

Annual Report and Financial Statements for the year ended 30 November 1997

THE AUDIT OFFICE
OF NEW SOUTH WALES

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 year ended 30 November 1997.

Yours faithfully

A handwritten signature in dark ink, appearing to be "A C Harris".

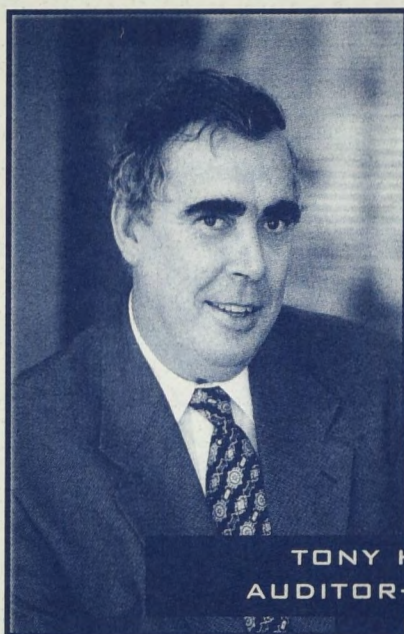
A C Harris
27 March 1998

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► Note: Apart from the Financial Statements for 1996-1997 all other financial information in this report is unaudited.

FOREWORD BY THE AUDITOR-GENERAL



TONY HARRIS
AUDITOR-GENERAL

In spite of our focus on continually improving our processes, the Office does sometimes make mistakes. Where mistakes do occur, it is important to the Office's credibility that they be corrected and acknowledged publicly. Readers will thus occasionally see in Reports to Parliament references to mistakes made by the Office.

Because the Office's credibility is its principal asset, it works hard to protect it. During the year the Government has publicly commented adversely on a number of reports in a way that might have damaged that credibility. For further details on these Government comments and on how the Office is developing processes to minimise the risk of mistakes, refer to the section on Risk Management, page 32.

The elaborate systems used to check the quality of work undertaken by The Audit Office are aimed to minimise errors. Some errors do occur, but differences between the Government and The Audit Office have not been about errors but about different interpretations of the same facts.

These differences have been portrayed by the Government - especially in respect of controversial matters such as those surrounding the establishment of the Fox Studio at the former showground site or the attribution of the costs of Government House - as 'sloppy accounting' by this Office.

Such language adverse to The Audit Office is designed for mass reporting by the media. It is also inaccurate.

The Audit Office endeavours to be professional and objective and does not and will not respond using the same or similar terms. But its reports do carry the Government's full response where the Government disagreed with the Office, and the reasons supporting The Audit Office's interpretation.

HIGHLIGHTS

Guided Self Assessment

The Office continued to focus on the development and improvement of its performance. Along with 77 state government organisations the Office participated in a Government sponsored process of benchmarking against best practice. The process known as Guided Self Assessment (GSA) was organised by the Australian Quality Council and evaluated the management practices of the Office with a focus on continuous improvement as well as providing guidelines on how we can improve ourselves.

The Self Assessment involved a representative cross-section of staff and examined the following areas:

- Leadership
- Strategy, Policy and Planning
- Information and Analysis
- People
- Customer Focus
- Quality of Process, Product and Service
- Organisational Performance.

The Office's overall self assessment score was 457/1000. This absolute score suggests there is considerable scope for improvement in the Office. The relative score placed the Office in the top or fourth quartile of all participating agencies in all areas except for "Information and Analysis". "Information and Analysis" was ranked in the third quartile.

The New Methodology

In 1997, the Board of Management approved the implementation of a revised financial audit methodology for the next several years for the Office. After seeking expressions of interest, a tender process commenced in August, with responses received in September. The Office evaluated the methodologies and software and finally decided to choose Deloitte Touche Tohmatsu as the preferred tenderer for the methodology and associated software.

The new methodology is called SAGE an acronym for "System for Auditing Government Enterprises". The related software is called AS/2. Training in SAGE and the software starts on 9 February 1998. Several pilot teams have been chosen for the initial implementation for some June 1998 audits with full implementation expected for all June 1999 year end audits.

SAGE will improve the Office service delivery by focusing on adding value to the operations of Government and its agencies and is expected to provide productivity gains of at least 10% over the first two years of its implementation.

HIGHLIGHTS

Compliance Audit

The April 1996 report of the review of The Audit Office, sponsored by the Public Accounts Committee, recommended that greater attention be given to compliance issues in the annual audits of agencies. The Office was also advised by the Crown Solicitor in June 1997 that the *Public Finance and Audit Act 1983* allowed the Office to undertake such reviews.

The compliance reviews focus on assessing compliance with those obligations imposed on an agency by law or subordinate legislation which could have a financial impact on the agency. During 1997, five legislative requirements were reviewed: Chief Executive/Senior Executive Service remuneration; payroll tax on superannuation benefits; disaster recovery plans for computer installations; prompt payments of accounts; and fringe benefits tax on motor vehicles for non-budget sector agencies.

The audit showed that agencies did not adequately comply with the selected State and Commonwealth legislation. The financial effects of non-compliance were assessed at the individual agency level and the results were reported to each agency. A summary of the results for each review was reported in Volume 2 and 3 of the Auditor-General's Report for 1997.

The high level of non-compliance with legislation is a matter of concern requiring action by the relevant central agencies and at the agency level. The results of these compliance reviews suggest that they are needed. They are now part of the annual audit for most agencies.

1997 Premier's Public Sector Awards

The Premier's Public Sector Awards were initiated to recognise publicly the accomplishments and contributions of the public sector to the community of New South Wales.

The Audit Office and the Community Services Commission nominated for an award in the category *Achievements that make a Significant Contribution to Service Outcomes - Direct Service Delivery*. The nomination was in respect of the jointly conducted performance audit on *Large Residential Centres for People with a Disability in New South Wales*. The report of the audit was tabled in Parliament on 26 June 1997.

The Audit Office and the Community Services Commission were awarded a commendation for the contribution made by the report.

HIGHLIGHTS

Key Operating Results

	1996	1997
Organisation and Activities Audited	413	409
Qualified Audit Opinions Issued	26	32
Number of Reports to Parliament	13	14
Employment, and Equivalant Numbers	287	268
Chargeble Time	52%	55%

Key Financial Results

	\$'000	\$'000
Total Income	21,064	21,308
Total Expenditure	21,016	20,928
Operating Surplus before abnormals	48	380
Total Assets	14,218	15,914

Key Performance Indicators

	1996	1997
Effectiveness		
Audit Client Satisfaction	71%	68%
Efficiency		
Audit costs to State Public Sector (cents per \$'000)	64	67
Economy		
Major cost items		
- Average staff salary and allowances per week	\$1,034	\$1,074
- Office rental and cleaning (p/mtr)	\$293	\$286

THE FUTURE DIRECTIONS

Mandate

The Office will continue to pursue improvements to the State's accountability regime.

The audit of Government agencies' key performance indicators (KPI's), shareholder value assessments (SVA's) and responsibility statements are an important step in this process. Changes to the legislation are being pursued to ensure the Auditor-General can express an opinion on the accuracy of a Government agency's KPI's, SVA's and responsibility statements.

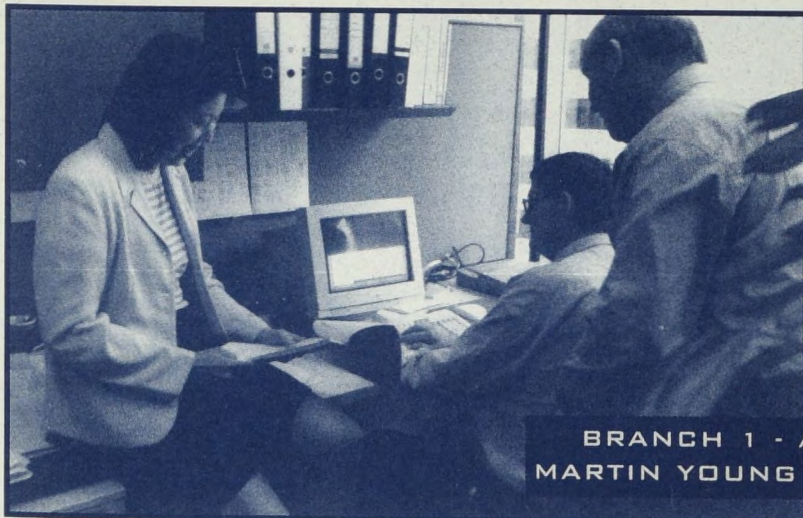
The Auditor-General has also raised with the Minister for Local Government limitations in the current arrangements for auditing local Government. A substantive response has not yet been received on this important issue.

Management of Our Processes

The provision of efficient auditing services is essential to ensuring that the Office can effectively report on whether the State's funds are properly raised, are protected from loss and are spent with maximum efficiency and effectiveness for the purposes approved by Parliament.

During 1997, the Office identified a number of areas for improvement of our processes. These areas for improvement were identified using the GSA process developed by the Australian Quality Council (refer to Highlights page 6). This process will continue to be used as one of the tools to benchmark our processes against a model of best management practice.

The adoption of a new financial audit methodology (refer to Highlights page 6) and the GSA process are designed to improve the Office's productivity. Over the next 2-3 years a real decrease in audit costs will occur. Financial audit will concentrate on adding value to the operations of Government and it's agencies. Also, subject to Government agreement, audit times are targeted to be reduced by 3% for 1997/98, 5% for 1998/99 and 5% for 1999/2000. Performance audit and corporate service providers are expected to effect similar savings.



BRANCH 1 - ANNE CHUNG,
MARTIN YOUNG & KEITH BROWN

THE FUTURE DIRECTIONS

Contestability

In November 1997, the Auditor-General wrote to the Government about a model of auditing which would preserve the essential role of the Auditor-General while exposing the Office to the important benefits obtainable only through contestability (or the threat of competition).

The proposed public sector external audit model, variants of which are in use in some other Australian jurisdictions, has been discussed at the Australasian Council of Auditors-General (ACAG) and was accepted by the Board of Management of The Audit Office.

It involves rotating most audits undertaken by the Office between the Office and the private sector audit firms. Such rotations would allow the private and public sectors to learn from each other and to influence the practices of each other.

If the Government sees value in this model, it will be discussed with the Public Accounts Committee (PAC) and, if it agrees, the model will be implemented over the next few years.

Shrinking Public Sector

Because of continuing adverse findings on the auditees' perceptions of the value for money of financial audits, the Office has proposed to the Government that it aim to absorb much of the wage increases which have been awarded and take effect over the next few years. The Government has yet to respond.

Another issue which requires attention in the future is the effects on the Office of privatisation. The intended sale of the TAB Ltd and the proposed sale of the State's electricity industry would lead to an eventual reduction of about 10% of financial audit revenue. Although natural attrition is higher than 10% annually, the consequences of these sales for the Office will still require management.



TRAINEE AUDITOR
GRACIE LEONELLO

CORPORATE PLAN

Corporate Plan and Progress

In recent years The Audit Office has been continually changing to respond to the challenges it faces. During 1997 the strategic focus of this Office was revised.

Our purpose is:

To enable the Auditor-General to provide independent auditing for the State (and so assisting in the improvement of accountability and performance).

Our mission is:

Auditing in the State's Interest.

The Auditor-General serves the State's interest 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 fairness, honesty, integrity, trust, and empathy.

Our strategic focus to 1999 includes:

Contestability	Emphasise the uniqueness of audit in the public sector, while looking for gains from contestability.
Mandate	Pursue improvements to accountability regime.
Alliances	Develop and enhance relationship with ACAG, PAC, Professional Bodies and Private Industry.
Public Understanding	Establish a means for better communication of The Audit Office's role and activities.
Processes and Products	Ensure that products and services most suit clients/stakeholder needs and are delivered efficiently.
Staffing	Equip the Office with the necessary staff having appropriate skills and working in an equitable and flexible environment.

PERFORMANCE

Performance Indicators

To some extent, the performance of the Office can be judged by the impact of its reports. Often that impact can only be measured in the longer term, because the recommendations in major reports usually require long-term strategies for implementation.

It is important for the Office to find ways to measure its performance and to assess areas where further economies and efficiencies can be made so as to provide all our clients with the best possible products and services in the most cost effective and efficient way.

To satisfy this need for measurement, the Office has chosen the following indicators as giving an assessment of our performance:

Area of Performance	Indicator
Effectivness (outcomes) -	<ul style="list-style-type: none">• Audit Client Satisfaction• Quality of financial reporting by clients• Timeliness of financial reporting
Efficiency (cost of outputs) -	<ul style="list-style-type: none">• Audit costs in relation to the value of transactions audited• Percentage of staff time spent on audits ("chargeable time")• Charge-out rates for audit staff
Economy (cost of inputs) -	<ul style="list-style-type: none">• Major cost items: salaries and allowances office rental
Compliance (all relevant laws/policy) -	<ul style="list-style-type: none">• Compliance with Australian Auditing Standards• Compliance with legislative obligations• Complaints

PERFORMANCE

Effectiveness (Outcomes)

Extent of Client Satisfaction

All Parliamentarians (our primary clients) were surveyed in December 1997 on the performance of The Audit Office over the past twelve months. In addition, selected government agencies (our audit clients) were given the opportunity to comment on the Office's products and services.

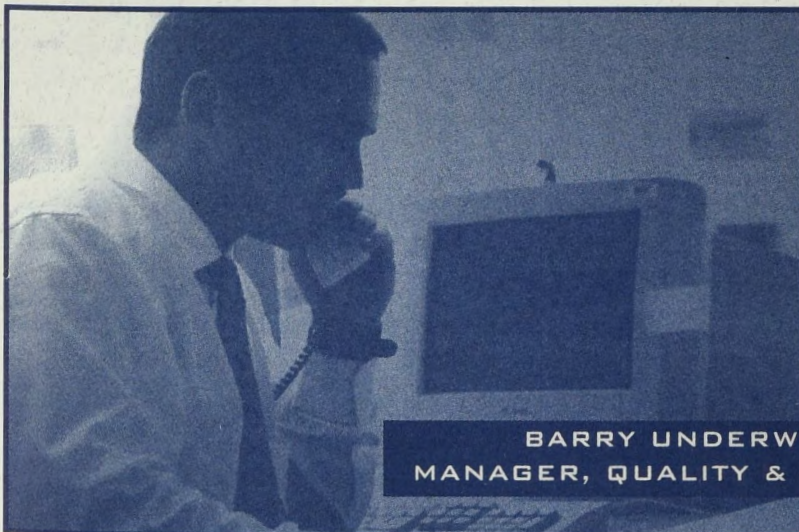
Parliamentarians

The response rate from parliamentarians was 28% (40 responses), which is similar to that of 1996 and is considered to be low.

Participants were asked to rate the three latest Auditor-General's Reports (the general reports), as well as twelve of the latest reports issued from the Office's Performance Audit Branch. Of the general reports, 37 of the 40 respondents rated the reports as either very useful or useful. Of the performance audit reports, 27 respondents rated the reports as either very useful or useful. Some respondents considered that some of the performance audit reports dealt with narrowly focused issues either outside the concerns of their constituents or outside of their portfolio parameters.

Parliamentarians were also asked to express their opinion on aspects of the communication style of the general and the performance audit reports. The 40 responses provided a general indication that the reports communicated issues clearly and were unbiased and gave a strong indication that the reports deal with matters of significance to Parliament. There was no clear indication as to whether the reports were too long or too negative.

Of the 40 respondents over half considered that the reports had significantly contributed both to agencies' program management and to better public sector accountability. Several parliamentarians appreciated that The Audit Office reports helped to establish the credibility of agencies' financial operations and of public infrastructure projects.

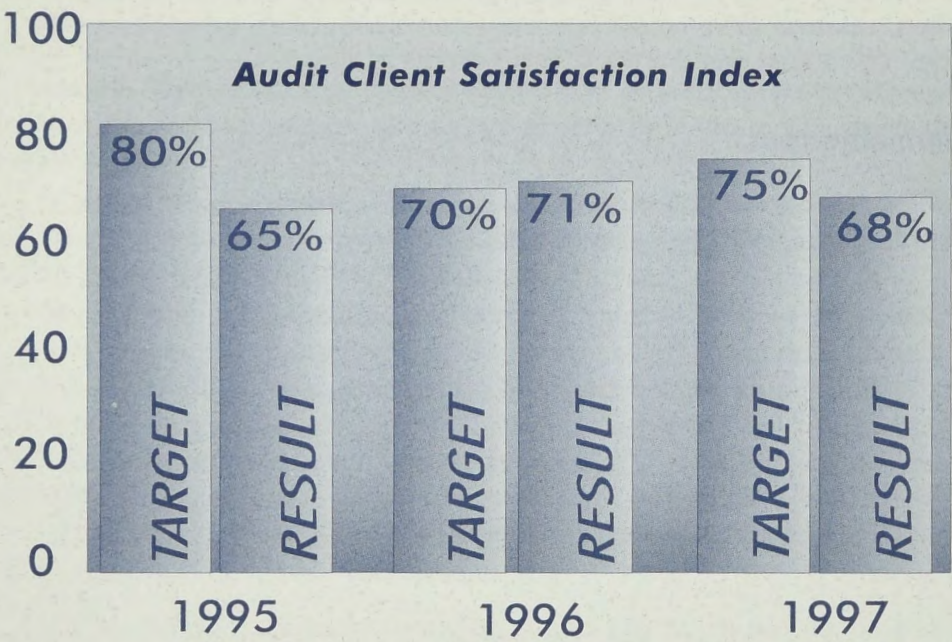


BARRY UNDERWOOD
MANAGER, QUALITY & PLANNING

PERFORMANCE

Clients

In 1997, the client satisfaction index moved to 68% from the high of 71% which was established in the previous year (see graph below).



Clients’ assessment of our performance has fallen on all criteria except “Availability: approachability and ease of contact”, which remains high and increased. The most noticeable declines have been in relevant auditing skills and experience, value for money, and our ability to provide options in service, with the last two being the worst aspects of our performance. The Office is constrained by legislation from offering non-audit services but is planning to address value for money concerns by obtaining significant productivity gains from all parts of the Office.

The aspects of performance which clients found most important were clients’ confidence in the quality of the audit work, the Office’s effort to understand clients’ organisations and its ability to deliver the service promptly.

