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Annual Report
Period Ended 30 June 1999

The Audit Office of New South Wales



Profile of The Audit Office

PROFILE OF THE AUDIT OFFICE

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 the discharge of 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 8% of audit resources. Audits of New South Wales government agencies are conducted to form an opinion on financial reports. Also, since 1992 a modest capacity has existed to determine whether an agency is carrying out its activities effectively, economically and efficiently and in compliance with all relevant laws.

MISSION

We see our mission as auditing in the State's interest.



GPO Box 12
Sydney NSW 2001

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 seven months ended 30 June 1999.

R J Sendt
29 October 1999

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Note: Apart from the financial statements for 1999 all other information in this report is unaudited.

Auditor-General's Foreword

An annual report, by its very nature, deals primarily with the period just ended. No report covering The Audit Office would be complete without acknowledging the contribution and leadership over that period – and the six prior years – of my predecessor, Tony Harris.

Tony's legacy will be the heightened public awareness both of this Office and, more importantly, of the issue of accountability in government service delivery.

Accountability by government for its use of public funds continues to be a critical issue. It is fundamental to the relationship between Parliament and government. It lies at the very existence of Audit Offices.

The Audit Office role, in part, is to advise Parliament whether services are being provided efficiently and effectively. This role is hampered where government agencies do not adequately measure and report on their own performance.

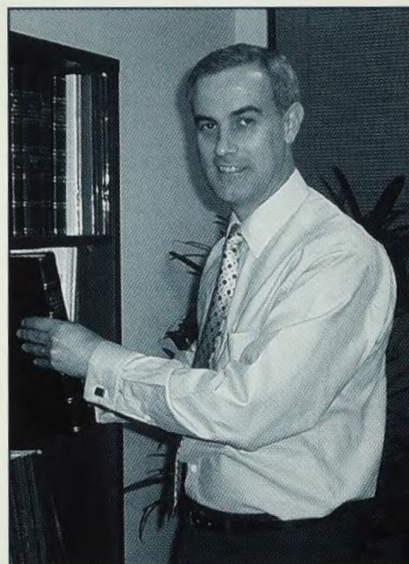
Under the *Public Sector Management Act 1988*, departmental heads are responsible for the "effective, efficient and economical management of ... the Department". Under Annual Reports legislation, departments and statutory bodies are also required to publish ("if practicable") indicators demonstrating their levels of efficiency and effectiveness.

Can Parliament, the general public or this Office determine if agency heads have met their responsibilities?

In general I would suggest not.

Annual reports vary considerably in the extent to which they publish performance indicators. The choice of indicators changes from year to year. There is no consistency between agencies in the structure of their published indicators. There is an almost universal lack of comparison of agencies' performance with their counterparts in other jurisdictions, even where information to allow this may be readily available.

This is hardly a trivial concern, the cost of general government services in this State is approaching \$28 billion per year. The need for better performance measurement and reporting will receive further Audit Office attention during the coming year.



The Reviewer appointed by the Public Accounts Committee to conduct the triennial review of The Audit Office has provided me with his report. It contains an assessment of the management and professional performance of the Office, with valuable suggestions for improvement. These are presently under review.

The coming year has three major challenges for the government, agencies generally and this Office – the Y2K issue, the introduction of the GST from 1 July 2000 and final planning for the 2000 Olympics. Each will impact on The Audit Office and its clients. On each, the Office is well placed to ensure that it can operate on a "business as usual" basis.

Last year's report referred to instances of inappropriate behaviour by some Office staff. Investigations have been completed with some officers resigning and others having faced disciplinary action. I am pleased that this process has emphasised to all staff the need for absolute adherence to ethical standards.

Finally, I would like to extend my personal thanks to the staff of The Audit Office who have welcomed me into my new role. I am sure that their continued support and professionalism will make my task that much easier.

R J Sendt
Auditor-General

KEY PERFORMANCE INDICATORS

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

KEY FINANCIAL RESULTS

	\$'000	\$'000
Total income	21,846	11,218
Total expenditure	21,997	12,791
Operating surplus before abnormals	-151	-1,573
Total assets	19,387	19,905

KEY OPERATING RESULTS

Organisations and activities audited	384	70
Qualified audit opinions issued	29	6
Number of reports to Parliament	16	9
Average staff number	229	229

* With the change in the Office year end from 30 November to 30 June this report reflects a period of only 7 months. Consequently, care should be taken when comparing 1999 indicators with other years, particularly when comparing measures that are cyclical in nature. See *Change of Reporting Period* page 6.

¹ Conducted every 12 months

² Conducted every 2-3 years

EMPLOYEE OPINION SURVEY

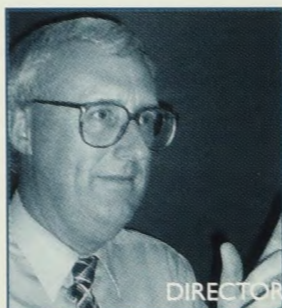
Improving the openness of communication, satisfaction, wellbeing and morale of Office staff is important to overall performance. To help with this an employee opinion survey was conducted during 1998.

Following this survey a number of teams were established to seek solutions to issues raised by the survey.

A communications team was established to examine how communications flow could be improved within the Office. An harassment and discrimination team was established to examine how to improve the management of harassment and discrimination issues at the Office. A shared values team was established to develop strategies to contribute to the Office working under a set of shared values.

All teams have finished preliminary work and have had strategies endorsed by the Board of Management.

Highlights



Steve McLeod
DIRECTOR OF AUDIT

PERFORMANCE AUDITING

The Office's performance auditing services continued to focus on accountability, transparency, integrity and probity. Seven reports were tabled containing 46 recommendations for improvement. See page 17.

NEW AUDIT METHODOLOGY & TECHNOLOGY

The new financial audit methodology has entered its second year of use. All financial audits are now using the new methodology, SAGE (System for Auditing Government Entities) and an audit specific enabling software.

The new methodology is from the private sector and has been modified for use in the public sector. Also, it is designed to be flexible in meeting the needs and expectations of our client base, focus on client business risks and be leading edge and satisfying to use.

The new methodology is a key enabler in improving audit outcomes and to better service stakeholder and staff needs.

CONTRIBUTIONS TO THE ACCOUNTING PROFESSION & OTHER BODIES

The Office continues to contribute to the development of accounting and auditing standards.

The ongoing international harmonisation of the accounting and auditing standards has led to a significant amount of comment on exposure drafts by the Office in conjunction with the Australasian Council of Auditors-General.

COMPLIANCE AUDITING

This year marks the third 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 service 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.

CHANGE OF REPORTING PERIOD

In previous years the Office's year-end for reporting purposes was 30 November. Also, the Office maintained records for the year-end 30 June for government budget papers and the public accounts. The reporting and monitoring of accounts for two financial years was administratively burdensome.

Approval was given by the Treasurer to alter the Office reporting year-end to 30 June. Consequently, this financial reporting period is for the seven months 1 December 1998 to 30 June 1999. Subsequent reports will be for 1 July to 30 June.

Future Directions



Damian Knowles
SENIOR AUDIT CLERK

PARLIAMENT – OUR PRIMARY CLIENT

A close working relationship with Parliament, our primary client, is critical to the success of the Office. Enhancing communication channels with and, where appropriate, providing support to Parliament, will be a focus of the Office in coming years.

A measure designed to assess Parliament's satisfaction with our performance is being developed.

REPLACEMENT OF PUBLIC FINANCE AND AUDIT ACT 1983

The Government is considering updating the State's financial and accountability legislation.

The new legislation is expected to incorporate most of the existing provisions relating to The Audit Office and the Auditor-General's mandate. However, there are some proposed changes, including new provisions that would allow the Auditor-General to audit performance indicators, to undertake miscellaneous tasks on request and to formalise compliance audit work.

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, control systems and on how the Office operates will change the way we relate and provide value to our clients and stakeholders.

PEER REVIEW

A Public Accounts Committee (PAC) sponsored peer review of the Office has been conducted by Professor Allen Craswell from the University of Sydney. Such reviews are to be conducted at least once every three years and are to examine the auditing practices and standards of the Auditor-General. The Office is reviewing the final report. The review's recommendations, and in particular its views on the differences between public and private sector audit and on the Office's proposed rotational model, will be taken into account in planning the future operations of the Office.

ROTATIONAL MODEL

The model involves rotating most audits undertaken by the Auditor-General between the Office and private sector auditors. The Government has accepted the model as an alternative to its competitive tendering approach. Provisional support has been given by the PAC with final approval awaiting comment as part of the PAC sponsored peer review.

Corporate Plan



Michele Rees

QUALITY MANAGER

The Office Corporate Plan is designed to provide an understanding of the Office's purpose, shared values and milestones.

The plan also provides guidance for the Office's business units, which is essential for the development of effective branch plans.

OUR PURPOSE IS

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

OUR MISSION IS

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.

OUR VISION IS

To exceed expectations.

Our aim is to achieve this vision within an ethical framework embracing independence, equity, integrity, empathy, customer focus and continuous improvement.

CORPORATE OBJECTIVES

Our corporate objectives for 2000 are:

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 finds ways to measure 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 plan is a comprehensive framework that translates our vision into a set of actions and measures including indicators relating to effectiveness, efficiency, economy and compliance to relevant standards and legislation.

FOCUS AREA	INDICATOR
Parliament, Clients and Stakeholders	Client Satisfaction Index Customer & Market Focus GSA** Timeliness of Reporting
Products and Service Delivery	Chargeable Time Maintenance of ISO 9001 Certification Processes, Products and Services GSA** Number of Performance Audit Reports issued Compliance with Standards and Legislation
People	Staff Satisfaction Index People GSA** Competency Standard
Knowledge	Client Satisfaction Index Data, Information & Knowledge GSA**
Finances	Annual Budget targets met

* With the change in the Office year end from 30 November to 30 June this report reflects a period of only 7 months. Consequently, care should be taken when comparing 1999 indicators with other years, particularly when comparing measures that are cyclical in nature.

** Guided Self Assessments: a structured process that compares Office systems against a business excellence framework.

Performance

PARLIAMENT, CLIENTS & STAKEHOLDERS

Client Satisfaction Index

The Office conducts a client satisfaction survey of selected 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 69%. A further survey will be conducted during the latter part of 1999. The target for November 2000 is 80%.

Customer and Market Focus GSA

The customer and market focus guided self-assessment (GSA) process is conducted every two to three years. The process measures how well an organisation analyses its customers and markets, and reflects the needs of its current and future external customers in its activities.

The last customer and market focus GSA was conducted during 1997 with a score of 48%. The target for March 2000 is 60%.

Timeliness of Reporting

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

	1997	1998	1999
IARs	81%	78%	84%
Reports to Ministers	94%	80%	84%
Reports to management	72%	48%	85%

PRODUCTS & SERVICE DELIVERY

Chargeable Time

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

1997	1998	1999
55%	53%	45%*

* represents a 7 month period. % for 12 month period will be substantially higher due to audit cycle.

Maintenance of ISO 9001 Certification

The Office's ISO 9001 status was maintained with one surveillance review being conducted by SGS International Certification services.

Processes, Products and Services GSA

The processes, products and services GSA process is conducted every two to three years. The process measures how well an organisation examines and improves the processes it uses to supply products and services to its customers.

The last processes, products and services GSA was conducted during 1997 with a score of 53%. The target for March 2000 is 60%.

Number of Performance Audit Reports Issued

Seven performance audit reports were issued during the period. The annual target is 12.

Compliance with Standards and Legislation

A number of reviews were undertaken and some are currently in progress. They include:

- Internal reviews of financial and performance audit quality
- A peer review – see Future Directions page 7.
- ISO 9001 review
- An external operational audit
- An external financial audit. See page 28.

The regular internal reviews of selected financial and performance audits indicated satisfactory performance.

Continuation of ISO 9001 accreditation required the internal and external review of Office procedures and work practices. These reviews covered management responsibility, training, purchasing, internal quality audits, financial audit services and performance audit services and indicated satisfactory performance.

