

**ANNUAL REPORT  
1993-94**



**VICTORIAN  
AUDITOR-GENERAL'S  
OFFICE**

*Auditing in the  
Public Interest*

# **Victorian Auditor-General's Office**

## **AT A GLANCE**

**Mission of the Office** To independently assess the operations of the Victorian public sector and report the results of this assessment to the Parliament and the public, the Government and client agencies in order to improve accountability and encourage economic, efficient and effective use of public resources.

**Strategic directions**

- Expand performance auditing conducted and reported by the Office to fulfil a widened legislative mandate.
- Maximise the productivity of current resources undertaking financial audits through the application of the most advanced audit methodologies.
- Widen opportunities for staff to contribute to Office achievements by upgrading the workforce management plan to improve the development and deployment of staff.
- Ensure that Office activities are driven by value-added and risk-based management concepts and benefit from developments in information technology.

**Principal legislation** For 1993-94, the *Audit Act* 1958 was the main legislation governing the work of the Office. This Act was replaced by the *Audit Act* 1994 with effect from 1 July 1994.

**Audit responsibilities** The Office is responsible for the financial and performance audits of 544 organisations including Parliament, government departments; public bodies; universities and other educational institutions; public hospitals and ambulance services; superannuation funds; companies, trusts and joint ventures; and water and sewerage authorities.

**Audit operations** During the year, Reports issued by the Office to the Parliament identified:

- \$103 million of potential savings which could be achieved by government agencies addressing inefficiencies; and
- opportunities to significantly improve the management framework for public sector investments and purchasing practices, which were promptly endorsed and acted upon by the Government.

**Staff**

- Staff at 30 June 1994: 147
- Private sector contractors at 30 June 1994: 51

**Financial result** Net income from operations: \$1.6 million, 1993-94; (net cost: \$5.4 million, 1992-93).

VICTORIAN  
AUDITOR-GENERAL'S  
OFFICE

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ANNUAL  
REPORT

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1993-94



This *Annual Report* describes the functions and operations of the Victorian Auditor-General's Office and presents the audited financial statements of the Office for the year ended 30 June 1994.

The Report focuses on matters relating to the organisation and management of resources available to the Auditor-General during the year, and is submitted to the Premier for tabling in Parliament under section 8 of the *Annual Reporting Act 1983*.



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# THE YEAR IN REVIEW

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## Parliament's assessment of the Office's past performance

*"I am pleased to present the 1993-94 Annual Report of my Office which provides further evidence of the quality of the Office's achievements, and the expertise and professionalism of its staff".*

**B**ecause an Auditor-General has a direct line of responsibility to the Parliament, it can be said that Parliament itself is the ultimate decider of the quality and effectiveness of the performance of my Office. During the year, the Parliament, through its Public Accounts and Estimates Committee, completed its detailed assessment of the October 1992 report by Mr Fergus Ryan of Arthur Andersen, the external performance auditor of the Office appointed by the Parliament.

The Committee clearly endorsed the overall conclusions reached by Mr Ryan that I am achieving my objectives effectively, efficiently and economically, and that the direction and momentum of my Office are positive and constructive. The Committee viewed Mr Ryan's highly favourable performance assessment as a substantial achievement for any Audit Office.

I congratulate all staff on the quality of their professional performance.

## New audit legislation

**I** was particularly pleased to see the long-awaited revision in May 1994 of the State's audit legislation, with the passing by the Parliament of the *Audit Act 1994* to replace the previous outmoded legislation. For many years now, successive Auditors-General had been calling for reform in this area.

An important consequence of the new legislation has been a reinforcement of the Auditor-General's nexus with the Parliament through a requirement for consultation with the Public Accounts and Estimates Committee in respect of the Auditor-General's annual program for performance audits within departments, and for the funding of each year's program by the Parliament.

I look forward to additional legislative reform which will bring about a further strengthening of the Auditor-General's relationship with the Parliament under which appointments to the position of Auditor-General and the funding of all operations of the Office are also determined by the Parliament.

### Major highlights

A key feature of the year's activities was the range and quality of reporting by the Office to the Parliament on a diverse mix of audit subject matters. In all, 9 Reports (7 special performance audit reports, the *1994 Report on Ministerial Portfolios* and the *Report on the 1992-93 Finance Statement*) were tabled in the Parliament.

Highlights of the year's operations included:

- ❑ potential savings of over \$103 million identified in Reports tabled in the Parliament;
- ❑ discharge by the Office of increasingly complex financial and performance audit responsibilities with fewer available resources, principally through productivity savings;
- ❑ prompt endorsement and action by the Government on opportunities identified by audit to significantly improve the management framework for public sector investments and purchasing practices;
- ❑ distribution to financial and performance audit staff of advanced computer support facilities to further enhance the quality and efficiency of audit services; and
- ❑ completion of the Office's second corporate planning period and adoption of a new 3 year Corporate Plan to cover the period 1994-95 to 1996-97.

A summary of the principal achievements of the Office during 1993-94 under its recently completed Corporate Plan, and an assessment of overall performance during the 3 years of the Plan are presented on pages 6 to 13.

### Future challenges

The new Corporate Plan recognises as an ongoing challenge the need to preserve the independence and integrity of the Office in order for it to fulfil its key role in the public accountability process. The Plan also emphasises that the Office's past achievements have been possible only through the initiative, expertise, commitment and professionalism of its staff. The Plan strives to build on the Office's past impressive record so that it can consolidate its reputation as a centre of excellence in public sector auditing.

  
C.A. BARAGWANATH  
Auditor-General

# ACHIEVEMENT OF CORPORATE OBJECTIVES

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## Mission of the Office

*To independently assess the operations of the Victorian public sector and report the results of this assessment to the Parliament and the public, the Government and client agencies in order to improve accountability and encourage economic, efficient and effective use of public resources.*

The Auditor-General is responsible, on behalf of the Parliament, for the external audit of the financial operations and resource management of the Victorian public sector. The Auditor-General's Office is the operational structure which enables the Auditor-General to fulfil these responsibilities to the Parliament.

The results of audit operations undertaken by the Office are reported by the Auditor-General to the Parliament, the Government and client agencies to provide decision-makers with information on:

- the level of economy and efficiency achieved in the management of public resources and the effectiveness of the implementation of government programs;
- whether financial statements prepared by public sector agencies present fairly the financial positions and operating results of agencies; and
- adherence by agencies to government policy and legislative requirements.

## Corporate Plan

Expectations from the community for the delivery of new and improved government services have seen an increasing focus placed on resource management and accountability issues in the public sector. In turn, this focus has increased the community's expectations of the independent role played by the Office in communicating to the Parliament and the public on the financial operations and management of public sector resources in Victoria.



The current public sector environment in Victoria is characterised by major developments in information technology, new legislative requirements for financial and operational reporting, and increasing complexity and sophistication of government activities. These developments, together with recent significant structural changes in the operations of many government departments and agencies, reinforce the importance of the Office's key role, on behalf of the taxpayer, in the public accountability process.

The Office's Corporate Plan, which covers the 3 year period 1991-92 to 1993-94, is a key element in ensuring that audit activities are directed towards providing quality assessments on the financial and operational management of the public sector to the Parliament, the public, the Government and management within client agencies.

The Corporate Plan emphasises the operational effectiveness of the Office's financial and performance audit methodologies, the importance of a motivated and highly skilled workforce, and the need to take advantage of the latest developments in information technology.

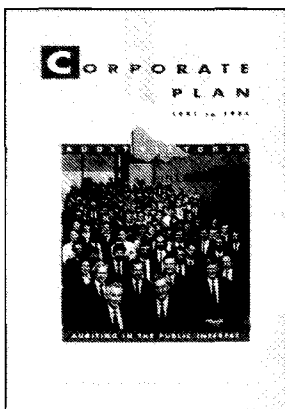
The Plan contains the following 4 strategic directions:

- 1** Expand performance auditing conducted and reported by the Office to fulfil a widened legislative mandate.
- 2** Maximise the productivity of current resources undertaking financial audits through the application of the most advanced audit methodologies.
- 3** Widen opportunities for staff to contribute to Office achievements by upgrading the workforce management plan to improve the development and deployment of staff.
- 4** Ensure that Office activities are driven by value-added and risk-based management concepts and benefit from developments in information technology.

As 1993-94 represented the third and final year of the Corporate Plan, significant activity, incorporating substantial consultation and input from Office staff, occurred during the year and culminated in the formulation of a new Corporate Plan for the period 1994-95 to 1996-97. Particulars of this process, together with a summary of the features of the new Corporate Plan, can be found on pages 15 to 16.

### Office assessment of performance

**A** summary of the achievements of the Office for 1993-94 and an overall assessment of performance during the current Corporate Plan's 3 year time frame are presented on pages 6 to 13.



# Corporate Plan

*Expand performance auditing  
conducted and reported by the Office to fulfil a widened legislative mandate.*

STRATEGIES	PERFORMANCE DURING 1993-94	
	TARGETS	ACHIEVEMENTS
<p><b>1.1</b> Present at least 4 Special Reports to the Parliament each year in addition to the performance audit projects contained in the annual Reports on Ministerial Portfolios and the Finance Statement.</p>	<p>➤ Maximum of 6 Special Reports in addition to the <i>Report on the Finance Statement</i> and the <i>Report on Ministerial Portfolios</i> to be tabled in the Parliament.</p>	<p>➤ Seven Special Reports were tabled in the Parliament during 1993-94 (5 in the 1993 Spring Session and 2 in the 1994 Autumn Session). In addition, the <i>Report on the Finance Statement</i> and the <i>Report on Ministerial Portfolios</i> were tabled in October 1993 and May 1994, respectively.</p>
<p><b>1.2</b> Procure appropriate funding to enable 40 additional staff to be assigned to performance audits by June 1993 and, through improved productivity, increase the number of full-time equivalent resources engaged on performance audits to a total of 85 by June 1994.</p>	<p>➤ Performance audit divisions to be stabilised at current staffing levels with certain staff undertaking performance audits for the <i>1994 Report on Ministerial Portfolios</i> and financial audits in July-September peak periods.</p>	<p>➤ Full-time equivalent resources engaged in performance audits during 1993-94 were around 50. These resources contributed to the <i>1994 Report on Ministerial Portfolios</i> and provided supplementary resource assistance to financial audit groups during peak audit periods.</p>
<p><b>1.3</b> Successfully implement and periodically enhance the revised performance audit methodology.</p>	<p>➤ Complete enhancements to methodology by December 1993. Hold debriefings in July 1993 on audits reported in 1993 Autumn Session and schedule future debriefings within one month of tabling any Report.</p> <p>➤ Establish a computerised database of completed performance audit plans, programs and reports, and update by May each year.</p>	<p>➤ Planned enhancements to methodology deferred pending outcome of a staff member's visit to the National Audit Office and the Audit Commission in the United Kingdom. Audit debriefings and an internal peer review of Office application of the methodology occurred in July and September 1993, respectively. Debriefings were subsequently replaced by post-project evaluations, the findings of which will also be taken into account in future updates of the methodology.</p> <p>➤ Plans, programs and reports are now recorded on a computerised database on an ongoing basis.</p>

# Strategic Direction No.

1

*Expand performance auditing  
conducted and reported by the Office to fulfil a widened legislative mandate.*

## OVERALL PERFORMANCE DURING 1991-92 to 1993-94

### ACHIEVEMENTS

➤ Sixteen Special Reports, compared with a minimum target of 12, and covering a diverse range of performance audit subjects, were presented to the Parliament. In addition, the *Report on Ministerial Portfolios* and the *Report on the Finance Statement* were prepared annually and contained the results of a number of performance audit issues.

➤ The Office was provided with funding for only 12 additional resources to carry out performance auditing. As a direct result of productivity improvements, the Office assigned a further 38 staff to performance auditing for the remaining period of the Plan, 7 less than the strategic target.

➤ Through effective use of the methodology, quality performance audit reports on significant topics have been produced and presented to the Parliament and the community, the Government and client agencies.

### CORPORATE OUTCOME

➤ Significant contributions by the Office to enhancing public sector accountability and encouraging improved resource management by the Government and public sector agencies.

➤ Fifty staff representing various professional disciplines are now available for ongoing performance audit responsibilities.

➤ The Office's Victorian Performance Audit Methodology is now at the leading edge of performance auditing by world standards, a position confirmed by the Parliament's external performance auditor and by the Public Accounts and Estimates Committee.

# Corporate Plan

*Maximise the productivity of current resources undertaking financial audits through the application of the most advanced audit methodologies.*

STRATEGIES	PERFORMANCE DURING 1993-94	
	TARGETS	ACHIEVEMENTS
<p><b>2.1</b> Improve the efficiency and effectiveness of financial auditing through the successful implementation of the Office's enhanced risk-based financial audit methodology.</p>	<p>➤ Achievement of further productivity savings equivalent to balance of Corporate Plan target (6 staff) by 30 June 1994.</p>	<p>➤ Productivity savings equivalent to 10 staff on major financial audits achieved in 1993-94.</p>
<p><b>2.2</b> Progressively review and enhance the quality and effectiveness of the financial audit methodology.</p>	<p>➤ Revised Enhanced Financial Audit Methodology (EFAM) manual to be issued by December 1993.</p> <p>➤ Incorporation of significantly upgraded audit support system software and automation of all working papers by June 1994, subject to availability of funding.</p>	<p>➤ The planned revision of the EFAM manual was deferred to enable incorporation of leading edge software for automation of audit working papers, a process which has recently commenced.</p> <p>➤ First module of upgraded software for EFAM was acquired in June 1994.</p>
<p><b>2.3</b> Direct major emphasis on utilisation of state-of-the-art computer assisted audit techniques (CAATs), with added focus on those techniques which assess the integrity of auditee systems.</p>	<p>➤ Provide enhanced training to field staff on utilisation of computer assisted audit techniques and make greater use of advanced interrogation packages.</p>	<p>➤ Personalised training was provided to staff where audit strategies identified the need for use of CAAT facilities.</p>

# Strategic Direction No.

# 2

*Maximise the productivity of current resources undertaking financial audits through the application of the most advanced audit methodologies.*

## OVERALL PERFORMANCE DURING 1991-92 to 1993-94

### ACHIEVEMENTS

➤ The implementation of the Office's enhanced risk-based methodology for financial audits has been a significant factor in the achievement of the objectives of the Corporate Plan. Through productivity savings, the Office discharged its increasingly complex and expanding financial audit responsibilities over the plan period with 10 less resources.

➤ The Office has in place a financial audit methodology with specific risk-based qualities and advanced information technology features.

➤ More extensive utilisation of state-of-the-art software interrogation techniques which has contributed to greater efficiency in financial audits.

### CORPORATE OUTCOME

➤ Delivery of quality professional services to client agencies on financial audits with favourable feedback received from several major clients.

➤ Quality results from financial audits through the use of a methodology which reflects best professional practice.

➤ Innovative management of advanced information technology tools and techniques.

# Corporate Plan

*Widen opportunities for staff to contribute to Office achievements by upgrading the workforce management plan to improve the development and deployment of staff.*

STRATEGIES	PERFORMANCE DURING 1993-94	
	TARGETS	ACHIEVEMENTS
<p><b>3.1</b> Broaden the skill mix of the Office by acquiring human resources drawn from various professional disciplines to enhance the quality of output.</p>	<ul style="list-style-type: none"> <li>➤ Employment of non-accountants to continue, after taking into account recruitment and budgetary restrictions.</li> <li>➤ Complete revision of key selection criteria for information technology audit and non-audit positions by June 1994.</li> <li>➤ Issue consolidated and upgraded workforce management plan by December 1993.</li> </ul>	<ul style="list-style-type: none"> <li>➤ The Office continued to recruit non-accountants during 1993-94, however, the percentage of non-accounting staff declined from 19 to 17 per cent at year-end.</li> <li>➤ The planned revision of key selection criteria for these positions was deferred pending the results of the revision of the Office's organisational structure and the intended introduction of a broad banded career structure for non-executive staff in the Victorian public service.</li> <li>➤ For the above reasons, revision of the workforce management plan was deferred and is now expected to be completed during 1994-95.</li> </ul>
<p><b>3.2</b> Establish avenues for staff to expand their skills through professional development programs and structured work placements across all Office activities.</p>	<ul style="list-style-type: none"> <li>➤ Implement human resource management software package (with a professional development module) by Sept. 1993.</li> <li>➤ Improved appraisal system to be developed by December 1993.</li> <li>➤ Skills database to be developed by March 1994.</li> <li>➤ Policies, processes and selection methods for secondments/interchanges and rotations to be reviewed by Oct. 1993.</li> </ul>	<ul style="list-style-type: none"> <li>➤ A new computerised human resource information system, incorporating a personnel/payroll module, was implemented during the year.</li> <li>➤ Revision of the performance appraisal system was deferred pending the introduction of the broad banded career structure by the Government.</li> <li>➤ The new human resource information system incorporating a professional development module is expected to be fully operational during 1994-95.</li> <li>➤ A further 7 staff secondments were approved during the year. The planned review of policies and management processes has been deferred for completion in 1994-95.</li> </ul>
<p><b>3.3</b> Foster a spirit of teamwork, creativity and professionalism through management practices and policies which emphasise the value of the Office's human resources.</p>	<ul style="list-style-type: none"> <li>➤ Fully implement resource scheduling by February 1994.</li> <li>➤ Document and implement revised workforce plan by March 1994.</li> <li>➤ Employment agreements and contracts to be finalised and implemented by September 1993.</li> </ul>	<ul style="list-style-type: none"> <li>➤ A human resource scheduling module was developed by February 1994 and, after trial testing, implemented in June 1994.</li> <li>➤ Revision of workforce plan was deferred to take into account the Office restructure and the impending introduction of a broad banded career structure for non-executive staff.</li> <li>➤ At 30 June 1994, 18 contracts for executive officers and 25 interim employment agreements had been finalised.</li> </ul>

*Widen opportunities for staff to contribute to Office achievements by upgrading the workforce management plan to improve the development and deployment of staff.*

## OVERALL PERFORMANCE DURING 1991-92 to 1993-94

### ACHIEVEMENTS

➤ The proportion of Office staff with professional qualifications other than accounting increased from 12 to 17 per cent.

➤ The Office has maintained its strong commitment to professional development through several successful initiatives including the use of residential training courses, secondments to other public sector agencies and major chartered accounting firms, and substantial upgrading of human resource information systems.

➤ Implementation of new resource scheduling facilities to support workforce planning and a specific Office focus on the importance of people management skills and teamwork.

### CORPORATE OUTCOME

➤ With a workforce comprising a broad mix of professional disciplines, the Office now has a greater in-house capacity to undertake a diverse range of performance audit subject matters.

➤ The professionalism, commitment and skills of Office staff have been the major factor in the current recognition by the Parliament and other external parties of the Office's advanced experience and expertise as a public sector audit organisation.

➤ Increasing recognition within the Office of the professionalism, expertise and commitment of staff and the importance of nurturing an Office culture which continually promotes initiative and enterprise.

# Corporate Plan

*Ensure that Office activities are driven by value-added and risk-based management concepts and benefit from developments in information technology.*

STRATEGIES	PERFORMANCE DURING 1993-94	
	TARGETS	ACHIEVEMENTS
<p><b>4.1</b> Move towards an Office structure which gives operating groups greater flexibility in the management of financial (in-house and contracting) and performance audit responsibilities.</p>	<ul style="list-style-type: none"> <li>➤ Operational audit structure to be reviewed by August 1993 to ensure balance in responsibilities following further changes in audit responsibilities.</li> <li>➤ Implement recommendations of Office Based Structure report on non-keyboard duties for clerical support staff by September 1993.</li> </ul>	<ul style="list-style-type: none"> <li>➤ A substantial review of the Office structure was completed during the year which provided for a clear separation of financial and performance audit activities, and established 2 business centres for each audit activity.</li> <li>➤ Strategies were implemented during the year which established opportunities for clerical staff to undertake a wider range of fulfilling tasks, supported by appropriate training and development facilities.</li> </ul>
<p><b>4.2</b> Assess periodically the effectiveness of delegations of tasks and functions, and formalise external and internal peer reviews as part of the Office's ongoing quality assurance procedures.</p>	<ul style="list-style-type: none"> <li>➤ Further reviews of delegations to be conducted in light of any public sector re-structuring.</li> <li>➤ Internal peer review of performance audits to be completed by Sept. 1993. Internal peer review of 1992-93 financial audits to be completed in Nov.-Dec. 1993.</li> <li>➤ Training program to incorporate a course in advanced audit principles for audit supervisors.</li> </ul>	<ul style="list-style-type: none"> <li>➤ Delegation arrangements have been revised to accord with the major changes to the human resource management framework arising from the <i>Public Sector Management Act 1992</i>.</li> <li>➤ The 2 planned internal peer reviews of financial and performance audit procedures were undertaken during the year.</li> <li>➤ A 5 day residential training course, encompassing all phases of the financial audit process, was presented during the year.</li> </ul>
<p><b>4.3</b> Revise the information technology strategic plan with emphasis on enhancing existing systems to enable the provision of improved information for management decision-making, and integrating the Office's management information systems.</p>	<ul style="list-style-type: none"> <li>➤ Identify in more detail Office-wide information management needs and means of significantly improving management information and operating systems, and computer capacity.</li> </ul>	<ul style="list-style-type: none"> <li>➤ Several major achievements under the Office's 1992-1996 information technology strategic plan were completed during the year including: <ul style="list-style-type: none"> <li>▪ conversion of hardware and software to implement a Windows-based user interface on both network workstations and portable notebook computers;</li> <li>▪ the purchase and issue to staff of 86 portable notebook computers, which almost equates to a one to one distribution within the Office; and</li> <li>▪ implementation of a new network control system to improve the security and management of Windows applications.</li> </ul> </li> </ul>



# Strategic Direction No.

*Ensure that Office activities are driven by value-added and risk-based management concepts and benefit from developments in information technology.*

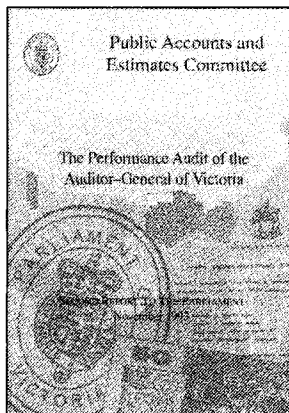
## PERFORMANCE DURING 1991-92 to 1993-94

ACHIEVEMENTS	CORPORATE OUTCOME
<p>➤ Major realignment of organisational structure for performance and financial audit activities and a business centre management framework designed to provide greater management flexibility, is now in place for these core audit responsibilities.</p>	<p>➤ A sharper focus on delivery of quality financial and performance auditing services to the Parliament, client agencies and the community.</p>
<p>➤ Delegations have received regular attention throughout the triennium and internal peer reviews of the Office's audit methodologies (which complement the Parliament's external performance audit review) have maintained an ongoing emphasis on effective quality assurance.</p>	<p>➤ The independent opinions and conclusions reached by the Office on behalf of the Parliament and the community continue to be totally reliable.</p>
<p>➤ Substantial advancements in information technology systems have been implemented across all facets of Office operations, with a major emphasis on ensuring that the computer network and communications facilities remain state-of-the-art.</p>	<p>➤ The availability to staff of advanced information technology systems and facilities has contributed significantly to the Office's reputation as a centre of excellence in public sector auditing.</p>

## Parliament's assessment of corporate performance

The Office is committed to excellence in order to ensure that its reports to the Parliament and services to client agencies not only enhance accountability but also lead to more efficient and effective management of Victoria's public resources. The final arbiter in assessing whether the Office has been effective in achieving these outcomes is the Parliament itself. The deliberations and reports of the all-party Public Accounts and Estimates Committee are the principal mechanisms through which Parliament's ongoing evaluation of the Office's performance is made.

