

VICTORIA

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*Report of the Operations  
and Audited Financial Statements*

of the

**OFFICE OF THE  
AUDITOR-GENERAL**

for the year ended 30 June 1985

prepared in accordance with the  
Annual Reporting Act 1983

MELBOURNE  
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1985

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# INTRODUCTION

This report covers the operations of the Office of the Auditor-General and contains the audited financial statements of the Office for the year ended 30 June 1985. The report focuses on matters relating to the organisation and management of resources available to the Auditor-General during the year, and is submitted to the Parliament under Section 8 of the Annual Reporting Act 1983.

The results of audit activities undertaken by the Auditor-General during 1984-85 are not included in this report. In accordance with powers and responsibilities derived from the Audit Act 1958, the Auditor-General reports directly to Parliament on audit matters.

## ESTABLISHMENT

The first Auditor-General of Victoria was appointed when Victoria became a separate colony on 1 July 1851. At that time auditing was carried out against a background of instructions from England. In 1855, with the coming of responsible government, the first Victorian Constitution provided for an office of Auditor-General. Two years later a change was made by the appointment of 3 Commissioners of Audit.

An Audit Act passed in 1901 provided for the abolition of the positions of Commissioners of Audit and reverted to a single office of Auditor-General which has been maintained since then.

In 1957 revisions were made to the existing legislation and incorporated into the Audit Act 1958 (No. 6203) which is currently the principal statute governing the appointment, tenure, duties, responsibilities and powers of the Auditor-General. Other provisions affecting the role and functions of the Auditor-General are contained in the Constitution Act 1975, the Public Account Act 1958, the Annual Reporting Act 1983 and the various enabling Acts establishing public bodies.

## OBJECTIVES AND FUNCTIONS

In Victoria, as in other places operating under the Westminster system of government, the Auditor-General is responsible for the external audit of the financial affairs and activities of government agencies, i.e., administrative units and most public bodies. The Office of the Auditor-General is the machinery by which the legislative functions of the Auditor-General are carried out in Victoria.

The primary objective of the Office of the Auditor-General is to enable the Auditor-General to provide Parliament with the information it requires to oversee the financial operations of

administrative units and public bodies. The Office therefore plays an important role in the accountability of the Executive to Parliament.

Under the Audit Act 1958 the Auditor-General has right of access to all relevant accounts, books and papers for the purposes of an audit.

The Auditor-General reports independently to Parliament on the results of audits undertaken by the Office. The Auditor-General is an office-holder under the Crown and is subject to removal only by resolution of both Houses of Parliament. His independence from control either by the Parliament or the Executive in the exercise of his functions is assured by very wide powers granted by statute. The staff of the Office of the Auditor-General, however, are employed under the provisions of the Public Service Act 1974.

The Auditor-General has no executive power to enforce improvements in financial management and procedures. It is the responsibility of Parliament and of the Executive to act on reports of the Auditor-General as they think fit.

**REPORT ON THE  
OPERATIONS OF THE OFFICE  
FOR THE YEAR ENDED  
30 JUNE 1985**

# SCOPE OF OFFICE ACTIVITIES

In Victoria, public sector activities are divided into 2 main areas of operation, generally referred to as the inner budget and outer budget sectors.

The inner budget sector includes all administrative units (formerly referred to as government departments) of the State. These are financed by annual or special parliamentary appropriations and their financial operations are processed through or come under the control of the central accounting system operated by the Department of Management and Budget. Because Parliament appropriates authority to spend cash within the ensuing year in the main the cash based system is used to record financial transactions of administrative units.

The outer budget sector comprises a large number of public bodies, many of which are established by separate legislation. These bodies enjoy greater financial autonomy than administrative units, are not generally funded by parliamentary appropriations, and are not subject to direct accounting and budgetary controls by the Department of Management and Budget. Generally speaking, their financial statements are prepared on an accrual basis of accounting.

The Auditor-General is not responsible for the audit of local government bodies, the State Bank and public hospitals.

## AUDIT OBJECTIVES AND SCOPE

To achieve the objective of providing Parliament with the information it needs to oversee the financial operations of government organisations, 3 types of audit are undertaken by the Office, viz attest, regularity and value for money.

In an attest audit (sometimes referred to as a financial audit) the objective is the attestation of financial statements by expressing an audit opinion on the fairness of presentation of the financial statements. The role of audit in this case is to lend credibility to published annual financial statements. The attest audit involves 2 major aspects in most cases:

- the evaluation of accounting systems in terms of the adequacy of internal controls and checks built into them to determine the extent to which reliance can be placed upon the information produced by the system. This is known as the systems based approach to auditing. Based upon the review of the system, tests are applied on the accounting records and supporting evidence obtained to form an opinion on the information contained in the financial statements; and
- the evaluation of the financial statements in terms of the full and relevant disclosure of information so as to provide a fair presentation. The criteria used in determining whether the financial statements are fairly presented include Australian Accounting Standards, legislative requirements and



generally accepted accounting principles on matters of relevance, materiality and consistency.

In carrying out the attest audit the Auditor-General exercises functions similar to those of the external auditors of business organisations in the private sector.

Consistent with the special reporting features of government auditing, the role of the Auditor-General in an attest audit embraces an additional external reporting component, namely, communication to Parliament on matters arising from the audit process. Information on such matters as significant weaknesses in controls within accounting systems and clear cases of waste or mis-management revealed during the attest audit is also reported to Parliament. As a by-product of this process the information is also reported separately to the management of the auditee organisation concerned.

The financial statements covered by this attest audit role are as follows:

(a) in the inner budget sector:

- the annual statement prepared by the Treasurer incorporating the transactions of the Consolidated Fund and the Trust Fund which cover the total financial transactions of the inner budget sector: the Audit Act 1958 requires the Auditor-General to report to Parliament on this statement; and
- the annual financial statements prepared by each administrative unit under the Annual Reporting Act 1983.

(b) in the outer budget sector:

- the annual financial statements of outer budget sector organisations as required by the legislation establishing such bodies; and
- the annual financial statements of 7 outer budget organisations which have been declared public bodies for the purposes of the Annual Reporting Act 1983. In their cases audit opinions are expressed in conformity with the specific requirements of that Act. It should be noted that the Annual Reporting Act 1983 overrides the reporting and auditing provisions of the enabling legislation which originally established a declared public body.

The regularity audit (sometimes referred to as a compliance audit) has the objective of reviewing the organisation's adherence to relevant financial legislation, regulations, directives and other rules of a binding nature and to inform Parliament of any departures from these requirements.

The value for money audit which the Office has been progressively implementing over the last 3 years involves an extension of the

systems based audit methodology. It involves the review of the adequacy of management controls in providing full accountability for the operations of government organisations in terms of economy, efficiency and effectiveness. Emphasis is placed upon reviewing the adequacy of systems and procedures used to monitor and promote efficiency and to monitor effectiveness of operations. A more detailed discussion of the Office approach to value for money auditing was set out in the Auditor-General's October 1984 Report to Parliament on Comprehensive Audits. Such value for money audits are undertaken on a cyclical basis within individual organisations, supplemented by selective across-the-board reviews covering more than one organisation. It is expected that value for money audit projects will account for approximately 50 per cent of total audit time of the Office by 1986-87.

Together, the 3 components of audit discussed above comprise what is generally described as comprehensive auditing, involving the provision to Parliament of information necessary for it to assess the financial performance of government organisations in terms of fair presentation of financial statements, compliance with legal and other requirements and maintenance of adequate management systems to obtain economy, efficiency and effectiveness of operations.

One further activity of the Office is the provision of certificates to the Commonwealth Government concerning expenditure carried out by the State from funds provided by the Commonwealth. Depending on the conditions on which the funds are advanced the certification may relate only to the amount of expenditure or, in addition, to conformity with other conditions laid down in specific legislation or in formal agreements.