The external operational audit was conducted by PricewaterhouseCoopers and examined systems of internal control with respect to credit cards and cash advances, fuel cards, the purchasing and payments cycle and FBT. The review concluded that internal controls appear to be strong with adequate segregation of duties, maintenance of relevant supporting documentation and appropriate levels of authorisation.

PEOPLE

Staff Satisfaction Index

The Office conducts an employee opinion survey every two to three years. The most recent survey was conducted during 1998. A number of teams were established to seek solutions to issues raised by the survey (see Highlights page 5). The staff satisfaction index at the time of the survey was 65%. The target for November 2000 is 75%.

Competency Standard

Competency standards are yet to be developed for each position. Once developed, an appropriate competency index will be created to measure people's capacity to apply a competence.

People GSA

The people GSA process is conducted every two to three years. The process measures how well an organisation explores the way people are encouraged and enabled to make a personally satisfying contribution to the achievement of organisational goals.

The last people GSA was conducted during 1997 with a score of 43%. The target for March 2000 is 60%.

KNOWLEDGE

Client Satisfaction Index

See Parliament, Clients & Stakeholders - Client Satisfaction Index page 10.

Data, Information & Knowledge GSA

The data, information & knowledge GSA process is conducted every two to three years. The process measures how well an organisation obtains and uses data, information and knowledge to support decision-making at all levels.

The last data, information & knowledge GSA was conducted during 1997 with a score of 39%. The target for March 2000 is 60%.

FINANCES

Budget targets were met.

COMPARISONS WITH OTHER COUNTERPARTS & THE PRIVATE SECTOR

The Office recognises the value and importance of comparing Office performance against our counterparts in other jurisdictions and the private sector. We have compared/benchmarked a number of our processes and outcomes, for example, university and health sector audits and the operation of computer services.

During the coming year the Office will be developing measures to compare ourselves against appropriate external benchmarks.

Organisation & Management



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



Jim Mitchell FCPA
Deputy Auditor-General



Eric Lumley FCPA
Assistant Auditor-General
Financial Audit



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



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



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



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

Organisation & Management

CLIENTS

The Audit 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 Audit 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
- Staff training in audit related skills
- Information systems audit.

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.

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 audits of government agencies
- Provision of advice to clients on audit related matters
- Assisting with performance audits.

Financial Report audits have the primary purpose of providing an independent opinion on the financial report prepared by each government agency. The financial report and the independent audit report are generally required to be included in the agency's annual report tabled in Parliament. In addition, financial report audits are 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.

Organisation & Management



Philip Poon

DIRECTOR OF AUDIT

Compliance reviews are also an integral 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 or 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.

Auditors also use financial report audits to advise agency management of problems detected during the audit. These may include, for example, opportunities to improve the methods and processes used by agency management to safeguard resources and provide useful financial information.

Each financial audit report is provided to the Minister responsible for the agency concerned, the agency, the Treasurer and a separate report is provided to the Parliament through the Auditor-General's Report to Parliament.

One of the financial audit branches also coordinates the Office's compliance audit program and provides information systems audit, structured finance and treasury services.

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.

Structured Finance & Treasury Audit

The Structured Finance and Treasury Audit Group conducts financial audits of complex off-balance sheet and structured finance transactions 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 structured finance transactions (SFTs) being entered into or initiated at the agency or whole-of-government level.

The Structured Finance and Treasury Audit Group provides the following services:

- 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.

Organisation & Management

PERFORMANCE AUDIT BRANCH

Performance audits 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 8.

The Performance Audit Branch is also responsible for co-ordinating action taken by the Office under the *Protected Disclosure Act 1994*. See page 18.

CORPORATE SERVICES

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

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

The Computer Services Section is responsible for delivering a range of computing services and systems support. This Section also includes a systems development area, which is responsible for the development and maintenance of application systems for the Office.

The Policy and Research Section is responsible for ensuring that the Office's financial audit procedures and practices are the best for meeting its objectives. This Section is also responsible for enhancing the related professional services provided by the Office through the provision of high quality advice, reference material and information.

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 maintenance of the Office's ISO 9001 status, 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. The purpose of ISGs is to:

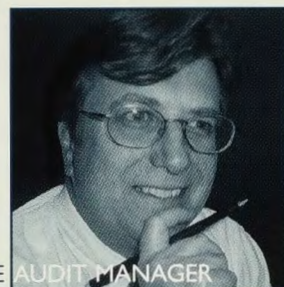
- Collect and analyse relevant industry specific information and disseminate it to appropriate audit staff
- Where possible, seek to convert this information into opportunities for The Audit Office to provide additional audit related services or improve existing services
- Promote the concept of industry specialisation internally, ie educate audit staff to be aware of clients' demands 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.

Review of Operations

Chris Bowdler

SENIOR PERFORMANCE AUDIT MANAGER



FINANCIAL REPORT AUDITS

A major achievement for financial audit has been the implementation of a new audit methodology, SAGE (System for Auditing Government Entities). For full details, see Highlights page 6.

During the period under review the following compliance reviews commenced:

- *The Public Authorities (Financial Arrangements) Act 1987*
- Policies and procedures in respect of trust accounts operations
- Core business activities being in accordance with primary legislation or approved program descriptions
- Time limits set in legislation for the presentation of annual reports to Parliament
- Policies and procedures in respect of grants made to entities external to the NSW public sector.

The results of these reviews are published in the Auditor-General's report to Parliament, Volume 2 1999.

Of note is the assistance the Office is providing to the Legislative Council General Purpose Standing Committee inquiry into the current provisions for the appropriation of public moneys.

The committee is also examining the authorisation of expenditure, any proposals for change to financial and annual reporting legislation and the powers of the Parliament to oversee Government expenditure. This is a significant contribution to developing good relationships with our primary client - the Parliament of New South Wales.

In the coming year the Office's clients will be planning for the introduction of the Goods and Services Tax (GST). The Office, with the NSW Treasury's agreement, is offering to perform the 'independent certification' work in determining the reasonableness of a Government agency's GST project planning. The certifications will satisfy the requirements of the Treasury's GST Compliance Plan and will be undertaken on a cost recovery basis.

Staff and client development remains a focus with a number of successful secondments to audit offices in Australia and overseas, and to our audit clients. For further information see Secondments and Exchanges page 25.

NATIONAL PUBLIC SECTOR ACCOUNTANT OF THE YEAR AWARD

On 8 April 1999 the previous Auditor-General, Tony Harris, won the National Public Sector Accountant of the Year Award. The award was presented by the Australian Society of Certified Practising Accountants (CPAs) in recognition of Tony's outstanding contribution to the accountancy profession and to the public sector generally. The judging panel stated that Mr Harris carried out his role as Auditor-General without "fear or favour" and that he had provided a personal leadership that has enhanced the reputation of the Office both nationally and internationally.

Review of Operations

PERFORMANCE AUDIT

During the period, The Audit Office tabled seven reports containing 46 recommendations for improvement. Of the seven reports, one was as a consequence of legislative requirements (TAB) and one was as a result of a request made by a parliamentarian to The Audit Office. The audits undertaken had a strong focus on accountability, transparency, integrity and probity. The audits examined accountability issues in relation to such matters as:

- The budget for the Sydney 2000 Olympic Games
- The operation of the State's Senior Executive Service
- The sale of major public sector activities
- Development ventures with the private sector
- The provision of industry assistance
- The performance of public schools
- Bushfire management.

Also, a self-audit guide was prepared to assist agencies to review and enhance their fraud control strategies and a review guide was prepared on the issue of contracting-out.

A range of actions were taken by the Government in response to recommendations made in our performance audit reports. Examples of actions taken during the reporting period included:

- Treasury issuing a Treasury Circular on the proper use of corporate credit cards
- Premier's Department initiating actions to improve the standard of management by agencies of employee sickness absences
- The Minister for Education promoting increased performance reporting for private schools in line with accountability standards set for public schools
- The Audit Office assisting with some of the work of the Police Integrity Commission
- Premier's Department initiating action to establish a central reference point for guidance material relating to fraud, corruption and ethics for use both by public servants and private sector organisations seeking to do business with the NSW Government

- The Department of Health continuing to action matters relating to same day admissions and specialists' rights of private practice in public hospitals
- The Department of Health tendering for the development of a planning model for hospital emergency departments
- The Department of Community Services continuing to seek assistance with a peer review process to extract maximum value from a previous performance audit report on large residential centres for people with a disability.

The Performance Audit Branch was also instrumental in developing a joint submission to the Auditing Standards Board, which has led to important modifications being made to the Performance Audit Standards.

CORPORATE SERVICES

The Finance, Administration and Computer Services Section has commenced work on a major overhaul of the Office's finance and payroll systems, due for completion in the latter part of 1999.

Improvements to the monthly management reporting systems have been introduced along with the full implementation of internet e-mail.

Major activities for the Policy and Research Section involved providing commentary on accounting and auditing exposure drafts, implementing the Office's new financial audit methodology, responding to technical issues and preparing technical and library newsletters.

During the period, a survey of the Policy and Research Section's clients showed that they ranked the provision of the Section's services just above very good - the same as last year. Except for some critical comments regarding the Office's library, the majority of staff were more than satisfied with the level of service provided. Responding to the survey finding, the Policy and Research Section will be making improvements to the library service.

Review of Operations

Notable achievements for the Quality, Corporate Planning and Communication Section are the continuation of the Office's ISO 9001 status, the commencement of strategies to improve the adoption of the corporate and business plans, the joint development with Computer Services of the Office intranet and improvements to the presentation of Office publications.

For information on the operation of the Human Resources section see pages 22 - 25.

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 Protected Disclosure Act to investigate complaints. The Ombudsman and ICAC are the others. Those agencies, however, are respectively concerned with maladministration and corruption while The Audit Office deals with "*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 assist in maintaining 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 always regards all complaints very seriously and considers each of them from an holistic point of view. These cases provide the Office with opportunities to examine alleged control weaknesses and, where appropriate, recommend remedies for their improvement.

Whilst not every complaint is investigated, the potential weaknesses or possible systemic failures identified will be considered in selecting performance audit topics. As such, each complaint received plays an important part in maintaining and monitoring accountability within the public sector.

The Audit Office received 19 complaints compared with 24 for the previous full year. Of the 19 complaints, 10 are still under examination.

A number of those 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.

Review of Operations

REPORTS TABLED IN PARLIAMENT

The Office tabled two Auditor-General's Reports to Parliament and seven performance audit reports. A full list is contained in Appendix 8.

The Auditor-General's Report to Parliament includes each financial report audit and a number of special reports. The special reports generally concern matters which have arisen during the course of financial audits and are important enough to be drawn to the attention of Parliament. For the reporting period, special reports were made on:

- Government Campaign Advertising
- Parliamentary Control over Public Funds
- Hon Pam Allen Travel Expenditure
- Expenditure on Tax Advice
- Expenditure on a Ministerial Letter: Political or Governmental
- Ministerial Office Audits
- Public Sector Versus Private Sector Audits
- Relocation of Primo Smallgoods Pty Ltd from Homebush Bay
- Impact of the Year 2000 Millennium Bug on Critical Services.

These reports can be found in the Auditor-General's Report to Parliament Volume Three 1998 and Volume One 1999, on the Office's internet site.

RISK AND RISK MANAGEMENT

The principal risk faced by the Office is that its Reports to Parliament, independent audit reports and performance audit reports, are incorrect. The Office manages its audit risk by using a program of internal and external reviews.

Risks the Office insures against include workers' compensation, motor vehicle, property and public liability.

YEAR 2000 COMPLIANCE

The Office is well on the way to dealing with Year 2000 issues. Major areas of concern have been identified and work has commenced to ensure all systems are Y2K compliant. The Office is also awaiting confirmation that its building security systems are compliant. Contingency and disaster recovery plans have been prepared with final versions to be published by the end of 1999.

