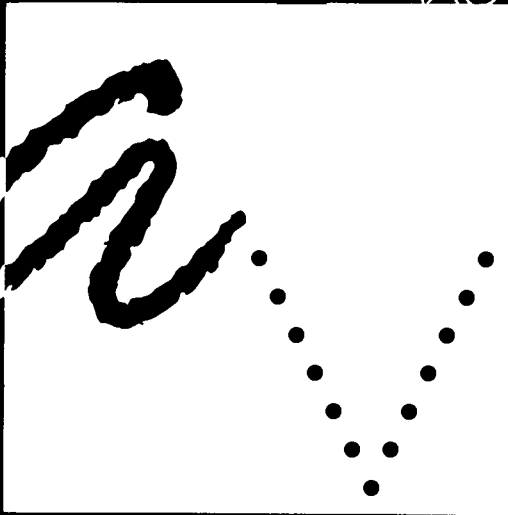




ANNUAL REPORT 1995 - 96



VICTORIAN AUDITOR-GENERAL'S OFFICE

Auditing in the Public Interest

At a glance

Vision of the Office	Through the achievements of our staff, to be recognised as a world leader in the provision of public sector audit services.
Mission of the Office	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.
Strategic directions	<ul style="list-style-type: none">• 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;• Build on the Office's substantial achievements to preserve its position at the leading edge of performance auditing by world standards; and• Provide a work environment which recognises the importance of a professional, highly motivated and skilled workforce as the Office's most valuable resource.
Principal legislation	The <i>Audit Act</i> 1994 is the main legislation governing the work of the Office.
Audit responsibilities	The Office is responsible for the audit of the Government's annual Statement of Financial Operations and 547 public sector organisations within Victoria including Parliament, government departments, government business enterprises and municipal councils. During the year, 513 financial audits were completed.
Audit operations	<p>In 1995-96, Reports issued by the Office to the Parliament identified:</p> <ul style="list-style-type: none">• potential direct savings which could be achieved by government agencies addressing inefficiencies for the total potential savings and revenue forgone specifically identified by audit over the past 5 years totalling around \$305 million; and• the financial standing of the State and various related issues such as an analysis of the Melbourne City Link project, amendment to the Casino licence and the net benefit from the sale of United Energy Ltd. In addition, other Reports included value adding opportunities for improved resource management and enhanced accountability relating to school reorganisations, industry assistance, evaluation of privatisation strategies, marketing services, the Community Support Fund, the Arts 21 strategy and child protection services.
Resources	<ul style="list-style-type: none">• 148 in-house personnel• 62 private sector contractors
Financial result	Net cost of operations: \$1.5 million, 1995-96; (Net cost \$2.8 million, 1994-95).



**VICTORIAN
AUDITOR-
GENERAL'S
OFFICE**

*Auditing in the
Public Interest*

ANNUAL REPORT 1995-96

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THE YEAR IN REVIEW



In previous Annual Reports, I have commented that the Victorian public sector has been characterised for some years now by significant change. In fact, change has become a distinctive feature of business operations in both the private and public sectors. During 1995-96, the Government introduced a further round of structural changes in departments and continued its strong focus on the quality and efficiency of service delivery to the community through such measures as privatisation strategies, outsourcing arrangements and the re-engineering of business processes. This environment has reinforced, even more than previously, the importance of the unique and independent role of the Office and the reliance placed on it by Parliament and the community for producing objective, accurate and reliable information on the manner in which taxpayers' funds have been managed.

During the course of the year, the Office prepared for my presentation to Parliament several reports encompassing a diverse range of sensitive and complex subject matters. A total of 9 reports were tabled, comprising 7 performance audit reports, the 1996 *Report on Ministerial Portfolios* and my October 1995 report on the Government's 1994-95 Statement of Financial Operations. These reports generated substantial public and media reaction, positive recognition of their value adding qualities by Government Ministers and executive management of client agencies, as well as very favourable feedback from external organisations and individuals. By way of illustration, the Minister for Finance, the Honourable Roger Hallam, described in Parliament the May 1996 *Report on Ministerial Portfolios* as "... on balance, the best report the Auditor-General has produced for many years", and Justice John Fogarty of the Family Court of Australia, in a letter to the Office, commented on my June 1996 report on the role of the Department of Human Services in child protection in Victoria as "... the definitive work in the area and a blue-print for essential reforms".

As a small organisation dedicated to serving Parliament and the community, the Office draws great satisfaction from external recognition of its work. Nevertheless, it remains committed to continually strive to further enhance the value adding characteristics of its output in terms of constructive and useful suggestions for improving resource management and reinforcing accountability in the Victorian public sector.

In October 1995, Mr Alan Talbot from Price Waterhouse, who was appointed by the Parliament to undertake the second triennial performance audit of my Office, reported to Parliament that I had achieved my objectives effectively and done so economically and efficiently. A similar view had also been expressed by Mr Fergus Ryan of Arthur Andersen in the inaugural performance audit of the Office in 1992. It was reassuring to me that Mr Talbot found that the Office compared favourably with the "Big 6" chartered accounting firms in respect of financial audits and with major overseas audit offices in regard to performance audits. The independent findings of the 2 performance audits of the Office arranged by the Parliament to date provide clear confirmation of the professionalism and competence of my staff.

From my viewpoint, the most disappointing feature of the year was my inability to transmit to the Parliament a performance audit report dealing with the operations of the Children's Court, which formed part of the Office's examination of child protection services. My Office had reached a position of agreement with the Department of Justice and the Senior Magistrate of the Children's Court on the ambit of coverage in the report, following earlier legal advice obtained by the Department months after completion of the audit work. Formal responses from the Department, the majority of which were supportive of the issues raised, were then incorporated in the report prepared for presentation to the Parliament. However, just prior to the intended tabling of the report, I received a copy of further legal advice obtained by the Department which raised doubts as to my authority to report on the operations of a court. As I advised Parliament in June 1996, in view of the explicit nature of this further legal advice, I reluctantly decided that it would be inappropriate to transmit the report to Parliament.

I am comforted by the knowledge that action is now underway at the Children's Court to address many of the matters raised in the report which was scheduled for earlier tabling. Importantly, as a direct consequence of the audit process, the interests of those children who are the subject of future proceedings before the Court are likely to be better considered. Nevertheless, I have indicated to the Attorney-General the urgency of resolution of the issues raised in the legal advice obtained by the Government in terms of what areas of court operations can legitimately be examined by my Office. In this regard, the legal advice clearly accentuated the difficulty of distinguishing between judicial and administrative functions relating to a court, irrespective of whether such functions were undertaken by court officials or officers of a government department.

Other highlights of the Office's operations during the year included:

- the first year of involvement of the Office in the audit of the financial activities of municipal councils, associated companies and libraries;
- the launching of upgraded audit methodologies relating to the Office's financial and performance audit practices aimed at ensuring that these key elements of the Office's processes maintain their leading edge status;

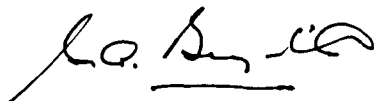
THE YEAR IN REVIEW

- further upgrading of the Office's computer network, resulting in major performance improvements across all operations;
- the undertaking of client and staff surveys to assess the level of satisfaction with audit services and internal management practices, respectively;
- further significant human resource management developments such as implementation of a performance-based employment framework for non-executive staff and introduction of the Government's broadbanded work value and remuneration structure for executive officers; and
- a continued corporate focus on staff secondments with a staff interchange arrangement with the U.K. National Audit Office and a secondment to the Australian Productivity Commission, formerly the Australian Industry Commission.

Each of the above highlights are addressed in later sections of this Annual Report.

As I signalled in last year's Annual Report, the Office has developed a range of qualitative and quantitative indicators to evaluate annual performance against targets linked to its current corporate plan which covers the period July 1994 to June 1997. This Annual Report presents, for the first time, specific information on the Office's annual performance against targets and covers targets set for 1995-96 which were identified in last year's Annual Report.

In summary, the year for the Office has been both challenging and eventful. It represents a further chapter in the history of an organisation deeply committed to excellence of service and whose reputation, both nationally and internationally, as a leading public sector auditing body can be directly attributable to the dedication, skills and commitment of its staff.



C.A. Baragwanath
Auditor-General of Victoria

ACHIEVING CORPORATE OBJECTIVES

Our Vision

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

Our Mission

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.

Principles underpinning the Corporate Plan

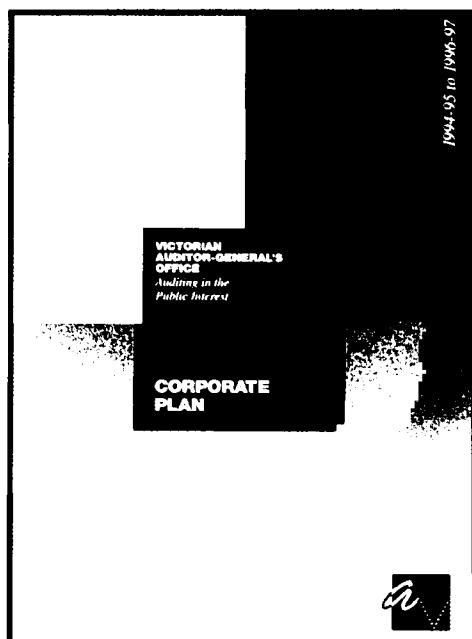
The Office's current Corporate Plan relates to the 3 year period 1994-95 to 1996-97 and, as such, the period covered by this Annual Report represents the middle year of the triennium. The Corporate Plan is the third adopted by the Office and was developed following extensive consultation with, and contributions from, both staff and client agencies.

Changes in the overall structure of government, introduction of public sector management reforms, new audit legislation, escalating developments in information technology and an organisational restructure within the Office early in 1994 were important factors influencing assessment of the Office's business environment and formulation of the principles which underpin the current Corporate Plan.

The Office takes pride in its past achievements and is committed under the Corporate Plan to further build on its strengths in order to confidently meet the challenges confronting

public sector auditing throughout the 1990s and into the 21st Century. Uppermost of these challenges will be the preservation of the Office's independence and integrity which are fundamental to its mission.

The Office is also committed to excellence over the corporate planning period in order to ensure that its Reports to the Parliament not only enhance accountability but, through constructive value added input, lead to more efficient and effective management of Victoria's public resources.



The Office's Corporate Plan, covering the period 1994-95 to 1996-97.

In the final analysis, as reflected in the Office's vision, the continuing integrity, professionalism and hard-working qualities of its staff will be the most significant means through which the Office can confidently approach the challenges ahead.

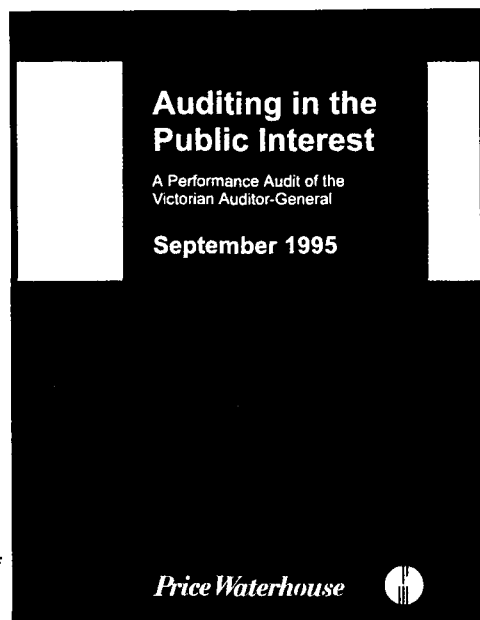
Assessment of Office's corporate performance

In this Annual Report, the Office's corporate performance for 1995-96 is presented from 2 perspectives, namely:

- Parliament's assessment of the corporate performance based on the results of its 1995 performance audit of the Office; and
- a summation of the Office's performance for the year against key action targets established under the Corporate Plan.

Parliament's assessment of Office performance

The final arbiter in assessing whether the Office has been effective in achieving its corporate outcomes is the Parliament itself. To this end, the *Audit Act 1994* provides that an independent performance audit of the Office be conducted at 3 yearly intervals by an auditor appointed by the Parliament on the recommendation of the Public Accounts and Estimates Committee. The performance auditor is required to determine whether the Auditor-General is achieving his or her objectives effectively, and is doing so efficiently and economically.



Report on the performance audit on the Office, presented to the Parliament by Mr Alan Talbot of Price Waterhouse.

During April and May 1995, the Legislative Assembly and Legislative Council approved the appointment of Mr Alan Talbot of Price Waterhouse to undertake the second performance audit of the Office.

This audit commenced in early May 1995 and was completed in September 1995. His report, entitled *Auditing in the Public Interest - A performance audit of the Victorian Auditor-General* was presented to the Parliament in October 1995.

In carrying out the audit, Mr Talbot examined the performance of the Office in the conduct of:

- audits of financial statements, which he compared with the "Big 6" accounting firms in Australia;
- performance audits, which were compared with public sector performance auditing in major audit offices in Canada and the United Kingdom; and
- human resource and administration matters, compared with the major accounting firms.

ACHIEVING CORPORATE OBJECTIVES

The key conclusion made in the auditor's report was that *"... the Auditor-General has achieved his objectives effectively and done so economically and efficiently and in compliance with the Audit Act 1958 (as amended) and 1994, respectively"*.

In a media release, issued on the day of the report's tabling, the Auditor-General welcomed the favourable opinion reached by Mr Talbot on the performance of the Office, a view which had also been expressed by Mr Fergus Ryan of Arthur Andersen in his performance audit of the Office in 1992. The Auditor-General stated it was reassuring that Mr Talbot had found that the Office compared favourably with the "Big 6" chartered accounting firms in respect of financial audits, and the major overseas audit offices in regard to performance audits. He added that these independent findings provided further confirmation of the professionalism and competence of the staff of his Office.

At the time of preparing this Annual Report, the Public Accounts and Estimates Committee, which has been re-established following the 1996 State election, was in the process of considering the matters reported by Mr Talbot.

Assessment of Office performance against its Corporate Plan

The Office's Corporate Plan identifies 4 strategic directions to guide corporate activity over the 3 year planning period. A summation of the main features of the Office's performance during 1995-96 against these strategic directions is presented on pages 8 to 11. A more detailed account of the performance against targets established under each strategic direction then follows.

Serving our Clients

Principal tasks

- Implement strategies aimed at promoting a professional relationship with clients.
- Explore opportunities for using the expertise developed within the Office to improve the standard of public administration.
- Introduce an expanded marketing strategy to enhance the community's awareness and confidence in the role and activities of the Office.

Action target for 1995-96

- Achievement of client satisfaction levels (Members of Parliament, client agencies and the community) of 70 per cent with the Office's services and products.
- Acceptance level of 90 per cent of audit recommendations to the Parliament as identified in the annual *Response by the Minister for Finance to the Auditor-General's Reports*.
- Implementation of Corporate Promotion Strategy strategy by 30 November 1995.

Financial Audit Operations

Principal tasks

- Progressively enhance the Office's financial audit methodology so that it continues to reflect best practice.
- Effectively apply the financial audit methodology and improve the cost-effectiveness and timeliness of the audit process.
- Contribute to quality outcomes in financial audits through the provision to staff of state-of-the-art tools and techniques.

Action target for 1995-96

- Annual revision of methodology to be finalised by 28 February 1996.
- For 1994-95 financial statements, 95 per cent of opinions issued within established targets.
- 85 per cent of June 1995 financial audits completed within approved cost budgets.
- Launching of the Office's upgraded Victorian Financial Audit Methodology for application to all financial audits by 31 October 1995.

Strategic Direction: Ensure that the services provided by the Office satisfy the expectations of the Parliament, the community and client agencies.

Performance against 1995-96 target

- Survey of client agencies in relation to financial audit services identified a satisfaction level of 69 per cent.
- Survey of client agencies in relation to performance audit process indicated an overall satisfaction level of 80 per cent.
- Surveys of Members of Parliament and the community planned for November 1995 have been deferred to November 1996 due to similar activities undertaken during the year by the Parliament's performance auditor.
- Based on the November 1995 Report by the Minister for Finance, positive action has been taken by client agencies in respect of 84 per cent of audit recommendations reported in 1994-95.
- A wide-ranging Corporate Promotion Strategy was launched in June 1996 which emphasises the importance of the Office maintaining a positive corporate image and reputation.

Target for 1996-97

- A satisfaction level of at least 70 per cent from client agencies with services provided by Office.
- Client satisfaction level of 70 per cent from Members of Parliament and the community with services provided by Office.
- Acceptance level of 90 per cent of audit recommendations in Reports issued during 1996-97.
- Periodic monitoring of action under new strategy.

Strategic Direction: Maintain a strong focus on financial auditing and deliver such services in a manner consistent with best professional practice.

Performance against 1995-96 target

- Annual revision of Office's Victorian Financial Audit Methodology completed in October 1995.
- 90 per cent of audit opinions issued on 1994-95 financial statements of client agencies within agreed time targets.
- 91 per cent of financial audits completed within initially-set cost budgets.
- Office survey of client agencies identified a satisfaction level of 71 per cent expressed by client agencies with the quality, usefulness and fairness of financial audit reports.
- Upgrading of the Office's Victorian Financial Audit Methodology, incorporating advanced electronic features, was launched in October 1995.

Target for 1996-97

- Annual revision of methodology to be finalised by 28 February 1997.
- 95 per cent of opinions issued on financial statements to be within established targets.
- At least 85 per cent of financial audits to be completed within approved cost budgets.
- Positive external assessments of reports to be received in at least 70 per cent of audits.
- Continuing focus on provision to financial audit staff of state-of-the-art tools and techniques.

Performance Audit Operations

Principal tasks

- Continually enhance and effectively apply the Office's performance audit methodology to reflect cost-effective business principles, value added concepts and international developments.
- Improve the cost-effectiveness and timeliness of the audit reporting phase through enhanced project management.
- Establish a framework for effective consultations with the Parliament's Public Accounts and Estimates Committee for the selection and funding of departmental performance audits.

Action target for 1995-96

- Completion of enhancements to the Office's performance audit methodology by 31 October 1995.
- Time and cost budgets established at commencement of audits to be met, or not exceeded by more than 10 per cent, for 85 per cent of performance audits.
- Positive external assessments received for 70 per cent of audits.
- Continuation of liaison with the Committee in accordance with agreed framework by 30 June 1996.
- Identification of any further refinements to the Office's performance audit selection database to be finalised by 30 June 1996.

Office Staff

Principal tasks

- Implement strategies to ensure that the ongoing skill mix and resourcing needs of the Office are adequately addressed.
- Introduce an incentive-based performance appraisal scheme which recognises and rewards achievement.
- Promote a sense of teamwork in the Office and a culture which values professionalism, integrity, commitment and achievement.
- Optimise productivity through the implementation of strategies which will enable all staff to develop and achieve the highest level of job satisfaction.

Action target for 1995-96

- Reassessment of Office's skill mix and resourcing needs for 1996-97 to be finalised by 31 March 1996.
- Achievement of staff satisfaction level of 75 per cent with new performance appraisal scheme introduced on 1 July 1995.
- Achievement of staff satisfaction level of 75 per cent with effectiveness of Office policies and strategies in emphasising corporate values.
- Achievement of staff satisfaction level of 75 per cent in terms of adequacy of professional development program in meeting training and development needs

Strategic Direction: Build on the Office's substantial achievements to preserve its position at the leading edge of performance auditing by world standards.

Performance against 1995-96 target

- Major revision of the Office's Victorian Performance Audit Methodology was launched in March 1996.
- On average, across all performance audits completed during the year, initially-set time and cost budgets were exceeded by 12 per cent and 10 per cent, respectively.
- All external assessments of performance audit reports received during 1995-96 were positive with an overall satisfaction level of 75 per cent from client agencies and 82 per cent from external organisations.
- Meetings held with the Parliamentary Committee on the Office's 1996-97 performance audit program during the year.
- Further revisions to performance audit selection database were completed during the year.

Target for 1996-97

- Annual revision of the methodology to be completed by 30 June 1997.
- Initially-set time and cost budgets to be met, or not exceeded by 10 per cent, for 85 per cent of performance audits.
- Positive external assessments received for at least 75 per cent of performance audit reports.
- Meetings with Committee to be arranged as part of 1997-98 planning process in accordance with agreed framework.
- Annual updating of database by 31 March 1997.

