



BOX 12, G.P.O.
SYDNEY, N.S.W. 2001

The Honourable the Speaker
of the Legislative Assembly

Dear Mr Speaker

In compliance with Section 52A(1) of the Public Finance and Audit Act 1983, I present to you for transmission to the Legislative Assembly my Statutory Report in terms of Section 52(1) of the Act as part of Volume Two of my 1989 Report. The Report contains both general and specific comment on the Treasurer's Public Accounts, and on a number of the State's statutory bodies. Certain special observations are also included.

Further, the Annual Report of the Auditor-General's Office is herewith.

Yours faithfully

A handwritten signature in dark ink, appearing to read "K.J. Robson".

K.J. ROBSON, FASA CPA
AUDITOR-GENERAL OF NEW SOUTH WALES

SYDNEY
21 September 1989

1989



Report of the Auditor – General

under the Public Finance & Audit Act 1983

Volume Two

Statutory Report on the
Treasurer's Public Accounts for 1988–89
and Other Reviews

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INTRODUCTION

As auditor of the accounts of the New South Wales Government, I have conducted such examinations and enquiries as I considered necessary to allow me to report as required by the Public Finance and Audit Act 1983, which sets out the principal functions and responsibilities of the Auditor-General. In terms of the Act, the Auditor-General's function is one of reporting: he does not have the power or executive responsibility to correct any shortcomings in systems or controls through his own actions.

This is my second Report to Parliament this year and is presented in compliance with Section 52(1) of the Public Finance and Audit Act; the first Report was laid before Parliament on 9 May 1989.

This Volume comprises my Statutory Report and mainly covers the review of the Treasurer's Public Accounts, inner Budget Departments and statutory bodies which have a significant bearing on the Budget, namely the State Rail Authority, the State Transit Authority, New South Wales Treasury Corporation and the New South Wales Capital Works Financing Corporation. In the interests of timely reporting, I have also included comment on the operations of statutory bodies with a balance date up to 31 May 1989. Reviews of the remainder of the statutory bodies will be included in my third Report which will be tabled in the Second Session.

The Annual Report of the Auditor-General's Office accompanies this Volume.

In Volume Two of my 1988 Report, which was ordered to be printed on 15 September 1988, I made reference to the comprehensive auditing concept which fosters a greater degree of accountability than the normal attest and compliance audit. This Report includes as Section One the results of some of the broader scope work completed during the year, but unfortunately I have not been in a position to undertake comprehensive reviews to the extent I feel necessary or desirable. The simple reason is that I have insufficient resources to undertake such activities. I am currently addressing this issue.

Effective from 1 July 1988, the Auditor-General's Office was taken off Budget (a move that had my full support) and all costs associated with the Office are met from income generated from fees. The fees payable by auditees are confined to the attest and compliance audit, as it seems to me to be inappropriate to charge individual organisations with the costs of comprehensive reviews.

At the present time I am contracting in private sector auditors to undertake 13 per cent of my attest work. An increase in contract work is not the answer to broadening the audit scope as costs of contractors need to be met from audit fees.

I am pleased to be able to say that the Government has decided for fiscal 1988-89 to prepare a consolidated balance sheet, a move which I recommended to the Treasurer in April 1988. Further positive action has been taken to introduce commercial accrual accounting over the whole spectrum of Government. This is another issue which I have been pursuing for several years.

A Report by the Joint Committee of Public Accounts on an inquiry into the role and conduct of the Australian Audit Office was tabled in the Federal Parliament in March 1989. The Report contained 78 recommendations for reform and emphasised the need for a strong and independent Auditor-General adequately resourced to provide auditing services to Parliament. Some of the issues raised in the Report have already been addressed in New South Wales, while some were not relevant to this State. Others which I perceive as major initiatives would, for the most part, if adopted in New South Wales, strengthen my Office and benefit Parliament and the people in this State. Later in this Report under the heading "Accountability" I have made comment on the pertinent recommendations.

In this Report I have continued the policy of including, where appropriate, relevant details of selective recommendations made by my Office to the management of audited organisations. With this type of reporting, it is inevitable that some – particularly those who feel wounded by the factual comment – may challenge the inclusion of particular comments. Where appropriate and foreseeable, auditees' responses have been included.

It is important to keep in mind that while an Auditor-General will draw the attention of management to any perception of poor performance, the Auditor-General's responsibility is to Parliament and (through those representatives) to the people of the State. It is for Parliament then to judge and guide by expressing its views.

Over past years issues have been taken up by audit with departments and statutory bodies where controls have failed and, by and large, positive remedial action has been taken. I regard the financial accountability of the State as generally satisfactory and I have noticed a general improvement in the form and content of financial statements submitted to me for audit.

The Australian Area Auditors-General Meeting held in March 1989 broke new ground in the issue of a statement unanimously agreed by all participants. The statement reaffirmed views previously expressed of the accountability process and that legislative auditors are an integral part of the checks and balances of Westminster type systems of Parliament. Public sector accountability was the subject of much detail in my Report last year. In this Report under the heading "Accountability" I have again referred to several important issues.

Acknowledgment

I would like to place on record my gratitude for the dedicated efforts of the staff of the Auditor-General's Office. Once again they have shown a willingness to work to extremely tight timeframes.

The setting up of this Report, which apart from the actual printing and binding, is produced "in-house", would not be possible without the efforts of all sections of the Office.

In addition to their normal audit workloads, my officers have provided considerable assistance to departments and statutory bodies through suggestions and guidance in the preparation of their financial statements and in improving financial systems. For the most part, harmonious relations have existed with auditees throughout the year and I wish to acknowledge the co-operation and assistance that my officers received at organisations during the conduct of the audits.

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Section One

Special Project Audits and Reviews

SPECIAL PROJECT AUDITS AND REVIEWS

As mentioned in the Introduction to the Report, I continued my policy of giving additional attention to areas which were of significant interest. This was achieved by identifying areas of higher materiality and risk, and redirecting resources, to the extent possible, into the broader scope audits and reviews.

Most of the information contained in this Section of my Report concerns general observations and recommendations. Comment covers the following Special Projects and Reviews:

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CROWN LANDS HOMESITES OPERATIONS

Crown Lands Homesites Operations in the Sydney, Hunter and Illawarra Regions have been under the administration of the New South Wales Land and Housing Corporation (Department of Housing) since January 1986 when the Land Commission was amalgamated with the former Housing Commission. Crown Land is appropriated by the Minister for Housing for homesites after obtaining the consent of the Minister for Lands and following a feasibility study by the New South Wales Land and Housing Corporation into the economic viability and suitability of the land for residential development.

The extent of business is illustrated by Crown Lands Homesites sales figures over the previous five years:

| Year Ended | \$m |
|---------------|------|
| 30 June 1989 | 48.3 |
| 30 June 1988 | 40.0 |
| 30 June 1987 | 20.4 |
| 30 June 1986 | 27.4 |
| 30 June 1985 | 26.4 |

All receipts and payments are operated through a bank account styled Department of Housing Landcom Crown Lands Account. In the financial year to 30 June 1989, receipts from Crown Land Sales totalled \$48.3m and payments were \$47.1m including a remittance of \$35m from surplus funds to Treasury. The Corporation charges an administration fee for administering Crown Lands Homesites Operations (\$1.5m in 1988-89).

Crown Lands Operations in the remainder of the State are controlled by the Department of Lands.

Purpose of Audit Review

My suggestions to the Corporation and the Treasurer in reports for the years 1985-86, 1986-87 and 1987-88 that improvement was needed in the reporting and accountability of Crown Lands Homesites Operations have not been acted on. I decided therefore to extend the scope of the audit and to include comment on these questions and other matters related to those operations in this Report.

The review was primarily conducted to:

- * determine the options available for external reporting;
- * assess the feasibility of preparing financial statements on an accrual basis;
- * identify internal control weaknesses in accounting systems.

Summary of Major Findings

* Accountability

Before March 1984 the Department of Lands (through the Crown Lands Homesites Division) was responsible for the production and marketing of all Crown Lands.

From March 1984 the responsibility for production and marketing of Crown Lands homesites in the Sydney, Hunter and Illawarra Regions was transferred to the former Land Commission (Landcom). Landcom reported the operations of Crown Lands on a cash basis in a note to its financial statements.

From January 1986 Landcom was amalgamated with the Housing Commission to form the Department of Housing (NSW Land and Housing Corporation). The Corporation included in the balance sheet at 30 June 1986 the net Crown Lands bank balance as a contra item under both current assets and current liabilities supported by a note summarising the cash receipts and payments from 1 January to 30 June 1986. Subsequently the Department decided not to report the Crown Lands operations from 1986-87 as it concluded that it did not have control of the funds in the Crown Lands bank account.

There has been much discussion and correspondence produced, initially between Landcom and the Treasury, and since 1987 between NSW Land and Housing Corporation (Department of Housing) and Treasury on the accounting and financial arrangements of the Crown Lands homesites production and marketing activities, but without any definite outcome on the reporting of the operations.

The situation is that over the past three financial periods some \$108m in revenue from the sale of Crown Lands and \$29m in expenditure has not been publicly reported, i.e., the transactions have not been included in the financial statements published in an Annual Report of any Department or Statutory Body. The only public reporting has been limited to comment in my Reports to Parliament.

My concern over the lack of public financial accountability has been drawn to the attention of the Corporation and the Treasurer over the past two years.

*** Feasibility of Reporting on an Accrual Basis**

Irrespective of public reporting, the review produced no valid reason why financial statements for Crown Lands Homesites Operations could not be prepared using full accrual accounting. The same accounting and information systems which provide the information for the preparation of the NSW Land and Housing Corporation's financial statements currently also provide information for the Crown Lands operations. It seems to me therefore, that the adoption of accrual accounting should cause little difficulty.

My views on the benefits of accrual accounting have been set out extensively in earlier Reports so I need not repeat them in this commentary.

*** Possible loss of revenue due to slow settlement of land sales**

A review of the Corporation's records disclosed a number of cases where payments for land sales were delayed well beyond the settlement date. For example, the Crown Lands Sales Activity Report showed at the time of the audit that six of the sales totalling \$192,350 were outstanding for periods ranging from 205 days to 869 days past settlement date. While there could be valid explanations to cover short delays, the audit evidence suggested that the Corporation had not finalised the outstanding Crown Lands contracts under its administration within a reasonable time span.

At the same time audit tests cast doubt on the accuracy of some aspects of the Sales Activity Report. The report is not updated from the initial input to accommodate changes in circumstances of the land sale, e.g., extensions for settlements are not updated. As an aid to management information the Report is therefore limited.

Evidence of settlement delays has also come under notice for land sales by the New South Wales Land and Housing Corporation. This fact has emerged as part of an audit review currently in progress for a project titled Sale of Homesites.

*** Internal Control Deficiencies**

Clerical functions are generally performed by one person, a casual employee recruited through an employment agency who, I understand, is not subject to the usual supervisory controls. Bank reconciliations are prepared monthly by the casual employee but are not subject to check. The lack of segregation of duties in the present system could allow mistaken recording of income and expenditure to go undetected and the loss of funds through incorrect or fraudulent payments.

Response to Audit Review Report of 23 June 1989

A report on this review was issued to the Director of Housing and the Treasurer on 23 June 1989. The Treasurer's response of 20 July 1989 stated the Corporation was expected to forward a submission to the Treasury in the near future. The Corporation's response of 15 August 1989 stated, among other things:

"As you are aware, discussions and correspondence between representatives of the Treasury, Department of Lands, Land Commission of N.S.W. and now the Department of Housing have been continuing since its transfer to the Land Commission in March 1984 but without any satisfactory solution. Lately, in July, the Minister again wrote to the Premier concerning the same problems and their possible solutions."

No further reply has been received at this stage.

Recommendations

The Crown Lands Homesites Operations represents a large State business enterprise which should be brought under the umbrella of one organisation. Such operations should be reported using commercial accrual accounting to provide a meaningful operating result and to disclose clearly the Operations' assets and liabilities. An Annual Report of the operations should be of benefit to the Parliamentarians and taxpayers of New South Wales.

My preference would be for the Crown Lands Homesites Operations to be made fully and clearly the responsibility of the NSW Land and Housing Corporation with the financial operations being integrated and reported with those of the Corporation. Other methods which could be beneficial to the proper management of these resources should be considered, but it is clear that public accountability needs to be improved.

My review detected what I consider to be serious deficiencies in internal control over the financial aspects of Crown Lands Homesites Operations. There is a need for control to be improved by the imposition of normal supervision and by segregation of duties. I would suggest that incorporation of the Homesites Operations into the Corporation's systems would substantially improve control over these activities.

DEPARTMENT OF HEALTH DIRECTORATE OF DRUG OFFENSIVE – GRANTS TO VARIOUS AGENCIES

The Drug Offensive Act 1987 abolished the former Drug and Alcohol Authority from 30 September 1987 and established the Directorate of the Drug Offensive within the Department of Health to administer drug and alcohol programs. The Directorate is responsible to identify and recommend for the Minister for Health's approval the amounts and recipients of grants for activities related to drug and alcohol programs. Grants are made on an annual basis to cover a financial year 1 July to 30 June. The total amount approved for 1988–89 was \$15.6m.

REASONS FOR AUDIT REVIEW

In a report to the Treasurer and Minister for Health of 12 January 1987 on the former Drug and Alcohol Authority I expressed the opinion that it would be very desirable for appraisals to be carried out of the effectiveness and efficiency with which grant moneys are expended by recipient organisations.

As my earlier suggestion was apparently not acted upon, a limited audit review was scheduled for the 1988–89 period. The Commission of Audit's 1988 Report "Focus on Reform" also contained some criticisms and recommendations in relation to the Health Department's administration of grants.

SCOPE OF THE REVIEW

The audit review was directed solely at financial matters and in no way attempted to assess the appropriateness of the services provided by the recipients of grants.

The audit review was performed at the Directorate of Drug Offensive at Head Office of the Department of Health and consisted generally of review of Departmental files and discussion and correspondence with Departmental officials.

The Director-General of the Department was furnished on 11 July 1989 with the preliminary findings of the review. Extracts from the Department's response have been included in this Report.

CONCLUSION

Even though the audit review was not exhaustive an opinion was formed that the Directorate's control over grant funds used by agencies had not been effective. The Directorate requires certain accounting and auditing information from agencies, but the data is not adequate to enable effective monitoring to ensure that expenditure is made in accordance with grant conditions. Currently professional accounting expertise within the Directorate staff is non-existent. It seems that as long as agencies prepare a budget (usually similar to the previous year) and an audited statement is supplied showing the cash movement of funds, then little other financial enquiry is made.

The fact that the Directorate did not question why interest earnings had not been shown on audited statements (detailed finding 2) nor did it follow up on warning signals that an agency's financial management may have been inadequate, i.e. that funds were missing at one agency (detailed finding 3); supports the opinions in the previous paragraph. These are indicators that once funds leave the Directorate the agencies' spending is subject to little examination by the Directorate.

In many cases grants have been continued over a number of years. Some of these may not be fully justified upon closer scrutiny. This aspect was not addressed in the audit but I would think that an examination of regularly recurring grants would be worthwhile. I note also that the number of agencies has mushroomed over the years. It may be that there is a need to review and possibly consolidate smaller agencies into larger multi-purpose organisations.

The Minister for Health issued a Media Release on 28 February 1989 which announced details of a review into the funding of non-government organisations by the Department. The Review was headed by Dr D Horvath who was to look into, among other things, the financial and administrative arrangements within the Department and to set procedures in place that would allow the people of New South Wales to be confident that value was being received for money spent in this important area of community activity. I understand that the report, although completed, has not yet been released. The Office of Public Management is currently conducting a wide ranging review of the Department of Health and I have been informed that the Directorate is to be included in that review.

A briefing on the main recommendations of the Horvath Report was given by a departmental officer to two of my senior officers and I appreciate that courtesy. It seems that most of my concerns set out in this Report are covered by recommendations in the Horvath Report and I would urge that action on the Horvath Report be taken as soon as practicable. Nevertheless, whether the Horvath recommendations or some others are implemented, the outcome should include ensuring that funded agencies are held fully accountable to use grants effectively in achieving the objectives for which the funding was provided. If it is seen that it is necessary to carry out what may be termed "field audits" of agencies, I would be pleased to co-operate by providing assistance with accounting and auditing matters.

DETAILED FINDINGS

1. Annual Funding

1.1 Audit Observations

Ministerially approved allocations for 1988–89 were not advised to the recipients until 10 March 1989. The late advice created a situation whereby the approved amount and the conditions of grants were not officially known to the recipients until a considerable part of the period had elapsed and a substantial portion of the grant moneys had been expended.

Departmental Response

An operational timetable provided included the fact that recommendations are submitted to the Minister for grants after the State Budget has been determined. Applicants for grants are usually advised of outcome of application, subsequent to assessment and Ministerial approval, in October/November.

Audit Comment

The advice to organisations of grant approval on 10 March 1989 for the 1988–89 year is too late to allow recipients to effectively plan the use of funds and to enable the Directorate to implement a workable accountability process. The possibility exists that the late advice could engender either of two undesirable outcomes. The first is that potential recipients will spend funds in anticipation of receipt of grants which eventually are not approved. Secondly, the organisation may restrict or eliminate spending until approvals are received, thereby depriving the needy of valuable community services for lengthy periods.

Audit Recommendation

Consideration should be given to providing grants to cover a calendar year rather than the July–June year as at present. This will allow approximately three months after the State Budget for the grant recommendation and approval process to take place before the recipient organisation's grant year begins. Adoption of this recommendation should substantially eliminate the possibility of the undesirable outcomes described earlier.

2. Funds Management

2.1 Audit Observations

The audited financial statements submitted by grant recipients to the Directorate are required to show the addition of any interest earned on grant moneys. The interest is to be used for the purpose the grants were made. A number of agencies did not show any interest earned in the financial statements for the period ended 30 June 1988. Funds involved can be substantial.

Departmental Response

Comment concerning the desirability to require organisations to adopt a funds management strategy to ensure the maximum benefit is gained from current interest rates is noted. The audited financial statement return for the 1988-89 period specifically requests information on interest earned from income.

Audit Comment

Based on the value of grants made, it would be expected that with reasonable management each of these organisations would have earned some interest. Conclusions could be reached that either interest earnings have been diverted to other purposes or through poor management no interest has been earned.

Audit Recommendation

The Directorate should issue clear instructions related to interest earnings and should implement supervisory controls to ensure agencies gain the maximum benefit from grant funds.

3. Cash Shortfall at a Funded Agency

3.1 Audit Observations

During the conduct of the audit review it came to notice that there had been no immediate action taken by the Directorate on a report from private auditors in June 1988 which drew attention to a cash shortfall of \$19,718 in resident fees at associated houses of a funded agency.

Departmental Response

The cash shortfall of \$19,718 refers to income derived from contributions made by residents. The Directorate has no direct control over the administration of income derived from sources other than Government funds. However, the Directorate has been concerned about the administration of the grant provided. Consequently the agency has been directed to undertake a comprehensive audit of its activities in accordance with guidelines specified by the Directorate.

The Directorate issued a letter of 2 August 1989 requiring the management of the centre to engage a registered public accountant to carry out its request.

Audit Comment

Although the Directorate has no powers over agencies except in relation to funds provided by the Department, it would seem desirable that any information received which could give indications that an agency's internal controls, management integrity, resources etc may be inadequate, should lead to prompt action by the Directorate. This incident, with action taking place more than a year after the auditor's report was received, does not provide confidence that the Directorate takes prompt action when necessary.

Audit Recommendation

There appears to be a necessity for the Directorate to closely examine its procedures to ensure that there is a quick appropriate response whenever information comes to hand which could indicate that an agency's control or management may have deteriorated.

4. Financial Accountability

Audit Observation

The present format of cash accounting provides inadequate disclosure of operating costs and income, and does not fully recognise the assets and liabilities of agencies. A requirement to use accrual accounting would assist in improving disclosure and would be also be beneficial in aiding control over assets purchased from grants. The Directorate does not have a master list of assets provided over the years to recipient organisations and agency financial statements do not provide such information.

4.1 Departmental Response

The Directorate supports a move to conventional accrual accounting. It must be acknowledged that different organisations have implemented differing accounting systems. The Directorate would encourage accrual accounting, however any direction would need to be consistent with the policy determined by the Department of Health for the funding and accountability of organisations (currently under review).

Audit Comment and Recommendation

It is pleasing that the Directorate supports a move to conventional accrual accounting and my recommendation is that the Department's review of funding and accountability should be expedited.

SUBSIDIARY COMPANIES ESTABLISHED BY UNIVERSITIES

Introduction

Volume One of my 1989 Report to Parliament mentioned that I had established a special audit project in respect of subsidiary companies of Universities. That Report raised a number of issues of concern and stated that the project was not completed.

The project has now been finalised and detailed comment on each University and its subsidiary companies is included in this review.

The aims of the project were to determine whether:

- * the establishment of such companies;
- * the operations of such companies and
- * the reporting arrangements in respect of such companies

are consistent with good public sector financial management.

The Public Finance and Audit Act 1983 and the Companies (N.S.W.) Code set out the accounting and reporting requirements applicable to subsidiary companies. The Public Finance and Audit Act 1983 also appoints me as the auditor for these companies.

In recent times some companies have been formed as a result of Universities being encouraged by the State and Commonwealth Governments to collaborate with industry. The companies have been created as an avenue for Universities to increase their contribution to research and development and for the transfer of knowledge and innovation to industry.

It should be acknowledged that while some Universities have created subsidiary companies to conduct particular activities, with separate accounting and management requirements, other Universities have not. Instead they have opted to include the activities as part of general University operations and so they (the activities) are not subject to the requirements of the Companies (N.S.W.) Code, or as obviously accountable for subsidies and operations as Universities that have done so.

The companies that became subsidiaries of Universities as a result of the recent amalgamations and networking of Higher Education Institutions are not considered in this Report.

Since the tabling of Volume One of my 1989 Report to Parliament four more subsidiary companies have been established or are in the process of being established by various Universities.

ESTABLISHMENT OF SUBSIDIARIES

Power to Establish Subsidiaries

At the date of my previous Report the power of Universities to establish subsidiary companies was not usually specifically stated in the Universities' enabling legislation. Since that date new Acts for all the Universities which will specifically empower each University to establish subsidiary companies to promote its objects and interests have passed through Parliament. At present only the new Act for the University of New England has been proclaimed.

The use of any power to create subsidiary companies should be directly related to the functions of the University concerned, as defined in the University's Act. However, as detailed in the comments on individual companies included later in this review, Universities have established subsidiary companies with objects not related to these functions.

Powers of the Subsidiaries Themselves

In Volume One of my 1989 Report I raised the issue of subsidiary companies having objects and powers wider than those with which the parent body has been charged. This situation gives rise to the possibility that a University, through its subsidiary, could operate in areas or perform actions not intended or permitted by its governing legislation.

The comment on individual University subsidiary companies hereunder includes mention of instances where a company, through its memorandum, is empowered to operate in a way in which its parent University is not. This comment is based on the current Acts in force for each University. As all Universities will have new legislation encouraging activities of the kind reviewed in this Report, where appropriate, comment is included on the new legislation.

The new legislation in relation to each University, referred to above, broadens the University's functions and powers. In most cases this brings the objects of subsidiary companies, which were previously outside the functions and powers of the parent University, within those of the University. Nevertheless if Universities do not take appropriate steps to control the operations of their subsidiaries similar situations to those described in this review could still occur.

Further, in recent years changes to the law in regard to companies has meant that a limitation on a company's powers contained in its memorandum does not effectively prevent the company from exceeding that limitation. Instances have been identified of companies recently incorporated by Universities where no attempt has been made to restrict their powers and some no longer even state the objects which the company is intended to achieve. This situation makes it even more important that their operations be controlled by the parent organisation and subjected to Parliamentary review.

UNIVERSITY OF NEW SOUTH WALES

The University of New South Wales has the longest established subsidiary company and has been active in this area over many years. The companies it controls fall broadly into two areas: (i) internally oriented, i.e. set up to conduct a particular aspect of the University's activities on a convenient accountable basis, and (ii) externally orientated, i.e. set up to extend the University's profile in commercial and professional areas and to compete directly in the market place.

The University has treated the formation of each subsidiary company on an individual basis and the policies of the University towards each company vary considerably. Some subsidiary companies receive extensive support from the University in the form of rent free office space, and subsidised costs and some receive very little. Generally the major areas of support are detailed in the individual companies' financial statements, but not in those of the University. The University is progressively reviewing the financial arrangements pertaining to its subsidiary companies.

The University is prevented by its enabling legislation from leasing any of its real property for a period of more than 21 years without the approval of the Minister, and the highest obtainable rent must be charged for any lease. The University allows its subsidiary companies to occupy its Office space etc but does not enter into leases with them, and rent is either not charged or is not at market rates.

The 1988 annual report of the University contains reference to each operating subsidiary company, but the only financial information included is the last reported operating profit. The University has an exemption from preparing consolidated financial statements.

Unisearch Limited

Overview

The Company was incorporated in 1959 to provide a commercial interface between the University and Industry, Commerce, Government and the professions. It operates throughout Australia and overseas providing consulting services, undertaking contract research and developing and conducting training programs. It is also responsible for the exploitation of inventions arising out of the research work of the University.

Financial Position

Unisearch reported an operating profit at 31 March 1989 of \$637,891 (1988 \$2.4m) prior to making a donation to the University of \$1.8m (1988 \$1.1m). The Company had retained earnings of \$4.8m (1988 \$6.0m) at that date.

Relationship with University

Unisearch head office operates out of a building owned by the University which was purchased from funds mostly provided by Unisearch, on the understanding that the Company could occupy the building rent free. Unisearch utilises University staff and facilities on a full payment basis on the whole and most Unisearch staff are on secondment from the University, which recoups all salary costs.

Objects and Powers

The objects of Unisearch, as outlined in its memorandum, fall within the functions of the University. However, the Company has unlimited power to invest surplus funds and to deal in land while the University's power in these areas is limited by its Act. Unisearch has not exceeded the limitations of the University and has a policy of restricting its investments to those available to the University.

Reporting

Unisearch produces an annual report detailing its objectives and operations and including the certified financial statements. The report is presented to the University Council and distributed among interested parties.

The Kensington Colleges

Overview

The Company was formed in 1959 to provide better administration in respect of residential accommodation for students of the University. The Company manages and maintains three residential colleges on the University's campus. The main items of income are accommodation fees and income from courses and conferences organised by the Company.

Financial Position

The Company recorded a surplus of \$415,533 (1987 \$137,405) for the year ended 31 December 1988 and had retained earnings of \$1.3m (1987 \$873,786) as at that date, including reserves of \$1.2m (1987 \$767,050).

Relationship with University

The University owns the buildings and fixtures used by the Company and an occupancy charge of \$28,000 per annum is paid to the University. This charge has remained unaltered since 1967. The University pays the charge into a Kensington Colleges Building Development account and the Company can then with approval of the University draw on this account for building maintenance etc.

Objects and Powers

The objects of the Company fall within the function of the University, but the Company has broader powers of investment, borrowing and dealing in real property. At the same time, the Company does not appear to have exercised powers over and above those restricted to the University.

Reporting

The Company prepares an annual report which is distributed to members and other interested parties.

The University of New South Wales International House Limited

Overview

The Company was incorporated in 1964 to establish, maintain, control and administer a residential college of the University. It operates on a very similar basis to The Kensington Colleges.

Financial Position

For the financial year ended 31 December 1988 the Company reported a surplus of \$41,273 (1987 \$65,848). Retained earnings totalled \$728,157 at that date (1987 \$686,884), including \$511,753 in reserves (1987 \$451,921).

Relationship with University

As with The Kensington Colleges, the University owns the land and building used by the Company and charged the Company \$21,798 rent for the year (1987 \$14,868).

Objects and Powers

The objects and powers of the Company are within those of the University except in the areas of investment, borrowing and dealing in real property, although it has not acted outside the powers of the University.

Reporting

While the Company meets the reporting requirements of the Companies (N.S.W.) Code, it does not produce an annual report.

The New South Wales University Press Limited (Unipress)

Overview

The Company was formed in 1961 to carry out the publication and sale of educational materials to serve the needs of the University and other educational institutions. It also operates a shop in Sydney Technical College.

Financial Position

Unipress made an operating profit for the year ended 30 June 1988 of \$323,284 (1987 \$290,004), and at that date retained earnings totalled \$1.7m (1987 \$1.4m). Over a period of five years the Company has built its accumulated funds from \$721,810 to \$1.7m. No contributions from profits have been made to the University during this five year period.

Relationship with University

Some accommodation and utility costs are met by the University, including the head office and warehouse site of the Company which are owned by the University. The directors estimated that a fair market rental of the head office site was \$9,360 for the year ended 30 June 1988 (1987 \$7,500) and that no value could be placed on use of the warehouse site at that time due to its condition. No assessment has been made by the University of the cost to it of other services, eg electricity, provided to the Company free of charge.

Objects and Powers

Unipress has broader powers of investment, borrowing, and dealing in land than the University. These powers do not appear to have been used in a manner that would be seen to subsume those available to the University. The Company has a policy of restricting its investments to those available to the University.

Reporting

A small annual report is produced by the company and distributed to members of the Company and other interested parties.

The Centre for Management Research and Development Limited

Overview

The Company operates to promote and assist the activities of the Australian Graduate School of Management and to further research into management theories and techniques, and provide relevant educational programs. The Australian Graduate School of Management is part of the University of New South Wales. The Company was incorporated in 1982.

Financial Position

At 30 June 1988 the Company's accumulated funds totalled \$96,847 (1987 \$80,275) and the surplus for the year ending on that date was \$16,572 (1987 \$33,526). The Company donated \$16,000 to the University during 1987 and nil in 1988.

Relationship with University

The University charges the Company for the use of its staff and facilities. The company seeks to earn a profit margin on each project undertaken sufficient to cover general non-project expenses and earn a surplus each year. As in the case of Unisearch the Company engages academic staff of the University as project consultants under arrangements including remuneration, which are considered separate from services provided to the University by these staff.

Objects and Powers

The objects and powers of the Company are within those of the University except in the areas of investment and dealing in land. The Company does not appear to have acted outside the powers of the University.

Reporting

While the Company meets the reporting requirements of the Companies (N.S.W.) Code, it does not produce an annual report.

Unicare Insurances Pty Ltd

Overview

The Company was incorporated in 1987 to manage the University's workers' compensation self-insurance liability fund under the terms of a Self-Insurer's Licence granted to the University by the State Compensation Board. While the fund is responsible for workers' compensation payments, any shortfall in the Company's ability to pay would still be the responsibility of the University.

Financial Position

At 31 December 1988, the Company had capital and retained profits of \$202,449 including a fully paid up share capital of \$200,000 beneficially owned by the University, and recorded a profit of \$1,483 for the year then ended.

Relationship with University

The University provides the Company with rent free office space and bears the cost of some other expenses, such as electricity, of the Company. The University has invested \$200,000 (share capital) in the Company, double that required under the self insurer's licence.

Objects and Powers

The Company's Memorandum of Association does not contain an "Objects" clause and the powers of the Company are very broadly defined. This has the effect of allowing the Company to carry on any business it wishes including ones outside the scope of the University. The terms of the Self-Insurer's Licence and the formal agreement between the University and the Company however, limit the Company to carrying on business "... exclusively as a workers' compensation self-insurance liability fund manager on behalf of the University". Even when the Company is carrying on the business for which it was established it has broader power than the University for investing borrowing and dealing in land. The Company has not exercised its powers beyond those of the University.

Reporting

While the Company meets the reporting requirements of the Companies (N.S.W.) Code, it does not produce an annual report.

The University of New South Wales Foundation Limited

Overview

The Company was incorporated in 1988 to act as the trustee of a trust fund called "The University of New South Wales Foundation". This Company will manage the main fund raising activities of the University and promote interest in the University in New South Wales generally.

Financial Position

The Company has prepared its first set of financial statements covering the period between the date of incorporation and 31 March 1989. The profit for the period was \$7,989 as was retained earnings at that date.

Relationship with University

The University pays virtually all the expenses of the Company including the provision of staff and facilities.

Objects and Powers

The objects and powers of the Company fall within those of the University except in the areas of investment and borrowing. These powers have not been exercised by the Company.

Reporting

The Company has not yet produced an annual report.

Building Research Centre Trust Limited

Overview

This Company was incorporated on the model of the Foundation Limited to raise funds and act as trustee for a trust for the benefit of the Building Research Centre of the University.

Financial Position

The Company will prepare its first set of accounts for the year ended 31 December 1989.

Relationship with University

It is the intention that the Company, which operates on University premises and utilises University staff and equipment, will meet all the expenses associated with its activities.

Objects and Powers

Except for broader powers of investment, borrowing and dealing in real property the objects and powers of the Company fall within those of the University. The Company has not exercised its broader powers.

Reporting

The Company's first report is not due for preparation until after the end of 1989.

Unisearch Limited (U.S.A.)

Overview

Incorporated by Unisearch Limited in Delaware, in the United States of America, the Company is intended to facilitate the distribution of a Unisearch product in that country. Due to delays in developing the product the Company has not been active since its formation in 1986.

Financial Position

The Company has not operated and has not yet prepared a set of financial statements.

Relationship with University

None.

Objects and Powers

The Company's Certificate of Incorporation gives it the power to engage in any lawful act or activity for which corporations may be organised under the General Corporation Law of Delaware. Therefore the Company can operate outside the limitations of the University.

Reporting

Mention of the Company is included in Unisearch's annual report.

UNIVERSITY OF WOLLONGONG

The University of Wollongong has been active in recent years in the formation and organisation of subsidiary companies. At 31 December 1984 the University had two subsidiary companies, by 31 December 1988 it had twelve subsidiary companies.

The University is very interested in aiding the development of Industry and Commerce in the Illawarra region. It has formed companies to develop inventions and technologies with commercial applications and to carry out project research work. State and Commonwealth Government organisations have assisted the University in this endeavour through grants and other forms of encouragement. In some instances the companies have been formed at the instigation of the Commonwealth Government with objects and powers it sought.

The University of Wollongong Act 1989 has addressed this policy by giving the University the power to "engage in the commercial development of any discovery or invention, or of any intellectual property, in which the University has a right or interest". The Act, once it is assented to, is due to take effect from 1 January 1990.

While the University has been following the policy directions and encouragement of the State and Commonwealth Government in increasing its technology transfer and research areas, it appears to have exceeded, in the past, its own powers under the University of Wollongong Act 1972 in doing so. See the comment on Objects and Powers on individual companies for details.

The rapid growth in the number and activities of its subsidiary companies has led to the need to reorganise their control and management by the University. The University in recent months has reassessed the objects and activities of the companies and has reorganised their ownership and control structure.

The University has placed all of its subsidiary companies, except Friends of the University of Wollongong Limited, under the control of a holding company, the Illawarra Technology Corporation Limited (ITC). ITC has been given responsibility for:

- (a) the organisation and management of the University's technology transfer and business development activities, subject to annual review by the University; and,
- (b) the formation and management of subsidiary companies, including joint ventures, associated companies etc, with the power to direct them, supervise their budgets and deal with surpluses as and when they arise.

The University has a general policy of assistance to newly formed companies through an initial grant and credit facilities but then expects the company to be self sufficient. In certain cases loans have been extended to companies at no interest or at less than full market interest rates. In one case a loan was made to a Company without clear documentation of the requirement for full market interest rates. The University claims that the capital plus interest will be recouped in full now that a major interest in the Company has been sold.

The University reports the financial result of each subsidiary in a note to its financial statements but has an exemption from preparing consolidated accounts. In its 1988 annual report the University mentioned the activities of three of its subsidiary companies.

The University has leased land to ITC (Corporate Services) Limited which constructed the Illawarra Technology Centre on the land. The lease is for a period of 10 years at a nominal rent. A number of the subsidiary companies of the University occupy the building and pay rent to ITC (Corporate Services) Limited.

The University of Wollongong Act requires the University to obtain the highest chargeable rent for the lease of any of its real property. The University believes that the lease meets this requirement through the benefits accruing to the University from its subsidiary companies and that on the expiration of the lease (including the option for a further ten year period) the building will revert to the University. The University considers the reversion of the building to the University at the expiration of the lease will more than offset any commercial rent attainable.

Friends of the University of Wollongong Limited

Overview

This Company was incorporated in 1980 to encourage donations to, and community involvement in, the University. In 1988 a division of the Company involved with consulting research and other income producing areas was transferred to the ITC (Uniadvice) Limited.

Financial Position

The Company recorded a loss of \$1,153 for the year ended 31 December 1988 (1987 \$2,188) and retained earnings were \$1,442 at that date (1987 \$2,595). The loss was recorded after a grant from the University of \$70,000. A note is included in the financial statements stating that the Company's activities are dependent on a continuing relationship with the University of Wollongong.

Relationship with University

The University covered the staff and day to day operating costs of the Company, including accommodation, through the grant mentioned above. The Company is expected to meet expenses additional to the grant.

Objects and Powers

The objects of the Company include "to promote commerce and industry" which appears to be outside the functions of the University laid down in the University of Wollongong Act 1989 and the previous University of Wollongong Act 1972. The Company also has broader powers of investment and dealing in real property than the University, although it does not appear to have used these powers.

University officers are of the opinion that the objects and powers of the Company do not exceed those of the University.

Reporting

The Company produces a pro forma annual report including the certified financial statements.

Illawarra Technology Corporation Limited

(as at 7 September 1989 still registered as ***The University of Wollongong Corporation Limited***)

Overview

The Company was given to the University by a deed of gift to act as the holding company for the University's commercial subsidiary companies. In the last few months as part of the reorganisation referred to above, ownership and control of the following companies has been, or is in the process of being, transferred to it:

- (i) ITC (Corporate Services) Limited,
- (ii) ITC (Uniadvice) Limited,
- (iii) The Automation and Engineering Applications Centre Limited,
- (iv) National Engineering Information Services Pty Limited.

Financial Position

The first set of financial statements for the Company and the group will be prepared as at 30 June 1990.

Relationship with University

The University has made the Company responsible on a continuing basis for the organisation and management of the technology transfer and business development activities of the University, subject to annual review by the University Council. The University pays the salary of the Managing Director of the Company.

Objects and Powers

The objects and powers of the Company are not defined in its Memorandum. Therefore the Company appears to have the ability to operate beyond the limits of the University.

University officers are of the opinion that the objects and powers of the Company do not exceed those of the University.

Reporting

The Company's first report is not due for preparation until after 30 June 1990.

ITC (Corporate Services) Limited

(as at 7 September 1989 still registered as *The Illawarra Technology Centre Limited*)

Overview

The Company was incorporated in 1985 under an initiative of the Commonwealth and State Governments to facilitate the transfer of technology from the University to commerce and hopefully to develop new industries for the Illawarra region. As part of the restructuring it is envisaged that the Company will administer the intellectual property of the University of Wollongong as well as providing commercial assistance to the other subsidiaries of Illawarra Technology Corporation Limited.

The Company owned National Engineering Information Services Pty Limited at 30 June 1989. Ownership of this Company will be transferred to the Illawarra Technology Corporation as part of the general reorganisation of the University's subsidiary companies.

Financial Position

The Company prepared group accounts for the year ended 30 June 1988. The group reported an addition to retained earnings of \$294,888 for that period (1987 \$2.4m) and total retained earnings of \$4.0m (1987 \$3.7m) including reserves of \$5m (1987 \$4.0m) as at that date.

The Company reported an addition to retained earnings of \$700,988 (1987 \$3.0m) and total retained earnings of \$5.0m (1987 \$4.3m) including reserves of \$5m (1987 \$4.0m) as at that date.

The reserves comprise the amounts granted to the Company by the State and the Commonwealth Governments. A note to the Company's 1988 accounts stated "the company's activities are dependent upon a continuing relationship with the University and in the short term on continuing support of the State Government". The State Government granted the Company \$300,000 in 1988 (1987 \$300,000).

Relationship with University

The Company operates from the Illawarra Technology Centre which was constructed by the Company on University land. Nominal rent of \$1.00 is paid by the Company for the use of the land. The University granted \$65,000 to the company in 1988 (1987 \$75,000) towards its operating expenses, and in addition, the University pays the Managing Director's salary. The University has also provided the Company with a \$220,000 unsecured loan repayable with interest on realisation of the value of equity in a subsidiary Company.

Objects and Powers

The objects of the Company include: "to facilitate the broadening of the Illawarra region's industrial base through the development and application of advanced technologies", and to co-operate "in the commercial development of those technologies". In terms of the new legislation these objects appear to be within the functions of the University.

In its original memorandum, the Company was given broader powers of investment, borrowing and dealing in land than the University is provided with by its Act. In the recent reorganisation and name change of the Company, the memorandum was altered to delete reference to powers which, in effect, continues this situation.

The Company has technically exceeded the powers of the University by borrowing money from the University. The University considers that in the interests of accountability such a transaction is preferable to subsidisation within Universities that have no subsidiary Company structure.

University officers are of the opinion that the objects and powers of the Company do not exceed those of the University.

Reporting

While the Company meets the reporting requirements of the Companies (N.S.W.) Code, it has not yet produced an annual report.

ITC (Uniadvice) Limited

Overview

This Company was originally incorporated in 1987 as Wollongong Uniadvice Limited. It took over "Friends" research and development projects and courses divisions and fulfils a similar function for the University as Unisearch does for the University of New South Wales. The name of the Company was changed when it was made a subsidiary of Illawarra Technology Corporation as part of the University's recent reorganisation of its subsidiary companies. The Company owns PST Pty Ltd.

Financial Position

The Company prepared its first set of accounts as at 31 December 1988, disclosing a loss and accumulated losses of \$31,978. At that date the group reported a loss for the year of \$67,424 which represented accumulated losses. The financial statements include a note that the Company is dependent on a continuing relationship with the University.

Relationship with University

The Company utilises University staff and facilities on a full cost payment basis except for limited office space used by the Company in the Illawarra Technology Centre for which no rent is paid. The University reimbursed the Company annually for patent expenses (1988 \$66,325), as it anticipates future royalties to benefit the University.

Objects and Powers

Audit has some doubts that the recently revised objects of the Company which include "promoting the development of aviation, agricultural, pastoral or industrial resources of Australia", fall within the functions of the University, as set out in the University of Wollongong Act 1989.

The previous objects of the Company included the promotion of industry and commerce which appears to have been outside the functions of the University as defined in the University of Wollongong Act 1972.

The powers of the Company are those specified in Section 67(1) of the Companies Code and are therefore broader than those of the University.

University officers are of the opinion that the objects and powers of the Company do not exceed those of the University.

Reporting

While the Company meets the reporting requirements of the Companies (N.S.W.) Code, it does not produce an annual report.

PST Pty Ltd

Overview

Referred to in Volume One of my 1989 Report as Polymers Systems Technology Pty Ltd, this Company was created in 1988 by ITC (Uniadvice) Limited for research into and development of polymers, and to attract industry involvement in this field. The Company is wholly owned by ITC (Uniadvice) Limited.

Financial Position

The Company prepared its first set of financial statements for the period ended 31 December 1988, reporting a loss of \$35,446 and negative Shareholders Equity of \$35,444. These accounts were included in the group accounts of ITC (Uniadvice) Limited.

Relationship with University

No material interaction has occurred to date. All Company activities have currently been funded by ITC (Uniadvice) Limited.

Objects and Powers

The objects and powers of the Company are not stated in its memorandum. Therefore the Company can engage in any activity and do any act within the general power of corporations defined in the Companies (N.S.W.) Code. While the Company appears to have the power to greatly exceed the functions and powers of the University, it does not appear to have done so to date.

University officers are of the opinion that the objects and powers of the Company do not exceed those of the University.

Reporting

While the Company meets the reporting requirements of the Companies (N.S.W.) Code, it does not produce an annual report.

Ridgeley Pty Ltd
Sincan Pty Ltd
Intepe Pty Ltd

Overview

These three shelf companies are held for future use and are currently owned by ITC (Uniadvise) Limited. The companies have not operated and their Memorandum is currently the standard general one for shelf companies, with no objects stated. Two other shelf companies were sold in May 1989.

Automation and Engineering Applications Centre Limited

Overview

This Company was incorporated in 1985 under an initiative of the Commonwealth Government to undertake research and development of industrial automation systems and to provide a consulting and training service to industry. Ownership of this Company recently passed from the University to Illawarra Technology Corporation Limited. The Company was the result of an agreement between the University and the Commonwealth Government to provide expert advice to industry in this field. The Commonwealth Government provided a grant to the Company of \$750,000 to assist the development of the Company.

Financial Position

The Company reported a loss of \$2,977 for the year ended 30 June 1988 (1987 \$83,802 profit) and retained earnings of \$275,220 at that date (1987 \$278,197).

Relationship with University

The University until early 1989 was responsible for long service leave and the deferred entitlements for superannuation of one employee on secondment from the University to the Company, but costs associated with the entitlements were recovered from the Company.

Objects and Powers

A revised Memorandum for the Company was introduced when the Company was transferred to the Illawarra Technology Corporation. The objects of the Company were broadened to include the promotion of the development of aviation agricultural, pastoral resources of Australia. Audit has some doubts that this object falls within the functions as set out in the University of Wollongong Act 1989.

Reference to the powers of the Company was deleted from the Memorandum giving the Company the powers defined in Section 67(1) of the Companies Code which appear to be broader than those conferred on the University by the University's new Act.

University officers are of the opinion that the objects and powers of the Company do not exceed those of the University.

Reporting

While the Company meets the reporting requirements of the Companies (N.S.W.) Code, it does not produce an annual report.

National Engineering Information Services Pty Ltd

Overview

This Company was incorporated in 1984 and ownership has recently passed to the Illawarra Technology Corporation Limited from the ITC (Corporate Services) Limited. The aim of the Company is to commercially develop information technology.

Financial Position

The Company reported a loss of \$408,100 (1987 \$585,590) for the year ended 30 June 1988 and accumulated losses at that date were \$999,833 (1987 \$591,733). The Company owed \$425,829 to its holding company at 30 June 1988 including a \$310,000 loan.

Relationship with University

The Company has had very limited dealing with the University directly, although the University has issued a Letter of Comfort in favour of the Company.

Objects and Powers

The objects of the Company are not stated in the Memorandum and the Company's powers are defined as those of Section 67(1) of the Companies Code. Therefore there are no limits set on the activities of the Company. The Company has exceeded the powers of the University in taking out the loan referred to above.

Reporting

While the Company meets the reporting requirements of the Companies (N.S.W.) Code, it does not produce an annual report.

THE UNIVERSITY OF NEWCASTLE

The University of Newcastle established its first subsidiary company in 1969 and in 1989 it has moved to acquire two more. The legal details on these companies have not yet been finalised and their relationship with the University is yet to be determined.

The University of Newcastle Research Associates Limited (TUNRA)

Overview

The Company was formed in 1969 to consolidate the industrial research activities of the University and to extend its ties with industry. The Company seeks industrial work and contracts by the provision of an organised research service and develops inventions made or acquired by it.

Financial Position

The Company reported a profit for the year ended 30 June 1988 of \$130,054 (1987 \$68,727). At that date retained earnings were \$732,257 (1987 \$558,099) including reserves of \$376,633 (1987 \$373,348).

Relationship with University

The Company operates from premises leased from the Hunter Technology Centre on land owned by the University. It utilises University facilities on a full cost payment basis and any profit over TUNRA's fees on a project or course is returned to the relevant school of the University. At various times the Company has made donations to the University and recently lent the University \$112,255. The Company has operated with very little direction or control from the University.

At 30 June 1988 the Company owed various University Departments \$288,506.

Objects and Powers

The objects of the Company fall within the functions of the University under the University of Newcastle Act 1989. This Act has not yet been assented to.

The University of Newcastle Act 1964 contained narrower definitions of the functions of the University and the Company's objects appear to have been outside those functions.

The powers of the Company in the areas of investment, borrowing and dealing in land were wider than those of the University under the old Act, and will remain wider with the introduction of the new Act. The Company does not appear to have used these wider powers.

Reporting

The Company prepares an annual report and distributes it to members of the Company and interested parties.

Kayles Properties Pty Ltd

Overview

The University is acquiring this Company as part of the conditions on a property donation to the University.

The Company owns and manages a property which is currently leased out.

Civil Air Training Academy Limited (CATA)

The University has recently introduced an Aviation Science degree, and is acquiring this Company to complement the degree education.

THE UNIVERSITY OF TECHNOLOGY, SYDNEY

This University has two subsidiary companies, which were incorporated when the University was the Institute of Technology and governed by the Colleges Act. One of these companies, Insearch Services Pty Ltd, is owned 50% by the University and 50% by the other subsidiary company Insearch Limited. Insearch Services Pty Ltd operated until 31 December 1983 and on 25 July 1985 the Company applied to the then Corporate Affairs Commission for cancellation of its registration. To date the registration has not been cancelled by Business and Consumer Affairs.

Insearch Limited

Overview

Insearch was incorporated in 1976 to undertake research and to develop and sell inventions and other intellectual and industrial property. The Company also conducts extension and other courses.

Financial Position

The Company reported an operating surplus of \$76,304 for the year ended 31 December 1988 (1987 \$56,955 deficiency). At that date Capital \$11,571 (1987 \$64,733 deficit) comprised advances from the University of \$172,333 (1987 \$172,333) less accumulated losses of \$160,762 (1987 \$237,066). In addition, \$237,717, included in Creditors and Borrowings was owed to the University.

Relationship with University

The Company is the medium through which the University provides research and consulting services to commerce and industry. The Company utilises University facilities on a full payment basis in conducting the projects and courses. The excess of collections from a project or course over company fees and costs is remitted to the University as occurs with similar companies at other Universities.

The University provides free accommodation for the Company's head office and a number of minor subsidies such as paying electricity costs. Due to the financial state of the company, the University was required to complete a letter of comfort in regard to lease payments.

Objects and Powers

The objects of the Company are within those of the University as defined in the University of Technology, Sydney Act. Before the introduction of this Act the functions of the Institute/University did not include research.

The main function was the provision of educational courses, although the Institute had received a legal opinion stating "it is our view that research is incidental to and necessary for the provision of educational courses". The Company has wider powers than the University in the areas of investment and dealing in real property. These wider powers do not appear to have been exercised recently.

Reporting

The Company prepares an annual report and distributes it to members of the Company and other interested parties.

MACQUARIE UNIVERSITY

This University is a relative newcomer to the field of operating subsidiary companies, with its first one being incorporated in 1987. It is currently establishing two more companies, one to conduct courses in conjunction with the Graduate School of Management of the University and one to carry on research activities. The Memorandum and Articles of Association of these companies have not yet been finalised.

The University is developing policies towards these companies on an individual basis and the amount of support provided to the new companies is still being determined.

CMBF Limited

Overview

CMBF was incorporated in 1987 to promote research and education in the areas of domestic and international monetary economics, financial institutions, capital markets, banking, finance and insurance. It operates in conjunction with the University's School of Economics and Financial Studies.

Financial Position

The Company prepared its first set of financial statements for the period ended 30 June 1988, reporting an operating loss of \$414 and this loss represented accumulated losses at that date. During the period the Company donated \$30,000 to the University.

Relationship with University

The Company utilises University staff and office space, on a no cost basis except for the General Manager and two clerical staff who are paid by the Company. As one of the main aims of the Company is to support the School of Economics and Financial Studies of the University, virtually all surplus funds of the Company are donated to the School.

Objects and Powers

The objects of the Company are within those of the University but the powers of the Company are not defined in its memorandum. This effectively gives the Company broader powers than the University in the areas of investment, borrowing and dealing in real property. The Company has not acted in a manner in which the University cannot act.

Reporting

While the Company meets the reporting requirements of the Companies (N.S.W.) Code, it does not produce an annual report.

SUMMARY OF FINDINGS

1. Listings of subsidiaries provided by Universities were not always accurate.
2. Some Universities are not aware of all the associated companies or other interests that they have either directly or indirectly through a subsidiary.
3. Recent legislative changes will, when assented to, give Universities the power to create subsidiary companies to further their objects and interests.
4. Some subsidiary companies are operating beyond the scope of the parent University and virtually all subsidiaries have powers broader than the parent University. However, recent changes to the functions of some Universities will bring the activities of certain subsidiary companies within the power of the parent University.
5. It is legally impossible to effectively ensure that a company cannot act in a manner in which a University is prevented from acting. It is therefore possible for any subsidiary company to be used by a University to engage in activities the University itself is not able legally to carry out.
6. Universities have not in all cases assessed the cost of operating and supporting subsidiary companies. These costs should be determined to enable informed decisions to be made on the benefits accruing to the University from the subsidiary.
7. In some cases the level of support and subsidies for a subsidiary company has not been reviewed for a number of years. A review of the level of support should be made on an annual basis and take into account the financial position of the subsidiary.
8. A limited number of subsidiary companies have built up significant reserves while still receiving financial support from the parent University.
9. A few subsidiary companies owe significant amounts to the parent University. Some subsidiary companies include in their financial statements a note that the company's activities are dependent on a continuing relationship with the University.
10. Some confusion exists between subsidiaries and the parent University over which organisation exactly bears the expense of particular items.
11. While some subsidiary companies report to the parent University, very little information beyond the financial statements of each company is generally available. As a result, public scrutiny of their activities is extremely limited.

RECOMMENDATIONS

1. Universities should investigate the activities and interests of their subsidiary companies to determine if they fall within their legislated functions and powers. Where the subsidiary is operating outside the functions and powers of the parent University, the University should either dissolve the subsidiary, limit the subsidiary's activities or request appropriate changes to its Act.
2. Each University should keep a register of its interests in subsidiary and associated companies including subsidiaries of subsidiaries. The register should also list interests in joint ventures, partnerships, associations etc.
3. The University should retain final say in the formation or acquisition of a company or any other type of venture. Decisions should include consideration of possible liability, damage to good name etc.
4. Universities should formally advise the Minister and the Auditor-General of new subsidiary companies or other types of ventures.
5. All subsidiary companies should clearly state their objects and powers in their Memorandum and the powers of the subsidiary should be restricted to those of the University.
6. All changes to the Memorandum of a subsidiary company should be approved by the University.
7. University annual reports should include a detailed statement of the objectives, activities and operations of each subsidiary company, and include their financial statements.
8. While the Treasurer's exemption from consolidating the accounts of the Universities with those of their subsidiaries remains in force, Universities should prepare group accounts of some form and should also comply with the requirements of the appropriate accounting standards on Equity Accounting, and on Related Party Disclosure.
9. Universities should formally assess the type and cost of support for each subsidiary company. This should be reviewed annually together with the conditions on which the support is extended.

CONCLUSION

The establishment, operation and reporting arrangements of University subsidiary companies have not been consistent with good public sector management.

While the new legislation removes any doubt about Universities' power to create subsidiary companies, whether limited by shares or by guarantee, it does not, however, prevent situations from occurring whereby a subsidiary company can assume greater powers than the parent University. Consequently, there remains a need to ensure that subsidiaries are subjected to proper and adequate accountability requirements.

PUBLIC WORKS DEPARTMENT CONTRACTS AUDIT REVIEW

The Public Works Department is the government agency for major architectural and engineering functions in the New South Wales public sector. The Department's prime functions are:

- * Manage the design, construction and maintenance of public buildings such as schools, hospitals, police facilities, court houses, prisons and office buildings, and their surrounding environment.
- * Manage the design and construction of civil engineering works such as dams, water supply, sewerage, port and harbour facilities.
- * The development of effective policies and strategies for the management and use of the coastal zone, river estuaries and flood plains.

The Department primarily uses two basic contractual methods in carrying out its functions. These are direct contracting and agency arrangement.

Direct contracting is used where the departmental employees are utilised to act as superintendent and to manage and administer the contract on a day to day basis. The types of contracts adopted by the Department using Direct Contracting are mainly:

- * Traditional contract with either a lump sum/schedule of rates or bills of quantities basis of payment. This form of contract is used when the work to be performed is fully documented with the basis of payment accurately defined as either on a lump sum or a schedule of rates/bill of quantity basis.
- * Document and construct contract which is generally used for building works where the contractor is responsible both to fully document the work necessary (including plans and specifications) and to construct the works.
- * Design and construct contract where the contractor is responsible for the complete design and construction of the specified facility, e.g. school building or water treatment plant. The contract is entered into before design and documentation is carried out.

Agency arrangements are used where the Department hires an external organisation or person to arrange for "others" to carry out the work for the Department. This external organisation or person is normally called the Construction Manager who, by arrangement, is given defined authority to manage the calling of tenders and administration of contracts.

Reasons for Audit Review

The audit was a routinely scheduled review selected using the cyclical audit approach adopted by my Office. The approach ensures that areas of heavy expenditure are subject to regular review. Total payments by the Public Works Department on capital expenditure were approximately \$685m in 1988-89. Details of this and other Departmental expenditure can be found elsewhere in this Report.

It was also opportune that the period of the review would cover much of the contract work associated with Departmental Bicentennial Projects.

Scope of Audit Review

The audit review was directed at financial administration of contracts and did not attempt to assess the technical aspects of the project work.

The audit objectives were to form an opinion whether adequate controls exist within the Department over the administration of construction contracts, particularly:

- (a) the terms of contracts are adequate to protect the interests of the Department;
- (b) variations in contracts are identified and reported;
- (c) payments are made in accordance with contract terms and conditions; and
- (d) reasons for cost overruns are documented and reported.

The review included selecting a variety of major construction projects covering the various types performed by the Department. The contract documentation for these projects was examined to trace the contracts through from initial approval until practical completion, noting the effective operation of internal controls. The effectiveness of the Department's management information system in relation to contracts was also reviewed as part of the audit.

The Director-General of the Department was furnished on 9 August 1989 with the preliminary findings of the review. A prompt comprehensive response by the Director-General, as well as meetings with senior executives of the Department, resolved specific issues raised by the audit. The co-operation afforded assisted considerably in finalising the overall review.

Conclusion

In the sample of projects reviewed, some of which are still in progress, the audit review process established as a benchmark the terms of the original approval i.e. type of contract, its price, and the estimated time of completion. The Department was then requested to furnish its comments for prima facie cost and time overruns compared with the original approvals. Documentary evidence provided validated the extra costs/time with almost all of the projects. In only one project was a less than satisfactory result achieved. This was mainly due to a weakness which had been exploited by a contractor in the terms of the contract. On discovery of the weakness the Department immediately tightened the terms of its contracts to cover the loophole.

My conclusion on the basis of the work carried out by my officers and information supplied by the Department is that the administration of contracts is satisfactorily controlled.

While my officers' review of the management information system did not identify significant shortcomings, there was some concern that the costing system reporting cycle was monthly. The Department advised that where more timely information is necessary adjustments are made to the monthly basis.

The Department has now developed, and is in the process of implementing an advanced computerised project control system which can automatically produce timely and relevant information. This aims, inter alia, to provide a continuous surveillance of the predicted end cost of projects whenever necessary.

REVIEW OF THE PROCUREMENT AND ADMINISTRATION OF CONSULTANCY SERVICES IN THE NEW SOUTH WALES PUBLIC SECTOR

| SUMMARY OF MAJOR FINDINGS | Page |
|--|------|
| * Public sector organisations in this State are significant users of external consultants. Consultants are engaged by departments and statutory bodies as and when required to fill special needs. | 44 |
| * A systematic survey of the use of consultants was undertaken by the Office of Public Management (OPM) in 1989 covering 75 public sector organisations. The survey disclosed: | 44 |
| *4,000 separate consultancies (costing some \$100m) were engaged between July 1988 and March 1989; | 47 |
| *85% of the consultants used were involved with three key areas of computing (21%), professional/scientific/technical (55%), and management (9%); | 47 |
| *Consultancy tasks ranged from less than \$25,000 (forming the largest number) to those in excess of \$500,000 (which included projects for the State Rail Authority and the New South Wales Commission of Audit). | 48 |
| * The absence of comparative data for previous years' usage precludes the determination of trends. | 44 |
| * The OPM survey identified 1,496 (or 37%) of consultancies were engaged without the use of competitive tendering or quotations, while a further 739 instances (18%) were noted where organisations did not disclose the method of procurement used. The absence of evidence of competitive tenders raises the question as to the degree of confidence the Government can have that "value for money" has been obtained for services provided. | 48 |
| * Included in the instances where no competitive tenders or quotes were obtained were 18 consultancies each costing greater than \$200,000 with a combined cost, for the eight month period, of \$9.5m. | 48 |
| * From the data reviewed it would not appear that it could be definitely construed that any consultant was given preferential treatment in spite of the fact that many instances were noted where a firm had more than one project in an organisation. | 49 |

| | Page |
|--|-------------|
| * The review indicated an urgent need for a comprehensive "user manual" to assist public sector organisations in the procurement and administration of consultancy services. This manual should apply to all public sector organisations. | 50 |
| * A central register should be maintained by each organisation. The register should, amongst other things, include comment on the perceived performance provided by the consultant. | 53 |
| * The feasibility of introducing a central register covering all public sector organisations should be investigated. | 53 |
| * Existing annual reporting legislations should be amended to include a clear definition of a consultant as well as specific details of consultancy services to be provided in Annual Reports. | 53 |
| * Funds allocated to government departments, to cover payments to consultants, should be highlighted separately in the Annual Budget. This would then necessitate such payments to be highlighted in the body of departmental financial statements. The feasibility of introducing a similar requirement for statutory authorities to disclose this expenditure in their financial statements should also be investigated. | 53 |
| * I support the Office of Public Management's recommendation that a central advisory group be created. The results of this review have clearly demonstrated that there can be benefits gained by co-operation between OPM and my Office. | 53 |

Reasons for Audit Review

For some time now I have been concerned with the perceived level of use of external consultants by public sector organisations generally and the apparent lack of detailed guidelines covering their use. In Volume Two of last year's Report I made mention of certain shortcomings in the engagement of consultants which were noted during a review of a Ministerial Office. It would appear that, given the content of recent statements in the media, this concern is also shared by the public at large.

While I was initially unaware of the exact magnitude of this usage, a recent survey of 75 public sector organisations, conducted in 1989 by the Office of Public Management has served to highlight that the usage is far more extensive than I had originally envisaged. In the absence of any previous survey carried out in the same proportion, it is not possible to establish any trend in the use of consultancy services in the New South Wales public sector. Further comment on the OPM report is included later in this Report.

My initial concerns as to the lack of detailed guidelines for the use of consultancy services have been somewhat vindicated by statements contained in a recent Parliamentary Survey conducted by the Legislative Council's Standing Committee on State Development into "Public Sector Tendering and Contracting in New South Wales".

Background

Tendering Procedures

Purchasing and contracting on behalf of the New South Wales Government is carried out in accordance with the Public Sector Management (Stores and Services) Regulation 1988, except for those declared authorities which have purchasing and contracting autonomy by virtue of the Acts under which they are constituted. The State Contracts Control Board (SCCB) is constituted under this Regulation and by virtue of this it is responsible for approving contracts for the supply of goods and services for government departments and some declared authorities. Generally government organisations, with the exception of declared authorities and several departments which are partially autonomous, are required to invite tenders through the SCCB.

The survey of some 300 state and local government bodies conducted by the Standing Committee on State Development highlighted that, although a large group of organisations uses only the SCCB when inviting tenders, a smaller group of seven organisations indicated they utilise the SCCB but also, quite independently of the SCCB, call tenders solely on their own behalf. Also identified was a third group of 12 organisations which apparently do not utilise the services of the SCCB but rather tender on their own behalf for specialist items.

The Committee identified 16 declared authorities which by virtue of their own Acts are given exemption from using the SCCB and may tender on their own behalf. According to data supplied by the Committee, these 16 authorities called 2,417 tenders during the financial years 1985-86, 1986-87 and 1987-88 and during this same period awarded 2,420 contracts worth \$1,779m.

In response to a questionnaire issued as part of the Survey, many organisations indicated that they provided copies of the Public Sector Management (Stores and Services) Regulation 1988, as part of their guidelines to staff on tendering procedures. Apparently the format and content of additional guidelines issued by individual departments and authorities varied considerably between organisations. The content of these guidelines was summarised in Appendix V to the Survey.

Procurement of Consultancy Services

There appears to be no general policy statement issued outlining when consultants could be engaged in the public sector. According to officers of the Premier's Department, the general policy prior to May 1988 on the use of consultants, was such that they should only be used where circumstances demonstrate that there is a need for special expertise or where urgent assistance of a temporary nature is not available within the organisation or in the public sector generally. On 2 May 1988 the Premier, by way of Memorandum 88/26 issued to all Ministers, stated "where it is deemed essential by a Minister that a consultant be engaged, my approval should be obtained for all consultancies greater than \$50,000". This requirement was abolished from 10 October 1988.

As mentioned previously, generally, procurement of consultancy services for the inner budget sector is subject to the provisions of the Public Sector Management (Stores and Services) Regulation 1988. Accordingly, the Government Supply Office through the direction of the SCCB has provided the administrative framework for departments to engage consultants through a formal tendering procedure.

The SCCB has issued a set of guidelines for Departments and Administrative Offices to ensure that procedures followed in relation to the procurement of consultancy services are in compliance with general policies determined by the Board. Under these guidelines the SCCB set the level of financial delegation for these organisations to arrange their own consultancy services at \$100,000 (effective from 13 December 1988). The guidelines also outline the different tender requirements for the categories of consultancies under \$100,000.

According to the Premier's Memorandum No.88/60 dated 14 December 1988, all Declared Authorities included in Schedule 3 of the Public Sector Management Act 1988, which do not come within the ambit of the SCCB guidelines, are now required to follow the same procedures as those set for Departments and Administrative Offices. However, for consultancies exceeding \$100,000, the approval of the SCCB is not required.

It is also important to note that notwithstanding anything contained in the guidelines, proposals for the use of consultants involving payments greater than \$50,000 for the development of computer facilities has to, in the first instance, be referred to the Computer Funding Priorities Committee of the Premier's Department for consideration.

If Departments consider the standard procedures in the guidelines are inappropriate for a specific task, they may request approval to take alternative action under Clauses 8(5) or 40 of the Public Sector Management (Stores and Services) Regulation 1988.

External Reporting

The Annual Reports (Departments) Act 1985, by way of regulation, requires Departments to include in their annual reports "..... details of the use, where significant, of external consultants by the Department on major projects, including, where practicable, the names of the consultants and the projects involved".

The Annual Reports (Statutory Bodies) Act 1984, by way of regulation, places the same requirement for disclosure of consultancies used by statutory authorities.

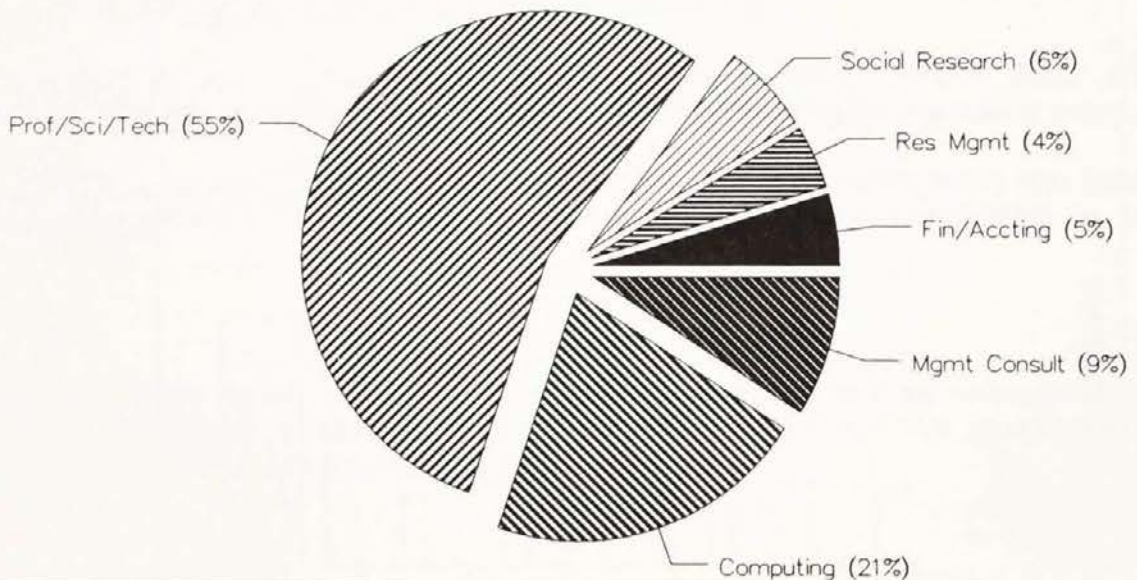
The Public Finance and Audit Act 1983 has no explicit requirements for disclosure of expenditure on consultancies.

Statistics and Ancillary Information

Prior to the commencement of my detailed review, I became aware that the Office of Public Management (OPM), Premier's Department were in the midst of performing a similar review to gauge the extent of use of external consultants in the public sector. In an effort to eliminate any duplication of effort and to minimise, wherever possible, the costs to my Office of performing such reviews, I gained access to the data collected and to the internal report prepared for submission to the Premier. I consider it prudent that reference to certain of the OPM procedures and findings be included in this Report.

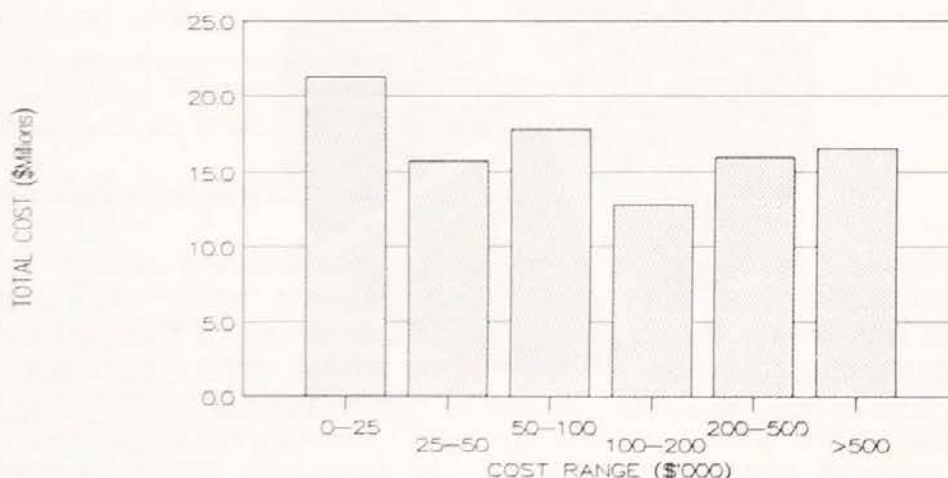
- * In order to gather the necessary statistical data, OPM prepared a questionnaire which required organisations to provide pertinent information on all consultancies which had commenced or for which payments had been made during the period 1 July 1988 to 1 March 1989. The questionnaires were distributed to 75 public sector organisations.
- * For the purposes of the survey, consultants were defined as "organisations and individuals who are engaged to give advice or provide services of a professional, technical or general management nature." This enabled data to be collected and analysed for projects for which not only advice was the outcome, but a product was provided to the organisation.
- * Consultants were used by 70 of the 75 public sector organisations surveyed.
- * There were some 4,000 consultancies used in the eight month period with payments totalling \$100m. OPM estimated that based on this data, some \$150m will have been spent on consultants in the 1988-89 financial year.
- * For purposes of the survey, organisations were requested to categorise consultancy projects into six major groupings: Human Resource Management; Social Research; Professional/Scientific/Technical; Computing; Management; and Finance and Accounting. Figure 1 illustrates the spread of the consultancy work, based on these categories, over the public sector.

FIGURE 1
CONSULTANCIES BY CATEGORY



- * The six categories illustrated by Figure 1 could be re-casted into two broad groups: those consultancies where an asset or a product is generated; or those consultancies of an advisory nature. In the first group, some 2,220 consultancies were engaged costing approximately \$54m during the period with major expenditures being in the areas of: Engineering \$23.1m; Architectural \$9.6m; Project Management \$7.4m; and Software Development \$5.8m. In the second broad group, there were some 1,800 consultancies costing approximately \$46m during the period with major expenditures being in the areas of: Information Systems \$5.1m; Marketing \$2.9m; Valuation \$2.5m and Strategic Planning \$2.1m.
- * Returns indicated that a significant number of consultancies, 1,496 (37%), were engaged directly with no competitive tenders or quotes being obtained, while a further 739 instances (18%) were noted where organisations failed to disclose the method of procurement used. OPM observed that generally the practices and procedures adopted to select and engage consultants were not consistent. In many instances this did not comply with normal business practices. Instances were also noted that when tenders were called, they were done without adherence to the Premier's memoranda and SCCB guidelines. The absence of competitive market forces in such a large number of cases raises the question of whether the Government can be confident that it has obtained "value for money" for the services being provided. Included in those instances where no competitive quotes or tenders were obtained were 18 consultancies, each costing greater than \$200,000, with a combined cost of \$9.5m.
- * Excluding 1,200 instances of non-response, organisations assessed the performance of consultants as less than satisfactory in 37% of all cases. In particular, there were 198 instances of "Just Satisfied"; 89 "Dissatisfied" cases; and 10 "Highly Dissatisfied".
- * Approximately 2% of the total number of consultancies engaged during the period accounted for over 32% or \$32m of the total costs. Figure 2 provides details of total costs of consultancies within various monetary ranges.

FIGURE 2
DISTRIBUTION OF CONSULTANCIES



- * Based on the information provided by organisations, it would appear that consultancy work has been evenly distributed over the various consultancy firms in the private sector. Even though many instances were noted where various firms had more than one project within an organisation, and in some cases numerous projects over a number of organisations, it would not appear that any firm in particular has received what could be definitely construed as preferential treatment.

In addition to conducting the survey, OPM undertook an inspection of the files and records of some 18 organisations. This inspection revealed:

- * A general lack of documentation concerning the methods used to monitor the performance of the consultants engaged. This indicated that effective management control could not have been formally employed in the majority of cases sampled. From this, OPM concluded that this trend is consistent throughout the whole of the public sector;
- * A lack of documentation to support the engagement of consultants in preference to utilising public sector personnel already available; and
- * In only 60% of the files examined was there a formal approval to engage the relevant consultant.

Audit Objectives

In addition to providing an overview as to whether the present systems and procedures on engagement, monitoring and payment for consultancy work as they relate to public funds are economical, efficient and consistent with Government policies and objectives, the particular objectives of this review were to gain reasonable assurance that:

- (a) Organisations have appropriate procedures for the engagement of consultants and that these procedures are being adhered to.
- (b) Work undertaken by consultants is adequately monitored and controlled in relation to quality, timeliness and cost.
- (c) Organisations have adequate procedures for variations to contracts and that these procedures are being adhered to.
- (d) Procedures are adequate to identify substandard work and that organisations are adequately covered against such substandard work.
- (e) Payments to consultants have been made in accordance with the terms of engagement, are properly approved and correctly recorded in the accounts.

Audit Scope

Six organisations covering both departments and authorities were selected for a comprehensive review of their respective procedures for procurement and administration of consultancy services.

General Findings and Recommendations

While the results of the review disclosed varying levels of shortcomings in each organisation, it is considered more advantageous for the purposes of this Report to include only my general observations and recommendations rather than dwell on the detailed findings for each organisation reviewed. As a result it must be emphasised that the following comments are not aimed at any specific organisation reviewed but are rather only general comments based on the overall review.

- * The level of documentation on the procurement and administration of consultancy services varied considerably between organisations reviewed; ranging from good or reasonable to bad or non-existent in some instances. This inconsistency highlights the need for a comprehensive "User Manual" to be developed urgently. This manual should not only apply to government departments but should be used by all public sector bodies. This recommendation is consistent with those of OPM and while it has previously been acknowledged that SCCB has already developed and issued guidelines covering the procurement of consultancy services, it is considered that these guidelines could be further expanded to incorporate the desired features for administration of consultancy services generally.

As a minimum this "User Manual" should include:

- a clear definition of a consultant. This is considered paramount as all organisations reviewed had different conceptions of a consultant. In this regard the definition used by OPM during its survey appears to be reasonable.
- a requirement for a detailed cost benefit analysis prior to undertaking a project. This analysis should include an evaluation of the qualities of "in-house" personnel prior to approving the need to proceed to external consultants.
- standard procedures for the procurement of consultancy services. In this regard the procedures as outlined on pages 2 and 3 of the SCCB "Guidelines for the Procurement of Consultancy Services" appear reasonable.
- within the tender documents/specifications, a brief clearly outlining the problem to be solved, the anticipated timeframe to be adhered to, the desired end product (asset, report, recommendations, etc) and objectives of the project. This requirement should also apply to documents calling for "Expressions of Interest".
- documentation covering the evaluation of respective tenders.
- documentation approving the appointment of the consultant. This approval should be obtained prior to the engagement of the consultant and the commencement of work on the project.

- a requirement for formal contracts or letters of agreement to be drawn up and signed by all parties. These documents should include a clear description of the problem to be solved, the deadline or timetable to be adhered to (this aspect should also include dates for progress reports, where applicable), the desired end product (whether an asset or a final report) and the cost. These documents should, wherever possible, include penalty clauses for poor performance or substandard work. Several instances were noted where consultancies totalling hundreds of thousands of dollars were terminated prematurely, without penalty, as the end products were considered by the relevant organisations to be unsuitable and were not to be adopted. In some of these cases the projects were then taken on and completed by "in-house" personnel.
- a requirement for the appointment of a project leader or committee to oversight each project. The project leader or chairperson of the committee should be a full-time employee of the organisation. This should ensure the interests of the organisation are observed in all cases. An instance was noted where a consultant was actually appointed as the project leader and a number of other personnel involved on the project were employees of the same agency. This raises the question of conflict of interest.

Where a project leader or committee is appointed to oversight a project the organisation should ensure that the responsible person possesses adequate technical skills to satisfactorily discharge the responsibilities. Instances were noted where project leaders did not possess these skills and ultimately the projects were terminated or cancelled through poor performance or substandard work by the consultants but not until many thousands of dollars of public funds had been unnecessarily expended. In another instance the appointed project leader was located in a New South Wales country centre while the work of the consultant was being primarily undertaken in the Sydney metropolitan area. This naturally raises some doubts as to the capability of the project leader to adequately discharge his/her responsibilities.

- a statement emphasising that, whatever methods are adopted to monitor performance and costs of projects, Senior Management of the organisation has overall responsibility to ensure progress on projects are being satisfactorily monitored. To this end minutes of senior management meetings should include suitable reference to project performance and senior managers should insist on being sent regular detailed progress reports.
- full documentation on the monitoring of performance, progress and costs. Wherever possible the use of Spectrum methodology is recommended. Progress payments should be certified by a responsible officer (project leader etc), as to the satisfactory performance of service prior to the payment being approved. Unsatisfactory performance or substandard work should be identified as early as possible with penalty clauses invoked or the consultancy terminated at the least possible cost to the public purse. Sufficiently detailed payment records should be maintained to monitor the costs of the project and to ensure progress claims are not double paid.

- a requirement that prior to approving extensions or variations to projects full costings should be undertaken and available options considered and documented. Approval of a responsible delegated officer should be obtained prior to commencement of work covered by the extension or variation.
- prior to approval being given to the final payment, the need to undertake a complete reassessment of the project to ensure that the end product is both satisfactory and in accordance with the terms of the formal contract or letter of agreement.
- a ruling that organisations should be discouraged from engaging the services of external consultants, in preference to "in-house" persons or the appointment of temporary persons, to perform routine work or an extended engagement. A recent document titled, "The Engagement of Consultants - Guidelines for Commonwealth Officers", issued in 1988 by the Commonwealth Department of Administrative Services, emphasises the need for departments and authorities to ensure that the contractual relationship with a consultant cannot be construed by the courts to be categorised as a contract of service. If the contractual relationship with the consultant can be construed as a contract of service then the courts may determine that the person(s) may be eligible for benefits such as compensation, long service leave and maternity leave, as well as rights to union coverage and benefits arising from industrial awards. The Commonwealth guidelines state that, among other things, the courts have determined that the most relevant and significant matters which characterise a contractual relationship as one of employer and employee are:
 - (a) the employer has the right to determine, in a detailed way from day to day, how, where and in what manner the employee is to do the assigned work (even if this right is not in fact exercised);
 - (b) the engagement is not for one particular task, but involves a lengthy working relationship;
 - (c) the mode of remuneration;
 - (d) the employer provides all or most of the materials and tools of work;
 - (e) fixed specified hours or time of work are prescribed; and
 - (f) the employee works for no other person but must give the whole of his/her time to the employer and may not subcontract.

OPM, by way of its survey, identified an instance of one consultancy being in existence for in excess of ten years and 80 consultancies which have been in existence or are estimated to have continued for more than three calendar years. The 80 consultancies were distributed over the following categories: Human Resource Management (2 occurrences); Social Research (3 occurrences); Professional/Scientific/Technical (67 occurrences); Computing (5 occurrences); Management (2 occurrences); and Financial and Accounting (1 occurrence).

The significant number of consultancies undertaken over such extended periods, at high cost to the public purse, in areas where it could be argued that considerable expertise may already exist within the Public Sector, does not represent value for money and would indicate that expenditures would have been reduced by employing suitably skilled staff on a permanent basis. The use of consultants for lengthy periods was also evident from the findings of the review conducted by my Office.

– a reference to the requirements of the annual reporting legislations.

- * The extensive use of external consultants by public sector organisations and the fact that numerous instances of poor performance were identified (by the OPM survey and by the review conducted by my Office) would suggest that there may be considerable benefit gained by requiring each organisation to maintain a central register of all consultants used. The register should contain a full description of the consultancy service used as well as comment on the perceived performance provided by the consultant.

The feasibility of introducing a central register for the entire public sector should also be investigated. At the very least the names of those consultants who have been identified as providing a less than satisfactory standard of performance should be regularly circulated to all public sector organisations.

- * The existing annual reporting legislation should be amended to include a clear definition of a consultant as well as specific details of consultancy services provided. The problem of who is to overview the adherence or compliance with annual reporting requirements still exists.
- * I support the recommendation advanced by OPM that a separate line-item titled "Payments to Consultants" should be included in the annual Budget allocations to government departments. This would then necessitate the inclusion of such information in the financial statements of government departments. The feasibility of introducing a similar requirement for Statutory Authorities to disclose expenditure on external consultants in their financial statements should also be investigated.
- * I also support the OPM recommendation that a central advisory group be created to develop a detailed "User Manual"; to circulate amendments of the manual; to possibly maintain a central register of consultants for the entire public sector; and to distribute details of those consultants who are considered unsatisfactory.

DEPARTMENT OF FAMILY AND COMMUNITY SERVICES MOTOR VEHICLE UTILISATION

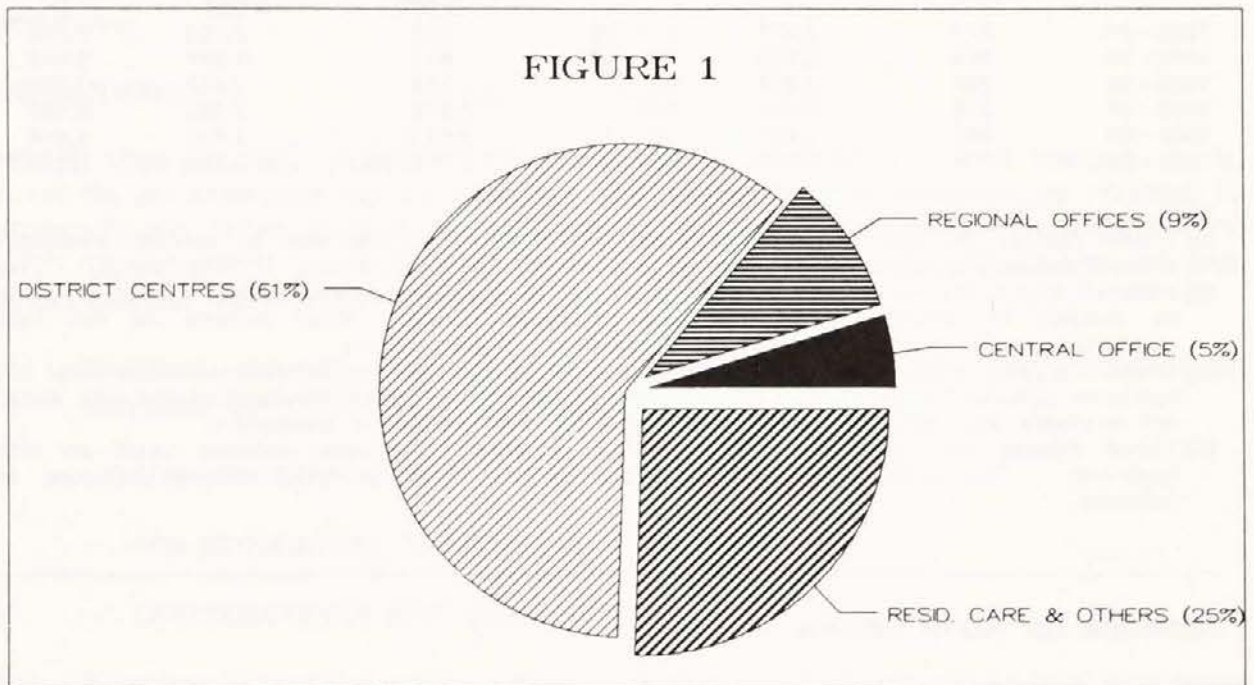
| SUMMARY OF MAJOR FINDINGS | Page |
|--|-------|
| * For reasons shown the Department's motor vehicle fleet has increased by 268% from 273 in 1980-81 to 1,005 as at 30 June 1989 with a total purchase price of \$11.3m. | 55,56 |
| * Maintenance and running costs have increased by 575% from \$528,866 in 1980-81 to \$3.6m as at 30 June 1989, while total transportation costs increased by 143% from \$1.5m in 1980-81 to \$3.6m as at 30 June 1989. | 56 |
| * The most significant increase in vehicle numbers occurred in 1985 and 1986 when the Department was provided with over 500 additional vehicles to place with officers who were using private vehicles on official business (Clause 54 users). A further 238 vehicles were sought in 1987 and have since been progressively supplied. | 55 |
| * In accordance with a previous Government's directives the Department has introduced a phased replacement of the use of private vehicles with official vehicles. Payments to these users have reduced by 98.7%, in the past four years, from \$1.2m in 1985-86 to \$14,949 in 1988-89. | 57 |
| * The Department has only partially responded to a litany of reports outlining difficulties with fleet management, some dating back to May 1981. | 56,57 |
| * The formula developed in December 1985 to determine the allocation of official vehicles to Community Welfare Centres (now known as District Centres) is considered inappropriate as it is based on staff establishment numbers and not actual positions occupied and could result in surplus vehicles. | 59 |
| * It is considered that the existing systems in operation throughout the Department are not sufficiently adequate to provide suitable and timely information to monitor vehicle usage either in the fleets entirety or to enable comparison of individual vehicles or Units. | 60 |
| * The inability of the Department to refute in its entirety the assessment made by the Australian Taxation Office of their liability for Fringe Benefits Tax purposes was due primarily to a misinterpretation of the legislation. This, however, together with the foregoing comments, serves to further highlight the need for a computerised Fleet Management Information System. | 61 |
| * Benefit may be gained from a similar review spread across the larger government departments and statutory bodies. | 61 |

Background

The Department is responsible for the administration of the major proportion of the State's community welfare programs. The programs are aimed at promoting the wellbeing of the people of New South Wales with the family as the basis of that wellbeing. In addition, the Department aims to ensure that assistance is provided to disadvantaged persons and to assist and encourage the establishment and maintenance of community welfare services.

Organisation Structure

For a number of years the Department has operated under a decentralised structure with a degree of control being retained at the Central Office and Regional Office levels. The majority of the day-to-day functions have been delegated to the Regional Offices, District Centres and other smaller units. However, the responsibility for the overall monitoring of usage, allocation, acquisition and disposal of motor vehicles throughout the State rests with the Finance and Property Directorate, located at the Central Office, Parramatta. According to figures supplied by the Department there are 7 Regional Offices, a Central Office, 77 District Centres and 77 Residential Care Units and Special Units. Figure 1 illustrates the decentralised spread of the Department's 1,005 motor vehicles over the respective Offices, Centres and Units.



Size of Operations

In the past decade the Department's motor vehicle fleet has increased from 273 in 1980-81 to 1,005 as at 30 June 1989, an increase of 268%. As indicated by Table A the most significant increases occurred in the years 1985 and 1986. During this period the Department was provided with more than 500 additional vehicles to place with officers who previously used private vehicles on official business (Clause 54 of the then Public Service Regulation). In 1987 a further 238 additional vehicles were sought and have since been progressively supplied. Of this figure 41 vehicles were to replace Clause 54 users and 197 vehicles to cover the creation of extra field positions and the opening of additional District Centres.

From 1 July 1988, with the move to the user pays principle, the Government introduced a leasing system whereby Departments utilising vehicles provided by the Motor Vehicle Leasing Branch of the Government Supply Office would pay a charge per vehicle to that Office. The charge would include two cost components; an annual lease fee and a charge for changeover costs. In addition to these costs Departments could be charged a penalty fee equivalent to double the lease rate per month where replaced vehicles are not promptly made available for disposal or where action to replace a vehicle is not taken in sufficient time to permit the supply of a new vehicle before a current vehicle reaches the disposal criteria. According to Departmental records the total purchase price of the motor vehicle fleet as at 30 June 1989 was \$11.3m. Moreover, as the Department's motor vehicles are purchased through the Motor Vehicle Working Account maintained by the Government Supply Office the full costs involved in the purchase are not reflected in the financial statements of the Department. As the Department's financial statements are prepared on a cash basis and not on a full accrual basis, the only costs accounted for are ongoing maintenance, running costs and more recently annual lease payments. These costs have increased from \$528,826 in 1980-81 to \$3.6m as at 30 June 1989, an increase of 575% (Refer Table A).

Table A

| Year | Departmental Motor Vehicle Numbers | Staff Numbers | Ratio Motor Vehicles to Staff | Maintenance and Running Costs(a) \$'000 | Total Transportation Costs (c) \$'000 | Average Costs per Vehicle \$ |
|---------|--|------------------|-------------------------------------|--|--|---------------------------------------|
| 1983-84 | 274 | 2,921 | 1:11 (d) | 753 | 2,103 | 2,748 |
| 1984-85 | 564 | 3,170 | 1:6 (d) | 814 | 2,274 | 1,443 |
| 1985-86 | 808 | 3,219 | 1:4 | 1,459 | 2,643 | 1,806 |
| 1986-87 | 888 | 3,491 | 1:4 | 2,218 | 2,465 | 2,498 |
| 1987-88 | 997 | 3,458 | 1:3 | 2,540 | 2,632 | 2,548 |
| 1988-89 | 1,005 | 3,329 | 1:3 | 3,569 (b) | 3,584 (b) | 3,555 |

KEY

- (a) These figures do not include payments to officers for the use of private vehicles on official business (Clause 54 payments).
- (b) Includes \$1.1m for initial annual lease payment to the Government Supply Office which may be subject to adjustment at the end of lease period. Prior periods do not include acquisition costs which were met by Government Supply Office.
- (c) These figures include payments to officers for the use of private vehicles on official business (Clause 54 payments) but for years 1980-81 to 1983-84 detailed records were not available and estimates have been used for the Clause 54 component.
- (d) These figures do not include a significant number of private vehicles used on official business. The ratio would reduce materially if these privately owned vehicles were included.

Reasons for Audit Review

Over the past ten years senior management of the Department has been informed regularly, from both internal and external sources, of the numerous shortcomings in the existing management information systems: shortcomings serious enough to impair the provision of adequate, accurate and timely information to enable the Department to maximise the efficient utilisation of its motor vehicle fleet.

These have included:

- * Report by the Department's Management Improvement Branch (May 1981).
- * Report by a Joint Working Party comprising representatives of the Department and the Public Service Board's Motor Vehicle Policy Committee (December 1985).

- * Report by external consultants LFV Consultancy Services Pty Ltd (February 1988).
- * Report by the Department's Management Review Branch (September 1988).

The partial response by the Department to the matters raised in these reports, together with the significant increase in the size of the Department's motor vehicle fleet and the resultant increases in maintenance and running costs, led to my decision that a more detailed review of the operations of the Department's fleet be undertaken with a view to reporting comprehensively in this Report.

As highlighted by Table A the sizeable increase in the Department's motor vehicle fleet has not been accompanied by an equivalent increase in overall staff numbers. This occurrence has been attributed, in the main, to a concerted drive to reduce costs by the elimination of all Clause 54 users within the Department. Based on 1985 costs, the Joint Working Party anticipated annual savings in the order of \$1.3m. According to departmental records payments to Clause 54 users have reduced from \$1.2m in 1985-86 to \$14,949 in 1988-89, a reduction of 98.7% over four years. The move to increase staff numbers at the Regional Office and District Centre levels has also impacted on the need to acquire additional vehicles.

Objectives

While the primary purpose of conducting reviews of this nature is to provide an overview as to whether the systems and procedures related to expenditure from public funds are economical, efficient and consistent with Government policies and objectives, the particular objectives of this audit review were to ascertain:

- (a) Whether policies and procedures existed over the acquisition and disposal of motor vehicles, especially:
 - the identification of the need for vehicles
 - the acquisition of appropriate vehicles
 - purchase/lease and disposal
- (b) Whether effective motor vehicle recording and reporting systems were in operation to monitor and control motor vehicle usage, maintenance and performance.

Audit Scope

The audit review concentrated on the operations of the Motor Vehicle Section within the Finance and Property Directorate located at the Central Office, Parramatta.

Detailed Findings

Acquisition and Disposal Procedures

Government Policies and Procedures

For some years the then Public Service Board's Motor Vehicle Policy Committee had been undertaking the co-ordination and formulation of policy in regard to the Government's motor vehicle fleet. In this time the Committee made numerous recommendations to the Government most of which have been incorporated in the Premier's Passenger Motor Vehicle Conditions. These "Conditions" apply to all Government organisations unless specific exemption has been given by the Premier.

Some of the more significant directives within the "Conditions", relating to acquisition and disposal are:

- * Section 5.3, "Vehicles for General Use", outlines the standard profile for sedans and station sedans. Organisations which consider the standard profile is not appropriate for their operations may request approval for an alternative profile from the Premier.
- * Section 15, "Private Motor Vehicles Used on Official Business", outlines a phased placement of official vehicles with Clause 54 users who are expected to travel more than 6,000 kms per year.
- * Section 40, "Acquisition, Maintenance, and Disposal of Motor Vehicles", states that passenger and light commercial motor vehicles (of less than 1 tonne capacity) must be replaced as soon as practicable after 40,000 kms or two years, whichever occurs first. This is the minimum requirement under Commonwealth Sales Tax legislation. Strict adherence to this requirement should minimise or eliminate changeover costs.

This Section does, however, stipulate that diesel powered, custom designed or specially equipped vehicles should have generally travelled 65,000 kms before disposal irrespective of time.

A directive from the Premier's Department indicated that commencing from 1 July 1988, all organisations utilising vehicles provided by the Government Supply Office would pay a charge per vehicle to that Office. In addition to this charge, organisations could also incur a penalty fee where replaced vehicles are not promptly made available for disposal or where action to replace a vehicle is not taken in sufficient time to permit the supply of a new vehicle before a current vehicle reaches the disposal criteria.

Departmental Procedures

The Department has developed a procedure manual entitled, "Instructions for the Use and Maintenance of Departmental Vehicles". This manual has been in place for several years and copies have been distributed to all Units within the organisation. The manual incorporates all elements of the aforementioned "Premier's Passenger Motor Vehicle Conditions".

In December 1985 a Joint Working Party was formed, comprising officers from within the Department and representatives of the then Public Service Board's Motor Vehicle Policy Committee. This working party developed a formula for the allocation of official vehicles to Community Welfare Centres. The formula was approved and the Department has subsequently used the formula to support requests for additional motor vehicles.

Audit Comments

- * It is considered that existing Departmental procedures, as they relate to the acquisition of appropriate vehicles and the actual purchase/lease of motor vehicles, are adequate and consistent with established Government policies and procedures.
- * While there is no question that adherence to the Department's Manual of Instructions would automatically ensure compliance with established Government policies and procedures, the Department, given its decentralised structure and lack of a computerised Fleet Management Information System, is in no position to ensure strict compliance with these policies as they relate to disposal of motor vehicles in particular. While the Finance and Property Directorate does operate a central inventory system for motor vehicles, which records, among other things, the date supplied, the Directorate cannot monitor usage and as such cannot assure compliance with the overall Government policy of replacement at 40,000 kms or 2 years whichever comes first.
- * The formula developed by the Joint Working Party is considered inappropriate for the allocation of official vehicles to Community Welfare Centres as it is based on staff establishment figures and not actual positions filled. The use of this formula could in fact result in the Department having surplus vehicles in these Centres when compared to their actual requirements.

Departmental Comment:

- * This criticism may have been valid for the period prior to the reorganisation in 1988 where actual occupancy remained at a level about 90% of the approved staff establishment number.
- * Following the reorganisation in 1988 the aforementioned "gap" has now disappeared. The current position is such that the approved staff establishment number now equals the actual staff number.
- * While the Director-General conceded that the statement intimating that the use of the formula could have resulted in an excess of vehicles in District Centres was basically correct, he however felt that certain initiatives taken by the Department have prevented such surpluses from occurring.

Monitoring Procedures

Government Policies and Procedures

As stated previously the Government's Policies and Procedures are promulgated in the Premier's Passenger Motor Vehicle Conditions. The more significant sections as they relate to monitoring requirements are as follows:

- * Section 6.1, "Vehicle Usage", states that, "... Each organisation shall establish procedures to monitor the usage of each motor vehicle in its fleet with the objective of maximising utilisation, minimising changeover costs and minimising vehicle numbers".

- * Section 7.1, "Minimal Requirements of Fleet Management Information Systems", requires that, "Organisations with 10 or more vehicles in their light passenger motor vehicle fleet for a continuous period of 6 months are to implement a Fleet Management Information System". Appendix 5 to the "Conditions" provides examples of the minimum information which should be available on management reports from the system. This Section was only issued in March 1988 with a deadline for implementation of the computerised system of 30 June 1989.
- * Section 35.1, "Running Sheets", requires that, "all officers to whom vehicles are allocated (excluding Ministers and Heads of Government organisations) are to complete motor vehicle running sheets".
- * Section 36.1. outlines the essential information to be recorded on motor vehicle running sheets.
- * Section 37.1. stipulates that organisations should maintain expense records for each vehicle. The type of information required in relation to each vehicle is also provided.

Departmental Procedures

From general inquiries and discussions with officers of the Finance and Properties Directorate it was concluded that overall the Department is generally complying with Government's Policies and Procedures as outlined in the Premiers' Passenger Motor Vehicle Conditions.

In regard to the requirements of Section 7.1 of the Premier's Conditions the Department developed tender specifications for a computerised fleet management information system and following the calling and subsequent evaluation of public tenders the Department envisages a contract being let in the near future.

Audit Comments

As part of the current review the tender specifications were examined and compared to the minimum requirements as outlined in Appendix 5 to the Premier's Conditions. The Department's specifications were found to comply with these minimum requirements. Based on the review of records and procedures employed in the Finance and Properties Directorate, and knowledge of operations at Regional Offices and District Centres, it was concluded that the existing systems in operation throughout the Department could not provide management with adequate nor timely information to satisfactorily monitor vehicle usage, maintenance or performance of the Department's fleet of some 1,000 vehicles, either in its entirety or enable the comparison of individual vehicles or Units.

In this regard I fully endorse the then Premier's directive that a computerised Fleet Management Information System be implemented as soon as possible. A successful implementation would necessitate the provision of adequate training programs; the issue of suitable procedure manuals; the introduction of internal controls to ensure the accuracy over initial input and subsequent processing; and the introduction of controls to ensure management reports are actioned promptly by suitably responsible officers.

It will only be after a concerted and continued commitment by management to all these initiatives that the Department will be in a position to ensure the efficient and effective utilisation of its motor vehicle fleet.

Departmental Comment:

- * While it was agreed there was an urgent need to implement a computerised Fleet Management Information System, the Department has however had to prioritise its many systems requiring computerisation. Funds have been made available for 1989-90.
- * Evaluation of tenders was completed in mid-August 1989 with full implementation of the system anticipated by November 1990.

Fringe Benefit Tax

Although not included in the terms of reference for the current review an area of concern to all organisations, in recent times, has been the calculation of Fringe Benefit Tax (FBT).

During the course of this review it came to our attention that the Department had experienced difficulties in accurately calculating their liability for FBT. A major component of the Department's total liability for FBT purposes is in respect to "Car Benefits". The Department had incorrectly calculated the liability for "Car Benefits" for the years 1987 and 1988 at \$310,192, whereas a subsequent audit by officers of the Taxation Office assessed the liability for those years at \$552,117. In addition to the increased assessment, the Commissioner for Taxation then levied a penalty fee of \$106,935 for payment of the incorrect amount.

Departmental Comment:

- * The Director-General considered that departmental officers had completed details on motor vehicle running sheets in good faith based on information distributed by the Australian Taxation Office and the then Public Service Board. This information had subsequently proved to be incorrect.
- * The Department had actually been able to refute many of the issues raised by the Taxation Office in its reassessment of the liability for individual vehicles.
- * While the Department acknowledged the need for a computerised Fleet Management Information System it considered that the implementation of such a system would not have prevented the Department from becoming liable for additional tax in this instance, as the problem revolved around interpretation of the legislation.

General

The foregoing comments highlight not only the need for early implementation of a sound computerised Fleet Management Information System but also the possible benefit which may be gained from a similar review spread across the larger Government departments and statutory bodies.

BIRTHS, DEATHS AND MARRIAGES COMPUTERISATION PROJECT

A review was conducted of the management of a project for the supply, installation, testing and implementation of a computerised system for the Attorney General's Department's Registry of Births, Deaths and Marriages. The computer system is designed to enable more efficient and effective management of Registry records using the emerging image storage and retrieval technology. The system is apparently unique in Australia and, when operational, should result in considerable cost savings to the Department.

Tenders were called in March 1986 and the successful tenderer was selected in February 1987. Development of the software is not expected to be completed until early 1990.

The audit review revealed that in the initial stages of the project there were shortcomings in the user requirement specifications and tender evaluation processes. The shortcomings were recognised and rectified by departmental officers early in 1987. Even though a considerable time has now elapsed since the signing of the contract in July 1987, management of the project since 1986-87 has been satisfactory. However, those initial shortcomings have contributed to a delay in the handover of the new system and therefore deferred the eventual cost benefits.

A formal systems development methodology was not used in the planning, development and management of the system. Such a methodology has since been purchased by the Attorney General's Department. My officers recommended that to avoid a repetition of the shortcomings related to the early stages of this project, departmental policies be established to ensure that the formal methodology is used in all future computer system developments from their inception.

BORROWINGS

General Comment

In recent years the level of borrowings has emerged as one of the most pertinent indicators of government financial performance.

Although it has been the practice for Budget Paper No 2 to consolidate data on the debt of both the inner and outer budget sectors, the debts of the statutory bodies are not brought together. As a result, the absence of consolidated information each year has led to difficulty in assessing the total public debt of the departments and statutory bodies of the State, as well as its total annual debt servicing charges and the extent to which each year various State revenues are applied to debt servicing.

In my view Parliament should be provided with the above information each year as a means of monitoring the financial viability of the State and allow it to see the total picture in its appropriate context. Action is in train at the Treasury to provide a total debt figure and debt servicing costs as part of consolidated financial statements at 30 June 1989 with comparative figures at 30 June 1988.

In previous Reports I have commented on the growth of public sector debt and highlighted the increasing debt of statutory bodies. I have also referred to the impact of the movement of foreign exchange rates on the overseas portion of the debt. The Commission of Audit also commented on the growth in and extent of debt and provided prescriptive comments to arrest its long-term implications.

At the same time, I consider that, any evaluation of trends in debt should be looked at in the context of trends in public sector infrastructure development. As with other States and countries, the public sector in NSW has traditionally provided for economic and social infrastructure. These provisions, in areas such as education, health, public transport, roads, electricity and water supply have been fundamental to the development of the State.

The most significant source of funding for such infrastructure development has been through borrowings, although other sources such as capital grants from the Commonwealth Government, retained earnings of public authorities, surplus on current transactions and the sale of assets have also been important.

Expenditure on infrastructure financed from borrowings is a cost passed on to the future users of the services provided by the public sector assets. Any analysis of borrowing and debt trends should therefore have regard to the financing of and the creation of assets and of the intergenerational implications of these financing decisions.

Moreover, not all assets of the State are in a physical form. A substantial portion of the assets are represented by cash and investment holdings. In my opinion many of these, which include funds specifically set aside for debt redemption in sinking funds or loan repayment reserves can be viewed as direct "offsets" against the public sector's financial obligations. It follows that interest earned on these assets could be considered as an offset to interest obligations on the State's borrowings. As the total of these financial assets is substantial, it is important that they also be taken into account when analysing the State's financial position.

Debt Position

It is not possible to obtain the gross debt position of the State from the Public Accounts. Public Accounts figures as set out in Tables 6, 10 and 13 if added will result in some double counting. Data for non guaranteed debt also needs to be added to Table 13 figures to ensure all statutory bodies' debt is reported. Also amounts owing by entities such as the State Bank and the Government Insurance Office (which service their own debts) and local government need to be excluded from the table. I consider that the Public Accounts would represent a more meaningful financial document if additional data were supplied so that gross State debt was subject to my audit opinion.

The following table has been prepared from the Treasurer's Public Accounts and other Treasury records.

| | 1988 \$'000 | 1989 \$'000 | % Increase (-) |
|---|-------------------|-------------------|----------------------|
| Authority Debt Guaranteed | 15,817,687 | 18,687,574 | 18.1 |
| Authority Debt Non Guaranteed | <u>2,087,500</u> | <u>273,474</u> | (86.9) |
| | 17,905,187 | 18,961,048 | 5.9 |
| Liability under the Financial Agreement | 5,962,665 | 5,888,001 | (1.3) |
| Liability outside the Financial Agreement | <u>2,205,111</u> | <u>2,230,677</u> | 1.2 |
| Bodies Included in ABS but not Public Accounts Returns | 26,546 | 15,007 | (43.5) |
| Gross State Debt (including Overdraft) | 26,099,509 | 27,094,733 | 3.8 |
| Less Overdraft | <u>(192,500)</u> | <u>(248,702)</u> | 29.2 |
| Gross State Debt | <u>25,907,009</u> | <u>26,846,031</u> | 3.6 |

The aggregate figure when compared with Budget papers for 1989-90 will show a slight variation which is due to a difference in returns completed by statutory bodies for Debt Guaranteed.

Both sets of figures show gross State Debt increased by over 3% in 1988-89. The bulk of this increase was due to Authority Debt which grew by 5.9%.

Authority Borrowings and Government Guaranteed Loans

Since 1984-85 borrowings by semi government bodies have been determined through a "global approach" adopted by the Australian Loan Council. Under this agreement the Commonwealth and States agree to voluntarily restrict new annual borrowings within the global limit set by Loan Council. The limit includes all forms of financing, including conventional loans, exchangeable bonds, leases and joint ventures.

For New South Wales the global limit on new money for 1988-89 was agreed at \$1,450m including funds raised by the NSW Treasury Corporation in 1988-89 against the 1989-90 program. The total new money raised by the State is reported at \$1,153m, comprising:

| | Domestic \$m | Overseas \$m | Total \$m |
|------------|-----------------|-----------------|----------------|
| Long Term | 667.2 | 319.0 | 986.2 |
| Short Term | <u>166.5</u> | <u>-</u> | <u>166.5</u> |
| | <u>833.7</u> | <u>319.0</u> | <u>1,152.7</u> |

The global borrowing ceiling does not reflect the totality of authority public debt operations, as the latter also encompasses existing debt refinancing activities. Nor does the limit entirely reflect the increment to debt, which is affected by movements in foreign exchange rates. For details of losses and gains on foreign currency loans, see foreign exchange comments later in this section of the Report as well as under the N.S.W. Treasury Corporation.

Details of outstanding authority borrowings, which are subject to Government guarantees are shown in Table 13 of the Public Accounts. The information is drawn from various sources not under Treasury control and is not intended as an accurate account of debt levels but, rather, an estimate of amounts subject to guarantee.

Under the Public Authorities (Financial Arrangements) Act 1987, all State authority borrowings (apart from bank overdrafts, Treasury advances and other borrowings approved under the Treasury Corporation Act 1983), are required to be obtained from the Treasury Corporation. In addition to outstanding loans of authorities issued prior to the establishment of the Treasury Corporation itself (\$4,648m), government guarantees extend to the full capital debt of the Corporation (\$16,450m face value at 30 June 1989). The composition of this debt, which includes short term funding through promissory notes, is shown in the financial statements of the Corporation later in this Report. Guarantees also extend to some leveraged leasing arrangements of authorities, e.g. the State Rail Authority.

Table 13 of the Public Accounts also lists government guarantees given for borrowings by co-operative societies and other bodies.

By virtue of the Co-operation Act 1923, building societies may be indemnified against losses arising from advances in excess of normal security margins. Within defined limits, the Treasurer may enter into an indemnity agreement covering such portion of an advance as exceeds 80% but is not greater than 95% of security valuation.

Statistics supplied by the Registrar of Co-operative Societies, show that the contingent liability at 30 June 1989, relating to 3,973 current indemnities was \$19.9m. As these figures do not allow for all cases where loans have been discharged or have not been proceeded with, the true contingent liability would be considerably lower.

The Sporting Bodies' Loans Guarantee Act 1977, and the Small Businesses' Loans Guarantee Act 1977, authorise the Minister to execute guarantees in respect of the repayment of moneys expended on the acquisition etc, of land, buildings, plant or equipment used in the provision of sporting facilities and in the conduct of small businesses. At 30 June 1989, there were 21 loans totalling \$1.6m raised by sporting organisations and small business loans totalling \$3.5m, guaranteed by the Government.

Various agreements exist with the company, Sydney Entertainment Centre, and others whereby the Crown guarantees repayment of capital sums borrowed for the project together with interest thereon. The Crown has also agreed to indemnify the Company against losses it may incur. During the year \$38.1m was paid to discharge borrowings by the Sydney Entertainment Centre; as at 30 June 1989 \$615,778 in borrowings remained outstanding.

During 1988-89, seven payments totalling \$338,938 were made under the Small Businesses' Loans Guarantee Act 1977. The largest payment, \$163,554 was made to a Bank regarding advances to the Warwick Farm Tennis and Polo Centre Pty Ltd.

Loan Liability under the Financial Agreement

The loan liability to the Commonwealth in respect of borrowings under the Financial Agreement, (with overseas components converted to the Australian equivalent at current rates of exchange) decreased by \$74.7m to \$5,888m in 1988-89. Of the total, only \$A3,994 is now domiciled overseas. There were no new borrowings in 1988-89.

The liability and debt charges over the past five years are shown in the following table:

| Year Ending 30 June | Liability to Commonwealth* | Average Rate of Interest | Interest and Loan Charges | Sinking Fund Contribution | Total Paid as Debt Charges |
|---------------------------|----------------------------------|--------------------------------|---------------------------------|---------------------------------|----------------------------------|
| | \$m | % | \$m | \$m | \$m |
| 1985 | 5,774 | 10.94 | 611 | 66 | 677 |
| 1986 | 5,999 | 11.21 | 655 | 69 | 724 |
| 1987 | 6,043 | 11.39 | 685 | 51 | 736 |
| 1988 | 5,963 | 11.53 | 690 | 51 | 741 |
| 1989 | 5,888 | 11.68 | 694 | 59 | 753 |

KEY

* Excludes liability relating to funds nominated under the Commonwealth-State Housing Agreement. Amounts nominated (\$80m, \$65m, \$150m, \$114m and \$86m for 1985, 1986, 1987, 1988 and 1989, respectively) are regarded as indebtedness outside the Financial Agreement.

Overall, since 1984-85 loan liability has increased by \$114m or 2.0%. Coupled with the effects of the progressive rise in the average interest rate, interest costs rose far more steeply - by \$83m or 13.6%. The upward trend in the average interest rate on the total debt will continue as earlier years' Commonwealth loans are replaced at higher yields.

Revised arrangements in the calculation of the sinking fund contribution affected New South Wales for the first time in 1986-87. These changes reversed the previous trend of increasing yearly contributions by the State, with \$51m paid this year as in the previous two years. However, an additional contribution of \$8.3m was made during 1988-89 to discharge the Sydney Harbour Bridge debt.

The means of paying out the liability under the Financial Agreement is the National Debt Sinking Fund - through which State debt of \$1,710m has been cancelled since 1 July 1927.

Indebtedness Outside the Financial Agreement

Amendments to the Public Finance and Audit Act 1983 enacted during 1988-89 require disclosure of State indebtedness for all financial accommodation obtained outside the Commonwealth/State Financial Agreement where the liability for repayment principally falls on the Consolidated Fund.

Table 10 to the Public Accounts details this debt which at 30 June 1989 was \$4,200m and comprised:

*** Commonwealth Specific Purpose Advances (\$2,230m)**

The largest group is *Housing*, for which \$2,007m is outstanding.

Under current funding arrangements the State is eligible to nominate all of its Loan Council allocation for housing, for repayment over 53 years at a 4.5% per annum interest rate. The amount so nominated in 1988-89 was \$86.3m. Other Commonwealth assistance was made available as grants, with the exception of further funds (\$373,000) for the construction of Housing for Service Personnel. These further funds are also repayable over 53 years with interest payable at the prevailing long-term bond rate operative at the time of each advance.

Repayments to the Commonwealth during 1988-89 related to:

| | Interest \$'000 | Principal \$'000 |
|-----------------------------|--------------------|---------------------|
| Welfare Housing | 53,059 | 15,762 |
| Housing Purchase Assistance | 17,343 | 4,180 |
| Service Personnel Housing | 10,840 | 556 |
| Sales on Terms | 171 | 303 |
| War Service Land Settlement | 336 | 256 |

Growth Centres: The role of the Corporations has been under review with the aim of reducing the public sector involvement in the centres. This has been an ongoing process since 1984 when the State's indebtedness to the Commonwealth for advances and loans in respect of the former Land Commission (now NSW Land and Housing Corporation) and the Albury-Wodonga (NSW) Corporation were converted to grants.

A debt to the Commonwealth of \$1.7m for works undertaken by the Albury City Council remains outstanding. Repayments to the Commonwealth are recoverable from the Albury City Council.

A planned program of land disposal is underway at both Bathurst-Orange and Sydney South West Sector (Macarthur) growth centres. The proceeds are expected to repay the private sector loans by 1992.

In 1988-89 the debt of the corporations was restructured when the State bought out the Commonwealth interest in the growth centres for an agreed amount of \$32.4m.

As part of the debt restructure the State assumed responsibility for the repayment of residual Commonwealth loans. Debts written off to 30 June 1989 in respect of the growth centres were Bathurst/Orange \$3.2m and Macarthur \$6.3m. It is anticipated that in the long term the balance of State debt for both centres will be repaid from the proceeds of the sale of land. Detailed comment on the financial statements of the growth centres will be included in Volume Three of my 1989 Report to Parliament.

At 30 June 1989 the State debt to the Commonwealth in respect of all growth centres was \$22.3m (\$47.2m at 30 June 1988).

Rural Assistance Schemes: An amount of \$56.5m was owing to the Commonwealth at 30 June 1989. The amount relates to a number of old rural assistance programs designed to offer a variety of financial assistance to the rural sector. The funds borrowed by the State were advanced as loans and are being repaid by individual primary producers.

- * **Dairy Adjustment Program:** An old scheme dating back to 1976-77 and intended to assist marginal dairy farmers. The State's indebtedness at 30 June 1989 was \$694,887. Repayments to the Commonwealth during 1988-89 were \$62,647 principal and \$44,526 interest.
- * **Rural Reconstruction Agreement:** Dating from 1971-73 an amount of \$65.7m was originally borrowed from the Commonwealth. Repayments of principal \$3.2m and interest \$1.3m were made during the year. The outstanding debt at 30 June 1989 was \$18.9m.
- * **Rural Adjustment Scheme:** The State has received assistance from the Commonwealth by way of grant and loan since 1975-76. This assistance has been used for debt reconstruction, farm build-up, farm improvement, rehabilitation and household support. The State's liability at 30 June 1989 was \$36.9m. Repayments to the Commonwealth of \$4.8m during 1988-89 comprised interest \$3.1m and principal \$1.7m.

Backlog Sewerage: During the period 1973-74 to 1976-77, \$116m was made available to overtake arrears of sewerage works. Of the total received, \$82.7m is to be repaid over periods of 40 years at interest rates ranging from 8.5% to 10.5%. Repayments to the Commonwealth during 1988-89 totalled \$8.4m comprising \$656,697 principal and \$7.7m interest. Of the instalment to the Commonwealth, \$8.2m was recovered from the Sydney Water Board, the Hunter Water Board and the Public Works Department (on behalf of country towns sewerage schemes). Of the remaining debt at 30 June 1989 (\$79.2m), \$77.6m is recoverable from those organisations.

Railway Mainline Upgrading: In terms of an agreement executed under the National Railway Network (Financial Assistance) Act 1979, the Commonwealth helped to meet expenditure (during the five years 1979 to 1983) on projects to upgrade the national mainline railway network. The term of the loan is 15 years, and repayment commenced in June 1984. In 1988-89 the repayment of \$4.7m included principal, \$1.5m. The outstanding liability at 30 June 1989 was \$14.4m.

Softwood Forestry Agreements: Under arrangements dating from 1967 the Commonwealth advanced loan funds to the State (totalling \$18.6m) for a program of increased plantings of softwood forests. Repayments of principal \$742,575 were made during the year. The State's liability to the Commonwealth at 30 June 1989 was \$23.0m.

Letona Co-Operative Ltd: The Commonwealth has provided funds to the State to assist in the re-structure of the finances of the Letona Co-operative Ltd. The loans, made in 1971 and 1983 are interest free, and are being repaid over 13 years concluding in 1999. A balance of \$4.2m was outstanding at 30 June 1989.

The position regarding the indebtedness of **Other Projects** is:

| | REPAID DURING 1988-89 | | Outstanding |
|-------------------------------------|--------------------------|--------------------|-------------------|
| | Principal \$'000 | Interest \$'000 | 30.6.89 \$'000 |
| Blowering Dam | 20* | — | — |
| Dartmouth Reservoir | 587* | 694 | 6,737 |
| Captain's Flat | 18 | 41 | 377 |
| Standard Gauge Railway to Melbourne | 96 | 112 | 2,100 |

KEY

(*) Met from Consolidated Fund capital allocation to Department of Water Resources. Remaining expenditure on these and other items met from Treasury allocations.

The capital costs of rolling stock for the Indian Pacific Rail Service are apportioned between the Commonwealth and the participating States. Each State's portion is based on operating distance, with the N.S.W. share repayable by the State Rail Authority. Principal repaid during the year was \$68,493. The liability of the Authority at 30 June 1989 was \$1.1m.

Natural Disaster Relief: In certain circumstances, a proportion of Commonwealth assistance for natural disaster relief is provided by way of loan. Advances provided from 1 July 1988 will be subject to interest. In 1988-89, loans of \$789,025 were provided and repayments of \$7.0m were made on previous years advances. Outstanding liability at 30 June 1989 was \$14.8m.

*** Debts Assumed by Treasury (\$138m)**

Former Country Industries Assistance Fund: The Fund is closed for new loans, the debt liability of the State was assumed by the Treasury in 1987-88. Loan repayments totalling \$4.9m were made during 1988-89, leaving a balance of \$18.3m at year end. Interest costs of \$2.7m were funded from Consolidated Fund.

Former N.S.W. Film Corporation: Following the abolition of the New South Wales Film Corporation on 30 June 1988, the Treasury assumed responsibility for the assets and liabilities of the Corporation. At 1 July 1988, borrowing from Treasury Corporation totalled \$10.6m, while assets in the form of a sinking fund totalled \$2.3m. During the year, loan repayments of \$197,000 were made, while interest paid from Consolidated Fund totalled \$1.7m.

Forestry Commission of N.S.W.: From 1 July 1988, the Treasury assumed the existing debt of the Forestry Commission as a result of it moving to off-budget operation. Interest charges of \$15.3m were provided from Consolidated Fund, while loan repayments of \$271,000 were made during 1988-89. Outstanding liability at 30 June 1989 was \$109.3m.

*** Other (\$1,832m)**

Capital Works Financing Corporation: Following the cutback in the Commonwealth advances to the States, the State has had to enter the capital market to obtain funds to support the capital works program. The funds are obtained from the market by the NSW Treasury Corporation on behalf of the Capital Works Financing Corporation. A review of the accounts of both Corporations are included elsewhere in this Report.

Additional inclusions under the "Other" heading have an aggregate indebtedness of \$886m at 30 June 1989 compared to a total of \$743m at the start of the year. These organisations have been included in Table 10 because the financing costs of their borrowings are funded by Consolidated Fund. Separate reviews of the accounts of these organisations are included elsewhere in this Report.

FOREIGN EXCHANGE GAINS AND LOSSES ON OVERSEAS BORROWINGS AND OTHER FINANCIAL ARRANGEMENTS

At the outset I should state that this comment does not include details of operations of the financial institutions, such as the State Bank and Government Insurance Office, nor the various agricultural marketing boards, all of which have offsetting assets or funds flows in foreign currencies resulting in no material foreign currency exposure. The majority of the public sector's offshore financial arrangements are borrowings. Lease finance, overseas trade credit facilities and swaps are also used.

During the last three years the exposure of statutory bodies to foreign exchange movements on overseas borrowings has been significantly reduced. This was made possible with the development of offshore Australian dollar markets and swap markets which provide opportunities to obtain Australian dollar debt overseas. These markets have also been used to hedge previous foreign currency exposure back into Australian dollars through currency swaps. It should however be noted that foreign currency exposures or hedged positions shown at year end do not necessarily reflect the position throughout the year. Exposures vary in accordance with the liability management strategies adopted.

Foreign Currency Exposure of Statutory Bodies

The aggregate foreign currency exposure of statutory bodies of the State at 30 June 1989 when compared with a year earlier showed a reduction of 78.6% from \$A1,562m to \$A334.1m. During the last two years exposure has fallen by \$A2,898m. The reduction in the exposure is inclusive of principal repayments, portfolio adjustments and currency hedging. The following table indicates the total foreign currency exposure at 30 June 1989 in Australian dollars:

FOREIGN CURRENCY EXPOSURE OF STATUTORY BODIES as at 30 June 1989 (a) AUSTRALIAN DOLLAR EQUIVALENT

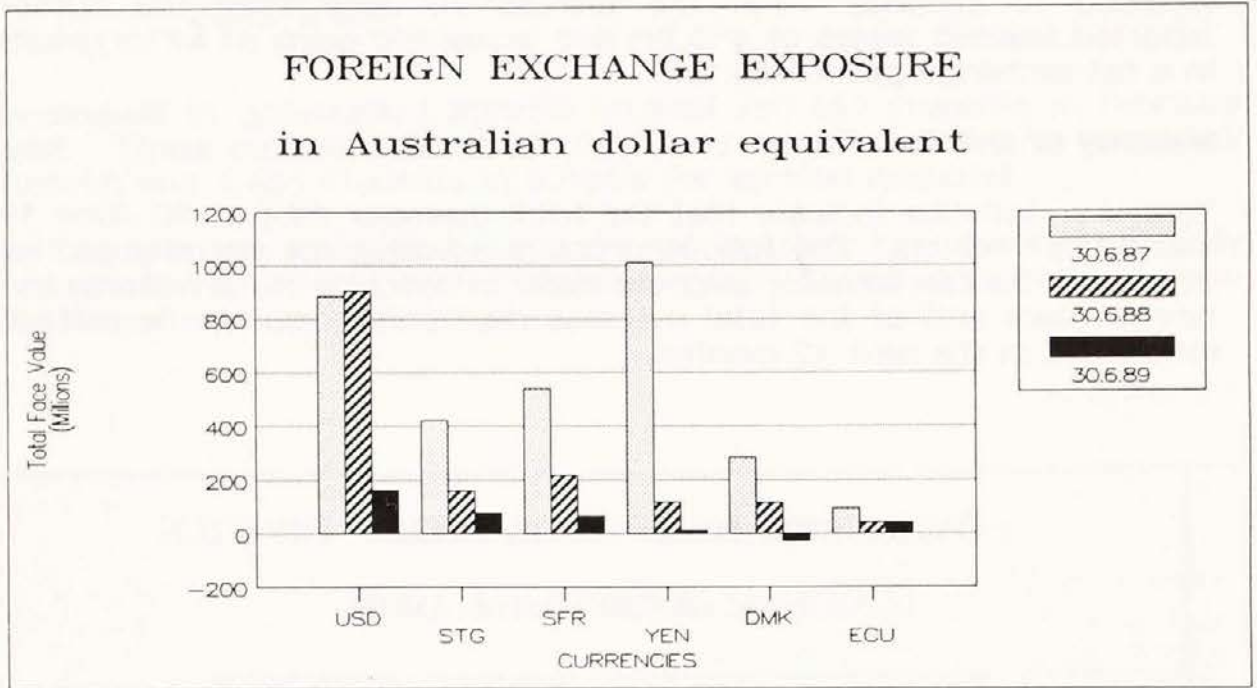
| | \$A '000 | | | | | | Total | % of Total |
|-------------------------|----------------|---------------|---------------|----------------|-----------------|---------------|-----------------|------------|
| | USD | STG | SFR | YEN | DMK | ECU(b) | | |
| Electricity Commission | | | | | | | | |
| Borrowings | 114,097 | 51,151 | 65,027 | (1,454) | (46,428) | 41,923 | 224,316 | |
| Deferred Payments* | -- | -- | -- | (39) | 18,097 | -- | 18,058* | |
| | <u>114,097</u> | <u>51,151</u> | <u>65,027</u> | <u>(1,493)</u> | <u>(28,331)</u> | <u>41,923</u> | <u>242,374*</u> | 72.5 |
| State Rail Authority | | | | | | | | |
| Borrowings | -- | -- | -- | 74 | -- | -- | 74 | |
| Maritime Services Board | 24,393 | 28,240 | -- | 12,694 | 581 | -- | 65,908 | 19.7 |
| Water Board | 23,768 | -- | -- | -- | -- | -- | 23,768 | 7.1 |
| State Transit Authority | 1,290 | -- | -- | -- | 687 | -- | 1,977 | 0.7 |
| Total | <u>163,548</u> | <u>79,391</u> | <u>65,027</u> | <u>11,275</u> | <u>(27,063)</u> | <u>41,923</u> | <u>334,101*</u> | |
| % of Total | <u>48.9</u> | <u>23.8</u> | <u>19.5</u> | <u>3.4</u> | <u>(8.1)</u> | <u>12.5</u> | | 100.0 |

(a) Foreign currency exposures adjusted for currency swaps, forward foreign exchange contracts and other hedge instruments. The figures have not been audited and could be subject to change.

(b) ECU = European Currency Unit.

(*) Includes \$A610,780 of outstanding Norwegian Krone.

The following graph highlights the shifts in foreign currency exposures during the past three years.



In 1988, the Treasurer directed that all affected public sector entities should comply with Part A of Statement of Accounting Standard AAS 20 "Foreign Currency Translation". This requires that both realised and unrealised exchange gains or losses be brought to account in the period in which they occur. For 1988-89 the net aggregate gain was \$70.8m. In addition, in May 1989 the Eraring Power Company debt was refinanced domestically through the New South Wales Treasury Corporation. Realised exchange losses of \$250m were charged against an existing Electricity Commission provision.

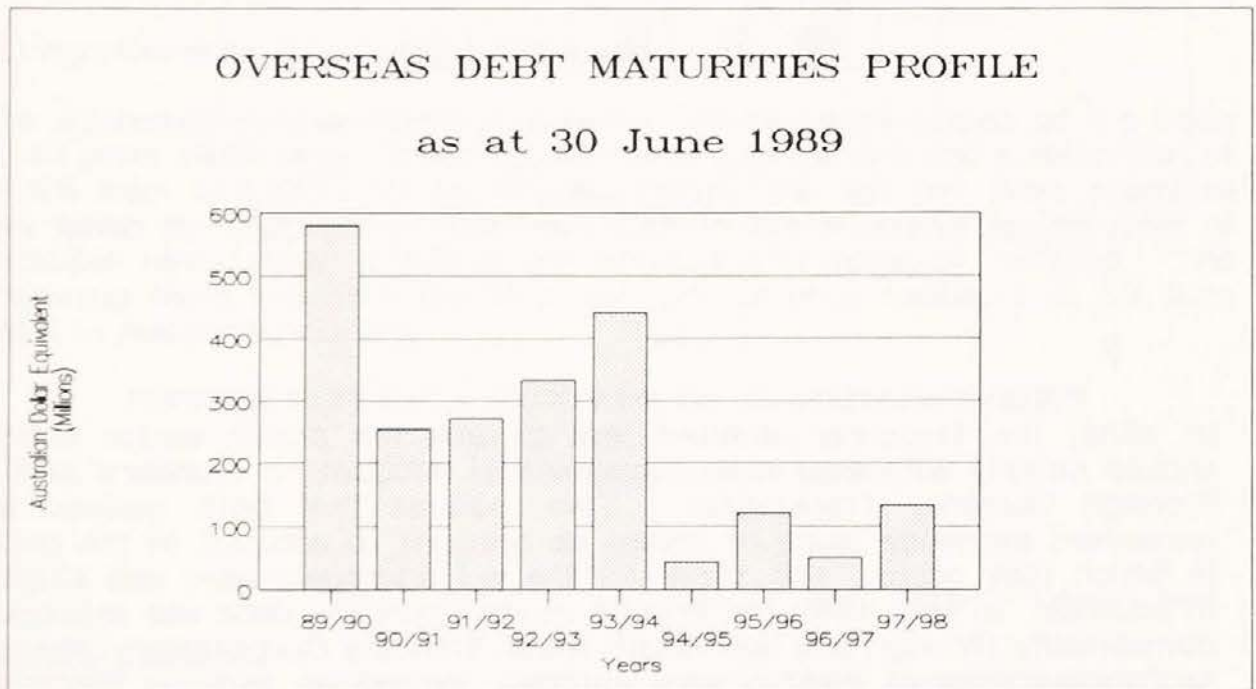
The Electricity Commission, which has 72.5% of the aggregate foreign currency exposure, continued to actively manage its exposures using various market instruments with emphasis on forward transaction and currency swaps. The profits from this hedging activity combined with favourable currency movements over much of the last 12 months resulted in a net exchange gain of \$65m for 1988-89. This comprised \$29.4m realised and \$35.6m unrealised gains.

Management of the foreign currency exposure for the Maritime Service Board is contracted out to a private sector firm. The Board reported a net gain of \$1.6m for 1988–89. This comprised a gain on loans of \$2.1m and losses on forward contracts and swaps of \$0.3m and \$0.2m respectively.

The Treasury Corporation manages the State Rail Authority's foreign currency exposure. With the exception of an exposure of \$A73,951 to the Japanese Yen all foreign currency borrowings and leases have been hedged by way of currency swap arrangements. However not all have been swapped to maturity. For the year to 30 June 1989 the Authority reported realised losses of \$15.9m and unrealised gains of \$21m resulting in a net exchange gain of \$5.1m.

Maturity of Overseas Debt

Treasury statistics indicate that the total overseas debt at 30 June 1989 was \$2.227 billion. The following graph indicates the maturity profile of this debt. As can be seen, the bulk (89%) of overseas loans matures in the next 5 years and of the total overseas debt 25% is due to be settled or refinanced in the next 12 months.