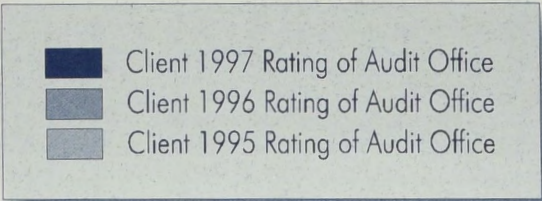
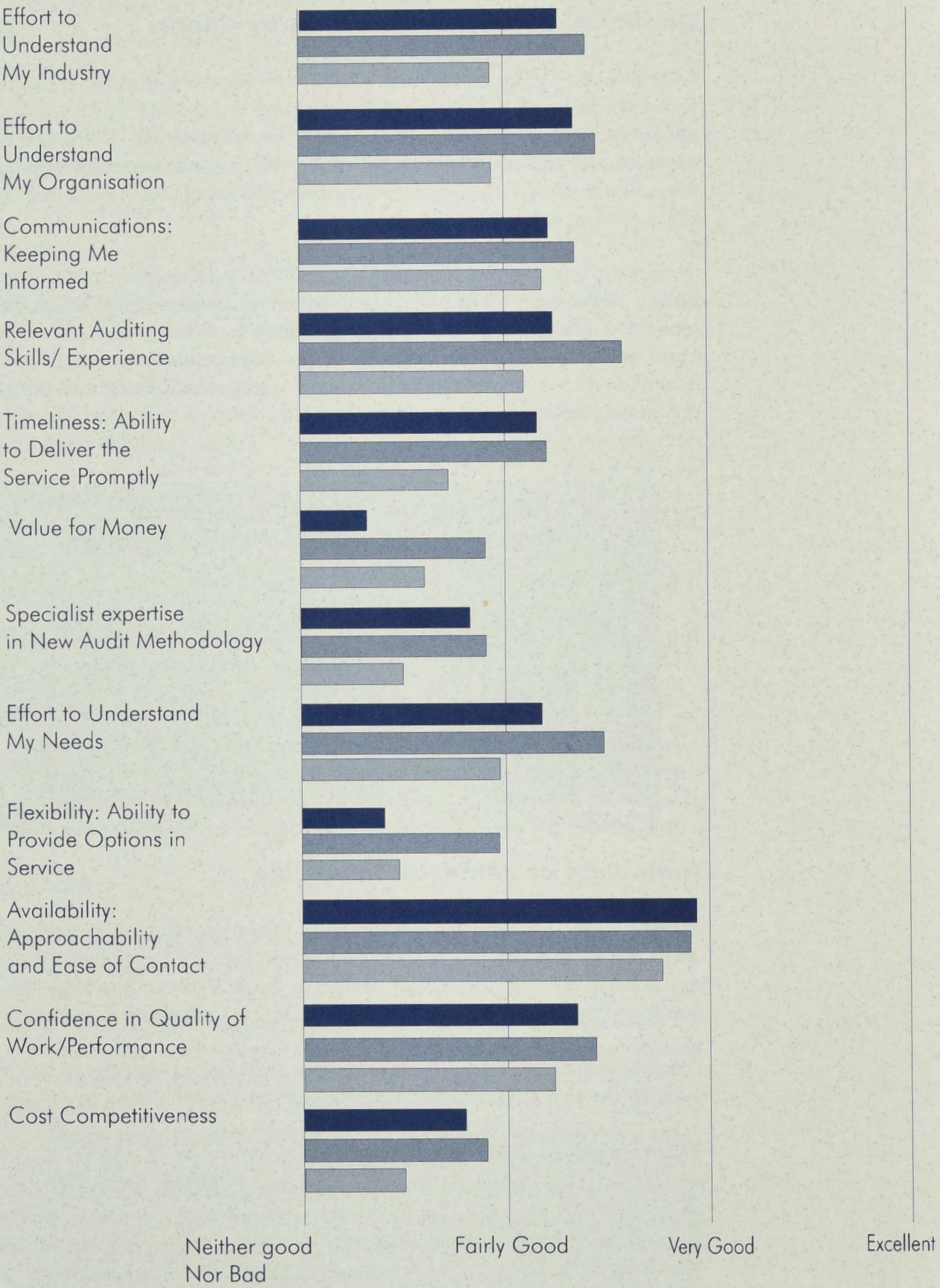
Over 90% of responding clients considered the performance of the Office over the year had been satisfactory. Over 50% of responses indicated that there had been an improvement in The Audit Office’s service over the last two years, with 44% being neutral in their assessment. Of respondents, 67% said that, given a choice, they would choose The Audit Office as their financial auditor. This is primarily attributable to perceptions that the Office has a well-developed understanding of the public sector.

Exactly 80% of respondents agreed that Audit Office reports which referred to their organisation had presented a fair and balanced perspective. When asked whether the Office was able to identify the real risks in the client’s business, 51% agreed but 42% were neutral, and when asked whether the audit cost was reasonable, 56% agreed and 32% were neutral.

The response rate was high at 74%, with 107 clients being asked to participate in the survey, and 79 responses being received. Following from last year’s initiative, the survey was conducted by The Audit Office rather than by an independent market research firm.

PERFORMANCE

Performance on Key Criteria



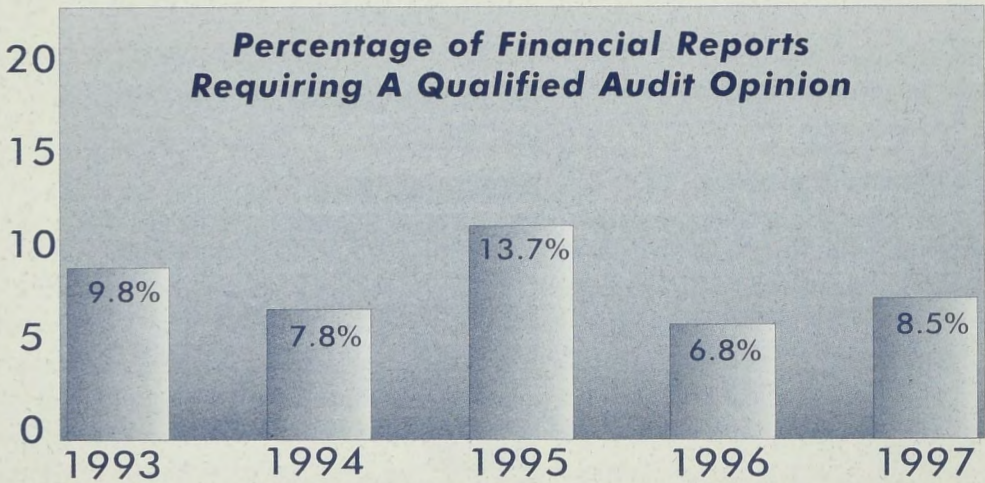
PERFORMANCE

Effectiveness of Audits

Quality of Financial Reporting by Clients

Over time the Office can influence and encourage improved financial reporting. The percentage of reporting entities receiving a qualified audit opinion can be considered to be, in part, an indicator of the influence the Office has on public sector accountability and the quality of reporting. A qualified audit opinion occurs when The Audit Office identifies a deficiency in an agency's financial statements which is of significant magnitude or nature.

During the past twelve months, 32 qualified independent audit reports were issued, representing 8.5% of all reports issued. Unfortunately, 14 of these were repeats of the same or a similar qualification from the previous year. In several cases, senior management of the relevant entities have chosen not to abide by the Australian Accounting Standards. In some cases management has not moved to obtain information which would avoid the qualification. Both issues are a matter of concern.



Timeliness of Financial Reporting

Another factor affecting the usefulness of financial information is its timeliness, which is a function of how soon after year-end the client can present the financial report for audit. The speed with which the audit is then completed, the opinion made and reports issued is a measure under the Office's effectiveness.

The following table shows the percentage of financial statements submitted for audit by the due date and the percentage of audits completed by the due date.

Timeliness of Financial Reporting	1995	1996	1997
Percentage of financial statements submitted by due date	82%	87%	92%
Percentage of audit opinions issued by due date	83%	84%	81%

Delays in issuing audit opinions were due, in 85% of the cases, to delays by client officers in signing the financial statements (which must occur before the audit opinion can be issued).

PERFORMANCE

Effectiveness of Performance Audits

- 11 reports tabled this year - Refer Appendix 8
- \$15m in potential savings identified
- 100 recommendations for improvement

The effectiveness of performance audits can be judged by their value to Parliament, impact on Government and agencies and capacity to promote wider public debate.

Parliament

Three of this year's audit reviews formally originated from Parliament while others were originally suggested by members of Parliament. This reflects the worth Parliament places on the independent review of the activities of Government and its agencies.

In addition, the Public Accounts Committee evaluated two earlier reports. For one, it found that it represented value for money and the committee endorsed their recommendations. For the other, it found that the report provided useful information to Parliament.

Government and Agencies

Government Ministers and agencies see value in performance audits. Two were undertaken at their request.

Even where audits are not requested, there continues to be a high level of acceptance of recommendations. Less than 5% were rejected and many have already been fully implemented. For example, the Office's methodology has been adopted by the Community Services Commission and the Department of Ageing and Disability to review services in large institutions which care for the disabled.

The Wider Public

Performance audits can also stimulate wider debate about the merits of government administrative practices, both inside and outside NSW.

The audit on corporate governance has generated considerable interest in the report itself and in the wider issues it raises. The report is already in its second printing and conference invitations to talk on this topic now number more than 15. Also, The Audit Office is publishing, with the NSW Premier's Department, guidelines on corporate governance for the NSW public service.

No less than three performance audits have commented on the merits of private urban tollroads - the reviews of the Sydney Harbour tunnel in 1994, the M2 in 1995 and the Eastern Distributor in 1997. Continuing scrutiny of such schemes might have contributed to the improved terms for the taxpayers of NSW in the later contracts, following earlier Audit Office observations of such arrangements.

PERFORMANCE

Efficiency (Cost of Outputs)

Audit Costs

A measure of audit efficiency is the relationship of audit costs to the value of transactions audited. All else equal, it can be said that the lower the audit costs per dollar audited, the more efficient the audit, although relatively high costs do not always reflect adversely on audit efficiency. Higher costs may in fact be due to other circumstances such as the quality or complexity of client accounting and financial systems.

The Office uses the comparison of total Audit Office costs with total NSW State Public Sector Expenditure (from the Consolidated Financial Statements) as an indicator of audit costs to the public sector. Both figures are derived using the accrual method of accounting.

<i>Audit Costs to Public Sector Expenditure</i>	1995	1996	1997
Total NSW State Public Sector Expenditure (\$billions)	30.7	32.7	31.1 ¹
Audit Office Operating Expenditure -before abnormals (\$millions)	19.8	21.0	20.9
Cost of Audit (cents per \$'000)	64.4	64.2	67.2

Note 1 Preliminary unaudited figure
Reducing the cost of audit is a focus for the Office refer to Future Directions page 9.

<i>Program Costs to Public Sector Expenditure</i>	1995	1996	1997
Cost of Financial Audit (cents per \$'000)	48.7	48.6	50.3
Cost of Performance Audit (cents per \$'000)	5.9	6.5	6.6

A comparison with two other Audit Offices can be made using published material suitable for the purposes of providing an indicator of performance. It should be noted however, that differences in size and audit mandate between audit offices in different jurisdictions will necessarily affect the cost of the audit.

PERFORMANCE

Audit Costs to State Transaction

	Northern Territory ²	Western Australia ³	NSW
State or Territory transaction ¹ (\$billions)	3.4	15.8	47.9
Audit Costs (\$millions)	2.2	9.9	20.9
Cost of Audit (cents per \$'000)	66	63	44

Note

- 1 The volume of State Transactions (outlays and revenue) for the year ended June 1996 as per the Australian Bureau of Statistics, plus CPI increase for year ended June 1997.
- 2 As per page 20 of 1997 Annual Report of Northern Territory Auditor-General's Office
- 3 As per page 60 of 1997 Annual Report of the Office of the Auditor General, Western Australia

Private Sector Comparisons

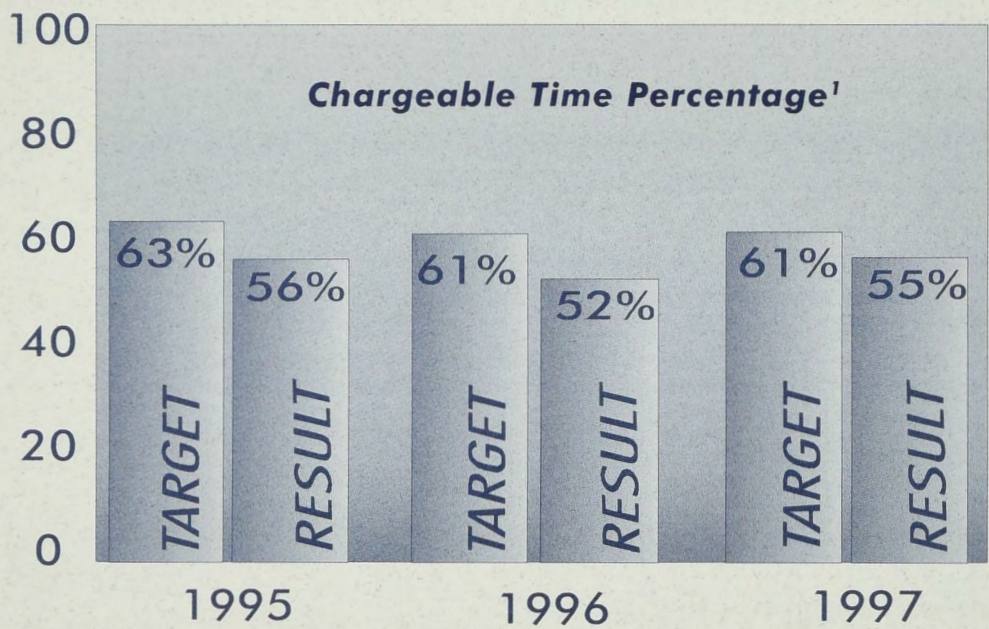
Business Review Weekly magazine of March 1997 provides useful information on the number of audits and the fee revenues of the firms who audit the top 1000 Australian Companies.

	No of Audits	Audit Fees (\$m)	Other Fees (\$m)
KPMG	167.5	62.58	64.42
Coopers & Lybrand	120.0	33.21	45.92
Price Waterhouse	121.0	29.63	40.62
Deloitte Touche Tohmatsu	89.5	31.46	24.75
Ernst & Young	102.0	28.98	22.91
Arthur Anderson	66.5	23.52	17.58
Non Big Six	119.0	10.50	5.95
Auditors-General	187.5	31.68	4.79

PERFORMANCE

Chargeable Time

The percentage of staff time charged to audits (as opposed to time spent on other non-audit duties such as administration and training) is a further indication of efficiency. Obtaining the maximum achievable chargeable time percentage depends upon a number of factors including staff structure and professional development time. The higher the percentage of time charged to audit work, the greater the efficiency.



Note 1 Total hours charged to audits as a percentage of total standard hours in the year for all staff

The tables show a modest increase in chargeable time percentage for 1997 but the ratio is still below target.

Charge Out Rates

The charge out rate in 1997 averaged \$83 per hour compared to \$80 per hour in 1996. This year's client survey indicated that 56% of clients felt the Office's audit fees and costs were reasonable, with 32% neutral. It is always a difficult area to assess. For many of our audit clients, the preparation and audit of financial statements are not seen as core activities or as matters that show agencies' real contribution to the community. (In the private sector, financial statements are good indicators of an agency's performance and management respond to the issue accordingly.)

PERFORMANCE

Economy (Cost of Inputs)

Major Cost Items

The most significant individual expenses incurred by the Office are in relation to salaries paid to staff and, rental of office space. These totalled \$15.6 million in 1997 and the following table provides a breakdown and comparison of these costs.

Salary & Allowances

	1995	1996	1997
Average Weekly Salary & Allowance	\$987	\$1,034	\$1,074
•percentage increase over previous year	5.4%	4.7%	3.9%
Average Weekly Earnings - NSW ¹	\$573	\$600	\$600
•percentage increase over previous year	4.4%	4.7%	0%

Note
1 Average weekly earnings - NSW as per Australian Bureau of Statistics
cataogue 6302.0

Rental & Cleaning Services

	1995	1996	1997
Average Cost per Square Metre	\$312	\$293	\$286
•percentage change over previous year	3%	(6%)	(2%)

PERFORMANCE

Compliance

The *Public Finance and Audit Act 1983* requires that independent audit reports be issued within 10 weeks of receipt of the financial report by The Audit Office. The requirement was met in 1997 in 81% of cases. In around 85% of cases where that statutory deadline was not met, the independent audit report could not validly have been issued because the auditee had not signed the financial statements. The Office also conducts audits under the Companies and Superannuation legislation of the Commonwealth and under the *New South Wales State Owned Corporations Act 1989*. No breaches of compliance with these authorities occurred in the past twelve months.

In addition the Office is subject to a range of Commonwealth and State legislation, and State directions which affect government agencies (eg taxation, annual reports, accounting practices and standards).

For the 1996 Annual Report, the office did not report on the requests under the *Freedom of Information (Amendment) Act, 1992*. There were no requests for the 1996 year. The Office has also not complied with section 14 of the Act.

The Offices Quality Assurance Review Committee (QARC) renewed a selection of audits for compliance with Australian Auditing Standards. Some breaches were detected and appropriate action was undertaken (see External/Internal Reviews).

SGS International Certification Services, our ISO9001 accredited quality auditor, also reviewed some corporate support functions along with a selection of our financial and performance audits. Some improvements were suggested (see External/Internal Review).

Internal Audit conducted a number of reviews during the year. Significant matters were raised regarding The Office's approach to the year 2000 Millenium Bug (refer Internal/External Scrutiny) and the management of leave (refer Appendix 11).



POLICY AND RESEARCH
 STEFAN WASYLYK, PAUL MATTHEWS,
 LINDA NICHOLAS & TERRY HOGAN

PERFORMANCE

Complaints

The Office can be subjected to investigation and review by the NSW Ombudsman and the Independent Commission Against Corruption as the result of referred complaints. Over the past twelve months, there has been no notice of such complaints. Similarly, the Office received no protected disclosures about its own affairs.

A complaint was received from an officer of a client department alleging harassment by a staff member of the Audit Office. Although investigation by the client organisation and the Audit Office failed to establish the veracity of the allegation, action was taken to reduce the prospects of further complaints or any harassment.