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 establishes 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.

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) of the Act, an up-to-date statement of affairs was published in the Gazette in June 1999. In accordance with section 14 (1) (b), up-to-date summaries of affairs were published in the Gazette in December 1998 and June 1999.

Review of Operations

ASSISTANCE TO PARLIAMENT

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

EQUAL EMPLOYMENT OPPORTUNITY

Highlights for the period were:

- The recruitment of a second Aboriginal student under the Aboriginal Trainee Program. The two students are employed full-time during University vacations
- A second person with a disability being recruited from an agency specialising in placement of people with disabilities
- Three teams addressing issues identified in the Employment Opinion Survey as needing attention - all staff were invited to join the teams and all have produced recommendations. See Highlights page 5.
- The harassment and discrimination team overseeing a revision of the grievance procedure, based on the Anti-Discrimination Board's model
- The percentage of staff who are from a racial minority remained steady at 38% - one of the highest figures for a public sector agency
- The percentage of staff who are women remaining unchanged at 37%. The graduate intake of 23 was 61% female, comparing favourably with the NSW graduation rate of approximately 50% for tertiary accountancy students. A woman was promoted internally to the SES, bringing to two the number of women in the 24 strong SES
- Part-time staff increasing significantly from six to ten, three of whom are in financial audit, traditionally an area thought to be difficult to accommodate the needs of part-time staff
- Increases in the number of career breaks, secondments and job sharing.

CONTRACTED ACTIVITIES

To provide optimum value to clients, it is often economic for The Audit 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 details payments to contractors in excess of \$50,000.

OVERSEAS VISITS

In December 1998 two employees of the Office conducted a one-week training course for professional staff in the Office of the Auditor-General of Fiji. The training related mainly to Audit Planning and Audit Management and forms part of the Institutional Strengthening Project among the Pacific Nations, funded by AusAid. The training was aimed at providing the Auditor-General's staff with the ability to assist in improving the performance of the public sector in Fiji and so strengthen accountability in Pacific Nations.

OFFICE VISITORS

The Office was visited by: Professor Peter Aucoin, Service and Innovation Sector, Treasury Board Secretariat, Canada; Tina Pesalalali, Samoa; George Morfitt, Auditor-General, British Columbia; Dr Felip Medalla, Cabinet Minister, Philippines (Director General National Economic Development Authority; Socioeconomic Planning Secretary; and Chair, Philippine Council of Sustainable Development); Anare Jale, Secretary Public Service Commission, Fiji; a Thai delegation and Tamaseu Leni Warren, Controller and Chief Auditor, Samoa.

PROFESSIONAL REPRESENTATION & RECOGNITION

Staff from The Audit Office contribute to the development of the accounting/auditing profession through participation in a range of external public sector committees and working parties. This participation is fully outlined in Appendix 6.

Tony Whitfield, Assistant Auditor-General, was the NSW State Chairman of the Institute of Chartered Accountants in Australia. As part of this role, Tony chaired the State Council meetings and State Executive Committee meetings. In addition, as a National Councillor Tony attended National Council meetings and National Executive Committee meetings.

Stephen Horne of the Performance Audit Branch is a Governor on the NSW Board of the Institute of Internal Auditors. Stephen also represents the Office on a number of committees, including the NSW Public Sector Corruption Prevention Committee Inc, ICAC Advisory Panel for Conduct Becoming, Australian Public Sector Ethics Network and Ethics Working Party (a sub-committee of the Chief Executives Committee).

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 Audit 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 Audit 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 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.

CONSULTANTS ENGAGED

For details refer to the financial statements, note 19, page 41.

RECYCLING

The Office continues to promote the use of paper recycling bins provided by Aspex Australia Pty Ltd, which makes a donation to Westmead Children's Hospital for each ton collected. 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 also placed into effect a comprehensive waste reduction and purchasing plan. This plan is monitored on a periodic basis and continuous improvements are made where possible.

Personnel

PERSONNEL

KEY STATISTICS

	1997*	1998*	1999**
Employees			
Total staff	218	223	222
Senior executive staff	24	23	23
Employee cost (% of total operating expenditure)	71.4%	71.6%	76.0%
Staff turnover	17.4%	12.1%	13.5%
Training			
Average days per employee	6.0	9.8	4

STAFFING LEVELS

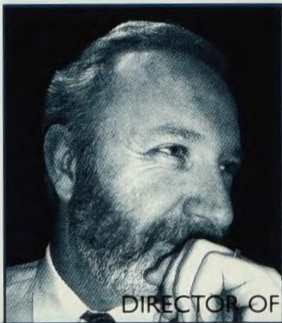
Total salaries and allowances paid to staff during the year was \$8.3 million.

KEY STATISTICS

	1994/ 1995	1995/ 1996	1996/ 1997	1997/ 1998	1998/ 1999
Staff employed as at 1 December	205	225	226	218	223
Losses					
Retirements	Nil	4	6	Nil	Nil
Resignations	22	26	36	20	15
Moves to other depts	11	5	2	7	3
Deceased	1	Nil	Nil	Nil	Nil
Redundancies	1	1	Nil	Nil	Nil
Terminations	Nil	Nil	Nil	Nil	Nil
On Secondment, LWOP, decreased hours					13
Gains					
Public Service	11	7	4	4	1
Outside Public Service	44	30	32	28	23
Returned from secondment & LWOP					6
Number employed					
as at 30 November	225	226	218 ¹	223 ¹	
as at 30 June					222
	1995	1996	1997	1998	1999
Staff category (excludes Auditor-General)					
Senior executives	26	24	24	23	23
Audit staff	168	170	164	163	165
DP support staff	9	9	9	9	7
Administration staff	22	23	21	28	27
Total staff as at 30 November	225	226	218 ¹	223 ¹	
as at 30 June					222 ¹

* 12 months ending 30 November

** 7 months ending 30 June



Robert McIntosh

DIRECTOR OF HUMAN RESOURCES

STAFFING LEVELS

Staff numbers decreased by one over the period. The turnover figure of 13.5% is up marginally on last year's 12.1%, which is mainly attributed to the timing of the reduced reporting period (viz. 1 December to 30 June), which traditionally has a higher turnover than the remainder of the year. The turnover figure is lower than the recently published statistics of large accounting firms.

RECRUITMENT AND SELECTION

The Office maintained its commitment to recruiting quality accounting graduates, again visiting university campuses throughout the State to interview final year students. The process resulted in the recruitment of 19 accounting graduates in January 1999. The process was recently completed for the year 2000 intake, with 18 accepting positions.

Policies and procedures relating to the selection of staff continued to be closely scrutinised, resulting in further enhancements of the system. In particular, greater emphasis was placed on receiving thorough referee checks and comprehensive work reports to ensure work performance continues to play a major role in the selection process. In this regard, selection committees were encouraged to seek as much information from referees and managers as possible on the work performance of candidates to ensure the best applicants were appointed to vacant positions.

During the reporting period, five audit positions (most with multiple vacancies) were advertised throughout the Public Service and in the press. Subsequent selection action resulted in 13 positions being filled, of which 12 were from within the Office. Only one administrative position, Receptionist (part-time jobshare), was filled during the reporting period.

TRAINING & PROFESSIONAL DEVELOPMENT

The 1999 Training 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 development and computer training. Training, development and learning activities occurred in a number of different ways: self-paced, face-to-face and on-the-job learning.

A Learning Centre provides staff with a dedicated space where they can use a selection of resources and courses to improve their skills. Course materials include CD Rom, video and audio tape. The Learning Centre has provided the Audit Office with substantial cost savings. All learning activities were planned to give staff the skills and expertise required to provide professional service and advice to our clients.

A Management Development Program was implemented with 12 managers participating in the pilot program. The aim of this program is to enhance leadership skills through a set of practical interaction skills, which can be used in everyday situations.

Training during the year came from 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 \$123,630. Training amounted to 930.5 days, at an average of 4 days per person (compared with an average of 6 days per person for the same period last 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, private study and to study for exams. Study leave was also provided for the time required to undertake exams.

During the year, reimbursement of fees totalled \$53,329 whilst substantial study time (237 days) was granted.

LEAVE ADMINISTRATION

The Office varied its system of sick leave monitoring. The computerised HR system allows for a warning when staff members exceed the acceptable sick leave limit. This ensures that prompt follow-up action is taken. The average sick leave per employee was 4.8 days (annualised), which is a significant decrease on last year's average of 5.6. The main reasons for this are prompt monitoring and reduced occasions of lengthy sick leave without pay. This level of sick leave absenteeism compares favourably to recently published figures showing average sick leave for the NSW public sector at 7.2 days, all Australia public sector at 7.8 days and all Australia private sector at 5.6 days.

During the reporting period the Office's computerised HR system (CHRIS) was used to provide staff with recreation leave balances on a monthly basis, compared to the quarterly basis of the previous period. This advice will be provided fortnightly upon the introduction of the CHRIS Payroll system during the next financial year. The provision of this advice significantly reduced leave balance enquiries to the Personnel Unit and helped to keep those with balances in excess of the 40 day limit to a minimum. CHRIS was also used to provide ad hoc reports to management, eg recreation and extended leave liability.

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



Sonia Savoulia
ADMINISTRATIVE ASSISTANT

OCCUPATIONAL HEALTH & SAFETY

A number of initiatives were introduced by the Occupational Health and Safety (OH&S) Committee to promote a safe and healthy work environment. These included screening of an "Office Safety" video to staff, distribution of OH&S brochures to all staff on "VDUs and Vision" and "Back in Action", and regular e-mails promoting safe working practices.

SECONDMENTS AND EXCHANGES

The Office has continued to build on the success and benefits for clients and staff from secondments and exchanges. Seven officers were seconded to other State Government agencies for various periods – one to Premier's Department, NSW Dairy Corporation, Department of Corrective Services, Attorney General's Department, NSW Aboriginal Land Council, Treasury and the Department of State and Regional Development. Two staff were seconded into the Office from Treasury and Gaming and Racing.

One officer was seconded to the SA Audit Office for a short period, whilst another three spent time with government audit agencies in the UK. Further opportunities for secondment and exchange were explored with government audit agencies in Queensland, New Zealand, British Colombia, Hong Kong and Samoa.

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, indoor rock climbing and various theatre parties.

Sporting teams again represented the Office in the Summer Touch at Lunch mixed touch football and 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.

Commentary on Financial Results

KEY STATISTICS

	12 Months 1998(\$'000)	1999 (\$'000)
OPERATING RESULTS		
Total Income	21,846	11,218
Operating Surplus/(Deficiency)	2,641	(286)
BALANCE SHEET		
Total Assets	19,387	19,905
Accumulated Funds	10,711	10,425
ANALYTICS		
Operating Result to Total Income	12.09%	(2.55%)
Current Ratio	2.29	1.91
Debtor Turnover	5.27	1.88

OPERATING RESULT

With the change in year-end from 30 November to 30 June, the current operating result reflects a period of only seven months. The work of the Office is cyclical with the low end of the cycle occurring during the period from 1 December to about the end of March each year. Therefore, while costs remain fairly constant month over month, revenue generation is much lower during the down cycle. This negatively impacts the operating result for the seven-month period ending 30 June 1999. Additionally, as revenue generation grows so do the receivables and work in progress such that, for the seven-month period, the debtor turnover ratio is lower than would be the case for a twelve-month period.

- Without the significant abnormal items relating to prepaid superannuation contributions, \$1.0m and a profit on sale of equipment, \$0.3m, an operating deficiency of \$1.6m would have resulted.
- Charge out rates were increased 2.5% (2% in 1998).
- The maintained level of the performance audit function during the seven months ended 30 June 1999 continues to be partly funded from audit fees. This contributes to the current operating deficiency.

Commentary on Financial Results

- Without the significant abnormal items relating to prepaid superannuation contributions and a profit on the sale of equipment totalling \$1.3m, the operating deficiency would have been \$1.6m. This was better than the forecast operating deficiency of \$2.5m. The primary reason for the difference is that the revenue budget for 7 months was understated by approximately \$1.0m.

