

annual report
2010/11



This annual report summarises the activities and performance of the Audit Office of New South Wales for **2010/11** against the main objectives, strategies and targets in its strategic plan. As well as reporting on the financial results for the past year, the report looks to the year ahead. This and earlier annual reports are available on our website and printed copies are available on request.

audit.nsw.gov.au



GPO Box 12
Sydney NSW 2001

Members of Legislative Assembly
Parliament House
Sydney NSW 2000

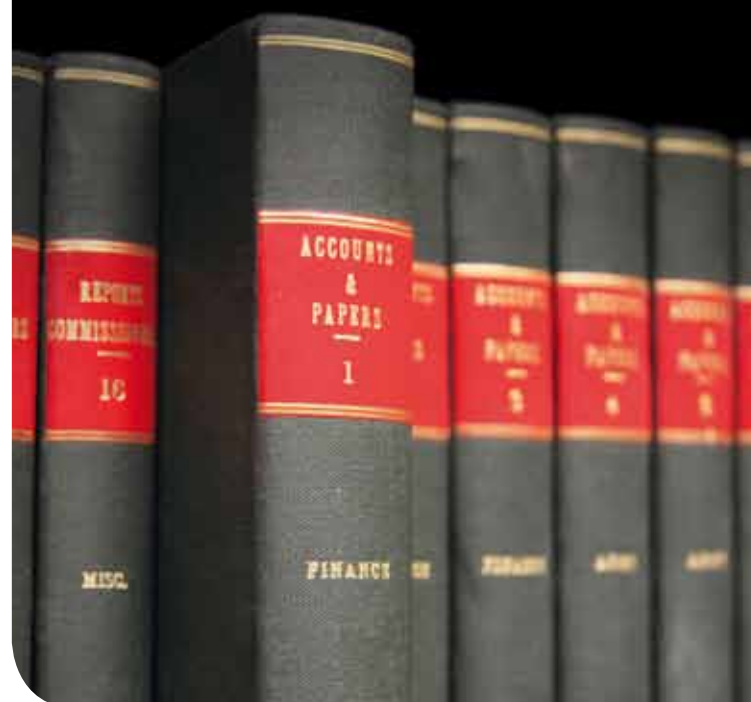
Under section 12A of the *Annual Reports (Statutory Bodies) Act 1984*, I have pleasure in submitting for information of members, the Reports of the activities of the Audit Office of New South Wales for the year ended 30 June 2011.

Peter Achterstraat

Peter Achterstraat
Auditor-General
28 October 2011

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2010–11 highlights

Parliament

90% satisfied with our reports and services

Parliamentarians satisfied with our reports and refer to them frequently.

90 per cent satisfied with our reports and services.

95 per cent agree that our financial audits provide valuable assurance.

90 per cent believe our financial reports have effective layout and design.

93 per cent believe our performance audit reports identify significant issues.

85 per cent of financial audits reported to parliament on time.

4 performance audits reviewed by the Parliament of New South Wales' Public Accounts Committee.

Overall satisfaction

% satisfied or very satisfied.
Survey not conducted in 2007 or 2011



Agencies

97% of financial audit and 98% of performance audit recommendations accepted

Increased ratings for agencies' overall perceptions of our financial audits.

Slight decline in overall perceptions of our performance audits.

97 per cent of financial audit recommendations accepted.

98 per cent of performance audit recommendations accepted.

95 per cent of audit opinions were unqualified.

472 financial audits completed.

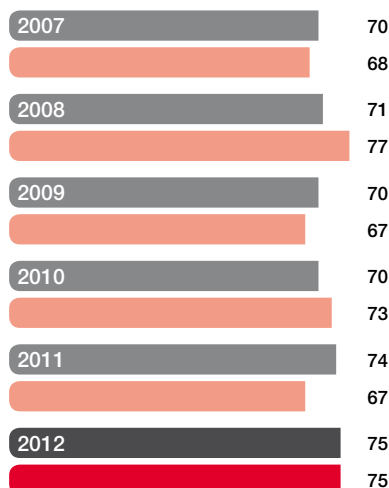
12 performance audits completed.

Overall satisfaction %

Aggregate performance indices.

Financial audit clients

Performance audit clients



People

90% of employees describe the Audit Office as 'a great place to work'

76 per cent employee satisfaction.

90 per cent of employees describe the Audit Office as 'a great place to work'

Almost 90 per cent of employees highly engaged.

80 per cent employee morale.

65 per cent productivity – consistent with last year.

51 per cent of middle management are women – a significant increase on last year.

11 per cent staff turnover.

4-star greenhouse building rating maintained.

Employee satisfaction %



Profession

40 presentations made,
2 more than last year

40 presentations delivered to the public
and the profession.

17 submissions made on proposed
changes to accounting and auditing
standards.

Presentations given



Finances

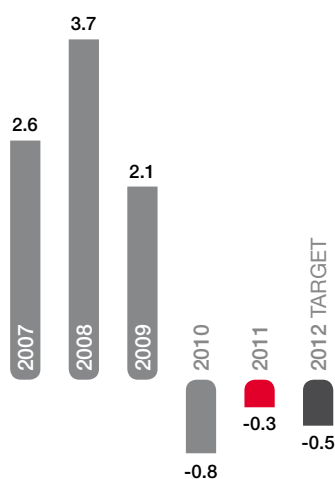
\$0.3 million loss
(excluding superannuation
adjustments), outside our
medium-term break-even
target

Current ratio (solvency) is healthy.

98 per cent of our creditors paid on time.

Operating results/\$m

Excluding superannuation



Benchmarks

Our costs are significantly
less than other Australian
audit offices

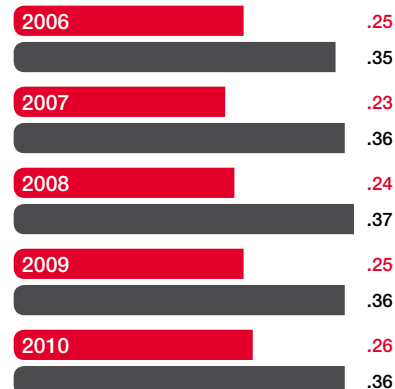
We benchmark ourselves against the
national average for audit offices.

We expect our costs, as a proportion
of total state assets and transactions,
to be lower than most other States.
As NSW agencies are typically larger than
their interstate counterparts and the Audit
Office of New South Wales is also larger,
the economies of scale allow us to achieve
lower costs on these measures.

Total audit costs (excluding payroll tax) per \$'000 of public sector transactions \$

2011 results not yet available.

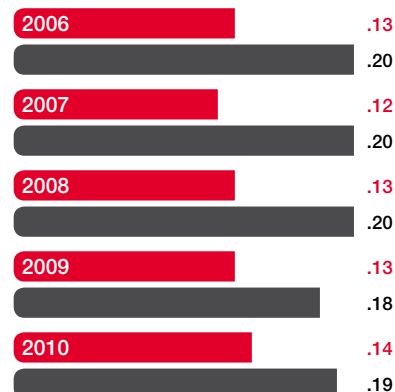
Audit Office of NSW Average of Australian audit offices



Total audit costs (excluding payroll tax) per \$'000 of public sector assets \$

2011 results not yet available.

Audit Office of NSW Average of Australian audit offices



Our organisation

Built on strategic foundations

Our vision

To make the people of New South Wales proud of the work we do.

Our mission

To perform high quality independent audits of government in New South Wales.

Our objectives

Our advice – parliament and agencies regularly seek our advice and act on our recommendations.

Our people – are highly skilled and dedicated to improving the public sector.

Our profession – we are known for influencing auditing in Australia.

Our finances – we break even over the medium term.

Our values

Purpose – we have an impact, are accountable, and work as a team.

People – we trust and respect others and have a balanced approach to work.

Professionalism – we are recognised for our independence and integrity and the value we deliver.

Who we are

The Audit Office of New South Wales (the 'Audit Office') is a statutory authority, established under the *Public Finance and Audit Act 1983*, that conducts audits for the Auditor-General.

The Auditor-General helps parliament hold government accountable for its use of public resources.

What we do

The Auditor-General is responsible for audits and related services.

The Audit Office conducts financial and performance audits, principally under the *Public Finance and Audit Act 1983* and the *Corporations Act 2001*, and examines allegations of serious and substantial waste of public money under the *Public Interest Disclosures Act 1994*.

The Auditor-General also provides certain assurance services for Commonwealth grants and payments to the State under Commonwealth legislation.

Our main clients

- Parliament of New South Wales.
- NSW government agencies.
- The people of New South Wales.

Our resources

259 staff at 30 June 2011.

\$32.2 million from government agencies for audits of their financial statements.

\$6.0 million from the government towards our performance audits and reports to parliament.

8 external audit contractors assist with our financial statement audits, representing about 7 per cent of our financial audit work.

Our history

For more than 180 years, the Audit Office of New South Wales has been assisting the Parliament of New South Wales hold government accountable for its use of public resources.

We do this by reporting directly to parliament on our audits of government financial statements and performance.

The history of the Auditor-General

1824

William Lithgow appointed Colonial Auditor-General, to compile and examine the colony's accounts and report on government departments to the Governor.

1855

The *UK Constitution Act 1855* formalised government in New South Wales, and Auditor-General made a member of the government.

1870

Powers and duties of Auditor-General first set in legislation, in the *Audit Act 1870*.

1902

Audit Act 1902 prohibited the Auditor-General from being a member of the Executive Council or of the parliament.

1929

Audit (Amendment) Act 1929 changed the tenure of office of the Auditor-General from life to ceasing at 65. Position of Assistant Auditor-General created.

1984

Public Finance and Audit Act 1983 established Auditor-General's Office (6 January 1984).

1989

Auditor-General's Office declared a statutory body, allowing it to be both more independent and more commercial.

1991

The *Public Finance and Audit Act 1983* expanded the Auditor-General's role to include performance audits, limited tenure to seven years and prevented acceptance of any other post in the NSW public service.

2001

Auditor-General's role expanded to reporting on issues of waste, probity and financial judgement.

2004

Auditor-General given power to employ staff directly, and set wages and conditions.



Auditor-General's message

I am pleased to present my 2010–11 annual report of the Audit Office of New South Wales. We performed well as a business, meeting our key targets and continuing to maintain a very good relationship with the Parliament of New South Wales. For the first time this year we actively engaged the public in our audits.

A new Public Accounts Committee

The NSW Parliament's Public Accounts Committee was re-established on 22 June 2011. I am very encouraged by the new committee's early work of following up government agencies on what they have done in response to my reports to parliament. This is particularly important as we both have a key role in assisting parliament hold government accountable for its use of public resources – central to democratic governance.

I look forward to working with the committee on this very important work.

New corporate governance model

During the year I released a revised 17 components of public sector governance.

Good corporate governance promotes public confidence in government. It is there to shine a light, sometimes it is a warning, sometimes it is there to attract attention and sometimes it is there to guide.

I encourage management to use this model to assist them with the governance of their organisations. Public servants need to demonstrate good governance.

A more public focused strategic plan

This year we continued to involve all our senior staff in our strategic planning process. This is very important for their development and for the future of the Audit Office.

While our vision remains the same – making the people of New South Wales proud of the work we do – both the Audit Office and I recognise that our ultimate client is the people of New South Wales. With this in mind we agreed on a new focus area – Public Engagement.

Encouraged by this renewed focus on the public of New South Wales we started identifying ways we could involve the public in our audits.

Our speed camera audit was the first such audit where we surveyed the public on speed cameras in New South Wales. I was very pleased and humbled by the overwhelming public response I had in my speed camera review.


As in previous years, we will continue to focus on our people, our systems and our processes. We will ensure we provide stakeholder value through quality audits and reports and most importantly maintain good relationships with NSW Parliamentarians and NSW government agencies. We will also continue to play a significant role in the accounting and auditing profession – something that I am very proud of.

The year ahead

I look forward to the coming year where I will focus more on involving the public in our audits.

I will be looking for opportunities to seek more public input to my audits, and assist me with choosing areas to audit.

I am very keen to ensure that my audits remain relevant to the needs of the NSW Parliament and the public of New South Wales.



Peter Achterstraat Auditor-General

Thank you to my staff

I continue to be impressed by the quality and dedication of the staff who support me in my work. It is a rare privilege to be so confident that your organisation will produce the work expected of them with minimal guidance and of a quality I am very proud of. For this I thank the staff of the Audit Office very much.





Office Executive

Experience and performance

The Office Executive provides the leadership necessary for the Audit Office to achieve its strategic direction and goals. The Office Executive is led by the Deputy Auditor-General and draws on the expertise of other staff when required.

Peter Achterstraat

Auditor-General

B.Ec (Hons) LL B B.Comm,
FCA FCPA, FCIS

Peter Achterstraat was appointed the Auditor-General of New South Wales on 25 September 2006. Before joining the Audit Office, he was the Chief Commissioner State Revenue for New South Wales from July 1999.

Peter spent 20 years in the Australian Tax Office where he had a variety of roles, and was appointed Deputy Commissioner of Taxation with the Australian Taxation Office in 1987.

Tony Whitfield

Deputy Auditor-General

B.Comm FCA

Before joining the Audit Office in 1994, Tony Whitfield spent 29 years in the private sector, including 17 years as an audit partner in a 'Big Four' accounting firm. During that time, he was responsible for delivering audit and other services to a portfolio of clients, and for audit technology within the firm. Tony has also worked in the USA.

Louise Mooney

Assistant Auditor-General, Corporate Services

LL B FCA

Louise Mooney commenced her accounting career with Price Waterhouse as a member of the audit staff before moving on to a wide variety of roles within both public and private sector service industries in Australia and overseas. Prior to joining the Audit Office in 2008, Louise was Finance Director at The Children's Hospital at Westmead and two large Australian law firms.

Greg Gibson

Assistant Auditor-General, Financial Audit

B.Ec Grad Dip App Finance, FCPA FCA F Fin

Greg Gibson joined the Audit Office in 1973 and was appointed Assistant Auditor-General on 1 July 2006. Greg has significant experience with public sector financial operations and has been at the forefront of major accounting and financial reporting milestones.

John Viljoen

Assistant Auditor-General, Financial Audit

B.Acc CPA

John Viljoen joined the Audit Office in 1996, after 18 years in the private sector. He spent nine years with a 'Big Four' accounting firm, where he was responsible for delivering audit services to clients in Australia and Africa.

Scott Stanton

Assistant Auditor-General, Financial Audit

B.Comm FCPA

Scott Stanton has significant experience in leading the delivery of audit services to a diverse range of public sector clients including those in the transport, electricity and the university sectors. He is the immediate past Chair of CPA Australia's NSW Public Sector Committee and is currently serving on CPA Australia's NSW Divisional Council. Scott joined the Audit Office in 1987 and was appointed Assistant Auditor-General on 30 August 2010.

Rob Mathie

Assistant Auditor-General, Performance Audit

MA (Hons) MCP

Rob Mathie rejoined the Audit Office in 2010 after ten years with a 'Big Four' accounting firm, where he worked on internal audits and performance reviews of government agencies across Australia. Rob joined the Audit Office originally in 1993 from the Audit Commission in England after an early career in consulting and public sector management.

Organisational structure at 30 June 2011





Back: Greg Gibson, Peter Achterstraat, John Viljoen.
Front: Tony Whitfield, Louise Mooney, Scott Stanton, Rob Mathie.
Client location – Art Gallery of New South Wales



The year ahead

Our activity in 2011–12 will be driven by our strategic planning process and our five strategic focus areas.

Strategic planning process

Our strategic planning process was expanded in 2009–10 to include a much wider representation of Audit Office staff. This expansion has resulted in the creation of a Senior Leadership Team which includes financial audit and performance audit Business Team Leaders, as well as senior Corporate Service managers. The Senior Leadership Team meets with the Office Executive every 30 days to set and report on tasks, develop and review strategic milestones, and monitor and review the outcomes we expect to achieve at the end of the annual strategic planning cycle. Every year the strategic focus areas are re-evaluated and amended if necessary, to accommodate the changing needs of the business.

Strategic focus areas

Outlined below are the outcomes we are expecting to achieve within each of our strategic focus areas by the end of 2011–12. Some of the activities we plan to undertake to achieve these outcomes are detailed throughout this report and referenced below.

Public Engagement

Outcomes:

- The people of New South Wales recognise and appreciate what we do
- Our audits reflect issues that concern the public
- We seek views from the public, the press and professionals on the work of the Audit Office and how we can improve.

Activity includes:

- Develop an external communications strategy including a new website and new brand
- Monitor the take-up of our reports by the public, parliamentarians and the press.

See pages 9 and 13 for further details.

Systems and Processes

Outcomes:

- Our audit methodologies are easy to use and add value
- We have a culture of innovation
- We manage our knowledge
- We have the systems and processes that best match our business needs.

Activity includes:

- Establish an innovation group to create an environment at the Audit Office where creative ideas are encouraged and adopted
- Develop a knowledge management plan to promote knowledge sharing and collaboration
- Move our business and information systems onto a more efficient and environmentally friendly virtualised server and storage infrastructure
- Develop and launch a new performance audit methodology
- Select a new financial audit methodology.

See pages 11, 17, 19 and 38 for further details.

People Power

Outcomes:

- We are professionals ready for the challenges of a changing landscape
- We have a workforce plan that addresses the future
- We enable, trust and value our people.

Activity includes:

- Hold workshops to help understand our employees' feelings on what being 'valued' means to them
- Upgrade our online performance management system in order to improve remuneration reviews, create online recruitment capabilities and support succession planning
- Develop a workforce plan.

See pages 31 and 32 for further details.

Financial Performance

Outcomes:

- We have built a financial framework that enables strategic success
- We are all accountable for the financial success of the Audit Office and share in the benefits
- We have management information that guides day to day business decisions
- We have optimised existing revenue streams.

Activity includes:

- Develop a financial strategy for the Audit Office
- Increase productivity and reduce write-off work in progress.

See page 45 for further details.

Stakeholder Value

Outcomes:

- Our reports are clear and concise. They contain relevant analysis and are persuasive and timely
- We have the mandate we need to achieve our vision
- Parliament respects and supports us
- Clients value the Audit Office
- We are recognised as industry leaders and experts.

Activity includes:

- Meet with parliament's new Public Accounts Committee to discuss the work of the Audit Office and future directions
- Develop an Auditor-General's Reports to Parliament enhancement team to improve the clarity, timeliness and persuasiveness of our reports
- Work with client feedback to ensure upward trends in satisfaction levels continue.

See pages 9, 14 and 17 for further details.





Parliament

Regularly seeks and uses our advice.

The Auditor-General and the Audit Office of New South Wales assess the performance and accountability of NSW government agencies by:

- reporting to the Parliament of New South Wales on our audits
- working closely with parliamentary committees

Satisfaction

Parliamentarians very satisfied with reports and services

95% agree that our financial audits provide valuable assurance

90% believe our financial reports have effective layout and design

93% believe our performance audit reports identify significant issues

Satisfaction remains high

Parliament is our primary client, so it is vital that we understand parliamentarians' views of our performance. To do this, we generally survey them every year. Our most recent survey was conducted in June and July 2010, where we surveyed 135 parliamentarians and received 48 responses.

In 2011, our scheduled survey coincided with the March 2011 State election. As a result, we deferred the survey to the first half of 2012 as the participation rate would likely have been low during the caretaker period and the settling-in period after the election.

Fortunately, the 2010 survey results are current enough to give us a reasonable indication of parliament's view of our recent work.

In 2010 we continued to meet our satisfaction target for our reports and services of 90 per cent, a target that we have met for the past four years. Parliamentarians were positive about:

- our responsiveness to their requests, with 91 per cent rating it as good or higher, similar to 93 per cent in 2009
- our integrity in conducting our audits, with 93 per cent in agreement, up from 89 per cent in 2009
- our assurance to parliament, with 95 per cent agreeing in 2010, up from 93 per cent in 2009.

The results also highlighted some areas for improvement. We had a slight decline in parliamentarians agreeing that our reports communicate issues clearly at 87 per cent, down from 90 per cent in 2009. We also noted a slight decrease in the perception that our reports and services are of a high quality at 84 per cent, down from 86 per cent in 2009.

In response to this, in 2010–11, we have redesigned the structure and appearance of our reports to make them clearer and to highlight our recommendations.

Financial audit reports rate well

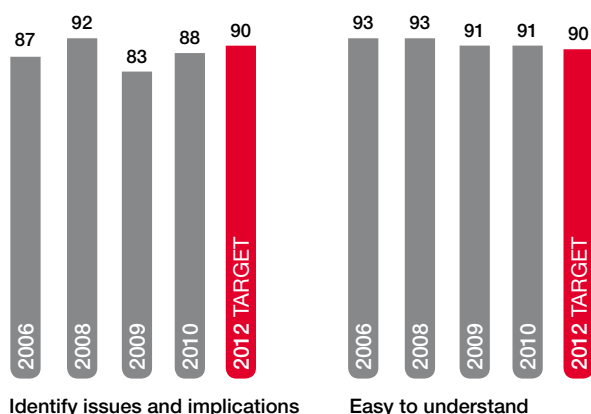
Parliamentarians rated the Auditor-General's reports on financial audits very well. The majority of parliamentarians who had referred to reports in the previous 12 months to the survey felt they:

- clearly identified the significant issues and their implications, the 88 per cent agreement up from 83 per cent in 2009
- were easy to understand, 91 per cent agreeing, steady to 91 per cent in 2009 and above our target of 90 per cent
- had effective layout and design, the agreement remaining high at 90 per cent, but down from 97 per cent in 2009.

Parliamentarians referring to our financial audit reports for information in 2010 trended up, with 45 per cent stating they often referred to the reports compared to 41 per cent in 2009. Parliamentarians felt we could further improve our financial audit reports to increase their ability to monitor the financial performance of the NSW public sector.

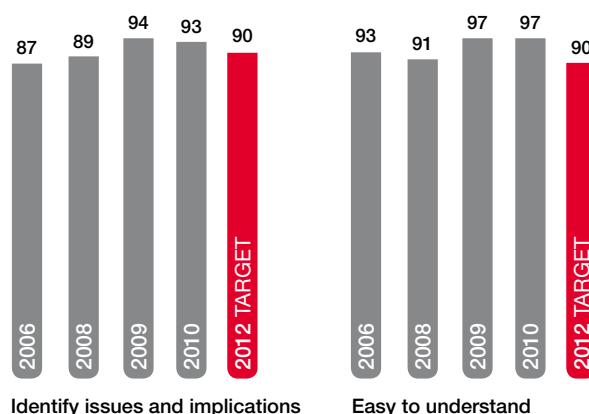
Satisfaction with financial audit reports %

Surveys not conducted in 2007 or 2011



Satisfaction with performance audit reports %

Surveys not conducted in 2007 or 2011



Performance audit reports rate highly

Parliamentarians rated the Auditor-General's performance audit reports highly. Parliamentarians who had referred to a performance audit report in the previous 12 months to the survey thought the reports:

- were easy to understand, the 97 per cent agreement steady to 97 per cent in 2009
- clearly identified significant issues and their implications, with 93 per cent agreeing, marginally down from 94 per cent in 2009, but still above our target of 90 per cent
- had effective layout and design, with 97 per cent agreeing, steady to 97 per cent in 2009.

Although our performance audit reports rate well, there are still few parliamentarians accessing them regularly. Forty-one per cent of respondents had often accessed information from performance audit reports during 2010, steady to the 41 per cent in 2009. However, 20 per cent reported rarely or never using our reports, down slightly from 21 per cent in 2009. In 2010–11 we launched a project to redesign our corporate website with one of the major objectives to make our reports more accessible. This work will encourage parliamentarians to access our reports more regularly.

Our reports and services rate slightly below other State audit offices

The Auditor-General has regularly suggested government agencies assess their performance by comparing results with similar organisations in other States. In 2005, we began comparing how satisfied parliamentarians were with our services against results from other State audit offices. In 2010, the Victorian, Western Australian and Tasmanian audit offices conducted similar surveys. Parliamentarians in all States, including New South Wales, rate their audit offices highly.

On an overall measure of satisfaction with reports and services, 90 per cent of our parliamentarians were satisfied, slightly below the 92 per cent average for Victoria, Western Australia and Tasmania.

In New South Wales, 91 per cent of parliamentarians agreed our services provide valuable information on public sector performance compared with the 96 per cent average in other States. Our parliamentarians' satisfaction with the clarity of how we report issues was 87 per cent compared to the Victorian, Western Australian and Tasmanian State averages of 90 per cent.

The year ahead

Our Strategic Plan has a number of initiatives aimed at improving the value and impact of our audits and reports within the 'Public Engagement' and 'Stakeholder Value' focus areas (see page 6 for more details on our strategic focus areas).

These initiatives include:

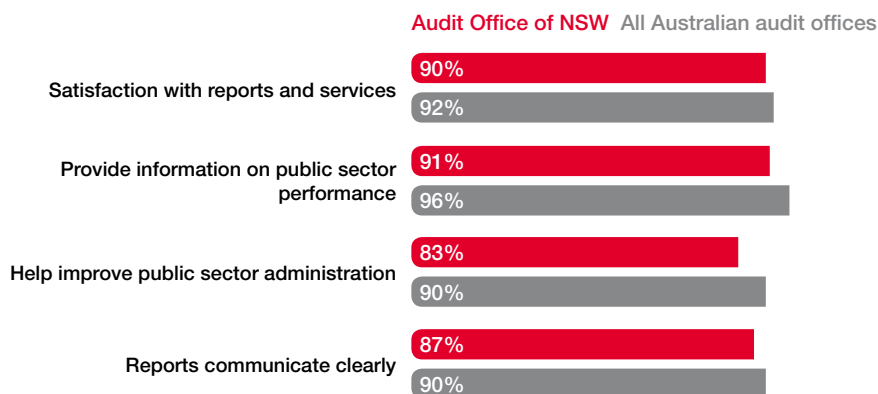
Reviewing the way we select the topics and issues we audit to ensure they appeal to parliamentarians and reflect issues that concern the 'person in the street'

Continuing to improve the way our reports communicate our findings and recommendations by:

- revising the design and improving the clarity of our financial and performance audit reports to parliament
- ensuring the issues we raise are supported by relevant analysis and reflect public interest.