It would appear that an inappropriate interpretation of sections of the *Public Sector Management Act 1988* has been used in two Audit Office appointments. Some concern has been raised over this situation especially for Audit Office staff who were not afforded the opportunity to apply for the vacant positions.

Planned action resulting from these issues includes a review of existing legislative requirements and the publishing of a detailed guideline to be followed by all staff in the advertising, selection and appointment of officers.

The administrator of an agency was critical of the audit process and audit comment on a matter included in a Report to Parliament in 1996. The Office considers its approach and comments made were appropriate.

FIVE YEAR SUMMARY

	1993	1994	1995	1996	1997
Effectiveness					
Audit Client Satisfaction Index ¹	63%	66%	65%	71%	68%
Financial Statements receiving unqualified audit opinion	90%	92%	86%	93%	91%
Timeliness (audit reports issued within time limit)					
*audit opinions ²	85%	93%	83%	84%	81%
*reports to Ministers ³	85%	90%	95%	95%	94%
*reports to management ⁴	-	14%	58%	40%	72%
Efficiency					
Audit costs to State Public Sector expenditure (cents per \$000)	52	69	64	64	67
Chargeable Time (%)	-	57%	56%	52%	55%
Effective hourly charge-out rate	\$70	\$67	\$72	\$80	\$83
Economy					
Major cost items					
*average weekly salary/allowance	\$902	\$937	\$987	\$1,034	\$1,074
*office rental & cleaning (p.sq.mtr)	\$267	\$304	\$312	\$293	\$286
Workload					
Number of organisations audited	438	468	452	413	409
Number of performance audits	2	7	7	10	11
Number of special reports	21	21	10	9	13
Number of reports to Parliament ⁵	5	11	10	13	14
Employment					
Average permanent staff for the year	193	206	222	237	227
Other staff (contract etc) ⁶	52	72	56	50	41
Financial					
Total Income('000)	\$17,512	\$20,186	\$19,712	\$21,064	\$21,308
Operating surplus/(deficiency) ('000)	\$2,864	\$2,077	\$(875)	\$(667)	\$1,299
Asset turnover (times per annum) ⁷	5.2	4.7	4.4	4.9	5.0

FIVE YEAR SUMMARY

Notes to Five Year Summary Table:

- 1 This is a measure of how satisfied audit clients are with The Audit Office and is derived from the results of the Client Survey
- 2 The time within which audit opinions must be issued is set by law and is, in general, within 10 weeks of receipt of financial reports by The Audit Office
- 3 There is no statutory time limit for the issue of reports to Ministers. Office policy is for these reports to be issued to Ministers at the same time as the related audit opinion
- 4 There is no statutory time limit for the issue of reports to Management. Office policy is for these reports to be issued within four weeks of completion of the audit
- 5 Does not include the Annual Report on the activities of the Office
- 6 Equivalent of staff numbers required to replace other staff based on average cost per staff member
- 7 Calculated as revenue from fees and contributions, divided by average receivables and work in progress for the year



STRUCTURED FINANCE
KP SHARMA, RAHOUL RAY,
SARAH DUNNE & DAVID DANIELS

EXTERNAL/INTERNAL SCRUTINY

External and Internal Reviews

A number of reviews were undertaken of the Office's operations. The following were the major ones:

- Internal review of financial audit quality
- Internal audit (see Appendix 11)
- Client survey (results detailed earlier)
- ISO 9001 review

Our regular internal review of selected financial audits indicated satisfactory performance in most areas. The review identified these areas for improvement: to obtain sufficient knowledge of a clients computer environment; to use information systems audit to improve audit efficiency; and to review the professional competence and objectivity of experts used by a client. Action has been taken to address these issues.

When one of the regular internal quality reviews identified significant problems on one audit, a special review was undertaken to establish the extent of any discrepancies. This review found there were shortcomings in the audit of one particular manager. Appropriate corrective action was taken.

As previously mentioned, ISO9001 accreditation required the review of our procedures and work practices. A number of internal reviews were conducted by the Quality and Corporate Planning Section and an external review was carried out by SGS International Certification Services Pty Ltd. These reviews covered management responsibility, training, purchasing, internal quality audits, financial audit services and performance audit services.

Year 2000 Review

Internal Audit conducted a review of the adequacy of the Office's approach to the Year 2000 Millennium Bug.

Areas identified for improvement were:

- for the Year 2000 problem to be managed as a project and be assigned to the appropriate officer;
- to develop a formal plan as well as a contingency plans;
- to raise end-users' awareness of Year 2000 problems associated with their spreadsheets.

Freedom of Information

During the past year there were no requests under the *Freedom of Information (Amendment) Act 1992*.

The Office has not published information relating to a statement of affairs and summary of affairs as required by section 14 of the *Freedom of Information Act*. This will be completed by 30 June 1998.

REVIEW OF OPERATIONS

Key Statistics

	1996	1997
Audit Clients		
Organisations and Activities Audited	413	409
Outputs		
Number of financial audit opinions	381	363
Number of performance audits and special reports	19	24
Number of reports to Parliament	13	14

Clients

Our 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 Audit Office's reports or otherwise have an interest in the work performed

The number of organisations and activities audited by The Audit Office decreased from 413 in 1996 to 409 in 1997. Organisations and activities are classified as follows:

	1996	1997
Parliament and related entities	3	3
Departments, ministries & related entities	97	96
Government trading enterprises, coporations and related entities	238	236
Universities and related entities	54	52
Other	21	22
Total	413	409

The total number of organisation and activities audited has decreased by 4 since 1996. However, there has been a number of movements during the year, with both the creation and cessation of related entities.

REVIEW OF OPERATIONS

Services

The principal services provided by the Office are:

- Financial report audits
- Performance audits
- Special reviews/investigations
- Reports to Parliament
- Advice on accounting and auditing standards/practices

In addition, the Office provides assistance in other audit related areas including financial management, accounting and auditing staff and contractor selection, staff training in audit related skills, information technology and data processing relevant to audit.

All of our clients are provided with the Office's Guarantee of Service. The Guarantee outlines the type of services clients can expect to receive from us and the standards which we intend to maintain. Our performance against those standards is detailed in Appendix 10.

Types of Audits Performed

Financial Report Audits

These are conducted for the primary purpose of providing an independent opinion on the financial report prepared by each government agency. Usually the financial report and the independent audit report are required to be included in the agency's annual report tabled in Parliament. Additional financial report audits are undertaken each year on the Government Finance Statistics report, the Treasurer's Public Accounts and the State's Consolidated Financial Statements. Audit opinions are published with those documents.

An integral part of the financial report audit for the year ending 30 June 1997 and beyond, are the compliance audits. This issue is detailed earlier in the Highlights Section.

Financial report audits also allow auditors the opportunity to advise agency management on possible improvements that were detected during the audit. These might cover, for example, opportunities to improve the methods and processes used by agency management to safeguard resources and to provide useful financial information.

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

REVIEW OF OPERATIONS

Performance Audits

The objective of these audits is to determine whether an agency is carrying out activities efficiently, economically, effectively and in compliance with the law. These audits may review all or part of an agency's operations. Some audits 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 audits is detailed in Appendix 8.

Protected Disclosures Reviews

The *Public Finance and Audit Act 1983* provides that the Auditor-General may conduct an audit of a complaint by a public official of serious and substantial waste of public money by an authority or an officer of an authority.

Subject to certain conditions, the *Protected Disclosures Act 1994* provides protection for a public official who makes a complaint concerning corrupt conduct, maladministration or serious and substantial waste of public money.

For the year ended 30 November 1997, The Audit Office received five complaints pursuant to the *Protected Disclosures Act 1994*. Of these complaints two are subject to assessment currently by The Audit Office while three other complaints, which concern alleged corrupt conduct, were referred to the Independent Commission Against Corruption in accordance with the Act. One of these three complaints was referred also to the Ombudsman's Office as it concerned, potentially, maladministration.

A performance audit report titled *Newcastle Port Corporation: Protected Disclosure* was tabled in The Legislative Assembly on 19 September 1996. This was the first report to be tabled following a complaint pursuant to the *Protected Disclosures Act*.

On the 15 May 1997 the responsible Minister provided advice to The Audit Office on progress towards implementation of the recommendations of the report. The Minister stated that all NSW ports,

have reviewed their operations in accordance with the recommendation of your report and will continue to monitor the relevant areas on an ongoing basis. Greater efficiencies have already been achieved and procedures have been put in place that will ensure the full range of issues in your report remains a focus for further productivity gains.

Other complaints received by the Office during the review year are assessed and, where appropriate, action taken up with the agency the subject of the complaint or referred to other relevant investigating authorities.

During the review year the Office revised its Policy and Procedures in respect to complaints referred to the Office as one of the three investigating authorities under the Act. The Office has also reviewed its Internal Reporting System for handling complaints. The Policy and Procedures were reviewed by the New South Wales Ombudsman's Office and assessed as representing model policy.

REVIEW OF OPERATIONS

Reports Tabled in Parliament

A summary of the results of each financial report audit is included in one of the standard three volumes of the Auditor-General's Report to Parliament. Eleven performance audit reports were issued during 1997, a full list is contained in Appendix 8. These reports can be found on the Office's Internet site.

Special reports concern matters that have arisen in the course of financial audits, or which have otherwise come to notice, which are important enough to be drawn to the attention of Parliament. For the year ended 30 November 1997, special reports were made on:

- Modified Independent Audit Reports
- Review of Fringe Benefits Tax
- Control and Financial Accountability
- Ministerial and Ministerial Office Travel
- Travel Entitlements of Former Ministers (Including Premiers)
- Complex Off-Balance Sheet and Structured Finance Transactions
 - *Auditor-General's Report to Parliament 1996, Volume 3*
- Government-wide Control Structure
- Ministerial and Ministerial Office Travel: Compliance with Annual Reporting Requirements
 - *Auditor-General's Report to Parliament 1997, Volume 1*
- Cost of Governor's Office
- Ministerial Discretionary Expenditure
- Disaster Recovery Plan for Computer Installations
- Superannuation Contributions - Compliance with Payroll Tax Legislation
- Centralised Corporate Services
- Approval, Certification and Authorisation of Expenditure and Payments
 - *Auditor-General's Report to Parliament 1997, Volume 2.*

Office Visitors

During the year the Office was visited by delegations representing international public service organisations from Canada (two delegations); Republic of Fiji (two delegations); Japan; New Zealand; Republic of Kiribati (two delegations); Vietnam (two delegations) United Kingdom; and Zimbabwe. During the year several Chinese delegations visited the office. On two occasions, several staff members assisted the Government's Open Training and Education Network by presenting sessions on Government auditing to Chinese delegations.

Overseas Visits

A staff member from Performance Audit Branch presented a paper at the Internal Audit 97 conference held in Singapore.

A staff member from Financial Audit also spent two weeks with the Kiribati National Audit office training them in the use of Aplus software.

REVIEW OF OPERATIONS

Assistance to Parliament

In addition to meeting obligations to report to Parliament, The Audit Office assisted Parliament by making submissions to and appearing before Parliamentary Committees. During the year such assistance was provided to the following:

- ➡ Public Accounts Committee
 - *Matters Arising from the NSW Auditor General's Report 1996*
- ➡ Public Bodies Review Committee
- ➡ Commonwealth of Australia, Joint Committee of Public Accounts, Review of the Charter of Honesty Bill: 1996
- ➡ The Australian Senate Finance & Public Administration References Committee Inquiry into Contracting Out of Government Services
- ➡ Victorian Public Accounts & Estimates Committee Sub-Committee Looking at Outsourcing:

Commencing in 1997, the Auditor-General and senior officers met with Members of Parliament following the tabling of some major Reports.

Professional Representation

In terms of staff numbers, and audit clients and total revenue audited, The Audit Office is a large audit practice. It is natural, therefore, that individual staff participate in the development of the accounting/auditing profession. During the year, the Office was represented on a number of committees. (See Appendix 6.)

A highlight was the appointment of Tony Whitfield, Assistant Auditor General to the State Council of the NSW Branch of the Institute of Chartered Accountants in Australia.

The Audit Office assisted the New South Wales Government through participation in the Treasury review of the *Public Finance and Audit Act 1983* and in ad hoc consultation and working parties established by Treasury.

Appendix 7 details the external presentations made by staff during the year. The Office appreciates the opportunities to promote a greater understanding of accountability issues and the accountability roles and responsibilities of the New South Wales public service.

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 draft and discussion papers.

REVIEW OF OPERATIONS

Risk & Risk Management

The Office manages its audit risks by using a program of internal and external reviews, as mentioned earlier. During 1998 the Office will adopt the Government sponsored approach to risk management and internal control to develop strategies to move towards best practice.

The risks the Office insures against include workers compensation, motor vehicle, property and public liability.

Despite a concerted effort to make staff fully aware of the high costs of workers compensation and motor vehicle insurance claims, these two areas continued to generate claims above the desired level. Claims involving SES vehicles increased over the previous period. Workers compensation claims were marginally higher.

What happens with mistakes?

It is important to the credibility of The Audit Office that it makes no mistakes. To help avoid mistakes a careful, elaborate system of internal and external checks are used. This includes, for all of the Reports to Parliament, a check by the relevant Government agency which is the subject of the comment.

The same system applies for reports on performance or special audits. As the final checking procedure, agencies and the relevant Minister have at least 28 days to respond to a proposed report and whether or not it contains mistakes.

Notwithstanding these mechanisms, mistakes of omission and commission occur from time to time.

Where mistakes do occur, it is again important to the Office's credibility that they be corrected in public. Readers will thus occasionally see in Reports to Parliament references to mistakes made by the Office. (The last correction made is reported in Volume Two of the 1997 Report to Parliament, page 25.)

Because the Office's credibility is its principal asset, it works hard to protect it. During the year the Government has publicly commented adversely on a number of reports in a way that might have damaged that credibility:

- in responding to the report on the cost of Government House (Vol 2, 1997) the Premier and the Treasurer suggested that the Office got its accounting wrong (although the Office used the same methodology previously used by the Government);
- in responding to the report on the Showground at Moore Park (a 1997 Performance Audit Report) the Premier and the Treasurer suggested that the methodology used by the Office was wrong (the methodology was the same as that used by Fox Studios and the figures were broadly those used by the Government);
- the Premier suggested that the methodology used to report the sale of Axiom (Vol 3, 1997) was incorrect (the report was reviewed by Government agencies before it was tabled; none thought that the methodology was incorrect);

REVIEW OF OPERATIONS

- the Deputy Premier indicated that the Office had misinterpreted the Children's Hospital's Annual Report when reporting (Vol 3, 1997) on developments in 1996-97 (the report had been cleared by the Hospital before it was tabled);
- the Minister for Housing criticised a report on the demolition of the East Fairfield Estate by describing it as "off-the-planet" and by making other egregious remarks about Audit Office staff. A public response to the Minister's comments has been issued.

The Office will correct mistakes. But not all mistakes claimed by the Government are mistakes. They represent a difference in interpreting the same facts or a Government's response to its own sensitivities.

Changes in Legislation and Judicial Decisions

A number of agencies were added to Schedules 2 and 3 of the *Public Finance and Audit Act 1983*, enabling the Auditor-General to inspect and audit their records and accounts. Also, a number of amendments were made to the *Public Authorities (Financial Arrangements) Act 1987*, to confer or upgrade the investment powers of agencies.

Important legal opinions affecting the operations of the Office are reproduced in appendices to Volume 1 the Auditor-General's Report to Parliament.

Consultants Engaged

For details refer to the financial statements, note 18, page 66.

Recycling

The Office continued to promote the use of recycling bins through Aspex Australia Pty Ltd which makes a donation to Westmead Children's Hospital for each tonne of paper collected. The separation of waste into paper and other "wet waste" assists in maintaining a cleaner environment, but also results in reduced waste disposal costs and consequently lower operating costs to the Office. Empty toner cartridges from the Office's laser printers and facsimile machines are also recycled through Canon Australia in an attempt to reduce environmental hazards.

As with other NSW Government agencies, the Office will be developing and implementing a comprehensive Waste Reduction and Purchasing Plan in 1998.

