



The Legislative Assembly
Parliament House
SYDNEY NSW 2000

The Legislative Council
Parliament House
SYDNEY 2000

Pursuant to section 52A of the *Public Finance and Audit Act 1983*, I present Volume Three of my 2003 Report.

R J Sendt
Auditor-General

Sydney
October 2003

GUIDE TO USING THIS VOLUME

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

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 therefore

This volume has three sections. Section One contains some special reviews. Two of these are financial audits of some government agencies and three summarise agency performance audits.

Section Two is divided into two parts: 'material' and 'non-material'. Each agency's comment begins with a summary of our Audit Opinion. This is a key finding of each agency's financial audit. It also means we believe the agency has no material errors and the scope of our audit is limited. It also means we believe the agency has no material errors and the scope of our audit is limited. It also means we believe the agency has no material errors and the scope of our audit is limited.

AUDITOR-GENERAL'S REPORT FINANCIAL AUDITS

The next section outlines any key issues we identified during the audit. These are the matters such as

- significant findings in our opinion of the audit
- any major developments impacting on the agency's role or activities
- key repeat findings
- recommendations to Parliament

The Audit Opinion and the key issues section represent the more important findings. By law, these sections must be included in the report. They also represent the most important findings of the audit. They also represent the most important findings of the audit.

Volume Three 2003

Performance audits are a key part of our work. They are designed to assess the financial health of a portfolio of agencies. They are designed to assess the financial health of a portfolio of agencies.

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 control mechanisms. These mechanisms should exist to ensure the effective safeguard of assets and resources.

Compliance issues summarise whether the agency is compliant with selected legislation and other relevant government requirements.

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 summarise the 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.

The Agency Response appears where the head of an agency does not believe that the commentary in our Report adequately reflects the agency's position or actions taken. As we discuss our proposed comments with agency staff during the drafting process, few agencies ask for a formal response to be included.

GUIDE TO USING THIS VOLUME

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

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.

This Volume has three sections. Section One includes some special reviews, Two comments on financial audits of some government agencies and Three summarises recently published performance audits.

Section Two is divided into ministerial portfolios, each containing one or more government agencies. Each agency's comment begins with a summary of our **Audit Opinion**. This 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' and explain why we did this.

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

- significant findings or outcomes of the audit
- any major developments impacting on the agency's role or activities
- key repeat findings
- 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.

Performance Issues cover key financial and operational statistics we have identified that help understand how well the agency is performing. Wherever possible we include comparisons with similar agencies interstate.

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

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Section One

Special Reviews

Compliance Review of Chief Executive Officer (CEO) Contracts

Compliance Review of Employer Responsibilities Regarding Superannuation

Compliance Review of Chief Executive Officer (CEO) Contracts

CEO contracts for agencies scheduled under the *Public Sector Employment and Management Act 2002* must comply with Premier's Department guidelines. Other public sector agencies and State Owned Corporations (SOCs) may follow these guidelines to achieve good practice. Treasury is currently preparing guidelines for CEO contracts and remuneration for Government businesses.

Unless Ministers observe the guidelines, the risk is that unfair and unethical practices may evolve in the employment of executives. There is also no assurance that CEOs are providing value in return for their remuneration. The guidelines provide a consistent framework and cover such matters as recruitment and selection, ethical and contractual responsibilities, employment entitlements, remuneration and removal and performance.

Our August 2000 report to Parliament assessed the contracts of 146 Chief Executive Officers (CEOs) from all types of public sector agencies. The results of our review were most unsatisfactory, as Ministers and departments were not complying with many of the requirements of the guidelines. The Government acted swiftly to address our recommendations.

Three years later, we decided to again review the contracts and processes that assess and reward CEOs.

KEY FINDINGS

We found issues of concern in nine of the 16 agencies we reviewed, mainly in the lack of performance agreements and appraisals and in unreconciled salary packages. Ministers for these agencies are not following the processes set down by the Premier's Department for judging the performance of their CEOs. Among these nine agencies:

- four CEOs did not have performance agreements at the time of the review, and accountability criteria were not determined in four instances. Ministers did not complete formal appraisals for five CEOs, and in four instances no evidence existed that Ministers formally met with CEOs to discuss their performance
- four CEOs reported to the same Minister
- the CEOs of six agencies are in the Chief Executive Service (CES) under the *Public Sector Employment and Management Act 2002*, and are subject to Premier's Department guidelines
- the CEO of the Department of Health worked for almost 12 months without a contract or performance agreement with the Minister. This has since been rectified. The former CEO of the Rail Infrastructure Corporation worked for 20 months under a contract prepared for his former position as CEO of the Rail Access Corporation
- in paying its CEO and other executive staff, the Waterways Authority has not followed the Premier's Department guidelines in regard to motor vehicle costs.

RECOMMENDATIONS

- The Premier's Department should remind Ministers that they are responsible for the contracts, performance agreements and appraisals of CEOs.
- The Premier's Department should reiterate that agencies must follow the SES Guidelines when they determine the costs of motor vehicle packaging.