INCOME

The main income of the Office is earned from audit fees. Because of the change in year-end to 30 June and the shortened reporting period there is no meaningful comparison with last year. Fees were increased an average of 2.5%.

EXPENDITURE

The largest expenditure item for the Office is salaries and related expenses. Non-SES staff were awarded increases of 5.06% from 7 January 1999.

Contract audit fee payments were \$0.8m.

Other major items of expenditure for the seven months related to rent, \$0.6m, and fees for services rendered, \$0.2m.

BALANCE SHEET POSITION

The operating deficiency of \$0.3m includes abnormal adjustments for increased prepaid State Superannuation Scheme contributions, \$1.0m, and \$0.3m profit on sale of equipment. The increased contribution adjustments are reflected in the balance sheet as an increase in the non-current asset of Prepaid Superannuation Contributions. The profit on the sale of equipment is reflected in the cash balance which otherwise would have been lower.

Other notable movements in the balance sheet are: Cash (down by \$0.8m), a result of the down cycle of the business but mitigated by the sale of computer equipment; Receivables (up by \$1.8m), a result of the up turn in the work cycle; Equipment and Furniture (down by \$1.0m), reflects the sale and leaseback of computer equipment.

The Loan Payable was retired early using the proceeds from the sale of computer equipment.

The Audit Office is included in Schedule 5, Part 2 of the *Public Authorities (Financial Arrangements) Act 1987*. This has enabled the Office to obtain a credit facility of \$2.0m from NSW Treasury Corporation for the purposes of financing its cyclical cash-flow requirements.


FUTURE OPERATING RESULTS

The Office is currently forecasting an operating deficiency for the year ending 30 June 2000. This has arisen because the Office has not kept its revenue increases in line with cost increases less efficiency gains. Since 1994 the Office's revenues have increased by 8.2% while its salaries and related expenses plus contract audit agents have increased 21.1%, primarily due to wage increases beyond the control of The Audit Office. The difference cannot be totally met through efficiency gains. Therefore, over the next number of years fee increases will have to be greater than they have been in the past to enable the Office to operate at a break even point over the long term.

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

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

Financial Statements

PRICEWATERHOUSECOOPERS 

PricewaterhouseCoopers

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Sydney NSW 1171
Telephone (02) 8266 0000
Facsimile (02) 8266 9999
DX 77 Sydney

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

Scope

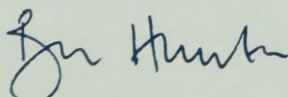
I have audited the financial report of The Audit Office of New South Wales for the seven months ended 30 June 1999 as set out on pages 30 to 42. The Auditor-General of New South Wales is responsible for the financial report. I have conducted an independent audit of the financial report in order to express 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's 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 1999 and the results of its operations and its cash flows for the seven months then ended.



B K Hunter
Registered Company Auditor
23 September 1999

Financial Statements

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 seven months ended 30 June 1999

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 1999 and transactions for the seven 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
23 September 1999

Financial Statements

INCOME AND EXPENDITURE STATEMENT for the seven months ended 30 June 1999

	Note	1999 \$'000	12 Months 30-11-98 \$'000
INCOME			
Audit fees	4(a)	10,071	19,122
Contributions by Government:			
Costs of Reports to Parliament		170	943
Special audits	4(b)	642	1,184
Review of Annual Reports		19	9
Interest income		48	116
Other income	4(c)	268	472
		<u>11,218</u>	<u>21,846</u>
EXPENDITURE			
Salaries and related expenses	5	9,920	16,374
Maintenance and operating expenses	6	1,704	3,073
Contract audit agents costs	7	783	1,932
Depreciation		384	618
		<u>12,791</u>	<u>21,997</u>
OPERATING (DEFICIENCY)			
before abnormal items		(1,573)	(151)
Abnormal items	8	1,287	2,792
OPERATING (DEFICIENCY)/SURPLUS		(286)	2,641
ACCUMULATED FUNDS AT THE BEGINNING OF THE FINANCIAL PERIOD			
		<u>10,711</u>	<u>8,070</u>
ACCUMULATED FUNDS AT THE END OF THE FINANCIAL PERIOD			
		<u>10,425</u>	<u>10,711</u>

Financial Statements

BALANCE SHEET AS AT 30 JUNE 1999

BALANCE SHEET as at 30 June 1999

	Note	1999 \$'000	As at 30-11-98 \$'000
CURRENT ASSETS			
Cash at bank		2,212	2,996
Receivables and work in progress	9	5,969	4,146
Prepayments and accrued income receivable	10	<u>65</u>	<u>763</u>
TOTAL CURRENT ASSETS		<u>8,246</u>	<u>7,905</u>
NON-CURRENT ASSETS			
Equipment, furniture	11	416	1,406
Audit methodology software	12	290	289
Leasehold improvements	13	335	376
Acceptance of long service leave liability	16(b)	5,018	4,740
Prepaid superannuation contributions	16(d)	<u>5,600</u>	<u>4,671</u>
TOTAL NON-CURRENT ASSETS		<u>11,659</u>	<u>11,482</u>
TOTAL ASSETS		<u>19,905</u>	<u>19,387</u>
CURRENT LIABILITIES			
Loan payable	17	--	148
Fees in advance		1,724	290
Accounts payable and accruals	14	1,079	1,403
Provisions	16(a),(b)	<u>1,515</u>	<u>1,618</u>
TOTAL CURRENT LIABILITIES		<u>4,318</u>	<u>3,459</u>
NON-CURRENT LIABILITIES			
Loan payable	17	--	295
Provisions	16(b),(c)	<u>5,162</u>	<u>4,922</u>
TOTAL NON-CURRENT LIABILITIES		<u>5,162</u>	<u>5,217</u>
TOTAL LIABILITIES		<u>9,480</u>	<u>8,676</u>
NET ASSETS		<u>10,425</u>	<u>10,711</u>
RETAINED EARNINGS			
Accumulated funds		<u>10,425</u>	<u>10,711</u>

Financial Statements

STATEMENT OF CASH FLOWS

STATEMENT OF CASH FLOWS for the seven months ended 30 June 1999

	Note	1999 \$'000 Inflows (Outflows)	12 months 30-11-98 \$'000 Inflows (Outflows)
Cash Flows from Operating Activities			
Receipts from operations		11,517	22,182
Payments to suppliers and employees		(12,872)	(21,312)
Interest received		<u>60</u>	<u>121</u>
Net cash provided by operating activities		<u>(1,295)</u>	<u>991</u>
Cash Flows from Investing Activities			
Purchase of equipment and furniture		(73)	(1,052)
Purchase of audit methodology software		(40)	(324)
Leasehold improvements		(7)	(19)
Proceeds from sale of equipment	11	<u>1,074</u>	<u>--</u>
Net cash used in investing activities		<u>954</u>	<u>(1,395)</u>
Cash Flows from Financing Activities			
Repayment of borrowings		(443)	(148)
Net cash provided by (used in) financing activities		<u>(443)</u>	<u>(148)</u>
Net increase/(decrease) in cash held		<u>(784)</u>	<u>(552)</u>
Cash at the Beginning of the Financial Year		<u>2,996</u>	<u>3,548</u>
Cash at the End of the Financial Year		<u>2,212</u>	<u>2,996</u>

**NOTES TO AND FORMING PART OF
THE FINANCIAL STATEMENTS
for the seven months ended 30 June 1999**

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*. 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 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 changed its audit methodology. In doing so it acquired third party software. The audit methodology software licences and audit packs have been capitalised. The asset is 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 financial period are treated as income. For incomplete audits at 30 June, the value of work completed is determined from the Office's management information system (see Note 4(a)). Other income includes fees for special (performance) audits and other audit reviews in excess of that contributed by Government, rent income, and the recovery of salary costs for staff on secondment (see Note 4(c)).

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 1999. Details are shown in Note 16(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 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. On costs have been applied in calculating the liability. Details are shown in Note 16(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; the First State Super Scheme and the Public Sector Executives Superannuation Scheme. These latter two schemes are accumulation schemes for which The Audit Office has no ongoing employer liability for these schemes. Details of the reserves, assessed liabilities, overfundings and provisions are shown in Note 16(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 and work in progress, accounts payable and accruals and loan payable.

In accordance with AAS 33 (Presentation and Disclosure of Financial Instruments), information is disclosed in Note 21 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.

3 CHANGES IN ACCOUNTING POLICY

There were no changes in accounting policy during the financial period.

Financial Statements

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

4(a) AUDIT FEES

	1999 \$'000	12 months 30-11-98 \$'000
Audit fee income comprised:		
Audit fees previous year's audits	584	1,528
Audit fees current year's audits	6,602	16,681
Work in progress	<u>2,885</u>	<u>913</u>
	<u>10,071</u>	<u>19,122</u>

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

The contribution from the Consolidated Fund towards the costs of special (performance) audits was \$641,667 (\$1,184,169 in 1998 including supplementation). This contribution does not cover the full costs of special (performance) audits and protected disclosures work. The difference is met by The Audit Office.

4(c) OTHER INCOME

Recoup of salaries	127	119
Other audit reviews	21	123
Rent income	65	121
Other miscellaneous income	<u>55</u>	<u>109</u>
	<u>268</u>	<u>472</u>

5 SALARIES AND RELATED EXPENSES

Salaries and allowances	8,279	13,725
Payroll tax	563	920
Workers' compensation	93	77
Staff development and training (excluding salaries)	184	335
Superannuation (net of transfers from provisions)	330	420
Employees' leave and retirement	275	267
Temporary assistance	<u>196</u>	<u>630</u>
	<u>9,920</u>	<u>16,374</u>

Financial Statements

		1999 \$'000	12 Months 30-11-98 \$'000
6	MAINTENANCE AND OPERATING EXPENSES		
	Fees for services rendered	237	850
	Rent and cleaning	577	980
	Electricity	17	33
	Telephone and postage	73	115
	Printing	126	179
	Travelling	210	235
	Maintenance contracts	66	81
	Stores	83	135
	Motor vehicle running	39	112
	Loan interest	22	44
	Other general expenses	<u>254</u>	<u>309</u>
		<u>1,704</u>	<u>3,073</u>
7	CONTRACT AUDIT AGENTS COSTS		
	Fees were paid to contract audit agents for the audit of:		
	Electricity Distribution clients	22	251
	Area Health Services clients	271	380
	District Health Services clients	201	361
	Other Audit Office clients	289	843
	Information system audits	<u>--</u>	<u>97</u>
		<u>783</u>	<u>1,932</u>
8	ABNORMAL ITEMS		
	Increase in prepaid contributions for State Superannuation Scheme	979	2,792
	Profit on sale of equipment	<u>308</u>	<u>--</u>
		<u>1,287</u>	<u>2,792</u>

Financial Statements

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

9 RECEIVABLES AND WORK IN PROGRESS

	1999	12 months 30-11-98
	\$'000	\$'000
Comprised:		
Debtors (less provision for doubtful accounts \$15,200)	3,084	3,233
Work in progress	<u>2,885</u>	<u>913</u>
	<u>5,969</u>	<u>4,146</u>

At 30 June 1999, audit fee debtors were \$2,808,746 (1998 - \$2,663,389) and miscellaneous debtors were \$275,538 (1998 - \$569,334).

10 PREPAYMENTS AND ACCRUED INCOME

Comprised:		
Prepayments	19	123
Accrued income	<u>46</u>	<u>640</u>
	<u>65</u>	<u>763</u>

Accrued income includes interest accrued of \$38,407 (1998 - \$50,262). In 1997-98 it included \$389,312 for costs associated with Volume Three of the Report to Parliament and \$142,502 for reimbursement of external costs incurred in undertaking the audit of the 'Sale of the TAB'.