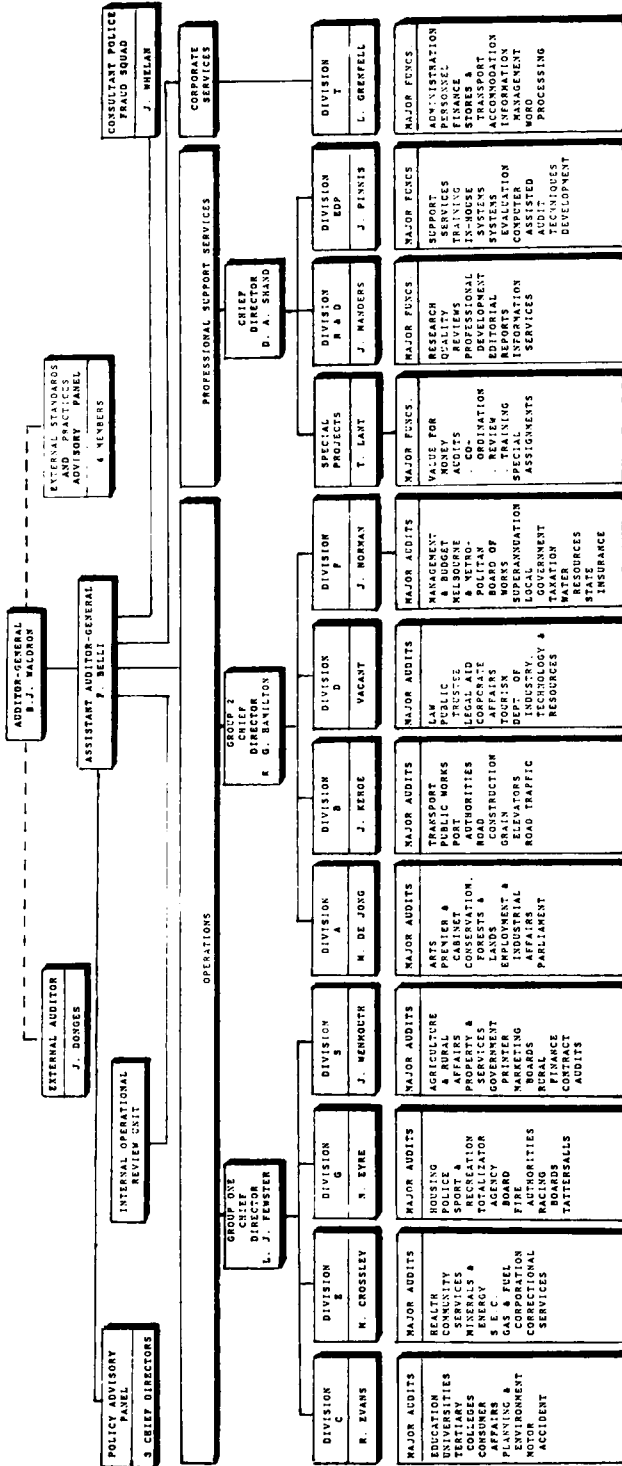
### **FORMS OF AUDIT REPORTS**

The output of the Office can therefore be summarised as follows:

- audit reports by the Auditor-General on financial statements which are published in conjunction with the financial statements to which they refer;
- the Auditor-General's Reports to Parliament which contain comments arising from an attest, regularity or value for money audit, or on special matters which the Auditor-General thinks fit to report;
- management letters and annual audit reports to auditee organisations drawing attention to weaknesses or problems uncovered during any audit, and containing recommendations to address these problems or weaknesses. In accordance with the Audit Act 1958 copies of annual audit reports are also forwarded to the Treasurer and the responsible Minister; and
- audit certificates which certify to the Commonwealth Government as to expenditure from various Commonwealth provided funds.

# OFFICE OF THE AUDITOR-GENERAL

(as at 30 June 1985)



# ORGANISATIONAL STRUCTURE

## POLICY ADVISORY GROUP

The functions of the Office are carried out through a corporate management structure as shown in the Office's organisation chart on page 8 of this report.

The Assistant Auditor-General and 3 Chief Directors of Audits are responsible to the Auditor-General for the overall planning and co-ordination of Office operations and policy advice.

The Assistant Auditor-General is responsible for the corporate management of the Office and policy advice to the Auditor-General on audit and administrative issues. He also acts as Deputy Auditor-General in the absence of the Auditor-General.

Two Chief Directors of Audits are responsible for field audit operations, and the third is responsible for the professional support services, namely research and development, E.D.P audit and special projects.

## AUDIT OPERATIONS

### Group and Divisional Structure

Field audit operations are carried out by 2 groups, each under the management of a Chief Director. Each operational group comprises 4 operational divisions which are headed by Directors of Audit.

Additionally, a senior audit officer at Director level is assigned long term as a consultant to the Victoria Police Fraud Squad.

Each of the operational divisions has a diverse range of audits which cover activities of administrative units and public bodies. The allocation of audits to divisions is made on the basis of ministerial responsibility.

### Audit Responsibilities

At 30 June 1985 the Auditor-General had specific responsibilities for the audit of:

- \* Twenty-four administrative units declared to be administrative units to which the provisions of the Annual Reporting Act 1983 apply, as well as the expenditure of Parliament which is reported in the Treasurer's Statement. The audit of administrative units includes several hundred branches or district offices of such administrative units located throughout Victoria (e.g. courts, police stations, forests and lands offices, psychiatric hospitals, corrective institutions).

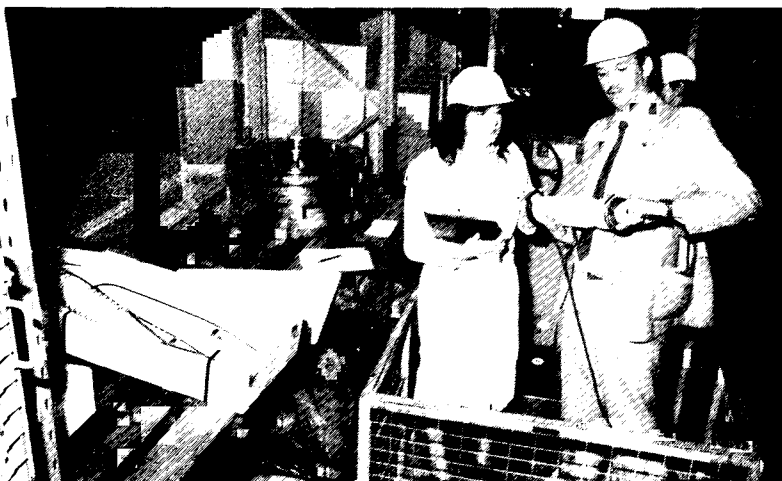
- \* One hundred and twelve public bodies, including the Gas and Fuel Corporation, Grain Elevators Board, Melbourne and Metropolitan Board of Works, Metropolitan Transit Authority, Port of Melbourne Authority, State Electricity Commission and State Transport Authority which are public bodies under the provisions of the Annual Reporting Act 1983.
- \* Fifty-three post-secondary and tertiary educational institutions comprising Universities, Colleges of Advanced Education and Technical and Further Education Colleges. In addition, the Office oversees the audit of approximately 2 000 school councils whose accounts are audited by private practitioners and the internal audit section of the Education Department.
- \* One hundred and seventy-six water authorities comprising 102 Water Boards, 43 Municipalities and 31 River Improvement/Drainage Trusts. In the main, the audit of water bodies is conducted by private practitioners appointed as agents of the Auditor-General.

The major audit responsibilities of each operational audit division are listed in the organisation chart. Changes in audit responsibilities during the year, mainly as a result of administrative rearrangements within the public sector, are set out in Appendix I to this report.

### **Audit Planning and Methodology**

All divisions prepare annual forward plans which have the objective of systematically scheduling the workload over the production year 1 October to 30 September. Areas for audit are chosen on the basis of perceived audit risk and materiality, and available human resources.

Long term strategic plans projecting Office activities over the next 3 to 5 years are also prepared. A computerised audit management information system (AMIS) is used to monitor on a fortnightly basis the progress of each audit activity. The system



Audit stocktaking in a large store.

also progressively displays the cost of conducting all audit work and has the ability to raise audit fees for outer budget bodies and to compute notional fees for non-chargeable audits in the inner budget sector.

