



Annual Report



THE AUDIT OFFICE
OF NEW SOUTH WALES

Letter to Legislative Assembly

Members of the Legislative Assembly
Parliament House
Sydney NSW 2003

Under section 12A of the *Annual Reports (Statutory Bodies) Act 1984*, I have pleasure in submitting for the information of Members the Report of the activities of the Audit Office of New South Wales for the twelve months ended 30 June 2003.



R J Sendt

22 October 2003

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About Us

The New South Wales Auditor-General

- helps the New South Wales Parliament hold Government accountable for its use of public resources
- is independent of Government and reports directly to the Parliament
- operates under the *Public Finance and Audit Act 1983*.

The New South Wales Audit Office

- supports the Auditor-General in his work
- audits 400 New South Wales Government agencies to assure Parliament their financial reports are prepared correctly
- assesses how well agencies comply with a selection of legal requirements, government policies or central agency directives
- investigates allegations of serious and substantial waste of public money
- conducts special in-depth assessments of whether agencies are achieving value-for-money
- has 226 employees.

Our Vision

To be recognised as a centre of excellence in auditing. To us this means:

- being seen by other auditors as a benchmark for best practice in auditing
- Parliament valuing us as a partner helping to improve the State's performance and accountability
- New South Wales Government agencies deriving value from the information we provide
- an environment that provides job satisfaction where talented people are proud to work
- a culture of innovative thinking, client focus and technical excellence.

Our Mission

Assist Parliament to improve the accountability and performance of the State

Our Values

Independence – work without fear or favour

Equity – be fair, just and impartial

Integrity – be open, honest and reliable

Empathy – be understanding of others

Client focus – be courteous, professional and add value

Innovation – listen, think, challenge and work smarter

Our Clients

Our clients are the New South Wales Parliament, the Government and its agencies, and the public of New South Wales.



highlights of 2002-03

During the year we:

	Our services
page 8	Published 19 reports to Parliament outlining the results of our work.
page 10	Continued to broaden our audit outlook to focus on waste, probity and financial judgement. We piloted three new performance management tools on performance measurement, public reporting and risk management to extend our traditional audit approach.
page 10 & 11	Completed 400 financial audits, and 12 compliance and special reviews of New South Wales Government agencies. Ninety-six per cent of our financial audits resulted in unqualified audit opinions.
page 11	Achieved our target for reporting to Parliament, but did not meet targets on reporting to client management and issuing audit opinions.
page 11	Issued 15 qualified audit opinions, the lowest figure in at least a decade. This reflects some significant improvements in NSW public sector financial management, partly as a result of issues we have raised.
page 14	Issued our Independent Audit Report on the Total State Sector Accounts 25 days ahead of the legal deadline to enhance its usefulness to Parliament.
page 16	Published 13 performance audit reports evaluating whether agencies are carrying out particular services effectively, economically and efficiently. We passed a major milestone by publishing our 100th performance audit report.
page 16	Achieved an 85 per cent agency acceptance rate of our 160 performance audit recommendations.
page 24	Published for the first time a report to Parliament dealing with our investigations of protected disclosures.
page 25 & 26	Maintained a high 88.9 per cent satisfaction rate amongst Parliamentarians, and a high 81.9 per cent satisfaction rate with our audit clients. These were above our targets of 80 per cent.
	Our operations
page 28	Began reviewing key aspects of our culture and practices.
page 28	Reinforced our vision to be recognised as a centre of excellence in auditing by establishing a new corporate plan for 2004-2006 and raised the bar on some of our targets.
page 32	Subjected our work to a comprehensive series of internal and external reviews.
page 34	Began implementing a new human resources strategy.

Our operations <i>(continued)</i>	
page 35	Maintained our existing recruiting programs for university graduates and school leavers. Because of market conditions, our staff turnover fell below expected levels, resulting in our workforce increasing from 205 to 226 at the end of 2002-03.
page 35	Achieved a staff satisfaction rate of 72.7 per cent. This was above our existing target rate of 70 per cent, and we have set our future target at 80 per cent by 2006.
page 36	Maintained our core training programs while developing a new learning and development strategy to align our training with a competency framework. Our training spending fell during the year while we completed this work, but will rise sharply again in 2003-04.
page 37	Contributed to our profession by participating in over 20 external committees and inquiries. Our people also gave 24 external presentations about our work.
page 39	Refined our corporate structure by combining corporate services under one director.
page 39	Did not finalise our corporate services structure; complete competency statements for our corporate services staff; implement planned improvements to our website and complete our privacy management plan.
page 39	Introduced major initiatives in information and technology management, including a new information security policy and a review of our Information Management and Technology Strategic Plan.
page 39	Upgraded our internal communications and reached a late stage of our plain English program which is bringing our reports towards best practice standards.
page 40	Developed a new corporate identity in line with our evolving vision.
Our finances	
page 42	Finished the year with a \$4.6 million deficit because of actuarial adjustments to superannuation liabilities that were outside our control.
page 42	Balanced our medium-term operating results because of surpluses in previous years.
page 42	Generated \$22.4 million of our own income through our audit fees. The Government contributed \$2.7 million for our performance audits and reports to Parliament.
page 42	Increased our operating expenses by 11.4 per cent to \$25.5 million because of Award increases and a change in payroll tax on employee entitlements.



Auditor-General's Message

This year's Annual Report focuses on the theme 'the impact of our work'.

I thought this theme appropriate for two reasons. The impact of our work is reflected in both our Mission – *assisting Parliament improve the accountability and performance of the State* – and our Vision – *to be recognised as a centre of excellence in auditing*. The role and responsibilities of the external auditor are also being increasingly examined, both in Australia and overseas, and in both the public and private sectors.

Our real impact is through our ability to inform and influence others. Neither I nor the staff of the Audit Office has any power to direct agencies on how to operate or report.

We inform and influence decision-makers in a variety of ways. The most obvious is the regular reporting to Parliament on the results and recommendations of our audits. In 2002-03, I presented five reports on the results of our annual financial audits and 13 from our performance audit program. For the first time, I also presented a separate report on a number of investigations we undertook on allegations under the *Protected Disclosures Act 1994*.

But simply producing reports will not achieve an impact.

To be effective, **our audit work must deal with issues that are important and relevant** to our various stakeholders. We must **report the results of our work in a way that the reader understands** both what we are saying and why it is significant. And the reader must have confidence that we have conducted our **work professionally, impartially and with integrity**. Addressing these three aspects is a key part of our Vision.

On the first, we set our future work program each year to maximise the value we can add. To do this we actively seek suggested topics from Members of Parliament, key government agencies

and others. We also monitor developments in areas as diverse as governance, Commonwealth/State financial relations, environmental reporting, and industry and social policy. Every year we assess the high level financial and other risks faced by government in meeting its fiscal and service delivery objectives.

On the second, we have significantly improved the structure of our reports and the style of our writing. We have largely changed from writing in a style that reflected our audit approaches and processes, to one that reflects – hopefully – the needs of our stakeholders. We are pleased that parliamentary feedback has been positive.

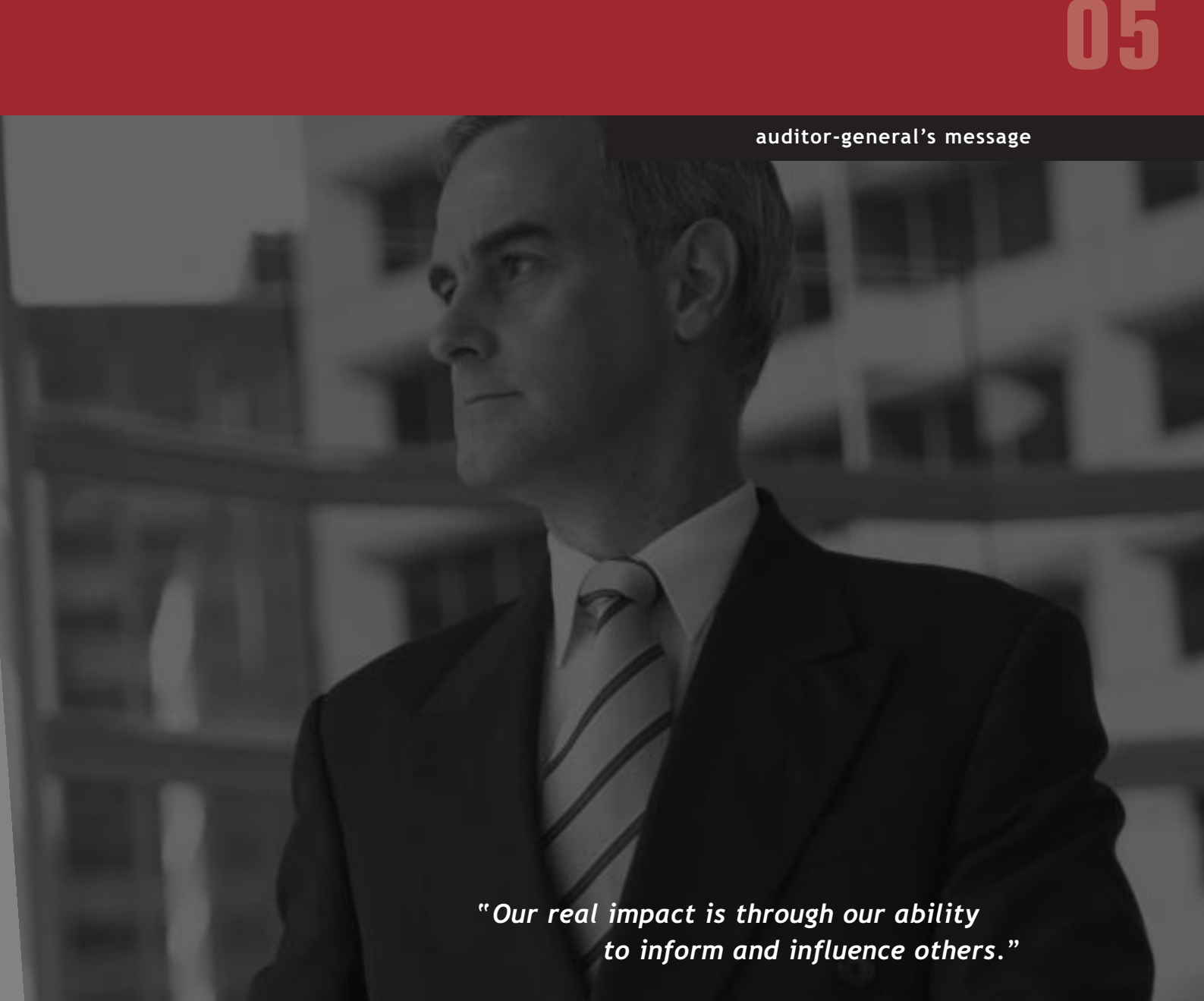
On the third, we zealously guard our independence. We recognise the special obligation we have to be absolutely impartial in our reports, given the public forum in which they are often debated. The professional standard of our work is reflected in our continuing commitment to staff development and the annual ISO 9001 certification of our audit processes.

Our influence is also felt in other ways.

CEOs and other agency staff often seek our views on issues such as governance arrangements, proposed accounting treatments and how the issues we raise in our reports may apply to their situation. Where we can provide advice without compromising our independence, we are always prepared to assist.

Parliamentary Committees, in particular the Public Accounts Committee, often seek our input either formally as witnesses in hearings, or informally.

We also continue to significantly contribute to the accounting and auditing profession in Australia. Senior staff of the Office were represented on various committees and boards of the Institute of Chartered Accountants, CPA Australia and the Australian Institute of Internal Auditors. I continued to represent the views



"Our real impact is through our ability to inform and influence others."

of Auditors-General in Australia as a member of the Australian Auditing and Assurance Standards Board.

We also made a major contribution to the recent work of Standards Australia in developing its Australian Standards on Corporate Governance.

And I am particularly proud of the contribution we made in 2002-03 in assisting audit offices in the South Pacific region. Stephen Horne from our Office played a major role in designing and presenting training sessions for regional audit staff wanting to establish or improve their skills in performance auditing. The Asian Development Bank, which largely funded this training, recognises the role that robust public sector audit offices play in inspiring investor and lender confidence in developing nations.

Throughout this report, we have indicated where we believe we have had an impact.

We are pleased that our work is seen as adding value to Parliament, to the Government and to agencies in improving the State's performance and accountability. But we are conscious that we need to increase our efforts to keep up – or exceed – the ever-increasing expectations our stakeholders have.

Finally, none of the impact we have had would be possible without the people who work in the Audit Office. Their dedication and perseverance, often under tight timeframes and difficult circumstances, are largely hidden from those who only see our 'finished product'. I thank all our staff for their efforts over the year.



Bob Sendt
Auditor-General



Objectives and Results*

Measures	Target
Objective:	Satisfy the needs and expectations of Parliament, other clients and stakeholders
Parliamentarian satisfaction (we conduct surveys every two years)	
<ul style="list-style-type: none"> Facilitates greater accountability of taxpayers resources Conducts its work to the highest professional standards 	80% 80%
Parliamentarian satisfaction index (first calculated in 2002-03)	80%
Client satisfaction index (first calculated in 2002-03)	80%
Objective:	Ensure our processes are efficient and meet relevant standards
Timeliness of:	
<ul style="list-style-type: none"> audit opinions reports to client management reports to Parliament 	90% issued within 10 weeks of receiving financial report 90% issued within 4 weeks of audit opinion 95% of audits reported to Parliament within 6 months of balance date
Cost efficiency measures:	
<ul style="list-style-type: none"> chargeable time average cost per performance audit publication (\$'000) 	60% ≤ 200
Certification to ISO 9001:1994 quality management system	Maintain
Objective:	Have knowledgeable and satisfied people
Staff satisfaction index	≥ 70%
Sick leave	< 5 days
Training days per person	≥ 7 days
Objective:	Be financially self-sufficient
Operating result – excluding superannuation adjustments (\$'000)	Break even over the medium-term

* Full five-year comparisons are not available. 1998-99 data only covered a seven month period because of a change in our balance date during that year.

1999-2000	2000-01	2001-02	2002-03	Target 2003-04	Future Actions
—	77%	—	76%	80%	<ul style="list-style-type: none"> • identify and report on issues that serve the interest of the public and public sector management • report more widely on agency waste, probity and financial judgement • achieve best practice benchmarks for plain English in our reports • continue to liaise with the Public Accounts Committee and other parliamentary committees • improve the usability of our internet site
—	70%	—	86%	80%	
—	—	—	89%	80%	
—	—	—	82%	80%	
83%	84%	85%	82%	88%	<ul style="list-style-type: none"> • improve timeliness of reports • improve quality assurance program • monitor and adapt to changes in the auditing environment • implement effective records management policies and processes • achieve ISO 9001:2000 certification
75%	53%	74%	77%	80%	
96%	94%	95%	95%	96%	
56%	55%	54%	54%	55%	
198	181	184	201	205	
Yes	Yes	Yes	Yes	Yes	
68%	—	—	73%	70%	<ul style="list-style-type: none"> • implement our Human Resources Strategy • develop a strategy and framework for managing information and knowledge • refine internal communications
5.0	6.3	7.7	6.8	< 5.0	
6.5	7.4	7.0	5.5	≥ 7.0	
211	(327)	1,371	(26)	(1,372)	<ul style="list-style-type: none"> • continue to break even



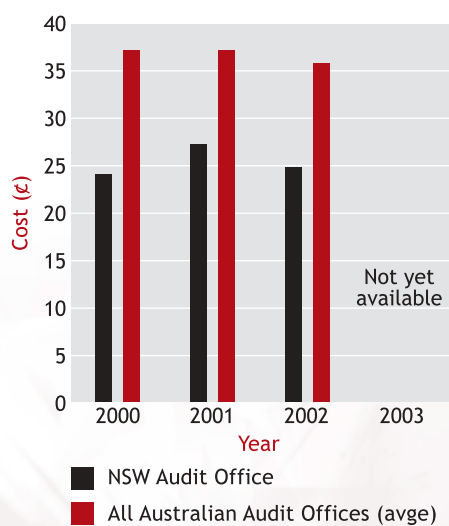
Reports to Parliament

	1999-2000	2000-01	2001-02	2002-03
Financial audit reports*	5	7	7	5
Performance audit reports and better practice guides	11	11	14	13
Investigations under the <i>Protected Disclosures Act 1994</i>	—	—	—	1
Total	16	18	21	19
* Government agencies reported	407	417	421	400
Special reviews	20	9	14	12

