

New South Wales Auditor-General's Report to Parliament for 2001

Volume Five

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GUIDE TO USING THIS VOLUME

This volume summarises the results of a number of our financial audits.

Readers familiar with the Auditor-General's reports to Parliament will notice a number of changes. In particular, we have attempted to adopt a "plain English" style of writing. This is not always easy when describing technical issues, but we recognise the diversity of our readership and their needs.

We still divide the Volume into ministerial portfolios, each containing one or more government agencies. As a result, readers can easily locate information on individual agencies or portfolios.

Each agency comment now has a new structure.

We begin each agency comment with a summary of our **Audit Opinion**. It is a key result of each audit. An 'unqualified audit opinion' means we are satisfied that the agency has prepared its financial report in accordance with Australian Accounting Standards (and other mandatory requirements). It also means we believe the report has no material errors and the scope of our audit has not been limited. If any of these aspects are not met we issue a 'qualified audit opinion'.

The next section outlines any **Key Issues** we identified during the audit. These are matters such as:

- ♦ significant findings or outcomes of an audit
- ♦ any major developments impacting on an agency's role or activities
- ♦ repeat findings on issues we reported previously
- ♦ recommendations to Parliament.

The Audit Opinion and the Key Issues sections represent the more important findings. By targeting these sections, readers can quickly understand the major issues facing a particular agency, or glance through a number of reports to assess the financial health of a portfolio.

The next two sections contain analysis of issues we identified during our audit. While many of these will include suggestions for improvement, these are not as significant as the issues outlined in the first two sections of the agency comment.

Control Issues outline any shortcomings we have observed in the agency's internal checking mechanisms. These mechanisms should exist to ensure the effective safeguard of assets and resources.

Compliance Issues summarises whether the agency has complied with legislation and other relevant government requirements.

The next two sections describe more basic information about each agency's finances and activities. They will be a useful reference for those readers who rely on Auditor-General's reports as an initial source of information on the structure and finances of government agencies. These might include Members of Parliament, the general public, or officers in other public sector organisations.

Financial Information summarises the essential information from each agency's financial report. While this is sufficient for a broad understanding of the agency's financial position, readers can access more detailed financial statements in the agency's annual report or website.

Agency Activities summarises an agency's purpose, services, structure, relevant legislation, and its web address.

While some 'agency comments' in this volume will have all of the headings outlined here, this will vary depending on the size of the organisation and the findings of our audit. In each comment, however, the structure moves from the key audit findings, through our financial analysis, to more descriptive information. Different readers will be able to tailor their reading according to their needs.

AMENDMENTS TO THE *PUBLIC FINANCE AND AUDIT ACT 1983*

Statement by the NSW Auditor-General, Bob Sendt

Volume Five of the Auditor-General's Report to Parliament being presented today is a much abridged version of the Report that would normally be tabled. Because of the legislative uncertainty about my reporting powers, I excluded all comment from this Report that would have exceeded the existing powers in the *Public Finance and Audit Act 1983*.

This uncertainty stems from differences between the Legislative Assembly and the Legislative Council in their views on the proposed amendments to the Act introduced by the Government. One of the key differences relates to the breadth of my reporting powers.

On Friday 9 November, the Treasurer announced that Government has agreed with my view that the role of audit in the public sector should be wider than in the private sector.

The Government accepts that an amendment along the lines of that recently introduced in the Victorian Parliament to widen the Auditor-General's powers would be appropriate in New South Wales. The Treasurer indicated that the Government will seek discussions with the Opposition and Cross-benchers to resolve the problem quickly.

If my powers are amended along these lines, future Reports to Parliament will again include comments on accountability issues such as probity, wastage, and financial management. I would also reissue Volume Five of my Report reinstating the material that has been excluded.



BOX 12 GPO
SYDNEY NSW 2001

The Legislative Assembly
Parliament House
SYDNEY NSW 2000

Pursuant to section 52A of the *Public Finance and Audit Act 1983*, I present Volume Five of my 2001 Report.

A handwritten signature in black ink, appearing to read 'R J Sendt'.

R J Sendt

Sydney
November 2001



The Legislative Assembly
Parliament House
Sydney NSW 2000

Parliamentary Commissioner for the Environment
100 Pitt Street Sydney NSW 2000

R. J. Smith
W. J. Smith
Sydney
November 2001

This Volume contains commentary on those entities with a 30 June 2001 balance date whose audits were completed in the first part of our audit program. A further Volume will be presented in December covering the balance of our 30 June 2001 audits.

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Significant Items

Auditor-General's Reporting Powers

This Report to Parliament has been abridged because of uncertainty about the Auditor-General's reporting powers. p 1

Corrective Services

Irregularities were identified in employee leave entitlements. The Department is taking action to recover unrecorded leave from employees. p 65

An administrative officer at Long Bay Gaol has been charged with a significant fraud. p 65

Department of Health

Recommendations made by the Director-General are being approved by less senior officers in the Department, acting under delegation from the Minister. The Audit Office does not believe this process is appropriate. p 111

Central Sydney Area Health Service

The Rozelle Hospital site should be revalued in 2001–02 to ensure that any losses on its planned disposal are recognised on a timely basis. p 121

The former Western Suburbs hospital site has now remained vacant for over six years. p 121

Land set aside ten years ago for the construction on a collocated private hospital on the Royal Prince Alfred Campus remains vacant. The Service continues to seek a solution to this matter. p 121

Hunter Area Health Service

After nearly 10 years, the timing of a \$7.7 million loan repayment to the Department of Health remains uncertain. p 125

Ambulance Service of New South Wales

Part of the Rozelle Hospital site is recognised as an asset of the Service. This site should be revalued during 2001–02 to ensure that any losses on its planned disposal are recognised on a timely basis. (See also the Central Sydney Area Health Service commentary.) p 173

NSW Police

Problems with implementation of costly new financial and HR system might result in the Service not fully realising the benefits hoped for. p 225

Failure to undertake timely bank reconciliations resulted in a fraud remaining undetected for over 12 months. p 225

Roads and Traffic Authority

High levels of overtime continue to be paid to some individuals. p 251

The Authority has not prepared a formal capitalisation policy for classifying expenditure on roads and bridges. p 252

An estimated \$20 million of GST on accrued expenditure at 30 June was not brought to account. p 252

The Government has announced a parliamentary inquiry into the effects on government agencies of the abolition of the common law immunity of nonfeasance. p 252

A significant number of the Authority's assets are fully depreciated. p 253

Freight Rail Corporation

The effectiveness of risk management procedures, introduced by management for checking train movements to consignment notes and invoices, was unable to be determined because of a lack of audit trail. p 269

FreightCorp continues to trade with a number of its customers in excess of their credit limits. p 270

Shortcomings in the Corporation's accounts payable system has allowed expenditure to be incurred without prior approval by delegated officers. p 270

Introduction

This Volume is a much abridged version of the Report I would normally present to Parliament.

Because of the legislative uncertainty about my reporting powers, I have excluded all comment from this Report that I believe would exceed the existing powers in the *Public Finance and Audit Act 1983*.

While I do not believe that I am meeting the expectations of Parliament (and ultimately taxpayers) with this Volume, I am obliged to take this action.

In Volume Three of my Report to Parliament, I advised that future reports may have to be curtailed unless limitations on my reporting powers were resolved. Those limitations arose from advice sought by the Treasurer from the Crown Solicitor last year. That advice said, in effect, that my power to "*report on any matter arising from audit*" (section 52(3) of Act) should be interpreted narrowly.

At the date this Volume is being presented, Parliament is still considering the amendments to the Act introduced by the Government.

The Legislative Assembly and the Legislative Council, in considering the amendments, have taken significantly different views on a number of issues. Given these differences, I cannot assume that the issue of my mandate will be resolved quickly, or in a form that would allow for the wider reporting that Parliament has previously received.

The attachment to this Introduction outlines the nature of the comments that I have excluded. Where applicable, reference to similar commentary in previous Reports to Parliament is shown. This will assist readers to understand the type of material that cannot now be reported.

The Bill introduced by the Government seeks to amend the wording of section 52(3) of the Act to read "*report on any matter that arises from or relates to ... the audit or other functions of the Auditor-General*".

While that change may extend the scope of my reporting, I do not believe it satisfactorily resolves the issue. It would still link that scope to the process of auditing. In the absence of a definition in the Act, the generally accepted meaning of the term "audit" must be taken.

Auditing is essentially about examining an entity's financial systems and controls. Its purpose is to enable the auditor to provide an opinion that the entity's annual financial report is prepared in accordance with Accounting Standards and is free of material misstatement.

In carrying out the audit, the auditor is also obliged to report to the entity's management any weaknesses that have been observed in relevant internal controls. These controls would cover areas such as payroll systems, stock reconciliations and debtors management.

Clearly, this "definition" of auditing and audit reporting does not cover many of the issues that New South Wales Auditors-General have reported on previously. Regardless of whether my reporting power is extended to cover matters that "relate to" an audit, the great majority of the items included in the attachment to this Introduction would remain outside my ability to report.

Parliaments and the public – not only in New South Wales but also in most democratic societies – have come to expect much more from a public sector audit.

Auditors-General have responded to those expectations. We have always believed that parliaments recognised that where public moneys are involved, higher standards of accountability and probity should prevail.

We have also believed that this is why parliaments have auditors-general, rather than simply have private sector firms conduct audits of public sector entities. Because the public sector is about more than a good "bottom line" result, parliaments and the public want an understanding "behind the numbers".

Issues of accountability, waste, governance and probity are increasingly being accepted as appropriate issues for auditors-general to address. However these issues are usually not associated with the audit process itself.

Because I believed that the term "audit" was too narrow to reflect what Parliament expects of the Auditor-General, I suggested to the Government in January that my role should include a function that was not specifically linked to the audit process.

My suggested words were "to promote public accountability in the public administration of the State". This was based on the wording of the relevant Australian Capital Territory legislation.

It has since been argued that this wording would give the New South Wales Auditor-General powers that duplicated or overlapped those of other "watchdog" organisations such as the Ombudsman and the Independent Commission Against Corruption.

That was not the intention of my suggestion.

If the wording does conflict with the role of those other organisations, some alternative form of words could readily be found to remove that problem. The particular phrase was suggested because it had some degree of authority, having been enacted by another Australian parliament.

Since the time of my suggestion, the New Zealand Parliament has passed legislation that widened the powers of its Auditor-General. And earlier this month, the Victorian Government introduced legislation into Parliament that has the same effect.

The New Zealand legislation allows the Auditor-General to inquire into (and report on) "*any matter concerning a public entity's use of its resources*".

The proposed amendments to the Victorian Audit Act include a specific statement that, in pursuing the Act's objectives, "*regard is had as to whether there has been any wastage of public resources or any lack of probity or financial prudence in the management or application of public resources*".

Each of those jurisdictions is addressing the issue with its own form of words.

But each recognises that the public sector audit should be wider than an audit in the private sector and that their Auditor-General's reporting powers should reflect that wider role.

In the absence of a similar recognition, the New South Wales Parliament will not have all the information it needs to hold government accountable for its use of taxpayers' funds.

Information Excluded From This Volume

Agency and Issue	Similar information last reported in
Attorney General's Department Analysis of case completion times and costs per case, compared with national average Reporting of unaudited figures by departmental business units in their annual reports to Parliament Analysis of matters subject to enforcement action Details of use of sanction options in enforcement process	-- -- Vol 5 of 2000, p64 Vol 5 of 2000, p64
Legal Aid Commission of New South Wales Details of legal aid applications refused during year	Vol 1 of 2001, p61
Office of the Protective Commissioner and Public Guardian Summary of major recommendations of the Public Bodies Review Committee inquiry into the Office Analysis of client numbers Analysis of returns of the Common Fund against benchmark	Vol 6 of 2000, p62 Vol 6 of 2000, p66 Vol 6 of 2000, p65
Registry of Births, Deaths and Marriages Data conversion record numbers	--
Victims Compensation Fund Corporation Details of applications for compensation received during the year, matters awarded and appeals received	Vol 6 of 2000, p68
Community Services Commission Details of number of complaint related contacts received during the year	Vol 5 of 2000, p80
Department of Corrective Services Data on the growth in inmate numbers in NSW Comparison of inmate numbers (as a proportion of the adult population) in NSW relative to other States Assault and unnatural death rates in NSW prisons relative to the Australian average Escape rates from NSW prisons relative to the Australian average Repeat offender rates in NSW relative to the Australian average Inmate costs in NSW relative to the Australian average	Vol 5 of 2000, p91 Vol 5 of 2000, p94 -- -- -- --
Teacher Housing Authority of New South Wales Details of size of Authority's property portfolio	Vol 5 of 2000, p111

Department of Fair Trading	
Details of Government approved rescue package in respect of the HIH collapse	--
New South Wales Casino Control Authority	
Findings of triennial investigation into operations of Casino Operator by Mr Peter McClellan QC	--
Department of Health: Consolidated	
Average age of outstanding creditors	Vol 5 of 2000, p160
Publishing of Area Board's self-appraisal program	--
Analysis of services delivered through key activity levels	Vol 5 of 2000, p154
Analysis of management of Workers' Compensation insurance	Vol 5 of 2000, p156-157
Movement in debt profile of Health Services	Vol 5 of 2000, p159-161
Assessment of benefits with operation of Group Services for linen and pathology	--
Analysis of key performance indicators for NSW public acute hospitals and public psychiatric hospitals compared with national average.	Vol 5 of 2000, p153-154
Assessment of determination of an average cost figure to be applied to inter-area patient flow numbers	--
Department of Health: Parent Entity	
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Central Sydney Area Health Service	
Analysis of services delivered through key activity levels	Vol 5 of 2000, p175
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Analysis of services delivered through key activity levels	Vol 5 of 2000, p181
Changes in Workers' Compensation expense	Vol 5 of 2000, p181
Average age of outstanding creditors	Vol 5 of 2000, p183
Illawarra Area Health Service	
Analysis of services delivered through key activity levels	Vol 5 of 2000, p185
Average age of outstanding creditors	Vol 5 of 2000, p188
Northern Sydney Area Health Service	
Analysis of services delivered through key activity levels	Vol 5 of 2000, p191
Average age of outstanding creditors	Vol 5 of 2000, p192

South Eastern Sydney Area Health Service

Details of plans for South Sydney Hospital site

Vol 5 of 2000, p195

Analysis of services delivered through key activity levels

Vol 5 of 2000, p198

Average age of outstanding creditors

Vol 5 of 2000, p200

Debt profile of the service

Vol 5 of 2000, p200

South Western Sydney Area Health Service

Analysis of services delivered through key activity levels

Vol 5 of 2000, p204

Average age of outstanding creditors

Vol 5 of 2000, p206

Wentworth Area Health Service

Analysis of services delivered through key activity levels

Vol 5 of 2000, p208

Average age of outstanding creditors

Vol 5 of 2000, p210

Western Sydney Area Health Service

Analysis of services delivered through key activity levels

Vol 5 of 2000, p213

Average age of outstanding creditors

Vol 5 of 2000, p215

Far West Area Health Service

Analysis of services delivered through key activity levels

Vol 5 of 2000, p219

Low occupancy rate hospitals

Vol 5 of 2000, p219

Action on multi purpose service facilities in smaller towns

Vol 5 of 2000, p217

Publishing of Board's self-appraisal program

--

Average age of outstanding creditors

Vol 5 of 2000, p221

Debt profile of the Service

Vol 5 of 2000, p221

Greater Murray Area Health Service

Analysis of services delivered through key activity levels

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Low occupancy rate hospitals

Vol 5 of 2000 p225

Action on multi purpose service facilities in smaller towns

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Average age of outstanding creditors

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Macquarie Area Health Service

Analysis of services delivered through key activity levels

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Low occupancy rate hospitals

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Action on multi purpose service facilities in smaller towns

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SWC's results compared against benchmarks	Vol 6 of 2000, p527
Status of Justice McClellan's recommendations	Vol 6 of 2000, p525
Northside Storage Tunnel – rewards for partners	Vol 6 of 2000, p520
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Section One

Commentary on Government Agencies

Minister for Aboriginal Affairs

Department of Aboriginal Affairs

	1970	1971
	1970	1971
Aboriginal population	1,200,000	1,250,000
Aboriginal population in urban areas	1,000,000	1,050,000
Aboriginal population in rural areas	200,000	200,000
Aboriginal population in remote areas	100,000	100,000
Aboriginal population in urban areas (percentage of total)	83.3%	84.0%
Aboriginal population in rural areas (percentage of total)	16.7%	16.0%
Aboriginal population in remote areas (percentage of total)	8.3%	8.0%

Department of Aboriginal Affairs

AUDIT OPINION

The audit of the Department's financial report for the year ended 30 June 2001 resulted in the issue of an unqualified Independent Audit Report.

CONTROL ISSUES

The Department has experienced difficulties in recovering or obtaining supporting documentation for travel advances made to employees. At 30 June 2001 there was \$22,000 in outstanding travel claims. Of this, \$3,850 relates to 15 claims made between September 1999 and June 2000.

Recommendations on this matter and some minor issues have been made to the Department.

COMPLIANCE ISSUES

We tested whether the Department complied with:

- ◆ long service leave requirements of the Premier's Personnel Handbook
- ◆ delegations under the *Public Sector Management Act 1988* and other relevant legislation.

The Department substantially complied with these requirements.

KEY FINANCIAL INFORMATION

Year ended 30 June	2001 \$'000	2000 \$'000
Grants and subsidies expenses	7,390	7,711
Employee related expenses	3,080	2,633
Other expenses	2,622	2,304
Revenue	465	229
Government contributions	11,956	11,668
Operating deficit	671	751
Net liabilities (at 30 June)	1,159	488

The Department's net liability of \$1.2 million does not impact on its ability to continue its operations as Government contributions will continue during the current financial year.

DEPARTMENT ACTIVITIES

The Department was established in April 1995. It assists and advises the Minister for Aboriginal Affairs on efficient, effective and coordinated management of Aboriginal policies, legislation, programs and issues.

The Department also assists Aboriginal communities and individuals as an advocate, adviser or contact point in support of the principles of 'self-management' and 'self-determination' in their quest for improvements to their socioeconomic standing and to the enhancement of their image within the general community.

Minister for Agriculture

Agricultural Scientific Collections Trust

Department of Agriculture

MIA Citrus Fruit Promotion Marketing Committee

New South Wales Rural Assistance Authority

Agricultural Scientific Collections Trust

AUDIT OPINION

The audit of the Trust's financial report for the year ended 30 June 2001 resulted in the issue of an unqualified Independent Audit Report.

FINANCIAL INFORMATION

Year ended 30 June	2001 \$'000	2000 \$'000
Income	34	24
Other expenses	28	24
Operating surplus	6	--
Net assets	8	2

Permanent staff from the Department of Agriculture assisted the Trust during the year. It is estimated that the cost of salaries and wages to the Department for services provided to the Trust free of charge was \$197,000 (\$127,000).

Currently the only two collections vested in the Trust are the Plant Pathology Herbarium and the Entomology Section Insect and Mite Collection. One of the issues faced by the Trust is the valuation of the collections. The collections have not been valued and the financial statements do not recognise the current value of their major assets.

TRUST ACTIVITIES

The Trust, constituted under the *Agricultural Scientific Collections Trust Act 1983*, is responsible for the protection, maintenance and improvement of two scientific collections for the Department of Agriculture and the increase and dissemination of knowledge in relation to certain fields of agricultural science. The Trust is subject to the control and direction of the Minister for Agriculture.

Department of Agriculture

AUDIT OPINION

The audit of the Department's financial report for the year ended 30 June 2001 resulted in the issue of an unqualified Independent Audit Report.

CONTROL ISSUES

During the course of the audit, we identified opportunities for improvement to the Department's internal controls, and made recommendations to the Department. The recommendations included:

- ◆ the need for independent review of changes made to the asset masterfile
- ◆ the necessity for timely follow-up of deficiencies identified during asset stocktakes
- ◆ the requirement for overtime to be approved by the relevant supervisor prior to overtime being worked.

COMPLIANCE ISSUES

We tested whether the Department complied with the long service leave requirement of the Premier's Department Handbook and the depreciation requirements of:

- ◆ the Australian Accounting Standard on depreciation
- ◆ Treasury Circular No 11-95 'Accounting Policies for Various Financial Reporting Issues'
- ◆ the Financial Reporting Code for Budget Dependent General Government Sector Agencies.

We found that the Department complied with these requirements with the exception that it could not provide evidence of an annual review of depreciation rates as required by the Accounting Standard.

FINANCIAL INFORMATION

Abridged Statement of Financial Performance

Year ended 30 June	2001 \$'000	2000 \$'000
Employee related	131,763	134,118
Other expenses	90,137	99,588
TOTAL EXPENSES	221,900	233,706
Grants and contributions	28,811	46,229
Other revenue	24,232	21,125
TOTAL REVENUE	53,043	67,354
(Loss)/gain on sale of non-current assets	(127)	3
NET COST OF SERVICES	168,984	166,349
Add government contributions	168,347	162,629
MOVEMENT IN ACCUMULATED FUNDS	(637)	(3,720)

MIA Citrus Fruit Promotion Marketing Committee

AUDIT OPINION

The audit of the Committee's financial report for the year ended 30 April 2001 resulted in the issue of a qualified Independent Audit Report.

The qualification related to uncertainty regarding the Committee's prime source of revenue, levies paid by citrus growers. The Committee does not have an effective system to identify all production which is the basis for payment of levies. Accordingly the audit of grower levies was limited to amounts entered into accounting records.

The previous year's financial report was similarly qualified.

CONTROL ISSUES

The Committee is currently reviewing possible internal control procedures that might be implemented in respect to grower levies. Should appropriate controls be effected, the qualification referred to above would no longer be necessary.

COMPLIANCE ISSUES

We tested whether the Committee complied with the delegation provisions of applicable legislation and policies. The Committee complied with the provisions.

FINANCIAL INFORMATION

Year ended 30 April	2001 \$'000	2000 \$'000
Revenue	661	443
Expenses	447	558
Operating surplus	214	(115)
Net assets (at 30 April)	396	182

COMMITTEE ACTIVITIES

The Committee was established under the *Marketing of Primary Products Act 1983*. Its purpose is to promote the best interests of the citrus industry in the Murrumbidgee Irrigation Area (MIA) through pest and disease control; improved orchard management; product promotion and market development; and improved relationships among citrus fruit industry participants.

The Committee is funded by levies on producers of all citrus fruit in the MIA.

Subsequent to balance date, the name of the Committee was changed to Riverina Citrus.

New South Wales Rural Assistance Authority

AUDIT OPINION

The audit of the Authority's financial report for the year ended 30 June 2001 resulted in the issue of an unqualified Independent Audit Report.

CONTROL ISSUES

We recommended that the Authority should reconcile its Treasury borrowings with Treasury records more regularly.

FINANCIAL INFORMATION

Abridged Statement of Financial Performance

Year ended 30 June	2001 \$'000	2000 \$'000
Employee related and other operating expenses	3,926	4,273
Grants and subsidies	2,864	4,809
Advancing Australian Agriculture program	6,844	7,883
TOTAL EXPENSES	13,634	16,965
TOTAL REVENUE	5,035	5,332
Loss on sale of assets	—	(3)
NET COST OF SERVICES	8,599	11,636
Add Government Contributions	13,462	13,482
MOVEMENT IN ACCUMULATED FUNDS	4,863	1,846

Abridged Statement of Financial Position

At 30 June	2001 \$'000	2000 \$'000
Current assets	14,411	13,805
Non-current assets	70,777	73,279
TOTAL ASSETS	85,188	87,084
Current liabilities	13,039	12,834
Non-current liabilities	28,866	35,830
TOTAL LIABILITIES	41,905	48,664
NET ASSETS	43,283	38,420
Accumulated funds	43,283	38,420
TOTAL EQUITY	43,283	38,420

The major changes in the assets and liabilities of the Authority relate to loans provided to farmers and loan capital provided by the Treasury. Loan repayments of principal by rural clients totalled \$13.7 million (\$14.2 million in 1999-2000), while additional advances made to farmers totalled \$10.9 million (\$14.1 million). At year-end, Treasury loan capital was \$36.3 million (\$44.0 million). During the year, the Treasury provided \$11.1 million (\$14.8 million) for low interest concessional loans to primary producers and the Authority repaid \$18.8 million (\$17.8 million) to the Treasury as settlement against loans outstanding.

AUTHORITY ACTIVITIES

The Authority was constituted under the *Rural Assistance Act 1989*. Its principal function is to provide assistance and administer schemes to provide financial assistance to farmers and other eligible borrowers.

For further information on the Rural Assistance Authority refer to www.raa.nsw.gov.au.

Statement of Financial Position		30 June 2001
Assets		
Current assets		
Cash and balances		
Receivables		
Inventories		
Other assets		
Non-current assets		
Investments		
Other assets		
Liabilities		
Current liabilities		
Payables		
Other liabilities		
Non-current liabilities		
Borrowings		
Other liabilities		
Net assets		
Current		
Non-current		
Total		

Minister for the Arts

- Art Gallery of New South Wales Trust
- Australian Museum Trust
- Historic Houses Trust of New South Wales
- Ministry for the Arts

FINANCIAL INFORMATION

Year ended 30 June	2001	2000
	(\$'000)	(\$'000)
Revenue	11,340	11,040
Operating expenses	(11,100)	(10,800)
Other income	1,100	1,100
Other expenses	(1,100)	(1,100)
Operating surplus/deficit	240	440
Net funding from	240	440
Other sources	11,580	11,480
Transfer from/ to other funds	(1,100)	(1,100)
Net increase/decrease in funds	1,080	380
Balance at start of year	10,260	9,880
Balance at end of year	11,340	10,260

Revenue and capital funds reported in 2000-01 totalled \$11.3 million (\$11.0 million in 1999-2000) and operating and other funds totalled \$1.1 million (\$1.1 million in 1999-2000). In 2000-01, the total assets of \$11.3 million (\$11.0 million in 1999-2000) included collections of \$1.1 million (\$1.1 million). Assets in the previous year were \$10.2 million (\$9.9 million) comprised of a collection of \$1.1 million (\$1.1 million) and equipment including land and buildings of \$9.1 million (\$8.8 million).

Art Gallery of New South Wales Trust

AUDIT OPINION

The audit of the Trust's financial report for the year ended 30 June 2001 resulted in the issue of an unqualified Independent Audit Report.

CONTROL ISSUES

We identified opportunities for improvement to the Trust's internal controls. The Trust needs to conduct regular physical counts of collection assets. Recommendations on this matter and some minor issues will be made to the Trust.

COMPLIANCE ISSUES

We tested whether the Trust complied with long service leave provisions of the Premier's Department Personnel Handbook. The Trust complied with these requirements.

OTHER ISSUES

As disclosed in previous Auditor-General's Reports to Parliament, the Gallery maintains two databases of artworks. All artworks are recorded on the finance system asset register. A collections database is also maintained which records location, accessioning (ownership provenance), detailed description, exhibition history and other information. Although a common accession number links the two systems, incorporation of financial information into the collection database is expected to be a long-term project. Completion will provide seamless integration including reconciliation of these databases.

KEY FINANCIAL INFORMATION

Year ended 30 June	2001 \$'000	2000 \$'000
Employee related expenses	12,948	12,142
Other expenses	14,107	12,411
Retained revenue	12,277	10,848
Bequests and special funds	8,913	5,178
Net cost of services	5,865	8,527
Government contributions	18,198	17,103
Surplus from ordinary activities	12,333	8,576
Net assets (at 30 June)	780,790	712,775
Reserves	216,993	161,311
Accumulated funds	563,797	551,464

Bequests and special funds received in 2000-01 included \$6.2 million (\$2.9 million in 1999-2000) in gifted works of art and \$2.1 million (\$1.4 million) in donations for the purchase of works of art.

At 30 June 2001, the total assets of \$784 million (\$716 million in 1999-2000) included collections of \$588 million (\$524 million). Additions to the collection totalling \$63.5 million (\$63.6 million) comprised a revaluation increment of \$55.7 million (\$58.4 million), and acquisitions including donations of works of art of \$7.8 million (\$5.2 million).

Major acquisitions during 2000-01 included: *Buste de Profile, Fond Rouge* (artist Pierre Bonnard) for \$1.8 million, a 12th-13th century Khmer bronze figure of Hevajra (artist unknown) for \$659,945, *The Garden and tower of the Sacristy, Cuenca Cathedral* (artist David Bomberg) for \$255,654 and *Fraser Island* (artist Sidney Nolan) for \$245,000.

TRUST ACTIVITIES

The Trust is constituted under the *Art Gallery of New South Wales Act 1980*. Its principal objectives are to develop and maintain a collection of works of art and to propagate and increase knowledge and appreciation of art, with particular emphasis on the visual art of Australia and Asia. The Trust consists of nine trustees appointed by the Governor on the recommendation of the Minister for the Arts. The Trust is responsible for the control and management of the Art Gallery.

For further information on the Art Gallery of New South Wales Trust refer to www.ag.nsw.gov.au.

Year ended 30 June		
2000-01	1999-00	
12.1	11.4	Expenditure on art collection
12.1	11.4	Other expenditure
12.1	11.4	Interest on loans
12.1	11.4	Expenditure on building works
12.1	11.4	Net cost of running
12.1	11.4	Government contribution
12.1	11.4	Grants from other sources
12.1	11.4	Net result for the year
12.1	11.4	Reserves
12.1	11.4	Accumulated fund

Australian Museum Trust

AUDIT OPINION

The audit of the Trust's financial report for the year ended 30 June 2001 resulted in the issue of a qualified Independent Audit Report. The qualification related to the Trust not recognising an amount for collection assets. The recognition of collection assets is fundamental to an understanding of the Trust's financial position and the results of its operations. The audit opinion on the financial report for 1999-2000 was similarly qualified.

An initial valuation of the Trust's collection assets was undertaken during 1999. This exercise was continued during 2000 and 2001 but was incomplete at 30 June 2001. A more rigorous valuation methodology and its application in the valuation process are essential to avoid this audit qualification.

KEY ISSUES

As disclosed in previous Auditor-General's Reports to Parliament, the Trust does not have a database that includes all collection assets. Some collections are included on databases while a number of others are only recorded on manual records. An integrated database of all collections will help with valuations and stocktakes. It might also help in reviewing items in the collection to determine if their retention is warranted in view of their maintenance costs.

CONTROL ISSUES

We identified opportunities for improvement to the Trust's internal controls. The Trust needs to exercise greater control and accountability over grants and contributions. There are a number of unspent grants that have been held by the Museum for a number of years. Recommendations on this matter and some minor issues have been made to the management of the Trust.

COMPLIANCE ISSUES

We tested whether the Trust complied with long service leave provisions of the Premier's Department Personnel Handbook. The Trust complied with these requirements.

KEY FINANCIAL INFORMATION

Year ended 30 June	2001 \$'000	2000 \$'000
Employee related expenses	19,005	18,961
Other expenses	16,504	13,777
Retained revenue	8,475	8,397
Net cost of services	27,034	24,341
Government contributions	26,170	27,326
(Deficit)/surplus from ordinary activities	(864)	2,985
Net assets (at 30 June)	212,547	213,411

The increase in other expenses includes a \$573,000 increase in repairs and routine maintenance and additional depreciation of \$483,000.

TRUST ACTIVITIES

The Trust is constituted under the *Australian Museum Trust Act 1975*. Its primary objective is to increase and disseminate knowledge about the natural environment of Australia and the natural sciences. The Australian Museum Trust consists of nine trustees appointed by the Governor on the recommendation of the Minister for the Arts. The Trust is responsible for the control and management of the Museum.

For further information on the Australian Museum Trust refer to www.austmus.gov.au.

Historic Houses Trust of New South Wales

AUDIT OPINION

The audit of the financial reports of the Trust and its controlled entities for the year ended 30 June 2001 resulted in the issue of unqualified Independent Audit Reports.

CONTROL ISSUES

We identified opportunities for improvement to the Trust's internal controls. The Trust needs to finalise the recording of all collection assets in a database that reconciles with the general ledger. Some collections have not been recorded, including a major collection at Government House. Recommendations on this matter and some minor issues will be made to the Trust.

COMPLIANCE ISSUES

We tested whether the Trust complied with long service leave provisions of the Premier's Department Personnel Handbook. The Trust complied with these requirements.

FINANCIAL INFORMATION

The following information relates to the Trust's consolidated finances.

Year ended 30 June	2001 \$'000	2000 \$'000
Expenses	18,909	19,563
Retained revenue	4,206	3,585
Net cost of services	14,703	15,978
Government contributions	14,876	13,919
Surplus/(deficit) from ordinary activities	173	(2,059)
Net assets (at 30 June)	120,653	77,967

The increase in net assets was predominantly due to the transfer of Government House land and buildings from the Premier's Department for \$42.4 million.

Controlled Entities

The Historic Houses Trust of NSW Foundation

Year ended 30 June	2001 \$'000	2000 \$'000
Expenses	180	96
Revenue	545	158
Surplus	365	62
Assets (at 30 June)	1,412	1,088
Liabilities (at 30 June)	12	54
Accumulated funds	1,400	1,034

The Rouse Hill Hamilton Collection Pty Limited and the Hamilton Rouse Hill Trust

The trust had no income during the year.

At 30 June 2001 trust assets of \$686,000 were predominantly represented by the Hamilton Rouse Hill Collection. The trust has no liabilities.

The company has never operated in its own right. Its result for the year was nil. The company's only asset is \$2 cash equating to equity of issued share capital.

TRUST ACTIVITIES

The principal functions of the Trust are to:

- ◆ manage and maintain as house museums the buildings acquired by or vested in it
- ◆ conserve the buildings
- ◆ provide educational and cultural services.

The Trust currently owns and manages thirteen properties of historic significance. Eleven of these properties are open as museums.

Under the *Historic Houses Act 1980*, the Trust is subject to the direction and control of the Minister.

The Historic Houses Trust of NSW Foundation promotes, advances and develops the museums under the Trust's care, custody and control.

The Rouse Hill Hamilton Collection Pty Limited acts solely as trustee for the Hamilton Rouse Hill Trust.

The Historic Houses Trust accepts sole responsibility for the management and conservation of the collection.

For further information on the Historic Houses Trust refer to www.hht.nsw.gov.au.

Ministry for the Arts

AUDIT OPINION

The audit of the Ministry's financial report for the year ended 30 June 2001 resulted in the issue of an unqualified Independent Audit Report.

CONTROL ISSUES

During the course of the audit, we identified opportunities for improvement in internal control. These were minor and were reported to the Ministry.

COMPLIANCE ISSUES

We tested whether the Ministry complied with long service leave provisions of the Premier's Department Personnel Handbook. The Ministry complied with these requirements.

FINANCIAL INFORMATION

Year ended 30 June	2001 \$'000	2000 \$'000
Grants and subsidies	24,240	21,864
Other expenses	7,630	5,739
Net cost of services	25,783	26,185
Government contributions	37,774	35,147
Net assets (at 30 June)	46,791	34,800

The increase in net assets was primarily due to the purchase of property at Leichhardt and improvements to leasehold facilities at Walsh Bay. The property at Leichhardt is leased to Arts and Cultural Bodies for storage space.

MINISTRY ACTIVITIES

The Ministry was established in 1988. It advises the Government on all aspects of the arts and cultural activities in New South Wales. It manages Government arts projects and capital expenditures, monitors and provides policy advice on the State's cultural institutions, and administers a cultural grants program which supports a range of arts organisations across the State.

For further information on the Ministry for the Arts refer to www.arts.nsw.gov.au.

Attorney General

- Attorney General's Department**
- Crown Solicitor's Office**
- Judicial Commission of New South Wales**
- Legal Aid Commission of New South Wales**
- Office of the Director of Public Prosecutions**
- Office of the Protective Commissioner and Public Guardian**
- Registry of Births, Deaths and Marriages**
- Victims Compensation Fund Corporation**

Attorney General's Department

AUDIT OPINION

The audit of the financial report of the Department for the year ended 30 June 2001 resulted in the issue of an unqualified Independent Audit Report.

CONTROL ISSUES

The Department does not have a reliable system for reporting and controlling debtors. The Department is correcting this situation.

Other minor accounting, procedural and internal control issues were identified. These have been, or are being addressed by the Department.

COMPLIANCE ISSUES

We examined whether the Department complied with the long service leave provisions of the Premier's Department Personnel Handbook and the depreciation requirements of:

- ◆ the Australian Accounting Standard on Depreciation
- ◆ Treasury Circular No 11-95, 'Accounting Policies for various Financial Reporting Issues'
- ◆ the 'Financial Reporting Code for Budget Dependent General Government Sector Agencies'.

The Department generally complied with the requirements. A number of minor errors in the calculation of long service leave entitlements were detected. Also the Department is still using a substantial number of assets that have been fully depreciated and the Audit Office recommends that depreciation rates be reassessed.

OTHER ISSUES

Accrual of Consolidated Fund Appropriations as Expenditure

The Department receives a budget allocation from Consolidated Fund for projects undertaken in conjunction with community groups. Delays can occur in these projects leading to unspent money at year-end. The Department accrues these amounts even though no liability exists, in order to ensure that the funds are available to complete the projects. For example the Safer Communities Development Program shows expenditure of \$1.4 million even though no obligation to spend the funds had been established by 30 June 2001.

This has the effect of overstating expenditure and accrued liabilities in the financial report. It is possible that this may be a common issue for budget dependent agencies involved in projects with community organisations.

FINANCIAL INFORMATION

Abridged Statement of Financial Performance

Year ended 30 June	2001 \$'000	2000 \$'000
Employee related	246,927	235,583
Other expenses	269,313	225,279
TOTAL EXPENSES	516,240	460,862
TOTAL REVENUE	131,586	118,464
NET COST OF SERVICES	384,654	342,398
Add Government Contributions	370,368	350,619
SURPLUS/(DEFICIT) FOR THE YEAR	(14,286)	8,221

The \$55.4 million increase in total expenses was mainly due to a \$10.3 million increase in victims compensation payments to \$90.0 million, and an adjustment of \$22.1 million to victims compensation debtors. For further information on victims compensation refer to the comment on the Victims Compensation Corporation elsewhere in this volume.

The transactions in respect of victims compensation also significantly contributed to the decline in non-current assets of the Department (see the Abridged Statement of Financial Position) and the increased net cost of services for the Human Rights Services program (see the Abridged Program Statement).

Abridged Statement of Financial Position

At 30 June	2001 \$'000	2000 \$'000
Current assets	26,183	22,974
Non-current assets	494,311	509,111
TOTAL ASSETS	520,494	532,085
Current liabilities	54,811	51,607
Non-current liabilities	46,791	47,300
TOTAL LIABILITIES	101,602	98,907
NET ASSETS	418,892	433,178
Accumulated funds	354,814	369,100
Asset revaluation reserve	64,078	64,078
TOTAL EQUITY	418,892	433,178

Abridged Program Statement

The following abridged program statement reflects the consolidated figures for the Department and the agencies it controls.

Program Description	2001		Net Cost of Services \$'000	2000
	Revenues* \$'000	Expenses* \$'000		Net Cost of Services \$'000
Supreme Court	29,615	45,085	15,470	15,574
District Court	16,613	43,996	27,383	26,537
Local Courts	26,212	122,158	95,946	86,282
Compensation Court	27,479	27,034	(445)	(926)
Commercial Services	30,002	40,992	10,990	2,713
Guardianship and Management Services	22,803	27,974	5,171	(970)
Justice Support Services	6,948	65,271	58,323	56,213
Human Rights Services	13,982	128,592	114,610	87,764
Other	9,576	72,046	62,470	57,577
Total all programs	183,230	573,148	389,918	330,764

* Includes gain/loss on sale of non-current assets

Administered Revenue

Revenue earned on behalf of the State during the year amounted to \$91.9 million (\$72.6 million). Debtors in respect of fines revenue were \$460 million (\$392 million) of which \$334 million or 72.6 per cent (\$298 million or 76 per cent) has been provided for as doubtful debts. Due to the nature of these debts and the circumstances of the debtors, the provision for doubtful debts is traditionally very high.

Departmental Debtors

Unlike fines, uncollected court debtors are treated as departmental debtors. At 30 June 2001, court debtors amounted to \$50.0 million (\$48.0 million) of which \$36.3 million has been provided as doubtful debts.

There is an additional \$28.9 million (\$45.5 million) of victims' compensation debtors. The significant decrease in these debtors relates to a change in accounting policy. Previously, when defendants failed to respond to a Notice of Provisional Order for Restitution (or Notice of Intention to Show Cause under old legislation), the matter was referred to the State Debt Recovery Office for enforcement action. Historically, recovery on these debts has been minimal and as a result the Department no longer raises these orders as a debt. This contributed to a net reduction of \$16.6 million.

Capitalisation of Expenditure

In some instances the Department is incorrectly classifying expenditure as capital or operating. The Department is basing its treatment on the source of funds, ie whether it is funded from a capital or recurrent Consolidated Fund allocation. This contravenes NSW Treasury Guidelines on the Capitalisation of Expenditure which requires that the nature of the expenditure rather than its funding source determines whether capitalisation occurs.

The conflict between funding source and accounting treatment may be an issue for other budget dependent agencies.

DEPARTMENT ACTIVITIES

The Department provides the legal and administrative framework to allow the conduct of the Attorney General's role as the first law officer of the State. The Department is also responsible for:

- ◆ providing support services for the Attorney General's legislative and advisory responsibilities to Parliament and the Executive Council
- ◆ providing and servicing a system of courts, together with the associated facilities
- ◆ determining and enforcing legal rights and responsibilities
- ◆ providing public access to the courts and legal system
- ◆ providing legal policy advice and legislative services to the Attorney General.

Separate financial reports are prepared for the Crown Solicitor's Office, the Office of the Protective Commissioner and Public Guardian and the Registry of Births, Deaths and Marriages. Financial operations of these agencies are reviewed separately in this Volume. Detailed comment on the operations of the Victims Compensation Fund Corporation is also included in this Volume.