DETAILED FINDINGS

Department of Health

The Minister appointed the CEO on 16 July 2002. We sought to review her contract in June 2003, but the Department explained it had not finalised it due to an 'oversight' and other pressing issues. A performance agreement between the CEO and the Minister was also not in place. The Department has since addressed these issues.

The Premier's Department guidelines recommend that the CEO and the Minister meet at least twice a year to discuss the CEO's performance. The Department indicated that the CEO's performance is a topic of the regular weekly meetings between the Minister and the Director-General. The meetings are not documented.

The Department's 2001-02 annual report comments on the former CEO's performance, as the legislation requires, but does not attribute the statement to the Minister.

Rail Infrastructure Corporation (RIC)

The former CEO of RIC was previously the CEO of the Rail Access Corporation (RAC). The Board appointed him to RIC in February 2001, but did not create a new contract until the existing RAC contract expired in October 2002.

In December 2001 his salary was increased by 36 per cent, backdated to February 2001. The Corporation cannot show us any Board approval for this increase. The new contract did not include performance accountabilities. The Board terminated the CEO's employment six months after it renewed the contract. Under the contract he was paid one-year's compensatory salary.

There was no evidence that the Board formally appraised his performance as CEO of RIC. RIC did not comment on the CEO's performance in its 2001-02 annual report.

At the time of the audit, RIC had no policy on the CEO's contract and performance evaluation.

Roads and Traffic Authority (RTA)

The Minister did not prepare a formal performance appraisal of the CEO. The Authority's officers pointed out, however, that the Minister gives oral feedback and approved the CEO's salary increase. The CEO submitted a self-appraisal to assist the Minister with that process.

State Rail Authority

During his contract, the former CEO did not receive a written performance appraisal from the then Minister. The contract ran from 3 December 2001 until the newly appointed Minister terminated it on 8 April 2003. The former CEO received 24 weeks pay from the Authority in lieu of notice. The Statutory and Other Offices Remuneration Tribunal then awarded him an extra 38 weeks pay as compensation.

The Authority could not provide any documentation to us to show that the Minister had formally met with the CEO to appraise his performance, but suggested they had discussed it informally. Under the CEO's performance agreement, he was not accountable for 'credit card management' as required by the Premier.

Finally, the 2001-02 annual report of the Authority, while commenting on the performance of the former CEO, does not attribute the statement to the Minister.

Waterways Authority

The Minister appointed the CEO on 20 April 2000. In June 2003, the Minister had still not established an annual performance agreement, or appraised the CEO's performance in writing. The Authority advised, however, that the Minister gives oral performance feedback and approved the CEO's salary increases.

We looked at the CEO's salary packaging arrangements. The Authority, when calculating the value of the CEO's benefits, does not use actual private:business kilometres travelled to determine the standing charges. Instead, at the beginning of each year it estimates kilometres as 70 per cent private:30 per cent business. In determining the FBT liability, the Authority uses estimated kilometres, not the actual kilometres travelled.

The Authority adopts this approach for all salary packaging of its SES officers, which may create both over and under payments.

Rural Fire Service

At the time of the review, the Commissioner did not have a current performance agreement with the Minister. The agreement that expired on 31 December 2002 omitted 'improving occupational health and safety management' and 'credit card management' from the priority accountability areas that the Premier requires. The Service does not have documentation of any formal appraisal meetings between the Commissioner and the Minister.

The Service did not include a report by the Commissioner on its credit card use in its 2001-02 annual report.

Department of Corrective Services

The Department could not provide documentation that the former Minister held a mid-year meeting with the Commissioner in 2002 to discuss his performance. The Department advised that the Minister and the Commissioner meet weekly and the Commissioner's performance is always a topic discussed. A statement by the former Minister on the Commissioner's performance was included in the Department's annual report for 2001-02.

The Commissioner's performance agreement did not include 'credit card management', which is an accountability requirement determined by the Premier. However, the Department says that the Commissioner reviews credit card transactions and reconciliations each month. A quarterly report is also provided to the Minister.

NSW Police

The former Minister never formally appraised the Commissioner's performance. NSW Police attributed this to the change of Ministers.

Wentworth Area Health Service

The former CEO did not have a performance agreement in place with the Chair of the Service.

Other Agencies

Our reviews found no major issues with the contracts of the CEOs of the following agencies:

- Department of Community Services
- Mid Western Area Health Service
- Port Kembla Ports Corporation
- State Emergency Service
- Sydney Olympic Park Authority
- Transgrid
- Waste Recycling and Processing Authority.

BACKGROUND

CEOs employed under the *Public Sector Employment and Management Act 2002* form the Chief Executive Service (CES). The Premier, in most cases, appoints these CEOs. The Premier has delegated to Ministers the power to enter into and vary contracts of employment with the CES, as long as the Director-General of the Premier's Department agrees.

Premier's Department guidelines specify that Ministers must sign a performance agreement with CEOs that are part of the Chief Executive Service, and appraise them against the agreement each year. Pay increases are based on the CEO's performance against the agreement's accountabilities.