Benchmarks

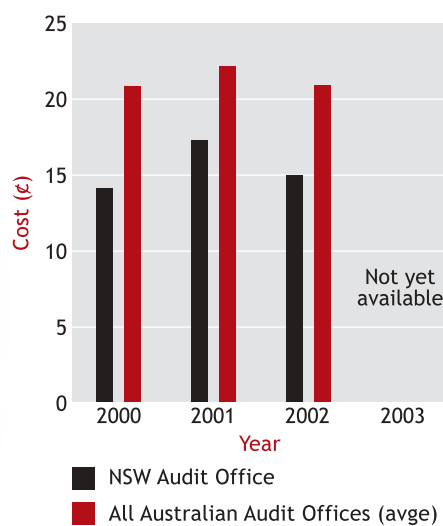
Graph 1

Total audit costs per \$'000 of total public sector transactions



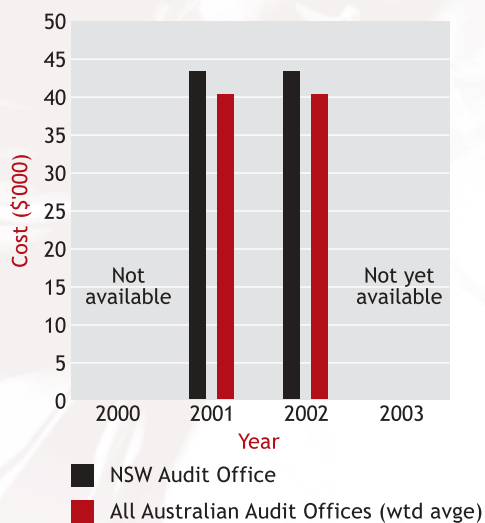
Graph 2

Total audit costs per \$'000 of total public sector assets



Graph 3

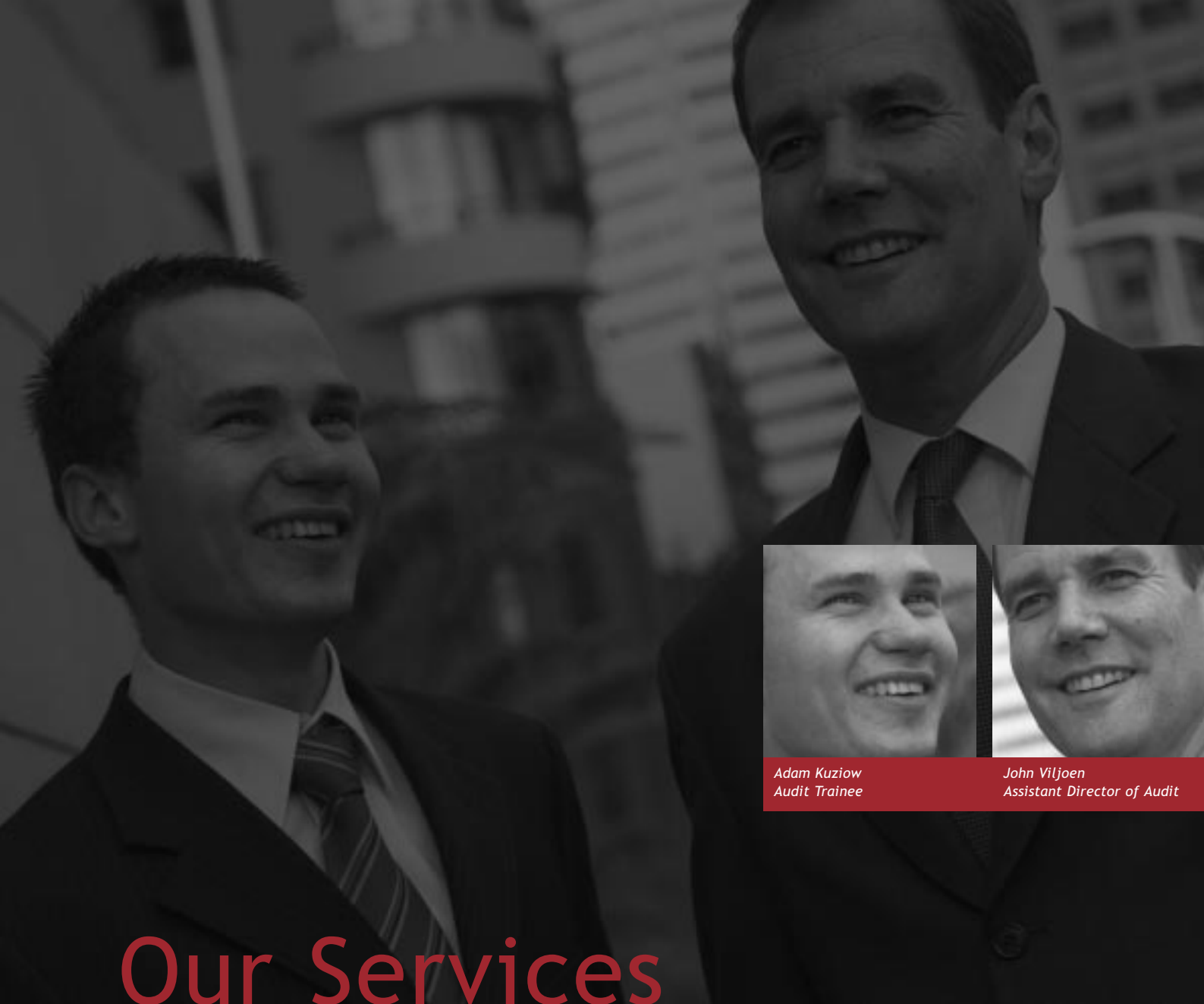
Cost per financial audit opinion



Graph 1 In all years we had the second lowest cost of the nine Australian Audit Offices.

Graph 2 In all years we had the lowest cost.

Graph 3 In all years we had the third highest cost.



*Adam Kuziow
Audit Trainee*

*John Viljoen
Assistant Director of Audit*

Our Services

In this section we cover:

Financial Audits

- What is a financial audit?
- This year's financial audit reports
- The impact of our work
- The outlook for financial audits

Performance Audits

- What is a performance audit?
- This year's performance audit reports and their impact
- The impact of our work from previous years
- The outlook for performance audits

Protected Disclosures

- What is a protected disclosure?
- This year's protected disclosures
- The impact of our work

Measuring Satisfaction

- What is a satisfaction index?
- Parliamentary survey
- Client survey



We continue to broaden our focus on public sector performance beyond the traditional scope of a financial audit.

Financial Audits

	1999-2000	2000-01	2001-02	Target 2002-03	Result 2002-03
Agencies audited	407	417	421	n/a	400
Qualified audit opinions issued	70	39	26	n/a	15
Special and compliance reviews	20	9	14	n/a	12
Timeliness of reports					
• audit opinions issued within 10 weeks of receiving financial report	83%	84%	85%	90%	82%
• reports to client management within four weeks of audit opinion	75%	53%	74%	90%	77%
• reports to Parliament within six months of balance date	96%	94%	95%	95%	95%

n/a – not applicable

What is a financial audit?

Our financial audits provide an independent opinion on the financial report that public sector agencies must prepare each year. This assures Parliament and the public that agencies' financial reports fairly reflect their financial position and operations.

In forming our audit opinion, we test whether agencies complied with relevant laws and accounting standards. Our audits provide reasonable assurance that agency financial reports are free of material errors. We issue a 'qualified' audit report if we believe that there are material errors, or if a report does not comply with accounting standards. We also write directly to agencies, highlighting opportunities we have identified to improve their financial management methods and processes.

To meet Parliament's needs more effectively, we also report on issues such as agency service performance, wastage of public resources, probity, financial judgement, and compliance with laws, policies and procedures. This is because most agencies provide services rather than make profits, and financial reports only paint part of the picture of how well they have performed.

To help us better assess agency performance, we piloted three new methods to evaluate how agencies measure and report on their performance, and manage risk in a number of agencies.

Structuring our audit work into nine industry groups also strengthened the strategic perspective in our report overviews of specific sectors such as health, universities and the electricity industry.

Our compliance reviews and special reviews also supplement our audits of financial reports. Compliance reviews assess how well agencies comply with a selection of legal requirements, government policies or central agency directives. We test a representative sample of agencies, and our recommendations often highlight solutions that could be applied across the public sector. Special reviews examine a specific issue, typically within a single agency, and often at the request of an external client.

This year's financial audit reports

We completed 400 financial audits, and 12 compliance and special reviews of New South Wales Government agencies during the year.

A full list of these is in Appendix Three, page 65. Our financial audits fell from last years 421, largely because nine Waste Boards were dissolved and their assets and liabilities transferred to the single entity Resource NSW, and because of amalgamations between electricity distributors. Our number of clients will again increase in 2003-04 when we complete the audits of 48 Rural Lands Protection Boards for the first time.

We reported the results of our work in five reports to Parliament during the year, listed in Appendix Six. We **achieved our target** performance in reporting the results of 95 per cent of our audits to Parliament within six months of the balance date for each financial report. While we **did not meet our target** for reports to client management we slightly improved from last year. We issued 82 per cent of our audit opinions within 10 weeks of receiving agency financial reports, **less than our target** of 90 per cent.

Repeat qualifications

Our audits of the majority (96 per cent) of NSW agencies resulted in unqualified audit opinions.

This means that their financial reports were without material error, and fairly reflected their financial position and operations for that year.

Significantly, the **number of qualifications we issued fell from 26 in the previous year to just 15 in 2002-03**. This is part of a gradual trend in recent years, which has seen the number of qualifications fall steadily from 70 in 1999-2000. This shift **reflects some significant improvements in the financial management of the NSW public sector, partly as a result of the issues that our reports have raised**.

Despite this steady success rate, other qualifications are yet to be addressed. Eighty per cent of our qualifications during 2002-03 were in fact repeat findings, having recurred from previous years. We will continue to draw these issues to the attention of Parliament until agencies address the problems we have identified. The 12 repeat qualifications were:

Agency or entity	Reasons for qualification
Total State Sector Accounts	We considered that the accounts should have included: the collection assets of the Australian Museum; cash and investments held in government school bank accounts; and WorkCover Scheme Statutory Funds. We could not obtain enough information to form an opinion on the value of the State's investment in Snowy Hydro Limited.
Australian Museum Trust	The Trust did not include the value of its collection assets in its financial report.
Building and Construction Industry Long Service Payments Corporation	Treatment of the net change in the market value of non-current investments did not comply with Australian Accounting Standards.
Crown Entity	We could not obtain information to form an opinion on the value of the investment in Snowy Hydro Limited.
Crown Property Portfolio	The Portfolio's financial report omitted its financial obligations in leasing the Colonial State Bank Centre.



Agency or entity	Reasons for qualification
Department of Education and Training	The Department did not include significant transactions and balances of schools in the financial report, and did not properly categorise school expenditure.
Office of Co-ordinator General of Rail	The Office did not consolidate the operations and balances of all rail entities.
Sydney Water Corporation	The statement of financial position did not recognise assets and liabilities from Build-Own-Operate Schemes. The accuracy of the carrying value and depreciation expense for system assets and taxation was also uncertain.
Waterways Authority	The Authority did not recognise a \$19 million liability for its obligation to remediate contamination at Homebush Bay.
Workers' Compensation (Dust Diseases) Board	The Board did not estimate liabilities for claims incurred but not reported, and inappropriately accounted for changes in the value of non-current investments.
Murray Valley Citrus Marketing Board and Riverina Citrus	There was uncertainty about how the Board calculated levies paid by citrus growers.
WorkCover Authority of NSW	The Authority recognised the net increase on revaluation of non-current investments as income, contrary to Australian Accounting Standards.

Other qualified opinions we issued in 2002-03:

Agency or entity	Reasons for qualification
NSW Land and Housing Corporation	The Corporation did not consolidate the financial reports of the FANMAC Trusts into its own financial report as required by Australian Accounting Standards.
State Emergency Service	The Service did not include cash balances and transactions in its financial report.
University of Newcastle Staff Superannuation Scheme	The Trustee's 30 June 2001 report was not sent to members within its six month deadline.

We completed eight compliance reviews and four special reviews during the year, and included the results in four of the Auditor-General's Reports to Parliament.

Compliance reviews

This year's compliance reviews identified some significant problems, but also confirmed that agency practice in other areas was sound.

Title	Findings and recommendations
Donations and bequests	We found deficiencies in the way that agencies accepted, expended and accounted for donations and bequests. We recommended that Treasury issue best practice guidelines for NSW agencies.
Procurement practices	All five agencies we examined breached some aspects of the State's procurement practices. This means they may not be receiving the best value for money in their purchases. We recommended that the State Contracts Control Board reiterate existing requirements to NSW agencies.
The use of government-owned training and conference facilities	Four of the 11 agencies we examined were using private facilities contrary to government policy that they should use government-owned facilities where it is economic to do so.
The State Records Act 1998	Only a handful of the 167 agencies we surveyed fully complied with two standards under the <i>State Records Act 1998</i> , and very few complied by its deadlines. We recommended that the State Record Authority more actively raise awareness of the Act's requirements, revise its deadlines, and implement a less onerous set of standards for smaller agencies.
A New Tax System (Goods and Services) Act 1999	We found that agencies were satisfactorily accounting for GST and managing its standard risks, but could use their internal audit process to review GST management.
The Public Authorities (Financial Arrangements) Act 1987	We found that agencies were substantially complying with government requirements for investing and borrowing.
Commercial activities in universities in NSW	We reviewed how well universities complied with amended laws designed to reduce the risks of commercial ventures. We found that they were only partly meeting the new legal requirements, and that all university councils and senates still faced shortcomings when deciding on the risks that commercial ventures pose to their core business.
Credit card use in universities in NSW	We found that universities were managing a number of credit card functions well, but can still improve their practices.



Special reviews

External parties often ask us to independently assess a specific issue or problem.

Title	Findings and recommendations
Review of Sydney Water's customer information and billing system	We identified major problems in the governance, project management, contracting, cost estimates and risk management of the project. We recommended changes that could apply to all public sector agencies managing large projects.
Fraud prevention at the Office of the Protective Commissioner	We found that the Office had improved its fraud prevention since a 2001 review, but we identified a number of measures that would further raise its fraud prevention performance.
Nepean Hospital emergency status	We identified differences between the Nepean Hospital's records of its emergency care and those of the Department of Health. We decided to further assess this problem in a broader review of the integrity of the systems that evaluate emergency status.
Transport Co-ordination Authority's accreditation and contract management of buses	Concern about the collapse of a public bus service on the mid North Coast prompted a review of how the Authority accredits and contracts bus services. We found that the Authority should review its accreditation and contract processes and more rigorously define financial viability.

The impact of our work

The main benefit of our work is that a rigorous and independent audit fosters more effective financial management. During the year, **we provided assurance** to Parliament and the public that the financial reports of the vast majority (96 per cent) of NSW agencies were materially accurate and fair.

A great deal of the impact of our audits is behind the scenes. We resolve many minor (and some major) issues with agencies during our audits. Many approach us for our views on financial issues before or during their preparation of financial reports. For example, after discussing the issues with us, the NSW Treasury changed its accounting to recognise an extra \$519 million of insurance liabilities for the Insurance Ministerial Corporation.

We issued our Independent Audit Report on the Total State Sector Accounts on 27 September 2002, 28 days earlier than the previous year, and 25 days ahead of the legal deadline. This improved its usefulness for Parliament, but it

required a concerted effort from the larger public sector agencies, Treasury and the Audit Office.

The impact of many of our reports is immediate. We tabled our report on the Aboriginal Land Council in Parliament on 1 May 2003. The Minister for Aboriginal Affairs responded promptly, and announced the appointment of an investigator on 29 May to review the organisation and the issues we reported.

Many of the problems we report are resolved within 12 months of our qualification. The Forestry Commission of NSW, for example, responded to our previous qualification of its financial report about not correctly depreciating and reporting its land, roads and bridges. It received an unqualified report this year.

In other cases, it takes time for agencies to accept the problems that we raise. For example, all the State's cultural institutions have now fully valued their collection assets in response to our repeat qualification. Our work also prompted the

full valuation of previously unrecognised Crown Land. This added \$4.0 billion to the State's recorded net worth. The more important impact is that once agencies correctly recognise the value of assets they are more likely to manage them effectively.

Our report on the collapse of HIH also led to improvements. We found that agencies not covered by the Treasury Managed Fund lost an estimated \$30 million because of the collapse of HIH. A key recommendation of our work was a review of the Fund to determine whether it is beneficial to include all non-budget dependent agencies under the cover provided. Treasury and the Fund Manager, GIO Australia, are currently conducting this review. A number of small to medium sized non-budget dependent agencies have since joined the scheme.

Despite these successes, Government or individual agencies have not yet fully addressed nine of the twelve repeat qualifications we listed above. However, this is a much smaller number than we faced even a few years ago. This reflects the positive long-term impact of our financial audit work.

Our **compliance reviews** and **special reviews** also continued to prompt improvements in public sector management.

During 2002-03, State Records actively responded to the recommendations of our compliance report. It is reviewing its existing monitoring and compliance regime and two of its records management standards. It has boosted its consultation with CEOs, and introduced a specific mechanism to address the impact its requirements have on small agencies.

The Chair of Sydney Water agreed to adopt all of our recommendations on the day after the release of our report on their Customer Information and Billing Service. The Treasurer also directed all government agencies to follow strict new procedures for managing information and communication technology projects costing over \$10 million. The Government also directed Sydney Water to establish a committee to review all its major capital works projects and to report to NSW Treasury on its status.

Sometimes agencies respond to our recommendations even before we table our reports. The Transport Co-ordination Authority began reviewing its bus operator accreditation practices while we completed our work.

Other changes relating to systemic problems take longer to implement. Our 1999 audits revealed problems with fraud prevention at the Office of the Protective Commissioner. This led to a major review of the agency and significant changes in its practices. Our recent review found that it had significantly improved its risk management and fraud prevention.

Our work also involves key partnership with central agencies. In July 2001, a Treasury Circular supported our earlier reports on agency compliance with superannuation legislation. A December 2001 Circular reinforced the findings of our compliance review on the use of credit cards. This year's credit card review in universities is the latest example of our efforts to raise awareness of the improvements needed in this area.

The Premier's Department issued a revised motor vehicle policy to agencies in 2002. Our 2001 review of fleet operations and fuel cards helped to shape this policy. Following our review of the use of government-owned training facilities, a Premier's Department Circular reinforced the existing policy and listed the facilities available to agencies.

The outlook for financial audits

As part of our increasing audit focus on waste, probity and financial judgement, we will roll out our new processes over a larger number of agencies in 2003-04. We are also developing two more processes to help us evaluate our audit clients' strategic planning and asset management.

This is part of a continual upgrade of our audit approach that adds value beyond our traditional role as the auditor of annual financial statements.

Our **plain English program** continued to improve the way we communicate our results. Measuring our reports against 'plain English' benchmarks showed significant improvements in readability and clarity. We expect to reach best practice benchmarks within the next year.



*Our performance audits aim to
improve services in the public sector*

Performance Audits

	1999-2000	2000-01	2001-02	Target 2002-03	Result 2002-03
Performance audit reports and guides	11	11	14	14	13
Average cost per performance audit (\$'000)	198	181	184	200	201

What is a performance audit?

Performance audits are special in-depth assessments of whether government agencies are **achieving value-for-money**. A performance audit may cover:

- the whole of an agency's operations
- one particular agency's activity
- an activity across a number of agencies.

We report the results of these audits to the CEO of each agency, the responsible Minister, the Treasurer, and to Parliament.

Performance audits supplement the work of our financial audits by evaluating whether agencies are carrying out particular activities effectively, economically and efficiently, and whether they comply with relevant laws.

When selecting which areas to audit, we combine our own research with suggestions from Parliamentarians, agency CEOs and members of the public. We then evaluate the benefits of each topic, including the potential for cost savings, the likely impact, and possible improvements in public administration. Our work complies with Australian Standards for performance auditing and the International Quality Standard ISO 9001. We report the results of each audit in a published report to Parliament.

If we identify an area that would benefit from detailed practical follow-up, we may also issue a **better practice guide** to help agencies to implement the improvements we recommend.