As outlined in the Office's 1992-93 *Annual Report*, the external performance auditor, Mr Fergus Ryan of Arthur Andersen, presented his report to the Parliament in October 1992 on the results of his assessment of the Auditor-General's performance, having regard to internationally established best practice.



In November 1993, the Public Accounts and Estimates Committee reported to the Parliament the results of its inquiry into the findings of Mr Ryan's report. The Committee's report was the culmination of an extensive examination of the various matters raised by Mr Ryan which included a number of public hearings and consideration of written submissions to the Committee from representatives of the private sector and the Government.

The Committee's report clearly endorsed the overall conclusions reached by Mr Ryan on the performance of the Auditor-General and his Office. In his introductory comments on the report, the Chairman of the Committee stated:

***"Overall audit conclusions were very favourable. Mr Ryan concluded that the Auditor-General is meeting his objectives effectively, economically and efficiently and that the direction and momentum of the Audit Office are positive and constructive. This represents a substantial achievement for any Audit Office and on behalf of the Committee, I congratulate the Auditor-General and his staff on this achievement. The findings of this Inquiry provide further support to Mr Ryan's overall comments."***

The executive summary of the Committee's report outlined the major findings and conclusions of the Committee in respect of the following key areas specifically addressed by Mr Ryan:

- the importance of involvement by the Auditor-General in evaluating the adequacy of risk management within central agencies of government;

- ❑ the greater need for accountability in the public sector, relative to the private sector, and the importance of the Auditor-General retaining responsibility for the financial and performance audits of all government business enterprises, irrespective of their legal form; and
- ❑ the desirability for Parliament to have a direct role in the appointment of the Auditor-General and the funding of the Auditor-General's Office.

The Office takes pride in its past achievements which have been specifically recognised by Mr Ryan and endorsed, on behalf of the Parliament, by the Public Accounts and Estimates Committee. The Office is confident, through the professionalism and commitment of its staff, of successfully pursuing the strategic directions embodied in its new corporate plan and meeting the challenges confronting public sector auditing throughout the 1990s and into the 21st Century.

**New Corporate Plan, 1994-95 to 1996-97**

**W**ith the finalisation of the Office's 1991-92 to 1993-94 Corporate Plan, the development of a new corporate plan to cover the period 1994-95 to 1996-97 presented an opportunity for the Office to assess its current position and review the strategies needed to achieve its future goals. The new corporate plan was also seen as a catalyst for the development of new initiatives and an organisational culture within the Office to enable it to respond positively to a rapidly changing public sector environment.

The major steps in the development process of the new corporate plan included involvement by all staff in identifying core values of the Office, and consultation with client agencies to seek their views on the performance of the Office and to determine scope for improvement. The development process also entailed a comprehensive analysis of the Office's strengths, weaknesses, opportunities and threats, as well as consideration of previous corporate strategies and their relevance in the context of the Office's future direction. As a result, the Office has developed the following Vision Statement:

*New Vision Statement*

**VISION STATEMENT**

***"Through the achievements of our staff to be recognised as a world leader in the provision of public sector audit services."***

In addition, the Office has revised its Mission Statement to ensure that it expresses contemporary management philosophy in the following terms:

New Mission  
Statement

**MISSION STATEMENT**

***"To strive for excellence in the provision of independent audit services in order to enhance accountability to the Parliament and efficient and effective use of public resources in Victoria."***

The focus of the Office is now clearly to attain world leadership in the services it provides, to embrace a quality value concept and to build on its past achievements in the application of its financial and performance audit methodologies.

Four strategic directions are embodied in the 1994-95 to 1996-97 Corporate Plan, namely:

- Provide a work environment which recognises the importance of a professional, highly motivated and skilled workforce as the Office's most valuable resource;
- Ensure that the services provided by the Office satisfy the expectations of the Parliament, the community and client agencies;
- Maintain a strong focus on financial auditing and deliver such services in a manner consistent with best practice; and
- Build on the Office's substantial achievements to preserve its position at the leading edge of performance auditing by world standards.

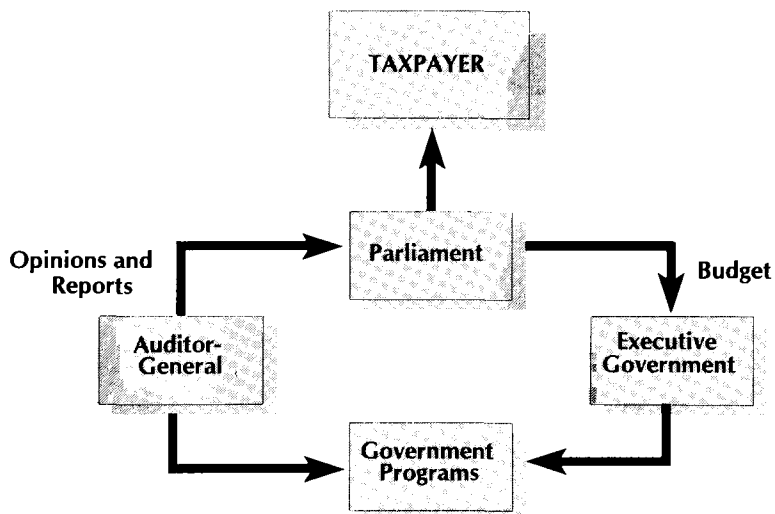
The Office has established a review framework under which specific tasks will be assigned to various teams to ensure the progressive implementation and monitoring of the strategies and targets set out in the plan.

# SERVING PARLIAMENT AND THE COMMUNITY

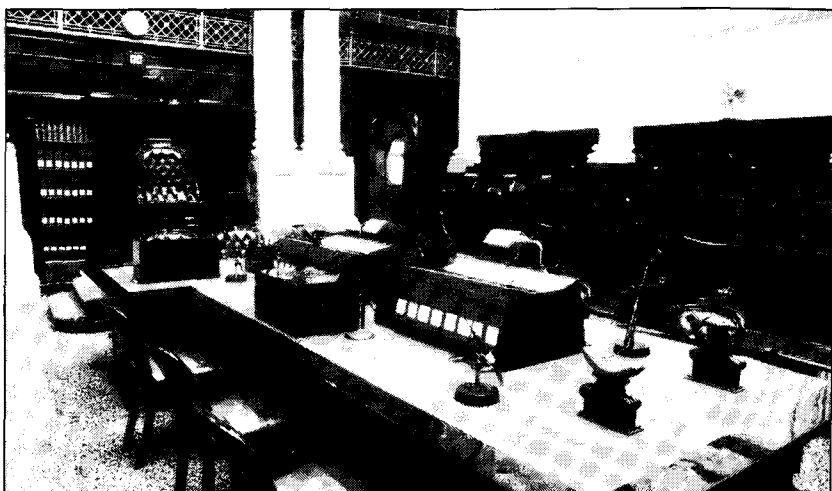
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## ■ REPORTS OF THE AUDITOR-GENERAL

An important element 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 a significant role in this process by providing Parliament and the Executive Government with independent and objective Reports containing information on the adequacy of financial and resource management systems of public sector organisations. Although the Reports contain 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.



*Auditor-General's Reports play a significant role in Parliament's accountability process.*



In order to maximise the usefulness of the role of the Auditor-General in this process, progressive enhancements are made to the quality of content and format of Auditor-General's Reports to Parliament. While traditional matters such as financial operations and legislative requirements continue to be reported, the scope of issues contained in the Reports issued by the Office has, for some years now, been broadened to encompass wider performance audit issues dealing with assessments of economy, efficiency and effectiveness in resource management throughout the Victorian public sector.

Each year, the Office presents 4 types of Reports to the Parliament:

- Report on the Finance Statement* during the Spring Session;
- Report on Ministerial Portfolios* during the Autumn Session;
- Special Reports* on the results of individual performance audits; and
- Annual Report* of the Office.

Auditor-General's Reports to the Parliament are made available to the general public for purchase through the Office, the Information Victoria bookshop and The Law Printer bookshop. Copies of these Reports, and of the *Annual Report* of the Office, are also distributed to Audit Offices within Australia and in other countries, to client agencies, and to many other professional organisations and interested persons.

## Adding value to public sector resource management

As previously mentioned, Reports of the Auditor-General to the Parliament provide a valuable contribution to the efficient, effective and economic management of public sector resources in Victoria.

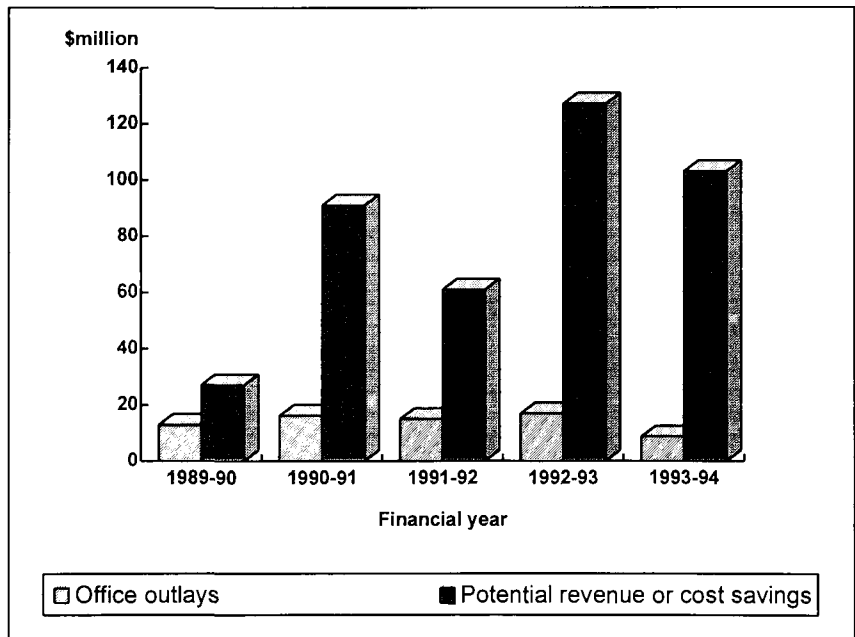
A measure of the value-added, in terms of encouraging improved resource management, derived from information contained in Auditor-General's Reports can be determined from:

- identification of potential revenue or savings which could be achieved by the Government or individual public sector agencies; and
- the level of acceptance of audit recommendations by client agencies.

### Identification of potential revenue or cost savings

The value of the Office to Victorian taxpayers from Auditor-General's Reports presented to the Parliament is clearly demonstrated in the following chart, which compares, over the last 5 years, potential revenue or cost savings identified in Auditor-General's Reports and the cost of Office operations.

OFFICE OUTLAYS AND POTENTIAL REVENUE OR COST SAVINGS



In addition, opportunities to significantly improve the management framework for public sector investment management and purchasing practices were identified in special performance audit reports issued by the Office during the year. The audit recommendations on these 2 major issues were promptly endorsed and acted upon by the Government.

During the year, a number of client agencies advised of action taken in respect of potential annual savings identified in audit reports issued in previous years. These savings totalled around \$145 million and included:

- ❑ contracting of school cleaning services, \$40 million;
- ❑ rationalisation of workshops within the Public Transport Corporation, \$95 million; and
- ❑ contracting of Met bus services, \$10 million.

*Follow-up of audit recommendations by Minister for Finance*

Since 1992, the Minister for Finance has tabled an annual report in the Parliament detailing action taken by public sector agencies in addressing recommendations contained in Auditor-General's Reports. Over the past 2 years, management within government agencies has addressed a high percentage of audit recommendations on avenues available to improve resource management and accountability within the public sector. In this regard, the number of audit issues assessed by the Minister for Finance as requiring further action or monitoring by agency management during 1993-94 fell from 76 per cent to 54 per cent of identified issues. Also, the number of issues raised by audit which were considered to be fully resolved increased from 24 per cent to 46 per cent.

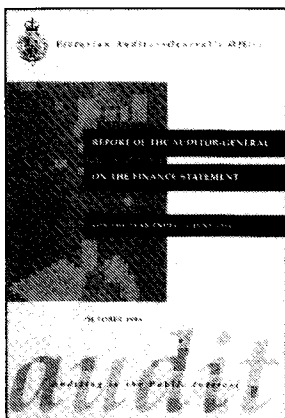
The attention of Government to matters raised in the various Reports of the Office significantly contributes to an improvement in overall resource management performance in the public sector, as well as enhancing public sector accountability.

**Reports issued during the year**

The majority of Reports of the Auditor-General issued during 1993-94 were prepared under the authority of the *Audit Act* 1958 (which was replaced by the *Audit Act* 1994 with effect from 1 July 1994). A total of 10 Reports, including the 1992-93 *Annual Report* of the Office, were tabled in the Parliament. A summary of the scope and findings of each Report follows.



*Report of the Auditor-General on the Finance Statement, October 1993*



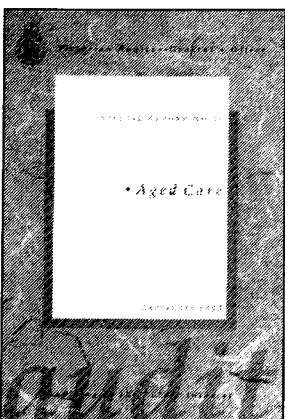
This Report accompanied the Finance Statement (prepared by the Minister for Finance) and provided a detailed financial analysis to Parliament of the State budget sector's financial result for the year ended 30 June 1993.

Among the key issues featured in the Report were:

- an analysis of the reported financial result for the year;
- the financial impact of government strategies on the receipts and payments within the Consolidated Fund;
- an analysis of Consolidated Fund receipts and payments, including detailed information on the Government's property asset sales program, the final outcome of the sale of the State Insurance Office, public authority dividends, collections from the State Deficit Levy and payments under the voluntary departure program;
- the need for significant improvements in the reporting of budget sector asset holdings; and
- a review of budget sector liabilities and commitments, including comment on the State's aggregate liabilities, budget sector borrowings, unfunded superannuation liabilities, finance charges, financial commitments and contingent liabilities.

The Report commented favourably on the prompt action taken by the Government to resolve a number of matters raised by the Office which had remained outstanding for a number of years.

*Special Report No. 25 - Aged Care, September 1993*



Special Report No. 25 examined the delivery of aged care services in Victoria and focused on the role played by the Department of Health and Community Services in administering resources involved in the provision of care for the aged.

While the review acknowledged the complex task faced by the Government to provide appropriate, accessible and equitably-distributed aged care services at the lowest cost to the taxpayer, it highlighted a number of areas which have, in the past, contributed to the inefficient and ineffective use of resources. Specifically, the review found that:

- the overall quality of life of residents in geriatric centres and public nursing homes could be improved;
- uneven distribution of services and concentration of resources in a small number of large geriatric centres restricted access to residential aged care services;
- needs of older people, particularly in relation to respite and dementia care were, in some cases, not adequately addressed; and

- during 1991-92, services provided in government-run nursing homes cost \$100 million more than if they had been provided in the private and voluntary sector.

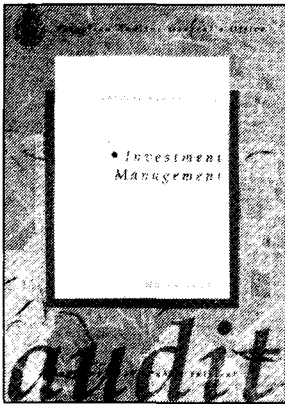
Following the tabling of the Report, the Minister for Aged Care commented in Parliament that:

***"The Report tabled yesterday is comprehensive, and although it looks at the period 1991-92, it draws attention to a number of changes which need to be made to improve both the outcome and efficiencies of the services provided ... it is an important document ... given that it is a field study by a source that is at arms-length from government."***

The Secretary to the Department of Health and Community Services said of the Report:

***"The Department acknowledges the substantial effort to review aged care services and commends the audit review for recognition of key planning and service development issues."***

Special Report No.  
26 - Investment  
Management,  
November 1993



This Special Report looked at investment management and performance within a number of public sector agencies holding investments valued at well in excess of \$13 billion at 30 June 1993.

Examples of investment performance included in the Report were:

- average annual investment returns of agencies over the past 5 years ranged from a low of 4 per cent to a high of 13 per cent;
- poor returns in the property area had an adverse effect on the overall returns of some agencies; and
- total property losses, predominantly unrealised, of all agencies examined amounted to approximately \$500 million over the 5 years to 30 June 1993.

In addition, the Special Report made the following observations on the investment performance of the Transport Accident Commission:

***"The achievements of the Commission in particular, have been excellent with returns over the last 5 years exceeding many large and medium sized private sector funds. The Commission has achieved these returns while maintaining a very low risk profile."***

**"If returns of the 9 lower performing agencies over the 5 year period to 30 June 1993 had been in line with those achieved by the TAC, additional income totalling approximately \$1.2 billion would have been generated."**

The Special Report was particularly well received by the Government. In December 1993, shortly after the Report had been tabled in the Parliament, the Treasurer issued a news release which announced that a new Victorian funds management body would be established to centrally manage Victoria's public sector investment funds. The Treasurer indicated that the nucleus of the new authority would be drawn from the Commission's investment infrastructure systems, skills and management, consistent with that organisation's **"... proven track record in successful investment management, as recognised by the Auditor-General"**.

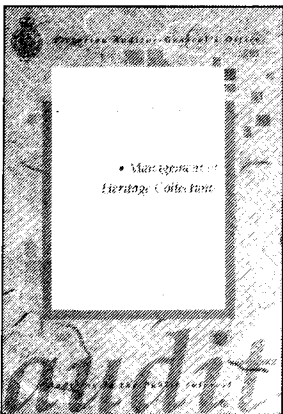
Drawing on the major observations from the Special Report concerning the substantial efficiency gains which could be achieved if investment returns across the public sector were in line with the Commission's performance, the Treasurer also said that **"... the new authority would reduce costs, increase earnings and bring a whole-of-government perspective to asset allocation and risk management of Victoria's \$13 billion in public sector funds under management"**.

*Special Report No.  
27 - Management of  
Heritage Collections,  
November 1993*

This Report dealt with the results of an audit review of the management and utilisation of the State Collection of artworks, historically significant manuscripts and books, artefacts, and science and technology collections. Three organisations were featured in the review, namely the National Gallery of Victoria, the State Library of Victoria and the Museum of Victoria.

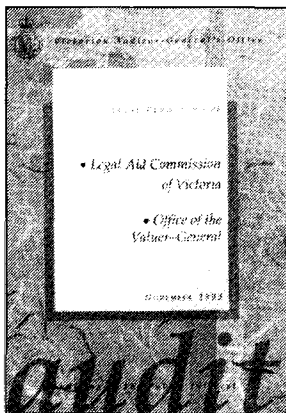
Key findings from the review included:

- poor storage facilities at the State Library and the Museum were contributing to the steady deterioration of their respective collections;
- the State Library did not have a conservation policy for the 1.4 million non-book items that made up 60 per cent of its collection; and
- recent surveys of the condition of paintings at the National Gallery suggested that it would take 20 years to restore all works identified in the survey.



On the day the Report was officially released, the Minister for Major Projects announced that a construction firm had been awarded a contract to re-furbish the State Library's LaTrobe Building. Also, the State Government recently announced that the design of a new museum at the Royal Exhibition Building site will be finalised during 1994-95. Improved exhibition and storage facilities will be available following completion of this new facility in the year 2000.

*Special Report No. 28 - Legal Aid Commission of Victoria and Office of the Valuer-General, November 1993*



Special Report No. 28 documented the results of performance audits of 2 organisations: the Legal Aid Commission of Victoria and the Office of the Valuer-General.

The audit of the operations of the Legal Aid Commission was undertaken following a request from the Victorian Attorney-General to conduct a performance audit as a matter of urgency prior to an organisational review of the Commission by both the State and Commonwealth Governments.

The audit identified that:

- ❑ the Commission's method of assigning legal aid is unwieldy and uneconomic, often involving duplication of effort and record keeping, with the process adding 20 per cent to the average cost of a case;
- ❑ about 40 per cent of the Commission's legal assistance budget is applied to only 4 per cent of cases; and
- ❑ the provision of legal assistance to clients had fallen from 37 000 cases in 1986-87 to 30 000 in 1992-93.

While pointing out shortcomings in the operational efficiency of service delivery, the audit acknowledged that the Commission had implemented a number of initiatives to address problem areas. The Chairman of the Commission, in responding to the Report, commented:

***"The Commission welcomes the audit report which supports and complements the Commission's internal review and change process. The report contains many useful recommendations and suggestions with which the Commission agrees".***

Part 2 of the Report reviewed the operations of the Office of the Valuer-General and was carried out as part of the Auditor-General's cyclical coverage of the operations of small government agencies. The review highlighted that:

- ❑ on average, only 55 per cent of valuations were completed within the Office's target of 4 weeks;
- ❑ legislative constraints prevented the Office from competing with the private sector; and
- ❑ the Office had difficulty ascertaining the full cost of performing its valuation services due to a poor management information system.

In its response to the Report, the Department of Finance indicated that a comprehensive review of the Office of the Valuer-General would be undertaken.