State Debt Recovery Office

The State Debt Recovery Office (SDRO) was established as a unit of the Department in 1998. At the time, approximately 1.1 million historical matters were referred for follow-up. Priority was given to actioning new matters and the follow-up of these historical matters has taken some time.

SDRO recovered \$90.2 million in outstanding fines, penalties and enforcement costs for 2000-01 (\$62.0 million in 1999-2000). The net cost of services of running the SDRO for the year was \$10.5 million.

For further information on the Attorney General's Department refer to www.agd.nsw.gov.au/agd.nsf/pages/index.

Crown Solicitor's Office

AUDIT OPINION

The audit of the financial report of the Office for the year ended 30 June 2001 resulted in the issue of an unqualified Independent Audit Report.

COMPLIANCE ISSUES

We tested whether the Office complied with the long service requirement of the Premier's Department Personnel Handbook and the depreciation requirement of:

- ◆ The Australian Accounting Standard on depreciation
- ◆ Treasury Circular No 11-95, 'Accounting Policies for Various Financial Reporting Issues'.

The Office complied with these requirements.

FINANCIAL INFORMATION

Abridged Statement of Financial Performance

Year ended 30 June	2001 \$'000	2000 \$'000
REVENUE	30,713	32,069
Employee related expenses	13,914	8,147
Other expenses	<u>17,820</u>	<u>18,784</u>
TOTAL EXPENDITURE	<u>31,734</u>	<u>26,931</u>
OPERATING SURPLUS/(DEFICIT)	(1,021)	5,138
Dividend/Contribution	874	505

The Office's operating results for the past two years have been affected by actuarial adjustments to superannuation prepayments. Without these adjustments this year's result would have been a surplus of \$1.2 million.

Abridged Statement of Financial Position

At 30 June	2001 \$'000	2000 \$'000
Current assets	15,322	15,676
Non-current assets	<u>10,091</u>	<u>13,032</u>
TOTAL ASSETS	<u>25,413</u>	<u>28,708</u>
Current liabilities	3,213	4,449
Non-current liabilities	<u>1,781</u>	<u>1,945</u>
TOTAL LIABILITIES	<u>4,994</u>	<u>6,394</u>
NET ASSETS	<u>20,419</u>	<u>22,314</u>
Retained earnings	<u>20,419</u>	<u>22,314</u>
TOTAL EQUITY	<u>20,419</u>	<u>22,314</u>

Judicial Commission of New South Wales

AUDIT OPINION

The audit of the Commission's financial report for the year ended 30 June 2001 resulted in the issue of an unqualified Independent Audit Report.

COMPLIANCE ISSUES

We tested whether the Commission complied with long service leave provisions of the *Long Service Leave Act 1955*. The Commission complied with these requirements.

FINANCIAL INFORMATION

Year ended 30 June	2001 \$'000	2000 \$'000
Employee related expenses	2,109	1,910
Net cost of services	3,108	2,975
Government contributions	3,155	3,063
Net assets (at 30 June)	86	39

The increase in net assets was mainly due to increase in prepayments and GST receivables.

COMMISSION ACTIVITIES

The Commission is constituted as a corporation under the *Judicial Officers Act 1986* for the purpose of assisting courts to achieve consistency in imposing sentences; providing continuing education and training of judicial officers; and investigating and dealing with complaints against judicial officers.

Following the introduction of new legislation relating to forensic procedures and care and protection of children and young persons in 2000-01, the Commission provided judicial officers with detailed sessions designed to help them respond to these legal developments. The Criminal Trial Courts Bench Book provided new draft jury directions that reflected changes associated with recent decisions and the Judicial Information Research System (JIRS) included recent legislative change and important new judgements.

For further information on the Judicial Commission of New South Wales refer to www.judcom.nsw.gov.au.

Legal Aid Commission of New South Wales

AUDIT OPINION

The audit of the Legal Aid Commission's financial report resulted in the issue of an unqualified Independent Audit Report.

CONTROL ISSUES

We identified opportunities for improvements in the areas of non-current assets, computer systems and financial information disclosure in the financial statements. Recommendations have been made to the management of the Commission.

COMPLIANCE ISSUES

We tested whether the Commission complied with:

- ◆ the delegation provisions of the *Legal Aid Commission Act 1979* and other applicable legislation and policies
- ◆ long service leave provisions of the Premier's Department Personnel Handbook.

The Commission complied with these requirements.

FINANCIAL INFORMATION

Abridged Statement of Financial Performance

Year ended 30 June	2001 \$'000	2000 \$'000
Employee related	41,534	37,676
Other expenses	59,066	49,474
TOTAL EXPENSES	100,600	87,150
TOTAL REVENUE	57,372	58,421
Gain/(Loss) on sale of non-current assets	2	(17)
NET COST OF SERVICES	43,226	28,746
Add Government Contributions	41,323	38,024
SURPLUS/(DEFICIT) FOR THE YEAR	(1,903)	9,278

During the year the Commission received funding of \$33.7 million (including \$418,000 for over expenditure in the prior year) from the Commonwealth to provide legal services on Commonwealth matters. At the end of the year \$8.2 million was unspent and carried forward to 2001-02. The \$8.2 million was shown as revenue in the financial report.

The \$9.5 million increase in other expenses was mainly due to an \$8.7 million increase in fees paid to private legal practitioners.

A decrease of \$4.9 million in the Prepaid Superannuation Contribution Reserve contributed to the deficit.

Abridged Statement of Financial Position

At 30 June	2001 \$'000	2000 \$'000
Current assets	16,223	8,457
Non-current assets	19,932	25,433
TOTAL ASSETS	36,155	33,890
Current liabilities	15,622	11,127
Non-current liabilities	6,051	6,378
TOTAL LIABILITIES	21,673	17,505
NET ASSETS	14,482	16,385
Accumulated funds	14,482	16,385
TOTAL EQUITY	14,482	16,385

Abridged Program Statement

Program Description	2000-01		Net Cost of Services \$'000	1999-2000
	Revenues * \$'000	Expenses * \$'000		Net Cost of Services \$'000
Family law	23,684	20,594	(3,090)	1,377
Criminal law	4,628	52,220	47,592	38,480
General law	7,855	15,263	7,408	7,260
Community legal centres	5,321	10,955	5,634	5,239
Alternative dispute resolution	1,514	1,571	57	(3)
Not attributable to any program –				
Commonwealth funding	14,399	24	(14,375)	(23,607)
Total all programs	57,401	100,627	43,226	28,746

* Includes gain/(loss) on sale of non-current assets

COMMISSION ACTIVITIES

The Commission is primarily responsible for providing legal aid and other legal services in accordance with the *Legal Aid Commission Act 1979*. Legal aid services are provided by the Commission's officers or by private legal practitioners. The Commission is required to ensure that legal aid is provided in the most effective, efficient and economical manner. A means test applies to most applications for assistance while some are the subject of a merit test as well. A legally assisted person may be required to make an initial contribution towards the Commission's costs and, if successful in a civil action, to meet the balance of any costs out of moneys recovered as a result of the proceedings. A legally assisted person may also be required to reimburse the Commission, and the Commission may defer recovery if the assisted person provides security.

For further information on the Commission, refer to www.legalaid.nsw.gov.au.

Office of the Director of Public Prosecutions

AUDIT OPINION

The audit of the Office's financial report for the year ended 30 June 2001 resulted in the issue of an unqualified Independent Audit Report.

COMPLIANCE ISSUES

We tested whether the Office complied with the Treasurer's Directions and the Office's policy for credit card usage and the long service leave requirements of the Premier's Department Personnel Handbook. Except for some credit card holders not signing a schedule of responsibilities, the Office complied with the requirements.

FINANCIAL INFORMATION

Year ended 30 June	2001 \$'000	2000 \$'000
Income	403	275
Salaries and related expenses	45,713	43,700
Other expenses	14,379	14,138
Operating surplus/(deficit)	553	(1,549)
Net assets (at 30 June)	1,629	2,088

OFFICE ACTIVITIES

The Office was constituted under the *Director of Public Prosecutions Act 1986*. The principal functions and responsibilities of the Director of Public Prosecutions are to institute and conduct, on behalf of the State, prosecutions for indictable offences in the District and Supreme Courts and to appear as appellant or respondent in criminal appeals.

For further information on the Office refer to www.odpp.nsw.gov.au.

Office of the Protective Commissioner and Public Guardian

AUDIT OPINION

The audit of the Office's financial report for the year ended 30 June 2001 resulted in the issue of an unqualified Independent Audit Report.

CONTROL ISSUES

We identified opportunities for improvement in:

- ◆ controls over payments held in suspense until a management order is received
- ◆ controls over fixed assets
- ◆ controls over calculation of capital fees
- ◆ the progress of a disaster recovery plan.

These issues are being discussed with the management of the Office.

COMPLIANCE ISSUES

We tested whether the Office complied with the long service leave provisions of the Premier's Department Personnel Handbook.

The Office complied with these requirements, except that it recognises a long service leave liability from the start of an employee's service. As no legal liability exists in an employee's first five years of service, the Office's long service leave liability is overstated. The Office's reason for this approach is to ensure that current clients meet all costs during the period of their association with the Office instead of such expenses being met by subsequent clients. The value of the overstatement is not material to the financial report.

OTHER ISSUES

The Prudent Person Principle

The prudent person principle sets out guidelines for the management and investment of beneficiaries' funds by trustees. The Office has been moving to implement these guidelines subject to the outcome of the Public Bodies Review Committee inquiry. Developments during the year included:

- ◆ setting up a financial planning branch and starting to prepare financial plans for clients
- ◆ implementation of a new investment management computer system
- ◆ preparing for the diversification of the Common Fund into a number of investment portfolios once the *Protected Estates Amendment (Investment) Act 2000* is commenced.

Capital Fees

During the year ended 30 June 2001 the Commissioner reviewed the capital fees paid by estates covering the previous 14 years. The review found that the fee structure had been applied incorrectly and resulted in a net refund of \$1.9 million to estates on 29 December 2000. The Audit Office found an instance of the fee structure still being applied incorrectly subsequent to this date.

Estates Guarantee and Reserve Account

Transactions were being processed through this account so that only their net effect was shown in a note to the financial report and the transactions were not reflected in the draft Statement of Financial Performance of the Common Fund submitted for audit. This would have been a contravention of AAS1 'Statement of Financial Performance' which requires all transactions to be disclosed in the Statement. The Office provided full details of these transactions for audit and the financial report was amended once the Audit Office raised this issue.

FINANCIAL INFORMATION

Administration Fund

The Administration Fund represents the revenues, expenses, assets and liabilities of the Office.

Abridged Statement of Financial Performance

Year ended 30 June	2001 \$'000	2000 \$'000
TOTAL REVENUE	27,887	28,350
Salaries and related payments	21,393	15,540
Other expenses	<u>6,981</u>	<u>7,084</u>
TOTAL EXPENDITURE	28,374	22,624
(DEFICIT)/SURPLUS FROM ORDINARY ACTIVITIES	<u>(487)</u>	<u>5,726</u>

The \$5.9 million increase in salaries and related payments is mainly due to changes in assumptions used to calculate the superannuation expense. This resulted in a superannuation expense of \$3.0 million compared to superannuation revenue of \$2.6 million in the previous year, a difference of \$5.6 million.

Abridged Statement of Financial Position

At 30 June	2001 \$'000	2000 \$'000
Current assets	5,904	7,651
Non-current assets	<u>12,752</u>	<u>11,153</u>
TOTAL ASSETS	18,656	18,804
Current liabilities	2,640	2,874
Non-current liabilities	<u>2,311</u>	<u>1,738</u>
TOTAL LIABILITIES	4,951	4,612
NET ASSETS	<u>13,705</u>	<u>14,192</u>
Asset revaluation reserve	146	146
Retained earnings	<u>13,559</u>	<u>14,046</u>
TOTAL EQUITY	<u>13,705</u>	<u>14,192</u>

Common Fund

The Common Fund represents the funds of the Office's clients.

Abridged Statement of Financial Performance

Year ended 30 June	2001 \$'000	2000 \$'000
TOTAL REVENUE	73,760	74,287
Interest paid to estates under management	62,936	57,935
Office of the Protective Commissioner - fees	3,937	3,310
Transfers to Administration Fund	12,000	13,000
Other expenses	2,849	603
TOTAL EXPENDITURE	81,722	74,848
(DEFICIT)/SURPLUS FROM ORDINARY ACTIVITIES	<u>(7,962)</u>	<u>(561)</u>

Even though revenue was slightly lower than last year, the interest paid to clients increased by \$5.0 million, an example of how the Office uses unallocated investment income to sustain interest payments to clients. Other expenses included \$1.9 million for the capital fee refund and \$540,000 for the cost of setting up to comply with the prudent person principle.

Abridged Statement of Financial Position

At 30 June	2001 \$'000	2000 \$'000
Cash and current investments	622,372	506,820
Non-current investments	510,097	617,503
TOTAL ASSETS	1,132,469	1,124,323
Administration Fund investment account	4,893	6,815
Estates under management	1,104,677	1,086,647
TOTAL LIABILITIES	1,109,570	1,093,462
NET ASSETS	<u>22,899</u>	<u>30,861</u>
Unallocated investment income	17,528	25,480
Estates guarantee and reserve account	5,371	5,381
TOTAL EQUITY	<u>22,899</u>	<u>30,861</u>

OFFICE ACTIVITIES

The Protective Commissioner is a statutory officer empowered under the provisions of the *Protected Estates Act 1983*, the *Supreme Act 1970* and the *Supreme Court Rules 1970* to:

- ♦ manage the affairs of those persons who are not able to manage their own affairs and whose affairs have been formally committed to management by order under the Protected Estates Act
- ♦ direct, supervise and enforce the performance of the obligations and duties of private managers appointed by the Court or Guardianship Tribunal
- ♦ provide registry services for the Protective List of the Supreme Court pursuant to the Supreme Court Act and Rules.

The Protective Commissioner is also the Public Guardian under the *Guardianship Act 1987* acting as a substitute decision maker for persons that have a disability, an incapacity to make their own decisions, and a need for a guardian when appointed to do so. Decisions are made in such areas as accommodation, services and consenting to medical and dental treatment. The Public Guardian also advocates for the services and support needed by people under guardianship.

The Office of the Protective Commissioner forms part of the Human Rights Program of the NSW Attorney General's Department. The Protective Commissioner reports administratively to the Attorney General via the Director General and, in respect of some functions, to the Chief Justice.

Common Fund

The Common Fund represents the funds of the Office's clients. These funds are invested on behalf of the clients and the revenue is available for distribution to clients. Some of the revenue is also used to finance the activities of the Office via fees charged to the clients and transfers that are at the discretion of the Protective Commissioner. The fees and transfers are expenses of the Common Fund and revenues of the Administration Fund.

For further information on the Office of the Protective Commissioner see www.lawlink.nsw.gov.au/opc.
For further information on the Office of the Public Guardian see www.lawlink.nsw.gov.au/opg.

Registry of Births, Deaths and Marriages

AUDIT OPINION

The audit of the financial report of the Registry for the year ended 30 June 2001 resulted in the issue of an unqualified Independent Audit Report.

KEY ISSUES

The assets of the Registry are understated as they do not include a value for the register of births, deaths and marriages. The register is used to produce most of the Registry's statistical information and certificates.

Auditor-General's Reports to Parliament have raised this issue since 1997. However, NSW Treasury advised the Registry that they should await the outcome of the Australian Accounting Standards Board's deliberations on intangible assets before valuing the register.

COMPLIANCE ISSUES

We tested whether the Registry complied with the long service leave provisions of the Premier's Department Personnel Handbook.

With the exception of some minor errors in the calculation of long service leave entitlements the Registry complied with these requirements. The Registry has been advised of these errors.

FINANCIAL INFORMATION

Year ended 30 June	2001 \$'000	2000 \$'000
Income	13,717	13,272
Salaries and related expenses	6,491	3,158
Other expenses	5,899	4,391
Operating surplus	1,327	5,723
Net assets (at 30 June)	10,076	10,591

The Registry purchased a building for the relocation of its Sydney Office in December 2000 for \$4.8 million. The Registry is undertaking a fit-out of the new premises before moving in which has cost \$450,000 to date and is expected to cost \$3.5 million in total.

The Registry received a \$4.5 million Treasury advance to acquire the new land and building, to be repaid by December 2006.

The Registry's operating surplus for the last two years has been significantly affected by adjustments relating to superannuation prepayments which principally arise from actuarial assessments. In the absence of these adjustments the surplus would have been \$2.6 million in 2000-01 and \$3.5 million in 1999-2000.

REGISTRY ACTIVITIES

The Registry is a commercial activity of the Attorney General's Department.

Under the *Births, Deaths and Marriages Registration Act 1995*, its principal functions are to record and maintain details of births, deaths, marriages, changes of name and changes of sex, memoranda of adoptions, parentage information in New South Wales and to preserve historic records dating back to 1787. The operations of the Registry also include the provision of certificates for a fee and the supply of statistical information to approved bodies.

For further information on the Registry refer to www.bdm.nsw.gov.au.

Victims Compensation Fund Corporation

AUDIT OPINION

The Corporation is a business unit of the Attorney General's Department. The Corporation does not prepare a separate financial report as it is not scheduled under the *Public Finance and Audit Act 1983*. Consequently, a separate audit opinion is not issued.

KEY ISSUES

The recovery of restitution and levy debts has been minimal. Restitution debtors are people who have been convicted of certain offences and are required to pay restitution for the compensation awarded to their victims. A victims compensation levy of \$30 is payable by all people convicted of certain offences, whether or not a compensation claim is lodged. Many of these debtors are difficult to locate, have little or no assets or are serving prison terms. Also when payments are made they are usually in small instalments.

The financial impacts of this situation have been:

- ◆ \$173 million is recorded as receivable from restitution orders at 30 June 2001, however \$144 million is considered very unlikely to be recovered.
- ◆ \$6.3 million of \$9.0 million in outstanding compensation levies at 30 June 2001 is considered doubtful.

A person is convicted in only 58 per cent of compensation cases. Of the \$839 million awarded in compensation since 1988 potential restitution exists for \$486 million. The actual amount received to 30 June 2001 is \$17.5 million (\$14.0 million).

The Corporation has changed its procedures to address the low recovery rate of restitution debts. A debt is now only recorded when there is a reasonable chance of recovery, usually when there has been a response to a Notice of Provisional Order for Restitution. This change contributed to a net decline in restitution debtors at year-end from \$45.5 million in 1999-2000 to \$28.9 million. The Corporation continues to followup people with outstanding Provisional Orders.

FINANCIAL INFORMATION

Victims Compensation Payments

Compensation awarded in 2000-01 was \$90.0 million (\$79.7 million in 1999-2000). This includes compensation awarded but not yet paid. The 12.9 per cent increase was driven by an increase of 79.8 per cent in the number of claims awarded. The average payment fell from \$11,477 to \$7,854. Amendments to claim eligibility and thresholds enacted over the last five years have also contributed to these changes.

Claims pending at 30 June 2001 total 13,129 (17,806 in 1999-2000). This represents a contingent liability of \$115 million (\$207 million). It is projected that 5,515 of these will result in an award (10,862).

CORPORATION ACTIVITIES

The Victims Compensation Fund Corporation operates under the *Victims Support and Rehabilitation Act 1996* and has a primary emphasis on rehabilitation of victims of crime. The Fund compensates and counsels victims of crime and seeks to obtain restitution from offenders.

Various amendment Acts since the *Victims Compensation Act 1987* (being the original legislation) have changed the eligibility criteria for compensation and the various types and amounts of compensation available.

For further information on Fund refer to www.agd.nsw.gov.au/vct.hsf/pages/index.

Minister for Community Services

Community Services Commission
Office of the Children's Guardian

FINANCIAL INFORMATION

Year ended 31 March	2014 \$'000	2013 \$'000
Income and expenses		
Income from grants	1,147	2,071
Other income	1,200	1,200
Operating expenses	(1,275)	(1,275)
Net income for year	172	100

COMMISSION ACTIVITIES

The Commission was established by the Community Services (Complaints, Review and Monitoring) Act 1994 and commenced operations in April 1994. The Community Values Board and the National Children's Guardian are part of the Commission's operations.

The Commission has given the Minister authority to control and direct the Commission in performing these functions.

The Commission was established primarily for the provision of community services provided by the Government. The Commission independently monitors services provided to children, young people and people with disabilities, reviews the performance of those services, and manages complaints and makes recommendations to the Minister. The Commission also provides advice to government on community services, working with agencies to service provision and act as a facilitator in the delivery, provision of services. It also oversees the Commission's Values Scheme.

In December 2016 the Minister requested advice from the Chief Executive Officer about the effect of having the complaints jurisdiction of the Commission in effect. The Commission is now excluded from handling complaints and conducting monitoring work in relation to certain 'sensitive functions' of Queensland's Community Services, in the areas of child protection and care of people over 16.

From 2016 the Cabinet Office and Premier's Department have been overseeing the Commission, including and often approved when oversight the provision of community services in New South Wales.

The Cabinet Office and Premier's Department have recently advised that the preferred option is for the reallocation of the Commission with the office of the Ombudsman.

For further information on the Community Services Commission, or for more information, please contact the Commission.

Community Services Commission

AUDIT OPINION

The audit of the Commission's financial report for the year ended 30 June 2001 resulted in the issue of an unqualified Independent Audit Report.

COMPLIANCE ISSUES

We tested whether the Commission complied with long service leave provisions of the Premier's Department Personnel Handbook. We found that the Commission complied with these requirements.

FINANCIAL INFORMATION

Year ended 30 June	2001 \$'000	2000 \$'000
Employee related expenses	3,047	3,029
Net cost of services	4,030	4,044
Government contributions	4,000	3,994
Net assets (at 30 June)	15	45

COMMISSION ACTIVITIES

The Commission was constituted by the *Community Services (Complaints, Reviews and Monitoring) Act 1993* and commenced operations in April 1994. The Community Visitors Scheme and the Review Council also form part of the Commission's operations.

The Act does not give the Minister capacity to control and direct the Commission in performing those functions.

The Commission acts as an independent watchdog for the consumers of community services provided by or funded by the Government. The Commission independently monitors services provided to children, young people and people with disabilities, reviews the circumstances of those in residential care, investigates complaints and reports community service issues to the Minister. The Commission also provides advice to consumers of community services, training and support to service providers and acts as a mediator in the informal resolution of disputes. It also coordinates the Community Visitors Scheme.

In November 2000 the Minister received advice from the Crown Solicitor that had the effect of limiting the complaints jurisdiction of the Commission. In effect the Commission is now excluded from handling complaints and conducting investigations in relation to certain 'statutory functions' of the Department of Community Services, in the areas of child protection and out of home care.

Since then the Cabinet Office and Premier's Department have been reviewing the Commission, Ombudsman and other agencies which oversight the provision of community services in New South Wales.

The Cabinet Office and Premier's Department have recently advised that the preferred option is for the amalgamation of the Commission with the office of the Ombudsman.

For further information on the Community Services Commission refer to www.csc.nsw.gov.au.

Office of the Children's Guardian

AUDIT OPINION

The audit of the Office's financial report for the period 13 December 2000 to 30 June 2001 resulted in the issue of an unqualified Independent Audit Report.

CONTROL ISSUES

Existing practices did not help the identification and recognition of amounts due from other Government agencies, especially reimbursements of employee leave entitlements for staff transferred to the Office. While the financial report was amended to recognise these amounts, arrangements need to be made with the Office's accounting services provider to ensure all assets and liabilities are recognised on a timely basis. Other minor matters will be discussed with Office staff and, where appropriate, included in a letter to management.

COMPLIANCE ISSUES

We tested whether the Office complied with the long service leave provisions of the Premier's Department Personnel Handbook. The Office complied with these requirements.

FINANCIAL INFORMATION

Period ended 30 June	2001 \$'000
Employee related expenses	245
Other expenses	536
Revenue	5
Net cost of services	776
Government contributions	1,492
Surplus from ordinary activities	716
Net assets (at 30 June)	716

OFFICE ACTIVITIES

The *Children and Young Persons (Care and Protection) Act 1998* established the position of Children's Guardian and functions. The Office was established on 13 December 2000. The Office began operations on 2 January 2001. During the year the Office established its new premises at Parramatta, recruited staff and commenced acquiring the infrastructure necessary for the operations of the Office.

For further information regarding the activities of the Office refer to www.kidsguardian.nsw.gov.au.

Minister for Corrective Services

Department of Corrective Services

Department of Corrective Services

AUDIT OPINION

The audit of the Department's financial report for the year ended 30 June 2001 resulted in the issue of an unqualified Independent Audit Report.

KEY ISSUES

Employee Entitlements Irregularities

The Department established a Leave Taskforce Team to review selected Correctional Centres after Internal Audit found what appeared to be systemic irregularities at Lithgow Correctional Centre. We have been advised that the Taskforce Team has found similar irregularities to those at Lithgow. The Department is taking action to address the issues, including the recovery of unrecorded leave from employees. At this stage, no charges have been laid against any employees.

Fraud Referred to the ICAC

Volume Five of the Auditor-General's Report to Parliament for 2000 reported that discrepancies had been identified by Internal Audit in the public moneys account at the Special Purpose Centre at Long Bay Goal. The Department referred the matter to the ICAC and forwarded the result of the investigation to the Police. An administrative officer of the Centre has been charged with fraud involving approximately \$130,000 in the purchase of food over many years. Shortfalls were also detected in the inmates cash account (public monies), \$94,163, toys sales and miscellaneous receipts, \$27,912 and petty cash, \$5,812.

Internal Audit Restructure

There has not been a permanent Head of the Internal Audit Branch for over a year, and the staffing of that Branch has not been adequate for some time. This has meant that the Internal Audit Branch has not functioned effectively in that time.

A number of recommendations were made but the implementation has currently been deferred pending the appointment of a new Director of Audit. Recruitment action is currently underway.

In line with other restructuring of the Department, the Internal Audit Branch has recently been included within the framework of a newly created Probity and Performance Management Division. The Director of Audit will report to the Commissioner and the Audit Committee in respect of audit matters. The Internal Audit Branch also continues as an independent cost centre for budgeting purposes. However, in respect of strategic, policy and procedural matters, the Director of Audit will report to the Executive Director Probity and Performance Management Division.

The main focus of the Internal Audit Branch during the year was the performance of operational audits rather than financial audits. Consequently, we placed no reliance on the work of Internal Audit in forming our audit opinion for the year.

The Branch over the past few years has identified in its Business Plans the need to move away from financial audits and employ a greater percentage of time on operational auditing. But it would appear that it has moved too far in that direction, at the expense of financial control type audits. The Department has advised that it will address this issue once positions are filled within the Branch.

CONTROL ISSUES

Capitalisation of Property, Plant and Equipment

The Department is capitalising assets without proper documentation from the Department of Public Works and Services or its own Capital Works Branch. The basis of capitalising the asset was the verbal approval from the officers of the Capital Works Branch.

Other Matters

A number of matters were noted during the audit in respect of fixed assets, key accounting reconciliations, as well as expenditure and payroll controls. These matters have been discussed with staff of the Department and, where appropriate, will be raised in a letter to the Department.

COMPLIANCE ISSUES

We tested whether the Department complied with:

- ◆ the long service leave provisions of the Premier's Department Personnel Handbook
- ◆ the requirements of Parts 3 and 4 of the *State Authorities Superannuation Act 1987*, Part 3 of the *State Authorities Non-Contributory Superannuation Act 1987* and Part 3 of the *Superannuation Act 1916* for Pooled Fund schemes and the requirements of the *First State Superannuation Act 1992* for First State Superannuation
- ◆ Premier's Department policy and Departmental policy for motor vehicle operations and Treasurer's Directions and Departmental policy for fuel card usage.

No major issues were identified in respect of long service leave or fuel cards. However the audit of superannuation revealed matters which we have reported to the Department, including reconciliations not being performed between the SASS invoice and the amounts paid each month, and the absence of proper documentation of superannuation procedures.

The audit of motor vehicles showed that the Commissioner has been provided a transport benefit as part of his remuneration package for several years. Following a review by a large accounting firm, the Department costed the benefit at \$2,696 per annum, which has been appropriately disclosed on his group certificate. The actual annual charge levied by the Department was \$700, of which \$480 related to the parking levy. Although discussions on this matter occurred in March 2001 between Corrective Services and Premier's Department, there is no evidence of formal advice having been provided by Premier's Department. The Department of Corrective Services continued to charge the Commissioner \$700 per annum until recently. The FBT on the \$700 has been paid by the Department. It would appear that the Commissioner has been undercharged for this benefit. We have been advised that, on becoming aware of the undercharging, the Commissioner has paid the FBT and the cost differential to the Department for the recently completed year.

OTHER ISSUES

Goulburn Correctional Centre – Tendering Processes

As reported in Volume Two of the Auditor-General's Report to Parliament for 1999, legal proceedings were undertaken by a private sector company against the Department. Following an Arbitration Hearing, the Arbitrator made an interim award in July 2000. This is subject to the finalisation of costs and therefore any potential liability for the Department has not been determined.

1999-2000 Annual Report

We identified discrepancies between the audited financial statements and those included in the 1999-2000 Annual Report for the Department. The figures in the Program Statement representing balances for the financial year ended 30 June 2000 had not been accurately reproduced by the Department in the Annual Report.

FINANCIAL INFORMATION

Abridged Statement of Financial Performance

Year ended 30 June	2001 \$'000	2000 \$'000
EXPENSES		
Employee related	381,149	359,148
Other expenses	<u>161,691</u>	<u>157,207</u>
TOTAL EXPENSES	<u>542,840</u>	<u>516,355</u>
TOTAL REVENUES	<u>40,882</u>	<u>33,646</u>
Net gain (loss) on sale of property, plant and equipment	<u>(3,086)</u>	<u>1,003</u>
NET COST OF SERVICES	<u>505,044</u>	<u>481,706</u>
GOVERNMENT CONTRIBUTIONS	<u>543,040</u>	<u>507,783</u>
SURPLUS FOR THE YEAR	<u>37,996</u>	<u>26,077</u>

The major fluctuations are explained as follows:

- ♦ the increase in employee related expenses was due to higher overall staff levels arising from the increase in inmate numbers. A public sector award increase of 2 per cent also occurred in January 2001
- ♦ the increase in revenue was due mainly to an increase of \$3.1 million in respect of maintaining custody of illegal immigrants on behalf of the Commonwealth, and the receipt of a hindsight adjustment of workers' compensation insurance of \$4.2 million
- ♦ the increase in Government Contributions reflects the additional funding provided for the increase in inmate numbers.

Leave Loading

The Department currently does not provide for leave loading on employees' accrued annual leave. The amount involved for the 2001 year was not considered to be material to the financial report, however management has indicated that this matter will be addressed in the 2002 financial year.

Abridged Statement of Financial Position

Year ended 30 June	2001 \$'000	2000 \$'000
Current assets	37,707	26,460
Non-current assets	749,023	718,791
TOTAL ASSETS	786,730	745,251
Current liabilities	49,120	43,242
Non-current liabilities	21,082	23,477
TOTAL LIABILITIES	70,202	66,719
NET ASSETS	716,528	678,532
Reserves	84,668	84,555
Accumulated funds	631,860	593,977
TOTAL EQUITY	716,528	678,532

The increase in non-current assets was due to additions and new capital works to accommodate the increased inmate numbers.

Program Information

The table below details the Department’s net cost of services on a program basis:

Program Description	2000-01		1999-2000	
	Revenues \$'000	Expenses \$'000	Net Cost of Services \$'000	Net Cost of Services \$'000
Containment and care of inmates	20,489	385,951	365,462	351,232
Inmates – assessment, classification and development	16,656	102,227	85,571	81,446
Alternatives to custody	651	54,662	54,011	49,028
	<u>37,796</u>	<u>542,840</u>	<u>505,044</u>	<u>481,706</u>

AGENCY ACTIVITIES

The Department’s primary responsibility, under the *Corrective Centres Act 1952* is to give effect to decisions of the courts and releasing authorities. The courts have the authority to require an offender to submit to a period of probation supervision, to perform community service work, or to serve a term of incarceration by way of home detention, periodic detention or full-time imprisonment. Authorities such as the Parole Board are able to release an offender for a period of supervised conditional liberty. The Department is therefore required to provide supervision and security for remandees detained in custody and for offenders sentenced by the courts to terms of imprisonment. The Department also has a duty to assist offenders to re-integrate successfully into the community.

For further information regarding the activities of the Department refer to www.dcs.nsw.gov.au.

Minister for Education and Training

Office of the Board of Studies

Teacher Housing Authority of New South Wales

Office of the Board of Studies

AUDIT OPINION

The audit of the Office's financial report for the year ended 30 June 2001 resulted in the issue of an unqualified Independent Audit Report.

COMPLIANCE ISSUES

We tested whether the Office complied with the long service leave provisions of the Premier's Department Personnel Handbook. We found that the Office had complied with these requirements.

FINANCIAL INFORMATION

Year ended 30 June	2001 \$'000	2000 \$'000
Revenue	5,547	5,876
Employee related expenses	55,558	54,845
Other expenses	19,187	19,826
Net cost of services	69,198	68,795
Government contributions	70,751	67,610
Net assets	3,958	2,405

Government contributions included recurrent and capital appropriations of \$65.4 million (\$63.0 million in 1999-2000) and \$1.6 million (\$1.2 million) respectively.

OFFICE ACTIVITIES

The Office was established as a department in 1995 under the *Public Sector Management Act 1988*. The Office is responsible for the development and delivery of professional and administrative services to the Minister for Education and Training and the Board of Studies and its committees. These functions include responsibility for NSW curriculum development and support, registration and accreditation of non-government schools, registration for home schooling and the assessment and examination of students for the NSW School Certificate and Higher School Certificate.

The Office also encompasses the Australian Music Examinations Board (NSW) and the Aboriginal Education Consultative Group.

For further information on the Office of the Board of Studies refer to www.boardofstudies.edu.au.

Teacher Housing Authority of New South Wales

AUDIT OPINION

The audit of the Authority's financial report for the year ended 30 June 2001 resulted in the issue of an unqualified Independent Audit Report.

FINANCIAL INFORMATION

Abridged Statement of Financial Position

Year ended 30 June	2001 \$'000	2000 \$'000
Current assets	5,111	3,109
Non-current assets	<u>79,578</u>	<u>82,382</u>
TOTAL ASSETS	<u>84,689</u>	<u>85,491</u>
Current liabilities	4,051	1,576
Non-current liabilities	<u>9,782</u>	<u>14,555</u>
TOTAL LIABILITIES	<u>13,833</u>	<u>16,131</u>
NET ASSETS	<u>70,856</u>	<u>69,360</u>
Reserves	13,197	15,002
Accumulated funds	<u>57,659</u>	<u>54,358</u>
TOTAL EQUITY	<u>70,856</u>	<u>69,360</u>

Abridged Statement of Financial Performance

Year ended 30 June	2001 \$'000	2000 \$'000
Income	13,934	13,977
Expenditure	<u>11,444</u>	<u>10,595</u>
Operating surplus	<u>2,490</u>	<u>3,382</u>

AUTHORITY ACTIVITIES

The Authority was constituted as a statutory body under the *Teacher Housing Authority Act 1975*. Its principal function is to provide and maintain suitable and adequate housing accommodation for teachers.

For further information on the Teacher Housing Authority of New South Wales refer to www.tha.nsw.gov.au.

Minister for Emergency Services

State Emergency Service

Year ended 30 June	2007-08	2006-07
Total income	1,170	1,170
Total expenditure	1,170	1,170
Operating surplus	0	0
Net result of operations	0	0
Operating surplus	0	0
Net result of operations	0	0
Operating surplus	0	0
Net result of operations	0	0
Operating surplus	0	0
Net result of operations	0	0

State Emergency Service

AUDIT OPINION

The audit of the Service's financial report for the year ended 30 June 2001 resulted in the issue of an unqualified Independent Audit Report.

KEY ISSUES

Volume Five of the 2000 Report to Parliament recommended that the Service reassess its capacity to control the operations of local SES units. Although these activities were assessed as not having a material impact on the financial report, the Audit Office believes they should be consolidated.

CONTROL ISSUES

Volume Five of the Auditor-General's Report to Parliament for 2000 commented on deficiencies identified by internal audit in practices adopted by Units in accounting for transactions and maintenance of records. Internal audits undertaken during 2000-01 indicate that some Units continue to operate in a manner inconsistent with Service expectations.

Except for the absence of regular reconciliation of fixed asset records there were no other significant control issues identified during the audit.

COMPLIANCE ISSUES

We tested whether the Service complied with:

- ◆ the Premier's Department Personnel Handbook provisions for long service leave
- ◆ Premier's Department and the Service's policies for motor vehicle operations
- ◆ Treasurer's Directions on fuel card usage.

While the Service substantially complied with these requirements, some recommendations for improvements were made for motor vehicle operations.

FINANCIAL INFORMATION

Year ended 30 June	2001 \$'000	2000 \$'000
Employee related expenses	5,139	4,594
Other expenses	22,463	14,604
Revenue	13,114	6,522
Net cost of services	14,488	12,676
Government contributions	19,326	15,156
Surplus from ordinary activities	4,838	2,480
Net assets (at 30 June)	20,443	15,252

Expenditure is largely dependent upon major incidents arising during the year. Revenue includes reimbursements from the Commonwealth and NSW Governments for expenditure under the natural disaster relief arrangements. These amounts are in addition to normal Consolidated Fund contributions. The increase in net assets is largely attributable to purchases of operational and communication equipment.

SERVICE ACTIVITIES

The Service was established in accordance with the *State Emergency Service Act 1989*. Using volunteers, the Service manages and responds to emergencies resulting from flood, storm, tempest and other incidents. Some 9,000 volunteers operating through 230 community based units located throughout the State help with these activities.

For further information regarding State Emergency Service activities refer to www.ses.nsw.gov.au.

2000-01	1999-00	
1,100.0	1,100.0	Revenue from the Consolidated Fund
1,100.0	1,100.0	Revenue from the Commonwealth
1,100.0	1,100.0	Revenue from the State Government
1,100.0	1,100.0	Revenue from other sources
1,100.0	1,100.0	Revenue from the State Government
1,100.0	1,100.0	Revenue from other sources
1,100.0	1,100.0	Revenue from the State Government
1,100.0	1,100.0	Revenue from other sources
1,100.0	1,100.0	Revenue from the State Government
1,100.0	1,100.0	Revenue from other sources

Minister for Energy

Ministry of Energy and Utilities
Sustainable Energy Development Authority

FINANCIAL INFORMATION

Item	2019	2020
Revenue	1,234,567	1,345,678
Operating expenses	(876,543)	(987,654)
Operating income	358,024	358,024
Non-operating income	123,456	123,456
Income tax	(45,678)	(45,678)
Net income	435,802	435,802

Notes to Financial Statements

The Ministry of Energy and Utilities has prepared these financial statements in accordance with the provisions of the Companies Act 1965. The Ministry is a public body established by the Government of Singapore. The Ministry's principal activities are to develop, regulate and manage the energy sector in Singapore. The Ministry's financial statements are prepared on an accrual basis and are subject to audit by the Comptroller and Auditor General of Singapore.

The Ministry's financial statements are prepared in accordance with the provisions of the Companies Act 1965 and the Accounting Standards for Private Entities (ASPE) issued by the Accounting and Corporate Regulatory Authority (ACRA). The Ministry's financial statements are prepared in Singapore dollars and are subject to audit by the Comptroller and Auditor General of Singapore.

The Ministry's financial statements are prepared in accordance with the provisions of the Companies Act 1965 and the Accounting Standards for Private Entities (ASPE) issued by the Accounting and Corporate Regulatory Authority (ACRA). The Ministry's financial statements are prepared in Singapore dollars and are subject to audit by the Comptroller and Auditor General of Singapore.

Ministry of Energy and Utilities

AUDIT OPINION

The audit of the Ministry's financial report for the year ended 30 June 2001 resulted in the issue of an unqualified Independent Audit Report.

COMPLIANCE ISSUES

We tested whether the Ministry complied with the long service leave provisions of the Premier's Department Personnel Handbook.

The Department complied with these requirements.

FINANCIAL INFORMATION

Year ended 30 June	2001 \$'000	2000 \$'000
Retained revenue	1,421	1,755
Government contributions	7,532	7,499
Salaries and related expenses	4,406	4,827
Other expenses	5,150	5,044
Operating surplus	(606)	(617)
Net assets	4,199	4,805

AGENCY ACTIVITIES

The Ministry of Energy and Utilities was established under the *Public Sector Management Act 1988* in April 1999. The accounts of the Ministry comprise all the entities under its control, including the agency's commercial activities, namely the Energy Corporation of New South Wales and Water Licence Regulator.

The Ministry operates only one program which provides advice on the State energy policy and advice to government to promote the responsible development and use of energy resources in New South Wales. The Ministry also provides support to the Minister for the implementation of regulatory and operational aspects of the Minister's role as Designated Minister under the National Electricity Market (NEM) arrangements.

The Ministry's primary regulatory role is to ensure a smooth transition to competitive national markets in gas and electricity. This includes undertaking reviews of the technical and operational details that will require facilitation or direct regulation in the short to medium term. The long-term goal is to ensure least-cost regulation to the industry through national consistency (reducing industry costs). The Ministry also facilitates the secure, safe and responsible supply of energy within New South Wales.

For further information on the Ministry of Energy and Utilities refer to www.doe.nsw.gov.au.

Ministry of Energy and Utilities

AUDIT OPINION

The audit of the Ministry's financial system for the year ended 30 June 1997 resulted in the issue of an unqualified independent Audit Report.

COMPLIANCE ISSUES

We found whether the Ministry complied with the legal system provisions of the Financial Department Personnel Handbook.

The Department complied with these requirements.