This year's performance audit reports and their impact

We published 13 performance audit reports during 2002-03, slightly below last year's 12 reports and two better practice guides. We completed this work on budget with the average cost for each audit being \$201,000, just over our \$200,000 target. This represents a **highly competitive cost** when compared to similar reports produced by our peers.

We passed a major milestone in 2002-03. Our first report for the year was our **100th performance audit report** (our first report was in 1991). We marked the occasion with members of the Public Accounts Committee and other invited guests.

To recognise new developments in auditing, we group our performance audits into two strategic areas:

- emerging issue or public interest audits
- theme audits.

The practical focus of our performance audits means that the take-up rate of our recommendations is strong. **Our reports this year contained 160 recommendations, of which 136 (85 per cent) were accepted by agencies.**

Government often acts to address issues we raise in our audits. While we cannot claim credit for all these actions we do track them and have listed some of the actions Government has taken in the areas we have audited.

Emerging or public interest issues

Our six performance audits on emerging or public interest issues were a catalyst for some significant changes.

Our audit	Its impact
<p>Managing sick leave: Our audit found that NSW Police and the Department of Corrective Services can further improve the way they manage sick leave. Delays in implementing major information systems they bought in 1999 have reduced the reliability, timeliness and usefulness of their staff information. We recommended operational and policy changes to improve sick leave management.</p>	<p>The Minister for Corrective Services supported the findings in our report, and noted that his Department would implement our recommendations. The Department is monitoring the cause of sick leave and working on ways to minimise it. The Police Commissioner generally supported our recommendations. A Police Ministerial inquiry into long-term sick leave began in June 2002. It will examine management practices and all aspects of processing medical discharge for Police. This audit attracted widespread public and media interest, generating considerable public debate.</p>
<p>The Police Assistance Line (PAL): Our audit assessed the benefits of the mostly civilian-operated call centre that handles reports of minor crime and other non-urgent incidents. We found that it has reduced the cost of handling minor crime reports, improved customer service, and released over 200 police to operational duties. However, we recommended some specific operational improvements, and that NSW Police obtain more specific feedback from its customers. To maximise its benefits, NSW Police should also examine opportunities to further civilianise PAL staff, increase public awareness of PAL services, and expand its use of automated, self-service technologies.</p>	<p>NSW Police supported all ten recommendations in our report on the police assistance line.</p>
<p>CityRail passenger security: Our audit found that while substantial steps have been taken to reduce crime and improve passenger safety and security, the results have been mixed. Overall, the risk of a passenger becoming a victim of a crime on a CityRail train or station is higher than in 1997-98. On the other hand, reports of vandalism and graffiti have fallen and passenger confidence in train travel reportedly improved. We recommended that StateRail review the effectiveness of transit officers, improve the quality of customer surveys, monitor the effectiveness of CCTV, and develop a service level agreement with NSW Police.</p>	<p>During our audit, CityRail introduced the highly visible Transit Officer workforce to target security and fare evasion on its trains and stations. It has also reviewed its contract security arrangements and is planning to employ more transit officers to patrol high risk services and stations.</p>



Our audit

NSW Agriculture's Ovine Johne's Disease (OJD)

Program: Our second report on animal diseases found that 3 per cent of NSW flocks are infected with OJD, and a further 18 per cent are 'at risk'. NSW farm production could currently be losing up to \$25 million a year, and this seems likely to increase. Yet implementing the NSW OJD Program has been prolonged and difficult. We recommended that the Government and industry improve how they plan, direct and co-ordinate the Program.

The Millennium Train project: Our audit assessed the purchase of the Millennium Trains as part of the Sydney suburban rail network. We found that the project costs had increased by \$98.4 million or 17 per cent to \$658 million, and the first allotment of trains was delivered later than intended. We also found that the rail system is experiencing capacity problems; the existing rail infrastructure and way the network operates led to StateRail choosing a purpose built train with all the costs and risks of a new design; and the way StateRail tenders and contracts may be creating a monopoly market in Australia's rolling stock industry. However, within the constraints of the existing rail network current evidence suggests that the project still represents reasonable value for money. We argued for a broader and longer-term framework for the procurement of transport infrastructure, but also recommended ways that the rail agencies could improve future acquisition processes under the existing arrangements.

Managing grants: We found that the Ministry for the Arts, the Department of Community Services and the Department of Sport and Recreation could not demonstrate that their grants programs aligned with their corporate objectives, nor what program outcomes they actually achieved. We recommended ways that agencies could better plan their grants programs, assess and select recipients, monitor progress and evaluate outcomes.

Its impact

NSW Agriculture acknowledged that the specific recommendations in our report would help it to improve its OJD program. The Minister for Agriculture established a Ministerial inquiry which was due to report in September 2003. This should assess options for continuing a more effective program when it officially ends on June 2004.

Our report on the Millennium Train generated significant parliamentary and public comment. The Minister commissioned a technical review, restructured the rail portfolio and has taken an active role in contract negotiations.

The Ministry for the Arts responded positively to the problems we raised in our report even before the final report was tabled. The Department of Sport and Recreation also supported our recommendations and agreed to use them as basis for modifying its grants program, in particular by improving its assessment process and documentation. The Department of Community Services also strongly supported the key recommendations in our report, and noted that our approach reinforced its existing reforms to grants administration.

Theme Audits

Part of our audit program is devoted to three specific themes: e-government, the environment and accountability for performance. During 2002-03, we completed seven audits in these areas.

Effective **e-government** captures the benefits of new technologies to improve the efficiency and effectiveness of government services. We adopted e-government as a theme because of the extent of its potential opportunities and risks. Our three reports on **e-government** generated significant activity.

Our audit	Its impact
<p><i>Electronic procurement of hospital supplies:</i></p> <p>Our audit found that NSW Health has made limited progress towards achieving the purchasing economies that its size and market dominance could deliver. We recommended some specific ways that the Department and Area Health Services could upgrade their electronic information and procurement processes.</p>	<p>The Health Department agreed to all of the recommendations in our report.</p>
<p><i>Outsourcing information technology:</i> We found that the five agencies we assessed have competently planned their outsourcing, but they have almost no mechanisms in place to judge its success and cost effectiveness. Few agencies appear to have taken advantage of lower pricing structures resulting from the trend towards lower costs in some IT components. No agency had developed performance measures that show whether IT outsourcing has improved the efficiency or effectiveness of its IT operations or service quality. We recommended ways that agencies could improve their IT management. We also recommended that the Government realise combined agency purchasing power by negotiating as a whole with service providers, and share experience and information to improve outsourcing practice.</p>	<p>The agencies reviewed in our audit broadly agreed with our recommendations. One agency has since developed a 'Balanced Scorecard' approach to measuring the performance of its IT outsourcing.</p>
<p><i>The Roads and Traffic Authority's online services:</i> Our audit commended the RTA for carefully reengineering reliable and secure online registration services. However, we also found it could promote its online services more proactively; plug some gaps in its security; improve its monitoring of costs and benefits; better comply with privacy requirements; and consult more effectively with key stakeholders such as NSW Police. Our report listed some practical operational solutions to these problems.</p>	<p>Our final report on the RTA's online services was accepted without amendment, and the RTA agreed to address all its recommendations to further develop online services and achieve industry best practice.</p>



We chose the **environment** because in Australia responsibility for environmental management falls primarily to the states and territories and also it has increasing international profile. Our work is also helping to develop some new systems for the State's **environmental management**.

Our audit

Its impact

Native vegetation: The audit found that neither the Government nor the then Department of Land and Water Conservation could establish how well they were managing the clearing of native vegetation. We also found that the number of alleged breaches is steadily increasing and the Department's compliance and enforcement efforts are limited. We recommended that the Government and the Department finalise a strategy and management plans; clarify responsibilities; improve its information on native vegetation; more clearly define resource needs; target those areas of highest conservation risk; and consider self-regulation for low-risk areas.

In April 2003, the Government moved to overcome the confusion over who had the lead role in protecting native vegetation by creating a single entity, the Department of Infrastructure, Planning and Natural Resources, to integrate land use and natural resources planning under one Minister.

Managing hospital waste: In 1998, NSW Health developed Waste Management Guidelines. In 1999-2000 the waste industry and transport workers resisted these guidelines. Since then, NSW Health has not actively promoted waste management in public hospitals. Each Area Health Service and hospital has developed separate responses, resulting in inconsistent management, inappropriate segregation and extra waste disposal costs. We recommended that NSW Health review its waste management strategy; clarify the status of the guidelines; and work with key players to improve their understanding of how to manage different waste.

The Department of Health accepted all the recommendations of our report, and is working with Area Health Services and the EPA to improve hospital waste management.

Protecting our rivers: We found significant gaps in how NSW monitors and evaluates river water quality. It is not currently possible to gauge comprehensively the health of our rivers or the main risks they face. No management or regulatory framework addresses the risks from diffuse pollution such as agricultural run-off. We recommended that the Government establish a lead entity to implement the State's river water quality objectives, and initiate an independent environmental audit of river water quality. The lead entity should develop a framework for river water quality; a State River Health and Water Quality Strategy; and a comprehensive plan to limit and reduce river water pollution.

The Government's response to our other environment audit on native vegetation addressed the key recommendation of this audit.

Accountability for performance is a growing focus of governments around the world. It responds to public demand that governments be held accountable for actual results, and demonstrate the efficiency and effectiveness of their programs. This means more transparent reporting of the results of spending, and improving performance information and management systems.

Our audit

Teacher performance: We found that teacher performance is not assessed fairly and consistently across all public schools. The current system does not recognise or reward outstanding performance or professional achievements, nor identify poor performers. Because the Department of Education and Training does not set professional standards or even minimal competency statements for classroom teaching, each school decides what standards to use. We recommended that the Department develop minimum assessment requirements and a comprehensive role statement; achieve greater consistency in assessments through a quality assurance process; consider expanding and improving the ratings available; and give teachers documented feedback on performance.

Its impact

Many of the issues we raised should be addressed by the soon to be established NSW Institute of Teachers. The Institute will develop mandatory teaching standards, accredit the profession and monitor professional development programs. Draft NSW professional teaching standards have been distributed to teachers for validity testing.



The impact of our work from previous years

Reports we published in the previous financial year also continued to have an impact in 2002-03. A number of agencies have now redesigned their **websites** in line with our recommendations to make them more user-friendly. The Government has established a new policy on **property disposal**, including tighter co-ordination through the Government Assets Management Committee. A NSW Premier's Department Working Party on **Intellectual Property** has drafted an IP framework, which is currently being reviewed by agencies. The Department has also created a senior position to improve co-ordination of **e-government** initiatives.

Reports from 2000-01 also continued to generate results. In response to our 2001 report on **ambulance waiting times**, the NSW Ambulance Service established an independent operational review of its timeliness, and confirmed some changes to its operations. For example, the Service introduced a new category of ambulance officer to care for patients at hospital and allow ambulances to attend other calls. The Minister for Health indicated that a high level review would assess **delays in hospital emergency departments**. The Government increased internet bandwidth and teacher training during the year in line with our recommendations on improved **school computer use**. A more recent audit found some notable improvements in the performance information in agency **annual reports** since our 2000 review.

When the issues we raise are complex or require systemic changes, it can take more than a couple of years to implement our recommendations. In July 2002, the Government formally transferred responsibility for **parking enforcement** to local government, which was the key feature of our 1999 report.

Despite these successes, some improvements take a long time. For example, our 1999 report on the **Office of Protective Commissioner** highlighted a

lack of transparency in its decisions and management of complaints. Our recent audit found that they have improved their complaints management and the transparency of decisions. However, our recommendations on external appeal mechanisms and OPC client fees have not been fully implemented. OPC anticipates a new fee structure will commence in October 2003.

We also helped agencies to improve their management in other ways. For example, the Office of the Children's Guardian approached us for support in developing a risk management approach to reviewing its child protection plans to better meet its regulatory requirements. We also helped the Police Integrity Commission to review its corporate plan and develop a set of performance indicators.

The outlook for performance audits

In the year ahead, we will continue to produce a range of performance audit reports on topics we believe are relevant and important to the State. We have already tabled six reports in 2003-04 and are working on another six:

Northside Storage Tunnel Project: Our report examined how well Sydney Water Corporation handled the contractual arrangements for the Northside Storage Tunnel Project.

Freedom of Information: Our audit assessed whether three government agencies acted within the spirit of FOI legislation.

Unlicensed and unregistered drivers: This report examined how well the RTA and the NSW Police work together to deal with unlicensed and unregistered driving.

Waiting times for elective surgery in public hospitals: We measured patient access to treatment in public hospitals for non-emergency medical conditions, including the accuracy and reliability of hospital waiting lists.

Follow-up of performance audits: Periodically we review whether agencies have implemented the recommendations in our earlier audits. This report looked at:

- our 1999 report on the Office of the Protective Commissioner and Office of the Public Guardian
- the 1998 report on the Industry Assistance programs of the Department of State and Regional Development.

Review of Annual Reports: We assessed whether the information published in agencies' annual reports helps the public judge their performance.

Emergency Department Network Access

Scheme: We are reviewing whether the emergency department network access scheme (EDNA) has adequate systems to determine, report and record emergency codes.

Disposal of Sydney Harbour Foreshore Land:

We will examine whether the Sydney Harbour Foreshore Authority effectively managed the disposal of Sydney Harbour foreshore property.

The benefits of sharing corporate services:

We will examine the impact of agencies sharing corporate services, using the Government's flagship initiative, the Central Corporate Services Unit, as a case study.

Business cases for motor vehicle fleets: We will examine how well agencies assess their vehicle fleet on needs.

One difficulty we continue to encounter with our reports is that agencies not directly connected with the audit may not consider it applies to them. However, in many cases our audits raise issues that would benefit many agencies. We send summaries to every agency, and from this year our reports contain a Foreword, which is designed to put the audit and the results into a more general context for application across the public sector. We will monitor the impact of this initiative during the year.



Our first report to Parliament on protected disclosures highlighted problems that all public sector agencies could learn from.

Protected Disclosures

	1999-2000	2000-01	2001-02	2002-03
Allegations received	43	24	27	26
Those assessed as protected disclosures	25	16	20	21
Agencies affected	34	16	24	21
Disclosures processed (including those from previous years)	54	29	21	28

What is a protected disclosure?

The Audit Office examines allegations of serious and substantial waste of public money under the *Protected Disclosures Act 1994*.

This Act protects public officers ('whistle-blowers') when they identify maladministration, corruption, or serious and substantial waste.

We assess any allegations of waste in public authorities other than local governments. The NSW Ombudsman examines maladministration, and the Independent Commission Against Corruption investigates corruption.

This year's protected disclosures

A significant initiative this year was the publication in March 2003 of our first report to Parliament dealing specifically with our protected disclosure investigations. This followed changes to the *Public Finance and Audit Act 1983* in late 2001, which gave us greater flexibility in the way we investigate these disclosures.

Although most allegations involved relatively local matters, we felt it was important to inform Parliament about the results, particularly where we can identify useful lessons for other public sector agencies. We did not report on allegations that we found to have no substance.

The allegations we received and processed were in line with the trends of recent years. Of the 28 disclosures we processed during the year, we reported the results of four to Parliament because of their value to other agencies. None of the allegations had sufficient evidence to conclude there was serious or substantial waste.

The impact of our work

The agencies involved in our reports on protected disclosures all accepted our recommendations.

Our key stakeholders still rate our performance highly, but some of our clients believe we could improve our findings and recommendations.

Measuring satisfaction

What is a satisfaction index?

As well as measuring the direct impact our work has on public sector management, we survey our two key customer groups to measure their perception of our performance. These are the Members of Parliament for whom we prepare our reports, and the agencies we audit. These surveys ask stakeholders to rate and rank the importance of our services and outcomes, and indicate how well we are delivering those services.

The latest surveys reveal a stable and high level of satisfaction, although there are still some areas we can improve.

Parliamentarian survey

The overall Parliamentary Satisfaction Index is **88.9 per cent**, which is near the top of the 'high' range. This Index was based on responses to a range of questions about our services and reports.

On a direct, subjective measure of satisfaction, 25 per cent of Parliamentarians were 'very satisfied' with Audit Office performance, 50 per cent were 'satisfied', a further 14 per cent were 'fairly well satisfied' and only one person reported being 'dissatisfied'.

Comparing these results to the 2000-01 survey shows we have mostly maintained or improved our performance.

	2000-01 % agreement	2002-03 % agreement
Parliamentarians		
Facilitates greater accountability of taxpayers' resources	77	76
Conducts its work to the highest professional standards	70	86
Provides Parliamentarians with relevant and useful information from Financial Audits	80	91
Provides Parliamentarians with relevant and useful information from Performance Audits	80	84

The 2002-03 survey results are based on 36 returns, a response rate of 27 per cent. Of these, 17 were from the Opposition, nine were from the Government, eight were from the Cross Benches, and two did not identify their membership.



Client survey

Effective auditing requires a professional and co-operative relationship between our auditors and the staff in public sector agencies. One of our greatest challenges is maintaining this relationship when we identify problems or deficiencies in agency management.

The overall Client Satisfaction Index this year was 81.9 per cent, which is just within the 'high' range.

