope extends to managing operational and emerging issues, such as ensuring a safe working environment, aligning operations with strategic goals, facilitating an open forum for staff, overseeing projects, and supervising the operations of sub-committees or ad-hoc sub-committees/working groups.

Improvement Opportunity

- Include the frequency of the Executive Committee meetings, such 'at least once a month or once per quarter'. The superseded Strategic Executive Management Group Charter included "*SEMG shall meet, as a minimum each month or more frequently, if required*".

TAO Comments

- We do not agree with this improvement opportunity. The frequency of Executive Committee meetings in recent years has varied between monthly, weekly and are currently held fortnightly. The frequency of meetings is determined by Executive Committee members according to need. If the frequency is included in the charter this would cause inefficiencies in amending and ratifying the charter for each change.

1.4 Senior Leadership Group Charter

The Senior Leadership Group (SLG) at the TAO is dedicated to upholding elevated levels of performance, accountability, ethical conduct, and corporate governance. The membership of the SLG consists of:

- the Auditor-General (Chair).
- the Deputy Auditor-General.
- all Assistant Auditors-General.
- the Director, Corporate Support and Strategy.

The objective/function of the SLG is to support the Executive Committee in:

- setting and monitoring progress against the Office's vision, values, mission, strategic goals and operating principles;
- setting direction on key changes to standards, legislation and machinery of government change that have a whole-of-office consequence;
- ensuring the Office is compliant with relevant law, directions, codes and practices;
- monitoring the operations of the Office and facilitating office-wide communication and cooperation; and
- operating in accordance with the Office's values and operating principles.

Improvement Opportunity

- The Charter should include the frequency of meetings for the SLG. In the old version of the SLG Charter reviewed in 2018, the SLG was to meet as a minimum bi-monthly or more frequently if required. We note from the review of the last four meeting minutes, the meetings occurred in October 2022, March 2023, June 2023 and October 2023.
- The Charter requires each member to complete a written declaration annually and must also declare any conflicts of interest at the start of each meeting or before discussion of the relevant agenda item or topic. Our review of the last four meeting minutes did not note any declaration made at the beginning of these meetings.
- The SLG should declare a conflict of interest at the beginning of each meeting in compliance with the Charter. We note that a conflict of interest is declared at the beginning of each meeting for the Risk and Audit Committee and the Executive Committee.

TAO Comments

- We do not agree with the improvement opportunity regarding the frequency of meetings for the SLG being included in the charter. The frequency of SLG meetings is ad hoc as determined by Executive Committee members according to need. If the frequency is included in the charter this would cause inefficiencies in amending and ratifying the charter for each change.
- Minutes of SLG meetings will in future record any identified conflicts of interest relating to matters on the meeting agenda.

Technical Review Committee

The primary purpose of the Committee is to make decision in respect of:

- qualified opinion, an adverse opinion or a disclaimer of opinion on the financial report;
- audit report that includes any other matters or emphasis of matter;
- conclusion that the activity did not perform, in terms of economy, efficiency and/or effectiveness, with respect to the identified criteria of the activity or certain objectives or sub-objectives of the performance engagement, as a whole;
- conclusion that there was not sufficient or appropriate evidence to conclude whether the activity was free of material variation, in terms of economy, efficiency and/or effectiveness, as evaluated against the identified criteria;
- a disclosure related to a prior period error;
- a variation from the base requirements of the materiality policy involving judgement by the audit team; and
- a request for advice or an interpretation.

The Committee shall consist of three members selected from: the Auditor-General, Deputy Auditor-General, any Assistant Auditor-General and any Senior Manager. The Signing Officer, Senior Manager and Engagement Quality Reviewer in respect of any submission to be deliberated by the Committee are temporarily disqualified as members of the Committee.

1.5 Procurement Review Committee

The Procurement Review Committee (PRC) establishment is a requirement of Treasurer's Instruction and its purpose is to confirm that a fair and equitable procurement process has been followed. The PRC membership shall comprise of the Deputy Auditor-General as the Chair and members, who may be an Assistant Auditor-General or the Director Corporate Support and Strategy, or another person who has appropriate qualifications, knowledge, skills or experience to perform the role. For the purpose of reviewing a procurement process, the PRC shall comprise the Chair and two other members selected by the Chair.

The PRC must be convened to review all evaluations for all procurements exceeding the threshold specified in Treasurer's Instruction. This must be done by following the identification of the preferred supplier, and before advice is provided to suppliers on the outcome and negotiations are entered into with the preferred supplier, and before the contract is awarded. The decision of the PRC must be documented, including the processes followed as stated in the Charter.

1.6 Risk Management

The TAO has developed several processes for risk management. This includes the development of the Risk Management Policy in accordance with the Financial Management Act 2016, Section 34, to ensure that appropriate practices and procedures are in place to recognise and mitigate the Office's exposure to risks, where practicable.

The risk management policy not only sets quality objectives but also identifies and evaluates quality risks. It formulates and executes responses to mitigate these quality risks. The quality objectives encompass those mandated by ASQM 1 Quality Management for Firms conducting Audits or Reviews of Financial Reports and Other Financial Information, or Other Assurance or Related Services Engagements. Additionally, the Office may include any supplementary quality objectives deemed essential to fulfill the goals of the quality management system.

The Policy risk management principles included:

- risk management is integral to our business – risk management is not standalone but integral to the way we run the Office;
- risk management adds value – the risk management process adds value to the Office and benefits are seen and understood by management, staff and stakeholders;
- risk management informs decision making – risk appetite and process guides decision makers to make informed choices;
- risk management is tailored to our Office – risk management is aligned to our internal and external context and risk profile;
- risk management ownership and accountability is clear and embraced;
- risk management is dynamic – risks are continually updated, taking account of most recent experiences, both internally and externally; and
- risk management fosters continuous improvement – risk management supports continual improvement across all aspects of our business.

Aligned with the TAO governance approach, the administration of the risk management framework is typically proactive, involving consistent evaluations by the Risk and Audit Committee and Executive Committee, as indicated by our examination of the minutes. The Risk Management Policy is appropriately based on the AS/NZS ISO 31000:2018 *Risk Management – Principles and Guidance* standard, cross-referenced to the Office's Governance Policy. There is evident progression and refinement in the TAO Risk Matrix and Assessment Register over the past five years, with ongoing reviews and continuous enhancements, as highlighted in the minutes of the Risk and Audit Committee and other Committee minutes.

Our review of the revised Risk Register noted a major improvement when compared the previous 2018 Risk Matrix and Assessment. We commend the TAO in revising the current Risk Register by incorporating more details and risk mitigation actions to be taken to achieve the required residual risk rating. In addition, the Register has incorporated a section for Strategic Plan risks to highlight the actions (immediate and longer-term actions) required to mitigate the strategic plan risks.

Improvement Opportunity

- The Risk Appetite Statement in Appendix A of the Risk Management Policy can be improved on by continuing the development of a more prescriptive Risk Appetite Statement that is particular to the services provided by the TAO. The current statement is very generic.

TAO Comments

- While we consider the existing risk appetite statement is fit for purpose, we will reassess it when the Risk Management Policy due for review.

1.7 Other Support Governance Framework

Our examination observed that the TAO has integrated other tools to reinforce a robust governance framework aiding the Auditor-General in achieving legislative compliance. These encompass various policies, guidelines, and registers designed to bolster the governance structure. The list below is not exhaustive:

- Register of recommendations from reviews;
- Policy development and review;
- Reward and recognition policy;
- Privacy policy;
- Risk management manual;
- Quality review policy;
- Conflict of interest declaration register;
- Gifts, benefits and hospitality policy and register;
- Audit service provider independence policy; and
- Complaints management policy and breach register.

2. Conduct of Financial Audit Engagements



According to the Act, the Auditor-General is responsible for auditing the financial statements of the Treasurer, all State entities, and audited subsidiaries of State entities. The Tasmania Audit Office plays a vital role in offering independent assurance to the Parliament and the community regarding the performance and accountability of the Tasmanian Public Sector.

One of the key responsibilities of the TAO is to conduct financial audits. The objective of these financial audits is to increase the level of confidence in the financial statements by providing an opinion on whether they accurately and fairly represent the financial performance and position of State entities and audited subsidiaries. This opinion is based on whether the financial statements were prepared in accordance with the relevant financial reporting framework and present all material information.

The Auditor-General has the authority to appoint a person or delegate the audit function, as stated in section 34 of the Act. The Auditor-General employs its in-house staff and engages private sector firms under contract to deliver audit services. There are eleven external service providers known as "audit service providers" or "ASPs" that the TAO can utilise. These ASPs are engaged for a specific period of time to perform the audit of a specified entity or to provide specialist expert services for part of an audit.

The Financial Audit Services (FAS) business unit has the responsibility of conducting the annual audit for approximately 165 auditees including, 156 State entities, including the General Government Sector Financial Statements, Public Account Statements, Total State Financial Statements, and 82 acquittal statements. FAS is involved in managing financial audits, both those conducted by ASPs and those handled internally. There are four permanent Signing Officers, namely the Auditor-General, and three Assistant Auditor-General FAS, who are authorised to sign off on the audits on behalf of the Auditor-General. The Auditor-General, in consultation with the Deputy Auditor-General and Assistant Auditor-General FAS, also allocates signing responsibilities for seven small, lower-risk jobs to the three FAS Group Leaders in the Office.

2.1 Number of Signing Officers

For the 31 December 2022 and 30 June 2023 financial reporting period, the Auditor-General delegated the responsibility for signing auditor's reports on financial statements to the three FAS Assistant Auditors-General (between 90 and 100 auditor's reports) and the three FAS Group Leaders (seven auditor's reports for auditees identified and evaluated as smaller and lower risk to the TAO). The current approach is suitable and cost-effective for both the Office and the auditees. It helps nurture talent within the Office while also enabling the four permanent Signing Officers to focus their efforts on the higher-risk auditees.

2.2 Audits completed by the External Audit Services Providers

In the FY2022-2023 audit, 10 out of the 11 firms on the external ASP panel were contracted to complete 23 financial audits. This represents approximately 14% of the total number of audit auditees and 22% of the total fee portfolio. The panel of ASPs is selected through a tender process and they are engaged either directly or through a request for quotation. The panel consists of a mix of firms, including the Big 4, mid-tier, and small accounting firms, depending on the size and complexity of the engagement. These audits are signed off by the Signing Officers and Engagement Leaders who take responsibility for the direction, supervision, and performance of financial audit engagements.

On our review of two of the TAO's ASP engagement files, noted that the TAO's audit team prepared and completed the Office's relevant forms. These forms outline the TAO's audit consideration and requirements for their review of the ASP's audit working papers. TAO is of the view that as they are issuing the audit opinion, a regular review of each ASP audit files is conducted. However, we noted that these forms do not provide detailed information about the discussions held during the audit between the TAO and ASP, and TAO involvement with the auditees.

Improvement Opportunity

- The Office should consider enhancing its documentation by capturing and preparing minutes of meetings and discussions between the TAO and ASP, and/or the auditees. These minutes should highlight the key focus areas, issues, and resolutions discussed. This will help ensure transparency and accountability in the decision-making process throughout the audit and provide a clear record of the discussions for future reference.

TAO Comments

- Signing Officers and Engagement Leaders assigned responsibility for ASP audits are required to document minutes of meetings and discussions between the TAO and ASP. This requirement will be reinforced.

2.3 Small size audits

For the purpose of this report, and to maintain consistency with the 2018 report issued, small audits in this report refer to audit engagements with annual fees of less than \$10,000. Whilst still under the TAO mandate and responsibility, the majority of these audits are conducted by the FAS business unit. There were approximately 18 such audits with a total fee of approximately \$118,000.

Our review of these smaller engagements did not discover any discrepancies in the audit programs compared to other engagements. The implementation and use of the CaseWare software assisted the TAO to streamline its audit programs, audit work, and templates across all audit engagements.

2.4 Dispensed audits

For the fiscal year FY2022-2023, a total of 33 audits were dispensed. This was because either these entities had sufficient alternative audit arrangements in place and their financial statements were reviewed annually by the TAO, or they were subsidiaries of other State entities, and their financial transactions and balances were already subject to audit procedures as part of the group audit of the controlling entity.

Although these entities are part of the public sector and are subject to the same accountability standards as other entities audited by the Auditor-General, we believe that the current approach continues to be cost-effective for both the Office and the State entity.

2.5 Auditing Standards

According to section 19 of the Audit Act, the Auditor-General's financial statement audit opinion must be based on an audit conducted in compliance with the requirements set by the Australian Auditing and Assurance Standards.

Currently, the Auditor-General appropriately relies solely on the Australian Auditing and Assurance Standards for financial statement audits. The Office also takes into account the new guidance statement, *GS 023 Special Considerations - Public Sector Engagements*, which was revised in March 2023. This guidance statement provides supplementary applications and explanatory material specific to issues in public sector audit and assurance engagements. We believe that the TAO used this guidance in conducting audits in accordance with the relevant Australian Auditing and Assurance Standards. Refer to section 2.9 for further details on changes in auditing standards.

2.6 Audit methodology

Since the issuance of the 2018 report, there have been significant improvements and updates to the auditing standards. These changes have been incorporated into the methodology of the TAO and the adoption of a new audit software called CaseWare.

In the 2021 financial year, the TAO implemented CaseWare as its new audit software replacing the Integrated Public Sector Audit Methodology (IPSAM) system. Our inquiries revealed extensive efforts in the implementation process, including the creation of additional template working papers and mapping existing forms within CaseWare to align with the Auditing Standards. The TAO staff underwent training on the usage of CaseWare, and additional resources were provided to address any issues related to the software implementation. Furthermore, a third-party review of CaseWare was conducted during the 2022-2023 financial year, confirming the overall success of the implementation in meeting the Office's business objectives.

Overall, our review found that CaseWare has brought efficiencies to the TAO's audit performance, and it has streamlined the audit templates. CaseWare provided a complete audit trail of all changes made to a file, including who made the changes and when. This enhances transparency and accountability in the auditing process. This helped to confirm that files are being reviewed in a timely manner. However, we identified some areas for improvement, particularly relating to documentation (refer to section 2.7.4 for further discussion).

2.7 Review of Audit files

Our review consisted primarily of a review of a sample of audit files and meetings with various stakeholders to obtain their feedback on the audits.

We have reviewed the TAO's audit methodology for changes in the accounting and auditing standards. We have considered various reviews conducted throughout the periods from 2019 till the date of this report and considered the response of the TAOs on those various recommendations specifically around the Audit Quality Review of the TAO's system of quality management (refer to section 7 of this report). We also considered individual responses to client and ASP's surveys.

2.7.1 File Selection

We reviewed approximately 17 files at different depths to assess whether procedures were completed in accordance with the TAO's audit methodology and whether there is sufficient appropriate audit evidence on file.

We have considered the following in our file selection:

- One for each of the Signing Officer.
- Engagements with an APS.
- Engagement based on audit fees (i.e. top and small auditees).
- Engagement subject to Quality Review.

The selected files cover the following sectors:

- State owned-entity.
- Local Governments.
- Public Non-Financial Corporations.

In our reviews, we checked compliance with the audit methodology and Australian Auditing Standards, including quality review requirements. It is noteworthy to mention that the implementation of the CaseWare system assisted the TAO in enhancing efficiency and improving accuracy in the audit process as it follows consistent audit procedures and programs. CaseWare also quickly adapts and incorporates changes in accounting standards like the ASA 315 in the audit programs that ensure that audit procedures comply with the relevant standards.

Further, the Australasian Council of Auditors-General (ACAG) has developed an approach to help individual Audit Offices demonstrate to internal and external stakeholders that they meet relevant legal and professional standards. The approach is based on a framework that enables reviews to be undertaken of an office's audit and corporate functions against a common set of questionnaires covering relevant professional standards and pronouncements. The ACAG Peer Review was requested to provide a compliance review of the TAO with respect to their Quality Control System.

The latest ACAG peer review was finalised in March 2022 which covered three 2020-2021 financial audit engagement files.

The overall rating for the three financial audit files reviewed was "*Satisfactory with Improvement Opportunities*", which denotes that there were no material departures from professional and regulatory standards in the audit files, but there are opportunities for improvement. The main theme of the improvements is inadequate or further documentation required, missing documents, and linkage of the risk assessment against the execution. No major issues were found with the TAO's methodology or approach, it was generally around the execution of the audit as opposed to the framework.

In addition, a third party has performed a Quality Assurance Review (QAR) as part of the TAO's Quality Management System's (QMS) monitoring activities. The review covered four completed engagement files for FY2021-2022 financial audit.

Consistent with the peer review, none of the findings were severe or pervasive enough to be considered deficiencies in assessing the TAO's QMS. However, there were identified areas for improvement, specifically related to inadequate documentation, inconsistency in the documentation, and linking risk assessment to financial statement assertions.

Upon conducting our own review and reflecting on the findings of the other reviews, it is evident that the audit team possesses a sufficient understanding of the sector, its challenges, and issues. We did, however, identify certain instances where there were opportunities for improvements in documentation and testing within the audit files. It is crucial to highlight that these findings did not have any impact on the final audit opinion that was issued. However, implementing these improvements would enhance the overall quality of the audit files.

2.7.2 Understanding the client's business

In the 2022 Financial Audit Client Survey conducted by ORIMA Research Pty Ltd in May 2022, there has been a significant decline in the auditors' understanding of the client's organisation. The score for this area decreased by 9 percentage points, reaching a score of 75%. Stakeholders expressed their concerns that the audit team members, particularly less experienced staff, did not possess a sufficient understanding of the client's organisation and its specific issues.

During our discussions with stakeholders, we found their feedback aligned with this particular concern. However, stakeholders acknowledged that the turnover of audit team members is a common issue within the industry and contributes to this matter.

Auditors will often encounter the challenge of gaining a comprehensive understanding of a client's business due to its inherent complexity and the requirement for specialised knowledge. Some auditees operate in a specific industry that has its own unique practices, regulations, and accounting standards. Auditors may lack specific expertise or experience in certain industries, making it difficult to fully understand the intricacies of the client's business and accurately assess risks. Further, businesses are dynamic and constantly evolving. Auditors need to stay updated on changes in a client's operations, strategies, and market dynamics. Failure to do so can lead to an outdated or incomplete understanding of the client's business, resulting in ineffective audit procedures.

Improvement Opportunity

- The TAO is to continue providing and developing relevant and industry-specific training for its staff to help them better understand the risks and challenges faced by its auditees.

TAO Comments

- We do not agree with the improvement opportunity. Suggesting TAO continues to do what it is currently doing is not an improvement opportunity.

2.7.3 Materiality

The TAO has consistently updated its Materiality policy to incorporate the recommendations made in the 2018 report around benchmarks used, and specific materiality, and any changes in its audit methodology. However, we noted in our review of most of the files, the professional judgment consideration in setting the planning materiality was not documented. As the TAO's policy of setting the Performance Materiality is a combination of the entity-level risk and the extent of misstatements identified in previous audits, it is critical that the consideration be documented.

The documentation of the basis of materiality plays a crucial role in quality control and review procedures. It allows for an independent review of the auditor's judgment and decisions related to materiality. Proper documentation ensures that the audit work is subject to appropriate scrutiny and provides a basis for quality control reviews and peer reviews. Further, adequate documentation of the basis of materiality is essential for compliance with auditing standards. Many auditing standards explicitly require auditors to document their considerations and judgments related to materiality. By documenting this basis, auditors demonstrate compliance with professional standards and regulatory requirements.

Improvement Opportunity

- TAO to reinforce that documenting the basis of the performance materiality and that providing a clear and well-supported foundation for the judgments and conclusions around performance materiality is an important component of the audit process.

TAO Comments

- We will reinforce the importance of documenting the basis for determining performance materiality.

2.7.4 Risk Assessment

Based on our review, we noted instances where the documentation in the CaseWare FSA for the Risk of Material Misstatement (ROMM) as amended based on the revised ASA 315 is not consistent with the TAO's policy. This is essential as this risk profile forms the basis for determining the sample size. Additionally, we found that the auditor's justification for the inputs used in the template file was not appropriately documented.

Improvement Opportunity

- The TAO to conduct a review of the existing ROMM policy and audit sample size determination to identify the gaps and inconsistencies.
- The TAO to reinforce the team to properly populate available templates, ensure it is consistent with relevant policy, and document the information they have considered in their assessment. Consider running a refresher training course for the junior staff (since based on discussion with team leaders only the junior staff have access to the Teammate Analytics tool) on various templates and how to properly populate them and how to link the risk assessment.

TAO Comments

- The Sampling policy is currently under review and will incorporate the improvement suggestion regarding sample size determination.
- We will provide training and reinforce the importance of documenting the justification for inputs used in the sample selection template file.

2.7.5 Timeliness of advice

The feedback from stakeholders regarding the TAO's ability to provide timely advice on accounting and auditing queries has been positive, indicating no substantive issues in this regard. However, through discussions with some of the auditees, there were significant accounting standards and issues that were not properly addressed at the time of adoption which resulted to prior year adjustments. Some auditees have suggested that the addition of a Technical Advisor would be beneficial to address this issue.

Improvement Opportunity

- The TAO to consider appointing/hiring of a Technical Advisor who can provide timely assistance to staff and Auditor-General in navigating the complexities of accounting standards. By having a dedicated expert in place, staff will have access to knowledgeable guidance and support when it comes to interpreting and implementing accounting standards accurately which could facilitate timely discussion with auditees regarding any accounting issues that may arise. The Technical Advisor can also help communicate the TAO's view on technical accounting matters and or interpretation of new accounting standards that the auditees could use in enabling them to better understand the applicable standards, improve their decision-making capabilities, and reduce the risks related to financial reporting promptly.

TAO Comments

- We do not accept this improvement opportunity. Our approach to managing technical accounting matters is outlined below:
 - Identify potential accounting technical issues during initial audit planning meetings with the auditee and throughout the audit.
 - Conduct early and frequent discussions regarding the resolution of accounting technical issues with the auditee.
 - Where warranted, encourage the auditee to seek their own expert advice to assist in determining their position.
 - Encourage the auditee to document their view in accounting position papers, which can be provided to the audit team for consideration.
 - Where warranted, encourage the auditee to discuss their accounting positions with their audit committee.
 - The audit team assesses the auditee accounting positions and provides responses, which may include alternative positions for consideration.
 - Where warranted, the audit team makes a submission to the Technical Review Committee for consideration and ratification.
 - Where warranted, the Office engages its own expert to resolve any differences of opinion with the auditee.

2.8 Views of stakeholders

An important part of our review was meeting with various stakeholders to obtain their views on the performance of the TAO. We conducted meetings with the following stakeholders:

- Financial audit auditees.
- Members of Parliament.
- Current TAO employees.

We also considered individual responses to client surveys and the consolidated responses to the survey as well as the ACAG benchmarking reports.

2.8.1 Financial audit auditees

During the review, we had discussions with several audit auditees to discuss the audit process conducted by the Office. We also examined client surveys conducted by the TAO over the past years.

Based on the survey, majority of auditees expressed satisfaction with the quality of work performed by the TAO and the level of communication they received. No significant issues were raised by the auditees, and many provided positive feedback on the way their audits were conducted. However, most of the auditees highlighted the issue of the timeliness and completion of their audit which mirrors the main feedback gathered by ORIMA.

The TAO bi-annually collects feedback from its financial auditees. This feedback is gathered by ORIMA Research, an independent firm acting on behalf of ACAG. The feedback is collected using a standard set of questions, allowing for comparisons among different state audit offices.

Upon review of the survey, the overall performance score of the Office for 2022-22 was 73.3 index points, down from 76.6ip in 2019. Key areas that showed significant declines were the timeliness of the audit, auditors' understanding of their organisation, and whether their organisation was promptly informed of significant issues identified during the audit. However, auditees were more positive about the continuity of auditors and aspects related to responsiveness, specifically whether the auditors were responsive to their needs and responded promptly to their requests and/or concerns.

2.8.2 Changes in audit teams

Ensuring the stability of an audit team leads to increased efficiency in the audit process. With a stable team, auditors become familiar with the organisation's internal controls, processes, and reporting requirements. They can streamline their work, reduce redundant efforts, and identify opportunities for process improvements. This efficiency translates into cost savings and a more effective allocation of resources.

The Office acknowledged that they continue to experience a high staff turnover, and this has impacted the timeliness of meeting the auditees' deadlines. To address this, strategies were implemented to include more dynamic recruitment approaches, with the use of group assessments and reduced recruitment cycle times. TAO has reviewed and improved their induction processes and buddy program to help their new recruits get up to speed quickly, and has launched a new learning and development framework to support personal and professional development.

Overall, auditees expressed satisfaction with the infrequency of changes in their audit team. Most auditees enjoyed stability with their assigned team and commended how the auditors were responsive to their needs and responded promptly to requests and/or concerns raised by them. Both aspects showed an 85ip which was a 5ip increase.

2.8.3 Audit fees

When reviewing the survey, it was noted that auditees felt that audit fees were not reasonable relative to the level of audit activity undertaken, the scale, complexity, and financial risk of their operations with a score of 61 index points, down by 7ip from the previous survey.

In our discussions with auditees, majority of them, agreed with the proposed audit fees, and no issues were highlighted. Auditees understand that the increase in the fee was brought by the ever-changing requirements of the audit process and their operations. In general, the consensus among those we met with was that the audit fees were considered reasonable.

