


# ANNUAL REPORT 1989



*Audit Victoria*

OFFICE OF THE AUDITOR-GENERAL OF VICTORIA

# OFFICE OF THE AUDITOR - GENERAL

## AT A GLANCE

### OFFICE OBJECTIVE

The principal objective of the Office is to provide assurances to the Parliament and the public on the financial affairs of the Government of Victoria, and to promote and encourage the development of sound financial and resource management in the Victorian public sector.

### PRINCIPAL LEGISLATION

The *Audit Act* 1958 is the main legislation governing the work of the Office.

### AUDIT RESPONSIBILITIES

The Office is responsible for the audit of 550 organisations covering:

- ◆ Parliament;
- ◆ government departments;
- ◆ public bodies;
- ◆ post-secondary educational institutions;
- ◆ public hospitals and ambulance services; and
- ◆ local water and sewerage authorities.

### AUDIT OPERATIONS

- ◆ audits completed during 1988-89 : 481
- ◆ potential savings from cost reductions and improvements in revenue collection identified by audit during the year exceeded \$16 million

### STAFF

- ◆ Average for year - : 154
  - ◆ Males : 99
  - ◆ Females : 55
- ◆ Number of agents engaged : 85

### FINANCIAL RESULTS

- ◆ net cost of operations : \$4.6 million, 1988-89, (\$4.2m, 1987-88)
- ◆ fee revenue : \$4.9 million, 1988-89, (\$3.6m, 1987-88)
- ◆ the cost of auditing the State is 7 cents per \$1 000 of transactions

**VICTORIA**

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**ANNUAL REPORT**

of the

**OFFICE OF THE  
AUDITOR - GENERAL**

for the year ended 30 June 1989

Prepared in accordance with the  
*Annual Reporting Act 1983.*

MELBOURNE  
JEAN GORDON, GOVERNMENT PRINTER  
1989



October 1989

The Hon. J. Cain, M.P.  
Premier of Victoria  
1 Treasury Place  
Melbourne, Vic. 3002

Dear Mr Cain

**Annual Report of the Office of the Auditor-General  
for the year ended 30 June 1989**

As required by section 8 of the *Annual Reporting Act* 1983, I enclose the report of the operations and audited financial statements of the Office of the Auditor-General for the year ended 30 June 1989.

Yours sincerely

  
C.A. BARAGWANATH  
Auditor-General

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**OFFICE OF THE  
AUDITOR-GENERAL  
OF VICTORIA**

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1 Macarthur Street, Melbourne, Vic. 3002  
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**"PRODUCTIVITY THROUGH PROFESSIONALISM"**

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## ACHIEVEMENTS DURING 1988-89

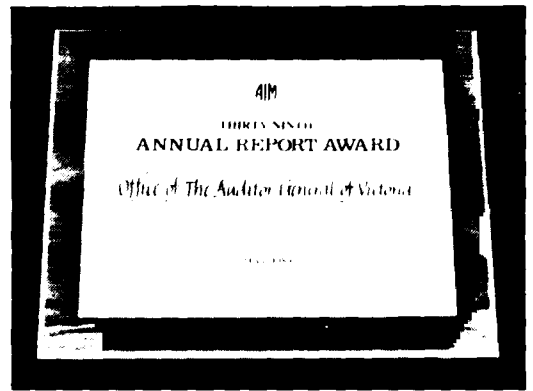


I am pleased to report that the year has again been a successful and progressive one. It has seen the on-going commitment by my Office to improve the efficiency, effectiveness and accountability of the Victorian public sector; a sector which is responsible for spending in excess of \$30 000 million each year in providing a wide range of services to Victorians.

The following achievements highlight positive steps taken during the year to improve the operations of the Office, as well as enhancing the delivery of services to Parliament, government and the public of Victoria:


- ◆ Amendments to outmoded audit legislation to be introduced in the 1989 Spring Session of Parliament.
- ◆ Audits of annual financial statements completed during the year totalled 481 - an increase of 36 per cent over the previous year.
- ◆ Six reports tabled in Parliament.

- ◆ On an accrual basis, the cost of auditing the State was 7 cents per \$1 000 of transactions.
- ◆ Increase of 41 per cent in audit fee revenue to the Office.
- ◆ Ongoing expansion of contract auditing arrangements with private practitioners.
- ◆ Acknowledgement of high standard of excellence in annual reporting.



- ◆ Successful implementation of the on-line version of the Audit Management Information System.
- ◆ Audit methodology of the Office now encompasses risk-based auditing modules.
- ◆ Incorporation of a Mentor Scheme in the orientation program for new audit staff.

The achievements over the past year are a reflection of the quality, commitment and dedication of all operational and support staff in the Office. Their enthusiastic and professional approach has enabled the Office to be at the forefront of developments in public sector auditing in Australia as well as achieving international recognition. I wish to express my sincere appreciation for their efforts during the year.

  
C.A. BARAGWANATH  
Auditor-General

# OFFICE OF THE AUDITOR - GENERAL

## INTRODUCTION

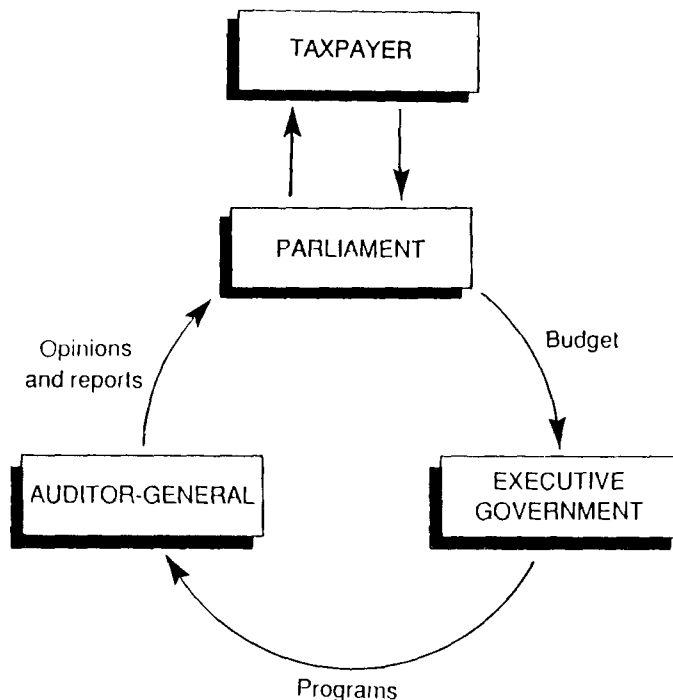
This report describes the functions and operations of the Office of the Auditor-General and presents the audited financial statements of the Office for the year ended 30 June 1989. The report focuses on matters relating to the organisation and management of resources available to the Auditor-General during the year, and is submitted to Parliament under section 8 of the *Annual Reporting Act 1983*.

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## MISSION OF THE OFFICE

The Auditor-General is responsible for the external audit of the financial affairs and activities of government. Unlike other chief administrators, the Auditor-General is not subject to ministerial direction and reports directly to Parliament.

The Office of the Auditor-General is the machinery by which the legislative functions of the Auditor-General are carried out in Victoria. The Office therefore plays an important role in the accountability of the Executive Government to Parliament and in enhancing resource management in the Victorian public sector.





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Within this framework, the mission of the Office is:

- ◆ To support the Auditor-General in providing independent and objective analysis, evaluation and opinions to Parliament and the Executive Government. This information is designed to assist Parliament and the Executive Government to assess the financial performance of public entities in terms of:
  - fair presentation of financial statements;
  - adherence to legal and other requirements; and
  - maintenance of management procedures and systems to achieve economy and efficiency in the management of public resources, as well as achieving effectiveness in implementing government programs.
- ◆ To promote and encourage the development of sound financial and resource management in the public sector by providing professional external audit services to its auditees.

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## LEGISLATION GOVERNING THE WORK OF THE OFFICE

The *Audit Act* 1958 is currently the principal statute relating to the appointment, tenure, duties, responsibilities and powers of the Auditor-General, and is the main legislation governing the work of the Office. Other provisions affecting the role and functions of the Office of the Auditor-General are contained in the *Public Account Act* 1958, the *Constitution Act* 1975, the *Annual Reporting Act* 1983 and the various enabling Acts establishing public bodies.

In 1985, the Treasurer announced that a review of the State's financial legislation, including the *Audit Act*, would be undertaken. The review aimed to introduce a new legislative framework to the Parliament in 1986. Current developments on this issue are contained on pages 14-16.

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## WHAT IS THE SCOPE OF AUDIT ACTIVITIES?

### Areas of operation

In Victoria, public sector activities are divided into 2 main areas of operation, generally referred to as the *budget* and *non-budget* sectors:

- ◆ The *budget* sector includes all departments of the State. These are financed by annual and 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; and
- ◆ The *non-budget* sector comprises a large number of public bodies, many of which are established by separate legislation. These bodies have greater financial autonomy than departments, are not generally funded by parliamentary appropriations and are not subject to budgetary controls by the Department of Management and Budget.

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The majority of work carried out by the Office is now conducted under the authority of the Annual Reporting Act which was adopted in 1983 as a means of ensuring that all agencies report to the Parliament. It is the intention of the Government that all agencies will eventually be included within its ambit.

### **What are the audit responsibilities of the Office?**

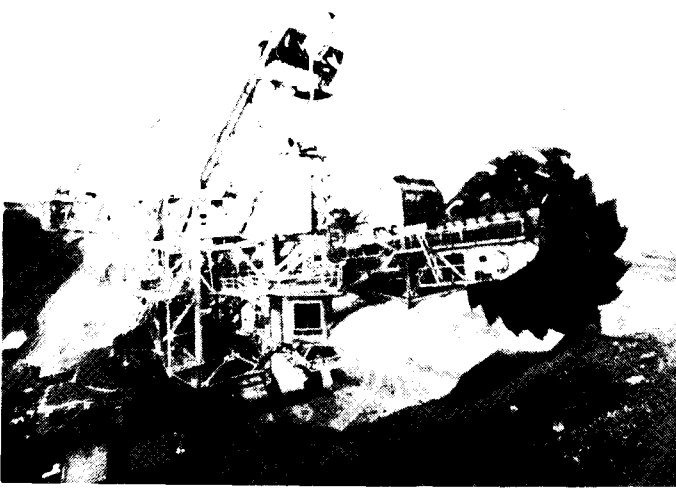
At 30 June 1989, the Auditor-General had specific responsibilities for 550 audits as follows:

- ◆ 26 administrative units declared to be departments to which the provisions of the *Annual Reporting Act* 1983 apply, and the accounts of Parliament. The audit of departments includes branches and regional district offices located throughout Victoria;
- ◆ 21 superannuation funds of which 12 are administered by public bodies declared under the *Annual Reporting Act* 1983 and 9 are not subject to the Act;
- ◆ 122 public bodies of which 64 have been declared under the *Annual Reporting Act* 1983 and 58 which have their reporting and auditing requirements prescribed by individual statutes;
- ◆ 16 companies and joint ventures;
- ◆ 50 post-secondary educational institutions comprising universities and associated companies, colleges of advanced education, and technical and further education colleges;
- ◆ 145 public hospitals and State-funded nursing homes; and
- ◆ 169 local water and sewerage authorities comprising water boards, municipalities, river improvement/drainage trusts and river management boards.

In addition, the Office is responsible for the provision of audited statements to the Commonwealth in respect of special purpose grants to the State.

The Auditor-General is not responsible for the audit of local government bodies, the State Bank or its subsidiaries, although in terms of the *State Bank Act* 1988, the Auditor-General is required to approve the appointment of the auditors recommended by the Board of the Bank.

A complete list of audit responsibilities at 30 June 1989 is provided in Appendix 1 and a list of changes in audit responsibilities during 1988-89 is contained in Appendix 2.

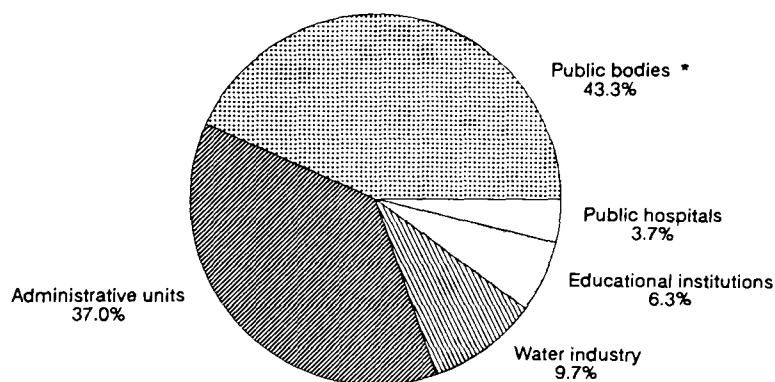


*The Office is responsible for auditing a wide range of services provided by government.*

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The chart below indicates the percentage of audit time devoted during 1988-89 to the various audit areas for which the Auditor-General has responsibility.

**AUDIT TIME, 1988-89**



\* Includes government business undertakings, superannuation funds, and companies and joint ventures.

### What process is followed in an audit?

To assist the Auditor-General in carrying out his statutory audit responsibilities, the Office has adopted the audit process generally described as "*comprehensive auditing*". This term is descriptive of an approach to the overall audit task, rather than a type of audit in its own right. The comprehensive audit process involves:

- ◆ the attestation of financial statements;
- ◆ an examination of compliance with legal and administrative regulation; and
- ◆ an assessment of the economy, efficiency and effectiveness of auditee operations.

The comprehensive audit approach does not mean that at each and every audit there is a comprehensive examination of the total operations of an auditee. Rather, in the course of each audit cycle the Office examines carefully selected segments of an auditee's operations against the whole range of criteria determined by environmental factors, audit risk and materiality.

With the need to focus more audit attention on issues having direct impact on the adequacy of resource management in the public sector, the Office has recently taken steps to incorporate greater risk considerations in its audit approach.

From the audit process the Auditor-General provides Parliament and ultimately the taxpayer with the information needed 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 ensure economy, efficiency and effectiveness of operations.

*"Information is the linchpin of the political process. Knowledge is, quite literally, power. If the public is not informed, it cannot take part in the political process with any real effect."*

*"... without information there can be no accountability".*

*Tony Fitzgerald, Q.C.  
July 1989*

In addition to informing Parliament, reviews of management systems provide independent assessments and constructive suggestions to auditees to enable them to enhance financial and resource management, and improve accountability within the public sector.

### **What is the output of the Office?**

The output of the Office consists of:

- ◆ Annual audit reports and management letters to auditee organisations, drawing attention to observations arising from the audit together with appropriate recommendations. Copies of annual audit reports are also forwarded to the Treasurer and the responsible Minister;
- ◆ Audit reports containing the opinions of the Auditor-General on financial statements, which are published within auditees' annual reports with the financial statements to which they refer;
- ◆ Audit reports to the Commonwealth Government on expenditure of various funds provided by the Commonwealth to the State; and
- ◆ Presentation of Auditor-General's reports to Parliament summarising the most significant issues raised during the year. These reports contain comments arising from the audits undertaken, or on special matters which the Auditor-General thinks fit to report. A description of the reports tabled in Parliament by the Auditor-General during the year is provided on pages 16-19. A list of reports tabled since 1984-85, together with a subject index of special interest items, is contained in Appendix 5.

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## HOW IS THE OFFICE ORGANISED TO CARRY OUT ITS FUNCTIONS?

### Office Executive

The Office Executive comprises the Assistant Auditor-General who is responsible for the overall management of the Office, and 4 Chief Directors of Audit. They are responsible for advising the Auditor-General on policy issues and for the overall planning and co-ordination of Office operations.



*From left to right: Graham Hamilton, Joe Manders, Ches Baragwanath, Russell Walker, Flav Belli and John Kehoe.*

#### **CHES BARAGWANATH**

*Auditor-General*

FASA, CPA

Appointed: 1988

#### **FLAV BELLI**

*Assistant Auditor-General*

FASA, CPA, RCA

Appointed: 1984

#### **RUSSELL WALKER**

*Chief Director of Audit (Group 1)*

AASA (Snr) (Auditing)

Appointed: 1987

#### **GRAHAM HAMILTON**

*Chief Director of Audit (Group 2)*

AASA, RCA

Appointed: 1983

#### **JOE MANDERS**

*Chief Director of Audit (Group 3)*

AASA, CPA (Auditing), RCA

Appointed: 1989

#### **JOHN KEHOE**

*Chief Director of Audit (Group 4)*

AASA, CPA

Appointed: 1989

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The Auditor-General is also assisted in his operations by:

- ◆ the External Policy and Practices Advisory Panel which comprises representatives from accounting firms and the Australian Accounting Research Foundation. The Panel provides independent, expert advice on a broad range of financial policy and operational issues;
- ◆ the Internal Operations Review Unit which carries out an internal audit and review function; and
- ◆ the Executive Support Unit which provides policy, research and administrative assistance.

## **Group and divisional structure**

### *Field audit operations*

As shown in the organisation chart on page 11, field audit operations are carried out within 4 Groups. Each Group is under the management of a Chief Director of Audit who operates under broad policy guidelines and is responsible for day-to-day operations. The Groups contain operational audit divisions and in some cases special project and operational support divisions, each of which is headed by a Director.

Each of the operational audit divisions has a diverse range of audits which cover activities of departments and public bodies, with the allocation of audits to divisions being made on the basis of Ministerial responsibility. A list of the main audit responsibilities of each division is contained in the organisation chart.

