



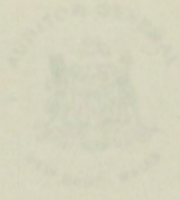
**NEW SOUTH WALES**  
**AUDITOR-GENERAL'S**  
**OFFICE**

---

**ANNUAL**  
**REPORT**  
**1989 - 90**







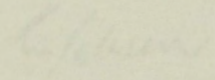
BOX 11, GPO  
SYDNEY, N.S.W. 2001

ANNUAL REPORT  
OF THE  
NEW SOUTH WALES  
AUDITOR – GENERAL'S OFFICE  
FOR THE  
YEAR ENDED 30 JUNE 1990

Dear Mr Speaker

I have pleasure in submitting the Report on the activities of the Auditor-General's Office for the year ended 30 June 1990 as an appendix to the Report on the activities of the Auditor-General's Office for the year ended 30 June 1990 as required by Section 57A(1) of the Public Finance and Audit Act 1983.

Yours faithfully

  
K.J. ROBSON  
AUDITOR – GENERAL

SYDNEY  
20 September 1990



BOX 12, G.P.O.

SYDNEY, N.S.W. 2001

TO PROVIDE ASSURANCE TO THE PARLIAMENT

AND PEOPLE OF NEW SOUTH WALES

THAT THE FINANCIAL OPERATIONS OF THE STATE

ARE BEING PROPERLY MANAGED, CONTROLLED AND REPORTED

The Honourable the Speaker  
of the Legislative Assembly



Dear Mr Speaker

I have pleasure in submitting the Report on the activities of the Auditor-General's Office of New South Wales for the year ended 30 June 1990 as an appendix to my Report to Parliament presented to you today in terms of Section 52A(1) of the Public Finance and Audit Act 1983.

Yours faithfully

K.J. ROBSON  
AUDITOR - GENERAL

SYDNEY  
20 September 1990







# CORPORATE GOAL OF THE AUDITOR-GENERAL'S OFFICE

CONTENTS

PAGE

INTRODUCTION

9

OBJECTIVES AND ACHIEVEMENTS

10

CHARTER

11

REPORTING FOR PARLIAMENT

11

TO PROVIDE ASSURANCE TO THE PARLIAMENT  
AND PEOPLE OF NEW SOUTH WALES  
THAT THE FINANCIAL OPERATIONS OF THE STATE  
ARE BEING PROPERLY MANAGED, CONTROLLED AND REPORTED



Office hours: Monday - Friday between 9:00 am and 5:00 pm  
Postal Address: Box 12 GPO Sydney NSW 2001  
Telephone: (02) 285-0122  
Facsimile: (02) 285-0100

Financial Statements

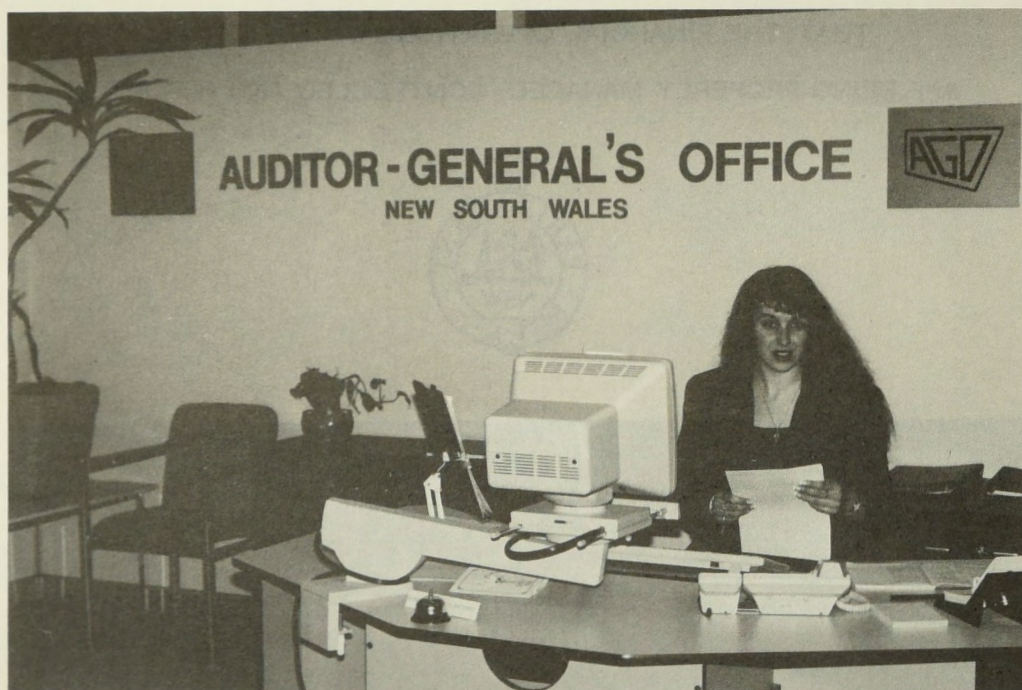
Annual Report

Performance Indicators, Targets and Indicators



AUDITOR-GENERAL'S OFFICE  
CORPORATE GOAL OF THE

TO PROVIDE ASSURANCE TO THE PARLIAMENT  
AND PEOPLE OF NEW SOUTH WALES



---

#### ACCESS

**Location:** Level 11, Pannell Kerr Forster House, 234 Sussex Street, Sydney NSW 2000  
**Office Hours:** Monday–Friday between 9.00 am and 5.00 pm  
**Postal Address:** Box 12 GPO, Sydney NSW 2001  
**Telephone:** (02) 285–0155  
**Facsimile:** (02) 285–0100

---



<b>CONTENTS</b>	<b>Page</b>
<b>INTRODUCTION</b>	9
<b>OBJECTIVES AND ACHIEVEMENTS</b>	10
<b>CHARTER</b>	11
<b>AUDITING FOR PARLIAMENT</b>	11
Accountability Process in Government	
Why do we have an Auditor – General?	
Independence of the Auditor – General	
Accountability of the Auditor – General	
Other Accountability	
<b>MANAGEMENT AND STRUCTURE OF OFFICE</b>	14
Principal Officers	
The Organisation	
Allocation of Audits	
Committees	
Promotion of Office	
<b>OUR PEOPLE</b>	19
Staffing and Personnel	
A Professional Office	
Senior Executive Service	
Declaration of Independence	
Equal Employment Opportunity (EEO)	
Professional Development	
Structural Efficiency Principle	
Staffing Levels	
Staffing Assignments	
Management of Leave	
Accommodation	
Occupational Health and Safety/Rehabilitation	
Social and Sporting Activities	
<b>FINANCES</b>	28
<b>AUDITING PROCESS</b>	29
Functions	
Planning the Program of Audit Work	
Developments in Audit Methodology	
DP Auditing Developments	
Reporting	
Media Releases	
<b>AUDIT OPERATIONS IN 1989 – 90</b>	35
Scope of Operations	
Contracting of Audits	
Consultants	
Legislative Changes	
Data Processing	
Performance Principles, Targets and Indicators	



**EXTERNAL ACTIVITIES**

39

Association with Professional and Other Bodies  
 Research  
 Relationship with other Audit Offices  
 Public Accounts Committee  
 Audit Advisory Panel  
 Visits

**PLANNING AND REVIEWS**

45

Peer Review  
 Internal Audit  
 External Audit  
 Corporate Plan (including DP Strategic Plan)  
 Management Improvement  
 Program Performance Evaluation  
 Senior Management Conferences

**FINANCIAL STATEMENTS**

49

Auditor's Report, Statement by the Auditor – General  
 Financial Statements  
 Equipment and Stores Expenditure  
 Major Assets

**SCHEDULES**

63

- 1 Organisations and Activities Audited
- 2 Other Senior Officers
- 3 Training Courses Conducted
- 4 Historical Background



## INTRODUCTION

This Report covers the activities of the Auditor-General's Office of New South Wales and includes the audited financial statements for the year ended 30 June 1990.



*Front Row from left to right:* Jim Mitchell, Assistant Auditor-General (AAG);  
Dick Dunn (AAG); John Parkinson (AAG); Wal Baker (AAG).

*Standing:* Kevin Fennell, Deputy Auditor-General; Ken Robson, Auditor-General;  
Dick Bible (AAG).



## OBJECTIVES AND ACHIEVEMENTS

### Organisational Objectives

- \* To provide a high quality, cost effective auditing service over the financial operations of the Government.
- \* To present independent, comprehensive and timely reports to Parliament, the Government and operational management.
- \* To provide advice for the continuing improvement of public sector financial management.

### Major Achievements – An Overview

- \* Organisations (total income about \$38 billion) audited by the NSW Auditor-General numbered 429 (previous year 424).
- \* Statutory Audit Reports to Parliament were tabled in September 1989 (Volume Two for 1989); November 1989 (Volume Three for 1989); and in May 1990 (Volume One for 1990).
- \* Audit opinions were given in 1989–90 on 398 financial statements (previous year 422). Audit Reports issued to Heads of Departments, Statutory Bodies and to Ministers and the Treasurer numbered 396 (previous year 356). Towards the objective of providing advice for the continuing improvement of public sector financial management, Management Letters etc giving formal constructive recommendations of varying degrees of importance to assist improvement of financial system controls were issued in respect of 32% of audits.

### Other Highlights

- \* Organisations audited (429) included 82 companies. The NSW Auditor-General's Office audits 7% of the top 100 corporations, private and public, in Australia (*Australian Business* December 1989).
- \* Finances show total Office operating expenditure of \$12.49m. Total income was \$12.95m including fees \$11.84m and a Treasury contribution to costs of Reports to Parliament \$900,000.
- \* Fees paid for contract audit work undertaken by private firms and individuals totalled \$1.6m (about 13% of audit work).
- \* Special activities included reports to: the Reserve Bank in respect of the Prudential Supervision and an Electronic Funds Transfer Survey (State Bank); and to the Premier in relation to certain expenditures of the State Rail Authority.
- \* The Office was reviewed by the NSW Parliament Public Accounts Committee (report of 24 July 1990).
- \* Material assistance was provided to the profession through staff representation on Australian Society of CPA committees and presentation of addresses and papers on public sector accountability.
- \* Commenced new Office Audit Manual and the training of staff in the United Kingdom National Audit Office risk based audit methodology.

Further information and other relevant performance indicators are given elsewhere in this Report.



## **CHARTER**

The audit and reporting duties, powers, and obligations of the Auditor – General are prescribed by the Public Finance and Audit Act 1983. The incumbent's primary duty as contained in Section 34 of the Act is:

"The Auditor – General shall audit the Public Accounts and such other accounts as the Auditor – General is authorised or required to audit in such manner as the Auditor – General thinks fit having regard to the character and effectiveness of the relevant internal control and recognised professional standards and practices."

---

## **AUDITING FOR PARLIAMENT**

In recent times the Australian public have become more aware of and sensitive to the influence of economic management, including management of public sector expenditure, on their day-to-day lives. They place greater demands on the Parliament, public sector managers and the Auditor – General to provide accountability for government activities. The increasing interest in accountability in the public sector focuses on the roles of Parliament and Government in their financial administration on behalf of taxpayers.

The ultimate responsibility rests with Parliament, with the Government having day to day control over policy and administration. The role of the Auditor – General can best be understood by describing the accountability of Government to Parliament and why we need an Auditor – General.

---

### **Accountability Process in Government**

Parliament as a whole has a part in encouraging Government to foster an environment in which accountability is a key element. It is Parliament which exercises plenary powers and authorises the budget for the "inner budget sector" and other legislation which is the statutory backing behind the daily management of the State. It is also Parliament which subsequently reviews how well Government has carried out its mandate. Where Government has failed to fulfil its obligations to the people then Parliament has a role in drawing attention to the fact and attempting to act as a catalyst to remedial action.

The primary legislative forum for the examination of Government accounts is the all-party Public Accounts Committee. The Committee has the power to call upon officials of the Government to account for the legality and prudence of Government expenditure, as well as adherence to approved policies and procedures.

---

### **Why do we have an Auditor – General?**

In examining Government accounts, members of Parliament require impartial and independent assistance – the assistance of somebody with the authority to examine government financial records and practices and who can report findings directly to Parliament without pressure from either governmental or other sources.

These processes are called Government auditing which generally falls into two broad categories – financial and performance – with reviews for compliance occurring throughout, although compliance can be covered in isolation. A more detailed description appears later under the heading "Auditing Process".



In New South Wales responsibility for this role rests with the Auditor-General who in fact is the auditor for Parliament.

The Auditor-General fulfills his statutory duties to Parliament with the help of the Auditor-General's Office. The role of the Office is to provide the necessary resources and professional audit services for the conduct of the independent external audit function of the public sector.

---

### **Independence of the Auditor-General**

The Auditor-General is appointed by the Governor and is independent of Executive Government. As auditor for Parliament, the Auditor-General directs his efforts towards ensuring the truth and fairness of financial statements, compliance with legislation and requirements for sound financial management, and proper accountability.

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

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

For financial reporting purposes the Office was declared a statutory body in 1989 and is treated as a Commercial Service, ie a self sufficient monopolistic body.

Although these went part of the way towards achieving full independence, the Auditor-General is still somewhat constrained in respect of staff numbers, the appointment and removal of staff, and certain conditions of employment.

The Public Accounts Committee Report on the Auditor-General's Office, released in July 1990, contains a number of recommendations to overcome some of these independence issues. The response to the Report by the Government and the reaction to the recommendations are keenly awaited.

---

### **Accountability of the Auditor-General**

**To Parliament:** The Auditor-General complements the accountability relationship between the Government and its administrators, and Parliament.

This is achieved by the Auditor-General presenting annually to Parliament a Statutory Report on the Treasurer's Public Accounts. Further, the right is given to advise Parliament of matters which the Auditor-General considers should be brought to attention as a result of any audit. It is also a long standing and accepted practice of the Auditor-General to include in his Report comments and summarised financial statements of State departments and statutory bodies.



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

The Auditor-General has an additional responsibility to submit to Parliament a report on the operations of the Office. This Office Report is appended to the Annual Report prepared under the Public Finance and Audit Act 1983. The accounts of the Office are audited by a firm of chartered accountants and the full accrual financial statements and accompanying auditor's opinion are appended to the Report on the Office's operations.

**To The Public Accounts Committee:** After being tabled in the Legislative Assembly, the Auditor-General's Reports are available to the Public Accounts Committee. The Office assists the Committee in reviewing the Reports as well as the Public Accounts of the Treasurer.

---

### **Other Accountability**

**The Profession:** The Australian Society of Certified Practising Accountants and the Institute of Chartered Accountants in Australia issue Statements of Auditing Standards and Auditing Practices. The Office adheres to these auditing standards and practices which are published in the Handbooks of both the Society and the Institute. The Office has in place internal quality control procedures for its auditing operations. This ensures compliance with auditing standards and practices as well as Audit Office policies and practices. Auditing services are the subject of periodical peer reviews by firms of chartered accountants. The latest review was performed in 1988.

---



## MANAGEMENT AND STRUCTURE OF OFFICE

### Senior Management

Auditor – General	Ken Robson FCPA
Deputy Auditor – General	Kevin Fennell BA FCPA

### Corporate Services

Assistant Auditor – General (Management)	Dick Bible B Com FCPA
Assistant Auditor – General (Policy & Planning)	Wal Baker FCPA
Director, Policy & Planning	Geoff Oliver CPA

### Operations

Assistant Auditor-General (Branch 1)	John Parkinson FCPA
Director, Division A	Warwick Gavan CPA
Director, Division C	Roger Henderson FCA Grad Dip(Acc)
Director, Division E	Denis Streater FCPA
Assistant Auditor-General (Branch 2)	Jim Mitchell FCPA
Director, Division B	Eric Lumley FCPA
Director, Division D	Len Slack CPA
Director, Division F	Ron Hegarty FCPA
Assistant Auditor-General (Branch 3)	Dick Dunn FCPA
Director, Division G	Sam Kalagurgevic FCPA
Director, Division H	Colin Patmore CPA
Data Processing (Audit)	John Seedsman Dip Tech (Mgmt)

### Other Senior Officers

A list of other senior officers is at Schedule 2.