ORGANISATION AND MANAGEMENT

Structure



Members of the Board of Management (top L to R):

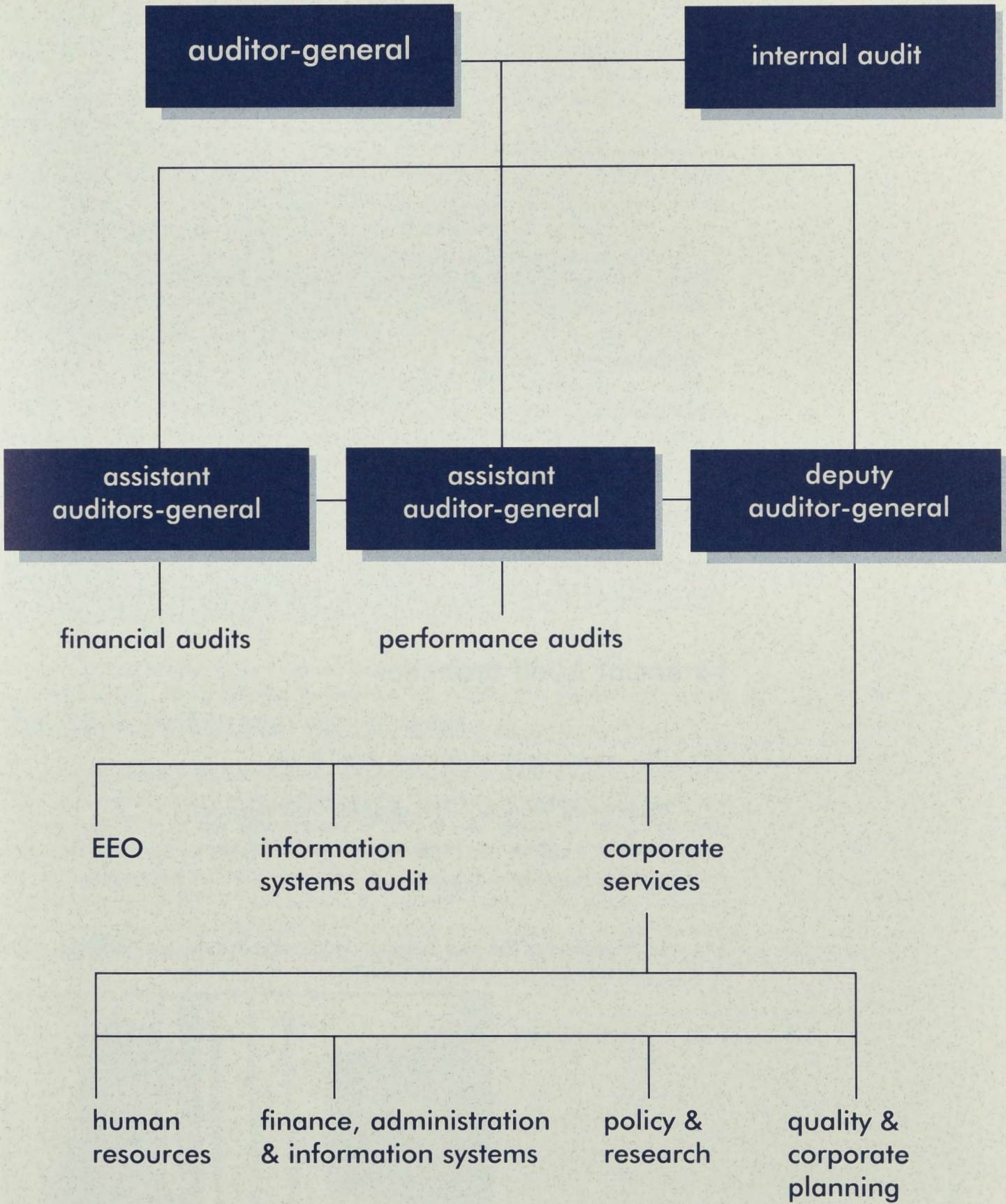
Eric Lumley FCPA Assistant Auditor-General; Phil Thomas B.Comm CA Assistant Auditor-General; Lee White B.Ec FCA GAICD MII SIA (AFF) Assistant Auditor-General (Acting); Tom Jambrich B.Ec FCPA ARMIT CA Assistant Auditor-General; Tony Harris BA B.Ec MBA FCPA FAIM Auditor-General; Jim Mitchell FCPA Deputy Auditor-General; Tony Whitfield B.Comm FCA Assistant Auditor-General

Post Nominals:

CA	Associate of the Institute of Chartered Accountants in Australia
ARMIT	Associate of the Royal Melbourne Institute of Technology
BA	Bachelor of Arts
B.Ec	Bachelor of Economics
B.Comm	Bachelor of Commerce
FAIM	Fellow of the Australian Institute of Management
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
MBA	Master of Business Administration
MI	Member of the Institute of Internal Auditors
SIA (Aff)	Affiliate of the Securities Institute of Australia

ORGANISATION AND MANAGEMENT

Structure



ORGANISATION & MANAGEMENT

Key Statistics	1996	1997
Branch Sizes - staff at year end		
Financial audit staff	156	158
Performance audit staff	19	19
Information system audit staff	13	8
Policy research and management staff	38	33
Total	226	218
Employment of Women		
Grade 10 and above	2.2%	1.8%
All positions	34.5%	34.5%
Employee Relations		
Lost days due to Industrial disputes	Nil	Nil

Financial Audit Branches

The three Financial Audit Branches employed 158 people as at 30 November 1997. The primary functions of these branches are:

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

The implementation of the new financial audit methodology (see Highlights page 6) is expected to deliver significant benefits to the Office clients.

ORGANISATION AND MANAGEMENT

Performance Audit Branch

The strategic and operational framework for the Branch during 1997 was once again established and monitored through a Branch Business Plan. As in previous years, the Plan set out operating arrangements for the immediate future, the Branch budget and workplan, and defined a series of short-term challenges and tasks. Longer term strategic matters were also addressed.

A continued moderate growth in staffing saw the Branch expand its staffing base up to twenty two. However, due to staff movements the actual number of personnel ranged down to seventeen at some times during the year.

During 1997 the Branch continued its practice of making use of advisers in specialist areas to supplement its base of knowledge and expertise, and one performance audit team incorporated staff from another public sector agency.

Secondments of two Branch staff to the Office of the Council on the Cost of Government were extended following requests, and an officer was seconded to the Department of State and Regional Development. Two secondments to the Branch from other areas within The Audit Office were also accommodated.

The Branch was an active participant with other Australian and overseas performance audit groups in sharing information and expertise, and addressing matters of common interest. The Branch hosted a 2 day Forum of Australasian Performance Audit Executives, and several Branch staff attended training and development activities run by other Australian Audit Offices.

The Branch has worked closely with other Audit Offices in developing a combined approach to discussions with the Auditing Standards Board on the development of relevant formal Standards for performance auditing.

Invitations for Branch staff to undertake speaking engagements was at an all time high, with eleven major presentations being delivered at external seminars and conferences. One of the Branch's executive staff, Mr Stephen Horne, delivered eight external presentations, including a presentation at a conference in Singapore. He was also invited to chair Day-One of a major conference in Canberra (as required by current policy, any presentations at commercial conferences require a remuneration benefit to The Audit Office). Another senior officer, Dr Tania Sweeney, was joint author of a published work examining children's services.



PERFORMANCE AUDIT BRANCH
LYN PANGCOB

ORGANISATION AND MANAGEMENT

Information Systems Audit Branch

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

The Information Systems Audit Branch 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.

At year end, the Branch employed eight permanent staff compared to thirteen in 1996.

Challenges and Opportunities

The Branch experienced difficulties in attracting and retaining quality staff due to strong market demand for IS audit specialists during 1997. We took on two temporary staff for part of the year to bridge the shortfall as a result.

For 1998, we anticipate similar challenges on the staff front and to alleviate the problem, we shall focus on developing IS auditors from attest audit transferees and graduates.

The Office's current audit practice tends to draw assurance from substantive verification of transactions and balances instead of compliance testing of systems and controls. This limits the opportunities for IS auditors to contribute to the audit process and add value to the clients.

The above anomaly will be redressed by the new audit methodology that is being piloted during 1998. However, IS audit benefits from this change will not be realised until 1999 when the implementation is complete.

ORGANISATION AND MANAGEMENT

Corporate Services Branch

The Corporate Services Branch, formally known as the the Policy, Research and Management Branch was restructured during 1997. The Deputy Auditor-General is responsible for its operation and includes the functions of Finance, Administration and Information Systems; Policy and Research; Human Resource; and Quality and Corporate Planning. The Branch employs thirty-three staff.

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

The Computer Services Unit is responsible for delivering a range of computing services and systems support. This includes the management and maintenance of the Office's computer systems, portable computers, Office networks and technical and user support. The Unit is also responsible for providing support for the Office Internet Web site, which provides information on the Office, as well as copies of published reports.

The Unit includes a Systems Development area which is responsible for the development and maintenance of application systems for the Office. Systems implemented in the year include car booking, automated mail reminders for audit actions and leave balances, and Traffic Infringement Notice checking programs to assist in the audit of the Police service. During this year a new Systems Development Methodology, and strategy to replace our major database systems were prepared.

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. The Section is also responsible for enhancing the professional services provided by the Office through the provision of high quality advice, reference material and information.

During the year, a survey of the Policy and Research Section's clients showed that the provision of the Section's services ranked just below very good with the majority of staff being more than satisfied with the service provided. Responding to the survey findings, the Section is developing strategies to clarify its role; to improve the accuracy of dialogue with staff concerning financial audit methodology and procedures; to rationalise the quality and usefulness of information provided to clients; and to recruit a qualified librarian to manage and upgrade the Office library.

The Human Resources Section is responsible for human resource management, records management and professional development. For further information on training and professional development see page 44.

The Quality and Corporate Planning Section is responsible for the management of an integrated quality strategy, including maintenance of our ISO 9001 status, corporate planning and corporate image. Notable achievements are the continuation of the Office ISO 9001 status, the development of a Strategic Plan for 1998-2000 and the introduction of the Guided Self Assessment process (see highlights).

ORGANISATION AND MANAGEMENT

Industrial Relations

Late in the year, work was finished on the draft consent award which had been under negotiation since the previous year. A series of meetings gave staff the opportunity to seek clarification or raise concerns, prior to a formal vote by all staff. Copies of the draft award were also sent to the Public Service Association and to the Premier's Department for their review and concurrence.

Staff are scheduled to vote on the Consent Award during January 1998.

Management Improvement

A number of significant initiatives were commenced or continued during the past year, including:

- a monthly management reporting system commenced early in 1997, following extensive development work;
- the implementation of a fully computerised human resource management system;
- the launch of a staff scheduling system for financial audit staff, allowing managers to manage the allocation of specific staff to particular clients; and
- the introduction of GSA (Guided Self Assessment) - a process of benchmarking our systems against a model of best practice in management methods and behaviour.



PERFORMANCE AUDIT BRANCH
 ROD LONGFORD, STEPHEN HORNE, HENRIETTE ZEITOUN

ORGANISATION AND MANAGEMENT

Equal Employment Opportunity

This year saw the maintenance of previous favourable trends in employment rates, the highlights being:

- the separation rate of women employees represented a low 33% of all separations.
- appointment rates for women (45%), people from racial, ethnic and ethno-religious minority groups (34%) and people whose first language spoken as a child was not English (27%).

Key achievements in 1997 were:

- Incorporation of equity principles in the 1998-2000 Strategic Plan;
- Review of Grievance Procedures;
- Design of an Aboriginal Trainee Program, which will provide unpaid work experience while a participant is at school, paid experience during tertiary studies and support to assist Aboriginal students apply for positions as Trainee Auditors on merit; and
- Continuation of activities under the Women's Development Strategy including formalisation and implementation of childcare and family friendly policies, career development strategies for non-auditing staff and other groups, and formalisation of flexible work practice policies.

Future directions for the 1997-98 year include:

- Introduction of the key EEO accountabilities into SES performance agreements;
- Development of an integrated human resources policy and plan, ensuring that EEO outcomes are integral to the design, content and delivery of a human resources program. (The Audit Office Strategic Plan 1998-2000 identifies key actions.);
- A range of initiatives geared to the needs of women will be pursued so as to attract and retain female employees;
- A range of initiatives geared to the needs of employees with a disability will be pursued to enhance the work environment and to support employees with a disability; and
- Development of a Work and Family Information Kit for staff.

PERSONNEL

Key Statistics	1996	1997
Employees		
Total staff at year end	226	218 ¹
Senior Executive staff at year end	24	24
Employee cost		
(% of total operating expenditure)	72.7%	71.4%
Staff Turnover	15.9%	17.4%
Training		
Average days per employee	10	6

Staffing Levels

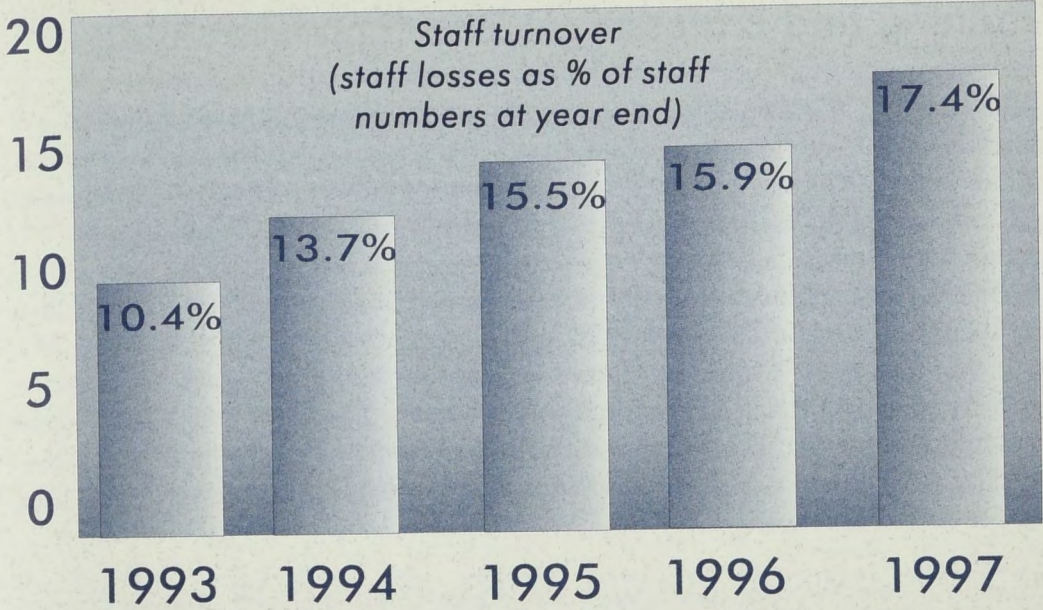
Staff numbers at year end had decreased by about 3% over the previous year. This is attributed mainly to higher staff turnover brought about by a buoyant employment market that provided increased job opportunities, particularly in the accounting profession. The Office's 17.4% turnover figure compares favourably to recently published statistics of the large accounting firms but is higher than in recent years because of the employment market.

Total salaries and allowances paid to staff during the year was \$12.8 million (compared to \$12.9 million in 1996).

Key Statistics	1993	1994	1995	1996	1997
Number Employed:					
as at 1 December	179	192	205	225	226
Losses:					
Retirements	5	5	Nil	4	6
Resignations	15	18	22	26	30
Moves to other Depts	5	5	11	5	2
Deceased	-	-	1	-	-
Redundancies	-	-	1	1	-
Gains:					
Public Service	2	7	11	7	4
Outside Public Service	36	34	44	30	32
Number Employed:					
as at 30 November	192	205	225	226	218 ¹

Note 1 Effective full-time equivalent

PERSONNEL



Staff Catergory at Year End
(excludes Auditor General)

	1993	1994	1995	1996	1997
Senior Executives	24	21	26	24	24
Audit Staff	138	155	168	170	164
DP Support Staff	11	10	9	9	9
Administration Staff	19	19	22	23	21
Total Staff as at 30 November	192	205	225	226	218

Recruitment And Selection

The Office maintained its commitment to the recruitment of accounting graduates. Representatives of the Office visited university campuses throughout NSW to interview final year accounting students. This process resulted in the recruitment of 17 high quality accounting graduates in January 1997.

Policies and procedures relating to the selection of staff were again closely monitored to ensure the best applicants were appointed to vacant positions. In particular, greater emphasis continued to be placed on work performance in the selection process. During the year, 11 audit positions (most with multiple vacancies) were advertised throughout the Public Service and in the press. Subsequent selection action resulted in 45 positions being filled of which 37 were from within the Office. A further 14 administrative and management positions were advertised and filled as vacancies arose, including 2 in the Senior Executive Service and 2 at the new Senior Officer classification.

PERSONNEL

Training and Professional Development

During 1997, the Structured Training Program was reviewed and revised with extensive input from management and staff. The program provided a flexible range of training, development and learning activities for the varied and changing needs of staff. It includes technical, interpersonal skills, management development and computer training. Self Paced Learning Packages were introduced with course materials available in a variety of formats including computer based, videos, cassettes and workbooks. These packages cover a range of topics, both technical and non-technical. A Learning Centre was established, a dedicated space where staff can use a selection of resources and courses to improve their skills. Course materials include CD Rom, video and audio tape. All learning activities were planned to give staff the skills and expertise required to provide professional service and advice to our clients.

Training during the year came from attendance at internal and external courses. External course providers were used to conduct in-house training as subject matter experts. Expenditure on external courses, in-house courses run by external providers and consultants and specialist training support was \$269,093. Training amounted to 1386 days, at an average of 6 days per person (the Office's training target is 10 days per person).

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 a 100% reimbursement of fees upon successful completion of subjects, whilst those studying for second and higher degrees received up to 75%. Study time of up to 4 hours per week was provided for attending lectures, private study and to study for exams. Special leave was provided for the time required to undertake exams.

During the year, reimbursement of fees totalled \$44,645, whilst study time and special leave totalling 392 days was granted.

Leave Administration

The policy of closely monitoring sick leave was continued to ensure prompt action in relation to records deemed to be excessive. The average sick leave per employee was 4.6 days, an improvement on the previous years average of 6.4 days. This improvement is attributed to more active monitoring and a generally healthier workforce.

The Office's computerised HR information system (CHRIS) was utilised to provide staff with recreation leave balances on a regular basis. This ensured that leave balances in excess of the 40 day limit were kept to a minimum.

Once again, leave without pay was approved for a variety of reasons, including overseas travel, childcare and full-time study.

PERSONNEL

Occupational Health and Safety

The Office made a concerted effort during the year to upgrade its Occupational Health and Safety (OH&S) practices. The OH&S Committee was reconstituted and accredited training was provided for all members. A revised OH&S policy was approved by the Board of Management and issued to all staff.

With the consolidation of the Office into one site, it was necessary to appoint new first aid officers and provide them with accredited training during the year. A first aid room was included as part of the consolidation, and consequent refurbishment of the Office's premises.

Secondments and Exchanges

The Office continued to offer secondments and exchanges to staff as opportunities arose. A Secondments Committee was established to explore opportunities and to develop an Office policy. One officer was seconded to the Audit Commission in the UK for a period of 18 months; one to the Department of State and Regional Development and two to the State Library for 12 months. Two staff had their secondments to the Office of the Council on the Cost of Government extended into 1997.

Two members of overseas audit offices were seconded into the Office for work experience and training. Representing the Kiribati National Audit Office and the Republic of Fiji Audit Office, they spent nine and two months (respectively) in the Office.

Performance Management

A further review of the Officer's performance management system was made during the year as a result of input from staff and management. Changes were made to make the Development Action Plan (training plan) more relevant and to provide a more efficient link between the assessment process and inclusion of the officers on identified programs.

A self-paced learning package was developed during the year to allow managers to upgrade their skills on an individual needs basis in their own time. This should prove most effective in the future but there are insufficient numbers to justify running a formal course.

Social And Sporting Activities

The Office continued to support the activities of its Recreation Club and sporting teams. These activities were funded by members through fortnightly contributions. The mixed touch football and running teams continued to represent the Office in the "Summer Touch at Lunch" and "Corporate Cup" business house's competitions held on and around the Sydney Domain. The policy of holding regular "Happy Hours" continued during the year.

These activities provided the opportunity for staff to interact with those other staff and management whom they would not normally meet during the normal course of their work.