The CEOs of SOCs and certain statutory authorities are not part of the CES. The Act does not cover their employment and a variety of processes determine their remuneration. The Boards of these agencies approve their appointment, performance agreement and remuneration.

Our 2000 review of CEO contracts found that some formal performance agreements and performance appraisals did not exist, and some CEOs received bonuses without agreements and appraisals in place. We also noted some unusual contract conditions, found one instance of a secondary contract, and were not given access to two contracts.

We made four recommendations to Parliament. Shortly after tabling the report, Cabinet removed bonus payments from the conditions of Chief Executive Service (CES) CEOs and Senior Executive Service (SES) officers. The next day, the Premier's Department issued a circular to all Chief Executives that addressed three of the recommendations. The fourth recommendation became redundant when the Commissioner of Community Services amalgamated with the Ombudsman's Office.

We conducted the 2003 review in the following agencies:

Department of Community Services (*)	Roads and Traffic Authority (*)
Department of Corrective Services (*)	State Rail Authority (*)
Department of Health (*)	State Emergency Service (*)
Department of Rural Fire Service (*)	Sydney Olympic Park Authority (*)
Mid Western Area Health Service	Transgrid
NSW Police	Waste Recycling and Processing Corporation
Port Kembla Ports Corporation	Waterways Authority (*)
Rail Infrastructure Corporation	Wentworth Area Health Service

The CEOs of those agencies marked (*) are part of the Chief Executive Service (CES).

PREMIER'S DEPARTMENT RESPONSE

The Review makes recommendations that would involve the Premier's Department issuing a Circular reminding Ministers they are responsible for the contracts, performance agreements and appraisals of CEOs and also reiterating the need for agencies to follow the SES Guidelines when determining the costs of motor vehicle packaging. Arrangements for this to be done will be made.

Compliance Review of Employer Responsibilities Regarding Superannuation

The New South Wales Government operates two superannuation funds for its public servants. One is the SAS Trustee Corporation - Pooled Fund, which includes:

- State Superannuation Scheme (SSS)
- State Authorities Superannuation Scheme (SASS)
- State Authorities Non-Contribution Superannuation Scheme (SANCS)
- Police Superannuation Scheme (PSS).

The other is the First State Superannuation (FSS) Fund.

In 2001, we reviewed how well agencies' superannuation accounting procedures complied with relevant laws. Our report:

- questioned the general competency of agency staff and the adequacy of agency systems
- highlighted problems with the reconciliation process, and delays in remitting contributions, and in recording and forwarding superannuation information.

In response, the funds' Administrator and the Trustee Corporations both agreed to liaise with agencies and to educate agency staff about scheme requirements. NSW Treasury issued a circular to all agencies reminding them of their responsibilities under the superannuation legislation.

Our report forecast a similar review in 2003. In 2002, Treasury asked us to undertake a review specifically on employer superannuation contributions. We added this aspect to the coverage of our earlier work and examined superannuation in 23 agencies.

KEY FINDINGS

Agencies have improved their understanding of superannuation, and the capability of systems that process superannuation transactions.

A number of agencies are still to develop adequate policy and procedure manuals for superannuation

There are still some problems with employees' and employers' contributions. Some agencies are not:

- paying in line with the Administrator's invoice (SASS)
- paying on time
- holding authorisations for optional deductions
- supplying the Administrator with necessary information
- treating the impact of leave without pay (LWOP) correctly
- timing the annual adjustments correctly.

RECOMMENDATIONS

Agencies could address many of the issues we raise in this review if they had policy and procedures manuals for superannuation, and staff, particularly relieving staff, used them.

The Administrator should reconsider whether invoicing agencies for their SASS contributions is the most appropriate collection process for all parties.

DETAILED FINDINGS

Superannuation is a complicated issue. In our previous reports we have highlighted areas where agencies have had problems. This report indicates that there has been improvement in some aspects, while others still need attention.

General Payroll Environment

Our first objective was to examine whether agencies systems were capable of effectively processing superannuation data and that staff had the necessary knowledge.

We found that compared to the 2001 results, agencies have improved their superannuation systems, and their staff are better educated about superannuation requirements.

At the time of the review, the Department of Health had not conducted its annual review to ensure all staff were members of a scheme. It has indicated that a new payroll system had delayed this check.

Of greater concern is the number of agencies that do not have adequate policy and procedure manuals for superannuation. Ten of the 23 agencies either did not have a manual or it was incomplete, or were still preparing their manual:

- Centennial Park and Moore Park Trust - none exists
- Delta Electricity - none exists, but one is planned
- Department of Education and Training - incomplete
- Department of Health - currently being developed
- Department of Juvenile Justice - none existed at the time of audit
- NSW Fire Brigades - none exists, but one is planned
- Office of Protective Commissioner - not formally documented
- Southern Area Health Service - incomplete
- Sydney Catchment Authority - draft
- Zoological Parks Board - none for procedures, but a draft policy manual exists.

