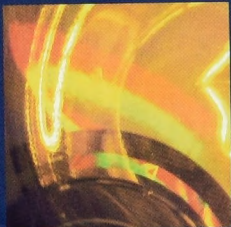


AnnualReport

THE AUDIT OFFICE OF NEW SOUTH WALES



YEAR ENDED 30 JUNE 2000

Charter

The statutory office and responsibilities of the New South Wales Auditor-General are established by the *Public Finance and Audit Act 1983*. The Audit Office supports the Auditor-General in meeting these responsibilities. The Auditor-General and the Office are part of the accountability mechanism whereby the Parliament holds the Government accountable for its use of taxpayers' moneys and community powers.

Audit Legislation

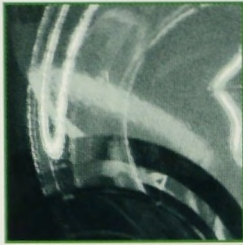
The Auditor-General is responsible for audits of government entities under the *Public Finance and Audit Act 1983*, other New South Wales Acts and Australia's Corporations Law. The Auditor-General also has audit responsibilities in respect of Commonwealth grants and payments to the State under Commonwealth legislation. As a consequence, that legislation is relevant to the Audit Office.

Outline of Operations

The Audit Office is staffed mainly by people who are qualified in accounting and are skilled in auditing. Private sector audit firms are also engaged as agents of the Auditor-General, providing around 10% of audit resources. Audits of New South Wales government agencies are conducted to form an opinion on financial reports. The Office also undertakes a small number of performance audits each year to determine whether an agency is carrying out its activities effectively, economically and efficiently and in compliance with all relevant laws.

Mission

Our mission is to assist Parliament improve the accountability and performance of the State.



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Letter to the Legislative Assembly

The Members of the Legislative Assembly
Parliament House
Sydney NSW 2000

Pursuant to Section 12A of the *Annual Reports (Statutory Bodies) Act 1984*, I have pleasure in submitting for the information of Members the Report of the activities of The Audit Office of New South Wales for the twelve months ended 30 June 2000.

R J Sendt
28 November 2000

A note to the reader

Apart from the financial report all other information in this report is unaudited.

In the Foreword to the last year's annual report, I indicated my concern at the general paucity of information available to judge agencies' performance. I indicated that the Office would devote greater attention to this issue in the future.

Over the course of 1999-2000, we have been developing a number of approaches to this issue - to highlight deficiencies, to recognise what is being done well and to promote discussion on agency performance. While much of the planning for this work was carried out in 1999-2000, it is only more recently that its results are becoming available.

First is the substantial increase in discussion of agency performance indicators in the latest volume - Volume Five - of the Auditor-General's Report to Parliament for 2000. This discussion has particularly focussed on comparing the performance of New South Wales agencies with their interstate counterparts.

Second is the performance audit report *Judging Performance from Agencies' Annual Reports* being released in late November. This audit reviewed the annual reports of a sample of eight agencies to see whether they conveyed sufficient meaningful information for a reader to form a judgement about the agencies' performance.

Third is the Audit Office's better practice guide *Reporting Performance: a Guide to Preparing Performance Information for Annual Reports*. Released concurrently with the performance audit report, this guide provides agencies with practical advice on improving discussion on their performance, with examples from existing annual reports - in New South Wales and interstate - demonstrating good practice.

I believe that the Audit Office is uniquely placed to offer both criticism (positive and negative) and guidance on public sector performance in New South Wales and to promote the level of public debate. I also believe that we could play a wider role in this field. For some years, the Government has been considering proposals developed by the NSW Treasury to update the State's financial management legislation. We continue to await the Government's acceptance of these proposals including the new role for the Audit Office in verifying agency performance measures.

The Office is committed to continually improving its own performance. We have been designing improved measures on how our principal clients - Parliament and audited government agencies - view our effectiveness. Improved efficiency measures are also being developed. These will be implemented in 2000-01. Wherever possible, these measures are designed to allow benchmarking with other Australian audit offices.

Finally I must thank the staff of the Audit Office for their continued support and commitment over the year. Retaining and adequately rewarding good staff continues to be a challenge for the Audit Office when the private sector market is so buoyant. Despite staff shortages during 1999-2000, Office staff have remained committed to meeting key deadlines and the needs of our clients and stakeholders.

Auditor-General
Bob Sendt



Key Performance Indicators

	1998	1999 [*]	2000
Parliament, Clients & Stakeholders			
Client Satisfaction Index	70%	--	¹
Products & Service Delivery			
Chargeable Time	53%	45%	56%
Maintenance of ISO 9001 Certification	Yes	Yes	Yes
Number of Performance Audit Reports issued	14	7	11
Compliance with Standards and Legislation	Yes	Yes	Yes
People			
Staff Satisfaction Index	65%	²	68%
Knowledge			
Client Satisfaction Index	70%	--	¹

Key Financial Indicators

	\$'000	\$'000	\$'000
Total income	21,846	11,218	20,285
Total expenditure	21,997	12,791	20,074
Operating surplus/(deficiency) before abnormals	(151)	(1,573)	211
Net assets	10,771	10,425	18,767

Key Operating Results

	\$'000	\$'000	\$'000
Organisations and activities audited	384	70	383
Qualified audit opinions issued	29	6	70
Number of reports to Parliament	16	9	16
Average staff number	229	229	213

* The Office's reporting year-end changed from 30 November to 30 June from the period ended 30 June 1999. Consequently 1999 figures relate to a seven month period and care should be taken when comparing 1999 indicators with other years, particularly when comparing measures that are cyclical in nature.

¹ The next CSI will be conducted during the latter half of 2000.

² Conducted every 2-3 years.

Employee Opinion Survey

To help assess how well the Office is meeting staff expectations, employee opinion surveys are conducted. The latest of these was conducted during May 2000. The resultant staff satisfaction index was 68%, a slight improvement on the previous index of 65% in 1998.

The survey showed that staff have a high degree of commitment and pride in their work. The main areas identified for continuing development were leadership, corporate planning, communication and career development.

Senior management have examined the survey results and are determining areas where action should be taken and to work out a process to ensure staff involvement.

ISO 9001 Review

The Audit Office has a fundamental commitment to quality in all forms and facets of its operations. This intention and commitment was reinforced by the Office's re-certification during 1999-2000 to the international quality standard, ISO9001:1994 for the next 3 years.

Also, the Office was commended on its progress towards meeting the additional requirements of the new ISO9001:2000 edition of the standard.

Performance Auditing

The Office's performance auditing services continued to focus on accountability, transparency, integrity and probity. Eleven reports were tabled in the Legislative Assembly containing 88 recommendations for improvement. Also a range of actions by agencies occurred in response to reports published in this and previous years. See Review of Operations, page 15.

Financial & Compliance Auditing

The Office recognises the importance of staying at the leading edge of financial audit technology. Our new audit methodology, piloted in 1998-99 is now fully operational and, as indicated under Future Directions below, we are working to introduce a new practice management system in late 2000.

This year marks the fourth since a new emphasis was placed by the Office on compliance audit work in the public sector. Audit teams verify agencies' compliance with enabling legislation and conduct across the public sector reviews on selected compliance topics each year.

These reviews continue to provide valuable information to Parliament on the application of law and policy by Government agencies.

Review of the Office

The final report of the Public Accounts Committee (PAC) sponsored review of the Office was received by the Office. Such reviews are conducted at least once every three years to examine the auditing practices and standards of the Auditor-General.

Recommendations of the report covered management of the Office, financial and performance audit services, outsourcing, client satisfaction, accountability and Office funding. A response to the report's recommendations is being prepared with the majority of the report's recommendations already implemented.

New Corporate Plan 2000-2003

The Audit Office has always prided itself on the professionalism with which it operates. Building on that theme, the Office has chosen a new vision:

To be recognised as a centre of excellence in auditing

The new corporate plan for 2000-2003 commits the Office to a substantially increased regime of accountability. Detailed surveys will be designed and conducted to measure how our principal clients – Parliament and audited government agencies – view the effectiveness and quality of our services.

Measures to indicate how *efficiently* we carry out our major activities will also be developed.

Both sets of measures will be benchmarked, wherever possible, against external entities – other audit offices, the private sector, etc.

To support the new corporate plan, enhancements to the Office business planning and performance management systems will be a priority.

New Directions in our Audit Services

Performance audit will continue to promote efficiency, economy, effectiveness and compliance within the public sector. However, a new direction will see future performance audits embrace a two-stream approach – theme and public interest audits.

Theme audits will cover issues relevant to current developments in the public sector environment. For 2000-2003 theme audits will include performance accountability, e-business, environment, best use of technology, outsourcing and partnership, seamless government and risk management. Theme audits will serve as a platform to launch better practice guides. These will be designed to provide greater assistance to the management of agencies and create a platform for the Office to be a centre of excellence that is recognised by the community, Parliament and agency management.

Further, a public interest stream of performance audits is in the development phase. These will centre on current topical issues that are considered to bring the greatest benefits from audit involvement. Public interest topics will be reviewed annually or sooner if key issues of community interest emerge. Within this stream we also intend to cater for special requests and issues raised in protected disclosures.

As an evolutionary step to the reporting of financial audits to Parliament, increased coverage will be given to agency performance indicators. The provision of such information will contribute to the public's capacity to make judgements on whether services provided by agencies are efficient and effective.

New Management Information Systems

The coming year will see the implementation of a number of new business systems, dealing with practice management and finance. The practice management system will enable much improved registration, resource scheduling and budgeting of audits and projects. Timekeeping and billing will also be supported along with client information data bases and staff contact registers. Finance system improvements will include the finalisation of a new payroll system along with the introduction of new budget, purchase and Electronic Funds Transfer systems.

These new systems follow on from the successful upgrades to the Office's staff records systems, implemented during 1999-2000.

Emerging & Evolving Technologies

Emerging and evolving technologies will continue to have a significant impact on how organisations operate. The capacity to conduct business electronically and to access and disseminate information has increased exponentially and shows little sign of slowing.

The impact of this on business risks and control systems within client agencies and on how the Office operates will change the way we relate and provide value to our clients and stakeholders.

Enhancing the Office Internet site as a means of communication and improving how the Office manages its information and knowledge needs are important projects for the coming year.

Attracting & Retaining Competent Personnel

Throughout the year many employment opportunities were available to our staff in the commercial and government sectors. Competing for staff in this environment will require all our efforts in the coming year. The reintroduction of school leaver recruitment and actioning staff concerns raised in Office employee opinions surveys, are examples of some of the strategies the Office is putting in place to attract and retain competent personnel.

our employment opportunities



This year marked the end of the Office's 1998-2000 Corporate Plan. For details on the Office's new Plan refer to Highlights, page 6.

The 1998-2000 Corporate Plan was designed to provide an understanding of the Office's purpose, mission, vision, shared values and objectives.

Purpose

To enable the Auditor-General to assist Parliament in improving the accountability and performance of the State.

Mission

Auditing in the State's interest.

The Auditor-General serves the State's interests by reporting on whether funds are properly raised, protected from loss and spent with maximum efficiency and effectiveness for purposes approved by Parliament.

Vision

To exceed expectations.

Values

- Independence
- Equity
- Integrity
- Empathy
- Customer Focus
- Continuous Improvement

Corporate Objectives

Our corporate objectives for 1999-2000 were:

Parliament, Clients and Stakeholders: To satisfy the needs and expectations of Parliament and other clients and stakeholders.

Our Products and Service Delivery: To find ways to promote efficiency, economy and compliance within the New South Wales public sector.

To ensure our services continuously improve, are efficient and meet acceptable standards.

Our People: To have satisfied and skilled people working in an equitable, safe and healthy environment.

Our Knowledge: To share our knowledge.

Our Finances: To derive sufficient funds for self-sufficiency and future developments.

Performance Indicators

It is important that the Office measures its performance. Through this, clients can be provided with the best possible products and services in the most cost effective and efficient way.

In this and future years, performance will be measured against the focus areas and indicators included in the Office’s Corporate Plan. The focus areas and indicators for 1999-2000 were:

Focus Area	Indicator
Parliament, Clients and Stakeholders	Client Satisfaction Index Timeliness of Reporting
Products and Service Delivery	Chargeable Time Maintenance of ISO 9001 Certification Number of Performance Audit Reports issued Compliance with Standards and Legislation
People	Staff Satisfaction Index Competency Standards
Knowledge	Client Satisfaction Index
Finances	Annual Budget targets met

*best possible
products &
services in the
most effective
and efficient way*



Parliament, Clients & Stakeholders

Client Satisfaction Index

The Office conducts a client satisfaction survey of a range of audit clients and key stakeholders. The previous survey was conducted during October and November 1998 and was reported in the 1998 Annual report. The client satisfaction index for 1998 was 70%, 68% (1997) and 71% (1996). The next survey is due to be reported in December 2000.

Timeliness of Reporting

The issue of independent audit reports (IARs), reports to Ministers and management reports are all critical to the delivery of the Office’s financial audit service. The following table shows the percentage completed by the agreed due date.

	1998	1999	2000
IARs	78%	84%	83%
Reports to Ministers	80%	84%	84%
Reports to management	48%	85%	75%

Products & Service Delivery

Chargeable Time

The percentage of total staff time charged to audits is an indication of efficiency.

1998	1999	2000
53%	45%*	56%

* represents a 7 month period. The % for a 12 month period would have been substantially higher due to the audit cycle.

Maintenance of ISO 9001 Certification

Our triennial ISO9001 review was completed during December 1999 with re-registration being approved for a further three years.

Number of Performance Audit Reports Issued

Eleven performance audit reports were issued during the period.

Compliance with Standards and Legislation

A number of internal and external reviews were undertaken showing satisfactory compliance to standards and legislation.

For details of the internal reviews see Review of Operations, page 16.

An external review of compliance to the quality standard ISO9001 was conducted. Also the Office’s external auditors conducted their annual audit of our end-of-year accounts see page...

People

Staff Satisfaction Index

The Office conducts an employee opinion survey every two to three years. The most recent survey was conducted during March 2000. See Highlights, page 5. The staff satisfaction index was 68% a slight improvement on the 1998 index of 65%.