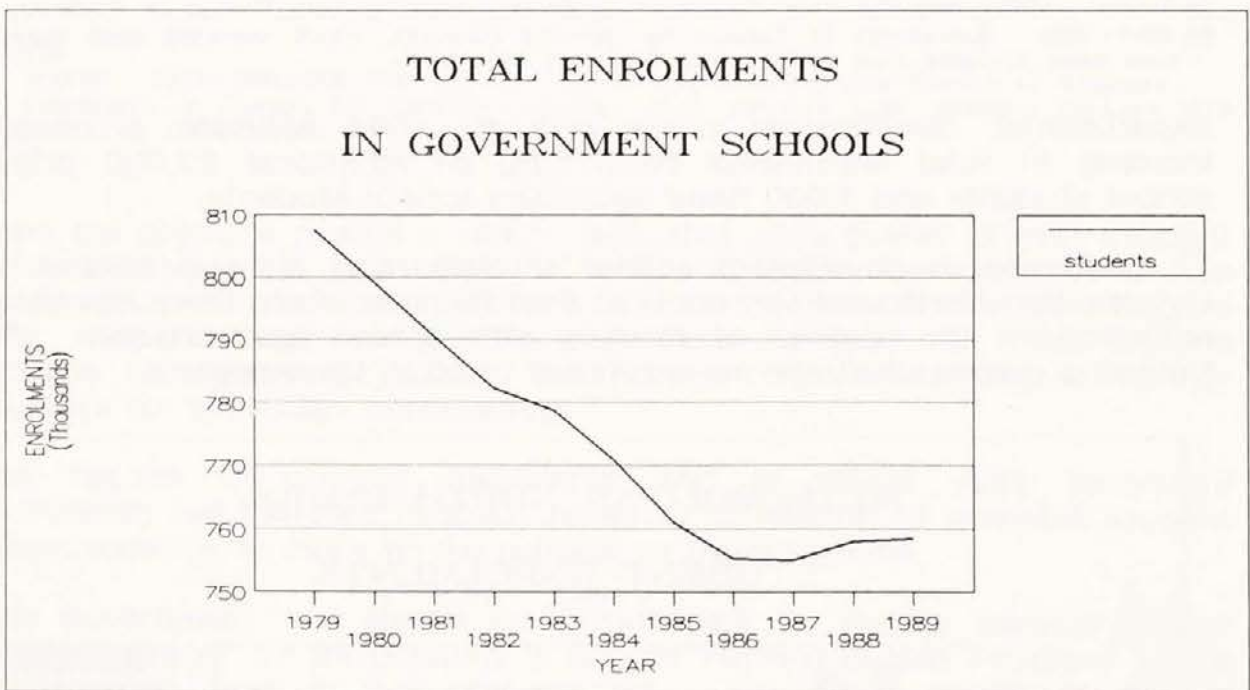
DEPARTMENT OF EDUCATION RATIONALISATION OF SCHOOLS IN NEW SOUTH WALES

The Department of Education is responsible for the management of 2,227 schools throughout New South Wales. These comprise:

| | |
|-------------------------------|-------|
| Primary Schools | 1,657 |
| Secondary Schools | 381 |
| Schools for Specific Purposes | 126 |
| Central Schools | 63 |

Enrolments in government schools totalled 758,451 students in February 1989. These consisted of 435,012 primary students, 318,978 secondary students and 4,461 students in schools for specific purposes.

The number of students in government schools has declined steadily throughout the 1980's. The following graph depicts the trend in total enrolments over the past ten years.



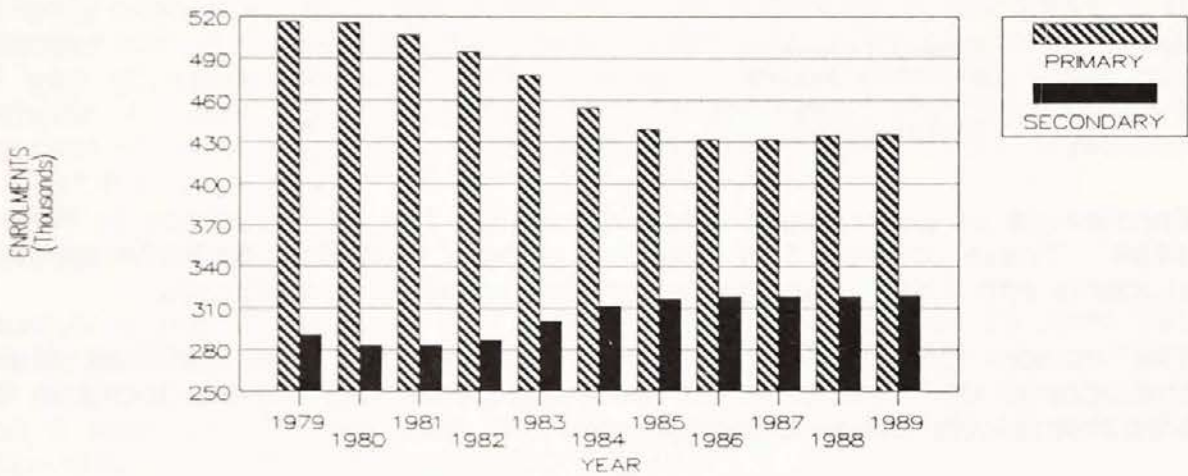
NOTES

(a) Source: 1979–1988 Mid Year Census of Students; 1989 February Census of Students.

(b) Enrolments include Primary Schools, Secondary Schools and Schools for Specific Purposes.

As shown in the following graph, primary school enrolments have fallen from a peak of 516,807 in 1979 to the present enrolment of 435,012 students. Secondary enrolments have increased from 290,795 students in 1979 to 318,978 in 1989.

TOTAL PRIMARY AND SECONDARY ENROLMENTS IN GOVERNMENT SCHOOLS



NOTES

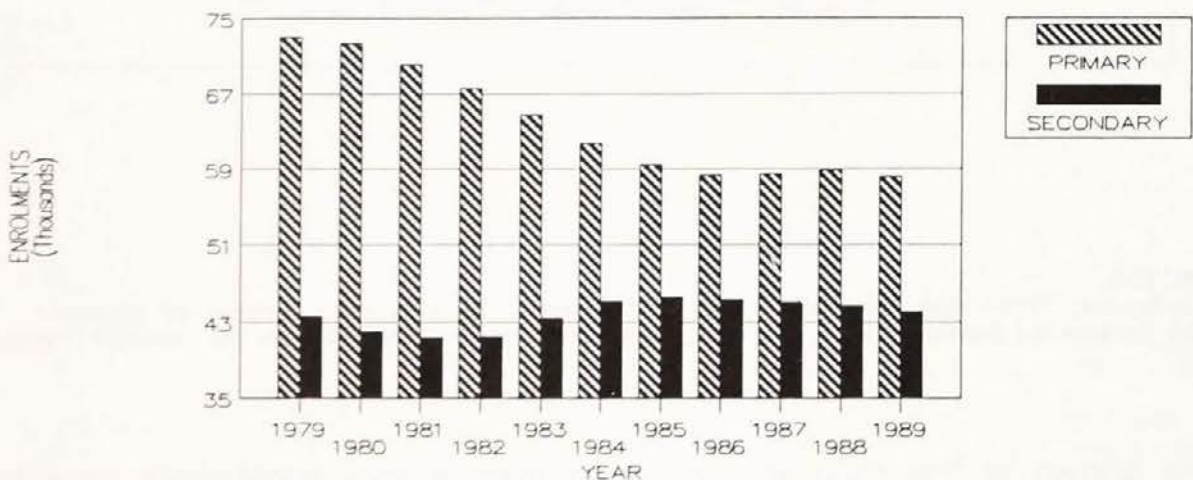
(a) Source: 1979–1988 Mid Year Census of Students; 1989 February Census of Students.

(b) 1984–1989: Enrolments in Schools for Specific Purposes, which averaged 5048 students, have been excluded from Primary and Secondary enrolments.

Departmental demographic projections to 1994 estimate a marginal increase in total enrolments comprising an additional 23,000 primary school students and 9,000 fewer secondary school students.

The decrease in government school enrolments is more evident in the Metropolitan North and Metropolitan East Regions where there has been a reduction in the number of families with school aged children. The following graphs illustrate the enrolment trend in these regions.

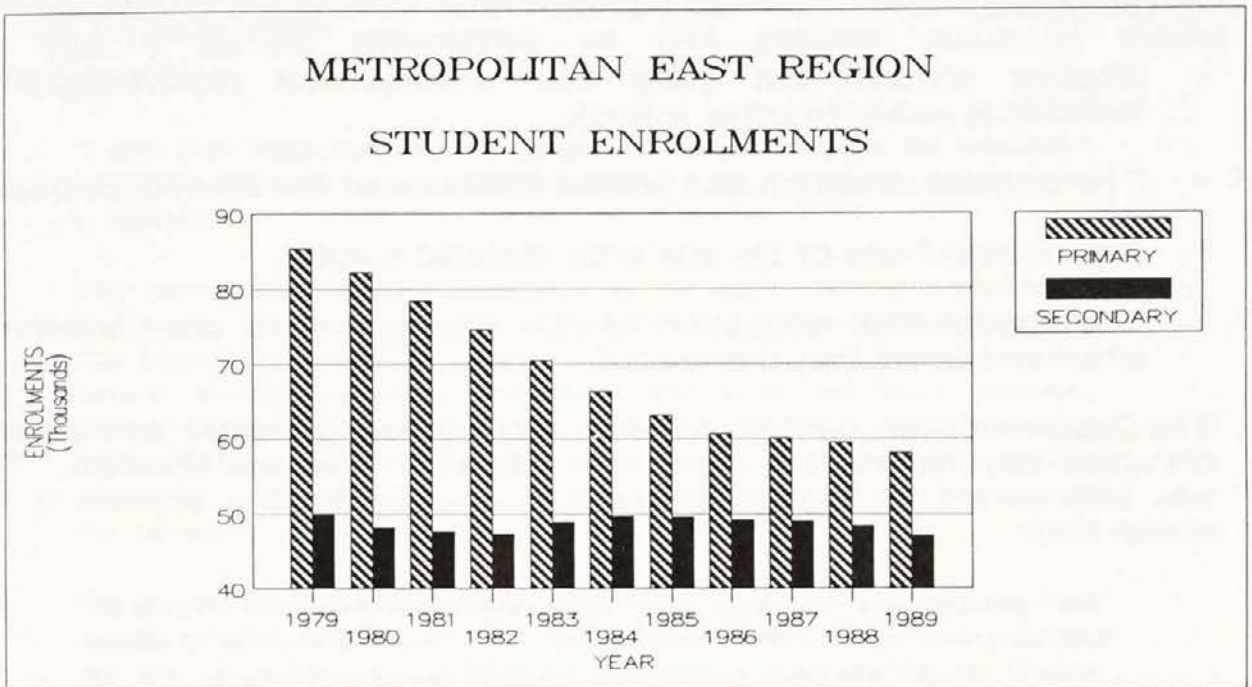
METROPOLITAN NORTH REGION STUDENT ENROLMENTS



NOTES

(a) Source: 1979–1988 Mid Year Census of Students; 1989 February Census of Students.

(b) Enrolments in School for Specific Purposes, which averaged 976 students between 1979 and 1989, are excluded from this graph.



NOTES

- (a) Source: 1979–1988 Mid Year Census of Students; 1989 February Census of Students
 (b) Enrolments in Schools for Specific Purposes, which averaged 1,000 students between 1979 and 1989, are excluded from this graph.

From the previous graphs it can be seen that while overall primary student enrolments fell by 16% between 1979 and 1989, the decrease in the Metropolitan North Region was 20% and in the Metropolitan East Region 32%. Departmental demographic projections to 1994 for these Regions indicate a stabilising pattern for primary enrolments and a further decrease for secondary enrolments.

The decline in primary enrolments and in recent years secondary enrolments has resulted in lower levels of utilisation of available student accommodation in many of the schools in these Regions.

The Government has shown its commitment to reduce surplus school accommodation by introducing a School Rationalisation Program to be implemented over a five year period. An initial review of school accommodation under the program resulted in the announcement of fifteen schools to be closed at the completion of the 1988, 1989 and 1990 school years. A second round review has resulted in the identification of a further number of schools to be considered for closure in 1990.

The Department of Education has recognised the need to close schools where the pattern of enrolments has reflected a continual decline and/or where other schools in the area provide an educationally acceptable alternative. Other factors taken into account when considering school closures include:

- * Capacity of other local schools to absorb children from the school to be closed.
- * Whether children can travel over a reasonable distance and in reasonable safety to other schools.
- * The physical condition and precise locations of the schools involved.
- * The potential use of the site once declared surplus.
- * The fundamental obligation of the Government to provide schools when and where they are needed.

The Department has further recognised that school buildings only partially occupied may represent a significant degree of overcapitalisation. This was emphasised in a guidance paper issued to Regions wherein it was stated that:

"The provision and maintenance of public schools represents a significant and continuing cost to the public purse. The size and location of public schools should take due account of changing demographic trends. It is neither efficient nor cost-effective to maintain large school facilities, often on increasingly expensive sites, when the demography of the area is such that we finish up with schools and buildings of large capacity, serving small (and increasingly smaller) enrolments. The cost of education per pupil in such schools is disproportionately high and the annual expenditure required to service and maintain unfilled places in schools militates against the overall cost efficiency of the government school system."

The opportunity costs to the State of keeping underutilised schools open i.e. realisable value from sale of the site, interest etc. are other factors that need to be considered.

It has been reported that the property portfolio of the Department of Education is estimated to be worth more than \$12 billion. The Rationalisation Program is necessary, in my view, in order to ensure the efficient and effective utilisation of one of this State's major resources.

To give some indication of the nature of the problem confronted by the Government I have reproduced below a sample of clusters of primary schools from the Metropolitan North and Metropolitan East Regions. These clusters of schools are not official departmental groupings but were identified by my officers as having possible scope for rationalisation based on geographic proximity and declining enrolment patterns. Nevertheless, I am aware that there are other educational and social issues to be considered in the rationalisation process.

Detailed information on the selected school clusters was referred to the Director-General for comment. I also sought his advice regarding the appropriateness of establishing an independent committee with separate legal status to review school usage and make recommendations for rationalisation. I considered that such a committee may facilitate school rationalisation, particularly when one considers the range of criteria to be taken into account.

An extract of the Director-General's response is reproduced below. In addition, his separate comments on individual clusters of schools are summarised at the foot of each recorded cluster. These comments serve to give a further perspective on this complex issue of school rationalisation.

"I note your suggestion that an independent Committee might be established with separate legal status to review school usage. I cannot support such a suggestion.

The rationalisation process undertaken by the Department of Education is part of the overall planning for the effective use of educational resources. The process of establishing a new school or closing/amalgamating existing schools involves educational, economic, demographic, and social variables. The delegation of the rationalisation of schools to an independent authority would not allow this relationship to function as effectively as it can currently do within the context of the detailed knowledge of a school and the community which is available to a Region.

The process of rationalisation cannot be summarised by the application of a specific formula nor standardised to reflect all aspects which may affect the future viability of an individual institution. Each component of the rationalisation process is unique, with its own exclusive mitigating factors. The methodology used must extend far beyond the comparison of enrolment patterns and estimated school capacities. This is a task most appropriately undertaken by officers of the Department who have the necessary knowledge and links with schools and their communities.

The Department's process of monitoring enrolment trends and accommodation needs has led to a much publicised recent program of closures in city schools but I would stress that there has been a consistent program of rationalisation going far beyond the publicity. Moreover, the process of monitoring and rationalising will continue in a comprehensive and sensitive way to provide for the needs of all communities throughout the State."

| | | STUDENT ENROLMENTS | | | CAPACITY |
|--|------|--------------------|------------------------|-------------------|---------------------------|
| | | | % | | Based on 30 |
| | 1979 | 1989 | Decrease (Increase) | 1994 Projected | Students per classroom |
| CLUSTER A (Operating at 36.3% of capacity) | | | | | |
| School 1 | 76 | 67 | 11.8 | 61 | 180 |
| School 2 | 324 | 131 | 59.6 | 115 | 510 |
| School 3 | 356 | 199 | 44.1 | 212 | 540 |
| School 4 | 902 | 310 | 65.6 | 342 | 600 |
| School 5 | 925 | 337 | 63.6 | 276 | 1050 |
| | 2583 | 1044 | 59.6 | 1006 | 2880 |

Departmental Comment: There is a definite case for closure of one school in this cluster. The students could be relocated at adjacent public schools. Such a rationalisation is currently being investigated.

| | STUDENT | | ENROLMENTS | CAPACITY | |
|--------------------------------------|-------------|------------|-----------------------------|-------------------|--|
| | 1979 | 1389 | % Decrease (Increase) | 1994 Projected | Based on 30 Students per classroom |
| CLUSTER B (32.2% of capacity) | | | | | |
| School 1 | 621 | 229 | 63.1 | 206 | 690 |
| School 2 | 299 | 70 | 76.6 | 79 | 390 |
| School 3 | 148 | 123 | 16.9 | 111 | 180 |
| School 4 | 346 | 140 | 59.5 | 146 | 450 |
| School 5 | 675 | 163 | 75.9 | 177 | 540 |
| | <u>2089</u> | <u>725</u> | <u>65.3</u> | <u>719</u> | <u>2250</u> |

Departmental Comment: Schools within this cluster satisfy particular needs within the surrounding community. There may also be a need for schools within the cluster to serve an increase in population created by several proposals for redevelopment in the area.

CLUSTER C (49.3% of capacity)

| | | | | | |
|----------|-------------|-------------|-------------|-------------|-------------|
| School 1 | 756 | 220 | 70.9 | 176 | 600 |
| School 2 | 518 | 282 | 45.6 | 140 | 390 |
| School 3 | 950 | 461 | 51.5 | 374 | 1050 |
| School 4 | 998 | 501 | 49.8 | 435 | 930 |
| | <u>3222</u> | <u>1464</u> | <u>54.6</u> | <u>1125</u> | <u>2970</u> |

Departmental Comment: The future of one school in this cluster is already under Regional review, given its pattern of declining enrolments and the relative accessibility and capacity of other schools in the area. This cluster could also include another public school which has declining enrolments and could, itself be a school for possible future closure.

CLUSTER D (41.0% of capacity)

| | | | | | |
|----------|-------------|-------------|-------------|-------------|-------------|
| School 1 | 459 | 153 | 66.7 | 124 | 570 |
| School 2 | 416 | 115 | 72.4 | 93 | 630 |
| School 3 | 252 | 133 | 47.2 | 129 | 240 |
| School 4 | 902 | 310 | 65.6 | 342 | 600 |
| School 5 | 371 | 321 | 13.5 | 390 | 480 |
| | <u>2400</u> | <u>1032</u> | <u>57.0</u> | <u>1078</u> | <u>2520</u> |

Departmental Comment: The definition of this cluster is a complex issue. Each school has a strong association with some form of proposed or recommended rationalisation. Similarly they must be viewed in the context of their surrounding schools. There are other schools which would have a direct bearing on the rationalisation of this cluster. Two schools nominated within this cluster are used extensively by professional organisations and Departmental bodies. They have only limited surplus accommodation. Following moves for rationalisation of schools outside this cluster these schools will have little excess accommodation.

There is no scope for rationalisation within this cluster.

CLUSTER E (30.1% of capacity)

| | | | | | |
|----------|------------|------------|-------------|------------|-------------|
| School 1 | 260 | 76 | 70.8 | 55 | 420 |
| School 2 | 306 | 96 | 68.6 | 84 | 270 |
| School 3 | 247 | 138 | 44.1 | 110 | 390 |
| School 4 | 76 | 114 | (50.0) | 69 | 330 |
| | <u>889</u> | <u>424</u> | <u>52.3</u> | <u>318</u> | <u>1410</u> |

Departmental Comment: While there may appear to be scope for closure within this grouping, one school is not ideally located to facilitate closure. Further, this school is use extensively by educational and professional organisations for accommodation and lecturing facilities. The aftercare service which functions from the school serves many of the workers from the area.

Another school in the cluster is more conducive to closure, but would require a reconstituted cluster.

| | STUDENT ENROLMENTS | | CAPACITY | |
|--------------------------------------|--------------------|------------|-----------------------------|--|
| | 1979 | 1989 | % Decrease (Increase) | Based on 30 Students per classroom |
| | | | 1994 Projected | |
| CLUSTER F (31.2% of Capacity) | | | | |
| School 1 | 774 | 229 | 70.4 | 810 |
| School 2 | 893 | 352 | 60.6 | 1050 |
| | <u>1667</u> | <u>581</u> | <u>65.1</u> | <u>1860</u> |

Departmental Comment: A case can be made for the rationalisation of one school in this cluster. This school is adjacent to business and commercial development whereas the alternative is located in a residential area. Further the age and quality of buildings at the alternative school are regarded as superior and it has the capacity to cope with the combined future enrolments of both schools.

Nevertheless, there will be undoubted perceptions of relative inaccessibility of one of the schools and community support would have to be assured for the possible rationalisation of either school.

CLUSTER G (38.9% of capacity)

| | | | | | |
|----------|-------------|-------------|-------------|-------------|-------------|
| School 1 | 451 | 212 | 53.0 | 182 | 870 |
| School 2 | 510 | 308 | 39.6 | 334 | 630 |
| School 3 | 731 | 253 | 65.4 | 224 | 750 |
| School 4 | 303 | 308 | (1.7) | 360 | 360 |
| School 5 | 341 | 97 | 71.6 | 89 | 420 |
| | <u>2336</u> | <u>1178</u> | <u>49.6</u> | <u>1189</u> | <u>3030</u> |

Departmental Comment: Offices of the Inspectors of Schools for three Inspectorates are located within the classroom accommodation of one of the schools within the cluster. This school has been nominated as an Education Resource Centre in line with the model recommended by the Schools Renewal (June 1989). Another school is used extensively by outside groups for lecturing and office accommodation. It may also be required to alleviate pressure of enrolments on schools surrounding areas proposed for redevelopment.

There is definite scope for rationalisation within the cluster but not by way of closure/amalgamation.

CLUSTER H (50.7% of capacity)

| | | | | | |
|----------|-------------|-------------|-------------|-------------|-------------|
| School 1 | 392 | 97 | 75.3 | 100 | 300 |
| School 2 | 238 | 145 | 39.1 | 136 | 420 |
| School 3 | 365 | 205 | 43.8 | 230 | 360 |
| School 4 | 274 | 288 | (5.1) | 296 | 360 |
| School 5 | 631 | 405 | 35.8 | 370 | 810 |
| | <u>1900</u> | <u>1140</u> | <u>40.0</u> | <u>1132</u> | <u>2250</u> |

Departmental Comment: One school by its geographical location serves a particular community. The enrolment patterns of the past decade have already brought these schools under review and they will again be considered in the future.

CLUSTER I (48.3% of capacity)

| | | | | | |
|----------|-------------|-------------|-------------|-------------|-------------|
| School 1 | 385 | 159 | 58.7 | 124 | 570 |
| School 2 | 438 | 273 | 37.7 | 251 | 510 |
| School 3 | 522 | 347 | 33.5 | 270 | 720 |
| School 4 | 845 | 379 | 55.1 | 360 | 990 |
| School 5 | 915 | 552 | 39.7 | 533 | 750 |
| | <u>3105</u> | <u>1710</u> | <u>44.9</u> | <u>1538</u> | <u>3540</u> |

Departmental Comment: Accessibility for school pupils, especially young children, is not regarded as readily feasible throughout this general area. A case can be made for the closure of one school in this cluster despite some concerns about accessibility and safe travel for children. Even if this school is to close, the current part usage as a Zone Office will extend to incorporate an Education Centre as proposed in the Scott Review.

| | STUDENT | | ENROLMENTS | CAPACITY | |
|--------------------------------------|-------------|-------------|-----------------------------|-------------------|--|
| | 1979 | 1989 | % Decrease (Increase) | 1994 Projected | Based on 30 Students per classroom |
| CLUSTER J (50.9% of capacity) | | | | | |
| School 1 | 512 | 267 | 47.9 | 239 | 570 |
| School 2 | 461 | 225 | 51.2 | 174 | 360 |
| School 3 | 631 | 316 | 49.9 | 255 | 660 |
| School 4 | 580 | 337 | 41.9 | 262 | 660 |
| | <u>2184</u> | <u>1145</u> | <u>47.6</u> | <u>930</u> | <u>2250</u> |

Departmental Comment: While there may appear to be some scope for rationalisation within this cluster one school should be excluded from consideration. This school is currently operating at maximum capacity. As well as the ordinary class groupings the school has two O.C. Classes and one H Class. A Diagnostic Learning Difficulties Unit will be opened at this school in January 1990. It is also ideally located.

The Department emphasised that the identification of available primary school classroom accommodation based on thirty students per classroom should be regarded as a starting point only when assessing school utilisation.

Further, the Director-General warned of a possible pitfall in identifying school capacities based on available classrooms. He stated that:

"Many schools are utilised for a myriad of purposes by organisations which may or may not be directly associated with the school or the Department of Education. Provision of accommodation for office, leisure, educational or storage functions is commonplace and often requires the conversion of classrooms to permanently facilitate the new function. This form of occupation is more prevalent in areas where enrolments have experienced decline, and surplus classroom accommodation is available.

As a school's population contracts, classroom accommodation is utilised to facilitate the extension of curriculum activities, in the development of those additional spaces to provide areas set aside for craft, audio-visual, music, resource centres, etc, all of which are vital parts of the overall education process. The school community will often also take advantage of the situation by utilising one or more rooms for before and after school care for children of working parents. Very few schools actually have "vacant" classrooms."

The whole assessment of school rationalisation is an extremely difficult subject. For the many reasons highlighted I have been unable to form an opinion regarding the adequacy of the pace with which the Department is implementing its policy of school rationalisation. Nevertheless, I do wish to acknowledge the action already taken by the Department to improve the efficacy with which the considerable assets of the Department of Education are being employed.

In view of the enormous amount of public capital invested, I will continue to review the progress expected to be achieved over the next few years.

AMBULANCE SERVICES

Volume Two of my Report to Parliament for 1988 included a Summary of Major Findings and Recommendations following an audit review of the Ambulance Services (Ref. pages 39 – 56).

The scope of that review included the following aspects:

- Financial Accountability
- Billing and Collections
- Ambulance Sites
- Contribution by Medical Funds
- Passenger Vehicles and Private Telephone Accounts

Since the audit review the Public Accounts Committee finalised an inquiry into the Ambulance Services. The Committee's review, which covered those aspects reviewed by my officers, was undertaken following a reference by the Minister for Health who provided the following Terms of Reference:

- (i) to assess the impact of implementing recommendations of the 1982 Inquiry into the NSW Ambulance Services (Gleeson Report);
- (ii) to inquire into the efficiency and effectiveness of the management of ambulance service in New South Wales;
- (iii) to review the management and cost structure of the Ambulance Services;
- (iv) to examine the extent of improvements in the collection of outstanding unpaid ambulance transport fees since the PAC's inquiry into the matter in 1986; and
- (v) to investigate any other matters relevant to the efficient operation of ambulance services in New South Wales.

The Committee's enquiries revealed many aspects of the Services where improvements should be made. Their Report (Number 44) was issued in February 1989, and contained 40 recommendations covering a wide range of the Services activities.

Information shown below indicates that the outstanding debts position has not improved.

| | 1987 – 88 | 1988 – 89 | % |
|-------------------------------------|-----------|-----------|--------|
| | \$m | \$m | (-) |
| Debts Outstanding as at 30 June | 10.1 | 11.2 | 10.9 |
| Debts Written Off During the Period | 2.2 | 1.9 | (13.6) |
| Receipts from Fees etc | 31.2 | 32.4 | 3.8 |

The Department of Health has now engaged a firm of consultants to consider amongst other matters, the implementation of the recommendations in my 1988 Report and in the Public Accounts Committee's Report.

Some progress has been made in relation to the matters raised in my 1988 Report although most have been deferred until the consultants recommendations are finalised. It is to be hoped that the outcome of the consultancy will provide swift and effective action to overcome the problems which both the Public Accounts Committee and I have recognised in the operations of the Services.

NSW LAND AND HOUSING CORPORATION

AUDIT OF THE FORMER MINISTERIAL OFFICE INCLUDING THE CORPORATION PROPER

Volume Two of my Report to Parliament for 1988 included observations following an audit review of the ministerial office of the former Minister for Housing.

The scope of that review included the following aspects:

- Consultants
- Overseas Travel
- Petty Cash
- Overtime/Tea Money
- Advance Account
- Expenditure where Existence of Payee cannot be Confirmed
- Payments Regarded as Other than Recurrent Expenditure
- Purchase and Recording of Plant and Equipment
- Missing Vouchers
- Possible Overpayments
- Queries on Appropriation Codes

On 25 July 1989 I received a second report from the Director of Housing on matters under reference. Comment is now provided on developments since my previous Report. Three of the issues are not fully resolved. These relate to overseas travel, expenditure where the payee cannot be confirmed and plant and equipment purchases.

UNRESOLVED ISSUES

Overseas Travel: Matters include unexplained air fares for ministerial staff; authority for payment of an allowance to the former Minister's wife, accounting for an expense allowance to the former Minister and travel advances to two persons not acquitted.

The former Minister indicated in September 1988 to the Secretary, Treasury, that he was in the process of preparing a final claim on the Department of Housing. Recent inquiries indicate that no such claim or accounting (for moneys advanced) has been lodged.

Plant and Equipment: Several items of plant and equipment were found to be missing from the former ministerial office. I understand that this matter is still subject to police investigations.

Expenditure where Payee Cannot be Confirmed: The former Administrative Officer attached to the ministerial office is currently the subject of prosecution by the Police.

OTHER MATTERS

Consultants: I previously reported that the arrangements covering the engagement of consultants were casual and did not achieve a desirable level in sound administrative practice.

The Corporation has since introduced new and formal arrangements for engagements of consultants. Those arrangements appear to redress the shortcomings previously identified and will be subject to audit review during the course of 1989-90.

Overtime/Tea Money: Payments of overtime and tea money to certain staff at the ministerial office were made on a continuous and regular basis and appeared excessive when compared to normal circumstances.

The Director of Housing has advised that the Corporation has not been able to determine whether accurate documentation had been prepared for any of the occasions on which payment was made and that the documentation, if prepared, is not available.

The Director has also advised that current arrangements provide for all future payments to be approved and documented.

DEBTS DUE TO THE PUBLIC SECTOR

AGING OF DEBTORS – GOVERNMENT DEPARTMENTS

DEBTS WRITTEN OFF – GOVERNMENT DEPARTMENTS AND STATUTORY BODIES

A review of the debtors of departments as at 30 June 1989 was undertaken in an endeavour to establish the general age of debtors in the Budget Sector. The departments are required by Clause 5(a) of the Public Finance and Audit (Departments) Regulation 1986 to provide by way of notes or otherwise to the financial statements, a schedule of uncollected amounts appropriately classified by type and age. The review did not take into account those amounts owing to statutory bodies.

Results of the review included disclosure that some departments were not abiding by the requirements of the regulation and aging their debtors. Those that did provide the details had such disparity in the interval periods used to report the aging that precluded any significant analyses, other than a determination of the value of debtors outstanding for less than, or equal to and greater than, 90 days.

Appendix 3 reports these and total figures for those Departments with debtors at 30 June 1989, deriving the overall value of outstanding debtors in the Budget Sector at this date, \$392m. Of this total, \$84m owing to the Office of State Revenue is the subject of legal action, \$73m is outstanding on warrants of commitment and \$32m is recoverable from convicted persons under the Criminal Injuries Compensation Act. The possibility of recovering more than a small proportion of these moneys, totalling \$189m, must be regarded as remote.

Appendix 4 reports the value and summary detail of the debts written off by Ministerial Heads or their delegated officers in the public sector during the 1988–89 year. The total \$26.8m comprised \$18.5m by departments, \$3.9m by the County Councils and \$4.4m by the other Statutory Bodies.

The major write-offs are Advances to Development Corporations – Bathurst/Orange (\$6.3m), Macarthur (\$3.2m); Payroll Tax \$3.7m; Ambulance Transport Fees \$1.9m; Loans by the former NSW Investment Corporation \$1.2m; and Mortgage Relief Scheme Moneys \$1.2m.

SALE OF PROPERTIES

The value of property sales, for which settlement was effected by departments and statutory bodies during 1988-89, exceeded \$543m, including \$51.3m intra government (\$191m and \$38.1m respectively in 1987-88).

Individual organisations' sales were:

| | |
|--------------------------------------|-----------------------|
| Statutory Bodies: | \$'000 |
| State Rail Authority | 248,800 |
| Roads and Traffic Authority | 81,600 |
| State Transit Authority | 75,062 |
| Maritime Services Board | 35,485 |
| Water Board | 8,167 |
| State Bank | 8,088 |
| Electricity Commission | 5,455 |
| Sydney County Council | 4,608 |
| Shortland County Council | 4,479 |
| Sydney College of Advanced Education | 2,750 |
| Others | 1,983 |
| | <u>476,477</u> |
| Departments: | |
| Health | 22,297 |
| Planning | 18,681 |
| Education | 14,359 |
| Public Works | 6,721 |
| Family and Community Services | 2,849 |
| Police | 1,257 |
| Others | 361 |
| | <u>66,525</u> |
| TOTAL | <u>543,002</u> |

Generally, proceeds of sales by statutory bodies are retained and used within the business. Until 22 September 1987, the proceeds of sales by departments had been returned to the Treasury. From that date, departments and budget sector authorities retained 50% of the net proceeds for the purpose of financing other capital works projects or maintenance of other assets. Under a new policy for 1988-89, these organisations could retain 50% of the net proceeds within Special Deposits Account for those purposes; the remaining 50% is payable to Consolidated Fund as a capital receipt.

The principal disposal for the year was the State Transit Authority property in Macquarie Street, Sydney, known as Transport House, for \$69m.

The major land sites sold or let under 99 year leases by the State Rail Authority included Chatswood (sale) \$58.5m, St Leonards (lease) \$67.3m and Bondi Junction (lease) \$28.5m. Each of these transactions included airspace associated with the site. A further sale at St Leonards was made for \$15.1m.

The Roads and Traffic Authority sold 245 properties throughout the State, generally being residues of land purchased for freeways, highways and roads no longer required. Non-residue sales included finalisation of settlement for the Castlereagh Street property (\$21m), and other land and offices in the Sydney Central Business District for \$16.9m and \$8m respectively.

The Maritime Services Board sold 10 lots of land at Homebush Bay for \$33.9m. The Board's sales figures do not include the divestment of the former Head Office site at Circular Quay at a sale valuation of \$65m. This property was acquired by the Department of Administrative Services in exchange for reduction of capital debt with the Treasury.

Department sales of \$66.5m (\$78.9m in 1987-88) included \$16.6m for Health Department hospital sites at Parramatta (part), Loftus and Peakhurst, and \$6.1m for the Department of Education Jannali East vacant site. Not included in the Department figures was land valued at \$9m transferred from the Department of Family and Community Services to the Ministry of Education, as the NSW Government contribution towards the establishment of the University of Western Sydney.

Sales by those organisations whose normal course of business is property dealing (i.e. development corporations) have not been included in this review.

BICENTENNIAL EXPENDITURE

Expenditure associated with the State's celebration of Australia's Bicentenary was met by Government departments and various authorities. In addition to State Government funds, moneys have been provided by the Commonwealth Government and private sponsors.

This is the conclusion of the review which was commenced in the previous year. Comment on expenditures up to 30 June 1988 was included in both Volumes Two and Three of my 1988 Report.

The table below details expenditure on bicentennial projects during 1988-89 by various State Government bodies, together with the total to 30 June 1989. Although certain payments by one Government body to another have been adjusted for the purpose of this table, there may still remain some slight double counting.

| AUTHORITY/DEPARTMENT | Expenditure To 30.6.88 \$'000 | Expenditure During 1988-89 \$'000 | Total Expenditure To 30.6.89 \$'000 |
|---|-------------------------------------|---|--|
| Roads and Traffic Authority | 720,719 | 73,093 | 793,812 |
| Public Works Department | 261,257 | 25,164 | 286,421 |
| Premier's Department - Bicentennial Fund | 70,244 | 28,851 | 99,095 |
| Museum of Applied Arts and Sciences | 86,324 | 2,861 | 89,185 |
| Ministry of the Arts | 57,266 | 3,280 | 60,546 |
| State Transit Authority | 54,750 | - | 54,750 |
| Darling Harbour Authority | 32,400 | 4,900 | 37,300 |
| Bicentennial Park Trust | 13,070 | 233 | 13,303 |
| Royal Botanic Gardens and Domain Trust | 12,415 | 1,789 | 14,204 |
| Premier's Department | 7,978 | - | 7,978 |
| Police Department | 7,233 | 667 | 7,900 |
| Newcastle Conservatorium of Music | 5,021 | 514 | 5,535 |
| Forestry Commission | 1,501 | 350 | 1,851 |
| Zoological Parks Board of New South Wales | 1,633 | - | 1,633 |
| Department of Lands | 1,398 | 468 | 1,866 |
| Maritime Services Board | 1,461 | 251 | 1,712 |
| National Parks and Wildlife Service | 1,464 | 620 | 2,084 |
| Council of the City of Sydney | 1,271 | 170 | 1,441 |
| State Bank | 994 | 500 | 1,494 |
| Department of Education | 124 | 1,107 | 1,231 |
| Other | 6,231 | 240 | 6,471 |
| TOTAL | 1,344,754 | 145,058 | 1,489,812 |

To 30 June 1989 the Commonwealth Government provided direct funding of \$849.1m for a number of Bicentennial projects. With the main recipients being the Roads and Traffic Authority (\$793.3m) and the State Transit Authority (\$54.8m), the majority of these funds, \$848.1m, were made available through the Australian Bicentennial Road Development Trust Fund.

In addition, further funds were provided by the Commonwealth under joint funding agreements with the State Government. Projects included under these agreements were: Bicentennial Park (Homebush Bay); Newcastle Foreshore Beautification Scheme; Mount Tomah Botanic Gardens; Parramatta Cultural Centre; Illawarra Performing Arts Centre; and the Athol Bay Marine Life Protection Zone.

Roads and Traffic Authority

The Australian Bicentennial Road Development Trust Fund Act 1982 established a trust fund for the provision of financial assistance to the States for expenditure on upgrading Australian roads in celebration of the Bicentenary in 1988. This Act was replaced by the Australian Centennial Roads Development Act 1988 from 1 January 1989.

Assistance to New South Wales from the Fund in 1988-89 was \$79.3m (\$146.9m in 1987-88) comprising \$26.6m for national roads and \$52.7m for other roads.

Total funds expended on the program to 30 June 1989 were \$793.3m.

Of the \$793.3m expended to 30 June 1989, \$411.9m has been spent on national highways and national developmental roads (\$26.6m in 1988-89), \$183.3m on urban arterial roads (\$15.7m in 1988-89) and the remainder on local (\$90.1m) and rural arterial roads (\$108.0m).

Public Works Department

During 1988-89 expenditure on major projects of the Public Works Department included: \$7.8m on the beautification of Circular Quay; \$8.3m on extensions to the Art Gallery of New South Wales; and \$1.9m on refurbishment of the State Library of New South Wales.

Premier's Department

The comment which follows relates only to major expenditure on specifically classified Bicentennial activities/projects administered by the Premier's Department.

*** Bicentennial Fund:** Moneys in this Fund have been provided to finance projects for the Bicentennial celebrations during 1988. State Government contributions since its establishment in June 1984 total \$117m. A total of \$1.7m was provided by sponsorship and other sources to 30 June 1989.

A summary of expenditure is set out below:

| | To 30.6.88 \$ '000 | 1988-89 \$ '000 | Aggregate to 30.6.89 \$ '000 |
|------------------------------------|--------------------------|--------------------|------------------------------------|
| Bicentennial Fund | | | |
| Commemorative Program | 30,819 | 17,734 | 48,553 |
| History & Education Program | 2,239 | 602 | 2,841 |
| Arts & Entertainment Program | 5,268 | 757 | 6,025 |
| Sport & Recreation Program | 968 | 391 | 1,359 |
| Local Government Initiative Grants | 5,845 | 400 | 6,245 |
| Departmental Projects | 7,023 | 2,332 | 9,355 |
| Special Events | 9,447 | 1,737 | 11,184 |
| Expo 1988 | 2,591 | 616 | 3,207 |
| Program Promotions | 4,822 | 641 | 5,463 |
| Other | 1,222 | 1,595 | 2,817 |
| | <u>70,244</u> | <u>26,805</u> | <u>97,049</u> |
| Non Bicentennial Events | - - | 2,046 | 2,046 |
| | <u>70,244</u> | <u>28,851</u> | <u>99,095</u> |

From excess bicentennial funds expenditure was incurred on Homebush Bay Strategy Committee (\$1.6m), Melbourne Olympic Committee \$100,000 and \$420,680 as a contribution towards the administration costs of the N.S.W. Bicentennial Council.

The Bicentennial Fund Special Deposits Account was closed during the year and the balance \$19.6m was paid to the Consolidated Fund.

Commemorative Program: Includes funds for parks, cultural and art centres, establishment of museums and restoration of historic buildings. Projects for which major expenditure occurred during the 1988–89 financial year included the Performing Arts Centre at Penrith (\$880,000), the Old Castlemaine Brewery Museum (\$620,000), the Leichhardt Bicentennial Park (\$590,000), the Addison Road Community Centre in Marrickville (\$654,500) and the Bicentennial Lake Narraringy Reserve (\$550,000).

History and Education Program: These funds have been made available for educating the community in conservation, genealogy and preservation of historic documents. Payments for the year included \$168,000 for the microfilming and photocopying of historical documents and \$128,845 for "Conservation on the Move" (a mobile laboratory).

Arts and Entertainment Program: Includes regional spectaculars and touring performances and exhibitions. Major expenditure for 1988–89 included the Festival of Music in Newcastle (\$430,000) and the Outback Children's Spectacular (\$279,504).

Sport and Recreation Program: Funds during the year were provided for events such as the Westfield Challenge (\$200,000) and the Pacific School Games (\$125,000).

Local Government Initiative Grants: Each local government authority received a grant of \$5,000 plus \$1 per head of population to finance locally-oriented activities approved by the Bicentennial Council. For the year ended 30 June 1989 major recipients were Parramatta, \$138,000 and Canterbury, \$115,000.

Departmental Projects: Government departments and authorities received funding for projects to reflect the scope of public administration within the State. Major projects were: Tourism Commission of New South Wales – Info Star (\$504,975); Department of State Development – Manufacturing Exhibition (\$176,667) and Government Printing Office – Archival Photographic Negatives (\$166,588).

Special Events: Expenditure for the 1988–89 financial year included \$299,000 for the 1989 Festival of Sydney, \$288,489 for the Bicentennial Closing Ceremony, and \$256,037 for Decorations and Illuminations.

Expo 1988: Administration costs for the operation of the State's Pavilion at Expo 1988 amounted to \$616,544 for the 1988–89 financial year.

Program Promotions: For 1988–89 expenditure on marketing and promotion of Bicentennial activities amounted to \$641,182.

* **Australian Bicentennial Authority Program Fund:** The Treasury established a Special Deposits Account to enable Commonwealth National Program Funds to be held in trust pending disbursement by the N.S.W. Bicentennial Council (a Commonwealth body).

Contributions from the Commonwealth since the Fund's establishment in July 1986 totalled \$8m. Funds were fully expended at 30 June 1989. Payments comprised: Local Government Initiative, \$5.7m; Heritage Program, \$807,812; Sport and Recreation Program, \$555,022; Environment Program, \$672,667 and Commission's Program, \$281,150.

Note: Receipts and payments of the Fund are not reflected in the financial statements of the Premier's Department and accordingly are not audited by my Office.

* **Australian Bicentennial Authority Administrative Fund:** A Special Deposits Account was established to meet the administrative expenses of the N.S.W. Bicentennial Council. The Council is jointly funded by the Commonwealth and State Governments and contributions since July 1986 totalled \$5.1m. Payments from the fund were \$5.0m, leaving a balance of \$45,000 at 30 June 1989.

Note: Apart from amounts contributed by the State for its half share of administrative expenses no other receipts and payments of the Fund are reflected in the financial statements of the Premier's Department. Accordingly, transactions through this account are not audited by my Office.

Museum of Applied Arts and Sciences

The major activity of the Museum was the construction and fitting of the Power House Museum. The total cost of building the Power House Museum to 30 June 1989 was \$89.0m. Of this total, \$2.9m was spent during 1988-89. At 30 June 1989 building and construction costs, managed by the Public Works Department, amounted to \$53.4m while the balance was expended on fitout costs.

Ministry of the Arts

The Ministry of the Arts was involved in a number of projects, as shown below:

| | 1988 - 89 | Aggregate to |
|----------------------------------|--------------|-------------------|
| | \$'000 | 30.6.89 \$'000 |
| State Library | 1,233 | 26,841 |
| Australian Museum | 1,807 | 12,925 |
| Parramatta Cultural Centre | 240 | 12,218 |
| Illawarra Performing Arts Centre | -- | 8,369 |
| Other | -- | 193 |
| | <u>3,280</u> | <u>60,546</u> |

* **State Library of New South Wales:** This project entails the erection of a new building and refurbishing of the existing State Library.

* **Australian Museum:** The project consists of the erection of a multi-storey building which combines the three wings of the Museum into one spacious complex and provides additional exhibition and storage space for a large anthropology collection.

Darling Harbour Authority

The Authority, on behalf of the State Government, was given the task of staging the First State '88 Exhibition, as the major Government focus during the Bicentennial year. Expenditure on the exhibition to 30 June 1989, amounted to \$37.3m and was funded by loan borrowings from the New South Wales Treasury Corporation, \$20.0m; an interest bearing advance from the New South Wales Treasury, \$3.1m; a Consolidated Fund allocation, \$12.0m; and \$2.2m from the Authority's funds.

The Premier's Department provided the Authority with a grant of \$225,000 to cover the costs associated with the official opening of Darling Harbour on 16 January 1988.

Royal Botanic Gardens and Domain Trust

Four projects were undertaken by the Trust. The projects were the Mount Tomah Botanic Gardens (funded jointly by the State and Federal Governments) on which \$3.8m was expended to 30 June 1989; Mt Annan Botanic Gardens (\$10.4m to 30 June 1989); and two exhibitions, the First Farm and Sydney Bushland, 1788.

Newcastle Conservatorium of Music

This project involves the construction of a medium sized (400 seat) performance hall and other facilities. Expenditure during 1988-89 was \$513,908 bringing the total to 30 June 1989 to \$5.5m.

Department of Education

A total of \$1.1m was expended by the Department on Bicentennial Projects during 1988-89. This brought total expenditure to 30 June 1989 to \$1.2m. Major payments during the year were the Pacific School Games (\$835,000) and the School Based Initiative (\$224,000).

EMPLOYEE LEAVE ENTITLEMENTS

According to figures supplied in returns to the Treasury by departments operating under Consolidated Fund appropriations, an estimated liability for employee leave entitlements at 30 June 1989 was \$498m. Details are shown at Appendix 5.

This figure does not include an estimate for the Department of Education which has not yet undertaken an assessment of leave liabilities. It is envisaged that this assessment will be made for inclusion in the department's annual report which is prepared on a calendar year basis. As the Department of Education accounts for 44.3% of total employee related payment from Consolidated Fund, the above liability of \$498m would be significantly increased when the liability for this department is taken to account.

ACCOUNTING AND AUDITING STANDARDS

The Public Finance and Audit Act 1983 provides for financial statements to be prepared having regard to current accounting standards and industry practices. Further, the Regulation under the Act requires that any departures from standards be detailed and reasons explained in the notes to the statements. Comment is included under "Qualified Audit Opinions" on qualifications during the year 1 July 1988 to 30 June 1989 which were due to departures from accounting standards.

During 1988-89 my Office made submissions on six accounting exposure drafts and two International Auditing Guidelines to the Australian Accounting Research Foundation (AARF) which is the research arm of the two professional accounting bodies. In addition, my Office provided research on various auditing practice statements and guidelines to support me as a member of the Auditing Standards Board.

In November 1988 the Accounting Standards Board merged with the Accounting Standards Review Board (ASRB) to form a restructured body to develop and maintain accounting standards for companies.

Two sets of standards are in fact still issued. One series known as Statements of Accounting Standards is released jointly by the two professional accounting bodies. This set is, to the extent possible, intended to apply to all reporting entities in the private and public sectors. Any limitation on their applicability is stated in the text of the specific statements. The other series, viz. Approved Accounting Standards, is released by the ASRB for application by companies and has statutory backing under the Commonwealth Companies Act 1981 and State Codes. Two of these ASRB standards were issued in 1988-89 bringing to sixteen the number issued so far in this series. These are the same in substance as the equivalent standards issued by the professional bodies.

It is understood that the AARF's Public Sector Accounting Standards Board may eventually merge with the ASRB. I trust that the public sector will continue to be adequately represented in the development of standards.

There have been recent moves by some State Treasuries to develop accounting and reporting frameworks which are outside those established by the standards setting bodies. These frameworks are no doubt being considered because of moves towards accrual accounting, rate of return accounting and the preparation of consolidated statements in the public sector.

I am aware that there are matters in the public sector which are not adequately covered by existing standards. Therefore the development of these frameworks will in time be invaluable in assisting the preparation or amendment of standards. However, any general purpose financial reports must always be prepared in accordance with current accounting standards. Statement of Accounting Concepts SAC1 "Objectives of Financial Reporting by Public Sector Entities" states:

- * While information relevant to the particular needs of individual users may be included in general purpose financial reports, such disclosures should not be in place of, or prejudicial to, the intended general purpose nature of those reports.
- * Users who are unable to effect the disclosure of financial information particular to their own needs must rely on general purpose reports prepared by the reporting entity. The usefulness of such reports will be enhanced by the application of generally accepted and well understood concepts and principles. Statements of Accounting Standards are developed primarily for application in the preparation and presentation of general purpose financial reports and are intended to enhance the usefulness of those reports."

In effect, if I could draw a long bow, the Concepts Statement is saying in part – prepare financial statements in accordance with current accounting standards. If this does not suit a particular purpose, then satisfy that purpose by producing supplementary reporting statements. The essential aspect is that if general purpose reports are produced on a basis which differs from Statements of Accounting Standards the public sector reports remain incompatible with the private sector and their interpretation will require specialised knowledge.

I earnestly believe that the public sector must develop an accounting framework which is compatible with both the private sector and generally accepted accounting practices. To pursue anything different will only preserve the current unsatisfactory situation where government accounting is unintelligible to the majority of the voting public. Further, results generated will not be able to be compared with the private sector nor for that matter with public sector bodies of other governments.

INTERNAL AUDIT

A follow-up review was conducted during 1988-89 of a small number of those internal audit units found last year to be operating below acceptable levels of performance and where little reliance could be placed on their work.

The review indicated that while there had been some improvement in the overall standard some units were still not fully effective in a number of key areas of operations. While not all items were relevant to each organisation, the major items again included:

- * Inadequate planning.
- * Inadequate review of financial systems.
- * No involvement in annual financial statement reviews.
- * Scope of work too limited.
- * Staff shortages or staff engaged on special projects.
- * Inadequate reporting procedures.

For each unit where little reliance could be placed on its work, comment on the inadequacy of internal audit will be included in my reports to the relevant Minister and the Treasurer. If there is no improvement in the respective internal audit operations then the matter will be fully detailed in my Report to Parliament next year.

In order for me to rely on internal audit, its work must meet accepted professional standards. It is considered that, for an internal audit unit to be fully effective, the following points should be given the highest priority by both senior management and the unit:

- * Proper planning (current and long term).
- * Approval of the plan, preferably by the Chief Executive Officer or Audit Committee.
- * Regular review and testing of internal controls of financial systems.
- * Year end confirmation of adequacy of internal controls over preparation of financial statements and, where appropriate, verification of supporting documentation.
- * Prompt and satisfactory reporting procedures.
- * Qualified, experienced and trained staff.
- * Control and review by senior management of internal audit performance against the approved plan.
- * Scope of financial audit work being discussed with the external auditors to facilitate adequate reliance on internal audit work.
- * Greater involvement in fraud detection.
- * Follow up of matters raised by external audit.
- * Adherence to Treasury Guidelines on internal audit as closely as possible.

I should add that it is practice in my Office for audit fees to be based on the assumption that internal audit meets its obligations fully. If extra external audit work has to be performed to enable an opinion to be formed on the financial statements due to limited internal audit activity, there is the likelihood that an appropriate additional audit fee will have to be charged.

One way of improving the standard of internal audit could be to establish a mechanism for the conduct of an external peer review. Such peer reviews could include the evaluation of the quality control procedures within the unit; the quality of training and professional development of staff; the adequacy of the methodology in use and reporting methods; the organisational structure of the unit; the adequacy of the internal audit function generally and any special areas of focus, e.g. DP audit and the judgement formation processes.

I find peer reviews of my Office to be very beneficial to its effective operation. In fact they are common in many professional settings. They enhance professionalism, efficiency and organisational effectiveness. To that extent peer reviews of internal audit units would also contribute to the accountability process.

Finally, it is pleasing to note that the Treasury has established a working party to review the Treasury Guidelines on Internal Audit.

QUALIFIED AUDIT OPINIONS

A major function of the Auditor-General under the Public Finance and Audit Act 1983 is to audit the accounts of departments and statutory bodies. Following each audit the Auditor-General is required to furnish an opinion:

- * stating that the accounts have been audited;
- * indicating whether the financial statements comply with the requirements of the Act; and
- * setting forth any qualifications subject to which the opinion is given.

Recent amendments to the Act allow this opinion to be furnished by the Deputy Auditor-General or an Assistant Auditor-General if the Auditor-General so approves.

It is my practice to take all reasonable steps to enable the expression of an unqualified opinion. My experience has been that executives generally react positively to audit representations and resolutions of sensitive issues are often achieved in a balanced manner.

During the year 1 July 1988 to 30 June 1989 there were 60 qualified audit opinions issued on the financial statements of departments and statutory bodies. This represents 14.2% of the 422 opinions issued during the year. None of the matters in question required disclaimer or an adverse opinion. Most qualifications were due to departures from accounting standards or uncertainty of financial information. In most cases I endorsed the departures from accounting standards but it was necessary for me to qualify my opinion to conform with the Statements of Auditing Practice of the professional bodies. The remainder of the qualifications related mainly to departures from the Public Finance and Audit Act or other legislation, disagreement with management on accounting treatment and non disclosure of certain liabilities.

Details of qualified audit opinions appear in Appendix 6 to this Volume while the balance were included either in Appendix 1 to Volume One of my Report issued in May 1989 or Appendix 6 of Volume Three of my 1988 Report tabled in November 1988.

The Public Accounts Committee in March 1989, as part of its examination of the accounts of public sector bodies, requested written explanations from managers of bodies whose financial statements were subject to a qualified opinion in 1988. It is understood that action under these enquiries is still continuing.

SPECIAL PROJECT AUDITS – IN PROGRESS

The undermentioned audits are in progress at the date of this Report. It is expected that these will be finalised for inclusion in Volume Three of my Report.

| Authority | Project |
|-------------------------------------|---|
| N.S.W. Land and Housing Corporation | (1) Vacated Properties (2) Allocations to Tenants (3) Sale of Homesites |
| Attorney General's Department | Debt Collection Procedures – Unpaid Parking Fines |
| Ministry of Transport | School Student Transport Scheme |
| Selected Organisations | Recording/Security of Works of Art |

Section Two

Accountability

ACCOUNTABILITY IN NEW SOUTH WALES

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Preface

The area of accountability was comprehensively covered in Volume Two of my 1988 Report. Notwithstanding this, and because of its importance in the current climate of reform, I feel that there is a continued need to address this topic.

At the outset I should point out that the reference to accountability throughout this section is a reference to the financial and management components of accountability.

There has been increased interest of late in the processes by which Governments are accountable to the people for their actions. That interest is being driven by a public which is forever vigilant when it comes to the stewardship of its funds and which is becoming increasingly concerned as to whether resources provided to the public sector are used in an economical, efficient and effective manner.

Events which have fuelled this public interest include the large losses incurred by the Victorian Government in relation to the Victorian Economic Development Corporation and the WorkCare Scheme, the losses incurred by the Western Australian Government as a result of certain investments, and the recent questioning of the Victorian Auditor-General's right to report to Parliament on value for money matters.

Further, the budgetary constraints of both the Federal and State Governments have highlighted the need to focus on the management of the resources provided to them.

The recent inquiry by the Commonwealth Joint Committee of Public Accounts (JCPA) into the role and condition of the Australian Audit Office has also greatly impacted on the interest in accountability. The report of the inquiry emphasised the need for a strong and independent Auditor-General with adequate resources to provide auditing services for Parliament and the taxpayer. (Further comment on this inquiry appears later in this section).

The Role of Parliament and Government

Disclosure and accountability to Parliament are the cornerstones of our Westminster based system.

Accountability to Parliament is via a process where the operations of Executive Government are conducted through a department or an agency established under an Act of Parliament with reporting responsibilities to that institution.

The ultimate formal authority is vested in Parliament. It is Parliament which exercises plenary powers and authorises the budget for the "inner budget sector" and other legislation which is the statutory mandate behind the daily management of the State.

Government, in the form of Cabinet, Ministers, departments and statutory bodies, has day-to-day control over policy, administration, the quality of financial statements and internal monitoring devices such as performance and program evaluations.

Steps recently taken to improve accountability include the introduction of:

- ★ Risk management reforms.(a)
- ★ Measures to look at problems associated with accrual accounting in inner budget sector organisations.(a)
- ★ A framework for a classification system to ensure that appropriate Government controls are consistently imposed on organisations having similar financial and market status.
- ★ Consolidated financial statements for departments and statutory bodies.(a)

KEY

(a) See comment later in this section.

The new classification policy establishes a philosophical framework for rationalising and reducing, where appropriate, the controls imposed by Ministers and the central agencies on departments and statutory bodies. The framework will also facilitate any Government review of the justification for existing public sector involvement in the provision of goods and services.

Where control is devolved there is to be a requirement for increased accountability in return for increased autonomy to enable performance of commercial entities to be more accurately reported and gauged.

The system of classification and controls is scheduled to be introduced over the next four years.

The Audit Role and Approach

General

The Auditor – General's appointment as statutory auditor and his reporting obligations to Parliament are a vital link in the public sector accountability process.

The efforts of the Auditor – General are directed towards ensuring the truth and fairness of financial statements, compliance with legislation and requirements for sound financial management, and proper accountability.

In achieving this the services of the staff of the Auditor – General's Office and private contractors are used to carry out audits covering financial statement/attest, compliance and performance.

Methodologies used in the Auditor – General's Office are those which ensure the audit is performed in accordance with current professional standards and practices, and which make the most efficient and effective use of available resources. The approach adopted varies from audit to audit and is substantive, systems based or a mixture of both. "Materiality" and "risk" are key components of my Office's approach.

In keeping with my aim of continually striving to develop and implement the most cost effective methodology, I sent two of my officers on a short overseas study tour during the year to examine the practices currently in place within other government audit institutions, and to compare them with our own. As a result, my Office is currently in the process of field testing an enhanced form of risk based auditing modelled on the United Kingdom National Audit Office approach.

Reporting by the Auditor-General

The Auditor-General is required to present annually to Parliament a Statutory Report on the Treasurer's Public Accounts. Further, the right is given to advise Parliament of matters which the Auditor-General considers should be brought to attention as a result of any audit.

As well as assisting Parliament to hold the Executive Government accountable by reporting on its stewardship of public funds, the Auditor-General reports to the Heads of auditee organisations, their Ministers and the Treasurer. The Auditor-General also provides advice to the administrators for the continuing improvement of public sector financial management.

I have also decided to forward selective copies of management letters issued to the Chief Executive Officers or Boards of auditees, to the respective Ministers. My thinking behind this policy is that ultimately Ministers are responsible to Parliament for the proper accountability of those organisations in their portfolio, and as such, need to be promptly advised of significant problems.

Broadening the Audit Approach

In Volume Two of my 1988 Report I expressed the view that the traditional financial statement/attest and compliance components of audits conducted by an Auditor-General are not totally adequate in providing to Parliament and the public the assurances that they need in respect of accountability.

These days there is increased attention on the efficiency of public sector organisations and a growing acknowledgement that accountability goes beyond an opinion on the truth and fairness of financial statements and compliance with mandates, regulations, policies and procedures.

As accountability encompasses efficient and effective use of resources, I suggested that to comply with modern public sector auditing practice it was important that I extend my reviews into areas which are not linked solely to expressing an opinion on the financial statements. It was my view, and still is, that there is a need for my Office to expand its present level of involvement in what is commonly termed "performance" auditing. For convenience, I will include reference to the public interest area of my work within the "performance audit" function. This public interest area embraces any special studies I may carry out or reviews for wasteful practices. Another area within performance auditing is "value for money" (VFM) and its efficiency, economy and effectiveness components. Such examinations can be detailed or be confined to reviews of the adequacy of management's controls in these areas.

This all embracing concept is often referred to as "comprehensive" auditing. Briefly it embraces not only the forming of opinions on financial statements and compliance but also reviewing and reporting on performance aspects affecting financial, human and physical resources as well as whether or not accountability relationships are reasonably served.

The need for such reporting is highlighted by the ongoing reforms in the public sector administration of this State.

The trend is towards a more commercially oriented approach in the form of more devolution of responsibility, attention to some form of "bottom line", risk management, performance measurement and a freeing up of centralised controls.

As much as I applaud these initiatives, I would like to ensure that their effects are subject to appropriate Auditor – General review and embraced in my reporting mechanism in order to keep Parliament properly informed.

There is a very strong trend in overseas government audit offices, particularly in both the United Kingdom National Audit Office and the Office of the Canadian Auditor – General, towards increasing their level of performance work.

During my brief visit last year to these Offices, I could not help but be impressed by the importance and emphasis given by them to this type of work. The aim of both the aforementioned Offices is ultimately to allocate 50% of their total resources to the performance area and this has now almost been achieved.

To further illustrate my point, the United Kingdom Office in its 1987 – 88 Annual Report cites its key targets for the next 5 years as including:

- * to develop the range and scope of VFM work;
- * to cut the cost of certification audit, while maintaining high professional standards;
- * to produce more major reports on VFM issues each year.

The Commonwealth Joint Committee of Public Accounts (JCPA) in its Report on the Australian Audit Office (AAO) also acknowledged the importance of the Auditor – General doing more than just covering the financial statement/attest and compliance audit functions. In fact, it made seventeen recommendations in this area, including the major one, in my opinion, which calls for the percentage of AAO resources devoted to efficiency auditing to be significantly increased to around 50%.

In comparison, due to serious resource constraints, I was able to allocate only about 4% of my resources in 1988 – 89 to performance auditing. In presently being able to only allocate this percentage, I am becoming increasingly concerned that I am fulfilling neither Parliament's expectations nor the modern role of an Auditor – General.

As I pointed out in Volume Two of my 1988 Report, over the past four years my Office has made significant reductions in the time taken to perform financial statement/attest audits by continually improving planning methods and audit practices. In this vein I expressed reservations as to whether additional resource time could be made available through increased productivity. However, I should add that I am hopeful that some further savings will be achieved in due course by the use of an enhanced risk based audit methodology.

I also consider that further contracting of my current financial statement/attest work to the private sector to free my staff for an expanded role is not the answer. Funds would still have to be found for the performance audit area.

As Parliament's auditor, I strongly believe funds should be provided to enable my Office to conduct performance audit work which, I consider, would be of great benefit to the Government's accountability strategies. In my view, such reviews provide the checks and balances necessary to allow Parliament on the one hand and the Government on the other, to derive maximum benefit from the work of the Audit Office.

The limited reviews undertaken so far have been financed from audit fees generally but in the present economic climate this cannot continue. Unless funds are made available to pay for this valuable service of independently informing Parliament on how the resources of the State have been managed, it will not be possible for me to provide it in future.

In this era of reform Parliament has to decide whether it wants the independent opinion of the Auditor-General on merely the financial component of accountability or whether it wants to be fully informed by getting opinions on the enhanced management component as well.

Independence of the Auditor General and Financial Management of the Auditor-General's Office.

The Auditor-General is appointed by the Governor and is consequently independent of Executive Government.

Independence is the keystone of every audit and is an especially critical issue to the State's auditor because of the unique pressures put on the audit function. This occurs due to the fact that the auditor's work, especially the public interest component, has potential for significant impact to the taxpayer and because the audit operations are carried out in a politically sensitive framework. The potential for controversy therefore requires the Auditor-General to be alert to the special problems which may arise.

The Auditor-General must also be seen to be independent. This has been partially achieved by the establishment of a working account within Special Deposits Account for my Office from 1 July, 1988. This enables the Office to demonstrate financial independence by forcing it to fully fund its financial statement/attest operations from fees generated for the services provided.

For financial reporting purposes the Office was reclassified as a statutory body as from February 1989.

Although this goes part of the way towards achieving full independence, I am still subject to certain constraints, mainly in respect of staff numbers, the appointment and removal of staff, and certain conditions of employment.

But as indicated earlier, the major constraint on my independence, both actual and perceived, is the lack of funding available to me to conduct performance audits.

Also on the question of funding, I should point out that my Office undertakes many tasks for which the costs are not recoverable. This "community work", for want of a better term, includes such things as attending to Ministerial requests, public complaints, honorary/subsidised audits, working on Committees, giving advice to organisations, responding to draft accounting and auditing standards, and draft guidelines. Such tasks are expected of an Auditor-General and take up my officers' valuable time, yet do not produce any income, except for nominal fees charged for audits such as the Anzac Memorial Trust.

It is my strong belief that for the attainment of full independence, my Office should be constituted as an independent statutory body outside the scope of the Public Sector Management Act, and for funding of the Office to be considered by, and effected through, a special Parliamentary Committee as occurs in both the United Kingdom and Canada.

The previously mentioned JCPA Report makes several recommendations for improving the independence of the AAO, which are, in effect, very similar to the views I have expressed above.

Inquiry into the Australian Audit Office by the Commonwealth Parliament's Joint Committee of Public Accounts

The Commonwealth Parliament's Joint Committee of Public Accounts, Report 296 titled "The Auditor-General: Ally of the People and Parliament", was tabled in March 1989. This Report presented the results of the Joint Committee's inquiry into the role and condition of the Australian Audit Office.

This was the first comprehensive governmental or parliamentary inquiry into the AAO since the establishment of that Office in 1901. In the 88 years since then the role of Governments has changed significantly and the conduct of audits has also been transformed. The Joint Committee examined the role of the AAO and the Australian Auditor-General in the light of those changes and, specifically, the inquiry asked:

- * whether the AAO had kept pace with developments in regard to the public audit function in the States and Territories and in comparable countries; and
- * whether current arrangements guaranteed the independence and resources necessary for the AAO to fulfil its role as determined by the Audit Act 1901.

The Joint Committee answered with a conditional no to the first question and no to the second question. It was found that the most important reasons for this situation were outside the AAO's control.

I had eagerly awaited the results of the inquiry because, while I knew that the recommendations would necessarily relate to the AAO, I felt that some may warrant consideration in respect of my own position in New South Wales and that of my Office. This expectation was realised.

The Report contains 78 recommendations for reform which could be divided into three categories:

- * Those issues which have no impact on the New South Wales Auditor-General's Office (NSWAGO).
- * Those issues which have already been addressed in New South Wales.
- * Those issues which are relevant to the NSWAGO.

The first category involves many recommendations which, because of their specific nature, are not relevant to myself or to the NSWAGO but that is not to say that I do not support their introduction into the AAO. The second category involves a number of recommendations concerning issues which existed in New South Wales but have already been dealt with either by incorporation into legislation or by being put into practice in the day-to-day operations and activities of my Office.

It is the third category of those recommendations which I perceive as major initiatives which, while they relate to the AAO, are also relevant to the NSWAGO. For the most part, the adoption of these ideas in New South Wales would strengthen my Office and benefit the Parliament and the people of this State. With one exception I hope that these initiatives, which are as follows, will in time be put into practice in New South Wales.

- ★ **Recommendation 1** – The Audit Act 1901, be repealed and replaced by two new laws, a Financial Administration Act and an Audit Act.

The Public Finance and Audit Act 1983, like the Commonwealth Act, is a mixture of financial and audit aspects and, in my opinion as stated later under Legislative Changes, should also be replaced by two Acts. This is the situation in both the United Kingdom and Canada. It would provide for better administration and would avoid any confusion over the administration of the financial aspects of Government.

- ★ **Recommendations 2, 13 and 15** – A Parliamentary audit committee be established to advise the Australian Auditor-General on Parliament's audit priorities and to consider the AAO's finances in detail; and that Parliament pay all audit fees by way of direct appropriation.

While I support the concept of such a committee which would certainly enhance my close working relationship with Parliament, already established through the Public Accounts Committee, the mechanics might need to be varied to better suit the New South Wales situation.

Whereas it is proposed for the AAO that the Committee advise on annual appropriations for the Office, bearing in mind that my Office is "self-funding", I would see such a committee approving of a total audit fee for all the services provided by the Auditor-General. However, in respect of attest work, I feel that costs should be recovered from individual audited organisations.

On the other hand, the cost of performance audits which I deem necessary to undertake, could be borne by Parliament. It is not so appropriate for the organisation subjected to this type of review to have to bear the cost since much of the work is done solely to keep Parliament better informed. As outlined earlier there should also be some contribution for "community" type work undertaken by the Office.

Moreover, I have reservations about such a committee being able to formally advise of Parliaments' audit priorities for the Auditor-General. Such actions would impinge on the independence of the position of the Auditor-General. Even though the final decision would lie with the Auditor-General there would be implied pressure on the incumbent to act as advised. The pressure would be even greater if the committee controlled the "purse strings" of the Office.

- ★ **Recommendation 6** – Future appointments to the position of Australian Auditor-General be for 10 years or until the incumbent reaches the age of 65 years, whichever is sooner.

I support the philosophy of a long term non-renewable contract for the position of Auditor-General.

- ★ **Recommendation 7** – Legislation be introduced to establish the AAO as a statutory authority and to permit the Auditor-General to determine the terms and conditions of employment of AAO staff.

I hold the view that such measures are also necessary for New South Wales in order to retain current staff and to attract a high standard of professional staff into my Office. The NSWAGO would then be able to compete on equal terms with the private sector for staff. Current salary scales for my officers with accounting qualifications are less than that of the private sector. This fact is also evident in relation to the salaries of my computer specialists.

I have already mentioned however, that the Government has recently established my Office as a statutory body for purposes of the Public Finance and Audit Act. This is in line with the Office being taken off budget and operating on a self-funding basis.

- ★ **Recommendation 17** – A cycle of efficiency audits be adopted which would result in 50% of the AAO's resources being applied towards such audits.

My endorsement of this recommendation is obvious from my previous comments under "Broadening the Audit Approach".

- ★ **Recommendation 44** – The Commonwealth Department of Finance develop a stronger interest in the adequacy of internal audit in Budget-funded agencies through, for example, sponsorship of in-service education including seminars.

I am aware that the Treasury is currently reviewing its guidelines for internal audit and a similar initiative to that proposed for the Commonwealth would be welcome because the general performance of some internal audit groups in the New South Wales public sector is below standard. Moreover, the training, qualifications, experience and approach of some internal auditors are sometimes less than I consider desirable.

- ★ **Recommendation 45** – The Commonwealth Government provide additional resources to the State Auditors-General for audit certificates on specific purpose grants to the States under Section 96 of the Constitution.

Certificate work for the Commonwealth has been an ever increasing burden on my limited resources for many years. Like any other user of my services, the Commonwealth should pay for these certificates.

Finally, I state emphatically that I would welcome a similar inquiry into the NSWAGO by the New South Wales Public Accounts Committee because reviews such as these can only add to the improvement of public sector accountability.

Subsidiary Organisations

In recent Reports I have drawn attention to potential accountability weaknesses which arise when subsidiary organisations are established.

In my opinion the establishment of a subsidiary organisation should not result in a public sector activity becoming removed from the usual Parliamentary scrutiny and the accountability process.

I should point out that there is a need to temper theory with pragmatism when looking at the adequacy of disclosure of operations of subsidiaries. There are generally good reasons for establishing subsidiary organisations. What needs to be guarded against is a loss of accountability due to disclosure of operations at a level lower than would be the case if the operations were conducted by the parent in the normal course of its business.

This matter was discussed at the Conference of Australia Area Auditors-General in March 1989. Concern was expressed by all present at any process which would weaken accountability and be detrimental to the public interest. In particular, the Conference stressed that all public sector agencies and their subsidiary organisations should:

- * be accountable to the Parliament from which they derive their authority and financial support; and
- * be subject to audit by the Auditor-General or his agent with no restriction on audit scope.

These views have been endorsed by the previously mentioned JCPA inquiry into the AAO. If, as is the case in some other public sectors, the Auditor-General is not the appointed auditor of those subsidiaries then the accountability link of the Westminster based system is broken.

Recent legislative changes in New South Wales have partially redressed this problem and this State is a leader in tackling this issue. An amendment last year now requires statutory bodies which establish subsidiary organisations to appoint the Auditor-General as auditor of them. As subsidiary companies have recently been established by Departments, further legislative amendment has been sought to formally bring them within the ambit of the Auditor-General.

The Public Accounts Committee, as part of its selective examination of the 1988 accounts of statutory bodies (refer to "Review of Annual Reporting" later in this section for further comments) is enquiring into issues related to subsidiary organisations.

In Volume One of my 1989 Report I raised a number matters requiring attention in regard to subsidiaries established by universities. This has been followed up at page 20 of this Report. A main theme of my comment is that subsidiary companies should not subsume powers that are outside the intent of the legislation governing the parent body.

Grants and Subsidies to Community Organisations

In my 1988 Report I again expressed concern about the lack of accountability in the area of grants and subsidies. I pointed out that I still experience difficulty in establishing from financial statements and reports of recipient organisations that there was adequate accounting for grant moneys received. I expressed the opinion that it should be Government policy, as a prerequisite to further grants, to require audited statements from recipient organisations for the year in which the previous grants had been made. I also indicated that this, in essence, is the policy of the Department of Family and Community Services.

Enquiries of the Office of Public Management revealed that they are currently preparing guidelines on grants and subsidies to community organisations. These guidelines will be based on the policy of the Department of Family and Community Services and will be issued to all public sector entities.

In October 1988, the Premier issued a memorandum to all Ministers seeking a list of all funding schemes which provide grants to community groups and individuals. This information was to be used to investigate the possibility of establishing a central register within the Premier's Department to monitor grant programs and identify areas where "double-dipping" may occur. However, it is understood that this register may not be created due to a perceived lack of need following a general tightening in the funding of grants brought on through budget constraints.

The matter of setting accounting standards for grant moneys which I referred to last year is still being considered by the Public Sector Accounting Standards Board. It is understood that auditing guidelines will be addressed by the Auditing Standards Board once the accounting issues have been settled.

Review of Annual Reporting

In last year's Report (Volume Two) I referred to a review which had been conducted into annual reporting and listed the major recommendations which had flowed from my investigation. A report on the findings and recommendations had been forwarded to the Treasurer on 20 April 1988.

The Treasury subsequently engaged a consultant to advise on the appropriateness of current legislation relating to financial statements and non-financial reporting requirements of statutory bodies. Copies of the consultant's report were circulated by the Treasury on 10 August 1989 to selected organisations for comment.

Also, I am pleased that the Treasury has acted to establish working parties to determine the problems associated with the implementation of accrual accounting in government departments, and to prepare annual consolidated financial statements for both departments and statutory bodies. In fact, as outlined later, annual consolidated statements are soon to be prepared for the year ended 30 June 1989.

In December 1988 the Public Accounts Committee announced that it would conduct an examination of the accounts of public sector bodies that failed to meet the accounting and reporting requirements as laid down by Parliament. As part of this examination, public hearings were held in March 1989 and it is understood that enquiries are still continuing.

Public Accounts Committee

The Public Accounts Committee is a major review mechanism overseeing the State's finances and administration. Its functions are prescribed in Part IV of the Public Finance and Audit Act 1983.

As a committee of Parliament comprised of members from both the government and opposition parties it is a vital link in the accountability chain.

The Public Accounts Committee and the Auditor-General, working together but pursuing their individual and independent roles, can help ensure that stewardship over the public purse is discharged through their reports to Parliament on the management of public moneys and resources.

The following reports were issued by the Committee in 1988-89:

| Report Number | Topic |
|---------------|--|
| 41 | Annual Report year ending 30 June 1988 |
| 42 | Management of Arson in the Public Sector |
| 43 | Payments without Parliamentary Appropriation |
| 44 | New South Wales Ambulance Service |
| 45 | Payments to Visiting Medical Officers |

During the year the Committee resolved to conduct a detailed examination of certain matters raised in Volume Two of my Report for 1988 in conjunction with its review of the accounts of public sector bodies (referred to previously under "Review of Annual Reporting").

Accrual Accounting

In Volume Two of my 1988 Report I outlined what I considered to be the major advantages to be derived from the introduction of accrual accounting for all public sector organisations within this State.

I continue to hold the view that the merits of accrual accounting are undeniable. The principle of accrual accounting as outlined in the professional accounting standards applies to the private sector as well as most statutory bodies. There no longer exist valid reasons why departments should continue to be out of step. This is not to say that cash based budgeting should be abandoned, as it has its place and is most valuable for other management purposes.

If nothing else, accrual accounting is merely a matter of bringing to account additional items which are not represented at balance date by actual cash flows. Such items include uncollected revenue, unpaid accounts, and measures of the use of assets and the incurring of liabilities. With appropriate accounting systems it would not be a difficult task to value most of these.

While I continue to acknowledge that in this State a great deal has been achieved in financial accountability in recent years, particularly with the introduction of program budgeting and reporting practices, I consider that still more needs to be done.

There remains a necessity to ensure that the true costs and revenues of a year are brought to account in annual financial statements. No business should be managed without some understanding of the costs involved, and the State Government should not be treated any differently. Government, as decision maker, must know not only the immediate but also the long term cost of initiating programs. It is also necessary to ensure that pricing strategies will lead to the recovery of the cost of providing the service.

In June 1988 the Premier announced in Parliament that his Government would introduce accrual accounting during its current term to reflect more accurately the true costs of its programs. Moreover, recent developments are also encouraging. Two departments (Corrective Services and Soil Conservation) have agreed to act as pilot studies during the 1990-91 financial year. While it may be argued that the implementation schedule is protracted, the overall direction being followed has my support.

I have stated on other occasions that a mere call for accrual accounting is not enough: it is important that acceptable guidelines for its implementation be established. There are still areas where the concept of accrual accounting is not fully understood. If there is no consistent program for implementation then similar items may be treated in a different manner. On the other hand, while these guidelines should be authoritative and highly persuasive they should be capable of some flexibility in appropriate cases. If guidelines were to be established there would be more consistency between departments which would improve the avenue of comparability of performance. The experience gained in the two pilot study departments will be invaluable in framing these guidelines.

I foresee that the implementation of accrual accounting for departments will not be without teething problems. Departments will require advice and guidance in developing accounting systems which will need to encompass assets and liabilities not currently recorded within departmental financial systems. The provision of uniform training for support staff would also appear to be essential.

The additional work required to enable an audit opinion to be issued on accrual based financial statements for the inner budget sector may lead to a greater resource requirement within my Office. This workload will occur in the second half of the calendar year which is already the peak period for the audit of statutory bodies, departments and companies and for reporting to Parliament.

A major area for policy decision prior to implementation of accrual accounting for departments is in the method of accounting for non-current assets.

For some time now I have been concerned about the methods employed by departments to account for their substantial assets portfolios. I feel that with the moves being made towards the introduction of accrual accounting for departments it is timely to consider the introduction of more acceptable asset management practices.

As a means of facilitating the changes which will be necessary, I recently arranged for a review of the adequacy of asset accounting procedures in a sample of departments. Although the review is not yet completed I consider that it is appropriate to report some preliminary findings and recommendations.

The present asset accounting procedures which are meant to be applied by departments are specified in the Public Sector Management (Stores and Services) Regulation 1988 and the Treasurer's Directions. Unfortunately there has been some degree of non-compliance with the Regulations and Directions. It would appear that there is considerable scope within existing arrangements for assets to be acquired but not recorded or for assets once recorded to be not subjected to regular stocktakings to confirm their existence and condition. The situation where some departments have highly decentralised asset accounting systems has probably added to these problems.

As a matter of some urgency I recommend that the following initiatives be undertaken by departments under the close supervision of Treasury:

- * A centralised substantive record be established for all recordable departmental assets classified as stores and realty. Where historical values are unavailable, estimates of current market values should be ascribed to each asset.

- * Asset control accounts, which record the total value of assets held, be established within each department. Each control account total should then be regularly reconciled with the detailed information recorded in the subsidiary asset register.
- * All future acquisitions of recordable stores and realty be charged to specific dedicated asset account codes in each department's general ledger. On a progressive basis the amounts recorded in these accounts can then be transferred to the asset control account. At the same time, the information on each individual asset acquisition can be recorded in detail in each department's subsidiary asset register.
- * The responsibility for asset stocktaking be allocated in such a way that there will be assurance that all departmental assets are subjected to annual stocktaking.
- * The stocktaking certificate as is presently prescribed be expanded to make reference to the continuing need for those assets. The present certificate only makes reference to existence and condition of assets.

It is my intention to raise the above matters with Treasury and publish the final results of the review in my Volume One Report for 1990.

In earlier Reports to Parliament I have referred to the work within my Office of a Task Force involved in the review of the usage of the modified accrual basis of accounting. The Task Force's initial concentration was with tertiary education institutions and more recently has focused on cultural and heritage organisations. Bodies within this latter category include Art Galleries, Museums, Libraries, Historic Houses and various Land Trusts all of which are, to a large extent, dependent upon government funding for their day to day operations.

The Task Force has recommended the introduction of a full accrual basis of accounting for all the aforementioned organisations.

Encouraging developments within the tertiary education sector have included the establishment of a working party. Universities/Colleges are represented on the working party with officers from the Treasury and my Office as observers. The working party is in the process of preparing a paper on guidelines to be adopted in accounting for non-current assets and depreciation as the amalgamated institutions move towards the implementation of full accrual accounting. I reiterate that it is my wish that tertiary institutions adopt full accrual accounting from 1 January 1990.

In addition, four of the cultural/heritage bodies have demonstrated (in the financial statements submitted to me for the 1988-89 year) a positive move towards the adoption of full accrual accounting.

Risk Management

As part of the reforms introduced in an attempt to improve economy, efficiency and effectiveness in the public sector there is an increased emphasis on weighing up the costs and benefits of controls. In this respect, legislative and policy requirements governing the operations of public sector organisations have on occasions been considered to be too prescriptive in laying down financial, personnel, and decision making procedures. As a result, efficiency has been said to have suffered.

Action is now taking place at the Office of Public Management to determine whether or not some of the traditional controls have become redundant and can be removed without undue exposure to risk and without reducing proper accountability. It is hoped that this will have the effect of increasing efficiency through improved productivity and that together with the application of mechanisms which take account of materiality factors, it will form the basis of risk management.

Risk management minimises the potential for loss as a result of mismanagement, accidents, errors or fraud through the implementing of appropriate preventative and monitoring measures.

Preventative measures essentially involve the organisation's administrative and financial internal controls. For management to control risk effectively, it must implement an effective and efficient system of internal control, appropriately linked to the materiality of the risk that the organisation seeks to manage. Management needs also to monitor performance both through the medium of operational reports and internal audit.

Reforms introduced so far relate to the processing and payment of claims. The revised procedures involve guidelines for the simplified processing of all claims of less than \$1,000 (which account for around 80% of the volume but only about 6% of the value of total payments); payment of all invoices on the due date; greater use of credit cards for small value purchases; and improved use of currently available computer technology for accounts processing and management information.

The above procedures were introduced following recommendations contained in Report Number One on Risk Management in the Public Sector issued by the Office of Public Management. My Office provided active support in this area, and submitted appropriate commentary prior to the issue of the Report. This is the first of a series of Reports expected to be issued on the application of risk management, including areas such as purchasing and stores acquisition, and human resource management.

My Office will continue to play a constructive part in supporting the Executive as well as Parliament in this transition to the new public sector environment. We share a common interest in ensuring that the public sector exercises structured risk management but that relaxation of traditional control is not taken as an opportunity for "Risky Management".

Fraud

The topic of fraud has been the subject of much comment in recent years as has the particular problem of the prevention and detection of computer fraud. At the same time, the role of the auditor in respect of fraud has been debated at length.

In Volume Two of my 1988 Report under the heading of "The Audit Expectation Gap", pages 109-111, I commented on the subject of fraud. I discussed the difference between what the public expects and what auditors can and should reasonably be expected to accomplish in the area of the detection of fraud and error. In this context, I pointed out that Auditors-General are aware that taxpayers tolerate fewer frauds and errors in the public sector than would be the case with shareholders in the private sector. Accordingly, it was my belief that greater effort needs to be made to achieve a higher level of accountability in this area.

There has been a strong recent push by some overseas commentators for audit to become more effective in the detection of fraud. The view of the auditing profession, and mine as well, is that responsibility for the prevention and detection of fraud rests with management. As for the responsibility of the auditor, I am of the view that auditors should plan and conduct an audit so as to:

- * Be reasonably assured that they have detected all frauds deemed to be material to financial statements.
- * Always be alert to fraud of all dimension.
- * In respect of the public sector, periodically search for minor fraud as part of the public interest component of performance audits (resources permitting).

Fraud, in modern day operations, can be complex in nature especially in computerised operations. It can be committed by:

- * A single employee, whether at a lower, middle or senior management level.
- * Collusion between employees.
- * Outside third parties.
- * Collusion between employees and outside third parties.

The public's increasing awareness of fraud is matched by its desire to cut costs in government. This poses a real problem for public sector management and also the auditor. Hence, in keeping with the positive moves to increase efficiency, there has to be careful assessment of whether the cost of attempting to detect minor frauds is justified by the potential savings. This forms part of "Risk Management" which is dealt with earlier in this section.

The following factors, in my opinion, would go a long way towards preventing/detecting fraud:

- * The maintenance of strong internal controls and adherence to laid down procedures.
- * The taking of prompt remedial action when control weaknesses become apparent.
- * Internal controls not being overridden or short-circuited by management.
- * The judicious and wise use of internal auditors. They are ideally placed to deter and detect fraud. They should be fearless in their approach and reporting. Unfortunately, there is a trend by some public sector managers to utilise this important function more on management oriented projects at the expense of regular reviews of financial systems and internal controls.
- * All detected instances of fraud being followed by legal action and prosecution irrespective of whether it is in the public or private sector.

- * Departments and statutory bodies establishing a policy on fraud prevention to guard against fraudulent actions by employees and/or outside third parties. Such a policy should emanate from top management and have firm commitment at all levels. As an example, the Government Insurance Office anticipates that it will save in the vicinity of \$22m by taking legal action after investigation of motor vehicle claims which appear to be fraudulent. This action by management is commendable and should set an example to other entities.

The Commonwealth Government has recently formulated strategies to deal with fraud in its departments and agencies. Foremost in these strategies is that the responsibility for implementing fraud prevention measures has been placed with the entities themselves.

In the forthcoming year I hope to be in a position to carry out a survey on fraud prevention policy and procedures within selected organisations.

Peer Review

A peer review is a quality control procedure and it is my policy that such reviews be carried out regularly.

As I mentioned in my Report last year, a peer review of the Office's audit operations was carried out during 1988-89.

This latest review was conducted by Peat Marwick Hungerfords, Chartered Accountants. Their report was presented in February 1989 and confirmed my decision to adopt an enhanced form of the Risk Based Auditing Methodology which is currently being field tested and will be incorporated in a new audit manual for staff.

Audit Committees

Organisations today face growing pressures from increases in size, in the number of activities they undertake and in the complexity of their systems. At the same time, there are added calls for improved disclosure of information relating to management and performance. This is particularly relevant in the public sector.

One way some organisations might better cope is through the establishment of audit committees.

This concept is gaining increased support and many organisations are establishing such committees. It is a unique opportunity to draw together the oversight of financial control and reporting systems, by providing for communication between the board or senior management and both internal and external audit, to ensure that both internal and external expertise in these areas are fully utilised.

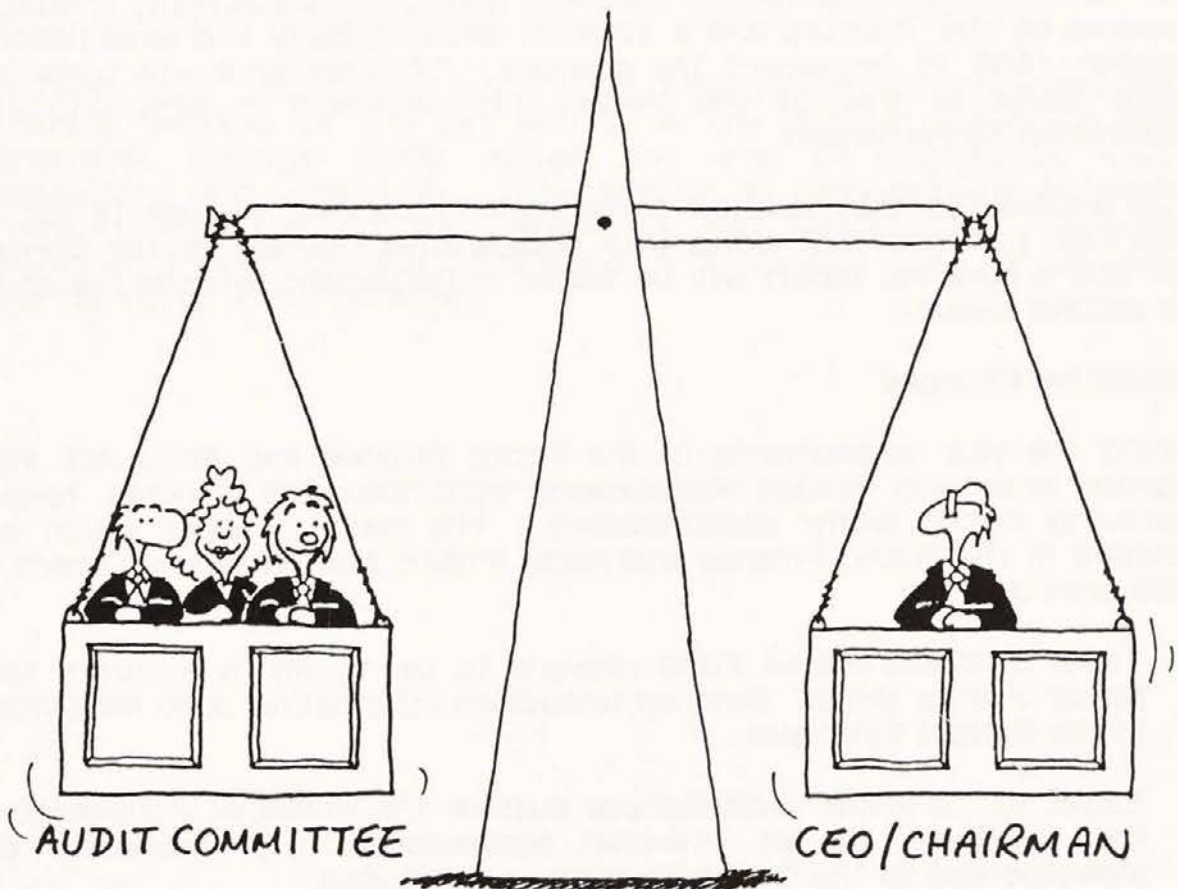
Such committees are particularly beneficial where it is not practical for the Chief Executive directly to guide and then review the operations of internal audit.

In more detail, the functions and responsibilities of committees can include:

- * ensuring that internal audit is adequately staffed by skilled personnel – emphasis should be placed on training personnel where required, especially for computer applications;

- * approving or recommending a current (annual) and a long term (strategic) audit plan developed by internal audit;
- * ensuring that internal audit establishes a quality assurance audit program to confirm the effectiveness of internal controls;
- * receiving and considering periodic reports from internal audit;
- * liaising with the Auditor-General's Office and considering matters raised in Auditor-General's Reports and management letters;
- * confirming that external disclosures of the organisation's operations are adequate;
- * determining whether accounting policies adopted by the organisation are appropriate;
- * considering the form and content of financial statements; and
- * adopting any other matters as stated within Treasury's publication on the Guidelines for Internal Audit.

The membership of a committee should ideally include at least two representatives of executive management and one from internal audit, with an Auditor-General's Office representative attending meetings as an observer. Where governing boards are in place it can be most advantageous to add an "outside" director to the committee. Desirably the audit committee should have access to the Chief Executive. It is not necessary for all members to have a financial background, but it is helpful for one member to have competence in this area.



Where audit committees have been established, it would seem that in the main they function satisfactorily. In the odd cases where they do not the main reasons are that the committee is either too large or the head of the internal audit section is not an experienced auditor.

An audit committee can bring lasting benefits to organisations. The committee can assist management to identify actual or potential problem areas and to suggest areas for further investigation. Moreover, it can provide a balance to domineering leaders as well as help foster good relations between management and the board and ensure that they are fully involved in financial management issues.

It is of note that in Canada legislation has been passed making it mandatory for Crown Corporations to set up audit committees. However, at this stage, I am of the opinion that it is not necessary to have such legislation in this State. My Assistant Auditors-General will be taking the matter up with Chief Executives of those organisations where it is considered that audit committees would be of positive benefit to their organisation.

Consolidated Financial Statements

In last year's Report I referred to my recommendation to the Treasurer in April 1988 that annual consolidated financial statements be prepared for Government departments and statutory bodies. I also reported that the New South Wales Commission of Audit made a similar recommendation in its report of July 1988 and produced an initial set of consolidated financial statements as at 30 June 1987.

The Government subsequently decided that such statements should be prepared by the Treasury and a Treasury working party was established in October 1988 to implement the concept. This decision will place New South Wales as one of the leaders in the world in providing such information to Parliament.

It is anticipated that audited consolidated financial statements for the 1988-89 financial year along with comparative figures for the previous year and a covering report will be tabled in Parliament towards the end of the second session.

Legislative Changes

During the year amendments to the Public Finance and Audit Act 1983, cognate Acts and related Regulations continued the process towards improving public sector accountability. The major changes which were included in the Public Finance and Audit (Public Accounts) Amendment Act 1989 provided for:

- * Table 3, Consolidated Fund receipts to be shown in summary form, rather than in detail. Detailed unaudited information is to be included in the Budget Estimates.
- * Table 10, to show Indebtedness outside the Financial Agreement for the obtaining of all financial accommodation. Previously only indebtedness to the Commonwealth was included.

- * Table 11, now to disclose repayable Treasury advances made to all bodies as opposed to only those whose funds do not form part of the Treasurer's accounts under Section 5 of the Act.
- * The Public Accounts to be tabled by the Treasurer together with the opinion of the Auditor-General. Previously they were appended to the Auditor-General's Report to Parliament.
- * Consolidated Fund payments shown in the Budget Estimates to be unaudited. Audited figures in summary form will continue to be shown in the Public Accounts.
- * The Auditor-General to authorise the Deputy Auditor-General or an Assistant Auditor-General to issue an opinion on the financial statements of a statutory body or department and to return those statements to the appropriate organisation.

In addition, the Appropriation Act 1988 included a provision to make the Special Appropriation provisions in other legislation operative only if the Government fails to provide for expenditure to which they relate through the annual budget process. In effect, Special Appropriation provisions have become guarantees of funding which only operate in exceptional circumstances.

One area where further consideration could be given to legislative change is the separation into two Acts of the finance and audit provisions of the Public Finance and Audit Act 1983. I have previously referred to this under the heading dealing with the JCPA inquiry into the AAO.

In New South Wales the Treasury is responsible for administering the financial aspects of the Act and it is the Auditor-General's task to determine, amongst other things, the level of compliance with the regulations and directions. This division of responsibility between the Treasury and the Auditor-General is not always clear to auditees. Moreover, I consider that separation is warranted both for convenience and for better administration.

Section Three

Review of Treasurer's Public Accounts

STATUTORY REPORT

Since the enactment of the Audit Act of 1870, 33 Victoria No.18, each Auditor-General has tabled his Report to Parliament with the Treasurer's Public Accounts attached. Indeed the opening paragraphs of the First Annual Report of the Auditor-General under the new legislation (for the year 1871) bear a familiar ring:

"In pursuance of the directions contained in the 38th section of the Audit Act of 1870, 33 Victoria No.18, I have the honor to lay before the Legislative Assembly the Abstracts of the Public Accounts for the year 1871, transmitted to me by the Treasurer, under the provisions of the 22nd section of the said Act.

The Accounts were received in the Audit Office on the 28th of March, were examined and returned for revision on the 19th of June, and were finally returned to me, with such modifications and corrections as have been agreed to by the Treasurer, on the 8th of October."

Looking back on the intervening years one is struck by two facts : the historical significance of the Audit Office in the development of New South Wales and the tightness of audit timeframes compared with those of 100 or so years ago.

The production and audit of the Public Accounts are now governed by the Public Finance and Audit Act 1983. Amendments to the legislation during the year require the Treasurer to present to the Legislative Assembly, the Public Accounts, together with the relevant Audit Opinion. Thus for the first time since 1871 the Treasurer, rather than the Auditor-General, tabled the Accounts. It may have taken 118 years, but in my view it is the more correct procedure.

For the fiscal year ended 30 June 1989, the Public Accounts, prepared by the Treasurer in accordance with Section 6(1) of the Public Finance and Audit Act, were transmitted to the Audit Office on 11 August 1989 within the statutory timeframe. The Accounts were examined and audited by me as required by Sections 34 and 49(1) of the Act and, together with my Audit Opinion, were presented to the Legislative Assembly by the Treasurer on 21 September 1989.

The Public Accounts have undergone considerable change in recent years and now convey a highly summarised overview of the receipts and payments of budget sector organisations, specific information on the State's Loan Liability and balances of Special Deposits Accounts. Details of the summarised figures for the year appear in the Budget Papers. The Accounts do not disclose the collective operations of Government as statutory bodies, as defined in the Public Finance and Audit Act 1983, prepare separate financial statements.

At present the Public Accounts are prepared in accordance with legislative requirements which generally provide for the adoption of cash based accounting. However, there are two significant exceptions, in that payroll costs and commitments for some goods and services are accrued.

Accounting standards apply to the preparation of the financial statements of statutory bodies which are prepared on an accrual accounting basis but not to the cash based Public Accounts and departmental financial statements. However, with the proposed universal adoption of accrual accounting in the New South Wales public sector it seems highly desirable that the Treasury and the Public Sector Accounting Standards Board work very closely together to ensure that appropriate standards exist and are adhered to when the change occurs.

It is the duty of an Auditor-General to exercise independent professional judgment when examining and reporting on financial statements.

The auditor's Opinion has a dual purpose. It informs readers first, whether the financial statements were prepared according to the Government's accounting policies and secondly, whether users of the statements can rely on them to present a proper picture of the Government's financial position, results of operations and financial requirements.

To understand my Opinion on the financial statements, it is important to realise that I am not guaranteeing the absolute accuracy of the statements. Every year the Government enters into numerous transactions involving many billions of dollars. Errors do creep in and some might go uncorrected. In auditing the statements I seek reasonable assurance that they do not contain errors, the total effect of which would be material enough to mislead the reader.

My mandate for audit of the Public Accounts is contained in Section 34 of the Public Finance and Audit Act:

"The Auditor-General shall audit the Public Accounts in such manner as the Auditor-General thinks fit having regard to the character and effectiveness of the relevant internal control and recognised professional standards and practices."

In undertaking the audit I have adopted commercially accepted philosophies and methodologies common to the auditing profession and in accordance with generally accepted auditing standards and practices.

My audit opinion to the Treasurer's Public Accounts for 1988-89 is as follows:

"The Public Accounts, transmitted to me by the Treasurer in accordance with Section 6(4) of the Public Finance and Audit Act 1983, have been examined and audited. The examination and audit was conducted, as required by Sections 34 and 49(1) of the Act, having regard to the character and effectiveness of the relevant internal control and recognised professional standards and practices.

While in my opinion the Public Accounts are properly drawn up in accordance with the Public Finance and Audit Act 1983 and accord with the accounts and records of the Treasurer, it is noted that they do not purport to reflect the total activity of Government. The Public Accounts exhibit a true and fair view only of the transactions of the Consolidated Fund and the other matters listed in Section 6 of the Act. Being prepared on a cash basis, they do not disclose at year end the unpaid commitments (apart from costs of payroll and certain goods and services) and the assets (other than cash and securities) of inner budget sector organisations."

THE TREASURER'S PUBLIC ACCOUNTS

The Public Accounts are the annual financial statements for funds under the Treasurer's control. They are presented to Parliament in accordance with the Public Finance and Audit Act 1983. The principal statements show:

- * the composition and balances of the various Treasury Accounts;
- * summary statements of the Consolidated Fund receipts and payments;
- * receipts, payments and balances of Special Deposits Accounts;
- * specific details of the State's Loan Liability to the Commonwealth;
- * financial accommodation indebtedness outside the Financial Agreement;
- * advances repayable to the State from all sources; and
- * details of borrowings guaranteed by the State.

The Consolidated Fund is the main account of government. It records the receipts and payments of both a recurrent and capital nature of departments and those statutory bodies classified in the inner budget sector. Payments are subject to annual appropriation by legislation.

State taxes such as payroll tax, stamp duties, land tax and gambling revenues are paid into the Fund. Other receipts are from licence fees, charges for government services, sales of government property, borrowing for inner budget sector capital works and payments to the State by the Commonwealth.

The Special Deposits Account, expenditure from which is not subject to Parliamentary appropriation, is made up of working and other funds held for departments and authorities as well as those in the nature of trust funds. It consists of about 250 accounts which fall into one of the following categories:

- * Commonwealth Payments Accounts which record the receipt of certain Commonwealth specific purpose payments and the direct payment of such items or their transfer to other accounts or funds;
- * Departments' Working Accounts including suspense accounts and accounts of a business nature;
- * Statutory Bodies Accounts including working accounts, reserve and other accounts, often as a requirement of legislation;
- * Statutory Funds Accounts which are established by statute where the government acts as trustee.

The Public Accounts are prepared in accordance with legislative requirements. They are prepared on a cash basis of accounting with two exceptions. Salaries and wages are charged on a full year's cost basis and departments are permitted to accrue commitments for some goods and services. The adjustments necessary to reflect these accruals are effected by transfers between Consolidated Fund and Special Deposits Account.

REVIEW OF FINANCES

CONSOLIDATED FUND

The 1988-89 Budget, the first of the new government, was framed with the perception of difficult financial problems and the strategy needed was stated to be one of containment. Containment was recognised as necessary in the growth of payments, taxation and debt. Priority for the expenditure dollar was given to the areas of education, health, law and order and transport.

The operating surplus, based on the traditional budget presentation was forecast to be \$339m. However, in taking the first steps towards presenting the Budget in full national accounting terms, by treating loan raisings (\$331m net), as a below the line item, the projected surplus from operations was \$8m. As it turned out, only the Commonwealth New Loan Raisings allocation of \$86.3m was required.

The operations of Consolidated Fund can be summarised and compared to Budget estimates by reference to the following table:

| | Budget \$m | Actual \$m | Increase \$m (-) | Result \$m | |
|-------------------------------|---------------|---------------|---------------------|---------------|------------|
| Recurrent: | | | | 785.4 | Surplus |
| Receipts | 12,913.3 | 13,505.0 | 591.7 | | |
| Payments | 12,458.4 | 12,719.6 | 261.2 | | |
| Capital: | | | | 365.7 | Deficiency |
| Receipts | 1,430.2 | 1,173.6 | (256.6) | | |
| Payments | 1,555.8 | 1,539.3 | (16.5) | | |
| | | | | 419.7 | Surplus |
| Revenue Equalisation Transfer | | | | 419.7 | |
| Overall Result | | | | <u>NIL</u> | |

As described in more detail later, the strategy of containing payments was not completely successful. Overall, payments exceeded the Budget by \$245m. While there were savings in some appropriations, payments which exceeded individual appropriations fell into the following categories:

| | \$m |
|-----------------------------------|--------------|
| Recurrent | |
| Employee Related Payments | 49.6 |
| Maintenance and Working Expenses | 5.1 |
| Plant and Equipment | 3.3 |
| Grants and Subsidies | 13.0 |
| Other Services | 265.2 |
| Capital Works and Services | 24.6 |
| | <u>360.8</u> |

The major items of overexpenditures within **Other Services** were \$103m as payments in respect of area health services and public hospitals' operating costs, \$54m transferred to the Staff Redundancy Account within Special Deposits, \$38m as compensation payments in respect of the abandoned casino at Darling Harbour and \$31.7m paid to the Sydney Water Board in lieu of rate payments by government bodies and charitable organisations.

The debt containment strategy in respect of new borrowings was achieved as it was not necessary to raise loans to support the capital works program. This position was achieved due to the buoyant property market, which generated higher than expected stamp duty and land tax revenue and enabled the strategy to be achieved. The increased revenue also allowed the healthy surplus to be achieved.

After striking a surplus of \$419.7m, the whole of this sum was then appropriated to the Revenue Equalisation Account within Special Deposits Account. The result declared was, therefore, a "nil" balance, which will always be the case if a balancing amount is transferred to or from the Revenue Equalisation Account.

Section 22A of the Public Finance and Audit Act 1983 permits the Treasurer, with the approval of the Governor, the discretion to determine the amount transferred from Consolidated Fund to the Revenue Equalisation Account. The Revenue Equalisation Account was incorporated into the mechanisms of the State's finances in 1987-88.

Receipts

The growth achieved in Consolidated Fund receipts in the previous year continued, but at a somewhat lower rate, rising only \$915m (6.7%) compared with \$1,598m in 1987-88. In 1986-87 the increase from the previous year was \$3,286m. The rise in 1988-89 can be attributed to growth in existing items, particularly receipts from Stamp Duties, up \$532m from the previous year. The rise in recurrent receipts was achieved despite the movement to off-budget operations of a number of organisations. These, together with changed accounting arrangements in respect of Police Supervision and Control of Traffic, reduced receipts into Consolidated Fund which were in the order of \$232m in 1987-88.

Capital receipts paid into Consolidated Fund from assets sales, totalled \$83.4m compared with a budgeted figure of \$107m. Receipts comprised the sale of the New South Wales Investment Corporation which netted \$52.2m and asset sales by Health Department, \$12.4m, Family and Community Services, \$9m, Education Department, \$6.9m and Public Works Department, \$2.9m.

The continued growth in recurrent receipts also made it possible to defer the budgeted net loan raisings of \$306m to support the Consolidated Fund capital budget. These funds, in the previous year, were raised by the Capital Works Financing Corporation and passed on to Consolidated Fund.

The receipt items and the revenue produced well in advance of Budget estimates are listed below:

| | Actual \$m | Budget \$m | Variation \$m |
|---------------------------------|---------------|---------------|------------------|
| State Taxation - | | | |
| Stamp Duty - | | | |
| Contracts and Conveyances | 1,496 | 1,250 | 246 |
| Motor Vehicle Registration | | | |
| Certificates | 182 | 168 | 14 |
| Financial Institutions Duty | 213 | 200 | 13 |
| Payroll Tax | 2,052 | 2,006 | 46 |
| Land Tax | 497 | 455 | 42 |
| Licences - | | | |
| Business Franchise - Tobacco | 204 | 183 | 21 |
| Other - | | | |
| Receipts on Account of Interest | 213 | 190 | 23 |
| Unclassified Receipts | 48 | 21 | 27 |
| State Instrumentalities - | | | |
| GIO | 106 | 88 | 18 |
| Other | 155 | 122 | 33 |

Commonwealth assistance funds at \$6,236m were \$45m above the Budget estimate, the increase being in the General Recurrent area where the General Revenue Grants were \$11m and Specific Purpose assistance, \$37m greater than expectations. This was partly offset by Specific Capital Purpose assistance where \$2m less than expected was received.

Payments

At \$245m over Budget, total payments for 1988-89 were \$14,259m, of which \$12,720m related to recurrent expenditure and \$1,539m to capital expenditure. An amount of \$420m was transferred under Section 22A of the Public Finance and Audit Act to the Revenue Equalisation Account in Special Deposits. Recurrent expenditure was \$261m above the Budget forecast, while capital expenditure, despite the shortfall in capital receipts, was only \$16m below the forecast. This was again possible because of the use of excess recurrent revenues to support the capital budget program. The Section 22A transfer is not a Budget item; the amount determined to be transferred depends on the result for the year and other factors.

Expenditure under Parliamentary Appropriation, together with the full use of the \$50m contingency Budget provision, the Treasurer's Advance, accounted for \$13,898m. The balance, \$361m of over-budget payments was made under the provisions of Section 22 of the Public Finance and Audit Act.

Employee Related Payments totalled \$4,338m which represents 34.1% of total Consolidated Fund recurrent payments. The Budget estimate for this item was \$4,281m.

The major areas of expenditure, by functional area, were Education, \$3,737m, Health, \$3,451m, Transport, \$2,135m and Law and Order \$1,501. In addition some elements of capital expenditure by the Department of Public Works, totalling \$90.3m, are applied to all but the Transport area.

Section 22 Payments

Last year I indicated that my major concern when reviewing the Public Accounts was the escalating growth of payments made under Section 22 of the Public Finance and Audit Act.

As a result of record use of Section 22 transfers in 1987-88, largely into Special Deposits accounts and not in the form of actual payments, the effectiveness of disclosing the financial result of Government's operations was distorted in that year.

As stated above Section 22 payments for 1988-89 were \$361m. In regard to payments totalling \$170m there is no question that they were "urgent", as they represent over expenditures of Parliamentary appropriations even after the full use of the Treasurer's Advance, where only \$50m was available for use compared with \$134m in the previous year. There were, however, certain payments, totalling \$191m, made from Consolidated Fund under the Section 22 umbrella, as transfers to Special Deposits Accounts. The reason for these transfers is that there are, in some instances, commitments of expenditure in the foreseeable future. Some of the amounts transferred have been utilised by 31 August 1989, but others remain intact in their respective accounts.

I am pleased to be able to report that there was only a restricted use of this latter type of transfer for 1988-89. Transfers that, in my opinion, do not come within the spirit of the legislation totalled only \$27m.

While being critical over a number of years of successive Treasurers' interpretation and use of Section 22 payments, it was never my suggestion that the action taken to set aside surplus funds for future commitments was not prudent management. What I was simply saying was, that the presentation in the Public Accounts did not fully disclose the actual operating result.

In Volume Two of my 1988 Report, I made reference to the Public Accounts Committee inquiry into Section 22 payments for the financial years 1986-87 and 1987-88. The Committee's report had not been finalised at that time. When released in February 1989, I was pleased to note that the Committee's findings aligned very much with my, now well known, critical views.

In the Foreword to his Report, the Chairman of the Committee indicated that Treasury had "adopted a **most liberal** view of the **emergency** powers conferred by Section 22 of the Public Finance and Audit Act" and "while the letter of the law was observed the spirit of full and frank disclosure of the financial operations of Government was obscured by an intricate web of reserves".

The Chairman goes on to say, as I have inferred so many times, that "the tax-paying public and their Parliamentary representatives should have the right to review and debate the spending or otherwise, of the State's revenues, **BEFORE** the event".

In the Executive Summary, the Committee found that many of the "payments" were in fact transfers to Special Deposits Account, often made to "balance the budget".

In all, the Committee's Report made eight recommendations. As Auditor-General, I generally support all of them. In particular, I support three specific recommendations for the reasons noted below and I look forward to their incorporation into the financial structure of the State. Parliamentary control and improved accountability will be the winner.

One recommendation supports the notion that the Budget result for the year be related to the amounts appropriated by the Parliament. Another suggests that a second or subsequent Appropriation Bill be utilised during the financial year, to allow the payments Budget to be adjusted to take into account receipts accumulating over forecast levels, if deemed necessary. I also support attempts to restrain usage of Section 22 payments to "urgent and pressing necessities that require immediate action by government in the public interest".

It goes without saying that I also fully endorse the recommendation which extends to a much wider area of departmental accounting. That is the recommendation for the adoption of accrual accounting by budget sector organisations.

Forecasts for future years tend to indicate a reduction in receipts revenues or, at best a slowing down in the growth of receipts, thus there may be only limited opportunity, as we move into the nineties, for use of Section 22.

This possibility should not be allowed to defer or delay the implementation of a suggestion that I made in my Review of Finances last year. It is my contention that the Public Finance and Audit Act should be amended to include a detailed summary of Section 22 payments in the Public Accounts.

The summary should disclose a full description of each item together with an explanation as to why the payment/transfer was considered necessary. As I also stated last year, I feel that payments made from Treasurer's Advance should also be included in the Public Accounts, allowing me to consider the appropriateness of both types of payments when considering my audit opinion on the Public Accounts.

CASH BALANCES

The Treasurer's aggregate cash statement (Table 1 of the Public Accounts) shows aggregate funds of \$1,894m at 30 June 1989, a substantial increase of \$449m over balances held at the close of the previous year. This is the second consecutive year where cash balances have risen markedly. The increase relates to the ever growing number of new accounts within Special Deposits Account, particularly as more organisations move off-budget and the resultant higher level of funds held. It should be noted, however, that the Special Deposits Account does not solely reflect surplus Treasury funds. It also includes substantial statutory authority funds and trust (including Commonwealth) funds for which the Treasurer is custodian. The account with the most significant balance at 30 June 1989 is the Revenue Equalisation Account which stood at \$476m.

Major movement in the individual accounts that comprise the Special Deposits Account are set out later in this Report, under the heading "Special Deposits Account".

COMMONWEALTH PAYMENTS TO THE STATE

In practically all cases Commonwealth payments to the State are initially recorded through the "Commonwealth Payment Accounts" within the Special Deposits Accounts. These accounts, shown on pages 106 to 110 of the Public Accounts, are set up under the same title as used in Commonwealth Budget Papers. Receipts to these accounts are subsequently distributed to:

- (a) Consolidated Fund where programs are financed through State Budget allocations, or
- (b) Other Special Deposits Accounts or to appropriate organisations where:
 - (i) the Commonwealth meets the total cost of a program and the State has little or no involvement in determining the size, scope or composition of the program, or
 - (ii) the Commonwealth independently decides on policies for a program but for constitutional reasons channels the funds through the State.

Last year, I repeated the observation made in my 1985-86 Report that the only remaining troublesome aspect of Commonwealth payments was the lack in the Public Accounts of a reconciliation between the Commonwealth Budget Papers and the amounts recorded as received in Treasury ledgers.

I am not in a position to report that a reconciliation statement has been incorporated in the 1988-89 Public Accounts, but I understand that current action could result in its inclusion next year.

A review of program transactions revealed several instances where Commonwealth assistance was paid directly to the relevant department without first passing through the Treasury books. While these instances were both small in number and dollar value, I would encourage the Treasury to ensure that all Commonwealth Departments are aware that, for New South Wales, this procedure is not the desired accounting practice. A return to this practice will make it difficult for the State to account for receipt of Commonwealth assistance and to reconcile with the Commonwealth Budget Papers.

Comments follow on the more significant Commonwealth Payments Accounts. Commonwealth assistance credited to Consolidated Fund is detailed in the Consolidated Fund section of this Report.

COMMONWEALTH PAYMENTS ACCOUNTS GENERAL REVENUE FUNDS

General revenue grants represent the State's share of Commonwealth taxation revenue received under the State Grants (General Revenue) Act 1985. The grants are made to part finance the State's outlays and the allocation of the grants is made according to each State's budgetary priorities.

Identified health grants are no longer included under General Revenue Funds, being absorbed in a new specific purpose program for hospitals. The level of financial assistance grants in real terms fell during 1988-89 as a result of the new treatment of health grants.

Financial Assistance Grants: The State's share of the pool was \$3,665m, an increase of only \$70m (1.9%) from the previous year and \$11m more than budgeted for by the Commonwealth. The amount was transferred to Consolidated Fund.

Special Revenue Assistance Grants: From 1 July 1988, a number of Commonwealth programs were transferred to the States. Funds equivalent to the estimated expenditure under these programs in 1988-89 were provided by special revenue assistance, preparatory to the absorption of these payments into financial assistance grants and specific purpose grants from 1989-90.

During 1988-89, \$15.1m was received from the Commonwealth of which \$12.4m was transferred to Consolidated Fund, while \$2.6m was drawn down by the Department of Family and Community Services. Amounts totalling \$1.1m were also received in respect of the Emergency Relief Program. At the direction of the Premier and Treasurer, the funds were returned to the Commonwealth because it was considered that the distribution of emergency relief was clearly not a State responsibility.

COMMONWEALTH PAYMENTS ACCOUNTS SPECIFIED RECURRENT GRANTS

Funding for *Higher Education* (Universities and Colleges of Advanced Education) has been reduced, reflecting the Commonwealth's decision to introduce the Higher Education Contribution Scheme. Effective from 1 January 1989, students are required to contribute directly to the cost of their tuition, subject to capacity to pay. Contributions will be paid into a Trust Fund and then distributed to the higher education institutions.

Universities: \$490.1m was received and paid to the following Universities towards recurrent costs:

| | | | |
|-----------------|----------|--------------------|---------|
| Sydney | \$147.6m | Newcastle | \$41.0m |
| New South Wales | \$143.7m | Wollongong | \$40.0m |
| Macquarie | \$52.3m | Technology, Sydney | \$21.5m |
| New England | \$43.4m | Western Sydney | \$0.6m |

Colleges of Advanced Education: \$201.3m was received from the Commonwealth and together with excess funds received in prior years and now transferred from Consolidated Fund, \$195.6m was distributed to various Colleges and \$6.3m was recouped to Consolidated Fund towards approved courses conducted by the Department of Technical and Further Education and the Conservatorium of Music.

After minor adjustments, a balance of \$80,743 remained in the account at 30 June 1989.

Technical and Further Education: \$45.8m was received for recurrent costs of Technical and Further Education (T.A.F.E.) (\$43.7m), Adult Education projects (\$513,000) and Non-Government Business Colleges (\$1.9m).

Transfers to Consolidated Fund totalled \$43.7m towards Department of Technical and Further Education expenditure on recurrent costs, while \$880,000 was transferred to the Ministry of Education account within Special Deposits Account in respect of Adult Education, and \$1.9m was forwarded directly to Non-Government Business Colleges.

At 30 June 1989, \$3.0m remained in the account.

Schools: The Commonwealth provides assistance for both government and non-government schools to meet general recurrent costs as well as special purpose programs such as for handicapped children, disadvantaged schools and migrants.

In 1988-89, \$595m was received (\$528m in 1987-88) for:

| | Receipts \$'000 | Expenditure \$'000 |
|--------------------|--------------------|-----------------------|
| State Schools | 244,314 | 236,350 (a) |
| Non-State Schools | 332,510 | 332,545 (b) |
| Education Programs | 17,768 | 17,769 (c) |

KEY

(a) Transferred to Consolidated Fund toward Budget allocation of Department of Education.

(b) Paid to Non-State Schools at the direction of the Commonwealth.

(c) Paid to Non-State Schools or transferred to Department of Education account within Special Deposits Account.

Expenditure on education programs included \$5.7m for English as a Second Language project, \$5.8m for Special Education, \$2.6m for Disadvantaged Schools and \$2m for Ethnic Schools.

At year end, a balance of \$17.9m remained including \$17.8m relating to State Schools expenditure in the second half of the 1989 year.

Participation and Equity Program: This program had the objectives of both increasing participation in education and introducing greater equity in overall educational provision for young people.

The program was not renewed beyond 1987-88. A balance of \$400,159 remained in the account at 30 June 1989. Action should be taken by the Treasury during 1989-90 to determine the disposition of this balance.

Hospital Funding Grants: As from 1 July 1988, identified health grants (previously, general revenue grants) and Medicare compensation grants were absorbed into a single specific purpose payment. The Commonwealth provides grants as compensation for revenue losses resulting from the abolition of various charges in public hospitals as well as additional costs incurred following the introduction of Medicare.

Grants received totalled \$1,087m of which \$1,085m was disbursed to Consolidated Fund towards Budget allocations to the Department of Health. A balance of \$1.9m remained in the account at year end.

Reduction of Public Hospital Waiting Lists: In June 1987, the Commonwealth announced a program to provide assistance, for two years, for State government programs aimed at reducing hospital waiting lists in the public hospital systems.

Assistance totalling \$9.6m was received during 1988-89 and together with \$432,000 remaining from the previous year, was passed on to the Department of Health to support Budget allocations.

Pathology Laboratories: Assistance is provided towards the cost of operating three Pathology Laboratories previously administered by the Commonwealth. An amount of \$1.1m was received and \$577,080 passed to Consolidated Fund to support budget allocations to the Department of Health.

A balance of \$562,400 remained in the account at 30 June 1989.

Nurse Education: This scheme provides financial assistance to States transferring nurse education from hospital based facilities to the higher education sector. An indexed subsidy towards additional recurrent costs incurred by States is payable at a rate of \$1,500 per student nurse per annum commencing at a higher education institution.

An amount of \$5.1m was received from the Commonwealth and passed on to Consolidated Fund to support budget allocations of the Department of Health.

Nurse Retraining Program: Assistance totalling \$830,882 was received from the Commonwealth Department of Employment, Education and Training as part of its "Skills Training Program". Amounts totalling \$716,125 were transferred to Consolidated Fund to supplement budget allocations to the Department of Health for expenditure on clinical education, skills upgrading and refresher courses for nurses.

A balance of \$114,757 remained in the account at year end.

Drug Education Campaign: During 1988-89, the Commonwealth provided funds for expenditure under the National Drug Education Program.

From funds brought forward from 1987-88 (\$422,703) and additional Commonwealth assistance of \$6.9m, an amount of \$6.8m was transferred to Consolidated Fund in recoup of expenditure on drug related programs by the Ministry of Education and Youth Affairs and Departments of Health, Education, Family and Community Services, T.A.F.E. and Corrective Services. A balance of \$523,770 remained at the close of the year, including \$1,218 in respect of a previous program, the National Campaign Against Drug Abuse.

Blood Transfusion Services: The State, through the Department of Health, initially meets the net costs of the Red Cross Blood Transfusion Service. The Commonwealth reimburses the State to the sum of 35% of annual operating costs, plus certain adjustments. Capital assistance is disclosed elsewhere in this Report.

During 1988-89, \$4.8m was received from the Commonwealth. From these funds and a balance of \$14,661 brought forward from the previous year, \$4.9m was transferred to Consolidated Fund.

Emergency Services: The Commonwealth provided an amount of \$582,016 which was received and transferred to Consolidated Fund towards meeting salaries of an agreed number of the Service's personnel. An additional \$101,328 was credited to the State Emergency Services Account in Special Deposits in payment of approved accommodation subsidies to local councils to assist in the provision of local Emergency Services headquarters.

Funds to Combat AIDS: Assistance is provided by the Commonwealth, on a dollar for dollar matching basis, for various initiatives to combat the spread of AIDS. Half of the assistance is for education, prevention and counselling programs, while the other half is to be spent on a national program covering research, media and education campaigns, community projects and information exchange programs.

The assistance received in 1988-89 of \$5.2m (\$4.8m in 1987-88), was transferred to Consolidated Fund towards Budget allocations to the Department of Health.

Home and Community Care: Commonwealth assistance for 1988-89 totalled \$93m and together with funds available from previous years, \$1.2m, an amount of \$94m was transferred to Consolidated Fund to provide for expenditure on home and community care projects by the Department of Family and Community Services.

A balance of \$219,567 remained in the account at 30 June 1989.

Geriatric Assessment: The Commonwealth provides grants to fund multi-disciplinary assessment teams to match the needs of frail aged persons to the most appropriate available services, with the overall aim of reducing unnecessary institutionalisation.

The sum of \$4.8m was received during 1988-89 and \$4.7m was passed to Consolidated Fund to fund expenditure by the Department of Health.

A balance of \$838,919 was held at year end.

Supported Accommodation Assistance: The Commonwealth provides funding under the Supported Accommodation Assistance Act 1985 for support services for permanently homeless persons or those made temporarily homeless due to crisis. The State matches Commonwealth expenditure on a ratio of nine State dollars for every ten Commonwealth dollars above an agreed unmatched base level of Commonwealth assistance.

From assistance received during the year of \$22.3m, an amount of \$18.2m was transferred to Consolidated Fund to enable expenditure by the Department of Family and Community Services.

A balance of \$4.1m remained in the account at 30 June 1989.

Children's Services: Commonwealth assistance under this heading supports welfare programs administered by the Department of Family and Community Services.

Grants received totalled \$1.9m. A similar amount was passed on to Consolidated Fund to assist Budget allocations to the Department. The balance at year end was \$477,608.

Family Support Scheme: This scheme was introduced to support families experiencing difficulty in coping with parental responsibilities.

Assistance received in 1988-89 totalled \$900,931, which, together with the balance brought forward from the previous year of \$62,500, was transferred to Consolidated Fund to assist in Budget allocations to the Department of Family and Community Services.

Mortgage and Rent Relief: Under the Commonwealth State Housing Agreement the Commonwealth pays funds to the State, on a matching dollar for dollar basis, for help given to low income earners who are under extreme difficulty in meeting mortgage or rent payments. Funds received in 1988-89, \$9.3m, were the Commonwealth contribution towards \$18.6m paid to the Mortgage Scheme and Rent Relief Scheme Accounts (within Special Deposits Account) from the Community Aid Program of the Minister for Housing.

Translating and Interpreting Services: \$230,000 was received as assistance towards the provision of translating and interpreting services and was passed to Consolidated Fund to assist Budget allocations to the Ethnic Affairs Commission.

Unattached Refugee Children: This program gives assistance to provide social workers to supervise refugee minors without parents in Australia. The cost is shared on a dollar for dollar basis with the State. In 1988-89 \$177,400 was received from the Commonwealth and remained unallocated in Special Deposits Account at year end.

Aboriginal Advancement: This account records Commonwealth grants and related expenditures for the health, education, employment and welfare of aborigines. New grants received in 1988-89 totalled \$2.9m.

From these grants and the balance brought forward from 1987-88, \$315,229, transfers to Consolidated Fund towards Budget allocations were made to the Department of Education (\$1.5m), Department of Technical and Further Education (\$1.4m) and Department of Family and Community Services (\$50,001).

A balance of \$314,967 remained in the account at year end, including \$108,500 in respect of the Department of Corrective Services which was received in 1987-88.

Assistance for Housing: Under the 1971-73 housing assistance program, which was amalgamated with the State Loan Council Program, housing assistance did not attract concessional interest rates. To compensate for this, the State received a grant of \$1.8m which was passed on to Consolidated Fund to assist interest charges met by the Department of Housing.

Interstate Road Transport: This scheme, which commenced on 1 January 1987, is designed to ensure that owners of vehicles engaged solely in interstate trade and commerce make a reasonable contribution to the maintenance of the road system. Registration charges collected from these owners are paid into the Commonwealth administered "Interstate Road Transport Trust Fund".

An amount of \$4.4m was received from the Trust Fund and transferred to the Roads and Traffic Authority Fund within Special Deposits Account.

Rural Adjustment Scheme: An interest subsidy of 50% of the cost of funds raised commercially by farmers is provided by the Commonwealth for a maximum of seven years. The scheme embraces debt reconstruction, farm build-up, farm improvement and carry-on finance. For this latter aspect, the interest subsidy is still 50% but the cost is shared equally by the Commonwealth and the State.

During 1988-89, \$16.4m was received from the Commonwealth. From this amount, \$14.8m was passed on to Consolidated Fund to provide funds for transfer to the State Bank by the Treasurer. The balance, \$1.6m was transferred to Consolidated Fund as the Commonwealth's contribution to the administration costs of the balance of the scheme.

Fertiliser Assistance Grants Scheme: Since 1985-86, the Commonwealth has provided grants to assist importers of fertilisers who are subject to dumping duties and to local manufacturers of the same fertilisers.

Assistance of \$306,300 was paid to a local fertiliser manufacturer at the Commonwealth's direction.

Assistance to the Sugar Industry: Commonwealth assistance to the sugar industry was provided for a three year period on a two dollar Commonwealth for one dollar State cost sharing basis.

During 1988-89, \$605,491 was received and passed on to Consolidated Fund to support the Budget allocation to the Department of Agriculture and Fisheries.

Bovine Brucellosis and Tuberculosis Eradication: The Commonwealth provides assistance to the State for a national campaign to eradicate bovine brucellosis and tuberculosis, and to compensate owners of livestock slaughtered during the eradication program. The program was expanded during 1987-88 to cover assistance for restocking and freight rebates, loans for capital improvements and holding costs. This new assistance is funded on a dollar for dollar basis with the State.

As the program is administered by the Department of Agriculture, receipts of \$1.1m were transferred to Consolidated Fund.

Disposal of Organochlorines: During 1988-89, the Commonwealth provided assistance on a dollar for dollar basis with the State to assist with the transport and destruction of stocks of persistent organochlorines products. The sum of \$254,630 was received and passed on to Consolidated Fund.

Agricultural Research: The Commonwealth provides assistance for special investigation projects, usually on a dollar for dollar matching basis with the State. In 1988-89, \$177,702 was received at Treasury and passed on to Consolidated Fund to assist in the Budget allocation to the Department of Agriculture and Fisheries. In addition, \$77,948 was received from the Commonwealth directly at the department and paid into Consolidated Fund.

National Industry Extension Service: The Service is a joint Commonwealth/State venture to help enterprises improve levels of business efficiency and international competitiveness.

In 1988-89, \$3.8m was received, and together with balance of \$400,000 from previous years, \$4.2m was transferred to Consolidated Fund towards expenditure allocations to the Department of State Development.

Coal Mining Industry Long Service Leave: The Commonwealth reimburses the State for payments to coal mining industry workers for long service leave and for administrative costs incurred in making these payments.

During 1988-89, \$22.8m was received and transferred to Consolidated Fund to meet expenditure by the New South Wales Superannuation Office.

Legal Aid: Funding at \$28.7m was \$769,152 higher than that received in the previous year. The amount received was transferred to Consolidated Fund as a share of the operating costs of the Legal Aid Commission.

Human Rights: The Commonwealth provides assistance to the State to implement Commonwealth legislation relating to sexual and racial discrimination. During the year, \$430,915 was received and transferred to Consolidated Fund towards Budget estimates of the Attorney General's Department.

Local Government Tax Sharing Assistance: Grants totalling \$229.4m were received from the Commonwealth and drawn down by the Department of Local Government for distribution to local government bodies in accordance with the Local Government (Financial Assistance) Act 1986.

Pharmaceutical Benefits: Assistance of \$403,633 was received from the Commonwealth in respect of claims for drugs and medical preparations supplied to patients in psychiatric centres and approved nursing homes. This claim relates to the 1987-88 year. Moneys so received are passed on to Consolidated Fund under the heading "Other Receipts".

Payments for 1988-89, will form part of the Hospital Funding grants.

National Campaign Against Measles: An amount of \$275,000 was received from the Commonwealth and was transferred to Consolidated Fund towards the Budget allocation to the Department of Health.

Isolated Patients Travel and Accommodation: From 1986-87 responsibility for the Commonwealth Isolated Patients Travel and Accommodation Assistance Scheme was assumed by the State.