The risk of not having procedures documented is that inconsistent processes and practices can be introduced, particularly with four schemes still accepting contributions from the abovementioned agencies. If temporary staff are involved, the need for a comprehensive manual is heightened.

Contributions to the Schemes

Our other objectives centred on the correctness of members' and employers' contributions to the schemes and the timeliness of sending the contributions to the schemes' Administrator.

We found problems of varying degrees in 10 of the agencies. The Department of Juvenile Justice had the most problems, but has since taken action to address all those identified.

Administrator's Invoice

The Administrator asks agencies to remit the invoiced amount when they pay their employer contributions for SSS and SASS, and their employee contributions for SASS. If the amount of employee contributions agencies deduct from the payroll is greater than the amount invoiced the difference is placed in a holding account. The Administrator adjusts future invoices to account for variations resulting from the information agencies send it.

Within our sample, five agencies (NSW Police, Central Sydney Area Health Service, Department of Juvenile Justice, NSW Fire Brigades and the former Department of Land and Water Conservation) did not follow the request and paid the amount they deducted each fortnight because they rightly believe that the *Public Finance and Audit Act 1983* requires this. Either way, agencies must regularly reconcile to account for the variations. Until earlier this year, the Zoo and the Department of Juvenile Justice were not reconciling these differences.

The holding accounts of two agencies have not been reconciled. They have deducted contributions from their employees' pays that differ to the amounts forwarded to the Administrator but the differences are not attributable to individual contributors. The Department of Education and Training currently has a shortfall of deductions of \$335,000, down from \$1.6 million some years back. The Department has a very large number of employees. Variable working hours and LWOP result in constant changes to contributions. The Department says that invoices cannot be fully checked in the time given by the Administrator.

The Department of Juvenile Justice has a small excess it is currently trying to identify, down from \$19,990 at the time we did the review. The Department now pays the invoiced amount.

Late Payment of Contributions

Legislation requires that agencies forward employee and employer contributions to the Administrator within certain periods of time. Four agencies had problems meeting this requirement because of poor administration or a lack of understanding about the periods.

The NSW Aboriginal Land Council has been frequently late with its payment of both employee and employer contributions to SSS and SASS.

The former Department of Land and Water Conservation has been often late with its contributions to FSS. Fortunately it has not incurred any penalties for lateness. Two other agencies had minor instances of lateness, although the Office of Protective Commissioner was five months late with one SSS payment when the invoice was mislaid.

Superable Salary

The Department of Juvenile Justice omitted allowances paid to staff. If an agency understates superable salary, incorrect contributions are made and ultimately incorrect benefits are paid to staff. The Department has now advised that it has corrected the errors.

Optional Contributions for FSS

Members of FSS can elect to contribute optional amounts on top of the amount the employer must deduct. The employee must give the employer written authorisation to deduct this amount from the employee's salary.

The Zoo could not show us its written authorisation for the majority of employees taking this option. There were one-off instances of this in two other agencies.

Information Provided by Agencies to the Administrator

The Department of Juvenile Justice and NSW Police use electronic funds transfer to pay contributions to the Administrator. Neither agency immediately explains when a payment differs from the amount the Administrator invoiced. Without this, the Administrator cannot allocate the money to the correct accounts. Both agencies say that they did this, but in the month after payment. As mentioned earlier the Department of Juvenile Justice now pays the invoiced amounts.

LWOP

LWOP is causing problems in two agencies. When taking LWOP exceeding five consecutive working days, SSS members must pay their contributions in advance or defer payment until they return. If the period exceeds 6 months they are responsible for the employer's contributions as well.

NSW Police advised us that they have not been informing staff to contact the Administrator to make arrangements for payment of their contributions.

In the past, NSW Fisheries paid SASS contributions for employees on LWOP when staff had not arranged to pay contributions before going on leave. As a result, the Department is currently recovering \$8,574 from current staff and has written-off \$8,489 owed by former staff.

Changes to Contributions

Once a year, the Administrator advises agencies to adjust the contribution amount deducted for members of SSS and PSS. The new rates then apply from a particular pay date.

For its SSS and PSS members, the NSW Police missed the May 2003 adjustment date. They realised their error and processed under-collected contributions in the following pay. The person responsible was on sick leave and the relieving person did not know the adjustments were required. This illustrates the need to use procedure manuals.

The Department of Juvenile Justice processed its October 2002 adjustments one pay period early. It has made refunds to its SSS members.

BACKGROUND

All schemes in the Pooled Fund are closed to new members and are defined benefit plans, although SASS also has an accumulation component. The SAS Trustee Corporation is the trustee of the Pooled Fund, under the *Superannuation Administration Act 1996*.

FSS is the only scheme currently open to new members. It is an accumulation scheme. The *Superannuation Administration Act 1996* established the FSS Trustee Corporation as the trustee of the fund.

Pillar Administration administers both schemes. Employers must supply Pillar with contribution and member details on a timely basis. Employees and the employer contribute to all schemes except SANCS, which is an entirely employer-financed benefit payable to all members of SSS, SASS and PSS.