11 EQUIPMENT AND FURNITURE

	Cost or Valuation		Accumulated Depreciation		Written Down Value	
	As at 1999	As at 30/11/98	As at 1999	As at 30/11/98	As at 1999	As at 30/11/98
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Office equipment - at cost	149	127	108	99	41	28
Computer and related equipment - at cost	1,143	3,707	1,056	2,657	87	1,050
Furniture and fittings - at estimated cost July 1990 plus actual cost since	<u>553</u>	<u>552</u>	<u>265</u>	<u>224</u>	<u>288</u>	<u>328</u>
	<u>1,845</u>	<u>4,386</u>	<u>1,429</u>	<u>2,980</u>	<u>416</u>	<u>1,406</u>

Equipment and furniture as at 30 June 1999 includes fully depreciated assets (at cost) totalling \$1,353,027 (1998 - \$2,072,450). In 1999, the Office sold much of its computing equipment and leased it back under an operating lease for a period of 30 months.

Financial Statements

	1999 \$'000	30-11-98 \$'000
Market values of non-current assets are estimated to be:		
Office equipment	25	10
Computer and related equipment	80	700
Furniture and fittings	<u>200</u>	<u>250</u>
	<u>305</u>	<u>960</u>
12 AUDIT METHODOLOGY SOFTWARE		
Audit methodology software (at cost)	364	324
Less: accumulated amortisation	<u>74</u>	<u>35</u>
Written down value	<u>290</u>	<u>289</u>
13 LEASEHOLD IMPROVEMENTS		
Leasehold improvements (at cost)	722	715
Less: accumulated amortisation	<u>387</u>	<u>339</u>
Written down value	<u>335</u>	<u>376</u>
14 ACCOUNTS PAYABLE AND ACCRUALS		
Comprised:		
Salaries and related expenses	316	212
Payroll tax	77	75
Unremitted PAYE taxation	--	6
Contract audit agent costs	54	35
Other creditors	<u>632</u>	<u>1,075</u>
	<u>1,079</u>	<u>1,403</u>
Other creditors include a rental incentive of \$453,272 (1998 - \$518,055) which is accounted in compliance with Urgent Issues Group (UIG) Abstract 3, and a lease liability of \$31,937 (1998 - \$87,826) established to comply with UIG Abstract 1. 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. The lease liability is related to an area of surplus-leased premises. The expiry date of that lease is October 1999.		
15 AUDITOR'S REMUNERATION		
Audit fees	<u>19</u>	<u>9</u>
The Auditor received no other remuneration.		

Financial Statements

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

16 PROVISIONS

(a) Annual leave - current

A provision has been established for the total liability at 30 June 1999 of \$1,514,897 (1998 - \$1,618,141).

(b) Long service leave

The total liability at 30 June 1999 was \$5,018,037 (1998 - \$4,740,382).

The liability comprises:

	1999 \$'000	30-11-98 \$'000
Unconditional leave (over 10 years service)	4,473	4,245
Conditional leave (between 5 and 10 years service)	308	251
Pre-conditional leave (less than 5 years service)	<u>237</u>	<u>244</u>
	5,018	4,740

Contributions made to the Treasury pool account during this financial year totalled \$275,346 (1998 - \$267,135) while payments to staff and reimbursements from Treasury totalled \$106,607 (1998 - \$249,694).

(c) Superannuation

The assessed liability for The Audit Office at 30 June 1999 and funds held in the reserve accounts at the Superannuation Administration Authority of New South Wales (including accrued interest), as well as prepaid contributions and superannuation provision were:

	Assessed Liability		Reserve Account		Provision/ (Prepaid Contributions)	
	As at		As at		As at	
	1999 \$'000	30-11-98 \$'000	1999 \$'000	30-11-98 \$'000	1999 \$'000	30-11-98 \$'000
State Superannuation Scheme	30,849	30,285	36,392	34,849	(5,543)	(4,564)
State Authorities Super Scheme	1,128	955	1,184	1,062	(57)	(107)
State Authorities Non contributory Superannuation Scheme	<u>1,174</u>	<u>1,123</u>	<u>1,031</u>	<u>941</u>	<u>144</u>	<u>182</u>
	33,151	32,363	38,607	36,852	(5,456)	(4,489)

The liabilities have been determined by the Government Actuary as at 30 June 1999 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	5.0	5.0
· Rate of increase in CPI	2.0	2.5	3.25	3.25

Financial Statements

(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 1999 total \$5,599,557 (1998 - \$4,671,192) and are included as a non-current asset - prepaid superannuation contributions.

Further funding contributions for the State Superannuation Scheme have been suspended with approval of the Superannuation Administration Authority 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.

As at 30 June 1999, the net liability in respect of the State Authorities Non Contributory Superannuation Scheme is fully provided and has been calculated according to Authority formulas which take into account amounts held by the Authority 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. Payments for staff covered by the Scheme totalled \$255,880 (1998 - \$377,100). For this Scheme and the Public Sector Executives Superannuation Scheme, The Audit Office has no outstanding employer liability because the contributions are fully funded and vested to individual officers.

17 **COMMITMENTS**

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

	1999 \$'000	As at 30-11-98 \$'000
Lease commitments:		
not later than one year	1,161	764
later than one year and not later than five years	3,554	2,951
later than five years	<u>62</u>	<u>492</u>
	<u>4,777</u>	<u>4,207</u>

On 1 August 1996, additional floor space was leased in 234 Sussex Street, Sydney in order to consolidate all sections of the Office into the same premises. The new consolidated lease will expire in July 2004.

A loan of \$675,000 was approved in August 1996 by the Treasury to pay for fitout costs associated with the newly leased premises. At 30 June 1999, the loan was fully retired.

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

18 **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.

Financial Statements

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

19 CONSULTANTS ENGAGED

During the period 1998-99, The Audit Office engaged no consultants (16 consultants in 1997-98 at a total cost of \$363,002).

20 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 1999, cash as shown in the statement of cash flows of \$2,211,512 (1998 - \$2,995,959) is equal to the amount shown in the Balance Sheet.

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

	1999 \$'000	12 months 30-11-98 \$'000
Operating (deficiency)/surplus	(286)	2,641
Amortisation and depreciation	384	618
(Increase) in overfunded superannuation	(929)	(2,791)
(Increase)/decrease in receivables and work in progress	(1,823)	239
(Increase)/decrease in prepayments and accrued income	698	(169)
Increase/(decrease) in fees in advance	1,434	266
Increase/(decrease) in creditors and accruals	(324)	67
Increase/(decrease) in provisions	(141)	120
	(987)	991
Gain from sales of equipment	(308)	--
Net cash provided by operating activities	(1,295)	991

Financial Statements

21 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)		(%)	
	1999	1998	1999	1998	1999	1998	1999	1998
Financial Assets								
Cash	2,211	2,995	1	1	2,212	2,996	3.75	4.00
Receivables and work in progress			5,969	4,146	5,969	4,146		
Total Financial Assets	<u>2,211</u>	<u>2,995</u>	<u>5,970</u>	<u>4,147</u>	<u>8,181</u>	<u>7,142</u>		
Financial Liabilities								
Borrowings	0	443			0	443		8.75
Total Financial Liabilities	<u>0</u>	<u>443</u>			<u>0</u>	<u>443</u>		

(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)	
	1999	1998	1999	1998	1999	1998	1999	1998
Financial Assets								
Cash	2,211	2,995			1	1	2,212	2,996
Receivables and work in progress			1,352	2,288	4,617	1,858	5,969	4,146
Total Financial Assets	<u>2,211</u>	<u>2,995</u>	<u>1,352</u>	<u>2,288</u>	<u>4,618</u>	<u>1,859</u>	<u>8,181</u>	<u>7,142</u>

* Government includes budget dependent agencies only.

22 CONTINGENT LIABILITY

On 1 March 1999, The Audit Office of New South Wales was served with a Statement of Claim filed for the New South Wales Aboriginal Land Council claiming damages, interest thereon and costs. The amount of the claim is in excess of \$1.5 million 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 intends filing a cross claim enjoining the Directors and Staff of the Land Council.

END OF AUDITED FINANCIAL STATEMENTS

SENIOR EXECUTIVE SERVICE (SES) PROFILE

(The following information is in accordance with Clause 14 of the *Annual Reports (Statutory Bodies) Regulation 1995*.)

Number of CES/SES Positions

Remuneration Package	Package Range \$'000	Total CES/SES End of Current Year	Total CES/SES End of Previous 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	6
CEO under S11A *		1	1
Total		24	24

* 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 1999, the Auditor-General's salary, determined by the Statutory Officers Remuneration Tribunal, is \$253,560.

Number of Positions Filled by Women

In the previous year: 1–Remuneration Level 2

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

Level 5 Positions or Above

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

Mr Tony Harris

Auditor-General, CEO under section 11A (term ended 6 September 1999)

Mr Jim Mitchell

Deputy Auditor-General, Remuneration Level 5

Appendices

SES PERFORMANCE STATEMENTS

(The following information is provided in accordance with clause 11 of the *Annual Reports (Statutory Bodies) Regulations 1995*.)

Mr Tony Harris	Position and Level: Auditor-General, CEO under section 11A of the <i>Statutory and Other Offices Remuneration Act 1975</i> .
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Period in the Position:	Full period (term ended 6 September 1999)
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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.
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Mr James Mitchell	Position and Level: Deputy Auditor-General, Level 5.
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Period in the Position:	Full period
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Results:	<p>Aimed at assessing the suitability for contract renewal, Mr Mitchell's performance has been recently reviewed by a panel consisting of the Auditor-General and two independent members. Mr Mitchell's contract has been renewed.</p> <p>Major achievements have included the reorganisation of internal service providers and the establishment of a publications unit to enable productivity gains. Corporate and Branch Business Planning has been formally established and improvements in management reporting have been acknowledged. As Director of Employment Equity, Mr Mitchell has guided the Office in its reported improvement in EEO and related staffing matters.</p>
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INTERNAL COMMITTEES

The following committees are those which have had a significant impact on the operations of the Office. The names of executive staff who are members of the following committees are shown earlier in the Organisation and Management Structure.

Board of Management

Objective

To provide strategic direction, help formulate corporate policy and monitor operations and finances of the Office

Composition

Chairperson: Jim Mitchell

Assistant Auditors-General.

Senior Management Committee

Objective

To inform and to provide advice to senior executives on audit operations, coverage requirements, resource need and development initiatives on audit policies and practices

Composition

Auditor-General

Deputy Auditor-General

Assistant Auditors-General

Directors of Audit:

Peter Carr; Ron Hegarty; Roger Henderson; Stephen Horne; David Jones; Sam Kalagurgevic; Jack Kheir; Philip Poon; Steve McLeod; Maria Spriggins; Denis Streater

Principal Auditors:

Mark Abood; Peter Boulous; Keith Brown; Greg Gibson; Jane Tebbatt

Senior Officers:

Denis Collister; Steve Fryer; Robert McIntosh; Barry Underwood.

Continuous Improvement Steering Committee

Objective

To oversee the development, implementation and ongoing maintenance of an Integrated Quality Strategy for the Office

Composition

Chairperson: Jim Mitchell

Denis Collister; Steve Fryer; Stephen Horne; David Jones; Jack Kheir; Robert McIntosh; Steve McLeod; Chris Giumelli; Michele Rees; Barry Underwood; Andrew Freame.

Internal Audit Committee

Objective

Review internal accounting and management functions of the Office

Composition

Board of Management

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

Audit Methodology Committee

Objective

To consider, on an ongoing basis, the Office's financial audit methodology and best audit practice.

Composition

Chairperson: Maria Spriggins

Phil Thomas; Lee White; David Jones; Philip Poon; Steve Fryer; David Nolan; Kim Doring.

Appendices

MIS Project Steering Committee
Objective

To oversee the evaluation, purchase and implementation of a replacement Management Information System

Composition
Chairperson: Jim Mitchell

Lee White; Mick Carr; Scott Stanton.