Competency Standard

Competency standards are in the process of being developed for each position within the Office. Once developed, appropriate competency measures will be created to measure people’s capacity to apply a competence.

Knowledge

Client Satisfaction Index

See Parliament, Clients & Stakeholders - Client Satisfaction Index, as above.

Finances

Budget targets were met.

Auditor-General & Board of Management



Bob Sendt BA(Ec)
FCPA
Dip Environ Stud
Auditor-General



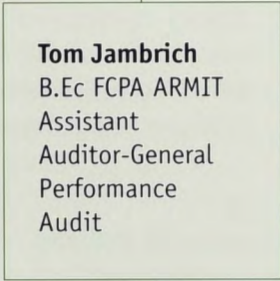
Jim Mitchell
FCPA
Deputy
Auditor-General



Tony Whitfield
B.Comm FCA
Assistant
Auditor-General
Financial Audit



Lee White B.Ec
FCA GAICD MII SIA
(Aff)
Assistant
Auditor-General
Financial Audit



Tom Jambrich
B.Ec FCPA ARMIT
Assistant
Auditor-General
Performance
Audit



Phil Thomas
B.Comm CA
Assistant
Auditor-General
Financial Audit



Eric Lumley FCPA
Assistant
Auditor-General
Financial Audit

Post Nominals

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

Clients

The Office's clients include:

- Parliament, the principal client representing the people of New South Wales
- the Executive Government
- NSW State public sector organisations
- other people, groups and stakeholders who may use the Office's reports or otherwise have an interest in the work performed

Services

The principal services provided by the Office are:

- financial report audits
- performance audits
- special reviews/investigations
- reports to Parliament
- advice on accounting and auditing standards.

The Office also provides assistance in other audit related areas including:

- financial management
- accounting and auditing staff and contractor selection.

A Guarantee of Service is provided to all audit clients of the Office. The Guarantee of Service outlines the types of service a client can expect to receive and the standards the Office intends to maintain. Office performance against these standards is detailed in Appendix 10, page 57.

Structure

The Office has four financial audit branches, a performance audit branch and a corporate services branch.

The Deputy Auditor-General is responsible for Corporate Services with an Assistant Auditor-General responsible for each of the other five branches.

Financial Audit Branches

The primary functions of the financial audit branches are:

- undertaking financial report audits of government agencies, primarily to provide an independent opinion
- providing advice to clients on audit related matters, for example, on opportunities to improve the methods and processes used by agency management to safeguard resources and provide useful financial information
- reporting to Government Ministers, agency CEO's and Parliament.

Compliance Reviews

Compliance reviews are conducted as part of the financial report audit. These reviews seek to confirm that specific legislation, directions and regulations have been adhered to by government agencies subject to those requirements. The legislation includes the agency's primary legislation and significant law that is applicable to all agencies (such as the State's Constitution). The financial audit also examines other law which affects the financial behaviour of entities. Because there is a large body of law in this area, compliance is examined on a cyclical basis.

Information Systems Audit

The Audit Office recognises the pervasive use of computerised information systems by many audit clients and the need for IS audit specialists to support the financial audit function.

The Information Systems Audit Group has the following primary functions:

- assisting audit planning on computer related issues
- evaluating controls over the computer processing environments
- evaluating controls over computerised accounting applications
- developing computer assisted audit techniques for more efficient and effective audits.

Policy and Research

The Policy and Research Section ensures that the Office's financial audit procedures and practices are the best for meeting its objectives. It is also responsible for the provision of high quality advice, reference material and information which is timely, relevant and appropriate to Office needs.

Structured Finance & Treasury Audit

The Structured Finance and Treasury Audit Group provides assistance with the audit of complex off-balance sheet and structured finance transactions (SFTs) entered into by the State. These transactions include cross-border leases, private infrastructure provisions and sale-lease back arrangements.

The Structured Finance and Treasury Audit Group also provide specialised expertise concerning SFTs being entered into or initiated at the agency or whole-of-government level.

The Group provides:

- expert advice to financial auditors and their clients
- an audit intelligence network, to identify and source arising SFTs
- quality assurance review in respect of any relevant work performed by financial audit teams.

*expert advice to
financial auditors
and their clients*



Performance Audit Branch

The Performance Audit Branch conduct audits that are designed to determine whether an agency is carrying out its activities efficiently, economically, effectively and in compliance with the law. These audits may review all or part of an agency's operations, or consider particular issues across a number of agencies.

Results of these audits are reported to the Chief Executive Officer of the agency concerned, the responsible Minister, the Treasurer and Parliament. A full list of performance audits reported during the period is detailed in Appendix 16, page 64.

The Performance Audit Branch is also responsible for coordinating action taken by the Office under the *Protected Disclosure Act 1994*. See Review of Operations page 17.

Corporate Services Branch

Corporate Services comprises three sections: Finance, Administration and Information Systems; Human Resources; and Quality, Corporate Planning and Communications.

The Finance, Administration and Information Systems Section is responsible for financial and payroll administration, purchasing, motor vehicle fleet management, property and risk management, computer operations and systems development.

The Human Resources Section is responsible for human resource management, record management, professional development, secretarial and support services.

The Quality, Corporate Planning and Communications Section is responsible for the management of an integrated quality strategy, including ensuring Office systems are ISO 9001 compliant. It is also responsible for coordinating corporate and business planning, publications and corporate image.

Industry Specialisation Groups

To provide services that fully meet the needs of clients, Industry Specialisation Groups (ISGs) meet regularly. ISGs consist of staff who deal with audit clients in a particular industry. Their purpose is to:

- collect and analyse relevant industry specific information and disseminate it to appropriate audit staff
- where possible, seek to convert this information into opportunities for the Audit Office to provide additional audit related services or improve existing services
- promote the concept of industry specialisation internally, ie educate audit staff to be aware of clients' demands and that auditors understand their industry
- demonstrate to clients that the Audit Office is being pro-active in enhancing its knowledge of their industries, thereby enabling it to provide improved auditing and related services and advice.

Industry Specialisation Groups exist for education, health, water, transport, electricity and superannuation.

Financial Report Audits

The financial audit branches completed financial report audits of 345 government agencies and their controlled entities. In addition, financial report audits were conducted on the Government Finance Statistics report, the Treasurer's Public Accounts and the State's Consolidated Financial Statements. Audit reports are published with these documents.

Audit reports were provided to the Minister responsible for the agency concerned (or in the case of Statutory Owned Corporations the shareholder Minister), the agency, and the Treasurer. A separate report is provided to the Parliament through the Auditor-General's Reports to Parliament.

Nineteen special reviews were conducted, including a number that examined compliance to legislation, regulations and directions. A full list of the reviews conducted is shown in Appendix 18, page 67. The results of these reviews are published in the Auditor-General's Reports to Parliament.

The Office, at NSW Treasury's request, performed 'Independent Certifications' to determine the reasonableness of Government agencies GST project planning. The work was undertaken for a majority of public sector agencies on a cost recovery basis.

Staff and client development remained a focus with a number of successful secondments to audit offices in Australia and overseas, and to our audit clients. For further information see Review of Operations, Secondments and Exchanges page 22.

Performance Audit

Performance Audit Branch produced 11 reports. The audits undertaken had a strong focus on accountability, program performance, service delivery and transparency and examined major aspects of public administration such as:

- developing key performance indicators across Government
- complaints handling and appeals mechanisms in relation to the activities of the Office of the Protective Commissioner/the Office of the Public Guardian
- management of court waiting times
- administrative arrangements at the University of Western Sydney
- enforcement of street parking
- planning for road maintenance
- staff rostering, tasking and allocation systems, and practices at Local Area Commands within the NSW Police Service
- using computers in schools for teaching and learning
- delivering services to patients in hospital emergency departments
- performance management systems for group homes for people with disabilities.

In total, the 11 reports contained 88 recommendations for improvement. All recommendations at the time of publication were either actioned or were being given active consideration by the relevant agencies. Follow-up responses concerning actions subsequently taken have been sought for all reports. Responses have been received from 40% of agencies audited this year, indicating action is being taken to address all recommendations.

Some of the notable actions taken in response to this and previous year's performance audit reports are detailed in Appendix 17, page 65.

Corporate Services

The Finance, Administration and Information Systems Section is finalising work on upgrades and enhancements to the Office's finance and payroll systems, human resource and practice management systems. The successful management of Y2K issues, introduction of a new payroll system for non-SES staff and systems to manage the GST were some of the highlights for the year. Also, substantial work was completed to prepare for the full utilisation of new budget, general ledger and purchase commitment systems.

A notable achievement for the Quality, Corporate Planning and Communication Section was the successful completion of the triennial ISO 9001 review of our financial and performance auditing services. Others included:

- the introduction of a new corporate plan and the commencement of an Office wide approach to managing risk
- the completion of an internal audit program
- the publication of five Auditor-General's Reports to Parliament and eleven performance audit reports along with various HR and Office wide publications
- significant improvement to the electronic communications supporting the tabling in Parliament of Office reports. For a number of years reports have been available on the Office Internet site within 30 minutes of tabling. CEO's, Parliamentarians and the media are now notified by e-mail within an hour with a direct link to relevant reports on our Internet site
- improvements to the design of various Office publications.

In recognition of the importance of e-business, improvements are underway for the Office's Internet site. This will be closely followed by improvements to the Office's Intranet site as part of the Office's knowledge management system.

For information on the operation of the Human Resources section see pages 20 - 22.

Internal Audit

Internal Audit completed a number of reviews during the year. Two of the reviews examined Office procedures for the contracting out of audits and fraud control against models of best practice. A post implementation review of the Office's new financial audit methodology was undertaken. Also, a review of the Office's preparedness for the introduction of GST was conducted.

A number of reviews of Office compliance to the quality standard ISO 9001 were also conducted. The areas reviewed were:

- performance audit services
- records management
- training and personnel

In all cases recommendations for improvements were agreed to by management.

Audit Committee

To improve the corporate governance of the Office, the Auditor-General and the Office's Board of Management agreed to set up an Audit Committee. Previously the Board of Management acted as an Audit Committee.

The new Audit Committee will oversee risk management and internal control, audit functions and financial reporting. The membership of the committee will include the Auditor-General and an external independent. The remaining members will be chosen for their knowledge, experience and skills in the key areas of business risk that confront the Office.

The committee will be operational by early 2001.

Protected Disclosure Reviews

The *Protected Disclosure Act 1994* affords protection to public officials who disclose information relating to corruption, maladministration or serious and substantial waste of public money.

The Audit Office is one of the three investigating authorities which have a role under the Act to investigate complaints. The Ombudsman and Independent Commission Against Corruption are the others. Those agencies, however, are respectively concerned with maladministration and corruption while the Audit Office deals only with allegations of “*serious and substantial waste*”.

The definition adopted by the Office in respect of serious and substantial waste encompasses uneconomical, inefficient or ineffective use of resources, authorised or unauthorised, which results in a loss/wastage of public funds/resources. Accordingly, in addressing any complaint, the Office has regard to the nature and materiality of the waste.

Complaints referred to the Office form an important and vital part in the Office’s role to improve accountability within the New South Wales public sector.

A breakdown in accountability can, and often does, lead to weaknesses that will allow inefficiencies and substantial waste to occur that can ultimately undermine the integrity of a program, the agency and the public sector as a whole.

It is for these reasons that the Audit Office regards all complaints seriously. Complaint matters provide the Office with opportunities to investigate alleged control weaknesses and, where appropriate, recommend remedies for their improvement.

Whilst not every complaint is investigated in full detail, issues raised are considered in selecting performance audit topics. As such, complaints play an important role in maintaining and improving accountability and performance in the public sector.

A number of the cases reviewed by the Audit Office did in fact highlight inefficiencies and resulted in recommendations that should lead to improved performance. These cases have also resulted in identifying potential performance audits that are designed to probe the efficient, economic and effective undertaking of activities by agencies.

The number of complaints received during the year increased from 19 (in 1998-99) to 42 for the period ended 30 June 2000. The cost of handling protected disclosure cases for the year was \$250,278.

GST Compliance

The Office successfully upgraded its financial systems to cater for the introduction of GST on July 2000. Also, prior to the introduction of GST the Office’s state of readiness was confirmed by an external review conducted by the Office’s external auditors.

Changes in Legislation & Judicial Decisions

A number of agencies were added to or deleted from Schedules 2 and 3 of the *Public Finance and Audit Act 1983*, which details the Auditor-General’s mandate to inspect and audit records and accounts. Also, a number of amendments were made to the *Public Authorities (Financial Arrangements) Act 1987*, relating to the investment and borrowing powers of agencies. Further details are reported in the Office newsletters: *Awareness* and *Professional Update*.

Important legal opinions affecting the operations of the Office are reproduced in the Appendices to the Auditor-General’s Report to Parliament.

Year 2000 Compliance

All major areas of Y2K concern were addressed prior to 1 January 2000. Contingency and disaster recovery plans were in place to cover adverse events due to Y2K. Effective planning by the Office contributed to not having to action these plans.

Reports Tabled in Parliament

The Office tabled five volumes of the Auditor-General's Report to Parliament and eleven performance audit reports. A full list is contained in Appendix 8, page 55.

The Auditor-General's Report to Parliament includes a summary of the nature of each financial report audit and a number of special reports. Special reports generally include compliance reviews and matters of importance which have arisen during the course of financial audits for the attention of Parliament. These reports can be found in the Auditor-General's Report to Parliament Volumes Two and Three for 1999 and Volumes One, Two and Three for 2000.

All these reports are available on the Office's Internet site.

Risk and Risk Management

The Office uses an organisation wide approach to the management of risk. Using the NSW Treasury Guidelines for Risk Management and Internal Control, and the Risk Management Standard, AS/NZS 4360:1999 the Office has identified, analysed and evaluated business risks faced by the Office. Risk treatment schedules and plans are being developed to manage these risks.

With guidance from the Office's Audit Committee, the management of risk and internal control at the Office will include strategic, operational and project risks.