Strategic Direction: Provide a work environment, which recognises the importance of a professional, highly motivated and skilled workforce as the Office's most valuable resource.

Performance against 1995-96 target

- Resource and skill mix requirements for 1996-97 business plans were not completed until 30 June 1996 due to major structural changes in departments which occurred in April 1996.
- Staff survey undertaken with the assistance of a specialist research company identified, on a scale of 1 (*very poor*) up to 10 (*excellent*), a staff satisfaction rating of 4.9 with the early implementation of the scheme.
- On a scale of 1 (*greatly hinders*) up to 10 (*greatly encourages*), a staff satisfaction rating of 5.1 with the Office's culture as a way of working.
- On a scale of 1 (*very poor*) to 10 (*excellent*), a staff satisfaction rating of 5.7 with the Office's professional development program.

Target for 1996-97

- Finalisation of resourcing and skill mix requirements for 1997-98 by 31 March 1997
- Pursuit of strategies to facilitate achievement of a rating of at least 5.4 in the next survey scheduled for 1997-98 which, based on specialist advice, would represent major progress.
- Adoption of measures to facilitate achievement of a rating of at least 5.6 in the next survey in 1997-98.
- Adoption of measures to facilitate achievement of a rating of at least 6.2 in the next survey in 1997-98.

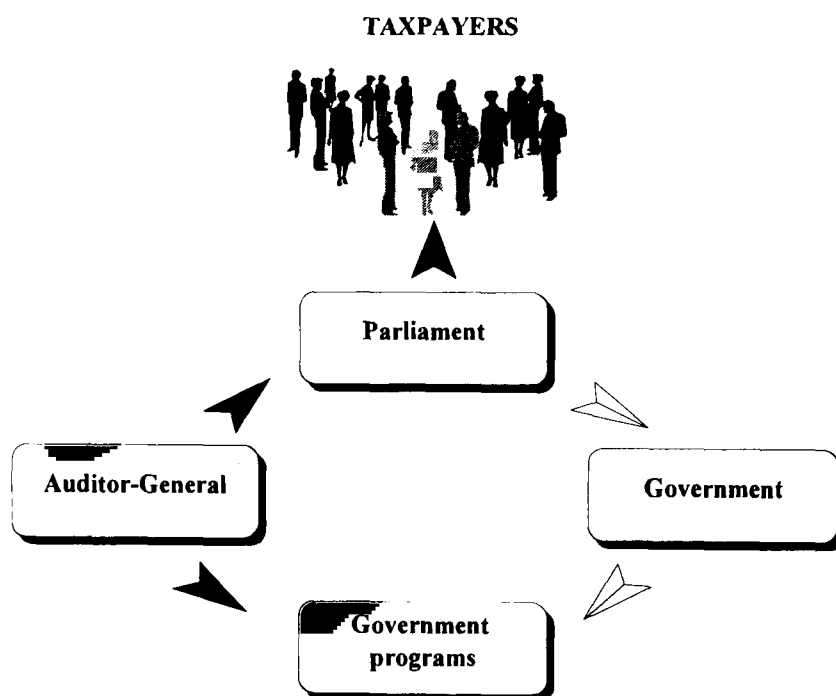
SERVING OUR CLIENTS

Strategic Direction: Ensure that the services provided by the Office satisfy the expectations of the Parliament, the community and client agencies

AUDITING IN THE PUBLIC INTEREST

The primary corporate purpose of the Office is to provide independent and professional audit services to its 3 client categories, namely the Parliament, the community and the various client agencies within government.

A strong commitment to ensuring that Office operations are directed towards achieving maximum benefit for all Victorians is a key element of the Office's corporate theme "Auditing in the Public Interest".



The current public sector environment in Victoria is undergoing major change on several fronts, including significant restructuring of agencies, corporatisation of business enterprises, implementation of privatisation strategies, outsourcing of functions on a significant scale, downsizing of internal resources and an emerging emphasis on the quality of performance measurement and reporting. These changes serve to reinforce, from the viewpoint of the Parliament and taxpayers, the importance of the Office's key independent role in the public accountability process.

SERVING OUR CLIENTS

The Victorian Auditor-General's Office is responsible for the external audit of the financial affairs of the Victorian public sector and for performance audits which assess the economy, efficiency and effectiveness of the management of the public sector resources in the State. The Office, therefore, plays a key role in the accountability process of the Government to the Parliament, and ultimately to the taxpayers to Victoria.

At 30 June 1996, the Auditor-General had specific responsibilities for the audit of the Government's annual Statement of Financial Operations and for both financial and performance audits of 547 public sector organisations comprising:

- Parliament and the Parliamentary Construction Authority;
- 8 departments and 7 independent budget sector agencies;
- 139 public bodies, such as government business undertakings, commissions and committees of management;
- 35 educational institutions including universities;
- 106 public hospitals, State-funded nursing homes and ambulance services;
- 14 superannuation funds;
- 108 companies and joint ventures;
- 78 municipal councils;
- 10 libraries; and
- 40 water authorities.

A complete listing of the Office's audit responsibilities at 30 June 1996 is provided in Appendix 3.

REPORTS OF THE AUDITOR-GENERAL

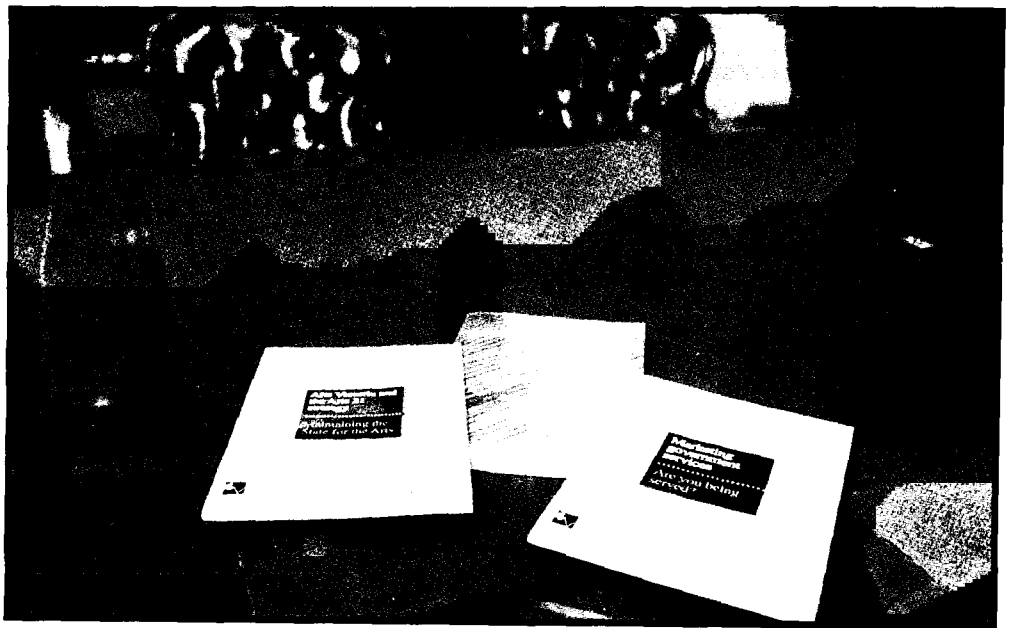
The presentation of periodic Reports of the Auditor-General to the Parliament is the principal means by which the Office fulfils its accountability obligations.

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

- *A Report on the Government's annual Statement of Financial Operations* during the Spring Session;
- *A Report on Ministerial Portfolios* (which addresses, on a portfolio basis, matters mainly arising from financial audits) during the Autumn Session;
- *Special Reports* (tabled throughout the year) on the results of individual performance audits; and
- The *Annual Report* of the Office (tabled during the Spring Session) covering its operations and performance.

SERVING OUR CLIENTS

The Office places major priority on the quality of Auditor-General's Reports to the Parliament in terms of both content and format. While fundamental matters such as the analysis of financial operations and compliance with legislative requirements are addressed in Reports, the scope of subjects contained in the Reports has, for some years, encompassed wider performance audit issues dealing with assessments of economy, efficiency and effectiveness in resource management within the Victorian public sector. In this regard, Reports over recent years have featured health, safety, welfare and environmental issues of high significance to the community.



The Auditor-General's Reports to the Parliament are a major output of the Office's audit operations.

All reports presented to the Parliament are accompanied by *"In Brief"* information brochures. These brochures, contain background notes on the particular audit review, overall audit conclusions and key findings, and are designed to assist Members of Parliament in their analysis of the matters addressed by audit.

Full details on all financial and performance audit reports tabled in the Parliament during 1995-96 are contained in sections of this Annual Report dealing with Financial Auditing and Performance Auditing.

RELATIONSHIP WITH CLIENTS

Assessment of Office's audit services by client agencies

A key measure of the effectiveness of the Office is the extent to which it is meeting the professional needs of its clients. In this regard, an important action target set for 1995-96 was the achievement of a client satisfaction level of 70 per cent by Members of Parliament, client agencies and the community with the Office's services and products.

Separate surveys of Members of Parliament and the community had been planned by the Office for November 1995. However, these surveys were deferred for 12 months until November 1996 as similar activities had been undertaken by the Parliament's independent performance auditor of the Office during the 1995 audit.

In terms of client agencies, feedback is progressively gathered by the Office on client satisfaction with both financial and performance audit services provided by the Office.

For **financial audits**, a periodic survey across all client agencies is performed with the latest undertaken during the year, in December 1995. This survey of client agencies dealt with financial audit services and indicated an overall average satisfaction level of 69 per cent, just short of the target of 70 per cent set for the year.

Further details on the results of the survey are provided in the section on Financial Audit Operations in this report.

For **performance audits**, specific feedback from client agencies on their assessment of the audit process is sought after completion of each audit.

In this regard, assessments were sought from client agencies (around 2 months following the tabling of Special Reports). The surveys of reports issued during the year resulted in an overall satisfaction level of 80 per cent with performance audit services provided which compared favourably with the target of 70 per cent satisfaction for the year.

During 1995-96, 6 surveys of the performance audit process were received from client agencies. It was very pleasing to the Office to find that all 6 responses from clients were positive and exceeded the Office's performance target of a 70 per cent satisfaction level. The feedback provided by client agencies for the 6 performance audits expressed satisfaction levels ranging from 71 per cent to 89 per cent, with an overall average of 80 per cent satisfaction.

Further details on the results of the surveys are provided in the section on Performance Audit Operations in this Annual Report.

Specific acknowledgments by clients and other external parties on audit services provided by Office

An important corporate priority of the Office is the delivery of its audit services to client agencies in a timely, efficient and professional manner. As such, feedback from clients serves as an important and valuable indicator.

During the year, a number of client agencies and other external parties specifically acknowledged the professionalism and timeliness of the Office's audit services and their value adding qualities during 1995-96. A sample of favourable comments received in respect of audits conducted during the year is presented below:

"I would like to commend your officers who undertook this audit, for the thorough and professional manner in which they completed the task."

Secretary, Department of Business and Employment

"Thank you for your recent report and recommendations resulting from an audit of marketing and in particular, recruiting activities within the Victoria Police."

"The report has been undertaken at a time when the Victoria Police is preparing to conduct a major recruitment campaign in an effort to increase the pool of suitably qualified applicants to the Victoria Police. In this context, the findings and recommendations outlined are of great relevance and will be included within the framework."

"The report is precise, succinct and well presented."

Chief Commissioner, Victoria Police

"The Chairman and I were impressed with your up-to-date knowledge of our problems".

Chief Executive Officer, Grampians Region Water Authority

"I thought the report is fair and balanced. It will provide a useful addition to the broader understanding of WorkCover."

Chief Executive, Victorian WorkCover Authority

"In the Authority's opinion, your staff have skilfully and professionally come to terms with the scale and complexities of this project and produced a comprehensive report in a demanding timeframe."

Chief Executive, Melbourne City Link Authority

"The report is excellent, broad-ranging and the most thorough review of child protection in this State."

Social Worker, Monash University

"I consider the report provides a number of important signposts towards improving the child protection system in the State. The Department is presently considering the changes to the program in the light of your recommendations."

Deputy Secretary, Youth and Community Services, Department of Human Services

"I believe the report is a very thorough and relevant document which is obviously the result of excellent research and assessments. Congratulations on a job well done."

President of the Victorian Council of the Arts

"It [Report on Ministerial Portfolios] is one of the best reads on Victorian Government process. The Auditor-General has an eye to bringing out the detail from behind uninteresting figures."

"Affairs of State" newsletter

"I would like to thank you and your staff personally for the professional and courteous approach taken in the audit of the company."

Managing Director, Yarra Valley Water Ltd

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 in addressing specific matters raised 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.



*The Parliament of Victoria;
a key client of the Office.*

During 1995-96, the following liaison occurred with the Committee:

- In July 1995, Ms Jan Tranter, a performance audit Director, presented to the Committee a detailed briefing on the key audit findings in Special Report No.33, *Handle with Care - Dangerous Goods Management*;
- In September 1995, the Auditor-General participated in a seminar organised by the Committee for Members of Parliament on the theme "*An MP's Guide to Public Sector Budgeting and Accounting*";
- In December 1995, the Auditor-General and the Deputy Auditor-General met with the Committee in preliminary discussions on the October 1995 report of the Parliament's performance auditor of the Office and to liaise on potential audit topics for the Office's 1996-97 performance audit program; and
- In June 1996, the Auditor-General and members of the Office Executive met with the new Committee to discuss matters raised in Reports of the Auditor-General presented to the Parliament during the 1996 Autumn Session. The meeting also discussed the Office's final performance audit program for 1996-97.

The Office continued to provide research assistance to the Committee through the secondment of an officer during the year.

The Office has enjoyed an effective professional relationship with the outgoing Public Accounts and Estimates Committee under the chairmanship of the Hon. G. Graeme Weideman MP JP since early 1993, and looks forward to a similar relationship with the newly formed Committee.

**Public Bodies
Review Committee**

During the year, the Auditor-General presented a written submission to the former Public Bodies Review Committee in relation to the Committee's examination of records management and the role of the Public Record Office. Two senior members of the Office provided evidence to the Committee on behalf of the Auditor-General at a public hearing held in December 1995.

Client consultative process

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

Entry meetings are held with departmental Secretaries and Chief Executive Officers within public bodies to discuss 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 these discussions include improved communication and co-operation with management, pro-active input by audit in identifying matters of risk relevant to the organisation, and in improving public sector resource management.



*Goran Mitrevski and Ellen Holland
preparing for a meeting with
management of a client agency.*

The Office also meets at least annually with executive management of client agencies to invite their suggestions for audit topics. These discussions complement the wider client communication framework in place for ongoing financial and performance audit activities and are aimed at canvassing input from executive representatives of client agencies on issues such as:

- the major government policies relevant to their entity's areas of responsibility;
- features of current corporate and business plans and, in particular, key goals of the agency and strategies in place to facilitate their achievement;

SERVING OUR CLIENTS

suggestions on potential audit subject matters, based on their assessment of risk and other factors influencing the strategic or operational environment of their organisations; and

any major risk exposures in respect of the wider ministerial portfolio.

These annual discussions have proved to be extremely valuable to the Office in forging positive and constructive relationships with its client agencies.

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 departmental Secretaries and Chief Executive Officers. The Auditor-General has strongly encouraged the establishment of these committees and Office staff regularly attend audit committee meetings to communicate on matters such as proposed objectives and scope of audits, outcomes of the external audit process and issues impacting on financial statements.

In addition to the ongoing consultation with client agencies, the Auditor-General and Deputy Auditor-General meet periodically with government Ministers to discuss matters of emerging significance within ministerial portfolios and to enhance the working relationship of the Office at ministerial level.

A Consultative Group involving the Department of Treasury and Finance and the Office provides a valuable forum for regular interaction and discussion on matters of mutual interest. The broad aims of the Group are to:

- enhance the exchange of information and views;
- achieve early resolution of contentious accounting and financial reporting issues identified within agencies;
- improve the standard of financial reporting within the public sector; and
- strengthen the quality of resource management and the accountability of public sector agencies to the Parliament.

Bi-monthly meetings of the Consultative Group took place during 1995-96 and were very useful in identifying and addressing the key issues impacting on the Government's major financial management reforms.

Reports of the Auditor-General to the Parliament are designed to provide value added audit suggestions for reinforcing accountability and enhancing resource management within the public sector.

A measure of the value adding qualities of Reports by the Auditor-General can be determined from:

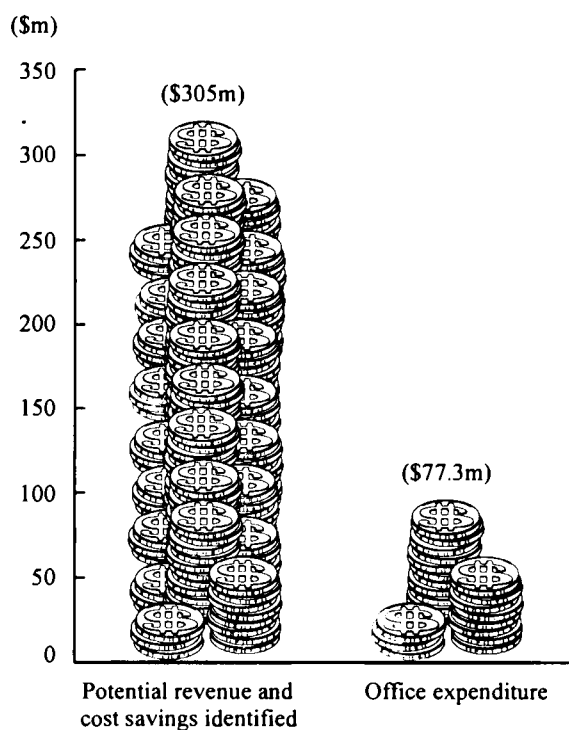
opportunities identified in Reports for potential additional revenue or cost savings; and

the level of acceptance of audit recommendations by the Executive Government or individual 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 the total potential revenue or cost savings identified in Reports over the past 5 years with the cost of Office operations over that period.

**POTENTIAL REVENUE OR COST SAVINGS
RELATIVE TO OFFICE EXPENDITURE, 1991-92 TO 1995-96**



The chart shows that, over the 5 year period 1991-92 to 1995-96, the Office's Reports to Parliament have identified a total of \$305 million in potential revenue and cost savings, equivalent to 4 times the Office's total expenditure of \$77.3 million over the same period.

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. The reports of the Minister have shown that over the past 4 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.

Analysis by audit of the current status of matters documented in the report issued by the Minister for Finance in November 1995 indicates that positive action has been taken by client agencies in respect of 84 per cent of audit recommendations reported in the previous financial year.

The initiative by the Government to implement an annual follow-up of matters raised in the various Reports of the Auditor-General significantly contributes to improved resource management within the public sector, and enhances the sector's accountability.

Community awareness of the Office's activities

The Office considers it is essential that there is community confidence in its role and activities. It is important to the Office that there is widespread awareness and understanding within the community of the role and functions of the Office and its contributions to enhancing financial management and accountability within the Victorian public sector.

Community awareness of the Office and its activities is primarily generated through the tabling of Reports of the Auditor-General in the Parliament, and associated parliamentary debates and questions. In addition, reports of parliamentary committees have continued to focus on issues raised in Reports of the Auditor-General. Further, the media, through radio, television and newspapers, very often highlight key findings contained in the Office's Reports to the Parliament and contribute towards generating community discussion on issues of importance to taxpayers.

Corporate Promotion Strategy

In June 1996, the Office launched a Corporate Promotion Strategy as part of the principal task identified in its Corporate Plan. The main aim of the Strategy is to enhance the community's awareness and confidence in the role and activities of the Office.

The Strategy recognises that the Office is not in a position to market its activities in a conventional sense of increasing market share. However, it emphasises that the Office needs to promote its corporate identity in such a way as to ensure that its operations lead to widespread external endorsement and appreciation of the services it provides.