2.9 Auditing and Accounting Standards Changes

2.9.1 Auditing Standards Changes

2.9.1a ASA 315: Identifying and Assessing the Risks of Material Misstatement Through Understanding the Entity and Its Environment

Since the 2018 report, there have been significant pronouncements in Auditing Standards with ASA 315 being the latest one. ASA 315 is an auditing standard issued by the Australian Auditing and Assurance Standards Board (AuASB) and applies to auditors conducting financial statement audits in Australia that was effective for financial reporting periods commencing on or after 15 December 2021. This standard will ensure each and every audit is planned appropriately, and all areas of focus are documented and considered for all types of risk in order to conduct the best audit for the client risks.

The objective of ASA 315 is to provide guidance to auditors on obtaining an understanding of the entity and its environment, including its internal control, to assess the risks of material misstatement in the financial statements. The standard aims to help auditors identify and assess risks at both the financial statement level and the assertion level, and to design and perform audit procedures that respond to those risks.

By understanding the entity and its environment, auditors can gain insights into the entity's operations, industry, regulatory environment, and internal control system. This understanding helps auditors identify areas where material misstatements may occur in the financial statements and assess the likelihood and potential impact of such misstatements. By also identifying and assessing the risks of material misstatement, auditors can tailor their audit procedures to address those risks, thereby enhancing the overall quality of the audit and providing a higher level of assurance to stakeholders.

Some of the biggest changes in ASA315 relate to obtaining an understanding of the entity, including its internal controls and IT systems, risk assessment, and the documentation thereof.

The implementation of ASA 315 has had a profound impact on the auditing profession, as it has led to a more systematic approach to evaluating internal controls, reducing audit risk, and enhancing the overall reliability of financial reporting.

The TAO expanded its CaseWare business system functionality included in the revised ASA 315 including a greater focus on general information technology controls. The TAO believed that it eliminated several redundant audit processes and practices during the year and streamlined information management to reduce duplication of effort.

A review of the files noted that ASA 315 had been adhered to within the audit files, with no significant issues noted.

2.9.1b GS 023 Special Considerations – Public Sector Engagements

The AuASB has issued Guidance Statement GS 023 *Special Considerations – Public Sector Engagements (GS 023)* in March 2023 and replaces the one issued in June 2022. The aim of the AuASB in issuing GS 023 is to promote consistent application of AuASB Standards in the public sector to enhance the quality of public sector audit and assurance engagements and their resulting reports.

The guidance statement has covered the following three issues:

- Acceptance and continuance of client relationships where the financial audit is mandated by legislation, the Office cannot avoid such an obligation and, consequently, may not be in a position to not accept (that is, to decline) or not continue (that is, to withdraw from) the engagement.
- Going concern in public sector entities where the financial metrics are poor, but there is no evidence that the entity doesn't have the support of the government.
- Signing officer responsibilities specifically related to ASA220 considering that the term 'signing officer' is not used in the ASA.

The TAO believed that the guidance statement validated the appropriateness of their approaches and provided support for their practices. Consequently, the TAO made slight modifications to its existing audit methodology and training.

2.9.2 Future Changes in Auditing Standards

2.9.2a Sustainability Reporting

At the end of June 2023, the International Sustainability Standards Board (ISSB) a sister body to the IASB, issued the first two sustainability reporting standards. These standards will form the basis of sustainability reporting in Australia.

- *IFRS S1 General Requirements for the Disclosure of Sustainability-related Financial Information*

IFRS S1 is the foundation standard for sustainability reporting and sets up important principles such as materiality, comparative information requirements, dealing with judgements and estimates. It also sets up the core requirements that should be disclosed for all sustainability related topics – governance, strategy, risk management, and metrics and targets.

- *IFRS S2 Climate-Related Disclosures*

The standard takes the core requirements of IFRS S1 and considers how they should be implemented in relation to climate. This includes disclosures of items including scope 1, 2 & 3 greenhouse gas (GHG) emissions and scenario analysis of your organisation’s resilience to climate change.

Sustainability Reporting is reporting that may sit alongside annual reports and will disclose how organisations are dealing with environmental, social and governance (ESG) issues that impact them. It will be more forward looking than financial reporting and include the risk and opportunities that these sustainability issues create for your organisation, your strategy to respond to these risks and opportunities and the potential impact on financial position and performance in the short, medium and long term.

Commonwealth released a consultation paper on 27 June 2023 that outlines how sustainability reporting will be implemented in Australia. Sustainability reporting disclosures will be required to be released at the same time as the annual report and may require tiered assurance. The proposals see a phased implementation of the standard as follows:

PROPOSED REPORTING THRESHOLDS				
	June 2025	June 2027	June 2028	
Meet any two of:	Employees	500	250	100
	Gross Assets	\$1b	\$500m	\$25m
	Gross Revenues	\$500m	\$200m	\$50m

As reporting standards continue to evolve, auditors must keep up-to-date with the latest regulations and best practices. This is especially important in ensuring the accuracy and reliability of disclosures, considering the growing significance of sustainability in today's business landscape.

Improvement Opportunity

- Consideration needs to be given regarding the move to Sustainability (ESG) reporting and what impact this will have on the TAO, its staff, and their training requirements.
- Consider an early discussion with stakeholders to start identifying the risks and opportunities that might arise from climate change.

TAO Comments

- We do not accept this improvement opportunity. We have engaged, and continue to engage, with a wide range of stakeholders regarding sustainability reporting. Activities to date include:
 - attendance at ACAG meetings with Chairs and representatives of the Australian Accounting Standards Board and Auditing and Assurance Standards Board to discuss sustainability reporting and assurance developments, both internationally and nationally;
 - contributing through the ACAG Financial Reporting and Accounting Committee on submissions to the Australian Accounting Standards Board and Commonwealth Treasury on sustainability reporting exposure drafts;
 - involvement in discussions with ACAG Heads of Financial Audit on the implementation approach adopted by other ACAG offices;
 - attending the ACAG Regional Working Group on Environmental Auditing, which discussed sustainability reporting and assurance activities;
 - presenting on sustainability reporting at our Senior Manager and Audit Committee Member information session in May 2023 and the three client information sessions delivered in April 2023;
 - provision of training to TAO staff on sustainability reporting developments;
 - engaging with the Tasmanian Department of Treasury and Finance on sustainability reporting developments;
 - engaging with Renewables, Climate and Future Industries Tasmania regarding Tasmanian Government climate change initiatives and sustainability reporting;
 - meeting with representatives from Tasmanian government businesses responsible for sustainability reporting;
 - raising awareness of developments in sustainability reporting with auditees and their audit committees; and
 - involvement in discussions on sustainability reporting within the TAO and with other ACAG offices.

We intend to continue this level of engagement with TAO staff, auditees and stakeholders in the future.

2.9.2b New Audit Quality Standards Issued

In March 2021, the AuASB approved the following revised Quality Management Standards that became effective from 15 December 2022:

- ASQM 1, *Quality Management for Firms that Perform Audits or Reviews of Financial Reports and Other Financial Information, or Other Assurance or Related Services Engagements.*
- ASQM 2, *Engagement Quality Reviews.*
- ASA 220, *Quality Management for an Audit of a Financial Report and Other Historical Financial Information.*

The above standards promote a robust, proactive, scalable, and effective approach to quality management and mark a significant evolution of the existing quality control standards. The standards also place greater responsibility on leadership for continuously improving the quality of their engagements and remediating when deficiencies are found.

In December 2023, Grant Thornton, have completed its review of the TAO's system of quality management to ensure compliance with the above Australian Standards on Quality Management ASQM1 and ASQM2 and with the Australian Standards on Auditing ASA 220. The report identified three low and two medium-risk ratings, and two opportunities for improvements with no critical or a high-risk rating that could pose a major or severe adverse effect on the ability to achieve audit process objectives. The report concluded that the TAO's system of quality management provides the firm with reasonable assurance that the objectives of the system of quality management are being achieved.

2.9.3 Reporting Deadlines for TAO

2.9.3a Tight Deadlines

As highlighted in our 2018 report, a recurring theme from our discussions with stakeholders was the perception that the audit process often feels rushed due to the strict deadlines set by the *Audit Act 2008*. Section 17 (1) of the Act mandates that accountable authorities must submit financial statements to the Auditor-General within 45 days after the end of each financial year. This time constraint places pressure on the auditee's accounts team, which can lead to potential errors or the need for rework. Furthermore, this also places significant pressure on the TAO, which may affect its capacity to prioritise the quality of audit files.

Stakeholders have acknowledged the pros and cons of these tight deadlines. While they commend the TAO for trying to meet the deadlines while upholding a high standard of service, there are concerns about its potential impact on the thoroughness and quality of the audit work. Extending the audit period could mitigate these concerns and enhance the audit process.

2.9.3b Timeliness of Work

During our discussion with some of the stakeholders, the issue of meeting the agreed timeline has been consistently raised as a concern in recent years. These stakeholders expressed their observation that the timeliness of meeting deadlines has shown a decline year after year. However, we have observed that the Office has in fact enhanced its overall compliance with statutory timeframes as shown in the table below.

The TAO reported that for its December 2022 and June 2023 audits, 67.46% of the audits were completed within the statutory timeframe, which showed an improved performance compared in the prior year where it completed 58.82% within the statutory timeframe. The TAO acknowledged that this performance was largely influenced by constraints in resources and flow effects from the COVID-19 pandemic. Additionally, in conjunction with the staffing constraints, delays arising from the auditees created a ripple effect, impacting the ability to meet deadlines for other auditees.

	Dec 19 & June 20	Dec 20 & June 21	Dec 21 & June 22	Dec 22 & June 23
% On Time	53.33%	58.68%	58.82%	67.46%
% Late	46.67%	41.32%	41.18%	32.54%
Total	100%	100%	100%	100%

Improvement Opportunity

- The TAO should review its engagement management processes to identify areas of improvement to delivery its audits within the required timeframe. Such initiatives can include increasing the effectiveness of the TAO's planning and interim processes to bring as much of the audit forward as possible. Other initiatives could include a stronger focus on issues identification in the planning and interim phase to provide the TAO and the auditee sufficient time outside the peak year end period to address and respond to any issues identified.

TAO Comments

- We have a number of initiatives in progress as identified in the Strategic Plan 2021 - 2024 and business unit plans to improve audit efficiency and timeliness. These initiatives include:
 - implementing a financial audit approach for less complex public sector bodies;
 - maximising CaseWare functionality;
 - eliminating redundant audit processes and practices;
 - embedding data analytics into our audit approach and increasing the utilisation of existing data analysis applications;
 - investing in IT resources and technologies to increase audit efficiency;
 - recruiting and retaining the appropriate level of audit staff; and
 - investing in developing audit staff skills and knowledge.

We have a performance measure of completing 60% of our audit work before 30 June each year and have implemented several initiatives to assist in achieving this target.

3. Conduct of Performance and Compliance Audit



3.1 Introduction

The Performance Audit evaluations conducted by the TAO contribute to an understanding of whether public sector entities and local governments are effectively, efficiently, economically, and legislatively compliant in delivering their services. The TAO's oversight is essential for ensuring accountability in the utilisation of public resources by these entities. Performance Audits are conducted to assess whether State government programs achieve their intended outcomes and objectives.

Through its Performance Audits, the TAO offers valuable advice and recommendations to government departments, councils, and agencies, empowering them to refine their management objectives, processes, and service delivery. These Performance audits play a pivotal role in advancing accountability, transparency, and efficiency in the State government operations. By identifying areas for improvement, Performance Audits facilitate more effective resource allocation, ultimately leading to enhanced public services.

This assessment includes criteria such as efficiency, effectiveness, economy, and compliance with legislation and regulations, aligning with the Standard on Assurance Engagements ASAE 3500 *Performance Engagements*.

In the public sector, the Auditors-General are empowered by legislation in their respective jurisdictions to carry out performance engagements. While legislative requirements may vary in scope, these engagements typically involve the examination of economy, efficiency, or effectiveness:

- pertaining to management systems or an entity's management to contribute to improvements;
- evaluating the operations of an entity or an activity within an entity;
- assessing the internal controls applied by an entity in relation to an activity;
- reviewing the implementation of government policies or programs and the application of government grants;
- ensuring financial prudence in the application of public resources; and
- scrutinising administrative arrangements.

3.2 Performance Audit Methodology

The methodology and approach employed for this review encompass several steps. These steps include the analysis of Performance Audit files, examination of internal and external reports, review of surveys/feedback from stakeholders, and the conduct of interviews. We have also reviewed the Performance Audit Manual (PAM) and CaseWare files.

The Performance Audit Manual is based on Australian Assurance Standards issued by the Australian Auditing and Assurance Standards Board and performance audit approaches adopted by other ACAG member offices and has been tailored to align with the functionality of the CaseWare system. It serves as a comprehensive guide for conducting Performance Audits. This document provides a detailed outline of the necessary processes involved in the audit, including a summary of procedures for planning, fieldwork, reporting and tabling, and post-audit actions, accompanied by explanations for each procedure.

We note that the PAM has been updated to incorporate the changes from the previous system, IPSAM. CaseWare was initially implemented with a primary focus on Financial Audit, and the current efforts aim to adapt it for Performance audit needs. Discussions with staff have revealed that the PAM and CaseWare do have differences and management continues to adapt and align the PAM to CaseWare. The process is long and to fully understand how best to use the CaseWare system for Performance audit is an on-going process.

The absence of a fully aligned CaseWare PAM may presents challenges, particularly for new staff members who joined after CaseWare implementation. Interviews underscored that CaseWare training, especially for Performance Audit, was heavily focused on financial audit. Considering the significant differences in requirements between financial and performance audits, it's recommended that new performance audit staff receive tailored CaseWare training separate from that provided to financial auditors.

Improvement Opportunity

- The TAO should develop a distinct training program tailored specifically for performance auditors, ensuring that the training content is relevant to their needs and doesn't solely focus on financial audit processes.
- The TAO should where appropriate, accelerate the development of the PAM for Performance audit in CaseWare. This will provide clear guidelines and references for new or existing Performance auditors at the TAO, serving as a valuable resource during the process of conducting a performance audit.

TAO Comments

- We do not agree with the improvement suggestion that the TAO should develop a distinct training program tailored specifically for performance auditors, ensuring that the training content is relevant to their needs and doesn't solely focus on financial audit processes. Each performance audit staff member has a learning and development plan tailored to their developmental needs, which is linked to whole of office offerings where required. All senior performance audit staff complete the Canadian Audit and Assurance Foundation (as world leaders in performance audit) performance audit training coordinated through ACAG. This consists of four performance audit courses: root cause analysis, distilling audit findings, engaging the audit client, and project management. All junior performance audit staff have attended the one-week Introduction to Performance audit course delivered by ACAG. In house training has been delivered on several topics, including for example, interviewing techniques, preparing records of evidence and use of CaseWare.
- The revision of the PAM is in progress.

3.3 Review of Performance Audit files

We chose several files, including the 2023 Follow-up review, from the reports submitted to Parliament to evaluate their compliance with the Performance Audit Manual (PAM). It's worth noting that we exclusively opted for files completed in CaseWare, as we didn't see the merit in reviewing Performance audit files created in the IPSAM - the legacy system. The Performance Audit files in CaseWare were methodically structured and organised into four key sections: Audit Pre-Study.

- A. Audit Pre-Study
- B. Audit Implementation
- C. Completion and Report
- D. Audit Administration

During the review of the Performance audit files, anomalies were observed, including instances where the preparer signed off on their own documents, serving as both the preparer and the Team Leader. Additionally, some Quality Control forms remained incomplete. Concerns were raised regarding the finalisation process; the Post-Tabling Review document was either not completed or not signed off. There was inconsistency in the utilisation of mandatory documents for CaseWare or adhering to the Performance Audit Manual.

Further discrepancies included instances where a section was signed off by the reviewer, followed by subsequent additions or alterations to other documents in the section. Some documents were uploaded without assigned identities. There were a number of documents, where the duration of sign-off in CaseWare exceeded six months. There were also instances where the preparer and reviewer mutually signed off on each other's work papers.

Moreover, while hours were allocated in the budget for the Engagement Quality Review (EQR), no EQRs were performed. Our review noted that none of the Performance Audit files selected for review had EQR performed.

The above findings align with the general observations made in the Peer review conducted by the South Australia Government – Auditor-General's Office.

In reviewing the file titled "COVID-19 Responding to Social Impacts – Mental Health and Digital Inclusion" (report submitted to Parliament in June 2022), we found the CaseWare file to be incomplete. It was brought to our attention that this file had been consolidated into the "COVID-19 – Response to Social Impacts" (report submitted to Parliament in November 2021). Despite our efforts, we could not locate any documents pertaining to the Mental Health and Digital Inclusion within the CaseWare file for Social Impact.

From our review of more recent files and discussions with staff, we have observed improvements in CaseWare files for Performance audits. Efforts have been made to ensure proper sign-off procedures and timeliness, as well as the inclusion of various Control Documents that need completion. We also recognise that the Performance Audit Team is continuously updating the Performance Audit Manual to align with the implementation of the CaseWare system.

Improvement Opportunity

- That the Performance Audit Team continue to develop the Performance Audit Manual in alignment with the CaseWare system.
- Management should consider the use of a quick reference guide to assist the Performance Audit team as the current PAM is a voluminous document and will require further refinement.
- Clearly define the mandatory documents that needs to be included in the CaseWare file. We also recommend the use of TAGs in CaseWare when setting up the file to identify the mandatory documents that need to be completed. For reference in use of TAGs in CaseWare, refer to the Queensland Auditor-General's office as they also use CaseWare as their primary audit file system.
- Management should ensure all files and supporting documents are uploaded to CaseWare. The files should be complete and can be reference to when required, and fully sign-off.
- Consider the inclusion of an EQR in all the Performance audit files, this will assist in the consistency and quality of the Performance audit files.

TAO Comments

- We do not agree with the improvement opportunity regarding the Performance Audit Team continuing to develop the Performance Audit Manual (PAM) in alignment with the CaseWare system. The revision of the PAM, which is a principles-based manual, had commenced prior to the commencement of the Section 44 review and is still in progress. Templates and guidance notes including the use of CaseWare are kept separate.
- A quick reference guide will be prepared for use by performance auditors.
- We noted the finding that during the review of the performance audit files, anomalies were observed, including instances where the preparer signed off on their own documents, serving as both the preparer and the Team Leader. This is not factually correct, as people may have both roles and therefore have signed off as the preparer of the document and also as the Team Leader for the engagement. The relevant issue is whether that work had been reviewed by another person.
- The use of TAGs in performance audit CaseWare files will be investigated.
- Engagement quality reviews for performance audits have been impeded by resourcing constraints. External AGAC peer quality assurance reviews have been undertaken on most performance audit files, which mitigates the absence of engagement quality reviews. Engagement quality reviews are not required for all performance audits as some are also subject to ACAG peer quality assurance reviews. We will explore approaches to completing engagement quality reviews in compliance with audit quality standards and internal policies.

3.4 ACAG Peer Performance Reviews

The Australasian Council of Auditors-General (ACAG) has devised a program to aid individual Audit Offices in showcasing their adherence to pertinent legislative requirements and professional accounting and auditing standards to both internal and external stakeholders. This approach is structured around a framework facilitating reviews of an audit office's methodology and functions using standardised questionnaires aligned with relevant professional standards and legislative requirements.

In 2022, two performance audits were subject to a peer review conducted by the South Australia Auditor-General's Department. The reviews were finalised in February 2023, the two audits reviewed were:

- COVID 19 support measures – community support report; and
- council general manager recruitment appointment and performance assessment report.

The review team found that the Performance audit files for both audits contained evidence that key elements of the audit process were undertaken in line with relevant standards including ASAE 3500 Performance Engagements and office policy requirements.

However, the reviews also provided improvement opportunities in the Planning, Conduct and Reporting phase. We have listed some (not exhaustive) improvement opportunities from the report which included:

- There is a need to review current planning documents to establish a clear link between the review criteria, test procedures designed to obtain audit evidence and the records of evidence that describe the results of the testing and the evaluation of the evidence obtained.

- There was also a lack of evidence in the audit file that key planning and risk document were reviewed timely by the engagement leader/senior management. Also, approvals of key documents were not evidenced in the audit file.
- There was no clear line of sight from the planning documents to the evidence, findings and the report. The review team found it difficult to confirm whether all planned audit procedures were performed for each criterion.
- We also found that for the COVID-19 support measures review the reporting and monitoring of actual hours spent on the audit and progress against planned milestones were not documented in the audit file.¹

The improvement opportunities listed above are not exhaustive.

Improvement Opportunity

- The Performance audit team to include where relevant the improvement opportunities highlighted in the Peer review into the PAM, and ensure appropriate staff training is made available for the changes made.
- The TAO to review the recommendations made in the Peer reviews and consider the approach to implement and enforce the improvement opportunities.

TAO Comments

- We do not agree with the improvement opportunities. The improvement opportunities suggested by the South Australia Auditor-General's Department have already been implemented and have been communicated to the performance audit team.

3.5 Performance Audit Auditee Survey – ORIMA

The 2022 ORIMA Performance Audit Auditee Survey show a general improvement from 2019 to 2022, but decreased when compared to 2013 and 2017. A comparison of satisfaction rating between 2019 and 2022 showed the TAO has improved over all in the categories of: Process, Report and Value.

The overall performance index score was 72.2 index points (ip) for 2022, higher compared to 2019 (68.2ip). This increase was led by improvements in ratings for Performance audit reporting and value.

The audit process index score was 71.9ip, slightly higher compared to 2019 (70.1ip). This small increase reflects the fact that a greater proportion of auditees provided 'strongly agree' ratings for various aspects of the audit process, although overall agreement decreased for many aspects. Most notably, auditees were less likely to agree that the auditors clearly explained the audit approach and promptly informed them of significant issues/findings as they arose. However, auditees were also more likely to agree that the auditors used their staff members' time efficiently, responded promptly to requests and/ or concerns and the analysis and research conducted was of a high quality.

The audit reporting index score was 74.2ip, higher than in 2019 (68.3ip). Agreement increased across nearly all aspects of audit reporting compared to 2019. The greatest improvements were observed in relation to the practicality of recommendations in the final report, auditees being provided adequate opportunity to comment on the audit findings and issues and awareness of when the final report was to be tabled in Parliament.

¹ Government of South Australia – Auditor-General's Department – Peer Review report 7 February 2023

The audit value index score was 70.5ip, higher compared to 2019 (66.1ip), reflecting an increase in the proportion of auditees who agreed the audit will help them improve the performance of the audited activity.²

It should be commended that the TAO has demonstrated and delivered a higher degree of value add and reporting for Performance audit over the period from 2019 to 2022 based on the survey results.

ORIMA is Australia's leading provider of end-to-end research and data analytics services to the public and not-for-profit sector. Australia's largest provider of research, advisory and data services to the public sector, conducting research for Australian and State / Territory Government auditees on a range of topics.

Improvement Opportunity

- The TAO management team to review the ORIMA report and discuss with the Performance audit team regarding the areas of improvements that can be derived from the survey results.

TAO Comments

- The 2022 ORIMA Performance Audit Auditee Survey was previously discussed with senior members of the performance audit team. The ORIMA report will be discussed with all members of the performance audit team.

3.6 Auditee Feedback - Direct Interviews

While the auditee survey (2022 ORIMA Performance Audit Auditee Survey) showed positive improvements, our auditee interviews presented a more critical viewpoint. Auditees raised concerns about the auditors' limited understanding of the complexities of the issues addressed in the audit, impacting various stages of the audit process, including topic selection, the audit itself, recommendation development and staffing issues such as the attrition rate at the TAO.

During interviews with auditees, when asked about the disparity between survey responses and interview comments, a common explanation was a reluctance to express dissatisfaction to avoid antagonising the TAO. Some mentioned hesitancy to challenge recommendations to avoid friction with the TAO. This disparity indicates there is a degree of disconnect between submitted survey results and discussions in auditee interviews.

TAO Comments

- Anecdotal comments from interviewees have been reported without context and gives a view about the TAO, which as stated report, is not supported by other independent surveys. Anecdotal statements are singular datapoints and should not be used to imply the existence of a more systemic issue without other corroborative evidence.
- We have multiple channels and processes to engage with auditees and obtain their feedback on our work. These include consultation on preliminary findings, consultation on draft reports, formal responses included in reports, client service assessments conducted by TAO, stakeholder meetings with heads of agencies, independent surveys conducted by ORIMA.

² ORIMA – Tasmanian Audit Office – Key Findings – 2022 Performance Audit Client Survey 29-04-2022

3.7 Performance Audit Engagement Budget vs Actual

The Table below shows a sample of reports presented to Parliament in the last two years, with details of the Reporting period, Approved budget vs Actual, Variance, and Duration (months) budget vs Duration (months) actual and Variance. Note, not all presented reports had provided statistical data especial the external Audit Service Providers (ASP).