COMMENTARY ON FINANCIAL RESULTS

<i>Key Statistics</i>	1996 (\$'000)	1997 (\$'000)
Operating Results		
Total income	21,064	21,308
Operating surplus/(deficiency)	(667)	1,299
Balance Sheets		
Total assets	14,218	15,914
Accumulated funds	6,771	8,070
Analytics		
Operating result to total income	(3.2%)	6.1%
Current ratio	2.4	2.9
Asset turnover	4.9	5.0

Operating Result

The Office follows a policy aimed at achieving a "break-even" position over the medium term. The operating surplus for the year needs to be considered with the following in mind:

- Without the significant abnormal income item from the actuarial assessment of prepaid superannuation contributions, \$0.77m and a partial write back of the lease liability raised in 1995-96, \$0.15m, an operating surplus of \$0.38m would have resulted. This exceeded budget forecasts, \$175,697 surplus, and is principally a reflection of reduced expenditures;
- Most audits charge out rates were maintained at existing levels; and
- The maintained level of the performance audit function during 1996-97 was again partly funded from audit fees. This is equivalent to a dividend to the government of some \$1m per year.

COMMENTARY ON FINANCIAL RESULTS

Income

The main income of the Office is audit fees earned. Overall, income from audit fees increased over 1996-97 by 3% or \$0.48m to \$18.6m. Included was \$0.5m for time spent on audits with a financial year end after 30 November 1997. In addition audit fees of \$0.9m were recovered for audits relating to the previous year.

The increase in income was a reflection of the delayed increase in the charge out rates of the December year end audits to the level set for other audits during the previous year.

The other major item was the increase in funding from Treasury for performance audits, from \$0.5m to \$1m for each of the 1996-97 and 1997-98 fiscal years. \$0.2m represented a catch up between the Treasury fiscal year and The Audit Office financial year.

Expenditure

The largest expenditure item is salaries and related expenses. Over the year, total salaries decreased by 0.3%, notwithstanding increases of 1% from January and 3% from July 1997 for staff covered by Public Sector Awards, and 3% from February for 1997 Senior Executive Staff.

Contract audit fee payments decreased by \$0.7m to \$1.8m, principally because a number of electricity audits were returned to the Audit Office after the restructuring of the industry.

Other major items of expenditure in 1996-97 related to rent, \$0.9m, and fees for services rendered, \$0.6m, including \$0.3m for consultants.

Balance Sheet Position

The operating surplus of \$1.3m includes abnormal adjustments for increased prepaid State Superannuation Scheme contributions, \$0.77m, and a partial write back of the lease liability raised in 1995-96, \$0.15m. These adjustments are reflected in the balance sheet from a combination of an increase in the non-current asset of Prepaid Superannuation Contributions, and a contributing decrease to Accounts Payable and Accruals in current liabilities.

COMMENTARY ON FINANCIAL RESULTS

Future Operating Results

Preliminary financial projections for the next 4 years are, at this stage, affected by the following:

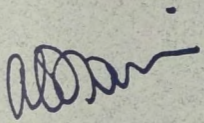
- The amalgamation of the District Area Health Services from 23 to 8 agencies.
- The possible restructure of other government statutory authorities which may result in additional audit responsibilities.
- The possible need to audit Economic Value Added (EVA) supplementary financial information for government trading enterprises.
- The possible need to audit performance indicators in Annual Reports of agencies.
- The status of school audits is still unresolved and this could have an overwhelming impact on future resource requirements of the Office.
- The proposed sale of the TAB Ltd.
- The proposed inclusion, from 1998, of Rural Lands Protection Boards in the schedule to the Public Finance and Audit Act 1983.
- The possible sale of the electricity industry.

	1996/97 Budget (\$'000)	1996/97 Actual (\$'000)	1997/98 Budget (\$'000)
Income			
Audit Fees	18,923	18,644	19,913
Contributions by Government			
* Costs of Reports to Parliament	1,000	993	975
* Special Audits	1,000	1,208	1,000
* Review of Annual Reports	35	40	40
Interest Income	170	130	140
Other Income	449	293	204
	21,577	21,308	22,272
Expenditure			
Salaries and Related Expenses	15,954	15,672	17,039
Maintenance and Working Expenses	2,872	2,768	3,144
Contract Audit Agents Costs	1,883	1,804	1,581
Depreciation	720	684	863
	21,429	20,928	22,627
Operating Surplus/(Deficiency)			
before abnormal item	148	380	(355)
Operating Surplus/(Deficiency)			
after abnormal item	148	1,299	(355)

STATEMENT OF RESPONSIBILITY

The Office's employees have effected and are part of an internal control process designed to provide reasonable assurance regarding the achievement of the Offices objectives.

To the best of my knowledge, and in light of assurances provided by the Office employees, this system of internal control has operated satisfactorily during this year.



A C Harris
27 March 1998

FINANCIAL STATEMENTS

for the year ended 30 November 1997

The financial statements which follow consist of:

- Independent Audit Report
- Statement by Auditor-General
- Income and Expenditure Statement
- Balance Sheet
- Statement of Cash Flows
- Notes to Financial Statements

INDEPENDENT AUDIT REPORT



DONALD F. BELL & CO.

CHARTERED ACCOUNTANTS

Principal: Donald F. Bell, F.C.A

TO THE NEW SOUTH WALES LEGISLATIVE ASSEMBLY
FOR THE YEAR ENDED 30 NOVEMBER 1997

SCOPE

I have audited the financial statements of The Audit Office of New South Wales for the year ended 30 November 1997 as set out on pages 51 to 67 of the Annual Report. Officers of The Audit Office of New South Wales are responsible for the preparation and presentation of the financial statements and the information contained therein. I have conducted an independent audit of these financial statements, as required by section 48(1) of the Public Finance and Audit Act 1983, in order to express an opinion on them to the New South Wales Legislative Assembly.

My audit has been conducted in accordance with the Australian auditing standards to provide reasonable assurance as to whether or not the financial statements are free of material misstatement. My procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial statements, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion as to whether or not, in all material respects, the financial statements are presented fairly in accordance with Accounting Standards and other mandatory professional reporting requirements (Urgent Issues Group Consensus Views) and statutory requirements so as to present a view of The Audit Office of New South Wales which is consistent with my understanding of its financial position and the results of its operations and cash flows.

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

AUDIT OPINION

In my opinion, the financial statements of The Audit Office of New South Wales are properly drawn up:

- (a) so as to present fairly the state of affairs of The Audit Office of New South Wales as at the end of the financial year and of its results for the financial year;
- (b) in accordance with the provisions of the Public Finance and Audit Act 1983; and
- (c) in accordance with Applicable Accounting Standards and other mandatory reporting requirements.

DONALD F. BELL
CHARTERED ACCOUNTANT

SYDNEY
9 March 1998

FINANCIAL STATEMENTS



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

GPO BOX 12
SYDNEY NSW 2001

Statement by Auditor-General of New South Wales for the year ended 30 November 1997

In accordance with section 41C of the Public Finance and Audit Act 1983 I state that, in my opinion, the accompanying financial statements exhibit a true and fair view of the financial position of The Audit Office of New South Wales as at 30 November 1997 and transactions for the year 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.

A.C. HARRIS

SYDNEY
31 January 1998

INCOME & EXPENDITURE STATEMENT
for the year ended 30 November 1997

	Note	Year Ended 30.11.97 \$'000	Year Ended 30.11.96 \$'000
Income			
Audit Fees	4(a)	18,644	18,161
Contributions by Government:			
Cost of Reports to Paliament		993	1,004
Special Audits	4(b)	1,208	500
Review of Annual Reports		40	47
Acceptance of Long Service Leave Liability		(3)	626
Interest Income		130	147
Other Income	4(c)	296	579
		21,308	21,064
Expenditure			
Salaries and Related Expenses	5	15,672	15,715
Maintenance and Working Expenses	6	2,768	2,141
Contract Audit Agents Costs	7	1,804	2,511
Depreciation		684	649
		20,928	21,016
Operating Surplus			
before Abnormal Items		380	48
Abnormal Items	8,13	919	(715)
Operating Surplus / (Deficiency)		1,299	(667)
Accumulated Funds at the Beginning of the Financial Period		6,771	7,438
Accumulated Funds at the End of the Financial Period		8,070	6,771

The accompanying notes form an integral part of these financial statements

BALANCE SHEET

as at 30 November 1997

	Note	As at 30.11.97 \$'000	As at 30.11.96 \$'000
Current Assets			
Cash at Bank		3,548	3,088
Receivables and Work in Progress	9	4,385	3,998
Prepayments and Accrued Income	10	594	728
Acceptance of Long Service Leave Liability	15(b)	-	384
Total Current Assets		8,527	8,198
Non-Current Assets			
Plant, Equipment, Furniture	11	858	774
Leasehold improvements	12	436	137
Acceptance of Long Service Liability	15(b)	4,213	3,832
Prepaid Superannuation Contributions	15(d)	1,880	1,277
Total Non-Current Assets		7,387	6,020
Total Assets		15,914	14,218
Current Liabilities			
Loan Payable	16	148	-
Fees in Advance		24	-
Accounts Payable and Accruals	13	1,336	1,603
Provisions	15(a), (b)	1,433	1,807
Total Current Liabilities		2,941	3,410
Non-Current Liabilities			
Loan Payable	16	443	-
Provisions	15 (b),(c)	4,460	4,037
Total Non-Current Liabilities		4,903	4,037
Total Liabilities		7,844	7,447
Net Assets		8,070	6,771
Retained Earnings			
Accumulated Funds		8,070	6,771

The accompanying notes form an integral part of these financial statements

STATEMENT OF CASH FLOWS
for the year ended 30 November 1997

	Year Ended 30.11.97 \$'000	Year Ended 30.11.96 \$'000
	Inflows (Outflows)	Inflows (Outflows)
Cash Flows from Operating Activities		
Receipts from Operations	21,117	20,385
Payments to Suppliers and Employees	(20,294)	(19,785)
Interest Received	133	157
Net Cash provided by/(used in) Operating Activities	956	757
Cash Flows from Investing Activities		
Purchase of Plant and Equipment	(709)	(335)
Leasehold Improvements	(378)	(81)
Proceeds from Sale of Equipment	-	6
Net Cash Used in Investing Activities	(1,087)	(410)
Cash Flows from Financing Activities		
Proceeds from Borrowings	675	-
Repayment of Borrowings	(84)	-
Net Cash Provided by Financing Activities	591	-
Net Increase/(Decrease) in Cash held	460	347
Cash at the Beginning of the Financial Year	3,088	2,741
Cash at the End of the Financial Year	3,548	3,088

NOTES TO FINANCIAL STATEMENTS

for the year ended 30 November 1997

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 financial year of the Office being from 1 December to 30 November to match the Office's planning and costing year.

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.

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% and furniture and fittings 10%.

iii) Revenue Recognition

Fees are charged for audits. Fees in respect of audit work performed during the accounting period are treated as income and the majority of audit work is completed by 30 November each year. For incomplete audits at this date, the value of work completed is determined from the Office's management information system. For audits with a financial year end after 30 November, planning and interim work is recognised as work in progress (See note 4(a)). Other Income includes fees for Performance Audit and other audit reviews, rent income, and the recovery of salary costs for staff on secondment (See Note 4 (c)).

NOTES TO FINANCIAL STATEMENTS

for the year ended 30 November 1997

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 November 1997. Details are shown in Note 15(a). A liability for non-vested sick leave entitlement is not recognised as 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 Consolidated Fund Entity 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. Oncosts have been applied in calculating the liability. Details are shown in Note 15(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. Details of the reserves, assessed liabilities, overfundings and provisions are shown in Note 15(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.

3 CHANGES IN ACCOUNTING POLICY

There were no changes in accounting policy during the year.

NOTES TO FINANCIAL STATEMENTS

for the year ended 30 November 1997

4(a) AUDIT FEES

	1997 \$'000	1996 \$'000
Audit Fee Income Comprised:		
Approved Audit Fees	18,620	17,792
Less:		
Audits Incomplete or Uncommenced	705	502
Work in Progress recognised in prior year	643	672
	1,348	1,174
	17,272	16,618
Plus:		
Work in Progress - Future years audits	510	643
Audit Fees - Previous years	862	900
	18,644	18,161

4(b) CONTRIBUTION BY GOVERNMENT - SPECIAL AUDITS

The contribution from Consolidated Fund towards the costs of Special Audits was \$1,208,333 (\$500,000 in 1996). Retrospective supplementation from the Treasury for the 1995-96 fiscal year resulted in an additional \$208,333 being recouped during the Office's current accounting period. Funding of \$1m was received for 1996-97.

	Year Ended 30.11.97 \$'000	Year Ended 30.11.96 \$'000
4(c) OTHER INCOME		
Recoup of Salaries	81	195
Other Audit Reviews	107	336
Rent Income	62	-
Other Miscellaneous Income	46	48
	296	579

5 SALARIES & RELATED EXPENSES

Salaries and Allowances	12,791	12,896
Payroll Tax	878	824
Workers Compensation	64	53
Staff Development and Training (Excluding Salaries)	269	290
Superannuation - (Net of transfers from provisions)	650	285
Employee' Leave and Retirement	290	921
Temporary Assistance	730	446
	15,672	15,715

NOTES TO FINANCIAL STATEMENTS

for the year ended 30 November 1997

	Year Ended 30.11.97 \$'000	Year Ended 30.11.96 \$'000
6 MAINTENANCE AND WORKING EXPENSES		
Fees for Services Rendered	638	515
Rent and Cleaning	982	812
Electricity	31	20
Telephone and Postage	115	83
Printing	164	126
Travelling	278	219
Maintenance Contracts	63	56
Stores	95	100
Motor Vehicle Running	84	34
Loan Interest	58	0
Other General Expenses	260	176
	2,768	2,141

7 CONTRACT AUDIT AGENTS COSTS

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

Electricity Distribution Clients	293	936
Area Health Services Clients	376	354
District Health Services Clients	377	632
Other Audit Office Clients	699	553
Information System Audits	59	36
	1,804	2,511

NOTES TO FINANCIAL STATEMENTS

for the year ended 30 November 1997

8 ABNORMAL ITEMS

The abnormal item of \$919,092 comprises \$770,654 that relates to an increase in the prepaid contributions for the State Superannuation Scheme, attributable to increased earnings of the Scheme for the year, and a \$148,438 partial write back of the lease liability raised in 1995-96.

In the previous year, the abnormal item related to the expensing of rental costs of \$658,936 and leasehold improvement costs of \$56,303, for existing leases which became surplus. This was as a result of the Office having leased additional floorspace in 234 Sussex Street in order to consolidate all sections of the Office. This accounting treatment was in accordance with UIG Abstract 1 "Lessee Accounting For Surplus Leased Space Under a Non-cancellable Operating Lease".

9 RECEIVABLES AND WORK IN PROGRESS

	At 30.11.97 \$'000	At 30.11.96 \$'000
Comprised:		
Debtors (less provision \$15,200)	3,148	2,716
Work in Progress	1,237	1,282
	<u>4,385</u>	<u>3,998</u>

At 30 November 1997 audit fee debtors were \$2,485,875 (\$2,580,489) and miscellaneous debtors were \$661,780 (\$150,398).

The assessed value of audit work in progress not billed at 30 November 1997 for audits with financial years ended up to that date was \$727,519 (\$618,119). Work in progress on audits with financial years ended after 30 November 1997 totalled \$509,954 (\$643,902).

10 PREPAYMENTS AND ACCRUED INCOME

	At 30.11.97 \$'000	At 30.11.96 \$'000
Comprised:		
Prepayments	102	103
Accrued Income	492	625
	<u>594</u>	<u>728</u>

Accrued Income included interest accrued of \$57,155 (\$60,205) and \$431,691 (\$546,125) for costs associated with Volume Three of the Report to Parliament.

NOTES TO FINANCIAL STATEMENTS

for the year ended 30 November 1997

11 PLANT, EQUIPMENT, FURNITURE

	Cost or Valuation		Accumulated Depreciation		Written Down Value	
	1997 \$'000	1996 \$'000	1997 \$'000	1996 \$'000	1997 \$'000	1996 \$'000
Office Equipment - at cost	122	108	82	61	40	47
Computer and Related Equipment - at cost	2,662	2,318	2,226	1,668	436	650
Furniture and Fittings - at estimated cost July 1990 plus actual cost since	552	202	170	125	382	77
	3,336	2,628	2,478	1,854	858	774

Plant, equipment and furniture as at 30 November 1997 includes fully depreciated assets (at cost) totalling \$1,462,957 (\$625,066).

	1997 \$'000	1996 \$'000
Market Values of non-current assets are estimated to be:		
Office Equipment	25	30
Computer and Related Equipment	416	600
Furniture and Fittings	300	40
	741	670

12 LEASEHOLD IMPROVEMENTS

As indicated in Note 8 additional leased accommodation was acquired from August 1996. The fitting-out of the new premises has been completed at a cost of \$376,811. The fitout costs associated with the previously leased accommodation in other premises, have been partially written down on the basis of surplus leased accommodation. Amortisation for 1996-97 was \$79,168 (\$94,194 in 1995-96 including \$56,303 which was treated as an abnormal item).

NOTES TO FINANCIAL STATEMENTS

for the year ended 30 November 1997

13 ACCOUNTS PAYABLE AND ACCRUALS

	At 30.11.97 \$'000	At 30.11.96 \$'000
Comprised:		
Salaries & related expenses	164	127
Payroll Tax	67	71
Unremitted Taxation	139	140
Contract Audit Agents Costs	133	209
Other Creditors	833	1,056
	<hr/> 1,336	<hr/> 1,603

Other creditors include a rental incentive of \$478,226 (\$227,156) in compliance with UIG Abstract 3, and a lease liability of \$183,636 (\$658,936) established to comply with UIG Abstract 1. The increase in 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 decrease in the lease liability is predominantly a result of a \$148,438 write-back of the liability, raised in 1995-96 with regard to an area of surplus-leased premises, and payment of a negotiated rent for the period 1 July 1997 to the expiry date of that lease, October 1999.

14 AUDITOR'S REMUNERATION

The fee charged for auditing the accounts for the year ended 30 November 1997 is \$9,000 (\$9,000). The auditor received no other remuneration.

15 PROVISIONS

(a) Annual Leave - Current

A provision has been established for the total liability at 30 November 1997 of \$1,432,798 (\$1,423,435).