FINANCIAL INFORMATION

Year ended 30 June		
1997	1996	
2,000	1,500	Revenue
1,500	1,000	Expenditure
500	500	Surplus
1,000	1,000	Capital expenditure
1,000	1,000	Debt
1,000	1,000	Assets

AGENCY ACTIVITIES

The Ministry of Energy and Utilities was established under the Public Service Management Act 1997 in April 1997. The accounts of the Ministry comprise all the other bodies which are subject to agency's financial system, namely the Energy Commission of New South Wales and the Energy Research Institute.

The Ministry operates as a government entity, providing services to the State Government and the public. The Ministry's financial system is designed to ensure the efficient management of the State Government's financial resources. The Ministry's financial system is designed to ensure the efficient management of the State Government's financial resources. The Ministry's financial system is designed to ensure the efficient management of the State Government's financial resources.

The Ministry's primary objective is to ensure a high level of service to the public and the State Government. The Ministry's financial system is designed to ensure the efficient management of the State Government's financial resources. The Ministry's financial system is designed to ensure the efficient management of the State Government's financial resources. The Ministry's financial system is designed to ensure the efficient management of the State Government's financial resources.

For further information on the Ministry of Energy and Utilities visit the website <http://www.emeu.nsw.gov.au>

Sustainable Energy Development Authority

AUDIT OPINION

The audit of the Authority's financial report for the year ended 30 June 2001 resulted in the issue of an unqualified Independent Audit Report.

COMPLIANCE ISSUES

We tested whether the Authority complied with the long service leave requirements of the Premier's Department Personnel Handbook. We also examined whether the Authority complied with the depreciation requirements of:

- ◆ the Australian Accounting Standard on depreciation
- ◆ Treasury Circular No. 11-95, "Accounting Policies for Various Financial Reporting Issues"
- ◆ the Financial Reporting Code for Budget Dependent General Government Sector Agencies.

We found that the Authority had complied with these requirements.

FINANCIAL INFORMATION

Abridged Statement of Financial Performance

Year ended 30 June	2001 \$'000	2000 \$'000
Employee related	2,770	2,049
Grants	3,374	2,711
Other expenses	7,045	6,729
TOTAL EXPENSES	13,189	11,489
TOTAL REVENUE	2,004	1,158
(Loss) on sale of non-current assets	--	(6)
NET COST OF SERVICES	11,185	10,337
Add Government Contributions	11,200	13,542
MOVEMENT IN ACCUMULATED FUNDS	15	3,205

Grants were provided mainly for two programs: Energy Efficiency \$358,000 (\$1.1 million in 1999-2000) and Renewable Energy Technology \$3.0 million (\$1.4 million). These programs focussed on the commercialisation of bio energy projects in regional New South Wales and hydro and photovoltaics projects.

Other expenses included education, marketing and fees for service program delivery.

Government contributions included recurrent and capital appropriations of \$9.6 million (\$10.2 million) and \$1.4 million (\$4.3 million) respectively.

Abridged Statement of Financial Position

At 30 June	2001 \$'000	2000 \$'000
Current assets	3,444	3,181
Non-current assets	<u>8,831</u>	<u>8,682</u>
TOTAL ASSETS	<u>12,275</u>	<u>11,863</u>
Current liabilities	<u>606</u>	<u>209</u>
TOTAL LIABILITIES	<u>606</u>	<u>209</u>
NET ASSETS	<u>11,669</u>	<u>11,654</u>

Assets included loans \$9.3 million (\$10.1 million in 2000). Loans were financed from capital appropriations and loan repayments.

Loans were provided for projects in three programs: Renewable Energy Technology, Cogeneration and Energy Efficiency. Loans outstanding for these programs were \$5.5 million, \$3.4 million and \$418,000 respectively.

Loans advanced during the year, \$1.4 million assisted in the installation of wind energy turbines in a small scale wind farm and a biomass renewable energy project.

AUTHORITY ACTIVITIES

The Authority was established under the *Sustainable Energy Development Act 1995* as part of the package of State electricity industry reforms. The Authority commenced operations in February 1996.

The principal objective of the Authority is to reduce levels of greenhouse gas emissions and other adverse by-products from the production and use of energy. The Authority facilitates the development, commercialisation, promotion and use of sustainable energy technology, particularly in those areas (other than fundamental research) where the necessary technology is impeded by lack of appropriate information, finance or by other barriers.

The Minister and the Executive Director are advised by the Sustainable Energy Advisory Council on the development, commercialisation, promotion and use of sustainable energy technology.

For further information on the Sustainable Energy Development Authority refer to www.seda.nsw.gov.au.

Minister for the Environment

Environment Protection Authority
Environmental Trust

FINANCIAL INFORMATION

Statement of Financial Position

	2009	2008
Assets		
Current assets	1,498	1,409
Non-current assets	1,412	1,253
Total assets	2,910	2,662
Liabilities		
Current liabilities	1,234	1,110
Non-current liabilities	1,278	1,409
Total liabilities	2,512	2,519
Net assets	398	143

The Minister for the Environment has the pleasure to present the Statement of Financial Position of the Environmental Trust for the year ended 31 March 2009. The Statement of Financial Position is prepared in accordance with the Financial Reporting and Accounting Standards issued by the Institute of Chartered Accountants in Australia.

Statement of Financial Position

	2009	2008
Assets		
Current assets	1,498	1,409
Non-current assets	1,412	1,253
Total assets	2,910	2,662
Liabilities		
Current liabilities	1,234	1,110
Non-current liabilities	1,278	1,409
Total liabilities	2,512	2,519
Net assets	398	143

The net assets have increased largely due to funding received from the Trust and the Fund, referred to above.

Environment Protection Authority

AUDIT OPINION

The audit of the Environment Protection Authority's (EPA's) financial report for the year ended 30 June 2001 resulted in the issue of an unqualified Independent Audit Report.

FINANCIAL INFORMATION

Abridged Statement of Financial Performance

Year ended 30 June	2001 \$'000	2000 \$'000
Employee related	54,686	55,498
Other	<u>32,127</u>	<u>28,222</u>
TOTAL EXPENSES	<u>86,813</u>	<u>83,720</u>
TOTAL REVENUE	<u>13,142</u>	<u>2,973</u>
(Loss) on sale of non current assets	<u>(78)</u>	<u>(1,328)</u>
NET COST OF SERVICES	<u>73,749</u>	<u>82,075</u>
Add Government Contributions	<u>81,576</u>	<u>83,090</u>
MOVEMENT IN ACCUMULATED FUNDS	<u>7,827</u>	<u>1,015</u>

The increase in revenue was due to grants and contributions received from the Government's Environmental Trust (\$1.25 million) and the Waste Planning and Management Fund (\$9.7 million). The EPA was successful in obtaining grants for various environmental projects from both organisations.

Abridged Statement of Financial Position

At 30 June	2001 \$'000	2000 \$'000
Current assets	10,918	4,962
Non-current assets	<u>27,487</u>	<u>26,513</u>
TOTAL ASSETS	<u>38,405</u>	<u>31,475</u>
Current liabilities	11,090	11,387
Non-current liabilities	--	600
TOTAL LIABILITIES	<u>11,090</u>	<u>11,987</u>
NET ASSETS	<u>27,315</u>	<u>19,488</u>
Accumulated funds	25,365	17,538
Reserves	<u>1,950</u>	<u>1,950</u>
TOTAL EQUITY	<u>27,315</u>	<u>19,488</u>

Current assets have increased largely due to funding received from the Trust and the Fund, referred to above.

Crown Revenue

Revenues from the EPA's licensing, inspection and enforcement activities are accounted for as Crown Revenues and are not included in the EPA's Statement of Financial Performance. Total revenue from these activities was \$112.5 million (\$117.3 million in 2000) and included pollution licences and approvals of \$29.8 million (\$30.4 million) and waste related levies and fees of \$79.7 million (\$83.9 million).

Program Information

The table below details the EPA's net cost of services on a program basis:

Year ended 30 June	2001		Net Cost of Services \$'000	2000 Net Cost of Services \$'000
	Revenues \$'000	Expenses* \$'000		
Air and noise	291	13,704	13,413	13,868
Waters and catchment	772	18,821	18,049	17,196
Hazardous substances	1,757	8,779	7,022	8,646
Waste	7,148	10,238	3,090	7,856
Supporting the community	2,651	8,626	5,975	7,870
Environmental compliance	523	26,723	26,200	26,639
Total all programs	13,142	86,891	73,749	82,075

*Includes (loss) on sale of non-current assets

EPA ACTIVITIES

The EPA was constituted by the *Protection of the Environment Administration Act 1991*. Its objectives are to protect, maintain and restore the quality of the environment, by supporting ecologically sustainable development, reducing risks to human health and preventing degradation of the environment.

The EPA is also the regulatory authority for the purposes of the *Protection of the Environment Operations Act 1997*. For further information on EPA refer to www.epa.nsw.gov.au.

Environmental Trust

AUDIT OPINION

The audit of the financial report of the Trust for the period ended 30 June 2001 resulted in the issue of an unqualified Independent Audit Report.

COMPLIANCE ISSUE

The *Forestry Restructuring and Nature Conservation Act 1995* requires the Minister for Land and Water Conservation to certify costs for forest industry restructuring grants before they are paid. The Act has not been amended to reflect a change in Ministerial responsibility to the Minister for Forestry. The Office recommends that the Act be amended.

FINANCIAL INFORMATION

Year ended 30 June	2001 \$'000	2000 \$'000
Expenses	24,016	49,137
Net cost of services	20,922	45,596
Government contributions	14,049	13,724
Net assets (at 30 June)	43,675	50,548

The decrease in expenditure is largely due to a reduction in grants from \$47.8 million in 1999-2000 to \$3.5 million for initiatives under the *Forestry Restructuring and Nature Conservation Act 1995*.

TRUST ACTIVITIES

The Trust was established under the *Environmental Trust Act 1998*. Its objectives are:

- ♦ promote environmental education, to encourage the development of education programs and to increase public awareness of environmental issues
- ♦ promote research into environmental problems
- ♦ encourage and support restoration and rehabilitation projects that are likely to reduce pollution, the waste-stream or environmental degradation within New South Wales
- ♦ fund the acquisition of land for national parks.

The Trust:

- ♦ makes and supervises the expenditure of grants for pollution clean-ups
- ♦ engages in other activities approved by the Minister for Environment
- ♦ funds forest industry restructuring, nature conservation and certain other environmental initiatives. Under the *Forestry Restructuring and Nature Conservation Act 1995* these payments will not be made after 30 June 2006.

For further information on the Environmental Trust refer to the EPA's website at www.epa.nsw.gov.au.

Minister for Fair Trading

Department of Fair Trading

Item	2010-11	2011-12
Operating expenses	1,234	1,234
Capital expenses	1,234	1,234
Operating income	1,234	1,234
TOTAL INCOME	1,234	1,234
TOTAL EXPENSES	1,234	1,234
Operating surplus/deficit	1,234	1,234
Income tax expense	1,234	1,234
Net income	1,234	1,234
Other income	1,234	1,234
Other expenses	1,234	1,234
Net income	1,234	1,234

The information in this document is for informational purposes only and should not be used for any other purpose. The information is provided for informational purposes only and should not be used for any other purpose.

Department of Fair Trading

AUDIT OPINION

The audit of the Department's financial report for the year ended 30 June 2001 resulted in the issue of an unqualified Independent Audit Report.

CONTROL ISSUES

We identified opportunities for improvements in the security over user access to the Rental Bond Service System and the verification of interest received from financial institutions and credited to the Statutory Interest Account. Recommendations will be made to management in relation to these matters.

Further, a number of recommendations were made to improve the accuracy of information reported within the financial statements. These were adopted by management.

COMPLIANCE ISSUES

We tested whether the Department complied with fines and penalty provisions of the *Fair Trading Act 1997* and the long service leave requirements of the Premier's Department Handbook. The results of the reviews were satisfactory.

FINANCIAL INFORMATION

Abridged Statement of Financial Performance

Year ended 30 June	2001 \$'000	2000 \$'000
Employee related	74,895	73,812
Other operating expenses	58,642	44,420
TOTAL EXPENSES	133,537	118,232
TOTAL RETAINED REVENUES	72,305	68,083
Gain/(loss) on sale of non-current assets	597	(19)
NET COST OF SERVICES	60,635	50,168
Add Government Contributions	68,118	53,501
MOVEMENT IN ACCUMULATED FUNDS	7,483	3,333

The significant increase in other operating expenses was due to a subsidy of \$15 million paid to the Fair Trading Administration Corporation. This funding was provided as working capital for the Corporation.

Abridged Statement of Financial Position

At 30 June	2001 \$'000	2000 \$'000
Current assets	50,811	39,312
Non-current assets	28,819	32,944
TOTAL ASSETS	79,630	72,256
Current liabilities	13,150	13,510
Non-current liabilities	904	868
TOTAL LIABILITIES	14,054	14,378
NET ASSETS	65,576	57,878
Reserves	863	648
Accumulated funds	64,713	57,230
TOTAL EQUITY	65,576	57,878

The \$11.5 million increase in current assets was mainly due to a \$4.5 million increase in Statutory Interest Account receipts and the conversion of long term investments to shorter terms.

Abridged Program Information

Program Description	2001		2000	
	Revenues* \$'000	Expenses \$'000	Net Cost of Services \$'000	Net Cost of Services \$'000
Fair trading strategy	3,923	9,474	5,551	5,164
Marketplace performance	9,384	20,681	11,297	7,371
Fair trading standards and registers	12,813	15,255	2,442	6,331
Consumer and trader services	36,551	62,314	25,763	22,912
Tribunals	10,231	25,813	15,582	8,390
Total	72,902	133,537	60,635	50,168

* Includes gain on sale of non-current assets

DEPARTMENT ACTIVITIES

The principal role of the Department is to ensure fair trading throughout the State by providing services in accommodation and property, business services and products, home building and consumer education and protection.

The Department has a self-funding commercial branch, the Register of Encumbered Vehicles. Also, the Department performs administrative functions for the Rental Bond Board and the Fair Trading Administration Corporation. Costs incurred are recouped from those entities. Commentary on the Fair Trading Administration Corporation and the Rental Bond Board will be included in Volume Six of the Auditor-General's Report to Parliament.

Also the Department obtained Government support to establish the Consumer, Trader and Tenancy Tribunal (CTTT) in 2002. The Tribunal will replace the Fair Trading Tribunal and the Residential Tribunal and is designed to streamline customer service operations and reduce costs.

For further information on the Department of Fair Trading refer to www.fairtrading.nsw.gov.au.

Minister for Fisheries

NSW Fisheries

As part of the 2004-05 Budget, the Government has announced a number of measures to support the fishing industry in NSW. These include a number of measures to support the fishing industry in NSW, including a number of measures to support the fishing industry in NSW.

The Government has announced a number of measures to support the fishing industry in NSW, including a number of measures to support the fishing industry in NSW.

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The Government has announced a number of measures to support the fishing industry in NSW, including a number of measures to support the fishing industry in NSW.

Minister for Fisheries

The Minister for Fisheries is responsible for the management of the fishing industry in NSW, including a number of measures to support the fishing industry in NSW.

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The Minister for Fisheries is responsible for the management of the fishing industry in NSW, including a number of measures to support the fishing industry in NSW.

CONTRIBUTIONS

The Minister for Fisheries is responsible for the management of the fishing industry in NSW, including a number of measures to support the fishing industry in NSW.

The Minister for Fisheries is responsible for the management of the fishing industry in NSW, including a number of measures to support the fishing industry in NSW.

NSW Fisheries

AUDIT OPINION

The audit of Fisheries' financial report for the year ended 30 June 2001 resulted in the issue of an unqualified Independent Audit Report.

KEY ISSUES

Trust Funds

As noted in Volumes Four and Five of the Auditor-General's Report to Parliament for 2000, separate financial statements are not prepared for the following Trust Funds: Recreational Fishing (Freshwater); Recreational Fishing (Salt Water); Commercial Fishing; Fish Conservation; Aquaculture; and Charter Fishing. All revenues and expenditures of the Trust Funds are included in Fisheries' financial statements.

When this issue was raised last year, NSW Treasury indicated that the review of financial and annual reporting legislation would address which agencies and other entities would be required to prepare financial statements and annual reports separately. This has not yet occurred.

In the absence of separate financial statements, Fisheries has partly implemented an Audit Office suggestion to improve disclosure. Fisheries has included, in the notes to its financial statements, individual Trust Funds' revenues, payments and funds transferred, as well as unspent balances at year-end. In respect of Commercial Fishing and Aquaculture, Trust Fund monies are used to supplement Consolidated Fund monies and user charges for Fisheries' activities in those areas. In 2001, the amounts contributed out of the two Trust Funds were \$3 million and \$209,000 respectively.

The Audit Office recommends that further improvements should be made to the Trust Fund notes to the financial statements. This can be achieved by disclosing the major 'line items' of expenditure and revenue for each Trust Fund, and a description of the major projects funded, where applicable. Fisheries has indicated that such information will be provided in its annual report.

Marine Parks Authority

The Marine Parks Authority comprises the Director of Fisheries, as well as the Heads of National Parks and Wildlife Service and Premier's Department.

To date the Authority has not been scheduled as a separate reporting entity, but it is our view that it should be. It produces an annual report which includes financial data that has not been audited. The annual report is tabled in Parliament but Members have no independent assurance of the accuracy of that information.

We understand that this matter is being considered by the Premier's Office.

CONTROL ISSUES

As reported on a number of occasions in recent years, Fisheries needs to strengthen internal controls over the recording of employee attendance and leave balances. While there has been some improvement in these areas, the lack of prompt recording of leave taken poses a risk that leave balances may be incorrect. Fisheries management has advised us that an electronic system is currently being developed to improve controls over attendance and leave recording.

Recommendations on these matters and some minor issues have been made to Fisheries.

COMPLIANCE ISSUES

We tested whether Fisheries complied with:

- ♦ long service leave provisions of the Premier's Department Personnel Handbook
- ♦ fines and penalty provisions of the *Fisheries Management Act 1994*
- ♦ Premier's Department and agency policy for motor vehicle operations, and Treasurer's Directions and agency policy for fuel card usage.

Fisheries substantially complied with these provisions.

FINANCIAL INFORMATION

Year ended 30 June	2001 \$'000	2000 \$'000
Employee related expenses	24,771	23,217
Other expenses	20,083	17,321
Revenue	14,908	11,452
Net cost of services	29,946	29,086
Government contributions	29,542	28,468
Net assets (at 30 June)	37,708	38,112

Fisheries has previously included a site at Wollstonecraft, with a land value of \$2.7 million, in its financial statements as it controlled the asset and gained economic benefit from its use. Changes to the circumstances over control of the site, including the establishment of a formal operating lease arrangement with the owner, have resulted in Fisheries removing this asset from its asset register and writing it out of its financial statements.

The increase in other expenses was largely due to the write down of the Wollstonecraft property. The increase in revenue was mainly due to the introduction of saltwater recreational fishing licences in March 2001.

The Marine Parks Authority has a contingent liability of about \$550,000 associated with a claim in the courts for damages attributed to negligence and lack of maintenance of moorings at Solitary Island Marine Park in October 1998.

FISHERIES ACTIVITIES

Fisheries is responsible for managing the fisheries resources of New South Wales. Fisheries provide management, research, advisory and compliance services. It advises the Government on the use and conservation of fisheries resources and, in consultation with industry and the community, it develops advice on policies and regulations on resource allocation.

For further information on NSW Fisheries refer to www.fisheries.nsw.gov.au.

Minister for Gaming and Racing

Casino Community Benefit Fund
Department of Gaming and Racing
Liquor Administration Board
New South Wales Casino Control Authority

Casino Community Benefit Fund

AUDIT OPINION

The audit of the Fund's financial report for the year ended 30 June 2001 resulted in the issue of an unqualified Independent Audit Report.

KEY ISSUES

Funding Mechanism

Under the *Casino Control Act 1992*, a casino community benefit levy is to be paid to the New South Wales Casino Control Authority. The levies are then to be paid into a Casino Community Benefit Fund (established as a Special Deposits Account in the Treasury).

The levy is currently paid into Consolidated Fund and then appropriated to the Department of Gaming and Racing. The Department accounts for the moneys as Casino Community Benefit Fund moneys.

The Audit Office believes that the levies paid to the Authority do not form part of Consolidated Fund.

This matter was raised last year.

CONTROL ISSUES

Grant Acquittal

The Fund's major function is to pay grants. A part of this activity is to review financial statements of the recipient organisations to help ensure grant money has been spent appropriately and that Fund receives unspent grant moneys.

During 2000-01 the Fund undertook a review of a sample of funded treatment and counselling services. The detailed review of 26 organisations found the Fund was owed approximately \$250,000 in unspent grant money. A mechanism to recover these funds is now in place.

Detailed reviews of completed grant projects will continue during 2001-02.

FINANCIAL INFORMATION

Year ended 30 June	2001 \$'000	2000 \$'000
Employee related expenses	287	318
Operating expenses	211	134
Grants	8,949	7,989
Revenue earned and retained by entity	862	736
Government contributions	9,940	9,794
Net assets (at 30 June)	20,726	19,103

Fund records indicate grants included \$7.2 million for gambling counselling and treatment services and \$1.7 million for community projects and services.

A \$47,000 grant was made to the Department of Gaming and Racing to operate an information stand at the Royal Easter Show. The information stand was to increase public awareness of difficulties associated with problem gambling.

FUND ACTIVITIES

The Fund was established under the *Casino Control Act 1992*. A trust deed provides for the Fund and the operation of the Trust.

The trust deed lists the objectives of the fund as:

- ◆ funding appropriate research into gambling and the social and economic impact of gambling on individuals, families and the general community in New South Wales
- ◆ promoting industry and community awareness of problem gambling and associated activities through education campaigns
- ◆ supporting organisations offering counselling services for problem gamblers and their families
- ◆ supporting treatment and rehabilitation services for problem gamblers and their families
- ◆ funding such other community projects and services as may be determined as being of benefit to the community generally.

For further information on the Casino Community Benefit Fund refer to www.dgr.nsw.gov.au.

Department of Gaming and Racing

AUDIT OPINION

The audit of the Department's financial report for the year ended 30 June 2001 resulted in the issue of an unqualified Independent Audit Report.

CONTROL ISSUES

During the conduct of the audit, instances were noted where existing procedures could be improved. These matters have been discussed with the Department, and raised in a management letter to the Department.

The most significant item is that the Department does not have a computer disaster recovery program. This places the Department at risk of being unable to operate at existing levels of efficiency in the event of a serious computer failure.

COMPLIANCE ISSUES

We tested whether the Department complied with:

- ◆ the Premier's Department Personnel Handbook provisions for long service leave
- ◆ Premier's Department and Gaming and Racing's policy for motor vehicle operations
- ◆ Treasury policy for fuel card usage.

The Department complied with these requirements.

OTHER ISSUES

Central Monitoring System

The Minister for Gaming and Racing issued a licence to TAB Limited for that provider to develop and operate a central monitoring system for gaming machines. The licence required the system to be operating by 31 December 2000 or by such later date as may be determined by the Minister. After many delays, the system is expected to be operational in late 2001.

The delay with the system becoming operational necessitated an amendment to the Liquor Regulation 1996 to extend the time by which operators of gaming machines were to be connected to the system.

FINANCIAL INFORMATION

Year ended 30 June	2001 \$'000	2000 \$'000
Employee related expenses	18,878	20,012
Operating expenses	11,086	77,307
Revenue earned and retained by entity	5,069	4,118
Government contributions	24,279	92,366
Net assets (at 30 June)	2,037	2,654

The above information is for the Department only. It does not include the Casino Community Benefit Fund which is reported on elsewhere in this Volume.

Administered Revenue and Expenses

Activity Description	2001 \$'000	2000 \$'000
Administered Revenues		
Club gaming devices duty*	405,759	595,627
Hotel gaming devices duty*	323,422	359,462
Keno tax	685	16,225
Totalizator tax off-course totes	67,166	176,005
Other	9,054	22,408
Total Administered Revenues	806,086	1,169,727
Administered Expenses		
Subsidies	30,705	28,298
Total Administered Expenses	30,705	28,298
Administered Revenues less Expenses	775,381	1,141,429

* Collected by the Department on behalf of the Liquor Administration Board.

Taxes, fines and fees collected as reported above are net of refunds paid.

Administered revenues collected and expenses paid by the Department are reported on a cash basis. Revenues are paid directly into Consolidated Fund and expenses are recouped from the NSW Treasury.

Administered revenue declined in 2000–01 as parts of the Department's collection function has been transferred to the Office of State Revenue. Collection of Keno tax transferred from 7 July 2000. Racing revenue transferred from 1 January 2001. Gaming revenue is to be transferred from late 2001. The Department has retained the regulatory function.

DEPARTMENT ACTIVITIES

The Department was established in March 1995. It assists the Minister in the proper conduct and balanced development of the gaming, racing, liquor and charity industries in New South Wales.

The Department administers and collects specific State taxes and also collects liquor application fees, hotel gaming devices duty and club gaming devices duty on behalf of the Liquor Administration Board. The Liquor Administration Board is responsible for the administration of these taxes.

For further information on the Department of Gaming and Racing refer to www.dgr.nsw.gov.au.

Liquor Administration Board

AUDIT OPINION

The audit of the Board's financial report for the year ended 30 June 2001 resulted in the issue of an unqualified Independent Audit Report.

FINANCIAL INFORMATION

All costs notionally incurred by the Board are met by the Department of Gaming and Racing. The Board incurs neither a surplus nor deficit as contributions in kind, provided by the Department of Gaming and Racing, are recognised.

Year ended 30 June	2001 \$'000	2000 \$'000
Employee related expenses	6,985	7,998
Operating expenses	2,913	2,972
Revenue earned and retained by entity	1,208	1,076
Notional income received from Department of Gaming and Racing	8,690	9,894

Administered Revenue and Expenses

Activity Description	2001 \$'000	2000 \$'000
Liquor application fees	2,519	3,066
Club gaming devices duty	405,791	595,627
Hotel gaming devices duty	323,422	359,462
Approved devices evaluation fees (intrastate)	—	23
Total Administered Revenues	731,732	958,178
Subsidies	30,705	28,298
Total Administered Expenses	30,705	28,298
Administered Revenues less Expenses	701,027	929,870

Taxes, fines and fees collected as reported above are net of refunds paid.

Administered revenues collected and expenses paid by the Board are reported on a cash basis. Revenues are paid directly into Consolidated Fund and expenses are recouped from the NSW Treasury.

Collection of gaming revenue (administered by the Board) is to be transferred to the Office of State Revenue from late 2001. The transfer was to occur earlier but has been delayed while a computerised monitoring system is developed.

BOARD ACTIVITIES

The Board was constituted by section 72 of the *Liquor Act 1982* and consists of four Licensing Magistrates appointed under section 8 of the Act.

Powers and functions of the Board include:

- ♦ reviewing the operation of gaming machines in registered clubs and hotels
- ♦ determining applications for licensed premises and registered clubs
- ♦ keeping under constant review the operation of the Acts and making recommendations to the Minister as appropriate
- ♦ conducting inquiries, when directed by the Minister, into matters connected with the administration of the Acts
- ♦ keeping under constant review the standard of licensed premises and registered clubs
- ♦ receiving submissions or reports in respect of the operation of the Acts
- ♦ resolving complaints of undue disturbance of the neighbourhood of licensed premises and registered clubs.

In addition the Board has numerous ancillary powers relating to the operation of gaming machines, and general conduct over licensed premises and registered clubs.

For further information on the Liquor Administration Board refer to www.dgr.nsw.gov.au.

New South Wales Casino Control Authority

AUDIT OPINION

The audit of the New South Wales Casino Control Authority's financial report for the year ended 30 June 2001 resulted in the issue of an unqualified Independent Audit Report.

CONTROL ISSUES

We identified some opportunities for improvements to procedures for accounting for GST in the statement of cash flows, fixed assets and payables. Recommendations have been made to the Authority.

COMPLIANCE ISSUES

We tested whether the Authority complied with the Treasurer's Directions and the Authority's policy for credit card usage and the long service leave requirements of the Premier's Department Handbook. The results of the reviews were generally satisfactory. An error in long service leave calculations was identified and is being corrected by the Authority.

FINANCIAL INFORMATION

Year ended 30 June	2001 \$'000	2000 \$'000
Employee related expenses	1,280	1,394
Net cost of services	2,520	2,266
Government contributions	2,586	2,355
Net assets (at 30 June)	1,764	1,698

AUTHORITY ACTIVITIES

The Authority was constituted in September 1992 under the *Casino Control Act 1992*. Its main objective is to maintain and administer systems for the licensing, supervision and control of casino operations in New South Wales.

For further information on the Authority refer to www.casinocontrol.nsw.gov.au.

Minister for Health

Department of Health: Consolidated

Department of Health: Parent Entity

Metropolitan Area Health Services:

Central Coast

Central Sydney

Hunter

Illawarra

Northern Sydney

South Eastern Sydney

South Western Sydney

Wentworth

Western Sydney

Rural Area Health Services:

Far West

Greater Murray

Macquarie

Mid North Coast

Mid Western

New England

Northern Rivers

Southern

Other Health Services:

Ambulance Service of New South Wales

Corrections Health Service

The Royal Alexandra Hospital for Children

Health Care Complaints Commission

Health Professionals Registration Boards

New South Wales Cancer Council

New South Wales Health Foundation

New South Wales Institute of Psychiatry

New South Wales Medical Board

Department of Health: Consolidated

THE HEALTH GROUP

This commentary covers the Department of Health and the entities it controls. These entities are:

Metropolitan Area Health Services	Rural Area Health Services	Other Entities
Central Coast Central Sydney Hunter Illawarra Northern Sydney South Eastern Sydney South Western Sydney Wentworth Western Sydney	Far West Greater Murray Macquarie New England Northern Rivers Mid North Coast Mid Western Southern	Ambulance Service of NSW Corrections Health Service Royal Alexandra Hospital for Children

AUDIT OPINION

The audit of the financial report of the Department of Health and its controlled entities for the year ended 30 June 2001 resulted in the issue of an unqualified Independent Audit Report.

KEY ISSUES

Delegations

In determining the amount of money to be paid to each Area Health Service, the *Health Services Act 1997* requires the Minister to consider the recommendations of the Director-General of Health. However the Minister has delegated his power to make these determinations to certain officers in the Department of Health. This means that the Director-General makes recommendations to less senior departmental officers.

The Crown Solicitor has confirmed that these arrangements are legal. However the Audit Office believes they are inappropriate. Officers who work to the Director-General cannot be expected to review his recommendations as critically as the Minister might.

Bank Guarantees

Northern Sydney Area Health Service and Western Sydney Area Health Service had bank guarantees of \$537,000 and \$330,000 respectively at 30 June 2001. The Treasurer did not approve the bank guarantees before they were arranged and they are therefore unlawful.

The bank guarantees were also not approved by the respective health service Boards, but were arranged by officers who did not have the power to approve transactions of this type. These transactions represent a significant control weakness at those health services.

Non-compliance with the *Public Authorities (Financial Arrangements) Act 1987* was noted in the Department's 30 June 2001 financial report.

The relevant health services have implemented processes to help ensure this matter does not recur.

These bank guarantees have now lapsed.

CONTROL ISSUES

Stewart House Preventorium

This statutory health corporation is not consolidated into the Department of Health's financial report at 30 June 2001. The Audit Office believes the financial impact on the Department's financial report is immaterial and made no request to adjust the Department's consolidated financial report.

Discussions are continuing between the Department of Health and the Department of Education and Training concerning the transfer of the Stewart House Preventorium to that Department. This matter was first raised during 1999 in a letter to management.

Management Letter

The audit of the Department and its controlled entities highlighted opportunities for improvement in internal controls. These opportunities have been identified in letters issued to or to be issued to the relevant Service. Where items are significant, they have been referred to in individual comments within this Volume.

COMPLIANCE ISSUES

As part of the audit, we examined whether all health services complied with the requirements of the Health Department's Accounts and Audit Determination for Public Health Organisations.

We found that most health services substantially complied with those requirements. Significant items have been noted in individual comments within this Volume. The Department of Health has implemented a process to review all health service annual reports prior to publication.

We also examined:

- ◆ fully depreciated assets and the appropriateness of depreciation rates at Northern Sydney Area Health Service and the Ambulance Service of New South Wales
- ◆ compliance with the Premier's Department policy and Service policy for motor vehicle operations and fuel card usage at Southern Area Health Service.

We found that these Services substantially complied with these requirements.

Compliance with long service leave provisions in the Premier's Department Personnel Handbook was tested on a sample basis. Where tested, comments on compliance are included at the Service level and can be found within this Volume.

FINANCIAL INFORMATION

Abridged Consolidated Statement of Financial Performance

Year ended 30 June	2001 \$'000	2000 \$'000
Employee related	4,538,483	4,430,697
Other expenses	<u>2,967,587</u>	<u>2,762,597</u>
TOTAL EXPENSES	<u>7,506,070</u>	<u>7,193,294</u>
TOTAL REVENUES	<u>1,012,121</u>	<u>1,003,613</u>
Gain/(loss) on disposal of non-current assets	<u>(6,686)</u>	<u>12,260</u>
NET COST OF SERVICES	<u>6,500,635</u>	<u>6,177,421</u>
Add: Government Contributions		
Recurrent appropriation	5,939,094	5,587,504
Capital appropriation	378,367	313,922
Acceptance by the Crown Entity of employee entitlements and other liabilities	<u>334,084</u>	<u>297,555</u>
Total Government Contributions	<u>6,651,545</u>	<u>6,198,981</u>
RESULT FOR THE YEAR FROM ORDINARY ACTIVITIES	<u>150,910</u>	<u>21,560</u>

Employee related expenses represent 60.5 per cent of total expenditure of the Department and its controlled entities. The \$108 million increase in employee related expenses is largely attributed to higher award rates.

Government Contributions

The State Government increased its appropriation to the Department of Health from the Consolidated Fund by \$416 million, an increase of 7.1 per cent, to \$6,317 million in 2000–01.

Government contributions included Commonwealth assistance of \$2,220 million (\$2,089 million), the major component being the total Medicare grant paid under the Medicare Agreement of \$1,926 million (an increase of 4.6 per cent over the 1999–2000 amount of \$1,842 million).

Abridged Consolidated Statement of Financial Position

At 30 June	2001 \$'000	2000 \$'000
Current assets	654,594	537,905
Non-current assets	<u>6,307,920</u>	<u>6,035,725</u>
TOTAL ASSETS	<u>6,962,514</u>	<u>6,573,630</u>
Current liabilities	946,693	949,527
Non-current liabilities	<u>776,952</u>	<u>755,892</u>
TOTAL LIABILITIES	<u>1,723,645</u>	<u>1,705,419</u>
NET ASSETS	<u>5,238,869</u>	<u>4,868,211</u>
Reserves	808,410	589,332
Accumulated funds	<u>4,430,459</u>	<u>4,278,879</u>
TOTAL EQUITY	<u>5,238,869</u>	<u>4,868,211</u>

Capital Works

The rise in non-current assets was attributed to additions in property, plant and equipment amounting to \$422 million. Additions comprised land acquisitions of \$5.2 million, buildings of \$335 million and plant and equipment of \$82.0 million.

Abridged Program Information

The table below details the Department's consolidated net cost of services on a program basis:

Year ended 30 June	2001		2000	
	Revenues* \$'000	Expenses* \$'000	Net Cost of Services \$'000	Net Cost of Services \$'000
Overnight acute inpatient services	517,067	3,122,108	2,605,041	2,422,569
Outpatient services	60,228	717,185	656,957	631,183
Rehabilitation and extended care services	158,276	811,453	653,177	670,005
Other	276,550	2,862,010	2,585,460	2,453,664
Total all programs	1,012,121	7,512,756	6,500,635	6,177,421

* Includes gain/(loss) on disposal of non-current assets

PUBLIC HEALTH SECTOR ACTIVITIES

Structure

The Department of Health advises the Government on the strategic direction, policy and planning of the State's health system. It also monitors and evaluates health activities.

Area Health Services are Public Health Organisations scheduled under the *Health Services Act 1997* (the Act). The Services are subject to the control and direction of the Minister for Health in the performance of their duty and functions relating to local health services.

The Area Health Services are to promote, protect and maintain public health and, for that purpose, to provide health services for the residents of New South Wales.

Corrections Health Service and the Royal Alexandra Hospital for Children are Statutory Health Corporations scheduled under the Act. These corporations are subject to the control and direction of the Minister for Health in the performance of their duty and functions.

Statutory Health Corporations are to conduct public hospitals or health institutions or to provide health support services.

The Ambulance Service of New South Wales is constituted under the *Ambulance Services Act 1990*. The Service is subject to the control and direction of the Minister for Health in the performance of its duty and functions relating to local health services.

Other entities are the eleven professional boards. These boards are constituted under various Acts to license and control practitioners of medicine, nursing, dentistry, optical services, pharmacy, podiatry, chiropractic, physiotherapy and psychology. All Boards (apart from Medical, Pharmacy and Dental) are subject to the control and direction of the Minister for Health through the Health Administration Corporation.

The financial results of all Boards (apart from Medical, Pharmacy and Dental) form part of the Department of Health parent entity financial report commented on elsewhere in this Volume.

While the Department cooperates with the Institute of Psychiatry, the New South Wales Health Foundation and the Health Care Complaints Commission, it does not control these entities.

COMMENTS ON THE REPORT

The Department's financial and other performance is assessed in the Department's financial report. The Department's financial report is subject to audit by the Auditor-General. The Department's financial report is also subject to review by the Department's internal audit function. The Department's financial report is also subject to review by the Department's external audit function.

The Department's financial report is also subject to review by the Department's external audit function.

FINANCIAL PERFORMANCE

Overview of Financial Performance

Financial Year	2000-01	1999-00
Revenue	\$1,200.00	\$1,100.00
Operating expenses	\$1,100.00	\$1,000.00
Other expenses	\$100.00	\$100.00
Operating surplus	\$100.00	\$100.00
Other surplus	\$100.00	\$100.00
TOTAL SURPLUS	\$200.00	\$200.00
Operating surplus	\$100.00	\$100.00
Other surplus	\$100.00	\$100.00
TOTAL SURPLUS	\$200.00	\$200.00

The Department's financial performance is assessed in the Department's financial report. The Department's financial report is subject to audit by the Auditor-General. The Department's financial report is also subject to review by the Department's internal audit function. The Department's financial report is also subject to review by the Department's external audit function.

The Department's financial performance is assessed in the Department's financial report. The Department's financial report is subject to audit by the Auditor-General. The Department's financial report is also subject to review by the Department's internal audit function. The Department's financial report is also subject to review by the Department's external audit function.

Department of Health: Parent Entity

AUDIT OPINION

The audit of the financial report of the Department of Health – Parent Entity for the year ended 30 June 2001 resulted in the issue of an unqualified Independent Audit Report.

CONTROL ISSUES

The Audit Office identified opportunities to improve internal control. These suggestions were included in a letter to the Department. None was significant.

COMPLIANCE ISSUES

We tested whether the Department complied with:

- ◆ superannuation legislation and rules of the superannuation funds
- ◆ long service leave provisions of the Premier's Department Personnel Handbook
- ◆ fines and penalty provisions of *Public Health Act 1991* and other legislation administered by the Department.

The Department substantially complies with these requirements.

FINANCIAL INFORMATION

Abridged Statement of Financial Performance

Year ended 30 June	2001 \$'000	2000 \$'000
Employee related	60,259	73,167
Grants and subsidies	6,062,434	5,656,402
Other expenses	232,321	313,646
TOTAL EXPENSES	6,355,014	6,043,215
TOTAL REVENUE	105,280	115,743
Gain/(Loss) on disposal of non-current assets	(987)	19,345
NET COST OF SERVICES	6,250,721	5,908,127
Add Government Contributions	6,324,186	5,906,893
RESULT FOR THE YEAR FROM ORDINARY ACTIVITIES	73,465	(1,234)

Grants and subsidies increased by \$406 million primarily due to increased funding to controlled entities of \$5,945 million (\$5,556 million in 1999-2000).

The decrease in other expenses was largely due to interstate patient flows now being reflected in the financial report of health services rather than the Department.

Abridged Statement of Financial Position

At 30 June	2001 \$'000	2000 \$'000
Current assets	76,562	89,570
Non-current assets	161,942	148,115
TOTAL ASSETS	238,504	237,685
Current liabilities	90,474	159,371
Non-current liabilities	55,529	60,488
TOTAL LIABILITIES	146,003	219,859
NET ASSETS	92,501	17,826
Reserves	30,140	30,140
Accumulated funds	62,361	(12,314)
TOTAL EQUITY	92,501	17,826

The movements in current and non-current assets are mainly attributed to intra-health loans.

There was no liability to the Consolidated Fund or NSW Treasury at 30 June 2001 and current liabilities declined to \$90.5 million.

Accounts payable were \$45.9 million at 30 June 2001 (\$51.7 million in 2000).

DEPARTMENT ACTIVITIES

The Department of Health – parent entity comprises Central Administration (including policy development and Public Health) and the Health Professionals Registration Boards.

For further information on the Department of Health refer to www.health.nsw.gov.au.

Central Coast Area Health Service

AUDIT OPINION

The audit of the financial report of the Service for the year ended 30 June 2001 resulted in the issue of an unqualified Independent Audit Report.

CONTROL ISSUES

During the course of the audit, the Audit Office observed areas where opportunities for improvement in internal control could be achieved.

These opportunities have been identified in a management letter that has been issued to the Service. None were significant.

COMPLIANCE ISSUES

As part of the audit, we examined whether the Service complied with the requirements of the Health Department's Accounts and Audit Determination for Public Health Organisations in regard to Annual Reports.

We found that the Service substantially complied with those requirements.