Report	Financial Year Tabled	Approved Budget \$	Actual \$	Variance \$	Duration (Months) Budget	Duration (Months) Actual	Variance (Months)
Effectiveness of Internal Audit	2020 - 2021	\$253,110	\$286,750	-\$33,640	9 months	9 months	0
COVID-19 Pandemic response and mobilisation	2020 – 2021	\$170,500	\$159,206	\$11,294	7 months	9 months	-2
COVID-19 Stimulus measures and support (4 reports combined)	2020 – 2021	\$168,525	\$267,091	-\$98,566	12 months	14 months	-2
Management of Underperformance in Tasmanian State Services – Conducted by ASP	2020 - 2021	Not available	\$203,877	-	Not available	15 months	-
Expressions of interest for tourism investment opportunities – Conducted by ASP	2020 – 2021	Not available	\$235,660	-	6 months	21 months	-15
Information and communications technology strategy, critical systems and investment – Conducted by ASP	2020 - 2021	Not available	\$246,732	-	14 months	20 months	-6
Management of the State road network – Conducted by ASP	2020 – 2021	\$173,125	\$295,372	-\$122,247	7 months	13 months	-6
Procurement in Local Government	2020 - 2021	\$154,495	\$142,502	\$11,993	10 months	11 months	-1
Council general manager recruitment appointment and performance assessment	2021 – 2022	\$136,119	307,908	-\$171,789	6 months	10 months	-4
COVID-19 Response to Social Impacts	2021 – 2022	\$132,732	\$254,346	-\$121,614	6 months	9 months	-3
Accessing services for the safety and wellbeing of children and young people – the Strong Families, Safe Kids Advice and Referral Line	2021 – 2022	\$215,267	\$373,609	-\$158,342	12 months Budgeted hours 1400	17 months Actual hours 2438	-5 -1038 hr
COVID-19 – Response to social impacts: mental health and digital inclusion	2021 – 2022	\$138,320	\$242,649	-\$104,329	9 months	12 months	-3
Improving outcomes for Tasmanian senior secondary students	2022 - 2023	\$305,609	\$301,167	\$4,442	12 months	18 months	-6
Follow-up of selected reports tabled between November 2016 and October 2018	2022 – 2023	\$139,950	\$206,119	-\$66,169	7 months	15 months	-8
Realising benefits from digital initiatives in the Tasmanian State Service	2023 – 2024	\$410,550	\$617,030	-\$206,480	12 months	17 months	-5

The table above highlighted that overall, the Performance reviews are generally over budget and over time. The data in table above was provided by the TAO and we have randomly checked to the CaseWare files for confirmation.

The Australasian Council of Auditor-General completed a Macro Benchmarking Survey in 2022-2023. For Performance audit activities, the Cost per unit output and Average elapsed time for 2018 -2019 to 2022 -2023 did not add value to the analysis due to the impact of COVID-19 disruptions at various levels. However, we note that the TAO Performance Audit data in the above table, of the 15 reports completed and submitted to Parliament, 9 reviews (potential more reviews due to unavailable data) exceeded the original dollar budget and 12 of the reviews exceeded the allocated time. The current process for conducting Performance audits presents a substantial challenge for the TAO, particularly the Performance audit team. Investigating the specific causes for budget overruns in terms of expenditure and time exceeds the scope of the current section 44 Strategic Review.

However, through discussions with TAO staff and external stakeholders, several points were raised in an effort to explain or clarify the potential rationales for of exceeding budget:

- Several audits were impacted by the COVID-19 pandemic. Performance audit activity was significantly curtailed between March 2020 to June 2020 to enable agencies to respond to the impacts of the pandemic and post this date some audits were subject to requests to defer audit activity to enable people to response to agency COVID-19 recovery priorities.
- Resource constraints - Insufficient staffing due to prolonged engagements and waiting periods pose a challenge. When TAO staff members are left waiting, they are reassigned to alternative jobs. Reassigning them back to complete an audit becomes challenging due to competing resource needs. Also, the interruptions require staff to invest additional time re-familiarising themselves with the project.
- Insufficient cooperation and delayed responses can impede data collection and the entire audit procedure. Delays arise when responses to inquiries are delayed or when there is reluctance to share information.
- Audit Fatigue due to Prolonged Engagements - Extended projects and frequent delays heighten the risk of audit fatigue. Audit fatigue compounds budget and time related issues as staff must repeatedly familiarise themselves with the audit file after each delay. This can lead to reduced focus, inefficiencies, and potentially a lack of clarity when addressing specific issues.
- Scope Changes - Performance audits might encounter scope alterations that result in delays. Modifying the focus or introducing additional elements complicates the analysis, prolonging both the timeline and the budget.
- Stakeholder Fatigue - Extended audits may result in stakeholder fatigue, leading to disengagement or diminished cooperation. This weariness among stakeholders can significantly hinder the audit process.
- High Staff Turnover - Extended engagements frequently encounter elevated staff turnover rates, disrupting the continuity of the audit process and the transfer of knowledge. Our interviews have revealed cases where engagements were delayed due to staff turnover.
- Changing Context - Extended audit durations can lead to shifts in the context of the audit, impacting the relevance of its focus, findings, and recommendations.
- Data Accuracy and Organisational Changes - The accuracy and reliability of data gathered at the beginning of the audit may be called into question due to its age and potential alterations within the audited entity, such as changes in management or the introduction of new policies or processes. These shifts can influence the significance of the audit's findings and recommendations. Delayed implementation of recommendations can diminish their potential to drive organisational improvement.

TAO Comments

- In addition to the points raised to explain or clarify the potential rationales for of exceeding budget, we advise:
 - The duration of ASP conducted audits included time taken to procure and engage ASPs, which took between 2 to 4 months. In addition, some ASP audits were adversely impact by loss or changes in ASP audit team members.
 - The 'Council general manager recruitment appointment and performance assessment' audit was extended to include an examination of Huon Valley Council's general management recruitment following concerns expressed around the management of conflicts of interest.
 - The 'Realising benefits from digital initiatives in the Tasmanian State Service' performance audit was a complex audit covering eight departments and 30 digital projects. The budget overrun was largely attributed to the loss of all, except one, members of the audit team during the audit.
- Notwithstanding the fact that several audits exceeded their budget, the ACAG Macro Benchmarking Survey 2022-2023 reveals the cost of TAO performance audits is well below the average cost of a performance audit across ACAG.

3.8 Performance Audit Training

Offering suitable staff training is crucial to ensure that the Performance audit team possesses the requisite knowledge, skills, and mindset to carry out audits effectively and contribute meaningfully to the success of the TAO Performance Audit Team. The TAO has stipulated that ACAG's Introduction to Performance Audit training is compulsory for all performance audit personnel.

Our discussion with staff indicated that the ACAG training program was good and the ability to meet other Performance auditors from different States was positive and facilitate future relationship and communication. Comments were made that staff generally preferred face to face training as compared to online training. They commented that person to person training was more engaging and allows questions to be answered immediately.

Given the current size and recent hiring of most Performance Team members (as of the beginning of 2023, there were three members in the Performance Team including the Assistant Auditor-General), special attention should be given to CaseWare training. Since CaseWare predominantly focuses on financial audit requirements, its usage, methodology, and approach may not adequately address the needs of Performance audit staff, offering little to no relevant context or content. Therefore, as part of the redevelopment of the PAM and utilisation of CaseWare, it's advisable to consider tailored training specific to Performance audits.

In addition to technical training, it's crucial to provide soft skills training to enhance staff members' interactions with external stakeholders. Furthermore, the TAO should contemplate offering Project Management training to senior Performance audit staff. Given the often-prolonged duration of Performance audits, which can exceed 9 months, Project Management skills can facilitate the organisation of the audit process and the effective allocation of resources.

Improvement Opportunity

- Continue to develop tailored training for the Performance Audit team, especially in the usage of CaseWare. In addition, consideration should be given to providing soft skill training, and project management training for senior members of the team.

TAO Comments

- We do not agree with this improvement opportunity as we already do this and will continue to do this. Each performance audit staff member has a learning and development plan tailored to their developmental needs, which is linked to whole of office offerings where required. All senior performance audit staff complete the Canadian Audit and Assurance Foundation (as world leaders in performance audit) performance audit training coordinated through ACAG. This consists of four performance audit courses: root cause analysis, distilling audit findings, engaging the audit client, and project management. All junior performance audit staff have attended the one-week Introduction to Performance audit course delivered by ACAG. In house training is delivered on: interviewing techniques, preparing records of evidence and use of CaseWare.

3.9 File Security and Access

The importance of file security in information systems containing private data or sensitive information cannot be overstated. File security safeguards sensitive and private information from unauthorized access, ensuring that only authorised individuals can access or view the information. In addition, state entities have strict regulations and legislative compliance requirements regarding the protection of private data, such as the Tasmania Personal Information Protection Act 2004.

Ensuring the security of private data may instils trust and confidence among the TAO auditees, employees, and other stakeholders. When individuals trust that their personal information is being handled securely, they are more likely to engage with an organisation and share their data willingly. Also, having to deal with the aftermath of a security breach can disrupt normal business operations, diverting resources and attention away from core activities.

During their Performance audit reviews, the TAO may gather various personal, including sensitive, information. Given that the CaseWare system serves as the central repository for all collected documents, it is imperative to safeguard and restrict unauthorised access. The TAO operates with a small Performance audit team, and each member must declare their independence for the audits they conduct.

It is commendable that the TAO has implemented security access controls for Performance audit files. Only approved users can access the Performance audit files.

4. Data Analytics



The use of data analytics in Financial and Performance audits can lead to more effective processes for risk assessment, improved audit efficiency, and enhanced detection of errors and fraud, ultimately resulting in higher audit quality and greater confidence in Financial and Performance reporting. Data analytics can be effectively used in audits to enhance the audit process including but not limited to:

- identifying anomalies such as patterns, unexpected fluctuations;
- test for completeness and accuracy on large datasets, reconcile data from different sources to ensure consistency and accuracy;
- risk assessment by analysing large volumes of data and identifying areas of higher risk or significance that may require closer examination;
- instead of relying solely on traditional sampling methods (limited testing), data analytics allows auditors to analyse entire populations of transactions or accounts, providing a more comprehensive view of the financial data;
- perform trend analysis over multiple periods, helping auditors to identify patterns or changes in financial performance over time;
- detect potential fraudulent activities by analysing transactional data for unusual patterns, such as duplicate payments, round-dollar transactions, or deviations from typical spending patterns;
- can automate repetitive tasks and analyses, can significantly improve audit efficiency, and allowing the auditors to focus on more complex and high-risk areas; and
- can enhance the information gathering by providing clear evidence and supporting documentation.

In 2022-2023, the TAO secured funding for developing a Data Analytics team within the TAO, and has recently wrapped up a pilot project with a government department. The aim of this pilot project was to foster the establishment of embedded processes, infrastructure, and skills necessary for the continued utilisation of data analytics in the TAO's Financial and Performance audits. We noted however that there was no formal Data Analytics plan developed for the Pilot project.

The objectives of the pilot project were to:

- establish and test data extraction processes for data from your department's finance one (TechOne) and empower databases;
- establish and test data transformation processes, which will involve;
 - data merging (integrating the data from multiple data sources into a single operational data set);
 - data cleansing (to ensure the data is correct and accurate);
 - data scrubbing (to correct data that is wrong, incomplete, formatted incorrectly, or is a duplicate copy of another entry);
- establish data loading processes to store the data in a target system, which will most likely be a secure location;
- undertake data analysis and interpretation using data analysis tools and software to understand, interpret, and derive insights from the data; and
- use data visualisation software to show data graphically to assist in identifying trends and meaningful information.³

³ Tasmanian Audit Office communique date 20 June 2022 to Mr Darren Hine

The draft of pilot project results was presented to the Department in mid-2023. The pilot project had identified and included a number of anomalies.

From our discussion with the Department's staff regarding the effectiveness and value add of the pilot project, a number of points were made which included:

- using a mix of staff which may include it and financial understanding;
- understanding of the department's financial processes and systems;
- identifications of "false positives";
- fluency in communication;
- consideration of the internal cost to the department (auditee);
- cost benefit analysis to be conducted with the Auditee and TAO; and
- identification of key benefits and improvement opportunities.

When queried about the Department's willingness to engage in another Data Analytics project, the response was "affirmative", on the condition that certain improvements are made to the process. This includes ensuring that one of the TAO staff team members possesses a solid grasp of finance and accounting concepts and an appropriate project plan is deployed. The Department anticipates reaping benefits from such initiatives once the TAO has refined their understanding and methodology.

Overall, data analytics in the audit of financial statements enables auditors to move beyond traditional manual procedures, providing a more thorough and data-driven approach to auditing processes. This can lead to more robust audit evidence and increased confidence in the reliability of financial statements.

The funding allocated to the TAO for establishing a data analytics team is relatively modest compared to that of other Auditor-Generals' offices. This limited funding may constrain the potential advancement of a meaningful and value-added service to support Financial or Performance Audits. Furthermore, the prevailing trend in data analytics involves the use of specialised software to aid in audit programs. However, the costs associated with acquiring such software could consume a significant portion of the current funding allocated to the TAO's data analytics program.

Investing in such staff and software can enhance the TAO's ability to leverage data-driven insights, improve audit efficiency, and strengthen the overall effectiveness of its audit processes. Furthermore, it can empower auditors to identify patterns, detect irregularities, and uncover potential areas of risk with greater accuracy and precision.

During our discussions, we were informed that another Data Analytics project was conducted for Council data but did not proceed due to various reasons. It was highlighted that six Councils were contacted and requested data without thorough planning or considering potential system disparities among them. Additionally, data integrity issues arose, necessitating extensive data cleansing efforts. Ultimately, the TAO determined that none of the data received from the six Councils could be utilised. Subsequently, the TAO had to reach out to each Council individually to inform them of the inability to utilise the requested data and the project was to cease.

Improvement Opportunity

- The TAO should continue advancing their data analytics program, leveraging invaluable insights gained from the pilot project. Work with the Financial Audit Service team to educate and to embed data analytics into the financial audit program where possible. Demonstrate the value add that data analytics can bring when planning to conduct compliance and substantive testing procedures.
- Conducting a deep dive into TechOne to have a thorough understanding of how the financial system works would be an advantage as most Tasmanian Government entities use TechOne.
- Although a standardised approach and methodology should be developed, however, the TAO must also ensure an understanding of the organisation's processes as each government entity will have different processes and may use TechOne differently.
- Consider leveraging the current work developed and done by the larger Auditor-General's offices. The larger offices have substantially larger budgets when comparing the TAO's funds allocated to data analytics. From our general observations, the process for data analytics in audit is still developing, and in trying to embed data analytics into the audit methodology in a way that is relevant, cost-effective, and assists in reducing time and cost for the auditor and auditee is still developing.
- The TAO should pursue additional funding or advocating for an increase in funding to bolster support for its data analytics program. This includes allocating resources towards acquiring audit-specific data analytics software such as "Inflo," "MindBridge," "Looker," or other relevant software solutions deemed suitable by the TAO. These tools offer advanced capabilities tailored to the specific needs of auditing processes, enabling more efficient data analysis, trend identification, anomaly detection, and risk assessment.
- Develop a Data Analytics plan for the next project and ensure appropriate communication processes are deployed in the development plan phase and throughout the project.

TAO Comments

- We do not agree with the finding that there was no formal Data Analytics plan developed for the Pilot project as all the considerations for a Project Plan were addressed in the following documents:
 - A letter outlining the goals and objectives of the pilot project provided to the Secretary of the department on commencement of the project.
 - The timeline for the pilot project was developed in conjunction with department staff.
 - In accordance with the TAO's Data Request Policy, Process and Data Governance Framework, a Data Request Process document was completed which aligned with the department's ADEPT templates. This process document essentially covered aspects of a project plan including:
 - data handling considerations (including technical environment, types of data under consideration, open data sources, classification, security);
 - supporting documentation to be supplied (data collection catalogue, change control;
 - the flow of data requests;
 - role and responsibilities of parties;
 - legislation underpinning the data transfer;
 - objectives, benefits, risks, change control, and data lifecycle considerations;
 - scope of data under consideration;
 - limitation of data usage; and
 - methodologies and processes to be undertaken.
- The statement 'that that another Data Analytics project was conducted for Council data' is not factually correct. This statement relates to a performance audit on council procurement. The audit approach included obtaining transactional procurement data for 2020-21 and 2021-22 from councils subject to audit for the purpose of testing of a sample of procurement transactions and to ascertain whether any insights could be obtained from understanding what goods and services were being procured, and from whom. This information could have added value and insights for the audit, but it was not a significant component of the audit. It did not progress for the reasons identified. This was not part of our data analytics program or strategy and our DA team had limited involvement.
- We do not agree with the improvement opportunity suggesting the TAO should continue advancing their data analytics program, leveraging invaluable insights gained from the pilot project, as we currently do and will continue do this.
- We do not agree with the improvement opportunity that the TAO conduct a deep drive into TechOne to have a thorough understanding of how the financial system works. We have staff and access to staff within other agencies, with a deep understanding of Finance 1. The complexity lies in that agencies are using different versions of Finance 1 and each agency has configured their data field and databases differently from other agencies. Further, the statement 'that most Tasmanian Government entities use TechOne' is not factually correct.

TAO Comments

- We do not agree with the improvement opportunity that the TAO must also ensure an understanding of the organisation's processes as each government entity will have different processes and may use TechOne differently, as we already have this understanding.
- We do not agree with the improvement opportunity that the TAO consider leveraging the current work developed and done by the larger Auditor-General's offices, as this currently happens. TAO staff attend ACAG data analytic team meetings, we have access to other ACAG DA experts, other ACAG offices have offered us their DA Scripts to us and to assist in their implementation. DA experts from other ACAG offices have met with us in person to provide assistance.
- We do not agree with the improvement opportunity that the TAO should pursue additional funding or advocating for an increase in funding to bolster support for its data analytics program. The TAO sought additional DA funding its budget submission for 2024-25 which was lodged with the Department of Treasury and Finance on 10 January 2024.
- In reference to the improvement opportunity to develop a Data Analytics plan for the next project we will consider the improvements that can be made to the project management process and incorporate them into Data Request Policy, Process and Data Governance Framework.



5. Strategic Objectives and Critical Success Factors



5.1 Strategic Objectives

The current TAO Strategic Plan is from 2021 to 2024, at the time of this review, the TAO is halfway through the progress of the strategic plan. The TAO Strategic Plan provides for a long-term view of the TAO operations, but with the recent disruptions (pandemic catch-up) and staff attrition.

We note that the TAO Strategic Plan 2021- 2024 has been redeveloped when compared to the 2016 – 2020 Strategic Plan. The 2021-2024 Strategic Planning Framework development has included five key sections:

- Budget Paper - Details of commitments to the Parliament and how these are funded.
- Strategic Plan - The primary planning document sets TAO's strategic direction and outlines the environment in which the TAO operate, the strategic focus and key capabilities required to deliver their purpose.
- TAO Annual Plan of Work - An annual plan designed to inform the Parliament, Tasmanian Public Sector and the Tasmanian community of planned and potential audit projects to be undertaken during the next financial year.
- Business Unit Plans - Business unit plans document activities and initiatives to support delivery of the Our Strategic Plan by each TAO business unit.
- Individual Performance Plans - Each individual performance plan can be linked to the TAO Strategic Plan, business unit plans and priority initiatives⁴.

The above five points are supported by linked to the TAO Risk Management Framework, which outlines the TAO's approach to risk oversight and management and is supported by the Risk Register which documents the strategic and operational risks.

The Purpose of the Strategic Plan was to provide independent assurance to the Parliament and Community on the performance and accountability of the Tasmanian Public Sector, and Vision – Strive, Lead, Excel to make a difference have remained the same in the 2021-2024 Strategic Plan.

The TAO Values guide the Team in achieving their vision and in performing their role objectively, with impartiality and in the best interests of Parliament, the Tasmanian Public Sector and the Tasmanian Community. Five Values have been provided in the Strategic Plan 2021 – 2024:

- Professionalism: How we go about doing our work We will, at all times, act with integrity and independence, be ethical, knowledgeable, informed, transparent and work to the highest standard.
- Respect: How we treat others and expect to be treated We will be civil, courteous, credible value others and be valued.
- Client focused: How we deliver our services We will understand our clients' needs, honour our commitments, build long term relationships and foster good communication.
- Camaraderie: How we work together We will create a positive work environment through teamwork, support and good working relationships.
- Continuous improvement: How we move forward and work better We will improve the efficiency and effectiveness of everything we do through innovation, learning and development.

⁴ Tasmanian Audit Office Strategic Plan 2021-2024

The Strategic focus for 2021-2024 has been changed to three strategic focus areas (from four in the 2016-2020). The three focus areas are:

- Impact – making a difference to the bodies the TAO audit, the Parliament and the public by enhancing the relevance and impact of TAO’s work.
- Quality – delivering high quality, professional services by building capability and capacity to meet the changing demands of TAO’s clients and stakeholders.
- Efficiency – building a high performing organisation by quickly and efficiently changing TAO’s structure and practices to meeting the evolving needs.

The three strategic focus areas are further supported by a brief description of approach (Strategic), what (Success looks like), how (Immediate actions) and when (Longer term actions). A selected sample of some points from the Strategic focus areas have been detailed below:

Strategy	Success looks like	Immediate actions	Longer terms actions
Impact: Improve the timeliness of our work	Broader input onto identification of potential performance audits. More targeted annual plan of work.	Re-examine resource models and recruit accordingly. Implement measures to improve audit efficiency. Improve overall management of individual audit engagements.	Complete 60% of financial audit work before 30 June One report for outcomes from financial audits Seek legislative change to facilitate achievement of financial audit timeframes.
Impact: Improve access to our work	Increased sharing of insights and good practice Broader visibility of our work.	Produce consolidated report of COVID-19 work program to further the impact of our work, recommence audit committee and financial reporting information sessions. Share what ‘good’ looks like across the public sector.	Review use, content and accessibility of our website, enhance use of existing or new technologies and platforms to increase overall accessibility.
Quality: Deliver high quality professional audit services for public sector bodies and the Tasmanian Parliament	Full compliance with professional and ethical standards, continuous improvement embedded in everything we do Learning from our own mistakes.	Implement the new AUASB Quality Management Standards. Implement the inter-office quality assurance program. Implement a financial audit approach for less complex public sector bodies. Finalise audit manual.	Embed root cause analysis for quality review finding.

Strategy	Success looks like	Immediate actions	Longer terms actions
Quality: Modernise our audit approach	Efficient, agile and innovative audit delivery, data driven audits, artificial intelligence enabled audit products.	Maximise CaseWare functionality. Eliminate redundant audit processes and practices, redesign cross-sector and service organisation audit approach. Redesign CIS audit approach. Streamline information management (reduce duplication). Reset our audit fee mode.	Embed data analytics into our audit approach Leverage/share good practice with audit service providers, invest in IT people and technologies to increase audit efficiency Data centre access as a depository for public sector data Increase probity audit focus.
Efficiency: Flexible collaborative corporate structure	Agility in adapting to the environment we operate in a structure that changes quickly and efficiently to meet needs.	Structure underpinned by self-directed teams, greater open exchange of information and relationships.	Reduce barriers between business unit.
Efficiency: Simplify our business	Policies and practices that support our people Policies and practices that balance risk management and efficient/effective outcomes, no unnecessary red tape.	Consolidate/reduce and refine existing policies and procedures to better support our people. Policies and procedures that are easily understood and accessible.	Enhanced use of an intranet as a key communication tool, eliminate non-value adding activities Increase the level of delegation.

We commend the Auditor-General for revising and enhancing the 2021 – 2024 Strategic Plan. Compared to the previous 2016 – 2020 plan, the new version has been streamlined yet includes more pertinent points.

The TAO’s Strategic Plan is complemented by the Annual Plan of Work, a process we found to be appropriately managed. The Strategic Plan undergoes annual review, with adjustments made as necessary and approved by the Executive Committee.

The Annual Plan is updated annually, incorporating performance statistics. It clearly outlines the agenda for the coming year, providing sufficient detail, assigning management responsibilities, setting timelines, and establishing monitoring processes and performance measures.

The Annual Plan of Work serves as a comprehensive document outlining proposed work programs for the upcoming financial year. It offers Parliament, the public sector, and the community insight into priorities and allows for scrutiny of proposed activities. In formulating the Annual Plan of Work, the TAO remains vigilant, monitoring issues and developments across the public sector and engaging extensively with relevant stakeholders throughout the year.

For the 2023-2024 Annual Plan of Work, the Auditor-General exercised discretionary power to streamline the number of performance audits, ensuring reports are pertinent to Parliamentarians and of interest to the public. This proactive step by the Auditor-General underscores the TAO's adaptability in fulfilling its commitments.

Our assessment reveals that the TAO has implemented various initiatives to address challenges in its working environment and fulfill its mandated Critical Success Factors requirements. While there are opportunities for improvement, the TAO's approach lays a solid foundation for continuous enhancement. It's important to note that measuring success at a single point in time or within a short period may not provide an accurate depiction of progress or program delivery.

Moreover, each Annual Plan is supplemented by Business Unit Plans from the Financial Audit, Performance Audit, and Corporate Support and Strategy Units. These plans offer further insight into the services and deliverables, assessing the prior year's performance and outlining the current year's objectives. The following are selected samples from the different Business Unit Plans.