All attest audits are conducted by professionally qualified staff in accordance with Australian Auditing Standards. The principles embodied in these Standards are also followed in conducting regularity and value for money audits. With the exception of the smaller and specialised audits, all attest audit work is undertaken using systems based methodology.

Audit staff up to the level of Audit Manager are expected to spend at least 80 per cent of their time on operational audit work, the balance being taken up by professional development, short periods of secondment on research activities, and leave of absence.

### **PROFESSIONAL SUPPORT SERVICES**

The Research and Development Division, the E.D.P. Audit Division and the Special Projects Division provide professional support services to the operational audit divisions.

#### **Research and Development**

The Research and Development Division is responsible for training staff in both audit management and practice and for technical advice and consultancy assistance to audit staff on accounting and auditing matters.

In addition, it undertakes research on developments in accounting and auditing theory and practice affecting the Office, liaises with parliamentary committees, co-ordinates the preparation of the Auditor-General's reports to Parliament, and administers the library and reference services of the Office.

#### **E.D.P. Audit**

The E.D.P. Audit Division provides consultative services and technical support for operational audit staff on E.D.P. matters, develops computer assisted audit techniques for use by audit staff, and assists in E.D.P. audit training.

The division is also responsible for the development and maintenance of the Office's own E.D.P. facilities, including a local area network (LAN) of 11 microcomputers and for the development and maintenance of the computerised management information system which is used to monitor the progress of audits.

#### **Special Projects**

The Special Projects Division is responsible for the conduct and co-ordination of audit assignments, referred to as "across the board" projects, where the nature of the project is such that it involves more than one operational division.

It provides technical advice, assistance and training to operational divisions and special teams in the carrying out of value for money audits.

### **CORPORATE SERVICES**

The Administrative Services Division is responsible for the provision of the corporate services of the Office. The services include personnel administration, general administration (office accommodation, security, secretarial services), information services, accounting and financial matters, and office services (registry, stores, transport).

# REVIEW OF OFFICE ACTIVITIES IN 1984-85

## AUDIT OPERATIONS

**Major developments** in the Office during 1984-85 were:

1. the continued upgrading of the systems based audit methodology used by the Office, so as to provide a more cost effective attest audit;
2. the application of additional E.D.P. facilities to assist the Office in carrying out its functions;
3. an increase in the proportion of audit resources devoted to value for money audit issues;
4. the appointment of external auditors to audit the financial operations of the Office, and the restructuring of the internal operational review unit within the Office; and
5. the impact on audit operations of the first year of operation of the Annual Reporting Act 1983.

These developments are described in more detail below.

### Development 1

To implement this strategy greater emphasis was placed on detailed audit planning and the use of various techniques to assess levels of audit risk and materiality in auditee organisations. Increased use was made of E.D.P. software to assist in analytical review of financial statements and the application of statistical sampling techniques. This move to upgrade the Office approach to systems based auditing was also given impetus by additional internal training programs and the purchase of additional micro computers.

### Development 2

During the year, the Office purchased 13 additional microcomputers and sold one, leaving it with a total of 11 IBM PCs, 2 portable Compaqs and 1 Apple microcomputer. Of these, the 11 IBM PC microcomputers are linked in a local area network (LAN), while the 2 Compaq portables are used on audit field locations. This network is the first local area network in use in any government Audit Office in Australia. When fully operational the network will facilitate data retrieval, audit planning, staff scheduling, intra-office communication and the use of E.D.P. software and techniques to reduce attest audit times. An Office working party on Future Information Technology is currently determining detailed future strategies and priorities in this area.





Using a microcomputer as an audit tool.

### Development 3

As already indicated, there has been progressive implementation of value for money auditing methodology by the Office.

During 1984-85 several value for money audits were completed and reports on these projects issued. The subject areas studied included:

- . government stores operations in several administrative units and authorities
- . cash management in government administrative units
- . the Emerald Hill restoration project undertaken by the former Housing Commission
- . a pilot study of government motor vehicle fleet management

The first 2 audits were reported in the Auditor-General's October 1984 Report to Parliament on Comprehensive Audits. The third was reported to Parliament in the Auditor-General's Fourth Report to Parliament, tabled in April 1985.

A number of other across-the-board and divisional value for money projects were commenced during the year and will be reported to Parliament in due course.

Considerable resources were devoted to training courses in value for money auditing, as discussed on pages 21 and 27.

### Development 4

The Auditor-General has expressed concern at the lack of any independent audit of the financial transactions of the Office. This has meant that the Office was not held fully accountable for its financial transactions in the same way as are the organisations which it audits. This can be contrasted with legislative provisions in the Commonwealth and New South Wales which provide for an independent external audit of the Auditor-General's Office.

Although such a provision was recommended for Victoria in the 1983 report of the Parliamentary Economic and Budget Review Committee on a Review of the Audit Act 1958, no such provision has yet been made. After inviting 5 private practitioners to tender for this work, in May 1985 the Auditor-General appointed Mr. J. Donges of the firm of Peat Marwick Mitchell and Co. to act as external auditor of the Office. The appointment is an interim measure. Mr. Donges will not operate as a fully independent external auditor, in view of the fact that he is necessarily appointed by and reports to the Auditor-General himself. Nevertheless, the appointment is seen as a useful step towards improving the external accountability of the Office.

In February the Office also restructured the internal operational review unit. Staffed on a part-time basis by 2 officers drawn from operational audit positions, the unit now operates under a formal charter which authorises it to carry out an internal audit of the Office's financial transactions and to review adherence to Office policy and procedures. The unit reports directly to the Assistant Auditor-General on its activities and special assignments.

#### Development 5

The first year of operation of the Annual Reporting Act 1983 had a significant impact on the attest audit function. Firstly, the Office was heavily involved in consultations with the Department of Management and Budget over the framing of the Regulations prescribing the form and content of the financial statements of administrative units and public bodies declared under the Act.

More importantly, the timeliness provisions of the Act generally requiring declared organisations to have an annual report, including audited financial statements, completed within 3 months of the end of the financial year imposed additional pressures on the Office. Coupled with the lack of accounting expertise in some administrative units these deadlines created additional time pressures on the Office but, in general, audit deadlines were met. Further comment on the operation of the Annual Reporting Act was made in Part 2 of the Auditor-General's Second Report to Parliament, tabled in October 1984 and in Part 4 of the Auditor-General's Fourth Report to Parliament, tabled in April 1985.

#### **Audit Reports Issued**

A summary of reports issued by the Office during 1984-85 (compared with the numbers issued in 1983-84) is as follows:

	<u>1983-84</u>	<u>1984-85</u>
. administrative units	125	104
. public bodies	82	95
. post-secondary and tertiary educational institutions	43	46
. water authorities	155	150
. committees of management	3	6
. reports on value for money issues	-	3
	—	—
Total	408	404

## Reports to Parliament

In 1984-85 the Auditor-General tabled 5 Reports in the Legislative Assembly:

- \* The First Report (tabled on 18 September 1984) accompanied the Treasurer's Statement for the year ended 30 June 1984 and contained the Auditor-General's report on that Statement, as required by the Audit Act 1958.
- \* The Second Report (tabled on 1 November 1984) contained observations and recommendations arising out of the audits of those administrative units and public bodies (declared in accordance with the Annual Reporting Act 1983) for which an audit opinion had been provided prior to 30 September 1984.
- \* The Third Report (forwarded to Parliament on 22 January 1985 and tabled on 1 April 1985) contained audit observations and recommendations on administrative units and public bodies (declared in accordance with the Annual Reporting Act) which were not covered in the Second Report and for which an audit report was signed prior to 30 November 1984. In addition, the Report covered the operations of a number of other statutory bodies which the Auditor-General is required by law to audit.
- \* The Fourth Report (tabled on 1 May 1985) completed the reporting cycle in respect of 1983-84. It covered those administrative units and public bodies which had not been included in either the Second or Third Reports because of delays in the preparation of financial statements, balance dates other than 30 June, or incomplete audits. The Report also provided the results of a comprehensive audit review of the Emerald Hill Restoration Project.
- \* A special report was tabled on 9 October 1984 on the results of 2 comprehensive audit reviews undertaken by the Office. These reviews covered the stores procedures adopted by administrative units and public bodies and the procedures in operation for cash management in several administrative units.