No Commonwealth assistance was provided in 1988-89. However, \$370,000, being part of \$581,213 held from previous years was transferred to Consolidated Fund to meet costs borne by the Department of Health.

A balance of \$211,213 remained at year end.

Breast and Cervical Cancer: Financial assistance is provided to the States to undertake cost shared selected trials of cervical cancer screening and to assess the feasibility of monograph screening for breast cancer. An amount of \$357,372 was received during 1988-89 and together with funds of \$159,000 from the previous year were transferred to Consolidated Fund to support allocations to the Department of Health.

Jervis Bay Marine Ecology Study: This program will provide assistance for a period of three years to assess the likely impact on the marine ecology in Jervis Bay should the Naval munitions depot be relocated to the Bay. An amount of \$599,300 was received during 1988-89 and was held in Special Deposits Account at year end.

National Better Health: Following the International Conference on Health Promotion held in Adelaide in April 1988, the Commonwealth proposed a national cost-shared program with the States aimed at improving the health of all Australians.

During 1988-89, an amount of \$123,000 was received from the Commonwealth and transferred to Consolidated Fund to support the budget allocation to the Department of Health.

Heart, Lung, Liver Transplant: The St Vincent's Hospital in Sydney has been classed as a National Centre of Excellence in respect of the medical achievements of the Cardiac and Liver Transplantation Unit. As a result, the Commonwealth contributed \$679,000 to the running of the Unit, which was passed to Consolidated Fund to support the budget allocation to the Department of Health.

Aboriginal Employment Strategy: The Commonwealth will provide assistance for training of Aborigines for public sector employment in the hope that the training will result in permanent employment. An amount of \$717,500 was received during 1988-89 and was held in Special Deposits Account at year end.

COMMONWEALTH PAYMENTS ACCOUNTS GENERAL CAPITAL

The 1988-89 State's share of new Commonwealth loan raisings was set by the Loan Council at \$172.7m; the loan component \$86.3m (50%) and the grant portion \$86.3m (50%). In 1987-88 the grant portion had been 33.7% of the State's total share of \$172.7m. Under the Commonwealth-State Housing Agreement, the State was eligible to nominate, as in 1987-88, the whole of the loan portion of the program for public housing. These arrangements allowed the State to receive all general purpose capital funds from the Commonwealth on concessional terms (4.5% per annum interest repayable over 53 years). No borrowings were made by the State in 1988-89 through the Capital Works Financing Corporation.

COMMONWEALTH PAYMENTS ACCOUNTS SPECIFIED CAPITAL GRANTS

Housing (Various Programs): Since 1984-85, the Commonwealth has provided all specified purpose housing assistance for State programs as grants. Previously, assistance included loans at concessional interest rates. The total 1988-89 grant, \$212.1m, was allocated to:

| | \$'000 |
|--|---------|
| Pensioner Housing | 13,869 |
| Aboriginal Housing | 13,641 |
| Local Government and Community Housing | 5,596 |
| Other Welfare Housing | 179,027 |

Additional Commonwealth capital assistance in connection with housing was provided for:

| | |
|------------------------------|---------------|
| | \$'000 |
| Crisis Accommodation Program | 6,835 |
| Housing for Servicemen | 373 |

The Crisis Accommodation Program provides Commonwealth assistance to the State for the purchase, construction, renovation or leasing of dwellings to provide short term emergency accommodation for persons in need. The grant received in 1988-89, \$6.8m, was higher by \$1.4m than in the previous year.

Assistance for Housing for Servicemen comprised repayable advances for housing defence forces personnel.

All of the foregoing Commonwealth housing assistance received in 1988-89 (\$219.3m) was credited to Consolidated Fund to assist Budget allocations to the NSW Land and Housing Corporation (Department of Housing).

(From General Purpose Loan Funds provided by the Commonwealth the State allocated a further \$86.3m for Housing).

Comment on the NSW Land and Housing Corporation will appear in Volume Three of my 1989 Report.

Universities: Grants totalling \$31.4m were received and paid to the following Universities towards capital costs:

| | | | |
|-----------------|--------|--------------------|--------|
| Sydney | \$9.0m | Macquarie | \$1.9m |
| Newcastle | \$7.4m | New England | \$1.5m |
| New South Wales | \$7.1m | Technology, Sydney | \$0.9m |
| Wollongong | \$2.8m | Western Sydney | \$0.8m |

Colleges of Advanced Education: Grants received were \$20.9m. From these grants and funds brought forward from the previous year, payments to Colleges totalled \$21.0m.

Technical and Further Education: Capital grants received under the States Grants (Tertiary Education Assistance) Acts totalled \$53.2m. From this amount and the balance carried forward from the previous year, \$8.0m, \$56.7m was transferred to Consolidated Fund to assist State expenditure.

A balance of \$4.5m remained in the account at 30 June 1989.

Schools: The Commonwealth provided grants of \$85.2m towards capital expenditure in State and Non-State (including Aboriginal) Schools.

From funds brought forward from the previous year and new grants for State Schools (\$59.0m), \$60.5m was transferred to Consolidated Fund to partly recoup costs. Payments to Non-State Schools, in amounts determined by the Commonwealth, totalled \$26.2m.

Towards costs of the second half of the educational year, funds held at 30 June 1989 were \$1.12m, of which \$1.1m was for State Schools, and \$22,804 for Non-State Schools.

Teaching Hospitals: As part of a package the Commonwealth is providing grants for capital equipment in teaching hospitals for three years from 1985–86.

During the year \$8.1m was received from the Commonwealth of which \$7.1m was transferred to the Consolidated Fund to meet expenditure by the Department of Health. The balance of \$1.0m was held in the account at 30 June 1989 pending approval by the Commonwealth for proposed works.

Blood Transfusion Services: The Commonwealth provides grants, to be matched by the State, towards approved capital costs of blood transfusion services conducted by the Australian Red Cross Society. In 1988–89 \$562,299 was received. These monies were transferred to Consolidated Fund to match funds appropriated in the Budget to the Department of Health.

Children's Services: The Commonwealth provides a range of services described generally as children's services. The program provides both recurrent and capital assistance for child care services including centre based and family day care, vacation and outside school hours care and occasional care and special services for aboriginals, migrants and children with disabilities.

No capital funds were received by the State in 1988–89, Commonwealth payments being made direct to local government authorities and community organisations.

Funds held at Treasury at the end of the previous year, \$504,821 were transferred during the year to the Special Deposits Account to augment expenditure by the Department of Housing.

Water Programs: In 1988–89 the Commonwealth continued assistance for water resources development projects under the Federal Water Resources Assistance Program.

From both capital and recurrent Commonwealth classifications \$6.5m was expended for the following purposes:

| | \$'000 |
|--|--------|
| * Murray Valley Salinity Mitigation | 1,334 |
| A co-ordinated program involving New South Wales Victoria and South Australia for salinity reduction. | |
| * Flood Mitigation | 140 |
| Flood mitigation and flood plain management works in urban and rural areas. | |
| * Water Supply | 1,586 |
| Country towns water supply improvement program | |
| * Federal Water Resources Assistance Program | 3,405 |
| – Assistance received for State Expenditure in previous years. | |

National Estate: The grant of \$546,666 made available under the Urban and Regional Development (Financial Assistance) Act 1974 was passed to Consolidated Fund to meet expenditure by the Department of Planning on the conservation, protection and enhancement of land and buildings of historical, environmental or scientific interest.

Road Transport Grants: The Commonwealth operates a number of programs to provide funding to the States for road development and related transport activities. The programs are financed by a share of excise and customs duty on motor spirit and diesel fuel now designated as a road user charge. Grants were received from the Commonwealth during 1988-89 under the following headings.

- **Australian Bicentennial Roads Development:** This program provided funds to the State for road works and urban public transport projects, and aimed to upgrade sections of the Australian road system to a high standard by the Bicentennial year 1988. This Commonwealth program ceased from 1 January 1989.

In 1988-89 the balance of \$6m brought forward from the previous year was augmented by grants received of \$82.3m. The funds were fully expended by 30 June 1989.

- **Australian Land Transport Program:** Grants received from the Commonwealth under this program, which operated from 1 July 1985 to 31 December 1988, were expended on arterial and local roads, road safety research and demonstration and public education.

In 1988-89 \$134.9m was received from the Commonwealth and transferred to the Consolidated Fund to facilitate part funding to the Roads and Traffic Authority (previously Department of Main Roads).

- **Australian Centennial Roads Development:** This new program commenced on 1 January 1989 replacing the two previous road transport programs. Grants received from the Commonwealth (\$170.1m) in 1988-89 were used to support the National Highways System, State roads and local roads. In addition a new category of National arterial roads was introduced. This new category will concentrate on projects yielding high economic benefit and will involve new construction on the upgrading of roads carrying high volumes of industrial traffic.

Support for Steel Regions: Since 1983-84 the Commonwealth has provided assistance under a five year program for a range of infrastructure development projects in the Illawarra and Hunter regions to assist in offsetting the decline in employment in the steel industry. Total assistance received from the Commonwealth to 30 June 1989 was \$78.5m.

During 1988-89, no funds were received, however projects funded from funds brought forward from the previous year (\$3.0m) were:

| | |
|------------------------------|--------------|
| | \$'000 |
| Coal Geology Centre | 195 |
| Tourism Development Projects | 1,069 |
| | <u>1,264</u> |

Unspent funds of \$1.7m were held at 30 June 1989.

Attendant Care Program: This scheme provides funding to purchase dwellings to house people of working age with physical disabilities. The aim of the program is to move people from nursing homes into the community using assistance from paid attendants. Funds unspent at 30 June 1988 (\$839,000) were transferred to Consolidated Fund to augment allocations to the Department of Housing. An amount of \$206,685 received during 1988-89 was unspent at 30 June 1989.

Soil Conservation: The Commonwealth provided grants of \$2.3m for soil conservation projects and together with \$658,857 brought forward from the previous year an amount of \$1.8m was transferred to Consolidated Fund towards Budget allocations to the Soil Conservation Service.

A balance of \$1.2m remained in the account at 30 June 1989.

Natural Disasters Relief: The Commonwealth provides assistance to the State to help defray the unpredictable and sometimes large costs of providing natural disaster relief. The arrangements cover bushfires, cyclones, drought, floods and storms. The arrangements provide for the Commonwealth to reimburse the State for 50% of eligible measures for the relief of personal hardship. For other eligible relief measures the Commonwealth provides financial assistance when the State's total outlays on those measures in a financial year exceed its assessed financial capacity. For 1988-89 the Commonwealth assessed base figure for N.S.W. was \$29.5m.

Funds received from the Commonwealth \$25.4m were transferred to the Consolidated Fund to assist State expenditure.

Magnetic Resonance and Lithotripter Facility: The Commonwealth provided a grant to the State as part of the Health Program Grants for provision of Health related services approved by the Commonwealth.

During 1988-89 an amount of \$1.2m was received and transferred to the Consolidated Fund for facilities at Prince Henry Hospital (\$450,000) and Royal North Shore Hospital (\$730,000).

CONSOLIDATED FUND

As shown earlier under Review of Finances, there are two main sources of **RECEIPTS INTO CONSOLIDATED FUND**:

| | 1987 - 88 | 1988 - 89 | Increase |
|--------------|---------------|---------------|------------|
| | \$m | \$m | \$m |
| Commonwealth | 6,164 | 6,236 | 72 |
| State | <u>7,599</u> | <u>8,443</u> | <u>844</u> |
| | <u>13,763</u> | <u>14,679</u> | <u>916</u> |

COMMONWEALTH

Commonwealth funds paid into Consolidated Fund rose by only \$72m (1.2%) compared with the previous year. Moneys for recurrent programs increased by \$114m, but this was partially offset by a further decrease in funds (\$42m in 1988-89), provided for capital programs. These programs, and the manner in which Commonwealth assistance to the State is subsequently distributed is commented upon in the preceding section of this Report. Where costs of Commonwealth assisted or funded programs are met from State Budget allocations, Commonwealth assistance is credited to Consolidated Fund.

The Commonwealth also makes some additional minor subsidy payments as well as reimbursing costs of Commonwealth services provided by the State. (Payments in the latter group are brought to account as State receipts).

The table that follows sets out Commonwealth assistance received and applied during 1988-89 towards programs financed through Consolidated Fund. Funds applied during the year include, where applicable, balances held in Special Deposits accounts at the close of 1987-88. All figures exclude amounts received by the State for distribution to non-government organisations.

The total of Commonwealth assistance held in Special Deposits Account at 30 June 1989 was \$3.6m more than holdings of the previous year. The bulk of the \$42.3m so held related to educational programs, \$26.4m, which operate on a calendar year basis (i.e. 30 June balances assist payments made from July to December) and unspent Commonwealth assistance for Supported Accommodation Assistance (\$4.1m), Hospital Funding Grant (\$1.9m) and Support for Steel Regions (\$1.7m).

| | Amount Received 1988 - 89 \$'000 | Credited to Consolidated Fund 1988 - 89 \$'000 (a) | Held in Special Deposits at 30 June 1989 \$'000 (a) |
|---|---|--|---|
| Financial Assistance Grants | 3,665,075 | 3,665,075 | -- |
| Special Revenue Assistance | 15,062 | 12,410 | 55 |
| General Purpose Capital Grant | 172,672 | 172,672 | -- |
| | <u>3,852,809</u> | <u>3,850,157</u> | <u>55</u> |
| Recurrent Programs: | | | |
| Hospital Funding Grant | 1,087,271 | 1,085,336 | 1,935 |
| Emergency Services | 582 | 582 | -- |
| Advanced Education | 6,287 | 6,287 | 81 |
| Technical and Further Education | 45,762 | 43,714 | 3,006 |
| Schools | 244,314 | 236,350 | 17,760 |
| Participation and Equity Program | -- | -- | 400 |
| Isolated Patients Travel and Accommodation | -- | 370 | 211 |
| Drug Education Campaigns | 6,889 | 6,789 | 524 |
| Blood Transfusion Services | 4,840 | 4,855 | -- |
| National Better Health | 123 | 123 | -- |
| Funds to Combat AIDS | 5,231 | 5,231 | -- |
| National Campaign Against Measles | 275 | 275 | -- |
| Home and Community Care | 93,000 | 93,976 | 220 |
| Geriatric Assessment | 4,783 | 4,684 | 839 |
| Hospital Waiting List Reduction | 9,573 | 10,005 | -- |
| Supported Accommodation Assistance | 22,262 | 18,204 | 4,058 |
| Children's Services | 1,918 | 1,870 | 478 |
| Family Support Scheme | 901 | 963 | -- |
| Mortgage and Rent Relief | 9,257 | 9,257 | -- |
| Translating and Interpreting Services | 230 | 230 | -- |
| Unattached Refugee Children | 177 | -- | 177 |
| Aboriginal Advancement | 2,900 | 2,900 | 315 |
| Assistance for Housing | 1,848 | 1,848 | -- |
| Rural Adjustment Scheme | 14,729 | 14,729 | -- |
| Bovine Brucellosis and Tuberculosis Eradication | 1,148 | 1,148 | -- |
| Agricultural Research | 256 | 256 | -- |
| Aboriginal Employment Strategy | 718 | -- | 718 |
| Australian Traineeship Scheme | 38 | -- | 38 |
| Coal Mining Industry - Long Service Leave | 22,792 | 22,792 | -- |
| National Industry Extension Service | 3,779 | 4,179 | -- |
| Jervis Bay Marine Ecology Study | 599 | -- | 599 |
| Legal Aid | 28,655 | 28,655 | -- |
| Human Rights | 431 | 431 | -- |
| Natural Disaster Relief | 25,389 | 25,389 | -- |
| Water Resources Assistance Program | 351 | 351 | -- |
| Assistance to Sugar Industry | 605 | 605 | -- |
| Breast and Cervical Cancer Evaluation | 357 | 516 | -- |
| Nurse Education | 5,066 | 5,066 | -- |
| Nurse Retraining Program | 831 | 716 | 115 |
| Disposal of Organochlorines | 255 | 255 | -- |
| Pathology Laboratories | 1,139 | 577 | 562 |
| Community Employment Program | 441 | 441 | -- |
| Attendant Care Program | 207 | 839 | 207 |
| | <u>1,656,209</u> | <u>1,640,794</u> | <u>32,243</u> |
| Capital Programs: | | | |
| Housing - Various Programs | 219,341 | 219,341 | -- |
| Technical and Further Education | 53,167 | 56,691 | 4,471 |
| Schools | 59,038 | 60,507 | 1,098 |
| Teaching Hospitals | 8,100 | 7,100 | 1,000 |
| Blood Transfusion Services | 562 | 562 | -- |
| Unallocated Water Programs | 2,920 | 2,920 | -- |
| Home and Community Care | 499 | -- | 499 |
| Soil Conservation | 2,322 | 1,799 | 1,182 |
| National Estate | 547 | 547 | -- |
| Australian Land Transport Program | 134,895 | 134,895 | -- |
| Australian Bicentennial Roads Development | 88,254 | 88,254 | -- |
| Australian Centennial Roads Development | 170,051 | 170,051 | -- |
| Magnetic Resonance and Lithotripter Facility | 1,180 | 1,180 | -- |
| Support for Steel Regions | -- | 1,112 | 1,737 |
| | <u>740,876</u> | <u>744,959</u> | <u>9,987</u> |
| Total Commonwealth Funds | <u>6,249,894</u> | <u>6,235,910</u> | <u>42,285</u> |

KEY

(a) Includes amounts brought forward from previous year(s).

STATE

Summarised in the Review of Finances and earlier in this section, \$8,443m was collected from the following sources:

| | 1987 - 88 \$'000 | 1988 - 89 \$'000 | Increase \$'000 (-) | % Increase (-) |
|---|---------------------|---------------------|------------------------|----------------------|
| State Taxation: | | | | |
| Stamp Duties | 1,959,697 | 2,491,955 | 532,258 | 27.2 |
| Payroll Tax | 1,852,927 | 2,052,216 | 199,289 | 10.8 |
| Land Tax | 413,300 | 497,267 | 83,967 | 20.3 |
| Health Insurance Levies | 39,601 | 40,960 | 1,359 | 3.4 |
| Racing Revenue | 230,431 | 266,134 | 35,703 | 15.5 |
| Poker Machine Tax | 212,199 | 239,405 | 27,206 | 12.8 |
| Licences | 715,391 | 791,666 | 76,275 | 10.7 |
| | <u>5,423,546</u> | <u>6,379,603</u> | <u>956,057</u> | <u>17.6</u> |
| Mining, Lands and Forestry: | | | | |
| Land Sales, Leases, etc | 66,216 | 93,305 | 27,089 | 40.9 |
| Mining Occupation | 105,882 | 103,149 | (2,733) | (2.6) |
| Forestry | 58,182 | - - | (58,182) | (100.0) |
| | <u>230,280</u> | <u>196,454</u> | <u>(33,826)</u> | <u>(14.7)</u> |
| Receipts for Services Rendered: | | | | |
| Fees | 395,011 | 373,704 | (21,307) | (5.4) |
| Fee for Government Guarantee of Statutory Authority Debt | 41,540 | 33,643 | (7,897) | (19.0) |
| Ambulance Transport Charges | 26,888 | 27,805 | 917 | 3.4 |
| Health Private Patients' Fees | 27,312 | 28,567 | 1,255 | 4.6 |
| Health GIO Third Party Payments | 25,523 | 32,786 | 7,263 | 28.5 |
| Design/Supervision of Works | 20,753 | 11,749 | (9,004) | (43.4) |
| Police Supervision and Control of Traffic | 90,494 | - - | (90,494) | (100.0) |
| TAFE Training Programs | 14,682 | 21,449 | 6,767 | 46.1 |
| Motor Transport Fees | 12,483 | 15,987 | 3,504 | 28.1 |
| Commonwealth Recoupments - Various | 12,728 | 8,378 | (4,350) | (34.2) |
| Other | 52,652 | 54,963 | 2,311 | 4.4 |
| | <u>720,066</u> | <u>609,031</u> | <u>(111,035)</u> | <u>(15.4)</u> |
| State Instrumentalities Contributions | <u>128,958</u> | <u>261,374</u> | <u>132,416</u> | <u>102.7</u> |
| State Lotteries | <u>83,604</u> | <u>85,636</u> | <u>2,032</u> | <u>2.4</u> |
| Other Receipts: | | | | |
| Rents - Exclusive of Land | 20,320 | 25,931 | 5,611 | 27.6 |
| Fines and Forfeitures | 86,965 | 122,154 | 35,189 | 40.5 |
| Water Resources | 6,732 | 11,989 | 5,257 | 78.1 |
| Tourism | 6,886 | 1,281 | (5,605) | (81.4) |
| Interest | 156,843 | 213,345 | 56,502 | 36.0 |
| Loan Liability to the Commonwealth Recoupments | 7,823 | 7,823 | - - | - |
| Collections from Prison Industries | 8,458 | 10,180 | 1,722 | 20.4 |
| Repayments to Credit of Votes - Previous Year | 45,646 | 50,601 | 4,955 | 10.9 |
| Contributions towards Employers' Liability to State Superannuation Fund | 22,056 | 26,054 | 3,998 | 18.1 |
| Unclaimed Moneys | 17,227 | 18,892 | 1,665 | 9.7 |
| Natural Disaster Loans - Repayments | 15,900 | 13,500 | (2,400) | (15.1) |
| Backlog Sewerage Works - Repayments | 8,234 | 8,233 | (1) | - |
| Commonwealth Recoupment: | | | | |
| Migrant Education | 20,669 | 21,394 | 725 | 3.5 |
| Pharmaceutical Benefits | 3,235 | 404 | (2,831) | (87.5) |
| Nursing Home Benefits | 12,981 | 10,976 | (2,005) | (15.4) |
| Aid for Disabled People | 3,415 | - - | (3,415) | (100.0) |
| Payment under Gas and Electricity Act 1935 | 4,003 | 4,365 | 362 | 9.0 |
| First Home Purchase Scheme | 22,982 | 24,641 | 1,659 | 7.2 |
| Department of Housing - Repayment of Loan | 16,706 | 22,409 | 5,703 | 34.1 |
| Growth Centres Payments by Various Councils and Authorities in respect of Liability to Commonwealth | 369 | 10,968 | 10,599 | (a) |
| Interest and Principal Received in respect of Loans to Primary Producers | 5,192 | 9,374 | 4,182 | 80.5 |
| Profit on Sale of Government Property | 52,686 | 79 | (52,607) | (99.9) |
| Other | 43,153 | 40,068 | (3,085) | (7.1) |
| | <u>588,481</u> | <u>654,661</u> | <u>66,180</u> | <u>11.2</u> |
| Loan Council Global Allocation | <u>387,396</u> | <u>- -</u> | <u>(387,396)</u> | <u>(100.0)</u> |
| Repayments - Previous Years' Capital Expenditure and Disposal of Assets | <u>36,337</u> | <u>256,002</u> | <u>219,665</u> | <u>604.5</u> |
| TOTAL | <u>7,598,668</u> | <u>8,442,761</u> | <u>844,093</u> | <u>11.1</u> |

KEY

(a) More than 1,000%.

State Taxation

Stamp Duties: Receipts rose by \$532.3m to \$2,492m and exceeded the Budget estimate by \$276m. Included within this category were receipts from Probate and Death Duties of \$440,308 (\$1.6m in 1987-88).

Payroll Tax: Collections for the year increased by \$199.3m to \$2,052m and exceeded the Budget estimate by \$46.5m.

Land Tax: Revenue from this source was \$497.3m, which was \$84m more than collections for the previous year, and exceeded the Budget estimate by \$42.3m.

Health Insurance Levies: A levy is applied, in respect of ambulance services on organisations carrying on health benefits business in the State and on private contributions to the State Ambulance Insurance Plan. Collections for the year increased by \$1.4m to \$41m.

Further detailed comment on the receipts from these sources appears elsewhere in the Report under the heading of The Treasury - Office of State Revenue.

Racing: Revenue increased by \$35.7m to \$266.1m or 15.5% largely due to an increase in racing taxation from off-course and on-course totalizators. Further detailed comment on receipts, together with departmental statistics of the total amount invested on the totalizator and with bookmakers, appears elsewhere in this Report under the heading Department of Sport, Recreation and Racing.

Poker Machines: Revenue from taxes in respect of licences to operate poker machines issued under the Registered Clubs Act 1976 increased by \$27.2m to \$239.4m or 12.8%. Detailed comment and statistics appear elsewhere in this Report under the heading Chief Secretary's Department.

Licences: Receipts under this general heading yielded \$791.7m, an increase of \$76.3m or 10.7%, details are shown at Page 23 of the Public Accounts.

The major components included:

- * \$241m from fees for petroleum product licences.
- * \$203.8m from fees for tobacco licences.
- * \$215.6m from fees for licences under The Liquor Act 1982, and certificates of registration under the Registered Clubs Act 1976.
- * \$119.9m from operations under The Lotto Act 1979.

Detailed comment and information relating to licensing arrangements and statistics appear elsewhere in this Report under the headings: The Treasury - Office of the State Revenue; Chief Secretary's Department and State Lotteries Office.

Sales of Home Sites, Leases, etc: The New South Wales Land and Housing Corporation has sole responsibility for the development of home sites on Crown lands in the Sydney metropolitan area and certain portions of the Hunter Valley and Illawarra regions. The responsibility for the development and marketing of sites outside these areas is with the Department of Lands.

These receipts, set out below, include net proceeds of sales:

| | 1987 - 88 \$'000 | 1988 - 89 \$'000 | % Increase (-) |
|--|---------------------|---------------------|----------------------|
| Alienations: | | | |
| Sale of Homesites, etc: | | | |
| NSW Land and Housing Corporation | 32,000 | 35,000 | 9.4 |
| Department of Lands | 6,520 | 15,061 | 131.0 |
| | 38,520 | 50,061 | 30.0 |
| Less - Repayments to Consolidated Fund | 976 | - - | (100.0) |
| - Commission to Estate Agents | 86 | - - | (100.0) |
| Net Sales | 37,458 | 50,061 | 33.6 |
| Miscellaneous Sales | 10,964 | 21,845 | 99.2 |
| Less - Repayments to Consolidated fund | - - | 111 | (a) |
| Other Receipts | 134 | 119 | (11.2) |
| | 48,556 | 71,914 | 48.1 |
| Leases and Other Land Revenue | 17,660 | 21,391 | 21.1 |
| | 66,216 | 93,305 | 40.9 |

KEY

(a) Nil in previous year - not calculable.

At 30 June 1989 the balance held in the New South Wales Land and Housing Corporation bank account, (Department of Housing - Landcom Crown Lands Account) was \$16m (\$9m in 1987-88).

The sale of Homesites etc by the Department of Lands during 1988-89 increased by \$8.6m to \$15.1m. Several large receipts included in this category were: the sale of an industrial site at Milperra \$3.4m; proceeds from a subdivision at Tuncurry \$2.3m and \$4m for the appropriation sale of land at South Kingscliff.

Receipts from Miscellaneous Sales increased by \$10.8m to \$21.8m in 1988-89. Included within this category were several large receipts relating to the appropriation of Crown land by State Government organisations. Also included in miscellaneous sales were sale amounts received from the conversion of leaseholds to purchases. During 1988-89 the number of conversions increased by 13.6% and include one unusually high value conversion of \$1.4m.

Mining Occupation: Collections during 1988-89 decreased by \$2.7m to \$103.1m. This decrease was largely due to the Coal Royalty Concession. (This concession was introduced in 1987-88 and continued to be provided for in 1988-89). Coal royalties during 1988-89 decreased by \$4.9m to \$90.9m. These receipts consisted of:

| | 1987 - 88 \$'000 | 1988 - 89 \$'000 | % Increase (-) |
|--------------------------------------|---------------------|---------------------|----------------------|
| Royalty on Minerals: | | | |
| Silver, Lead and Zinc | 3,102 | 3,838 | 23.7 |
| Coal | 95,808 | 90,885 | (5.1) |
| Gold and Other Minerals | 3,659 | 4,664 | 27.5 |
| | 102,569 | 99,387 | (3.1) |
| Rent on Mining Leases | 2,103 | 2,023 | (3.8) |
| Payments for Coal Concessions | 453 | 1,078 | 138.0 |
| Other Receipts | 757 | 661 | (12.7) |
| | 105,882 | 103,149 | (2.6) |

For further details see comment later in this Report headed Department of Minerals and Energy.

Forestry: From 1 July 1988 the Forestry Commission was removed from the inner budget sector and since then it has operated as a commercial type operation from a Special Deposits Account. Receipts from forestry operations previously paid into Consolidated Fund are now retained by the Forestry Commission.

Receipts for Services Rendered

From 1 July 1988 a number of commercial type bodies were removed from the budget sector and operated from Special Deposits Account. The Treasurer established working accounts within Special Deposits Account to enable the retention of receipts within those accounts which would otherwise have been credited to the Consolidated Fund. Organisations affected by this change were Land Titles Office, the Valuer-General's Department, the Auditor-General's Office and the Public Trustee.

Fees: The receipts from Fees yielded \$373.7m, a decrease of \$21.7m from the previous year. These receipts were received from:

| | 1987 - 88 \$'000 | 1988 - 89 \$'000 | % Increase (-) |
|--|---------------------|---------------------|----------------------|
| Roads and Traffic Authority* | 206,088 | 234,405 | 13.7 |
| Business and Consumer Affairs | 60,637 | 67,719 | 11.7 |
| Land Registrations | 37,272 | - | (100.0) |
| Court Process | 27,366 | 23,183 | (15.3) |
| Valuation of Land | 9,103 | - | (100.0) |
| Factories, Shops and Industries and Construction Safety | 14,980 | 18,162 | 21.2 |
| Public Trustee | 11,808 | - | (100.0) |
| Births, Deaths and Marriages | 6,633 | 7,525 | 13.4 |
| Sport, Recreation and Racing | 5,411 | 6,700 | 23.8 |
| Education | 5,775 | 5,332 | (7.7) |
| Health - Professional Registration Boards | 1,560 | 1,612 | 3.3 |
| Miscellaneous | 8,378 | 9,066 | 8.2 |
| | <u>188,923</u> | <u>139,299</u> | (26.4) |
| TOTAL | <u>395,011</u> | <u>373,704</u> | (5.4) |

KEY

* Previous years figures related to the Department of Motor Transport which was dissolved on 15 January 1989. Its operations were transferred to the Roads and Traffic Authority.

The fees receipts for the Roads and Traffic Authority totalled \$234.4m in 1988-89, higher by \$28.3m than in the previous year due to: the inclusion of collections, totalling \$5.6m, which in previous years were credited to the Public Vehicles Fund in Special Deposits; increases in Driver's Licence and Vehicle Registration Fees of \$1 and \$2 respectively from 1 July 1988; and the advanced cash flow from extended period photo licences introduced from 1 January 1989 at fees ranging from \$25 to \$80 for periods ranging from 1 to 5 years.

Fees received by Business and Consumer Affairs rose by \$7.1m largely reflecting an increase in company registrations. The major components were licence fees for companies and business names.

Court Process receipts decreased by \$4.2m (15.3%) due mainly to the changes in the process for recovery of unpaid parking penalties (see later comment under Fines and Forfeitures).

Factory, Shop and Industry revenue remained about the same at \$5.6m, although factory and shop registration fees increased by \$107,024. Construction and similar safety fees increased from \$9.3m to \$12.5m, mainly a result of the high level of major building and construction activity.

Births, Deaths and Marriages receipts increased by \$892,339 to \$7.5m.

Sport and Recreation fees \$6.7m, included receipts of \$2.5m from outdoor education, \$1.5m from vacation camping and other camps, \$1.2m from the Vacation Swimming Scheme and \$706,898 from Regional Programs.

Fees received pertaining to education totalled \$5.3m, with the main components being \$3.9m from Agricultural High Schools and \$777,028 from the Music Examinations Advisory Board.

Fees from the nine Professional Registration Boards administered by the Department of Health remained virtually unchanged at \$1.6m. Comment on the various boards will be included in Volume Three of my 1989 Report.

Fee for Government Guarantee of Statutory Authority Debt: A guarantee fee was introduced in 1986-87 for that portion of major public authorities debt guaranteed by the Government. Imposed at the rate of 0.5% of outstanding external debt at the close of the previous financial year, the Budget for 1988-89 anticipated a yield of \$35.7m. Actual receipts were \$33.6m consisting entirely of payments received in respect of the 1988-89 year (Electricity Commission \$21.7m, Hunter Water Board \$1.1m, Water Board \$7.7m, Maritime Services Board \$1.6m, County Councils \$1.5m).

Health: Included under this heading are receipts from:

- * ***Ambulance Transport Charges:*** Receipts were \$27.8m compared with \$26.9m in the previous year. These fees represent charges for carriage by ambulance of patients who are not members of a health fund. A levy paid directly to the Treasury by health funds exempts their members from charges.
- * ***Patients' Fees:*** Aggregate receipts for 1988-89 totalled \$41.3m (\$42.3m in 1987-88). The main components were Private Patients' Fees - State Hospitals and Homes, \$28.6m (\$27.3m in 1987-88) and \$11m (\$13.8m in 1987-88) in Commonwealth Hospital and Nursing Home Benefits under the provisions of the National Health Act 1953. (The \$11m is included in the Treasurer's Public Accounts under "Other Receipts - Commonwealth Recoupments").
- * ***GIO Third Party Payments:*** These receipts \$32.8m (\$25.5m in 1987-88) are lump sum payments made by the GIO under an agreed formula, for hospital fees due in respect of patients who are the subject of third party claims.

Design and Supervision of Works - Oncost: Revenue under this classification related to the recovery of oncost on expenditure principally in respect of capital works financed from Consolidated Fund.

The total of \$11.7m during the year included \$6m as an oncost on expenditure controlled by the Public Works Department and \$5m recovered on major education programs.

Police Supervision and Control of Traffic: Following amendments to the Transport Act 1930 and from 1 July 1987 the transfer of those Department of Motor Transport's operations previously administered through the Road Transport and Traffic Fund (within Special Deposits) to Consolidated Fund, contributions are no longer made towards the costs of Police supervision and control of traffic by the Roads and Traffic Authority (previously the Department of Motor Transport).

Revenue previously paid into the Road Transport and Traffic Fund now flows to the Consolidated Fund and the cost of Police supervision and control of traffic is met from Consolidated Fund.

TAFE Training Programs: This amount, \$21.4m in 1988-89, represents money paid by the Commonwealth for miscellaneous training programs (\$14.7m in 1987-88). The increase in receipts of \$6.7m is attributed to additional funding of \$7.6m for Labour Market Programs in 1988-89.

Other: Miscellaneous receipts on behalf of Education included \$10.7m recovered for administrative oncosts in relation to activities and projects for which Commonwealth financial assistance is available.

State Instrumentalities Contributions

Receipts under this heading at \$261.4m were \$51.7m higher than estimated and \$132.4m higher than in the previous year. Contributions were received from:

| | 1987-88 \$'000 | 1988-89 \$'000 | % Increase (-) |
|--|-------------------|-------------------|----------------------|
| Government Insurance Office of New South Wales | 51,411 | 105,978 | 106.1 |
| State Bank of New South Wales | 32,894 | 55,524 | 68.8 |
| Maritime Services Board | 18,110 | 16,526 | (8.7) |
| Electricity Commission of New South Wales | 11,500 | 10,000 | (13.0) |
| Water Board | 11,500 | 54,116 | 370.6 |
| Land Titles Office | - | 12,000 | (a) |
| Hunter Water Board | 3,000 | 2,000 | (33.3) |
| New South Wales Investment Corporation | 459 | 5,230 | (b) |
| State Brickworks | 84 | - | (100.0) |
| | <u>128,958</u> | <u>261,374</u> | 102.7 |

KEY

(a) Nil in previous year - not calculable.

(b) More than 1,000%.

In terms of its Act, the Government Insurance Office is required to pay the Treasurer the sums which, if it were not exempted, it would pay as income and other taxes. Based on the trading results and following an increase in profitability for the year ended 30 June 1988 the equivalent of income tax was assessed at \$81.8m, up \$48.3m from the previous year. Other contributions, mainly sales tax, totalled \$3.2m.

In addition, under the Government Insurance (Amendment) Act 1985, \$21m was paid into Consolidated Fund in respect of dividends for 1987-88.

Revenue from the State Bank, \$55.5m, increased by \$22.6m on that received for the previous year. The contribution was made up as follows:

| | Final Instalment for 1987-88 \$m | Advance Payments for 1988-89 \$m | Total \$m |
|----------------------------------|--|--|--------------|
| Taxation-Equivalent Contribution | 16.9 | 22.1 | 39.0 |
| Dividend | 8.4 | 8.1 | 16.5 |
| | <u>25.3</u> | <u>30.2</u> | <u>55.5</u> |

In terms of the Maritime Services Act 1935, a contribution of \$16.5m was received during 1988-89 from the Maritime Services Board. The contribution was an amount equal to 6% of the revenue of the Board for the financial year ended 30 June 1988.

Dividends totalling \$66.1m were received from the Electricity Commission, the Water Board and the Hunter Water Board. Included was \$44.1m from the Water Board as an additional dividend for 1988-89. In turn, the Board received an equivalent amount from the Treasury representing the rate revenue foregone in pursuing Government policies relating to pensioner rebates, exempt Government and charitable properties.

An amount of \$12m was received for the first time from the Land Titles Office being initial payments of a taxation equivalent based on 75% of the Office's estimated net profit for 1988-89.

Under the terms of its Act (after its sale in January 1989), the New South Wales Investment Corporation contributed \$5.2m, being taxation equivalent in respect of net profits earned in 1987-88 from its investment functions.

State Lotteries

The Director of State Lotteries is responsible for the conduct of Draw and Instant Lotteries.

After allowing for the cost of prizes, the balance of lottery subscriptions is transferred to Consolidated Fund. Transfers during the year totalled \$85.6m comprising \$50.9m for instant lotteries and \$34.7m for draw lotteries. Detailed comment together with statistical information appears elsewhere in this Report under the heading State Lotteries Office.

Other Receipts

Rents Exclusive of Land, etc: Collections, \$25.9m include \$10.9m for office accommodation managed by the Office Accommodation Bureau of the Department of Administrative Services.

Fines and Forfeitures:

| | 1987-88 | 1988-89 | % |
|-----------------------|---------------|----------------|------|
| | \$'000 | \$'000 | (-) |
| Transport and Traffic | 75,622 | 103,970 | 37.5 |
| Other | 11,343 | 18,184 | 60.3 |
| | <u>86,965</u> | <u>122,154</u> | 40.5 |

Fines paid through local courts for motor traffic and transport offences decreased by \$3.1m to \$13.9m.

Fines and penalties collected by the Traffic Penalties Section of the Police Department increased by \$31.4m (53.6%) to \$90.1m in 1988-89. The increase was due to the increased penalties introduced from 1 July 1988 and the impact of the policy of cancelling driver's licences and/or vehicle registrations where traffic and parking fines remain unpaid. Detailed comment and related statistical information, appears elsewhere in this Report under the heading Police Department.

Water Administration Ministerial Corporation (Department of Water Resources): Fees under the Water Act at \$6.2m, were \$1.5m higher than in the previous year. The main component was fees collected for water supplied under Section 22C of the Water Act 1912, which increased by \$1.3m to \$5m. The rise was attributable mainly to a change in the basis of calculation of the charges and an alteration to the allocation of component costs.

Miscellaneous receipts increased by \$3.9m to \$5.8m during 1988-89. The closure of a Loan Repayment Reserve in respect of the Department's Special Deposit General Trust with a balance of \$3.6m and its transfer to the Consolidated Fund was the main component of the increase.

Tourism: Details of collections from travel centres which are payable to the Consolidated Fund appear elsewhere in this Report under the heading Tourism Commission.

Interest: Net Interest received in 1988-89 of \$208.1m (gross \$213.3m, less paid \$5.3m) rose by \$56.5m in line with the Budget forecast due to the higher level of funds available for investment and an increase in interest rates.

Receipts from the State Bank representing interest on undistributed Agencies' funds and interest received in respect of some advances made by certain Agencies increased by \$608,455 to \$13m.

Recoupments on Account of Loan Liability to the Commonwealth: Interest and other charges on the State's share of Commonwealth loan raisings allocated for housing purposes in 1971-72 and 1972-73 are originally met from Consolidated Fund as Payments on Account of Loan Liability to the Commonwealth. Recovery of annual charges of \$5.2m and \$2.3m is subsequently made from the Department of Housing and the Home Purchase Assistance Account, respectively and paid into Consolidated Fund.

Under similar agreements providing concessional Commonwealth housing assistance (repayable at 4.5% p.a. over 53 years), the State allocated \$449.6m to the Department between 1982-83 and 1987-88 and \$86.3m in 1988-89.

During 1988-89, principal and interest payments of \$22.4m to the Commonwealth on 1982-83 to 1987-88 allocations were initially met from the Treasurer's Other Services Item "States (Works and Housing) Assistance", and were subsequently recouped to Consolidated Fund by the Department.

The 1988-89 allocation, \$86.3m, was utilised by the Department in instalments throughout the year. If the drawdown by the Department is made before the receipt of Commonwealth funds, an interest rate substantially higher than 4.5% is charged. This did not happen during 1988-89. Interest paid to the Commonwealth in respect of this year's assistance totalled \$1.9m, with \$1.4m being recovered from the Department.

Collections from Prison Industries: Refer to the section elsewhere in this Report under the heading Corrective Services.

Repayments to Credit of Votes – Previous Years: Receipts in this category vary considerably from year to year and totalled \$50.6m, compared with \$45.6m in 1987–88.

The major component was \$21.3m transferred from Special Deposits Account representing unused Bicentennial Celebration funds.

A further component of the category was repayment of funds previously advanced under various headings to departments and undertakings (\$11.3m) which included an initial payment of \$5.7m from the Department of Housing towards outstanding advances of \$35.7m.

An amount of \$5m was repaid by the State Rail Authority which represented one of two biannual instalments payable in 1988–89 on a \$40m advance made in 1986–87.

The unexpended portion (\$365,761) of the amount transferred in 1987–88 to the "Provision for Commitments Outstanding Account" in Special Deposits was also repaid to Consolidated Fund.

Unclaimed Moneys: Net unclaimed moneys and part balances of Special Deposits accounts credited to Consolidated Fund totalled \$18.9m compared with \$17.2m in 1987–88 and \$8.2m in 1986–87. Of the total, \$1.9m relates to funds transferred back to Consolidated Fund in respect of the Tow Truck Industry Corporation which never came into existence.

Payment by the Australian Gas Light Company: As the result of an agreement in 1986–87 between the then Minister for Energy and the Australian Gas Light Company, a fee is paid annually to Consolidated Fund by the company. The fee, based on 1% of annual turnover, totalled \$4.4m in 1988–89.

Repayments – Previous Years' Capital Expenditure and Disposal of Assets: During 1988–89 a revised policy was implemented in relation to proceeds from the sale or lease of surplus government assets. Inner Budget sector departments and authorities initiating action to generate funds from the sale or lease of surplus assets are eligible to retain 50% of net proceeds within their Special Deposits accounts. The remaining 50% is payable to Consolidated Fund as a capital receipt rather than a recurrent receipt, as was previously the case.

Arising from previous years' expenditure and disposal of assets, \$256m was received as repayments by the Departments and Statutory Authorities, compared with \$36.3m in 1987–88.

The major repayments were \$60m from the State Rail Authority and \$65.3m (\$9.3m still owing) from the Darling Harbour Authority, both advances being made in 1987–88 towards capital works expenditures. Other repayments of advances made in previous years were from the Water Board, \$10.6m, Department of Housing, \$7.4m and Department of Water Resources, \$6m.

The sale of the New South Wales Investment Corporation netted \$52.2m. In addition, the Corporation paid a tax equivalent contribution of \$5.2m while \$2.2m was received as interest on the proceeds of the sale while held by the New South Wales Treasury Corporation. Both these sums were credited to other accounts within Consolidated Fund.

Asset sales by the Education Department and Public Works Department resulted in \$6.9m and \$2.9m, respectively. The sale of land by the Department of Family and Community Services at Werrington Park for Western Sydney University raised \$9m.

Asset sales by the Health Department, \$12.4m, and the repayment of unexpended loan funds by hospitals, \$6.1m, resulted in \$18.5m being paid into the account.

TOTAL PAYMENTS FROM CONSOLIDATED FUND for Recurrent Services and Capital Works and Services were \$14,259m, \$245m more than Budget and \$796m (5.9%) higher than in 1987-88.

| | 1987 - 88 | 1988 - 89 | % Increase |
|----------------------------|---------------|---------------|---------------|
| | \$m | \$m | |
| Recurrent Services | 11,871 | 12,720 | 7.2 |
| Capital Works and Services | 1,592 | 1,539 | (3.3) |
| | 13,463 | 14,259 | 5.9 |
| Revenue Equalisation | 56 | 420 | 650.0 |
| | <u>13,519</u> | <u>14,679</u> | 8.6 |

The payments include \$336m for Recurrent Services and \$25m for Capital Works and Services made under the authority of Section 22 and \$420m under Section 22A of the Public Finance and Audit Act. Section 22 permits the Treasurer, with the approval of the Governor, to make payments without prior Parliamentary appropriation. Details of such payments must be included in the next year's Appropriation Bill. A summary is included in Appendix 4 of this Report. Comment on the method of using this mechanism and transfers under Section 22A to the Revenue Equalisation Account appear earlier in this Report under the heading Review of Finances.

Recurrent Services

The 1988 Appropriation Act contained a provision that all appropriations made by other acts would not operate unless funding from annual appropriations or working accounts proved insufficient. Thus appropriations under Special Statute were not utilised in 1988-89, all expenditure being by way of Annual Appropriations.

Total payments were \$12,720m, \$261m over Budget. The largest item was \$4,338m for Employee Related Payments.

Comments previously made in this Report under the heading of "Appropriations under Special Statute" were in respect of interest and sinking fund payments and the State's loan liability to the Commonwealth. For information on 1988-89 activities see comments under the heading "Debt Position" earlier in this Report. A comment on significant superannuation payments follows.

Superannuation and Pension Payments

Significant changes in public sector superannuation arrangements occurred on 1 April 1988 when –

- ★ the State Authorities Superannuation Board was established and assumed the management and investment responsibilities of the following Boards which ceased to exist from that date:
 - State Superannuation Board;
 - Public Authorities Superannuation Board;
 - State Public Service Superannuation Board;
 - Police Superannuation Board.
- ★ the State Authorities Superannuation Scheme commenced operations. Most new employees in the public sector are eligible to join this scheme which is the only scheme open to new members.
- ★ a non-contributory Basic Benefit Scheme (3% productivity benefit) for all employees of the employing agencies prescribed for the purposes of the State Authorities Superannuation Scheme commenced.
- ★ the State Superannuation Scheme, State Public Service Superannuation Scheme and Police Superannuation Scheme were closed to new members.
- ★ the Public Authorities Superannuation Scheme ceased to exist when its membership was transferred to the new State Authorities Superannuation Scheme.

Further, on 1 July 1989, the State Public Service Superannuation Scheme ceased to exist when its membership was transferred to the State Authorities Superannuation Scheme.

Detailed comment on the aforementioned superannuation schemes appears elsewhere in this Report. Operations of the Government Railway Superannuation Scheme, the Coal and Oil Shale Mineworkers Superannuation Fund, and the Parliamentary Contributory Superannuation Scheme will feature in Volume Three of my Report.

Amended accounting arrangements which are being progressively introduced by the Treasury will result in individual departments and authorities assuming responsibility for the annual expense of superannuation costs.

The following table shows the significant payments made in 1988-89 from the Consolidated Fund for Superannuation costs:

| | \$'000 |
|--|----------------|
| Legislature | |
| Parliamentary Contributory Superannuation Scheme | 9,030 |
| Attorney General's Department | |
| Judges Pension Scheme | 4,379 |
| Ministry of Education | |
| State share of Higher Education Superannuation Cost (1) | 9,430 |
| NSW Superannuation Office | |
| Coal Mining Industry Superannuation and Long Service Leave | 22,792 |
| Police Department | |
| Police Superannuation | 146,379 |
| Treasury | |
| Public Service Contributory Pensions (2) | 287,887 |
| Miscellaneous Pensions | 338 |
| Basic Benefit Superannuation Costs (3) | 9,839 |
| Unfunded Superannuation Liability (4) | 20,000 |
| | <u>510,074</u> |

Note

- (1) Represents payment of State's share of superannuation costs for former public servants now employed in higher education institutions.
- (2) Represents cost met by Treasury of employer current contributions for employees who are members of the State Superannuation Fund which is now closed to new contributors.
- (3) Treasury meets the cost for budget sector departments of the compulsory 3% National Wage case superannuation benefit.
- (4) In 1988-89 Treasury assumed responsibility for the existing unfunded superannuation liabilities of public sector authorities. A Special Deposits Account was established to provide funding for these liabilities. This payment represents an initial allocation to the account.

Capital Works and Services

Total payments were \$1,539m, only \$16m under Budget. The level of capital payments was achieved by the use of recurrent receipts, which were over Budget. There was a shortfall in capital receipts mainly because no funds were borrowed from the Capital Works Financing Corporation. This action continued the trend of the previous year where recurrent funds had also supported capital activities.

Details of individual authorities' expenditures are reported elsewhere. The major expenditures from this source were incurred by:

| Department | \$'000 |
|-----------------------------------|---------|
| * Main Roads | 506,313 |
| * Housing | 335,707 |
| * Education | 207,580 |
| * Technical and Further Education | 95,341 |
| * Public Works | 90,303 |
| * Attorney-General's | 47,443 |
| * Corrective Services | 46,937 |
| * Health | 42,050 |

SUMMARY OF PAYMENTS

Summarised below under Ministerial headings is expenditure from the Consolidated Fund on Recurrent Services and Capital Works and Services. Annual appropriations are detailed at pages 17 to 21 of the Public Accounts.

| | Recurrent Services \$'000 | Capital Works and Services \$'000 | Total \$'000 |
|---|---------------------------------|--|-------------------|
| The Legislature | 49,192 | — | 49,192 |
| Premier, Treasurer and Minister for Ethnic Affairs | 1,505,753 | 8,500 | 1,514,253 |
| Minister for Administrative Services | 161,338 | 496 | 161,834 |
| Minister for Agriculture and Rural Affairs | 175,118 | 24,870 | 199,988 |
| Attorney General | 255,641 | 47,443 | 303,084 |
| Minister for Business and Consumer Affairs | 99,233 | — | 99,233 |
| Chief Secretary and Minister for Tourism | 66,252 | 6,707 | 72,959 |
| Minister for Corrective Services | 181,694 | 46,937 | 228,631 |
| Minister for Education and Youth Affairs | 3,179,868 | 315,722 | 3,495,590 |
| Minister for the Environment | 96,009 | 18,313 | 114,322 |
| Minister for Family and Community Services | 361,523 | 12,512 | 374,035 |
| Minister for Health and Minister for the Arts | 3,518,512 | 62,286 | 3,580,798 |
| Minister for Housing | 27,820 | 335,707 | 363,527 |
| Minister for Industrial Relations and Employment | 111,147 | 936 | 112,083 |
| Minister for Local Government and Minister for Planning | 157,762 | 3,497 | 161,259 |
| Minister for Minerals and Energy | 34,701 | 1,282 | 35,983 |
| Minister for Natural Resources | 130,758 | 10,335 | 141,093 |
| Minister for Police and Emergency Services | 850,337 | 31,288 | 881,625 |
| Minister for Sport, Recreation and Racing | 31,382 | 2,858 | 34,240 |
| Minister for State Development and Minister for Public Works | 110,119 | 90,303 | 200,422 |
| Minister for Transport | 1,615,501 | 519,292 | 2,134,793 |
| TOTAL | <u>12,719,660</u> | <u>1,539,284</u> | <u>14,258,944</u> |

DEPARTMENTS

Departmental comment follows, presented in the order of reference within Table 4 of the Public Accounts. Organisations referenced receive Consolidated Fund allocations, although some are statutory bodies specified in Schedule 2 of the Public Finance and Audit Act 1983 for which relevant comment will appear in my next Volume to be tabled later in the year, viz:

Minister for Administrative Services

- * Government Printing Office
- * Public Servant Housing Authority

Attorney General

- * Legal Aid Commission

Minister for Housing

- * Department of Housing
(also known as New South Wales Land and Housing Corporation)

Minister for Local Government and Minister for Planning

- * Darling Harbour Authority

Minister for Police and Emergency Services

- * Board of Fire Commissioners
- * Bush Fire Council

Minister for Transport

- * Department of Main Roads
- * Department of Motor Transport

CABINET OFFICE

The Cabinet Office role is to facilitate the operations of Cabinet and to monitor the implementation of decisions of Government.

Due to the Office's small size, administrative support is provided by the Premier's Department which bears all indirect administrative costs incurred by the Cabinet Office.

Direct costs for the Cabinet Office for 1988–89 totalled \$3.1m, of which \$2.7m was in respect of salaries and other employee payments. As the Office did not operate for a full year during 1987–88, previous year's comparative figures have not been provided.

PREMIER'S DEPARTMENT

The Premier's Department is responsible for the provision of services for the administration of government, the co-ordination of community relations activities and the provision of services to the Premier's administration. It is also responsible for the oversight of Aboriginal affairs.

Administrative restructuring begun during the 1987-88 financial year continued during 1988-89. A major addition was the Office of Public Management which was created from units transferred from the former Public Service Board. Other additions included the Government Actuary and the Freedom of Information Unit while administration of Bicentennial Park was transferred from the Department.

In this review, programs transferred have either been omitted or the previous year's comparative figures adjusted to reflect the changes that have occurred.

Receipts and Payments

A composite summary of receipts and payments of the Consolidated Fund and Special Deposits Account (net of inter-fund transfers) for the year ended 30 June 1989 is as follows:

| Previous Year \$'000 | | \$'000 | % Increase (-) |
|----------------------------|---|---------------|----------------------|
| | RECEIPTS | | |
| | Commonwealth Contribution: | | |
| 3,306 | Joint Bicentennial Commemorative Program | -- | (100.0) |
| 1,576 | Bicentennial Fund | 103 | (93.5) |
| 208 | Aborigines Assistance Fund | 726 | 249.0 |
| 621 | Rent | 1,387 | 123.4 |
| 173 | Grant for Purchase of Computer Equipment | 750 | 333.5 |
| 1,813 | Other | 2,216 | 22.2 |
| -- | Provision for Commitments Outstanding | 743 | (a) |
| <u>7,697</u> | TOTAL RECEIPTS | <u>5,925</u> | (23.0) |
| | PAYMENTS | | |
| 15,051 | Salaries and Other Employee Payments | 16,775 | 11.5 |
| 6,084 | Maintenance and Working Expenses | 8,285 | 36.2 |
| 3,590 | Capital Works and Services | -- | (100.0) |
| | Bicentennial Fund: | | |
| 38,129 | Bicentennial Grants | 24,519 | (35.7) |
| 3,153 | Operating Expenses | 871 | (72.4) |
| 9,260 | Other Services Items | 1,767 | (80.9) |
| | Other Services: | | |
| 27,481 | Funding of Aboriginal Land Councils | 29,556 | 7.6 |
| | Protocol Expenses, Special Reports for Premier, | | |
| 1,104 | Ministerial Travel and Unforeseen Expenses | 1,343 | 21.7 |
| 566 | Special Inquiries | 5,456 | 864.0 |
| 214 | Aborigines Assistance Fund | 456 | 113.1 |
| 372 | Building Works - London Office | 1,365 | 266.9 |
| -- | Homebush Bay Strategy Committee | 1,613 | (a) |
| 1,430 | Sundry | 2,081 | 45.5 |
| 1,224 | Grants and Subsidies | 1,298 | 6.1 |
| 244 | Plant and Equipment | 843 | 245.5 |
| 1,498 | Provision for Commitments Outstanding | -- | (100.0) |
| <u>109,400</u> | TOTAL PAYMENTS | <u>96,228</u> | (12.0) |
| <u>101,703</u> | EXCESS OF PAYMENTS OVER RECEIPTS | <u>90,303</u> | (11.2) |

KEY

(a) Nil in previous year - not calculable.

As Premier's Department is responsible for providing the administrative functions of the Premier's portfolio, it bears all indirect administrative costs incurred by the Cabinet Office.

Programs

The following table details the net payments of operations financed from Consolidated Fund and Special Deposits Account (net of inter-fund transfers) on a program basis.

| Previous Year Net Payments \$'000 | Program Description | Receipts \$'000 | Payments \$'000 | Net Payments (Receipts) \$'000 |
|---|---|--------------------|--------------------|---|
| 10,498 | Administrative Support Services | 5 | 15,355 | 15,350 |
| | Oversight of Public Sector | | | |
| 2,657 | Management Performance | 140 | 5,413 | 5,273 |
| 4,111 | Overseas Representation | 1,394 | 5,125 | 3,731 |
| | Policy and Advisory Services | | | |
| 28,809 | on Aboriginal Affairs | 784 | 31,817 | 31,033 |
| | Services for the Leaders of | | | |
| 598 | the Opposition | - - | 719 | 719 |
| 978 | Services for the Governor's Establishment | - - | 1,295 | 1,295 |
| 1,579 | Protocol and Hospitality Services | - - | 1,673 | 1,673 |
| 778 | Equal Opportunity in Public Employment | 152 | 1,142 | 990 |
| | Co-ordination of Services for the | | | |
| 1,035 | Aged and Disabled | 40 | 1,159 | 1,119 |
| 524 | Public Sector Actuarial Services | 329 | 837 | 508 |
| | Implementation of Freedom of | | | |
| - - | Information Policies | 54 | 537 | 483 |
| | Co-ordination of State Government | | | |
| | Bicentennial Activities, Australia Day | | | |
| | Celebrations and Nomination of Sydney | | | |
| 49,510 | as 1996 Olympic Games Host | 168 | 29,990 | 29,822 |
| 626 | Non-Program Items | 2,859* | 1,166* | (1,693) |
| <u>101,703</u> | TOTAL | <u>5,925</u> | <u>96,228</u> | <u>90,303</u> |

KEY

* Net of transactions of the Special Deposits Accounts - Balance of Salaries Suspense Account, and Provision for Commitments Outstanding Account.

Program - Administrative Support Services

The objective of this program is to perform organisational, planning and management functions for the Premier's administration. Expenditure totalled \$15.4m and comprised:

Salaries and Other Employee Payments: \$6.3m.

Maintenance and Working Expenses: \$2.1m.

Grants and Subsidies: \$1.1m included:

- * \$300,000 to the Anzac Memorial Trust towards the cost of running the Anzac Memorial Building.
- * \$658,850 in Miscellaneous Grants approved by the Premier.

Other Services: \$5.9m which included:

* Special Inquiries:

- * A Royal Commission was set up to inquire into the former Chelmsford Private Hospital and Mental Health Services in New South Wales. The Commission was to specifically investigate:

- the administration of and provision of treatment to patients in connection with the use of "Deep Sleep Therapy", and
- whether any improvements should be made in the regulation and monitoring of the standards of mental health services.

The Commission was due to report by 31 August 1989. Costs to 30 June 1989 were \$3.2m.

- * A joint Commonwealth/State Royal Commission began sitting in November 1987 to review Aboriginal deaths in custody and subsequent action taken in respect of those deaths including the conduct of police, coronial and other inquiries. The cost of the Commission is to be shared among all participating governments. The New South Wales share for 1988-89 was \$1.7m bringing the total expenditure to 30 June 1989 to \$1.9m.

- * ***Special Reports for the Premier, Ministerial Travel and Unforeseen Expenses approved by the Premier:*** Expenditure totalled \$426,515 including \$205,091 on the cost of a Special Report on Darling Harbour Monorail re-routing study.

Program – Oversight of Public Sector Management Performance

This program's objective is to monitor and improve management performance throughout the public sector of New South Wales.

Salaries and Other Employee Payments: \$2.6m.

Maintenance and Working Expenses: \$1.6m.

Plant and Equipment: \$60,957.

Other Services: \$1.2m which included:

- * ***Special Inquiries into Corporate Affairs Commission***

An inquiry was established in June 1986 to enquire into certain matters related to the Corporate Affairs Commission. Expenditure during 1988-89 totalled \$577,456 bringing total payments to date to \$1.8m.

- * ***Senior Executive Service***

Introduced as part of the reform of the State's administration, the Senior Executive Service covers senior management positions in both the inner budget sector and in statutory bodies. Its aims are to create a group of highly skilled, ethical, professional and flexible managers who will perform to the standard required by both the Government and the community. Expenditure on this project during the year totalled \$323,170.

*** Corporatisation Secretariat**

Established as part of the Office of Public Management, the role of the Secretariat is to assist in appointing working parties to address policy issues relating to the corporatisation of government organisations. The Secretariat also established the legislative framework for corporatisation. Expenditure to 30 June 1989 was \$153,976.

Program – Overseas Representation

This program's objective is to represent the State's interests overseas and to promote overseas investment, trade and tourism. The NSW Government's Office in Los Angeles was closed in December 1988.

Receipts during the year \$1.4m were from the rental of office space in London.

Expenditure totalled \$5.1m and comprised:

Salaries and Other Employee Payments: \$2.1m.

Maintenance and Working Expenses: \$1.6m.

Plant and Equipment: \$26,437.

Other Services: Payments of \$1.4m on the redevelopment of New South Wales House in London included \$1.0m transferred to a special working account for the purpose of meeting preliminary expenses incurred on the project. At 30 June 1989 no expenditure had been made from this account.

Program – Policy and Advisory Services on Aboriginal Affairs

The objective of this program is to bring about improvements in policies and services provided by the State consistent with the Government's policy of self-determination in Aboriginal affairs.

Aboriginal Land Councils: The Aboriginal Land Rights Act 1983 provides for annual funding of the N.S.W. Aboriginal Land Council from the Consolidated Fund up to and including 1998. The amount payable for each year is 7.5% of those land tax collections (received in that year and the previous year) which relate to the previous year. Payments in 1988-89 totalled \$29.6m (\$27.5m in 1987-88). This accounted for 93.1% of the total expenditure under this program of \$31.8m (\$29.2m in 1987-88). The legislation requires that one half of moneys paid must be invested. Further comment on the financial operations of the New South Wales and Regional Aboriginal Land Councils will appear in Volume Three of my 1989 Report.

Aborigines Assistance Fund: The Aborigines Assistance Fund was established in accordance with Section 51 of the Aboriginal Land Rights Act 1983 to receive moneys from government and non-government sources to be applied for the benefit of Aborigines.

Expenditure of \$456,474 included \$34,295 paid to a number of shire councils to meet outstanding rates owed for the period 1980–1984. After allowing for this expenditure, funds brought forward at the beginning of the year, \$577,409, and contributions of \$725,925 (including \$723,740 from the Commonwealth Government for upgrading the level of assistance in the Murrin Bridge, Brungle and Cowra regions), the balance of funds held at 30 June 1989 was \$846,860.

Advances for Housing Account: This account is used for the purpose of making advances to Aborigines for home loans and for the purchase of furniture. The original advance establishing the account was further reduced by a repayment of \$100,000 leaving a balance of \$30,000 outstanding at balance date.

Receipts in 1988–89 consisted of loan repayments totalling \$58,327 while no new advances were made during the year. The balance of funds was \$52,800 at 30 June 1989.

In August 1984 the Housing Commission (now New South Wales Land and Housing Corporation) agreed to assume the responsibility for the management and follow-up of the loans. At 30 June 1989, unaudited figures of outstanding loans, provided by the NSW Land and Housing Corporation were \$329,603 (\$350,496 at 30 June 1988).

The current state of the loans is still a matter of concern. In previous years my concerns have been expressed to the Minister who in turn relayed them to the Minister for Housing. During 1987–88 the then Ministry of Aboriginal Affairs requested consultancy assistance from the former Public Service Board to overcome previously highlighted problems. The consultant's report received in May 1988 included a number of recommendations to improve the scheme. These recommendations were still to be implemented at 30 June 1989.

Program – Co-ordination of State Government Bicentennial Activities, Australia Day Celebrations and Nomination of Sydney as 1996 Olympic Games Host

Major expenditures under this program were payments from the Bicentennial Fund, and the State's share of administrative expenses in the operation of the New South Wales Bicentennial Council.

Comment on this program has been included earlier in this Report under the heading Bicentennial Expenditure.

Treasury approval was given for \$2.2m to be set aside from uncommitted funds available from the Bicentennial Program to the Homebush Bay Strategy Committee.

Homebush Bay Strategy Committee: The Committee was established to oversee development of the strategy for the Homebush Bay precinct. Its specific role is to advise on the development of Homebush Bay; develop options for a development strategy and its implementation and recommend a program of future land use, staged development and management of assets.

Total costs to 30 June 1989 were \$1.6m.

Olympic Games Nomination: Costs expended on the nomination of Sydney as host of the 1996 Games were \$801,418. In addition, a donation of \$100,000 was given to the Melbourne Olympic Committee after their successful nomination.

INDEPENDENT COMMISSION AGAINST CORRUPTION

The Independent Commission Against Corruption Act 1988 was assented to on 6 July 1988. The Governor proclaimed 13 March 1989 as the commencement date of the Act.

The principal functions of the Commission are to investigate and reduce the likelihood of corrupt conduct within the public sector. In carrying out these functions the Commission is to examine the governing laws and the practices and procedures of public authorities and public officials and to report to appropriate authorities the results of its investigations.

Prior to the establishment of the Commission the Commissioner Designate was appointed as a consultant to the Government from 10 October 1988. The Commissioner's appointment was confirmed for a term of five years commencing on and from 13 March 1989.

Payments for the period to 30 June 1989 comprised establishment and other costs of the Commissioner Designate's Secretariat and direct expenses of the Commission.

Expenditure of \$2.9m included maintenance and working expenses \$1.1m, fit-out costs of the Commission's premises \$941,720 and salaries and related payments \$648,074.

OFFICE OF THE OMBUDSMAN

The Ombudsman undertakes independent inquiries into citizens' complaints about matters of administration within the New South Wales public sector, including local government, and allegations of misconduct against members of the Police Force. Total expenditure from the Consolidated Fund for the operations of the Office for the year was \$3.3m (1988 \$2.9m).

STATE ELECTORAL OFFICE

Programs administered by the State Electoral Office are: the Management and Administration of Parliamentary Elections; the Funding of Parliamentary Election Campaigns; Management and Administration of Statutory and Industrial Ballots; and the Management and Administration of Local Government Elections.

Total expenditure from the Consolidated Fund for the operations of all programs was \$7.6m (1987-88 \$12.2m). Total expenditure directly attributable to 1988 State General Election was \$742,857 (1987-88 \$9.8m).

Payments for the conduct of by-elections and payment to candidates absorbed \$5.3m (1987-88 \$141,081). Of this amount, \$4.8m (1987-88 \$52,102) was transferred to the Election Funding Authority for payment to eligible parties, groups and candidates for 1988 State General Election. These payments represent reimbursement of campaign expenditure incurred by or on behalf of eligible parties and candidates. Amounts reimbursed have been determined in accordance with the provisions of the Election Funding Act 1981. Comment relating to the Authority will be included in Volume Three of my 1989 Report.

Expenditure in relation to the Management and Administration of Statutory and Industrial Ballots, other than for salaries and overheads, is recouped from the organisation concerned and totals \$168,000.

PUBLIC SERVICE BOARD

The Public Service Board was responsible for providing efficient and effective management of the New South Wales Public Service and other areas of Government administration. The Board activities were altered as a result of Government restructure of the Public Service in 1988. Functions and Programs transferred to the Department of Administrative Services comprised Computer Services; Motor Vehicle Policy; Office Accommodation; Administrative Support; and Public Servant Housing Authority.

The Board was finally abolished on 2 September 1988 when its remaining functions were transferred to other departments. The functions transferred comprised Establishment Division, Industrial Relations Division and Employment Branch to Department of Industrial Relations and Employment; Government Actuary, Management and Audit Division, and Personnel, Management Division (except for the Employment Branch) to Premier's Department.

The cost of finalising the Board's activities was met by supplementation from the State Treasury of New South Wales. Costs incurred for the period 1 July to 2 September 1988 were \$75,276.

THE TREASURY

The Treasury and the Department of Finance were separate Departments up to 31 March 1988.

On that date the Department of Finance was abolished and all programs for which it was responsible were transferred to the Treasury. In the same year several programs and some line items of expenditure previously the responsibility of either the Treasury or the Department of Finance were transferred to other Departments. (Previous year figures have been amended where appropriate).

The Treasury is now comprised of two units, those being, the Office of Financial Management and the Office of State Revenue.

The Office of Financial Management advises Government generally on the growth and development of the New South Wales economy and, within established priorities, promotes the efficient and effective management of resources in the public sector part of that economy. The Office of State Revenue is responsible for the collection of the majority of State Taxation Revenue including Stamp Duty, Payroll Tax, Land Tax, Petroleum and Tobacco Licence Fees and Health Insurance Levies.

Financial Features of 1988–89

- * Contributions by State Instrumentalities totalled \$261m, up \$132m on 1987–88. The Government Insurance Office contributed \$106m, the Sydney Water Board, \$54m and the State Bank, \$56m.
- * Net interest received of \$208m (gross \$213m less paid \$5.3m) rose by \$57m to due to a higher level of funds available for investment and higher interest rates.
- * Contributions to various Superannuation and Pension Funds at \$298m were \$84m lower than the previous year as a result of the responsibility for contributing to some funds moving to other departments.
- * General Purpose loan interest and sinking fund payments to the Commonwealth remained steady at \$623m for 1988–89. Specific Purpose loan interest, etc payments rose by \$18m to \$69m.
- * Interest on Departmental Works Programs rose by \$44m to \$130m reflecting the full year's interest expense on borrowings from the New South Wales Capital Works Financing Corporation. No new borrowings were drawn down during 1988–89.
- * An out-of-court settlement of \$38m was made to Hookers/Harrah in respect of the abandoned casino project at Darling Harbour.
- * The sum of \$32m was paid to the Sydney Water Board in lieu of rates on government properties and those owned by charitable organisations.
- * Stamp Duty receipts rose by \$533m over the previous year to \$2,492m.
- * Payroll Tax collections increased by \$199m to \$2,052m.
- * Land Tax collections totalled \$497m, being \$84m more than the previous year.

Receipts and Payments

A composite summary of receipts and payments of the Consolidated Fund and Special Deposits Account net of internal transactions for the year ended 30 June 1989 is as follows:

| Previous Year \$'000 | | \$'000 | % Increase (-) |
|----------------------------|--|------------------|----------------------|
| RECEIPTS | | | |
| <i>Collections from:</i> | | | |
| 1,958,103 | Stamp Duties | 2,491,515 | 27.2 |
| 1,852,927 | Payroll Tax | 2,052,216 | 10.8 |
| 413,301 | Land Tax | 497,267 | 20.3 |
| 231,986 | Petroleum Licences | 240,972 | 3.9 |
| 170,457 | Tobacco Licences | 203,809 | 19.6 |
| 39,601 | Health Insurance Levies | 40,960 | 3.4 |
| 1,594 | Probate and Death Duties | 440 | (72.4) |
| 128,958 | State Instrumentalities Contribution | 261,373 | 102.7 |
| 42,172 | Receipts for Services Rendered | 33,754 | (20.0) |
| 130,422 | Interest - Term Deposits, etc | 183,874 | 41.0 |
| 26,277 | Interest - Other | 29,368 | 11.8 |
| 17,227 | Unclaimed Moneys | 18,892 | 9.7 |
| 22,056 | Employer's Liability - Superannuation Fund | 26,027 | 18.0 |
| 23,505 | Repayments - Previous Years | 14,443 | (38.6) |
| 7,823 | Recoupments - Commonwealth Loan Liability | 7,823 | - |
| 9,192 | Repayments - Primary Producers' Loans | 9,373 | 2.0 |
| 8,234 | Backlog Sewerage Works Agreement - Water Boards | 8,233 | - |
| 4,003 | Contribution - Australian Gaslight Company | 4,365 | 9.0 |
| 369 | Growth Centres - Payments by Councils/Authorities | 10,968 | (a) |
| 16,706 | Repayment of Loan - Department of Housing | 22,410 | 34.1 |
| 1,595 | Commonwealth Grants - Specific Recurrent Purposes | 25,389 | (a) |
| 15,900 | Repayment - State Bank | 13,500 | (15.1) |
| 2,120 | Sundry | 2,329 | 9.9 |
| 670,010 | Special Deposits Account | 1,119,471 | 67.1 |
| <u>5,794,538</u> | | <u>7,318,771</u> | <u>26.3</u> |
| PAYMENTS | | | |
| 235,733 | Salaries and Other Employee Payments | 39,589 | (83.2) |
| 8,494 | Maintenance and Working Expenses | 16,347 | 92.5 |
| <i>Other Services:</i> | | | |
| 3,214 | Taxation Remissions and Refunds as Acts of Grace | 18,969 | 490.2 |
| 6,540 | First Home Purchases - Stamp Duty | | |
| | Deferred Payments Scheme | 1,983 | (69.7) |
| | Reimbursements to Department of Motor | | |
| 2,511 | Transport and Main Roads | 3,023 | 20.4 |
| 458 | Plant and Equipment | 1,272 | 177.7 |
| 3,132 | Grants and Subsidies | 754 | (75.9) |
| <i>Other Services:</i> | | | |
| 6,550 | Financial Accounting and Funds Management | 7,229 | 10.4 |
| 381,686 | Superannuation Costs | 298,064 | (21.9) |
| 10,700 | Administration of Government Agency Accounts | 5,879 | (45.0) |
| | Grants and Advances to Departments and | | |
| 26,246 | Undertakings for Working Capital | - | (100.0) |
| 623,033 | Liability - General Purpose Commonwealth Loans | 622,972 | - |
| 50,876 | Liability - Specific Purpose Commonwealth Advances | 69,371 | 36.4 |
| 85,573 | Interest - Departmental Works Programs | 129,934 | 51.8 |
| | Interest and Principal - Debts Assumed | | |
| 3,235 | From Authorities | 21,908 | 577.2 |
| - | Compensation Payment - Darling Harbour Casino | 38,000 | (b) |
| - | Water Board - In lieu of Rates | 31,700 | (b) |
| 35,656 | Natural Disasters Relief | 22,742 | (36.2) |
| 8,000 | Capital Works and Services | 8,500 | 6.3 |
| 1,440 | Sundry | 467 | (67.5) |
| 611,791 | Special Deposits Account | 747,510 | 22.2 |
| <u>2,104,868</u> | | <u>2,086,213</u> | <u>(0.9)</u> |
| <u>3,689,670</u> | EXCESS OF RECEIPTS OVER PAYMENTS | <u>5,232,558</u> | <u>41.8</u> |

KEY

(a) More than 1,000%.

(b) Nil in previous year - not calculable.

OFFICE OF STATE REVENUE

Stamp Duties: Receipts rose by \$533.4m to \$2,492m and exceeded the budget estimate by \$276.5m. As can be seen in the following table, significant increases have occurred in stamp duty revenue over the last two years. The dramatic increase is mainly in the area of Contracts and Conveyances and Loan Securities and is a result of the property market boom over that period.

The main components of stamp duty revenue over the last three years are set out in the following table:

| | 1986 - 87 \$'000 | 1987 - 88 \$'000 | Increase % | 1988 - 89 \$'000 | Increase % |
|--|---------------------|---------------------|---------------|---------------------|---------------|
| Contracts and Conveyances* | 520,673 | 1,020,943 | 96.1 | 1,496,208 | 46.6 |
| Insurance | 150,610 | 180,313 | 19.7 | 187,676 | 4.1 |
| Loan Securities | 55,341 | 80,656 | 45.7 | 126,178 | 56.4 |
| Share Transfers | 168,374 | 202,275 | 20.1 | 143,595 | (29.0) |
| Motor Vehicle Registration Certificates | 130,530 | 147,096 | 12.7 | 181,973 | 23.7 |
| Cheques | 25,174 | 26,265 | 4.3 | 26,100 | (0.6) |
| Financial Institutions Duty | 164,551 | 184,487 | 12.1 | 212,889 | 15.4 |
| Other | 91,377 | 116,068 | 27.0 | 116,896 | 0.7 |
| | <u>1,306,630</u> | <u>1,958,103</u> | 49.9 | <u>2,491,515</u> | 27.2 |

KEY

* Includes First Home Purchase Scheme up to September 1987 after which collected by the Office of Financial Management.

Revenue from share transfers for 1988-89 fell by \$58.7m (29.0%) compared with the previous year reflecting the subdued level of activity since the share market crash in October 1987.

Payroll Tax: Collections for the year increased by \$199.3m to \$2,052m and exceeded the budget estimate by \$46.5m. Reasons for the increase include general wage and employment growth and 1988-89 being the first year in which several large Federal Authorities became liable for tax.

For 1988-89 the rate of tax remained at 5% with the level at which annual wages became subject to tax increasing on 1 January 1989 from \$400,000 to \$432,000. (A tapered deduction extinguishing at \$1.512m p.a. being allowable.) A supplementary tax of 1% continues for employers or groups paying wages at an annual rate in excess of \$1.512m, with concessions applying for annual wages in the range between \$1.512m and \$2.268m.

An amendment to the Payroll Tax Act 1971 provided an option for taxpayers to elect to transfer 2% of payroll tax paid on or after 1 January 1989 to the New South Wales Education and Training Foundation Fund. The Foundation was initiated to fund education and training courses to meet specific needs of industry. The Office of State Revenue is responsible for transferring such amounts collected to the Foundation. As at 30 June 1989 the number of contributors and the amount either paid or payable to the Foundation were 3,020 and \$2.9m respectively. The amount of payroll tax quoted above is net of this amount.

A further amendment to the Payroll Tax Act 1971 effective 1 July 1989 simplifies the method of calculation of payroll tax whilst not affecting the tax payable. The amendments replace the previous provisions relating to liability for payroll tax and supplementary payroll tax with new provisions that combine the two into a single tax assessed by a series of marginal rates. Generally the rates are:

| Annual Wages | Tax Payable |
|-----------------------|-------------|
| \$ | |
| 1 - 432,000 | Nil |
| 431,001 - 1,512,000 | 7% Marginal |
| 1,512,001 - 2,268,000 | 8% Marginal |
| 2,268,001 and above | 6% |

Land Tax: Revenue from this source was \$497.3m. The total was \$84.0m more than collections for the previous year and exceeded the budget estimate by \$42.3m. Commencing from 1 January 1989 the threshold at which tax becomes payable was increased from \$125,000 to \$135,000.

A system was introduced from 1 January 1986 which provides for land values to be adjusted on an annual basis as a result of movements in market values determined by the Valuer General.

An analysis of assessments, collections, etc compiled from Departmental records show:

| | Assessments \$'000 | Number Issued | Unassessed On Hand | Revenue \$'000 | Tax Prepaid \$'000 | Tax Unpaid \$'000 |
|-----------|-----------------------|------------------|-----------------------|-------------------|--------------------------|-------------------------|
| 1987 - 88 | 406,191 | 111,773 | 48,946 | 413,301 | 19,771 | 27,846 |
| 1988 - 89 | 516,730 | 87,956 | 29,059 | 497,267 | 25,479 | 47,078* |

KEY

* Of the \$47.1m uncollected \$6.8m relates to tax year 1987 and earlier.

Tax unpaid, \$47.1m, comprised \$6.2m assessed but not yet due, and \$40.9m assessed and overdue. Compared with 30 June 1988, the unpaid total was \$19.2m higher.

Petroleum Products Licences: The Business Franchise Licences (Petroleum Products) Act 1987 provides for the licensing of wholesale and retail sellers of petroleum products and classifies petroleum products into two categories, viz motor spirit and diesel fuel. Further, the Act requires the payment of monthly licence fees calculated as follows:

* **Fixed Component**

\$10 for both wholesalers and retailers, and

* **Variable Component**

8.4% of the "value" of motor spirit and 14% of the "value" of diesel fuel (sold for road use only).

The "value" of motor spirit and diesel fuel is determined by the Minister and since December 1983 has been set at 42 cents per litre and 25.5 cents per litre respectively.

Under the Road Improvement (Special Funding) Act 1989 (commencing 1 July 1989) the variable component of licence fees, specified in the Business Franchise Licences (Petroleum Products) Act was increased for a period of 3 years from 1 September 1989 from 8.4% to 15.55% for motor spirit and from 14% to 25.77% for diesel fuel (an effective rise of 3 cents per litre). The Act requires the increased revenue to be used only for the funding of road improvement and road safety.

Licence fees are levied on the first sale in New South Wales and retailers and wholesalers are liable for licence fees where petroleum products are purchased from unlicensed wholesalers. There is provision for abatement of fees where products are delivered to certain border areas (rebate zones).

During the year licence fees aggregating \$241.0m were paid into Consolidated Fund compared with \$232.0m in 1987-88. Remissions of fees, as Acts of Grace, totalled \$913,749. The Diesel Fuel Levy net proceeds totalled \$53.5m.

Tobacco Licences: The Business Franchise Licences (Tobacco) Act 1987 provides for the licensing of both wholesalers and retailers of tobacco products. The Act requires the payment of monthly licence fees as follows:

- **Fixed Component**

\$10 for both wholesalers and retailers, and

- **Variable Component**

30% (35% from 28 August 1989) on wholesale sales and retail sales of tobacco obtained from other than licensed wholesalers.

Receipts for the year aggregated \$203.8m, an increase of \$33.4m over 1987-88 and \$20.8m or 11.4% over budgeted collections. The increase in revenue is largely the result of Queensland's introduction of similar licensing fees.

A major compliance effort in recent years aimed at eradicating licence fee avoidance has resulted in outstanding licence fees of \$82.9m at 30 June 1989 being the subject of legal action for recovery, a large portion of which is expected to be eventually irrecoverable.

Health Insurance Levies: Under the Health Insurance Levies Act 1982 the Office of State Revenue is responsible for collection of levies applied in respect of ambulance services to organisations carrying on health benefits business in the State and private contributions to the State Ambulance Insurance Plan. The rate (applicable to both) was increased on 1 February 1988 from 40.0¢ to 41.0¢ per week for single contributors and from 80.0¢ to 82.0¢ per week for families.

All moneys received under the Act are payable to Consolidated Fund, and for the year under review, aggregated \$41.0m. This amount was \$1.4m (3.4%) more than in 1987-88.

Probate and Death Duties: Death duties have been abolished on the estates of persons who died on or after 31 December 1981. Collections, \$440,308, were \$1.2m less than in the previous year.

First Home Purchases – Stamp Duty Deferred Payments Scheme: This is a scheme whereby eligible persons purchasing their first home may elect to pay the stamp duty over a period of five years free of interest. Prior to September 1987 the Department of Finance met the liability for the deferred stamp duty which was then collected from first home purchasers on an instalment basis by the State Bank of New South Wales and remitted to the Treasury.

From September 1987 new accounting arrangements abolished the need for the Department to meet the liability. Payments for 1988-89 quoted under this heading in the above table of \$2.0m represents the administration charge payable to the State Bank for maintaining the scheme. The Office of State Revenue took over administration of the deferred stamp duty scheme on 1 July 1989.

Maintenance and Working Expenses: Expenditure of the Office of State Revenue increased by \$7.6m over the previous year to \$13.7m. The increase was largely the combined result of 1988-89 being the first year the Office has been charged for valuations supplied by the Valuer-General's Department (\$5.4m) and payments to consultants for computer system maintenance totalling \$1.6m.

Taxation Remissions: Remissions were \$19.0m for 1988-89 compared with \$3.2m for the previous year and \$37.8m for the year earlier. The level of expenditure in this area is dependent on the number and value of applications for ex-gratia payment received and approved by the Minister and can thus be volatile.

Matters Raised with the Office of State Revenue

A. Significant matters raised during and as a result of the 1987-88 audit included concerns regarding:

1. The adequacy of the computer environment, adequacy of disaster plans in existence and the level of reliance on temporarily employed consultants.
2. The reliability of the various non-accounting systems which result in debtors figures in the financial statements and the anticipated improvements in such following computerisation of payroll tax and stamp duty records in 1988-89 and 1989-90.
3. The adequacy of controls over stamp duty refunds.
4. Various aspects of the checking of non-urgent stamp duty assessments.

While complete resolution of matters (2), (3) and (4) rely on completion of computerisation projects in 1989-90 replies received and action taken by the Office to date in all matters have been positive towards resolving concerns raised. Follow up reviews of all four matters are planned to be undertaken during the course of subsequent audits.

B. Matters Raised During the Current Audit

During the 1988-89 audit one matter of significant concern raised with management was the inadequate level of internal audit financial coverage for the year. While the Office's reply and action taken in the short term has been positive further discussion and comment on this matter is intended.

OFFICE OF FINANCIAL MANAGEMENT

Salaries and Other Employee Payments: The transfer of responsibility from Treasury to individual departments for payment of payroll tax accounts for the decrease in this item from \$235.7m to \$39.6m.

Superannuation Costs: Total superannuation costs met by Consolidated Fund are commented on earlier in this Report under the heading "Total Payments from Consolidated Fund".

Interest and Administration Costs of Borrowings: Since 1986-87 the Consolidated Fund has obtained additional funds for the capital works program from the New South Wales Capital Works Financing Corporation. The Corporation passes on to Consolidated Fund, borrowings from the New South Wales Treasury Corporation.

The interest and administration costs of borrowings are met by the Consolidated Fund. For 1988-89 these totalled \$129.9m, compared with \$72.3m in the previous year. This increase results from substantially higher interest rates charged by the Treasury Corporation during 1988-89 and also reflects the full year's effect of the level of borrowings, which in 1987-88 only grew during the second half of that year.

A further \$9,150 (\$13.2m in 1987-88) was expended as final interest costs and facility fees in respect of the Deferred Payments Scheme which was wound up during 1987-88.

Insurance and Compensation: Consolidated Fund payments under this heading totalled \$92.6m, compared with a Budget estimate of \$2.1m. The major components were \$54m transferred to the "Staff Redundancy Account" within Special Deposits Account, and \$38m paid as an out-of-court settlement in relation to the abandoned casino project at Darling Harbour.

The activities of the "Staff Redundancy Account" are commented on elsewhere in this review.

The out-of-court settlement was made in May this year following court action initiated by Hookers/Harrah for supposed breach of contract, after the previous government had decided not to proceed with the development of a casino at Darling Harbour.

The Terms of Settlement dated 11 May 1989 specified that the Hooker Corporation Limited be paid \$31m plus \$5m towards costs and that \$2m be paid to Harrahs.

Water Board Rates: This represents a new item of Consolidated Fund expenditure, there being no estimate included in the 1988-89 Budget.

The sum of \$31.7m paid to the Water Board was to meet the assessed value of rate revenue foregone by the Board in respect of exempt Government properties and charitable organisations.

In terms of the Government's corporatisation principles, the recoupment has the effect of disclosing in the Board's financial statements the cost of normal services provided to exempt properties which include those owned by the Government.

Relief of Natural Disasters: Payments from the Treasurer's Community Aid Program "Natural Disasters Relief" totalled \$22.7m, compared to the Budget estimate of \$20.0m. Major disbursements were to:

| | \$'000 |
|---|--------|
| Roads and Traffic Authority | 12,100 |
| Department of Family and Community Services | 3,500 |
| Department of Agriculture | 2,370 |
| State Rail Authority | 2,400 |
| Public Works Department | 1,381 |

The amounts pertaining to the Roads and Traffic Authority, State Rail Authority and the Department of Family and Community Services were transferred into Special Deposits Accounts. The funds to the Roads and Traffic Authority were to meet costs associated with the emergency repair of flood damaged roads throughout the State, while those funds transferred to Department of Family and Community Services were towards relieving personal hardship and distress of private citizens. These transfers totalled \$18m, leaving a balance of \$4.7m paid from Consolidated Fund against other claims for assistance.

The State is required by its agreement with the Commonwealth to meet all expenditures below a certain base amount (\$29.5m for 1988-89). As eligible expenditures forecast for 1988-89 (including those for personal hardship and distress) from all sources were \$70.7m, the amount of \$41.2m in excess of the base amount qualified for Commonwealth assistance. On a tiered basis of a \$1 for \$1 up to the first \$22.1m of the excess and a \$3 for \$1 basis for the remainder, \$25.4m was provided to the State.

As the agent for the State in making loans to needy applicants following major disasters, the State Bank approved 149 loans totalling \$2.3m. Of principal repayments by primary producers, \$13.5m was repaid to the Treasury.

Repayments to the Commonwealth during 1988-89 were \$7m and related to funds provided in previous years.

Assistance to Council Abattoirs: The sale of the Blayney Abattoir was finalised during 1988-89 and an amount of \$2m was paid to Blayney (Abattoir) County Council out of the appropriation to the Minister for Local Government and Planning.

Additional financial assistance was provided to this abattoir during the year from the vote to the Treasurer in the form of an interest free loan of \$1m to be repaid by five annual instalments of \$200,000. The purpose of the loan was to discharge all outstanding liabilities after taking into account the proceeds from the sale of the abattoir and Government assistance of \$2.5m.

Assistance to the Homebush Abattoir Corporation is referred to separately in my comment on the Corporation's accounts. A total of \$3.9m was made available to the Corporation during the year to offset cash deficiencies incurred because of its present restricted operations. The slaughter operations were closed on 25 May 1988.

Activities Within Special Deposits Accounts

Consolidated Fund Debt Sinking Fund: This Fund established in 1987-88 records contributions from Consolidated Fund for the purpose of repaying borrowings made via the Capital Works Financing Corporation. The annual contribution is calculated on a similar basis to the National Debt Sinking Fund except the State pays the full contribution. Based on 1.13% of the debt outstanding at 30 June 1988, contributions totalling \$10.7m were made during 1988-89. Interest on investments contributed another \$1.2m to the Fund.

On 30 June a contribution of \$13m was transferred from the Consolidated Fund vote of the Health Department to the Fund. This amount represents a portion of \$95m allocation to the Department for interest on all health borrowings, for principal repayments on borrowings directly by public hospitals and a contribution towards the setting up of a sinking fund for debt retirement. On Treasury instructions, Treasury Corporation loans of the Health Administration Corporation falling due during 1988-89, \$66.1m, were rolled over.

The balance of the account at 30 June 1989 was \$28.3m.

Debt Retirement Account: This account accepts contributions from Consolidated Fund for the purpose of eliminating outstanding Consolidated Fund debt.

From an amount of \$51.8m set aside in 1987-88 \$46.4m was paid of this to eliminate the debt outstanding on the Sydney Harbour Bridge (\$8.3m) and \$38.1m towards the outstanding debt on the Sydney Entertainment Centre.

A balance of \$5.4m remained in the account at 30 June 1989. An amount of \$615,778 will be utilised in 1989-90 to finalise the Sydney Entertainment Centre debt.

Home Purchase Assistance Account: The States are required to operate a Home Purchase Assistance Account under the current Commonwealth State Housing Agreement. Under the Agreement the State must provide funds for housing to qualify for a dollar-for-dollar Commonwealth grant. The Agreement allows the State to allocate grant assistance between home purchase and rental housing schemes.

During 1988-89 New South Wales qualified for the maximum grant of \$179m (\$184.4m 1987-88) and allocated all the funds to rental housing. State housing funds were spent on welfare housing through the Department of Housing and for making funds available to co-operative societies through the Home Purchase Assistance Account (HPAA).

Since its inception, the Home Purchase Assistance Account has been utilised for making loans to housing societies and other approved institutions (for on-lending to home purchasers), for subsidies to eligible home purchasers and for financing the construction or purchase of dwellings for sale to eligible persons. These processes were administered by the State Bank until 31 December 1988.

In December 1988, the Home Purchase Assistance Fund (HPAF) was established to operate as the central financial support for the State's home purchase assistance program. The fund exists as a legally constituted Trust Fund.

The Home Purchase Assistance Account within Special Deposits Account will continue to operate, to accept and pass on repayments from the Trust to Consolidated Fund, the Commonwealth Government and the Rental Bond Board.

Below is a summary of the transactions through the HPAA for the twelve months ended 30 June 1989. It incorporates the former activities up to the end of December and transactions on the clearing account for the second half of the year.

| Previous Year \$'000 | | \$'000 | % Increase (-) |
|----------------------------|---|---------|----------------------|
| 1,761 | BALANCE AT 1 JULY 1988 | 15,754 | 794.6 |
| | RECEIPTS | | |
| 95,955 | Repayments from Borrowers (a) | 68,438 | (28.7) |
| - - | Transfer from Home Purchase Assistance Fund | 25,609 | (b) |
| 4,000 | Rental Bond Board - Repayable Advance | 25,000 | 525.0 |
| 576 | Other | 704 | 22.2 |
| 100,531 | | 119,751 | 19.1 |
| 102,292 | | 135,505 | 32.5 |
| | PAYMENTS | | |
| 43,007 | Principal and Interest | 24,832 | (42.3) |
| 38,000 | Advanced to State Bank | 400 | (98.9) |
| - - | Transfer to Home Purchase Assistance Fund | 102,735 | (b) |
| - - | Repay Rental Board Bond | 2,604 | (b) |
| 1,926 | Administration Costs | 938 | (51.3) |
| 3,565 | Advance - HPAA/FANMAC Trusts | 3,847 | 7.9 |
| 40 | Other | 149 | 272.5 |
| 86,538 | | 135,505 | 56.6 |
| 15,754 | BALANCE AT 30 JUNE 1989 | - - | (100.0) |

KEY

(a) Comprises principal and interest.

(b) Nil in previous year - not calculable.

N.S.W. Public Sector Telecommunications Network Account: This account within Special Deposits commenced in 1986-87 with the transfer of \$10m from Consolidated Fund towards the capital cost of network hardware.

The network is intended to achieve the objectives of reducing recurrent costs, increasing productivity, improving service delivery within the public sector and providing development opportunities for local industry.

In 1988-89 the Government selected a group of consultants to provide direction in the determination and content of the New South Wales Telecommunication strategy for voice, data and image communications. Progress payments to the consultants and Government administration costs were the major components of expenditure of \$200,169 in 1988-89.

At 30 June 1989 the balance of unexpended funds in the Special Deposits Account was \$9.8m.

Provision for Unfunded Superannuation Liability: This account was established in June 1989 to record amounts provided to meet the unfunded superannuation liability of Authorities whose activities have moved off-budget.

The balance of the account at 30 June was \$22m. A sum of \$20m was paid into the account by the Treasury, being an initial contribution towards the existing unfunded superannuation liability. The total of the liability for each department and authority in the State Superannuation Fund is currently being determined by the Government Actuary.

An additional contribution of \$2m was transferred from Consolidated Fund receipts representing the difference between contributions by three off-budget organisations and the amount of contributions passed on by Treasury to the State Superannuation Fund. The organisations were Forestry Commission (\$1.5m), Auditor-General's Office (\$433,535) and Protective Office (\$22,006).

Public Liability Fund: This fund was established in 1986-87 to allow the State to act as self-insurer in respect of public liability insurance. Changes to the Government insurance arrangements which were approved during 1988-89 affect this account. See comments under "Treasury Fire Risks Account" for more information.

During the year, investment interest of \$4.8m was credited to the account, while \$46,314 was paid on behalf of the Department of Sport and Recreation.

The balance at 30 June 1989 was \$38.1m.

Repayments Associated with Commonwealth Payments to the State for Specific Capital Purposes: This account is a channel for repayments on Commonwealth loans and advances.

Repayments in 1988-89 relating to assistance provided in prior years for housing purposes totalled \$89.5m.

The account is also utilised to facilitate repayments made by various primary producers. The sum of \$4.9m was transferred to Consolidated Fund at year end to offset payments made during the year to the Commonwealth for the Rural Reconstruction and Marginal Dairy Farm Reconstruction Schemes.

Total payments from the account in respect of the Rural Adjustment Scheme were \$5m of which \$4.9m was repaid to the Commonwealth, \$68,519 to the State and \$85,980 to Consolidated Fund for administration costs.

Repayments by primary producers to the Treasury totalled \$13.5m. The dates of repayment under the various assistance schemes, however, do not necessarily accord with the dates for repayment of the Commonwealth advances from which the assistance was originally provided. For this reason, a balance of \$25.5m remained in the account at the close of the year, of which \$16.8m related to the Rural Adjustment Scheme, \$7.2m to the Rural Reconstruction Scheme and \$1.5m to the Marginal Dairy Farms Reconstruction Scheme.

Revenue Equalisation Account: The object of the account is to receive contributions from Consolidated Fund for the purpose of equalising the effect on the State's finances of fluctuations in Budget receipts from year to year. The account will then be used to support the Budget when required in subsequent years.

During the year a further amount of \$419.7m, representing the whole of the 1988-89 Consolidated Fund surplus, was transferred to the account. A balance of \$475.5m was held in the account at 30 June 1989.

Staff Redundancy Account: The major component of redundancy payments of \$10.4m during 1988-89 was \$9.9m for employees of the State Rail Authority. Amounts of \$30.0m for the State Rail Authority and \$24.0m for the Government Printing Office were transferred to the account during the year to meet the cost of redundancies expected in early 1989-90.

A balance of \$53.6m was held in the account at 30 June 1989.

Treasury Fire Risks Account: This account provides a reserve to back the government's role as a self-insurer against fire risks for government buildings and contents, including contents of leased premises. For buildings acquired after 31 December 1975, at a cost in excess of \$5m (including contents, alterations and renovations) the extent of external insurance is subject to individual determination by the Treasurer. The property of statutory bodies is eligible for cover within the account where administration expenses are met from Consolidated Fund and fire insurance premiums, if any, would be a charge against that Fund.

In addition, the account was used to reimburse the following departments:

- * **Department of Education** for expenditure incurred in the installation of electronic surveillance equipment in schools. This activity forms the major part of a special program to combat school vandalism for which \$40m has been set aside. This program was the major component of expenditure from the account during 1988-89 with \$11.8m being paid to the department (\$14.2m in 1987-88).
- * **Department of Technical and Further Education** for expenditure incurred in the installation of electronic surveillance equipment in technical colleges. From a program estimated to cost \$7.6m only \$22,753 was spent to 30 June 1989.

Claims made in respect of fire damage totalled \$2.1m compared with \$6.6m in 1987-88 and \$3.7m in 1986-87. The larger payments were:

| | \$ |
|--|---------|
| Education Department: | |
| Goodooga Central | 565,209 |
| Narooma High | 525,085 |
| Broken Hill High | 240,000 |
| West Wyalong Public | 150,000 |
| Department of Technical and Further Education | |
| Wollongong Technical College* | 377,947 |

* In addition \$1.4m paid in 1987-88.

Interest on investments totalled \$9.8m, down \$632,832 on the previous year due to the redemption of a major investment.

There have been no contributions to the account from the Consolidated Fund since 1986-87.

At 30 June, the balance of the account, including investments, was \$73.3m compared with \$78.1m at the close of the previous year. Treasury records indicate that unsettled claims on the account at the close of the year were approximately \$24.0m (\$10.7m at 30 June 1988). Of this amount, \$19.9m relates to schools.

During the year approval was given to a change in Government insurance arrangements which resulted in a managed fund approach effective from 1 July 1989. Under this arrangement the balance of the Treasury Fire Risk Account (subject to amending legislation currently in progress) will be combined with those of the Workers' Compensation Fund, Treasury Guarantee Fund and the Public Liability Account to form a solvency reserve. The Government Insurance Office of New South Wales has been appointed as the Fund Manager and will assess premiums to be charged to organisation who operate on a fully funded basis.

Treasury Guarantee Fund: Up to 30 June 1989 a fidelity guarantee to a maximum of \$9,000 has been provided, without premium, for officers of departments and undertakings within the Budget. Premiums were required for officers of other corporate bodies and authorities. Losses from misappropriation of stores, goods and materials were not covered by the Fund. The balance of the Fund at 30 June 1989 was \$542,346. There were no claims on the Fund during the year.

The Fund in its present form was finalised at 30 June 1989 and the balance is to be transferred into a managed fund (referred to above under the Treasury Fire Risks Account.) Coverage under the managed fund will include all losses of public monies or property of any description.

Multi-Departmental and Other Accounts

Advances to be Recovered: Activity within this account increased markedly during 1988-89, mainly reflecting the movement of some government bodies from inner budget to off-budget operations. As a result of this change in funding arrangements, working capital advances were made to the following organisations:

| | \$'000 |
|---------------------------------|--------|
| Valuer - General's Department | 5,500 |
| Auditor - General's Office | 1,500 |
| Land Titles Office | 1,500 |
| Register of Encumbered Vehicles | 780 |
| Internal Audit Bureau | 200 |

The advance to the Land Titles Office was repaid in August 1988.

Advances were also made in respect of a number of other activities. An amount of \$1.3m was advanced to the Department of Administrative Services towards meeting expenses related to the provision of computer services and the publication of the Public Service Notices from 1 July 1988.

Initially, \$19m was transferred to the newly opened Provision for Leave on Retirement account to supplement a forecast shortfall in contributions by departments. On 30 June, \$9m was repaid, being excess of the requirements of that account.

As mentioned earlier an interest free loan of \$1m was made to the Department of Local Government as assistance to the four constituent Councils of the Blayney (Abattoir) County Council. The loan is to be repaid by 31 December 1994.

During 1988-89, further assistance of \$3.9m was paid to the Homebush Abattoir Corporation to meet its ongoing cash requirements to 30 September 1989. These requirements include capital debt repayments, provision of working capital and workers' compensation claims. Government support for the Abattoir now totals \$59.8m. Further comment on the operations of the Corporation is made elsewhere in this Report.

An advance of \$27,353 (\$US22,000) was made to the Administrator of the Oilseeds Marketing Board to meet an obligation on futures contracts in Chicago, USA.

Of an amount of \$580,000 previously advanced to the NSW Meat Industry Authority, \$35,000 was repaid and \$545,000 written off during the year. As a contra to the write-off action, the annual Consolidated Fund grant of \$250,000 made in previous years will no longer be provided.

The account was again required to be used to overcome errors made by three departments in transmitting to Treasury at year end, details of Consolidated Fund expenditure. Under expenditures to a total of \$5.4m were made by the Police Department (\$4.3m), Soil Conservation (\$1.0m) and the Department of Business and Consumer Affairs (\$21,182). The Police Department and the Department of Business and Consumer Affairs both made errors in their account keeping in 1987-88.

The undistributed cash balance at 30 June 1989 was \$17.2m, down \$18.5m from the start of the year.

Table II of the Public Accounts reflects the total amount of all outstanding advances as at 30 June 1989. It also shows the movement in respect of all advances during 1988-89. A continuing review of the area of Treasury advances has resulted in several new inclusions. Advances shown in respect of Bathurst Orange Development Corporation (\$11.8m) and Macarthur Development Board (\$20.6m) reflect the decision of the Commonwealth Government to allow monies owing to it by both bodies to be transferred to the State, with the State being now responsible for repaying the Commonwealth.

Despite this, the total advances outstanding at the 30 June 1989 have dropped to \$479.7m from the revised figure of \$622.2m at the end of the previous year. Repayments of note were \$65.3m from the Darling Harbour Authority and \$65m from the State Rail Authority. Other reductions included the sale of the loan portfolio, in respect of housing of personnel in decentralised industries, (book value \$13.8m), to private interests as part of the sale of the New South Wales Investment Corporation.

Last year I criticised the housekeeping of this account: the action by the Treasurer in making Table 11 more meaningful is commendable.

Funds on Deposit Account. In the past, statutory authorities and government departments utilised this account to invest surplus funds. At 30 June 1989, the balance of \$23.6m, represented deposits made by the Public Works Department only. Other organisations are now investing with the New South Wales Treasury Corporation.

Provision for Commitments Outstanding Account: Section 23A of the Public Finance and Audit Act 1983 sanctions the transfer each year from Consolidated Fund to Special Deposits Account, of the cost of goods and services which had not been paid for in whole or in part by 30 June. Departments have until 30 September in each year to clear these amounts from the Special Deposits Account, otherwise the balance is returned to the Consolidated Fund.

The twenty-five departments which made use of the facility at year end to a total value of \$17.3m are listed in Table 4A of the Treasurer's Public Accounts. The larger transfer related to the Departments of Business and Consumer Affairs \$5.6m, Police \$5.1m and Attorney General's \$1.1m.

Of the \$4.1m deposited to the account in 1987-88, \$3.8m was expended by 30 September 1988. The balance of \$365,761 involving several Departments was subsequently repaid to the Consolidated Fund.

Provision for Purchase and Installation of New Computer Facilities, etc Account: This account was established in 1984-85 to meet a priority need for installation of computer facilities in Government departments.

The account supports expenditures on projects approved by the Computer Development and Computer Funding Priorities Committees. Generally these are the larger more pressing projects to increase productivity and efficiency in Government services. Minor expenditures (normally less than \$50,000) and additional costs beyond approved levels are met from departmental expenditure allocations.

For 1988-89 there was no contribution provided from Consolidated Fund.

Expenditure from the account for 1988-89 was \$63.8m. According to departmental records, payments in excess of \$1m were made by:

| | \$'000 | | \$'000 |
|-------------------------------|--------|------------------------------------|--------|
| Administrative Services | 8,812 | Treasury (Office of State Revenue) | 2,719 |
| Attorney General's | 6,760 | Technical & Further Education | 2,447 |
| Police | 5,617 | Land Titles Office | 2,394 |
| State Lotteries Office | 3,467 | Agriculture and Fisheries | 1,864 |
| Education | 3,131 | Minerals & Energy | 1,805 |
| Soil Conservation | 3,091 | Public Works | 1,737 |
| Business & Consumer Affairs | 2,914 | Water Resources | 1,635 |
| Lands | 2,870 | Corrective Services | 1,095 |
| Family and Community Services | 2,835 | | |

The balance of the account at 30 June 1989 was \$34.7m compared with \$98.6m a year earlier.

Provision for Leave on Termination: This account was established during the year to accept contributions, from departments funded from the Consolidated Fund, equal to 1.95% of their payments in respect of salaries, wages and allowances.

A contributing department may draw down funds when any payments are made for leave on termination or for leave payable in respect of deceased public servants. As can be seen from the table below, payments may exceed contributions made by individual departments.

Contributions for the year totalling \$76.3m were supplemented by a \$10m Treasury advance. Payments from the provision were \$86.1m leaving a balance at 30 June of \$155,666.

Departments making the major draw downs were as follows. Their contributions to the account are also shown:

| Department | Drawdown \$m | Contribution \$m |
|---------------------------------|-----------------|---------------------|
| Education | 31.8 | 39.6 |
| Police | 15.1 | 9.2 |
| Health | 7.2 | 6.9 |
| Technical and Further Education | 6.0 | 7.1 |
| Agriculture | 3.3 | 1.5 |
| Public Works | 3.0 | 0.6 |
| Attorney - General | 2.6 | 1.4 |

In addition to the payments made by the Police Department from this account, \$22.1m for disengagement payments for retiring police were funded from the department's Consolidated Fund vote.

In order to allow for the repayment of the advance and to ensure that the account is self supporting, it is proposed to increase the contribution rate for 1989-90 to 2.2%.

Other Accounts

The accounts included at page 13 of the Public Accounts are not an integral part of the Treasury accounting system, but their daily credit balances are included by the banks in the aggregate cash balance of the State for the purpose of interest allowance. The group held \$120.9m at 30 June 1989 (\$95.5m in 1988) and includes statutory and public authority collection remitting accounts and trust funds of the Supreme Court, the Public Trustee, etc. The bulk of funds within the group are in transit to Treasury accounts, hence their inclusion in the aggregate cash statement at page 12 of the Public Accounts. Figures are an aggregation of bank balances with no allowance made for outstanding cheques and deposits.

Official Remitting Accounts: (\$82.1m). Moneys collected by the various departments and authorities are deposited direct to special accounts domiciled in Sydney. These funds are then immediately available for interest bearing investment by the Treasurer. Transfers are made to the appropriate Funds, etc, after dissections have been completed by the authorities concerned.

Public Moneys Accounts, etc: (\$35.6m). While the balances on certain public moneys accounts are regarded as Treasurer's accounts for investment purposes, these funds are almost entirely held in trust and are not State funds.

General

Liability for Debts Assumed from Various Authorities: Since 1987-88, the Treasury has assumed responsibility for the assets and liabilities of the former Country Industries Assistance Fund, the former N.S.W. Film Corporation and the Forestry Commission of N.S.W. The debts of these organisations have now been included in Table 10 of the Public Accounts, "Indebtedness of the State Outside the Financial Agreement". Additional information is included under that heading in my review of the "Debt Position" of the State earlier in this Report.

Programs

The table below details the net receipts of operations financed from Consolidated Fund and Special Deposits Account on a program basis.

| Previous Year Excess \$ '000 | Program Description | Receipts \$ '000 | Payments \$ '000 | Net Receipts (Payments) \$ '000 |
|---------------------------------------|---|---------------------|---------------------|--|
| 1,951,698 | Stamp Duty Collection | 2,491,955 | 8,987 | 2,482,968 |
| 1,846,052 | Payroll Tax Collection | 2,052,216 | 5,984 | 2,046,232 |
| 407,350 | Land Tax Collection | 497,267 | 12,392 | 484,875 |
| 441,128 | Business Franchise Licences | 485,741 | 344 | 485,397 |
| | Financial Accounting and Funds | | | |
| 163,029 | Management | 232,134 | 10,177 | 221,957 |
| | Economic, Statistical Analysis | | | |
| 40,471 | and Advice, etc | 33,678 | 1,398 | 32,280 |
| (359,630) | Superannuation Costs | 27,988 | 298,063 | (270,075) |
| (8,309) | Insurance and Compensation | 16,115 | 65,075 | (48,960) |
| -- | Water Board Rates | -- | 31,700 | (31,700) |
| | Assistance to Authorities | | | |
| (5,873) | and Other Bodies | 14,443 | 654 | 13,789 |
| (615,210) | Liability - General Purpose Loans | 7,823 | 622,972 | (615,149) |
| (52) | Liability - Specific Purpose Advances | 64,907 | 69,371 | (4,464) |
| | Interest - Department Works | | | |
| (85,573) | Programs | 14,153 | 129,934 | (115,781) |
| (34,061) | Natural Disaster Relief | 25,389 | 22,742 | 2,647 |
| (8,000) | Assistance to Farmers | -- | 8,500 | (8,500) |
| | Liability for Debts Assumed | | | |
| (3,229) | From Various Authorities | 308 | 68,302 | (67,994) |
| (1,890) | Administrative Support Services (O.F.M) | 65 | 1,689 | (1,624) |
| (3,619) | Investigation Division | -- | 4,308 | (4,308) |
| (9,754) | Relief from Taxation | -- | 20,952 | (20,952) |
| (1,181) | Policy and Planning (O.S.R.) | -- | 360 | (360) |
| (4,956) | Administrative Support (O.S.R.) | -- | 6,160 | (6,160) |
| (544) | Internal Review (O.S.R.) | -- | 761 | (761) |
| (1,775) | Budget - Analysis, Preparation, etc | -- | 2,458 | (2,458) |
| (210,824) | Payroll Tax | -- | 15,163 | (15,163) |
| (10,700) | Administration of Government Agencies | -- | 5,879 | (5,879) |
| | Licensing and Control of Casino | | | |
| (519) | Operations | -- | -- | -- |
| 205,641 | Non Program Items | 1,354,589 | 671,888 | 682,701 |
| 3,689,670 | TOTAL | 7,318,771 | 2,086,213 | 5,232,558 |

ETHNIC AFFAIRS COMMISSION

The Ethnic Affairs Commission provides advice and other services for ethnic communities in New South Wales. Expenditure of \$6.5m included grants and subsidies totalling \$1.2m for the purpose of improving integration and participation of minorities in the Australian community and for assisting welfare services. Grants and subsidies comprised \$720,975 distributed amongst ethnic and other groups for cultural and welfare purposes; \$377,500 for ethnic education; \$134,500 to the Ethnic Communities Council towards rental and other administrative costs and \$15,000 to the Labour Council of New South Wales for its Ethnic Affairs Unit.

Receipts \$558,000 included contributions of \$230,000 from the Commonwealth Government for post arrival services for migrants.

From 1 July 1989, interpreter services to Government organisations which were previously provided free-of-charge will now be provided on a "user-pay" basis.

DEPARTMENT OF ADMINISTRATIVE SERVICES

The Department of Administrative Services was established in 1988 as part of a Government restructure. The Department is essentially made up of several identifiable units. At the beginning of the year those units whose activities are incorporated in the Department's financial statements were: Government Advertising; Government Information Services; Government Real Estate Administration; Office Accommodation; Property Management; Computer Services and Centralised Payroll and Data Entry.

During 1988-89 a number of additional functions were transferred from the Department of Public Works. They were: Maintenance of Public and Other Buildings; Management of Government Buildings; Administrative Support Services; Gas and Electricity Consumption and Telephone Usage in Multi-Occupancy Buildings.

Receipts and payments for the transferred functions were previously reflected in the financial statements of the Department of Public Works.

Financial Features of 1988-89

- * Rental payments for Government Offices paid for by the Office Accommodation Bureau increased by \$12.4m (24.1%) to \$63.9m.
- * Payments for Government Offices relocations increased by \$6.7m (90.3%) to \$14.1m.
- * Receipts for Computer Services increased by \$4.5m (64.3%) to \$11.5m.
- * Purchases of Computer Equipment increased by \$4.1m (86.1%) to \$8.8m.

The "Receipts and Payments" and "Programs" tables below exclude the operations of the Public Servant Housing Authority and the Government Motor Services. A subsidy of \$4.2m was paid by the Department of Administrative Services to the Public Servant Housing Authority. Comment on the operations of the Government Motor Services immediately follows that on the Department, while the comment on the Housing Authority will be included in Volume Three of my 1989 Report.

Receipts and Payments

A composite summary of receipts and payments of the Consolidated Fund and Special Deposits Account for the year ended 30 June 1989 is as follows:

| Previous Year \$'000 | | \$'000 | % Increase (-) |
|----------------------------|---|----------------|----------------------|
| | RECEIPTS | | |
| 7,023 | Computer Services | 11,541 | 64.3 |
| 8,306 | Rent Exclusive of Land | 10,857 | 30.7 |
| 9,210 | Government Advertising | 10,736 | 16.6 |
| -- | Public Moneys - Deposits - Sale of Government Properties | 164 | (a) |
| 962 | Government Information Services | 1,189 | 23.6 |
| 1,068 | Centralised Payroll and Data Entry | 832 | (22.1) |
| -- | Electricity and Gas | 2,967 | (a) |
| -- | Telephones | 2,816 | (a) |
| 193 | Salaries Adjustment Suspense | 216 | 11.9 |
| 81 | Commitments Transfer Section 49 Appropriation Act | 266 | 228.4 |
| -- | Subscriptions - Weekly Notices | 991 | (a) |
| -- | Planning and Review | 80 | (a) |
| 5 | Miscellaneous | 80 | (b) |
| <u>26,848</u> | TOTAL RECEIPTS | <u>42,735</u> | 59.2 |
| | PAYMENTS | | |
| 7,286 | Salaries and Other Employee Payments | 9,865 | 35.4 |
| 4,027 | Maintenance and Working Expenses | 2,692 | (33.2) |
| | Office Accommodation Bureau: | | |
| 51,510 | Rental of Offices | 63,917 | 24.1 |
| 7,424 | Relocations | 14,125 | 90.3 |
| 11 | Replacement Telephones | 175 | (b) |
| 9,301 | Government Advertising | 11,558 | 24.3 |
| 4,734 | Purchase of Computer Equipment | 8,812 | 86.1 |
| 4,900 | Public Servant Housing Authority - Subsidy | 4,162 | (15.1) |
| -- | Cleaning - Multiple Occupancy Buildings | 2,479 | (a) |
| -- | Maintenance - Public and Other Buildings | 14,768 | (a) |
| 1,000 | Government Information Services | 1,028 | 2.8 |
| 1,404 | Debt Charges Blacktown Office Block | 1,855 | 32.1 |
| 646 | Government Real Estate | 570 | (11.8) |
| 237 | Training - Courses | 51 | (78.5) |
| -- | Electricity and Gas | 2,999 | (a) |
| -- | Telephones | 2,836 | (a) |
| 4 | Plant and Equipment | 249 | (b) |
| -- | Weekly Notices | 725 | (a) |
| 437 | Computer Services | 8,838 | (b) |
| -- | Centralised Payroll and Data Entry | 435 | (a) |
| -- | Building Maintenance | 316 | (a) |
| -- | Planning and Review | 147 | (a) |
| -- | Property Management | 128 | (a) |
| -- | Capital Works - Circular Quay West | 496 | (a) |
| 111 | Salaries Adjustment Suspense | 193 | 73.9 |
| 20 | Miscellaneous | 120 | 500.0 |
| <u>93,052</u> | TOTAL PAYMENTS | <u>153,539</u> | 65.0 |

KEY

(a) Nil in previous year - not calculable.

(b) More than 1,000%.

Programs

The table below details the excess of payments over receipts of operations financed from Consolidated Fund and Special Deposits Account on a program basis.

| Previous Year | | | | Excess of Payments Over Receipts |
|------------------|------------------------------------|--------------------|--------------------|--|
| Excess \$'000 | Program Description | Receipts \$'000 | Payments \$'000 | Receipts \$'000 |
| 5,094 | Computer Services | 11,541 | 17,289 | 5,748 |
| 53,144 | Office Accommodation | 10,857 | 84,164 | 73,307 |
| 384 | Government Advertising | 10,736 | 12,023 | 1,287 |
| 1,347 | Government Information | 1,189 | 2,164 | 975 |
| 4,900 | Public Service Housing | - | 4,162 | 4,162 |
| 422 | Property Management | 13 | 771 | 758 |
| - | Maintenance of Public | - | - | - |
| - | and Other Buildings | - | 14,790 | 14,790 |
| (315) | Centralised Payroll and Data Entry | 832 | 435 | (397) |
| 646 | Government Real Estate | - | 693 | 693 |
| - | Administration, Planning | - | - | - |
| 344 | and Policy Development | 80 | 1,901 | 1,821 |
| 401 | Corporate Services | 5 | 2,472 | 2,467 |
| - | Management of Government Buildings | 21 | 4,637 | 4,616 |
| - | Administrative Support Services | - | 669 | 669 |
| (163) | Non Program Items | 7,461 | 7,369 | (92) |
| 66,204 | | 42,735 | 153,539 | 110,804 |

Computer Services: Receipts for Computer Services increased by \$4.5m (64.3%) to \$11.5m as a direct result of offering a wider range of computing services to New South Wales Government departments and statutory bodies and recouping charges on a full cost recovery basis. The major expenditure items were: \$8.5m for the acquisition of computer equipment (including \$3.3m for leasing of computer hardware and \$3.0m for the purchase of computer software); Salaries \$4.7m and Maintenance \$4.1m.

Office Accommodation: The functions of the Office Accommodation Bureau include co-ordination of government office buildings and other multiple occupancies, negotiation of leases in Sydney and major State centres, and monitoring office accommodation developments.

Rents and associated costs and charges, paid on behalf of the Public Service, totalled \$63.9m, an increase of \$12.4m. Payments include the purchase leases (which include a lease amortisation factor) for two buildings in Sydney and a number in country areas. Rental payments are also made by departments and are included either under the heading Rent, Rates, etc or within Maintenance and Working Expenses in those departments' accounts.

Expenses for relocation of Government offices to the suburbs increased by \$6.7m to \$14.1m (90.3%), reflecting the trend of decentralising Government Offices away from the Central Business District and transfers as a result of the Government restructure of the Public Service. Major relocations during the year were: National Parks and Wildlife Service to Hurstville \$3.0m; Ethnic Affairs Commission in conjunction with Public Works Department's Survey and Property Branch and Metropolitan Central Office to Ashfield \$2.9m; and Department of Water Resources to Parramatta \$2.7m.

Government Advertising: Recoupment of costs for Government Advertising increased by \$1.5m to \$10.7m while expenditure increased by \$2.4m to \$12.0m.

Government Information Services: Marketing and other operations of the Government Information Service are financed through the Special Deposits Account "Government Information Services Account".

Receipts for 1988-89 from the sales of books, maps, posters and souvenirs, etc totalled \$954,295 while expenditure of \$793,308 was in respect of purchases of various saleable items. A balance of \$282,343 remained in the account at 30 June 1989.

Administrative Costs of the Service, \$1.1m are met from Consolidated Fund. Major items were salaries and associated payments, \$563,516, and rent \$511,777.

Maintenance of Public and Other Buildings: The prime function of this program is to provide for the refurbishment of new and existing government offices. Funding is provided from the Consolidated Fund. Expenditure of \$14.8m exceeded original budget estimates by \$5.0m. This was the result of undertaking previously unforeseen high priority projects generated by Government initiatives. It also resulted from increases in individual project costs due to few details being available at the time of preparing preliminary estimates, as against costs once detailed fitout planning and design commenced.

Management of Government Buildings: The function of the program is for the provision of common services within Government owned and leased multiple occupancy Office buildings. Expenditure comprised Salaries \$3.9m and Maintenance and Working Expenses \$418,362.

Non Program Items: Includes the payment and recovery of expenditures incurred on behalf of other Government Departments for Electricity and Gas \$3.0m and Telephones \$2.8m. Receipts include \$991,136 for subscriptions to the Public Service Weekly Notices by Government Departments. Costs of producing the notices totalled \$725,268.

SIGNIFICANT MATTERS RAISED PREVIOUSLY

Following conclusion of the 1987-88 audit of the Department, the following matters were referred in writing to the Secretary.

Accounting Manual: The Department's accounting manual had not been completed. I am pleased to report that the manual has now been finalised.

Financial Statements: The initial version of the 1987-88 financial statements and accompanying notes contained errors and required numerous adjustments. Major contributing factors were the lack of internal control over preparation of adequate, indexed working papers supporting the content of the statements.

GOVERNMENT MOTOR SERVICES

The Motor Services operates as a trading undertaking and its activities include the service, repair and maintenance of motor vehicles and equipment owned by government departments.

INCOME AND EXPENDITURE STATEMENT
for the year ended 30 June 1989

| Previous Year \$'000 | | \$'000 | % Increase (-) |
|----------------------------|---|--------------|----------------------|
| | INCOME | | |
| 5,196 | Services Rendered | 5,208 | 0.2 |
| 18 | Interest | 63 | 250.0 |
| 37 | Apprenticeship Rebate | 37 | - |
| 21 | Proceeds from Disposal of Non-Current Assets | 29 | 38.1 |
| 29 | Miscellaneous | 35 | 20.7 |
| <u>5,301</u> | | <u>5,372</u> | 1.3 |
| | EXPENDITURE | | |
| 2,437 | Salaries, Wages, etc. | 2,454 | 0.7 |
| 1,565 | Stores and Materials | 1,600 | 2.2 |
| 148 | Payroll Tax | 156 | 5.4 |
| 106 | Superannuation | 81 | (23.6) |
| 164 | Insurance | 204 | 24.4 |
| 157 | Repairs, Maintenance and Cleaning | 164 | 4.5 |
| 169 | Provision for Employees' Leave | 232 | 37.3 |
| 96 | Depreciation | 114 | 18.8 |
| 45 | Electricity and Telephones | 49 | 8.9 |
| 82 | Rent and Rates | 141 | 72.0 |
| 142 | Miscellaneous | 156 | 9.9 |
| <u>5,111</u> | | <u>5,351</u> | 4.7 |
| 190 | Operating Surplus Before Abnormal Items | 21 | (88.9) |
| | <i>Less:</i> | | |
| 162 | Abnormal Items | 349 | 115.4 |
| 28 | OPERATING SURPLUS/(DEFICIENCY) | (328) | (c) |
| | <i>Add:</i> | | |
| - - | Extraordinary Items | 57 | (a) |
| | OPERATING SURPLUS (DEFICIENCY) AND EXTRAORDINARY ITEMS | (385) | (b) |
| 1,289 | Retained Earnings at the beginning of the year | 1,317 | 2.2 |
| - - | Transfer from Reserve | 130 | (a) |
| <u>1,317</u> | Retained Earnings at the end of the year | <u>1,062</u> | (19.4) |

KEY

(a) Nil in previous year - not calculable.

(b) Operating Deficiency and Extraordinary Items - not calculable.

(c) Surplus in previous year - not calculable.

Income from services rendered of \$5.2m represented 97% of total income for the year.

The operating surplus of \$21,454 (a retrogression of \$168,615 when compared to the previous year) was converted by net Abnormal Items of \$349,320, to an operating deficiency of \$327,866.

The *abnormal items* consisted mainly of adjustments of \$308,000 to the Provision for Deferred Employee Entitlements. The adjustments related to the bringing to account in 1988-89 of the full deferred liability for all employee superannuation entitlements. Previously only the deferred liability of the State Authorities Superannuation Scheme had been recognised. As a consequence an amount of \$174,599 representing the deferred liability for the State Superannuation Fund and the State Public Service Superannuation Fund was brought to account and an additional amount of \$133,401 was required to adjust the State Authorities Superannuation Scheme provision. The superannuation liability is now fully provided. The other abnormal items comprised stock write downs and reconciliation adjustments to depreciation balances.

Disclosed as an *extraordinary item* are the total costs incurred, \$56,898, in closing leasehold premises at Parramatta on 3 February 1989 and transferring to new leasehold premises at Pendle Hill.

The Asset Replacement Reserve of \$130,000 created in the previous year was determined not to be necessary and was transferred back to Retained Earnings.

BALANCE SHEET as at 30 June 1989

| Previous Year \$'000 | | \$'000 | % Increase (-) |
|----------------------------|--------------------------------------|--------------|----------------------|
| | CURRENT ASSETS | | |
| - - | Cash | 92 | (a) |
| 386 | Accounts Receivable | 237 | (38.6) |
| 163 | Inventories | 149 | (8.6) |
| - - | Accrued Income | 55 | (a) |
| 18 | Prepayments | 40 | 122.2 |
| 378 | Work in Progress | 180 | (52.4) |
| 273 | Investments | 617 | 126.0 |
| <u>1,218</u> | TOTAL CURRENT ASSETS | <u>1,370</u> | 12.5 |
| | NON-CURRENT ASSETS | | |
| 893 | Property, Plant and Equipment | 4,455 | 398.9 |
| <u>893</u> | (Less - Depreciation \$538,896) | <u>4,455</u> | 398.9 |
| | TOTAL NON-CURRENT ASSETS | | |
| <u>2,111</u> | TOTAL ASSETS | <u>5,825</u> | 175.9 |
| | CURRENT LIABILITIES | | |
| 19 | Cash Overdrawn | - - | (100.0) |
| 187 | Accounts Payable | 320 | 71.1 |
| <u>206</u> | TOTAL CURRENT LIABILITIES | <u>320</u> | 55.3 |
| | NON-CURRENT LIABILITIES | | |
| 458 | Provisions | 949 | 107.2 |
| <u>458</u> | TOTAL NON-CURRENT LIABILITIES | <u>949</u> | 107.2 |
| <u>664</u> | TOTAL LIABILITIES | <u>1,269</u> | 91.1 |
| <u>1,447</u> | NET ASSETS | <u>4,556</u> | 214.9 |
| | CAPITAL AND RETAINED EARNINGS | | |
| 1,317 | Retained Earnings | 1,062 | 19.4 |
| 130 | Reserve | 3,494 | (b) |
| <u>1,447</u> | | <u>4,556</u> | 214.9 |

KEY

(a) Nil in previous year - not calculable.

(b) More than 1,000%.

Work in progress \$180,000 is now valued at the lower of cost and net realisable value in compliance with Australian Accounting Standard AAS2.

The title of the land at Glebe on which the Government Motor Services is situated is vested in the Minister for Public Works. A revaluation of the land was made by the Valuer-General in September 1988, when its value was estimated at \$3.5m. The asset has been written up in the Balance Sheet and a revaluation reserve has been established to recognise the revaluation increment of \$3.5m (original cost was \$6,056).

No provision is made for doubtful debts as all debts are considered to be recoverable.

A new accounting, operations and administrative computer system will be installed and is expected to be fully operational by October 1989. Total purchase price of \$262,470 will be funded from internal sources.

GOVERNMENT SUPPLY OFFICE

On 21 April 1989, the Government Supply Office was abolished as a separate administrative office under the Public Sector Management Act 1988, and incorporated within the Department of Administrative Services. At 30 June 1989, the Government Supply Office remained a separate entity under the Public Finance and Audit Act 1983.

The overriding objective of the Government Supply Office involves the provision of a range of cost effective services to Government and approved community organisations in the areas of purchasing, calling of and evaluating tenders, warehousing, procurement and supply of goods, motor vehicle leasing, clothing manufacture, technical repairs and servicing, cleaning services and courier operations. During the 1988-89 year the following services were accounted for on a commercial basis:

- * Technical Repair Services;
- * Cleaning Services;
- * Motor Vehicle Leasing Services (non-commercial vehicles); and
- * Clothing Factory Branch.

Previously, only the Clothing Factory Branch operated on a commercial basis.

As in previous years, operations of the Warehouse/Distribution Branch, Courier Services and Motor Vehicle (Commercial) Section are reflected in the "departmental" financial statements. However, from 1 July 1989 these activities will also prepare separate financial statements on a commercial basis.

With the exception of Motor Vehicle Leasing Services, financial statements were presented for audit within the statutory period. However, preliminary reviews indicated that additional work was required to bring the financial statements to an acceptable standard and the financial statements were returned.

These preliminary reviews suggest that the financial statements were not subjected to adequate internal checking procedures before being forwarded to me for audit and to the Minister. Deficiencies noted involved noncompliance with Australian Accounting Standards and generally accepted accounting practices, incorrectly presented information and incorrect additions. It is also understood that ledger postings had not been completed as at the date of furnishing financial statements. As such it would seem that the financial statements have been compiled from incomplete records.

Accordingly, the following is based on unaudited information.

Receipts and Payments

Composite summaries of receipts and payments of the Consolidated Fund and Special Deposits Account (excluding activities accounted for on a commercial basis) on a line item and program basis, are as follows:

* Line Items

| Previous Year \$'000 | | \$'000 | % Increase (-) |
|----------------------------|---|----------------|----------------------|
| | RECEIPTS | | |
| 43,111 | Warehouse Operations | 38,222 | (11.3) |
| 38,170 | Sale of Motor Vehicles | 19,833 | (48.0) |
| 4,353 | Courier Services | 4,863 | 11.7 |
| 4,694 | Proceeds of Debtors of Commercial Activities | 209,322 | (a) |
| 6,936 | Other | 3,667 | (47.1) |
| <u>97,264</u> | TOTAL RECEIPTS | <u>275,907</u> | 183.7 |
| | PAYMENTS | | |
| 168,230 | Salaries and Other Employee Payments | 18,701 | (88.9) |
| 44,947 | Maintenance and Working Expenses | 16,576 | (63.1) |
| 1,293 | Plant and Equipment | 1,554 | 20.1 |
| 53,922 | Purchase of Motor Vehicles | 33,128 | (38.6) |
| 46,280 | Purchase of Warehouse Stock, etc | 33,101 | (28.5) |
| 4,865 | Acquisition of Debtors of Commercial Activities | 209,951 | (a) |
| 36 | Other | 5 | (86.1) |
| <u>319,573</u> | TOTAL PAYMENTS | <u>313,016</u> | (2.0) |
| <u>222,309</u> | EXCESS OF PAYMENTS OVER RECEIPTS | <u>37,109</u> | (83.3) |

KEY

(a) More than 1,000%.