The Office currently insures against risks associated with workers' compensation, motor vehicle, property and public liability.

Freedom of Information

During the period under review, there were no requests under the *Freedom of Information Act 1989*.

In accordance with section 14 (1) (a) and (b) of the Act, up-to-date summaries of affairs were published in the Government Gazette in December 1999 and June 2000.

Assistance to Parliament

In addition to meeting the obligations of reporting to Parliament the Office assisted Parliament through making submissions to, and appearing before, Parliamentary committees. Such assistance has been detailed in Appendix 6, page 52.

Equal Employment Opportunity

Highlights for the period were:

- implementation of a revised Discrimination and Harassment Policy
- training of all staff in Discrimination and Harassment Prevention
- implementation of a revised Grievance Procedure based on the Anti-Discrimination Board's model
- participation in the Migrant Work Experience Program 1999-2000
- conduct of a employee opinion survey
- staff who are from a racial minority (34%) continues to be one of the highest figures for a public sector agency
- staff who are women increased marginally from 37% to 38.7%. The graduate intake of 18 was 61% female, comparing favourably with the NSW graduation rate of approximately 50% for tertiary accounting students.

Contracted Activities

To provide optimum value to clients, it is often economic for the Office to source services from external providers. This also allows the Office to benchmark its audit services and gives the public and private sectors the opportunity to learn from each other. Appendix 15, page 63 details payments to contractors in excess of \$50,000.

Consultants Engaged

For details refer to the financial statements, note 20, page 39.

Overseas Visits

There were no overseas visits by Office staff.

Office Visitors

The Office was visited by: delegates from the Sarawak, Malaysian and Fijian Parliaments; Professor Luder from Germany; delegations from the South African Public Accounts Committee, the Thai Audit Office, the Indonesian Audit Office and the Chinese Ministry of Finance. Also a Thai Senior Study Group on Strategies for Public Sector Reform visited the Office.

Professional Representation & Recognition

Staff from the Office contribute to the development of the accounting/auditing profession through participation in a range of external public sector committees and working parties. These are fully outlined in Appendix 6, page 51.

The Office also promotes a greater understanding of accountability issues and the accountability roles and responsibilities of the NSW Public Service, through the provision of external presentations. Appendix 7 details the external presentations made by staff during the year.

The Office continues to work with the Australasian Council of Auditors-General (ACAG) and contributes to the development of auditing and accounting standards by commenting on exposure drafts and discussion papers.

Compliments and Complaints

The Office received numerous letters from clients during the period, complimenting Office staff on the professional and competent manner in which their audits were conducted. Extracts of these letters are published in the Office's bi-monthly staff newsletter *Between the Pages*.

As a result of cost pressures in the public sector, some complaints were made concerning the relativity of audit fees with other costs. Resolution of these matters is a priority of the Office.

Recycling

The Office continues to promote paper recycling. Waste paper is collected by an agent, processed then resold to various paper manufacturers. Empty toner cartridges from the Office's laser printers and facsimile machines are also recycled through various organisations in an attempt to reduce environmental hazard.

The Office has a waste reduction and purchasing plan. This practice is monitored on a periodic basis and improvements are made where possible.

Key Statistics

	1998 [*]	1999 ^{**}	2000
Employees			
Total staff	223	222	216
Senior executive staff	23	23	23
Employee cost (% of total operating expenditure)	71.6%	76.0%	74.5%
Staff turnover	12.1%	13.5%	17.5%
Training			
Average days per employee	9.8	4	6.35

Staffing Levels

Total salaries and allowances paid to staff during the year was \$8.3 million.

	1995 1996	1996 1997	1997 1998	1998 1999	1999 2000
Staff employed as at 1 December	225	226	218	223	222
Losses					
Retirements	4	6	Nil	Nil	Nil
Resignations	26	36	20	15	35
Moves to other depts	5	2	7	3	4
Deceased	Nil	Nil	Nil	Nil	Nil
Redundancies	1	Nil	Nil	Nil	Nil
Terminations	Nil	Nil	Nil	Nil	Nil
On Secondment, LWOP, decreased hours	Nil	Nil	Nil	13	14
Gains					
Public Service	7	4	4	1	9
Outside Public Service	30	32	28	23	28
Returned from secondment & LWOP	Nil	Nil	Nil	6	10
Number employed					
as at 30 November	226	218	223		
as at 30 June				222	216
	1996	1997	1998	1999	2000
Staff category¹					
Senior executives	24	24	23	23	23
Audit staff	170	164	163	165	168
DP support staff	9	9	9	7	5
Administration staff	23	21	28	27	20
Total staff as at 30 November	226	218 ¹	223 ¹		
as at 30 June				222 ¹	216

¹Excludes Auditor-General

* 12 months ending 30 November

** 7 months ending 30 June

Staffing Levels

Staff numbers decreased by six over the year. The turnover figure of 17.5% was up from last year's 13.5%. Resignations increased significantly (35 vs 15) and reflected the many opportunities that were available to our well-trained and highly skilled staff in a buoyant financial sector market. Although staff losses are higher than in previous years, the turnover rate for the Office is still lower than that of the large accounting firms.

Recruitment & Selection

The Office maintained its commitment to recruiting quality university graduates who have majored in accounting. The Office's Graduate Recruitment Program resulted in the recruitment of 18 graduates who commenced with the Office in January 2000. The Program was highly successful, attracting over 170 applications from 11 campuses and achieved an acceptance rate of 82%. The recruitment of graduates for 2001 has recently been completed. The strength of the financial sector this year has seen competition for these graduates increase significantly. Although the Office attracted fewer applications overall from undergraduates, the Office was still successful in recruiting its target of 22 graduates.

During the year, three financial audit positions (most with multiple vacancies), five performance audit positions and three corporate services positions were advertised throughout the Public Service and in the press. Subsequent selection action resulted in 48 positions being filled, of which 45 were from within the Office.

Training & Professional Development

The Office's Professional Development Program provided a flexible range of training, development and learning activities for the varied and changing needs of staff. It included technical, interpersonal skills, management and computer training. Training, development and learning activities occurred in a number of different ways: face-to-face, on-the-job and self-paced (computer based training and self-paced learning packages). The Learning Centre continued to provide the Office with a cost-effective means of providing 'on-demand' training to staff. Staff used 195 training packages which equated to 162 training days. The savings resulting from staff using the Learning Centre rather than staff attending external courses were approximately \$20,000.

The Office's Management Development Program continued to be rolled out with a further 24 managers participating in the program. The aim of this program is to enhance leadership ability through a set of practical interaction skills which can be used in everyday situations. To assist in building their own skills in addressing change situations and to be effective coaches for their managers, the entire SES group participated in a full two-day version of the program.

Training during the year was provided through internal and external courses. Consultants were used where appropriate to provide in-house training as subject matter experts. Expenditure on external courses, in-house courses run by external training providers and consultants and training support was \$99,549. Training amounted to 1,446 days, at an average of 6.5 days per person (compared with an average of four days per person for the previous year).

Study Assistance

The Office continued its policy of supporting staff through relevant studies by providing fee reimbursement and study time. Staff undertaking first degree and professional recognition studies received 100% reimbursement of fees upon successful completion of subjects, whilst those studying for second and higher degrees received 75%. Study time of up to four hours per week was provided for attending lectures and to study. Leave was also provided for the time required to undertake examinations.

Reimbursements of fees totalled \$99,923 whilst substantial study time of 303 days was granted.

Leave Administration

The average sick leave per employee was 5 days which was marginally up on the previous year's average of 4.8 days.

A monthly leave report was provided to line management during the reporting period to enable them to monitor the levels of sick leave of their staff and to take prompt follow-up action when necessary.

A new computer system has enabled the Office to provide staff with their recreation and sick leave balances on their fortnightly pay slips.

A number of staff were granted leave without pay to utilise as a career break, mainly to travel and work overseas.

Secondments & Exchanges

The Office continued to build on the success and benefits for clients and staff from secondments and exchanges. Eight officers were seconded to other State Government agencies for various periods – Public Accounts Committee, NSW Aboriginal Land Council, Legal Aid Commission, NSW Dairy Corporation, NSW Police Service, Department of Corrective Services and South Eastern Area Health Service.

Four officers are currently working with government audit agencies in the UK.

Occupational Health & Safety

To promote a safe and healthy work environment, the Occupational Health & Safety Committee distributed OH&S brochures to all staff on 'Address Your Stress', 'Injury Prevention – Being in Control' and 'Injury Prevention – Looking After Number One'. To reduce the potential for injury to staff from carrying their laptop computers, staff with identified back problems were issued with backpacks. As the transporting of large packages of documents between head office and client premises was recognised to pose the potential for injury to staff, specific guidelines were developed and implemented.

A representative from Diabetes Australia was invited to address the staff on the subject of diabetes identification and prevention.

A number of audit teams found the 'Checklist: Client Premises', developed by the OH&S Committee, valuable in identifying and then having rectified OH&S issues existing within the audit accommodation provided by their clients.

The benefit of having a sick room at head office was demonstrated by its use by female staff who were pregnant or nursing mothers.

Balancing Work & Social Activities

The Office continued to support the activities of the Recreation Club which, through its committee, provided regular activities and functions to its members. These included the annual dinner, family picnic, launch picnic, Hunter Valley weekend, golf day, bowling nights, tennis day and various theatre parties.

Sporting teams again represented the Office in the Corporate Cup running competitions held on and around the Domain area of Sydney.

The policy of Branches hosting regular 'happy hours' was continued. These activities are fully funded by staff through payroll deductions or by direct payment and provide an opportunity for interaction with staff and management not normally met during the course of day-to-day work.

Key Statistics

	1998 (\$'000)	1999 [*] (\$'000)	2000 (\$'000)
Operating Results			
Total Income	21,846	11,218	20,285
Operating Surplus/(Deficiency)	2,641	(286)	8,342
Balance Sheet			
Total Assets	19,387	19,905	27,357
Accumulated Funds	10,711	10,425	18,767
Analytics			
Operating Result to Total Income	12.09%	(2.55%)	41.12%
Current Ratio	2.29	1.91	2.31
Debtor Turnover	5.27	1.88	6.91

* Seven months from 1 December 1998 to 30 June 1999

	1999-00 Budget (\$'000)	1999-00 Actual (\$'000)	2000-01 [*] Budget (\$'000)
Income			
Audit Fees	20,118	17,786	19,668
Contribution by Government			
* Costs of Reports to Parliament	975	975	1,175
* Special Audits	1,100	1,100	1,100
* Review of Annual Reports	20	--	--
Interest Income	90	101	90
Other Income	37	323	21
	22,370	20,285	22,054
Expenditure			
Salaries and Related Expenses	17,383	14,951	15,574
Maintenance and Working Expenses	3,587	2,925	4,068
Contract Audit Agent Costs	1,885	1,905	1,902
Depreciation	329	293	366
	23,184	20,074	21,910
Operating (Deficiency)			
Before abnormal item	(844)	211	143
Operating Surplus			
After abnormal item	(844)	8,342	143

* Subject to further review.

Operating Result

Without the significant abnormal items relating to prepaid superannuation contributions of \$8.1m, an operating surplus of \$0.2m would have resulted.

Charge-out rates were increased by 4%.

The maintained level of the performance audit function continues to be partly funded from financial audit fees.

Income

The main income of the Office is earned from audit fees. Because of the change in year-end from the previous financial period of seven months to a 12-month reporting period, income comparisons between the years are not meaningful. Fees were increased an average of 2.5%.

Expenditure

The largest expenditure item for the Office is salaries and related expenses. Increases of 2% for non-SES staff from 1 January 2000 and 1% for SES from 1 October 1999 were awarded during the year.

Contract audit fee payments were \$1.9m.

Other major items of expenditure for the period related to rent, \$0.8m, and operating lease costs, \$0.4m.

Balance Sheet Position

The operating surplus of \$8.34m includes the abnormal adjustments for increased prepaid State Superannuation Scheme contributions. The increased contribution adjustments are reflected in the balance sheet as an increase in the non-current asset of Prepaid Superannuation Contributions.

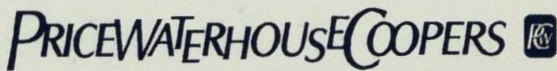
Future Operating Results

Expenditure is estimated to increase in the immediate year as a result of inflationary trends and the costs associated with the introduction of management information systems. This is expected to be partly offset by productivity related savings.

The client base is regularly changing through departmental and portfolio restructuring, the establishment of Government Trading Enterprises and privatisation. There is a downward trend in the number and size of clients. This generally has the effect in financial audit. However, there is an increasing demand for other work.

Preliminary financial projections for the next four years are, at this stage, affected by the following:

- audits being undertaken of Rural Lands Protection Boards with the effect for the year ending 31 December 2000;
- the possible need to audit performance indicators in Annual Reports of agencies; and
- the possibility of the Government requiring audits of Local Aboriginal Land Councils
- the possible sale of Freight Rail Corporation.



**Independent Audit Report
To the Members of the Legislative Assembly**

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Scope

I have audited the financial report of The Audit Office of New South Wales for the year ended 30 June 2000 as set out on pages 26 - 40. The Auditor-General of New South Wales is responsible for the financial report. I have conducted an independent audit of the financial report in order to express an opinion on it to the Members of the Legislative Assembly.

My audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the financial report is free of material misstatement. My procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with Accounting Standards and other mandatory professional reporting requirements and the Public Finance and Audit Act 1983, the Public Finance and Audit (General) Regulation 1995 and the Treasurer's Directions so as to present a view which is consistent with my understanding of The Audit Office of New South Wales' financial position, the results of its operations and its cash flows.

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

Audit opinion

In my opinion, the financial report presents fairly in accordance with applicable Accounting Standards and other mandatory professional reporting requirements and the Public Finance and Audit Act 1983, the Public Finance and Audit (General) Regulation 1995 and the Treasurer's Directions the financial position of The Audit Office of New South Wales as at 30 June 2000 and the results of its operations and its cash flows for the year then ended.