A report on the operations of the Office for the year ended 30 June 1984, accompanied by the audited financial statements of the Office for the same period, was transmitted to the Premier on 26 September 1984 for presentation to Parliament in accordance with the Annual Reporting Act 1983. The report and financial statements were tabled in Parliament on 9 October 1984. Subsequently, the Auditor-General arranged a meeting of all Office staff to allow staff discussion of the report.

All these reports were made available to the general public for purchase through the publications outlets of the Victorian Government Printing Office. Copies were also distributed by the Office to audited entities, government Audit Offices within Australia and in certain other countries, and to a limited number of other relevant organisations.

## **Management Letters**

In the course of interim audit inspections undertaken during 1984-85 there were many formal and informal communications with the managements of audited bodies. The formal communications were mainly in the form of management letters which gave details of system weaknesses, technical deficiencies, minor irregularities etc. disclosed by audit. They also drew attention to and sought management response on audit comment relating to matters of an administrative or technical nature prior to finalisation of the annual audit.

## **Commonwealth Audit Certificates**

During the year 63 audit certificates were provided to Commonwealth agencies concerning the expenditure of various Commonwealth grants to the State.

Major programs involved included grants to tertiary educational institutions under the States Grants (Tertiary Education Assistance) Act 1981, grants under the Roads Grants Act 1981, and other Commonwealth grants for housing assistance, drought assistance, home care facilities, water resources development and special employment programs.

## **Contract Audits - Water Authorities**

During 1984-85 the Office continued the practice of engaging private sector auditors to act as agents of the Auditor-General on the majority of audits of water authorities.

All appointments of private practitioners by the Office are made from a register of qualified persons who have expressed an interest in undertaking audits on behalf of the Auditor-General. In contracting audits of water authorities to the private sector, the Auditor-General prescribes the audit practices to be followed, reviews all working papers of agents, retains responsibility for providing the audit opinion on financial statements, fixes levels of remuneration to agents, and collects fees charged to auditees for audit services.

Following the restructuring of the water industry under the Water and Sewerage Authorities (Restructuring) Act 1983, the Auditor-General became responsible for the audit of both water and sewerage components of the newly formed authorities. Formerly, the audit of sewerage authorities was carried out by private sector auditors appointed by the Minister of Water Resources. At 30 June 1985, 102 Water Boards and 43 Municipalities (water and sewerage functions only) had been established.

During the year 378 audits were allocated to 40 private practitioners. This compared with 166 audits allocated to 44 private practitioners in 1983-84. While generally this has been a satisfactory arrangement, unfortunately the work of some agents has not been up to the required standard and it has not been possible to reappoint them.

At year end, 190 audits had been finalised for which agents had been paid \$249 809 in audit fees. In an additional 6 audits progress payments amounting to \$42 322 had been paid to the appointed agents.

On 31 May 1985 the Auditor-General and senior Office representatives met with the agents to discuss the audit implications of developments within the water industry and the work performance of the agents and to obtain suggestions from the agents as to possible improvements in audit procedures.

## **PROFESSIONAL SUPPORT SERVICES**

### **Research and Development Activities**

#### **(1) Professional Development**

An important feature of the activities of the Office for the year was the implementation of a comprehensive professional development program. This program was designed to identify and progressively meet the personal and technical skills needs of officers at each organisational level. It comprised training sessions covering a wide range of activities. Emphasis was directed to major technical areas, namely, the systems based audit methodology, value for money auditing principles and practices, and E.D.P. auditing techniques. Sessions dealing with supervisory and communicative skills development were also a significant element of the program.

Summarised details of the main training courses conducted during the year are set out in Appendix II. The majority of activities were developed and presented by Office personnel but in some specialised areas the Office engaged external consultants to prepare and present training material.

While the development and implementation of the 1984-85 program required a significant commitment of Office resources, a basic framework has now been established to guide professional development activities of the Office in future years.

The Office continued its policy of supplementing the formal training program with the attendance of officers at selected external professional development activities. Among the activities attended by Office representatives were:

- . Accounting Association of Australia and New Zealand - 1984 Conference, Hobart
- . Canadian Comprehensive Auditing Foundation - 5th Annual Conference, Ottawa
- . Australian Society of Accountants - 3rd National Government Accounting Convention, Adelaide
- . Australian Society of Accountants - Victorian State Congresses, Melbourne
- . E.D.P. Auditors Association - EDPAC Conference 85, Brisbane

- . Institute of Internal Auditors - 44th International Conference, Sydney.

In March 1985 a 3 day residential senior management retreat was held to discuss some key issues facing the Office - in particular, a review of 1984 activities, the existing divisional structure and management, achieving the Office's value for money audit objective, and E.D.P. strategies for the Office. This was the second such retreat organised by the Office and gave an opportunity for the 50 senior and middle management level personnel involved to express their views on these issues and to contribute to the development of appropriate policies and practices.

## (2) Performance and Development Review Scheme

The performance and development review scheme, which was implemented in 1983-84, is designed to identify the training needs of each officer below Senior Executive Service level through a process of annual self-assessment and counselling. The scheme provides a significant input to the preparation of the annual professional development program of the Office. A post-implementation review of the scheme was commenced late in the year.

Officers occupying Senior Executive Service (S.E.S.) level positions in the Office are required to prepare annual performance improvement plans under a performance management framework established by the Public Service Board. The contents of plans are negotiated between S.E.S. officers and their supervisors. The plans and officers' performance are progressively reviewed during each year and a final grading of performance is determined at year end. The remuneration of S.E.S. officers includes a performance pay component.

## (3) Major Research Activities

The major research activities undertaken during the year were:

- \* preparation of material on matters of special interest for inclusion in reports of the Auditor-General to Parliament;
- \* preparation of a submission to the Parliamentary Economic and Budget Review Committee on reporting and external auditing procedures relating to public hospitals;
- \* undertaking of research and provision of advice on financial reporting issues relevant to the Auditor-General's reports on financial statements;
- \* issue of a draft audit manual and liaison with operational audit staff on a progressive review of the document;
- \* preparation of submissions to the Australian Accounting Research Foundation on accounting and auditing exposure drafts issued by the Foundation;

- \* the direction of activities of the Office working group examining audit implications of program budgeting and submission of the group's final report;
- \* a review of the library and information services within the Office; and
- \* preparation of material for selected technical segments of the professional development program of the Office.

## **E.D.P. Division Activities**

### **(1) Specialist Assistance to Field Divisions**

This assistance was spread over the audit production year. For the year ended 30 September 1984, responses were given to 41 requests. For the year ending 30 September 1985, 38 requests had been received and were being responded to in the period up to 30 June 1985.

### **(2) Other Major Activities**

Apart from its ongoing assistance to field audit divisions, major activities of the E.D.P. Audit Division in 1984-85 included:

- \* development of an online computer system to assist in the management of the audits of water authorities which are contracted to private sector auditors;
- \* the purchase of a substantial quantity of E.D.P. equipment, including 13 microcomputers, printers, a disk data storage device and a variety of related software, and the commissioning of the 11 terminal local area microcomputer network (LAN) within the Office;
- \* conduct of training courses to introduce officers to the microcomputer hardware and software that has been installed in the Office. The courses were conducted by officers of the division, with the use of outside consultants where appropriate, and provided a total of 186 person days training;
- \* conduct of one introductory E.D.P. audit course and 2 advanced courses for 37 field officers. The courses provided a total of 425 person days training;
- \* establishment of a microcomputer training laboratory in the Office for the months of December 1984 and January 1985 to provide ongoing training and support for officers utilising the new microcomputer based equipment;
- \* conduct of a training program under which field auditors were seconded to the E.D.P. Audit Division for 12 months for more detailed training in E.D.P. audit. The first 2 officers commenced their secondments in August 1984: 2 more began their training year in February 1985;

- \* participation in the Office working party to review possible uses of information technology by the Office over the next 5 years, and the development of an appropriate strategic plan;
- \* review of the selection and installation of the FM80 accounting system which is being implemented in various administrative units under the State Management Accounting and Financial Information System (SMAFIS) project; and
- \* review of the Office's Audit Management Information System, and the recommendation and implementation of various enhancements.