Implementing a new corporate website with better presented online reports allowing quicker access and a more reader-friendly format.

Satisfaction compared with other participating State audit offices



Assurance

Our financial audits provide assurance to parliament

472 financial audits completed

Average cost per financial audit lower than other audit offices

Providing an independent opinion

The core task of the Audit Office is to issue opinions on whether NSW government agencies' financial statements are fairly presented and comply with accounting standards, legislative requirements and Treasurer's Directions. Financial statements show an agency's financial position and financial performance for the year.

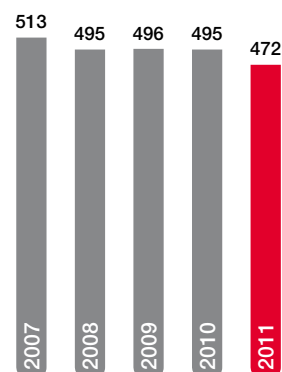
We issue a 'qualified' audit opinion if we believe the financial statements contain material errors or do not comply with accounting standards, relevant laws and Treasurer's Directions. An 'unqualified' opinion provides reasonable assurance that an agency's financial report is materially correct.

We report opportunities for improving financial management processes and internal controls. Our work also considers waste, probity, financial judgment and agency performance.

We completed 472 financial audits of NSW government agencies and universities this financial year compared to 495 last year. The decrease was mainly due to the government's restructure of agencies during the year. See Appendix Two for a full list of our financial audit clients.

We report to parliamentarians on the outcomes of these audits so they are better informed about the State's financial performance and position when deciding on how best to allocate public resources.

Number of audited entities



Qualified audit opinions

During the year, we issued qualified audit opinions on the financial statements of 24 of the 472 (five per cent) NSW government agencies, consistent with last year.

Qualified audit opinions mean either these agencies' financial statements did not fully comply with accounting standards or contained material errors, or there were limitations on the scope of our audits. Many qualifications were for agencies with fundraising activities who are unable to implement controls to ensure all income from these activities is recorded.

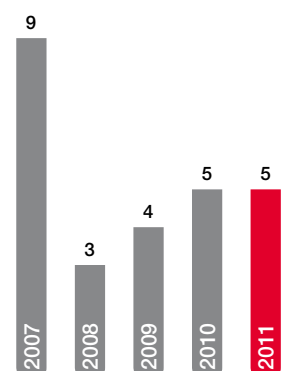
Repeat qualifications

During 2010–11, there were 18 repeat qualifications, the same number as 2009–10. We will continue to notify parliament of these qualifications and encourage the agencies concerned to act on our recommendations.

New qualifications

We issued six new qualifications in 2010–11, compared with five in 2009–10. For details of these qualifications see pages 20 and 21.

Qualified audit opinions %



Costs compare well with other States

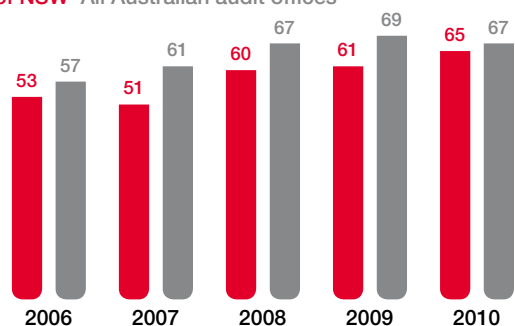
We compare our financial audit costs with other Australian audit offices.

At \$64,600, our average cost of a financial audit compares favourably with the \$66,600 average for all Australian audit offices. As the Audit Office of New South Wales is larger than its interstate counterparts, the economies of scale allow us to achieve lower costs. However, because we audit larger organisations, we would expect our costs per audit opinion to be higher.

Our lower than average cost is most pleasing, and is the result of our ongoing drive to improve our processes.

Cost per financial audit opinion (\$'000)

Audit Office of NSW All Australian audit offices



Data for 2011 not yet available



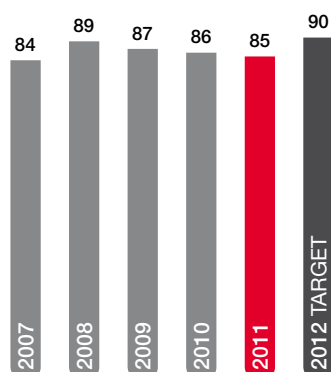
Timeliness of reporting to parliament

We report the results of our financial audits to parliament in 11 volumes.

The volumes published in 2010–11 had a specific industry focus as follows:

Volume 1	Overview of 2010
Volume 2	Universities
Volume 3	Total State Sector
Volume 4	Electricity
Volume 5	Public Financing Enterprises
Volume 6	Human Services and Technology
Volume 7	Environment, Climate Change and Water
Volume 8	Law and Order and Emergency Services
Volume 9	Transport, Planning and Industry
Volume 10	Education and Communities
Volume 11	Health and Ports

Reports to parliament within 19 weeks %



Our reports included results for each agency audited. Of those agencies, 85 per cent were reported within 19 weeks of receiving the financial statements (our internal benchmark), slightly below our 90 per cent target and similar to the 86 per cent achieved in 2009–10.

We believe that timely reporting of our audit findings is important as it allows parliament to promptly scrutinise agencies' financial statements.

For clients with a 30 June balance date (the majority of our clients) we aim to report to parliament before the end of the calendar year. Our other financial audits (mainly universities) have a December year-end and we aim to report on these by May each year.

Other assurance engagements

We assess how well agencies comply with legal requirements, government policies and central agency directives. In undertaking these assessments we comply with the requirements of the Standard on Assurance Engagements, ASAE 3100 Compliance Engagements.

In 2010–11, we reported the results of our review of compliance with the government's 'NSW Procurement Reforms' which focused on the use of e-procurement and eTendering systems. The results were reported to parliament in Volume 1 of the Auditor-General's report for 2011. Overall, there was very poor compliance with the government's requirements. We made a number of recommendations to improve compliance.

The year ahead

In 2011–12 we will:

continue improving the content of our reports to parliament by providing more analysis of agency and public sector wide issues

continue collaborating with Treasury and agencies on strategies to achieve earlier completion of financial statements and annual reports

focus on improving the timeliness of our reporting to agencies through our audit opinions on financial statements and management letters

continue to work with agencies when auditing their financial statements to clear up as many financial statement qualifications as possible

continue to collaborate with individual and central agencies to resolve financial reporting and governance issues arising from agency and industry restructures

continue refinement of our special interest groups to ensure they focus on important issues facing agencies, their industries and the government.

Under our 'Systems and Processes' strategic focus area we also have two major projects designed to improve our audits:

the procurement of a new financial audit methodology and related technology that will provide effective and efficient public sector audits

the procurement of a new practice management system that best supports the management of our audits.



Effectiveness, efficiency and economy

Our performance and financial audits help improve agency performance

12% decrease in average cost of performance audits

Public Accounts Committee continues to follow up our audits with public hearings

Helping to improve public administration

Our performance audits review the effectiveness, efficiency and economy of government agencies. A performance audit may assess the whole of an agency's operations, one agency's activity, or an activity that involves more than one agency.

We published 12 performance audit reports during the year plus a report on the NSW Lotteries Sale Transaction. Detailed information on our reports, findings, recommendations and agency responses is on pages 22 to 28.

The cost of performance audits

The average cost of performance audits in 2010–11 was \$175,000. This was lower than our target of \$200,000.

The cost of our performance audits depends on the scope and complexity of the subject matter, the number of staff used and the need for specialist advice. We produced 0.62 performance audits per staff member which was close to our target of 0.60. We used specialist advisers on a third of our performance audits.

The effectiveness of our performance audits depends in no small measure on the follow-up work that parliament's Public Accounts Committee undertakes on the recommendations made. In 2010–11, the Public Accounts Committee followed up all performance audit reports conducted in 2008–09 and held public hearings. We are very pleased that one of the first decisions of the new Public Accounts Committee has been to continue such follow up work. We look forward to supporting the Public Accounts Committee in the coming year on this important task.

Detailed information on our work with the Public Accounts Committee is on page 14.

Reporting on agency performance information

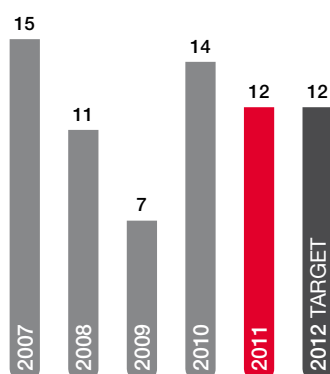
During 2010–11, our financial audit reports to parliament included comments on agencies' key performance indicators and focused on:

- Universities
- Electricity
- Total State Sector
- Treasury and Public Financing Enterprises
- Human Services and Technology
- Environment, Climate Change & Water
- Law & Order and Emergency Services
- Transport, Planning and Industry
- Education and Communities
- Health and Ports.

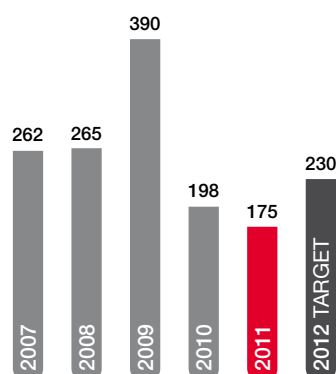
The reports included recommendations for financial and operational improvements focusing on large agencies across these sectors.

Most agencies exist to provide services efficiently to the people of New South Wales, and while much information relating to financial performance is reflected in the financial statements of the agencies we audit, we believe that publishing additional key performance information offers parliament a balanced 'report card' on agencies' performance. We also believe this information helps the people of New South Wales assess whether their tax dollars have been spent efficiently and effectively.

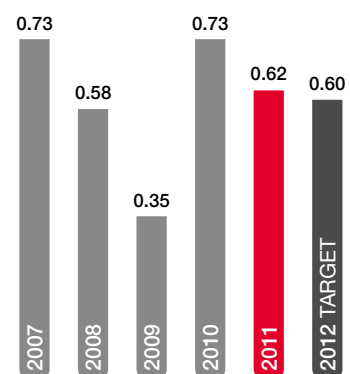
Number of performance audits completed



Average cost of performance audits \$'000



Performance audits per staff member



Auditing performance information

The Audit Office was engaged to verify performance information relating to the Supporting Business and Jobs chapter of the Annual Performance Report of the NSW State Plan. Similar to last year, the government appointed a range of experts to review the performance information for the remaining chapters of the report.

We found no errors or exceptions and reported the results in a 'Report of Factual Findings' to the minister for the State Plan in November 2010.

We recommended that the government ensure that the systems that generate the data used in the Annual Performance Report can be relied on.

Allegations of serious and substantial waste

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

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

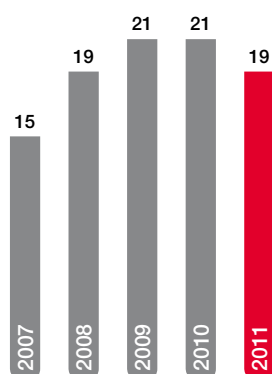
We received and examined 19 allegations in 2010–11. We concluded most did not demonstrate serious or substantial waste. One was significant enough to warrant a separate performance audit which was presented to parliament in September 2010.

The year ahead

We will continue to work closely with parliament, particularly the Public Accounts Committee, and agencies in choosing audit topics.

In 2011–12, under our 'Public Engagement' strategic focus area, we plan to engage with the public more directly to understand their concerns on these topics. Our recent public survey of speed cameras has sparked the beginning of new ways of involving the public in our audits. Through such means we take account of the specific concerns and ideas of parliament and the community.

Number of allegations of serious and substantial waste



Parliamentary response to our work

Parliament continues to use our reports

Parliament now regularly questions agencies on our report recommendations

Parliament is our most important client. As part of our support for new parliamentarians and new ministers, the Auditor-General has provided them with a briefing on the role of the Audit Office and invited them to meet with him on any matters of concern.

Our primary relationship is with the Public Accounts Committee which follows up the Auditor-General's reports. We regularly meet with the committee on sitting days to brief members on the reports we are presenting to parliament. At times, we also make submissions to the committee and appear at its inquiries.

In 2007–08, the Public Accounts Committee started to follow up with agencies what they had done in response to our performance audit report recommendations. These reviews occur about 12 months after the release of a report. We comment on what the agency says it has been doing and give evidence at the committee's follow up hearings.

In 2010–11, the Public Accounts Committee released one report on follow up reviews of the following four performance audits:

- 1 Sustaining Native Forest Operations
- 2 Grants Administration
- 3 Tackling Cancer with Radiotherapy
- 4 Helping Aboriginal Defendants through MERIT

The Public Accounts Committee also followed up specific matters concerning audit reports relating to:

- Improving Road Safety: Heavy Vehicles
- 'Issues Arising from the Premature Release of Draft Auditor-General's Reports' following the leaking of the 'Government Investment in V8 Supercar Races at Sydney Olympic Park' before tabling
- Report on Quality and Timeliness of Financial Reporting.

Follow up reviews by the Public Accounts Committee have provided an effective means for parliament to assess agency responses to our reports, to encourage agency performance improvement and for us to obtain useful feedback on our impact.

The year ahead

Under our 'Stakeholder Value' strategic focus area we will strengthen our support for the new parliament and the new Public Accounts Committee by:

briefing all new members and ministers

inviting their views on issues of concern and potential performance audit topics

supporting the Public Accounts Committee in its inquiries into the activities of government and its follow up of our report recommendations

meeting with the committee on sitting days to brief parliamentarians on the reports we are presenting to parliament

providing advice and support to parliamentary committees for their reviews.

Case study

Working with the Public Accounts Committee

The Public Accounts Committee reports to parliament on the outcome of its follow up examinations of our performance audit reports. In its seventh report to parliament in 2010, the Chair of the committee stated:

'This new process has proven to be a very effective means of comprehensively testing action taken on all performance audits and maintaining a high level of scrutiny of the agencies under review. The tangible benefits of this process have demonstrated the value of following up the Auditor-General's report recommendations by ensuring that appropriate operational changes are instituted and assuring the public that this is done in an open and transparent way.'

The current report provides an examination of the audits conducted into: Sustaining Native Forest Operations; Grants Administration; Tackling Cancer with Radiotherapy; and Helping Aboriginal Defendants through MERIT. In general terms, the committee is satisfied that the responsible agencies are now meeting their

obligations and implementing the auditor's recommendations. However, this has been, in part, due to the work and diligence of committee members in pursuing the agencies concerned to elicit further responses where issues of concern have been identified.

The ability to add value to the Auditor-General's work by further questioning and, if required, conducting public hearings to probe witnesses, adds weight to the audit process itself and gives further impetus to the overall scrutiny of public expenditure. The committee is very pleased with the level of working collaboration achieved over the last four years with the NSW Auditor-General's Office. It is important to stress that this in no way compromises the integrity or the independence of either party, but that the complementary roles of the Auditor-General and the NSW Parliament have been utilised to the fullest extent under this new process.

For this reason, I would like to stress the benefits of these new arrangements and urge the committee, when re-established in the 55th parliament, to continue these arrangements and follow up audits in the same way.

Finally, I would like to record my appreciation for the assistance provided by the Auditor-General and the Audit Office staff.'



A man with grey hair, wearing a dark suit, a striped shirt, and a red tie, is smiling and holding a large owl on his gloved hand. He is standing in front of a dense wall of green bamboo. The owl has brown and white mottled feathers and yellow eyes. A yellow text box is in the top right corner.

Agencies

Act on our recommendations and regularly seek advice

- We work collaboratively with our financial and performance audit clients
- Together with our financial audit clients we identify opportunities to improve financial reporting and management
- Our performance audits examine agency programs critically and from an independent perspective in order to identify potential improvements

Agency response to our work

Our audits are well regarded

Over 93% of agencies believe we conduct our audits professionally
Significant improvements in management letters

General satisfaction with our services

Increasing the scope

Every year we survey the Chief Financial Officers at our client agencies to gain feedback on our performance. This year, the Auditor-General also invited the CEOs of our 50 largest clients and the Chairs of their organisation's Audit and Risk Committee to participate in a survey. The results of the survey to Chief Financial Officers are presented here, with the results from the CEO and Chair surveys to be presented in the 2012 annual report as they were not complete at time of print.

We will continue to seek direct feedback from CEOs and Chairs of Audit and Risk Committees as part of our ongoing annual client survey process.

Financial audits significantly improved overall

Our financial audit clients generally assessed us favourably in all areas of the survey. Overall satisfaction rose with audit processes, reporting, value and performance. Client focus and technical excellence satisfaction also rose compared to 2010.

Value for money

Financial audit value for money increases

There was an increase in our clients' perception of the value of our financial audit services from 2010 with 84 per cent of our clients believing our services make a valuable contribution by providing assurance.

The percentage of clients who value our advice increased to 84 per cent, up from 81 per cent in 2010. Clients believe our services provide value for money relative to the level of audit activity undertaken, with satisfaction increasing slightly in these areas from last year.

Agencies rate performance audit value lower

The overall value rating dropped from 71 per cent to 62 per cent in 2011. This rating reflects agency views on some contentious performance audit findings and recommendations in 2011.

Audit processes show improvements

Financial audit processes improved

Clients believed continuity of our staff improved, up from 77 per cent in 2010 to 85 per cent in 2011. Our understanding of clients' organisations also improved to 85 per cent in 2011, up from 75 per cent in 2010. Timeliness of audits was improved, with 79 per cent agreeing our audits were conducted in a timely manner, up from 70 per cent in 2010. We used clients' staff time efficiently, up from 75 per cent in 2010 to 78 per cent in 2011.

Communication between auditors and our organisation was effective and improved to 93 per cent, up from 81 per cent in 2010.

Clients felt we had improved by being more responsive to their needs, a result of 85 per cent up from 73 per cent in 2010. Meeting agreed deadlines also improved to 84 per cent, up from 72 in 2010.

While overall the survey indicated we had increased satisfaction in all areas, we can continue to improve our services to help our clients identify their exposures to risk and work on continuing to provide value for money.

Performance audit processes rated positively

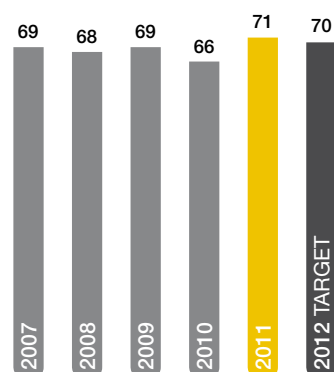
Over 90 per cent of respondents agreed that our interaction with staff was professional and that they were kept informed of likely findings and issues throughout the audit.

Significant improvements were made in ratings on understanding the specific subject matter addressed by the audit and demonstrating the professional skills required to conduct the audit.

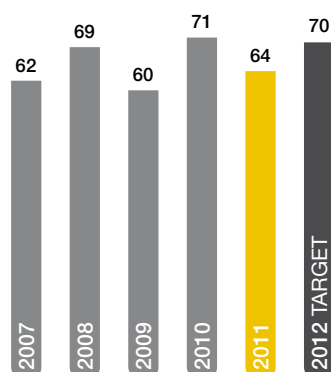
Areas that rated lower were our understanding of the clients' organisations and operating environments and the quality of our research and analysis.

Satisfaction with audit value

Aggregate performance indices



Financial audit clients

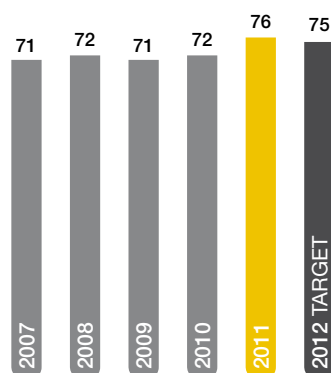


Performance audit clients

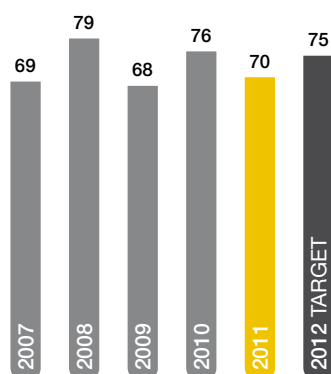


Satisfaction with audit process

Aggregate performance indices



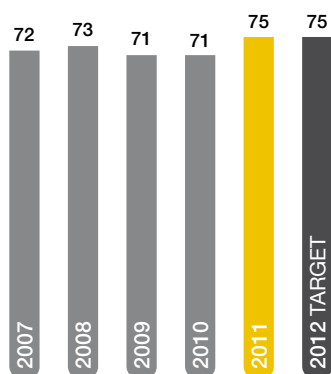
Financial audit clients



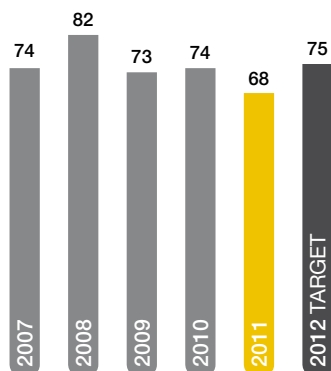
Performance audit clients

Satisfaction with audit reporting

Aggregate performance indices



Financial audit clients



Performance audit clients

Our reports are well received

Financial audit reports improve significantly

Clients were very satisfied with the way they were kept informed of likely findings and issues, and management letters containing 'no surprises', with satisfaction rising from 69 per cent in 2010 to 89 per cent in 2011.

They continued to feel our audit findings were reported in a balanced and fair way, with 88 per cent of respondents agreeing, up from 85 per cent in 2010. Perceived accuracy of our findings has risen from 76 per cent in 2010 to 82 per cent in 2011, and 80 per cent of respondents felt our management letters were issued in a timely manner, up from 71 per cent in 2010.

Performance audit reporting needs balance

Ninety-three per cent of respondents in 2011 felt they were kept informed of likely findings and issues of the audit, and that they come across 'no surprises', up from 85 per cent in 2010. Respondents also rated positively the recommendations in the audit, feeling they were practical and capable of being implemented, with an increase of four per cent from 2010, rising from 69 per cent to 73 per cent.

However, there was a sharp decline in the ratings related to the clarity and balance achieved in reporting audit findings in our new shorter reports and in our media releases.

Comparing well with other States

We began comparing our client satisfaction with other State audit offices in 2005. Queensland, Victoria, Western Australia and Tasmania conducted surveys in 2011, using the same method.

When compared with these other States, our financial audit clients were more satisfied with how senior staff were appropriately involved in the audit, and how our reports to parliament presented the audit findings and issues accurately and in a balanced and fair manner. They were equally satisfied with our professional skills and knowledge, our professional interaction with the organisation's staff, the opportunity given to comment on audit findings before finalisation and the clarity of communication in management letters.

However, we rated below other States for audit fees, timeliness of management letters, continuity of audit staff and the potential of our recommendations to improve the financial management of their organisation.

The survey rated our performance audits equal to that of other States in terms of our auditors' professional skills, knowledge and approach. We also had similar results on audit process and outcomes.

However, we rated below other States in reporting, particularly in clearly communicating audit findings and issues in the final report and presenting those findings in an accurate, balanced and fair manner.

The year ahead

Within our 'Stakeholder Value' and 'Systems and Processes' focus areas we have a number of initiatives aimed at improving the value of our audits and ensuring they run smoothly (see page 6 for more details on our strategic focus areas).

These initiatives include:

- selecting a new financial audit methodology
- developing and launching a new performance audit methodology
- development of a new Audit Office website that allows our clients to access electronic versions of reports quickly and in a more reader-friendly format. Our clients will also have the ability to search through a report database to find information across all reports of relevance to their agency.

We also continually analyse the reasons we don't meet the expectations of our clients and in 2011-12 will be focusing on:

- improving the timeliness of reporting and the continuity of our staff
- improving our understanding of our clients' business
- meeting agreed deadlines
- achieving clarity and balance in our reporting and media releases.



Acceptance of recommendations

High acceptance

97% of our financial audit and 98% of our performance audit recommendations were accepted

Continued high acceptance

A good measure of the effectiveness of our financial audits is an agency's acceptance of our recommendations. We include most of our recommendations in our reports to client management, and publish the more significant matters in our reports to parliament. Our recommendations are varied and come from our assessment of agencies' financial reporting and management systems.

Of the 700 recommendations we made to our top 50 clients in 2010–11, 681 (97 per cent) were accepted, a result consistent with 97 per cent in 2009–10.

Continued high acceptance of our performance audit recommendations

We work closely with agencies who are the subject of performance audits to ensure the recommendations we make are practical and balanced.

Agencies' high level of acceptance of our recommendations is a reflection of that effort, and of the work of parliament's Public Accounts Committee in holding agencies to account.

In the 12 performance audit reports completed in 2010–11, agencies accepted 90 of our 92 recommendations. At 98 per cent this is a slight improvement on last year's result.

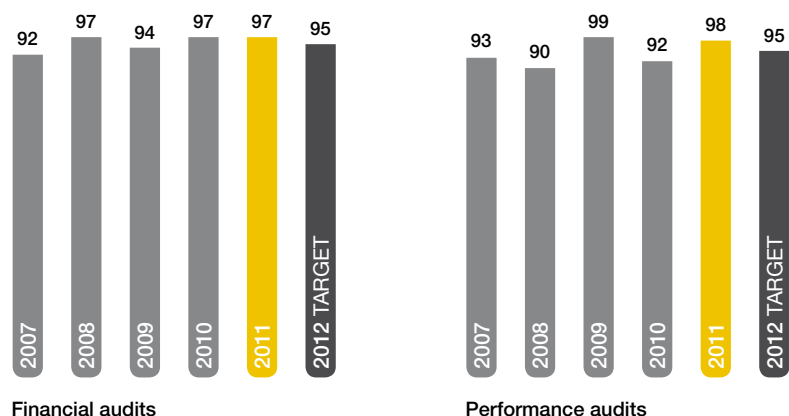
Case study

Improving the appraisal of major events

The performance audit report 'Government Investment in V8 Supercar Races at Sydney Olympic Park' was tabled in parliament in June 2010. It recommended that agencies agree a consistent method for determining the impacts of major events.