B K Hunter
Registered Company Auditor
17 November 2000

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Liability is limited by the Accountant's Scheme under the Professional Standards Act 1994 (NSW)

Auditor-General's Statement

Start of Audited Financial Statements
The Audit Office of New South Wales

Statement by Auditor-General of New South Wales
for the twelve months ended 30 June 2000

I state that, in my opinion, the accompanying financial statements exhibit a true and fair view of the financial position of The Audit Office of New South Wales as at 30 June 2000 and transactions for the twelve months then ended.

I further state:

- (a) that the financial statements have been prepared in accordance with the provisions of the *Public Finance and Audit Act 1983*, the Public Finance and Audit (General) Regulation 1995, and the Treasurer's Directions; and
- (b) that I am not aware of any circumstances which would render any particulars included in the financial statements to be misleading or inaccurate.

R J Sendt
SYDNEY
17 November 2000

Income and Expenditure Statement
for the year ended 30 June 2000

	Note	2000 \$'000	7 Months 30-6-99 \$'000
INCOME			
Audit fees	4(a)	17,786	10,071
Contributions by Government:			
Costs of Reports to Parliament		975	170
Special audits	4(b)	1,100	642
Review of Annual Reports		--	19
Interest income		101	48
Other income	4(c)	323	268
		<u>20,285</u>	<u>11,218</u>
EXPENDITURE			
Salaries and related expenses	5	14,951	9,920
Maintenance and Operating expenses	6	2,925	1,704
Contract Audit Agents Costs	7	1,905	783
Depreciation		293	384
		<u>20,074</u>	<u>12,791</u>
OPERATING SURPLUS/(DEFICIENCY)			
before Abnormal Items		211	(1,573)
Abnormal Items	8	8,131	1,287
OPERATING SURPLUS/(DEFICIENCY)		8,342	(286)
ACCUMULATED FUNDS AT THE BEGINNING OF THE FINANCIAL PERIOD			
		<u>10,425</u>	<u>10,711</u>
ACCUMULATED FUNDS AT THE END OF THE FINANCIAL PERIOD			
		<u>18,767</u>	<u>10,425</u>

Balance Sheet
as at 30 June 2000

	Note	2000 \$'000	1999 \$'000
CURRENT ASSETS			
Cash at bank		1,998	2,212
Receivables	9	2,934	3,084
Work in progress		2,022	2,885
Prepayments and accrued income receivable	10	<u>55</u>	<u>65</u>
TOTAL CURRENT ASSETS		<u>7,009</u>	<u>8,246</u>
NON-CURRENT ASSETS			
Equipment, furniture	11	317	416
Audit methodology software	12	209	290
Management information systems	13	380	--
Leasehold improvements	14	264	335
Acceptance of long service leave liability	17(b)	5,447	5,018
Prepaid superannuation contributions	17(d)	<u>13,731</u>	<u>5,600</u>
TOTAL NON-CURRENT ASSETS		<u>20,348</u>	<u>11,659</u>
TOTAL ASSETS		<u>27,357</u>	<u>19,905</u>
CURRENT LIABILITIES			
Fees in advance		293	1,724
Accounts payable and accruals	15	1,242	1,079
Provisions	17(a)	<u>1,505</u>	<u>1,515</u>
TOTAL CURRENT LIABILITIES		<u>3,040</u>	<u>4,318</u>
NON-CURRENT LIABILITIES			
Provisions	17(b),(c)	<u>5,550</u>	<u>5,162</u>
TOTAL NON-CURRENT LIABILITIES		<u>5,550</u>	<u>5,162</u>
TOTAL LIABILITIES		<u>8,590</u>	<u>9,480</u>
RETAINED EARNINGS			
Accumulated funds		<u>18,767</u>	<u>10,425</u>

Statement Of Cash Flows
for the year ended 30 June 2000

	2000 \$'000 Inflows (Outflows)	7 months 30-06-99 \$'000 Inflows (Outflows)
Cash Flows from Operating Activities		
Receipts from operations	19,766	11,517
Payments to suppliers and employees	(19,659)	(12,872)
Interest received	<u>101</u>	<u>60</u>
Net cash provided by (used in) operating activities	<u>208</u>	<u>(1,295)</u>
Cash Flows from Investing Activities		
Purchase of equipment and furniture	(19)	(73)
Purchase of audit methodology software	--	(40)
Purchase of management information software	(403)	--
Leasehold improvements	--	(7)
Proceeds from sale of equipment	<u>--</u>	<u>1,074</u>
Net cash (used in) provided by investing activities	<u>(422)</u>	<u>954</u>
Cash Flows from Financing Activities		
Repayment of borrowings	<u>--</u>	<u>(443)</u>
Net cash (used in) financing activities	<u>--</u>	<u>(443)</u>
Net decrease in cash held	<u>(214)</u>	<u>(784)</u>
Cash at the Beginning of the Financial Year	<u>2,212</u>	<u>2,996</u>
Cash at the End of the Financial Year	<u>1,998</u>	<u>2,212</u>

Notes to and Forming Part of the Financial Statements
for the year ended 30 June 2000

1 FINANCIAL PERIOD

The Audit Office of New South Wales has been designated as a statutory body by Schedule 2 of the *Public Finance and Audit Act 1983*. In 1998 the Treasurer has approved of the change in the financial year of the Office being from 1 July to 30 June with effect for the seven months ending 30 June 1999.

2 STATEMENT OF ACCOUNTING POLICIES

(a) Basis of Financial Statements

These financial statements are a general purpose financial report and have been drawn up in accordance with applicable Australian Accounting Standards and other professional reporting requirements (Urgent Issues Group Consensus Views), the requirements of the *Public Finance and Audit Act 1983* and the Public Finance and Audit (General) Regulation 1995. The statements have been prepared in accordance with the historical cost convention using accrual accounting and do not take into account changing money values or, except where stated, current valuations of non-current assets.

(b) Summary of Accounting Policies and Procedures

i) Non-Current Assets

Furniture and fittings are shown (note 11) at estimated cost as at July 1990 plus historic cost since then, less accumulated depreciation. Computer and general office equipment are shown at historical cost less accumulated depreciation. The Audit Office has acquired third party audit methodology software and MIS software. The software licences and associated costs have been capitalised. These assets are shown at historical cost less accumulated amortisation.

ii) Depreciation

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

iii) Revenue Recognition

Fees are charged for financial audits. Fees in respect of audit work performed during the year are treated as income at invoicing. Other income includes, rent income and the recovery of salary costs for staff on secondment (see Note 4(c)).

Notes to and Forming Part of the Financial Statements

iv) Employee Entitlements

The Audit Office is responsible as the employing agency for the liability for all untaken annual leave. A provision has been established for the full liability at 30 June 2000. Details are shown in Note 17(a). A liability for non-vested sick leave entitlement is not recognised because it is estimated that, on average, the sick leave taken in each year is less than the entitlement accruing in that year.

The Audit Office contributes to the New South Wales Non Budget Long Service Leave Pool Account held by Treasury. The Treasury 'pool' account administers the Long Service Leave Provision for agencies and commercial activities whose liabilities were previously assumed by the Crown due to their being part of the Budget Sector. Contributions made to Treasury are included in Salaries and Related Expenses. In accordance with Australian Accounting Standard AAS 30 'Accounting for Employee Entitlements' and Treasury Circular 95/10 the total liability has been recognised as a provision and an offsetting asset has been recognised as 'Acceptance of Long Service Leave Liability'. The nominal valuation method has been used to assess the liability because it would not result in material variance to the present value method. Oncosts have been applied in calculating the liability. Details are shown in Note 17(b).

The Superannuation Schemes relating to employees of The Audit Office are: the State Superannuation Scheme; the State Authorities Superannuation Scheme; the State Authorities Non Contributory Superannuation Scheme (Basic Benefits Scheme) - these funds are now closed to new entrants; and the First State Super Scheme. This latter scheme is an accumulation scheme and consequently the Audit Office has no ongoing employer liability for this scheme. Details of the reserves, assessed liabilities, overfundings and provisions are shown in Note 17(c).

v) Segment Reporting

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

vi) Financial Instruments

Financial instruments give rise to positions that are financial assets or liabilities (or equity instruments) of either The Audit Office or another party. These include cash at bank, receivables, work in progress, accounts payable and accruals. Information is disclosed in Note 22 in respect of the interest rate risk and credit rate risk of financial instruments. Classes of instruments are recorded at cost and are carried at net fair value.

vii) Receivables

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

Notes to and Forming Part of the Financial Statements

viii) Work in Progress

Work in Progress is stated at the cost of staff directly related to financial audit services. Costs include salaries and related expenses, plus an allocation of overhead costs attributable to financial audit activity in general.

ix) Creditors and Other Payables

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

3 CHANGES IN ACCOUNTING POLICY

In the current year, the calculation of work in progress at year end has been undertaken using only labour and other costs of staff directly engaged in financial audit services, together with attributable overheads in accordance with Australian Accounting Standard AAS2 "Inventories". This has had the effect of reducing the billable value of the work in progress at 30 June 2000 by \$601,926. If this process had been applied in the previous period, the financial effect would have been to reduce work in progress, net assets and accumulated surplus, and increase the deficiency before abnormal items, by \$679,440.

Previously, revenue was recognised when work was performed. For this year revenue is recognised when tax invoices for fees are issued. This had the effect of reducing audit fees and salaries and related expenses by \$2,021,989. If this process had been applied in the previous year, the financial effect would have been to reduce audit fees and salaries and related expenses by \$2,205,659.

Notes to and Forming Part of the Financial Statements**4 INCOME****(a) AUDIT FEES**

	2000 \$'000	7 months 30-06-99 \$'000
Audit fee income comprised:		
Audit fees previous year's audits	9,798	584
Audit fees current year's audits	7,988	6,602
Work in progress	--	2,885
	<u>17,786</u>	<u>10,071</u>

(b) CONTRIBUTION BY GOVERNMENT - SPECIAL (PERFORMANCE) AUDITS

The contribution from Consolidated Fund towards the costs of special (performance) audits was \$1,100,000 (\$641,667 in the seven months ended 30 June 1999). This contribution does not cover the full costs of special (performance) audits and protected disclosures work. The difference is met by the Audit Office.

(c) OTHER INCOME

Recoup of salaries	257	127
Other audit reviews	--	21
Rent income	23	65
Other miscellaneous income	<u>43</u>	<u>55</u>
	<u>323</u>	<u>268</u>

5 SALARIES AND RELATED EXPENSES

Salaries and allowances	11,976	8,279
Payroll tax	911	563
Workers' compensation	81	93
Staff development and training (excluding salaries)	291	184
Superannuation - (net of transfers from provisions)	477	330
Employees' leave and retirement	350	275
Temporary assistance	<u>865</u>	<u>196</u>
	<u>14,951</u>	<u>9,920</u>

Notes to and Forming Part of the Financial Statements

	2000 \$'000	7 Months 30-06-99 \$'000
6 MAINTENANCE AND OPERATING EXPENSES		
Fees for services rendered	271	237
Rent and cleaning	773	577
Electricity	25	17
Telephone and postage	136	73
Printing	159	126
Travelling	272	210
Maintenance contracts	102	66
Stores	148	83
Motor vehicle running	202	39
Operating Lease - Computer Equipment	426	--
Loan interest	--	22
Other general expenses	<u>411</u>	<u>254</u>
	2,925	1,704
7 CONTRACT AUDIT AGENTS COSTS		
Fees were paid to contract audit agents for the audit of:		
Electricity Distribution clients	56	22
Health Services clients	751	472
Superannuation Services clients	218	--
Other Audit Office clients	<u>880</u>	<u>289</u>
	1,905	783
8 ABNORMAL ITEMS		
Increase in prepaid contributions for State Superannuation Scheme	8,131	979
Profit on sale of equipment	--	308
	8,131	1,287

Notes to and Forming Part of the Financial Statements

	2000	1999
	\$'000	\$'000
9 RECEIVABLES		
Comprised:		
Audit Fee Debtors		
(less provision for doubtful accounts \$15,200)	2,840	2,809
Miscellaneous Debtors	<u>94</u>	<u>275</u>
	<u>2,934</u>	<u>3,084</u>

10 PREPAYMENTS AND ACCRUED INCOME RECEIVABLE		
Comprised:		
Prepayments	9	19
Accrued income receivable	<u>46</u>	<u>46</u>
	<u>55</u>	<u>65</u>

Accrued income is comprised of interest accrued of \$46,083 (1999 - \$38,407).

11 EQUIPMENT AND FURNITURE						
	Cost or Valuation		Accumulated Depreciation		Written Down Value	
	2000	1999	2000	1999	2000	1999
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Office equipment - at cost	151	149	124	108	27	41
Computer and related equipment - at cost	1,160	1,143	1,104	1,056	56	87
Furniture and fittings - at estimated cost July 1990						
plus actual cost since	<u>552</u>	<u>553</u>	<u>318</u>	<u>265</u>	<u>234</u>	<u>288</u>
	<u>1,863</u>	<u>1,845</u>	<u>1,546</u>	<u>1,429</u>	<u>317</u>	<u>416</u>

Equipment and furniture as at 30 June 2000 includes fully depreciated assets (at cost) totalling \$1,708,802 (1999 - \$1,353,027). In May 1999, the Office sold much of its computing equipment and leased it back under an operating lease for a period of 30 months.