Information Technology Steering Committee
Objective

Aligns the Office’s strategic plan with the Office’s overall business plan by overseeing any strategic projects in information technology

Composition
Chairperson: Jim Mitchell

Tony Whitfield; Philip Poon; Peter Auld; Mick Carr; Rob Mathie; Alwi Sa’adullah; Steve Hrdina; Ken Thompson; David Jones; Denis Collister; Aldo Dal Pozzo; Peter Boulous.

Workplace Committee
Objective (ceased February 1998)
To develop an office-wide consent award

Composition
Managerial Representatives:
Tony Harris; Jim Mitchell; Lee White; Robert McIntosh
Staff Representatives:
Kim Rossington; John Hailwood, Olwen Paul; Peter Armstrong.

Quality Audit Review Committee
Objective
Review the quality of financial audit work and to provide reasonable assurance that all financial audits are being conducted in accordance with Office Policy and Australian Auditing Standards and that the financial audit process is being applied uniformly across all audits

Composition
Chairperson: Jim Mitchell

Steve Fryer; Barry Underwood.

SAGE Implementation Task Force
Objective
(Committee disbanded May 1999)
To identify, organise and monitor the completion of the necessary detailed action steps required to achieve the implementation of SAGE on all 30 June 1999 year-end audits performed by the Office

Composition
Chairperson: Scott Stanton

Phil Thomas; Lee White; Eric Lumley, Maria Spriggins; Ron Hegarty; David Jones; Philip Poon; Denis Collister; Robert McIntosh; Barry Underwood; Steve Fryer; Paul Matthews; Michele Rees; Angela Lester; Andrew Stringer; Alwi Sa’adullah; Steve Hrdina; Kim Doring; David Nolan; Peter Barnes; Bruce McComb.

Appendices

Corporate Planning Steering Committee
Objective

To provide advice and assistance on improvements to the corporate and business plans and related processes

Composition
Chairperson: Chris Bowdler

Jim Mitchell; Lee White; Maria Spriggins; David Jones; Mick Carr; Tanya Edgeworth; Paul Matthews; Michael Johnston; Stephan Delaney; Barry Underwood.

Disability Committee
Objective

Review Disability Plan and participate in projects to ensure effective implementation and policy formulation

Composition
Chairperson: Glenda Sladen

Jim Mitchell; Sonia Danzo; Greg Gibson; Steve Hrdina; Linda Nicholas; David O'Brien; Corona Thomson.

EEO Implementation Committee
Objective

Review Equal Employment Opportunity (EEO) Management Plan and participate in projects to ensure effective implementation of strategies and formulation of policies

Composition
Director of Employment Equity: Jim Mitchell
EEO Coordinator: Glenda Sladen
Union Representative: Peter Armstrong
Staff Representatives:
Andrew Freame; Alwi Sa'adullah; Gary Beer; Sam Kalagurdevic; Lynda Paju; Leanne Noske; Deidra McMaster; Sonia Savouliau; Anna Heng.

PD Steering Committee
Objective

To provide a strategic focus for Professional Development (PD) within the Office and to ensure that organisational goals are met

Composition
Sponsor: Tony Whitfield
Chairperson: Denis Streater
PD Representatives:
Robert McIntosh; Angela Lester
Staff Representatives:
Chris Giumelli; David Jones; Philip Poon; Peter Boulous.

Occupational Health & Safety Committee
Objective

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

Composition
Sponsor: Jim Mitchell
Chairperson: Angela Lester

Robert McIntosh; Lyn Pangcog; Kate Watson; Alan Soriano; Linda Nicholas, Michael Johnston.

Audit Operational Committee
Objective

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

Composition
Chairperson: Rotating
Assistant Auditors-General.

Appendices

ORGANISATIONS AND ACTIVITIES AUDITED

(Excluding organisations audited under section 45(1) of the *Public Finance and Audit Act 1983* – listed in Appendix 5.)

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

Aboriginal Affairs, Department of	* Mitchell Services Ltd
Aboriginal Land Council NSW	* Olive Street Services Ltd
Advance Energy	* Rivservices Ltd
* Advance Energy Victoria Pty Ltd	Chipping Norton Lake Authority
Ageing and Disability Department	City West Housing Pty Ltd
Agricultural Scientific Collection Trust	Coal Compensation Board
Agriculture, Department of	Cobar Water Board
Air Transport Council	Community Services Commission
Anzac Health and Medical Research Foundation	Community Services, Department of
Anzac Memorial Building, Trustees of the	Crown Entity: Commercial Activities –
Architects Board	* Crown Property Portfolio
Archives Authority of New South Wales	* LANDCOM
Art Gallery of NSW Foundation	* Land Development Working Account
Art Gallery of NSW Trust	* NSW Non Budget Long Service Leave
Arts, Ministry for the	Pool
Attorney General	* NSW Structured Finance Activities
* Crown Solicitor's Office	Corrections Health Service
* Crown Solicitor's Trust Account	Corrective Services, Department of
* Crown Solicitor's Office – Operating Lease	Crime Commission, NSW
Facility for Information Technology Services	Crown Lands Home Sites Program
* Office of Protective Commissioner and	Dairy Corporation, NSW
Public Guardian	Dams Safety Committee
* Registry of Births, Deaths & Marriages	Darling Harbour Authority
Athletes Village	Delta Electricity
Australian Inland Energy	Dental Board of NSW
Australian Museum Trust	Department for Women
Banana Industry Committee	Department of Gaming and Racing
Bicentennial Park Trust	Dried Fruits Board, NSW
Blacksmiths Project Estate Joint Venture	Drug Offensive Foundation, NSW
Board of Vocational Education & Training	East Fairfield Project Estate Joint Venture
Broken Hill Water Board	Eastern Distributor
Building & Construction Ind Long Service	Education and Training, Department of
Payments Corporation	* Adult Migrant English Service
C.B. Alexander Foundation	* Schools Audit
Cabinet Office	Education & Training Foundation Pty Ltd, NSW
Cancer Council, NSW	Electricity Transmission Authority of NSW
Carnivale Ltd	EnergyAustralia
Car Leases - Custom Fleet	* Australian Energy Solutions Partnership
Car Leases – Commonwealth Bank	* Downtown Utilities Ltd
Car Leases - Sydney Water	* EnergyAustralia Enterprises Pty Ltd
Casino Control Authority, NSW	* EnergyAustralia Pty Ltd
Casino Community Benefit Fund	* EnergyAustralia Venture Holdings Pty Ltd
Centennial Park and Moore Park Trust	* Energy Management International
Central Coast Waste Management Board	Pty Ltd
Charles Sturt University	

Appendices

Energygen Pty Ltd
 Energy, Department of Environmental Protection
 Authority
 * Environmental Education Trust
 * Environmental Research Trust
 * Environmental Restoration and Rehabilitation
 Trust
 Energy Industries
 Superannuation Pty Ltd
 Ethnic Affairs Commission
 Everest Coal Sales Pty Ltd
 Everest Coal Management Pty Ltd
 Fair Trading, Department of
 * Fair Trading Administration Corporation
 * Financial Counselling Trust Fund
 Festival Development Corporation
 Film and Television Office, NSW
 Final Pty Ltd
 Financial Institutions Commission, NSW
 Fire Brigades, NSW
 Fisheries, NSW
 Fish River Water Supply
 Forestry Commission
 Forests and Marine Administration, Ministry of
 Freight Rail Corporation
 * SRA Motive Power Corporation
 Government Telecommunications Authority, NSW
 Grains Board, NSW
 Great Southern Energy
 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
 * Patient Administration Systems
 Services
 * Royal Alexandra Childrens Hospital
 * The Ambulance Service of NSW
 * Area Health Services
 ** Central Coast
 ** Central Sydney
 ** Hunter
 ** Illawarra
 ** Northern Sydney
 ** South Eastern Sydney
 ** South Western Sydney
 ** Wentworth
 ** Western Sydney
 * Health Services-
 ** Far West
 ** Greater Murray

** Macquarie
 ** Mid North Coast
 ** Mid Western
 ** New England
 ** Northern Rivers
 ** Southern
 * Health Professional Boards (10)
 Health Education Unit
 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 Management Board
 Independent Pricing & Regulatory Tribunal
 Independent Commission Against Corruption
 Information Technology & Management,
 Department of
 Industrial Relations, Department of -
 Inner Metropolitan Regional Waste Board
 Institute of Psychiatry, NSW
 Institute of Sport, NSW
 Integral Energy -
 * InfoMet Pty Ltd
 * Integral Energy Gas Pty Ltd
 * Integral Energy Victoria Ltd
 Internal Audit Bureau of NSW
 Jenolan Caves Trust
 Judicial Commission of NSW
 Juvenile Justice, Department of
 Kings Bay Five Dock Project Estate Joint Venture
 Lake Illawarra Authority
 Land & Housing Corporation, NSW
 Land and Water Conservation, Department of
 * State Valuation Office
 * NSW Land and Water Consulting Pty Ltd
 * Irrigation Areas and Districts
 ** Coleambally Irrigation Corporation
 ** Murrumbidgee Irrigation Corporation
 Legal Aid Commission of NSW
 Legal Practitioners Admission Board

Appendices

APPENDIX FOUR

LGSS Pty Ltd	Ombudsman, Office of the
Library Council of NSW	Opera House Trust, Sydney
* Asia Focus Pty Ltd	* Opera House Appeal Fund
* State Library of NSW Foundation	Pacific Industry Services Corporation Pty Ltd
Liquor Administration Board	Pacific Power
Local Government, Department of	* Collieries Superannuation Pty Ltd
Lord Howe Island Board	* Elcom Collieries Pty Ltd
Lotteries Corporation, NSW	* Eraring Holdings Pty Ltd
Luna Park Amusements Pty Ltd	* Eraring Power Company Pty Ltd
Luna Park Reserve Trust	* Huntley Colliery Pty Ltd
Macarthur Regional Waste Board	* Mount Arthur South Coal Pty Ltd
Macquarie Generation	* Pacific Power Corporation of NSW Ltd
Macquarie University	* Pacific Power (International) Pty Ltd
* CMBF Ltd	* Pacific Solar Pty Ltd
* Macquarie Convocation Pty Ltd	* Pacific Solar Sub1 Pty Ltd
* The Macquarie Foundation	* PacificGrid Pty Ltd
* Macquarie Graduate School of	* Pacific Western Pty Ltd
Management Pty Ltd	Parliamentary Counsel's Office
* Macquarie Research Ltd	Parramatta Stadium Trust
Mandalong Pastoral Management Pty Ltd	Pharmacy Board of NSW
MAS Coal Marketing & Finance Pty Ltd	Police Integrity Commission
Marine Ministerial Holding Corporation	Police, Ministry for
McKell Building	Police Service, NSW
Meat Industry Authority, NSW	Port Kembla Port Corporation
Medical Board, NSW	Port Macquarie Private Hospital
Milk Marketing (NSW) Pty Ltd	Powercoal Pty Ltd
Mineral Resources, Department of	PowerCoal Superannuation Pty Ltd
Mines Rescue Board	Power Coal Everest Pty Ltd
Mines Subsidence Board	Premier's Department
Ministerial Corporation for Industry	Property Services Council
Ministerial Development Corporation	Prospect Treatment Plant
Motor Accidents Authority of NSW	Public Equity Participation
Motor Vehicle Repair Industry Council	Public Prosecutions, Office of Director of
Murray Valley (NSW) Citrus Marketing Board	Public Trustee
Murray Valley (NSW) Wine Grape Industry	Public Works and Services, Department of
Marketing Committee	Public Works - BOOT etc Consultancy
Murray-Darling Basin Commission	Quaker's Hill Project Estate Joint Venture
Museum of Applied Arts & Sciences	Racecourse Development Committee
National Parks & Wildlife Service	Rail Access Corporation
Newcastle International Sports Centre Trust	Rail Services Authority
Newcastle Port Corporation	Randwick Carpark Accounting Opinion
Newcastle Showground And Exhibition Centre	Randwick Carpark Infrastructure Project
Trust	Randwick Private Hospital
Northern Sydney Regional Waste Board	Rental Bond Board
NorthPower -	Rice Marketing Board for NSW
* NorthPower Energy Services Pty Ltd	Roads and Traffic Authority of NSW
Oatlands Project Estate Joint Venture	Royal Botanic Gardens & Domain Trust
Office of the Board of Studies	Rural Assistance Authority, NSW
Office of the Minister for Public Works and Services	Rural Australia Foundation Ltd
Olive Street Services Ltd	Rural Fire Service, NSW
Olympic Co-ordination Authority	Sale of Mt. Piper
Olympic Roads and Transport Authority	SAS Trustee Corporation
Olympic Stadium	* Pooled Fund
	** Gila Pty Ltd
	** Hadenis Pty Ltd