Financial Audit Services – Performance measure (economy/efficiency/quality/effectiveness):

- People and culture - Staffing strategy - Efficiency - completion of the project within original agreed timeframes. Effectiveness - achievement of project objectives (>80% overall achievement of project objectives).
- Quality and improvement - CaseWare enhancements - Effectiveness - implementation of CaseWare methodology improvements within established timeframes (>80% overall achievement within established timeframes).
- Assurance and advisory - Issuance of auditor's reports - Efficiency - timeliness of preparation of auditor's report templates (all prepared by 28 February), timeliness of issuance of auditor's reports (all within statutory deadline), timeliness of issuance of auditor's reports (90% within date advised in audit strategy). Effectiveness - no adverse findings from internal or external quality assurance reports relating to auditor's reports, resolution of root causes of drafting errors identified in preparation of auditor's reports (80% resolved).
- Assurance and advisory - Issuance of audit strategies - Efficiency - timeliness of issuance of draft financial audit strategies (PFC/PNFC by 28 February, GGS/Other GGS by 31 March, LG by 30 April, and Other by 31 May (90% of draft financial audit strategies issued by required date).
- Assurance and advisory - Financial reporting advice (e.g. Treasurer's instructions, exposure drafts) - Efficiency - timeliness of response (within advised or agreed timeframes). Effectiveness - adoption or acceptance of advice (>90%).
- Assurance and advisory – Issuance of Memorandum Audit Findings - Efficiency - timeliness of issuance of draft memorandum of audit findings letter (90% issued < 2 weeks after completion of interim audit visit and audit completion).
- Governance – Monitoring and achievement of business unit plan - Efficiency - business unit plans for forthcoming year agreed by 1 July. Efficiency - business unit plan for preceding year formally reviewed and agreed by 31 August.
- Governance – FAS Executive Meetings - Effectiveness - committee member feedback on the effectiveness of the committee and other committee members, feedback arising from the Audit Act 2008 section 44 review.
- People and culture – Performance manage and develop FAS team members - Efficiency - formal performance reviews completed within agreed timeframes (6 monthly reviews). Effectiveness - agreement of performance ratings by staff, expeditious resolution of staff almost or not meeting expectations, staff satisfaction with development opportunities.

- Quality and improvement – Quality assurance services file reviews - Efficiency - review undertaken by no later than 31 December. Effectiveness - acceptance of review findings by relevant engagement team and FAS Executive.
- Stakeholder relationships – Report and present to Parliament on audits of financial statements - Efficiency - tabling of report within statutory deadlines. Effectiveness - satisfactory survey feedback from Parliamentarians.

A further breakdown of the support framework is the Individual Performance Plans for each level of staff. The Individual Performance Plans have been developed to support the Business Unit Plan. The Individual Performance Plans are tailored differently for each staff level. The following are selected samples and sections from the individual Performance Plans:

Senior Auditor:

Key competencies	Key duties
<p>1. Effective customer interaction</p> <p>Adapting personal style to suit different customers and promptly and effectively responding to their needs. Where appropriate, initiating and maintaining contact with customers and anticipating issues that may arise.</p>	<p>Liaise with client staff with a focus on developing and maintaining professional working relationships.</p>
<p>2. Cooperates and articulates</p> <p>Cooperating with people in the workplace and contributing to team activities.</p> <p>Clearly, positively and convincingly conveying information, in written and verbal form.</p>	<p>Effectively supervise team members including providing clear instructions and provision of constructive feedback.</p>

Senior Manager:

Key competencies	Key duties
1. Understanding Customer Needs and Drivers	<ul style="list-style-type: none"> • Demonstrates effective client knowledge, especially insight into their operations and strategic risks, whilst maintaining professional scepticism and avoiding advocating for clients. • Maintains regular effective contact with clients, other than by email. • Demonstrates an up-to-date knowledge of developments at a sector level.
2. Negotiates and Persuades	<ul style="list-style-type: none"> • Written – reports, work papers, memorandums and other correspondence are well written and provide persuasive impacts. This includes assessment of work produced on the AGR's. • Verbal – Participation and persuasiveness of ideas at Group Leader, other meetings and presentations to Parliament and other forums.

The oversight of the Strategic Plan, Annual Plan of Work, and Business Unit Plans falls under the responsibility of the Executive Committee and reviewed by the Risk and Audit Committee.

Improvement Opportunity

- The TAO should build upon the established strategic objectives. The Business Unit Plans outline service deliverables and performance measures necessary for meeting required performance standards. Each yearly Business Unit Plan includes an assessment of actual performance, categorised as satisfactory or unsatisfactory. The TAO, should conduct a comprehensive review of the Business Unit Plans to identify potential areas for improvement and how best to ensure performance measures are achieved.

TAO Comments

- We do not agree with this improvement opportunity, as the approach, format, and content of business units plan are reviewed and discussed with input from each of the business units each year, and continually throughout the year. This also includes presentations to the Risk and Audit Committee, with business plans incorporating feedback from the Committee.

5.2 TAO Key Performance Indicators (KPI)

Survey of Parliamentarians

The following summary highlights the KPIs from the surveys conducted by ORIMA from Member of Parliament May 2022⁵, the next survey is scheduled to be conducted in 2024.

Overall, the 2022 Parliamentarians survey results were very positive, with predominantly favourable ratings provided for each audit aspect. Consistent with 2019, all Parliamentarians were satisfied with the reports and services of the Audit Office overall.

Parliamentarians' ratings for the effectiveness of the Auditor-General in achieving his desired outcome of informing Parliament on accountability and performance of the public sector declined slightly in 2022 (85%, down slightly from 90% in 2019).

Ratings in relation to general impressions of the Audit Office's reports and services remained high and were broadly in line with 2019. Compared to 2019, a greater share of Parliamentarians agreed that:

- the Audit Office's reports and services help improve public sector administration (100%, up from 93% in 2019); and
- the services of the Audit Office in the past 12 months have contributed to improved public sector accountability (94%, up from 88%).

Although still high, there was a decline in overall agreement that the Audit Office's reports generally communicate issues clearly (94%, down from 100%).

Overall, most (86%) Parliamentarians reported that they had referred to the Auditor-General's financial audit reports in the past 12 months. Nearly half (45%) of Parliamentarians reported referring to them at least 'often', an increase in the frequency of referral compared to 2019 (35%).

Those who had read financial audit reports provided positive ratings (over 90%) across all aspects. Compared to 2019, Parliamentarians were more likely to agree the reports assisted them to monitor the accountability and financial performance of the Tasmanian public sector (100%, up from 91%).

There was a substantial reduction in the proportion of Parliamentarians who felt that the Auditor-General's Performance and Compliance audits were addressing their key areas of interest to a 'high' or 'very high' extent (60%, down from 82% in 2019).

All Parliamentarians (100%) had referred to performance or compliance audit reports in the last year, and the share who referred to them 'often' or 'very often' in the past 12 months increased compared to 2019 (38%, up from 32%).

Parliamentarians provided very positive ratings across most aspects. However, there was a reduction in agreement that the reports clearly identified public sector agencies' performance (88%, down from 100%).

Around three fifths of Parliamentarians (62%, up from 41% in 2019) had dealings with the Audit Office in the past 12 months. Consistent with previous years, all those who had dealings agreed that the Auditor-General/ Audit Office were responsive and the advice/ information they provided addressed their needs.

More than half of Parliamentarians (56%, up from 46%) had read the Annual Report of the Audit Office. Compared to 2019, Parliamentarians were less likely to agree that reading the Annual Report had improved their understanding of:

- the products and services provided by the Audit Office (69%, down from 89%);
- the interaction between the Auditor-General and Parliament (68%, down from 95%);

⁵ ORIMA report - Tasmanian Audit Office – Key Findings – 2022 Parliamentarians Survey 17 May 2022

- how the Audit Office is funded (63%, down from 78%); and
- the interaction between auditees and the Auditor-General (61%, down from 89%).

Ratings relating to the readability of the report remained high, although there was a decrease in 'good' or 'very good' ratings for layout and presentation, and tables, figures and graphs (both 90%, down from 100% in 2019).

Financial Audit - Auditee Survey

The following summary highlights the KPIs from the surveys conducted by ORIMA of Financial Audit - Auditees April 2022⁶, the next survey is schedule be conducted in 2024.

The overall performance index score was 73.3 index points (ip), down from 76.6ip in 2019. Lower index scores were recorded across all aspects of the audit, but most notably for audit reporting.

The audit process index score was 72.7ip, slightly lower compared to 2019 (74.7ip). Less positive ratings were recorded across many aspects of the audit process, but the largest declines were in relation to the timeliness of the audit, auditors' understanding of their organisation, and whether their organisation was promptly informed of significant issues identified during the audit. However, auditees were more positive about continuity of auditors and aspects related to responsiveness, specifically whether the auditors were responsive to their needs and responded promptly to their requests and/or concerns.

The audit reporting index score was 71.7ip, lower than in 2019 (77.7ip). The lower index score was driven by lower agreement with all aspects of audit reporting, most notably the accuracy, timeliness and balance/ fairness of management letters, as well as management letters containing 'no surprises'.

The audit value index score was 75.6ip, slightly lower compared to 2019 (77.5ip). This decline reflected less positive ratings in relation to the value of the audit office's newsletter and accounting standards update auditee seminars. However, auditees were more likely to agree that they value the Audit Office's recommendations to improve the financial management and internal controls of their organisation.

Performance Audit - Auditee Survey

The following summary highlights the KPIs from the surveys conducted by ORIMA of Performance Audit - Auditees April 2022⁷, the next survey is schedule be conducted in 2024.

The overall performance index score was 72.2 index points (ip), higher compared to 2019 (68.2ip). This increase was led by improvements in ratings for audit reporting and value.

The audit process index score was 71.9ip, slightly higher compared to 2019 (70.1ip). This small increase reflects that a greater proportion of auditees provided 'strongly agree' ratings for various aspects of the audit process, although overall agreement decreased for many aspects. Most notably, auditees were less likely to agree the auditors clearly explained the audit approach and promptly informed them of significant issues/ findings as they arose. However, auditees were also more likely to agree auditors used their staff members' time efficiently, responded promptly to requests and/ or concerns and the analysis and research conducted was of a high quality.

The audit reporting index score was 74.2ip, higher than in 2019 (68.3ip). Agreement increased across nearly all aspects of audit reporting compared to 2019. The greatest improvements were observed in relation to the practicality of recommendations in the final report, auditees being provided adequate opportunity to comment on the audit findings and issues and awareness of when the final report was to be tabled in Parliament.

⁶ Tasmanian Audit Office – ORIMA report – Key Findings – 2022 April – Financial Audit Client Survey

⁷ Tasmanian Audit Office – ORIMA report – Key Findings – 2022 April – Performance Audit Client Survey

The audit value index score was 70.5ip, higher compared to 2019 (66.1ip), reflecting an increase in the proportion of auditees who agreed the audit will help them improve the performance of the audited activity.

Report on 2022-2023 ACAG Benchmarking - ORIMA report⁸

The report presents the 2022-23 comparisons of the survey results for benchmarking purposes, across the seven Audit Offices that participate in the benchmarking process. The following are selected results of the benchmarking survey from:

Parliamentarians:

- Most members of parliament (MPs) indicated that they were satisfied with the reports and services provided by their jurisdiction's audit office. Satisfaction was highest in three States and Territory, which included the TAO.
- Overall satisfaction – historical comparisons - A MPs were satisfied with the services provided by their jurisdiction's audit office in their latest survey year. The TAO scored 100% in 2019 and 2022.
- The Office's reports and services provide valuable information on public sector performance – TAO score 100%.
- The Office's report and services help improve public sector administration – TAO scored 100%.
- In general, the office's reports communicate issues clearly – TAO score 94%, second highest of the group of five.
- The reports were easy to understand – TAO scored 94% equal highest in the group.
- The Financial reports clearly communicated the significant issues and their implications – TAO scored 100%.
- The Financial reports assisted me to monitor the accountability and financial performance of the state public sector – TAO scored 100%.
- The Performance audit reports were easy to understand – TAO scored 100%.
- The Performance audit reports clearly communicated the significant issues and their implications – TAO score the highest 97%.
- Responsiveness of the Auditor-General – TAO scored 100%.
- Extent to which the advice/information provided by the Auditor-General Office addressed your needs – all scored 100%.

Financial Audit - Auditees:

- The auditor communicated with us effectively – TAO scored 88%, which in the middle range.
- The auditors adequately understand our organisation – TAO scored 75%, which is the second lowest in the group of 7 offices.
- The auditors had the professional skills and knowledge required to conduct the audit – TAO scored the lowest with 88%.
- The auditors conducted themselves professionally during the audit – TAO scored the lowest with 94%.

⁸ Report on 2022-2023 ACAG Benchmarking – Australasian Council of Auditor-General 21 September 2023

- The Office's audit program was undertaken in a timely manner – TAO scored the lowest 59%.
- There was adequate continuity of auditors on our audit – TAO scored the lowest 73%.
- The Office's management letters communicated the audit findings and issues clearly – TAO score 90 which is mid-range.
- The Office's management letters were issued in a timely manner – TAO scored the lowest 69%.
- We value the assurance we obtained from the audit of our statutory financial statements – TAO scored 90% which was the second lowest.

Performance Audit - Auditees:

- The auditors communicated with us effectively – TAO scored 85%, which is in the mid-range of the group of 7 offices.
- We were promptly informed of significant issues/findings as they arose during the audit – TAO scored the lowest with 52%.
- The auditors adequately understood our organisation, including our operating environment – TAO scored the lowest with 48%.
- The auditors demonstrated that they had the professional skills and knowledge required to conduct the audit – TAO scored 78%.
- The tabled audit report was factually accurate – TAO scored 77%, mid-range.
- The tabled audit report was balanced and fair – TAO scored 81%, which is second highest in the group.
- The audit will help our organisation to improve the performance of the audited activity – TAO scored 81% which is the second highest.

Improvement Opportunity

- There are noticeable disparities in perception between Parliamentarians and Audit auditees regarding the TAO. While Parliamentarians rated the TAO in the higher quadrant, Financial Audit and Performance Audit auditees rated it lower. Nonetheless, the Strategic Audit framework has been developed in line with legislative requirements. The Auditor-General has laid a robust foundation for the next incumbent to further enhance the framework.
- The TAO management team should thoroughly review and assess the ORIMA reports, focusing particularly on the improvement opportunities highlighted within these reports.

TAO Comments

- We do not agree with the improvement opportunity as the reports were all reviewed assessed by the TAO Executive Committee and business units and actions arising therefrom were incorporated into Executive Committee and business unit action plans.

6. General Office Management



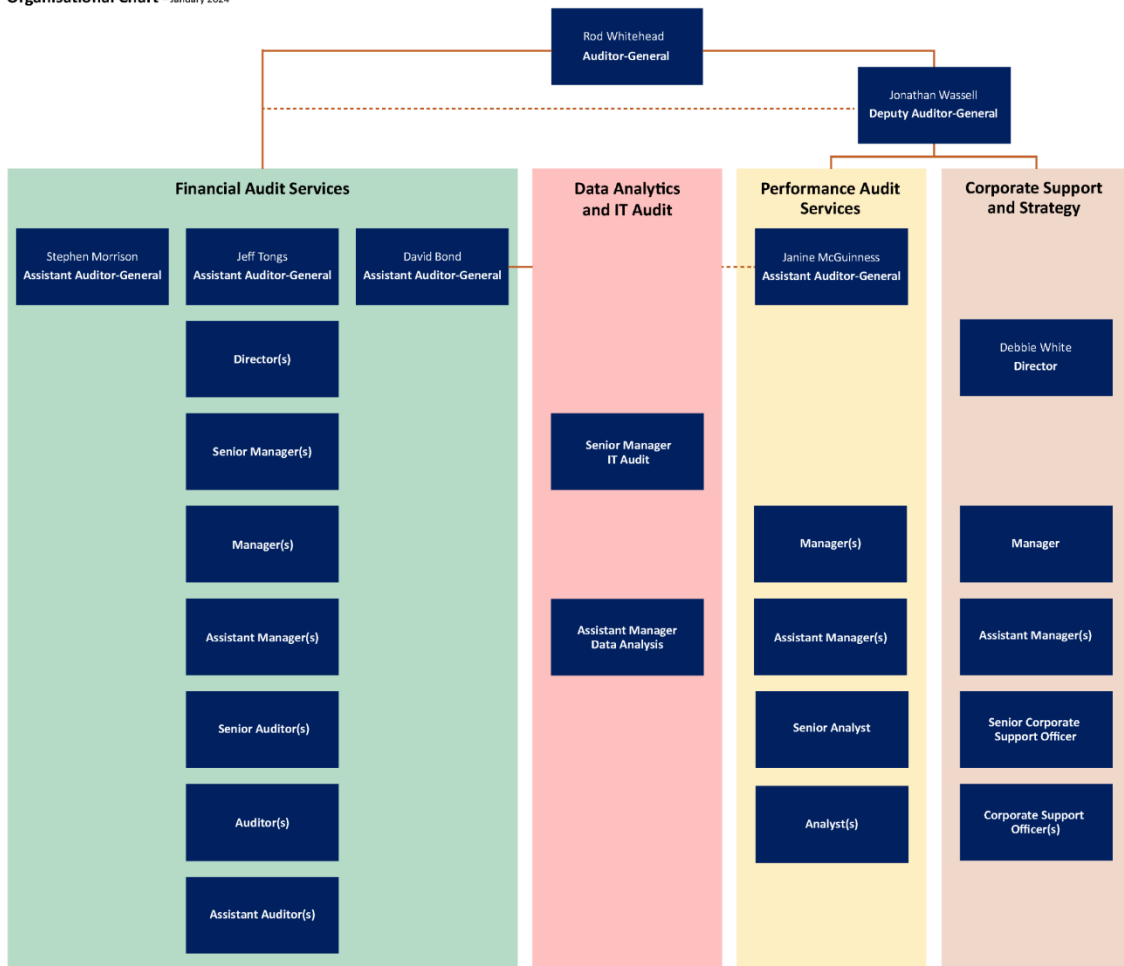
The 2020s presented significant challenges for organisations worldwide, with the COVID-19 pandemic causing widespread disruption both directly and indirectly. In response to the pandemic's impact on staff and operations, the TAO swiftly adjusted its approach to ensure service delivery and provide support to its employees during periods of COVID-19 restrictions.

Staff play a central role in the TAO's ability to fulfill its functions effectively, efficiently, and economically. Recognising this, the TAO places great importance on understanding the perspectives of its staff. To achieve this, the organisation regularly solicits formal feedback from its employees through internal surveys and encourages participation in the Tasmanian State Service Employee Survey 2023 conducted across Tasmania Government entities.

6.1 Organisational Structure



Organisational Chart – January 2024



Source - <https://www.audit.tas.gov.au/our-people/>

The largest team in the above organisational structure is the Financial Audit Services (FAS). In the last Chart update, FAS had 42 staff, divided into three audit teams (Pink, Blue and Silver). The major differences from the 2018 structure were the establishment of a distinct team for Data Analytics and IT Audit.

6.2 Staff Profile

Measures	2019-20	2020-21	2021-22	2022-23
Size of the workforce at 30 June (full-time equivalent)	41.6	43.2	47.4	57.1
Size of the workforce at 1 July (head count)	47	45	46	48
Staff on secondment or leave without pay at 1 July	7	6	5	3
Staff commencing during the year	9	12	20	34
Staff who left during the year	(12)	(12)	(20)	(25)
Staff on secondment or leave without pay at 30 June	(6)	(5)	(3)	(1)
Size of the workforce at 30 June (head count)	45	46	48	59
Permanent part-time staff at 30 June	2	2	8	7
Fixed-term part-time staff at 30 June	4	2	4	1
Fixed-term staff at 30 June	12	10	10	4
Fixed-term staff at 30 June	42	44	42	39

Source – Tasmanian Audit Office – Annual Report 2022-23

The table above highlights the staff structure over the last four years. The standout data is the staff attrition rates over the four years. As of June 30, 2023, the TAO's workforce consisted of 59 employees, encompassing auditors, data specialists, and corporate support staff. This notable increase in the TAO's office's personnel, which reflects their strategic initiatives aimed at addressing the higher-than-average turnover of staff in the audit department and their commitment to conducting a larger portion of audit work internally rather than outsourcing it to external service providers. However, challenges persist due to a nationwide shortage of audit skills, which poses difficulties in both recruiting and retaining staff. Both Financial and Performance audit teams suffered from high attrition rates. At the beginning of 2023, the Performance audit team only had three staff comprising of the Assistant Auditor General, Acting Manager and Assistant Manager.

We commend the TAO for implementing innovative strategies and initiatives aimed at addressing the challenges posed by the competitive recruitment landscape and reducing the attrition rate. These strategies have included:

- maintaining a higher-than-average total Full-Time Equivalent (FTE) in the Audit team to manage the elevated turnover rate;
- offering permanent contracts to entry-level staff instead of fixed-term Graduate program contracts, while also enhancing support through a professional development program. This is a departure from the standard State government recruitment process of offering graduates a fixed-term; and
- piloting visa sponsorship for audit staff to mitigate challenges stemming from the nationwide shortage of audit specialists. The TAO is currently undertaking a process to register for Business Sponsorship Visa (Subclass 482 and 494) under advisement from the migration lawyer. The new sponsorship visa will be more cost and time effective, and the sponsorship arrangement is linked specifically to the TAO reducing the risk of 186 visa where the visa is not linked to the TAO.

Staff numbers by Classification level and Gender. Overall, the gender differences have remained consistent over the last 5 years of around 60/40 (male/female).

Calendar Year (as at 31 December)	2018		2019		2020		2021		2022		2023	
	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female
General Stream Band 1			1	1	1			1	3	1	2	1
General Stream Band 2	1	1		3	1	1	1	2		2		3
General Stream Band 3	3	1	2	1	1	1	1	2	5	3	10	8
General Stream Band 4	7		3	2	5	1	5		7	3	4	4
General Stream Band 5	2	3	3	1	1	2	5	1	5	1	7	4
General Stream Band 6	5	5	1		2	2	2	2	3	1	6	2
General Stream Band 7	2	4	2	1	3	2	2	3	2	3	2	5
General Stream Band 8	2	1		1		1		1				1
General Stream Band 9			3		3		3		2		2	1
Graduate			4	3	5	2	6	2				
Professional Stream 1						1		1				
Professional Stream 2			3	2	1	4	1	4	1	3	1	
Professional Stream 3			1	1	1	1		1				
Professional Stream 4			1		1		1					
Professional Stream 5	2	1	1		1		1		1		1	
SES 3			1		1							
Ministers Appointment AG	1		1		1		1				1	
Ministers Appointment DAG	1										1	
TOTAL	26	16	27	16	28	18	29	20	29	17	37	29

Source – Spreadsheet provided by TAO – Note: Staff who identify as other genders are not represented in this information.

6.3 Staff Feedback – Survey

Recognising the pivotal role of staff in effectively delivering its functions, the TAO places great emphasis on understanding their perceptions. To achieve this, the organisation actively seeks staff feedback through regular internal surveys and participation in the survey, which encompasses all Tasmanian Government entities. The results of these surveys are carefully considered by the Executive Committee, which then communicates the findings and proposed actions back to staff through various channels. This feedback loop ensures that staff concerns are addressed and that the organisation remains responsive to their needs.

An employee survey was coordinated by the Tasmanian State Service Management Office and conducted by ORIMA Research for the Tasmanian State Service agencies. The Survey results inform senior leaders about what it is like to work in the State Service, which helps them to improve workforce management at the whole-of-service and agency levels. The results also support agency and whole-of-service planning and reporting activities, including informing the reporting required under the State Service Act 2000. The 2023 Survey asked questions related to a range of topics, including:

- Diversity.
- Workplace culture.
- Employee engagement and job satisfaction.
- Workplace health, safety, and wellbeing (including behaviour and conduct).
- Performance and development.

From our review of the survey results, the TAO had scored better in all categories than the whole of Tasmanian State Service (TSS). The survey also provided a comparison of the TAO's results for 2018 and 2020, where the 2023 results show an improvement in all questions asked. The positive employee survey results showed that the TAO has made positive gains in the workplace environment.

We have selected several questions under the Engagement and Job Satisfaction category to highlight the positive results of the TAO in 2023:

	TAO Results 2023	TAO Results 2020	TAO Results 2018	Whole of TSS Results 2023
I would recommend my agency as a good place to work.	89	43	39	60
I am proud to tell others I work for my agency.	92	50	48	66
I feel a strong personal attachment to my agency.	78	57	48	57
My agency motivates me to help achieve its objectives.	89	47	39	54
My agency inspires me to do the best in my job.	89	47	39	56

The results of the Whole of TSS when compared to 2020 survey, there were decreases of between 2% and 4% across the five questions relating to job satisfaction and employee engagement. Most notably, there has been for the Whole of TSS:

- A 4% decrease in respondents feeling a strong personal attachment to their agency (57% down from 61% in 2020).
- A 3% decrease in respondents recommending their agency as a good place to work (60% down from 63% in 2020).
- A 3% decrease in respondents feeling proud to tell others they work for their agency (66% down from 69% in 2020).

The survey results show that the TAO in all topics/questions outperformed the Whole of TSS.

6.4 Work Environment

In late 2022, the TAO relocated within the same building to a modern office layout on a different floor. The new setup features hot-desking, collaboration zones, quiet rooms, and video-conferencing facilities. Designed to meet best practice accessibility standards, the premises also offer modern amenities aimed at supporting employee health and wellbeing.

In a bid to enhance communication and collaboration, the TAO management opted to eliminate private offices for the Auditor-General, managers, and teams. This move allows staff the opportunity to work alongside individuals ranging from the Auditor-General to data specialists or interns on a work placement, fostering relationships and facilitating the sharing of ideas. This approach disrupts traditional hierarchical structures, promoting a more open and collaborative working environment.

6.5 Hybrid Model - Remote & Flexible Working

The TAO's current hybrid working model integrates office-based, auditee-site, and remote work options. This substantial change necessitated the implementation of a framework to ensure team members can work in a safe and productive environment. Like all organisations, the TAO needed to ensure compliance with relevant legislation and establish an information security framework to securely facilitate work from home, auditee locations, and the office.