The \$178.6m growth in total receipts is attributable to the net effect of an increase in collections from debtors as a result of the change to the user-pay basis for some activities and the exclusion of sale proceeds of passenger motor vehicles included as revenue of "Motor Vehicle Leasing Services Branch". The higher receipts figure has been offset by a similar increase in payments representing the amount of the factoring of the trading activities' debtors. Collections from debtors of commercial activities comprised:

| | 1988 \$'000 | 1989 \$'000 |
|--|----------------|----------------|
| Clothing Factory Branch | 4,694 | 6,212 |
| Cleaning Services Branch | -- | 184,396 |
| Technical Repair Services Branch | -- | 6,106 |
| Motor Vehicles Leasing Services Branch | -- | 12,608 |
| | <u>4,694</u> | <u>209,322</u> |

The reduced level of payments is a direct result of the transferred commercial activities being excluded from the "departmental" accounts.

* Programs

| Previous Year Net Payments (Receipts) \$'000 | Program Description | Receipts \$'000 | Payments \$'000 | Net Payments \$'000 |
|--|---|--------------------|--------------------|---------------------------|
| 32,249 | Centralised Supply Services and Contracts | 270,031 | 287,895 | 17,864 |
| 3,258 | Administrative Support Services | 677 | 5,005 | 4,328 |
| 177,376 | Cleaning Services | -- | -- | -- |
| 11,170 | Courier Services | 4,865 | 16,919 | 12,054 |
| (1,744) | Non Program Items | 334 | 3,197 | 2,863 |
| <u>222,309</u> | TOTAL | <u>275,907</u> | <u>313,016</u> | <u>37,109</u> |

SPECIAL DEPOSITS ACCOUNT

Government Supply Office Account: Major transactions financed through the Account involve the purchase of stores and their sale to departments, statutory authorities and other approved bodies. Proceeds from sale of goods for the year ended 30 June 1989 amounted to \$38.2m (a decrease of \$4.9m) while store purchases totalled \$33.1m (a decrease of \$13.2m). The decrease in warehouse receipts and payments is largely due to a reduction in the range of goods stocked and delays in the issue of goods following the introduction of new computer systems.

In addition to recording the Office's store trading operations, the Account also includes the operations of the Clothing Factory Branch, the Motor Vehicle Leasing Services Branch, the Cleaning Services Branch and the Technical Repair Services Branch and the **purchase and sale of departmental commercial motor vehicles**. Transactions related to the purchase and sale of commercial motor vehicles for departments financed from the Consolidated Fund for the year ended 30 June 1989 were:

| Previous Year \$'000 | | \$'000 | % Increase (-) |
|----------------------------|-------------------------------------|--------|----------------------|
| 15,820 | Receipts: | | |
| 38,170 | Contribution from Consolidated Fund | 4,354 | (72.5) |
| 53,990 | Disposal of Used Vehicles | 19,833 | (48.0) |
| | | 24,187 | (55.2) |
| 53,922 | Payments: | | |
| | Purchase of New Vehicles | 33,128 | (38.6) |

(Note: Previous year's figures include passenger motor vehicles which, for 1988-89, have been accounted for on a commercial basis).

COMMERCIAL ACTIVITIES

Details of operations for the year ended 30 June 1989 and financial position as at 30 June 1989 of commercial activities are provided below. In accounting for the various trading activities on a commercial self-funding basis, the Government Supply Office recognised that the net value of assets and liabilities accumulated by these activities while "departmental" programs had to be transferred from the Office to the reconstituted entity as at 1 July 1988. Where such transfers have resulted in a net asset situation, that amount is reflected as State Government Equity. However, where a net liability is recorded, the amount is included under Non-Current Assets.

Except for Motor Vehicle Leasing Services Branch, amounts shown as relating to superannuation liabilities exclude all liabilities in respect of employees contributing to the State Superannuation Fund. Without these liabilities being reflected (as well as the corresponding effect on State Government Equity) the full cost of operating the various activities is not disclosed.

CLOTHING FACTORY BRANCH

The Clothing Factory Branch manufactures special and functional uniforms for departments and statutory authorities.

OPERATIONS

| Previous Year \$'000 | | \$'000 | % Increase (-) |
|----------------------------|--|--------|----------------------|
| 4,865 | Sales | 5,605 | 15.2 |
| | Less: | | |
| | Cost of Sales | | |
| 5 | Opening Stock of Finished Goods | 8 | 60.0 |
| | Add: Cost of Goods Manufactured: | | |
| 1,717 | - Direct Materials | 2,401 | 39.8 |
| 1,130 | - Direct Labour | 1,169 | 3.4 |
| 1,410 | - Factory Overheads | 1,985 | 40.8 |
| | - Increase between Opening and Closing Work-in-Progress | (169) | (a) |
| 118 (a) | | 5,394 | 23.1 |
| 4,380 | | 103 | (b) |
| 8 | Less: Closing Stock of Finished Goods | 5,291 | 21.0 |
| 4,372 | | 314 | (36.3) |
| 493 | GROSS SURPLUS | | |
| | Add: | | |
| 20 | Rental Income | 19 | (5.0) |
| - - | Profit on Sale of Non-Current Assets | 27 | (c) |
| 513 | | 360 | (29.8) |
| | Less: | | |
| 279 | Administrative Overheads | 599 | 114.7 |
| 234 (a) | OPERATING DEFICIENCY | 239 | (a) |

KEY

(a) Surplus/Decrease in previous year - percentage not applicable.

(b) More than 1,000%.

(c) Nil in previous year - not calculable.

FINANCIAL POSITION

| Previous Year \$'000 | | \$'000 | % Increase (-) |
|----------------------------|-------------------------------|--------|----------------------|
| | CURRENT ASSETS | | |
| 3,052 | Special Deposits Account | 1,174 | (61.5) |
| 15 | Debtors and Prepayments | 50 | 233.3 |
| 1,199 | Inventories | 2,859 | 138.4 |
| 4,266 | TOTAL CURRENT ASSETS | 4,083 | (4.3) |
| | NON-CURRENT ASSETS | | |
| 338 | Land and Buildings | 2,100 | 521.3 |
| 446 | Plant and Equipment | 432 | (3.1) |
| - - | State Government | 39 | (a) |
| 784 | TOTAL NON-CURRENT ASSETS | 2,571 | 227.9 |
| 5,050 | TOTAL ASSETS | 6,654 | 31.8 |
| | CURRENT LIABILITIES | | |
| 28 | Accounts Payable | 133 | 375.0 |
| 182 | Provisions | 146 | (19.8) |
| 181 | Accruals | 82 | (54.7) |
| 391 | TOTAL CURRENT LIABILITIES | 361 | (7.7) |
| | NON-CURRENT LIABILITIES | | |
| 163 | Provisions | 264 | 62.0 |
| 554 | TOTAL LIABILITIES | 625 | 12.8 |
| 4,496 | NET ASSETS | 6,029 | 34.1 |
| | CAPITAL AND RETAINED EARNINGS | | |
| 4,175 | Retained Earnings | 4,039 | (3.2) |
| - - | Asset Revaluation Reserves | 1,772 | (a) |
| 321 | Asset Replacement Reserves | 218 | (32.1) |
| 4,496 | | 6,029 | 34.1 |

KEY

(a) Nil in previous year - not calculable.

The operating deficiency of \$239,030 is, in the main, attributable to the increase in departmental administrative fees to \$291,219 (1987-88 - \$35,501).

In June 1989 the Clothing Factory Branch revalued its land and buildings to \$2.1m in accordance with a valuation by the Valuer-General. An asset revaluation reserve was created to reflect the revaluation increment of \$1.8m.

Provisions at 30 June 1989 comprised:

| | Total | Current Liabilities | Non-Current Liabilities |
|----------------------------|----------------|----------------------------|--------------------------------|
| | \$ | \$ | \$ |
| Long Service Leave | 253,076 | 77,310 | 175,766 |
| Recreation Leave | 68,682 | 68,682 | - |
| Superannuation Liabilities | 88,412 | - | 88,412 |
| | <u>410,170</u> | <u>145,992</u> | <u>264,178</u> |

CLEANING SERVICES BRANCH

In previous years financial transactions of the Cleaning Services Branch have been incorporated in those of the Government Supply Office. Previous year's figures are not readily available.

OPERATIONS

| | \$'000 |
|------------------------------------|----------------|
| Cleaning Recoupments | 184,959 |
| Other Income | 147 |
| | <u>185,106</u> |
| Less: | |
| Direct Labour and Associated Costs | <u>190,818</u> |
| GROSS DEFICIENCY | 5,712 |
| Add: | |
| Administrative Overheads | <u>11,121</u> |
| | <u>16,833</u> |
| Add: | |
| Abnormal Item: | |
| Provision for Redundancies | <u>6,853</u> |
| OPERATING DEFICIENCY | <u>23,686</u> |

FINANCIAL POSITION

| | \$'000 |
|--------------------------------------|---------------|
| CURRENT ASSETS | |
| Debtors | 946 |
| Work-in-Progress | <u>4,723</u> |
| TOTAL CURRENT ASSETS | <u>5,669</u> |
| NON-CURRENT ASSETS | |
| Plant, Equipment and Furniture | 2,407 |
| Investments | 412 |
| State Government | <u>45,752</u> |
| TOTAL NON-CURRENT ASSETS | <u>48,571</u> |
| TOTAL ASSETS | <u>54,240</u> |
| CURRENT LIABILITIES | |
| Special Deposits Account | 258 |
| Provisions | 13,233 |
| Accruals | <u>4,018</u> |
| TOTAL CURRENT LIABILITIES | <u>17,509</u> |
| NON-CURRENT LIABILITIES | |
| Provisions | <u>60,417</u> |
| TOTAL NON-CURRENT LIABILITIES | <u>60,417</u> |
| TOTAL LIABILITIES | <u>77,926</u> |

The Cleaning Services Branch provides centralised cleaning services for departments and public schools throughout the State.

Operations for the year resulted in a deficiency of \$23.7m after providing \$9.9m for deferred superannuation, \$6.9m for redundancies and \$5.1m for employees' long service leave and recreation leave entitlements.

The Branch's cost recovery rate is based on cleaners' gross wages, workers' compensation costs and a 19% oncost on gross wages. On the basis of the information presented above, the mark up of 19% is inadequate and should be reviewed.

Details of the State Government balance of \$45.7m included under financial position as a Non-Current Asset are provided below:

| | |
|---|----------------------|
| | \$'000 |
| Provision for Employees' Accrued Leave Entitlements | 23,054 |
| Provision for Superannuation | <u>28,307</u> |
| | 51,361 |
| Less: | |
| Written Down Value of Plant and Equipment | 2,918 |
| Net Benefit from Prior Period Transactions | <u>2,691</u> |
| | 5,609 |
| AMOUNT DUE FROM STATE GOVERNMENT | <u>45,752</u> |

This amount has still to be agreed to by the Treasury.

Provisions at 30 June 1989 comprised:

| | Total \$'000 | Current Liabilities \$'000 | Non-Current Liabilities \$'000 |
|----------------------------|-------------------------|---|---|
| Long Service Leave | 21,800 | 4,081 | 17,719 |
| Recreation Leave | 6,407 | 6,407 | - |
| Redundancy Costs | 6,853 | 2,745 | 4,108 |
| Superannuation Liabilities | <u>38,590</u> | - | <u>38,590</u> |
| | <u>73,650</u> | <u>13,233</u> | <u>60,417</u> |

Work-in-progress of \$4.7m represents cost of cleaning services provided but not billed as at 30 June 1989.

TECHNICAL REPAIR SERVICES BRANCH

In previous years financial transactions of the Technical Repair Services Branch have been incorporated in those of the Government Supply Office. Previous year's figures are not readily available.

OPERATIONS

| | |
|-----------------------------------|-------------------|
| SALES | \$'000 |
| | 7,390 |
| Less: | |
| Cost of Completed Repair Jobs (a) | <u>6,938</u> |
| GROSS SURPLUS | 452 |
| Other Income | <u>6</u> |
| | 458 |
| Less: | |
| Administrative Overheads | <u>1,065</u> |
| OPERATING DEFICIENCY | <u>607</u> |

KEY

| | |
|---|---------------------|
| (a) Comprised of: | \$'000 |
| - Direct Materials | 1,747 |
| - Direct Labour | 3,938 |
| - Branch Overheads | 1,416 |
| - Increase Between Opening and Closing Work-in-Progress | <u>(163)</u> |
| | <u>6,938</u> |

FINANCIAL POSITION

| | \$'000 |
|--------------------------------------|--------------|
| CURRENT ASSETS | |
| Debtors and Prepayments | 596 |
| Inventories | <u>1,368</u> |
| TOTAL CURRENT ASSETS | <u>1,964</u> |
| NON-CURRENT ASSETS | |
| Buildings, Plant and Equipment | <u>373</u> |
| TOTAL NON-CURRENT ASSETS | <u>373</u> |
| TOTAL ASSETS | <u>2,337</u> |
| CURRENT LIABILITIES | |
| Special Deposits Account | 648 |
| Accounts Payable | 144 |
| Provisions | 401 |
| Accruals | <u>437</u> |
| TOTAL CURRENT LIABILITIES | <u>1,630</u> |
| NON-CURRENT LIABILITIES | |
| Provisions | <u>881</u> |
| TOTAL LIABILITIES | <u>2,511</u> |
| NET LIABILITIES | (174) |
| CAPITAL AND RETAINED EARNINGS | |
| State Government Equity | 345 |
| Reserves | 88 |
| Accumulated Deficiency | <u>(607)</u> |
| | <u>(174)</u> |

The Technical Repair Services Branch repairs and services a large range of office and other electronic equipment for departments and statutory authorities.

Provisions at 30 June 1989 comprised:

| | Total \$ | Current Liabilities \$ | Non - Current Liabilities \$ |
|----------------------------|------------------|------------------------------|------------------------------------|
| Long Service Leave | 873,365 | 101,760 | 771,605 |
| Recreation Leave | 295,345 | 295,345 | - - |
| Service Warranties | 3,998 | 3,998 | - - |
| Superannuation Liabilities | <u>109,644</u> | - - | <u>109,644</u> |
| | <u>1,282,352</u> | <u>401,103</u> | <u>881,249</u> |

Reserves of \$87,623 represent increment on revaluation of premises at Wagga Wagga.

MOTOR VEHICLE LEASING SERVICES BRANCH

In previous years the Office's motor vehicle section supplied passenger and commercial vehicles to departments and authorities. These transactions, financed from Consolidated Fund and Special Deposits Account, were reflected within the "departmental" financial statements.

The manner in which transactions involving passenger motor vehicles are accounted for changed on 1 July 1988. On that date, the Motor Vehicle Leasing Services Branch began operations. The Branch leases passenger vehicles to departments and statutory authorities on a full cost recovery basis. However, the practice of providing commercial vehicles at no cost to users continued and, as in previous years, these transactions have been incorporated in the "departmental" financial statements. Previous year's figures are not readily available.

OPERATIONS

| | \$'000 |
|---|---------------|
| Motor Vehicle Lease Fees | 16,254 |
| Other Income | <u>57</u> |
| | 16,311 |
| Less: | |
| Operating and Administrative Overheads | <u>4,770</u> |
| | 11,541 |
| Add: | |
| Surplus on Disposal of Non-Current Assets | <u>7,003</u> |
| OPERATING SURPLUS | <u>18,544</u> |

FINANCIAL POSITION

| | \$'000 |
|--------------------------------------|---------------|
| CURRENT ASSETS | |
| Special Deposits Account | 3,509 |
| Debtors and Prepayments | <u>2,705</u> |
| TOTAL CURRENT ASSETS | <u>6,214</u> |
| NON-CURRENT ASSETS | |
| Motor Vehicles and Equipment | 92,218 |
| Investments | <u>1</u> |
| TOTAL NON-CURRENT ASSETS | <u>92,219</u> |
| TOTAL ASSETS | <u>98,433</u> |
| CURRENT LIABILITIES | |
| Accounts Payable and Accruals | 4,735 |
| Provisions | <u>25</u> |
| TOTAL CURRENT LIABILITIES | <u>4,760</u> |
| NON-CURRENT LIABILITIES | |
| Provisions | <u>340</u> |
| TOTAL LIABILITIES | <u>5,100</u> |
| NET ASSETS | <u>93,333</u> |
| CAPITAL AND RETAINED EARNINGS | |
| State Government Equity | 55,716 |
| Capital Contributions - Lessees | 1,435 |
| Asset Revaluation Reserve | 17,638 |
| Retained Earnings | <u>18,544</u> |
| | <u>93,333</u> |

Motor vehicles are purchased free of sales tax and stamp duty. Upon acquisition, the vehicles are revalued to reflect market cost. The revaluation increment is taken to an Asset Revaluation Reserve. When vehicles are disposed of, the revaluation increment is realised. The 'Surplus on Disposal of Non-Current Assets' is comprised of this realised revaluation increment, \$8.7m, offset by \$1.7m, being the loss on sale after deducting proceeds from the written down value of the assets.

By far the most significant expense included within operating and administrative overheads is depreciation of \$3.7m.

At the conclusion of the lease term, lessees are required to contribute the amount of any shortfall between the sale proceeds of the disposed vehicle and the cost of the replacement vehicle. This contribution is reflected as part of Capital and Retained Earnings.

State Government Equity of \$55.7m has been determined as follows:

| | |
|---|----------------------|
| | \$'000 |
| Written Down Value of Motor Vehicles and Equipment | 54,402 |
| Net Benefit from Prior Period Transactions | 1,670 |
| | <u>56,072</u> |
| Less: | |
| Provision for Employees' Accrued Leave Entitlements | 78 |
| Provision for Superannuation | <u>278</u> |
| | <u>356</u> |
| STATE GOVERNMENT EQUITY | <u>55,716</u> |

Provisions at 30 June 1989 comprised:

| | Total | Current | Non - Current |
|----------------------------|-----------------------|----------------------|-----------------------|
| | \$ | Liabilities | Liabilities |
| | | \$ | \$ |
| Long Service Leave | 56,425 | -- | 56,425 |
| Recreation Leave | 24,956 | 24,956 | -- |
| Superannuation Liabilities | <u>283,504</u> | -- | <u>283,504</u> |
| | <u>364,885</u> | <u>24,956</u> | <u>339,929</u> |

SIGNIFICANT MATTERS RAISED

During the year instances were noted where it was considered that existing procedures could be improved. Included within matters raised were internal control shortcomings which had been previously brought to management's attention. Despite undertakings that the identified deficiencies would be redressed, appropriate action had not been taken. Matters raised in prior years and not satisfactorily attended to included:

- * overriding of computer controls where invoices and purchase order prices differed;
- * concerns that an invoice may not have been generated for each cartage note issued;
- * Drawing Account not regularly reconciled;
- * for technical servicing there was no assurance that all parts issued from stores were charged to a "Job"; and
- * instances where payroll variation advices bore no evidence of check and authorisation.

Other concerns related to control deficiencies in the disbursements, collections, sales, warehousing, inventory, debtors and payroll systems.

Details of the matters referred to above were brought to the attention of management on 26 May 1989. As at the date of this Report a reply had yet to be received. The management letter also referred to the delay in establishing opening balances for commercial activities and that this could result in statutory deadlines not being achieved, a situation that did, in fact, arise in relation to the Motor Vehicle Leasing Services Branch.

DEPARTMENT OF AGRICULTURE AND FISHERIES

The Department of Agriculture and Fisheries is responsible for providing a range of activities which are directed at promoting the efficient sustainable use of agricultural, livestock and fisheries resources, protecting and enhancing the environment and safeguarding and improving the productivity of the agricultural livestock and fisheries industries. The Department provides assistance to the rural sector through research, advisory and education services.

Financial Features of 1988-89

- * The financial statements have been prepared on a five program basis compared to the seventeen program basis of 1987-88.
- * The chartered accounting firm, Coopers and Lybrand, was appointed to perform the Department's internal audit function. The firm completed a large number of audit assignments at Head Office and branch offices.
- * Agsell, a new branch of the Department, was initiated during the year to more effectively exploit market development opportunities for agricultural products. Agsell's primary function is to assist the private sector to enhance the export of agricultural products and to increase investment in the value-added processing of agricultural products prior to export. A high level advisory committee was appointed during the year comprising leading representatives from the agricultural sector, together with persons selected for outstanding entrepreneurial ability in other business fields.
- * After review the Department closed several Special Deposits accounts.
- * The transfer, without charge, of departmental real estate and other assets having an estimated value of \$3m ("Graham Park" Artificial Stock Breeding Centre) to the N.S.W. Dairy Farmers Association.

Receipts and Payments

A composite summary of receipts and payments of the Consolidated Fund and Special Deposits Account for the year ended 30 June 1989 is as follows:

| Previous Year \$'000 | | \$'000 | % Increase (-) |
|----------------------------|--|----------------|----------------------|
| | RECEIPTS | | |
| 16,807 | Grants and Subsidies | 9,177 | (45.4) |
| 6,800 | Commonwealth Contributions | 8,283 | 21.8 |
| 6,462 | Receipts for Services Rendered | 8,761 | 35.6 |
| 2,222 | Sale of Farm Produce | 2,874 | 29.3 |
| 1,198 | Levies - Noxious Insects | 1,310 | 9.3 |
| - | Allocation - Computer Facilities | 2,453 | (a) |
| 3,045 | Other | 3,006 | (1.3) |
| <u>36,534</u> | TOTAL RECEIPTS | <u>35,864</u> | (1.8) |
| | PAYMENTS | | |
| 98,019 * | Salaries and Other Employee Payments | 103,852 | 6.0 |
| 33,497 * | Maintenance and Working Expenses | 38,861 * | 16.0 |
| 4,476 * | Plant and Equipment | 4,802 | 7.3 |
| | <i>Grants and Subsidies:</i> | | |
| 2,500 | Destruction of Noxious Weeds | 3,500 | 40.0 |
| 286 | Other | 335 | 17.1 |
| | <i>Other Services:</i> | | |
| - | Payments for Rural Adjustment | 17,236 | (a) |
| 5,074 * | Other | 2,191 * | (56.8) |
| 3,580 | Payments - Other | 859 | (76.0) |
| | <i>Capital Works and Services:</i> | | |
| 9,861 | Elizabeth Macarthur Institute Camden Park | 14,569 | 47.7 |
| 1,023 | CB Alexander College Extensions | 213 | (79.2) |
| 631 | Oyster Hatchery - Port Stephens | 57 | (91.0) |
| | Biological and Chemical Research Institute - | | |
| 570 | Fire Hazard Prevention | 566 | (0.7) |
| 14 | Temora and Deniliquin - Outreach Centre | - | (100.0) |
| | Acquisition of Plant and Equipment and | | |
| 1,847 | Maintenance of Roads and Cottages | 2,200 | 19.1 |
| 342 | Other | 855 | 150.0 |
| <u>161,720</u> | TOTAL PAYMENTS | <u>190,096</u> | 17.5 |
| <u>125,186</u> | EXCESS OF PAYMENTS OVER RECEIPTS | <u>154,232</u> | 23.2 |

KEY

(a) Nil in previous year - not calculable.

(*) Net of inter-fund transfers.

Excluding the first time inclusion of the computer allocation in 1988-89 of \$2.5m, total receipts fell by \$3.1m or 8.5%. This was mainly due to the abolition of Inland Angling licences (\$1m received in 1987-88; nil in 1988-89) and a fall in Cattle Compensation Fund receipts of \$1.7m.

Following suggestions by my Office that the Department expand its account classifications in lieu of a bulk account for most of the Department's receipts, a number of new classifications were initiated in 1988-89 including a revised allocation of the Department's working accounts. As it was not practical to recast the previous year's figures, the rearrangement has led to a lower Grants and Subsidies figure and higher Receipts for Services Rendered and Commonwealth Contribution figures.

The increase in payments of \$28.4m (17.5%) was mainly attributable to expenditure of \$14.6m (\$9.9m in 1987-88) relating to the development of the Elizabeth Macarthur Institute at Camden Park as the Department's central veterinary laboratory (formerly at Glenfield) and \$17.2m on grants to the Rural Assistance Board under the Commonwealth and State Rural Adjustment Subsidy Scheme. Commonwealth contributions under that scheme are paid directly to the Treasury and are not shown in the above table as receipts of the Department. Also, payments to the Board in previous years were made directly by the Treasury.

Following a Treasury request, the necessity of maintaining separate accounts within Special Deposits was examined for those funds such as the Tidal Angling Fund, the Commercial Fisheries Exploration and Development Fund and any other fund no longer in use or requiring substantial Consolidated Fund contributions.

In addition to the closure of the Inland Fisheries Fund, the Department closed the Tuberculosis and Brucellosis Eradication Account, the Commercial Fisheries Exploration and Development Fund and the Tidal Angling Fund which are all heavily dependent on contributions from Consolidated Fund. My previous Reports to Parliament have raised the issue of the need to retain separate Special Deposits accounts for the Cattle Compensation Fund and the Swine Compensation Fund. During the year the Acting Premier and Treasurer requested the closure of the Swine Compensation Fund in view of its history of negligible compensation payments but at this stage accepted the Department's request for the retention of the Cattle Compensation Fund due to ongoing and significant compensation payments. At 30 June 1989 the Department had not effected the closure of the Swine Compensation Fund.

Comment on certain Special Deposits accounts follows:

Cattle Compensation Fund

| Previous Year \$'000 | | \$'000 | % Increase (-) |
|-------------------------|---------------------------------------|--------------|----------------------|
| | RECEIPTS | | |
| 521 | Commonwealth Contribution | 145 | (72.1) |
| 160 | Sale of Duty Stamps - Less Commission | - | (100.0) |
| <u>1,837</u> | Interest | <u>644</u> | (64.9) |
| <u>2,518</u> | | <u>789</u> | (68.7) |
| | PAYMENTS | | |
| 715 | Compensation | 280 | (60.8) |
| 14 | Administrative Expenses | <u>126</u> | 800.0 |
| <u>729</u> | | <u>406</u> | (44.3) |
| <u>6,256</u> | BALANCE AT 30 JUNE 1989 | <u>6,639</u> | 6.1 |

In terms of an agreement with the State, the Commonwealth Government contributes 75% of the net compensation paid for animals slaughtered because of tuberculosis and brucellosis. The contribution of \$144,898 received in 1988-89 comprised \$18,245 for brucellosis compensation and \$126,653 for tuberculosis compensation. Compensation, to a maximum of \$750 per head, is assessed having regard to market values. Payments of \$280,369 related to 1,855 head of cattle slaughtered compared with \$715,483 for 3,526 head in 1987-88.

The account balance has had considerable growth in recent years increasing from \$3.3m at 30 June 1982 to its present level of \$6.6m.

Commercial Fisheries Exploration and Development Fund

As mentioned previously, the Special Deposits account was closed during the year. All future costs of administering the Fisheries and Oyster Farms Act 1935 will be met from Consolidated Fund.

Of the balance in the account at 1 July 1988 of \$483,380, \$48,916 was expended on salaries and related expenses, \$183,312 on maintenance and working expenses and \$58,260 on plant and equipment. An unexpended balance of \$192,892 was transferred to Consolidated Fund to offset further costs for 1988-89 to be met from Consolidated Fund.

No funds remained in the account at 30 June 1989.

Tuberculosis and Brucellosis Eradication Account

As mentioned previously, the Special Deposits account was closed during the year. All transactions of the joint campaign with the Commonwealth to eradicate tuberculosis and brucellosis in cattle will now be recorded within Consolidated Fund.

The balance in the account at 1 July 1988 of \$28,192 was distributed during the year comprising \$19,404 refunded to the Commonwealth (for unspent allocations and the Commonwealth's share from sales of assets) and \$8,787 transferred to Consolidated Fund.

No funds remained in the account at 30 June 1989.

Inland Fisheries Fund

Following the abolition of the Inland Angling Licence in April 1988 it was considered unnecessary to maintain a separate fund within Special Deposits as contributions from Consolidated Fund would be the only major source of funds. Accordingly, the Special Deposits account was closed during 1988-89 and all future costs of administering the Inland Fisheries provisions of the Fisheries and Oyster Farms Act will be paid out of Consolidated Fund.

The balance in the account at 1 July 1988, \$51,577, was fully expended on maintenance and working expenses incurred during the year. Other costs for 1988-89 were met from Consolidated Fund.

No funds remained in the account at 30 June 1989.

Swine Compensation Fund

In terms of the Swine Compensation Act 1928, owners of pigs destroyed because of disease and of carcasses condemned as unfit for human consumption, may claim compensation. Since 1963 payments have been at relatively low levels.

During 1988-89 there were no payments for compensation. Operating costs were \$14,531 consisting of a statute based contribution to Consolidated Fund to meet the cost of administration. Receipts representing interest allowed by the Treasury on the Fund balance totalled \$209,482.

The balance of the Fund at 30 June 1989 was \$1.8m.

Programs

The table below details the excess of payments over receipts of operations financed from Consolidated Fund and Special Deposits Account. The figures shown are net of inter-fund transfers.

| Previous Year Net Payments (Receipts) \$'000 | Program Description | Receipts \$'000 | Payments \$'000 | Excess of Payments Over Receipts \$'000 |
|---|----------------------------|--------------------|--------------------|--|
| 41,933 | Plant Industries | 12,042 | 59,108 | 47,066 |
| 10,295 | Animal Production Services | 8,633 | 19,550 | 10,917 |
| 29,953 | Animal Health Services | 4,724 | 42,752 | 38,028 |
| 10,279 | Fish Industries | 3,688 | 15,259 | 11,571 |
| 31,498 | Administrative Support | 5,573 | 52,361 | 46,788 |
| 1,228 | Non Program | 1,204 | 1,066 | (138) |
| <u>125,186</u> | | <u>35,864</u> | <u>190,096</u> | <u>154,232</u> |

The program **Animal Health Services** involves the provision of health research, advisory and regulatory services to animal industries and is aimed at protecting and improving the health, productivity and welfare of livestock. The main activities include the provision of veterinary field services and laboratories, cattle tick control and the tuberculosis and brucellosis eradication campaign. Program costs were \$42.8m and included \$19.9m for salaries and employee costs and \$15.2m on capital works mainly relating to the Elizabeth Macarthur Institute at Camden Park.

During the year a significant part of the real estate and other departmental assets at **"Graham Park" Artificial Stock Breeding Centre, Berry** (conservatively estimated at \$3m) was transferred, at no cost, to the N.S.W. Dairy Farmers Association. The assets consisted of land and buildings (\$1m), straws of semen (\$1m) and livestock, equipment, etc. (\$1m). The remaining land of 41 hectares (estimated value \$340,000) is being sold by the Department.

The transfer represented a substantial grant to a body representing members of one section of the dairy industry, viz. the producers. Prior to ownership by the Department, the land and buildings were owned by the former N.S.W. Milk Board, being purchased and built by the Board in 1956-57 from funds derived from the regulated price structure of milk sales.

"Graham Park" has for many years provided cattle semen and operated the most advanced progeny testing schemes in Australia for the Holstein-Friesian and Illawarra breeds.

Reasons given by the Department for the decision to divest from ownership and administration and to transfer the Centre to the N.S.W. Dairy Farmers Association were as follows:

- * The desire to withdraw from competition with private enterprise.
- * The Centre had recorded some financial losses.
- * Claims that funds used to establish the Centre were "industry" funds and that the N.S.W. Dairy Farmers Association represents "industry".

I understand that the N.S.W. Dairy Farmers Association has not had any prior experience in the operation of a breeding centre.

The program **Plant Industries** at \$59.1m comprised 31.1% of program expenditure. Salaries and employee costs totalled \$39.8m, maintenance and working expenses \$12.3m, capital works and other expenses \$3.5m and grants for destruction of noxious weeds \$3.5m. The program function involves research, advisory and regulatory services for fruit and vegetables, ornamental horticultural and field crops and pastures industries, including seed quality and remote sensing services. Additionally, the program provides plant quarantine and export inspection services on behalf of the Commonwealth Government.

SIGNIFICANT MATTERS RAISED PREVIOUSLY

The difficulties experienced by the Department with the *computerised accounting system* which were referred to in my Reports to Parliament for 1987 and 1988 have generally been resolved. The departmental ledgers have reached the stage where the information provided is now more informative for financial reporting.

The following other matters were reported to the Directors-General at the conclusions of the 1986-87 and 1987-88 audits of the Department:

Drawing Account Reconciliations Outstanding from 1986-87: Despite departmental assurances that reconciliations would be completed during 1988-89 the reconciliations have yet to be finalised.

Internal Audit: It was mentioned that the internal audit coverage in critical financial areas was not sufficiently broad to make a significant contribution to an acceptable level of assurance prior to management's certification of the financial statements. This situation was remedied during the year with the appointment of the chartered accounting firm, Coopers and Lybrand. That firm completed a large number of audit assignments at Head Office and branch offices.

SOIL CONSERVATION SERVICE

The Soil Conservation Service operates under the Soil Conservation Act 1938, to promote a land conservation ethic and to provide services for integrating catchment protection, conserving soils and farm water resources, rehabilitating degraded lands and preventing further land degradation.

Features of 1988-89

- * Expenditure on Capital Works and Services rose by 89.6% to \$5.6m.
- * \$3.1m was expended on computer systems (higher by 311%).
- * Transactions relating to Soilconsult, a consultancy service, are now represented in separate financial statements (previously included within the Service's financial statements) and separate comment follows under that heading.

Receipts and Payments

Following is a composite summary of receipts and payments of the Consolidated Fund and Special Deposits Account (excluding transactions relating to the Plant Operations Account and Soilconsult) for the year ended 30 June 1989. The statement is based on figures provided by the Service and at the time of preparation of this Report the audit of the accounts had not been completed. The figures may therefore be subject to change.

| Previous Year(a) \$'000 | | \$'000 | % Increase (-) |
|-------------------------------|--|---------------|----------------------|
| | RECEIPTS | | |
| 6,668 | Project Contributions | 5,862 | (12.1) |
| 61 | Sale of Farm Produce | 101 | 65.6 |
| 87 | Administration and Search Fees | 103 | 18.4 |
| 125 | Employer's Contribution to State Superannuation Fund | 114 | (8.8) |
| 962 | Allocation - Computer Facilities | 2,914 | 202.9 |
| 634 | Other | 430 | (32.2) |
| <u>8,537</u> | TOTAL RECEIPTS | <u>9,524</u> | 11.6 |
| | PAYMENTS | | |
| 15,843 | Salary and other Employee Payments | 16,613 | 4.9 |
| 9,649 | Maintenance and Working Expenses | 11,457 | 18.7 |
| 2,975* | Capital Works and Services | 5,642* | 89.6 |
| 752 | Purchase of Computers | 3,091 | 311.0 |
| 93* | Other Services, etc | 268* | 188.2 |
| <u>29,312</u> | TOTAL PAYMENTS | <u>37,071</u> | 26.5 |
| <u>20,775</u> | EXCESS OF PAYMENTS OVER RECEIPTS | <u>27,547</u> | 32.6 |

KEY
(a) Previous year's figures include transactions relating to Soilconsult.
*Net of inter-fund transfers.

Expenditure on Capital Works and Services, \$5.6m, was higher by 89.6% compared to the previous year. The expenditure was incurred mainly on the protection of dam foreshores and catchment areas and erosion control measures generally.

In accordance with the Government's policy to upgrade computer services throughout the Public Service, the Soil Conservation Service received a \$2.9m allocation in 1988-89 which it expended on the development of soil data and mapping systems to assist the rural sector in a wide area of applications for soil erosion.

Programs

The table below details the net payments or receipts of programs financed from Consolidated Fund and Special Deposits Account. The figures shown are net of inter-fund transfers.

| Previous Year Net Payments (Receipts) \$'000 | Program Description | Receipts \$'000 | Payments \$'000 | Net Payments (Receipts) \$'000 |
|--|---|--------------------|--------------------|---|
| 4,681 | Management of Catchment Areas | 1,933 | 7,712 | 5,779 |
| 1,552 | Management of Arid and Semi-Arid Lands | 30 | 2,176 | 2,146 |
| 11,221 | Conservation of Rural Lands Generally | 3,528 | 16,795 | 13,267 |
| 2,200 | Resource and Infrastructure Development | 643 | 3,401 | 2,758 |
| 1,675 | Administrative Support Services | 3,037 | 6,987 | 3,950 |
| (554) | Non Program Items | 353 | - - | (353) |
| <u>20,775</u> | | <u>9,524</u> | <u>37,071</u> | <u>27,547</u> |

PLANT OPERATIONS ACCOUNT

Transactions relating to the Soil Conservation Service's Plant Operations Account are not included in the statements above. The transactions of the scheme are recorded within Special Deposits Account and the financial statements shown below have been prepared using the accrual basis of accounting.

INCOME AND EXPENDITURE STATEMENT for the year ended 30 June 1989

| Previous Year \$'000 | | \$'000 | % Increase (-) |
|----------------------------|---|---------------|----------------------|
| | INCOME | | |
| 7,987 | Plant Hire - Landholders | 7,518 | (5.9) |
| 1,467 | Plant Charges - Government Works | 1,659 | 13.1 |
| 47 | Profit on Sale of Plant and Miscellaneous Income | 230 | 389.4 |
| <u>9,501</u> | | <u>9,407</u> | (1.0) |
| | EXPENDITURE | | |
| 4,038 | Wages, Salaries and Associated Charges | 4,233 | 4.8 |
| 73 | Travelling Expenses | 55 | (24.7) |
| 2,402 | Plant Operation Expenses | 2,197 | (8.5) |
| 128 | Plant Transport, Freight, etc | 144 | 12.5 |
| 141 | Insurance of Plant | 99 | (29.8) |
| 50 | Interest | 42 | (16.0) |
| 659 | Depreciation | 690 | 4.7 |
| 176 | Provision for Employees' Accrued Entitlements | (13) | (a) |
| 15 | Provision for Employer's Liability for Superannuation | 25 | 66.7 |
| 209 | Miscellaneous | 200 | (4.3) |
| <u>7,891</u> | | <u>7,672</u> | (2.8) |
| 1,610 | OPERATING SURPLUS BEFORE ABNORMAL ITEMS | 1,735 | 7.8 |
| 241 | Add - Abnormal Items (Net) | - | (100.0) |
| 1,851 | OPERATING SURPLUS | 1,735 | (6.3) |
| 9,095 | Accumulated Funds at Beginning of Year | 10,946 | 20.4 |
| <u>10,946</u> | ACCUMULATED FUNDS AT END OF YEAR | <u>12,681</u> | 15.9 |

KEY

(a) Debit in previous year - percentage not applicable.

BALANCE SHEET as at 30 June 1989

| Previous Year \$'000 | | \$'000 | % Increase (-) |
|----------------------------|---|---------------|----------------------|
| | CURRENT ASSETS | | |
| 4,051 | Cash | 2,898 | (28.5) |
| 1,272 | Accounts Receivable | 1,389 | 9.2 |
| 270 | Inventories | 376 | 39.3 |
| <u>5,593</u> | TOTAL CURRENT ASSETS | <u>4,663</u> | (16.6) |
| | NON-CURRENT ASSETS | | |
| 11,385 | Plant and Equipment (At Cost Less - Depreciation) | 13,533 | 18.9 |
| <u>11,385</u> | TOTAL NON-CURRENT ASSETS | <u>13,533</u> | 18.9 |
| <u>16,978</u> | TOTAL ASSETS | <u>18,196</u> | 7.2 |
| | CURRENT LIABILITIES | | |
| 726 | Accounts Payable | 470 | (35.3) |
| 444 | Provisions | 281 | (36.7) |
| <u>1,170</u> | TOTAL CURRENT LIABILITIES | <u>751</u> | (35.8) |
| | NON-CURRENT LIABILITIES | | |
| 1,557 | Provisions | 1,464 | (6.0) |
| 3,305 | Capital Debt - State Government | 3,300 | (0.2) |
| <u>4,862</u> | TOTAL NON-CURRENT LIABILITIES | <u>4,764</u> | (2.0) |
| <u>6,032</u> | TOTAL LIABILITIES | <u>5,515</u> | (8.6) |
| <u>10,946</u> | NET ASSETS | <u>12,681</u> | 15.9 |
| | CAPITAL AND RETAINED EARNINGS | | |
| 10,946 | Accumulated Funds | 12,681 | 15.9 |

In arriving at the operating result, charges are included for salaries and wages but not for other administrative costs which are borne by the Service from Consolidated Fund.

Operations for the year resulted in a surplus of \$1.7m compared to \$1.9m in the previous year. The decrease was due mainly to a reduction of some \$300,000 in plant hire income.

SOILCONSULT

The Soil Conservation Service operates a consultancy service, "Soilconsult", providing soil and land management expertise to clients on a fee for service basis. Separate financial statements have been prepared for the first time in 1988-89 and prior year's figures are not available for comparison purposes. Standard oncost accounting procedures have been applied and adjustments made when actual overhead charges are known.

The following financial statements are based on figures provided by the Service and at the time of preparation of this Report the audit of the accounts had not been completed. The figures may therefore be subject to change.

INCOME AND EXPENDITURE STATEMENT
for the year ended 30 June 1989

| | \$'000 |
|---|--------------|
| INCOME | |
| Consultancy Services | 1,692 |
| Less: Cost of Providing Service | <u>1,351</u> |
| | 341 |
| Sale of Publications | <u>3</u> |
| | <u>344</u> |
| EXPENDITURE | |
| Overheads (Unapplied) | <u>19</u> |
| OPERATING SURPLUS | 325 |
| Accumulated Funds at beginning of year | <u>2,015</u> |
| ACCUMULATED FUNDS AT END OF YEAR | <u>2,340</u> |

BALANCE SHEET as at 30 June 1989

| | \$'000 |
|---|--------------|
| CURRENT ASSETS | |
| Cash | 602 |
| Debtors | 1,226 |
| Work in Progress | 1,275 |
| Accrued Income | <u>17</u> |
| | 3,120 |
| NON-CURRENT ASSETS | |
| Plant and Equipment (Less-Provision for Depreciation) | <u>5</u> |
| TOTAL ASSETS | <u>3,125</u> |
| CURRENT LIABILITIES | |
| Prepaid Income | 573 |
| Sundry Creditors | <u>212</u> |
| TOTAL LIABILITIES | <u>785</u> |
| NET ASSETS | <u>2,340</u> |
| CAPITAL AND RETAINED EARNINGS | |
| Accumulated Funds | <u>2,340</u> |

A surplus of \$324,742 resulted from total income of \$1.7m less costs of \$1.4m. Accumulated funds amounted to \$2.3m at year end.

SIGNIFICANT MATTERS RAISED PREVIOUSLY

The financial statements for the Plant Operations Account for 1987-88 were qualified in that I was unable to form an opinion as to the correctness of the stock balance at year end. I considered that the comparative figures may not accurately reflect the variations between the 1986-87 and 1987-88 years.

This situation did not eventuate in 1988-89 since the backlog of adjustments needed to bring stock on hand and ledger figures into agreement were effected at 30 June 1988. The variance which occurred in 1988-89 between ledger figures and actual stock on hand was immaterial.

ATTORNEY GENERAL'S DEPARTMENT

The Attorney General's Department is responsible for providing a system of courts, tribunals and other mechanisms, together with associated facilities, for determining and enforcing legal rights and responsibilities; providing advice and legal and associated services to the Attorney General and to Government generally; monitoring, reviewing and promoting reform of the law and conducting research into associated matters; providing access to, and information on, areas of law and procedures coming within the scope of the Department's responsibilities; and providing for the registration of births, deaths and marriages.

Features of 1988-89

- * Expenditure on capital works increased by \$32.9m (225.7%) to \$47.4m, with \$23.4m being expended on the renovation of the Downing Centre.
- * Abolition of forty Local Courts and the proposed sale of Court Houses.
- * Court fees and fines decreased by \$5.2m (7.8%) to \$61.2m.
- * Salaries and related payments increased by 18.6% to \$119.0m.
- * Recovery of a significant portion of the total of \$31m owing to the Department under the Criminal Injuries Compensation Act is considered unlikely.
- * Compensation payments to victims of crime rose by 70.2% to \$21.0m.
- * \$6.8m expended on computerised facilities.

In addition to the financial audit, special reviews of the following areas were undertaken during the year:

- * The Crown Solicitor's debt recovery function.
- * The Births, Deaths and Marriages computerisation project.

Details of the second review appear elsewhere in this Report under the heading "Special Project Audits and Reviews" while the first review, which is still in progress, will be included in Volume Three of my Report for 1989.

Functional Changes

The Transport Appeals Board's administrative function was transferred from the Ministry of Transport to the Attorney General's Department as at 13 January 1989. The accounts of the Board for the year ended 30 June 1989 are included in the program "Specific Purpose Tribunals". Figures for the previous year with respect to the Board are not included in the following financial tables.

On 1 July 1988 the Office of Director of Public Prosecutions was established as a separate administrative unit which is commented upon elsewhere in this Report. In Volume Two of my 1988 Report, transactions of that Office appeared under the program "Crown Representation in Criminal Prosecutions".

Receipts and Payments

A composite summary of receipts and payments of the Consolidated Fund and Special Deposits Account for the year ended 30 June 1989 follows. The previous year's figures have been adjusted where necessary to accommodate the above administrative changes.

| Previous Year \$'000 | | \$'000 | % Increase (-) |
|----------------------------|--|----------------|----------------------|
| | RECEIPTS | | |
| 40,969 | Fees for Services Rendered | 38,035 | (7.2) |
| 25,407 | Fines | 23,132 | (9.0) |
| 24,257 | Settlement of Actions | 30,282 | 24.8 |
| 8,127 | Contribution from State Compensation Board | 7,691 | (5.4) |
| 729 | Licences | 658 | (9.7) |
| 20,538 | Miscellaneous | 28,551 | 39.0 |
| <u>120,027</u> | TOTAL RECEIPTS | <u>128,349</u> | 6.9 |
| | PAYMENTS | | |
| 100,329 | Salaries and Other Employee Benefits | 118,981 | 18.6 |
| 24,300 | Maintenance and Working Expenses | 34,287 | 41.1 |
| 14,568 | Capital Works and Services | 47,443 | 225.7 |
| 9,132 | Plant and Equipment | 10,321 | 13.0 |
| 29,242 | Settlement of Actions | 27,670 | (5.4) |
| 12,409 | Compensation to Victims of Crime (net) | 21,017 | 69.4 |
| - - | Contribution to Judges Pension Scheme | 4,379 | (a) |
| 3,521 | Legal Expenses on behalf of Government Departments | 3,654 | 3.8 |
| 861 | Conveyancing Assistance to Staff | 1,560 | 81.2 |
| 1,300 | Contribution to Management Expenses - Law Courts Ltd | 1,380 | 6.2 |
| 325 | Contribution to Commercial Disputes Centre Expenses | 600 | 84.6 |
| 5,059 | Jury Costs | 5,971 | 18.0 |
| 165 | Costs Against the Crown in Criminal Matters | - - | (100.0) |
| 936 | Fees for Arbitration of Civil Claims | 1,151 | 23.0 |
| 723 | Inquest and Post Mortem Fees | 751 | 3.9 |
| 491 | Court Libraries Account | 557 | 13.4 |
| 335 | Contribution to Justice and Police Museum Ltd | - - | (100.0) |
| 2,277 | Recoupable Legal Expenses | 1,117 | (50.9) |
| | Crown Solicitor's Trust Account - Transferred | | |
| 2,636 | Officers Scheme | 1,795 | (31.9) |
| 4,320 | Crown Solicitor's Working Account | 7,413 | 71.6 |
| 1,383 | Miscellaneous | 1,401 | 1.3 |
| <u>214,312</u> | TOTAL PAYMENTS | <u>291,448</u> | 36.0 |
| <u>94,285</u> | EXCESS OF PAYMENTS OVER RECEIPTS | <u>163,099</u> | 73.0 |

KEY

(a) Nil in previous year - not calculable.

Receipts

Fees for Services Rendered, \$38m, included \$10.8m Local Courts fees, \$8.2m for Supreme Court and \$3.0m for District Court services. The decrease of \$2.9m from the previous year can be largely attributed to two factors arising from the enactment of the Motor Traffic (Penalty Defaults) Amendment Act 1987. First, orders of court costs have declined because unpaid parking infringement penalties are no longer referred to a Local Court by default, but rather are dealt with at the Executive level. Secondly, the issue of Warrants of Commitment in instances of unpaid traffic fines and court costs has been replaced with a system of issuing Community Service Orders and this has resulted in enforcement delays and an ensuing reduction in court fees collections and warrant issue fees.

Fines collected at Local Courts totalled \$23.1m. Of that sum, \$13.9m related to transport offences which was lower by 17.8% due largely to the parking penalty process change and traffic fines enforcement delays referred to above. It is considered that the reduction in revenue from Court fines could be offset in part, by increased revenue received by the Police Department. Total debts owing to the Crown from unpaid fines cannot be readily assessed due to the nature of court records. However, from information provided by the Warrant Index Unit of the Police Department the recorded value of outstanding Warrants of Commitment and Warrants of Apprehension at 30 June 1989 was \$73.8m (\$72.1m in 1987-88). (Refer comment elsewhere in this Report under the heading Police Department).

Receipts of \$30.3m for **Settlement of Actions** represent funds paid to the Crown Solicitor by various Departments and Instrumentalities for conducting conveyancing services for and on behalf of those organisations.

Payments

Salaries and other employee payments, \$119.0m, represented 40.8% of all expenditure and an increase of 18.6% on the previous year. A major contributing factor to the increase was the inclusion of payroll tax of \$5.5m. This expense, in previous years, was included in expenditure of the Treasurer of New South Wales. Another significant factor was additional judicial and other appointments in an initiative, commenced during 1988, to bring court proceedings to a more timely basis.

Maintenance and Working Expenses rose by 41.1% to \$34.3m. The increase was largely due to the inclusion of cleaning costs of \$3.1m which were formerly met by the Government Supply Office.

Expenditure on **Plant and Equipment** increased 13.0% to \$10.3m. Of this, \$6.8m (\$6.6m in 1987-88) was for computer acquisition and associated costs. This related mainly to the development of the Department's court registry system "Courtnet" (a computerised system for certain financial applications and administrative functions of court registries in Local, District and Supreme Courts) and computerising the registers of births, deaths and marriages.

Expenditure on **Capital Works and Services** increased from \$14.6m in 1987-88 to \$47.4m in the review year and includes construction of new court premises at Parramatta (\$9.0m) and Sutherland (\$2.0m) and new facilities at Katoomba (\$2.4m). Also \$23.4m was spent on renovation of the Downing Centre to provide a centralised venue for the District Court sitting in Sydney in its Criminal Jurisdiction and the setting up of fourteen trial courts and two appeals/short matters courts. A projected \$53.5m is expected to be spent on the Downing Centre in 1989-90. The work is due for completion in July 1990.

Although operations of the **Protective Office Supreme Court Trust Account** are not reflected within the above statement of receipts and payments, the account is controlled by the Protective Commissioner of the Supreme Court who is accountable by legislation to the Attorney General. The Protective Estates Amendment Act 1989 took effect from 1 July 1988, under which the Office became self funding, operations being financed by revenue from services rendered. Operations had formerly been funded through the Consolidated Fund. Comment will be included in Volume Three of my 1989 Report.

The **Supreme Court Trust Account** records moneys paid into the several divisions of the Supreme Court, other than the Protective Division. Receipts for the year totalled \$55.8m and payments \$54.3m. Approved investments at 30 June 1989 totalled \$15.6m and the total Trust holdings were \$16.9m. Supreme Court rules provide for the transfer of balances unclaimed for six years to the Special Deposits Account – Supreme Court – Unclaimed Funds Account. Although no funds were so transferred during 1988–89, unclaimed moneys previously transferred and held at 30 June 1989 totalled \$986,000. Transactions on the Trust Account are not reflected in financial tables appearing in this review.

Programs

The table below details the excess of payments over receipts of operations financed from Consolidated Fund and Special Deposits Accounts on a program basis.

The programs "Legal Compensation and Review Services", "Elimination of Discrimination"; and "Review of Promotion and Disciplinary Decisions Affecting Certain Public Servants", which appeared in my last Report, are included this year under the program "Specific Purpose Tribunals".

| Previous Year Net Payments (Receipts) \$'000 | Program Description | Receipts \$'000 | Payments \$'000 | Net Payments (Receipts) \$'000 |
|---|---|--------------------|--------------------|---|
| 14,216 | Legal Advice and Representation on behalf of the Crown | 42,535 | 48,893 | 6,358 |
| 30,153 | Local Court Services | 10,765 | 56,517 | 45,752 |
| 12,897 | Administrative Support Services | 12,396 | 31,151 | 18,755 |
| 11,995 | District Court Services | 3,035 | 47,947 | 44,912 |
| 5,150 | Supreme Court Services | 8,187 | 14,905 | 6,718 |
| | Court Reporting, Recording and Transcription Services | 2,971 | 16,934 | 13,963 |
| 11,954 | Security, Jury and Court Process Services | 2,299 | 17,559 | 15,260 |
| 14,938 | Specific Purpose Tribunals | 492 | 24,814 | 24,322 |
| | Registry Services for Births, Deaths and Marriages | 7,564 | 5,880 | (1,684) |
| (2,036) | Legal Aid Services (Public Defender) | 1,900 | 1,713 | (187) |
| (333) | Land and Environment Court Services | 202 | 3,130 | 2,928 |
| 2,829 | Legal and Law Reform and Law Reporting | 150 | 2,443 | 2,293 |
| 2,400 | Industrial Commission Services | – | 2,318 | 2,318 |
| 2,133 | Legal Library Services | 264 | 1,982 | 1,718 |
| 1,591 | Drafting of Government Legislation | – | 1,719 | 1,719 |
| 1,379 | Criminal Listing Directorate | – | 880 | 880 |
| 612 | Community Justice Scheme | – | 910 | 910 |
| 609 | Protection of Privacy | – | 355 | 355 |
| 252 | Compensation Court of N.S.W. | 7,773 | 9,048 | 1,275 |
| (1,566) | Non Program Items | 27,816 | 2,350 | (25,466) |
| (26,094) | | | | |
| <u>94,285</u> | TOTAL | <u>128,349</u> | <u>291,448</u> | <u>163,099</u> |

The program **Legal Advice and Representation on behalf of the Crown** (other than Criminal Prosecutions) at \$48.9m comprised 16.8% of program expenditure. The function involves legal advice and representation for the Crown in legal proceedings, summary and constitutional matters, enquiries and Royal Commissions. It also provides conveyancing services and recovery action on debts due to the Crown.

Debts due to the Crown deemed to be irrecoverable are written off by the Department. For the biennium ended 30 June 1989 write offs totalled \$819,017 of which \$810,033 related to parking fines and costs imposed upon companies. An evaluation of the Crown Solicitor's debt recovery function was undertaken during the year, the results of which will be presented in Volume Three of my 1989 Report to Parliament.

Costs of \$56.5m were incurred on **Local Court Services** in the provision of courts, magistrates and registry services to enable the hearing of summary matters in criminal and civil jurisdictions. An increase of \$13.5m (31.3%) resulted from higher salary and general expenses. Fees received for services rendered under the program were \$10.8m.

Forty Local Courts were abolished during the year. The Department intends to sell a number of the court houses in 1989-90 with local councils being given first option to purchase.

The program **Administrative Support Services** provides for formulation of policy advice and administration of the Government's legislative program, including services to Parliament relating to review of the Australian Constitution. It also caters for management and administrative services to the Minister. Program expenditure of \$31.2m included \$11.9m for salaries and other employee payments, \$5.0m for maintenance and working expenses and \$7.7m for plant and equipment of which \$6.8m related to computer purchases (commented on earlier) for which an allocation of \$10.7m was received from the Treasury.

District Court Services involves the provision of courts, judges and registry services to enable the hearing of non-capital indictable offences and civil matters up to \$100,000 and appeals from decisions of Local Courts and various Tribunals. Fee receipts for services rendered totalled \$3.0m. Costs rose by \$30.8m (180.3%) compared to the previous year. The increase was largely attributable to capital costs of \$23.4m incurred mainly on renovation of the Downing Centre, as detailed earlier in this review.

The program **Supreme Court Services** encompasses the provision of judges and registry services to facilitate the hearing of appeals, criminal and civil trials and matters relating to the administration of deceased estates by the Probate Division of the Supreme Court. Program costs were \$14.9m and included \$10.9m for salaries and employee benefits.

Court Reporting, Recording and Transcription Services is concerned with the recording and transcription of proceedings of all courts and tribunals where reporting is required. Program expenditure of \$16.9m included \$15.0m for salaries and other employee benefits. Revenue from transcription fees totalled \$3.0m.

Security, Jury and Court Process Services involves a system of enrolling and summoning jurors for court proceedings, providing service of process and enforcement of judgments, orders and decrees in addition to overseeing security of higher courts and provision of certain administrative services to the Supreme Court. Program costs totalled \$17.6m and included \$8.3m for salaries and other employee payments as well as \$6.0m for jury costs.

The *Specific Purpose Tribunals* program provides for the payment of compensation to the victims of crime and for the hearing and adjudication of appeals against promotion and disciplinary decisions in the public service, most public authorities and the police force. The program also provides policy advice to the Government on matters relating to discrimination and provides judicial hearing of such matters relating to the Anti-Discrimination Act. Total payments for the year were \$24.8m of which \$21.0m related to compensation payments to victims of crime (see table below).

The Victims Compensation Tribunal, established in February 1988, effectively supersedes the mechanisms by which payments were previously made to persons aggrieved by acts of violence. The Tribunal, has power to award up to \$40,000 compensation to victims for injuries resulting from acts of violence, witnesses to such acts, close relatives of deceased victims and to law enforcement victims. Additional amounts may be awarded to cover resultant expenses or loss of personal effects up to a maximum total award of \$50,000. Upon an application to the Attorney General's Department the amount of a determination is currently payable from Consolidated Fund.

Pursuant to an award of compensation, a restitution hearing may be held against a person who has been convicted of certain offences arising from substantially the same facts as those on which the award of compensation was based. At such a hearing the Tribunal may order the person to pay to the Crown an amount not exceeding that awarded in the related compensation determination. No such hearings have commenced.

The Victims Compensation (Amendment) Bill 1989 was introduced into Parliament during July 1989. The Bill provides for, inter alia, the establishment of a Victims Compensation Fund from which it is anticipated awards made by the Tribunal will be paid. Debate on the Bill has been adjourned until late September during the Budget Session.

Applications are currently being received by the Tribunal at a rate of approximately eighty per week. Total awards in 1989-90 are forecast to exceed \$30m.

Details of the last two years' payments follow:

| | 1987 - 88 \$'000 | 1988 - 89 \$'000 | Average Award \$ |
|---|-------------------------------|--------------------------------|------------------------|
| Payments under Criminal Injuries Compensation Act 1967 (Net of Receipts) | 7,684 | 687 | 4,981 |
| "Ex Gratia" Scheme Payments | 3,463 | 14 | 3,410 |
| Payments under Victims Compensation Tribunal Act 1987 | <u>1,194</u> <u>12,341</u> | <u>20,306</u> <u>21,007</u> | 12,029 |

Amounts recovered during 1987-88 under the Criminal Injuries Compensation Act from convicted persons totalled \$60,821. However at 30 June 1989, \$31m is recorded by the Department as owing under that Act. The probability of recovering a significant portion of that sum from convicted parties is considered highly unlikely. The Tribunal Registry, however, has recently computerised its debtors system with a view to improving the rate of recovery in this area.

The new restitution procedures of the Victims Compensation Tribunal, outlined previously, are designed to have debts determined in amounts that are appropriate in the circumstances of each case - with one aim being to improve the rate of recovery.

The program *Registry Services for Births, Deaths and Marriages* is concerned with the registration of births, deaths and marriages, legitimations, adoptions and paternity information and preservation of records created since 1788. Operations also include searches and provision of certificates and information on payment of the prescribed fee. Program costs of \$5.9m included \$3.4m for salaries and other employee payments. Revenue from certificate fees associated with births, deaths and marriages totalled \$7.6m. A review was conducted of the management of a project to supply and implement a computerised system for Registry records. The results of that review are presented elsewhere in this Report.

Receipts appearing as *Non Program Items* totalled \$27.8m and included \$23.1m in fines for various traffic and other offences.

SIGNIFICANT MATTERS RAISED PREVIOUSLY

Plant and Equipment: The 1987-88 audit revealed that a system with adequate controls had not been established by the Department for recording computer hardware and other equipment items. Also, the Treasurer's Directions in regard to plant recording were not observed. A new plant register system is now being established which will be reviewed on completion to ensure satisfactory resolution of observations recorded by audit.

Drawing Account: Although departmental action had been taken to reduce the backlog of outstanding Drawing Account reconciliations, several months reconciliations remained outstanding at the completion of the 1987-88 audit. Action taken during 1988-89, however, has resulted in the backlog being completely overcome.

JUDICIAL COMMISSION OF NEW SOUTH WALES

The Commission was constituted under the Judicial Officers Act 1986 for the purpose of:

- * monitoring, for consistency, sentences imposed by the courts;
- * providing continuing education and training of Judicial officers, and
- * investigating and dealing with complaints against Judicial officers.

Payments for the year totalled \$1.1m and included \$547,111 for salaries and other employee payments, \$182,071 for fees for services rendered and \$196,162 for purchase of furniture, computer hardware and software and other electronic equipment.

OFFICE OF THE DIRECTOR OF PUBLIC PROSECUTIONS

The Office of the Director of Public Prosecutions was established as a separate administrative office from 1 July 1988. Previously the operations of the Office were included under the program *Crown Representation in Criminal Prosecutions* within the Attorney-General's Department.

The principal functions and responsibilities of the Director are to institute and conduct, on behalf of the Crown, prosecutions for indictable offences in the District and Supreme Courts and to appear as appellant or respondent in criminal appeals.

Receipts and payments for the year were \$0.3m and \$21.3m respectively.

Expenditure comprised the following:

| Previous Year \$'000 | | \$'000 | % Increase (-) |
|----------------------------|----------------------------------|---------------|----------------------|
| 11,080 | Employee related payments | 15,549 | 40.3 |
| 1,710 | Maintenance and working expenses | 3,179 | 85.9 |
| 441 | Plant and Equipment | 610 | 38.3 |
| 1,760 | Other Services | 1,948 | 10.7 |
| <u>14,991</u> | | <u>21,286</u> | 42.0 |

The increased costs incurred mainly related to salaries and accommodation, resulting from the establishment of the Office as a separate administrative unit.

BUSINESS AND CONSUMER AFFAIRS

Business and Consumer Affairs was established in May 1988 to administer functions carried out by the former Departments of Consumer Affairs, Industrial Development and Decentralisation, Co-operative Societies, and the Corporate Affairs Commission.

The principal role of Business and Consumer Affairs is to encourage business growth throughout New South Wales while maintaining integrity and fair trading.

The objects of the Agency are:

- * Promote balanced growth and self-development of industry and commerce.
- * Ensure integrity and fair trading in business activity.
- * Reduce Government imposed costs and restrictive regulation of business.

Financial Features of 1988-89

- * Licence Fees received increased by \$7.6m (12.7%) to \$67.7m.
- * Payments under the Business Support Program fell by \$7.2m (14.9%) to \$40.9m.
- * Management Support Services payments rose by \$19.7m (314.9%) to \$25.9m which included substantial expenditure on computerisation.

Receipts and Payments

A summary of receipts and payments of the Consolidated Fund and Special Deposits Account for the year ended 30 June 1989 is as follows. Some of the previous year's figures have been adjusted where necessary.

| Previous Year \$'000 | | \$'000 | % Increase (-) |
|----------------------------|---|----------------|----------------------|
| | RECEIPTS | | |
| 60,031 | Licence Fees | 67,661 | 12.7 |
| 1,728 | Register of Encumbered Vehicles | 2,078 | 20.3 |
| 944 | Weights and Measures | 866 | (8.3) |
| 137 | Fines and Other Fees | 1,122 | 719.0 |
| 219 | Commitments Transfer - Section 49 Appropriation Act | 5,570 | (b) |
| 158 | Motor Dealers Compensation Fund | 116 | (26.6) |
| 199 | Government Employment Schemes | - | (100.0) |
| 534 | Travel Industry Account - Interest etc | 4 | (99.3) |
| 2,785 | Business and Consumer Affairs - Working Account | 3,417 | 22.7 |
| 2,340 | Provision for New Computer Facilities | 3,578 | 52.9 |
| 1,543 | Industries Assistance Fund | 4,103 | 165.9 |
| - | Excluded assets - Principal and Interest | 4,272 | (a) |
| 1,757 | Other | 2,638 | 50.1 |
| <u>72,375</u> | TOTAL RECEIPTS | <u>95,425</u> | 31.8 |
| | PAYMENTS | | |
| 34,007 | Salaries and Related Payments | 34,051 | 0.1 |
| 10,978 | Maintenance and Working Expenses | 14,251 | 29.8 |
| 448 | Plant and Equipment | 6,992 | (b) |
| 6,695 | Grants and Subsidies | 7,392 | 10.4 |
| 1,542 | Provision of Computer Facilities | 2,914 | 89.0 |
| 144 | Motor Dealers Compensation Fund | 205 | 42.4 |
| 190 | Government Employment Schemes | - | (100.0) |
| 1,375 | Marketing and Promotion Activities | 579 | (57.9) |
| - | Register of Encumbered Vehicles - Working Account | 649 | (a) |
| 15,531 | Payroll Tax Rebates | 15,944 | 2.7 |
| | National Companies and Securities Commission: | | |
| 4,452 | Fees Sharing | 4,990 | 12.1 |
| 1,110 | Operating Costs | 1,126 | 1.4 |
| 969 | Legal Expenses | 933 | (3.7) |
| | Capital Works and Services - Advanced | | |
| 3,000 | Technology Centres | - | (100.0) |
| 2,493 | Business and Consumer Affairs - Working Account | 3,099 | 24.3 |
| 2,751 | National Industries Extension Service | 3,899 | 41.7 |
| 3,414 | Industries Assistance Fund | 4,180 | 22.4 |
| 1,150 | Special Industries Agency - Principal and Interest | - | (100.0) |
| - | Excluded Assets - Administrative Expenses | 113 | (a) |
| 3,551 | Other | 3,581 | 0.8 |
| <u>93,800</u> | TOTAL PAYMENTS | <u>104,898</u> | 11.8 |
| <u>21,425</u> | EXCESS OF PAYMENTS OVER RECEIPTS | <u>9,473</u> | (55.8) |

KEY

(a) Nil in previous year - not calculable.

(b) More than 1,000%.

Receipts for the year rose by \$23.1m to \$95.4m. The rise was mainly due to increased income from various categories of licence fees and funds transferred to Special Deposits Account under Section 49 of the Appropriation Act, for commitments entered into prior to 30 June 1989 but not paid at that date. The commitments included office fitouts (\$2.4m) purchase of computer hardware, software and installation costs (\$2.3m) and consultancies (\$0.6m). Also contributing to the increased receipts were principal and interest payments (\$4.3m) received in relation to loans transferred to the Minister for Business and Consumer Affairs following the sale of the New South Wales Investment Corporation.

Programs

The table below details the excess of payments over receipts of operations financed from Consolidated Fund and Special Deposits Account on a program basis:

| Previous Year Net Payments (Receipts) \$'000 | Program Description | Receipts \$'000 | Payments \$'000 | Net Payments (Receipts) \$'000 |
|---|-----------------------------|--------------------|--------------------|---|
| 43,695 | Business Support | 11,074 | 40,912 | 29,838 |
| 16,238 | Compliance | 1,180 | 9,152 | 7,972 |
| (45,673) | Client Services | 72,282 | 21,700 | (50,582) |
| 2,562 | Policy Development | -- | 2,521 | 2,521 |
| 6,223 | Management Support Services | -- | 25,912 | 25,912 |
| (1,620) | Non Program Items | 10,889 | 4,701 | (6,188) |
| <u>21,425</u> | | <u>95,425</u> | <u>104,898</u> | <u>9,473</u> |

Program — Business Support

Included in this program are the activities of National Industry Extension Services and the Industries Assistance Fund.

During the year the administration of some 400 loans was transferred to the Minister for Business and Consumer Affairs in his capacity as "Ministerial Corporation for Industry" as a result of the sale of the New South Wales Investment Corporation in terms of the New South Wales Investment Corporation (Sale) Act 1988. Transactions in relation to these loans are also included in this program.

Receipts for the year rose by \$6.7m to \$11.1m due to increases in land sales revenue \$4.0m (\$2.4m in 1987-88) and repayments of principal and interest from former Investment Corporation loans \$4.3m.

Included in expenditure is \$5.0m being contributions towards cost of the tender by the Australian Warships Systems Consortium for the ANZAC Frigates contract. This contract valued at an estimated \$5 billion (the biggest defence contract ever awarded by the Australian Government) would have been of great benefit to New South Wales had its tender been successful. A Victorian shipyard has been awarded the contract.

Payroll Tax Rebates aggregated \$15.9m (\$15.5m in 1987-88). The conditions for payment of these rebates remained unchanged during 1988-89.

Transactions of the following *Special Deposits* Accounts are included in this program.

National Industry Extension Service: This account was established during 1986–87 to facilitate the operations of the Joint Commonwealth and State program to improve the internal efficiency and international competitiveness of business in New South Wales.

A total of \$6.3m was paid into the account in 1988–89, mostly State contributions, \$6.0m.

Grants and subsidies to business from the account during the year totalled \$2.7m with the balance of payments, \$1.2m, being for promotions, consultants and administrative costs.

A balance of \$6.1m remained at 30 June 1989.

Industries Assistance Fund: This account was established during 1986–87 under the State Development and Industries Assistance (Amendment) Act 1986. The Ministerial Corporation, known as "The Ministerial Corporation for Industry", constituted under the Agency's principal act, is responsible for administering the Fund. The Fund is used to promote, encourage and stimulate the establishment, expansion and development of industries.

Receipts, \$9.1m, mainly comprised \$5.0m transferred from the Consolidated Fund and \$4.0m proceeds from the sale of industrial land.

Payments included grants and subsidies \$2.2m, principal and interest repayments \$1.9m and land development expenditure \$52,315.

The Corporation, for the purpose of providing sites for country industries, has acquired land for subdivision and sale. At 30 June 1989, 310 hectares of industrial land valued in June 1989 at \$14.7m were held.

The balance of the account was \$11.3m at 30 June 1989.

Program – Compliance

This program includes the following activities:

- * Legal services
- * Commercial regulation
- * Monitoring trade practices
- * Investigative services

The main receipt item was \$1.1m derived from fines and other fees. Program expenditure at \$9.2m included \$6.3m for salaries and employee related payments, \$0.5m for maintenance and working expenses and \$2.2m for other services.

Other Services: Significant payments under this heading are summarised as follows:

| | 1987 – 88 | 1988 – 89 | % |
|--|-----------|-----------|----------|
| | \$'000 | \$'000 | Increase |
| | | | (–) |
| Investigation Expenses | 52 | 143 | 175.0 |
| Prosecution Expenses | 969 | 933 | (3.7) |
| State's share of the administrative costs of the National Companies and Securities Commission | 1,110 | 1,126 | 1.4 |

Program – Client Services

The objectives of this program are to provide information, advice and dispute resolution facilities to businesses and consumers and to promote fair trading and sound business operations. Total receipts rose by \$10.0m to \$72.3m, including business registration fees, companies and business names \$64.8m (\$57.9m in 1987–88); motor dealers, credit providers, travel agents etc \$2.9m (\$2.2m in 1987–88); register of encumbered vehicles \$2.1m (\$1.7m in 1987–88); weights and measures \$0.9m (\$0.9m in 1987–88).

During 1988–89 there were 50,087 new business names registered and 34,735 renewals. In addition, 24,887 new companies were incorporated bringing the number of registered companies at 30 June 1989 to 337,057.

Payments under this program included \$13.1m for employee related payments; \$1.3m for maintenance and working expenses; \$7.3m for other services.

The Register of Encumbered Vehicles was established in September 1986 to provide a public record system to enable financiers to register any financial interest they establish over any motor vehicle. It also provides an intending purchaser with the ability to determine if there is any such interest on a particular motor vehicle.

Since the Register became operational, a financier who fails to record a relevant encumbrance will forfeit the right to repossess the vehicle from a bona fide purchaser. The right to legal redress against the original debtor remains. Conversely, a purchaser who fails to make an enquiry of the Register cannot defeat the claims of a financier who has registered an interest.

Registry records are computerised. The Registry has recorded 218,843 financial encumbrances and checked a total of 466,524 enquiries during the year ended 30 June 1989. The Register also holds data of 146,030 vehicles reported as stolen to the Police. Costs of the Registry for the year were \$0.7m while revenue, charged on the "user–pays" principle, was \$2.1m. The decrease in costs was primarily as a result of the changing of the accounting method for treatment of administrative costs.

Consistent with the government's policy commitment to the commercialisation of certain public sector entities, the Register of Encumbered Vehicles (REV) will be transferred "off–budget" from 1 July 1989. Administrative support will continue to be provided by the Agency. Financial transactions will be accounted for within a working account specifically designated for REV's operations.

Other Services: Major payments under this heading are summarised as follows:

| | 1987–88 | 1988–89 | % Increase |
|---|---------|---------|---------------|
| | \$'000 | \$'000 | (–) |
| Grants and Subsidies | 212 | 286 | 34.9 |
| Disbursement of Fees under National Companies and Securities Commission Fee Sharing Agreement | 4,452 | 4,990 | 12.1 |
| Funeral Fund – Liquidation Disbursements | – | 649 | (a) |

KEY

(a) Nil in previous year – not calculable.

Program – Policy Development

The objective of the program is to review, develop and implement legislative and administrative policies to achieve the Government's objectives in business and consumer affairs.

Program expenditure at \$2.5m included \$1.7m for salaries and other employee payments, \$0.8m for maintenance and working expenses and minor amounts for plant and equipment.

Program – Management Support Services

The objective of the program is to manage and administer the Agency in accordance with its legislative requirements and corporate goals. It includes the following activities:

- * Finance and budgetary services.
- * Personnel and staff services.
- * Administrative services.
- * Management information services.

Expenditure for the year rose by \$19.7m to \$25.9m which included \$8.5m for salaries and other employee payments, \$10.8m for maintenance and working expenses and \$6.7m for plant and equipment. Maintenance included \$3.7m for rent and \$2.7m for minor stores. A major item included in plant and equipment was \$6.5m for the purchase of computers. The Agency received supplementation against the plant and equipment item "purchase of computers" amounting to \$6.4m.

SIGNIFICANT MATTERS RAISED PREVIOUSLY

Following the conclusion of the 1988 audit the following matters were referred to the Agency for appropriate action:

1. The Internal Audit Bureau identified serious control weaknesses in mail and counter collection systems within the Client Services (then Corporate Affairs Commission). Remedial action has been taken by the Agency to overcome these shortcomings.
2. In contravention of Clause 7 of the Fee Sharing Agreement, disbursements of National Companies and Securities Commission fees collected on behalf of other States were not paid on the due date (i.e. fifteenth day of each quarter. The Agency has advised that in 1988–89 efforts have been made to keep delays to a minimum and those efforts have been substantially successful. In 1989–90 the implementation of a computerised revenue receipting system will further assist in eliminating delays.

CHIEF SECRETARY'S DEPARTMENT

The Chief Secretary's Department was established on 25 March 1988. The Department is responsible for the Liquor Administration Board and the Charities Branch (previously under the Treasury and the Department of Finance, respectively).

Financial Features of 1988-89

- * Poker machine licence and supplementary licence tax receipts at \$239.4m were higher by \$27.2m.
- * Receipts from liquor licence and registration fees rose by \$28.7m to \$215.4m.

A composite summary of receipts and payments of the Consolidated Fund and Special Deposits Account for the year ended 30 June 1989 is as follows:

| Previous Year \$'000 | | \$'000 | % Increase (-) |
|----------------------------|---|----------------|----------------------|
| | RECEIPTS | | |
| 212,199 | Taxation - Poker Machines | 239,405 | 12.8 |
| | Licence Fees - Fermented and | | |
| 169,297 | Spiritous Liquors | 188,165 | 11.1 |
| 17,344 | Licence Fees - Amusement Devices | 27,191 | 56.8 |
| 2,659 | Licence Fees - Soccer Football Pools | 1,921 | (28.0) |
| 431 | Licence Fees - Charities | 443 | 2.8 |
| 998 | Other | 853 | (14.5) |
| - - | Allocation - Computer Facilities | 533 | (a) |
| 31 | Salaries Accrual - Net Movement | 22 | (29.0) |
| <u>402,959</u> | TOTAL RECEIPTS | <u>458,533</u> | 13.8 |
| | PAYMENTS | | |
| 4,134 | Salaries and Other Employee Payments | 5,310 | 28.4 |
| 996 | Maintenance and Working Expenses | 1,237 | 24.2 |
| 291 | Purchase of Computer and Related Payments | 456 | 56.7 |
| 20 | Purchase of Other Plant | 83 | 315.0 |
| - - | Purchase of Motor Vehicles | 25 | (a) |
| 202 | Investigation/Evaluation Fees | 143 | (29.2) |
| <u>5,643</u> | TOTAL PAYMENTS | <u>7,254</u> | 28.5 |
| <u>397,316</u> | EXCESS OF RECEIPTS OVER PAYMENTS | <u>451,279</u> | 13.6 |

KEY

(a) Nil in previous year - not calculable.

Liquor Administration Board

The Board is responsible for the assessment and collection of annual fees in respect of the sale of liquor and the operation of approved amusement devices in hotels and poker machines in registered clubs.

Poker Machine Taxation

Licences to operate poker machines are issued to clubs registered under the Registered Clubs Act 1976. At 30 June 1989 there were 1,523 clubs licensed to operate poker machines, six more than at the close of the previous year. At \$239.4m, poker machines taxes rose by \$27.2m (12.8%) and were \$9.4m in excess of the Budget estimate. Earlier growth was 10.6% in 1987-88.

Statistics show that the number of machines licensed rose by 1,902. Details of machines licensed and the basic licence tax show:

| Class of Machine | Number Licensed at 30 June | | | Licence Tax per annum on each Machine \$ |
|------------------|----------------------------|---------------|---------------|---|
| | 1987 | 1988 | 1989 | |
| 1¢ | 1 | 1 | 1 | 20 |
| 2¢ | 13 | 13 | 10 | 40 |
| 5¢ | 2,514 | 2,900 | 3,471 | 100 |
| 10¢ | 31,995 | 33,266 | 35,443 | (a) |
| 20¢ | 13,440 | 12,602 | 11,285 | (b) |
| \$1 | -- | -- | 395 | (b) |
| \$2 | -- | -- | 79 | (b) |
| | <u>47,963</u> | <u>48,782</u> | <u>50,684</u> | |

KEY

(a) \$200 for each of the first twenty then \$300 for each additional machine.

(b) \$1,000 for each of the first two and up to \$2,500 for each additional machine

Supplementary licence tax is assessed on net revenues exceeding \$100,000 p.a. at rates up to 15%. Additional supplementary tax is payable at rates starting at 1.5% on the excess of a club's net revenue over \$100,000 up to \$200,000 and rising progressively to \$25,500 plus 7% on net revenue in excess of \$750,000. A range of concessions operates which reduces the total tax payable. The components of poker machine taxation collections are shown in the following table. The total of clubs' net revenue upon which the supplementary taxes were assessed has been estimated at \$1,048m for 1988-89 (\$958m in 1987-88).

| | 1987-88 | 1988-89 | Increase (-) \$ '000 | % Increase (-) |
|---|----------------|----------------|----------------------------|----------------------|
| | \$ '000 | \$ '000 | | |
| Licence Tax | 25,320 | 25,334 | 14 | 0.1 |
| Supplementary Licence Tax | 139,877 | 159,503 | 19,626 | 14.0 |
| Additional Supplementary Licence Tax | 46,911 | 54,792 | 7,881 | 16.8 |
| Other | 236 | 224 | (12) | (5.1) |
| | <u>212,344</u> | <u>239,853</u> | <u>27,509</u> | <u>13.0</u> |
| Less - Refunds in respect of amounts disbursed for approved Welfare Purposes | 145 | 448 | 303 | 209.0 |
| | <u>212,199</u> | <u>239,405</u> | <u>27,206</u> | <u>12.8</u> |

Licence Fees for Liquor and Amusement Devices

Fees for licences under the Liquor Act 1982, and certificates of registration under the Registered Clubs Act 1976, aggregated \$215.4m, an increase of \$28.7m over the previous year. Of the total, fees for the licensing and control of amusement devices were \$27.2m (\$17.3m in 1987-88).

Regulation under the Liquor Act prescribes a minimum licence fee for each class of licence. The minimum fee is payable when the fee assessed on the value of liquor purchases during the preceding year ended 30 June is less than the prescribed fee.

The licensing year for 1989–90, ends on 15 January 1990. Licence and certificate holders have the option of paying the licence fee by instalments. The first instalment was due on 15 January 1989 and the second instalment due four months later.

Statistics compiled by the Liquor Administration Board relating to the number of licences current for the assessment period ended 30 June 1989 are set out below:

| | Metropolitan | Country | Total |
|-----------------------|--------------|--------------|--------------|
| Hoteliers | 618 | 1,388 | 2,006 |
| Registered Clubs | 575 | 989 | 1,564 |
| Off-Licences (Retail) | 621 | 719 | 1,340 |
| Restaurants | 1,446 | 1,365 | 2,811 |
| Other Licences | 613 | 945 | 1,558 |
| | <u>3,873</u> | <u>5,406</u> | <u>9,279</u> |

Chief Secretary's Department

Soccer Football Pools: Under the Soccer Football Pools Act 1975, the State receives a duty of 34% of subscriptions to soccer football pools licensed under the Act up to \$1m turnover and 35% thereafter. Duty of \$1.9m was received in 1988–89 (\$2.7m in the previous year) and paid directly into Consolidated Fund. An amount equal to two-thirds of the duty is then allocated to the Sport and Recreation Fund in Special Deposits Account. Duty received has declined by 46.2% (from \$3.6m) over the past two years.

Programs

The table below details the excess of receipts over payments on a program basis. The figures shown are net of inter-fund transfers.

| Previous Year \$'000 | Program Description | Receipts \$'000 | Payments \$'000 | Excess of Receipts Over Payments \$'000 |
|----------------------------|---|--------------------|--------------------|--|
| | Licensing and Control of Poker Machines, Certain Amusement Devices and Premises Supplying and Serving Liquor | 455,614 | 5,516 | 450,098 |
| 394,839 | Charities Administration | 443 | 705 | (262) |
| (84) | Policy Support | -- | 1,033 | (1,033) |
| (129) | Non Program | 2,476 | -- | 2,476 |
| <u>2,690</u> | | <u>458,533</u> | <u>7,254</u> | <u>451,279</u> |
| <u>397,316</u> | | | | |

STATE LOTTERIES OFFICE

The Director of State Lotteries is responsible for the conduct of Draw and Instant Lotteries. In addition a joint licence is held under the **Lotto Act 1979** by the Director of State Lotteries and Lotto Management Services Pty Ltd. to conduct the game of Lotto within the State. The Director is responsible for control of the network of agents and for operations on the subscriptions account and the prize fund.

The licence to conduct Soccer Pools within New South Wales from 29 May 1989 was issued by the Chief Secretary to the Director under the Soccer Football Pools Act 1975.

Financial Features of 1988-89

Lotteries:

In September 1988, the Jackpot Lottery was changed in order to increase its popularity. The main changes were a higher first prize, a larger jackpot component per lottery and an increase in the number of tickets. On-line selling of Jackpot, Half Million and Million Dollar Lotteries also commenced in September 1988.

An analysis of lotteries fully subscribed during the past two years shows:

| Lotteries | Cost of Ticket \$ | No of Tickets | Number of Lotteries Fully Sold | | % Increase (-) |
|--------------|-------------------------|------------------|-----------------------------------|------------|----------------------|
| | | | 1987-88 | 1988-89 | |
| Jackpot | 2 | 100,000 | 251 | 64 | (74.5) |
| New Jackpot | 2 | 150,000 | - | 198 | (a) |
| Half Million | 5 | 200,000 | 17 | 13 | (23.5) |
| Million | 10 | 200,000 | 7 | 7 | - |
| | | | <u>275</u> | <u>282</u> | 2.5 |

KEY

(a) Nil in previous year - not calculable.

Lotto:

The conversion of Lotto sales from a manual system to on-line has now been completed. Since September 1988 the State Lotteries Office has been responsible for processing all on-line Lotto transactions.

As previously reported, the initial Lotto licence granted to joint licensees, Lotto Management Services and the State Lotteries Office, was extended to 31 January 1989. A final extension to 31 July 1989 was subsequently granted.

Since 1986 the percentage of subscriptions retained from each game for prizes and the percentage of duty entitled to the State Government remained unchanged. Following a submission from Lotto Management Services it was agreed that, under the amendment licence operative from 1 February 1989, payments to it would comprise predetermined weekly amounts plus 1.35% of subscriptions.

Receipts and Payments

A composite summary of receipts and payments of the Consolidated Fund and Special Deposits Account for the year ended 30 June 1989 is as follows:

| Previous Year \$'000 | | \$'000 | % Increase (-) |
|----------------------------|--|----------------|----------------------|
| | RECEIPTS | | |
| 560,970 | Subscriptions - All Sources | 580,063 | 3.4 |
| 3,809 | Miscellaneous | 4,814 | 26.4 |
| 59 | Employment Programs | 17 | (71.2) |
| 203 | Balance of Salaries | 201 | (1.0) |
| <u>565,041</u> | TOTAL RECEIPTS | <u>585,095</u> | 3.5 |
| | PAYMENTS | | |
| 10,305 | Salaries and other Employee Payments | 11,531 | 11.9 |
| 17,612 | Maintenance and Working Expenses | 25,812 | 46.6 |
| 310 | Plant and Equipment | 375 | 21.0 |
| 66 | Other Services | 17 | (74.2) |
| 2,332 | On-line Equipment Replacement Reserve | 3,356 | 43.9 |
| 7,320 | Installation of Lotto On-line Computer System | - | (100.0) |
| 16,201 | Commission - Lotto Management Services Pty Ltd | 15,923 | (1.7) |
| | Payments - Department of Local Government and Territories - Lottery Sales in A.C.T. | 606 | 2.7 |
| 590 | Duty - Australian Capital Territory - Lotto | 2,048 | (1.4) |
| 2,078 | Miscellaneous | 796 | 49.6 |
| 532 | Prizes | <u>357,810</u> | 1.9 |
| <u>351,122</u> | TOTAL PAYMENTS | <u>418,274</u> | 2.4 |
| <u>156,573</u> | EXCESS OF RECEIPTS OVER PAYMENTS | <u>166,821</u> | 6.5 |

Total subscriptions received and prizes paid for the year comprised:

| Previous Year Net \$'000 | | Subscriptions \$'000 | Prizes \$'000 | Net \$'000 | % Increase (-) |
|-----------------------------------|-------------------|-------------------------|------------------|----------------|----------------------|
| 27,583 | Draw Lotteries | 97,972 | 60,755 | 37,217 | 34.9 |
| 53,174 | Instant Lotteries | 139,305 | 92,034 | 47,271 | (11.1) |
| 129,086 | Lotto | 342,324 | 204,910 | 137,414 | 6.5 |
| - | Soccer Pools | 463 | 111 | 352 | (a) |
| <u>209,848</u> | | <u>580,064</u> | <u>357,810</u> | <u>222,254</u> | 5.9 |

KEY

(a) Nil in previous year - not calculable.

After allowance for the cost of prizes, the balance of lottery subscriptions is transferable to Consolidated Fund. Transfers during the year from all sources totalled \$208.2m comprising \$50.9m for instant lotteries, \$34.7m for draw lotteries, \$122.6m from Lotto operations, and \$103,732 from Soccer Pools operations. The balance, \$13.9m, represents subscriptions received for incomplete lotteries and Lotto games.

After making allowances for amounts carried over at the beginning and end of the financial year for incomplete games, the distribution of net Lotto subscriptions was: Consolidated Fund \$122.6m, payment to Lotto Management Services Pty Ltd \$15.9m and Duty payments to the Australian Capital Territory \$2m. In addition the State earned commission of \$370,648 on sales through lottery branches.

Expenditure from the Special Deposits Account "Provision for Purchase of Computers - On-line Lotto", \$3.5m, was mainly on the purchase, installation and maintenance of hardware, terminals, and software development. The balance of the account was \$1.3m at 30 June 1989.

The initial contribution of \$2.3m made to Special Deposits Account "Computer Replacement Reserve" during 1987-88 was augmented by \$3.4m, bringing the balance of the reserve to \$5.7m at 30 June 1989.

Programs

The table below details the net receipts of operations financed from Consolidated Fund and Special Deposits Account on a program basis.

| Previous Year Net Receipts \$'000 | Program Description | Receipts \$'000 | Payments \$'000 | Net Receipts \$'000 |
|---|-------------------------|--------------------|--------------------|---------------------------|
| 58,036 | Sale of Lotteries | 238,695 | 178,746 | 59,949 |
| 98,537 | Sale of Lotto | 345,937 | 239,378 | 106,559 |
| 156,573 | Total | 584,632 | 418,124 | 166,508 |
| - - | Plus Soccer Pools (Net) | 463 | 150 | 313 |
| 156,573 | | 585,095 | 418,274 | 166,821 |

Marketing

The State Lotteries Office is responsible for the marketing of Draw and Instant Lotteries, Soccer Pools (from 29 May 1989) and Lotto (from 1 August 1989). The marketing of Lotto was previously the responsibility of Lotto Management Services.

The marketing function includes publicity, promotion and advertising of products. Advertising is conducted via an advertising agency, with all advertisement placements carried out under the Government's Master Media Agency Agreement.

During 1989, tenders were called from the private sector for the Lotto, Draw Lotteries and Instant Lotteries advertising accounts. A combined contract for all three products was subsequently awarded to Clemengers Pty Ltd for the period 1 August 1989 to 30 June 1991.

TOURISM COMMISSION

The Commission was established as a corporation by the Tourism Commission Act 1984. This Act which commenced on 1 February 1985 repealed the Tourist Industry Development Act 1976. The principal objective of the Commission is to achieve economic and social benefits for the people of New South Wales through the development of tourism. The Tourism Development Fund, administered by the Commission, is available for the promotion and assistance of the tourist industry in New South Wales.

The Tourism Commission is listed under Schedule 3 of the Public Finance and Audit Act 1983, but in accordance with a direction by the previous Treasurer, the financial statements have been prepared in accordance with Division 3 of Part III of the Act, using a modified accrual basis of accounting.

FINANCIAL OPERATIONS for the year ended 30 June 1989

| Previous Year \$'000 | | \$'000 | % Increase (-) |
|----------------------------|---|---------------|----------------------|
| | REVENUE | | |
| | <i>Consolidated Fund:</i> | | |
| 20,867 | Consolidated Fund Appropriations | 24,753 | 18.6 |
| | Collections remitted to Treasury | | |
| 1,288 | Travel Centres etc | 1,269 | (1.5) |
| 5,598 | Caves, Resorts | - | (100.0) |
| 131 | Other | 111 | (15.3) |
| | <i>Special Deposits:</i> | | |
| | Tourism Development Fund | | |
| 205 | Interest | 212 | 3.4 |
| | Commonwealth Government Subsidy - Steel | | |
| - | Regions Assistance Program | 152 | (a) |
| 261 | Other | 67 | (74.3) |
| | Computerisation Project - Travel and Information Centres | 594 | (49.1) |
| <u>1,166</u> | | <u>594</u> | |
| <u>29,516</u> | | <u>27,158</u> | (8.0) |
| | EXPENSES | | |
| | <i>Consolidated Fund:</i> | | |
| 6,754 | Salaries, etc | 5,089 | (24.7) |
| 6,743 | Maintenance and Working Expenses | 7,463 | 10.7 |
| 97 | Plant and Equipment | 36 | (62.9) |
| 1,256 | Grants and Subsidies | 1,763 | 40.4 |
| 664 | Other Services | 954 | 43.7 |
| 1,852 | Capital Works and Services | 6,707 | 262.1 |
| 7,017 | Payments to Treasury from Collections | 1,380 | (80.3) |
| | <i>Special Deposits:</i> | | |
| | Tourism Development Fund | | |
| 1,345 | Interest, etc on Loans | 1,120 | (16.7) |
| 50 | Jenolan Management Plan | 154 | 208.0 |
| 332 | Regional Marketing Plans | 22 | (93.4) |
| | New England Tourism Development Authority - | | |
| 306 | Marketing Plan and Administrative Expenses | 67 | (78.1) |
| 267 | Miscellaneous | 178 | (33.3) |
| | Computerisation Project - Travel and Information Centres | 594 | (49.1) |
| 1,166 | | 94 | (87.2) |
| <u>733</u> | Steel Regions Assistance Program | <u>94</u> | |
| <u>28,582</u> | | <u>25,621</u> | (10.4) |
| <u>934</u> | REVENUE FOR YEAR EXCEEDED EXPENSES BY | <u>1,537</u> | 64.6 |
| <u>29,516</u> | | <u>27,158</u> | (8.0) |

KEY

(a) Nil in previous year - not calculable.

STATEMENT OF FINANCIAL POSITION
as at 30 June 1989

| Previous Year \$'000 | | \$'000 | % Increase (-) |
|----------------------------|---|--------------|----------------------|
| | CURRENT ASSETS | | |
| | Cash at Treasury: | | |
| 1,310 | Tourism Development Fund | 1,903 | 45.3 |
| 94 | Steel Regions Assistance Program | - | (100.0) |
| 375 | Accrued Interest | 337 | (10.1) |
| 20 | Debtors | 25 | 25.0 |
| <u>1,799</u> | TOTAL CURRENT ASSETS | <u>2,265</u> | 25.9 |
| | NON-CURRENT ASSETS | | |
| | Investments: | | |
| 1,673 | Term Deposits and Inscribed Stock | 1,274 | (23.8) |
| 4,513 | Loan to Somersby Park Pty Ltd | 4,403 | (2.4) |
| 14 | Loan to Forbes Municipal Council | 13 | (7.1) |
| 21 | Discount on Treasury Loans | 16 | (23.8) |
| <u>6,221</u> | TOTAL NON-CURRENT ASSETS | <u>5,706</u> | (8.3) |
| <u>8,020</u> | TOTAL ASSETS | <u>7,971</u> | (0.6) |
| | CURRENT LIABILITIES | | |
| 1,240 | Loan Borrowings | 260 | (79.0) |
| 139 | Accrued Charges | 74 | (46.8) |
| <u>1,379</u> | TOTAL CURRENT LIABILITIES | <u>334</u> | (75.8) |
| | NON-CURRENT LIABILITIES | | |
| 7,673 | Loan Borrowings | 7,132 | (7.1) |
| <u>7,673</u> | TOTAL NON-CURRENT LIABILITIES | <u>7,132</u> | (7.1) |
| <u>9,052</u> | TOTAL LIABILITIES | <u>7,466</u> | (17.5) |
| <u>(1,032)</u> | EXCESS OF MONETARY ASSETS OVER LIABILITIES | <u>505</u> | (a) |

KEY

(a) Liabilities exceeded monetary assets in previous year.

The Consolidated Fund appropriation of \$24.8m consisted of Recurrent Services \$18.1m and Capital Works and Services \$6.7m. Recurrent Services expenditure covered operational expenses for the Provision of Tourist Information and Sale of Travel \$3.5m, Administration \$3.0m and the Promotion of Tourism \$11.6m. Of the latter sum \$2.7m was contributed to the Tourism Development Fund, \$4.0m was expended on advertising and \$1.8m was for grants and subsidies to Regional and Other Tourist Associations, Authorities, etc. Of the remainder, \$1.3m was towards the merger of the Sydney Convention and Visitors Bureau and the Sydney Tourism Marketing Board.

Capital Works Expenditure from Consolidated Fund increased to \$6.7m (\$1.9m in 1987-88) mainly as a result of the acquisition of Crown Land at South Kingscliff as part of the proposed tourist development by Far East Hotels and Entertainment Limited. Provision was not made in the Budget estimates for this acquisition.

The State, through the Minister for Tourism, holds 75% of the shares in Somersby Park Pty Ltd, formerly Old Sydney Town Pty Ltd. (Westpac Banking Corporation holds the balance). As from 1 August 1987 the operations of Old Sydney Town were transferred to Warwick Amusements Pty Ltd which is part of the Far East Hotels and Entertainment Group. As from that date rent payments received by Somersby Park Pty Ltd from Warwick Amusements Pty Ltd are being distributed to the shareholders on a proportional basis. During the year \$104,550 was received by the Tourism Commission leaving the loan debt owed by Somersby Park Pty Ltd to the Commission standing at \$4.4m as at 30 June 1989.

Expenditure of \$2.5m for the Steel Regions Assistance Program in 1988-89 comprised \$2.4m from Consolidated Fund (Capital Works) and \$94,062 from Special Deposits. These funds are for the development of tourism related employment programs within the Illawarra and Hunter Regions. In the future all expenditure will be from Consolidated Fund as the Special Deposits Account has been fully expended.

Collections from Travel Centres etc (which were paid to the Treasury) totalled \$1.3m for the year ended 30 June 1989 and were received from:

| 1987 - 88 \$'000 | | 1988 - 89 \$'000 | % Increase (-) |
|---------------------|----------------------------|---------------------|----------------------|
| | TRAVEL CENTRES, ETC | | |
| 880 | Sydney | 916 | 4.1 |
| 187 | Melbourne | 152 | (18.7) |
| 130 | Brisbane | 120 | (7.7) |
| 91 | Other | 81 | (11.0) |
| <u>1,288</u> | | <u>1,269</u> | (1.5) |

As from 1 July 1988 Caves and Resorts are being operated outside the Consolidated Fund as "commercial" activities (off-budget) and are therefore no longer reflected through the financial statements of the Commission. For information, collections from Caves and Resorts for the year ended 30 June 1989 were:

| 1987 - 88 \$'000 | | 1988 - 89 \$'000 | % Increase (-) |
|---------------------|-------------------|---------------------|----------------------|
| | RESORTS | | |
| 5,324 | Jenolan Caves | 5,557 | 4.4 |
| 194 | Wombeyan Caves | 210 | 8.2 |
| 80 | Abercrombie Caves | 90 | 12.5 |
| <u>5,598</u> | | <u>5,857</u> | 4.6 |

The Government decided to lease Jenolan Caves House to a commercial organisation so that facilities could be upgraded to enable the area to become an even greater tourist destination in New South Wales. The Peppers Hotel Group were selected as the preferred tenderer to lease Jenolan Caves House. A 90 day negotiation period was entered into between the Tourism Commission and the Peppers Group, but shortly before the expiration of that time the Peppers Hotel Group advised the Commission that they had decided not to proceed with the lease because unforeseen costs meant that the proposal was now not viable. As soon as the formalities of the tender process have been finalised, the Commission proposes to review its position in relation to the leasing of Jenolan Caves House.

Tourism Development Fund

Receipts of \$4.1m during the year mainly comprised a \$2.7m contribution from Consolidated Fund and \$1.0m from maturing investments of the sinking fund. The Tourism Development Fund received no new loans during 1988-89. Expenditure of \$3.4m included \$2.7m for repayment of loans and interest. At 30 June 1989 the Commission, as administrator of the Fund, owed \$7.4m in loan borrowings (\$4.2m to the Treasury Corporation and \$3.2m to other State sources and private lending bodies).

SIGNIFICANT MATTERS RAISED PREVIOUSLY

At the conclusion of the 1987-88 audit a number of suggestions to help improve accounting/administrative procedures were referred in writing to the General Manager. The suggestions for improvement included comments in relation to collections, disbursements, general ledger/Journal, payroll and investments. In addition, attention was also drawn to the fact that some parts of the accounting manual had still to be completed.

The General Manager stated that the constraints of staffing during the year has meant that most of the matters raised have not been attended to.

DEPARTMENT OF CORRECTIVE SERVICES

The Department of Corrective Services is responsible for providing a range of community based and custodial programs for persons referred to it by the Courts. The programs provided by the Department are organised into four main areas - Alternatives to Prison, Custody of Prisoners, Post-Custodial Services, and Support and Administration.

Financial Features of 1988-89

- * Salaries, wages and related payments increased by \$27.5m (25.9%) to \$133.4m and followed an increase of \$8.0m (8.1%) in the previous year.
- * Full-time staff employed at 30 June had increased by 197 to 3,532.
- * The average number of prisoners in major institutions increased by 361 (8.8%) to 4,470.
- * Overtime hours decreased by 87,095 (13.6%) to 551,524.

Receipts and Payments

A composite summary of receipts and payments of the Consolidated Fund and Special Deposits Account for the year ended 30 June 1989 is as follows:

| Previous Year \$'000 | | \$'000 | % Increase (-) |
|----------------------------|--|----------------|----------------------|
| | RECEIPTS | | |
| 8,458 | Collections from Prison Industries | 10,180 | 20.4 |
| 3,545 | Receipts for Services Rendered | 4,156 | 17.3 |
| 2,679 | Other | 3,636 | 35.8 |
| <u>14,682</u> | TOTAL RECEIPTS | <u>17,972</u> | 22.4 |
| | PAYMENTS | | |
| 105,948 | Salaries and Other Employee Payments | 133,410 | 25.9 |
| 34,553 | Maintenance and Working Expenses | 34,794 | 0.7 |
| 27,299 | Capital Works and Services | 46,937 | 71.9 |
| | Other Services: | | |
| 7,476 | Prison Industries | 9,250 | 23.7 |
| 1,793 | Gratuities, Indulgences and Domestic Wages | 2,033 | 13.4 |
| 1,436 | National Campaign against Drugs | 1,866 | 29.9 |
| 1,301 | Sundry | 1,806 | 38.8 |
| 2,172 | Plant and Equipment | 1,247 | (42.6) |
| 681 | Grants and Subsidies | 972 | 42.7 |
| <u>182,659</u> | TOTAL PAYMENTS | <u>232,315</u> | 27.2 |
| <u>167,977</u> | EXCESS OF PAYMENTS OVER RECEIPTS | <u>214,343</u> | 27.6 |

Collections from Prison Industries are derived from products manufactured and are either utilised within the prisons or disposed of by way of sale, mainly to government departments or institutions. Receipts from this source increased by \$1.7m to \$10.2m.

Overall the increase in expenditure for 1988-89 was \$49.7m or 27.2% on the previous year. As with 1987-88, much of this increase was attributable to higher salary and employee costs and increased activity in capital works and services.

Included in Sundry Other Service payments of \$1.8m were further payments totalling \$923,324 for the conduct of a special judicial inquiry into the circumstances surrounding an assault (Jamie Partlic) in the Central Industrial Prison. Payments for this Inquiry now exceed \$1.6m.

Overtime statistics for the last five years show:

| Financial Year | (1) Overtime Hours Worked (a) | (2) Total of Salaries and Overtime \$'000 | (3) Total Overtime \$'000 | % (3) of (2) |
|-------------------|--|---|------------------------------------|-----------------|
| 1984-85 | 518,041 | 77,240 | 9,671 | 12.5 |
| 1985-86 | 565,534 | 87,245 | 11,504 | 13.2 |
| 1986-87 | 463,528 | 97,678 | 10,156 | 10.4 |
| 1987-88 | 638,619 | 103,373 | 13,414 | 13.0 |
| 1988-89 | 551,524 | 117,074 | 13,865 | 11.8 |

(a) Only Custodial Overtime Hours available.

As the above table indicates, actual overtime hours decreased by 13.6% from 638,619 hours in 1987-88 to 551,524 hours in 1988-89 and reflects the Department's continuing efforts to reduce sick leave and overtime to reasonable levels.

Capital payments for buildings and equipment totalled \$46.9m (\$27.3m for 1987-88) and was mainly for the provision of additional cells and general upgrading of existing infrastructure. The main projects were:

| | Expenditure 1988 - 89 \$ '000 | Expenditure to Date \$ '000 | Total Estimated Cost \$ '000 | Estimated Completion Date |
|----------------------------------|-------------------------------------|-----------------------------------|---------------------------------------|---------------------------------|
| Goulburn Redevelopment PHS.2A | 1,641 | 1,678 | 9,789 | February 1990 |
| Grafton Wall | 1,764 | 1,861 | 2,070 | Completed Feb. 1989 |
| Long Bay Special Purpose Prison | 11,725 | 15,774 | 16,500 | Completed Jan. 1989 |
| Mulawa Stage 1 | 6,239 | 13,887 | 13,948 | October 1989 |
| Mulawa Stage 2 | 4,890 | 5,091 | 9,600 | December 1989 |
| Brush Farm Redevelopment | 2,149 | 6,149 | 8,176 | June 1990 |
| Maximum Security Prison, Lithgow | 7,695 | 7,695 | 59,048 | December 1990 |
| St Heliers Redevelopment | 1,138 | 2,938 | 5,315 | June 1990 |

The Long Bay Special Purpose Prison, completed in January 1989, provides a 60 single cell witness protection facility.

Construction of the Mulawa Redevelopment, Stage 1 (84 cells in all) is 90% complete with the new Amenities Building completed and ready for occupation. Stage 2A will provide an additional 64 medium security female cells at an estimated cost of \$9.6m. The amended completion date is December 1989.

The St Heliers site was purchased from the Department of Family and Community Services in June 1988 at a cost of \$1.8m and is being developed as a minimum security institution for approximately 130 inmates. The first intake of prisoners is programmed for September 1989 while the estimated completion date for the entire project is June 1990 with an estimated cost of \$5.3m.

New prisoner accommodation at Glen Innes is being constructed using a mixture of prison labour and subcontractors. Accommodation in the unit living mode for 96 prisoners will be completed in June 1990. Estimated cost is \$2.5m.

Construction of a new 300 cell maximum security prison at Lithgow commenced in December 1988. Completion is anticipated during 1991 at an estimated end cost of \$57m.

Expressions of interest are being considered for the design and construction of a new 250 cell maximum security prison for "special" prisoners at South Windsor. Construction is expected to commence later in 1989. Estimated cost is \$54m.

Construction began in February 1989 on the northern sector workshop at Parramatta at an estimated cost of \$1.1m. Further redevelopment, including visiting and administration areas and an additional workshop, is programmed for 1989-90.

The Minister has announced the construction of a maximum security prison at Junee with construction due to commence in 1989-90 and completion scheduled for 1993. The budget estimate is \$54m and the new prison will provide another 350 cells (300 maximum security, 50 minimum security).

Programs

The table below details the net payments (receipts) of operations financed from Consolidated Fund and Special Deposits Account on a program basis.

| Previous Year Net Payments \$'000 | Program Description | Receipts \$'000 | Payments \$'000 | Net Payments (Receipts) \$'000 |
|---|--|--------------------|--------------------|---|
| 4,639 | Pre-sentence Assessment of Offenders | - - | 4,598 | 4,598 |
| 10,023 | Supervision of Convicted Offenders | 1 | 13,021 | 13,020 |
| 101,936 | Containment of Prisoners | 994 | 137,297 | 136,303 |
| 13,442 | Care and Welfare Services for Prisoners | 4,463 | 17,788 | 13,325 |
| 14,057 | Development and Educational Services for Prisoners | 10,604 | 29,562 | 18,958 |
| 4,398 | Post-Custodial Services | - - | 4,719 | 4,719 |
| 3,375 | Policy Advice and Co-ordination | 29 | 3,959 | 3,930 |
| 15,848 | Internal Management Services | 582 | 21,252 | 20,670 |
| 259 | Non Program Items | 1,299 | 119 | (1,180) |
| <u>167,977</u> | | <u>17,972</u> | <u>232,315</u> | <u>214,343</u> |

MATTERS RAISED WITH MANAGEMENT

During the past year a number of significant matters arising during the audit were raised with Departmental management. These included weaknesses in procedures and internal controls within the computerised financial systems package, which have since been redressed by Departmental management, and the lack of an adequate Accounting Manual. This Manual which is required under Section 11(3) of the Public Finance and Audit Act 1983 has been rewritten and is expected to be issued to staff in the near future.

During 1987-88 my officers undertook a comprehensive review of telephone usage. The review was primarily aimed at determining whether adequate internal controls existed to satisfactorily monitor the usage of departmental telephones and facsimile machines. In the main, the results proved satisfactory, even though at the time of the review the Department was commencing installation of the Telephone Information Management System (TIMS). This system has now been installed and is monitoring usage at Roden Cutler House and has been installed in parts of Long Bay Prison.

MINISTRY OF EDUCATION AND YOUTH AFFAIRS

The Ministry of Education and Youth Affairs co-ordinates and provides policy advice and administrative support to the Minister for Education and Youth Affairs and associated organisations. The Ministry is also responsible for various educational activities which are not covered by other organisations in the Education portfolio.

Associated organisations of the Ministry comprise:

Office of Higher Education
 Music Examinations Advisory Board of N.S.W.
 N.S.W. Board of Adult Education
 Adult Migrant Education Service of N.S.W.
 Teacher Housing Authority of N.S.W.
 N.S.W. State Conservatorium of Music

The financial operations of the above entities are reflected in the financial statements of the Ministry with the exception of Teacher Housing Authority of New South Wales and the NSW State Conservatorium of Music where only Consolidated Fund and Special Deposits Account receipts and payments are included. These latter organisations present separate financial statements which will be reviewed in Volume Three of my Report to Parliament for 1989.

Receipts and Payments

A composite summary of receipts and payments of the Consolidated Fund and Special Deposits Account for the year ended 30 June 1989 is as follows:

| Previous Year \$'000 | | \$'000 | % Increase (-) |
|----------------------------|---|---------------|----------------------|
| | RECEIPTS | | |
| 20,669 | Commonwealth Recoup - Adult Migrant Education Service | 21,394 | 3.5 |
| 4,211 | Commonwealth Payments for Advanced Education | 4,215 | 0.1 |
| 694 | Commonwealth Grants | 882 | 27.1 |
| 559 | Conservatorium of Music | 386 | (30.9) |
| 601 | Music Examinations Advisory Board | 777 | 29.3 |
| 2,296 | Miscellaneous Receipts | 2,010 | (12.5) |
| <u>29,030</u> | TOTAL RECEIPTS | <u>29,664</u> | 2.2 |
| | PAYMENTS | | |
| 26,557 | Salaries and Other Employee Payments | 32,327 | 21.7 |
| 8,250 | Maintenance and Working Expenses | 6,707 | (18.7) |
| 226 | Plant and Equipment | 221 | (2.2) |
| 5,182 | Grants and Subsidies | 12,480 | 140.8 |
| 4,002 | Capital Works | 12,801 | 219.9 |
| | Other Services: | | |
| 6,853 | Teacher Housing Authority Contribution | 8,137 | 18.7 |
| 4,229 | State Share of Higher Education Superannuation Costs | 9,430 | 123.0 |
| 34 | Scott Review | 1,133 | (a) |
| 1,193 | Sundry | 2,136 | 79.0 |
| 501 | Colleges of Advanced Education Grants | - | (100.0) |
| <u>57,027</u> | TOTAL PAYMENTS | <u>85,372</u> | 49.7 |
| <u>27,997</u> | EXCESS OF PAYMENTS OVER RECEIPTS | <u>55,708</u> | 99.0 |

KEY

(a) More than 1,000%.

Programs

The table below details, on a program basis, the excess of payments over receipts of operations financed from Consolidated Fund and Special Deposits Accounts.

| Previous Year Excess \$'000 | Program Description | Receipts \$'000 | Payments \$'000 | Excess of Payments Over Receipts \$'000 |
|--------------------------------------|---|--------------------|--------------------|--|
| 8,155 | Policy and Administrative Support | 15 | 34,976 | 34,961 |
| 568 | Advising and Employing Authority in Relation to Public Education | -- | -- | -- |
| 2,181 | Advising and Co-ordinating Authority for Higher Education | -- | 1,638 | 1,638 |
| 3,879 | Other Education Authorities | 1,657 | 5,579 | 3,922 |
| 6,853 | Teacher Housing | -- | 8,137 | 8,137 |
| -- | Adult Migrant English Education | 21,394 | 22,297 | 903 |
| (131) | Tertiary Music Education | 4,217 | 4,830 | 613 |
| 7,226 | Non-Tertiary Music Education | 386 | 5,316 | 4,930 |
| 28,731 | PROGRAM TOTAL | 27,669 | 82,773 | 55,104 |
| (734) | Non-Program | 1,995 | 2,599 | 604 |
| 27,997 | TOTAL | 29,664 | 85,372 | 55,708 |

Listed below for each of the major programs is a description of the program objective and the organisation responsible for implementation. Also included is a summary of financial operations.

Program: Policy and Administrative Support.
Objective: To co-ordinate and provide policy advice and administrative support to the Minister and associated Boards and Authorities.
Organisation: The Ministry of Education and Youth Affairs.

Expenditure for the year was \$35.0m (\$8.5m in 1987-88). The major items of expenditure were: \$13.2m for development of the University of Western Sydney (\$9m for land acquisition, \$2.7m preliminary construction costs, and \$1.5m establishment costs of the University's Interim Council); \$9.4m for the State's share of higher education superannuation costs; \$5m establishment grant to the New South Wales Education and Training Foundation; and \$3.1m for Salaries and Other Employee Payments.

Expenditure also included \$1.1m for the Scott Review. The review (covering three years) has expended \$1.2m to date and is expected to incur a further \$600,000 by completion in the third year of 1990.

Program: Other Education Authorities.
Objective: To advise the Minister on policy and act as co-ordinators and administrators in various areas of education.
Organisations: Office of Higher Education.
The Music Examinations Advisory Board of N.S.W.

Total expenditure for 1988-89 was \$5.6m, consisting mainly of Grants and Subsidies \$4.2m (\$3.2m in 1987-88).

Receipts of \$1.7m mainly comprised fees for music examinations, \$777,028 and Commonwealth Government grants for adult education of \$880,000.

Program: Teacher Housing.
Objective: To supply accommodation for teachers in certain areas where suitable private accommodation is unavailable.
Organisation: The Teacher Housing Authority of N.S.W.

A contribution of \$8.1m (\$6.9m in 1987-88) was made to the Teacher Housing Authority of New South Wales from Consolidated Fund to help meet operating expenses.

Program: Adult Migrant English Education.
Objective: To assist adult migrants in gaining a working knowledge of the English language.
Organisation: The Adult Migrant Education Service of N.S.W.

The Adult Migrant English Education program is wholly funded by the Commonwealth. In 1988-89 the Commonwealth Government provided funds to the extent of \$21.4m with an amount of \$902,596 still to be reimbursed. The increase in expenditure of \$1.6m over the previous year was due mainly to an increase in national wage and other staff expenses. Salaries and Other Employee Payments accounted for 91.1% of total expenditure.

Program: Tertiary Music Education.
Objective: To produce performers, composers and teachers of music of excellence.
Organisation: The N.S.W. State Conservatorium of Music.

Tertiary music education costs of \$4.8m (\$4.2m in 1987-88) were reimbursed by the Commonwealth Government to the extent of \$4.2m with the remainder (\$611,221) being met from Consolidated Fund.

Program: Non-Tertiary Music Education.
Objective: To achieve excellence in the teaching of music and provide practical musical experience to those students who are considered to be exceptional talent and who have the potential for the profession of music. To enhance and encourage within the music community an appreciation, taste and achievement in music.
Organisation: The N.S.W. State Conservatorium of Music.

Expenditure for the year totalled \$5.3m, and included \$2.6m for salaries and other employee payments and \$1.2m for Maintenance and Working Expenses. Capital works expenditure totalled \$1.1m (\$3.8m in 1987-88) and included \$513,908 for the construction of a performance hall for the Newcastle Conservatorium of Music, and \$593,240 for refurbishment of the Greenway Building.

SIGNIFICANT MATTER RAISED PREVIOUSLY

My reports under Section 45(2) of the Public Finance and Audit Act on the accounts of the Ministry for the past two years have referred to ongoing difficulties experienced by the Ministry in reconciling its Drawing Account.

Corrective action to date has resulted in the successful reconciliation of current month's balances, while efforts continue with regard to prior months' transactions.

EDUCATION

To give an overview of spending other than on Universities and Colleges of Advanced Education, a broad funds statement has been compiled:

| Previous Year \$'000 | SOURCE | 1988 - 89 \$'000 |
|----------------------------|--|---------------------|
| | Commonwealth Government: | |
| 266,265 | Government Schools | 303,352 |
| 322,546 | Non Government Schools | 367,575 |
| 101,870 | Technical and Further Education | 96,474 |
| 21,038 | Adult Migrant Education | 22,297 |
| 4,446 | Conservatorium of Music | 4,216 |
| 26,447 | Special Projects | 40,795 |
| <u>742,612</u> | | <u>834,709</u> |
| | State Government: | |
| 2,668,964 | Consolidated Fund | 3,284,589 |
| 159,669 | Other Miscellaneous Revenue | 84,442 |
| <u>2,828,633</u> | | <u>3,369,031</u> |
| <u>3,571,245</u> | | <u>4,203,740</u> |
| | APPLIED | |
| 2,012,535 | Government Schools | 2,681,421 |
| 478,887 | Non Government Schools | 539,460 |
| 555,793 | Technical and Further Education | 656,553 |
| 113,426 | Department of Education - Head Office | 114,633 |
| 42,300 | Ministry of Education | 61,049 |
| 158,791 | Group Votes (Repairs)* | 1,498 |
| 12,095 | Conservatorium of Music | 9,038 |
| 44,727 | Miscellaneous Expenditure | 62,594 |
| 24,013 | Special Projects | 37,901 |
| 66,736 | Collections paid to Consolidated Fund | 29,532 |
| <u>3,509,303</u> | | <u>4,193,679</u> |
| 61,942 | Variation in Special Deposits Balances | 10,061 |
| <u>3,571,245</u> | | <u>4,203,740</u> |

KEY

*Previous year includes Cleaning and Repairs.

The Commonwealth provided \$303m for government schools and \$96m for Technical and Further Education. From these moneys and the balance of funds held in Special Deposits Accounts from the previous year, capital and recurrent expenditure was \$297m on government schools and \$100m on Technical and Further Education.

Salaries and related payments made up 72.7% of the expenditure from Consolidated Fund on education activities and totalled \$2,388m in 1988-89. This was an increase of \$273m or 12.9% over the previous year.

DEPARTMENT OF EDUCATION

The Department of Education is responsible for the provision of a State-wide public school system for the full-time education of primary and secondary students. The Department is also responsible for the registration of non-Government schools and the payment of grants and subsidies associated with their operations.

Financial Features of 1988-89

- * Salaries and related payments increased by \$208.8m (12.2%) to \$1,920m which made up 68.6% of total expenditure (74.3% in 1987-88). This amount included payment for the first time, by the Department, of payroll tax (\$101.6m).
- * Student enrolments in primary schools rose from 436,703 in June 1988 to an estimated 441,600 pupils by June 1989, while those in secondary schools fell from 321,218 to an estimated 316,400 pupils.
- * School payroll costs per student were \$1,846 for primary (up 6.1%) and \$2,841 for secondary education (up 5.7%). The corresponding costs last year were \$1,740 and \$2,687 respectively.
- * The average number of teachers as assessed by the Department, based on fortnightly payrolls, fell by 1,051 (2.2%) to 47,080. The figure includes long term casual teachers expressed as full time equivalents.
- * The sharp rise in maintenance and working expenses from \$150.5m in 1987-88 to \$322.1m for 1988-89 was mainly due to payment for the first time, by the Department, of full cleaning costs.
- * Implementation of a program of rationalisation of school accommodation.

Receipts and Payments

A composite summary of receipts and payments of the Consolidated Fund and Special Deposits Account for the review year is as follows:

| Previous Year \$'000 | | \$'000 | % Increase (-) |
|----------------------------|---|------------------|----------------------|
| | RECEIPTS | | |
| 3,890 | Fees from Agricultural Schools, etc | 4,039 | 3.8 |
| 12,195 | Miscellaneous Services Rendered | 16,732 | 37.2 |
| 4,376 | Computer System Development | 1,500 | (65.7) |
| 1,455 | Salary Payments in Suspense (Net) | - | (a) |
| 13,124 | Conveyance of Handicapped Children | 14,151 | 7.8 |
| 58,102 | Sale of Surplus School Sites | 13,956 | (76.0) |
| 9,514 | Other Receipts | 16,332 | 71.7 |
| <u>102,656</u> | TOTAL RECEIPTS | <u>66,710</u> | (35.0) |
| | PAYMENTS | | |
| 1,710,977 | Salaries and Related Payments | 1,919,778 | 12.2 |
| 150,472 | Maintenance and Working Expenses | 322,065 | 114.0 |
| 21,759 | Grants and Subsidies | 24,165 | 11.1 |
| 246,366 | Other Services | 285,504 | 15.9 |
| 148,239 | Capital Works and Services | 207,580 | 40.0 |
| 13,124 | Conveyance of Handicapped Children | 14,151 | 7.8 |
| 4,376 | Computer System Development | 1,500 | (65.7) |
| - | Salary Payments in Suspense (Net) | 2,325 | (b) |
| 7,053 | Sundry Payments | 21,118 | 199.4 |
| <u>2,302,366</u> | TOTAL PAYMENTS | <u>2,798,186</u> | 21.5 |
| <u>2,199,710</u> | EXCESS OF PAYMENTS OVER RECEIPTS | <u>2,731,476</u> | 24.2 |

KEY

- (a) Credit in previous year - percentage not applicable.
 (b) Debit in current year - percentage not applicable.

Proceeds from the Sale of Surplus School Sites totalled \$14.0m of which \$7.1m was credited to a special deposits account designated for maintenance of capital assets. Major sales included vacant sites at Jannali East, \$6.1m, Engadine South, \$2.3m and Liverpool \$1.4m.

Overall payments from Consolidated Fund and Special Deposits Account increased by \$495.8m (21.5%) to \$2,798m. Much of the increase was attributable to the transfer of responsibility to the Department, from 1 July 1988, for the payment of payroll tax, \$101.6m and full cleaning costs which totalled \$156.6m (\$2.9m in 1987-88). Salary and Related Payments rose by \$208.8m (12.2%) to \$1,920m mainly as a result of general increases in awards and the payment of payroll tax.

Using Department of Education statistics of enrolments, some broad trends of cost relationships over the past three years were:

| | 1986 - 87 | 1987 - 88 | Increase Over Previous Year % | 1988 - 89 | Increase Over Previous Year % |
|-----------------------------|-----------|-----------|---|-----------|---|
| Primary Education: | | | | | |
| Enrolments | 434,787 | 436,703 | | 441,600* | |
| School Payroll Cost | \$735m | \$760m | | \$815m | |
| Cost per Student | \$1,690 | \$1,740 | 3.0 | \$1,846 | 6.1 |
| Secondary Education: | | | | | |
| Enrolments | 320,297 | 321,218 | | 316,400* | |
| School Payroll Cost | \$835m | \$863m | | \$899m | |
| Cost per Student | \$2,607 | \$2,687 | 3.1 | \$2,841 | 5.7 |
| Totals: | | | | | |
| Enrolments | 755,084 | 757,921 | | 758,000* | |
| School Payroll Cost | \$1,570m | \$1,623m | | \$1,714m | |
| Cost per Student | \$2,079 | \$2,141 | 3.0 | \$2,261 | 5.6 |

KEY

* Departmental estimate for June 1989 student census.

Enrolments in State primary and secondary schools in June 1988 were 757,921, an increase of 2,837 over the previous year. It is anticipated that enrolments will remain stable in June 1989 at 758,000; 4,897 higher in primary schools but 4,818 lower in secondary schools. Further comment on enrolment trends in Government schools is made earlier in this Report under the heading - Rationalisation of Schools in New South Wales.

Departmental statistics show the average number of teachers employed fortnightly over the last three years as:

| | 1986 - 87 | 1987 - 88 | Increase | 1988 - 89 | Decrease |
|---|---------------|---------------|------------|---------------|--------------|
| Permanent and Temporary Teachers | 42,808 | 43,141 | 333 | 42,920 | 221 |
| Casual Teachers (expressed as a full time equivalent) | 4,727 | 4,990 | 263 | 4,160 | 830 |
| | <u>47,535</u> | <u>48,131</u> | <u>596</u> | <u>47,080</u> | <u>1,051</u> |

Casual Teachers shown above are employed to fill vacancies where full-time teachers are on extended periods of leave or the position is vacant for some time due to other reasons.

In addition, where short-term vacancies occur (e.g. teachers on sick leave, attending in-service courses, etc) casual relief teachers are engaged. The Department's estimate of the average daily number of casual relief teachers for the last three years is as follows:

| | |
|------|-------|
| 1987 | 1,852 |
| 1988 | 1,875 |
| 1989 | 1,890 |

Maintenance and Working Expenses

Maintenance and Working Expenses increased by \$171.6m (114.0%) to \$322.1m. This was mainly due to the responsibility for payment of full cleaning costs which totalled \$156.6m (\$2.9m in 1987-88) being transferred to the Department in line with the change in Government policy relating to the user-pays basis for service-wide payments and services.

Major payments included building maintenance \$31.3m, stores and provisions \$41.7m, gas and electricity \$28.5m and fees for services rendered \$23.9m.

Grants and Subsidies

Total Grants and Subsidies increased by \$2.4m (11.1%) to \$24.2m this year. The increase was mainly attributable to the higher payment of subsidies towards interest on loans raised for approved building projects at non-State schools, totalling \$17.5m (\$15.3m in 1987-88), an increase of 14.4% on the previous year.

Other Services

Payments under this heading are broadly summarised as follows:

| | 1987 - 88 | 1988 - 89 | % Increase |
|---|----------------|----------------|---------------|
| | \$ '000 | \$ '000 | (-) |
| Allowances to Non-State Schools | 136,285 | 150,083 | 10.1 |
| School Development and Equity | 56,480 | 65,665 | 16.3 |
| Intercultural Community Studies and Languages | 21,828 | 31,671 | 45.1 |
| Secondary Textbook Allowances | 8,033 | 10,430 | 29.8 |
| Bursary Endowment | 8,000 | 3,330 | (58.4) |
| Assistance to Needy Students | - | 2,000 | (a) |
| Compensation | 3,792 | 3,425 | (9.7) |
| Assistance Towards Disabilities | 3,649 | 3,624 | (0.7) |
| Teacher Retraining | 3,032 | 4,135 | 36.4 |
| Computer Education | 3,000 | 5,099 | 70.0 |
| Special Education | - | 2,290 | (a) |
| Start to Life | - | 1,100 | (a) |
| Miscellaneous | 2,267 | 2,652 | 17.0 |
| | <u>246,366</u> | <u>285,504</u> | 15.9 |

KEY

(a) Nil in previous year - not calculable.

Allowances to non-State schools increased by \$13.8m (10.1%) to \$150.1m which comprised \$64.8m for primary and \$85.3m for secondary education. The increase was due to higher rates of per-capita allowances and an increase in enrolments in non-State schools.

School Development and Equity programs are mainly financed by the Commonwealth. Payments included \$46.5m under the Notifiable Recurrent Program, an increase of \$15.3m over the previous year. Other program costs included Special Assistance to Disadvantaged Schools, \$12.6m and Assistance to Country Disadvantaged Areas, \$2.8m.

Expenditure on Intercultural Community Studies and Languages included \$13.1m on general support programs and \$15.6m on new arrivals programs in respect of English as a Second Language.

Expenditure on Secondary Textbook Allowance included \$3.1m paid to non-State schools (\$2.3m in 1987-88).

The Bursary Endowment Scheme has been replaced by direct assistance to needy secondary school students (\$2.0m in 1988-89). Total bursary payments \$5.7m were related to bursaries approved prior to 30 June 1988. This amount included \$2.4m paid during the year from the now defunct Bursary Endowment Fund.

Payments in respect of claims for compensation fell marginally to \$3.4m. This comprised claims of \$1.6m for personal injury and \$1.8m for property damage.

Other expenditure, included for the first time under this heading, comprised \$2.3m on Special Education which aims to increase services and facilities at schools for students with disabilities and \$1.1m on the Start to Life Program, to encourage students to continue in secondary education and undertake further tertiary study.

Capital Works and Services

Total outlay on public schools, etc. increased by \$59.3m (40.0%) to \$207.6m, of which \$60.5m (\$53.0m in 1987-88) was provided by the Commonwealth. The State's contribution, \$147.1m, (\$95.2m in 1987-88) included \$5.0m being oncosts paid to the Public Works Department for design, engineering and supervision of works.

An analysis of capital expenditure on public schools, etc. shows:

| | 1987 - 88 \$'000 | 1988 - 89 \$'000 | % Increase (-) |
|--|---------------------|---------------------|----------------------|
| School Buildings: | | | |
| Construction and Additions | 101,160 | 151,337 | 49.6 |
| Demountables | 14,946 | 16,014 | 7.1 |
| Furniture | 13,400 | 13,953 | 4.1 |
| Stores and Services | <u>3,986</u> | <u>3,718</u> | (6.7) |
| | 133,492 | 185,022 | 38.6 |
| Health and Safety | 5,896 | 8,498 | 44.1 |
| Acquisition of Sites | 2,936 | 6,656 | 126.7 |
| Residences | 3,000 | 3,500 | 16.7 |
| Administration Office Renovations, etc | <u>2,915</u> | <u>3,904</u> | 33.9 |
| | 148,239 | 207,580 | 40.0 |

Expenditure on Construction and Additions included \$41.1m on primary school buildings (\$26.1m in 1987-88); \$72m (\$45.1m) on secondary school buildings; \$17.2m in respect of fees, administrative charges and oncosts paid to the Public Works Department and \$12.6m on minor works and services. Some major works completed during 1988-89, with estimated final costs supplied by the Department were:

| | Estimated Final Cost \$'000 | | Estimated Final Cost \$'000 |
|--------------------------------|-----------------------------------|-------------------------------------|-----------------------------------|
| Primary School Projects | | Secondary School Projects | |
| Werrington County - New School | 2,689 | Winmalee - New School | 7,328 |
| Prairievale - New School | 3,148 | Ambarvale - New School | 12,007 |
| Brisbania - Additions | 3,305 | Narellan - New School | 8,367 |
| Liverpool - Upgrade Stage 1 | 2,385 | Hawkesbury - New School | 8,234 |
| Raglan - Replacement School | 2,192 | Morisset - Upgrade | 2,550 |
| Frank Partridge - New School | 4,392 | Hurlstone Agricultural - Extensions | 2,557 |
| William Dean - New School | 2,770 | | |

Disbursements on Demountables and other emergency accommodation \$16.0m included \$6.6m for the relocation of such buildings throughout the State.

Payments to the School Furniture Complex during 1988-89 were slightly higher at \$14.0m (\$13.4m in 1987-88). This amount included \$2.4m for orders placed but unfilled at 30 June 1989.

Expenditure under Health and Safety increased by \$2.6m (44.1%) to \$8.5m and included \$2.4m for the removal of asbestos insulation from schools.

Expenditure on Acquisition of Sites increased by \$3.7m to \$6.7m and included \$3.3m on land acquisitions for primary schools and \$2.7m for secondary schools.

Payments to the Teacher Housing Authority for teacher residences increased by \$500,000 (16.7%) to \$3.5m, of which \$2.2m was related to Primary Schools and \$1.3m to Secondary Schools.

School Vandalism

During 1988-89, a total of 75 incidents of fire damage to schools were recorded; 66 cases involved arson. Total cost of building restoration estimated by the Department was \$4.9m.

Expenditure on security and other preventative measures amounted to \$15.9m (\$18.8m in 1987-88). Of this amount \$11.8m was funded from the Treasury Fire Risk Account for installation and maintenance of the School Electronic Surveillance System.