NOTES TO FINANCIAL STATEMENTS

for the year ended 30 November 1997

(b) Long Service Leave

The total liability at 30 November 1997 was \$4,212,678 (\$4,216,211) and is shown as non-current for 1996-97. (For 1995-96, \$384,155 was shown as current and \$3,832,056 non-current). The liability comprises:

	At 30.11.97 \$'000	At 30.11.96 \$'000
Unconditional Leave (Over 10 years service)	3,795	3,814
Conditional Leave (Between 5 and 10 years service)	179	216
Pre-conditional Leave (Less than 5 years service)	239	186
	4,213	4,216

Contributions made to the Treasury pool account totalled \$293,078 (\$294,618) while payments to staff and re-imbursements from Treasury totalled \$496,240 (\$283,675).

(c) Superannuation

The assessed liability for The Audit Office at 30 November 1997 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)	
	1997 \$'000	1996 \$'000	1997 \$'000	1996 \$'000	1997 \$'000	1996 \$'000
State Superannuation Scheme	29,685	27,713	31,564	28,821	(1,879)	(1,108)
State Authorities Super Scheme	957	850	958	1,019	(1)	(169)
State Authorities Non Contributory Superannuation Scheme	1,032	935	785	730	247	205
	31,674	29,498	33,307	30,570	(1,633)	(1,072)

NOTES TO FINANCIAL STATEMENTS

for the year ended 30 November 1997

The liabilities have been determined by the Government Actuary as at 30 November 1997 based on revised economic assumptions as follows:

	96/97	97/98	98/99	99/00	Thereafter
	%p.a.	%p.a.	%p.a.	%p.a.	%p.a.
Rate of Investment Return	9.0	7.0	7.0	7.0	7.0
Rate of Salary Increase	3.0	3.7	4.0	4.5	5.0
Rate of Increase in CPI	4.0	2.1	2.5	3.0	3.5

The uncertainties which existed in prior years in virtually all of the individual employers reserve balances have been resolved during the year by the State Authorities Superannuation Trustee Corporation (formerly the State Authorities Superannuation Board). The uncertainty related to the taxation allocations, including the allocation of tax and investment earnings and allocation of the benefit of tax deductions, rebates and exemptions.

(d) Prepaid Superannuation Contributions

The State Superannuation Scheme and State Authorities Superannuation Scheme reserve accounts both exceed the respective assessed liabilities. The surpluses of \$1,879,590 (\$1,277,205) 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 November 1997 the 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 6% of such employees' salaries. Payments for staff covered by the Scheme totalled \$306,525 (\$273,672). For this Scheme and the Public Sector Executives Superannuation Scheme, The Audit Office has no outstanding employer liability as the contributions are fully funded and vested to individual officers.

NOTES TO FINANCIAL STATEMENTS

for the year ended 30 November 1997

16 COMMITMENTS

Commitments for leased office accomodation are:

	At 30.11.97 \$'000	At 30.11.96 \$'000
Lease Commitments:		
not later than one year	571	664
later than one year, not later than two years	764	684
later than two years, not later than five years	2,213	1,978
later than five years	1,230	1,828
	4,778	5,154

As from 1 August 1996 additional floorspace was leased in 234 Sussex Street in order to consolidate all sections of the Office. The new lease will expire in July 2004. The above commitments are net of rent obligations totalling \$658,936 expensed in 1995-96 in accordance with UIG Abstract 1.

A loan of \$675,000 was approved in August 1996 by the Treasury to pay for fit-out costs associated with the new premises. The loan was drawn in January 1997. An initial repayment of \$84,375 was made in June 1997. It has been agreed with Treasury to repay the balance, \$590,625, in four annual instalments of \$147,656 plus interest.

17 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 such facilities.

18 CONSULTANTS ENGAGED

During 1996-97 The Audit Office engaged 12 consultants at a total cost of \$280,123 (5 consultants in 1995-96 at a total cost of \$58,610). Consultancies in excess of \$30,000 were: EDS (Australia) Pty Ltd, \$58,500 on the Year 2000 performance audit; Kinhil Engineers Pty Ltd, \$38,500 and Gilbert + Tobin, \$30,260 for engineering and legal advice relating to the performance audit of the Eastern Distributor; Kelly Jones Consulting, \$39,220 for several IS audit projects; Partington and Stevenson \$32,000 for valuations of conifer forests; Hamilton James and Bruce, \$31,200 for recruitment of two SES personnel.

NOTES TO FINANCIAL STATEMENTS

for the year ended 30 November 1997

19 NOTES TO THE STATEMENT OF CASH FLOWS

(a) Reconciliation of Cash

For the purposes of the statement of cash flows, The Audit Office of New South Wales considers cash to include cash on hand and in the bank. At 30 November 1997, cash as shown in the statement of cash flows of \$3,547,487 (\$3,088,395) is equal to the amount shown in the Balance Sheet.

(b) Reconciliation of Net Cash used in Operating Activities to Operating Result

	Year Ended 30.11.97 \$'000	Year Ended 30.11.96 \$'000
Operating Suplus/(Deficiency)	1,299	(667)
Amortisation and Depreciation (including abnormal item)	703	706
(Increase)/Decrease in Overfunded Superannuation	(602)	(185)
(Increase)/Decrease in Receivables and Work in Progress	(387)	368
(Increase)/Decrease in Prepayments and Accrued Income	134	(107)
Increase/(Decrease) in Fees in Advance	24	(68)
Increase/(Decrease) in Creditors and Accruals	(267)	449
Increase/(Decrease) in Provisions	52	267
	956	763
Plus - Proceeds of Sale of Equipment	-	(6)
Net Cash (used in)/provided by Operating Activities	956	757

20 EVENTS OCCURRING AFTER BALANCE DATE

On 13 February 1998, the Office entered an agreement with Deloitte Touche Tohmatsu for the provision and implementation of a new financial audit methodology. The agreement is to operate for a period of five years with an option for extension. The services provided are to include change management consulting, the Core methodology, the Licensed software, training, hotline and post implementation support.

END OF AUDITED FINANCIAL STATEMENTS.

APPENDICES

- 1 Senior Executive Service (SES) Profile
- 2 SES Performance Statements
- 3 Internal Committees
- 4 Organisations and Activities Audited
- 5 Audits Conducted under s45 of the Public Finance & Audit Act 1983
- 6 Work Undertaken for External Committees, Panels etc
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- 14 Ethnic Affairs Priorities Statements and Ethnic Affairs Agreements
- 15 Account Payment Performance
- 16 Compliance Index to Disclosure Requirements

APPENDIX 1

Senior Executive Service (SES) Profile

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

Number of CES/SES Positions

Remuneration Range	Package Range \$'000	Total CES/SES End of Current Year	Total CES/SES End of Previous Year
Level 8	236 - 291	-	-
Level 7	200 - 252	-	-
Level 6	167 - 201	-	-
Level 5	145 - 178	1	1
Level 4	133 - 155	4	5
Level 3	121 - 142	-	-
Level 2	109 - 125	12	12
Level 1	100 - 116	6	6
CEO under S11A*		1	1
Total		24	25

* CEO positions listed under S11A of the Statutory and Other Offices Remuneration Act 1975, not included in Schedule 3A of the Public Sector Management Act 1988. As at 1 October 1997 the Auditor-General's salary, determined by the Statutory Officers Remuneration Tribunal, is \$239,205.

Number of Positions Filled By Women

- In the previous year: 1 - band 1 upper Position (equivalent to remuneration Level 2)
- In the current year: 1 - Remuneration Level 2

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 S11A
Mr Jim Mitchell	Deputy Auditor-General, Remuneration Level 5



APPENDIX 2

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 S.11A of the statutory and Other Offices Remuneration Act 1975.

Period in the Position: Full year

Comment:

The Auditor-General is not appointed under the Public Sector Management Act. The Auditor-General is responsible to Parliament and there is no annual performance review under the Public Sector Management Act.

Mr James Mitchell

Position and Level:

Deputy Auditor-General, Level 5.

Period in the Position: Full year

Results:

Mr Mitchell chairs the team which successfully guided the Office through the processes to secure ISO 9001 quality accreditation.

That achievement outweighs delays in finalising the detail of The Office's new Corporate Plan and proposed restructuring of the Office which needs to be in place in early 1998.

Mr Mitchell also oversees the compilation of the Auditor-General's Report to Parliament. The presentational aspects of that report have improved under Mr Mitchell's care. As Director of Employment Equity, Mr Mitchell has guided the Office in its reported improvement in EEO staffing matters.

APPENDIX 3

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:

Deputy Auditor-General (Chairperson)
Assistant Auditors-General
Auditor-General

Senior Management Committee

Objective:

To inform and to provide advice to senior executives on audit operations, coverage requirements, resource needs and development initiatives on audit policies and practice.

Composition:

Auditor-General
Deputy Auditor-General
Assistant Auditors-General

Directors of Audit

Peter Carr; Ron Hegarty; Roger Henderson; Stephen Horne; Sam Kalagurdevic; Jack Kheir; Philip Poon; Steve McLeod; Maria Spriggins; Denis Streater; Jon Tyers; Lee White

Principal Auditors

Mark Abood; Peter Boulous; Keith Brown; Greg Gibson; David Jones; Rob Mathie

Continous Improvement Steering Committee

Objective:

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

Composition:

Jim Mitchell (Chairperson)
Stephen Horne; David Jones; Jack Kheir; Steve McLeod; Chris Giumelli; Barry Underwood, Michele Rees

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:

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

Advisors To The Committee:

Andrew Stringer; Angela Lester; Barry Underwood

APPENDIX 3

Budget Sector Timely Reporting Steering Committee (Ceased July 1997)

Objective:

To review current audit procedures and coordinate the Office approach to meet deadlines associated with the early preparation and audit of the Public Accounts.

Composition:

Eric Lumley (Chairperson); Jim Mitchell; Greg Gibson; Steve Fryer

Information Technology Steering Committee

Objective:

Aligns the Office's IT strategic plan with The Office's overall business plan by overseeing any strategic projects in information technology.

Composition:

Jim Mitchell (Chairperson); Tony Whitfield; Philip Poon; Peter Auld; Mick Carr; Robert Mathie; Alwi Sa'adullah; Steve Hrdina; Ken Thomson

Year 2000 Committee

Objective:

Consider the financial audit implications for computer based systems of the change in date to the year 2000 and develop appropriate strategies.

Composition:

Greg Gibson; Philip Poon; Tania Sweeney; Steve Fryer; Paul Mathews

Workplace Committee

Objective:

To develop an office wide consent award.

Composition:

Four representatives of management:
Tony Harris; Lee White; Geoff Allen; vacant position
Four representatives of staff:
Kim Rossington; John Hailwood; Olwen Paul; Peter Armstrong
EEO Coordinator: Louise Rosemann

Job Evaluation Committee

Objective:

Review recommendations for reclassification and regrading of positions in the Office.

Composition:

Geoff Allen; Geoff White; Peter Armstrong; Keith Brown; John Hailwood

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:

Director of Audit (Policy & Research): Jack Kheir
Senior Audit Manager (Policy & Research): Steve Fryer
Officers who assisted in the process:
Terry Hogan; K P Sharma; Geoff White; Ted Bergin; Glen Burdon; Barry Underwood; John Hailwood; Jon Tyers; Tony Whitfield; Peter Boulous

APPENDIX 3

Disability Committee**Objective:**

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

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.

Balancing Work and Family**Objective:**

To encourage the use of flexible work practices and to develop and circulate information on flexible work practices.

Secondment Committee**Objective:**

To encourage staff to consider secondment as a career development tool and to develop and circulate information about secondments.

Training Advisory Group - Steering Committee**Objective:**

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

Occupational Health & Safety Committee**Objective:**

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

Composition:

EEO Coordinator: Louise Rosemann

Administration Manager: Geoff Allen

Staff Representatives:

Sonia Danzo; John Hailwood; Steve Hrdina; Linda Nicholas; David O'Brien; Corona Thomson

Composition:

Director of Employment Equity

Jim Mitchell (Deputy Auditor-General)

EEO Coordinator: Louise Rosemann

Representative of Personnel: Gary Beer

Representative of Directors: Sam Kalagurdevic

Spokeswomen: Gordana Nicoska;

Khristyne Savivanh

Representative of Administration:

Sonia Savoulain

Representatives of People of Non-English Speaking

Background: Tony Viegas Representative of Men of

English Speaking Background: Paul Fitzgerald

Union Representative: Peter Armstrong

Composition:

EEO Coordinator: Louise Rosemann

Administration Manager: Geoff Allen

Staff Representatives

David Jones; Jane Tebbatt; Noel Gwilliam;

Charles Lay; Michele Rees

Composition:

EEO Coordinator: Louise Rosemann

Representative of Personnel: Gary Beer

Staff Representatives

Kumar Ganendran; Bonson Lam; Mathew Haigh;

Sonia Danzo

Composition:

Director, Human Resources

Manager, PD

Denis Streater (Chairperson); Chris Giumelli; David

Jones; Philip Poon; Peter Boulous

Composition:

Angela Lester (Convenor); Lyn Pangcog; Kate

Creighton; Alan Soriano; Linda Nicholas; Gordon

Eastwood

APPENDIX 4

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 a 'bullet point' are subsidiaries to those main, or 'primary' agencies appearing immediately above them.)

Aboriginal Affairs, Office of
 Aboriginal Land Council NSW -
 • Aboriginal Land Council Investment Fund NSW
 • Yimbirra Pty Ltd
 Advance Energy
 Ageing and Disability Department
 Agriculture, Department of
 Agriculture Scientific Collection Trust
 Air Transport Council
 ANZAC Health and Medical Research Foundation
 ANZAC Memorial Building, Trustees of the
 The Ambulance Service, NSW
 Architects NSW, Board of
 Archives Authority of NSW
 Art Gallery of NSW Trust
 Art Gallery of NSW Foundation
 Attorney General's Department -
 • Crown Solicitors Office
 • Crown Solicitors Trust Fund
 • Office of the Protective Commissioner and Public Guardian
 • Registry of Births, Deaths and Marriages
 • Suitors Fund
 Associated General Contractors Insurance Co Ltd
 Australian Inland Energy
 Australian Museum Trust
 Banana Industry Committee
 Bicentennial Park Trust
 Board of Vocational Education and Training
 Brett Whitely Foundation
 Broken Hill Water Board
 Building & Construction Industry Long Service Leave Payments Corporation
 Building Services Corporation
 Charles Sturt University -
 • Mitchell Services Ltd
 • Olive Street Services Ltd
 • Rivservices Ltd
 Chipping Norton Lake Authority
 City West Development Corporation
 City West Housing Pty Ltd
 Coal Compensation Board, NSW
 Cobar Water Board
 Commercial Fishing Advisory Council of NSW
 Community Services Commission

Community Services, Department of
 Consolidated Fund Entity: Commercial Activities -
 • Crown Property Portfolio
 • Landcom - Crown Lands Homesite Program
 • Land Development Working Account
 • New South Wales Non-Budget Long Service Leave Pool
 • New South Wales Structured Finance Activities
 Corrections Health Service
 Corrective Services, Department of
 Crime Commission, NSW
 Dairy Corporation, NSW
 Dams Safety Committee
 Darling Harbour Authority
 Delta Electricity
 Department for Women
 Bush Fire Services, Department of
 Cabinet Office
 Cancer Council, NSW State
 Casino Community Benefits Fund
 Casino Control Authority
 C.B Alexander Foundation
 Centennial Park and Moore Park Trust
 Department of Gaming and Racing
 Dried Fruits Board, NSW
 Drug Offensive Foundation, NSW
 Electricity Transmission Authority
 Energy Australia -
 • Australian Energy Solutions Partnership
 • Energy Australia Pty Ltd
 • Energy Australia Venture Holdings Pty Ltd
 • Energy Management International Pty Ltd
 • Energy Australia Enterprises Pty Limited
 Energygen Pty Limited
 Energy, Department of
 Environment Protection Authority:
 • Environmental Education Trust
 • Environmental Research Trust
 • Environmental Restoration & Rehabilitation Trust
 • Waste Planning and Management Fund

APPENDIX 4

- Ethnic Affairs Commission of NSW
 Fair Trading, Department of -
 • Financial Counselling Trust Fund
 • Fair Trading Administration Corporation
 Film and Television Office, NSW
 Financial Institutions Commission, NSW
 Fire Brigades, NSW
 First State Superannuation Scheme
 Fisheries, NSW
 Fish River Water Supply
 Forestry Commission of NSW
 Freight Rail Corporation
 Geological and Mining Museum Trust
 Government Telecommunications Authority, NSW
 Grains Board, NSW
 Great Southern Energy
 Great Southern Energy Victoria Pty Ltd
 Greyhound Racing Authority
 Harness Racing Authority of NSW
 Hawkesbury/Nepean Catchment Management Trust
 Health Care Complaints Commission of NSW
 Health, Department of -
 • Royal Alexandra Hospital for Children
 • Area Health Services -
 Central Coast
 Central Sydney
 Hunter
 Illawarra
 • Health Services -
 Far West
 Greater Murray
 Macquarie
 Mid North Coast
 Mid Western
 New England
 Northern Sydney
 South Eastern Sydney
 South Western
 Wentworth
 Western Sydney
 Northern Rivers
 Southern
 • Health Professionals Boards (10)
 Health Foundation, NSW
 Heritage Office
 Historic Houses Trust of NSW
 Historic Houses Trust of NSW Foundation -
 • Rouse Hill Hamilton Collection Pty Limited
 • The Hamilton Rouse Hill Trust
 HomeFund Commissioner's Office
 Home Care Service of New South Wales
 Home Purchase Assistance Authority
 Honeysuckle Development Corporation
 Hunter Catchment Management Trust
 Hunter Regional Waste Board
 Hunter Water Corporation Ltd -
 • Hunter Watertech Pty Ltd
 Independent Commission Against Corruption
 Independent Pricing and Regulatory Tribunal
 Industrial Relations, Department of -
 • Education and Training Foundation
 Pty Ltd NSW
 Integral Energy Australia -
 Integral Energy Victoria Ltd
 • Integral Energy Gas Pty Ltd
 Institute of Psychiatry, New South Wales
 Institute of Sport, New South Wales
 Internal Audit Bureau of New South Wales
 Jenolan Caves Reserve Trust
 Judicial Commission of NSW
 Juvenile Justice, Department of
 Lake Illawarra Authority
 Land and Housing Corporation, NSW -
 • Land and Housing Corporation and Rental
 Bond
 Board Joint Venture
 Land and Water Conservation, Department of -
 • NSW Land and Water Consulting Pty Ltd
 • Irrigation Areas and Districts -
 Coleambally
 Murrumbidgee Region
 • Land Titles Office
 Valuer-General's Office
 Legal Aid Commission of New South Wales
 Legal Practitioners Admissions Board
 Library Council of New South Wales -
 • Asia Focus Pty Ltd
 • State Library of NSW Foundation
 Liquor Administration Board
 Local Government, Department of
 Lord Howe Island Board
 Lotteries, NSW
 Luna Park Amusements Pty Ltd
 Luna Park Reserve Trust
 Macquarie Generation
 Macquarie University -
 • CMBF Limited
 • Macquarie Convocation Pty Ltd
 • Macquarie Foundation
 • Macquarie Graduate School of Management Pty Ltd
 • Macquarie Research Limited
 • Macquarie University Professorial
 Superannuation Scheme
 Marine Ministerial Holdings Corporation
 Meat Industry Authority, New South Wales