Before the COVID-19 pandemic, working from home was not common practice at the TAO, and permission had to be granted for occasional or exceptional circumstances. However, this changed drastically during the pandemic as the TAO had to adhere to State Government directives, prompting a shift to predominantly remote work. To facilitate this transition, the TAO developed comprehensive policies, procedures, and practice guidelines for working from home. These included documents such as the Remote Work Policy & Procedure, Remote Control Work from Home Guideline, Performance Management Policy, and other supporting policies, which provided crucial support for the TAO staff while working remotely.

Following the end of the pandemic and the relaxation of restrictions, the TAO embraced the hybrid model outlined above, offering flexibility for employees to work a certain number of days in the office, at auditee sites, or from home. To ensure the suitability of this flexible working arrangement and to prioritise the safety and health of staff; Internal Audit conducted and review of the Remote & Flexible Working review⁹. The objectives were to: ensure remote working and flexible arrangements are in line with the TAO policies and relevant legislation (WFH Act), Assess the TAO's Current approach to working remotely, including evaluating staff responses to the current hybrid model. The Internal Audit report determined that the TAO's hybrid working model received an Acceptable rating, indicating that an overall good framework is in place. The report highlighted one improvement point rated as Moderate, one rated as Low, and two points for Performance Improvement, indicating areas where enhancements could further bolster the overall control environment. The Moderate rating related to Ergonomic Assessment:

- The TAO do not currently complete WHS remote inspections of employee's remote workstations, per TAO's remote working policy.
- The TAO also rely on self-assessments and do not review remote workstations for ergonomic suitability.

Management response had agreed to the recommendations in that Remote Work Policy and Procedure will be reviewed with specific consideration given to the inclusions in the Remote Work Checklist. Responsibility for monitoring and compliance of the Policy and Procedure to be considered as part of this review, and action required for any "No" answers made clear. These recommendations were implemented prior to the commencement of the Section 44 review.

We commend the TAO for successfully transitioning to the hybrid working model and for proactively conducting an internal audit review to ensure the safety and health of staff working from home is appropriately addressed.

6.6 Policy and Procedure Review

The TAO Policy Register is repository of all key policies and procedures, manuals, programs, standard operating procedures, Charters, plans and others. The Register details the Document Title, Category, Intent (brief description), who is responsible for the document, commencement date, last review date, next review date.

It is important to have organisational policies and procedures kept up to date for several reasons: Organisations must ensure their policies and procedures align with current legal requirements to remain compliant and avoid potential legal liabilities. Updated policies and procedures can streamline processes, reduce redundancies, and improve overall efficiency within the organisation. Clear and current guidelines help employees understand their roles and responsibilities, leading to smoother operations. It can help to mitigate risks by addressing new threats, emerging trends, and changing business environments. This includes cybersecurity risks, safety hazards, financial risks, and more.

⁹ Remote & Flexible Working Internal Audit Report April 2023 by Grant Thornton

Consistency in how tasks are performed, and decisions are made is crucial for maintaining organisational standards and integrity. Updated policies and procedures ensure that everyone is following the same guidelines, reducing confusion and promoting uniformity across the organisation. Clear and up-to-date policies and procedures contribute to a positive work environment by providing employees with guidance and support. When employees understand the expectations and know how to navigate different situations, they feel more confident and satisfied in their roles.

Regularly reviewing and updating policies and procedures allows organisations to incorporate feedback, lessons learned, and best practices, fostering a culture of continuous improvement and innovation.

Our review of the Register noted there were policies and procedures, programs, Standard Operating Procedures, Charter, Plans and Others have not been reviewed or updated in accordance to the schedule review date.

Improvement Opportunity

- For the reasons noted above, having up-to-date organisational policies and procedures is essential for ensuring legal compliance, operational efficiency, risk management, consistency, employee satisfaction, adaptability, and continuous improvement.
- The TAO management team should work with the Corporate Support and Strategy to systematically review the Policy Register and prioritise a schedule for reviewing and updating documents that have lapsed or are overdue for review.

TAO Comments

- We acknowledge there are policies and procedures that have exceeded their review date. We have implemented a plan to rectify this position, which includes:
 - redeveloping the policy and procedure framework (completed);
 - prioritising those policies and procedures that need to be reviewed in order of importance;
 - rescinding obsolete or redundant policies and procedures, for example, certain COVID-19 related policies and procedures;
 - identifying new policies and procedures to be implemented; and
 - recruiting additional resources in the Corporate Support and Strategy business unit and assisting clearer responsibilities for reviewing and updating policies and procedures.

6.7 Staff Training

Staff training is essential for organisations to remain competitive, foster employee growth and engagement, ensure compliance, and adapt to changing market dynamics. It is an investment that yields long-term benefits for both employees and the organisation as a whole.

Implementing training programs for staff across all disciplines can pose a challenge for many organisations. However, having appropriate training programs are essential for enabling employees to acquire the necessary skills and knowledge to perform their roles effectively. The programs can cover technical skills, soft skills, and position-specific knowledge, ultimately may lead to increased productivity, improved work quality, and overall efficiency.

Investing in training demonstrates to employees that the TAO values their development and growth. This fosters a sense of loyalty and commitment among staff members, resulting in higher levels of engagement and job satisfaction. Providing opportunities for learning and development also plays a crucial role in reducing turnover rates, as employees are more likely to remain with an organisation that invests in their professional growth and career advancement.

Moreover, training programs help maintain uniformity in operations and promote a cohesive company culture. They encourage employees to think creatively and find innovative solutions to problems or enhance existing processes. Overall, implementing effective training programs is vital for organisational success and employee development.

The TAO has developed a Learn and Development Framework document. The objective includes to develop a capability framework that supports the Tasmanian Government's strategy to:

- deliver the right services to meet the needs of the community when these needs can only be satisfied by Government;
- be lean and uses public resources as wisely and efficiently as possible to get the best return for Tasmania; and
- have the right people, with the right skills and knowledge, in the right positions to deliver services¹⁰.

The objective of this Framework is to describe the skills and capabilities essential to ensure the Tasmanian Audit Office's Capability Framework supports the Office being the right size and our people having the rights skills to deliver the right services into the future.

The framework is designed and intended to be a tool to assist staff to be effective in their roles and to support the upskilling and capability development of staff. The diagram below is the Capability Ratings to assist and act as guidance for staff:

Building	
<ul style="list-style-type: none"> • Assistant Auditor/Analyst • Auditor/Analyst 	The individual's application of knowledge and skills are of a basic level, appropriate to the capability area. They undertake work in situations that are less complex and predictable and complete work under the general instruction of a more senior team member.
Strengthening	
<ul style="list-style-type: none"> • Senior Auditor/Analyst • Assistant Manager 	The individual applies their knowledge and skills of the required capability in increasingly complex situations, some of which are non-routine and under the general direction of a more senior team member. Typically, two to four years of experience and desirable to have attained a professional qualification from this point forward.
Managing	
<ul style="list-style-type: none"> • Manager • Senior Manager 	The individual applies a range of the knowledge and skills appropriate to the capability area across a wide variety of contexts, most of which are complex and non-routine and with a substantial degree performed without or little guidance or supervision. The individual has significant knowledge, skills and experience in the field. Typically, five to seven years of experience.

¹⁰ Tasmanian Audit Office – Learning and Development Framework

Leading	
<ul style="list-style-type: none"> • Director • AAG 	<p>The individual demonstrates leading knowledge in this capability area. They apply their knowledge and skills across a wide and often unpredictable variety of contexts and is performed without guidance or supervision. The individual delivers outcomes that are of significant or critical strategic importance for the Office and has a high-level understanding of the structures and processes of government. Acknowledged as an expert in the field and can apply experience in solving complex and difficult challenges, developing relationships with stakeholders and specialists and representing the Office with authority. Typically, a minimum of ten years of experience.</p>

Further selected examples of the framework document that supports the capabilities in:

Auditing

	Building	Strengthening	Managing	Leading
General	Understand the system of government in Tasmania and where the Auditor-General fits within that system.	Applying relevant auditing standards and applicable laws and regulations to planning an audit and performing an audit.	Demonstrate the ability to supervise audit and review assigned work in any audits.	Draws on up-to-date technical expertise and research to offer proactive and contemporary thinking guidance and practical advice.
	Identify and understand the objectives and key activities involvement in planning and performing a financial or performance audit.	Exercise professional judgement to identify audit issues which could be reported to the client.	Demonstrate ability to develop or tailor audit programs to improve audit efficiency or effectiveness and or to address emerging audit risks.	Provides technical guidance on complex and ambiguous problems to colleagues, particularly where there is not a clear and definitive course of actions.
	Understand the fundamental principles and concepts underlying the audit process.	Inform team leader/engagement leader of audit and accounting issues as they arise and suggest solutions.	Use knowledge of people and entities to clearly express audit risk at the entity level and determine the audit work required to address it.	Coaches and mentors other to share specific technical expertise more broadly with TAO and the TSS, and, where applicable, the profession.
	Understand basic evidence gathering and documentation standards.	Uses a sound knowledge of auditing standards, guidelines and policies to identify issues, analyse information, investigate and draw conclusions.	Demonstrate an ability to judge effectively when a specialist is required to address audit risk.	Keeps a breast of latest developments or practices in their technical field.

	Execute assigned audit work programs and form conclusions based on evidence obtained.	Efficiently identifies and locates all relevant auditing requirements and information when investigating an issue or topic.	Demonstrate the ability to supervise, audit and review assigned work in audits.	Keeps abreast of sector specific issues and identifies any related audit risks.
	Complete audit work in accordance with Australian Auditing Standards to produce clear, factual and concise working papers.	Complete audit work in accordance with Australian Auditing Standards and exercise professional judgement to produce clear, factual and concise working papers.	Complete audit work, supervise and lead teams as required, ensuring that all necessary work is completed on time and within budget, and in accordance with Australian Accounting Standards.	Maintain a detailed knowledge of all the Australian Auditing Standards and understand how they should be applied in the conduct of an audit.
FAS	Identifies and understands the risks of material misstatement as the cycle level.	Competently documents systems, identifies risks and controls and assists in development of audit work plans at the cycle level.	Demonstrate an ability to competently assess audit risk in the areas of governance, risk management, asset management, procurement, and contract management, project management, and conflicts of interest.	
	Applies accounting standards relevant to the audit deliverables they are assigned.	Provides advice and interpretation within technical or specialist area.	Undertake ad-hoc assessments and investigations (i.e. referrals).	

Personal

Understands the TAO values and displays appropriate attitudes and behaviour when engaging with colleagues, auditees and stakeholders, builds mutual understanding of shared goals and the means by which they will be achieved, offers and asks for help, gives and receives constructive feedback and actively coaches and develops others.

General	Building	Strengthening	Managing	Leading
	Speaks up if expectations are not clear.	Checks in with supervisor to get feedback on development.	Focuses on self-development actively seeking out and acting on feedback.	Regularly has conversations with team members about their goals, opportunities and developing leadership capability.
	Ask questions to clarify requirements.	Seeks out, listens to, and acts on feedback.	Builds trust with colleagues by having open and honest conversations. Sensitive delivers regular, specific and appropriate feedback to team members.	Brings team members' developmental opportunities to the attention of Executive Committee.
	Actively listens to, and acts on feedback.	Develops others by providing specific and appropriate feedback in constructive way.	Understands team members' aspirations and where possible, contributes to the planning of targeted professional development opportunities.	Initiates professional development opportunities in identified target areas (group and/or individual).
	Seeks out and engages in on-the-job training and other learning opportunities.	Raises workplace concerns with relevant colleagues and guides major junior staff to do so.	Develops team members' skills by regularly providing on-the-job learning opportunities.	Actively looks for and contributes to opportunities for continuous improvements of workplace processes.
	Demonstrate the TAO values when interacting with colleagues and clients.	Explains the rationale underpinning tasks and approaches when communicating responsibilities and requirements to less experienced colleagues.	Offers support particularly in times of high pressure.	Advocates to others how continuous improvement can contribute to improved performance and actively develops initiatives for the continuous improvement register.

The framework document is further supported by other policies, procedures and frameworks such as the Suggested Learning and Development document, High Achiever Program, Performance Management Policy and Manual to name a few.

The Suggested Learning and Development document lists the available courses that TAO staff can select from. There are over 200 courses listed. Each course is classified into: Capability stream, such as Personal, Interpersonal, Functional, Reporting, Auditing, Technology, Communication, and Management.¹⁸ of the courses are mandatory for TAO staff¹¹. There is also a course link to enable staff to find out more about the course and the delivery mode such as Virtual, In-person or Self-paced.

Mandatory training is tracked by Corporate Support and Strategy. A File note was issued in September 2023– 2023-24 Mandatory Training – September update informing staff “As part of the induction program for all new starters, they are required to complete all mandatory training units detailed below, update their individual training registers and list completion certificates on their performance evaluation containers. CSS use this information to update the Annual Staff Training Register DOC/22/5075, and track compliance with mandatory training with reporting to EC on a quarterly basis”¹².

¹¹ Suggested Learning and Development

¹² 2023-24 Mandatory Training File Note

6.8 Staff Performance Review

Staff performance reviews are essential for driving employee engagement, development, and organisational success. They provide a structured framework for evaluating performance, setting goals, providing feedback, and making informed decisions about talent management and development.

Performance reviews provide employees with constructive feedback on their strengths and areas for improvement. This helps employees understand how they are performing relative to expectations and allows them to identify areas where they can develop and grow. It provides an opportunity to set clear goals and objectives for employees that align with the organisation's overall objectives. This ensures that everyone is working towards common goals and helps employees understand how their individual contributions contribute to the larger picture. It helps to identify development needs and training opportunities for employees. This allows organisations to provide targeted training and development programs to help employees enhance their skills and capabilities.

Performance reviews provide an opportunity to recognise and acknowledge employees for their achievements and contributions. This helps boost morale, motivation, and job satisfaction, and encourages employees to continue performing at their best. It facilitates open communication between managers and employees. This allows employees to share their thoughts, concerns, and ideas, and fosters a culture of transparency and trust within the organisation. In addition, is a process for management to make inform decisions related to promotions, compensation, and career development opportunities. This ensures that decisions are fair, objective, and based on performance and merit.

The TAO has the Performance Management Policy¹³ and the Performance Management Manual¹⁴. The Performance Management Policy was last updated in September 2014 and was scheduled to be reviewed in September 2019. However, this was not performed and the document appears to be dated.

The Performance Management Manual was last modified in May 2023 by Ric De Santi Deputy Auditor-General in the footnote of each page. However, Ric De Santi retired from the TAO in July 2021. The Document Version Control had Ric De Santi reviewed and approved the Manual 3 June 2021.

The Performance Management Manual (PMM) is to promote the Performance Management Process (PMP). The purpose of the PMP is to:

- promote a culture of shared responsibility for positive workforce behaviours and encourage performance that will improve the delivery and quality of outcomes for the Office;
- ensure that employees and managers are clear of what is required of them and how they are expected to perform and contribute to team and organisational goals;
- promote an open communication environment which fosters ongoing constructive feedback and support to employees;
- encourage individual development, learning and continuous development in the Office as whole;
- recognise when employee performance exceeds expectations or delivers specific outcomes and requirements; and
- identify, manage and resolve any areas of unsatisfactory performance.

¹³ Performance Management Policy – September 2014

¹⁴ Performance Management Manual – May 2023

The PMM is a comprehensive document providing details for performance management processes, performance management cycle, review and rating performance, unsatisfactory performance process, salary progression to name a few. The Appendices provide for a set of templated documents to assist in staff and management in conducting performance reviews.

To assist TAO staff in their job performance, there is a position description (PD) for each department and for each position level. The PD provides for the purpose of the position, nature and scope (level of responsibility), key duties, selection criteria (key competencies), essential qualifications and requirements, desirable qualifications and requirements, criteria for advance assessment point, and Environment and context, that is, reference to the State Service Act 2000, State Service Code of Conduct, Work Health and Safety Act 2012.

Staff performance reviews are conducted 6 monthly and annually. The results of the performance reviews are track in the 6 monthly review spreadsheet and the 12 monthly spreadsheet. The spreadsheets track the performance of each employee against the seven core competencies documented in the position description document.

Improvement Opportunity

- Management should either update the Performance Management Policy to make the policy current and relevant or withdraw the policy from circulation and focus on the Performance Management Manual.
- Management should clarify in the Performance Management Manual as to when and who performed the last review and modification to the Manual. There appears to be disparity between the Document Version Control and the Footnote.

TAO Comments

- We do not agree with the improvement opportunity that management should either update the Performance Management Policy to make the policy current and relevant or withdraw the policy from circulation and focus on the Performance Management Manual. This suggestion has previously been discussed at Executive Committee and a decision was made to retain the policy separate from the manual. This is because the polices specify 'what' and 'why' and procedures/manual specify the 'how'.
- We note the finding that 'The Performance Management Manual was last modified in May 2023 by Ric De Santi Deputy Auditor-General in the footnote of each page. However, Ric De Santi retired from the TAO in July 2021. The Document Version Control had Ric De Santi reviewed and approved the Manual 3 June 2021' As advised to the review team, the footer in the Word document which attributed the last modification made to the document as being made by Ric De Santi. This was because the Word LastsavedBy metadata field did not automatically update the name of the person who made the last saved change on 8 May 2023. The Performance Management Manual footer was updated on 6 March 2024.

6.9 Conflict of Interest

Conflict of interest declarations play a critical role in promoting transparency, integrity, and accountability within an organisation. By encouraging employees to disclose potential conflicts and implementing appropriate measures to manage them, organisations can maintain trust, protect their reputation, and mitigate risks associated with conflicts of interest.

Conflict of interest declarations help uphold the integrity of the organisation and foster trust among stakeholders, including employees, auditees, customers, and the public. By disclosing potential conflicts of interest, employees demonstrate transparency and honesty in their actions and decision-making processes. Employees who have personal interests or relationships that may conflict with their professional duties may inadvertently expose confidential information or misuse company resources. By declaring potential conflicts, employees can help prevent breaches of confidentiality and protect the organisation's assets.

By identifying potential conflicts upfront, organisations can take appropriate measures to manage or mitigate them, ensuring that decisions are made based on merit, integrity, and the best interests of the organisation. Failure to address conflicts of interest can expose organisations to legal liabilities and damage their reputation.

Each financial year, all employees of the TAO are mandated to declare any conflicts of interest in the Conflict of Interest Register. This measure serves to prevent situations in which personal interests may impede professional obligations. By identifying and disclosing potential conflicts, organisations can minimise the risk of bias, favouritism, or unfair treatment in decision-making processes, including hiring, promotions, procurement, and contract awards.

Perceived conflict of interest refers to situations where there may be a potential for bias or favouritism, even if there is no actual conflict present. In other words, it involves the appearance of a conflict rather than a direct conflict itself.

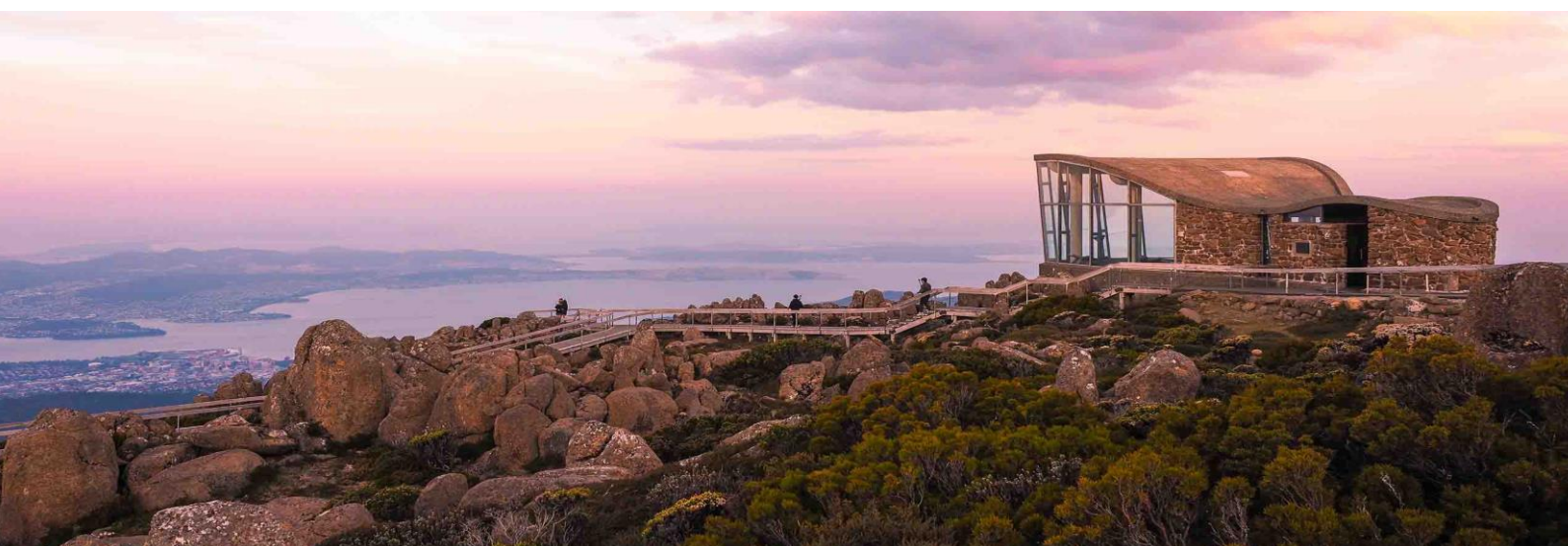
Management of perceived conflicts of interest are important because they can damage trust, undermine credibility, and erode confidence in the integrity of individuals, organisations, or institutions. Even if no actual impropriety occurs, the mere appearance of a conflict can lead to suspicions of unfairness or unethical behaviour. This can result in negative consequences such as reputational damage, loss of credibility, legal challenges, and regulatory scrutiny, and in the worst-case scenario is to create a toxic work environment.

Improvement Opportunity

- To effectively navigate and manage inter-office working relationships, the TAO should explore the development of a comprehensive Personal Relationship Policy. This policy would serve as a framework to address the complexities associated with personal relationships within the office environment, while also outlining strategies for mitigating perceived conflicts of interest. The policy could include guidelines on disclosure requirements for employees involved in personal relationships with their colleagues, protocols for handling situations where individuals in such relationships report to or supervise one another, and mechanisms for addressing any conflicts or concerns that may arise. Additionally, the policy could outline the organisation's commitment to fostering a professional and inclusive workplace culture, where all employees are treated fairly and equitably, regardless of their personal relationships. By proactively addressing these issues through the implementation of a Personal Relationship Policy, the TAO can promote transparency, maintain integrity, and uphold a positive work environment for all staff members, and the perception of external stakeholders and the public.

TAO Comments

- Our existing Conflict of Interest Policy and Procedure includes instruction regarding the disclosure and management of conflicts of interest arises from a conflict between the performance of an employee in the State Service and a private or personal interest. This include dealings with immediate or close family members, who are defined as:
 - spouse (married, de facto, civil union partnerships);
 - children (step, adoptive, dependent, non-dependent, adult children and those not living at home);
 - parent or sibling; and
 - other family members who may be influenced by that person in dealing with the entity, e.g., cousin, uncle or aunt, brother or sister-in-law.
- Notwithstanding our existing Conflict of Interest Policy and Procedure, we identified merit in developing a Personal Relationship Policy to provide greater guidance to staff on managing personal and consensual, relationships in the workplace. This policy is under development, with conversations held with the Victorian Public Service Commissioner regarding their policy on managing personal consensual relationships.
- On previous occasions, we have prepared specific management plans, signed by all relevant parties, to document working arrangements where close personal relationships have existed.



7. Quality Control Systems



7.1 Review of audit files

The findings of our file reviews are detailed in the Conduct of Financial Audits Engagements section and Conduct of Performance and Compliance audits. We have observed that all improvement opportunities for improving the general quality control of engagements, as stated in our 2018 report, have been adopted and implemented. Policies have been regularly reviewed and updated to align with changes in the applicable standards. Additionally, the TAO's internal auditor, Grant Thornton, have performed an Audit Quality Review and finalised its report in December 2023 of the TAO's quality control management system which highlighted some matters that the Office should consider.

7.2 Completion of the Audit file

The conduct of financial audits policy states assurance engagements will be finalised (locked down) within 60 days from the date of the assurance report. This timeframe is in line with the Auditing Standards which require audit files to be archived "on a timely basis after the date of the audit report".

We noted that the Office has implemented a weekly reminder to the Engagement and Team Leaders and Signing Officers of the status of each completed engagement with the status of when the files need to be archived. This has been a great improvement from the previous period.

However, we noted there are still several of the engagements reviewed that had not been locked down within the 60-day limit at the time of this review. For those locked files, we noted some "deleted" or "to be deleted" files were carried forward and retained.

Improvement Opportunities
<ul style="list-style-type: none"> The TAO should continue the current monitoring process in place to ensure that relevant leaders are reminded of the importance of the archiving process policy.
TAO Comments
<ul style="list-style-type: none"> We do not agree with the improvement opportunity as we currently do this and will continue to do this.

7.3 Consideration of Independence at the Engagement Level

Allocation of audits is performed at the start of each year where any independence and conflict declarations are considered when resourcing and allocating the engagement teams. Independence Declarations was also embedded into CaseWare which each team member is required to complete at the commencement of the audit.