Notes to and Forming Part of the Financial Statements

	2000 \$'000	1999 \$'000
Market values of non-current assets are estimated to be:		
Office equipment	25	25
Computer and related equipment	50	80
Furniture and fittings	<u>200</u>	<u>200</u>
	<u>275</u>	<u>305</u>
12 AUDIT METHODOLOGY SOFTWARE		
Audit methodology software (at cost)	364	364
Less: accumulated amortisation	<u>155</u>	<u>74</u>
Written down value	<u>209</u>	<u>290</u>
13 MANAGEMENT INFORMATION SYSTEMS		
Management systems (at cost)	403	--
Less: accumulated amortisation	<u>23</u>	<u>--</u>
Written down value	<u>380</u>	<u>--</u>
During the financial year the office commenced the process of implementing both new and replacement systems for financials, payroll, records and practice management with the purpose of providing an overall integrated system. Implementation as at 30 June is ongoing.		
14 LEASEHOLD IMPROVEMENTS		
Leasehold improvements (at cost)	722	722
Less: accumulated amortisation	<u>458</u>	<u>387</u>
Written down value	<u>264</u>	<u>335</u>
15 ACCOUNTS PAYABLE AND ACCRUALS		
Comprised:		
Salaries and related expenses	465	316
Payroll tax	76	77
Unremitted PAYE taxation	32	--
Contract audit agent costs	144	54
Other creditors	<u>525</u>	<u>632</u>
	<u>1,242</u>	<u>1,079</u>

Notes to and Forming Part of the Financial Statements

Other creditors include a rental incentive of \$342,215 (1999 - \$453,272) which is accounted for in compliance with Urgent Issues Group (UIG) Abstract 3. The rental incentive is a direct reflection of the abatement of rental until 30 April 1998, from which time the total amount will be amortised over the period to the expiry of the lease in 2004.

16 AUDITOR'S REMUNERATION

Audit Fees	<u>19</u>	<u>19</u>
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The auditor received no other remuneration.

17 PROVISIONS

(a) Annual leave - current
A provision has been established for the total liability at 30 June 2000 of \$1,504,657 (1999 - \$1,514,897).

(b) Long service leave
The total liability at 30 June 2000 was \$5,447,031 (1999 - \$5,018,037).
The liability comprises:

	2000 \$'000	1999 \$'000
Unconditional leave (over 10 years service)	4,784	4,473
Conditional leave (between 5 and 10 years service)	373	308
Pre-conditional leave (less than 5 years service)	<u>290</u>	<u>237</u>
	<u>5,447</u>	<u>5,018</u>

Contributions made to the Treasury pool account during this financial year totalled \$341,605 (1999 - \$275,346) while payments to staff and re-imbursements from Treasury totalled \$185,276 (1999 - \$106,607).

(c) Superannuation
The assessed liability for the Audit Office at 30 June 2000 and funds held in the reserve accounts at the Superannuation Administration Corporation of New South Wales (including accrued interest), as well as prepaid contributions and superannuation provision were:

	Assessed Liability		Reserve Account		Provision/ (Prepaid Contributions)	
	2000 \$'000	1999 \$'000	2000 \$'000	1999 \$'000	2000 \$'000	1999 \$'000
State Superannuation Scheme	27,219	30,849	40,573	36,392	(13,354)	(5,543)
State Authorities Super Scheme	1,065	1,128	1,442	1,184	(377)	(57)
State Authorities Non contributory Superannuation Scheme	<u>1,257</u>	<u>1,174</u>	<u>1,154</u>	<u>1,031</u>	<u>103</u>	<u>144</u>
	<u>29,541</u>	<u>33,151</u>	<u>43,169</u>	<u>38,607</u>	<u>(13,628)</u>	<u>(5,456)</u>

Notes to and Forming Part of the Financial Statements

The liabilities have been determined by the Government Actuary as at 30 June 2000 based on revised economic assumptions as follows:

	98-99 % pa	99-00 % pa	00-01 % pa	Thereafter % pa
Rate of investment return	7.0	7.0	7.0	7.0
Rate of salary increase	4.0	4.0	4.0	4.0
Rate of increase in CPI	2.0	2.5	2.5	2.5

(d) Prepaid Superannuation Contributions

The State Superannuation Scheme and State Authorities Superannuation Scheme reserve accounts for The Audit Office each exceed the respective assessed liabilities. The surpluses at 30 June 2000 total \$13,730,428 (1999 - \$5,599,557) and are included as a non-current asset - prepaid superannuation contributions.

Further funding contributions for the State Superannuation Scheme (SSS) have been suspended with approval of the Superannuation Administration Corporation of New South Wales. The effect of this will be that no further contributions will need to be made for this Scheme until the balance of the reserve account is less than the assessed liability of members. The non-current asset is primarily dependent upon annual reviews of the superannuation liabilities for the schemes and the effect of investment earnings of the schemes.

The calculation of the 30 June 2000 superannuation position has used actuarial assumptions revised from those used in previous years. The change has created significant movement in the accrued superannuation liability. Thus, the superannuation funding position as at 30 June 2000 has changed significantly from 30 June 1999. Further, the Superannuation Administration Corporation made a distribution from the SSS Contributor's Reserve, during the year, increasing the SSS Reserve by \$1,424,925.

As at 30 June 2000, the net liability in respect of the State Authorities Non Contributory Superannuation Scheme is fully provided and has been calculated according to Corporation formulas which take into account amounts held by the Corporation in the reserve account.

The First State Superannuation Scheme has established superannuation cover for employees who are not contributing to any other schemes and employer contributions are currently 7% of such employees' salaries (8% from 1 July 2000). Payments for staff covered by the Scheme totalled \$438,431 (1999 - \$255,880). For this the Audit Office has no outstanding employer liability because the contributions are fully funded and vested to individual officers.

18 COMMITMENTS

Commitments for leased Office accommodation and leased equipment under an operating lease are:

	2000 \$'000	1999 \$'000
Lease commitments:		
not later than one year	1,304	1,161
later than one year and not later than five years	2,956	3,554
later than five years	--	62
	<u>4,260</u>	<u>4,777</u>

Notes to and Forming Part of the Financial Statements

Floor space is leased in 234 Sussex Street, Sydney, that will expire in July 2004. The lease is reviewable.

In May 1999, the Office sold most of its computers and is leasing them back under a thirty month operating lease.

UIG Abstract 31 'Accounting for Goods and Services Tax; requires the reporting of GST commitments. The commitments figures are calculated on the review figures advised and include GST of \$334,859. A contingent asset exists for the calculated GST, being an input tax credit recoverable from the Australian Taxation Office consequent to its payment at the time of meeting the commitment.

19 MATERIAL ASSISTANCE PROVIDED AT NO OR NOMINAL COST

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

20 CONSULTANTS ENGAGED

During the year the Audit Office engaged 8 consultants at a total cost of \$160,557. (No consultants were engaged during the seven months ended 30 June 1999).

21 NOTES TO THE STATEMENT OF CASH FLOWS

(a) Reconciliation of Cash

For the purposes of the statement of cash flows, The Audit Office of New South Wales considers cash to include cash on hand and in the bank. At 30 June 2000, cash as shown in the statement of cash flows of \$1,998,117 (1999 - \$2,211,512) is equal to the amount shown in the Balance Sheet.

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

	2000	7 months 30-06-99
	\$'000	\$'000
Operating surplus/(deficiency)	8,342	(286)
Amortisation and depreciation	293	384
(Increase) in overfunded superannuation	(8,131)	(929)
(Increase)/decrease in receivables	150	149
(Increase)/decrease in work in progress	863	(1,972)
(Increase)/decrease in prepayments and accrued income	10	698
Increase/(decrease) in fees in advance	(1,431)	1,434
Increase/(decrease) in creditors and accruals	163	(324)
Increase/(decrease) in provisions	(51)	(141)
	208	(987)
Gain from sales of equipment	--	(308)
Net cash provided by (used in) operating activities	208	(1,295)

Notes to and Forming Part of the Financial Statements

22 FINANCIAL INSTRUMENTS

(a) INTEREST RATE RISK

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

Financial Instrument	Floating Interest Rates		Non-Interest Bearing		Total carrying amount as per the Balance Sheet		Weighted Effective Interest	
	(\$'000)		(\$'000)		(\$'000)			
	2000	1999	2000	1999	2000	1999	2000	1999
Financial Assets								
Cash	1,997	2,211	1	1	1,998	2,212	3.75%	3.75%
Receivables			2,934	3,084	2,934	3,084		
Work in progress			2,022	2,885	2,022	2,885		
Total Financial Assets	1,997	2,211	4,957	5,970	6,954	8,181		
Financial Liabilities								
Accounts payable and accruals	0	0	1,242	1,079	1,242	1,079		
Total Financial Liabilities	0	0	1,242	1,079	1,242	1,079		

(b) CREDIT RISK

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

	Banks		Government*		Other		Total	
	(\$'000)		(\$'000)		(\$'000)		(\$'000)	
	2000	1999	2000	1999	2000	1999	2000	1999
Financial Assets								
Cash	1,997	2,211			1	1	1,998	2,212
Receivables			973	661	1,961	2,423	2,934	3,084
Work in progress			661	691	1,361	2,194	2,022	2,885
Total Financial Assets	1,997	2,211	1,634	1,352	3,323	4,618	6,954	8,181

* Government includes budget dependent agencies only.

23 CONTINGENT LIABILITY

On 1 March 1999, The Audit Office was served with a Statement of Claim filed for damages, interest thereon and costs. The amount of the claim is in excess of \$1.5 million. The claim related to investments by the Plaintiff in breach of relevant Acts and Regulations between October 1990 and March 1993 with an entity that was placed into voluntary liquidation in March 1993. The Office has instructed the Crown Solicitor's Office to file a cross claim enjoining the Directors and Staff of the claimant.

END OF AUDITED FINANCIAL STATEMENTS

APPENDIX ONE

Remuneration Package	Package Range \$'000	Total CES/SES End of Previous Year	Total CES/SES End of Current Year
Level 8	245 – 302	–	–
Level 7	208 – 262	–	–
Level 6	173 – 208	–	–
Level 5	151 – 185	1	1
Level 4	138 – 161	5	5
Level 3	126 – 148	–	–
Level 2	112 – 130	11	11
Level 1	103 – 120	6	5
CEO under S11A *		1	1
Total		24	23

* CEO positions listed under section 11A of the *Statutory and Other Offices Remuneration Act 1975*, not included in Schedule 3A of the *Public Sector Management Act 1988*. As at 30 June 2000, the Auditor-General's salary, determined by the Statutory Officers Remuneration Tribunal, is \$258,630.

In the previous year: 1-Remuneration Level 2

In the previous year: 1-Remuneration Level 2

In the current year: 1–Remuneration Level 2, 1 Remuneration Level 1

Name, position held and level of each executive officer of or above Level 5 holding office at the end of

Name, position held and level of each executive officer of, or above Level 5 holding office at the end of the reporting year:

Mr Bob Sendt

Auditor-General, CEO under section 11A (term commenced 7 September 1999)

Jim Mitchell

Deputy Auditor-General, Remuneration Level 5

SES Performance Statements

Mr Bob Sendt	Position and Level: Auditor-General, CEO under section 11A of the <i>Statutory and Other Offices Remuneration Act 1975</i> .
Total Remuneration Package	\$205,846
Period in Position	7 September 1999 to 30 June 2000
Comment	The Auditor-General is not appointed under the Public Sector Management Act. The Auditor-General is responsible to Parliament and there is no annual performance review under the Public Sector Management Act.
Mr Tony Harris	Position and Level: Auditor-General, CEO under section 11A of the <i>Statutory and Other Offices Remuneration Act 1975</i> .
Total Remuneration Package	\$50,538
Period in the Position	1 July to 6 September 1999
Comment	The Auditor-General is not appointed under the Public Sector Management Act. The Auditor-General is responsible to Parliament and there is no annual performance review under the Public Sector Management Act.
Mr James Mitchell	Position and Level: Deputy Auditor-General, Level 5.
Total Remuneration Package	\$180,894
Period in the Position	Full period
Results	<p>Aimed at assessing the appropriateness of contract renewal, Mr Mitchell's performance was reviewed during the year by a panel consisting of the Auditor-General and an independent member. Mr Mitchell's contract was subsequently renewed.</p> <p>Major achievements have included the enhanced operations of the publications unit to enable productivity gains and overseeing the upgrade of the Office management systems for Human Resources, payroll and financial information. Also Corporate and Branch Business Planning has been formally established. As Director of Employment Equity, Mr Mitchell has continued to guide the Office in its reported improvement in EEO and related staffing matters.</p>

Internal Committees

The following committees are those which have had a significant impact on the operations of the Office.

Board of Management

Objective

To provide direction and oversight of the Audit Office's business on behalf of the stakeholders

Composition

Deputy Auditor-General
Assistant Auditors-General.

Continuous Improvement Steering Committee

Objective

Engender a culture of continuous improvement throughout the Audit Office, and to facilitate action on proposals for change

Composition

Deputy Auditor-General
Director - Q, CP & P
Manager - Q, CP & P
Branch 1, 2, 3 & 4 representatives
PAB representative
Director - HR
Director - P & R
Director F, A & IS

Internal Audit Committee

Objective

Review internal accounting and management functions of the Office

Composition

Internal audit staff and the external auditor participate in the Committee's deliberations as invitees.

Audit Methodology Committee

Objective

- To provide a strategic role in the maintenance of the financial audit methodology
- Provides assurance that the methodology meets the needs of the organisation and professional standards
- Review the performance of methodology

Composition

- AAG - Branch 4
- AAG - Branch 2
- Director - P & R
- Director - IS Audit
- Branch 1, 2, 3 & 4 representatives

Audit Committee

Objective

Oversee the review of office financial regularity, legal compliance, internal control and efficiency & effectiveness of office processes

Composition

Board of Management

Joint Consultative Committee

Objective

Review work practices and employment conditions

Composition

- Management representative
- Staff representative
- Office union representative
- PSA representative

Job Evaluation Committee

Objective

Review recommendation for the reclassification and regrading of Office positions

Composition

Personnel Manager - Convenor
3 persons trained in the job evaluation methodology

PD Steering Committee

Objective

To provide a strategic role for Professional Development (PD) within the Office and additional assurance that PD meets the organisational needs

Composition

- AAG - Branch 3
- PD representatives
- Staff representatives

Occupational Health & Safety Committee

Objective

To develop, monitor, review and evaluate OH&S policies and programs within the Office

Composition

- Deputy Auditor-General
- EEO Coordinator
- Branch representatives

Audit Operational Committee

Objective

To examine audit operational matters referred to it by its own motion and the Board of Management

Composition

- Assistant Auditors-General - Branches 1-4

Organisations and Activities Audited

(Excluding organisations audited under section 45(1) of the Public Finance and Audit Act 1983 – listed in Appendix 5; special reviews listed on page 18 and performance audits – see appendix 16)

(Note: Agencies appearing with an asterisk are subsidiaries to those main, or 'primary' agencies appearing immediately above them.)