FINANCIAL INFORMATION

Abridged Statement of Financial Performance

Year ended 30 June	2001 \$'000	2000 \$'000
Employee related	167,355	161,503
Visiting medical officers	11,913	11,737
Other expenses	94,201	90,368
TOTAL EXPENSES	273,469	263,608
TOTAL REVENUE	44,425	39,386
Gain/(loss) on disposal of non-current assets	373	(1,488)
NET COST OF SERVICES	228,671	225,710
Add Government Contributions		
Department of Health recurrent payments	215,884	205,570
Department of Health capital payments	7,178	5,255
Acceptance by the Crown Entity of superannuation liability	12,769	11,170
Total Government Contributions	235,831	221,995
RESULT FOR THE YEAR FROM ORDINARY ACTIVITIES	7,160	(3,715)

Revenue increased by \$5.0 million compared with 1999–2000 due to an increase in patient fees of \$1.3 million, inter-area patient inflows of \$1.2 million, and recreation, personal and other service contributions of \$2.3 million.

Abridged Statement of Financial Position

At 30 June	2001 \$'000	2000 \$'000
Current assets	24,060	15,685
Non-current assets	151,357	150,242
TOTAL ASSETS	175,417	165,927
Current liabilities	23,597	23,451
Non-current liabilities	20,354	18,170
TOTAL LIABILITIES	43,951	41,621
NET ASSETS	131,466	124,306
Reserves	13,462	13,462
Accumulated funds	118,004	110,844
TOTAL EQUITY	131,466	124,306

At 30 June 2001, accounts payable were \$6.4 million (\$6.1 million in 2000).

Loans due to the Department of Health at 30 June 2001 totalled \$538,000 (\$1.2 million). The loans are repayable to the Department over the next year.

Abridged Program Information

The table below details the Service's net cost of services on a program basis:

Year ended 30 June	2001		2000	
	Revenues* \$'000	Expenses \$'000	Net Cost of Services \$'000	Net Cost of Services \$'000
Overnight acute inpatient services	23,712	147,601	123,889	94,230
Emergency services	1,844	23,762	21,918	21,927
Primary and community based services	7,977	28,349	20,372	27,697
Other	11,265	73,757	62,492	81,856
Total all programs	44,798	273,469	228,671	225,710

* Includes gain on sale of non-current assets

SERVICE ACTIVITIES

For further information on the Central Coast Area Health Service refer to www.health.nsw.gov.au/areas/ccahs.

Central Sydney Area Health Service

AUDIT OPINION

The audit of the financial report of the Service for the year ended 30 June 2001 resulted in the issue of an unqualified Independent Audit Report.

KEY ISSUES

Rozelle Hospital Site

Community consultation concerning the future of the Rozelle Hospital site has commenced. The Urban Design Advisory Service, part of the Department of Urban Affairs and Planning, is currently preparing a site Master Plan. The site Master Plan will be completed in 2002.

The Service and the Ambulance Service of New South Wales each recognise as an asset parts of the Rozelle Hospital site.

The Service and the Department of Health wish to quit the site within the next few years. The Service and the Department of Health have stated that they need to realise approximately a net \$43.0 million from the sale and redevelopment of part of the site. The sale proceeds will largely fund the development of mental health facilities at the Concord Repatriation General Hospital.

More appropriate custodians are being sought to manage open spaces and assume responsibility for heritage buildings.

The Service recognised its part of the site at \$69.4 million (\$57.7 million in land and \$11.7 million in buildings) in its financial report at 30 June 2001. The Service's Board, at 30 June 2001, concluded that the planning process was not sufficiently advanced to permit a realistic reappraisal of the value of the site.

The site should be revalued during 2001–02. That value will reflect the changed use of the site and should be recognised in the Service's 30 June 2002 financial report.

Former Western Suburbs Hospital Site

The former Western Suburbs Hospital site has been vacant for over six years. Tenders for its redevelopment were called during 1998–99. The preferred tenderer subsequently withdrew from the proposed project, requiring a search for a new partner to develop the site. This process is underway.

Development of Private Hospital

No work has commenced on the construction of a private hospital on the Royal Prince Alfred (RPA) campus. The private hospital was to be a collocated private sector owned and operated facility. This facility was initially planned for completion by December 1999.

The Service rescinded the initial agreement and lease during 2000. The lessee has made a claim against the Service in respect of rentals paid to date of \$5.0 million, together with damages which the claimant has not quantified. In the meantime, the land set aside for this hospital remains vacant.

The lessee constructed a car park during 1998–99 as part of the original agreement. The New South Wales Supreme Court, in June 2000, granted the Service the right to operate the car park after the Service cancelled the lease.

The future use of the site remains unclear.

CONTROL ISSUES

Construction Payments

Six cheques, totalling \$5.5 million, drawn towards the end of June 2001 were not presented at the bank by early August 2001. The Service advised that these cheques related to capital works. The Service's practice is to draw certain capital works related cheques upon approval of the contractor's claim. In some instances, cheques were drawn before the work was completed. The Service gives the cheques to the contractor when the work is completed and it receives all supporting documents.

We have questioned the substantial delay between drawing the cheque, the completion of the work and handing the cheque to the contractor. We believe cheques should be drawn closer to the day on which they are due to be handed to the contractor.

Management Letter

Opportunities for improved internal control were observed during the audit. These opportunities have been identified in a letter, a draft of which has been issued to the Service for management's response. With the exception of the above items, none was significant.

COMPLIANCE ISSUES

We examined if the Service complied with the requirements of the Premier's Department Personnel Handbook in respect of long service leave and the Health Department's Accounts and Audit Determination for Public Health Organisations in respect of Annual Reports.

We found the Service complied with the requirements of the Premier's Department Personnel Handbook in respect of long service leave.

The Service's 30 June 2001 annual report largely complied with the Determination. It did not clearly distinguish between audited information and unaudited information.

FINANCIAL INFORMATION

Abridged Consolidated Statement of Financial Performance

Year ended 30 June	2001 \$'000	2000 \$'000
Employee related	490,410	488,017
Visiting medical officers	23,671	24,587
Other expenses	<u>263,782</u>	<u>263,445</u>
TOTAL EXPENSES	<u>777,863</u>	<u>776,049</u>
TOTAL REVENUE	<u>236,906</u>	<u>229,519</u>
Gain on disposal of non-current assets	<u>2,791</u>	<u>3,326</u>
NET COST OF SERVICES	<u>538,166</u>	<u>543,204</u>
Add Government Contributions		
Department of Health recurrent payments	501,266	490,824
Department of Health capital payments	90,889	28,170
Acceptance by the Crown Entity of superannuation liability	<u>35,444</u>	<u>31,263</u>
Total Government Contributions	<u>627,599</u>	<u>550,257</u>
RESULT FOR THE YEAR FROM ORDINARY ACTIVITIES	<u>89,433</u>	<u>7,053</u>

Employee related expenses increased only marginally as higher salaries and wage rates were offset by a reduction in equivalent full time staff.

The increase in the Department of Health capital payments was to fund the redevelopment of the RPA and Concord Repatriation General hospitals.

Abridged Consolidated Statement of Financial Position

Year ended 30 June	2001 \$'000	2000 \$'000
Current assets	78,221	78,234
Non current assets	745,452	649,233
TOTAL ASSETS	823,673	727,467
Current liabilities	88,081	81,140
Non current liabilities	87,370	86,328
TOTAL LIABILITIES	175,451	167,468
NET ASSETS	648,222	559,999
Reserves	147,789	151,961
Accumulated funds	500,433	408,038
TOTAL EQUITY	648,222	559,999

The increase in non current assets was primarily due to redevelopment of facilities at the RPA and Concord Repatriation General hospitals.

Abridged Program Information

The table below details the Service's net cost of services on a program basis:

Year ended 30 June	2001		2000	
	Revenues* \$'000	Expenses* \$'000	Net Cost of Services \$'000	Net Cost of Services \$'000
Overnight acute inpatient services	129,955	368,038	238,083	239,178
Outpatient services	29,753	120,610	90,857	91,594
Mental health services	18,209	65,168	46,959	47,553
Other	61,780	224,047	162,267	164,879
Total all programs	239,697	777,863	538,166	543,204
* Includes gain on disposal of non-current assets				

SERVICE ACTIVITIES

For further information on the Central Sydney Area Health Service refer to www.cs.nsw.gov.au.

Hunter Area Health Service

AUDIT OPINION

The audit of the financial report of the Service for the year ended 30 June 2001 resulted in the issue of an unqualified Independent Audit Report.

KEY ISSUES

Loan Repayable to the Department of Health

The Service has a loan from the Department of Health of approximately \$7.7 million at 30 June 2001. This loan was drawn down some 10 years ago. At the time of entering into the arrangement, the loan was to be repaid from future asset sales. Although asset sales have occurred over the life of the loan, the loan has not been repaid.

The repayment of the loan is now linked to the sale of the Allandale Nursing Home. Because of uncertainty in the timing of the sale of this property, it is unclear when the loan will be repaid.

CONTROL ISSUES

During the course of the audit, the Audit Office observed areas where opportunities for improvement in internal control can be achieved.

These opportunities have been identified in a letter issued to the Service. None was significant.

COMPLIANCE ISSUES

As part of the audit, we examined whether the Service complied with the requirements of the Health Department's Accounts and Audit Determination for Public Health Organisations in regards to Annual Reports.

The Service largely complied with the Determination except that it did not include the Independent Audit Report with the Financial Report. The Service has implemented a process to help ensure this matter is corrected in the 2001 annual report.

FINANCIAL INFORMATION

Abridged Statement of Financial Performance

Year ended 30 June	2001 \$'000	2000 \$'000
Employee related	370,629	368,873
Visiting medical officers	21,133	20,839
Other expenses	<u>221,244</u>	<u>212,139</u>
TOTAL EXPENSES	<u>613,006</u>	<u>601,851</u>
TOTAL REVENUE	<u>118,616</u>	<u>109,457</u>
Loss on disposal of non-current assets	<u>507</u>	<u>674</u>
NET COST OF SERVICES	<u>494,897</u>	<u>493,068</u>
Add Government Contributions		
Department of Health recurrent payments	454,740	429,102
Department of Health capital payments	8,829	25,707
Acceptance by the Crown Entity of superannuation liability	<u>29,964</u>	<u>28,203</u>
Total Government Contributions	<u>493,533</u>	<u>483,012</u>
RESULT FOR THE YEAR FROM ORDINARY ACTIVITIES	<u>(1,364)</u>	<u>(10,056)</u>

The increase in other expenses was due to the initial recognition of costs associated with interstate patient outflows of \$1.4 million, higher medical and surgical supplies of \$2.2 million, maintenance of \$2.7 million and depreciation, grants and payments to affiliated health organisations increasing by \$2.3 million.

Abridged Statement of Financial Position

At 30 June	2001 \$'000	2000 \$'000
Current assets	53,223	49,216
Non-current assets	<u>520,318</u>	<u>519,630</u>
TOTAL ASSETS	<u>573,541</u>	<u>568,846</u>
Current liabilities	69,979	63,011
Non-current liabilities	<u>62,326</u>	<u>63,235</u>
TOTAL LIABILITIES	<u>132,305</u>	<u>126,246</u>
NET ASSETS	<u>441,236</u>	<u>442,600</u>
Reserves	59,870	59,870
Accumulated funds	<u>381,366</u>	<u>382,730</u>
TOTAL EQUITY	<u>441,236</u>	<u>442,600</u>

Accounts payable were \$14.7 million (\$10.5 million in 1999–2000) at 30 June 2001.

Loans due to the Department of Health at 30 June 2001 totalled \$9.3 million (\$10.1 million). Loans from the Department of Health were referred to under Key Issues.

Abridged Program Information

The table below details the Service's net cost of services on a program basis:

Year ended 30 June	2001		2000
	Revenues* \$'000	Expenses \$'000	Net Cost of Services \$'000
Overnight acute inpatient services	55,424	270,504	215,080
Outpatient services	5,019	59,932	54,913
Mental health services	7,195	57,945	50,750
Other	50,978	225,132	174,154
Total all programs	118,616	613,513	494,897
* Includes gains on sale of non-current assets			

SERVICE ACTIVITIES

For further information on the Hunter Area Health Service refer to www.hunter.health.nsw.gov.au.

Illawarra Area Health Service

AUDIT OPINION

The audit of the financial report of the Service for the year ended 30 June 2001 resulted in the issue of an unqualified Independent Audit Report.

CONTROL ISSUES

The Audit Office identified opportunities to improve internal control. These were not significant and were included in a letter to the Service.

COMPLIANCE ISSUES

As part of the audit, we examined whether the Service complied with the requirements of the Health Department's Accounts and Audit Determination for Public Health Organisations in respect of Annual Reports management policies for group services.

The Service's 30 June 2001 annual report largely complied with the Determination. However, it did not clearly distinguish between audited information and unaudited information.

The Service did not have Department of Health approval to provide \$1.6 million to the Service's General fund from the Linen and Pathology funds. The Service is currently seeking the Department's retrospective approval for the use of these additional funds.

FINANCIAL INFORMATION

Abridged Statement of Financial Performance

Year ended 30 June	2001 \$'000	2000 \$'000
Employee related	203,839	194,322
Visiting medical officers	16,719	16,458
Other expenses	125,286	104,285
TOTAL EXPENSES	345,844	315,065
TOTAL REVENUE	37,863	32,153
Loss on disposal of non-current assets	2,910	14
NET COST OF SERVICES	310,891	282,926
Add Government Contributions		
Department of Health recurrent payments	274,151	247,471
Department of Health capital payments	24,877	15,764
Acceptance by the Crown Entity of superannuation liability	13,878	11,972
Total Government Contributions	312,906	275,207
RESULT FOR THE YEAR FROM ORDINARY ACTIVITIES	2,015	(7,719)

The increase in employee related expenses was mainly due to higher staff levels associated with increased activity together with rises in salary and wage award rates.

Other expenses rose by \$21.0 million. Contributing to this rise:

- ◆ goods and services: \$4.5 million in inter-area patient flows; \$2.0 million in interstate patient flows; \$2.2 million in drug supplies due to increased activity
- ◆ maintenance: \$2.2 million predominantly due to additional costs of the Clinical Services Block rectification and other items forming part of Stage 2 development of Wollongong and Shoalhaven Hospitals
- ◆ depreciation: \$4.0 million mainly associated with the accelerated depreciation charge from the demolition of Hickman House in March 2001
- ◆ legal action against the Minister for Public Works and Services and the Service by the builder of the Clinical Service building at the Wollongong Hospital relating to additional costs, losses and/or damages suffered on the project, was finalised during 2000-01. A total of \$4.5 million was paid during 2000-01 (\$1.5 million in 1999-2000) comprising a \$2.9 million settlement with the contractor and \$1.7 million in payments to the Department of Public Works and Services for contract administration and legal expenses in reaching resolution of the dispute.

Revenue increased by \$5.7 million largely due to higher patient fees of \$3.5 million and the receipt of \$2.4 million relating to a 1997-98 workers compensation hindsight adjustment. The increase in patient fees was attributed to more private patients utilising their private health insurance and simplified billing for private patients as well as an increase in the number of the Department of Veterans' Affairs patients treated through the year.

Abridged Statement of Financial Position

At 30 June	2001 \$'000	2000 \$'000
Current assets	15,250	13,446
Non-current assets	252,539	222,111
TOTAL ASSETS	267,789	235,557
Current liabilities	35,929	38,177
Non-current liabilities	27,414	24,521
TOTAL LIABILITIES	63,343	62,698
NET ASSETS	204,446	172,859
Reserves	79,940	50,368
Accumulated funds	124,506	122,491
TOTAL EQUITY	204,446	172,859

The increase in non-current assets was mainly due to a \$29.6 million increase on revaluation of the Service's land and buildings.

At 30 June 2001, accounts payable were \$9.4 million (\$12.2 million in 2000).

Abridged Program Information

The table below details the Service's net cost of services on a program basis:

Year ended 30 June	2001		2000
	Revenues* \$'000	Expenses* \$'000	Net Cost Of Services \$'000
Overnight acute inpatient services	19,015	155,919	136,904
Rehabilitation and extended care services	5,714	40,467	34,753
Primary and community based services	969	35,047	34,078
Other	12,165	117,321	105,156
Total all programs	37,863	348,754	310,891
* Includes loss on disposal of non-current assets			

SERVICE ACTIVITIES

For further information on the Illawarra Area Health Service refer to www.iahs.nsw.gov.au.

Northern Sydney Area Health Service

AUDIT OPINION

The audit of the financial report of the Service for the year ended 30 June 2001 resulted in the issue of an unqualified Independent Audit Report.

KEY ISSUES

Development and Commercialisation of Intellectual Property

As reported in the Auditor-General's Report to Parliament last year, the Service continues to record a liability of \$1.6 million payable to research staff who participated in the development and commercialisation of intellectual property.

Use of Financial Resources

Sale of land proceeds of \$9.9 million received by the Service in 1999–2000 were earmarked for capital expenditure. In 2000–01, \$4.7 million of these moneys was diverted to recurrent purposes (with Department of Health approval). The Service is required to replenish capital in time to meet payment schedules in relation to the original capital purpose, which is likely to be in late 2001–02, early 2002–03.

The Service will need to generate free cash flows from operating activities with which to replenish capital funds. The Service has implemented strategies to help ensure that funds will be available as necessary.

CONTROL ISSUES

Non-Compliance with the *Public Authorities (Financial Arrangements) Act 1987*

The Service had a bank guarantee of \$537,000 at 30 June 2001. The Treasurer did not approve the guarantee before it was arranged and it is therefore unlawful.

The bank guarantee also lacked approval by the Board and was arranged by persons who did not have the power to approve transactions of this type. This transaction highlights a significant control weakness.

Non-compliance with the Act was noted in the Service's 30 June 2001 financial report. The Service has implemented a process to help ensure future compliance with the Act.

The bank guarantee has now lapsed.

Depreciation of Infrastructure Assets

The Service does not depreciate infrastructure assets. These assets have a limited useful life to the Service and should be depreciated.

We estimate depreciation expenses have been understated by approximately \$1.0 million in 2000–01 by not depreciating this asset. The effect of this error will accumulate over time. We recommended that the Service commence depreciating the asset.

Provision for Doubtful Debts

Receivables as at 30 June 2001 contained outstanding debts greater than six months of \$2.6 million, of which \$1.2 million was receivable from other government agencies and other hospitals. The Service considers the debts of \$2.6 million as collectable. We recommend management review all debtor balances for collectability and strengthen the processes to collect long outstanding debts.

Management Letter

We observed opportunities for improvement in internal control. These opportunities were identified in a letter issued to the Service. With the exception of the above items, none was significant.

COMPLIANCE ISSUES

We examined whether the Service complied with the requirements of the:

- ♦ Health Department's Accounts and Audit Determination for Public Health Organisations in respect of Annual Reports
- ♦ leave provisions with the Premier's Department Personnel Handbook
- ♦ fixed asset depreciation in accordance with AAS4 and Treasury Circular No 11-95 'Accounting Policies for various Financial Reporting Issues'.

The Service's 30 June 2001 annual report substantially complied with the Determination. Other requirements were also substantially complied with.

FINANCIAL INFORMATION

Abridged Statement of Financial Performance

Year ended 30 June	2001 \$'000	2000 \$'000
Employee related	426,692	405,480
Visiting medical officers	19,280	20,142
Other expenses	258,950	261,408
TOTAL EXPENSES	704,922	687,030
TOTAL REVENUE	169,878	159,254
Loss on disposal of non-current assets	1,193	2,159
NET COST OF SERVICES	536,237	529,935
Add Government Contributions		
Department of Health recurrent payments	468,559	453,492
Department of Health capital payments	3,835	3,392
Acceptance by the Crown Entity of superannuation liability	34,615	21,754
Total Government Contributions	507,009	478,638
RESULT FOR THE YEAR FROM ORDINARY ACTIVITIES	(29,228)	(51,297)

The increase in employee related expenses was primarily due to salaries and wage rates and an increase in superannuation expense of \$12.9 million.

Revenue increased by \$10.6 million due largely to higher inter-area patient inflows and inflows from interstate of \$5.5 million.

Abridged Statement of Financial Position

At 30 June	2001 \$'000	2000 \$'000
Current assets	66,950	70,446
Non-current assets	570,586	590,350
TOTAL ASSETS	637,536	660,796
Current liabilities	82,653	79,791
Non-current liabilities	67,237	64,131
TOTAL LIABILITIES	149,890	143,922
NET ASSETS	487,646	516,874
Reserves	54,307	54,307
Accumulated funds	433,339	462,567
TOTAL EQUITY	487,646	516,874

At 30 June 2001, non-current assets of the Service decreased by \$19.8 million mainly due to depreciation expense.

Accounts payable were \$29.0 million (\$30.3 million in 1999–2000) at 30 June 2001.

Abridged Program Information

The table below details the Service's net cost of services on a program basis:

Year ended 30 June	2001		2000	
	Revenues* \$'000	Expenses* \$'000	Net Cost of Services \$'000	Net Cost of Services \$'000
Overnight acute inpatient services	98,698	351,755	253,057	203,189
Mental health services	2,819	74,610	71,791	79,736
Rehabilitation and extended care services	11,382	68,359	56,977	63,939
Other	56,979	211,391	154,412	183,071
Total all programs	169,878	706,115	536,237	529,935

* Includes gain/(loss) on disposal of non-current assets

SERVICE ACTIVITIES

For further information on the Northern Sydney Area Health Service refer to www.nsh.nsw.gov.au.

South Eastern Sydney Area Health Service

AUDIT OPINION

The audit of the financial report of the Service for the year ended 30 June 2001 resulted in the issue of an unqualified Independent Audit Report.

KEY ISSUES

Private Sector Infrastructure Projects

Volume Five of the Auditor-General's 2000 Report to Parliament indicated that the accounting treatment adopted for the recognition of private sector infrastructure projects did not reflect the 'time value of money' and the right to receive an asset at the end of the lease period. While the present treatment has not materially impacted the financial report, it is possible that the value will become material in a future period. We understand that Treasury and the Department of Health are reviewing this matter.

Prince Henry and South Sydney Hospital Sites

In 1999-2000 the Department of Health lent the Service \$17 million to assist it in meeting its obligations. This loan is to be repaid from the sale proceeds of the Prince Henry Hospital site. Landcom has a proposal to acquire the site and, in June 2001, paid the Department a \$17 million deposit. However the Deed of Agreement between the parties has not yet been finalised. The Service remains liable to repay the \$17 million to Landcom if the sale does not proceed.

Revenue Collections/Debtors

Volume Five of the Auditor-General's 2000 Report to Parliament referred to irregularities in collections from patients, attributed to breakdowns in internal controls. While action has been taken to improve existing practices and procedures some issues remain.

The Service sought legal advice before entering into separation arrangements with the two staff suspected of misconduct and/or unsatisfactory performance. The arrangements included combinations of Deeds of Mutual Release, voluntary redundancy, payment of all statutory entitlements and a gratuity equivalent to three months pay. Notwithstanding the legal advice, these separation arrangements appear generous given the circumstances.

The Department of Health has now issued instructions that no Deeds of Release are to be entered into in the future.

CONTROL ISSUES

Special Purpose and Trust Funds

At 30 June 2001, the Service controlled funds of \$56.5 million (\$55.9 million at 30 June 2000), the use of which is restricted by donor or other imposed conditions. In the 1999-2000 audit, we identified that the source documents setting out these conditions were not available for numerous Special Purpose and Trust Funds.

The Service has advised that efforts are continuing to find the source documentation. To ensure compliance with imposed conditions it is important that this exercise be completed.

Salary Overpayments

Unrecovered salary overpayments as at 30 June 2001 totalled \$1.0 million (\$846,000 at 30 June 2000). Service management advised that of this amount, \$530,000 (\$695,000) relates to current employees with \$498,000 (\$151,000) owing from persons no longer employed by the Service.

Other Payroll Issues

The Service continues to express dissatisfaction with the payroll application introduced by the Department of Health in November 1998. Resources have been allocated to identify and rectify system deficiencies and other matters adversely impacting payroll processing. While aspects requiring attention are largely consistent with the items included in Volume Five of the Auditor-General's 2000 Report to Parliament, Service efforts have resulted in a reduction in the number of uncleared items within the reconciliation of payroll systems and the general ledger.

Inventory

The annual stocktake identified variances with inventory records, particularly in relation to drug supplies. Service staff have advised that the inventory records are not being regularly updated due to staff shortages.

Other Matters

Other matters identified during the audit will be further discussed with Service staff and, where appropriate, will be formally referred to Service management for attention.

COMPLIANCE ISSUES

As part of the audit, we examined whether the Service complied with the requirements of the Health Department's Accounts and Audit Determination for Public Health Organisations.

Other requirements examined during 2000-01 comprise compliance with:

- ◆ provisions of the *Long Service Leave Act 1955*
- ◆ superannuation requirements.

The Service substantially complied with the relevant requirements.

FINANCIAL INFORMATION

Abridged Statement of Financial Performance

Year ended 30 June	2001 \$'000	2000 \$'000
EXPENSES		
Employee related	548,817	542,926
Visiting medical officers	22,825	23,280
Other expenses	497,454	465,932
TOTAL EXPENSES	1,069,096	1,032,138
REVENUE		
Reversal of previous revaluation decrements	--	95,890
Other revenue	264,041	241,827
TOTAL REVENUE	264,041	337,717
Loss on disposal of non-current assets	935	1,605
NET COST OF SERVICES	805,990	696,026
Add Government Contributions		
Department of Health recurrent payments	684,827	676,101
Department of Health capital payments	58,388	38,694
Acceptance by the Crown Entity of superannuation liability	41,251	38,539
Total Government Contributions	784,466	753,334
RESULT FOR THE YEAR FROM ORDINARY ACTIVITIES	(21,524)	57,308

The Service has explained that:

- ♦ other expenses were higher due to a \$25.1 million increase in payments to Affiliated Health Organisations including a capital payment of \$41.0 million to St Vincent's hospital (\$14.1 million in 1999-2000)
- ♦ the increase in other revenue included a first time adjustment of \$6.3 million for interstate patient flows, and a Treasury Managed Fund hindsight adjustment of \$4.5 million
- ♦ the increased capital funding reflected payments to St Vincent's hospital and the large redevelopment project at Sutherland Hospital.

Abridged Statement of Financial Position

At 30 June	2001 \$'000	2000 \$'000
Current assets	95,988	88,575
Non-current assets	886,823	905,862
TOTAL ASSETS	982,811	994,437
Current liabilities	172,178	165,175
Non-current liabilities	114,943	112,048
TOTAL LIABILITIES	287,121	277,223
NET ASSETS	695,690	717,214
Reserves	82,191	80,379
Accumulated funds	613,499	636,835
TOTAL EQUITY	695,690	717,214

Non-current assets decreased due to the disposal of buildings and associated plant and equipment particularly at the Sutherland hospital site.

Liabilities include: borrowings totalling \$47.7 million (\$49.3 million) due for repayment on or before 30 June 2002; accounts payable of \$52.8 million (\$48.9 million); current and non-current employee entitlements of \$66.1 million (\$63.9 million) and \$87.9 million (\$83.3 million) respectively. and income in advance totalling \$31.6 million (\$30.4 million) of which \$5.1 million (\$2.7 million) will be amortised before 30 June 2002.

Abridged Program Information

The table below details the Service's net cost of services on a program basis:

Year ended 30 June	2001		2000
	Revenues \$'000	Expenses* \$'000	Net Cost of Services \$'000
Overnight acute inpatient services	119,838	485,068	365,230
Outpatient services	39,011	167,107	128,096
Rehabilitation and extended care services	26,254	95,501	69,247
Other	78,938	322,355	243,417
Total all programs	264,041	1,070,031	805,990
*Includes loss on sale of non-current assets			

SERVICE ACTIVITIES

For further information on the South Eastern Sydney Area Health Service refer to www.health.nsw.gov.au/areas/sesahs.

South Western Sydney Area Health Service

AUDIT OPINION

The audit of the Service's financial report and the consolidated entity's financial report for the year ended 30 June 2001 resulted in the issue of an unqualified Independent Audit Report.

CONTROL ISSUES

Salary Overpayments

Salary overpayments of \$371,000 were identified during the current year (\$471,000 in 1999–2000; \$740,000 in 1998–99). The cause of salary overpayments is attributed to the inability of the payroll processing systems to prevent the entry of inconsistent employee data records.

At 30 June 2001, \$370,000 cumulative salary overpayments were uncollected by the Service. Of this amount, \$120,000 is due from persons who are no longer employed by the Service, and a provision of \$107,000 for uncollectability has been raised at 30 June 2001 in respect of those debtors.

Management Letter

Opportunities for improvement in internal control have been referred to the Service. With the exception of the item above, none was significant.

COMPLIANCE ISSUES

As part of the audit, we examined whether the Service complied with the requirements of the Health Department's Accounts and Audit Determination for Public Health Organisations in regards to Annual Reports.

The Service's 30 June 2001 annual report largely complied with the Determination. The annual report could disclose better information of Board Committees and distinguish between audited information and unaudited information.

FINANCIAL INFORMATION

Abridged Consolidated Statement of Financial Performance

Year ended 30 June	2001 \$'000	2000 \$'000
Employee related	392,058	374,916
Visiting medical officers	27,361	27,087
Other expenses	254,425	243,726
TOTAL EXPENSES	673,844	645,729
TOTAL REVENUE	91,435	93,216
Gain/(loss) on disposal of non-current assets	344	(43)
NET COST OF SERVICES	582,065	552,556
Add Government Contributions		
Department of Health recurrent payments	540,523	500,914
Department of Health capital payments	32,258	14,246
Acceptance by the Crown Entity of superannuation liability	24,865	24,018
Total Government Contributions	597,646	539,178
RESULT FOR THE YEAR FROM ORDINARY ACTIVITIES	15,581	(13,378)

Contributing to the \$17.1 million increase in employee related expenses was the across the Service wage rise and increased staff numbers. In addition, the premium for workers' compensation insurance increased by \$1.5 million to \$11.8 million.

Other expenses increased \$10.7 million mainly due to medical and surgical supplies (up \$3.1 million), drug supplies (up \$1.7 million), inter area patient outflows (up \$2.9 million) and the inclusion of interstate patient outflows for the first time (\$1.5 million). The rise in medical, surgical and drug supplies is attributed to increased costs, usage, increased emergency activities, and treating a more complex case mix.

Abridged Consolidated Statement of Financial Position

At 30 June	2001 \$'000	2000 \$'000
Current assets	53,400	47,560
Non-current assets	646,804	520,614
TOTAL ASSETS	700,204	568,174
Current liabilities	88,362	74,366
Non-current liabilities	45,207	41,027
TOTAL LIABILITIES	133,569	115,393
NET ASSETS	566,635	452,781
Reserves	120,474	22,201
Accumulated funds	446,161	430,580
TOTAL EQUITY	566,635	452,781

The increase in the value of non-current assets was mainly due to a revaluation increment of \$98.3 million, plus \$51.1 million in construction expenditure relating to the Macarthur Network redevelopment and other projects. These increases were offset by the current year's depreciation charge of \$23.2 million.

Included in current liabilities at 30 June 2001 are trade creditors of \$14.2 million (\$11.7 million in 2000).

Abridged Program Information

The table below details the Service's net cost of services on a program basis:

Year ended 30 June	2001		Net Cost of Services \$'000	2000
	Revenues* \$'000	Expenses* \$'000		Net Cost of Services \$'000
Overnight acute in-patient services	63,722	316,378	252,656	239,858
Primary and community based services	2,286	67,727	65,441	59,925
Rehabilitation and extended care services	8,571	71,679	63,108	60,457
Other	17,200	218,060	200,860	192,316
Total all programs	91,779	673,844	582,065	552,556
* Includes gain/(loss) on disposal of non-current assets				

SERVICE ACTIVITIES

For further information on South Western Sydney Area Health Service refer to www.swsahs.nsw.gov.au.

Wentworth Area Health Service

AUDIT OPINION

The audit of the financial report of the Service for the year ended 30 June 2001 resulted in the issue of an unqualified Independent Audit Report.

CONTROL ISSUES

Shortcomings in accounting for plant and equipment have been referred to in our Reports to Parliament for the past two years.

The Service's general ledger and fixed asset register had not reconciled for a number of years. A reduction of \$5.1 million was made to the Service's general ledger at 30 June 2001 for plant and equipment. The general ledger now reconciles to the asset register.

We recommend the Service complete an inventory of plant and equipment on an annual basis. This will help ensure the asset register fairly reflects the plant and equipment controlled by the Service.

Other minor areas for improvement were identified and included in a letter to the Service.

COMPLIANCE ISSUES

We examined whether the Service complied with the:

- ◆ annual report requirements of the Health Department's Accounts and Audit Determination for Public Health Organisations
- ◆ long service leave policies of the Service and provisions of the *Long Service Leave Act*
- ◆ Premier's Department policy for motor vehicle operations and the Service's policy for fuel card usage.

The Service largely complied with the reporting requirements of the Determination and the *Long Service Leave Act 1955*.

FINANCIAL INFORMATION

Abridged Statement of Financial Performance

Year ended 30 June	2001 \$'000	2000 \$'000
Employee related	155,319	147,913
Visiting medical officers	6,731	6,594
Other expenses	140,640	134,721
TOTAL EXPENSES	302,690	289,228
TOTAL REVENUE	47,871	37,203
Loss on disposal of non-current assets	3,996	19
NET COST OF SERVICES	258,815	252,044
Add Government Contributions		
Department of Health recurrent payments	233,994	216,579
Department of Health capital payments	15,530	25,961
Acceptance by the Crown Entity of superannuation liability	11,569	10,426
Total Government Contributions	261,093	252,966
RESULT FOR THE YEAR FROM ORDINARY ACTIVITIES	2,278	922

Employee related expenses increased largely due to an increase in salary and wages award rates and higher payments to nursing agencies.

The loss on disposal of non-current assets includes the adjustment to plant and equipment referred to under Control Issues.

Abridged Statement of Financial Position

At 30 June	2001 \$'000	2000 \$'000
Current assets	20,626	15,659
Non-current assets	225,672	225,593
TOTAL ASSETS	246,298	241,252
Current liabilities	32,872	29,200
Non-current liabilities	52,389	53,293
TOTAL LIABILITIES	85,261	82,493
NET ASSETS	161,037	158,759
Reserves	2,930	2,930
Accumulated funds	158,107	155,829
TOTAL EQUITY	161,037	158,759

Outstanding loans of \$35.2 million at 30 June 2001 are for a finance lease. This lease financed construction of the Hawkesbury District Hospital. This lease is repayable over 15 years.

Abridged Program Information

The table below details the Service's net cost of services on a program basis:

Year ended 30 June	2001		Net Cost of Services \$'000	2000 Net Cost of Services \$'000
	Revenues* \$'000	Expenses* \$'000		
Overnight acute inpatient services	30,853	152,454	121,601	115,611
Rehabilitation and extended care services	5,975	37,669	31,694	37,349
Primary and community based services	1,294	30,227	28,933	27,118
Other	9,749	86,336	76,587	71,966
Total all programs	47,871	306,686	258,815	252,044
*Includes loss on disposal of non-current assets				

SERVICE ACTIVITIES

For further information on the Wentworth Area Health Service refer to www.health.nsw.gov.au/areas/wahs.

AUDIT OPINION

CONTROL ISSUES

The Service had a bank guarantee of \$330,000 at 30 June 2001. The Treasurer did not approve the bank guarantee before it was arranged and it was therefore unlawful.

The bank guarantee also lacked approval by the Board and was arranged by staff who did not have the power to approve transactions of this type. This transaction highlights a significant control weakness.

Non-compliance with the *Public Authorities (Financial Arrangements) Act 1987* was noted in the Service's 30 June 2001 financial report. The guarantee had a sunset clause of 3 September 2001 and has since lapsed.

Management Letter

Opportunities for improvement in internal control have been referred to the Service. With the exception of the item above, none was significant.

COMPLIANCE ISSUES

As part of the audit, we examined whether the Service complied with the requirements of the Health Department's Accounts and Audit Determination for Public Health Organisations in respect of Annual Reports.

We found that the Service substantially complied with the requirements.

FINANCIAL INFORMATION

Abridged Statement of Financial Performance

Year ended 30 June	2001 \$'000	2000 \$'000
Employee related	470,174	450,504
Visiting medical officers	17,304	17,591
Other expenses	<u>325,105</u>	<u>298,551</u>
TOTAL EXPENSES	<u>812,583</u>	<u>766,646</u>
TOTAL REVENUE	<u>161,671</u>	<u>153,909</u>
Loss on disposal of non-current assets	<u>2,035</u>	<u>13,282</u>
NET COST OF SERVICES	<u>652,947</u>	<u>626,019</u>
Add Government Contributions		
Department of Health recurrent payments	595,944	563,886
Department of Health capital payments	9,489	35,228
Acceptance by the Crown Entity of superannuation liability	<u>37,097</u>	<u>33,260</u>
Total Government Contributions	<u>642,530</u>	<u>632,374</u>
RESULT FOR THE YEAR FROM ORDINARY ACTIVITIES	<u>(10,417)</u>	<u>6,355</u>

Higher staff levels and rises in salary and wage award rates resulted in the increase in employee related expenses.

The increase in other expenses was partly due to a \$9.1 million increase in depreciation on buildings. This resulted from the capitalisation of completed works in 1999–2000 and the revaluation of buildings on 1 July 2000 that saw the cost base increase by \$41.0 million.

Higher expenditures on drugs and medical/surgical supplies of \$4.5 million, software maintenance of \$1.2 million and costs associated with increased inter-area patient flows of \$4.9 million also contributed to the increase in other expenses.

Revenue increased by \$7.8 million largely due to higher patient fees of \$3.6 million and the initial accounting treatment for interstate patient inflows of \$2.6 million.

Abridged Statement of Financial Position

At 30 June	2001 \$'000	2000 \$'000
Current assets	88,501	54,624
Non-current assets	<u>781,130</u>	<u>714,597</u>
TOTAL ASSETS	<u>869,631</u>	<u>769,221</u>
Current liabilities	80,759	71,786
Non-current liabilities	<u>73,665</u>	<u>69,940</u>
TOTAL LIABILITIES	<u>154,424</u>	<u>141,726</u>
NET ASSETS	<u>715,207</u>	<u>627,495</u>
Reserves	108,047	9,918
Accumulated funds	<u>607,160</u>	<u>617,577</u>
TOTAL EQUITY	<u>715,207</u>	<u>627,495</u>

Current assets rose as a result of cash increasing \$18.0 million due to timing differences relating to payment of salaries and wages and creditors. Excess cash is deposited to term investments and short-term deposits.

Non-current assets rose \$66.5 million largely due to a revaluation of land and buildings on 1 July 2000.

Accounts payable were \$23.9 million at 30 June 2001 (\$17.8 million in 2000).

Abridged Program Information

The table below details the Service's net cost of services on a program basis:

Year ended 30 June	2001		2000
	Revenues* \$'000	Expenses* \$'000	Net Cost of Services \$'000
Overnight acute inpatient services	95,329	352,936	257,607
Mental health services	4,028	76,502	72,474
Primary community based services	4,072	62,070	57,998
Other	58,242	323,110	264,868
Total all programs	161,671	814,618	652,947
* Includes gain/(loss) on disposal of non-current assets			

SERVICE ACTIVITIES

For further information on the Western Sydney Area Health Service refer to www.wsahs.nsw.gov.au.

Far West Area Health Service

AUDIT OPINION

The audit of the financial report of the Service for the year ended 30 June 2001 resulted in the issue of an unqualified Independent Audit Report.

CONTROL ISSUES

We identified opportunities for improvement in internal control. These were minor and were reported to the Service.

COMPLIANCE ISSUES

As part of the audit, we examined whether the Service complied with the requirements of the Health Department's Accounts and Audit Determination for Public Health Organisations in respect of Annual Reports management policies for group services.

The Service substantially complied with the Determination.

FINANCIAL INFORMATION

Abridged Statement of Financial Performance

Year ended 30 June	2001 \$'000	2000 \$'000
Employee related	44,160	44,710
Visiting medical officers	4,216	4,589
Other expenses	41,856	29,606
TOTAL EXPENSES	90,232	78,905
TOTAL REVENUE	8,881	15,814
Loss on disposal of non-current assets	344	764
NET COST OF SERVICES FOR YEAR	81,695	63,855
Add Government Contributions		
Department of Health recurrent payments	73,413	62,065
Department of Health capital payments	4,000	10,804
Acceptance by the Crown Entity of superannuation liability	3,267	2,985
Total Government Contributions	80,680	75,854
RESULT FOR THE YEAR FROM ORDINARY ACTIVITIES	(1,015)	11,999

The \$12.3 million increase in other expenses was largely due to the introduction of accounting for interstate patient outflows with a cost of \$10.6 million.

Total revenue decreased by \$6.9 million mainly due to a fall in sundry income of \$2.8 million and debt forgiveness of \$4.1 million in 1999–2000.

Abridged Statement of Financial Position

At 30 June	2001 \$'000	2000 \$'000
Current assets	4,025	3,616
Non-current assets	57,555	58,343
TOTAL ASSETS	61,580	61,959
Current liabilities	12,550	12,224
Non-current liabilities	6,429	6,119
TOTAL LIABILITIES	18,979	18,343
NET ASSETS	42,601	43,616
Reserves	929	929
Accumulated funds	41,672	42,687
TOTAL EQUITY	42,601	43,616

Accounts payable were \$5.9 million at 30 June 2001 (\$4.9 million in 2000).

Abridged Program Information

The table below details the Service's net cost of services on a program basis:

Year ended 30 June	2001		2000	
	Revenues*	Expenses*	Net Cost of Services	Net Cost of Services
	\$'000	\$'000	\$'000	\$'000
Overnight acute in-patient services	2,346	33,679	31,333	18,270
Emergency Services	1,001	11,981	10,980	10,980
Rehabilitation and extended care services	1,798	11,893	10,095	8,569
Other	3,736	33,023	29,287	26,036
Total all programs	8,881	90,576	81,695	63,855
*Includes loss on disposal of non current assets				

SERVICE ACTIVITIES

For further information on the Far West Area Health Service refer to www.fwahs.health.nsw.gov.au.