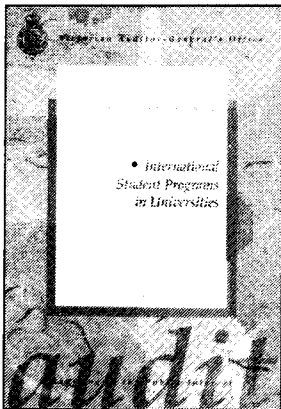
*Special Report No. 29 - International Student Programs in Universities, November 1993*

Special Report No. 29 examined the management of international student programs in universities. Four universities: La Trobe, Monash, Royal Melbourne Institute of Technology and Swinburne University of Technology were selected for the audit review.

The review identified several areas where the 4 universities needed to improve strategic and operational management of their international student programs. Also, some practices of the universities, as outlined in the Report would, if continued, pose risks to the safeguarding of academic standards, for example, inconsistencies in minimum entry standards relative to Victorian Certificate of Education cut-off scores and in the values assigned by universities to overseas qualifications for determining minimum entry standards for university courses.

The review found that the most significant deficiency in the universities' financial management procedures was their inability to determine total costs incurred in the provision of services to international students. Without this information, the key measure of performance, the net revenue position or the "bottom line" for each university in the subject area, could not be determined.

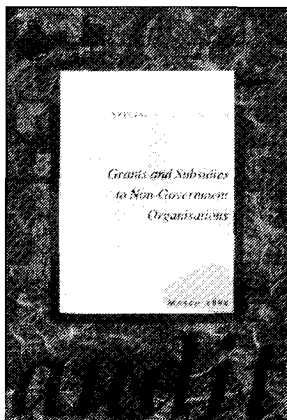
Media reaction to the Report was strong, with many newspaper articles and radio news reports focusing on the issues raised by audit. Of particular significance was the interest taken by the multi-cultural media, with special news broadcasts and feature programs debating the content of the Report and generating a great deal of interest with multi-cultural audiences.





The Special Report No. 29 reviewed the management of international student programs.

Special Report No. 30 - Grants and Subsidies to Non-Government Organisations



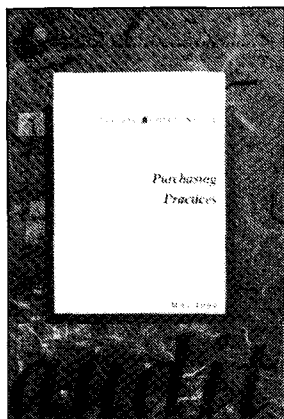
This Report addressed various matters concerning the administration and management of grants and subsidies to non-government organisations. The audit encompassed a review of the role of central agencies in the monitoring of grants and subsidies and, at an agency level, the management of grant and subsidy programs by the Department of Health and Community Services.

The Report's major findings included:

- ❑ the absence of central agency monitoring of grants and subsidies exposes the Government to significant risks;
- ❑ funding by the Department of Health and Community Services to non-government organisations lacked flexibility as the same service providers were recipients of funds each year without any requirement to submit formal applications;
- ❑ an appropriate framework to ensure that services delivered are in accordance with departmental objectives had not been established in some programs; and
- ❑ the effectiveness and efficiency of services provided by non-government organisations is affected by the Department's current funding methods which were largely based on historical costs.

Media attention focused on the Victorian Government's exposure to risk due to its failure to adequately monitor grants and subsidies provided to non-government organisations. A number of community-based bodies, such as the Children's Welfare Association of Victoria, also took particular interest in the Report and recommended it as "... **essential reading for agency management**".

Special Report No.  
31 - Purchasing  
Practices



Special Report No. 31 evaluated the extent to which budget sector agencies achieved value-for-money in their purchasing arrangements, with due regard to probity and equity. The Report also assessed whether the current budget sector accountability framework was conducive to effective management of the purchasing function.

The Report's significant findings included:

- ❑ the purchase of goods and services within the Victorian budget sector was valued at \$3.5 billion in 1992-93 and represented the second largest cost to government after salaries;
- ❑ traditionally, little attention had been given to developing a strategic focus for budget sector purchasing or to implementing monitoring procedures at a central level;
- ❑ agencies had given insufficient attention to selecting the method of purchase which best suited their requirements or to thoroughly investigating the market to identify the supplier offering the best value-for-money;
- ❑ purchases made by agencies with a total value of \$1.9 million had not been submitted to the State Tender Board for approval prior to the engagement of suppliers or, in some cases, making payments; and
- ❑ procedures relating to the receipt and evaluation of tenders needed to be strengthened to ensure that all suppliers were treated equitably in the tender process.

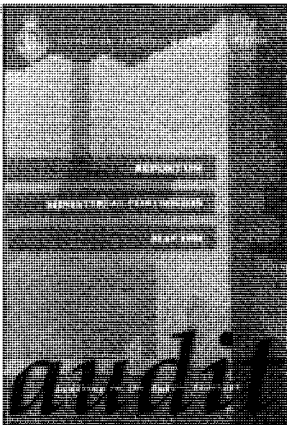
The Report recognised substantial changes to decentralise purchasing arrangements which had been approved by Cabinet around the time of finalisation of the audit. The Report regarded these changes as positive in nature but stressed that they needed to be implemented gradually, on the basis of risk, and within an environment supplemented by a strengthened central overview function. In this regard, audit strongly supported the proposed creation of a Government Purchasing Board to provide a central focus for this important area of activity.

On the day the Report was tabled in the Parliament, the Minister for Finance publicly announced proposed reforms to public sector purchasing arrangements within the State. In making this announcement, the Minister stated:

***"It is encouraging that the Auditor-General has endorsed the changes the Government has introduced to decentralise purchasing arrangements, improve operational flexibility, achieve productivity gains and create a competitive environment while meeting appropriate standards of probity and accountability."***

***"It was heartening that the Auditor-General fully supported the Government's initiative to introduce a new Government Purchasing Board as part of the reforms."***

*Report on Ministerial Portfolios, May 1994*



The Auditor-General's Report to the Parliament on Ministerial Portfolios, which is tabled annually, constitutes a major output of the Office.

The 1994 Report on Ministerial Portfolios was tabled in the Parliament during the Autumn Session and outlined the results of audit reviews of ministerial portfolios undertaken during the preceding 12 months period.

Key issues addressed in the Report included:

- ❑ an assessment of the Department of Agriculture's management of its research activities;
- ❑ the results of a wide-ranging review of operations of the Victorian Arts Centre Trust;
- ❑ an analysis of trends in gaming revenue and an evaluation of the manner in which gaming revenue allocated to the Community Support Fund had been administered and co-ordinated;
- ❑ a review of the operations of the Occupational Health and Safety Authority in terms of the Authority's effectiveness in facilitating the maintenance of a safe workplace environment by employers within the State;
- ❑ identification of the aged nature of the State's rural water supply infrastructure, with substantial levels of expenditure on asset replacements and maintenance required in future years to upgrade its condition;
- ❑ organisational reviews of the Royal Botanic Gardens and the Victorian Institute of Marine Sciences;
- ❑ an analysis of the sale of 51 per cent of the Government's share in the Loy Yang B power station;
- ❑ an outline of the major reform activity within Victoria's electricity supply industry and related outsourcing initiatives by the State Electricity Commission of Victoria;
- ❑ a major review of cash management procedures within departments;
- ❑ an evaluation of the National Campaign Against Drug Abuse Program in Victoria;



The results of a wide-ranging review of the management of the Victorian Arts Centre were featured in the 1994 Report on Ministerial Portfolios.



- ❑ assessment of planning, implementation and monitoring procedures employed by the Department of Health and Community Services during the closure of the Caloola Training Centre;
- ❑ identification of surplus space and under-utilised facilities within the public hospitals infrastructure;
- ❑ recommendations to widen the powers of the Sheriff to facilitate collection of outstanding motor vehicle-related fines of \$132 million at 30 June 1993;
- ❑ an analysis of the financial risks accepted by the Urban Land Authority in respect of a residential housing project known as *The Mews*;
- ❑ a potential conflict of interest in certain tendering procedures undertaken by the Department of Transport and the Public Transport Corporation; and
- ❑ confirmation of the Transport Accident Commission's continuing strong financial position.

Following the release of the Report, a significant amount of parliamentary and media attention was directed towards a number of items including the analysis of gaming revenue, the extent of uncollected motor vehicle fines, the closure of Caloola Training Centre and issues raised by audit in respect of the State's public hospital infrastructure. In addition, specific attention from the electronic media was directed to the matters concerning the level of financial risks assumed by the Urban Land Authority from *The Mews* residential housing project.

1992-93 Annual  
Report of the  
Victorian Auditor-  
General's Office



The 1992-93 Annual Report of the Office was prepared in accordance with the *Annual Reporting Act 1983*, and provided an overview of Office activities for the year, as well as incorporating the Office's audited financial statements.

During 1993-94, Annual Report Awards Australia Inc. continued with its sponsorship of an Australia-wide Annual Report Awards Scheme designed to encourage the meaningful presentation of information in annual reports. The Office entered its *1992-93 Annual Report* in the Scheme and was assessed as having achieved a high standard of excellence in annual reporting and received a **Silver Award**. This was the sixth consecutive Award received by the Office and was presented at an awards ceremony in Sydney in July 1994. A representative from the Office participated as an adjudicator on the judging panel of reports of other public sector organisations. The Office's involvement with the adjudication process of the Awards Scheme is viewed as a positive contribution to raising the overall standard of annual reporting in the Australian government sector.

The Office's Annual Report attracts strong interest from government departments and the general public. Copies are distributed throughout Australia and overseas, and many organisations use the Annual Report as a model in reporting. An illustration of this latter point occurred during the year, when the Under Treasurer, Queensland Treasury, wrote to the Auditor-General stating:

***"The Annual Report of the Victorian Auditor-General's Office has been indicated to Queensland Treasury as an example of excellence in reporting. We would appreciate receiving a copy of your Annual Report, to help us continue to improve our own standards."***



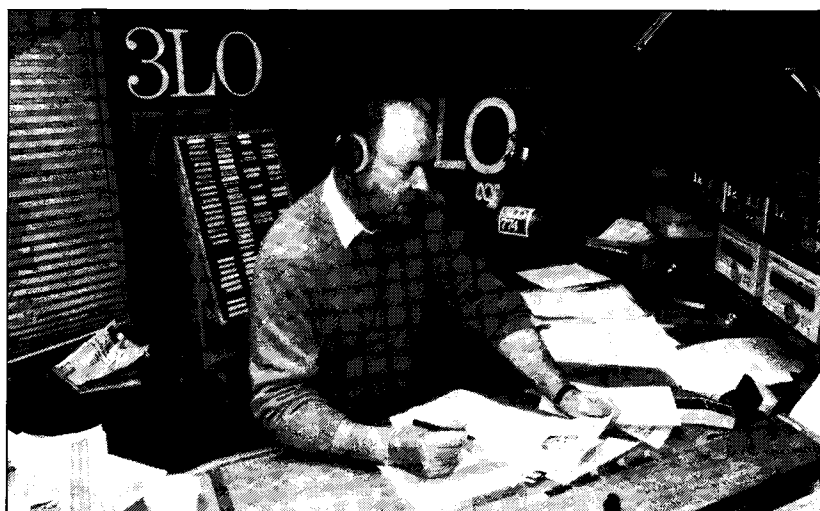
The Office's sixth consecutive Annual Report Award, displayed by (from left) Kim McCarthy, Graham Hamilton and John Olesky.

### Community understanding of the Office's activities

The Office considers it important that there is widespread community understanding of the Auditor-General's role and responsibilities.

In 1993-94, the Office continued to build on its public profile, much of which is due to the high professional standing of the Office and its staff, and its regular reporting of financial and resource management issues to the Parliament. Media attention devoted to the Office's operations confirmed that the activities of the Office are regarded as being in the public interest and newspaper editorials generally supported the Office in its call for greater accountability and more efficient, effective and economical use of public resources.

Parliamentary debates, questions and committee reports continued to play an important role in highlighting information on the Office's external audit function. The interest in the Office's activities by the Parliament indicates the significance placed on the value of the Office's services and its contribution to public sector resource management.



ABC Radio journalist Ranald McDonald commenting on a performance audit report issued by the Office.

The media, through radio, television and newspapers, also highlight the key findings contained in the Office's Reports to Parliament and contribute towards generating debate and discussion on issues of importance to taxpayers. For example, ABC Radio journalist Ranald McDonald, in commenting on the Office's parliamentary Reports, described them as "... **models of fairness and logic, written in clear simple language.**" He went on to say that many of the Office's analyses and recommendations had already led to more efficient use of public money and adequate funding of the Office's work could be described as "... **the best investment around**".

During the year, the Office itself played an important part in furthering community understanding of its activities through:

- ❑ An extensive program of professional activities such as international and interstate visits, participation in major conferences, involvement with professional bodies and the external presentation of papers and seminars (further details are provided in Appendix 2);
- ❑ The widespread distribution of an "information package" to client agencies and interested organisations. The package contains a general information sheet, a copy of the Office's Corporate Plan, an Annual Report and the Office's information brochure entitled *"Auditing in the Public Interest"*;
- ❑ The distribution of the Office's corporate video entitled *"In the Public Interest"* to Parliament, client agencies, educational institutions and to community groups; and
- ❑ Participation in the government exhibition at the 1993 Royal Melbourne Show. The government exhibition, which had the theme *"Rebuilding Victoria"*, attracted over 300 000 visitors, many of whom visited the Office's display and information stand. The main purpose of the Office's display was to inform the public of the importance of the wide-ranging auditing services provided to the Parliament, government and taxpayers of Victoria. The exhibition provided an ideal venue for staff to interact with the public, and a great amount of public interest was shown in the Office and its activities.



*The Office's display at the 1993 Royal Melbourne Show informed visitors of the important auditing activities conducted on behalf of the Parliament and the community.*

## ■ RELATIONSHIP WITH PARLIAMENTARY COMMITTEES

The satisfactory resolution of issues raised by the Auditor-General is a significant measure of the Office's effectiveness in the performance of its audit function on behalf of the Parliament and the community. Parliamentary committees play an important role in this process when their conduct of public hearings, focus on matters address in Reports by the Auditor-General.

### *Public Accounts and Estimates Committee*

It is through liaison with the Parliament's all party *Public Accounts and Estimates Committee* that the Auditor-General's relationship with the Parliament is principally put into effect. The Auditor-General and senior representatives of the Office are regularly called upon to assist the Committee with its inquiries and investigations to:

- give evidence on the work of the Office;
- elaborate on the findings contained in Auditor-General's Reports tabled in Parliament; and
- provide information on improvements that could be made to the management of public sector resources in Victoria.

During 1993-94, the Office's involvement with the Committee consisted of:

- In July and September 1993, the Auditor-General and members of the Office Executive gave evidence on matters raised in Special Reports dealing with "*Visiting Medical Officers*" and "*Information Technology in the Public Sector*";
- In November 1993, the Auditor-General and the Assistant Auditor-General presented evidence on the Fergus Ryan Report on the performance audit of the Victorian Auditor-General's Office;
- In March 1994, the Auditor-General and Assistant Auditor-General provided details on the formulation of the Office's new Corporate Plan to cover the period 1994-95 to 1996-97;
- On 30 June 1994, the Auditor-General and senior staff consulted with the Committee on the Office's 1994-95 performance audit program for departments. An important element of the discussions was the provision of feedback by the Auditor-General on the Committee's suggestions for performance audit topics; and
- The Office continued to provide research assistance to the Committee, through the secondment of one officer during the year.

The Public Accounts and Estimates Committee examined a number of issues contained in the Office's Reports to the Parliament: (from left) Mr A.F. Plowman, MP, Lillian Spencer (on secondment from the Office), Hon. G.C. Weideman, MP, JP, (Chairman) and Craig Burke (Director of Research).



The Office values the importance of an effective professional relationship with the Public Accounts and Estimates Committee. Under the strong leadership and guidance of the Committee's current Chairperson, the Hon. G.C. Weideman, MP, JP, the Office's relationship with the Committee is at its highest level.

#### *Interstate parliamentary committees*

During the year, the Office provided input to a number of inquiries conducted by interstate parliamentary committees, including:

- In August 1993, the Auditor-General and 2 senior Office staff gave evidence to the Commonwealth Parliament's Senate Select Committee on the Functions, Powers and Operations of the Australian Loan Council. The Office's contribution to the inquiry included comment on:
  - the Auditor-General's mandate as it relates to the audit of State borrowings;
  - perceived weaknesses in the Loan Council's monitoring and reporting arrangements;
  - coverage in past Auditor-General's Reports relating to escalating use of short-term financing; and
  - several financing arrangements which, in the Office's opinion, constituted liabilities of the State, and on appropriate disclosure of such arrangements in the Treasurer's Finance Statement.
- In May 1994, the Auditor-General gave evidence to the New South Wales Public Accounts Committee. The Committee was taking evidence in relation to its inquiry into the most desirable model for an external performance audit of the New South Wales Audit Office.

# FEATURES OF AUDIT OPERATIONS

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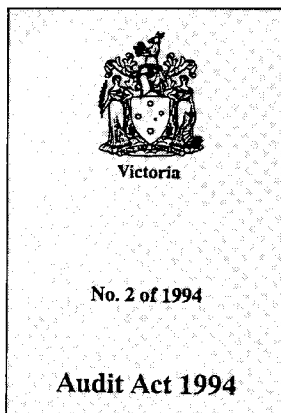
## ■ LEGISLATION

For 1993-94, the *Audit Act 1958* was the principal legislation governing the appointment, tenure, duties, responsibilities and powers of the Auditor-General, and the operations of the Victorian Auditor-General's Office. Other provisions relating to the role and functions of the Office were contained in the *Annual Reporting Act 1983* and enabling legislation relating to public bodies.

During May 1994, new audit and financial management legislation, namely the *Audit Act 1994* and the *Financial Management Act 1994*, were passed by the Parliament to operate with effect from 1 July 1994. The 2 Acts represent the legislative framework for the Government's major reform of financial management and accountability within the Victorian public sector.

The long-awaited revision of the State's audit legislation included provisions which serve to reinforce the relationship of the Auditor-General with the Parliament. In this regard, the new *Audit Act* provides for the Auditor-General's annual program for performance audits within departments to be determined by the Auditor-General in consultation with the Public Accounts and Estimates Committee of the Parliament. The legislation also provides for the cost of departmental performance audits to be met from moneys appropriated to the Parliament.

The inaugural consultation by the Auditor-General with the Committee, as provided under the legislation, took place during June 1994 in respect of the Auditor-General's 1994-95 planned program of performance audits of departments.



Other features of the *Audit Act 1994* are:

- ❑ provision for all State business corporations and State-owned companies established under the *State Owned Enterprises Act 1992* to be subject to annual audit by the Auditor-General;
- ❑ a requirement that client agencies pay audit fees for all audits undertaken by the Auditor-General other than performance audits of departments, which will be funded by the Parliament; and
- ❑ authorisation to the Auditor-General to obtain from organisations, in receipt of public grants, information to determine whether a grant had been applied economically, efficiently and effectively, or to determine similar assessments in respect of the government program under which the grant had been given.

The passing of the new audit and financial management legislation is considered by the Office to be a significant government initiative which will facilitate improvement in accountability and resource management within the Victorian public sector. While recognising these reforms, the Office looks forward to a further strengthening of the Auditor-General's nexus with the Parliament through:

- ❑ provisions under which the appointment of the Auditor-General is determined by the Parliament on the recommendation of the Public Accounts and Estimates Committee; and
- ❑ the funding, by the Parliament, of all Office operations.

The Government has indicated its intention to consider these matters as part of future reviews of audit legislation.

## ■ AREAS OF OPERATION

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

The "*budget*" sector includes all State Government departments and certain other independent budget sector agencies. These organisations 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 Finance.



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 imposed by the Department of the Treasury.

## ■ AUDIT RESPONSIBILITIES

At 30 June 1994, the Auditor-General had specific responsibilities for both the financial and performance audits of 544 public sector organisations comprising:

- Parliament and the State Parliament Refreshment Rooms;
- 13 departments and 7 independent budget sector agencies;
- 141 public bodies, such as government business undertakings, commissions and committees of management;
- 38 educational institutions including universities;
- 139 public hospitals, State-funded nursing homes and ambulance services;
- 19 superannuation funds;
- 61 companies and joint ventures; and
- 124 water and sewerage authorities.

A complete list of audit responsibilities at 30 June 1994 is provided in Appendix 3.

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

## ■ AUDIT PROCESS

### Financial and performance audits

The Auditor-General, when carrying out his statutory audit responsibilities, conducts 2 types of audits which may be classified as "*financial audits*" and "*performance audits*".

Any audit assignment which directly relates to the objective of forming an opinion on the annual financial statements of a public sector entity is regarded as a "*financial audit*". The conduct of these audits provides assurances to Parliament and the community regarding the fair presentation of financial information contained in financial statements of public sector entities.

A "performance audit" is broadly defined as an audit which evaluates whether an organisation uses its resources economically and efficiently in order to effectively meet its objectives.

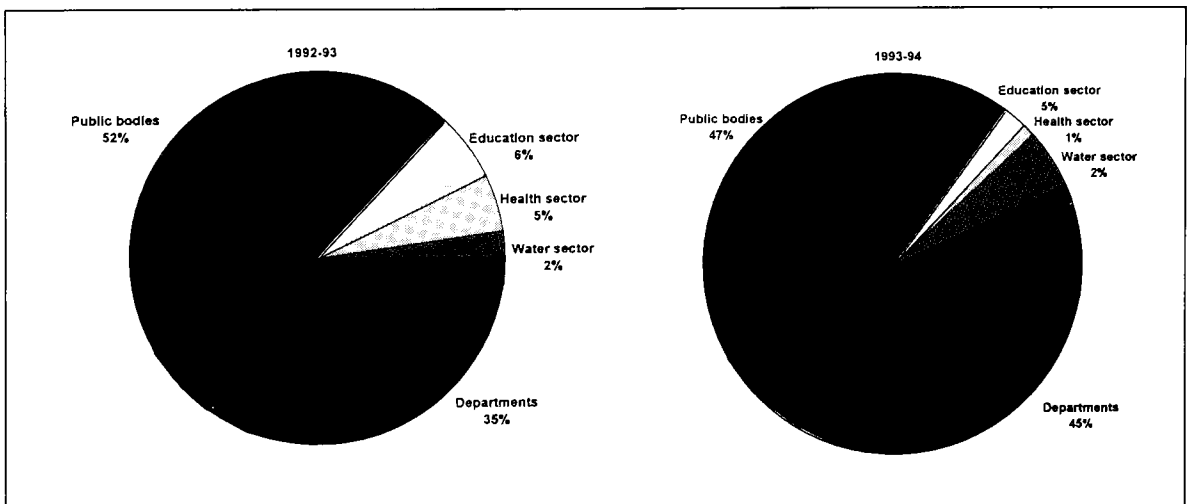
Adherence to legislation by public sector agencies is examined in conjunction with the Auditor-General's statutory mandate to carry out both financial and performance audits, not as a separate and distinct audit function.