### **Special Projects Division Activities**

Apart from providing general advice and assistance to operational divisions on value for money audits, the division organised and presented 2 internal courses in value for money auditing methodology. It also organised and participated in seminars on comprehensive auditing presented by the Director of Research and Professional Practices at the Canadian Comprehensive Auditing Foundation (see page 27) and directed the activities of the Office working party set up to report on Future Information Technology within the Office.



Value for money auditing seminar-workshop.

### **CORPORATE SERVICES ACTIVITIES**

During the year the Administrative Services Division took a number of steps to improve its provision of support services to the Office. These included:

- \* implementation of a new registry system;
- \* conversion of the manual accounting system to an E.D.P. system;
- \* development and implementation of a number of computer programs for use by the registry and word processing sections; and



\* introduction of additional word processor capacity and the reorganisation of staff in this area, which led to an increase in keyboard support services in the Office.

## **STAFFING MATTERS**

### **Recruitment**

The 1985 Office program of campus recruiting interviews was carried out at 7 campuses. There were 9 graduate recruits appointed to the Office during the year as a result of the 1984 campus program.

An upgrading of the remuneration level for Class ADM-2 audit positions (base level) introduced in the previous year, coupled with a structured campus interview program, has assisted the Office to become more competitive with private sector employers in recruiting. However, one issue which is tending to counter this progress is the substantial delay experienced in the advertising and filling of vacancies.

Although the principal sources of graduate recruits to the Office are the private sector and educational institutions (per campus interviews), all vacant Class ADM-2 positions must be advertised within the Public Service before any action on external advertisements can be initiated. If these positions were designated by the Public Service Board to be special entry employment levels, simultaneous advertisements could be placed which would greatly assist in timely recruitment of high quality applicants.

The Office has approached the Public Service Board on the ADM-2 recruitment matter but, to date, the Board has not been prepared to declare base level audit positions as special entry levels.

### **Senior Executive Service**

Seventeen members of the Office (Assistant Auditor-General, Chief Directors and Directors) are members of the Senior Executive Service. As required under S.E.S. arrangements, formal performance assessments for 1983-84 in relation to performance pay were carried out for each officer during the year and formal performance improvement plans developed for the 1984-85 year.

### **Audit Classification**

As mentioned in the Office's 1983-84 report, agreement was reached in that year with the Public Service Board on a new field audit classification structure. This structure comprises 4 levels (below the level of Director of Audit), namely, Audit Manager, Audit Supervisor, Audit Senior and Auditor.

While the new structure recognises more clearly than previously the professional responsibilities of audit staff at the various levels, its implementation was essentially an interim action in that it represented only partial resolution of a wider issue

raised in 1983 by the Office with the Public Service Board. This issue concerns the need for establishment of a specific occupational structure for external audit positions to provide a staffing classification which gives full recognition to the professional nature of external auditing and the intrinsic difference in work value of the external audit function compared with the administrative category.

Under the administrative officer employment category introduced by the Public Service Board in 1983, audit positions within the Office are designated, together with a range of other functional groups, as positions involving the performance of an administrative class of work. Accordingly, the title "Administrative Officer" must be used to describe audit positions in job advertisements and recruitment literature.

In December 1984 the Office renewed its request to the Public Service Board for the creation of a separate occupational structure for external audit. In March 1985 the Public Service Board advised that the submission had been referred to its Policy and Tribunal Division and that action would be taken after consideration of other similar requests for category reviews. Further advice from the Board is awaited.

### Staffing Levels

As at the date of the Office's last return under the Survey of Public Sector Employment (21 June 1985) the following numbers of persons were employed full-time in the Office:

	<u>Male</u>	<u>Female</u>	<u>Total</u>
Permanent Officers	111	36	147
Temporary Employees	-	-	-
Exempt Employees	2	5	7
	—	—	—
Total Staff	113	41	154
	—	—	—

No persons were employed on a part-time basis.

Gains and losses of staff (including exempt staff) in the year ending 30 June 1985 were:

	<u>Audit Staff</u>	<u>Support Staff</u>
Gains	31	4
Losses	23	9

## Senior Staff Changes

Promotions of 2 senior officers to Senior Executive Service level positions occurred during the year. These were:

<u>Number of Officers</u>	<u>Promoted from</u>	<u>Promoted to</u>
1	Mr. L. Fewster SES Level 2 (Director of Audit)	SES Level 3 (Chief Director of Audits)
1	Mr. M. de Jong Class ADM-7 (Audit Manager)	SES Level 1 (Director of Audit)

In January 1985, Mrs. M. Crossley, a partner in Ernst and Whinney (a private accounting firm) was contracted to perform the duties of a Director of Audit (SES level 2) for a period of 12 months. This appointment continued the practice of senior staff interchange between the private sector and the Office and marked the first time a woman had headed an audit division within the Office.

## Staff Placements

As a consequence of realignment of the audit structure, a number of occupants of positions became unattached officers and the assistance of the Public Service Board was requested in placing them in occupations suited to their skills. Since then all these officers have been placed with other organisations on secondment or have had the opportunity of varying their duties. At 30 June 1985 none had been permanently placed.

## Exchanges and Secondments

One exchange and a number of secondments were arranged involving members of the Office in order to provide an opportunity for the further professional development of the officers concerned.

### (1) Exchange with Department of Management and Budget

- . An ADM-7 Audit Manager joined the Comptroller-General's Division of the Department of Management and Budget for a period of 6 months to work on accounting policies, and an ADM-7 officer from that Division was assigned to the Office for a similar length of time.

### (2) Secondments

- . An SES level 1 Director of Audit was attached to the Office of Minerals and Energy for 6 months to assist on projects relating to the operations of the Drilling Unit.

- . An ADM-7 Audit Manager was seconded for 6 months to the Mental Retardation Division of the Health Commission to work on a review of services.
- . An ADM-7 Audit Manager commenced a 6 months secondment at the National Companies and Securities Commission to assist with the development of company financial reporting requirements.
- . An ADM-6 Personnel Officer commenced a 12 months secondment with the Department of Management and Budget working on the development of training programs for internal auditors.
- . An ADM-5 Audit Supervisor was seconded to the Department of Community Services for 3 months to assist with the implementation of a computer management system.
- . An ADM-5 Audit Supervisor was attached for 6 months to the Office of Minerals and Energy to assist in the development of accounting systems.

### **Administrative Trainees**

Five placements were made in the Office under the Public Service Board's Administrative Trainee Scheme. During their 3 months attachment to the Office all 5 trainees were engaged on research/development projects relating to the audit function.

### **Co-operative Education (Sandwich Students) Program**

Under a co-operative education program conducted by Royal Melbourne Institute of Technology the Office has for the past decade employed students undertaking tertiary studies in accountancy. The students spend the third or "sandwich" year of their 4 year degree course employed on a variety of audit tasks in field divisions. This work experience complements their academic studies.

In December 1984 the 4 sandwich students who had been employed for that calendar year completed their placements. Another 4 students commenced work in the Office in January 1985.

### **OCCUPATIONAL HEALTH AND SAFETY**

The Office nominated the Manager Administrative Services as its Occupational Health and Safety Co-ordinator with the task of investigating health and safety matters and implementing any necessary changes.

There was one reported case of Repetitive Strain Injury (R.S.I.) in the Office during the past 12 months. The officer concerned has been examined regularly by the Occupational Medicine Unit.

During the year additional steps were taken to minimise the risk of R.S.I. These were:

- \* all word processor operators were examined by the Occupational Medicine Unit and instructed on proper posture and relaxation exercises;
- \* gas operated chairs, foot rests and wrist rests were provided for all word processor operators;
- \* ergonomic work stations were ordered for the Word Processing Centre; and
- \* 4 ergonomic units were purchased for microcomputers.

### **PROFESSIONAL ACTIVITIES**

As in previous years, the Office continued to have a substantial involvement in activities connected with the accounting and auditing professions. The most significant of these activities in 1984-85 were the following.