The new Corporate Promotion Strategy addresses corporate promotion under 5 key headings, namely:

- The Parliament;
- client agencies;
- the community;
- other Auditors-General's Offices, the accounting profession and educational institutions; and
- Office staff and facilities.

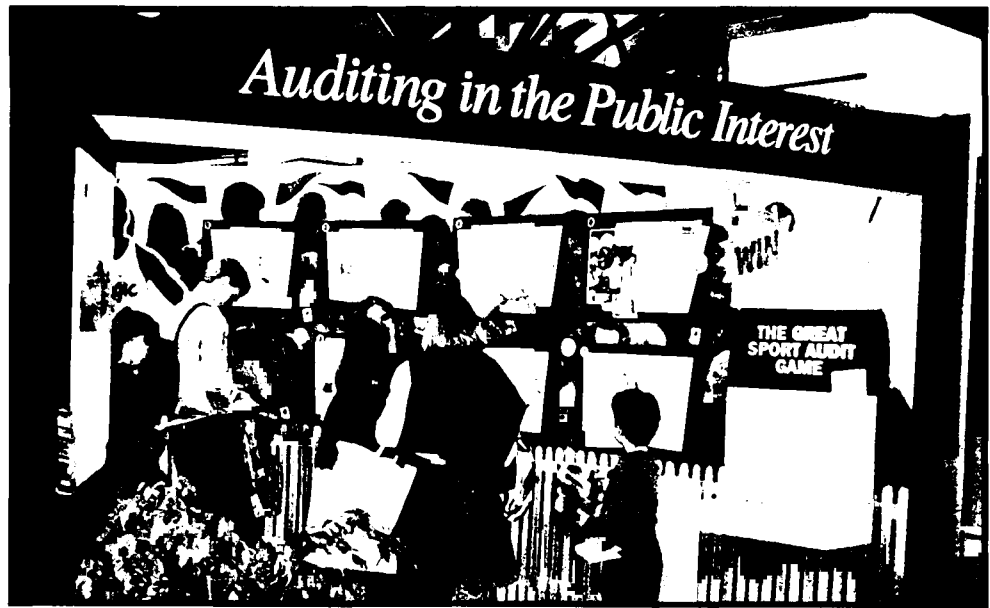
The Strategy also emphasises that effective corporate promotion requires a sharing of responsibility in that all staff have a key role to play in promoting the Office through their interaction with clients and the community.

During the year, the Office itself played an important part in furthering community understanding of its role and function. Activities included:

The development of an Office homepage on the internet which contains comprehensive corporate information about the Office, including the full text of selected Office Reports to the Parliament. The homepage also provides a facility for visitors to the site to electronically e-mail comments and requests for information directly to the Office;

SERVING OUR CLIENTS

- An extensive program of professional activities such as international and interstate visits, participation in major conferences and external presentation of papers (further details are provided in Appendix 2). Selected staff also gave presentations to a number of educational institutions, and community and special interest groups;
- The widespread distribution of an "information package" to client agencies and interested organisations. The package includes a copy of the Office's Corporate Plan, an Annual Report and the Office's information brochure entitled "*Auditing in the Public Interest*"; and
- Participation in the Government Exhibition at the 1995 Royal Melbourne Show through an Office information stand. The Exhibition attracted over 300 000 visitors, many of whom visited the Office's information stand. The main purpose of the Office's display was to inform the community of the wide-ranging auditing services provided to the Parliament, government and taxpayers of Victoria. The Exhibition provided an ideal venue for Office staff to interact with the public, and strengthen relationships between the Office and the community.



Participation in the Government Exhibition at the Royal Melbourne Show strengthened the relationship between the Office and the community.

1994-95 Annual Report of the Office

The 1994-95 Annual Report of the Victorian Auditor-General's Office provided an overview of Office activities for the year and incorporated the Office's audited financial statements.

During 1995-96, 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. Almost 450 organisations entered their annual report for the Awards. The Office entered its *1994-95 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 eighth consecutive Award received by the Office and was presented at an awards ceremony in Sydney in July 1996.

The Office received a Silver Award for its 1994-95 Annual Report.



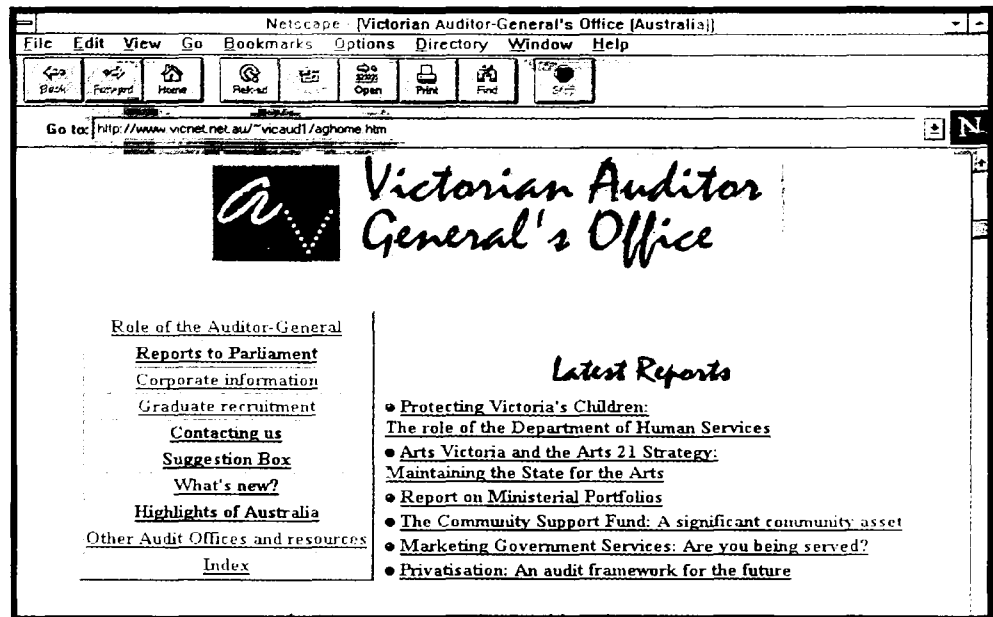
A representative from the Office participated as a divisional co-ordinator on the judging panel of reports of other public sector organisations. The Office's involvement with the adjudication process of the Awards Scheme is viewed as a positive contribution to raising the overall standard of annual reporting in public sectors across Australia.

The Office's Annual Report attracts strong interest from government agencies and the general public. Copies are widely distributed throughout Australia and overseas, and some organisations regard the Office's Annual Report as a model in reporting. A Partner-in-Charge of a large chartered accounting firm wrote, *"I was delighted to see that the Victorian Auditor-General's Office received a Silver Award ... Each of these Awards is difficult to achieve and reflects a real credit on the management and staff"*.

Availability of Reports

Copies of all Reports of the Auditor-General and of the *Annual Report* of the Office, are distributed to Audit Offices within Australia and equivalent overseas bodies, to client agencies, and to many professional organisations and interested parties. The Office also incorporates its Reports into a CD-Rom which is compiled and marketed by the Canadian Auditor-General's Office. Participation in this project enables the Office's Reports to reach a world-wide audience interested in auditing-based issues and specific audit projects undertaken by the Office.

Auditor-General's Reports to the Parliament are available to the public for purchase through the Office, which is located at Level 14, 222 Exhibition Street, Melbourne, or through the Government's Information Victoria bookshop at 318 Little Bourke Street, Melbourne. Information on all Auditor-General's Reports is also available on the VICROML CD-Rom produced by the Victorian Government and on the Office's internal homepage at <http://www.vicnet.net.au/~vicaud1/aghome.htm>. Requests for copies of Reports may also be made on e-mail at the Office's internet address of vicaud1@vicnet.net.au



The Office's homepage on the internet provides world access to information about the Office.

INVOLVEMENT WITH ACCOUNTING AND AUDITING PROFESSION

Relationship with interstate and overseas 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 Australasian Auditors-General, links have been established with Audit Offices across Australia through annual conferences, circulation of information on developments in auditing matters, and exchange visits of key audit and management personnel.

In addition, regular liaison is made with several overseas audit organisations on emerging issues in the accounting and auditing fields.

Over recent years, it has become the practice for Victoria or New South Wales to host, on an alternating basis, a biennial Conference of Australasian Senior Audit Executives which is attended by representatives of Auditors-General across Australia and New Zealand.

In June 1996, the NSW Audit Office hosted the Senior Audit Executives Conference in Sydney. The theme of the Conference was *"Partnering for Improvement"* in recognition of the need for all Audit Offices to work together to ensure the continuing growth and improvement of the public sector auditing profession in all jurisdictions.



Terry Lant represented the Office and the Australasian Council of Auditors-General at audit conferences in Canada and the United States of America.

In May 1996, Mr Terry Lant and Ms Celinda Estallo from the Office, at their own expense, attended the National Conference of the Canadian Comprehensive Auditing Foundation "Governance in Transition" in Toronto, Canada. The Conference focused on today's changing government responsibilities, effective performance management and accountability. Over 350 delegates from 40 different countries attended the Conference

A number of highly relevant topics were covered at the Conference, including:

- Governance in Transition - How and at what pace is governance changing;
- Getting the most out of your investment in governance information;
- Illustrating the art of the possible - A survey of leading initiatives in governance information, organisational arrangements and audit; and
- The effective governing body - A focus on the human element of governance.

In addition, Mr Lant and Ms Estallo spent time at the Office of the Provincial Auditor of Ontario to discuss current public sector auditing issues in that Province.

International visitors

During 1995-96, the Office hosted a number of distinguished international visitors from overseas organisations. The visitors included Mr Chen Jianming and Mr Li Mao Long of the Chinese Institute of Certified Public Accountants, People's Republic of China (in October 1995); Mr Terry Mackian, British Columbia Auditor-General's Office (in November 1995); Mr Bob le Marechal and Mr Gavin Lidderdale of the UK National Audit Office (in February 1996) and Mr John Stanford, UK Audit Commission (in April 1996).



John Stanford from the UK Audit Commission (right) visited the Office for discussions with Stan Naylor (left) and Russell Walker.

Australasian Council of Auditors-General

The Australasian Council of Auditors-General (ACAG) was established in 1994 as a result of a study conducted by a former Victorian Auditor-General. The prime purpose of ACAG is to foster and promote the development of public sector auditing in the Australasian region through the following key functions:

- developing and issuing authoritative pronouncements on the nature, scope, independence and role of the Auditors-General in the context of the Australasian scene;
- facilitating the setting of core strategic directions for Audit Offices;
- co-ordinating the development of a professional quality assurance program for participating Audit Offices; and
- contributing to the enhancement of parliamentary liaison functions across the areas of responsibility of Auditors-General.

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

During 1995-96, ACAG met on 3 occasions and addressed a range of strategic and developmental issues including:

- continued development and exchange of information on best practice and contemporary developments in public accountability;
- interaction with parliamentary public accounts committees;
- enhancement of inter-Office communications through the use of the Internet facility; and
- representation on the Consultative Group to the Public Sector Accounting Standards Board and the accounting profession's Urgent Issues Group.

SERVING OUR CLIENTS

As part of its contribution to the operations of ACAG, the Office has commenced preliminary work on developing the framework for the conduct of peer reviews by Audit Offices.

Professional activities

The Office is engaged in a wide range of activities connected with the Australian accounting and auditing profession, and public sector management. These activities include involvement with international audit organisations, attendance at international meetings and hosting international and interstate visitors.

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



Richard Mifsud is a regular speaker at forums on public sector auditing issues.

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 made external presentations throughout the year and further details are provided in Appendix 2.



FINANCIAL AUDIT OPERATIONS

Strategic Direction: Maintain a strong focus on financial auditing and deliver such services in a manner consistent with best practice

FINANCIAL AUDIT LEGISLATION

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 the Parliament and the community regarding the fair presentation of financial information contained in financial statements of public sector entities.

Under the provisions of section 15 of the *Audit Act 1994*, the Auditor-General may report to Parliament such information and recommendations arising from financial audits as deemed relevant for the more effective, efficient and economic operations of public sector agencies. Reporting to the Parliament under section 15 is presented mainly through the Auditor-General's *Report on Ministerial Portfolios*, normally tabled in the autumn session of the Parliament.

In June 1995, the *Financial Management 1994* was amended to require public sector agencies to submit financial statements to the Auditor-General within 8 weeks of the end of each financial year. Under concurrent amendments to the *Audit Act 1994*, the audit opinion expressed by the Auditor-General on the financial statements of an agency must now be provided within 4 weeks of receipt of the statements from the agency.

The more stringent timeframe for completion of the financial audit process has had the following impact on Office operations:

- further expansion of contract auditing activities; and
- greater use of qualified temporary staff to address peak resource demands for financial audits.

In terms of its commitment to completion of audits within applicable timeframes, the Office has been assisted by efficiencies arising from the use of its leading edge financial audit methodology.

FINANCIAL AUDIT METHODOLOGY

The Office utilises its Victorian Financial Audit Methodology (VFAM) on financial audits. The methodology incorporates a rigorous audit planning process involving the use of comprehensive planning modules which effectively identify and address the relevant risk components on financial audit engagements.

Underpinning the methodology is an integrated state-of-the-art audit support software system, which was introduced on all audits in 1995-96 following successful testing of a pilot program in the previous financial year. The official upgrading of the methodology, incorporating advanced electronic features, was launched by the Office in October 1995.

The methodology enables the full documentation of audit strategies, programs, findings and audit report issues to be collated, tracked and retained in electronic form, thereby reducing the need for hard copy information to an absolute minimum. A significant benefit of the use of the methodology is its ability to facilitate tracking of the status of both working papers and the audit. The result is a modern audit methodology which results in a largely paperless audit, with substantial inherent efficiencies built into the process.

The ongoing application of VFAM is monitored by the Office's VFAM improvement team, which has in place a structured framework for enhancements to the methodology, as well as progressive audit quality review. Extensive training and ongoing assistance in the use of the methodology was provided during the year to all audit staff involved in financial auditing operations.

As an integral element of the Office's financial audit methodology, preliminary assessments of information systems (IS) controls were carried out during 1995-96 at client agencies with significant computerised financial information systems. These assessments were undertaken in order to develop audit's understanding of clients' IS controls and to assist audit in forming a view on the integrity and security of computer operations.

As in previous years, all preliminary assessments and subsequent detailed reviews based on the results of the preliminary control assessments, were performed by the Office's IS specialist audit staff. As part of this process, value added feedback was provided to client agencies on the development and implementation of computerised information systems with a view to enhancing the efficiency and effectiveness of the systems.

In addition, the Office continues to place emphasis on the development and application of computer-assisted audit techniques to provide improved audit coverage and to carry out efficient and effective audits. A variety of computer programs have been either developed in-house or purchased to interrogate and analyse information maintained by client agencies on computer files.

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The Office's information systems audit process enables staff to examine financial computer files maintained by client agencies.

During the year, the Director of the Information Systems Audit Group, Mr David Sturgess, who is Chairperson of the Australian Society of CPA's IT Audit Cell also accepted the position of President of the Melbourne Chapter of the Information Systems Audit and Control Association. This organisation provides a means of communication for its members to keep abreast of current developments within IT. It also promotes the importance of establishing and maintaining effective IT resources, and controls and provides a range of technical and educational support for information systems auditors.

FINANCIAL AUDIT REPORTS PRESENTED TO THE PARLIAMENT

The Office's 2 major financial audit reports presented to the Parliament each year are:

- the Report of the Auditor-General on the Government's annual Statement of Financial Operations; and
- The Auditor-General's Report on Ministerial Portfolios.

Report of the Auditor-General on the Statement of Financial Operations

(Tabled in October 1995)

This Report of the Auditor-General accompanied the Government's Statement of Financial Operations (prepared by the Minister for Finance) and provided a detailed financial analysis to the Parliament of the budget sector's financial result for the year ended 30 June 1995. In particular, the Report:

- indicated that a confirming Auditor-General's opinion had been issued on the Statement;
- provided an extensive analysis of the financial result achieved by the Government for the year ended 30 June 1995 and the State's financial position at that date; and
- included an assessment of the significant financial arrangements and transactions (including asset sales and infrastructure development) undertaken by the Government.



Steve Mitsas and Nadia Molini preparing draft material for inclusion in the Office's "Report on the Statement of Financial Operations".

In addition, the Report highlighted the success, to date, of the Government's financial reform measures involving a combination of revenue enhancement and expenditure reduction strategies. It also identified that the major challenge faced by the Government was to maintain the momentum of reform while, at the same time, improving the State's competitiveness. In this context, the Government has, as one of its longer-term budget aims, recognised the need "... to bring Victoria's overall tax effort into closer alignment with the average of the Australian States".

The Report also showed that the total liabilities of the State at 30 June 1995 stood at \$67.6 billion which represented a reduction of \$400 million from the previous year. The level of the State's liabilities was expected to decline significantly in future financial periods due to the impact of the Government's privatisation program on debt levels.

Some of the key findings of the Report were:

- adequate accountability to the Parliament over government financial operations will not be achieved until information is presented on an accrual basis, covering the whole-of-government;
- the operating result, prior to abnormal items, of the Consolidated Fund for the year was a surplus of \$930 million, compared with a surplus of \$542 million in the previous year;
- the net benefit to the State from the sale of the electricity distribution company, United Energy Ltd, was anticipated to be in the order of \$621 million, subject to final contractual adjustments in respect to the value of net assets sold;
- the proceeds from the sale of the Grain Elevators Board were \$74 million less than the net assets (excluding borrowings) of the business which had an estimated book value of \$126 million;
- taxation rulings on certain prior year financing arrangements have increased the cost of those arrangements to the State by \$158 million;

FINANCIAL AUDIT OPERATIONS

- the realisation of budget sector savings from the employee separation program is ultimately dependent on the success of government strategies to maintain the reduced workforce levels and effective management of consultants and contractors;
- although the Government took specific action to reduce the liabilities of public sector superannuation funds by around \$520 million during 1994-95, the State's unfunded superannuation liabilities increased in the period by \$454 million to total \$15.1 billion at 30 June 1995; and
- during 1994-95, the Government contributed around \$21 million to meet operating and capital expenditure associated with the Formula One Grand Prix.



The Report included reference to the financial developments and exposures associated with staging of the Formula One Grand Prix in Melbourne.
(Photo: AGPC/Bill Forsyth)

The media were attracted to many of the issues mentioned above, with much attention devoted to the sale of United Energy Ltd. The Treasurer welcomed the Auditor-General's Report and said that " ... *it was an independent endorsement of the Government's financial strategy*".

Report on Ministerial Portfolios

(Tabled May 1996)

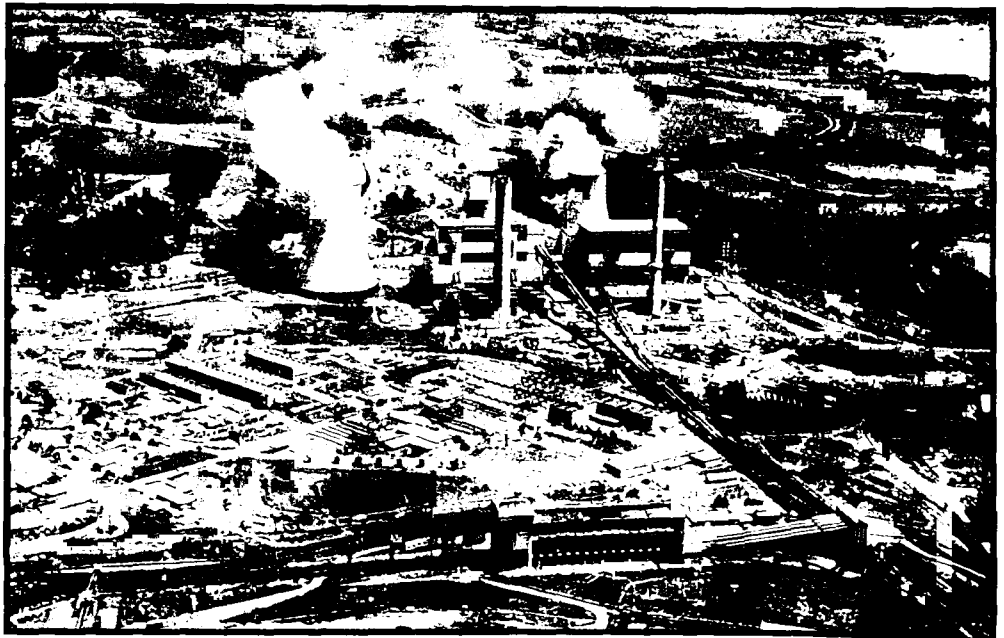
The Auditor-General's *Report on Ministerial Portfolios* to the Parliament is a major financial audit output of the Office. It outlines the results of audit reviews of ministerial portfolios undertaken during the preceding 12 months period.