Appendices

- ** 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 Regional Waste Board
- Southern Cross University -
- * Norsesearch Ltd
- Sporting Injuries Committee
- Sport and Recreation, NSW Department of
- * Eastern Creek Raceway
- St George Car Park Infrastructure Project
- Stadium Compliance - SCGT Compliance
- State Authorities Superannuation Fund - FSS
- Trustee Corporation
- * First State Superannuation Scheme
- * 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 Fleet Service (Macquarie Bank Lease)
- State Rail Authority of NSW
- State Sports Centre Trust
- State Transit Authority
- Superannuation Administration Authority
- Superannuation Services Company Pty Ltd
- Surveyor-General's Department
- Surveyors, NSW Board of
- Sustainable Energy Development Authority
- Sydney City Council
- Sydney Cricket & Sports Ground Trust
- Sydney Educational Broadcasting Ltd
- Sydney Harbour Foreshore Authority
- Sydney Organising Committee for the Olympic Games
- Sports Commission
- Sydney Ports Corporation
- Sydney Water Corporation Ltd -
- * Special Environment Levy
- * Special Environmental Levy (SEL) Unit Trust
- * Australian Water Technologies Pty Ltd
- ** AWT International Pty Ltd
- ** AWT Philippines Inc.
- * Water Ecoscience Pty Ltd
- Teacher Housing Authority of NSW
- * Rural Australia Foundation Ltd
- Technical and Further Training Commission, NSW
- * TAFE Statutory Trust Fund
- Tourism, NSW
- Tow Truck Industry Council of NSW
- Transport, Department of
- Treasury, The NSW
- * Crown Entity
- * Office of State Revenue
- * Public Accounts
- * Statement of the Budget Result
- * NSW Public Sector Consolidated Financial Statements
- Treasury Corporation, NSW
- * T-Corp - Managed Portfolios
- TCorp Nominees Pty Ltd
- Trustees of the Farrer Memorial Research Scholarship Fund
- UMAT Pty Ltd
- 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
- * Building Research Centre Trust Ltd
- * Kensington Colleges Ltd
- * Unisearch 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
- * Koori Centre, The
- * Museum of Contemporary Art Ltd
- * Wentworth Annexe Ltd
- University of Technology, Sydney
- * Insearch Ltd
- University of Western Sydney
- * Hawkesbury Technologies Pty Ltd
- * Macsearch
- * Nepean Foundation Ltd

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APPENDIX FOUR

- * University of Western Sydney Foundation Ltd and Trust
- * UWS Hawkesbury Residential Colleges Ltd
- University of Wollongong
- * Illawarra Technology Corporation 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
- West Pennant Hills Project Estate Joint Venture
- Waste Recycling and Processing Service
- 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	31.03.98	1,500	(2)
Uniprojects Pty Ltd	31.12.98	4,000	(1)
Universities Admissions Centre (NSW & ACT) Pty Ltd	31.12.98	19,000	(1)
University of Sydney Professorial Superannuation Scheme	31.12.98	10,800	(1)
The Dried Prune Industry Marketing Committee	31.12.98	1,500	(1)
Unilink Limited	31.12.98	8,150	(2)
Universtiy of New England Professorial Superannuation Scheme	31.12.98	5,000	(1)

- (1)
- Costs Recovered
- (2)
- Costs Not Fully Recovered

Appendices

WORK UNDERTAKEN FOR EXTERNAL COMMITTEES, PANELS ETC

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 121.5 days.

<i>Staff Member</i>	<i>Representative On</i>
Tony Harris	Tertiary Qualifications for Financial Managers Working Party Federal Redistribution Committee for New South Wales Roundtable on handling of intellectual property in Consolidated Infrastructure Proposals
Greg Gibson	Tertiary Qualifications for Financial Managers Working Party
Lee White	Accounting and Auditing Panel of the Institute of Chartered Accountants in Australia Superannuation and Funds Management Taskforce of the Securities Institute
Steve Fryer	CPA Program External Reporting Committee CPA Program Foundation Subject Review Panel Treasury/Audit Office Accounting Issues Committee Institute of Chartered Accountants Research Group
Tony Whitfield	ICAA - State Council ICAA - State Executive Committee ICAA - National Council ICAA - National Executive Committee ICAA - Task Force on Multidisciplinary Practices
John Rosier	Annual Reports Awards Australian – Adjudicators Panel ICAA – Task Force on Professional Independence ICAA – Chartered Accountants in Public Sector Discussion Group
Phil Thomas	ICAA – National Professional Standards Committee ICAA – NSW Professional Standards Committee ICAA – Joint Legislative Review Committee
Keith Brown	Office of Protective Commissioner – BPR Audit Compliance Committee
Barbara Richardson	Office of Protective Commissioner – BPR Audit Compliance Committee
Philip Poon	Office of Protective Commissioner – BPR Audit Compliance Committee
David Jones	Local Government Accounting Advisory Group ASCPA – Joint Legislative Committee
Peter Boulous	ICAA - NSW Education Committee NSW Dairy Corporation - Selection Committee Panel
Tom Jambrich	Protected Disclosures Implementation Steering Committee
Stephen Horne	Ethics Working Party (subcommittee of the Chief Executives Committee) NSW Public Sector Prevention Committee Inc, Institute of Internal Auditors NSW Branch - Board of Governors Institute of Internal Auditors – NSW Audit Executives Network Committee ICAC Advisory Panel for “Conduct Becoming” Public Duty Education Package NSW Advisory Boards Review Steering Committee Australian Public Sector Ethics Network University of Western Sydney Course Accreditation Advisory Panel (for Diploma in Fraud Management)
Denis Streater	Protected Disclosures Implementation Steering Committee
Jim Mitchell	ASCPA – Public Sector Committee HOTARAC Meeting Queensland Audit Office – Selection Committee Panel

Appendices

B. Appearances Before Committees

There were no appearances by staff before Committees.

C. Work Performed for Committees

Name of Committee	General Nature of Work	Approximate Time Involved
Joint Committee of Public Accounts	Gave evidence into Community Education and Information Program	1 hour
Queensland Parliament - Public Works Committee	Briefing on issues associated with governments in Australia using the private sector to provide public sector infrastructure and services	2 ½ hours

Appendices

EXTERNAL PRESENTATIONS

Title of Presentation	Presenter	Date	Audience
Can Performance Auditing Perform as well as Financial Auditing	C Bowdler	2/12/1998	ASCPA Audit Discussion Group
Auditing Key Performance Indicators	S Horne	8/12/1998	IQPC Conference on Government Performance Measures
Chair for Day 2			IQPC Conference on Government Performance Measures
New South Wales: How Might We Improve Its Senior Government?	A C Harris	7/2/1999	After dinner address to Australian Bureau of Statistics Offsite Executive Meeting
Public Access to Information and Public Sector Performance	A C Harris	10/2/1999	Public Interest Advocacy Centre Open Government Conference
Competition, Marketisation, Public Services and Public Ethics	A C Harris	12/2/1999	Queensland University of Technology Centre for the Study of Ethics School of Humanities Conference on Government and Business: Integrity and Accountability
Issues Affecting the Efficiency of the Public Sector	A C Harris	18/2/1999	Luncheon address to The Chartered Institute of Transport in Australia Incorporated
New South Wales: How Might We Improve Its Government?	A C Harris	19/2/1999	After dinner address to University of Sydney/UTS Summer Research School
Competitive Tendering & Contracting Out of Government Services and Auditing for Compliance	A C Harris	22/2/1999	5 th Biennial Conference of Australasian Council of Public Accounts Committees
Accountability Implications for the Public Sector Working Within a Commercial Environment	A C Harris	19/4/1999	Fraud, Ethics & Accountability in the Public Sector Conference (IIR Conferences)
Implementing Fraud Control Strategies	S Horne	20/4/1999	Fraud, Ethics & Accountability in Public Sector Conference

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Title of Presentation	Presenter	Date	Audience
Accountability: Iatrogenic or Painless?	A C Harris	21/4/1999	Luncheon address to the Executives Institute of Australia
Opening Address – Institute of Chartered Accountants PD Week	T Whitfield	10/5/1999	Institute of Chartered Accountants PD Week
Conflicts of Duty and Interest in the Public Sector	A C Harris	10/6/1999	Luncheon address Finance and Treasury Association Limited
The Role of the Auditor-General	A C Harris	24/6/1999	Address to Seminar on Ethics & Accountability for Members of Legislative Assembly and the Legislate Council, NSW Parliament
Changing Government and Constant Ethics	A C Harris	29/6/1999	Address to NSW Public Sector Corruption Prevention Committee
Managing Protected Disclosures	D Streater	Various	Various Agencies
Electronic Based Sexual Harassment	J Mitchell	Various	Directors of Employment Equity from Various Agencies (for ODEOPE)

Appendices

PUBLICATIONS DURING THE PERIOD 1 DECEMBER 1998-30 JUNE 1999

(The following information is provided in accordance with Clause 15 and Schedule 1 to the Annual Reports (Statutory Bodies) Regulation 1995.)

Rural Fire Service	The Coordination of Bushfire Fighting Activities	2 December 1998
	The Auditor-General's Report to Parliament for 1998 - Volume Two	15 December 1998
Walsh Bay	Review of Walsh Bay	17 December 1998
NSW Senior Executive Service	Professionalism and Integrity Volume One: Summary and Research Report Volume 2: Literature Review and Survey Findings	17 December 1998
Department of State and Regional Development	Provision of Industry Assistance	21 December 1998
	The Auditor General's Report to Parliament for 1998-Volume Three	22 December 1998
The Treasury	Sale of the TAB	23 December 1998
The Sydney 2000 Olympic and Paralympic Games	Review of Estimates	14 January 1999
	Public Sector Corporate Governance - Ready Reckoner	April 1999
Department of Education and Training	The School Accountability and Improvement Model	12 May 1999
	The Auditor-General's Report to Parliament for 1999 - Volume One	19 May 1999
	Contracting Out Review Guide	June 1999

The Audit Office has produced an annual report under the Annual Reports legislation since the year ended 30 June 1986. Auditor-General's Reports to Parliament have been issued since before the turn of the century. The Office has limited copies of some past reports available.

The Office also produced six editions of a technical information bulletin called 'AWARENESS' and one editions of 'Professional Update' which were distributed to audit clients and staff.

Appendices

REPORT ON INVESTMENT PERFORMANCE

(The information which follows is provided in accordance with Clause 12 of the Annual Reports (Statutory Bodies) Regulation 1995.)

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 seven months ended 30 June 1998 were \$48,000.

Appendices

PERFORMANCE AGAINST SERVICE STANDARDS

(The following information is provided in accordance with Clause 15 and Schedule 1 to the *Annual Reports (Statutory Bodies) Regulation 1995*.)

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	85%
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 range 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	84%
· 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	85%

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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

Appendices

EQUAL EMPLOYMENT OPPORTUNITY STATISTICS

(The information that follows is provided in accordance with clause 15 of the *Annual Reports (Statutory Bodies) Regulation 1995*.)