Aboriginal Affairs, Department of	Crown Entity: Commercial Activities
Aboriginal Land Council NSW	* Crown Land Homesite Program
Advance Energy	* Insurance Ministerial Corporation
Ageing and Disability Department	* Land Development Working Account
Agricultural Scientific Collection Trust	* NSW Non Budget Long Service Leave Pool
Agriculture, Department of	* NSW Structured Finance Activities
Air Transport Council	Corrective Services, Department of
Anzac Memorial Building, Trustees of the	Crime Commission, NSW
Architects Board	Dams Safety Committee
Art Gallery of NSW Foundation	Darling Harbour Authority
Art Gallery of NSW Trust	Delta Electricity
Arts, Ministry for the	Dental Board of NSW
Attorney General	Department for Women
* Crown Solicitor's Office	Department of Gaming and Racing
* Office of Protective Commissioner and Public Guardian	Drug Offense Foundation, NSW
* Registry of Births, Deaths & Marriages	Education and Training, Department of
Australian Inland Energy	* Adult Migrant English Service
Australian Museum Trust	Education & Training Foundation Pty Ltd, NSW
Banana Industry Committee	Electricity Transmission Authority of NSW
Bicentennial Park Trust	EnergyAustralia
Board of Vocational Education & Training	* Downtown Utilities Ltd
Broken Hill Water Board	* EnergyAustralia Enterprises Pty Ltd
Building & Construction Ind Long Service Payments Corporation	* EnergyAustralia Pty Ltd
C.B. Alexander Foundation	* EnergyAustralia Venture Holdings Pty Ltd
Cabinet Office	* Energy Management International Pty Ltd
Cancer Council, NSW	Energygen Pty Ltd
Casino Control Authority, NSW	Environmental Protection Authority
Casino Community Benefit Fund	* Environmental Trust
Central Coast Waste Planning and Management Board	Energy Industries Superannuation Pty Ltd
Charles Sturt University	Ethnic Affairs Commission
* Charles Sturt Services Ltd	Fair Trading, Department of
* Mitchell Services Ltd	Festival Development Corporation
* Olive Street Services Ltd	Film and Television Office, NSW
* Rivservices Ltd	Financial Institutions Commission, NSW
Chipping Norton Lake Authority	Fire Brigades, NSW
City West Housing Pty Ltd	Fisheries, NSW
Coal Compensation Board	Fish River Water Supply
Cobar Water Board	Forestry Commission of NSW
Coleambally Irrigation Cooperation	Forests and Marine Administration, Ministry of
Community Services Commission	Freight Rail Corporation
Community Services, Department of	* Motive Power Company Pty Ltd
	Government Telecommunications Authority, NSW

Grains Board, NSW
 Great Southern Energy
 * Final Pty Ltd
 * Great Southern Energy Gas Networks Pty Ltd
 Greyhound Racing Authority, NSW
 Harness Racing Authority of NSW
 Hawkesbury/Nepean Catchment Management Trust
 Health Care Complaints Commission of NSW
 Health, Department of
 * Corrections Health Service
 * Royal Alexandra Childrens Hospital
 * The Ambulance Service of NSW
 * Area Health Services (metropolitan)
 ** Central Coast
 ** Central Sydney
 ** Hunter
 ** Illawarra
 ** Northern Sydney
 ** South Eastern Sydney
 ** South Western Sydney
 ** Wentworth
 ** Western Sydney
 * Health Services (rural area)
 ** Far West
 ** Greater Murray
 ** Macquarie
 ** Mid North Coast
 ** Mid Western
 ** New England
 ** Northern Rivers
 ** Southern
 * Health Professional Boards (11)
 Health Foundation, NSW
 Heritage Office
 Historic Houses Trust of NSW
 * Historic Houses Trust of NSW Foundation
 * Rouse Hill Hamilton Collection Pty Ltd
 * The Hamilton Rouse Hill Trust
 Home Care Service of NSW
 Home Purchase Assistance Authority
 Honeysuckle Development Corporation
 Hunter Catchment Management Trust
 Hunter Water Corporation Ltd
 * Hunter Water Australia Pty Ltd
 Illawarra Regional Waste Planning & Management Board
 Independent Pricing & Regulatory Tribunal
 Independent Commission Against Corruption
 Information Technology & Management, Department of
 Industrial Relations, Department of -
 Inner Sydney Waste Planning & Management Board

Institute of Psychiatry, NSW
 Institute of Sport, NSW
 Integral Energy
 * InfoMet Pty Ltd
 * Integral Energy Gas Pty Ltd
 Internal Audit Bureau of NSW
 Jenolan Caves Reserve Trust
 Judicial Commission of NSW
 Juvenile Justice, Department of
 LANDCOM
 * Blacksmiths Project Estate Joint Venture
 * East Fairfield Project Joint Venture
 * Kings Bay (Five Dock Project) Joint Venture
 * Oatlands Project Estate Joint Venture
 * Quakers Hill Project Estate Joint Venture
 * West Pennant Hills Project Estate Joint Venture
 Lake Illawarra Authority
 Land & Housing Corporation, NSW
 Land and Water Conservation, Department of
 Legal Aid Commission of NSW
 Legal Practitioners Admission Board
 Library Council of NSW
 * State Library of NSW Foundation
 Liquor Administration Board
 Local Government, Department of
 Lord Howe Island Board
 Lotteries Corporation, NSW
 Macarthur Waste Planning and Management Board
 Macquarie Generation
 Macquarie University
 * CMBF Ltd
 * Macquarie Convocation Pty Ltd
 * The Macquarie Foundation
 * Macquarie Graduate School of Management Pty Ltd
 * Macquarie Research Ltd
 Marine Ministerial Holding Corporation
 Meat Industry Authority, NSW
 Medical Board, NSW
 Mineral Resources, Department of
 Mines Rescue Board of NSW
 Mines Subsidence Board
 Ministerial Corporation for Industry
 Ministerial Development Corporation
 Motor Accidents Authority of NSW
 Motor Vehicle Repair Industry Council
 Murray Valley (NSW) Citrus Marketing Board
 Murray Valley (NSW) Wine Grape Industry Marketing Committee
 Murrumbidge Irrigation Corporation
 Museum of Applied Arts & Sciences, Trustees of

- National Parks & Wildlife Service
 Newcastle International Sports Centre Trust
 Newcastle Port Corporation
 Newcastle Showground and Exhibition Centre Trust
 Northern Sydney Regional Waste Planning & Management Board
 NorthPower -
 * EMLINK Pty Ltd
 * NorthPower Energy Services Pty Ltd
 Office of the Board of Studies
 Office of the Minister for Public Works and Services
 Olympic Co-ordination Authority
 Olympic Roads and Transport Authority
 Ombudsman, Office of the
 Opera House Trust, Sydney
 * Opera House Appeal Fund
 Pacific Power
 * Collieries Superannuation Pty Ltd
 * Elcom Collieries Pty Ltd
 * Eraring Holdings Pty Ltd
 * Eraring Power Company of NSW Pty Ltd
 * Mount Arthur South Coal Pty Ltd
 * Pacific Power Corporation of NSW Ltd
 * Pacific Power (International) Pty Ltd
 * Pacific Solar Pty Ltd
 * Pacific Solar Sub1 Pty Ltd
 * Pacific Western Pty Ltd
 * Powercoal Pty Ltd
 * Powercoal Superannuation Pty Ltd
 Parliamentary Counsel's Office
 Parramatta Stadium Trust
 Pharmacy Board of NSW
 Police Integrity Commission
 Police, Ministry for
 Police Service, NSW
 Port Kembla Port Corporation
 Premier's Department
 Public Prosecutions, Office of Director of Public Trustee
 Public Works and Services, Department of
 * State Valuation Office
 Racecourse Development Committee
 Rail Access Corporation
 Rail Services Authority
 Rental Bond Board
 Rice Marketing Board for NSW
 Roads and Traffic Authority of NSW
 Royal Botanic Gardens & Domain Trust
 Rural Assistance Authority, NSW
 Rural Fire Service, NSW
 Safe Food Production NSW
 * Pacific Industry Services Corp Pty Ltd
 * Milk Marketing NSW Pty Ltd
 SAS Trustee Corporation
 * Pooled Fund
 ** Gila Pty Ltd
 ** Hadenis Pty Ltd
 ** Vistajura Pty Ltd
 ** Valley Commerce Pty Ltd
 ** State Super Financial Services Ltd
 *** State Super Personal Retirement Plan
 *** State Super Allocated Pension Fund
 *** State Super Investment Fund
 Small Business Development Corporation
 Somersby Park Pty Ltd
 South Sydney Development Corporation
 South Sydney Waste Planning & Management Board
 Southern Cross University
 * Norsearch Ltd
 Sporting Injuries Committee
 Sport and Recreation, NSW Department of
 * Eastern Creek Raceway
 State Authorities Superannuation Fund - FSS Trustee Corporation
 * First State Superannuation Fund
 * Public Sector Executives Superannuation Fund
 * Parliamentary Contributory Superannuation Fund
 State and Regional Development, Department of
 State Electoral Office
 * Election Funding Authority of NSW
 State Emergency Service
 State Rail Authority of NSW
 State Sports Centre Trust
 State Transit Authority
 Superannuation Administration Authority of NSW
 Superannuation Services Company Pty Ltd
 Surveyors, NSW Board of
 Sustainable Energy Development Authority
 Sydney Cricket & Sports Ground Trust
 Sydney Harbour Foreshore Authority
 Sydney Organising Committee for the Olympic Games
 Sydney Ports Corporation
 Sydney Water Corporation Ltd
 * Special Environmental Levy (SEL) Unit Trust
 * Australian Water Technologies Pty Ltd
 ** AWT International Pty Ltd
 ** AWT Philippines Inc.
 Teacher Housing Authority of NSW
 Technical and Further Training Commission, NSW

Tourism, NSW
 Tow Truck Industry Council of NSW
 Transport, Department of
 Treasury, The NSW
 * Crown Entity
 * Office of Financial Management
 * Office of State Revenue
 * Public Accounts
 * Statement of the Budget Result
 Treasury Corporation, NSW
 * T-Corp Nominees Pty Ltd
 Trustees of the Farrer Memorial Research
 Scholarship Fund
 University of New England
 * Agricultural Business Research Institute
 * University of New England Professorial
 Superannuation Fund
 * UNE Partnerships Pty Ltd
 University of Newcastle
 * University of Newcastle Research
 Associates Ltd
 * University of Newcastle Sport &
 Aquatic Centre
 University of NSW
 * AGSM Ltd
 * AGSM Consulting Ltd
 * Australian Education Consulting Ltd
 * Unisearch Ltd
 ** Unisearch (Hong Kong) Ltd
 ** Biosignal Pty Ltd
 ** Qucom Pty Ltd
 * University of NSW Ben Lexcen Sports
 Scholarship Fund Ltd
 * University of NSW Foundation Limited
 * University of NSW Press Ltd
 * University of NSW International House Ltd
 University of Sydney
 * Rural Australia Foundation Ltd
 * Museum of Contemporary Art Ltd
 * Wentworth Annexe Ltd
 University of Technology, Sydney
 * Insearch Ltd
 University of Western Sydney
 * Macsearch Ltd
 * Nepean Foundation Ltd
 * CADRE Design Pty Ltd & Unit Trust
 * Hawkesbury Global Ltd
 * University of Western Sydney
 Foundation Ltd and Trust
 * UWS Hawkesbury Residential Colleges
 Ltd
 University of Wollongong
 * Illawarra Technology Corporation Ltd

* Sydney Business School Ltd
 * Wollongong UniCentre Ltd
 * University of Wollongong Foundation
 Ltd
 * University of Wollongong Recreation
 and Sports Association
 Upper Parramatta River Catchment Trust
 Urban Affairs and Planning, Department of
 Veterinary Surgeons Board of NSW
 Vocational Education and Training
 Accreditation Board
 Waste Recycling and Processing Service of NSW
 Waterways Authority
 Wentworth Park Sporting Complex Trust
 Wine Grapes Marketing Board for the City of
 Griffith and the Shires of Leeton, Carrathool
 and Murrumbidgee
 Western Sydney Waste Planning
 and Management Board
 Wild Dog Destruction Board
 Wollongong Sportsground Trust
 WorkCover Authority of NSW
 * Fund created by Bishopsgate Insurance
 Australia Ltd
 * Fund created by Associated General
 Contractors Insurance Co Ltd 1980
 Workers' Compensation (Dust Diseases) Board
 Zoological Parks Board of NSW

Audits Conducted under Section 45(1) of *The Public Finance and Audit Act 1983*

The following information is provided in accordance with recommendation No. 33 in the Public Accounts Committee Reports No. 49, which stated:

Particular Audits

- 10.19 Section 45 of the *Public Finance and Audit Act 1983* provides that the Auditor-General shall conduct audits at the request of the Treasurer, a Minister or a prescribed person of the Act.
- 10.20 The Act also makes provision for the Treasurer to decide whether costs and expenses of any such inspection and audit are recouped from the statutory body subject to the audit.
- 10.21 As indicated in Chapter 7, the Premier and Treasurer has asked Ministers to ensure that formal agreement is reached with the Auditor-General on the payment of fees.
- 10.22 The Committee holds the view that details of particular audits should be provided to Parliament.

Recommendation 33

It is recommended that the Auditor-General list in the appendices to his Office report, those audits which he has conducted under section 45(1) of the *Public Finance and Audit Act* including the objectives of the audit, a summary of the results, the cost of the audit and whether the cost was recovered.

These audits are undertaken with the objective of determining whether, in all material respects, the financial statements are presented fairly in accordance with the requirements of the *Public Finance and Audit Act 1983*, and the Australian accounting concepts and applicable standards. In all instances the result was satisfactory.