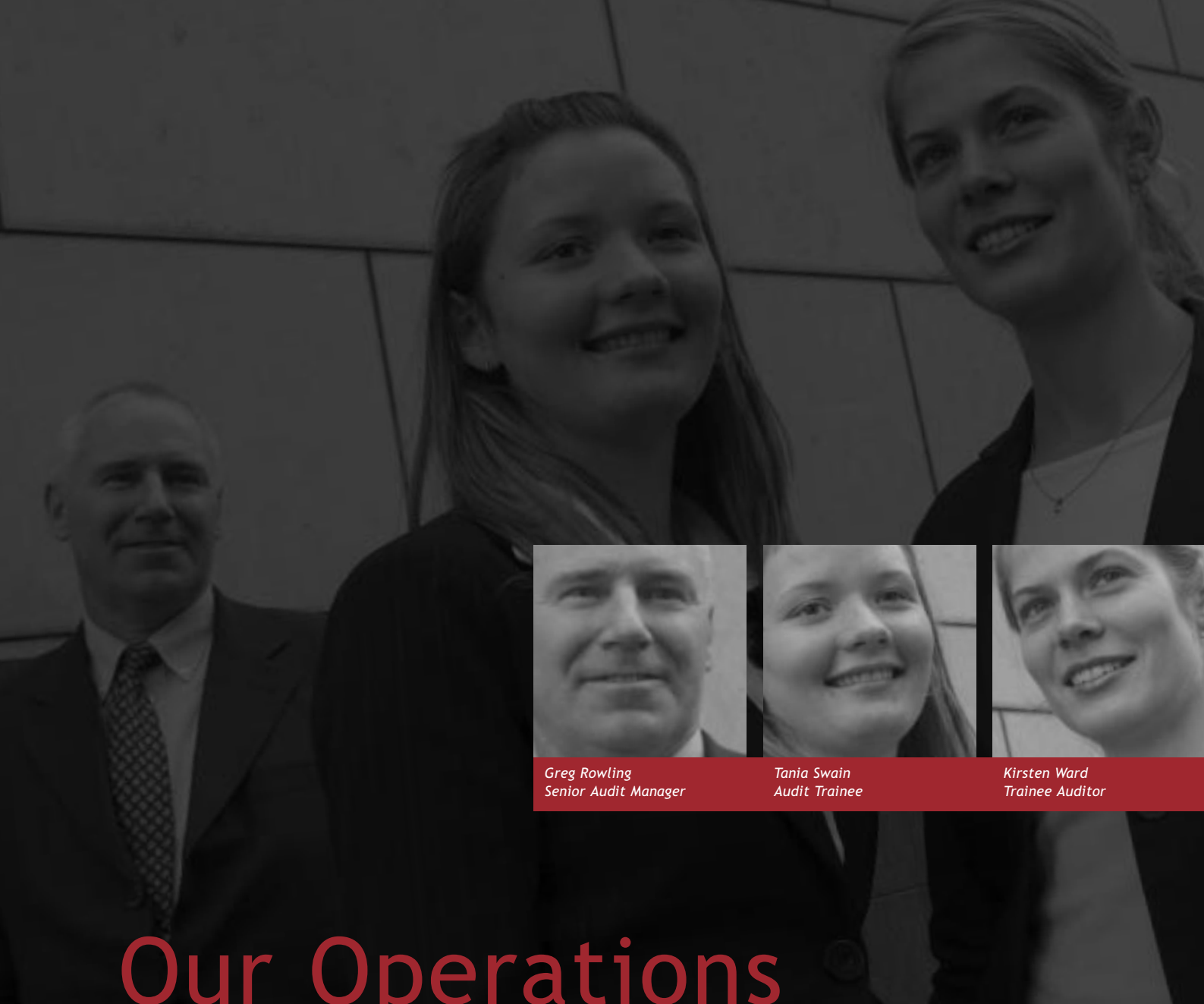
	All Clients	CEOs	Financial Audit	Performance Audit
	%	%	%	%
Overall Client Satisfaction Index	81.9	80.7	82.9	74.0
Satisfaction with Audit Office generally	80.4	—	80.6	74.7
Satisfaction with Audit Office team	82.7	—	83.9	73.7
Satisfaction with Audit Office reports	81.1	—	82.2	74.5

Of the 219 clients we sent our questionnaire to, 174 (79 per cent) responded; including 82 CEOs who completed the CEO survey, 77 who completed the financial audit survey and 15 who completed the performance audit survey. The performance audit survey was only sent to 28 clients who participated in these audits since 2000.

Most clients reported being either 'satisfied' or 'fairly well satisfied'. More performance audit clients reported being 'dissatisfied' than other clients (26.7 per cent compared with 7.8 per cent for financial audit clients and 7.3 per cent for CEOs), but the sample size was small. Financial audit clients mostly felt that our service had improved (42 per cent) or remained the same (44 per cent) over the last two years. Only 8 per cent believed service had fallen.

The general results are lower than those for the parliamentary survey, although this may reflect the different expectations of these two groups. While Parliament stresses the independence of Audit Office services and the way this promotes accountability, clients look for impartiality, accuracy, an understanding of agency operations, and useful findings and recommendations. **The two main performance gaps that our clients highlighted were our ability to produce 'fair and reasonable findings', and 'useful recommendations'.**

Comparing key attributes between the 2000-01 and 2002-03 client surveys is hampered by differences in survey methods and sample sizes. The few factors that we can compare suggest we have improved in some areas but fallen behind in others.



Greg Rowling
Senior Audit Manager



Tania Swain
Audit Trainee



Kirsten Ward
Trainee Auditor

Our Operations

In this section we cover:

Centre of Excellence

- Updating our business
- A new Corporate Plan

Structure and Governance

- The structure of the Audit Office
- Our Executive Management Team
- The Audit Committee
- Evaluating our operations
- Risk management

Our People

- Our new Human Resources Strategy
- Recruitment
- Employee survey
- Developing our people
- Our professional activities
- Measuring performance
- Our workplace

Corporate Services

- A new Corporate Services structure
- Information and technology management
- Communications
- Project management and reporting
- Our accommodation and environment



*We are striving to reach best practice
with our recent service improvements.*

Centre of Excellence

Updating our business

Our vision is to be recognised as a centre of excellence in auditing. To achieve it our services need to be supported by relevant, contemporary, and innovative business processes. While we scrutinise agency performance, we must **base our own operations on best practice**.

A vital step towards becoming a centre of excellence is to position ourselves at the forefront of the changes taking place in public sector management, and to respond to the increasing scrutiny facing the auditing profession.

We are **reviewing key aspects of our culture and practices**, including:

- long-standing business processes and policies
- the Office's structure
- the potential lack of incentive that comes with a captive client base
- the conservatism imposed by our need to be a role model
- an existing focus on process rather than outcomes.

We reported on our first key steps in last year's annual report, including:

- refining the role of the executive management team to focus increasingly on strategic and corporate direction
- combining our corporate services under one director responsible for finance, office facilities and services, information management and technology, and human resources
- improving the way we communicate our work through an integrated plain English program.

This section of the report outlines the impact of each of these initiatives. It also reviews the latest improvements to our operations, and how these **have accelerated our ambition to become a centre of excellence** by:

- implementing a new Human Resources Strategy to ensure we have the capability to achieve our vision
- developing our 2004-2006 Corporate Plan to sharpen our focus on becoming a centre of excellence
- implementing a new corporate identity, including a new logo, report designs, training and recruitment materials and corporate colours.

A new Corporate Plan

Our next three-year plan is based on our vision of being a recognised centre of excellence in auditing.

Our plan refined some of the measures and targets we will work with to achieve our vision. We improved our measures on information management, expanded our timeliness indicators, and **raised the bar on some of our targets** from already high levels between 80 and 90 per cent to a consistent success rate of 90 per cent or more. We also intend to lift our staff satisfaction target from 70 per cent to 80 per cent.

The following five attributes of the vision will help us judge our success:

Being seen as a benchmark for best practice in auditing by other auditors: Other auditors will cite us as an example to emulate, and accept many of our methods as part of their norms. Our staff will increasingly be asked to serve on external committees and professional bodies and present our views on contemporary issues.

Parliament valuing us as a partner helping to improve the State's performance and accountability: Central to our mission, we will maintain high scores on our Parliamentary satisfaction index, and see Parliament publicly acting on our recommendations to effect positive change.

Agencies deriving value from the information

we provide: Strengthening our relationship with clients will see improved satisfaction ratings, and agencies implementing our recommendations, asking us for extra advice, and publicly confirming the value of our input. Tangible improvements in agency performance and accountability will lead to greater public satisfaction with the public sector.

An environment that provides job satisfaction where talented people are proud to work:

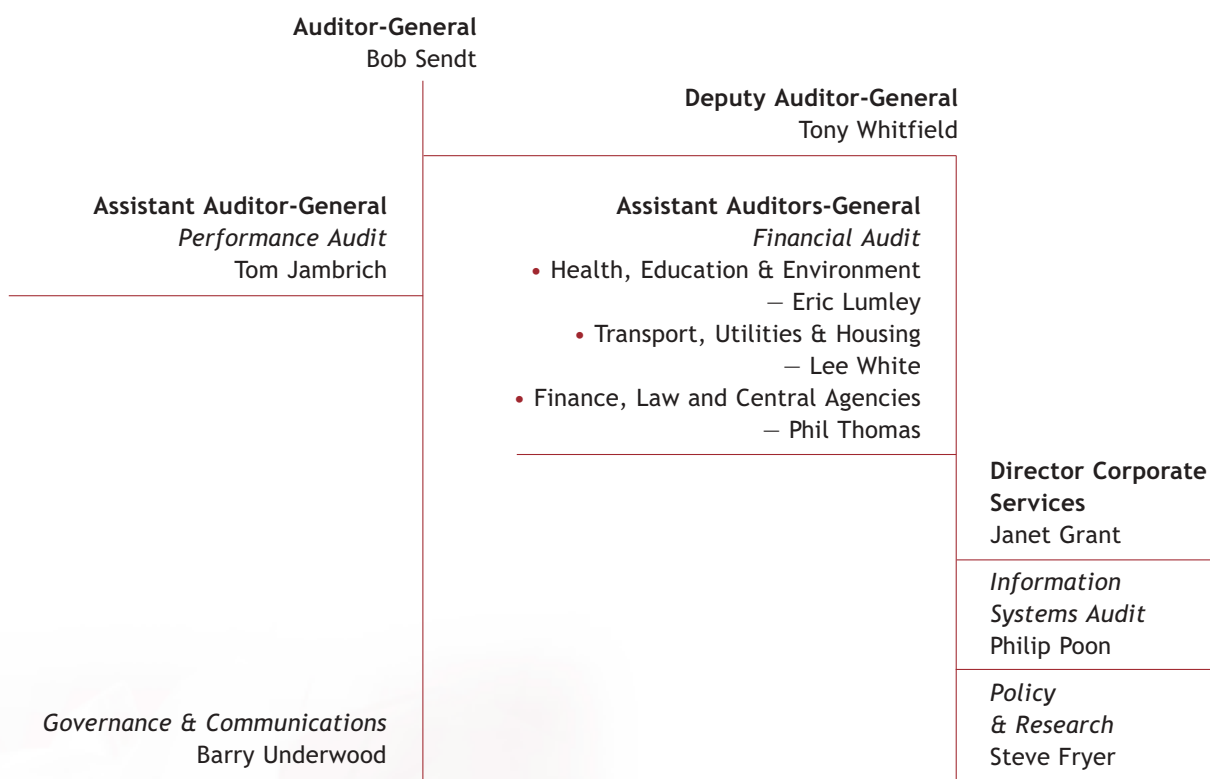
Becoming an employer of choice will be reflected in an improved staff satisfaction index, high retention rates, high volumes of applications for positions, and lower levels of sick leave.

A culture of innovative thinking, client focus and technical excellence:

Innovative thinking will generate better work processes, improved productivity, and ever-evolving methods. We will encourage new ideas and approaches.

Structure and Governance

The structure of the Audit Office



Our Executive Management Team

2002-03 was the first full year of our streamlined executive structure. It freed up our executive management team to focus more on setting **our strategic directions**, including:

- setting corporate direction, objectives and goals
- monitoring key operational issues and progress against plans
- advising the Auditor-General of important developments in the public sector and in auditing
- establishing and monitoring advisory committees and taskforces.

The Auditor-General chairs the executive management team, which is supported by two advisory groups: the Information Management and Technology Steering Committee, which oversees strategic IM&T plans to ensure projects are within the Office's overall aims; and the Human Resources Steering Committee, which is implementing our new Human Resources Strategy, discussed in more detail in the Our People section on page 34.



Executive Management Team

Top row from left:

Bob Sendt BA(Ec) FCPA Dip Environ Studies, Auditor-General
 Tony Whitfield B.Comm FCA, Deputy Auditor-General
 Lee White B.Ec FCA GAICD SIA (Aff), Assistant Auditor-General Financial Audit
 Tom Jambrich B.Ec FCPA ARMIT, Assistant Auditor-General Performance Audit

Bottom row from left:

Phil Thomas B.Comm CA, Assistant Auditor-General Financial Audit
 Eric Lumley FCPA, Assistant Auditor-General Financial Audit
 Janet Grant BA M Comm CA, Director Corporate Services

Post Nominals

ARMIT	Associate Diploma Royal Melbourne Institute of Technology
BA	Bachelor of Arts
BA (Ec)	Bachelor of Arts (Economics)
B.Ec	Bachelor of Economics
B.Comm	Bachelor of Commerce
CA	Member of the Institute of Chartered Accountants in Australia
Dip Environ Stud	Diploma of Environmental Studies
FCA	Fellow of the Institute of Chartered Accountants in Australia
FCPA	Fellow of CPA Australia
GAICD	Graduate of the Australian Institute of Company Directors
M Comm	Master of Commerce
SIA (Aff)	Affiliate of the Securities Institute of Australia



The Audit Committee

Now in its third year, our Audit Committee helps to subject our own processes to the same scrutiny that we expect in organisations we audit.

The Committee held quarterly meetings during 2002-03, and evaluated the Office's:

- risk management and internal control
- internal audit function
- financial reporting
- fraud prevention, probity and propriety
- compliance with legislation, policies and procedures.

The Committee's external chair, Jon Isaacs, brings an independent perspective to the Committee. Jon has considerable experience from two decades of working at a senior level with organisations as diverse as the NSW Department of Finance, the Royal Blind Society, and the Sydney Harbour Foreshore Authority. He was reappointed for a second two-year term on 1 April 2003 and attended all meetings. The Auditor-General and the Deputy Auditor-General are the permanent members and attended all meetings. Two new management representatives were appointed on 26 June 2003 for two years and attended the last meeting of the year. The previous management representatives attended the first three meetings. Senior representation ensures that the Committee's recommendations receive prompt attention.

The Committee identified some minor improvements to the notes of our own financial report, which we changed in line with its suggestions. It has also enhanced our relationship with our external auditor.

Evaluating our operations

Our work is subject to a comprehensive series of internal and external reviews. During the year, our Internal Audit section reviewed:

- financial and performance audit processes
- revenue systems
- asset management
- fraud control
- risk management.

Reviews of our financial and performance audit processes showed that they were sound, although we found some instances where we need to update our procedures. We also identified some minor improvements in our revenue systems and asset management. Our review of fraud control showed that we need to develop fraud control strategies and procedures. All of the findings were endorsed by the Audit Committee and accepted by management.

We made substantial progress with the recommendations of a 2001-02 review of information security. Our records management project, due to finish in early 2004, will address most of the issues raised in the 2001-02 review.

In the coming year we will review the effectiveness and efficiency of our quality assurance processes and whether our financial audit method has achieved its intended benefits. We will also examine some of our key financial systems, look at our financial reporting, and assess how well we manage occupational health and safety.

An external review found that our performance and financial auditing services complied with the international quality standard ISO 9001.

The Public Accounts Committee commissioned an external review of the Office in 2002-03. Required by law every three years, this review examined the Audit Office's auditing practices and standards. The reviewer's report has not yet been released.

Risk management

Managing risks is critical to our corporate and business planning. Reviewing key business risks every six months allows us to continually address risks and make the best use of opportunities. We also **apply risk management to all major projects** at the Office, including our financial and performance auditing.

Our business risks have remained similar to previous years:

- Parliament, the public, our audit clients and other stakeholders misunderstanding our role, and the findings and recommendations of our audits
- not having enough of the right people to deliver a valued service
- our people not fully understanding our strategic direction
- our professional reputation being damaged by inadequate processes or staff actions.

The Office uses a **structured approach to manage these risks and opportunities**. It is based on the NSW Treasury's Risk Management and Internal Control Matrix and the Australian/New Zealand Risk Management Standard — AS/NZS 4360:1999. We are addressing these risks through our corporate strategies and key actions, which include:

- the Auditor-General regularly meeting with Parliamentarians and key clients
- improving the readability of our reports by using plain English
- implementing a major human resources strategy
- improving internal communications, particularly on what we stand for, what we are trying to achieve and how we are going to get there
- enhancing quality assurance procedures to ensure we have adequate processes and a code of conduct, and that our people follow them.

Our Internal Audit section reviewed our risk management processes and recommended that we adopt a more common approach, better define risk, clearly define management accountabilities, and use a structured risk form and risk register. We will act on these recommendations in 2003-04 to strengthen the way we manage risk.

A **practical example of the effectiveness of our risk management** was our quick recovery from fire and water damage to our premises caused by an electrical fire. We were able to repair equipment damage swiftly and continue to operate with only minor interruptions.



*Our people are the key to achieving
our vision as a centre of excellence in auditing.*

Our People

	1999-2000	2000-01	2001-02	Target 2002-03	Result 2002-03
Senior executive employees	23	22	22	n/a	22
Audit employees	165	158	157	n/a	178
Corporate services employees	28	28	26	n/a	26
Total employees	216	208	205	n/a	226
Employee resignations	39	48	26	n/a	16
Employee turnover	17.5%	23.0%	12.5%	10-15%	7.0%
Sick leave days per employee	5.0	6.3	7.7	< 5.0	6.8

n/a – not applicable

Our new Human Resources Strategy

Our new HR Strategy is vital to realising our vision of a centre of excellence. Although we do not compete for clients like the private sector, we do compete for employees. The Office increasingly struggles to match private sector remuneration, career opportunities and image. We need to foster an environment where talented people are proud to work and have high levels of job satisfaction.

The heart of our new approach is to move our focus from compliance towards excellence.

The strategy acknowledges the need to address leadership behaviours, communication and values, as well as the way we recognise, reward and develop our people. Above all, we recognise that our people are the key to fulfilling our mission of assisting Parliament to improve the State's accountability and performance.

The Strategy will build our capability as a centre of excellence by:

- attracting, motivating and retaining talent
- developing our people
- structuring our operations to support objectives
- managing performance effectively.

We are implementing our new approach over 18 months, starting in January 2003. We set the scene for this major challenge during 2002-03 by:

- establishing a project management structure
- informing our people regularly about the program
- updating competency profiles for every area of the Office
- developing a Learning and Development Strategy for 2002-2006
- starting a Leadership Development Program for our senior people
- developing a communications strategy.

In 2003-04, we will:

- review our organisation structure, industrial framework, reward and recognition policies, and flexible work practices
- implement our Learning and Development Strategy, including programs to support competency needs
- develop new policies and procedures for recruitment, staff retention and resource planning
- review our performance management system.

Recruitment

Accounting graduates continued to be our major source of **recruitment**, with **18 new Trainee Auditors**. Office personnel visited university campuses throughout the State to promote the role of the Office and secure the services of high-quality graduates. We also recruited **6 HSC school leavers** from more than 80 applicants following our advertising campaign in all NSW high schools and the press. All our graduates and school leavers participate in a full week of orientation that introduces them to key staff and the work environment.