### *Support areas*

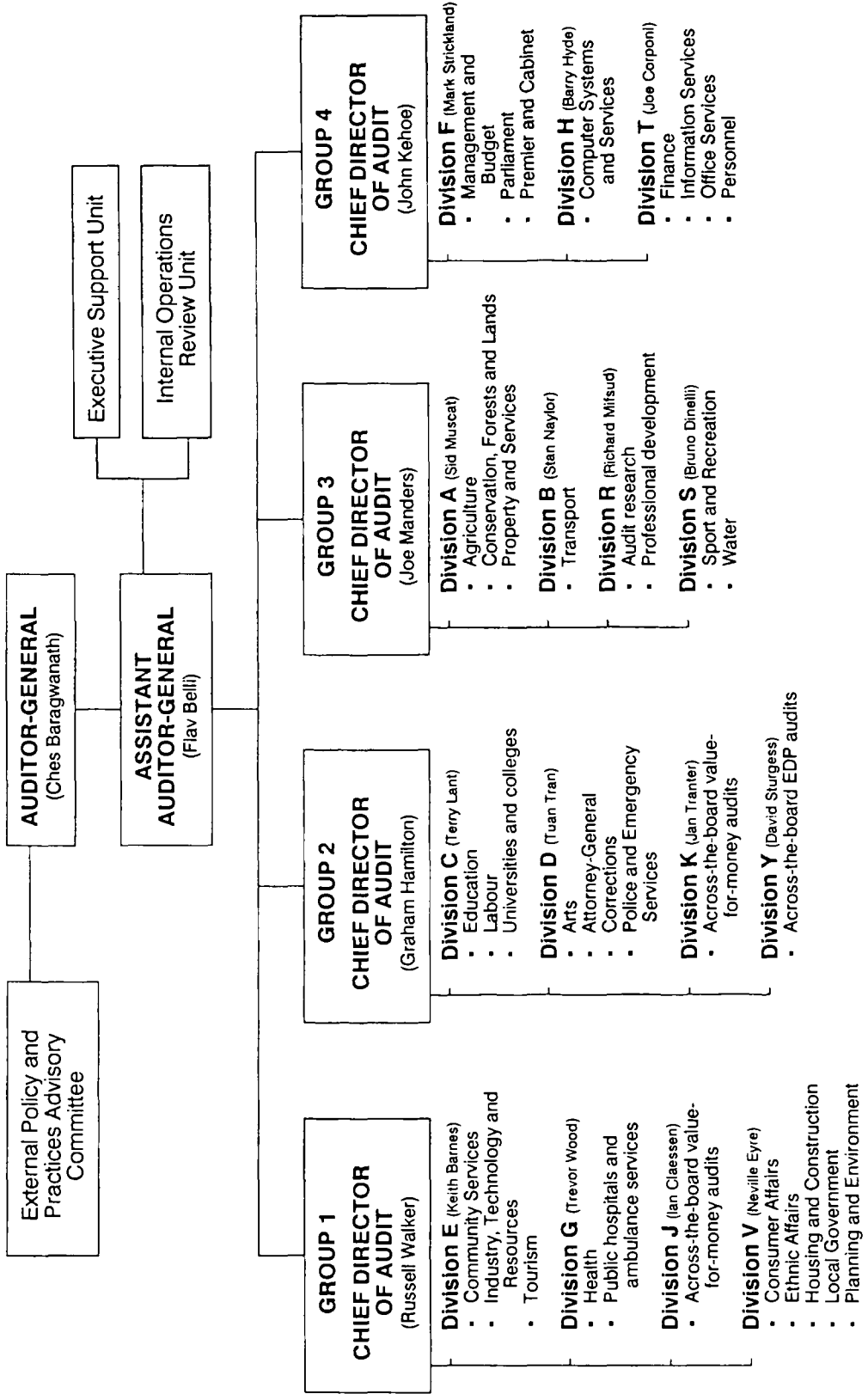
*Special Projects Divisions* are responsible for conducting and co-ordinating across-the-board audit assignments and provide technical advice and training to Office staff on the value-for-money component of the operational audit. An EDP Audit Division is responsible for co-ordinating computer audits within operational divisions.

*A Research and Professional Development Division* is responsible for training staff in both audit management and practice, and for providing technical advice and consultancy assistance to audit staff on accounting and auditing matters. This Division also undertakes research on developments in accounting and auditing theory and practice relating to the public sector, develops Office practices and standards, and liaises with parliamentary committees on other external matters affecting the Office.

*A Computer Systems and Services Division* provides consultative and technical support to the Office on all matters dealing with information technology. It is responsible for implementation of the Office Information Technology Strategic Plan which involves both administrative and professional computing systems. The Division also monitors technology developments relevant to the Office, provides day-to-day operational support for current computing systems, and develops and encourages the use of specialised and generalised computer-based audit tools.

*A Corporate Services Division* provides a range of support services including personnel, recruitment, office accommodation, accounting and financial management, registry, and stores and transport. The Division is also responsible for co-ordinating the preparation of Auditor-General's reports to Parliament and administrates the Office's library and reference services.

# OFFICE OF THE AUDITOR - GENERAL OF VICTORIA

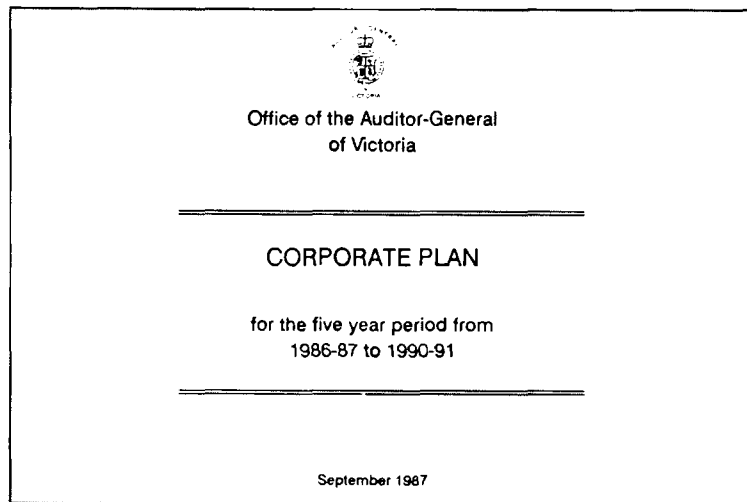




# ACHIEVEMENT OF CORPORATE OBJECTIVES

## CORPORATE PLAN

The Office of the Auditor-General is conscious of the extensive changes in public sector financial management occurring in Victoria. Major developments in information technology, new legislative requirements for financial and operational reporting, increasing complexity and sophistication of government financial activities, and expectations of the community for delivery of new and improved services by government in a resource-restrained climate, are among the factors which characterise the current financial management and accountability environment.



In 1987, a Corporate Plan was adopted to identify a number of strategic issues facing the Office over the 5 year period 1986-87 to 1990-91, and the best strategies to deal with those issues. The Plan identifies 4 key strategic issues under which several goals, strategies and action targets have been developed to guide the activities of the Office. The 4 key strategic issues are:

- (1) Services to Parliament, Executive Government and auditees;
- (2) Audit methodology;
- (3) Information technology; and
- (4) Resource management.

Throughout the year, regular reviews are carried out to allow the Office Executive to monitor progress against stated goals. The reviews provide valuable information which will be used in formulating future 5 year plans. As the current plan is now in the fourth year of its 5 year life cycle, planning has commenced on designing objectives, targets and performance indicators to carry the Office through the next 5 year period, 1991-92 to 1996-97.

Office operations this year centred on the continuing implementation of the Corporate Plan. A review of the Office's achievements in implementing the Plan during 1988-89 follows.

## STRATEGIC ISSUE NO. 1

### SERVICES TO PARLIAMENT, EXECUTIVE GOVERNMENT AND AUDITEES

#### Goals:

- ◆ *To review the legislative framework for the operation of the Office to ensure that it is consistent with the independent role of the Auditor-General and with current philosophy on financial management for the public sector.*
- ◆ *To maximise the usefulness of the role of the Auditor-General to Parliament and the Executive in carrying out their respective responsibilities for the direction and management of the State's financial operations.*
- ◆ *To develop strong and harmonious working relationships with auditees.*
- ◆ *To contribute to the enhancement of financial management practices in public sector organisations.*

## LEGISLATIVE FRAMEWORK

In response to the Government's objective of reforming the State's resource management and accountability legislation, the Office drafted provisions for a revised Audit Act, which were submitted to the Treasurer late in 1986. The draft legislation aimed to:

- ◆ remove many outmoded audit requirements which have been entrenched in the Audit Act since early this century;
- ◆ enhance financial and resource management in the Victorian public sector by more clearly defining the Auditor-General's responsibilities in the provision of professional audit services; and
- ◆ upgrade the Office's functions and structure consistent with world-wide trends in public sector auditing.

In each of the 3 years since then, Auditor-General's reports have expressed concern that amendments to the current audit legislation had still not been introduced to Parliament.

The urgency and importance of updating the current audit legislation was demonstrated on 22 March 1989 when the Speaker of the Legislative Assembly declined to table a report of the Auditor-General. The Speaker expressed doubts as to the power of the Auditor-General to undertake value-for-money audits and he consequently sought a legal opinion on his responsibility to table Auditor-General's reports. The events surrounding the tabling were widely reported in the media.

Although the report was subsequently tabled that day (after lengthy debate and in advance of the legal opinion being received), the legal opinion provided by the Solicitor-General to the Speaker in April 1989 argued that the Auditor-General's responsibility was limited to financial and compliance aspects. The opinion also expressed uncertainty about the Auditor-General conducting and reporting to Parliament on audit operations dealing with efficiency and effectiveness matters.

Responding to the Solicitor-General's opinion, the Auditor-General maintained that the common law concept of public sector auditing, embodied in the Westminster convention, expected an Auditor-General to address issues of waste and extravagance of public moneys, otherwise referred to as "value-for-money" auditing and to report on such issues to the Parliament. Further, the Auditor-General stated that it is widely acknowledged that the Office, through its professional approach and reports on value-for-money audits, has contributed substantially to the State of Victoria being recognised not only in Australia but internationally as being committed to the principle that public accountability is a key prerequisite to effective resource management.

## The Herald

Thursday, May 4, 1989

### A problem of speaking up

What should we believe? Should we accept the explanation given by the Speaker of the Victorian Parliament Dr Coghill that his request for advance copies of reports potentially damaging to the Government is entirely innocent, and motivated by a principled concern for the exclusion of legislation? Or should we believe the Auditor-General Mr Chris Baragwanath who felt compelled to warn the leaders of the Liberal and National Parties that Dr Coghill was in his view attempting to impinge on his independence, censor his reports, and curtail the future operations of his office by threatening budget cuts?

A look at the facts. On March 22 this year a special inquiry by the auditor general into industry assistance (namely the Victorian Economic Development Corporation debate) was to be tabled in Parliament. For about six hours Dr Coghill withheld the document, arguing its contents ran in questions of efficiency and effectiveness (known as value for money inquiries) which were not covered by the Audit Act. The report when finally tabled contained further embarrassing detail on the VEDC disaster which even the Ryan report had not revealed. Dr Coghill subsequently obtained legal advice from the Solicitor General Harrold Berkeley that the Audit Act

did not authorise value for money inquiries. At this point, Dr Coghill could quite properly have advised the State Government and the Opposition of the difficulty Mr Cain could then have chosen to clarify the legislation with the Opposition's co-operation to allow Mr Baragwanath to continue his work unimpeded. Or he could have taken this action independently having realised at least in March this year that a problem existed. It did not. Instead, Dr Coghill advised Mr Baragwanath that in future he wanted to see advance copies of the auditor general's reports so he could judge whether they included value for money issues — in other words anything touched on the efficiency or effectiveness of government actions. If they did, Dr Coghill would withhold the illegal section.

The Government maintains Dr Coghill acted entirely properly. In the strict technical sense this is true, overlooking the alarming political implications of a Speaker from the same party intervening in a way which could so easily be construed as shielding the Government's actions from public gaze. Any legal dilemma over the ambit of the auditor general's work is not new. A government acting in the interests of unimpeded public scrutiny should have taken the initiative.

## THE AGE

### EDITORIAL OPINION

Thursday 11 May 1989

### Auditor proves his worth

ANY doubt about the worth of the Victorian auditor general Mr Chris Baragwanath as the taxpayers' watchdog should have been dispelled by his latest report. It noted that the WorkCare scheme would run out of money unless the levy was doubled, criticised police for a costly backlog of warrants, queried the financial viability of the National Tennis Centre, revealed a racket among a group of parking officers and exposed several other instances of financial mismanagement, extravagance or carelessness. Embarrassing though his reports must be to the Government, the auditor general's function — as should be — not only to keep officials honest but also to ensure that government is efficient. Although he is appointed by the Government, he is independent of the executive, and reports directly to Parliament.

It is disturbing therefore that the Speaker of the Legislative Assembly, Dr Coghill, should have challenged the scope of the auditor general's reports, preventing an angry response from Mr Baragwanath that Dr Coghill was trying to censor his comments, impinge on his independence and hinder his work. Dr Coghill's objection — and his proffered opinion from the solicitor general Mr Harrold Berkeley, QC — that the auditor general is limited by law to auditing financial accounts. According to Mr Berkeley, Mr Baragwanath would have advanced copies of his reports, and drew his attention to the solicitor general's opinion. That could give the unfortunate impression — particularly as Dr Coghill evidently acted on his own initiative — that the Speaker is trying to protect executive government from embarrassing disclosures.

Whether the auditor general's latest report conforms to Dr Coghill's view of his powers or to strict limitations of the Audit Act is not clear. Mr Baragwanath seems not to have been satisfied in previous that criticisms and warnings. His analysis of WorkCare, long known to be ailing, is particularly cogent. WorkCare was subject to a searching inquiry by a parliamentary committee, which submitted a long list of recommendations last August. Most of these have yet to be accepted and implemented. The auditor general's report adds weight and urgency to the need for reform of a well-known scheme that is proving to be too expensive and unsatisfactory to continue. The committee's recommendations have been increased to five per cent; the scheme will never be fully funded in accordance with Government policy. Unseen dramatic economies can be made. The Government has no choice but to break its election promise that the levy would not be increased.

If there are any legal doubts about the scope of the auditor general's powers, then they should be promptly resolved by amending the legislation to authorise him to make value for money audits where he deems them necessary. The Premier Mr Cain has acknowledged the necessity for such independent scrutiny. The Federal Parliament specifically amended its Act in 1979 to give the Australian Audit Office such explicit powers. Victoria should follow suit.

### New Accountant

MAY 18, 1989

Politicians cannot do it both ways. It has become peculiar on both sides of the political divide to promote the idea of decentralisation or privatisation. But the desire to be commercially oriented can have its drawbacks, as both the Victorian and Western Australian governments have learned the hard way.

The Victorian Government has suffered huge embarrassment over the VFL and VFC affairs and one of the main protagonists has been the state auditor general's Chris Baragwanath.

So far public criticism has come as no surprise when moves to stop the auditor general conducting efficiency audits surfaced.

Although a specific Victorian issue, there could be considerable impact on other states if the Victorian government successfully restricts the auditor general's field of operations because the legislation is similar in several states.

In one sense the Victorian debate may eventually clear away any doubts about the role and powers of public sector auditors. The section of the Victorian Audit Act that is under scrutiny says the auditor general in reports to parliament may make recommendations for the better collection and payment of public

and other moneys and control of stores. Baragwanath interprets the word "better" as requiring some form of comparative reporting to allow suggestions on how procedures and operations can be improved — hence the value for money audits.

The lawyers will decide whether his interpretation stands up but even a layman can see that the legislation could be written in a stronger, clearer way.

The legal opinion that the solicitor general Harrold Berkeley supplied to the Speaker, Dr Coghill, says that the auditor general has no function in regard to the auditing of efficiency and effectiveness.

If this legal opinion is followed the auditor general will be restricted to straightforward auditing of financial accounts. This strict legal view may well be the correct interpretation but Baragwanath argues strongly that the solicitor general's view takes no account of the common law concept of public sector auditing in terms of the Westminster convention that expects an auditor general to address issues of waste and extravagance of public moneys.

The issue of public interest has been notable by its absence from the debate so far.

This attempt to effectively neutralise impartial criticism of public sector operations has frightening undertones for a political system that has public accountability as one of its cornerstones.

The suggestion that a parliamentary spokesman will vet all reports from the auditor general is surely tantamount to that they contain no element of an efficiency audit or reprimand and is better suited to a script for New

Minister than serious government debate. The whole debate on the powers of the auditor general has or has not the strongest possible argument for a comprehensive review of the 100-year old Audit Act. The issue must be settled quickly.

That tosses the ball firmly back into the political court. If they really want the public service to be efficient and accountable then the politicians are the ones who are going to have to put the powers of the auditor general beyond challenge. They are also going to have to accept that every now and then the criticism is going to be used to make political bullets to fire in the government's direction.

It is to be hoped that in this case the politician can put short-term self-interest aside in favour of the greater public good.

Media editorials on debate over Auditor-General's power to conduct value-for-money audits, May 1989.

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A further issue also illustrated the urgent need to introduce amending legislation to update the existing Audit Act. In April 1989, audit staff were denied right of access to certain records maintained by the Comptroller of Stamps and the Commissioner of Taxation on the grounds of secrecy provisions contained in their enabling legislation. Although the Office's right of access had never been questioned in the past, the action taken by the Comptroller and Commissioner was later supported by legal advice provided by the Solicitor-General.

On 2 May 1989, the Premier gave an undertaking to the Parliament that he would consult with a range of people, including the Auditor-General, to determine "... the best method to be adopted to ensure that there is a capacity for the proper examination of efficiency and effectiveness by some independent authority".

On 2 October 1989, the Premier announced that amending legislation to update and clarify the Auditor-General's mandate and overcome problems regarding the secrecy provisions would be brought down in the 1989 Spring session of Parliament.

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## REPORTS OF THE AUDITOR-GENERAL

Part of the responsibility of Parliament and the Executive Government is to make decisions affecting the direction and management of the State's financial operations. The Auditor-General plays an important role in this process by providing independent and objective reports which contain information on the adequacy of public sector organisations' financial and resource management systems, and make suggestions for corrective action. It is the prerogative of Parliament and of the Executive Government to act on the Auditor-General's reports as they think fit.

In order to maximise the usefulness of the role of the Auditor-General in this process, progressive enhancements are made to the quality of format and content of Auditor-General's reports to Parliament. While continuing to report on traditional matters such as financial operations and legislative requirements, the scope of issues contained in the reports has been broadened to encompass resource management in the Victorian public sector.

Auditor-General's reports to Parliament are made available to the general public for purchase through the publications outlets of the Victorian Government Printing Office. Copies of these reports and of the *Office Annual Report* are also distributed by the Office to auditees, to government Audit Offices within Australia and in certain other countries, and to a number of other relevant organisations and interested persons.

### What reports were issued during the year?

The majority of reports of the Auditor-General are prepared under the authority of the *Audit Act* 1958 and are tabled in Parliament. During 1988-89, 6 reports were tabled.



### *First Report for the Year 1987-88*

Tabled in October 1988, this report accompanied the Treasurer's Statement and provided comment on the Statement together with matters of special interest concerning public sector resource management. Comments on matters of special interest arose from reviews conducted during the year and topics included:

- ◆ Enhancements to resource management;
- ◆ Risk management;
- ◆ Update on internal audit in the budget sector; and
- ◆ Engagement of consultants.

### *Annual Report of the Office of the Auditor-General, 1988*

An annual report of the Office was prepared for tabling by the Premier in October 1988 in accordance with the *Annual Reporting Act 1983*. It provided an overview of Office activities for the year, as well as incorporating the Office's audited financial statements prepared in accordance with generally accepted commercial practices.

The annual report of the Office does not include comments on, or references to, audit findings contained in the Auditor-General's reports to Parliament prepared under the *Audit Act 1958*.

### *Recognition of excellence in annual reporting*

During 1988-89 the Australian Institute of Management sponsored an Australia-wide Annual Report Award Scheme designed to encourage the meaningful presentation of information in annual reports. It also aimed to promote greater public awareness of an organisation's objectives, achievements, future plans, as well as providing information on financial operations and performance.

The Office entered its *1988 Annual Report* in the Institute's 39th Annual Report Award Scheme conducted during the year. The *Annual Report* was successful in achieving a high standard of excellence in annual reporting and was judged worthy of receiving a SILVER AWARD. The Award was presented in Sydney in May 1989.



*Annual Report Award -  
Displayed by the Office's  
editorial staff, John Olesky  
and Margaret Pawlik.*

### *Special Reports*

Special reports are issued periodically and provide comment on the findings of major audit reviews in departments and public bodies. Two special reports were issued during the year, namely:

- ◆ *Special Report No. 10 - Utilisation of Plant and Equipment and Youth Guarantee*

Tabled in Parliament in November 1988, this report covered the utilisation of plant and equipment within a number of public sector agencies, and the implementation of the Youth Guarantee Program within the Department of Labour and the education sector.