Programs

The table below details the net payments (receipts) of programs financed from Consolidated Fund and Special Deposits Account.

| Previous Year Net Payments (Receipts) \$'000 | Program Description | Receipts \$'000 | Payments \$'000 | Net Payments (Receipts) \$'000 |
|--|---|--------------------|--------------------|---|
| 860,768 | General Primary Education in Government Schools | 112 | 1,052,680 | 1,052,568 |
| 84,604 | Education of Children with Disabilities in Government Primary Schools | 33 | 122,466 | 122,433 |
| 5,610 | Pre-School Education in Government Schools | 295 | 7,608 | 7,313 |
| 62,276 | Direct State Government Assistance to Non-Government Primary Schools and Pupils | - - | 69,096 | 69,096 |
| 1,037,526 | General Secondary Education in Government Schools | 3,892 | 1,272,269 | 1,268,377 |
| 15,371 | Education of Children with Disabilities in Government Secondary Schools | - - | 17,586 | 17,586 |
| 94,056 | Direct State Government Assistance to Non-Government Secondary Schools and Pupils | - - | 102,754 | 102,754 |
| 112,269 | Administrative, Professional and General Support Services | 2,663 | 116,133 | 113,470 |
| (72,770) | Non Program Items | 59,715 | 37,594 | (22,121) |
| <u>2,199,710</u> | | <u>66,710</u> | <u>2,798,186</u> | <u>2,731,476</u> |

Assistance to non-Government Schools increased by \$15.5m (9.9%) to \$171.9m of which \$150.1m (87.3%) was paid to schools as per-capita allowances (\$136.3m or 87.2% in 1987-88).

MATTERS RAISED WITH THE DEPARTMENT

During the past year a number of significant matters arising during the audit were raised with senior management. These included recommendations for improvement in internal control over the payment of claims, general ledger update and processing of the teachers payroll. Similarly, scope for improvement was noted in the data processing function at Head Office and two Regional Offices in a number of areas including: disaster recovery and back-up procedures; and data integrity.

The Department examined the recommendations and, where considered appropriate, has taken remedial action to strengthen the necessary controls.

SCHOOL FURNITURE COMPLEX

Transactions relating to the Department of Education School Furniture Complex are not included in the Departmental statements described above. The transactions of the Complex are recorded within Special Deposits Account and the financial statements shown below have been prepared using the accrual basis of accounting.

The Complex specialises in the manufacture, purchase and warehousing of furniture items for use by N.S.W. Government schools, non-State schools, Government departments and approved organisations. Audit of the Complex's accounts has not been completed. Figures quoted in this review are not necessarily final.

MANUFACTURING STATEMENT for the year ended 30 June 1989

| Previous Year \$'000 | | \$'000 | % Increase (-) |
|----------------------------|---|--------|----------------------|
| | DIRECT COSTS | | |
| 1,146 | Salaries and Wages | 748 | (34.7) |
| 5,470 | Materials | 4,545 | (16.9) |
| 6,616 | | 5,293 | (20.0) |
| | MANUFACTURING OVERHEADS | | |
| 1,117 | Indirect Wages, Salaries and Payroll Tax | 1,186 | 6.2 |
| 301 | Holiday and Leave | 292 | (3.0) |
| 244 | Depreciation | 161 | (34.0) |
| 202 | Power and Light | 123 | (39.1) |
| 214 | Repairs and Maintenance | 128 | (40.2) |
| 103 | Employer's Contribution to Superannuation Fund | 126 | 22.3 |
| 39 | Insurance | 33 | (15.4) |
| 297 | Sundry Expenses | 237 | (20.2) |
| 2,517 | | 2,286 | (9.2) |
| 9,133 | | 7,579 | (17.0) |
| 22 (a) | Less - Over Recovery of Overheads on Component Parts | 28 | (a) |
| 9,155 | | 7,551 | (17.5) |
| 1,538 (b) | Less - Increase in Work in Progress | 589 | (b) |
| 10,693 | Cost of Goods Manufactured | 6,962 | (34.9) |

KEY

(a) Under recovery in previous year - percentage not applicable.

(b) Decrease in previous year - percentage not applicable.

TRADING AND PROFIT AND LOSS STATEMENT
for the year ended 30 June 1989

| Previous Year \$'000 | | \$'000 | % Increase (-) |
|----------------------------|---|--------|----------------------|
| | REVENUE | | |
| 12,596 | Furniture Sales | 15,909 | (a) |
| 11,735 | Less - Cost of Goods Sold | 10,867 | (7.4) |
| 861 | Gross Profit from Trading | 5,042 | 485.6 |
| | Other Revenue: | | |
| 5,515 | Servicing Charges | 3,047 | (44.8) |
| 140 | Interest Received | 381 | 172.1 |
| 64 | Proceeds from Sale of Assets | 25 | (60.9) |
| 5 | Commission and Canteen Rental | 4 | (20.0) |
| 6,585 | | 8,499 | 29.1 |
| | EXPENSES | | |
| 3,929 | Salaries, Wages and Payroll Tax | 3,640 | (7.4) |
| 2,174 | Sundry Expenses | 2,122 | (2.4) |
| 17 | Audit Fees | 30 | 76.5 |
| 6,120 | | 5,792 | (5.4) |
| 465 | OPERATING PROFIT | 2,707 | (a) |
| 465 | Allocation to Asset Replacement Reserve | 2,707 | 482.2 |
| -- | ADDITION TO ACCUMULATED FUNDS | -- | - |

KEY

(a) Figures are not directly comparable due to change in accounting policy.

Cost of Goods Sold at \$10.9m (\$11.7m in 1987-88) is comprised of contract furniture purchased \$3.8m (\$3.8m), cost of goods manufactured \$7.0m (\$10.7m) plus the difference between opening and closing stocks of finished goods \$134,379.

The return from two shifts per day to one shift per day from February 1988 to June 1989 was the major factor contributing to the 34.9% reduction in the Cost of Goods Manufactured.

BALANCE SHEET as at 30 June 1989

| Previous Year \$'000 | | \$'000 | % Increase (-) |
|----------------------------|---|--------|----------------------|
| | CURRENT ASSETS | | |
| 4,478 | Cash | 8,950 | 99.9 |
| 458 | Debtors | 898 | 96.1 |
| 4,325 | Works in Progress | 4,914 | 13.6 |
| 2,762 | Finished Goods Stock | 2,628 | (4.9) |
| 2,346 | Stores and Materials | 2,190 | (6.6) |
| 14,369 | TOTAL CURRENT ASSETS | 19,580 | 36.3 |
| | NON-CURRENT ASSETS | | |
| 3,411 | Land | 3,411 | - |
| 8,775 | Buildings (Less - Depreciation \$1,972,742) | 8,589 | (2.1) |
| 701 | Plant, etc. (Less - Depreciation \$2,845,226) | 726 | 3.6 |
| 12,887 | TOTAL NON-CURRENT ASSETS | 12,726 | (1.2) |
| 27,256 | TOTAL ASSETS | 32,306 | 18.5 |
| | CURRENT LIABILITIES | | |
| 350 | Payments in Advance - Furniture Sales | 2,776 | 693.1 |
| 1,330 | Creditors | 912 | (31.4) |
| 338 | Provision for Annual Leave | 304 | (10.1) |
| 2,018 | TOTAL CURRENT LIABILITIES | 3,992 | 97.8 |
| | NON-CURRENT LIABILITIES | | |
| | <i>Provisions:</i> | | |
| 861 | Long Service Leave | 948 | 10.1 |
| 546 | Superannuation | 828 | 51.6 |
| 1,407 | TOTAL NON-CURRENT LIABILITIES | 1,776 | 26.2 |
| 3,425 | TOTAL LIABILITIES | 5,768 | 68.4 |
| 23,831 | NET ASSETS | 26,538 | 11.4 |
| | CAPITAL AND RETAINED EARNINGS | | |
| | <i>Capital Debt:</i> | | |
| 17,537 | State Government | 17,537 | - |
| | <i>Retained Earnings:</i> | | |
| 3,590 | Accumulated Funds | 3,590 | - |
| 2,704 | Asset Replacement Reserve | 5,411 | 100.1 |
| 23,831 | | 26,538 | 11.4 |

A change in accounting policy effected in the previous year resulted in finished goods stock, previously brought to account as sales, being recognised as a current asset. This change in accounting arrangement had the effect of a one off reduction in sales of \$2.8m in 1987-88. Consequently, sales and operating profits for the two years are not directly comparable.

Payments in Advance – Furniture Sales \$2.8m includes \$2.4m from the Department of Education as payments in advance for furniture commitments.

An allocation of \$2.7m was made to the Asset Replacement Reserve during the year bringing the total of the Reserve to \$5.4m at 30 June 1989.

As at 5 April 1989 the Valuer-General assessed the value of land and buildings belonging to the complex at \$17.5m (\$14.5m in the previous year).

MATTERS RAISED WITH THE COMPLEX

During the past year the following significant matters were raised with Complex management:

- * Shortcomings in internal control in the payroll system.
- * Need to review the appropriateness of current rates of depreciation.
- * Recommendations for improvement in stocktaking procedures and reporting.

I have been advised that the matters raised were being redressed.

DEPARTMENT OF TECHNICAL AND FURTHER EDUCATION

The Department of Technical and Further Education is responsible for the provision of post-school education for persons choosing to pursue interests, develop skills and talents, acquire vocational competencies, advance careers and progress towards personal goals and aspirations.

Through a network of 107 Colleges the Department offers courses designed to embrace elements of both general education and continuing education. Teaching programs include courses in: engineering and industrial technology; applied sciences; fine and applied arts; and commercial and general studies.

Financial Features of 1988-89

- * Salaries, wages and related payments increased by \$57.3m (14.9%) to \$441.5m.
- * Expenditure on capital works increased by \$7.3m (8.2%) to \$96.3m while the Commonwealth contribution decreased by 7.0%.
- * Student enrolments decreased by 64,051 (13.5%) to an estimated census figure of 410,000 for 1989.
- * The number of equivalent full time teachers rose by 298 (2.7%) to 11,295 and followed a rise of 426 in the previous year.

Receipts and Payments

A composite summary of receipts and payments of the Consolidated Fund and Special Deposits Account for the year ended 30 June 1989 is as follows:

| Previous Year \$'000 | | \$'000 | % Increase (-) |
|----------------------------|---|----------------|----------------------|
| | RECEIPTS | | |
| - - | Administration Charge | 18,321 | (a) |
| 732 | Fees | 134 | (81.7) |
| 1,098 | Miscellaneous Services Rendered | 615 | (44.0) |
| 2,327 | Architectural Works - Oncost | 790 | (66.1) |
| 1,849 | Other Receipts | 2,357 | 27.5 |
| 7,095 | College Collections | 12,542 | 76.8 |
| 1,330 | Plant and Equipment Grant | 2,447 | 84.0 |
| | State and Commonwealth Grants for | | |
| 3,267 | Special Employment Scheme | 761 | (76.7) |
| 4,813 | Salaries Adjustment Suspense (Net) | 528 | (89.0) |
| - - | Suspense Account (Net) | 953 | (b) |
| <u>22,511</u> | TOTAL RECEIPTS | <u>39,448</u> | 75.2 |
| | PAYMENTS | | |
| 384,242 | Salaries and Other Employee Payments | 441,505 | 14.9 |
| 91,592 | Maintenance and Working Expenses | 127,845 | 39.6 |
| 1,551 | Plant and Equipment | 2,607 | 68.1 |
| 150 | Grants and Subsidies | 156 | 4.0 |
| 2,673 | Other Services | 645 | (75.9) |
| 150 | Suspense Account (Net) | - - | (c) |
| <u>88,968</u> | Capital Works and Services | <u>96,258</u> | 8.2 |
| <u>569,326</u> | TOTAL PAYMENTS | <u>669,016</u> | 17.5 |
| <u>546,815</u> | EXCESS OF PAYMENTS OVER RECEIPTS | <u>629,568</u> | 15.1 |

KEY

- (a) Nil in previous year - not calculable.
 (b) Debit in previous year - not applicable.
 (c) Credit in current year - not applicable.

Receipts increased by \$16.9m to \$39.5m (\$22.5m in 1987-88) due mainly to the introduction of an administration charge in the first semester of 1989, which generated \$18.3m in income. Problems encountered in the collection of the administration charge are referred to later.

Receipts under the heading *College Collections* included Course Fees \$7.9m (\$2.9m in 1987-88) and proceeds from sale of student projects \$3.3m (\$3.1m in 1987-88).

Overall payments from Consolidated Fund and Special Deposits Account increased by \$99.7m (17.5%) to \$669m. Much of the increase was attributable to increased salary and related costs and maintenance and working expenses.

Salaries and Other Employee Payments rose by \$57.3m (14.9%) to \$441.5m. The increase was due to higher salary rates and additional staff appointments together with responsibility for the payment of payroll tax (\$21.5m) being transferred to the Department in 1988-89.

Teaching Service Staff:

Departmental statistics show the number of staff employed within the teaching service of the Department during the last pay period in June in the last two years as:

| | June 1988 | June 1989 | Increase |
|---|---------------|---------------|------------|
| Full-time teaching staff (a) | 6,305 | 6,349 | 44 |
| Part-time teaching staff expressed as Equivalent Full-time (b) | 4,290 | 4,503 | 213 |
| Non-teaching staff (c) | 402 | 443 | 41 |
| | <u>10,997</u> | <u>11,295</u> | <u>298</u> |

KEY

(a) Full-time teaching staff includes Heads of Schools and School Administration, Principals and College Administration of Grade 1 Principal and below. It also includes relief teachers.

(b) Part-time/overtime teaching hours for the period are converted to Equivalent Full Time by dividing the number of hours worked by the number of teaching hours which would have been undertaken by a full time teacher in that period.

(c) Non-teaching staff includes Deputy Directors-General, Directors, Outreach Officers, Counsellors, PEP Co-ordinators and other similar officers.

Student Enrolments:

Using Department of Technical and Further Education statistics, student enrolments (full and part-time courses) for the past five calendar years were:

| Year | Student Numbers | % Increase (-) |
|------|-----------------|----------------------|
| 1985 | 391,721 | 0.9 |
| 1986 | 402,572 | 2.8 |
| 1987 | 432,580 | 7.5 |
| 1988 | 474,051 | 9.6 |
| 1989 | 410,000* | (13.5) |

KEY

* Departmental estimate for 1989 - not yet final.

The decrease in student enrolments according to departmental officers is due to the introduction of the administration charge which has made self-interest courses less desirable and has reduced the number of multiple enrolments by single students as, they are forced to be more selective in what course they undertake.

Maintenance and Working Expenses:

Maintenance and Working Expenses increased by \$36.3m (39.6%) to \$127.8m mainly due to the responsibility for the payment of cleaning costs (\$18.7m in 1988-89) being transferred to the Department in line with the change in Government policy relating to service-wide payments and services. Payments from Consolidated Fund included: \$45.1m for stores (\$39.4m in 1987-88); \$13.6m for maintenance (\$11.7m in 1987-88); \$9.0m for gas and electricity (\$7.8m in 1987-88); and \$9.6m for fees for services rendered (\$6.2m in 1987-88).

Other Services:

Payments under this heading are summarised as follows:

| | 1987 - 88 | 1988 - 89 | % Increase (-) |
|---|--------------|------------|----------------------|
| | \$'000 | \$'000 | |
| Conveyance of Students to Colleges | 1,367 | - | (100.0) |
| Textbook Allowances to Students | 131 | 81 | (38.2) |
| Overseas Travel | 67 | 74 | 10.4 |
| Joint State/Commonwealth Program Against Drug Abuse | 449 | 414 | (7.8) |
| Settlement of Claims for Compensation | 110 | 76 | (30.9) |
| Specially Funded Programs - Oncost | 549 | - | (100.0) |
| | <u>2,673</u> | <u>645</u> | (75.9) |

During 1988-89 responsibility for the conveyance of full-time students to technical colleges was transferred to the Ministry of Transport.

Capital Works and Services:

Total outlay on *Capital Works and Services* increased by \$7.3m (8.2%) to \$96.3m of which \$44.4m (\$33.3m in 1987-88) was provided by the State.

The Commonwealth's contribution \$51.8m represents a 7.0% decrease compared to the amount provided in 1987-88.

An analysis of capital expenditure shows:

| | 1987 - 88 | 1988 - 89 | % Increase (-) |
|--------------------------------|---------------|---------------|----------------------|
| | \$'000 | \$'000 | |
| Acquisition of Sites | 1,358 | 7,741 | 470.0 |
| Construction and Additions | 61,530 | 60,549 | (1.6) |
| Plant, Furniture and Equipment | <u>26,080</u> | <u>27,968</u> | 7.2 |
| | <u>88,968</u> | <u>96,258</u> | 8.2 |

Of the \$60.5m incurred on construction and additions, \$49.6m was in relation to major building works with the following colleges being the larger projects.

| College | Expenditure 1988 - 89 \$'000 | Expenditure to date \$'000 | Estimated Total Cost \$'000 | Advised Completion Date |
|----------------------------|------------------------------------|----------------------------------|-----------------------------------|-------------------------------|
| Lidcombe - Stage 1 | 11,014 | 16,381 | 23,349 | March 1990 |
| Tamworth - Stage 6 | 5,796 | 5,796 | 11,901 | May 1990 |
| Campbelltown - Stage 3 | 5,139 | 7,112 | 9,864 | September 1989 |
| Macquarie Fields - Stage 2 | 2,260 | 2,260 | 3,763 | December 1989 |
| Kurri Kurri - Stage 2 | 1,900 | 2,129 | 4,608 | November 1989 |

Commonwealth Funding

Certain programs and activities of the Department are funded by the Commonwealth Government. Funds provided to the State in 1988-89 increased by \$520,385 to \$121.2m and comprised: capital grants \$53.2m; general recurrent grants \$43.8m; and grants for special projects of \$24.2m. Grants for special projects included \$6.9m (\$5.0m in 1987-88) for the Australian Traineeship System, \$12.7m (\$5.1m in 1987-88) for various labour market programs, and \$3.0m (\$4.1m in 1987-88) for pre-vocational courses.

Programs

The table below details the net payments or receipts of programs financed from Consolidated Fund and Special Deposits Account on a program basis.

| Previous Year Net Payments (Receipts) \$'000 | Program Description | Receipts \$'000 | Payments \$'000 | Net Payments (Receipts) \$'000 |
|---|--|--------------------|--------------------|---|
| 220,821 | Courses in Engineering and Industrial Technology | 11,100 | 264,052 | 252,952 |
| 81,435 | Courses in Applied Sciences | 7,797 | 98,934 | 91,137 |
| 63,686 | Courses in Fine and Applied Arts | 3,434 | 75,601 | 72,167 |
| 161,172 | Courses in Commercial and General Studies | 10,027 | 196,081 | 186,054 |
| 10,463 | Support Services to Teachers and Students | - - | 10,760 | 10,760 |
| 17,555 | Administrative Support Services | 2,447 | 22,063 | 19,616 |
| (8,317) | Non Program Items | 4,643 | 1,525 | (3,118) |
| <u>546,815</u> | | <u>39,448</u> | <u>669,016</u> | <u>629,568</u> |

A broad indication of teaching program costs per equivalent full time student (EFTS) is shown in the following table by comparing departmental statistics for equivalent full time students enrolled during the 1987 and 1988 calendar years with net course payments made during the financial years 1987-88 and 1988-89.

| | 1987 - 88 | 1988 - 89 |
|--|-----------|-----------|
| <i>Courses in Engineering:</i> | | |
| Equivalent Full Time Students | 39,886 | 40,298 |
| Net Program Payments | \$220.8m | \$253.0m |
| Cost per Student (EFTS) | \$5,536 | \$6,278 |
| <i>Courses in Applied Sciences:</i> | | |
| Equivalent Full Time Students | 11,948 | 15,914 |
| Net Program Payments | \$81.4m | \$91.1m |
| Cost per Student (EFTS) | \$6,813 | \$5,725 |
| <i>Courses in Fine and Applied Arts:</i> | | |
| Equivalent Full Time Students | 15,210 | 17,242 |
| Net Program Payments | \$63.7m | \$72.2m |
| Cost per Student (EFTS) | \$4,188 | \$4,187 |
| <i>Courses in Commercial and General Studies:</i> | | |
| Equivalent Full Time Students | 54,222 | 62,616 |
| Net Program Payments | \$161.2m | \$186.1m |
| Cost per Student (EFTS) | \$2,973 | \$2,972 |
| <i>Total:</i> | | |
| Equivalent Full Time Students | 121,266 | 136,070 |
| Net Program Payments | \$527.1m | \$602.4m |
| Cost per Student (EFTS) | \$4,347 | \$4,427 |

NOTE

- (1) EFTS is calculated by dividing total annual student contact hours by 720.
 (2) Statistics referred to in this comment have not been subject to audit.

MATTERS RAISED WITH/BY DEPARTMENT

During the past year the following significant matters were raised with senior management.

- * Lack of a comprehensive accounting manual.
- * Need for improved staffing of the internal audit unit.
- * Instances at surveyed Colleges of non-performance of supervisory checks over data used in the system which generates the payment of full and part-time teachers' salaries.
- * Inherent deficiencies within the system for asset recording and control.
- * Shortcomings in the system of internal control over payroll processing.

I have been informed that action on these matters is under consideration or in the process of being implemented. Nevertheless, of particular concern to me has been the slowness of the Department to respond to matters raised. It is hoped that recently revised arrangements will lead to substantial improvements in this area.

In April 1989 the Director-General advised me of weaknesses and breakdowns in internal controls and systems for the collection of the administration charge. The advice followed an internal audit review of collections relating to First Semester 1989 enrolments.

The major concern was the lack of a reconciliation between moneys banked with the enrolments received. This reconciliation would have provided assurance that the administration charge was accurately assessed and completely brought to account.

The Department is currently attempting to effect a reconciliation of the bank account with enrolments received and I am awaiting the outcome of this process.

My opinion was sought on the procedures to apply for the collection of the administration charge in the Second Semester 1989. While the proposed systems and internal controls represented an improvement from those which applied to the First Semester 1989, there was, however, scope for further improvement. Recommendations were made and appropriate action has been undertaken where considered necessary by the Department. I have been advised that the internal audit unit will be examining the collection of the administration charge for the Second Semester 1989. Further, I will be keeping the entire situation under close review.

OFFICE OF THE MINISTER FOR THE ENVIRONMENT

The Office of the Minister for the Environment provides advice dealing with: conflicts within Government administration on land use; forward projections on environmental objectives; future goals for Government on improving both the urban and natural environment; and co-ordination of views of various Government policies and aspirations.

Amounts for the previous period shown in the following tables are for the period from the establishment of the Office on 25 March 1988 to 30 June 1988. Accordingly I have not commented on movements between the levels of the current year's and previous year's receipts and payments and percentage variations are not shown in tables.

Receipts and Payments

A composite summary follows of receipts and payments on the Consolidated Fund and Special Deposits Account for the year ended 30 June 1989.

| Previous Period \$'000 | | \$'000 |
|------------------------------|--|---------------|
| | RECEIPTS | |
| -- | Balance of Salaries | 6 |
| -- | Allocation of Computer Funding | 118 |
| -- | TOTAL RECEIPTS | <u>124</u> |
| | PAYMENTS | |
| 36 | Salaries and Other Employee Payments | 380 |
| 8 | Maintenance and Working Expense | 180 |
| -- | Plant and Equipment | 153 |
| | Grant and Subsidies: | |
| -- | Water Board | 24,832 |
| -- | Hunter Water Board | 2,465 |
| -- | Grants to Environment and Conservation Organisations | 74 |
| | Other Services: | |
| | Contribution towards Administration Costs | |
| 85 | of Zoological Parks Board | 132 |
| | Capital Works: | |
| | Zoological Parks Board - Athol Bay | |
| -- | Marine Life Sanctuary | 55 |
| <u>129</u> | TOTAL PAYMENTS | <u>28,271</u> |
| <u>129</u> | EXCESS OF PAYMENTS OVER RECEIPTS | <u>28,147</u> |

Programs

The table below details the net payments in respect of operations financed from Consolidated Fund and Special Deposits Account on a program basis.

| Previous Period Net Payments \$'000 | Program Description | Receipts \$'000 | Payments \$'000 | Net Payments \$'000 |
|---|----------------------------------|--------------------|--------------------|---------------------------|
| 129 | Policy Co-ordination and Support | 118 | 974 | 856 |
| (a) | of Environmental Issues | -- | 27,297 | 27,297 |
| -- | Rate Rebates for Pensioners | 6 | -- | (6) |
| <u>129</u> | Non Program | <u>124</u> | <u>28,271</u> | <u>28,147</u> |

KEY

(a) New Program - for 1988-89.

Policy Co-ordination and Support of Environmental Issues: Grants to various environmental and conservation organisations totalled \$74,000. An amount of \$187,000 was paid to the Zoological Parks Board comprising \$132,000 towards administration costs and \$55,000 for capital works.

Rate Rebates for Pensioners totalled \$27.3m which represents subsidies to the Water Boards for granting of relief from the water and sewerage rates for pensioners. Subsidies comprised \$24.8m to the Water Board and \$2.5m to the Hunter Water Board. In the previous year payments of this nature were met by the Department of Water Resources.

NATIONAL PARKS AND WILDLIFE SERVICE

The Service was constituted by the National Parks and Wildlife Act 1974. Under this Act the Director of the Service is responsible for the care, control and management of all areas dedicated as National Parks, Nature Reserves, Historic Sites and Aboriginal Areas. At 30 June 1989, there were 283 of these, covering a total of 3.75 million hectares. The Service also administers specified Aboriginal places, protected archaeological areas, wildlife refuges and management areas. There are 562 of these – covering 2.28 million hectares. There are also 22 State Recreation Areas (covering 59,883 hectares) which were managed by Trustees responsible to the Minister until 31 March 1989 when their terms of Office expired or were terminated. The Trusts were reconstituted effective from 1 July 1989 and in the interim period the Minister and the Service (under Ministerial delegation) managed the State Recreation Areas.

The Service has the responsibility for administering groups of staff principally involved with the Royal Botanic Gardens and Domain, Centennial Park, Bicentennial Park and Lord Howe Island. A review of the financial operations of these statutory bodies will be included in Volume Three of my Report for 1989.

The Service, for the third consecutive year, was in breach of the Public Finance and Audit Act 1983 by not submitting financial statements to the Minister and to the Auditor-General within six weeks of the close of the financial year. The financial statements, although incomplete, were finally received on 25 August 1989, i.e. fourteen days late. A request for an extension of time in which to submit the financial statements was made. At the date of preparation of this Report, however, the request was still under consideration by the Treasurer. Service officers attributed the delay to there being limited experienced staff resources within the Financial Management Branch to prepare the financial statements and perform other tasks and activities on hand.

Due to the late submission of the financial statements by the Service the audit of the financial statements has not been completed. The information that follows may be subject to alteration.

Receipts and Payments

Provided below is a composite summary of receipts and payments of the Taxation Suspense and National Parks and Wildlife Fund within Special Deposits Account including transactions relating to the administration of groups of staff referred to above. The latter fund was established in terms of the National Parks and Wildlife Act 1974 to record the financial transactions of the Service.

Receipts and Payments for the year ended 30 June 1989 include collections and general operating costs for all State Recreation Areas for a full year. The previous year's figures only include these amounts as from 1 December 1987. Before then these transactions were separately accounted for at each State Recreation Area.

| Previous Year \$'000 | | \$'000 | % Increase (-) |
|----------------------------|--|---------------|----------------------|
| | RECEIPTS | | |
| 5,232 | Fees and Licences | 5,723 | 9.4 |
| 3,159 | Rentals | 3,470 | 9.8 |
| 344 | Royalties and Fines | 294 | (14.5) |
| 1,674 | Sale of Government Property, etc | 2,720 | 62.5 |
| 325 | Computer Development | 425 | 30.8 |
| 1,377 | Other Receipts | 579 | (58.0) |
| | Special Purpose Contributions, Grants, Donations, etc | 6,946 | 15.3 |
| <u>6,023</u> | | <u>6,946</u> | |
| <u>18,134</u> | TOTAL RECEIPTS | <u>20,157</u> | 11.2 |
| | PAYMENTS | | |
| 24,527 | Salaries and Other Employee Payments | 28,998 | 18.2 |
| 15,171 | Maintenance and Working Expenses | 17,474 | 15.2 |
| 4,359 | Plant and Equipment | 6,238 | 43.1 |
| 2,326 | Grants and Subsidies | 3,060 | 31.6 |
| 11 | Other Services | 31 | 181.8 |
| 10,017 | Capital Works and Services | 13,830 | 38.1 |
| 6,773 | Special Purpose Programs, Activities and Operations | 6,434 | (5.0) |
| <u>16,405</u> | Other Operations | <u>17,805</u> | 8.5 |
| <u>79,589</u> | TOTAL PAYMENTS | <u>93,870</u> | 17.9 |
| 61,455 | EXCESS OF PAYMENTS OVER RECEIPTS | 73,713 | 19.9 |
| | Add: Consolidated Fund Appropriation | | |
| <u>60,207</u> | Minister for Environment | <u>73,425</u> | 22.0 |
| <u>1,248</u> | DECREASE IN FUNDS BALANCES | <u>288</u> | (76.9) |

The major items of receipts from *Fees and Licences* were \$5.4m (\$4.9m in 1987-88) fees for visitor entry, camping etc. and \$293,647 (\$291,793 in 1987-88) for licences issued to control the collecting of fauna, wild flowers and native plants. The increase of \$488,822 in fees was mainly due to a full year's receipt of collections from State Recreation Areas.

Rentals of \$3.5m (\$3.2m in 1987-88) included \$2.7m (which was constant with 1987-88) from commercial establishments, sites, holiday cabins etc at Kosciusko, Royal and Kuring-gai Chase National Parks and Burrinjuck and Wyangala State Recreation Areas. Of the \$2.7m above, Kosciusko contributed \$2.0m (\$2.1m in 1987-88).

The decrease in *Other Receipts*, \$797,415, to \$579,205 in 1988-89 was mainly due to: contributions from the Snowy Mountains Hydro-Electric Authority amounting to \$526,453, for maintenance of roads in Kosciusko National Park, being included within Special Purpose headings; and administrative costs recovered being offset against expenditure. In 1987-88 \$570,000 of the \$766,099 received from the Authority had been included within Other Receipts. Comment is made later on maintenance of roads in Kosciusko National Park.

Receipts and payments under ***Special Purpose*** headings included:

- Sale and purchase/production of publications of \$717,375 and \$674,485 respectively (\$540,891 and \$479,887 in 1987-88).
- Funds for and the undertaking of research, consulting and contracting projects of \$719,510 and \$557,360 respectively (\$706,299 and \$526,123 in 1987-88).
- Grants from the Ministry of Employment under the Youth and Adult Employment Scheme and Community Employment Programs of \$1.4m (\$438,541 in 1987-88). Funds allocated to various Parks and State Recreation Areas to finance labour intensive projects were reduced from \$1.9m in 1987-88 to \$160,490 during the year. This reflects the winding down of the schemes and programs. The bulk of grant money received in 1988-89 represented the recoupment of funds spent in the previous year.
- Contributions, levies, fees and surcharges of \$2.0m (\$2.6m in 1987-88) for the Kosciuszko National Park. These moneys are for the snow clearing and maintenance of roads, provision and maintenance of local government services and facilities, and the upkeep and provision of visitor facilities within the Park. Payments for these purposes in 1988-89 remained constant at \$2.6m.

A full year's impact of higher staffing levels in the previous year plus staffing increases in the current year coupled with the initial accrual of salaries and wages in 1988-89 significantly contributed to the \$4.5m increase in ***Salaries and Other Employee Payments***. The staffing levels were a prime area of comment in a report by the Office of Public Management following review of the Service's finances. The report highlighted that the Service's actual staff number exceeded that which it was entitled to employ.

Plant and Equipment expenditure of \$6.2m (\$4.4m in 1987-88) included: \$4.2m for motor vehicle replacement and the acquisition of an additional forty seven vehicles (\$3.1m and nineteen respectively in 1987-88); and \$1.4m (\$879,444 1987-88) for purchase of operating plant. The jump in additional vehicle acquisitions was to a large extent attributed to the establishment of Yengo National Park. Proceeds from vehicles replaced amounted to \$2.6m. This sum is included in the receipts item ***Sale of Government Property, etc.***

Grants and Subsidies payments, \$3.1m, included \$3.0m (\$2.1m in 1987-88) for grants to State Recreation Areas for Trust salary, wages and their related costs, and incidental expenses. Additionally, \$875,949 (\$940,407 in 1987-88) for salaries and other employee payments and \$2.1m (\$1.4m in 1987-88), for maintenance and working expenses were paid for the Areas. Major recipients of the grants were: Lane Cove \$558,680; Burrendong \$270,400; Wyangala \$220,850; Georges River \$213,050; Munmorah \$189,930; Burrinjuck \$168,220; and Lake Keepit \$160,240.

Expenditure on **Capital Works and Services** rose by \$3.8m in 1988-89 to \$13.8m. This amount included: \$10.2m (\$6.9m in 1987-88) for development and restoration works and services; \$3.0m (\$3.0m in 1987-88) for land acquisition; and \$642,368 (\$192,855 in 1987-88) on Bicentennial Projects. The increase in development and restoration works and services is due mainly to Kosciusko road maintenance expenditure increasing by \$834,000 to \$1.9m.

Information provided by the Service shows that land acquisitions, funded from capital works allocations, totalling 34,774 hectares (12,338 in 1987-88) were finalised during the year.

The item **Other Operations** in the Receipts and Payments Summary comprised payments for the following purposes:

| | Salaries | | Other Working Expenses | | Capital Works | | Total | |
|----------------------------------|-------------------|-------------------|------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| | 1987-88 \$'000 | 1988-89 \$'000 | 1987-88 \$'000 | 1988-89 \$'000 | 1987-88 \$'000 | 1988-89 \$'000 | 1987-88 \$'000 | 1988-89 \$'000 |
| Bicentennial Park (a) | -- | 381 | -- | 302 | -- | 68 | -- | 751 |
| Centennial Park | 735 | 899 | 810 | 1,138 | 1,605 | 533 | 3,150 | 2,570 |
| Royal Botanic Gardens and Domain | <u>5,108</u> | <u>6,292</u> | <u>2,960</u> | <u>4,593</u> | <u>5,187</u> | <u>3,599</u> | <u>13,255</u> | <u>14,484</u> |
| | <u>5,843</u> | <u>7,572</u> | <u>3,770</u> | <u>6,033</u> | <u>6,792</u> | <u>4,200</u> | <u>16,405</u> | <u>17,805</u> |

KEY

(a) Payments since 1.7.88 come within the National Parks and Wildlife Fund but before then they were included as part of Premier's Department.

At 30 June 1989 the aggregate balance of all funds, \$1.5m, included \$1.3m (\$763,351 in 1987-88) held in respect of Special Purpose Contributions, Grants, Donations, etc.

Programs

The Service accounts for its financial operations by program as well as line item. The programs operative during 1988-89 were: **Wildlife Conservation; Natural Environment Conservation; Conservation of Aboriginal Sites; Places and Artefacts; Historic Sites Conservation; Recreation Area Management; and Administrative Support Services.**

As has been the situation since 1986-87, on the information provided to date, I am again unable to form an opinion on the correctness of the allocation of receipts and payments between these programs. This is directly attributable to the nature of the programs for which the Service is attempting to account. For example, it is virtually impossible to differentiate costs relating to **"Wildlife Conservation"** as against **"Natural Environment Conservation"**.

In Volume Two of my 1988 Report I noted that the Service had made representations to the Treasury seeking amendments to its program structure.

Following from this the Treasury proposed that three programs, namely: ***Natural and Cultural Resource Conservation; Recreation Area Management;*** and ***Administrative Support Services*** be substituted for the six programs previously mentioned.

The Service has accepted the proposed programs and they have been implemented in the 1989-90 financial year. The new program structure will be reviewed during the year by the Service to assess its appropriateness for decision making and provision of meaningful information. My staff will also monitor the success of the new program structure in overcoming the past program accounting difficulties.

MATTERS RAISED WITH THE SERVICE

During the past year the following significant matters were raised with senior management:

- * Lack of a comprehensive accounting manual;
- * Need for improved staffing of the internal audit unit;
- * Need for consideration to be given to the preparation of financial statements on a commercial basis for the provision of municipal type services and other services and facilities specifically related to resorts within the ski-fields of Kosciusko;
- * Need for timely preparation of financial statements supported by adequately prepared working papers.

Action to redress the first three matters has been or is in the process of being performed and is considered satisfactory. The need for positive action to redress the repeated breach of financial statement preparation legislation will need to be mentioned again.

Other recommendations, arising from the 1987-88 audit, were formally made to management in respect of some shortcomings which came to notice in accounting records, procedures and internal controls in the areas of: collections; disbursements; payroll; leave; entry permits/tickets and motor vehicle/land/investment registers. Similarly, scope for improvement was noted in the data processing function particularly in the areas of: system development; documentation; segregation of duties; access security; management/audit trails; program change; software testing; and general data base administration procedures.

Advice was received from the Director that all recommendations have been or are in the process of being implemented. However in the course of the 1988-89 audit it was noted that some of matters raised had again come under notice. My staff have sought a comprehensive response, which I am currently awaiting, in respect of the matters previously raised.

STATE POLLUTION CONTROL COMMISSION

The Commission was established under the State Pollution Control Commission Act 1970, to control pollution and the disposal of waste, to protect the environment and to advise the Government on these matters.

Receipts and Payments

A composite summary of receipts and payments of the Consolidated Fund and Special Deposits Account for the year ended 30 June 1989 is as follows:

| Previous Year \$'000 | | \$'000 | % Increase (-) |
|----------------------------|---|---------------|----------------------|
| | RECEIPTS | | |
| 2,650 | Licence Fees and Charges | 3,018 | 13.9 |
| 89 | Fines and Miscellaneous Receipts | 98 | 10.1 |
| 1,627 | Special Projects, Grants and Donations | 1,846 | 13.5 |
| 140 | Other | 718 | 412.9 |
| <u>4,506</u> | TOTAL RECEIPTS | <u>5,680</u> | 26.1 |
| | PAYMENTS | | |
| 8,047 | Salaries and Other Employee Payments | 9,792 | 21.7 |
| 3,014 | Maintenance and Working Expenses | 4,014 | 33.2 |
| 232 | Contribution to Department of Health | 230 | (0.9) |
| 450 | Plant and Equipment | 764 | 69.8 |
| 11 | Major Capital Projects | 7 | (36.4) |
| 38 | Other | 174 | 357.9 |
| <u>11,792</u> | TOTAL PAYMENTS | <u>14,981</u> | 27.0 |
| <u>7,286</u> | EXCESS OF PAYMENTS OVER RECEIPTS | <u>9,301</u> | 27.7 |

Receipts increased by \$1.2m to \$5.7m, while expenditure at \$15.0m was \$3.2m more than in the previous financial year.

The Commission's revenue is derived mainly from licence fees and charges for approvals to carry out certain works in premises scheduled under the State Pollution Control Commission Act 1970. In 1988-89 revenue from this source rose by \$368,272 to \$3.0m. Licence fees charges were increased 6.25% from 1 October 1988.

The *Special Projects Account* is a Special Deposits Account established to record transactions relating to various environmental studies undertaken by the Commission. Projects are funded from private donations and Commonwealth and State Government grants. Receipts from these sources during the year totalled \$1.8m. Expenditure of \$2.2m included \$1.5m for a litter reduction campaign, an increase of \$595,249 over the previous year. In addition, \$178,615 was spent from the account on Commonwealth-State employment programs. The balance of the account at 30 June 1989 stood at \$616,861.

Programs

The table below details the excess of payments over receipts of operations financed from Consolidated Fund and Special Deposits Account on a program basis.

| Previous Year Excess \$'000 | Program Description | Receipts \$'000 | Payments \$'000 | Excess of Payments Over Receipts \$'000 |
|--------------------------------------|--|--------------------|--------------------|--|
| 1,932 | Air Pollution Control | 2,158 | 3,812 | 1,654 |
| 1,591 | Water Pollution Control and Resource Management | 2,123 | 4,791 | 2,668 |
| 1,414 | Noise Control | 603 | 2,269 | 1,666 |
| 754 | Chemicals Management | 490 | 1,281 | 791 |
| 506 | Protection of Land and Ecosystems | 136 | 543 | 407 |
| 1,089 | Administrative Support Services | 170 | 2,285 | 2,115 |
| <u>7,286</u> | TOTAL | <u>5,680</u> | <u>14,981</u> | <u>9,301</u> |

Contributing to the major part of the increase in receipts over the previous year of \$1.2m on a program basis were: Air Pollution Control \$325,221, Noise Control \$332,260 and Chemical Management \$448,827.

The Programs absorbing the major increase in payments of \$3.3m over the previous year were: Water Pollution Control and Resource Management \$1.2m, Noise Control \$601,932, Chemical Management \$491,476 and Administrative Support Services \$907,384.

The program, *Air Pollution Control*, at \$3.8m comprised 25.4% of total program expenditure. The program objective is to control the emission of air impurities and odours to improve air quality.

Expenditure during the year included \$2.7m for salaries and other employee payments and \$757,371 for maintenance and working expenses. Receipts of \$2.2m included \$1.8m for licence fees and charges.

The objectives of the *Water Pollution Control and Resource Management* program include controlling the sources of pollution entering surface and subsurface waters, achieving and maintaining levels of quality appropriate to the most desirable uses of those waters, and promoting environmentally sound practices of waste management and resource conservation within the community generally.

Program expenditure at \$4.8m included \$2.4m for salaries and other employee payments and \$1.9m for maintenance and working expenses. An increase in the program expenditure by \$1.2m over the previous year was mainly due to an additional \$595,249 spent in respect of the land based activities of the program in educating the community in better waste management practices and recycling under the Litter Reduction Campaign.

Receipts of \$2.1m included \$1.2m in contributions from the Special Projects Account mentioned earlier in this Report and related mainly to the Litter Reduction Campaign.

The *Noise Control* program is concerned with the reduction and control of noise levels within the community to acceptable levels. Major issues include road traffic and industrial noise control. Expenditure at \$2.3m comprised 15.1% of total program expenditure and included \$1.8m for salaries and other employee payments.

DEPARTMENT OF FAMILY AND COMMUNITY SERVICES

The Department is responsible for the administration of the major proportion of the State's community welfare programs. The programs are aimed at promoting the wellbeing of the people of New South Wales with the family as the basis of that wellbeing. In addition, the Department aims to ensure assistance is provided to disadvantaged persons and to assist and encourage the establishment and maintenance of community welfare services.

Financial Features of 1988-89

- * Salaries, and other employee payments from the Consolidated Fund and Special Deposits Account aggregated \$109.4m (up \$16.7m or 18.0%).
- * A special review of the Department's motor vehicle operations was undertaken during the year. Results of the review are reported earlier in this Report.
- * Centres funded by the Department in the following child care areas as per departmental statistics were:

| | 1987-88 | 1988-89 |
|-----------------|---------|---------|
| Preschools | 734 | 757 |
| Long Day Care | 310 | 320 |
| Occasional Care | 106 | 98 |
| Vacational Care | 304 | 327 |

- * Equivalent full time staff employed at 30 June 1989 as per departmental statistics was 3,195 (down 263 or 7.6%), distributed as follows:

| | 1987-88 | 1988-89 |
|-------------|--------------|--------------|
| Head Office | 559 | 451 |
| Regional | <u>2,899</u> | <u>2,744</u> |
| | <u>3,458</u> | <u>3,195</u> |

Special Investigation: Following a request from the Deputy Director-General of the Department a special investigation under Sections 11 and 5 (1)(e) of the Charitable Collections Act 1934 was undertaken into an organisation in receipt of community funding described generally as Indigenous Peoples Council (Western Region) Ltd. My report detailing a number of irregularities was forwarded to the Minister for Family and Community Services on 29 July 1988. The matter has since been referred to the police and their enquiries are continuing.

Lease Commitments: Following on from a Departmental restructure 23 district centres were closed during the year. Of these, three premises were owned by the Department and the remaining 20 premises were leased. At 29 August 1989 the Department was still legally tied to eight commercial leases with a total rental commitment of \$895,862 over the life of the leases.

Receipts and Payments

A composite summary of receipts and payments (net of inter-fund transfers) of the Consolidated Fund and Special Deposits Account for the year ended 30 June 1989 is as follows:

| Previous Year \$'000 | | \$'000 | % Increase (-) |
|----------------------------|--|----------------|----------------------|
| | RECEIPTS | | |
| 41,455 | Home and Community Care Program | 93,976 | 126.7 |
| 15,564 | Supported Accommodation Assistance Program | 18,204 | 17.0 |
| 7,722 | Sale of Land and Buildings | 11,822 | 53.1 |
| 4,571 | Disaster Welfare Projects | 3,554 | (22.2) |
| 6,930 | Other Receipts | 7,231 | 4.3 |
| <u>76,242</u> | TOTAL RECEIPTS | <u>134,787</u> | 76.8 |
| | PAYMENTS | | |
| 92,720 | Salaries and Other Employee Payments | 109,402 | 18.0 |
| 22,945 | Maintenance and Working Expenses | 26,910 | 17.3 |
| 3,009 | Plant and Equipment | 3,255 | 8.2 |
| 134,145 | Grants and Subsidies | 137,521 | 2.5 |
| 89,389 | Other Services | 93,406 | 4.5 |
| | Capital Works and Services: | | |
| 2,089 | District Centres | 2,178 | 4.3 |
| 3,237 | Child Residential Buildings | 4,997 | 54.4 |
| 10,069 | Child Care Buildings | 5,888 | (41.5) |
| <u>357,603</u> | TOTAL PAYMENTS | <u>383,557</u> | 7.3 |
| <u>281,361</u> | EXCESS OF PAYMENTS OVER RECEIPTS | <u>248,770</u> | (11.6) |

Receipts of the Department mainly comprise Commonwealth payments (\$115.4m) under the following major programs: Home and Community Care, \$94.0m; Supported Accommodation Assistance, \$18.2m; National Family Support, \$1.0m; and Commonwealth Children's Service, \$1.9m. During the year a total of nine properties, being surplus to the Department's immediate requirements, were sold resulting in net receipts of \$11.8m and included a site at Werrington Park which was transferred to the Minister for Education and Youth Affairs for \$9m.

Grants and subsidies paid during 1988-89 comprised:

| Previous Year \$'000 | | \$'000 | % Increase (-) |
|----------------------------|--|----------------|----------------------|
| 44,128 | Preschool and Day Care Centres | 49,787 | 12.8 |
| | Refuges for Men, Women, Youth, Children and Intoxicated Persons | 33,541 | 0.3 |
| 33,432 | Home and Community Care | 17,206 | 12.0 |
| 15,357 | Community and Information Projects | 5,556 | (35.8) |
| 8,650 | National Family Support Program | 8,530 | 35.6 |
| 6,291 | Community Based Residential Care | 8,385 | 39.1 |
| 6,029 | Community Youth Projects and Adolescent Support Program | 4,769 | (16.1) |
| 5,687 | Assistance to Disabled | 3,701 | (17.7) |
| 4,499 | Other | 6,046 | (40.0) |
| <u>10,072</u> | | <u>137,521</u> | 2.5 |
| <u>134,145</u> | | | |

My previous Report noted that the Department had taken positive action to institute a program aimed at improving the accountability in the area of grants and subsidies to community organisations.

The initial phase of the program has recently been completed with individual recommendations on specific projects to the Minister resulting in 26 projects with a total allocation of \$306,167 being ineligible for continued funding.

Necessary changes to Departmental policy are currently under review.

Programs

The table below details the net payments of operations financed from Consolidated Fund and Special Deposits Account on a program basis. The figures shown are net of inter-fund transfers. The previous year net program payments (receipts) have been reallocated to correspond with the rearrangement of line items and/or programs in 1988-89.

| Previous Year Net Payments (Receipts) \$'000 | Program Description | Receipts \$'000 | Payments \$'000 | Net Payments (Receipts) \$'000 |
|---|---|--------------------|--------------------|--------------------------------------|
| | Child and Family Welfare Programs: | | | |
| 27,669 | Protection of Children | 107 | 29,564 | 29,457 |
| 54,899 | Substitute Care of Children | 660 | 61,602 | 60,942 |
| 27,081 | Juvenile Justice | 100 | 34,999 | 34,899 |
| 69,701 | Family and Children's Services | 2,465 | 73,205 | 70,740 |
| | Community Welfare Programs: | | | |
| | Services for Disadvantaged Groups and Communities | 51,328 | 42,844 | (8,484) |
| 25,053 | Supported Accommodation | 18,204 | 34,816 | 16,612 |
| 17,986 | Home Care Services | 46,938 | 68,558 | 21,620 |
| 35,125 | Youth Services | 107 | 7,865 | 7,758 |
| 8,717 | Organisational and Administrative Support Services | 14,677 | 28,904 | 14,227 |
| 14,476 | Policy Development and Projects Affecting the Status of Women | 2 | 1,219 | 1,217 |
| 1,207 | | | | |
| (553) | Non Program Items | 1,960 | 1,742 | (218) |
| <u>231,361</u> | TOTAL | <u>136,548</u> | <u>385,318</u> | <u>248,770</u> |

Protection of Children: Salaries and other employee payments, \$19.9m, absorbed the bulk of expenditure. Other outgoings were \$5.9m on maintenance and working expenses, \$411,918 on capital works and services (district centres), and \$442,372 on grants and subsidies to child care projects. Payments under the child sexual assault program and financial assistance for welfare totalled \$1.6m and \$945,700 respectively.

Substitute Care of Children: Expenditure included \$31.4m on salaries and other employee payments, \$7.2m on maintenance and working expenses, \$11.0m on child support allowances and associated expenses, \$8.4m for community based residential care and \$560,894 on capital works and services (child residential buildings).

Juvenile Justice: Expenditure of \$23.8m on salaries and other employee payments predominated. Other payments included \$5.5m on maintenance and working expenses, \$3.9m on capital works and services (child residential buildings) and \$283,852 on supervised travel of children.

Family and Children's Services: Salaries and other employee payments and maintenance and working expenses absorbed \$3.6m and \$1.3m respectively. Grants and Subsidies comprised the major payments and included: \$49.8m on preschool and day care centres; \$2.1m on vacation care; \$1.7m on early childhood projects; \$8.5m on National Family Support program; and \$5.9m on child care buildings.

Services for Disadvantaged Groups and Communities: Salaries and other employee payments and maintenance and working expenses absorbed \$8.1m and \$1.6m, respectively. Grants and subsidies payments included \$5.6m for community development, \$17.2m to various groups under the Home and Community Care (HACC) program and \$3.7m on assistance to the disabled. Other services included \$3.7m on financial assistance for welfare and \$3.0m on disaster welfare projects.

Supported Accommodation: The Commonwealth Government contributed \$18.2m towards this program. The main area of expenditure was on grants and subsidies totalling \$33.5m to refuges for men, women, youth, children and intoxicated persons.

Home Care Services: Funds appropriated from Consolidated Fund in 1988-89 for the operation of the Home Care Service of New South Wales, totalled \$68.6m and included \$47.0m contributed by the Commonwealth Government. These funds have been included as a separate program in the Department's allocations. The Department does not operate the Home Care Service, rather it merely performs an intermediary function of providing the State's subsidy towards the Home Care Service's operations.

The financial operations of the Home Care Service of New South Wales will be included in Volume Three of my 1989 Report to Parliament.

Youth Services: The main areas of expenditure involved: \$4.8m on grants and subsidies for community youth projects and adolescent support programs; \$1.8m on salaries and other employee payments; \$498,599 on maintenance and working expenses; and \$796,806 on the national campaign against drug abuse.

Organisational and Administrative Support Services: The cost of overall management of central and regional services not involved in other specific programs included \$19.5m on salaries and other employee payments, \$4.3m on maintenance and working expenses, \$2.8m on the purchase of computers and related payments and \$2.2m on capital works and services (district centres).

Policy Development and Projects Affecting the Status of Women

The program consists of the Women's Co-ordination Unit and the Women's Advisory Council which provide policy advice to the Government on issues affecting women.

Expenditure of \$1.2m comprised \$531,129 for salaries and other employee payments, \$203,766 for maintenance and working expenses and \$484,106 for other services. The last-mentioned item included \$90,712 for a Domestic Violence Program, \$70,836 for a Sexual Assault Program, \$88,943 for a Preventative Health Program and \$87,766 to produce various pamphlets. After eight years and \$266,820 payments to the Labour Council of New South Wales to assist with the operation of a Working Women's Centre were ceased.

During 1987-88 funds of \$3.5m were provided from the Industrial Development Assistance Fund controlled by the Department of Energy to form a company and an associated trust to be known as the Women's Employment Company. The Company and Trust were neither incorporated nor had they commenced operations during the year under review. As a result, the funds of \$3.5m together with interest earned of \$667,687, were returned on 29 June 1989 to the Industrial Development Assistance Fund.

MATTERS RAISED WITH THE DEPARTMENT

During the 1988-89 audit various issues relating to internal control which exposed the Department to the risk of errors and/or intentional manipulation in the regional office area were drawn to senior management's attention. I am currently awaiting details of any remedial action proposed.

In addition similar matters raised previously have still to be satisfactorily resolved. I have received no reply to matters raised in May 1988 while finality has also to be reached in respect of three other memoranda issued in July 1988.

The slowness of the Department to respond to matters raised is of particular concern to me.

DEPARTMENT OF HEALTH

The Director-General of the Department of Health under the direction of the Minister for Health administers, through the Health Administration Act 1982 and the Area Health Services Act 1986 the activities of public hospitals; Mental Health and Developmental Disability Services; State hospitals; the State's community health services; dental services; health education; forensic medicine; immunisation; diagnostic and analytical laboratories and ambulance services. The Department is also responsible for the administration of Acts of Parliament relating to pure foods, therapeutic goods, sanitation, etc. By ministerial agreement, administrative management of Developmental Disability Services was transferred to the Minister for Family and Community Services in March 1989. However, the Department of Health continued to meet financial responsibility until 30 June 1989.

The Health Administration Act provides for the incorporation of the Director-General of the Department as a corporation sole known as the Health Administration Corporation to perform certain functions, including: the acquisition and disposal of land; the acceptance of property; the making of contracts and the power to employ (e.g. ambulance officers).

The Department services nine Professional Boards constituted under various Acts to licence and control practitioners of nursing, dentistry, optical services, pharmacy, chiropody, chiropractic and physiotherapy. In addition, the Department co-operates with the Institute of Psychiatry, and the Minister for Health manages the New South Wales Health Foundation. Comment on the finances of these organisations will be included in Volume Three of my 1989 Report to Parliament.

Financial Features of 1988-89

- * Major departmental reorganisation.
- * The Department again recorded the highest expenditure total, viz \$4,053m, of all State departments.
- * Borrowings obtained through the NSW Treasury Corporation to finance capital works totalled \$134.5m (\$138.2m in 1987-88).
- * Borrowings outstanding at year end amounted to \$584.5m.
- * Public Accounts Committee Inquiries were held into the NSW Ambulance Service and Payments by Public Hospitals to Visiting Medical Officers.

Departmental Reorganisation: A number of major steps to reorganise the Department occurred in 1988-89. These included:

- The previously existing 23 Area Health Services were reconstituted into ten Area Health Services, and the five Regional Offices in Sydney, Hunter and Illawarra areas were closed.
- Administrative management of Developmental Disability Services transferred to the Minister for Family and Community Services in March 1989, with the Department of Health continuing to meet costs until 30 June 1989. From 1 July 1989 the Department of Family and Community Services assumed financial responsibility.
- In May 1989 it was announced that State (Fifth Schedule) Mental Health Hospitals would transfer to the administration of relevant Area Health Services and Base Hospitals on 1 July 1989.

Visiting Medical Officers: As highlighted, the Public Accounts Committee carried out an inquiry into payments by Area Health Services and public hospitals to visiting medical officers. These payments, which now total more than \$200m each year, are a major cost to the public health system.

The Public Accounts Committee's concern is illustrated by an extract from the Executive Summary of their report (Report Number 45) which was issued in June 1989:

"The present system of payment for sessional VMOs is *"doctor driven"*, as doctors claim payment retrospectively for hours worked, rather than hospitals determining in advance the number of hours or services to be provided by VMOs. Lack of management control is also evident in the disputes engendered by reviews of on-call rostering and termination and variation of VMO appointments. Accountability for payments to VMOs is not possible as hospital administrators generally can neither predict the total outlay on VMOs nor verify individual claims for payment.

The lack of timely, specific and comprehensive advice to hospitals from the Department of Health on matters of management and accountability exacerbated the situation. The Department does not collect information routinely on the number of VMOs, types of appointments and payments to VMOs. The Department's management information system is inadequate for measuring doctor productivity, value for money and future service requirements.

The Committee recommends that internal control guidelines be developed for all hospitals, and enhanced reporting requirements be enforced for hospitals outside Area Health Services.

The principal recommendation of the Committee is that the present system of sessional remuneration be abandoned as it has little to commend it in terms of an efficient, equitable or accountable method of paying VMOs.

The Committee recommends that modified fee-for-service remuneration be retained subject to improvements, including hospital controls to avoid potential over-servicing.

It is recommended that part-salaried remuneration and fixed sum contracts for VMOs be further investigated by the NSW Department of Health."

The report and its twenty nine recommendations are the subject of examination by a Special Team appointed by the State Government. The team is headed by a distinguished member of the medical profession and includes representatives from the Departments of Health, Premier and Industrial Relations. The team will establish consultation with the Australian Medical Association and other bodies representing the medical profession.

Ambulance Services: The Public Accounts Committee also conducted an inquiry and issued a report in February 1989 (Report Number 44) on the New South Wales Ambulance Services. Comment on that report is made elsewhere in this Report in the section titled "Special Project Audits and Reviews". The comment also includes reference to the current position with matters raised in relation to the Services in Volume Two of my 1988 Report.

Finance: The cost of State health services administered by the Department totalled \$4,053m, an increase of \$418m (11.5%) over 1987-88. Towards these costs the State applied Commonwealth assistance to a total of \$1,149m, the major component being the Hospital Funding Grant of \$1,085m. The Commonwealth's Hospital Funding Grant replaced the former Identified Health Grant and Medicare Compensation payment, under which \$674m and \$443.2m respectively were received in 1987-88.

The following table gives a summary of health service financing:

| Previous Year \$m | | \$m | \$m |
|-------------------------|---|--------------|----------------|
| 1,193.5 | Source of Finance: Commonwealth Contributions | | 1,148.5 |
| 405.9 | Department of Health Receipts: | | |
| 138.2 | Public Hospital Revenue | 441.4 | |
| 165.4 | Borrowings | 134.5 | |
| | Other | <u>266.2</u> | 842.1 |
| | Treasury Receipts: | | |
| 39.6 | Health Insurance Levies and Ambulance Insurance Plan Contributions | | 41.0 |
| 0.8 | Road Transport and Traffic Fund - Ambulance Contribution | | -- |
| <u>1,691.2</u> | Funded from Consolidated Fund General Revenue | | <u>2,021.4</u> |
| <u>3,634.6</u> | Total Cost of Health Services Administered by the Department | | <u>4,053.0</u> |

Borrowings: \$82.1m of prior years' borrowings was due for repayment in 1988-89. However, only \$17.1m was repaid, representing that portion relating to various hospital loans taken over by the Department in earlier years. The balance of maturing debt, \$65m relating to Treasury Corporation borrowings, was refinanced.

The year's receipts from NSW Treasury Corporation loan raisings, other than refinancing, totalled \$134.5m (\$138.2m in 1987-88).

At 30 June 1989 total indebtedness stood at \$607.6m, comprising \$584.5m in respect of borrowings and \$23.1m for leasing arrangements.

The following table shows the composition of, and growth, in the face value of borrowings:

| | Outstanding 30.6.87 \$'000 | Outstanding 30.6.88 \$'000 | Outstanding 30.6.89 \$'000 | 1988-89 % Increase |
|------------------------------------|----------------------------------|----------------------------------|----------------------------------|--------------------------|
| Various Public Hospital Borrowings | 66,152 | 51,809 | 34,662 | (33.1) |
| Treasury Corporation Borrowings | <u>279,655</u> | <u>409,017</u> | <u>549,806</u> | 34.4 |
| | <u>345,807</u> | <u>460,826</u> | <u>584,468</u> | 26.8 |

Interest payments during the year on borrowings increased by 30.4% from \$49.6m to \$64.7m.

In consequence of the decision to refinance maturing Treasury Corporation loans, a \$13m initial contribution was made to Consolidated Fund Debt Sinking Fund (within Special Deposits Account) as an interim measure pending Treasury formulation of global debt retirement policy.

Capital expenditure financed from 1988-89 borrowings and 1987-88 unspent borrowings carry-over (\$19m) was \$154m. A further \$55.1m was spent from other sources.

Receipts and Payments

Provided below is a composite summary of departmental receipts and total payments of the Consolidated Fund and Special Deposits Account for the year ended 30 June 1989. Receipts do not include the Commonwealth contributions and other revenue paid directly to the Treasury in respect of departmental programs.

| Previous Year \$'000 | | \$'000 | % Increase (-) |
|----------------------------|--|------------------|----------------------|
| | RECEIPTS | | |
| 405,939 | Public Hospital Revenue | 441,437 | 8.7 |
| 138,219 | Borrowings for Capital Works | 134,455 | (2.7) |
| 42,311 | Fees Collected by State Hospitals | 41,356 | (2.3) |
| 26,888 | Receipts for Ambulance Transport Fees | 27,805 | 3.4 |
| 25,523 | GIO Third Party Payments | 32,786 | 28.5 |
| 212 | Capital Works Funding from Asset Sales | 22,297 | (a) |
| - - | Reserve for Patients Fee Refunds | 2,500 | (b) |
| - - | Reserve for Resident Medical Officers Overtime | 45,000 | (b) |
| 3,190 | Salary Deductions Suspense Account | 21,561 | 575.9 |
| | Hospital Payments and Other | | |
| 4,033 | Contributions towards Capital Works | 4,122 | 2.2 |
| 3,788 | Employment Schemes | 2,044 | (46.0) |
| 2,960 | Superannuation Contributions | 2,941 | (0.6) |
| 1,560 | Registration Fees - Professional Boards | 1,612 | 3.3 |
| 1,059 | Licence Fees | 1,323 | 24.9 |
| 9,326 | Services Rendered and Miscellaneous Receipts | 6,959 | 25.4 |
| 30,698 | Accrued Salary and Award Costs | 42,944 | 39.9 |
| | Other Receipts to Special Deposits | | |
| 3,845 | Working Account | 3,609 | (6.1) |
| | Receipts to Other Various Special | | |
| 9,942 | Deposits Accounts | 7,387 | (25.7) |
| <u>709,493</u> | TOTAL RECEIPTS | <u>842,138</u> | 18.7 |
| | PAYMENTS | | |
| 352,099 | Salaries and Other Employee Payments | 423,375 | 20.2 |
| 93,901 | Maintenance and Working Expenses | 78,543 | (16.4) |
| 11,310 | Plant and Equipment | 15,514 | 37.2 |
| | Payments to Area Health Services | | |
| 2,938,395 | and Public Hospitals | 3,256,206 | 10.8 |
| 23,471 | Other Subsidies and Grants | 25,655 | 9.3 |
| 173,898 | Capital Works and Services | 209,069 | 20.2 |
| 41,467 | Other Services | 44,651 | 7.7 |
| <u>3,634,541</u> | TOTAL PAYMENTS | <u>4,053,013</u> | 11.5 |
| <u>2,925,048</u> | EXCESS OF PAYMENTS OVER RECEIPTS | <u>3,210,875</u> | 9.8 |

KEY

(a) More than 1,000%.

(b) Nil in previous year - not calculable.

The net cost to the State of Health Programs was \$2,021m after taking to account additional Treasury receipts of \$1,190m relating to health programs.

Public Hospital Revenue increased by \$35.5m to \$441.4m as a consequence of a general fee increase of roundly 10% applied from 1 July 1988. Fees collected by **State Hospitals** (and previous year equivalents) comprised patient fees \$31.1m (\$27.3m), Commonwealth Nursing Home Benefits \$11m (\$13m) and other income \$1.8m (\$2m). As 1988-89 mental health and developmental disability patient charges were retrospectively reduced in June, \$2.5m was held aside from Patients Fees revenue in a reserve to meet refunds. These funds are held in the Department's working account.

In recovery of hospital costs for treatment of motor vehicle accident victims, \$32.8m was received in **GIO Third Party Payments**. Based on an agreed formula applying from 1983-84, revenue from this source increased by \$7.3m, comprising a provisional 1988-89 claim of \$28.2m and \$4.6m as a finalising adjustment for 1986-87.

Surplus Asset Sales revenue, retained by the Department to assist its capital works program, increased by \$22.1m to \$22.3m. Main items were \$8m from transfer of Parramatta land to the Attorney General, \$4.5m from Loftus land transfer to Technical and Further Education, \$4.1m for Peakhurst land transfer to Housing, and \$2.5m from additional Parramatta land publicly auctioned.

Funds provided by the State under **Schemes to Ease Unemployment** were \$2m. From these funds and \$2.1m held over from the previous year, \$2.4m was expended in 1988-89.

Public and State Hospital, Area Health Services and Homes: In the Metropolitan, Hunter and Illawarra Health Regions, expenditures are made by Area Health Services, which generally administer all public health care services within their defined geographic areas, subject to the direction and control of the Minister. In the other Regions public hospitals are administered by individual boards. The Department is responsible for the allocation of subsidies based on returns furnished by the Area Health Services and hospitals, review of annual accounts and other factors. It is a condition of subsidy that the accounts of subsidised organisations are audited each year by registered public accountants. From 1 July 1987 the accounts of Area Health Services become subject to my audit, and review will be included in Volume Three of my Report for 1989.

Payments to Area Health Services and Public Hospitals increased by \$318m to \$3,256m, accounting for 80.3% of the total outlay of the Department. The category mainly comprises cash payments of roundly \$3,050m (\$2,786m in 1987-88) to meet gross operating costs of Area Health Services and public hospitals. It also includes Allied Services payments of: \$94.9m (\$72.8m in 1987-88) in debt servicing costs of loans raised for hospitals capital works; \$45.2m (previously \$39.7m) to Colleges of Advanced Education for nurses' tertiary education courses; \$10.2m, (\$12.7m) for hospital insurances; \$6.3m (\$3.7m) in AIDS and STD grants; and \$4m (\$5.7m) in nurse recruitment strategy costs. After allowance for revenue of \$441m remitted to the Department, net payments to Area Health Services and public hospitals aggregated \$2,608m (\$2,380m in 1987-88).

Cash payment recipients were:

| | Gross Payment \$ 000 | Revenue \$ 000 | Net Payment \$ 000 |
|--------------------------------------|----------------------------|-------------------|--------------------------|
| Area Health Services: | | | |
| Eastern Sydney | 393,962 | 49,097 | 344,865 |
| Northern Sydney | 345,815 | 54,984 | 290,831 |
| Western Sydney | 324,779 | 40,443 | 284,336 |
| Central Sydney | 268,426 | 42,899 | 225,527 |
| Hunter | 253,097 | 42,109 | 210,988 |
| South Western Sydney | 170,618 | 21,550 | 149,068 |
| Southern Sydney | 157,895 | 25,503 | 132,392 |
| Illawarra | 137,983 | 15,572 | 122,411 |
| Wentworth | 84,805 | 16,682 | 68,123 |
| Central Coast | 78,937 | 13,058 | 65,879 |
| Public Hospitals: | | | |
| North Coast Region | 165,821 | 21,261 | 144,560 |
| South West Region | 136,044 | 21,796 | 114,248 |
| New England Region | 121,511 | 19,852 | 101,659 |
| Central West Region | 102,671 | 17,843 | 84,828 |
| Orana Far West Region | 94,298 | 13,018 | 81,280 |
| South East Region | 88,213 | 13,995 | 74,218 |
| Royal Alexandria Children's Hospital | 62,983 | 7,845 | 55,138 |
| Lidcombe Hospital | 37,133 | 3,107 | 34,026 |
| United Dental Hospital | 14,118 | 404 | 13,714 |
| Sydney Home Nursing Service | 9,244 | 419 | 8,825 |
| David Berry Hospital | 941 | 73 | 868 |
| | <u>3,049,294</u> | <u>441,510</u> | <u>2,607,784</u> |

Area Health Services: A review of the various Area Health Services will appear in Volume Three of my Report for 1989.

Main items within **Salaries and Other Employee Payments** and **Maintenance and Working** expenses for the last two years were:

| | Salaries etc 1987-88 \$'000 | 1988-89 \$'000 | Maintenance & Working 1987-88 \$'000 | 1988-89 \$'000 |
|-----------------------------------|-----------------------------------|-------------------|--|-------------------|
| State Hospitals: | | | | |
| Mental Health Programs | 109,286 | 118,736 | 21,002 | 17,016 |
| Developmental Disability Programs | 77,869 | 84,605 | 14,402 | 10,701 |
| Aged and Disabled Programs | 32,856 | 34,265 | 6,289 | 4,736 |
| Ambulance Services | 73,982 | 100,874 | 28,903 | 18,117 |

Recurrent expenditure associated directly with **State Hospitals** administered by the Department totalled approximately \$272.5m, an increase of \$10.1m (3.7%) over the previous year. As earlier mentioned, net State Hospital revenue was \$41.4m.

Grants and Subsidies paid to other than Area Health Services and hospitals increased by \$2.2m to \$25.7m. Main items and previous year's equivalents included: drug and alcohol related payments \$5.8m (\$6.4m); women's health grants \$5.4m (\$5.3m); aboriginal health grants \$1.7m (\$1.1m); the Royal Flying Doctor Service \$978,000 (\$875,000); and the Royal Far West Children's Health Scheme, \$1.9m. (An additional \$9.8m, (\$4.9m in 1987-88) was paid from other expenditure classifications in drug and alcohol related grants).

Capital Works and Services: Expenditure amounted to \$209.1m, with \$134.4m financed by Treasury Corporation borrowings, \$21.3m from net asset sales revenue, \$29.7m net from Consolidated Fund, \$19.6m from previous years' unspent funds held in the Working Account, and \$4.1m in hospital contributions.

Major expenditure items included construction work on new and existing hospitals at Rankin Park (Newcastle) \$70.7m, St George Hospital \$12.7m, St Vincent's \$8.1m and Sacred Heart Hospice \$5.6m. General capital expenditure included \$17.4m on minor works and equipment, \$7.9m on computer equipment, \$7.8m on hospital buildings infrastructure and \$7.1m in relation to ambulance services.

As well as \$10.2m spent under a joint Commonwealth/State Technology Improvement program, \$6.3m was spent on the Commonwealth financed Hospital Enhancement Program.

Unspent capital expenditure funds held in the Department's working account at the close of the year were \$1.3m.

Main components (and previous year equivalents) of **Other Services** expenditure of \$44.7m (\$41.5m) were: subsidies of \$13.8m (\$12.6m) paid to the Australian Red Cross Blood Transfusion Service; \$10.1m (\$10.5m) expended on special health promotion programs \$8.6m (\$6.7m) for the National Campaign Against Drug Abuse; \$5.8m (\$4.9m) in meeting costs of the air ambulance service; and \$5.0m (\$4.8m) paid out under the Commonwealth funded Isolated Patients Travel and Accommodation Scheme.

Ambulance Services: The total cost to the Department for provision of ambulance services rose by \$22.5m to \$140.1m. Receipts related to the Services, collected by the Department and by the Treasury, resulted in a net cost to the State of \$66.7m, an increase of \$20.6m or 44.7% over the previous year.

Main expenditure items were Salaries and associated costs, which rose by \$27m (36.3%) to \$101.3m and Maintenance and Working expenses which decreased from \$28.9m to \$18.1m. The decrease in the latter largely reflects reclassification of payroll tax, and workers' compensation insurance costs as Salaries and associated costs. Cost of additional motor vehicles and ambulances rose by \$1.4m to \$7.7m.

Largely due to replacement of an Air Ambulance aircraft for \$3.6m, expenditure on Land, Buildings, Furniture and Equipment increased by \$3.9m to \$7.1m. Other equipment and minor works cost \$1.4m, with a further \$899,022 spent on communications upgrading, \$648,429 on replacement of Bulli ambulance station and \$409,985 on acquisition of sites and residences.

Under the provisions of the Health Insurance Levies Act 1982 a levy in respect of ambulance services is applied to organisations carrying on hospitals benefits business in the State. All levies received are payable to the Treasury for lodgement to Consolidated Fund along with Ambulance Insurance Plan collections by health insurance funds. In 1988-89 Treasury collections from both sources were \$41m, an increase of \$1.4m over the previous year. (Ambulance charges are not levied on persons who are covered by private health fund insurance or contributors to the Ambulance Insurance Plan).

Aggregate receipts of the Service rose by 4% to \$32.4m, with road transport charges yielding \$21.5m (\$20.9m in 1987-88) and air ambulance transports \$6.3m (\$6.0m).

Unpaid accounts for ambulance transport fees at the close of the year were \$11.2m compared with \$10.1m at 30 June 1988. Of this sum 37.8% (\$4.2m) has been outstanding for more than three months. Amounts written off during the year as bad debts decreased by \$310,290 to \$1.9m. At the close of the previous year 27.8% (\$2.8m) in unpaid accounts were outstanding more than three months, which would suggest that the current year's bad debts may be higher than actual write offs.

According to Departmental statistics the number of cases transported by road was 782,746, and kilometres travelled were 21.2m.

Other funds are available to the Ambulance Service in the form of Special Project Accounts in the various Regional Offices and the Central District Ambulance. Largely comprised of moneys raised by local effort, these funds aggregated \$1.2m at 30 June 1989 of which \$1.0m was held in the form of investments.

Programs

The table below details the excess of payments over receipts of operations financed from Consolidated Fund and Special Deposits Account on a program basis. Receipts include all Treasury (including Commonwealth assistance) and departmental receipts related to Health Department Programs.

| Previous Year Excess \$'000 | Program Description | Receipts \$'000 | Payments \$'000 | Excess of Payments Over Receipts \$'000 |
|--------------------------------------|--------------------------------------|--------------------|--------------------|--|
| 3,553 | Public Health Regulatory Services | 1,337 | 6,559 | 5,222 |
| | Analytical Clinical and | | | |
| 10,446 | Scientific Services | 36 | 12,220 | 12,184 |
| 11,928 | Health Promotion and Education | 142 | 11,853 | 11,711 |
| 7,917 | Blood Transfusion Service | 6,426 | 14,921 | 8,495 |
| 2,665 | External Research | — | 3,090 | 3,090 |
| 698 | Other Public Health Services | 275 | 1,026 | 751 |
| 46,061 | Health Transport | 73,382 | 140,086 | 66,704 |
| | Services Specifically for Drug and | | | |
| 8,858 | Alcohol Dependent Persons | 6,798 | 20,926 | 14,128 |
| | Support for Area Health Services | | | |
| 1,233,173 | and Public Hospitals | 1,806,496 | 3,261,835 | 1,455,339 |
| 3,283 | External Health Services | 370 | 10,580 | 10,210 |
| 12,983 | Dental Health Services | 309 | 14,439 | 14,130 |
| 3,609 | Services Specifically for Aborigines | — | 4,845 | 4,845 |
| 10,728 | Support for Community Services | 2,936 | 11,242 | 8,306 |
| | Services Mainly for | | | |
| 131,631 | Psychiatric Patients | 19,116 | 173,430 | 154,314 |
| | Services Mainly for | | | |
| 120,319 | Developmentally Disabled | 11,937 | 157,504 | 145,567 |
| | Services Mainly for Aged | | | |
| 49,533 | and Disabled | 65,802 | 124,402 | 58,600 |
| 6,336 | Prison Medical Services | 66 | 8,995 | 8,929 |
| | Registration of Health Services | | | |
| 101 | Personnel | 2,046 | 2,172 | 126 |
| | Advisory and Technical Support | | | |
| 3,030 | Services | — | 3,767 | 3,767 |
| | Administration, Finance, Planning | | | |
| 25,573 | and Policy Development | 27,445 | 64,006 | 36,561 |
| (1,250) | Non Program | 6,648 | 5,115 | (1,533) |
| <u>1,691,175</u> | TOTAL | <u>2,031,567</u> | <u>4,053,013</u> | <u>2,021,446</u> |

The year end closing balance of the Department's **Working Account** (within Special Deposits) increased by \$49.2m to \$109.6m. The main components were "Reserves" for Resident Medical Officers overtime \$45m and refunds of Patients Fees \$2.5m, \$38m in assessed Visiting Medical Officer award costs (previously \$19.6m), sinking fund balance \$10m (\$7m) and \$9.7m (nil) representing a portion of assessed Public Hospital accrued salary liability at year end.

The Resident Medical Officer Overtime "Reserve" was established pending outcome of an appeal lodged against a November 1988 Industrial Commission judgment. On 28 July 1989 the Department's appeal was upheld. As a result the reserve became unnecessary.

GENERAL

Royal Commission into Mental Health Services: In August 1988 a Royal Commission into Mental Health Services in the State was announced. Headed by Mr Justice Slattery of the Supreme Court, the Inquiry was in two parts:

* Allegations relating to the former Chelmsford Hospital at Pennant Hills;

- * Monitoring and control of standards in the broad range of Mental Health Services available in the State.

Completion was originally scheduled for August 1989, but has been extended to the end of 1989 on the first part and into 1990 on the second.

To 30 June 1989 costs incurred by the Department (mainly counsel fees and salaries) amounted to \$437,483.

Mental Health and Developmental Disability Facilities: As mentioned in last year's Report, a committee was established in May 1988 to review and advise on various aspects of institutional care and community placement of mentally ill and developmentally disabled patients.

The review arose from concern over costs experienced in implementing and maintaining the "Richmond Scheme" of the former Government. It sought to evaluate alternatives and find the most cost effective acceptable means of care for patients.

The Committee reported in November 1988. It found a continuing need for both institutional care and community based facilities and supported decisions not to dispose of Fifth Schedule hospitals earlier earmarked for closure. Amongst numerous recommendations were substantial upgrading of existing facilities, integration of mental hospitals with Area Health Services and community based services under hospitals and a need for closer, more co-ordinated and networked use and management of facilities.

MINISTRY FOR THE ARTS

The Ministry for the Arts co-ordinates and provides policy advice and administrative support to the Minister for the Arts and associated organisations.

Associated organisations of the Ministry comprise:

- The State Library of New South Wales
- The Australian Museum
- Museum of Applied Arts and Sciences
- The Historic Houses Trust
- The State Archives of New South Wales
- The Art Gallery of New South Wales
- New South Wales Film and Television Office
- The Sydney Opera House Trust

The financial operations of the above organisations are reflected in the financial statements of the Ministry only in so far as Consolidated Fund and Special Deposits Account transactions are concerned. These organisations present separate financial statements which will be reviewed in Volume Three of my Report to Parliament for 1989.

Receipts and Payments

A composite summary of receipts and payments of the Consolidated Fund and Special Deposits Account for the year ended 30 June 1989 is as follows:

| Previous Year \$'000 | | \$'000 | % Increase (-) |
|----------------------------|--|----------------|----------------------|
| | RECEIPTS | | |
| 2,095 | Sydney Entertainment Centre Leasing | 2,194 | 4.7 |
| 2,500 | Trust Fund Contribution-Power House Museum | 2,456 | (1.8) |
| 2,608 | Other | 6,331 | 142.8 |
| <u>7,203</u> | TOTAL RECEIPTS | <u>10,981</u> | 52.5 |
| | PAYMENTS | | |
| 30,759 | Salaries and Other Employee Payments | 39,532 | 28.5 |
| 31,526 | Maintenance and Working Expenses | 24,616 | (21.9) |
| 1,197 | Plant and Equipment | 1,688 | 41.0 |
| 39,633 | Grants and Subsidies | 39,110 | (1.3) |
| 13,821 | Other Services | 9,946 | (28.0) |
| 59,948 | Capital Works and Services | 20,236 | (66.2) |
| -- | Non Program Payments | 89 | (a) |
| <u>176,884</u> | TOTAL PAYMENTS | <u>135,217</u> | (23.6) |
| <u>169,681</u> | EXCESS OF PAYMENTS OVER RECEIPTS | <u>124,236</u> | (26.8) |

KEY

(a) Nil in previous year - not calculable.

Programs

The table below details, on a program basis, the excess of payments over receipts of operations financed from Consolidated Fund and Special Deposits Account.

| Previous Year Excess \$'000 | Program Description | Receipts \$'000 | Payments \$'000 | Excess of Payments Over Receipts \$'000 |
|--------------------------------------|---|--------------------|--------------------|--|
| 19,485 | Policy Co-ordination and Support of Cultural Activities | 2,292 | 16,314 | 14,022 |
| 17,630 | Art Gallery | -- | 16,223 | 16,223 |
| 49,027 | State Library and Support of Library Services | 334 | 35,248 | 34,914 |
| 16,951 | The Australian Museum | 8 | 13,316 | 13,308 |
| 43,358 | Museum of Applied Arts and Sciences | 3,000 | 27,707 | 24,707 |
| 2,391 | Preservation of Historic Houses | -- | 2,786 | 2,786 |
| 1,685 | Preservation and Management of Government Records | 1,108 | 2,758 | 1,650 |
| 448 | Administrative Support of Heritage Activities | -- | -- | -- |
| 5,436 | Support of the New South Wales Film Industry | -- | -- | -- |
| -- | New South Wales Film and Television Office | 2,576 | 3,434 | 858 |
| 14,309 | Sydney Opera House | 448 | 17,342 | 16,894 |
| <u>170,720</u> | PROGRAM TOTAL | <u>9,766</u> | <u>135,128</u> | <u>125,362</u> |
| <u>(1,039)</u> | Non-Program | <u>1,215</u> | <u>89</u> | <u>(1,126)</u> |
| <u>169,681</u> | TOTAL | <u>10,981</u> | <u>135,217</u> | <u>124,236</u> |

Listed below for each of the major programs is a description of the program objective and a summary of financial operations.

Policy Co-ordination and Support of Cultural Activities: The program objective is to co-ordinate and promote cultural activities and the State's cultural institutions. The program involves the provision of advice to the Government on arts and cultural matters, the implementation of programs of assistance for arts and cultural development and the co-ordination of the State's cultural institutions. In 1988-89 the program on Administrative Support of Heritage Activities was absorbed into this program.

Total expenditure for the program was \$16.3m. The major component was Grants and Subsidies in support of cultural and artistic activities of \$12.8m (\$14.2m in 1987-88) of which \$8.9m was made to 303 recipients, the average grant being \$29,307. A selection of major grants includes:

| | \$ |
|------------------------------------|-----------|
| Australian Opera Company | 1,153,033 |
| Sydney Theatre Company | 886,797 |
| Sydney Dance Company | 411,629 |
| Elizabethan Philharmonic Orchestra | 353,007 |
| Arts Council of New South Wales | 347,264 |
| Sydney Symphony Orchestra | 346,600 |

The remainder of Grants and Subsidies comprised \$3.9m (\$6.0m in 1987-88) paid to the Sydney Entertainment Centre to meet loan repayments and other operating expenses. Retirement of the Centre's debts to the extent of \$38.1m from funds separately allocated is reviewed in this Report within the section dealing with Treasury - Office of Financial Management under the heading Debt Retirement Account.

Art Gallery: The program objective is to develop and maintain a collection of works of art for the benefit of the community and to increase knowledge and appreciation of art. Activities within the program include the administration of the Art Gallery of New South Wales. Total expenditure was \$16.2m with the major items being Salaries and Other Employee Payments \$4.1m and \$9.1m for Capital Works and Services associated with extensions to the Art Gallery of New South Wales.

State Library and Support of Library Services: The program objective is to promote, provide and maintain library services for the public through the State Library and co-operation with local libraries and information agencies. Total expenditure was \$35.2m with the major items being Salaries and Other Employee Payments \$10.8m; Grants and Subsidies \$14.1m of which \$12.2m was paid directly to various local councils and community organisations; and Capital Works and Services \$5.4m.

The Australian Museum: The program objective is to promote knowledge about the natural environment of Australia with particular emphasis on the natural sciences of biology, anthropology and geology. Activities include the collection and research of specimens; the holding of exhibits and education programs; and the provision of special advice. Total expenditure was \$13.3m with Salaries and Other Employee Payments \$7.0m and Capital Works and Services \$2.8m being the major components thereof.

Museum of Applied Arts and Sciences: The program objective is to promote understanding and appreciation of society's evolution in the fields of science, technology and the applied arts including cultural heritage. The program includes the administration of the Museum of Applied Arts and Sciences; the Mint and Hyde Park Barracks Museums; Sydney Observatory; Museum on the Move (Train) and the Power House Museum. Total expenditure was \$27.7m. Major items were Salaries and Other Employee Payments \$12.2m, Maintenance and Working Expenses \$11.9m and Capital Works and Services \$2.5m.

Preservation of Historic Houses: The program objective is to utilise and interpret historic properties related to the State's history and to promote public understanding and appreciation of the State's heritage. Total expenditure was \$2.8m.

Preservation and Management of Government Records: The program objective is to preserve, maintain and administer the State Archives and to promote efficient records management in the public sector. The program includes the administration of Government Record Repositories at Kingswood and Shea's Creek and the Records Management Office. Total expenditure was \$2.8m.

New South Wales Film and Television Office: During 1988-89 the New South Wales Film and Television Office subsumed the role of the defunct New South Wales Film Corporation. The program objective is to promote and assist the New South Wales film and television industry and provide a centralised film-making service for government departments and authorities. Total expenditure was \$3.4m. Major items were Salaries and Other Employee Payments \$553,266, Maintenance and Working Expenses \$1.7m and Other Services \$1.2m.

Sydney Opera House: The program objective is to promote artistic taste and achievement in the performing arts and to promote the use of the Opera House. Total expenditure, \$17.3m consisted of an annual endowment of \$11.3m to Sydney Opera House Trust and \$6.0m provided for refurbishment and major maintenance and re-equipment.

Endowments: Included within the above program expenditure is financial support by way of endowment to the following cultural bodies:

| | \$'000 |
|----------------------------------|--------|
| Sydney Opera House Trust | 11,342 |
| State Library of New South Wales | 400 |
| Art Gallery of New South Wales | 350 |
| The Historic Houses Trust | 50 |
| The Australian Museum | 300 |

DEPARTMENT OF INDUSTRIAL RELATIONS AND EMPLOYMENT

The Department of Industrial Relations and Employment is responsible for providing a wide range of services which are directed at achieving industrial harmony, promotion of satisfactory conditions in all workplaces and types of work, and the alleviation of unemployment throughout the State.

Features of 1988-89

- * Transfer from 1 July 1989 of Occupational Health and Safety functions of the Department to the Workers' Compensation and Rehabilitation Authority (formerly known as the State Compensation Board) as a result of a management strategy review undertaken for the Premier.
- * Establishment of the Public Employment Industrial Relations Authority.
- * Release of a consultant's report titled Transforming Industrial Relations in New South Wales (commissioned by the Minister) which presents for public discussion the various options available to enable a policy strategy plan to be formulated for future industrial relations in New South Wales.
- * Further rapid winding down of the Community Employment Program and other employment schemes.

Receipts and Payments

A composite summary follows of receipts and payments on the Consolidated Fund and Special Deposits Account for the year ended 30 June 1989.

| Previous Year \$'000 | | \$'000 | % Increase (-) |
|----------------------------|--|---------------|----------------------|
| | RECEIPTS | | |
| 14,980 | Fees, Registrations, Licences, etc | 18,162 | 21.2 |
| 1,448 | WorkCover Program | 2,408 | 66.3 |
| 41,407 | Others | 4,991 | (87.9) |
| <u>57,835</u> | TOTAL RECEIPTS | <u>25,561</u> | (55.8) |
| | PAYMENTS | | |
| 30,502 | Community Employment Program | 2,127 | (93.0) |
| 33,472 | Other Employment Schemes | 9,880 | (70.5) |
| 6,177 | Australian Traineeship Scheme | 6,062 | (1.9) |
| 4,221 | State Apprenticeship Schemes | 5,629 | 33.4 |
| 32,584 | Salaries and Other Employee Related Payments | 41,655 | 27.8 |
| 9,857 | Maintenance and Working Expenses | 12,105 | 22.8 |
| 1,043 | Capital Works and Services | 2,233 | 114.1 |
| 4,339 | Other Items and Services | 2,422 | (44.2) |
| <u>122,195</u> | TOTAL PAYMENTS | <u>82,113</u> | (32.8) |
| <u>64,360</u> | EXCESS OF PAYMENTS OVER RECEIPTS | <u>56,552</u> | (12.1) |

Total payments were \$40m lower than in the previous year. The major factor for the decrease was the progressive contraction in the operations of the various employment schemes which were less by \$52m. Salaries and other employee related payments were \$8.5m more than in 1987-88.

Receipts from Fees, Registrations, Licences, etc \$18.2m, were higher by \$3.2m. The largest variation was again in Construction Fees which rose by \$2.7m to \$9.1m as a result of the high level of major building and construction activity, particularly in the Sydney area. Other major fee receipts were from Factories and Shops Registrations, \$5.4m, Building Construction - Certificates of Competency, \$1.4m and licence fees under the Dangerous Goods Act \$737,000.

The WorkCover Policy Unit and the Rehabilitation Division, established within the Department pursuant to the enactment of the Workers' Compensation Act 1987, are funded by the State Compensation Board. Contributions received from this source to 30 June 1989 totalled \$2.4m.

Programs

The table below details, on a program basis, the excess of payments over receipts of operations financed from Consolidated Fund and Special Deposits Account after bringing to account contributions received from the Commonwealth Government. The figures shown are net of inter-fund transfers.

| Previous Year Excess \$'000 | Program Description | Receipts \$'000 | Payments \$'000 | Excess of Payments Over Receipts \$'000 |
|--------------------------------------|---|--------------------|--------------------|--|
| 2,131 | Regulation of Employment and Industry | 16,959 | 7,211 | (9,748) |
| -- | Conciliation and Arbitration Proceedings | -- | 2,025 | 2,025 |
| 17,490 | Human Resources Development | 1,523 | 20,409 | 18,886 |
| 8,045 | Occupational Health and Safety | 1,846 | 20,382 | 18,536 |
| 5,381 | Policy Co-ordination and Corporate Services | 275 | 9,671 | 9,396 |
| 32,122 | Special Schemes to Promote Youth Employment and Employment Generally | 441 | 15,114 | 14,673 |
| -- | WorkCover Policy and Rehabilitation | 2,421 | 2,136 | (285) |
| -- | Public Sector Industrial Relations | -- | 3,002 | 3,002 |
| (809) | Non Program | 2,096 | 2,163 | 67 |
| <u>64,360</u> | TOTAL | <u>25,561</u> | <u>82,113</u> | <u>56,552</u> |

A description of programs and objectives follows, together with a summary of significant financial transactions, if any.

Regulation of Employment and Industry: Functions included in this program include inspectorial activities designed to secure compliance with industrial and occupational health and safety laws and, where appropriate, the initiation of prosecution action, licensing and regulation of industry. The provision of information to the Minister on a range of industrial relations issues also comes within the ambit of this program.

Conciliation and Arbitration Proceedings: The purpose of this program is to administer the industrial arbitration system in New South Wales and to service the Industrial Commission Conciliation Commissioners, Conciliation Committees and the Industrial Magistrates Courts.

Human Resources Development: Major components of this program are the Commonwealth/State funded Australian Traineeship Scheme involving trainee fees and other payments totalling \$6.1m in 1988-89 (\$6.2m in the previous year) and a number of State funded apprenticeship training and support programs. The outlay on these programs in 1988-89 was \$5.6m compared with \$4.2m in 1987-88. The primary objectives of the Australian Traineeship Scheme are to provide quality training to facilitate entry into the workforce and, generally, to upgrade skills of the youth sector. Financial assistance is available in various forms and includes an employer training fee of \$1,000 per trainee (\$2,000 for disadvantaged trainees) and contributions of from \$1,700 to \$2,000 towards off-the-job training expenses.

Occupational Health and Safety: The objectives of the Department under this program are the achievement of the highest possible standards of safety, health and well being for the work force and the protection of the general public against potential harm arising from work place activities.

A significant proportion of the program is related to inspectorial and research activities and to the dissemination of information to increase awareness of work place hazards. Also included is the testing of equipment, materials and personal protective clothing.

Program activities are highly labour intensive and \$14.9m (78.7%) of total program payments in 1988-89 related to salaries and other employee payments.

Special Schemes to Promote Youth Employment and Employment Generally: As indicated in Volume Two of my Report for 1988, a number of schemes were discontinued in 1987-88 with payments during the year being made only in respect of outstanding commitments. Comment on these schemes follows:

Community Employment: Under the Community Employment Act 1983, the Commonwealth provides assistance to the State for labour intensive projects of social and economic benefit, particularly in areas of relatively high unemployment. Arrangements are that the Commonwealth generally meets 70% of expenditure on approved projects, with the remainder being funded by project sponsors. In the case of projects conducted by the Authorities funded from Consolidated Fund, the State provides the sponsor contribution by appropriations from that fund to the Special Deposits Account "Special Schemes to Promote Youth Employment Generally Account".

This program has ended. No new projects have been approved since 30 June 1987. Payments to sponsors were complete at 30 June 1989.

In 1988-89 no further grants were received from the Commonwealth (\$34.7m in the previous year) while advances to sponsors from Commonwealth and State funds amounted to \$3.9m (\$30.4m in the previous year). Refunds of \$1.8m have been received in respect of surplus funds from completed projects.

In 1988-89 the Commonwealth provided a contribution of \$441,000 towards program administration costs (\$882,000 in 1987-88).

At 30 June 1989, \$2.2m remained in the aforementioned Special Deposits Account.

Youth Employment Scheme: The Youth Employment Scheme provided a combination of work experience and off-the-job training for unemployed people under the age of 25 in State Government departments, authorities and local councils. In 1988-89, \$2.2m was paid to project sponsors compared with \$23.6m in the previous year. Refunds of \$1.2m have been received from various sponsors in respect of surplus funds from completed projects. This scheme has been replaced by the "Start to Life" program.

Technical Jobs for Women: This program was aimed at expanding the range of occupations available to women by providing employment and formal training in non-traditional vocations initially within State Government departments, authorities and local councils. In 1987-88, the program was expanded to include private sector employers. A total of \$2.1m was expended in 1988-89 (\$5.4m in the previous year).

The main thrust by the Department was in the **Start to Life** program which commenced dispensing grants in December 1988. This program has a number of activities which includes the following:

* ***Jobs for Youth (Get Work Scheme, Jobstart Supplement, Special Projects):***

This program aims to assist unemployed young people with a mixture of work experience, on-the-job and off-the-job training, through wage subsidised jobs primarily in the private sector and local government. At 30 June 1989 \$543,000 had been expended, creating 735 jobs.

* ***Workplace:***

The program provides assistance in job canvassing, training referrals and post placement support to unemployed young people. At year end 51 projects, including nine for disabled youth, had been approved with a target of 2,307 jobs. Cost to 30 June 1989 was \$721,593.

* ***New Careers for Young Women:***

This program replaced the Technical Jobs for Women program and has the same objectives - to assist the entry of young women into non traditional technical and trade occupations. The year's activity under this program created 176 jobs at a cost of \$463,452.

* ***New Careers for Migrants:***

Under this program, assistance is provided to private, local employers by way of wage subsidy for unemployed young migrants mainly from non English speaking backgrounds. Costs for the year were \$557,482.

There were other employment schemes put in place during the year.

The ***Local Employment Initiatives/Business Advice Scheme*** which replaced the ***Regional and Local Employment Initiatives Program*** provides funds to viable projects which assist in the creation (or retention of) long term jobs. Local Employment Initiatives may be defined as employment generating activities which are:

- * developed in response to local needs, problems, opportunities and resources;
- * created and controlled by individuals and groups in the community in which they are located;
- * concerned with the creation of viable employment;
- * based on the production and/or sale of goods and services in the market place.

During 1988-89 \$2.6m was advanced in respect of 43 projects.

Policy Co-ordination and Corporate Services: The function of this program is to provide effective administrative support throughout the Department and to formulate, co-ordinate, review and implement policies and procedures.

During the year the Minister received Volume One of the Green Paper on the future direction for industrial relations in New South Wales. Cost of the project to 30 June 1989 was \$137,930.

WorkCover Policy and Rehabilitation: The purpose of this program is to improve work practices to reduce the incidence duration and severity of injury and disease; to emphasise the rehabilitation of injured workers to their fullest potential and to provide an efficient and effective system of compensation to injured workers.

The ***Public Sector Industrial Relations*** program exists to develop and implement sound industrial policies and practices in the public sector. This work was performed in previous years by the now defunct Public Service Board.

This activity is labour intensive and salary related payments, \$2.8m constitute 91.7% of the total program expenditure of \$3m.

NEW SOUTH WALES SUPERANNUATION OFFICE

This Office is responsible for the co-ordination of Superannuation Schemes and the operation of the Coal Mining Industry Superannuation and Long Service Leave Schemes.

Payments from Consolidated Fund totalled \$23.3m comprising \$22.8m recoupment to the Coal Mining Industry Superannuation and Long Service Leave Schemes and \$553,171 on employee related payments and working expenses.

Program receipts were \$22.8m, representing reimbursements from the Commonwealth for long service leave and administrative costs, and were initially paid to the Coal Mining Industry Long Service Leave Trust Fund in Special Deposits before being transferred to Consolidated Fund.

COAL MINING INDUSTRY LONG SERVICE LEAVE TRUST FUND

The State reimburses employers for long service leave payments made in accordance with certain awards and, in turn, is reimbursed by the Commonwealth from the proceeds of an excise on coal. To finance payments while awaiting recoupment, the Commonwealth and State provided working capital advances totalling \$1m which is held at the State Treasury within Special Deposits Account. The advance from the State was repaid during the year. The Fund now operates from the advance provided by the Commonwealth.

Administrative expenses are met in the first instance from funds of the Coal and Oil Shale Mine Workers' Superannuation Tribunal pending recoupment by the Commonwealth. The costs of administration applicable to the operation of the Fund for the year ended 30 June 1989 totalled \$1.0m (\$901,098 in 1987-88).

The State does not estimate the accrued liability for leave earned but not paid for, as the responsibility for this liability rests with the Coal Mining Industry Long Service Leave Fund which is administered by the Commonwealth Department of Employment and Industrial Relations.

DEPARTMENT OF LOCAL GOVERNMENT

The Department of Local Government's charter emerges from the powers, duties and responsibilities placed on the Minister under legislation. The services and advice provided by the Department are chiefly for the benefit of its three client groups – the Government, local government units and the public. In addition to providing policy advice to the Government on priorities for local government, the Department acts as a central point for communication and co-ordination between State Government and local government.

Receipts and Payments

A composite summary of receipts and payments of the Consolidated Fund and Special Deposits Account for the year ended 30 June 1989 is as follows:

| Previous Year \$'000 | | \$'000 | % Increase (-) |
|----------------------------|--|----------------|----------------------|
| | RECEIPTS | | |
| | Licence Fees: | | |
| 86 | Theatres and Public Halls Act | 89 | 3.5 |
| 7 | Animal Welfare Act | 7 | - |
| 208 | Caravan Parks | 191 | (8.2) |
| 55 | Local Government Act | 67 | 21.8 |
| 128 | State Grants (Home Care) Act | - | (100.0) |
| 500 | Provision for Purchase of Computers | 340 | (32.0) |
| 228,800 | Commonwealth Grants to Municipalities and Shires | 229,435 | 0.3 |
| 1,217 | Other | 1,128 | (7.3) |
| <u>231,001</u> | TOTAL RECEIPTS | <u>231,257</u> | 0.1 |
| | PAYMENTS | | |
| 5,043 | Salaries and other Employee Payments | 5,834 | 15.7 |
| 1,535 | Maintenance and Working Expenses | 1,679 | 9.4 |
| 471 | Plant and Equipment | 158 | (66.5) |
| 266,770 | Grants and Subsidies | 274,993 | 3.1 |
| - | Miscellaneous | 19 | (a) |
| <u>273,819</u> | TOTAL PAYMENTS | <u>282,683</u> | 3.2 |
| <u>42,818</u> | EXCESS OF PAYMENTS OVER RECEIPTS | <u>51,426</u> | 20.1 |

KEY

(a) Nil in previous year – not calculable.

The increase in payments for 1988–89 was \$8.9m over the previous year. Included within Grants and Subsidies was \$229.4m (\$228.8m in 1987–88) paid to municipalities and shires in terms of the Local Government (Financial Assistance) Act 1986; \$41.2m (\$36.0m in 1987–88) also paid to municipalities and shires in respect of pensioner rate concessions; and \$3.0m (nil in 1987–88) in financial assistance to councils affected by closure of the Blayney Abattoir. The latter amount includes a grant of \$2.0m to Blayney Abattoir County Council and \$1.0m of interest free loans repayable over five years to the four constituent councils of the Abattoir County Council.

Programs

The table below details the net payments or receipts of programs financed from Consolidated Fund and Special Deposits Account.

| Previous Year Net Payments (Receipts) \$'000 | Program Description | Receipts \$'000 | Payments \$'000 | Net Payments \$'000 |
|---|---|--------------------|--------------------|------------------------|
| 8,014 | Development, Oversight of and Assistance to Local Government | 724 | 9,898 | 9,174 |
| 35,984 | Rate Rebates for Pensioners | - - | 41,172 | 41,172 |
| (1,180) | Non Program Items | 230,533 | 231,613 | 1,080 |
| <u>42,818</u> | | <u>231,257</u> | <u>282,683</u> | <u>51,426</u> |

Payments under the program heading "Rate Rebates for Pensioners" totalled \$41.2m in 1988-89 (\$36.0m in 1987-88). The concessions relate to general, water and sewerage rates up to maximums of \$250, \$87.50 and \$87.50 respectively for the 1989 rate year (\$175, \$87.50 and \$87.50 respectively for 1988 rate year). Once a concession is allowed, the shire or municipality is entitled to claim half of that amount from the Department. This claim is supported by a certificate from the Town/Shire Clerk and the appointed Local Government auditor.

In Volume Two of my 1988 Report to Parliament I mentioned that some councils may have misinterpreted the legislation covering the amount of pensioner rebates which may be claimed from the Government.

To assess the full extent of the problem the Department, in March 1989, requested all Councils to provide audited confirmation that rebates claimed in respect of the years 1984 through to 1988 were in fact correct. To mid August 1989 approximately 65% of the 175 municipal and shire Councils have lodged returns with only three indicating overclaims in respect of previous years.

The Department recently appointed a consultant to verify the returns already lodged by Councils; to follow up outstanding returns; to make recommendations on action to be implemented to recover moneys overclaimed; and to propose amendments to legislation, if appropriate. Progress towards final resolution of this matter will be kept under review.

The cost to Consolidated Fund of other rebates to pensioners made by the Water Board and the Hunter Water Board is included in a program of the Office of the Minister for Environment. The cost of rebates to pensioners made by the Broken Hill Water Board forms part of a Department of Water Resources program. (The total paid by Consolidated Fund from all sources for pensioner rebates was \$68.7m).

DEPARTMENT OF PLANNING

The Department is established under the Environmental Planning and Assessment Act 1979 to assist the Minister for Planning in the co-ordination of environmental planning within the State.

In addition to the above mentioned Act the Department also administers the Heritage Act 1977 and the Coastal Protection Act 1979. For the purpose of exercising the functions of the Environmental Planning and Assessment Act 1979 and the Heritage Act 1977 the respective Acts incorporate the Minister as Corporation Sole.

My comments on the 1988-89 financial statements of the Corporation Sole "Minister administering the Heritage Act 1977" (Heritage Conservation Fund) and of the Coastal Protection Fund are reviewed later in this section of the Report. My comment on the 1988-89 financial statements of the Corporation Sole "Minister administering the Environmental Planning and Assessment Act 1979" will be included in Volume Three of my 1989 Report.

Below is a composite summary of the receipts and payments of the Department's Consolidated Fund and the Special Deposits Account operations, for the year ended 30 June 1989. In order to facilitate comparison with the Budget Papers, certain transactions of the Corporations Sole have been included in the summary. As a result of attempting to report the totality of the Department's financial transactions there is certain duplication of reporting with that of the Corporations Sole and the summary below includes an unusual item for departmental accounting termed "External Borrowings" as departments do not usually use borrowed funds to finance their activities.

| Previous Year \$'000 | | \$'000 | % Increase (-) |
|----------------------------|--------------------------------------|---------------|----------------------|
| | RECEIPTS | | |
| 20,201 | External Borrowings | 15,717 | (22.2) |
| 55 | Sale of Publications | 54 | (1.8) |
| 1,113 | Miscellaneous Services Rendered | 1,100 | (1.2) |
| 448 | Special Computer Allocation | 782 | 74.6 |
| 88 | Statutory Fees and Other Charges | 92 | 4.5 |
| 914 | Miscellaneous | 2,071 | 126.6 |
| <u>22,819</u> | TOTAL RECEIPTS | <u>19,816</u> | (13.2) |
| | PAYMENTS | | |
| 15,123 | Salaries and Related Payments | 15,874 | 5.0 |
| 5,769 | Maintenance and Working Expenses | 5,844 | 1.3 |
| 578 | Plant and Equipment | 941 | 62.8 |
| 224 | Grants and Subsidies | 50 | (77.7) |
| 77,314 | Other Services | 10,977 | (85.8) |
| 77,822 | Capital Works and Services | 1,765 | (97.7) |
| 19,455 | Land Acquisition Program | 14,362 | (26.2) |
| <u>196,285</u> | TOTAL PAYMENTS | <u>49,813</u> | (74.6) |
| <u>173,466</u> | EXCESS PAYMENTS OVER RECEIPTS | <u>29,997</u> | (82.7) |

The 1987-88 comparative figures include the following payments made out of the Consolidated Fund allocation to the Darling Harbour Authority. No such payments are included in the 1988-89 figures.

| | \$'000 |
|-------------------------------------|---------------|
| "Other Services" | |
| Debt Servicing Costs | 57,320 |
| "First State 1988" Exhibition costs | 7,100 |
| | <u>64,420</u> |
| "Capital Works and Services" | |
| Repayment of Promissory Notes | <u>74,588</u> |

Capital works and services \$1.8m include \$767,483 paid for the acquisition of land under the Coastal Land Protection Scheme. At 30 June 1989 the Department had commitments of approximately \$25m under this Scheme.

In addition, \$14.4m which was funded from external borrowings was expended on the acquisition of land for public purposes.

Programs

The table below details the excess of payments over receipts of operations financed from Consolidated Fund and Special Deposits Account on a program basis.

| Previous Year Net Payments (Receipts) \$'000 | Program Description | Receipts \$'000 | Payments \$'000 | Net Payments (Receipts) \$'000 |
|---|---|--------------------|--------------------|---|
| 14,992 | Promotion and Co-ordination of Environmental Planning and Assessment | 57 | 18,018 | 17,961 |
| 6,094 | Provision of Land for Public Purposes (Other) | 15,462 | 18,420 | 2,958 |
| 5,165 | Conservation of the State's Environmental Heritage | 1,995 | 6,001 | 4,006 |
| 3,583 | Protection and Conservation of the Coastal Region | - - | 2,149 | 2,149 |
| 144,038 | Administrative Support Services | 782 | 5,225 | 4,443 |
| (406) | Non Program Items | 1,520 | - - | (1,520) |
| <u>173,466</u> | | <u>19,816</u> | <u>49,813</u> | <u>29,997</u> |

Payments in relation to the program *Promotion and Co-ordination of Environmental Planning and Assessment* amounted to \$18.0m during 1988-89. This program includes the co-ordination of the preparation of State and Regional environmental plans, the release and servicing of land, together with the carrying out of environmental studies and environmental impact assessments.

Area Assistance Schemes Account: Commencing 1979-80, funds have been made available for the purpose of providing grants, through local government and through community groups, in support of community service projects in the Western Suburbs of Sydney as well as other areas of the State (Hunter, Illawarra, Central Coast and Macarthur).

The following is a summary of the transactions of the account for the year ended 30 June 1989:

| Area | Opening Balance \$'000 | Receipts \$'000 | Payments Admin. Projects \$'000 \$'000 | | Closing Balance \$'000 |
|----------------|------------------------------|--------------------|--|--------------|------------------------------|
| Western Sydney | 1,278 | 2,914 | 92 | 2,013 | 2,087 |
| Hunter | 586 | 758 | 45 | 1,099 | 200 |
| Illawarra | 156 | 402 | 38 | 578 | (58) |
| Macarthur | 149 | 1,256 | 18 | 364 | 1,023 |
| Central Coast | 123 | 470 | 14 | 371 | 208 |
| | <u>2,292</u> | <u>5,800</u> | <u>207</u> | <u>4,425</u> | <u>3,460</u> |

Coastal Protection Fund: The Fund within Special Deposits Account was established in accordance with the Coastal Protection Act 1979 to meet administration and other costs of the Coastal Council of New South Wales. The major portion of these costs is now being met directly from Consolidated Fund.

The principal function of the Coastal Council is to advise the Government on the protection and maintenance; enhancement and restoration; and utilisation and conservation of the New South Wales coastal region.

The Council was inactive during the year but in accordance with the Environmental Planning and Assessment Act 1979, a committee was established to fulfil the functions of the Council in the short term. Costs of the committee have been met from a program within Consolidated Fund. A balance of \$551 remained in the Coastal Protection Fund at 30 June 1989. It would seem appropriate for this Special Deposits Account to be closed.

Heritage Conservation Fund: The Heritage Conservation Fund was constituted under the Heritage Act 1977, to record appropriations from the Consolidated Fund, borrowings by the Corporation Sole "Minister administering the Heritage Act 1977" and other income. These funds are to be applied towards administering the Act, acquiring and conserving heritage items and providing financial assistance for these purposes. The transactions of the Fund are recorded within Special Deposits Account and financial statements have been prepared using the accrual basis of accounting.

INCOME AND EXPENDITURE STATEMENT for the year ended 30 June 1989

| Previous Year \$'000 | | \$'000 | % Increase (-) |
|----------------------------|---|----------------|----------------------|
| | INCOME | | |
| 4,606 | Consolidated Fund Contribution | 4,614 | 0.2 |
| 685 | Interest on Investments | 1,120 | 63.5 |
| 47 | Interest on Advances | 32 | (31.9) |
| 88 | Statutory Fees and Other Charges | 92 | 4.5 |
| 181 | Miscellaneous | 156 | (13.8) |
| <u>5,607</u> | TOTAL INCOME | <u>6,014</u> | 7.3 |
| | EXPENDITURE | | |
| 814 | Conservation Grants and Advances | 772 | (5.2) |
| 197 | Less: Repayable Advances | 79 | (59.9) |
| 617 | | 693 | 12.3 |
| 1,955 | Administration Expenses | 2,021 | 3.4 |
| 5 | Audit Fees | 7 | 40.0 |
| 1,511 | Loan Interest | 1,344 | (11.1) |
| - - | Bad Debts | 14 | (a) |
| <u>4,088</u> | TOTAL EXPENDITURE | <u>4,079</u> | (0.2) |
| | OPERATING SURPLUS BEFORE EXTRAORDINARY ITEM | 1,935 | 27.4 |
| - - | Less: Extraordinary Item | 127 | (a) |
| | OPERATING SURPLUS AFTER EXTRAORDINARY ITEM | 1,808 | 19.0 |
| (9,550) | Accumulated Deficiency 1 July 1988 | (8,320) | (12.9) |
| | Add: | | |
| 921 | Transfer from Financial Accommodation Reserve Fund | 1,238 | 34.4 |
| 319 | Loans Repaid | - - | (100.0) |
| (6,791) | | (5,274) | (22.3) |
| | Less: Transfer to Financial Accommodation Reserve Fund | 1,250 | (18.2) |
| <u>1,529</u> | ACCUMULATED DEFICIENCY AS AT 30 JUNE 1989 | <u>(6,524)</u> | (21.6) |

KEY

(a) Nil in previous year - not calculable.

BALANCE SHEET as at 30 June 1989

| Previous Year \$'000 | | \$'000 | % Increase (-) |
|----------------------------|--------------------------------------|---------------|----------------------|
| | CURRENT ASSETS | | |
| 4,227 | Cash and Investments | 5,054 | 19.6 |
| 412 | Accounts Receivable | 206 | (50.0) |
| 124 | Recoverable Advances | 88 | (29.0) |
| <u>4,763</u> | TOTAL CURRENT ASSETS | <u>5,348</u> | 12.3 |
| | NON-CURRENT ASSETS | | |
| 1,359 | Land and Buildings | 8,471 | 523.3 |
| 1,200 | Investments | 2,658 | 121.5 |
| 425 | Recoverable Advances | 488 | 14.8 |
| <u>2,984</u> | TOTAL NON-CURRENT ASSETS | <u>11,617</u> | 289.3 |
| <u>7,747</u> | TOTAL ASSETS | <u>16,965</u> | 119.0 |
| | CURRENT LIABILITIES | | |
| 320 | Accounts Payable | 439 | 37.2 |
| 1,285 | Loans | 1,614 | 25.6 |
| -- | National Estate Program | 1,440 | (a) |
| <u>1,605</u> | TOTAL CURRENT LIABILITIES | <u>3,493</u> | 117.6 |
| | NON-CURRENT LIABILITIES | | |
| 9,087 | Long Term Loans | 7,474 | (17.8) |
| -- | Lease Premiums | 1,512 | (a) |
| <u>9,087</u> | TOTAL NON-CURRENT LIABILITIES | <u>8,986</u> | (1.1) |
| <u>10,692</u> | TOTAL LIABILITIES | <u>12,479</u> | 16.7 |
| <u>2,945</u> (b) | NET ASSETS | <u>4,486</u> | (b) |
| | CAPITAL AND RETAINED EARNINGS | | |
| (8,320) | Accumulated Deficiency | (6,524) | (21.6) |
| 5,375 | Reserves | 11,010 | 104.8 |
| <u>2,945</u> (b) | | <u>4,486</u> | (b) |

KEY

(a) Nil in previous year - not calculable.

(b) Net Liabilities in previous year - not applicable.

After bringing to account an extraordinary item, operations resulted in a surplus of \$1.8m compared with \$1.5m for the previous year. The increased surplus is mainly due to higher investment interest of \$435,662 as a result of bringing to account in this year's accounts interest on National Estate Program funds for the last two years. After allowing for a net transfer to the Financial Accommodation Reserve Fund of \$10,582, the Accumulated Deficiency was reduced by \$1.8m to \$6.5m. Expenditure included Conservation Grants totalling \$692,525 and Interest on Loans \$1.3m. Grants made to organisations for conservation and restoration projects included \$40,121 for Bishops Lodge, Hay; \$65,000 for Old Bega Hospital, Bega; \$60,000 for Friends Veruna-Writers Centre; \$60,000 for Bulli Miners Cottage; \$30,000 for Engine (Hebburn) House, Goulburn; and \$34,046 for Broken Hill Trades Hall.

Cash and Investments include \$1.4m representing National Estate Program funds held on trust. These funds were fully committed as at 30 June 1989. In previous years' Reports these funds were included in my comment on the Corporation Sole "Minister administering the Environmental Planning and Assessment Act 1979".

Details of land and buildings as at 30 June 1989 are as follows:

| | Cost at 1.7.88 \$ | Additions/ (Disposals) \$ | Revaluation Increment \$ | Cost/ Valuation \$ |
|-------------------------|-------------------------|---------------------------------|--------------------------------|--------------------------|
| Phillip Street Terrace | -- | 984,748 | 2,415,252 | 3,401,000 |
| Tusculum, Potts Point | 633,265 | 762,000 | 205,735 | 1,601,000 |
| Rouse Hill | 449,049 | 18,900 | -- | 467,949 |
| Royal Hotel, Bathurst | 276,906 | (276,906) | -- | -- |
| Hillview, Sutton Forest | -- | -- | 3,001,000 | 3,001,000 |
| | <u>1,359,220</u> | <u>1,488,742</u> | <u>5,622,987</u> | <u>8,470,949</u> |

With the exception of the property at Rouse Hill, which is the subject of a Court appeal regarding the resumption value to be paid by the Corporation Sole, all properties are stated at valuation. This means that the heritage and historic houses are stated at replacement cost, while the land on which these houses are built, is stated at a nominal value of \$1,000. The additions to the properties in "Phillip Street" and "Tusculum" represent improvements carried out by the tenants in return for a lease of 15 years and 99 years respectively. These additions are also reflected in the balance sheet as lease premiums which are brought to account in the income and expenditure statement over the remaining terms of the leases. In respect of the "Phillip Street" property, the lease agreement provides for an additional 25 year term (five years with an option for a further 20 years) at discounted commercial rates.

In 1988-89 the Corporation Sole sold the "Royal Hotel" at Bathurst for \$259,885 of which \$109,486 is due to Bathurst City Council as refund of its contribution towards the acquisition costs of this property. The Corporation Sole's share of the loss on this sale amounted to \$126,507 which is reflected in the income and expenditure statement as an extraordinary item.

Reserves of \$11m comprise:

| | \$m |
|--|-------------|
| Asset Revaluation Reserve: | |
| Increment on Revaluation of Heritage and Historic Houses and Land | 5.6 |
| Financial Accommodation Reserve Fund | 5.4 |
| | <u>11.0</u> |

The Corporation Sole is currently involved in negotiations to sell the rights to air space above the property at Phillip Street, Sydney. The successful conclusion of these negotiations will have a significant positive impact on the financial statements of the Corporation Sole.

MATTERS RAISED DURING THE YEAR

During the year internal control shortcomings in the collections, disbursements, rental and records systems as well as the area assistance scheme were drawn to the attention of departmental management. Action taken to redress the reported deficiencies will be monitored during the 1989-90 audit.

DEPARTMENT OF MINERALS AND ENERGY

The Department of Minerals and Energy has the aim to promote the responsible development, management and utilisation of the mineral and energy resources of New South Wales. This involves furthering the State's economic development through the minerals and energy sectors; encouraging and advancing the exploration for and assessment of mineral and energy resources of New South Wales, and promoting the safe, responsible, effective and efficient provision and use of energy and production of minerals.

Amalgamation with Department of Energy and Energy Corporation

On 19 October 1988 the Department of Minerals and Energy was established by amalgamation of the Department of Mineral Resources and the Department of Energy. Due to the separate accounting systems of the two organisations, as well as a different basis of accounting for the preparation of each organisation's financial statements, an integrated accounting system did not commence until 1 July 1989. The following comment represents the undertakings of the Minerals area of the Department. Energy operations will be commented upon in Volume Three of my Report to Parliament under the Energy Corporation of New South Wales.

Financial Features of 1988-89

- * Mineral royalties were \$19.6m less than the budget estimate and fell by \$3.2m from their 1987-88 levels to \$99.4m in the current year. The reduction over the two years since 1986-87 is \$36.1m and is attributable to a package of concessions given to the coal industry in 1987-88 and continued in 1988-89.
- * Significant amounts recorded in the financial statements as owing to the Department include:
 - * \$3.6m by the Gunnedah Coal Company Ltd for royalties and interest charges. Of the total debt \$2.1m has been outstanding for over 12 months, dating back to October 1987. Remedial action to recover this debt is currently in progress.
 - * Financial assistance of \$12.6m to Chrysotile Corporation of Australia Pty Ltd consisting of \$2.8m principal and \$9.8m interest. The original loans were provided to the Company in 1979 and 1980 in an attempt to retain some 350 jobs at the Woodsreef asbestos mine which eventually closed in early 1983. Negotiations for loan repayments are subject to Crown Solicitor action.
 - * Rent of \$0.4m in relation to about 125 current and past mining leases in National Parks and Nature Reserves. Lessees have declined to make lease payments as mining of mineral sands in these areas has been prevented by Government policy since 1977. The question of payment of recorded arrears is currently subject to consideration by the Minister.

Receipts and Payments

A composite summary of receipts and payments of the Consolidated Fund and Special Deposits Account for the year ended 30 June 1989 is as follows:

| Previous Year \$'000 | | \$'000 | % Increase (-) |
|----------------------------|--|----------------|----------------------|
| | RECEIPTS | | |
| 105,881 | Mining Occupation including Royalty | 103,149 | (2.6) |
| 665 | New Computer Facilities | 1,626 | 144.5 |
| 204 | Receipts for Services Rendered | 238 | 16.7 |
| 857 | Other Receipts | 426 | (50.3) |
| 102 | Deposits Under the Mining Acts (Net) | 511 | 401.0 |
| -- | Assistance to Minerals Development Strategy | 912 | (a) |
| 25 | Mineral Exploration and the Encouragement of Prospecting | 191 | 664.0 |
| 658 | Other | 289 | (56.1) |
| <u>108,392</u> | TOTAL RECEIPTS | <u>107,342</u> | (1.0) |
| | PAYMENTS | | |
| 15,900 | Salaries and Other Employee Payments | 17,281 | 8.7 |
| 4,060 | Maintenance and Working Expenses | 5,020 | 23.6 |
| 447 | Plant and Equipment | 1,524 | 240.9 |
| | Grants and Subsidies: | | |
| 524 | Assistance to Lemington No.2 Mine | -- | (100.0) |
| | Cobar Mines Rescue Package - Government | | |
| 275 | Contribution | -- | (100.0) |
| 50 | Subsidy - District Check Inspectors | 80 | 60.0 |
| | Other Services: | | |
| | Mineral Exploration and the Encouragement of Prospecting | 249 | (44.9) |
| 452 | Remedial Works to Mined Areas etc | 120 | - |
| 120 | State's Share of Cost of Administration of Joint Coal Board | 2,179 | (3.7) |
| 2,263 | Coal Royalty Remission | -- | (100.0) |
| 5,403 | Other | 259 | 156.4 |
| 101 | Capital Works and Services: | | |
| 577 | Building Construction Works | 750 | 30.0 |
| 117 | Purchase of Major Equipment | 460 | 293.2 |
| 65 | Captains Flat Project - Abatement of Pollution | 57 | (12.3) |
| 17 | Minor Operations | 6 | (64.7) |
| 1 | Purchase of Residence | 72 | (b) |
| 173 | Commonwealth Contributions to Airborne Surveys | 18 | (89.6) |
| | Commonwealth Financial Assistance - Coal Stockpiles - Coal Cliff Collieries | -- | (100.0) |
| 4 | Repayment of Treasury advance | 165 | 560.0 |
| <u>25</u> | TOTAL PAYMENTS | <u>28,240</u> | (7.6) |
| <u>30,574</u> | | | |
| <u>77,818</u> | EXCESS OF RECEIPTS OVER PAYMENTS | <u>79,102</u> | 1.7 |

KEY

(a) Nil in previous year - not calculable.

(b) More than 1,000%.

Receipts

Receipts from Mining Occupation, \$103.1m, were \$22.2m less than the budget estimate. Included within this Receipt item is royalty on minerals which at \$99.4m was \$19.6m under Budget and \$3.2m less than the previous year. The lower revenue is a direct result of a continuation of coal royalty concessions introduced in the previous year and, to a lesser extent, of a reduction in coal export production. As reported last year, the concessions consisted of:

- * a reduction in base royalty rates from \$1.70 to \$1.36 per tonne;
- * a reduction in super royalty from 50¢ to 40¢ per tonne in respect of coal extracted from open cut mines and abolition of such royalty for underground mines;
- * a change in royalty collection procedures whereby assessment is still carried out at the time of production but payment of royalty to the State is deferred until actual sale of the coal;
- * the introduction of a moisture allowance of 7% for the Southern Coal Fields and 5.5% for all other coal producing areas.

The Department received an additional \$1.6m for the establishment of a land information system known as MRLIS. This is a centralised data base tool primarily directed towards the Department's activities of titles administration, geological and administrative mapping, mineral deposits and borehole inventory.

Payments

The Department's payments consist predominantly of salaries and related costs which at \$17.3m (\$15.9m in 1987-88) absorbed 61.3% of expenditure. Maintenance and Working Expenses at \$5.0m (\$4.1m in 1987-88) absorbed a further 17.7%. The increase in this item was substantially due to consultancies met from the computer development allocation and assistance to the minerals development strategy fund.

Programs

The table below details the net payments or receipts of programs financed from Consolidated Fund and Special Deposits Account. The figures shown are net of inter-fund transfers.

| Previous Year Net Payments (Receipts) \$'000 | Program Description | Receipts \$'000 | Payments \$'000 | Net Payments (Receipts) \$'000 |
|--|---|--------------------|--------------------|---|
| 100 | Identification and Development of the State's Mineral and Petroleum Resources | 10,004 | 8,226 | (1,778) |
| (84,545) | Identification and Development of the State's Coal Resources | 93,998 | 8,773 | (85,225) |
| 4,631 | General Professional and Promotional Services | 1,951 | 8,056 | 6,105 |
| 2,357 | Administrative Support Services | 655 | 3,079 | 2,424 |
| (361) | Non Program | 734 | 106 | (628) |
| (77,818) | TOTAL | 107,342 | 28,240 | (79,102) |

Identification and Development of the State's Mineral and Petroleum Resources: The program objective is to encourage exploration, assessment and utilisation of minerals and petroleum. Money expended on this program included remedial works to mined areas and for the mineral exploration and encouragement of prospecting. Program receipts have increased by \$1.8m to \$10.1m due to increased royalties received on silver, lead, zinc, gold, mineral sands and other minerals.

Identification and Development of the State's Coal Resources: The program objective is to ensure the responsible exploration, assessment and utilisation of coal resources. Major areas of expenditure in this program include \$2.2m for sharing the cost of administration of the Joint Coal Board with the Commonwealth and for the mineral exploration and encouragement of prospecting. Program receipts have decreased \$4.7m to \$94m due mostly to continuing royalty concessions to the coal industry. Expenditure also decreased by \$5.4m to \$8.8m as a result of a non recurring "ex gratia" payment in 1987-88 for the remission on coal royalties paid to coal companies.

General Professional and Promotional Services: The program objective is to provide a service and advise developers of the State's mineral resources. Major areas of expenditure included the development of the Department's Land Information System through the purchase of computer equipment and the continued redevelopment of the Geological and Mining Museum. Both items were significant in increasing income and expenditure within this program.

SIGNIFICANT MATTERS RAISED PREVIOUSLY

Following the conclusion of the 1988 audit of the Department the following matter was referred in writing for appropriate remedial action.

Internal Audit: It was considered desirable that internal audit provide an increased coverage of major financial systems in 1989. At the conclusion of this financial year it was pleasing to note that my recommendation had been met.

DEPARTMENT OF LANDS

The Department of Lands is responsible for the protection and management of the Crown Estate for the benefit of the people of New South Wales. It also has responsibility for the establishment and maintenance of integrated, reliable and accessible Statewide land information systems and associated mapping and surveying services.

During March 1989 the Crown Lands Act 1989 and cognate Acts, the Crown Lands (Continued Tenures) Act 1989, the Western Lands (Crown Lands) Amendment Act 1989 and the Miscellaneous Acts (Crown Lands) Amendment Act 1989 were passed.

This legislation, when a commencement date is proclaimed, will repeal the existing Crown Lands legislation, will provide for the management and care of Crown Lands for the public benefit and will simplify provisions relating to existing holdings of Crown land, purchasing of leasehold tenures and general dealings with crown tenures.

Receipts and Payments

A composite summary of receipts and payments of the Consolidated Fund and Special Deposits Account for the year ended 30 June 1989 is as follows:

| Previous Year \$'000 | | \$'000 | % Increase (-) |
|----------------------------|--|----------------|----------------------|
| | RECEIPTS | | |
| - - | Land Receipts - New South Wales Land and Housing Corporation | 35,000 | (a) |
| 10,963 | Miscellaneous Land Sales (Net) | 21,734 | 98.2 |
| 5,458 | Country Residential and Statewide Commercial/ Industrial Site Sales | 15,061 | 175.9 |
| 3,125 | Special Leases | 3,853 | 23.3 |
| 9,907 | Other Leases and Land Receipts | 11,642 | 17.5 |
| 2,761 | Permissive Occupancies | 3,567 | 29.2 |
| 1,543 | Western Land Leases | 1,709 | 10.8 |
| 2,972 | Computer Acquisitions | 2,560 | (13.9) |
| - - | Land Development Working Account (Net) | 2,759 | (a) |
| 922 | Community Employment Projects | 513 | (44.4) |
| 14,740 | Other Receipts | 6,952 | (52.8) |
| <u>52,391</u> | TOTAL RECEIPTS | <u>105,350</u> | 101.1 |
| | PAYMENTS | | |
| 28,173 | Salaries and Other Employee Payments | 31,148 | 10.6 |
| 9,996 | Maintenance and Working Expenses | 10,428 | 4.3 |
| 3,886* | Capital Works and Services | 5,837* | 50.2 |
| 15,508* | Other Services | 6,530* | (57.9) |
| 3,818 | Grants and Subsidies | 16,519 | 332.7 |
| 3,039 | Plant and Equipment | 3,061 | 0.7 |
| <u>64,420</u> | TOTAL PAYMENTS | <u>73,523</u> | 14.1 |
| <u>12,029(b)</u> | EXCESS OF RECEIPTS OVER PAYMENTS | <u>31,827</u> | (b) |

KEY

* Net of inter-fund transfers.

(a) Nil in previous year - not calculable.

(b) Excess of Payments over Receipts in previous year - percentage not applicable.

Receipts for the year rose by \$53m (101.1% increase). A major component of this increase is represented by \$35m received from the New South Wales Land and Housing Corporation for proceeds of sale of Crown land. In 1987-88 the Treasury received \$32m from the Corporation, but the amount was not included within the Department of Lands receipts.

The New South Wales Land and Housing Corporation has responsibility for the development of "Landcom" homesites on Crown lands in the Sydney Metropolitan area and certain portions of the Hunter Valley and Illawarra regions. All the proceeds and payments associated with this Crown land development are processed through the "Department of Housing - Landcom Crown Lands Account". At 30 June 1989 the balance retained in this account was \$16m (\$9m in 1987-88).

Receipts from Miscellaneous Land Sales increased by \$10.8m to \$21.7m in 1988-89. This included several large receipts relating to the appropriation/sale of Crown land by State Government organisations. In addition, amounts received from conversion of leaseholds to purchases were included in Miscellaneous Sales. During 1988-89 the number of conversions increased by 13.6% and include one unusually high value conversion of \$1.4m.

The sales within the category Country Residential and Statewide Commercial/Industrial Site Sales increased by \$9.6m to \$15.1m. This included the sale of an industrial site at Milperra \$3.4m; the proceeds from a subdivision at Tuncurry \$2.3m and \$4m for the appropriation/sale of land at South Kingscliff.

Payments for the year increased by \$9.1m (14.1%). Salaries and Other Employee Related Payments rose by \$3m or 10.6% which was due mainly to the inclusion of Payroll Tax and Workers' Compensation Insurance within this category. In previous years Payroll Tax was paid by the Treasury and Workers' Compensation Insurance was included in Maintenance and Working Expenses. This accounted for \$1.8m of the \$3m increase.

The increase in Grants and Subsidies of \$12.7m was due to a \$13.3m contribution to the Forestry Commission of N.S.W. This grant was to fund the 1988-89 non-commercial operations of the Commission.

The increase of approximately \$2m in Capital Works and Services was also mainly due to a \$1.7m contribution to the Forestry Commission. These funds relate to a once off payment to compensate the Commission for the pre July 1988 arrangements whereby half of the Commission's royalty income was paid to the Consolidated Fund.

A further \$3.9m contribution to the Forestry Commission was included within the category Other Services. This payment was to fund 50% of the Commission's accrued leave provisions at 30 June 1988 in respect of its public service staff prior to the Commission becoming self-funding.