Greater Murray Area Health Service

AUDIT OPINION

The audit of the financial report of the Service for the year ended 30 June 2001 resulted in the issue of an unqualified Independent Audit Report.

CONTROL ISSUES

Non-Compliance with the *Public Authorities (Financial Arrangements) Act 1987*

The Service entered into leasing arrangements for certain plant and equipment in 1998–99. Based on accounting advice provided by the lessor, these leases were reported as operating leases within the Service's financial report. The cost value of items subject to these leases was approximately \$1.5 million at 30 June 1999.

The Audit Office considers these leases are finance leases. As they do not have the necessary approvals required by the *Public Authorities (Financial Arrangements) Act 1987*, they are unlawful.

This non-compliance with the Act was noted in the Service's 30 June 2001 financial report.

Management Letter

Opportunities for improvement in internal control were observed and included in a letter to the Service.

Matters raised in the letter include the need to improve the system for calculating long service leave provisions. Management recognises there is a series of issues concerning the accuracy of salary records that render the calculation of long service leave through the payroll system, for all employees, not reliable. This matter has been reported in management letters for the past three years. We have been advised that this matter will be addressed during 2001–02 as part of an overall restructure of the Human Resource Department.

COMPLIANCE ISSUES

As part of the audit, we examined whether the Service complied with the requirements of the Health Department's Accounts and Audit Determination for Public Health Organisations in regards to Annual Reports.

The 30 June 2000 annual report largely complied with the Determination. It did not clearly distinguish between audited information and unaudited information.

FINANCIAL INFORMATION

Abridged Statement of Financial Performance

Year ended 30 June	2001 \$'000	2000 \$'000
Employee related	152,146	150,633
Visiting medical officers	20,136	19,490
Other expenses	118,264	83,064
TOTAL EXPENSES	290,546	253,187
TOTAL REVENUE	50,748	50,183
Gain/(loss) on disposal of non-current assets	13	(59)
NET COST OF SERVICES	239,785	203,063
Add Government Contributions		
Department of Health recurrent payments	215,093	199,305
Department of Health capital payments	1,402	3,853
Acceptance by the Crown Entity of Superannuation liability	12,213	11,546
Total Government Contributions	228,708	214,704
RESULT FOR THE YEAR FROM ORDINARY ACTIVITIES	(11,077)	11,641

The initial recognition of costs associated with interstate patient outflows has resulted in higher other expenses.

The small change in total revenue from 1999–2000 reflects the debt forgiveness of \$13.0 million in 1999–2000, offset by the initial recognition of interstate patient flow revenue of \$9.2 million in 2000–01.

Abridged Statement of Financial Position

At 30 June	2001 \$'000	2000 \$'000
Current assets	11,603	9,422
Non-current assets	166,058	172,840
TOTAL ASSETS	177,661	182,262
Current liabilities	36,026	30,846
Non-current liabilities	20,179	18,883
TOTAL LIABILITIES	56,205	49,729
NET ASSETS	121,456	132,533
Reserves	5,629	5,629
Accumulated funds	115,827	126,904
TOTAL EQUITY	121,456	132,533

At 30 June 2001, accounts payable were \$12.7 million (\$8.8 million in 2000).

At 30 June 2001, loans totalled \$4.1 million (\$3.6 million). Of this, \$791,000 is payable to the Department of Health and \$2.6 million represents a bank overdraft within the cash book. The loan from the Department of Health was provided to assist with the purchase of capital items.

Abridged Program Information

The table below details the Service's net cost of services on a program basis:

Year ended 30 June	2001		2000
	Revenues* \$'000	Expenses* \$'000	Net Cost of Services \$'000
Overnight acute inpatient services	33,546	159,488	125,942
Rehabilitation and extended care services	13,315	55,679	42,364
Emergency services	824	21,427	20,603
Other	3,076	53,952	50,876
Total all programs	50,761	290,546	239,785
* Includes gain/(loss) on disposal of non-current assets			

SERVICE ACTIVITIES

For further information on the Greater Murray Area Health Service refer to www.health.nsw.gov.au/areas/gmahs.

Macquarie Area Health Service

AUDIT OPINION

The audit of the financial report of the Service for the year ended 30 June 2001 resulted in the issue of an unqualified Independent Audit Report.

CONTROL ISSUES

We observed opportunities to improve internal control. These opportunities were not significant and were included in a letter to the Service.

COMPLIANCE ISSUES

As part of the audit, we examined whether the Service complied with the requirements of the Health Department's Accounts and Audit Determination for Public Health Organisations in regard to Annual Reports.

We found that the Service substantially complied with the Determination.

FINANCIAL INFORMATION

Abridged Statement of Financial Performance

Year ended 30 June	2001 \$'000	2000 \$'000
Employee related	73,131	72,401
Visiting medical officers	11,320	10,583
Other expenses	53,328	49,523
TOTAL EXPENSES	137,779	132,507
TOTAL REVENUE	18,779	21,691
Gain/(loss) on disposal of non-current assets	151	(78)
NET COST OF SERVICES	118,849	110,894
Add Government Contributions		
Department of Health recurrent payments	107,546	107,017
Department of Health capital payments	3,798	4,375
Acceptance by the Crown Entity of superannuation liability	5,674	5,264
Total Government Contribution	117,018	116,656
RESULT FOR THE YEAR FROM ORDINARY ACTIVITIES	(1,831)	5,762

The \$3.8 million increase in other expenses was largely attributed to inter-area patient flows and the initial recognition costs associated with interstate patient outflows.

The \$2.9 million fall in total revenue was due to decreased grants and contributions and the debt forgiveness of \$1.3 million in 1999–2000.

Abridged Statement of Financial Position

At 30 June	2001 \$'000	2000 \$'000
Current assets	9,209	7,058
Non-current assets	81,021	81,648
TOTAL ASSETS	90,230	88,706
Current liabilities	15,375	12,256
Non-current liabilities	9,992	9,756
TOTAL LIABILITIES	25,367	22,012
NET ASSETS	64,863	66,694
Reserves	238	238
Accumulated funds	64,625	66,456
TOTAL EQUITY	64,863	66,694

Accounts payable were \$6.4 million at 30 June 2001 (\$3.8 million in 2000). This increase was due to a one-off grant of \$3.0 million in June 2000 to assist with the payment of creditors.

Outstanding loans of \$579,000 at 30 June 2001 are repayable over the next five years. The loan was obtained for the acquisition of an energy efficient boiler at Mudgee Hospital.

Abridged Program Information

The table below details the Service's net cost of services on a program basis:

Year ended 30 June	2001		2000	
	Revenues* \$'000	Expenses* \$'000	Net Cost of Services \$'000	Net Cost Of Services \$'000
Overnight acute inpatient services	11,379	66,308	54,929	55,423
Rehabilitation and extended care services	3,669	20,221	16,552	11,402
Primary and community based services	538	13,087	12,549	13,051
Other	3,344	38,163	34,819	31,018
Total all programs	18,930	137,779	118,849	110,894

* Includes gain/(loss) on disposal of non-current assets

SERVICE ACTIVITIES

For further information on the Macquarie Area Health Service refer to www.health.nsw.gov.au/areas/mahs.

Mid North Coast Area Health Service

AUDIT OPINION

The audit of the financial report of the Service for the year ended 30 June 2001 resulted in the issue of an unqualified Independent Audit Report.

CONTROL ISSUES

Opportunities for improvement in internal control were observed. These matters have been raised in a letter issued to the Service. None was significant.

COMPLIANCE ISSUES

As part of the audit, we examined whether the Service complied with the requirements of the Health Department's Accounts and Audit Determination for Public Health Organisations in regards to Annual Reports.

The Service largely complied with the Determination except it did not fully meet the disclosure requirements in respect of Committees. The Service has implemented a process to help ensure this matter is corrected in the 2001 annual report.

FINANCIAL INFORMATION

Abridged Statement of Financial Performance

Year ended 30 June	2001 \$'000	2000 \$'000
Employee related	119,588	114,808
Visiting medical officers	14,288	14,049
Other expenses	117,934	114,768
TOTAL EXPENSES	251,810	243,625
TOTAL REVENUE	24,639	22,834
Gain/(loss) on disposal on non-current assets	41	(86)
NET COST OF SERVICES	227,130	220,877
Add Government Contributions		
Department of Health recurrent payments	212,398	201,687
Department of Health capital payments	53,208	29,663
Acceptance by the Crown Entity of superannuation liability	9,404	8,375
Total Government Contributions	275,010	239,725
RESULT FOR THE YEAR FORM ORDINARY ACTIVITIES	47,880	18,848

The increase in employee related expenses was primarily due to salaries and wage rates and an increase in the number of employees.

Revenue increased by \$1.8 million due to increased patient fees of \$787,000 and the initial recognition of revenues associated with interstate patient inflows of \$781,000.

Abridged Statement of Financial Position

At 30 June	2001 \$'000	2000 \$'000
Current assets	7,546	4,514
Non-current assets	<u>150,422</u>	<u>103,462</u>
TOTAL ASSETS	<u>157,968</u>	<u>107,976</u>
Current liabilities	27,434	26,341
Non-current liabilities	<u>15,667</u>	<u>14,648</u>
TOTAL LIABILITIES	<u>43,101</u>	<u>40,989</u>
NET ASSETS	<u>114,867</u>	<u>66,987</u>
Reserves	118	118
Accumulated funds	<u>114,749</u>	<u>66,869</u>
TOTAL EQUITY	<u>114,867</u>	<u>66,987</u>

Construction costs of the new Coffs Harbour Hospital are reflected in the higher level of non-current assets.

At 30 June 2001, accounts payable were \$10.2 million (\$11.3 million in 2000).

Borrowings at 30 June 2001 of \$1.5 million (\$840,000) are represented by a bank overdraft (within the cashbook).

Abridged Program Information

The table below details the Service's net cost of services on a program basis:

Year ended 30 June	2001		2000
	Revenues* \$'000	Expenses* \$'000	Net Cost of Services \$'000
Overnight acute inpatient services	9,390	119,243	109,853
Emergency services	2,131	29,973	27,842
Primary and community based services	2,324	27,265	24,941
Other	<u>10,835</u>	<u>75,329</u>	<u>64,494</u>
Total all programs	<u>24,680</u>	<u>251,810</u>	<u>227,130</u>
* Includes gain/(loss) on disposal of non-current assets			

SERVICE ACTIVITIES

For further information on the Mid North Coast Area Health Service refer to www.health.nsw.gov.au/areas/mncahs.

Mid Western Area Health Service

AUDIT OPINION

The audit of the financial report of the Service for the year ended 30 June 2001 resulted in the issue of an unqualified Independent Audit Report.

CONTROL ISSUES

Opportunities for improvement in internal control were observed during the audit.

These matters have been raised in a letter issued to the Service. None was significant.

COMPLIANCE ISSUES

As part of the audit, we examined whether the Service complied with the requirements of the Health Department's Accounts and Audit Determination for Public Health Organisations in respect to Annual Reports.

The Service substantially complied with the requirements. Opportunities for improvement include the disclosure of performance measures in respect of the linen service and more accurate disclosure of the linen service's net cost of service.

FINANCIAL INFORMATION

Abridged Statement of Financial Performance

Year ended 30 June	2001 \$'000	2000 \$'000
Employee related	136,072	137,276
Visiting Medical Officers	16,092	16,247
Other expenses	75,628	77,527
TOTAL EXPENSES	227,792	231,050
TOTAL REVENUE	33,693	38,894
Loss on disposal of non-current assets	632	321
NET COST OF SERVICES	194,731	192,477
Add Government Contributions		
Department of Health recurrent payments	178,043	178,053
Department of Health capital payments	4,685	10,592
Acceptance by the Crown Entity of superannuation liability	10,914	10,287
Total Government Contributions	193,642	198,932
RESULT FOR THE YEAR FROM ORDINARY ACTIVITIES	(1,089)	6,455

Revenue decreased by \$5.2 million compared with 1999–2000 primarily due to the one-off debt forgiveness in 1999–2000.

Abridged Statement of Financial Position

At 30 June	2001 \$'000	2000 \$'000
Current assets	10,540	11,008
Non-current assets	126,313	128,254
TOTAL ASSETS	136,853	139,262
Current liabilities	32,304	31,044
Non-current liabilities	23,751	26,331
TOTAL LIABILITIES	56,055	57,375
NET ASSETS	80,798	81,887
Reserves	903	903
Accumulated funds	79,895	80,984
TOTAL EQUITY	80,798	81,887

Accounts payable were \$10.8 million at 30 June 2001 (\$13.5 million in 2000).

Included in loans at 30 June 2001 is a bank overdraft (in the cashbook) of \$3.0 million (\$1.2 million) and a loan from the Department of Health of approximately \$2.0 million for capital expenditure purposes.

Abridged Program Information

The table below details the Service's net cost of services on a program basis:

Year ended 30 June	2001		Net Cost of Services \$'000	2000 Net Cost of Services \$'000
	Revenues* \$'000	Expenses* \$'000		
Overnight acute inpatient services	23,313	112,674	89,361	86,313
Rehabilitation and extend care services	4,152	37,418	33,266	33,900
Mental health services	4,387	25,322	20,935	21,527
Other	1,841	53,010	51,169	50,737
Total all programs	33,693	228,424	194,731	192,477
* Includes gain/(loss) on disposal of non-current assets				

SERVICE ACTIVITIES

For further information on the Mid Western Area Health Service refer to www.health.nsw.gov.au/areas/mwahs.

New England Area Health Service

AUDIT OPINION

The audit of the financial report of the Service for the year ended 30 June 2001 resulted in the issue of an unqualified Independent Audit Report.

CONTROL ISSUES

We identified opportunities for improvement in internal control. These have been identified in a letter to the Service. None was significant.

COMPLIANCE ISSUES

As part of the audit, we examined whether the Service complied with the requirements of the Health Department's Accounts and Audit Determination for Public Health Organisations in regards to Annual Reports.

We found that the Service substantially complied with the Determination.

FINANCIAL INFORMATION

Abridged Statement of Financial Performance

Year ended 30 June	2001 \$'000	2000 \$'000
Employee related	122,205	120,814
Visiting medical officers	16,817	17,056
Other expenses	70,214	65,364
TOTAL EXPENSES	209,236	203,234
TOTAL REVENUE	45,185	41,072
Gain/(Loss) on disposal of non-current assets	(20)	18
NET COST OF SERVICES	164,071	162,144
Add Government Contributions		
Department of Health recurrent payments	161,743	160,249
Department of Health capital payments	2,409	6,534
Acceptance by the Crown Entity of superannuation liability	10,369	8,020
Total Government Contributions	174,521	174,803
RESULT FOR THE YEAR FROM ORDINARY ACTIVITIES	10,450	12,659

Included in revenue is \$11.9 million relating to a depreciation adjustment. In prior years, building depreciation was provided in excess of requirements.

Abridged Statement of Financial Position

At 30 June	2001 \$'000	2000 \$'000
Current assets	17,332	12,992
Non-current assets	106,293	97,896
TOTAL ASSETS	123,625	110,888
Current liabilities	27,489	25,508
Non-current liabilities	19,777	19,471
TOTAL LIABILITIES	47,266	44,979
NET ASSETS	76,359	65,909
Reserves	16,875	16,875
Accumulated funds	59,484	49,034
TOTAL EQUITY	76,359	65,909

Accounts payable were \$8.3 million at 30 June 2001 (\$7.7 million in 2000).

At 30 June 2001, loans due to the Department of Health totalled \$1.2 million (\$1.6 million). The loan from the Department of Health was provided to assist with the purchase of capital items.

Abridged Program Information

The table below details the Service’s net cost of services on a program basis:

Year ended 30 June	2001		2000	
	Revenues \$'000	Expenses* \$'000	Net Cost of Services \$'000	Net Cost of Services \$'000
Overnight acute inpatient services	20,805	97,396	76,591	81,196
Rehabilitation and extended care services	4,914	26,826	21,912	19,516
Primary and community based services	771	20,757	19,986	18,051
Other	18,695	64,277	45,582	43,381
Total all programs	45,185	209,256	164,071	162,144

* Includes gain/(loss) on disposal of non-current assets

SERVICE ACTIVITIES

For further information on the New England Area Health Service refer to www.health.nsw.gov.au/areas/neahs.

Northern Rivers Area Health Service

AUDIT OPINION

The audit of the financial report of the Service for the year ended 30 June 2001 resulted in the issue of an unqualified Independent Audit Report.

CONTROL ISSUES

Opportunities for improvement in internal control have been referred to the Service in a letter. None was significant.

COMPLIANCE ISSUES

As part of the audit, we examined whether the Service complied with the requirements of the Health Department's Accounts and Audit Determination for Public Health Organisations in regards to Annual Reports.

The Service substantially complied with the Determination.

FINANCIAL INFORMATION

Abridged Statement of Financial Performance

Year ended 30 June	2001 \$'000	2000 \$'000
Employee related	158,026	149,576
Visiting medical officers	21,225	20,600
Other expenses	102,703	72,848
TOTAL EXPENSES	281,954	243,024
TOTAL REVENUE	40,307	28,035
Gain/(loss) on disposal of non-current assets	95	(281)
NET COST OF SERVICES	241,552	215,270
Add Government Contributions		
Department of Health recurrent payments	217,697	194,686
Department of Health capital payments	13,875	3,787
Acceptance by the Crown Entity of superannuation liability	12,667	10,787
Total Government Contributions	244,239	209,260
RESULT FOR THE YEAR FROM ORDINARY ACTIVITIES	2,687	(6,010)

Because of increased staff levels and higher salary and wage rates, employee related expenses rose \$8.4 million compared with 1999–2000.

Initial recognition of revenues earned from interstate patient flows of \$12.4 million resulted in the increase in total revenue.

The \$29.9 million increase in other expenses was largely due to the first time recognition of interstate patient outflow costs of \$22.2 million.

Abridged Statement of Financial Position

Abridged Statement of Financial Position

At 30 June	2001 \$'000	2000 \$'000
Current assets	9,928	8,215
Non-current assets	160,175	154,416
TOTAL ASSETS	170,103	162,631
Current liabilities	31,592	28,565
Non-current liabilities	20,136	18,378
TOTAL LIABILITIES	51,728	46,943
NET ASSETS	118,375	115,688
Reserves	2,035	2,035
Accumulated funds	116,340	113,653
TOTAL EQUITY	118,375	115,688

Accounts payable were \$11.4 million at 30 June 2001 (\$10.2 million in 2000).

Abridged Program Information

The table below details the Service's net cost of services on a program basis:

Year ended 30 June	2001		2000	
	Revenues* \$'000	Expenses* \$'000	Net Cost of Services \$'000	Net Cost of Services \$'000
Overnight acute inpatient services	29,278	151,572	122,294	100,307
Same day acute inpatient services	2,789	27,439	24,650	22,140
Emergency services	255	24,688	24,433	20,330
Other	8,080	78,255	70,175	72,493
Total all programs	40,402	281,954	241,552	215,270

* Includes gain/(loss) on disposal of non-current assets

SERVICE ACTIVITIES

For further information on the Northern Rivers Area Health Service refer to www.health.nsw.gov.au/areas/nrahs.

Southern Area Health Service

AUDIT OPINION

The audit of the financial report of the Service for the year ended 30 June 2001 resulted in the issue of an unqualified Independent Audit Report.

CONTROL ISSUES

Outstanding Creditor

Auditor-General's Reports to Parliament for the previous three years have included comment on the continuing efforts by the Service to clear an amount owing to a visiting medical officer. This visiting medical officer has not submitted claims for services provided for a number of years. The Service's additional efforts undertaken during 2000–01 were again unsuccessful and the balance owing to this particular visiting medical officer has escalated to \$1.1 million (\$973,000 in June 2000) at 30 June 2001.

Because of cash liquidity pressures, the Service may require a payment period extending over more than one year when the account is settled.

Management Letter

Opportunities for improvement in internal control were observed and included in a letter issued to the Service. With the exception of the above, none was significant.

COMPLIANCE ISSUES

We tested whether the Service complied with:

- ◆ the Health Department's Accounts and Audit Determination for Public Health Organisation
- ◆ Premier's Department policy and Service policy for motor vehicle operations and fuel card usage
- ◆ long service leave provisions of the *Long Service Leave Act 1955*.

The Service substantially complied with the Determination and the *Long Service Leave Act 1955*.

We raised some minor matters in regard to motor vehicle operations and the use of fuel cards. These have been identified in a letter to the Service.

FINANCIAL INFORMATION

Abridged Statement of Financial Performance

Year ended 30 June	2001 \$'000	2000 \$'000
Employee related	102,227	98,364
Visiting medical officers	15,603	14,525
Other expenses	111,823	62,192
TOTAL EXPENSES	229,653	175,081
TOTAL REVENUE	25,630	21,644
Loss on disposal of non current assets	35	73
NET COST OF SERVICES	204,058	153,510
Add Government Contributions		
Department of Health recurrent payments	186,953	138,310
Department of Health capital payments	2,300	5,999
Acceptance by the Crown Entity of superannuation liability	8,265	7,408
Total Government Contributions	197,518	151,717
RESULT FOR THE YEAR FROM ORDINARY ACTIVITIES	6,540	1,793

The increase in employee related expenses was primarily due to salaries and wage rates and stated higher staff levels.

The increase in other expenses and revenue are due largely to the initial recognition of interstate patient flow expenses of \$49.2 million and revenues of \$2.1 million.

Abridged Statement of Financial Position

At 30 June	2001 \$'000	2000 \$'000
Current assets	4,870	5,248
Non-current assets	102,663	106,123
TOTAL ASSETS	107,533	111,371
Current liabilities	23,784	20,744
Non-current liabilities	15,555	15,893
TOTAL LIABILITIES	39,339	36,637
NET ASSETS	68,194	74,734
Reserves	12,833	12,833
Accumulated funds	55,361	61,901
TOTAL EQUITY	68,194	74,734

Accounts payable were \$10.3 million at 30 June 2001 (\$7.5 million in 2000).

Abridged Program Information

The table below details the Service's net cost of services on a program basis:

Year ended 30 June	2001		Net Cost of Services \$'000	2000 Net Cost of Services \$'000
	Revenues \$'000	Expenses* \$'000		
Overnight acute inpatient services	15,463	121,089	105,626	56,393
Rehabilitation and extended care services	4,912	30,497	25,585	26,715
Mental health services	908	22,966	22,058	23,204
Other	4,347	55,136	50,789	47,198
Total all programs	25,630	229,688	204,058	153,510
* Includes loss on disposal of non-current assets				

SERVICE ACTIVITIES

For further information on the Southern Area Health Service refer to www.health.nsw.gov.au/areas/sahs.

Ambulance Service of New South Wales

AUDIT OPINION

The audit of the financial report of the Service for the year ended 30 June 2001 resulted in the issue of an unqualified Independent Audit Report.

KEY ISSUES

Rozelle Hospital Site

The Service recognises part of the Rozelle Hospital site as an asset. The recorded value of this asset was \$7.1 million at 30 June 2001 (\$2.3 million in land and \$4.8 million in buildings).

Because this site is subject to redevelopment, the site should be revalued during 2001–02. That value will reflect the changed use of the site and should be recognised in the Service's 30 June 2002 financial report. Further detail on the Rozelle Hospital Site is located within the Central Sydney Area Health Service comment.

CONTROL ISSUES

Non-Compliance with the *Public Authorities (Financial Arrangements) Act 1987*

Borrowings of \$3.2 million at 30 June 2001 from the Department of Health lacked the necessary approvals required by the *Public Authorities (Financial Arrangements) Act 1987*. These borrowings were drawn down prior to 30 June 1999.

Non-compliance with the Act was noted in the Service's 30 June 2001 financial report.

Non-Compliance with the *Ambulance Services Act 1990*

The Crown Solicitor's Office considered the lawfulness of certain activities of the Ambulance Service during the year ended 30 June 2001.

The Crown Solicitor advised that the Ambulance Service does not have legislative authority to provide ambulance vehicles and crews for filming purposes for a fee. We understand the Department of Health is taking action to correct this matter.

Other Matters

Opportunities for improvement in internal control have been referred to the Service. With the exception of the matters noted above, none was significant.

COMPLIANCE ISSUES

As part of the audit, we examined whether the Service complied with the requirements of the Health Department's Accounts and Audit Determination for Public Health Organisations in respect of Annual Reports, and fixed asset depreciation in accordance with AAS4 and Treasury Circular No 11-95 'Accounting Policies for various Financial Reporting Issues'.

The Service substantially complied with the Determination and the Treasury Circular.

FINANCIAL INFORMATION

Abridged Statement of Financial Performance

Year ended 30 June	2001 \$'000	2000 \$'000
Employee related	203,540	192,571
Other expenses	<u>84,824</u>	<u>70,526</u>
TOTAL EXPENSES	<u>288,364</u>	<u>263,097</u>
TOTAL REVENUE	<u>65,050</u>	<u>61,777</u>
Gain on disposal of non-current assets	<u>27</u>	<u>208</u>
NET COST OF SERVICES FOR YEAR	<u>223,287</u>	<u>201,112</u>
Add Government Contributions		
Department of Health recurrent payments	190,322	167,460
Department of Health capital payments	9,490	13,651
Acceptance by the Crown Entity of superannuation liability	15,136	14,406
Total Government Contributions	<u>214,948</u>	<u>195,517</u>
RESULT FOR THE YEAR FROM ORDINARY ACTIVITIES	<u>(8,339)</u>	<u>(5,595)</u>

The increase in employee related expense was primarily due to salaries and wage rates and higher staff numbers.

Other expenses increased largely due to repairs and renovation projects and the acquisition of items where the value of individual items was less than \$5,000.

Abridged Statement of Financial Position

At 30 June	2001 \$'000	2000 \$'000
Current assets	14,980	7,904
Non-current assets	<u>145,953</u>	<u>152,595</u>
TOTAL ASSETS	<u>160,933</u>	<u>160,499</u>
Current liabilities	39,104	34,006
Non-current liabilities	<u>35,112</u>	<u>31,437</u>
TOTAL LIABILITIES	<u>74,216</u>	<u>65,443</u>
NET ASSETS	<u>86,717</u>	<u>95,056</u>
Reserves	6,920	6,920
Accumulated funds	<u>79,797</u>	<u>88,136</u>
TOTAL EQUITY	<u>86,717</u>	<u>95,056</u>

The increase in current assets was largely attributable to a \$2.9 million growth in inter-hospital transport debtors.

Current liabilities increased by \$5.0 million largely due to capital works creditors of \$1.7 million and higher ambulance leasing costs of \$800,000.

Accounts payable were \$11.9 million at 30 June 2001 (\$8.9 million in 1999–00).

Program Information

The table below details the Service's net cost of services on a program basis:

Year ended 30 June	2001		2000	
	Revenues* \$'000	Expenses* \$'000	Net Cost of Services \$'000	Net Cost of Services \$'000
Emergency services	64,988	284,864	219,876	197,770
Teaching and research	89	3,500	3,411	3,342
Total all programs	65,077	288,364	223,287	201,112

* Includes gain on disposal of non-current assets

SERVICE ACTIVITIES

For further information on the Ambulance Service refer to www.asnsw.health.nsw.gov.au.

Corrections Health Service

AUDIT OPINION

The audit of the financial report of the Service for the year ended 30 June 2001 resulted in the issue of an unqualified Independent Audit Report

CONTROL ISSUES

We observed opportunities to improve internal control. These were not significant and were included in a letter to the Service.

COMPLIANCE ISSUES

As part of the audit, we examined whether the Service complied with the:

- ◆ annual reports provisions of the Health Department's Accounts and Audit Determination for Public Health Organisations
- ◆ long service leave provisions of the *Long Service Leave Act 1955*.

The Service substantially complied with these provisions.

FINANCIAL INFORMATION

Abridged Statement of Financial Performance

Year ended 30 June	2001 \$'000	2000 \$'000
Employee related	30,020	25,887
Other expenses	9,281	7,892
TOTAL EXPENSES	39,301	33,779
TOTAL REVENUE	1,079	721
Loss on disposal of non-current assets	40	12
NET COST OF SERVICES	38,262	33,070
Government Contributions		
Department of Health – recurrent payments	34,419	30,303
Department of Health – capital payments	1,560	1,226
Acceptance by the Crown Entity of superannuation liability	1,560	1,320
Total Government Contributions	37,539	32,849
RESULT FOR THE YEAR FROM ORDINARY ACTIVITIES	(723)	(221)

The increase in employee related expenses was mainly due to higher staff levels and increases in salary and wage award rates.

Abridged Statement of Financial Position

At 30 June	2001 \$'000	2000 \$'000
Current assets	1,958	1,898
Non-current assets	1,055	1,007
TOTAL ASSETS	3,013	2,905
Current liabilities	4,697	4,077
Non-current liabilities	2,825	2,614
TOTAL LIABILITIES	7,522	6,691
NET LIABILITIES	4,509	3,786
Accumulated deficiency	4,509	3,786
TOTAL EQUITY	(4,509)	(3,786)

The Service had a deficiency in assets at 30 June 2001 of \$4.5 million (\$3.8 million in 2000). The Department of Health has indicated continuing financial support to the Service. This financial support will enable the Service to pay its debts as and when they fall due.

Accounts payable were \$1.1 million (\$1.0 million) at 30 June 2001.

Abridged Program Information

The table below details the Service's net cost of services on a program basis:

Year ended 30 June	2001		2000	
	Revenues \$'000	Expenses* \$'000	Net Cost of Services \$'000	Net Cost of Services \$'000
Outpatient services	699	21,413	20,714	18,607
Mental health services	214	13,475	13,261	10,578
Overnight acute inpatient services	60	2,106	2,046	2,367
Population health services	106	1,884	1,778	1,263
Aboriginal health services	--	463	463	255
Total all programs	1,079	39,341	38,262	33,070

* Includes loss on disposal of non-current assets.

SERVICE ACTIVITIES

For further information on the Corrections Health Service refer to www.chs.health.nsw.gov.au.

The Royal Alexandra Hospital for Children

AUDIT OPINION

The audit of the financial report of the Hospital for the year ended 30 June 2001 resulted in the issue of an unqualified Independent Audit Report.

CONTROL ISSUES

Opportunities for improvement in the internal controls were identified and included in a letter to the Hospital. None was significant.

FINANCIAL INFORMATION

Abridged Statement of Financial Performance

Year ended 30 June	2001 \$'000	2000 \$'000
Employee related	123,380	117,120
Visiting medical officers	3,889	3,559
Other expenses	58,541	57,084
TOTAL EXPENSES	185,810	177,763
TOTAL REVENUE	128,340	108,336
Gain/(loss) on disposal of non-current assets	(365)	1,177
NET COST OF SERVICES	57,835	68,250
Add Government Contributions		
Department of Health recurrent payments	48,755	48,000
Department of Health capital payments	274	1,670
Acceptance by the Crown Entity of superannuation liability	8,649	7,705
Total Government Contributions	57,678	57,375
RESULT FOR THE YEAR FROM ORDINARY ACTIVITIES	(157)	(10,875)

The \$20.0 million increase in total revenue reflected a donation of \$10.0 million to assist in funding a research centre. The Commonwealth and State governments combined to match this donation. The Hospital has received the Commonwealth government's contribution of \$5.0 million. The State government's contribution is being received over a 3 year period.

Abridged Statement of Financial Position

At 30 June	2001 \$'000	2000 \$'000
Current assets	41,155	23,318
Non-current assets	331,057	343,346
TOTAL ASSETS	372,212	366,664
Current liabilities	25,081	21,161
Non-current liabilities	16,170	15,131
TOTAL LIABILITIES	41,251	36,292
NET ASSETS	330,961	330,372
Reserves	60,421	60,345
Accumulated funds	270,540	270,027
TOTAL EQUITY	330,961	330,372

Accounts payable were \$6.3 million at 30 June 2001 (\$6.4 million in 2000).

Abridged Program Information

The table below details the Hospital's net cost of services on a program basis:

Year ended 30 June	2001		2000	
	Revenues* \$'000	Expenses* \$'000	Net Cost of Services \$'000	Net Cost of Services \$'000
Overnight acute inpatient services	82,197	90,771	8,574	15,679
Outpatient services	5,919	34,593	28,674	27,342
Teaching and research	25,877	25,641	(236)	6,122
Other	14,347	35,170	20,823	19,107
Total all programs	128,340	186,175	57,835	68,250

* Includes loss on sale of non-current assets

The Department of Health does not fund depreciation and certain other non-cash items included in net cost of services.

HOSPITAL ACTIVITIES

For further information on The Royal Alexandra Hospital for Children refer to www.nch.edu.au.

Health Care Complaints Commission

AUDIT OPINION

The audit of the Commission's financial report for the year ended 30 June 2001 resulted in the issue of an unqualified Independent Audit Report.

CONTROL ISSUES

No major internal control weaknesses were noted during the course of the audit.

KEY FINANCIAL INFORMATION

Year ended 30 June	2001 \$'000	2000 \$'000
Employee related expenses	4,323	3,944
Other expenses	2,151	1,627
Retained revenue	223	393
Net cost of services	6,240	5,170
Government contributions	6,040	5,183
Net assets (at 30 June)	27	227

COMMISSION ACTIVITIES

The Commission was established under the *Health Care Complaints Act 1993*.

The Commission acts to protect the public from substandard health services and incompetent or unethical health practitioners by investigating, monitoring, reviewing and resolving complaints about health services in New South Wales.

For further information on the Health Care Complaints Commission refer to www.hccc.nsw.gov.au.

Health Professionals Registration Boards

AUDIT OPINION

The audit of the eight Registration Boards (chiropractors and osteopaths; dental technicians, nurses, optical dispensers, optometrists, podiatrists, psychologists and physiotherapists) financial reports for the year ended 30 June 2001 resulted in the issue of unqualified Independent Audit Reports.

KEY ISSUES

The Nurses Board and the Psychologists Board have built up reserves that appear to be in excess of current requirements. These Boards have no plans to utilise their reserves in the short term.

CONTROL ISSUES

We have made recommendations for improving internal control to management. None was significant.

FINANCIAL INFORMATION

Education and Research Accounts

The Boards' financial reports only recognise transactions relating to the education and research accounts. These accounts exist for the nurses, chiropractors and osteopaths, podiatrists and physiotherapists registration boards. All other revenues and expenses, assets and liabilities administered by the Boards are recognised in the financial report of the Department of Health.

Movements in these accounts are summarised below:

Year ended 30 June 2001	Nurses \$	Chiropractors and Osteopaths \$	Podiatrists \$	Physiotherapists \$
Opening balance	1,239,871	72,819	16,317	149,640
Income	382,928	10,919	5,940	27,815
Expenditure	366,188	17,624	88	29,046
Closing balance	1,256,611	66,114	22,169	148,409

The Minister for Health approved the transfer of fees during 2000-01 to the following education and research accounts: \$315,000 to nurses, \$7,000 to chiropractors and osteopaths, \$5,000 to podiatrists and \$20,000 to physiotherapists.

Expenditure by the Nurses' Registration Board was largely on scholarships, \$209,000 and grants, \$89,000.

Other Accounts

The Boards' summarised balances, accounted by the Department of Health, are as follows:

Year ended 30 June 2001	Income \$000	Expenditure \$000	Assets \$000	Liabilities \$000	Total Reserves \$000
Nurses	3,855	3,943	7,816	2,091	5,725
Podiatrists	119	73	453	94	359
Dental technicians	154	102	630	124	507
Chiropractors and Osteopaths	200	307	360	302	58
Physiotherapists	342	339	837	172	664
Optical dispensers	119	92	486	102	384
Psychologists	616	376	2,160	490	1,670
Optometrical	196	136	604	88	516
	<u>5,601</u>	<u>5,368</u>	<u>13,346</u>	<u>3,463</u>	<u>9,883</u>

Income included \$4.9 million (\$4.8 million in 1999-2000) from registration fees with the largest item of expenditure being salaries and associated costs of \$2.6 million (\$2.5 million).

The major assets consisted of cash at bank, \$5.8 million (\$5.5 million in 2000) and investments of \$7.4 million (\$7.4 million). The major liability was fees in advance of \$2.6 million (\$2.6 million).

BOARDS ACTIVITIES

Each of the Boards has enabling legislation. Their functions include the determination of health professional standards or experience required for registration and the maintenance of professional and ethical standards through the administration of disciplinary provisions.

The Minister for Health, through the Health Administration Corporation, has administrative control and direction of the Boards.

For further information on the Health Professionals Registration Boards refer to www.hprb.health.nsw.gov.au.

New South Wales Cancer Council

AUDIT OPINION

The audit of the financial report of the Council for the year ended 30 June 2001 resulted in the issue of an unqualified Independent Audit Report.

CONTROL ISSUES

During the course of the audit, the Audit Office observed areas where opportunities for improvement in internal control can be achieved.

These matters have been raised in a management letter issued to the Council. None was significant.

COMPLIANCE ISSUES

We tested whether the Council complied with the long service leave provisions of the *Long Service Leave Act 1955*. The Council complied with these requirements.

FINANCIAL INFORMATION

Year ended 30 June	2001 \$'000	2000 \$'000
Income	26,412	26,971
Expenditure	28,015	26,655
Operating surplus/(deficit)	(1,603)	316
Net assets (at 30 June)	24,734	23,866

COUNCIL ACTIVITIES

The Council was established by the *New South Wales Cancer Council Act 1995*. The principal objectives of the Council are to provide public and professional education on cancer control, support cancer research, support cancer patients and their carers and carry out fundraising.

For further information on the New South Wales Cancer Council refer to www.nswcc.org.au.

New South Wales Health Foundation

AUDIT OPINION

The audit of the Foundation's financial report for the year ended 30 June 2001 resulted in the issue of an unqualified Independent Audit Report.

FINANCIAL INFORMATION

Year ended 30 June	2001 \$'000	2000 \$'000
Income	140	1,254
Expenses	274	191
Surplus/(deficit) for the year from ordinary activities	(134)	1,063
Net assets (at 30 June)	17,316	17,450

Included in the prior year income is \$1.1 million in net assets transferred from the NSW Drug Offensive Foundation on abolition of that fund.

AGENCY ACTIVITIES

The Foundation is established under the provisions of the *Health Administration Act 1982*.

The Foundation is managed by the Minister for Health who is empowered to accept any bequest and may provide financial and other support for any purpose connected with the provision of health services. Through the *Walker Trusts (Amendment) Act 1983*, the Foundation was assigned ownership and a custodial role over the Thomas Walker Convalescent Hospital.

New South Wales Institute of Psychiatry

AUDIT OPINION

The audit of the financial report of the Service for the year ended 30 June 2001 resulted in the issue of an unqualified Independent Audit Report.

KEY ISSUES

Course Fees

Over a number of years, the New South Wales Institute of Psychiatry has charged students for attendance at certain courses. Legal opinion obtained by the Institute during 1999–2000 suggested that charging these fees may be beyond its powers. The Institute is seeking to amend its legislation and place beyond doubt the ability to lawfully impose student fees.

The uncertainty about the legality of the course fees recognised in the Institute's financial report was referred to in an 'emphasis of matter' paragraph within the Independent Audit Report.

This matter was first reported in 1999–2000.

CONTROL ISSUES

With the exception of the item noted above, no other control issues were noted during the course of the audit.

COMPLIANCE ISSUES

We tested whether the Institute complied with the provisions of the *Long Service Leave Act 1955*. We found that the Institute complied with these requirements.

FINANCIAL INFORMATION

Year ended 30 June	2001 \$'000	2000 \$'000
Total revenues	2,877	2,754
Total expenses	2,824	2,784
Operating surplus/(deficit)	53	(30)
Net assets (at 30 June)	1,029	978

AGENCY ACTIVITIES

The Institute is established under the provisions of the *New South Wales Institute of Psychiatry Act 1964* and is, through its Board, directly responsible to the Minister for Health.

For further information on the Institute refer to www.nswiop.nsw.edu.au.

New South Wales Medical Board

AUDIT OPINION

The audit of the financial report of the Board for the year ended 30 June 2001 resulted in the issue of an unqualified Independent Audit Report.

CONTROL ISSUES

We identified opportunities for improvement in internal control. These were minor and reported to the Board.

FINANCIAL INFORMATION

Year ended 30 June	2001 \$'000	2000 \$'000
Income	5,211	4,699
Expenditure	5,116	4,671
Operating surplus/(deficit)	95	28
Net assets (at 30 June)	1,971	1,876

BOARD ACTIVITIES

The Board is established under the provisions of the *Medical Practice Act 1992*. It consists of 20 members who are appointed by the Governor, 7 of whom are nominated by the Minister for Health.

The principal functions of the Board are to promote and maintain high standards of medical practice in the State, and to advise the Minister on matters relating to the registration of medical practitioners and standards of medical practice. The Board may also publish and distribute information to registered medical practitioners and interested parties, and provide counselling services to registered medical practitioners and medical students.

New sections of the Act, introduced in 2000–01, enable the Board to undertake performance assessments to help ensure medical practitioners are fit to practise medicine, and that medical students are fit to undertake medical studies and clinical placements.

For further information on the New South Wales Medical Board refer to www.nswmb.org.au.

Minister for Industrial Relations

Building and Construction Industry Long Service Payments Corporation
Department of Industrial Relations

The qualified independent audit report was based on the Corporation's statement of the net change in the market value of long service payments. The Corporation explains that its figures in relation to long service payments made and received, is in accordance with ASB 25 'Financial Reporting by Superannuation Funds'. It should recognize the net change in the market value of long service payments as revenue. The Audit Office considers the net change should be a reflection of movement shown in accordance with Australian Accounting Standard ASB 104 'Revaluation of Long Service Assets' and that the Corporation should recognize the net change as a current. Had this been done, the result for the year would change from an operating surplus of \$3.2 million (\$3.2 million) to a 1995-1996 operating deficit of \$2.6 million (\$2.6 million deficit in 1995-1996). The report would be the same under either method.