However, we note there was no requirement for individuals to reconfirm their independence towards the conclusion of the audit engagement, an important step in demonstrating that throughout the engagement, the signing officer remained alert for evidence of ethical non-compliance by members of the engagement team.

Further, we noted instances where some staff have undertaken audit work on an engagement but failed to complete the required independence process.

Improvement Opportunity

- We recommend that the TAO explore the possibility of discussing with CaseWare the implementation of a feature that summarises the Independence Declarations. This feature would enable the engagement team to perform a final confirmation of their independence.
- Furthermore, we advise the Office to emphasise and remind the audit team about the importance of completing the Independence Declaration as soon as they begin any work on an engagement. This serves as a crucial reminder to ensure compliance with independence requirements from the outset of the engagement.

TAO Comments

- We are aware there are differences between the private sector and public sector versions of CaseWare regarding independence declarations. We will explore with CaseWare the possibility of summarising the independence declarations so audit team members can perform a final confirmation of their independence at the end of an audit engagement. This will also require agreement of the approach with other ACAG offices.
- Our existing policies and procedures, and regular learning and development, reinforces the importance of completing the independence declaration as soon as audit staff begin any work on an engagement.

7.4 Audit documentation

Audit documentation serves as evidence of the work performed during the audit. It provides a clear record of the procedures followed, the evidence obtained, and the conclusions reached. Well-documented audit files enable auditors to support their findings and opinions with sufficient evidence, enhancing the credibility of the audit.

Documentation facilitates review and quality control procedures. It allows for an independent review of the audit work to ensure compliance with auditing standards, internal policies, and regulatory requirements. Quality documentation enables reviewers to assess the adequacy, accuracy, and completeness of the audit procedures and conclusions.

The TAO's policy has detailed guidance of what is the required audit documentation in each file, types of documentation to be included in an audit file regarding documentation that should be excluded, and the required format (electronic) of audit documentation retained as part of audit evidence.

In some files we reviewed, we noted that signed audit opinions were not filed properly. In most cases, we noted that various drafts/superseded drafts of the financial statements are being retained in the file.

Improvement Opportunity

- The TAO should review its existing policy regarding the retention of draft financial statements and provide specific guidelines on when draft versions should be retained. This will help ensure consistency in the retention process and avoid any confusion or potential non-compliance.
- The TAO should also reinforce the importance of uploading and retaining signed audit opinions in the file considering this is the main output of the audit process.

TAO Comments

- We will review our existing policy regarding the retention of draft financial statements and provide specific guidelines on when draft versions should be retained.
- Final signed versions of auditor's reports are retained permanently in our electronic document management system, we will reinforce the importance of also filing the signed auditor's report in the CaseWare audit file.

7.5 Monitoring

We understand that the FAS Tracking Sheet utilised by the TAO serves as a crucial tool for monitoring its auditees. This comprehensive sheet contains all relevant information pertaining to the audits of State entities, including those outsourced by the TAO and those conducted internally. It captures the assessed and approved client acceptance/continuance risk and the risk of material misstatement. It is expected that these risk assessments are accurately reflected in the individual CaseWare files.

During our reviews, we have identified some inconsistencies in the risk profile assessments between the CaseWare files and the FAS Tracking Sheet. It is imperative to address these inconsistencies promptly and ensure that the risk assessments align across both platforms.

Improvement Opportunity

- The TAO to consider conducting regular reconciliations between the risk profile assessments in the CaseWare files and the FAS Tracking Sheet. This will help identify any discrepancies and enable timely resolution.
- The TAO should reinforce that any changes or adjustments to the risk profile are discussed and approved by the Signing Officers. This will help maintain accountability and ensure that any deviations are properly justified and documented.

TAO Comments

- We will reinforce the importance for audit engagement leaders and team leaders to check auditee risk profile assessments in the CaseWare files and the FAS Tracking Sheet, and also reinforce that any changes or adjustments to the risk profile are discussed and approved by the Signing Officers.

7.6 Management Reports

The TAO's performance measure was to issue the Memorandum of Audit Findings (MOAF) two weeks from the date of the opinion. This report provides information on control deficiencies identified during the audit, and outlines management's plans for corrective actions. However, during our review, we observed that a majority of the files examined did not include a draft or the signed and issued MOAF. Furthermore, as of the date of our review, some MOAFs were still pending issuance. We however understand that the timely completion and issuance of MOAFs also depend on the prompt response from the auditees.

The stakeholders we engaged with expressed similar concerns regarding the delayed issuance of the MOAF. They emphasised that without timely access to these findings and recommendations, they would be unable to benefit from the insights provided. Implementing the necessary corrective actions later in their processes may limit the effectiveness and impact of these recommendations.

Improvement Opportunity

- The TAO to re-evaluate the existing processes for preparing and issuing the MOAFs to ensure timely completion and distribution to the stakeholders.

TAO Comments

- We acknowledge the need to improve the timeliness of issuing MOAFs. Measures to improve the timeliness of MOAFs will be implemented during the next financial audit cycle.

7.7 Quality Control

The opinion issued date is a critical piece of information as it signifies the completion and finalisation of the audit process. It is important for this date to be accurate to provide stakeholders with reliable information regarding the timing and relevance of the audit opinion.

During our review, we discovered an inconsistency in one file where the signed opinion date was 10 September 2023, whereas it should have been 10 October 2023. We engaged in discussions with the TAO regarding this matter, and they acknowledged that it was an error. The TAO have promptly advised the relevant auditees of the error and have re-submitted the corrected report to the Ministers.

Improvement Opportunity

- The TAO should also consider conducting a review of the existing controls and procedures related to the issuance of audit opinions. Identify any weaknesses or gaps that may have contributed to the incorrect issued date. Implement necessary improvements to ensure accuracy and reliability in the future.

TAO Comments

- We have implemented a control in the FAS tracking to flag an error if the auditor's report date is recorded as earlier than the date the financial statements are signed by the auditee.

7.8 Quality Control – Summary of Grant Thornton Report¹⁵

The Internal Auditor – Grant Thornton was requested to conduct an Audit Quality Review of the TAO's system of quality management. In December 2023, the report was issued to offer an update on the ongoing review activities, including completed assessments and their outcomes, along with proposed recommendations and improvement opportunities derived from these findings.

¹⁵ TAO – Audit Quality Review - Final Report December 2023 - GT

Description of the review activities

- Assessed whether the TAO had appropriately established the quality objectives covered by the following components specified in ASQM 1 - *Quality Management for Firms that Perform Audits or Reviews of Financial Reports and Other Financial Information, or Other Assurance or Related Services Engagements*:
 - Governance and leadership
 - Relevant ethical requirements
 - Engagement performance
 - Resources
 - Information and communication
- Assessed TAO's process for identifying and assessing risks to the achievement of the quality objectives. The assessment included understanding the conditions, events, circumstances, actions, or inactions that TAO have considered as potentially having an adverse effect on the achievement of the quality objectives.
- Assessed the responses (e.g., documented policies, procedures, controls) that had been designed and implemented by the TAO to address the quality risks. TAO's approach to the Specified Responses and Monitoring and Remediation Process outlined in the ASQM 1; and the requirements regarding the engagement quality reviewer outlined in ASQM 2, were key considerations for this assessment.
- Assessed the operating effectiveness of the TAO's monitoring and remediation process, to understand whether the nature, timing and extent of the monitoring activities provides appropriate coverage over the TAO's system of quality management, and enables TAO to effectively identify deficiencies with the system.
- Assess the TAO's engagement quality review templates and work programs for their appropriateness for the TAO's environment, and alignment to the procedural requirements outlined in ASA 220. Select a sample of recent quality reviews undertaken by the TAO on their financial audits to assess the operating effectiveness of these templates and work programs, and identify any areas of concern and/or opportunities for improvement.

The report identified one medium risk relating to the Quality Manual and other Policies and Procedure not been reviewed in a reasonable timeframe. Two low risks relating to not implementing a structured approach for selecting ASPs and that the Quality Review Policy does not address ASQM 2 - *Engagement Quality Reviews* paragraph 27 requirement. Three performance improvement opportunities relating to the Risk Register, minor updates to certain risk descriptions, review of certain controls, and minor enhancement to create greater clarity to policy and procedure documents.

We note that the TAO has already assessed and responded to the recommendations and appropriate actions have been taken or planned to be implemented in the near future.

8. Relationship with Primary and Key Stakeholders



To evaluate the TAO's relationship with primary stakeholders and staff, we conducted numerous interviews (see Appendix 1), reviewed surveys, and examined other relevant documents. When conducting interviews with a diverse array of participants, it is expected to encounter both positive and negative feedback.

As part of its commitment to fostering positive relationships with stakeholders, the TAO organises Auditee seminars, information sessions for senior management and audit committee members, attends audit committees, and conducts independent surveys. In addition to the activities mentioned, the TAO also conducts specific stakeholder meetings with heads of agencies, Chairs and CEOs of government businesses and Mayors and General Managers of councils. Further, TAO conducts regular face to face client service assessment surveys with selected State entities upon the completion of audits with the aim to improve audit performance. We commend the TAO for its efforts to cultivate strong relationships with stakeholders and the community.

Below, we have summarised the key findings from our interviews with stakeholders and staff. We have combined and mixed the comments together to augment anonymity. We acknowledge that these are from interviews which represents the views and thoughts of the stakeholders at a particular point of time. These comments have not been substantiated.

General Comments

Pros

- Financial Audit generally good. The inclusion of IT General Controls be incorporated into all Financial Audit Reviews would be a benefit, at a minimum, to assess the organisation's business resilience.
- Impressed with the risk management process at the TAO. As a government entity, the TAO's risk management framework is good.
- Staff happy with the reporting structure, support from supervisor and line manager. For junior staff, during the first three months, management would have weekly meetings to discuss the staff's progress or any relevant matters. For the subsequent months the meetings were conducted fortnightly.
- Staff – ACAG courses are good, it facilitates connections with other offices.
- Staff – the hot-desk allows better communication and mixing between Financial and Performance audit members.
- The Visa sponsor program was good and different approach to recruiting talent.
- Challenge in recruiting staff due to the Tasmanian Government structure and remuneration for the different levels. This is not a TAO problem; it is across the whole of government.
- In the past two years the Financial Audit team has been consistent and good as knowledge was retained. However, poor communication and planning has caused complaints with Auditee's staff.
- Current Audit-General is a lot more forthright. Will call things out as he sees it.
- The TAO staff are generally good and professional. The staff turnover is affecting the overall audit program and timeliness of reports.
- Any audit recommendations are generally discussed before going into the report. Overall, the issues being raised are getting less and less significant as most of the issues have been resolved.

- The Auditor-General will attend the Auditee's Audit Committee even when there is no agenda point for the Auditor-General, which is a positive aspect in understanding the Auditee.
- General contact with the Auditor-General is good, will meet at least once a year and will meet with the Assistant Auditor-General every quarter. Discussion on emerging issues and what to focus on for Performance and Financial audits.
- Some of the TAO staff have good technical knowledge. The Auditee prefer to seek technical advice from the TAO instead of Treasury.
- In general, the Financial Audit processes are good, knowledgeable and understands the risks and technical aspect of the org due to continuous staff and knowledge retention. The Financial Audit is good, but improvements on timeliness and knowledge of the organisation.

Cons

- The review was constrained by time and staff. Total turnover of staff from the start of project to the finish. If the same staff were from start to finish, the report outcome may have had been better.
- The TAO did not have adequate resources for the review or the necessary skills to conduct the review.
- More needs to be performed during the planning phase for Financial and Performance audit.
- More regular informal meetings with the A-G during Performance Reviews.
- Budgeting for Performance review is a challenge "you don't know what you don't know". New issues can arise during the audit process.
- Staff in general did not understand how the State Government entities work. More training is required to educate TAO staff especially the new staff. Staff not reading the prior year files or try to understand the organisation before the audit. TAO staff keep asking the same questions each year.
- Not comfortable in data sharing by the use of SharePoint as the data repository and transmission platform.
- The process for reporting was too onerous and can be streamlined. Need a new approach and strip away the processes that do not add value.
- Data Analytics still requires improvement to ensure the answers address the questions asked.
- The TAO had some problems with some senior staff which may have contributed to the high staff turnover.
- Financial reports have been late, understand that staffing is a major issue with the TAO, has a roll-on affect to interim audit in the following year which was also late.
- The TAO does not prioritise the work processes well. They should focus on what can be fixed first and the too hard basket deal with it after. It's better to have some outcome than trying to fix everything before submission.
- The issue took a long time to resolve. The discussion was made very late in the audit process.
- Last minute adjustments requested in the end no adjustments were made, but the point was the adjustment was requested in the last few days of the audit.

- Does look at the work performed by Internal Audit. Potential area of improvement for the next Auditor-General to consider.
- The Digital Initiatives review conducted recently; the feedback was not good as the review was impacted by resource issue; the review had to be extended.
- Discussing issues, the day before signing of the report needs to be improved on. The lack of understanding of how to audit state government agencies is an issue with the TAO.
- Auditor-General has good soft skills, but not the staff. TAO staff not able to narrate and relate with the Audit Committee, improvement is required.
- Non-committal on start dates as Auditee made arrangements to have staff available for the audit, but the TAO team was unable keep the agreed date.
- When asked about the socialising aspect of the A-G and Performance Audit, the Auditee had not met with the Auditor-General for over three years.

Improvement Opportunity

- The comments gathered from the interviews exhibit a wide range of perspectives and encompass various topics, reflecting the diverse experiences and viewpoints of the interviewees. Despite this diversity, certain recurring themes emerge from several comments, indicating areas of consensus or particular significance. It is important for management to carefully assess these comments, recognizing both the positive feedback as affirmations of successful endeavours and the areas highlighted for improvement as valuable opportunities for growth.
- By acknowledging and emphasizing the positive aspects, management can reinforce commendable practices and boost morale among employees. Simultaneously, attention should be directed towards the improvement opportunities identified, as these insights offer valuable guidance for refining processes, enhancing performance, and addressing any existing challenges or shortcomings. By adopting a balanced approach that values both positive feedback and areas for improvement, management can effectively foster a culture of continuous learning, development, and excellence within the organisation.

TAO Comments

- We do not agree with the improvement opportunity. Anecdotal information, such as statements from people the review team interviewed, has been reported verbatim, without context, and gives a view about the TAO, which as stated elsewhere within your report, is not supported by other information. Anecdotal statements are singular datapoints and should not be used to imply the existence of a more systemic issue without other corroborative evidence.

9. Internal Audit Reviews



The requirement for an internal audit function arises from Treasurer's Instruction FC-2. It requires each Head of Agency for agencies listed in Column 1 of Schedule 1, Part 1 in the Financial Management Act 2016 to establish effective, properly resourced internal audit arrangements.

The specific nature of the tasks to be performed by the internal audit function will be determined by the Risk and Audit Committee from time to time. The internal audit function shall be accountable and report directly to the Committee¹⁶.

The internal audit function plays a critical role in enhancing governance, risk management, and internal control processes, as well as driving organisational performance, integrity, and accountability. Its independence, objectivity, and expertise are essential for maintaining stakeholder trust and confidence in the organisation's operations and financial reporting. Having the internal audit reporting directly to the Risk and Audit Committee which has two independent members, further reinforces this commitment to transparency and oversight.

Grant Thornton (GT) is the appointed internal auditor for the TAO. Each year, GT presents to the Risk and Audit Committee their annual strategic plan for the coming year. Based on the Strategic plan, four internal audit reviews were completed for 2021-2022 and 2022-2023. In addition to the internal audits in the Strategic plan, GT also perform several other reviews upon the request of the Committee. The four reviews completed were:

1. Procurement & Computer Assisted Audit Techniques (CAATs)¹⁷

Key Objectives:

- In relation to the procurement process against legislative requirements and better practices.
- To identify any unusual records on the Accounts Payable Masterfile or payment transactions which may indicate potential errors or fraudulent activity through the CAATS component of the review.

Internal Audit Conclusion – Acceptable - Overall a good framework in place. Some improvements identified, which would further strengthen the overall control environment. Two moderate and one low risk were identified.

2. Contract Management & Management of Outsourced Providers¹⁸

Key Objectives:

- Deficient outsourcing arrangements resulting in suboptimal outcomes for the TAO.
- Financial disbenefits and / or cost overruns.
- Disputes between parties resulting in legal implications for the TAO.
- Non-compliance to legislative / regulatory requirements.
- Fraudulent activities resulting in poor engagement of outsourced providers not in the best interest of the TAO (i.e. kickbacks, conflicts of interest, personal financial benefits).

Internal Audit Conclusion – Acceptable - Overall a good framework in place. Some improvements identified, which would further strengthen the overall control environment. One moderate and two low risks were identified.

¹⁶ Tasmanian Audit Office – Risk and Audit Committee Charter – August 2022

¹⁷ Procurement & CAATs November 2021 - GT

¹⁸ Contract Management and Management of Outsource Providers June 2022 - GT

3. CaseWare Post Implementation Review¹⁹

Key Objectives:

- The objectives of this engagement were to assess the implementation of CaseWare at TAO and identify any key risks or exposures caused by the migration to the new platform. The review also assessed if the key benefits of the transition to CaseWare have been realised by the TAO.

Internal Audit Conclusion - Overall, the implementation was successful. From consultation with team members, it was evident there is an overall positive perception of CaseWare, and the training and support provided to the team was well received.

4. Remote & Flexible Working Review²⁰

Key Objectives:

- Ensure remote working and flexible arrangements are in line with the TAO policies, and relevant legislation (WHS Act).
- Assess the TAO's current approach to working remotely, including evaluating staff responses to the current hybrid model.

Internal Audit Conclusion – Acceptable - Overall a good framework in place. Some improvements identified, which would further strengthen the overall control environment. One moderate and one low risks, and two performance improvement opportunities were identified.

Other notable internal audit reviews include:

- Audit Quality Review Report²¹

Key Objectives:

- Assess how the design and implementation of the TAO's system of quality management complies with ASQM 1 and ASQM 2.

Assess the design and operating effectiveness of the monitoring activities that the TAO have implemented to identify deficiencies, and provide the individuals assigned responsibility for the system of quality management with reasonable assurance that the objectives of the system are being achieved.
- Assess the design and operating effectiveness of the TAO's engagement quality review controls and procedures in terms of their compliance with ASA 220.

Internal Audit Concluded with one medium, two low risks, and three performance improvement opportunities.

¹⁹ CaseWare Post Implementation – November 2022 - GT

²⁰ Remote Working & Flexible Arrangement Review – April 2023 - GT

²¹ Audit Quality Review Report – October 2023 - GT

- Cyber Security Health Check

Overall, a good framework in place. Some improvements identified, which would further strengthen the overall control environment. A rating of low risk indicates that a number of baseline controls are in place to protect the organisation against the risks associated with cyber security²².

- Special Review – Review of identified non-compliance with Procurement Treasurer’s Instructions.

Note: The Auditor-General instigated the review upon being made aware of the non-compliance.

Review objective: review of the circumstances surrounding an internally identified instance of non-compliance with the Procurement Treasurer’s Instructions. The review focused on TAO’s non-compliance with sections 5.4 and 5.5 of Procurement Framework-5 (“PF-5”), which outlines the requirements of an Agency to convene a Procurement Review Committee (“PRC”), where the estimated value of the procurement is \$250,000 or more²³.

Conclusion – the review made a number of recommendations, which the TAO Management had agreed to.



²² Cyber Security Health Check Report – November 2021 - GT

²³ Review of identified non-compliance with Procurement Treasurer’s Instructions – August 2023 - GT

10.
Follow up on TAO
Recommendations
and Response to
the 2018 Section
44 Review



In May 2023, the Auditor-General presented to Parliament report No. 5: Follow up of selected Auditor-General reports tabled between November 2016 and October 2018.

The aim of this follow-up Performance audit is to provide a reasonable assurance assessment on the extent to which State entities have implemented recommendations outlined in four reports tabled between November 2016 and October 2018:

- Report of the Auditor-General No. 5 of 2016-17: Park management.
- Report of the Auditor-General No. 11 of 2016-17: Use of fuel cards.
- Report of the Auditor-General No. 2 of 2017-18: Water and sewerage in Tasmania: Assessing the outcomes of industry reform.
- Report of the Auditor-General No. 1 of 2018-19: Use of Tasmanian Government Cards by Central Agency Executives and Executive Assistants.

The departments and agencies under scrutiny by the TAO cover a broad spectrum of subject matters, each specific to its respective entity. Consequently, the Performance audit reports produce recommendations that require response and implementation. However, monitoring and evaluating the progress and efficacy of these recommendations may present challenges due to the existing structure of the TAO's Performance audit team. Resource constraints, such as limitations on staff, time, and budget, can hinder the team's capacity to conduct thorough follow-up assessments.

On the other hand, government departments and agencies encounter their own array of obstacles when it comes to fully enacting agreed-upon recommendations. These challenges encompass diverse factors, including competing priorities that could divert attention and resources away from previous audit recommendations. Moreover, certain implementations may necessitate financial and human resources that are not readily available, prompting considerations regarding cost-effectiveness. Clarity in assigning responsibility for follow-up actions may be lacking, particularly in intricate bureaucratic structures, making it challenging to designate ownership for monitoring and executing recommendations. Furthermore, complex recommendations requiring substantial effort may encounter resource and other logistical hurdles, potentially impacting the willingness to pursue follow-up actions. Additionally, changes in personnel, particularly in key roles, can disrupt follow-up endeavours, as new staff may not be acquainted with the recommendations or their current status.

The lack of robust monitoring and reporting mechanisms can pose challenges in evaluating the status and effectiveness of the recommendations outlined in audit reports. Feedback suggests that while recommendations are occasionally followed up, the outcomes may differ from what was initially indicated in the self-assessment report.

To address these obstacles, the TAO Performance audit team needs a dedicated process for conducting follow-up reviews, along with clear assignment of responsibility and sufficient resources. Effective follow-up is essential to ensure that audit recommendations result in meaningful change and enhanced performance.

The concurrent challenges encountered by both the TAO's Performance audit team and government entities highlight the necessity of allocating ample resources, establishing clear lines of responsibility, and fostering effective communication. These measures are vital for both the initial formulation of suitable performance audit recommendations and their subsequent meaningful implementation.

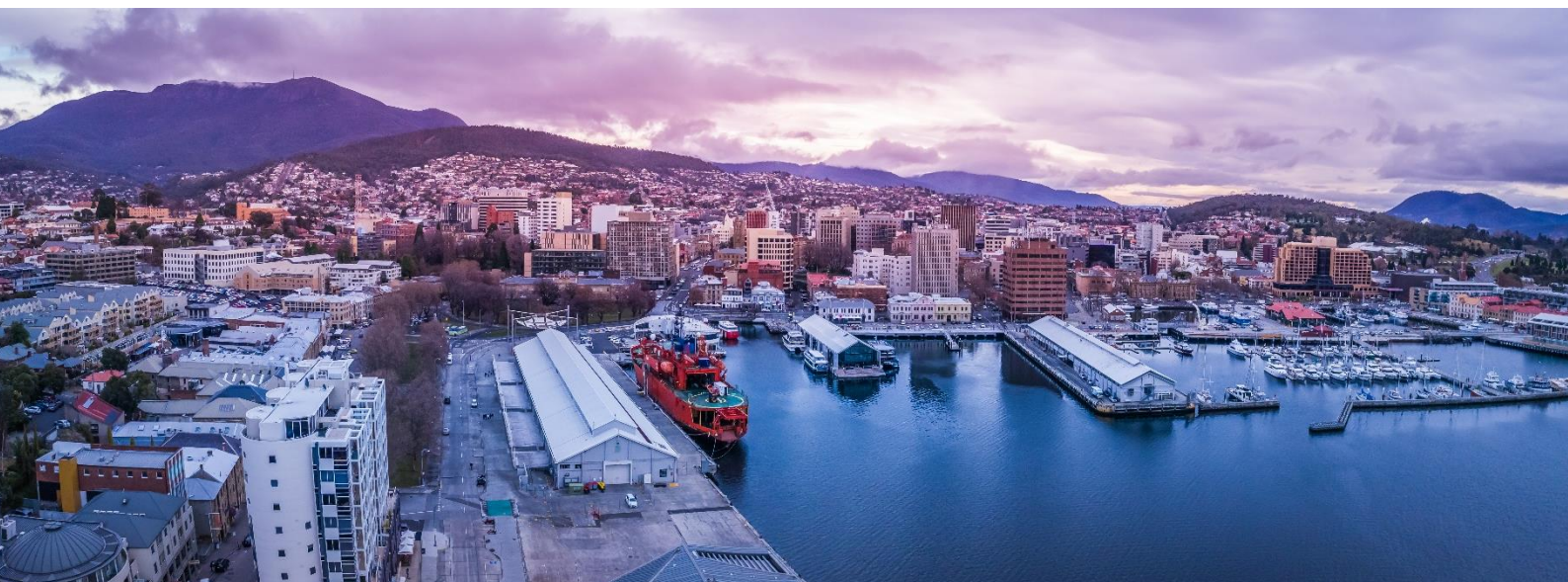
The TAO should consider augmenting the frequency and currency of follow-up procedures for Performance audit recommendations. It's imperative to identify high-risk recommendations and actively advocate for more frequent follow-ups across state government departments and agencies. This proactive approach could encourage other government entities to be more engaging in the process of reaching agreements on recommendations and their subsequent implementation. The follow-up report, completed in 2023, focused on selected recommendations made between 2016 and 2018. The matters raised above could have an impact the recommendations due to duration between the report recommendation and follow-up review time.