Our employee turnover rate continued to fall from the record level in 2000-01, reflecting slightly weaker market conditions in the financial sector over recent years. Because of this, we only needed to fill 9 promotional audit positions during the year. All were filled from within the Office, **as our people are highly competitive against external applicants**.

The lower than expected turnover, combined with maintaining our graduate and school intake, meant that **our total number of employees increased from 205 to 226**. As a result, we will reduce our graduate intake in the year ahead.

At nearly seven days per employee, our sick leave is above our target of less than five days. Although this performance was below average for our sector, some of the increase in recent years was caused by some long-term absences.

Employee survey

Our employee survey during the year helped us to gauge how our people feel about working in the Audit Office. Based on answers to 25 questions, **the overall Employee Satisfaction Index was 72.7 per cent**, which is in the average range of satisfaction. When asked to directly express their overall satisfaction with the Audit Office, 59 per cent of respondents reported being 'fairly well satisfied', 20.5 per cent 'very satisfied' and 1.2 per cent 'extremely satisfied', while 14.2 per cent indicated dissatisfaction with working at the Audit Office.

We will need to lift these ratings if we are to achieve our vision as a centre of excellence, and maintain our strong service standards over the longer term. As a result, **we have raised the staff satisfaction target from 70 to 80 per cent by 2006**.

The 5 most important issues for our employees were:

- effective communication with my managers
- having the information I need to do my job well
- being able to balance work with my personal life
- being trusted and valued as a person
- sufficient staffing, resources and equipment to do my job.

Our largest performance gaps were in:

- effective communication between managers and employees
- sufficient staffing, resources and equipment to do the job
- being recognised for a job well done
- fair pay for the work done
- strong leadership from the Senior Management Group
- having career opportunities to get ahead in the Audit Office.

The Audit Office's performance declined on many attributes since our 2000 survey, particularly in career opportunity. This reflects the decrease in promotion opportunities resulting from reduced turnover. We improved attributes such as "Being trusted and valued as a person", "Having a workplace free from harassment and discrimination" and "Fair and accurate feedback on my performance from my manager". Although the methods of the two surveys are not wholly comparable, they do indicate a trend we will address through our HR Strategy and other specific initiatives.



Developing our people

	1999-2000	2000-01	2001-02	Target 2002-03	Result 2002-03
Training days per person	6.5	6.9	7.0	≥ 7.0	5.5
Total training days for the Office	1,446	1,557	1,551	n/a	1,322
Total spending	\$199,000	\$168,000	\$177,500	n/a	\$160,000
Reimbursement of study fees	\$92,300	\$77,700	\$99,600	n/a	\$95,300

n/a – not applicable

Learning and Development Program

Our Learning and Development Program aligns training activity to individual job requirements, development plans and learning styles. By combining workshops, seminars, self-paced learning and on-the-job tuition, we encourage lifelong learning and continual skills development.

We maintained our core programs in 2002-03 while developing our new Learning and Development Strategy under the HR Strategy. This included:

- in-house induction, audit methodology courses, and technical skills training
- our Learning Centre, a dedicated space with a selection of resources and courses
- external training courses, congresses and seminars matched to individual needs.

Because we maintained only our core programs while we were developing our new Strategy, our investment in the number of training days for each employee fell. With our new approach now in place, our spending on training will increase in the year ahead.

Our new Learning and Development Strategy will align our training to the new competency framework under the HR Strategy. This will ensure that our learning and development programs are directed towards the capability we need to achieve our vision. Our first programs under the new Strategy included:

- leadership development for the executive and senior management

- leadership and management skills training for middle management.

During 2003-04, we will review all current training programs to ensure they are relevant and up-to-date, and formalise our processes to better match development solutions to our needs.

We will continue to help our people complete their qualifications and obtain professional memberships. This includes reimbursing 100 per cent of course fees, and providing study leave for lectures, and exams. We are supporting 16 school graduates who are studying for their first degrees, and 18 university graduates working towards their professional qualifications through the Institute of Chartered Accountants or CPA program. Our development programs also help our staff to maintain their professional qualifications.

Spokeswomen's Program

The Spokeswomen's Program continued to provide networking opportunities for women in the Office. We have two trained volunteer spokeswomen representatives, who actively promoted the program during the year by organising:

- bi-monthly CPA Women in Business Networking Breakfasts
- fundraising events for the Women and Girls' Emergency Centre, Surry Hills, the Jeans for Genes Day, and Cancer Research.

In 2003-04 the Spokeswomen will continue these services and introduce a self-defence course.

Our professional activities

Maintaining our professional presence on external committees and panels is part of being recognised as a centre of excellence. Appendix Four, page 73, lists **more than 20 external inquiries, reviews, standards bodies and professional associations that we contributed to.**

We participated in a number of parliamentary inquiries during the year, particularly those held by the Public Accounts Committee. We also play an active role in **developing our profession** through bodies such as:

- the Australasian Council of Auditors-General
- the Australian Auditing and Assurance Standards Board
- CPA Australia
- the Institute of Chartered Accountants Australia
- the Joint Legislative Review Committee of CPA and the ICAA
- Standards Australia
- the Institute of Internal Auditors.

These activities not only ensure that our people are fully informed of the latest developments in our profession; they give us the opportunity to shape future directions and policies. A significant example during the year was Standards Australia's invitation to be a member of the Australian Standards for Good Corporate Governance Committee chaired by Henry Bosch AO. Our contribution helped to shape the standards that will apply to government entities with governing boards, as well as public, private and trustee companies, and not-for-profit organisations.

We continued to take our expertise to a broader professional audience through **24 external presentations** to national and international groups. Appendix Five, page 74, provides a complete list of this work. This activity also helps us to shape the future directions of the profession, and builds our status as a centre of excellence. For example, we promoted the role of public sector auditors internationally through the South Pacific Association of Supreme Audit Institutions (SPASAI). As part of the SPASAI Long Term Regional Institutional Strengthening Program, we co-presented a 5-week performance audit workshop in Samoa for 27 participants from 12 Pacific nations, and helped to set up a 2-week performance audit workshop in Tonga. We then helped selected participants from the Samoa workshop to run the program across the Pacific region. The Asian Development Bank funded this work.

Measuring performance

The Office introduced a new performance management system during 2002-03 as an interim step before further review as part of the HR Strategy. The new system aligns our performance appraisals with the competency framework we developed for audit roles. We continued our efforts to educate managers on the importance of assessing the performance of our people, and the improved assessment process resulted in a very high completion rate during the year.



Our workplace

The Audit Office must maintain a safe and pleasant working environment if we are to attract and retain the people we need to become a centre of excellence. Our Occupational Health and Safety (OH&S) Committee **regularly reviews our safety management systems**, and monitors changes in legal requirements and potential liabilities. During 2002-03 the OH&S issues it addressed included:

- investigating trolleys to carry work papers and laptop computers
- workplace assessments for staff returning from workers' compensation
- the viability of an influenza vaccination program.

The majority of reported safety incidents during the year related to slips, falls and minor car accidents. The one major incident related to a free-falling elevator at a client's premises. This resulted in a worker's compensation claim over six months.

The Office maintained its sound working relationship with the Public Service Association. Our people met regularly with the Public Service Association through the Joint Consultative Committee (JCC) to discuss a range of issues. Areas of focus in 2002-03 included performance management, remuneration, and the Office's HR Strategy. As this Strategy gains momentum, the JCC will meet more regularly to **better inform all parties and resolve any problems** that may emerge.

Social Club

Our Social Club has provided social and sporting events for our people since 1908. Fully funded by our members (over 80 per cent of our people), and run by a representative committee, in 2002-03 our club sponsored a launch picnic, trivia nights, golf days, the annual tennis day and a social dinner. During 2003-04, the club will add deep-sea fishing, the City to Surf Marathon, and Skirmish to its traditional activities.

The restructure of our corporate services will strengthen service delivery.

Corporate Services

A new Corporate Services structure

The **restructure of Corporate Services under a single director** helped us to unify our business processes and improve interaction between corporate services units. This change coincided with a need for Corporate Services to support a range of strategic projects and activities, most significantly the HR Strategy. Other new projects included information security, project management, records management, and technology initiatives.

The scale of changes we are introducing, and the high standards we hope to put in place, meant that we did not achieve all of our ambitions for the year. **Areas where we did not reach our objectives** include:

- developing competency statements for our corporate services employees
- implementing improvements to our website
- finalising our new corporate services structure
- implementing our privacy management plan as far as we intended.

Information and technology management

2002-03 saw the start of a number of major initiatives to improve the way we use information and technology. We developed an **information security policy**, which sets out the principles we use to safeguard our information and any client or third party information we hold. We are implementing the policy by addressing security of our information systems, physical security of our information resources, and privacy and business continuity planning. We are working towards having our security systems certified to the Information Security Standard AS17799 by the end of 2004.

We began a major review of our **IM&T strategic plan**, which we will complete by October 2003.

The plan, which will operate for the next three years, will help our people explore, develop and share information and ideas; allow information to be easily created, analysed, utilised, stored, shared and accessed; and enhance our business processes by providing reliable and secure systems.

For our **Records Management Project**, we selected a software supplier and partner, and finalised our project plan. The project will conclude by March 2004. We also continued to educate our staff about the requirements of the State Records Act.

The Audit Office is exempted from the requirements of **Freedom of Information** for auditing information, but covered for administrative matters. We received no applications under the Act in 2002-03.

Communications

During the year we **reviewed our internal communications processes and introduced a number of changes** including:

- a regular newsletter to keep people up-to-date with events and activities
- a series of corporate updates for all our people to provide information about corporate issues, including budgets, progress with our Corporate Plan, major projects and other Office-wide matters
- new approaches to ensure appropriate information flows between the Board, Senior Management and managers in the office. This will improve awareness of corporate management issues within the senior and middle management groups and increase their involvement in decision making.

We also **continued to implement plain English** standards in our published reports. We supplemented our earlier writing skills training with targeted editorial support to help our people make the transition towards a more readable and accessible style. We introduced some intensive workshops for staff drafting Auditor-General's Reports to Parliament.



Our peers have recognised the success of these initiatives. Two audit offices in other states have followed our lead and introduced a plain English program. One third of the parliamentarians we surveyed felt that the readability of our reports had improved, and none felt it had fallen. We will assess what we have achieved over this two-year program with a comprehensive evaluation in the next six months.

We **updated our corporate identity** to better align our image with what we intend to become as a recognised centre of excellence. Our new logo reflects our future identity as an innovative, contemporary, and professional organisation maintaining high standards of excellence. This will help us compete with the private sector in recruiting the best people for our workforce. We applied the new identity to a suite of publications, including our report designs, training and recruitment materials and newsletters.

Annual Report Awards

We received a silver award for our 2001-02 Annual Report at the Australasian Reporting Awards. This award recognises that our report provided quality coverage across the ARA criteria, disclosed key aspects of our business and provided outstanding disclosure in at least one major area.

Project management and reporting

Delivering our services at the highest possible level means using the best available management tools. During the year we developed and implemented a standard project management method for all major projects within the Office, including the HR Strategy and our Records Management Program. A more consistent and rigorous approach will help management minimise our risks and maximise the benefits we achieve.

We reviewed our regular financial and management reports, and introduced a monthly reporting pack for the Financial Audit Branch and a new format for quarterly financial reports to the Board. We refined the key performance indicators in our Corporate Plan.

Our accommodation and environment

The Office's lease of its current premises expires in July 2004. During 2002-03, we developed a **Facility Management Plan** to find suitable future premises. We begin detailed planning in 2003-04, and plan to relocate in May 2004 to minimise the disruption to our work cycles.

We continued our sound environmental management as part of the Government's Waste Reduction Policy, including:

- recycling paper, printer ink and toner cartridges
- continuing to develop our waste reduction and purchasing plans
- purchasing 6 per cent of our electricity from green energy sources
- recycling old stationery
- trialing recycled paper products for printers and copiers
- archiving files and data electronically.



Bettina Ocias
Senior Performance Auditor



Michael Johnston
Performance Audit Manager

Our Finances

In this section we cover:

Commentary on Our Finances

- Financial performance
- Financial position
- Solvency and debtor management
- Future operating results

Key Financial Statistics

- Three-year trend
- Performance against budget

Financial Report

- Independent Audit Report
- Auditor-General's Statement
- Statement of Financial Performance
- Statement of Financial Position
- Statement of Cash Flows
- Notes to and Forming Part of the Financial Statements



Commentary on Our Finances

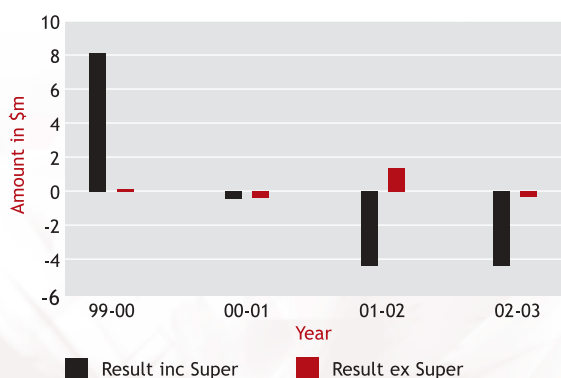
Financial performance

As a non budget-dependent agency, we aim to break even over time.

Our 2002-03 result was a deficit of \$4.6 million, the same as last year and largely due to an additional \$4.6 million superannuation expense which was beyond our control. This expense relates to staff who are part of the State's defined benefits superannuation schemes, and affects all non-budget agencies. The expense resulted from an increase in our actuarially assessed liability and the poor investments returns of these schemes.

Without these adjustments, our result for 2002-03 was a deficit of only \$26,000.

Operating result including/excluding superannuation



Our total revenue of \$25.4 million was slightly higher than last year's \$24.3 million.

Government agencies provided \$22.4 million of this for the audit of their financial reports. **Parliament contributed \$2.7 million** towards our performance audits and reports to Parliament.

If we exclude the superannuation charge, our **operating expenses were \$25.5 million, 11.4 per cent more than last year.**

Salaries and related staff costs were the largest part of this increase, rising by \$1.5 million to \$19.3 million. **The increase was largely due to salary increases for all staff, a change in payroll tax on employee entitlements, and the first full**

year for three new senior officer positions and allowances for our financial audit managers.

Financial position

Most of our assets and liabilities are of a financial nature as we lease our accommodation, motor vehicles and computer hardware.

Staff long service leave entitlements of \$6.5 million are our largest liability. An equivalent asset offsets this, as the Crown assumes the liability.

Our cash of \$6.1 million is up \$1.4 million on last year. This is largely due to better billing processes and a delay in some operating expenditure and strategic initiatives that are now planned for 2003-04.

The high cash level contributed to an increase in our interest income from \$163,000 last year to \$240,000. All our available funds are managed through Treasury set-off banking arrangements where Treasury pays interest on daily balances.

Our liabilities are \$11.4 million, up from \$10.1 million last year, and include \$9.2 million for leave entitlements and superannuation.

Solvency and debtor management

Our current ratio at 30 June 2003 shows we had \$2.30 in current assets to meet every \$1 of our current liabilities. This is slightly down on last year's ratio of 2.5.

Our debtor turnover continues to increase showing **we are becoming more efficient at collecting our debts.**

Future operating results

In 2003-04, we expect our revenue to exceed 2002-03 by \$1.1 million, an increase of 4.3%. Our operating expenditure will also increase as we are planning to spend more on our records management system, enhanced information security and a range of human resources initiatives, including improved learning and development programs for our people. Our budget for 2003-04 also includes an allowance for relocating our premises.

Key Financial Statistics

Three-year trend

	2000-01 (\$'000)	2001-02 (\$'000)	2002-03 (\$'000)
Operating Results			
Total Revenue	23,993	24,253	25,457
Total Expenses	24,541	28,840	30,061
Operating Surplus/(Deficit)	(548)	(4,587)	(4,604)
Superannuation adjustment included in total expenses	221	5,958	4,578
Statement of Financial Position			
Total Assets	29,043	23,704	20,440
Accumulated Funds	18,219	13,632	9,028
Analytics			
Current Ratio	1.7	2.5	2.3
Debtor Turnover	5.7	7.2	8.2

Performance against budget

	2002-03 Budget (\$'000)	2002-03 Actual (\$'000)	2003-04 Budget (\$'000)
Revenue from Ordinary Activities			
Audit Fees	21,673	22,387	23,600
Contribution by Government	2,675	2,675	2,760
Interest	160	240	190
Other Revenue	4	155	—
	24,512	25,457	26,550
Expenditure from Ordinary Activities			
Salaries and Related Expenses	18,146	19,319	19,719
Decrease in Prepaid contributions for State Superannuation Schemes	—	4,578	—
Maintenance and Other Operating Expenses	4,726	4,035	5,928
Contract Audit Agent Costs	1,864	1,788	1,826
Depreciation	371	341	449
	25,107	30,061	27,922
Operating Surplus/(Deficit)	(595)	(4,604)	(1,372)



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Independent Audit Report

To the Members of the Legislative Assembly

Scope

I have audited the financial report of The Audit Office of New South Wales for the year ended 30 June 2003 as set out on pages 45 to 60. The Auditor-General of New South Wales is responsible for the financial report. I have conducted an independent audit of the financial report in order to express an opinion on it to the Members of the Legislative Assembly.

My audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance as to whether the financial report is free of material misstatement. My procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion as to whether, in all material respects, the financial report is presented fairly in accordance with Accounting Standards and other mandatory professional reporting requirements in Australia and the Public Finance and Audit Act 1983, the Public Finance and Audit Regulation 2000 and the Treasurer's Directions so as to present a view which is consistent with my understanding of The Audit Office of New South Wales' financial position, the results of its operations and its cash flows.

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

Audit Opinion

In my opinion, the financial report presents fairly in accordance with applicable Accounting Standards and other mandatory professional reporting requirements in Australia and the Public Finance and Audit Act 1983, the Public Finance and Audit Regulation 2000 and the Treasurer's Directions, the financial position of The Audit Office of New South Wales as at 30 June 2003 and the results of its operations and its cash flows for the year then ended.