Overall, however, the expenditure included in Other Services decreased by \$9m. The decline was largely due to the closure in 1987 of the Closer Settlement and Public Reserve Fund. The balance of this fund was transferred to the Public Reserves Management Fund and was recorded in "Other Services" in 1987-88.

Programs

The table below details the net payments or receipts of programs financed from Consolidated Fund and Special Deposits Account. The figures shown are net of inter-fund transfers.

| Previous Year Net Payments (Receipts) \$'000 | Program Description | Receipts \$'000 | Payments \$'000 | Net Payments (Receipts) \$'000 |
|--|--|--------------------|--------------------|---|
| (5,452) | Crown Land Management and Administration | 96,474 | 26,425 | (70,049) |
| 977 | Management and Preservation of Western Lands | 2,515 | 3,280 | 765 |
| 9,689 | Mapping | 4,728 | 13,597 | 8,869 |
| 3,070 | Control Surveys | 170 | 3,476 | 3,306 |
| (617) | Planning and Management for State Land Information System | - - | 1,988 | 1,988 |
| 4,733 | Administrative and Financial Support Services | 1,336 | 24,757 | 23,421 |
| (371) | Non Program Items | 127 | - - | (127) |
| <u>12,029</u> | | <u>105,350</u> | <u>73,523</u> | <u>(31,827)</u> |

In my last Report I mentioned that a problem existed in relation to the costing for administrative and financial support services. This problem still exists. The costs of administrative and financial support services within the various operational arms of the Department are incorporated into their own program areas. Hence, such costs are not included in the program Administrative and Financial Support Services. I believe that the existing costing amongst programs is somewhat misleading and that efforts should be made to rationalise the costing of Administrative and Financial Support Services.

The increase in payments under the Administrative and Financial Services program of \$19.3m was mainly attributable to the \$18.9m contributions made to the Forestry Commission previously mentioned in this Report.

Under an Act of 1970, transactions for the provision of land for public reserves were combined with those acquired for closer settlement within the Closer Settlement and Public Reserves Fund. This enabled cash received from closer settlements to be spent on public reserves without specific appropriation.

As I mentioned in my previous Report, this Fund was closed in 1987 and replaced by the Public Reserves Management Fund. The transactions of this Fund are included within Special Deposits Account under the program Crown Land Management and Administration.

Transactions relating to Closer Settlement are now reflected through Consolidated Fund. On 19 August 1988 the Treasurer approved the writing off of \$87.8m loan liability relating to Closer Settlement plus \$68.6m deferred and unpaid interest. This liability represented the amount still to be repaid by settlers, the capital value of vacant and leasehold land and debts written off largely in the 1930's.

The statement below details the transactions of the **Public Reserves Management Fund** for the year ending 30 June 1989.

| Previous Year \$'000 | | \$'000 | % Increase (-) |
|----------------------------|---|--------|----------------------|
| 1,000 | Balance at 1 July 1988 | 3,918 | 291.8 |
| | RECEIPTS | | |
| 2,469 | Consolidated Fund Allocations | 2,100 | (14.9) |
| 8,184 | Transfer from Closer Settlement and Public Reserves Fund | - - | (100.0) |
| 364 | Repayments and Interest on Loans to Trustees | 535 | 47.0 |
| 247 | Community Employment Projects | - - | (100.0) |
| 30 | Miscellaneous Receipts | 78 | 160.0 |
| 11,294 | | 2,713 | (76.0) |
| 12,294 | Cash Available | 6,631 | (46.1) |
| | PAYMENTS | | |
| | Public Reserves: | | |
| 2,887 | Acquisition, Maintenance and Development | 837 | (71.0) |
| 1,198 | Loans to Trustee Bodies | 1,823 | 52.2 |
| - - | Grants to Trustee Bodies | 1,142 | (a) |
| | Treasury: | | |
| 4,000 | Interest on Loan Liability | - - | (100.0) |
| 200 | Administrative Costs | - - | (100.0) |
| 91 | Other Costs | 138 | 51.6 |
| 8,376 | | 3,940 | (53.0) |
| 3,918 | Balance at 30 June 1989 | 2,691 | (31.3) |

KEY

(a) Nil in previous year - not calculable.

Payments under Acquisition, Maintenance and Development included amounts expended on: the Hume and Hovell walking track \$346,082 (\$246,066 in 1987-88); maintenance of parks and reserves \$77,301; acquisition of land \$278,067 and maintenance of foreshores and walking tracks \$136,259.

The Treasury approved the opening of the Land Development Working Account within Special Deposits during 1988-89. This account reflects the financial operations of Country Residential and Statewide Commercial/Industrial Sites development (previously included within capital works and services and receipts from land sales). The account has been incorporated into the Crown Land Management and Administration program.

The statement below represents on a cash basis the transactions of the *Land Development Working Account* for the year ending 30 June 1989. (No comparatives are available due to this being the account's first year of operation). Benefit would be gained if accrual based financial statements were available for this semi-commercial activity.

| | |
|-------------------------------------|---------------|
| | \$'000 |
| Gross Receipts - Land Sales | 9,820 |
| Less: Transfer to Consolidated Fund | <u>7,061</u> |
| Net Receipts | 2,759 |
| Less: Payments | |
| Employee Related Payments | 400 |
| Operating Expenses | 169 |
| Development and Marketing Expenses | <u>1,192</u> |
| | <u>1,761</u> |
| Balance at 30 June 1989 | <u>998</u> |

Land Exchanges

In 1979 arrangements were concluded between the Commonwealth and the New South Wales Governments for the exchange of land at agreed prices. The financial arrangements are for an interest free pooling scheme, without immediate cash settlement until a balance or near balance is reached - or for a period of ten years - when the matter was to be renegotiated. The ten year period expired on 30 April 1989 and the Department was informed that the Department of State Development would be liaising with the Commonwealth. At the date of this Report only preliminary discussions have been held between the State and the Commonwealth.

During 1988-89 land transferred from the Commonwealth consisted of 81.47 hectares on Montague Island and 0.6724 hectares at Shepherds Hill, Newcastle. No State land was transferred to the Commonwealth.

At 30 June 1989 the value of land transferred by the Commonwealth to the State exceeded the value of State transfers to the Commonwealth by some \$19.5m.

SIGNIFICANT MATTERS RAISED WITH THE DEPARTMENT

During the past year significant matters raised with management included the potential loss of revenue associated with unauthorised Crown road closures, the lack of an adequate accounting manual and, in response to an internal audit report, difficulties associated with the administration of permissive occupancies. While action proposed regarding the accounting manual and road closures is considered satisfactory, I believe that greater urgency should be attributed to permissive occupancies especially in view of the additional revenue that may be collected.

WATER ADMINISTRATION MINISTERIAL CORPORATION (DEPARTMENT OF WATER RESOURCES)

The main functions of the Water Administration Ministerial Corporation (Department of Water Resources) are:

- * to ensure that the water and related resources of the State are allocated and used in ways which are consistent with environmental requirements;
- * to provide the maximum long-term benefit for the State and for Australia of water and related resources; and
- * to provide water and related resources to meet the needs of water users in a commercial manner consistent with the overall water management policies of the Government.

In performing these functions, the Corporation is supported by the Department of Water Resources. The Department is organised into four divisions, namely: Water Resource Management; Rural Water Supply; Technical Services and Corporate Services.

As I stated in last year's Report, the Department was included in Schedule 3 of the Public Finance and Audit Act 1983 on 3 February 1988. It is my opinion that the cash basis financial statements now prepared by the Department provide less meaningful information than the statements prepared prior to 1987-88.

I still find it difficult to accept that organisations, such as the Department of Water Resources, which obtain funds from the New South Wales Treasury Corporation should form part of the inner-budget system. Rather, it is my opinion that such organisations should prepare financial statements on a full accrual basis of accounting which show clearly the extent to which consumers are meeting the cost of the commodity provided.

The Department is managing a saleable commodity - i.e. the surface and subsurface water resources of the State but the financial statements do not provide sufficient information to enable an assessment of whether the objectives of the Ministerial Corporation/Department are being efficiently achieved.

Nevertheless, presentation of this financial information poses a major challenge for the Department. With the multiple use aspects of water resource management including irrigation, flood mitigation, recreation, etc, accounting systems must be developed which clearly distinguish costs which should be met by users as against those which should be met by the Government. It is only when detailed financial information of this nature is available that there can be rational decisions taken regarding:

- * water pricing levels;
- * the extent of subsidies from Consolidated Fund; and
- * desirable levels of future borrowings to finance capital works.

In May 1988 the Treasurer requested that before further steps were taken towards the commercialisation of segments of the Department's operations, an independent consultant should undertake a detailed review of the financial structure of the Department.

During 1988 three major consultancy tasks were commissioned. Reports were issued in 1989 in respect of the Department's water distribution network; the use of day labour to complete maintenance programs and the accounting methods by which various costs are apportioned between organisational units of the Department. This latter consultancy report entitled "Water Distribution Operations in Irrigation Areas and Districts of N.S.W." served as the review of the Department's financial structure referred to previously.

While the consultancy analysed in great detail the costs associated with the distribution of water within the State's Irrigation Areas and Districts, the overall philosophy behind the accounting related findings was basically no different to those matters which I have raised in my last three Reports to Parliament.

It has long been my belief that the Department should present its financial statements on a commercial basis using full accrual accounting concepts. Those considerable operations of Water Resources that pertain to "Public Good" should be separately disclosed as "Non-Commercial Operations".

These activities can still be financed by annual appropriation from the Consolidated Fund. A funding/disclosure model which adopts these concepts is already in existence at the Forestry Commission of New South Wales. In addition to accurately establishing costs that relate to individual units of the Department's operations the following matters still need to be addressed before accrual accounting is adopted.

- (a) Adequate accounting methods and systems need to be developed to identify and record the assets and liabilities that pertain to Departmental units. For example, the recording of a value in a unit's balance sheet of shared assets such as dams, weirs, etc needs to be addressed in addition to the problem of allocating depreciation and maintenance expenditure.
- (b) In addition, basic business rules need to be established, especially dissecting those activities, and therefore costs, that relate to "Commercial Activities" and those that relate to the "Provision of the Public Good".
- (c) The main thrust of the Consultants' report was that the "Commercial Operations" of the Department be transferred to independent Management Boards. The existing Management Boards have no legal status. Therefore prior to implementing (a) and (b) above, legislation needs to be enacted to define the operational rights and duties of the Boards. Such legislation should also provide for:
 - (i) The accounting records to be maintained by the Boards,
 - (ii) The format and presentation requirements (including content) of the Board's financial statements and annual reports, and;
 - (iii) The responsibility for audit of the Board's affairs.

- (d) To ensure the consistency of financial and management information generated by the Boards standard business rules and accounting policies need to be adopted by each Board.

As previously stated the consultants recommended that ultimately the Department's major assets be acquired by the Management Boards. It should be noted that to June 1989 the historical value of capital provided to Areas and Districts by the State amounted to \$184.4m. When negotiating with the Management Boards for the disposition of infrastructure assets the method of recovery of this investment will need to be considered.

Receipts and Payments

At the time of preparation of this Report, the audit was incomplete and the figures quoted are not necessarily final.

A composite summary of receipts and payments of the Consolidated Fund and Special Deposits Account for the year ended 30 June 1989 is as follows:

| Previous Year \$'000 | | \$'000 | % Increase (-) |
|----------------------------|---|---------|----------------------|
| | RECEIPTS | | |
| 4,767 | Fees and Charges under Water Act | 6,225 | 30.6 |
| | Murray-Darling Basin Commission: | | |
| 684 | Contribution under Murray-Darling Basin Agreement | 650 | (5.0) |
| 255 | Distribution of Interest and Revenue Collections | 307 | 20.4 |
| 184 | Interest - NSW Treasury Corporation | - | (100.0) |
| 39,111 | Loans - NSW Treasury Corporation (Net) | 30,348 | (22.4) |
| - | Repayments to Previous Years' Vote | 3,706 | (a) |
| 1,600 | Computer Development | 2,721 | 70.1 |
| 295 | Rentals | 299 | 1.4 |
| 565 | Agistments | 860 | 52.2 |
| 550 | Administrative Oncost | 355 | (35.5) |
| 236 | Other Receipts | 549 | 132.6 |
| 42,237 | Trust and Special Accounts | 44,208 | 4.7 |
| 90,484 | TOTAL RECEIPTS | 90,228 | (0.3) |
| | PAYMENTS | | |
| 15,195 | Salaries and Other Employee Payments | 19,155 | 26.1 |
| 11,603 | Maintenance and Working Expenses | 6,911 | (40.4) |
| 494 | Plant and Equipment | 139 | (71.9) |
| 13,865 | Grants and Subsidies | 1,308 | (90.6) |
| 31,956 | Other Services | 41,901 | 31.1 |
| 46,458 | Capital Works and Services | 36,353 | (21.8) |
| 1,571 | Computer Development | 1,635 | 4.1 |
| 47,761 | Trust and Special Accounts | 45,098 | (5.6) |
| 168,903 | TOTAL PAYMENTS | 152,500 | (9.7) |
| 78,419 | EXCESS OF PAYMENTS OVER RECEIPTS | 62,272 | (20.6) |

KEY

(a) Nil in previous year due to \$69,000 being included in Other Receipts.

Receipts from *Fees and Charges under the Water Act* totalled \$6.2m, an increase of \$1.5m from 1987-88. The increase was mainly due to higher revenue from water charges (for diversions from regulated streams) for which the billing basis was altered during the year.

Net additional loans obtained by the Department from the New South Wales Treasury Corporation in 1988-89 amounted to \$30.3m. In addition, the Department refinanced maturing loans during the year totalling \$44.5m.

Repayments to Previous Years' Vote includes an amount of \$3.6m which had previously been held as a Reserve for Loan Repayment within the Department's General Trust Account. In my last Report I mentioned the need for the elimination of this Reserve. In November 1988 the Treasury approved the closure of the Reserve and the transfer of the balance to Consolidated Fund.

Administrative Oncosts recoveries continued to decrease in 1988-89 due to the completion of Remedial Works at Hume Dam.

Not all salary costs were included in the table as **Salaries and Other Employee Payments**. Other salary costs were incorporated within **Capital Works and Services** and **Trust and Special Accounts**. Total payroll costs for the past two years were:

| | 1987-88 \$'000 | 1988-89 \$'000 | % Increase (-) |
|----------------------------|-------------------|-------------------|----------------------|
| Consolidated Fund: | | | |
| Recurrent Payments | 15,195 | 19,155 | 26.1 |
| Capital Works and Services | 9,899 | 8,737 | (11.7) |
| Special Deposits Account: | | | |
| Trust and Special Accounts | 26,101 | 26,135 | 0.1 |
| | <u>51,195</u> | <u>54,027</u> | 5.5 |

The major cause for recurrent payments salary costs increasing 26.1% was a Treasury policy change. This resulted in costs such as Payroll Tax and Workers Compensation Insurance being included in 1988-89, as Salaries and other Employee Payments which, in previous years has been included in Maintenance and Working Expenses. These amounts totalled \$3.9m in 1988-89.

The decrease in Capital Works and Service salary costs is directly related to the reduced expenditure on Capital Works and Services during 1988-89. This was largely due to the completion of Capital Works at Glenbawn Dam and Split Rock Dam.

Grants and Subsidies paid by the Department during 1988-89 decreased by \$12.6m to \$1.3m. This was primarily due to the responsibility for the pensioner rebates granted, in respect of water and sewerage rates, by the Sydney and Hunter Water Boards (1988-89 budgeted cost \$16.4m) being transferred to the Office of the Minister for the Environment.

Expenditure on **Capital Works and Services** totalled \$36.4m, \$10.1m less than 1987-88. Besides major project payments, other capital expenditure included Irrigation Works, \$9.3m; River and Channel Floodplain Protection, \$5.8m; Water Resource Assessment, \$6m; and Dam Flood Security \$3m. Major projects expenditures were:

| | Project Start | Project Completion | Expenditure 1988-89 \$'000 | Expenditure to date \$'000 | Estimated Total Cost* \$'000 |
|--------------------------------------|------------------|-----------------------|----------------------------------|----------------------------------|---------------------------------------|
| Glenbawn Dam Enlargement | 1983 | 1989 | 593 | 45,052 | 46,261 |
| Split Rock Dam | 1983 | 1989 | 1,424 | 54,748 | 55,173 |
| Murray Valley Salinity Control | 1978 | 1992 | 3,417 | 49,855 | 67,388 |
| Curlwaa Irrigation Area - Pipelining | 1984 | 1989 | 2,819 | 11,472 | 14,319 |

KEY

* Figures based on 1988-89 Capital Works Budget.

Glenbawn Dam and Split Rock Dam were both officially opened during 1987-88 and hence only minor capital works expenditure was incurred in the 1988-89 year.

Murray Valley Salinity Control project involves the construction of subsurface and surface drainage schemes.

The Curlwaa Irrigation Area project involves the conversion of open supply channels to a pipeline system to reduce water losses and to improve the capacity and delivery of the supply system. This project is expected to be completed during September 1989.

The Department's capital works program was financed from Treasury Corporation borrowings of \$30.3m and Consolidated Fund allocations of \$6.0m. The latter includes: \$3.4m of the Department's portion of Commonwealth grants paid to the State under the Federal Water Resources Assistance Program; \$2m provided for annual provisions; and \$600,000 allocated to Wakool/Tullakool salinity works.

At 30 June 1989 borrowings through Treasury Corporation aggregated \$244m. Costs of servicing these loans are included within **Other Services** and in 1988-89 rose by \$4.8m to \$30.6m. This amount comprised: \$30.5m (\$24.5m in 1987-88) interest on loans; and \$63,360 (\$23,007 in 1987-88) for the balance of Treasury Corporation loan flotation and management expenses.

The 1988-89 financial statements only show those debt servicing costs for loans arranged from 1984-85 through the NSW Treasury Corporation. These loans which total \$244m are quite separate from prior borrowings which over the years up to 1984-85 would have aggregated approximately \$680m. The debt servicing cost of this latter amount is met by Treasury and the borrowings are not recorded in the Department's financial statements.

Cash transactions relating to the operations of the various Irrigation Areas and Districts are recorded through a Special Deposits Account and included within **Trust and Special Accounts**. Receipts and payments for these operations amounted to \$35.5m and \$34.2m respectively (\$32.6m and \$39.5m in 1987-88). There was no movement during the year in the amounts of temporary advances and non repayable grants recorded in this account. As at 30 June 1989 these amounts totalled \$24.9m and \$11.7m respectively.

Programs

The following table details the net payments (receipts) of operations financed from Consolidated Fund and Special Deposits Account on a program basis. With the exception of double counting between Trust and Special Accounts, figures shown are net of inter-fund transfers.

| Previous Year Net Payments (Receipts) \$'000 | Program Description | Receipts \$'000 | Payments \$'000 | Net Payments (Receipts) \$'000 |
|---|--|--------------------|--------------------|---|
| 20,454 | Water Resource Management | 6,564 | 29,531 | 22,967 |
| 22,844 | Water Resource Development | - - | 14,739 | 14,739 |
| 53,219 | Rural Water Supply and Associated Services | 44,677 | 89,680 | 45,003 |
| 8,702 | River Channel and Flood Plain Protection | 1,751 | 11,876 | 10,125 |
| 13,841 | Subsidies to Other Water Supply Organisations | - - | 1,289 | 1,289 |
| (40,641) | Non Program | 37,236 | 5,385 | (31,851) |
| <u>78,419</u> | | <u>90,228</u> | <u>152,500</u> | <u>62,272</u> |

Water Resource Management involves the management of the State's water resources and preservation of certain areas for the benefit of present and future generations.

Water Resource Development pertains to the planning and development of new water supplies.

Rural Water Supply and Associated Services includes the provision of water supply and other services at equitable charges for agricultural and other rural uses.

River Channel and Flood Plain Protection involves the minimisation of adverse effects of river channel erosion and flooding, and the equitable distribution of such costs to beneficiaries.

Subsidies to Other Water Supply Organisations has two purposes: granting relief from water and sewerage rates to certain classes of pensioners and providing general operating subsidies to Water Supply Organisations. Previously, this program related solely to the granting of pensioner rebates. However, for 1988-89 the program was retitled to reflect the changed status and purpose. During 1988-89 subsidies were provided to the Cobar and Broken Hill Water Boards. Refer to earlier comment on grants and subsidies.

MATTERS RAISED WITH MANAGEMENT

During the past year the following significant matters have been raised with senior management.

- * Lack of a comprehensive accounting manual.
- * Need for improved staffing and coverage by the internal audit unit.
- * Need for the establishment of appropriate accountability arrangements for Irrigation and River Management Boards.

I have been advised that action is proceeding towards resolution of each of these matters.

POLICE DEPARTMENT

The primary objective of the Department is the maintenance and enforcement of law and order in New South Wales. Towards achieving this objective, the Police Force is assisted by Public Service staff with advice on policy and general administrative support.

Financial Features of 1988-89

- * Salaries, wages and related payments increased by \$90.9m (20.3%) to \$537.7m and included \$22.2m for 65 Police officers approved by the Commissioner for retirement under the Police Disengagement Scheme.
- * After allowing for the effects of the Police Disengagement Scheme, the number of uniformed Police officers at 30 June had increased by only 7 to 12,253. Of this total, 100 officers were seconded to other duties such as the National Crime Authority Task Force.

On the other hand, the number of Public Service staff employed increased by 305 (10.6%), of which 248 related to the Department absorbing transport police previously controlled by State Rail Authority. Public Service staff employed at 30 June totalled 3,193 including 470 ministerial employees (parking patrol officers, security officers, etc).

Receipts and Payments

Provided below are composite summaries of receipts and payments of the Consolidated Fund and Special Deposits Account for the year ended 30 June 1989. Amounts shown are net of inter-fund transfers. Table 1 depicts transactions on a line item basis while Table 2 details the net payments (receipts) on a program basis.

The Treasurer approved in June 1988 for the use of periodic workload surveys in determining the apportionment of some costs between programs. As I reported last year, due to the lateness of the approval only one workload survey was possible for 1987-88. While I was in agreement with the methodology applied in the survey undertaken, I was unable at that time to form an opinion as to the correctness of the allocation of payments between programs as shown in the receipts and payments statement. In 1988-89, however, additional workload surveys were undertaken and I was able, based on those results, to form an opinion that the allocation of payments between programs was reasonable.

Table 1

| Previous Year \$'000 | | \$'000 | % Increase (-) |
|----------------------------|---|----------------|----------------------|
| RECEIPTS | | | |
| 90,494 | Roads and Traffic Authority - Supervision and Control of Traffic | - - | (100.0) |
| 58,682 | Fines - Motor Traffic Act | 90,115 | 53.6 |
| 1,972 | Licence Fees - Firearms, etc | 1,594 | (19.2) |
| 1,497 | Collections - Accident Information | 1,150 | (23.2) |
| 2,813 | Receipts from Services Rendered | 841 | (70.1) |
| 24,004 | Other | 30,729 | 28.0 |
| <u>179,462</u> | TOTAL RECEIPTS | <u>124,429</u> | (30.7) |
| PAYMENTS | | | |
| 446,756 | Salaries and Other Employee Payments | 537,657 | 20.3 |
| 94,753 | Maintenance and Working Expenses | 120,960 | 27.7 |
| | Capital Works and Services: | | |
| 8,984 | Police Buildings | 20,420 | 127.3 |
| 2,485 | Police Equipment and Services | 7,720 | 210.7 |
| 723 | Police Force Special Accommodation | 748 | 3.5 |
| 2,817 | Plant and Equipment | 7,315 | 159.7 |
| 281 | Grants and Subsidies | 281 | - |
| 4,648 | Other Services | 149,924 | (a) |
| 9,997 | Miscellaneous | 7,492 | (25.1) |
| <u>571,444</u> | TOTAL PAYMENTS | <u>852,517</u> | 49.2 |
| <u>391,982</u> | EXCESS OF PAYMENTS OVER RECEIPTS | <u>728,088</u> | 85.7 |

KEY

(a) More than 1,000%.

The receipts for the previous year have been reallocated against the program areas to which they related. The net payments (receipts) column has been adjusted accordingly:

Table 2

| Previous Year Net Payments (Receipts) \$'000 | Program Description | Receipts \$'000 | Payments \$'000 | Net Payments (Receipts) \$'000 |
|---|-------------------------------------|--------------------|--------------------|--------------------------------------|
| 51,549 | Personal Crime | - - | 75,731 | 75,731 |
| 149,908 | Property Crime | - - | 157,955 | 157,955 |
| 44,105 | Crimes of Vice | 50 | 49,521 | 49,471 |
| 66,930 | Public Order Maintenance | 106 | 125,370 | 125,264 |
| (43,898) | Traffic | 91,271 | 123,901 | 32,630 |
| 35,593 | Personnel Development and Education | 2,800 | 187,679 | 184,879 |
| 5,202 | Internal Review | 3 | 8,895 | 8,892 |
| 68,070 | Corporate Support Services | 11,438 | 93,780 | 82,342 |
| 25,207 | Operational Support Services | 4,755 | 31,181 | 26,426 |
| (10,684) | Non Program Items (a) | 24,145 | 8,643 | (15,502) |
| <u>391,982</u> | TOTAL | <u>134,568</u> | <u>862,656</u> | <u>728,088</u> |

KEY

(a) Difference between Table 1 and Table 2 receipts and payments is balance of Salaries Adjustment Suspense Account.

Receipts for 1988-89 fell by \$55.0m. The major reason for the decrease is that funds are no longer recovered from the Roads and Traffic Authority for the "Cost of Police Supervision and Control of Traffic".

Fines and penalties collected by the Traffic Penalties Section of the Police Department on the other hand increased significantly by \$31.4m or 53.6% to \$90.1m in 1988-89. There were 925,516 (1.06m in 1987-88) parking infringement notices and 675,052 (748,003 in 1987-88) traffic infringement notices issued during 1988-89. Although there were fewer infringement notices issued during the year, the increase in collections in this area can be attributed to the combined effects of the increase in prescribed penalties of an average 50% from 1 July 1988, and the incentive for traffic defaulters to otherwise avoid action to cancel their licences and/or registration for failing to pay their fines.

A peak payment rate for infringement notices of 81.1% was achieved during the year (compared to 70.0% in 1987-88) and is an improvement on the average payment rate of 65% before the introduction of the Self-enforcement System in 1984.

Infringement notice statistics show:

| | Notices Issued | Paid Direct | Enforcement Orders Issued | Summonses Issued |
|-----------|-------------------|----------------|------------------------------|---------------------|
| 1986 - 87 | 1,710,700 | 1,251,624 | 241,271 | 25,980 (a) |
| 1987 - 88 | 1,811,046 | 1,267,883 | 117,426 | 15,206 (a) |
| 1988 - 89 | 1,600,568 | 1,298,056 | 95,619 | 14,511 (a) |

KEY

(a) Summonses mainly relate to the more serious traffic offences which cannot be readily dealt with by the Self-enforcement System.

Legislation effective from January 1988 has continued to have a significant effect on the enforcement process for unpaid traffic and parking fines. Such legislation included the Community Service Orders (Fine Default) Amendment Act 1987, the Miscellaneous (Fine Default) Amendment Act 1987 and the Motor Traffic (Penalty Defaults) Amendment Act 1987.

Under the latter Act traffic and parking offences are processed by the Roads and Traffic Authority and if these offences are not satisfied by payment then that Authority may proceed (from late September 1988) with action to cancel the licence/registration of the fine defaulter. A warrant of commitment will only be issued when the Authority is unable to identify the fine defaulter. As anticipated, this legislation had a significant impact on the collection rate and in reducing the number of warrants of commitment for traffic and parking offences.

In addition, in an endeavour to improve further the collection rate, revised instructions were also issued by the Police Department. These instructions required that warrants of commitment for traffic and parking offences, which were recorded on the Central Warrant Index Computer System and which had been issued prior to 1 January 1988, were not to be executed until details had been compared with the Roads and Traffic Authority record system. This action had the effect of assisting in identifying fine defaulters and the possible cancellation of licence/registrations.

The other two Acts created alternative procedures in dealing with offenders on warrants of commitment other than the person serving a term of imprisonment or where the default is dealt with by licence or registration cancellation.

Following these modifications in enforcement procedures the issue of warrants of commitment by Local Courts during 1988-89 did not occur at the same rate as in previous years and is expected to continue to have this effect in the future.

Warrant statistics provided by the Central Warrant Index Unit show:

| | 1986 - 87 '000 | 1987 - 88 '000 | 1988 - 89 '000 | % Increase (-) |
|---|-------------------|-------------------|-------------------|----------------------|
| WARRANTS ISSUED | <u>321</u> | <u>216</u> | <u>59</u> | (72.7) |
| Warrants returned, matured, etc | 68 (1) | 101 | 45 | (55.4) |
| Warrants executed and satisfied (includes warrants raised in previous years) | <u>220</u> (2) | <u>132</u> | <u>46</u> | (65.2) |
| TOTAL WARRANTS FINALISED | <u>288</u> | <u>233</u> | <u>91</u> | (60.9) |
| Clear-up rate (%) (3) | | | | |
| (includes warrants raised in previous years) | 68.5 | 61.1 | 78.0 | 27.7 |

KEY

(1) Does not include recalled warrants and those warrants matured, returned to Court, deceased and duplicated for July 1986.

(2) Does not include pro-rata warrants for July 1986.

(3) Refers to warrants executed and satisfied as a percentage of total warrants issued.

There were 761,978 warrants on hand, as at 30 June 1989, with an estimated value exceeding \$73.8m, compared with 762,856 warrants with a value of \$72.1m at 11 July 1988. (Due to computer programming malfunctions there were no comparable statistics available for warrants on hand as at 30 June 1988). When offences are committed which are to be punished by monetary penalties, the collection rate drops off sharply if there are delays in enforcement. The advantages of early satisfaction of warrants is obvious from the following table of 1986 statistics which Departmental officers consider still provide a reasonable representation of the current situation:

| Age of Warrant | Satisfaction Rate |
|----------------|-------------------|
| 1 year | 83.4% |
| 2-4 years | 12.3% |
| 5-8 years | 2.9% |
| over 8 years | 1.4% |

As mentioned in my previous Reports the cost of continuing to endeavour to obtain satisfaction on warrants over five years old is prohibitive and quickly exceeds the value of the warrants. Action is being taken progressively to implement the approval to reduce the retention period of warrants of commitment from 12 years to five years on the condition that, where practical, the cull of warrants occurred after the driver licences and vehicle registrations associated with the warrants had been cancelled by the Roads and Traffic Authority.

Total departmental expenditure for 1988-89 increased by \$281.1m over the previous year. Payments to the Police Superannuation Fund at \$146.4m were included in Other Services. Salaries and associated costs increased by \$90.9m and represented approximately 63.1% of expenditure. These payments included \$22.2m for the early disengagement of Police officers, but for which there was no allocation in the Department's Budget for the year. Overtime, \$19.0m and shift allowances, \$13.2m represented 6.0% of the total salaries cost (6.6% in 1987-88).

Overtime statistics provided by the Department are reproduced in the table below:

| Financial Year | Police Officers Overtime Hours Worked | Actual Strength of Police Force | Average Hours per Police Officer |
|----------------|---------------------------------------|---------------------------------|----------------------------------|
| 1983 - 84 | 735,668 | 9,950 | 73.9 |
| 1984 - 85 | 680,937 | 10,460 | 65.1 |
| 1985 - 86 | 607,158 | 10,642 | 57.1 |
| 1986 - 87 | 574,570 | 11,344 | 50.6 |
| 1987 - 88 | 571,100 | 12,246 | 46.6 |
| 1988 - 89 | 557,695 | 12,253 | 45.5 |

Included within Maintenance and Working Expenses are new items of Motor Vehicle Lease Fees of \$5.4m and Cleaning Charges of \$6.2m following transfer of responsibility to the Department in line with Government policy relating to service-wide payments and services.

Capital payments for buildings and equipment totalled \$28.9m (\$12.2m for 1987-88) and included:

| | Expenditure 1988 - 89 \$'000 | Expenditure to Date \$'000 | Estimated Expenditure \$'000 | Estimated Completion Date |
|-------------------------------|---------------------------------|-------------------------------|---------------------------------|---------------------------|
| Police and Courts Museum | 617 | 5,642 | 5,554 | Completed |
| Sutherland Headquarters | 2,004 | 2,328 | 5,358 | February 1990 |
| Castle Hill Headquarters | 1,758 | 2,005 | 3,300 | October 1989 |
| Replacement Switchboards | 3,075 | 3,075 | 3,163 | Late 1989 |
| Police Academy - Goulburn (a) | 8,369 | 8,653 | 13,636 | Various |

KEY

(a) Excludes cost of works completed in prior years.

The staged development of the Goulburn Police Academy, which commenced in 1984, progressed during the year. Construction work includes residential wings for Police attending "live-in" courses, classroom and other teaching facilities, dining room facilities and lighting.

The construction of a new Police Station complex at Sutherland commenced during the year with \$2.0m being expended. This complex is due to be completed in February 1990 at an estimated cost of \$5.4m.

Land acquired for Police Stations at Riverwood, Dareton and extensions at Waverly cost \$300,000, \$300,000 and \$352,000 respectively.

SIGNIFICANT MATTERS RAISED

Internal Controls: Although no errors were detected, a review of the major financial systems of the Department disclosed that in certain instances there was a lack of documentary evidence that internal control procedures had been consistently applied. Details were provided to the Commissioner of Police to facilitate appropriate remedial action. Without that evidence management cannot be confident that the procedures were effective.

Accounting Manual: I was pleased to find that in accordance with Section 11(3) of the Public Finance and Audit Act 1983, an accounting manual has now been finalised and is ready for distribution.

Internal Audit: It was of concern that the internal audit coverage of key financial areas was limited, although management indicated that there were difficulties in recruiting and retaining appropriate staff. An effective internal audit review during the year is necessary to assist the Commissioner in meeting the requirements of Section 11(2) of the Public Finance and Audit Act 1983 and in serving to complement the work done by this Office. Internal audit review also ensures the prompt identification of material breakdowns in internal control procedures.

NOTE: Statistics used in this comment have not been subject to audit.

STATE DRUG CRIME COMMISSION

The Commission was established on 20 January 1986 under the State Drug Crime Commission Act 1985 to investigate and report on illegal drug trafficking and related crime. Consolidated Fund payments increased by \$1.1m to \$4.6m and mainly comprised salaries \$2.7m and maintenance and working expenses of \$1.9m. In addition, \$532,807 was expended on computer equipment from an amount of \$1.2m provided from the Treasurer's Computer Development Fund within Special Deposits Account.

STATE EMERGENCY SERVICES AND CIVIL DEFENCE

State Emergency Services and Civil Defence has responsibility for training, planning and development of volunteer emergency organisations and the preparation for and co-ordination of operations.

Consolidated Fund expenditure for 1988-89 totalled \$5.2m (\$4.7m in 1987-88), of which \$2.7m (\$2.5m in 1987-88) was in respect of salaries and associated costs. The Commonwealth Government contributed \$582,016 to meet the salaries of an agreed number of the organisation's personnel.

MATTERS RAISED WITH SERVICES MANAGEMENT

During the two previous years concern has been expressed to management of the State Emergency Services about the maintenance of satisfactory records of plant and equipment. An inspection of plant recording carried out during the year under review indicates that the position has not improved. A stocktake of Head Office plant and equipment undertaken by Services officers in August 1988 revealed that of approximately 2,200 items on hand, only 430 or 19.5% had been recorded on plant cards. The maintenance of accurate plant records and annual stocktaking is necessary if management is to have effective control over assets essential for the Services operations. This matter was referred to the Minister for Police and Emergency Services and to the Treasurer during February 1989.

DEPARTMENT OF SPORT, RECREATION AND RACING

The role of the Department of Sport, Recreation and Racing is directed towards the creation of opportunities in order to assist with the development of sport and recreation at all levels within New South Wales.

Financial Features of 1988-89

- * Racing Taxation was \$266.1m, an increase of 15.5% over the previous year.
- * The investments on racing (with bookmakers and through the totalizator) was \$4,508m – an increase of \$596.4m or 15.2% over that of the previous year.
- * Payments made from the Racecourse Development Fund to Racing Clubs and Associations totalled \$17.3m, with the largest payments being \$5.5m to the Sydney Turf Club, \$2.2m to the Australian Jockey Club and \$1.9m to the Queanbeyan Racing Club.
- * Payments from the Sport and Recreation Fund totalled \$9.8m (\$13.3m in 1987-88) of which \$7.1m was for grants and subsidies to numerous local government and private bodies and associations. These payments are mainly for the development of sporting facilities and amenities.

Receipts and Payments

A composite summary of receipts and payments of the Consolidated Fund and Special Deposits Account (net of inter-fund transfers) for the year ended 30 June 1989 is as follows:

| Previous Year \$'000 | | \$'000 | % Increase (-) |
|----------------------------|--|----------------|----------------------|
| | RECEIPTS | | |
| 230,431 | Racing Taxation | 266,134 | 15.5 |
| 11,917 | Contribution from Totalizator Agency Board | 13,720 | 15.1 |
| 6,540 | Fees for Services Rendered | 7,658 | 17.1 |
| | Commission from Investments on | | |
| 3,493 | Doubles and Trifecta Totalizators | 3,840 | 9.9 |
| 1,773 | Soccer Pools Receipts | 1,280 | (27.8) |
| 981 | Footy TAB Receipts | 954 | (2.7) |
| 204 | Commonwealth Employment Grants | 29 | (85.8) |
| 287 | Collections on behalf of Equipment Hirers | 571 | 98.9 |
| 765 | Repayment of Loans | 983 | 28.5 |
| 125 | Sports Scholarship Sponsors | 148 | 18.4 |
| 222 | Repayment of Interest | 263 | 18.4 |
| 54 | Repayment of Grants | - | (100.0) |
| 390 | Miscellaneous | 704 | 80.5 |
| <u>257,182</u> | TOTAL RECEIPTS | <u>296,284</u> | 15.2 |
| | PAYMENTS | | |
| 8,462 | Salaries and Other Employee Payments | 9,860 | 16.5 |
| 7,737 | Maintenance and Working Expenses | 9,378 | 21.2 |
| 243 | Plant and Equipment | 356 | 46.5 |
| 5,176 | Grants and Subsidies | 7,328 | 41.6 |
| 4,776 | Other Services | 5,540 | 16.0 |
| 9,585 | Capital Works and Services | 3,008 | (68.6) |
| 11,029 | Payments to Racing Clubs and Associations | 17,312 | 57.0 |
| 2,220 | Loans | - | (100.0) |
| 206 | Interest Repaid to Consolidated Fund | 267 | 29.6 |
| 307 | Commonwealth Employment Schemes | 30 | (90.2) |
| 289 | Payments to Equipment Hirers | 538 | 86.1 |
| 286 | Provision for Commitments Outstanding | - | (100.0) |
| 390 | Miscellaneous | 502 | 28.7 |
| <u>50,706</u> | TOTAL PAYMENTS | <u>54,119</u> | 6.7 |
| <u>206,476</u> | EXCESS OF RECEIPTS OVER PAYMENTS | <u>242,165</u> | 17.3 |

Total receipts for 1988-89 were \$296.3m, an increase of \$39.1m or 15.2% over the previous year. This was largely due to an increase in racing taxation.

Racing Taxation: Revenue increased by 15.5% compared with a 12.3% increase in the previous year. Receipts, \$266.1m, were higher by \$35.7m due entirely to increases in collections from off-course and on-course totalizators.

Source of receipts:

| | 1986-87 \$'000 | 1987-88 \$'000 | 1988-89 \$'000 | % Increase (-) |
|-------------------------|-------------------|-------------------|-------------------|----------------------|
| Off-course Totalizators | 140,049 | 160,665 | 190,913 | 18.8 |
| On-course Totalizators | 48,491 | 55,725 | 61,298 | 10.0 |
| Bookmakers: | | | | |
| Betting Turnover Tax | 16,625 | 13,932 | 13,822 | (0.8) |
| Licence Fees | 113 | 109 | 101 | (7.3) |
| | <u>205,278</u> | <u>230,431</u> | <u>266,134</u> | 15.5 |

The Totalizator Act 1916 allows for dividends to be rounded down to the next five cents and the resulting "fractions" payable to the Consolidated Fund. The total of net "fractions" received during the year was \$26.3m (\$25.0m included in on-course totalizator receipts, the greater portion derived from off-course betting) as compared to \$22.0m in 1987-88.

Receipts from off-course totalizator operations included unclaimed dividends amounting to \$8.4m compared with \$7.2m in 1987-88. Unclaimed dividends from on-course totalizators were \$990,766 compared with \$855,612 in 1987-88. On-course receipts of \$146,370 were paid in rebates to racing clubs in terms of the Totalizator Act 1916.

Departmental statistics of totalizator investments for the past two years are analysed according to the following investment categories:

| Type of Investment | 1987-88 | | 1988-89 | | Increase % | |
|--------------------------|----------------------|---------------------|----------------------|---------------------|------------|-----------|
| | Off-Course \$'000 | On-Course \$'000 | Off-Course \$'000 | On-Course \$'000 | Off-Course | On-Course |
| Win/Place | 1,444,249 | 213,384 | 1,781,360 | 239,183 | 23.3 | 12.1 |
| Trifecta | 425,896 | 130,093 | 484,005 | 140,964 | 13.6 | 8.4 |
| Doubles | 121,307 | 20,320 | 123,812 | 20,579 | 2.1 | 1.3 |
| Quinella | 228,220 | 82,779 | 255,505 | 79,530 | 12.0 | (3.9) |
| Superfecta | - | 3,963 | - | 1,131 | - | (71.5) |
| Other | - | 37 | - | 33 | - | (10.8) |
| | <u>2,219,672</u> | <u>450,576</u> | <u>2,644,682</u> | <u>481,420</u> | 19.1 | 6.8 |
| Total Investments | 2,670.2m | | 3,126.1m | | | |

Total investments increased by \$455.9m (comprising \$425.0m from off-course totalizators and \$30.9m from on-course investments) compared with a total increase of \$361.8m in the previous year. Investments with off-course totalizators comprise some 93% of the total increase in investments. The major contributing factor is believed to be the effect of Sky Channel which screens live telecasts to TAB agencies and some licensed clubs and hotels.

Departmental racing records show that at 30 June 1989 permits were held by 798 bookmakers, compared with 850 a year earlier. Departmental statistics also show that bookmakers' turnover decreased by \$140.6m to \$1,382m. The yield from betting turnover taxation decreased by \$109,950 to \$13.8m. This was the first full year in which the turnover tax payable by a bookmaker on bets written was 1% (previously 1.25%).

The investment on racing (with bookmakers and through the totalizator) according to departmental records was \$4,508m - an increase of \$596.4m or 15.2% over that of the previous year.

Total payments of \$54.1m increased by \$3.4m or 6.7% from the previous year. Apart from salaries payments and working expenses, etc., the major payments by the Department were made from the Racecourse Development Fund, the Sport and Recreation Fund and the Sport and Recreation Service Account.

Racecourse Development Fund: A Racecourse Development Committee and a fund to reflect transactions of the Committee were established in 1971 under the provisions of the Totalizator Act 1916. The Minister, on the recommendation of the Committee, may authorise payments out of the Fund by way of grant or loan for the purposes detailed in the Act, which, in the main, relate to financing of improvements, etc, on racecourses. The Fund is mainly financed by a contribution from the Totalizator Agency Board of 20% of its available surplus on operations and by a commission of 0.5% deducted from investments on doubles and trifecta totalizators. The balance in the Fund at 30 June 1989 was \$7.6m (\$7.2m at 30 June 1988).

Fund transactions were:

| Previous Year \$'000 | | \$'000 | % Increase (-) |
|----------------------------|---|---------------|----------------------|
| | RECEIPTS | | |
| 11,917 | Totalizator Agency Board Contribution | 13,720 | 15.1 |
| 3,493 | Commission | 3,840 | 9.9 |
| 251 | Repayment of Loans, etc. | 362 | 44.2 |
| <u>15,661</u> | | <u>17,922</u> | <u>14.4</u> |
| | PAYMENTS | | |
| 11,029 | Racing Clubs and Associations (a) | 17,312 | 57.0 |
| 156 | Administration Expenses | 164 | 5.1 |
| <u>11,185</u> | | <u>17,476</u> | <u>56.2</u> |
| <u>4,476</u> | EXCESS OF RECEIPTS OVER PAYMENTS | <u>446</u> | <u>(90.0)</u> |

KEY

(a) Of this total \$11.1m is by way of loans and \$6.2m is grants to Racing Clubs and Associations.

Major payments to Racing Clubs and Associations included:

| | \$'000 |
|--|--------|
| Sydney Turf Club: Construction of "Equitrack" at Rosehill Racecourse, extension of the Clyde Kennedy Grandstand at Canterbury Racecourse and the Club's general capital works program. | 5,475 |
| Australian Jockey Club: Randwick Racecourse: A new, Drug Testing Laboratory and specific equipment for use in the Laboratory and reconstruction of the Steeplechase grass track. Warwick Farm Racecourse: construction of "Equitrack". | 2,230 |
| Queanbeyan Racing Club: Major improvements to facilities. | 1,859 |
| Illawarra Turf Club: Construction of new grandstand and an administration building. | 1,275 |
| Hawkesbury Race Club: Construction of new grandstand, renovation of existing committee grandstand. | 1,229 |
| Newcastle Harness Racing Club: Establishment of a harness racing complex at International Sports Centre, Broadmeadow. | 676 |
| Dubbo Turf Club: Reconstruction of racetrack and building works. | 642 |
| Grafton Racecourse and Recreation Reserve: Improvements to racecourse to include construction of steel machinery shed and automatic irrigation system, an all-weather walk track in the parade yard, improvements to public grandstand and betting area. | 503 |
| Bankstown Harness Racing and Agricultural Society: Extensions and improvements to grandstand. | 481 |

Racing Clubs' and Associations' outstanding loans as at 30 June 1989 comprised:

| | 1988 \$'000 | 1989 \$'000 |
|----------------|----------------|----------------|
| Racing | 731 | 1,202 |
| Harness Racing | 1,485 | 1,587 |
| Greyhounds | <u>7,372</u> | <u>7,508</u> |
| | <u>9,588</u> | <u>10,297</u> |

The major loan in the category "Harness Racing" is \$1.2m owing by the Harness Racing Authority of NSW.

Of the \$7.5m due under the heading "Greyhounds" are loans to the Wentworth Park Trust totalling \$6.5m. The loans to the Trust, the first being in 1984, are at present interest free and the repayment periods have not yet been determined.

The Fund's commitments at 30 June 1989 were \$13.7m.

Sport and Recreation Fund: This Fund is used for the support and development of sporting and recreational facilities within the State. Receipts for 1988-89 totalled \$9.7m (\$6.1m in the previous year). The transactions of the Sport and Recreation Fund were:

| Previous Year \$'000 | | \$'000 | % Increase (-) |
|----------------------------|---|--------------|----------------------|
| | RECEIPTS | | |
| 3,080 | Consolidated Fund Grant | 7,000 | 127.3 |
| 1,773 | Soccer Pools Receipts | 1,280 | (27.8) |
| 981 | Footy TAB Receipts | 954 | (2.8) |
| 298 | Other | 446 | 49.7 |
| <u>6,132</u> | | <u>9,680</u> | 57.9 |
| | PAYMENTS | | |
| 5,146 | Grants and Subsidies | 7,077 | 37.5 |
| 1,738 | Sport Development Programs | 1,693 | (2.6) |
| 433 | Administration Expenses | 478 | 10.4 |
| 4,204 | Capital Works | 150 | (96.4) |
| 1,620 | Loans | - | (100.0) |
| 148 | Other | 361 | 143.9 |
| <u>13,289</u> | | <u>9,759</u> | (26.6) |
| <u>7,157</u> | EXCESS OF PAYMENTS OVER RECEIPTS | <u>79</u> | (98.9) |

There were no loans from the Sport and Recreation Fund in 1988-89. The majority of payments comprised grants to numerous local government and private bodies and associations.

Recipients of major grant payments were:

| | \$'000 |
|--|--------|
| Penrith City Council: | |
| Grant for the Development of Penrith Park Grandstand | 500 |
| A further grant (from Footy TAB revenue) for the completion of the development at Penrith Park | 350 |
| Surf Life Saving Association of Australia: | |
| Assistance for operational expenses plus the development of club facilities | 445 |
| N.S.W. Tennis Association: | |
| Grant for a new open stand and other seating at White City | 441 |

The unexpended balance of the Fund at 30 June 1989 was \$198,662 (\$278,486 at 30 June 1988).

Sport and Recreation Service Account: The principal Fund operating within this Account is the Sporting Grounds Improvement Fund. The balance at 30 June 1989 in the Sport and Recreation Service Account was \$1.6m, of which there was \$1.2m in the Sporting Grounds Improvement Fund. This Fund is used to make low interest loans to Local Government Authorities, Sporting Organisations, etc, for development and/or upgrading of spectator facilities at major sporting grounds.

During 1988-89 no loans were made to any Local Government Authorities or Sporting Organisations.

Transactions of the Sporting Grounds Improvement Fund were:

| Previous Year \$'000 | | \$'000 | % Increase (-) |
|----------------------------|---|------------|----------------------|
| | RECEIPTS | | |
| 471 | Loan Repayments (Principal) | 490 | 4.0 |
| 204 | Interest Repayments | 181 | (11.3) |
| <u>675</u> | | <u>671</u> | (0.6) |
| | PAYMENTS | | |
| 600 | Loans | -- | (100.0) |
| 190 | Interest Repaid to Consolidated Fund | 197 | 3.7 |
| <u>790</u> | | <u>197</u> | (75.1) |
| (115) | EXCESS OF RECEIPTS OVER PAYMENTS | <u>474</u> | (a) |

KEY
(a) Not calculable - deficiency in previous year.

The unexpended balance of the Sport and Recreation Service Account at 30 June 1989 was \$1.6m. (\$1.1m at 30 June 1988).

Programs

The table below details the net payments (receipts) of programs financed from Consolidated Fund and Special Deposits Accounts:

| Program Description | Receipts \$'000 | Payments \$'000 | Net Payments (Receipts) \$'000 |
|---|--------------------|--------------------|--------------------------------------|
| Participation in Sport and Recreation | 8,576 | 21,739 | 13,163 |
| Excellence in Sport | 2,377 | 7,283 | 4,906 |
| Safety and Ethics in Sport and Recreation | 81 | 1,738 | 1,657 |
| Development, Control and Regulation of the Racing Industry | 284,059 | 18,849 | (265,210) |
| Administrative Support Services | -- | 3,776 | 3,776 |
| Non Program | 1,191 | 734 | (457) |
| TOTAL | <u>296,284</u> | <u>54,119</u> | <u>(242,165)</u> |

Note: The programs for 1988-89 have changed and therefore receipts and payments by program cannot be compared with the previous year.

SIGNIFICANT MATTER RAISED PREVIOUSLY

Following the conclusion of the 1987-88 audit of the Department, the Director was advised in writing that the accounting manual had not been completed as required by Section 11(3) of the Public Finance and Audit Act 1983. The Department has subsequently completed the manual for the accounting areas.

DEPARTMENT OF STATE DEVELOPMENT

The Department of State Development was established on 25 March 1988. The objectives of the Department are to facilitate the co-ordination and development of private sector investment projects and employment programs that have a major impact on the State.

The Department's only program is the Co-ordination of the Government's Role in Business Development in New South Wales. For 1988-89 payments from the Consolidated Fund for this program totalled \$4.5m which include \$1.8m for Salaries and related payments, and \$2.7m for maintenance and working expenses.

Consultancy payments for the year were \$1.3m and are included in maintenance and working expenses. Major projects in terms of consultant expenditures absorbing approximately \$1m were: an Economic Development Strategy for NSW \$287,957; ANZAC Frigates Project \$264,370; Computer Services Strategy \$100,000; Corporate Identity \$63,713; Corporate Plan \$63,400 and Sydney Airport - Third Runway \$57,140.

The administrative responsibilities of the Office of Trade Development were transferred from Business and Consumer Affairs to the Department of State Development on 27 April 1989. Accordingly, payments transferred totalled \$488,039, which included \$324,839 for salaries and \$48,986 for the cost of trade missions.

From 8 July 1989 the administration of the New South Wales overseas offices in London and Tokyo were transferred from the Premier's Department to the Department of State Development.

PUBLIC WORKS DEPARTMENT

The Public Works Department is responsible for the planning, construction and maintenance of a wide range of architectural and civil engineering works within New South Wales. Much of the Department's work is carried out on behalf of other departments such as Education, Health, Police, some statutory bodies and local government councils.

During 1988-89 a number of functions were transferred from Public Works Department to the Department of Administrative Services. They were: Government Accommodation allocation for fitouts of Public and Other Buildings; Management of Government Buildings; some allocation for Administrative Support Services; Payments for Gas and Electricity Consumption and Telephone Usage in Multi-Occupancy Buildings.

The transfer of the functions of these operations included all receipts and payments for the full financial year.

Public Works Department's Consolidated Fund Payments totalled \$195.9m (this excludes client department allocations) and comprised \$105.6m recurrent expenditure and \$90.3m for capital works and services. Those funds were expended on the following programs:

| | Capital \$'000 | Recurrent \$'000 | Total \$'000 |
|---|-------------------|---------------------|-----------------|
| Country Town Water Supplies and Sewerage Schemes | 68,096 | 23,945 | 92,041 |
| Harbours and Rivers | 11,788 | 10,492 | 22,280 |
| Special Projects | -- | 3,722 | 3,722 |
| School Buildings | -- | 14,107 | 14,107 |
| Tertiary Education Buildings | -- | 7,456 | 7,456 |
| Health Buildings | -- | 6,993 | 6,993 |
| Public and Other Buildings | 10,419 | 27,311 | 37,730 |
| Administrative Services | -- | 11,576 | 11,576 |
| | <u>90,303</u> | <u>105,602</u> | <u>195,905</u> |

Payments exceeded appropriations by \$2.3m for Capital Works and Services expenditure. Appropriations for Recurrent Fund were underspent by \$3.7m.

The "Receipts and Payments" and "Programs" tables below exclude the operations of statutory bodies and commercial activities reported upon elsewhere in this Volume or Volume One of my 1989 Report. These organisations are: State Brickworks; Regional Operations: Maintenance and Construction Section; Engineering Workshops Leichhardt; Materials Testing and Chemical Services Laboratory; Lake Illawarra Authority and the South-west Tablelands, Fish River and Mulwala Water Supplies.

Receipts and Payments

A composite summary of receipts and payments of the Consolidated Fund and Special Deposits Account for all transactions of the Department for the year ended 30 June 1989 is as follows:

| Previous Year \$'000 | | \$'000 | % Increase (-) |
|----------------------------|---|----------------|----------------------|
| | RECEIPTS | | |
| 580,415 | Receipts for Services Rendered | 647,254 | 11.5 |
| 6,044 | Proceeds from Sale of Government Property | 6,721 | 11.2 |
| 49 | Repayment of Previous Years' Capital Receipts | 1,222 | (a) |
| 16,636 | Miscellaneous | 16,490 | (0.9) |
| <u>603,144</u> | TOTAL RECEIPTS | <u>671,687</u> | 11.4 |
| | PAYMENTS | | |
| 685,809 | Capital Works and Services | 685,428 | (0.1) |
| 94,921 | Other Services | 122,333 | 28.9 |
| 63,677 | Salaries and Other Employee Payments | 53,827 | (15.5) |
| 20,253 | Maintenance and Working Expenses | 17,545 | (13.4) |
| 10,843 | Grants and Subsidies | 11,342 | 4.6 |
| 4,635 | Plant and Equipment | 4,454 | (3.9) |
| <u>880,138</u> | TOTAL PAYMENTS | <u>894,929</u> | 1.7 |
| <u>276,994</u> | EXCESS OF PAYMENTS OVER RECEIPTS | <u>223,242</u> | (19.4) |

KEY

(a) More than 1,000%.

Receipts for services rendered (recoupment of construction, maintenance costs, etc), \$647.3m, include payments from: Department of Education, \$178.2m; Health, \$111.0m; Technical and Further Education, \$57.7m; Corrective Services, \$44.6m; Police, \$30.5m; Attorney General's Department, \$34.1m; Department of Administrative Services, \$28.3m and Department of Agriculture and Fisheries, \$15.3m.

Capital Works and Services, \$685.4m, include:

- * \$595.0m for construction and maintenance and associated costs which are recoverable from client departments and authorities.
- * \$10.4m for public buildings generally, including \$7.8m on the Circular Quay redevelopment and \$0.7m on the upgrading of Macquarie Street.
- * \$68.1m for country town water supplies and sewerage schemes.

Other Services, \$122.3m, include:

- * \$24.4m for maintenance of buildings, works and services on behalf of clients.
- * maintenance of public buildings, works and services, \$89.8m.
- * payment of fees to consultants for architectural and engineering works, \$4.4m.

The reason for the significant increase of payments in this item by 28.9% is the greater activity in the Arrears of Maintenance program.

The decreases of \$10.0m in **Salaries and Other Employee Payments** and \$2.7m in **Maintenance and Working Expenses**, were partly the result of the continuation of the Department's Direct Charge policy whereby eventually all direct expenses incurred by the Department on behalf of clients are costed directly to projects and duly recovered from clients. The Department has also advised that there had been productivity savings in the vicinity of 7%.

Grants and Subsidies, \$11.3m, include \$10.3m for country town water supplies and sewerage schemes.

Programs

The table below details the excess of payments over receipts of operations financed from Consolidated Fund and Special Deposits Account on a program basis for all transactions of the Department. The figures shown are net of inter-fund transfers.

| Previous Year Excess \$'000 | Program Description | Receipts \$'000 | Payments \$'000 | Excess of Payments Over Receipts \$'000 |
|--------------------------------------|--|--------------------|--------------------|--|
| 101,042 | Public and Other Buildings | 187,780 | 222,655 | 34,875 |
| 43,804 | School Buildings | 178,197 | 242,609 | 64,412 |
| | Country Water Supplies and Sewerage Schemes | 61,396 | 154,192 | 92,796 |
| 81,950 | Health Buildings | 111,657 | 118,016 | 6,359 |
| 11,095 | Special Projects, etc. | 40,870 | 46,204 | 5,334 |
| 4,949 | Tertiary Education Buildings | 57,669 | 69,251 | 11,582 |
| 9,134 | Harbours and Rivers | 8,611 | 26,376 | 17,765 |
| 23,965 | Administrative Services | 3,272 | 14,547 | 11,275 |
| 18,951 | Non Program | 22,235 | 1,079 | (21,156) |
| <u>(17,896)</u> | | <u>671,687</u> | <u>894,929</u> | <u>223,242</u> |
| <u>276,994</u> | | | | |

Reference to expenditure on the above programs which follows may also be included in comment elsewhere in this Report on the respective client departments. However, the expenditure amounts may not agree because of unissued and unpaid accounts.

Public and Other Buildings: Payments of \$222.7m comprised Bicentennial Projects \$28.8m and other payments for public and other buildings \$193.9m.

Bicentennial Projects: Payments during 1988-89 amounted to \$28.8m (\$118.5m in 1987-88). The decrease of \$89.7m reflects the winding down of these projects which were predominantly completed as at 30 June 1989. The approved end cost of the major projects at this date were:

| | \$m |
|--|-------|
| Circular Quay Redevelopment | 111.9 |
| Power House Museum | 54.0 |
| State Library | 47.0 |
| Art Gallery of NSW | 31.7 |
| Macquarie Street Redevelopment | 16.6 |
| Australian Museum | 15.9 |
| Parramatta Cultural Centre | 12.3 |
| Homebush Bay Bicentennial Park | 12.5 |
| Mt Annan Native Botanic Garden and Arboretum | 9.4 |

Major expenditures for the year included: Circular Quay redevelopment, \$7.8m; State Library, \$2.6m; Art Gallery of N.S.W., \$9.0m.

Other Payments for Public and Other Buildings include:

- * \$20.7m – Police Buildings.
- * \$40.8m – Corrective Services institutions.
- * \$4.9m – Family and Community Services buildings.
- * \$31.5m – Attorney General's Department.
- * \$25.7m – Department of Administrative Services.
- * \$14.3m – Department of Agriculture and Fisheries.
- * \$4.7m – National Parks and Wildlife Service.

Funds provided comprised \$185.0m from client departments and \$37.7m from Public Works Department Consolidated Fund Allocation. Of the latter sum, \$10.4m was from Capital Works and Services and \$27.3m from Recurrent Services.

School Buildings: Payments \$242.6m, comprise \$186.9m for the design and construction of school buildings and \$55.7m for their maintenance and repair. During the year payments for major constructions included:

| | \$m |
|------------------------|-----|
| Kincumber High School | 9.4 |
| Newtown High School | 7.6 |
| Braddock High School | 5.7 |
| Nambucca School | 3.4 |
| Hawkesbury High School | 3.8 |

Also included in payments for school buildings are amounts of \$9.0m expended on schools security projects for electrical surveillance installations to prevent burglaries, fires and damages to property and \$4.4m for upgrading a building to accommodate the Education Department's Services Directorate at Ryde.

Funds provided from Public Works Department Recurrent Services for this program totalled \$14.1m.

Country Town Water Supplies and Sewerage Schemes: Subsidies are made available to local government schemes and government-operated water supply undertakings.

Participating councils contributed \$53.4m towards this program. In addition, Public Works Department also provided from Consolidated Fund Capital Works and Services \$68.1m which comprised \$62.6m subsidy payments and \$5.5m to water supply undertakings for program works.

The larger expenditures related to:

| | Water Supplies \$'000 | | Sewerage \$'000 |
|---------------------|--------------------------|-------------------|--------------------|
| Gosford/Wyong | 11,338 | Gosford | 19,551 |
| Manning District | 2,835 | Wyong | 17,887 |
| Grafton | 2,305 | HWB Area/Cessnock | 10,294 |
| Bathurst | 2,047 | St Georges Basin | 3,308 |
| Southern Shoalhaven | 2,011 | Nowra/Bomaderry | 1,801 |
| Coffs Harbour | 1,746 | Kempsey | 1,635 |

Other Payments from Public Works Department Recurrent Services were \$23.9m and included: \$2.6m for South-west Tablelands Water Supply debt charges; \$7.4m for Salaries and Other Employee Payments; and \$10.3m to selected Councils to subsidise the cost of servicing and repayment of loans raised by those Councils for water supply and sewerage works.

Under the funding arrangements the Department is responsible for certain repayments of Councils' borrowings which were \$113.6m at 30 June 1989.

Health Buildings: A total of \$118.0m was expended on the design, construction and maintenance of health buildings and purchase of medical equipment on behalf of the Department of Health. Construction expenditure included \$56.6m for the Teaching Hospital - Greater Newcastle Area, and \$7.3m for St Vincent's Hospital.

Funds provided from Public Works Department comprised \$7.0m for Recurrent Services and are included in the above payments.

Special Projects: Projects undertaken by the Public Works Department include construction and maintenance works on behalf of client departments and authorities. Clients are responsible for meeting the costs of these projects.

Payments of \$46.2m included \$3.7m provided from Public Works Department Recurrent Services. Major works from all sources under this program include:

- * Construction of grain handling terminal on behalf of the Grain Handling Authority at Port Kembla \$28.1m.
- * \$3.7m for works on behalf of the Department of Water Resources including \$1.1m for construction works at Split Rock Dam and \$2.0m at Curlwaa Irrigation Area.
- * \$1.9m in relation to costs involved with winding-up of the State Dockyard.

Tertiary Education Buildings: Payments, \$69.2m, included \$59.0m for the design and construction of tertiary education buildings primarily for the Department of Technical and Further Education. During the year major areas of expenditure included the construction cost on the following colleges:

| | \$m |
|--------------------------|------|
| Lidcombe | 11.1 |
| Northern Rivers CAE | 10.5 |
| Tamworth | 5.8 |
| Campbelltown | 4.9 |
| Macquarie Fields | 2.2 |
| Sydney Technical College | 2.1 |

Funds provided from Public Works Department Recurrent Services totalled \$7.5m.

Harbours and Rivers: Payments, \$26.4m, included \$22.3m provided from Public Works Department Capital Works and Services \$11.8m and from Recurrent Services \$10.5m. Major payments from all sources include:

- * \$7.7m for flood plain management – \$7.1m of which was provided from Consolidated Fund allocation.
- * \$4.9m for waterways which included the construction and maintenance of mini-ports, wharves, marinas and ramps. Funding for these works include \$1.5m provided from Consolidated Fund.
- * \$4.8m for fishing and government facilities. Works included the construction and maintenance of breakwaters, jetties, car parks and other associated works. Funding was fully derived from Consolidated Fund.

Administrative Services: Payments, \$14.5m (\$20.9m in 1987–88) have decreased mainly due to the Management of Government Buildings being transferred from the Department of Public Works to the Department of Administrative Services during 1988–89.

Special Deposits Accounts

- * **Provision for Arrears of Maintenance and Repairs to Schools, Police Stations and other Public Buildings Account:** The balance of this Special Deposits Account as at 30 June 1988 was \$76.8m. There was no contribution from the Consolidated Fund during 1988–89. Expenditure of \$72.5m during the year brought down the balance of this account to \$4.3m as at 30 June 1989. Works funded from the account during 1988–89 included \$50.1m on school buildings; \$12.9m on public buildings generally; and \$8.1m on tertiary education buildings. These are included in the program payments School Buildings, Tertiary Education Buildings and Public and Other Buildings referred to previously.
- * **Public Works Department Account:** This account aggregates a number of departmental working and other accounts. Where works are to be paid for by other departments and authorities the costs are met out of the working accounts and then recouped.

Funds held in the Account at 30 June 1989, amounted to \$41.4m. This is represented by:

| | \$m |
|--|-------------|
| Balances relating to Trading Undertakings | 24.3 |
| Leave and Retirement Fund Reserves | 13.5 |
| Working Capital Advance from Treasury | 7.3 |
| Working and Suspense Accounts for Public Works | 7.2 |
| | <u>52.3</u> |
| Less Amounts Recoupable from Clients | 10.9 |
| | <u>41.4</u> |

Included in Leave and Retirement Fund Reserves is an amount of \$9.3m relating to the Department's deferred superannuation liability to the State Authorities Superannuation Board. The liability was actuarially assessed at 30 June 1989 as \$32.1m based upon a formula provided by the State Authorities Superannuation Board. In order to recover the shortfall over a 20 year period a wage oncost rate of 8.5% was levied throughout the year. Treasury approval was granted to invest the funds and interest received is credited to the account.

REGIONAL OPERATIONS:

MAINTENANCE AND CONSTRUCTION SECTION

The Regional Operations: Maintenance and Construction Section of Public Works Department provides a wide range of building construction and maintenance services to Government Departments, with the bulk of work being carried out for the Departments of Education, Police, Health and TAFE. The work undertaken ranges from minor building and services repairs through planned maintenance, major constructions, renovations and restorations of public buildings.

INCOME AND EXPENDITURE STATEMENT for the year ended 30 June 1989

| Previous Year \$'000 | | \$'000 | % Increase (-) |
|----------------------------|--|----------------|----------------------|
| | INCOME | | |
| 160,335 | Services Rendered | 202,514 | 26.3 |
| 4,561 | Consolidated Fund - Recurrent Services | 2,440 | (46.5) |
| 1,322 | Proceeds from Disposal of Non-Current Assets | 1,085 | (17.9) |
| 974 | Other | 604 | (38.0) |
| <u>167,192</u> | | <u>206,643</u> | 23.6 |
| | EXPENDITURE | | |
| 22,815 | Direct Wages | 20,595 | (9.7) |
| 22,896 | Materials | 24,387 | 6.5 |
| 84,839 | Subcontracts | 123,221 | 45.2 |
| 16,614 | Salaries, Indirect Wages, etc. | 19,796 | 19.2 |
| 4,561 | Consolidated Fund - Recurrent Services | 2,440 | (46.5) |
| 2,328 | Workers' Compensation Insurance | 1,999 | (14.1) |
| 3,595 | Superannuation | 4,025 | 12.0 |
| 735 | Transport | 548 | (25.4) |
| 1,796 | Plant Operating | 1,998 | 11.2 |
| 4,036 | Provision for Employees' Leave | 4,509 | 11.7 |
| <u>2,405</u> | Other | <u>2,221</u> | (7.7) |
| <u>166,620</u> | | <u>205,739</u> | 23.5 |
| 572 | Operating Surplus (before Abnormal Items) | 904 | 58.0 |
| | Add Abnormal Items: | | |
| 1,043 | Accumulated Depreciation Adjustment | - | (100.0) |
| - | Provision for Employees' Leave Adjustment | (1,367) | (a) |
| - | Workers' Compensation Adjustment | 616 | (a) |
| <u>1,615</u> | OPERATING SURPLUS | <u>153</u> | (90.5) |
| <u>2,848</u> | Accumulated Funds at 1 July 1988 | <u>4,463</u> | 56.7 |
| <u>4,463</u> | Accumulated Funds at 30 June 1989 | <u>4,616</u> | 3.4 |

KEY

(a) Nil in previous year - not calculable.

Income from services rendered totalled \$202.5m and reflects construction, maintenance and associated costs recoverable from clients. The major clients were:

| Previous Year \$m | | \$m | % Increase (-) |
|-------------------------|---|-------|----------------------|
| 87.2 | Department of Education | 124.0 | 42.2 |
| 10.7 | Police Department | 8.1 | (24.3) |
| 10.2 | Department of Technical and Further Education | 14.2 | 39.2 |
| 5.7 | Department of Health | 7.6 | 33.3 |

Higher income from services rendered resulted mainly from accelerated clients' works programs especially in arrears of maintenance.

Subcontracts increased by 45% directly as a result of increases in maintenance and construction work being undertaken.

Certain functions of the Section's operations which do not relate to day labour activities, e.g. program control, estimating, contract administration and supervision, are funded from Consolidated Fund Recurrent Services. However, this funding is being reduced as the Maintenance and Construction Section progresses towards achieving full recovery of its overheads. Costs met from the Fund for 1988-89 totalled \$2.4m.

| Previous Year \$'000 | | \$'000 | % Increase (-) |
|----------------------------|--|--------------|----------------------|
| 2,267 | Salaries | 1,400 | (38.2) |
| | Oncosts - Payroll Tax, Workers' Compensation and Employers' Superannuation Contribution | | |
| 604 | and Long Service Leave | 386 | (36.1) |
| 1,690 | Other Expenses (Telephone, Electricity, Rent, etc) | 654 | (61.3) |
| <u>4,561</u> | | <u>2,440</u> | (46.5) |

The Provision for Employees' Leave has been extended: first, to include the recreation leave entitlements and unpaid leave loading of salaried officers who, as a statistical group, are expected to remain with the Maintenance and Construction Section until retirement; and secondly, to meet the increased liability for technical staff whose salary costs etc were previously met from Consolidated Fund allocations. In this latter regard the long service leave liability as at 30 June 1988 was assessed and has been treated as an abnormal item in the Income and Expenditure Statement.

As at 30 June 1989 an amount of \$857,671 was accrued in respect of the "balance" of the 1987-88 Workers' Compensation Insurance premium. The actual final adjustment for 1987-88, received with the interim premium notice for 1988-89, was \$241,899. Accordingly, the balance of the provision \$615,772 has been recredited to accumulated funds by treatment as an abnormal item.

BALANCE SHEET as at 30 June 1989

| Previous Year \$'000 | | \$'000 | % Increase (-) |
|----------------------------|--|---------------|----------------------|
| | CURRENT ASSETS | | |
| 11,667 | Cash | 23,348 | 100.1 |
| 12,598 | Receivables | 4,400 | (65.1) |
| 2,209 | Inventories | 2,101 | (4.9) |
| <u>26,474</u> | TOTAL CURRENT ASSETS | <u>29,849</u> | 12.7 |
| | NON-CURRENT ASSETS | | |
| | Property, Plant and Equipment (Less - Depreciation \$4,515,000) | 4,845 | 2.9 |
| <u>4,708</u> | TOTAL ASSETS | <u>34,694</u> | 11.3 |
| | CURRENT LIABILITIES | | |
| 15,029 | Creditors and Borrowings | 17,097 | 13.8 |
| 11,690 | Provision for Employees' Leave | 3,120 | (73.3) |
| <u>26,719</u> | TOTAL CURRENT LIABILITIES | <u>20,217</u> | (24.3) |
| | NON-CURRENT LIABILITIES | | |
| -- | Provision for Employees' Leave | 9,861 | (a) |
| <u>--</u> | TOTAL NON-CURRENT LIABILITIES | <u>9,861</u> | (a) |
| <u>26,719</u> | TOTAL LIABILITIES | <u>30,078</u> | 12.6 |
| <u>4,463</u> | NET ASSETS | <u>4,616</u> | 3.4 |
| | CAPITAL AND RETAINED EARNINGS | | |
| <u>4,463</u> | Retained Earnings | 4,616 | 3.4 |
| <u>4,463</u> | | <u>4,616</u> | 3.4 |

KEY

(a) Nil in previous year - not calculable. Provision has been dissected between current and non-current liabilities for the first time this year.

Cash on hand as at 30 June 1989, \$23.3m is held in a Special Deposits Account at the Treasury. The large increase (\$11.7m) in cash on hand is largely attributable to a reduction in receivables caused by clients paying their debts earlier than in the previous year.

**MATERIALS TESTING AND
CHEMICAL SERVICES LABORATORY**

Materials Testing and Chemical Services Laboratory is a trading undertaking operating within the Public Works Department and is responsible for the following functions:

- * Chemical Testing - water, effluent, trade waste, soil samples.
- * Physical Testing - concrete, brick, aggregate samples.
- * Testing for the Cement Quality Assurance Scheme (jointly funded by nine Government authorities on a non-profit basis).

INCOME AND EXPENDITURE STATEMENT
for the year ended 30 June 1989

| Previous Year \$'000 | | \$'000 | % Increase (-) |
|----------------------------|---|------------|----------------------|
| | INCOME | | |
| 424 | Services Rendered | 462 | 9.0 |
| 186 | Contributions - Cement Quality Assurance Scheme | 199 | 7.0 |
| 30 | Interest on Investments | 52 | 73.3 |
| 10 | Proceeds from Sale of Non-Current Asset | - | (100.0) |
| 2 | Other Income | 3 | 50.0 |
| <u>652</u> | | <u>716</u> | 9.8 |
| | EXPENDITURE | | |
| 372 | Salaries, Wages, etc. | 290 | (22.0) |
| 35 | Stores and Materials | 31 | (11.4) |
| 76 | Contract Personnel and Consultants | 124 | 63.2 |
| 27 | Superannuation | 32 | 18.5 |
| 4 | Insurance | 7 | 75.0 |
| 24 | Repairs, Maintenance and Cleaning | 21 | (12.5) |
| 6 | Provision for Employees' Leave | 4 | (33.3) |
| 29 | Depreciation | 29 | - |
| 100 | Other | 133 | 33.0 |
| <u>673</u> | | <u>671</u> | (0.3) |
| (21) | OPERATING SURPLUS (DEFICIENCY) | 45 | (a) |
| 436 | Accumulated Funds at 1 July 1988 | 415 | (4.8) |
| <u>415</u> | Accumulated Funds at 30 June 1989 | <u>460</u> | 10.8 |

KEY

(a) Deficiency in previous year - percentage not applicable.

Operations for the year resulted in a surplus of \$44,736 compared with a deficiency of \$21,883 in the previous year. The improvement was largely due to an increase in services rendered for testing, and net savings on salaries and wages payments which were partially offset by increased consultancy expenditure.

Higher income from Services Rendered resulted from the chemical testing of waste, trade and townwaters \$42,000; other testing of chemicals and materials \$22,000 and from soil and groundwater testing \$36,000. These increases were offset by a decrease of \$62,000 in income from concrete cylinder testing. Unseasonably wet weather and some clients now using private testers because of closer proximity were the main reasons for the fall in this item of income.

Salaries, Wages, etc decreased by \$81,078 due to a reduction in the number of permanent employees. At the same time increased costs of \$47,155 were incurred in contracting temporary consultants and other personnel. The net savings, \$33,923 reflect the more economical use of contract personnel during times of peak workloads.

BALANCE SHEET as at 30 June 1989

| Previous Year \$'000 | | \$'000 | % Increase (-) |
|----------------------------|--------------------------------------|------------|----------------------|
| | CURRENT ASSETS | | |
| 42 | Cash | - - | (100.0) |
| 48 | Accounts Receivable | 32 | (33.3) |
| 36 | Work in Progress | 40 | 11.1 |
| <u>126</u> | TOTAL CURRENT ASSETS | <u>72</u> | (42.9) |
| | NON-CURRENT ASSETS | | |
| 123 | Plant and Equipment, etc | 136 | 10.6 |
| 296 | Investments | 429 | 44.9 |
| <u>419</u> | TOTAL NON-CURRENT ASSETS | <u>565</u> | 34.8 |
| <u>545</u> | TOTAL ASSETS | <u>637</u> | 16.9 |
| | CURRENT LIABILITIES | | |
| - - | Cash Overdrawn | 60 | (a) |
| 108 | Accounts Payable | 96 | (11.1) |
| 14 | Provision for Employees' Leave | 14 | - |
| <u>122</u> | TOTAL LIABILITIES | <u>170</u> | 39.3 |
| <u>423</u> | NET ASSETS | <u>467</u> | 10.4 |
| | CAPITAL AND RETAINED EARNINGS | | |
| | <i>Other Capital:</i> | | |
| 8 | Deferred Income | 7 | (12.5) |
| | <i>Retained Earnings:</i> | | |
| 415 | Accumulated Funds | 460 | 10.8 |
| <u>423</u> | | <u>467</u> | 10.4 |

KEY

(a) Nil in previous year - not calculable.

ENGINEERING WORKSHOPS: LEICHHARDT

The Engineering Workshops form a branch of the Public Works Department and operate as a trading undertaking. The workshops provide a range of mechanical and electrical engineering services to government departments.

In previous years the Electrical Services and Mechanical Services Workshops have prepared independent sets of financial statements. As these two workshops have now been combined to operate as a single entity under the name of Engineering Workshops, the Treasurer has approved the preparation of combined financial statements effective from the year ending 30 June 1989.

The Engineering Services Section of Public Works Department which is primarily responsible for the maintenance of air-conditioning plants of major public buildings also merged with the Workshops as from 5 August 1988. The previous year's comparative figures in the following tables and comment do not include the operations of this Section as separate figures are not available.

TRADING STATEMENT for the year ended 30 June 1989

| Previous Year \$'000 | | \$'000 | % Increase (-) |
|----------------------------|--|---------------|----------------------|
| | INCOME | | |
| 8,681 | Services Rendered | 11,072 | 27.5 |
| 92 | Warehouse Income | 94 | 2.2 |
| 34 | Apprenticeship Refund | 33 | (2.9) |
| <u>8,807</u> | | <u>11,199</u> | 27.2 |
| | EXPENDITURE | | |
| | <i>Direct Expenditure:</i> | | |
| 2,028 | Wages | 2,736 | 34.9 |
| <u>3,403</u> | Stores and Materials | <u>3,989</u> | 17.2 |
| <u>5,431</u> | | <u>6,725</u> | 23.8 |
| | <i>Workshop Running Expenses:</i> | | |
| 736 | Salaries, Wages, etc | 563 | (23.5) |
| 47 | Electricity | 41 | (12.8) |
| 53 | Crane and Fork Operation | 56 | 5.7 |
| 94 | Field Expense | 77 | (18.1) |
| 118 | Repairs, Maintenance and Cleaning | 76 | (35.6) |
| 207 | Motor Vehicle Running | 203 | (1.9) |
| 123 | Depreciation | 210 | 70.7 |
| 344 | Provision for Employees' Leave | 626 | 82.0 |
| 140 | Miscellaneous | 288 | 105.7 |
| <u>1,862</u> | | <u>2,140</u> | 14.9 |
| <u>7,293</u> | | <u>8,865</u> | 21.6 |
| <u>1,514</u> | GROSS PROFIT Transferred to Profit and Loss Statement | <u>2,334</u> | 54.2 |

Services Rendered increased by \$2.4m due mainly to the contribution of \$1.7m from the Engineering Services Section.

The decrease in salaries, wages, etc of \$172,580 (23.5%) was the result of a reduction of several positions in the Mechanical Section. Increases in direct wages, \$708,214 and in the cost of employees' leave entitlement, \$281,940, were attributable to the absorption of thirty five employees from the Engineering Services Section. The decrease in repairs, maintenance and cleaning cost of \$42,580 (35.6%), reflected the achievement of economies due to the relocation of the Electrical Section from Glebe to Leichhardt.

Depreciation charges increased by \$86,764 (70.7%) mainly due to a one off charge of \$18,468 in the current year representing previous years' under depreciation together with a reallocation of depreciation on equipment to factory overhead which had previously been included in Administrative overhead in the Profit and Loss Statement.

PROFIT AND LOSS STATEMENT for the year ended 30 June 1989

| Previous Year \$'000 | | \$'000 | % Increase (-) |
|----------------------------|--|--------------|----------------------|
| 1,514 | GROSS PROFIT FROM TRADING | 2,334 | 54.2 |
| 111 | Proceeds from Disposal of Non-Current Assets | 165 | 48.6 |
| 42 | Miscellaneous | 25 | (40.5) |
| 29 | Interest Received | 6 | (79.3) |
| <u>1,696</u> | | <u>2,530</u> | 49.2 |
| | <i>Less - Expenditure:</i> | | |
| 514 | Salaries | 645 | 25.5 |
| 235 | Payroll Tax | 328 | 39.6 |
| 214 | Insurance | 298 | 39.3 |
| 201 | State Authorities Superannuation Scheme Contribution | 299 | 48.8 |
| 45 | Employer's Superannuation Contribution | 56 | 24.4 |
| 60 | Rent and Rates | 36 | (40.0) |
| 29 | Repairs, Maintenance, Cleaning, etc | 41 | 41.4 |
| 7 | Interest | 6 | (14.3) |
| 53 | Depreciation | 22 | (58.5) |
| 157 | Miscellaneous | 188 | 19.7 |
| 27 | Relocation Cost | - | (100.0) |
| <u>1,542</u> | | <u>1,919</u> | 24.4 |
| 154 | OPERATING SURPLUS | 611 | 296.8 |
| 2,115 | Accumulated Funds at 1 July 1988 | 2,269 | 7.3 |
| <u>2,269</u> | ACCUMULATED FUNDS AT 30 JUNE 1989 | <u>2,880</u> | 26.9 |

BALANCE SHEET as at 30 June 1989

| Previous Year \$'000 | | \$'000 | % Increase (-) |
|----------------------------|--|--------------|----------------------|
| | CURRENT ASSETS | | |
| -- | Cash | 676 | (a) |
| -- | Investments | 1,100 | (a) |
| 1,578 | Accounts Receivable (Less - Doubtful Debts \$45,031) | 1,153 | (26.9) |
| 646 | Inventories | 696 | 7.7 |
| 816 | Work in Progress | 767 | (6.0) |
| 31 | Prepayments | -- | (100.0) |
| <u>3,071</u> | TOTAL CURRENT ASSETS | <u>4,392</u> | 43.0 |
| | NON-CURRENT ASSETS | | |
| 1,837 | Property, Plant and Equipment etc (Less - Depreciation \$1,380,911) | 1,816 | (1.1) |
| 22 | Investment | -- | (100.0) |
| <u>1,859</u> | TOTAL NON-CURRENT ASSETS | <u>1,816</u> | (2.3) |
| <u>4,930</u> | TOTAL ASSETS | <u>6,208</u> | 25.9 |
| | CURRENT LIABILITIES | | |
| 187 | Cash Overdrawn | -- | (100.0) |
| 1,598 | Accounts Payable | 2,127 | 33.1 |
| 814 | Provision for Employees' Leave | 1,201 | 47.5 |
| 62 | State Government Loan | -- | (100.0) |
| <u>2,661</u> | TOTAL LIABILITIES | <u>3,328</u> | 25.1 |
| <u>2,269</u> | NET ASSETS | <u>2,880</u> | 26.9 |
| | CAPITAL AND RETAINED EARNINGS | | |
| <u>2,269</u> | Accumulated Funds | <u>2,880</u> | 26.9 |
| <u>2,269</u> | | <u>2,880</u> | 26.9 |

KEY

(a) Nil in previous year - not calculable.

The short term liquidity of the Workshops has markedly improved due to the contribution from the Engineering Services Section mentioned previously. Increased use of the Treasury transfer system, together with a more rigorous debt collection policy resulted in the holding of significant cash and investments at 30 June 1989 of \$1.8m.

Land occupied by the Workshops is vested in the Minister for Public Works and is recorded at a cost of \$4,578. The Valuer-General valued the land at \$3.5m in June 1988.

Accounts payable includes prepaid income of \$1.3m (\$841,483 at 30 June 1988).

MINISTRY OF TRANSPORT

The transport portfolio was enlarged early in 1988 to include the Department of Main Roads, the Maritime Services Board and the Grain Handling Authority. The Ministry's function is to co-ordinate policy initiatives and legislative programs and to monitor the budget performance of the Transport Authorities.

Proclamation of the Transport Administration Act 1988 conferred certain additional functions on the Ministry as from 16 January 1989. These included: those relating to the licensing and regulation of passenger vehicles and ferries; the administration of Government subsidised travel concessions; and in association with the State Rail Authority and State Transit Authority, the provision of efficient, adequate and economic passenger services.

The Transport Administration Act 1988 constituted, as from 16 January 1989, the State Rail Authority, the State Transit Authority and the Roads and Traffic Authority and dissolved the Departments of Main Roads and Motor Transport and the Traffic Authority.

In addition to the Ministry the following organisations are now subject to the direction and control of the Minister for Transport:

- * State Rail Authority (SRA)
- * State Transit Authority (STA)
- * Roads and Traffic Authority
- * Grain Handling Authority
- * Maritime Services Board

The program structure shown in the 1988-89 Budget Papers was changed from the previous year. The following tables and comment, including previous year's figures, are presented in the 1988-89 Budget Paper format.

Receipts and Payments

The following composite table shows combined Ministry Consolidated Fund and Special Deposits Account receipts and payments for the year ended 30 June 1989. The bulk of the Ministry's payments represents Consolidated Fund allocations to the State Rail Authority and the State Transit Authority and other government authorities. The receipt of these allocations by the authorities would appear as income in the authorities' financial statements.

| Previous Year \$'000 | | \$'000 | % Increase (-) |
|----------------------------|---|------------------|----------------------|
| | RECEIPTS | | |
| 10,000 | Advances Repaid | 5,000 | (50.0) |
| 10,000 | Commonwealth Grant to Coal Industry | - | (100.0) |
| - | Regulation of Private Operator | 1,147 | (a) |
| 755 | Other | 949 | 25.7 |
| <u>20,755</u> | TOTAL RECEIPTS | <u>7,096</u> | (65.8) |
| | PAYMENTS | | |
| 2,684 | Salaries and other Employee Payments | 9,207 | 243.0 |
| 1,613 | Maintenance and Working Expenses | 3,007 | 86.4 |
| | Grants and Subsidies: | | |
| 168,981 | School Student Transport Scheme | 181,403 | 7.4 |
| - | Plant and Equipment | 241 | (a) |
| 18,137 | Miscellaneous Grants and Subsidies | 14,112 | (22.2) |
| | Other Services: | | |
| 173,692 | Government Contribution to SRA and STA for Community Services | 206,464 | 18.9 |
| 457,276 | Government Contribution to SRA and STA for Finance Charges | 505,034 | 10.4 |
| 538,987 | Government Contribution to SRA and STA Operating Losses | 531,592 | (1.4) |
| - | Government Contribution to Grain Handling Authority Operating Losses | 16,000 | (a) |
| 20,000 | Joint Commonwealth/State Assistance to the Coal Industry | 20,000 | - |
| - | Overseas Visit | 6 | (a) |
| 1,491 | Cycleway Projects | 1,000 | (32.9) |
| 500 | Wheat Haulage Road Maintenance | 500 | - |
| - | Air Transport Council | 153 | (a) |
| - | Distribution of Omnibus Tax and Service Licence Fees | 3,392 | (a) |
| 60,000 | Repayable Advance to SRA | - | (100.0) |
| 12,000 | Payment to STA towards the purchase costs of Buses and Ferries | 8,937 | (25.5) |
| 2,184 | Contribution to Railway Level Crossings | 2,300 | 5.3 |
| <u>1,457,545</u> | TOTAL PAYMENTS | <u>1,503,348</u> | 3.1 |
| <u>1,436,790</u> | EXCESS OF PAYMENTS OVER RECEIPTS | <u>1,496,252</u> | 4.1 |

KEY

(a) Nil in previous year - not calculable.

Programs

The following table details the net payments of operations financed from Consolidated Fund and Special Deposits Account on a program basis. The figures shown are net of inter-fund transfers:

| Previous Year Net Payments \$'000 | Program Description | Receipts \$'000 | Payments \$'000 | Net Payments \$'000 |
|--|---|--------------------|--------------------|---------------------------|
| 1,036,099 | Payments to the State Rail Authority | 5,000 | 1,067,000 | 1,062,000 |
| 205,856 | Payments to the State Transit Authority | - | 205,027 | 205,027 |
| 187,016 | Payments for Provision of Travel Concessions by Private Sector Transport | - | 195,464 | 195,464 |
| 5,079 | Co-ordination Development and Implementation of Transport Policy | 336 | 21,029 | 20,693 |
| 2,756 | Development of Transport Programs and Improvement Programs | 593 | 3,592 | 2,999 |
| - | Regulation of Private Transport Services | 1,147 | 11,236 | 10,089 |
| (16) | Non Program | 20 | - | (20) |
| <u>1,436,790</u> | | <u>7,096</u> | <u>1,503,348</u> | <u>1,496,252</u> |

Funds were provided to the State Rail Authority and State Transit Authority under the following headings.

| | State Rail Authority | | State Transit Authority | | Total | |
|--|----------------------|--------------|-------------------------|------------|--------------|--------------|
| | 1987-88 | 1988-89 | 1987-88 | 1988-89 | 1987-88 | 1988-89 |
| | \$m | \$m | \$m | \$m | \$m | \$m |
| Community Service Payments | 102 | 116 | 72 | 91 | 174 | 207 |
| Finance Costs | 429 | 473 | 28 | 32 | 457 | 505 |
| Operating Losses | 446 | 458 | 93 | 73 | 539 | 531 |
| Capital Works Bus and Ferries | -- | -- | 12* | 9* | 12 | 9 |
| Joint Commonwealth/State Assistance to the Coal Industry | 20 | 20 | -- | -- | 20 | 20 |
| Assets Sales Shortfall Repayable Advance | 60 | -- | -- | -- | 60 | -- |
| | <u>1,057</u> | <u>1,067</u> | <u>205</u> | <u>205</u> | <u>1,262</u> | <u>1,272</u> |

KEY

* Received in respect of the Australian Bicentenary Road Development Program.

Community Service Payments: State Rail Authority (SRA) – These payments, totalling \$115.9m, related to concessions provided to various passenger groups (\$101.5m, 1988). The most significant item \$97.7m, (\$86.2m, 1988) related to the cost of travelling concessions for children, students, pensioners, police and others with \$62.7m (\$48.3m, 1988) of this amount being for metropolitan passenger services. Payments for the conveyance of primary and secondary children to school by metropolitan passenger services increased by \$2.5m to \$15.8m.

State Transit Authority (STA) – Payments to the STA for concessions to various passenger groups totalled \$90.5m (\$72.1m, 1988). Of these payments \$82.0m (\$65.9m, 1988) related to the cost of travelling concessions for children, students, pensioners and others.

Finance Costs: The Transport Authorities Act 1980 provided that such sums as may be necessary to meet the Authorities' liabilities in respect of loans shall be met as a special appropriation from the Consolidated Fund. In January 1989 the Transport Administration Act 1988 replaced the former legislation and no specific provision was made to meet the Authorities' loan liabilities. The new legislation requires all money advanced to the Authorities by the Treasurer or appropriated by Parliament for the purposes of the Authorities to be paid into the Authority's Fund. In 1988-89 contributions towards the cost of the loan liability were included in the State's annual budget and appropriation legislation.

The contribution to the SRA, \$389.5m, was higher by \$55.8m than in the previous year. The additional costs can be attributed to increases in interest rates, increased borrowings and the effects of currency swap transactions arranged by the Treasury Corporation. The contribution towards the cost of leasing rolling stock decreased by \$12.1m to \$83.2m in 1988-89. This decrease reflected reductions in the corporate tax rate and the level of lease debt.

Contributions to the STA totalled \$32.4m (\$28.3m, 1988). Of this amount \$22.0m (\$20.1m, 1988) went towards lease rental expenses and \$9.5m (\$8.2m, 1988) met interest and other borrowing expenses.

Operating Losses: The previous legislation provided for revenue supplements from the Consolidated Fund to enable or assist the Authorities to exercise their functions. The Transport Administration Act 1988 makes no provision for revenue supplements. A contribution, however, towards the Authorities' operating expenses was included in the State's 1988-89 budget.

The 1987-88 Revenue Supplement for the State Rail Authority was \$315m while the 1988-89 contribution towards operating expenses was \$435.6m. In 1987-88 freight concessions of \$108.9m were also received but these are now taken into account in determining the contribution for operating expenses. As a result the 1988-89 contribution exceeded the previous years equivalent by \$11.7m.

Contributions towards the employer liability to Government Railways Superannuation for the State Rail Authority totalled \$22.8m compared to \$21.7m in 1987-88.

The State Transit Authority received contributions towards operating expenses of \$73.2m compared to \$93.4m in 1988. The decrease in contributions towards operating expenses was mainly offset by increases in the contributions for community service payments.

Joint Commonwealth/State Coal Assistance: In 1987-88 the State and Commonwealth Governments agreed to the implementation of a coal assistance package to be applied by the State Rail Authority. In terms of the package assistance is provided to subsidise the reduction in rail freight charges for the carriage of coal on those lines where the Authority considers that reductions can be maintained through improved efficiencies after assistance from the package has ceased. The State provided \$20m to the Authority in each of the years 1987-88 and 1988-89 and half of the total cost is to be recouped from the Commonwealth under agreed cost sharing arrangements.

Repayable Advance – Capital Works Program: The State Rail Authority's 1987–88 capital works program was to be partly funded from the sale of assets. Proceeds from that source did not reach the anticipated level and the Treasurer provided bridging finance of \$60m to overcome the shortfall in funding the 1987–88 program. The advance was repaid to the Treasury in three instalments by November 1988 at a commercial rate of interest.

Advances Repaid: During the year the State Rail Authority repaid \$5m of an advance of \$40m made to the Authority in 1986–87 to assist in meeting the cost of improved benefits available to members of the Public Authorities Superannuation Scheme. The balance of the 1987–88 repayment, \$5m, was accrued in the Authority's accounts at balance date and paid in July 1989.

Capital Works and Services: A further government contribution of \$8.9m (\$12.0m, 1988) in respect of the Australian Bicentenary Road Development Program was made to the State Transit Authority towards the purchase of buses and ferries.

Other Payments: Payments of \$12.6m (\$10.6m, 1988) were made as subsidies to Pensioners and others riding privately operated buses and ferries.

A government contribution towards operating losses of \$16.0m (nil, 1988) was made to the Grain Handling Authority.

The increase in the Ministry's salaries and related costs to \$9.2m (\$2.7m, 1989) was mainly attributable to the Ministry acquiring responsibility for regulating private transport services and the administration of subsidy payments for travel concessions.

Supplementation was made from Consolidated Fund to allow the Ministry to distribute \$3.4m to local government authorities charged with the upkeep of roads over which public vehicles operate. Previously funds for this purpose were provided from the Public Vehicles Fund but this Fund was closed during the year and the balance transferred to Consolidated Fund.

School Student Transport Scheme: During the year the administration of the scheme was transferred from the former Department of Motor Transport to the Ministry. Transfers from the Consolidated Fund to the School Student Transport Scheme Special Deposits Account totalled \$168m (\$175m, 1988). The transfers plus the opening balance of the Account, \$16.2m (\$10.1m, 1988) made available for the purposes of the scheme an amount of \$184.5m (\$185.1m 1988). Of this sum \$167m (\$156m, 1988) was spent on the Scheme and a further \$14.2m (\$13.1m, 1988) was paid to the Department of Education which administers the scheme in respect of children with disabilities.

A balance of \$3.1m (\$16.2m, 1988) remained in the Account at the year end.

TRANSFERS TO SPECIAL DEPOSITS ACCOUNT

During 1988-89 a number of payments were made from Consolidated Fund to augment funds within Special Deposits Account. Excluding payments to transport authorities and superannuation and pension funds, Transfers to Ministerial Allocations included the following major items:

| RECURRENT SERVICES | Budget \$'000 | Actual \$'000 | Special Deposits Account |
|---|------------------|------------------|--|
| Premier, Treasurer and Minister for Ethnic Affairs: | | | |
| Treasury | (a) | 419,727 | Revenue Equalisation Account |
| | -- | 54,000 | Staff Redundancy Account |
| | -- | 20,000 | Provision for Unfunded Superannuation |
| | -- | 12,100 | Roads and Traffic Authority Account |
| | -- | 10,000 | Provision for Leave on Retirement |
| | -- | 2,400 | State Rail Authority Account |
| Premier's Department | -- | 1,000 | Premiers Department Account |
| Minister for Administrative Services: | | | |
| Government Supply Office | 4,054 | 4,054 | Government Supply Office Account |
| Minister for Agriculture and Rural Affairs: | | | |
| Department of Agriculture and Fisheries | -- | 226 | Australian Special Rural Research Fund |
| Attorney General: | | | |
| Attorney General's Department | -- | 690 | Attorney General's Department Court Library Account |
| Minister for Business and Consumer Affairs: | | | |
| Business and Consumer Affairs | 5,380 | 5,969 | National Industries Extension Service |
| | 5,000 | 5,000 | Industries Assistance Fund |
| Chief Secretary and Minister for Tourism: | | | |
| State Lotteries Office | 3,400 | 3,356 | On-line Equipment Replacement Reserve Account |
| Tourism Commission | 2,741 | 2,741 | Tourism Development Fund |
| Minister for the Environment | | | |
| National Parks and Wildlife Service | 49,544 | 55,838 | National Parks and Wildlife Fund |
| Minister for Health and Minister for the Arts: | | | |
| Department of Health | -- | 81,275 | Department of Health Working Account |
| | 13,000 | 13,000 | Consolidated Fund Debt Sinking Fund |
| Minister for Industrial Relations and Employment: | | | |
| Department of Industrial Relations and Employment | 26,360 | 24,699 | Special Schemes to Promote Youth Employment |
| | 6,379 | 6,379 | Australian Traineeship System Account |
| Minister for Local Government and Minister for Planning: | | | |
| Department of Planning | 5,800 | 5,800 | Area Assistance Scheme |
| | 2,750 | 2,750 | Sydney Region Development Fund |
| | 1,488 | 1,488 | Heritage Conservation Account |
| Darling Harbour Authority | 1,000 | 3,300 | Darling Harbour Authority Account |

| RECURRENT SERVICES | Budget \$'000 | Actual \$'000 | Special Deposits Account |
|--|------------------|------------------|---|
| <i>Minister for Mineral Resources and Minister for Energy:</i> | | | |
| Department of Minerals and Energy | 380 | 380 | Exploration and Prospecting Account |
| Energy Corporation | 9,342 | 8,090 | Energy Corporation Administration Account |
| | 2,400 | 2,400 | Energy Corporation Administration Account (Pensioners Electricity Rebate Subsidy) |
| <i>Minister for Natural Resources:</i> | | | |
| Department of Lands | 13,300 | 17,180 | Forestry Commission Account |
| | 1,100 | 1,100 | Public Reserves Management Fund |
| | 255 | 255 | Wild Dog Destruction Fund |
| Department of Water Resources | 310 | 288 | Dams Safety Committee |
| <i>Minister for Police and Emergency Services:</i> | | | |
| Bush Fire Council | 4,472 | 4,472 | Bush Fire Fighting Fund |
| <i>Minister for Sport, Recreation and Racing:</i> | | | |
| Department of Sport, Recreation and Racing | 11,300 | 9,234 | Sport and Recreation Fund |
| <i>Minister for Transport:</i> | | | |
| Ministry of Transport | 168,000 | 168,000 | School Pupil Conveyance Scheme Account |
| CAPITAL WORKS AND SERVICES | | | |
| <i>Minister for the Environment</i> | | | |
| National Parks and Wildlife Service | 19,168 | 17,587 | National Parks and Wildlife Fund |
| <i>Minister for Housing:</i> | | | |
| Department of Housing | 86,336 | 86,336 | Housing Account |
| <i>Minister for Local Government and Planning:</i> | | | |
| Department of Planning | 2,500 | 1,733 | Coastal Land Protection Scheme |
| <i>Minister for Natural Resources:</i> | | | |
| Department of Lands | - - | 1,726 | Forestry Commission Account |
| | 1,000 | 1,000 | Public Reserves Management Fund |

KEY

(a) Transfer under Section 22A of the Public Finance and Audit Act - non Budget item.

Where appropriate, comment on these accounts may be found under the title of the responsible department/statutory body. In certain cases the transfers are essential, as they fund or assist the finances of authorities that operate outside the Budget.

SPECIAL DEPOSITS ACCOUNT

Details of the funds and accounts constituting the Special Deposits Account are set out in Table 12 of the Public Accounts. The Public Accounts also include a Table (No 17) setting out the purpose and authority for all accounts opened during 1988-89, except new departmental working accounts which all record transactions of a business nature. A complete listing of Special Deposits Accounts was included in last year's Public Accounts. Details of accounts closed or not operated upon during 1988-89 are shown in Table 18.

The following two year table shows end of year aggregates and yearly movements for the four categories into which the individual funds and balances comprising the Special Deposits Account are classified.

| | 30 June 1988 \$'000 | 30 June 1989 \$'000 | Increase \$'000 | % (a) |
|----------------------------------|---------------------------|---------------------------|--------------------|----------|
| Commonwealth Payments Accounts | 40,318 | 42,417 | 2,099 | 5.2 |
| Departments Working Accounts | 714,327 | 631,427 | (82,900) | (11.6) |
| Statutory Bodies Accounts | 71,528 | 124,342 | 52,814 | 73.8 |
| Statutory Funds Accounts | 560,742 | 1,008,754 | 448,012 | 79.9 |
| Total - Special Deposits Account | <u>1,386,915</u> | <u>1,806,940</u> | <u>420,025</u> | 30.3 |

KEY

(a) Percentages calculated on rounded figures.

Funds held in three of the four classes of accounts rose during 1988-89. By far the biggest increase in both percentage and dollar terms was with Statutory Funds Accounts. While many of these account balances both rose and fell during the year, the increase in the balance of the Revenue Equalisation Account from \$55.8m at 30 June 1988 to \$475.5m at 30 June 1989, all but accounted for the overall rise with Statutory Funds. In respect of the whole of the Special Deposits Account, there would have been virtually no change in the balance at year end compared with the opening balance, had it not been for the transfer of the year's surplus from the Consolidated Fund.

Table 12 of the Public Accounts alphabetically details the individual accounts under the heading of the controlling Authority. Numeric prefixes indicate fund category, with footnotes showing the extent to which balances are held in specific investments.

Accounts in which balance variations of \$5m or more occurred are listed in the table following.

**SPECIAL DEPOSITS ACCOUNTS WITH BALANCE
VARIATIONS GREATER THAN \$5 MILLION**

| | 30 June 1988 \$'000 | 30 June 1989 \$'000 | Increase \$'000 (-) | % Increase (-) |
|--|---------------------------|---------------------------|------------------------|----------------------|
| COMMONWEALTH PAYMENTS ACCOUNTS | | | | |
| Recurrent - Schools | 9,963 | 17,892 | 7,929 | 79.6 |
| Capital - Australian Bicentennial Roads Development | 6,000 | - - | (6,000) | (100.0) |
| DEPARTMENTS WORKING ACCOUNTS | | | | |
| Department of Education Account | 44,404 | 35,743 | (8,661) | (19.5) |
| Department of Health Account | 60,487 | 109,641 | 49,154 | 81.3 |
| School Pupil Conveyance Scheme Account | 16,158 | 3,122 | (13,036) | (80.7) |
| Bicentennial Fund | 48,682 | - - | (48,682) | (100.0) |
| Provision for Arrears of Maintenance and Repairs to Schools, Police Stations and other Public Buildings Account | 76,753 | 4,331 | (72,422) | (94.4) |
| Public Works Department Account | 17,460 | 41,234 | 23,774 | 136.2 |
| Transcover Collections | 12,767 | 2,721 | (10,046) | (78.7) |
| Director of State Lotteries - Lotto Subscriptions Account | 3,559 | 8,847 | 5,288 | 148.6 |
| State Lotteries Office Account | 18,124 | 24,777 | 6,653 | 36.7 |
| Department of Technical and Further Education Account | 13,572 | 28,288 | 14,716 | 108.4 |
| Home Purchase Assistance Account | 15,754 | - - | (15,754) | (100.0) |
| Valuer-General's Account | - - | 5,813 | 5,813 | (a) |
| Multi-Department Accounts: | | | | |
| Advances to be Recovered Account | 35,726 | 17,247 | (18,479) | (51.7) |
| Balance of Salaries Adjustment Suspense Account | 78,670 | 87,701 | 9,031 | 11.5 |
| Provision for Commitments Outstanding Account | 4,120 | 17,321 | 13,201 | 320.4 |
| Provision for Purchase and Installation of New Computer Facilities including Staffing and Associated Costs for Government Departments Account | 98,578 | 34,747 | (63,831) | (64.7) |
| Special Schemes to Promote Youth Employment and Employment Generally Account | 8,263 | 22,425 | 14,162 | 171.4 |
| STATUTORY BODIES ACCOUNTS | | | | |
| Industrial Development Assistance Fund | 3,127 | 8,338 | 5,211 | 166.6 |
| Roads and Traffic Authority Fund | - - | 46,043 | 46,043 | (a) |
| Main Roads Fund | 23,730 | - - | (23,730) | (100.0) |
| Forestry Commission Account | 11,940 | 16,973 | 5,033 | 42.2 |
| Land Titles Office Account | 379 | 11,093 | 10,714 | (b) |
| STATUTORY FUNDS ACCOUNTS | | | | |
| New South Wales Investment Corporation Fund | 15,334 | - - | (15,334) | (100.0) |
| Housing Account | 25,592 | 3,134 | (22,458) | (87.7) |
| Coal Compensation Fund | 68,948 | 39,632 | (29,316) | (42.5) |
| State Rail Authority Fund | 42,084 | 65,887 | 23,803 | 56.6 |
| Consolidated Fund Debt Sinking Fund | 3,390 | 28,276 | 24,886 | 734.1 |
| Debt Retirement Account | 51,800 | 5,407 | (46,393) | (89.6) |
| Parliamentary Contributory Superannuation Scheme Account | 46,427 | 58,058 | 11,631 | 25.1 |
| Provision for Unfunded Superannuation Liability | - - | 21,961 | 21,961 | (a) |
| Revenue Equalisation Account | 55,778 | 475,504 | 419,726 | 752.5 |
| Staff Redundancy Account | 10,000 | 53,633 | 43,633 | 436.3 |
| Funds on Deposit - Departments and Authorities | 18,347 | 23,585 | 5,238 | 28.5 |

KEY

(a) Nil in previous year - not calculable.

(b) More than 1,000%.

Comment on the movements of Special Deposits Accounts, where appropriate, appears earlier in this Report, either within the Commonwealth Payments Accounts section or within individual departments' accounts.

DORMANT AND SEMI-DORMANT ACCOUNTS

In 1988-89 transfers to Consolidated Fund under Section 14 of the Public Finance and Audit Act of unclaimed moneys and part balances no longer required from Special Deposits Account amounted to \$4.1m.

A review of Special Deposits accounts at 30 June reveals further funds and balance components not subject to current usage and warranting enquiry with a view to disposal. While the list has been reduced in recent years, there are still several items reported previously.

| | \$ | Last Usage or Year to which Funds Relate |
|--|---------|---|
| COMMONWEALTH PAYMENTS ACCOUNTS | | |
| <i>Specified Recurrent Grants:</i> | | |
| Schools - | | |
| Disadvantaged Schools | 1,500 | 1983 - 84 |
| English as a Second Language - New Arrivals | 28,600 | 1985 - 86 |
| National Projects | 5,138 | 1982 - 83 |
| Basic Learning in Primary Schools | 17,000 | 1985 - 86 |
| Participation and Equity Programs | 400,159 | 1985 - 86 |
| Australian Traineeship System | 37,800 | 1986 - 87 |
| DEPARTMENTS WORKING ACCOUNTS | | |
| <i>Unclaimed Salaries and Wages Account:</i> | | |
| National Parks and Wildlife Service | 554 | 1984 - 85 |
| Soil Conservation Service | 197 | 1984 - 85 |
| Building Services Corporation | 60 | 1986 - 87 |
| STATUTORY FUNDS ACCOUNTS | | |
| <i>Health:</i> | | |
| Drug and Alcohol Authority | 34,598 | 1986 - 87 |

Section Four

Review of Selected Statutory Bodies

STATE RAIL AUTHORITY OF NEW SOUTH WALES

The Authority was originally constituted under the Transport Authorities Act 1980 with responsibility for all passenger and associated road coach services, and freight rail services throughout the State.

The Transport Administration Act 1988 replaced the Transport Authorities Act 1980 in January 1989 with the State Rail Authority remaining the same corporate entity as before and staff employed immediately prior to the commencement date were taken to be staff employed under the new Act. The new Act also empowers the Authority to undertake wider functions than previously allowed.

The Transport Administration Act 1988 requires the State Rail Authority to operate in accordance with sound commercial practice and also to comply with written directions from the Minister. Where the State Rail Authority Board considers compliance with such a written direction would result in a significant financial loss, the Board may request the Minister to review the direction. In this event, confirmation of the direction cannot be given by the Minister unless the Treasurer approves of the loss being reimbursed from public revenue. The Act establishes a State Rail Authority Fund into which all money received by the Authority is to be paid and all payments, including dividends from surpluses to the Treasurer, are to be met.

At the time of preparation of this Report audit of the accounts of the Authority had not been completed and figures for 1988-89 are not necessarily final.

Accounting Policies: My previous Reports included comments in relation to departures from an accrual basis of accounting in respect of financial statements prepared in terms of the requirements of the now repealed Transport Authorities Act. My audit certificate provided on the 1987-88 financial statements also made reference to departures from Accounting Standards in respect of depreciation, the leasing of rolling stock and employee deferred entitlements. Since assuming responsibility for the operations of the Authority on 16 January 1989, the Board has moved to not only restructure the Authority's operations but has also taken action to ensure that commercial accounting principles have been adopted in the preparation of financial statements. In doing so, the Board has produced financial statements which disclose the full cost of State Rail Authority operations.

In May 1989 I met with two Authority Board Members and State Rail senior Finance officers to discuss the Board's move to commercial accounting. The Board received my full support in their endeavours in this area.

The adoption of full commercial accounting in the preparation of the financial statements has resulted in a different accounting treatment for many items, a reclassification of others and previously unrecorded costs being brought to account as prior years' adjustments totalling \$3,061m as follows:

| | \$m |
|---|----------------|
| Accumulated Depreciation | 1,417.0 |
| Accrued Superannuation | 1,138.5 |
| Accrued Leave | 265.4 |
| Accrued Workers' Compensation | 245.9 |
| Stock Obsolescence | 68.4 |
| Accrual Accounting Adjustments (net credit) | (74.5) |
| | <u>3,060.7</u> |

Accrual accounting adjustments totalling a net \$74.5m comprised finance lease principal payments previously expensed \$132.8m, expenditure previously capitalised pursuant to Section 64 of the Transport Authorities Act 1980 \$110.3m and capital expenditure previously expensed \$86.5m. The balances for 1988-89 are therefore not directly comparable with the balances shown in the previous year's certified accounts.

I fully endorse the changed accounting principles adopted by the Board in the preparation of the 1988-89 financial statements.

Also exemptions previously granted by the Treasurer to the Authority from disclosing the full expense and the unprovided liability for superannuation and other employee deferred entitlements in the income and expenditure statement and balance sheet respectively were no longer required.

INCOME AND EXPENDITURE STATEMENT for the year ended 30 June 1989

| Previous Year \$'000 | | \$'000 | % Increase (-) |
|----------------------------|---|------------------|----------------------|
| | INCOME | | |
| 658,924 | Freight | 618,732 | (6.1) |
| 364,262 | Passenger | 412,865 | 13.3 |
| 39,702 | Retail and Catering | 41,129 | 3.6 |
| 2,705 | Interest | 42,010 | (a) |
| 25,426 | Rent | 25,909 | 1.9 |
| - - | Asset Sales | 253,596 | (b) |
| 50,882 | Other | 15,465 | (69.6) |
| - - | Redundancy Grant | 9,880 | (b) |
| <u>1,141,901</u> | | <u>1,419,586</u> | 24.3 |
| | EXPENDITURE | | |
| 695,720 | Operations | 699,892 | 0.6 |
| 493,290 | Maintenance | 462,357 | (6.3) |
| 163,787 | Administration and General | 155,069 | (5.3) |
| 147,371 | Superannuation | 229,004 | 55.4 |
| 34,451 | Workers' Compensation | 48,205 | 39.9 |
| - - | Redundancy Payments | 9,880 | (b) |
| 26,735 | Annual and Long Service Leave | 58,664 | 119.4 |
| - - | Depreciation - Fixed Assets | 142,841 | (b) |
| - - | Assets Written Off or Sold | 61,628 | (b) |
| - - | Depreciation - Leased Assets | 24,624 | (b) |
| 5,601 | Asset Renewals and Maintenance | - - | (100.0) |
| 6,230 | Amortisation of Loan Discounts | 4,321 | (30.6) |
| 305,267 | Interest | 472,553 | 54.8 |
| 94,165 | Finance Lease Charges | 61,548 | (34.6) |
| - - | Operating Lease Charges | 5,813 | (b) |
| 3,069 | Net Foreign Exchange Losses (Gains) | (5,163) | (c) |
| 335 | Audit Fee | 398 | 18.8 |
| 89 | Board Members' Emoluments | 91 | 2.2 |
| <u>1,976,110</u> | | <u>2,431,725</u> | 23.1 |
| 834,209 | OPERATING DEFICIENCY | 1,012,139 | 21.3 |
| 874,629 | Contributions from Consolidated Fund | 931,072 | 6.5 |
| (40,420) | DEFICIENCY (SURPLUS) | 81,067 | (d) |
| 154,658 | Accumulated Deficiency at 1 July 1988 | 132,477 | (14.3) |
| | <i>Prior Years' Adjustments:</i> | | |
| - - | Accumulated Depreciation | 1,416,971 | (b) |
| - - | Accrued Superannuation | 1,138,458 | (b) |
| - - | Accrued Leave | 265,388 | (b) |
| - - | Accrued Workers' Compensation | 245,935 | (b) |
| - - | Stock Obsolescence | 68,433 | (b) |
| - - | Accrual Accounting Adjustments(e) | (74,505) | (b) |
| <u>114,238</u> | | <u>3,274,224</u> | (a) |
| 6,095 | Transfers from Reserves | 5,781 | (5.2) |
| <u>108,143</u> | | <u>3,268,443</u> | (a) |
| 24,334 | Transfers to Reserves | 68,091 | 179.8 |
| <u>132,477</u> | Accumulated Deficiency at 30 June 1989 | <u>3,336,534</u> | (a) |

KEY

(a) More than 1,000%.

(b) Nil in previous year - not calculable.

(c) Loss in previous year - percentage not applicable.

(d) Surplus in previous year - percentage not applicable.

(e) Net credit balance.

BALANCE SHEET as at 30 June 1989

| Previous Year \$'000 | | \$'000 | % Increase (-) |
|----------------------------|--|--------------------|----------------------|
| | CURRENT ASSETS | | |
| 32,114 | Cash | 52,205 | 62.6 |
| 76,306 | Receivables | 89,643 | 17.5 |
| 2,871 | Investments | 94,303 | (a) |
| 161,726 | Inventories | 91,054 | (43.7) |
| <u>273,017</u> | TOTAL CURRENT ASSETS | <u>327,205</u> | 19.8 |
| | NON-CURRENT ASSETS | | |
| - - | Receivables | 40,000 | (b) |
| 195,137 | Investments | 245,159 | 25.6 |
| 4,137,596 | Property, Plant and Equipment | 3,015,299 | (27.1) |
| 427,794 | Leased Assets | 406,637 | (4.9) |
| 48,979 | Other | 3,902 | (92.0) |
| <u>4,809,506</u> | TOTAL NON-CURRENT ASSETS | <u>3,710,997</u> | (22.8) |
| <u>5,082,523</u> | TOTAL ASSETS | <u>4,038,202</u> | (20.5) |
| | CURRENT LIABILITIES | | |
| 317,588 | Borrowings | 523,583 | 64.9 |
| 111,896 | Creditors | 212,029 | 89.5 |
| 72,977 | Provisions | 274,198 | 275.7 |
| 7,358 | Asset Renewals and Maintenance | - - | (100.0) |
| 30,386 | Leases | 34,530 | 13.6 |
| <u>540,205</u> | TOTAL CURRENT LIABILITIES | <u>1,044,340</u> | 93.3 |
| | NON-CURRENT LIABILITIES | | |
| 2,280,678 | Borrowings | 2,283,296 | 0.1 |
| - - | Provisions | 1,599,979 | (b) |
| 401,655 | Leases | 366,040 | (8.9) |
| <u>2,682,333</u> | TOTAL NON-CURRENT LIABILITIES | <u>4,249,315</u> | 58.4 |
| <u>3,222,538</u> | TOTAL LIABILITIES | <u>5,293,655</u> | 64.3 |
| <u>1,859,985</u> | NET ASSETS (LIABILITIES) | <u>(1,255,453)</u> | (c) |
| | CAPITAL AND RETAINED EARNINGS | | |
| 1,735,482 | Capital | 1,761,791 | 1.5 |
| 256,980 | Reserves | 319,290 | 24.2 |
| (132,477) | Accumulated Deficiency | (3,336,534) | (a) |
| <u>1,859,985</u> | TOTAL CAPITAL AND RETAINED EARNINGS | <u>(1,255,453)</u> | (167.5) |

KEY

(a) More than 1,000%.

(b) Nil in previous year - not calculable.

(c) Debit in previous year - not applicable.

Financial Result: As noted previously the introduction of full commercial accounting has resulted in previously unrecorded costs now being brought to account. After the inclusion of prior years' adjustments of \$3,061m the accumulated deficiency was \$3,337m compared with \$132m at 30 June 1988. After allowing for income from the sale of assets \$253.6m and the full accrual of expenditure, the operating deficiency for 1988-89 transactions before contributions from the Consolidated Fund increased by \$177.9m to \$1,012m.

Excluding prior years' adjustments, the 1988-89 deficiency totalled \$143.4m after allowing for the contributions from the Consolidated Fund and net transfers to reserves. It would therefore seem inevitable that initiatives taken by the Board to materially reduce the accumulated deficiency of \$3,337m would need to have the support of the Government.

Contributions from Consolidated Fund: The contributions comprised \$472.7m towards finance costs and \$458.4m towards operating losses. In 1987-88 the equivalent sums were \$429m and \$445.6m respectively. These contributions comprised:

| | 1987 - 88 \$m | 1988 - 89 \$m | Increase \$m (-) |
|--|------------------|------------------|---------------------|
| Finance Costs - | | | |
| Leasing Rolling Stock | 95.3 | 83.2 | (12.1) |
| Loan Liability | <u>333.7</u> | <u>389.5</u> | <u>55.8</u> |
| | <u>429.0</u> | <u>472.7</u> | <u>43.7</u> |
| Operating Losses - | | | |
| Operating Expenses | 423.9 | 435.6 | 11.7 |
| Government Railways Superannuation Account | <u>21.7</u> | <u>22.8</u> | <u>1.1</u> |
| | <u>445.6</u> | <u>458.4</u> | <u>12.8</u> |
| Total | <u>874.6</u> | <u>931.1</u> | <u>56.5</u> |

The components of the Government contribution reflects the philosophy embodied in the Authority's new legislation. In prior years separate contributions were received for freight and passenger concessions but in 1988-89 freight concessions were taken into account when assessing the contribution towards operating expenses. Freight concessions in 1987-88 totalled \$108.9m.

Community service payments, known as passenger or travel concessions in previous years, totalled \$115.9m in 1988-89 compared with \$101.5m in 1987-88. As the Authority considers these sums are reimbursement for revenue foregone they have been included as passenger revenue in the financial statements. Similarly equal payments of \$20m received in 1987-88 and 1988-89 in terms of a Commonwealth/State assistance package to the coal industry to subsidise reduced freight charges under certain conditions, has been included with freight revenue.

In summary, payments by the Government to the Authority totalled \$1,067m and comprised:

| | 1987 - 88 \$m | 1988 - 89 \$m | Increase \$m |
|--|------------------|------------------|-----------------|
| Finance Costs | 429.0 | 472.7 | 43.7 |
| Operating Losses | 445.6 | 458.4 | 12.8 |
| Community Service Payments | 101.5 | 115.9 | 14.4 |
| Commonwealth/State Assistance to Coal Industry | <u>20.0*</u> | <u>20.0*</u> | <u>- -</u> |
| | <u>996.1</u> | <u>1,067.0</u> | <u>70.9</u> |

KEY

* Includes Commonwealth Contribution of \$10m.

Excluded from the above payments are debt charges that relate to about \$1,500m of the State's total debt. As noted in previous years' Reports, the loan liability of the Authority's predecessors is carried by the State with the Consolidated Fund meeting the associated debt charges.

Income: Earnings were derived from:

| | 1987 - 88 \$m | 1988 - 89 \$m | % Increase (-) |
|-------------------------------|------------------|------------------|----------------------|
| Freight Services: (a) | | | |
| Coal | 294.9 | 255.5 | (13.4) |
| Goods | 270.3 | 308.3 | 14.1 |
| Wheat | 92.7 | 54.1 | (41.6) |
| Others | 1.0 | 0.8 | (20.0) |
| | <u>658.9</u> | <u>618.7</u> | <u>(6.1)</u> |
| Passenger Services (b) | 364.3 | 412.9 | 13.3 |
| Retail and Catering Services | 39.7 | 41.1 | 3.5 |
| Rent | 25.4 | 26.0 | 2.4 |
| Other | 50.9 | 15.5 | (69.5) |
| Interest | 2.7 | 42.0 | (c) |
| Asset Sales | - - | 253.6 | (d) |
| Redundancy Grant | - - | 9.8 | (d) |
| | <u>1,141.9</u> | <u>1,419.6</u> | <u>24.3</u> |

KEY

(a) Excludes Government concessions and subsidies other than Commonwealth/State Coal Industry Assistance Package.

(b) Includes Government concessions and subsidies.

(c) More than 1,000%.

(d) Nil in previous year - not calculable.

Freight: Statistics maintained by the Authority indicated that total freight hauled included:

| | 1987 - 88 | Tonnes (million) 1988 - 89 | % Increase (-) |
|-------|-----------|-------------------------------|----------------------|
| Coal | 36.0 | 32.7 | (9.2) |
| Goods | 13.8 | 14.6 | 5.8 |
| Wheat | 4.7 | 2.9 | (38.3) |

The Authority's income from freight services decreased by \$40.2m (6.1%) in 1988-89. Revenue from the carriage of coal decreased by \$39.4m (13.4%) to \$255.5m in line with a reduction in the tonnage hauled of 3.3 million tonnes (9.2%). Revenue from the haulage of wheat also decreased by \$38.6m (41.6%) to \$54.1m with the tonnage carried falling from 4.7 million to 2.9 million tonnes.

Income from general freight rose by \$38.0m through a 5.8% increase in tonnage hauled together with a 6.5% average increase in freight rates.

Passenger: During 1988-89 passenger income increased by 13.3% to \$412.9m. This increase was mainly attributed to an average fare increase of 12.5% applicable from 3 July 1988.

Interest: Interest earnings totalled \$42.0m and comprised interest on investments held by the Financial Accommodation Repayment Reserve \$38.6m (including accrued interest of \$8.9m) and \$3.4m from a fund maintained with the State Authorities Superannuation Board to finance employer contributions.

In previous years the interest earnings of the Financial Accommodation Repayment Reserve were credited directly to the Reserve. The 1987-88 interest comprised \$1.9m on loan funds that had not been drawn down and \$808,000 from the State Authorities Superannuation Board fund.

Asset Sales: Proceeds from the sale of assets, previously credited direct to the Capital Account in terms of the now repealed Transport Authorities Act 1980, totalled \$253.6m compared to \$15.2m in 1987-88. Land sales provided the bulk of the income, \$248.8m as against \$10.3m in the previous year. The historical value of land sold was \$3.8m.

Major land sites sold or let under 99 year leases during the year included Chatswood (sale) \$58.5m, St Leonards (lease) \$67.3m and Bondi Junction (lease) \$28.5m. Each of these transactions included airspace associated with the site. A further sale at St Leonards was made for \$15.1m.

Authority records indicate that a five year program has been developed and a significant number of future sales opportunities identified.

Redundancy Grant: In March 1989 the Premier and Treasurer approved funding arrangements for a redundancy program to reduce staff levels in the Authority. Funds have been provided by the Treasury for the standard retrenchment package through the Staff Redundancy Account within the Special Deposits Account. Quarterly reports are required by the Treasury in respect of redundancies financed through the account.

At 30 June 1989 retrenchment payments totalling \$9.9m had been made to 121 employees.

Other: Income from various sources decreased by \$35.4m to \$15.5m and comprised:

| | 1987 - 88 | 1988 - 89 | % Increase |
|---|-------------|-------------|---------------|
| | \$m | \$m | (-) |
| Advertising | 2.5 | 2.7 | 8.0 |
| Electricity Sales | 1.1 | 1.5 | 36.4 |
| Fines | 2.1 | 2.2 | 4.8 |
| Financing Foreign Exchange Loss | 20.1 | - - | (100.0) |
| Public Authorities Superannuation Board Contribution | 20.1 | - - | (100.0) |
| Others | 5.0 | 9.1 | 82.0 |
| | <u>50.9</u> | <u>15.5</u> | (69.5) |

Expenditure: In 1988-89 expenditure rose by \$455.6m to \$2,431m and comprised:

| | 1987 - 88 | 1988 - 89 | % Increase |
|--------------------------------|----------------|----------------|---------------|
| | \$m | \$m | (-) |
| Working Expenses | 1,442.7 | 1,389.3 | (3.7) |
| Provisions | 119.1 | 503.3 | 322.6 |
| Asset Renewals and Maintenance | 5.6 | - - | (100.0) |
| | <u>1,567.4</u> | <u>1,892.6</u> | 20.7 |
| Borrowing and Leasing Expenses | 408.7 | 539.1 | 31.9 |
| | <u>1,976.1</u> | <u>2,431.7</u> | 23.1 |

Working Expenses, \$1,389.3m, included:

| | 1987 - 88 | 1988 - 89 | % Increase |
|--------------------|-----------|-----------|---------------|
| | \$m | \$m | (-) |
| Salaries and Wages | 876.8 | 865.8 | (1.3) |
| Stores | 153.7 | 135.9 | (11.6) |
| Fuel (a) | 83.4 | 68.5 | (17.9) |
| Payroll Tax | 53.1 | 52.7 | (0.7) |
| Electricity | 44.4 | 49.3 | 11.0 |

KEY

(a) Locomotive fuel only.

The decrease in expenditure on salaries and wages reflects the downsizing of the workforce in accordance with the restructuring and reorganisation of the Authority that is currently being undertaken.

Superannuation: At 30 June 1989 the Authority had fully provided for its superannuation liability of \$1,282m. A provision was established in 1988-89 and replaced the previous Superannuation Reserve. The balance of the Reserve at 30 June 1988, \$20.0m, was transferred to the Provision.

The liability comprised \$1,006m to the State Authorities Superannuation Scheme and \$276m to the Government Railways Superannuation Account. The respective liabilities at 30 June 1988 were \$881m and \$277m respectively.

The Authority maintains a fund with the State Authorities Superannuation Board to fund employer contributions as benefits emerge. The liability was actuarially assessed at 31 March 1989 and updated as at 30 June 1989 using a methodology supplied by the actuary. The Government Railways Superannuation Account was closed to new contributors in 1964. The employer liability at 30 June 1989 was assessed using the Government Actuary's methodology.

Contributions to the provision, \$1,367m, comprised \$229.0m for the current year's expense and \$1,138m on account of prior years. This latter sum equalled the liability at 30 June 1988 offset by the \$20.0m transferred from the former reserve.

Payments totalled \$119.1m compared to \$124.0m in 1987-88 and were offset by recoveries from capital and recoverable works projects, \$6.6m (\$6.2m in 1987-88) and a \$6.9m grant for redundancy associated payments.

The transactions recorded in the provision exclude the \$22.8m Government contribution towards operating losses referred to earlier in this comment.

Annual and Long Service Leave: The payment of all long service leave and annual leave due on resignation and retirement is charged to a provision. Annual leave taken during service is charged against revenue in the year it is taken.

The adoption of full commercial accounting has resulted in the charge for annual and long service leave increasing by \$31.9m (119.4%) to \$58.7m in 1988-89. In prior years it was considered that the Authority was substantially funded from the Consolidated Fund and leave payments were accounted for on a pay as you go basis. Exemptions were granted by the Treasurer from disclosing the full expense for the year in the income and expenditure statement or the liability on the face of the balance sheet. These exemptions ceased to apply in 1988-89.

In addition to the expense for the current year, \$265.4m was brought to account in respect of prior years' liability. The Authority's records do not provide a dissection of transactions in the provision between annual and long service leave for all employees. Similarly the total value of annual leave taken during service is not available. Consequently the year's expense for each category of leave cannot be accurately calculated.

Payments totalled \$45.3m and were offset by recoveries of \$3.2m from capital and recoverable works projects and a \$1.5m grant for redundancy associated payments. The net charge against the Provision was \$40.6m compared to \$36.7m in 1987-88.

At 30 June 1989 the Authority had fully provided for its estimated liability, \$332.4m, comprising \$243.0m for long service leave (\$240m at 30 June 1988) and \$89.4m for annual leave (\$74.3m at 30 June 1988).

The Authority is currently developing a computerised personnel system. Long service leave records for all employees are maintained on the system and while the annual liability was produced from that data there are some procedural and control shortcomings that need to be addressed.

Annual leave manual records had not been transferred to the computer system for approximately 5,000 employees at 30 June and the Authority's liability was manually calculated using a common pay rate. In addition, the computer-calculated liability was based on the leave entitlement of employees approximately two weeks after 30 June.

Workers' Compensation: Full provision has been made for the actuarially assessed liability of \$260.0m at 30 June 1989.

The balance of the Provision at 1 July 1988, \$4.1m was increased by an adjustment of \$245.9m for prior years' liability. In addition, the charge for 1988-89 was assessed at \$48.2m compared with \$34.5m for the previous year.

Net payments totalled \$38.2m (\$34.5m in 1987-88) after allowing for recoveries of \$2.3m (\$3.0m in 1987-88) from capital and recoverable works projects. At 30 June 1989 the Provision had increased from \$4.1m to \$260.0m with \$40.6m being classified by the actuary as a current liability.