- ◆ *Special Report No. 11 - Financial Assistance to Industry*

This report was tabled in Parliament in March 1989 and contained comments arising from a review of the application of the Government's economic strategy directed towards providing financial assistance to industry. The audit review focused on the role of the Department of Industry, Technology and Resources and the Victorian Economic Development Corporation in implementing the strategy.

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### *Review of administrative functions supporting the Parliament*

In December 1987, the Office completed an audit review of the administrative efficiency of the departments of the Victorian Parliament. The review was carried out at the request of the Presiding Officers and was forwarded to the President of the Legislative Council and the Speaker of the Legislative Assembly early in 1988.

The report was tabled in the Legislative Assembly and in the Legislative Council in November 1988. The Speaker of the Legislative Assembly advised the Office that the report had been sent to the House Committee and parliamentary department heads for consideration.

### *Report on Ministerial Portfolios*

Tabled in May 1989, this report dealt with the major issues raised during 1987-88 audits of government departments and public bodies. It completed the cycle of audit activities for the previous year and provided comments on the results of the audits, as well as information on a number of other significant issues such as:

- ◆ transfer of \$11 million of beneficiaries' assets to the State Trust Corporation;
  - ◆ rationalisation of transportation services by bus contractors in the education sector;
  - ◆ management of community health centres;
  - ◆ financial viability of the National Tennis Centre;
  - ◆ operations of the MMBW Werribee Farm;
  - ◆ WorkCare actuarial projections; and
  - ◆ disaster recovery planning for computerised systems.
- 

## **COMMUNITY UNDERSTANDING OF THE ROLE OF THE OFFICE**

The Office considers that it is important that there be a widespread community understanding of its role and responsibilities, the services it provides and its relationship with Parliament, Executive Government and auditees. The tabling of Reports of the Auditor-General in Parliament often generates much interest in the community. Parliament - through questions, debates and recording of discussions on the Office's audit activities in *Hansard*, and the media - by highlighting key findings of reports, are valuable sources of information dissemination on the Office's activities.

To complement the role played by Parliament and the media, the Office has also produced an information brochure entitled *Auditing for Parliament and the Public*. This brochure provides background information on the role of the Auditor-General, and the responsibilities and activities of the Office. It has been made available at various public contact points such as Parliament House, Information Victoria Bookshop and the Office of the Auditor-General.

# Parliament told youth scheme fails to deliver

The Victorian Auditor-General has sharply criticised a State Government youth scheme for youths who had no money to spend.

Mr. Leanne Lamont, the State Auditor-General, said that the Government had spent \$10 million on the scheme but that the youths had no money to spend.

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# Auditor-general debate reopens

The Auditor-General's report on the State Government's financial accounts has reopened a debate on the role of the Auditor-General.

Mr. Leanne Lamont, the State Auditor-General, said that the Government had spent \$10 million on the scheme but that the youths had no money to spend.

Mr. Leanne Lamont said that the Government had spent \$10 million on the scheme but that the youths had no money to spend.

# Tennis Centre costs warning

High repayments threaten future

The Auditor-General has warned that the high repayments on the tennis centre could threaten the future of the State Government's financial accounts.

# Treasurer, auditor agree state debt is \$19.3 billion

The Auditor-General and the Treasurer have agreed that the State Government's debt is \$19.3 billion.

Mr. Leanne Lamont, the State Auditor-General, said that the Government had spent \$10 million on the scheme but that the youths had no money to spend.

Mr. Leanne Lamont said that the Government had spent \$10 million on the scheme but that the youths had no money to spend.

# Auditor says WorkCare

The Auditor-General has said that the WorkCare program is a waste of money.

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# Auditor to get new powers

The State Auditor-General will be given the power to conduct audits of Government departments.

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# Report highlights audit problems

The Auditor-General's report highlights several audit problems.

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# Information reported in the media is an important means of enhancing community understanding of the Office's activities.

In addition to information made available through Parliament, the media and publicity brochures, the Office undertakes an extensive program of professional activities aimed at furthering community understanding of its role. Further details are provided in Appendix 4.

## RELATIONSHIP WITH PARLIAMENTARY COMMITTEES

The Auditor-General has no executive power to implement recommendations contained in reports submitted to Parliament. Rather, consideration of audit comments and recommendations is a matter for the Parliament and its committees, individual Ministers, central agencies and auditee bodies.

During the year the Office undertook a number of activities aimed at enhancing its working relationship with parliamentary and other committees. These activities are important to the Office as they promote greater understanding and awareness of the Office and its role. Activities during the year included the following:

- Senior executives of the Office conducted briefing and information sessions on significant issues contained in Auditor-General's reports to Parliament. These sessions were arranged for interested Members of Parliament, parliamentary committees (such as the Economic and Budget Review Committee) and representatives of public sector organisations;



- ◆ The Auditor-General met with the incoming Chairperson and other members of the newly constituted Economic and Budget Review Committee at Parliament House, and held informal talks on resources available to the Audit Office;
- ◆ The Assistant Auditor-General appeared before the Legal and Constitutional Committee of Parliament in April 1989 to expand on issues raised by the Office in its submission to the Committee on the operation of Freedom of Information legislation in Victoria;
- ◆ The Auditor-General and members of the Office Executive met with representatives of the Public Accounts Sub-Committee of the parliamentary Economic and Budget Review Committee in April 1989 to discuss the role and operations of the Auditor-General and the relationship of this position with Parliament; and
- ◆ An officer was seconded to the Economic and Budget Review Committee for 6 months. The officer was assigned to the Committee's Research Unit where he assisted with the follow-up of matters raised in Auditor-General's reports, as well as other projects on issues which the Committee was examining.



*Flav Belli, Assistant Auditor-General (left) and Ches Baragwanath, Auditor-General, presented information and briefing sessions to Members of Parliament throughout the year.*

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## ENHANCING THE AUDIT CONSULTATIVE PROCESS

In line with the objective of promoting and encouraging the development of sound financial and resource management practices in the public sector, the Office directs approximately 10 per cent of its audit budget time to assist auditees to meet their financial management and accountability responsibilities.

The Office considers that a vital component of the assistance provided to auditees during the audit process involves elements of liaison and communication between the Office and auditees. Each year meetings are held with the senior management of auditee organisations prior to the commencement of the annual audit. The objective of these meetings is to discuss areas of concern to management, the proposed audit coverage and timetable, and where applicable, the annual audit fee. In addition, these meetings provide a forum for discussion with senior management on the internal auditor's annual audit plan so as to avoid unnecessary duplication with external audit coverage and ensure a more cost-effective audit.

Prior to the issue of reports or management letters by the Office at the conclusion of the audit, or a segment of the audit, discussions on the overall observations and recommendations arising from the audit are held with senior management of the organisation.

During 1988-89 the Office continued to hold regular meetings with senior officers from the central agencies. These meetings addressed significant audit issues and perceived financial management deficiencies in departments and public bodies as they arose, and, where appropriate, auditees were provided with recommendations for the adoption of the most efficient and effective financial management practices for their organisations. Auditee management was also informed and consulted at an early stage and this involved briefings with Ministers when considered necessary. The advantages gained from such discussions included:

- ◆ early resolution of problems identified by audit;
  - ◆ a pro-active audit role in improving financial management in government;
  - ◆ improved communication and co-operation with management; and
  - ◆ positive action from auditees on matters raised by this Office.
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## STRATEGIC ISSUE NO. 2

### AUDIT METHODOLOGY

#### Goals:

- ◆ *To achieve full implementation of the Office's comprehensive audit methodology.*
- ◆ *To ensure, by ongoing enhancements, that the audit methodology of the Office becomes and remains a source of distinctive competence.*

### AUDIT PLANNING AND CONTROL

Long-term strategic plans projecting Office activity over the next 5 years are the basis for all audit work. A strategic plan, known as TIPS (Totally Integrated Planning System), covering the 3 audit components (attest, regularity, and value-for-money) is maintained for each auditee. These plans provide the base information from which divisions within the Office prepare a detailed annual audit plan for each auditee.

Areas for audit are chosen on the basis of audit risk and materiality and work is scheduled to allow for the effective utilisation of human resources.

During the year, TIPS was integrated into the Office's computerised Audit Management Information System (AMIS). AMIS monitors, on a weekly basis, the progress of each audit activity and reports the cost of conducting the audit work. AMIS also generates the audit fee for chargeable audits and computes a notional fee for non-chargeable audits.

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### COMPUTER-ASSISTED AUDIT TECHNIQUES

The Office places an increasing emphasis on the development and application of computer-assisted audit techniques (CAATs) to provide better audit coverage, and to carry out efficient and effective audits. Over the years, a variety of computer programs have been developed to provide access to auditee information held on computer files, and to more efficiently conduct certain audit procedures.

The use of CAATs in the budget sector continued to increase with extensive application of such techniques in the examination of both financial management systems and payroll systems. Further development and application of a high level auditing package called IDEA (developed by the Canadian Audit Office) was also undertaken during the year. In addition, there was progress in the use of the facilities available on INGRES (a proprietary development package).

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During 1988-89 a policy decision was made to re-establish a specialist EDP Audit Division within the Office. The Division is staffed by officers skilled in EDP who were previously assigned to operational audit areas. The objectives of the Division are to:

- ◆ develop an Office EDP audit strategy;
  - ◆ assist operational audit divisions in planning EDP audits; and
  - ◆ undertake and assist in EDP audit activities.
- 

## **REFINEMENTS TO THE COMPREHENSIVE AUDIT METHODOLOGY**

As in previous years, the Office's audit approach revolved around a comprehensive audit process. This process includes the examination and assessment of financial regularity, compliance with legal regulations as well as professional financial pronouncements, and an evaluation of the economy, efficiency and effectiveness of the operations of audited organisations. In all cases, audits are conducted by professionally qualified staff and in accordance with Australian Auditing Standards.

In April 1989 initiatives were undertaken to further refine the comprehensive audit methodology used by the Office. The impetus for further improvement arose after consideration of a number of issues, including:

- ◆ the need to improve the planning and execution of audit work by increasing the use of lap-top computers and relevant software; and
- ◆ heightening the awareness of organisational risk factors by introducing a risk-based audit methodology within the traditional approach of auditing systems.

Essentially, the risk-based approach is a sophisticated planning tool which facilitates decisions to maximise audit efficiency and effectiveness in addition to achieving productivity savings. By relating audit effort to audit risk it is possible to reduce time spent on low-risk situations and improve coverage of high-risk situations, as well as providing the capacity of matching the availability of audit skills to the degree of risk involved, i.e. optimising the use of a diminishing pool of experienced audit personnel.

Given the world-wide trend to integrate risk management into audit methodology, the Office took the opportunity of seeking the views of other public sector auditors by hosting a Conference of Senior Audit Executives of Australian and New Zealand Audit Offices in June 1989.

The Conference canvassed a variety of risk management options, in particular it considered the impact of risk taking in relation to:

- ◆ the public sector environment;
- ◆ the application of professional auditing standards and statutory provisions;
- ◆ the political sensitivity of government operations;
- ◆ the greater use of information technology;
- ◆ the detection of fraud; and
- ◆ the expansion of contracted audit services by most Offices.

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The Office also established a working party during the early part of 1989 to conduct a preliminary needs and options analysis to assess the enhancement requirements of the current methodology. In the process of presenting a report on desired improvements, the working party has been involved in evaluating the desirability of adopting various techniques and software packages from various external organisations. This process provided an excellent opportunity for greater liaison between Office staff and colleagues from major chartered accounting firms, as well as those from interstate and Commonwealth Audit Offices.

It is planned that enhancements to the Office's audit methodology, together with the integration of automated audit tools, will commence later this year, with across-the-board implementation by mid-1990. The Office believes that these initiatives will ensure that its comprehensive audit approach continually reflects the benefits available through improved computer technology and embodies current trends in professional audit practice. Accordingly, the Office's audit approach will continue to remain a source of distinctive competence in public sector auditing.



*Use of lap-top computers by field audit staff significantly increases work efficiency at remote audit locations.*

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## RELATIONSHIP WITH OVERSEAS AND INTERSTATE AUDIT OFFICES

The sharing of information and professional expertise in the audit area is a valuable mechanism for improving the efficiency and cost-effectiveness of the Office. In addition to the regular meetings of Auditors-General and Deputy Auditors-General, links have been established at middle management levels through annual meetings of EDP auditors in the public sector, circulation of information on developments, and exchange visits of key audit and management personnel between the various Audit Offices.

As in previous years, the Office continued to be involved in activities connected with other Audit Offices. The most significant of these included attendance at a number of international conferences and meetings including:

- ◆ South Pacific Association of Supreme Audit Institutions (SPASAI), (Vanuatu);
- ◆ Conference of Australia Area Auditors-General (New Zealand);
- ◆ Senior audit management meetings (Hong Kong, Singapore and Malaysia); and
- ◆ EDP Audit Conference (New Zealand).

The Office also hosted visitors from New Zealand, United States of America and Canada, as well as Audit Office executives from all Australian States. Further details on these activities are contained in Appendix 4.



*Flav Belli, Assistant Auditor-General, (front row, 3rd from left) attended the SPASAI Conference in Vanuatu in November 1988.*

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*(Right) Ken Dye, Auditor-General of Canada, visited the Office in March 1989.*



*(Below) Ches Baragwanath, Auditor-General of Victoria, (middle row, far right) attended the 17th Conference of Australia Area Auditors-General in New Zealand in March 1989.*



## **PROFESSIONAL ACTIVITIES**

The Office is involved in a range of activities connected with the accounting and auditing profession and public sector management. These activities included international meetings and overseas visits, hosting international and interstate visitors, participation in major conferences, association with professional bodies, and the involvement of staff in the presentation of papers and seminars. The Office continued its activities in this area in 1988-89 and details are provided in Appendix 4.

## STRATEGIC ISSUE NO. 3

### INFORMATION TECHNOLOGY

#### Goals:

- ◆ *To implement the 5 year strategic plan for information technology facilities.*
- ◆ *To monitor and, where appropriate, take advantage of future advances in information technology.*

#### RELEVANCE OF INFORMATION TECHNOLOGY

A key strategic initiative in the Office Corporate Plan is the increased use of computers and related technology to improve staff productivity and to provide enhanced resource management systems. The initiative is embodied in a 5 year Information Technology Strategic Plan which commenced in April 1986. The Plan broadly covers the progressive application of advanced computer technology to both administrative and audit systems.

At present, the computer network system in the Office is being used mainly for financial management, audit planning and management, contract administration, professional development, personal productivity, human resource management, word processing and library services. Computer-assisted audit techniques (CAATs) are also incorporated on the network to produce general analysis and review of financial data for specific audits.

Facilities in place represent state-of-the-art technology and form an integral part of daily Office operations, improving the quality and effectiveness of administrative and audit activities.



*The Office's minicomputer: state-of-the-art technology controlling the local area network.*



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## DEVELOPMENTS DURING THE YEAR

A major achievement during the year was the release of an on-line version of the Audit Management Information System (AMIS). Production usage of AMIS commenced in March 1989 and has largely achieved design objectives. AMIS provides substantial administrative and management support for utilisation of resources during the audit process. It now covers time recording, audit planning, human resources control, job accounting, as well as a module dealing with the use of private practitioners engaged by the Office to undertake contract audits. A number of training courses were also conducted to familiarise staff with the system.



*AMIS development and implementation team - (from left, seated) Kristine Sadlon, Michael Adamek, Bruce Healy, Kim Keane, Bob Schmidt, Remy Szpak and David Rigby.*

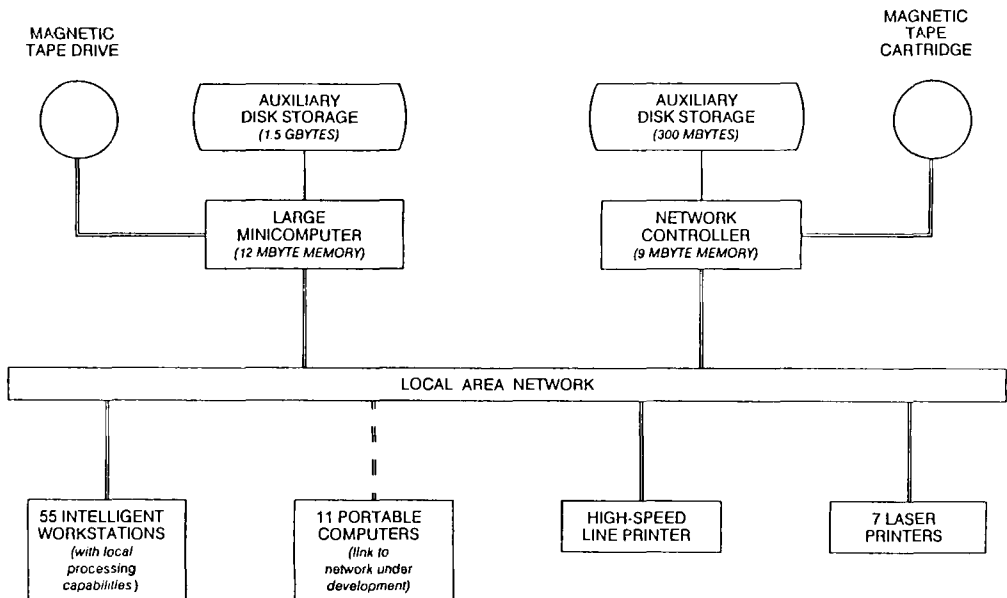
Other developments included:

- ◆ *Hardware and system software:* Configuration of the network hardware remained stable for most of the year except for installation of:
  - 22 additional workstations with local processing capabilities and one laser printer;
  - A powerful workstation to facilitate the analysis and verification of large volumes of information extracted from auditees' computer files; and
  - 10 portable microcomputers to be used as audit terminals at remote locations. Additional software will be added to those units in the next year to increase functionality.

- ◆ *Operating system:* A major upgrade of the minicomputer operating system software to increase throughput was performed in accordance with the manufacturer's support arrangements.
- ◆ *Data communications:* Initial work commenced on implementation of data communications facilities to allow access to the Office network and its information resources from field audit locations.
- ◆ *Audit Database:* The first stage of the Audit Database was established to provide on-line access to library extracts, annual reports, audit reports and other textual material.

The structure of the Office's computing network is set out in the following diagram:

### OFFICE COMPUTING NETWORK



### PLANNED DEVELOPMENTS

Over the next year the major emphasis will be on enhancement and consolidation of existing facilities and initiatives. Key activities will include:

- ◆ provision of additional facilities for AMIS such as invoicing, debtor management and human resource management;
- ◆ further development of additional computer-assisted audit techniques (CAATs);
- ◆ extension of the Audit Database to ultimately cover all reports issued by the Office;
- ◆ major upgrade of computer hardware to support the added workload on the Office's computer network; and
- ◆ finalisation of data communication links to allow most functions of the Office's computer network to be accessed from the field.