Financial and performance audits are conducted by the Office as separate assignments. However, the knowledge gained during a financial audit of an entity is a useful source of information in identifying potential performance audit subjects.

**Allocation of audit time**

The following chart shows the percentage of aggregate in-house audit time (covering both performance and financial audit activities) for 1992-93 and 1993-94.

ALLOCATION OF IN-HOUSE AUDIT TIME



The major changes over the last year have included an increase of 10 per cent for in-house time spent on departmental audits, essentially reflecting an increase in performance audits. In addition, the chart shows a decrease of 4 per cent for in-house time in the health sector, as no major performance audit was undertaken in public hospitals during 1993-94. Time spent on financial and performance audits within public bodies decreased from 52 to 47 per cent, arising from productivity savings and reduced staff numbers.

**Audit methodologies**

*Enhanced Financial Audit Methodology*

During 1993-94, the Office continued to utilise its Enhanced Financial Audit Methodology (EFAM) on financial audits. The methodology provides a rigorous audit planning process by enabling audit staff to more directly assess the relevant risk components of each financial audit. Through the extensive use of audit software during the planning, testing and evaluation phases, together with the use of computer audit data analysis and extraction packages, the Office is able to achieve significant efficiencies on financial audit engagements.

Over the past year, the Office has provided a further series of intensive in-house and residential training courses for staff to ensure that they continue to enhance their expertise in all facets of the methodology.

Monitoring the progress of the implementation of EFAM is of vital importance. For this reason, the Office has in place a structured framework (including a peer review process) for assessing both strategic and operational issues associated with the quality and efficiency of the use of the methodology within the Office. The strategic control and co-ordination of the methodology is the responsibility of the Office's EFAM Strategic Review Unit.



*Peer review discussions assist in monitoring the use of the Office's audit methodologies.*

Considerable interest in the Office's implementation of its risk-based financial audit methodology has been shown by a number of organisations. For example, representatives from a Commonwealth Government agency visited the Office in June 1994 to discuss the Office's experiences with the audit methodology.

*Victorian  
Performance Audit  
Methodology*

During 1993-94, the Office continued to apply the Victorian Performance Audit Methodology (VPAM) in undertaking performance audits within the public sector in order to ensure a consistent and professional audit approach and quality outcomes from such audits.

Since the introduction of VPAM in August 1991, the soundness of the framework within the Office for the planning, implementation and reporting elements of the methodology has enabled high quality audits to be completed across a wide spectrum of diverse topics. Performance audits covering salinity, timber industry, aged care and provision of legal aid services are examples of extremely complex subject areas in which VPAM has been applied to enable an efficient and effective audit to be completed by the Office.

Audit Offices from within Australia and overseas have continued to express interest in VPAM. For example, inquiries were received from the Australian National Audit Office and the National Finance and Development Audit Agency of the Government of Indonesia.

In order for VPAM to continue to be recognised as advanced in development by world standards, recommendations arising from an inaugural internal peer review of its implementation will be considered in the planned revision of VPAM to be finalised in 1994-95.

**Information  
system audits**

The Office's information systems (IS) policy provides for:

- on-going development of an IS audit plan;
- conducting IS reviews;
- identifying and undertaking IS performance audits;
- taking steps to expand the application of IS activities by operational audit groups;
- participating in the development and implementation of the Office's risk-based financial audit methodology; and
- contracting selected IS audit activities to private sector accounting partners who act as agents of the Auditor-General.

Principal responsibility for implementation of the policy rests with the Office's IS Audit Group.

As part of the Office's financial audit methodology, preliminary assessments of IS controls were carried out at those client agencies with a significant computer installation. These assessments were undertaken in order to develop the auditor's understanding of clients' IS controls and to assist the auditor in forming a view on the security of computer operations.

During 1993-94, the majority of detailed IS reviews, based on the results of the above preliminary control assessments, were performed by the Office's IS specialist staff.

In addition, the Office continued to place emphasis on the development and application of computer-assisted audit techniques (CAATs). These techniques essentially provide better audit coverage and enable the Office to carry out audits more efficiently and effectively.

The Office also provided advice to government agencies on the development and implementation of computerised information systems.

### **Audit research**

#### *Audit research and practices*

The ability to keep abreast of developments in financial reporting and financial and performance auditing issues is important for the Office if it is to maintain its authoritative and expert position in accounting and auditing policy and practice matters. As well as providing guidance to all staff on current and emerging issues which impact on its auditing responsibilities, the Office is involved in a number of initiatives which often result in valuable contributions to the development of public sector-wide financial reporting reforms.

During the year, the Office made a number of submissions to the Australian Accounting Research Foundation, the professional accounting bodies and the Departments of Finance, Treasury and the Office of Public Sector Management within the Department of the Premier and Cabinet in relation to exposure drafts and discussion papers issued by those agencies.

#### *Library information resources*

The Library is the Office's major source of reference material, government reports, annual reports, legislation and audit reports from Australian and international sources. Electronic retrieval of information is achieved through several on-line databases, which hold both local and world-wide information. CD-Roms have been chosen to support the broad areas of the Office's research requirements.

In line with the Office's Corporate Plan and its performance audit mandate, there has been an increasing emphasis on improving information collection and dispersal to performance audit staff in order to support their research activities and develop specialised research skills. These activities directly assist the conduct of performance audits.

### **Audit planning**

**F**or several years now, the Office has utilised a computerised master audit plan as a long-term planning tool for the identification of performance audit projects to be included in the Office's annual audit plans.

Performance audit topics for projects commenced during 1993-94 were selected principally in terms of risk and materiality, adding value, enhancing accountability and identifying scope for cost savings or improved revenue management.



*Assessing risk and materiality during a performance audit planning session.*

In relation to the risk selection criterion, a methodology for specifically evaluating risk assessments from a central agency perspective is currently under development within the Office. The results of this exercise are expected to further strengthen the framework for identification and ranking of potential performance audit projects within individual government agencies.

In the latter part of 1993-94, a substantial contribution was made by each business group within the Office in the development of business plans. These plans, which complement the Office's Corporate Plan, outline the available resources, key result areas, strategies and action programs for 1994-95.

A new feature of the audit planning process which emerged during 1993-94 involved the requirement under the *Audit Act 1994* for consultation by the Auditor-General with the Public Accounts and Estimates Committee, prior to finalisation of the 1994-95 program for departmental performance audits. As indicated in an earlier section of this Report, the inaugural consultation by the Auditor-General with the Committee took place in June 1994.

### **Audit consultative process**

Communication between the Office and client agencies is a vital component of the audit process and significant attention is directed in the Office to ensuring that this aspect of audit operations is always soundly-based and managed efficiently and professionally.

Entry meetings are held with Department Heads and Chief Executive Officers within public bodies to discuss any areas which may be of concern to management, the proposed audit coverage and timetable, and the audit fee. In addition, these meetings provide an opportunity for discussion of the internal auditor's annual audit plan so as to avoid unnecessary duplication with external audit coverage and ensure a more cost-effective audit.

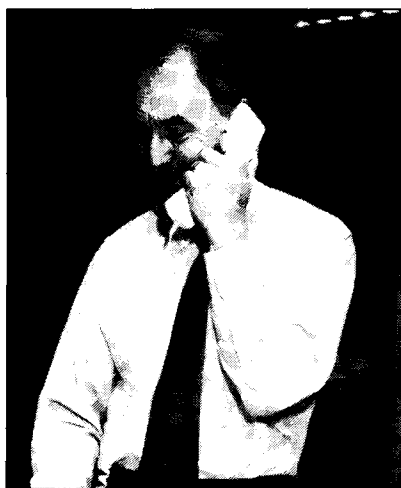
Regular liaison with client agencies occurs during the course of each audit. At the conclusion of the review, discussions are held with executive management of the organisation on matters arising from the audit. The advantages of such discussions include improved communication and co-operation with management and pro-active input by audit in identifying matters of risk relevant to the organisation, and in improving public sector resource management in government.

In line with the objective of promoting and encouraging the development of sound resource management practices in the public sector, the Office continued to provide advice to clients to assist them in meeting their accountability obligations. Discussions between Office staff and client agencies on matters contained in audit communications and Reports to the Parliament took place on a regular basis throughout the year.

The Government has recognised the importance of establishing an appropriate internal control framework within each public sector agency. One element of this framework is an audit committee whose role includes liaison with external auditors on behalf of Department Heads and Chief Executive Officers. The Auditor-General has strongly encouraged the establishment of these committees and Office staff regularly attend committee meetings to provide advice on issues such as proposed objectives and scope of audits, outcomes of the external audit process and issues impacting on financial statements.

**Clients' assessments of audit services**

The Office considers it important that the audit services it provides to its clients are delivered in a timely, efficient and professional manner. Feedback from clients serves as an important and valuable indicator of the Office's performance and quality of service delivery.



*Feedback from client agencies is a valuable indicator of the Office's performance.*

During 1993-94, a number of client agencies acknowledged the quality and timeliness of the Office's audit services, as well as the valuable contribution these services make towards their operations. The overwhelming majority of comments received from client agencies were complimentary and a sample of favourable comments follows.

***"May I take this opportunity to express my appreciation to you and your staff for the professionalism and co-operative manner in which the audit was conducted under difficult circumstances and within tight timeframes."***

*Chief General Manager, State Electricity Commission of Victoria*



***"I wish to take this opportunity to thank you and your team in assisting this organisation in achieving early completion of the financial statements. I am sure the good working relationship between the two organisations and the early presentations made to your team ... were the main reasons for achieving an early sign off."***

*Chief General Manager, Transport Accident Commission*

***"I would like to take this opportunity to express my appreciation for the efficient, co-operative and professional manner in which the audit was conducted. I trust that the spirit of co-operation between your Office and my Department will continue in the context of which audit issues will be raised and responded to in a positive and constructive manner."***

*Secretary, Department of Business and Employment*

***"The Council of Adult Education (CAE) Board wishes to express its thanks to audit officers who carried out the audit review and testing of CAE systems. CAE staff have reported that audit officers were pleasant and understanding in working through their assignment, and recognise the priorities of a small but highly productive accounting team."***

*Chairperson, Council of Adult Education*

***"I am writing to express my appreciation for the work performed by your staff during the audit of Melbourne Water's 1992-93 Annual Financial Statements. The statements were adopted by the Board on 17 August 1993 representing a five week improvement on the 1991-92 year-end timetable. The timetable was achieved through improved planning of the year-end process, the early commencement of the audit and improved communications. The co-operation and support of your staff was very much appreciated."***

*Managing Director, Melbourne Water Corporation*

## **Engagement of contractors**

**M**any government agencies have located their head offices or branches in the metropolitan areas of Melbourne or in rural Victoria. The majority of these agencies have a common annual balance date of 30 June and an obligation to report their audited yearly results to the Parliament within a specified period (in many cases, 3 months) after balance date. The Office has found it necessary and expedient to engage, under contractual arrangements, resources from the private sector to assist in the discharge of its financial audit responsibilities. In addition, the Office engages specialist consultants, from time to time, to support in-house performance audit personnel in projects requiring specific expertise.

The engagement by the Office of private sector contractors during the year comprised 3 principal categories, namely:

- appointment of contractors to undertake audits, mainly of non-metropolitan water and sewerage authorities, public hospitals and educational institutions, on behalf of the Auditor-General;
- engagement of professionals on limited-term contracts to overcome resource shortages at critical times in the year; and
- utilisation of the services of specialists to provide expert advice to performance audit teams.

Payments by the Office, during 1993-94, for auditing services provided by private sector contractors totalled \$3 million.

The following tables outline information on the extent of private sector involvement in services provided to the Office as contractors of the Auditor-General.

**PAYMENTS FOR CONTRACTED AUDITING SERVICES**  
(\$)

1989-90	1990-91	1991-92	1992-93	1993-94
3 910 000	4 353 000	4 244 000	4 600 000	3 066 000

**CONTRACT PAYMENTS, 1993-94**  
(\$)

Firm	Amount
Coopers and Lybrand	713 000
Arthur Andersen and Co.	324 000
KPMG Peat Marwick	272 000
Armitage Downie and Co.	189 000
Andrew Frewin & Richmond	147 000
Ernst and Young	136 000
Day Neilson	135 000
Price Waterhouse	132 000
Deloitte Touche Tohmatsu	144 000
Thompson Douglass & Co.	106 000
Other (a)	768 000
<b>Total</b>	<b>3 066 000</b>

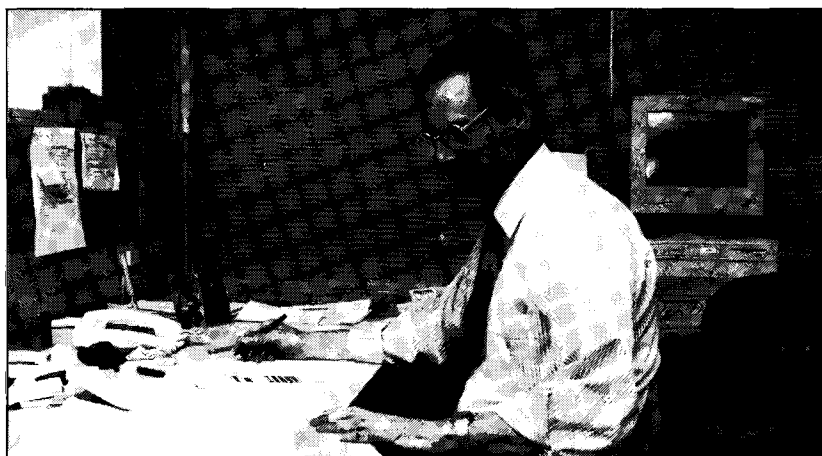
(a) Comprises 25 contractors whose individual payment was less than \$100 000.

The 2 major reasons for the decrease of \$1.5 million in payments to contractors in 1993-94, compared with the previous year, were:

- the majority of detailed reviews of information systems conducted as part of financial audits during 1993-94 were performed by the Office's information systems specialist staff; and

- a higher level of payments for interim audit work was made to contractors in 1992-93.

During 1993-94, a significant development in the contracting area within the Office was the creation of a central contracting review team responsible for the co-ordination of all major aspects of contracted financial auditing. In addition, the Office contributed to a working party established by the Australasian Council of Auditors-General to monitor *best practice* in the use of private sector audit resources.



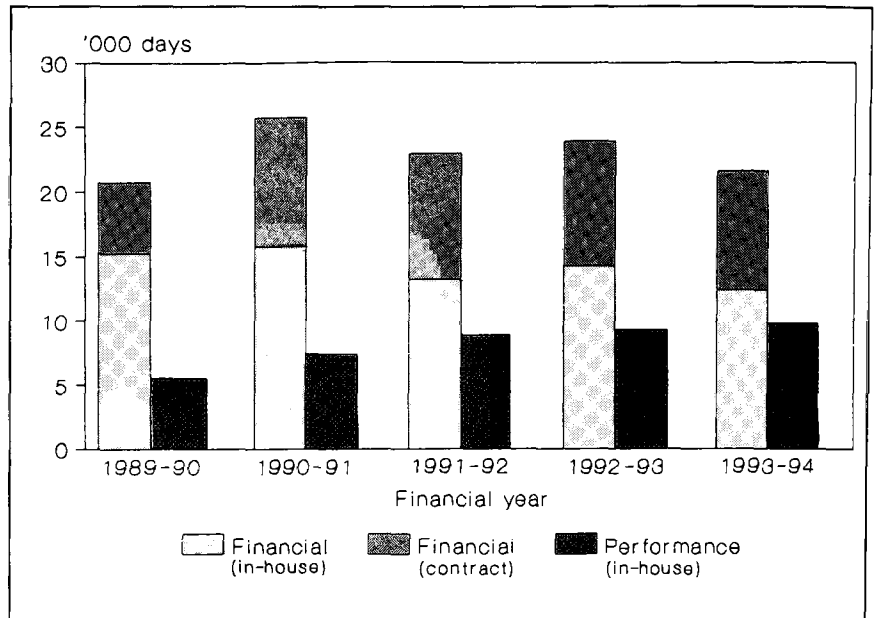
Henk Morren, a member of the Office's central contract review team.

### Allocation of resources to audits

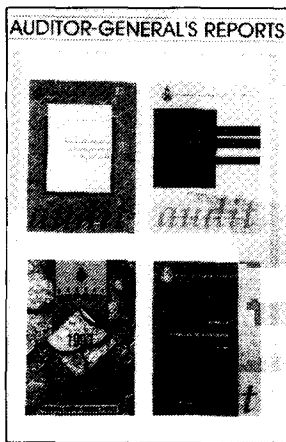
The allocation of in-house resources to performance audits increased from 26 per cent of available in-house time in 1989-90 to 40 per cent by 1991-92. This increased allocation to performance auditing was maintained by the Office in 1992-93 and 1993-94, despite the fact that at 30 June 1994, the Office had 7 less staff available for performance auditing than the strategic target included in the Corporate Plan. In addition, through productivity savings, the Office discharged its increasingly complex and expanding financial auditing responsibilities during the period of the Corporate Plan with 10 less in-house resources. Over this same period, time spent by contractors undertaking financial audits has remained stable.

The following chart depicts the trends in audit time between in-house and contracted financial audit resources and resources directed to performance audits over the past 5 years.

TOTAL AUDIT TIME



Output of the Office



The output of the Office consists of:

- Presentation of Auditor-General's Reports to the Parliament. These Reports contain comments on the most significant matters addressed in each audit, 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 in the "Serving Parliament and the Community" section of this Annual Report. The titles of Auditor-General's Reports tabled since 1989-90, together with a list of all Special Reports issued, small agency reviews undertaken and a subject index of special interest items, are contained in Appendix 1.
- Annual audit reports, interim audit reports and management letters to client organisations, drawing attention to observations arising from the audit, together with appropriate recommendations. Copies of annual and interim audit reports are also forwarded to the Minister for Finance and the responsible Minister.
- Audit opinions on clients' financial statements.
- Audit reports to the Commonwealth Government on expenditure of various funds provided by the Commonwealth to the State.

In addition to producing reports, the quality and cost of audit services provided by the Office is regarded to be of utmost importance. In this regard, the Office introduced, during 1992-93, performance indicators which provide, over time, an indication of the cost-effectiveness of its audit services.

The performance indicators show the annual cost to the Office of auditing, with in-house audits, each million dollars of assets held by clients, or their income and expenditure transactions. This data is compared with similar data for audits undertaken by private sector contractors. For 1992-93 and 1993-94, the indicators have disclosed that in-house auditing costs are considerably less expensive than similar costs incurred by contractors. The following table illustrates the position for 1993-94.

**AVERAGE COST OF AUDIT SERVICES, 1993-94**

Resource	Average cost per \$million of -		
	Income	Expenditure	Assets
	(\$)	(\$)	(\$)
<b>In-house staff</b>	<b>151</b>	<b>111</b>	<b>69</b>
Contracted agents	520	551	269

Notwithstanding the above cost differentials, the Office is obliged to continue to contract-out audits due to a range of factors including its restricted capacity to increase in-house resources and to meet workloads during periods of peak activity.

**EXTERNAL ADVICE TO THE AUDITOR-GENERAL**

**External Policy and Practices Advisory Panel**

For some years now, Auditors-General in Victoria have been assisted by an External Policy and Practices Advisory Panel which furnishes advice on accounting and auditing developments and practices in the public sector. The Panel, which is appointed by the Auditor-General, has proved to be a most valuable source of information and guidance on emerging accounting and auditing issues.

At 30 June 1994, members of the Panel were:

- Ms E. Alexander, Partner, Price Waterhouse;
- Professor B.J. Garner, Professor of Computing, Deakin University;

- ❑ Mr D.T. Greenall, Chartered Accountant;
- ❑ Mr E. McL. Holmes, Chartered Accountant; and
- ❑ Mr W.J. McGregor, Executive Director, Australian Accounting Research Foundation.

During the year, the Panel met on 3 occasions and provided advice to the Auditor-General on a range of matters including:

- ❑ revisions to the State's audit legislation;
- ❑ feedback on Reports of the Auditor-General to the Parliament;
- ❑ the organisational restructure of the Office; and
- ❑ emerging accounting and financial reporting developments.

### ■ AUDIT CENTRE OF EXCELLENCE

In 1993-94, the Auditor-General continued as Chairman of the Australian Society of Certified Practising Accountants' Audit Centre of Excellence in Melbourne. He was assisted by the Office's Technical Director.

The principal objective of the Centre is to ensure that the Society, on behalf of its members in industry, government and public practice, takes a leading position on significant areas of emerging interest which affect its members and the main users of professional audit services.

The contribution made to the Audit Centre of Excellence has ensured that the Office maintains an active voice in the affairs of the Australian auditing profession.

### ■ AUSTRALASIAN COUNCIL OF AUDITORS-GENERAL

As a result of a study conducted by a former Victorian Auditor-General in 1993 on behalf of the Australasian Area Auditors-General, it was decided to establish the Australasian Council of Auditors-General.

The inaugural meeting of the Council was held on 24-25 February 1994 in Wellington, New Zealand, and was attended by Auditors-General from Australia and the Controller and Auditor-General of New Zealand. Mr Ches Baragwanath attended in his capacity as Auditor-General of Victoria.

Membership of the Council is open to the Auditors-General of all jurisdictions within Australia, New Zealand, Fiji and Papua New Guinea. Associate membership is available to any other interested jurisdiction.