# THE ORGANISATION

JUNE 1990

AUDITOR – GENERAL

Advisory Panel

DEPUTY  
AUDITOR – GENERAL

AUDIT OPERATIONS

CORPORATE SERVICES

Assistant  
Auditor – General  
(1)

Assistant  
Auditor – General  
(2)

Assistant  
Auditor – General  
(3)

Assistant  
Auditor – General  
(Management)

Assistant  
Auditor – General  
(Policy & Planning)

\*DOA DOA DOA Contract  
A C E Audits

DOA DOA DOA  
B D F

DOA DOA DP  
G H AUDIT

. Personnel  
. Secretariat  
. Purchasing  
. Finance & Budgets  
. Administration  
. Establishments  
. Support Services  
. Management  
. Records  
. Information Systems

. Treasury  
Audit  
  
  
  
  
  
  
  
Special  
Investigations

DOA  
Policy & Planning

. Policy  
. Planning  
. Professional  
Development  
. Library  
. Special  
Projects  
. EEO

FIELD AUDIT STAFF

\* DOA (Director of Audit)



## Allocations of Audits

### BRANCH 1

Administrative Services	Health including	Soil Conservation
Agriculture	Area Health Services	Sport, Recreation & Racing
Attorney General	Housing	State Development
Building Services	Industrial Relations	State Sports Centre
Business & Consumer Affairs	Legal Aid	Tourism
Charles Sturt University	Music and Art	University of Technology
Colleges of Advanced	Public Trustee	University of Western Sydney
Education	Public Works	Water Resources
Electricity and County		Water Supply Authorities
Councils		
Film and Television		

### BRANCH 2

Aboriginal Land Councils	Grain Corporation	Meat Industry Authority
Corrective Services	Home Care Services	National Parks and Wildlife
Council of the City of Sydney	Lands	Services
Dairy Corporation	Legislature	Planning
Darling Harbour and	Library and Museums	Police
Sydney Cove Authorities	Local Government	Pollution Control
Education	Lord Howe Island	Premier's and Cabinet Office
Egg Corporation	Maritime Services	Rice Marketing Board
Family & Community Services		Superannuation Boards
Fire Brigades		Sydney Market Authority
Forestry		Technical and Further Education
		Marketing Boards - Other
		Water Boards

### BRANCH 3

Chief Secretary	Universities -
Government Insurance Office	Macquarie
Lotteries/Lotto	Newcastle
Roads and Traffic Authority	New England
State Bank	NSW
State Rail	Sydney
State Transit	Wollongong
Totalizer Agency Board	WorkCover
Treasury Corporation	

### DP Audit Section

### ADMINISTRATION BRANCH

Treasury - Office of Financial Management  
 Treasury - Office of State Revenue  
 Capital Works Financing Corporation

---



## Committees

### 1 Senior Executive Committee: To formulate Office policy.

**Composition:** Auditor – General  
Deputy Auditor – General  
Assistant Auditors – General

### 2 Directors' Executive Committee: To share ideas and experiences and to provide advice to senior executives on audit operations, coverage requirements, resource needs and development initiatives on audit policy and practices.

**Composition:** Directors of each Division & of Policy & Planning Branch.

### 3 Planning Review Committee: For review of strategic audit plans and forward resource planning.

**Composition:** Deputy Auditor – General  
Assistant Auditors – General

### 4 Information Technology Steering Committee: To co-ordinate research into three areas of information technology vital to the efficient and effective functioning of the Office:

- (a) Management Information Systems
- (b) Office Automation
- (c) Audit Automation

**Composition:** Deputy Auditor – General  
Assistant Auditors – General  
Director, Policy & Planning  
Assistant Director, Information Technology  
Representatives of the above three areas

### 5 Uniformity Review Group: The overall objective of the group is to review the effectiveness of quality control related to the planning, direction and supervision of audits and to evaluate innovative procedures encountered for possible adoption Office wide.

**Composition:** Steve McLeod – Chairman  
Peter Armstrong – Secretary  
John Hailwood  
Paul Fitzgerald  
Paul Thompson

### 6 Editorial Committee: To formulate and review policies and procedures for production of Reports to Parliament.

**Composition:** Deputy – Auditor General  
Representative of Assistant Auditors – General  
Trish Marsters  
Bill McBeath



- 7 **Joint Consultative Committee:** To review any restrictive work and management practices.

**Composition:** Three representatives of management.  
Three representatives of unions.  
EEO Co-ordinator

- 8 **Occupational Health & Safety Committee:** To assist in the maintenance of a safe working place environment.

**Composition:** Employer Representation - Geoff Allen  
Employee Representation - Trish Marsters  
- Doug Sale  
- John Cantlon

- 9 **EEO Implementation Committee:** To periodically review and make necessary amendments to the EEO Management Plan with a view to improving the quality of the Plan and to monitor progress and to ensure its effective implementation.

**Composition:** Glenda Sladen - EEO Co-ordinator  
Wal Baker - Assistant Auditor - General  
(Policy & Planning)  
Sam Kalagurdevic - Representative of Directors  
John O'Rourke - Representative of non-EEO  
target groups  
Peter Armstrong - Union Representative  
Corona Thomson - Representative from  
non-English speaking background  
Melissa Hadley - Spokeswoman  
Gary Beer - Representative of Administration  
Dianna Baillie - Project Officer (EEO & Training)

### Promotion of Office

Details of the functions and activities of the Office are set out in this Report. The functions also appear in the New South Wales Government Directory of Administrative Services. Information on the role of the Auditor-General appears in the New South Wales Year Book compiled by the Australian Bureau of Statistics. Media releases are made at time of the issue of Reports to Parliament.

Other Office promotional material relates to recruitment at the base levels. Handouts are available to all interested persons joining the Public Service at the General Scale Clerk level. Brochures and posters are issued to Universities and Colleges of Advanced Education. Staff attend Career Markets and College and University campuses for potential graduate recruits. Positions for Higher School Certificate candidates are advertised in the Graduate Connection magazine which has a circulation of 20,000 copies to high schools in New South Wales.

The Office awards prizes at some tertiary institutions for excellence in the subject of auditing. The New South Wales Education and Training Foundation has approved a proposal by the Office to fund two scholarships for Government accounting/auditing students.



---

## OUR PEOPLE

### Staffing and Personnel

With further devolution of Public Sector Personnel Management policies to Departments and Authorities, the Office has taken a more active role in the formulation and implementation of relevant policies and procedures.

During 1989–90 the Public Employment Industrial Relations Service delegated a number of matters to the Auditor–General under the Public Sector Management Act. Delegations have been prepared to ensure appropriate accountability and responsibility for such matters as recruitment of temporary staff, reclassification of positions, and local industrial relations issues. Monitoring systems operate to ensure personnel policies and practices are effective for the utilisation and development of staff.

The Office has continued to undertake its own school leaver and graduate recruitment campaigns. Increased awareness of the Office in the market–place together with a stronger image resulted in an increase in the number of people interested in gaining positions with the Office.

The Office again recruited temporary staff through specialised employment agencies and major auditing firms to undertake audit assignments which could not be met from existing resources. This provided benefits for both the private and public sector echelons of the auditing profession.

---

### A Professional Office

The Auditor–General is supported by the Auditor–General's Office to enable statutory responsibilities to be efficiently discharged. The Office uses modern techniques and has a reputation as being very professional and a leader in the field of public sector accounting and auditing.

Over 66% of the staff have tertiary qualifications with 16% of these officers holding more than one. A further 23% are currently undertaking tertiary accounting studies.

A total of 116 officers have obtained their qualifications in the Accounting/Commerce discipline, while 21 officers hold academic qualifications in other disciplines including Engineering, Science, Mathematics, Arts, Management, Computing, Public Administration, Secretarial Studies, Personnel Management and Law. This broad base of skills and academic attainment is particularly useful as the audit approach is broadened beyond the traditional financial statement audit.

About 60% of staff are members of the two professional accounting bodies. A small number of officers remain members of overseas professional bodies.



Many officers are members of other associations, institutes and societies.

- \* *Royal Australian Institute of Public Administration*
- \* *EDP Auditors Association*
- \* *Australian Computer Society*
- \* *The Australian Institute of Management*
- \* *The Accounting Association of Australia and New Zealand*
- \* *The Australian Institute of Political Science*
- \* *Law Society of New South Wales*
- \* *The Canadian Evaluation Society*
- \* *The Network for Intercultural Communication*
- \* *The Institute of Chartered Secretaries and Administrators*
- \* *The Institute of Internal Auditors*

Membership of these bodies, which for the most part is maintained at the personal expense of the individual staff member, is of considerable benefit to the skills of the staff of the Office.

The Office itself is also a member of various bodies which include:

- \* *Equal Employment Opportunity Co-Ordinators' Group*
- \* *Personnel Management Group*
- \* *Government Administration Association for Training and Development*
- \* *Australian Institute of Management*

The Office maintained its status as a subscribing member of the Canadian Comprehensive Auditing Foundation. Membership of this organisation provides access to the latest material on performance auditing. The Office is also a foundation member of the South Pacific Association of Supreme Audit Institutions (SPASAI).

---

### **Senior Executive Service**

Together with other State organisations, the Audit Office participated in the Government's introduction of the Senior Executive Service (SES). All senior members of the Office from Director of Audit are under contract to the Auditor-General from 1 November 1989. The periods of the contracts vary from three to four years, with salary levels generally in the mid range of SES scales.

Each position holder, in accordance with the contract, signed a Performance Agreement with the Auditor-General based on key elements of the Office's Corporate Plan. The next phase of the consolidation of the SES in the Office is the development of a Performance Measurement system. Work on the system, which will provide rigorous review of standards of performance against expected output, is well advanced and further details will be given in next year's Report.

There is no doubt that the introduction of the Senior Executive Service will have a long term beneficial impact on the standard of service provided by the Office. The linking of remuneration packages with figures available in the commercial market, together with the relaxation and, in some cases, abolition of rigid Public Service procedures, has already provided much needed flexibility in the Office's management style. It is expected that further elements of change and exposure of prospective senior managers to market induced competition will produce a more commercial, leaner, and more efficient Audit Office.

---



## Declaration of Independence

The Office has continued its policy of ensuring that all staff submit a declaration of relationships or other circumstances that may be seen to impair their independence on particular audits.

## Equal Employment Opportunity (EEO)

The Office continued with its long standing policy of applying the principles of EEO to recruitment, promotion and training procedures. The Office is also implementing the new industrial Structural Efficiency Principle, and at the same time is ensuring that target group members are not disadvantaged.

The proportion of women in the Office remained steady at about 28%. Of those staff studying towards their first degree, approximately 50% were women while women made up 11% of the fully qualified staff eligible to join a professional accounting body. A reasonable benchmark for comparison would be the number of female members in the Australian Society of Certified Practising Accountants – 14.3% at December 1989.

The proportion of staff of non-English speaking background remained constant at 30%.

EEO training (Schedule 3) was well catered for in 1989–90, in that:

- \* *The majority of training activities were offered to all levels of staff, thus ensuring that training hours and funds were available to target groups.*
- \* *A number of specific EEO activities were offered.*
- \* *General courses were offered which addressed the likely needs of target group members.*

Other EEO activities included participating in the Commonwealth Government's Work Therapy Scheme, the Adult Migrant Education Service's Skillmax Program, and the Thai-Australian Government Program conducted by the English Language Centre at the University of Sydney.

The EEO Implementation Committee continued to meet through the year as a bridge between staff concerned with EEO matters and management.

The major EEO activity undertaken by the Office for the year was participation in the Service wide EEO Survey. Results from this survey will be available in the next reporting period.

## Professional Development

The Office recognises that to a large degree the successful achievement of the Corporate Goals is dependent upon the competence of its staff. It is concerned therefore that all officers continue to develop and maintain their professional expertise, their interpersonal skills and their capability to adapt to changing conditions and circumstances.



Staff members are expected to supplement their on-the-job training by participating annually in professional development activities. That is, while practical experience provides an important vehicle for development, staff are actively encouraged to take on undergraduate and postgraduate study, attend conferences, seminars and courses provided by outside bodies as well as participate in the Audit Office Development Program.

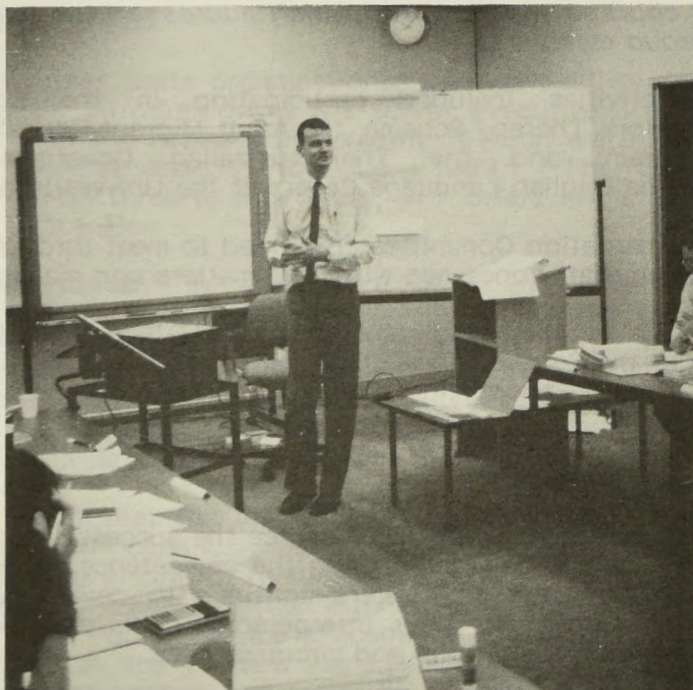
The current Office development program was formulated during this reporting period using: a needs analysis based on the major needs analysis conducted in 1987; interviews with a sample of staff at every level in the auditing stream; an analysis and comparison of training offered by private accounting firms and Development Action Plans which are part of the Staff Appraisal Scheme. The program is a three year cyclical program for 1989-91.

The 1989-90 program covered:

- \* *Accounting and auditing*
- \* *Information technology and EDP auditing*
- \* *EEO*
- \* *Communication and interpersonal skills*
- \* *Management and Supervision*

Courses (Schedule 3) were conducted by both in-house and external presenters. In order to keep course development costs to a minimum the Office contracts private sector organisations to conduct appropriate courses.

A highlight of the year was the training program for a revised audit methodology. The Office has adopted the United Kingdom National Audit Office approach and a trainer from that Office ran a program which was later taken over by the Office's own staff.



Chris Wobschall of the UK, specialist trainer in Risk Based Auditing.



The development program is supplemented by attendance at related seminars, conferences and congresses offered by organisations such as:

- \* *Private Accounting Firms*
- \* *Public Sector organisations*
- \* *Tertiary education institutions*
- \* *Accounting/auditing bodies*
- \* *Specialist training organisations*

During the past two years an average of 4% of a field officer's available time has been devoted to professional development activities.

All new audit officers are offered a combination of field training and auditing and interpersonal skills courses to provide a firm foundation to their chosen career. Graduates undertake a series of courses which are designed to accelerate their professional development and ensure that they are trained in all facets of public sector auditing in the shortest possible time. These courses include accounting and auditing, government financial administration and EDP auditing. Audit staff are also given the opportunity to broaden their experience by being rotated from one assignment to another.

The development needs of non-audit staff are catered for by providing a wide range of both internal and external courses.

Internal courses available to both audit and non-audit staff cover supervision and management, introduction to supervision, resolving workplace problems, job promotion skills, selection techniques, report writing, stress management and career management.

The needs of middle management and the executive were met primarily by utilising a wide selection of seminars, courses, conferences and congresses. For example some Officers attended courses offered by the Australian Institute of Management.

Specialist DP staff also attended courses specific to their profession which are conducted by organisations such as the EDP Auditors Association and the Australian Computer Society.

Training staff from the Office's Professional Development Unit attended courses specific to their needs with organisations such as the Government Administration Association for Training and Development (GAAFTAD) in order to maintain and enhance the service they offer.



### Structural Efficiency Principle (SEP)

The Office Joint Consultative Committee met on four occasions during the year. The committee is responsible for the dissemination of information to staff concerning the SEP process. This communication is seen as a vital link in the implementation of the principle and will continue throughout the process.

The corporate plan and mission statement for the Office were reviewed and strategic objectives examined to ensure appropriateness in terms of governing legislation. Five positions in the administrative area were reclassified in accordance with SEP principles, resulting in a redistribution of administrative functions.

Separate submissions have been prepared, and negotiations were well under way by 30 June, for (a) the reclassification of all Typist, Machine Operator and Clerical Assistant positions to Clerical Officer, and (b) the creation of a number of training positions in the DP area. Both approaches have been made on the basis of providing multi-skilling, enhanced career prospects and greater job enrichment.

The major task commenced during the latter part of the year was the skills audit. It is anticipated that the results of a proposed survey will form a skills inventory which will assist in the development of training and development plans as well as the effective utilisation of the Office's human resources.