G Couttas
Registered Company Auditor
12 August 2003

Start of Audited Financial Statements

The Audit Office of New South Wales



**Statement by Auditor-General of New South Wales
for the year ended 30 June 2003**

Under section 41C of the Public Finance and Audit Act 1983, I state that, in my opinion, the accompanying financial statements exhibit a true and fair view of the financial position of the Audit Office of New South Wales at 30 June 2003 and transactions for the year then ended.

I further state:

- (a) that the financial report complies with the Public Finance and Audit Act 1983, the Public Finance and Audit Regulation 2000, and the Treasurer's Directions.
- (b) that I am not aware of any circumstances which would make any details in the financial report misleading or inaccurate.

A handwritten signature in black ink, appearing to read 'R J Sendt'.

R J Sendt
SYDNEY
12 August 2003



Statement of Financial Performance

for the year ended 30 June 2003

	Note	2003 \$'000	2002 \$'000
Revenues from Ordinary Activities			
Audit Fees		22,387	21,235
Contributions by Government	3(a)	2,675	2,575
Interest		240	163
Other Revenue	3(b)	155	280
		25,457	24,253
Expenses from Ordinary Activities			
Salaries and Related Expenses	4	19,319	17,803
Decrease in prepaid contributions for State Superannuation Schemes	10(b)	4,578	5,958
Contract Audit Agents Costs	5	1,788	1,671
Depreciation and Amortisation	9	341	353
Maintenance		97	158
Loss on Disposal of Plant, Equipment and Furniture		8	—
Other Operating Expenses	6	3,930	2,897
		30,061	28,840
(Deficit) from Ordinary Activities		(4,604)	(4,587)
Total Changes In Equity Other than those resulting from transactions with owners as owners		(4,604)	(4,587)

The accompanying notes form part of these statements

Statement of Financial Position

as at 30 June 2003

	Note	2003 \$'000	2002 \$'000
ASSETS			
Current Assets			
Cash at Bank		6,140	4,747
Receivables	7	3,119	3,354
Work in Progress		807	1,105
Other	8	299	157
Total Current Assets		10,365	9,363
Non-Current Assets			
Plant, Equipment and Furniture	9	607	828
Other Financial Assets			
Prepaid Superannuation Contributions	10(b)	2,974	7,552
Crown Acceptance of Long Service Leave Liability	2(b)(vi)	6,494	5,961
Total Non-Current Assets		10,075	14,341
Total Assets		20,440	23,704
LIABILITIES			
Current Liabilities			
Fees in Advance	2(b)(iv)	627	866
Payables	11	1,558	1,290
Provisions	10	2,308	1,566
Total Current Liabilities		4,493	3,722
Non-Current Liabilities			
Provisions	10	6,919	6,350
Total Non-Current Liabilities		6,919	6,350
Total Liabilities		11,412	10,072
EQUITY			
Accumulated Funds	13	9,028	13,632

The accompanying notes form part of these statements



Statement of Cash Flows

for the year ended 30 June 2003

		2003 \$'000	2002 \$'000
	Note	Inflows (Outflows)	Inflows (Outflows)
Cash Flows from Operating Activities			
Receipts from Operations		28,200	26,031
Payments to Suppliers and Employees		(26,890)	(24,589)
Interest Received		211	140
Net Cash provided by Operating Activities	19(b)	1,521	1,582
Cash Flows from Investing Activities			
Proceeds from Disposal of Equipment and Furniture		5	—
Purchase of Equipment and Furniture		(121)	(122)
Purchase of Management Information Software		(7)	(15)
Purchase of Leasehold Improvements		(5)	(4)
Net Cash used in Investing Activities		(128)	(141)
Net Increase/(Decrease) in Cash held		1,393	1,441
Cash at the beginning of the Financial Year		4,747	3,306
Cash at the end of the Financial Year	19(a)	6,140	4,747

The accompanying notes form part of these statements

Notes to and Forming Part of the Financial Statements

for the year ended 30 June 2003

1 REPORTING ENTITY

The Audit Office of New South Wales (the "Audit Office") has been designated as a statutory body for reporting purposes by Schedule 2 of the Public Finance and Audit Act 1983.

2 STATEMENT OF ACCOUNTING POLICIES

(a) Basis of Accounting

The Audit Office's financial statements are a general purpose financial report which has been prepared on an accruals basis and in accordance with:

- applicable Australian Accounting Standards;
- other authoritative pronouncements of the Australian Accounting Standards Board (AASB);
- Urgent Issues Group (UIG) Consensus Views;
- the requirements of the Public Finance and Audit Act 1983 and the Public Finance and Audit Regulation 2000 and Treasurer's Directions.

Where there are inconsistencies between the above requirements, the legislative provisions have prevailed.

In the absence of a specific Accounting Standard, other authoritative pronouncements of the AASB or UIG Consensus Views, the hierarchy of other pronouncements as outlined in AAS6 "Accounting Policies" is considered.

The financial statements are prepared in accordance with the historical cost convention.

All amounts are rounded to the nearest one thousand dollars and are expressed in Australian currency.

There have been no changes in accounting policies from the previous year.

(b) Summary of Accounting Policies and Procedures

i) Non-Current Assets

Plant, Furniture and Equipment are shown (note 9) at historic cost less accumulated depreciation and amortisation. This approximates the fair value of these assets.

Items costing \$1,000 and above are capitalised.

The Audit Office has acquired third party audit methodology and MIS software; software licences and associated costs have been capitalised. These assets are shown at historical cost less accumulated amortisation.

ii) Depreciation and Amortisation

Non-current assets are depreciated and amortised on a straight line basis over their estimated useful lives to the Audit Office. The rates of depreciation and amortisation are: computer equipment 33.3%; office equipment 20%; audit methodology and the MIS software 20%; and furniture and fittings 10%.

**iii) Accounting for the Goods and Services Tax (GST)**

Revenues, expenses and assets are recognised net of the amount of GST, except:

- the amount of GST incurred by the Audit Office as a purchaser that is not recoverable from the Australian Taxation Office is recognised as part of the cost of acquisition of an asset or as part of an item of expense.
- receivables and payables are stated with the amount of GST included.

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

iv) Revenue Recognition

- a) Fees are charged for financial audits. Fees for audit work performed during the year are treated as revenue when the invoice is raised, except to the extent the invoiced amount is in excess of the services provided. Any excess amounts are treated as Fees In Advance.
- b) Contributions from Government are also recognised as revenue when the invoices are raised.
- c) Investment Income – interest revenue is recognised as it accrues.

v) Employee Entitlements

The Audit Office is responsible as the employing agency for the liability for all untaken annual leave. A provision has been established for the full liability at 30 June 2003. Details are shown in Note 10. A liability for non-vested sick leave entitlement is not recognised because it is estimated that, on average, the sick leave taken in each year is less than the entitlement accruing in that year.

The Audit Office's liability for long service leave is assumed by the Crown Finance Entity. The Audit Office accounts for the liability as having been extinguished resulting in the amount assumed being shown as an asset described as "Crown Acceptance of Long Service Leave Liability".

Long service leave is measured on a short-hand basis. The short-hand method is based on the remuneration rates at year end for all employees with five or more years of service. It is considered that this measurement technique produces results not materially different from the estimate determined by using the present value basis measurement. Oncosts have been applied in calculating the liability. During the year, changes to the Payroll Tax and Workers' Compensation legislation have resulted in increased and additional oncosts on the long service leave. Details are shown in Note 10(a).

The Superannuation Schemes relating to employees of the Audit Office are: the State Superannuation Scheme; the State Authorities Superannuation Scheme; the State Authorities Non Contributory Superannuation Scheme (Basic Benefits Scheme) – these funds are now closed to new entrants; and the First State Super Scheme. This last scheme is an accumulation scheme and consequently the Audit Office has no ongoing employer liability for this scheme. Details of the reserves, assessed liabilities, overfundings and provisions are shown in Note 10(b).

vi) Segment Reporting

The Audit Office operates in one geographical segment being New South Wales, and in one industry, the principal activity being the provision of external audit services to Parliament.

vii) Financial Instruments

Financial instruments give rise to positions that are financial assets or liabilities (or equity instruments) of either the Audit Office or another party. These include Cash at Bank, Receivables, Work in Progress, and Payables. Information is disclosed in Note 20 in respect of the interest rate risk and credit rate risk of financial instruments. Classes of instruments are recorded at cost and are carried at net fair value.

viii) Receivables

Trade receivables are recognised and carried at original invoice amount less a provision for any uncollectable debts.

ix) Work in Progress

Work in Progress is stated at the cost of staff directly engaged in financial audit services plus an allocation of overhead costs attributable to financial audit activity in general.

x) Payables

Liabilities for trade creditors and other payables are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not already billed.

xi) Operating Leases

The Audit Office leases assets on an operating lease basis. The operating lease payments are recognised in the Statement of Financial Performance in the periods in which they are incurred. The major operating leases relate to office accommodation and computer equipment.

xii) Comparatives

Where necessary, comparatives have been reclassified and repositioned for consistency with current year disclosures.



3 REVENUES

(a) Contributions by Government

	2003 \$'000	2002 \$'000
Auditor-General's Reports to Parliament	1,275	1,275
Performance Audits	1,400	1,300
	2,675	2,575

The contributions do not cover the full costs of the respective services, the difference being met by the Audit Office.

(b) Other Revenue

Recoupment of Salaries	99	267
Other Miscellaneous Income	56	13
	155	280

4 SALARIES AND RELATED EXPENSES

Salaries and Allowances	15,044	14,267
Payroll Tax	1,428	910
Workers' Compensation	123	50
Superannuation	892	758
Long Service Leave Contribution	456	401
Temporary Assistance	1,376	1,417
	19,319	17,803

5 CONTRACT AUDIT AGENTS COSTS

Fees were paid to contract audit agents for the audit of:

Health Services	934	954
Superannuation Services	313	214
Rural Lands Protection Boards	186	—
Electricity Distributors	96	103
University related activities	84	54
Water Industry Authorities	72	97
Olympic Games Authorities	—	127
Other Audit Office Clients	103	122
	1,788	1,671

6 OTHER OPERATING EXPENSES

	2003 \$'000	2002 \$'000
Rent and Cleaning	977	938
Fees for Services Rendered	684	345
Operating Lease – Computer Equipment	390	428
Travelling	348	280
Staff Development and Training (excluding Salaries)	257	277
Printing	190	186
Stores	162	117
Consultants	155	25
Motor Vehicle Running	131	128
Telephone and Postage	117	133
Electricity	35	30
Other General Expenses	484	10
	3,930	2,897

Other General Expenses include an amount representing the movement in the direct costs of the valuation of Work in Progress, calculated in accordance with Australian Accounting Standard AAS2 "Inventories". For the year ended 30 June 2003, the amount is \$284,000. For the prior year, the figure was (\$291,000).

7 CURRENT ASSETS – RECEIVABLES

Audit Fee Debtors		
(less provision for doubtful accounts \$88,000; 2002 – \$88,000)	2,957	3,179
Miscellaneous Debtors	162	175
	3,119	3,354

8 CURRENT ASSETS – OTHER

Prepayments	53	13
Accrued Income	246	144
	299	157

Accrued Income includes interest on the bank balance of \$111,000 (2002 – \$82,000).



9 NON-CURRENT ASSETS – PLANT, EQUIPMENT AND FURNITURE

	2003 \$'000	2002 \$'000
Office Equipment		
At cost	181	197
Accumulated Depreciation	(127)	(112)
	54	85
Computer and Related Equipment		
At cost	429	365
Accumulated Depreciation	(352)	(334)
	77	31
Furniture and Fittings		
At cost	378	367
Accumulated Depreciation	(227)	(202)
	151	165
Audit Methodology Software		
At cost	364	364
Accumulated Amortisation	(364)	(312)
	—	52
Management Information Systems		
At cost	549	555
Accumulated Amortisation	(300)	(198)
	249	357
Leasehold Improvements		
At cost	731	726
Accumulated Amortisation	(655)	(588)
	76	138
Total Plant, Equipment and Furniture at Net Book Value	607	828

9 NON-CURRENT ASSETS – PLANT, FURNITURE AND EQUIPMENT – RECONCILIATIONS

Reconciliations of the carrying amounts of each class of plant, equipment and furniture at the beginning and end of the current and previous financial years are set out below.

	Office Equipment	Computer & Related Equipment	Furniture & Fittings	Audit Metho- dology Software	Management Inform- ation Systems	Leasehold Improve- ments	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
2003							
Carrying amount as at 1 July	85	31	165	52	357	138	828
Additions	14	76	31	—	7	5	133
Disposals	(30)	(12)	(20)	—	(12)	—	(74)
Depreciation/amortisation expense	(40)	(30)	(37)	(52)	(115)	(67)	(341)
Write-back of depreciation on disposal	25	12	12	—	12	—	61
Carrying amount as at 30 June	54	77	151	—	249	76	607
2002							
Carrying amount as at 1 July	24	22	202	131	462	199	1,040
Additions	91	31	—	—	15	4	141
Disposals	(7)	(164)	—	—	—	—	(171)
Depreciation/amortisation expense	(30)	(22)	(37)	(79)	(120)	(65)	(353)
Write-back of depreciation on disposal	7	164	—	—	—	—	171
Carrying amount as at 30 June	85	31	165	52	357	138	828

The Audit Office continues to derive service potential and economic benefits from the following fully depreciated assets:

Asset Class	No. of Assets		Gross Value		Accumulated Depreciation		Written Down Value	
	2003	2002	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
Office Equipment	13	13	45	69	45	69	—	—
Computer and Related Equipment	41	43	285	315	285	315	—	—
Furniture and Fittings	3	—	5	—	5	—	—	—
Audit Methodology Software	1	—	364	—	364	—	—	—
Total	58	56	699	384	699	384	—	—



10 PROVISIONS

	2003 \$'000	2002 \$'000
Current —		
Annual Leave	1,640	1,465
Long Service Leave	520	15
Accrued Oncosts	148	86
	2,308	1,566
Non-Current —		
Long Service Leave	5,974	5,727
Superannuation	533	404
Accrued Oncosts	412	219
	6,919	6,350

(a) Long Service Leave

The total liability at 30 June 2003 was \$6,494,000 (2002 — \$5,742,000) and is shown as current \$520,000 (\$15,000) and non-current \$5,974,000 (\$5,727,000). This liability comprises:

Unconditional Leave (over 10 years service)	6,020	5,569
Conditional Leave (between 5 and 10 years service)	474	392
	6,494	5,961

To be consistent with Public Sector policies, no liability for long service leave has been assessed for employees with less than 5 years service.

Contributions made to the Crown Finance Entity pool account during this financial year totalled \$456,000 (2002 — \$401,000). Re-imbursements from the Crown Finance Entity on account of payments to staff, or transfers of entitlements to other agencies, totalled \$78,000 (2002 — \$449,000).

The amount of long service leave as disclosed above is increased by oncosts in the determination of the total provision.

(b) Superannuation

The assessed liability for the Audit Office at 30 June 2003 and funds held in the reserve accounts administered by the Superannuation Administration Corporation of New South Wales (including accrued interest), as well as prepaid contributions and superannuation provisions were:

	Assessed Liability		Reserve Account		Provision/ (Prepaid Contributions)	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
State Superannuation Scheme	31,197	29,703	34,171	37,044	(2,974)	(7,341)
State Authorities Super Scheme	1,695	1,307	1,647	1,518	48	(211)
State Authorities Non Contributory Superannuation Scheme	1,739	1,621	1,254	1,217	485	404
	34,631	32,631	37,072	39,779	(2,441)	(7,148)

The liabilities have been determined by the appointed actuary as at 30 June 2003 based on economic assumptions as follows:

	2003-04 % p.a.	2004-05 % p.a.	2005-06 % p.a.
• Rate of investment return	7.0	7.0	7.0
• Rate of salary increase	4.0	4.0	4.0
• Rate of increase in CPI	2.5	2.5	2.5

The State Superannuation Scheme reserve account for the Audit Office exceeds the assessed liability. The surplus at 30 June 2003 totals \$2,974,000 (2002 – \$7,552,000) and is included as a non-current asset – Prepaid Superannuation Contributions in accordance with Treasury Circular 02/12.

For this year, the actuarial assessment of the liability resulted in a decrease in the prepaid contributions of \$4,578,000, reflected as a superannuation expense. In the previous financial year, the decrease was \$5,958,000. During this year, the State Authorities Superannuation Scheme (SASS) moved from a situation of being prepaid to one where the assessed liability exceeds the reserve account.

Funding contributions for the State Superannuation Scheme (SSS) had been suspended with approval of the Superannuation Administration Corporation of New South Wales. The effect of this has been that no contributions have had to be made to this Scheme while the balance of the reserve account has been greater than the assessed liability of members. This arrangement has ceased effective July 2003.

The value of this asset is primarily dependent upon annual reviews of the superannuation liabilities for the schemes and the effect of investment earnings of the schemes. The calculation of the 30 June 2003 superannuation position has used actuarial assumptions consistent with those used in the previous year.

The First State Superannuation Scheme covers employees who are not contributing to any other schemes. During the year employer contributions were 9% of such employees' salaries and totalled \$650,000 (2002 – \$511,000). For this Scheme, the Audit Office has no outstanding employer liability because the contributions are fully funded and vested to individual officers.

11 CURRENT LIABILITY – PAYABLES

	2003 \$'000	2002 \$'000
Salaries and related expenses	587	583
Payroll Tax	76	69
Unremitted GST	335	261
Contract Audit Agent Costs	155	40
Other Creditors	405	337
	1,558	1,290

Other creditors include a rental incentive of \$81,000 (2002 – \$156,000). The rental incentive is a direct reflection of a rent-free inducement given at the time of entering the leasing arrangement, amortised over the period to the expiry of the lease in 2004.



12 EMPLOYEE BENEFITS

(a) Liability

The aggregate employee benefit liability recognised and included in the financial statements is as follows:

	2003 \$'000	2002 \$'000
Provision for employee benefits:		
Current (note 10)	2,308	1,566
Non-current (note 10)	6,919	6,350
Accrued salaries and related expenses (note 11)	663	652
	9,890	8,568

The aggregate employee benefit liability disclosed includes liabilities from providing employee benefits and liabilities relating to payroll tax and other similar on-costs.