In relation to the financial report for the previous year was similarly modified.

QUALIFIED NEW ISSUES

It should whether the Corporation complied with the long service laws provisions of the Industrial Construction Payments Amendment. The report the Corporation complied with these requirements.

FINANCIAL INFORMATION

Statement of Statement of Financial Performance

Year ended 30 June	1995	1996
	\$'000	\$'000
Income		
Long service levy	12,714	12,714
Long service levy	1,534	1,534
Other income	1,281	1,281
Long service payments	5,413	5,413
Long service payments	14,527	14,527
Long service payments (including expenses)	13,993	13,993
Other expenses	1,170	1,170
Depreciation, etc.	404	404
Other expenses	1,473	1,473
TOTAL EXPENDITURE	12,277	12,277
OPERATING SURPLUS	4,437	4,437
Long service levy	12,714	12,714
Long service levy	1,534	1,534
Long service levy	1,281	1,281
Long service payments	5,413	5,413
Long service payments	14,527	14,527
Long service payments (including expenses)	13,993	13,993
Other expenses	1,170	1,170
Depreciation, etc.	404	404
Other expenses	1,473	1,473
TOTAL EXPENDITURE	12,277	12,277
OPERATING SURPLUS	4,437	4,437
Long service levy	12,714	12,714
Long service levy	1,534	1,534
Long service levy	1,281	1,281
Long service payments	5,413	5,413
Long service payments	14,527	14,527
Long service payments (including expenses)	13,993	13,993
Other expenses	1,170	1,170
Depreciation, etc.	404	404
Other expenses	1,473	1,473
TOTAL EXPENDITURE	12,277	12,277
OPERATING SURPLUS	4,437	4,437

The long service levy was set at 0.2 per cent of building and construction work during 1995/1996 or 1996. The decrease in long service levy income from the previous year was due to a fall in building and construction activity following the introduction of the Goods and Services Tax and the completion of projects associated with the Olympic Games.

Building and Construction Industry Long Service Payments Corporation

AUDIT OPINION

The audit of the Corporation's financial report for the year resulted in the issue of a qualified independent audit report.

The qualified independent audit report was issued because of the Corporation's treatment of the net change in the market value of non-current investments. The Corporation considers that its function is similar to a superannuation entity and therefore, in accordance with AAS 25 'Financial Reporting by Superannuation Plans', it should recognise the net change in the market value of non-current investments as revenue. The Audit Office considers the net change should be a revaluation of non-current assets in accordance with Australian Accounting Standard AASB 1041 'Revaluation of Non-Current Assets' and that the Corporation should recognise the net change as a reserve. Had this been done, the result for the year would change from an operating surplus of \$5.2 million (\$23.4 million surplus in 1999-2000) to an operating deficit of \$26.6 million (\$16.7 million deficit in 1999-2000). Net assets would be the same under either Standard.

The opinion on the financial report for the previous year was similarly qualified.

COMPLIANCE ISSUES

We tested whether the Corporation complied with the long service leave provisions of the Premier's Department Personnel Handbook. We found the Corporation complied with these requirements.

FINANCIAL INFORMATION

Abridged Statement of Financial Performance

Year ended 30 June	2001 \$'000	2000 \$'000
Investment income	32,719	40,396
Long service levies	19,738	28,186
Other income	201	2,235
TOTAL INCOME	52,658	70,817
Long service payments	34,677	26,781
Long service payments liability expense	5,000	12,800
Employee related	4,689	4,006
Depreciation	468	451
Other expenses	2,673	3,426
TOTAL EXPENDITURE	47,507	47,464
OPERATING SURPLUS	5,151	23,353
Retained earnings at the beginning of financial year	84,687	61,334
RETAINED EARNINGS AT END OF FINANCIAL YEAR	89,838	84,687

The long service levy was set at 0.2 per cent on building and construction work costing \$25,000 or more. The decrease in long service levy income from the previous year was due to a fall in building and construction activity following the introduction of the Goods and Services Tax and the completion of projects associated with the Olympic Games.

Long service payments for the year were \$34.7 million, a 29 per cent increase over the previous year. Long service payments comprised:

Year ended 30 June	2001 \$'000	2000 \$'000
Workers	30,963	23,587
Employers	2,316	1,930
Medical incapacity	973	852
Deceased	425	412
	<u>34,677</u>	<u>26,781</u>

Abridged Statement of Financial Position

At 30 June	2001 \$'000	2000 \$'000
Current assets	4,573	5,157
Non-current assets	<u>389,378</u>	<u>378,408</u>
TOTAL ASSETS	<u>393,951</u>	<u>383,565</u>
Current liabilities	54,416	30,258
Non-current liabilities	<u>249,697</u>	<u>268,620</u>
TOTAL LIABILITIES	<u>304,113</u>	<u>298,878</u>
NET ASSETS	<u>89,838</u>	<u>84,687</u>

The Corporation invests its funds in the 'cash' and 'long term growth' Hour-Glass Investment Facilities Trusts administered by the New South Wales Treasury Corporation. Funds invested as at 30 June 2001 were \$1.7 million and \$387 million respectively, a total increase of \$12.7 million over the previous year.

An actuary estimated the provision for the long service payments scheme to be \$302 million at 30 June 2001, an increase of \$5.0 million over the previous year.

CORPORATION ACTIVITIES

The Corporation was established in 1982 and constituted under the *Building and Construction Industry Long Service Payments Amendment Act 1982*. The Corporation administers the *Building and Construction Industry Long Service Payments Act 1986* with its principal objective to provide for the operation of a portable long service payments scheme for building and construction workers.

The Corporation is subject to the control and direction of the Minister for Industrial Relations.

For further information on the Building and Construction Industry Long Service Payments Corporation refer to www.lspc.nsw.gov.au.

Department of Industrial Relations

AUDIT OPINION

The audit of the Department's financial report for the year ended 30 June 2001 resulted in the issue of an unqualified Independent Audit Report.

COMPLIANCE ISSUES

As part of the audit, we tested whether the Department complied with the long service leave provisions of the Premier's Department Personnel Handbook. We also tested whether the Department complied with the delegation provisions of legislation administered by the Department. We found that the Department complied with these requirements.

FINANCIAL INFORMATION

Year ended 30 June	2001 \$'000	2000 \$'000
Employee related expenses	18,287	18,073
Net cost of services	19,326	20,530
Government contributions	19,369	20,297
Net assets (at 30 June)	3,542	3,499

Government contributions for recurrent and capital appropriations were \$17.9 million (\$18.2 million in 2000) and \$530,000 (\$627,000) respectively.

DEPARTMENT ACTIVITIES

The Department's main objectives are to develop and promote workplace reform, assist the community and industry to understand and comply with industrial relations laws, and promote employment equity in workplaces.

Programs administered by the Department relate to 'Private Sector Industrial Relations' and 'Dispute Resolution'. The Workers Compensation Resolution Service has been established as an activity of the Department, but is funded entirely by WorkCover New South Wales.

The Department administers a number of statutes, the most significant of which is the *Industrial Relations Act 1996*. The Department also administers the licensing provisions of the *Entertainment Industry Act 1989*.

For further information on the Department refer to www.dir.nsw.gov.au.

Minister for Juvenile Justice

Department of Juvenile Justice

Department of Juvenile Justice

AUDIT OPINION

The audit of the Department's financial report for the year ended 30 June 2001 resulted in the issue of unqualified Independent Audit Report.

CONTROL ISSUES

We identified opportunities to improve existing procedures. These will be discussed further with Departmental staff and where necessary included in a letter to management. The more significant findings are:

Property, Plant and Equipment

The recording and reconciliation of asset records remains unsatisfactory. Departmental management has advised that asset recording and control procedures are being reviewed.

Employee Entitlements

While there have been some improvements made, controls over the recording of leave taken are still not adequate. Departmental management has advised that a full review of employee entitlements has commenced and that this will provide a basis to address deficiencies.

Computer Controls

Our review of the computer control environment identified that:

- ♦ the Department had not assessed the adequacy of internal control activities conducted by its computer services provider. Departmental management advised that the computer services provider has been contacted to resolve the issue.
- ♦ the disaster recovery plan has not been finalised. It is understood that the Department expects to complete this by December 2001
- ♦ documentation of the policies impacting security, passwords and ownership of information has not been finalised.

COMPLIANCE ISSUES

We tested whether the Department complied with:

- ♦ long service leave provisions of the Premier's Department Personnel Handbook
- ♦ Premier's Department policy for motor vehicle operations and Treasurer's Directions for fuel card usage.

In addition to the comment on employee leave entitlements, we identified the need to improve motor vehicle operations and fuel card usage. Further discussions regarding these matters will be held with departmental staff. Where necessary these items will be included in a letter to management.

FINANCIAL INFORMATION

Abridged Statement of Financial Performance

Year ended 30 June	2001 \$'000	2000 \$'000
Employee related	73,855	71,879
Other	30,080	30,121
TOTAL EXPENSES	103,935	102,000
TOTAL REVENUE	3,151	936
GAIN/(LOSS) ON DISPOSAL OF NON-CURRENT ASSETS	122	(346)
NET COST OF SERVICES	100,662	101,410
Recurrent appropriation	89,506	90,072
Capital appropriation	1,488	7,311
Acceptance by the Crown Entity of employee entitlements and other liabilities	5,561	5,460
TOTAL GOVERNMENT CONTRIBUTIONS	96,555	102,843
SURPLUS/(DEFICIT) FOR THE YEAR	(4,107)	1,433

The \$2.2 million increase in revenue was largely due to \$1.2 million received from the Department of Health for residential drug rehabilitation services and \$694,000 received from the Attorney General's Department for a video conferencing project.

Abridged Statement of Financial Position

At 30 June	2001 \$'000	2000 \$'000
Current assets	7,316	1,668
Non-current assets	123,750	136,191
TOTAL ASSETS	131,066	137,859
TOTAL LIABILITIES	13,647	8,913
NET ASSETS	117,419	128,946
Reserves	7,214	9,027
Accumulated surplus	110,205	119,919
TOTAL EQUITY	117,419	128,946

Year-end cash balances of \$5.8 million (\$695,000 at 30 June 2000) included an amount of \$2.8 million (\$92,000) in unspent (and therefore repayable) drawdowns from Consolidated Fund. The amount repayable has been included in liabilities.

The decrease in non-current assets was largely due to the transfer of property at Mount Penang Juvenile Justice Centre to the Festival Development Corporation in January 2001.

DEPARTMENT ACTIVITIES

The Department provides community and custodial services to maximise the capacity and opportunity of juvenile offenders to choose positive alternatives to offending behaviour.

For further information on the Department of Juvenile Justice, refer to www.djj.nsw.gov.au.

Minister for Land and Water Conservation

Chipping Norton Lake Authority

FINANCIAL ISSUES

Financial issues were identified during the audit.

FINANCIAL INFORMATION

Category	2019	2020
Revenue	100	100
Expenditure	100	100
Profit/(Loss)	0	0
Assets	100	100
Liabilities	100	100

The audit identified several issues relating to the financial management of the Authority. These issues were identified during the audit.

MAJORITY ACTIVITIES

The majority activities of the Authority are the management and maintenance of the Chipping Norton Lake. The Authority is responsible for the day-to-day management of the lake, including the collection of fees, the maintenance of the lake, and the provision of recreational facilities.

Chipping Norton Lake Authority

AUDIT OPINION

The audit of the Authority's financial report for the year ended 30 June 2001 resulted in the issue of an unqualified Independent Audit Report.

CONTROL ISSUES

No control issues were identified during the audit.

FINANCIAL INFORMATION

Year ended 30 June	2001 \$'000	2000 \$'000
Revenue	391	1,095
Expenses	5,039	40
(Deficit)/surplus from ordinary activities	(4,648)	1,055
Net assets (at 30 June)	9,158	13,806

Revenue decreased by \$704,000 primarily due to the cessation of sand extraction operations.

Expenses included development costs of \$4.8 million written off following the transfer of completed land and works to the Crown. There was a corresponding reduction in net assets.

AUTHORITY ACTIVITIES

The *Chipping Norton Lake Authority Act 1977* constitutes the Minister for Land and Water Conservation as a corporation sole with the name Chipping Norton Lake Authority.

The principal function of the Authority is to transform a section of the Georges River near Chipping Norton from an environment devastated by poorly managed sand and soil extraction into an attractive regional recreational resource with improved ecological values. Rehabilitated land areas are transferred to the Crown for public recreational and environmental protection purposes.

Minister for Local Government

Department of Local Government

- The Local Government Commission of the People's Department of the People's Republic of China
- members of the Commission of the People's Department of the People's Republic of China
- the Commission of the People's Department of the People's Republic of China

FINANCIAL INFORMATION

Year ended 31/12/2000	2000	2001
Revenue	1,000	1,000
Expenditure	1,000	1,000
Surplus/Deficit	0	0
Assets	1,000	1,000
Liabilities	1,000	1,000
Net Assets	0	0

Financial Performance Information

Item	2000	2001	2002	2003
Revenue	1,000	1,000	1,000	1,000
Expenditure	1,000	1,000	1,000	1,000
Surplus/Deficit	0	0	0	0
Assets	1,000	1,000	1,000	1,000
Liabilities	1,000	1,000	1,000	1,000
Net Assets	0	0	0	0

Department of Local Government

AUDIT OPINION

The audit of the Department's financial report for the year ended 30 June 2001 resulted in the issue of an unqualified Independent Audit Report.

COMPLIANCE ISSUES

During the audit we tested whether the Department had complied with:

- ♦ the long service leave requirements of the Premier's Department Personnel Handbook
- ♦ provisions of its legislation by actively policing those provisions and taking action against individuals or companies breaking the law
- ♦ the delegation provisions set out in its legislation and its own policies, in particular whether all officers exercising powers under the legislation or policies had been given proper written delegation.

As a result of those reviews it was found that the Department had complied with the relevant requirements.

FINANCIAL INFORMATION

Year ended 30 June	2001 \$'000	2000 \$'000
Retained revenue	6,609	2,965
Government contributions	81,708	82,644
Salaries and related expenses	5,563	6,757
Other expenses	81,956	78,324
Operating surplus	806	482
Net assets	2,230	1,424

Abridged Program Information

Program Description	2001		2000	
	Revenues * \$'000	Expenses \$'000	Net Cost of Services \$'000	Net Cost of Services \$'000
Development, oversight of and assistance to Local Government	423	8,937	8,514	11,491
Rate rebates for pensioners	--	72,120	72,120	70,946
Companion animals	6,194	6,462	268	275
Total all programs	6,617	87,519	80,902	82,162

* Includes gain on sale of non-current assets.

DEPARTMENT ACTIVITIES

At the date of this report, there were 172 local government councils in New South Wales subject to the oversight of the Department. These councils control more than \$25 billion in infrastructure assets. They are paid \$428 million in financial assistance grant entitlements and over \$72 million in pensioner rebate claims through the Department. The Department's objectives are aimed at improving the quality of service from local government by providing a clear legislative, policy and performance framework and by its monitoring procedures.

For further information on the Department of Local Government refer to www.dlg.nsw.gov.au.

Financial Information	
2000-01	1999-00
1,234,567	1,234,567
123,456	123,456
12,345	12,345
1,234	1,234
123	123
12	12

Additional Financial Information			
2000-01	1999-00	1998-99	1997-98
1,234,567	1,234,567	1,234,567	1,234,567
123,456	123,456	123,456	123,456
12,345	12,345	12,345	12,345
1,234	1,234	1,234	1,234
123	123	123	123
12	12	12	12

Minister for Mineral Resources

Department of Mineral Resources
Mine Subsidence Board
New South Wales Coal Compensation Board

Department of Mineral Resources

AUDIT OPINION

The audit of the Department's financial report for the year ended 30 June 2001 resulted in the issue of an unqualified Independent Audit Report.

COMPLIANCE ISSUES

We tested whether the Department complied with the long service leave requirements of the Premier's Department Handbook and the Treasurer's Direction for credit card usage.

The Department complied with these requirements.

FINANCIAL INFORMATION

Year ended 30 June	2001 \$'000	2000 \$'000
Retained revenues	5,419	4,029
Government contributions	45,539	47,154
Salaries and related expenses	30,110	30,815
Other expenses	17,700	19,937
Operating surplus	3,113	408
Net assets	22,907	17,845

Abridged Program Statement

Program Description	2001		Net Cost of Services \$'000	2000 Net Cost of Services \$'000
	Revenues \$'000	Expenses* \$'000		
Resource Assessment	1,087	15,811	14,724	16,062
Resource Allocation	613	8,678	8,065	8,295
Resource Management	3,685	22,469	18,784	21,723
Resource Policy and Promotion	34	887	853	666
Total all programs	5,419	47,845	42,426	46,746

* Includes loss on sale of non-current assets.

DEPARTMENT ACTIVITIES

The Department principally encourages the exploration, assessment, development and value-added processing of the mineral resources of New South Wales, balancing economic development with social and environmental needs; and regulates exploration and mining operations to ensure the safe, responsible, effective and efficient production of minerals in the State.

For further information on the Department of Mineral Resources refer to www.minerals.nsw.gov.au.

New South Wales

Mine Subsidence Board

AUDIT OPINION

The audit of the Board's financial statements for the year ended 30 June 2001 resulted in an unqualified Independent Audit Report.

COMPLIANCE ISSUES

We tested whether the Board complied with the extended leave provisions of the Premier's Department Personnel Handbook. The Board complied with the requirements.

OTHER ISSUES

The Board's investment portfolio of \$38.0 million at 30 June 2001 included Commonwealth Government Bond futures contracts with a face value of \$2.1 million (\$1.0 million in 2000).

Futures contracts are high risk investments. They are typically more volatile and significant gains and significant losses can emerge in very short time periods.

The investment in these futures contracts is controlled. These investments are approved in terms of the *Public Authorities Financial Arrangements Act 1987*.

KEY FINANCIAL INFORMATION

Year ended 30 June	2001 \$'000	2000 \$'000
Income	6,908	6,977
Expenses	6,373	7,688
Operating surplus/(deficit)	535	(711)
Net assets (at 30 June)	36,329	35,794

BOARD ACTIVITIES

The Board is established under the provisions of the *Mine Subsidence Compensation Act 1961*. It is subject to the control and direction of the Minister for Mineral Resources.

The Board's main objective is to provide compensation payments for damage to improvements caused by mine subsidence on land anywhere within the State following coal or shale prospecting, or the extraction of coal or shale.

For further information on the Mine Subsidence Board refer to www.minesub.nsw.gov.au.

New South Wales Coal Compensation Board

AUDIT OPINION

The audit of the Board's financial report for the year ended 30 June 2001 resulted in the issue of an unqualified Independent Audit Report.

CONTROL ISSUES

We identified minor internal control issues and reported them to the Board.

COMPLIANCE ISSUES

We tested whether the Board complied with the provisions of the *Long Service Leave Act 1955*. We found that the Board complied with these requirements.

FINANCIAL INFORMATION

Year ended 30 June	2001 \$'000	2000 \$'000
Employee related expenses	2,933	2,616
Other expenses	24,079	13,752
Net cost of services	26,933	16,297
Government contributions	28,888	41,028
Net assets (deficiency) (at 30 June)	(35,382)	(37,337)

"Just and Equitable" Test Case

A contingent liability estimated at approximately \$300 million exists at 30 June 2001. The contingent liability emerged from a test case on what is "just and equitable" compensation in terms of the *Coal Acquisition Act 1981* and the *Coal Acquisition (Re-acquisition Arrangements) Order 1997*. This case is now on appeal before the Coal Compensation Review Tribunal.

BOARD'S ACTIVITIES

The Board is established under the *Coal Acquisition (Compensation) Arrangements 1985*. The Board determines claims and compensates for those private coal rights vested in the State under the *Coal Acquisition Act 1981*. The Board also makes recommendations to the Minister that the State voluntarily acquire coal rights from private owners pursuant to clause 3 from the 1997 Order.

Subject to the provision of any other Act and of Schedule 1 to the *Coal Acquisition (Compensation) Arrangements 1985*, the Board is not subject to the control and direction of the Minister for Mineral Resources in the exercise and discharge of its powers, authorities, duties and functions.

For further information on the New South Wales Coal Compensation Board refer to www.ccb.nsw.gov.au.

Ministry for Police

Ministry for Police

New South Wales Crime Commission

New South Wales Police Service

Police Integrity Commission

Ministry for Police

AUDIT OPINION

The audit of the Ministry's financial report for the year ended 30 June 2001 resulted in the issue of an unqualified Independent Audit Report.

COMPLIANCE ISSUES

We tested whether the Ministry complied with the delegation provisions of applicable legislation and policies, and the long service leave provisions of the Premier's Department personnel handbook. The Ministry complied with these requirements.

FINANCIAL INFORMATION

Year ended 30 June	2001 \$'000	2000 \$'000
Employee related expenses	3,041	3,240
Net cost of services	4,255	4,393
Government contributions	4,254	4,331
Net assets (at 30 June)	(268)	(267)

MINISTRY ACTIVITIES

The Ministry provides independent advice to the Minister for Police and coordinates the formulation and implementation of policy and the allocation of resources affecting the Minister's portfolio. The Ministry also has certain functions relating to the Office of the Inspector of the Police Integrity Commission.

New South Wales Crime Commission

AUDIT OPINION

The audit of the Commission’s financial report for the year ended 30 June 2001 resulted in the issue of an unqualified Independent Audit Report.

COMPLIANCE ISSUES

We tested whether the Commission complied with the long service leave provisions of the Premier's Department Personnel Handbook. The Commission complied with these requirements.

FINANCIAL INFORMATION

Year ended 30 June	2001 \$'000	2000 \$'000
Employee related expenses	6,803	6,670
Net cost of services	10,252	9,215
Government contributions	10,277	9,266
Net assets (at 30 June)	10,597	10,572

COMMISSION ACTIVITIES

The Commission was established under the *New South Wales Crime Commission Act 1985*. The Commissioner is responsible for the management of the Commission under the oversight of a Management Committee consisting of the Minister for Police, the Commissioner for Police, a member of the National Crime Authority, and the Commissioner.

The principal function of the Commission is to combat illegal drug trafficking and organised crime in New South Wales. The Commission also confiscates the assets of people involved in serious criminal activity under the *Criminal Assets Recovery Act 1990*. The Commission does this by targeting persons suspected of being involved in criminal activities and obtaining evidence for prosecution of these persons and/or for civil forfeiture of their assets. The Commission also furnishes reports relating to crime and disseminates intelligence and investigatory, technological and analytical expertise.

New South Wales Police Service

AUDIT OPINION

The audit of the financial report of the Service for the year ended 30 June 2001 resulted in the issue of an unqualified Independent Audit Report.

KEY ISSUES

STAR (Solution for Technological Administration of Resources) Project

The STAR project commenced in 1998 and involves the implementation by the Service of an integrated Financial and Human Resources system. STAR replaces more than sixty financial and human resources mainframe computer systems and local databases, payroll systems and PC based roster systems which are currently, or were in use within the Service.

Phase one of the project included the Finance and Base HR components, and this was implemented on 1 July 2000.

The introduction of the Finance module has resulted in a number of problems for the Service in the key areas of bank reconciliations (see following) and fixed assets, particularly asset revaluations.

The payroll application has been deferred a number of times since the original deadline of 1 July 2000. The latest implementation date is December 2001. The delays have been exacerbated by the failure to have a designated Project Owner for the system for an extended period after the departure of the Executive Director, Management Services in January 2001. The Service can learn from the problems identified with the Finance module, by ensuring:

- ◆ the availability of written procedures;
- ◆ adequate and appropriate training of staff;
- ◆ proper user acceptance testing; and
- ◆ that the business needs of the Service are met.

A review of the system's general computer controls also identified areas where improvements can be made, including in the Business Continuity Plan, and in the area of backups.

For such a major and costly project (estimated cost is over \$22 million), the problems encountered by the Service have been significant. There is a risk that the Service might not fully achieve the benefits it hoped for from the system. However, the Service has undertaken to mitigate that risk.

Bank Reconciliation

The Service has not effectively carried out bank reconciliations for over 12 months. At the completion of the audit, there were numerous items in the reconciliation for 30 June 2001, totalling some tens of thousands of dollar, still to be cleared. The Service has made considerable progress in clearing outstanding items since balance date, but this has been slow despite additional resources being provided for the task. It is not totally clear why such a situation has arisen, however reasons include the lack of effective training of staff, and inadequate documented procedures.

During the review of the bank reconciliations, a fraudulent payment was discovered whereby a cheque for \$30, drawn in August 2000, had been altered to \$24,594, and to a different payee. The Service had not detected the fraud for over 12 months due to its incomplete bank reconciliation process. The matter has been referred to the Fraud Squad.

Reconciling items in the bank reconciliation process need to be cleared regularly. A review of the various bank accounts is appropriate to streamline banking arrangements and to reduce difficulties in the process. The Service has issued revised procedures to address the problems identified.

CONTROL ISSUES

Fixed Assets and Capital Expenditure Drawdowns

The Service did not adequately test its fixed assets revaluation program prior to implementation, and certain aspects of the program failed to produce correct results. The Service did not draw down the full amount of capital funding because the system did not capture certain Treasury abstract information correctly, or had incorrectly assessed the impact of accruals. These problems have now been addressed.

Employee Entitlements

Recreation leave balances (ie unused entitlements) rose by 31 per cent, from \$65.0 million in 2000 to \$84.9 million in 2001. The Service could not adequately explain why such a large increase occurred as its personnel leave systems do not produce management reports with relevant information.

Police Service management indicated that reasons for the large increase include:

- ◆ the Olympics leave embargo;
- ◆ salary award increases;
- ◆ expansion of 12 hour shifts across the Service;
- ◆ police resources being required to maintain operational agreements; and
- ◆ flexitime work practice changes.

During the Olympics leave embargo from July 2000 to October 2000, sick leave absences across the Service increased by some 40 per cent compared to the corresponding period in 1999. The reasons for such an increase could not be readily determined.

The Police Service should develop and implement a leave management policy to allow and encourage officers with excessive leave balances to take that leave, without adversely affecting the Service's operational needs. The Service has been progressively conducting audits of recreation, sick and long service leave to ensure the data integrity of employee entitlements. This has highlighted a number of discrepancies such as negative leave balances or employees with more than five years service who had no long service leave entitlement recorded. The completion of these audits before the STAR Leave module is implemented is important to ensure accurate data conversion of employee entitlements.

Appropriations

In a new initiative introduced by Treasury for the 2002 year and onwards, any unspent allocation for Police salaries, which will be a protected item, will be required to be returned to Treasury. The Service needs to ensure appropriate controls are in place to monitor this expenditure, as it could impact its finances.

COMPLIANCE ISSUES

We tested whether the Service complied with:

- ◆ long service leave provisions of the *Long Service Leave Act 1961*
- ◆ relevant superannuation requirements, including the *Police Regulation (Superannuation) Act 1906*.

The Service substantially complied with the relevant requirements.

OTHER ISSUES

Olympic Games Costs

The Olympic Security Command Centre (OSCC) for 2000-01 incurred expenses totalling \$108 million (\$32.7 million in 1999-2000). This includes salaries and related expenses of \$36.9 million (\$16.2 million) and security expenses of \$44.7 million (\$3.5 million). Total revenue for 2000-01 was \$38.9 million (\$738,000), which included a SOCOG contribution of \$38.1 million.

Capital costs for OSCC totalled \$2.1 million for 2001 (\$18.8 million).

Computerised Operational Policing System (COPS) Development

Total expenditure on COPS, the Service's computerised information system, for 2000-01 was \$2.4 million (\$2.0 million in 1999-2000), made up of \$2.3 million (\$2.0 million) capital expenditure and roundly \$92,000 (\$90,000) recurrent.

Communications Network Enhancements

During 2000-01, \$13.2 million was spent on capital works communication projects consisting of \$9.3 million (\$8.5 million for 1999-2000) for the radio network, \$2.4 million (nil) for various country works, and \$1.5 million (nil) for the replacement of microwave equipment.

Traffic Infringement Revenue not Collected

The Police Service raises and processes the infringements and payments while other agencies such as the State Debt Recovery Office and the courts have responsibility for pursuing unpaid infringement notices under the provisions of the Fines Act 1996. Infringements for 2000-01 referred to the State Debt Recovery Office by IPB totalled 376,333 (340,448) amounting to \$77.7 million (\$49.7 million).

FINANCIAL INFORMATION

Operating Statement

Year ended 30 June	2001 \$'000	2000 \$'000
Employee related	1,251,782	1,130,504
Other expenses	386,026	322,080
TOTAL EXPENSES	1,637,808	1,452,584
TOTAL REVENUE	90,942	43,860
Gain/(Loss) on sale of non-current assets	4,213	(6,178)
NET COST OF SERVICES	(1,542,653)	(1,414,902)
Add Government Contributions	1,527,690	1,453,232
MOVEMENT IN ACCUMULATED FUNDS	(14,963)	38,330

Revenue rose by \$47.1 million due mainly to a SOCOG contribution of \$38.1 million for Olympics security.

Abridged Statement of Financial Position

At 30 June	2001 \$'000	2000 \$'000
Current assets	39,950	47,827
Non-current assets	734,715	695,826
TOTAL ASSETS	774,665	743,653
Current liabilities	168,110	155,090
Non-current liabilities	8,790	8,406
TOTAL LIABILITIES	176,900	163,496
NET ASSETS	597,765	580,157
Asset revaluation reserve	84,412	52,955
Accumulated surplus	513,353	527,202
TOTAL EQUITY	597,765	580,157

Non-current assets have increased by \$38.9 million, of which \$32.6 million was due to the revaluation of one third of the Service's land and buildings in 2001. The remaining assets will be revalued over the next two years.

Current liabilities increased by \$13.0 million. This was because changes in leave patterns increased employee entitlements. The changes included the Olympics leave embargo and the expansion of 12 hour shifts.

Program Information

The Service's revenue and expenditure have been allocated to specific programs based on the result of activity surveys conducted during the year. The table below details the net cost of services on a program basis.

Year ended 30 June	2001		Net Cost of Services \$'000	2000
	Revenues [*] \$'000	Expenses \$'000		Net Cost of Services \$'000
Community support	60,119	1,034,767	974,648	894,904
Criminal investigation	20,992	361,301	340,309	312,408
Traffic	6,452	111,043	104,591	96,138
Judicial support	7,592	130,697	123,105	111,452
	<u>95,155</u>	<u>1,637,808</u>	<u>1,542,653</u>	<u>1,414,902</u>
* Includes gain/losses on sale of assets				

SERVICE ACTIVITIES

The primary objective of the Service is the maintenance and enforcement of law and order in New South Wales. Towards achieving this objective, the operational police are assisted by public service staff who provide advice on policy and general administrative support.

In terms of the *Police Service Act 1990*, the Commissioner is given responsibility for the effective, efficient and economical management of the functions and activities of the Service. In exercising these functions, however, the Commissioner is subject to the direction of the Minister for Police.

For further information on the NSW Police Service refer to www.police.nsw.gov.au.

Police Integrity Commission

AUDIT OPINION

The audit of the Commission's financial report for the year ended 30 June 2001 resulted in the issue of an unqualified Independent Audit Report.

CONTROL ISSUES

Only minor control issues were identified and resolved with the Commission.

COMPLIANCE ISSUES

We tested whether the Commission complied with the requirements of the *Long Service Leave Act 1955*; and delegation provisions of the *Police Integrity Commission Act 1996* and other applicable legislation and policies.

Except for the absence of formal delegations for administrative functions, it was found that the Commission complied with these requirements.

KEY FINANCIAL INFORMATION

Year ended 30 June	2001 \$'000	2000 \$'000
Employee related expenses	8,885	7,961
Other expenses	7,767	7,612
Retained revenue	1,195	493
Government contributions	15,073	14,363
Operating deficit	384	717
Net assets (as 30 June)	5,211	5,595

COMMISSION ACTIVITIES

The Commission was established on 1 July 1996 under the *Police Integrity Commission Act 1996*. The principal functions of the Commission are to prevent, detect and investigate serious police misconduct.

The Commission was established following recommendations of the Royal Commission into the New South Wales Police Service, and the Commission received and assessed matters not completed by the Royal Commission. The Commission initiates inquiries into aspects of police activities for the purpose of ascertaining whether there is police misconduct, monitors the quality of the management of, and investigations conducted within the Police Service, and examines complaints against police.

Independent Commission Against Corruption

Premier

- Independent Commission Against Corruption
- Independent Pricing and Regulatory Tribunal
- Office of the Ombudsman
- Parliamentary Counsel's Office
- State Electoral Office

FINANCIAL INFORMATION

Item	2000-01	2001-02	2002-03
Income			
Grants			
Fees			
Interest			
Other			
Expenditure			
Salaries and wages			
Other			
Depreciation			

COMPARISON ACTIVITIES

The Commission, established by the Independent Commission Against Corruption Act 1988, is responsible for receiving reports of alleged corruption and for investigating such reports.

The Commission's activities during the Independent Commission Against Corruption Act 1988-1999 are as follows:

Independent Commission Against Corruption

AUDIT OPINION

The audit of the Commission's financial report for the year ended 30 June 2001 resulted in the issue of an unqualified Independent Audit Report.

COMPLIANCE ISSUES

We tested whether the Commission complied with:

- ♦ the Treasurer's Direction and Commission's policy for credit card usage
- ♦ long service leave provisions of the *Long Service Leave Act 1955* and
- ♦ the depreciation requirements of Australian Accounting Standard AAS 4 'Depreciation'; Treasury Circular No. 11/95, 'Accounting Policies for Various Financial Reporting Issues'; and the Financial Reporting Code for Budget Dependent General Government Sector Agencies.

The Commission complied with these requirements.

FINANCIAL INFORMATION

Year ended 30 June	2001 \$'000	2000 \$'000
Employee related expenses	9,830	10,137
Other expenses	5,643	5,223
Revenue	57	175
Net cost of services	15,416	15,185
Government contributions	15,006	14,904
Deficit from ordinary activities	410	281
Total assets	1,855	2,207
Total liabilities	1,650	1,592

COMMISSION ACTIVITIES

The Commission, established by the *Independent Commission Against Corruption Act 1988*, is responsible for promoting integrity in public administration throughout New South Wales by exposing and minimising corruption.

For further information regarding the Independent Commission Against Corruption refer to www.icac.nsw.gov.au.

Independent Pricing and Regulatory Tribunal

AUDIT OPINION

The audit of the Tribunal's financial report for the year ended 30 June 2001 resulted in the issue of an unqualified Independent Audit Report.

CONTROL ISSUES

We identified opportunities for improvement in internal control. These were minor and will be discussed with Tribunal staff and, where appropriate, included in a letter to management.

COMPLIANCE ISSUES

We tested whether the Tribunal complied with the long service leave provisions of the *Long Service Leave Act 1955*. The Tribunal substantially complied with these requirements.

FINANCIAL INFORMATION

Year ended 30 June	2001 \$'000	2000 \$'000
Employee related expenses	4,404	3,885
Other expenses	3,352	2,446
Revenue	569	712
Net cost of services	7,187	5,619
Government contributions	7,653	5,648
Surplus from ordinary activities	466	29
Net assets/liabilities (at 30 June)	447	(19)

Increases in expenses were largely due to additional staff and accommodation resulting from an expansion in the Tribunal's activities.

TRIBUNAL ACTIVITIES

The Tribunal determines maximum prices for monopoly services provided by major NSW government utilities. In addition, it regulates natural gas tariffs and third party access to gas networks. It also carries out reviews of industry pricing and competition. Within its area of expertise, the Tribunal provides assistance to other NSW and interstate government agencies.

Legislative amendments in November 2000 gave the Tribunal responsibility for:

- ♦ administering licensing of water, electricity and gas
- ♦ auditing compliance with licence conditions for water and electricity.
- ♦ investigating complaints about competitive neutrality referred by the Government.

For further information regarding the Independent Pricing and Regulatory Tribunal's activities refer to www.ipart.nsw.gov.au.

Office of the Ombudsman

AUDIT OPINION

The audit of the Office's financial report for the year ended 30 June 2001 resulted in the issue of an unqualified Independent Audit Report.

COMPLIANCE ISSUES

We tested whether the Office complied with long service leave provisions of the Premier's Department Personnel Handbook. The Office complied with these requirements.

FINANCIAL INFORMATION

Year ended 30 June	2001 \$'000	2000 \$'000
Employee related expenses	7,302	6,341
Other expenses	2,342	2,538
Revenue	929	447
Net cost of services	8,715	8,432
Government contributions	9,286	8,432
Net assets (at 30 June)	1,164	593

The increase in employee related expenses reflects the expansion of the Office's jurisdiction to include activities such as investigating child abuse allegations and monitoring the Police Service's use of new powers. Included within Office revenue are grants of \$760,000 (\$262,000 in 1999-2000) from the Premier's Department towards the Police Complaints Case Management Project.

OFFICE ACTIVITIES

The Office was established by the *Ombudsman Act 1974*. The Ombudsman deals with complaints about NSW public sector administration (including local government) and certain private organisations such as schools and childcare centres in relation to child protection.

For further information on the Office of the Ombudsman refer to www.nswombudsman.nsw.gov.au.

Parliamentary Counsel's Office

AUDIT OPINION

The audit of the Office's financial report for the year ended 30 June 2001 resulted in the issue of an unqualified Independent Audit Report.

CONTROL ISSUES

We identified opportunities for improvement in internal control. These were minor and will be discussed with Office staff and, where appropriate, included in a letter to management.

COMPLIANCE ISSUES

We tested whether the Office complied with the long service leave provisions of the Premier's Department Personnel Handbook. The Office complied with these requirements.

FINANCIAL INFORMATION

Year ended 30 June	2001 \$'000	2000 \$'000
Employee related expenses	4,275	4,161
Other expenses	912	1,067
Revenue	267	300
Net cost of services	4,920	4,928
Government contributions	5,412	4,500
Surplus/(deficit) from ordinary activities	492	(428)
Net assets (at 30 June)	718	226

OFFICE ACTIVITIES

The Office:

- ♦ drafts and develops Government legislation for presentation to Parliament or the Governor-in-Council
- ♦ provides legal and administrative advice to the Government
- ♦ provides a legislative drafting service for non-Government members of Parliament
- ♦ undertakes research on legislative and related matters
- ♦ provides a legislative publishing service to the Government, Parliament and the public including the production of bills, new Acts and Regulations.

For further information regarding the Parliamentary Counsels Office's activities refer to www.pco.nsw.gov.au.

State Electoral Office

AUDIT OPINION

The audit of the Office's financial report for the year ended 30 June 2001 resulted in the issue of an unqualified Independent Audit Report.

COMPLIANCE ISSUES

We tested whether the Office complied with the long service leave provisions of the Premier's Department Personnel Handbook and fines and penalty provisions of the *Parliamentary Electorates and Elections Act 1912*. While the Office complied with required practice, the review identified that:

- ◆ a high level of non-voters were deemed not liable to a fine, penalty or prosecution
- ◆ there are doubts as to the legality of staff deciding whether non-voters' excuses are reasonable, in the absence of a proper delegation by the Electoral Commissioner.

Details regarding these findings were included in Volume Four of the Auditor-General's 2001 Report to Parliament.

FINANCIAL INFORMATION

Year ended 30 June	2001 \$'000	2000 \$'000
Employee related expenses	1,594	1,624
Other expenses	5,501	10,120
Revenue	951	4,055
Net cost of services	6,144	7,689
Government contributions	6,033	10,414
(Deficit)/surplus from ordinary activities	(141)	2,725
Net assets	1,279	1,420

ELECTORAL OFFICE ACTIVITIES

The Electoral Commissioner is responsible for administering the *Parliamentary Electorates and Elections Act 1912*, including the enrolment of electors, preparation of rolls and conduct of elections. These activities are undertaken through the State Electoral Office. The Office is also responsible for council elections under the *Local Government Act 1993* and other statutory and industrial ballots.

For further information on the State Electoral Office refer to www.seo.nsw.gov.au.

Minister for Public Works and Services

Office of the Minister for Public Works and Services

COMPLIANCE REPORT

The report details the Office's compliance with the long-term goals outlined in the Minister's Report and Proposed Budget. The Office continued with these objectives:

FINANCIAL INFORMATION

Year ended 30 June	2001 1999	2002 2000
Operating expenses	15,000	12,000
Capital expenditure	1,000	1,000
Revenue	1,000	1,000
Operating surplus/deficit	2,000	2,000
Capital surplus/deficit	1,000	1,000
Net surplus/deficit	3,000	3,000

Capital expenditure is used to purchase assets for the business. The amount of capital expenditure is determined by the business's needs and the availability of funds. The amount of capital expenditure is determined by the business's needs and the availability of funds.

The Office's financial performance is measured by the amount of capital expenditure. The amount of capital expenditure is determined by the business's needs and the availability of funds. The amount of capital expenditure is determined by the business's needs and the availability of funds.

OFFICE ACTIVITIES

The Office's primary role is to provide support to the Minister. The Office's primary role is to provide support to the Minister. The Office's primary role is to provide support to the Minister. The Office's primary role is to provide support to the Minister.

Office of the Minister for Public Works and Services

AUDIT OPINION

The audit of the Office's financial report for the year ended 30 June 2001 resulted in the issue of an unqualified Independent Audit Report.

COMPLIANCE ISSUES

We tested whether the Office complied with the long service leave provisions of the Premier's Department Personnel Handbook. The Office complied with these requirements.