Improvement Opportunity

- The TAO should consider increasing the frequency and number of follow-up reviews to ensure they are completed in a timely manner, prioritising the high or significant risk issues identified and the relevancy of the recommendation.

TAO Comments

- We accept the improvement opportunity, highlighting that the Statement of Understanding between the Parliamentary Standing Committee of Public Accounts (PAC) and the Auditor-General provides for the PAC to first nominate which audits it wishes to follow up by way of a hearing, broader inquiry or some other means of follow-up.



11. Response to the 2018 Section 44 Review



In our assessment of the 2018 Section 44 review improvement opportunities, we observed that the majority of the recommendations had been successfully implemented and documented in the Register of Recommendations. However, we note that all agreed-upon improvement opportunities by the TAO from the 2018 Section 44 review were implemented and documented in the Register of Recommendations. This register comprehensively logs all recommendations stemming from internal audits to peer reviews. We affirm where appropriate that the TAO has undertaken suitable measures in alignment with the recommendations provided.

#	Nature	Original recommendation	TAO original response to the 2018 Section 44 Recommendations	Assessment and Status
1.	Budgeting	With consideration of the factors above, TAO should establish minimum expectations for the level of detail which needs be included when reviewing the actual to budget audit costs at the engagement level.	We will reinforce the requirement for establishing audit budgets and monitoring actual audit costs compared to budget. Our decision not to cost to task level will also be reconsidered as part of IPSAM replacement program Establishing expectations for the level of detail to which costs on jobs are recorded will be done with due regard to costs compared to expected benefits.	Noted in CaseWare. To be reinforced with staff and will determine what procedures need to be included in CaseWare. Dashboard for audits being developed inc. time and budget. Plus, will be a QA process identifying variations as audit progresses. Pre-studies now used to test budget before audit commences.
2.	Performance Audit Files	I. The Performance Audit Manual is a detailed and comprehensive document for assisting the TAO PAS team in conducting Performance audits. The use of the manual should be viewed as a general guide, as each Performance audit conducted by the TAO is unique, the methodology, approach and technical requirements may differ for each Performance review. Senior management should use the manual to ensure the key criteria are complied with and have the discretion to dispense with certain requirements that are not critical to meeting the objectives of the audit. This may permit TAO staff to have more time dedicated to the fieldwork instead of complying with the all the template requirements. The AAG or above should approve the planning for what and how the methodology and approach are to apply.	In principle I. Discretion to dispense with certain requirements of the Performance Audit Manual will be considered, subject to maintaining compliance with the relevant AuASB standards for assurance engagements.	New Manual developed with CaseWare inclusion. New AAG PAS will develop a new manual once new processes are agreed. Manual will be principles based. New processes submitted for approval AG. Manual complete and waiting for AG sign off. Once Mgt of IA in TSS audit complete, will review learnings and build new PAM from this. Covered in pre-study, planning where we look at auditability and development of draft internally, with client and AAC. Could also happened at report drafting.

#	Nature	Original recommendation	TAO original response to the 2018 Section 44 Recommendations	Assessment and Status
3.	Performance Audit Files	II. For IT security, the signature of staff should not be copied and pasted into the Microsoft Word document. We note that on some of the documents in the IPSAM file, the signature was a copied and pasted. It is difficult to ascertain if the designated signatory gave permission or signed the document. The use of copy and paste of signature has become a common approach, however, in an audit file, where evidence, review and authorisation are critical; care should be given as to what document may deploy this approach. An electronic signature procedure should be developed and used.	Yes II. We currently have a policy covering the use of electronic signatures. Compliance with this policy will be reinforced. In addition, we have developed and implemented a workflow for all correspondence which provides an audit trail on the use of electronic signatures via this process.	Noted in manual with CaseWare. We will review potential new methodology through CaseWare, once implemented. Physical signing off of QA forms to be introduced. AAG PAS will sign off. Within form, there will be certain key review points (e.g. Sufficient evidence). Once complete, sent to AG to sign.
4.	Performance Audit Files	III. IPSAM file lockdown. Our review noted that not all the completed Performance audits files have been locked down as required by the Australian Auditing Standards (ASA) and in section 9.2 of the Performance Audit Manual states: "Audits are to be finalised (archived in a form in which working papers and signing history cannot be altered) as soon as possible after tabling of the audit report. ASAs require that this is completed within 60 days of tabling". The Use of fuel Cards and Appointment of Tasmanian State Service Senior Executive Officers both were not locked down within the 60 days permitted period.	Yes III. We will reinforce the requirement to lock down all completed performance audit files within required time frames as required by Australian Auditing Standards.	Noted, replace with CaseWare. To be reinforced with all relevant staff but every effort is made to lockdown in a timely manner.
5.	Performance Audit Files	IV. As a compliance requirement and good audit practice, senior management at the TAO should ensure all audit file in IPSAM are locked down 60 days from tabling to parliament. Please refer to section 6.4.1 Review of audit files – Quality Controls Systems. Our interview with the AAG – Quality and Standards confirmed that not all Performance audit files in IPSAM are reviewed for quality and standards. The AAG for Quality and Standards does have plans in the future to review Performance Audit files for quality assurance.	Disagree IV. Corporate policy COR 8.0 - Quality Assurance Monitoring Activities Policy does not require all performance audits to be subject to a quality assurance review.	NFA

#	Nature	Original recommendation	TAO original response to the 2018 Section 44 Recommendations	Assessment and Status
6.	Performance Audit Files	<p>V. Performance Audit Budget. From the three IPSAM Performance and two Probity Audit files selected for review, we note that three of the audits had exceeded the original budget by more than 20%. From our discussion with staff and management, it was highlighted that once the audit budget is exceeded by 20%, management will need to assess if the review should be continued. Staff interviewed have indicated that no known Performance audit has been terminated due to exceeding the budget by 20%. However, senior management should document on file the reason and justification for the continuation of the engagement.</p>	<p>In principle</p> <p>V. We are committed to completing the audits communicated in our Annual Plan of Work. We believe the reasons for the budget overrun should be documented rather than justification for the continuation of the engagement.</p>	<p>See above re: budget.</p>
7.	Office Pooled Resources	<p>The TAO should critically assess the true value of implementing a pooled resource for the size of the TAO. Cost of training auditors in both financial and performance audits may be more efficient and effective by focusing the auditor in one stream and allowing the staff to develop the experience and expertise in one discipline rather than trying to train for two. If the TAO is to pursue the use of pooled resources, it may facilitate this process by deploying the staff in financial audit first. After having gained relevant experience and understanding from performing financial audits, the transition to a Performance auditor may be more expeditious.</p>	<p>In principle</p> <p>The previous Section 44 review, in relation to FAS staff, recommended we explore a single resource pool to allow for better flexibility, variety for staff, economies of scale and the cross pollination of ideas and continuous improvement initiatives within the pool. In relation to PAS staff, it was recommended we review personal development plans and overall Office needs. To ensure efficient use of available resource and to maximise staff productivity it is essential that our audit staff have the capability to undertake different types of assurance related activities. The current graduate program also provides for graduates to be rotated through all business units with the Office to widen their experience and training opportunities.</p>	<p>Noted. Pooled services difficult given the current staff attrition rate. PAS needs to recruit to its current structure. AAG PAS now having regular one-to-one fortnightly meetings with staff.</p>

#	Nature	Original recommendation	TAO original response to the 2018 Section 44 Recommendations	Assessment and Status
8.	Quality Control - Timeliness of responding to review findings	TAO continues to develop and monitor the planned timeline of remedial action to review findings to ensure the response is both prompt and realistic to enable the Office to hold the responsible parties accountable for the timeliness of their responses. The timeliness (and effectiveness) of the remedial action undertaken by the responsible parties should feed into the competency and commitment to quality control of their performance evaluation.	In principle We will consider how remedial action required in response to quality assurance reviews can be incorporated into performance evaluations.	Results of reviews to be incorporated into performance reviews. Now incorporated (i.e. Recent Prisons EQCR).
9.	Training plan	The annual training plan formally documents desired, measurable outcomes for each session to allow the Office to determine the success of the plan each year. The plan should detail the how, when and by whom 'success' will be evaluated.	In principle We will clarify and document intended outcomes from training programs and introduce ways to measure the effectiveness of training outcomes.	ACAG PAS training plan adopted from 1 July 2021 and noted in PAS staff individual learning and development plans. Staff attend training modules as appropriate. Effectiveness of training will be assessed as the training rolls forward as part of the L&D cycle.

#	Nature	Original recommendation	TAO original response to the 2018 Section 44 Recommendations	Assessment and Status
10.	Independence	TAO expands their independence policies at the engagement level to include an independence confirmation which is required to be signed by all engagement team members near the completion of the audit.	<p>In principle</p> <p>Our independence policies comply with the requirements of Auditing Standard ASQC 1 Quality Control for Firms that Perform Audits and Reviews of Financial Reports and Other Financial Information, Other Assurance Engagements and Related Services Engagements and auditing and assurance standards issued by the AuASB. We will consider whether independence policies at the engagement level should include an independence confirmation which is required to be signed by all engagement team members near the completion of the audit in addition to the current sign-off in the Concluding Memorandum which states 'In your view did all members of the audit team comply with relevant ethical requirements?'</p>	<p>Incorporated in CaseWare. Will review during CaseWare pilot. Will be included in PAS process through on-to-one catch ups. Form has been updated.</p>

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11.	Stakeholder Interviews	<p>From the number of interviews performed, we have listed some of the improvement opportunities derived from our interviews which, we believe appropriate for the TAO to consider:</p> <p>I. Communicate with stakeholders regarding the process of how Performance audits are selected by the TAO and the various factors that are considered in developing the annual Performance Audit plan.</p>	<p>In principle</p> <p>I. We will investigate whether there are additional communication channels through which we can communicate our approach to selecting performance audit, investigations and examinations.</p>	<p>Part of Annual Work Plan. Client Seminars and other forums. Referrals also a useful source of intelligence. AAG PAS has a project to review methodology with a view to increasing transparency. Consider provision of separate information on website.</p> <p>Currently have a rolling plan to visit all clients every 3 yrs. Also have PAC briefings, stakeholder engagement meetings at AG/DAG level and client seminars.</p>
12.	Subject Matter Experts	<p>II. Use of external experts where appropriate, however, due to the nature of the Public Sector where access and response can be time consuming and often delays, the use of external experts can be a costly exercise if there are slippages. If external experts are to be used, the contract should be negotiated and be based on total hours instead of duration.</p>	<p>Disagree</p> <p>II. We disagree with this improvement opportunity. Audit experts are engaged in line with Tasmanian public sector procurement policies and guidelines. In the majority of cases, fixed price quotations are obtained to avoid cost variations.</p>	<p>NFA</p>

#	Nature	Original recommendation	TAO original response to the 2018 Section 44 Recommendations	Assessment and Status
13.	Governance	I. The Auditor-General should consider the inclusion of additional members to the SEMG. As the group that oversees the strategic development of the TAO, and having two critical focal delivery services: Financial and Performance Audit, the value of having the Assistant Audit-General (AAG) from the Financial Audit Services (FAS) and Performance Audit Services (PAS) as a member may add more operational insights to the SEMG. The management of strategic risks is a top-down approach with a number of operational controls rolling up to mitigate the strategic risk. The AAGs of FAS and PAS are responsible for the two critical operation service units; they can provide valuable insights in assisting with the strategic risk mitigation process and provide the operational aspects required in supporting the achievement of the TAO's strategic goals.	Yes I. Effective 1 January 2019, the SEMG has been reconstituted as the Executive Committee (EC), the members of which comprise the Auditor-General, Deputy Auditor-General and all Assistant Auditors-General.	Completed NFA
14.	Governance	II. The “check and balance” principle provides the working mechanism for measurement and influence over how the TAO should function as a cohesive unit. One of the check and balance processes, as stated in the SEMG Charter “is the Chair shall initiate a review of the performance of the SEMG at least once every year. The review will be conducted on a self-assessment basis with appropriate input sought from members and other staff”. We note that no review of the performance of the SEMG has been performed. We recommend this review should be performed as a measure of the check and balance principle that ensures the SEMG is operating efficiently, effectively and economically, and be perceived as the leadership group with open and receptive inputs from the TAO.	In principle II. Agreed, although the recent culture survey and workshops included specific questions relating to the performance of senior management. The SEMG considered this more relevant feedback than self-assessment feedback given the SEMG only comprise three members.	New Charter (Jan 2019) includes power for Chair to initiate self-assessment once a year.

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15.	Governance	<p>III. The SEMG Charter requires “the SEMG shall meet, as a minimum each month or more”, however, our review noted that there were several months where no meetings were held: September 2017, October 2017, December 2017 and August 2018.</p> <p>The SEMG Charter could be updated to reflect the discretionary options available to the Auditor-General to hold these as required or as the Auditor-General deems appropriate as during the “busy period” which is around the financial year-end. The Auditor-General should have the discretion to defer the SEMG meeting or as required.</p>	<p>Yes</p> <p>III. Agreed, the improvement opportunity will apply to the recently constituted EC and will be incorporated into the Charter for that committee.</p>	<p>New Charter (Jan 2019) does not include this discretion - requires review. Revised and approved at August 2019 EC.</p>
16.	Governance	<p>IV. The recording of accurate minutes provides an audit trail of the governance processes. Our review of the SEMG minutes noted that the minutes dated Wednesday, 27th September 2017 at 9am was a duplicate of the minutes of Wednesday, 23rd August 2017 at 2.15pm, with the exception of one extra row added to the September minutes, it is an exact copy of the August month’s minute, however, both the August and September minutes were signed-off on different dates but having the same finishing time of 4.40pm which means the September SEMG meeting started at 9.00am and finished at 4.40pm. Minutes of the most senior management group at the TAO provides the strategic decisions and the operational directive to the Office. These minutes also offer insight for the Audit Committee into the operation of the TAO. The Auditor-General should ensure when approving or signing the minutes, the minutes reflex the accurate account of the meeting.</p>	<p>Yes</p> <p>IV. The comments are noted and accepted.</p>	<p>Now rotate Secretariat every three months. We believe will work effectively going forward. Omissions noted by review were a one-off instance.</p>

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17.	Governance	<p>I. Our review noted that the SLG Charter was approved in April 2017. The first meeting was conducted on 20th July 2017 and minuted. Except for the July 2017 meeting, our inquiries with senior management were inconclusive as to the number of SLG meetings that have been conducted. There was no formal evidence, such as minutes or Action-List, to evidence the conduct of the meetings. The SLG Charter requires the “SLG meet bi-monthly or more frequently if required, as determined by the Chair”. The Chair should consider a review of the Charter to reflect the acceptable meeting approach and the frequency or to enforce the Charter of the SLG. As a minimum, the SLG should maintain an Action-List to ensure matters with actions have been assigned responsibility, progress updates, completion and outcome(s).</p>	<p>Yes</p> <p>I. Effective 1 January 2019, the SEMG has been reconstituted as the EC, the members of which comprise the Auditor-General, Deputy Auditor-General and all Assistant Auditors-General. Consequently, the SLG has been abolished.</p>	Completed
18.	Governance	<p>II. The check and balance principle provides the working mechanism for measurement and influence over how the TAO should function in a cohesive unit. One of the check and balances, as stated in the SLG Charter “the Chair shall initiate a review of the performance of the SLG at least once every year. The review will be conducted on a self-assessment basis with appropriate input sought from members and other staff”. We note that no review of the performance of the SLG has been conducted. We recommend either the review be performed to ensure there is a measure, check and balance process that assures the SLG will be perceived as part of the leadership group with open and receptive inputs from the TAO staff or update the Charter to reflect the required business outcome as appropriate for the Chair and the Group, and the appropriate frequency of the meetings.</p>	<p>Yes</p> <p>II. Agreed, the improvement opportunity will apply to the recently constituted EC and will be incorporated into the Charter for that committee.</p>	See above

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19.	Signing Officers	Ensure each Signing Officer is subject to at least one cold file review per year. The results of the QA reviews should be directly linked to the Group Leaders performance assessment and considered when the Auditor-General is assigning audits to Group Leaders.	Yes Corporate policy COR 8.0 - Quality Assurance Monitoring Activities Policy will be amended to ensure all Signing Officers are subject to at least one cold file review each year.	Revised and approved by EC at October 2019 meeting.
20.	Small size audits	The TAO to ensure small audits are subject to a limited form of QA monitoring.	Yes Agreed, a sample of smaller audits will be included in the QA monitoring program.	Will be incorporated for current audit cycle. COR 8 Policy revised with review by each SO and allows for any audit to be selected including ASPs. QA requirements will be reviewed with the restructure. EQCR will be revised as part of updating to align with new quality management standards. External review by conducted by ACT included small, medium and large sized entities.
21.	Audit Methodology	The TAO incorporates the necessary IPSAM policies and internal SOPs into a single, lucid document that details the methodology of the Office, and Audit Clarity Manual for the TAO. All staff should have access to this manual and be encouraged to refer to it throughout the TAO FAS engagements. An annual review of the Audit Clarity Manual (or equivalent) should be performed by the Technical and Quality Director to evidence the continual compliance of the TAO's methodology with Australian Auditing and Assurance Standards.	In principle SOPs are constituted to replace or supplement IPSAM Guidance material, not Procedures (as explained at the beginning of SOPs). Notwithstanding this, we will review the consolidation of audit policies and SOPs following the replacement of IPSAM. The Office of the Auditor General will undertake an annual review to assess whether TAO's audit methodology complies with Australian Auditing and Assurance Standards.	Will be reviewed with the move to the new CaseWare system. CaseWare compliance assurance letter received. Audit approach now incorporated into the CaseWare toolset including the PSAS template and supplemented by SOPs.

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22.	Quality Control – Timeliness of response	The TAO continues to develop and monitor the planned timeline of remedial action to review findings to ensure the response is both prompt and realistic to enable the Office to hold the responsible parties accountable for the timeliness of their responses. The timeliness (and effectiveness) of the remedial action undertaken by the responsible parties should feed into the competency and commitment to quality control of their performance evaluation.	In principle We will consider how remedial action required in response to quality assurance reviews can be incorporated into performance evaluations.	Share results of reviews with business unit leaders. Incorporation into performance reviews now falls to FAS and PAS.
23.	Root Cause Analysis	The TAO should adopt policies requiring RCA be performed and documented on all review findings (internal and external). The RCA should be completed before the action plan has been drawn up and it should address all RCA conclusions reached. The action plan, having considered the conclusions of the RCA, should determine what constitutes successful remedial action.	In principle We will consider amending quality assurance policies to incorporate root cause analysis of suboptimal review findings.	Not yet commenced. Will flow from current internal QA reviews ad responses. QA policy requirements will be updated as part of updating for the quality management standards. Could be explored as part of annual FAS debriefs March 2023 - full review of Quality Manual - decision made not to automatically include RCA, only used where appropriate.
24.	EQCR	The TAO ensures all EQCR reviewers are aware of their responsibility to conduct EQCR on a timely basis and throughout the audit cycle.	In principle EQCR reviewers are aware of their responsibilities. We will reinforce the need for audit teams to proactively engage with EQCR reviewers to facilitate the conduct reviews in accordance with the EQCR policy, including the need to ensure EQCR reviews are conducted on a timely basis as audits progress.	Completed

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25.	Root Cause Analysis	That the office aims to perform their own QA reviews on an annual basis or a three-year rolling program.	<p>In principle</p> <p>Internal quality assurance activities undertaken on financial audits since 2014 include a review of financial statement disclosures relating to the impact of accounting standards issued by not yet effective conducting in 2017 and reviews implemented for all financial audit opinions issued in respect of the 2017 and 2018 financial years. Following completion of the re-profiling program, the Office of Auditor-General business unit will have additional staff to assist in the completion of internal QA reviews in compliance with our Quality Assurance Monitoring Activities Policy.</p>	We currently aim to undertake some QA reviews every year.
26.	Grading System and Benchmarking	I. The Office should expand their Quality Assurance policies to define the criteria for file ratings (see point below for recommended scale) and QA findings, and identify the consequences for poor QA results. The results of the file ratings should be directly linked to the individual performance assessments of at least the Signing Officers and the Group Leaders.	<p>Yes</p> <p>Corporate policy COR 8.0 – Quality Assurance Monitoring Activities will be amended to define criteria for file ratings and quality assurance review findings.</p>	The results of all reviews are to be forwarded to the relevant AAG(s) for consideration of future training requirements, individual performance assessments and rewards and recognitions. Completed reports are also forwarded by the AG to the EC for further consideration which includes further remedial action if deem appropriate.

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27.	Grading System and Benchmarking	II. The office should develop a 4-point scale (or equivalent) to provide an overall rating for each file subjected to a QA review. Internal reviews contracted to external parties should also be subject to this scale.	In principle Corporate policy COR 8.0 – Quality Assurance Monitoring Activities will be amended to define criteria for file ratings and quality assurance review findings.	A 4-point scale of audit quality indicators has been incorporated with in the yearly quality assurance review plane. COR 8 Policy revised with review by each SO and allows for any audit to be selected including ASPs.
28.	External Monitoring ASPs	The External ASPs audit files are subjected to the same QA monitoring regime as the FAS and PAS files (i.e. at least one per year).	In principle Corporate policy COR 8.0 – Quality Assurance Monitoring Activities will be amended to incorporate quality assurance reviews of ASP audit files. This will include consideration of the extent to which ASPs undertake their own assurance reviews on those audit engagements.	Panel of ASPs and contract requirements currently revised. COR 8 Policy revised with review by each SO and allows for any audit to be selected including ASPs.
29.	External Monitoring ASPs	II. Use of external experts where appropriate, however, due to the nature of the Public Sector where access and response can be time consuming and often delays, the use of external experts can be a costly exercise if there are slippages. If external experts are to be used, the contract should be negotiated and be based on total hours instead of duration.	Disagree II. We disagree with this improvement opportunity. Audit experts are engaged in line with Tasmanian public sector procurement policies and guidelines. In the majority of cases, fixed price quotations are obtained to avoid cost variations.	NFA

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30.	Governance	<p>The TAO Governance Policy incorporates the principles from the Australian Stock Exchange Corporate Governance Council: Corporate Governance Principles and Recommendations 2nd Edition” (the ASX Principles issued in 2007 and amended in 2010).</p> <p>The ASX Corporate Governance Council updated the Principles and Recommendations (3rd Edition) in March 2014. The changes in the third edition reflect global developments in corporate governance since the second edition was published. The 3rd Edition simplifies the structure of the Principles and Recommendations.</p> <p>The TAO Governance Policy was updated in April 2017; management should assess the changes in “the 2014 ASX Corporate Governance Principles and Recommendations”, and where appropriate, incorporate the new Principles and Recommendations into the TAO Governance Policy.</p>	<p>Yes</p> <p>Agreed, the new Principles and Recommendations will be incorporated into the TAO Governance Policy to the extent they are relevant to the TAO.</p>	<p>Interim solution provided to COO based on the 4th edition of the ASX Principles.</p> <p>Revamp TAO Governance Model subject to broader strategic direction discussion.</p> <p>EC APPROVED</p>
31.	Risk Management	<p>I. The review of the Risk Management Policy noted that the last review was in September 2014 and the next review date was scheduled 22 September 2017. Risk management is a dynamic process and requires constant updates to ensure the risk management framework is current and relevant. The SEMG should ensure the Risk Management policy remains current and relevant by performing regular reviews. In addition, in performing the next Risk Management Policy update, the TAO should incorporate the revised AS/NZS 31000:2018. The revised AS/NZS standard was released in September 2018.</p>	<p>Yes</p> <p>I. Review of the risk management policy commenced in September 2018 but has not been finalised. The revised policy will incorporate consideration of the revised AS/NZS 31000:2018.</p>	<p>New Risk Manual is being circulated to EC for final review.</p>

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32.	Risk Management	II. The last Risk Management review by Internal Audit was conducted in 2011, more than seven years ago. Since that last review, the Risk Management Policy has been updated (2014) and the Risk Matrix and Assessment Register has had a significant format revision. The risk management framework is a dynamic process that requires a constant update to meet the challenges confronting the TAO in the services provided and work environment. Whilst the Strategic Internal Audit Plan included a scheduled review of the Risk Management Framework within a three-to-five-year timeframe, we note the review was not commenced in-line with the plan.	Yes II. A review of the risk management framework was included in the internal audit plan for 2011-12 and 2015-16. The risk management framework review was completed by the internal auditors in 2011-12. The 2015-16 internal audit risk management framework review was deferred pending appointment of new internal auditors. The internal audit risk framework review commenced in November 2016.	New Risk Manual is being circulated to EC for final review.
33.	Risk Management	I. Likelihood vs Consequence. In most risk registers, the controls applied to an inherent risk is to mitigate the risk to an acceptable level (risk appetite), thereby, the likelihood of the risk occurring can be controlled by the mitigation actions performed. However, the "consequence" of the risk in general does not usually change (except in the use of insurance or avoidance). The review noted that a number of the "consequences" were changed after the application of risk mitigation controls. Management should review the risk register to ensure that the residual "Consequence" rating has been appropriately applied.	Disagree I. We disagree with this comment as it depends on how you interpret the risk. For example, airbags in a motor vehicle reduce consequence of accident (less physical harm) but not the likelihood of an accident occurring.	NFA
34.	Risk Management	II. A full review of the risk register should be performed by an independent third party such as internal audit every 3 to 5 years or when significant changes to the register have been made. Key focus should be on significant movements. The reviewer should challenge the rationale for the rating movements and ensure they are appropriate.	In principle II. The risk register was reviewed by the internal auditors in 2011-12. The 2015-16 internal audit risk register review was deferred pending appointment of new internal auditors. The internal audit review commenced in November 2016.	Revised Enterprise Risk register completed and endorsed by AG (June 2021).