A Council Constitution was approved at the Wellington meeting and states that the prime purpose of the Council is to foster and promote the development of public sector auditing in the Australasian region through:

- ❑ developing and promulgating authoritative pronouncements as to the nature, scope, independence and role of Auditors-General in the context of the Australasian scene;
- ❑ increasing awareness and promoting educational activities by facilitating the exchange of information and opinion and the identification of individuals and organisations with knowledge about matters of concern to public accountability;
- ❑ facilitating the setting of core strategic directions for Audit Offices;
- ❑ contributing to the development of mutually beneficial methodologies for, and approaches to the discharge of, audit mandates;
- ❑ fostering co-operation in the conduct of audits through discipline, co-ordination and mutual recognition of, and contributions to, the development of centres of applied excellence;
- ❑ co-ordinating the development of a professionally credible quality assurance program for participating Audit Offices; and
- ❑ contributing to the enhancement of parliamentary liaison functions across jurisdictions.

Early work undertaken by the Council since its inception has involved the allocation of responsibilities to various Audit Offices for gathering and co-ordinating information, incorporating best practice data and dealing with contemporary developments on subjects of major significance to Auditors-General.

## ■ INVOLVEMENT WITH ACCOUNTING AND AUDITING PROFESSION

### Relationship with overseas and interstate Audit Offices

The sharing of information and professional expertise in the audit area is a valuable means of improving the efficiency and cost-effectiveness of the Office. In addition to the regular meetings of Auditors-General, Deputy Auditors-General and senior audit executives, links have been established with the various Audit Offices through annual conferences, circulation of information on developments in auditing matters, and exchange visits of key audit and management personnel.

As in previous years, the Office continued to be involved in activities connected with other Audit Offices. This included visits to overseas and interstate Audit Offices, attendance at conferences and various presentations on the Office's activities. Additional information on activities connected with other Audit Offices can be found in Appendix 2.

## ■ PROFESSIONAL ACTIVITIES

The Office is involved in a wide range of activities connected with the accounting and auditing profession, and public sector management. These activities include international meetings and overseas visits, and hosting international and interstate visitors.

In October 1993, a study tour of 24 senior Indonesian executives from the Indonesian Ministry of Finance and the Supreme Audit Board of Indonesia visited Melbourne. The primary objective of the tour was to study Australian approaches to performance auditing, the use of computers in auditing and the management of foreign debt. The Office played a key role in organising the Melbourne sector of the study tour and presented information sessions on the role of the Victorian Auditor-General's Office and a case study on the Office's performance audit of aged care services in Victoria.



A number of the Office's senior staff hold senior positions and memberships with a variety of professional bodies, committees and societies. These include membership with the Auditing Standards Board, Australian Society of Certified Practising Accountants (ASCPA), Centres of Excellence, ASCPA Program Advisory Panel (CPA Auditing Programs), Public Sector Committee of ASCPA, Public Sector Accounting Standards Board Consultative Group and Board membership of the EDP Auditors Association.

Many Office staff are at the forefront of their profession and are valued as speakers on public sector auditing and related issues. A number of staff were involved with external presentations throughout the year and further details are provided in Appendix 2.

# HUMAN RESOURCES

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This year, as in past years, the Office has continued to recognise the importance of its staff. A number of initiatives have been introduced in an effort to improve the management of the Office's human resources and to make the Office an increasingly challenging and rewarding organisation in which to work.

On a global level, the industrial relations climate in the Victorian public sector during 1993-94 has been in a state of substantial change which has created significant implications for the management of human resources within public sector agencies.

## ■ OFFICE ORGANISATION

### Auditor-General of Victoria

The Auditor-General of Victoria, **Ches Baragwanath**, FCPA, was appointed to the position in 1988 after previous service with the Australian National Audit Office and the State Electricity Commission of Victoria. He was the inaugural Chairman of the Australian Society of Certified Practising Accountants Audit Centre of Excellence and he was the Australian representative on the Public Sector Committee of the International Federation of Accountants during the period 1990-1992. He is currently a member of the Australian Auditing Standards Board.



*Members of the Office Executive  
(from left): Russell Walker,  
John Kehoe, Joe Manders,  
Ches Baragwanath (Auditor-  
General) and Graham Hamilton.*

**Office Executive**

The Office Executive comprises the Assistant Auditor-General and 3 Deputy Auditors-General, each of whom is responsible for a discrete business group with either financial or performance audit functions together with a support or policy group. In addition, the Assistant Auditor-General retains a variety of overall corporate management responsibilities and deputises in the absence of the Auditor-General.

The members of the Office Executive are:

□ **Graham Hamilton** (CPA, RCA), *Assistant Auditor-General*

Before being appointed as Assistant Auditor-General in 1990, he gained extensive experience in the management of a wide range of audits while holding the positions of Director of Audit and Chief Director of Audit within the Office. Over recent years, he has maintained a strong focus on performance auditing and has overseen its expansion in the Office.

□ **John Kehoe** (CPA), *Deputy Auditor-General*

Appointed in 1989, he previously held the position of Director of Audit and acquired substantial audit experience in a variety of ministerial portfolios including the Treasury. He is the co-ordinator of a team undertaking peer reviews of the Office's financial audit processes.

□ **Joe Manders** (CPA [Auditing], RCA), *Deputy Auditor-General*

Prior to his appointment in 1989, he held the position of Director of Audit with particular responsibility for managing the audit of the Education and several other portfolios. He is responsible for the strategic management and direction of one of the Office's 2 performance audit business groups.

□ **Russell Walker** (FCPA [Auditing]), *Deputy Auditor-General*

Appointed in 1987, he previously held the position of Director of Audit managing a number of areas including the Transport portfolio. He is responsible for the strategic co-ordination and direction of the Office's financial audit methodology. He is a member of the External Reporting Centre of Excellence of the Australian Society of Certified Practising Accountants and represents the Australasian Council of Auditors-General on the Consultative Group to the Public Sector Accounting Standards Board.

**Organisational  
restructure**

**D**uring the year, a detailed review of the Office's organisational structure was undertaken. Following this review, implementation of a new structure for the Office commenced in March 1994. The new structure directs significance to the key outputs of the Office, namely financial and performance audits and, through establishment of a business group management framework for the 2 audit activities, is aimed at achieving a sharper focus on delivery of quality financial and performance auditing services to the Parliament, client agencies and the community.

The revised organisation chart of the Office under the new structure is presented on page 58.

As indicated in the organisation chart, the Office is divided into 4 business groups, one of which is under the direction of the Assistant Auditor-General, while the remaining 3 are managed by Deputy Auditors-General. Two of the business groups focus primarily on financial auditing and 2 on performance auditing. Each business group also has responsibility for provision of a service function.

Within each business group, *business operating units*, under the responsibility of Directors of Audit, undertake audit operations in line with the group's audit responsibilities, i.e. a Director of Audit is responsible for either financial audits or performance audits with the allocation of tasks determined predominantly on the basis of ministerial portfolios.

The 4 service areas of the Office have the following responsibilities:

- *Information Systems Audit Services* - conducting information systems audits in conjunction with business audit units.
- *Technical Services* - technical advice to the Office Executive and staff on accounting and auditing policy and practice matters. The area reviews current and emerging accounting and auditing issues within the public sector and provides comments to professional bodies and central agencies.
- *Computer Information Services* - consultative and technical support to the Office on all matters dealing with information technology. The area is responsible for implementation of the Office's information technology strategic plan which involves both audit and administrative computing systems. The area also monitors technological developments relevant to the Office, provides day-to-day operational support for current computing systems, and develops specialised and generalised computer-based audit tools for audit staff.

- *Corporate Services* - strategic and policy advice on workforce planning, financial management, and publishing and marketing initiatives. At an operational level, the area contributes a range of services including human resource management, recruitment, clerical, accounting and payroll, information management, accommodation, registry, and stores and transport.

An *Executive Support Unit* provides policy, research and administrative assistance to members of the Office Executive.

An *Audit Committee* oversees the preparation and audit of the Office's annual financial statements.

The *Internal Operations Review Unit* performs an internal audit and review function for the Office. The Unit reviews and provides assurances on the Office's annual financial statements and undertakes operational reviews at the request of the Assistant Auditor-General.

## ■ STAFF OF THE OFFICE

### Public sector human resource framework

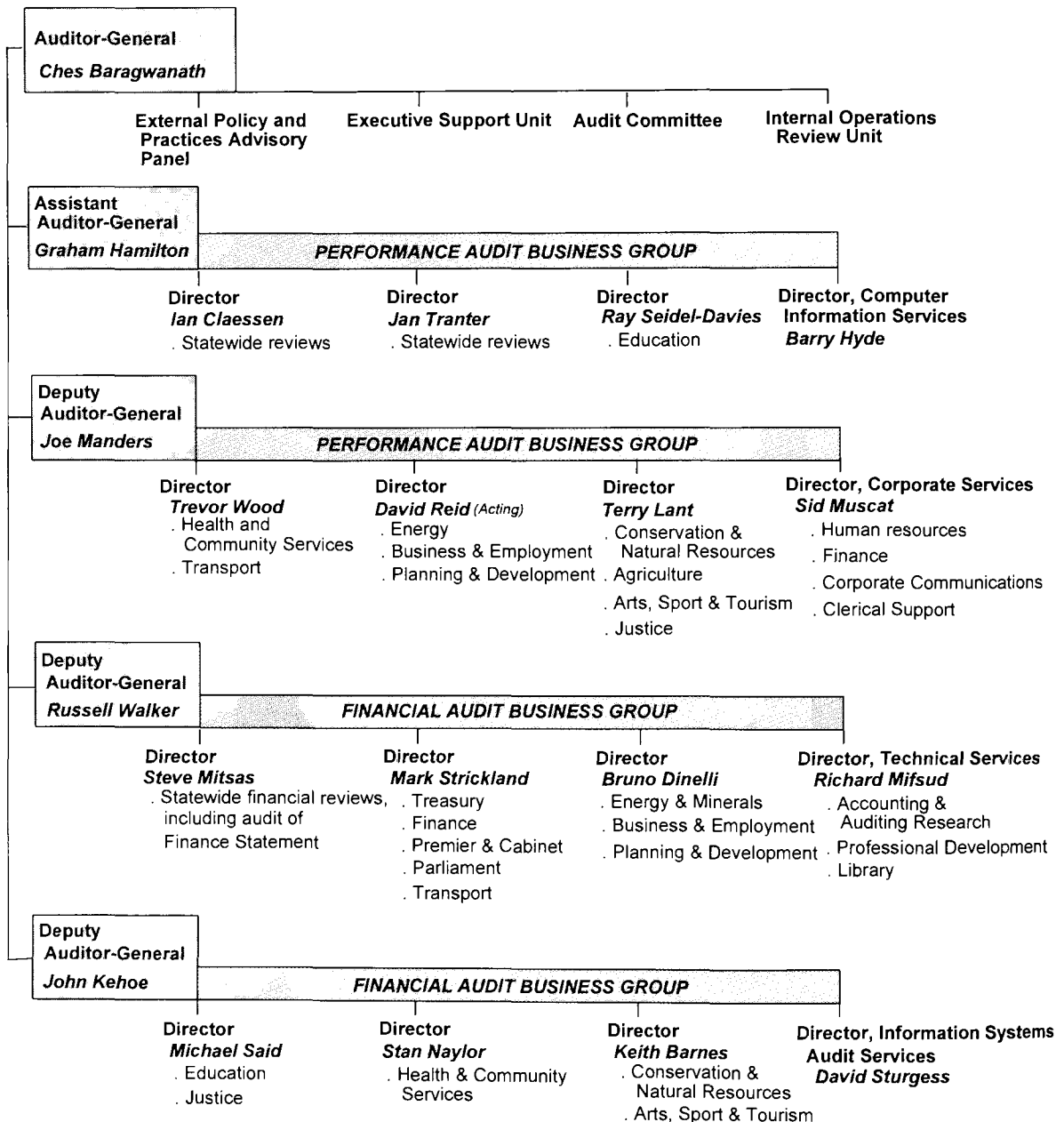
As outlined in the *1992-93 Annual Report* of the Office, the *Public Sector Management Act 1992* and the *Employee Relations Act 1992* significantly changed the legislative framework regulating human resource management within the Victorian public sector.

The new legislation provides for public sector employees to be brought under the industrial umbrella operating in the State with the aim of improving the performance of public sector organisations.

Under the new arrangements, the employment of Executive Officers is regulated by contracts of employment, while all other staff are subject to employment agreements which may be either individual or collective. At 30 June 1994, 18 contracts for Executive Officers and 25 interim employment agreements for non-executive staff had been finalised.

VICTORIAN  
AUDITOR-GENERAL'S  
OFFICE

ORGANISATION CHART



In May 1994, the Government announced an additional significant change to the human resource management framework with the introduction of its "VPS Non-Executive Pay Structure and Work Reform Initiative". Under this initiative, the existing (100 plus in number) occupational categories covering Victoria's public servants are to be amalgamated into one 5-band category (a process generally known as "broad banding"). The Office is required to fully implement this initiative by 30 June 1996. This process is likely to consume significant resources to re-examine work processes and systems, redesign jobs where appropriate, develop competency standards for all positions and modify the existing performance appraisal system to support the performance-based pay features of the initiative.

The Office strongly supports arrangements which facilitate the linking of pay for non-executive staff to performance. Although a number of issues need to be addressed as part of the transition to the new pay structure, it is hoped that broad banding for non-executive staff can be largely in place by the end of 1994-95.

### Staffing profile

During 1993-94, the Office's staffing level fell by 15 people (8 per cent). At 30 June 1994, 147 people were employed (or 145.2 full-time equivalent); 53 of these were females (down from 59) and 94 were males (down from 103).

At 30 June 1994, around 90 per cent of total Office staff held professional qualifications, of which 17 per cent (an increase from 12 per cent over the past 3 years) held qualifications in disciplines other than accounting. This profile of non-accounting professional staff is consistent with the Office's strategy of broadening the skill mix of its human resources.

The following tables summarise staffing data relating to the Office.

AGGREGATE WORKFORCE DATA, AT 30 JUNE 1994  
(equivalent full-time staff)

<i>Employment status</i>	<i>Male</i>	<i>Female</i>	<i>Total staff</i>	<i>Variations from previous year</i>
Permanent	91	47.2	138.2	-20
Temporary	3	4	7	+5
Casual	-	-	-	-
<b>Total</b>	<b>94</b>	<b>51.2</b>	<b>145.2</b>	<b>-15</b>

**STAFF COMMENCEMENTS AND SEPARATIONS**  
(permanent staff)

Classifications	1992-93		1993-94	
	Commence-ments	Separa-tions	Commence-ments	Separa-tions
Audit staff -				
Executive Officer	-	-	1	2
Audit Manager	4	1	-	8
Audit Supervisor	3	2	-	12
Audit Senior	2	3	-	8
Auditor	-	-	17	-
Non-audit staff	1	2	1	9
<b>Total</b>	<b>10</b>	<b>8</b>	<b>19</b>	<b>39</b>

Detailed information on the classification and gender of permanent staff at 30 June 1994 is presented in Appendix 4.

### Executive Officers

**P**ermanent Executive Officer numbers fell by one during 1993-94. The following officers joined or left the Executive Officer ranks:

- Neville Eyre (EO-1), accepted a voluntary departure package;
- Linda Veronese (EO-2), resigned to take up employment in the private sector; and
- Michael Said joined the Office as a Director of Audit (EO-2).

Details on Executive Officers' remuneration are disclosed in Note 14 to the financial statements (see page 87).



## Graduate recruitment

In 1993-94, the Office reintroduced graduate recruitment, following the lifting of government restrictions. Unlike recruitment strategies of earlier years, the Office determined to follow a media advertising strategy in lieu of extensive visits to Victorian university campuses. The advertising campaign attracted 235 applicants and, following an extensive interview process, 17 new recruits - some recent graduates and some with previous work experience - joined the Office in February 1994.



*The Office reintroduced its graduate recruitment program during the year and 17 new recruits joined in February 1994.*

## Secondments and interchanges

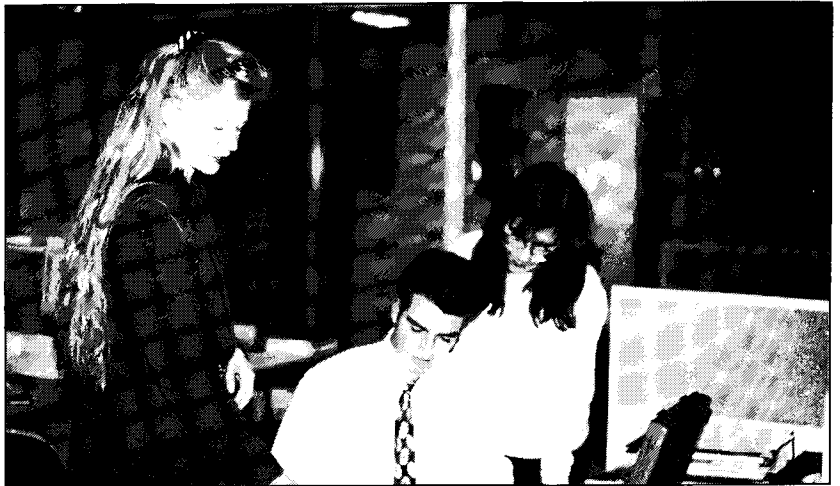
Secondments and interchanges provide avenues for staff to expand their skills and acquire new skills through placements within and outside the Office. The staff secondment and interchange program is aligned to the Office's Corporate Plan which provides for wider opportunities for staff to contribute towards Office achievements.

In 1993-94, the Office continued to give emphasis to staff secondment opportunities with 7 secondment arrangements approved during the year. Secondments were arranged with 4 Victorian public sector bodies, an interstate Audit Office and the Public Accounts and Estimates Committee. The officers involved in the 1993-94 secondments were:

- Peter Owen (from the State Revenue Office);
- Kathryn Bott (from the Tasmanian Audit Office);
- Lillian Spencer (to the Public Accounts and Estimates Committee);
- Paul Casha (to the Office of the Chief Commissioner of Police);
- Peter Zyka (to the Liquor Licensing Commission);

- ❑ Catherine Richards (to the Museum of Victoria); and
- ❑ Gary Paisley (to the Office of State Owned Enterprises within the Department of the Treasury).

In addition to the above arrangements, various internal secondment programs were continued as a means of broadening the experience and skill base of staff. During the year, clerical staff continued to be assigned a wider range of tasks beyond keyboard duties as a key element of their professional development.



*Kathryn Bott (left) from the Tasmanian Audit Office undertook a 6 month secondment to the Victorian Auditor-General's Office.*

### Grievance process

The *Public Sector Management Act 1992* abolished the 2 key grievance resolution processes which were previously available to staff, namely the Promotion Appeals Board and the Hearings process. These processes were replaced by legislative provisions which require public service agencies to develop and implement an in-house grievance resolution process.

The Office has developed an appropriate in-house framework which will provide for the effective review of staff grievances. The principal objectives of this framework are to:

- ❑ ensure merit and equity is applied throughout the Office;
- ❑ provide an avenue through which both employees and managers can resolve work-related complaints quickly, constructively and without prejudice; and
- ❑ maintain employee satisfaction and productivity by creating a climate where grievances are resolved before they reach a need for formal review.

Formal review of grievances, if required, will be heard by a panel of up to 3 officers selected from a pool of management and staff nominees. At 30 June 1994, no grievances had been lodged under the new system.

### **Acknowledgment of retirees' past services**

The Office considers its employees to be its most important asset. While current staff members are seen as vital to the immediate and future direction of the Office, past contributions to the Office's professional reputation and standing from the services of retired employees is greatly valued.

Each year, the Office recognises the services and achievements of retirees with a retired officers' luncheon which is attended by about 20 retirees, including past Auditors-General.



*The annual retired officers' luncheon is an opportunity for the Office to acknowledge the past contribution by retired staff.*

## **■ DECLARATION OF PECUNIARY INTERESTS**

All relevant officers completed a Declaration of Pecuniary Interests during 1993-94.

## ■ TRAINING AND PROFESSIONAL DEVELOPMENT

### Professional development program

The Office has maintained its strong commitment to the professional development of staff through a number of key initiatives in 1993-94.

The professional development program for 1993-94 included extensive technical training. The emphasis during the year was on the provision of skills in "Word for Windows" (a word processing software package) and "Excel for Windows" (a spreadsheet software package). A group of in-house trainers underwent a *train-the-trainer* course to assist them in providing the training programs. Their involvement as facilitators in this training proved to be a critical factor in assisting staff to effectively utilise the new software.



Sharon Waldron (right), one of the in-house trainers for the Office's new specialised Windows-based computer packages.

In addition to the specialised software training, a number of development programs on financial auditing were conducted, including a 5-day residential training course for all financial audit supervisors and selected financial audit managers. This course was based on a practical case study that covered all aspects of a financial audit from initial planning to final reporting, utilising the Office's Enhanced Financial Audit Methodology. Further specific training in financial audit techniques was provided during the year to other audit staff.

A comprehensive induction program was developed and implemented for the Office's new graduates. This program, which took place in February 1994, included a 5-day induction course covering topics such as the Enhanced Financial Audit Methodology, and Office systems and procedures. The graduate staff also participated in a negotiation skills and conflict resolution training program.

The following table summarises professional development activities undertaken during 1993-94.

**TRAINING COURSES ATTENDED, 1993-94**

<i>Type and numbers of courses</i>	<i>No. of days</i>	
	<i>Male</i>	<i>Female</i>
Internal courses -		
Accounting and Auditing (24 courses)	351	168
Management and Supervision (7 courses)	212	74
Computer Systems (10 courses)	394	236
Interpersonal and Training Skills (6 courses)	90	73
On-Job Training Programs (21 programs)	106	53
External courses -		
Accounting and Auditing (23 courses)	45	15
Management and Supervision (2 courses)	1	1
Public Sector Issues (3 courses)	13	-
Computer Systems (3 courses)	7	1
Health and Safety (2 courses)	7	3
Interpersonal and Training Skills (1 course)	-	4
<b>Total</b>	<b>1 226</b>	<b>628</b>

**Time and cost of training**

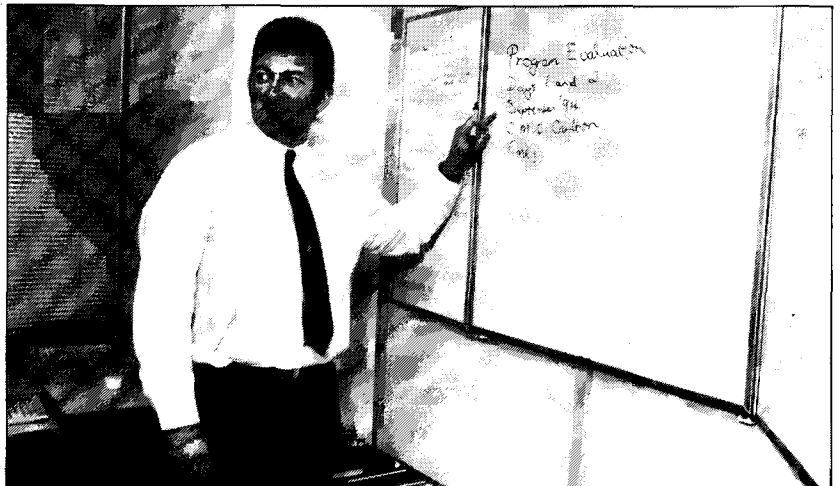
The percentage of the Office's 1993-94 salary expenditure spent on training activities as defined under the Federal Training Guarantee Levy was 5.7 per cent (1992-93, 8.6 per cent). This figure exceeded the Commonwealth Government's requirements of 1.5 per cent. The reduction in the level of training in 1993-94, when compared with the previous year, essentially reflected the abnormally high concentration on training during 1992-93, particularly in the areas of information technology and people management skills. A summary of days spent on professional development and aggregate costs incurred by the Office in 1993-94 is provided in the following table.