The agencies included in our 2003 review of superannuation were:

Central Sydney Area Health Service	NSW Fisheries
Centennial Park and Moore Park Trust	NSW Police
Community Relations Commission	NSW Aboriginal Land Council
Delta Electricity	Premier's Department
Department of Education and Training	Protective Commissioner
Department of Health	Southern Area Health Service
Department of Juvenile Justice	Sydney Catchment Authority
Department of Land and Water Conservation	TAFE
Energy Australia	Waterways Authority
Homecare Service	Western Sydney Area Health Service
National Parks and Wildlife Service	Zoological Parks Board
NSW Fire Brigades	

PILLAR ADMINISTRATION'S RESPONSE

The invoicing is considered an additional control to assist the agencies to comply with their superannuation obligations under SASS. For example, a common reason for the difference between the invoiced amount and the amount deducted by the agency is the agency did not advise the Administrator termination of employments or staff going on Leave Without Pay.

Agencies should reconcile their deductions and the invoiced amount to ensure the validity, accuracy, and completeness of their payments. If they think the invoice is not in accordance with their records, they should contact the Administrator for additional information.

In any case, the Administrator issues invoices agencies for SASS contributions in accordance with the rules and regulations of SASS as instructed by the Trustee.

Section Two

Commentary on Government Agencies

--- **Minister for Agriculture and Fisheries**

Rural Lands Protection Boards

State Council of Rural Lands Protection Boards

Rural Lands Protection Boards

Rural Lands Protection Boards are constituted under the *Rural Lands Protection Act 1998*.

There are forty-eight boards throughout New South Wales. Directors elected by persons enrolled to vote in a board district control each of the boards. A board has eight directors or a number specified by the Minister.

Board functions include:

- animal health and protecting rural lands referred to in the Act or the regulations
- administering drought or other disaster relief schemes
- providing any service on behalf of or to a public authority by arrangement with the public authority.

AUDIT OPINIONS

All Boards' financial reports were, or will be, qualified due to Boards not being in a position to recognise, within the financial report, the value of travelling stock reserves and stock watering places controlled by them.

To enable Boards to recognise these assets in future, the State Council of Rural Lands Protection Boards facilitated the provision of base data from the Department of Land and Water Conservation. The Council is also liaising with the Department of Agriculture and the Boards to eliminate variances between that data and individual Board records. Advice received from State Council indicates that considerable resources are required to finalise the project.

One Board's financial report was also qualified for not recognising depreciation charges on its buildings. This is a breach of Accounting Standard AASB 4 'Depreciation'.

Key Issues

At 15 September, 27 of the 48 Board audits for the year ended 31 December 2002 had been finalised. There have been a number of factors influencing the delay including late provision of the finalised accounting package to the Boards; first time reporting under the *Public Finance and Audit Act 1983*; and a lack of accounting expertise at the local level.

CONTROL ISSUES

We have identified opportunities for improvements in internal controls and procedures at most Boards.

Significant issues included:

- non-compliance with Australian Accounting Standards
- misstatements in employee benefits
- cut-off issues relating to both income and expenditure
- breaches of the *Rural Lands Protection Act 1998*
- absence of employee files
- missing tax file number declarations
- lack of accounting knowledge
- inventory control/recording shortcomings
- absence of or failure to reconcile subsidiary accounting records with the general ledger
- missing title deeds to property
- necessity for more appropriate computer back-up procedures.

These issues do not apply to each of the 27 completed audits. Numerous other minor issues were also identified and reported to management.

OTHER ISSUES

Audit Fees

The State Council of Rural Lands Protection Boards has, on behalf of Boards, raised concerns at the level of audit fees charged by the Audit Office. Previously Boards appointed their own auditors, usually local accounting firms.

The Audit Office is only carrying out 4 of the 48 Board audits. The other 44 have been contracted out through a competitive public tender process. Officers of the Council were involved in that process.

We have discussed this issue with both the current and previous Ministers for Agriculture. We advised the Ministers that the new Act was intended, in part, to increase the level of accountability and reporting by Boards and this has contributed to the increase. We also understand that, in some Boards, the previous auditors had been involved in preparing the accounts. While this may have led to lower audit fees, the accounting profession no longer tolerates this practice.

The Council also provided a submission to the Public Accounts Committee's Inquiry into Reporting Requirements for Small Agencies. That submission dealt at length with the question of fees. The Committee has yet to table its report.

An analysis of the completed 2002 audits shows that the fees charged range between 0.2 per cent and 1.2 per cent of each Board's total assets and between 0.3 per cent and 1.5 per cent of total revenues. The average is 0.5 per cent based on total assets and 0.7 per cent of revenues.

FINANCIAL INFORMATION

The following information relates to the 27 Boards where audits have been finalised.