#### **Conference of Australia Area Auditors-General**

The Auditor-General attended the 15th Conference of Australia Area Auditors-General in Adelaide. A senior officer also attended the Conference as an observer.

The purpose of the Conferences, which are held every 2 years, is to provide a forum for the exchange of ideas and experiences. Topics discussed at the Adelaide Conference included recent developments in audit methodologies (financial, E.D.P. and value for money), government financial management reforms, and public sector accounting and auditing standards.

#### **Australian Government E.D.P. Auditors Meeting**

Two officers attended a one day meeting of government E.D.P. auditors held in Brisbane in May 1985 and arranged in conjunction with the E.D.P. Auditors Association EDPAC Conference. Various issues of E.D.P. audit methodology and training were discussed.

#### **International Visitors**

- \* Fifteen participants from a number of developing countries attending the International Training Institute's course on management and finance were given a half-day presentation by Office staff in October 1984. The main topics covered were the responsibilities and audit activities of the Office and recent developments relating to public sector accounting.
- \* Two of the International Training Institute Fellows also visited the Office individually for several days in 1984-85. These were the Accountant of the Management Audit Bureau in the Mauritius Ministry of Finance, who attended a value for money audit training course conducted by the Office, and the Accountant of the Papua New Guinea Auditor-General's Office, who consulted with Office staff on support services matters.



Visiting group from International Training Institute.

- \* A delegation of 5 senior officials from the People's Republic of China, including the Director of the Audit Bureau of Guangdong Province, spent 2 days with senior Office staff as part of an Australian study tour. The delegation discussed the range of the Office's audit responsibilities, particularly involvement in the audit of large utilities, and the increasing use of E.D.P. tools.

### **Seminar-Workshop on Value for Money Auditing**

The Office hosted a two-day seminar-workshop on value for money auditing in May 1985 which was attended by representatives of all other Audit Offices around Australia. Mr. C. Potts, the Director of Research and Professional Practices at the Canadian Comprehensive Auditing Foundation, an acknowledged leader in the field of value for money auditing, was the main presenter at the seminar-workshop.

This local activity followed a series of similar sessions involving Mr. Potts which the Australian Society of Accountants arranged in New South Wales, Victoria and the Australian Capital Territory. Senior professional staff of the Office delivered papers at all these sessions.

### **Interstate Visitors**

A number of individuals from interstate also visited the Office in 1984-85 and discussed a range of matters relating to the work of the Office with members of staff. They included the Auditor-General of New South Wales, the Deputy Auditor-General of Tasmania, and officers of the Commonwealth, New Zealand, New South Wales, Queensland, South Australian, Western Australian and Tasmanian Audit Offices.

## **Involvement with Professional Bodies**

Members of the Office participated as working members in the activities of several professional bodies and specialist committees. This included:

- \* Auditing Standards Board (Australian Accounting Research Foundation)
- \* Public Sector Accounting Standards Board (Australian Accounting Research Foundation)
- \* Government Accountants Committee (Australian Society of Accountants, Victorian Division)
- \* National Audit Specialisation Panel (Australian Society of Accountants)
- \* Disciplinary Committee (Australian Society of Accountants, Victorian Division)
- \* Panel on Audit Segment of Certified Practising Accountant Program (Australian Society of Accountants)
- \* Board of E.D.P. Auditors Association
- \* Accountancy Studies Advisory Committee (R.M.I.T.)

In addition, members of the Office presented papers and lectures on public sector accounting and auditing issues and the operations of the Office to a variety of groups and organisations within Victoria and interstate.

## **Involvement in Office Committees**

A number of internal working parties, project teams and ongoing committees in which Office staff participated were established or continued to operate in 1984-85, including:

- \* Regularity Audit Working Party
- \* Audit Documentation Working Party
- \* General Expenditure Audit Working Party
- \* Review Team on State Management Accounting and Financial Information System (SMAFIS)
- \* Working Party on Future Information Technology in the Office
- \* Common Payroll Audit Approach Working Party
- \* Audit Qualifications Committee
- \* Editorial Committee
- \* Value for Money Audit Review Groups and Steering Committees (a list of projects completed by the review groups is given on page 14)

\* Audit Practices Committee

\* Equal Employment Opportunity Consultative Committee.

### **Overseas Visits**

A Director of Audit (SES level 1) spent 3 months from September to December 1984 on attachment to the Provincial Auditor's Office in Ontario, Canada to study the audit aspects of program budgeting and to gain further experience as one of a team working on value for money audits. While in Canada he also attended the 5th Annual Conference of the Canadian Comprehensive Auditing Foundation in Ottawa and 2 courses on comprehensive auditing conducted by the Foundation.

The assistance of Mr. D. Archer, Provincial Auditor of Ontario, in making these arrangements is greatly appreciated.

### **ANNUAL REPORT MEETING**

Following the tabling in Parliament on 9 October 1984 of the 1983-84 annual report of the Office, the Auditor-General arranged a meeting of all Office staff. The purpose of the meeting was to allow staff to discuss and comment on the activities and achievements of the Office in 1983-84, as documented in the annual report, and to focus attention on those issues likely to have impact on the operations of the Office during 1984-85.

### **EQUAL EMPLOYMENT OPPORTUNITY**

In accordance with State Government policy on implementation of the Equal Employment Opportunity (E.E.O.) Action Plan for Women, the Office appointed an E.E.O. Co-ordinator, an Office Consultative Committee, and 2 specialist advisers on E.E.O.

An Action Plan on E.E.O. was adopted for the Office, in conjunction with the Consultative Committee, and was distributed to all staff in March 1985 at an Office seminar aimed at raising awareness on E.E.O. issues. The Consultative Committee met regularly from its establishment in November 1984 and made recommendations to the Co-ordinator on various matters connected with the implementation of the Plan in the Office, such as:

- . training and development opportunities for former Third Division officers;
- . the composition of recruitment and staff selection panels;
- . E.E.O. awareness raising initiatives;
- . higher duties assignments; and
- . the development of procedures for dealing with sexual harassment complaints.

Information concerning E.E.O. action was disseminated principally through the Office staff newsletter and staff meetings.



## **PANEL OF ADVISERS**

The members of the Auditor-General's panel of advisers:

Mr. Gordon Cumming of Lockwood Partners, Echuca,  
Mr. David T. Greenall of Greenall and Associates, Melbourne,  
Mr. D. Geoffrey Neilson of Day, Neilson, Jenkins and Johns,  
Geelong, and  
Mr. Robert Watts of Deloitte, Haskins and Sells, Melbourne,

continued to provide valuable independent advice to the Auditor-General on matters of accounting and auditing significance in the public sector.

In the course of 1984-85 the panel met with the Auditor-General on 3 occasions and provided advice on a range of matters, including:

- (1) the use of private practitioners as agents of the Auditor-General in the audit of water authorities;
- (2) matters which had arisen out of possible qualifications of 1983-84 financial statements;
- (3) engagement of a private auditor to undertake an audit of the Office;
- (4) the continued seconding and interchanging of audit staff between the private and public sectors; and
- (5) various other matters affecting the internal administration of the Office.

## **PROCEDURAL MANUALS**

In order to consolidate information on policies and procedures and promote standardisation in their application to the work of the Office, several manuals were issued to staff in final or draft form during the year.

In September 1984 a draft General Audit Manual was issued setting out the Office's general policies and procedures relating to the audit function. The manual was designed to assist in achieving a consistent and professional approach to all audits. This was supplemented in January 1985 by a draft Administrative Manual covering procedures and administrative directives. Both documents will be reviewed following 12 months usage.

Other manuals released at different times within 1984-85 related to personnel procedures, job information, records management, accounting procedures and the auditing of courts and water authorities. A private sector auditor was engaged to assist in the preparation of the manual on the audit of water authorities.

## **FREEDOM OF INFORMATION**

The Office has one officer designated as directly responsible for Freedom of Information requests. During 1984-85, a total of 5 F.O.I. applications were received and processed by the Office.