**PROFESSIONAL DEVELOPMENT DAYS AND COSTS, 1993-94**

<i>Item</i>	<i>No. of days</i>	<i>Salary cost</i>	<i>Cost of courses</i>	<i>Total</i>
Course attendance -		\$	\$	\$
Internal	1 757	211 389	8 500	219 889
External	97	15 717	29 168	44 885
Other costs -				
Consultancies	-	-	3 559	3 559
Preparation and delivery	443	59 133	-	59 133
Training materials, equipment and venues	-	-	14 152	14 152
Study leave	208	20 039	-	20 039
PD Unit time and staffing costs	329	34 350	-	34 350
<b>Total</b>	<b>2 834</b>	<b>340 628</b>	<b>55 379</b>	<b>396 007</b>

**Professional accreditation**

The Office continued, during 1993-94, to provide support for accounting staff to attain professional accreditation with the Australian Society of Certified Practising Accountants, leading to CPA status. A total of 28 staff (1992-93, 37) received approval to complete a semester of study. An additional 12 staff were granted leave to study part-time at tertiary institutions.



*Peter Owen from the Professional Development Unit presenting a training course for Office staff.*

## Senior Management Discussion Group

A series of Senior Management Discussion Group meetings were held throughout the year with the objective of providing senior management with a forum to exchange ideas and views on contemporary issues in public sector resource management. Guest speakers included Members of Parliament, senior departmental representatives and private sector executives. Topics included corporatisation and privatisation strategies of government, financial management strategies, the framework underlying the Government's Management Improvement Initiative, and role and responsibilities of the State's Ombudsman.

## ■ OCCUPATIONAL HEALTH AND SAFETY

### Occupational Health and Safety Committee

The Office's Occupational Health and Safety Committee has equal management and staff representation, and focuses on accident prevention in the workplace. It regularly monitors health and safety issues, and aims to increase staff awareness and education on issues associated with health and safety.

The Office participated in Occupational Health and Safety Week from 11-15 October 1993. The theme adopted by the Office for this week was "*Workplace Health and Safety, Everyone's Business*". During the Week, the Office focused on ways to avoid health and safety problems that can arise in an office environment by holding lunchtime activities such as talks on stress management and strategically placing posters throughout the Office.



(Left) Workplace health and safety issues at computer workstations featured prominently throughout the Office in 1993-94. (Right) Members of the Occupational Health and Safety Committee, Sandy Mitchell and Michael Almond, display a certificate presented to the Office by the Minister for Industry Services.



Videos on various safety topics were available for viewing throughout Occupational Health and Safety Week and covered subject such matters as Fatigue at the Workstation; Dealing with Emergencies; Safety in the Office; and Safe Driving for people using a vehicle in connection with work.

The Office's participation in Occupational Health and Safety Week was recognised by the Minister for Industry Services, by way of a certificate of participation.

## ■ SOCIAL CLUB ACTIVITIES

The Office Social Club was formed in 1984 to develop and promote a spirit of friendship and teamwork within the Office, and to maintain a high level of staff moral. At 30 June 1994, over 90 per cent of Office staff were members of the Social Club.

The Social Club Committee is very dynamic in arranging a variety of social and sporting activities, and continually seeks advice and suggestions for new activities, and events. The highlights of the 1993-94 Social Club calendar were the Office Dinner Dance and the Office Christmas party. Other social activities included a snow trip, theatre and harness racing nights, a car rally and a golf day.

A major sporting function of the Social Club is the annual cricket match against the Department of the Treasury which was first played in 1938. The Social Club also sponsors the Office's "Effective Footwork" running team. This team has enjoyed considerable success having being placed first in both the Public Administration section and overall in the 1993 Spring session of the Corporate Cup running series. In addition, the team was placed second in the Public Administration section and third overall in the 1994 Autumn session of the series.



# INFORMATION TECHNOLOGY

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## ■ IMPORTANCE OF INFORMATION TECHNOLOGY

Information Technology (IT) is becoming increasingly important to the Office as its impact in terms of achievement of higher levels of productivity becomes more and more pronounced. Over the past 6 years, the Office has moved from a computer distribution to staff ratio of 1:6 to a position at 30 June 1994 which almost equates to a ratio of 1:1. Virtually every audit and administrative activity in the Office is now heavily dependent on computer-based facilities.

An IT strategic plan covering the period 1992 to 1996 supports the Office's Corporate Plan and has 6 key targets. These targets are:

- foster and further develop the IT culture in the Office;
- enhance the Audit Management Information System (AMIS);
- enhance computer support for financial and performance auditing;
- provide computer access to more reference material;
- improve communications within the Office; and
- enhance report preparation and production facilities.

## ■ ACHIEVEMENTS DURING THE YEAR

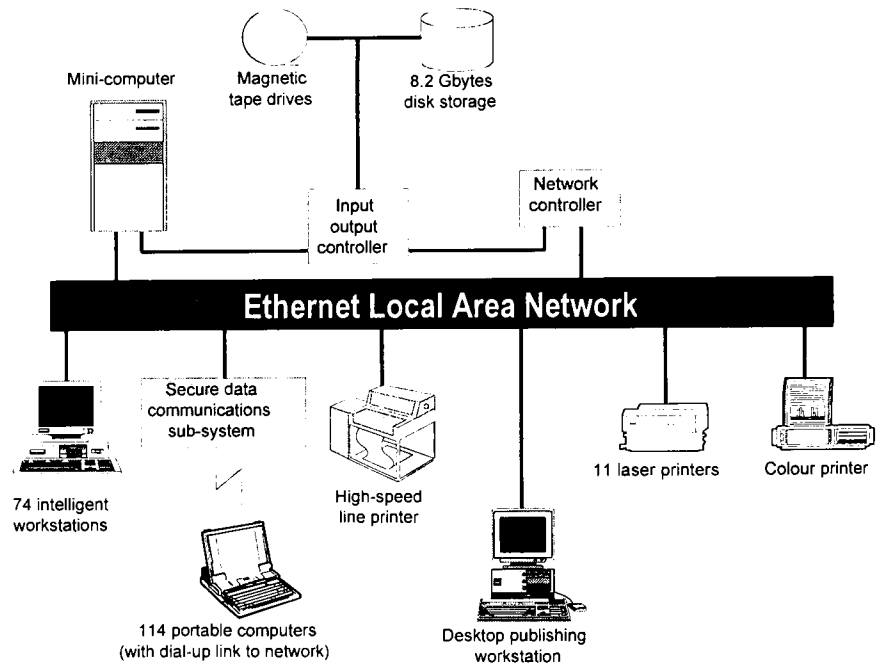
Major achievements of the Office during the year in relation to information technology were:

- conversion of hardware and software to implement a Windows-based user interface on both network workstations and personal computers;
- revision of annual planning module of AMIS to accommodate resource scheduling;
- the purchase and issue to field audit staff of 86 new portable notebook computers;

- ❑ initial developmental work on a new data communications strategy to link all portable computers in the field to the Office network; and
- ❑ implementation of a new network control and menuing system to improve security and manage Windows applications.

These achievements have supported the Office restructure, improved the management of human resources and audit activities, provided a greater level of computer support to staff in the field, and enhanced the quality of audit research and data collection.

A schematic of the Office's current computer network is presented below.



**MAJOR TASKS FOR 1994-95**

Over the next 12 months, major changes will be made to the Office's core IT infrastructure to improve response times and provide greater overall IT support for financial and performance auditors in the field. Key tasks earmarked for completion during 1994-95 include:

- ❑ replacement of the network file servers with more powerful units to handle an increased workload;

- ❑ conversion of more applications to Windows-based products;
- ❑ an extensive redesign of data communications facilities to enable all portables to run Windows-based applications from the field;
- ❑ major upgrading of the network operating system to improve system performance and provide software support for the new data communication facilities;
- ❑ replacement of existing risk-based financial audit software to support a pilot program involving the automation of audit workpapers and resulting in a largely electronic financial audit; and
- ❑ enhancement of the annual planning, resource scheduling, and billing modules of the AMIS system.



*Portable notebook computers and portable printers, as used by Minh Nguyen, have significantly improved audit operations in the field.*

# FINANCIAL MANAGEMENT

## ■ FINANCIAL HIGHLIGHTS

### Decrease in net cost of operating the Office

The Office has constantly aimed to achieve productivity gains in line with the focus on improved public sector resource management. For some years now, productivity gains have translated into decreasing costs to the Victorian taxpayer of operating the Office.

The following table presents information extracted from the audited financial statements on the operations of the Office for the last 4 years. The table also includes projected net outlays for 1994-95.

#### OPERATING COSTS, NET OUTLAYS (NET INCOME) (\$'000)

Item	1990-91	1991-92	1992-93	1993-94	(a)1994-95
Expenditure	16 228	14 915	16 919	8 732	17 180
Less: Income	9 164	9 263	11 552	10 306	14 950
Net outlays/ (income) -					
Actual	7 064	5 652	5 367	(1 574)	2 230
Real terms (b)	7 064	5 626	5 283	(1 539)	2 166

(a) Projected.

(b) Adjusted to 1990-91 constant prices.

As indicated in the table, the net income result of \$1.6 million for 1993-94 varied significantly from the net cost results in previous years. This significant variation was mainly due to a reduction of \$5.1 million in the actuarially-determined unfunded superannuation liability accrued at 30 June 1994 in respect of Office employees.

Following the above adjustment to the accrued superannuation liability, the Office expects to return to a net outlay position of \$2.2 million in 1994-95. This amount mainly represents the non-recovery of costs of departmental performance audits commenced prior to 1 July 1994.

The table below shows operating costs of the Office in respect of its 2 sub-programs, namely Audit Operations and Support Services, over the past 4 years and the projected position for 1994-95.

**OPERATING COST BY SUB-PROGRAM**  
(\$'000)

Item	1990-91	1991-92	1992-93	(a) 1993-94	(b) 1994-95
Audit Operations	13 571	12 413	14 558	7 834	14 950
Support Services	2 657	2 502	2 361	898	2 230
<b>Total</b>	<b>16 228</b>	<b>14 915</b>	<b>16 919</b>	<b>8 732</b>	<b>17 180</b>

(a) The substantial reduction in expenditure from the previous reporting periods was due to the decrease in the actuarially-determined unfunded superannuation liability at balance date.

(b) Projected.

## ■ FINANCIAL MANAGEMENT SYSTEMS

### Computerised systems

The Office operates a corporate financial management system which is maintained on a computer network and provides regular financial reports to senior management and central agencies on budgets, commitments and year-to-date expenditure. This system, which became fully operational during 1993-94, replaced the Office's previous financial recording and reporting system.

During 1993-94, the Office's payroll system was fully integrated in the new computerised human resources information system. Also, the Office commenced the electronic submission of public ledger transactions to the Department of Finance during the year. The Office expects to electronically submit all public ledger transactions, as soon as the required facilities have been established by the Department in order to further reap the benefits of efficiency gains from this process.

*Siong Soong (left) and Catherine Richards (right) from the Corporate Services Division discussing the Office's in-house financial reporting system with Director of Audit, Steve Mitsas.*



## ■ REPORTING OF FINANCIAL STATEMENTS

In past years, the Office has been required, under the *Annual Reporting Act 1983*, to prepare budget sector financial statements which account for its parliamentary appropriation on a cash basis.

Since 1987, the Office has voluntarily supplemented its annual cash-based financial statements with the preparation and reporting of full accrual-based financial statements (incorporating income, expenditure, assets and liabilities) to provide readers with more meaningful information concerning its operations.

During 1993-94, the Australian accounting profession issued its Australian Accounting Standard AAS29 on *"Financial Reporting by Government Departments"*. This standard, which is not mandatory until reporting periods ending on or after 30 June 1996, provides for financial reporting by government departments on an accrual accounting basis. With the approval of the Minister for Finance under the terms of the *Annual Reporting Act 1983*, the Office has prepared accrual-based financial statements for 1993-94, in line with AAS29, as the prime basis of financial reporting and has discontinued preparation of cash-based financial reports.

**VICTORIAN  
AUDITOR-GENERAL'S  
OFFICE**

# **FINANCIAL STATEMENTS**

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**for the year ended  
30 June 1994**



## VICTORIAN AUDITOR-GENERAL'S OFFICE

### STATEMENT OF OPERATIONS FOR THE YEAR ENDED 30 JUNE 1994

Item	Notes	1993-94 (\$)	1992-93 (\$)
<b>EXPENDITURE</b>			
Salaries and associated costs	3	7 455 123	7 705 605
Superannuation	1(d)(iv), 3	(4 646 394)	2 348 780
Contract auditing	3	3 048 985	4 532 852
Administration	3	1 446 815	1 544 508
Depreciation and amortisation	3	512 299	628 623
Finance charges	3	24 181	48 168
<b>Total expenditure</b>		<b>7 841 009</b>	<b>16 808 536</b>
<b>INCOME</b>			
Audit fees	4	10 098 779	11 442 019
Other income		7 112	11 862
<b>Total income</b>		<b>10 105 891</b>	<b>11 453 881</b>
<b>NET INCOME (NET COST) FROM OPERATING THE OFFICE BEFORE ABNORMAL ITEMS</b>		<b>2 264 882</b>	<b>(5 354 655)</b>
<b>ABNORMAL ITEMS</b>	5	<b>(701 310)</b>	<b>-</b>
<b>NET INCOME (NET COST) FROM OPERATING THE OFFICE AFTER ABNORMAL ITEMS</b>		<b>1 563 572</b>	<b>(5 354 655)</b>
<b>INCOME FROM GOVERNMENT</b>			
Special appropriation	2	114 804	114 804
Recurrent appropriation		13 174 536	14 224 443
Capital appropriation		78 000	66 765
Other appropriation		435 606	585 579
Assumption of liabilities		(5 058 062)	2 061 870
		<b>8 744 884</b>	<b>17 053 461</b>
Less:			
Amounts paid to Consolidated Fund		<b>(10 049 421)</b>	<b>(9 981 955)</b>
<b>Total income from government</b>		<b>(1 304 537)</b>	<b>7 071 506</b>
<b>NET INCOME (NET COST) FROM DISPOSAL OF NON-CURRENT ASSETS</b>		<b>11 043</b>	<b>(12 877)</b>
<b>CHANGE IN NET ASSETS RESULTING FROM OPERATIONS</b>		<b>270 078</b>	<b>1 703 974</b>



## VICTORIAN AUDITOR-GENERAL'S OFFICE

### BALANCE SHEET AS AT 30 JUNE 1994

Item	Notes	1993-94	1992-93
		(\$)	(\$)
<b>ASSETS</b>			
Current asset -			
Cash at bank and in hand		15 179	9 188
Debtors and audits in-progress	5	3 661 970	4 302 974
Prepayments		288 521	136 489
		<b>3 965 670</b>	<b>4 448 651</b>
Non-current assets -			
Fixed assets	6	2 052 032	1 485 683
Leased assets	7	206 235	411 234
		<b>2 258 267</b>	<b>1 896 917</b>
<b>Total assets</b>		<b>6 223 937</b>	<b>6 345 568</b>
<b>LIABILITIES</b>			
Current liabilities -			
Creditors and accruals		157 326	254 194
Provision for employee entitlements	8	361 465	448 467
Finance lease liability	9(a)	216 993	221 198
Departmental advance		20 000	10 000
		<b>755 784</b>	<b>933 859</b>
Non-current liabilities -			
Finance lease liability	9(a)	17 607	231 241
		<b>17 607</b>	<b>231 241</b>
<b>Total liabilities</b>		<b>773 391</b>	<b>1 165 100</b>
<b>EQUITY</b>			
Accumulated surplus	10	5 450 546	5 180 468
<b>Total liabilities and equity</b>		<b>6 223 937</b>	<b>6 345 568</b>

## VICTORIAN AUDITOR-GENERAL'S OFFICE

### STATEMENT OF CASH FLOWS FOR YEAR ENDED 30 JUNE 1994

Item	Note	1993-94	1992-93
		(\$)	(\$)
		Inflows	Inflows
		(Outflows)	(Outflows)
<b>Cash Flow from operating Activities</b>			
<b>Payments -</b>			
Salaries and associated costs		(7 604 675)	(7 453 934)
Administrative expenses		(837 315)	(876 296)
Accommodation		(758 231)	(759 264)
Contract auditing		(3 066 601)	(4 598 787)
Finance charges		(24 181)	(48 168)
<b>Receipts -</b>			
Fees and charges		10 048 140	9 981 026
Other		1 281	929
<b>Net cash used in operating activities</b>	11	(2 241 582)	(3 754 494)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Payments for purchase of non-current assets		(858 498)	(276 467)
Finance lease payments		(217 839)	(393 096)
<b>Net cash used in investing activities</b>		(1 076 337)	(669 563)
<b>CASH FLOWS FROM GOVERNMENT</b>			
Receipts from appropriations		13 367 340	14 406 012
Payments of revenue collections to Consolidated Fund		(10 049 421)	(9 981 955)
Increase in Advance Account and payment of outstanding appropriation		10 812	890
Payments not reimbursed		(4 821)	(811)
<b>Net cash from government</b>		3 323 910	4 424 136
Net increase (decrease) in cash held		5 991	79
Cash at 1 July 1993		9 188	9 109
<b>Cash at 30 June 1994</b>		15 179	9 188

## VICTORIAN AUDITOR-GENERAL'S OFFICE

### Summary of Compliance with Externally-Imposed Financial Directives for the year ended 30 June 1994

	1993-94			1992-93		
	Appropriation		Expenditure	Appropriation		Expenditure
	(\$) <i>Original</i>	(\$) <i>Total</i>	(\$)	(\$) <i>Original</i>	(\$) <i>Total</i>	(\$)
RECURRENT Program 609	14 330 000	14 330 000	13 174 536	14 622 235	14 622 235	14 224 443
WORKS AND SERVICES	78 000	78 000	78 000	66 765	66 765	66 765
SPECIAL	118 000	118 000	114 804	117 000	117 000	114 804
<b>TOTAL</b>	<b>14 526 000</b>	<b>14 526 000</b>	<b>13 367 340</b>	<b>14 806 000</b>	<b>14 806 000</b>	<b>14 406 012</b>

## VICTORIAN AUDITOR-GENERAL'S OFFICE

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 1994

#### 1 SIGNIFICANT ACCOUNTING POLICIES

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- (a) The financial statements have been prepared in accordance with applicable Australian Accounting Standards and consistent with the requirements of the *Annual Reporting Act 1983*. The statements have been prepared on the accrual basis of accounting using historical cost accounting and do not take into account changing money values or, except where stated, current valuations of non-current assets.

The accounting policies for the year are consistent with those of the previous reporting year with the exception of the treatment of appropriations, provision for long service leave and unfunded superannuation liability which has been revised to comply with the provisions of Australian Accounting Standard AAS29, "*Financial Reporting by Government Departments*". Compliance with this standard has resulted in a departure from the requirements of Accrual Accounting Guidance Release AGR1, "*Preparation of Accrual Financial Statements by Departments*" issued by the Victorian Department of Finance. The main areas of departure from AGR1 are:

- (i) **Superannuation** - expense for the year (current period costs and movement in the provision) reflected in the Statement of Operations together with related assumption by Government of liabilities (AGR1 provides for no disclosure, either by way of recognition in the accounts or by way of note);
- (ii) **Depreciation** - expense for the year reflected in the Statement of Operations (AGR1 provides for classification of part of "capital" appropriations as revenue up to an amount sufficient to offset the total depreciation expense for the year); and
- (iii) **Disposal of non-current assets** - proceeds from sale of non-current assets and any associated profit or loss from sale is reflected in the Statement of Operations (AGR1 provides for no recognition of the proceeds of sale, or of any profit or loss on sale to be made in the Statement of Operations or Statement of Cash Flows).

The comparative figures have been disclosed on the basis of corresponding to the disclosures specified for the current reporting period.

(b) *Appropriations*

Appropriations, whether special, recurrent, works and services or other are recognised as revenues in the period in which the Office gains control of the appropriated funds.

(c) *Non-current assets*

*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 are recorded in the accounts at valuation. All subsequent purchases are recorded at cost.

*Depreciation* - Fixed assets, excluding motor vehicles, are depreciated on a straight line basis over their estimated useful lives. In respect of motor vehicles, trade-in disposal prices compare favourably with acquisition costs (excluding sales tax), therefore no depreciation is charged on motor vehicles and the profit or loss adjustment is brought to account on disposal of the vehicles.

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

(d) *Employee entitlements*

(i) *Provision for long service leave*

The provision for 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 4 but less than 10 years service. This approach more accurately reflects the provisions of the *Public Sector Management Act 1992*. For 1992-93, the pro-rata portion of the liability was based on employees with more than 5 but less than 10 years service. An estimate of the entitlements likely to be payable within the next financial year is classified as a current liability within the balance sheet.

(ii) *Annual leave*

The Office's accrued liability for annual leave not taken by staff at 30 June 1994 is classified as a current liability.

(iii) *Accrued days off*

The Office's obligation in respect of accrued days off not yet taken by staff at 30 June 1994 is classified as a current liability.