### Staffing Levels

The number of officers employed at 30 June 1990 totalled 194 compared with 188 in 1989 and 196 in 1988. The gains and losses of staff over the three years were:

STAFF	1987-88	1988-89	1989-90
Number Employed at 1 July	193	196	188
<b>Losses:</b>			
Retirements	3	1	Nil
Resignations	26	27	22
Moves to other Departments	10	16	7
Deceased	Nil	Nil	1
	- 39	- 44	- 30
<b>Gains:</b>			
Public Service (other Departments)	14	9	3
Non Public Service	28	27	33
	+ 42	+ 36	+ 36
Number Employed at 30 June	196	188	194

The major recruitment activities undertaken by the Office are at the graduate and school leaver levels. While some graduates commence in August, the majority of new staff start the following January. It is at this time, the Office endeavours to boost its staff number to the maximum level. Accordingly, a buffer must be maintained throughout the year between the actual and maximum staff number to enable the desired number of school leavers and graduates to be recruited. For each of the last three years the average number of staff was as follows:

1987-88 - 197  
 1988-89 - 191  
 1989-90 - 192

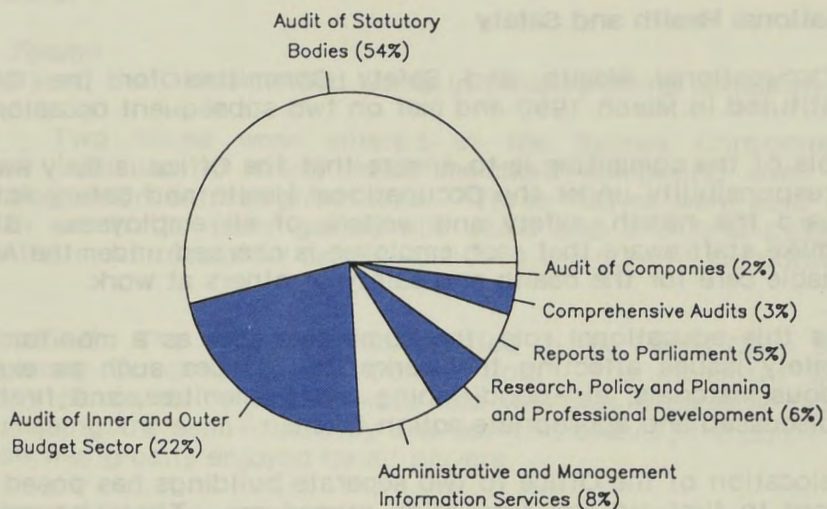


The average staff number was relatively static throughout the year and turnover was lower than in previous years. A contributing factor was the introduction of a new career structure offering enhanced prospects to officers studying for professional accounting qualifications. The traditional problem, however, of recruiting professional accountants specialising in external auditing continued during the year.

Of 76 positions filled within the organisation during the year, 31 (41%) were appointments from outside the Office.

### Staffing Assignments

A complete list of audits is contained in Schedule 1. The chart below indicates broadly the percentage of time devoted to the various audit and administrative etc areas.



### Management of Leave

The Office continued its policy of closely monitoring sick leave. The average number of sick leave absences per officer per year has progressively declined: from 7.3 days in 1986–87 to 4 days in 1989–90.

Government policy has reduced the maximum accrual of recreation leave for public sector employees from 50 days to 40 days and requires staff to take at least one continuous period of two weeks for recreation leave purposes each year. Monitoring of the policy shows a decrease in recreation leave balances of 5.6% over the year to 30 June 1990 despite the increase in staff numbers.

In terms of Office policy, a number of staff were granted leave without pay during the year to undertake accounting degree studies on a full-time basis. This policy assists staff to complete their studies in a shorter time.



---

## Accommodation

Accommodation activity during the year centred on the move of the Office from Goodsell Building in the Central Business District. The prospect of a significant increase in rental charges for premises that were regarded as no longer ideal necessitated the move. Suitable accommodation of approximate area was secured in two adjoining buildings at 234 Sussex Street and 447 Kent Street. The main office is now located at Sussex Street with research, training and some field audit staff based in the Kent Street premises.

The Sussex Street building in particular is quite new and offers an excellent working environment. The move, which was finalised at the end of July, will result in savings in rent of some \$3.6m over the next ten years.

---

## Occupational Health and Safety

The Occupational Health and Safety Committee for the Office was reconstituted in March 1990 and met on two subsequent occasions.

The role of the committee is to ensure that the Office is fully aware of its legal responsibility under the Occupational Health and Safety Act 1983 to safeguard the health, safety and welfare of all employees. Similarly it must make staff aware that each employee is charged under the Act to take reasonable care for the health and safety of others at work.

Besides this educational role, the committee acts as a monitor of health and safety issues affecting the workplace. Issues such as exposure to hazardous materials, air-conditioning, staff amenities, and first aid have been discussed and appropriate action taken.

The relocation of the Office to two separate buildings has posed problems in regard to first aid and evacuation procedures. These issues will need to be addressed early by the nomination and training of selected personnel.

The effects of the executive health programs undertaken in 1988-89 were extremely positive, and funds are being sought in the coming year to once again adopt a pro-active approach to worker health and fitness.

There were only two claims for workers compensation in 1989-90 for a total of 3 3/4 working days lost.

---



## Social and Sporting Activities

### *Recreation Club*

The Office's Recreation Club is understood to be one of the oldest in Australia being founded in 1908.

The Club continued to provide a wide variety of activities to its members. During the year, membership of the Club reached 87% of staff, a reflection of its success in assisting the social needs of members.

Although the weather was not always favourable, all events were highly successful. Two new activities were introduced; weekend trips to the Snowy Mountains and the Hunter Valley Wineries. These trips will now become annual events.

Other activities included the launch picnic, family picnic, golf, tennis and squash days, annual dinner and many others, including sale of discounted theatre tickets.

### *Sporting Teams*

During the year, the Office fielded teams in three sporting competitions.

*Running:* Two teams were entered in the Sydney Corporate Cup competition with up to thirty staff members competing over a 5.8 kilometre course on a fortnightly basis. Three series were held during the year in which the team gained one third and one first place. As winner of the most recent series, the Office is the current Corporate Cup holder.

*Touch Football:* The Office was represented in the Men's Open Section of the Summer Touch at Lunch Competition. The inclement weather forced many games to be washed-out and this was a decisive factor in the team missing the semi-finals by one point. However, the spirit of the competition was greatly enjoyed by all players.

*Golf:* A team of six players participated in the Public Service Match Play Championships held during the year on various courses. The team played well and reached the quarter-finals, achieving their best result to date.



1990 Corporate Cup Champions



## FINANCES

	1989-90		1990-91
	Budget \$'000	Actual \$'000	Budget \$'000
<b>INCOME</b>			
Fees	10,930	11,838	12,680
Investment Income	—	112	120
Contribution to Costs of Reports to Parliament	975	900	950
Other	60	102	115
	<u>11,965</u>	<u>12,952</u>	<u>13,865</u>
<b>EXPENDITURE</b>			
Salaries, Allowances	7,252	7,325	8,055
Payroll Tax	430	429	483
Staff Development and Training	80	97	100
Employees Leave and Retirement	260	232	256
Superannuation	900	867	900
Contract Audit Fees	1,300	1,596	1,730
Fees for Services Rendered	204	389	285
Rent/Cleaning	700	751	620
Travelling	230	213	290
Depreciation	160	169	200
Other Expenses	404	423	546
	<u>11,920</u>	<u>12,491</u>	<u>13,465</u>
<b>OPERATING SURPLUS</b>	45	461	400

The Office was gazetted a statutory body in 1988-89.

Financial policies were set in train during 1989-90 to ensure adequate financing of the attest function of the Office.

Income for 1989-90 was \$2.2m higher than in the previous year largely due to: increase in charge out rate by 10.5%; recovery of full audit costs brought about by shortcomings in auditees' financial controls, financial statements/working papers etc; increase in number of audits; and overall increases in productivity and work in progress by contracted agents. Higher expenditure of \$1.7m over the previous year was mainly due to increases in salary costs \$755,000, rent \$360,000 and contract audit fees \$340,000.

Against a budget surplus of \$45,000 the actual result was a surplus of \$461,000. The operating surplus margin, however, was only 3.7%. Limited comprehensive reviews were financed from audit fees generally in 1989-90. Faced with: repayment of working capital advances (\$400,000); capital replacement (which previously was largely financed from Treasury repayment-free funds); our share of costs of recent relocation etc, we have little scope to increase comprehensive reviews from attest operations in 1990-91. This matter was addressed by the recent Public Accounts Committee Report which is to be reviewed by the Government.



## AUDITING PROCESS

### Functions

The functions of the Office are to audit, advise and report. For convenience these functions can be regarded as having a number of components, viz:

- \* *The conduct of audits to enable an opinion to be formed on whether –*
  - a) *the financial statements of each audited entity present a true and fair view of the financial operations for the period and the financial position at balance date, (commonly referred to as the attest or financial statements audit)*
  - b) *each audited entity has substantially complied with its statutory obligations in its financial operations and has not exceeded the powers given to it by an Act of Parliament, (commonly referred to as the compliance audit)*
- \* *The forming of opinions and making timely suggestions for improvement in internal control, systems efficiency, and financial planning and monitoring, to the extent that such reviews can be combined cost effectively with the procedures required under the attest/financial statements and compliance audits. In addition special reviews are carried out for evidence of wasteful practices and other matters of public interest (the advisory phase).*
- \* *The reporting of the results of such audits (including comment on any matters arising out of audits) as necessary to Parliament, to Government and to operational management (the reporting phase).*

The Auditor-General holds the strong view that the traditional attest and compliance audit and his present advisory role are nowadays not totally adequate in providing to Parliament and the public the assurances they require in respect of accountability. He perceives the adoption of comprehensive auditing as a means of achieving this.

Consequently, there is a pressing need to expand the advisory role by extending his reviews into areas which are not linked solely to expressing an opinion on the financial statements. These deeper reviews are sometimes termed "value for money" (VFM), operational auditing or performance reviews.

The Public Accounts Committee in a Report on the Auditor-General's Office, issued in July 1990, has made several recommendations that the Auditor-General be empowered to conduct reviews on the economy, efficiency and effectiveness of departments and statutory bodies. It has also made recommendations on how these reviews should be funded.

As indicated elsewhere in this report, the response to the Report by the Government and the reaction to the recommendations are keenly awaited.



## Planning the Program of Audit Work

The continuing growth and complexity in the number of government agencies required to be audited (over 450), the introduction of new audit methodologies, more extensive and stringent reporting requirements, as well as growing pressures for more comprehensive reporting to Parliament and to the Executive Government, have all combined to impose an increasing demand on the Office's scarce resources.

In the face of such challenges it is imperative that the Office continue to be innovative and utilise vigorous planning methods and quality control to ensure the 188 members of staff (158 operational staff and 30 corporate services and administrative support) and contractors are used to the best advantage. Approximately 13% (in value of audit fees) of the total audit work is carried out by private contractors.

A comprehensive Audit Planning System is used to ensure optimum coverage for each audit. The setting of audit and corporate priorities and monitoring of the Office's overall performance is oversighted by a Planning Review Committee (PRC) comprised of the Deputy Auditor-General and the five Assistant Auditors-General. The PRC makes recommendations to the Auditor-General on what tasks are to be undertaken in the light of both available resources and needs.

The total planning process (both short and long term) is continuously reviewed by an internal committee under the chairmanship of a member of the Office Executive.

Recognising the need to continuously upgrade the management information system to monitor and evaluate audit times and performance, the Office recently developed the "ACORN" costing system. In addition to providing comprehensive management information, the "ACORN" system will also provide an effective platform to facilitate a more efficient audit planning process.



Treasury Audit Team checking the Treasurer's Public Accounts



## Developments in Audit Methodology

### Background

The continuing need to operate as efficiently and effectively as possible results in the Office having an on-going commitment to the review and assessment of audit methodologies, practices and procedures. Consistent with this commitment and as reported in the 1988-89 Office report, the Auditor-General sent two senior staff on an overseas study tour to examine the methodologies currently in use within other government audit institutions, and to compare them with those of the Office.

After field testing the United Kingdom audit methodology on a number of audits, the Auditor-General has formally adopted the methodology and it is currently being adapted to local requirements. The methodology is essentially an enhanced form of risk based auditing.

During the year, two senior staff from the United Kingdom Audit Office assisted with the evaluation of the trial audits and training of field staff to enable the enhanced risk-based approach to be applied to audits of financial statements in 1990-91.

The Office will also benefit from the development "in house" of a substantially revised Audit Manual which is nearing completion.

### Risk Based Audit Approach

Essentially the risk based audit (RBA) approach involves a formal assessment of materiality and risk in determining the most appropriate and cost effective means of performing an audit and forming a defensible opinion on the truth and fairness of financial statements.

The approach is based on a planning method which facilitates decisions to maximise the efficiency and effectiveness of each audit. As the complexity of the engagement increases, so does the relative portion of total audit effort devoted to planning. No other aspect of the audit process can affect the success of an engagement more than the time and effort put into planning the audit approach.

The RBA approach improves the quality of planning and facilitates a more informed judgement in:

- \* *Determining the most effective and efficient mix of audit procedures to be utilised to achieve the required level of confidence. The approach establishes in advance the proper relationship between compliance and substantive tests;*
- \* *Relating audit effort to audit risk by reducing the time spent on low risk situations which are prone to being over-audited, and increasing coverage of high risk situations which are prone to being under-audited;*
- \* *Matching audit skills to the degree of risk involved, ie, senior experienced audit staff should concentrate on high risk areas.*

This methodology requires assessments to be made of the overall audit risk, as well as inherent, control and detection risks. These risks can be measured in quantitative and non-quantitative terms. Quantitative measurement of these risks will be undertaken by the Office and should result in objective assessments of whether or not the audit confidence has been achieved.



### DP Auditing Developments

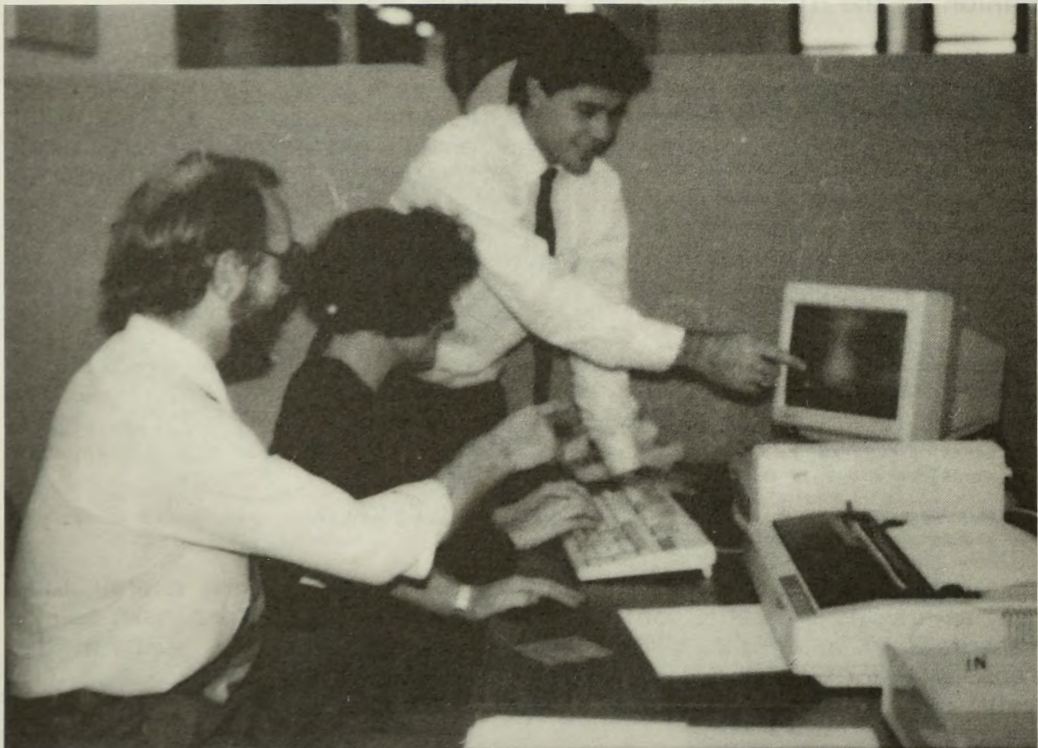
During the year the approach to Data Processing (DP) Auditing changed by the Office wide adoption of risk based audit methodology, increased DP audit involvement in the development of audit plans, and the use of contractors for some DP audit work. Increased computer power and disk storage became available for Computer Assisted Audit Techniques (CAATs) on the Office computer.

DP audit staff are now being increasingly involved in assisting in drawing up audit plans which include DP audit tasks intended to address areas of perceived audit risk.

The adoption of the new methodology has meant training of the DP audit staff to give them an understanding of the overall methodology, how the DP audit fits into it, and the importance of the DP-based support required by the methodology.

Contracted DP audit services have also been used on a number of audits where specialised skills are required and to supplement the resources of the Office. Working in cooperation with and monitoring the work of these contractors has provided Office DP audit staff with valuable experience and increased their skills.

In late 1989, the Office purchased an NCR Tower 32/800 minicomputer, a multiprocessor UNIX system. The increased computer power and disk storage available on the Office's new in-house computer system have meant that many previous constraints on the development of CAATs have been removed. Large volumes of data can now be processed more efficiently.



Computer Training Session for Field Staff



## Reporting

As previously noted, the Auditor-General is required to present annually to Parliament a report on the Treasurer's Public Accounts. The Report format and content are far more detailed than statutory requirements and for 1989-90 was again in three volumes.

For the first time in 118 years the Public Accounts for 1989, which embrace Government Departments as per Budget, were not attached to the Auditor-General's Statutory Report. Following an amendment to the Public Finance and Audit Act 1983 the Public Accounts were presented to Parliament by the Treasurer.

Volume Two of 1989 (the Statutory Report) contained comments, both general and specific, relating to the Public Accounts. Volume Two also contained comments, reports and summarised financial statements of selected State statutory bodies. Volume Three of 1989 mainly covered statutory bodies which had balance dates up to 30 June 1989 and were not reviewed in earlier reports in 1989. Volume One of 1990 was tabled on 10 May 1990 and covered statutory bodies with balance dates falling between July 1989 and February 1990 and completed audits not included in the previous year.