Subsequently the Director-General of the Department of Industry and Investment established an inter-agency committee to consider event appraisal methodology. Consistent with our audit report, the committee recommended that cost benefit analysis be applied as the prominent form of analysis for major events. The Director-General acknowledged in April 2011 that 'its recommendations of the performance audit has resulted in very positive new directions for the appraisal of events and for project appraisal more broadly within government.'

Recommendations accepted %



Timeliness

Timeframes for reporting to agencies

We are working to improve the timeliness of our reporting to agencies. The earlier we give agencies our audit opinions and management letters, the sooner they can develop any necessary solutions.

For our financial audit opinions, we have a target of issuing opinions within ten weeks of receiving agencies' financial statements. The percentage of opinions issued within ten weeks continued to improve with 75 per cent in 2010–11 compared with last year's 71 per cent. However, this is still some way off our 100 per cent target. Our goal may seem ambitious but in the interests of public sector accountability this target is necessary. Although sometimes delays may be out of our control our aim is to influence others to reduce delays.

For management letters, our target is 85 per cent of letters, including agency comments, issued within six weeks of our audit opinion. In 2010–11, we achieved 64 per cent which was a significant improvement on the 48 per cent for 2009–10. We are continuing to develop strategies to reach our target.

Management letters include suggestions for improving the systems and processes we review during our audits. To assist agencies, in 2010–11 we enhanced our letters by including a risk rating for each matter reported. We have increased our efforts to ensure the letters are issued earlier by ensuring reporting to large and higher risk agencies follows the completion of both interim and final audit work.

Timeframes for performance audits reduced

The average time for Australian audit offices to complete a performance audit decreased slightly from 10.1 months in 2008–09 to 9.3 months in 2009–10 (the most recent result available).

We are slightly above the average, but have been achieving greater reductions, decreasing our time of 12.1 months in 2008–09 down to 10.1 months in 2009–10.

During 2009–10, we put in place a strategy to perform shorter, sharper performance audits and this time reduction is the result. This strategy included the selection of suitable topics. It also reduced the length of performance audit reports to around 20 pages and a cost of about \$200,000. We have also looked at the structure of our performance audit reports and standardised them to allow readers to quickly understand the focus and key findings.

The year ahead

We will continue to improve the timeliness of our reporting to allow our clients to act promptly on our findings and recommendations.

We will continue to work on improving the timeliness of our financial audit opinions and management letters.

We will also continue to work on delivering performance audit reports in the most efficient and timely way.

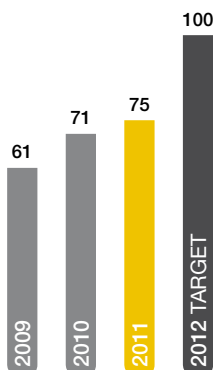
We will closely analyse where we don't meet the expectations of our financial and performance audit clients and implement initiatives to address these expectations.

We also plan on finding innovative ways to improve the efficiency and timeliness of our audits, through the development of an Audit Office Innovation Group.

This group is to be established under our 'Systems and Processes' strategic focus area (see page 6 for more details of our strategic focus areas).

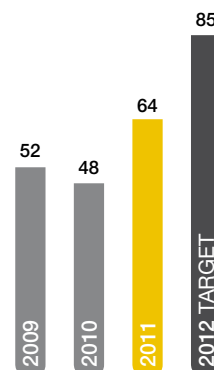
Audit opinions within 10 weeks %

Calculated for the first time in 2009



Management letters to clients within 6 weeks %

Calculated for the first time in 2009



Our financial audits

Providing value to our financial audit clients

6 new qualifications issued and 4 qualifications cleared

What are financial audits?

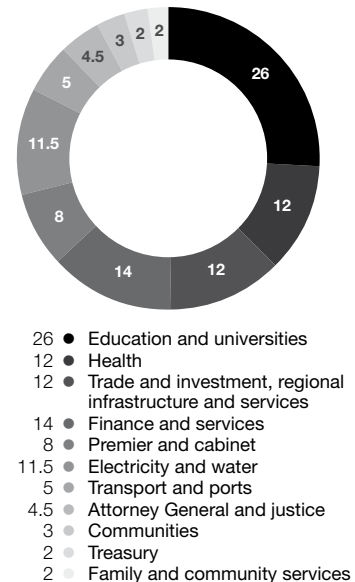
Financial audits provide independent opinions on NSW government agencies' financial statements. They identify whether agencies comply with accounting standards and relevant laws, regulations and government directions. Additional financial statement audits are undertaken each year on the General Government Total State Sector Accounts. Financial report audits also highlight opportunities for agencies to improve their accounting and financial systems.

A report on each financial audit is provided to the minister responsible for the agency, the agency itself, the Treasurer, and parliament through the Auditor-General's reports to parliament.

Our client base

We completed 472 financial audits of NSW government agencies in 2010–11 (see Appendix Two for the full list of our clients). These agencies collected income of approximately \$99.1 billion, spent about \$81.0 billion and managed more than \$362.1 billion in assets. They provide a diverse range of services and vary in size from large government departments, universities, State superannuation entities and utilities, to small boards and trusts.

Financial audit clients per sector %



New qualifications

The 24 qualified audit opinions we issued in 2010–11 included six new qualifications, one more than 2009–2010.

Agency	Reason for qualification
Coonamble Rural Lands Protection Board (2006 financial statements)	Unable to obtain sufficient and/or appropriate evidence to support material transactions related to all areas of the board's operations because of a major fraud.
Coonamble Rural Lands Protection Board (2007 financial statements)	Unable to obtain sufficient and/or appropriate evidence to support material transactions related to all areas of the board's operations because of a major fraud.
Coonamble Rural Lands Protection Board (2008 financial statements)	Unable to obtain sufficient and/or appropriate evidence to support material transactions related to all areas of the board's operations due to management, staff and directors being no longer employed or available within the organisation or its successor.
Corporation Sole 'Minister Administering the <i>Environmental Planning and Assessment Act 1979</i> '	Unable to obtain all the information required to form an opinion on the completeness and accuracy of land assets.
Water Administration Ministerial Corporation	Unable to obtain all the information required to form an opinion on the value of levy assets recognised for the first time.
Land and Property Management Authority	Unable to obtain all the information required to form an opinion on the value of buildings and infrastructure on Crown reserves or coastal infrastructure.

Qualifications cleared

We work closely with agencies to resolve the issues causing us to qualify our audit opinions. This year we were able to remove four previous qualifications, compared with four in 2009–10. The Greyhound and Harness Regulatory Authority qualification was also cleared as the Authority was abolished.

Agency	Reason for qualification
NSW Ovine Johne's Disease Transaction Based Contribution Scheme	The financial report is no longer subject to the previously qualified comparative figures.
Riverina Citrus	The financial report is no longer subject to the previously qualified comparative figures.
Forestry Commission of New South Wales (t/as Forests NSW)	Unable to form an opinion as to whether costs incurred to establish a plantation forest are deductible for tax purposes.
NSW Department of Primary Industries	Unable to form an opinion as to whether costs incurred to establish a plantation forest are deductible for tax purposes.

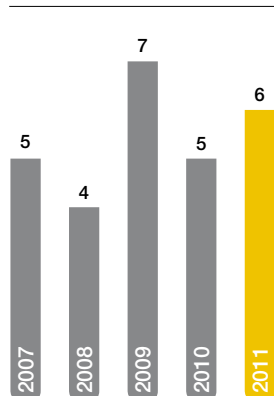


Some qualifications remain

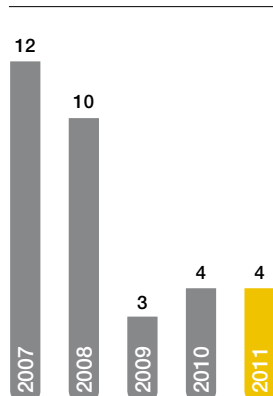
Eighteen qualifications remain unresolved.

Audit client	Reason for qualification
ANZAC Health and Medical Research Foundation – Trust Fund	It is impractical for fundraising entities to maintain an effective system of internal control over fundraising revenue and voluntary donations until their initial entry in the financial records.
Charles Sturt University Foundation Trust	It is impractical for fundraising entities to maintain an effective system of internal control over fundraising revenue and voluntary donations until their initial entry in the financial records.
Centennial Parklands Foundation	It is impractical for fundraising entities to maintain an effective system of internal control over fundraising revenue and voluntary donations until their initial entry in the financial records.
Crown Entity	Scope limitation on the valuation of Crown reserves for comparative information.
Gosford Water Supply Authority	The volatility in global financial markets, coupled with the style of investments held by the authority, resulted in an inability to obtain sufficient appropriate evidence as to the fair value and recoverability of the authority's investment portfolio.
International School of European Aviation Pty Ltd	Scope limitation on comparative information.
NSW Self Insurance Corporation	The entity did not properly apply AASB 1023 General Insurance Contracts, resulting in a material misstatement of general insurance liabilities.
Royal Alexandra Hospital for Children	It is impractical for fundraising entities to maintain an effective system of internal control over fundraising revenue and voluntary donations until their initial entry in the financial records.
Sydney Water Corporation	The treatment of assets and liabilities from Build Own Operate schemes is not in accordance with AASB 117 Leases.
Total State Sector	Unable to substantiate the value of Crown reserves and the value of infrastructure on Crown Reserves.
Treasury Managed Fund	The entity did not properly apply AASB 1023 General Insurance Contracts, resulting in a material misstatement of general insurance liabilities.
UNE Foundation	It is impractical for fundraising entities to maintain an effective system of internal control over fundraising revenue and voluntary donations until their initial entry in the financial records.
University of New South Wales Foundation Trust	It is impractical for fundraising entities to maintain an effective system of internal control over fundraising revenue and voluntary donations until their initial entry in the financial records.
University of Western Sydney Foundation Trust	It is impractical for fundraising entities to maintain an effective system of internal control over fundraising revenue and voluntary donations until their initial entry in the financial records.
UNSW Study Abroad – Friends and US Alumni Incorporated	It is impractical for fundraising entities to maintain an effective system of internal control over fundraising revenue and voluntary donations until their initial entry in the financial records.
UNSW Hong Kong Foundation Limited	It is impractical for fundraising entities to maintain an effective system of internal control over fundraising revenue and voluntary donations until their initial entry in the financial records.
UON Foundation Trust	It is impractical for fundraising entities to maintain an effective system of internal control over fundraising revenue and voluntary donations until their initial entry in the financial records.
Whitlam Institute within the University of Western Sydney Trust	It is impractical for fundraising entities to maintain an effective system of internal control over fundraising revenue and voluntary donations until their initial entry in the financial records.

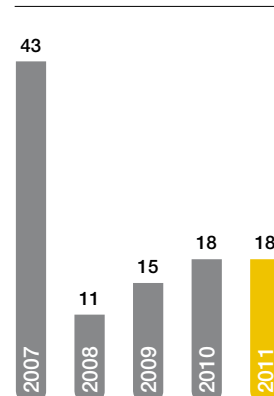
Number of new qualifications



Number of qualifications cleared



Number of repeat qualifications



Our performance audits

Independence and professionalism

What is a performance audit?

Performance audits are special in-depth assessments of whether government agencies are achieving value for money.

A performance audit may cover:

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

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

Choosing a topic

Our goal is to choose topics that reflect the interests of both parliament and the community. When selecting which areas to audit, we combine our own research with suggestions from parliamentarians, agency CEOs and members of the public. We then evaluate the benefits of each topic, including the potential for cost savings, the likely impact and possible improvements in public administration.

Are recommendations followed up?

Twelve months after a performance audit is tabled, parliament's Public Accounts Committee will examine whether agencies have implemented recommendations from performance audits and whether any changes in practice or performance have occurred in response to these audits.

In some cases, the Public Accounts Committee will hold a hearing and invite the agency and the Auditor-General to attend and answer questions.

Detailed information on our work with the Public Accounts Committee is on page 14.

Common themes in recent performance audits

The reports we published this year identify a number of common weaknesses in management arrangements for government programs. Many programs had weaknesses in more than one area.

Information quality

We found that poor quality of information hampered management in around 80 per cent (10 out of 12) of the programs we examined. Quality includes completeness and accuracy of information to support decision making, but also extends to relevance, timeliness and accessibility.

In the Mental Health Workforce report, for example, we found it impossible to obtain accurate information on the size of the mental health workforce, or of recent increases, because data is inconsistent and in places inaccurate. This reduces NSW Health's capacity to plan its services and workforce effectively.

Performance management

We found poor performance management occurred in more than half (seven out of 12) of the activities audited in the last 12 months. Setting service delivery standards in contracts or service agreements, and monitoring performance against them, is becoming increasingly important as more and more of the delivery of government services is outsourced. In the pollution incident audit we found that the department did not analyse whether its response to pollution incidents had minimised harm to the environment.

Accountability

Accountability is a cornerstone of good governance and management arrangements. Clear accountability in roles and contracts supported by well documented and transparent decision making are key to accountable government. However, we found weaknesses in transparency and accountability in half (six out of 12) of the programs we examined. This included lack of clear responsibilities, poor management oversight and reporting, or the absence of supporting information for the decisions made.

Implementing policies

Government agencies often have to work together to implement government policy in a consistent and equitable way. One of the government's aims with the 2009 amalgamations of departments into 'super agencies' was to improve coordination of services for clients. We did not see this working well in five of the activities we examined which suffered from poor coordination of services either between government departments, or between them and the non-government sector.

Prevention and early intervention

Another emerging theme from our performance audit work is the limited implementation of prevention and early intervention initiatives.

This year's performance audits

Our recommendations are well received

Knowing the Collections

The Australian Museum's collection exceeds 18 million objects and has been valued at \$767 million, although this does not represent its scientific or social value as many of the objects cannot be replaced or re-collected.

This audit examined the information the museum holds on its collections, its inventory controls and how well it can locate the objects in its care.

We recommended that the Australian Museum improve its collection management by:

- prioritising its collections in terms of their use and importance
- tightening inventory control to reflect differing levels of collection risk
- pursuing digitisation of its collections, with a major catch up effort on its extensive legacy of non digital information resources and on the gaps in information about its collections.

Response

The Museum said it '[A]grees with the thrust of the three broad recommendations of the audit report. Some progress in addressing the recommendations will be made within existing, or with limited additional, resources. A comprehensive and fully effective response, however, would require a substantial investment.'

 **Report release date:**
1 September 2010

Home Detention

Home detention was introduced in New South Wales in 1997 as a way to punish less serious offenders by depriving them of their liberty, while still allowing them to maintain family and community ties, employment and access to community services. Corrective Services NSW is the responsible agency. This audit looked at how well home detention is delivered across New South Wales.

We recommended that home detention could be improved by:

- making it available across New South Wales and promoting its availability with courts
- streamlining referral processes and implementing minimum standards of supervision
- including rehabilitation, program and activity objectives in each offender's case plan.

Response

Corrective Services NSW accepted all the recommendations made, and by the conclusion of the audit was already making progress towards implementing them.

 **Report release date:**
8 September 2010

Protecting the Environment: Pollution Incidents

The Department of Environment, Climate Change and Water has the power to punish those who deliberately cause harm to human health or to the environment. In this audit we assessed how well the department manages pollution incidents to minimise harm to the environment.

We found that the department has a systematic approach to receiving, investigating and responding to reports of pollution incidents. However, the department does not analyse and report on:

- the extent of environmental harm caused by pollution incidents reported to it
- whether its response has minimised harm to the environment
- whether its regulatory approach has improved compliance, particularly by Environment Protection Licence (EPL) holders.

We made a series of recommendations to improve the quality of data used for decision making and measuring performance.

Response

The department accepted most of our recommendations in principle.

 **Report release date:**
15 September 2010



Our recommendations are well received

Helicopter Emergency Medical Service Contract

The Ambulance Service of NSW (Ambulance) commenced a tender process in 2006 to provide helicopters in Greater Sydney, which covers the Sydney, Wollongong and Orange areas. The contract was eventually awarded to Lloyd Off-Shore Helicopters Pty Ltd trading as CHC Helicopters (Australia) (CHC). The objective of this audit was to assess whether the helicopter emergency medical services contract process and outcomes for Greater Sydney were satisfactory.

The audit found that the contract process was satisfactory.

Our recommendations included:

- providing more comprehensive information on helicopter emergency medical services performance to the public
- ensuring that Ambulance's automated performance information system is implemented and fully functional
- because of the apparent change in demand across New South Wales, reviewing the effectiveness of all its helicopter emergency medical arrangements before extending the contract to other parts of the State.

Response

The Director General of the Department of Health accepted all eight recommendations, and was pleased with the level of cooperation that existed between NSW Health and the Audit Office in the preparation of the report.

 **Report release date:**
22 September 2010

Electronic Information Security

This audit assessed how well the government ensures its agencies hold secure private information of its citizens.

The main conclusion of this audit was that the government was not able to assure the people of New South Wales that all its agencies are properly safeguarding their sensitive private information. The NSW Government does not know whether its agencies have adequate safeguards in place or not. The limited information which does exist suggests at least two thirds of agencies have not complied with the government's policy.

We recommended:

- establishing minimum standards and requirements for consistent processes to manage information assurance risks
- strengthening accountability through improved scrutiny and transparency.

Response

The Department of Premier and Cabinet supported the recommendations, subject to the outcome of the reforms then under consideration by government. It also said 'The audit and its findings are both a relevant and timely contribution to the current initiatives and actions already being taken involving the review and revision of the government's Information and Communication Technology (ICT) policy and forward strategy.'

 **Report release date:**
20 October 2010

Coal Mining Royalties

This audit examined how well the Department of Industry and Investment (DII) ensures mining lease holders pay the royalties they owe the State on time.

The audit concluded that DII cannot assure the people of New South Wales that all royalties owed are being paid in full. This is because it does not have sufficiently robust systems and processes to identify what is owed and to make sure it is paid.

We estimated that between 2004–05 and 2008–09 the potential revenue leakage in coal royalties to be at least \$8.0 million.

We recommended that DII:

- validates information supporting the collection of royalties
- gives clients online services and better guidance
- strengthens auditing and targets resources better
- toughens penalties
- considers transferring the administration and collection of royalties to the Office of State Revenue.

Response

DII accepted our recommendations.

 **Report release date:**
30 November 2010

Sick Leave

This audit assessed whether the NSW public sector met the government's 2008–09 sick leave target, and whether public sector agencies reduced their sick leave.

We found that the NSW public sector did not meet the government's target, however sick leave reduced by 1.84 hours per person per year between 2004–05 and 2008–09. Sick leave decreased in almost 40 per cent of NSW public sector agencies during this period.

Addressing abuse of sick leave requires a different approach to reducing illness.

Strategies include:

- calling people on sick leave to check their welfare
- interviewing staff on their return to canvass any support issues
- asking employees to be examined by an agency doctor
- penalising employees by denying paid sick leave.

We recommended that the Department of Premier and Cabinet take a greater role in sharing best practices in reducing sick leave. We also recommend agencies share results with each other so they know how they rank against others in the public sector.

Response

The Department of Premier and Cabinet supported all recommendations.

 **Report release date:**
8 December 2010

Mental Health Workforce

This audit assessed whether NSW Health distributes its frontline mental health workforce effectively.

We found that over the last three years, NSW Health has increased the regional distribution of mental health clinicians to more closely match need, but its workforce remains more concentrated in acute hospitals than other States.

Expected increases in the workforce providing community based care had not been achieved. As a result people may not get help early, may be unable to access out-of-hospital care and may get limited support after leaving hospital. Poor data and management have allowed leakage of 'protected' mental health funding to other areas of health. This risk may increase during the current reorganisation of the local health services.

We made detailed recommendations that required local health services to improve their workforce data and planning, to use mental health funding as intended and to improve the continuity of care.

Response

NSW Health supported the recommendations.

 **Report release date:**
16 December 2010

The Effectiveness of Cautioning for Minor Cannabis Offences

In New South Wales police officers can formally caution people found with 15 grams or less of cannabis leaf. This audit assessed whether cautioning diverts minor cannabis offenders from the courts and helps reduce their cannabis use.

Although cautioning keeps people out of the courts, the audit found that few use it to seek help to reduce their cannabis use.

The audit also found that:

- less than two-in-five adults cautioned a second time called the drug helpline for their mandatory education session
- young offenders are not always referred to drug treatment services
- police cannot make young offenders attend treatment as part of a caution
- there are few youth drug treatment services in some regions.

We recommended that the NSW Police Force and NSW Health look for new ways to help offenders seek treatment. This could include developing an online drug education session for adult offenders, or arranging a drug counsellor to speak to young offenders as part of their caution.

Response

The NSW Police Force and NSW Health accepted the majority of our recommendations.

 **Report release date:**
7 April 2011



Our recommendations are well received

Transport of Dangerous Goods

This audit assessed how well the Office of Environment and Heritage and WorkCover NSW discharge their regulatory responsibilities in relation to the transport of dangerous goods.

The audit followed on from our audit report on 'Improving Road Safety, Roads and Traffic Authority' in May 2009, which assessed how well the RTA manages on-road enforcement to reduce the number and severity of crashes involving heavy vehicles.

We recommended that the agencies work together to further improve the effectiveness of the regulatory program by:

- strengthening monitoring and control, particularly of high risk movements of dangerous goods
- further strengthening the inspection and compliance program, by focusing on the most dangerous situations and the most dangerous operators
- improving the integrity of licensing processes to ensure the risk of fraud and corrupt conduct is minimised.

Response

The agencies undertook to work together to implement the audit recommendations.

 **Report release date:**
10 May 2011

Two Ways Together – NSW Aboriginal Affairs Plan

The NSW Government developed Two Ways Together – NSW Aboriginal Affairs Plan 2003–12. The plan aimed to develop partnerships with and improve the wellbeing of Aboriginal people. This audit assessed how well the plan worked to improve outcomes for Aboriginal people in New South Wales, in particular whether indicators, targets and measures were set and met, and whether implementation of the plan was effective.

We found that after eight years, the plan had not delivered the improvement in overall outcomes for Aboriginal people that was intended, and that stronger partnerships between the government and Aboriginal people were only beginning to emerge.

Our recommendations to the Department of Premier and Cabinet and Aboriginal Affairs NSW included that existing Aboriginal community governance bodies be given extra support, an independent advisor be appointed to be a strong voice on issues that are fundamental to improving the lives of Aboriginal people and that government agencies be held more accountable for achieving results.

Response

The agencies broadly accepted the recommendations, and will implement them in a manner or extent determined in partnership with the Aboriginal community.

 **Report release date:**
18 May 2011

Government Expenditure and Transport Planning in Relation to Implementing Barangaroo

Barangaroo is a major urban renewal project on 22 hectares of government owned prime harbour foreshore in Sydney CBD's western corridor.

The audit examined two key issues contributing to Barangaroo's success – expenditure on the precinct's public domain being at no cost to government and transport planning solutions for moving the significant number of additional CBD commuters.

The audit concluded that there had been extensive planning in support of the government financial forecast and transport solutions for Barangaroo.

Three key risks were identified:

- developer contributions to government being different to those forecast
- the cost of constructing public domain by government being greater than estimated
- planned, and necessary, transport solutions not started and completed on time by government.

Recommendations included:

- enhanced monitoring and reporting of the project's financial forecast
- ongoing public disclosure of financial information currently withheld for commercial reasons
- full and frank advice being provided to government on transport solutions, including potential financial and economic impacts of options.

Response

The audit's recommendations were accepted by the agencies.

 **Report release date:**
15 June 2011

Performance Review: NSW Lotteries Sale Transaction

The Audit Office examined the government's sale of NSW Lotteries in early 2010. Tattersall's Holdings Pty limited was the successful bidder.

The review found no evidence to indicate that the successful bid was inconsistent with the rules for the sale, or that there was waste of public resources or financial imprudence in the sale transaction. However, the review did raise concerns in relation to:

- the State advising prospective bidders that 'proponents could not rely on any statement by or on behalf of the State during the process'
- the absence of documentation supporting some key decisions.

📁 **Report release date:**
25 November 2010

The year ahead

In 2011–12 we plan on releasing (or have released) performance audit reports in the following areas.

Improving Road Safety: Speed Cameras

📁 **Report release date:** 27 July 2011

This audit examines whether RTA's fixed, safety and mobile speed cameras are located in places that reduce speeding and make our roads safer.

Prequalification Scheme: Performance and Management Services

📁 **Report release date:**
28 September 2011

In response to concerns about the costs and time of government tendering processes, in February 2008 the 'Prequalification Scheme: Performance and Management Services' was introduced. This audit examines how well the Prequalification Scheme has been managed.

Young Driver Safety

📁 **Projected release date:**
2nd quarter of 2011–12

Young drivers are over represented in fatal crashes, including those involving drink driving and fatigue. This audit will assess the effectiveness of the RTA's driver licence testing and regulation in ensuring young people drive safely.

Domestic and Family Violence

📁 **Projected release date:**
2nd quarter of 2011–12

Domestic and family violence is a significant challenge for the community. It accounts for nearly 40 per cent of assaults reported to police, over 20 per cent of homelessness and at least 13 per cent of child protection reports. This audit will assess how well NSW government agencies work with each other, and with non-government services, to respond to domestic and family violence.

Visiting Medical Officers and Staff Specialists

📁 **Projected release date:**
2nd quarter of 2011–12

The audit will assess if the services provided by visiting medical officers and staff specialists in the NSW public health system are well-managed and delivering agreed outcomes.