(iv) *Superannuation*

While employees contribute directly to the State Superannuation Fund, the Office's obligations to the Fund are not met by the Government until the time when members become eligible for benefits. In line with Australian Accounting Standard AAS29, "*Financial Reporting by Government Departments*", superannuation has been recognised as an expense of the Office in the Statement of Operations.

The superannuation expense for the period incorporates a determination by the Government Actuary of the present value of anticipated future payments to be made to beneficiaries as a result of membership to 30 June 1994.

(e) *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.

(f) *Rounding*

All figures in the financial statements and the notes thereto have been rounded off to the nearest dollar, unless specifically stated to be otherwise.

## 2 APPROPRIATIONS

(a) Reconciliation of appropriations to government income

<i>Item</i>	1993-94	1992-93
	(\$)	(\$)
<b>Total appropriations</b>	<b>13 802 946</b>	14 991 591
<b>Net cash from government</b>	<b>13 802 946</b>	14 991 591
<b>Other government income</b>		
Assumption of liabilities	<b>(5 058 062)</b>	2 061 870
<b>Total government income</b>	<b>8 744 884</b>	17 053 461

(b) Assumption of liabilities

During the reporting period, the Government agreed to settle the Office's obligations in respect of the following items:

<i>Item</i>	1993-94	1992-93
	\$	\$
Employee entitlements -		
Long service leave	<b>11 938</b>	291 870
Superannuation	<b>(5 070 000)</b>	1 770 000
<b>Total assumption of liabilities</b>	<b>(5 058 062)</b>	2 061 870

### 3 OPERATING EXPENSES

Item	1993-94	1992-93
	(\$)	(\$)
<b>Audit operations -</b>		
Salaries and associated costs	<b>6 138 325</b>	6 311 818
Superannuation	<b>*(3 810 043)</b>	1 916 604
Contract auditing	<b>3 048 985</b>	4 532 852
Administration	<b>1 179 418</b>	1 198 086
Depreciation	<b>251 986</b>	218 956
Amortisation	<b>168 099</b>	294 000
<b>Total audit operations</b>	<b>6 976 770</b>	14 472 316
<b>Support services -</b>		
Salaries and associated costs	<b>1 316 798</b>	1 393 787
Superannuation	<b>*(836 351)</b>	432 176
Administration	<b>258 897</b>	337 922
Depreciation	<b>55 314</b>	49 373
Amortisation	<b>36 900</b>	66 294
Finance charges	<b>24 181</b>	48 168
Audit fees	<b>8 500</b>	8 500
<b>Total support services</b>	<b>864 239</b>	2 336 220
<b>Total</b>	<b>7 841 009</b>	16 808 536

	\$
* Current superannuation cost for the year	423 606
Less decrease in actuarially determined liability at 30 June 1994	(5 070 000)
Superannuation expense	<u>(4 646 394)</u>

### 4 INCOME

Income includes the proceeds from audit fees and miscellaneous income which are controlled by the Office.

#### Net income from disposal of non-current assets

Item	1993-94	1992-93
	(\$)	(\$)
Proceeds from disposal of motor vehicles	<b>200 539</b>	97 760
Less: cost of motor vehicles	<b>189 496</b>	110 637
<b>Net income</b>	<b>11 043</b>	(12 877)

## 5 DEBTORS AND AUDITS IN PROGRESS

Item	30 June 1994	30 June 1993
	(\$)	(\$)
Debtors	2 666 723	1 844 639
Audits-in-progress	1 691 736	2 457 350
Public Account	-	-
Others	4 821	985
	<b>4 363 280</b>	<b>4 302 974</b>
Less:		
Bad debts written off	<b>701 310</b>	-
<b>Total</b>	<b>3 661 970</b>	<b>4 302 974</b>

Bad debts written off during the year have been disclosed as abnormal items in the Statement of Operations.

For many years, performance audit fees have been levied by the Office on non-budget sector bodies in accordance with government policy directions. Due to the lack of clarity of the legislative position underlying fees for performance audits prior to 1 July 1994, the Minister for Finance approved, subsequent to balance date, the write off of performance audit fees totalling \$641 310. The balance of the abnormal items was approved for write off by the Minister during the course of the year.

## 6 FIXED ASSETS

Description	At cost/ valuation 30.6.94	Depreciation for 1993-94	Accumulated depreciation 30.6.94	Written down value	
				Closing	Opening
	(\$)	(\$)	(\$)	(\$)	(\$)
Furniture and fittings	1 246 183	(128 284)	411 169	835 014	838 647
Motor vehicles	392 273	-	-	392 273	292 922
EDP equipment	1 348 141	(163 460)	557 015	791 126	309 245
Library	70 833	(7 083)	45 588	25 245	32 328
Office equipment	66 174	(8 473)	57 800	8 374	12 541
<b>Total</b>	<b>3 123 604</b>	<b>(307 300)</b>	<b>1 071 572</b>	<b>2 052 032</b>	<b>1 485 683</b>

## 7 LEASED ASSETS

Item	At cost 30.6.94	Amortisation 1993-94	Accumulated amortisation 30.6.94	Net value 30.6.94	Net value 30.6.93
	(\$)	(\$)	(\$)	(\$)	(\$)
Equipment leased under State Computer Lease Facility	1 860 734	(204 999)	1 654 499	206 235	411 234



## 8 PROVISION FOR EMPLOYEE ENTITLEMENTS

<i>Entitlement</i>	1993-94	1992-93
	(\$)	(\$)
Annual leave	<b>319 895</b>	401 762
Accrued days off	<b>41 570</b>	46 705
<b>Total shown in Balance Sheet</b>	<b>361 465</b>	448 467

## 9(A) FINANCE LEASE COMMITMENTS

At the reporting date, the Office had the following obligations under finance leases (the sum of which is recognised as a liability after deduction of future finance lease charges included in the obligation):

<i>Lease</i>	1993-94	1992-93
	(\$)	(\$)
Lease payments due -		
Not later than 1 year	<b>227 630</b>	240 479
Later than 1 year and not later than 2 years	<b>16 827</b>	221 678
Later than 2 years and not later than 5 years	<b>1 572</b>	17 786
Minimum lease payments	<b>246 029</b>	479 943
Deduct: Future finance charges	<b>11 429</b>	27 504
Lease liability	<b>234 600</b>	452 439
Shown in Balance Sheet under -		
Current liabilities	<b>216 993</b>	221 198
Non-current liabilities	<b>17 607</b>	231 241
Balance at 30 June	<b>234 600</b>	452 439

## 9(B) OPERATING LEASE COMMITMENTS

<i>Lease</i>	1993-94	1992-93
	(\$)	(\$)
Not later than 1 year	<b>621 568</b>	629 507
Later than 1 year but less than 2 years	<b>616 007</b>	620 978
Later than 2 years but less than 5 years	<b>1 848 020</b>	1 848 020
Later than 5 years	<b>2 428 610</b>	3 044 195
<b>Total</b>	<b>5 514 205</b>	6 142 700

The above operating leases relate to leasing costs associated with the Office's accommodation and to the 2 photocopiers.

## 10 EQUITY AND CHANGES IN EQUITY

Equity represents the residual interest in the net assets of the Office. The Government holds the equity interest in the Office on behalf of the community.

Item	1993-94	1992-93
	(\$)	(\$)
Accumulated surplus - Balance 1 July	5 180 468	*3 476 494
Change during period	270 078	1 703 974
<b>Balance 30 June</b>	<b>5 450 546</b>	5 180 468

\* Accumulated deficiency as at 30 June 1992 per the 1992-93 financial statements (\$17 030 860)  
 Adjustment for assumption by Government of superannuation and long service leave liability as at 30 June 1992 \$20 507 354  
 Accumulated surplus as at 1 July 1992 \$3 476 494

## 11 CASH FLOW STATEMENT

- (a) Reconciliation of net cash used in operating activities to net income from services. For the purposes of the statement of cash flows, "cash" includes cash on hand and deposit accounts.

Item	1993-94	1992-93
	(\$)	(\$)
Net income (net cost) from services	1 563 572	(5 354 655)
Depreciation	307 300	268 329
Amortisation	204 999	360 294
Increase in employee entitlements	(75 064)	227 251
Increase in current assets	(218 328)	(1 523 721)
Increase in non-current assets	(4 108)	-
Decrease in current liabilities	(86 869)	(80 772)
Bad debts written off	701 310	-
Expenditure - other agencies	12 000	-
Superannuation	(4 646 394)	2 348 780
Net cash used in operating activities	<b>(2 241 582)</b>	(3 754 494)

- (b) Non-cash financing activities

### *Expenditure on behalf of the Office*

Expenditure by other agencies on behalf of the Office amounted to \$12 000 (30 June 1993, \$6 799). This expenditure related to furniture and fittings acquired by the Department of Premier and Cabinet on behalf of the Office.

## 12 PURCHASE OF NON-CURRENT ASSETS

<i>Item</i>	<i>1993-94</i>	<i>1992-93</i>
	(\$)	(\$)
Payments for acquisition of furniture and fittings, computer equipment etc.	<b>858 498</b>	276 467

## 13 ENGAGEMENT OF CONSULTANTS

Details of all consultants engaged and the cost of engaging such consultants are as follows:

<i>Name of consultant</i>	<i>Purpose of consultancy</i>	<i>1993-94</i>	<i>1992-93</i>
		(\$)	(\$)
Chartered Accountants - Coopers and Lybrand	Professional development activities	<b>8 500</b>	-
Ernst & Young	Professional development activities	<b>2 000</b>	-
William Buck	Accounting systems support	<b>2 504</b>	-
Perry D'arcy & Associates	Professional development activities	<b>1 600</b>	1 600
Educom	Professional development activities	-	4 840
<b>Total</b>		<b>14 604</b>	6 440

## 14 EXECUTIVES' REMUNERATION

Details of numbers of executive officers in relevant income bands are as follows:

<i>Income band</i>	<i>1993-94</i>	<i>*1992-93</i>
\$60 000 to \$79 999	1	18
\$80 000 to \$99 999	12	1
\$100 000 to \$119 999	3	1
\$120 000 to \$139 999	3	-
<b>Total number of executives</b>	<b>19</b>	<b>20</b>

\* Executive remuneration for 1992-93 excludes employer superannuation contributions.

## CERTIFICATION OF FINANCIAL STATEMENTS

**W**e, the undersigned, hereby certify that:

- in our opinion the financial statements of the Victorian Auditor-General's Office present fairly, in all material aspects, the financial operations during 1993-94 and the financial position of the Office as at 30 June 1994;
- 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 and the requirements of the *Annual Reporting Act 1983*.



H. S. SOONG  
*Principal Accounting Officer*



K.G. HAMILTON  
*Deputy Department Head*

MELBOURNE  
30/8/1994

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

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**Audit scope**

We have audited the accompanying financial statements of the Victorian Auditor-General's Office for the year ended 30 June 1994, comprising the statement of operations, balance sheet, statement of cash flows and notes to the financial statements. The Victorian Auditor-General's Office is responsible for the preparation and presentation of the financial statements and the information they contain. We have conducted an independent audit of these financial statements in order to express an opinion on them to the Auditor-General.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance as to whether the financial statements are free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial statements, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion as to whether, in all material respects, the financial statements are presented fairly in accordance with Australian Accounting Standards and comply with the requirements of the *Annual Reporting Act 1983*, so as to present a view which is consistent with our understanding of the Office's financial position and the results of its operations and its cash flows.

The audit opinion expressed on the financial statements has been formed on the above basis.

**Audit opinion**

In our opinion, the financial statements present fairly the financial position of the Victorian Auditor-General's Office as at 30 June 1994 and the results of its operations and its cash flows for the financial year ended on that date in accordance with Australian Accounting Standards and comply with the requirements of the *Annual Reporting Act 1983*.



D. N. BARTLEY  
KPMG Peat Marwick  
Approved Agent of the Auditor-General

2 / 9 / 1994

## AUDITOR-GENERAL'S REPORT

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### Audit scope

The accompanying financial statements of the Victorian Auditor-General's Office for the year ended 30 June 1994, comprising the statement of operations, balance sheet, statement of cash flows and notes to the financial statements have been audited. The Victorian Auditor-General's Office is responsible for the preparation and presentation of the financial statements and the information they contain. An independent audit of these financial statements has been carried out in order to express an opinion on them as required by the *Annual Reporting Act 1983*.

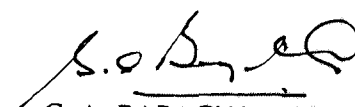
The audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance as to whether the financial statements are free of material misstatement. The audit procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial statements, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion as to whether, in all material respects, the financial statements are presented fairly in accordance with Australian Accounting Standards and comply with the requirements of the *Annual Reporting Act 1983*, so as to present a view which is consistent with my understanding of the Office's financial position and the results of its operations and its cash flows.

The audit opinion expressed on the financial statements has been formed on the above basis.

### Audit opinion

In my opinion, the financial statements present fairly the financial position of the Victorian Auditor-General's Office as at 30 June 1994 and the results of its operations and its cash flows for the financial year ended on that date in accordance with Australian Accounting Standards and comply with the requirements of the *Annual Reporting Act 1983*.

MELBOURNE  
2 / 7 / 1994

  
C. A. BARAGWANATH  
Auditor-General

# APPENDIX 1

## OFFICE PUBLICATIONS

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### ■ PUBLICATIONS ISSUED OVER THE PAST 5 YEARS

- 1989-90**     *Report of the Auditor-General on the Treasurer's Statement, for the year ended 30 June 1989.*  
*Annual Report of the Office of the Auditor-General, for the year ended 30 June 1989.*  
*Report on Ministerial Portfolios, May 1990.*  
*Special Report No. 12 - Alfred Hospital, May 1990.*  
*Special Report No. 13 - State Bank Group - Impact on the financial position of the State, May 1990.*
- 1990-91**     *Report of the Auditor-General on the Treasurer's Statement, for the year ended 30 June 1990.*  
*Annual Report of the Office of the Auditor-General, for the year ended 30 June 1990.*  
*Special Report No. 14 - Accommodation Management, October 1990.*  
*Special Report No. 15 - Met Ticket, November 1990.*  
*Report on Ministerial Portfolios, April 1991.*
- 1991-92**     *Report of the Auditor-General on the Finance Statement, for the year ended 30 June 1991.*  
*Annual Report of the Office of the Auditor-General, for the year ended 30 June 1991.*  
*Special Report No. 16 - Fire Protection, April 1992.*  
*Special Report No. 17 - Integrated Education for Children with Disabilities, May 1992.*  
*Report on Ministerial Portfolios, May 1992.*  
*Special Report No. 18 - Bayside Development, May 1992.*
- 1992-93**     *Report of the Auditor-General on the Finance Statement, for the year ended 30 June 1992.*  
*Annual Report of the Victorian Auditor-General's Office, for the year ended 30 June 1992.*  
*Special Report No. 19 - Salinity, March 1993*  
*Special Report No. 20 - National Tennis Centre Trust and Zoological Board of Victoria, April 1993*  
*Special Report No. 21 - Visiting Medical Officer Arrangements, April 1993*  
*Report on Ministerial Portfolios, May 1993*  
*Special Report No. 22 - Timber Industry Strategy, May 1993*  
*Special Report No. 23 - Information Technology in the Public Sector, May 1993*  
*Special Report No. 24 - Open Cut Production in the Latrobe Valley, May 1993*

**1993-94**

*Report of the Auditor-General on the Finance Statement, for the year ended 30 June 1993*

*Annual Report of the Victorian Auditor-General's Office, for the year ended 30 June 1993*

*Special Report No. 25 - Aged Care, September 1993*

*Special Report No. 26 - Investment Management, November 1993*

*Special Report No. 27 - Management of Heritage Collections, November 1993*

*Special Report No. 28 - Legal Aid Commission of Victoria and Office of the Value-General, November 1993*

*Special Report No. 29 - International Student Programs in Universities, November 1993*

*Special Report No. 30 - Grants and Subsidies to Non-Government Organisations, March 1994*

*Report on Ministerial Portfolios, May 1994*

*Special Report No. 31 - Purchasing Practices, May 1994*



## ■ SPECIAL REPORTS ISSUED BY THE OFFICE

Report number and title	Date issued
1 Works Contracts Overview - First Report	June 1982
2 Works Contracts Overview - Second Report	June 1983
3 Government Stores Operations and Departmental Cash Management	October 1984
4 Court Closures in Victoria	November 1986
5 Provision of Housing to Government Employees and Post-Project Appraisal Procedures within the Public Works Department	December 1986
6 Internal Audit in the Victorian Public Sector	December 1986
7 Motor Vehicles	April 1987
8 Foreign Exchange	November 1987
9 Land Utilisation	November 1987
10 Utilisation of Plant and Equipment and Youth Guarantee	November 1988
11 Financial Assistance to Industry	March 1989
12 Alfred Hospital	May 1990
13 State Bank Group - Impact on the financial position of the State	May 1990
14 Accommodation Management	October 1990
15 Met Ticket	November 1990
16 Fire Protection	April 1992
17 Integrated Education for Children with Disabilities	May 1992
18 Bayside Development	May 1992
19 Salinity	March 1993
20 National Tennis Centre and Zoological Board of Victoria	April 1993
21 Visiting Medical Officer Arrangements	April 1993
22 Timber Industry Strategy	May 1993
23 Information Technology in the Public Sector	May 1993
24 Open Cut Production in the Latrobe Valley	May 1993
25 Aged Care	September 1993
26 Investment Management	November 1993
27 Management of Heritage Collections	November 1993
28 Legal Aid Commission of Victoria and Office of the Valuer-General	November 1993
29 International Student Programs in Universities	November 1993
30 Grants and Subsidies to Non-Government Organisations	March 1994
31 Purchasing Practices	May 1994

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- Accommodation management, *Special Report No. 14, October 1990*
- Accountability within the Victorian public sector, *Second Report, March 1987*, pp. 11-47
- Accounting policies and disclosure practices, uniformity of, *Second Report, March 1987*, pp. 36-44
- 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
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- Aged Care, *Special Report No. 25, September 1994*
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- Z**oological Board of Victoria, *Special Report No. 20, April 1993*

## APPENDIX 2

# PROFESSIONAL ACTIVITIES

### ATTENDANCE AT CONFERENCES

<i>Conference</i>	<i>Participants</i>	<i>Topic</i>
<b>International</b>		
Australian Council of Auditors-General, Wellington, New Zealand, February 1994	Auditor-General	Inaugural meeting of the Council. Adoption of constitution and allocation of responsibilities to various Audit Offices.
<b>Interstate</b>		
Australian Auditors-General Meeting, Canberra, October 1993	Auditor-General	Establishment of Australasian Council of Auditors-General.
Australasian Senior Audit Executives Conference, Jamberoo, NSW, June, 1994	Assistant Auditor-General and 5 Directors	" <i>Audit Offices - Becoming the Auditors of Choice</i> ". Discussions on emerging issues in public sector auditing.
<b>Victorian</b>		
Australasian Auditors-General Mini-conference, Melbourne, July 1993	Auditor-General and 8 Australasian Auditors-General	Discussion on creation of a joint Auditors-General secretariat.
Audit Office Executive Conference, Healesville, July 1993	Auditor-General and 4 members of the Office Executive	Development of strategies and action plans in monitoring Office performance in the 1990s.
Annual Office Seminar, Melbourne, December 1993	All Office staff	Recent achievements and future directions for the Office.
Audit Office Senior Executive Conference, Kilsyth, June 1994	Auditor-General, 4 members of the Office Executive and 3 Directors	Discussion on future corporate directions and business operations of the Office.

EXTERNAL PRESENTATIONS		
Officers	Date	Topic
Stan Naylor	July 1993	"Annual Report - The Auditors View". Presentation to Australian Health Services Financial Association.
Russell Walker	August 1993	"Victorian Commission of Audit - Role and Outcomes". Presentation to Australian Society of CPAs, Public Sector CPA Group.
Joe Manders	October 1993	"Accrual accounting for non-finance managers - What's the difference?" Presentation to Australian Society of CPAs, Public Sector CPA Group.
Richard Mifsud	October 1993	"The role and function of the Auditor-General". Presentation to final year Bachelor of Business students at Monash University, Gippsland Campus.
Barry Butt	April 1994	"Information management in the Victorian public sector". Presentation to Master of Business in Information Technology students at Royal Melbourne Institute of Technology.
Richard Mifsud	May 1994	"Contemporary public sector auditing". Presentation to MBA students at Monash University as part of the Public Sector Financial Management Program.
Stan Naylor	June 1994	"Financial Reporting and Accounting Standards applicable to the hospital sector". Presentation to Australian Health Services Financial Management Association.

VISITORS TO THE OFFICE	
Visitor	Topic
Ms Ailsa Carswell, Executive Assistant, Audit Office of NSW, July 1993	Exchange of information on preparation and production of written communications and parliamentary reports.
Mr Russell Chantler, Australian National Audit Office, July 1993	Discussion of AARF Exposure Draft ED55 - Financial Reporting by Government Departments.
Mr Zunaid Moolla, Senior Researcher of Government, South African University of Western Cape, July 1993	Role of Auditors-General in public accountability, managing public sector change and accountability of statutory authorities.
Twenty-four senior executives from the Indonesian Ministry of Finance and the Supreme Audit Board of Indonesia, August 1993	Study tour on Australian approaches to performance auditing, use of computers in auditing and the management of foreign debt.
Mr Keith Brown, Principal Auditor, Audit Office of NSW, February 1994	Discussions on the Victorian Office's development of a resource scheduling module of the Audit Management Information System.
Mr Martin Pflieger, UK National Audit Office, March 1994	General discussions on recent developments in public sector auditing.
Mr Graham Smith, Senior Director Efficiency Audit, Australian National Audit Office, April 1994	Discussions on the Victorian Performance Audit Methodology (VPAM).
Mr Joseph Sammut, Permanent Secretary of the Office of the Prime Minister of Malta, May 1994	Role of the Victorian Auditor-General and the implementation of its risk-based financial audit methodology.
Ms Vicki Bray and Mr Sean Portelli, Australian Taxation Office, June 1994	Discussions on Victorian Auditor-General's Office's experiences in implementing its risk-based audit methodology.