As indicated earlier, it is also a goal of the Office to give advice and guidance for the continuing improvement of public sector financial management. This is achieved by making constructive recommendations to organisations to overcome shortcomings in their financial systems in addition to expressing opinions on the truth and fairness of financial statements. Management letters are issued to the senior managements of auditees. In relevant cases, copies are forwarded for the information of the Minister.

Regular and special audit reports, in terms of the Public Finance and Audit Act are made to the heads of departments and statutory bodies, to Ministers and to the Treasurer. These individual reports are generally issued at the conclusion of the department or statutory body audit.



Audit Supervision of the Lottery Draw



## Media Releases

The Auditor-General does not seek specifically to establish a high profile within the media. Nevertheless, in the interests of full public disclosure and as an aid to an informed public the media are advised of the more significant public issues reviewed in the Auditor-General's Reports to Parliament.

In the year under review the Office issued the following media releases:

Date	Subject
21 September 1989	Volume Two, Auditor-General's Report to Parliament for 1989.
28 November 1989	Volume Three, Auditor-General's Report to Parliament for 1989.
10 May 1990	Volume One, Auditor-General's Report to Parliament for 1990.

## Auditor seeks review of uni businesses

By LIBBY MOFFET

The NSW Auditor-General has called for a review of the operation of subsidiary companies by universities, claiming that some universities may have acted illegally in establishing them.

In a report tabled in State Parliament yesterday, Mr Ken Ross said there was a need for such a review.

The number of cars bought by the Department of Family and Community Services has increased 268 per cent in 10 years, the Auditor-General found.

Despite such a huge increase, the department's procedures for monitoring the fleet were inadequate and resulted in inadequate control probably having more cars than it needed, the auditors report said.

Maintenance and running costs increased 575 per cent, from \$1.5 million in 1980-81 to \$1.5 million in 1990-91, Mr Ross said.

Between 1980 and 1988 the cost rose by nearly 100 per cent in actual dollar amounts.

The cost of transporting students to and from school has jumped to more than \$200 million and is likely to keep rising because the scheme lacks accountability and is open to potential rorts, according to a report tabled in Parliament yesterday.

The report, compiled by the

While there had been a proliferation in the number of university subsidiary companies, the absence of specific controls on the companies prevented their exact number being known, the report said.

It named the University of NSW as having nine subsidiaries with total revenue of more than \$16 million, while the University of Wollongong had 11 subsidiaries with revenue totalling more than \$10 million.

The report also found that the State Rail Authority, Mr Ross said, was associated with his wrongdoing.

Even before the exposure of Mr Ross's wrongdoing, the Opposition had been claiming that the State Rail Authority was associated with his wrongdoing.

However, the Opposition had been claiming that the State Rail Authority was associated with his wrongdoing.

However, the Opposition had been claiming that the State Rail Authority was associated with his wrongdoing.

However, the Opposition had been claiming that the State Rail Authority was associated with his wrongdoing.

However, the Opposition had been claiming that the State Rail Authority was associated with his wrongdoing.

However, the Opposition had been claiming that the State Rail Authority was associated with his wrongdoing.

However, the Opposition had been claiming that the State Rail Authority was associated with his wrongdoing.

However, the Opposition had been claiming that the State Rail Authority was associated with his wrongdoing.

However, the Opposition had been claiming that the State Rail Authority was associated with his wrongdoing.

However, the Opposition had been claiming that the State Rail Authority was associated with his wrongdoing.

However, the Opposition had been claiming that the State Rail Authority was associated with his wrongdoing.

However, the Opposition had been claiming that the State Rail Authority was associated with his wrongdoing.

And the public sector gets a good report

New South Wales Auditor-General's office is generally satisfied with the NSW Government's financial management.

The other two disclaimers related to South Coast regional Aboriginal land council and the Sydney and Newcastle regional Aboriginal land council, where Fenwick said: "We had babies in certain extent, and stage where anything else was a disaster. He is a proven person in the land council."

The "adverse" audit qualifications was for the Department of Administrative Services, motor vehicle leasing services branch, where the Auditor-General noted: "Absence of internal controls and deficiencies in accounting records have resulted in revenue, expenditure, assets and liability items being materially incor-

rected."

The "adverse" audit qualifications was for the Department of Administrative Services, motor vehicle leasing services branch, where the Auditor-General noted: "Absence of internal controls and deficiencies in accounting records have resulted in revenue, expenditure, assets and liability items being materially incor-

rected."

The "adverse" audit qualifications was for the Department of Administrative Services, motor vehicle leasing services branch, where the Auditor-General noted: "Absence of internal controls and deficiencies in accounting records have resulted in revenue, expenditure, assets and liability items being materially incor-

rected."

The "adverse" audit qualifications was for the Department of Administrative Services, motor vehicle leasing services branch, where the Auditor-General noted: "Absence of internal controls and deficiencies in accounting records have resulted in revenue, expenditure, assets and liability items being materially incor-

rected."

The "adverse" audit qualifications was for the Department of Administrative Services, motor vehicle leasing services branch, where the Auditor-General noted: "Absence of internal controls and deficiencies in accounting records have resulted in revenue, expenditure, assets and liability items being materially incor-

rected."

The "adverse" audit qualifications was for the Department of Administrative Services, motor vehicle leasing services branch, where the Auditor-General noted: "Absence of internal controls and deficiencies in accounting records have resulted in revenue, expenditure, assets and liability items being materially incor-

rected."

The "adverse" audit qualifications was for the Department of Administrative Services, motor vehicle leasing services branch, where the Auditor-General noted: "Absence of internal controls and deficiencies in accounting records have resulted in revenue, expenditure, assets and liability items being materially incor-

And the public sector gets a good report

New South Wales Auditor-General's office is generally satisfied with the NSW Government's financial management.

The other two disclaimers related to South Coast regional Aboriginal land council and the Sydney and Newcastle regional Aboriginal land council, where Fenwick said: "We had babies in certain extent, and stage where anything else was a disaster. He is a proven person in the land council."

The "adverse" audit qualifications was for the Department of Administrative Services, motor vehicle leasing services branch, where the Auditor-General noted: "Absence of internal controls and deficiencies in accounting records have resulted in revenue, expenditure, assets and liability items being materially incor-

rected."

The "adverse" audit qualifications was for the Department of Administrative Services, motor vehicle leasing services branch, where the Auditor-General noted: "Absence of internal controls and deficiencies in accounting records have resulted in revenue, expenditure, assets and liability items being materially incor-

rected."

The "adverse" audit qualifications was for the Department of Administrative Services, motor vehicle leasing services branch, where the Auditor-General noted: "Absence of internal controls and deficiencies in accounting records have resulted in revenue, expenditure, assets and liability items being materially incor-

rected."

The "adverse" audit qualifications was for the Department of Administrative Services, motor vehicle leasing services branch, where the Auditor-General noted: "Absence of internal controls and deficiencies in accounting records have resulted in revenue, expenditure, assets and liability items being materially incor-

rected."

The "adverse" audit qualifications was for the Department of Administrative Services, motor vehicle leasing services branch, where the Auditor-General noted: "Absence of internal controls and deficiencies in accounting records have resulted in revenue, expenditure, assets and liability items being materially incor-

rected."

The "adverse" audit qualifications was for the Department of Administrative Services, motor vehicle leasing services branch, where the Auditor-General noted: "Absence of internal controls and deficiencies in accounting records have resulted in revenue, expenditure, assets and liability items being materially incor-

rected."

The "adverse" audit qualifications was for the Department of Administrative Services, motor vehicle leasing services branch, where the Auditor-General noted: "Absence of internal controls and deficiencies in accounting records have resulted in revenue, expenditure, assets and liability items being materially incor-

And the public sector gets a good report

New South Wales Auditor-General's office is generally satisfied with the NSW Government's financial management.

The other two disclaimers related to South Coast regional Aboriginal land council and the Sydney and Newcastle regional Aboriginal land council, where Fenwick said: "We had babies in certain extent, and stage where anything else was a disaster. He is a proven person in the land council."

The "adverse" audit qualifications was for the Department of Administrative Services, motor vehicle leasing services branch, where the Auditor-General noted: "Absence of internal controls and deficiencies in accounting records have resulted in revenue, expenditure, assets and liability items being materially incor-

rected."

The "adverse" audit qualifications was for the Department of Administrative Services, motor vehicle leasing services branch, where the Auditor-General noted: "Absence of internal controls and deficiencies in accounting records have resulted in revenue, expenditure, assets and liability items being materially incor-

rected."

The "adverse" audit qualifications was for the Department of Administrative Services, motor vehicle leasing services branch, where the Auditor-General noted: "Absence of internal controls and deficiencies in accounting records have resulted in revenue, expenditure, assets and liability items being materially incor-

rected."

The "adverse" audit qualifications was for the Department of Administrative Services, motor vehicle leasing services branch, where the Auditor-General noted: "Absence of internal controls and deficiencies in accounting records have resulted in revenue, expenditure, assets and liability items being materially incor-

rected."

The "adverse" audit qualifications was for the Department of Administrative Services, motor vehicle leasing services branch, where the Auditor-General noted: "Absence of internal controls and deficiencies in accounting records have resulted in revenue, expenditure, assets and liability items being materially incor-

rected."

The "adverse" audit qualifications was for the Department of Administrative Services, motor vehicle leasing services branch, where the Auditor-General noted: "Absence of internal controls and deficiencies in accounting records have resulted in revenue, expenditure, assets and liability items being materially incor-

rected."

The "adverse" audit qualifications was for the Department of Administrative Services, motor vehicle leasing services branch, where the Auditor-General noted: "Absence of internal controls and deficiencies in accounting records have resulted in revenue, expenditure, assets and liability items being materially incor-

And the public sector gets a good report

New South Wales Auditor-General's office is generally satisfied with the NSW Government's financial management.

The other two disclaimers related to South Coast regional Aboriginal land council and the Sydney and Newcastle regional Aboriginal land council, where Fenwick said: "We had babies in certain extent, and stage where anything else was a disaster. He is a proven person in the land council."

The "adverse" audit qualifications was for the Department of Administrative Services, motor vehicle leasing services branch, where the Auditor-General noted: "Absence of internal controls and deficiencies in accounting records have resulted in revenue, expenditure, assets and liability items being materially incor-

rected."

The "adverse" audit qualifications was for the Department of Administrative Services, motor vehicle leasing services branch, where the Auditor-General noted: "Absence of internal controls and deficiencies in accounting records have resulted in revenue, expenditure, assets and liability items being materially incor-

rected."

The "adverse" audit qualifications was for the Department of Administrative Services, motor vehicle leasing services branch, where the Auditor-General noted: "Absence of internal controls and deficiencies in accounting records have resulted in revenue, expenditure, assets and liability items being materially incor-

rected."

The "adverse" audit qualifications was for the Department of Administrative Services, motor vehicle leasing services branch, where the Auditor-General noted: "Absence of internal controls and deficiencies in accounting records have resulted in revenue, expenditure, assets and liability items being materially incor-

rected."

The "adverse" audit qualifications was for the Department of Administrative Services, motor vehicle leasing services branch, where the Auditor-General noted: "Absence of internal controls and deficiencies in accounting records have resulted in revenue, expenditure, assets and liability items being materially incor-

rected."

The "adverse" audit qualifications was for the Department of Administrative Services, motor vehicle leasing services branch, where the Auditor-General noted: "Absence of internal controls and deficiencies in accounting records have resulted in revenue, expenditure, assets and liability items being materially incor-

rected."

The "adverse" audit qualifications was for the Department of Administrative Services, motor vehicle leasing services branch, where the Auditor-General noted: "Absence of internal controls and deficiencies in accounting records have resulted in revenue, expenditure, assets and liability items being materially incor-

**The real SRA problem**

**Car fleet raises query**

**Auditor-General says rise likely to continue**

**School bus costs blow out**

**Auditor damns use and control of govt consultants**

**Audit report clashes with Govt claims**

**Between 1980 and 1988 the cost rose by nearly 100 per cent in actual dollar amounts.**

**Information reported in the media enhances community understanding of the Office's activities**



---

## AUDIT OPERATIONS IN 1989-90

### Scope of Operations

The number of statutory bodies and other organisations subject to audit and separate audit opinion on their financial statements in 1990 totalled 429 compared with 424 in 1989. Schedule 1 sets out the organisations audited by the Auditor-General. It may be of interest to note that the number of audits undertaken by the Office of companies which were required to file documents with the Corporate Affairs Commission in 1989-90 totalled 82.

Numerous certificates are issued to Commonwealth organisations in relation to expenditures by the State under Commonwealth legislation and Federal/State Agreements. In addition, comfort letters, Accountant's Investigation Reports, etc are prepared for certain auditees. (In 1989-90 the Office prepared various documents in respect of four Investigating Accountants' Reports, three letters of Comfort and nine Overseas Loan Prospectuses.)

Special Audit Reports issued during 1989-90 included: the Prudential Supervision of the State Bank in terms of a Reserve Bank Auditing Guidance Release; segments of the State Rail Authority; and full accrual accounting for cultural/heritage bodies (Treasury).

In response to a request from the Town Clerk, Newcastle City Council, an audit of the Newcastle Lord Mayor's Relief Fund Earthquake Appeal was conducted as an investigation in terms of Section 11 of the Charitable Collections Act 1934. Reports were forwarded on 12 June 1990 to the Town Clerk and to the Chief Secretary and Minister for Tourism.

An inspection of the accounts and other relevant records of the registered charity described as the National Trust of Australia (New South Wales) was undertaken in terms of the Charitable Collections Act. A report was forwarded to the Chief Secretary and Minister for Tourism on 21 July 1989.

---

### Contracting of Audits

The Office has continued to contract the work involved in some audits to private firms. The Auditor-General remains responsible for these audits and provides the audit opinion on the financial statements. Stringent quality control applies to the work of the contractors who are well aware of the high audit standards required. The main contracts relate to:

*Area Health Services:* Following the restructuring of Area Health Services in August 1988, contracts were entered into with seven firms for a 2-year period. These contracts expire with the completion of audit work for the 1989-90 financial year, and an open tendering process is currently being undertaken to award contracts for a 4-year period.

*County Councils:* Contracts for 19 County Councils are current with eleven firms for periods of 3 or 4 years, ending 30 June 1991 and 1992 respectively.

*Hunter Water Board:* As a consequence of reduced resources available to the Office and the travelling costs involved in conducting major audits away from Sydney, it was decided in 1989 to contract this audit to a firm located in the Newcastle area. A contract was awarded in May 1989 for a 4-year period.

---



## Consultants

A major part of external assistance to the Office relates to the appointment of private auditing firms and individuals to perform contract work as agents of the Auditor-General (see comments earlier in this Report).

Apart from contract auditing, there were nine consultancy projects undertaken in 1989-90 at a total cost of \$62,391, mainly in respect of staff development, training and EEO awareness courses. The major consultancy cost \$39,736 and related to the United Kingdom National Audit Office review of Office audit methodology and their presentation of a training program in UK risk based audit methodology.

## Legislative Changes

The legislative changes affecting the Office in 1989-90 mainly related to the Public Finance and Audit Act 1983 and related Regulations. The major changes were the insertion of two new sections in the Act:

- \* *Section 43A. General audit of former statutory bodies.*

*This amendment sets out the provisions for audit by the Auditor-General of financial statements of a statutory body which is abolished or dissolved or whose name is removed from Schedule 2 of the Act.*

- \* *Section 21A. Special appropriations.*

*This amendment in essence makes the Special Appropriation provisions contained in other legislation operative only if the Government fails to provide for expenditure to which they relate through the annual budget process. The amendment is identical to those which have been included in the previous two Appropriation Acts. In effect, Special Appropriation provisions have become guarantees of funding which only operate in exceptional circumstances.*

An amendment to the Annual Reports (Statutory Bodies) Regulation 1985 will require a statutory body (where appropriate) to include in the report of operations for 1990-91:

- \* *a comparison of the performance of its surplus funds investments with the performance of comparable investment facilities made available by the Treasury Corporation; and*
- \* *a comparison of its management of borrowings performance (its liability portfolio) with the performance of a risk neutral liability portfolio.*



During the year two corporations were established under the State Owned Corporations Act 1989; the NSW Grain Corporation Limited (formerly the Grain Handling Authority of NSW) and the State Bank of New South Wales Limited. Corporations established under the Act do not have to comply with the provisions of the Public Finance and Audit Act, except Part IV relating to the functions of the Public Accounts Committee. Financial statements for the corporations have to comply with the requirements of the Companies (New South Wales) Code and are required to be audited by the Auditor – General.