Operating Results

In 2002, Boards reported revenues of \$28.2 million and expenditures of \$23.3 million. These figures are not comparable to prior years as 2002 was the first year that boards recognised their unfunded superannuation liability and/or prepaid superannuation contributions as required by Treasury Circular TC 02/12 'Accounting for Superannuation' and Accounting Standard AASB 1028 'Employee Benefits'.

Net assets reported were \$34.1 million.

Cash and Investments

Boards have significant cash and investment holdings. At year-end, these holdings were \$13.1 million, an increase of \$1.3 million over the previous year. Of that sum, Boards have identified \$184,000 as being restricted due to conditions attaching to its receipt. The lowest holding was \$168,000; the highest, \$1.2 million.

The State Council and individual boards should consider the necessity for these significant holdings and how best to manage those funds.

State Council of Rural Lands Protection Boards

AUDIT OPINION

The audit of the State Council's financial report for the period 15 June 2001 to 31 December 2002 resulted in an unqualified Independent Audit Report.

KEY ISSUES

The State Council was constituted by the *Rural Lands Protection Act 1998*. The Act commenced on 15 June 2001 and the first reporting period of the State Council covered the period 15 June 2001 to 31 December 2002. Subsequent reporting periods will end 31 December each year.

The State Council assumed all assets and liabilities of the former Rural Lands Protection Boards' Association. The former body was not audited by us as it was not subject to the *Public Finance and Audit Act 1983*.

CONTROL ISSUES

We identified a number of minor opportunities for improvement in the State Council's internal control/procedures. The Chief Executive Officer has agreed to implement our recommendations on these matters.

FINANCIAL INFORMATION

	80 weeks ended 31 December 2002 \$'000	24 weeks ended 15 June 2001 \$'000
Revenue	2,599	875
Expenses	1,809	439
Operating surplus	790	436
Net assets	1,423	634

Net assets includes \$1.0 million of unspent grants of which \$715,000 is for projects under the NSW Rural Lands Protection Boards' Information Technology Strategic Plan. The plan will address significant information technology problems facing the State's 48 Boards.

During the period the State Council received \$753,000 from the Department of Agriculture for this project, of which \$38,000 was spent by period end. The Department's forward estimates include a further \$1.4 million in 2003-04 and \$1.3 million in 2004-05 for this project.

STATE COUNCIL ACTIVITIES

The State Council is constituted under the *Rural Lands Protection Act 1998*. It is responsible for the formulation and co-ordination of the implementation by rural lands protection boards of policies for the protection of rural lands on a State and national basis.

For further information on the State Council, refer to www.rlpbnsw.org.au.

--- **Minister for Education and Training**

Universities Admission Centre (NSW & ACT) Pty Limited

Universities Admission Centre (NSW & ACT) Pty Limited

AUDIT OPINION

The audit of the Centre's financial report for the year ended 31 December 2002 resulted in an unqualified Independent Audit Report.

FINANCIAL INFORMATION

Year ended 31 December	2002 \$'000	2001 \$'000
Revenue	6,973	5,867
Expenses	6,809	6,037
Operating surplus/(deficit)	164	(170)
Net assets (at 31 December)	6,159	5,994

CENTRE'S ACTIVITIES

The principal activity of the Centre is to promote and place applicants into courses and programs on behalf of member universities. It uses a centralised admissions process to place applicants.

The Centre is a controlled entity of Uniprojects Pty Limited. Uniprojects has not traded since incorporation.

For further information on the Centre refer to www.uac.edu.au.

Minister for Gaming and Racing

Greyhound Racing Authority (NSW)

Harness Racing New South Wales

Greyhound Racing Authority (NSW)

AUDIT OPINION

The audit of the Authority's financial report for the seven months ended 9 February 2003 resulted in an unqualified Independent Audit Report.

KEY ISSUES

Restructure

Under the *Greyhound Racing Act 2002*, the Greyhound Racing Authority (NSW) was restructured on 9 February 2003 to separate the commercial and regulatory activities of the greyhound racing industry in New South Wales. The Authority was dissolved and replaced by:

- a commercial board, Greyhound Racing NSW (GRNSW), which will be independent of Government
- a regulatory board, the Greyhound Racing Authority (GRA).

The functions of the new commercial board include:

- promotion, strategic development and welfare of the greyhound racing industry
- registering greyhound racing clubs
- distributing monies received from TAB Limited to clubs and
- allocating racing dates to clubs.

The new regulatory board will:

- make rules to control and regulate greyhound racing, and
- register greyhound racing dogs, owners, trainers, and bookmakers.

Future Audit Reports

This is the last report to Parliament on our audit of the former Authority. In future, we will report on our audit of the financial reports of GRA. However the Auditor-General is not the auditor of the GRNSW and will therefore not be reporting to Parliament on this body.

CONTROL ISSUES

We identified opportunities for improvement to the Authority's internal controls. These were minor and we reported them to the Chief Executive Officer.