## APPENDIX 3

# AUDIT RESPONSIBILITIES

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### Parliamentary bodies

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Parliament of Victoria  
State Parliament Refreshment Rooms

### Departments and other independent budget sector agencies

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Agriculture, Department of  
Arts, Sport and Tourism, Department of  
Business and Employment, Department of  
Conservation and Natural Resources, Department of  
Directorate of School Education  
Energy and Minerals, Department of  
Environment Protection Authority  
Finance, Department of  
Health and Community Services, Department of  
Justice, Department of  
Ombudsman, Office of the  
Planning and Development, Department of  
Police, Office of the Chief Commissioner of  
Premier and Cabinet, Department of the  
Public Prosecutions, Office of the Director of  
Public Service Commissioner, Office of the  
State Electoral Office  
Transport, Department of  
Treasury, Department of the  
Victorian Auditor-General's Office (independent audit conducted)

### Public bodies

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Adult, Community and Further Education Board, Office of  
Advanced Dental Technicians Qualifications Board  
Alexandra and District Ambulance Service  
Alpine Resorts Commission  
Ambulance Officers Training Centre  
Ambulance Service Victoria -  
Metropolitan Region  
North Eastern Region  
North Western Region  
South Eastern Region  
South Western Region  
Western Region  
Architects Registration Board of Victoria  
Board of Studies  
Brothel Licensing Board  
Bundoora Park Committee of Management  
Capital Works Authority  
Chiropodists Registration Board  
Chiropactors and Osteopaths Registration Board  
Coal Corporation of Victoria  
Construction Industry Long Service Leave Board

Council of Adult Education  
Country Fire Authority  
County Court  
Crimes Compensation Tribunal  
Dental Board of Victoria  
Dental Technicians Licensing Committee  
Docklands Authority  
Educational Administration, Institute of  
Electricity Services Victoria  
Emerald Tourist Railway Board  
Energy Brix Australia Pty Ltd  
Estate Agents Board  
Exhibition Trustees  
Fawkner Crematorium and Memorial Park  
Film Victoria  
Gas and Fuel Corporation of Victoria  
Geelong Cemeteries Trust  
Geelong Performing Arts Centre Trust  
Geelong Regional Commission  
Generation Victoria  
Government Employee Housing Authority  
Grain Elevators Board  
Greyhound Racing Control Board  
Guardianship and Administration Board  
Harness Racing Board  
Historic Buildings Council  
Institute of Educational Administration  
Judicial Studies Board  
Latrobe Regional Commission  
Legal Aid Commission  
Liquor Licensing Commission  
Loddon-Campaspe Regional Planning Authority  
Marine Board of Victoria  
Melbourne Market Authority  
Melbourne Water Corporation  
Memorial Park Altona, The  
Mental Health Review Board  
Metropolitan Fire Brigades Board  
Mt Macedon Memorial Cross Committee of Management  
Murray Valley Citrus Marketing Board  
Museum of Victoria, Council of the  
National Gallery of Victoria, Council of Trustees of the  
National Institute of Forensic Science  
National Police Ethnic Advisory Bureau  
National Tennis Centre Trust  
Necropolis Springvale, The  
Northern Victorian Fresh Tomato Industry Development Committee  
Olympic Park Management  
Optometrists Registration Board  
Patriotic Funds Council of Victoria  
Penguin Reserve Committee of Management  
Pharmacy Board of Victoria  
Physiotherapists Registration Board

Plumbers, Gasfitters and Drainers Registration Board  
 Port Bellarine Committee of Management  
 Port of Geelong Authority  
 Port of Melbourne Authority  
 Port of Portland Authority  
 Prince Henry's Institute for Medical Research  
 Prothonotary  
 Psychosurgery Review Board  
 Public Advocate, Office of the  
 Public Transport Corporation  
 Recycling and Resource Recovery Council  
 Registrar of Probates  
 Renewable Energy Authority Victoria  
 Road Safety Accident Prevention Trust Account  
 Roads Corporation  
 Royal Botanic Gardens Board  
 Rural Finance Corporation of Victoria  
 Rural Water Corporation  
 Sheriff's Office  
 Shrine of Remembrance Trustees  
 Small Business Development Corporation  
 Solicitors' Guarantee Fund  
 State Electricity Commission of Victoria  
 State Film Centre of Victoria Council  
 State Insurance Office  
 State Library of Victoria, Council of the  
 State Swimming Centre Committee of Management  
 State Training Board, Office of the  
 State Trust Corporation of Victoria  
 Supreme Court  
 Surveyors Board of Victoria  
 T.A.B. Club Keno Business Segment  
 T.A.B. Gaming Business Segment  
 Tattersall Club Keno Division  
 Tattersall Gaming Machine Division  
 Tattersall Sweep Consultations  
 Tobacco Leaf Marketing Board  
 Totalizator Agency Board  
 Tourism Victoria  
 Transport Accident Commission  
 Transport Accident Commission Subsidiaries  
 Treasury Corporation of Victoria  
 Upper Yarra Valley and Dandenong Ranges Authority  
 Urban Land Authority  
 Victorian Arts Centre Trust  
 Victorian Casino and Gaming Authority  
 Victorian Conservation Trust  
 Victorian Dairy Industry Authority  
 Victorian Debt Retirement Fund  
 Victorian Development Fund  
 Victorian Dried Fruits Board  
 Victorian Financial Institutions Commission  
 Victorian Health Promotion Foundation  
 Victorian Institute of Forensic Pathology  
 Victorian Institute of Marine Sciences  
 Victorian Meat Authority  
 Victorian Nursing Council  
 Victorian Plantations Corporation  
 Victorian Prison Industries Commission  
 Victorian Psychological Council  
 Victorian Relief Committee  
 Victorian Strawberry Industry Development Committee  
 Victorian Tertiary Admissions Centre  
 Victorian WorkCover Authority  
 Water Training Centre  
 Yarra Bend Park Trust  
 Zoological Board of Victoria

## Universities and other educational institutions

Ballarat University College  
 Box Hill College of TAFE  
 Broadmeadows College of TAFE  
 Casey College of TAFE  
 Central Gippsland College of TAFE  
 Deakin University  
 East Gippsland Community College of TAFE  
 Flagstaff College of TAFE  
 Frankston College of TAFE  
 Gordon Technical College  
 Goulburn Valley Community College  
 Hawthorn Institute of Education Ltd  
 Holmesglen College of TAFE  
 John Batman College of TAFE  
 La Trobe University  
 La Trobe University College of Northern Victoria  
 Loddon-Campaspe College of TAFE  
 Melbourne, University of  
 Melbourne College of Printing and Graphic Arts  
 Melbourne College of Textiles  
 Monash University  
 Moorabbin College of TAFE  
 Northern Metropolitan College of TAFE  
 Outer Eastern College of TAFE  
 Richmond College of TAFE  
 Royal Melbourne Institute of Technology  
 South West College of TAFE  
 Sunraysia College of TAFE  
 Swinburne University of Technology  
 University of Ballarat  
 Victoria University of Technology  
 Victorian College of Agriculture and Horticulture Ltd  
 Victorian College of the Arts  
 Wangaratta College of TAFE  
 Western Metropolitan College of TAFE  
 William Angliss College, The  
 Wimmera Community College of TAFE  
 Wodonga College of TAFE

## Public hospitals, State-funded nursing homes and ambulance services

Alexandra District Hospital  
 Alfred Group of Hospitals, The  
 Altona District Hospital  
 Angliss Hospital, The  
 Anne Caudle Centre  
 Apollo Bay and District Memorial Hospital  
 Ararat and District Hospital  
 Austin Hospital  
 Bacchus Marsh and Melton Memorial Hospital  
 Bairnsdale Regional Health Service  
 Ballarat Base Hospital  
 Beeac and District Hospital  
 Beechworth Hospital, The  
 Benalla and District Memorial Hospital  
 Bendigo Hospital, The  
 Bethlehem Hospital Inc.  
 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 Ltd  
 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 Hospital  
 Daylesford District Hospital  
 Dimboola District Hospital  
 Donald District Hospital  
 Dunmunkle Health Services  
 Dunolly District Hospital  
 Eastern Suburbs Geriatric Centre  
 Echuca District Hospital Incorporated  
 Echuca Regional Health Inc.  
 Edenhope and District Memorial Hospital  
 Eildon and District Community Hospital  
 Elmore District Hospital  
 Fairfield Hospital  
 Geelong Hospital  
 Gippsland Base Hospital  
 Gippsland Southern Health Service  
 Glenview Community Care Inc.  
 Goulburn Valley Base Hospital  
 Grace McKellar 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  
 Kyabram and District Memorial Community Hospital  
 Kyneton District Hospital  
 Latrobe Regional Hospital  
 Lismore and District Hospital  
 Lorne Community Hospital  
 Lyndoch, Warrnambool  
 Macarthur and District Memorial Hospital  
 Maffra District Hospital  
 Maldon Hospital  
 Manangatang and District Hospital  
 Mansfield District Hospital  
 Maroondah Hospital  
 Maryborough and District Health Service  
 Mercy Public Hospital's Inc.  
 Mildura Base Hospital  
 Monash Medical Centre  
 Mordialloc-Cheltenham Community Hospital  
 Mornington Peninsula Hospital  
 Mortlake District Hospital  
 Mount Eliza Centre, The  
 Mt Alexander Hospital  
 Myrtleford District War Memorial Hospital  
 Nathalia District Hospital  
 Nhill Hospital  
 North West Hospital  
 Numurkah and District War Memorial Hospital

O'Connell Family Centre (Grey Sisters) Inc.  
 Ormeo District Hospital  
 Orbost and District Hospital  
 Ouyen and 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 Centre, Ballarat, The  
 Ripon Peace Memorial Hospital  
 Rochester and District War Memorial Hospital  
 Rochester and Elmore District Health Service  
 Royal Children's Hospital  
 Royal Dental Hospital of Melbourne  
 Royal Melbourne Hospital, The  
 Royal Victorian Eye and Ear Hospital  
 Royal Women's Hospital, The  
 Sandringham and District Memorial Hospital  
 Seymour District Memorial Hospital  
 Skipton and District Memorial Hospital  
 South Gippsland Hospital  
 St Arnaud District Hospital  
 St George's Hospital and Inner Eastern Geriatric Service  
 St Vincent's Hospital (Melbourne) Ltd  
 Stawell District Hospital  
 Swan Hill District Hospital  
 Tallangatta Hospital  
 Tawonga District General Hospital  
 Terang and District (Norah Cosgrave) Community Hospital  
 Timboon and District Hospital  
 Tweddle Child and Family Health Service  
 Wangaratta District Base Hospital  
 Waranga Memorial Hospital  
 Warracknabeal District Hospital  
 Warrnambool and District Base Hospital  
 Werribee District Hospital  
 West Gippsland Hospital  
 Western Hospital  
 Westernport Memorial Hospital  
 Willaura and District Hospital  
 Williamstown Hospital  
 Wimmera Base Hospital  
 Winchelsea and District Hospital  
 Wodonga District Hospital  
 Wonthaggi and District Hospital  
 Wycheproof District Hospital  
 Yarram and District Health Services  
 Yarrowonga District Hospital  
 Yea and District Memorial Hospital

### Superannuation funds

City of Melbourne Superannuation Fund  
 Coal Mine Workers' Pension Tribunal  
 Emergency Services Superannuation Board  
 Gas and Fuel Corporation Superannuation Fund  
 Holmesglen Constructions Superannuation Plan  
 Hospitals Superannuation Board  
 Legal Aid Commission Staff Superannuation Fund  
 Local Authorities Superannuation Board  
 Melbourne Water Corporation Employees' Superannuation Fund  
 MTA Superannuation Fund  
 Parliamentary Contributory Superannuation Fund

Port of Geelong Superannuation Fund  
 SECV Superannuation Fund  
 State Casual Employees Superannuation Board  
 State Employees Retirement Benefits Board  
 State Superannuation Fund  
 Transport Superannuation Board  
 Victorian Superannuation Board  
 Zoological Board of Victoria Superannuation Fund

### **Companies, trusts and joint ventures**

Australian Music Examinations Board (Vic.) Ltd  
 Blackspots Projects Trust Account  
 Circular Force Proprietary Limited  
 Citytech Pty Ltd  
 Colin Badger Trust  
 Daratech Pty Ltd  
 DB One Pty Ltd  
 DB Two Pty Ltd  
 DB Three Pty Ltd  
 DB Four Pty Ltd  
 DB Five Pty Ltd  
 Deakin University Foundation Ltd  
 Driver Education Centre of Australia  
 EITC Pty Ltd  
 Everton Dell Pty Ltd  
 Graduate School of Management Foundation Ltd  
 Graduate School of Management Ltd  
 Institute for Innovation and Enterprise Ltd  
 La Trobe University Housing Ltd  
 Loy Yang B Power Station Pty Ltd  
 Melbourne Business School Ltd  
 Meltech Services Ltd  
 Milake Pty Ltd  
 Mines and Industries Ballarat Ltd, The School of  
 Monash IVF Pathology Services Trust  
 Monash IVF Pty Ltd  
 Monash Merchandising Company Pty Ltd  
 Monash Merchandising Unit Trust  
 Monash Ultra Sound Trust  
 Monash University Foundation  
 Monash-ANZ Centre for International Briefing Pty Ltd  
 Montech Pty Ltd  
 MTA Investments Pty Ltd  
 National Electricity Pty Ltd  
 National Power Pty Ltd  
 Neurometric Systems Pty Ltd  
 Opal wood Pty Ltd  
 Open Learning Agency of Australia Pty Ltd  
 Overseas Projects Corporation of Victoria Ltd  
 Pelletray Pty Ltd  
 RMIT Foundation  
 RMIT Ltd  
 RMIT Union  
 School of Forestry Creswick Ltd  
 SECV International Pty Ltd  
 SECV Superannuation Pty Ltd  
 Sir John Monash Business Centre Pty Ltd  
 Southgate Control Ltd  
 Southgate Hotel Management Pty Ltd  
 Swinburne Ltd  
 TAC Property Investments Pty Ltd  
 Technisearch Pty Ltd  
 Telematics Course Development Fund Trust  
 Unilink Ltd  
 Unimelb Ltd  
 Victorian Institute of Sport Ltd

Victorian Institute of Sport Trust  
 VUT Foundation Ltd  
 Western Institute Foundation Ltd  
 Western Melbourne Business Development Pty Ltd

### **Water and sewerage authorities**

Aireys Inlet Water Board  
 Alberton River Improvement Trust, Shire of  
 Alberton Water Board  
 Alexandra, Shire of  
 Ararat, City of  
 Ararat, Shire of  
 Avoca, Shire of  
 Avoca River Improvement Trust  
 Avon-Macalister River Management Board  
 Bacchus Marsh, Shire of  
 Ballan, Shire of  
 Barwon Region Water Authority  
 Beaufort Water Board  
 Beechworth, United Shire of  
 Benalla Water Board  
 Bet Bet, Shire of  
 Birchip, Shire of  
 Black Dog Creek Improvement Trust  
 Bright District Water Board  
 Broken River Improvement Trust  
 Broken River Management Board  
 Bullock Creek Improvement Trust  
 Campaspe Region Water Authority  
 Camperdown, Town of  
 Central Highlands Region Water Authority  
 Charlton Water Board  
 Cobram, Shire of  
 Cohuna, Shire of  
 Colac Region Water Authority  
 Coliban Region Water Authority  
 Creswick and District Water Board  
 Deakin Water Board  
 Donald Water Board  
 East Gippsland River Management Board  
 Euroa Nagambie Regional Water Authority  
 First Mildura Irrigation Trust  
 Glenelg River Improvement Trust  
 Glenelg-Wannon Water Board  
 Gordon Water Board  
 Goulburn Valley Region Water Authority  
 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 Valley Water Authority  
 Korong, Shire of  
 Korumburra River Improvement Trust, Shire of  
 Korumburra Water Board  
 Kowree Water Board  
 Kyabram, Town of  
 Latrobe Region Water Authority  
 Learmonth Water Board  
 Leongatha Water Board  
 Macalister Water Board  
 Macedon Region Water Authority

Mallacoota Water Board	St Arnaud, Town of
Mansfield District Water Board	Stawell, Shire of
Maryborough, City of	Stawell Water Board
Melton, Shire of	Strathdownie Drainage Trust
Mid-Goulburn Regional Water Board	Sunraysia Water Board
Mitchell River Management Board	Swan Hill Water Board
Mitchell Water Board	Talbot and Clunes, Shire of
Mooroopna Water Board	Tallangatta, Shire of
Mortlake Water Board	Tambo Nicholson River Management Board
Mount Rouse, Shire of	Tambo River Improvement Trust
Murtoa Water Board	Tambo Water Board
Myrtleford, Shire of	Tarago Water Board
Nathalia, Shire of	Tarwin River Management Board
Nhill Water Board	Tarwin Valley Water Board
North Central Waterways Management Board	Tullaroop, Shire of
Numurkah, Shire of	Tungamah Shire Water Board
Omeo, Shire of	Upper Goulburn River Management Authority
Orbost Water Board	Upper Murray Water Board
Ovens River Management Board	Upper North East River Management Authority
Pental Island River Management Board	Walpeup, Shire of
Port Fairy Water Board	Wangaratta, City of
Portland Water Board	Waranga Water Board
Pyalong Water Board	Warracknabeal Water Board
Robinvale Water Board	Warrnambool, City of
Rodney Water Board	Warrnambool, Shire of
Romsey-Lancefield Water Board	West Moorabool Water Board
Sale, City of	Westernport Water Board
Sea Lake Water Board	Wodonga, Rural City of
Shepparton Regional Water Authority	Wonthaggi-Inverloch Water Board
Snowy River Improvement Trust	Wycheproof Water Board
South Gippsland Water Board	Yarrowonga, Shire of
	Yatchaw Drainage Trust
	Yea Water Board

## APPENDIX 4

# STAFF CLASSIFICATIONS

The following table provides details of staffing data by classification and gender for permanent staff at 30 June 1994.

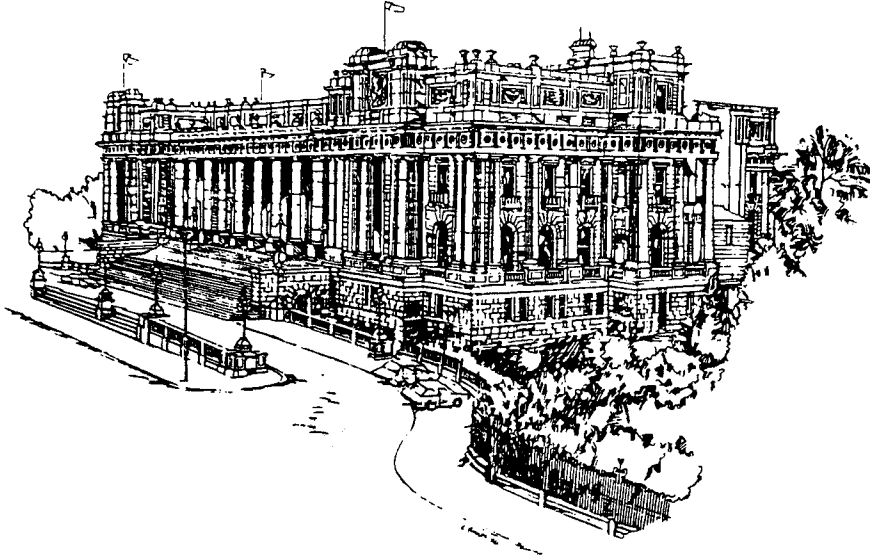
<b>CLASSIFICATION/OCCUPATION BY GENDER FOR PERMANENT STAFF, AT 30 JUNE 1994</b>								
<i>Classification</i>	<i>Full-time</i>				<i>Part-time</i>			
	<i>Male</i>	<i>Female</i>	<i>Total</i>	<i>Variation from previous year</i>	<i>Male</i>	<i>Female</i>	<i>Total</i>	<i>Variation from previous year</i>
AM 8	13	4	17	-1	-	2	2	-1
AM 7	8	5	13	-8	-	-	-	-
AM 6	4	-	4	-	-	-	-	-
AM 5	24	7	31	-8	-	1	1	-
AM 4	-	3	3	-2	-	1	1	+1
AM 3	11	10	21	-11	-	-	-	-1
AM 2	8	13	21	+13	-	-	-	-
AM 1	-	1	1	+1	-	-	-	-
<b>Total</b>	<b>68</b>	<b>43</b>	<b>111</b>	<b>-16</b>	<b>-</b>	<b>4</b>	<b>4</b>	<b>-1</b>
CSO 5	1	-	1	-	-	-	-	-
CSO 4	1	-	1	-	-	-	-	-
CSO 3	2	-	2	-	-	-	-	-
CSO 2	-	-	-	-	-	-	-	-
CSO 1	-	-	-	-1	-	-	-	-
<b>Total</b>	<b>4</b>	<b>-</b>	<b>4</b>	<b>-1</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Librarian	-	-	-	-	-	1	1	-1
Executive Officers	18	1	19	-1	-	-	-	-
<b>Total</b>	<b>90</b>	<b>44</b>	<b>134</b>	<b>-18</b>	<b>-</b>	<b>5</b>	<b>5</b>	<b>-2</b>

Note: Actual numbers do not include the Auditor-General or temporary staff.

The following table summarises Executive Officer staffing at 30 June 1994.

PROFILE OF EXECUTIVE OFFICERS BY GENDER, AT 30 JUNE 1994						
<i>Classification</i>	<i>Male</i>	<i>Variation from previous year</i>	<i>Female</i>	<i>Variation from previous year</i>	<i>Total</i>	<i>Variation from previous year</i>
E0-5	1	-	-	-	1	-
E0-4	3	-	-	-	3	-
E0-3	1	-	-	-	1	-
E0-2	10	+1	1	-1	11	-
E0-1	4	-1	-	-	3	-1
<b>Total</b>	<b>19</b>	<b>-</b>	<b>1</b>	<b>-1</b>	<b>19</b>	<b>-1</b>

# Report on the Performance Audit of the Auditor-General



In November 1993, the Public Accounts and Estimates Committee released its *"Report on the Performance Audit of the Auditor-General of Victoria"*.

The Committee Chairman, in commenting in the report on the performance audit conducted by Mr Fergus Ryan in 1992, said:

***"Overall audit conclusions were very favourable. Mr Ryan concluded that the Auditor-General is meeting his objectives effectively, economically and efficiently and that the direction and momentum of the Audit Office are positive and constructive. This represents a substantial achievement for any Audit Office and on behalf of the Committee, I congratulate the Auditor-General and his staff on this achievement. The findings of this Inquiry provide further support to Mr Ryan's overall conclusions."***

*Chairman, Public Accounts and Estimates Committee  
November 1993*