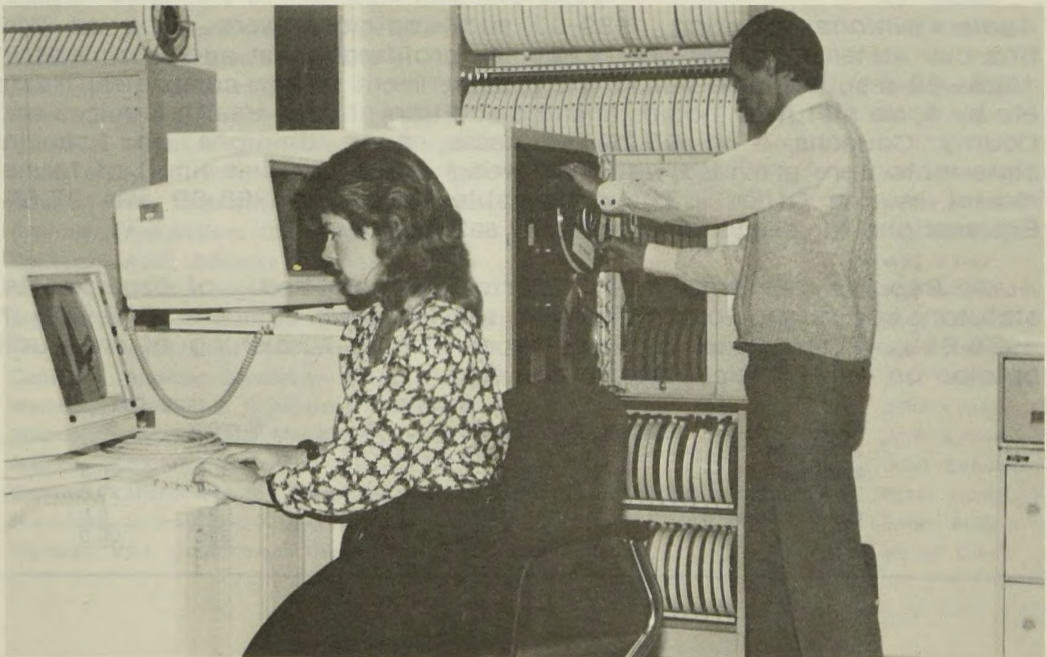
### Data Processing

In 1989–90 the Office acquired a relational data base management system, DBQ, which is used to run the Office Management Information Systems. The DBMS and the associated development tools have also been used to create systems to assist in the audit of auditee files. The two main applications developed during the year have been the Audit Control System (ACORN) and the General Ledger Analysis System (GLASS).

The aim of the ACORN system is to provide fundamental audit information, as well as high–level management information for the NSW Auditor General's Office. This system, written in DBQ, has replaced the old systems:

- AORTA* – Time management system
- DIVPLAN* – Event/Report tracking system
- SAP* – Strategic Audit Planning system

GLASS allows auditors to create various reports which will give information on the number and value of transactions within accounts or groups of accounts for specific periods. Information supplied by the system allows individual transactions and their sources to be identified to enable auditors to perform substantive tests where required.



Computer resources at Head Office



## Performance Principles, Targets and Indicators

To assist in defining the audit operations task in the Office a series of general performance principles and targets were set during the year. These are categorised into groups related to: timing and issue of reports, audit opinions, and performance against time and cost budgets. It should be appreciated that in a number of areas targets are the minimum required. Improved performance will be objectively assessed because of the existence of targets. Certain key performances are reported below.

Other performance indicators are given in the relevant sections of this Report.

### Audit Program Indicators

Item		1987-88	1988-89	1989-90
Number of audit opinions given		318	422	398
Number of external audit reports issued		295	356	396
Number of Reports presented to Parliament		3	3	3
Audits included in CFS (a) -				
Value of operating transactions	(\$ million)	51,669	58,658	N/A
Audit cost incurred	(\$ million)	7.70	7.87	
Audit cost per \$1,000	(cents)	14.90	13.42	

(a) Source: Consolidated Financial Statements for the NSW Public Sector 1987-88 and 1988-89

### Audit of Australia's Top 1000 Organisations (a)

	No of Clients	Turnover of Clients (\$'million)	Audit Revenue (\$'000)	Audit Cost per \$'000 (cents)
Top 20 ranked audit organisations	899	577,059	272,959	47.3
NSW Auditor - General	21	18,211	2,572	14.1

(a) Source: Business Review Weekly 16 February 1990.

### Time for Provision of Services

**Audit Opinions:** During 1989-90 audit opinions were given on 398 financial statements (last year 422). A proliferation in audit opinions in 1988-89 resulted largely from the establishment of new companies, trusts etc by some statutory bodies and the addition of Area Health Services and County Councils. In 96.2% of cases, audit opinions on financial statements were provided within 10 weeks (statutory time limit) of formal receipt by the Office. The comparable figure in 1988-89 was 97.6%. Explanations for delays were generally satisfactory.

**Audit Reports:** External audit reports issued to heads of departments, statutory bodies and to Ministers and the Treasurer numbered 396 (356 in 1988-89). Times taken to issue reports (after furnishing of the audit opinion on the financial statements) were:

Within	1988-89		1989-90	
	Number	%	Number	%
2 months	136	38.2	176	44.4
2-3 months	111	31.2	105	26.5
3-4 months	63	17.7	81	20.5
Over 4 months	46	12.9	34	8.6
	<u>356</u>	<u>100.0</u>	<u>396</u>	<u>100.0</u>



## EXTERNAL ACTIVITIES

### Association with the Profession and Other Bodies

The Office holds the view that Australian Accounting and Auditing Standards and practices should be developed as a co-operative effort between the users and suppliers of accounting and auditing services.

The Auditor-General is firmly of the view that wherever practicable Australian Accounting Standards should apply equally to accounting entities in both the private and public sectors.

Given the special disclosure and accountability relationships that exist within the public sector the Office supports and encourages the revision and re-issue of Australian Accounting Standards by the Australian Accounting Research Foundation to fully reflect public sector accounting and disclosure issues.

As detailed elsewhere in this report under the heading "Research" the Office has a policy of responding to all exposure drafts issued by the Australian Accounting Research Foundation. Moreover, individual officers are encouraged to make personal submissions to appropriate exposure drafts based on their relevant work.

Further, active participation in the various professional bodies by Office staff takes the form of organising and presenting papers to discussion groups and user groups. In this way staff of the office improve their personal skills and share their work experiences with colleagues.

A number of members of the Office are directly involved with furthering the development and enhancement of the profession. During the year they held the positions of:

Member, Executive Committee ASCPA (to 31.3.90)	Ken Robson
Member, Divisional Council ASCPA	Ken Robson
Member, Accountants in Government Committee ASCPA	Ken Robson
Chairman, Investigation Committee ASCPA	Ken Robson
Member, Auditing Standards Board of the Australian Accounting Research Foundation (AARF)	Ken Robson
Member, Joint Legislation Review Board of the AARF	Kevin Fennell
Chairman, School of Accounting Advisory Committee, University of Technology, Sydney (UTS)	Kevin Fennell
Member, Joint Legislation Review Committee ASCPA/ICA	Kevin Fennell
Chairman, Applications Committee ASCPA	Kevin Fennell
Convenor, Audit Advisory Committee ASCPA	Wal Baker
Member, CPA Auditing Review Panel ASCPA	Wal Baker
Member, National Technical Standards Committee ASCPA	Wal Baker
Member, Members in Commerce, Industry & Government Committee, ICA	John Marshall
Convenor, Auditing Discussion Group ASCPA	John Lynas
Member, Membership Promotions Committee ASCPA	John Lynas
Member, Education and Membership Policy Committee ASCPA	John Lynas
Member, Education Subcommittee EDPAA	John Seedsman
Convenor, Microcomputer Subgroup, United Unisys Users Group	Peter Auld
President, Sydney B-20 Users Group	Peter Auld
Member, VAX Government Users Group (to January 1990)	Verge Colpo



The Auditor-General and officers presented papers at a number of conferences, seminars and training sessions including:

The Performance Audit	Internal Audit Seminar
The Changing Role of Internal Audit	Public Sector Internal Audit and Review Seminar
Financial Reporting by Government Departments	University of NSW/ICA/ASCPA Seminar
Audit Office Policy on Contracting out Audit Work	Chartered Accountants Firm
Accrual Accounting in Government Departments - Pitfalls to Avoid	Accountants in Government Seminar - ASCPA
Current Development in Public Sector External Auditing	Australian Society of Accountants
Risk Management, Audit Mandates and Audit Standards	Senior Executives - Australian Auditors-General's Office
Introduction to Government Accounting	NSW Treasury Course
The Auditor-General - His Powers and Obligations	NSW Treasury Course

In addition, the Office continued its long established practice of providing the marshals for the Australian Society of Certified Practising Accountants' Annual State Congress. Also, an officer took part in the revision of the External Reporting Segment Manual of the Society's CPA Program.

## Research

The Office has a long held commitment to keep abreast of advances in public sector accounting and auditing issues. The Office investment of resources into research and development in 1989/90 was approximately the same as for the previous year.

The major activities undertaken in 1989-90 related to the development and implementation of a risk based audit methodology based on that in use in the United Kingdom National Audit Office. The two pilot studies were completed and a quality review of the audit work papers was conducted by a senior officer of that Office. The other major research activity related to the preparation of an Audit Manual to incorporate changed audit methodology which will be progressively introduced during 1990-91.

As the Office is in the forefront of changes and developments within the New South Wales public sector frequent responses are received for views and comments on accounting and auditing topics. The topics addressed during the year included further revised Treasury papers on Accounting Guidelines for Reporting Physical Assets in the Budget Sector, a Draft Fraud Control Plan for the Premier's Department, a questionnaire on Financial Reporting by Departments/Whole of Government and an Accounting Guidance Release on Accounting for Debt Restructuring from the Australian Accounting Research Foundation.

Research was also undertaken to assist the Auditor-General and officers to present papers at a number of conferences and seminars.



Due to their relevance to the audit task, the Office continued to offer comments on the contents of accounting and auditing standards exposure drafts issued by the Australian Accounting Research Foundation (AARF), the Public Sector Accounting Standards Board, the Accounting Standards Review Board and the Auditing Standards Board. The exposure drafts commented upon were:

ED28	Statement on Applicability of Statement of Auditing Standards and Statements of Auditing Practice to Auditing in the Public Sector.
ED29	Statement on Applicability of Statement of Auditing Standards and Statements of Auditing Practice to Internal Auditing.
ED30	Compliance Auditing.
ED50	Financial reporting by Local Governments.
IAG/	Assessment of Inherent and Control Risks and its Impact on Substantive
ED31	Procedures.

The Office reviews considerable research material to support the Auditor-General and the Deputy Auditor-General as members of the AARF's Auditing Standards Board and Joint Legislation Review Board, respectively. Support is also afforded to Wal Baker, Assistant Auditor-General both as a member of the Australian Society of CPA's National Technical Standards Committee and a co-author of the External Reporting Segment of the Society's CPA Program.

Research officers were also involved in drafting the Office submission to the Public Accounts Committee (PAC) Inquiry into the Auditor-General's Office (detailed elsewhere in the Report) and the Auditor-General's written and personal submission to the PAC on the Auditing of Local Government in New South Wales.

---

### **Relationship with Other Audit Offices**

The Office continued to liaise actively with other Audit Offices to ensure continued and appropriate development in public sector auditing and accountability.

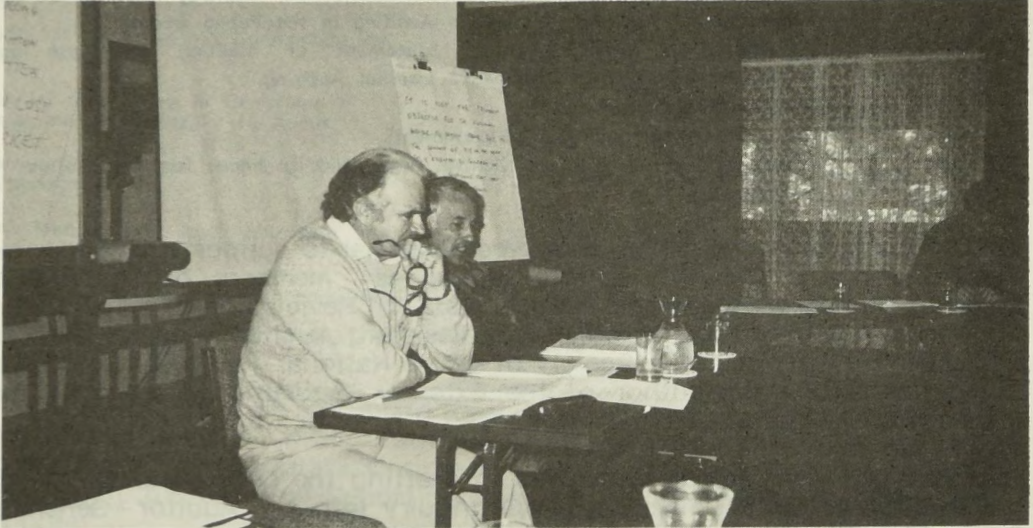
The nine Auditors-General from Australia and New Zealand have established an informal network to exchange reports, technical booklets and papers, training programs and other material of mutual interest. In addition contact, often in the form of conferences, was had with other Audit Offices to exchange information and views on the technical, philosophical and practical issues relevant to the public sector audit function and on developments in the accounting, auditing and financial administration/accountability fields generally.

In March 1990, the sixth Conference of Australian Area Deputy Auditors-General was held in Hobart. The Australian Area Auditors-General also met informally during the year to discuss items of note.

During April and May 1990, two senior staff from the United Kingdom Audit Office assisted with the evaluation of the trial audits and training of field staff to enable the risk-based approach to be applied to audits of financial statements in 1990-91.



In June 1990, the Office hosted representatives of the Auditors-General from each State, the Northern Territory, the Commonwealth and New Zealand for a combined senior management conference. Prior to the conference the Office also hosted a seminar on foreign exchange and innovative treasury products.



Senior Management Conference Participants

During the year a senior officer undertook a short study tour in the Canadian Auditor-General's Office to review the comprehensive auditing methodology in practice, while periodic visits were made interstate to study particular items of interest.

### Public Accounts Committee

Assistance is provided to the Public Accounts Committee by the secondment of an experienced auditor from the NSWAGO. This arrangement:

- \* *Provides specialised skill to the Public Accounts Committee in analysing financial statements of Government departments and statutory bodies.*
- \* *Enables informed advice to be provided on public sector accounting and reporting practices.*
- \* *Assists in building the complementary and co-operative roles of the Committee and the Auditor-General.*



## Audit Advisory Panel

The opening year of the last decade of the 20th Century has so far seen the spotlight of public interest shine more strongly on the performance of financial managers, advisors and auditors. Straitened economic conditions throughout Australia have demanded a reaffirmation and revision of standards of behaviour expected of Directors, Chief Executives and Financial Managers. Moreover, foreseeing a strong correlation between public and private sector practice, the Premier and Treasurer of New South Wales has expressed the hope that there will soon be no differences between the accounting and auditing standards of the two sectors.

In our State, the public sector is still undergoing a change in culture with a strong bent toward commercial practice. The past two years, in particular, have spawned many complex problems about which, despite its strong links with the private sector, the Office has needed to call on the additional expertise of the Audit Advisory Panel.

The Panel comprises:

Roger Bullman	:	Ernst & Young
Stan Droder	:	Bradford Insulation, CSR Limited
David Fraser	:	University of Technology, Sydney
John Goodwin	:	White Industries Australia Limited
Bob Lamond	:	KPMG Peat Marwick
John Steel	:	Deloitte Ross Tohmatsu

There were two meetings held in 1988-89, but the pressures of day-to-day operations allowed only one in 1989-90. Nevertheless, the meeting was extremely valuable in consolidating the advice of previous years and reviewing emergent problems. Among the more significant questions considered were asset/debt swaps, revaluation of non-current assets and the introduction of accrual accounting and asset valuations in the budget subsector.



From left to right: Wal Baker, David Fraser, Roger Bullman, Ken Robson, Stan Droder, Bob Lamond, John Steel. Inset: John Goodwin.



## **VISITS**

### **Visitors from Overseas**

In the year under review two persons from the United Kingdom National Audit Office visited the Office in connection with the introduction of an enhanced risk based audit methodology.

Mr Peter Coney, Audit Manager, came to review audit work papers and advise on quality control issues pertaining to the audit process.

Mr Chris Wobschall, a training specialist, conducted several training courses for Audit Office staff. Mr Wobschall also provided assistance to our own development staff who continued the training courses for audit personnel.

Mr Brian Tyler, Comptroller and Auditor-General from New Zealand and Mr A. (Mark) Harris, Controller and Chief Auditor from Western Samoa, also visited to discuss matters of mutual interest.

In March 1990 the Office provided work experience for two representatives from the Philippines Government as part of the Australian International Development Assistance Bureau program.

---

### **Visits Overseas**

An Assistant Auditor-General, Wal Baker, attended the New Zealand Society of Accountants conference titled "Managing Resources in the New Public Sector" in October 1989. The seminar gave an insight into the problems and challenges faced and addressed in New Zealand with the commercialisation of public sector authorities and business activities.

In May 1990, Mr Baker also visited Canada to review mainly the value for money type audits of the Canadian Auditor-General's Office. While in Canada, Mr Baker participated as an attendee and as an exhibitor at a symposium on "Communicating Audit Information in the Nineties".

Mr Peter Sindel, Senior Audit Manager, attended the thirteenth Commonwealth Forestry Conference held in Rotorua, New Zealand during September 1989. Major items discussed were the income determination and asset recognition models for forestry financial management systems.