Key issues addressed in the May 1996 Report included:

- Property management at the University of Melbourne
 - Underutilised or inappropriate use of property due to lengthy delays in determining suitable academic or research-related needs.
- Analysis of Melbourne City Link project
 - Absence of evidence of a detailed model comparing project costings on the basis of private sector financing versus government borrowings.
 - The obligations of the State in relation to the project are not sufficient to support recognition of its financing as a debt of the State.

FINANCIAL AUDIT OPERATIONS

- Outline of local government reforms
 - Savings of \$323 million in operating expenditure will be achieved in 1995-96 with expected rate reductions in the order of 18 per cent for the 1995-96 rating period.
 - Due diligence audits of newly-created municipal councils identified a wide range of issues impacting on the financial viability of the former councils.
- Sheriff's Office uncollected fines
 - At 30 June 1995, outstanding fines and costs totalling \$289.1 million were payable to the State. Of this amount, \$85.1 million had been written-off as bad debts and the collection of \$116.9 million was regarded as doubtful.
- Executive salaries
 - Payments of \$70 500 were made to a former senior public servant in excess of contract entitlements.
 - The provision of a gift valued at \$9 500 to a senior public servant upon departure from the Victorian public service was considered to be extravagant.
- Victorian electricity industry privatisation, including the final audit of United Energy Ltd
 - The processes followed for the sale of the 5 electricity distribution companies were appropriate, with fair and equitable treatment accorded to all bidding parties.
 - The net benefit to the State from the sale of the 5 companies is around \$4.1 billion.
 - United Energy Ltd was able to obtain a confirming audit opinion under the *corporations Law* only after taking action to remove the Auditor-General as auditor at the time when the company was aware that its financial statements were likely to be qualified.



The "Report on Ministerial Portfolios" included an examination of the privatisation of the Victorian electricity industry.

FINANCIAL AUDIT OPERATIONS

- Review of Victorian Funds Management Corporation
 - The failure of the Corporation to attract the majority of public sector investment funds has meant that the expected benefits from the Corporation's establishment, of between \$16 and \$24 million a year, will not be realised.
- Utilisation of property
 - Strategic plan for the management of the State's leased and owned accommodation in the Melbourne central business district and city fringe does not incorporate a costed long-term preventative maintenance program.
 - Dead rent on vacant accommodation space of a lettable size for the 18 month period to December 1995 amounted to \$12 million.
- Amendment to the casino licence
 - The Government allowed Crown Casino Ltd to increase the number of gaming tables at Crown's new casino from 200 to 350 for an additional licence fee of \$85 million.
 - The Department of Treasury and Finance estimated that the additional profit over and above a return on investment to Crown Casino Ltd from the additional 150 tables was between \$194 million and \$259 million. However, there was inadequate support provided to audit for the Department's decision for Crown to retain any of these monopoly profits.



The amendment to the casino licence issued to Crown Casino Ltd was analysed and commented on in the Report.

- Women in public office
 - While it is essential that selection processes be equitable and based on merit, there is scope for a higher representation of women on Boards of Management and in Chief Executive Officer positions within public sector agencies.

The 1996 *Report on Ministerial Portfolios* continued the Office's tradition of presenting quality independent reports to the Parliament and Victorian taxpayers on the financial management of resources within the public sector. The breadth and diversity of issues raised in the Report generated significant parliamentary and media reaction. Its value adding qualities in terms of contributing to enhanced financial management of resources and strengthening accountability were evidenced from the following description of the report presented in Parliament by the Minister for Finance, the Hon. Roger Hallam who said, "... *on balance, the best report the Auditor-General has produced for many years*".

ASSESSMENT BY CLIENT AGENCIES OF FINANCIAL AUDIT SERVICES

The Office established the following 2 action targets in 1995-96 to assess its performance concerning the cost-effectiveness and timeliness of its financial audit reporting process:

95 per cent of audit opinions on 1994-95 financial statements of client agencies to be issued within timelines agreed with clients; and

85 per cent of June 1995 financial audits completed within approved cost budgets.

An analysis of the output of the Office in terms of financial audits which had met agreed timelines shows that 90 per cent of audits opinions were issued within established timeframes. The non-achievement of the target of 95 per cent was mainly related to difficulties encountered in the finalisation of accounts, and consequently the audits of former entities in the restructure of the water sector.

In relation to the second target, a favourable outcome was achieved with 91 per cent of all financial audits completed within approved cost budgets.

As indicated in the earlier section in this Annual Report dealing with "Serving our Clients", a periodic survey across all client agencies to assess satisfaction with financial audit services is performed by the Office, with the latest undertaken in December 1995. The survey of client agencies was aimed at assessing the importance attached by clients to key attributes of the Office's financial audit services and their level of satisfaction with the services in terms of those attributes. As part of the survey process, differences between the clients' assessed importance and resultant level of satisfaction, known as the expectation gap, were determined and compared with results of the previous survey undertaken by the Office in 1993-94.

The survey carried out in 1995-96 was forwarded to 104 clients whose financial audits for the previous financial year were undertaken utilising in-house resources. A total of 84 clients responded to the survey.

The results of the client survey in respect of financial audit reports, which sought responses to questions specifically relating to the quality, usefulness and fairness of the reports, was positive, indicating an overall satisfaction of 71 per cent and an improvement of 7.5 per cent on the previous survey undertaken.

FINANCIAL AUDIT OPERATIONS

It is important to mention that the survey did not encompass the Office's 2 major financial Reports to the Parliament, namely, the Auditor-General's *Report on Ministerial Portfolios* and the Report on the Government's Statement of Financial Operations.

The Office's target for 1996-97 in this area is to continue to strive for further qualitative improvements in financial audit reports.

Client assessment of financial audit process

Responses by clients in respect of the overall financial audit process showed an improvement in respect of all attributes identified in the survey, as indicated in the table below.

ASSESSMENT BY CLIENT AGENCIES OF FINANCIAL AUDIT PROCESS
(1995-96 survey)

Attribute	Importance attached by client	Level of client satisfaction	Expectation gap	
			1995-96	Improvement on previous survey
	<i>(per cent)</i>	<i>(per cent)</i>		
Treating you as an important client	74.2	71.2	(3.0)	9.6
Understanding your business	81.4	66.1	(15.4)	8.2
Effective communication	86.3	68.0	(18.3)	6.4
Professionalism of audit staff	85.9	75.2	(10.7)	7.9
Knowledge and skill of audit staff	87.5	75.0	(12.5)	5.9
Timeliness of audit activity	84.6	69.4	(15.2)	3.9
Responsiveness of audit staff	80.6	72.5	(8.1)	6.0
Audit fees relative to audit activity	77.0	61.6	(15.4)	7.6
Attention from senior audit management	74.7	68.1	(6.6)	3.7
Efficiency of audit activities	83.6	71.0	(12.6)	4.0
Continuity of audit staff	72.7	66.2	(6.6)	1.6
Provision of value-added through audit process	71.5	61.6	(9.9)	9.3

It can be seen that, for all attributes, the level of client satisfaction with financial audit services represented an improved position from the previous survey.

The overall average satisfaction level expressed by clients was 69 per cent, just below the Office target of 70 per cent. This result represented an overall performance improvement of 6.2 per cent by the Office compared with the survey conducted in 1993-94.

The specific feedback from the client for each individual audit has been passed on to the relevant financial audit team within the Office to put in place an action plan to address those areas where the level of satisfaction with audit performance was less than the Office's targeted level of 70 per cent.



Staff of the Office regularly review comments received from client agencies on the quality and timeliness of audit services.

OFFICE INVOLVEMENT IN MUNICIPAL COUNCIL AUDITS

Annual audit of municipal councils

As mentioned in the Office's 1994-95 Annual Report, an amendment to the *Audit Act* 1994, effective from 1 July 1995, involved the assignment to the Auditor-General of responsibility for the annual audit of municipal councils, municipal libraries and companies associated with councils. The responsibility for these audits also included a requirement for the Auditor-General to attest to the extent of compliance by councils with Compulsory Competitive Tendering requirements embodied in local government legislation.

The inaugural involvement by the Office during the year in the audit of municipal councils centred mainly on planning and interim audit work for the 1995-96 audit cycle.

At 30 June 1996, the Office had responsibility for the audit of 78 municipal councils, 10 libraries and 4 companies associated with councils.

The Office undertook planning and interim audit work relating to its new responsibilities for the audit of municipal councils, municipal libraries and companies associated with councils.



It is Office policy that the majority of audits of municipal councils be undertaken by private sector contractors and be subject to the Office's quality control standards. However, the Office undertakes the audit of several key municipal entities in order to maintain first-hand experience of the current issues and developments within the sector.

The 1994-95 Office Annual Report also itemised the significant benefits which the Government expects to flow from the Auditor-General assuming responsibility for the audit of municipal councils. As mentioned in that Report, benefits such as those outlined by the Government have already been achieved in other sectors where similar reforms have been introduced. For example, it has been generally acknowledged that, since 1989, the quality of financial management and reporting by Victorian public hospitals has significantly improved as a consequence of the appointment of the Auditor-General as the auditor of those entities.

The Office expects that similar benefits will accrue to the Parliament, the Government, municipal councils and ratepayers from the Auditor-General's appointment as the external auditor of councils.

Due diligence audit reviews

Following the substantial restructuring and merging of municipal councils during 1994, the Government encouraged Commissioners of the restructured councils to arrange independent due diligence audit reviews of the financial standing of their councils.

A total of 47 councils commissioned the Auditor-General to undertake a due diligence audit review of their councils and 12 reviews were completed during 1994-95. During 1995-96, the involvement of the Office in the due diligence audit process was finalised with completion of the remaining 35 reviews.

The major findings from the due diligence reviews conducted by the Office included:

- Six councils were assessed as in a poor financial position at the date of their creation, reflecting some inappropriate financial practices of the former councils;
- Thirteen per cent of councils had low cash holdings at the date of their creation;

- Most former councils had not adequately monitored the activities of their controlled entities, such as committees of management;
- Two former councils had inappropriately invested significant funds;
- A number of former councils had been involved in entrepreneurial activities such as shopping centres, leisure centres and industrial estates which had the potential to expose ratepayers to unwarranted financial burdens;
- Many councils provided council-owned or controlled assets, such as land or buildings, to community groups on a long-term basis at peppercorn rentals. In several instances, these assets were used by the community groups for commercial purposes; and
- Opportunities existed to achieve savings by taking advantage of economies of scale provided by council amalgamations, including asset rationalisation.

The findings of each due diligence audit, together with recommendations aimed at enhancing the future management of the restructured councils, were provided to Commissioners who had responsibility for determining the nature and extent of the publication of these findings to their ratepayers.

An audit survey has indicated that Commissioners have elected to publicise the findings of the due diligence audits in their local community using the local press and council meetings, which has generated considerable community interest.

The knowledge and experience gained by the Office from its involvement in the due diligence process provided it with a valuable insight into local government and established a useful basis for conduct of the initial annual audit of councils' financial statements during 1995-96.

ENGAGEMENT OF PRIVATE SECTOR CONTRACTORS

The majority of public sector agencies have a common annual balance date of 30 June and an obligation to submit their financial statements for audit within 8 weeks of that date. The audit is required to be completed within 4 weeks of receipt of the financial statements. Because of in-house resource constraints, the Office has found it necessary and expedient to engage, under contractual arrangements, contractors from the private sector to assist in the discharge of its financial audit responsibilities. In addition, the Office engages contractors from time-to-time to provide expert advice to performance audit personnel on projects requiring specialist involvement.

The engagement by the Office of private sector contractors during the year comprised 4 principal categories, namely:

- contractors to undertake audits, mainly of non-metropolitan water authorities, public hospitals, municipal councils and post-secondary educational institutions;
- contractors to undertake due diligence audits of municipal councils;

FINANCIAL AUDIT OPERATIONS

- limited-term contracting of professionals to overcome resource shortages at critical times in the year; and
- specialists to provide expert advice to performance audit teams.

Payments by the Office, during 1995-96, for auditing services provided by private sector contractors totalled \$5.8 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 (\$'000)

<i>1991-92</i>	<i>1992-93</i>	<i>1993-94</i>	<i>1994-95</i>	<i>1995-96</i>
4 244	4 600	3 066	3 646	5 849

CONTRACT PAYMENTS, 1995-96 (\$)

<i>Firm</i>	<i>Amount</i>
Coopers and Lybrand	943 000
Ernst & Young	628 000
Arthur Andersen	537 000
Deloitte Touche Tohmatsu	516 000
Day Neilson	511 000
KPMG	389 000
Bentleys (Vic) Pty Ltd	279 000
Armitage Downie	251 000
Price Waterhouse	250 000
Richmond Sinnot & Delahunty	173 000
Thomsons	133 000
Grant Thornton	128 000
Haines Norton	116 000
Other (a)	995 000
Total	5 849 000

(a) Comprises payments to contractors of less than \$100 000.

The increase in payments to contractors in 1995-96, compared with the previous year, was due mainly to the involvement of the Office in the conduct of the audits of municipal councils and the assignment to contractors of additional audits.

FINANCIAL AUDIT OPERATIONS

All private sector audit contractors are required to perform in accordance with the Office's quality control standards and, in all contracted audits, the Auditor-General retains total audit responsibility.

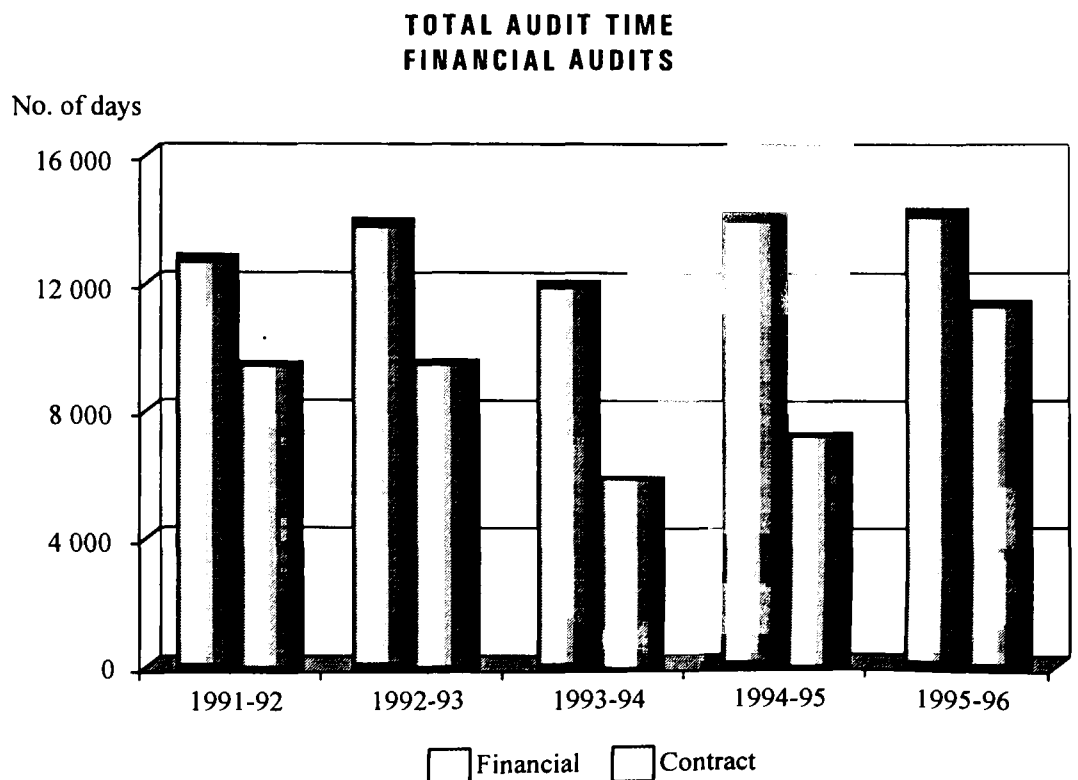
The Office utilises a central contracting review team which is responsible for the co-ordination of all major aspects of contracted financial audits.



Information management is a key component of Office operations. Cheryl Hardy (left) and Mona Scanlon discuss an audit work file.

Allocation of resources to audits

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



FINANCIAL AUDIT OPERATIONS

The higher level of time allocated to contract audits in 1995-96 is the direct result of the assignment to the Auditor-General of the audit of municipal councils. During the year, a total of 513 financial audits were completed.

Average cost of audit services

Some years ago, the Office introduced some specific performance indicators which provide, over time, an indication of the cost-effectiveness of its financial audit services. These performance indicators compare, for audits using in-house resources and those involving private sector contractors, the average annual audit cost to the Office per each million dollars of clients' income and expenditure transactions, as well as assets held.

For 1995-96, the indicators disclose that in-house auditing costs are considerably less expensive than similar costs incurred by contractors. The following table illustrates the position for the year.

AVERAGE COST OF AUDIT SERVICES, 1995-96

<i>Audits undertaken by -</i>	<i>Average cost per \$million of -</i>		
	<i>Income</i>	<i>Expenditure</i>	<i>Assets</i>
	<i>(\$)</i>	<i>(\$)</i>	<i>(\$)</i>
In-house staff	138	135	60
Contractors	439	465	192

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



PERFORMANCE AUDIT OPERATIONS

Strategic Direction: Build on the Office's substantial achievements to preserve its position at the leading edge of performance auditing by world standards

PERFORMANCE AUDIT LEGISLATION

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. Such audits are undertaken in accordance with the provisions of section 16 of the *Audit Act 1994* and are funded from Parliament's appropriation, following consultation and agreement with the Public Accounts and Estimates Committee on the annual audit program developed by the Auditor-General.

In addition to the above audits, section 20 of the *Audit Act* provides the Auditor-General with powers of access to documents of private or public sector recipients of government financial assistance for the purpose of determining whether such assistance has been applied economically, efficiently and effectively, or of evaluating the performance of government programs.

PERFORMANCE AUDIT METHODOLOGY

Victorian Performance Audit Methodology

Performance audits are carried out in accordance with the Office's Victorian Performance Audit Methodology (VPAM). This methodology is specifically aligned to the Auditor-General's complete legislative mandate for performance audits and provides a conceptual and policy framework for procedures to be followed during the planning, resourcing, implementation and reporting phases of an audit as well as communication with client agencies and engagement of specialist assistance. In short, VPAM is designed to ensure that performance audits conducted by the Office are efficient and produce high quality Reports to the Parliament.

VPAM was originally developed by the Office in 1991 and was considered in 1992 to be at the leading edge in performance auditing by Mr Fergus Ryan, the inaugural independent performance auditor of the Office appointed by the Parliament.

During 1995-96, the Office completed a major revision of VPAM. Official launching of the revised methodology occurred in March 1996. The updated VPAM incorporates substantial enhancements with particular emphasis on a value-added approach to audit selection, improved project management practices and increased attention to evaluating the effectiveness of government services. As part of the revision process, the VPAM policy document was made available in electronic form on the Office computer network.

A major revision of the Office's Victorian Performance Audit Methodology was launched in March 1996.



MAJOR PERFORMANCE AUDIT REPORTS PRESENTED TO THE PARLIAMENT

Performance audits undertaken by the Office are usually presented to the Parliament in Special Reports of the Auditor-General. Details of all Special Reports prepared by the Office during 1995-96 are set out below.

Special Report No. 36

The changing profile of State Education: School reorganisations

(Tabled
October 1995)

Special Report No. 36 examined processes used by the Directorate of School Education to consolidate, through school reorganisations, the State school system. It assessed the extent to which the main aims of the reorganisation process, namely, ensuring that educational resources are utilised effectively and, that children have access to a quality general curriculum, delivered in high standard buildings and facilities, had been achieved. The audit also examined whether the disposal of school sites that had been closed as result of reorganisations had been well managed.