IT Services Contracts

📁 **Projected release date:**
3rd quarter of 2011–12

IT services contracts can be high value, long term and complex to manage to achieve best value for money. This audit will examine if key agencies are effectively managing selected IT Services contracts after the contract is awarded.

Overtime

📁 **Projected release date:**
3rd quarter of 2011–12

Continuing high levels of overtime in government agencies is of great interest to the public. This audit will examine if there is effective management of overtime in the public sector.

Humanitarian Entrants

📁 **Projected release date:**
4th quarter of 2011–12

The Commonwealth Humanitarian Program assists refugees in humanitarian need to resettle in Australia and rebuild their lives. This audit will examine the Community Relations Commission to assess whether it is effective in supporting the settlement of humanitarian entrants in New South Wales.

Aboriginal Literacy

📁 **Projected release date:**
4th quarter of 2011–12

There are about 40,000 Aboriginal students across 2,200 public schools in New South Wales. This audit will examine whether the Department of Education's processes to improve the literacy of Aboriginal students in New South Wales are likely to be successful.

Exercise in Schools

📁 **Projected release date:**
4th quarter of 2011–12

One quarter of Australian children are overweight or obese. Some research indicates that increased physical activity leads to better academic grades. This audit will look at whether primary students are achieving national recommended levels of physical activity, are meeting mandated teaching hours for physical activity, and whether schools are adopting better practices.



Impacts

Our reports have influence

The Two Ways Together report has had an exceptional impact in a short period of time

Two Ways Together

In May 2011 the Audit Office published the performance audit 'Two Ways Together – NSW Aboriginal Affairs Plan'. This audit considered how well the plan has worked to improve the outcomes for Aboriginal people in New South Wales. It has had an exceptional impact in a short period of time and shows how performance audits can engage with people in the community and support their dialogue with government.

The Department of Premier and Cabinet and Aboriginal Affairs NSW broadly accepted all the recommendations of the report. The NSW Premier advised that the government 'will be taking the Auditor-General's findings and recommendations extremely seriously'.

The report has become a vehicle for the NSW Government, Aboriginal communities and their peak bodies to work together in addressing the issues faced by Aboriginal people. The Chief Executive of Aboriginal Affairs said 'I not only want to, but need to, hear when things are not working well, and commit to take any concerns seriously. I and the Executive of Aboriginal Affairs NSW will visit every Partnership Community in the next six months, holding forums open to every member of the community. I have invited the Chief Executive Officer of the NSW Aboriginal Land Council to attend those forums with me'.

The Two Ways Together report received extensive coverage in the June 2011 edition of 'Tracker', a monthly newspaper produced by the NSW Aboriginal Land Council. It welcomed the findings of the report and urged all members of the NSW Aboriginal community to provide feedback. 'It is the responsibility of government to properly engage with the Aboriginal community, to seek the view of those affected by their policies before they are implemented. But we, as Aboriginal people, also have a responsibility in this process. We must engage with government – we must provide our views, we must speak up'.

Government Advertising

The NSW Parliament has maintained its interest in government advertising and the risk of its abuse for political purposes, as raised in Auditor-General's reports in 2007 and 2010. In support of the wide interest in the topic, the parliamentary library completed a briefing paper in May 2011.

In New South Wales, government advertising is regulated by non-statutory guidelines. These guidelines were amended after the Auditor-General's 2007 report, and were revised again in 2010 to implement further recommendations made by the Auditor-General. One change was to require an independent person to be included on the peer review panel for advertising campaigns for whole of government initiatives.

The new coalition government introduced legislation to eliminate taxpayer funded political advertising on 22 June 2011. It calls on the Auditor-General to conduct regular performance audits of advertising campaigns.

Previous years' reports

Sustaining Native Forests Operations, Forests NSW

In April 2009 the Audit Office published the performance audit 'Sustaining Native Forests Operations'. The audit assessed how well Forests NSW manages the supply of hardwood timber to meet wood supply commitments and sustain our native forests.

The audit found that there should be sufficient timber to meet the current wood supply commitment up to 2023, but the cost of harvesting and hauling timber is likely to increase. Forests NSW also has adequate estimates of timber availability, but more could be done to improve their reliability. The audit made nine recommendations to address business risks and improve Forests NSW's knowledge of timber availability.

Forests NSW has undertaken several reviews recommended by the audit. These include a review of native forest yield estimates, and a review of the strike rate modifier which corrects harvest estimates for areas with threatened flora and fauna. Information on the outcomes of these reviews and an update of Forests NSW's progress in implementing the audit recommendations are available on its website.

Case study

Speed cameras

The performance audit report 'Improving Road Safety: Speed Cameras' tabled in parliament in July 2011 has provided an independent and factual contribution to the public debate on the contentious issue of the effectiveness of speed cameras. It prompted an immediate response by the minister to suspend speed cameras whose road safety impacts were limited.





People

Our people are highly skilled and dedicated to improving the public sector

At the Audit Office of New South Wales, we have built a working environment that:

- is founded on respect for staff, clients and stakeholders
- strives to maintain a balance between work life and personal life
- fosters and values trust and allows staff to be the best they can be
- attracts and retains highly skilled staff who share our commitment to lifelong learning

Employee satisfaction

A workplace of which we can be proud

90% of employees describe the Audit Office as 'a great place to work'

Our people support each other and our vision

Employee satisfaction

We survey our staff every year to keep track of how well we are providing a great place to work. In 2011, 183 people responded to the staff survey, giving us a reliable view of life at the Audit Office.

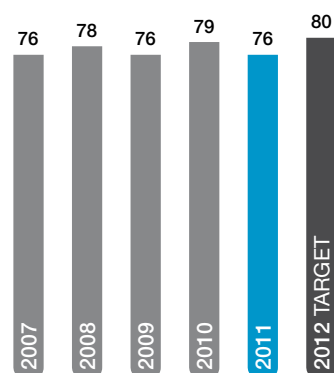
The survey calculates a weighted satisfaction index about work at the Audit Office, and an overall 'gut feel' measure of employee satisfaction.

This year's results continued the excellent results of recent years.

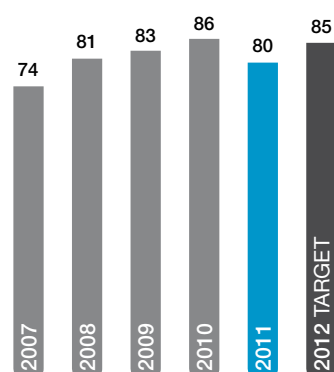
The weighted satisfaction index was 76 per cent for respondents – not quite as high as last year's 79 per cent, but still at the high end of benchmark against other organisations.

The 'gut feel' response continues to be very pleasing with more than 87 per cent of respondents reporting that they are 'satisfied' to 'extremely satisfied' with our workplace.

Employee satisfaction %



Employee morale %



Morale remains high

Morale remained high with more than 80 per cent of respondents reporting 'reasonable' to 'very high' morale. More than 94 per cent of employees expressed pride in working at the Audit Office.

Highly engaged

Employee engagement measures staff commitment, how hard people are willing to work and how long they are likely to stay at the Audit Office. Almost 90 per cent of our employees report 'strong' to 'very strong' engagement with the Audit Office and almost 90 per cent said they would recommend the Audit Office as a 'great place to work'.

Values and vision

This is the third year we have surveyed our staff on how well they feel the Audit Office's values are practiced. We maintained strong results in all areas, coming in just under last year's very high ratings – the 'Purpose' value score was more than 77 per cent; the 'People' value was just under 75 per cent; and the 'Professionalism' value came out at 79 per cent.

Very positively, the response to the issue of clarity of 'vision' came out more than ten points higher than the benchmark, at almost 89 per cent. This means our employees understand and share the vision of the Audit Office. This correlates to the great number of staff, 93 per cent, willing to 'go the extra mile'.

Performance gaps

While we can be very happy with many of the ratings in the survey, we must recognise that there is still work to do to maintain and improve our workplace. The opinion survey tells us what our staff consider to be most important, and shows the gaps between their expectation of the 'ideal' and how well we're currently performing. Gaps of more than 20 points between importance and delivery are signals that we need to focus on these areas.

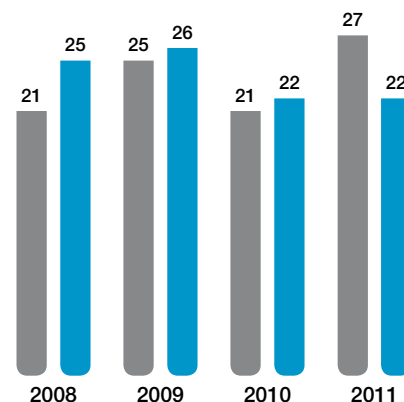
We must continue to manage areas such as work-life balance in an environment where expectations continue to rise and quality is paramount. The gap here has increased over the last year, returning to previous levels, and we will look for innovative ways to address this in the year ahead. We also have opportunities

for improvement in the area of staff recognition and in the provision of information in a very dynamic information environment.

We need to remain vigilant on the issue of workload 'sustainability' which shows how balanced our employees are in their work practices. This year's results show that 72 per cent of staff are working in a 'sustainable' to 'highly sustainable' manner, but that 28 per cent have some risk of working in an 'unsustainable' manner. We will continue to encourage and facilitate balanced work practices and health initiatives to help our people cope with workplace requirements and avoid burning out.

Significant performance gaps

Balancing work with personal life
Being able to develop and improve skills and knowledge



The year ahead

We can be pleased with our good survey results in 2010–11, but cannot be complacent. For the year ahead we must improve on areas important to our employees such as:

- managing the growing demands of a quality business while ensuring staff can work in a sustainable manner
- giving our staff the tools and preparation to make their jobs both satisfying and value-adding
- further improving our communications processes at all levels in the business.



Performance

A focus on effective, quality results

65% productivity achieved, consistent with last year's high mark

Productivity remains on track

The vision of the Audit Office is to make the people of New South Wales proud of the work we do, so the result of our work needs to make a difference to the State's performance. Professional standards and expectations grow continually, and we are proud that our employee productivity (the percentage of total staffing hours that we charge to our audit work) remains on target.

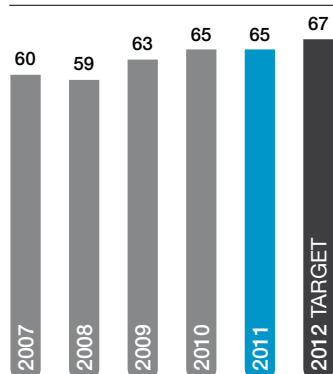
Total hours include those of Corporate Services staff who do not charge time directly to audits. The 65 per cent result for 2010–11 has matched our high point of last year and continues to demonstrate the value for money our audit work delivers to parliament and agencies.

Continuing to build the performance management framework

During 2010–11, we focused even more keenly on staff development. With the release of refined role competencies, we created targeted development plans for all of our employees. We ensured that the majority of staff had learning and growth goals that would contribute to the Audit Office's overall People Development Plan for 2011–12. There were 800 learning and growth goals across the organisation.

This year we have also consolidated links between Human Resources and the audit business teams. Members of the Human Resources team act as 'HR Partners' for each business team, helping the team achieve its results by discussing the HR systems that support them.

Productivity %



Enhancing technology infrastructure

Reliable and up-to-date information and technology are critical to both the performance and satisfaction of our employees. Much of our work takes place at client premises, so our largely mobile workforce depends on our technology to perform audit work.

In 2010–11, we worked on a number of critical projects including:

- implementing a remote email system to improve communications with our mobile workforce
- developing a resource plan for our technology area to provide the future support needed for the Audit Office
- developing a management dashboard for our business teams to help improve management decision making
- commencement of a project to replace our ageing practice management system
- commencement of a project to implement a service delivery system for a number of support areas across the business
- commencement of a project to replace our ageing corporate website
- implementing virtual server and virtual storage infrastructure to replace ageing server equipment, and provide benefits in areas of systems management, disaster recovery and environmental impact.

Remuneration process robust

We have continued this year with online access and automated workflow for our annual remuneration process.

With a focus on continuous improvement, our remuneration committee met with all reviewing managers individually to ensure that the quality and consistency of employee assessments remains high.

The process is now well understood by all staff, and fairness and transparency remain fundamental to our operations. In 2011–12 we will continue to improve the goal-setting and assessment process to create an even stronger mechanism.

The year ahead

The strategic planning process employed by the Audit Office provides a framework for the continuing development of our product and the alignment of our staff's skills and delivery. Several initiatives from the 'People Power' strategic focus area for 2011–12 include:

- development of a 'scenario', future-looking workforce plan to ensure the Audit Office not only has the right mix of people and skills for today but the right foundation to deal with emerging challenges and opportunities
- consolidating the work that has been done to enhance leadership behaviours and role-modelling at all levels
- focusing on the quality of operational and developmental goals to increase the employee value proposition and productivity
- building on an environment of recognition, opportunity and trust to encourage and grow our workforce capability.

Our 'Systems and Processes' strategic focus area will also see the development of a knowledge management framework in 2011–12. This initiative will encourage knowledge sharing and collaboration and help us improve our productivity. (See page 6 for further details of our strategic focus areas.)



Staffing and recruitment

Continuing the pursuit of excellence

259 full-time equivalent staff

Completed eRecruitment project, helping to leverage our brand

Relatively stable numbers

Accounting and auditing standards change and develop constantly, and the strength of expertise that enables us to deliver real value to our clients must be developed to keep pace with the change. We are demanding in our expectations of staff, and appreciate the need to balance increasing workload requirements with manageable and sustainable numbers.

The number of permanent, full-time staff in the Audit Office has risen over the year from 254 to 259. This is still modest growth alongside continued low attrition levels and the increasing volume and complexity of work.

Our strategy has been to continue our very successful graduate and school leaver recruitment program to fill base-level auditor positions. In 2010–11 we inducted 12 graduates and six HSC school leavers with the quality of applicants confirming our very strong brand in this space. The Audit Office continued to liaise with universities across Australia through internet advertising, campus publications and with professional accounting bodies at their careers events. This year we further modernised our marketing and selection practices by engaging in social networking and developing an assessment centre to ensure we select the right people to invest in as a talent pipeline for the Audit Office.

We have started to see a slight but noticeable growth in turnover, and believe that 2011–12 will bring further challenges in workforce management. Our brand is strong and our organisation's excellence, reputation and continued focus on staff development provides us with a strong employee value proposition, which we believe helps us to retain quality staff.

Turnover growing but still manageable

Employee turnover was manageable at 10.6 per cent, up from 6.9 per cent in 2010. This is in line with historical norms and reflects the upward global demand in the external labour market for qualified auditors. We have looked to maximise opportunities for growth and advancement for our existing employees, and have focused on staff performance to ensure our people achieve to expectations and their potential.

Throughout 2010–11, we continued to offer our staff a variety of work and development opportunities. Employees completed secondments to the State Audit Institution of the United Arab Emirates in Abu Dhabi, while others embarked on secondments to other divisions within the Audit Office as well as other State government departments. The Audit Office has a strong commitment to development through secondment opportunities, and has a policy and framework in place to facilitate this.

We continue to plan for senior retirements, and encourage staff to work through their plans with us so that together we can pass on their knowledge and ensure continuity for our clients. Our strategic plan specifically focuses on developing a formal process and managing knowledge

transfer by retiring staff. We are actively working to safeguard this knowledge and offer development opportunities by undertaking succession planning activities.

Online recruitment

In 2011 we completed an eRecruitment project. The aims of the project were to use an online application portal to enhance our employer brand and to ensure a strong pipeline of qualified staff for future vacancies. The new functionality helps us leverage our already strong brand and build a platform for future initiatives such as social network collaboration. The planned website redevelopment will further strengthen the Audit Office's image as a professional services organisation.

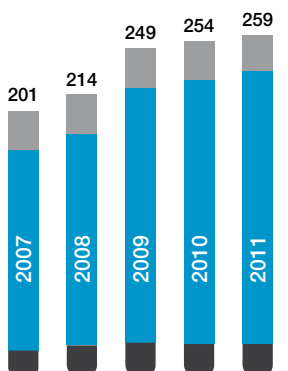
Audit Office Award

Our Award framework provides a clear view of career options, entitlements, and conditions for our people. Our consultation process is co-operative, and the Award Negotiation Team meets regularly to discuss suggestions for improvements or innovations which have been ratified by members, and to discuss and resolve human resource issues of common interest across the Audit Office.

We will soon commence planning for the next generation of the Award.

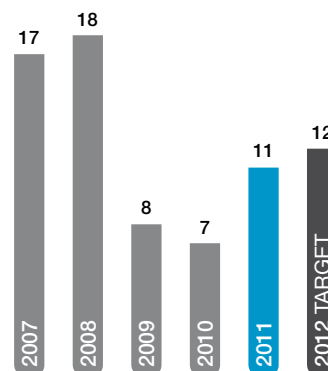
Total staff*

*FTE: Full-time equivalent.



Executive Audit Corporate

Staff turnover %



Equity, diversity and fun!

Promoting equity

Women represent 51% of middle management, a 7% increase on last year

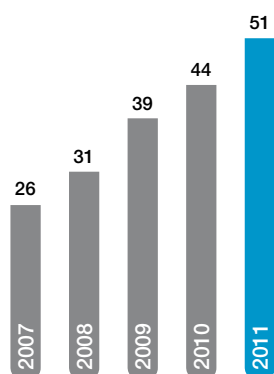
We have taken action to ensure that our workplace is free from harassment and discrimination, and is an environment where people feel safe and comfortable to work. Our training calendar includes quality programs from experts in the field of workplace law, and our employees are well aware of their rights and obligations.

All appointments and promotions are made on merit and on demonstration of faith with Audit Office values.

The percentage of women in executive and senior management positions remains at 22 per cent. The number of women as a percentage of the total workforce is now more than 50 per cent, and women now represent 51 per cent of middle management. Forty six per cent of our total management group is now represented by women.

For more information on equal employment opportunity groups and their distribution, see our 'EEO, multicultural policies and disability action plan' on page 86.

Women in middle management %



Supporting our staff

We are committed to health and wellbeing practices. The Audit Office provides an assortment of fruit every day to promote healthier eating and has increased the variety of non-cafeinated drink options available in our break area. We again provided support to those competing in the Corporate Games and the Corporate Cup competitions, and pilates classes are still running for employees at their own expense during lunch breaks. The Audit Office has also made space available for staff to take Zumba classes on site, and some compete regularly as teams in major sporting events such as the City to Surf and Relay for Life. Free flu vaccinations are also made available to all.

The Audit Office's employee assistance program provides an independent, confidential counselling service for staff and their immediate families. The counselling is provided by experienced, highly qualified professionals who have extensive training in workplace consulting.

Seventeen people sought assistance through 69 counselling sessions during 2010–11, and over 100 staff and family members have used the service since it began in 2000.

Recreation Club

Our Recreation Club remains a key social mechanism, adding an essential balance of social and sporting activities into the working environment. The club is fully funded by employees and run by a representative committee.

About 80 per cent of the Audit Office are members of the Recreation Club and participate in a range of social and sporting activities. The club co-ordinates activities such as the Launch Picnic, Annual Dinner and a golf day. It also supports fundraising events including Australia's Biggest Morning Tea and Movember. The Recreation Club also coordinates regular happy hours and participation in the City to Surf.

The year ahead

Our employment brand is very strong, and feedback from applicants (especially graduates and school leavers) is that a role with the Audit Office is highly regarded. We are continuing to consolidate and improve our employee value proposition for staff and prospective staff, and emphasise the unique public accountability position we hold in working for the people of New South Wales. Ours is a safe, flexible and pleasant workplace with work-life balance employment conditions, and the merit-pay approach of our award continues to make us an attractive employer.

Under our 'People Power' strategic focus area we will continue to develop our strategic workforce plan, ensuring we control our workplace destiny by creating our own future and addressing any risks to our capabilities and reputation. (See page 6 for further details of our strategic focus areas.)



Professional development

Our people are our advantage

12 training days per employee, continuing to invest in our talent

Well-developed skills

Our ability to perform to our mandate and to add genuine value to our clients' business depends on the skills and proficiency of our staff throughout the Audit Office.

All of our staff complete study appropriate for their level, and aligned to defined competencies for each role. Within our Financial Audit teams it is a requirement for those promoted to Senior Auditor level to have completed either their Chartered Accountant (CA) or Certified Practising Accountant (CPA) qualifications. In our Performance Audit and Corporate Services teams staff are encouraged and assisted to undertake continuing education.

The Audit Office assists with qualifications and professional memberships by paying 100 per cent of tertiary and professional education fees for our graduates and school leavers, and by granting study leave. We also provide assistance to all those participating in courses relevant to their development needs, and a number of staff are currently undertaking postgraduate studies.

Technical and leadership development

This year we focused on developing learning pathways for our staff and managers from induction through to each stage of their career. This ensures that everyone receives the required training for their level. The graduate and school leaver induction process was reviewed this year and the Executive team played a more active role in training new starters. This creates a strong bond between new starters and the Executive.

Further online learning has been developed to support our induction process.

The client value simulation we developed in 2009–10 has now been delivered to senior staff in Financial Audit, Performance Audit and Corporate Services. This has seen stronger engagement at the senior level and a focus on ensuring our clients see the value of our business teams.

We have continued to focus on coaching for our Executive, Business Team Leaders and Corporate Services managers, a group we refer to as the Leadership Team. That team also works to develop and implement the Audit Office's Strategic Plan.

Shared learning

We have continued to encourage employees to be seconded to audit offices overseas where they have gained valuable experience while imparting knowledge to their hosts.

We have also continued the approach of including junior auditors from Papua New Guinea in our graduate program. These auditors are partially sponsored by AusAID and partially funded by the Auditor-General's Office of Papua New Guinea, and undertake the same work development and experiences as our other graduates.

The year ahead

We will continue our investment in training in 2011–12 to increase productivity by teaching more effective methods of conducting our work.

Having delivered a leadership business simulation experience to all levels of management, we will now work to consolidate both business and leadership behaviours on the job. We will continue to deliver the simulations to new managers during 2011–12, and will supplement this program with focused skills sessions.

Case study

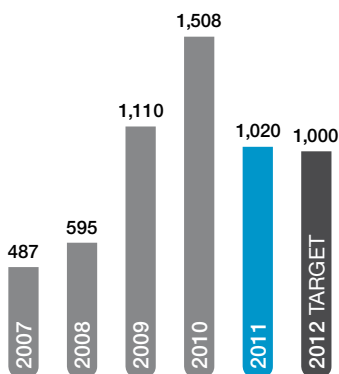
Excellent leadership must come from all levels

This year we continued to roll out our very successful client value simulation to our operational managers in all parts of the business. We have now reached all levels of management with leadership programs designed to focus them on the successful running of all aspects of the Audit Office, and to create real value for our audit clients.

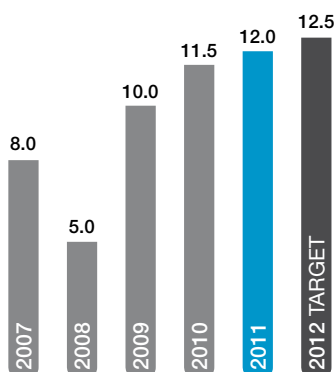
Typical comments from participants were:

- Thoroughly enjoyed the workshop and will take a lot of skills back with me to apply on the job
- The simulation opens your eyes to how much you can change and therefore contribute to the Audit Office
- The overall contribution of executives and coaches is very much appreciated. This simulation is great and puts into perspective how the Audit Office operates. It allows participants to understand the competing nature of our work and how to deal with it on a day to day basis. Overall a great workshop and I thoroughly enjoyed my time.

People development spending \$'000



Training days per employee



Setting direction

Planning and risk management

Our strategic plan

Our strategic planning in 2010–11 focused on five strategic areas:

- 1 Double-glazing the glasshouse
- 2 Putting the business into business teams
- 3 People power
- 4 Delivering value
- 5 Influencing for impact

Key achievements in our 2010–11 strategic plan include:

- management information dashboard developed to meet the business information needs of senior management
- internal communications strategy developed to improve communication throughout the business
- reporting system developed to ensure all adverse findings reported to our audit clients do not exist in the Audit Office
- Auditor-General's Reports to Parliament redesigned to improve the impact and clarity of our reports
- new intranet launched including a comprehensive audit and assurance online practice manual
- new competencies developed to improve the performance management and progression of our people.

In 2011–12, our strategic focus areas changed in accordance to changes in our strategic priorities and operating environment. They are:

- 1 Public engagement
- 2 Systems and processes
- 3 People power
- 4 Financial performance
- 5 Stakeholder value

A full description of these focus areas, including outcomes for 2011–12, is presented on page 6 of this report.

Principal legislation unchanged

Our role is set by the Parliament of New South Wales. We are independent of the executive government and report directly to parliament providing assurance about NSW government operations.

The Auditor-General and the Audit Office of New South Wales operate under the *Public Finance and Audit Act 1983*. The most recent significant change to this legislation was in 2004, giving the Auditor-General the power to employ staff directly and set wages and conditions.

High standards of conduct

Our code of conduct governs the Audit Office and its people in their day-to-day activities and decisions.

The code establishes a set of principles to guide our employees rather than detailed rules. It is based on our view that we do not expect to have to tell our people in detail what they should and should not do. We expect them to be professional and to appropriately apply our values.

A structured approach to risk management

We regularly review our key business risks as input into our strategic and business planning processes. We also apply risk management to all major projects, our financial and performance auditing services, and to key corporate service functions.

Our key strategic risks are:

- failure to anticipate and manage stakeholder expectations
- insufficient funding to meet Audit Office needs
- issuing recommendations that don't add value
- out-dated audit methodology and dependence on third party audit methodology
- issuing an incorrect audit opinion
- inability to effectively manage our workforce
- inadequate technology
- inability to adapt to a changing public sector
- inability to adapt to changes in audit requirements
- internal governance failure
- inability to compete with the private sector if necessary.