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## STRATEGIC ISSUE NO. 4

### RESOURCE MANAGEMENT

#### Goals:

- ◆ *To ensure mechanisms are in place to monitor and measure the efficiency and effectiveness of the management of resources within the Office.*
- ◆ *To integrate within the strategic planning processes of the Office a human resource management strategy designed to ensure a ready and continuing source of highly motivated and skilled personnel.*

### MEASUREMENT OF AUDIT PERFORMANCE

The Office utilises an array of management tools and strategies to ensure that its resources are effectively allocated to achieve operational targets and provide the necessary support infrastructure. Resources for which specific management systems have been developed include financial and manpower resources. A variety of reporting systems have also been developed to monitor the progress of projects against predetermined targets and to ensure that resources are appropriately utilised.

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### FINANCIAL MANAGEMENT

The Office's financial recording and reporting systems are maintained on an in-house microcomputer and senior management is provided with up-to-date financial reports on budgets, commitments, and year-to-date expenditure on a regular basis.

A computerised debtors' system assists the Office in its cash management practices, and a computerised asset register maintains details of all accountable physical assets. (Further details on physical assets are provided in the Office's Supplementary Accrual Financial Statements on page 65.)

Consistent with its efforts to provide a comprehensive framework for resource management and increased accountability over the expenditure of public moneys, the Office has continued its practice established in 1987 of voluntarily providing supplementary financial information on an accrual basis (pages 57-68). These statements supplement the annual financial statements of the Office, presented in accordance with Regulations under the *Annual Reporting Act 1983* (pages 47-56).

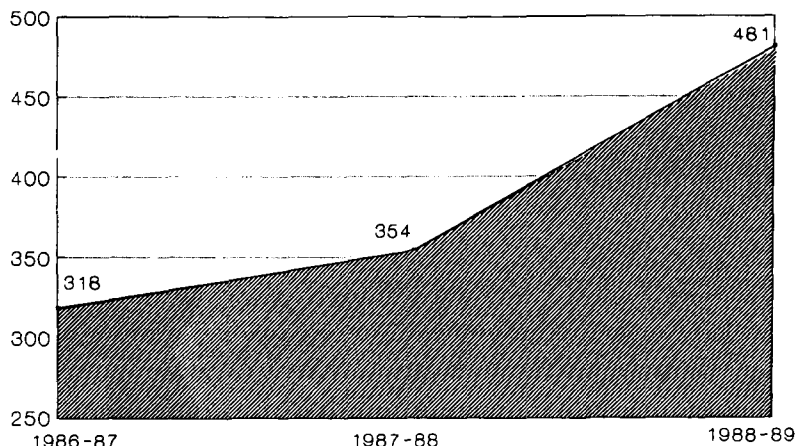
In the main, the Annual Reporting Regulations follow the traditional budget sector practice of accounting for annual parliamentary appropriations on a cash basis, i.e. reporting only moneys actually received and spent during the year.

These Regulations specify only minimum reporting requirements, and by taking the initiative to provide accrual financial statements which recognise total revenue earned, total costs incurred, asset balances, outstanding liabilities and the equity of the State in the Office, far more meaningful management information is provided for economic decision-making.

## INDICATORS OF FINANCIAL PERFORMANCE

The following chart and tables illustrate that over the last 3 years there has been a substantial increase in the number of audits completed. However, the Office has been able to increase productivity, while achieving a reduction in net outlays in real terms.

### AUDITS COMPLETED



### OPERATING COSTS, CASH OUTLAYS BY SUB-PROGRAM (\$'000)

Sub-program	1986-87	1987-88	1988-89
Audit Operations	4 786	5 164	6 546
Corporate Services	1 282	2 044	2 084
<b>Total</b>	<b>6 068</b>	<b>7 208</b>	<b>8 630</b>

### OPERATING COSTS, NET OUTLAYS REPORTED ON AN ACCRUAL BASIS (a) (\$'000)

Item	1986-87	1987-88	1988-89
Expenditure	7 923	7 854	9 596
Less: Income	2 623	3 640	4 970
Net outlays -			
Actual	5 300	4 214	4 626
Real terms (b)	4 807	3 527	3 530

(a) The Office first produced Accrual Financial Statements for the 1986-87 year.

(b) Adjusted to 1985-86 constant prices.

### AUDIT COST INDICATORS

Item		1986-87	1987-88	1988-89
Value of transactions (a)	(\$ million)	116 131	125 805	134 634
Audit cost incurred (b)	(\$ million)	7.9	7.8	9.6
Audit cost per \$1 000 (c)	(cents)	7	6	7

(a) Value of transactions audited at departments and public bodies excluding transfers between the Consolidated Fund and the Trust Fund.

(b) Audit cost based on expenditure reported in the Office's Supplementary Accrual Financial Statements.

(c) Cost of auditing each \$1 000 of transactions.

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## HUMAN RESOURCE MANAGEMENT

A Staff Salary Management System provides management with meaningful and timely information on staffing numbers and salary expenditure trends. This enables assessment of the Office staffing profile and control over expenditure of its salary appropriation. In addition, a database is maintained on the Audit Management Information System to record the appointment and remuneration of private practitioners engaged as agents of the Auditor-General.

The following sections on *Professional development* and *Contract audit arrangements* provide additional perspectives of the Office's overall human resource management strategies, and pages 39-44 contain details of the *Personnel* management activities during the year.

### What is the Office's commitment to professional development?

The Office has an ongoing commitment to the professional development of its staff. The commitment is essential to maintain the high level of skill required to carry out its operational responsibilities, and underlies the Office's professional development policy which states "*professional development is an integral component of the work environment and is observed as an ongoing process for all staff*".

The individual's development therefore becomes a shared responsibility, with staff being encouraged to keep abreast of the latest professional knowledge and skills and the Office providing practical support in the form of a structured annual Professional Development Program, assistance in the completion of further professional studies and the provision of on-the-job training and supervision. The Office's Professional Development Program is co-ordinated by the Research and Professional Development Division.

### *Staff appraisal schemes*

All Senior Executive Service (SES) staff receive annual appraisals through the SES Appraisal Scheme, and all staff other than SES officers participate in the Office's Performance and Development Review Scheme which is designed to monitor work performance and identify the training needs of each officer through a process of annual assessment and counselling. These schemes provide a meaningful and effective medium to review and discuss officers' performance and career aspirations, and provides valuable input to the preparation of the annual Professional Development Program of the Office.

### *Needs Analysis Survey*

The Research and Professional Development Division conducted an Office-wide Needs Analysis Survey on staff training and support requirements during the year. This was done in 2 stages: a written questionnaire to be completed by staff, and personal and group interviews across all classifications.

The key findings of the Survey were that there was a need to:

- ◆ focus the skills and knowledge base requirements of the Office and reinforce formal training with effective on-job support and training;
- ◆ introduce more detailed training at an earlier stage of an auditor's career path; and
- ◆ strengthen technical skills including value-for-money auditing techniques, and other general skills such as PC applications, communication and negotiation skills, and report writing.

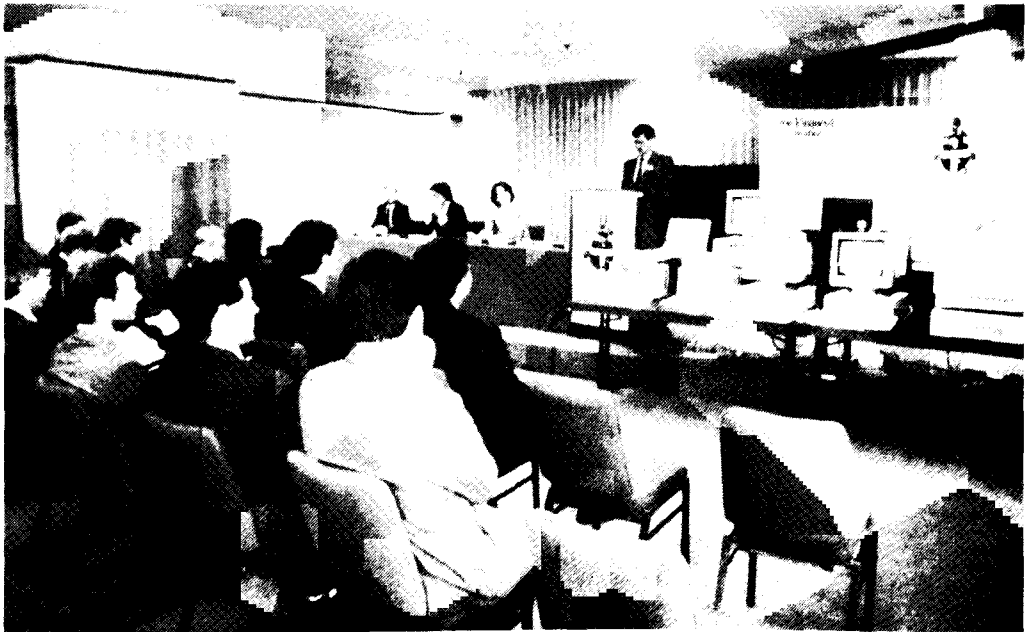
The results of the Needs Analysis Survey have been incorporated into a revised and improved Professional Development Program for 1989.

### *Training courses conducted*

The courses conducted throughout the year had an even balance of internal (Office staff) and external presenters, providing the Office's Professional Development Program with a high level of credibility and expertise. (A summary of the training courses conducted during 1988-89 is contained in Appendix 3.)

Another innovation of the Research and Professional Development Division was to provide support for accounting staff to attain professional accreditation with the Australian Society of Accountants leading to CPA status. This was done by way of a series of 2 hour workshops for 1st Semester Associate enrollees (25) and CPA core enrollees (20) in conjunction with the Society's *Study Manuals*.

In addition to attending courses under the Professional Development Program, staff were encouraged to attend selected conferences and conventions. The more significant of these are listed in this report under Professional Activities in Appendix 4.



*Attendance at training courses allow staff to keep abreast of the latest developments in auditing methodology.*

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## *Mentor Scheme*

During the year, the Office introduced a Mentor Scheme. The Scheme is designed to provide additional support for junior staff joining the Office. A Mentor Group comprises 2 mentors: 1 senior (Audit Manager) and 1 junior (Auditor), and 5 new staff. The Mentors play a key role in the induction program for the graduates as they co-ordinate Group syndicate exercises over an 8 week period. This allows the Mentors to form a relationship with the new starters and at the completion of the exercise, formal meetings of the Group are then convened for the remainder of the 12 month period at approximately 3 monthly intervals.



*Participants in the Mentor Scheme, John Misiano and Lynda Peters, developing technical skills on the Office's computing system.*

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Benefits from the operation of the Scheme are:

- ◆ For the graduate:
  - . the opportunity to share their experiences as a group during their early time in the Office and so enhance the development of both technical skills and knowledge of Public Service policies and practices;
  - . the means to discuss a wider range of audit issues and to review the varying professional approaches that are applied to them at different auditees; and
  - . development of contacts with experienced staff outside of their immediate work environment to whom they can go to discuss work or related problems.
- ◆ For the Office:
  - . the ability to provide the Office, through the Mentors, with feedback regarding any problems or difficulties being experienced by graduates;
  - . a mechanism through which the Office can strengthen the graduates' feeling of belonging to the Office;
  - . enhancement of communications and shared experiences across the Office; and
  - . an excellent opportunity to develop the personal management skills of the Mentors.

## **Contract audit arrangements**

### *Engagement of agents*

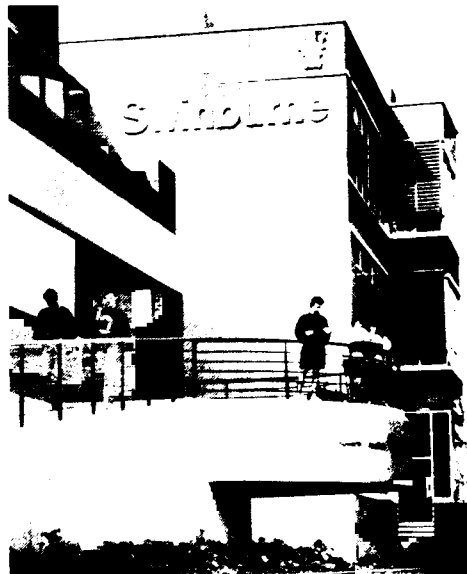
The Office, as part of its resource management, has a policy of engaging private practitioners to act as agents of the Auditor-General. The use of private practitioners in the performance of audit tasks (particularly in country areas) enables the Office to balance an increasing workload against often limited internal resources.

Presently, contract audit arrangements cover local water and sewerage authorities, ambulance services, post-secondary education institutions, public hospitals and State-funded nursing homes, public sector superannuation funds, and a number of other audits.

Agents appointed by the Auditor-General are primarily concerned with undertaking sufficient audit work to enable the Auditor-General to form an opinion on the financial statements. However, increasing emphasis is being directed towards identifying issues relating to the efficiency and effectiveness of resource management and economy in an organisation's operations.

The Office develops manuals and guidelines relating to the conduct of audits and these are issued to agents to assist them in their audit operations. The Auditor-General provides the audit opinion on the financial statements, determines levels of remuneration and collects fees charged to auditees for services provided by the agents.





*Contract audit arrangements include public hospitals, educational institutions, ambulance services, and the water industry.*



During 1988-89, 323 annual audits conducted by contract arrangements were finalised at a cost of \$1.1 million. Agents were also paid \$1 million in respect of audits, mainly of hospitals, in progress at 30 June 1989. An amount of \$4.7 million has been estimated to cover payments to agents during 1989-90 representing 43 per cent of the total recurrent budget of the Office. This increased expenditure is mainly a reflection of the first full year of auditing of 145 public hospitals and State-funded nursing homes.

The following table shows expenditure on contract auditing services over recent years:

**COST OF AUDITS UNDERTAKEN BY AGENTS**

<i>Year</i>	<i>Amount</i>
	(\$)
1986-87	399 124
1987-88	887 154
1988-89	2 100 384

*Rationalisation of audit arrangements*

During the year, steps were taken to rationalise the auditing arrangements of local water and sewerage authorities in order to achieve a more economical and professional coverage. The initiative to rationalise the auditing arrangements was taken after:

- ♦ extensive consultations with the appropriate agencies;
- ♦ advising the water industry of the proposal in February 1988, when the Auditor-General addressed a seminar attended by some 100 representatives of the industry; and
- ♦ undertaking a detailed analysis of the advantages and disadvantages associated with the rationalisation of auditing arrangements.

The rationalisation process was achieved by calling tenders for the audit of water authorities in the various regional areas of Victoria. By this process, the number of agents conducting such audits was reduced from approximately 50 to 10.

*Public hospitals and State-funded nursing homes*

Under the terms of the *Health Services Act 1988* the Auditor-General gained responsibility for the external audit of 145 public hospitals and State-funded nursing homes from 1 July 1988. In order to undertake the audit of these organisations, 67 private practitioners have been engaged as agents of the Auditor-General.

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**OFFICE ACCOMMODATION**

The Office continued to occupy a total of 2 floors and 2 half floors at 1 Macarthur Street, Melbourne. An urgently required refurbishment and maintenance program, which commenced during 1987-88, was deferred in November 1988 and no further upgrade of accommodation of the remainder of the Office was undertaken during the year.

The decision to defer the refurbishment and maintenance program was due to a proposal put by the Department of Property and Services that the Office be relocated to 222 Exhibition Street, Melbourne. At the date of preparation of this report, negotiations between the Office and the Department have been generally inconclusive and unlikely to resolve the immediate accommodation needs of the Office.

## PERSONNEL



*Kim McCarthy, Support Group Supervisor, at an Office reception area.*

### STAFFING PROFILE

At 30 June 1989 the Office employed 157 persons (168 at 30 June 1988) and the average staffing level during the year was 153.7 (155.4 for the previous financial year). The average staffing figures do not take into account that 4 members of staff were on secondment and 3 were on extended leave throughout parts of the year. The majority of staff held tertiary qualifications, with most being professionally qualified accountants.

The Office's staffing profile remained very dynamic during the year with high turnover, extensive recruitment and rapid internal promotion for lower and mid-range positions. The high turnover, which has been common in recent years, has led to an overall reduction in the experience base of the Office. The audit methodology of the Office requires a certain degree of judgment to be exercised by auditors - a skill which is best gained through experience. The recruitment and retention of experienced audit staff therefore remains a high priority in order for the Office to maintain and continue to deliver high quality audit services.

Factors which have had a significant influence on the loss of staff with audit experience, knowledge and skill are:

- ◆ the difficulties the Office continues to experience in recruiting and retaining staff, in competition with the private sector, while operating within the constraints of public service staffing policies, procedures and salary scales;
- ◆ the growth of the finance and internal audit functions within the Victorian public sector; and
- ◆ the high professional standing of the Office which has resulted in commercial accounting firms and banking organisations aggressively recruiting experienced Audit Office staff.

The following table shows the number of staff commencements and separations at various classification levels over the past 2 years.

#### AUDIT STAFF COMMENCEMENTS AND SEPARATIONS

<i>Classification</i>	<i>1987-88</i>		<i>1988-89</i>	
	<i>Commencements</i>	<i>Separations</i>	<i>Commencements</i>	<i>Separations</i>
SES	-	3	-	2
Audit Manager	1	5	5	6
Audit Supervisor	10	13	6	15
Audit Senior	4	8	4	9
Auditor	20	10	22	7
<b>Total</b>	<b>35</b>	<b>39</b>	<b>37</b>	<b>39</b>

## SENIOR EXECUTIVE SERVICE

In July 1988 the Office submitted a proposal to the Public Service Board to restructure its Senior Executive Service (SES). In May 1989, the Public Service Board approved a revised form of this proposal which resulted in the creation of an additional position of Chief Director of Audit, upgrading of the level of existing Chief Directors of Audit (Operations) and upgrading the classifications of 4 of the existing positions of Director of Audit. This rationalisation has been accompanied by an Office restructure, which is reflected in the organisation chart on page 11 of this report.

During the year, 3 officers from the Administrative Officer ranks joined the SES at Director level: Ms Jan Tranter, Mr Tuan Tran and Mr Michael Nugent. Two Directors, Mr Joe Norman and Mr Michael Kane, left the Office during the financial year.

Subsequent to the end of the financial year, Mr John Pinnis, former Chief Director of Audit, resigned from the Office to take up a position with an international computing consultancy firm. During his 6 years with the Office, Mr Pinnis' major achievements included the implementation of the Office's Information Technology Strategic Plan, in particular the Audit Management Information System.

## RECRUITMENT

As a result of the Campus Interview Program conducted in 1988-89, 6 accounting graduate recruits were appointed to Auditor positions in July 1988 and a further 14 were appointed in January 1989.

The 1989-90 Graduate Recruitment Program again covered 13 tertiary campuses in both metropolitan and country regions, with 138 preliminary interviews being held with final year accounting students.

At 30 June 1989, 19 offers of employment had been accepted, including 4 by graduates commencing duty in July 1989. The results of the 1989-90 Program at 30 June 1989, together with comparative figures for the total 1988-89 Program (in brackets), are shown in the following table:

### CAMPUS RECRUITMENT PROGRAM

<i>Item</i>	<i>Females</i>	<i>Males</i>	<i>Total</i>
First interview	40 (38)	98 (74)	138 (112)
Offer of second interview	34 (29)	63 (59)	97 (88)
Attendance at second interview	30 (18)	46 (34)	76 (52)
Employment offer	12 (11)	15 (19)	27 (30)
Acceptance at 30 June 1989	9 (7)	10 (15)	19 (22)

## SECONDMENTS

Despite the severe staffing shortages experienced throughout the year, the Office embarked on a number of staff secondment arrangements designed to enhance the skills and experience of its staff.