The audit found that the reorganisations provided a sound foundation for improvement to school education and was managed very efficiently with the entire process completed within a 6 month period. However, for some schools, the process created significant distress within their communities which had not been resolved more than 12 months after the process had been completed. Not all government schools were required to participate in the reorganisation process and schools with smaller enrolments often had to defend their existence against larger schools.

Many rural schools were subject to the consolidation process undertaken by the Directorate of School Education which was reviewed by the Office during the year.



Other findings documented in the Report included:

- recommendations on school reorganisations of some local school groups were influenced by the preferred options of the Directorate together with the requirement for the Minister for Education to ultimately decide whether reorganisations were necessary and desirable;
 - the Directorate had not undertaken an evaluation to assess the effectiveness of the reorganisations that occurred; and
- schools considered they were making sound progress towards the achievement of the results and goals expected from the reorganisation process.

The Report urged the Directorate of School Education to undertake a post-implementation review to identify how the reorganisation process can be improved as future restructuring occurs. The Report also emphasised that the provision by schools, of credible and useful information about the expected outcomes of the process, namely, an improved quality of school education, is dependent on the effectiveness of the biennial reviews of school performance proposed to be undertaken by the Directorate.

The audit team was provided with specialist assistance in examining the reorganisation outcomes by Dr G. Elsworth from the Centre for Program Evaluation at the University of Melbourne. Dr Elsworth has vast experience and knowledge of both the education system and the theory and practical application of evaluation techniques.

As
go
(Tabled
October 1995)

During 1993, the Government released policy statements relating to 2 areas of major significance to the State's economic prosperity, namely, industry and regional development. A pivotal role in the implementation of these policies was played by the former Department of Business and Employment (now the Department of State Development) primarily through its management of the Industry, Regional and Trade Support Program. This Program was aimed at attracting, through financial assistance and other facilitation services to industry, major additional investment that otherwise might not occur in Victoria and projects offering significant net economic benefits to the State in terms of export growth, import substitution or increased employment.

The Special Report addressed this key area of government assistance to industry by assessing the extent to which strategic and operational policies in place within the Department were conducive to achieving maximum effectiveness in the Program's delivery and performance. Specific attention was directed to determining whether major issues raised in a highly-critical 1989 Report of the Auditor-General on industry assistance had been adequately addressed by the Department.

The audit identified a range of strong features in the Department's management framework for the Program including:

- targeting of industry assistance to projects and companies that offer significant economic benefits to the State and are clearly financially viable; and
- development and use of carefully-structured management controls governing the assessment, approval and monitoring of assistance provided under the Program.

The audit also addressed a number of areas where the Department needed to direct attention to further enhance the management of the Program including:

- formulation of qualitative performance measures to fill what has been a long-standing gap in the State's industry assistance arrangements;
- maintenance of a suitable balance between direct financial assistance to industry and valuable non-financial facilitation services;
- separate recording and monitoring of costs incurred in providing facilitation services to enhance the basis for assessing the cost-effectiveness of these services; and
- identification of the strengths and development needs of the State's regional areas.

During the audit, the opportunity was taken to utilise, for the first time, the power to examine documents of private or public sector recipients of government financial assistance for the purpose of evaluating the performance of government programs. These powers were assigned to the Auditor-General under July 1994 amendments to the *Audit Act* 1994 (section 20). The results of examinations conducted by audit under this legislative authority provided added assurance that companies had appropriately applied financial assistance to projects which contributed to the economic growth of the State.

The Minister for Industry and Employment welcomed the Report in a press release circulated at the time of the Report's tabling.

**Special Report
No. 38**

**Privatisation: An
audit framework
for the future**

(Tabled
November 1995)

Special Report No. 38 was a preliminary review which took the form of a precursor for an ongoing program of detailed privatisation audits. The audit was undertaken to promote sound management practices in relation to privatisation, enhance public accountability, disclose examples of best practice and clarify the scope of audit responsibilities relating to privatisation audits.

In addition, the audit outlined:

- a series of high level criteria for the management of economic, social and environmental issues associated with privatisation; and
- the processes implemented by the Government to address various issues connected with the criteria established by audit.

Agreement was reached with the Department of Treasury and Finance on high level criteria which may be used on future audits of privatisation projects. In this regard, the Report outlined 18 broad themes relating to audit criteria for evaluation of privatisation strategies within the public sector.

The Report presented a comparison of what constitutes government policy from the perspectives of the Department of Treasury and Finance and the Auditor-General in terms of future audits of privatisation and the impact of the varying views on the audit coverage.

The audit concluded that, broadly speaking, issues to be addressed in future privatisation audits would deal with matters of public interest such as assessing whether risks and disposals had been well managed, examining whether the taxpayer had received value for the assets sold and determining the extent to which the Government's policy objectives for the privatisation program had, at a particular point of time, been achieved.



Progress in privatisation reform in areas such as ports were examined in the Privatisation Special Report.

The Report, which essentially set out to establish the framework for future audits of privatisation, was generally well received. However, the Department of Treasury and Finance was of the view that the interpretation of decisions representing government policy decisions still remained unclear. In this regard, audit accepted the Department's suggestion to seek input from an informed third party to review the audit framework and processes are underway to obtain expert advice from the United Kingdom's National Audit Office.

Positive comments on the Report were received from other audit jurisdictions within Australia and overseas. Numerous copies of the Report were purchased from both within Victoria and interstate, which reflected the strong interest shown in the document.

In addition, the Report was provided as input to the International Consortium on Government Financial Management which was considering a project concerning privatisation.

Special Report No. 39

Marketing Government Services: Are you being served?

(Tabled
March 1996)

Special Report No. 39 contained the findings of an audit which addressed whether value-for-money had been achieved for Victorian public sector marketing, an area involving annual expenditure estimated at over \$130 million. The audit included examinations in 11 public sector agencies covering a range of marketing activities including media buying, planning and management of major advertising campaigns, assessing effectiveness and provision of staff training. It also addressed issues of accountability and propriety.

Specialist advice was provided to the audit team by Mr Paul Gaskin of the Syme Department of Marketing, Monash University. Mr Gaskin brought a range of practical experience to the audit gained from over 20 years experience within advertising agencies and market research companies. In addition, Ms Janine Hendry, also of the Syme Department, provided advice to the audit team in certain areas examined.



Special Report No. 39 examined the marketing activities within the Victorian public sector.

The key findings of the Report included:

- some major campaigns did not meet their stated objectives while, in other cases, factors other than marketing may have contributed to achievements;
- by consolidating the purchase of media space and time, the Government had achieved significant cost savings;
- some publications developed at a central level contained party-political statements, raising issues of propriety;
- limited use had been made of culturally-appropriate communication techniques to reach people from non-English speaking backgrounds; and
- improved negotiations between the public sector and advertising agencies could achieve more advantageous financial outcomes.

Subsequent to tabling, the Report received considerable coverage within the Parliament and the media. The reaction to the Report primarily focussed on weaknesses disclosed in the selection of the Government's media buyer and issues arising from the use of public funds for party-political purposes.

**Special Report
No. 40**

**The Community
Support Fund: A
significant
community asset**

(Tabled
May 1996)

The Community Support Fund has quickly assumed both financial and community significance against a background of marked growth in the level of gaming activity in the State. Because of the nature of its revenue source, namely, a fixed share of proceeds from gaming operations in hotels only, which is used specifically for community purposes, the Fund is very much synonymous with community interests.

This Report assessed the extent to which decisive action had been taken by the Government to address issues raised in a 1994 audit by the Office of the Fund in terms of co-ordination and control of the Fund's operations, and reporting to the Parliament and community on the Fund's effectiveness in generating real benefits for the community.

An amount of \$1.5 million was provided from the Community Support Fund to the "One Australia" Syndicate which mounted an unsuccessful challenge for the 1995 America's Cup
(Photo: Sporting Pix.)



The Report also examined several other issues in relation to the Fund including the adequacy of past community involvement in decisions on funding allocations, the status of research into the social impact of gambling and the potential for widening the source of funding to achieve a more equitable arrangement for financing matters dealing with the social consequences of gambling.

The key audit findings were:

- there was a need for application of a more consistent approach to the assessment and approval of distributions from the Fund and for participation in the decision-making process by all relevant Ministers;
- assignment of a principal advisory role on funding priorities to a representative community body would be compatible with the conceptual nature of the Fund as a mechanism established to specifically service community interests;
- further consideration should be given by the Government to the desirability of legislative change to require clubs and the casino, in addition to hotels, to make statutory contributions to the Fund to address the social ramifications of gaming;
- it was only from early 1995, around 2½ years after commencement of gaming operations in the State, that the direction of research into the social impact of gambling began to equate with the major significance placed on such research by the legislation;
- through its Baseline Database Project, the Victorian Casino and Gaming Authority is now overseeing highly important research which, in its view, is advanced by world standards;
- the broad nature of the legislative definitions of community programs or projects eligible to receive financial assistance from the Fund makes it very difficult to form definitive judgements regarding the relative merit of individual funding decisions;
- the establishment in 1994 of a small but competent management unit for the Fund was an important initiative;
- an annual report, which brings together in a consolidated form the performance of the Fund against targeted outputs and outcomes, should be compiled and communicated to the Parliament and the community; and
- some past management practices in relation to the Fund within the Office of Youth Affairs were not up to the standard expected when dealing with distributions of public funds.

The Report was well received and generated significant parliamentary and media attention.

**Special Report
No. 41**

**Arts Victoria and
the Arts 21
Strategy:
Maintaining the
State for the Arts**

(Tabled
June 1996)

The launching by the Government in November 1994 of its Arts 21 Strategy heralded a new era for the State's arts industry and created significant challenges for Arts Victoria. As the Government's statutory body with portfolio-wide co-ordination and monitoring functions for arts, Arts Victoria was assigned major responsibility for guiding implementation of Arts 21 up to and beyond the start of the 21st century.

The Report assessed the level of early progress made by Arts Victoria in establishing a framework for effective implementation of Arts 21. It also examined the soundness of the past relationship of Arts Victoria with the former Department of Arts, Sport and Tourism as well as the ramifications brought about by Arts 21 for Arts Victoria's long standing role as a provider of financial assistance to non-government arts organisations.



The operations of Arts Victoria, which is responsible for co-ordinating and monitoring the Arts 21 Strategy, were assessed in Special Report No. 41.

The key findings of the audit were:

- although Arts Victoria had prime responsibility for the management of the Development of Arts Institutions and Resources Program, the fact that it could not exercise a key role in planning and resourcing functions relating to the Program meant that its ability to effectively deliver Arts 21 was severely restricted;
- Arts Victoria will need to work with the State's arts agencies to develop a mutually acceptable definition of accountability and the parameters which will apply to progressive implementation of Arts 21;
- a sound relationship has been established between Arts Victoria and Tourism Victoria for pursuit of the cultural tourism goals of Arts 21;
- there is scope for Arts Victoria to adopt a more strategic approach to the implementation of Arts 21 in the local government sector;
- while the *Arts 21 Checklist* constitutes a useful initial step towards long-term evaluation of the Arts 21 strategy in terms of outputs, it does not address measurement of the effectiveness of Arts 21 or qualitative assessments of the outcomes or impact of Arts 21;

- organisations experiencing serious difficulties, primarily of a financial or managerial nature, received annual funding of approximately \$3.2 million, or 27 per cent of the aggregate amount made available by Arts Victoria to funded organisations; and
- to achieve effective accountability by annually and triennially-funded organisations and to enhance its ability to measure the effectiveness of Arts 21, Arts Victoria should ensure that its grant management practices are upgraded and consistent with the Government's recently revised guidelines.

The following comments were provided by Ms Elizabeth Proust, Secretary, Department of Premier and Cabinet, in the covering letter to the Department's official response to the Report:

"Whilst the April 1996 machinery of government changes in some measure overtook aspects of this audit project, the Report nevertheless provides a comprehensive analysis of Arts Victoria's performance."

"On behalf of the staff and management of Arts Victoria, could I pass on my appreciation of the staff in your Office who conducted this audit. I am advised that they undertook this task in a most constructive and professional manner."

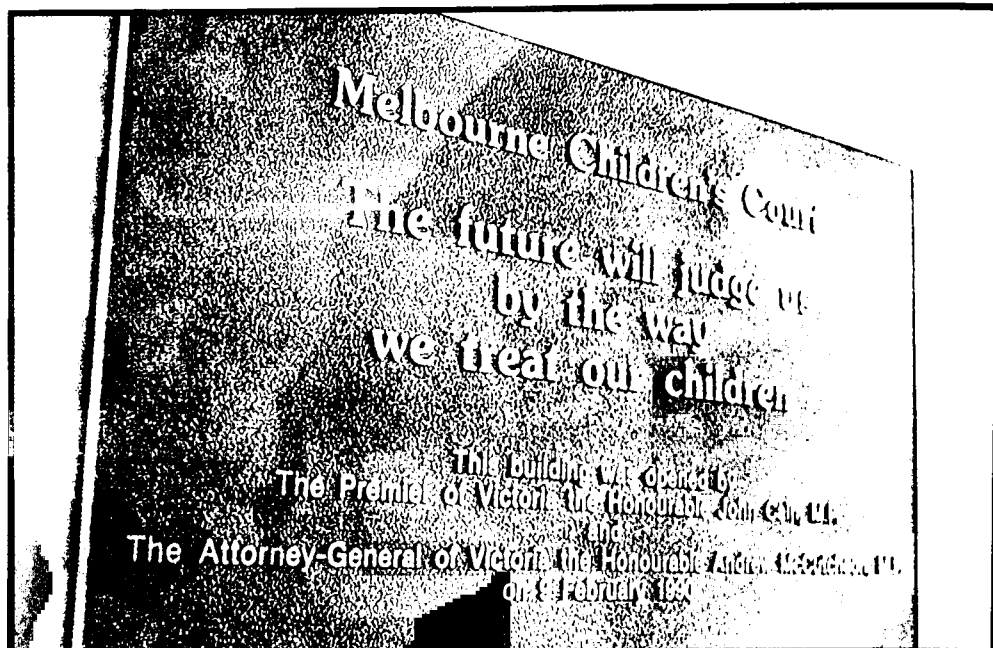
**Special Report
No. 42**

**Protecting
Victoria's
Children: The role
of the Children's
Court**

(Prepared, printed,
but not tabled in
Parliament)

Special Report No. 42 was the first component of the Office's performance audit relating to child protection services in Victoria and dealt with the operations of the Children's Court, with particular emphasis upon the Melbourne's Children's Court. In essence, the Children's Court audit sought to determine whether children requiring care and protection were efficiently and effectively dealt with by the Court in accordance with the relevant legislation.

The Department of Justice was advised of the audit of the Court in September 1994. However, it was not until December 1995 when a draft report was forwarded to the Department that concerns were expressed about the scope of the audit in relation to the judicial functioning of the Court. After consideration of these concerns, changes were incorporated in the draft report which was forwarded to the Department for its formal responses.



Plaque outside the Children's Court building in South Melbourne.

During May 1996, on the day when official responses to the parliamentary report were due, the Department provided the Auditor-General with copies of legal advice obtained from the Solicitor-General and the Victorian Government Solicitor which raised doubts as to the Auditor-General's authority to report on the operations of a court. Urgent discussions were then held with the Department and the Children's Court Senior Magistrate and agreement was reached on the ambit of coverage of the report in light of the legal advice. Formal responses from the Department, the majority of which were supportive of the issues raised, were subsequently received and incorporated into the final draft report. As part of its overall comments on the report, the Department stated: *"We consider the study provides important and valuable insights into aspects of child protection in Victoria"*. The Report was then cleared by the Auditor-General for printing and presentation to the Parliament.

Notwithstanding the above process of liaison and agreement, the Department provided to the Auditor-General, just prior to the intended tabling of the report, a copy of further legal advice from the Solicitor-General who considered that, as the scope of the audit was beyond the jurisdiction of the Auditor-General under the *Audit Act* 1994, there was no authority to table the Report in Parliament. The Auditor-General then informed Parliament that, in view of the explicit opinion now provided by the Solicitor-General, he had reluctantly decided that he could not transmit Special Report No. 42 to the Parliament.

Although the Report was not tabled, it has proved to be a catalyst for major changes at the Children's Court which will be of benefit to all Court users, particularly the children involved. The Office has been comforted by the knowledge that intense action is now underway at the Court to address many of the matters raised in the Report intended for tabling. It is certainly very satisfying to audit to know that, following a major rationalisation of Court procedures, involving all relevant parties (Magistrates, Court officials, representatives of the Departments of Human Services and Justice, as well as members of the legal profession), the principal beneficiaries will be those children of the State identified as in need of protective care and whose interests constituted the major focus of the audit.

The Auditor-General has indicated to the Attorney-General the urgency of resolution of the issues raised in the legal advice obtained by the Department of Justice in terms of what elements of operations relating to any court can legitimately be examined by the Auditor-General. In this regard, the legal advice clearly accentuated the difficulty of distinguishing between judicial and administrative functions of a court, irrespective of whether such functions were undertaken by court officials or external to court premises by officers of a government department.

**Special Report
No. 43
Protecting
Victoria's
Children: The role
of the Department
of Human
Services
(Tabled
June 1996)**

The results of the second element of the Office's performance audit dealing with the State's child protection services were presented to Parliament in Special Report No. 43. This Report focused on the practices of the Department of Human Services, which has primary responsibility for management of the child protection system, the Victoria Police and the numerous non-government agencies that play a major role in protecting children and assisting families in difficulty.

Specialist advice on selected areas covered by the audit was provided to the audit team by 2 recognised experts in the child protection field, namely, Professor Jan Carter of Deakin Human Services Australia, Deakin University and Dr Dorothy Scott of the School of Social Work at the University of Melbourne. In addition, reference was made during the audit to various other professionals in areas such as the judiciary, legal profession, child psychologists, law enforcement, forensic medicine and social welfare.

The Report addressed a multiplicity of complex and sensitive issues associated with child protection. It drew attention to the extreme difficulties faced initially by the Department of Human Services in providing effective child protection services following the introduction of mandatory reporting of child abuse and neglect in Victoria in 1993. It also recognised the strenuous efforts made by the Department to reshape its workforce and resources to meet the extremely challenging demands placed on it over the past 3 years.

The Report identified many significant weaknesses in key elements of the Department's protective services which have adversely impacted on its ability to effectively address the protective concerns of children. These weaknesses included:

- poor investigation of notifications, including the closure of many cases which warranted further investigation;
- ineffective case management, particularly in terms of low quality draft case plans presented to the Children's Court and shortcomings in final case plans;

- placements of children which are inappropriate to meet their needs;
- the absence of a cohesive working relationship with the Victoria Police in adequately protecting children, particularly adolescents;
- failure to cater for the long-term needs of many children in the care of the State;
- a lack of psychiatric services and therapeutic treatment for severely disturbed children and young people; and
- excessive delays in finalising and reporting to the Parliament on inquiries into the deaths of children requiring protection.

A range of recommendations was presented in the Report to assist the Department in making Victoria's child protection system the benchmark against which other systems throughout Australia could compare their performance.

The clear value adding qualities of Special Report No. 43, in terms of enhancing the welfare and protection of Victoria's children, were recognised in many forms. The Report generated considerable public and media interest and was specifically welcomed by the Minister for Youth and Community Services in a press release which stated:

"The recommendations of the Auditor-General will assist us in making further improvements to child protection services ... I am confident that the contents of the Report will add to the Department's capacity to improve the quality of its service to children who are at risk of abuse and neglect in our community".

The Department of Human Services formally advised the Auditor-General of the importance it has assigned to the issues raised by audit and has developed a comprehensive implementation strategy based on the Report. In addition, many external organisations and individuals commented positively to the Office on the value of the report. Perhaps, the following comments formally provided by Justice Fogarty of the Family Court of Australia best summarise the external feedback conveyed to the Office:

"[The Report] now represents the definitive work in this area.

"Hopefully, it will also be taken up positively by Government and represent a blue-print for essential reforms in this area.