The Audit Office uses a structured approach to managing risks and opportunities. This approach is based on the NSW Treasury's Risk Management and Internal Control Matrix and the Australian/New Zealand Risk Management Standard–AS/NZS ISO 31000:2009.

The year ahead

In 2011–12 we will:

actively promote our '17 Points of Governance' framework as a best practice guide to governance and risk management in the public sector

embed risk management within our strategic planning process

initiate a new system of quarterly risk management status reporting to the Office Executive.



Monitoring performance and assuring quality

Regular reviews and independent scrutiny

We received our third consecutive Australasian Reporting Awards gold award for our 2010 annual report

30-day strategic reviews

Our Office Executive and Leadership Team monitor progress against our strategic targets and focus areas every 30 days. The Office Executive reviews business unit and whole-of-office financial reports. This helps us assess progress against longer-term financial targets.

Benchmarking

We also compare our performance with other State audit offices. For more details on benchmarking see Highlights, inside front cover.

Fraud control

In 2010–11, as in previous years, we reviewed our fraud control policy and processes by conducting a fraud risk assessment.

In 2011–12, we will conduct a fraud control health check, and continue to focus on improving our employee awareness of fraud responsibilities.

Complaints handling

Complaints about our services are taken seriously and are reviewed by senior management. We regard complaints as opportunities for us to improve our services. We also collect information on any compliments and suggestions.

There were no formal complaints about our services in 2010–11. Our audit teams dealt with informal complaints in the normal course of their audits.

Monthly reviews

The Office Executive meets monthly to review operational and strategic issues relating to audit clients, people, audit processes and technology.

The team also regularly reviews our financial performance.

Award-winning annual report

In recognition of our high standard in annual reporting, we received a gold award for the 2009–10 report from the Australasian Reporting Awards, following gold awards the previous two years.

We voluntarily adopt full and open reporting on our performance in our annual report.

We comment extensively on what parliament and our audit clients think of our services, and on whether agencies have accepted and acted on our audit recommendations. This is the best way of measuring our success because we can only inform and influence – we do not have the power to direct the government and its agencies on how to operate or report.

Central government reporting

We report to a number of NSW government agencies on how we are contributing to whole-of-government initiatives. For example, we report to the Department of Finance and Services on how we minimise our energy usage and manage waste. (For more information see our 'Workplace and environment' section on page 38.) We also regularly report to NSW Treasury about our finances – both budgeted and actual.

Audit and Risk Committee

The Audit and Risk Committee met quarterly during 2010–11 to oversee the integrity of the Audit Office's financial information, internal controls, and compliance with laws, applicable government directions and code of conduct. In addition, the committee also reviewed the Audit Office's financial report.

To comply with the requirements of Treasury Circular NSW TC 09/08 August 2009, committee membership includes the external Chair, Brian Suttor, an independent member, Greg Fletcher, and the Deputy Auditor-General, Tony Whitfield.

The committee's external Chair, Brian Suttor, has been a partner in a major accounting firm and brings an independent perspective to the committee. He has extensive experience in auditing and chairing audit committees. Greg Fletcher also brings considerable experience as a former senior partner in a major accounting firm. He is an audit and risk committee chair for several NSW public sector agencies and director of a number of publicly listed companies. Both independent members have been appointed for a four-year term.

During 2010–11, the Deputy Auditor-General was a permanent member of the committee, bringing significant expertise in senior management, public and private sector finance and auditing.

Audit and Risk Committee meetings attended

Who	No.
Brian Suttor, Chair	4
Greg Fletcher	4
Tony Whitfield, Deputy Auditor-General	4



Internal Audit and Risk Management Statement

The Audit Office is compliant with the core requirements of the Treasury Circular NSW TC 09/08 Internal Audit and Risk Management Policy.

Our 'Internal Audit and Risk Management Statement' can be found in full in Appendix Seven.

Internal and external reviews

Internal reviews

The Audit Office appointed O'Connor Marsden and Associates (OCM) to provide internal audit services for the three years 2010–13. During 2010–11 OCM conducted reviews in the following areas:

- fraud control
- management reporting
- payroll
- expenditure
- quality management system.

External reviews

During 2010–11, the Audit Office was once again subject to an external recertification audit against the international quality management standard ISO 9001:2008. The review found that our financial and performance auditing services complied with the requirements of the standard. As a result we were again awarded the prestigious ISO 9001:2008 certification.

Protecting privacy

The Audit Office is committed to protecting an individual's privacy when we collect, use or disclose personal information. When dealing with private information, we apply the principles in the *Privacy and Personal Information Act 1998* to ensure that the collection is lawful, direct, open and relevant; the information is stored securely; access is transparent, accessible and correct; its use is accurate and limited; and disclosure is restricted and safeguarded.

Open access information

The Audit Office is committed to ensuring its administrative information is available to the public. We received three requests for open access information in 2010–11. All were unsuccessful as they did not relate to Audit Office administrative matters. The Audit Office is exempt from the requirements of the *Government Information (Public Access) Act 2009* (the GIIPA Act) for its auditing, investigative and reporting functions, however is covered for administrative matters.

The year ahead

In 2011–12, our internal auditors, O'Connor Marsden and Associates, will review a number of areas including:

- procurement
- project management
- payroll accounting cycle
- quality management system
- resource management
- records management
- information security management system
- a follow-up of previous internal audit findings.



Workplace and environment

Our workplace is safe and we are reducing our environmental footprint

Very few occupational health and safety incidents

The Audit Office is committed to providing the best possible standard of occupational health and safety for employees on site and at client premises, and visitors to head office. We strive for early intervention and support when staff are injured, to ensure every opportunity for a quick recovery and return to the workplace.

During the year, there were 17 reported safety incidents, the majority of which related to travel to and from work. There were five new workers' compensation claims, and two ongoing.

Occupational Health and Safety Committee

In 2010–11, elections were held for new staff representatives to the committee. Six staff representatives were elected, along with the appointment of three management representatives. All new members attended a four-day training course to prepare them for their committee membership.

The committee met three times in 2010–11 to review our safety management systems, monitor changes in law and recommend improvements.

Key occupational health and safety achievements in 2010–11 included:

- an awareness campaign to stress the importance of reporting all occupational health and safety incidents no matter how minor and regardless of whether time was lost on the job as a result of the incident
- continuing ergonomic desk assessments with an emphasis on prevention of injury.

We have continued to respond to the premier's 'Healthy Workforce Policy' by implementing a number of key initiatives aimed at improving the health of our staff. These initiatives are discussed in the 'Staffing and recruitment' section of this report on page 33.

Environmental action

Reducing our impact

The Audit Office continued to implement its revised Waste Reduction and Purchasing Plan which guides us towards meeting environmental targets such as reducing our waste and increasing our recycling. We have reduced the number of reports we print and now distribute more than 60 per cent electronically – via email or on the Audit Office website.

We release some of our publications in electronic format only, and those we do print are printed on 100 per cent recyclable paper. We currently use 50 per cent recycled content paper in all of our photocopiers and printers and we will continue to investigate ways to reduce the amount of printing we do. The Audit Office recycles 100 per cent of its waste paper using secure disposal processes.

We also recycle 100 per cent of our ink and toner cartridges and ensure all laptop batteries are disposed of in an environmentally-friendly way.

We are working to increase staff commitment to Waste Reduction and Purchasing Plan principles. For example, during the year we conducted periodic waste assessments to determine how we can minimise our waste and improve our recycling systems.

To support our internal communications strategy on environmental action, we conducted an awareness campaign on how much paper the Audit Office uses and encouraged employees to give us ideas on how we can reduce our paper usage. We are also investigating how to better utilise our Electronic Document and Records Management System (EDRMS) to further reduce the need for paper files and documentation, including scanning options.

Greenhouse performance continues to improve

The Audit Office again maintained its greenhouse building rating of four stars in line with government targets.

We achieved this by:

- buying 40 per cent of our electricity as green
- encouraging staff to adopt energy efficient practices
- using timers on tenancy lights and on equipment
- buying energy efficient monitors and photocopiers
- continuing to choose and run small, fuel efficient vehicles in our fleet and when choosing hired vehicles.

The year ahead

In 2011–12, an Audit Office Innovation Group will be created under our 'Systems and Processes' strategic focus area. One of the key areas this group will focus on is innovative ideas for reducing our global footprint. The group will also work on new ideas for improving the health and wellbeing of our workforce. (See page 6 for further details of our strategic focus areas).

Profession

We are known for influencing auditing in Australia

We work closely with the auditing profession, commenting on draft accounting and auditing standards, and also present to various forums on auditing and governance

This helps us maintain our professional presence and influence the direction of auditing in Australia



Professional influence

Making a positive contribution

40 presentations delivered to the public and the profession

Professional services

The Audit Office has an Audit Support Team which helps us maintain our professional knowledge by keeping up-to-date with the latest developments. In providing this service, we maintain our professional standards and presence, and build on our reputation as a centre of excellence in audit. We contribute to shaping the future direction of the profession by participating in the development of professional standards and best practice.

Audit Support provides dedicated support to the Audit Office by providing technical advice, interpreting and advising on professional standards and legislative requirements, and maintaining the quality and content of our audit tools and methodology.

This dedicated support approach ensures that our audit staff are properly equipped to perform a high quality, efficient and effective audit and that our clients are satisfied with our performance and results.

We produce two newsletters. Awareness, issued monthly, focuses on developments in the profession, including auditing and accounting standards. Professional Update, issued six-monthly, provides a summary of major developments in accounting and auditing standards, Treasury pronouncements and legislative changes. Both newsletters are widely distributed to State and private sector organisations as part of our drive to ensure that auditing and accounting standards are understood, effectively implemented and consistently applied.

Services to the public sector

An important measure of our influence and performance is the value afforded our presentations, submissions, contributions to external committees, and appearances before parliamentary committees.

We delivered 40 presentations to a variety of audiences during the year, 13 to the public sector. The topics included fraud detection, public sector performance reporting and corporate governance. Our audiences included international delegations, professional and government bodies and local groups.

We also appeared before four parliamentary inquiries, and have representatives on 14 public sector organisations and committees. These activities help us to maintain our professional presence and build our reputation as a centre of excellence in auditing.

See pages 78 and 79 for full details.

Developing our profession

In recent years there has been much change in the financial accounting and auditing professions. This has been mainly driven by the international harmonisation of accounting and auditing standards. The Audit Office continues to have an active role in this process.

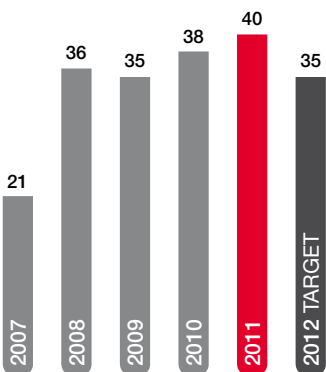
The Audit Office contributes to the comments made by the Australasian Council of Auditors-General on draft standards developed by the Australian and international bodies responsible for auditing, accounting and ethical standards.

Our senior staff and Executive make positive contributions to professional committees, panels, research groups, working parties and review boards. Our participation in these activities ensures that our people are fully informed about the latest developments in our profession, and are helping to shape its future direction.

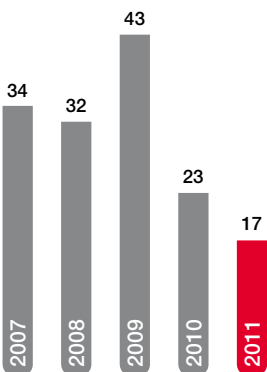
Our presentations to groups in the broader profession on the role of the Auditor-General extend the profile of the Audit Office to the broader community.

See pages 80 to 83 for the memberships of professional, community and educational groups, our education role, submissions on standards and presentations given.

Presentations



Submissions made



Influencing by educating, advising and training

Educating

Those people aspiring to membership of the Institute of Chartered Accountants in Australia or CPA Australia are required to complete postgraduate level training set by those bodies. For many years Audit Office staff have been involved in deciding the content of various training modules, developing material for the modules, leading training sessions and marking exams.

Mentoring

We provide formal mentoring to all our CPA and Chartered Accountant students to give them the best possible chance of success in their studies.

Advising

Through the Audit Office's interaction with Australian accounting bodies, and participation in their committees and working parties, these professional bodies gain a deeper understanding of public sector issues. This understanding can then form the basis for an appropriate response in the form of lobbying, training and alerts to members.

Training auditors

We provide our own approved training to Audit Office staff in the form of courses organised and conducted internally, and those which are conducted by external providers.

The Audit Office also presents training on behalf of accounting bodies to their broader membership. The Audit Office is committed to the continuing professional development of its staff. For staff to progress to the level of senior auditor and above they must be full members of either CPA Australia or the Institute of Chartered Accountants in Australia and, by virtue of that membership, they undertake continuing professional development to a level and a standard approved by these accounting bodies.

Influencing through the Australasian Council of Auditors-General

The Audit Office is an active participant in the Australasian Council of Auditors-General (ACAG) which was established in 1993 to encourage sharing and cooperation between audit offices in Australasia.

The Audit Office provides administrative support for the ACAG Executive Director and the ACAG Financial Reporting and Auditing Committee (FRAC) which deals with accounting and auditing issues. Audit Office staff chair, sponsor and support council subgroups, working parties and committees. The Auditor-General is a member of the ACAG Executive. The Audit Office contributes to the development of the council's position on various issues including submissions to public inquiries on matters of public sector accountability, and to its position on accounting and audit standard setting in both international and Australian jurisdictions. Through ACAG the Audit Office is also an active participant in regional organisations such as the Pacific Association of Supreme Audit Institutions (PASAI) and the PASAI Regional Working Group on Environmental Auditing.

The year ahead

In 2011–12, we will maintain our professional presence by:

- informing members of parliament, the profession and the broader community about our role and activities, and the value of our audits
- continuing to make submissions on proposed changes to accounting and auditing standards
- continuing to be involved in accounting and governance professional bodies' education programs
- increasing our representation on key professional accounting bodies.



Developing our profession

The Audit Office makes a significant contribution to the accounting profession through our involvement with CPA Australia and the Institute of Chartered Accountants. For the past three years, Chris Bowdler (Performance Audit Leader) has been the convenor of the Sydney CPAs in Government Discussion Group. The group provides an opportunity for accounting and audit professionals working in the public sector to network and enhance their professional skills. The group meets nine times a year to hear presentations and discuss such topics as making accountants accountable, accounting for private public partnerships and streamlining end of year reporting.

Chris has also been a member of the organising committee for several NSW CPA State Congresses. His duties at the congress this year will include the presentation of a paper on 'Performance auditing – health check for your business'.

Influencing international audit practice

In July 2010, the Auditor-General attended the XIII PASAI Congress at Tarawa Kiribati hosted by the Pacific Association of Supreme Audit Institutions (PASAI), with heads of many audit institutions as guests. The congress is held every year, and is an opportunity for participants to share knowledge about auditing and to learn lessons in international best practice. Topics in this year's congress included:

- governance issues, including secretariat responsibilities, accountability and transparency
- how to maximise effectiveness of findings in accountability and transparency
- results of cooperative audits such as waste audits.

The NSW Auditor-General also delivered a presentation on 'Strategic Management' to the participants of the congress.

Forums such as these give the Audit Office the opportunity to influence the auditing profession internationally as well as contributing to new ways to improve our own services to agencies and parliament.

A photograph of a modern building's interior courtyard. In the foreground, a man in a dark suit and red tie stands on a wooden-planked walkway with a metal railing, talking on a mobile phone. In the background, a woman in a black coat and red top walks towards the camera. The building features a mix of materials: dark wood paneling on the left, stone walls in the background, and large glass windows on the right. The lighting is warm and indoor.

Finances

We have a financial framework that supports our business objectives

We aim to:

- collect our debts within a reasonable time
- pay our creditors promptly
- break even over the medium term

Financial performance

We aim to break even over the medium term

\$0.3 million loss (excluding superannuation adjustments), a 5-year cumulative result outside our medium-term break-even target

Just outside our break-even target

The work of the Audit Office is largely self-funded with most of our income coming from audit fees paid by our clients. We set these fees carefully to cover our expenses while maximising value for the NSW public sector. Unlike private sector professional services firms, we aim to break even overall rather than make a profit.

In monitoring our financial performance, we exclude the impact of the annual superannuation adjustments that affect our operating results. Like all government agencies with staff in the State's defined benefit superannuation schemes, the schemes' assessment of our liability to them varies substantially from year to year. These annual variations are outside our control and reflect the investment performance and changes in actuarial assumptions.

These superannuation adjustments are fully reflected in our audited financial statements, but are excluded from the information presented here so we can focus on our own performance.

Our 2010–11 result was a loss of \$0.3 million, excluding superannuation. Over the five years to 2010–11, the cumulative result was a surplus of \$7.3 million representing five per cent of turnover. This remains outside our break-even target but better than our seven per cent result last year.

Our 2010–11 revenue of \$39.1 million was greater than the previous year's \$35.3 million. Government agencies paid \$32.2 million for the audit of their financial reports. Parliament contributed \$6.0 million towards our performance audits and reports to parliament. Our total expenditure of \$39.4 million in 2010–11 was \$3.2 million more than the previous year's \$36.2 million.

Revenue increased as a result of a four per cent charge-out rate increase during 2010–11 together with additional work. Expenditure increased due to award increases and increased staff numbers necessary to undertake that additional work. Interest income increased although cash balances were similar because of improved interest rates.

Budgeting

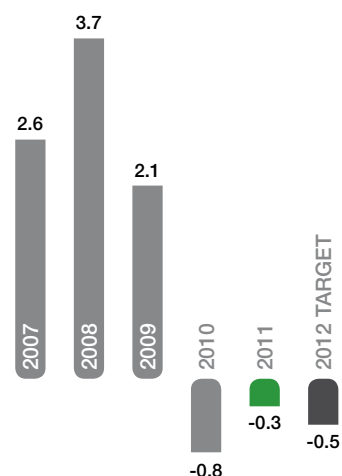
We are budgeting for a \$0.5 million deficit in 2011–12. Revenue is expected to be \$40.7 million, higher than the \$39.1 million of 2010–11 and reflecting a slight increase in our fees. We expect our expenditures to be slightly higher than 2010–11, mainly in remuneration, due to Award increases and the increased headcount required to support our continuing additional workload.

Our 2010–11 operating result was favourable to budget by \$0.7 million. This was primarily because audit fees were \$1.8 million more than budgeted, largely due to additional work from the restructure of NSW Health operations which required audits of abolished Area Health Services and audits of new Local Health Networks. A review of the Energy Industry Sales Contracts was also undertaken.

Our other expenses were also higher. Fees for contract audit agents increased due to the additional Health restructure work. We also incurred higher than budgeted expenses on consultants and recruitment.

Operating results (\$m)

Excluding superannuation



Financial position

Our financial management is sound

Our financial position is sound

Most of our assets and liabilities are of a financial rather than physical nature, as we do not own major buildings or machinery.

Our largest asset is cash with a balance of \$11.2 million at 30 June 2011. This is a decrease of \$0.6 million from last year and is largely due to a mix of audit fee billings occurring later in June, slow payment by debtors and our expenses generally being higher.

Our assets include \$6.5 million for the Crown's assumption of the liability for our staff's long service leave entitlements. This offsets the liability in our accounts. We also have \$4.6 million in receivables, mostly from government agencies for our auditing services.

Our liabilities at 30 June 2011 were \$24.9 million, increased from \$24.5 million in the previous year. Our largest liability was \$12.4 million for superannuation and we also have a leave liability of \$10.2 million.

Effective solvency, but debtor management needs to improve

Our current ratio at 30 June 2011 shows we had \$2.00 in current assets to meet every \$1.00 of our current liabilities.

This is a small decrease on the previous year's ratio and at the upper level of our target range of between one and two dollars.

Our debtors continue to pay us at a slow rate. Again in 2010–11, it took us an average of 44 days from invoice to collection. Our target is 30 days.

Timely creditor payments

During the year we paid 98 per cent of our creditors on time. We are expected to pay all creditors for invoices received in one month no later than the end of the following month, unless contracts state otherwise.

For more detail on our performance with creditor payments, see page 89.

The year ahead

We have a number of initiatives in our 'Financial Performance' strategic focus area aimed at improving our financial management.

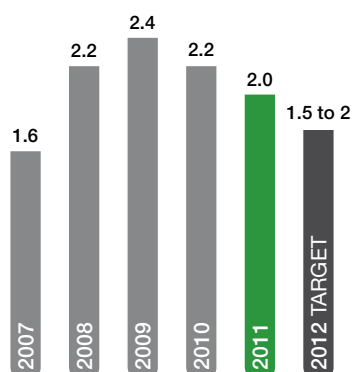
These initiatives include:

- the development of a financial strategy
- conducting work targeted to increase productivity and reduce write-off work in progress.

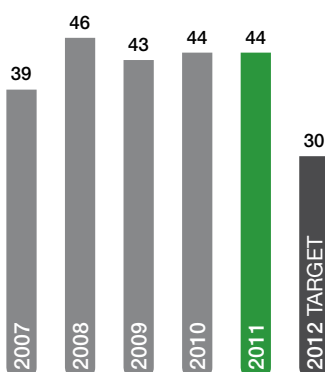
In an effort to balance our budget and meet increased costs, including remuneration and information technology, we will increase our charge-out rates by five per cent for 2012 audits.

We will also continue to pay close attention to the collection of our fees.

Solvency – current ratio



Debtor management – average days to collect



Key financial statistics

	2008–09 \$'000	2009–10 \$'000	2010–11 \$'000
Three year trend			
Financial performance¹			
Total revenue	36,386	35,316	39,102
Total expenses	34,372	36,117	39,392
Profit/(loss) on disposal	39	(40)	(2)
Operating profit/(loss)	2,053	(841)	(292)
Financial position²			
Total assets	24,936	25,146	26,206
Accumulated funds	3,656	619	1,270
Solvency and debtor management			
Current ratio	2.4	2.2	2.0
Average days to collect debts	43	44	44

	2010–11 Budget \$'000	2010–11 Actual \$'000	2011–12 Budget \$'000
Performance against budget¹			
Revenue			
Audit fees	30,408	32,158	33,599
Contribution by government	6,020	6,020	6,590
Interest	370	527	480
Other revenue	107	397	62
Total revenue	36,905	39,102	40,731
Expenditure			
Salaries and related expenses	29,569	30,783	32,261
Maintenance and other operating expenses	5,601	5,683	6,036
Contract audit agent costs	1,939	2,254	2,374
Depreciation and amortisation	807	674	554
Total expenditure	37,916	39,394	41,225
Operating profit/(loss)	(1,011)	(292)	(494)

¹ Excludes superannuation adjustments of \$542,000 in 2010–11 (\$275,000 in 09–10, \$978,000 in 08–09)

² Includes superannuation adjustments





Financial Report

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Independent Auditor's Report

to the Members of the New South Wales Parliament

To the Members of the New South Wales Parliament

I have audited the accompanying financial report of The Audit Office of New South Wales (the "Audit Office"), which comprises the Statement of Financial Position as at 30 June 2011, the Statement of Comprehensive Income, the Statement of Changes in Equity, and the Statement of Cash Flows for the year then ended, a summary of significant accounting policies, and other explanatory notes numbered 2 to 23.

Auditor-General's Responsibility for the Financial Report

The Auditor-General of New South Wales is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards, the *Public Finance and Audit Act 1983* (the 'PF&A Act') and for such internal control as the Auditor-General determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on the financial report based on my audit. I have conducted my audit in accordance with Australian Auditing Standards. Those Auditing Standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance as to whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Audit Office's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Audit Office's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Auditor-General of New South Wales, as well as evaluating the overall presentation of the financial report.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

My opinion does not provide assurance:

- about the future viability of the Audit Office;
- that it has carried out its activities effectively, efficiently and economically;
- about the effectiveness of its internal control;
- about the security and controls over the electronic publication of the audited financial report on any website where they may be presented; and
- about any other information which may have been hyperlinked to or from the financial report.

Independence

In conducting my audit, I have complied with the independence requirements of the Australian Auditing Standards and other relevant ethical pronouncements.

Auditor's Opinion

In my opinion, the financial report:

- gives a true and fair view of the financial position of the the Audit Office as at 30 June 2011, and of its financial performance for the year then ended in accordance with Australian Accounting Standards;
- is in accordance with section 41B of the *Public Finance and Audit Act 1983* and the Public Finance and Audit Regulation 2010.



Andrew Hoffman

Chartered Accountant

Sydney, 7 September 2011

NEXIA COURT & CO
CHARTERED ACCOUNTANTS



Statement by Auditor-General of New South Wales

for the year ended 30 June 2011

Under section 41C of the *Public Finance and Audit Act 1983*, I state that, in my opinion, the accompanying financial statements and notes thereto exhibit a true and fair view of the financial position of the Audit Office of New South Wales at 30 June 2011 and its financial performance for the year then ended.

I further state:

(a) that the financial statements and notes thereto comply with applicable Australian Accounting Standards, the *Public Finance and Audit Act 1983*, the Public Finance and Audit Regulation 2010, and the Treasurer's Directions.

(b) that I am not aware of any circumstances which would make any details in the financial statements misleading or inaccurate.

Pete Achterstraat .