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35.	Risk Management	<p>III. In the Annual Report 2017-2018, the message from the Deputy Auditor-General on page 5 stated “A significant risk for us has been the fast approaching end-of-life of our current audit toolset, IPSAM. This will be a significant project that will ensure we maintain a contemporary approach to our audit work and possibly achieve some efficiencies”. As a significant risk mentioned in the annual report, there is no reference made in the Risk Register or any mention of significant IT project and the associated risks. The Risk Register is a living document for the TAO and needs to be current and relevant. The selection of the right information system to replace IPSAM is a significant project with significant risks. The project should be included as a new category in the Risk Register to ensure the associated or appropriate risks are recorded and managed.</p>	<p>Disagree</p> <p>III. We disagree with this comment – the risk is covered by risk 5(h) in the risk register. This risk was specifically raised with the replacement of IPSAM in mind.</p>	NFA
36.	Risk Management	<p>IV. Our review noted that the TAO does not have a Risk Appetite Statement. Our review, although at a high level, has noted that the TAO has a framework for governance and risk management. As such, and part of the risk maturity model process, the TAO should consider the development of a Risk Appetite Statement to complement the Risk Register and to allow the Audit Committee and SEMG to measure the necessary mitigation processes required to have an acceptable risk in achieving the TAO’s strategic goals.</p>	<p>Yes</p> <p>IV. Our risk appetite was assessed in the risk management workshop facilitated by the internal auditors in January 2018. The risk appetite was assessed as low, but is yet to be documented in a Risk Appetite Statement.</p>	Revised Enterprise Risk register completed and endorsed by AG (June 2021).

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37.	Risk Management	V. The linkage between the Risk Register and Strategic Plan 2016 to 2020. Our review noted there is a tenuous link between the Risk Register and Strategic Plan 2016 to 2020. A Strategic Risk Register is purported to support the business strategy; it should address the potential risks that may prevent the organisation in achieving their strategies. The SEMG should ensure there is a linkage between the risk register and the strategic plan. The 2016 to 2020 Strategic Plan states "The Risk Management Framework outlines the TAO's approach to risk oversight and management and is supported by the TAO risk register which documents our strategic and operational risks". The Strategic Plan has four key focuses: Relevant, Sustainable, Independent and reputable, and Adaptable; the risk register should address the risk associated with these four key focuses and the environmental factors that shape these focuses including: community expectations and influence; Commonwealth and state relations; sustainability of government services; new modes of government; and digital transformation. The current Risk Register should be revised to include and support the above strategic focuses. Detailing what are the risks and mitigation controls to assist with the achievement of the strategic goals.	Yes V. Strategy focus areas were considered in January 2018 risk workshops facilitated by the internal auditors. The risk register will be amended to link identified risks with strategic focus areas.	Revised Enterprise Risk register completed and endorsed by AG (June 2021).
38.	IT Policy	II. The Information Security Governance Policy was last reviewed in 2013. The Information Security Governance Policy represents the TAO's attitude and approach to IT security for staff and how the TAO manages IT. The Information Security Governance Policy should be reviewed and updated on a regular basis every two years to reflect the fast-changing IT environment within the TAO and Public Sector.	Yes II. We are waiting on the whole of government approach to information security to be finalised before reviewing our policy.	Tasmania's Protective Security Policy Framework approved, work underway to update TAO policies to incorporate required elements. Data request policy, data request procedure and data governance framework have been developed and approved.

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39.	Staff Performance	To ensure the proposed training for staff in the Learning and Development section of the Performance Plan has been completed, the same Plan should be included in the following year's Performance Review Plan detailing whether the training was actually completed and if required, link back to the Staff Training Register.	<p>Yes</p> <p>Information on learning and development activities undertaken, as recorded in the Staff Training Register, is provided separately to inform all performance discussions and to assist with the development of updated Learning and Development Plans.</p>	Done. A separate exercise to occur to match DoJ Learning@Justice completed learnings onto individual learning and development sheets.
40.	Staff Performance	II. Use of external experts where appropriate, however, due to the nature of the Public Sector where access and response can be time consuming and often delays, the use of external experts can be a costly exercise if there are slippages. If external experts are to be used, the contract should be negotiated and be based on total hours instead of duration.	<p>Disagree</p> <p>II. We disagree with this improvement opportunity. Audit experts are engaged in line with Tasmanian public sector procurement policies and guidelines. In the majority of cases, fixed price quotations are obtained to avoid cost variations.</p>	NFA

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41.	Audit completed by ASPs	<p>The Office formalise an expectation of what a complete ASP file should look like. Consideration into such factors such as the minimum documentation requirements and how queries & responses from the ASP are documented/retained on the file. The Office should consider whether a smaller contracted audit could require a smaller QA checklist be completed and documentation expectations reduced. With a consistent approach applied, the Office should benchmark each file as part of the QA review in order to assess the quality of each ASP on the Panel of External Service Providers. The information gathered should be considered when awarding contracted audits.</p>	<p>No</p> <p>The existing panel of Audit Service Providers expires in March 2019. We commenced a tender process to establish a new panel of Audit Service Providers in February 2018. In conjunction with the tender process, we commenced communication with Audit Service Providers to advise revised reporting and contract management requirements. This includes deliverables in relation to financial statement audits and deliverables required under the terms of the contract of engagement. Work is still underway to clarify audit file documentation requirements for contracted audits. We consider the existing ASP QA checklist is appropriate for all audit files. We have considered the benefits of benchmarking each ASP file as part of the QA review and have concluded this is not necessary given the diversity in size and nature of audits contracted out. The work of each ASP is assessed following the completion of each annual audit and audit quality matters are communicated to ASPs as appropriate.</p>	NFA

#	Nature	Original recommendation	TAO original response to the 2018 Section 44 Recommendations	Assessment and Status
42.	Audit Standards	The Auditor-General undertakes a formal review of the current Australian Auditing Standards to identify any areas they believe themselves and their external ASPs should be required to perform duties over and above the current requirements of the auditing standards. Where such instances are identified, the Auditor-General should publish his own standards that specify additional requirements which are not mandated by the Australian Auditing and Assurance Standards.	In principle We will assess whether additional auditing standards are required to specify additional audit requirements not mandated under existing Australian Auditing Standards.	Will consider but also note AuASB public sector advisory panel is reviewing application of some standards to public sector. Methodology Committee has not considered there is a need for any additional AG standards at this time.
43.	Probity	The TAO re-enforces the importance of probity and waste considerations being critically analysed, reviewed and assessed during the course of the financial statement audit to ensure a thorough and appropriate application of the IPSAM audit methodology in this area. Sector specific probity programs are consistently utilised throughout the Office.	Yes The requirements for annual audits to consider issues of effectiveness and efficiency, waste, and a lack of probity or financial prudence will be reassessed during the IPSAM replacement process. Under the revised public sector audit approach being developed by Queensland Audit Office these considerations may be excised from the financial audit process and replaced with targeted probity reviews across client segments or on topical areas. We will make a decision on the approach it will adopt once the revised public sector audit approach being developed by Queensland Audit Office has been released.	Closed - No longer using IPSAM audit methodology. CaseWare may address this in the future and can be considered then. On FAS Exec action list for future consideration.

#	Nature	Original recommendation	TAO original response to the 2018 Section 44 Recommendations	Assessment and Status
44.	Understanding the entity	We believe it would be beneficial to the TAO and their stakeholders if junior team members were scheduled more closely to the time of the review to discuss with the Engagement Leader before commencing the engagement with the client. When scheduling/ planning for jobs, additional time should be accounted for this.	<p>Yes</p> <p>We will investigate the feasibility of conducting audit client familiarisation meetings for all audit team members prior to visiting an audit client. Where such meetings are held, we would expect team members to charge their time for attending such meetings to the audit engagement code, consequently, the need to account for 'additional time' is not required.</p>	Client familiarization visits are occurring where considered necessary. Junior staff are being more involved in the team planning sessions.
45.	Use of Internal Auditors	The TAO should seek to narrow the expectation gap with stakeholders relating to their allowed involvement with internal audit function through client meetings and information sessions, specifically highlighting the requirement of the TAO to remain independent when management is setting their internal audit plans.	<p>In principle</p> <p>Our planned reliance on the work of internal audit is communicated in our financial audit strategies. To maintain our independence, we do not provide advice to management on the scope or selection of internal audit projects. We will clarify this position in our financial audit strategies and in our interactions with audit committees.</p>	As strategies are issued and audit committees with clients are held.

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46.	Application of materiality	That the TAO reconsiders its application of the sliding scale and adopt the use of different threshold calculations as prescribed above.	<p>Partial</p> <p>A review of the approach to materiality, including the use of benchmarks, was undertaken in December 2016, including a comparison of our approach against four ASPs and other public sector audit offices. We decided our existing approach to determining materiality was appropriate and no change was made. We will reinforce the requirement to document the rationale for the base chosen for the determination of materiality. Our approach to materiality will be reviewed as part of the IPSAM replacement program.</p>	Paper has been adopted by methodology committee.
47.	Application for materiality	That the concept of performance materiality is amended to reflect the risk associated with the specific entity being audited, including guidance on a starting point based on the assessed levels of risk.	<p>Yes</p> <p>We will review and update the SOP as necessary.</p>	See above
48.	Materiality	The Office provides staff training and continues to reinforce the concept of setting separate performance materiality for balances which are deemed riskier due to their qualitative characteristics.	<p>Yes</p> <p>We will reinforce the requirement to consider and document separate performance materiality when testing sensitive expenditure and related party transactions.</p>	Training to be provided to staff. Policy updated and operational.
49.	Referencing	I. the TAO ensures the ability to implement a robust referencing system is considered when evaluating their new audit toolset.	<p>Yes</p> <p>I. The need for cross referencing capability in a replacement audit system has already been considered by the IPSAM replacement project team.</p>	Part of CaseWare pilot. Implemented in CW and becoming more widely implemented.

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50.	Referencing	II. the TAO provide training to their staff, establishing an expectation of the TAO referencing requirements.	Yes II. Training on cross referencing requirements will be provided during implementation of the new audit system.	Part of CaseWare pilot.
51.	Timeliness of reviews	The TAO ensures all Signing Officers are aware of their requirements to document their review of work on the file on a timely basis.	Yes We will reinforce the requirement for signing officers to undertake and document their review of the audit file on a timely basis.	Raised at signing officer meeting 20/5/19.
52.	Use of Data Analytics	I. the TAO continue to develop, tailor and design additional audit tests based on efficient use of audit effort and risks using CAATs.	In principle I. We are continuing to develop, tailor and design additional audit tests based on efficient use of audit effort and risks using CAATs. Based on our reviews of our ASP work and also our understanding gained from various ACAG forums the level of data analytics work currently being performed is comparable and in some cases more advanced and other public sector audit offices.	Senior IT Manager and data analyst now appointed. Currently looking at capabilities of Teammate analytics and Power BI. Pilot being Undertaken. Training being developed in March 2023 for staff on Teammate capabilities.
53.	Use of Data Analytics	II. the TAO to roll out the use of standard CAATs on all engagement, this would involve upskilling the FAS team to ensure it is consistently being used in an effective and efficient manner.	In principle II. We are continuing to roll out the use of standard CAATs on engagements where the benefit warrants doing so.	Have rolled out more licenses to staff so all FAS auditors now have the software. Auditors being trained on the job in its use.

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54.	Use of Data Analytics	III. the TAO begin to analyse the data which is being made available through their use of CAATs and search for opportunities to bring further insights to their stakeholders.	In principle III. Data analysis will be undertaken to the extent it is a cost-effective audit procedure and satisfies Australian Auditing Standard requirements and supports selected audit procedures.	As above
55.	Data Analytics	I. A detailed action plan is drawn up and implemented to ensure the use of data analytics in audits becomes engrained in the TAO audit methodology and approach.	Yes I. The incorporation of data analytics is one of our existing strategic initiatives. A strategy has been prepared, but detailed action plan for the next stage of data analytics is in progress pending resourcing and priorities. We will leverage off the work undertaken by the ACAG Data Analytics Group in implementing this strategic initiative.	DA pilot near completion, training of FAS staff in March 2023.
56.	Data Analytics	II. Build data analytical skill as a core capability across the TAO.	Yes II. This is already embedded in our audit training program.	DA pilot near completion, training of FAS staff in March 2023.
57.	Data Analytics	III. The availability of an integrated data analytic tool is considered when deciding on the appropriate auditing software to replace IPSAM.	Yes III. The availability of an integrated data analytic tool is being considered.	CaseWare now implemented. DA tools are being utilised outside of CaseWare.

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58.	Budget vs Actual	With consideration of the factors above, the TAO should establish minimum expectations for the level of detail which needs be included when reviewing the actual to budget audit costs at the engagement level.	<p>Yes</p> <p>We will reinforce the requirement for establishing audit budgets and monitoring actual audit costs compared to budget. Our decision not to cost to task level will also be reconsidered as part of IPSAM replacement program. Establishing expectations for the level of detail to which costs on jobs are recorded will be done with due regard to costs compared to expected benefits.</p>	New WIP reports that clearly show budgeted hours to actuals and fees to actuals for each client are distributed weekly.
59.	Budget vs Actual	To enable the engagement team to perform a more meaningful budget to actual cost analysis, TAO should ensure the FAS team is aware this procedure can be performed after the audit report has been signed.	<p>Yes</p> <p>We will reinforce the expectation that this procedure be completed after the audit report has been signed.</p>	As above

#	Nature	Original recommendation	TAO original response to the 2018 Section 44 Recommendations	Assessment and Status
60.	Pooled Resources	<p>The TAO should critically assess the true value of implementing a pooled resource for the size of the TAO. Cost of training auditors in both financial and performance audits may be more efficient and effective by focusing the auditor in one stream and allowing the staff to develop the experience and expertise in one discipline rather than trying to train for two. If the TAO is to pursue the use of pooled resources, it may facilitate this process by deploying the staff in financial audit first. After having gained relevant experience and understanding from performing financial audits, the transition to a Performance auditor may be more expeditious.</p>	<p>In principle</p> <p>The previous Section 44 review, in relation to FAS staff, recommended we explore a single resource pool to allow for better flexibility, variety for staff, economies of scale and the cross pollination of ideas and continuous improvement initiatives within the pool. In relation to PAS staff, it was recommended we review personal development plans and overall Office needs. To ensure efficient use of available resource and to maximise staff productivity it is essential that our audit staff have the capability to undertake different types of assurance related activities. The current graduate program also provides for graduates to be rotated through all business units with the Office to widen their experience and training opportunities.</p>	<p>For EC to consider. Currently subject to budget constraints. Have graduate rotation program operating. Very dependent on skill sets of junior staff. Will adopt on a year-by-year basis as needs dictate.</p>
61.	IT Report	<p>I. The IT consultant's report identified a number of IT capability improvement opportunities for the TAO. The report proposed a Roadmap to assist with the transformation of the TAO's IT capabilities. The TAO should assess the feasibility of the Roadmap in adopting the recommendations that could increase the IT capabilities of TAO staff and to work strategically with external IT experts to meet the TAO's audit mandates.</p>	<p>Yes</p> <p>I. We are currently assessing the feasibility of the Roadmap in adopting the recommendations. In the interim, to help increase staff IT capabilities training was delivered by the IT consultant to all FAS staff on IT Audit on 20 April 2018.</p>	<p>Will be monitored through Capstone recommendation. Two rounds of training completed.</p>

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62.	Quality Control	The TAO continues to develop and monitor the planned timeline of remedial action to review findings to ensure the response is both prompt and realistic to enable the Office to hold the responsible parties accountable for the timeliness of their responses. The timeliness (and effectiveness) of the remedial action undertaken by the responsible parties should feed into the competency and commitment to quality control of their performance evaluation.	In principle We will consider how remedial action required in response to quality assurance reviews can be incorporated into performance evaluations.	Results of reviews to be incorporated into performance reviews. ELs and Signing Officers to be more involved at an earlier point in the cycle. Improved processes in place for the management of QA reviews.
63.	Training Plan	The annual training plan formally documents desired, measurable outcomes for each session to allow the Office to determine the success of the plan each year. The plan should detail the how, when and by whom 'success' will be evaluated.	In principle We will clarify and document intended outcomes from training programs and introduce ways to measure the effectiveness of training outcomes.	Formal surveys sent to staff to capture relevant feedback and outcomes.

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64.	Audit Files	<p>The TAO should reinforce the expectation and continue to monitor that all files are to be closed within 60 days of the audit opinion/report being issued and hold the various Group Leaders accountable to these obligations using metrics which flow through to individual performance assessments. The TAO could also consider allocating the responsibility of monitoring the lockdown process to an individual or individuals within the TAO to ensure there is more accountability over the process.</p>	<p>Yes</p> <p>Up until the 2018 financial year, financial audit files had not been finalised within the 60-day requirement as other audits by arrangement were also being documented in financial statement audit files. For example, Roads to Recovery Grant audits were included in council financial statement audit files and these audits were generally performed one to two months after the completion of the financial audit. Separate files are now being established for such audits by arrangement. We will reinforce the expectation that all audit files be finalised within 60 days of the audit opinion/report being issued and will reassess processes required to ensure adequate monitoring and achievement of this requirement.</p>	<p>Reinforced with Engagement Leaders. Separate files established for other acquittals to enable easier closing out of financial statements. Brought forward AGR process.</p> <p>Will continue to monitor.</p>
65.	Audit Files	<p>The TAO expand their policy to include guidance on what administrative tasks can be performed between the date of the assurance report and the lockdown date, in accordance with ASA 230.</p>	<p>Yes</p> <p>We will update the policy to include guidance on what administrative tasks can be performed between the date of the assurance report and the lockdown date, in accordance with ASA 230 Documentation</p>	<p>To be incorporated into a FAS standard operating procedure by AAG responsible for technical and quality matters</p>

#	Nature	Original recommendation	TAO original response to the 2018 Section 44 Recommendations	Assessment and Status
66.	Audit Files	The Office considers amending their financial audits policy to clarify how, when, where and by whom the continuance of client engagement is assessed on all engagement files.	<p>Disagree</p> <p>We disagree with this improvement opportunity. Under section 18(1) of the <i>Audit Act 2008</i> the Auditor-General is to audit the financial statements and any other information submitted by a State entity or an audited subsidiary of a State entity. This is a legislated obligation which precludes the Auditor-General from making a decision as to engagement acceptance or continuance. We are of the view that Australian Auditing standards do provide an exclusion from the requirements for an auditor to complete the usual engagement protocols, where law or regulation is prescribed in sufficient detail² As noted above the Auditor-General is the auditor of all public sector entities by law. Notwithstanding this, it is our practice to issue each Accountable Authorities with an initial engagement letter to ensure there is an awareness and acknowledgement of financial reporting requirements.</p>	NFA

#	Nature	Original recommendation	TAO original response to the 2018 Section 44 Recommendations	Assessment and Status
	Audit Files (Cont.)		<p>We also follow the guidance in auditing standards in relation to recurring audits and issue a new engagement letter where it considered appropriate, such as a change in a Secretary for a department³.</p> <p>² Refer to ASA210 Agreeing the Terms of an Audit, paragraph 11: Agreement on Terms of Engagement and accompanying guidance including A29: Considerations specific to public sector entities</p> <p>³ Refer to ASA210 Agreeing the Terms of an Audit, paragraph 13: Recurring Audits and accompanying guidance in A30 which includes factors that may make it appropriate to revise the terms of an audit engagement.</p>	

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67.	Independence	The TAO expands their independence policies at the engagement level to include an independence confirmation which is required to be signed by all engagement team members near the completion of the audit.	<p>In principle</p> <p>Our independence policies comply with the requirements of Auditing Standard ASQC 1 Quality Control for Firms that Perform Audits and Reviews of Financial Reports and Other Financial Information, Other Assurance Engagements and Related Services Engagements and auditing and assurance standards issued by the AuASB. We will consider whether independence policies at the engagement level should include an independence confirmation which is required to be signed by all engagement team members <u>near the completion</u> of the audit in addition to the current sign-off in the Concluding Memorandum which states 'In your view did all members of the audit team comply with relevant ethical requirements?'</p>	<p>Independence is monitored ongoing through the audit cycle and any changes notified and the declaration updated. Need new documented procedure to reaffirm during final team meeting. Before we sign opinion and before we sign company independence dec. We include as part of CaseWare pilot. Consideration to adding a procedure in final procedures in IPSAM. Now incorporated in EL checklist at end of audit.</p>
68.	Independence	The TAO amends their procedures to include steps that ensure all staff members who have charged time (or charged greater than a determined threshold) to the engagement code have also confirmed their independence at the engagement level.	<p>Yes</p> <p>We will establish audit procedures to ensure all staff members who have charged time (or charged greater than a determined threshold) to the engagement code have also confirmed their independence at the engagement level.</p>	<p>All Engagement Leaders to be reminded of this requirement. SOs checking before signing opinion.</p>

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69.	Independence	II. Use of external experts where appropriate, however, due to the nature of the Public Sector where access and response can be time consuming and often delays, the use of external experts can be a costly exercise if there are slippages. If external experts are to be used, the contract should be negotiated and be based on total hours instead of duration.	Disagree II. We disagree with this improvement opportunity. Audit experts are engaged in line with Tasmanian public sector procurement policies and guidelines. In the majority of cases, fixed price quotations are obtained to avoid cost variations.	NFA
70.	Independence	III. Communication and soft close are critical for the checking of factual accuracy and acceptance of recommendations by the client. Recommendations made should have a cost-benefit component to be of value to the client. Soft close discussions can save time and effort as factual inaccuracies are resolved before time is spent in writing the report. Soft close should be completed and documented before writing the report.	Yes III. We currently adopt a 'soft close' approach for communication of recommendations. We will reinforce the requirement for audit teams to communicate audit findings and recommendations with audit clients prior to drafting reports on audit findings and recommendations.	Staff to be reminded of this requirement. Now part of Completion Report process. To be monitored at end of audit cycle.

Appendix 1 – Interviewees



External Stakeholders Interviewed

1.	Kane Salter – Deputy Secretary Business Operations and Support	Department for Education, Children and Young People
2.	Glenn Lucas – Director Finance and Budget Services	Department for Education, Children and Young People
3.	Rod Fazackerley – Principal Financial Officer	Homes Tasmania
4.	Tara Garrott – Team Leader – Finance Systems and Reporting	Homes Tasmania
5.	Mark Jones – Chief Operating Officer	Tourism Tasmania
6.	Michael Westenberg – Executive Finance	Tasmanian Networks Pty Ltd
7.	Marijke Harris – Manager, Finance and Payroll Services	Department of Police, Fire and Emergency Management
8.	Justin Thurley – Chief Information Officer	Department of Premier and Cabinet
9.	Elizabeth Lovett – Independent Chairperson	TAO – Risk and Audit Committee
10.	Gavin Wailes – Director Finance	Department of Justice
11.	Colin Shepherd – Deputy Secretary Strategy, Governance and Major Projects	Department of Justice
12.	David Byrne – Chief Information Officer	Department of Justice
13.	Hon Ruth Forrest MLC – Chair	Public Accounts Committee
14.	Simon Scott – Committee Secretary	Public Accounts Committee
15.	Noelene Kelly – Deputy Secretary, Corporate and Government Services	Department of Premier and Cabinet
16.	Jacqui Wilson – Director Corporate Services	Department of Premier and Cabinet
17.	James Craigie – Deputy Secretary, Budget and Finance	Department of Treasury and Finance
18.	Susan Peterson – Assistant Director, Strategic Policy and Projects	Department of Treasury and Finance

19.	Tim Peters – Executive General Manager Finance	Hydro-Electric Corporation
20.	Glen Dean – Director Finance	Department of State Growth
21.	Mark Bowles – Chief Executive Officer, Renewables, Climate and Future Industries Tasmania	Department of State Growth
22.	Craig Jeffery – Chief Financial Officer	Department of Health
23.	Shane Gregory – Associate Secretary	Department of Health

TAO Staff Interviewed

1.	Rod Whitehead – Auditor-General
2.	Jonathan Wassell – Deputy Auditor-General
3.	Debbie White – Director – Corporate Support and Strategy
4.	Janine McGuinness – Assistant Auditor-General – Performance Audit
5.	Stephen Morrison – Assistant Auditor-General – Financial Audit
6.	David Bond – Assistant Auditor-General – Financial Audit
7.	Jeff Tongs – Assistant Auditor-General – Financial Audit
8.	Derek Burns – Senior Manager – Financial Audit
9.	Andrew Eiszele – Acting Senior Manager – Financial Audit
10.	Devin Ha – Manager – Financial Audit
11.	Ryan Eastley – Acting Manager – Performance Audit
12.	Beverley Pasanen – Assistant Manager – Performance Audit
13.	Maddy Stopp – Analyst – Performance Audit
14.	Harjee Singh – Analyst – Performance Audit
15.	Jess Balding – Manager – Corporate Support and Strategy

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