## **DECLARATION OF PECUNIARY INTERESTS**

During the year the following senior officers completed a declaration of their pecuniary interests:

F. Belli	J. Whelan
D. Shand	J. Manders
L. Fewster	M. de Jong
J. Norman	T. Wood
J. Kehoe	L. Grenfell
R. Evans	

## **OFFICE ACCOMMODATION**

The Office occupies 2 1/2 floors of No. 1 Macarthur Street. Office operations continued to be hampered by sub-standard accommodation during the year. The problems, including the lack of suitable space, unsatisfactory arrangement of the existing space, and sub-standard furniture and fittings, have been discussed with Public Works Department since 1982 but without results. Other problems with the accommodation are lack of lift access to one floor, inadequate heating in some areas and lack of a satisfactory telephone system.

Until such time as this situation is rectified, staff productivity and morale will continue to be adversely affected.

## **EXPLANATORY STATEMENT**

There were significant variations between 1984-85 and the previous year in some items within the Financial Statements of the Office. Information in relation to these variations and any significant variations from the budget figure is given below.

(Information is cross-referenced to the corresponding items in the Financial Statements).

### **1. Receipts**

The revenue generated was 32 per cent higher than in 1983-84 and was consistent with the additional work load of the Office. It also reflected the Office policy of progressively increasing audit fees to enable full recovery of the cost of conducting an audit.

### **2. Salaries and Associated Costs**

The increase in expenditure for this item was due to:

- (i) the inclusion of Payroll Tax for the 1984-85 financial year. Corresponding payments for 1983-84 were brought to account in the financial statements of the Department of the Premier and Cabinet;
- (ii) full year impact of the operation of the new job classification structure for auditors introduced in 1983-84;
- (iii) some improvement in filling of vacancies; and
- (iv) the national wage case applicable from the 14 April 1985.

### **3. Electronic Data Processing Expenses**

Increased expenditure over the 1983-84 figure was due to several factors:

- (i) increased use of Government Computing Service processing facilities for both administrative and audit purposes;
- (ii) an increase in the scope of E.D.P. applications for audit purposes; and
- (iii) the introduction of an in-house microcomputer network and associated software.

Expenditure for the year was below budget as the utilisation of E.D.P. facilities was less than anticipated and savings were achieved in the use of outside consultants.

### **4. Contract Auditing**

The restructuring of the water industry has resulted in an increase in expenditure over the 1983-84 figure. Additional

audits were performed during the year to enable the former Waterworks Trusts to be audited to the date of restructure.

Payments made to agents were below the budgeted figure as delays by some water bodies in finalising financial statements resulted in audits planned for 1984-85 still being unallocated at 30 June 1985.

**APPENDIX I**

**New and Revised Audit  
Responsibilities**

**Authority**

Department of Industry, Technology and Resources	Machinery of Government Changes March 1985
Department of Employment and Industrial Affairs	Machinery of Government Changes March 1985
Department of Community Services	Machinery of Government Changes March 1985
Department of Agriculture and Rural Affairs	Machinery of Government Changes March 1985
Department of Sport and Recreation	Machinery of Government Changes March 1985
Penguin Reserve Committee of Management	Crown Land Reserve Act 1978 Order in Council 5.3.85
Broadmeadows College of TAFE	Post-Secondary Education Act 1978 (constituted 18.10.84)
Outer Eastern College of TAFE	Post-Secondary Education Act 1978 (constituted 18.10.84)
Flagstaff College of TAFE	Post-Secondary Education Act 1978 (formerly Melbourne Technical College of Hairdressing)
Coal Corporation of Victoria	SEC (Coal Corporation of Victoria) Act 1984 (Act 10145) operative 1.1.85
Law Reform Commission	Law Reform Commission Act 1984 (Act 10131) operative 4.12.84
Deakin Institute for Studies) in Education Limited ) ) Durac Limited ) ) Deakin University Foundation) Limited )	Companies formed under the authority of the Deakin University (Amendment) Act 1984 (Act 10110)
57 Water Boards ) 13 Municipalities (water ) and sewerage functions ) only) )	Restructuring of water industry in accordance with Water and Sewerage Authority (Restructuring) Act 1983

**Audits for which the Office is  
No Longer Responsible**

**Reason for Removal of  
Audit Responsibility**

Department of Minerals and Energy	Absorbed into new Department of Industry, Technology and Resources
Department of Industry, Commerce and Technology	Absorbed into new Department of Industry, Technology and Resources
Ministry for Employment and Training	Absorbed into new Department of Employment and Industrial Affairs
Department of Community Welfare Services	Replaced by new Department of Community Services
Department of Agriculture	Absorbed into new Department of Agriculture and Rural Affairs
Department of Youth, Sport and Recreation	Replaced by new Department of Sport and Recreation
Ministry of Industrial Affairs	Absorbed into new Department of Employment and Industrial Affairs
Department of Labour and Industry	Absorbed into new Department of Employment and Industrial Affairs
Country Grain Handling Improvement Authority	Authority abolished (Act 10049)
Geelong Grain Handling Improvement Authority	Authority abolished (Act 10049)
Portland Grain Handling Improvement Authority	Authority abolished (Act 10049)
Victorian Brown Coal Council	Replaced by Coal Corporation of Victoria from 1.1.85
Melbourne Technical College of Hairdressing	Changed to Flagstaff College of TAFE from 1.1.84
Whitehorse College of TAFE	Amalgamated with Box Hill College of TAFE from 1.2.84
87 Waterworks Trusts	Amalgamated with water authorities created under the Water and Sewerage Authorities (Restructuring) Act 1983

## Summary of Main Professional Development Courses - 1984-85

<u>Course</u>	<u>Held</u>	<u>Duration</u>	<u>Presenters</u>	<u>Number of Person-Days Training</u>
. Introduction to Microcomputers and Software Packages (9 courses)	Nov-Dec 1984	1/2 to 2 day courses	Office staff/external consultants	186
. Audit Seniors Development	Nov 1984	3 days	External consultant	39
. Comprehensive Audit Debriefing	Dec 1984	1 day	Office staff and representative of private accounting firm	55
. Induction	Jan 1985	4 days	Office staff and representative of Victorian Public Service Association	68
. Advanced EDP Auditing # 1	Feb 1985	15 days (including project work)	Office staff/external consultants	180
. Advanced EDP Auditing # 2	Feb 1985	15 days (including project work)	Office staff/external consultants	7
. Legislative Interpretation	Mar 1985	1/2 day	Representative of Parliamentary Counsel	7
. Systems Based Audit #1	Mar 1985	4 days	Office staff (Audit Manager, Audit Supervisor)	56
. Systems Based Audit #2	Mar 1985	4 days	Office staff (Audit Manager, Audit Supervisor)	72
. Audit Supervisors Development	Apr 1985	3 days	External consultant	72

<u>Course</u>	<u>Held</u>	<u>Duration</u>	<u>Presenters</u>	<u>Number of Person Days Training</u>
• Effective Communication	Apr 1985	1 day	Office staff/external consultant	14
• Induction Follow-up	Apr 1985	4 days	Office staff (Audit Manager, Audit Supervisor)	64
• Comprehensive Audit #1	Apr 1985	2 days	Office staff	32
• Comprehensive Audit #2	Apr 1985	2 days	Office staff	36
• Report Writing #1	May 1985	1 day	External consultant	20
• Report Writing #2	May 1985	1 day	External consultant	20
• Value for Money Seminar	May 1985	2 days	Office staff/Mr. C. Potts of Canadian Comprehensive Auditing Foundation	74
• Introduction to EDP Auditing	May 1985	5 days	Office staff	65
• Senior Management Discussion Sessions	Monthly	2 hours	Office staff and external guest speakers	12 per month



**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED**  
**30 JUNE 1985**

**OFFICE OF THE AUDITOR GENERAL**

SUMMARY OF RECEIPTS AND PAYMENTS FOR THE YEAR ENDED 30 JUNE 1985

**RECEIPTS - Consolidated Fund**

	<u>1983-84</u>	<u>1984-85</u>
	\$	\$
PROGRAM - OFFICE OF THE AUDITOR-GENERAL	1 215 882	1 600 220
	<hr/>	<hr/>
TOTAL RECEIPTS	1 215 882	1 600 220
	<hr/>	<hr/>