P Achterstraat

Sydney, 7 September 2011



Audit Office of New South Wales

Statement of comprehensive income for the year ended 30 June 2011

	Note	2011 \$'000	2010 \$'000
Revenue			
Audit fees	2(a)	32,158	28,587
Contributions by Government	2(b)	6,020	5,825
Interest income		527	442
Other revenue	2(c)	1,034	849
Total revenue		39,739	35,703
Expenses			
Salaries and related expenses	3	30,443	27,577
Contract audit agents costs	4	2,254	1,807
Depreciation and amortisation	5	674	664
Maintenance		380	238
Rent		1,388	1,313
Finance costs		16	15
Other operating expenses	6	4,333	4,616
Total expenses excluding losses		39,488	36,230
Loss on disposal	7	2	40
Total expenses		39,490	36,270
PROFIT/(LOSS) FOR THE YEAR		249	(567)
Other comprehensive income			
– Superannuation actuarial gain/(loss)	12	402	(2,470)
Other comprehensive income for the year		402	(2,470)
TOTAL COMPREHENSIVE PROFIT/(LOSS) FOR THE YEAR		651	(3,037)

The accompanying notes form part of these financial statements



Audit Office of New South Wales

Statement of financial position as at 30 June 2011

	Note	2011 \$'000	2010 \$'000
Assets			
Current assets			
Cash and cash equivalents	22(a)	11,248	11,845
Receivables	8	4,567	3,161
Work in progress		986	1,288
Other financial assets			
– Crown acceptance of long service leave liability	15(b)	6,491	5,892
Other	9	568	474
Total current assets		23,860	22,660
Non-current assets			
Plant, equipment and furniture	10	1,601	1,702
Intangible assets	11	487	474
Other financial assets			
– Crown acceptance of long service leave liability	15(b)	258	310
Total non-current assets		2,346	2,486
Total assets		26,206	25,146
Liabilities			
Current liabilities			
Fees in advance		73	108
Payables	13	1,805	1,145
Provisions	14	9,916	9,110
Total current liabilities		11,794	10,363
Non-current liabilities			
Payables	13	152	189
Provisions	14	12,990	13,975
Total non-current liabilities		13,142	14,164
Total liabilities		24,936	24,527
Net assets		1,270	619
Equity			
Accumulated funds	16	1,270	619
Total equity		1,270	619

The accompanying notes form part of these financial statements



Audit Office of New South Wales

Statement of cash flows for the year ended 30 June 2011

	Note	2011 \$'000 Inflows (Outflows)	2010 \$'000 Inflows (Outflows)
Cash flows from operating activities			
Receipts from operations		41,643	39,959
Payments to suppliers and employees		(42,207)	(39,337)
Interest received		510	384
Net cash (used in) / generated by operating activities	22(b)	(54)	1,006
Cash flows from investing activities			
Purchase of plant, equipment and furniture		(237)	(92)
Leasehold improvements		(105)	(106)
Purchase of management information systems		(201)	(190)
Net cash used in investing activities		(543)	(388)
Net (decrease)/increase in cash and cash equivalents		(597)	618
Cash and cash equivalents at the beginning of the financial year		11,845	11,227
Cash and cash equivalents at the end of the financial year	22(a)	11,248	11,845

The accompanying notes form part of these financial statements

Audit Office of New South Wales

Statement of changes in equity for the year ended 30 June 2011

	Note	2011 Accumulated Funds \$'000
Balance at 1 July 2010		619
Profit for the year		249
Other comprehensive income:		
Superannuation actuarial gain	12	402
Total other comprehensive income		402
Total comprehensive profit for the year		651
Balance at 30 June 2011		1,270
Balance at 1 July 2009		3,656
Loss for the year		(567)
Other comprehensive income:		
Superannuation actuarial loss	12	(2,470)
Total other comprehensive income		(2,470)
Total comprehensive loss for the year		(3,037)
Balance at 30 June 2010		619

The accompanying notes form part of these financial statements



Audit Office of New South Wales

Notes to and forming part of the financial statements for the year ended 30 June 2011

1. Summary of significant accounting policies

(a) Reporting entity

Schedule 2 of the *Public Finance and Audit Act 1983* designates the Audit Office of New South Wales (the 'Office') as a statutory body for reporting purposes.

These financial statements have been authorised for issue by the Auditor-General on 7 September 2011.

(b) Basis of preparation

The Office prepares its financial statements as general purpose financial statements on an accruals basis to comply with:

- applicable Australian Accounting Standards;
- the requirements of the *Public Finance and Audit Act 1983* and the Public Finance and Audit Regulation 2010 and Treasurer's Directions.

Where these requirements are inconsistent, we apply the legislative provisions. There were no inconsistencies in the years covered in this financial report.

Where there was no specific accounting standard or other authoritative pronouncements of the AASB, we considered the hierarchy of other pronouncements as outlined in AASB 108 – Accounting Policies, Changes in Accounting Estimates and Errors.

The Office uses the historical cost convention to prepare its financial report unless otherwise stated.

Judgements, key assumptions and estimations that management has made are disclosed in the relevant notes to the financial statements.

We rounded all amounts to the nearest one thousand dollars and expressed them in Australian currency.

(c) Revenue recognition

Revenue is measured at fair value of the consideration or contribution received or receivable and represents amounts receivable for services rendered in the normal course of our operations, net of GST.

(i) Rendering of services – audit fees

Audit fees are recognised when an invoice is raised, except to the extent the invoiced amount is in excess of the services provided. Any excess amounts are treated as fees in advance.

(ii) Contributions by Government

Treasury contributions for the Auditor-General's reports and performance audits are recognised in the statement of comprehensive income as related services are performed.

(iii) Interest income

Interest income is accrued on a time basis using the effective interest method as set out in AASB 139 – Financial Instruments: Recognition and Measurement.

(d) Employee benefits

(i) Salaries and wages, annual leave and sick leave

Liabilities for salaries and wages, including non-monetary benefits, annual leave and sick leave are measured on an undiscounted basis. Where annual leave is not expected to be settled within 12 months, we account for it as a long-term benefit and use the present value method.

We do not recognise a liability for unused non-vested sick leave entitlement because we consider that the sick leave taken in the future will not be greater than the benefits accrued in the future.

(ii) Long service leave

The Crown Finance Entity takes on the Office's liability for long service leave. The Office accounts for the liability and then offsets it by showing a corresponding asset, 'Crown Acceptance of Long Service Leave Liability'. It is a statutory asset/liability and not considered as a financial asset/liability within the scope of AASB 7 – Financial Instruments: Disclosures.

We recognise our long service leave liability as long-term employee benefit and measure it for all employees with five or more years of service. We use the present value method based on remuneration rates approved to be payable post 30 June. When calculating the liability we apply oncosts.

(iii) Superannuation

The superannuation schemes for the Office are:

- the State Superannuation Scheme (SSS)
- the State Authorities Superannuation Scheme (SASS)
- the State Authorities Non Contributory Superannuation Scheme (SANCS – Basic Benefits Scheme)
- the First State Super Scheme (FSS) and other schemes to receive Superannuation Guarantee Contributions.

The first three are defined benefit schemes – at least a component of the final benefit is derived from a multiple of member salary and years of membership. The Pooled Fund holds in trust the investments of these closed NSW public sector superannuation schemes. These schemes are closed to new members. Note 12 details the reserves, overfundings, provisions and other disclosures provided by the Scheme actuary.

Actuarial gains and losses are recognised immediately in other comprehensive income in the year in which they occur.

The Office has no ongoing liability for First State Superannuation (FSS) and the other SGC schemes because they are accumulation schemes.

(e) Accounting for the goods and services tax (GST)

We recognise revenues, expenses and assets net of GST, except for:

- the GST the Office incurs as a purchaser that we cannot recover from the Australian Taxation Office, which is recognised as part of the cost of buying an asset or as part of an item of expense
- receivables and payables, which include GST.

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



Audit Office of New South Wales

Notes to and forming part of the financial statements for the year ended 30 June 2011

(f) Plant, equipment and furniture

We show plant, equipment and furniture at historic cost less accumulated depreciation, which we consider as an acceptable surrogate for fair value of these assets. This is because the difference between fair value and depreciated cost is considered immaterial.

We review the carrying values to determine whether events or changes in circumstances indicate that these values may be impaired.

If the carrying value of the asset exceeds its estimated recoverable amount, it is written down to its recoverable amount. This amount is the higher of the depreciated cost and the value in using it. Impairment losses are recognised in the statement of comprehensive income.

We capitalise items costing \$1,000 or more. We depreciate these assets on a straight line basis over their estimated useful lives. The rates we use are:

- computer equipment 33.3%
- office equipment 20%
- furniture and fittings 10%
- leasehold improvements over the term of the lease.

We have included the costs of restoration for our leasehold improvements in accordance with AASB 116 – Property, Plant and Equipment.

The gain or loss on disposal or retirement of an item is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the statement of comprehensive income.

(g) Intangible assets

The Office uses third party Audit Methodology software and Management Information System (MIS) software and has capitalised the licences and associated costs in accordance with AASB 138 – Intangible Assets.

We show these assets at historical cost less accumulated amortisation. We consider the cost of acquisition as its fair value. As a not-for-profit entity, the Office is effectively exempted from AASB 136 – Impairment of Assets and impairment testing.

We amortise our intangible assets on a straight line basis over their estimated useful lives. The rates we use are:

- audit methodology software 33.3%
- MIS software 20%.

(h) Receivables

The Office recognises receivables initially at fair value, based on the invoice amount. Because our receivables are due for settlement within 30 days from the date of issue of the invoice, we do not amortise or discount their value as the effect of discounting is immaterial.

These receivables are reviewed on an ongoing basis. When there is objective evidence that the Office will not be able to collect all amounts due, an allowance for doubtful debts is established. The amount of the allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective rate. Bad debts are written off.

(i) Work in progress

We state work in progress as the cost of staff directly engaged in financial audit services plus direct expenses not yet invoiced. Work in progress is not a financial asset within the scope of AASB 7.

(j) Payables

The Office carries liabilities for trade creditors and other payables, which are initially recognised at fair value, usually based on the transaction cost or face value. These payables are subsequently measured at an amortised cost using the effective interest rate method. Trade payables with no stated interest rate are measured at the original invoice amount where the effect of the discounting is immaterial.

(k) Leases

The Office leases assets using operating leases. We recognise operating lease payments in the statement of comprehensive income in the periods we incur them, using a straight line basis over the period of the lease. Our operating leases are for office accommodation and motor vehicles.

(l) Provisions

The Office recognises provisions when there are legal or constructive obligations as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

We recognise provisions for employee benefits and the restoration costs of our leasehold improvements asset.

(m) Financial instruments

Financial instruments generate financial assets or liabilities (or equity instruments) for the Office or another party. These include cash and cash equivalents and receivables. Note 23 discloses the credit risk, liquidity risk and market risk of financial instruments.

(n) Comparatives

Where necessary, we have reclassified and repositioned comparatives to be consistent with current year disclosures except when an Australian accounting standard permits or requires otherwise.

(o) Accounting standards and interpretations issued but not yet operative

At the reporting date, a number of accounting standards and interpretations adopted by the AASB had been issued but not yet operative and have not been early adopted by the Office. The initial application of these standards will have no impact on the financial results of the Office. The standards are operative for annual reporting periods beginning on or after 1 January 2011.



Audit Office of New South Wales

Notes to and forming part of the financial statements for the year ended 30 June 2011

	2011 \$'000	2010 \$'000
2. Revenues		
(a) Audit fees		
Rendering of audit services	32,158	28,587
(b) Contributions by Government		
Auditor-General's Reports to Parliament	1,585	1,540
Performance audits	4,435	4,285
	6,020	5,825
(c) Other revenue		
Income from defined benefit – State Superannuation Scheme	637	387
Recoupment of salaries	393	398
Other miscellaneous income	4	64
	1,034	849
3. Salaries and related expenses		
Salaries and allowances	24,792	22,541
Payroll tax	1,463	1,423
Workers compensation	29	57
Superannuation	1,718	1,591
Long service leave contribution	627	538
Temporary assistance	1,814	1,427
	30,443	27,577
Workers compensation includes hindsight adjustments on prior years. The premium paid during the year was \$60,000 (2010: \$54,000).		
4. Contract audit agents costs		
Fees were paid to contract audit agents for the audit of:		
Health services	937	545
Superannuation services	495	511
Water industry authorities	250	205
Education industry	148	176
Other Audit Office clients	424	370
	2,254	1,807
5. Depreciation and amortisation		
Depreciation		
Leasehold improvements	213	195
Computer and office equipment and furniture	264	269
	477	464
Amortisation		
Management information systems	197	200
Total – Depreciation and amortisation	674	664



Audit Office of New South Wales

Notes to and forming part of the financial statements for the year ended 30 June 2011

6. Other operating expenses	2011 \$'000	2010 \$'000
Fees for services rendered	1,119	913
Staff development and training (excluding salaries)	1,020	1,532
Consultants	141	66
Travelling	746	703
Telecommunications	402	401
Motor vehicle running	217	216
Stores	141	158
Printing	193	198
Other general expenses	354	429
	4,333	4,616

Fees for services rendered includes payments for taxation and actuarial services on financial audits \$360,000 (2010: \$357,000), employee related services \$236,000 (\$122,000), performance audits \$61,000 (\$66,000), information technology costs \$76,000 (\$132,000) and strategic and corporate planning \$343,000 (\$218,000).

Other general expenses include an amount representing the movement in the direct costs of the valuation in work in progress, calculated in accordance with AASB 102 – Inventories. For the year ended 30 June 2011, the amount is \$42,000. For the prior year, the figure was \$6,000.

7. Net loss on disposal of plant, equipment and furniture and intangible assets

Computer and office equipment and furniture	2	7
Intangible assets	–	33
	2	40

8. Current assets – receivables

Audit fee debtors (less allowance for doubtful accounts \$24,000; (2010 – nil))	4,194	2,750
Miscellaneous debtors	373	411
	4,567	3,161

9. Current assets – other

Prepayments	276	211
Accrued income	292	263
	568	474



Audit Office of New South Wales

Notes to and forming part of the financial statements for the year ended 30 June 2011

10. Non-current assets – plant, equipment and furniture	2011 \$'000	2010 \$'000
Office equipment		
Gross carrying amount	258	258
Accumulated depreciation	(210)	(182)
Net carrying amount	48	76
Computer and related equipment		
Gross carrying amount	1,372	1,101
Accumulated depreciation	(1,043)	(836)
Net carrying amount	329	265
Furniture and fittings		
Gross carrying amount	303	301
Accumulated depreciation	(200)	(169)
Net carrying amount	103	132
Leasehold improvements		
Gross carrying amount	2,059	1,954
Restoration cost	324	324
Accumulated amortisation	(1,262)	(1,049)
Net carrying amount	1,121	1,229
Total plant, equipment and furniture at net carrying amount	1,601	1,702

The following table shows how we reconciled our carrying amounts of each class of plant, equipment and furniture at the beginning and end of the current and previous financial years.

	Office Equipment \$'000	Computer and Related Equipment \$'000	Furniture and Fittings \$'000	Leasehold Improvements \$'000	TOTAL \$'000
2011					
Carrying amount as at 1 July	76	265	132	1,229	1,702
Additions	–	271	2	105	378
Disposals	(10)	(64)	(4)	–	(78)
Depreciation expense	(28)	(206)	(30)	(213)	(477)
Write-back of depreciation on disposal	10	63	3	–	76
Carrying amount as at 30 June	48	329	103	1,121	1,601
2010					
Carrying amount as at 1 July	62	449	146	1,294	1,951
Additions	40	36	16	130	222
Disposals	–	(127)	(2)	–	(129)
Depreciation expense	(26)	(214)	(29)	(195)	(464)
Write-back of depreciation on disposal	–	121	1	–	122
Carrying amount as at 30 June	76	265	132	1,229	1,702

Audit Office of New South Wales

Notes to and forming part of the financial statements for the year ended 30 June 2011

11. Intangible assets	2011 \$'000	2010 \$'000
Audit methodology software		
Gross carrying amount	504	504
Accumulated amortisation	(504)	(481)
Net carrying amount	–	23
Management information systems		
Gross carrying amount	1,461	1,251
Accumulated amortisation	(974)	(800)
Net carrying amount	487	451
Total intangible assets at net carrying amount	487	474

The following table shows how we reconciled our carrying amounts of each class of intangible assets at the beginning and end of the current and previous financial years.

	Audit Methodology Software \$'000	Management Information Systems Software \$'000	TOTAL \$'000
2011			
Carrying amount as at 1 July	23	451	474
Additions	–	210	210
Amortisation expense	(23)	(174)	(197)
Carrying amount as at 30 June	–	487	487
2010			
Carrying amount as at 1 July	70	429	499
Additions	–	208	208
Disposals	–	(125)	(125)
Amortisation expense	(47)	(153)	(200)
Write-back of amortisation on disposal	–	92	92
Carrying amount as at 30 June	23	451	474



Audit Office of New South Wales

Notes to and forming part of the financial statements for the year ended 30 June 2011

12. Superannuation

All funds from 30 June 2010 have remained at an unfunded liability position, with a net movement of \$944,000. Employer contributions to all funds have been suspended since 1 December 2005.

The following information has been prepared by the Scheme actuary.

Reconciliation of the present value of the defined benefit obligation:	2011 \$'000	2010 \$'000
Present value of partly funded defined benefit obligation at beginning of the year	68,940	65,128
Current service cost	633	688
Interest cost	3,495	3,564
Contributions by Fund participants	396	434
Actuarial (gains)/losses	(744)	2,005
Benefits paid	(2,326)	(2,879)
Present value of partly funded defined benefit obligation at end of the year	70,394	68,940

Reconciliation of the fair value of Fund assets:

Fair value of Fund assets beginning of the year	55,642	54,025
Expected return on Fund assets	4,670	4,527
Actuarial gains/(losses)	(342)	(465)
Contributions by Fund participants	396	434
Benefits paid	(2,326)	(2,879)
Fair value of Fund assets at end of the year	58,040	55,642

Reconciliation of the assets and liabilities recognised in statement of financial position:

Present value of partly funded defined benefit obligation at end of year	70,394	68,940
Fair value of Fund assets at end of year	(58,040)	(55,642)
Net Liability/(asset) recognised in statement of financial position at end of year	12,354	13,298

Expense/Income recognised in income statement:

Components Recognised in Income Statement

Current service cost	633	688
Interest cost	3,495	3,564
Expected return on Fund assets (net of expenses)	(4,670)	(4,527)
Expense/(income) recognised	(542)	(275)

Amounts recognised in other comprehensive income:

Actuarial (gains)/losses	(402)	2,470
Adjustment for limit on net asset	—	—
	(402)	2,470



Audit Office of New South Wales

Notes to and forming part of the financial statements for the year ended 30 June 2011

Cumulative amount recognised in other comprehensive income:	2011 \$'000	2010 \$'000	2009 \$'000	2008 \$'000	2007 \$'000
Actuarial (gains)/losses	(402)	2,470	20,823	9,283	(7,358)
Movement in adjustment for limitation on net asset	–	–	(5,254)	(7,433)	9,202
	(402)	2,470	15,569	1,850	1,844
Cumulative (gains)/losses recognised	16,740	17,142	14,672	(897)	(2,747)

Fund assets

The percentage invested in each asset class at the balance sheet date:

	30 June 2011
Australian equities	33.4%
Overseas equities	29.5%
Australian fixed interest securities	5.7%
Overseas fixed interest securities	3.1%
Property	9.9%
Cash	5.1%
Other	13.3%

Fair value of Fund assets:

All Fund assets are invested by SAS Trustee Corporation (STC) at arm's length through independent fund managers.

Expected rate of return on assets:

The expected return on assets assumption is determined by weighting the expected long-term return for each asset class by the target allocation of assets to each class. The returns used for each class are net of investment tax and investment fees.

Actual Return on Fund Assets:	2011 \$'000	2010 \$'000
Actual return on Fund assets	4,630	4,923

Valuation method and principal actuarial assumption at the balance sheet date:

(a) Valuation method

The Projected Unit Credit (PUC) valuation method was used to determine the present value of the defined benefit obligations and the related current service costs. This method sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

(b) Economic assumptions

	30 June 2011
Salary increase rate (excluding promotional increases)	3.5% pa
Rate of CPI Increase	2.5% pa
Expected rate of return on assets	8.60%
Discount rate	5.28% pa

(c) Demographic Assumptions

The demographic assumptions at 30 June 2011 are those that were used in the 2009 triennial actuarial valuation. The triennial review report is available from the NSW Treasury website.



Audit Office of New South Wales

Notes to and forming part of the financial statements for the year ended 30 June 2011

Historical information	2011 \$'000	2010 \$'000	2009 \$'000	2008 \$'000	2007 \$'000
Present value of defined benefit obligation	70,394	68,940	65,128	53,515	54,102
Fair value of Fund assets	(58,040)	(55,642)	(54,025)	(62,258)	(70,587)
(Surplus)/Deficit in Fund	12,354	13,298	11,103	(8,743)	(16,485)
Experience adjustments – Fund liabilities	(744)	2,005	9,884	(854)	(3,284)
Experience adjustments – Fund assets	342	465	10,939	10,136	(4,075)

Expected contributions:	2011 \$'000	2010 \$'000
Expected employer contributions to be paid in the next reporting period	–	–

Funding arrangements for Employer Contributions:

(a) (Surplus)/deficit

The following is a summary of the 30 June 2011 financial position of the Fund calculated in accordance with AAS 25 – Financial Reporting by Superannuation Plans.

Accrued benefits	51,365	49,283
Net market value of Fund assets	(58,040)	(55,642)
Net (surplus)/deficit	(6,675)	(6,359)

(b) Contribution recommendations

Recommended contribution rates for the Office are:

	SASS	SANCS	SSS
Multiple of member contributions	–	–	–
% of member salary	–	–	–

(c) Funding method

Contribution rates are set after discussions between the Office, STC and NSW Treasury.

(d) Economic assumptions

The economic assumptions adopted for the 2009 actuarial review of the Fund were:

Weighted-Average Assumptions

Expected rate of return on Fund assets backing current pension liabilities	8.3% pa
Expected rate of return on Fund assets backing other liabilities	7.3% pa
Expected salary increase rate	4.0% pa
Expected rate of CPI increase	2.5% pa

Nature of assets/liabilities:

If a surplus exists in the Office's interest in the Fund, the Office may be able to take advantage of it in the form of a reduction in the required contribution rate, depending on the advice of the Fund's actuary.

Where a deficiency exists, the Office is responsible for any difference between the Office's share of Fund assets and the defined benefit obligation.



Audit Office of New South Wales

Notes to and forming part of the financial statements for the year ended 30 June 2011

	2011 \$'000	2010 \$'000
13. Payables		
Current		
Salaries and related expenses	570	420
Payroll tax	110	98
Unremitted GST	396	288
Contract audit agent costs	173	40
Other creditors	556	299
	1,805	1,145
Non-current		
Rental incentive	152	189
14. Provisions		
Current		
Annual leave (a)	2,487	2,377
Long service leave (b)	6,491	5,892
Accrued oncosts	938	841
	9,916	9,110
Non-Current		
Superannuation (note 12)	12,354	13,298
Long service leave (b)	258	310
Accrued oncosts	24	28
Restoration costs (c)	354	339
	12,990	13,975

(a) Annual leave

The liability at 30 June 2011 was \$2,487,000 (2010: \$2,377,000). This is based on leave entitlements at 30 June using remuneration rates approved to be payable post 30 June.

The value of annual leave expected to be taken within twelve months is \$2,487,000 and nil after twelve months. We have implemented a policy on current annual leave balances to be taken in the next twelve months and any subsequent accrued leave should to be taken within twelve months of accruing the balance.

	2011 \$'000	2010 \$'000
Leave taken and entitlement for the year are as follows:		
Balance at beginning of the financial year	2,377	2,002
Less: Value of leave taken during the year	2,371	1,627
	6	375
Add: Value of increased entitlement during the year	2,481	2,002
Balance at the end of the financial year	2,487	2,377

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



Audit Office of New South Wales

Notes to and forming part of the financial statements for the year ended 30 June 2011

(b) Long service leave

The total liability at 30 June 2011 was \$6,749,000 (2010: \$6,202,000) which we show as current \$6,491,000 (\$5,892,000) and non-current \$258,000 (\$310,000).

This liability comprises:	2011 \$'000	2010 \$'000
Short term – expected to be settled within 12 months	539	182
Long term – not expected to be settled within 12 months	6,210	6,020
	6,749	6,202

We contributed \$627,000 (2010: \$538,000) to the Crown Finance Entity pool account during this financial year. Reimbursements from the Crown Finance Entity because of payments to staff, or transfers of entitlements to other agencies, were \$377,000 (\$637,000).

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

(c) Restoration costs

The costs of restoration for the leasehold improvements at 1 Margaret Street are recognised as a provision in accordance with AASB 137 – Provisions, Contingent Liabilities and Contingent Assets.

15. Employee benefits

(a) Liability

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

Provision for employee benefits:	2011 \$'000	2010 \$'000
Current (note 14)	9,916	9,110
Non-current (note 14)	12,636	13,637
Accrued salaries and related expenses (note 13)	680	518
Balance at the end of the financial year	23,232	23,265

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

(b) Asset

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

Current – Crown acceptance of long service leave liability	6,491	5,892
Non-Current – Crown acceptance of long service leave liability	258	310
Balance at the end of the financial year	6,749	6,202

16. Changes in equity

Accumulated funds

Balance at beginning of the financial year	619	3,656
Profit/(loss) for the year	249	(567)
Superannuation actuarial gain/(loss)	402	(2,470)
Balance at the end of the financial year	1,270	619

17. Auditor's remuneration

Audit fees	34	37
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In February 2011, the Governor re-appointed Mr Andrew Hoffmann, a partner of Nexia Court & Co, to audit our accounts for a period of three years, commencing in the 2010–11 financial year. Nexia Court & Co does not provide any other services to the Office.



Audit Office of New South Wales

Notes to and forming part of the financial statements for the year ended 30 June 2011

18. Audit and risk committee

The Office has appointed two independent members to its Audit and Risk Committee. Mr Brian Suttor was appointed as chair on 28 November 2008 and is paid \$12,000 per annum. Mr Greg Fletcher was appointed as a member on 8 December 2009 and is paid \$4,800 per annum.