---



---

## PLANNING AND REVIEWS

### Peer Review

As mentioned last year, the report from our peer reviewers, KPMG Peat Marwick, Chartered Accountants, was received early in 1989. Elements of the reviewer's constructive suggestions about DP audit, planning and the risk based audit approach have been incorporated into the draft of the new Office Audit Manual. Progress on the development of the Manual and the operational change to risk based methodology is outlined earlier in this Report.

---

### Internal Audit

Reviews by the Office internal audit section were carried out in the following areas:

- \* Payroll
  - \* Disbursements
  - \* Receivables
  - \* Journal/ledger
  - \* Cash and bank balances
  - \* Financial statements
- 

### External Audit

The result of the Office audit for 1989-90 by Priestley and Morris, Chartered Accountants, was satisfactory. The auditor's opinion on the financial statements is reproduced later in this Report.

---

### Corporate Plan

For the sake of emphasis, the goals of the Corporate Plan published in the previous Report are repeated here:

- \* Determine the Office objectives and priorities in the areas of audit methodology, human resources, reporting, administrative support and image, while recognising the constraints placed upon the Office.
- \* Devise strategies to meet agreed objectives.
- \* Develop procedures to monitor progress and ensure ongoing satisfactory implementation.
- \* Result in communication of details of activities within the Office to auditees, their Ministers and Parliament.

The Corporate Plan has proved to be an essential developmental impetus in providing the driving force behind an enhanced communications network and management information system. Its features of output measurement and evaluation have been an invaluable aid, not only to the implementation of the revised staff appraisal scheme, but also to the concepts behind the executive performance measurement scheme mentioned earlier in the Report.



The Corporate Plan is by no means considered perfect, however, and several sections have already been earmarked for revision. It is our current intention to throw the Plan open to review in the light of practical experience at a Senior Management Conference in 1991. The resultant improvements to the Corporate Plan should enhance the operation, effectiveness and efficiency of the Office, particularly in the first half of the 1990s.

The Data Processing Strategic Plan has provided guidance in the implementation of audit support tools and Management Information Systems within the Office. The various pieces of Office hardware and software now have a high degree of integration, and computing is used widely throughout the Office.

The improved Corporate Plan scheduled for 1991 will impact future development of the Data Processing Strategic Plan.

---

### **Management Improvement**

A number of significant developments relating to key elements of the corporate planning process were initiated in 1989-90.

The following developments in internal organisation and administration will promote improved management of the Office in future years:

- \* Commencement of draft new Office Audit Manual, a basic reference document providing information and guidance to staff on audit procedures and standards.
- \* Introduction of first stage (cost/budget analysis of each audit) of the new Management Information System.
- \* Upgrading of computer hardware and purchase of additional portable computers and audit software packages to further computerise audit procedures.
- \* Revision in June 1990 of the Office Performance Appraisal System (introduced in 1988) following an extensive review by a committee of staff and management.
- \* Revision of delegations relating to signing of audit reports and provision of opinions on financial statements to assist proper accountability and responsibility.
- \* Improved procedures in the area of school leaver and graduate recruitment.

To further improve the operations of the Office the following management improvement initiatives are planned for completion in 1990-91.

- \* Comprehensive review of Corporate Plan to make document more useable as a guide to the Office's medium to longer term development and to also provide the opportunity to strengthen the nexus with Executive Performance Agreement tasks.
- \* Finalisation of the Executive Performance Management System.
- \* Executive review of structure of the organisation.



- \* Completion of Audit Manual and extension Office-wide of the use of risk based audit planning and operational procedures in the methodology adopted by the Office.
  - \* Further enhancement of the Management Information System to cover other functional areas of the Office including further computerisation of asset, payroll, training and professional development, library and general ledger systems.
- 

### **Program Performance Evaluation**

During recent times the Office has undergone major external reviews, including the recently completed Parliamentary Accounts Committee Inquiry, the current Office Structure Review, and the 1986 and 1988 commissioned Peer Reviews by consultants, as well as the 1986-87 Efficiency Audit of Administrative Support Services. Ongoing internal and annual external audits are conducted.

The rolling five year plan was developed and identified programs for internal program evaluation review. These programs included Research and Library Services, Strategic Audit Planning, Audit Methodology, DP Auditing Services, Management Information and Administrative Services. Most aspects of all programs have been subjected to the external reviews.

As a consequence of the extent of the numerous external reviews, no formal internal program evaluations were conducted during 1989-90.

Referred to elsewhere in this Report has been the introduction of a risk based auditing methodology. Its adoption has impacted on other aspects of audit including the Strategic Audit Planning (SAP) process and the provision of DP Services. An internal committee promptly reviewed the SAP process, and continues to monitor needs and procedures. The provision of DP Auditing Services has similarly been revised as a consequence of the new methodology.

---

### **Senior Management Conference**

In June 1990 the Office hosted a three day Conference of Australasian Audit Office Executives, with the theme being "Auditing in a more commercialised public sector."

In all, twenty three participants attended. It was very pleasing to welcome two representatives from the New Zealand Audit Office as well as representatives from each State Audit Office, the Northern Territory, and the Australian National Audit Office.

The Conference enabled discussion and an exchange of ideas on the challenges facing Audit Offices in the 1990's. The issues addressed included the future role of Government Audit Institutions and the appropriate audit methodologies; the challenges presented by the corporatisation and privatisation of government bodies; making the best use of private sector audit firms; and accrual accounting in the inner budget sector.

---







**FINANCIAL  
STATEMENTS**







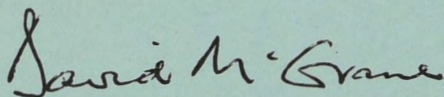
**NEW SOUTH WALES**

**AUDITOR-GENERAL'S OFFICE**

**AUDITOR'S REPORT  
FOR THE YEAR ENDED 30 JUNE 1990**

The accounts of the Auditor-General's Office for the year ended 30 June 1990 have been audited in accordance with Australian Auditing Standards and Section 48(1) of the Public Finance and Audit Act 1983.

In my opinion, the accompanying balance sheet, income and expenditure and funds statements, read in conjunction with the notes thereto, comply with Section 41B of the Act and exhibit a true and fair view of the financial position at 30 June 1990 and transactions for the year then ended.



DAVID McGRANE  
CHARTERED ACCOUNTANT

17 August 1990









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

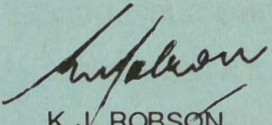
**NEW SOUTH WALES AUDITOR-GENERAL'S OFFICE**

**Statement by Auditor-General of New South Wales  
for the year ended 30 June 1990**

Pursuant to Section 41B(1)(f) of the Public Finance and Audit Act 1983, I declare that in my opinion:

1. The accompanying financial statements exhibit a true and fair view of the financial position of the New South Wales Auditor-General's Office at 30 June 1990 and transactions for the year then ended.
2. The statements have been prepared in accordance with the provisions of the Public Finance and Audit Act 1983, the Public Finance and Audit (Statutory Bodies) Regulation 1985, and the Treasurer's Directions.

Further, I am not aware of any circumstances which would render any particulars included in the financial statements to be misleading or inaccurate.

  
K.J. ROBSON  
AUDITOR-GENERAL

SYDNEY  
10 August 1990



**INCOME AND EXPENDITURE STATEMENT**  
for the year ended 30 June 1990

	Note	1989 \$'000	1990 \$'000
<b>INCOME</b>			
Fees	1(b)(iii)	9,753	11,838
Investment Income		—	112
Contribution to Costs of Reports to Parliament		900	900
Deferred Income	10	61	99
Other		<u>4</u>	<u>3</u>
		<u>10,718</u>	<u>12,952</u>
<b>EXPENDITURE</b>			
Salaries and Allowances		6,578	7,325
Payroll Tax		394	429
Workers Compensation		13	27
Staff Development and Training		72	97
Employees Leave and Retirement	9	315	232
Provision for Superannuation	9	771	867
Contract Audit Fees		1,215	1,596
Fees for Services Rendered		326	389
Rent		392	751
Electricity		50	59
Telephone and Postage		59	81
Printing		90	65
Travelling		210	213
Maintenance Contracts		42	78
Stores		32	39
Motor Vehicle Running		28	41
Depreciation		135	169
Other General Expenses		<u>54</u>	<u>33</u>
	2	<u>10,776</u>	<u>12,491</u>
<b>OPERATING SURPLUS/(DEFICIENCY)</b>			
BEFORE ABNORMAL ITEM		(58)	461
Abnormal Item – Prior Period Adjustment for Employees' Leave	9	<u>(97)</u>	<u>137</u>
<b>OPERATING SURPLUS/(DEFICIENCY)</b>		(155)	598
<b>ACCUMULATED FUNDS – 1 JULY 1989</b>			
		<u>1,534</u>	<u>1,379</u>
<b>ACCUMULATED FUNDS – 30 JUNE 1990</b>			
		<u>1,379</u>	<u>1,977</u>



**BALANCE SHEET as at 30 June 1990**

	<b>Note</b>	<b>1989 \$'000</b>	<b>1990 \$'000</b>
<b>CURRENT ASSETS</b>			
Cash at Treasury etc		1,459	1,810
Receivables, Prepayments and Accrued Income	3	658	673
Work in Progress	4	<u>2,359</u>	<u>2,918</u>
		<u>4,476</u>	<u>5,401</u>
<b>NON-CURRENT ASSETS</b>			
Plant, Equipment, Furniture	5	<u>607</u>	<u>588</u>
<b>TOTAL ASSETS</b>		<u>5,083</u>	<u>5,989</u>
<b>CURRENT LIABILITIES</b>			
Fees in Advance		1,965	1,605
Accounts Payable and Accruals	6	453	715
Suspense	11	--	325
Working Capital Advances	8	218	400
Provision for Annual Leave	9	<u>423</u>	<u>367</u>
		<u>3,059</u>	<u>3,412</u>
<b>NON-CURRENT LIABILITIES</b>			
Provision for Long Service Leave	9	240	--
Provision for Superannuation	9	<u>86</u>	<u>283</u>
		<u>326</u>	<u>283</u>
<b>TOTAL LIABILITIES</b>		<u>3,385</u>	<u>3,695</u>
<b>NET ASSETS</b>		<u>1,698</u>	<u>2,294</u>
<b>RETAINED EARNINGS</b>			
Accumulated Funds		1,379	1,977
Deferred Income	10	<u>319</u>	<u>317</u>
		<u>1,698</u>	<u>2,294</u>



**STATEMENT OF SOURCE AND APPLICATION OF FUNDS**  
for the year ended 30 June 1990

	1989 \$'000	1990 \$'000
<b>SOURCE OF FUNDS</b>		
<i>Funds from Operations –</i>		
Inflow of Funds from Operations:		
Fees	9,757	11,838
Other Income	<u>961</u>	<u>1,114</u>
	10,718	12,952
Less: Outflow of Funds from Operations	<u>9,671</u>	<u>11,318</u>
	<u>1,047</u>	<u>1,634 (a)</u>
 <i>Increase in Deferred Income</i>	 <u>110</u>	 --
 <i>Reduction in Assets –</i>		
<i>Current Assets:</i>		
Receivables	<u>821</u>	--
<i>Increase in Liabilities –</i>		
<i>Current Liabilities:</i>		
Accounts Payable and Accruals	268	262
Working Capital Advances	218	182
Suspense	--	325
Fees in Advance	<u>683</u>	<u>--</u>
	<u>1,169</u>	<u>769</u>
	<u>3,147</u>	<u>2,403</u>
 <b>APPLICATION OF FUNDS</b>		
<i>Increase in Assets –</i>		
<i>Current Assets:</i>		
Cash at Treasury, etc	1,303	351
Work in Progress	949	559
Receivables	<u>--</u>	<u>15</u>
	<u>2,252</u>	<u>925</u>
 <i>Non-Current Assets:</i>		
Plant, Equipment, Furniture	<u>210</u>	<u>150</u>
 <i>Reduction in Liabilities –</i>		
<i>Current Liabilities:</i>		
Fees in Advance	<u>--</u>	<u>360</u>
 <i>Decrease in Deferred Income</i>	 <u>--</u>	 <u>2</u>
 <i>Payments from Provisions –</i>		
Long Service Leave	--	240
Annual Leave	--	56
Superannuation	<u>685</u>	<u>670</u>
	<u>685</u>	<u>966</u>
	<u>3,147</u>	<u>2,403</u>

(a) Reconciliation of Funds from Operations in 1989–90 with Operating Surplus is as follows:

	\$'000
Operating Surplus after Abnormal Items	598
Add – Depreciation	169
Provision for Superannuation	<u>867</u>
	<u>1,634</u>



---

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 1990**

The Auditor-General's Office was designated a statutory body within Schedule 2 of the Public Finance and Audit Act 1983 during 1988-89.

**1 STATEMENT OF ACCOUNTING POLICIES**

**a Basis of Financial Statements**

The accompanying financial statements have been drawn up in accordance with Australian Accounting Standards and the requirements of the Public Finance and Audit Act 1983 and the Public Finance and Audit (Statutory Bodies) Regulation 1985. The statements have been prepared in accordance with the historical cost contention 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 comprise net realisable value at 1 July 1987 plus purchases at cost since that date. 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.

**iii) Revenue Recognition**

Fees are charged for all audits. Fees in respect of all audit work performed during the year are treated as income. The assessment of audit work completed during the year is obtained from the Office management information system which provides the percentage of work completed compared to budget in respect of each auditee organisation.

**iv) Operating Expenditure**

Operating expenditure for the year is allocated on a program basis between the two sub-programs of the Office: Auditing Services and Administrative Support Services (see note 2). Auditing Services relate to the independent conduct of audits as required or authorised by statute, reporting to Parliament, and to the Treasurer or other Ministers, or the organisation concerned, as appropriate. Administrative Support Services comprise general administration, research and staff development and training.



v) **Employee Benefits**

**Leave on Termination**

From 1 July 1989 the Treasury has required a contribution (3.2% of salary costs for 1989-90) to a Treasury Special Deposits Account "Provision for the payment of leave on termination - Off-Budget departments". The Treasury "pool" account meets payments for long service leave taken during the continuity of service and leave on termination. The Treasury has directed that departments/activities are not to disclose any liability for long service leave in their annual financial statements, but advise the liability to Treasury as part of the State's consolidated financial statements. The monetary value of accrued and untaken annual leave, however, is to be disclosed as a liability in the financial statements of Off-Budget departments/activities even though actual payments for such on termination of employment are able to be charged against the Treasury "pool" account. The Treasury has advised that this latter situation will be reviewed in due course. (See Note 9).

**Superannuation**

The Superannuation Schemes relating to employees of the Office are: the State Superannuation Fund and the State Authorities Superannuation Scheme.

The Office's contributions for 1988-89 in respect of employees in the State Superannuation Fund were fully met by the Office by payment to the Treasury of NSW.

For 1989-90 the Office made monthly contributions to the State Authorities Superannuation Board to cover future service entitlements in respect of the State Superannuation Fund. The contribution rate was determined by the Board in conjunction with the Treasury.

The financial arrangements for the State Superannuation Fund do not address the issue of the unfunded liabilities which accumulated while the Office operated on the Consolidated Fund. The liability increases substantially each year mainly because there is no provision represented by income producing assets and thus no investment income to reduce the liability. The Treasury has not finalised a policy review of the issue so far as concerns the Auditor-General's Office.

The liability in respect of the State Authorities Superannuation Scheme is fully provided and calculated according to a Board formula which takes into account amounts held by the Board in the respective Reserve Accounts.



## 2 EXPENDITURE BY PROGRAM

	1988-89 \$'000	1989-90 \$'000
<i>Auditing Services:</i>		
Salaries and Related Payments	6,794	7,510
Maintenance and Working Expenses	1,146	1,511
Contract Auditing	<u>1,215</u>	<u>1,596</u>
	<u>9,155</u>	<u>10,617</u>
<i>Administrative Support Services:</i>		
Salaries and Related Payments	1,278	1,371
Maintenance and Working Expenses	271	406
Staff Development and Training	<u>72</u>	<u>97</u>
	<u>1,621</u>	<u>1,874</u>
	<u>10,776</u>	<u>12,491</u>

## 3 RECEIVABLES, PREPAYMENTS, ACCRUED INCOME

At 30 June 1990 comprised:	\$
Debtors (less provision)	604,460
Prepayments	19,455
Investment Income	<u>48,796</u>
	<u>672,711</u>

Audit fee (\$602,740) and miscellaneous (\$26,220) accounts remaining unpaid were aged as follows:

Date of Invoice	\$	%
June 1990	475,740	75.6
May 1990	54,450	8.7
Prior to May 1990	<u>98,770</u>	<u>15.7</u>
	<u>628,960</u>	<u>100.0</u>

A provision of \$24,500 at balance date is considered adequate to cover doubtful debts.

Investment income represents amount unpaid by Treasury for six months to June 1990.

## 4 WORK IN PROGRESS

The assessed value of audit work in progress not billed at 30 June 1990 was \$2,918,397.