FINANCIAL INFORMATION

Year ended 30 June	2001 \$'000	2000 \$'000
Employee related expenses	551	475
Other expenses	35,014	32,853
Revenue	248	358
Net cost of services	35,317	32,970
Government contributions	43,280	35,246
Surplus from ordinary activities	7,963	2,276
Net assets	11,687	3,724

Consolidated Fund appropriations increased largely for purchases of sandstone for ongoing restoration of heritage buildings. The volume of unused sandstone at 30 June 2001 totalled 6,470 cubic metres (1,634 at 30 June 2000) and has been valued at \$6.9 million (\$1.3 million).

In addition to the stockpiling of sandstone, net assets increased as a result of leasehold improvements undertaken as part of the CBD Core Accommodation Strategy that was implemented during the previous financial year.

OFFICE ACTIVITIES

The Office engages the Department of Public Works and Services to provide risk management and policy services to the Minister and Government. These services include management of Government-wide contracts, maintenance services for key Government buildings, total asset management and advice on risk management issues.

Minister for Roads

Roads and Traffic Authority of New South Wales

Roads and Traffic Authority of New South Wales

AUDIT OPINION

The audit of the Authority's financial report for the year ended 30 June 2001 resulted in the issue of an unqualified Independent Audit Report.

KEY ISSUES

Overtime

Significant payments of overtime to individuals continued throughout 2000-01. A review of the top ten overtime earners showed that:

- ◆ One employee, involved on an Olympic project, was paid 60.5 hours overtime from 6.00pm on Friday 11 August 2000 to 10.30am on Monday 14 August 2000. He achieved this by working 35 consecutive hours, taking a three hour break and then working a further 25.5 consecutive hours. On three other occasions the same employee was paid for 33, 33.5 and 39.5 consecutive hours overtime.

This employee worked long periods of overtime in the months leading up to the Olympics. He did not always work his normal shift during this period of overtime however was paid for it. The Authority is currently assessing the extent of any overpayments made to this employee.

- ◆ Another employee also involved with Olympic projects was paid long periods of overtime. On one occasion he worked continuously from 10pm on 30 July 2000 to 5am on 5 August 2000 with two two-hour breaks each day from 5am to 7am and 6pm to 8pm. He was also paid twice for 70 overtime hours worked.

The Authority advised that the heavy workload for the above two employees was directly associated with the Olympic and Paralympic Games. They were regularly required to be on-site through the night or into the early hours of the morning. We understand that these employees were provided with on-site sleeping facilities to take rest breaks.

- ◆ Another employee worked every day between 26 May 2000 and 10 November 2000, a total of 169 days, except for five instances of paid leave (6 days). He was paid for 527 overtime hours (equivalent to 977 ordinary hours) during this period.

Despite the tight deadlines faced by the RTA to meet its Olympic and Paralympic obligations, the long hours worked by some employees for extended periods reflects poor management of overtime. Relying so heavily on a few individuals involves very high risk. It also raises issues regarding occupational health and safety.

Matters relating to the management of overtime and high payments of overtime to individuals have been raised in the Auditor-General's Report to Parliament and with the Authority in the previous two years. The Authority has since introduced high level monitoring procedures for reviewing overtime. We understand, following our referral of the examples raised above, that management is considering introducing more detailed measures aimed at monitoring significant levels of overtime paid to individual employees.

Recommendations regarding the recording and approval of overtime and timeliness of submission of overtime claims will be raised with management this year.

Goods and Services Tax (GST)

The Authority did not bring to account the goods and services tax on accrued expenditure at 30 June 2001, estimated at \$20.0 million. Had the Authority brought the GST to account, current assets and current liabilities would have increased by \$20.0 million. There would have been no effect on net assets or the net cost of services.

The Authority and the Audit Office have differing views as to whether the GST should be brought to account on accrued expenditure. We understand the NSW Treasury is to issue guidance relating to this matter during this year.

Abolition of Non-Feasance Immunity

Previously, under common law, a roads authority could not be liable for any damage or injury sustained arising from its failure to repair or maintain a road. This was known as non-feasance immunity or 'highway rule'. In May 2001, the High Court handed down a judgement that the non-feasance immunity no longer forms part of the Australian common law and that the liability of a roads authority is now determined in accordance with the ordinary principles of common law negligence.

The Authority is assessing the judgement's impact on the management and maintenance of roads under its control.

The Government has announced a Parliamentary Inquiry into the effects of the abolition of the immunity in NSW.

CONTROL ISSUES

Capitalisation Policy

The Authority has not prepared a formal capitalisation policy for classifying expenditure on roads and bridges. The policy is required to clarify and differentiate between maintenance expenditure (classified as expenses) and development expenditure (classified as assets). We understand that a capitalisation policy is currently being drafted. Maintenance expenditure totalling \$179 million was reclassified as development expenditure during the year (see comment later in this report on adjustment to maintenance costs).

Accounting for Infrastructure

Reconciliations of year-end infrastructure asset balances are not always adequately supported or explained. The difficulties arise because of the lack of an integrated fixed asset register and general ledger system for the Authority's road, bridge and traffic control system networks. The Authority relies on infrastructure network inventory records that have been designed primarily for operational purposes and not for financial reporting purposes. The Authority needs to review its existing records and year-end reconciliation procedures to ensure balances are fully integrated and that reconciliations can adequately explain movements for the year. Supporting schedules for additions, disposals and transfers, should be an integral part of the reconciliation process.

Properly prepared reconciliations are essential to ensure the completeness of the accounting process.

COMPLIANCE ISSUES

We tested whether the Authority complied with the following:

- ◆ provisions of the *Long Service Leave Act 1955*
- ◆ depreciation requirements of the Australian Accounting Standard on depreciation; Treasury Circular No 11-95, Accounting Policies for various Financial Reporting Issues and Financial Reporting Code for Budget Dependent Government Sector Agencies
- ◆ the requirements of Parts 3 and 4 of the *State Authorities Superannuation Act 1987*, Part 3 of the *State Authorities Non-Contributory Superannuation Act 1987*, Part 3 of the *Superannuation Act 1916* for Pooled Fund schemes and the requirements of the *First State Superannuation Act 1992* for First State Superannuation Scheme.

Findings in respect of fully depreciated assets are described under ‘other issues’ below. The Authority complied with the requirements for the other reviews.

OTHER ISSUES

Fully Depreciated Assets

A significant number of the Authority’s assets are fully depreciated as shown below:

	Number of Assets	Replacement Cost \$m	Percentage of Replacement Cost of Asset Class
Roads	6,217	3,150.8	10.4
Bridges	180	189.4	3.8
Plant and equipment	4,919	88.9	34.4

For roads and bridges the implication of having assets in service with an age exceeding their useful life was not recognised by the Authority at the time of changeover from condition-based to straight-line depreciation on 1 July 1999. The useful lives for fully depreciated roads and bridges have since been reassessed and an accounting adjustment will be undertaken upon the next revaluation.

The Audit Office recommended in 1999 and again last year that the Authority reviews the reasons for the high level of fully depreciated plant and equipment. We understand that a review has now been undertaken and that a major proportion of computer related equipment has reached the end of its useful life. This equipment is to be deleted from the general ledger with the implementation of a new computerised accounting system in 2002.

E-Toll

In April, the Authority introduced an electronic toll collection system for the Sydney Harbour Bridge and the Sydney Harbour Tunnel. By 30 June 2001, the Authority had issued 34,256 electronic tags. On average, motorists with electronic tags took 16,884 journeys each day in June.

The Authority’s internal audit is currently undertaking a post implementation review of the electronic toll collection system.

FINANCIAL INFORMATION

The Authority prepares its financial report in accordance with the NSW Treasury's Financial Reporting Code for Budget Dependent Agencies.

Abridged Statement of Financial Performance

Year ended 30 June	2001 \$m	2000 \$m
Employee related	236	140
Maintenance	467	610
Depreciation	313	443
Other expenses	412	429
TOTAL EXPENSES	1,428	1,622
TOTAL REVENUE	305	1,943
Net gain (loss) on sale of non-current assets	3	1
NET COST OF SERVICES	1,120	(322)
Add Government Contributions	1,952	1,896
SURPLUS FOR THE YEAR	832	2,218

Net cost of services increased from \$322 million (revenue) to \$1,120 million in 2000-01. The main reason for this change related to the revaluation of Land Under Roads and Within Road Reserves. Last year the increase in the total value of this class of asset, which is included in revenue, was \$1,696 million whereas this year the increase was only \$34.1 million.

Employee related expenditure amounted to \$508 million in 2000-01, an increase of \$188.5 million. The increase was mainly due to the movement in superannuation expense of \$169 million resulting from the actuarial assessment of the unfunded superannuation liability. Of the 2000-01 total, \$95.1 million was capitalised to infrastructure projects, \$176 million included under maintenance, with the balance of \$236 million attributed to other operating programs.

The Authority attributed the decrease of \$130 million in depreciation to the movement between pavement types for classes of roads for example from sealed to asphalt, together with the transfer of substantial lengths of sealed roads to councils.

The decrease in maintenance of \$143 million was mainly due to reclassifying major rehabilitation of road segments as capital rather than maintenance expenditure. The amount reclassified was \$179 million including an adjustment of \$104 million relating to the previous year. The need to reclassify road rehabilitation expenditure arose from the change from condition-based to straight-line depreciation from 1 July 1999.

Government contributions consisted of \$1,620 million (\$1,569 million) funded by the State and \$332 million (\$327 million) by the Commonwealth.

State Revenue

Revenue collected on behalf of the State and paid to the Consolidated Fund and to other authorities totalled \$817 million (\$889 million in 1999-2000) including:

♦ vehicle registration fees	\$170 million	(\$181 million)
♦ drivers licence fees	\$123 million	(\$128 million)
♦ vehicle transfer fees	\$31 million	(\$46 million)
♦ stamp duties	\$472 million	(\$471 million)

Abridged Statement of Financial Position

At 30 June	2001 \$m	2000 \$m
Current assets	103	83
Non-current assets	<u>51,194</u>	<u>48,282</u>
TOTAL ASSETS	<u>51,297</u>	<u>48,365</u>
Current liabilities	629	539
Non-current liabilities	<u>1,568</u>	<u>1,538</u>
TOTAL LIABILITIES	<u>2,197</u>	<u>2,077</u>
NET ASSETS	<u>49,100</u>	<u>46,288</u>
Reserves	10,950	9,037
Accumulated funds	<u>38,150</u>	<u>37,251</u>
TOTAL EQUITY	<u>49,100</u>	<u>46,288</u>

Assets

The Authority's assets principally include:

◆ land and buildings	\$2,437 million	(\$2,491 million at 30 June 2000)
◆ roads	\$20,267 million	(\$19,557 million)
◆ land under roads	\$22,253 million	(\$20,682 million)
◆ bridges	\$3,600 million	(\$3,526 million)

Also included in non-current assets is the Authority's interest in private sector provided infrastructure. At 30 June 2001, this comprised the Sydney Harbour Tunnel, \$517 million (\$517 million at 30 June 2000), M2 Motorway, \$36.5 million (\$26.2 million), M4 Motorway, \$76.7 million (\$62.7 million), M5 Motorway \$67.2 million (\$58 million) and the Eastern Distributor, \$11.5 million (\$4.0 million), totalling \$709 million (\$668 million).

Under the Net Bridge Revenue Loan Agreement, a \$223 million interest free loan was made to the Sydney Harbour Tunnel Company. The loan is due to be repaid in 2022 and has been brought to account on a net present value basis at \$53.8 million (\$48.0 million at 30 June 2000). The loan agreement specifies that repayment is subordinate to all other obligations of the Company.

An additional liability could arise under clause 4.1(c) of the Ensured Revenue Stream Agreement (ERS) if a taxation deduction for a claim for depreciation for the immersed tube section of the Tunnel is disallowed to the Sydney Harbour Tunnel Company. Under such circumstances, the ERS provides for a renegotiation of the method by which ERS payments are calculated which could result in an increased liability to the Authority of between \$31.0 million and \$75.0 million over the period of the agreement to 2022.

The Audit Office has been informed that the Sydney Harbour Tunnel Company requested a ruling from the Commissioner for Taxation on this matter some years ago and that the Taxation Office has yet to provide such a ruling.

Liabilities

At 30 June 2001, the balance owing on loans was \$1,089 million. This included \$150 million drawn down from the "Come and Go" Facility with the NSW Treasury Corporation.

The Authority's accounting policy for the Sydney Harbour Tunnel recognises the net present value of the ensured revenue stream as a liability. The liability at 30 June 2001 of \$406 million (\$417 million at 30 June 2000) equates to the principal outstanding on the bonds issued by the Sydney Harbour Tunnel Company to the private sector. Also included in liabilities is rent received in advance on the M4 and M5 Motorways of \$36.0 million (\$39.1 million).

Program Information

The table below details the Authority's net cost of service on a program basis:

Program Description	2001		Net Cost of Services \$m	2000
	Revenue \$m	Expenses \$m		Net Cost of Services \$m
Road network infrastructure	225	867	642	(742)
Traffic and transport	12	172	160	156
Road safety and road user management	70	346	276	228
M4 / M5 Cashback Scheme	--	42	42	36
Total all programs	307	1,427	1,120	(322)

AUTHORITY ACTIVITIES

The Authority was constituted under the *Transport Administration Act 1988*. It is responsible for improving road and traffic safety management, enhancing road network efficiency, maintaining and renewing the existing road system and the construction of new roads and bridges throughout New South Wales. Other major responsibilities include the assessment and collection of tax on the registration of motor vehicles, licensing of drivers and the collection of ad valorem stamp duty on motor vehicle related transactions for the Office of State Revenue.

For further information on the Roads and Traffic Authority refer to www.rta.nsw.gov.au.

Minister for Sport and Recreation

Department of Sport and Recreation
Sydney Aquatic and Athletic Centre

Department of Sport and Recreation

AUDIT OPINION

The audit of the Department's financial report for the year ended 30 June 2001 resulted in the issue of an unqualified Independent Audit Report with an emphasis of matter. The emphasis of matter drew attention to uncertainty regarding the value of land and buildings at the Eastern Creek Raceway.

The uncertainty arose due to the Department and the lessee of the Raceway, the Australian Racing Drivers Club (ARDC) discussing relinquishing part of the Raceway to construct a business park and drag strip. Negotiations had not been finalised at 30 June 2001.

KEY ISSUES

The Audit Office noted inefficiencies in the recording of revenue, due to problems encountered with the implementation of the Department's new Customer Information Management System (CIMS). The system was designed as a decentralised booking and accounting program to record transactions arising from activities run by the Department's regional officers and centres. System problems resulted in CIMS being unable to provide the general ledger with accurate information.

As a result most regional offices and centres were operating up to three separate systems for revenue transactions, including:

- ♦ a local database
- ♦ CIMS
- ♦ a spreadsheet program designed by the Department which enabled posting of revenue transactions to the general ledger.

The Department has incurred \$348,000 in the development of the system and is reviewing alternatives to overcome current inefficiencies with CIMS.

OTHER ISSUES

Eastern Creek Raceway

The noise reduction mounds around the Raceway are burning internally. The Department has commenced legal action to recover costs from the company that constructed the mounds. The estimated cost of rectification is \$10.7 million. The operator has also claimed \$9.2 million for loss of revenue resulting from the mounds being unavailable for use.

FINANCIAL INFORMATION

The financial report for the year ended 30 June 2001 has been prepared on a consolidated basis, comprising the core activities of the Department and the commercial activities of Eastern Creek Raceway.

Abridged Statement of Financial Performance

Year ended 30 June	Consolidated 2001 \$'000	Department 2001 \$'000	Consolidated 2000 \$'000	Department 2000 \$'000
Employee related	24,807	24,807	24,913	24,913
Other expenses	<u>38,824</u>	<u>38,431</u>	<u>43,578</u>	<u>43,202</u>
TOTAL EXPENSES	<u>63,631</u>	<u>63,238</u>	<u>68,491</u>	<u>68,115</u>
TOTAL REVENUE	<u>22,952</u>	<u>22,353</u>	<u>22,453</u>	<u>21,890</u>
(Loss) on sale of non-current assets	<u>(4)</u>	<u>(4)</u>	<u>(182)</u>	<u>(182)</u>
NET COST OF SERVICES	<u>40,683</u>	<u>40,889</u>	<u>46,220</u>	<u>46,407</u>
Add Government Contributions	<u>44,887</u>	<u>45,230</u>	<u>45,326</u>	<u>45,680</u>
MOVEMENT IN ACCUMULATED FUNDS	<u>4,204</u>	<u>4,341</u>	<u>(894)</u>	<u>(727)</u>

Abridged Statement of Financial Position

At 30 June	Consolidated 2001 \$'000	Department 2001 \$'000	Consolidated 2000 \$'000	Department 2000 \$'000
Current assets	11,736	10,709	11,209	10,404
Non-current assets	<u>104,010</u>	<u>89,279</u>	<u>99,365</u>	<u>84,275</u>
TOTAL ASSETS	<u>115,746</u>	<u>99,988</u>	<u>110,574</u>	<u>94,679</u>
Current liabilities	<u>7,701</u>	<u>7,696</u>	<u>6,733</u>	<u>6,728</u>
TOTAL LIABILITIES	<u>7,701</u>	<u>7,696</u>	<u>6,733</u>	<u>6,728</u>
NET ASSETS	<u>108,045</u>	<u>92,292</u>	<u>103,841</u>	<u>87,951</u>
Accumulated funds	86,506	70,753	82,302	66,412
Asset revaluation reserve	<u>21,539</u>	<u>21,539</u>	<u>21,539</u>	<u>21,539</u>
TOTAL EQUITY	<u>108,045</u>	<u>92,292</u>	<u>103,841</u>	<u>87,951</u>

Abridged Program Information

Program Description	2001		2000	
	Revenues \$'000	Expenses* \$'000	Net Cost of Services \$'000	Net Cost of Services \$'000
Program 1- Sport and Recreation Development	22,221	63,242	41,021	46,535
Controlled entity - Eastern Creek Raceway	<u>731</u>	<u>393</u>	<u>(338)</u>	<u>(315)</u>
Total all programs	<u>22,952</u>	<u>63,635</u>	<u>40,683</u>	<u>46,220</u>
* Includes loss on sale of non current assets				

DEPARTMENT ACTIVITIES

The Department supports the development of sport and recreation services at the state and local level. It provides a range of direct services to organisations and the community ranging from advisory services to crime prevention programs, outdoor education programs and learn to swim programs.

Eastern Creek Raceway

The Department of Sport and Recreation controls Eastern Creek Raceway. The Australian Racing Drivers Club operates the Raceway under a lease agreement.

The Raceway's financial report contained an emphasis of matter, mentioned above in "Audit Opinion".

For further information on the Department of Sport and Recreation refer to www.dsr.nsw.gov.au.

Sydney Aquatic and Athletic Centres

AUDIT OPINION

The audit of the financial report of the Sydney Aquatic and Athletic Centres (formerly the Sydney International Aquatic and Athletic Centres) for the year ended 30 June 2001 resulted in the issue of an unqualified Independent Audit Report.

KEY ISSUES

The Sydney 2000 Olympic and Paralympic Games resulted in the closure of the Centres to the public for the period 2 June 2000 to 8 December 2000. During this time the Centres were under the control of the Olympic Coordination Authority (OCA) and the Sydney Organising Committee for the Olympic Games (SOCOG) for preparation and hosting the Olympic and Paralympic Games. Based on the Operators Agreement, \$5 million was received from OCA to compensate for lost receipts and additional costs associated with the staging of the games. This included \$661,000 for the previous financial year.

CONTROL ISSUES

We identified opportunities for improvements in the areas of property, plant and equipment, employee entitlements, accruals and the disclosure of relevant information in the financial statements. Management has responded positively to our recommendations.

Matters previously identified and reported to management that were still outstanding at 30 June 2001 were in the areas of purchase orders, the closure of the bank account established for international events and the disclosure of some employee entitlements within the financial report. These matters have now been actioned.

FINANCIAL INFORMATION

Year ended 30 June	2001 \$'000	2000 \$'000
Income	9,710	10,058
Salaries and related expenses	4,078	4,254
Other expenses	5,624	5,727
Operating surplus	8	77
Net assets (at 30 June)	20	12

CENTRES ACTIVITIES

The Centres are controlled by the Minister for Sport and Recreation and operate the leased assets of the Olympic Coordination Authority (OCA). Under an Operator's Agreement between the Minister, OCA and the Sydney Cricket and Sports Ground Trust (as Operator), the Centres are managed to provide aquatic and track and field facilities of an international and Olympic standard for elite athletes and for the sport and recreation of the wider community on a user charge basis.

For further information on the Sydney Aquatic and Athletic Centres, refer to www.sydneyaquaticcentre.com.au and www.sydneyathleticcentre.com.au.

Minister for Transport

Department of Transport
Freight Rail Corporation (trading as FreightCorp)
Office of Co-ordinator General of Rail

Department of Transport

AUDIT OPINION

The audit of the Department's financial report for the year ended 30 June 2001 resulted in the issue of an unqualified Independent Audit Report.

COMPLIANCE ISSUES

We tested whether the Department complied with the long service leave requirements of the Premiers Department Personnel Handbook.

The Department complied with these requirements.

However, the Department failed to comply with Treasurer's Direction 455.01(3) as it did not report to the Auditor-General a fraud in respect of the School Student Transport Scheme relating to prior years.

FINANCIAL INFORMATION

Year ended 30 June	2001 \$'000	2000 \$'000
Retained revenues	57,432	52,849
Government contributions	2,130,865	1,762,659
Salaries and related expenses	18,405	18,522
Grants and subsidies	2,105,934	1,789,184
Other expenses	34,124	30,581
Operating surplus/(deficit)	29,834	(22,779)
Net assets	38,773	120,814

Grants and subsidies comprised the following contributions by the Department:

Year ended 30 June	2001 \$m	2000 \$m
State Rail Authority	994.9	882.1
Rail Infrastructure Corporation	167.9	--
Freight Rail Corporation	72.2	76.5
Rail Access Corporation	122.0	174.1
Rail Services Australia	--	25.6
State Transit Authority	205.7	176.5
School Student Transport Scheme private buses	311.9	306.3
Parramatta Rail Link	74.7	26.0
Other grants and subsidies	156.6	122.1
	<u>2,105.9</u>	<u>1,789.2</u>

Abridged Program Information

The table below details the Department's net cost of services on a program basis:

Program Description	2001			2000
	Revenues \$'000	Expenses \$'000	Net Cost of Services \$'000	Net Cost of Services \$'000
Development, co-ordination and planning of transport services	46,037	220,358	174,321	58,180
Assistance for general track and freight services	--	328,674	328,674	243,700
Purchase of public transport services	11,395	1,609,431	1,598,036	1,483,558
Total all programs	57,432	1,958,463	1,900,685	1,785,438

DEPARTMENT ACTIVITIES

The Department is responsible for meeting the passenger and freight transport needs of the people of New South Wales through more efficient, reliable, safe and accessible transport solutions. The Department formulates transport policies and plans. It purchases performance-based transport services from Government-owned and private operators to achieve more equitable transport outcomes for the community of New South Wales. It accredits and regulates transport providers and evaluates and audits the performance of transport services.

The Department funds and develops designated transport infrastructure projects. It is also the Government's safety regulator for the rail industry and for passenger and maritime transport operators. It collects transport data to review performance and underpin better decision-making and planning. It is also the State's transport co-ordinator of major events.

The Department ensures a co-ordinated and integrated approach to achieving transport outcomes and, as the lead agency within the Transport portfolio, provides policy and performance direction for the following:

- ◆ State Rail Authority
- ◆ Rail Infrastructure Corporation
- ◆ Freight Rail Corporation
- ◆ State Transit Authority
- ◆ Tow Truck Authority
- ◆ Air Transport Council.

Comment on the financial operations of the above-mentioned agencies will be included in Volume Six of the Auditor-General's Report to Parliament for 2001.

The Public Transport Authority and Public Transport Advisory Council do not prepare financial statements. Any transactions undertaken by or on behalf of PTA or PTAC are reflected in the Department's financial statements.

For further information on the Department of Transport refer to www.transport.nsw.gov.au

Freight Rail Corporation (trading as FreightCorp)

AUDIT OPINION

The audit of the financial report of FreightCorp for the year ended 30 June 2001 resulted in the issue of an unqualified Independent Audit Report.

KEY ISSUES

On 13 July 2001, the Parliament passed legislation enabling the privatisation of FreightCorp. The Governments of New South Wales, Victoria and the Commonwealth agreed to a combined sale of FreightCorp and the National Rail Corporation (NRC). Both FreightCorp and NRC will be offered for sale to a single purchaser by way of a competitive trade sale tender process. The combined sale will comprise the assets of FreightCorp and the shares in NRC. Bids from interested parties are due by the end of November 2001 and the sale is expected to be completed during the first half of 2002.

During the year FreightCorp changed its accounting policies for:

- ♦ valuing borrowings from market value to current capital value. This resulted in a gain of \$8.3 million, which has been recognised in the profit for the year
- ♦ classifying converting preference shares as equity instead of debt. As a result the \$4.8 million payment of the coupon on the shares has been treated as dividends rather than interest expense.

Another significant change related to the annual depreciation charge for rollingstock. This year, FreightCorp estimated useful lives for different components of locomotives and wagons, in order to reflect the longer lives of spare parts salvaged on disposal of rollingstock. This resulted in a reduction in depreciation expense for the year of \$8.3 million.

Accounts receivable includes \$2.2 million, owing by a major customer since 1999. We were unable to confirm this balance with the customer as agreement of the details comprising this debt are still to be finalised.

CONTROL ISSUES

Consignment Notes

In previous years FreightCorp manually checked every train movement to a consignment note generated by the customer and ensured that an invoice had been raised. Last year we identified a breakdown in the operation of this key control which management subsequently addressed. This year FreightCorp introduced a risk management approach and only applied this control procedure to one month in three. The risk management approach was adopted to ensure that the costs of the control did not exceed the expected benefits.

We were unable to verify that the risk management approach had been effectively implemented and applied as no audit trail of the work performed was maintained by management.

Credit Limits

As we reported to management last year, a number of FreightCorp's larger customers are not trading within their approved credit limits. This increases FreightCorp's exposure to financial loss in respect of amounts owed by its customers. Management of credit limits is complicated by:

- ◆ FreightCorp's reliance on customers to generate and forward consignment notes for services provided
- ◆ the lag of up to three months between provision of the service and generation of the invoice
- ◆ the seasonal nature of the business of some FreightCorp customers.

Payments to Suppliers

Our review of controls over the accounts payable system highlighted that:

- ◆ non-contract expenditure regularly occurs without prior approval
- ◆ shortcomings in the online purchasing system controls have allowed users through the use of confirmation orders to process orders without obtaining the necessary approval from delegated officers
- ◆ officers without financial delegations are modifying purchase orders after approval by a delegated officer.

Capital Spares

FreightCorp has no system to account for capital spares salvaged from rollingstock disposals. It identifies and accounts for movements in capital spares through an annual stocktake. The lack of an accounting system precludes the effective management and recording of capital spares.

COMPLIANCE ISSUES

We tested whether FreightCorp complied with provisions of the *Long Service Leave Act 1955*. FreightCorp complied with these requirements.

OTHER ISSUES

Redundancy Program

FreightCorp employees who accept voluntary redundancy or voluntary early retirement are entitled to a redundancy package which comprises: payment in lieu of notice, an incentive bonus for acceptance of the redundancy offer within two weeks, and a severance pay component. The current package, operative since December 1997, provides for a total benefit of a maximum 75 weeks for employees with 15 or more years service. Pro rata benefits apply to those employees with less than 15 years service.

FINANCIAL INFORMATION

FreightCorp controls the Motive Power Company Pty Limited, a special purpose company established in 1993 to provide locomotive and maintenance services to FreightCorp. The financial report for the year ended 30 June 2001 comprised the consolidated accounts of the two entities.

Abridged Statement of Financial Performance

Year ended 30 June	2001		2000	
	Consolidated \$'000	FreightCorp \$'000	Consolidated \$'000	FreightCorp \$'000
REVENUE	<u>609,282</u>	<u>607,937</u>	<u>654,376</u>	<u>653,123</u>
PROFIT BEFORE BORROWING COSTS, DEPRECIATION AND INCOME TAX	114,652	114,652	143,503	143,503
Borrowing costs	<u>27,136</u>	<u>27,136</u>	33,057	33,057
Depreciation	<u>49,583</u>	<u>49,583</u>	<u>54,980</u>	<u>54,980</u>
PROFIT BEFORE INCOME TAX	37,933	37,933	55,466	55,466
Income tax equivalent	<u>6,456</u>	<u>6,456</u>	<u>31,761</u>	<u>31,761</u>
PROFIT AFTER INCOME TAX	44,389	44,389	87,227	87,227
Retained earnings at beginning of reporting period	103,966	103,966	52,930	52,930
TOTAL AVAILABLE FOR APPROPRIATION	148,355	148,355	140,157	140,157
Dividend paid	<u>55,532</u>	<u>55,532</u>	<u>36,191</u>	<u>36,191</u>
RETAINED EARNINGS AT END OF REPORTING PERIOD	<u>92,823</u>	<u>92,823</u>	<u>103,966</u>	<u>103,966</u>

Revenue decreased by \$45.1 million whilst total tonnages hauled increased from 85.5 million to 88.9 million tonnes. The revenue fall was largely due to decreases in haulage rates charged to customers as a result of passing on:

- ♦ the diesel fuel excise rebate of \$46.2 million
- ♦ a reduction in rail access charges of \$7.8 million.

Profit before income tax decreased by \$17.5 million over the previous year and was significantly impacted by:

- ♦ the restatement of borrowings from market value to current capital value, the effect of which was to increase profit by \$8.3 million
- ♦ a reduction in depreciation expense of \$8.3 million arising from the change in estimated useful lives for the different components of locomotives and wagons
- ♦ the reclassification of dividends paid on convertible preference shares from interest to dividends, which increased profit by \$4.8 million
- ♦ the profit on the sale of assets of \$3.5 million
- ♦ costs related to the privatisation of FreightCorp of \$3.2 million
- ♦ increased redundancy costs of \$4.9 million over the previous year
- ♦ a \$13.0 million decrease in the superannuation asset which decreased profit
- ♦ an increase in the provision for self insurance of workers compensation of \$4.8 million
- ♦ increased diesel fuel costs due to oil price escalation and a declining Australian dollar.

Abridged Statement of Financial Position

At 30 June	2001		2000	
	Consolidated \$'000	FreightCorp \$'000	Consolidated \$'000	FreightCorp \$'000
Current assets	185,792	185,792	145,390	145,390
Non-current assets	767,579	767,579	805,607	805,607
TOTAL ASSETS	953,371	953,371	950,997	950,997
Current liabilities	128,043	128,043	94,227	94,227
Non-current liabilities	344,002	344,002	464,301	464,301
TOTAL LIABILITIES	472,045	472,045	558,528	558,528
NET ASSETS	481,326	481,326	392,469	392,469
EQUITY				
Contributed equity	356,339	356,339	256,339	256,339
Reserves	32,164	32,164	32,164	32,164
Retained earnings	92,823	92,823	103,966	103,966
TOTAL EQUITY	481,326	481,326	392,469	392,469

Motive Power Company Pty Limited

The audit of the Motive Power Company Pty Limited for the year ended 30 June 2001 resulted in the issue of an unqualified independent audit report.

Expenditure for the year totalled \$30.8 million (\$27.8 million in 1999-2000). Under the motive power contract, expenditure incurred by the company is recouped from FreightCorp.

Total assets were \$238 million (\$248 million) and total liabilities amounted to \$238 million (\$248 million). Liabilities included borrowings from TCorp Nominees of \$238 million (\$248 million).

As part of the FreightCorp privatisation process, the NSW State Government has requested FreightCorp to unwind the Motive Power Corporation structure. This is expected to occur prior to the privatisation of FreightCorp. Therefore all assets and liabilities of the Motive Power Corporation have been disclosed as current.

FREIGHTCORP ACTIVITIES

FreightCorp was established by the *Transport Administration Amendment (Rail Corporatisation and Restructuring) Act 1996* as a Statutory State Owned Corporation under the *State Owned Corporations Act 1989*. The principal function of FreightCorp is to operate rail freight services.

FreightCorp hauls bulk commodities such as coal, grain and minerals and carries a wide range of products including cement, petroleum and export containers on general freight train services. FreightCorp also provides maintenance and operational services and hires locomotives, crews and other services to other rail operators.

The Board of the Corporation comprises four part-time directors and the chief executive. The Board is accountable to the voting shareholders, being the Treasurer and the Special Minister of State.

For further information on Freight Rail Corporation refer to www.freightcorp.com.au.

Office of Co-ordinator General of Rail

AUDIT OPINION

The audit of the financial report of the Office is for the year ended 30 June 2001 resulted in the issue of a qualified Independent Audit Report.

The qualification was necessary because the Office did not present a consolidated financial report combining its financial report with those of:

- ◆ the State Rail Authority (SRA)
- ◆ the Rail Infrastructure Corporation (RIC)
- ◆ the former Rail Access Corporation (RAC) and
- ◆ the former Railway Services Authority (RSA).

Australian Accounting Standard AAS 24 'Consolidated Financial Reports' requires a consolidated financial report to be prepared where one entity has the capacity to control another entity. AAS 24 defines control as 'the capacity of an entity to dominate decision-making, directly or indirectly, in relation to the financial and operating policies of another entity so as to enable that other entity to operate with it in pursuing the objectives of the controlling entity'.

In these circumstances, a consolidated financial report is essential for a proper understanding of the financial operations of the group of entities.

When the Office was created, the Government may not have intended that it would exercise control over the other rail entities. However the Office demonstrated that capacity during the year ended 30 June 2001.

KEY ISSUES

Non-Recoupment of Salaries from the SRA

The former Co-ordinator General and four of his senior officers also occupying positions in SRA have spent a significant proportion of their time managing the affairs of SRA. During the period 1 November 2000 to 30 June 2001, the Office paid their salaries, totalling \$678,000. The Office advised that around 50 per cent of each officer's time was devoted to the management of SRA affairs and that it has not sought any recoupment of these salaries from SRA.

FINANCIAL INFORMATION

Year ended 30 June	2001 \$'000
Government contributions	4,876
Salaries and related expenses	4,153
Other expenses	1,243
Operating deficit	(520)
Net liabilities	(520)

OFFICE ACTIVITIES

The Office was established under the *Public Sector Management Act 1988* as a department on 8 June 2000. The *Transport Administration Amendment (Rail Management) Act 2000* (the Act) outlines the functions of the Co-ordinator General of Rail. These include responsibility for the management and co-ordination of the functions of SRA and RIC. This responsibility also applied to the former Rail Access Corporation and the former Railway Services Australia prior to their merger to establish RIC.

The Act gives the Co-ordinator General of Rail the power to issue directions to SRA and RIC.

For further information on the Office of Co-ordinator General of Rail refer to www.coordgenrail.nsw.gov.au.

Treasurer

Crown Property Portfolio

New South Wales Insurance Ministerial Corporation

New South Wales Treasury Corporation

Treasury

Crown Property Portfolio

AUDIT OPINION

The audit of the Portfolio's financial report for the year ended 30 June 2001 resulted in the issue of a qualified Independent Audit Report.

The qualification related to the contract for the use of a portion of the Colonial State Bank Centre. The Portfolio accounts for this contract as an operating lease. The Audit Office considers that this treatment ignores the substance of the arrangement which, in our opinion, imposes an obligation on the Portfolio which has not been shown in the financial report. We estimate the value of this obligation to be \$187 million, but are unable to quantify the value of the unrecognised related assets and the effect on the operating result. The recommended accounting treatment requires the recognition of this obligation and related asset, and reversal of a liability of \$9.9 million being the difference between the head lease and the sub lease for the Colonial State Bank Centre.

The audit opinion for the year ended 30 June 2000 was qualified similarly.

KEY ISSUES

Strickland House

Strickland House is situated on a five hectare site at Vacluse. It was transferred to the Portfolio in 1989. Although a range of redevelopment options have been considered, none has been adopted. It is understood that a lease arrangement is being sought with the lessee accepting responsibility for property conservation works estimated to be in excess of \$4.0 million. Preservation of existing public access to the grounds and Sydney Harbour foreshores would be a further condition of the lease.

Strickland House was revalued on 1 January 2001 at \$12.8 million. The total income from the property (largely derived from hirings) was \$36,000 in 2000-01 (\$103,845 in 1999-2000) while maintenance costs were \$134,000 (\$130,000).

CONTROL ISSUES

Volume One of the Auditor-General's 2001 Report to Parliament identified that the Portfolio had taken action to improve the performance of the private sector agent responsible for managing its properties. Remaining concerns, including the quality of information being provided, are being addressed.

FINANCIAL INFORMATION

Abridged Statement of Financial Performance

Year ended 30 June	2001 \$'000	2000 \$'000
Revenue from ordinary activities		
Property rental and other income	133,399	133,212
Consolidated Fund allocation	9,698	8,113
Profit/(loss) on disposal of property	741	(1,453)
Other	133	572
TOTAL REVENUE FROM ORDINARY ACTIVITIES	143,971	140,444
EXPENDITURE ON ORDINARY ACTIVITIES	96,869	169,770
OPERATING SURPLUS/(DEFICIT) FROM ORDINARY ACTIVITIES	47,102	(29,326)
Increase in asset revaluation reserve	29,440	--
TOTAL REVENUE, EXPENSES AND VALUATION ADJUSTMENTS RECOGNISED DIRECTLY IN EQUITY	29,440	--
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH OWNERS AS OWNERS	76,542	(29,326)

The 42.9 per cent decrease in expenditure reflects:

- ◆ a \$25.2 million net reduction in the value of land and buildings at the Sydney Markets site during 1999-2000
- ◆ a \$9.6 million reduction (increase of \$11.8 million in 1999-2000) in the provision for sublease income shortfall on the McKell and Governor Macquarie Tower buildings
- ◆ reversal during 2000-01 of building decrements totalling \$28.1 million.

Abridged Statement of Financial Position

At 30 June	2001 \$'000	2000 \$'000
Current assets	20,347	24,729
Non-current assets	549,555	506,860
TOTAL ASSETS	569,902	531,589
Current liabilities	34,458	30,967
Non-current liabilities	114,860	130,587
TOTAL LIABILITIES	149,318	161,554
NET ASSETS	420,584	370,035
Accumulated funds	282,913	261,804
Asset revaluation reserve	137,671	108,231
TOTAL EQUITY	420,584	370,035

The net \$50.5 million increase in equity was derived after contributions to Treasury of \$26.0 million (\$16.4 million in 1999-2000). The contributions comprised: surplus from rental of properties \$18.3 million (\$16.1 million) and \$7.7 million (\$339,000) from sale of property.

Included within current assets are cash and receivables \$14.1 million and \$6.3 million respectively (\$17.7 million and \$7.1 million at 30 June 2000).

Non-current assets comprise owned property, \$460 million (\$433 million at 30 June 2000), and property occupied under finance lease arrangements (the McKell Building and Noel Park House at Tamworth), \$89.7 million (\$74.0 million). Major owned properties include: the Sydney Markets site at Flemington, \$86.5 million; Education Building at Bridge Street, \$56.6 million; Goodsell Building, \$33.3 million, Bligh House \$32.5 million, and Sydney Fish Market \$28.6 million.

In addition to the previously mentioned provision for shortfall in lease payments of \$17.6 million (\$27.2 million at 30 June 2001), significant liabilities include lessor incentives, \$31.2 million (\$36.8 million), and lease liabilities, \$93.5 million (\$91.6 million).

PORTFOLIO ACTIVITIES

The Portfolio is a commercial activity of the Crown Entity. The Portfolio's principal activity is management (including collection of rent) of multi-occupancy buildings owned and leased by the New South Wales Government, and of properties retained by the Government for strategic reasons. The Department of Public Works and Services manages portfolio activities under an agreement with Treasury. The Department has outsourced day-to-day property management of office buildings to a private sector agent.

New South Wales Insurance Ministerial Corporation

AUDIT OPINION

The audit of the Corporation's financial report for the year ended 30 June 2001 resulted in the issue of an unqualified Independent Audit Report.

FINANCIAL INFORMATION

The financial results and positions of the insurance funds that comprise the Corporation are aggregated for reporting purposes.

Operating Statement

Year ended 30 June	2001 \$'000	2000 \$'000
Premium revenue	565,671	561,482
Outwards reinsurance expense	<u>(25,274)</u>	<u>(18,227)</u>
	<u>540,397</u>	<u>543,255</u>
Claims expense	(778,003)	(616,174)
Reinsurance and other recoveries revenue	<u>20,206</u>	<u>22,609</u>
Net claims incurred	<u>(757,797)</u>	<u>(593,565)</u>
Other underwriting expenses	<u>(17,972)</u>	<u>(20,124)</u>
UNDERWRITING RESULT	<u>(235,372)</u>	<u>(70,434)</u>
Grants from NSW Government	11,186	(10,712)
Investment revenue	169,876	168,820
Other revenue	4	16
General administration expenses	<u>(3,297)</u>	<u>(2,421)</u>
	<u>177,769</u>	<u>155,703</u>
OPERATING RESULT	(57,603)	85,269
Retained deficit at the beginning of the financial year	(384,343)	(469,612)
RETAINED DEFICIT AT END OF FINANCIAL YEAR	(441,946)	(384,343)

The Corporation had an accumulated deficit of \$442 million at 30 June 2001 (\$384 million at 30 June 2000). The deficit relates entirely to the Treasury Managed Fund (TMF). The accumulated deficit resulted from the outstanding claims liability not being fully funded by premiums. The 'going concern' basis used for the preparation of the Corporation's financial report is considered appropriate because the TMF is underwritten by the Government.