"My congratulations to you and your colleagues."

Some indication of the breadth of interest shown in the Report can also be gleaned from the fact that over 140 copies (several to interstate parties) were sold by the Office, including in excess of 80 copies purchased by the key client agencies impacted by the Report. The extent of the demand for the Report was so great that it necessitated a second round of printing.

ASSESSMENT OF PERFORMANCE AUDIT REPORTING PROCESS

Cost-effectiveness and timeliness of performance audit reporting process

The Office established the following 2 action targets in 1995-96 to assess the cost-effectiveness and timeliness of its performance audit reporting process:

- time and cost budgets established at completion of audit planning, i.e. not adjusted to take account of conditions or factors subsequently impacting on the audit, to be met or not exceeded by more than 10 per cent for 85 per cent of performance audits; and
- positive external assessments received for 70 per cent of performance audit reports.

Assessment of the performance audit reporting process for the year indicated that, on average, across all performance audits completed during the period, initially set time and cost budgets were exceeded by 12 per cent and 10 per cent, respectively. In view of the fact that many factors can progressively raise and impact the timing and complexity of a performance audit during its course, the Office's performance in this area was considered to be quite satisfactory.

External assessment of performance audit reports

Specific feedback from client agencies on their assessment of the Office's performance audit process is sought approximately 8 weeks after the completion of each audit. The material forwarded to client agencies also seeks their evaluation of the performance audit reporting process. In addition, feedback on the audit report is sought from the Public Accounts and Estimates Committee and international Audit Offices.

The survey document forwarded to client agencies calls for a response on the following points relating to the quality and usefulness of the audit report:

- relevance to the client agency of issues addressed in report;
- timeliness of report facilitates action by the agency;
- issues raised in the report prompted actual or planned changes by the agency;
- matters addressed in the report considered to be in the public interest;
- value adding quality of report in terms of strengthening accountability;
- issues raised in the report are fairly presented;
- executive summary of report represents an accurate summary of the detailed findings; and
- whether the report is considered to be of an appropriate length, easy to understand and not excessively negative in tone.

The survey document forwarded to the Public Accounts and Estimates Committee and international Audit Offices sought feedback regarding the usefulness, readability and logic of performance audit reports published by the Office.

Feedback from client agencies on the Office's performance audit reports issued during the year was very positive.



During 1995-96, survey responses on the Office's performance audit reports were received from client agencies and external organisations in respect of 6 reports.

All responses were positive with an overall satisfaction level of 75 per cent expressed by client agencies and of 82 per cent by external organisations. This position compared favourably with the Office's target for the year, namely *"positive external assessments received for 70 per cent of audits"*.

The Office's target for 1996-97 in this area is to continue to strive for further qualitative improvements in performance audit reports with positive external assessments received for at least 75 per cent of audits.

Results of surveys client agencies

Client feedback on performance audit services is gathered via a survey forwarded to relevant client agencies around 8 weeks after completion of each audit. The survey document seeks assessments from clients in terms of their agreement or disagreement with the following elements of the audit process:

- courtesy of audit staff;
- professionalism of manner in which audit was conducted;
- general understanding of the audit topic by Office staff;
- understanding by audit staff of the topic relevant to the overall objectives of the client agency;
- extent to which senior representatives of the client agency were regularly advised of the progress of the audit;
- sufficiency of opportunity given to the client agency during the report clearance process; and
- suitability to the client agency of the method used by audit for communicating audit findings.

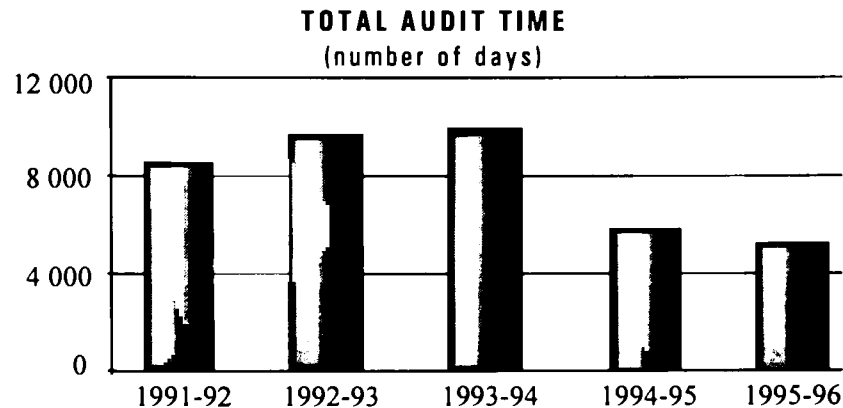
During 1995-96, 6 surveys of the performance audit process were received from client agencies. It was very pleasing to the Office to find that all responses from clients were positive and exceeded the Office's performance target of a 70 per cent satisfaction level. The feedback provided by client agencies for the 6 performance audits expressed satisfaction levels ranging from 71 to 89 per cent, with an overall average of 80 per cent satisfaction.

The Office's target for 1996-97 in this area is to pursue strategies aimed at further enhancing the quality of performance audit services to client agencies.

PERFORMANCE AUDIT OPERATIONS

Allocation of resources to audits

The following chart depicts the trends in audit time spent in terms of resources directed to performance audits over the past 5 years.



The Office restructure in March 1994 established business groups dedicated exclusively to performance audits. The lower level of time absorbed on performance audit activities in 1995-96 essentially reflects the major focus by the Office during the year on continuous improvement activities in performance auditing and, in particular, a significant upgrading of the performance audit methodology.

Consultations with the Parliament's Public Accounts and Estimates Committee

Under the terms of the *Audit Act* 1994, the Office's annual performance audit program is 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 performance audits to be met from moneys appropriated to the Parliament.

A framework has been agreed by the Office with the Committee for periodic liaison concerning the annual performance audit program. In this regard, meetings were held during the year with the Committee on the audit program and the related funding needs for 1996-97.

Performance audit database

The Office maintains a performance audit database which consolidates information and knowledge on potential audit topics gathered by the Office from various sources each year. The periodic updating of this database provides an important basis for consultation with the Committee on the annual performance audit program.

OFFICE STAFF

Strategic Direction: Provide a work environment which recognises the importance of a professional, highly motivated and skilled workforce as the Office's most valuable resource

STAFF OF THE OFFICE

Office Executive

The Office Executive which acts as a Board of Management, comprises, in addition to the Auditor-General, the Deputy Auditor-General and 3 Assistant 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 Deputy Auditor-General retains a variety of overall corporate management responsibilities and deputises in the absence of the Auditor-General.



- **Ches Baragwanath** (FCPA)
Auditor-General of Victoria

Mr Baragwanath was appointed to the position in 1988 after previous service with the Australian National Audit Office and the then State Electricity Commission of Victoria. He was the inaugural Chairman of the Australian Society of Certified Practising Accountants (ASCPA) Audit Centre of Excellence, the Australian representative on the Public Sector Committee of the International Federation of Accountants during the period 1990-1992 and is a former President of the Victorian Division of the ASCPA.



- **Graham Hamilton** (CPA, RCA)
Deputy Auditor-General

Before being appointed as Deputy Auditor-General in 1990, Mr Hamilton gained extensive experience in the management of a wide range of financial and performance audits. Over recent years, he has maintained a strong focus on performance auditing and has overseen its expansion and continued development in the Office.

OFFICE STAFF



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

Prior to his appointment in 1989, Mr Manders held the position of Director of Audit with responsibility for managing financial and performance audits in several major ministerial portfolios. He is currently responsible for the strategic management and direction of one of the Office's 2 performance audit business groups and of the Office's corporate activities.



- **Russell A. Walker** (FCPA [Auditing])
Assistant Auditor-General

Before appointment to the position in 1987, Mr Walker gained a wide range of experience in the management of both financial and performance audits. He has, over recent years, maintained a strong focus on financial auditing with responsibility for the strategic co-ordination and direction of financial auditing within the Office. Mr Walker 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 (ACAG) on the Consultative Group to the Public Sector Accounting Standards Board. Recently, he was appointed Chairman of the ACAG Liaison Committee.



- **John Kehoe** (CPA)
Assistant Auditor-General

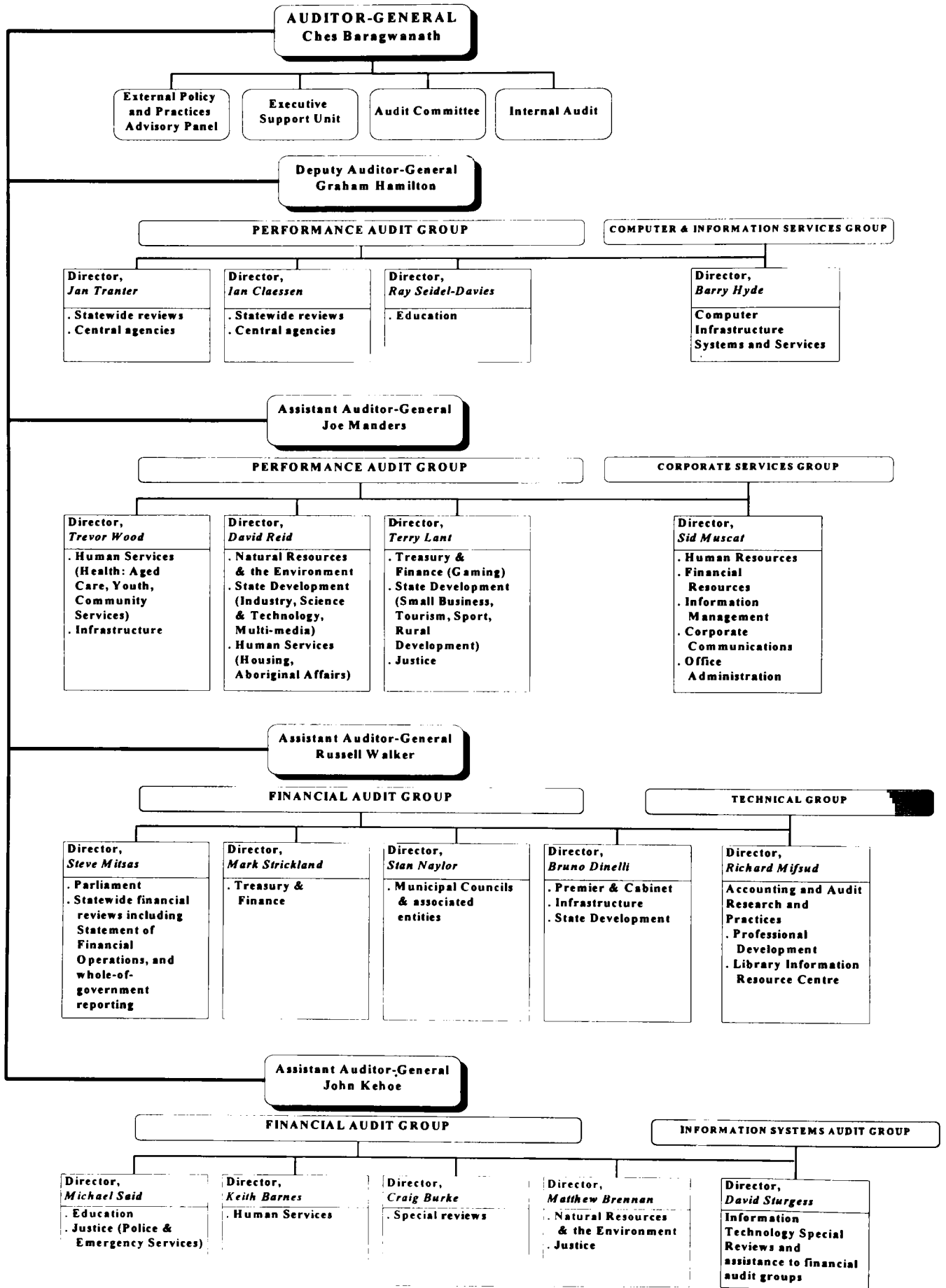
Appointed in 1989, Mr Kehoe previously held the position of Director of Audit and acquired substantial audit experience in a variety of ministerial portfolios. He is the co-ordinator of a team undertaking peer reviews of the Office's financial audit processes and has responsibility for the overall direction of the Office's central team overseeing the work of private sector audit contractors.

Organisation structure

The organisation chart of the Office at 30 June 1996 is presented on page 62. The chart reflects the revised organisational structure which was progressively implemented within the Office during 1994. Under this structure, separate business groups for financial and performance audits were established as a means of facilitating a sharper focus on the delivery of quality financial and performance audit services to the Victorian Parliament and client agencies.

OFFICE STAFF

ORGANISATION CHART



OFFICE STAFF

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

- *Computer and Information Services Group* - provide 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 support for current computing systems, and develops specialised and generalised computer-based audit tools for audit staff;
- *Corporate Services Group* - provide strategic and policy advice on human resource management, financial management, and publishing and marketing initiatives. At an operational level, the area contributes a range of services including personnel services, recruitment, clerical, accounting and payroll, information management, accommodation, registry, stores and transport.
- *Technical Group* - provide 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. The group also has responsibility for professional development within the Office and its library information resource centre; and
- *Information Systems Audit Group* - conduct of information systems audits in conjunction with financial audit business groups.

In addition, the Auditor-General is supported by:

- an *Executive Support Unit* provides policy, research and administrative assistance to members of the Office Executive.
- an *Audit Committee* comprising external membership oversees the preparation and audit of the Office's annual financial statements and addresses issues raised by the internal auditor of the Office.



Members of the Office's Secretarial Support Units: (from left) Rosalinda Brinas, Sandy Mitchell, Vittoria Luca and Frances Cristaudo.

**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 1996, members of the Panel were:

- Professor B.J. Garner, Professor of Computing, Deakin University;
- Mr D.T. Greenall, Chartered Accountant;
- Mr R.C. Trethevan, Fellow of the Australian Society of Certified Practising Accountants, previously with the Australian Securities Commission;
- Ms E. Alexander, Partner, Price Waterhouse;
- 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:

- findings of the independent performance audit of the Office;
- reports of the Auditor-General tabled in the Parliament;
- feedback from Panel members on relevant external developments;
- key emerging accounting and financial reporting issues; and
- amendments and updates to audit and local government legislation.

**Accounting and
audit policies
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 an authoritative and expert position in accounting and auditing policy and practice matters.

The Office's Technical Group is responsible for providing staff with up-to-date developments in financial reporting, financial management and auditing practice. As well as providing advice to staff on current and emerging technical issues, the Group is frequently involved in liaison with the Department of Treasury and Finance and the Australian accounting profession in relation to a number of significant financial reporting reforms.

**Library and
information
resources**

The Library and Information Resources Centre is the Office's prime source of reference material, annual reports, government reports, legislation and audit reports from within Australia and overseas. Information is provided to staff using the resources of the Internet and numerous CD-Rom and on-line data bases. In line with past practice, the Library and Information Resources Centre continues to assist both financial and performance audit staff through the provision of information which is of relevance to the conduct of the Office's audits.

OFFICE STAFF

Staffing profile

During 1995-96, the Office's staffing level rose from 141 staff (140.2 equivalent full-time [EFT]) at 30 June 1995 to 148 (146.8 EFT) at 30 June 1996. In the same period, the number of women employed by the Office increased to 36 per cent compared with 31 per cent in the previous year.

The following tables summarise staffing data relating to the Office at 30 June 1996, and on staff commencements and separations for the year.

AGGREGATE WORKFORCE DATA, AT 30 JUNE 1996

<i>Employment status</i>	<i>Male</i>		<i>Female</i>		<i>Total staff</i>	
	<i>(no.)</i>	<i>(EFT)</i>	<i>(no.)</i>	<i>(EFT)</i>	<i>(no.)</i>	<i>(EFT)</i>
Permanent	92	92.0	53	51.8	145	143.8
Leave without pay	1	1.0	1	1.0	2	2.0
Temporary			1	1.0	1	1.0
Total	93	93.0	55	53.8	148	146.8

STAFF COMMENCEMENTS AND SEPARATIONS (permanent staff)

<i>Classifications</i>	<i>1994-95</i>		<i>1995-96</i>	
	<i>Commence-ments</i>	<i>Separat-ions</i>	<i>Commence-ments</i>	<i>Separat-ions</i>
Executive Officer	-	1	-	-
Audit Manager	1	5	2	3
Audit Senior	2	19	4	6
Auditor	15	1	15	7
Non-audit staff	4	2	2	-
Total	22	28	23	16

Executive Officers

During 1995-96, the Government's new broadbanded framework for Executive Officers was fully implemented with remuneration ranges determined for Level 2 and Level 3 positions.

OFFICE STAFF

The following table summarises Executive Officer staffing at 30 June 1996.

PROFILE OF EXECUTIVE OFFICER POSITIONS, AT 30 JUNE 1996

<i>Classification</i>	<i>Male</i>	<i>Female</i>	<i>Total</i>	<i>Variation from previous year</i>
Filled positions -				
EO 1	-	-	-	-
EO 2	4	-	4	-
EO 3	15	1	16	+3
Total filled positions	19	1	20	+3
Vacant positions	-	-	-	-2
Total positions	19	1	20	+1

In accordance with the Directions of the Minister for Finance, information on remuneration levels for Executive Officers is included within the Office's annual financial statements in a later section of this Annual Report.

Review of salary levels for non-executive audit staff

In November 1995, the Office received the result of its consultancy review of private and public sector salary markets across Australia for non-executive audit positions.

The review identified a gap between the salary level of staff promoted to the Audit Senior level and the market rate applying to comparable positions. However, after extensive discussions with staff of the Office of the Public Service Commissioner and the Department of Business and Employment, a decision was made not to pursue an Office-specific salary structure for non-executive audit staff and to address this issue within the framework of the Office's Performance Management and Review System.

The principal impetus for undertaking the review was the exodus of quality audit staff who, because of their extensive and valuable training and experience within the Office are extremely marketable to private and public sector entities.

In this regard, many staff have been engaged by private sector organisations with significant loss to the public sector in terms of the previous investment by the Office in training and development.

Resource and skill mix

Consistent with its philosophy of maintaining an optimum skill mix to address its responsibilities, the Office seeks to ensure that its human resource base covers a broad range of professional qualifications. During 1995-96, numbers of staff from disciplines other than accounting increased to 20 per cent of its aggregate numbers (25 per cent of its qualified staff).

OFFICE STAFF

Employment arrangements for non-executive staff

During 1995-96, the Government's 2 tier pay offer was taken up by all non-executive staff employed on an Individual Employment Agreement. All staff on such agreements were involved in developing performance plans and underwent periodic assessments with their supervisors to measure performance during the period and to determine appropriate pay outcomes at the conclusion of the performance assessment cycle.

At 30 June 1996, 123 non-executive staff (96 per cent) had signed an Individual Employment Agreement.

STAFF SATISFACTION SURVEY

A major Corporate Plan action targeted and undertaken by the Office during the year involved a survey of staff. This survey, which was carried out towards year-end with the assistance of a specialist research company, was designed to measure the level of staff satisfaction with 3 principal areas, namely:

- operation of the Office's Performance Management and Review Scheme which was implemented on 1 July 1995;
- effectiveness of Office policies and strategies in emphasising corporate values of teamwork, professionalism, integrity, commitment and achievement of staff; and
- adequacy of the Office's professional development program in meeting the training and development needs of staff.