Audit Client	Financial Year End	Audit Fee	Fees Recouped
Cowra Japanese Garden Maintenance Foundation Ltd	31.03.99	2,500	(1)
Universities Admissions Centre (NSW & ACT) Pty Ltd	31.12.99	20,000	(1)
University of Sydney Professorial Superannuation Scheme	31.12.99	*	(1)
The Dried Prune Industry Marketing Committee	31.3.00	1,600	(2)
Unilinc Limited	31.12.99	8,500	(2)
University of New England Professorial Superannuation Scheme	31.12.99	5,500	(2)

(1) Costs Recovered

(2) Costs Not Fully Recovered

* No individual fee set - met as part of overall University of Sydney fee

Work Undertaken for External Committees and Panels

A. Service on Committees

During the year, staff of the Audit Office were members of the following committees, panels or working parties. The total time involvement during the year amounted to approximately 25 days.

Staff Member	Representative On
Tony Harris	Federal Electoral Redistribution for New South Wales
Robert Sendt	Australasian Council of Auditors-General Federal Electoral Redistribution for NSW Committee
Jane Tebbatt	Community Service Commission Substitute Care Inquiry Reference Panel
Lee White	ICAA - Accounting and Auditing Panel Public Accounts Committee Financial Disclosure of the Workcover Scheme of Statutory Funds Superannuation and Funds Management Taskforce of the Securities Institute
Steve Fryer	CPA Australia - CPA Program - Financial Accounting Panel CPA Australia - National Education and Membership Advisory Committee CPA Australia - NSW Education Membership Policy Committee ICAA Research Group
Tony Whitfield	ICAA - National Executive and State Council Committee ICAA - Task Force on Multidisciplinary Practices ICAA Task Force re: Ownership of Firms ICAA Task Force re: Outsourcing
John Rosier	Annual Reports Awards Australian - Panel Coordinator ICAA - Task Force on Professional Independance
Phil Thomas	ICAA – Joint Legislative Committee ICAA – National Professional Standards Committee ICAA – NSW Professional Standards Committee
Maria Spriggins	ICAA - Membership Committee
David Jones	Joint Legislation Review Committee (Between ICAA and CPA Australia) Local Government Accounting Advisory Group Street Safety Camera Project Audit Committee - Sydney City Council
Stephen Horne	Australasian Public Sector Ethics Network Australian National Audit Office Reference Panel for Fraud Control Performance Audit Corruption Prevention Network Committee ICAC - Website Review Focus Group Institute of Internal Auditors – NSW Audit Executives Network Committee Institute of Internal Auditors NSW Branch - Board of Governors Premier’s Department - NSW Ethics Working Party
Jim Mitchell	Australasian Council of Auditors-General Liaison Officers CPA Australia – Public Sector Committee Steering Committee Review of Compliance Reporting
E Lumley	The Hardship Board/Board of Review
P Boulous	ICAA - State Education Committee

B. Evidence Given Before Parliamentary Committees

Date	General Nature of Evidence
1/7/99	Public Bodies Review Committee Inquiry into Current Reporting Requirements and General Accountability Issues Relating to Public Sector Trusts
23/7/99	Public Accounts Committee Inquiry into Industry Assistance by NSW Government
2/12/99	Joint Parliamentary Committee on the ICAC, Review of the ICAC
28/3/00	Committee on the Office of the Ombudsman and Police Integrity Commission - Review of <i>Protected Disclosures Act 1994</i>
17/4/00	Legislative Council General Purpose Standing Committee No 3 Inquiry into Contract of Employment of Police Commissioner
1/5/00	Legislative Council General Purpose Standing Committee No 1 Inquiry into Current Provisions for the Appropriation of Moneys and Authorisation of Expenditure
3/5/00	Public Accounts Committee Inquiry into Industry Assistance Provided by NSW Government
4/5/00	Public Accounts Committee Hearing on Issues Arising From Auditor-General's 1999 Reports (WorkCover)
5/5/00	Public Accounts Committee Inquiry into Issues Arising From Auditor-General's 1999 Reports (Waste Service)
5/5/00	Public Accounts Committee Hearing on Issues Arising From Auditor-General's 1999 Reports (Juvenile Justice)

C. Work Performed for Committees

Name of Committee	General Nature of Work	Approximate Time Involved
Public Accounts Committee	Inquiry into State development funding. Briefing on performance audit findings and issues concerning accountability and competition for state development funding	2 hours
Public Bodies Review Committee	Inquiry into the Office of the Public Guardian and Protective Commissioner. Briefing on performance audit findings and issues concerning the operating framework for the management of protected persons	1 hour

APPENDIX SEVEN

APPENDIX SEVEN

Title of Presentation	Presenter	Date	Audience
Governance Critique	S Horne	10/11/99	Motor Accidents Authority Governance Workshop
An Audit Office Perspective on the GST	S Wasylyk	22/11/99	ASCPA Internal Audit Industry Day Presentation
Annual General Meeting	R Sendt	8/12/99	Institute of Internal Auditors
Audit Records and Accountability	S McLeod	7/2/00	Records Management Association of Australia
Fraud Risks in an Outsourcing Environment	S Horne	29/2/00	IIR Conference
The Role of the Auditor-General	R Sendt	29/2/00	Cabinet Meeting
The Role of the Auditor-General	R Sendt	29/2/00	Ministers' Chiefs-of-Staff
Accountability Issues in the Public Sector	R Sendt	1/3/00	Institute of Chartered Accountants in Australia, Members in Commerce Group
The Role of the Auditor-General	R Sendt	5/4/00	Shadow Cabinet
Corporate Governance	R Sendt	10/4/00	SES Induction Program
The Role of the Auditor-General	R Sendt	17/4/00	Quarterly Forum of Opposition Staff
Issues Arising From Auditor-General's 1999 Reports (Waste Service)	J Mitchell	5/5/00	Public Accounts Committee Inquiry
The Taxpayers Right to Know: Keeping Governments Accountable	R Sendt	11/5/00	IIR Conference
Evolving Accountability Paradigms and Frameworks	S Horne	22/5/00	IPAA State Conference
Matching Core Competencies Against Tender Requirements	P Thomas	25/5/00	IES 2 Day National Conference
Parliamentary Ethics	S Horne	31/5/00	Australasian Study of Parliament Group
Smaller Agencies on KPIs	R Sendt	31/5/00	Public Bodies Review Committee Seminar
E-Business Corruption Risks	S Horne	28/6/00	Corruption Prevention Network
Health Funding Models and Social Capital	M Spriggins	9/7/00	The Health Services Association of New South Wales Annual Conference 1999

APPENDIX EIGHT

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Report on Investment Performance

The Audit Office in terms of the *Public Authorities (Financial Arrangements) Act* has no statutory investment powers. Funds of the Office are included in the Treasury set-off banking arrangements where Treasury pays interest on a daily basis. Interest earnings for the twelve months ended 30 June 2000 were \$100,579.

Performance Against Service Standards

The Audit Office has issued a Guarantee of Service to its clients, which sets out certain service standards that we undertake to meet. The results below show our performance against these standards.

Service Standards	How Measured	Results
<i>Appropriateness</i> We will provide all our audit clients with an Engagement Letter outlining the nature, scope, approach, and specific details relating to the assignment, prior to commencement.	Test check of correspondence	90%
We will perform audit work with a thorough understanding of the client’s industry and business.	Clients asked to rate	Between good and very good
Our reports and opinions will be based on work undertaken in accordance with the Public Finance and Audit Act, other relevant legislation and Australian Auditing Standards and will be in the form required by the legislation and standards.	Internal and external reviews	Satisfactory
<i>Accuracy</i> When our clients request information from us, we will answer them directly whenever we can, or assist them to find the information from the appropriate source. The information provided will be in the form required by the legislation and standards.	Client rating from survey question on ‘communication-keeping client informed’	Between good and very good
<i>Availability</i> Engagement Controllers and Managers will be in contact throughout the audit to ensure we are meeting clients needs.	Client rating from survey	Between good and very good
We will include a contact name in all reports, correspondence and telephone conversations.	Test check of correspondence	Satisfactory
<i>Timeliness</i> Letters and reports will be issued within the following periods and sooner if possible:		
· audit opinions – within statutory deadlines	Actual count	83%
· reports to Ministers – at the same time as related opinion reports	Actual count	84%
· draft management letter – within 4 weeks of audit completion	Actual count	75%

Service Standards	How Measured	Results
<i>Value for Money</i> Value for money will be provided by identifying those issues that are of greatest importance to our clients and tailoring a service that is responsive to those issues.	Client rating	Between average and good
<i>Courtesy and Sensitivity</i> We will discuss audit results with our audit clients. Where significant or potentially sensitive matters are identified, a draft report, opinion, or management letter will be discussed before being formally issued.	Review of complaints records and client survey comments	Between average and good
Confidentiality and sensitive information will be managed with due consideration to the impact on individuals and all our clients.	Review of records	Satisfactory

Equal Employment Opportunity Statistics

Table 1: Percent of Total Staff by Level

LEVEL	TOTAL STAFF	(i)	(ii)	(iii)	(iv)	(v)	(vi)	(vii)	(viii)
\$25,761 - \$33,835 (Under Grade 1)	4	100	25	75	0	0	25	50	25
\$33,836 - \$37,825 (Grade 1-2)	44	100	36	64	0	43	25	0	0
\$37,826 - \$47,866 (Grade 3-5)	47	100	40	60	0	40	45	4	2.1
\$47,867 - \$61,899 (Grade 6-9)	68	99	65	35	0	45	43	4	1.5
\$61,900 - \$77,374 (Grade 10-12)	46	100	91	9	0	24	22	4	2.2
>\$77,374 (non SES)	3	100	100	0	0	0	0	0	0
>\$77,374 (SES)	23	100	91	9	0	30	22	9	0
TOTAL	235	100	62	38	0	37	33	5	1.7

* excludes casual employees (ie, Aboriginal and Torres Strait Islander trainees) and contract staff employed through agencies

Table 2: Percent of Total Staff* by Employment Basis

EMPLOYMENT BASIS	TOTAL STAFF	(i)	(ii)	(iii)	(iv)	(v)	(vi)	(vii)	(viii)
Permanent Full Time	191	99	61	39	0	38	34	4	1.6
Part-Time	6	100	17	83	0	50	67	17	16.7
Temporary Full-Time	13	100	54	46	0	23	23	0	0
Part-Time	1	100	0	100	0	0	0	100	0
Contract SES	23	100	91	9	0	30	22	9	0
Non SES	1	100	100	0	0	0	0	0	0
Casual	2	100	50	50	100	0	0	0	0
TOTAL	237	100	62	38	0.8	36	33	5	1.7

- (i) Respondents
- (ii) Men
- (iii) Women
- (iv) Aboriginal and Torres Strait Islanders
- (v) People from racial, ethnic, ethno-religious minority groups
- (vi) People whose first language spoken as a child was not english
- (vii) People with a disability
- (viii) People with a disability requiring adjustment at work
- * Excludes contract staff employed through agencies

Progress with Disability Plan

Under Section 9 of the *Disability Services Act 1993* and the NSW Government Disability Policy Framework 1998, New South Wales public sector agencies must have Disability Action Plans (DAP).

During the reporting period just ended The Audit Office of NSW prepared a draft Disability Action Plan covering the period 1 January 2000 to 31 December 2002. In the latter part of 1999, the EEO Co-ordinator prepared a basic draft Disability Action Plan as per the guidelines issued by the Ageing and Disability Department. This was forwarded to the Ageing and Disability Department for their comment. After receiving written feedback and meeting with officers from the Ageing and Disability Department, the draft was modified to produce a document for the consultative stage of development.

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

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

By 30 June 2000 the DAP was given to staff for review and comment. Those consulted included:

- All staff with disabilities
- TAO Management
- Disability Committee
- EEO Implementation Committee
- Occupational Health and Safety Committee
- Staff who have major responsibility for implementing the DAP strategies
- Two disability-specific employment agencies which assisted in recruiting our staff with disabilities.

Feedback from the above will be incorporated into the DAP by 31 December 2000.

Ethnic Affairs Priorities Statement (EAPS)

The Office’s activities are fundamentally centred on serving the interests of Parliament, the Government and its agencies, and not directly members of the public. Therefore, it has little capacity to orient its activities to give priority to meeting the needs of the State’s residents to whom the EAPS is addressed.

Ethnic Affairs Priorities Statement 1998 and 1999

Whilst the Audit Office is an agency with limited ethnic affairs responsibilities not usually providing direct services to the wider community, the Office is bound by the requirements of the *Ethnic Affairs Commission Act, 1979* (as amended in 1996), and required to develop an Ethnic Affairs Priorities Statement.

The Audit Office respects the right of Australian citizens and residents who wish to be citizens to seek employment to advertised vacancies in the Audit Office. Its employment record outlined in its annual reports provides tangible evidence of its support of cultural diversity through this non-discriminatory employment policy.

Audit Office advertisements for vacant positions include the following introductory paragraph:

The Audit Office is committed to Equal Employment Opportunity, Occupational Health, Safety and Rehabilitation, Ethical Practices and the Principles of Cultural Diversity. All applicants are expected to demonstrate an understanding and commitment in these areas.

This commitment by the Audit Office is designed to ensure that merit based recruitment practices are carried out by all committees responsible for the selection of staff for the Office. The successful implementation of this policy is reflected by the number of staff that have been appointed from racial, ethnic and ethno-religious minority groups.

In 1999, the representation of staff whose first language was not English was 34% of staff in the Audit Office.

The work practices and arrangements of the Office reflect a respect and accommodation of cultural and religious differences, both within the Office and client agencies serviced by the Audit Office.

The Auditor-General is committed to providing leadership within the Office in encouraging and valuing a cultural diverse society, and promoting social cohesion. This commitment is reflected in the Corporate Plan for the Audit Office, and in human resource policies and practices.



Accounts Payable Performance

The following information is provided in accordance with the requirements of the *Annual Reports (Statutory Bodies) Regulation 1985* Clause (4) (m2), and having regard to the detailed requirements set out in Treasury Circular No G1992/12.