- ◆ Mr Steven Mitsas, Audit Manager, was seconded to the Economic and Budget Review Committee. This arrangement had the additional benefit of fostering improved communication and understanding between the Committee and the Office;
- ◆ Mr Michael Nugent, Director of Audit, was seconded to the University of the South Pacific in Suva, Fiji for 4 months to lecture in Accounting;
- ◆ Mr Andrew Pollock, Audit Manager, was seconded for 12 months to the Auckland Regional Commission in New Zealand to undertake the activities of Budget Officer. Mr Gary Burden, the Commission's Budget Officer, has joined the Office to undertake duties in audit projects for 9 months. This arrangement is intended to broaden the experience of both officers and provide them with the opportunity to observe a different government system in operation; and
- ◆ Mr Roger McCluskey, Audit Supervisor, was seconded to the Department of Sport and Recreation to manage the internal audit functions of the Department.

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## EQUAL EMPLOYMENT OPPORTUNITY

An Office Consultative Committee on Equal Employment Opportunity (EEO) was established in 1984 in line with State Government policy on EEO. The primary role of the Committee is to translate the policies laid down in the *Action Plan for Women in the Victorian Public Service* (issued by the Public Service Board in 1984) into objectives, actions and responsibilities specific to the Office.

The Office Action Plan provided for strategies aimed at removing indirect discrimination from personnel procedures, and creating a framework to promote and protect equal employment opportunity.

The Office has incorporated a number of features based on the Action Plan in its EEO policy, including press advertisements explicitly requesting applications from both men and women, all higher duties assignments for periods of longer than 4 weeks to be advertised, women to have first call on 50 per cent of training courses, interview panels to include a woman and part-time employment to be available.

The Committee continued its activities during the year and remained a focal point for staff seeking information on EEO issues. The Committee also updated the Office Action Plan to cover the period 1988 to 1990. The updated Plan aims to increase the representation of women in technical and other non-traditional areas, improve career opportunities for women in traditionally female areas and increase the representation of women in middle and senior management.



*Joy Patton (Senior Audit Manager) and Peter Brown (Personnel Manager) discuss the Office's EEO policy in relation to female employment in EDP-related activities.*

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The Action Plan for the period 1988 to 1990 focuses on 2 areas: audit staff and EDP audit staff. The Plan sets a 33 per cent female employment rate for audit staff and 21 per cent female employment rate for EDP audit staff. These goals are based on graduation rates. The strategies to achieve these goals are incorporated in the Action Plan's 1988-89 key result areas and include recruitment, selection and promotion, training and development, career structures and opportunities, and conditions of service.

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## **OCCUPATIONAL HEALTH AND SAFETY**

The Office's occupational health and safety philosophy focuses strongly on accident prevention in the workplace. A Workplace Health and Safety Committee, comprising equal management and staff representation was established in July 1986 to regularly monitor health and safety issues and increase staff awareness of these issues. The Committee is also active in implementing any improvements required to ensure that the workplace and work practices are safe. In this regard, the Committee played a major role in initiating and implementing a *Smoke Free Office* policy with effect from May 1988.

During the year the Committee continued to be pro-active in identifying and rectifying potential health and safety hazards. The Committee also assisted the Office in its negotiations with the Department of Property and Services for new Office accommodation.

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## **WORKCARE**

During 1988-89, 13 work-related injuries were recorded in the Office's WorkCare register. Time lost by staff totalled 34 days and the cost of medical accounts borne by the Office was \$1 700. Six of these claims occurred while travelling to or from work and were therefore beyond the Office's control.

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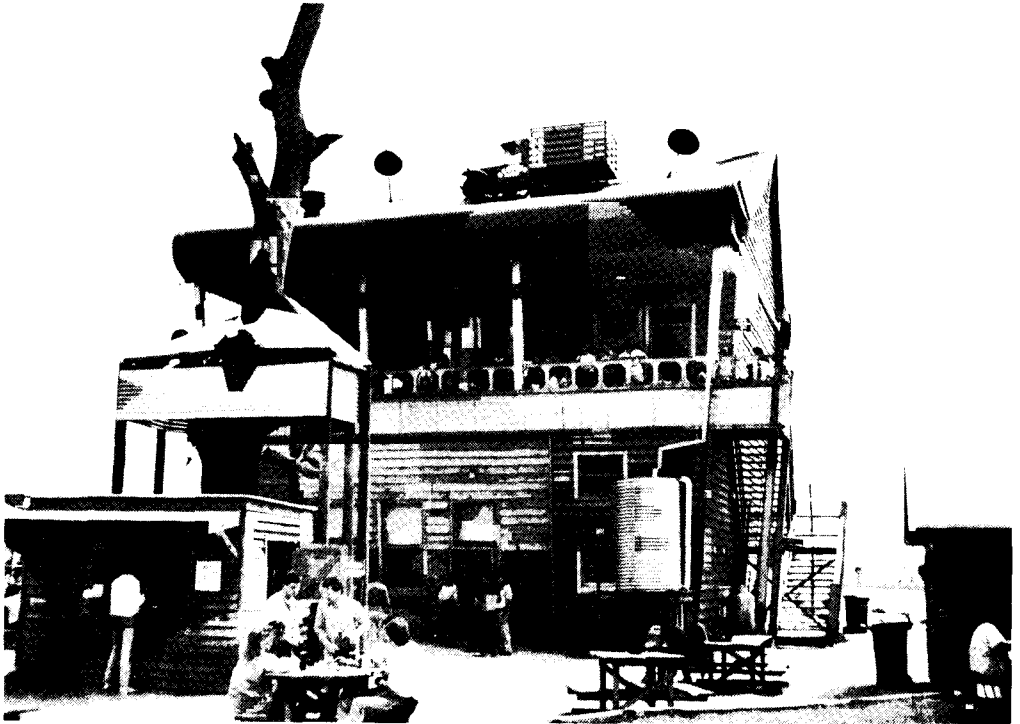
## **DECLARATION OF PECUNIARY INTERESTS**

All relevant officers completed a declaration of pecuniary interests during 1988-89.

## SOCIAL CLUB ACTIVITIES

The Office Social Club was formed in 1984 to foster and organise social and sporting activities for staff. At 30 June 1989 approximately three-quarters of the total Office staff were members of the Club.

Activities organised for members and their friends during the year included happy hours; theatre trips; football, basketball and cricket matches; a night at the harness racing; country tourist attraction weekends, including hot air ballooning; a children's Christmas picnic; and an Office Christmas party/river cruise.



*Office Social Club outing to the Ettamogah Pub, a tourist attraction near Albury.*



# EXPLANATION OF ITEMS WITHIN FINANCIAL STATEMENTS

## MAJOR VARIATIONS

The financial statements of the Office, prepared in accordance with the requirements of the *Annual Reporting Act 1983*, appear on pages 47-56. There were significant variations in some items within the financial statements between 1988-89 and the previous year. Information in relation to these variations and any significant variations from the budget figure are given below. Number references are to the corresponding items in the financial statements on page 50 of this report.

### 1. Fees and charges

Receipts from fees and charges were 41 per cent higher than in 1987-88. The increase was mainly attributed to higher recovery rates because of CPI adjustments and increased audit responsibilities.

### 2. Administrative expenses

The increase in expenditure for this item was due to software purchases and additional general expenditure associated with the implementation of the Office's Information Technology Strategic Plan.

### 3. Contract auditing

Additional audit responsibilities for the audit of ambulance services, public hospitals and State-funded nursing homes, undertaken by private sector auditors as agents of the Auditor-General, was the reason for the increase in expenditure. However, contract expenditure was less than budget because a large number of accounts for interim work performed by agents were not received prior to the end of the financial year.

### 4. Works and Services expenditure

Expenditure under the Works and Services item relates to capital expenditure associated with the continuing implementation of the Office's Information Technology Strategic Plan. Actual expenditure was less than budget due to the deferment of the purchase of certain software packages.

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## PHYSICAL ASSETS

The Office controls a number of physical assets, details of which continue to be disclosed in the Supplementary Accrual Financial Statements, as has been the policy for the past 2 years.

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**OFFICE OF THE  
AUDITOR - GENERAL  
OF VICTORIA**

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**FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 1989**

# OFFICE OF THE AUDITOR-GENERAL

## SUMMARY OF RECEIPTS AND PAYMENTS FOR THE YEAR ENDED 30 JUNE 1989

<i>Item</i>	<i>1988-89</i>	<i>1987-88</i>		
	(\$)	(\$)		
<b>RECEIPTS - CONSOLIDATED FUND</b>				
Program 609 - Office of the Auditor-General	4 863 671	3 441 331		
<b>Total all receipts</b>	<b>4 863 671</b>	<b>3 441 331</b>		
<b>PAYMENTS - APPROPRIATIONS CONSOLIDATED FUND</b>				
	<i>Special</i>	<i>Annual</i>		
	<i>1988-89</i>	<i>1988-89</i>		
	(\$)	(\$)		
Program 609 - Office of the Auditor- General	88 399	8 541 504	<b>8 629 903</b>	<b>7 197 609</b>
<b>PAYMENTS - TRUST FUND</b>				
Program 609 - Office of the Auditor-General			-	10 823
<b>Total all payments</b>			<b>8 629 903</b>	<b>7 208 432</b>

# OFFICE OF THE AUDITOR-GENERAL

## PUBLIC ACCOUNT PROGRAM RECEIPTS AND PAYMENTS FOR THE YEAR ENDED 30 JUNE 1989

Ref.*	Item	Notes	Budget 1988-89	Actual 1988-89	Actual 1987-88
<b>OFFICE OF THE AUDITOR-GENERAL (PROGRAM 609)</b>					
			(\$)	(\$)	(\$)
<b>RECEIPTS - CONSOLIDATED FUND</b>					
1.	Fees and charges			4 845 859	3 423 857
	Minor receipts	B		17 812	17 474
<b>Total gross program receipts</b>				<b>4 863 671</b>	<b>3 441 331</b>
<b>PAYMENTS - CONSOLIDATED FUND</b>					
<b>Special appropriation</b>					
	Salaries and allowances	C	92 000	88 399	86 764
<b>Annual appropriations</b>					
	Recurrent expenditure -				
	Salaries and associated costs	D	5 602 000	5 487 023	5 550 130
2.	Operating expenses				
	Administrative expenses	E	658 000	657 837	473 476
3.	Other recurrent services				
	Contract auditing		4 500 000	2 100 384	887 154
<b>Total recurrent expenditure</b>			<b>10 852 000</b>	<b>8 245 244</b>	<b>6 910 760</b>
4.	Works and Services expenditure				
	EDP facilities		458 000	296 260	200 085
<b>Total gross Consolidated Fund</b>			<b>11 310 000</b>	<b>8 629 903</b>	<b>7 197 609</b>
<b>PAYMENTS - TRUST FUND</b>					
<b>State Trust Account</b>					
	Youth Guarantee Traineeship	F			10 823
<b>Total Trust Fund</b>					<b>10 823</b>
<b>Total gross program payments</b>				<b>8 629 903</b>	<b>7 208 432</b>

\* Refer to the Explanatory Statement on page 45.

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## OFFICE OF THE AUDITOR-GENERAL

### NOTES TO THE FINANCIAL STATEMENTS

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- A (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 except for the item "Payments from Appropriations of other administrative units".
- (c) The financial statements specify only identifiable direct costs and do not reflect the total cost of 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 by the Department of Property and Services for accommodation and telephone services. However, these costs are identified in the Supplementary Accrual Financial Statements on pages 57-68.
- (d) There has been no expenditure of a capital nature on the Office's behalf by the Ministry of Housing and Construction during the financial year.
- (e) A reference in the financial statements to a "Budget" figure means:
- (i) in the case of recurrent expenditure and works and services expenditure the estimates in an annual Appropriation Act for that year; and
  - (ii) in the case of special appropriations, the estimates specified in the Victorian Budget document entitled *Budget Summary and Program Budget Expenditures* published in respect of that financial year.
- (f) 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.
- (g) 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

- B The "Minor receipts" figure of \$17 812 is made up of the following amounts:

<i>Item</i>	<i>1988-89</i>	<i>1987-88</i>
	(\$)	(\$)
Appropriation of former years	1 614	3 185
Commission on -		
Group assurance deductions	637	535
Hospital and medical deductions	201	217
Interest	11 742	12 269
Small amounts paid in	3 618	1 268
<b>Total</b>	<b>17 812</b>	<b>17 474</b>

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## SPECIAL APPROPRIATION

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

## RECURRENT EXPENDITURE

### D Salaries and associated costs

The "Salaries and associated costs" figure is made up of the following amounts:

<i>Item</i>	<i>1988-89</i>	<i>1987-88</i>
	(\$)	(\$)
Salaries and allowances	5 039 292	5 091 404
Overtime and penalty rates	19 196	5 543
Payments in lieu of long service leave	61 314	83 345
Payroll tax	323 160	311 347
WorkCare	32 389	31 850
Employees' superannuation contribution in respect of officers seconded to the Department	11 672	26 641
<b>Total</b>	<b>5 487 023</b>	<b>5 550 130</b>

### E Administrative expenses

The "Administrative expenses" figure is made up of the following amounts:

<i>Item</i>	<i>1988-89</i>	<i>1987-88</i>
	(\$)	(\$)
Travelling and subsistence	78 721	69 393
Office requisites and equipment, printing and stationery	298 880	107 036
Books and publications	13 769	11 269
Postal and telephone expenses	22 192	17 517
Motor vehicles - purchase and running expenses	37 682	26 794
Incidental expenses	144 957	68 044
EDP processing expenses, consultants and special projects	61 636	173 423
<b>Total</b>	<b>657 837</b>	<b>473 476</b>

### F State Trust Account

The Department of Labour has overall policy responsibility for the Youth Guarantee Traineeship Scheme.

## OFFICE OF THE AUDITOR-GENERAL

SUPPLEMENTARY INFORMATION AND STATEMENT OF BALANCES  
AS AT 30 JUNE 1989

## SUPPLEMENTARY INFORMATION

## Payments from appropriation of other administrative units at 30 June 1989

Nil

## Resources received and provided free of charge at 30 June 1989

Nil

## STATEMENT OF BALANCES

## Cash and investment balances

An advance from the Public Account of \$8 000 (30 June 1988, \$7 000) was approved by the Treasurer for carryover to the 1988-89 financial year. At 30 June 1989 the Office Advance Account, being an account outside the Public Account, had a balance of \$5 978 (30 June 1988, \$131).

## Debtors

At 30 June the following amounts were outstanding:

<i>Item</i>	<i>At 30 June</i>	
	<i>1989</i>	<i>1988</i>
	(\$)	(\$)
Outstanding audit fees	488 901	440 955
Number of bad debts written off during the financial year	nil	nil
Aggregate amount of bad debts written off during the financial year	nil	nil
Allowance for doubtful debts	nil	nil

## General stores on hand

At 30 June, the Office had the following stores on hand which were valued at cost:

<i>Item</i>	<i>At 30 June</i>	
	<i>1989</i>	<i>1988</i>
	<i>(\$)</i>	<i>(\$)</i>
Office requisites, stationery etc.	<b>14 234</b>	<b>5 230</b>

## Creditors

At 30 June, the following amounts were outstanding:

<i>Item</i>	<i>At 30 June</i>	
	<i>1989</i>	<i>1988</i>
	<i>(\$)</i>	<i>(\$)</i>
General expenses	<b>128 246</b>	<b>117 188</b>

## Employee entitlements

At 30 June, the Office had outstanding employee entitlements including:

<i>Employee entitlement</i>	<i>At 30 June</i>	
	<i>1989</i>	<i>1988</i>
	<i>(\$)</i>	<i>(\$)</i>
Annual leave	<b>277 449</b>	<b>171 991</b>
Long service leave (a)	<b>978 757</b>	<b>914 676</b>
<b>Total</b>	<b>1 256 206</b>	<b>1 086 667</b>

(a) Long service leave is based on the liability for employees with 10 or more years service together with a proportion of the liability accruing for those employees with 5 but less than 10 years service.

## Capital commitments

At 30 June 1989, nil (30 June 1988, nil).

## Leasing commitments

At 30 June 1989, the Office had operating leases in respect of 4 photocopying machines for a period of one year at a charge of \$16 471 a year (1988, 2 photocopiers at an annual charge of \$6 024). The amounts payable for equipment provided under the State Computer Lease Facility will be reported by the Department of Management and Budget.

## Balance outstanding on loans

At 30 June 1989, nil (30 June 1988, nil).



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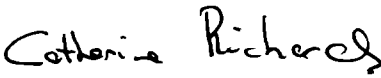
## CERTIFICATION

### 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 the 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 1989 and of the Supplementary Information and Statement of Balances at 30 June 1989.

  
F. BELLI  
Deputy Chief Administrator  
12 / 10 / 1989


  
C. RICHARDS  
Principal Accounting Officer  
12 / 10 / 1989

### REPORT OF THE APPROVED AGENT OF THE AUDITOR-GENERAL

I report that I have audited the accounts of the Office of the Auditor-General for the year ended 30 June 1989 in accordance with Australian Auditing Standards.

I have received all the information and explanations I have required.

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 during the year ended 30 June 1989.

  
J.F. DONGES  
Peat Marwick Hungerfords  
Approved Agent of the Auditor-General  
12 / 10 / 1989

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## 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 the *Annual Reporting Act* 1983 and in accordance with Australian Auditing Standards.

In my opinion, the financial statements comply, in all material respects, with the *Annual Reporting Act* 1983 and present fairly the financial transactions of the Office of the Auditor-General for the year ended 30 June 1989 in accordance with that Act.