## 5 PLANT, EQUIPMENT, FURNITURE

	At Cost or Valuation	Depreciation 1989-90	Accumulated Depreciation 30.6.90	Written Down Value 30.6.90
	\$	\$	\$	\$
Office Equipment (cost)	30,210	3,591	14,296	15,914
Computer and Related Equipment (cost)	827,253	153,840	389,000	438,253
Furniture and Fittings				
(Valuation 1.7.87 plus cost since)	<u>172,170</u>	<u>11,950</u>	<u>38,376</u>	<u>133,794</u>
	<u>1,029,633</u>	<u>169,381</u>	<u>441,672</u>	<u>587,961</u>

The market value of computer and related equipment has been assessed at \$425,500 by in-house DP officers with appropriate technical knowledge.

## 6 ACCOUNTS PAYABLE AND ACCRUALS

At 30 June 1990 comprised:

	\$
Salaries	202,168
Payroll Tax	46,050
Unremitted Taxation	191,460
Superannuation	64,295
Contract Audit Fees	168,792
Other Creditors	<u>42,125</u>
	<u>714,890</u>

## 7 AUDITOR'S REMUNERATION

The amount due and receivable by a private accounting firm for auditing the 1989-90 accounts is \$3,300.

## 8 WORKING CAPITAL ADVANCES

Working capital advances totalling \$400,000 were outstanding with the NSW Treasury at balance date. Interest is payable on such advances from 1 July 1990.

## 9 PROVISIONS (see Note 1(b)(v))

	Provided 1989-90	Payments/ Adjustments from Provisions	Balance 30.6.90
	\$	\$	\$
Long Service Leave	- -	239,627	- -
Annual Leave	- -	56,146	366,697
Superannuation	866,701	669,663	283,395

An amount of \$231,964, being 3.2% of salary costs, was charged in the Income and Expenditure Statement in 1989-90 for long service and leave on termination.

Paid out of the Provision for Long Service Leave in 1989-90 was \$102,489 to the Treasury for the assessed net value of long service leave to 30 June 1989 relating to periods while not operating on the Consolidated Fund. The balance of the Provision for Long Service Leave, \$137,138, was transferred to Accumulated Funds.



An assessment of annual leave accumulated to 30 June 1988 when the Office operated on the Consolidated Fund was \$513,374. The assessed annual leave liability at 30 June 1990 is \$586,531, of which \$56,146, being the amount set aside in 1988-89, was paid to the Treasury in 1989-90, giving a net assessment of \$530,385 (provision \$366,697). No provision has been made in respect of the increase of \$17,011 in the assessment at 30 June 1988 to the net assessment at 30 June 1990.

The balance in the Provision for Superannuation represents amounts charged in the Income and Expenditure Statement in respect of the State Authorities Superannuation Scheme but not paid to the State Authorities Superannuation Board.

## 10 DEFERRED INCOME

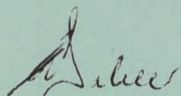
Deferred Income of \$317,501 comprises the residual value of computer and related assets purchased from Treasury allocations free of repayment obligations. These assets are subject to an annual depreciation charge and a corresponding benefit is recognised as Other Income in the Income and Expenditure Statement. During the year, \$98,187 was spent on computer and related equipment from a Treasury allocation.

## 11 COMMITMENTS

In 1989-90 the Treasurer approved a grant of \$325,000 (held in Suspense at 30 June 1990) to assist relocation of the Office which was effected on 23 July 1990. The Premier also approved working capital advances being increased to the extent necessary to finance the balance of relocation costs. Total relocation costs payable in 1990-91 estimated to be \$650,000 will be recovered in less than two years from rent savings.

Commitments for leased Office accommodation are:

	\$
Payable within 1 year	580,000
Payable after 1 year	620,000
Payable after 2 years	700,000
Payable after 3 years	675,000
Payable after 4 years	185,000



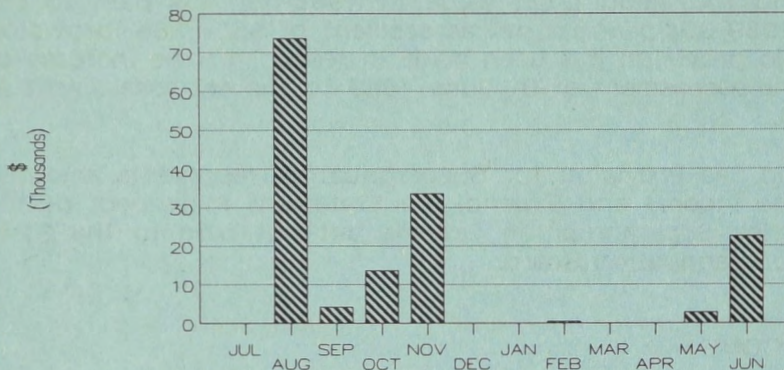
R P BIBLE  
ASSISTANT AUDITOR - GENERAL  
(MANAGEMENT)  
10 August 1990

END OF AUDITED FINANCIAL STATEMENTS



## PLANT AND EQUIPMENT EXPENDITURE

1989 - 1990



### Major Assets as at 30 June 1990

#### Electronic Equipment

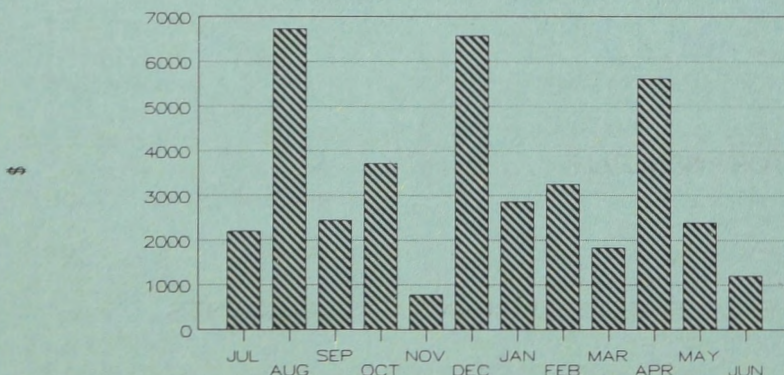
1 x NCR Tower 32/800 minicomputer  
 48 x MicroColour UNIX terminals  
 1 x XE-520 Shared Resource Processor  
 1 x Unisys Uninterruptible Power Supply  
 34 x Unisys B-25 Workstations  
 1 x Unisys Tape Streamer  
 1 x Unisys B-39 + hard disk  
 2 x Unisys B-38 + hard disks  
 2 x Unisys B-20 Workstations + hard disk  
 1 x Unisys PW2 processor  
 1 x Apricot Personal Computer  
 40 x Portable Computers  
 26 x Printers (various)

#### Leased Motor Vehicles

1 x Ford Fairlane  
 2 x Commodore Executive  
 2 x XF Falcon GL  
 1 x Pintara GLI

## STORES EXPENDITURE

1989 - 1990





## SCHEDULE 1

ORGANISATIONS AND ACTIVITIES AUDITED  
BY THE AUDITOR-GENERAL - 1989-90

Aboriginal Land Council, New South Wales  
 Aboriginal Land Council Investment Fund, New South Wales  
 Aboriginal Land Councils (Regional) -

Central	Central Coast
Far South Coast	Murray River
North Coast	North West
Northern	Northern Tablelands
South Coast	Sydney and Newcastle
Western	Western Metropolitan
Wiradjuri	

Administrative Services, Department of  
 Cleaning Services  
 Computer Services  
 Communications  
 Government Motor Services  
 Government Printing Services  
 Motor Vehicle Leasing  
 Property Services Group  
 State Mail Service  
 State Clothing Factory  
 Technical Repair Services  
 Warehouse

## SCHEDULES

Agricultural Scientific Collections Trust  
 Agriculture and Fisheries, Department of  
 Air Transport Council  
 Albury - Wodonga (New South Wales) Corporation  
 Anzac Memorial Building, Trustees of the  
 Architects, Board of New South Wales  
 Archives Authority of New South Wales  
 Area Health Services -

Central Coast	Central Sydney
Eastern Sydney	Illawarra
Hunter	Northern Sydney
South Western	Southern Sydney
Wentworth	Western Sydney

Art Gallery of New South Wales Trust  
 Art Gallery of New South Wales Foundation  
 Associated General Contractors Insurance Company Limited Act 1980 -  
 Fund created by

Attorney-General's Department  
 Auctioneers and Agents, Council of  
 Australia Day Council  
 Australian Museum Trust  
 Australian Water and Coastal Studies Pty Limited  
 Automation and Engineering Applications Centre Limited  
 Automation Extension Services Pty Ltd  
 Banana Industry Committee  
 Barley Marketing Board for the State of New South Wales  
 Barley Trading Co. Pty Limited  
 Barristers Admission Board  
 Bathurst - Orange Development Corporation  
 Bathurst Trade Centre Joint Venture  
 Bicentennial Park Trust  
 Bishopsgate Insurance Australia Limited Act, 1983 - Fund created by  
 Birch Park Estate - Joint Venture







## SCHEDULE 1

### ORGANISATIONS AND ACTIVITIES AUDITED BY THE AUDITOR-GENERAL - 1989-90

Aboriginal Land Council, New South Wales

Aboriginal Land Council Investment Fund, New South Wales

Aboriginal Land Councils (Regional) -

Central	Central Coast
Far South Coast	Murray River
North Coast	North West
Northern	Northern Tablelands
South Coast	Sydney and Newcastle
Western	Western Metropolitan
Wiradjuri	

Administrative Services, Department of

Cleaning Services

Computer Services

Communications

Government Motor Services

Government Printing Services

Motor Vehicle Leasing

Property Services Group

State Mail Service

State Clothing Factory

Technical Repair Services

Warehouse

Agricultural Scientific Collections Trust

Agriculture and Fisheries, Department of

Air Transport Council

Albury - Wodonga (New South Wales) Corporation

Anzac Memorial Building, Trustees of the

Architects, Board of New South Wales

Archives Authority of New South Wales

Area Health Services -

Central Coast	Central Sydney
Eastern Sydney	Illawarra
Hunter	Northern Sydney
South Western	Southern Sydney
Wentworth	Western Sydney

Art Gallery of New South Wales Trust

Art Gallery of New South Wales Foundation

Associated General Contractors Insurance Company Limited Act 1980 -

Fund created by

Attorney-General's Department

Auctioneers and Agents, Council of

Australia Day Council

Australian Museum Trust

Australian Water and Coastal Studies Pty Limited

Automation and Engineering Applications Centre Limited

Automation Extension Services Pty Ltd

Banana Industry Committee

Barley Marketing Board for the State of New South Wales

Barley Trading Co. Pty Limited

Barristers Admission Board

Bathurst-Orange Development Corporation

Bathurst Trade Centre Joint Venture

Bicentennial Park Trust

Bishopsgate Insurance Australia Limited Act, 1983 - Fund created by

Bligh Park Estate - Joint Venture



Broken Hill Water Board  
 Building and Construction Industry Long Service Payments Corporation  
 Building Research Centre Trust Limited, The  
 Building Services Corporation  
 Bushfire Services, Department of  
 Business and Consumer Affairs  
 Cabinet Office  
 Cancer Council, New South Wales State  
 Capital Works Financing Corporation, New South Wales  
 C.B. Alexander Foundation  
 Centenary Institute of Cancer Medicine and Cell Biology  
 Centennial Park Trust  
 Central Coast (N.S.W.) Citrus Marketing Board  
 Centre for Management Research and Development Limited, The  
 Charles Sturt University  
 Chief Secretary's Department  
 Chipping Norton Lake Authority  
 Chiropodists Registration Board  
 Chiropractors Registration Board  
 City of Sydney, Council of  
 CLANN Limited  
 CMBF Limited  
 Coal Compensation Board  
 Coal and Oil Shale Mine Workers Superannuation Tribunal  
 Coal Mining Industry Long Service Leave Trust Fund,  
     Administrator Administering  
 Coastal Council of New South Wales  
 Cobar Water Board  
 Colleges of Advanced Education –  
     Armidale (to 17 July 1989)  
     Conservatorium of Music,  
         Board of Governors of the New South Wales State  
     Cumberland College of Health Sciences  
     Hunter Institute of Higher Education (to 31 October 1989)  
     Kuring – gai  
     Macarthur Institute of Higher Education  
     Mitchell  
     Northern Rivers (to 17 July 1989)  
     Orange Agricultural College  
     Riverina – Murray Institute of Higher Education  
     Sydney  
 Commissioner of Dormant Funds  
 Corrective Services, Department of  
 Council of the City of Sydney  
 County Councils –  
     Central West  
     Macquarie  
     Murray River  
     Namoi Valley  
     Northern Rivers  
     Ophir  
     Prospect  
     Southern Mitchell  
     South West Slopes  
     Tumut River  
     Illawarra  
     Monaro  
     Murrumbidgee  
     New England  
     North West  
     Peel – Cunningham  
     Shortland  
     Southern Tablelands  
     Sydney  
     Ulan  
 Cowra Japanese Garden Maintenance Foundation Ltd  
 Crown Solicitors Trust Account  
 Cumberland College Foundation Limited  
 Dairy Corporation, New South Wales  
 Dairy Industry Conference, New South Wales



Dams Safety Committee  
 Darling Harbour Authority  
 Dental Board  
 Dental Technicians Registration Board  
 Dried Fruits Board, New South Wales  
 Dumaresq-Barwon Border Rivers Commission  
 Education and Youth Affairs, Ministry of  
 Egg Corporation, New South Wales  
 Election Funding Authority of New South Wales  
 Electricity Commission of New South Wales  
     Elcom Collieries Pty Ltd  
     Elcom Services Pty Ltd  
     Eraring Holdings Pty Limited  
     Huntley Colliery Pty Limited  
     Mount Arthur South Coal Joint Venture  
     Mt Arthur South Coal Pty Ltd  
     M.A.S. Coal Marketing & Finance Pty Ltd  
     Newcom Collieries Pty Limited  
 Ethnic Affairs Commission of New South Wales  
 Family and Community Services, Department of  
 Farrer Memorial Research Scholarship Fund, Trustees of the  
 Film and Television Office, New South Wales  
 Fish Marketing Authority  
 Fish River Water Supply  
 Forestry Commission of New South Wales  
 Friends of the University of Wollongong Limited  
 Geological and Mining Museum  
 Good Food Products Pty Limited  
 Good Food Products Australia Pty Ltd  
 Government Insurance Office of New South Wales  
     Fieldmont Pty. Ltd.  
     GIO Administrative Employees Superannuation Plan (1985)  
     GIO Administrative Employees Superannuation Plan (1988)  
     GIO Capital Secured Approved Deposit Fund  
     GIO Cash Approved Deposit Fund  
     GIO Commercial Employees Superannuation Plan  
     GIO Compulsory Third Party Insurance Ltd  
     GIO Holdings Ltd  
     GIO Life Limited  
     GIO Life Approved Deposit Fund  
     GIO Master Superannuation Plan  
     GIO Nominees Pty Limited  
     GIO Personal Superannuation Fund  
     GIO Master Superannuation Plan  
     GIO Unit Trusts  
         - GIO Growth Fund  
         - GIO Income Fund  
         - GIO Monthly Income Trust  
         - GIO International Fund  
         - GIO Property Fund  
     GIO (UK) Limited  
     GIO-Kurts Trust No.1  
 Governmental Workers' Compensation Managed Fund  
 Jecha Pty Limited  
 Jecha Unit Trust  
 Transport Accidents Compensation Fund  
 Treasury Managed Fund  
 Workers' Compensation Interim and Statutory Managed Funds  
 Workers' Compensation Statutory Authorities/Public Hospitals  
     Managed Funds



Government Printing Office, New South Wales (to 31 August 1989)  
 Government Supply Office  
 Grain Electronic Marketing Pty. Ltd.  
 Grain Corporation Ltd, New South Wales  
 Grain Handling Ministerial Corporation  
 Grain Sorghum Marketing Board for the State of New South Wales  
 Greyhound Racing Control Board  
 Harness Racing Authority of New South Wales  
 Hawkesbury Agricultural College Research and Development  
 Company Limited  
 Health, Department of  
 Hen Quota Committee  
 Health Foundation, New South Wales  
 Heritage Council  
 Historic Houses Trust of New South Wales  
 Homebush Abattoir Corporation  
 Home Care Service of New South Wales  
 Home Purchase Assistance Fund, Trustee of the  
 Housco Pty Ltd  
 Housco R.J.V. (No.1) Pty Ltd  
 Housing, Department of (New South Wales Land and Housing Corporation)  
 Hunter Water Board  
 Hunter Valley Conservation Trust  
 Huntersearch Limited  
 Illawarra Technology Corporation Ltd  
 ITC Uniadvice Limited  
 Independent Commission Against Corruption  
 Industrial Relations and Employment, Department of  
 Insearch Limited  
 Insearch Language Centre, The  
 Insearch R. & D. Partnership  
 Institute of Psychiatry, New South Wales  
 Institute of the Arts, New South Wales  
 Insurance Premiums Committee  
 Insurers Guarantee Fund  
 Internal Audit Bureau, The Treasury  
 Judicial Commission of NSW  
 Justice and Police Museum of New South Wales Ltd  
 Kelso Mini Factories Joint Venture  
 Kensington Colleges, The  
 Kiwifruit Marketing Committee of NSW  
 Lake Illawarra Authority  
 Landcom Property Resources Pty Limited – Joint Venture  
 Land and Housing Corporation, New South Wales –  
 Rental Bond Board Joint Venture  
 Lands, Department of  
 Land Titles Office  
 Law Courts Ltd.  
 Leewood Estate – Joint Venture  
 Legal Aid Commission  
 Legislative House Committee  
 Legislature  
 Library Council of New South Wales  
 Liquor Administration Board  
 Local Government, Department of  
 Lord Howe Island Board  
 Macarthur Development Corporation  
 Macquarie Park Research Limited  
 Macquarie University  
 Macsearch Limited