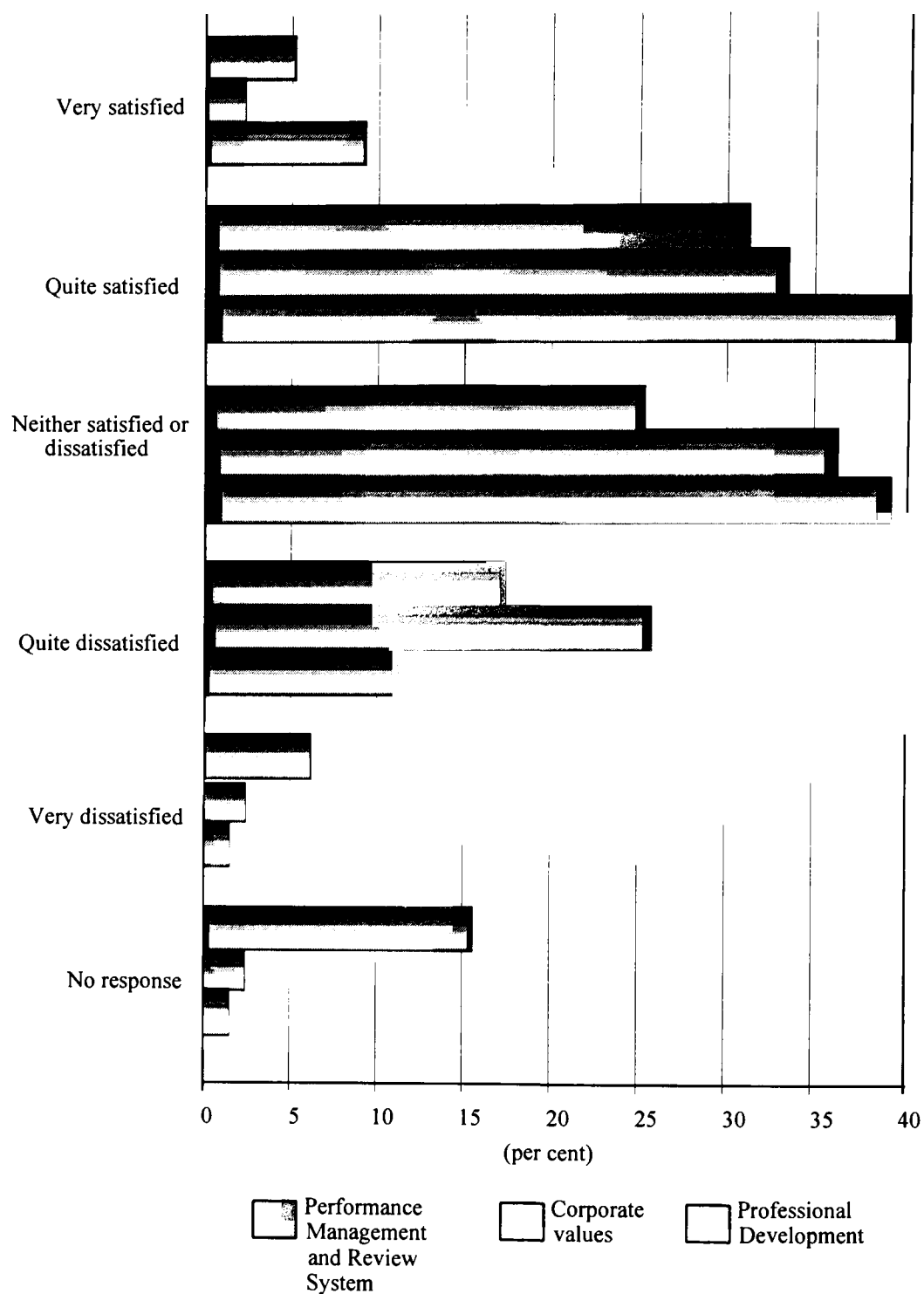
A staff satisfaction level of 75 per cent was established by the Office as a target for the 3 areas.

Results of survey

In presenting the results of the survey, the specialist research company indicated that the satisfaction levels established as targets by the Office, prior to the carrying out of the survey, had been optimistic. In addition, the Office was advised that the survey results would provide benchmarks against which future performance can be measured.

OFFICE STAFF

The overall results of the survey are outlined below:



The responses from staff were represented as a mean rating on a scale of 1 *very poor* to 10 *excellent* in respect of the Performance Management and Review System and professional development activities. An equivalent scale was used for corporate values with the lowest and highest parameters identified as *greatly hinders* or *greatly encourages*.

The results for each area and the recommended improvement target (which the specialist research company indicated would represent future material improvement), are shown in the table below.

OFFICE STAFF

SURVEY RATINGS AND IMPROVEMENT TARGETS

<i>Survey area</i>	<i>Staff rating</i>	<i>Improvement target</i>
PMRS	4.9	5.4
Corporate values	5.1	5.6
Professional development	5.7	6.2

A further question invited staff to identify the attributes they most valued in terms of corporate culture. The most valued attributes cited by staff compared with corporate values currently promoted by the Office are presented in the table below.

ATTITUDES TOWARDS CORPORATE CULTURE

<i>Attributes most valued by staff</i>	<i>Corporate values promoted by Office in Corporate Plan</i>
<ul style="list-style-type: none"> • Places a high value on staff as an asset • Job satisfaction • Professional • Objectivity and integrity • Attractive pay 	<ul style="list-style-type: none"> • Professional • Teamwork • Integrity • Commitment • Achievement

Overall comments on results of staff survey

Many positive comments have been provided by staff to the 3 areas addressed in the survey. In fact, for virtually all questions, the percentage of positive responses exceeded the percentage conveying an opposite view.

Nevertheless, some important messages have been signalled by staff, particularly in relation to ensuring that the Performance Management and Review System generates, as a distinct product, constructive information to support the individual staff member's future training and skills development needs. The survey has also reinforced the absolute importance of all Office staff with managerial or supervisory responsibilities focusing strong attention on the quality of their people management practices. In addition, an assessment of the profile of staff responses shows that greater management focus needs to be directed to the Office's administration and support personnel who feel their interests should receive the same emphasis or priority as staff involved in the Office's core financial and performance audit streams.

Finally, the Office intends to seriously analyse the various responses and pursue strategies which are aimed at further accentuating the value of its human resources as its predominant asset.

Graduate recruitment program

During March 1996, 15 graduates joined the Office and, following a comprehensive induction program, have made a smooth transition into their role of financial auditor within the Office.

OFFICE STAFF

A presence on university campuses is an important part of the Office's graduate recruitment program.



Under the graduate recruitment program for the 1997 intake of graduates, staff from the Office conducted information sessions at 5 university campuses throughout Victoria and attended business fairs at a further 3 tertiary institutions in the inner and outer Melbourne metropolitan area.

As part of the program, the Office produced a new improved recruitment brochure and poster boards, and this material was supplemented by a computer presentation at the information sessions. In addition, information adapted from the brochure was placed on the Office's homepage on the internet.

As a result of these processes, a number of students have been offered employment within the Office's financial audit business groups, with a planned commencement of employment in March 1997.

Certificates of Service to current staff

To reinforce the value of its staff, the Office has introduced certificates of service based on length of service. In this regard, staff with 10, 20 and 30 years of service were awarded Certificates of Service by the Auditor-General at an inaugural presentation during the Office annual seminar held in November 1995.



Long-serving members of the Office were presented with Certificates of Service to acknowledge their valuable contribution.

OFFICE STAFF

Past employees of the Office Former Auditor- General honoured

A former Auditor-General of Victoria, Mr Brian Waldron, was honoured with The Medal of the Order of Australia in the 1996 Australia Day Honours List. Mr Waldron served as Auditor-General of Victoria from April 1977 to June 1986, and was honoured for his services to accountancy and the community.



*Former Victorian Auditor-General,
Mr Brian Waldron, was honoured with
The Medal of the Order of Australia.*

In his 9 years as Auditor-General of Victoria, Mr Waldron earned the description of a "forward thinking Auditor-General" who served the Victorian Parliament and the community with absolute distinction. He pioneered significant changes in the strategic direction of public sector auditing in Victoria, the main outcome of which was the emergence and subsequent prominence of value-for-money audits - later to become known as "performance audits".

The Office congratulates B.J. Waldron, OAM, on his significant achievement.

Acknowledgment of retirees' past services

The Office considers its employees to be its most valuable resource. 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 community standing from the services of retired employees are highly regarded.

In December 1995, the Office recognised the services and achievements of retirees with a retired officers' luncheon which was attended by 14 retirees, including past Auditors-General.

TRAINING AND DEVELOPMENT OF STAFF

Annual professional development program

The Office's Professional Development (PD) Unit is responsible for providing a broad range of training and professional development activities for Office staff. The work of the Unit is central to maintaining a high level of professional competence for all staff. The PD Unit prepares, implements and evaluates an annual in-house professional development program within the Office, as well as providing specialist advice and support for staff. This program provides all staff with a structured framework to further develop their personal and professional skills in line with organisational objectives set out in the Office's Corporate Plan.

The in-house professional development program is supplemented with external courses, conferences and seminars to meet the development needs of individual staff members or specialised audit groups.

OFFICE STAFF



George Peters, Manager Professional Development, leads an in-house training session.

Training needs arising from PMRS

The Office's Performance Management and Review System, as described earlier in this Report, is the principal framework through which the Office seeks to plan, monitor, evaluate and develop the work performance of staff under the Victorian Public Service Non-Executive Officer Pay Structure. The System incorporates a mechanism for identification of specific training needs of staff as an important by-product of periodic staff appraisals. The identified training needs constitute an important source of information to guide development of the annual professional development program.

Professional development strategy

The PD Unit released a Professional Development Strategy for the Office to assist in the provision of a continued corporate focus on training and development. A number of goals and strategies are incorporated in the document and are combined with an implementation plan specifying key actions and milestones to be achieved.

Professional development activities

The following table summarises professional development activities undertaken during 1995-96. These activities have included structured training courses, conferences, seminars and special presentations.

OFFICE STAFF

TRAINING COURSES ATTENDED, 1995-96

<i>Course title</i>	<i>No. of courses</i>	<i>No. of days</i>	
		<i>Male</i>	<i>Female</i>
Internal courses -			
Accounting and Auditing	28	662	325
Management and Supervision	16	219	124
Computer Systems and Software	8	58	37
Personal Development	5	48	24
Structured On-the-job Training	-	38	25
External courses -			
Accounting and Auditing	39	87	48
Management and Supervision	27	34	32
Computer Systems	10	5	9
Personal Development	28	31	29
Total	161	1 182	653

Information relating to the costs of the various professional development courses held during the year and associated staff times and salary costs is presented in the following table.

PROFESSIONAL DEVELOPMENT DAYS AND COSTS, 1995-96

<i>Course attendance</i>	<i>Days</i>	<i>Salary cost</i>	<i>Cost of courses</i>	<i>Total</i>
	<i>(no.)</i>	<i>(\$)</i>	<i>(\$)</i>	<i>(\$)</i>
Internal	1560	181 946	25 663	207 609
External	275	32 074	68 957	101 031
Other costs -				
Contractors	-	-	36 227	36 227
Study leave	263	25 840	-	25 840
Total	2 098	239 860	130 847	370 707

Induction training for new graduates

The Office's 15 new graduates for 1996 received 13 days intensive training as part of their induction. The induction program incorporated audit methodology, Office computer systems and software, as well as Office policy procedures. The induction was supplemented with structured on-the-job training.

To assist in their transition from academia to work, each new graduate was assigned to a mentor. Since its introduction in 1987, the mentor scheme has been an important source of guidance and support to graduates in the early stages of their professional careers. The mentor scheme is an integral part of the Office's commitment to human resources development.

OFFICE STAFF



*New graduates
commenced with the Office
in March 1996.*

Encouragement for Professional CPA accreditation

The Office continues to support and encourage existing accounting staff and incoming graduates to attain professional accreditation with the Australian Society of Certified Practising Accountants (CPA status). A total of 20 staff are currently undertaking segments of the CPA accreditation program.

Senior Management Discussion Group

The Office has continued to keep senior management informed on important contemporary issues in public sector resource management through a series of Senior Management Group presentations during the year. Guest speakers have included Chief Executive Officers from both the public and private sectors. During 1995-96, the range of topics included:

- the Karpin Report;
- Quality/benchmarking/relationships with private sector auditors;
- Codified auditing standards;
- Management Improvement Initiative;
- Compulsory Competitive Tendering in local government;
- Autumn Economic Statement (May 1996); and
- Strategic purchasing reforms in the Victorian Public Service.

Office participants in the Government's Leadership 21 program

In January 1996, Directors of Audit, Mr Steve Mitsas and Ms Jan Tranter were selected as participants of the Victorian Government's Leadership 21 Executive Officer Development Program. The Program is aimed at revitalising the Executive service and enabling leadership to be provided from within the public sector. As part of the one year Program, the participants have attended residential leadership activities, including one provided by a consortium which brings together public and private sector organisations.

Leadership 21 has also provided opportunities for participants to attend a range of workshops, seminars and briefings addressing current and emerging needs of the Government. The issues addressed during these activities have included the impact of the National Competition Policy and the role of senior managers in outsourcing.

OFFICE STAFF

Continued corporate focus on the value of secondments

For many years now, secondments to and from the Office have provided avenues for staff to expand their skills and professional knowledge. These secondments have been arranged at various levels and have involved both private and public sector organisations within Australia or overseas.

In 1995-96, the Office continued to give emphasis to staff secondment opportunities with 5 secondment arrangements approved during the year. Staff involved in these secondments were:

- Mr Chris Theodoratos (Audit Manager) to the Australian Industry Commission;
- Ms Annette Cruz (Audit Senior) to the former Department of Arts, Sport and Tourism;
- Mr Mark Peters (Audit Manager) to the UK National Audit Office;
- Mr Nick Myrianthis (Audit Senior) to the University of Melbourne; and
- Mr Johann Jansz (Audit Senior) to the Public Accounts and Estimates Committee.



Mark Peters commenced a 9 month secondment with the UK National Audit Office in March 1996.

The Office was also able to provide secondment opportunities to:

- Mr Tim Fry from the UK National Audit Office; and
- Mr Peter Stoppa from the Department of Justice.

The following secondment, which was arranged during the previous year, continued in 1995-96:

- Mr Corrie Cavarra (Auditor), to the Victorian Casino and Gaming Authority.

Various internal secondment programs continued within the Office as a means of broadening the experience and skill base of staff.

WORK ENVIRONMENT

Occupational Health and Safety

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 key activities organised by the Committee during 1995-96 were:

- the commissioning of a consultancy to undertake an assessment of the ergonomic adequacy of off-site client agencies; and
- the delivery of an Office-wide training sessions in the appropriate use of portable computers.

OFFICE STAFF

In addition, the Office engaged a consulting firm to perform an assessment of accommodation conditions for audit staff at off-site locations.

In view of the extensive use of laptop computers by staff, an Office-wide training program was implemented. The objectives of the training session were to enable staff to:

- develop an understanding of office ergonomics;
- identify the most common problems with posture at workstations when using portable computers; and
- identify and demonstrate strategies to eliminate injury risk factors.

The sessions consisted of a short lecture combined with a practical demonstration, which was followed by group discussion.

The Office, through its Board of Management, is firmly committed to merit and equity principles. In this context, the Office has the following processes in place to promote these principles:

- involvement of all staff in the development of the Office's Corporate Plan;
- appropriate policies and a Committee, to address merit and equity issues;
- application of merit principles for key decision-making on staff matters, i.e. promotions, secondments and assignments of higher duties;
- submissions for training by all staff are considered without bias; and
- provision of information to staff about issues relating to equity in employment.

The Office's Merit and Equity Committee met regularly throughout the year. A focus of the Committee's action plan for the period 1996-1999 has been to commence a review of human resource policies of the Office to ensure that they conform with the principles of merit and equity.

As an initial step in a strategy geared to develop skills in managing diversity, the Office has compiled data based on a personal questionnaire inviting staff to provide information to enable identification of the structure of its workforce in the context of the Government's defined designated groups.

A number of staff attended workshops on managing diversity and individual staff member's performance plans were amended to reflect appropriate management principles.

The Office has adopted a number of specific family-related strategies including:

- access to flexitime to assist men and women to meet their child care responsibilities;
- availability of leave without pay for career breaks; and
- approval of part-time employment arrangements in certain circumstances to assist staff with family commitments.

For several years, the Office has recognised the important contribution made by women in the workforce, and particularly in management positions. This recognition is inherent in the Office's Vision Statement and is consistent with its commitment to managing diversity.

During 1995-96, the percentage of women in management positions (VPS-4 and above) increased from 23.5 per cent to 25 per cent.

OFFICE STAFF

Declaration of pecuniary interests

All relevant officers completed a declaration of pecuniary interests during 1995-96.

Consultancies

During the year, the Office obtained the services of 2 consultants in respect of human resources issues at an aggregate value of \$35 500.

Social Club activities

The Office's Social Club was established in 1984 with the aim of engendering and enhancing a spirit of friendship and team work, and to maintain a high level of staff morale. To this end, the elected social club representatives for the 1995-96 year set the following mission statement:

"To enhance the social, and consequently the working, relationship between all staff within the organisation and to facilitate the Office achieving its corporate goal of a motivated and harmonious working environment".

The Office Social Club provides an important service in meeting the cultural, recreational and commonality of interest found among staff which, through its elected representatives, identify, plan, organise and deliver Office-wide functions.

The major events of the 1995-96 Social Club calendar included an Office Dinner Dance, an Office Christmas Party and monthly activities including a ski weekend, harness racing night and various sporting events. An annual cricket match is conducted against the Department of Treasury and Finance, and the Social Club continues to sponsor the Office's *Effective Footwork* running team.



The annual Office Dinner Dance is the major event organised by the Social Club.

INFORMATION TECHNOLOGY

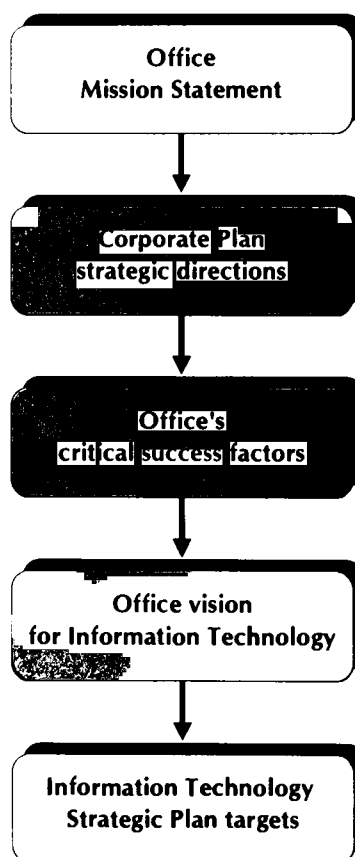
RELEVANCE OF INFORMATION TECHNOLOGY TO THE OFFICE

Information technology (IT) activities in the Office focus directly on the corporate objectives stated in the Corporate Plan. All IT facilities and services are aimed at improving the productivity of audit and support activities.

Every staff member has immediate access to a comprehensive range of computer applications and facilities when working in head office and at client premises. All workstations are permanently connected to a high speed local area network and portables can be connected to the same network both within head office and from client premises. These facilities provide an effective electronic medium for communications and day-to-day management and supervision of audit activities by staff who are located around the Melbourne metropolitan area.

The Office's IT Strategic Plan

The Office's IT Strategic Plan was developed using the following conceptual model:



INFORMATION TECHNOLOGY

The current IT Strategic Plan includes 6 key targets, namely, to:

- foster and further develop the IT culture in the Office;
- enhance the Audit Management Information System;
- 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

This approach has helped maintain a business focus for all IT activities in the Office.