19. Commitments

Commitments for leased office accommodation and motor vehicles under operating leases are:

Lease commitments:	2011 \$'000	2010 \$'000
not later than one year	1,174	1,168
later than one year but not later than five years	5,121	4,924
later than five years	113	1,468
	6,408	7,560

The Office occupied new premises during 2004 in 1 Margaret Street, Sydney, under a lease agreement for floor space to expire in July 2016.

Our commitments include GST of \$583,000 (2010: \$687,000). A contingent asset exists for the calculated GST, being an input tax credit recoverable from the Australian Taxation Office after this payment.

20. Material assistance provided at no or nominal cost

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

21. Consultants engaged

During the year the Audit Office engaged four consultants at a total cost of \$141,000. This compares with five last year at a cost of \$66,000.

22. Notes to the statement of cash flows

(a) Cash and cash equivalents

For the purposes of the statement of cash flows, the Office considers cash and cash equivalents to include cash on hand and in the bank. At 30 June 2011, cash as shown in the statement of cash flows of \$11,248,000 (2010: \$11,845,000) is equal to the amount shown in the statement of financial position.

(b) Reconciliation of net cash provided by operating activities to operating result	2011 \$'000	2010 \$'000
Operating profit/(loss)	249	(567)
Depreciation and amortisation	674	664
Net loss on disposal of plant, equipment and furniture and intangible assets	2	40
Finance costs	16	15
(Increase)/decrease in receivables	(1,406)	1,258
(Increase)/decrease in work in progress	302	(503)
(Increase)/decrease in other current assets	(94)	(161)
Increase/(decrease) in fees in advance	(35)	(61)
Increase/(decrease) in payables	578	(13)
Increase/(decrease) in provisions	(340)	334
Net cash (used in)/generated by operating activities	(54)	1,006

The decrease in payables excludes the movement of \$45,000 on accrual of capital expenditure and the movements in provisions do not include long service liability, superannuation actuarial gain of \$402,000 and finance costs of \$16,000.



23. Financial instruments

The Office's principal financial instruments and the main risks associated are outlined below. These financial instruments arise directly from our operation. We do not enter into or trade financial instruments for speculative purposes.

Quantitative and qualitative disclosures together with the Office's objectives, policies and processes for measuring and managing risk are included throughout this financial report.

The Office Executive has overall responsibility for the establishment and oversight of risk management and reviews and agreed policies for managing each of these risks. We establish risk management policies to identify and analyse the risks faced by the Office, to set risk controls and to monitor risks. Compliance with policies is reviewed by the Audit and Risk Committee on a continuous basis.

(a) Financial instrument categories

	Note	Category	Carrying Amount 2011/\$'000	Carrying Amount 2010/\$'000
Financial asset Class:				
Cash and cash equivalents	22(a)	N/A	11,248	11,845
Receivables*	8	Loans and receivables (at amortised cost)	4,411	3,038
Financial liabilities Class:				
Payables*	13 and 23 (c)	Financial liabilities measured at amortised cost	64	56

* Excludes statutory receivables/payables and prepayments as these are not within the scope of AASB 7, therefore, the 'total' will not reconcile to the receivables/payables total recognised in the statement of financial position.

(b) Credit risk

Credit risk is the risk of financial loss arising from another party to a contract or financial obligation. The Office's maximum exposure to credit risk is represented by the carrying amounts of the financial assets (net of any allowance for impairment).

Credit risk arises from the financial assets of the Office, which are cash and receivables. The Office does not hold collateral and has not granted any financial guarantees.

Cash

Cash comprises cash on hand and bank balances within the NSW Treasury Banking System. Interest rate as determined by NSW Treasury is earned on daily bank balances and paid twice yearly.

Receivables

All trade debtors are recognised as amounts receivable at balance date. We review our debtors on an ongoing basis and report debtors' status to the Office Executive on a regular basis. Procedures as established in the Treasurer's Directions are followed to recover outstanding amounts, including letters of demand. Debts which are known to be uncollectible are written off. An allowance for impairment is raised when there is objective evidence that we are not able to collect all amounts due. No interest is earned on our receivables. Invoices are made on 30 day terms.

The Office is not materially exposed to concentrations of credit risk to a single debtor or group of debtors. Most of our debtors are government agencies whose credit ratings are considered less risky. There are no debtors whose terms have been renegotiated.

Audit Office of New South Wales

Notes to and forming part of the financial statements for the year ended 30 June 2011

The following table outlines our financial assets that are past due or impaired, which are the receivables category in the statement of financial position.

	Total \$'000	Current \$'000	Past due but not impaired \$'000	Considered impaired \$'000
2011				
< 3 months overdue	4,251	4,251	–	–
3 months – 6 months overdue	160	–	160	–
> 6 months overdue	–	–	–	–
	4,411	4,251	160	–
2010				
< 3 months overdue	2,937	2,254	683	–
3 months – 6 months overdue	91	–	91	–
> 6 months overdue	10	–	10	–
	3,038	2,254	784	–

* The ageing analysis excludes statutory receivables as these are not within the scope of AASB 7, therefore, the 'total' will not reconcile to the receivables total recognised in the statement of financial position.

(c) Liquidity risk

Liquidity risk is the risk that the Office will be unable to meet its payment obligations when they fall due. The Office continuously manages risk through monitoring future cash flows to ensure adequate holding of liquid assets.

During the current and prior years, there were no defaults on our payables. No assets have been pledged as collateral. The Office's exposure to liquidity risk is deemed insignificant based on prior period's data and current assessment of risk.

The liabilities are recognised for amounts due to be paid in the future for goods or services received, whether or not invoiced. Amounts showing to suppliers (which are unsecured) are settled in accordance with the policy set out in Treasurer's Directions 219.01. If trade terms are not specified, payment is made no later than the end of the month following the month in which an invoice or statement is received. Treasurer's Direction 219.01 allows the minister to award interest for late payment. The rate of interest applied during the year was 0% (2010: 0%).

The table below summarises the maturity profile of the Office's financial liabilities, together with the interest rate exposure.

	Nominal Amount \$'000	Interest Rate Exposure			Maturity Dates		
		Fixed Interest Rate	Variable Interest Rate	Non-interest bearing	< 1 year	1–5 yrs	> 5 yrs
		\$'000			\$'000		
2011							
Payables	64	–	–	64	64	–	–
	64	–	–	64	64	–	–
2010							
Payables	56	–	–	56	56	–	–
	56	–	–	56	56	–	–

The amounts disclosed are the contractual undiscounted cash flows of each class of financial liabilities, therefore, the amounts disclosed above will not reconcile to the statement of financial position.



(d) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The Office has no exposure to foreign currency risk and does not enter into commodity contracts.

Interest rate risk – sensitivity analysis

The sensitivity analysis is performed based on risk exposures in existence at the balance sheet date to show how profit or loss and equity would have been affected by changes in the relevant risk variable that were reasonably possible at that date. This is determined after taking into account the economic environment in which the Office operates and the time frame for the assessment (i.e. until the end of the next annual reporting period).

At reporting date, if interest rates had been 100 basis points higher or lower and all other variables were held constant, the Office's profit and equity would have increased or decreased by \$112,000 (2010: \$118,000).

(e) Credit facility

The Office had a standing credit facility of \$2 million with NSW TCorp, which was closed in November 2009, as our cash position has been consistently adequate in meeting our liquidity requirements.

(f) Fair value compared to carrying amount

Our financial instruments as shown in Note 23(a) are recognised in the statement of financial position at amortised cost, which approximates the fair value because of the short-term nature of these financial instruments.

End of audited financial statements



Appendices

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Executive positions

1 Appendix one

Number of executive positions in 2010–11

Provision for employee benefits:	Total 30 June 2010	Total 30 June 2011
125,000–149,999	–	–
150,000–174,999	2	1
175,000–199,999	8	6
200,000–224,999	8	8
225,000–249,999	1	3
250,000–274,999	2	3
275,000–299,999	–	–
300,000–324,999	–	–
325,000–349,999	1	1
350,000–374,999	–	–
375,000–399,999	–	–
400,000–424,999	–	–
425,000–449,999	1	1
Total	23*	23

*One on pre-retirement leave and one on maternity leave

Number of executive positions filled by women



Performance statements for positions equivalent to SES level 5 and above

Peter Achterstraat

Position	Auditor-General of the Audit Office
Remuneration package	\$443,990

Comment

The Auditor-General is responsible to parliament. There is no performance agreement with, or annual review by, a minister.



Tony Whitfield

Position	Deputy Auditor-General
Remuneration package	\$347,285

Comment

As Deputy Auditor-General, the main functions of Mr Whitfield's position are to:

- lead the Audit Office of New South Wales as CEO, taking charge of the day to day operations of the business and providing strategic leadership and oversight
- assume the role and responsibilities of the Auditor-General in his absence
- oversee and coordinate the Audit Office's financial and performance audit operations, including policy, research and other professional support activities.

Deliverables in 2010–11 included:

- together with the Auditor-General and the leadership team, developing and progressing the Audit Office's strategic plan, and implementing programs to improve client engagement
- maintaining sound professional relations with audit clients
- chairing the Office Executive Committee
- representing the Audit Office in briefing a number of overseas parliamentary, audit and public sector delegations
- continuing to make a strong external contribution to the accounting and auditing profession.

Mr Whitfield successfully met the required performance criteria at an expert level.

Gregory Gibson

Position	Assistant Auditor-General
Remuneration package	\$270,240

Comment

As an Assistant Auditor-General, Financial Audit, the main function of Mr Gibson's position is to assist in overseeing and coordinating the Audit Office's financial audit operations, in particular the financial and resourcing aspects.

Deliverables in 2010–11 included:

- developing the budget for fees and production costs in Financial Audit, monitoring branch results and business management improvements
- in conjunction with the Assistant Auditor-General, Corporate Services, contributing to the enhancement of the practice management system for the Audit Office
- monitoring the eight special interest groups in the Audit Office
- maintaining sound professional relations with audit clients
- actively participating in creating development opportunities for staff within the Audit Office.

Mr Gibson successfully met the required performance criteria at a superior level.

John Viljoen

Position	Assistant Auditor-General
Remuneration package	\$267,106

Comment

As an Assistant Auditor-General, Financial Audit, the main function of Mr Viljoen's position is to assist in overseeing and coordinating the Audit Office's financial audit operations, in particular the financial audit methodology, quality and reporting aspects.

Deliverables in 2010–11 included:

- overseeing the upgrading of the financial audit methodology
- refining the format and content of the Auditor-General's financial audit reports to parliament
- overseeing the quality assurance program
- maintaining sound professional relations with audit clients
- actively participating in creating development opportunities for staff within the Audit Office.

Mr Viljoen successfully met the required performance criteria at a superior level.

Louise Mooney

Position	Assistant Auditor-General
Remuneration package	\$251,438

Comment

As an Assistant Auditor-General, Corporate Services, the main function of Ms Mooney's position is to oversee the Audit Office's Corporate Services operations, in particular the finance, human resources, computer services and corporate planning aspects.

Deliverables in 2010–11 included:

- overseeing the structure of Corporate Services
- implementing a new strategic planning methodology
- developing the budget for the Audit Office and monitoring the results
- overseeing the delivery of Corporate Services within the Audit Office
- monitoring sound professional relationships with the operational branches of the Audit Office.

Ms Mooney successfully met the required performance criteria at a superior level.



Financial audit clients, reviews and other related services

2 Appendix two

Financial audit clients

Aboriginal Housing Office

Agricultural Scientific Collections Trust

Art Gallery of New South Wales
Foundation, The

Art Gallery of New South Wales Trust
Australian Institute of Asian Culture
and Visual Arts Limited, The

Arts Education Foundation Trust

Aus Health International Pty Ltd

Australian Museum Trust

Banana Industry Committee

Barangaroo Delivery Authority
Office of the Barangaroo Authority

Belgenny Farm Agricultural Heritage
Centre Trust

Board of Surveying and Spatial Information

Board of Studies, The
Board of Studies Casual Staff Division

Brett Whiteley Foundation, The

Building and Construction Industry
Long Service Payments Corporation

Building Insurers' Guarantee Corporation

Building Professionals Board

Bush Fire Co-ordinating Committee

Cancer Institute NSW
Cancer Institute Division

Casino, Liquor and Gaming Control
Authority

Catchment Management Authorities (13)

C.B. Alexander Foundation

CCP Holdings Pty Limited

Centennial Park Trust

Centennial Parklands Foundation

Charles Sturt University
Charles Sturt Foundation Limited
Charles Sturt Services Limited
Charles Sturt University Foundation Trust
Charles Sturt Campus Services Limited
Western Research Institute Limited

Chief Investigator of the Office
of Transport Safety Investigations

Chipping Norton Lake Authority

City West Housing Pty Limited

Clinical Excellence Commission
Clinical Excellence Commission
Special Purpose Service Entity

Cobar Water Board
Cobar Water Board Division

Cobbora Coal Unit Trust

Cobbora Management Company
Pty Limited

Cobbora Unincorporated Joint Venture

Coffs Harbour Technology Park Limited

Combat Sports Authority of NSW

Communities NSW

Community Relations Commission
for a Multicultural NSW

Compensation Authorities Staff Division
Corporation Sole 'Minister Administering
the Environmental Planning and
Assessment Act 1979'

Corporation Sole 'Minister Administering
the Heritage Act 1977'

Country Energy
Country Energy Gas Pty Limited
NorthPower Energy Services Pty Limited

Cowra Japanese Garden Maintenance
Foundation Ltd
Cowra Japanese Garden Trust

Crown Employees (NSW Fire Brigades
Firefighting Staff Death and Disability)
Superannuation Fund

Crown Entity, The
Crown Lands Homesites Program
Crown Leaseholds Entity
Electricity Tariff Equalisation Ministerial
Corporation
Land Development Working Account
Liability Management Ministerial
Corporation
NSW Self Insurance Corporation
State Rail Authority Residual Holding
Corporation

Dams Safety Committee

Delta Electricity
Delta Electricity Australia Pty Ltd
Mid West Primary Pty Ltd

Department of Education and Training
NSW Adult Migrant English Service

Department of Environment and Climate
Change

Department of Health
Albury Base Hospital
Albury Wodonga Health Special
Purpose Service Entity
Bureau of Health Information
– Bureau of Health Information
Special Purpose Service Entity
Area Health Services
– Greater Southern
– Greater Southern Area Health Service
Special Purpose Service Entity
– Greater Western

– Greater Western Area Health Service
Special Purpose Service Entity
– Hunter and New England
– Hunter and New England Area Health
Service Special Purpose Service Entity
– North Coast
– North Coast Area Health Service
Special Purpose Service Entity
– Northern Sydney and Central Coast
– Northern Sydney and Central Coast
Area Health Service Special Purpose
Service Entity
– South Eastern Sydney and Illawarra
– South Eastern Sydney and Illawarra
Area Health Service Special Purpose
Service Entity
– Sydney South West
– ANZAC Health and Medical Research
Foundation
– ANZAC Health and Medical Research
Foundation Trust Fund
– Ingham Health Research Institute
– Sydney South West Area Health
Service Special Purpose Service Entity
– Sydney West
– Sydney West Area Health Service
Special Purpose Service Entity

Department of Housing

New South Wales Land and Housing
Corporation
– Rental Housing Assistance Fund

Department of Human Services NSW

John Williams Memorial Charitable Trust

Department of Justice and Attorney- General

Department of Industry and Investment

Department of Planning

Department of Premier and Cabinet

Department of Services, Technology and Administration

Australian Centre for Advanced Computing
and Communications Pty Limited

New South Wales Government

Telecommunications Authority, The

Department of Transport and Infrastructure

Dumaresq-Barwon Border Rivers Commission

Election Funding Authority of New South Wales

EnergyAustralia

Downtown Utilities Pty Limited
EnergyAustralia Pty Limited

Energy Industries Superannuation Scheme

Energy Industries Superannuation Scheme
(EISS) – Pool A and Pool B



Energy Industries Superannuation Scheme Pty Limited
Energy Investment Fund

FuturePlus Financial Services Pty Ltd

Environment Protection Authority

Environmental Trust

Eraring Energy
Rocky Point Holdings Pty Limited

Events New South Wales Pty Limited

Fair Trading Administration Corporation

Festival Development Corporation

Financial Counselling Trust Fund

Forestry Commission of New South Wales (trading as Forests NSW)
Forestry Commission Division

Timber and Carbon Plantation Pty Ltd

Game Council of New South Wales
Game Council Division

Gosford Water Supply Authority

Graythwaite Trust

Greyhound and Harness Racing Regulatory Authority
Greyhound and Harness Racing Regulatory Authority Division

Health Administration Corporation
Health Administration Corporation Special Purpose Service Entity

Health Care Complaints Commission
Office of the Health Care Complaints Commission

Health Professionals Registration Boards (12)

Historic Houses Trust of New South Wales
Foundation for the Historic Houses Trust of NSW
Foundation for the Historic Houses Trust of NSW Limited
Hamilton Rouse Hill Trust, The
Rouse Hill Hamilton Collection Pty Limited

Home Care Service of New South Wales
Home Care Service Division

Home Purchase Assistance Fund

Hunter Development Corporation

Hunter Region Sporting Venues Authority
Newcastle International Sports Club Centre

Hunter Water Corporation
Hunter Water Australia Pty Limited

Illawarra Venues Authority

Independent Commission Against Corruption

Independent Pricing and Regulatory Tribunal
Independent Pricing and Regulatory Tribunal Division

Independent Transport Safety and Reliability Regulator
Independent Transport Safety and Reliability Regulator Division

Infrastructure Implementation Corporation

Integral Energy Australia

Internal Audit Bureau of New South Wales
Internal Audit Bureau Division

Jenolan Caves Reserve Trust
Jenolan Caves Reserve Trust Division

Judicial Commission of New South Wales

Justice Health
Justice Health Special Purpose Service Entity

Lake Illawarra Authority

Land and Property Management Authority
Office of State Property Authority

Landcom

Legal Aid Commission of New South Wales
Legal Aid Temporary Staff Division
Office of the Legal Aid Commission

Legal Profession Admission Board

Legislature, The

Legislature (Audit of Members' Additional Entitlements), The

Library Council of New South Wales
State Library of New South Wales Foundation

Lifetime Care and Support Authority of New South Wales

Lord Howe Island Board

Luna Park Reserve Trust

Macquarie Generation
Midwest Development Corporation Pty Limited

Macquarie University
Access Macquarie Limited
Australian Proteome Analysis Facility Ltd
Centre for Money, Banking and Finance Limited
COH Property Trust
Learning Activity Management Systems (LAMS) Foundation Limited
Learning Activity Management Systems (LAMS) International Pty Limited
Macquarie Graduate School of Management Pty Limited
Macquarie University Medical Research Foundation Limited

Macquarie University Medical Research Trust

Macquarie University Private Hospital Trust

Macquarie University Professorial Superannuation Scheme

Macquarie University Property Investment Company Pty Limited

Macquarie University Property Investment Company No 2 Pty Limited

Macquarie University Property Investment Company No 3 Pty Limited

Macquarie University Property Investment Trust

MU Private Hospital Pty Limited

MUH Operations Pty Limited

MUH Operations No 2 Pty Limited

MUPIT Sub-Trust No 1

MUPIT Sub-Trust No 2

MUPIT Sub-Trust No 3

MUPIT Sub-Trust No 4

MUPH Clinic Pty Limited

MUPH Clinic Sub-Trust

MUPH Hospital Pty Limited

MUPH Hospital Sub-Trust

MUPI Holding Trust No 1

MUPI Holding Trust No 2

MUPI Holding Trust No 3

MUPI Holding Trust No 4

MUPI Holding Trust No 5

MUPI Holding Trust No 6

Risk Frontiers Flood (Australia) Pty Limited

Risk Frontiers Group Pty Limited

U @MQ Limited

Marine Parks Authority

Maritime Authority of NSW
Maritime Authority of NSW Division

Mine Subsidence Board

Ministerial Corporation for Industry

Motor Accidents Authority of New South Wales

Motor Vehicle Repair Industry Authority

Natural Resources Commission
Natural Resources Commission Division

New South Wales Aboriginal Land Council

New South Wales Crime Commission
New South Wales Crime Commission Division
Office of the New South Wales Crime Commission

New South Wales Electoral Commission

New South Wales Fire Brigades



Financial audit clients, reviews and other related services

2 Appendix two (continued)

New South Wales Food Authority	Parramatta Park Trust	National Marine Science Centre Pty Ltd
Milk Marketing (NSW) Pty Limited	Parramatta Stadium Trust	Sporting Injuries Committee
Office of the NSW Food Authority	Police Integrity Commission	State Council of Rural Lands Protection Boards
Pacific Industry Service Corporation Pty Limited	Policy Integrity Commission Division	State Council of Rural Lands Protection Boards Division
New South Wales Health Foundation	Office of the Police Integrity Commission	State Emergency Service
New South Wales Institute of Psychiatry	Port Kembla Port Corporation	State Property Authority
New South Wales Institute of Sport	Public Transport Ticketing Corporation	State Records Authority of New South Wales
Institute of Sport Division	Public Transport Ticketing Corporation Division	State Rescue Board
New South Wales Institute of Teachers	Public Trustee New Common Fund	State Sports Centre Trust
Office of the Institute of Teachers	Rail Corporation New South Wales	State Super Financial Services Australia Limited
New South Wales Rural Assistance Authority	Rail Infrastructure Corporation	State Super Retirement Fund
Office of the New South Wales Rural Assistance Authority	Redfern Waterloo Authority	State Super Allocated Pension Fund
New South Wales Treasury Corporation	Australian Technology Park Precinct Management Limited	State Super Fixed Term Allocated Pension Fund
T Corp Nominees Pty Limited	Office of the Redfern Waterloo Authority	State Super Investment Fund
Treasury Corporation Division	Rental Bond Board	State Super Personal Retirement Plan
Newcastle Port Corporation	Residual Business Management Corporation	State Transit Authority
Newcastle Showground and Exhibition Centre Trust	Pacific Solar Pty Limited and Pacific Power (Subsidiary No 1) Pty Limited	State Transit Authority Division
NSW Architects Registration Board	Responsible Gambling Fund	Western Sydney Buses Division
NSW Board of Vocational Education and Training	Rice Marketing Board for the State of New South Wales	State Water Corporation
NSW Businesslink Pty Ltd	Riverina Citrus	Superannuation Administration Corporation (trading as Pillar Administration)
NSW Commission for Children and Young People	Roads and Traffic Authority of New South Wales	Sydney Catchment Authority
NSW Film and Television Office	Roads and Traffic Authority Division	Sydney Catchment Authority Division
NSW Fire Brigades Superannuation Pty Limited	Royal Alexandra Hospital for Children, The	Sydney Cricket and Sports Ground Trust
NSW Maritime Authority	Royal Alexandra Hospital for Children Special Purpose Service Entity	Sydney Cricket and Sports Ground Trust Division
NSW Maritime Authority Division	Royal Botanic Gardens and Domain Trust	Sydney Ferries
NSW Ovine Johne's Disease Transaction-Based Contribution Scheme	SAS Trustee Corporation	Sydney Harbour Foreshore Authority
NSW Police Force	SAS Trustee Corporation Division	Cooks Cove Development Corporation
NSW Rural Fire Service	SAS Trustee Corporation – Pooled Fund	Office of the Sydney Harbour Authority
NSW Trustee and Guardian	Buroba Pty Limited	Sydney Harbour Authority Casual Staff Division
NSW Vocational Education and Training Accreditation Board	Duquesne Utilities Pty Ltd	Sydney Metro
Office for Children	Police Superannuation Scheme	Sydney Metro Division
Office of the Board of Studies	State Authorities Non-Contributory Superannuation Scheme	Sydney Olympic Park Authority
Office of the Director of Public Prosecutions	State Authorities Superannuation Scheme	Parklands Foundation Limited
Office of Hawkesbury-Nepean	State Superannuation Scheme	Centres Division
Office of the Information Commissioner	Valley Commerce Pty Limited	Sydney Opera House Trust
Office of the Protective Commissioner and Public Guardian – Administration Fund	Sesquicentenary of Responsible Government Trust Fund	Sydney Ports Corporation
Office of the Protective Commissioner – Common Fund	Small Business Development Corporation of New South Wales	Sydney Pilot Service Pty Ltd
Ombudsman' Office	Southern Cross University	Sydney Water Corporation
Parliamentary Contributory Superannuation Fund	Australian Plant DNA Bank Limited	Australian Water Technologies Pty Ltd
	Biobank Pty Limited	AWT International (Thailand) Limited
	Norsearch Limited	Sydney Desalination Plant Pty Limited



**Sydney 2009 World Masters Games
Organising Committee**

Sydney 2009 World Masters Games
Organising Committee Division

Taronga Conservation Society Australia
Taronga Conservation Society Australia
Division

**Teacher Housing Authority of New South
Wales**

**Technical and Further Education
Commission, New South Wales**
New South Wales Technical
and Further Education Division

Technical Education Trust Funds

TransGrid

**Transport Infrastructure Development
Corporation**

Treasury

Trustees of the ANZAC Memorial Building

**Trustees of the Farrer Memorial Research
Scholarship Fund**

**Trustees of the Museum of Applied Arts
and Sciences**

UNILINC Limited

Uniprjects Pty Limited

**Universities Admission Centre
(NSW and ACT) Pty Limited**

University of Newcastle, The
GraduateSchool.com Pty Limited
Newcastle Innovation Limited
UON Foundation Limited
– UON Foundation Trust
UON Services Limited
UON Singapore Pte Ltd

University of New England

Agricultural Business Research
Institute Limited
International Livestock Resources
and Information Centre Ltd
National Marine Science Centre Pty Ltd
Services UNE Limited
Sport UNE Limited
UNE Foundation
UNE Foundation Limited
UNE Partnerships Pty Limited
University of New England Sports
Association