MELBOURNE  
12/10/1989

  
C.A. BARAGWANATH  
Auditor-General

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**OFFICE OF THE  
AUDITOR - GENERAL  
OF VICTORIA**

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**SUPPLEMENTARY ACCRUAL  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 1989**

# OFFICE OF THE AUDITOR-GENERAL

## STATEMENT OF OPERATIONS FOR THE YEAR ENDED 30 JUNE 1989

<i>Item</i>	<i>Notes</i>	<i>1988-89</i>	<i>1987-88</i>
		(\$)	(\$)
<b>EXPENDITURE</b>			
Audit operations -			
Salaries, allowances and operating expenses	2	5 466 573	5 534 755
Contract auditing		2 090 159	900 179
Support services -			
Salaries, allowances and operating expenses	2	1 895 186	1 411 332
Finance charges		144 417	7 735
Borrowing charges	1(vii)	562	-
<b>Total expenditure</b>	<b>3</b>	<b>9 596 897</b>	<b>7 854 001</b>
<b>INCOME</b>			
Audit fees		4 908 361	3 613 494
Gross proceeds on sale of fixed assets		44 237	9 276
Other income		17 943	17 474
<b>Total income</b>	<b>3</b>	<b>4 970 541</b>	<b>3 640 244</b>
<b>Net cost of operating the Office</b>		<b>4 626 356</b>	<b>4 213 757</b>

# OFFICE OF THE AUDITOR-GENERAL

## BALANCE SHEET AS AT 30 JUNE 1989

<i>Item</i>	<i>Notes</i>	<i>1988-89</i>	<i>1987-88</i>
		(\$)	(\$)
<b>ASSETS</b>			
Current assets -			
Cash at bank and in hand		5 978	(131)
Debtors and work-in-progress	4	1 183 817	1 119 293
Prepayments		26 742	13 880
		1 216 537	1 133 042
Non-current assets -			
Fixed assets	5	379 028	313 323
Leased assets	6	770 445	817 531
		1 149 473	1 130 854
<b>Total assets</b>		<b>2 366 010</b>	<b>2 263 896</b>
<b>LIABILITIES AND FUNDS</b>			
Current liabilities -			
Creditors and accruals		128 246	117 188
Provision for employee entitlements	7	350 838	285 991
Finance lease liability	8	166 396	134 879
Departmental advance		8 000	-
		653 480	538 058
Non-current liabilities -			
Provision for employee entitlements	7	905 368	800 676
Provision for staff superannuation		1 498 942	1 043 908
Finance lease liability	8	630 256	684 194
		3 034 566	2 528 778
<b>Total liabilities</b>		<b>3 688 046</b>	<b>3 066 836</b>
Accumulated funds (deficiency)	9	<b>(1 322 036)</b>	<b>(802 940)</b>
<b>Total liabilities and funds</b>		<b>2 366 010</b>	<b>2 263 896</b>

# OFFICE OF THE AUDITOR-GENERAL

## STATEMENT OF SOURCES AND APPLICATIONS OF FUNDS FOR THE YEAR ENDED 30 JUNE 1989

<i>Item</i>	<i>Notes</i>	<i>1988-89</i>	<i>1987-88</i>
<b>SOURCES OF FUNDS</b>		(\$)	(\$)
Funds from operations -			
Inflow of funds from operations -			
Fees and charges		4 908 361	3 613 494
Minor receipts		17 943	26 750
Proceeds on sale of fixed assets		44 237	10 319
		<u>4 970 541</u>	<u>3 650 563</u>
Outflow of funds from operations		8 306 818	7 085 739
	10	<u>(3 336 277)</u>	<u>(3 435 176)</u>
Funds from Government -			
Parliamentary appropriations -			
Recurrent		8 333 643	6 997 524
Works and Services		296 260	200 085
		<u>8 629 903</u>	<u>7 197 609</u>
Increase in liabilities -			
Non-current liabilities -			
Finance lease liability		31 517	640 535
Current liabilities -			
Creditors and accruals		11 058	8 108
Departmental advance		8 000	-
Finance lease liability		-	126 629
		<u>50 575</u>	<u>134 737</u>
Decrease in current assets -			
Cash at bank and in hand		-	8 203
<b>Total sources</b>		<u>5 344 201</u>	<u>4 545 908</u>
<b>APPLICATIONS OF FUNDS</b>			
Increase in assets -			
Current assets -			
Cash at bank and in hand		6 109	-
Prepayments		12 862	13 880
Debtors and work-in-progress		64 524	189 637
		<u>83 495</u>	<u>203 517</u>
Non-current assets -			
Expenditure on fixed assets		163 995	124 049
Leased assets		117 788	777 011
		<u>281 783</u>	<u>901 060</u>
Decrease in liabilities -			
Non-current -			
Finance lease		53 938	-
Long service leave paid		61 314	-
Payments to Government		4 863 671	3 441 331
<b>Total applications</b>		<u>5 344 201</u>	<u>4 545 908</u>

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## OFFICE OF THE AUDITOR-GENERAL

### NOTES TO, AND FORMING PART OF, THE SUPPLEMENTARY ACCRUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 1989

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#### 1. STATEMENT OF ACCOUNTING POLICIES

The accompanying Supplementary Accrual Financial Statements of the Office have been drawn up in accordance with the accounting standards and disclosure requirements of the Australian accounting bodies. They have been prepared in accordance with the historical cost convention using accrual accounting and do not take into account changing money values or, except where stated, current valuations of non-current assets. Except where stated, accounting policies have been consistently applied.

Expenditure has been disclosed on a program budget basis having been allocated between the 2 sub-programs of the Office: Audit Operations and Support Services.

Set out below is a summary of the significant accounting policies adopted by the Office in the preparation of the supplementary financial statements.

##### (i) Non-current assets

*Fixed assets.* Accountable fixed assets are defined as those items of equipment, motor vehicles and furniture having a unit cost of \$500 or more which are not consumed in one accounting period. Library books are valued as a collective unit. Fixed assets on hand prior to 1 July, 1986 were brought in at valuation. All subsequent assets purchased are carried at cost.

*Depreciation.* Fixed assets are depreciated on a straight line basis over their estimated useful lives.

*Amortisation.* Amortisation of leased assets is calculated on a straight line basis over the lesser of the estimated useful life of the leased asset or the lease period.

##### (ii) Provision for long service leave

Long service leave is based on the liability for employees with 10 or more years service together with a proportion of the liability accruing for those employees with 5 but less than 10 years service. The proportion of long service leave estimated to be payable within the next financial year is included in the Balance Sheet under "Current liabilities".

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**(iii) Superannuation**

While employees contribute directly to the State Superannuation Fund, the Office's contributions to the Fund are met by the Government at the time when members become eligible for benefits. The provision for staff superannuation is calculated using 2.5 times the amount of the employee contributions made during the financial year. The provision represents the Office's share of the Government's liability to the Fund since 1 July 1986. The full extent of the Government's liability in respect of the Office's current and past employees is unknown as this would require an actuarial review.

**(iv) Leases**

Leases of equipment under which the Office assumes all of the risks of ownership and which meet the criteria set out in the Statement of Accounting Standard "Accounting for Leases" AAS 17, are capitalised and classified as finance leases. Other leases are classified as operating leases. Finance leases are capitalised at the present values of the minimum lease payments. Operating lease payments are charged against income.

**(v) Revenue recognition**

Audit fees receivable and accrued audit work in progress at year end are treated as income. When received, these amounts are required to be paid to the Consolidated Fund.

Fees are not charged for the audits of budget sector agencies (administrative units).

**(vi) Services received at no charge**

Expenditure incurred by the Department of Property and Services on behalf of the Office has been included as expenditure in the statement of operations. Such expenditure related to Office accommodation at 1 Macarthur Street, Melbourne (estimated at \$292 678) and telephone expenses (estimated at \$45 766).

**(vii) Borrowing charges**

The implementation of the Office's Information Technology Strategic Plan in 1987-88 has resulted in the Office incurring increased expenditure of a works and services nature. As the sources of funding this expenditure includes borrowings, it is appropriate that there be included in the financial statements a share of the cost of servicing those borrowings. The calculation of the cost does not include the cost of servicing borrowings made by the State for specific purposes. The Office's share of borrowing charges is \$562, including \$248 for the 1987-88 year.



## 2. SALARIES, ALLOWANCES AND OPERATING EXPENSES

<i>Item</i>	<i>1988-89</i>	<i>1987-88</i>
	(\$)	(\$)
Audit operations -		
Salaries and allowances	4 617 488	4 772 164
Administration expenses	660 482	694 722
Depreciation	66 596	58 905
Amortisation	122 007	8 964
<b>Total audit operations</b>	<b>5 466 573</b>	<b>5 534 755</b>
Support services -		
Salaries and allowances	1 586 858	1 205 057
Administration expenses	232 062	187 917
Depreciation	23 399	15 933
Amortisation	42 867	2 425
Audit fees	10 000	-
<b>Total support services</b>	<b>1 895 186</b>	<b>1 411 332</b>

## 3. NET COST OF OPERATIONS

### RECONCILIATION TO CONSOLIDATED FUND TRANSACTIONS

<i>Item</i>	<i>1988-89</i>	<i>1987-88</i>
	(\$)	(\$)
<b>INCOME</b>		
Total income	4 970 541	3 640 244
Less: Movement in debtors	47 946	183 031
Movement in work-in-progress	14 556	6 606
Proceeds from trade-in of assets	44 237	9 276
Adjustment to prior year	131	-
<b>Total cash receipts Consolidated Fund</b>	<b>4 863 671</b>	<b>3 441 331</b>
<b>EXPENDITURE</b>		
Total expenditure	9 596 897	7 854 001
Add: Capital expenditure	259 967	101 633
Movement in prepayments	12 862	13 880
Provision for employee entitlements	-	193 090
<b>Less: Non-cash expenditure</b>	<b>9 869 726</b>	<b>8 162 604</b>
Movement in accrued expenditure	11 058	8 108
Provision for employee entitlements	169 539	-
Provision for superannuation	455 034	530 588
Depreciation for fixed assets	89 995	74 838
Amortisation for leased assets	164 874	11 389
Expenditure by other agencies	340 466	340 072
Borrowing charges	562	-
Book value of assets disposed	8 295	-
<b>Total cash payments Consolidated Fund</b>	<b>8 629 903</b>	<b>7 197 609</b>

#### 4. DEBTORS AND WORK-IN-PROGRESS

<i>Item</i>	<i>1988-89</i>	<i>1987-88</i>
	(\$)	(\$)
Debtors	488 901	440 955
Work-in-progress	692 894	678 338
Public Account	2 022	-
<b>Total</b>	<b>1 183 817</b>	<b>1 119 293</b>

#### 5. FIXED ASSETS

<i>Item</i>	<i>At cost/ valuation 30.6.89</i>	<i>Depreciation for 1988-89</i>	<i>Accumulated depreciation 30.6.89</i>	<i>Written down value 30.6.89</i>	<i>Written down value 30.6.88</i>
	(\$)	(\$)	(\$)	(\$)	(\$)
Furniture and fittings	33 222	3 204	5 065	28 157	8 788
Motor vehicles	114 163	35 013	54 743	59 420	43 488
Office equipment	30 792	6 338	17 061	13 731	18 507
EDP equipment	351 320	40 730	108 445	242 875	210 627
Library	47 101	4 710	12 256	34 845	31 913
<b>Total</b>	<b>576 598</b>	<b>89 995</b>	<b>197 570</b>	<b>379 028</b>	<b>313 323</b>

#### 6. LEASED ASSETS

<i>Item</i>	<i>At cost 30.6.89</i>	<i>Amortisation for 1988-89</i>	<i>Accumulated amortisation 30.6.89</i>	<i>Net value 30.6.89</i>	<i>Net value 30.6.88</i>
	(\$)	(\$)	(\$)	(\$)	(\$)
Equipment leased under State Computer Lease Facility	960 374	164 874	189 929	770 445	817 531

## 7. PROVISIONS FOR EMPLOYEE ENTITLEMENTS

<i>Entitlement</i>	<i>Current liabilities</i>	<i>Non-current liabilities</i>	<i>Total</i>	
			<i>1988-89</i>	<i>1987-88</i>
	<i>(\$)</i>	<i>(\$)</i>	<i>(\$)</i>	<i>(\$)</i>
Long service leave	73 389	905 368	978 757	914 676
Annual leave	277 449	-	277 449	171 991
<b>Total shown in Balance Sheet</b>	<b>350 838</b>	<b>905 368</b>	<b>1 256 206</b>	<b>1 086 667</b>

## 8. FINANCE LEASE LIABILITY

<i>Lease</i>	<i>1988-89</i>	<i>1987-88</i>
	<i>(\$)</i>	<i>(\$)</i>
<b>Lease payments due -</b>		
Not later than 1 year	309 806	242 997
Later than 1 year and not later than 2 years	298 289	239 175
Later than 2 years and not later than 5 years	573 365	678 948
Later than 5 years	-	1 553
<b>Minimum lease payments</b>	<b>1 181 460</b>	<b>1 162 673</b>
<i>Deduct: Future finance charges</i>	<b>384 808</b>	<b>343 600</b>
	<b>796 652</b>	<b>819 073</b>
<b>Shown in Balance Sheet under -</b>		
Current liabilities	166 396	134 879
Non-current liabilities	630 256	684 194
<b>Balance at 30 June</b>	<b>796 652</b>	<b>819 073</b>

## 9. ACCUMULATED FUNDS

<i>Item</i>		<i>1988-89</i>	<i>1987-88</i>
	(\$)	(\$)	(\$)
Balance 1 July (deficiency)		(802 940)	(668 054)
Net operating deficit for the year		(4 626 356)	(4 213 757)
		(5 429 296)	(4 881 811)
Net amount contributed by Government -			
Funds appropriated from			
Consolidated Fund	8 629 903		7 197 609
Expenditure by other agencies	341 028		340 072
Gain on disposal of assets	-		(9 276)
Movement in bank balance	-		(8 203)
		8 970 931	7 520 202
Less: Amounts paid to Consolidated Fund		4 863 671	3 441 331
		4 107 260	4 078 871
<b>Balance 30 June (deficiency)</b>		<b>(1 322 036)</b>	<b>(802 940)</b>

## 10. RECONCILIATION OF OPERATING RESULT WITH FUNDS FROM OPERATIONS

<i>Item</i>	<i>1988-89</i>	<i>1987-88</i>
	(\$)	(\$)
Operating deficiency	(4 626 356)	(4 213 757)
Add: Depreciation	89 995	74 838
Amortisation	164 874	11 389
Write down of fixed assets	-	21 944
Provision for staff superannuation	455 034	530 588
Book value of fixed assets disposed of	8 295	1 043
Expenditure by other agencies	339 006	340 072
Provision for employee entitlements	230 853	-
Unfunded government contribution	2 022	-
Less: Provision for employee entitlements	-	(193 090)
Movement in bank balances	-	(8 203)
<b>Funds from operations</b>	<b>(3 336 277)</b>	<b>(3 435 176)</b>

**CERTIFICATION OF  
SUPPLEMENTARY ACCRUAL FINANCIAL STATEMENTS**

We the undersigned hereby certify that:

- ◆ in our opinion the Supplementary Accrual Financial Statements of the Office of the Auditor-General present fairly the financial operations during 1988-89 and the financial position of the Office as at 30 June 1989;
- ◆ at the date of signing the Statements, we are not aware of any circumstances which would render any particulars included in the statements to be misleading or inaccurate; and
- ◆ the Statements have been prepared in accordance with Australian Accounting Standards.

*Catherine Richards*

C. RICHARDS  
*Principal Accounting Officer*

MELBOURNE  
12/10/1989

*F. Belli*

F. BELLI  
*Deputy Chief Administrator*

**AUDITOR'S REPORT**

I report that I have audited the Supplementary Accrual Financial Statements of the Office of the Auditor-General for the year ended 30 June 1989 in accordance with Australian Auditing Standards.

In my opinion, the Supplementary Accrual Financial Statements have been properly drawn up so as to present fairly the financial operations of the Office of the Auditor-General for the year ended 30 June 1989 and the state of affairs at that date, and are in accordance with Australian Accounting Standards.

MELBOURNE  
12/10/1989

*J.F. Donges*

J.F. DONGES  
*Peat Marwick Hungerfords*

# APPENDIX 1

## AUDIT RESPONSIBILITIES AT 30 JUNE 1989

### Administrative units

Agriculture and Rural Affairs, Department of  
of  
Arts, Ministry for the  
Attorney-General's Department  
Auditor-General, Office of the\*  
Community Services, Department of  
Conservation, Forests and Lands,  
Department of  
Consumer Affairs, Ministry of  
Corrections, Office of  
Education, Ministry of  
Ethnic Affairs Commission  
Health Department Victoria  
Housing and Construction, Ministry of  
Industry, Technology and Resources,  
Department of  
Labour, Department of  
Local Government Department  
Management and Budget, Department of  
Planning and Environment, Ministry for  
Police and Emergency Services, Ministry  
for  
Premier and Cabinet, Department of the  
Property and Services, Department of  
Public Prosecutions, Office of the Director  
of  
Public Service Board, Office of the  
Sport and Recreation, Department of  
State Electoral Office  
Transport, Ministry of  
Water Resources, Department of  
Parliament of Victoria

### Superannuation funds

City of Melbourne Superannuation Fund  
Coal Mine Workers' Pensions Tribunal  
Emergency Services Superannuation  
Scheme  
Gas and Fuel Corporation Superannuation  
Fund  
Holmesglen Constructions Superannuation  
Plan  
Hospitals Superannuation Board  
Legal Aid Commission Staff  
Superannuation Fund  
Local Authorities Superannuation Board  
Lump Sum Fund  
MMBW Employees' Superannuation Fund

Metropolitan Fire Brigades Superannuation  
Board  
Metropolitan Transit Authority  
Superannuation Fund  
Parliamentary Contributory  
Superannuation Fund  
Pensions Supplementation Fund  
SEC Superannuation Fund  
State Employees Retirement Benefits  
Board  
State Superannuation Board  
Transport Superannuation Board  
Victorian Dried Fruits Board  
Superannuation Fund  
Victorian Institute of Marine Sciences  
Superannuation Fund  
Zoological Board of Victoria  
Superannuation Fund

### Public bodies

Accident Compensation Commission  
Accident Compensation Tribunal  
Albert Park Committee of Management  
Albury/Wodonga (Victoria) Corporation  
Alpine Resorts Commission  
Ambulance Officers Training Centre  
Ambulance Service, Victoria -  
Alexandra and District  
Metropolitan Region  
North Eastern Region  
North Western Region  
South Eastern Region  
South Western Region  
Western Region  
Bundoora Park Committee of Management  
Capital Works Authority  
Citrus Fruit Marketing Board  
Coal Corporation of Victoria  
Construction Industry Long Service  
Leave Board  
Council of Adult Education  
Country Fire Authority  
Dandenong Valley Authority  
Dietitians Board of Victoria  
Edithvale-Seaford Wetlands Environmental  
Area Committee of Management  
Emerald Tourist Railway Board  
Estate Agents Board  
Exhibition Trustees  
Film Victoria  
Gas and Fuel Corporation of Victoria  
Geelong Performing Arts Centre Trust  
Geelong Regional Commission  
Government Employee Housing Authority

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\* Independent audit conducted.