(b) Asset

The aggregate employee benefit asset recognised and included in the financial statements is as follows:

Non-current		
Prepaid Superannuation Contributions	2,974	7,552
Crown Acceptance of Long Service Leave liability	6,494	5,961
	9,468	13,513

13 CHANGES IN EQUITY

Balance at beginning of the financial year	13,632	18,219
Changes in equity – other than transactions with owners as owners:		
(Deficit) for the year	(4,604)	(4,587)
Balance at the end of the financial year	9,028	13,632

14 AUDITOR'S REMUNERATION

Audit Fees	20	15
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In May 2002, Mr Greg Couttas a partner of Deloitte Touche Tohmatsu was appointed by the Governor, on the recommendation of the Treasurer as the external auditor of the Audit Office. In addition to the auditing fee, during the year Deloitte Touche Tohmatsu received \$263,000 for contracted services in relation to auditing our clients, and \$42,000 as an annual maintenance payment on the Audit Office's Audit Methodology Software acquired in 1997-98.

15 AUDIT COMMITTEE

The Audit Office appointed Mr Jon Isaacs as chair of its audit committee from April 2001. A remuneration of \$1,500 per annum is paid to him for services provided in that role.

16 COMMITMENTS

Commitments for leased office accommodation and leased computer equipment under operating leases are:

	2003 \$'000	2002 \$'000
Lease commitments:		
not later than one year	1,146	1,377
later than one year but not later than five years	130	1,254
	1,276	2,631

The Audit Office has a lease, expiring in July 2004, for floor space in 234 Sussex Street, Sydney.

The commitments include GST of \$116,000 (2002 – \$239,000). A contingent asset exists for the calculated GST, being an input tax credit recoverable from the Australian Taxation Office consequent to its payment.

17 MATERIAL ASSISTANCE PROVIDED AT NO OR NOMINAL COST

Audit clients provide, at no cost, accommodation and facilities at their premises for staff of the Audit Office during the course of the audit. It is not possible to quantify the cost of providing such facilities.

18 CONSULTANTS ENGAGED

During the year the Audit Office engaged 8 consultants at a total cost of \$155,000. This compares with 5 last year at a cost of \$25,000. There was only the one consultancy in excess of \$30,000: to Sheffield Ltd for assisting the Audit Office in developing its HR strategy, \$40,000.

19 NOTES TO THE STATEMENT OF CASH FLOWS

(a) Reconciliation of Cash

For the purposes of the statement of cash flows, the Audit Office of New South Wales considers cash to include cash on hand and in the bank. At 30 June 2003, cash as shown in the statement of cash flows of \$6,140,000 (2002 – \$4,747,000) is equal to the amount shown in the Statement of Financial Position.

(b) Reconciliation of Net Cash provided by Operating Activities to Operating Result

Operating (Deficit)	(4,604)	(4,587)
Depreciation and Amortisation	341	353
Decrease in Overfunded Superannuation	4,578	5,958
(Increase)/Decrease in Receivables	235	879
(Increase)/Decrease in Work in Progress	298	(10)
(Increase) in Other Current Assets	(142)	(69)
Increase/(Decrease) in Fees in Advance	(239)	(556)
Increase/(Decrease) in Payables	268	(559)
Increase in Provisions	778	173
Net Loss on Disposal of Plant, Equipment and Furniture	8	—
Net Cash provided by Operating Activities	1,521	1,582



20 FINANCIAL INSTRUMENTS

(a) Interest Rate Risk

Interest rate risk is the risk that the value of the financial instruments will fluctuate due to changes in market interest rates. The Audit Office's exposure to interest rate risks and the effective interest rates of financial assets and liabilities at the balance date are as follows:

Financial Instrument	Floating Interest Rate (\$'000)		Non-Interest Bearing (\$'000)		Total carrying amount as per the Statement of Financial Position (\$'000)		Weighted Effective Interest Rate	
	2003	2002	2003	2002	2003	2002	2003	2002
Financial Assets								
Cash	6,139	4,746	1	1	6,140	4,747	3.75%	3.73%
Receivables			3,119	3,354	3,119	3,354		
Work in Progress			807	1,105	807	1,105		
Total Financial Assets	6,139	4,746	3,927	4,460	10,066	9,206		
Financial Liabilities								
Payables			1,558	1,290	1,558	1,290		
Total Financial Liabilities			1,558	1,290	1,558	1,290		

(b) Credit Risk

Credit risk is the risk of financial loss arising from another party to a contract or financial obligation. The Audit Office's maximum exposure to credit risk is represented by the carrying amounts of the financial assets included in the Statement of Financial Position.

	Banks (\$'000)		Government* (\$'000)		Other (\$'000)		Total (\$'000)	
	2003	2002	2003	2002	2003	2002	2003	2002
Financial Assets								
Cash	6,139	4,746			1	1	6,140	4,747
Receivables			893	661	2,216	2,693	3,119	3,354
Work in Progress			—	40	807	1,065	807	1,105
Total Financial Assets	6,139	4,746	893	701	3,024	3,759	10,066	9,206

* Government includes budget dependent agencies only.

21 CONTINGENT LIABILITY

On 1 March 1999, the Audit Office was served with a Statement of Claim filed for damages, interest thereon and costs. The amount of the claim is in excess of \$1.5 million. The claim related to investments by the NSW Aboriginal Land Council in breach of relevant Acts and Regulations between October 1990 and March 1993 with an entity that was placed into voluntary liquidation in March 1993. It is anticipated that the Treasury Managed Fund would cover costs and any settlement.



Anne Chung
Audit Manager

Matthew Lyon
Audit Manager

Appendices

In this section we cover:

One — Senior Executive Service

- Number of CES/SES positions
- Number of positions filled by women
- Performance statements — level 5 and above

Two — Internal Committees

Three — Financial Audits, Related Services and Other Related Services

- Financial audits
- Agencies audited at the request of the Treasurer or a Minister
- Compliance reviews
- Special reviews
- Audit-related services requested by the Treasurer under s27B(3)(c) of the Act

Four — Work Undertaken for External Committees and Panels

- Appearances before Parliamentary committees
- Service on other committees

Five — External Presentations

Six — Publications

Seven — Equal Employment Opportunity Statistics

Eight — Ethnic Affairs Priorities Statement (EAPS) — Disability Action Plan

Nine — Accounts Payable Performance



one

One – Senior Executive Service

Number of CES/SES positions

Remuneration Level	Total CES/SES 30 June 2002	Total CES/SES 30 June 2003
Auditor-General*	1	1
Level 8	—	—
Level 7	—	—
Level 6	—	—
Level 5	1	1
Level 4	4	4
Level 3	—	—
Level 2	15	15
Level 1	1	1
Total	22	22

* The Auditor-General is not appointed under the *Public Sector Employment and Management Act 2002* and is therefore not part of the Chief Executive Service. At 30 June 2003, the Auditor-General's remuneration, determined by the Statutory and Other Offices Remuneration Tribunal, was \$312,900.

Number of positions filled by women

In the previous year: 2 at remuneration level 2; 1 at remuneration level 1

In the current year: 2 at remuneration level 2; 1 at remuneration level 1

Performance statements — Level 5 and above

Bob Sendt

Position and level	Auditor-General and CEO of the Audit Office
Total remuneration in 2002-03	\$304,461
Period in position	Full period
Comment	As the Auditor-General's responsibilities are to Parliament, there is no performance agreement with, or annual review by, a Minister.

Tony Whitfield

Position and level	Deputy Auditor-General, Level 5
Total remuneration in 2002-03	\$223,310
Period in position	Full period
Results	As Deputy Auditor-General, the main functions of Mr Whitfield's position are to:

- oversight and coordinate financial audit operations, including policy and research activities
- oversight the Office's corporate services
- assume the role and responsibilities of the Auditor-General during his absence.

Major achievements in 2002-03 included:

- in conjunction with the Auditor-General and other senior staff, developing and launching the Office's new HR Strategy and contributing to its implementation
- successfully completing the 2001-02 audits for a number of major clients under his personal direction, including University of Sydney, NSW Treasury Corporation and Rail Infrastructure Corporation
- maintaining sound, professional relations with audit clients
- representing the Office in briefing a number of overseas parliamentary, audit and public sector delegations
- continuing to make a strong external contribution to the accounting and auditing profession.

Mr Whitfield successfully met all required performance criteria at a superior level.

two

Two – Internal Committees

The following committees have had a significant impact on the operations of the Office:

Audit Committee*

Oversee risk management and control, audit functions and financial reporting

(4 meetings held during the year)

Composition:

- Jon Isaacs (Independent Chair)
- Auditor-General
- Deputy Auditor-General
- Management representative
- Management representative

Joint Consultative Committee**

- Provides a forum for consultative decision making between management, staff and the PSA
- assists in building a fair, cooperative and satisfying working environment for employees

(4 meetings held during the year)

Composition:

- Deputy Auditor-General
- Director Corporate Services
- Personnel Manager
- Office union representative
- Office union representative
- Office union representative
- PSA representative

Information Management and Technology Steering Committee**

Oversee strategic IT plans to ensure projects are within the overall aims of the Office and that goals are consistent with the corporate plan

(13 meetings held during the year)

Composition:

- Deputy Auditor-General
- Director Corporate Services
- Financial Audit representative
- Performance Audit representative
- Information System Audit representative

Human Resources Steering Committee**

Implement our new Human Resources strategy

(10 meetings held during the year)

Composition:

- Auditor-General
- Deputy Auditor-General
- Three Assistant Auditor-Generals – Financial Audit
- Assistant Auditor-General – Performance Audit
- Director Corporate Services
- Program Manager

* Provides advice to the Auditor-General

** Provides advice to the Office's executive management team

three

Three — Financial Audits, Reviews and Other Related Services**Financial audits**

Agencies audited under the *Public Finance and Audit Act 1983* and reported in an Auditor-General's Report to Parliament during 2002-03.

Aboriginal Housing Office

Air Transport Council

Ambulance Service of New South Wales

Art Gallery of New South Wales Trust

Arts Education Foundation Trust

Attorney General's Department

Australian Centre for Advanced Computing and Communications Pty Ltd

Australian Inland Energy Water Infrastructure

Australian Museum Trust

Banana Industry Committee

Board of Architects of New South Wales

Board of Surveyors of New South Wales

Board of Veterinary Surgeons of New South Wales

Board of Vocational Education and Training

Brett Whiteley Foundation

Building and Construction Industry Long Service Payments Corporation

Building Insurers' Guarantee Corporation

Buroba Pty Limited and Valley Commerce Pty Limited

Carnivale Ltd

Casino Community Benefit Fund

Centennial Park and Moore Park Trust

Centennial Parklands Foundation

Charles Sturt University

- Charles Sturt Services Limited
- Mitchell Services Limited
- Olive Street Services Limited

- Rivservices Limited

Chipping Norton Lake Authority

City West Housing Pty Ltd

Coastal Council of New South Wales

Cobar Water Board

Commission for Children and Young People

Community Relations Commission of New South Wales

Community Services Commission

Country Energy

- Country Energy Gas Pty Limited and East Coast Gas Pty Limited

- EMMLINK Pty Limited

- NorthPower Energy Services Pty Limited

Crown Lands Homesites Program

Crown Property Portfolio

Crown Solicitor's Office

Dams Safety Committee

Delta Electricity

Dental Board of New South Wales

Department for Women

Department of Aboriginal Affairs

Department of Ageing, Disability and Home Care

Department of Agriculture

Department of Community Services

Department of Corrective Services

Department of Education and Training

Department of Fair Trading

Department of Gaming and Racing

Department of Health

- Corrections Health Service



- The Royal Alexandra Hospital for Children Area Health Services
- Central Coast
- Central Sydney
- Far West
- Greater Murray
- Hunter
- Illawarra
- Macquarie
- Mid North Coast
- Mid Western
- New England
- Northern Rivers
- Northern Sydney
- South Eastern Sydney
- South Western Sydney
- Southern
- Wentworth
- Western Sydney

Department of Industrial Relations

Department of Information Technology and Management

- The New South Wales Government Telecommunications Authority

Department of Juvenile Justice

Department of Land and Water Conservation

Department of Local Government

Department of Mineral Resources

Department of Planning

Department of Public Works and Services

Department of Sport and Recreation

Department of State and Regional Development

Department of Transport

Eastern Creek Raceway

Election Funding Authority of New South Wales

EnergyAustralia

- Downtown Utilities Pty Limited
- Energy Management International Pty Ltd
- EnergyAustralia Enterprises Pty Limited
- EnergyAustralia Pty Limited
- EnergyAustralia Venture Holdings Pty Limited
- Energygen Pty Limited

Environment Protection Authority

Environmental Trust

Eraring Energy

- Pacific Western Pty Limited

Fair Trading Administration Corporation

Festival Development Corporation

Financial Counselling Trust Fund

Fish River Water Supply

Forestry Commission of New South Wales (trading as State Forests of New South Wales)

Freight Rail Corporation (trading as FreightCorp)

FSS Trustee Corporation

Greyhound Racing Authority (NSW)

Harness Racing New South Wales

Health Care Complaints Commission

Health Professionals Registration Boards (11)

Heritage Office

Historic Houses Trust of New South Wales

- Historic Houses Trust of NSW Foundation
- The Rouse Hill Hamilton Collection Pty Limited and the Hamilton Rouse Hill Trust

Home Care Service of New South Wales

Home Purchase Assistance Fund

Honeysuckle Development Corporation

Hunter Catchment Management Trust	Ministerial Development Corporation
Hunter Water Corporation	Ministry for Police
• Hunter Water Australia Pty Limited	Ministry for the Arts
Independent Commission Against Corruption	Ministry of Energy and Utilities
Independent Pricing and Regulatory Tribunal	Motor Accidents Authority of New South Wales
Integral Energy Australia	Motor Vehicle Repair Industry Council
• InfoMet Pty Limited	Murray Valley Citrus Marketing Board
• Integral Energy Gas Pty Limited	Murray Valley Wine Grape Industry Development Committee
Internal Audit Bureau of New South Wales	National Parks and Wildlife Service
Jenolan Caves Reserve Trust	New South Wales Aboriginal Land Council
Judicial Commission of New South Wales	New South Wales Ambulance Service
Koala and Endangered Species Trust Fund	New South Wales Cancer Council
Lake Illawarra Authority	New South Wales Casino Control Authority
Land Development Working Account	New South Wales Coal Compensation Board
Landcom	New South Wales Crime Commission
Legal Aid Commission of New South Wales	New South Wales Fire Brigades
Legal Practitioners Admission Board	New South Wales Grains Board
Library Council of New South Wales	New South Wales Health Foundation
• State Library of New South Wales Foundation	New South Wales Institute of Psychiatry
Liquor Administration Board	New South Wales Institute of Sport
Lord Howe Island Board	New South Wales Land and Housing Corporation
Luna Park Reserve Trust	• Rental Housing Assistance Fund
Macquarie Generation	New South Wales Lotteries Corporation
Macquarie University	New South Wales Medical Board
• Australian Proteome Analysis Facility Ltd	New South Wales Police Service
• CMBF Limited	New South Wales Rural Assistance Authority
• Macquarie Graduate School of Management Pty Limited	New South Wales Treasury Corporation
• Macquarie Research Ltd	• TCorp Nominees Pty Limited
• Macquarie University Professorial Superannuation Scheme	Newcastle International Sports Centre Trust
Mine Subsidence Board	Newcastle Port Corporation
Ministerial Corporation for Industry	Newcastle Showground and Exhibition Centre Trust



NSW Adult Migrant English Service

NSW Film and Television Office

NSW Fisheries

NSW Rural Fire Service

Office of Co-ordinator General of Rail

Office of the Board of Studies

Office of the Children's Guardian

Office of the Director of Public Prosecutions

Office of the Minister for Public Works and Services

Office of the Ombudsman

Office of the Protective Commissioner and Public Guardian

Olympic Co-ordination Authority

Pacific Power

- Mt Arthur South Coal Pty Limited
- Pacific Power (International) Pty Limited
- Pacific Solar Pty Limited and Pacific Solar SUB1 Pty Limited
- Powercoal Pty Ltd
- Collieries Superannuation Pty Limited
- Elcom Collieries Pty Ltd
- Huntley Colliery Pty Limited
- Mandalong Pastoral Management Pty Ltd
- Powercoal Superannuation Pty Limited

Parliamentary Contributory Superannuation Fund

Parliamentary Counsel's Office

Parramatta Park Trust

Parramatta Rail Link Company

Parramatta Stadium Trust

Pharmacy Board of New South Wales

Police Integrity Commission

Port Kembla Port Corporation

Premier's Department

Rail Infrastructure Corporation

Registry of Births, Deaths and Marriages

Rental Bond Board

Resource NSW

Rice Marketing Board for the State of New South Wales

Riverina Citrus

Roads and Traffic Authority of New South Wales

Royal Botanic Gardens and Domain Trust

Safe Food Production New South Wales

- Milk Marketing (NSW) Pty Limited
- Pacific Industry Services Corporation Pty Limited

SAS Trustee Corporation

Small Business Development Corporation

Somersby Park Pty Limited

South Sydney Development Corporation

Southern Cross University

- Cellulose Valley Technology Park Ltd
- Norsearch Limited
- Southern Cross Human Resource Development Pty Ltd

Sporting Injuries Committee

State Electoral Office

State Emergency Service

State Rail Authority of New South Wales

State Records Authority of New South Wales

State Sports Centre Trust

State Transit Authority

Superannuation Administration Corporation

Sustainable Energy Development Authority

Sydney Aquatic and Athletic Centre

Sydney Catchment Authority

Sydney Cricket and Sports Ground Trust

Sydney Harbour Foreshore Authority

- Australian Technology Park Precinct Management Ltd
- Cooks Cove Development Corporation

Sydney Olympic Park Authority

Sydney Opera House Trust

- Sydney Opera House Appeal Fund

Sydney Ports Corporation

Sydney Water Corporation

- Australian Water Technologies Pty Ltd
- AWT International Pty Ltd
- AWT International (Thailand) Limited
- AWT Philippines, Inc
- Special Environmental Levy Unit Trust
- Water EcoScience Pty Ltd

Teacher Housing Authority of New South Wales

Technical and Further Education Commission

- TAFE GLOBAL Pty Ltd

Technical Education Trust Funds

The Cabinet Office

The Crown Entity

- Crown Lands Homesites Program
- Insurance Ministerial Corporation
- Land Development Working Account