University of New South Wales
A.C.N. 125 694 546 Pty Limited
AGSM Limited

NewSouth Global Pty Limited Group

– Australian Education Consultancy
Limited
– UNSW Global India Pvt Limited
– NewSouth Global (Thailand) Limited
– UNSW (Hong Kong) Limited
– UNSW Global
– (Singapore) Pte Limited
– UNSW (Thailand) Limited

NewSouth Innovations Pty Limited

– Cystemix Pty Limited
– NewSouth Four Pty Ltd
– NewSouth Seven Pty Ltd

Qucor Pty Limited

**University of New South Wales Foundation
Limited, The**

– John Lewis and Pamela Lightfoot
Trust, The
– New South Wales Minerals Industry/
University of New South Wales –
Education Trust
– University of New South Wales
Foundation

**University of New South Wales
International House Limited**

**University of New South Wales Press
Limited**

UNSW Hong Kong Foundation Limited
UNSW Study Abroad – Friends and US
Alumni Inc

University of Technology, Sydney

accessUTS Pty Limited
AustLii Foundation Ltd
Insearch Limited
– Insearch (Shanghai) Limited
Sydney Educational Broadcasting Limited

University of Sydney, The

Bosch Institute, The
Institute of Magnetic Resonance Research
Sports Knowledge Australia Pty Limited
Sydney Institutes of Health and Medical
Research, The
SydneyLearning Pty Limited
Sydney Talent Pty Limited
The Warren Centre for Advanced
Engineering Limited
United States Studies Centre Limited
University of Sydney Professorial
Superannuation System
Wayahead Pty Limited
Wentworth Annexe Limited

University of Western Sydney, The

CADRE Design Pty Limited and Cadre
Design Unit Trust
– Television Sydney (TVS) Limited
– Television Sydney Foundation Limited
– Television Sydney Foundation Trust
SGSM Limited
University of Western Sydney Foundation
Limited
University of Western Sydney Foundation
Trust
UWS College Pty Limited
UWS Residential Colleges Limited
uwsconnect Limited
Whitlam Institute within the University
of Western Sydney Limited and Whitlam
Institute within the University of Western
Sydney Trust

University of Wollongong

Illawarra Technology Corporation Limited
– International School of Aviation Australia
Pty Limited
– ITC Education Ltd
– ITC (New Zealand) Limited
– International Film School Sydney
Pty Limited
Sydney Business School Pty Limited
University of Wollongong Recreation
and Aquatic Centre Limited
Wollongong UniCentre Limited

Upper Parramatta River Catchment Trust

Upper Parramatta River Catchment
Trust Division

Veterinary Practitioners Board

**Waste Recycling and Processing
Corporation**

Wentworth Park Sporting Complex Trust

Western Sydney Parklands Trust

Wild Dog Destruction Board

Wild Dog Destruction Board Division

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

WorkCover Authority of New South Wales

Workers Compensation Commission

**Workers' Compensation (Dust Diseases)
Board**

**Workers Compensation Nominal Insurer
(trading as The NSW WorkCover Scheme)**

Wyong Water Supply Authority



Financial audit clients, reviews and other related services

2 Appendix two (continued)

Audit-related services requested by the Treasurer under s27B(3)(c) of the *Public Finance and Audit Act 1983*

Any audit or audit related services for which:

- a Commonwealth or State Government Body requires, for regulatory purposes, a NSW Public Sector Agency to have information, reports or returns audited, reviewed, examined or certified by an auditor, and
- a NSW Public Sector Agency asks the Office to undertake the audit, review, examination or certification

Attendance at each draw of a public lottery under the *Public Lotteries Act 1996* and inspect/test any Draw Lotteries Equipment

Audit of General Purpose Financial Statements for the Public Trustee – Common Fund
and the Protective Commissioner – Common Fund

Audit or audit related service to enable NSW public sector agencies to meet requirements under the *Corporations Act 2001*
or the *Superannuation Industry (Supervision) Act 1993*

Audit reports required by s. 24 of the *Charitable Fundraising Act 1991* for NSW government agencies that conduct fundraising appeals

Certify financial management, control systems and other matters for the Office's clients required by AusAID
as a condition of AusAID funding

Contract summaries prepared under the Working with Government Guidelines (December 2006)

Contract summaries prepared under the Guidelines for Privately Financed Projects

Data returns or reports required under the Australian Government/State Agreements

Data returns or reports to acquit Disaster Relief Payments from the Commonwealth

Data returns or reports to acquit grants provided by the Commonwealth and other donors to NSW government agencies

Financial data returns or reports by universities to the Department of Education, Employment and Workplace Relations
as required by the Commonwealth funding arrangements and/or agreements

Letters of comfort to interested parties of NSW Treasury Corporation regarding its domestic and offshore funding activities

Letters of comfort to interested parties of NSW Treasury Corporation regarding the Euro Medium Term Note Program

Limited Assurance Review of Agencies' compliance with e-procurement requirements as agreed with Treasury

Request for Particular Audit Services Under s. 27B(3)(c) of the *Public Finance and Audit Act 1983* in relation
to Residual Business Management Corporation (RBMC)

Special purpose and trust funds for controlled entities of the Department of Health

The financial report of the Nippon Foundation Fund for Japanese Language Education in accordance
with an agreement between Macquarie University and the Sasakawa Foundation

Overseas visits

Staff member	Date of travel	Return date	Destination	Reason
Peter Achterstraat	5 July 2010	13 July 2010	Republic of Kiribati	To present a paper on Strategic Management in the Audit Office at the 13th Congress of the Pacific Association of Supreme Audit Institutions
Susanti Tedja Aubrey Perez	27 November 2010	5 December 2010	Hong Kong	To undertake an audit of UNSW Hong Kong Ltd, Australian Education Consultancy Ltd and UNSW Hong Kong Foundation
Bola Oyetunji	5 March 2011	12 March 2011	China and Vietnam	To assess the professional competency of local auditors in China and Vietnam, who are used by Insearch Ltd, a controlled entity of the University of Technology, Sydney
Jack Kheir	11 March 2011	16 March 2011	Singapore	To undertake an audit of UON Singapore Pte Ltd, a controlled entity of the University of Newcastle
Chris Clayton	12 March 2011	21 March 2011	United States of America	To undertake an audit of UNSW and Study Abroad – Friends and US Alumni Inc.
James Sugumar	18 March 2011	28 March 2011	Canada	To undertake an audit of Charles Sturt University's Ontario Campus
Susanti Tedja Aubrey Perez	26 March 2011	4 April 2011	Hong Kong	To undertake an audit of UNSW Hong Kong Ltd, Australian Education Consultancy Ltd and UNSW Hong Kong Foundation

Services to the public sector

3 Appendix three

Appearances before parliamentary committees

We appeared before the following parliamentary committees.

Date	Committee	Event	Who
29 October 2010	Public Accounts Committee	Public Hearing on Performance Audit Report: <i>Follow-up Reports on Improving Road Safety (Heavy Vehicles)</i>	Peter Achterstraat Rob Mathie

Memberships

Audit Office staff were members of the following public sector organisations and committees.

Peter Achterstraat	Australasian Council of Auditors-General Institute of Public Administration NSW Federal Electoral Division Redistribution Committee
Peter Barnes	Hardship Review Board Australasian Council of Auditors-General – GAAP/GFS AASB 1049 Working Group
Sean Crumlin	Premier's Annual Reports Awards – Technical Panel Australasian Council of Auditors-General – Heads of Performance Audit Group
Louise Mooney	Australasian Council of Auditors-General – Practice Management Group
Bola Oyetunji	Department of Local Government Accounting Advisory Committee
Angelina Pillay	Corruption Prevention Network
Maria Spriggins	NSW Public Sector Community of Finance Professionals Australian Auditing and Assurance Standards Board – Project Advisory Group
Henry Szus	Australasian Council of Auditors-General – Intra-Jurisdictional IS Audit Group
Tony Whitfield	Australasian Council of Auditors-General – Financial Reporting and Auditing Committee



Presentations

Audit Office staff gave the following presentations to various public sector audiences.

Title	Presenter(s)	Date	Who
Draft audit reports	Peter Achterstraat	19 July 2010	Department of Premier and Cabinet – Directors General Executive Committee
Leading others – focusing on leadership in the public sector	Peter Achterstraat	21 July 2010	Executive Development Program run by Department of Premier and Cabinet
Information systems audit strategy at the Audit Office of New South Wales	Henry Szus	5 August 2010	ACAG Interjurisdictional Meeting – heads of information systems audit from all State offices
What are the critical success factors in public-private partnerships?	Peter Achterstraat	20 August 2010	Graduate School of Government – Graduate Diploma and Masters Program in public administration
NSW Public Sector Community of Finance Professionals – central agency panel	Peter Achterstraat	18 November 2010	Chief Financial Officers Forum – by NSW Treasury
Young Professionals' Awards presentation – keynote speaker	Peter Achterstraat	18 November 2010	NSW Department of Education and Training
Why financial scrutiny of the executive is important	Peter Achterstraat	17 February 2011	NSW Parliament
Criteria, materiality and modified conclusions in performance audits	Chris Bowdler	22 October 2011	Performance audit workshop organised by ACAG
Survey of agency compliance with TPP 09-05 on internal audit and risk management	Steve Fryer Alison Gatt	11 March 2011	NSW Public Sector Community of Finance Professionals
Occasional address	Peter Achterstraat	18 April 2011	University of Western Sydney, School of Economics and Finance graduation ceremony
Importance of understanding self in order to lead effectively	Peter Achterstraat	2 May 2011	Department of Premier and Cabinet Executive Development Program
Governance and accountability requirements in the RTA	Barry Underwood	6 May 2011	Roads and Traffic Authority – professional development program
University Finance Officers Group	Scott Stanton Greg Gibson Peter Boulous Steve Martin	26 May 2011	Financial staff from NSW universities



Services to the profession

4 Appendix four

Memberships

Audit Office staff were members of the following committees, professional associations, panels or working parties.

Chris Bowdler	CPA Australia – Sydney Accountants in Government Discussion Group – Convenor CPA Australia – NSW Congress 2011 – Task Force Committee
Kaveh Daemi	Institute of Chartered Accountants in Australia – Accounting Assurance and Governance Discussion Group
Steve Fryer	Institute of Chartered Accountants in Australia – Research Group CPA Australia – Member of Financial Reporting and Disclosure Panel
Alison Gatt	Institute of Chartered Accountants in Australia – Research Group
Chris Giumelli	CPA Australia – NSW Public Sector Committee
Vijyata Kirpalani	Institute of Chartered Accountants in Australia – Young Professionals Panel (YPP) Public Sector Representative
Angelina Pillay	Corruption Prevention Network – Vice Chair of Board
Maria Spriggins	NSW Public Sector Community of Finance Professionals Australian Auditing and Assurance Standards Board – Project Advisory Group
Scott Stanton	CPA Australia – NSW Divisional Councillor
Tony Whitfield	Institute of Chartered Accountants in Australia – Chair of Audit Advisory Committee to the Board

Education

Members of staff contributed to the professional qualification programs (CP, CPA and CSA designations).

Brett Chaiyawat	Institute of Chartered Accountants in Australia – CA Program – author of materials for Audit and Assurance module
Chris Clayton	Institute of Chartered Accountants in Australia – CA Program – author of materials for Audit and Assurance module
Kaveh Daemi	Institute of Chartered Accountants in Australia – CA Program – focus session facilitator
Vijyata Kirpalani	Institute of Chartered Accountants in Australia – CA Program – author of material for Audit and Assurance module
Heather Watson	Institute of Chartered Accountants in Australia – CA Program – author of materials for Audit and Assurance module, focus session facilitator

Submissions

During the year we contributed to the following submissions on proposed changes to accounting and auditing pronouncements.

Title	Date
AASB – Australian Accounting Standards Board	
Exposure Draft 195 ‘Defined Benefit Plans’	9 August 2010
Exposure Draft 196 ‘Fair Value Option for Financial Liabilities’	2 July 2010
Exposure Draft 197 ‘Presentation of Items of Other Comprehensive Income’	2 August 2010
Exposure Draft 198 ‘Revenue from Contracts with Customers’	24 September 2010
Exposure Draft 200A ‘Proposals to Harmonise Australian and New Zealand Standards in Relation to Entities Applying IFRSs as Adopted in Australia and New Zealand’	7 October 2010
Exposure Draft 200B ‘Proposed Separate Disclosure Standards’	7 October 2010
Exposure Draft 202R ‘Leases’	18 November 2010
Exposure Draft 208 ‘Hedge Accounting’	18 February 2011
Exposure Draft 211 Proposed Amendments to AASB 1049	6 June 2011
AUASB – Auditing and Assurance Standards Board	
Exposure Draft 03/10 Proposed ASAE 4400 ‘Agreed-Upon Assurance Procedures to Report Factual Findings’	8 February 2011
IAASB – International Auditing and Assurance Standards Board	
Proposed ISA 315 (Revised) ‘Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and Its Environment’	27 September 2010
Proposed ISA 610 (Revised) ‘Using the Work of Internal Auditors’	27 September 2010
Proposals Relating to International Auditing Practice Statements (IAPSs); Proposed IAPS 1000 ‘Special Considerations in Auditing Complex Financial Instruments’	4 February 2011
IFAC – International Federation of Accountants	
Policy Position Paper No. 4 ‘A Public Interest Framework for the Accountancy Profession’	15 February 2011
IPSASB – International Public Sector Accounting Standards Board	
Exposure Draft ‘Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities: Role, Authority and Scope; Objectives and Users; Qualitative Characteristics; and Reporting Entity’ (Phase 1)	22 June 2011
Exposure Draft ‘Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities: Elements and Recognition in Financial Statements’ (Phase 2)	22 June 2011
Exposure Draft ‘Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities: Measurement of Assets and Liabilities in Financial Statements’ (Phase 3)	22 June 2011



Services to the profession

4 Appendix four (continued)

Presentations

Audit Office staff gave the following presentations to various professional auditing and accounting audiences.

Title	Presenter(s)	Date	Who
Strategic management	Peter Achterstraat	9 July 2010	Pacific Association of Supreme Audit Institutions (PASAI) in Kiribati
Background to Audit Office of New South Wales, in particular addressing the relationship between our audit framework and internal audit	Heather Watson Greg Gibson Anne Vuong	22 July 2010	Officers from the State Audit Office of Vietnam
Transparency and accountability – what's required	Peter Achterstraat	22 July 2010	IPAA National Conference
Internal audit function throughout the public sector	Peter Achterstraat	14–15 September 2010	Liquid Learning – The 4th National Public Sector Internal Audit Leaders Conference 2010
Investing in a better future – State planning/major cities planning	Peter Achterstraat	16 September 2010	Chartered Secretaries Australia
Governance essentials workshops – importance of solid compliance and risk management processes	Peter Achterstraat	24 September 2010	Chartered Secretaries Australia
Transparency – placing decision makers under greater scrutiny	Peter Achterstraat	12 October 2010	Chartered Secretaries Australia Public Sector Conference
ACL AuditExchange at the Audit Office of New South Wales	Brett Chaiyawat	18 October 2010	ACL Users Conference
Criteria, materiality and modified conclusions in performance audits	Chris Bowdler	22 October 2010	Performance Audit Workshop organised by the Australasian Council of Auditors-General
Investing into alternatives to prison	Peter Achterstraat	3 November 2010	Institute of Criminology
Transparency and accountability in the public sector	Peter Achterstraat	11 November 2010	Committee for Economic Development of Australia (CEDA)
Reputation management – proactive management of fraud and corruption risks	Peter Achterstraat	15 November 2010	Fraud Control Forum
Early close procedures – audit perspective	Heather Watson Tony Whitfield	7 February 2011	NSW Treasury's Early Close Procedures Information Session
Performance auditing in New South Wales	Geoff Moran Angelina Pillay	25 February 2011	Supreme Audit Institution Bangladesh

Presentations (continued)

Title	Presenter(s)	Date	Who
Results of the Audit Office survey of agency implementation of TPP 09/05 'Internal Audit and Risk Management'	Geoff Moran Angelina Pillay	11 March 2011	Audit and Risk Practitioners Forum
Performance auditing	Tiffany Blackett Sandra Tomasi	16 March 2011	Iraqi Ministry of Finance
Problem audit reports	Heather Watson	21 March 2011	Institute of Chartered Accountants in Australia – Audit Conference Sydney
Professional judgement and scepticism	Heather Watson	21 March 2011	Institute of Chartered Accountants in Australia – Audit Conference Sydney
Problem audit reports	Heather Watson	29 March 2011	Institute of Chartered Accountants in Australia – Adelaide
Problem audit reports	Heather Watson	4 April 2011	Institute of Chartered Accountants in Australia – Melbourne
Professional judgement and scepticism	Heather Watson	4 April 2011	Institute of Chartered Accountants in Australia – Melbourne
Problem audit reports	Heather Watson	10 May 2011	Institute of Chartered Accountants in Australia – Brisbane
Are leaders born or made?	Peter Achterstraat	1 April 2011	CPA Australia Panel Discussion
Sustainable corporate governance	Peter Achterstraat	19 May 2011	Criterion Conferences – Indigenous Governance for Sustained Development 2011 Conference
Guest address	Peter Achterstraat	31 May 2011	Rotary Club of Sydney
Increasing expectations on accountants and auditors – professional judgement and its link to governance	Peter Achterstraat	20 June 2011	CPA Discussion Group – Accounting Standards Discussion Group
Financial reporting in the public sector – the road ahead	Peter Achterstraat	22 June 2011	KPMG

Publications

5 Appendix five

Financial audit reports

Volume	Focus	Date released
Volume Three 2010	Total State Sector accounts	27 October 2010
Volume Four 2010	Electricity	3 November 2010
Volume Five 2010	Public financing enterprises	10 November 2010
Volume Six 2010	Human Services and technology	17 November 2010
Volume Seven 2010	Environment, climate change and water	24 November 2010
Volume Eight 2010	Law and order and emergency services	1 December 2010
Volume Nine 2010	Transport, planning and industry	2 December 2010
Volume Ten 2010	Education and communities	7 December 2010
Volume Eleven 2010	Health and ports	15 December 2010
Volume One 2011	Final audits	22 February 2011
Volume Two 2011	Universities and other audits	25 May 2011

Performance audit reports

Volume	Agency or issue examined	Date released
Government Expenditure and Transport Planning in relation to implementing Barangaroo	<ul style="list-style-type: none"> Barangaroo Delivery Authority Department of Transport NSW Treasury 	15 June 2011
Two Ways Together – NSW Aboriginal Affairs Plan	<ul style="list-style-type: none"> Aboriginal Affairs NSW Department of Premier and Cabinet 	18 May 2011
Transport of Dangerous Goods	<ul style="list-style-type: none"> Office of Environment & Heritage WorkCover NSW 	10 May 2011
The Effectiveness of Cautioning for Minor Cannabis Offences	<ul style="list-style-type: none"> NSW Police Force NSW Health 	7 April 2011
Mental Health Workforce	<ul style="list-style-type: none"> NSW Health 	16 December 2010
Sick leave	<ul style="list-style-type: none"> Department of Premier and Cabinet 	8 December 2010
Coal Mining Royalties	<ul style="list-style-type: none"> Department of Industry and Investment 	30 November 2010
Electronic Information Security	<ul style="list-style-type: none"> Whole of Government Electronic Information Security 	20 October 2010
Helicopter Emergency Medical Service Contract	<ul style="list-style-type: none"> NSW Health NSW Ambulance Service 	22 September 2010
Protecting the Environment: Pollution Incidents	<ul style="list-style-type: none"> Department of Environment, Climate Change and Water 	15 September 2010
Home Detention	<ul style="list-style-type: none"> Corrective Services NSW 	8 September 2010
Knowing the Collections	<ul style="list-style-type: none"> Australian Museum 	1 September 2010

Special review

Volume	Agency or issue examined	Date released
NSW Lotteries Sale Transaction	<ul style="list-style-type: none"> NSW Lotteries 	25 November 2010



Annual Report

Annual Report 2010

Awareness

Issue 5	June 2010
Issue 6	July 2010
Issue 7	August 2010
Issue 8	September 2010
Issue 9	October 2010
Issue 10	November 2010
Issue 11	December 2010
Issue 1	February 2011
Issue 2	March 2011
Issue 3	April 2011
Issue 4	May 2011
Issue 5	June/July 2011
Issue 6	August 2011

Professional Update

Issue 2	July 2010
Issue 1	February 2011



EEO, ethnic affairs priorities and disability action plan

6 Appendix six

Trends in the Representation of EEO Groups¹

	Benchmark /Target	2009	2010	2011
EEO Group	%	% of total staff		
Women	50	48.7	50.4	51.8
Aboriginal people and Torres Strait Islanders	2.6	0	0.4	0
People whose first language was not English	19	41.8	45.3	43.3
People with a disability	n/a	4.7	4.3	3.5
People with a disability requiring work-related adjustment	1.5	1.8	1.8	1.8

Trends in the Distribution of EEO Groups²

	Benchmark	2009	2010	2011
EEO Group	%	% of total staff		
Women	100	87	87	89
Aboriginal people and Torres Strait Islanders	100	0	n/a	0
People whose first language was not English	100	87	87	88
People with a disability	100	n/a	n/a	n/a
People with a disability requiring work-related adjustment	100	n/a	n/a	n/a

¹ A Distribution Index of 100 indicates that the centre of the distribution of the EEO group across salary levels is equivalent to that of other staff. Values less than 100 mean that the EEO group tends to be more concentrated at lower salary levels than is the case for other staff. The more pronounced this tendency is, the lower the index will be. In some cases the index may be more than 100, indicating that the EEO group is less concentrated at lower salary levels.

² The Distribution Index is not calculated where EEO group or non-EEO group numbers are less than 20.

EEO outcomes

In 2010–11 the Audit Office prioritised the following policies and programs:

- continuous focus on equal opportunity and discrimination training for all inductees
- development and roll-out of a program for all staff on anti-bullying
- continuation of the leadership program for all levels of employees from Executive to Senior Auditor (and equivalent) with tailored coaching programs to help develop individuals
- implementing the competency framework and definitions that ensure performance and development for all members of the Audit Office
- expansion of the recruitment process based on 'assessment centre' methods introduced last year that guarantees strong commitment to equal employment opportunity principles
- implementation of an online recruitment mechanism and improved processes that enhance equal opportunity for candidates.

In 2011–12 we will focus on the following policies and programs:

- continue and expand training on anti-discrimination and bullying
- continue individual leadership development and engage tools to measure group commitment and behaviours
- explore further opportunities for overseas attachments.



Multicultural policies and services program

The Audit Office's activities are centred on providing services to parliament and government agencies, not directly to members of the public. Therefore the Audit Office has limited capacity to address multicultural services issues.

The Audit Office respects the rights of Australian citizens and residents who wish to become citizens to seek employment from advertised vacancies in the Audit Office.

Our employment record is evidence of our support for cultural diversity. The commitment by the Audit Office is reflected in the number of racial, ethnic and ethno religious groups that comprise our staff.

Our Multicultural Policies and Services Program Statement is the Audit Office's planning document showing how it will address the needs of a culturally diverse society, according to its charter.

Disability action plan

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

- ensuring their access to Audit Office premises and the premises they need to visit in the course of their duties
- ensuring their access to information about services of the Audit Office
- improving their employment opportunities at the Audit Office.



Internal Audit and Risk Management Statement

7 Appendix seven

Internal Audit and Risk Management Statement for the 2010–11 Financial Year for the Audit Office of New South Wales

I, Peter Achterstraat, am of the opinion that The Audit Office of New South Wales has internal audit and risk management processes in place that are, in all material respects, compliant with the core requirements set out in Treasury Circular NSW TC 09/08 Internal Audit and Risk Management Policy.

I, Peter Achterstraat, am of the opinion that the Audit and Risk Committee for The Audit Office of New South Wales is constituted and operates in accordance with the independence and governance requirements of Treasury Policy and Guidelines Paper TPP 09-5.

The Chair and Members of the Audit and Risk Committee are:

Brian Suttor, Independent Chair (four-year term)

Greg Fletcher, Independent Member (four-year term)

Tony Whitfield, Non-Independent Member (permanent).

These processes provide a level of assurance that enables the senior management of The Audit Office of New South Wales to understand, manage and satisfactorily control risk exposures.



Peter Achterstraat Auditor-General

29 September 2011

Accounts payable performance and consultants

8 Appendix eight

Aged analysis at the end of each quarter

Quarter	Current (ie within due date) \$	Less than 30 days overdue \$	Between 30 & 60 days overdue \$	Between 60 & 90 days overdue \$	More than 90 days overdue \$
September	–	–	–	–	–
December	–	–	–	–	–
March	–	–	–	–	–
June	62,524	–	–	–	–

Accounts paid on time each quarter

Total accounts paid on time				
Quarter	Target %	Actual %	\$	Total Amount Paid \$
September	95%	100%	3,673,973	3,686,641
December	95%	99%	3,572,369	3,603,774
March	95%	96%	2,169,168	2,248,376
June	95%	97%	4,235,262	4,372,751

Commentary

During the year, we paid most of our accounts on time and at least achieved our target of 95 per cent for each quarter.

We continuously review our payment process to ensure that our suppliers are paid within a reasonable time.

Interest on late payments

We did not incur any interest penalties for late payments.

Credit card certification

The Corporate Credit Card policy was last amended in February 2006. It is reviewed annually and is considered current. It outlines requirements for the issue, use and administration of cards. Its rules are consistent with government policy as outlined in Treasurer's Directions and Treasury Circulars.

In accordance with Treasurer's Directions 205.01, it is certified that the credit card usage by officers of the Audit Office has been in line with government requirements.

Consultants

We had one consultant in 2010–11 over \$50,000. Consult Point Pty Ltd performed an IMT resource review and strategy plan, for a cost of \$56,000.



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annual report
2010/11

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