Abridged Statement of Financial Position

At 30 June	2001 \$'000	2000 \$'000
Current assets	280,901	217,337
Non-current assets	2,240,146	2,078,021
TOTAL ASSETS	2,521,047	2,295,358
Current liabilities	710,137	553,281
Non-current liabilities	2,179,856	2,061,420
TOTAL LIABILITIES	2,889,993	2,614,701
NET LIABILITIES	(368,946)	(319,343)
Contributed capital	73,000	65,000
Retained deficit	(441,946)	(384,343)
TOTAL EQUITY	(368,946)	(319,343)

Matters of interest are as follows:

- ◆ The majority of non-current assets were investments, mainly held in the Treasury Corporation's hour-glass facility, \$837 million (\$851 million) and in Treasury Corporation's managed bond fund, \$1,011 million (\$808 million).
- ◆ The inflation and discount rates applied for the actuarial estimation of outstanding claims liability has not changed significantly from the prior year. The split of the outstanding claims liability is determined by the Corporation's fund manager in consultation with the actuaries, and includes a prudential margin. The prudential margin is the amount added to the actuarially determined central estimate of the outstanding claims liability to increase the probability that the claims provision is adequate.
- ◆ The level of prudential margin included in the outstanding claims liability was:

At 30 June	2001		2000	
	Prudential Margin	Probability of Adequacy	Prudential Margin	Probability of Adequacy
	%	%	%	%
NSW Treasury Managed Fund (Workers Compensation only)	7.5	67	7.5	60
Transport Accidents Compensation Fund	7.5	60	7.5	60
Governmental Workers Compensation Account	5.0	60	7.5	60

CORPORATION ACTIVITIES

The Corporation is constituted under section 24 of the *Government Insurance Office (Privatisation) Act 1991*. It was created to administer the assets and outstanding claims liabilities of insurance funds formerly managed by the Government Insurance Office.

GIO General Limited manages the insurance funds of the Corporation.

The Corporation's insurance funds include:

Treasury Managed Fund

The TMF is a self-insurance scheme, comprising all General Government Sector budget dependent agencies, public hospitals and some Government authorities.

The self-insurance premium-based structure, which commenced on 1 July 1995, incorporates hindsight adjustments to workers' compensation and motor vehicle premiums.

From 1 July 2000, the Treasurer gave approval for the Pre-Managed Fund Reserve to be rolled in with the TMF. Previously, the Pre-Managed Fund dealt with claims incurred and other expenses relating to incidents prior to the creation of the TMF.

Transport Accidents Compensation Fund

This fund pays the costs of motor transport accident claims under the common law system, which operated until 30 June 1987, and the succeeding TransCover system, which operated until 30 June 1989. The Motor Accidents Authority of NSW has responsibility for overseeing the administration of the Transport Accidents Compensation Fund under section 147D of the *Motor Accidents Act 1988*.

Governmental Workers Compensation Account

The account pays workers' compensation claims incurred before 1 July 1989. Since that date, workers' compensation claims are covered through the TMF.

New South Wales Treasury Corporation

AUDIT OPINION

The audit of New South Wales Treasury Corporation's (TCorp's) consolidated financial statements for the year ended 30 June 2001 resulted in an unqualified Independent Audit Report.

CONTROL ISSUES

The Audit Office identified opportunities to improve internal control. These suggestions, which were not major, were included in a letter to TCorp.

COMPLIANCE ISSUES

We tested TCorp's compliance with Treasury policy for credit card usage. Matters arising from this review, which were not major, were included in a letter to TCorp.

OTHER ISSUES

Collapse of HIH Insurance

The Hour-Glass investment facility provided to public sector investors by the NSW Treasury Corporation held approximately 610,000 shares at the time of the collapse. These shares were held through a fund manager handling an ASX200 index replication portfolio which required an investment in HIH. This represented 0.02 per cent of total Hour-Glass investments of \$3,297 million at 30 June 2000.

Commentary on the impact of the HIH collapse on the NSW Government's finances was included in Volume Four of the Auditor-General's Report to Parliament for 2001.

Hour-Glass Trusts

The Hour-Glass investment facilities were restructured as unit Trusts with effect from 30 June 2001. This was to ensure that the facilities meet the tax reporting requirements of the new National Tax Equivalent Regime coming into effect in 2001-02. The change also related to the facilities becoming more comparable with other fund management structures in the investment marketplace.

FINANCIAL INFORMATION

The consolidated financial statements are those of TCorp and its controlled entity - TCorp Nominees Pty Limited.

Abridged Consolidated Statement of Financial Performance

Year ended 30 June	2001 \$'000	2000 \$'000
Net interest income	1,993,773	1,727,731
Net interest expense	(1,948,653)	(1,688,578)
Net margin from ordinary activities	45,120	39,153
Other revenue from ordinary activities	10,501	9,128
Revenue from ordinary activities	55,621	48,281
Staff costs	(8,309)	(7,447)
Other costs	(9,265)	(8,225)
Operating expenses from ordinary activities	(17,574)	(15,672)
Profit from ordinary activities before income tax equivalent expense	38,047	32,609
Income tax equivalent expense	(11,414)	(10,435)
Net profit and total changes in equity	26,633	22,174

TCorp increased its profit from ordinary activities before tax by \$5.4 million to \$38.0 million. This amount was returned to the Government as Income Tax Equivalents of \$11.4 million and Dividends of \$26.6 million. This was achieved on a capital base of \$30.0 million.

The \$6.0 million (15.2 per cent) increase in net margin from ordinary activities resulted from a reduction in TCorp's liabilities to certain annuity holders. A reduction in the corporate tax rate for these holders resulted in a \$13.3 million reduction in TCorp's net interest expense. As in the previous year, the volatile capital market conditions resulted in TCorp raising the majority of its funding from domestic markets. In the past, off-shore markets have provided a source of low cost funding compared to the domestic market, providing more opportunities to improve profit margins.

Fee and commission revenue rose \$1.4 million to \$10.5 million predominantly due to higher performance fees earned on its asset and liability management portfolios, and the impact of more clients.

Abridged Consolidated Statement of Financial Position

At 30 June	2001 \$'000	2000 \$'000
Cash and liquid assets	105,987	53,344
Securities held	2,181,350	1,903,217
Derivative financial instruments receivable	296,469	303,027
Loans to authorities	23,350,990	24,204,743
Other assets	17,284	24,195
TOTAL ASSETS	25,952,080	26,488,526
Due to financial institutions	709,830	254,147
Authority deposits	780,619	535,519
Borrowings	24,125,239	25,333,224
Derivative financial instruments payable	224,985	296,059
Other liabilities and provisions	81,320	39,523
TOTAL LIABILITIES	25,921,993	26,458,472
NET ASSETS	30,087	30,054
EQUITY	30,087	30,054

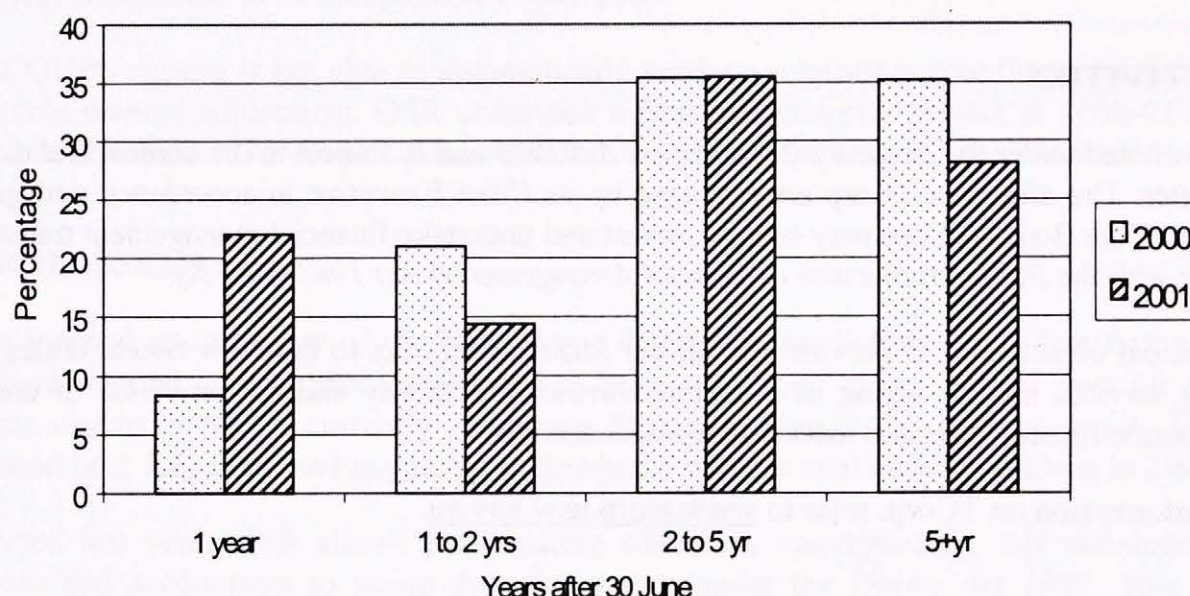
TCorp manages asset portfolios on behalf of public sector investors either through the Hour-Glass facilities or specific client authority mandates. Funds invested in the Hour-Glass facilities, which are managed by external fund managers, amounted to \$2,874 million (\$3,297 million in 1999-2000) at 30 June 2001. Investments in specific client authority mandates, which are managed by TCorp, rose \$1,123 million to \$2,158 million.

The reduction in loans to authorities, which accounts for 90 per cent of total assets was caused by a reduction in the amount owed by the Crown Entity. The Crown Entity reduced its liability to TCorp from \$14,233 million to \$10,367 million. Loans to electricity entities increased by \$2,835 million, which included a \$2,400 million transfer from the Crown Entity.

Maturity Profile

TCorp substantially repositioned its debt on issue during the year to accommodate the desired maturity profile of a number of clients. A major impact this year was the transfer of debt from the Crown Entity to the electricity entities. At year-end, TCorp's asset profile provided sufficient liquidity to cover its debt maturity profile.

Maturity Profile of TCorp Debt



Derivative Financial Instruments

TCorp transacts in derivative financial instruments to manage risks arising from maturity and repricing gaps in its debt and asset maturity profiles. These transactions are entered into in accordance with established Board policies which stipulate instrument risk limits. The market value of TCorp's outstanding derivative financial instruments at year-end are:

Instrument Type	2001		2000	
	Receivable \$'000	Payable \$'000	Receivable \$'000	Payable \$'000
Cross currency swaps	249,533	59,114	204,509	35,270
Interest rate swaps	39,940	159,784	35,356	200,448
Commodity swaps	1,980	1,980	13,142	13,142
Forward foreign exchange contracts	1,647	1,647	33,515	37,417
OTC foreign currency option	1,717	1,718	8,967	8,967
OTC commodity options	742	742	545	545
Forward rate agreements	506	-	6,993	-
Exchange traded futures mark to market	404	-	-	270
Total	296,469	224,985	303,027	296,059

Credit Risk

TCorp's financial assets are managed prudentially to ensure they are held with counterparties with acceptable credit ratings. The largest category of financial assets is loans to authorities, the large majority of which are State Government authorities fully guaranteed by the New South Wales Government.

SUBSIDIARY COMPANY

During 2000–01, the wholly owned subsidiary company, TCorp Nominees Pty Limited, continued its involvement in lending transactions, which were financed by loans from TCorp. The terms of the lending transactions and the loans from TCorp are identical, resulting in no operating profit or loss of the subsidiary for the year.

The audit of TCorp Nominees Pty Limited for the year ended 30 June 2001 resulted in an unqualified Independent Audit Report.

Total assets and liabilities of TCorp Nominees Pty Limited at 30 June 2001 decreased by \$27.5 million to \$283 million. Revenues and expenses amounted to \$21.8 million in 2000-01 (\$21.4 million in 1999-2000).

TCORP ACTIVITIES

TCorp is constituted under the *Treasury Corporation Act 1983* and is subject to the control and direction of the Treasurer. The affairs of TCorp are managed by its Chief Executive in accordance with policies and directions of the Board. TCorp may borrow, invest and undertake financial management transactions in accordance with the *Public Authorities (Financial Arrangements) Act 1987* (PAFA).

TCorp's principal objective is to provide specialised financial services to the New South Wales public sector. These services include acting as a central borrowing authority and the provision of corporate treasury, corporate finance, debt and asset management services.

For further information on TCorp, refer to www.tcorp.nsw.gov.au.

Treasury

AUDIT OPINION

The audit of Treasury's financial report for the year ended 30 June 2001 resulted in the issue of an unqualified Independent Audit Report.

KEY ISSUES

Land Tax receipts in 2000-01 were \$65.6 million less than previous year and \$56.2 million below the budget estimate. This shortfall in collections was the result of a delay in issuing land tax assessment notices. The delay was due to problems with the land tax database. The Office of State Revenue's (OSR) revenue collection system 'RECOUPS' was used to produce land tax assessment notices for land held at 31 December 2000 for the first time during 2001.

Land Tax assessment notices for land held at 31 December 2001 are expected to be issued on time during February 2002. Also OSR is progressively improving the quality of the land tax database. This will substantially improve OSR's capacity to issue timely and accurate land tax assessment notices. This project is expected to be completed by June 2003.

The RECOUPS system is not able to automatically produce relevant accounting information without considerable manual adjustment. OSR undertook a financial integrity project in 2000-01 in an effort to overcome this issue. The Audit Office considers that this project should be continued.

CONTROL ISSUES

A recent internal audit review of the First Home Owner Grants Scheme has identified a number of areas where internal control procedures need to be strengthened to prevent the possible payment of fraudulent claims. OSR is currently reviewing the issues raised by internal audit. The Scheme commenced on 1 July 2000 and payments to first home owners totalled \$314 million in 2000-01.

As reported last year, OSR allows participating solicitors, conveyancers, law stationers, financial institutions and accountants to stamp duty documents under the *Duties Act 1997*. This program is called the Returns Extension Program. Participants in the program are required to forward a periodic return of documents processed with payments of duty collected to OSR. OSR has initiated procedures to ensure that revenue returned is complete and accurate. Data matching with Land Titles Office records has been undertaken during 2001 and a more comprehensive compliance audit program is planned for 2001-02. OSR is also reviewing other strategies for detecting defaulting participants in the Scheme at an early date. The Audit Office will continue to monitor the controls over this program.

COMPLIANCE ISSUES

We tested whether the Treasury complied with delegation provisions of its legislation. Treasury complied with these provisions.

FINANCIAL INFORMATION

State transactions, including taxes and other revenues collected on behalf of the Government by OSR, are not included in Treasury's financial statements, but are disclosed by way of note as administered revenues. They are accounted for in the Public Accounts and the Crown Entity. Commentary relating to these transactions is shown in the following section 'State Revenues'.

Abridged Statement of Financial Performance

Year ended 30 June	2001 \$'000	2000 \$'000
Employee related	49,116	44,815
Grants and subsidies	325,488	10,966
Other expenses	40,285	31,392
TOTAL EXPENSES	414,889	87,173
TOTAL REVENUE	10,647	4,613
(Loss) on sale of non-current assets	(443)	(105)
NET COST OF SERVICES	404,685	82,665
Add Government Contributions	403,808	90,564
MOVEMENT IN ACCUMULATED FUNDS	(877)	7,899

Employee related expenses have increased mainly as a result of a reduction in the amount of these expenses capitalised. In the previous year \$4.3 million was reported as capital work in progress compared to \$0.6 million for 2000-01.

Grants and subsidies increased due to payments from the First Home Owner Grant Scheme of \$314.2 million.

Other expenses increased mainly as a result of additional expenditure associated with full retail contestability of the electricity industry. These expenses of \$8.7 million were offset by revenue of \$6.2 million from the electricity industry.

Abridged Statement of Financial Position

At 30 June	2001 \$'000	2000 \$'000
Current assets	10,304	8068
Non-current assets	40,979	41,866
TOTAL ASSETS	51,283	49,934
Current liabilities	12,553	10,311
Non-current liabilities	58	74
TOTAL LIABILITIES	12,611	10,385
NET ASSETS	38,672	39,549
Reserves	4,760	4,409
Accumulated funds	33,912	35,140
TOTAL EQUITY	38,672	39,549

Program Information

The table below details the Department's net cost of services on a program basis.

Program Description	2001		Net Cost of Services \$'000	2000
	Revenues \$'000	Expenses \$'000		Net Cost of Services \$'000
Economic and fiscal strategy	77	5,568	5,491	4,968
Financial management	94	6,627	6,533	6,543
Resource allocation	392	9,459	9,067	8,573
Market implementation group	6,212	11,272	5,060	7,221
Duties collection	165	20,385	20,220	20,467
Payroll tax collection	90	11,082	10,992	8,925
Land tax collection	3,259	30,540	27,281	23,300
Miscellaneous revenue collection	336	3,461	3,125	2,460
Tax equivalents collection	1	181	180	208
First Home Owner Grants Scheme	21	316,757	316,736	--
	<u>10,647</u>	<u>415,332</u>	<u>404,685</u>	<u>82,665</u>

STATE REVENUES

Total revenue earned (on an accrual basis) on behalf of the State during 2000–01 was \$11,253 million (\$11,032 million in 1999–2000).

Year ended 30 June	2001 \$m	2000 \$m
Duties	4,668.4	4,696.0
Payroll tax	4,524.9	4,480.2
Land tax	942.7	903.7
Debits tax	318.7	322.4
Electricity levy	123.7	116.5
Accommodation levy	10.3	68.8
Health insurance levies	89.6	59.9
Parking space levy	45.4	14.7
Tax equivalents	445.8	359.7
Gaming and racing	74.4	--
Unclaimed money	8.5	9.1
Other	1.0	1.4
	<u>11,253.4</u>	<u>11,032.4</u>

The accommodation levy was abolished from 1 July 2000 as part of the Intergovernmental Agreement on the Reform of Commonwealth-State Financial Relations which resulted in the introduction of the Goods and Services Tax. The collection of racing tax revenues was transferred to OSR from the Department of Gaming and Racing from 1 January 2001.

Duties

Cash collections from duties during 2000–01 totalled \$4,714.6 million (\$4,652.6 million). Major duties collected during the year included:

Duties	2000-2001 \$m	1999-2000 \$m
Contract and conveyances	2,294.8	2,359.2
First Home Purchase Scheme	1.1	4.2
Insurance policies	418.6	382.7
Loan securities	218.1	229.6
Share transfer	534.0	484.8
Vehicle registration	464.9	461.9
Financial institution duty	637.7	602.3
Hiring arrangement	75.2	72.9
Leases	64.3	49.3
Other	5.9	5.7
	<u>4,714.6</u>	<u>4,652.6</u>

Revenue Due to the State

The Treasury's records disclose that as at 30 June 2001, overdue amounts payable to the State totalled \$113 million (\$93.4 million), net of provision for doubtful debts of \$16.4 million (\$10.7 million). Details comprise:

Year ended 30 June	2001 \$m	2000 \$m
Duties	6.9	11.2
First Home Purchase Scheme	2.8	2.9
Payroll tax	34.3	21.4
Land tax	62.9	56.6
Parking space levy	3.7	0.9
Health insurance levy	0.4	--
Accommodation levy	2.0	0.4
	<u>113.0</u>	<u>93.4</u>

TREASURY ACTIVITIES

The Treasury has responsibility for the financial management of the State and the raising of State Taxation. The Treasury has two operating arms: the Office of Financial Management (OFM); and the Office of State Revenue (OSR). OFM's objectives are to improve the sharing of scarce funds to achieve better results for the community and the environment. OSR's major functions are the collection of State taxes and other revenue, including duties, payroll tax, land tax and tax equivalents on State-owned corporations and government trading enterprises.

For further information on the Treasury refer to www.treasury.nsw.gov.au

Minister for Western Sydney

Australian Water Technologies Pty Ltd

Sydney Water Corporation

CONTROL ISSUES

The following table summarises the key control issues identified in the audit.

The audit identified several control issues relating to the management of the company's financial and operational risks. These issues were identified through a review of the company's internal control system and the results of the audit.

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COMPLIANCE ISSUES

The audit identified several compliance issues relating to the company's adherence to the relevant legislation and regulatory requirements.

Australian Water Technologies Pty Ltd

AUDIT OPINION

The audit of the Australian Water Technologies Pty Ltd (AWT) financial report for the year ended 30 June 2001 resulted in the issue of an unqualified Independent Audit Report.

KEY ISSUES

Reintegration of AWT Businesses

In March 2001, the Directors of AWT and Sydney Water Corporation (SWC) agreed to reintegrate the majority of AWT's businesses into SWC. AWT will continue as a subsidiary of SWC with a focus on the business development of SWC in the water industry. Further comment on the reintegration is under SWC elsewhere in this Report.

Sale of Water EcoScience Pty Ltd (WES)

Water EcoScience Pty Ltd, a subsidiary of AWT, was sold in July 2001 for \$1.7 million, approximately 20 per cent of the amount paid five years ago.

CONTROL ISSUES

We recommended improvements in AWT's procedures and internal controls:

- ♦ the need to revalue plant and equipment as a significant number of fully depreciated assets were still in use. Also a review of the depreciation rates was needed. These matters were reported to AWT last year
- ♦ resolving issues relating to the transfer of businesses between SWC and AWT
- ♦ improvement in processes of trading with SWC.

Procurement

Volume Six of the Auditor-General's Report for 2000 said AWT's procurement system needed to be improved. Areas for improvement were identified and reported to management. Similar deficiencies were again identified during 2000-01. However with the reintegration of AWT businesses into SWC, AWT's procedures for procurement are no longer used.

Contract Administration Management System (CAMS)

We said in Volume Three of the Auditor-General's Report for 1999 and Volume Six for 2000 that the purchase of CAMS, a project management and costing system, was a major investment by AWT in terms of cost and was necessary to correct significant deficiencies. We also reported that CAMS was not being used as intended. AWT commenced a review during 2000-01 on the future use of CAMS. However due to the re-integration of AWT businesses this review was not completed. Since re-integration, SWC has begun using CAMS in some of its business units.

COMPLIANCE ISSUES

We tested whether AWT complied with the requirements of the *Superannuation Administration Act 1996* and the *Long Service Leave Act 1995*. AWT substantially complied with the requirements.

OTHER ISSUES

Going Concern

SWC has given the Directors of AWT a guarantee of financial support for its ongoing obligations. This support allows the Directors to see AWT as a going concern.

FINANCIAL INFORMATION

Abridged Statement of Financial Performance

Year Ended 30 June	2001 \$'000	2000 \$'000
TOTAL REVENUE	303,340	240,540
Employee related	166,565	94,791
Materials and services	71,319	44,321
Transport	22,356	12,018
Interest	—	12
Depreciation	3,413	3,333
Other	30,826	42,440
TOTAL EXPENSES	294,479	196,915
PROFIT BEFORE TAX	8,861	43,625
Tax	5,591	(5,500)
PROFIT AFTER TAX	3,270	49,125

Revenue

During 2000-01, AWT made \$256 million (\$186 million in 1999-2000) sales to SWC representing 88.5 per cent (85.1 per cent) of total revenue. This increase arose from the transfer of businesses between SWC and AWT on 1 July 2001 and additional contracts being negotiated with SWC for delivery of their capital program.

Subsidy Payments

SWC has been funding the losses made by the AWT maintenance business. For 2000-01 the subsidy payment was capped at \$5 million although only \$1.4 million was required. Similarly, \$277,000 for tankering services was paid by SWC associated with the transfer of Network Services to AWT.

Redundancy Payments

In prior years redundancy payments for AWT employees were funded by SWC although AWT received the tax deduction. However with business re-integration in March, it was agreed that AWT would pay the resultant redundancies. The total amount of redundancies reimbursed from SWC was \$9.0 million this year and \$24.6 million in 1999-2000. The total amount paid after March this year by AWT was \$3.2 million.

Abridged Statement of Financial Position

At 30 June	2001 \$'000	2000 \$'000
Investments	43,612	21,427
Receivables	56,308	50,176
Other	35,988	50,029
TOTAL CURRENT ASSETS	135,908	121,632
Property, plant and equipment	10,676	10,499
Tax benefit	19,205	14,862
TOTAL NON-CURRENT ASSETS	29,881	25,361
TOTAL ASSETS	165,789	146,993
Payables	23,587	16,902
Borrowings	5,687	9,447
Provisions	26,946	22,683
TOTAL CURRENT LIABILITIES	56,220	49,032
Provisions	43,191	34,769
TOTAL NON-CURRENT LIABILITIES	43,191	34,769
TOTAL LIABILITIES	99,411	83,801
NET ASSETS	66,378	63,192
Contributed equity	20,800	20,800
Reserves	23	107
Retained profits	45,555	42,285
TOTAL EQUITY	66,378	63,192

Matters of interest are:

- ♦ AWT repaid the current borrowing of \$5.4 million of an interest free loan from SWC
- ♦ AWT Group's prepaid superannuation fell \$13.4 million during the year. This change arose from AWT being on a contribution holiday, an increase in the actuarially calculated gross liability and downturn in investment earnings.

AWT's SUBSIDIARIES

AWT's subsidiaries are Water Ecoscience Pty Ltd (WES) and AWT International Pty Ltd (AWTI) and its subsidiary AWT Philippines, Inc (AWTPh).

The audit of WES's financial report for the year ended 30 June 2001 resulted in the issue of an unqualified Independent Audit Report. This will be the final audit report by the Audit Office due to the sale of WES on 31 July 2001 to the private sector.

AWTI is a small proprietary company for the purposes of the Corporations Act 2001 and is not subject to audit. AWTPh is a company registered in the Philippines not currently trading.

Key Figures

	WES		AWTI		AWTPh	
	2001	2000	2001	2000	2001	2000
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Total revenues	8,712	9,479	100	843	57	17
Profit (loss) before tax	(633)	178	100	153	52	13
Total assets	4,609	5,068	1,563	1,544	324	261
Total liabilities	2,816	2,292	557	373	276	324
Dividend declared	--	--	250	--	--	--

The contribution of AWT and its subsidiaries to the AWT Group results is:

	2001		2000	
	AWT	Subsidiaries	AWT	Subsidiaries
	%	%	%	%
Total revenues	97.2	2.8	96.0	4.0
Profit before tax	101.1	(1.1)	99.2	0.8
Total assets	97.4	2.6	97.9	2.1
Total liabilities	96.7	3.3	97.6	2.4

AWT ACTIVITIES

The principal activities of the AWT Group are the provision of engineering and environmental services to the water and wastewater industries.

For further information on AWT refer to www.sydneywater.com.au.

Sydney Water Corporation

AUDIT OPINION

The audit of Sydney Water Corporation's (Sydney Water) financial report for the year ended 30 June 2001 resulted in the issue of a qualified Independent Audit Report. The qualifications related to:

- ◆ assets and liabilities from the Build-Own-Operate (BOO) schemes not being recognised in Sydney Water's statement of financial position
- ◆ Sydney Water not finishing its valuation project for system assets.

KEY ISSUES

Re-Integration of AWT Businesses

The Directors of Sydney Water and AWT agreed in March 2001 that the majority of AWT's businesses would be re-integrated with Sydney Water. This decision was made after a review of the Sydney Water Group structure with a focus on improved customer service.

BOO Accounting Treatment

External advice supported Sydney Water's accounting treatment for the BOO contracts as allowable. The advice viewed the contracts as 'agreements equally proportionally unperformed' (AEPUs) which gives Sydney Water a choice on recognising assets and liabilities in the statement of financial position.

The Audit Office reached its view that the assets and liabilities should be recognised after considering the substance of the contracts and finding the availability charges were not an AEPUs.

System Assets Valuation Project

Sydney Water is in the final phase of its system asset valuation project. This phase involved condition-based assessment of asset lives. Until finalisation of this project we have uncertainty as to the value and depreciation expense of the asset and the related taxation amounts.

Tax

Sydney Water has a new approach to claiming tax deductions in 2000-01 which reduced its current taxation liability by \$23.4 million. This has been reduced mainly by a \$43.6 million deduction on the workers compensation provision at 30 June 2001 and a \$24.1 million deduction for capitalised salaries and wages.

Repeat Audit Findings

- ◆ some foreign currency exposures were not notified to Sydney Water's Treasury Unit to allow their management
- ◆ the developer contribution subsidiary system is not reconciled to the general ledger
- ◆ a lack of delegations of authority and written procedures for writing off capital work-in-progress. Sydney Water has since written new guidelines and procedures
- ◆ Sydney Water is not capitalising assets from work-in-progress on a timely basis
- ◆ many fully depreciated assets are being used. This highlights deficiencies with depreciation rates and may lead to a revaluation of all plant and equipment
- ◆ the inconsistent quality of plant and equipment stocktakes.

CONTROL ISSUES

At the end of our audit we recommended improvements to procedures and internal controls. These recommendations included:

- ◆ correcting valuations on items of property
- ◆ strengthening access security to the Financial Management Information System. Internal Audit also reviewed access and found weaknesses in the payroll system and some scope to bypass security on most systems. Sydney Water has improved its access security
- ◆ improvements in procurement
- ◆ investment and borrowing reconciliations were not independently reviewed. Sydney Water has introduced this process.

COMPLIANCE ISSUES

Compliance Reviews

We tested whether Sydney Water complied with provisions of the *Superannuation Administration Act 1996* and the *Long Service Leave Act 1995*. The reviews found Sydney Water substantially complied with the requirements.

OTHER ISSUES

Northside Storage Tunnel (NSST)

Sydney Water's NSST project is being undertaken using an 'alliance' arrangement, a relatively new form of partnership. Sydney Water believes an Alliance contract is better for a project that requires a high level of cooperation between the contractor, operator and asset owner.

In 1999 we did a preliminary review of this project. The NSST is not yet formally commissioned although it is in operation. We note:

- ◆ costs to date are \$467 million. The final budget was \$451 million and the original estimate was \$375 million. The final costs are unknown as some assets need to be sold and insurance claims finalised
- ◆ a number of instances where Sydney Water can improve its processes with assets. Some assets were not depreciated and capitalised into the project on a timely manner.

FINANCIAL INFORMATION

Abridged Statement of Financial Performance

Year ended 30 June	2001 \$'000	2000 \$'000
Service charges	639,083	623,367
Usage charges	576,202	526,495
Other	238,498	325,740
TOTAL REVENUE	1,453,783	1,475,602
Employee related	349,666	258,106
Bulk water	119,853	116,930
Water treatment	90,904	91,300
Contractors	117,774	107,287
Interest	149,013	138,314
Depreciation	181,765	168,166
Other	161,297	210,203
TOTAL EXPENSES	1,170,272	1,090,306
PROFIT BEFORE TAX	283,511	385,296
Tax	120,293	64,253
PROFIT AFTER TAX	163,218	321,043

Other major matters of interest are that Sydney Water:

- ♦ returned \$36.3 million of social program capital contributions to the Government
- ♦ reimbursed AWT \$8.7 million (\$25.5 million in 1999–2000) for redundancy payments. Sydney Water made those payments as the employees accrued the majority of their benefits whilst employed with it. Sydney Water paid a further \$6.8 million (\$43.1 million) to its own employees who were made redundant during the year
- ♦ paid a \$1.4 million (\$6.0 million) subsidy to AWT for losses made by its Maintenance Division. Sydney Water made those payments to ensure the specialist resources were available

Abridged Statement of Financial Position

At 30 June	2001 \$'000	2000 \$'000
Investments	53,861	67,235
Receivables	117,253	109,737
Prepayments	62,337	132,423
Other	757	1,831
TOTAL CURRENT ASSETS	234,208	311,226
Investments	82,398	132,493
Property, plant and equipment	13,103,748	12,543,871
Tax benefit	50,636	65,810
TOTAL NON-CURRENT ASSETS	13,236,782	12,742,174
TOTAL ASSETS	13,470,990	13,053,400
Payables	191,699	166,637
Borrowings	34,717	346,826
Provisions	167,305	245,863
TOTAL CURRENT LIABILITIES	393,721	759,326
Borrowings	1,940,929	1,464,091
Provisions	206,490	181,820
TOTAL NON-CURRENT LIABILITIES	2,147,419	1,645,911
TOTAL LIABILITIES	2,541,140	2,405,237
NET ASSETS	10,929,850	10,648,163
EQUITY		
Share capital	3,108,354	3,108,354
Reserves	7,148,308	6,976,486
Retained profits	673,188	563,323
TOTAL EQUITY	10,929,850	10,648,163

Superannuation prepayments fell by \$49.9 million due to Sydney Water being on a contributions holiday, changes in actuarial assumptions and reduced investment earnings.

SYDNEY WATER'S CONTROLLED ENTITIES

Sydney Water's controlled entities are Special Environmental Levy Unit Trust (Trust), Australian Water Technologies Pty Ltd (AWT), Water EcoScience Pty Ltd (WES), AWT International Pty Ltd and AWT Philippines, Inc.

Audits of the financial reports of the controlled entities for the year ended 30 June 2001 resulted in the issue of unqualified Independent Audit Reports.

The contribution to the Sydney Water Group result is:

Year ended 30 June	2001		2000	
	Sydney Water	Subsidiaries	Sydney Water	Subsidiaries
	%	%	%	%
Total revenues	98.4	1.6	98.2	1.8
Profit before tax	99.0	1.0	89.8	10.2
Total assets	99.7	0.3	99.6	0.4
Total liabilities	100.0	0.0	100.0	0.0

The Trust distributes all its capital and income to Sydney Water. At 30 June 2001, the Trust had \$17.8 million in net assets. The funds are only spent on special environmental projects and are likely to be exhausted within two years. Commentary on the operations of the AWT Group can be found elsewhere in this Report. AWT disposed of WES for \$1.7 million on 31 July 2001.

SYDNEY WATER ACTIVITIES

Sydney Water's principal objectives are to protect public health, to protect the environment and to be a successful business.

For further information on Sydney Water refer to www.sydneywater.com.au.

Minister for Women

Department for Women

Category	2019	2020
Departmental Expenditure	1,000	1,000
Departmental Income	1,000	1,000
Departmental Surplus/Deficit	0	0
Departmental Assets	1,000	1,000

The Department for Women is committed to ensuring that all women have the opportunity to participate in the workforce and to provide support to women who are experiencing difficulties in the workplace. The Department will continue to work with employers and trade unions to improve the work environment for women and to ensure that all women are treated fairly and with respect.

Department for Women

AUDIT OPINION

The audit of the Department's financial report for the year ended 30 June 2001 resulted in the issue of an unqualified Independent Audit Report.

CONTROL ISSUES

We identified opportunities for improvements in the areas of payroll, employee entitlements, fixed assets and accruals. Recommendations have been made to management.

FINANCIAL INFORMATION

Year ended 30 June	2001 \$'000	2000 \$'000
Employee related expenses	2,909	2,550
Net cost of services	4,796	4,856
Government contributions	5,559	4,840
Net assets (at 30 June)	1,018	255

The significant increase in net assets was mainly due to expenditure of \$668,000 on leasehold improvements for the Department's relocation.

DEPARTMENT ACTIVITIES

The Department provides direction and leadership in shaping whole of Government policy on issues affecting women and provides policy advice to the Government. It also participates in community education, the provision of an information service and the administration of a women's grants program. The objective of that program is to improve the economic and social wellbeing of women in New South Wales.

For further information on the Department for Women refer to www.women.nsw.gov.au.

Section Two

Performance Auditing

Reports Tabled in Parliament Since Volume Four of 2001

Follow-up of Performance Audits:

The School of Accountability and Improvement Model

The Management of Court Waiting Times

e-government:

Use of the Internet and related technologies to improve public sector performance

e-ready, e-steady, e-government

e-government readiness assessment guide

Management of Intellectual Property

Performance Audits in Progress

Risk Management

The University of New South Wales: The Educational Testing Centre

Roads and Traffic Authority: Managing the Environment

Department of Urban Affairs and Planning: Environmental Assessment

Department of Agriculture: Management of Animal Disease Emergencies

State Transit Authority: Bus Maintenance

State Rail Authority: CityRail Passenger Security

This Section provides a summary of Performance Audit Reports presented to Parliament. The full Reports are available on the Audit Office website at:

<http://www.audit.nsw.gov.au/reports.htm>

Follow-up of Performance Audits

THE AUDIT

A report on the follow up of two 1999 performance audits was tabled in Parliament on 14 September 2001.

Follow-up audits examine whether agencies have implemented accepted recommendations from earlier performance audits and whether any changes in practice or performance has occurred in response to these audits.

The audit reviewed two reports released in 1999:

- ◆ The School Accountability and Improvement Model (Department of Education and Training)
- ◆ The Management of Court Waiting Times (Attorney General's Department).

OVERALL FINDINGS

The audit found that 96% of the audit recommendations were accepted by the agencies and more than half of these recommendations have been implemented. For over 90% of recommendations there has been some change in practices or performance.

In general, agencies should establish arrangements to monitor the implementation of recommendations from performance audits and report progress in their annual report to Parliament.

SCHOOL ACCOUNTABILITY AND IMPROVEMENT MODEL

In response to the 1999 audit, the Department made changes to enhance the quality of the school accountability and improvement process. Changes included introducing new performance assessment tools, minimum reporting standards and school reviews.

Although there has been overall improvement in the quality of performance information in the latest school reports (for the 2000 school year) there are still some schools that need to present information in a more meaningful way.

MANAGEMENT OF COURT WAITING TIMES

At the time of the 1999 audit, reforms were already in place to reduce court waiting times (the most advanced being the District Court).

Although it is too early to judge the effectiveness of these reforms, both the Supreme Court and the District Court have reported improvements in waiting times since the 1999 audit.

The Supreme Court and the District Court have implemented most of the recommendations accepted from the 1999 audit. However, progress has not been the same in the Local Court with few changes in practices or performance.

e-government

Use of the Internet and related technologies to improve public sector performance

THE AUDIT

This report was tabled in Parliament on 19 September 2001. The audit examines:

- ◆ the progress of the NSW public sector in implementing electronic government (e-government)
- ◆ barriers to further progress.

The NSW Government's vision is to be an e-government leader. It was one of the first government's to lay out a strategy to use the Internet to reform public services. Most governments consider e-government to be a key way to improve public sector performance.

AUDIT FINDINGS

E-government reform in NSW needs to be accelerated. This is consistent with most advanced jurisdictions.

Much has been achieved in delivering services electronically. Reform of government processes is more limited. The potential for improved performance and economy through such reform is immense. The NSW public sector is just starting to:

- ◆ understand the potential of new technologies
- ◆ acquire the skills to apply these technologies to reform processes.

There is an urgent need for:

- ◆ more robust monitoring, review and reporting on progress
- ◆ greater coordination across the sector
- ◆ strengthening of accountability mechanisms
- ◆ more comprehensive, rigorous and systematic project and risk management
- ◆ increased help for agencies to implement e-government, assure the security of the information they hold, and reconcile privacy with information sharing
- ◆ the Government's e-government aspirations and funding to be better harmonised
- ◆ increased employment flexibility
- ◆ more information and systems sharing across government
- ◆ the move to electronic procurement to be accelerated.

GUIDE TO BETTER PRACTICE

In addition to the report of this audit, the Audit Office has developed a companion Better Practice Guide which is designed to assist agencies in meeting the challenges of exploiting the benefits and managing the risks which e-government presents.

The Better Practice Guide forms part of this audit and draws from the research assembled in the audit. It specifically focuses upon issues at the line-agency level, in a self-help guide format. The Guide will continue to evolve based upon the ongoing experiences and feedback from agencies.

Management of Intellectual Property

THE AUDIT

This performance audit report was tabled in the Legislative Assembly on 17 October 2001.

More than half of the wealth created each year in developed economies is knowledge based. Success in the global environment demands that innovation and intellectual property are competitively managed.

The audit looks at whether NSW agencies manage intellectual property efficiently and effectively.

AUDIT OPINION

Agencies require a coordinated IP framework to guide the development of local policies, but the current framework is fragmented and incomplete resulting in variable performance by agencies.

The audit found that:

- ◆ some agencies do not understand what IP is and are not aware of IP assets under their control
- ◆ most agencies do not maintain a register of their IP assets
- ◆ many agencies do not have adequate policies and systems to manage IP
- ◆ because of lack of expertise in the area, agencies tend to be overly cautious towards IP
- ◆ few agencies recognise or reward innovation leading to IP
- ◆ most agencies have not allocated adequate resources for the management of IP
- ◆ while agencies usually allocate IP rights when entering contracts, they need to do more to ensure the ongoing management of their assets
- ◆ most agencies do not manage the uptake of IP adequately.

THE WAY FORWARD

The Government is taking steps to improve the management of IP. More needs to be done.

In particular it is recommended that a coordinated whole of government framework be developed to assist agencies manage IP.

In addition each agency should be required to:

- ◆ develop policies to manage IP that are compatible with the agency's corporate objectives
- ◆ maintain a register of IP assets and, where appropriate, to account for those assets.

Performance Audits in Progress

The proposed tabling arrangements for audits in progress are as follows:

Title	Planned Tabling Date
The University of New South Wales: The Educational Testing Centre	November 2001
Department of Urban Affairs and Planning: Environmental Assessment of Major Projects in NSW	December 2001
Roads and Traffic Authority: Managing the Environment	1 st quarter 2002
Risk Management	1 st quarter 2002
Department of Agriculture: Management of Animal Disease Emergencies	1 st quarter 2002
State Transit Authority: Bus Maintenance	2 nd quarter 2002
State Rail Authority: CityRail Passenger Security	2 nd quarter 2002

The above audits have been described in prior volumes of the Auditor-General's Reports to Parliament. For up-to-date information on audits in progress, refer to www.audit.nsw.gov.au.

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Aboriginal Affairs, Department of	13
Aboriginal Housing Office	Vol 6 2000
Aboriginal Land Council, New South Wales	Vol 2 2001
Across the Board Reviews	Vol 6 2000
Administration of Staff Debtors – Special Review	Vol 6 2000
Adult Migrant English Service, NSW	Vol 5 2000
Advance Energy	Vol 6 2000
Ageing and Disability Department	Vol 5 2000
Ageing and Disability Department: Group Homes for People with Disabilities	Vol 4 2000
Agricultural Business Research Institute (ABRI)	Vol 2 2001
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