FINANCIAL INFORMATION

	7 Months Ended 9 February 2003 \$'000	12 Months Ended 30 June 2002 \$'000
Revenue	3,051	7,161
Expenses	4,029	4,317
Operating surplus	(978)	2,844
Net assets	4,422	5,400

The Authority sold its Lidcombe property for \$903,000 and paid the sales proceeds to the Greyhound Industry Development Fund (GIDF). GIDF granted the Authority \$2.6 million last year to fund the purchase of new premises in Auburn.

Industry Funds

The Authority held funds and other assets in trust for the greyhound industry. At 9 February 2003 the net assets of these Trust Funds were:

- Greyhound Industry Development Fund, \$14.9 million (2001-02, \$16.0 million) and
- Distribution Account Fund, \$346,000 (\$346,000).

These funds have been transferred to GRNSW.

AUTHORITY ACTIVITIES

The Authority was constituted under the *Greyhound Racing Authority Act 1985*. Its main functions were to:

- control and regulate greyhound racing
- act in a manner conducive to the development and welfare of the greyhound racing industry
- protect the public interest.

Harness Racing New South Wales

AUDIT OPINION

The audit of the Harness Racing New South Wales (HRNSW) financial report for the seven months ended 2 February 2003 resulted in an unqualified Independent Audit Report.

KEY ISSUES

Restructure

Under the *Harness Racing Act 2002*, HRNSW was restructured on 2 February 2003 to separate its commercial and regulatory activities. HRNSW was dissolved and replaced by:

- a commercial board, Harness Racing NSW (HRNSW), which is independent of Government and
- a regulatory board - Harness Racing Authority (HRA).

The functions of the new commercial board include:

- the promotion, strategic development and welfare of the harness racing industry
- registering harness racing clubs
- distributing monies received from TAB Limited to clubs and
- allocating racing dates to clubs.

The new regulatory board will make rules:

- to control and regulate harness racing, and
- register harness racing horses, owners, trainers, drivers and bookmakers.

Future Audit Reports

This is our last report to Parliament on the audit of the former HRNSW. In future, we will only report on our audit of f HRA. The Auditor-General is not the auditor of the new HRNSW and will therefore not be reporting to Parliament on this body.

FINANCIAL INFORMATION

	7 months ended 2 February 2003 \$'000	12 months ended 30 June 2002 \$'000
Revenues	2,911	4,943
Expenses	3,081	5,179
Operating deficit	(171)	(236)
Net assets	1,662	1,832

AUTHORITY ACTIVITIES

The Authority's main functions were to:

- control and regulate harness racing
- act in a manner conducive to the development and welfare of the harness racing industry and
- protect the public interest.

In addition, it administered a Benevolent Fund established to assist persons associated with the harness racing industry who are in indigent circumstances. HRNSW was established under the *Harness Racing New South Wales Act 1977*.

Cowra Japanese Garden Maintenance Foundation Limited
Cowra Japanese Garden Trust

Cowra Japanese Garden Maintenance Foundation Limited

AUDIT OPINION

The audit of the Foundation's financial report for the year ended 31 March 2003 resulted in an unqualified Independent Audit Report.

FOUNDATION ACTIVITIES

The Foundation is a company limited by guarantee and acts as trustee for the Cowra Japanese Garden Trust.

The Foundation does not trade in its own right. However, in its capacity as trustee, it is liable for all debts incurred on behalf of the Trust. In discharging these liabilities, the trust deed provides for a right of indemnity against the assets of the Trust. There are sufficient assets to discharge all liabilities at 31 March 2003.

Cowra Japanese Garden Trust

AUDIT OPINION

The audit of the Trust's financial report for the year ended 31 March 2003 resulted in an unqualified Independent Audit Report.

FINANCIAL INFORMATION

Year ended 31 March	2003 \$'000	2002 \$'000
Revenue	24	24
Expenses	60	20
Operating surplus/(deficit)	(36)	4
Net assets (at 31 March)	557	593

TRUST ACTIVITIES

The Tokyo Metropolitan Government endowed \$470,000 to the Trust in 1989. The endowment is used to maintain, repair and develop the Cowra Japanese Garden and Cultural Centre.

The Centre is located on a five-hectare site near Cowra. The Garden and Cultural Centre symbolises the close relationship of the people of Cowra with those of Japan.

Performance Auditing

Performance Audit Reports Tabled in Parliament Since Volume Two of 2003
Performance Audits in Progress

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>

Performance Audit Reports Tabled in Parliament Since Volume Two of 2003

We have tabled nine performance audit reports in Parliament since Volume Two 2003 of our New South Wales Auditor-General's Report on financial audits. Our findings and recommendations for these performance audit reports can be found on our website www.audit.nsw.gov.au/repperf.htm.

NSW POLICE: THE POLICE ASSISTANCE LINE

The report examined whether the Police Assistance Line (PAL) has delivered benefits to NSW Police through the civilianisation of call taking and better use of technology. PAL handles reports of minor crime and other non-urgent incidents that do not require police attendance.

Call centres are widely used by the private sector as a cost-effective means of managing customer contact. They also play an increasingly important role in the public sector, with more than 40 government-run call centres already operating in New South Wales.