Depreciation: Prior to 1988-89 assets written off were adjusted against capital in terms of Section 64 of the Transport Authorities Act 1980 and consequently depreciation charges were not raised. With the adoption of full commercial accounting, fixed assets are now being depreciated.

The straight line depreciation method has been adopted using asset lives determined by reference to other railways and Authority engineers. The calculations have been based on historical cost accounting records. In the case of rolling stock most units could be readily identified. For other items the records available were not as detailed and annual aggregate expenditure by asset category was used as the basis for calculation.

The absence of fixed asset records has been recognised in the notes to the annual accounts and mentioned in audit reports since the formation of the Authority. A project to implement a fixed asset register for all assets is presently underway including a review of asset lives used for calculating depreciation. Currently the Authority does not confirm the existence of fixed assets by physical count. Although major land holdings are recorded there is no central register of all land holdings. A note to the financial statements indicates that the market value of major identified surplus land holdings and airspace developments is estimated to be in the vicinity of \$518.0m against a historical cost of \$19.1m.

With the assistance of consultants the total depreciation expense for the year was assessed at \$1,584m and comprised the current year's charge of \$142.9m for Authority assets and \$24.6m for leased assets. The balance, \$1,417m, was the prior years' charge for Authority assets \$1,288m and \$129.0m for leased assets.

Assets written off or sold during the year had a historical value of \$88.6m. After allowing for depreciation of \$27.0m the cost against the year's operations was \$61.6m. The depreciated value of 32 track sections classified as Trackwork and Infrastructure totalling \$46.5m (excluding land values) was written off and included the Maldon-Dombarton construction project \$37.1m and the Riverstone-Richmond electrification project \$3.9m. In addition, 20 locomotives and 26 wagons with a depreciated value of \$967,367 were written off.

At 30 June 1989 the Authority had provided for depreciation totalling \$1,557m comprising \$1,403m for Authority assets and \$154.0m for leased assets.

Asset Renewals and Maintenance: This account was established in 1987-88 by amalgamating various working account balances. It was also intended to record transactions relating to rolling stock and buildings that were formerly reflected in provision accounts. With the introduction of full accrual accounting in 1988-89, it was decided that the account was no longer necessary and the balance at 30 June 1988, \$7.4m, was eliminated against various expenditure balances, capital and accumulated losses in accordance with prior year's transactions.

Interest: In previous years, interest payable on the Authority's borrowings was recouped from the Consolidated Fund pursuant to Section 65 of the Transport Authorities Act 1980 and the charges and recoupments were brought to account on a cash basis.

Interest payments in 1988-89 totalled \$472.5m compared with \$305.3m in 1987-88. The increase of \$167.2m (54.8%) is largely attributable to the accrued interest, \$109.0m, at 30 June 1989. Interest payments recouped from the Consolidated Fund during the year totalled \$363.5m.

Operating Lease: A motor vehicle operating lease arrangement which provides a facility to lease approximately 1,143 motor vehicles up to an amount of \$28m was entered into in March 1987 under the fleet replacement program.

The facility also allows vehicles additional to the replacement program to be leased. At 30 June 1989 vehicles to the value of \$18.9m had been delivered.

Rental payments of \$5.8m are charged against working expenses in contrast to lease rentals for rolling stock which are recouped from the Consolidated Fund under existing arrangements.

Net Foreign Exchange Gain: Foreign currency transactions are converted to Australian currency at the exchange rate ruling on the transaction date with realised and unrealised exchange gains and losses brought to account.

The Authority's borrowings and foreign currency exposure are managed by the New South Wales Treasury Corporation and are not controlled by the Authority Board. With the exception of a YEN 8.0m (A\$73,951) loan, all foreign currency borrowings and leases have been hedged by way of currency swap arrangements, but not all to maturity.

Realised exchange losses, \$15.9m, included \$12.1m incurred on the repayment of loans and \$3.4m on interest payments. Total realised exchange losses in 1987-88 were \$25.3m. Unrealised exchange gains totalled \$21.0m compared to \$22.2m in 1987-88 and included \$19.4m for Authority borrowings.

Cash: The cash balance totalled \$52.2m as at 30 June 1989 compared with \$32.1m at the close of the previous year. The increase, \$20.0m, is attributed mainly to proceeds from the sale of properties, particularly in the final portion of the year.

Receivables: Debtors and prepayments, net of doubtful debts, increased by \$53.3m to \$129.6m at 30 June 1989. The increase is mainly attributable to \$50.0m due in equal annual instalments over the next five years from the sale of Authority land. Customer accounts increased by \$7.9m to \$66.4m while the Provision for Doubtful Debts totalled \$6.4m (\$2.8m at 30 June 1988).

Investments of \$339.5m at 30 June 1989 were held on behalf of:

| | 1988 \$'000 | 1989 \$'000 | % Increase (-) |
|---|----------------|----------------|----------------------|
| Financial Accommodation | | | |
| Repayment Reserve | 195,016 | 300,726 | 54.2 |
| Customers' Security Deposits | 2,075 | 287 | (86.2) |
| New South Wales Railway Employees' Welfare Fund | 30 | - | (100.0) |
| State Authorities Superannuation Scheme | 887 | 38,449 | (a) |
| | <u>198,008</u> | <u>339,462</u> | 71.4 |

KEY

(a) More than 1,000%.

At 30 June investments, shown at cost, comprised:

| | 1988 \$'000 | 1989 \$'000 | % Increase (-) |
|---|----------------|----------------|----------------------|
| N.S.W. Semi-Government Stock | 195,016 | 245,015 | 25.6 |
| N.S.W. Treasury Corporation Inscribed Stock | 30 | 55,711 | (a) |
| Interest Bearing Deposits | 2,075 | 287 | (86.2) |
| State Authorities Superannuation Scheme | 887 | 38,449 | (a) |
| | <u>198,008</u> | <u>339,462</u> | 71.4 |

KEY

(a) More than 1,000%.

Inventories: The stores inventory totalled \$91.1m as at 30 June 1989, compared with \$161.7m at the close of the previous year. The following table shows the major categories of items held by the Authority and their variations from last year:

| | 1987-88 \$m | 1988-89 \$m | % Increase (-) |
|---|----------------|----------------|----------------------|
| Inventories | | | |
| Spare parts for rolling stock | 76.7 | 80.0 | 4.3 |
| Wheels, axles, draft and autocouplers | 14.3 | 13.5 | (5.6) |
| Track Materials | 25.1 | 20.7 | (17.5) |
| Components for electrical, signal and communication systems | 16.9 | 17.2 | 1.8 |
| Building and construction materials and general hardware | 8.0 | 10.7 | 33.8 |
| Petroleum Products | 7.6 | 8.3 | 9.2 |
| Other | 13.1 | 9.1 | (30.5) |
| | <u>161.7</u> | <u>159.5</u> | (1.4) |
| Less: Provision for Stock Obsolescence | - | 68.4 | (a) |
| | <u>161.7</u> | <u>91.1</u> | (43.7) |

KEY

(a) Nil in previous year - not calculable.

A provision for Stock Obsolescence was created in 1988-89 to overcome the Authority Board's concern that the inventory value was overstated. Assisted by consultants, a formula was developed to write down the inventories to their net realisable value. Based on the formula a provision of \$68.4m was created at 30 June 1989.

The stores inventory of \$91.1m excludes stock holdings in User Branch and unofficial stores. Comment on these stores was included in my report dated 24 November 1987 to the then Minister on a special review of the Authority's auditing and accounting processes in relation to fuel, stores generally and asset control.

A recent status report on progress made in addressing the issues raised in my audit report indicated there were 500 or more User Branch storage compounds and earlier estimates by Stores Branch officers valued the stock at approximately \$50m. A reference to the special review appears later in this comment.

Property, Plant and Equipment: As the result of depreciation being introduced in 1988-89 the net value of fixed assets decreased by \$1,122m to \$3,015m and comprised:

| | 1987-88 | 1988-89 | % Increase |
|--------------------------------|---------|---------|---------------|
| | \$m | \$m | (-) |
| Land | 38.8 | 38.7 | (0.3) |
| Workshops, Plant and Machinery | 340.1 | 352.6 | 3.7 |
| Rolling stock | 1,078.3 | 1,233.4 | 14.4 |
| Trackwork and Infrastructure | 2,680.4 | 2,794.1 | 4.2 |
| Fixed Assets (at cost) | 4,137.6 | 4,418.8 | 6.8 |
| Less: Accumulated Depreciation | - - | 1,403.5 | (a) |
| Fixed Assets (net value) | 4,137.6 | 3,015.3 | (27.1) |

KEY

(a) Nil in previous year - not calculable.

Including adjustments for prior years, the depreciation charge raised in 1988-89 was \$1,430m comprising Trackwork and Infrastructure \$824m, Rolling Stock \$451m and Workshops, Plant and Machinery \$155m. After adjusting accumulated depreciation for assets written off \$27.0m, the Provision for Depreciation totalled \$1,403m at 30 June 1989.

The Authority has, as in previous years, used various funding techniques to finance its capital works program. Following is an overview of capital funds which were available to the Authority and the manner in which they were applied.

| | 1987-88 | 1988-89 | % Increase |
|---------------------------------|---------|---------|---------------|
| | \$m | \$m | (-) |
| Source of Funds: | | | |
| Capital Funds Brought Forward | 64.6 | 10.6 | (83.6) |
| Bridging Finance | 60.0 | - - | (100.0) |
| Semi-Government Loans | 270.0 | 285.3 | 5.7 |
| Proceeds from Sale of Assets | 9.9 | 196.6 | (a) |
| | 404.5 | 492.5 | 21.8 |
| Application of Funds: | | | |
| Rolling Stock Fleet | 156.8 | 153.4 | (2.2) |
| Track and Passenger Facilities | 39.9 | 10.5 | (73.7) |
| Electrification | 10.2 | 2.6 | (74.5) |
| Track Restoration and Upgrading | 45.4 | 51.0 | 12.3 |
| Freight Infrastructure | 33.8 | 44.2 | 30.8 |
| Additions to Other Assets | 107.8 | 91.0 | (15.6) |
| Repayment of Bridging Finance | - - | 60.0 | (b) |
| Capital Funds Carried Forward | 10.6 | 79.8 | 652.8 |
| | 404.5 | 492.5 | 21.8 |

KEY

(a) More than 1,000%.

(b) Nil in previous year - not calculable.

Expenditure on rolling stock decreased by 2.2% to \$153.4m (\$156.8m in 1987-88). This brings the total historical cost of rolling stock to date to \$1,233.4m. Major expenditures were \$112.4m (\$61.9m) on Tangara carriages, \$26.8m (\$1.3m) on intercity carriages and \$7.4m (\$38.5m) on interurban carriages.

Expenditure on additional track and passenger facilities included \$3.5m (\$2.8m) on the West Ryde-Eastwood section and \$3.0m (\$23.4m) on the East Hills-Campbelltown line. The latter project has now been completed with only minor outlays for property settlements expected to continue. At 30 June 1989 the total cost of this project was \$80.9m.

Included within electrification expenditure was \$1.4m (\$7.6m) on the now completed Illawarra electrification, bringing the total cost of the project to \$220.2m. Only minor payments for outstanding construction costs and property matters are anticipated.

Track restoration and upgrading expenditure, \$51.0m, included the metropolitan track strengthening project, \$21.8m, the track safety program, \$11.6m and \$10.7m for the upgrading of major passenger lines.

The main outlays on additions to other assets were signals and communication works, \$40.4m, electrical works, \$14.1m, miscellaneous program works, \$13.9m, train servicing facilities, \$10.0m and building works, \$6.0m.

The major freight infrastructure projects were the Unanderra-Moss Vale line, \$16.0m (\$11.0m) and the Maldon-Dombarton line. In Volume Two of my 1988 Report, I referred to the cancellation of the Maldon-Dombarton line project, including the Avon Tunnel contract, at the direction of the present Government. During 1988-89 the Authority made payments totalling \$11.1m mainly for outstanding contractual costs, bringing total expenditure to 30 June 1989 on this project to \$42.9m. An additional \$450,000 has been budgeted in 1989-90 for further miscellaneous costs. No further payments are expected after these payments have been made.

In 1987-88 the Treasurer provided the Authority with bridging finance of \$60.0m to cover the shortfall in asset sales required to partly fund the 1987-88 capital works program. The advance was repaid in 1988-89 at a commercial rate of interest.

Leased Assets: Part of the fleet of locomotives and passenger and freight rolling stock has been acquired under finance lease arrangements. Prior to 1988-89 the value of leased assets was reduced over the term of the associated lease by the amount of principal repayments made during each year as the Authority did not raise depreciation charges.

In 1988-89 the initial depreciation expense was \$24.6m while an additional \$129.3m was raised as an adjustment for prior years. At 30 June 1989 the written down value of leased assets was \$406.6m.

Other Non-Current Assets: In 1987-88 this balance comprised Deferred Loan Expenses \$8.2m, Deferred Construction \$7.9m, Prepaid Rebates \$2.8m and Deferred Employee Entitlement Costs \$30.0m. In line with the accounting policy changes introduced in 1988-89 only Deferred Loan Expenses are now reflected in this balance. The remaining items were adjusted against appropriate revenue and expenditure balances, capital and the accumulated deficiency.

Deferred Loan Expenses, \$3.9m, relates to the unamortised discounts incurred by the New South Wales Treasury Corporation in raising the Authority's loan funds. As the result of changes to the loan allotment procedure advised by the Treasury Corporation in March 1988 there were no discounts incurred on the face value of loans raised in 1988-89.

Amortisation of these expenses over the terms of the loans totalled \$4.3m in 1988-89 (\$6.2m in 1987-88) and this amount was recouped from the Consolidated Fund.

Borrowings: The Authority's loan liability was formerly classified as part of its capital in terms of the Transport Authorities Act 1980. In line with the accounting policy changes introduced in 1988-89, borrowings are now disclosed separately in the balance sheet and totalled \$2,807m at 30 June 1989 (\$2,598m at 30 June 1988).

The source and movement of loan funds was:

| | 30 June 1988 \$m | New Money \$m | Conversions \$m | Repayments \$m | 30 June 1989 \$m |
|----------------------------------|------------------------|---------------------|--------------------|-------------------|------------------------|
| Domestic | 1,709.6 | 235.3 | 259.0 | 238.1 | 1,965.8 |
| Public | 26.5 | -- | -- | 2.3 | 24.2 |
| Internal | 195.0 | 50.0 | -- | -- | 245.0 |
| Overseas - | | | | | |
| Historical Cost | 447.4 | -- | -- | 10.4 | 437.0 |
| Foreign Exchange Movements (net) | 128.1 | -- | -- | 19.4 | 108.7 |
| Advances | 91.2 | | | 65.0 | 26.2 |
| | <u>2,597.8</u> | <u>285.3</u> | <u>259.0</u> | <u>335.2</u> | <u>2,806.9</u> |

The break up between current and non-current liabilities was \$524m (\$317m) and \$2,283m (\$2,281m) respectively.

Advances repaid comprised \$60.0m for bridging finance provided by the Treasurer in 1987-88 for the capital works program and \$5.0m of a \$40.0m advance from the Ministry of Transport to assist in meeting increased superannuation and other employee deferred entitlement costs. Advances outstanding at 30 June 1989 comprised \$25.0m of the Ministry of Transport advance and \$1.2m of an advance from the Commonwealth to finance intersystem rolling stock used for The Indian-Pacific.

Creditors: Creditors totalled \$212.0m as at 30 June 1989 compared to \$111.9m at the close of the previous year. Trade Creditors accounted for \$58.6m (27.6%) of the total compared to \$55.0m (49.2%) at 30 June 1988.

The following table shows the major components of this balance and their variations from the previous year.

| | 1987 - 88 \$m | 1988 - 89 \$m | % Increase (-) |
|---|------------------|------------------|----------------------|
| Trade Creditors: | | | |
| Sundry Creditors | 19.3 | 20.7 | 7.3 |
| Freight and Other Rebates | 18.1 | 9.7 | (46.4) |
| Capital Projects Retention Monies | - - | 11.2 | (a) |
| Miscellaneous | 17.6 | 17.0 | (3.4) |
| | <u>55.0</u> | <u>58.6</u> | 6.5 |
| Other Creditors and Accruals: | | | |
| Accrued Payroll Costs | 19.6 | 7.7 | (60.7) |
| Accrued Expenditure | 20.9 | 8.3 | (60.3) |
| Accrued Interest and other Finance Charges | - - | 119.0 | (a) |
| Provision for Outstanding Accounts | 15.0 | 16.5 | 10.0 |
| Miscellaneous | 1.4 | 1.9 | 35.7 |
| | <u>56.9</u> | <u>153.4</u> | 169.6 |
| | <u>111.9</u> | <u>212.0</u> | 89.5 |

KEY

(a) Nil in previous year - not calculable.

The decrease in freight rebates, \$8.4m, is attributed to a reduction in accrued freight rebates for wheat following higher progressive payments made during the year to the Australian Wheat Board. Retention monies held for capital projects, \$11.2m, have been recognised with the adoption of full accrual accounting as has Accrued Interest and Other Finance Charges \$119.0m. The latter sum represents the major reason for the \$100.1m increase in total creditors.

Leases: Estimated future finance lease commitments, as at 30 June 1989, were:

| | 1987 - 88 \$m | 1988 - 89 \$m |
|---|------------------|------------------|
| Due: | | |
| Not later than one year | 90.6 | 94.0 |
| Later than one year and not later than two years | 90.8 | 103.5 |
| Later than two years and not later than five years | 354.6 | 287.8 |
| Later than five years | 197.4 | 160.3 |
| Minimum Lease Payments | <u>733.4</u> | <u>645.6</u> |
| Less: | | |
| Stamp duty, management fees, contingent rentals and future financing charges | <u>301.4</u> | <u>245.1</u> |
| Lease Liability | <u>432.0</u> | <u>400.5</u> |

The minimum lease payments as at 30 June 1989, \$645.6m, were calculated using currently available information based upon various assumptions. Under the terms of the leases, payments will vary with: fluctuations in interest rates on floating rate debt and exchange rates; changes in taxation provisions and related matters. For leases with foreign currency financing, the lease rentals have been estimated using the Australian dollar equivalent under the foreign currency swap arrangements.

The lease liability at 30 June 1989 was \$400.5m (\$432.0m at 30 June 1988). This sum consists of current liabilities of \$34.5m and long term liabilities of \$366.0m. No new finance lease was arranged during the year and all leases have renewal provisions, the termination dates ranging from 11 November 1990 to 1 October 2000.

Rolling stock under lease, \$560.6m, at 30 June 1989, represents total funds obtained to date under the sale and leaseback arrangements, \$724.3m, less three leases totalling \$163.7m refinanced by way of conversion loan. The cumulative total of repayments of these funds stood at \$160.1m at 30 June 1989 compared to \$132.8m at 30 June 1988. Lease payments made but recouped from the Consolidated Fund during 1988-89, \$83.2m (\$95.3m in 1987-88) comprised principal and realised foreign exchange losses, \$30.7m and interest and other charges \$52.5m. Accruals of interest and other charges totalled \$9.0m at 30 June 1989.

Capital: The changes effected as a result of adopting full commercial accounting resulted in capital at 30 June 1988 being adjusted from \$4,337m to \$1,735m. The major component of the adjustment was the Authority's loans and advances, \$2,598m at 30 June 1988, that are now disclosed as a separate item. At 30 June 1989 capital had increased by a net \$26m to \$1,762m as follows:

| | 1987 - 88 | 1988 - 89 | Increase |
|--------------------------------------|----------------|----------------|-------------|
| | \$m | \$m | \$m (-) |
| Capital as at 1 July 1980 | 1,519.9 | 1,519.9 | - |
| Adjustments to Opening Capital | 9.3 | 10.4 | 1.1 |
| Capital Grants from Governments | 224.2 | 224.2 | - |
| Capitalised Revenue and Expenditure | (38.1) | - | 38.1 |
| Deferred Assets | 13.2 | - | (13.2) |
| Loan Repayments Subsidy | 4.3 | 4.3 | - |
| Liabilities taken over by Government | 3.0 | 3.0 | - |
| Other Capital Adjustments | (0.3) | - | 0.3 |
| | <u>1,735.5</u> | <u>1,761.8</u> | <u>26.3</u> |

Financial Accommodation Repayment Reserve: The Authority is required by statute to establish a financial accommodation repayment fund. In line with its current policy to convert all maturing private and Treasury Corporation loans, the standard rate of 1/2 of 1% has been adopted as the basis for determining the annual contribution.

Interest was previously credited direct to the Reserve but in 1988-89 it was included with interest earnings in the income and expenditure statement and then appropriated to the Reserve.

Appropriations to the Reserve totalled \$56.5m in 1988-89 and comprised interest of \$38.6m and the statutory contribution of \$17.9m. The corresponding sums for 1987-88 were \$30.8m and \$18.6m respectively. At 30 June 1989 the Reserve had increased by \$56.5m to \$309.6m.

Fire and Accident Reserve: The Reserve is maintained to meet claims arising from damage or loss due to fire or accident, including public liability claims for personal injury. Separate insurance cover is effected for motor vehicles, cash in transit and cash handling risks. As at 1 July 1988 the former Fire and Accident Provision, \$3.9m, was replaced by (and the balance transferred to) the Reserve in line with the Authority's changed accounting policies.

The adequacy of the Reserve is reviewed periodically having regard to the incidence of claims and \$11.6m was appropriated to it in 1988-89 compared to a transfer of \$5.7m to the Provision in the previous year. Appropriations from the Reserve to meet claims totalled \$5.8m (\$6.1m in 1987-88) comprising \$2.6m for fire and accident claims and \$3.2m for personal inquiry claims.

At 30 June 1989 the Reserve stood at \$9.7m compared to a Provision balance of \$3.9m at 30 June 1988. Contingent liabilities for unsettled claims subject to litigation at 30 June 1989 were estimated to be \$22.6m (\$49.0m at 30 June 1988).

Special Review: My report on a special review of the Authority's auditing and accounting processes in relation to fuel, stores generally and asset control was forwarded to the Minister, Treasurer and the Authority's Chairman and Chief Executive Officer on 24 November 1987. Reference to the special review was included in Volume Two of my 1988 Report. The Report can be summarised as follows:

Generally the weaknesses within the fuel system related to the lack of uniform procedures over the acquisition, issuing and security of fuel stocks, ineffective management controls over field procedures and deficiencies in the accounting, budgetary and management information systems.

Concerns raised in respect of stores centred on receiving and issuing procedures, store security, stocktakes and stock adjustment procedures. Reference was also made to large stock holdings in user branch and unofficial stores which are not included in the stores inventory.

The deficiencies in the Authority's assets records have been recognised in the notes accompanying the financial statements since its formation in 1980-81 and the annual audit reports on the Authority's operations over the same period.

Since September 1988 the Authority's Chief Executive Officers have provided me with three status reports on action taken and planned for each of the issues raised in the audit review. The most recent of these reports was issued on 28 July 1989. Progress made in addressing the specific issues raised was formerly monitored by the Authority's Audit Advisory Committee. The restructuring of the Authority has now resulted in three Audit Committees to review the operations of the business and corporate groups. The Corporate Audit Committee currently monitors this project and as was the case for the Audit Advisory Committee, my officers have a standing invitation to attend all committee meetings.

Progress made by the Authority in addressing the issues raised has been slow with the dates for the introduction of some corrective systems and procedures being progressively extended. The current restructuring of the Authority has no doubt been a factor but generally progress made during 1988 could not be considered as satisfactory. However, since the restructure of the State Rail Authority earlier this year, an independent Stores expert has been engaged to review stores management effectiveness within the Authority.

The expert's report on the Stores and Supply Branch operations has been approved by executive management. A high level Stores Steering Committee is overseeing the implementation of the expert's recommendations.

Although the consultant examined areas that were outside the audit review, there was agreement with audit's findings in the conclusions reached for those areas that were common to both reviews.

Fuel: It is a matter of concern that a recent Internal Audit review of bulk fuel management highlighted deficiencies where corrective action was stated to have been effected and other areas where no action had been taken since my November 1987 report. The Internal Audit report was also critical of the procedures that produced the bulk fuel inventory balance. At the time of finalising this comment a formal response had not been made to the Internal Audit report.

Deficiencies identified in relation to accountability, procedural controls and security in Authority stores have been addressed in strategies that are scheduled to be fully implemented by the end of December 1989.

Stores: Results of stock checks by the Authority's Stock Auditor have been unsatisfactory. Of the eleven stores subject to either full or partial checks in 1988-89, the average discrepancy rate per store for lines counted exceeded 44%. The development of a new stocktake system to cover regular stocktaking at all stores has been delayed due to a lack of resources and is expected to be completed by December 1989.

The identification of locations, inventory identification and valuation and store security were problems that were evident with User Branch and unofficial stores. In November 1987 it was estimated there were nine User Branch stores staffed by Stores Branch storemen and ninety or more stores or storage compounds staffed by User Branch officers. The status report of 25 July 1989 indicated the latter locations are now numbered at 500 or more.

In response to criticism of the excessive stock holdings in some of the User Branch and unofficial stores, a User Stores Action Plan has been initiated to rationalise the number of locations and inventory size. However in the recent status report I was advised that due to the lack of resources, coupled with the restructure of the Authority, no significant progress has been made in the closure or rationalisation of these stores.

It was also advised that the rationalisation and closure action together with plans for the introduction of controls in User Branch stores has been delayed pending the availability of funding. Resource and funding requirements for a pilot project to rationalise and introduce appropriate controls at a major location are currently being considered. It is now planned that the true value of stock on hand should be known by the end of December 1989.

Assets: At the time of preparing my previous report the Authority proposed to implement asset control procedures by undertaking a pilot project utilising a commercially available software package. The extension of the system to cover all Authority assets would then have been the subject of a separate review to determine the final implementation timetable.

Following the meeting referred to earlier between myself, two Authority Board members and SRA Senior Finance officers to discuss the move to commercial accounting, the Board passed a resolution in May 1989 to implement a fixed asset register system within two years. I understand that consultants have been engaged to prepare a Request for Proposal to enable tenders to be called and in doing so determine the scope of the project and develop an implementation plan. The Authority expects to be in a position to issue tenders for the project by mid October 1989 at the latest. The Board's decision is welcomed as this issue has been consistently reported by audit but subject to very little progress since the inception of the Authority in 1980.

STATE TRANSIT AUTHORITY

The State Transit Authority operates all publicly owned bus and ferry services within the State. The Authority was constituted by the Transport Administration Act 1988 which became effective on 16 January 1989 and replaces the Urban Transit Authority constituted under the now repealed Transport Authorities Act 1980.

The Transport Administration Act 1988 requires the State Transit Authority to operate in accordance with sound commercial practice and also to comply with written directions from the Minister. Where the State Transit Authority Board considers compliance with such a written direction would result in a significant financial loss the Board may request the Minister to review the direction. In this event, confirmation of the direction cannot be given by the Minister unless the Treasurer approves of the loss being reimbursed from public revenue.

In moving towards the full adoption of commercial practices, the State Transit Authority has restructured its operations on a divisional basis. Staff numbers have been reduced by over 400. The bus fleet has been reduced by approximately 100 buses without reduction in patronage and service levels and the engineering workshops at Chullora, Randwick and Newcastle have been closed. The sale of surplus properties has realised in excess of \$75m which will be applied in funding new capital investment and reducing finance costs. Proposals are well advanced for the restructuring of the ferry maintenance facility for increased efficiency. A new corporate plan as required by the Transport Administration Act has been prepared.

The Act establishes a State Transit Authority Fund into which all money received by the State Transit Authority is to be paid and all payments, including dividends to the Treasurer from surpluses, are to be met.

At the time of preparation of this Report audit of the accounts of the Authority had not been completed and figures for 1988-89 are not necessarily final.

INCOME AND EXPENDITURE STATEMENT for the year ended 30 June 1989

| Previous Year \$'000 | | \$'000 | % Increase (-) |
|----------------------------|---|----------------|----------------------|
| | INCOME | | |
| 103,310 | Passenger Services | 127,477 | 23.4 |
| 5,605 | Other | 8,521 | 52.0 |
| -- | Profit on Sale of Assets | 6,684 | (a) |
| -- | Abnormal Item - Profit on Sale of a Building | 68,466 | (a) |
| <u>108,915</u> | | <u>211,148</u> | 93.9 |
| | EXPENDITURE | | |
| 148,279 | Operation of Services | 139,321 | (6.0) |
| | Maintenance (Including \$1.9m Abnormal | | |
| 54,973 | Redundancy Payments) | 49,714 | (9.6) |
| 23,535 | Administrative and General Charges | 19,674 | (16.4) |
| 10,394 | Payroll Tax | 10,767 | 3.6 |
| 11,138 | Leasing Finance Costs | 12,518 | 12.4 |
| 7,956 | Interest and Other Loan Charges | 10,410 | 30.8 |
| 8,842 | Lease Amortisation | 9,221 | 4.3 |
| -- | Depreciation | 9,724 | (a) |
| 6,690 | Other Activities | 10,406 | 55.5 |
| | Provisions: | | |
| 21,550 | Employee Entitlements | 56,074 | 160.2 |
| -- | Workers' Compensation | 11,355 | (a) |
| 3,661 | Public and Marine Risk | 6,392 | 74.6 |
| 1,200 | Asset Renewal | -- | (100.0) |
| 3,362 | Deferred/Preventative Maintenance, etc. | 1,975 | (41.3) |
| -- | Abnormal Items - Redundancy Scheme | 4,650 | (a) |
| -- | Write off of Obsolete Stock | 706 | (a) |
| <u>301,580</u> | | <u>352,907</u> | 17.0 |
| <u>192,665</u> | OPERATING DEFICIENCY | <u>141,759</u> | (26.4) |
| | <i>Funded from Consolidated Fund:</i> | | |
| 92,400 | Operating Losses | 72,274 | (21.8) |
| 8,220 | Interest and Other Loan Charges | 9,548 | 16.2 |
| 20,102 | Leasing Costs | 22,045 | 9.7 |
| 990 | Railways Superannuation Account | 930 | (6.1) |
| 65,892 | Travelling Concessions | 82,001 | 24.4 |
| 5,852 | Other Activities | 8,535 | 45.8 |
| <u>193,456</u> | | <u>195,333</u> | 1.0 |
| 791 | SURPLUS | 53,574 | (b) |
| 103 | Accumulated Deficiency at 1 July 1988 | 4,126 | (b) |
| <u>688</u> | | <u>49,448</u> | (b) |
| | Less: | | |
| | Adjustments Resulting from Changes in | | |
| | Accounting Policies: | | |
| -- | Deferred Employee Entitlements | 146,212 | (a) |
| 4,502 | Other | 45,410 | 908.7 |
| <u>3,814</u> | | <u>142,174</u> | (b) |
| | Appropriations to: | | |
| 679 | Financial Accommodation Repayment Reserve | 996 | 46.7 |
| 4,493 | | 143,170 | (b) |
| 367 | Unrealised Foreign Exchange Gains | -- | (100.0) |
| <u>4,126</u> | Accumulated Deficiency at 30 June 1989 | <u>143,170</u> | (b) |

KEY

(a) Nil in previous year - not calculable.

(b) More than 1,000%.

BALANCE SHEET as at 30 June 1989

| Previous Year \$'000 | | \$'000 | % Increase (-) |
|----------------------------|--|-----------------|----------------------|
| | CURRENT ASSETS | | |
| 31,254 | Cash | 34,917 | 11.7 |
| 13,694 | Receivables (Less - Doubtful Debts Provision \$350,000) | 4,691 | (65.7) |
| 3,767 | Investments (At Cost) | 76,456 | (a) |
| 11,570 | Inventories (Less - Obsolescence Provision \$500,000) | 8,965 | (22.5) |
| 1,444 | Other | 718 | (50.3) |
| <u>61,729</u> | TOTAL CURRENT ASSETS | <u>125,747</u> | 103.7 |
| | NON-CURRENT ASSETS | | |
| 32 | Receivables | 166 | 418.8 |
| 273,656 | Property, Plant and Equipment (At Cost Less - Depreciation \$100,576) | 262,844 | (4.0) |
| 410 | Other | 256 | (37.6) |
| <u>274,098</u> | TOTAL NON-CURRENT ASSETS | <u>263,266</u> | (4.0) |
| <u>335,827</u> | TOTAL ASSETS | <u>389,013</u> | 15.8 |
| | CURRENT LIABILITIES | | |
| 49,087 | Creditors and Borrowings | 40,799 | (16.9) |
| | <i>Provisions:</i> | | |
| 35,328 | Employee Entitlements | 66,575 | 88.4 |
| 6,463 | Other (c) | 19,542 | 202.4 |
| - - | Deferred Revenue | 89 | (b) |
| <u>90,878</u> | TOTAL CURRENT LIABILITIES | <u>127,005</u> | 39.8 |
| | NON-CURRENT LIABILITIES | | |
| 119,444 | Creditors and Borrowings | 135,674 | 13.6 |
| | <i>Provisions:</i> | | |
| - - | Employee Entitlements | 127,767 | (b) |
| 4,305 | Other (c) | 53,570 | (a) |
| - - | Deferred Revenue | 785 | (b) |
| <u>123,749</u> | TOTAL NON-CURRENT LIABILITIES | <u>317,796</u> | 156.8 |
| <u>214,627</u> | TOTAL LIABILITIES | <u>444,801</u> | 107.2 |
| <u>121,200</u> | NET ASSETS | <u>(55,788)</u> | (d) |
| | CAPITAL AND RETAINED EARNINGS | | |
| 121,328 | Capital | 82,388 | (32.1) |
| 3,998 | Reserves | 4,994 | 24.9 |
| (4,126) | Accumulated Funds | (143,170) | (a) |
| <u>121,200</u> | TOTAL CAPITAL AND RETAINED EARNINGS | <u>(55,788)</u> | (d) |

KEY

(a) More than 1,000%.

(b) Nil in previous year - not calculable.

(c) Comprises public risk, deferred maintenance and overhauls, workers' compensation, redundancy payments and relocation.

(d) Debit/Credit in previous year - percentage not applicable.

Accounting Policies: The departures from an accrual basis of accounting which drew comment from me in the audit certificate provided in respect of the 1987-88 financial statements, have been redressed by the Authority in the preparation of the 1988-89 financial statements.

As a result expenses such as depreciation; employee entitlements; workers' compensation; public/marine risk; interest payable; and foreign exchange losses were fully provided for for the first time this year. Prior period adjustments in relation to the changes in accounting for these expenses have been made directly against the opening Accumulated Loss.

Some items previously classified as capital under the repealed Transport Authorities Act 1980 have been reclassified as liabilities or adjusted against Accumulated Losses. These include: borrowings; discount on loans; profit/loss on sale of fixed assets; assets written off; capitalisation of expenses; and foreign exchange loss on loan repayments. The reclassification resulted in a reduction in capital of \$90.3m.

Accounting policy changes resulted in a reduction to Accumulated Funds of \$191.6m. It should also be noted that the accounting policy changes affect comparisons with previous year figures in the Income and Expenditure Statement.

Government Contributions: Contributions to revenue from Consolidated Fund totalling \$195.3m (\$193.5m, 1988) were paid to the State Transit Authority during the year. These included contributions for: community service payments, \$90.5m (\$71.7m, 1988); finance costs, \$31.6m (\$28.3m, 1988); and operating losses, \$72.3m (\$92.4m, 1988). Of the Consolidated Fund contributions for community service payments, \$82.0m was for travel concessions for children, students, pensioners and others. A further \$8.5m (\$6.9m, 1988) was for various community service schemes, the administration of which was transferred from the Authority on 16 January 1989 by the Transport Administration Act to the Ministry of Transport. These funds were fully expended at year end by the State Transit Authority acting as agent for the Ministry.

In addition, capital contributions of \$8.9m (\$12.0m, 1988), accrued in the 1987-88 financial statements, were received in respect of the Australian Bicentenary Road Development Program for the purchase of buses and ferries.

Financial Result: After including contributions of \$195.3m from Consolidated Fund as income, the Authority recorded a surplus of \$53.6m for the year compared with \$1.2m (including \$367,000 foreign exchange gains) in the previous year.

Income: Excluding contributions from Consolidated Fund, income was higher by \$102.2m (93.9%) due to fare increases of up to 100% effective from 3 July 1988 and profits on sales of assets totalling \$75.2m, which included \$68.5m profit on sale of the Head Office building. In previous years the income from the sale of assets was accounted for through capital in accordance with the requirements of the Transport Authorities Act 1980.

According to State Transit Authority statistics, bus patronage was similar to that of the previous year while ferry patronage increased by approximately 7%.

Expenditure: Totalled \$352.9m and included Salaries and Wages \$194.4m and fuel costs \$16.2m.

Reductions in expenditure for Operation of Services, Maintenance and Administrative and General Charges were more than off-set by increases in other areas and overall expenditure for the year rose by 17.0%.

Increases in, or new charges for employee entitlements (\$34.5m); depreciation (\$9.7m); workers' compensation (\$4.6m); public/marine risk (\$2.7m); and interest and loan charges (\$2.5m) are mainly the result of the provision for full costs of these items for the first time this year.

Redundancy costs associated with the closure of engineering workshops have been assessed by the Authority at \$6.5m (nil, 1988), including the provision of \$4.7m at 30 June 1989 for costs yet to be paid.

Finance charges relating to finance leases of buses and ferries totalled \$12.5m (\$11.1m, 1988).

Write off of Obsolete Stock, \$706,000 (nil, 1988), refers to inventory that became obsolete, mainly as a result of changes to the Authority's bus fleet.

Assets:

Property, plant and equipment: The depreciated (amortised in the case of finance lease assets) value of property, plant and equipment at 30 June 1989 included:

| | 1987 - 88 | 1988 - 89 | Increase |
|--------------------------|----------------|----------------|--------------|
| | \$'000 | \$'000 | (-) |
| Land, Buildings, Wharves | 74,458 | 66,562 | (10.6) |
| Buses | 43,958 | 31,140 | (29.2) |
| Buses (leased) | 64,650 | 82,410 | 27.5 |
| Ferries | 42,193 | 42,062 | (0.3) |
| Ferries (leased) | 21,551 | 20,199 | (6.3) |
| Plant and Equipment | 13,548 | 11,407 | (15.8) |
| Work-in-Progress | 11,546 | 7,159 | (38.0) |
| Motor Vehicles | 1,752 | 1,905 | 8.7 |
| TOTAL | 273,656 | 262,844 | (4.0) |

As a result of the change in accounting policy for depreciation, a total adjustment of \$28.9m for prior years' depreciation charges was effected directly against Accumulated Funds.

A combination of external and internal valuations of State Transit Authority property, plant and equipment indicated that the market value of these assets at 30 June 1989 was \$419.4m.

Bus Services' capital expenditure was \$31.7m, (\$25.8m, 1988). Of this amount, \$27.3m was for the acquisition of 137 buses. Under a sale and lease back agreement, the State Transit Authority sold 143 buses with a book value of \$23.2m, obtained leased assets of \$25.6m, and extinguished lease obligations of \$24.5m resulting in a net gain on debt defeasance of \$1.3m.

The increase in investments to \$76.5m at 30 June 1989 (\$3.8m, 1988) was associated with the sale of the head office building in June 1989.

Capital expenditure on ferries, \$5.9m, included \$2.9m for the construction of ferries and \$1.6m for a new ticketing system.

Liabilities and Provisions: Creditors and Borrowings comprised:

| | 1988 \$'000 | 1989 \$'000 |
|----------------------------|----------------|----------------|
| CURRENT | | |
| Loans and Promissory Notes | 12,986 | 6,132 |
| Creditors | 24,395 | 24,910 |
| Finance Lease Liabilities | 11,706 | 9,757 |
| | <u>49,087</u> | <u>40,799</u> |
| NON-CURRENT | | |
| Loans and Promissory Notes | 40,348 | 64,531 |
| Finance Lease Liabilities | 79,096 | 71,143 |
| | <u>119,444</u> | <u>135,674</u> |
| | <u>168,531</u> | <u>176,473</u> |

Finance Leases: Estimated future commitments as at 30 June

| | 1988 \$'000 | 1989 \$'000 |
|---|----------------|----------------|
| Payable - | | |
| Not later than 1 year | 20,403 | 18,351 |
| Later than 1 year and not later than 2 years | 18,720 | 14,222 |
| Later than 2 years and not later than 5 years | 39,403 | 35,460 |
| Later than 5 years | 70,933 | 65,267 |
| Present Value of Minimum Lease Payments | <u>149,459</u> | <u>133,300</u> |
| Less: Future Finance Charges | 58,657 | 52,400 |
| TOTAL LEASE LIABILITY | <u>90,802</u> | <u>80,900</u> |

Loans Due:

| | 1988 \$'000 | 1989 \$'000 |
|---|-----------------|----------------|
| Not later than 1 year | 12,986 | 6,132 |
| Later than 1 year but not later than 2 years | 6,213 | 16,282 |
| Later than 2 years but not later than 5 years | 18,949 | 26,686 |
| Later than 5 years | 15,848 | 21,563 |
| | <u>53,996</u> * | <u>70,663</u> |

* Includes \$0.662m realised foreign exchange losses.

Provisions: After taking into account the change to accounting policies, Provisions at 30 June 1989 were as follows:

| | 1989 Current \$m | 1989 Non-Current \$m | 1989 Total \$m | 1988 Total \$m |
|------------------------------------|------------------------|----------------------------|----------------------|----------------------|
| Employee Entitlements | 66.6 | 127.8 | 194.4 | 35.3 |
| Workers' Compensation | 7.4 | 37.6 | 45.0 | - |
| Public Risk | 5.0 | 12.7 | 17.7 | 4.0 |
| Deferred Maintenance and Overhauls | 2.1 | 3.3 | 5.4 | 5.6 |
| Asset Renewal | - | - | - | 1.2 |
| Redundancy Payments | 4.6 | - | 4.6 | - |
| Relocation | 0.4 | - | 0.4 | - |
| | <u>86.1</u> | <u>181.4</u> | <u>267.5</u> | <u>46.1</u> |

Capital: Capital of the Authority at 30 June 1989, following reclassification of those items referred to previously as a result of the change in accounting policy, totalled \$82.4m consisting of: capital on formation, \$18.9m; State Government contributions, \$11.5m; Federal Government contributions, \$54.7m; less liabilities transferred from the now abolished Department of Motor Transport, \$2.8m.

Financial Accommodation Repayment Reserve: In accordance with the Public Authorities (Financial Arrangements) Act 1987, the Authority maintains a Financial Accommodation Repayment Reserve. The Reserve is fully funded by investments. The Reserve balance at 30 June 1989 was \$5.0m (\$4.0m, 1988) after transfers to the Reserve of \$996,000 (\$679,000, 1988). The transfers consisted of interest on Reserve investments, \$694,000 (\$416,000, 1988) and a contribution from the Consolidated Fund, \$302,000 (\$263,000, 1988).

Capital Expenditure Commitments: At 30 June 1989 commitments associated with contracts for capital expenditure which were equally proportionately unperformed and therefore not recognised in the balance sheet amounted to \$21.4m. This category included \$16.6m for the purchase of buses and \$4.3m for the construction of high speed catamaran ferries.

NEW SOUTH WALES TREASURY CORPORATION

The New South Wales Treasury Corporation is constituted under the Treasury Corporation Act 1983. The Corporation provides a range of treasury services to the State public sector. As a central borrowing authority it is responsible for providing and managing financial accommodation to most New South Wales semi-government authorities and electricity county councils. Financial accommodation may also be arranged for the purposes of local councils' approved borrowing programs. The Corporation also manages the N.S.W. Treasurer's Funds and provides funds management facilities to its clients.

In addition to the Treasury Corporation Act 1983, other legislation governing the operation of the Corporation are the State's general financial legislation and the Public Authorities (Financial Arrangements) Act 1987.

The Corporation is empowered to enter into various forms of financial accommodation and, in turn, most public authorities are required to obtain their financial accommodation from the Corporation except for bank overdrafts, N.S.W. Treasury advances and such other forms of financial accommodation as the Treasurer may determine.

INCOME AND EXPENDITURE STATEMENT for the year ended 30 June 1989

| Previous Year \$'000 | | \$'000 | % Increase (-) |
|----------------------------|---|------------------|----------------------|
| | INCOME | | |
| 1,199,814 | Interest and Charges on Loans to Authorities | 1,633,980 | 36.2 |
| 206,492 | Income on Investments | 657,882 | 218.6 |
| 758 | Fees for Services and Other | 6,272 | 727.4 |
| <u>1,407,064</u> | | <u>2,298,134</u> | 63.3 |
| | EXPENDITURE | | |
| 1,395,750 | Interest and Other Costs on Borrowings and Deposits | 2,267,640 | 62.5 |
| 7,458 | Issue Costs | 4,022 | (46.1) |
| 3,856 | Administration Costs | 6,472 | 67.8 |
| <u>1,407,064</u> | | <u>2,278,134</u> | 61.9 |
| | OPERATING SURPLUS - TRANSFERRED TO RISK EQUALISATION RESERVE | <u>20,000</u> | (a) |
| -- | | | |

KEY

(a) Nil in previous year - not calculable.

Total costs of the Corporation, \$2,278m, were higher by \$871m than in the previous year; interest and other costs on borrowings and deposits rose by 62.5% to \$2,268m in 1988-89 (\$1,396m in 1987-88). The increase in interest charges is reflective of the additional borrowings by and deposits made with the Corporation.

The Corporation's policy is to cover administration and issue costs, and the net cost of operations. The interest and charges made on loans to authorities, \$1,634m, included some offsets for investment income (up by \$451m or 218.6%) and fees.

The Corporation's administration costs rose by \$2.6m (67.8%) during the year. Major reasons included the growth in salaries, rising charges for services such as financial markets advice and increased general administration expenses such as rent, advertising, consultancy and depreciation. The rise reflects the separation of the Corporation from the N.S.W. Treasury to become a self contained, fully commercial administrative unit, in addition to growth in the business transacted.

From the year's operations, \$20m was appropriated to a Risk Equalisation Reserve. The retention is to cover reinvestment risk associated with discounted instruments and other costs which could arise in the event of adverse market changes which the Corporation, under its non back-to-back domestic lending arrangement, may not wish to pass directly to authorities.

BALANCE SHEET as at 30 June 1989

| Previous Year \$'000 | | \$'000 | % Increase (-) |
|----------------------------|--|-------------------|----------------------|
| | CURRENT ASSETS | | |
| 106 | Cash | 7,662 | (a) |
| 414,768 | Receivables | 497,123 | 19.9 |
| 764,452 | Investments | 1,898,696 | 148.4 |
| 5,129 | Buyback Stock | 9,936 | 93.7 |
| 9,525 | Prepayments | 17,326 | 81.9 |
| -- | Deferred Expense - Loan Reconstruction | 8,087 | (b) |
| <u>1,193,980</u> | TOTAL CURRENT ASSETS | <u>2,438,830</u> | 104.3 |
| | NON-CURRENT ASSETS | | |
| 11,046,602 | Loans to Authorities | 13,586,422 | 23.0 |
| 94,790 | Receivables | 90,239 | (4.8) |
| 58,356 | Investments | 432,385 | 640.9 |
| 137,623 | Holdings of Authority Issues | 293,803 | 113.5 |
| 526 | Leasehold Improvements and Equipment | 794 | 51.0 |
| -- | Deferred Expense - Loan Reconstruction | 32,965 | (b) |
| <u>11,337,897</u> | TOTAL NON-CURRENT ASSETS | <u>14,436,608</u> | 27.3 |
| <u>12,531,877</u> | TOTAL ASSETS | <u>16,875,438</u> | 34.7 |
| | CURRENT LIABILITIES | | |
| 3,465 | Bank Overdraft | 973 | (71.9) |
| 1,226,402 | Borrowings (c) | 4,397,409 | 258.6 |
| 396,967 | Payables | 504,853 | 27.2 |
| 211,760 | Deposits | 863,124 | 307.6 |
| 2,322 | Provisions | 24,015 | 934.2 |
| <u>1,840,916</u> | TOTAL CURRENT LIABILITIES | <u>5,790,374</u> | 214.5 |
| | NON-CURRENT LIABILITIES | | |
| 10,585,929 | Borrowings (c) | 10,822,267 | 2.2 |
| 76,685 | Payables | 73,327 | (4.4) |
| 21,700 | Deposits | 97,764 | 350.5 |
| 6,647 | Provisions | 71,706 | 978.8 |
| <u>10,690,961</u> | TOTAL NON-CURRENT LIABILITIES | <u>11,065,064</u> | 3.5 |
| <u>12,531,877</u> | TOTAL LIABILITIES | <u>16,855,438</u> | 34.5 |
| -- | NET ASSETS | <u>20,000</u> | (b) |
| -- | RISK EQUALISATION RESERVE | <u>20,000</u> | (b) |

KEY

(a) More than 1,000%.

(b) Nil in previous year - not calculable.

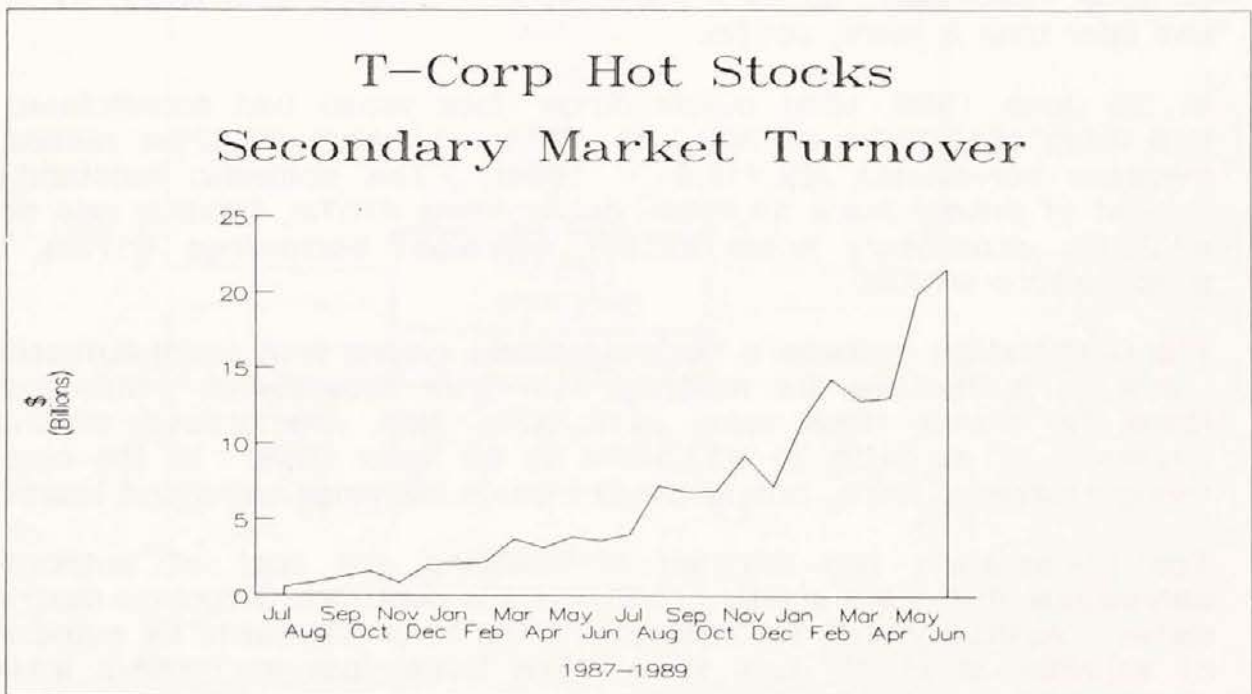
(c) Face value less unamortised discount.

Borrowings by the State and, in turn, the Corporation are subject to restrictions set by the Australian Loan Council. Limits apply to new money borrowings and borrowings in foreign currency. Conversions and refinancing are permitted at any time within the terms of such debt, provided there is no net addition to the level of outstanding debt. The New South Wales limit on new money for 1988-89 was set at \$1,449.9m (\$1,539.6m in 1987-88). A ceiling of \$319m for overseas borrowings was included in the new money limit.

A large part of the 1988-89 borrowing program was funded domestically through private placements (private loan debt up by \$1,212m). Also, a marked increase in promissory notes raised, \$13,700m in 1988-89 compared to \$3,595m in the previous year, reflected the increased arbitrage (risk free profit) operations during the year. Promissory notes were also used as a source of floating rate funds for client authorities. At year end \$955m of notes were on issue (\$134m in 1988).

To create depth and marketability of its own stock, the Corporation through the process of "debt-reconstruction" is changing its debt portfolio by replacing previous issue stock (through repurchase from the market) with new market preferred ("Hot") Corporation stock. During 1988-89 the Corporation completed \$4,451m in debt reconstruction/consolidations (\$2,348m in 1987-88). Net gains or losses on the book value of the underlying assets and liabilities at the point of cancellation are deferred and amortised over the average life of the replacement borrowings to match the resultant changes in debt servicing costs. As a result, the Provision for Unamortised Gain on Debt Reconstruction rose by \$85.8m to \$94.5m as at 30 June 1989.

The success of the "debt-reconstruction" program has led to an improved secondary investment market for Corporation stock (see graph). As a result the Corporation was able to fund a large part of the 1988-89 borrowing program domestically.



The Corporation maintained its policy of not incurring foreign exchange exposure. New overseas borrowings during 1988-89 valued at \$1,048m were either raised using a new Euro Australian dollar exchangeable bond or swapped into Australian dollars. Raisings to refinance the debt of the Eraring Power Company and the Maritime Services Board were on-lent in foreign currencies. The liability for foreign exchange losses is passed directly to authorities. Overseas borrowings and the effect of exchange rate movements are summarised below:

| Original Debt ('000) | Current Obligation (Inclusive of Currency Swaps) ('000) | Original Drawdown \$A'000 | Exchange Rate Translation at 30.6.89 \$A'000 | Exchange Gain (Loss) at 30.6.89 \$A'000 |
|-------------------------|--|---------------------------------|---|--|
| SFR 150,000 | SFR 150,000 | 69,426 | 118,409 | (48,983) |
| USD 470,000 | USD 57,461 AUD 594,827 | 73,574 586,534 | 76,107 594,826 | (2,533) (8,292) |
| YEN 123,338,000 | YEN 13,864,129 USD 338,475 AUD 613,470 | 136,255 430,977 585,290 | 127,522 448,312 631,470 | 8,733 (17,335) (46,180) |
| STG 99,945 | STG 50,000 AUD 112,751 | 104,519 104,405 | 102,459 112,751 | 2,060 (8,346) |
| ECU 160,000 | ECU 30,000 USD 12,632 AUD 190,877 | 39,768 13,256 182,133 | 41,923 16,731 190,877 | (2,155) (3,475) (8,744) |
| EURO - AUD 867,500 | AUD 867,500 | 867,500 <u>3,193,637</u> | 867,500 <u>3,328,887</u> | - - <u>(135,250)</u> |

The foreign currency loans translated at the exchange rates applicable at 30 June 1989, indicate an unrealised exchange loss of \$135m (\$124m at 30 June 1988).

The maturity structure of outstanding overseas borrowings (face value) at 30 June 1989 was: up to 2 years, \$696m; 2 years to 5 years, \$2,126m and later than 5 years, \$507m.

At 30 June 1989, total outstandings (face value) had accumulated to \$16,450m (\$12,739m at 30 June 1988) of which \$3,329m relates to overseas borrowings (\$2,112m - 1988). The domestic outstandings consist of private loans \$9,898m, public loans \$707m, floating rate notes \$1,001m, promissory notes \$955m, overnight borrowings \$170m, and substitutions \$390m.

The Corporation operates a flexible lending system with client authorities. Loans to authorities are matched with their drawdowns. Outstanding loans to clients (face value, \$13,787m, less unamortised discount), increased by \$2,540m to \$13,586m at 30 June 1989. In the case of foreign currency loans, outstandings include exchange gains and losses.

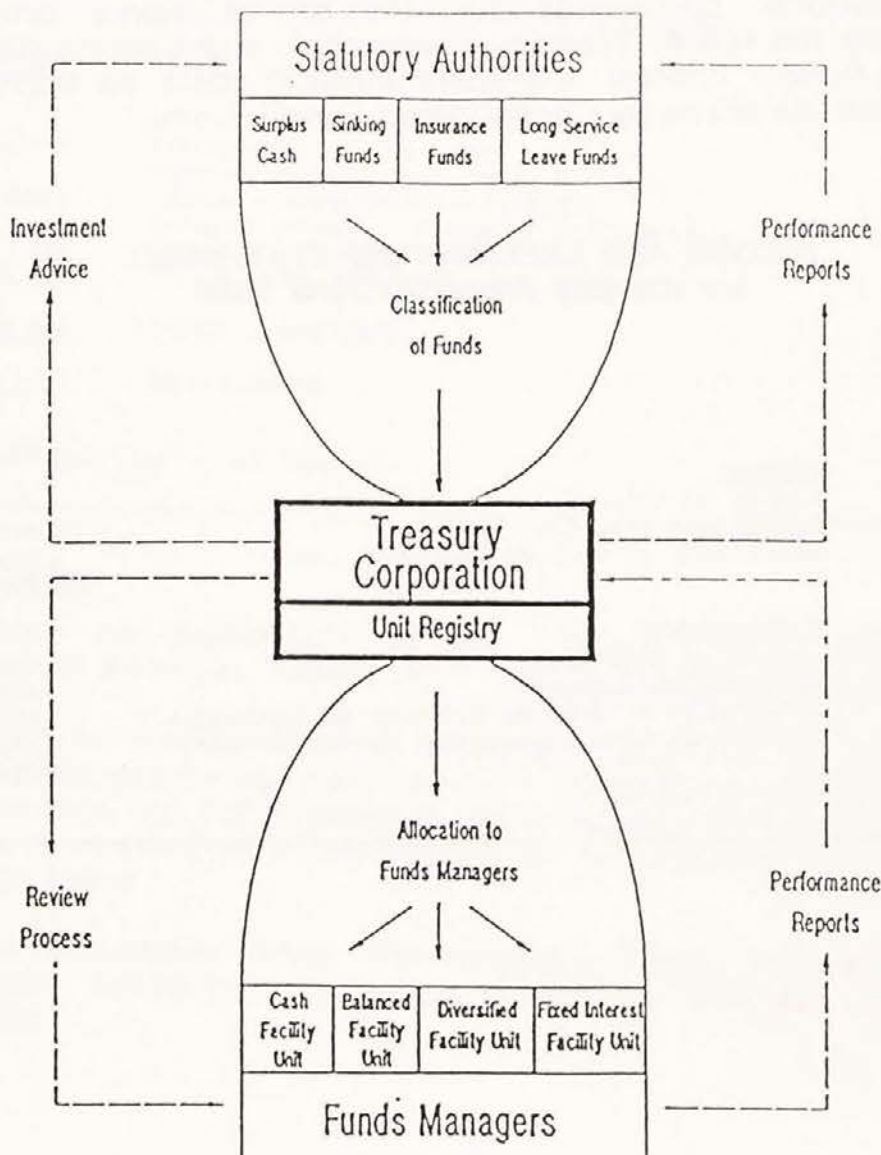
The Corporation has assisted in lowering the cost of authorities' borrowings through a similar process to the debt reconstruction described earlier. Authority loan reconstructions led to prepayments by authorities of \$1,286m as at 30 June 1989. The initial loss in T-Corp interest revenue will be amortised over the life of new loans raised to finance the transactions. The amount amortised during 1988-89 totalled \$42.4m.

Investments primarily represent application of deposits from authorities, security deposits from the stock lending facility, borrowings raised but not yet allotted to authorities and sinking funds for retiring deep discount issues. Various securities are used as vehicles for investments including bank accepted and endorsed bills of exchange, promissory notes, negotiable certificates of deposit, semi-governmental authority and corporate bonds, bill swaps and interest bearing deposits. The value of these securities (at cost) at 30 June 1989 was \$2,331m (\$823m in 1988).

In 1986 the Corporation raised \$491m through the issue of annuities with terms ranging from 10 to 15 years. Indemnities within the annuity agreement protect the investor's required rate of return. Advances of \$16.9m have been made to a number of financial institutions to pay disputed income tax assessments regarding deductions claimed for income tax purposes in relation to the annuities. The advances are to be repaid to the Corporation with interest, promptly after refund of any equivalent amount is made by the Commissioner of Taxation, if and to the extent that the disputed tax assessments are overturned or amended.

At 30 June 1989, the Corporation had under management funds totalling \$1,974m on behalf of the Treasurer of New South Wales, of which \$500m was subcontracted to fund managers.

Hour Glass Investment Facility



The experience with fund managers helped in the establishment of an Hour Glass Investment Facility, which became available to the Corporation's clients from 1 July 1989. The facility allows statutory authorities to invest amounts for aggregation into four different portfolios managed by specialist private sector organisations. The facility aims to improve returns on the State's assets through economies of scale, access to professional management and competitive conditions. The Hour Glass Investment Facility (diagram above) will provide a benchmark for measuring the funds management performance of public sector managers.

NEW SOUTH WALES CAPITAL WORKS FINANCING CORPORATION

The Corporation is constituted under the Public Authorities (Financial Arrangements) Act 1987. The main function of the Corporation is to facilitate additional borrowings for the capital works program, by borrowing from the N.S.W. Treasury Corporation and passing funds on to Consolidated Fund. Interest and administration costs on borrowings of the Corporation are borne by Consolidated Fund.

INCOME AND EXPENDITURE STATEMENT for the year ended 30 June 1989

| Previous Year \$'000 | | \$'000 | % Increase (-) |
|----------------------------|--|----------------|----------------------|
| | INCOME | | |
| 3,165 | Interest on Investments | — | (100.0) |
| 87,899 | Consolidated Fund Contribution | 132,999 | 51.3 |
| <u>2,355</u> | Amortisation of Deferred Income on Loans | <u>2,300</u> | (2.3) |
| <u>93,419</u> | | <u>135,299</u> | 44.8 |
| | EXPENDITURE | | |
| 84,624 | Interest on Borrowings | 130,440 | 54.1 |
| 920 | Administration Expenses | 259 | (71.8) |
| 2,355 | Amortisation of Deferred Expenses on Borrowings | 2,300 | (2.3) |
| <u>5,520</u> | Consolidated Fund (Interest and Deferred Income) | <u>2,300</u> | (58.3) |
| <u>93,419</u> | | <u>135,299</u> | 44.8 |

BALANCE SHEET as at 30 June 1989

| Previous Year \$'000 | | \$'000 | % Increase (-) |
|----------------------------|--|----------------|----------------------|
| | CURRENT ASSETS | | |
| 1,895 | Deposits with Bank | 21 | (98.9) |
| 114,322 | Loans to Consolidated Fund | 298,221 | 160.9 |
| 23,244 | Receivables | 24,462 | 5.2 |
| | Deferred Expense - Discounts on Borrowings | | |
| 139 | (Less - Amortisation \$3,250,467) | 1,312 | 843.9 |
| | Deferred Expenses - Premiums on Loans | | |
| -- | (Less - Amortisation \$105,509) | 13 | (a) |
| <u>139,600</u> | TOTAL CURRENT ASSETS | <u>324,029</u> | 132.1 |
| | NON-CURRENT ASSETS | | |
| 835,471 | Loans to Consolidated Fund | 647,307 | (22.5) |
| | Deferred Expense - Discounts on Borrowings | | |
| 6,052 | (Less - Amortisation \$1,665,653) | 2,190 | (63.8) |
| | Deferred Expense - Premium on Loans | | |
| 1,349 | (Less - Amortisation \$648,846) | 947 | (29.8) |
| <u>842,872</u> | TOTAL NON-CURRENT ASSETS | <u>650,444</u> | (22.8) |
| <u>982,472</u> | TOTAL ASSETS | <u>974,473</u> | (0.8) |
| | CURRENT LIABILITIES | | |
| 114,322 | Treasury Corporation Loans | 298,221 | 160.9 |
| 25,139 | Payables | 24,483 | (2.6) |
| | Deferred Income - Discounts on Loans | | |
| 139 | (Less - Amortisation \$3,250,467) | 1,312 | 843.9 |
| | Deferred Income - Premiums on Borrowings | | |
| -- | (Less - Amortisation \$105,509) | 13 | (a) |
| <u>139,600</u> | TOTAL CURRENT LIABILITIES | <u>324,029</u> | 132.1 |
| | NON-CURRENT LIABILITIES | | |
| 835,471 | Treasury Corporation Loans | 647,307 | (22.5) |
| | Deferred Income - Discounts on Loans | | |
| 6,052 | (Less - Amortisation \$1,665,653) | 2,190 | (63.8) |
| | Deferred Income - Premiums on Borrowings | | |
| 1,349 | (Less - Amortisation \$648,846) | 947 | (29.8) |
| <u>842,872</u> | TOTAL NON-CURRENT LIABILITIES | <u>650,444</u> | (22.8) |
| <u>982,472</u> | TOTAL LIABILITIES | <u>974,473</u> | (0.8) |
| <u>--</u> | NET ASSETS | <u>--</u> | |

KEY

(a) Nil in previous year - not calculable.

There were no drawdowns by the Corporation in 1988-89. From maturities of \$114.3m, loans totalling \$110.1m were rolled over.

Drawdowns by the Corporation totalled \$938.8m at 30 June 1989. The debt of the Corporation (face value of drawdowns) amounts to \$945.5m. The difference (\$6.7m) represents net discounts on loans of which \$4.2m has been amortised with the balance to be amortised over the remaining life of the loans.

Charges recoverable from Consolidated Fund included interest on borrowings (\$130.4m) and administration charges on borrowings (\$255,572).

STATE AUTHORITIES SUPERANNUATION BOARD

The State Authorities Superannuation Board was constituted under the provisions of the Superannuation Administration Act 1987. The Board commenced operations effective from 1 April 1988 replacing the former State Superannuation Board, State Public Service Superannuation Board, Public Authorities Superannuation Board and Police Superannuation Board.

All funds under the management of the former Boards were transferred to the State Authorities Superannuation Board upon this date and are deemed closed to new applicants from then. Membership of the Public Authorities Superannuation Fund was transferred to the State Authorities Superannuation Fund on 1 April 1988 and that of the State Public Service Superannuation Fund on 1 July 1989. Both these Funds have therefore ceased to exist respectively from those dates.

As well as administering these funds and the new State Authorities Superannuation Scheme, the new Board is responsible for the management of a non-contributory Basic Benefit Scheme (3% productivity benefit) for all employees of the New South Wales public sector. Both these latter schemes became operational from 1 April 1988.

The Board's statistics show that the earning rate on investments for the year, based on market value, was 13.64% (13.61% after tax).

The financial statements which are reviewed hereunder show the Board's first year's operating results. The former Boards had different accounting periods as at 31 March 1988 of either nine months or twelve months as well as different accounting policies. Therefore consolidation of figures for these periods would not constitute a valid basis of comparison and figures for previous reporting periods were not provided by the Board.

In the financial statements reviewed, investments are brought to account at market value. The net of unrealised capital gains and losses, together with net realised gains is brought to account as investment income.

INCOME AND EXPENDITURE STATEMENT
for the year ended 31 March 1989

| | Total \$'000 | State Authorities Super. Fund \$'000 | Benefits Fund \$'000 | State Public Service Super. Fund \$'000 | Prov- ident Fund \$'000 | State Super. Fund \$'000 | Insur- ance Fund \$'000 | Police Fund \$'000 |
|--|------------------|--|----------------------------|--|----------------------------------|-----------------------------------|----------------------------------|--------------------------|
| INCOME | | | | | | | | |
| Contributions: | | | | | | | | |
| Employers(a) | 1,149,374 | 458,239 | 9,554 | 9,222 | 980 | 496,080 | 64 | 175,235 |
| Employees | 422,547 | 141,245 | 6,369 | 17,005 | 979 | 237,536 | 63 | 19,350 |
| | 1,571,921 | 599,484 | 15,923 | 26,227 | 1,959 | 733,616 | 127 | 194,585 |
| Income from Investments | 1,057,925 | 354,944 | 47,093 | 4,195 | 9,621 | 642,072 | -- | -- |
| Miscellaneous(b) | 38,161 | 197 | 7 | 12 | 1 | 37,086 | -- | 858 |
| TOTAL INCOME | 2,668,007 | 954,625 | 63,023 | 30,434 | 11,581 | 1,412,774 | 127 | 195,443 |
| EXPENDITURE | | | | | | | | |
| Superannuation Benefits: | | | | | | | | |
| Retirements—Lump Sums(c) | 780,512 | 252,964 | 14,571 | 853 | 8,888 | 404,941 | -- | 98,295 |
| —Pensions(d) | 275,635 | 10,612 | -- | -- | -- | 191,331 | -- | 73,692 |
| Deaths | 25,905 | 22,996 | 785 | 61 | -- | -- | -- | 2,063 |
| —Pensions(d) | 67,171 | 884 | -- | -- | -- | 66,287 | -- | -- |
| Invalidity | 101,220 | 76,858 | 5,533 | 244 | -- | -- | -- | 18,585 |
| —Pensions(d) | 59,511 | 685 | -- | -- | -- | 58,826 | -- | -- |
| Resignations, Retrenchments and Provident Fund Exits: | | | | | | | | |
| —Lump Sums | 194,844 | 95,560 | 4,266 | 1,883 | -- | 90,612 | -- | 2,523 |
| Preserved Benefits | 42,377 | 39,392 | -- | -- | -- | 2,985 | -- | -- |
| Interest on Benefit Payments | 10,169 | 8,908 | 699 | 11 | 174 | 377 | -- | -- |
| | 1,557,344 | 508,859 | 25,854 | 3,052 | 9,062 | 815,359 | -- | 195,158 |
| Refunds to Authorities | 2,383 | 1,475 | 908 | -- | -- | -- | -- | -- |
| Premiums on Insurance Policies | 127 | -- | -- | -- | -- | -- | 127 | -- |
| Interest Payable(e) | 1,105 | -- | -- | -- | -- | 1,105 | -- | -- |
| Administrative Expenses | 19,510 | 12,304 | 418 | 726 | 52 | 5,793 | -- | 217 |
| Board Liability for | | | | | | | | |
| Superannuation | 2,582 | 1,669 | 56 | 98 | 6 | 749 | -- | 4 |
| Depreciation of Fixed Assets | 3,795 | 2,480 | 84 | 146 | 10 | 1,075 | -- | -- |
| Provision for Employee Leave Entitlements | 1,191 | 730 | 25 | 43 | 3 | 326 | -- | 64 |
| TOTAL EXPENDITURE | 1,588,037 | 527,517 | 27,345 | 4,065 | 9,133 | 824,407 | 127 | 195,443 |
| OPERATING SURPLUS | | | | | | | | |
| BEFORE INCOME TAX | 1,079,970 | 427,108 | 35,678 | 26,369 | 2,448 | 588,367 | -- | -- |
| Income Tax Expense | 33,200 | 30,145 | 1,851 | 950 | 277 | (23) | -- | -- |
| OPERATING SURPLUS | | | | | | | | |
| APPROPRIATED TO | | | | | | | | |
| ACCUMULATED FUNDS | 1,046,770 | 396,963 | 33,827 | 25,419 | 2,171 | 588,390 | -- | -- |

KEY**State Superannuation Fund**

- (a) Employer's Contributions include \$317.8m deferred subsidy payable from pension emergence and liability in respect of fully commuted pensions.
- (b) Miscellaneous Income includes \$36.8m Interest liability on fully commuted pensions.
- (c) Lump sum benefits shown include commutation of reversionary pensions and invalidity pensions where normal retirement age has been reached.
- (d) Pension benefits have been estimated under the above categories based on related statistical results, actual figures being unavailable for preparation of these accounts. However, the aggregate amount of \$316.444m is correct.
- (e) Voluntary savings accounts \$448,000; Reserve Unit Contributions \$474,000; Treasury Account \$183,000.

BALANCE SHEET as at 31 March 1989

| | Total \$'000 | State Authorities Super. Fund \$'000 | Benefits Fund \$'000 | State Public Service Super. Fund \$'000 | Prov - ident Fund \$'000 | State Super. Fund \$'000 | Insur - ance Fund \$'000 | Police Fund \$'000 |
|---|------------------|--|----------------------------|--|-----------------------------------|-----------------------------------|-----------------------------------|--------------------------|
| CURRENT ASSETS | | | | | | | | |
| Cash at Call and on Hand | 32 | 11 | 1 | -- | -- | 20 | -- | -- |
| Debtors and Prepayments | 192,913 | 56,308 | 6,589 | 2,812 | 1,110 | 118,918 | 176 | 7,000 |
| Accrued Income | 3,257 | 1,115 | 139 | 17 | 27 | 1,959 | -- | -- |
| TOTAL CURRENT ASSETS | 196,202 | 57,434 | 6,729 | 2,829 | 1,137 | 120,897 | 176 | 7,000 |
| NON-CURRENT ASSETS | | | | | | | | |
| <i>Investments:</i> | | | | | | | | |
| Short Term Securities | 698,538 | 239,112 | 29,855 | 3,546 | 5,879 | 420,146 | -- | -- |
| Commonwealth Securities | 332,172 | 113,702 | 14,195 | 1,687 | 2,795 | 199,793 | -- | -- |
| Loans to Semi and Local Government Authorities | 1,226,303 | 419,767 | 52,406 | 6,229 | 10,319 | 737,582 | -- | -- |
| Loans to Co-operative Housing Societies | 246,770 | 84,470 | 10,546 | 1,253 | 2,076 | 148,425 | -- | -- |
| Shares - Australian | 2,054,376 | 703,219 | 87,791 | 10,437 | 17,286 | 1,235,643 | -- | -- |
| Overseas Investments | 975,720 | 333,992 | 41,697 | 4,956 | 8,210 | 586,865 | -- | -- |
| Corporate Debt Securities | 57,859 | 19,806 | 2,474 | 293 | 488 | 34,798 | -- | -- |
| Leasehold Investments | 63,132 | 21,610 | 2,696 | 322 | 530 | 37,974 | -- | -- |
| Mortgages of Land and Buildings | 35,851 | 12,272 | 1,532 | 182 | 302 | 21,563 | -- | -- |
| Property | 2,912,813 | 997,065 | 124,479 | 14,795 | 24,510 | 1,751,964 | -- | -- |
| Leveraged Leasing | 63,660 | 21,791 | 2,720 | 323 | 536 | 38,290 | -- | -- |
| Direct Equity and Development | 136,110 | 46,591 | 5,817 | 691 | 1,146 | 81,865 | -- | -- |
| | 8,803,304 | 3,013,397 | 376,208 | 44,714 | 74,077 | 5,294,908 | -- | -- |
| Fixed Assets | 12,671 | 4,337 | 541 | 65 | 106 | 7,622 | -- | -- |
| Deferred Asset | 328,754 | -- | -- | -- | -- | 328,754 | -- | -- |
| Other Assets | 1,285 | 440 | 55 | 6 | 11 | 773 | -- | -- |
| Future Income Tax Benefit | 25,570 | 8,584 | 1,138 | 102 | 230 | 15,516 | -- | -- |
| TOTAL NON-CURRENT ASSETS | 9,171,584 | 3,026,758 | 377,942 | 44,887 | 74,424 | 5,647,573 | -- | -- |
| TOTAL ASSETS | 9,367,786 | 3,084,192 | 384,671 | 47,716 | 75,561 | 5,768,470 | 176 | 7,000 |
| CURRENT LIABILITIES | | | | | | | | |
| Bank Overdraft | 21,662 | 7,415 | 926 | 110 | 182 | 13,029 | -- | -- |
| Reserve Units | 10,733 | -- | -- | -- | -- | 10,733 | -- | -- |
| Voluntary Savings | 5,394 | -- | -- | -- | -- | 5,394 | -- | -- |
| Creditors and Accrued Charges | 90,065 | 43,916 | 1,615 | 687 | 194 | 36,477 | 176 | 7,000 |
| Provision for Income Tax | 49,740 | 35,698 | 2,587 | 1,016 | 426 | 10,013 | -- | -- |
| Provision for Annual Leave | 1,160 | 397 | 49 | 6 | 10 | 698 | -- | -- |
| TOTAL CURRENT LIABILITIES | 178,754 | 87,426 | 5,177 | 1,819 | 812 | 76,344 | 176 | 7,000 |
| NON-CURRENT LIABILITIES | | | | | | | | |
| Provision for Deferred Income Tax | 9,030 | 3,031 | 402 | 36 | 81 | 5,480 | -- | -- |
| Provision for Employee Entitlements | 5,564 | 1,904 | 238 | 29 | 47 | 3,346 | -- | -- |
| Long Term Creditors | 3,170 | 1,085 | 135 | 16 | 27 | 1,907 | -- | -- |
| Deferred Premium Income | 7,905 | 2,706 | 338 | 40 | 66 | 4,755 | -- | -- |
| Treasury Account | 1,257 | -- | -- | -- | -- | 1,257 | -- | -- |
| TOTAL NON-CURRENT LIABILITIES | 26,926 | 8,726 | 1,113 | 121 | 221 | 16,745 | -- | -- |
| TOTAL LIABILITIES | 205,680 | 96,152 | 6,290 | 1,940 | 1,033 | 93,089 | 176 | 7,000 |
| NET ASSETS | 9,162,106 | 2,988,040 | 378,381 | 45,776 | 74,528 | 5,675,381 | -- | -- |
| RETAINED EARNINGS | | | | | | | | |
| Accumulated Funds | 9,162,106 | 2,988,040 | 378,381 | 45,776 | 74,528 | 5,675,381 | -- | -- |

Scheme Membership

Total membership of the schemes under the management of the Board at 31 March 1989 was 396,182 comprising:

| Scheme | Membership |
|--|----------------|
| | 31.3.89 |
| State Authorities Superannuation Scheme | 124,943 |
| Non-Contributory Basic Benefits Scheme | 145,375 |
| State Superannuation Scheme | 92,644 |
| State Public Service Superannuation Scheme | 12,978 |
| Closed Local Government Schemes | 8,926 |
| Police Superannuation Scheme | 11,316 |
| | <u>396,182</u> |

Total Income

Total income derived over the 12 month period to 31 March 1989 amounted to \$2,668m. The following table shows the break-up of income by Fund.

| Scheme | \$m | % |
|--|-----------------|---------------|
| State Authorities Superannuation Scheme | 954.63 | 35.78 |
| Local Government Benefits Scheme | 63.02 | 2.36 |
| State Public Service Superannuation Scheme | 30.43 | 1.14 |
| Local Government Provident Scheme | 11.58 | 0.43 |
| State Superannuation Scheme | 1,412.77 | 52.95 |
| Local Government Insurance Scheme | 0.13 | 0.01 |
| Police Superannuation Scheme | 195.44* | 7.33 |
| | <u>2,668.00</u> | <u>100.00</u> |

KEY

* Scheme unfunded: this amount committed to current benefit payments.

Investment Income

The Board accounts for its investments on a pool basis with each Fund's share of investment earnings being calculated in the ratio of its funds to total funds. Distributions are made at the end of each month. In this way economies of scale are derived by the funds.

Income from investments totalled \$1,057.93m and comprised:

| | Realised \$m | Unrealised \$m | Total \$m |
|---|-----------------|-------------------|-----------------|
| Property | 244.67 | 357.95 | 602.62 |
| Overseas Investments (including foreign exchange) | (0.62) | 123.94 | 123.32 |
| Shares - Australian | 13.56 | 90.66 | 104.22 |
| Loans to Semi and Local Government Authorities | 177.71 | (98.13) | 79.58 |
| Short Term Securities | 86.24 | 8.07 | 94.31 |
| Commonwealth Securities | 62.31 | (41.48) | 20.83 |
| Loans to Co-operative Housing Authorities | 39.50 | (27.04) | 12.46 |
| Mortgage of Land and Buildings | 11.68 | (0.68) | 11.00 |
| Miscellaneous each under \$11m | 32.38 | (10.70) | 21.68 |
| | 667.43 | 402.59 | 1,070.02 |
| Less Investment Expenses | 12.09 | - | 12.09 |
| | <u>655.34</u> | <u>402.59</u> | <u>1,057.93</u> |

Unrealised losses of \$98.13m on loans to Semi and Local Government Authorities are occasioned by long term holdings of low coupon loans which, due to the high level of interest rates, reveal unrealised losses. By way of example, during the year ended 31 March 1989 Local and Semi-Government Bond rates for 5 to 6 year term moved from 12.5% to 15%.

Administrative Expenses

These expenses of \$19.51m included salary and other staff related costs of \$12.9m, notional rent of Board premises of \$2.8m and general expenses of \$3.9m.

Taxation

In his Economic Statement of 25 May 1988, the Federal Treasurer announced the Government's intention to impose tax on occupational superannuation schemes; the taxation is to be imposed on employer contributions, not on employee contributions, and on investment earnings, including capital gains. The legislation to give effect to the Government's proposal was enshrined in the Taxation Laws Amendment (Superannuation) Act 1989. It is applicable as from 1 July 1988 and consequently the Board's accounts for the year ended 31 March 1989 included provisions for the payment of taxation in respect of the nine months from July 1988 to March 1989. Taxation is provided for on both a current and deferred basis.

Timing differences are taken into account in relation to accrued income and expenses. These are reflected in the Provision for Deferred Income Tax and Future Income Tax Benefit accounts shown in the Balance Sheet.

The income tax expense for the year amounted to \$33.2m and comprised:

| | \$ |
|---|--------------|
| Income Tax Payable on Operating Surplus | 49.74 |
| Provisions Attributable to Future Years - | |
| Provision for Deferred Income Tax | 9.03 |
| Future Income Tax Benefit | (25.57) |
| Income Tax Expense | <u>33.20</u> |

Net Assets

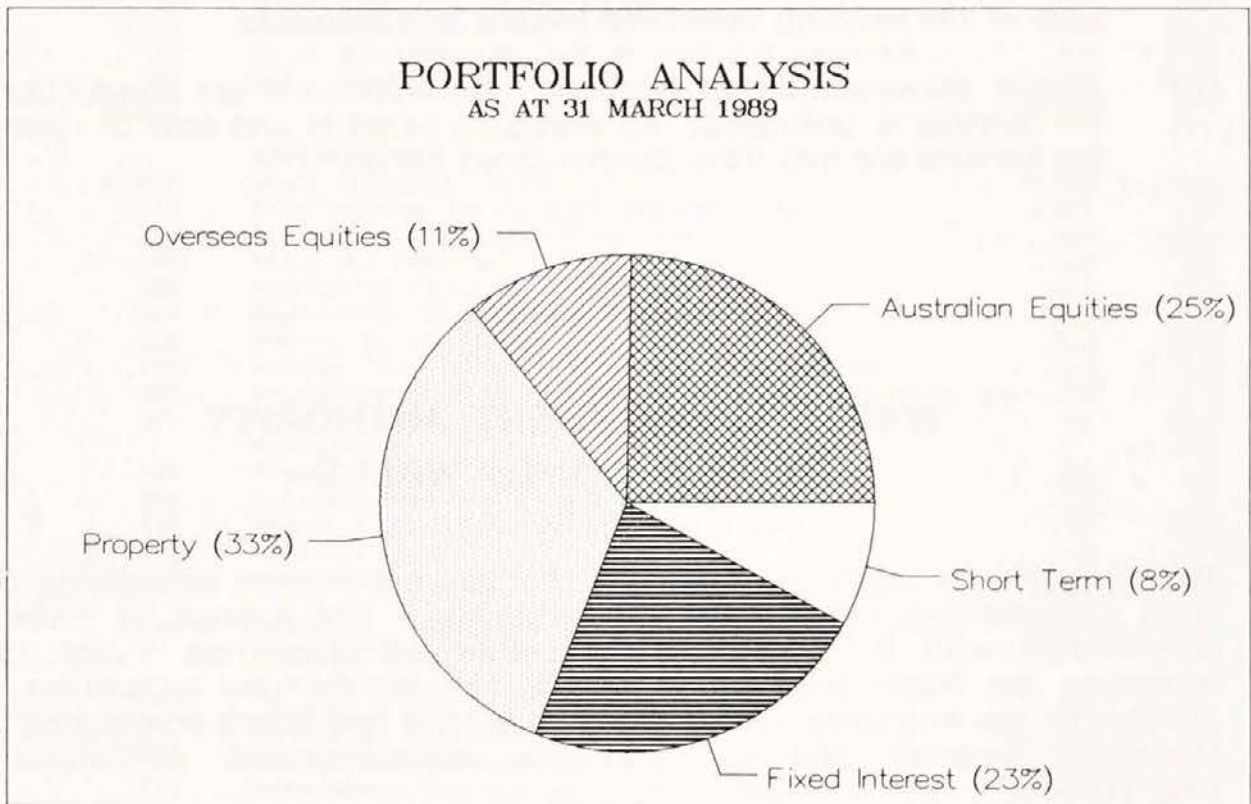
The total of Net Assets under the management of the Board at 31 March 1989 was \$9,162m made up as follows:

| Scheme | \$m | % |
|--|--------------|--------------|
| State Authorities Superannuation Scheme | 2,988 | 32.61 |
| Local Government Benefits Scheme | 378 | 4.13 |
| State Public Service Superannuation Scheme | 46 | 0.50 |
| Local Government Provident Scheme | 75 | 0.82 |
| State Superannuation Scheme | <u>5,675</u> | <u>61.94</u> |
| | <u>9,162</u> | <u>100.0</u> |

Investment Details

Based on market values at 31 March 1989, the Board's investment portfolio was as follows:

| | \$m | \$m | % |
|------------------------------------|--------------|----------------|--------------|
| Australian Equities: | | 2,190.5 | 24.9 |
| Shares Australian | 2,054.4 | | |
| Direct Equity and Development | <u>136.1</u> | | |
| Overseas Equities | | 975.7 | 11.1 |
| Property | | 2,912.8 | 33.1 |
| Fixed Interest: | | 2,025.8 | 23.0 |
| Commonwealth Securities | 332.2 | | |
| Loans to Semi and Local | | | |
| Government Authorities | 1,226.3 | | |
| Co-operative Housing Society Loans | 246.8 | | |
| Corporate Department Securities | 57.9 | | |
| Mortgages | 35.8 | | |
| Leasehold Investments | 63.1 | | |
| Leveraged Leasing | <u>63.7</u> | | |
| Short Term Securities | | <u>698.5</u> | <u>7.9</u> |
| | | <u>8,803.3</u> | <u>100.0</u> |



Actuarial Valuations

The following actuarial valuations of the Funds were received during the year:

- (i) **State Superannuation Fund:** The sixteenth valuation of the Fund as at 30 June 1987 was received and it reported the Fund was in a satisfactory position.
- (ii) **State Public Service Superannuation Fund:** The first valuation of the Fund as at 31 March 1988 was provided. However, as the membership has been transferred into State Authorities Superannuation Scheme from 1 July 1989, the recommendations made by the valuing actuaries are no longer relevant.
- (iii) **Public Authorities Superannuation Scheme:** The valuation examined the Fund as at 31 March 1988 prior to it being translated into the State Authorities Superannuation Scheme. The report recommended a change in the arrangement governing the calculation of preserved benefit and suggested that consideration be given to improving the resignation benefit. After considering detailed reports on each of these matters, the Board decided that alteration to the preserved benefit calculation was not required and that improvement to the resignation benefit was not warranted in view of the existing preserved benefit arrangements.
- (iv) **Police Superannuation Scheme:** No valuations are conducted as the scheme is unfunded. All emerging benefits and cost of running the scheme are met from Consolidated Fund.

WASTE MANAGEMENT AUTHORITY OF NEW SOUTH WALES

The name of the Authority has been changed subsequent to balance date from Metropolitan Waste Disposal Authority. The change of name is concomitant with the passing of legislation effective from 1 July 1989 amending the Waste Disposal Act 1970. Under the new legislation the policies of the Authority will be determined by a new Board comprising the Managing Director and six part-time members, one of whom is Chairperson.

The legislative amendments significantly broaden the role of the Authority which, in the past, had as its prime responsibility the disposal of waste in the metropolitan waste disposal region, together with the implied responsibilities of waste minimisation and recycling. In terms of the Waste Disposal (Amendment) Act 1989, this responsibility still stands but is joined by the power to construct and operate a high temperature waste incineration facility anywhere in New South Wales. The facility would be used to dispose of intractable waste and/or waste which, in the opinion of the Minister, would not otherwise be disposed of by the most environmentally acceptable means.

So as to better guide the role of the Authority, the following mission statement was adopted:

"To encourage the minimisation, recycling and materials recovery of solid and industrial liquid waste, to control the storage, collection, transportation and treatment of waste and to ensure that residual waste is managed and disposed of in an environmentally sound manner."

REVIEW OF 1988-89 TRANSACTIONS

INCOME AND EXPENDITURE STATEMENT for the year ended 31 March 1989

| Previous Year \$'000 | | \$'000 | % Increase (-) |
|----------------------------|--|---------------|----------------------|
| | INCOME | | |
| 29,572 | Depot Waste Charges | 36,461 | 23.3 |
| 791 | Statutory Contributions from Private and Council Depots | 881 | 11.4 |
| 414 | Registration and Licensing Fees | 386 | (6.8) |
| 3,333 | Income from Investments | 1,389 | (58.3) |
| 132 | Gross Proceeds from Sale of Plant and Equipment | 144 | 9.1 |
| 84 | Other Income | 195 | 132.1 |
| <u>34,326</u> | | <u>39,456</u> | 14.9 |
| | EXPENDITURE | | |
| 20,853 | Depot Operating Costs | 26,380 | 26.5 |
| 2,915 | Administration and Support Services | 3,237 | 11.0 |
| 381 | Supervision and Advisory Services | 518 | 36.0 |
| 420 | Policy and Planning | 453 | 7.9 |
| 324 | Engineering Services | 442 | 36.4 |
| 327 | Registration and Licensing Costs | 363 | 11.0 |
| 328 | Interest on Borrowings | 230 | (29.9) |
| 150 | Written Down Value of Plant and Equipment Sold | 144 | (4.0) |
| 394 | Depreciation and Amortisation - Furniture, Equipment, etc | 393 | (0.3) |
| 101 | Doubtful Debts | 198 | 96.0 |
| | Provisions: | | |
| 130 | Employee Leave Entitlements | 134 | 3.1 |
| 125 | Superannuation - Deferred Liability | 132 | 5.6 |
| 115 | Sinking Fund for Interest Payable | 43 | (62.6) |
| 15 | Insurance | 16 | 6.7 |
| <u>26,578</u> | | <u>32,683</u> | 23.0 |
| 7,748 | OPERATING SURPLUS BEFORE ABNORMAL ITEMS | 6,773 | (12.6) |
| | Abnormal Items: | | |
| - - | Write Back from Sinking Fund for Interest Payable Provision | 422 | (a) |
| - - | Surplus on Sale of Land | 420 | (a) |
| <u>7,748</u> | OPERATING SURPLUS | <u>7,615</u> | (1.7) |
| 711 | Accumulated Funds at beginning of year | 834 | 17.3 |
| | Transfers from Reserves: | | |
| - - | Research Investigations | 110 | (a) |
| 80 | Financial Accommodation Repayment | - - | (100.0) |
| <u>8,539</u> | Total available for Appropriation | <u>8,559</u> | 0.2 |
| | Less - Transfers to Reserves: | | |
| 4,711 | Liquid Waste Treatment Facility | 2,396 | (49.1) |
| 44 | Research Investigations | 112 | 154.5 |
| 2,917 | Property Acquisition and Development | 5,691 | 95.1 |
| 33 | Financial Accommodation Repayment | 17 | (48.5) |
| <u>834</u> | ACCUMULATED FUNDS AT END OF YEAR | <u>343</u> | (58.9) |

KEY

(a) Nil in previous year - not calculable.

BALANCE SHEET as at 31 March 1989

| Previous Year \$'000 | | \$'000 | % Increase (-) |
|----------------------------|--------------------------------------|---------------|----------------------|
| | CURRENT ASSETS | | |
| 4,060 | Receivables | 4,117 | 1.4 |
| 15,187 | Investments | 8,397 | (44.7) |
| <u>19,247</u> | TOTAL CURRENT ASSETS | <u>12,514</u> | (35.0) |
| | NON-CURRENT ASSETS | | |
| 100 | Investments | - - | (100.0) |
| 40,393 | Property, Plant and Equipment | 54,137 | 34.0 |
| <u>40,493</u> | TOTAL NON-CURRENT ASSETS | <u>54,137</u> | 33.7 |
| <u>59,740</u> | TOTAL ASSETS | <u>66,651</u> | 11.6 |
| | CURRENT LIABILITIES | | |
| 6,594 | Creditors and Borrowings | 4,738 | (28.1) |
| 802 | Provisions | 2,189 | 172.9 |
| <u>7,396</u> | TOTAL CURRENT LIABILITIES | <u>6,927</u> | (6.3) |
| | NON-CURRENT LIABILITIES | | |
| 3,474 | Borrowings | 2,765 | (20.4) |
| 8,824 | Provisions | 9,298 | 5.4 |
| <u>12,298</u> | TOTAL NON-CURRENT LIABILITIES | <u>12,063</u> | (1.9) |
| <u>19,694</u> | TOTAL LIABILITIES | <u>18,990</u> | (3.6) |
| <u>40,046</u> | NET ASSETS | <u>47,661</u> | 19.0 |
| | CAPITAL AND RETAINED EARNINGS | | |
| 36,261 | Capital | 45,954 | 26.7 |
| 2,951 | Reserves | 1,364 | (53.8) |
| 834 | Accumulated Funds | 343 | (58.9) |
| <u>40,046</u> | | <u>47,661</u> | 19.0 |

Depot Waste Charges

This is the Authority's major source of revenue with income at \$36.5m being 23.3% more than the previous year. This significant rise has resulted from increased solid waste input – up 21.4% on the previous year, together with a full year's effect of price increases introduced in January 1988.

The ten depots which were operational during the year received 2.1m tonnes of solid waste and 65.4 megalitres of liquid waste over the review year compared with 1.8m tonnes of solid waste and 66.1 megalitres of liquid waste received during the previous year.

The aqueous waste plant entered commercial operations on 18 October 1988 but was subsequently shut down on a number of occasions to implement commissioning procedures.

The Artarmon transfer station was originally expected to commence operations in the year under review but did not begin trading until 28 April 1989.

More than 50% of all waste received in the metropolitan waste disposal region is deposited at the Authority's depots. The balance is received at disposal facilities operated by local government bodies and private operators.

Depot Operating Costs

Expenditure charged against depots totalled \$26.4m – up 26.5% on the previous year and comprised direct operating costs of \$22.2m and transfers of \$4.2m to various related provisions.

Other Expenditure

During the year, at the Minister's direction, the Authority commenced a study into the ecological and biological aspects of silver gulls. The cost of the project is estimated at \$624,000, to be shared equally between the Authority and the Water Board.

In July 1988 the Authority earmarked funds of \$250,000 to support research into and development of viable recycling systems. From these funds approval was given to pay five councils a total of \$63,000. In addition, a coalition of the Western Metropolitan Health and Building Surveyors received \$37,000 towards the cost of providing recycling bags. Roundly \$44,000 was approved for payment to various organisations and councils to support innovative schemes to improve recycling. The balance, approximately \$106,000, is intended to be allocated during 1989–90 to a research project.

Receivables

This item comprises debtors less provision for doubtful debts, \$579,346.

Notwithstanding a slight increase in the amount outstanding at 31 March 1989, the Authority achieved a further significant improvement in its debtors' position. The improvement was due to the following of effective recovery procedures and the adherence to a strict credit policy. During the year long term debtors, as a proportion of total debtors, fell from 33.1% to 22.4%.

Capital Expenditure

As in the previous year the use of internal sources to fund capital expenditure (\$15.8m) brought about a significant reduction in the Authority's reserves. As a consequence, the value of investments fell from \$15.3m at the beginning of the year to \$8.4m at year end. The Authority had \$6.0m of capital expenditure committed at 31 March 1989.

Major capital expenditures were \$6.2m on a new transfer station at Artarmon, \$3.8m towards the aqueous waste plant at Lidcombe, \$2.2m for extensions to the Rockdale transfer station, and \$3.1m for the purchase of land at Eastern Creek for a landfill depot operation.

Property, Plant and Equipment

The table below shows the components making up this item:

| | Cost \$'000 | Depreciation \$'000 | Balance \$'000 |
|---------------------------------|----------------|------------------------|-------------------|
| Depot Facilities including Land | 58,458 | 5,772 | 52,686 |
| Head Office Plant and Equipment | 2,552 | 1,101 | 1,451 |
| TOTAL | <u>61,010</u> | <u>6,873</u> | <u>54,137</u> |

Creditors

The item Creditors and Borrowings under the heading Current Liabilities includes creditors at \$3.7m, a fall of \$2.0m on the previous year.

Borrowings

Loans outstanding at 31 March 1989 were \$3.5m. Repayments of principal during the year totalled \$727,707. Repayment of loans is on a credit foncier basis except for one loan with a value of \$170,000 repayable at maturity for which amounts are allocated from the operating surplus to the Reserve for Financial Accommodation Repayment. Sums so allocated totalled \$16,980. There were no new borrowings during the period but the bank overdraft (bank balance and unrepresented cheques) rose from \$189,366 to \$362,074.

Provisions and Reserves

Movements in provisions, other than for depreciation and doubtful debts, and in reserves were:

| | Balance 31.3.88 \$'000 | Movements | | Balance 31.3.89 \$'000 |
|---|------------------------------|--------------|--------------|------------------------------|
| | | + | - | |
| | | \$'000 | \$'000 | |
| PROVISIONS | | | | |
| Restoration and Future Maintenance of Regional Depots | 3,926 | 1,594 | 189 | 5,331 |
| Future Maintenance of Castlereagh Depot | 2,295 | 617 | - | 2,912 |
| Superannuation - Deferred Liability | 1,356 | 132 | 21 | 1,467 |
| Employee Leave Entitlements | 729 | 134 | 138 | 725 |
| Insurance | 130 | 266 | 2 | 394 |
| Sinking Fund for Interest Payable | 896 | 43 | 580 | 359 |
| Major Repairs of Plant and Equipment | 294 | 568 | 563 | 299 |
| TOTAL | <u>9,626</u> | <u>3,354</u> | <u>1,493</u> | <u>11,487</u> |
| RESERVES | | | | |
| Research Investigations | 907 | 112 | 110 | 909 |
| Liquid Waste Treatment Facility | 1,789 | 2,396 | 3,812 | 373 |
| Financial Accommodation Repayment | 65 | 17 | - | 82 |
| Property Acquisition and Development | 190 | 5,691 | 5,881 | - |
| TOTAL RESERVES | <u>2,951</u> | <u>8,216</u> | <u>9,803</u> | <u>1,364</u> |

Provisions: During the year \$421,945 was written back from the Sinking Fund for Interest Payable and treated as an abnormal item following a reassessment of the liability for future interest payments. The sum of \$250,000 was transferred from the Provision for Major Repairs of Plant and Equipment to the Insurance Provision. This amount offsets a figure in receivables accrued for an insurance claim which is currently being considered by the Authority's insurer.

The Authority has changed its accounting policy so that provisions previously shown as current liabilities have been allocated as current and non-current to better reflect the anticipated requirements for funding of those liabilities.

Reserves: During the year \$8.2m was appropriated to the Authority's four reserves. Movements from reserves comprised the writeback of \$9.7m to capital and the transfer of \$110,000 to Accumulated Funds.

Contingent Liabilities

At year end the Authority reported two contingent liabilities. One, \$385,900, has since been settled. The other, \$1.2m, resulting from variations to a contract for depot operations is currently the subject of arbitration.

SIGNIFICANT MATTERS RAISED IN PREVIOUS REPORT

At the conclusion of the 1988 audit the following matters were referred in writing to the Director:

Provisions for Liabilities: There were inadequacies in the Authority's assessments to support certain liabilities. As a consequence of this observation the Authority reassessed the Sinking Fund for Interest Payable and found that the provision exceeded the liability by \$421,945. Improved documentation was also supplied for the following provisions: Restoration and Future Maintenance of Regional Depots; Future Maintenance of Castlereagh Depot; Major Repairs of Plant and Equipment; and Insurance. This evidence was, however, still not considered to be adequate. This matter has been raised in the 1989 management letter and a reassessment of these provisions will be made in the 1989-90 year.

Research Reserve: It was suggested that expenditure from this reserve might be more accurately disclosed. Appropriate action was taken on this advice in 1989.

Apportionment of Interest: Apportionment of interest to reserves and provisions was previously based on beginning of year balances regardless of fluctuations that occurred throughout the year. After we brought this to their attention the Authority adopted a much more accurate method using monthly balances.

FINANCIAL ANALYSIS

A summary of the Authority's operating performance for the last four periods and the projected figures for 1989-90 follows:

| | 1985 - 86 \$'000 | 1986 - 87* \$'000 | 1987 - 88 \$'000 | 1988 - 89 \$'000 | Budgeted 1989 - 90(a) \$'000 |
|------------------------------|---------------------|----------------------|---------------------|---------------------|------------------------------------|
| Depot Operations | | | | | |
| Charges | 20,903 | 18,074 | 29,572 | 36,461 | 52,060 |
| Less - Costs | <u>14,543</u> | <u>14,185</u> | <u>20,853</u> | <u>26,380</u> | <u>36,272</u> |
| Margin | 6,360 | 3,889 | 8,719 | 10,081 | 15,788 |
| Other Income | | | | | |
| Interest | 4,040 | 3,202 | 3,333 | 1,389 | 1,187 |
| Miscellaneous | 1,253 | 880 | 1,421 | 1,606 | 1,419 |
| Abnormal Items | <u>- -</u> | <u>- -</u> | <u>- -</u> | <u>842</u> | <u>- -</u> |
| | <u>5,293</u> | <u>4,082</u> | <u>4,754</u> | <u>3,837</u> | <u>2,606</u> |
| Other Expenditure | | | | | |
| Administration & Other Costs | 3,055 | 2,579 | 4,517 | 5,157 | 5,372 |
| Depreciation | 151 | 222 | 394 | 393 | 490 |
| Provisions | 718 | 788 | 486 | 523 | 552 |
| Interest | <u>578</u> | <u>249</u> | <u>328</u> | <u>230</u> | <u>188</u> |
| | <u>4,502</u> | <u>3,838</u> | <u>5,725</u> | <u>6,303</u> | <u>6,602</u> |
| Operating Surplus | <u>7,151</u> | <u>4,133</u> | <u>7,748</u> | <u>7,615</u> | <u>11,792</u> |
| | % | % | % | % | % |
| Rate of Return | 16.4 | 8.0 | 13.0 | 11.4 | 15.9 |

KEY

* Reflects operations over a nine month period. All other figures are for a full year.
(a) Budget at February 1989 supplied by the Authority in July 1989.

The Authority's stated pricing policy is based on the "user pays" principle and prices are determined at a level sufficient to meet operating costs and recovery of capital expenditure. In the past increases have been kept at or below the Consumer Price Index, but the latest price increases which took effect from 1 April 1989 far exceed the movement in the Consumer Price Index. The need for an increase of this magnitude was foreshadowed in last year's analysis. The reasons advanced were:

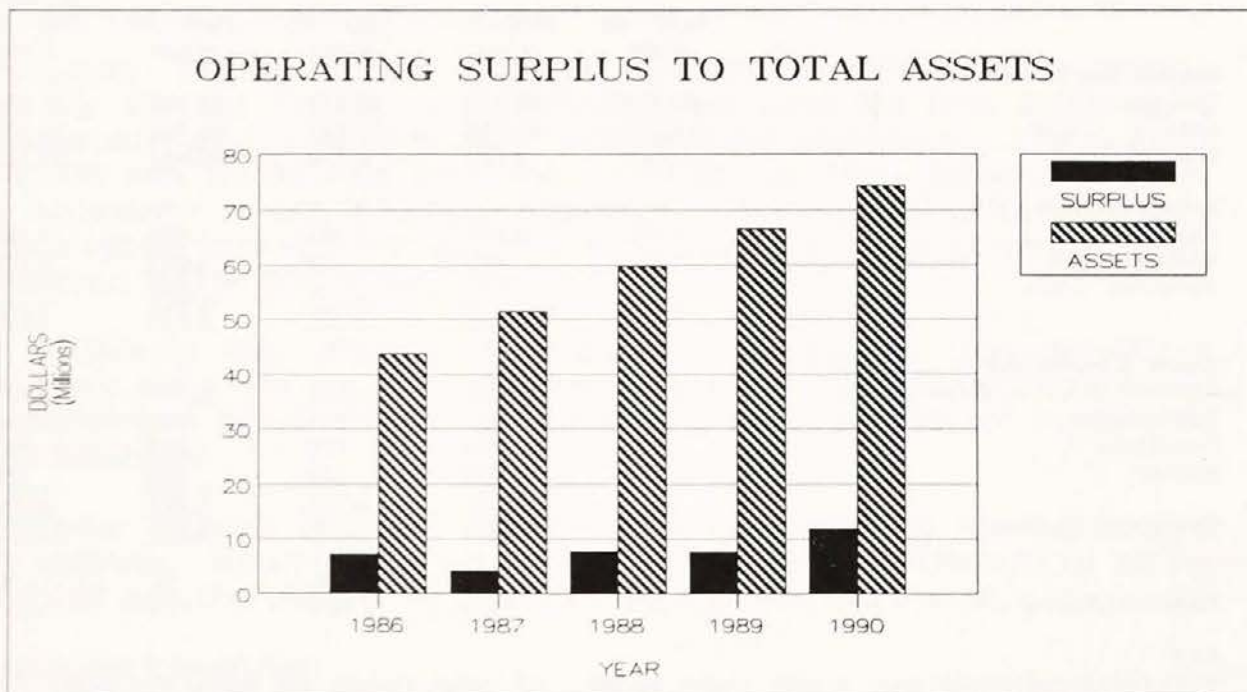
- * The cost of waste disposal is escalating at a greater rate than Consumer Price Index movements as available land fill sites become further away from the areas where waste is generated.
- * The cost of environmental protection and after care of closed depot sites is expected to increase substantially in future years.

Profitability

The average rate of return of 12.2% over the four year period to 31 March 1989 compares with 12.5% for the three year period to 31 March 1988 covered in the financial analysis in the prior year's Report. The current year's rate of return of 11.4% is somewhat less than the 13% for the 1987-88 year but profitability is expected to increase significantly to 15.9% during 1989-90. This is attributable to both the April 1989 fee increases and the contribution generated by the transfer station at Artarmon and the aqueous waste plant.

The components of average rate of return are shown in Figure 1 – Operating Surplus to Total Assets:

Figure 1

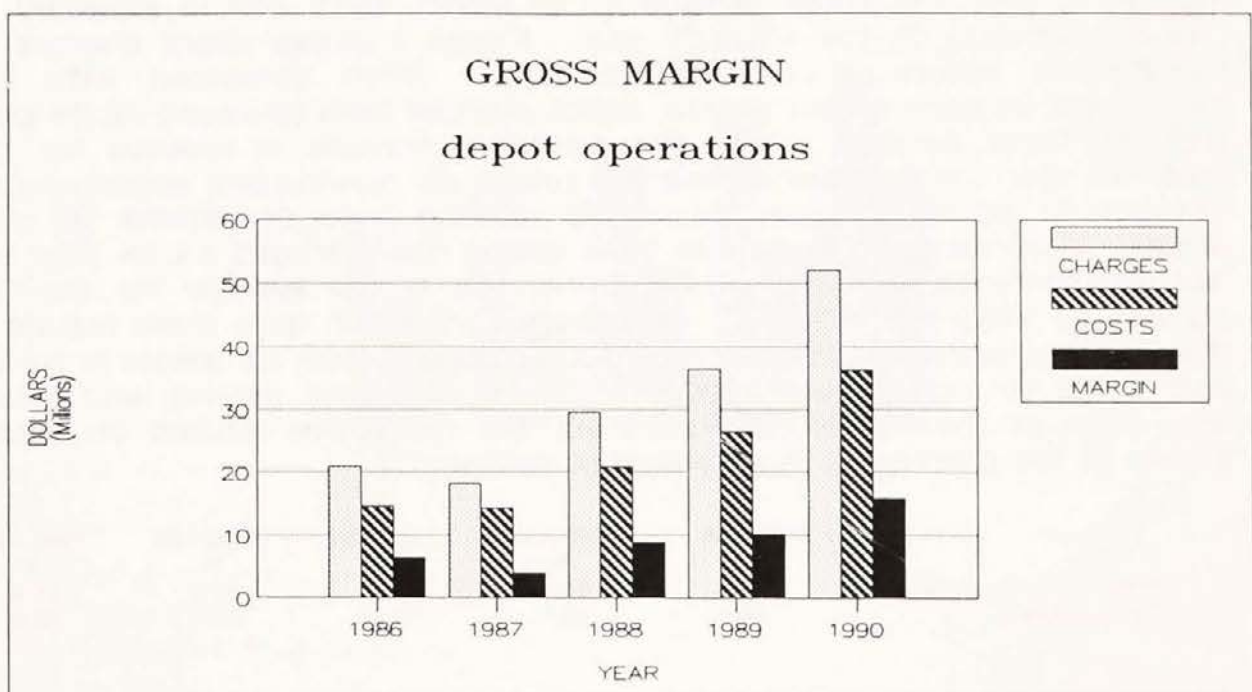


The rate of return in the above graph tends to be distorted by the change in the accounting period for 1986-87 when the Authority adopted a March year end, resulting in a nine month reporting period. Additionally, fluctuations over the period result from the impact of large capital expenditure on regional waste facilities which commenced in 1986-87 and has continued into 1988-89 as shown in the following table of major expenditure:

| | 1986 - 87 \$m | 1987 - 88 \$m | 1988 - 89 \$m | Total \$m |
|---|------------------|------------------|------------------|--------------|
| Lucas Heights - Land Acquisition and Development | 4.7 | - | - | 4.7 |
| Artarmon - Transfer Station - New Construction | - | 4.4 | 6.2 | 10.6 |
| Rockdale - Transfer Station Upgrade | - | - | 2.2 | 2.2 |
| Lidcombe - Aqueous Waste Plant - New Construction | 3.3 | 17.1 | 3.8 | 24.2 |
| Eastern Creek - Land Acquisition | - | - | 3.1 | 3.1 |
| | <u>8.0</u> | <u>21.5</u> | <u>15.3</u> | <u>44.8</u> |

The previously mentioned increased contributions from these facilities commencing in the 1989-90 year are expected to lift the gross margin from \$10.1m to \$15.8m (refer to Figure 2 - Gross Margin). The ratio of depot operating costs to charges for all periods under review remains constant at around 71% except for 1986-87 when revenue for the nine month period was 13.5% less than in the previous year but, owing to their more fixed nature, costs reduced by only 2.5% resulting in a ratio of 78.5%.

Figure 2



Balance Sheet

The following is a summary of balance sheets for the last four years plus budget projections for 1990:

| | 1986 \$'000 | 1987 \$'000 | 1988 \$'000 | 1989 \$'000 | 1990 \$'000 |
|--------------------------------------|----------------|----------------|----------------|----------------|----------------|
| CURRENT ASSETS | | | | | |
| Receivables | 4,207 | 3,455 | 4,060 | 4,117 | 4,636 |
| Investments | <u>28,538</u> | <u>28,758</u> | <u>15,187</u> | <u>8,397</u> | <u>8,991</u> |
| TOTAL CURRENT ASSETS | <u>32,745</u> | <u>32,213</u> | <u>19,247</u> | <u>12,514</u> | <u>13,627</u> |
| NON-CURRENT ASSETS | | | | | |
| Investments | 100 | 100 | 100 | -- | -- |
| Property, Plant and Equipment | <u>10,783</u> | <u>19,041</u> | <u>40,393</u> | <u>54,137</u> | <u>60,634</u> |
| TOTAL NON-CURRENT ASSETS | <u>10,883</u> | <u>19,141</u> | <u>40,493</u> | <u>54,137</u> | <u>60,634</u> |
| TOTAL ASSETS | <u>43,628</u> | <u>51,354</u> | <u>59,740</u> | <u>66,651</u> | <u>74,261</u> |
| CURRENT LIABILITIES | | | | | |
| Creditors and Borrowings | 3,296 | 5,660 | 6,594 | 4,738 | 4,854 |
| Provisions | <u>7,304</u> | <u>9,195</u> | <u>802</u> | <u>2,189</u> | <u>2,000</u> |
| TOTAL CURRENT LIABILITIES | <u>10,600</u> | <u>14,855</u> | <u>7,396</u> | <u>6,927</u> | <u>6,854</u> |
| NON-CURRENT LIABILITIES | | | | | |
| Borrowings | 4,863 | 4,202 | 3,474 | 2,765 | 2,080 |
| Provisions | -- | -- | <u>8,824</u> | <u>9,298</u> | <u>8,163</u> |
| TOTAL NON-CURRENT LIABILITIES | <u>4,863</u> | <u>4,202</u> | <u>12,298</u> | <u>12,063</u> | <u>10,243</u> |
| TOTAL LIABILITIES | <u>15,463</u> | <u>19,057</u> | <u>19,694</u> | <u>18,990</u> | <u>17,097</u> |
| NET ASSETS | <u>28,165</u> | <u>32,297</u> | <u>40,046</u> | <u>47,661</u> | <u>57,164</u> |
| CAPITAL AND RETAINED EARNINGS | | | | | |
| Reserves | 20,513 | 16,184 | 2,951 | 1,364 | 407 |
| Accumulated Funds | <u>7,652</u> | <u>16,113</u> | <u>37,095</u> | <u>46,297</u> | <u>56,757</u> |
| | <u>28,165</u> | <u>32,297</u> | <u>40,046</u> | <u>47,661</u> | <u>57,164</u> |

The ability of the Authority to generate revenue from assets is depicted in the Asset Turnover graphs below. As mentioned above, revenue has been increasing over the three periods to 31 March 1989 and is expected to rise considerably in the 1989-90 year. Figure 3 shows depot charges to non-current assets at depreciated cost. When compared with the investment in non-current assets, depot charges have averaged 78.3% over the last three periods. With the expected increase in revenue for the 1989-90 year the four period average return on non-current assets should increase to 80.2%. Figure 3A shows revenue from operations to total assets. Revenue generated from total assets has averaged 54.9% over the last four periods with an estimated increase in the average for the five periods to 1989-90 of 58.6%. The conclusion drawn from these results is that the Authority's efficiency to produce revenue from its assets is sound and is set to increase considerably. In the past four periods and taking into account the budget for 1989-90, the respective returns on assets shown in the graphs are summarised as follows:

| | 1985 - 86 | 1986 - 87 | 1987 - 88 | 1988 - 89 | 1989 - 90 |
|--------------------|-----------|-----------|-----------|-----------|-----------|
| | % | % | % | % | % |
| Non-Current Assets | 192.1 | 94.4 | 73.2 | 67.3 | 85.9 |
| Total Assets | 60.1 | 43.1 | 57.2 | 59.0 | 73.6 |

Figure 3

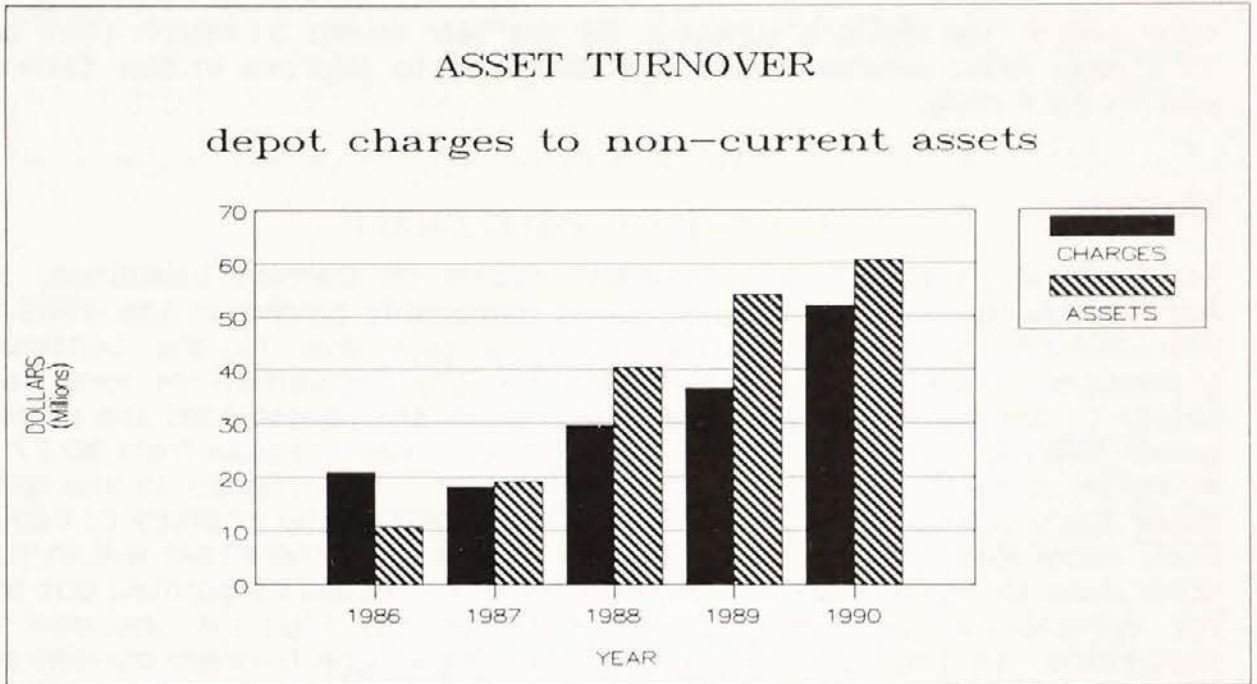
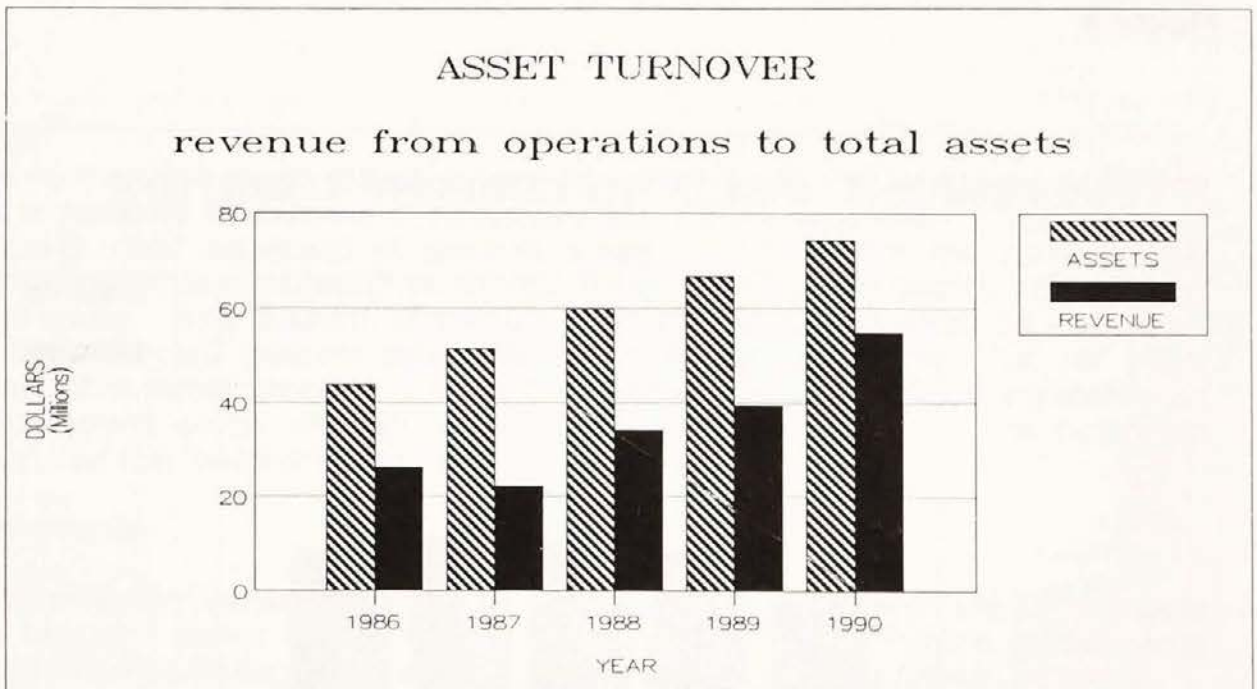


Figure 3A



Debtors Collections

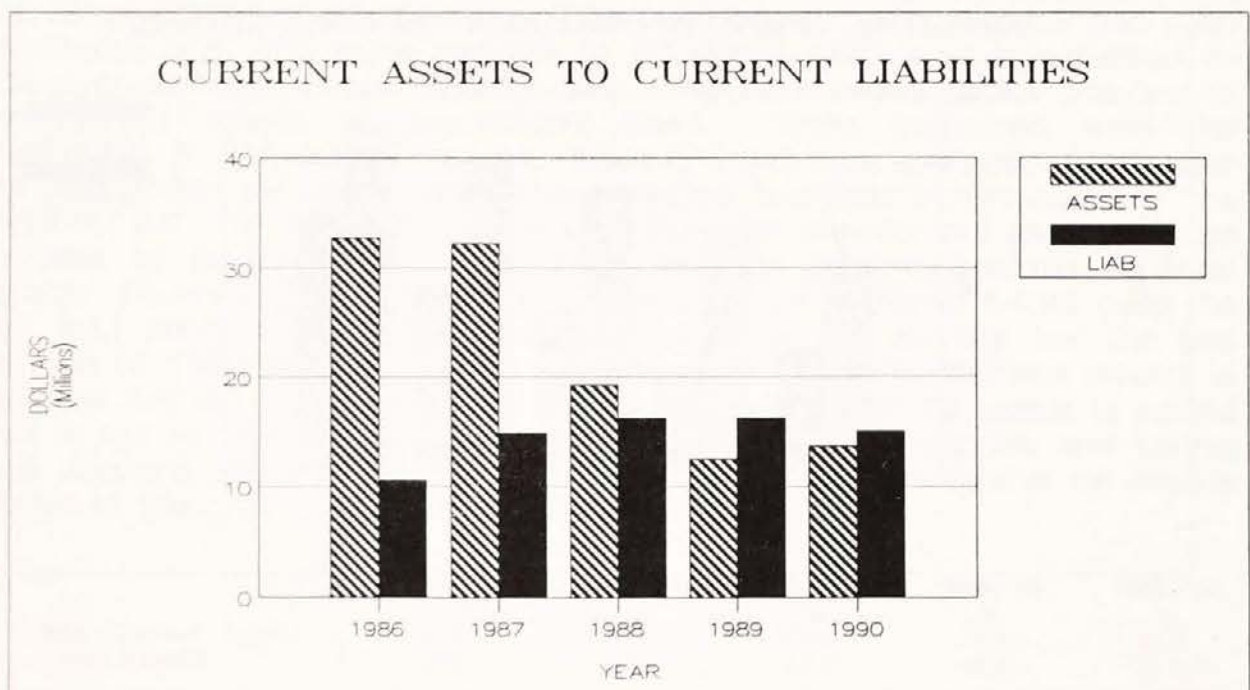
The Authority's debtors-cash cycle efficiency is demonstrated in the ratio of sales to debtors for the year ended to 31 March 1989 of 7.4 to 1 and is estimated to improve in the 1989-90 year to 9.1 to 1.

Additionally, the debtors turnover for the year ended 31 March 1989 was 35.3 days sales outstanding and is expected to improve in the 1989-90 year to 26.4 days.

Liquidity

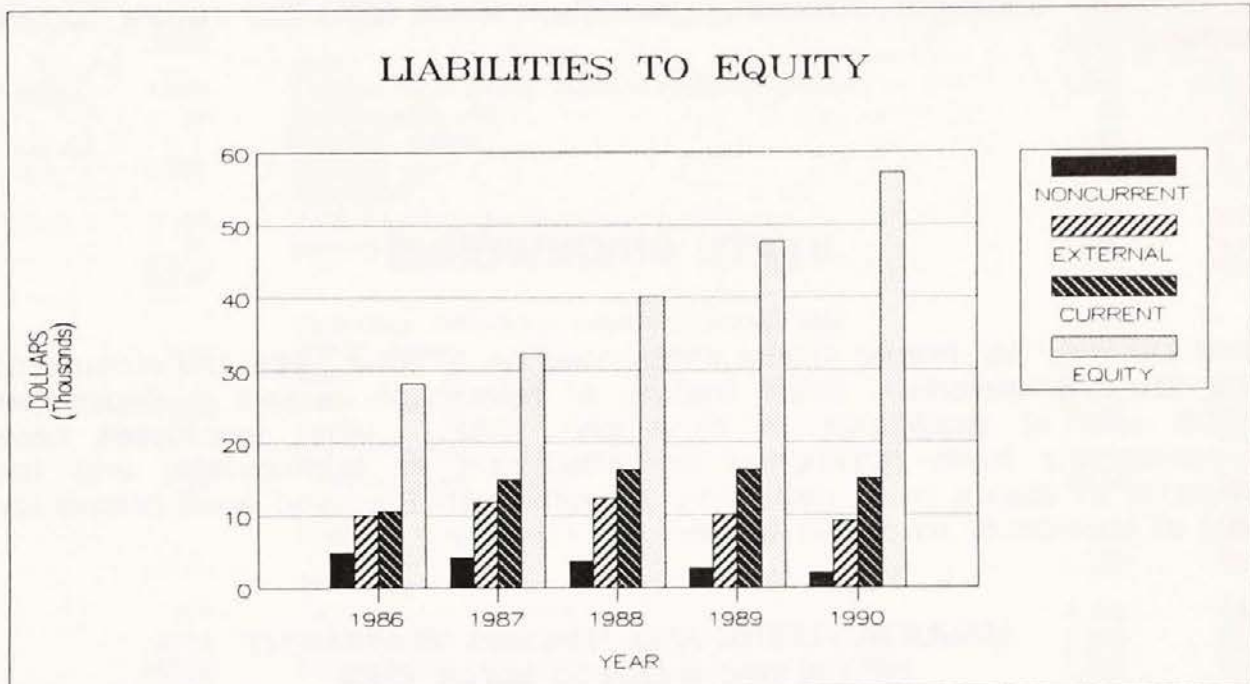
As depicted in Figure 4 - Current Assets to Current Liabilities, the Authority's liquidity position remained reasonably strong in the 1988-89 year though reduced from the previous year due to the continued utilisation of short term investments for the acquisition of long term assets in the nature of depot facilities. It is anticipated that the current asset cover to each dollar of current liabilities will increase from \$0.77 as at March 1989 to \$0.91 in the 1989-90 year. The change in the asset cover since the 1985-86 year of \$3.09 has reflected the strategy of capital asset expansion whereby the increased revenue flow therefrom will in turn contribute to the liquidity of the Authority. It should be pointed out that for comparative purposes current liabilities in Figure 4 includes all provisions. In 1989 the Authority divided provisions between current and non-current liabilities to better reflect the anticipated requirements for funding of these liabilities. This change is not reflected in the graph or comment.

Figure 4



The Authority's ability to repay liabilities out of net assets (equity) is shown in Figure 5 – Liabilities to Equity. The claims by external creditors on the Authority as a percentage to equity has steadily reduced from 36.7% in 1986–87 to 21.2% in the 1988–89 year with a budgeted reduction to 16.2% in the 1989–90 year.

Figure 5



The Authority has, in effect, a very low debt to equity (leverage) ratio and has a capacity to borrow if necessary for future expansion. The capacity to cover debt servicing at present levels is well within the revenue and operating surplus capabilities of the Authority as evidenced by the interest cover ratio. The operating surplus before charging interest as compared with the current interest costs for the 1988–89 year shows that for every dollar of interest there is \$34.11 of surplus available. This represents an improvement since 1985–86 where the cover was \$13.37. The budgeted result for the 1989–90 year is in the order of \$63.72.

Investments

As referred to earlier, the use of internal sources to fund capital projects has brought about a significant reduction in the Authority's investments with the total falling from a high of \$28.9m in 1987 to \$8.4m in 1989.

This trend should be halted as during the next few years projected operating surpluses are expected to be nearly sufficient to meet capital expenditure requirements.

Previously the Authority had a policy of backing all reserves and provisions with invested funds. At year end the reserves and provisions (including depreciation and amortisation) totalled \$20.3m while investments amounted to \$8.4m. While it is sometimes seen as desirable to have investments backing all reserves and provisions the current investments are more than sufficient to meet current liabilities.

Summary

Audits of the Authority's accounts and analysis of the financial statements over recent years as well as the budget for 1989-90 show the Authority's financial affairs to be well managed.

Although the latest price increases, effective from 1 April 1989, were extreme by comparison with previous years (on average up 33% for bulk charges and 67% for small vehicle charges), they were nonetheless considered necessary in order to achieve a reasonable rate of return and to provide adequate internally generated funds to meet future capital expenditure.

STATE BRICKWORKS

The Minister for Public Works announced on 2 June 1988 the closure of the State Brickworks. Brick trading at Homebush ceased in September 1988 and at Blacktown in November 1988. Most employees have progressively been retrenched or redeployed as appropriate, and the majority of assets (with exception of Homebush Bay land area) placed for sale at auction or by public tender.

MANUFACTURING AND TRADING STATEMENT for the year ended 31 March 1989

| Previous Year \$'000 | | \$'000 | % Increase (-) |
|----------------------------|--|--------------|----------------------|
| | SALES | | |
| 10,391 | Bricks | 6,915 | (33.4) |
| - | Brick Auction Proceeds | 1,070 | (a) |
| <u>10,391</u> | | <u>7,985</u> | (23.1) |
| | MANUFACTURING EXPENSES | | |
| 2,418 | Wages and Associated Costs | 1,435 | (40.7) |
| 459 | Provision for Employees' Leave | 281 | (38.8) |
| | Provision for State Authorities | | |
| 341 | Superannuation Fund | 107 | (68.6) |
| 2,158 | Coal, Fuel, Oil and Natural Gas | 1,241 | (42.5) |
| 1,603 | Repairs and Maintenance | 735 | (54.1) |
| 516 | Raw Materials | 335 | (35.1) |
| 623 | Electricity | 421 | (32.4) |
| 163 | Stores | 96 | (41.1) |
| 336 | Plant and Lorry Hire Operating | 232 | (31.0) |
| 364 | Depreciation | 312 | (14.3) |
| 17 | Other | 9 | (47.1) |
| <u>8,998</u> | COST OF BRICKS MANUFACTURED | <u>5,204</u> | (42.2) |
| | Add: | | |
| 398 | Decrease in Stocks | 3,257 | 718.3 |
| 105 | Net Loss on Cartage, etc | 14 | (86.7) |
| <u>503</u> | | <u>3,271</u> | 550.3 |
| 9,501 | Cost of Sales | 8,475 | (10.8) |
| | GROSS PROFIT (LOSS) TO INCOME AND EXPENDITURE STATEMENT | | |
| 890 | | (490) | (b) |
| <u>10,391</u> | | <u>7,985</u> | (23.1) |

KEY

(a) Nil in previous year - not calculable.

(b) Profit in previous year - percentage not applicable.