Table 1: Percent of Total Staff by Level

LEVEL	TOTAL STAFF	(i)	(ii)	(iii)	(iv)	(v)	(vi)	(vii)
\$25,761 - \$33,835 (Under Grade 1)	4	100	25	75	0.0	0	25	50
\$33,836 - \$37,825 (Grade 1-2)	55	100	35	65	0.0	38	31	0
\$37,826 - \$47,866 (Grade 3-5)	43	100	53	47	0.0	40	40	5
\$47,867 - \$61,899 (Grade 6-9)	68	99	63	37	1.5	48	46	7
\$61,900 - \$77,374 (Grade 10-12)	44	100	93	7	0.0	25	23	5
>\$77,374 (non SES)	4	100	100	0	0.0	25	25	0
>\$77,374 (SES)	24	100	92	8	0.0	38	21	8
TOTAL	242*	100	63	37	0.4	38	34	5

* excludes casual employees

Table 2: Percent of Total Staff by Employment Basis

EMPLOYMENT BASIS	TOTAL STAFF	(i)	(ii)	(iii)	(iv)	(v)	(vi)	(vii)	(viii)
Permanent Full Time	204	100	61	39	0.5	37	34	4	2
Part-Time	9	100	33	67	0.0	56	56	11	11
Temporary Full-Time	3	100	100	0	0.0	33	67	0.0	0.0
Part-Time	1	100	0	100	0.0	0.0	0.0	100	0.0
Contract SES	24	100	92	8	0.0	38	21	8	0.0
Non SES	1	100	100	0.0	0.0	0.0	0.0	0.0	0.0
Casual	2	100	50	50	100	0.0	0.0	0.0	0.0
TOTAL	244	100	63	37	1.2	37	34	5	2.1

- (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

PROGRESS WITH DISABILITY PLAN

(The information which follows are provided in accordance with the NSW Government Disability Strategic Plan's 'Disability Direction: Tomorrow's Blueprint')

Process Items Report

Process Item	Comment
1. Stated commitment to disability planning by management which is communicated to staff	<p>Commitment was stated in:</p> <ul style="list-style-type: none">* September 1994 Draft Disability Plan* Disability Survey to all staff January 1995* June 1995 Disability Plan* General Circular on Adjustment 1996* Disability Plan December 1996* Disability Update in EEO newsletter to all staff December 1996* Disability Survey of all staff each year 1995-1998
2. Establish and implement planning structure and processes with customer representation	<p>The Disability Committee was formed in October 1994. The committee meets several times each year to review progress on the Disability Plan and plan new initiatives. Meetings have not been held in the last few months, largely because the Occupational Health & Safety Committee has taken over many of its functions.</p> <p>As the Office has little contact with the public, the Disability Plan continues to cover matters relating to our existing and potential staff only, and not to customers.</p>
3. Establish staff disability awareness process/program	<p>Awareness is established via circulars, newsletter items, sessions in training courses, SES sessions, separate information sessions, and the opportunity to participate on the Disability Committee.</p>
4. Develop and refine database - customer and staff	<p>Surveys to identify staff with disabilities have been conducted each year since 1995.</p> <p>The database of people with disabilities seeking employment was established in August 1995 and an update conducted in 1996.</p>

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5. Review representation of people with a disability on consultation processes and advisory policy structures	Staff with disabilities are approached individually on a regular basis to determine their satisfaction with the Office's attitudes, practices and achievements.
6. Develop accessible and appropriate complaints and appeals mechanisms for people with a disability	A formal grievance process has been established for some time. In 1997 a General circular was issued to all staff clarifying the procedures and a brochure encompassing the grievance procedures was distributed to all staff. Staff are invited to contact the Disability Committee, Occupational Health and safety Committee, EEO Implementation Committee or EEO Co-Ordinator for information or advice. A more formal grievance procedure is currently being developed based on the Anti-Discrimination Board model.
7. Initiate evaluation and review process with customer representation. Link with broader standards and Quality Assurance.	A monitoring process involving staff with disabilities & the Disability Committee is in place. The 1997 Disability Survey sought input from all staff. Additional links to standards & quality assurance processes will be progressed.

OUTCOMES REPORT

The Office of Aging and Disability has set a format for agencies to present their revised disability plans. These plans are due by 31 December 1999. In the interim, a report on the most significant outcomes under the current Plan is as follows:

TAO employed another person with a disability, with the assistance of the Sydney Employment Development Service, who helped select and train the new employee.

- All staff with disabilities were contacted to ascertain their needs. As a result, a hearing modified telephone was purchased, and it was agreed that the Occupational Health and Safety Committee would issue a circular advising staff that they should not carry heavy items between locations.
- One person with a disability will be permitted to work from home on a regular basis.
- The Occupational Health and Safety Committee produced a checklist for staff to ensure that the audit client's premises were safe from an OH&S aspect.

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, comparing very favourably with the 1998 Public Sector figure of 14% (and Government target of 19%).

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.

Appendices

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 these financial statements is seven months from 1 December 1998 to 30 June 1999. Therefore, the reporting is for the month ended December 1998 and the periods January to 31 March and 1 April to 30 June.

	On time	Within 30 days	31-60 days overdue	61-90 days overdue	>90 days overdue	Total Value
December 1998						
No of Accounts (%)	99.34	0.66	0.00	0.00	0.00	100.00
Value (\$'000)	860	6	0	0	0	866
1 January - 31 March 1999 - 1999						
No of Accounts (%)	93.95	5.74	0.31	0.00	0.00	100.00
Value (\$'000)	2,088	128	7	0	0	2,223
1 April - 30 June 1999 - 1999						
No of Accounts (%)	97.80	1.64	0.55	0.01	0.00	100.00
Value (\$'000)	4,197	71	24	0	0	4,292

Appendices

CONTRACTED ACTIVITIES

Supplier	Service	Payment (\$)
Ernst & Young	Auditing Services	138,500
PricewaterhouseCoopers (Newcastle)	Auditing Services	86,750
PricewaterhouseCoopers (Sydney)	Auditing Services	66,500

Appendices

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	27
7(1)(a)(ia)	Financial Statements of controlled entities	n/a
7(1)(a)(ii)	Opinion (Independent Audit Report)	38
7(1)(a)(iia)	Response to Auditor-General's report	n/a
7(1)(a)(iii)	Current and next year's budgets	26-27
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	7
9(1)(c)	* access	inside back cover
9(1)(d)	* management and structure	12-15
9(1)(e)	* summary review of operations	5
9(1)(f)	* legal change	19
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	28-42
6(a)	First budget approved for the year	27
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	27
8(2)	* prescribed matters	
	-amendment to code of conduct	n/a
	-annual report copies printed and cost	inside back cover
9	Unaudited information clearly indicated	contents page
10	n/a	
11	Performance of executive officers	44
12	Investment performance	59
13	Liability management performance	n/a
14	Number of executive officers	43
15	Prescribed particulars	see note 3 below
16	Form of report – general:	
16(1)	* effective presentation and arrangement	complies

17	Form and presentation to Parliament:	
17(1)	* size	complies
17(2)	* number of copies for Parliament	complies
17(3)	* copy in computer readable form	complies
18	Public availability of report	complies
19	Exemptions from provisions	n/a
20	Repeal	n/a
Note 1	Refers to relevant section of Annual Reports (Statutory Bodies) Act 1984	
Note 2	Refers to relevant section of Annual Reports (Statutory Bodies) Regulation 1995	
Note 3	Refers to matters described in Schedule 1 to the Annual Reports (Statutory Bodies) Regulation 1995	
n/a	Not applicable	

Schedule ^{Note 3}

Detail

Page

Column 1

Information required in report of operations:	
Charter:	
* manner of establishment and purpose	1
* principal legislation	1
Aims and objectives:	
* aims	8
* range of services	13
* clientele served	13
Access:	
* address	inside back cover
* telephone number	inside back cover
* business and service hours	inside back cover
Management and structure:	
* members of the body and meetings	n/a
* significant committees	
-names of	45-47
-members of	45-47
* senior officers	
-titles	12
-names of occupants	12
-qualifications of occupants	12
* significant committees established or abolished	
-list names and functions	55-57
* organisation structure indicating functional responsibilities	12-13
Summary review of operations:	
* narrative summary of significant operations	13-15
* financial and quantitative information about programs or operations	5,9-11
Funds granted to non-government organisations	n/a
Social programs	n/a
Legal change affecting the body:	
* Acts and subordinate legislation	19
* significant judicial decisions	19
Economic or other factors affecting achievement of operational objectives	5-6,9-11

Appendices

Management and activities:	
* nature and range of activities	13
* measures and indicators of performance showing level of efficiency and effectiveness	9-11
* nature and extent of internal and external performance review practices	11
* improvements in organisational achievements	11
* benefits from management and strategy reviews	9-11
* management improvement plans	9-11
* achievements against previous targets	9-11
* major problems and issues	5-6
* major works in progress	5-6
* 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	22
- by category	22
- by comparison to at least 3 prior years	34
* exceptional movements in salaries	31-33
* personnel policies and practices	22-25
* industrial relations policies and practices	n/a
Consultants:	
* costing more than \$30,000	21
* costing less than \$30,000	21
* no consultants	n/a
Equal Employment Opportunity:	
* achievements	20
* strategies for the following year	20
* statistics	62
* progress with disability plan	62
Land disposal	n/a
Promotion	
* Types of publications and other information	70
* Overseas visits including purposes	20
Consumer response:	
* extent and main features of complaints	21
* services improved or changed as a result	21
Guarantee of Service	
* standard for providing services	60
* comments on variances from standard	60
* comment on changes made to standard	60
Time for payment of accounts	n/a
Account for payment performance	66
Risk management and insurance activities	19
Controlled entities	n/a
Ethnic Affairs Priority Statement & Ethnic Affairs Agreement	65

Note 3.Refers to matters described in Schedule 1 to the *Annual Reports (Statutory Bodies) Regulation 1995*
n/a not applicable

Appendices

REQUIREMENTS UNDER FREEDOM OF INFORMATION ACT 1989 AND REGULATIONS:

- | | | |
|----|--|---------|
| 1. | Information is to be provided in the required format | Page 19 |
| 2. | An assessment of that information is to be provided | Page 19 |

Requirements under Government Pricing Tribunal Act 1992:

Agency to provide information regarding determination or recommendation of tribunal.	(NIL)
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|--|------|
| Requirements under Treasury Circular TC 1997/01 | Page |
| Equal employment opportunity disclosure requirements: | 20 |
| 1. Commentary on Equal Employment Opportunity achievements | 62 |
| 2. Statistical information in the required format | |

- | | |
|--|------|
| Requirements under Treasury Circular No.13 of 1995 | Page |
| Annual reports: Additional requirements: | 10 |
| 1. Developments in market testing and contract | |

- | | |
|--|-------------------|
| Requirement under Treasurer's Memorandum No.TM92/9 | Page |
| Annual reporting requirements: | inside back cover |
| (a) Number of copies printed and cost | 3 |
| (b) Index and table of contents | complies |
| (c) Provided to Parliament in computer-readable form | |

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|---|------|
| Requirements under Treasurer's Direction TD900.01 General Insurance | Page |
| 1. Report on risk management and insurance activities | 19 |

- | | |
|---|------------------|
| Requirements under Premier's Department Memorandum No 91-27 | Page |
| 1. Requirements for all NSW Government publications | see note 4 below |

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|--|------|
| Requirements under Premier's Department Circular No 92/4 | Page |
| Senior Executive Service | 43 |
| 1. Number and level of SES positions | 43 |
| 2. Number of women in the SES | |
| 3. Performance of Chief Executive and SES officers Level 5 and above | 44 |

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|---|------|
| Requirements under Premier's Department Memorandum No 94-28 | Page |
| Changes to Procedures for Making Statutory Rules: | n/a |
| 1. Annual reports to detail any departures from Subordinate Legislation Act | |

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
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REPORT PRODUCTION DETAILS

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