Grain Elevators Board  
 Greyhound Racing Control Board  
 Guardianship and Administration Board  
 Harness Racing Board  
 Historic Buildings Council  
 Industrial Relations Commission of Victoria  
 Institute of Educational Administration  
 Latrobe Regional Commission  
 Latrobe Valley Water and Sewerage Board  
 Law Reform Commission  
 Legal Aid Commission  
 Liquor Licensing Commission  
 Loddon-Campaspe Regional Planning Authority  
 Marine Board of Victoria  
 Melbourne and Metropolitan Board of Works  
 Melbourne Wholesale Fruit and Vegetable Market Trust  
 Mental Health Review Board  
 Metropolitan Fire Brigades Board  
 Metropolitan Transit Authority  
 Mount Macedon Memorial Cross Committee of Management  
 Museum of Victoria, Council of the National Gallery of Victoria, Council of Trustees of the  
 National Tennis Centre Trust  
 Olympic Park Management  
 Optometrists Registration Board  
 Patriotic Funds Council of Victoria  
 Patterson River Recreational Area Committee of Management  
 Penguin Reserve Committee of Management  
 Plumbers, Gasfitters and Drainers Registration Board  
 Port Bellarine Committee of Management  
 Port of Geelong Authority (including PGA Superannuation Fund)  
 Port of Melbourne Authority  
 Port of Portland Authority  
 Poultry Farmer Licensing Committee  
 Poultry Farmer Licensing Review Committee  
 Psychologists Registration Board of Victoria  
 Psychosurgery Review Board  
 Public Advocate, Office of the Road Construction Authority  
 Road Traffic Authority  
 Rural Finance Commission  
 Rural Water Commission of Victoria  
 Shrine of Remembrance Trustees  
 Small Business Development Corporation  
 State Electoral Office (Returning Officers' Account)  
 State Electricity Commission of Victoria  
 State Film Centre of Victoria Council  
 State Insurance Office  
 State Library of Victoria, Council of the State Parliament Refreshment Rooms  
 State Swimming Centre Committee of Management  
 State Training Board, Office of the State Transport Authority  
 State Trust Corporation of Victoria  
 Surveyors Board  
 Swan Hill Pioneer Settlement Authority  
 Tattersall Sweep Consultations  
 Tirhatuan Park Recreational Area Committee of Management  
 Tobacco Leaf Marketing Board  
 Totalizer Agency Board  
 Transport Accident Commission  
 Upper Yarra Valley and Dandenong Ranges Authority  
 Urban Land Authority  
 Victorian Accident Rehabilitation Council  
 Victorian Arts Centre Trust  
 Victorian Building Societies Council  
 Victorian Conservation Trust  
 Victorian Curriculum and Assessment Board  
 Victorian Dairy Industry Authority  
 Victorian Development Fund  
 Victorian Dried Fruits Board  
 Victorian Economic Development Corporation  
 Victorian Egg Marketing Board  
 Victorian Fishing Industry Council  
 Victorian Government Major Projects Unit  
 Victorian Government Printing Office  
 Victorian Health Promotion Foundation  
 Victorian Institute of Forensic Pathology  
 Victorian Institute of Marine Sciences  
 Victorian Nursing Council  
 Victorian Post-Secondary Education Commission  
 Victorian Prison Industries Commission  
 Victorian Public Authorities Finance Agency  
 Victorian Public Offices Corporation  
 Victorian Relief Committee  
 Victorian Solar Energy Council  
 Victorian Tertiary Admissions Centre  
 Victorian Tourism Commission  
 Western Metropolitan Market Trust  
 Yarra Bend Park Trust  
 Zoological Board of Victoria

**Companies and joint ventures**  
 Agriprojects Victoria Pty Ltd  
 Bioplantech Limited  
 Circular Force Pty Ltd  
 Daratech Pty Ltd  
 Deakin University Foundation Limited  
 Durac Limited  
 IMC Pty Ltd  
 Knowledge Victoria Limited  
 La Trobe University Housing Limited  
 MTA Investments Pty Ltd  
 Melbourne Business School Limited

Montech Pty Ltd  
Overseas Projects Corporation of Victoria  
Limited  
SIO Services Pty Ltd  
SIO Superannuation Pty Ltd  
Telematics Course Development Fund  
Trust

**Post-secondary education institutions**

Ballarat College of Advanced Education  
Batman Automotive College of TAFE  
Bendigo College of Advanced Education  
Box Hill College of TAFE  
Broadmeadows College of TAFE  
Catholic Education, Institute of  
Chisholm Institute of Technology  
Dandenong College of TAFE  
Deakin University  
East Gippsland Community College of  
TAFE  
Flagstaff College of TAFE  
Footscray College of TAFE  
Footscray Institute of Technology  
Frankston College of TAFE  
Gippsland Institute of Advanced Education  
Gordon Technical College  
Goulburn Valley College of TAFE  
Hawthorn Institute of Education  
Holmesglen College of TAFE  
La Trobe University  
Loddon-Campaspe College of TAFE  
Melbourne College of Decoration  
Melbourne College of Printing and Graphic  
Arts  
Melbourne College of Textiles  
Mines and Industries Ballarat Limited,  
School of  
Monash University  
Moorabbin College of TAFE  
Newport College of TAFE  
Northern Metropolitan College of TAFE  
Outer Eastern College of TAFE  
Phillip Institute of Technology  
Prahran College of TAFE  
Richmond College of TAFE  
Royal Melbourne Institute of Technology  
Limited  
South West College of TAFE  
Sunraysia College of TAFE  
Swinburne Limited  
University of Melbourne  
Victoria College  
Victorian College of Agriculture and  
Horticulture  
Victorian College of Pharmacy Limited  
Victorian College of the Arts  
Wangaratta College of TAFE  
Warrnambool Institute of Advanced  
Education  
Western Institute  
William Angliss College

Wimmera Community College of TAFE  
Wodonga College of TAFE  
Wodonga Institute of Tertiary Education  
Yallourn College of TAFE

**Public hospitals and State-funded  
nursing homes**

After Care Hospital  
Alexandra District Hospital  
Altona District Hospital  
Amalgamated Alfred, Caulfield and Royal  
Southern Memorial Hospital  
Amalgamated Central Gippsland and  
Morwell Hospital  
Amalgamated Melbourne and Essendon  
Hospital  
Anne Caudle Centre  
Apollo Bay and District Memorial Hospital  
Ararat and District Hospital  
Austin Hospital  
Bacchus Marsh and District War Memorial  
Hospital  
Ballarat Base Hospital  
Beeac and District Hospital  
Benalla and District Memorial Hospital  
Bendigo and Northern District Base  
Hospital  
Birregurra and District Community Hospital  
Boort District Hospital  
Box Hill Hospital  
Bright District Hospital  
Bundoora Extended Care Centre  
Burwood and District Community Hospital  
Camperdown District Hospital  
Caritas Christi Hospice  
Casterton Memorial Hospital  
Clunes District Hospital  
Cobram District Hospital  
Cohuna District Hospital  
Colac District Hospital  
Coleraine and District Hospital  
Corryong District Hospital  
Creswick District Hospital  
Dandenong and District Hospital  
Daylesford District Hospital  
Dimboola District Hospital  
Donald District Hospital  
Dunmunkle Health Services  
Dunolly District Hospital  
East Gippsland Hospital  
East Gippsland Centre for Rehabilitation  
and Extended Care  
Eastern Suburbs Geriatric Centre  
Echuca District Hospital Incorporated  
Edenhope and District Memorial Hospital  
Eildon and District Community Hospital  
Elmore District Hospital  
Fairfield Hospital  
Frankston Hospital  
Geelong Hospital  
Glenview Community Care



Gippsland Base Hospital  
 Goulburn Valley Base Hospital  
 Grace McKellar Centre  
 Greenvale Centre  
 Grey Sisters Mother and Child Care Centre  
 Hamilton Base Hospital  
 Hampton Rehabilitation Hospital  
 Healesville and District Hospital  
 Heathcote District Hospital  
 Heywood and District Memorial Hospital  
 Inglewood Hospital  
 Kaniva District Hospital  
 Kerang and District Hospital  
 Kilmore and District Hospital  
 Kingston Centre  
 Koroit and District Memorial Hospital  
 Korumburra District Hospital  
 Kyabram and District Memorial Community  
 Hospital  
 Kyneton District Hospital  
 Latrobe Valley Hospital  
 Lismore and District Hospital  
 Little Company of Mary Hospital  
 Incorporated  
 Lorne Community Hospital  
 Lyndoch Home and Hospital for the Aged  
 Macarthur and District Memorial Hospital  
 Maffra Hospital  
 Maldon Hospital  
 Manangatang and District Hospital  
 Mansfield District Hospital  
 Maribyrnong Medical Centre  
 Maroondah Hospital  
 Maryborough and District Hospital  
 Mercy Maternity Hospital Incorporated  
 Mildura Base Hospital  
 Monash Medical Centre  
 Mordialloc-Cheltenham Community  
 Hospital  
 Mortlake District Hospital  
 Mount Eliza Centre  
 Mount Royal Hospital  
 Mt Alexander Hospital  
 Myrtleford District War Memorial Hospital  
 Nathalia District Hospital  
 Nhill Hospital  
 Numurkah and District War Memorial  
 Hospital  
 Omeo District Hospital  
 Orbost and District Hospital  
 Ouyen and District Hospital  
 Ovens and Murray Hospital for the Aged  
 Ovens District Hospital  
 Penshurst and District Memorial Hospital  
 Peter MacCallum Cancer Institute  
 Port Fairy Hospital  
 Portland and District Hospital  
 Preston and Northcote Community  
 Hospital  
 Queen Elizabeth Centre  
 Queen Elizabeth Geriatric Centre  
 Ripon Peace Memorial Hospital

Robinvale and District Hospital  
 Rochester and District War Memorial  
 Hospital  
 Royal Children's Hospital  
 Royal Dental Hospital of Melbourne  
 Royal Victorian Eye and Ear Hospital  
 Royal Women's Hospital  
 Sandringham and District Memorial  
 Hospital  
 Seymour District Memorial Hospital  
 Shelley Memorial Hospital  
 Skipton and District Memorial Hospital  
 South Gippsland Hospital  
 Southern Peninsula Hospital  
 St Arnaud District Hospital  
 St George's Hospital  
 St Vincent's Hospital  
 Stawell District Hospital  
 Swan Hill District Hospital  
 Tallangatta Hospital  
 Tawonga District General Hospital  
 Terang and District (Norah Cosgrave)  
 Community Hospital  
 Timboon and District Hospital  
 Wangaratta District Base Hospital  
 Waranga Memorial Hospital  
 Warracknabeal District Hospital  
 Warrnambool and District Base Hospital  
 Werribee District Hospital  
 Westernport Memorial Hospital  
 West Gippsland Hospital  
 Willaura and District Hospital  
 William Angliss Knox and Sherbrooke  
 Community Hospital  
 Williamstown Hospital  
 Wimmera Base Hospital  
 Winchelsea and District Hospital  
 Wodonga District Hospital  
 Wonthaggi and District Hospital  
 Woorayl District Memorial Hospital  
 Wycheproof District Hospital  
 Yarram and District Hospital  
 Yarrawonga District Hospital  
 Yea and District Memorial Hospital

#### **Local water and sewerage authorities**

Aireys Inlet Water Board  
 Alberton River Improvement Trust, Shire of  
 Alberton Water Board  
 Alexandra River Improvement Trust, Shire  
 of  
 Alexandra, Shire of  
 Ararat, City of  
 Ararat, Shire of  
 Avoca River Improvement Trust  
 Avoca, Shire of  
 Avon-Macalister Rivers Management Board  
 Axedale Water Board  
 Bacchus Marsh, Shire of  
 Ballan, Shire of  
 Ballarat Water Board

Beaufort Water Board  
 Beechworth, United Shire of  
 Bendigo Creek Improvement Trust  
 Benalla Water Board  
 Bendigo Water Board  
 Bet Bet, Shire of  
 Birchip, Shire of  
 Black Dog Creek Improvement Trust  
 Bridgewater Water Board  
 Bright District Water Board  
 Broadford Water Board  
 Broken River Improvement Trust  
 Bullock Creek Improvement Trust  
 Camperdown, Town of  
 Cann River Improvement Trust  
 Castlemaine and District Water Board  
 Charlton Water Board  
 Chiltern Water Board  
 Cobram, Shire of  
 Cohuna, Shire of  
 Colac District Water Board  
 Creswick Shire Water Board  
 Dandenong-Springvale Water Board  
 Daylesford Water Board  
 Deakin Water Board  
 Devenish Water Board  
 Donald Water Board  
 Dundas, Shire of  
 Echuca Water Board  
 Elmore Water Board  
 Emerald District Water Board  
 Euroa Water Board  
 First Mildura Irrigation Trust  
 Geelong and District Water Board  
 Gisborne Water Board  
 Glenelg River Improvement Trust  
 Glenelg/Wannon Water Board  
 Glenrowan Water Board  
 Goorambat Water Board  
 Goornong Water Board  
 Gordon Water Board  
 Goulburn Water Board  
 Hamilton Water Board  
 Hampden, Shire of  
 Heathcote Water Board  
 Heytesbury, Shire of  
 Heywood Water Board  
 Hindmarsh Water Board  
 Horsham, City of  
 Kaniva, Shire of  
 Kerang, Borough of  
 Kiewa River Improvement Trust  
 Kilmore, Shire of  
 King Valley Water Board  
 Korong, Shire of  
 Korumburra River Improvement Trust,  
 Shire of  
 Korumburra Water Board  
 Kowree Water Board  
 Kyabram, Town of  
 Kyneton Water Board  
 Lang Lang Water Board  
 Learmonth Water Board  
 Leongatha Water Board  
 Lexton Water Board  
 Longwarry Drainage Trust  
 Lorne Water Board  
 Lough Calvert Drainage Trust  
 Lower Kiewa Water Board  
 Macalister Water Board  
 Macedon Water Board  
 Mallacoota Water Board  
 Mansfield District Water Board  
 Maryborough, City of  
 Marysville Water Board  
 Melton, Shire of  
 Mid-Gippsland Rivers Management Board  
 Mid-Goulburn Rivers Management Board  
 Mirboo Water Board  
 Mitchell River Management Board  
 Mitchell Water Board  
 Mitta Mitta River Improvement Trust  
 Moe Water Board  
 Mooroopna Water Board  
 Mornington Peninsula and District Water  
 Board  
 Mortlake Water Board  
 Morwell Water Board  
 Mount Rouse, Shire of  
 Murchison Water Board  
 Murtoa Water Board  
 Myrtleford, Shire of  
 Narracan, Shire of  
 Nathalia, Shire of  
 Nhill Water Board  
 Numurkah, Shire of  
 Omeo, Shire of  
 Orbost Water Board  
 Otway Coast Water Board  
 Ovens River Management Board  
 Pakenham Water Board  
 Pentall Island River Management Board  
 Port Fairy Water Board  
 Portland Water Board  
 Pyalong Water Board  
 Riddells Creek Water Board  
 Robinvale Water Board  
 Rochester Water Board  
 Rodney Water Board  
 Romsey-Lancefield Water Board  
 Rosedale District Water Board  
 Rutherglen Water Board  
 Sale, City of  
 Sea Lake Water Board  
 Seymour Water Board  
 Shepparton Water Board  
 Skipton Water Board  
 Snowy River Improvement Trust  
 South Gippsland Water Board  
 Springhurst Water Board  
 St Arnaud, Town of  
 Stawell, Shire of  
 Stawell Water Board  
 Strathdownie Drainage Trust

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Sunbury Water Board  
Sunraysia Water Board  
Swan Hill Water Board  
Talbot and Clunes, Shire of  
Tallangatta, Shire of  
Tambo River Improvement Trust  
Tambo Water Board  
Tarago Water Board  
Tarwin River Improvement Trust  
Tarwin Valley Water Board  
Traralgon Water Board  
Tullaroop, Shire of  
Tungamah Shire Water Board  
Upper Kiewa Water Board  
Upper Murray River Improvement Trust,  
Shire of  
Upper Murray Water Board

Walpeup, Shire of  
Wangaratta, City of  
Waranga Water Board  
Warracknabeal Water Board  
Warrnambool, City of  
Warrnambool, Shire of  
West Moorabool Water Board  
Westernport Water Board  
Wodonga, Rural City of  
Wonthaggi-Inverloch Water Board  
Woodend Water Board  
Wycheproof Water Board  
Yackandandah Water Board  
Yarrowonga, Shire of  
Yatchaw Drainage Trust  
Yea River Improvement Trust, Shire of  
Yea Water Board

## APPENDIX 2 CHANGES IN AUDIT RESPONSIBILITIES, 1988-89

<b>New and revised audit responsibilities</b>	<b>Authority</b>
Circular Force Pty Ltd	<i>Deakin University Act 1974.</i>
Industrial Relations Commission of Victoria	<i>Annual Reporting Act 1983.</i>
Knowledge Victoria Limited	Request by Treasurer under <i>Audit Act 1958.</i>
Melbourne Business School Limited	<i>Melbourne University Act 1958.</i>
MTA Investments Pty Ltd	Request by Treasurer under <i>Audit Act 1958.</i>
Northern Metropolitan College of TAFE	<i>Post Secondary Education Act 1978.</i>
State Electoral Office	<i>Annual Reporting Act 1983.</i>
SIO Services Pty Ltd	Request by Treasurer under <i>Audit Act 1958.</i>
SIO Superannuation Pty Ltd	Request by Treasurer under <i>Audit Act 1958.</i>
Telematics Course Development Fund Trust	Request by Treasurer under <i>Audit Act 1958.</i>
Transport Superannuation Board	<i>Transport Superannuation Act 1988.</i>
Upper Yarra Valley and Dandenong Ranges Authority	<i>Upper Yarra Valley and Dandenong Ranges Authority Act 1976.</i>
Victorian Institute of Marine Sciences Superannuation Fund	Request by Treasurer under <i>Audit Act 1958.</i>
Western Metropolitan Market Trust	<i>Annual Reporting Act 1983.</i>

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<b>Audits for which the Office is no longer responsible</b>	<b>Reason for audit responsibility ceasing</b>
Avon Water Board	Absorbed into Macalister Water Board, effective 1 January 1989.
Bannockburn Water Board	Absorbed into Geelong and District Water Board, effective 1 July 1988.
Collingwood College of TAFE	Merged to become Northern Metropolitan College of TAFE, effective 1 January 1989.
Dunmunkle, Shire of	Abolished by Order-in-Council, effective 13 September 1988.
Fifteen Mile Creek Improvement Trust	Absorbed into Ovens River Management Board, effective 24 January 1989.
Housing, Director of	Absorbed into Ministry of Housing and Construction, effective 1 July 1988.
Melbourne College of Advanced Education	Amalgamated with University of Melbourne, effective 1 January 1989.
Preston College of TAFE	Merged to become Northern Metropolitan College of TAFE, effective 1 January 1989.

## APPENDIX 3 TRAINING COURSES CONDUCTED, 1988-89

Course	Month held	Duration (days)	Presenter	Person days training	Participants	
					M	F
Orientation Program	Jan.	5	Office staff	75	11	4
P.C. Applications	Jan. - Dec.	1 or 2	External	264	99	48
Phase I - Graduates Orientation Program	Mar.	3	"	45	11	4
Associate Program Workshops	Mar.- June	.125 (x10)	Office staff	30	15	9
CPA Program Workshops	"	.125 (x10)	"	25	12	8
Phase II - Graduates Comprehensive Auditing (1)	May	2	"	76	25	13
Value-for-Money Orientation Program	"	1.5	"	14	6	3
Managers-Stress, Time and Paper Management	"	1	External	20	14	6
Assertiveness Skills	June	1	"	22	11	11
Accounting and Auditing Standards Update	"	0.5	Office staff/ external	11	16	5
Active Communication	July	2	External	38	10	9
Writing Skills for Auditor-General's Report	"	1	"	24	18	6
Orientation Program	"	1.5	Office staff	8	3	2
Graduates 2nd Intake-Communication Skills for Supervisors	Aug.	3	External	30	6	4
Report Writing	"	1	"	21	11	10
Counselling and Coaching Skills	"	1	"	17	13	4
Management Discussion Groups	Var.	.26 (x5)	Office staff/ external	13	43	6

## APPENDIX 4 PROFESSIONAL ACTIVITIES

### INTERNATIONAL MEETINGS AND OVERSEAS VISITS

#### *1st Congress of the South Pacific Association of Supreme Audit Institutions (SPASAI)*

Mr Flav Belli, Assistant Auditor-General, attended the 1st Congress of SPASAI held in Port Vila, Vanuatu in November 1988. A major objective of the Congress was the promotion of understanding and co-operation among members through the exchange of ideas and experiences in the field of public sector auditing.