APPENDIX 4

NorthPower -
• NorthPower Energy Services Pty Limited
Office of the Board of Studies
Office of Marine Administration
Office of the Minister for Public Works and Services
Olympic Coordination Authority
Olympic Roads and Transport Authority
Ombudsman's Office
Opera House Trust, Sydney
• Opera House Appeal Fund
Pacific Power -
• Collieries Superannuation Pty Ltd
• Elcom Collieries Pty Ltd
• Eraring Holdings Pty Ltd
• Huntley Collier Pty Ltd
• Mount Arthur South Coal Pty Ltd
• M. A. S Coal Marketing and Finance Pty Ltd
• Pandalong Pastoral Management Pty Ltd
• Pacificgrid Pty Ltd
• Pacific Power Corporation of NSW Limited
• Pacific Power (International) Pty Ltd
• Pacific Solar Pty Ltd
• Pacific Solar Sub 1 Pty Ltd
Powercoal Pty Ltd
Powercoal Superannuation Pty Ltd
Parliamentary Counsel's Office
Parliamentary Contributory Superannuation Fund
Parramatta Stadium Trust
Pharmacy Board of New South Wales
Police Integrity Commission
Police Service, NSW
Port Kembla Port Corporation
Premier's Department
Property Services Council
Public Prosecutions, Office of the Director of
Public Sector Executives Superannuation Fund
Public Trustee
Public Works and Services, Department of
Racecourse Development Committee
Rail Access Corporation
Rail Services Authority
Rental Bond Board
Rice Marketing Board for the State of NSW
Roads and Traffic Authority of NSW
Royal Botanic Gardens and Domain Trust
Royal Botanic Gardens Sydney Foundation
Rural Assistance Authority, New South Wales
School Education, Department of -
• Schools Audit
Small Business Development Corporation
Somersby Park Pty Ltd
South-West Tablelands Water Supply
Southern Cross University -
• Norsearch Ltd

South Sydney Development Corporation
Sport and Recreation, Department of -
• Eastern Creek Raceway
Sporting Injuries Committee
State Authorities Superannuation Fund -
• Pooled Fund -
Gila Pty Ltd
Hadenis Pty Ltd
FSS Trustee Corporation
• Superannuation Administration Authority
• SAS Trustee Corporation
• State Super Financial Services Limited -
State Super Personal Retirement Plan
State Super Allocated Pension Fund
State Super Investment Fund
• Vistajura Pty Ltd
State and Regional Development, Department of
State Electoral Office -
• Election Funding Authority of New South Wales
State Emergency Service
State Library of NSW Foundation
State Rail Authority of New South Wales -
• SRA Motive Power Company Pty Ltd
State Sports Centre Trust
State Transit Authority
Surveyors, The NSW Board of
Sustainable Energy Development Authority
Sydney City Council
Sydney Cove Redevelopment Authority
Sydney Cricket and Sports Ground Trust
Sydney Market Authority
Sydney Organising Committee for the Olympic
Games
Sydney Ports Corporation
Sydney Water Corporation Limited -
• Special Environmental Levy
• Special Environmental Levy (SEL) Unit Trust
• Australian Water Technologies Pty Ltd
• Water Ecoscience Pty Ltd
Teacher Housing Authority of New South Wales -
• Rural Australia Foundation Ltd
• University of Sydney Professorial Superannuation
Scheme
Technical and Further Education Commission, NSW

APPENDIX 4

- TAFE Statutory Trust Funds
- Tobacco Leaf Marketing Board for the State of New South Wales
- Totalizator Agency Board of New South Wales
- Tourism, New South Wales
- Tow Truck Industry Council of New South Wales
- Training and Education Coordination, Department of
 - Adult Migrant English Service
- Transport, Department of
- Treasury, The NSW -
 - Consolidated Financial Statements, NSW State Public Sector
 - Office of Financial Management
 - Office of State Revenue
- Trustees of The Farrer Memorial Research Scholarship Fund
- Treasury Corporation, NSW -
 - TCorp Nominees Pty Ltd
- University of Newcastle -
 - University of Newcastle Staff Superannuation Scheme
 - University of Newcastle Research Associates Ltd
- University of New England -
 - Agriculture Business Research Institute
 - University of New England Professorial Superannuation Fund
 - UNE Partnerships Pty Ltd
- University of New South Wales -
 - AGSM Ltd
 - Building Research Centre Trust Ltd
 - Kensington Colleges Ltd
 - New South Wales University Press Ltd
 - Unisearch Ltd
 - Institute of Language, University of NSW
 - University of New South Wales Ben Lexcen Sports Association Scholarship Trust Ltd
 - University of New South Wales Foundation Ltd
 - University of New South Wales International House Ltd
- University of Sydney -
 - Museum of Contemporary Art Ltd
 - Wentworth Annexe Ltd
 - University of Sydney Short Term Academic and Other Special Appointments Superannuation Scheme
- University of Technology, Sydney -
 - Insearch Ltd
- University of Western Sydney
 - Hawkesbury Technologies Pty Ltd
 - Macsearch Ltd
 - Nepean Foundation Ltd
 - University of Western Sydney Foundation Ltd
 - University of Western Sydney Foundation Trust
- University of Wollongong -
 - Illawarra Technology Corporation Ltd
 - University of Wollongong Child Care Centre
 - University of Wollongong Foundation Ltd
 - University of Wollongong Recreation and Sports Association
 - Wollongong UniCentre Limited
- Upper Parramatta River Catchment Trust
- Urban Affairs and Planning, Department of
- Veterinary Surgeons of New South Wales, Board of
- Vocational Education and Training Board
- Waste Recycling and Processing Service of NSW
- Waterways Authority
- Wentworth Park Sporting Complex Trust
- Western Sydney Waste Planning and Management Board
- Wild Dog Destruction Board
- Wine Grapes Marketing Board for the City of Griffith and the Shires of Leeton, Carrathool and Murrumbidgee
- Wollongong Sportsground Trust
- WorkCover Authority of NSW -
 - Fund Created by The Bishopsgate Insurance
 - The Fund Created by the Associated General Contractors Insurance Co. Ltd 1980
- Worker's Compensation (Dust Diseases) Board
- Joint Commission
- Zoological Parks Board of New South Wales -
 - Koala and Endangered Species Trust Fund

APPENDIX 5

**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 Report 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 under the Act.
- 10.20 The Act also makes provision for the Treasurer to decide whether the 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 s45(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 Australian accounting concepts and applicable standards. In all instances the result of the audit was satisfactory.

APPENDIX 5

Audit**Financial Year End Audit Fee \$**

NSW Australia Day Council		5,250	(1)
Dumaresq-Barwon Borders River Commission	30.06.97	2,400	(2)
Home Purchase Assistance Fund	30.06.97	20,750	(1)
UNILINC Limited	30.06.97	7,720	(1)
New South Wales Insurance Ministerial Corporation	31.12.96	95,000	(2)
National Exchange of Police Information	30.06.97	18,000	(2)
Sydney Paralympic Organisation Committee Ltd	30.06.97	13,000	(1)
CULAS Limited	30.06.97	5,000	(2)
Belgenny Farm Agricultural Heritage Centre Trust	31.12.96	750	(2)
Bligh Park Estate Joint Venture	30.06.97	6,000	(2)
HPAA/FANMAC Trust (Australia) No. 2	30.06.97	900	(1)
HPAA/FANMAC No. 6	30.06.97	900	(1)
HPAA/FANMAC (Australia) No. 3	30.06.97	900	(1)
HPAA/FANMAC No. 7	30.06.97	900	(1)
HPAA/FANMAC No. 8	30.06.97	900	(1)
HPAA/FANMAC No. 9	30.06.97	900	(1)
HPAA/FANMAC No. 10	30.06.97	900	(1)
Glenmore Park Joint Development	30.06.97	14,500	(1)
Rental Housing Assistance Fund	30.06.97	3,500	(1)
Legislative House Committee of Parliament	30.06.97	8,750	(2)
Legislature	30.06.97	31,500	(2)
Public Accounts Committee	30.06.97	0	(2)
Police Service Commercial Services Unit	30.06.97	12,500	(2)
Urban Catchment Management Committee Trust	30.06.97	3,000	(1)
Cowra Japanese Garden Maintenance Fund Ltd	30.06.97	1,500	(2)
Ministerial Corporation for Industry	31.03.97	15,000	(1)
The Insearch Language Centre	30.06.97	12,130	(1)
Sydney Educational Broadcasting Ltd	31.12.96	7,710	(2)
Uniprojects Pty Ltd	31.12.96	0	(2)
Universities Admissions Centre (NSW & ACT) Pty Ltd	31.12.96	18,000	(2)
	31.12.96		

Note: (1) = Costs Recovered
(2) = Costs Not Fully Recovered

APPENDIX 6

Work Undertaken for External Committees, Panels, etc.

A. Service on Committees

During the year, Audit Office staff were members of the following committees, panels or working parties. The total time involvement during the year amounted to approximately 92 days.

Staff Member:	Representative On:
Paul Apps	Institute of Internal Auditors - Board of Governors Information Systems Audit and Control Association (NSW) - Board of Directors
Mark Birkinshaw	NSW Public Sector Quality Management Committee NSW Interdepartmental Committee on the Millennium Bug (Year 2000) Issue
Kaveh Daemi	The Young Associate Chartered Accountants Committee
Steven Fryer	CPA Program External Reporting Committee Treasury/Audit Office Accounting Issues Committee
Greg Gibson	Treasury/Audit Office Issues Committee
Stephen Horne	NSW Public Sector Corruption Prevention Committee National Fraud Control Competencies Focus Group Treasury Risk Management & Internal Control Guidelines Implementation Steering Committee Fraud Control Performance Indicators Discussion Group
David Jones	Department of Local Government - Local Government Accounting Advisory Group Universities Finance Advisory Group
Steve McLeod	Department of Community Services - Standing Committee on Deletion of Records External Selection Committee - Aboriginal Land Council
Jim Mitchell	Joint Australian Society of Certified Practicing Accountants / Institute of Chartered Accountants in Australia Legislative Review Committee
Olga Popovic	Australian Society of Certified Practicing Accountants - Communications Committee Australian Society of Certified Practicing Accountants - Membership Promotions Committee
John Rosier	Annual Report Awards Australia - Adjudicator's Panel Institute of Chartered Accountants in Australia - Chartered Accountants in Public Sector Discussion Group
Bernabe Sarreal	External Selection Committee - WorkCover Authority
Geoff Seymour	External Selection Committee - Department of Health
Phil Thomas	Joint Legislative Review Committee of The Institute of Chartered Accountants in Australia Institute of Chartered Accountants in Australia - NSW Professional Standards Committee
Barry Underwood	External Selection Committee - NSW Dairy Corporation
Lee White	Securities Institute of Australia Taskforce for Superannuation and Funds Management
Martin Young	External Selection Committee - Department of Land and Water Conservation

APPENDIX 6

B. Appearances Before Committees

During the year, Audit Office staff appeared before the following:

- Parliament of New South Wales, Public Bodies Review Committee
- Appeared before and gave written submission (as convenor of ACAG) to the Commonwealth of Australia, Joint Committee of Public Accounts, Review of the Charter of Budget Honesty Bill 1996
- The Australian Senate Finance and Public Administration References Committee Inquiry into Contracting Out of Government Services
- Parliament of New South Wales, Legislative Assembly, Public Accounts Committee - Hearing on 1996 Auditor-General's Reports to Parliament
- Victorian Public Accounts and Estimates Committee Sub-Committee Looking at Outsourcing

C. Work Performed for Committees

During the year, Audit Office staff performed work for the following Committees:

Name of Committee:	General Nature of Work:	Approximate Time Involved:
New South Wales Public Sector Corruption Prevention Committee	Organised corruption prevention forums	14 hours
Auditing Standards Board	Provided written submission on proposed performance audit standards	4 hours
National Fraud Control Competency Steering Committee	Review draft competency standards	5 hours
NSW Ombudsman	Experts in investigation (Section 19 Hearing) into Hornsby Council	354 hours
Independant Commission Against Corruption	Contributed articles to the Newsletter 'Corruption Matters'	-
Australasian Council of Auditors-General	Provided written submissions	90 hours

APPENDIX 7

External Presentations

Subject	Presenter	Date	Organisation
The Role of the Auditor-General in Managerial Government - Regulator, Reformer or Relic?	A C Harris	03-12-96	Public Sector Management Institute, Graduate School of Government, Monash University, The Government Accounting & Audit Discussion Group, and the Institute of Chartered Accountants in Australia (Victorian Division) Seminar
Private Infrastructure	A C Harris	10-12-96	Public Accounts Committee Second Roundtable
Privatisation -	A C Harris	05-02-97	The Economic Society of Australia, NSW Branch
The Role of the Public Sector Auditors Minimum Independence Requirements for Auditors-General	A C Harris	11-02-97	Australasian Council of Public Accounts Committees Conference
Accountability in the Public Sector	A C Harris	14-04-97	KPMG Government Day Seminar
The Audit View - Management of Receivables	J Mitchell	21-04-97	Parliament of New South Wales Public Accounts Committee
Address	A C Harris	06-05-97	Scripture 21, Anglican Education Commission, Diocese of Sydney
Reform of Corporate Governance in the NSW Public Sector	S Horne	17-05-97	Institute of Internal Auditors
Opening Address	A C Harris	19-05-97	The Institute of Internal Auditors, South Pacific & Asia Conference
Address on Accountability	A C Harris	20-05-97	School of Business, Australian Catholic University
The NSW Public Sector: Towards More Effective Governance of Government Businesses	A C Harris	29-05-97	The Institute of Chartered Accountants in Australia Corporate Governance & Risk Management & Internal Control Seminar
Address	A C Harris	04-06-97	Rural Lands Protection Boards' Association of NSW Conference of Directors
Difficulties in Controlling Public Sector Activities Through Corporate Governance	S Horne	09-06-97	Asia Business Forum
Performance Audit - It's Potential in Health Services	R Mathie	10-06-97	NSW Health Internal Audit Conference
Keynote Address	A C Harris	13-06-97	Annual Reports Awards Seminar
Definition of "Control" in the Context of Public Sector Consolidated Financial Reports	G Gibson	18-06-97	Australian Council of Auditors-General Senior Executives Conference

APPENDIX 7

Performance Accountability: The Cutting Edge of Public Accountability	S Horne	17-07-97	International Quality Productivity Centre
Experimenting with Accountability	A C Harris	22-07-97	Institute of Public Administration Australia
Effective Annual Report Writing	T Hogan	23-07-97	Institute of Public Administration Australia
Public Accountability and Local Government	A C Harris	30-07-97	Institute of Municipal Management
Issues in Public Sector Governance	S Horne	31-07-97	Institute of Chartered Accountants in Australia - Government Discussion Group
Public Sector Audits - Privatisation?	A C Harris	05-08-97	Australian Society CPAs' Auditing Discussion Group
Accountability in Public Sector Leadership	A C Harris	08-08-97	Australian Institute of Police Management, Police Executive Leadership Program
Address on Corporate Governance	A C Harris	22-08-97	Home Purchase Assistance Authority Board
Address	A C Harris	26-08-97	Rural Lands Protection Board Administrative Officers Association Conference
Valuing Public Sector Assets	S Fryer	04-09-97	Institute of Chartered Accountants in Australia
Report on the Performance Audit on Corporate Governance	T Sweeney	11-09-97	Home Care Board
Valuing Public sector Assets	S Fryer	16-09-97	Australian Society of CPAs
Occasional Address	A C Harris	03-10-97	Graduation Ceremony, Faculty of Commerce, University of Wollongong
Risk Management- Monitoring and Measuring Board Performance	T Sweeney	15-10-97	National Management Education Centre
Whole of Government Reporting	G Gibson	21-10-97	Australian Society of CPAs '97 National Public Sector Accountants Congress
Participated in Plenary Session 2	A C Harris	22-10-97	Australian Society of CPAs '97 National Public Sector Accountants Congress
Accountability and Compliance	J Mitchell	22-10-97	Australian Society of CPAs '97 National Public Sector Accountants Congress
Public Sector Corporate Governance- the NSW Case	S Horne	24-10-97	Australian Society for Certified Practising Accountants
Corporate Governance in the Public Sector	S Horne	29-10-97	The Institute of Internal Auditors
Public Accountability	A C Harris	31-10-97	The Riverina IMM Rural Local Government Seminar

APPENDIX 7

The NSW Auditor-General's Report on Corporate Governance and the Implications for the Public Sector	S Horne	05-11-97	Institute of International Research (IIR)
Corporate Governance	T Sweeney	18-11-97	Australian Society of CPAs - Discussion Group
A Status Report on Developments in Public Sector Fraud Control	S Horne	25-11-97	Institute of International Research (IIR)
Relationship Between External and Internal Audit in a Changing Environment	L White	27-11-97	Australian Society of CPAs - Internal Audit Control Day

APPENDIX 8

Publications During the Year

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

- Volume Three of the Auditor-General's Report for 1996 (December 1996)
- New South Wales Fire Brigades: Fire Prevention (December 1996)
- State Rail: Accountability and Internal Review, and Arrangements at State Rail (December 1996)
- Corporate Card: The Corporate Credit Card (including Guidelines for the Internal Control of the Corporate Credit Card) (January 1997)
- NSW Department of Health: Medical Specialists; Rights of Private Practice Arrangement (March 1997)
- Review of NSW Agriculture (March 1997)
- Report on the Activities of the Audit Office of New South Wales for the year ended 30 November 1996 (March 1997)
- Redundancy Arrangements (April 1997)
- Volume One of the Auditor-General's Report for 1997 (May 1997)
- New South Wales Health Department: Immunisation in New South Wales (June 1997)
- Corporate Governance (June 1997)
- Department of Community Services and Ageing and Disability Department: Large Residential Centres for People with a Disability in New South Wales (June 1997)
- The Law Society Council of NSW, the Bar Council, the Legal Services Commissioner: A Review of Activities Funded by the Statutory Interest Account (June 1997)
- Roads and Traffic Authority: Review of Eastern Distributor (July 1997)
- Volume Two of the Auditor-General's Report for 1997 (November 1997)

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 produces 10 editions a year of a technical information bulletin called "AWARENESS" which is distributed to audit clients and staff.