The report was tabled in Parliament on 5 June 2003.

ROADS AND TRAFFIC AUTHORITY: DELIVERING SERVICES ONLINE

The report looked at how well the Roads and Traffic Authority manages its key online services. The report focused on RTA's largest online service, vehicle registration.

The RTA is in the third year of a five-year online strategy. A number of online services are offered and many others are being developed or investigated.

NSW public sector agencies are required to use the Internet and related technologies to deliver appropriate services to the community and their customers.

The report was tabled in Parliament on 11 June 2003.

STATE RAIL AUTHORITY: MILLENNIUM TRAIN PROJECT

This report examined how well the State Rail Authority has managed the Millennium Train Project and if lessons learnt from the Tangara had been put into practice. It also addressed the complex issue of value-for-money from such a large acquisition.

Large asset acquisitions - whether through construction or purchase - can involve complex issues and significant risks that need to be carefully managed.

The report was tabled in Parliament on 17 June 2003.

SYDNEY WATER CORPORATION: NORTHSIDE STORAGE TUNNEL PROJECT

The report examined how well Sydney Water Corporation handled the contractual arrangements for the Northside Storage Tunnel Project. This \$466 million project was designed to substantially reduce sewage outflows into local waterways and Sydney Harbour. The Project was managed as an 'alliance' between Sydney Water and its private sector partners.

The report was tabled in Parliament on 24 July 2003.

MINISTRY OF TRANSPORT; PREMIER'S DEPARTMENT, DEPARTMENT OF EDUCATION AND TRAINING: FREEDOM OF INFORMATION (NON-PERSONAL REQUESTS)

The report examined whether the three agencies acted within the spirit of FOI legislation in dealing with FOI requests for non-personal information. It focused on whether these agencies' ... facilitate and encourage, promptly and at the lowest reasonable cost, the disclosure of information' - section 5(3)(b) of the FOI Act.

We did not review the basis of their decisions to release information or not.

FOI laws aim to give people the right to access information held by the Government. They have been recognised as a fundamental element of government accountability and modern democracy, and have been adopted by many governments worldwide.

The report was tabled in Parliament on 28 August 2003.

NSW POLICE AND NSW ROADS AND TRAFFIC AUTHORITY: DEALING WITH UNLICENSED AND UNREGISTERED DRIVING

The report examined how well the RTA and the NSW Police work together to deal with unlicensed and unregistered driving. RTA registers motor vehicles and licenses drivers, and the NSW Police detects breaches of the law.

Laws require that drivers must be licensed and vehicles must be registered. These laws are designed to ensure that people drive safely and that vehicles are roadworthy.

In New South Wales, 561 people died as a result of road accidents in 2002 and over 28,000 were injured. Apart from the personal trauma, the RTA estimates the cost of the State's road accidents at around \$2.5 billion per year.

The report was tabled in Parliament on 4 September 2003.

NSW DEPARTMENT OF HEALTH: WAITING TIMES FOR ELECTIVE SURGERY

The report examined how well NSW Health manages waiting times for elective surgery in public hospitals.

It looked specifically at waiting times and provides some insight into the factors that can cause delays. In the past, much attention was paid to waiting list numbers. However, waiting time is a far more relevant measure to patients and the health system.

The report was tabled in Parliament on 18 September 2003.

FOLLOW-UP OF PERFORMANCE AUDITS

We periodically examine whether agencies have acted on recommendations made in our earlier performance audit reports.

This report examined changes following two reports:

- complaints and review processes in the Office of the Protective Commissioner and Office of the Public Guardian (September 1999)
- provision of industry assistance by the Department of State and Regional Development (December 1998)

The Report was tabled in Parliament on 24 September 2003.

JUDGING PERFORMANCE FROM ANNUAL REPORTS: REVIEW OF EIGHT AGENCIES' ANNUAL REPORTS

This report examines how well the performance of eight NSW Government agencies can be judged by looking at their annual reports. The agencies reviewed were:

- Department of Corrective Services
- Department of Mineral Resources
- Department of Sport and Recreation
- NSW Fire Brigades
- NSW Police
- State Electoral Office
- Central Sydney Area Health Service
- South Western Sydney Area Health Service

The report was tabled in Parliament on 1 October 2003.

Performance Audits in Progress

The proposed tabling arrangements for audits in progress are as follows:

Title	Planned Tabling Date
Follow-up of Performance Audits: <i>Enforcement of Street Parking</i> (November 1999); <i>Police Rostering, Tasking and Allocation</i> (January 2000)	December 2003
Code Red: Emergency Department Network Access Scheme	December 2003
Disposal of Sydney Harbour Foreshore Land	December 2003
Business Need for Agency Fleets	1 st quarter 2004
Realising Benefits from Share Corporate Services	1 st quarter 2004
Managing Air Quality	2 nd quarter 2004
Ambulance to Hospital	2 nd quarter 2004
Home Care Service	3 rd quarter 2004

For up-to-date information on audits in progress, refer to www.audit.nsw.gov.au

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