The Congress was attended by 20 representatives from 13 audit institutions: Fiji, Federated States of Micronesia, Kiribati, Papua New Guinea, Solomon Islands, Tonga, Tuvalu, Vanuatu, Western Samoa, New Zealand, Commonwealth (Australia), Victoria and New South Wales.

One of the major topics for discussion was addressed by a paper presented by Mr Belli on the relationship between Parliamentary Public Accounts Committees and Audit Offices.

#### *Meeting in Hong Kong, Singapore and Malaysia*

Mr Russell Walker, Chief Director of Audit, visited Hong Kong in November 1988 to review a joint-venture project in which the Metropolitan Transit Authority participated. The project related to the design, construction and maintenance of a light rail transit system in the North Western New Territories of Hong Kong. The results of the review were included in the Auditor-General's *Report on Ministerial Portfolios* which was tabled in Parliament in May 1989.

Mr Walker also visited the Singapore and Malaysian Auditor-General's Offices to discuss audit developments in those regions.

#### *17th Conference of Australia Area Auditors-General*

Mr Ches Baragwanath, Auditor-General, and Mr Graham Hamilton, Chief Director of Audit, represented the Office at the 17th Conference of Australia Area Auditors-General held in Waitangi, New Zealand in March 1989. The Victorian Office presented the lead discussion paper on the topic "*Development of public sector reporting standards*".

#### *Auckland Regional Authority*

Mr Graham Hamilton, Chief Director of Audit, visited the Auckland Regional Authority in March 1989 to discuss impending staff exchanges.

#### *EDP Audit Conference*

Mr John Pinnis, former Chief Director of Audit, attended a 3-day EDPAC '89 Conference held in Rotorua, New Zealand in April 1989, followed by a meeting of EDP government auditors. The main theme for EDPAC was "*Is EDP audit on shaky ground?*"

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## **INTERNATIONAL AND INTERSTATE VISITORS**

### *Western Australian Treasury Office*

Mr Neville Smith, a Senior Director engaged in financial management reform in the Western Australian Treasury, visited the Office in July 1988 to hold talks with the Assistant Auditor-General.

### *Office of the Controller and Auditor-General, New Zealand*

Mr John Goodchild, a Director from the New Zealand Audit Office, met with senior staff of the Office in August 1988 to discuss value-for-money examinations of road construction and maintenance programs.

### *Arthur Andersen and Co., America*

Mr Charles Bradford, International Director (Health Care) with Arthur Andersen and Co. in the USA, met with the Assistant Auditor-General in September 1988 and provided the Office with substantial documentation on accounting and auditing practices in the health care field in the USA.

### *New South Wales Audit Office*

Mr Verge Colpo, a Systems Review Officer in the EDP Division of the NSW Auditor-General's Office was seconded to the Office's Computer Systems and Services Division in September 1988.

### *Tasmanian Audit Office*

Mr Leon Lonergan and Mr Ches Bogus from the Tasmanian Audit Office visited the Victorian Office in November 1988 to hold discussions on a range of operational, management and training issues.

### *Western Australian Audit Office*

Mr Geoff Hamilton, Director of Audit from the Western Australian Audit Office, met with various representatives of the Victorian Office in February 1989 to discuss matters relating to staff training, information technology and corporate planning.

### *Australia Area Audit Offices*

Representatives from 8 Audit Offices visited the Victorian Office to attend an informal meeting of Deputy Auditors-General in March 1989. The meeting focused on the broad issues affecting day-to-day operations of government Audit Offices and coincided with the holding of the ASA National Government Accountants Congress.

### *Northern Territory Audit Office*

Mr Patrick Wright, Computer Audit and Information Technology Manager, and Mr Ian Miller, Principal Auditor with the Northern Territory Audit Office, visited the Office in March 1989 to hold discussions on information technology strategies and EDP auditing.

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### *Office of the Auditor-General of Canada*

Mr Ken Dye, Auditor-General of Canada, and Mr Larry Meyers, a Deputy Auditor-General, met with the Office Executive in March 1989 to discuss recent developments in the Canadian Office. Mr Dye also gave a presentation to approximately 80 members of the Victorian Office on the operations of his Office.

### *Queensland Audit Office*

Mr Errol Mulvahill and Mr Terry Murphy, Audit Managers from the Queensland Auditor-General's Office, met with members of the Office to hold discussions on matters relating to audits of financial institutions.

### *Australia and New Zealand Senior Audit Executives Conference*

In June 1989, the Office hosted a Conference of Senior Audit Executives at Kilsyth. The Conference was attended by senior members of staff from all States, the Commonwealth, Northern Territory and New Zealand Audit Offices. The theme of the meeting was "*Risk Management in the Public Sector*".

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## **PARTICIPATION IN MAJOR CONFERENCES**

### *Royal Australian Institute of Public Administration/Department of Management and Budget (Joint Seminar)*

Eight representatives of the Office attended a joint RAIPA/DMB seminar on *Budgeting and Resource Management: Links between Budget Reforms and Resource Management Improvements* held in Melbourne in September 1988. Mr Trevor Wood, Director of Audit, presented a paper on "*Balancing the Need for Management Initiative and Flexibility with Accountability Pressures*". Mr Joe Manders, as Director of Audit, provided assistance in the organisation of the seminar and presented a summary of the day's proceedings.

### *Senior Executive Residential Program*

In October 1988, Mr Trevor Wood, Director of Audit, presented a paper on "*Risk Management for Obtaining Results*" at a Senior Executive Residential Program held at Bowral, NSW. The 2-week program was designed to broaden the horizons of senior public service executives and to equip them in carrying out their future responsibilities.

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## **INVOLVEMENT WITH PROFESSIONAL BODIES**

There continued to be a strong involvement by members of the Office in the activities of various professional bodies and specialist committees during the year. The most significant included the following:

### *Australian Electoral Commission Redistribution Committee*

Mr Ches Baragwanath, Auditor-General, was a member of the Australian Electoral Commission's Redistribution Committee, and participated in the review of electoral redistribution in Victoria.



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### *Australian Society of Accountants*

- ◆ In January 1989, the Assistant Auditor-General, Mr Flav Belli, was appointed Chairman of an ASA working party established to prepare a submission to the Senate Committee on Finance and Public Administration. The Committee, which was set up to inquire into the establishment and accountability of government-owned companies, later heard evidence based on the submission.
  - ◆ In April 1989 the Auditor-General, Mr Ches Baragwanath, was elected as President of the Victorian Division of the Australian Society of Accountants.
  - ◆ Mr Flav Belli, Assistant Auditor-General, held a position of member on the Disciplinary Committee, Victorian Division, up until September 1989.
  - ◆ Mr Russell Walker, Chief Director of Audit, is a member of the Government Accountants Committee, Victorian Division.
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### **EXTERNAL PRESENTATIONS**

Many Office staff were involved in the presentation of papers and seminars. A summary of activities conducted during 1988-89 is set out below:

#### **EXTERNAL PRESENTATIONS, 1988-89**

<i>Date</i>	<i>Officer</i>	<i>Topic</i>
July	J. Dyke	<i>The Audit of Rate of Return Reports.</i> Presentation to Institute of Chartered Accountants Government Accounting and Audit Discussion Group.
July and Oct.	J. Manders	<i>Current Directions in Public Sector Auditing.</i> Paper presented to Public Service Board (PSB) Finance for Non-Finance Managers Program and PSB Financial Development Training Program.
Aug.	S. Naylor	<i>The Role of the Auditor.</i> Presentation to line managers of the Road Construction Authority.
Sept.	T. Wood	<i>Balancing the Need for Management Initiative and Flexibility with Accountability Pressures.</i> Presentation at seminar conducted by Royal Australian Institute of Public Administration.
"	F. Belli	<i>Public Sector Auditing.</i> Presentation to computing students at Deakin University.
"	J. Manders	<i>Finance for Non-Finance Managers.</i> Presentation to PSB Financial Management Training Program.

**EXTERNAL PRESENTATIONS, 1988-89 - continued**

<i>Date</i>	<i>Officer</i>	<i>Topic</i>
Sept. to April	T. Wood	<i>The Role of the Auditor-General and the Impact of the Auditor-General upon Auditing Procedures in Public Hospitals from 1988-89.</i> Presentation to senior executives of 11 public hospitals.
Oct.	T. Wood	<i>Risk Management for Obtaining Results.</i> Paper presented to senior public service executives at a New South Wales Senior Executive Residential Program.
Nov.	C. Baragwanath	<i>Auditing Requirements for Hospitals.</i> Paper presented to delegates at the Victorian Hospitals Association's 50th Anniversary Convention.
"	J. Kehoe	<i>Finance for Non-Finance Managers.</i> Presentation to PSB Financial Management Training Program.
"	J. Manders	<i>Value-for-Money Auditing.</i> Paper presented to representatives of educational institutions across Australia at a conference organised by Educational Purchasing and Supply Association of Australia and Victorian Tertiary Supply Group.
Jan.	J. Manders	<i>Contemporary Features of Public Sector Auditing.</i> Paper presented to post-graduate students in educational administration at Hawthorn Institute of Education.
May	M. Nugent	<i>Accountability - The Role of the Auditor-General.</i> Presentation to PSB Aboriginal Middle Management Development Program.
"	M. Strickland	<i>Sources of Government Finance.</i> Presentation to PSB Aboriginal Middle Management Development Program.
"	C. Baragwanath, M. Nugent	<i>Accountability and Performance.</i> Presentation to students at Monash University.
"	J. Manders	<i>Contemporary Features of Public Sector Auditing.</i> Paper presented to post-graduate students in educational administration at Hawthorn Institute of Education.
June	C. Baragwanath	<i>Financial Management to Improve Government Efficiency.</i> Paper presented to accounting academics at a seminar conducted by the State Government.
"	C. Baragwanath	<i>The Role of the Auditor-General.</i> Presentation to retail accountants at a meeting sponsored by the Australian Society of Accountants.
"	F. Belli	<i>Public Financial Administration in Victoria.</i> Presentation to members of Sabah (Malaysia) Parliamentary Public Accounts Committee.

## APPENDIX 5 OFFICE PUBLICATIONS

### PUBLICATIONS ISSUED OVER THE PAST 5 YEARS

- 1984-85**      *First Report of the Auditor-General for the year ended 30 June 1984. (This report accompanied Finance, 1983-84, the Treasurer's Statement.)*  
*Second Report of the Auditor-General for the year ended 30 June 1984.*  
*Third Report of the Auditor-General for the year ended 30 June 1984.*  
*Fourth Report of the Auditor-General for the year 1983-84.*  
*Report of the Auditor-General, Comprehensive Audits - Government Stores Operations and Departmental Cash Management, October 1984.*  
*Annual Report of the Operations and Audited Financial Statements of the Office of the Auditor-General for the year ended 30 June 1984.*
- 1985-86**      *First Report of the Auditor-General for the year ended 30 June 1985. (This report accompanied Finance, 1984-85, the Treasurer's Statement.)*  
*Second Report of the Auditor-General for the year 1984-85.*  
*Annual Report of the Operations and Audited Financial Statements of the Office of the Auditor-General for the year ended 30 June 1985.*
- 1986-87**      *First Report of the Auditor-General for the year ended 30 June 1986. (This report accompanied Finance, 1985-86, the Treasurer's Statement.)*  
*Annual Report of the Operations and Audited Financial Statements of the Office of the Auditor-General for the year ended 30 June 1986.*  
*Report of the Auditor-General, Special Report No. 4 - Court Closures in Victoria, November 1986.*  
*Second Report of the Auditor-General for the year 1985-86.*  
*Report of the Auditor-General, Special Report No. 5 - Provision of Housing to Government Employees and Post-Project Appraisal Procedures within the Public Works Department, December 1986.*  
*Report of the Auditor-General, Special Report No. 6 - Internal Audit in the Victorian Public Sector, December 1986.*  
*Report of the Auditor-General, Special Report No. 7 - Motor Vehicles, April 1987.*
- 1987-88**      *First Report of the Auditor-General for the year ended 30 June 1987. (This report accompanied Finance, 1986-87, the Treasurer's Statement.)*  
*Annual Report of the Operations and Audited Financial Statements of the Office of the Auditor-General for the year ended 30 June 1987.*  
*Report of the Auditor-General, Special Report No. 8 - Foreign Exchange, November 1987.*  
*Report of the Auditor-General, Special Report No. 9 - Land Utilisation, November 1987.*  
*Second Report of the Auditor-General for the year 1986-87.*

1988-89

*First Report of the Auditor-General for the year ended 30 June 1988. (This report accompanied Finance, 1987-88, the Treasurer's Statement.)*

*Annual Report of the Operations and Audited Financial Statements of the Office of the Auditor-General for the year ended 30 June 1988.*

*Report of the Auditor-General, Special Report No. 10 - Utilisation of Plant and Equipment and Youth Guarantee, November 1988.*

*Review of the Administrative Functions supporting the Parliament, November 1988.*

*Report of the Auditor-General, Special Report No. 11 - Financial Assistance to Industry, March 1989.*

*Report on Ministerial Portfolios, May 1989.*

## SPECIAL REPORTS

<i>Report no.</i>	<i>Title</i>	<i>Date issued</i>
1	<i>Works Contracts Overview - First Report</i>	June 1982
2	<i>Works Contracts Overview - Second Report</i>	June 1983
3	<i>Government Stores Operations and Departmental Cash Management</i>	October 1984
4	<i>Court Closures in Victoria</i>	November 1986
5	<i>Provision of Housing to Government Employees and Post-Project Appraisal Procedures within the Public Works Department</i>	December 1986
6	<i>Internal Audit in the Victorian Public Sector</i>	December 1986
7	<i>Motor Vehicles</i>	April 1987
8	<i>Foreign Exchange</i>	November 1987
9	<i>Land Utilisation</i>	November 1987
10	<i>Utilisation of Plant and Equipment and Youth Guarantee</i>	November 1988
11	<i>Financial Assistance to Industry</i>	March 1989

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## INDEX OF SPECIAL INTEREST ITEMS IN PAST REPORTS OF THE AUDITOR-GENERAL TO THE PARLIAMENT

Reports of the Auditor-General have often focused on issues of special interest concerning public sector resource management. Listed below are a number of items which have appeared in past reports, along with relevant issue and page references.

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- Accountability within the Victorian public sector, *Second Report*, March 1987, pp. 11-45
- Accounting policies and disclosure practices, uniformity of, *Second Report*, March 1987, pp. 36-41
- Accrual accounting, case for the adoption of - limitation of departmental cash accounting and reporting, *Second Report*, March 1987, pp. 45-7
- Actuarial valuations, *Second Report*, April 1988, pp. 19-21
- Administrative arrangements legislation, *Second Report*, October 1984, pp. 9-10
- Annual Reporting Act 1983, *Second Report*, October 1984, pp. 2-6  
March 1986, pp. 3-6  
March 1987, pp. 16-18
- Audit, internal-  
in the budget sector, update  
*Report on the Treasurer's Statement*, 1987-88, pp. 32-7  
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*Special Report No. 6*, December 1986
- Audit legislation, need for modern, *Report on the Treasurer's Statement*, 1988-89, pp. 7-11
- Audit opinion on financial statements, qualified, *Report on Ministerial Portfolios* -  
April 1988, pp. 29-30  
May 1989, pp. 310-13
- Asset recording, *Second Report*, March 1987, pp. 53-4
- Board members/directors of public bodies, responsibilities of, *Report on the Treasurer's Statement*, 1988-89, pp. 50-5
- Bus contracting services in the education sector, *Report on Ministerial Portfolios*, May 1989, pp. 59-72
- Cash management, departmental, *Special Report No. 3*, October 1984
- Cleaning services within educational institutions, *Second Report*, April 1988, pp. 58-66
- Community Employment Program, *Report on the Treasurer's Statement*, 1986-87, pp. 28-34
- Companies, trusts and joint ventures, investments in, *Second Report*, March 1987, pp. 25-35
- Consultants, engagement of, *Report on the Treasurer's Statement*, 1987-88, pp. 38-40
- Court closures in Victoria, *Special Report No. 4*, November 1986
- Debt centralisation, *Second Report*, April 1988, pp. 16-18
- Disaster recovery planning for computerised systems, *Report on Ministerial Portfolios*, May 1989, pp. 305-9
- Employee "bona-fides" and employee leave entitlements, *Second Report*, March 1987, pp. 51-2
- Employee leave entitlements, preliminary review, *Second Report*, March 1986, pp. 13-14
- Financial assistance to industry, *Special Report No. 11*, March 1989
- Financial management system, computerised, in the budget sector, *Report on the Treasurer's Statement*, 1986-87, pp. 46-52
- Financial reporting, developments in, *Second Report*, April 1988, pp. 26-8
- Foreign exchange, *Special Report No. 8*, November 1987
- Housing for government employees, provision of, *Special Report No. 5*, December 1986
- Insurance, *Report on the Treasurer's Statement*, 1986-87, pp. 34-7
- Land utilisation, *Special Report No. 9*, November 1987
- Motor vehicles, *Special Report No. 7*, April 1987
- Outstanding revenue, *Report on the Treasurer's Statement*, 1986-87, pp. 38-41
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1984-85, pp. 4-9  
1985-86, pp. 2-6
- reporting to (by departments and public  
bodies), *Second Report*, March 1987,  
pp. 19-24
- review of the administrative functions  
supporting the, *Special audit review*,  
November 1988
- Plant and equipment, utilisation of, *Special Report*  
*No. 10*, November 1988
- Post-project appraisal procedures within the Public  
Works Department, *Special Report No. 5*,  
December 1986
- Privately sponsored projects, government funding  
of, *Second Report*, March 1986, p.15
- Program budgeting, *Report on the Treasurer's*  
*Statement*, 1988-89, pp. 44-9
- Share market downturn, impact of, on investment  
holdings, *Second Report*, April 1988, pp. 9-15
- State taxation, collection of, *Report on the*  
*Treasurer's Statement*, 1988-89, pp. 31-43
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Ministerial portfolios (annual)  
*Treasurer's Statement* (annual)
- Stores operations, government-  
*Special Report No. 3*, October 1984  
*Second Report*, March 1986, pp. 7-11
- Subsidiary companies, reporting and auditing  
requirements, *Fourth Report*, April 1985,  
pp. 3-6
- Tender Board approval, failure to obtain, *Second*  
*Report* -  
October 1984, pp. 6-8  
March 1986, p.12
- Rate of return reporting-  
*Second Report*, March 1987, p.50  
*Second Report*, April 1988, pp. 22-5
- Resource management, enhancements to, *Report*  
*on the Treasurer's Statement*, 1987-88,  
pp. 21-7
- Retrospective expenditure approvals, *Report on*  
*the Treasurer's Statement*, 1988-89, pp. 54-5
- Risk management, *Report on the Treasurer's*  
*Statement*, 1987-88, pp. 28-31
- Works contracts overviews, *Special Reports*  
*Nos. 1 and 2*, June 1982 and 1983
- Youth Guarantee, *Special Report No. 10*,  
November 1988