---

Maritime Services Board of New South Wales

Auricle Pty Ltd	Bathys Pty Ltd	Coal Loader Income Trust
Maimon Pty Ltd	Nerval Pty Ltd	Coal Loader Capital Trust
Saroyan Pty Ltd	Tulasne Pty Ltd	Balmain Coal Loader Trust
Vambery Pty Ltd		Port Kembla Coal Loader Trust

## Meat Industry Authority, New South Wales

## Medical Board, New South Wales

## Metford – Joint Venture

## M.I.A. Citrus Fruit Marketing Committee

## Mine Subsidence Board

## Minerals and Energy, Department of

## Mines Rescue Board

## Ministry for the Arts

## Minister for the Environment, Office of the

## Mitchellsearch Limited

## Motor Accidents Authority of New South Wales

## Motor Vehicle Repair Industry Council

## Murray–Darling Basin Commission

## Murray Valley (N.S.W.) Citrus Marketing Board

## Museum of Applied Arts and Sciences, Trustees of the

## Museum of Contemporary Art Ltd

## National Automated Fingerprint Information System

## National Parks and Wildlife Service

## Newcastle International Sports Centre Trust

## Newcastle, University of

## New England, University of

## New South Wales Fire Brigades

## New South Wales, University of

## New South Wales University Press Limited

## Nominal Defendant Trust Account

## North Orange Industrial Development (Joint Venture)

## Northumberland Insurance Company Limited Act, 1975 – Fund created by

## Norsearch Limited

## Nurses Registration Board

## Oats Marketing Board for the State of New South Wales

## Oilseeds Marketing Board for the State of New South Wales, The

## Ombudsman's Office

## Optometrical Registration, Board of

## Optical Dispensers Licensing Board

## Parliamentary Contributory Superannuation Scheme, Trustees of the

## Parramatta Stadium Trust

## Pharmacy Board of New South Wales

## Physiotherapists Registration Board

## Planning, Department of

## Police Department (NSW Police Service from 1 July 1990)

## Premier's Department

## Processing Tomato Marketing Committee of NSW

## Protective Commissioner

## PST Pty Ltd

## Psychologists Registration Board

## Public Accountants Registration Board

## Public Accounts Committee

## Public Prosecutions, Office of the Director of

## Public Sector Executives Superannuation Board

## Public Servant Housing Authority of New South Wales

## Public Trustee

## Public Works Department

## Maintenance and Construction Branch

## Engineering Workshops, Leichhardt

## Materials Testing and Chemical Services Laboratory



Railway Service Superannuation Board  
 Rartrion Pty Ltd  
 Real Estate Valuers Registration Board  
 Register of Encumbered Vehicles  
 Rental Bond Board  
 Rice Marketing Board for the State of New South Wales  
 Riverina Insurance Company Limited and Another Insurance Company  
 Act 1971 – Fund created by  
 Rivservices Ltd  
 Roads and Traffic Authority of New South Wales  
 Royal Botanic Gardens and Domain Trust  
 Rural Assistance Authority  
 S.C.M.F. Pty Limited  
 School Furniture Complex  
 School Education, Department of  
 Science and Technology Council, The New South Wales  
 Small Business Development Corporation  
 Soil Conservation Service  
 Soil Conservation Service Soil Consult  
 Soil Conservation Service Plant Operation Account  
 Solicitors Admission Board  
 Somersby Park Pty Ltd  
 Somerset Park Estate  
 South – west Tablelands Water Supply  
 Sport, Recreation and Racing, Department of  
 Sporting Injuries Committee  
 State Authorities Superannuation Board  
     Mayfair Trust Joint Venture  
     Victoria Cross Unit Trust  
     Westfield, Hurstville Shopping Town – Joint Venture  
     Gila Pty Ltd  
     Hadenis Pty Ltd  
     State Super Financial Services Ltd  
     Vistajura Pty Ltd  
     Zenith Centre Management Pty Ltd  
 State Bank of New South Wales  
     Deferred Payments Co – ordinators Pty Ltd  
     First State Colony of Funds – The Income Fund  
     First State Colony of Funds – The Managed Fund  
     First State Colony of Funds – The International Fund  
     First State Colony of Funds – The Equities Fund  
     First State Colony of Funds – The Imputation Fund  
     First State Fund Managers Ltd  
     First State Pooled Fund  
     First State Securities Ltd  
     HPAA/Fanmac Trust (Australia) No. 1  
     HPAA/Fanmac Trust (Australia) No. 2  
     HPAA/Fanmac Trust (Australia) No. 3  
     HPAA/Fanmac Trust (Overseas) No. 1  
     HPAA/Fanmac Trust No. 6  
     HPAA/Fanmac Trust No. 7  
     HPAA/Fanmac Trust No. 8  
     HPAA/Fanmac Trust No. 9  
     HPAA/Fanmac Trust No. 10  
     Martin Place Management Ltd  
     M.P. Property Fund  
     National Engineering Information Services Pty Limited  
     Nimitz Nominees Pty Ltd



SB NSW (Cook Islands) Limited  
 SB NSW (Delaware) Incorporated  
 SB NSW (London) Nominees Limited  
 SBN Nominees Pty Ltd  
 State Bank Superannuation Benefits Scheme  
 State Bank Minder Approved Deposit Fund  
 State Bank Minder Approved Deposit Growth Fund  
 State Bank Mortgage Bond Trust  
 State Investments Limited  
 State Nominees Limited  
 Wezen Pty Ltd  
 State Brickworks  
 State Development, Department of  
 State Drug Crime Commission of New South Wales  
 State Electoral Office  
 State Emergency Service  
 State Lotteries Office  
 State Pollution Control Commission  
 State Rail Authority of New South Wales  
 State Sports Centre Trust  
 State Transit Authority of New South Wales  
 Suitsors Fund  
 Superannuation Office, New South Wales  
 Surveyors of New South Wales, Board of  
 Sydney Conservatorium of Music Foundation  
 Sydney Cove Redevelopment Authority  
 Sydney Cricket and Sports Ground Trust  
 Sydney Educational Broadcasting Limited  
 Sydney Market Authority  
 Sydney Opera House Appeal Fund  
 Sydney Opera House Trust  
 Sydney, University of  
 Teacher Housing Authority of New South Wales  
 Technical and Further Education, Department of  
 Technical and Further Education – Trust Funds  
 Tobacco Leaf Marketing Board for the State of New South Wales  
 Totalizator Agency Board  
 Tourism Commission of New South Wales  
 Transport, Department of  
 Treasury, The  
     Office of State Revenue  
     Office of Financial Management  
 Treasury Corporation, New South Wales  
     TCorp Nominees Pty Limited  
 UNETT Pty Limited  
 Unicare Insurance Pty Ltd  
 Unisearch Limited  
 University of Newcastle Research Associates Limited, The  
 University of New South Wales International House Limited  
 University of New South Wales Foundation Limited  
 University of Technology, Sydney, The  
 University of Western Sydney, Board of Governors  
 Upper Parramatta River Catchment Trust  
 Valuer – General's Department  
 Veterinary Surgeons of New South Wales, Board of  
 WGMB Holding Pty Ltd  
 Waste Management Authority



Water Board  
 Water Resources, Department of  
 Wild Dog Destruction Board  
 Windradyne Neighbourhood Joint Venture  
 Windradyne Estate Joint Venture  
 Wine Grapes Marketing Board for the City of Griffith and the Shires of  
   Leeton, Carrathool and Murrumbidgee, The  
 Wollongong Sports Ground Trust  
 Wollongong, University of  
 WorkCover Authority of NSW  
 WorkCover Statutory Managed Funds  
 Workers' Compensation (Dust Diseases) Board  
 Workmens' Compensation (Broken Hill) Joint Committee  
 Yrimbirra Pty Ltd  
 Zoological Parks Board of New South Wales

---

#### **AUDITS EXPECTED TO COMMENCE IN 1990-91**

Agriculture and Fisheries, Department of – Diagnostic Services  
 Drug Offensive Foundation, NSW  
 Environmental Education Trust  
 Environmental Research Trust  
 Environmental Restoration and Rehabilitation Trust  
 Macquarie Convocation Pty Limited  
 M.I.A. Citrus Fruit Promotion Marketing Committee  
 Northern Riverina County Council  
 NSW Commercial Fishing Advisory Council  
 Oxley County Council  
 Pathology Laboratories Accreditation Board  
 Southern Riverina County Council  
 State Rescue and Emergency Services Board  
 State Super ADF  
 Sydney College of the Arts Foundation Limited

---



## SCHEDULE 2

### OTHER SENIOR OFFICERS

#### Senior Audit Managers

M. Abood, Dip.Tech.(Com.) CPA  
 A. Boulton, B.Ec. FCPA  
 K. Brown, FCPA  
 G. Burdon, B.Com. CPA  
 P. Carr, B.Com. CPA  
 I. Crawley, CPA  
 K. Davidson, ACA ACIS  
 R. Dufficy, CPA  
 T. Hitchen, ASA  
 D. Jones, B.Com. B.Leg.S. CPA  
 J. Kheir, B.Ec. CPA  
 W. McBeath, FCPA  
 S. McLeod, B.Com. CPA  
 M. O'Brien, B.Ec. CPA  
 J. O'Rourke, CPA  
 W. Quigley, B.Ec. CPA  
 L. Stafford, Dip.Tech.(Com.) CPA  
 A. Yamine, Dip.Tech.(Com.) FCPA

#### Systems Programmer

P. Auld, B.Sc.

#### Systems Review Officers

H. Bishop, ASA  
 M. Carr, B.Sc. Dip.Ed. MACS  
 J. Grant, B.Sc. MACS  
 B. McComb, B.Sc. Grad.Dip. (Ops Res) MACS  
 G. Vinall, B.Sc. Dip.Ed.

#### Administration Manager

G. Allen, B.Bus.

#### Audit Managers

V. Anderson, Dip.Tech.(Com.)  
 CPA AACCS  
 W. Burton, B.Com. ACA  
 J. Cantlon, B.Com. CPA  
 P. Chan, M.Com. CPA  
 W. Chan, B.Com. ACA  
 K. Doring, B.A.(Acc) CPA  
 J. Dose, Dip.Tech.(Com.) ASA  
 J. Dreghorn, Dip.Tech.(Com.) CPA  
 S. Fryer, B.Com. ASA  
 G. Gibson, B.Ec. CPA  
 C. Giumelli, B.Ec. ASA  
 J. Hailwood, CPA  
 G. Harris, B.Bus. CPA  
 J. Hegarty, ASA  
 K. Hirst  
 P. Hofman, B.Com. CPA  
 J. Lynas, FCPA  
 K. McCarron, B.Bus. ASA  
 K. Maher, CPA  
 A. Mamo, FCCA(UK) CPA ACIS  
 R. Ray, B.A. (Ec.) B.A.(Acc.)  
 CPA ACIS  
 G. Rowling, B.Com. CPA  
 A. Sa'adullah, FCCA(UK)  
 K. Sharma, B.A.(Acc.) ASA  
 R. Soraya, B.Ec. CPA  
 S. Sullivan, CPA  
 P. Thompson, B.Bus. ASA  
 R. Torpy, B.Bus. ASA  
 G. White, B.Bus. CPA



## SCHEDULE 3

## TRAINING COURSES CONDUCTED IN-HOUSE 1989-90

Course	Month held	Duration (days)	Presenter	Total Training Days	Participants	
					M	F
Supervision and Management	July	3	External	30	10	-
EEO Induction	Oct./Feb.	.5(x2)	In-house	11.5	14	9
Personal Protection	December	.5	External	5.5	7	4
Nijssen's Information Analysis Method	December	1	In-house	11	11	-
Semantic Data Dictionary	December	2	In-house	10	5	-
Induction	January	5	In-house	75	10	5
Job Promotion Skills	January	1.5	In-house	9	2	3
View Training	January	1	In-house	5	3	2
Induction Follow-up	Feb.	.5	In-house	6.5	10	3
Stress Strategies	Feb.	1	External	10	7	3
Introduction to UNIX	March	1	In-house	8	7	1
Introduction to Resolving Workplace Problems	March	.5	In-house	9.5	13	6
Accounting Standards	March	.5	In-house	4.5	4	5
EEO Awareness	March/April	.5(x3)	External	13	15	11
Communication Skills 1	April	2	In-house	30	8	7
Career Planing for the 1990's	April	2	External	16	8	-
Basic Bookkeeping Skills	April	3	External	51	10	7
Accounting Standards Update	April	.25	In-house	9.75	30	9
Introduction to Supervision	April	1	In-house	20	9	11
Risk Based Audit Methodology	May/June	4(x5)	In-house/ External	332	79	4
Sources & Application of Funds	June	1	In-house	10	5	5
Report Writing	June	2	External	32	9	7



## SCHEDULE 4

### HISTORICAL BACKGROUND

#### Establishment

With the arrival in 1788 of the First Fleet under Captain Arthur Phillip, R.N., public moneys were those associated with the expenses of the Civil Establishment set up locally to administer the Colony's affairs and expenses of maintaining and supervising transported convicts.

The expenses referred to were wholly borne by the British Government and were voted annually by Parliament for the purposes intended. The accounts were kept by the Commissary of Stores and Provisions. Among other things, that officer was instructed that all payments made were to be evidenced by "a Magistrate or some person in official employment", as witness to the payment and that the Commissary was to "take three sets of all vouchers" for the payments made. One set was to be sent to the Lord Commissioners of His Majesty's Treasury and one set was "to accompany your accounts which are from time to time to be delivered, duly attested on oath, to the Commissioners for Auditing the Public Accounts." The remaining set of vouchers was to be retained for use by the Commissary.

In the years 1819 to 1821 an inquiry took place into the conduct of affairs in the Colony, including the administration of finances. As a consequence of Commissioner Bigge's report, directions were issued by the Imperial Authorities in 1823 for the establishment of an Accounts Branch of the Commissariat. Representations had also been received from the Governor, Major-General Sir Thomas Brisbane, expressing the Governor's qualms concerning his personal responsibility as a counter-signatory to bills drawn by the Commissary. William Lithgow, then Assistant Commissary-General in Mauritius, was appointed to take charge of the newly created Department. He assumed duties in May 1824 and while still functioning in this capacity was appointed Colonial Auditor in November of that year. The duties of both offices were carried out in conjunction until 1827 when, owing to the increase in public business, the Governor found it necessary that Lithgow should relinquish his office in charge of the Commissariat accounts and continue as Colonial Auditor.

The appointment, as stated, was made by permission of the Home Authorities on recommendation of the Governor and it was not until 1870, with responsible government then in existence, that the tenure, powers, and duties of the office of Auditor-General were statutorily defined.

Over the intervening period, the audit was carried out against a background of instructions which, in retrospect, are to be seen as the forerunner of the audit code embodied in later legislation and in many respects surviving in the present day law for the audit of the State's governmental accounts. The Audit Act 1902 laid down the financial machinery of the State of New South Wales. The Act of 1902 consolidated and amended the law relating to the collection and payment of public money, the audit of public accounts and the protection and recovery of public property.



When the 1902 Audit Act was introduced, accounting records were maintained by hand and the audit procedures and practices were designed primarily to ensure stewardship of public moneys. Financial and budgetary practices since that time have substantially changed. Government financial operations became much enlarged in money and real terms. Accounting records were designed towards meeting financial management needs, and of course stewardship was still as important.

The Public Finance and Audit Act 1983 modernised four main areas of public sector financial administration and audit:

- \* financial matters relating to the public accounts, banking and investment;
- \* matters relating to appointment of the Auditor-General and auditing of public sector accounts;
- \* provisions relating to the Public Accounts Committee;
- \* miscellaneous provisions such as the Treasurer's Directions and penalties.

In 1989 the NSW Auditor-General's Office was declared a statutory body.

#### **Office of the Auditor-General 1824 – 1990**

William Lithgow	1824 – 1852
Francis L S Merewether	1852 – 1856
George R Nicholls	1856
Terence A Murray	1856
William C Mayne	1856 – 1864
Christopher Rolleston CMG	1864 – 1883
Edward A Rennie	1883 – 1903
John Vernon	1903 – 1915
Frederick A Coghlan	1915 – 1928
John Spence CMG	1928 – 1942
Edmund H Swift	1942 – 1949
William J Campbell CBE	1950 – 1963
William G. Mathieson CMG	1963 – 1967
Victor H Cohen	1967 – 1968
Daniel Fairlie ISO	1968 – 1977
William E Henry CMG	1977 – 1980
Jack O'Donnell	1980 – 1985
Kenneth J Robson	1985 –