**PAYMENTS - Appropriations  
Consolidated Fund**

		<u>SPECIAL</u>	<u>ANNUAL</u>	
		<u>1984-85</u>	<u>1984-85</u>	
		\$	\$	
PROGRAM - OFFICE OF THE AUDITOR-GENERAL	4 437 885	78 943	5 310 601	5 389 544
	<hr/>			<hr/>
TOTAL PAYMENTS	4 437 885			5 389 544
	<hr/>			<hr/>

**OFFICE OF THE AUDITOR-GENERAL**

PUBLIC ACCOUNT PROGRAM RECEIPTS AND PAYMENTS  
FOR THE YEAR ENDED 30 JUNE 1985

<u>Ref</u> <b>RECEIPTS</b>	<u>ACTUAL</u> <u>1983-84</u> \$	<u>NOTES</u>	<u>BUDGET</u> <u>1984-85</u> \$	<u>ACTUAL</u> <u>1984-85</u> \$
1. Fees and Charges	1 210 373		-	1 597 587
Minor Receipts	5 509	(g)	-	2 633
	<hr/>		<hr/>	<hr/>
TOTAL PROGRAM RECEIPTS	1 215 882		-	1 600 220
	<hr/>		<hr/>	<hr/>
 <b>PAYMENTS</b>				
<b>Special Appropriations</b>				
Salaries and Allowances	<u>74 478</u>	(h)	<u>78 650</u>	<u>78 943</u>
 <b>Annual Appropriations</b>				
<u>Recurrent Expenditure</u>				
2. Salaries and Associated Costs	3 889 560	(i)	4 637 000	4 644 929
Operating Expenses				
Administrative Expenses	202 899	(j)	248 450	240 747
3. Electronic Data Processing Expenses	30 000		95 500	71 967
Other Recurrent Services				
Consultants & Special Projects	37 636		31 000	22 873
4. Contract Auditing	200 270		420 000	326 406
Non-recurring Item	3 042	(k)	-	-
	<hr/>		<hr/>	<hr/>
Total Recurrent Expenditure	4 363 407		5 431 950	5 306 922
	<hr/>		<hr/>	<hr/>
<u>Works and Services Expenditure</u>				
Minor Activities				
- E.D.P. Facilities	-		<u>7 000</u>	<u>3 679</u>
TOTAL PROGRAM PAYMENTS	4 437 885			5 389 544
	<hr/>			<hr/>

**OFFICE OF THE AUDITOR-GENERAL**

**APPENDIX A**

SUPPLEMENTARY INFORMATION AND STATEMENT OF BALANCES  
AS AT 30 JUNE 1985

Payments from Appropriations of Other Departments. As at 30 June 1985 - Nil

Resources Received and Provided Free of Charge. As at 30 June 1985 - Nil

Cash and Investment Balances. At 30 June 1985 the Office Advance Account, being an account outside the Public Account, held a balance of \$1 436 (1984, \$2 708) representing the unexpended component of an advance from the Public Account of \$9 250 (1984, \$3 500) approved by the Treasurer for carry-over to 1985-86.

Debtors. Total amount outstanding as at 30 June 1985 was \$51 206. This amount is made up of the following:

	<u>1983-84</u>	<u>1984-85</u>
	\$	\$
Outstanding audit fees	198 188	48 087
Recoup of Salary and related payments	-	3 022
Recoup of Personal Expenses	-	97
	198 188	51 206

General Stores on Hand. As at 30 June 1985 - Nil (1984, Nil)

Creditors. As at 30 June 1985 the following amounts were outstanding:

	<u>1983-84</u>	<u>1984-85</u>
	\$	\$
General Expenses	8 496	12 842
Personal Expenses	318	104
	8 814	12 946

Capital Commitments. As at 30 June 1985 - Nil (1984, Nil)

Leasing Commitments. As at 30 June 1985 - Nil (1984, Nil)

Balance Outstanding on Loans. As at 30 June 1985 - Nil (1984, Nil)

# OFFICE OF THE AUDITOR-GENERAL

## NOTES TO THE FINANCIAL STATEMENTS

- (a) The financial statements of the Office have been prepared on the basis that the transactions of the Public Account are reported on a cash basis with the exception of payments for salaries which are reported on an accrual basis.
- (b) The financial details provided in Appendix A to the financial statements relate to transactions outside the Public Account.
- (c) The financial statements specify only identifiable direct costs and do not reflect the total cost of the Office operations. The statements do not include amounts paid on behalf of the Office by other administrative units such as the payments by the Department of Management and Budget for superannuation and workers' compensation and by the Public Works Department for rent, cleaning and telephone services.
- (d) A reference in the financial statements to a "Budget" figure means:
- (i) in the case of a special appropriation, the amount included in the Estimates in respect of that appropriation; and
  - (ii) in the case of an annual appropriation, the amount provided in the Estimates to be appropriated by the relevant Annual Appropriation Act.
- (e) A reference in the financial statements to an "Actual" figure means the payments actually made by the Office in respect of the item to which it refers.
- (f) The receipts and payments set out in the financial statements include receipts and payments which come within the overall responsibility of the Office whether or not they have been collected or paid by the Office.

### Receipts

- (g) The "Minor Receipts" figure of \$2 633 is made up of the following amounts:

	<u>1983-84</u>	<u>1984-85</u>
	\$	\$
Appropriations of Former Years	4 889	1 740
Commission on Group Assurance	332	382
Deductions		
Commission on Hospital and	260	217
Medical Deductions		
Small Amounts paid in	28	294

Special Appropriation

- (h) The Auditor-General's salary is specially appropriated by Parliament in accordance with Section 4 (3) of the Audit Act 1958.

Recurrent Expenditure

- (i) The "Salaries and Associated Costs" figure is made up of the following amounts:

	<u>1983-84</u>	<u>1984-85</u>
	\$	\$
Salaries and Allowances	3 786 853	4 314 256
Overtime and penalty rates	7 076	3 722
Payments in lieu of long service leave	95 631	66 362
Payroll Tax	-	260 589

- (j) The "Administrative Expenses" figure is made up of the following:

	<u>1983-84</u>	<u>1984-85</u>
	\$	\$
Travelling and subsistence	63 102	73 380
Office requisites and equipment, printing and stationery	53 697	76 704
Books and publications	7 799	10 360
Postal and telephone expenses	4 196	5 040
Motor vehicles - purchase and running expenses	24 960	18 087
Incidental expenses	49 145	57 176

- (k) The "Non-recurring Item" relates to Cadetship - Fees and Allowances. This program was phased out during the 1983-84 financial year.

CERTIFICATION

Statement by Chief Administrator and  
Principal Accounting Officer

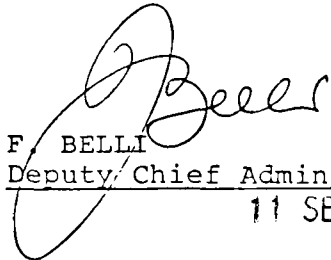
We certify that the financial statements of the Office of the Auditor-General have been prepared in accordance with Section 11 of the Annual Reporting Act 1983 and the Annual Reporting (Administrative Units) Regulations 1985.

In our opinion the information set out in the financial statements presents fairly the receipts of and payments made by, on behalf of or falling within the policy responsibility of the Office of the Auditor-General for the year ended 30 June 1985 and of the supplementary information and Statement of Balances at the end of the year.



C. W. JONES  
Principal Accounting Officer

11 SEP 1985



F. BELLI  
Deputy Chief Administrator

11 SEP 1985

AUDITOR-GENERAL'S REPORT

The accompanying financial statements of the Office of the Auditor-General comprising a summary of receipts and payments, a statement of Public Account program receipts and payments relating to that department and appendices and notes to the financial statements have been audited as required by Section 12 of the Annual Reporting Act 1983 and in accordance with Australian Auditing Standards.

In my opinion, the financial statements have been properly drawn up in accordance with the Annual Reporting (Administrative Units) Regulations 1985, as prescribed under the Annual Reporting Act 1983, and present fairly the financial transactions of the Office of the Auditor-General for the year ended 30 June 1985.

MELBOURNE  
12 SEP 1985



B. J. WALDRON  
Auditor-General