The fiscal period covered by the financial statements is twelve months from 1 July 1999 to 30 June 2000.

	On time	Within 30 days	31-60 days overdue	61-90 days overdue	>90 days overdue	Total Value
1 st Quarter						
No of Accounts (%)	98.00	2.00	0.00	0.00	0.00	100.00
Value (\$'000)	2,891	60	0	0	0	2,951
2 nd Quarter						
No of Accounts (%)	96.47	2.75	.78	0.00	0.00	100.00
Value (\$'000)	2,762	79	22	0	0	2,863
3 rd Quarter						
No of Accounts (%)	86.56	9.14	3.47	0.56	0.00	100.00
Value (\$'000)	1,405	153	56	9	0	1,623
4 th Quarter						
No of Accounts (%)	97.86	1.79	0.00	0.35	0.00	100.00
Value (\$'000)	2,522	46	0	9	0	2,577

Contracted Activities

Supplier	Service	Payment (\$)
Ernst & Young	Auditing Services	564,715
PricewaterhouseCoopers	Auditing Services	289,075
Deloitte Touche Tohmatsu	Auditing Services	241,417
KPMG	Auditing Services	225,771
Pannell Kerr Forster	Auditing Services	188,850
Northcorp Accountants	Auditing Services	76,210
Forsyths	Auditing Services	63,125
Thomas Noble & Russell	Auditing Services	50,025
Arthur Anderson	Auditing Services	50,015



Performance Audit Conducted

Key Performance Indicators	<ul style="list-style-type: none">■ Government-wide Framework■ Defining and Measuring Performance (Better Practice Principles)■ Legal Aid Commission Case Study
Attorney General's Department	<ul style="list-style-type: none">■ Government-wide Framework
Office of the Protective Commissioner Office of the Public Guardian	<ul style="list-style-type: none">■ Complaints and Review Processes
University of Western Sydney	<ul style="list-style-type: none">■ Administrative Arrangements
NSW Police Service	<ul style="list-style-type: none">■ Enforcement of Street Parking
Roads and Traffic Authority of NSW NSW Police Service	<ul style="list-style-type: none">■ Planning for Road Maintenance■ Staff Rostering, Tasking and Allocation
Academics' Paid Outside Work	<ul style="list-style-type: none">■ Administrative Procedures■ Protection of Intellectual Property■ Minimum Standard Checklists■ Better Practice Examples
Hospital Emergency Departments	<ul style="list-style-type: none">■ Delivering Services to Patients
Department of Education & Training	<ul style="list-style-type: none">■ Using Computers in Schools for Teaching and Learning
Ageing and Disability Department	<ul style="list-style-type: none">■ Group Homes for People with Disabilities in NSW

Notable Actions taken in Response to this and Previous Years Performance Audit Reports

- an Inter-Departmental Committee (with representatives from NSW Police Service, Ministry for Police, NSW Treasury, Roads and Traffic Authority and Department of Local Government) was established at the request of the Minister for Police to review and report on options for responsibility of enforcement of on-street parking law. An interim report has been provided to the Minister
- Premier's Department, Treasury and the Council on the Cost and Quality of Government worked to improve overall cohesion in performance reporting by NSW government agencies
- the Public Bodies Review Committee of NSW Parliament initiated an annual reporting workshop series of seminars for agencies in the arts portfolio
- improved complaints handling mechanisms were introduced by the Office of the Protective Commissioner and the Office of the Public Guardian
- Attorney General's Department undertook a review of the control environment operating within the Office of the Protective Commissioner
- the Public Bodies review Committee of NSW Parliament initiated an Inquiry into the operations of the Office of the Protective Commissioner and the Office of the Public Guardian
- the NSW Police Service established a Police Deployment Steering Committee to control risks regarding key business systems, develop an evaluation framework and oversight Crime Management Units & Activity Based Management
- for emergency departments, the NSW Department of Health is currently reviewing:
 - planning guidelines
 - medical staffing levels
 - quality assurance systems including monitoring and review of practices
 - NSW Treasury has undertaken research related to measuring and reporting the outcomes of performance for the computers in schools program
 - the NSW and ACT Vice Chancellors' Conference in April enthusiastically adopted all the recommendations contained in the report *Academics' Paid Outside Work* and declared their implementation as a business item in the ensuing year
 - the Vice Chancellor of the University of Western Sydney has adopted the recommendations contained in our report *Administrative Arrangements* and using them as a driving force in her quest to implement changes within the University.
- distribution of the guide to better practice for governing and advisory boards continued, with total distribution reaching 3,000 copies. Overseas interest has reached as far as Canada, Fiji, Malaysia, Singapore, South Africa and the United Kingdom
- the NSW Government established an official Ethics Website, to serve as a central portal for all material related to ethics, probity, fraud control and corruption prevention for the NSW public sector. This was a direct recommendation of the follow-up performance audit on the implementation of fraud control in the NSW public sector
- the OECD ethics website has made direct links to our performance audit reports and better practice guides in the field of fraud control

- NSW Health Department invited tenders to develop a new state-wide service plan for provision of emergency departments services across NSW. This will optimise the use of appropriate and effective treatment, provide equity of access, promote efficient and appropriate utilisation of the service
- our report on planning for emergency department services also served as a catalyst in the initiation of a review of such services by the South Australian Government
- General Purpose Standing Committee No. 5 of NSW Parliament initiated an Inquiry into the NSW Rural Fire Service, which inquired into matters that had been recommended by the performance audit report but which were beyond the authority of the Rural Fire Service to implement unilaterally. The recommendations of the Committee were consistent with those of the performance audit report, and the NSW Emergency Services Minister subsequently instituted major reform in the management of the rural fire services in NSW
- the Audit Office's 1995 guide to better practice for grants administration was used as the basis for a compliance review undertaken at all agencies making grants to non-government entities. It was found that most agencies appeared to be following most aspects of the guide, with many having adopted all of them.
- the Premier's Department issued two circulars as a direct response to the report on the management of sickness absence in the NSW public sector:
 - Premier's Department Circular 2000-11 Managing and Supporting Attendance at Work Policy Framework
 - Premier's Department Circular 2000-16 Sickness Absence Policy
- the Department of Community Services and Department of Health were provided, following request, with the guide to better practice for management of sickness absence compiled by the Audit Office in 1998. The Audit Office, at the request of the Premier's Department, did not generally release this guide to the NSW public sector.

Special Reviews

The Auditor-General's Report to Parliament includes a summary of the nature of each financial report audit and a number of special reports. Special reports generally include compliance reviews and matters of importance which have arisen during the course of financial audits for the attention of Parliament. For the reporting period, special reports were made on:

- Compliance Review of Grants Paid to Non-Government Entities
- Compliance Review of Aspects of the *Annual Reports (Statutory Bodies) 1984* and *Annual Reports (Departments) Act 1985*
- Compliance Review of Trust Account Activities
- Compliance Review of *Public Authorities (Financial Arrangements) Act 1987* and Public Authorities (Financial Arrangements) Regulation 2000
- Compliance Review of Academic Leave in Universities
- Expenditure on a Ministerial Letter: Political and Governmental
- Investment Powers of a Controlled Entity under the *Public Authorities (Financial Arrangements) Act 1987*
- Parliamentary Control Over Consolidated Fund Appropriations
- Billing's by a Major Telecommunications Carrier
- Dividend Payments by Agencies to Consolidated Fund
- Review of Rostered Overtime
- Management of Leased Accommodation
- Budget Sector Debtors
- Ministerial Office Expenditure
- Investment Powers of a Controlled Entity under the *Public Authorities (Financial Arrangements) Act 1987*
- New South Wales Government Agencies' Preparedness for the GST (Phases 1 and 2)
- Review of Motorway Documentation
- NSW Government Agencies' Preparedness for the GST (Phases 3 and 4)

These reports can be found in the Auditor-General's Report to Parliament Volumes Two and Three for 1999 and Volume One, Two and Three for 2000. All these reports are available on Office's Internet site.

Compliance Index to Disclosure Requirements

This index has been prepared to facilitate identification of compliance with statutory disclosure requirements (as per Treasurer's Memorandum TM92/9 Annual Reporting Requirements) and other disclosure requirements.

Act ^{Note 1}	Detail	Page
1-6A	Preliminary Section of the Act – n/a	n/a
7(1)(a)(i)	Financial Statements	26
7(1)(a)(ia)	Financial Statements of controlled entities	n/a
7(1)(a)(ii)	Opinion (Independent Audit Report)	25
7(1)(a)(iia)	Response to Auditor-General's report	n/a
7(1)(a)(iii)	Current and next year's budgets	23
7(1)(a)(iv)	Report of Operations	see note 3 below
7(1)(a)(v)	Other prescribed matters	see Reg 8 below
7(1)(b)	Report by prescribed person, group or body	n/a
7(2)	Dispensation by Treasurer	n/a
8	Report of operations prepared within 4 months	complies
9(1)	Report shall include:	
9(1)(a)	* charter	1
9(1)(b)	* aims and objectives	8
9(1)(c)	* access	72
9(1)(d)	* management and structure	12-15
9(1)(e)	* summary review of operations	11-14
9(1)(f)	* legal change	17
9(2)	Prescribed particulars	see note 3 below
9(3)	Prescribed form	n/a
9A-12	Submission etc of report – (other companies)	n/a
12A	Annual Report of Auditor-General's Office	complies
13-17	Miscellaneous	n/a
Reg ^{Note 2}		
1-4	Preliminary Section of the Regulations	n/a
5	Start and finish of audited financial statements clearly indicated	26-40
6(a)	First budget approved for the year	23
6(b)	Other budget	n/a
7	Place for inclusion of budget	n/a
8	Additional matters for inclusion:	
8(1)	* significant events after year end	n/a
8(2)	* prescribed matters	n/a
	-amendment to code of conduct	n/a
	-annual report copies printed and cost	72
9	Unaudited information clearly indicated	contents page
10	n/a	
11	Performance of executive officers	42
12	Investment performance	56
13	Liability management performance	n/a
14	Number of executive officers	41
15	Prescribed particulars	see note 3 below
16	Form of report – general:	
16(1)	* effective presentation and arrangement	complies
16(2)	* index and table of contents	complies

Management and activities:	
* nature and range of activities	12
* measures and indicators of performance showing level of efficiency and effectiveness	9-10
* nature and extent of internal and external performance review practices	10
* improvements in organisational achievements	10
* benefits from management and strategy reviews	9-10
* management improvement plans	9-10
* achievements against previous targets	9-10
* major problems and issues	5-7
* major works in progress	5-7
* delays in major works or programs	n/a
Research and development:	
* completed research	n/a
* continuing research and development	n/a
Human Resources:	
* Number of employees	20
- by category	20
- by comparison to at least 3 prior years	20
* exceptional movements in salaries	23
* personnel policies and practices	20-22
* industrial relations policies and practices	n/a
Consultants:	
* costing more than \$30,000	19
* costing less than \$30,000	19
* no consultants	n/a
Equal Employment Opportunity:	
* achievements	18
* strategies for the following year	18
* statistics	59
* progress with disability plan	60
Land disposal	n/a
Promotion	
* Types of publications and other information	55
* Overseas visits including purposes	19
Consumer response:	
* extent and main features of complaints	19
* services improved or changed as a result	19
Guarantee of Service	
* standard for providing services	57-58
* comments on variances from standard	57-58
* comment on changes made to standard	57-58
Time for payment of accounts	n/a
Account for payment performance	62
Risk management and insurance activities	18
Controlled entities	n/a
Ethnic Affairs Priority Statement & Ethnic Affairs Agreement	61

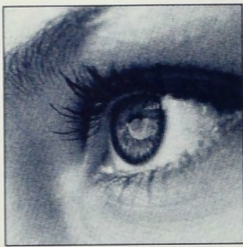
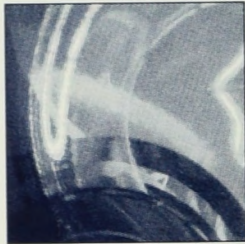
Note 3. Refers to matters described in Schedule 1 to the *Annual Reports (Statutory Bodies) Regulation 2000*
n/a not applicable

Requirements under Freedom of Information Act 1989 and Regulations:

1.	Information is to be provided in the required format	Page 15
2.	An assessment of that information is to be provided	Page 18

Requirements under Government Pricing Tribunal Act 1992:

Agency to provide information regarding determination or recommendation of tribunal.	(NIL)
Requirements under Treasury Circular TC 1997/01	
Equal employment opportunity disclosure requirements:	Page
1. Commentary on Equal Employment Opportunity achievements	18
2. Statistical information in the required format	60
Requirements under Treasury Circular No.13 of 1995	
Annual reports: Additional requirements:	Page
1. Developments in market testing and contract	10
Requirement under Treasurer's Memorandum No.TM92/9	
Annual reporting requirements:	Page
(a) Number of copies printed and cost	inside back cover
(b) Index and table of contents	3
(c) Provided to Parliament in computer-readable form	complies
Requirements under Treasurer's Direction TD900.01 General Insurance	Page
1. Report on risk management and insurance activities	18
Requirements under Premier's Department Memorandum No 91-27	Page
1. Requirements for all NSW Government publications	see note 4 below
Requirements under Premier's Department Circular No 92/4	
Senior Executive Service	Page
1. Number and level of SES positions	41
2. Number of women in the SES	41
3. Performance of Chief Executive and SES officers Level 5 and above	42
Requirements under Premier's Department Memorandum No 94-28	
Changes to Procedures for Making Statutory Rules:	Page
1. Annual reports to detail any departures from Subordinate Legislation Act	n/a
<p>Note 4: The report complies with all requirements under Premier's Department Memorandum No 91-27 except for that which requires inclusion on the front cover of the legend: "The New South Wales Government, Putting People First by Managing Better". The decision not to include this accords with the concept of The Audit Office being independent of Government.</p>	



Report Production Details

1,200 copies of this report have been printed at an average cost of \$25.

Extra copies can be purchased from the Government Information Service Bookshop. Special requests may be directed to the The Audit Office.

A copy of this report in computer readable form was submitted to Parliament.

Access

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