The Electricity Tariff Equalisation Ministerial Corporation

Tourism New South Wales

Tow Truck Authority of New South Wales

TransGrid

Treasury

- Office of Financial Management

- Office of State Revenue

- State Debt Recovery Office

Trustees of the ANZAC Memorial Building

Trustees of the Museum of Applied Arts and Sciences

University of New England

- Agricultural Business Research Institute
- National Marine Science Centre Pty Ltd
- UNE Partnerships Pty Limited
- University of New England Professorial Superannuation Fund

University of New South Wales

- Acyte Biotech Pty Ltd
- AGSM Consulting Limited
- AGSM Limited
- Australian Education Consultancy Limited (Hong Kong)
- Biosignal Pty Limited
- NewSouth Enterprises Pty Limited
- New South Global Pty Limited
- UNSW (Hong Kong) Limited
- Unisearch (Singapore) Pty Limited
- The University of New South Wales Foundation Limited
- Unisearch Limited
- Qucom Pty Limited
- Unisearch (Hong Kong) Limited
- University of New South Wales International House Limited
- University of New South Wales Press Limited

University of Newcastle

- GraduateSchool.com Pty Limited
- The University of Newcastle Research Associates Limited (TUNRA) and UMAT Pty Limited



- The University of Newcastle Sports and Aquatic Centre Pty Limited (UNSAC or The Forum)

University of Sydney

- Evisense Pty Ltd
- Medsaic Pty Ltd
- Museum of Contemporary Art Limited
- Rural Australia Foundation Limited
- Sydney University Short Term Academic and Other Special Appointments Fund
- The University of Sydney Professorial Superannuation System
- Ucom Three Pty Ltd
- Ucom Six Pty Ltd
- UOS Superannuation Pty Limited
- Wentworth Annexe Limited

University of Technology, Sydney

- accessUTS Pty Limited
- Insearch Limited
- Sydney Educational Broadcasting Limited

University of Western Sydney

- CADRE Design Pty Limited and Cadre Design Unit Trust
- Linkwest Limited
- Sydney Graduate School of Management Limited
- Sydney West International College Pty Limited
- University of Western Sydney Foundation Limited and University of Western Sydney Foundation Trust
- UWS Conference and Residential Colleges Limited
- Whitlam Institute Within the University of Western Sydney Limited and Whitlam Institute Within the University of Western Sydney Trust

University of Wollongong

- Illawarra Technology Corporation Limited
- University of Wollongong Foundation Limited
- University of Wollongong Recreation and Aquatic Centre Limited
- Wollongong UniCentre Limited

Upper Parramatta River Catchment Trust

Victims Compensation Fund Corporation

Vocational Education and Training Accreditation Board

Waste Recycling and Processing Service

Waterways Authority

Wentworth Park Sporting Complex Trust

Wild Dog Destruction Board

Wine Grapes Marketing Board for the City of Griffith and the Shires of Leeton, Carrathool and Murrumbidgee

Wollongong Sportsground Trust

WorkCover Authority of New South Wales

WorkCover Scheme Statutory Funds

Workers' Compensation (Dust Diseases) Board

Zoological Parks Board of New South Wales

Agencies audited at the request of the Treasurer or a Minister

Audits conducted under Section 45(1) of the *Public Finance and Audit Act 1983* and reported in an Auditor-General's Report to Parliament during 2002-03.

Agricultural Scientific Collections Trust

Art Gallery of New South Wales Foundation

AusHealth International Pty Limited

Australia Day Council of New South Wales

Australian Institute of Asian Culture and Visual Arts Limited

Belgenny Farm Agricultural Heritage Centre Trust

Blacksmiths Project Joint Venture

C.B. Alexander Foundation

Corporation Sole 'Minister Administering the Environmental Planning and Assessment Act 1979'

Corporation Sole 'Minister Administering the Heritage Act 1977'

Cowra Japanese Garden Maintenance Foundation Ltd and Trust

Cowra Japanese Garden Maintenance Foundation Ltd and Trust

East Fairfield Project Joint Venture

Energy Industries Superannuation Scheme - Pool A and Pool B

Energy Industries Superannuation Scheme Pty Limited

First State Superannuation Fund

Gosford Water Supply Authority

Home Purchase Assistance Fund

Jannali Project Joint Venture

Kings Bay (Five Dock Project) Joint Venture

Macquarie University Professorial Superannuation Scheme

New South Wales Centenary of Federation Committee

New South Wales Insurance Ministerial Corporation

Oatlands Project Joint Venture

Ovine Johne's Disease Industry Contribution Fund

- Ovine Johne's Disease Industry Levy Fund

Quakers Hill Project Joint Venture

SAS Trustee Corporation — Pooled Fund

- Elsun Pty Limited
- Hadenis Pty Limited
- Police Superannuation Scheme
- SSB Mayfair Trust
- State Authorities Non-Contributory Superannuation Scheme

- State Authorities Superannuation Scheme

- State Superannuation Scheme

- State Super Financial Services Limited

- State Super Allocated Pension Fund

- State Super Fixed Term Pension Plan

- State Super Personal Retirement Plan

- State Super Investment Fund

Stormwater Trust

Superannuation Services Company Pty Ltd

Sydney Educational Broadcasting Limited

The Legislature

Trustees of the Farrer Memorial Research Scholarship Fund

UNILINC Limited

Uniprojects Pty Limited

University of Newcastle Staff Superannuation Scheme

Waste Fund

West Pennant Hills Project Joint Venture

Wyong Water Supply Authority

Zetland Project Joint Venture

Compliance reviews

Compliance reviews generally include reviews of government agency compliance with laws, regulations and government directions and matters of importance that have arisen during the course of financial audits.

Compliance Reviews reported in an Auditor-General's Reports to Parliament during 2002-03 included:

- Audit of Fraud Prevention Procedures at the Office of the Protective Commissioner
- Compliance Review of *A New Tax System (Goods and Services) Act 1999*



- Compliance Review of Commercial Activities in Universities in New South Wales
- Compliance Review of Credit Card Usage in Universities in New South Wales
- Compliance Review of Donations and Bequests
- Compliance Review of Procurement Practices
- Compliance Review of the *Public Authorities (Financial Arrangements) Act 1987* and the Regulation 2000
- Compliance Review of the Use of Government Owned Training/Conference Facilities
- Compliance Review on Aspects of the *State Records Act 1998*

These reports can be found in the Auditor-General's Report to Parliament Volumes Five and Six for 2002 and Volume Two for 2003.

Special reviews

Special reviews examine a special issue, typically within a single agency, and often at the request of an external party.

Compliance Reviews reported in an Auditor-General's Reports to Parliament during 2002-03 included:

- Review of Nepean Hospital Emergency Status
- Review of Sydney Water's Customer Information Billing System (CIBS)
- Review of the Transport Co-ordination Authority's Accreditation and Contract Management of Buses

These reports can be found in the Auditor-General's Report to Parliament Volumes One and Two for 2003.

Audit-related services requested by the Treasurer under s27B(3)(c) of the Act:

- data returns on salaries and wages required for Worker's Compensation Insurance renewals

- data returns or reports to acquit grants provided by the Commonwealth Government and other donors to NSW government agencies
- audit reports required by s24 of the *Charitable Fundraising Act 1991* to NSW
- government agencies that conduct fundraising appeals
- data returns or reports required under Commonwealth/State Agreements
- data returns or reports to acquit Disaster Relief Payments from the Commonwealth
- contract summaries prepared under the 'Working with Government Guidelines' (November 2001)
- special purpose and trust funds for controlled entities of the Department of Health
- financial data returns or reports by universities to the Department of Education, Science and Training as required by Commonwealth funding arrangements and/or agreements
- income from parking stations (Roads and Traffic Authority and Council of the City of Sydney)
- transactions and balances relating to an agreement between the Public Trustee and the IOOF SA Ltd for funeral bonds
- data returns supplied by Pacific Power to Queensland Building Services Authority (Pacific Power International)
- the financial report of the Nippon Fellowship Fund in accordance with an agreement between Macquarie University and the Nippon Foundation
- Commonwealth monies expended on the National Firearms program
- Council of the City of Sydney financial reports

four

Four — Work Undertaken for External Committees and Panels**Appearances before Parliamentary committees**

22/10/02	Public Accounts Committee Review of Reporting Requirements for Small Agencies
23/10/02	Parliament of Victoria Public Accounts and Estimates Committee — Inquiry into Private Investment in Public Infrastructure
24/10/02	Public Accounts Committee Inquiry into State Forests' Customer Trading Practices Public Accounts Committee Inquiry into the Office of State Revenue's First Home Owner Grant Scheme Public Accounts Committee Inquiry into the Aboriginal Land Council's Mortgage Loan Investment Scheme
30/5/03	Assistance given to the Public Bodies Review Committee Inquiry into Corporate Governance
25/6/03	Parliament of Victoria Drugs and Crime Prevention Committee

Service on other committees

During the year, staff of the Audit Office were members of the following Committees, panels or working parties. The total time involved during the year was approximately 66 days.

Bob Sendt	Australasian Council of Auditors-General Australian Auditing and Assurance Standards Board CPA Australia NSW Division — Nominations Committee
Tony Whitfield	Institute of Chartered Accountants in Australia — NSW Council Institute of Chartered Accountants in Australia — Audit Advisory Committee
Lee White	Institute of Chartered Accountants in Australia — NSW Accounting and Auditing Panel Institute of Chartered Accountants in Australia — National CPE Accounting and Assurance Advisory Panel Institute of Chartered Accountants in Australia — NSW Council
Eric Lumley	Office of State Revenue — Hardship Review Panel
Tom Jambrich	Ombudsman — Protected Disclosures Steering Committee Standards Australia International Limited — MB/4 Business Governance Committee
Stephen Horne	Corruption Prevention Network Committee Corruption Prevention Network — Strategic Alliances Subcommittee Institute of Internal Auditors — NSW Branch Council Institute of Internal Auditors — Audit Executives Network Subcommittee Institute of Internal Auditors — Marketing Subcommittee Institute of Internal Auditors — Government Auditors Subcommittee National Electronic Commerce Coordinating Council (USA) E-Procurement Work Group
Steve Fryer	Institute of Chartered Accountants in Australia — Research Group CPA Australia — CPA Program — Financial Reporting and Disclosure Panel CPA Australia — CPA Program — Financial Accounting Panel



Keith Brown	Crown Land Valuation Committee Casino Safety Net Committee
David Jones	Department of Local Government Accounting Advisory Committee Sydney City Council — Street Safety Camera Project Audit Committee
Ron Hegarty	Joint Legislative Review Committee (between ICAA and CPA Australia)
Steve McLeod	CPA Australia — Public Sector Committee

five

Five — External Presentations

Title of Presentation	Presenter	Date	Audience
Accounting for Performance: Getting There or Gridlocked?	Bob Sendt	7/8/02	Senior Management, Roads and Traffic Authority
Problems Identified in NSW Universities	Tom Jambrich	21/8/02	ICAC Seminar
Corporate Governance	Tom Jambrich	23/8/02	CPA Australia Far North Queensland Branch
The Role of the New South Wales Audit Office	Bob Sendt	27/8/02	Kenyan Public Accounts Committee Delegation
Corporate Governance in the Public Sector	Bob Sendt	10/9/02	Australian Stock Exchange
Challenging Your Ethics Gyroscope	Stephen Horne & Chis Payoe	12/9/02	Corruption Prevention Network Conference
Role of NSW Audit Office	Lee White	23/10/02	Limpopo Legislature (Africa)
Managing Clients	Jane Tebbatt, Chris Bowdler & Tiffany Blackett	29/10/02	Performance Audit Workshop
Performance Audit Workshop	Stephen Horne	4-15/11/02	SPASAI Regional Institutional Strengthening Program, Samoa
Audit and Accountability Arrangements in NSW	Andrew Grice & Scott Stanton	11/11/02	Delegation of Chinese auditors
Managing Risk in the NSW Public Sector	Tom Jambrich	13/11/02	NSW Government Risk Management Forum
Public Sector Corporate Governance	Bob Sendt	26/11/02	CPA Public Sector Day

Title of Presentation	Presenter	Date	Audience
Performance Audit Workshop	Stephen Horne	2-6/12/02	SPASAI Regional Institutional Strengthening Program, Samoa
Public Sector Corporate Governance	Bob Sendt	11/12/02	PricewaterhouseCoopers Breakfast Seminar
Protected Disclosures	Tom Jambrich	12/12/02	State Rail Authority, Audit & Investigations Unit
Protecting the Public Interest in the 21st Century	Bob Sendt	3/2/03	Australasian Council of Public Accounts Committees
Implementing E-Government	Stephen Horne	14/3/03	ACAG Member Offices Auditing Best Practice Forum
Electronic Procurement of Hospital Supplies NSW Public Health System	Henriette Zeitoun	21/3/03	Patient Care Technology Group Annual Conference
The Role of the Auditor-General and the Audit Office	Tony Whitfield	9/4/03	Delegation of Indonesian Supreme Court Justices
Review Methodologies: Performance Auditing	Stephen Horne	10/4/03	IPAA Performance Improvement Special Interest Group
Role of the Audit Office	Bola Oyetunji	15/4/03	Attorney General's Department Business Unit Managers and Finance Officers
Corporate Governance: How to Make it Work	Stephen Horne	23/5/03	Local Government Internal Auditors Network Conference
Practice Issues Arising from the Performance Audit of the Ovine Johne's Disease Program	Chris Bowdler	11/6/03	Australasian Evaluation Society, NSW Regional Group
Integrating Corporate Governance into Agencies' Planning and Management	Bob Sendt	12/6/03	International Quality & Productivity Centre Conference



six

Six — Publications

Auditor-General's Reports to Parliament — Performance Audits

NSW Police and Department of Corrective Services	Managing Sick Leave	23 July 2002
Department of Land and Water Conservation	Regulating the Clearing of Native Vegetation	20 August 2002
E-government	Electronic Procurement of Hospital Supplies	25 September 2002
NSW Public Sector	Outsourcing Information Technology	23 October 2002
Ministry for the Arts, Department of Community Services, Department of Sport and Recreation	Managing Grants	4 December 2002
Department of Health including Area Health Services and Hospitals	Managing Hospital Waste	10 December 2002
State Rail Authority	CityRail Passenger Security	12 February 2003
Department of Sustainable Natural Resources, Environment Protection Authority	Protecting Our Rivers	7 May 2003
Department of Education and Training	Managing Teacher Performance	14 May 2003
NSW Police	The Police Assistance Line	5 June 2003
State Rail Authority	The Millennium Train Project	17 June 2003

Auditor-General's Reports to Parliament — Financial Audits

2002	Volume 4	31 October 2002
	Volume 5	18 November 2002
	Volume 6	12 December 2002
2003	Volume 1	1 May 2003
	Volume 2	29 May 2003

Auditor-General's Reports to Parliament — Protected Disclosures

Investigations Under the <i>Protected Disclosures Act 1994</i>	6 March 2003
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The Audit Office also produced an annual report, 11 editions of a technical information bulletin called 'Awareness' and 1 edition of 'Professional Update'.

seven

Seven — Equal Employment Opportunity Statistics**Table 1: Percent (%) of Total Staff* by Level**

Level	Staff Nos.	(i)	(ii)	(iii)	(iv)	(v)	(vi)	(vii)
\$22,025-40,994 (GS Clerk — Grade 2)	59	46	54	—	45	35	5	—
\$42,157-\$54,910 (Grade 3-6)	60	50	50	—	43	25	8	2
\$56,554-\$62,601 (Grade 7-8)	43	56	44	—	51	45	7	—
\$64,446-86,231 (Grade 9-12)	51	84	16	—	25	21	4	2
>\$86,231 (non-SES)	4	100	—	—	66	66	—	—
>\$83,868 (SES)	22	86	14	—	32	23	9	—
Total	<u>239</u>							

Table 2: Percent (%) of Total Staff* by Employment Basis

Employment Basis	Staff Nos.	(i)	(ii)	(iii)	(iv)	(v)	(vi)	(vii)
Permanent full time	198	63	37	—	41	32	5	1
Permanent part-time	10	—	100	—	40	30	30	—
Temporary full time	9	44	56	—	44	22	—	—
SES	22	86	14	—	32	23	9	—
Total	<u>239</u>							

*excludes contract staff employed through agencies

- (i) Men
- (ii) Women
- (iii) Aboriginal and Torres Strait Islander
- (iv) People from racial, ethnic, ethno-religious minority groups
- (v) People whose first language spoken as a child was not English
- (vi) People with a disability
- (vii) People with a disability requiring adjustment at work

Note: Figures in these tables relate to staff numbers on a headcount basis at 30 June 2003. Elsewhere in this report, average EFT staff numbers for the year are used.

eight

Eight — Ethnic Affairs Priorities Statement (EAPS)

The Office's activities are centred on providing services to Parliament and government agencies, not directly to members of the public. Therefore the Office has little capacity to address EAPS issues.

The Office respects the rights of Australian citizens and residents who wish to become citizens to seek employment from advertised vacancies in the Office. Our employment record is evidence of our support of cultural diversity.

Commitment by the Office is reflected by the number of staff appointed from racial, ethnic and ethno-religious groups.

Disability Action Plan

The Audit Office Disability Plan continues to meet the need of people with a disability both as employees and clients by:

- ensuring access for staff with a disability to Head Office premises and the premises they need to visit in the course of their duties
- ensuring access to information about services of the Audit Office
- improving employment opportunities at the Audit office for people with a disability.



nine

Nine — Accounts Payable Performance**Aged Analysis at the End of Each Quarter**

	Within due time \$	Less than 30 days overdue \$	Between 30 & 60 days overdue \$	Between 60 & 90 days overdue \$	More than 90 days overdue \$
September quarter	337,138	6,478	—	—	—
December quarter	8,342	324	—	—	—
March quarter	—	—	—	—	—
June quarter	227,344	—	—	—	—

Accounts Paid on Time Each Quarter

	Total Accounts Paid on Time			Total Amount Paid
	Target %	Actual %	\$	
September quarter	100	93	3,116,261	3,354,836
December quarter	100	100	3,242,910	3,249,952
March quarter	100	100	2,180,579	2,187,990
June quarter	100	99	3,059,747	3,095,577



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Report production details

600 printed copies of this report have been produced. The report is also available on our website and on CD-ROM.

Total external costs were \$29,500 and included editorial and design support, printing and CD-ROM production.



Peter Coulogeorgiou
Audit Manager



Karina Fleming
Auditor

The **impact** of our work comes from our
ability to inform and influence others.

We are working towards our vision of being
recognised as a **centre of excellence** in auditing.



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