APPENDIX 9

Report on Investment Performance

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

As The Audit Office is not an "authority" in terms of the Public Authorities (Financial Arrangements) Act 1987, it has no statutory investment powers. Funds of the Office are included in the Treasury set-off banking arrangements and interest on a daily basis is paid by the Treasury. Interest earnings for 1996-97 were \$130,541 compared to \$147,303 in the previous year.

APPENDIX 10

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 which we undertake to meet. The results below show our performance against these standards.

Service Standard	How Measured	Result
Appropriateness 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 its commencement. Audit work will be performed by us with a thorough understanding of the client's industry and business. 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.	Test check of correspondence Clients asked to rate Internal and external reviews	96% of Engagement Letters issued within deadline Between 'good' and 'very good' Satisfactory
Accuracy When our clients request information from us, we will answer them directly whenever we can, or assist them to find the information from the appropriate source. The information provided will be professionally researched, gathered and reported.	Client rating from survey question on "communication: keeping client informed"	Between 'good' and 'very good'
Availability Engagement Controllers and Managers will be in contact throughout the audit to ensure we are meeting client needs. We will include a contact name in all reports, correspondence and telephone conversations.	Client rating from survey Test check of correspondence	Between 'good' and 'very good' Contact name quoted 100% of the time
Timeliness Letters and reports will be issued within the following periods and sooner if possible: <ul style="list-style-type: none">• audit opinions - within statutory deadlines• reports to Ministers - at the same time as related opinion report• draft management letters - within four weeks of audit completion• responses to general correspondence - within four weeks	Actual count Actual count Actual count	Deadline met: 81% of the time 94% of the time 72% of the time
Value for Money 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.	Review of records	93% of the time
Courtesy and Sensitivity 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. Confidential and sensitive information will be managed with due consideration to the impact on individuals and all our clients.	Client rating Review of complaints records and client survey comments Review of records	Between 'neither good nor bad' and 'good' Satisfactory. No complaints received from clients Satisfactory

APPENDIX 11

Internal Audit Report

Internal Audit Program

For the year under review, areas examined by internal audit included:

- Plant and equipment
- Accounts payable, including disbursements
- Accounts receivable, including Audit Fee Income
- Staff Payroll
- Leave Provisions
- General accounting, including Journals/General Ledger

Year 2000 compliance review was also undertaken with results in the External and Internal Reviews section of this Report.

None of the above reviews was contracted out.

All internal audit working papers were made available for external audit perusal.

Matters Reported to Management

Audits conducted disclosed several matters of material significance. Audit recommended that:

- some improvements to the procedure for the management of leave, including reconciling the human resources information system and the office time costing system. An in-depth systems review was also recommended; and
- a reconciliation of stock records and a stocktake of all equipment be undertaken.

Management Response to 1996-97 Audit

Management has accepted the points raised and all matters are to be addressed. Internal audit has been requested, by management, to look for possible abuses and improprieties in the management of leave.

Administration of the Internal Audit

As from the beginning of the financial year, the administration of the internal audit function was transferred from the Compliance and Internal Audit Unit to the Quality Assurance and Corporate Planning section.

Audit Plan for 1997-98

The following areas are planned for review in 1997-98:

- | | |
|---|---|
| <ul style="list-style-type: none">• Work in Progress• Budget and Forecasts• Cash Management• Insurance• Systems Development Methodology• Staff Scheduling System• Leave Administration System | <p>Compliance Audits:</p> <ul style="list-style-type: none">• Chief Executive/Senior Executive Service remuneration• Payroll tax on Superannuation benefits• Disaster recovery plans for computer installations• Prompt payment of accounts• Fringe benefit tax on motor vehicles |
|---|---|

APPENDIX 12

Equal Employment Opportunity Statistics

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

Table 1 Percent of Total Staff by Level

		Subgroup of Total Staff at each Level							
LEVEL	TOTAL STAFF (Number)	Staff responding to EEO data form (Respondents)	Men	Women	Aboriginal & Torres Strait Islander People	People from Racial, Ethnic, Ethno-Religious Minority Groups	People Whose First Language Spoken as a Child was Not English	People with a Disability	People with a disability Requiring Adjustment at Work
\$21,995	Nil								
\$21,995 - \$32,295	36	92%	39%	61%	0.0%	39%	33%	6%	5.6%
\$32,296 - \$40,869	57	100%	49%	51%	0.0%	51%	44%	7%	0.0%
\$40,870 - \$52,850	71	94%	61%	39%	0.0%	44%	39%	7%	2.8%
> \$52,850 (non SES)	49	100%	94%	6%	2.0%	16%	12%	8%	4.1%
SES	23	100%	96%	4%	0.0%	30%	22%	9%	0.0%
TOTAL	236	97%	65%	35%	0.4%	38%	32%	7%	2.5%
Subgroup Totals		229	153	83	1	89	76	17	6

Table 2 Percent of Total Staff by Employment Basis

		Subgroup of Total Staff at each Employment Category							
EMPLOYMENT	TOTAL STAFF (Number)	Staff responding to EEO data form (Respondents)	Men	Women	Aboriginal & Torres Strait Islander People	People from Racial, Ethnic, Ethno-Religious Minority Groups	People Whose First Language Spoken as a Child was Not English	People with a Disability	People with a disability Requiring Adjustment at Work
Permanent Full-time	203	98%	63%	37%	0.5%	39%	35%	6%	2.0%
Part-time	3	100%	0%	100%	0.0%	33%	0%	33%	33%
Temporary Full-time	5	40%	60%	40%	0.0%	0%	0%	0%	0.0%
Part time	2	100%	50%	50%	0.0%	50%	0%	50%	50%
Senior Executive Service	23	100%	96%	4%	0.0%	30%	22%	9%	0.0%
Casual	Nil								
Other	Nil								
TOTAL	236	97%	65%	35%	0.4%	38%	32%	7%	2.5%
Subgroup Totals		229	153	83	1	89	76	17	6

APPENDIX 13

Progress with Disability Plan

(The information which follows is 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 to all staff June 1997
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.</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>As outlined in the Disability Plan, awareness is enhanced by 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 data base - customer and staff	<p>A survey to identify staff with disabilities was conducted in 1995 and again in March 1996.</p> <p>A new survey commenced in June 1997 and the results have been used to create a computerised database.</p> <p>The database of organisations with clients with disabilities seeking employment was established in August 1995 and an update conducted in 1996.</p>
5. Review representation of people with a disability on consultation processes and advisory policy structures	<p>All staff with disabilities are invited to join the Disability Committee. In May 1997 an invitation was extended to all interested staff to join the Committee. Staff with disabilities are surveyed regularly to determine their satisfaction with the Committee's and the Office's achievements. Previous practices continue to be maintained and operate successfully.</p>
6. Develop accessible and appropriate complaints and appeals mechanism for people with a disability	<p>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.</p>
7. Initiate evaluation and review process with customer representation. Link with broader standards and Quality Assurance process	<p>A monitoring process, involving staff with disabilities and the Disability Committee is in place. The 1997 Disability Survey sought input from all staff. Additional links to standards and quality assurance processes will be progressed in 1998.</p>

APPENDIX 13

Outcomes Report

Strategy: Audit the quantity and quality of physical access to all premises leased by The Audit Office.

Outcome: The audit of physical access to the leased premises has been completed. As a result of the audit, a remote control for access to doors has been arranged for one employee. Anti-static spraying to limit dust movement and prevent asthma has been carried out.

Strategy: Develop Access Improvement Plan for all premises leased by The Audit Office.

Outcome: There is no access improvement plan as such but a copy of the architect's drawing with an indication of changes required to improve access is available for consideration.

Strategy: Inform staff of their responsibilities (in relation to people with a disability) under provisions of both State and Federal legislation and the State Guarantee of Service.

Outcome: The action required for this strategy has already been completed and reported in previous Annual Reports.

Strategy: Integrate requirements for implementation of Disability Plan into executive and management staff performance appraisal systems.

Outcome: Manager's position descriptions outline general responsibilities for EEO, OH&S and the Disability Plan. Review of position descriptions and development action plans for disability plan responsibilities has already commenced and will continue on an on-going basis.

Strategy: Develop policies and practices which enhance The Audit Office's responsibilities as an EEO employer, including the provision of employment, career opportunities and career progression for people with a disability.

Outcome: Activities for this strategy have been in place for some time and continue to operate. In the 1997 Disability Survey results, people with disabilities expressed 100% satisfaction rating with career and training opportunities provided by The Audit Office.

Strategy: Ensure that the concept of adjustment is incorporated into employment practices and policies.

Outcome: As part of the 1997 Disability Survey, staff were asked whether they required adjustments to be made at work and of what type. The results of this survey will be reviewed and assessed during 1998.

Strategy: Develop specific affirmative action programs, policies and practices for people with a disability when generic initiatives are not appropriate.

Outcome: The action for this strategy has already been completed and reported in previous Annual Reports. Any on-going tasks continue to operate.

APPENDIX 14

Ethnic Affairs Priorities Statements and Ethnic Affairs Agreements

The Office has been advised by the Ethnic Affairs Commission of the legislative obligation to develop and implement an Ethnic Affairs Priorities Statement (EAPS) program. The Office has developed an EAPS, which is reproduced below.

As stated in the 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 this EAPS is addressed.

The Office respects the right of Australian citizens and residents who wish to be citizens to seek employment to advertised vacancies in the Office. Our employment record outlined elsewhere in this report demonstrates our support of cultural diversity through our non-discriminatory employment policy.

ETHNIC AFFAIRS PRIORITIES STATEMENT

The principles of cultural diversity were included in 1996 amendments to the *Ethnic Affairs Commission Act 1979* and represent the Government's commitment to provide goods and services which are accessible to all people, regardless of their linguistic, racial, cultural or religious backgrounds. This commitment requires that Government agencies ensure that there are no obvious or hidden barriers to people from ethnic communities.

The Audit Office is an agency established to assist the Auditor-General acquit responsibilities set out in the *Public Finance and Audit Act 1983* and associated legislation.

Those responsibilities encompass, in brief:

- the preparation of independent audit reports on the financial statements of Government agencies
- the preparation of a report for relevant Ministers and agencies on the outcome of the external audit of agencies' financial statements;
- the preparation of an annual report to Parliament on the issues arising from that external audit
- the conduct of performance audits on selected activities of or on protected disclosures concerning Government agencies, for report to Government and Parliament.

The Audit Office has no duty to respond to inquiries from individuals and has an obligation not to disclose matters arising from audit unless that disclosure is allowed or required by law. But within that constraint and to the extent resources permit, the Office accepts a small number of inquiries from individuals.

Because the Office's activities are fundamentally centred on serving the interests of Parliament and the Government and its agencies and not directly members of the public, it has little capacity to orient its activities to give priority to meeting the needs of the State's residents to whom this Ethnic Affairs Priorities Statement is addressed.

The Office does respect the right of Australian citizens and residents who wish to be citizens to seek employment to advertised vacancies in the Office. Its employment record outlined in its annual reports demonstrates that it supports cultural diversity through this non-discriminatory employment policy.

APPENDIX 15

Accounts Payable Performance

(The following information is provided in accordance with the requirements of the Annual Reports (Statutory Bodies) Regulation 1995 Clause (4) (m2), and having regard to the detailed requirements set out in Treasury Circular No. G1992/12.)

	On Time	Within 30 Days	31-60 days overdue	61-90 days overdue	>90 days overdue	Total Value
1st Quarter 1996/97						
No of Accounts (%)	73.12	26.28	0.38	0.06	0.16	
Value (\$'000)	2,315	832	12	2	5	3,166
2nd Quarter 1996/97						
No of Accounts (%)	96.68	3.32	0.00	0.00	0.00	
Value (\$'000)	2,508	86	0	0	0	2,594
3rd Quarter 1996/97						
No of Accounts (%)	91.04	8.72	0.25	0.00	0.01	
Value (\$'000)	3,341	320	9	0	0	3,670
4th Quarter 1996/97						
No of Accounts (%)	95.77	4.18	0.00	0.00	0.05	
Value (\$'000)	3,780	165	0	0	2	3,947

In the first quarter, debate and discussions with the supplier on the make-up of an invoice for \$600,000, resulted in that invoice being paid outside the due date, but within 30 days.

APPENDIX 16

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	51
7(1)(a)(ia)	Financial Statements of controlled entities	n/a
7(1)(a)(ii)	Opinion (Independent Audit Report)	52
7(1)(a)(iia)	Response to Auditor-General's report	n/a
7(1)(a)(iii)	Current and next year's budgets	48
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	(inside front cover)
9(1)(b)	• aims and objectives	11
9(1)(c)	• access	(inside back cover)
9(1)(d)	• management and structure	34-35
9(1)(e)	• summary review of operations	27
9(1)(f)	• legal change	33
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	51-67
6(a)	First budget approved for the year	48
6(b)	Other budget	n/a
7	Place for inclusion of budget	n/a
8	Additional matters for inclusion:	48
8(1)	• significant events after year end	
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	n/a
11	Performance of executive officers	70
12	Investment Performance	86
13	Liability management performance	n/a
14	Number of executive officers	69
15	Prescribed particulars	(see Note 3 below)
16	Form of report - general:	
16(1)	• effective presentation and arrangement	(complies)
16(2)	• index and table of contents	(complies)
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	(complies)
20	Repeal	n/a
		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

APPENDIX 16

Schedule ^{Note 3}
Column 1

Detail

Page

Information required in report of operations:

Charter:

- manner of establishment and purpose (inside front cover)
- principal legislation (inside front cover)

Aims and objectives:

- aims 11
- range of services 28
- clientele served 27

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 71-73
 - members of 71-73
- senior officers
 - titles 34
 - names of occupants 34
 - qualifications of occupants 34
- significant committees established or abolished
 - list names and functions 71-73
- organisation chart indicating functional responsibilities 35

Summary review of operations:

- narrative summary of significant operations 28
- financial and quantitative information about programs or operations 24

Funds granted to non-government organisations

n/a

Social programs

n/a

Legal change affecting the body:

- Acts and subordinate legislation 33
- significant judicial decisions 33

Economic or other factors affecting achievement of operational objectives

12

Management and activities:

- nature and range of activities 28
- measures and indicators of performance showing Level of efficiency and effectiveness 12-23

• nature and extent of internal and external performance review practices

26

- improvements in organisational achievements 12-23
- benefits from management and strategy reviews 40
- management improvement plans 40
- achievements against previous targets 12-23
- major problems and issues 6-10
- major works in progress n/a
- delays in major works or programs n/a

Research and development:

- completed research n/a
- continuing research and development n/a

APPENDIX 16

Human Resources:	
• number of employees	42
-by category	42
-comparison to at least 3 prior years	47
• exceptional movements in salaries	43-45
• personnel policies and practices	
• industrial relations policies and practices	40
Consultants:	
• costing more than \$30 000	66
• costing less than \$30 000	66
• no consultants	n/a
Equal Employment Opportunity:	
• achievements	41
• strategies for the following year	41
• statistics	89
• progress with disability plan	90
Land disposal	n/a
Promotion	
• Types of publications and other information	85
• Overseas visits including purposes	30
Consumer response:	
• extent and main features of complaints	23
• services improved or changed as a result	23
Guarantee of Service:	
• standard for providing service	87
• comments on variances from standard	87
• comment on changes made to standard	87
Time for payment of accounts	n/a
Account payment performance	93
Risk management and insurance activities	32
Controlled entities	n/a
Ethnic Affairs Priority Statement & Ethnic Affairs Agreement	92

Note 3. Refers to matters described in Schedule 1 to the Annual Reports (Statutory Bodies) Regulation 1995

n/a not applicable

Requirements under Freedom of Information Act 1989 and Regulations:

- | | |
|---|---------|
| 1. Information is to be provided in the required format | Page 26 |
| 2. An assessment of that information is to be provided | Page 26 |

Requirements under Government Pricing Tribunal Act 1992:

Agency to provide information regarding determination or recommendation of tribunal	(NIL)
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APPENDIX 16

Requirements under Treasury Circular TC 1997/01

Equal employment opportunity disclosure requirements:

1. Commentary on Equal Employment Opportunity achievements
2. Statistical information in the required format

Page
41
89

Requirements under Treasury Circular No. 13 of 1995

Annual reports: Additional requirements:

1. Developments in market testing and contract

Page
13

Requirement under Treasurer's Memorandum No. TM92/9

Annual reporting requirements:

- (a) Number of copies printed and cost
- (b) Index and table of contents
- (c) Provided to Parliament in computer-readable form

Page
inside back cover
3
(complies)

Requirements under Treasurer's Direction TD900.01 General Insurance

1. Report on risk management and insurance activities

Page
32

Requirements under Premier's Department Memorandum No 91-27

1. Requirements for all NSW Government publications

Page
(see Note 4 below)

Requirements under Premier's Department Circular No 92/4

Senior Executive Service

1. Number and level of SES positions
2. Number of women in the SES
3. Performance of Chief Executives and SES officers Band 3 and above

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69
69
70

Requirements under Premier's Department Memorandum No 94-28

Changes to Procedures for Making Statutory Rules:

1. Annual reports to detail any departures from Subordinate Legislation Act

Page
n/a

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



**THE AUDIT OFFICE OF NEW SOUTH WALES
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR YEAR ENDED 30 NOVEMBER 1997**