INCOME AND EXPENDITURE STATEMENT for the year ended 31 March 1989

| Previous Year \$'000 | | \$'000 | % Increase (-) |
|----------------------------|--|--------------|----------------------|
| | GROSS PROFIT (LOSS) | | |
| 890 | - MANUFACTURING AND TRADING | (490) | (a) |
| 467 | Interest on Investments | 325 | (30.4) |
| 287 | Sundry Income | 423 | 47.4 |
| 15 | Proceeds from Sale of Non-Current Assets | 24 | 60.0 |
| <u>1,659</u> | | <u>282</u> | (83.0) |
| | Less: | | |
| 1,448 | Salaries and Other Administrative Charges | 1,285 | (11.3) |
| 82 | Depreciation, etc | 88 | 7.3 |
| - - | Doubtful Debts | 22 | (b) |
| 687 | Interest, etc | 688 | 0.1 |
| | Provisions: | | |
| 56 | State Authorities Superannuation Fund | 58 | 3.6 |
| 26 | Employees' Leave | 46 | 76.9 |
| <u>2,299</u> | | <u>2,187</u> | (4.9) |
| | Operating Deficiency before Abnormal and Other Items | 1,905 | 197.7 |
| 640 | Add: | | |
| (525) | Extraordinary Items | 6,408 | (c) |
| | Operating Deficiency and Extraordinary Items | 8,313 | (d) |
| 115 | Less: | | |
| - - | Transfer from Repairs and Maintenance Provision | 155 | (b) |
| | Operating Deficiency and Extraordinary Items after Provision Transfer | 8,158 | (d) |
| 115 | Accumulated Funds at 1 April 1988 | 3,503 | (3.2) |
| <u>3,618</u> | Accumulated Losses/(Funds) at 31 March 1989 | <u>4,655</u> | (c) |
| <u>(3,503)</u> | | | |

KEY

- (a) Profit in previous year - percentage not applicable.
 (b) Nil in previous year - not calculable.
 (c) Credit in previous year - percentage not applicable.
 (d) More than 1,000%.

The combined operations of the Homebush and Blacktown brickworks for the year, before extraordinary items, resulted in an operating deficiency of \$1.9m. This result was made up of a deficiency of \$369,988 from Blacktown operations, a deficiency of \$1.4m from Homebush operations, interest earned \$324,829 and interest paid \$445,852.

Sundry Income is mainly from licence agreements for the extraction of sandstone and leasing of storage areas at Homebush. This item \$422,937 (\$287,705 in 1987-88), together with interest on Investments, \$324,829 (\$466,884 in 1987-88) contributed significantly to the overall result of operations for 1988-89.

The extraordinary items, \$6.4m were incurred as a result of the wind up of the operations. The major items included are: \$2.1m for the loss on sale of major works assets; \$1.9m for the payment of employee retrenchment benefits; and \$1.1m for a provision created for the expected loss on the disposal of the remaining assets (excluding land). The balance of extraordinary items, \$1.3m, is in relation to: prematurely terminating contractual gas supply agreements; auctioneers commissions and costs, decommissioning/demolition in winding up operations, and the write off of raw material stock no longer of productive use.

BALANCE SHEET as at 31 March 1989

| Previous Year \$'000 | | \$'000 | % Increase (-) |
|----------------------------|---|---------------|----------------------|
| | CURRENT ASSETS | | |
| 1,486 | Debtors (Less - Doubtful Debts \$169,650) | 1,156 | (22.2) |
| 4,272 | Stocks | - - | (100.0) |
| 1 | Cash at Treasury | - - | (100.0) |
| 3,251 | Deposits at Treasury | 1,551 | (52.3) |
| 897 | Land | 897 | - |
| | Buildings, Kilns, Plant, etc (Less - Depreciation \$895,619) | 1,879 | (66.9) |
| 5,671 | Intangible Assets: | | |
| 60 | Capitalised Expenditure | - - | (100.0) |
| <u>15,638</u> | TOTAL CURRENT ASSETS | <u>5,483</u> | (64.9) |
| <u>15,638</u> | TOTAL ASSETS | <u>5,483</u> | (64.9) |
| | CURRENT LIABILITIES | | |
| 847 | Creditors | 1,493 | 76.3 |
| 318 | Deposits on Orders, etc | - - | (100.0) |
| | Provisions: | | |
| - - | Expected Loss on Disposal of Plant Assets (excluding Land) | 1,079 | (a) |
| 1,552 | Employees' Leave | 205 | (86.8) |
| 2,213 | State Authorities Superannuation Fund | 235 | (89.4) |
| - - | Redundancy Payments | 180 | (a) |
| 158 | Repairs and Maintenance | - - | (100.0) |
| 84 | Income Tax Equivalent | - - | (100.0) |
| | Capital Debt: | | |
| 6,963 | State Government | 6,946 | (0.2) |
| <u>12,135</u> | TOTAL CURRENT LIABILITIES | <u>10,138</u> | (16.5) |
| <u>12,135</u> | TOTAL LIABILITIES | <u>10,138</u> | (16.5) |
| <u>(3,503)</u> | NET LIABILITIES (ASSETS) | <u>4,655</u> | (b) |
| | CAPITAL AND RETAINED EARNINGS | | |
| <u>(3,503)</u> | Accumulated Losses/(Funds) | <u>4,655</u> | (b) |

KEY

(a) Nil in previous year - not calculable.

(b) Funds in previous year - percentage not applicable.

At 31 March 1989 all assets and liabilities previously classified as non current have been presented as current as it is expected that they will be fully realised or repaid within the ensuing year.

The net liability in the Balance Sheet of \$4.7m as at 31 March 1989 is expected to be met from the sale of an area of land inclusive of the Blacktown site for which an offer of \$20m has been accepted. Settlement has been deferred until appropriate rezoning can be approved. The Blacktown site represents approximately 45% of the land area tendered. No decision has been made in relation to the land at Homebush pending the finalisation of the Government plans for the redevelopment of the Homebush Bay area.

Existing leases and licences will continue to provide income from the Homebush site until its future use is determined.

SYDNEY COVE REDEVELOPMENT AUTHORITY

The Authority was constituted under the Sydney Cove Redevelopment Authority Act 1968, to enable the redevelopment of The Rocks area.

Under Section 4(1A) of the Public Finance and Audit Act 1983 the Treasurer approved that the financial year end of the Authority be changed from 30 June to 31 March, as from 31 March 1988. Comparative figures for the previous period are for the nine months ended 31 March 1988.

INCOME AND EXPENDITURE STATEMENT for the year ended 31 March 1989

| Previous Period \$'000 | | \$'000 | % Increase (-) |
|------------------------------|---|---------------|----------------------|
| | INCOME | | |
| 7,403 | Rents | 15,106 | 104.1 |
| 4,058 | Interest | 8,913 | 119.6 |
| 37 | Miscellaneous | 260 | 602.7 |
| <u>11,498</u> | | <u>24,279</u> | 111.2 |
| | EXPENDITURE | | |
| 1,090 | Property Management | 1,958 | 79.6 |
| 282 | Planning and Site Release Expenses | 399 | 41.5 |
| 894 | Salaries and Staff Expenses | 1,274 | 42.5 |
| 413 | Public Relations and Promotional Expenses | 422 | 2.2 |
| 357 | Other Administrative Expenses | 474 | 32.8 |
| 13 | Audit Fees | 13 | - |
| (12) | Doubtful Debts | 82 | (a) |
| 368 | Depreciation | 1,301 | 253.5 |
| | Provisions: | | |
| 140 | Amortisation of Capitalised Charges | 404 | 188.6 |
| 31 | Employees' Accrued Entitlements | 107 | 245.2 |
| <u>3,576</u> | | <u>6,434</u> | 79.9 |
| 7,922 | Surplus Before Interest Charges and Abnormal Item | 17,845 | 125.3 |
| <u>9,087</u> | Interest | <u>9,765</u> | 7.5 |
| (1,165) | | 8,080 | (b) |
| - | Abnormal Item | 4,803 | (a) |
| <u>(1,165)</u> | SURPLUS (DEFICIENCY) | <u>12,883</u> | (a) |
| | Less: | | |
| 57,763 | Accumulated Deficiency - 31 March 1988 | 59,139 | 2.4 |
| | Add: | | |
| 3,016 | Transfer from Loan Repayment Reserve | 15,364 | 409.4 |
| <u>55,912</u> | | <u>30,892</u> | (44.7) |
| | Less: | | |
| 3,227 | Transfer to Loan Repayment Reserve | 584 | (81.9) |
| <u>59,139</u> | ACCUMULATED DEFICIENCY - 31 March 1989 | <u>31,476</u> | (46.8) |

KEY

(a) Deficiency/credit in previous year - percentage not calculable.

(b) Nil in previous year - not calculable.

BALANCE SHEET as at 31 March 1989

| Previous Year \$'000 | | \$'000 | % Increase (-) |
|----------------------------|---|------------------|----------------------|
| | CURRENT ASSETS | | |
| 997 | Receivables (Less - Doubtful Debts \$122,138) | 3,844 | 285.6 |
| 29,240 | Investments and Deposits | 112,427 | 284.5 |
| <u>30,237</u> | TOTAL CURRENT ASSETS | <u>116,271</u> | 284.5 |
| | NON-CURRENT ASSETS | | |
| 288,184 | Property, Plant and Equipment (At Valuation or Cost) (Less - Depreciation \$1.5m) | 983,029 | 241.1 |
| 17,546 | <i>Investments:</i> Loan Repayment Reserve | 3,702 | (78.9) |
| | <i>Intangible Assets:</i> Establishment and Development Expenses, etc (Less - Written off \$1.5m) | 404 | (29.9) |
| <u>576</u> | TOTAL NON-CURRENT ASSETS | <u>987,135</u> | 222.3 |
| <u>306,306</u> | | | |
| <u>336,543</u> | TOTAL ASSETS | <u>1,103,406</u> | 227.9 |
| | CURRENT LIABILITIES | | |
| 4,675 | Creditors and Accruals | 3,316 | (29.1) |
| 40,357 | Deposits on Redevelopment Sites | 152,107 | 276.9 |
| 481 | Provisions - Employees' Accrued Entitlements | 535 | 11.2 |
| 10,852 | Loans Outstanding | 4,122 | (62.0) |
| <u>56,365</u> | TOTAL CURRENT LIABILITIES | <u>160,080</u> | 184.0 |
| | NON-CURRENT LIABILITIES | | |
| <u>77,869</u> | Loans Outstanding | <u>37,919</u> | (51.3) |
| <u>77,869</u> | TOTAL NON-CURRENT LIABILITIES | <u>37,919</u> | (51.3) |
| <u>134,234</u> | TOTAL LIABILITIES | <u>197,999</u> | 47.5 |
| <u>202,309</u> | NET ASSETS | <u>905,407</u> | 347.5 |
| | CAPITAL AND RETAINED EARNINGS | | |
| | <i>Capital Debt:</i> State Government | 24,891 | (9.9) |
| 27,641 | <i>Retained Earnings and Reserves:</i> Lease Annuity Reserve | 223 | - |
| 223 | Asset Revaluation Reserve | 907,965 | 322.3 |
| 215,000 | Loan Repayment Reserve | 3,804 | (79.5) |
| <u>18,584</u> | | <u>936,883</u> | 258.3 |
| <u>261,448</u> | Less - Accumulated Deficiency | <u>31,476</u> | (46.8) |
| <u>59,139</u> | | <u>905,407</u> | 347.5 |
| <u>202,309</u> | | | |

During the year the Authority received further deposits totalling \$111.8m (\$18.8m for the nine months to 31 March 1988) as rent in advance under lease agreements with two developers in respect of redevelopment sites. It is expected that these deposits will be converted to income following completion of each redevelopment project. These substantial deposits together with an upward movement in rental income have enabled the Authority to reduce its loan debt by \$46.7m and to increase its general investments by \$84.4m.

The Authority continued its policy of early retirement of debt and during 1988-89 loans of \$39.7m were paid out before maturity. This action, along with the sale of \$14.4m of investments relating to the Loan Repayment Reserve, resulted in a profit to the Authority of \$4.8m and was brought to account as an abnormal income item.

As I commented last year the efforts by the Authority to reduce its debt position are commendable. I understand that anticipated cash inflows in the next financial year will enable the Authority to continue to retire loans prior to scheduled maturity dates.

Of the loan repayments, \$7.2m was met from the Loan Repayment Reserve. The Loan Repayment Reserve was reduced by a further \$8.2m being transferred to revenue as a result of the Reserve having been previously overstated. Contributions to the Reserve during 1988-89 totalled \$0.6m.

The decrease in capital debt (\$2.8m), was attributable to land being divested from the Authority to the Council of the City of Sydney. The Authority's Act provides for the payment of interest on its capital debt to the State Government on such terms and conditions as the Treasurer may from time to time determine. At the present time the Authority is paying interest on \$8.1m only out of the Treasury debt of \$24.9m.

The Authority's Land and Buildings were revalued on the basis of a valuation performed by the Valuer-General as at 30 June 1988. The large increase in the Asset Revaluation Reserve \$693.0m reflects the significant appreciation of property values since the last valuation by the Valuer-General as at 31 May 1985. In the main, the valuation increment relates to properties which are subject to long term lease. By way of example, one property had a 416.7 per cent increase in value.

Property, Plant and Equipment at 31 March 1989 comprised:

| | \$'000 |
|-----------------------------------|----------------|
| Land and Buildings (at valuation) | 979,350 |
| Land and Buildings (at cost) | 4,750 |
| Plant and Equipment (at cost) | 448 |
| Less - Accumulated Depreciation | (1,519) |
| | <u>983,029</u> |

SYDNEY MARKET AUTHORITY

The Authority was constituted by The Sydney Market Authority Act 1968 and operates public markets at Flemington for the sale of farm produce. It also operates a retail market (Paddy's Market) at Flemington and Redfern.

INCOME AND EXPENDITURE STATEMENT for the year ended 31 March 1989

| Previous Year \$'000 | | \$'000 | % Increase (-) |
|----------------------------|--|---------------|----------------------|
| | INCOME | | |
| 6,004 | Rents | 6,485 | 8.0 |
| 7,660 | Dues and Fees | 7,772 | 1.5 |
| 1,562 | Parking | 1,655 | 6.0 |
| 1,689 | Electricity | 1,933 | 14.4 |
| 1,353 | Interest | 1,484 | 9.7 |
| -- | Deferred Income | 567 | (a) |
| 140 | Sundry | 193 | 37.9 |
| <u>18,408</u> | | <u>20,089</u> | 9.1 |
| | EXPENDITURE | | |
| 3,525 | Salaries, Wages and Associated Costs | 3,991 | 13.2 |
| 22 | Board Members' Fees | 25 | 13.6 |
| 1,164 | Rates and Rents | 1,264 | 8.6 |
| 1,319 | Electricity and Gas | 1,426 | 8.1 |
| 304 | Insurances | 250 | (17.8) |
| 611 | General Administrative Expenses | 682 | 11.6 |
| 997 | Markets Maintenance and Repairs | 1,130 | 13.3 |
| 842 | Market Cleaning | 919 | 9.1 |
| 116 | Stores and Clothing | 132 | 13.8 |
| 423 | Market Promotion | 277 | (34.5) |
| 1,003 | Depreciation and Amortisation | 2,059 | 105.3 |
| 4,217 | Interest | 4,317 | 2.4 |
| 47 | Loan Raising Expenses | 35 | (25.5) |
| 25 | Audit Fee | 30 | 20.0 |
| -- | Prior Period Adjustment for Depreciation | 1,506 | (a) |
| | Provisions: | | |
| 331 | Employees' Leave Entitlements | 332 | 0.3 |
| 33 | Retiring Allowances and Superannuation | 22 | (33.3) |
| 1,440 | Deferred Maintenance | 844 | (41.4) |
| <u>16,419</u> | | <u>19,241</u> | 17.2 |
| 1,989 | OPERATING SURPLUS | 848 | (57.4) |
| 3,042 | Accumulated Funds at 1 April 1988 | 5,101 | 67.7 |
| | Add: | | |
| -- | Assets Acquired Free of Liability | 1,585 | (a) |
| -- | Transfers from Reserves: | | |
| -- | Accumulated Funds - Capital | 13,531 | (a) |
| 1,190 | Financial Accommodation Repayment Reserve Fund | 1,849 | 55.4 |
| <u>6,221</u> | Total Available for Appropriation | <u>22,914</u> | 268.3 |
| 1,120 | Transfer to Financial Accommodation Repayment Reserve Fund | 1,657 | 47.9 |
| <u>5,101</u> | Accumulated Funds at 31 March 1989 | <u>21,257</u> | 316.7 |

KEY

(a) Nil in previous year - not calculable.

BALANCE SHEET as at 31 March 1989

| Previous Year \$'000 | | \$'000 | % Increase (-) |
|----------------------------|--|---------------|----------------------|
| | CURRENT ASSETS | | |
| 1,028 | Accounts Receivable and Prepayments (Less - Doubtful Debts \$48,416) | 1,920 | 86.8 |
| 162 | Inventories | 180 | 11.1 |
| 7,462 | Interest Bearing Deposits and Cash | 7,258 | (2.7) |
| 26 | Discount on Loans | 14 | (46.2) |
| <u>8,678</u> | TOTAL CURRENT ASSETS | <u>9,372</u> | 8.0 |
| | NON-CURRENT ASSETS | | |
| 56,672 | Property, Plant and Equipment (Less - Depreciation and Amortisation \$14,396,409) | 58,722 | 3.6 |
| 53 | Discount on Loans | 39 | (26.4) |
| <u>2,768</u> | Investments | <u>3,521</u> | 27.2 |
| <u>59,493</u> | TOTAL NON-CURRENT ASSETS | <u>62,282</u> | 4.7 |
| <u>68,171</u> | TOTAL ASSETS | <u>71,654</u> | 5.1 |
| | CURRENT LIABILITIES | | |
| 1,971 | Accounts Payable | 2,466 | 25.1 |
| 4,863 | Loans | 4,060 | (16.5) |
| 2,062 | Prepaid Income | 2,088 | 1.3 |
| | Provisions: | | |
| 253 | Employee Entitlements | 177 | (30.0) |
| <u>1,716</u> | Deferred Maintenance | <u>2,203</u> | 28.4 |
| <u>10,865</u> | TOTAL CURRENT LIABILITIES | <u>10,994</u> | 1.2 |
| | NON-CURRENT LIABILITIES | | |
| 32,575 | Long Term Loans | 32,841 | 0.8 |
| 821 | Provision for Employee Entitlements | 967 | 17.8 |
| <u>33,396</u> | TOTAL NON-CURRENT LIABILITIES | <u>33,808</u> | 1.2 |
| <u>44,261</u> | TOTAL LIABILITIES | <u>44,802</u> | 1.2 |
| <u>23,910</u> | NET ASSETS | <u>26,852</u> | 12.3 |
| | CAPITAL AND RETAINED EARNINGS | | |
| 1,585 | Assets Acquired Free of Liability | - - | (100.0) |
| 2,831 | Financial Accommodation Repayment Reserve Fund | 2,639 | (6.8) |
| 5,101 | Accumulated Funds | 21,257 | 316.7 |
| 13,531 | Accumulated Funds - Capital | - - | (100.0) |
| 862 | Deferred Income | 2,956 | 242.9 |
| <u>23,910</u> | | <u>26,852</u> | 12.3 |

Operations for the year resulted in a surplus of \$848,440 compared with \$2.0m in the previous year. The major contributing factor for the lower result was a change in depreciation policy from a reducing balance method to a straight line method on buildings, rail sidings and some plant and equipment. Because of the change in policy it was necessary to bring to account a sum of \$1.5m for backlog charges.

The Provision for Deferred Maintenance was established in 1983-84 for essential work not carried out in previous years. A further allocation of \$844,000 made during the year was partly offset by payments of \$356,995. A balance of \$2.2m remained in the Provision at 31 March 1989.

Further loans totalling \$1.7m were raised during the year while repayments totalled \$2.3.

During the year the Authority relocated its Haymarket (Paddy's Market) operations to Redfern (Eveleigh). Capitalised relocation costs which included refurbishment of a State Rail Authority property, construction of a car park and initial cleaning expenses totalled \$3.6m. The State Government contributed \$1.8m towards these costs. The amortisation of the expenditure and government contribution over the two year lease period has resulted in a net charge of \$335,831 against income for the year.

In addition to the State Government contribution for the relocation of Paddy's Market to Redfern, premiums totalling \$1.7m charged by the Authority for five year leases on one of its warehouses have been included as deferred income. The premiums are being amortised to income over the period of the lease.

In accordance with International Accounting Standard No 20 the balance of Assets Acquired Free of Liability which is now represented by assets fully written off has been transferred to Accumulated Funds.

PROCESSING TOMATO MARKETING COMMITTEE OF NEW SOUTH WALES

The Committee constituted under the Marketing of Primary Products Act on 7 January 1988 commenced operations on 13 May 1988. The objective of the Committee is to determine prices and terms and conditions of payment for tomatoes grown in New South Wales and purchased by New South Wales and interstate processors who have had a throughput of tomatoes greater than 500 tonnes during the current or previous growing season.

Receipts for the period to 31 May 1989 totalled \$819 of which \$663 was provided by the New South Wales Tomato Growers Association. Payments including \$709 towards the costs incurred in the election of Committee members totalled \$797, leaving a bank balance of \$22 at year end.

HOMEBUSH ABATTOIR CORPORATION

The primary function of the Corporation was to establish, maintain and conduct slaughtering places and saleyards within the Metropolitan Abattoir Area.

Slaughtering operations of the Abattoir ceased on 10 June 1988 and since that date the Corporation has disposed of specific assets.

Meat market and saleyard functions and the management of land development activities are continuing but the Corporation is still dependent on government financial support to maintain these activities. Government cash support through interest free advances at 31 March 1989 totalled \$57.5m (\$36m at 31 March 1988).

TRADING AND INCOME AND EXPENDITURE STATEMENT for the year ended 31 March 1989

| Previous Year \$'000 | | \$'000 | % Increase (-) |
|----------------------------|---|---------------|----------------------|
| | INCOME | | |
| 9,425 | Abattoir and By-Products | 1,498 | (84.1) |
| 7,698 | Trading Activities | 2,149 | (72.1) |
| 2,182 | Meat Market and Saleyards | 1,783 | (18.3) |
| 3,368 | Rents and Property Services | 3,072 | (8.8) |
| 1,720 | Government Slaughter Charges | 386 | (77.6) |
| <u>24,393</u> | | <u>8,888</u> | (63.6) |
| | <i>Less Trading Expenses:</i> | | |
| 6,688 | Purchases - Trading Stock, etc | 1,988 | (70.3) |
| 9,485 | Wages and Salaries | 3,058 | (67.8) |
| 3,300 | Employees' Entitlements | 1,225 | (62.9) |
| 2,157 | Other Payroll Costs | 2,374 | 10.1 |
| 1,179 | Power and Fuels | 703 | (40.4) |
| 1,720 | Federal and State Slaughter Charges | 386 | (77.6) |
| 1,117 | Municipal and Water Rates, Water and Trade Waste | 1,206 | 8.0 |
| 487 | Miscellaneous | 269 | (44.8) |
| <u>26,133</u> | | <u>11,209</u> | (57.1) |
| <u>1,740</u> | GROSS DEFICIENCY | <u>2,321</u> | 33.4 |
| | <i>Add Administrative Expenses:</i> | | |
| 528 | Administrative and General Costs | 346 | (34.5) |
| 594 | Salaries | 430 | (27.6) |
| 207 | Employees' Entitlements | 173 | (16.4) |
| 242 | Other Payroll Costs | 111 | (54.1) |
| 2,782 | Interest | 2,309 | (17.0) |
| 535 | Depreciation | 512 | (4.3) |
| <u>6,628</u> | | <u>6,202</u> | (6.4) |
| <u>1,143</u> | <i>Less Investment Income</i> | <u>1,586</u> | 38.8 |
| <u>5,485</u> | OPERATING DEFICIENCY | <u>4,616</u> | (15.9) |
| | <i>Extraordinary Items:</i> | | |
| - - | Redundancy Payments | 3,424 | (a) |
| - - | Additional Superannuation Liability on Retrenchment | 2,686 | (a) |
| | | 6,110 | (a) |
| - - | <i>Less Profit on Disposal of Assets</i> | <u>1,234</u> | (a) |
| - - | Loss on Closure of Slaughtering Operations | 4,876 | (a) |
| - - | <i>Less Compensation for Electricity Easement</i> | <u>1,390</u> | (a) |
| - - | | <u>3,486</u> | (a) |
| 5,485 | Operating Deficiency and Extraordinary Items | 8,102 | 47.7 |
| <u>50,576</u> | Accumulated Deficiency at 1 April 1988 | <u>57,023</u> | 12.7 |
| 56,061 | | 65,125 | 16.2 |
| - - | <i>Less Assets Acquired Free of Liability</i> | <u>1,325</u> | (a) |
| <u>56,061</u> | | <u>63,800</u> | 13.8 |
| | <i>Add Transfers to Reserves:</i> | | |
| 286 | Employee Superannuation Funds | 241 | (15.7) |
| 676 | Financial Accommodation Repayment Reserve Fund | 718 | 6.2 |
| <u>57,023</u> | ACCUMULATED DEFICIENCY AT 31 MARCH 1989 | <u>64,759</u> | 13.6 |

KEY

(a) Nil in previous year - not calculable.

Notwithstanding the slaughter house operations only operating for just over two months of the financial year, the operating deficiency only decreased by \$869,000. After bringing to account extraordinary items, the operating deficiency was \$8.1m. After this transfer and other adjustments the accumulated deficiency as at 31 March 1989 was \$64.8m, a net increase of \$7.7m over the previous year.

Other Payroll Costs included \$1.6m to meet additional workers' compensation insurance premiums levied as a result of former employees lodging claims relating to injuries sustained in prior years.

The closure of slaughtering operations resulted in redundancy payments of \$3.4m and an additional superannuation liability of \$2.7m. These costs were partially offset by a profit on disposal of assets of \$1.2m leaving a loss on closure of this activity of \$4.9m. Permanent employees totalled 42 as at 31 March 1989 compared with 443 employees a year earlier.

BALANCE SHEET as at 31 March 1989

| Previous Year \$'000 | | \$'000 | % Increase (-) |
|----------------------------|--|----------------|----------------------|
| | CURRENT ASSETS | | |
| 7,050 | Cash and Deposits | 2,214 | (68.6) |
| 1,944 | Accounts Receivable | 571 | (70.6) |
| 554 | Inventories | 15 | (97.3) |
| 387 | Prepayments | 42 | (89.1) |
| <u>9,935</u> | TOTAL CURRENT ASSETS | <u>2,842</u> | (71.4) |
| | NON-CURRENT ASSETS | | |
| 56,888 | Property, Plant and Equipment | 130,405 | 129.3 |
| 1,128 | Investments | 10,313 | 814.3 |
| 55 | Deferred Expense | 30 | (45.5) |
| <u>58,071</u> | TOTAL NON-CURRENT ASSETS | <u>140,748</u> | 142.4 |
| <u>68,006</u> | TOTAL ASSETS | <u>143,590</u> | 111.1 |
| | CURRENT LIABILITIES | | |
| 895 | Bank Overdraft | 791 | (11.6) |
| 1,755 | Accounts Payable | 2,859 | 62.9 |
| 4,066 | Loans Payable | 2,155 | (47.0) |
| 790 | Provisions - Employees' Entitlements | 220 | (72.2) |
| <u>7,506</u> | TOTAL CURRENT LIABILITIES | <u>6,025</u> | (19.7) |
| | NON-CURRENT LIABILITIES | | |
| 18,190 | Long Term Loans | 15,953 | (12.3) |
| 36,020 | Treasury Advances | 57,470 | 59.6 |
| 15,984 | Provisions - Employees' Entitlements | 5,273 | (67.0) |
| <u>70,194</u> | TOTAL NON-CURRENT LIABILITIES | <u>78,696</u> | 12.1 |
| <u>77,700</u> | TOTAL LIABILITIES | <u>84,721</u> | 9.0 |
| <u>9,694</u> (a) | NET ASSETS | <u>58,869</u> | (a) |
| | CAPITAL AND RETAINED EARNINGS | | |
| | <i>Capital:</i> | | |
| 1,325 | Assets Acquired Free of Liability | - | (100.0) |
| 1,871 | Deferred Income | 4,495 | 140.2 |
| <u>3,196</u> | | <u>4,495</u> | 40.6 |
| | <i>Reserves:</i> | | |
| 2,279 | Financial Accommodation Repayment Reserve Fund | 2,997 | 31.5 |
| 41,854 | Non-Current Asset Revaluation Reserve | 116,136 | 177.5 |
| 44,133 | | 119,133 | 169.9 |
| 47,329 | | 123,628 | 161.2 |
| 57,023 | <i>Less</i> Accumulated Deficiency | 64,759 | 13.6 |
| <u>11,565</u> (b) | NET CAPITAL AND RETAINED EARNINGS | <u>58,869</u> | (b) |

KEY

(a) Net Liabilities in previous year - percentage not applicable.

(b) Net Deficiency in previous year - percentage not applicable.

The provision for employees' entitlements, \$5.5m, comprised \$920,000 for accrued leave entitlements and \$4.6m for superannuation benefits. The Corporation's liability for superannuation has been fully provided for.

During the period, further interest-free Treasury Advances of \$21.5m were provided to the Corporation, bringing the total to \$57.5m. The advances were to meet cash commitments for capital repayments, workers' compensation and working capital. The Corporation's total liability for loans raised is \$18.1m (down \$4.1m). Loan repayments during the year were \$4.2m (\$3m in 1987-88). The Corporation's loans are guaranteed by the Government.

Following a revaluation of land and roads by the Valuer-General the unrealised gain of \$74.3m was transferred into the Non-Current Asset Revaluation Reserve.

In previous annual reports of the Corporation reference has been made to land development on the advanced technology park, known as "Australia Centre". Infrastructure costs for the year amounted to \$175,230 and have been capitalised. Three leases each for ninety nine years were finalised during the year. Up-front lease payments totalling \$2.8m (1987-88, \$1.9m) were received and the amount amortised for 1988-89 was \$46,060. During 1988-89 the Corporation incurred net interest of \$1.1m (\$1.4m in 1987-88) in relation to funding the development project.

MATTERS RAISED WITH CORPORATION

During the past year a number of significant matters arising during the audit were raised with Corporation management. These included the absence of off-site storage for computer back-up data, investments and outstanding debts.

WINE GRAPES MARKETING BOARD FOR THE CITY OF GRIFFITH AND THE SHIRES OF LEETON, CARRATHOOL AND MURRUMBIDGEE

The Board is constituted under the Marketing of Primary Products Act 1983.

Wine grapes grown within the City of Griffith and Shires of Leeton, Carrathool and Murrumbidgee are vested in the Board. By arrangement the grapes are delivered direct to local wineries at prices negotiated between the proprietors and the Board. Wineries have the option of paying the Board for grapes or paying growers direct on behalf of the Board.

CONSOLIDATED INCOME AND EXPENDITURE STATEMENT
for the year ended 31 May 1989

| Previous Year | | \$ | % Increase (-) |
|------------------|---|------------------|----------------------|
| -- | SALES | -- | |
| -- | Less Cost of Sales | -- | - |
| -- | Opening Stock | -- | - |
| -- | Purchases | 10,255 | (a) |
| -- | Processing | 4,395 | (a) |
| -- | | <u>14,650</u> | (a) |
| -- | Less Closing Stock | <u>14,650</u> | (a) |
| -- | Cost of Sales | -- | - |
| -- | | -- | - |
| | INCOME | | |
| 217,304 | Charges on Growers | 274,209 | 26.2 |
| 39,305 | Interest | 27,393 | (30.3) |
| 2,180 | Sundries | 3,197 | 46.7 |
| -- | 1988 Vintage Wine Grapes | 458,115 | (a) |
| -- | 1989 Vintage Wine Grapes | 2,649,450 | (a) |
| <u>635,640</u> | Sales of 1987 Vintage Wine | -- | (100.0) |
| <u>894,429</u> | | <u>3,412,364</u> | 281.5 |
| | Provision for Grower Payments - 1987 | | |
| 68,051 | Vintage Written Back | -- | (100.0) |
| 300,537 | Debtor - 1985 Vintage Written Back | -- | (100.0) |
| 27,606 | Doubtful Debts Recovered | <u>248,457</u> | 800.0 |
| <u>396,194</u> | | <u>248,457</u> | (37.3) |
| <u>1,290,623</u> | | <u>3,660,821</u> | 183.6 |
| | EXPENDITURE | | |
| 695,703 | Grower Payments - 1987 Vintage | -- | (100.0) |
| -- | Grower Payments - 1988 Vintage | 458,115 | (a) |
| -- | Grower Payments - 1989 Vintage | 2,649,111 | (a) |
| 27,606 | Grower Payments - Spirit Pool | 249,266 | 802.9 |
| 37,661 | Salaries | 45,642 | 21.2 |
| 16,145 | Board Fees and Allowances | 18,892 | 17.0 |
| 50,534 | Administrative Expenses | 56,064 | 10.9 |
| 20,102 | Subscriptions and Donations | 25,037 | 24.5 |
| 8,918 | Depreciation | 9,734 | 9.2 |
| 2,550 | Audit Fees | 7,850 | 207.8 |
| 1,038 | Insurance | 23,696 | (b) |
| -- | Doubtful Debts | 10,506 | (a) |
| 32,081 | Payment of 1986 Interest | -- | (100.0) |
| | Provisions: | | |
| 2,120 | Leave Entitlements | 3,678 | 73.5 |
| 5,204 | Promotion Investigation | 3,167 | (39.1) |
| <u>899,662</u> | | <u>3,560,758</u> | 295.8 |
| 390,961 | OPERATING SURPLUS | 100,063 | (74.4) |
| | Add: | | |
| 239,516 (c) | Accumulated Funds at 1 June 1988 | 157,247 | (c) |
| <u>5,802</u> | Transfer from Research Fund | <u>9,314</u> | 60.5 |
| <u>157,247</u> | Total Available for Appropriation | <u>266,624</u> | 69.6 |
| | Less: | | |
| -- | Transfer to Grower Payments Reserve | <u>24,935</u> | (a) |
| <u>157,247</u> | ACCUMULATED FUNDS AT 31 MAY 1989 | <u>241,689</u> | 53.7 |

KEY

(a) Nil in previous year - not calculable.

(b) More than 1,000%.

(c) Deficiency in previous year - percentage not applicable.

CONSOLIDATED BALANCE SHEET as at 31 May 1989

| Previous Year \$ | | \$ | % Increase (-) |
|------------------------|---|----------------|----------------------|
| | CURRENT ASSETS | | |
| 315,925 | Bank and Deposits | 252,860 | (20.0) |
| 76,590 | Debtors - Board Charges (Less - Doubtful Debts \$10,506) | 134,144 | 75.1 |
| - | Wine Stock | 14,650 | (a) |
| 1,465 | Deferred Expenses - Establishment Costs | 1,465 | - |
| 53 | Prepayments | - | (100.0) |
| <u>394,033</u> | TOTAL CURRENT ASSETS | <u>403,119</u> | 2.3 |
| | NON-CURRENT ASSETS | | |
| 8,649 | Office Furniture and Equipment (Less - Depreciation \$8,553) | 6,861 | (20.7) |
| 6,237 | Research Equipment (Less - Depreciation \$20,244) | 955 | (84.7) |
| 2 | Shares in WGMB Holdings Pty Ltd | 2 | - |
| - | Puncheons | 7,150 | (a) |
| <u>14,888</u> | TOTAL NON-CURRENT ASSETS | <u>14,968</u> | 0.5 |
| <u>408,921</u> | TOTAL ASSETS | <u>418,087</u> | 2.2 |
| | CURRENT LIABILITIES | | |
| 150,019 | Creditors and Accruals | 52,276 | (65.2) |
| | Provisions: | | |
| 2,120 | Employee Leave Entitlements | 5,798 | 173.5 |
| <u>152,139</u> | TOTAL CURRENT LIABILITIES | <u>58,074</u> | (61.8) |
| | NON-CURRENT LIABILITIES | | |
| | Provisions: | | |
| 54,153 | Promotion Investigation | 57,320 | 5.8 |
| <u>54,153</u> | TOTAL NON-CURRENT LIABILITIES | <u>57,320</u> | 5.8 |
| <u>206,292</u> | TOTAL LIABILITIES | <u>115,394</u> | (44.1) |
| <u>202,629</u> | NET ASSETS | <u>302,693</u> | 49.4 |
| | CAPITAL AND RETAINED EARNINGS | | |
| 157,247 | Accumulated Funds | 241,689 | 53.7 |
| 45,380 | Research Fund | 36,067 | (20.5) |
| 2 | Share Capital | 2 | - |
| - | Grower Payments Reserve | 24,935 | (a) |
| <u>202,629</u> | | <u>302,693</u> | 49.4 |

KEY

(a) Nil in previous year - not calculable.

Charges on growers for the 1989 vintage are based on an assessment of \$2.75 per tonne (\$1.25 per tonne in 1988) on wine grapes grown within the Board's area. This approximates \$1.70 for the Board's administration expenses, 80¢ for insurance against any winery defaulting in payment to growers and 25¢ for contribution to reserves. The charge is deducted from payments made to growers through the Board or collected by wineries on the Board's behalf as a deduction from the first payment made to growers for a vintage's grapes.

Some wineries have defaulted in payment to growers in the past and, as the Board is responsible for ensuring all growers are treated uniformly, it has taken out insurance to cover any future defaults. The policy covers up to 90% of a winery's debt and is charged to growers in the levy at 80¢ per tonne. The contribution to reserves of 25¢ per tonne is to assist the Board to pay the balance of any such claim.

During the year some wineries took the option of paying the Board for growers' grapes. The Board then distributed this money to the growers. Grower payments received for the 1988 vintage were \$458,115 and the 1989 vintage \$2,649,111.

A provision for doubtful debts had been made for grapes delivered to a major winery for the 1982 Voluntary Pool. In February 1988 the winery paid the Board \$27,606 in partial payment of the debt. In October 1988 the remaining balance of \$248,457 was paid to the Board. These funds were distributed to growers with equity in the pool in June 1988 and October 1988 respectively.

The provision for doubtful debts, \$10,506, represents the levy raised on a winery which has since gone into receivership.

The Board has a subsidiary company WGMB Holdings Pty Ltd. While the preceding comment has been based on consolidated financial statements, a review of the Company's operations follows.

WGMB HOLDINGS PTY LTD

The Company which is wholly owned by the Wine Grapes Marketing Board was acquired on 14 April 1988.

The primary objective of the Board was to have the Company act as an intermediary between the Board and its dealings with a winery and its bank. These circumstances no longer apply and, following Ministerial approval, the Company is promoting and marketing Murrumbidgee Irrigation Area semillon wine.

TRADING AND PROFIT AND LOSS ACCOUNT for the year ended 31 May 1989

| | |
|---------------------------------------|---------------|
| | \$ |
| SALES | <u>—</u> |
| Less: Cost of Sales: | |
| Purchases | 10,255 |
| Processing | <u>4,395</u> |
| | 14,650 |
| Less: Closing Stock | <u>14,650</u> |
| Cost of Sales | <u>—</u> |
| | <u>—</u> |
| EXPENDITURE | |
| Audit Fees | 1,400 |
| Bank Fees | <u>11</u> |
| | 1,411 |
| DEFICIENCY | <u>1,411</u> |
| Accumulated Funds at 1 June 1988 | <u>—</u> |
| Accumulated Deficiency at 31 May 1989 | <u>1,411</u> |

There were no trading activities during the previous period.

BALANCE SHEET as at 31 May 1989

| Previous Period \$ | | \$ | % Increase (-) |
|--------------------------|---|---------------|----------------------|
| | CURRENT ASSETS | | |
| -- | Wine Stocks (At Cost) | 14,650 | (a) |
| <u>1,465</u> | Deferred Expenses - Establishment Costs | <u>1,465</u> | - |
| <u>1,465</u> | TOTAL CURRENT ASSETS | <u>16,115</u> | (b) |
| | NON-CURRENT ASSETS | | |
| -- | Puncheons (At Cost) | <u>7,150</u> | (a) |
| -- | TOTAL NON-CURRENT ASSETS | <u>7,150</u> | (a) |
| <u>1,465</u> | TOTAL ASSETS | <u>23,265</u> | (b) |
| | CURRENT LIABILITIES | | |
| -- | Bank | 11 | (a) |
| | Creditors: | | |
| -- | Processing and Puncheons | 11,545 | (a) |
| -- | Grape Purchases | 6,837 | (a) |
| -- | Other | <u>1,400</u> | (a) |
| -- | TOTAL CURRENT LIABILITIES | <u>19,793</u> | (a) |
| | NON-CURRENT LIABILITIES | | |
| <u>1,463</u> | Loan from Wine Grapes Marketing Board | <u>4,881</u> | 233.6 |
| <u>1,463</u> | TOTAL NON-CURRENT LIABILITIES | <u>4,881</u> | 233.6 |
| <u>1,463</u> | TOTAL LIABILITIES | <u>24,674</u> | (b) |
| <u>2</u> (c) | NET LIABILITIES | <u>1,409</u> | (c) |
| -- | ACCUMULATED DEFICIENCY | 1,411 | (a) |
| <u>2</u> | Less: Share Capital | <u>2</u> | - |
| <u>2</u> (d) | | <u>1,409</u> | (d) |

KEY

(a) Nil in previous year - not calculable.

(b) More than 1,000%.

(c) Net assets in previous year - percentage not applicable.

(d) Positive in previous year - percentage not applicable.

There were no sales during the year but the purchase and processing of grapes totalled \$14,650.

The loan of \$4,881 represents expenses paid by the Board on behalf of the Company.

FISH MARKETING AUTHORITY

The Authority is responsible for co-ordinating and promoting the orderly marketing and distribution of fish throughout New South Wales. It is financially dependent on funds derived from commissions charged on sales and miscellaneous revenue for other services provided. In 1988-89 the Authority continued to support the industry at the expense of its own financial operations. This support was predominantly fourfold:

- * charging a lower commission on sales (of nominated species) to approved fish processors;
- * rebate of commission on sales in certain circumstances;
- * freight subsidy for long haulage and
- * loans to fishing co-operatives at rates well below the market rate.

The audit certificate to the Authority's 1988-89 financial statements was qualified in the following terms:

"As reported in note 11 to the financial statements, the Authority has not maintained adequate records to permit verification of the "Non-Consignment Sales Income" of \$72,221".

INCOME AND EXPENDITURE STATEMENT for the year ended 31 March 1989

| Previous Year \$'000 | | \$'000 | % Increase (-) |
|----------------------------|---|---------------|----------------------|
| | INCOME | | |
| 51,852 | Consignment auction sales | 51,962 | 0.2 |
| <u>46,870</u> | Less: Portion due to producers | <u>47,090</u> | 0.5 |
| 4,982 | Commission on auction sales | 4,872 | (2.2) |
| 51 | Non-Consignment Sales Income | 72 | 41.2 |
| 256 | Crate cleaning and hire charges | 265 | 3.5 |
| 546 | Rents | 569 | 4.2 |
| 499 | Interest | 574 | 15.0 |
| <u>127</u> | Miscellaneous | <u>116</u> | (8.7) |
| <u>6,461</u> | | <u>6,468</u> | 0.1 |
| | EXPENDITURE | | |
| 281 | Advertising | 362 | 28.8 |
| 2,577 | Salaries, Wages, Fees, etc. | 2,886 | 12.0 |
| 1,249 | Administrative and general expenses | 1,802 | 44.3 |
| 295 | Depreciation | 264 | (10.5) |
| 31 | Doubtful Debts | 115 | 271.0 |
| 14 | Consignment Account Deficit | 23 | 64.3 |
| | <i>Provision for:</i> | | |
| 196 | Superannuation | 475 | 142.3 |
| <u>18</u> | Employees' Entitlements | <u>51</u> | 183.3 |
| <u>4,661</u> | | <u>5,978</u> | 28.3 |
| <u>1,800</u> | | <u>490</u> | (72.8) |
| - - | Abnormal Items | 829 | (a) |
| <u>1,800 (b)</u> | OPERATING DEFICIENCY | <u>339</u> | (b) |
| - - | Extraordinary item | 47 | (a) |
| 1,800 (b) | Operating Deficiency and Extraordinary item | 386 | (b) |
| <u>8,629</u> | Retained Earnings at 1 April 1988 | <u>10,429</u> | 20.9 |
| <u>10,429</u> | RETAINED EARNINGS AT 31 MARCH 1989 | <u>10,043</u> | (3.7) |

KEY

(a) Nil in previous year - not calculable

(b) Surplus in previous year - percentage not applicable.

BALANCE SHEET as at 31 March 1989

| Previous Year \$'000 | | \$'000 | % Increase (-) |
|----------------------------|---------------------------------------|---------------|----------------------|
| | CURRENT ASSETS | | |
| 4,601 | Cash and Deposits | 1,281 | (72.2) |
| 2,305 | Accounts Receivable | 1,683 | (27.0) |
| 473 | Loans to Industry | 327 | (30.9) |
| 174 | Inventories | 214 | 23.0 |
| 491 | Prepayments | 214 | (56.4) |
| 111 | Superannuation Investments | 222 | 100.0 |
| <u>8,044</u> | TOTAL CURRENT ASSETS | <u>3,941</u> | (51.0) |
| | NON-CURRENT ASSETS | | |
| -- | Superannuation Investments | 4 | (a) |
| 351 | Loans to Industry | 421 | 19.9 |
| 9,294 | Property, Plant and Equipment | 20,561 | 121.2 |
| -- | Deferred Expenditure | 266 | (a) |
| <u>9,755</u> | TOTAL NON-CURRENT ASSETS | <u>21,252</u> | 117.9 |
| <u>17,799</u> | TOTAL ASSETS | <u>25,193</u> | 41.5 |
| | CURRENT LIABILITIES | | |
| 252 | Bank Overdraft | -- | (100.0) |
| 2,656 | Accounts Payable | 1,659 | (37.5) |
| 441 | Crate and Guarantee Deposits | 594 | 34.7 |
| 554 | Provision for Employees' Entitlements | 331 | (40.3) |
| -- | Provision for Superannuation | 622 | (a) |
| -- | Provision for Redundancies | 207 | (a) |
| -- | Loans | 68 | (a) |
| <u>3,903</u> | TOTAL CURRENT LIABILITIES | <u>3,481</u> | (10.8) |
| | NON-CURRENT LIABILITIES | | |
| 2,125 | Loans | 10,041 | 372.5 |
| 1,342 | Provision for Superannuation | 1,354 | 0.9 |
| -- | Provision for Employees' Entitlements | 274 | (a) |
| <u>3,467</u> | TOTAL NON-CURRENT LIABILITIES | <u>11,669</u> | 236.6 |
| <u>7,370</u> | TOTAL LIABILITIES | <u>15,150</u> | 105.6 |
| <u>10,429</u> | NET ASSETS | <u>10,043</u> | (3.7) |
| | CAPITAL AND RETAINED EARNINGS | | |
| <u>10,429</u> | Retained Earnings | <u>10,043</u> | (3.7) |

KEY

(a) Nil in previous year - not calculable.

After bringing to account abnormal and extraordinary items of \$828,696 and \$47,208 respectively, the Authority recorded a deficit of \$386,164. This marked turnaround from the previous year's operating surplus of \$1.8m, has arisen as a result of a relatively constant income being insufficient to finance an increase in expenditure of \$2.2m. This deficiency would have been considerably greater had the Authority not capitalised interest of \$911,550 (1987-88 - \$91,982) on loans raised to finance the redevelopment of the fish markets and new computer systems.

INCOME

While significant contributions are received from activities involving crate cleaning and hire, leasing of shops and coolroom facilities, and cash management, by far the major income generating activity is the commission earned on sale of fish.

Fish sales are in the main undertaken on a consignment basis. However, as mentioned in Volume Two of my 1988 Report to Parliament, the Authority has sought to attract additional supplies through the buying and selling of fish as principals.

During the year, the value of fish sold by the Authority totalled \$54.6m (\$52.6m in 1987-88) comprising consignment auction sales of \$52m (\$51.8m in 1987-88) and non-consignment sales of \$2.6m (\$711,342 in 1987-88).

According to the Authority's records the volume of fish sold during the year totalled 17,871 tonnes (17,356 tonnes in 1987-88). While the volume sold increased by 3.0%, the price paid only increased by 0.3%. According to the Authority, the paucity of the increase in returns to producers reflects consumer reaction to the rate of fresh seafood price rises. The Authority is of the view that this resistance to price increases of the order experienced in recent years will continue. Another factor in the anticipated poorer returns to producers is the effect on demand of publicity pertaining to pollution problems in Sydney waters. Authority statistics indicate that the value of product sold through the Sydney Fish Market during March 1989 fell 25% below the same month in the previous year following considerable media attention to the pollution issue.

Commission on consignment auction sales, \$5.0m, fell by 2.2% on that earned during the previous year, mainly as a result of higher rebates paid to encourage fishermen to increase the volume of fish supplied to the Sydney markets.

Details of non-consignment sales income were:

| | 1988 \$ | 1989 \$ |
|-----------------------------------|------------|------------|
| Sales | 711,342 | 2,655,777 |
| Less: | | |
| Cost of Sales | 660,778 | 2,583,556 |
| Income from non-consignment sales | 50,564 | 72,221 |
| % Income to Sales | 7.11% | 2.72% |

EXPENDITURE

Excluding the effect of abnormal and extraordinary items, the 28.3% increase in operating expenditure is attributable mainly to the following:

Wages and Salaries – pay increases and expenditure of \$242,952 on casual labour to overcome temporary staff shortages.

Administrative and General Costs – individual component increases over previous year's figures were, maintenance and repairs, \$144,279, consultancy and legal fees, \$69,029, printing and stationery, \$25,031, rent, \$20,778, travelling expenses (including the cost of an overseas tour of \$29,929), \$65,065, light, power and heating, \$32,543, co-operative computer development costs of \$27,000, and freight subsidy increases of \$12,213.

Advertising and Promotion Costs – increase of \$81,308. The main objective of the Authority's advertising and promotion campaign is to raise consumer awareness of the nutritional value of fish. The cost of this campaign has risen from \$77,958 for the six months to 31 March 1987 to \$362,450 for 1988-89. While this advertising and promotional campaign benefits both producers and distributors, it is the producers alone who meet the cost through commission paid.

Superannuation – increase of \$279,350 due to inflation and higher benefits accruing to the ageing labour force employed at the markets.

Abnormal and Extraordinary Items – aggregating \$875,904 referred to previously were responsible for the Authority recording a deficit result for the year. Details of these items are:

Abnormal Items – additional depreciation on buildings which are to be completely demolished in 1989–90, \$702,920, provision for redundancies \$207,000, offset by a refund of \$81,224 for overpaid water consumption.

Extraordinary Item – building demolishing costs incurred to 31 March 1989, \$47,208.

BALANCE SHEET

Details of major assets and liabilities are:

Property, Plant and Equipment

The net book value of \$20.6m comprised:

| | Cost | Accumulated Depreciation | Net Book Value |
|--------------------------------|---------------|-----------------------------|-------------------|
| | \$'000 | \$'000 | \$'000 |
| Freehold Land | 2,063 | – | 2,063 |
| Freehold Improvements | 17,892 | 1,849 | 16,043 |
| Plant, Equipment and Furniture | 288 | 134 | 154 |
| Motor Vehicles | 83 | 18 | 65 |
| Computer Hardware and Software | 2,077 | 211 | 1,866 |
| Plastic Crates | 511 | 141 | 370 |
| | <u>22,914</u> | <u>2,353</u> | <u>20,561</u> |

Total cost to 31 March 1989 on market redevelopment and associated new computer systems amounted to \$12.9m and \$1.8m respectively. This capital expenditure has been financed through realisation of investments and borrowings of \$10.1m from the NSW Treasury Corporation.

In April 1988 the Valuer-General valued the Authority's land and buildings at \$17.2m (excluding redevelopment works). At 31 March 1989 capital commitments totalled \$6.5m which has necessitated additional borrowings from Treasury Corporation of \$6m. The Authority estimates that a further \$5m will be required to complete the redevelopment.

Loans to Industry: Loans made during the year for industry assistance totalled \$278,088 bringing the total outstanding at 31 March 1989 to \$896,001. The provision for doubtful loans \$148,000 is considered adequate.

Loans approved by the Authority during the year but not advanced as at balance date totalled \$230,000 (\$400,000 in 1988).

Provision for Superannuation Liabilities

Included within the amount provided during the year, (\$742,017) is \$296,000 in respect of superannuation entitlements of employees transferred from other Government organisations. This sum was capitalised as deferred expenditure on recognition of the liability and is being amortised over a period of six years to more correctly match costs with benefits. At balance date the total actuarially assessed liability for all employees was \$2.0m which is partially funded by investments of \$225,870.

FINANCIAL ANALYSIS

Liquidity (Current) Ratio: The current ratio is the most commonly used measure of short-term solvency since it indicates the extent to which claims by short-term creditors are covered by assets that are expected to be converted to cash in a period corresponding to the maturity of the claims.

The ratio of current assets to current liabilities has fallen from 2.1:1 in 1987-88 to 1.1:1 in 1988-89. This is mainly due to a decrease of 52% in current assets caused by the realisation of short-term investments to finance the market redevelopment and computer systems.

The current ratio appears low, especially as the Authority does not currently have a banking facility to cover temporary cash shortages. Although there has been some improvement in credit management, the Authority is taking approximately 12 days to collect consignment sales debts whilst it has to pay producers on a weekly basis. This means that short-term receivables and short-term payables are not synchronised.

Total Debt to Total Assets Ratio: The Debt Ratio measures the percentage of total funds provided by Creditors. As at 31 March 1989 the Authority's total assets of \$25.2m were financed as follows:

| | \$'000 | % |
|-------------------|---------------|--------------|
| Retained earnings | 10,043 | 39.9 |
| External funds | 15,150 | 60.1 |
| Total funds | <u>25,193</u> | <u>100.0</u> |

The Authority is relying, to a large extent, on borrowings to finance its activities. Of total external funds, \$10.1m or 67% are interest bearing loans due to the NSW Treasury Corporation.

Cash Flow: For the year ended 31 March 1989 the Authority's net cash inflow from trading operations amounted to \$1.3m compared to \$2.3m for 1987-88, a decrease of \$1m or 43%. Without the generation of additional profits from operations and the introduction of cost-saving measures, this cash flow will not be sufficient to service loans and fund capital expenditure. During 1989-90, these are expected to be in the vicinity of \$2.3m and \$5m respectively.

The Authority is aware of these cash flow problems and is currently reviewing market development plans and assessing alternative methods of finance.

SIGNIFICANT MATTERS RAISED

During the year the following significant matters were drawn to the attention of Authority management:

- * internal control shortcomings in the disbursements, sales, debtors, and industry lending systems;
- * absence of adequate supporting documentation in respect of certain transactions; and
- * perceived need for improvement in the monitoring of trading by analysis of regularly produced management accounts.

During the 1987-88 audit my officers recommended that the Authority take steps to record non-consignment fish transactions in a subsidiary register and that the register be reconciled with the general ledger. This was not done and, as indicated earlier, the Authority's accounting systems did not provide sufficient information to facilitate verification of trading results. Accordingly, the audit opinion on the financial statements was qualified to indicate that fact.

Action taken/proposed to redress the reported internal control deficiencies is considered satisfactory. In respect of other issues raised, my staff will monitor progress made during the 1989-90 audit.

LAKE ILLAWARRA AUTHORITY

The Lake Illawarra Authority was constituted as a corporation by the Lake Illawarra Authority Act 1987. The Authority is subject to the control and direction of the Minister for Public Works and is a statutory body representing the Crown. The objectives of the Authority are to improve the environment at Lake Illawarra, its foreshores and environs and transform it into an attractive recreational and tourist resource. The Authority is funded on a dollar for dollar basis by the State Government and the Wollongong and Shellharbour Councils. Contribution by each Council is based on a predetermined percentage. The State Government has pledged to provide \$2.5m over five years. A further \$2.5m will be provided by the Councils.

During the year the contributors provided \$424,349 for expenditure on various improvement programs and other working expenses, an increase of \$366,210 over the previous seven months period.

INCOME AND EXPENDITURE STATEMENT for the year ended 31 March 1989

| Previous Period(a) \$ | | \$ |
|-----------------------------|--|----------------|
| | INCOME | |
| | <i>Contributions:</i> | |
| 29,069 | N.S.W. Government | 212,174 |
| 19,999 | Wollongong City Council | 156,506 |
| <u>9,071</u> | Shellharbour Municipal Council | <u>55,669</u> |
| 58,139 | | 424,349 |
| 220 | Other Income | <u>1,029</u> |
| <u>58,359</u> | | <u>425,378</u> |
| | EXPENDITURE | |
| | <i>Working Expenses:</i> | |
| 8,667 | Administration Costs | 20,439 |
| 36,354 | Hydrographic Survey | 3,913 |
| -- | Sandmining | 868 |
| -- | Windang Bridge Channel | 22,000 |
| -- | Ocean/View Sts. Channel | 44,000 |
| -- | Sediment Control | 95,470 |
| -- | Koonawarra Structural Works | 162,382 |
| -- | Foreshore Cleanup | 74,404 |
| -- | Algae Harvesting | 928 |
| 13,118 | Preparation for Cleanup and Ooze & Algae Removal Programs | -- |
| <u>220</u> | Depreciation | <u>974</u> |
| <u>58,359</u> | | <u>425,378</u> |

KEY

(a) This Period covers the seven months ending 31 March 1988.

BALANCE SHEET as at 31 March 1989

| Previous Year \$ | | \$ | % Increase (-) |
|------------------------|---|---------------|----------------------|
| | CURRENT ASSETS | | |
| 66,941 | Debtors and Receivables | 96,343 | 43.9 |
| <u>66,941</u> | TOTAL CURRENT ASSETS | <u>96,343</u> | 43.9 |
| | NON-CURRENT ASSETS | | |
| 8,582 | Plant and Equipment (Less - Depreciation \$974) | 8,702 | 1.4 |
| <u>8,582</u> | TOTAL NON-CURRENT ASSETS | <u>8,702</u> | 1.4 |
| 75,523 | TOTAL ASSETS | 105,045 | 39.1 |
| | CURRENT LIABILITIES | | |
| 18,823 | Overdraft at Treasury | 76,451 | 306.2 |
| 48,118 | Creditors and Accruals | 19,892 | (58.7) |
| <u>66,941</u> | TOTAL CURRENT LIABILITIES | <u>96,343</u> | 43.9 |
| 66,941 | TOTAL LIABILITIES | 96,343 | 43.9 |
| 8,582 | NET ASSETS | 8,702 | 1.4 |
| | CAPITAL AND RETAINED EARNINGS | | |
| 8,582 | Deferred Income | 8,702 | 1.4 |
| <u>8,582</u> | | <u>8,702</u> | 1.4 |

COUNCIL OF AUCTIONEERS AND AGENTS

The Council, constituted under the Auctioneers and Agents Act 1941, is responsible for regulating and licensing the operations of auctioneers, stock and station agents, real estate agents and business agents.

The following financial statements consolidate the Administration Account, the Compensation Fund, the Statutory Interest Account and the Agents Trust Account.

INCOME AND EXPENDITURE STATEMENT for the year ended 31 March 1989

| Previous Year \$'000 | | \$'000 | % Increase (-) |
|----------------------------|---|---------------|----------------------|
| | INCOME | | |
| 2,140 | Licence Fees | 2,252 | 5.2 |
| 8,022 | Interest | 8,908 | 11.0 |
| 9 | Compensation Fund Recoveries | 1 | (88.9) |
| 94 | Legal Costs Recovered | 82 | (12.8) |
| 16 | Other Income | 25 | 56.3 |
| <u>10,281</u> | | <u>11,268</u> | 9.6 |
| | EXPENDITURE | | |
| 736 | New South Wales Treasury | 779 | 5.8 |
| 1,016 | Salaries and Associated Costs | 1,150 | 13.2 |
| 95 | Superannuation | 100 | 5.3 |
| 603 | Miscellaneous Administrative Costs | 828 | 37.3 |
| 112 | Members' Fees and Travelling Expenses | 106 | (5.4) |
| 18 | Staff Travelling Expenses | 34 | 88.9 |
| 28 | Audit Fee | 32 | 14.3 |
| 442 | Legal Costs | 295 | (33.3) |
| 41 | Compensation Claims | 12 | (70.7) |
| 28 | Receivership Costs | 20 | (28.6) |
| 306 | Education Costs | 327 | 6.9 |
| 1,106 | Residential Tenancies Tribunal Costs | 908 | (17.9) |
| 52 | Depreciation | 96 | 54.8 |
| (18) | Provision for Employees' Leave Entitlements | 108 | (a) |
| <u>4,575</u> | | <u>4,795</u> | 4.8 |
| 5,706 | OPERATING SURPLUS | 6,473 | 13.4 |
| <u>36,623</u> | Accumulated Funds at the beginning of the year | <u>42,329</u> | 15.6 |
| <u>42,329</u> | Accumulated Funds at the end of the year | <u>48,802</u> | 15.3 |

KEY

(a) Deficiency in previous year - percentage not applicable.

The payment to the N.S.W. Treasury, \$778,520, represents licence fees collected by the Council.

BALANCE SHEET as at 31 March 1989

| Previous Year \$'000 | | \$'000 | % Increase (-) |
|----------------------------|---|--------|----------------------|
| | CURRENT ASSETS | | |
| 1,216 | Cash | - - | (100.0) |
| 1,891 | Receivables | 4,676 | 147.3 |
| 52 | Prepayments | 26 | (50.0) |
| 41,702 | Investments | 58,657 | 40.7 |
| 44,861 | TOTAL CURRENT ASSETS | 63,359 | 41.2 |
| | NON CURRENT ASSETS | | |
| 209 | Plant and Equipment | 582 | 178.5 |
| 20,839 | Investments | 10,932 | (47.5) |
| 21,048 | TOTAL NON CURRENT ASSETS | 11,514 | (45.3) |
| 65,909 | TOTAL ASSETS | 74,873 | 13.6 |
| | CURRENT LIABILITIES | | |
| 21,360 | Agents Trust Account Deposits | 24,378 | 14.1 |
| - - | Bank Overdraft | 255 | (a) |
| 1,184 | Creditors | 278 | (76.5) |
| 77 | Provision for Employees' Leave Entitlements | 58 | (24.7) |
| 753 | Unclaimed Trust Moneys | 844 | 12.1 |
| 23,374 | TOTAL CURRENT LIABILITIES | 25,813 | 10.4 |
| | NON CURRENT LIABILITIES | | |
| 206 | Provision for Employees' Leave Entitlements | 258 | 25.2 |
| 206 | TOTAL NON CURRENT LIABILITIES | 258 | 25.2 |
| 23,580 | TOTAL LIABILITIES | 26,071 | 10.6 |
| 42,329 | NET ASSETS | 48,802 | 15.3 |
| | RETAINED EARNINGS | | |
| 42,329 | Accumulated Funds | 48,802 | 15.3 |
| 42,329 | | 48,802 | 15.3 |

KEY

(a) Nil in previous year - not calculable.

Receivables recorded a sharp upswing at balance date when compared with the previous year. The reason was an increase in interest accrued on investments from \$1.7m to \$4.5m, mainly as a result of changes in maturity dates and a generally higher rate of interest and volume of investments.

The accumulated funds of the Council are represented by:

| | Balance at 31.3.88 \$'000 | Surplus 1988 - 89 \$'000 | Balance at 31.3.89 \$'000 |
|----------------------------|---------------------------------|--------------------------------|---------------------------------|
| Administration Account | 2,391 | 119 | 2,510 |
| Statutory Interest Account | 15,701 | 1,182 | 16,883 |
| Compensation Fund | 24,237 | 5,172 | 29,409 |
| | 42,329 | 6,473 | 48,802 |

Administration Account: The balance in this account represents those accumulated earnings of the Council which are available for general purposes.

Statutory Interest Account: Interest credited to this Account was \$5.3m which comprised, in the main, earnings on moneys invested in the Agents Trust Account (\$4.6m for the year ended 31 March 1988). In accordance with Section 63D of the Act, the Council transferred \$303,036 in 1988-89 to the Administration Account for the recoupment of costs (\$259,357 for 1987-88).

The Auctioneers and Agents Act requires the Council to meet from the account, half the costs, charges and expenses of the administration of the Residential Tenancies Tribunal. The amount incurred in 1988-89 was \$908,034 (\$1.1m in 1987-88).

The balance of the account at 31 March 1989 was \$16.9m.

Compensation Fund: This Fund, created under Section 65 of the Act, is used to pay compensation for loss caused through the failure of a licensee to account for moneys held.

Income of the Fund is mainly interest on investments - \$3.4m in 1988-89 (\$3.2m for the previous year).

According to Council records, five claims for compensation totalling \$6,927 were paid during the year. At 31 March 1989, 19 claims totalling \$96,441 were pending.

The balance of the Fund at 31 March 1989 was \$29.4m.

Agents Trust Account Deposits: The Act requires that one-quarter of the minimum balances of licensees' trust accounts be deposited with, and invested by, the Council. The deposited trust funds are redeemable on demand. At 31 March 1989 the balance of the Agents Trust Account was \$24.4m (\$21.4m at 31 March 1988) comprising interest bearing deposits, \$23.2m, and cash at bank, \$1.2m.

SIGNIFICANT MATTERS RAISED PREVIOUSLY

At the conclusion of the 1987-88 audit a number of suggestions to help improve accounting/administrative procedures were referred in writing to the Chairman of the Council. The most significant matters were overcome during the 1988-89 financial year.

Two minor problems which were not resolved were that all collections are not being banked on the day of receipt causing some loss of interest and the rate of depreciation on fixed assets does not accurately reflect the productive life of the assets.

In addition to the above, the following two matters have been reported to the Chairman, the Minister and the Treasurer for a number of years and no action has yet been taken to improve either situation:

- * Unclaimed moneys, accumulated by the Council under Section 36C of the Auctioneers and Agents Act 1941, amounted to \$843,711 at 31 March 1989, an increase of \$90,615 on the previous year. The Unclaimed Moneys Act 1982 and the unclaimed moneys provisions of the Public Finance and Audit Act 1983 apparently do not apply to these funds.
- * Licence fees collected by the Council and remitted to the Treasury during the year ended 31 March 1989 amounted to \$778,520. Although such fees have been remitted to Treasury since the commencement of the Auctioneers and Agents Act 1941, no provision is made in that Act (or Regulations) for this remittance.

UNISEARCH LIMITED

The objectives of Unisearch Limited, an adjunct of the University of New South Wales, are to initiate and further scientific and technological research and to develop inventions made or acquired by the Company. It may make donations to the University and engage in activities calculated to benefit the University or its students or staff.

INCOME AND EXPENDITURE STATEMENT for the year ended 31 March 1989

| Previous Year \$'000 | | \$'000 | % Increase (-) |
|----------------------------|---------------------------------------|--------------|----------------------|
| | INCOME | | |
| | <i>Fees:</i> | | |
| 6,246 | Research Projects | 6,488 | 3.9 |
| 3,156 | Training Courses | 2,291 | (27.4) |
| 9,402 | | 8,779 | (6.6) |
| | <i>Other:</i> | | |
| 344 | Profit from Exploitation of Patents | 381 | 10.8 |
| 796 | Interest from Investments | 575 | (27.8) |
| 97 | Rentals | 133 | 37.1 |
| 14 | Miscellaneous | 36 | 157.1 |
| | <i>Abnormal Item:</i> | | |
| 1,301 | Profit from Exploitation of Patents | - | (100.0) |
| <u>11,954</u> | | <u>9,904</u> | <u>(17.1)</u> |
| | EXPENDITURE | | |
| | <i>Services Provided:</i> | | |
| 5,010 | Research Projects | 4,916 | (1.9) |
| 2,379 | Training Courses | 1,571 | (34.0) |
| 7,389 | | 6,487 | (12.2) |
| | <i>Other Expenses:</i> | | |
| 1,250 | Salaries and Related Costs | 1,341 | 7.3 |
| 553 | Administration | 602 | 8.9 |
| 98 | Marketing | 265 | 170.4 |
| 85 | Insurance | 93 | 9.4 |
| - | Rent | 168 | (a) |
| 32 | Property Expenses | 71 | 121.9 |
| 150 | Depreciation | 239 | 59.3 |
| <u>9,557</u> | | <u>9,266</u> | <u>(3.0)</u> |
| <u>2,397</u> | OPERATING SURPLUS | <u>638</u> | <u>(73.4)</u> |
| | <i>Less - Transfers to:</i> | | |
| 200 | General Reserve | 193 | (3.5) |
| 18 | Patent Infringement Reserve | 9 | (50.0) |
| 1,301 | Building Reserve | - | (100.0) |
| 1,116 | Donations to University of NSW | 1,840 | 64.9 |
| <u>2,635</u> | | <u>2,042</u> | <u>(22.5)</u> |
| <u>238</u> | REDUCTION IN ACCUMULATED FUNDS | <u>1,404</u> | <u>(490.0)</u> |

KEY

(a) Nil in previous year - not calculable.

BALANCE SHEET as at 31 March 1989

| Previous Year \$'000 | | \$'000 | % Increase (-) |
|----------------------------|----------------------------------|--------------|----------------------|
| | CURRENT ASSETS | | |
| 1 | Cash | 2 | 100.0 |
| 2,028 | Receivable | 2,544 | 25.4 |
| 5,590 | Investments | 3,177 | (43.2) |
| 865 | Other | 861 | (0.5) |
| <u>8,484</u> | TOTAL CURRENT ASSETS | <u>6,584</u> | (22.4) |
| | NON-CURRENT ASSETS | | |
| 531 | Investments | 531 | - |
| 869 | Property Plant and Equipment | 1,315 | 51.3 |
| 604 | Intangible | 626 | 3.6 |
| <u>2,004</u> | TOTAL NON-CURRENT ASSETS | <u>2,472</u> | 23.4 |
| <u>10,488</u> | TOTAL ASSETS | <u>9,056</u> | (13.7) |
| | CURRENT LIABILITIES | | |
| 4,521 | Creditors and Borrowings | 4,291 | (5.1) |
| <u>4,521</u> | TOTAL CURRENT LIABILITIES | <u>4,291</u> | (5.1) |
| <u>5,967</u> | NET ASSETS | <u>4,765</u> | (20.1) |
| | RETAINED EARNINGS | | |
| 3,701 | Reserves | 3,903 | 5.5 |
| 2,266 | Retained Profits | 862 | (62.0) |
| <u>5,967</u> | TOTAL RETAINED EARNINGS | <u>4,765</u> | (20.1) |

Fees for projects increased by \$242,288 to \$6.5m. Company statistics indicate that 2,420 research projects were undertaken during 1988-89, as against 2,115 in the previous year.

The significant effect on Income from Training Courses and Expenditure on Training Courses arising from the transfer of the Institute of Languages to the University was off-set to some extent by the introduction of new activities by the Company during the year. The implementation of the new activities together with the adoption of changed marketing strategies is reflected in the higher charges being reported for Marketing Expenses.

At 31 March 1989, the Company was administering 81 inventions in respect of which capitalised costs of patent application, renewals, etc totalled \$626,100. Comparative figures at 31 March 1988 were 90 inventions and \$603,734 capitalised costs.

Administration charges with the exception of some office accommodation expenses which are not included in determination of the operating surplus, are met by Unisearch Limited. Unisearch office accommodation expenses are met by the University to the extent of an estimated \$65,000 for part occupancy of University owned Unisearch House. The University also meets the electricity and water charges associated with that accommodation. Unisearch House was purchased in 1966 by the University partly from Unisearch grants made specifically for that purpose.

The General Reserve, transfers to which are made at a rate equivalent to 3% of the year's Project Fees, is maintained to absorb unforeseen losses including any professional indemnity claims. The balance of the Reserve at 30 June 1989 was \$1.2m. No charge against the Reserve for unforeseen losses has been made since the Reserve was established.

A building reserve of \$2.6m is maintained to contribute towards the acquisition/construction costs of new accommodation for the Company.

Donations to the University of New South Wales during 1988-89 totalled \$1.8m comprising: Special Purpose Grants \$1.4m; School Grants, \$135,309; Applied Research Grants, \$100,000; Water Research Laboratory, \$70,743; and Post Doctoral Fellowships \$100,000. Donations to the University since incorporation of the Company now aggregate \$8.5m.

Distribution of surpluses for the past five years is as follows:

| Year | Surplus \$'000 | Donation to University \$'000 | Transfer to Reserves \$'000 | Accumulated Funds \$'000 |
|------|-------------------|-------------------------------------|-----------------------------------|--------------------------------|
| 1985 | 1,202 | 755 | 93 | 354 |
| 1986 | 1,225 | 743 | 110 | 372 |
| 1987 | 2,128 | 1,599 | 1,461 | (932) |
| 1988 | 2,397 | 1,116 | 1,519 | (238) |
| 1989 | 638 | 1,840 | 202 | (1,404) |
| | <u>7,590</u> | <u>6,053</u> | <u>3,385</u> | <u>(1,848)</u> |

At 31 March 1989 Accumulated Funds accounted for \$862,228 (1988 \$2.3m) of the total Retained Earnings \$4.8m (1988 \$6.0m).

NEW SOUTH WALES MEDICAL BOARD

The Medical Practitioners (Amendment) Act 1987 established the New South Wales Medical Board as an independent self-funding corporation from 1 October 1987. It previously existed as one of ten Health Professionals Registration Boards administered by the Department of Health.

INCOME AND EXPENDITURE STATEMENT for the year ended 31 March 1989

| Previous Period* \$'000 | | \$'000 |
|-------------------------------|--|--------------|
| | INCOME | |
| 1,023 | Fees | 1,407 |
| 33 | Interest | 147 |
| -- | Fines | 21 |
| <u>1,056</u> | | <u>1,575</u> |
| | EXPENDITURE | |
| 105 | Salaries and Associated Charges | 263 |
| 94 | Fees - Tribunals and Inquiries | 135 |
| 42 | Grants | 125 |
| 10 | General Administration Expenses | 113 |
| 23 | Fees for Services Rendered | 50 |
| 12 | Legal and Disciplinary Costs | 42 |
| 19 | Members' Fees | 35 |
| 3 | Travelling and Subsistence | 12 |
| 3 | Building Expenses | -- |
| <u>311</u> | | <u>775</u> |
| 745 | OPERATING SURPLUS | 800 |
| -- | Retained Earnings at beginning of year | 745 |
| <u>745</u> | Total Available for Appropriation | <u>1,545</u> |
| -- | Less Amounts Transferred to Reserves | |
| -- | Litigation Support Reserve | 450 |
| -- | Medical Education and Research Reserve | 100 |
| <u>745</u> | Retained Earnings | <u>995</u> |

KEY

*Previous period was for six months ended 31 March 1988. Consequently percentage variations have been omitted as comparison would not be meaningful.

Grants comprise \$62,221 to the Australian Medical Council (\$42,435 in the previous period), \$43,172 to the Medical Services Committee and \$20,000 to the Doctors' Health Advisory Service.

General administration expenses include communication costs \$29,085, insurance \$20,550, accrued leave provision \$15,975, printing and stationery \$14,103 and superannuation \$13,000.

BALANCE SHEET as at 31 March 1989

| Previous Year \$'000 | | \$'000 | % Increase (-) |
|----------------------------|---------------------------------|--------------|----------------------|
| | CURRENT ASSETS | | |
| 175 | Cash at Bank | (a) | (100.0) |
| 867 | Investments | 1,338 | 54.3 |
| 14 | Receivables | 55 | 292.9 |
| <u>1,056</u> | TOTAL CURRENT ASSETS | <u>1,393</u> | 31.9 |
| | NON-CURRENT ASSETS | | |
| 17 | Motor Vehicle | 14 | (17.6) |
| 2 | Equipment | 16 | 700.0 |
| -- | Refurbishment Costs | 224 | (b) |
| <u>19</u> | TOTAL NON-CURRENT ASSETS | <u>254</u> | (c) |
| <u>1,075</u> | TOTAL ASSETS | <u>1,647</u> | 53.2 |
| | CURRENT LIABILITIES | | |
| 330 | Creditors and Accruals | 75 | (77.3) |
| -- | Bank Overdraft | 11 | (b) |
| -- | Provision for Annual Leave | 16 | (b) |
| <u>330</u> | TOTAL LIABILITIES | <u>102</u> | (69.1) |
| <u>745</u> | NET ASSETS | <u>1,545</u> | 107.4 |
| | ACCUMULATED FUNDS | | |
| -- | Reserves | 550 | (b) |
| <u>745</u> | Retained Earnings | <u>995</u> | 33.6 |
| <u>745</u> | | <u>1,545</u> | 107.4 |

KEY

(a) \$200.

(b) Nil in previous year - not calculable.

(c) More than 1,000%.

During the year the Board was granted rent free occupancy of the former Medical Superintendent's Cottage at Gladesville Hospital, conditional upon meeting restoration and refurbishment costs estimated at \$1m. In 1988-89 \$223,615 was expended in this regard and has been capitalised to be amortised over the period of rent free occupancy. The Board moved to these premises in August 1989.

A reserve of \$450,000 was created for any extraordinary legal costs that may arise in relation to actions commenced in 1988-89. A second reserve of \$100,000 was created for medical research and education activities as authorised under Section 11 of the Act.

PUBLIC ACCOUNTANTS REGISTRATION BOARD

The Public Accountants Registration Act 1945, provides for the constitution of the Public Accountants Registration Board. The Board considers applications for registration, investigates complaints or charges against registered public accountants, and undertakes educational projects designed to improve accountants' performance skills.

INCOME AND EXPENDITURE STATEMENT for the year ended 31 December 1988

| Previous Year \$ | | \$ | % Increase (-) |
|------------------------|---------------------------------|----------------|----------------------|
| | INCOME | | |
| | <i>Fees:</i> | | |
| 165,229 | Annual Roll | 161,580 | (2.2) |
| <u>6,374</u> | Registration and Certificates | <u>7,335</u> | 15.1 |
| 171,603 | | 168,915 | (1.6) |
| | <i>Other:</i> | | |
| <u>21,513</u> | Interest | <u>19,874</u> | (7.6) |
| <u>193,116</u> | | <u>188,789</u> | (2.2) |
| | EXPENDITURE | | |
| 75,463 | Salaries and Associated Charges | 89,350 | 18.4 |
| - - | Grants - Education Equipment | 47,663 | (a) |
| 14,520 | Administration | 20,411 | 40.6 |
| 21,111 | Legal Expenses | 6,001 | (71.6) |
| <u>6,712</u> | Board Members' Fees | <u>2,958</u> | (55.9) |
| <u>800</u> | Audit Fee | <u>850</u> | 6.3 |
| <u>118,606</u> | | <u>167,233</u> | 41.0 |
| <u>74,510</u> | OPERATING SURPLUS | <u>21,556</u> | (71.1) |

BALANCE SHEET as at 31 December 1988

| Previous Year \$ | | \$ | % Increase (-) |
|------------------------|--------------------------------------|----------------|----------------------|
| | CURRENT ASSETS | | |
| 131,800 | Investments | 147,220 | 11.7 |
| 138,629 | Cash at Bank, etc | 130,638 | (5.8) |
| <u>3,050</u> | Sundry Debtors | - - | (100.0) |
| <u>273,479</u> | TOTAL CURRENT ASSETS | <u>277,858</u> | 1.6 |
| | NON-CURRENT ASSETS (At Cost) | | |
| | Office Furniture and Equipment | | |
| <u>2,841</u> | (Less - Depreciation \$2,969) | <u>2,249</u> | (20.8) |
| <u>2,841</u> | TOTAL NON-CURRENT ASSETS | <u>2,249</u> | (20.8) |
| <u>276,320</u> | TOTAL ASSETS | <u>280,107</u> | 1.4 |
| | CURRENT LIABILITIES | | |
| 140,460 | Fees in Advance | 133,660 | (4.8) |
| <u>28,322</u> | Sundry Creditors | <u>17,353</u> | (38.7) |
| <u>168,782</u> | TOTAL CURRENT LIABILITIES | <u>151,013</u> | (10.5) |
| <u>107,538</u> | NET ASSETS | <u>129,094</u> | 20.0 |
| | CAPITAL AND RETAINED EARNINGS | | |
| <u>107,538</u> | Accumulated Funds | <u>129,094</u> | 20.0 |

KEY

(a) Nil in previous year - not calculable.

Annual roll fees remained at \$30 for the 1988 roll year. The number of public accountants registered under the Act decreased during the year to 5361. Grants were made both to the Society of Accountants and the Institute of Chartered Accountants for education purposes.

Section Five

Appendices

APPENDIX 1

VARIATION OR SUSPENSIONS OF THE PROVISIONS OF STATUTES WHICH HAVE COME TO THE NOTICE OF THE AUDITOR-GENERAL

BURSARY ENDOWMENT ACT 1912

Section 5 of the Act vested the Bursary Endowment Fund in the Bursary Endowment Board. During 1988-89 payments totalling \$2.4m were made from the Fund without the existence of the Bursary Endowment Board which lapsed on 30 June 1988. The Board ceased to exist following a change of government policy that no new bursaries would be awarded after 2 June 1988. The bursary scheme which is being phased out has been replaced by a system of direct financial assistance to needy secondary school students.

ENVIRONMENTAL PLANNING AND ASSESSMENT ACT 1979

Contrary to Section 130(3)(d) funds from the Sydney Region Development Fund were applied to the servicing of loans of the Illawarra Region Development Fund.

FIRE BRIGADES ACT 1909

Contrary to Section 22(1) the Board of Fire Commissioners has not raised charges for attendance at any fire outside the fire districts constituted under the provisions of the Act.

In addition, fees for fire safety inspection and fire equipment servicing have been imposed on child care centres, marinas etc., although the Act does not contain any provisions for charging such fees. Amendments to the Act were assented to and proclaimed to commence from 16 December 1988 except those parts permitting the Board to impose the new charges and to validate past charges. Action is being taken to prepare Regulations to cover these charges.

GOVERNMENT INSURANCE ACT 1927

The Government Insurance Office, through its Funds Administration Division, levies management fees on the various funds it administers on behalf of the Government. In the main, the fees are comprised of: (i) the actual cost of administering the Funds plus a profit margin of 3.5% and (ii) an investment services fee being a percentage of the value of the funds managed. Legal opinion indicates that there is no specific authority entitling the Office to recover more than its direct costs.

As a result the audit opinions to the 1987-88 financial statements were qualified for the following activities:

- Government Insurance Office Funds Administration Division.
- Transport Accidents Compensation Fund.
- Fund created by Riverina Insurance Company Limited and Another Insurance Company Act 1971.
- Fund created by Northumberland Insurance Company Limited Act 1975.
- Fund created by Associated General Contractors Insurance Company Limited Act 1980.
- Fund created by Bishopsgate Insurance Australia Limited Act 1983.

Qualified audit opinions will again be necessary for 1988-89.

NOXIOUS INSECTS ACT 1934

Regulation 8 requires that levies collected by Pastures Protection Boards be remitted to the Department of Agriculture and Fisheries by 30 September in the year in which they were levied. Of the total due in 1988 (\$1,376,347), \$339,054 was received by the due date; while further amounts totalling \$1,007,434 have since been received. A balance of \$29,859 remained unpaid at 9 September 1989.

In addition, one Board, had not submitted audited financial statements and the amount of Noxious Insects levy to be remitted was not determined.

PASTURES PROTECTION ACT 1934

Section 19(4) requires that the accounts of each Pastures Protection Board for year end 31 December be audited by a registered company auditor within the meaning of the Companies (New South Wales) Code by 31 March of the next year.

For the year end 31 December 1988, forty-two of the fifty-seven Boards complied with this requirement. Of the remaining fifteen Boards, eleven were audited after 31 March 1989, while four financial reports remain outstanding at 9 September 1989.

POLICE REGULATION (SUPERANNUATION) ACT 1906

Section 12D was introduced in 1979 and intended to provide compensation for police injured on duty that would, broadly, not be less favourable than that accorded under normal workers compensation legislation. An opinion from the Crown Solicitor found that the Section did not fully realise its intentions, and in response to this the Police Superannuation Board have submitted proposals for amendment to the Act. The Police Department has continued to administer such payments from Consolidated Revenue in the spirit intended by Section 12D.

The Board had not effected administration of Section 12E of the Act because of the problems with Section 12D. However, the Police Department in December 1987 introduced procedures to administer Section 12E in the spirit intended.

PUBLIC FINANCE AND AUDIT ACT 1983

Sections 43(3), 45(3) and 45I(3) require audit fees to be paid to the Consolidated Fund.

Following approval of the Treasurer to establish a working account within Special Deposits Account from 1 July 1988 these fees have been paid into that account. Amendments to the Act have been sought.

WEIGHTS AND MEASURES 1915

Business and Consumer Affairs has not been able to comply fully with Section 31 which requires weights, measuring instruments, etc. to be reverified and stamped every two years.

VALUERS REGISTRATION ACT 1975

Section 29 requires that fees for the registration of Real Estate Valuers be paid to Consolidated Fund. For 1988-89 fees totalling \$102,643 were credited to a working account within Special Deposits Account.

APPENDIX 2

PUBLIC FINANCE AND AUDIT ACT 1983 – SECTION 26(2)

AMENDMENTS TO ESTIMATES

As required by Section 26(3), a copy of estimates amended by additional and increased Commonwealth specific purpose payments, was approved by the Treasurer and is laid before the Legislative Assembly on a progressive basis during the year.

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PUBLIC FINANCE AND AUDIT ACT 1983 – SECTION 22

ADDITIONAL SUMS PAID FOR RECURRENT SERVICES

| | \$ |
|---|--------------------|
| Treasury | 125,673,785 |
| Department of Health | 106,872,839 |
| Department of Education | 28,884,115 |
| Ministry of Transport | 16,000,000 |
| Office of the Minister for the Environment | 10,940,089 |
| Police Department | 10,242,447 |
| Premier's Department | 7,864,169 |
| National Parks and Wildlife Service | 6,289,837 |
| Darling Harbour Authority | 4,656,090 |
| Department of Motor Transport | 3,391,357 |
| Ministry of Education and Youth Affairs | 3,518,509 |
| Department of Corrective Services | 3,020,854 |
| Business and Consumer Affairs | 2,809,549 |
| Department of Water Resources | 1,918,584 |
| Department of Housing | 1,635,927 |
| Independent Commission Against Corruption | 941,720 |
| Department of Family and Community Services | 610,319 |
| State Pollution Control Commission | 295,391 |
| Ministry for the Arts | 240,510 |
| Department of Industrial Relations and Employment | 203,756 |
| Ethnic Affairs Commission | 150,000 |
| Department of Agriculture and Fisheries | 50,887 |
| Tourism Commission | 29,558 |
| Board of Fire Commissioners | 2,825 |
| Attorney General's Department | 9,148 |
| | <u>336,252,265</u> |

ADDITIONAL SUMS PAID FOR CAPITAL WORKS AND SERVICES

| | \$ |
|--|-------------------|
| Ministry of Education and Youth Affairs | 9,000,000 |
| Tourism Commission | 4,068,750 |
| Board of Fire Commissioners | 2,400,000 |
| Department of Water Resources | 2,000,000 |
| Department of Lands | 1,885,897 |
| Police Department | 1,378,949 |
| Soil Conservation Service | 1,349,036 |
| Department of Health | 1,126,615 |
| Department of Public Works | 525,742 |
| Department of Administrative Services | 495,742 |
| Ministry of the Arts | 299,648 |
| Office of the Minister for the Environment | 55,000 |
| Attorney General's Department | 14,758 |
| Department of Corrective Services | 25 |
| | <u>24,600,162</u> |

PUBLIC FINANCE AND AUDIT ACT 1983 – SECTION 22A

SUMS TRANSFERRED TO SPECIAL DEPOSITS ACCOUNT

| | \$ |
|------------------------------|--------------------|
| Revenue Equalisation Account | <u>419,726,015</u> |

APPENDIX 3

DEPARTMENTAL SUMMARY OF DEBTORS

(as at 30 June 1989)

| Department | Less than 90 days \$'000 | 90 plus days \$'000 | Not Aged \$'000 | Total \$'000 |
|---|--------------------------------|---------------------------|--------------------|-----------------|
| Agriculture and Fisheries | 419 | 275 | -- | 694 |
| Attorney General's | 268 | 32,282 (b) | 72,616 (a) | 105,166 |
| Business and Consumer Affairs | 11,549 | 4,348 | -- | 15,897 |
| Chief Secretary's | 1,148 | 664 | 1,035 | 2,847 |
| Corrective Services | 700 | 598 | -- | 1,298 |
| Education | 1,319 | 1,288 | -- | 2,607 |
| Ethnic Affairs Commission | 24 | 60 | -- | 84 |
| Family and Community Services | 166 | 95 | 108 | 369 |
| Government Motor Services | 218 | 19 | -- | 237 |
| Government Supply | 6,229 | 1,451 | -- | 7,680 |
| Health | 6,889 | 5,684 | -- | 12,573 |
| Independent Commission Against Corruption | 4 | -- | -- | 4 |
| Industrial Relations and Employment | 219 | 79 | 6,434 | 6,732 |
| Lands | 2,525 | 3,796 | -- | 6,321 |
| Local Government | 44 | 32 | -- | 76 |
| Minerals and Energy | 6,248 | 4,095 | -- | 10,343 |
| Ministry of Transport | 6 | 1 | -- | 7 |
| National Parks and Wildlife Service | -- | -- | 733 | 733 |
| Planning | -- | -- | 24 | 24 |
| Police | 893 | 186 | -- | 1,079 |
| Premier's | 12 | 8 | -- | 20 |
| Public Works | 17,526 | 371 | -- | 17,897 |
| Soil Conservation Service | 222 | 23 | -- | 245 |
| Sport, Recreation and Racing | -- | -- | 176 | 176 |
| State Development | -- | -- | 15 | 15 |
| State Lotteries Office | -- | -- | 3,638 | 3,638 |
| State Pollution Control Commission | -- | -- | 6 | 6 |
| Technical and Further Education | 585 | 686 | -- | 1,271 |
| Tourism Commission | -- | -- | 1,342 | 1,342 |
| Treasury - Office of State Revenue | 35,899 | 133,238 (c) | -- | 169,137 |
| Water Resources | 20,751 | 1,748 | 977 | 23,476 |
| | <u>113,863</u> | <u>191,027</u> | <u>87,104</u> | <u>391,994</u> |

KEY

- (a) Value of outstanding Warrants of Commitment.
- (b) Mostly debts recoverable from convicted persons under the Criminal Injuries Compensation Act.
- (c) Approximately \$84m is subject of legal action, and considered largely uncollectable. Another \$6.8m relates to Land Tax years 1987 and earlier.

NOTE

Figures have generally been extracted from the notes to the financial statements for 30 June 1989, and in several instances have yet to be audited.

APPENDIX 4

DEBTS WRITTEN OFF DURING 1988-89
BY AUTHORITY OF A MINISTER OR
BY AN OFFICER AUTHORISED BY A MINISTER

| Departments | Particulars | Amount \$ |
|--|---|------------------|
| Agriculture and Fisheries | Prickly Pear Destruction Commission | 2,734 |
| | Salary Overpayments | 1,985 |
| | Fleece Measurement Services | 1,696 |
| | Telephone and Service Charges | 857 |
| | Oyster Lease Rental | 651 |
| | Unpaid Student Fees | 506 |
| | Miscellaneous | 932 |
| | | <u>9,361</u> |
| Attorney General's Department | | |
| Crown Solicitors Office | Fines and Costs | 174,413 |
| Local Courts Administration | Salary Overpayment and Costs | 925 |
| Court Reporting | Transcripts and Salary Overpayment | 790 |
| Supreme Court | Salary Overpayment | 1,734 |
| District Court | Instalment Order | 400 |
| Registry of Births, Deaths & Marriages | Salary Overpayment | 42 |
| | | <u>178,304</u> |
| Business and Consumer Affairs | Loans by the former NSW Investment Corporation | 1,196,747 |
| | Special Assistance to Industry Loans | 471,314 |
| | Business Registration - Document Lodgment Fees | 245,630 |
| | Miscellaneous | 1,127 |
| | | <u>1,914,818</u> |
| Chief Secretary's Department | Poker Machine Taxes | 37,091 |
| | Liquor Fees | 26,382 |
| | | <u>63,473</u> |
| Corrective Services | | |
| Head Office | Motor Vehicle Loan | 2,528 |
| | Salary Overpayments | 1,192 |
| | Miscellaneous | 67 |
| | | <u>3,787</u> |
| Education | | |
| Head Office, Primary and Secondary | Salary Overpayments | 50,422 |
| | Professional Development Costs | 22,161 |
| | Boarding Fees | 16,248 |
| | Overpaid Conveyance Costs | 3,888 |
| | Damage to School Property | 2,491 |
| | Miscellaneous | 9,393 |
| School Furniture Complex | Miscellaneous | 64 |
| | | <u>104,667</u> |
| Family and Community Services | Allowances | 12,054 |
| | Salary Overpayments | 1,249 |
| | Cash Grants | 833 |
| | Miscellaneous | 764 |
| | | <u>14,900</u> |
| Government Supply Office | Salary and Wage Overpayments | 1,460 |
| Health | Ambulance Transport Fees | 1,899,861 |
| | Fifth Schedule Hospital Patient Fees | 176,209 |
| | Sundries | 4,482 |
| | | <u>2,080,552</u> |
| Industrial Relations and Employment | Registrations | 1,090 |
| | Fines and Costs | 241 |
| | Theft of Petty Cash | 128 |
| | | <u>1,459</u> |

| Departments | Particulars | Amount \$ |
|--|--------------------------------------|-------------------|
| Lands | Maps | 2,721 |
| | Fees | 802 |
| | Miscellaneous | 958 |
| | | <u>4,481</u> |
| Minerals and Energy | | |
| Energy Corporation | Recoverable Expenditure | 538 |
| | Salary Overpayments | 224 |
| | Publication Sales | 29 |
| | | <u>791</u> |
| National Parks and Wildlife Service | Helicopter Hire | 1,555 |
| Planning | Bank Guarantee | 14,194 |
| | Rental Debtors | 7,771 |
| | Miscellaneous | 156 |
| | | <u>22,121</u> |
| Police | Industrial Escort | 6,312 |
| | Salary Overpayments | 3,390 |
| | Traffic | 1,621 |
| | Witness Expenses | 491 |
| | | <u>11,814</u> |
| Public Works | | |
| Head Office | Rentals | 2,665 |
| | Works and Services | 3,227 |
| State Brickworks | Supply of Bricks | 30,012 |
| Engineering Workshop, Leichhardt | Trade Debtors | 18,967 |
| | | <u>54,871</u> |
| Soil Conservation Service | Sundry Debtors | 4,511 |
| | Plant Hire | 578 |
| | | <u>5,089</u> |
| Sport, Recreation and Racing | Non-Payment of Fees | 7,055 |
| | Betting Turnover Tax | 14 |
| | | <u>7,069</u> |
| State Lotteries Office | Agents | 2,833 |
| | Subscribers | 50 |
| | | <u>2,883</u> |
| Technical and Further Education | Salary Overpayments | 1,067 |
| Tourism Commission | Government Department Travel Costs | 79,630 |
| Treasury | | |
| Office of Financial Management | Advances to Development Corporations | 9,475,966 |
| | Advances to Marketing Authorities | 677,865 |
| | Discharge of Government Guarantee | 70,814 |
| | | <u>10,224,645</u> |
| Office of State Revenue | Payroll Tax | 3,652,003 (a) |
| | Land Tax | 66,412 |
| | Stamp Duty | 22,287 (a) |
| | | <u>3,740,702</u> |
| Valuer - General's | Salary Overpayment | 7,010 |
| | Fees | 2,761 |
| | | <u>9,771</u> |
| Water Resources | Cottage Rental | 2,955 |
| | Metering Fees | 2,019 |
| | Miscellaneous | 1,123 |
| | | <u>6,097</u> |
| TOTAL - DEPARTMENTS | | <u>18,545,367</u> |

KEY

(a) Figures extracted from manual, non-accounting system, lacking controls on which reliance can be placed.

| Statutory Bodies | Particulars | Amount \$ |
|---|----------------------------|---------------|
| Albury-Wodonga (NSW) Corporation | Rent Debtors | 4,060 |
| Archives Authority of New South Wales | Miscellaneous | 689 |
| Art Gallery of New South Wales | Sundry Debtors | 174 |
| Auditor-General's Office | Audit Fees | 200 |
| Banana Industry Committee | Committee Charges | 427 |
| Bathurst-Orange Development Corporation | Rental Debtors | 435 |
| Bicentennial Park | Lease Debtor | 12,272 |
| Broken Hill Water Board | Sundry Debtors | 1,069 |
| Building and Construction Industry Long Service Payments Corporation | Long Service Charges | 235,128 |
| Bush Fire Council of NSW | Insurance Companies | 8,704 |
| Charles Sturt University, Mitchell | Library | 3,260 |
| | Miscellaneous | <u>2,964</u> |
| | | 6,224 |
| Coal and Oil Shale Mine Workers Superannuation Tribunal | Overpaid Pensions | 361 |
| Egg Corporation | Sales | 29,833 |
| Electricity Commission of NSW | Rent | 14,442 |
| | Miscellaneous | <u>3,824</u> |
| | | 18,266 |
| Fish Marketing Authority | Plastic Crates | 10,575 |
| | Fish Sales | <u>1,096</u> |
| | | 11,671 |
| Forestry Commission of NSW | Sale of Seedlings | 2,132 |
| | Miscellaneous | <u>899</u> |
| | | 3,031 |
| Good Food Products Australia Pty Ltd | Sales | 1,205 |
| Government Printing Office | Receipt of Goods Disputes | 642 |
| | Miscellaneous | <u>353</u> |
| | | 995 |
| Harness Racing Authority | Advertising | 2,158 |
| | Fees and Fines | <u>959</u> |
| | | 3,117 |
| Home Care Service of NSW | Client Fees | 202,453 |
| Hunter Water Board | Rates | 12,536 |
| | Rejected Insurance Claims | 4,638 |
| | Watermain Repairs | 2,962 |
| | Other | <u>2,560</u> |
| | | 22,696 |
| Illawarra Technology Centre Ltd | Trade Debtors | 10,652 |
| Institute of Psychiatry | Miscellaneous | 11 |
| Kensington Colleges | Student Accommodation Fees | 915 |
| | Miscellaneous | <u>23</u> |
| | | 938 |
| Land and Housing Corporation | Mortgage Relief Scheme | 1,232,484 |
| | Rental | 773,631 |
| | Repairs | 309,080 |
| | Half Cost Fencing | 18,475 |
| | Salary Overpayments | 8,462 |
| | Miscellaneous | <u>19,394</u> |
| | | 2,361,526 |

| Statutory Bodies | Particulars | Amount \$ |
|---|-----------------------------------|----------------|
| Legal Aid Commission of NSW | Miscellaneous | 169 |
| Macarthur Development Corporation | Rental Debtors | 22,843 |
| Macarthur Institute of Higher Education | Sundry Debtors | 2,634 |
| Maritime Services Board of NSW | Trade | 127,395 |
| | Rent | 46,050 |
| | Wharf Storage | 39,297 |
| | Bond Store | 12,314 |
| | Recoverables Cost | 6,709 |
| | Miscellaneous | 35,631 |
| | | <u>267,396</u> |
| Meat Industry Authority | Producers Levies | 10 |
| Mine Subsidence Board | Colliery Contributions | 3,257 |
| New South Wales University Press Ltd | Books Supplies | 4,806 |
| Oilseeds Marketing Board | Trade Debtors | 93,222 |
| Orange Agricultural College | Student Fees | 1,228 |
| | Miscellaneous | 212 |
| | | <u>1,440</u> |
| Railway Service Superannuation Board | Pension Overpayments | 166 |
| Rental Bond Board | Bond Refunds Fraudulently Claimed | 2,870 |
| | Incorrect Processing of Claims | 2,607 |
| | | <u>5,477</u> |
| Roads and Traffic Authority | Property Damages | 80,371 |
| | Towing of Unattended Vehicles | 73,390 |
| | Registration Charges | 58,160 |
| | Rental Debtors | 38,184 |
| | Miscellaneous | 3,540 |
| | | <u>253,645</u> |
| State Authorities Superannuation Board | Property Expenses/Rentals | 55,616 |
| | Employees Contributions | 21,378 |
| | | <u>76,994</u> |
| State Sports Centre Trust | Hire Fees | 1,163 |
| State Rail Authority | Rents | 47,552 |
| | Freight | 38,091 |
| | Ticket Agencies | 9,017 |
| | Telephone Accounts | 7,849 |
| | Stores | 7,368 |
| | Advertising | 3,720 |
| | Fares | 2,978 |
| | Miscellaneous | 2,290 |
| | | <u>118,865</u> |
| State Transit Authority | Advertising | 47,743 |
| | Rentals | 27,438 |
| | | <u>75,181</u> |
| Sydney College of Advanced Education | Sundry Debtors | 1,390 |
| | Salary Overpayments | 447 |
| | Publication Sales | 451 |
| | Petty Cash Shortage | 160 |
| | | <u>2,448</u> |
| Sydney Market Authority | Damage to Property | 412 |
| | Sundry Maintenance | 27 |
| | | <u>439</u> |
| Sydney Opera House Trust | Tour Packages | 4,916 |
| | Hirings | 1,497 |
| | Miscellaneous | 242 |
| | | <u>6,655</u> |

| Statutory Bodies | Particulars | Amount \$ |
|---|---|-------------------------|
| Teacher Housing Authority | Rental Debtors | 2,178 |
| Totalizator Agency Board | Cash Offices - Staff Cash Shortages | 41,199 |
| | Telephone Betting - Overdrawn Accounts | 9,164 |
| | Settlement Defalcations | 5,514 |
| | Rent | 300 |
| | | <u>56,177</u> |
| Unisearch Limited | Consulting and Testing Services | 22,721 |
| | Sales | 320 |
| | Court Attendance and Witness Services | 575 |
| | | <u>23,616</u> |
| University of Newcastle Research Associates Limited | Professional Services | 200 |
| University of New England, Armidale | Library Fines and Book Replacement Publications | 3,054 |
| | College Accommodation | 696 |
| | Salary Overpayments | 7,797 |
| | Miscellaneous | 1,287 |
| | | <u>269</u> |
| | | <u>13,103</u> |
| University of New England, Northern Rivers | Student Loans | 10,914 |
| | Rents | 704 |
| | | <u>11,618</u> |
| University of New South Wales | Salary Overpayments | 4,212 |
| | Loans | 6,633 |
| | Fees | 1,964 |
| | Library Books | 9,332 |
| | Fines | 4,736 |
| | Use of Facilities | 2,375 |
| | Miscellaneous | 3,871 |
| | | <u>33,123</u> |
| University of Sydney | Student Loans | 20,041 |
| | Library Fines and Lost Book Charges | 18,813 |
| | Rural Veterinary Centre Accounts | 11,457 |
| | Miscellaneous | 779 |
| | | <u>51,090</u> |
| University of Technology, Sydney | Rent | 11,000 |
| | Hire of Facilities | 3,075 |
| | Books Borrowed | 1,290 |
| | Miscellaneous | 931 |
| | | <u>16,296</u> |
| University of Western Sydney, Hawkesbury | Loan plus Interest | 1,526 |
| | Accommodation | 1,791 |
| | Agistment | 1,322 |
| | Higher Education Administration Charges | 676 |
| | Miscellaneous | 1,070 |
| | | <u>6,385</u> |
| University of Western Sydney, Nepean | Handbooks | 170 |
| University of Wollongong | Sundry Debtors | 5,102 |
| | Student Loans | 724 |
| | | <u>5,826</u> |
| Waste Management Authority | Waste Charges | 19,598 |
| Water Board | Rating Debtors | 261,326 |
| Workers' Compensation (Dust Diseases) Board | Compensation Overpaid | 562 |
| Zoological Parks Board | Advertising Publications | 694 |
| TOTAL - STATUTORY BODIES (excluding County Councils) | | <u>4,374,909</u> |

| Statutory Bodies | Particulars | Amount \$ |
|------------------------|-----------------------|---------------|
| County Councils | | |
| Central West | Electricity Debtors | 36,452 |
| | Sundry Debtors | <u>499</u> |
| | | 36,951 |
| Illawarra (b) | Electricity Debtors | 178,782 |
| | Sundry Debtors | 36,282 |
| | Capital Contributions | <u>4,476</u> |
| | | 219,540 |
| Macquarie | Electricity Debtors | 50,546 |
| | Sundry Debtors | <u>170</u> |
| | | 50,716 |
| Monaro | Electricity Debtors | 34,995 |
| | Sundry Debtors | <u>6,077</u> |
| | | 41,072 |
| Murray River | Electricity Debtors | 49,731 |
| | Sundry Debtors | <u>5,473</u> |
| | | 55,204 |
| Murrumbidgee | Electricity Debtors | 57,370 |
| | Sundry Debtors | <u>1,289</u> |
| | | 58,659 |
| Namoi Valley | Electricity Debtors | 25,250 |
| | Sundry Debtors | <u>10,027</u> |
| | | 35,277 |
| New England | Electricity Debtors | 7,612 |
| | Sundry Debtors | <u>1,565</u> |
| | | 9,177 |
| Northern Rivers | Electricity Debtors | 69,840 |
| | Sundry Debtors | <u>6,593</u> |
| | | 76,433 |
| North West | Electricity Debtors | 8,148 |
| | Sundry Debtors | <u>1,430</u> |
| | | 9,578 |
| Ophir | Electricity Debtors | 27,096 |
| | Sundry Debtors | <u>17,051</u> |
| | | 44,147 |
| Peel – Cunningham | Electricity Debtors | 25,562 |
| | Sundry Debtors | <u>14,715</u> |
| | | 40,277 |

KEY

(b) Details are only available for last calendar year, not financial year.

| Statutory Bodies | Particulars | Amount \$ |
|--------------------------------|-------------------------------------|--------------------------|
| Prospect | Electricity Debtors | 670,757 |
| | Sundry Debtors | 68,143 |
| | Salary Overpayments | 800 |
| | Cashiers' and Paymasters' Shortages | <u>4,727</u> |
| | | 744,427 |
| Shortland | Electricity Debtors | 322,763 |
| | Sundry Debtors | <u>82,025</u> |
| | | 404,788 |
| Southern Mitchell | Electricity Sales | 3,316 |
| | Sundry Debtors | <u>23,664</u> |
| | | 26,980 |
| Southern Tablelands | Electricity Debtors | 84,637 |
| | Sundry Debtors | 2,107 |
| | Capital Contributions | <u>76,973</u> |
| | | 163,717 |
| South West Slopes | Electricity Debtors | 19,478 |
| | Sundry Debtors | <u>719</u> |
| | | 20,197 |
| Sydney County Council | Electricity Debtors | 1,744,341 |
| | Sundry Debtors | <u>98,591</u> |
| | | 1,842,932 |
| Tumut River | Electricity Debtors | 7,038 |
| | Sundry Debtors | <u>3,379</u> |
| | | 10,417 |
| Ulan | Electricity Debtors | 16,495 |
| TOTAL - COUNTY COUNCILS | | <u>3,906,984</u> |
| TOTAL | | <u>26,827,260</u> |

APPENDIX 5

EMPLOYEE LEAVE ENTITLEMENTS
(as at 30 June 1989)*(vide page 89)*

| | \$'000 |
|---|----------------|
| Administrative Services | 1,500 |
| Agriculture and Fisheries | 36,306 |
| Attorney General's | 25,637 |
| Business and Consumer Affairs | 8,800 |
| Cabinet Office | 653 |
| Chief Secretary's | 1,600 |
| Corrective Services | 28,255 |
| Ethnic Affairs Commission | 365 |
| Family and Community Services | 18,619 |
| Government Supply Office | 3,506 |
| Health | 71,863 |
| Independent Commission Against Corruption | 136 |
| Industrial Relations and Employment | 6,140 |
| Judicial Commission | 10 |
| Lands | 12,266 |
| Legislature | 2,474 |
| Local Government | 1,343 |
| Minerals and Energy | 3,278 |
| Ministry for the Arts | 264 |
| Ministry of Education and Youth Affairs | 2,971 |
| Ministry of Transport | 899 |
| National Parks and Wildlife Service | 6,723 |
| Office of the Director of Public Prosecutions | 3,180 |
| Office of the Minister for Environment | 8 |
| Ombudsman | 413 |
| Planning | 4,595 |
| Police | 135,192 |
| Premier's Department | 4,130 |
| Public Works | 29,195 |
| Soil Conservation Service | 9,329 |
| Sport, Recreation and Racing | 2,222 |
| State Development | 284 |
| State Drug Crime Commission | 503 |
| State Electoral Office | 235 |
| State Lotteries Office | 2,062 |
| State Pollution Control Commission | 156 |
| Superannuation Office | 147 |
| Technical and Further Education | 45,517 |
| Tourism Commission | 965 |
| Treasury | 6,084 |
| Water Resources | 20,210 |
| TOTAL | 498,035 |

APPENDIX 6

QUALIFIED AUDIT CERTIFICATES ISSUED

| Type of Certificate and Organisation | Financial Statements Year Ended | Reason for Qualification |
|---|---------------------------------------|---|
| Exception | | |
| Australia Day Council | 30.06.88 | The absence of stock records and the non-undertaking of physical inventories of stock on hand, for promotional material, prohibited the recording of the item in the balance sheet. |
| Automation and Engineering Applications Centre Ltd | 30.06.88 | Departure from Accounting Standard AAS1. |
| SBNSW Cook Islands Limited | 30.06.88 | Non-compliance with Public Finance and Audit Act: neither the funds statement nor the signed statements required under Section 41B(1)(f) has been provided. |
| Note: Other Qualified Audit Certificates Issued during the year ended 30 June 1989 were detailed at either Appendix 6 to Volume Three of 1988 or Appendix 1 to Volume One of 1989. | | |

APPENDIX 7

SIGNED FINANCIAL STATEMENTS DUE BUT NOT YET RECEIVED

(as at 31 August 1989)

Year Ended 30 June 1986

Central Coast Regional Aboriginal Land Council
 Western Metropolitan Regional Aboriginal Land Council

Year Ended 30 June 1987

Central Coast Regional Aboriginal Land Council
 Leewood Industrial Estate Joint Venture
 Western Metropolitan Regional Aboriginal Land Council

Year Ended 30 June 1988

Leewood Industrial Estate Joint Venture
 Western Metropolitan Regional Aboriginal Land Council

Year Ended 30 November 1988

Yellow Maize Marketing Board for the State of NSW

Year Ended 30 June 1989

Bathurst Trade Centre Joint Venture
 Central Coast Regional Aboriginal Land Council (a)
 Central Regional Aboriginal Land Council (a)
 Darling Harbour Authority (b)
 Department of Industrial Relations and Employment
 Gila Pty Limited (b)
 GIO Administrative Employees Superannuation Plan 1985 (c)
 GIO Administrative Employees Superannuation Plan 1988 (c)
 GIO Cash ADF Fund (c)
 GIO Capital Secured ADF Fund (c)
 GIO Commercial Employees Superannuation Plan (c)
 GIO Life Approved Deposit Fund (c)
 GIO Life Limited (b)
 GIO Master Superannuation Plan (c)
 GIO Personal Superannuation Fund (c)
 Good Food Products Pty Ltd (d)
 Good Food Products Australia Pty Ltd (d)
 Government Printing Office (a)
 Justice and Police Museum Ltd
 Leewood Industrial Estate Joint Venture
 Lord Howe Island Board (a)
 Murray River Regional Aboriginal Land Council (e)
 National Engineering Information Services Pty Ltd (f)
 New South Wales Egg Corporation (d)
 Newcastle International Sports Centre Trust (b)
 North Coast Regional Aboriginal Land Council (e)
 Northern Tablelands Regional Aboriginal Land Council (e)
 Poultry Farmer Licensing Committee (d)
 Somersby Park Pty Ltd
 Sydney/Newcastle Regional Aboriginal Land Council (e)
 Vistajura Pty Ltd (b)
 Western Metropolitan Regional Aboriginal Land Council
 Windradyne Neighbourhood Centre
 Windradyne Estate Joint Venture
 Wiradjuri Regional Aboriginal Land Council (e)

KEY

- (a) Extension of time apparently being sought.
- (b) Extension of time requested. The Auditor-General has offered no objection.
- (c) Extension of time to 15 October 1989 sought. The Auditor-General has offered no objection to an extension for a shorter period.
- (d) Extension of financial period to date of dissolution sought and lodgement date six weeks thereafter. The Auditor-General has offered no objection.
- (e) Extension of time sought. The Auditor-General has not supported the request.
- (f) Unsigned statements received are deemed to be statements not received.

APPENDIX 8

FINANCIAL STATEMENTS RECEIVED AFTER DUE DATE

(as at 31 August 1989)

| | Financial Year End | Date Financial Statements Received |
|---|-----------------------|--|
| DEFAULTS | | |
| Art Gallery of New South Wales Trust | 30.06.89 | 16.08.89 |
| Banana Industry Committee | 30.06.89 | 24.08.89 |
| C.B. Alexander Foundation | 30.06.89 | 17.08.89 |
| GIO (UK) Limited | 30.06.89 | 30.08.89 (a) |
| Harness Racing Authority of New South Wales | 30.06.89 | 25.08.89 |
| Home Purchase Assistance Fund | 30.06.89 | 28.08.89 |
| Jecha Pty. Ltd. | 30.06.89 | 31.08.89 (a) |
| Jecha Unit Trust | 30.06.89 | 31.08.89 (a) |
| National Parks and Wildlife Service | 30.06.89 | 25.08.89 (b) |
| New South Wales Aboriginal Land Council Investment Fund | 30.06.89 | 25.08.89 |
| New South Wales Dairy Corporation | 30.06.89 | 17.08.89 |
| Northern Regional Aboriginal Land Council | 30.06.89 | 17.08.89 |
| University of Newcastle Research Associates Limited | 30.06.89 | 24.08.89 |
| Western Regional Aboriginal Land Council | 30.06.89 | 25.08.89 |
| Yrimbirra Pty Ltd | 30.06.89 | 25.08.89 |

KEY

- (a) Extension of time to 31 August 1989 sought. The Auditor-General has offered no objection.
- (b) Extension of time to 25 August 1989 sought. The Auditor-General has not supported the request.

APPENDIX 9

FINANCIAL STATEMENTS RECEIVED AND AUDIT INCOMPLETE

(For Organisations with other than 30 June 1989 Financial Year End)

Cobar Water Board

(Financial statements for 31 December 1988 received 18 April 1989; finalisation delayed due to inaccuracies)

Martin Place Management Ltd

(Certification of financial statements for 31 March 1989 pending, awaiting receipt of Members Statement under Section 41B(1)(f) of the Public Finance and Audit Act)

M.P. Property Fund

(Certification of financial statements for 31 March 1989 pending, awaiting receipt of Members Statement under Section 41B(1)(f) of the Public Finance and Audit Act)

Murray River Regional Aboriginal Land Council

(Revised financial statements for 30 June 1988 received 30 January 1989; finalisation delayed due to inordinate delay by Council to provide additional information)

APPENDIX 10

ORGANISATIONS AND ACTIVITIES AUDITED BY THE AUDITOR-GENERAL - 1988-89

Aboriginal Land Council, New South Wales
 Aboriginal Land Council Investment Fund, New South Wales
 Aboriginal Land Councils (Regional) -
 Central
 Far South Coast
 North Coast
 Northern
 South Coast
 Western
 Wiradjuri
 Central Coast
 Murray River
 North West
 Northern Tablelands
 Sydney and Newcastle
 Western Metropolitan
 Administrative Services, Department of
 Agricultural Scientific Collections Trust
 Agriculture and Fisheries, Department of
 Albury-Wodonga (New South Wales) Corporation
 Anzac Memorial Building, Trustees of the
 Architects, Board of New South Wales
 Archives Authority of New South Wales
 Area Health Services -
 Central Coast
 Eastern Sydney
 Hunter
 South Western
 Wentworth
 Central Sydney
 Illawarra
 Northern Sydney
 Southern Sydney
 Western Sydney
 Art Gallery of New South Wales Trust
 Art Gallery of New South Wales Foundation
 Associated General Contractors Insurance Company Limited Act 1980 -
 Fund created by
 Attorney-General's Department -
 Anti-Discrimination Board
 Council of Law Reporting of New South Wales
 Court Reporting and Transcription Services
 Crown Solicitor's Trust Account
 District Courts
 Equal Opportunity Tribunal
 Government Related Employees Appeal Tribunal
 Industrial Commission
 Land and Environment Court
 Law Reform Commission
 Local Courts Administration
 Registry of Births, Deaths and Marriages
 Sheriff
 Supreme Court
 Transport Appeals Board
 Victims Compensation Tribunal
 Auctioneers and Agents, Council of
 Australia Day Council
 Australian Museum Trust
 Australian Water and Coastal Studies Pty Limited
 Automation and Engineering Applications Centre Limited, The
 Automation Extension Services Pty Ltd
 Banana Industry Committee
 Barley Marketing Board for the State of New South Wales
 Barley Trading Co. Pty Limited
 Barristers Admission Board
 Bathurst-Orange Development Corporation

Bathurst Trade Centre Joint Venture
 Bicentennial Park Trust
 Bishopsgate Insurance Australia Limited Act, 1983 – Fund created by
 Bligh Park Estate – Joint Venture
 Broken Hill Water Board
 Building and Construction Industry Long Service Payments Corporation
 Building Services Corporation
 Bursary Endowment Board
 Bush Fire Council of New South Wales
 Business and Consumer Affairs
 Cabinet Office
 Cancer Council, New South Wales State
 Capital Works Financing Corporation, New South Wales
 C.B. Alexander Foundation
 Centenary Institute of Cancer Medicine and Cell Biology
 Centennial Park Trust
 Central Coast (N.S.W.) Citrus Marketing Board
 Centre for Management Research and Development Limited, The
 Chief Secretary's Department
 Chipping Norton Lake Authority
 Chiropodists Registration Board
 Chiropractors Registration Board
 City of Sydney, Council of
 CLANN Limited
 CMBF Limited
 Coal and Oil Shale Mine Workers Superannuation Tribunal
 Coal Compensation Board
 Coal Mining Industry Long Service Leave Trust Fund,
 Administrator Administering
 Coastal Council of New South Wales
 Cobar Water Board
 Colleges of Advanced Education –
 Armidale
 Cumberland College of Health Sciences
 Hawkesbury Agricultural College
 Hunter Institute of Higher Education
 Kuring-gai
 Macarthur Institute of Higher Education
 Mitchell
 Nepean
 Northern Rivers
 Orange Agricultural College
 Riverina–Murray Institute of Higher Education
 Sydney
 Commissioner of Dormant Funds
 Conservatorium of Music,
 Board of Governors of the New South Wales State
 Conservatorium of Music Foundation, State
 S.C.M.F. Pty Limited
 Consulting Organisation of Sydney College of the Arts Limited
 Corrective Services, Department of

County Councils -

| | |
|-------------------|---------------------|
| Central West | Illawarra |
| Macquarie | Monaro |
| Murray River | Murrumbidgee |
| Namoi Valley | New England |
| Northern Rivers | North West |
| Ophir | Peel - Cunningham |
| Prospect | Shortland |
| Southern Mitchell | Southern Tablelands |
| South West Slopes | Sydney |
| Tumut River | Ulan |

Cowra Japanese Garden Maintenance Foundation Ltd

Cumberland College Foundation Limited

Dairy Corporation, New South Wales

Dairy Industry Conference, New South Wales

Dams Safety Committee

Darling Harbour Authority

Dental Board

Dental Technicians Registration Board

Dried Fruits Board, New South Wales

Dumaresq-Barwon Border Rivers Commission

Education, Department of

Education and Youth Affairs, Ministry of

Egg Corporation, New South Wales

Election Funding Authority of New South Wales

Electricity Commission of New South Wales

Elcom Collieries Pty Ltd

Elcom Services Pty Ltd

Eraring Holdings Pty Limited

Huntley Colliery Pty Limited

Mount Arthur South Coal Joint Venture

Mt Arthur South Coal Pty Ltd

M.A.S. Coal Marketing & Finance Pty Ltd

Newcom Collieries Pty Limited

Ethnic Affairs Commission of New South Wales

Family and Community Services, Department of

Farrer Memorial Research Scholarship Fund, Trustees of the

Film and Television Office, New South Wales

Fire Commissioners, Board of

Fish Marketing Authority

Fish River Water Supply

Forestry Commission of New South Wales

Friends of the University of Wollongong Limited

Good Food Products Pty Limited

Good Food Products Australia Pty Ltd

Government Insurance Office of New South Wales

Fieldmont Pty. Ltd.

GIO Administrative Employees Superannuation Plan (1985)

GIO Administrative Employees Superannuation Plan (1988)

GIO Capital Secured Approved Deposit Fund

GIO Cash Approved Deposit Fund

GIO Commercial Employees Superannuation Plan

GIO Holdings Ltd

GIO Life Limited

GIO Life Approved Deposit Fund

GIO Master Superannuation Plan

GIO Nominees Pty Limited

GIO Personal Superannuation Fund

GIO Master Superannuation Plan

GIO Portfolio Managers Limited

GIO Unit Trusts

- GIO Growth Fund
- GIO Income Fund
- GIO Monthly Income Trust
- GIO International Fund
- GIO Property Fund

GIO (UK) Limited

GIO-Kurts Trust No.1

Jecha Pty Limited

Jecha Unit Trust

Transport Accidents Compensation Fund

Treasury Managed Fund

Workers' Compensation Managed Fund

Workers' Compensation Interim and Statutory Managed Funds

Workers' Compensation Statutory Authorities/Public Hospitals
Managed Funds

Government Motor Services

Government Printing Office, New South Wales

Government Supply Office

State Mail Service

Grain Electronic Marketing Pty. Ltd.

Grain Handling Authority of New South Wales

Grain Sorghum Marketing Board for the State of New South Wales

Greyhound Racing Control Board

Harness Racing Authority of New South Wales

Hawkesbury Agricultural College Research and Development

Company Limited

Health, Department of

Health Foundation, New South Wales

Heritage Council

Historic Houses Trust of New South Wales

Homebush Abattoir Corporation

Home Care Service of New South Wales

Home Purchase Assistance Fund, Trustee of the

Housco Pty Ltd

Housco R.J.V. (No.1) Pty Ltd

Housing, Department of (New South Wales Land and Housing Corporation)

Hunter Water Board

Hunter Valley Conservation Trust

Huntersearch Ltd

Illawarra Technology Corporation Ltd

ITC Corporate Services Ltd

ITC Uniadvice Ltd

Independent Commission Against Corruption

Industrial Relations and Employment, Department of

Insearch Limited

Insearch Language Centre, The

Insearch R. & D. Partnership

Institute of Psychiatry, New South Wales

Institute of the Arts, New South Wales

Insurance Premiums Committee

Insurers Contribution Fund

Insurers Guarantee Fund

Investment Corporation, New South Wales

Judicial Commission

Justice and Police Museum of New South Wales Ltd

Kelso Mini Factories Joint Venture

Kensington Colleges, The

Lake Illawarra Authority

Landcom Property Resources Pty Limited - Joint Venture

Land and Housing Corporation, New South Wales –
 Rental Bond Board Joint Venture
 Lands, Department of
 Central Mapping Authority
 Land Titles Office
 Law Courts Ltd.
 Leewood Estate – Joint Venture
 Legal Aid Commission
 Legislative House Committee
 Legislature
 Library Council of New South Wales
 Liquor Administration Board
 Local Government, Department of
 Lord Howe Island Board
 Macarthur Development Corporation
 Macquarie University
 Macsearch Limited
 Main Roads, Department of (to 15 January 1989)
 Maritime Services Board of New South Wales
 Auricle Pty Ltd Bathys Pty Ltd Coal Loader Income Trust
 Maimon Pty Ltd Nerval Pty Ltd Coal Loader Capital Trust
 Saroyan Pty Ltd Tulasne Pty Ltd Balmain Coal Loader Trust
 Vambery Pty Ltd Port Kembla Coal Loader Trust
 Meat Industry Authority, New South Wales
 Medical Board, New South Wales
 Metford – Joint Venture
 M.I.A. Citrus Fruit Marketing Committee
 M.I.A. Citrus Fruit Promotion Marketing Committee
 Mine Subsidence Board
 Minerals and Energy, Department of
 Mining Museum
 Mines Rescue Board
 Ministry for the Arts
 Minister for the Environment, Office of the
 Mitchellsearch Limited
 Motor Accidents Authority of New South Wales
 Motor Transport, Department of (to 15 January 1989)
 Public Vehicles Fund
 Road Transport and Traffic Fund
 Motor Vehicle Repair Industry Council
 Mulwala Water Supply
 Murray–Darling Basin Commission
 Murray Valley (N.S.W.) Citrus Marketing Board
 Museum of Applied Arts and Sciences, Trustees of the
 National Engineering Information Services Pty Limited
 National Parks and Wildlife Service
 Newcastle International Sports Centre Trust
 Newcastle, University of
 New England, University of
 New South Wales, University of
 New South Wales University Press Limited
 Nominal Defendant Trust Account
 North Orange Industrial Development (Joint Venture)
 Northumberland Insurance Company Limited Act, 1975 – Fund created by
 Norsearch Ltd
 Nurses Registration Board
 Oats Marketing Board for the State of New South Wales
 Oilseeds Marketing Board for the State of New South Wales, The
 Ombudsman's Office
 Optometrical Registration, Board of
 Optical Dispensers Licensing Board

Parliamentary Contributory Superannuation Scheme, Trustees of the
 Peace Trust
 Pharmacy Board of New South Wales
 Physiotherapists Registration Board
 Planning, Department of
 Police Department
 Poultry Farmer Licensing Committee
 Poultry Meat Industry Committee
 Premier's Department
 Processing Tomato Marketing Committee of NSW
 Protective Commissioner
 PST Pty Ltd
 Psychologists Registration Board
 Public Accountants Registration Board
 Public Accounts Committee
 Public Employment Industrial Relations Authority
 Public Prosecutions, Office of the Director of
 Public Servant Housing Authority of New South Wales
 Public Service Board of New South Wales (to 30 September 1988)
 Public Trustee
 Public Works Department
 Maintenance and Construction Branch
 Engineering Workshops, Leichhardt (Electrical Section)
 Engineering Workshops, Leichhardt (Mechanical Section)
 Materials Testing and Chemical Services Laboratory
 Railway Service Superannuation Board
 Real Estate Valuers Registration Board
 Rental Bond Board
 Rice Marketing Board for the State of New South Wales
 Riverina Insurance Company Limited and Another Insurance Company
 Act 1971 – Fund created by
 Rivservices Ltd
 Roads and Traffic Authority of New South Wales (from 16 January 1989)
 Royal Botanic Gardens and Domain Trust
 School Furniture Complex
 Science and Technology Council, The New South Wales
 Search Tech Pty Ltd
 Small Business Development Corporation
 S.N. RALC Ltd
 Soil Conservation Service
 Soil Conservation Service Consultancy Unit
 Soil Conservation Service Plant Operation Account
 Solicitors Admission Board
 Somersby Park Pty Ltd
 Somerset Park Estate
 South-west Tablelands Water Supply
 Sport, Recreation and Racing, Department of
 Sporting Injuries Committee
 State Authorities Superannuation Board
 Joint Venture, Berry St, North Sydney Property
 Joint Venture, Pitt St, Sydney Property
 LGS – Mirvac Unit Trust
 RAF Unit Trust
 Victoria Cross Unit Trust
 Westfield, Hurstville Shopping Town – Joint Venture

State Authorities Superannuation Board

Gila Pty Ltd

Hadenis Pty Ltd

Sanlota Limited

Vistajura Pty Ltd

Zenith Centre Management Pty Ltd

State Bank of New South Wales

Deferred Payments Co-ordinators Pty Ltd

First State Colony of Funds - The Balanced Fund

First State Colony of Funds - The Managed Fund

First State Colony of Funds - The Sheltered Fund

First State Equities Fund

First State Fixed Interest Fund

First State Fund Managers Ltd

First State Pooled Fund

First State Securities Ltd

HPAA/Fanmac Trust (Australia) No. 1

HPAA/Fanmac Trust (Australia) No. 2

HPAA/Fanmac Trust (Australia) No. 3

HPAA/Fanmac Trust (Overseas) No. 1

HPAA/Fanmac Trust No. 6

HPAA/Fanmac Trust No. 7

HPAA/Fanmac Trust No. 8

HPAA/Fanmac Trust No. 9

HPAA/Fanmac Trust No. 10

Martin Place Management Ltd

M.P. Property Fund

Nimitz Nominees Pty Ltd

SB NSW (Cook Islands) Limited

SB NSW (Delaware) Incorporated

SB NSW (London) Nominees Limited

SBN Nominees Pty Ltd

State Bank Superannuation Benefits Scheme

State Bank Minder Approved Deposit Fund

State Bank Minder Approved Deposit Growth Fund

State Bank Mortgage Bond Trust

State Investments Limited

State Nominees Limited

Wezen Pty Ltd

State Brickworks

State Clothing Factory

State Development, Department of

State Drug Crime Commission of New South Wales

State Electoral Office

State Emergency Services and Civil Defence

State Lotteries Office

State Pollution Control Commission

State Rail Authority of New South Wales

State Sports Centre Trust

State Transit Authority of New South Wales

Suitors Fund

Superannuation Office, New South Wales

Surveyors of New South Wales, Board of

Sydney Cove Redevelopment Authority

Sydney Cricket and Sports Ground Trust

Sydney Educational Broadcasting Limited

Sydney Market Authority

Sydney Opera House Appeal Fund

Sydney Opera House Trust

Sydney, University of
 Power Museum Limited (International Contemporary Art Centre)
 Teacher Housing Authority of New South Wales
 Technical and Further Education, Department of
 Technical and Further Education – Trust Funds
 Tobacco Leaf Marketing Board for the State of New South Wales
 Totalizator Agency Board
 Tourism Commission of New South Wales
 Traffic Authority of New South Wales (to 15 January 1989)
 Transport, Ministry of
 Treasury, The
 Office of State Revenue
 Office of Financial Management
 Treasury Corporation, New South Wales
 Unicare Insurance Pty Ltd
 Unisearch Limited
 University of Newcastle Research Associates Limited, The
 University of New South Wales International House Limited
 University of New South Wales Foundation Limited
 University of Technology, Sydney, The
 University of Western Sydney, Board of Governors
 Valuer – General's Department
 Veterinary Surgeons of New South Wales, Board of
 WGMB Holding Pty Ltd
 Waste Management Authority
 Water Board
 Water Resources, Department of
 Wild Dog Destruction Board
 Windradyne Neighbourhood Joint Venture
 Windradyne/Llanrath Estate Joint Venture
 Wine Grapes Marketing Board for the City of Griffith and the Shires of
 Leeton, Carrathool and Murrumbidgee, The
 Wollongong Sports Ground Trust
 Wollongong, University of
 Workers' Compensation (Dust Diseases) Board
 Workers' Compensation and Rehabilitation Authority
 Workmen's Compensation (Broken Hill) Joint Committee
 Yellow Maize Marketing Board for the State of N.S.W.
 Yrimbirra Pty Ltd
 Zoological Parks Board of New South Wales

AUDITS EXPECTED TO COMMENCE IN 1989–90

Building Research Centre Trust Limited, The
 Drug Offensive Foundation, NSW
 Internal Audit Bureau
 Kiwi Fruit Marketing Board
 Kiwi Fruit Marketing Committee
 Newcastle International House Limited
 New England Technology Transfer Centre
 New South Wales Rural Assistance Authority
 Pathology Laboratories Accreditation Board
 Parramatta Stadium Trust
 Public Sector Executives Superannuation Board
 TCorp Nominees Pty Limited

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