ACHIEVEMENTS DURING THE YEAR

The new computer network equipment, installed late in the previous financial year, posed considerable challenges in 1995-96, with numerous hardware and software malfunctions. Despite these difficulties, a high level of service was maintained, and many tasks for the year were completed. Major achievements of the Office for the year included:

- Extensive support and facilities were provided to the automation of the Office's financial audit methodology. This process included the deployment of new portable computers, extensive staff training and resolution of day-to-day problems. The project is delivering major quality and productivity improvements for financial audits;
- Replacement of all network workstations to improve network response times and hardware reliability;
- All portable computers can now be connected to the Office computer network when staff are working outside head office;
- The text retrieval package used to index all Office reports was upgraded to function under Windows;



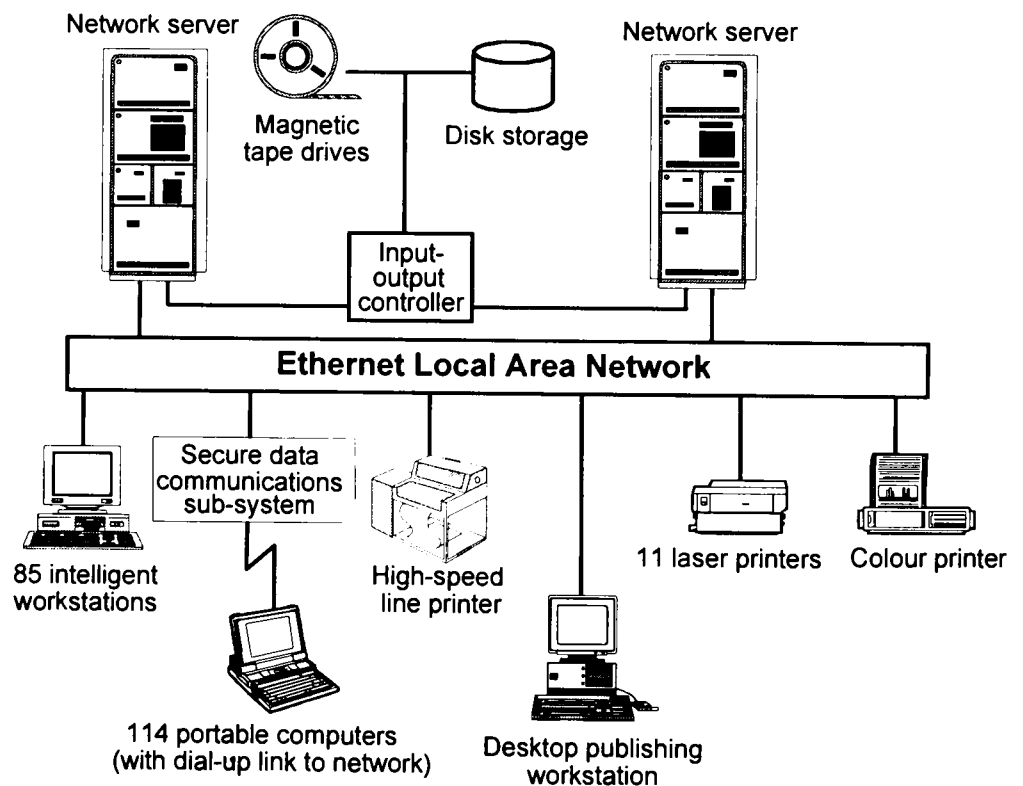
Kim Keane (left) and Robert Schmidt from the Computer and Information Services Division helped to ensure a high level of computer services to the Office.

The internet is now available to staff from 2 locations in the Office. This position facilitates improved communications with Audit Offices worldwide and provides access to a greater range of research material;

- All Office reports are now published in full text form on the internet world wide web. As such, local and international users of the network have access to Office reports within 2 hours of release. A comprehensive home page has been established and provides extensive coverage of the role and activities of the Office;
- A new Windows-based library catalogue system was installed and allows auditors to perform catalogue searches from network workstations during the research phase of audits; and
- A significant amount of data was analysed for financial auditors using network storage and query facilities. This means audit risk is reduced and auditor productivity is improved as the computer can process huge volumes of data quickly.

These achievements have contributed to improving the productivity of staff, provided clients with faster access to reports and helped improve the quality of audits.

OFFICE COMPUTER NETWORK



TASKS FOR 1996-97

Key tasks to be undertaken during 1996-97 include:

- continued conversion of the Audit Management Information System to a Windows-based application;
- investigation of the feasibility of automating features of the performance audit methodology; .
- assessment of the need for automating the Office's records management function;
- evaluation of the costs and benefits of connecting to the Government's electronic mail system;
- enhancements to Office access to the internet and continued development of the Office's home page; and
- further upgrading of the word processing software, the financial audit methodology software and the Windows operating system.

FINANCIAL MANAGEMENT

FINANCIAL HIGHLIGHTS

Summary of financial results for the past 5 years

The Office is responsible, on behalf of the Parliament, for the provision of external audit services to the Victorian public sector. Annual appropriations provide the necessary funding for operations of the Office, which subsequently recovers fees from client agencies in respect of financial audits and from the Parliament, for performance audits. All audit fees are paid into the Consolidated Fund.

The following table presents information extracted from the audited financial statements of the Office on its operations for the past 5 years.

NET OUTLAYS ON OPERATIONS (\$'000)

<i>Item</i>	<i>1991-92</i>	<i>1992-93</i>	<i>1993-94</i>	<i>1994-95</i>	<i>1995-96</i>
Expenditure	14 915	16 919	13 612	15 481	17 699
Audit fee income	9 263	11 552	10 117	12 637	16 169
Net outlays	(5 652)	(5 367)	(3 495)	(2 844)	(1 530)

As shown in the above table, the financial results for the past 5 years reflect a progressive reduction in the net cost of operations of the Office, with a particularly significant decrease in net cost (around 46 per cent) in 1995-96 over the previous financial year. The decrease in the year was mainly attributable to:

- recovery of costs from the Parliament's appropriation in respect of all performance audits;
- cost-efficiencies derived from the use of the Office's advanced financial audit methodology; and
- increased staff productivity from upgraded computer facilities, including the provision of notebook computers to all field audit staff.

The decreasing costs to the Victorian taxpayer of operating the Office reflects the Office's commitment towards greater operational efficiency in the delivery of its independent audit services to the Parliament, Government and community.

Analysis of operating costs by sub-program

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 5 years.

FINANCIAL MANAGEMENT

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

<i>Sub-program</i>	<i>1991-92</i>	<i>1992-93</i>	<i>1993-94</i>	<i>1994-95</i>	<i>1995-96</i>
Audit Operations	12 413	14 558	11 835	13 251	15 434
Support Services	2 502	2 361	1 777	2 230	2 265
Total	14 915	16 919	13 612	15 481	17 699

Expenditure levels in 1995-96 were significantly influenced by the Office's involvement in the interim audit work on municipal council audits and the conduct of a significant number of due diligence audit reviews in the local government sector.



The Office's internal auditor Neville Eyre (left), Shamita Kapitan, a member of the external audit team and Siong Soong, Manager Financial Resources, discussing the Office's 1995-96 financial statements.



**VICTORIAN
AUDITOR-
GENERAL'S
OFFICE**

*Auditing in the
Public Interest*

FINANCIAL STATEMENTS

for the year ended
30 June 1996

FINANCIAL STATEMENTS

STATEMENT OF OPERATIONS

for the year ended 30 June 1996

<i>Item</i>	<i>Notes</i>	<i>1995-96</i>	<i>1994-95</i>
		(\$)	(\$)
EXPENDITURE			
Salaries and associated costs	4	8 478 202	7 951 995
Superannuation	1(e)(v), 4	619 546	710 325
Contract audits	4	5 829 489	3 801 374
Administration	4	1 744 047	1 695 800
Depreciation and amortisation	4	896 419	676 728
Bad and doubtful debts	4	95 910	-
Finance charges	4	36 001	19 356
Total expenditure		17 699 614	14 855 578
INCOME			
Audit fees	5	16 077 363	12 580 920
Other income		73 647	47 090
Net income from disposal of non-current assets		18 637	9 247
Total income		16 169 647	12 637 257
NET COST OF OPERATIONS BEFORE ABNORMAL ITEMS			
		(1 529 967)	(2 218 321)
ABNORMAL ITEMS	14	-	(626 007)
NET COST OF OPERATING THE OFFICE	12	(1 529 967)	(2 844 328)
INCOME FROM GOVERNMENT			
Special appropriation	3	187 280	154 674
Recurrent appropriation		16 772 979	14 192 325
Capital appropriation		439 592	982 000
Other income		15 150	42 684
		17 415 001	15 371 683
Less:			
Amounts paid to the Consolidated Fund		(14 952 448)	(12 488 067)
Net income from government		2 462 553	2 883 616
CHANGE IN NET ASSETS RESULTING FROM OPERATIONS			
		932 586	39 288
Accumulated surplus 1 July		3 944 108	5 450 546
Adjustments to accumulated surplus	11	-	(1 545 726)
Accumulated surplus 30 June		4 876 694	3 944 108

FINANCIAL STATEMENTS

BALANCE SHEET

as at 30 June 1996

<i>Item</i>	<i>Notes</i>	<i>1995-96</i>	<i>1994-95</i>
		<i>(\$)</i>	<i>(\$)</i>
ASSETS			
Current assets -			
Cash at bank and on hand		5 000	4 905
Debtors and audits-in-progress	6	4 656 657	3 563 730
Prepayments		276 394	184 984
		4 938 051	3 753 619
Non-current assets -			
Fixed assets	-	2 749 304	2 892 061
Leased assets	8	1 393	15 157
Investment	9	390 789	153 256
		3 141 486	3 060 474
Total assets		8 079 537	6 814 093
LIABILITIES			
Current liabilities -			
Creditors and accruals		330 225	379 909
Provision for employee entitlements	9	775 368	636 324
Finance lease liability	10(a)	1 149	19 309
Departmental advance		5 000	5 000
		1 111 742	1 040 542
Non-current liabilities -			
Provision for employee entitlements	9	2 091 101	1 828 017
Finance lease liability	10(a)	-	1 426
		2 091 101	1 829 443
Total liabilities		3 202 843	2 869 985
EQUITY			
Accumulated surplus	11	4 876 694	3 944 108
Total liabilities and equity		8 079 537	6 814 093

FINANCIAL STATEMENTS

STATEMENT OF CASH FLOWS

for the year ended 30 June 1996

<i>Item</i>	<i>Notes</i>	<i>1995-96</i>	<i>1994-95</i>
		(\$)	(\$)
		Inflows	Inflows
		(Outflows)	(Outflows)
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments -			
Salaries and associated costs		(8 935 342)	(8 628 463)
Administrative expenses		(1 100 228)	(988 522)
Accommodation		(734 138)	(620 591)
Contract audits		(5 871 674)	(3 659 647)
Finance charges		(36 001)	(19 356)
Receipts -			
Fees and charges		14 907 484	12 471 964
Other		44 964	16 103
Net cash used in operating activities	12	(1 724 935)	(1 428 512)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for purchase of non-current assets	13	(720 835)	(1 241 239)
Finance lease payments		(16 783)	(213 865)
Net cash used in investing activities		(737 618)	(1 455 104)
CASH FLOWS FROM GOVERNMENT			
Receipts from appropriations		17 399 851	15 328 999
Other income		15 150	42 684
Payments of revenue collections to the Consolidated Fund		(14 952 448)	(12 488 067)
Increase/(decrease) in Advance Account and payment of outstanding appropriation		95	(10 179)
Payments not reimbursed		-	(95)
Net cash from government		2 462 648	2 873 342
Net increase (decrease) in cash held		95	(10 274)
Cash at 1 July 1995		4 905	15 179
Cash at 30 June 1996		5 000	4 905

FINANCIAL STATEMENTS

SUMMARY OF COMPLIANCE WITH EXTERNALLY - IMPOSED FINANCIAL DIRECTIVES

for the year ended 30 June 1996

		1995-96			1994-95		
		Appropriation		Expenditure	Appropriation		Expenditure
		(\$)	(\$)	(\$)	(\$)	(\$)	(\$)
Note	Original	Total		Original	Total		
RECURRENT (a)							
Program 609	2	16 309 000	16 309 000	14 568 986	16 438 000	16 553 000	14 192 325
CAPITAL		500 000	500 000	439 592	982 000	982 000	982 000
SPECIAL (b)		167 000	190 100	187 280	116 000	155 000	154 674
TREASURER'S ADVANCE		-	2 203 993	2 203 993	-	-	-
TOTAL		16 976 000	19 203 093	17 399 851	17 536 000	17 690 000	15 328 999

(a) Expenditure includes \$3 283 400 for receipts credited under section 29 of the *Financial Management Act* 1994.

(b) The Auditor-General's remuneration is paid from a special appropriation by Parliament in accordance with section 4(4) of the *Audit Act* 1994.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 1996

1 SIGNIFICANT ACCOUNTING POLICIES

- (a) These financial statements are a general purpose financial report and have been prepared in accordance with Australian Accounting Standards and are consistent with the requirements of the *Financial Management Act* 1994. 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 and the comparative figures for 1994-95 have been disclosed on a basis consistent with the disclosures specified for the current reporting period.

(b) *Appropriations*

Appropriations, whether special, recurrent, capital or other, are recognised as income from government in the period in which the Office gains control of the appropriated funds.

(c) *Other income*

Other income is recognised in the period in which the Office gains control of the funds as provided.

(d) *Non-current assets*

Fixed 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 are depreciated on a straight line basis over their estimated useful lives. In respect of private use motor vehicles acquired up to June 1996 prior to the removal of sales tax exemption, trade-in disposal prices compared favourably with acquisition costs (excluding sales tax), therefore no depreciation was charged and the profit or loss adjustment was 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.

(e) Employee entitlements

(i) Provision for long service leave

A liability for long service leave is recognised, and is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given, when assessing expected future payments, to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using interest rates attaching, as at the reporting date, to Commonwealth Government guaranteed securities with terms to maturity that match, as closely as possible, the estimated future cash outflows. 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 1996 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 1996 is classified as a current liability.

(iv) Performance incentive payments

The Office's obligations in respect of the Executive Officers' performance incentive payments at 30 June 1996 is classified as a non-current liability.

(v) Superannuation

In the past, while employees have contributed directly to the State Superannuation Fund, the Office's obligations to the Fund have not been met by the Government until the time when members become eligible for benefits. Commencing in 1994-95, the Government provided funding to the Office, as part of its recurrent appropriation, in respect of employer's superannuation contributions which have been recognised as income from government and expenditure of the Office in the Statement of Operations.

The Office contributes towards the State Superannuation Fund and the Victorian Superannuation Fund for employees who are members of the Revised and New schemes, and the VicSuper scheme, respectively. The rates used as the basis for determining superannuation contributions to the Funds are as laid down by the Department of Treasury and Finance and the *Commonwealth Superannuation Guarantee (Administration) Act 1992*. The Office also contributes towards private complying superannuation funds for other employees in compliance with the requirements of the abovementioned Act.

No liability is shown for superannuation in the Balance Sheet as the Government has advised that it intends to reflect the aggregate budget sector liability for superannuation in the financial statements of the Department of Treasury and Finance.

FINANCIAL STATEMENTS

(f) 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 AAS17 on "Accounting for Leases", 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.

(g) 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 PROGRAM OF THE OFFICE

Program 609 is the only major program undertaken by the Office. The objectives of this Program are to independently audit and report on the operations of the public sector in order to improve accountability and encourage economic, efficient and effective use of public resources.

The Office is funded by parliamentary appropriations. All resources controlled by the Office in order to carry out its functions have been included in the financial statements. A major function of the Office is the legislative role of the Auditor-General to provide external auditing services on behalf of the Parliament to public sector agencies. Audit fee income generated is required to be paid into the Consolidated Fund.

③ APPROPRIATIONS

Reconciliation of appropriations to government income

<i>Item</i>	<i>1995-96</i>	<i>1994-95</i>
	<i>(\$)</i>	<i>(\$)</i>
Total appropriations	17 399 851	15 328 999
Other income (a)	15 150	42 684
Income from government	17 415 001	15 371 683

(a) During the year, the Office received a grant of \$5 400 from Information Victoria to partially offset expenses associated with the Office's participation in the Victorian Government Exhibition at the 1995 Royal Melbourne Show.

FINANCIAL STATEMENTS

4 OPERATING EXPENSES

<i>Item</i>	<i>1995-96</i>	<i>1994-95</i>
	(\$)	(\$)
Audit operations -		
Salaries and associated costs	6 863 130	6 427 943
Superannuation	498 858	571 457
Contract audits	5 829 489	3 801 374
Administration	1 396 456	1 356 830
Depreciation	712 971	390 706
Amortisation	8 826	153 721
Bad and doubtful debts	95 910	-
Finance charges	28 382	-
Total audit operations	15 434 022	12 702 031
Support services -		
Salaries and associated costs	1 615 072	1 524 052
Superannuation	120 688	138 868
Administration	337 841	329 720
Depreciation	172 487	94 945
Amortisation	2 135	37 356
Finance charges	7 619	19 356
Audit fees	9 750	9 250
Total support services	2 265 592	2 153 547
Total	17 699 614	14 855 578

5 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

<i>Item</i>	<i>1995-96</i>	<i>1994-95</i>
	(\$)	(\$)
Proceeds from disposal of motor vehicles	321 896	255 102
Less: cost of motor vehicles	303 259	245 855
Net income	18 637	9 247

FINANCIAL STATEMENTS

6 DEBTORS AND AUDITS-IN-PROGRESS

<i>Item</i>	<i>30 June 1996</i>	<i>30 June 1995</i>
	(\$)	(\$)
Debtors	2 587 170	1 195 127
Audits-in-progress	2 115 357	2 570 978
Others	50 040	30 987
Public Account	-	95
	4 752 567	3 797 187
Less:		
Bad debts written off	79 910	233 457
Provision for doubtful debts	16 000	-
	4 656 657	3 563 730

7 FIXED ASSETS

<i>Description</i>	<i>At cost/ valuation 30.6.96</i>	<i>Depreciation for 1995-96</i>	<i>Accumulated depreciation 30.6.96</i>	<i>Written-down value</i>	
				<i>Closing</i>	<i>Opening</i>
	(\$)	(\$)	(\$)	(\$)	(\$)
Furniture and fittings	1 301 050	(144 372)	(695 410)	605 640	739 926
Motor vehicles	501 325	(974)	(974)	500 351	434 011
EDP equipment	3 201 374	(726 715)	(1 617 282)	1 584 092	1 685 251
Library	70 833	(7 083)	(59 755)	11 078	18 161
Office equipment	114 452	(6 314)	(66 309)	48 143	14 712
Total	5 189 034	(885 458)	(2 439 730)	2 749 304	2 892 061

8 LEASED ASSETS

<i>Item</i>	<i>At cost 30.6.96</i>	<i>Amortisation 1995-96</i>	<i>Accumulated amortisation 30.6.96</i>	<i>Net value</i>	<i>Net value</i>
				<i>30.6.96</i>	<i>30.6.95</i>
	(\$)	(\$)	(\$)	(\$)	(\$)
Equipment leased under State Computer Lease Facility	1 857 931	(10 961)	(1 856 538)	1 393	15 157

9 PROVISION FOR EMPLOYEE ENTITLEMENTS

Entitlement	Current liabilities	Non-current liabilities	Total	
			1995-96	1994-95
	(\$)	(\$)	(\$)	(\$)
Long service leave	186 890	1 682 006	1 868 896	1 848 241
Annual leave	510 384	-	510 384	396 858
Accrued days off	50 181	-	50 181	34 837
Accrued salary on costs	27 913	-	27 913	19 805
Performance Incentive Scheme (a)	-	409 095	409 095	164 600
Total shown in Balance Sheet	775 368	2 091 101	2 866 469	2 464 341

(a) In accordance with the terms of the *Public Sector Management Act 1992*, a total of \$390 789 set aside for Executive Officers' performance pay entitlements, but excluding related on-costs, has been paid into the "Performance Incentive Payments Scheme Trust Account". The proceeds of this Account are invested with the Treasury Corporation of Victoria.

10 (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):

Lease	1995-96	1994-95
	(\$)	(\$)
Lease payments due -		
Not later than 1 year	1 176	19 867
Later than 1 year and not later than 2 years	-	1 472
Later than 2 years and not later than 5 years	-	-
Minimum lease payments	1 176	21 339
Deduct: Future finance charges	27	604
Lease liability	1 149	20 735
Shown in Balance Sheet under -		
Current liabilities	1 149	19 309
Non-current liabilities	-	1 426
Balance at 30 June	1 149	20 735

10 (b) OPERATING LEASE COMMITMENTS

<i>Lease</i>	<i>1995-96</i>	<i>1994-95</i>
	(\$)	(\$)
Not later than 1 year	626 171	630 913
Later than 1 year but less than 2 years	616 007	625 551
Later than 2 years but less than 5 years	1 848 021	1 848 021
Later than 5 years	1 196 572	1 812 579
Total	4 286 771	4 917 064

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

11 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.

<i>Item</i>	<i>1995-96</i>	<i>1994-95</i>
	(\$)	(\$)
Accumulated surplus		
Balance 1 July	3 944 108	5 450 546
Reinstatement of long service leave liability previously assumed by the Government	-	(1 611 162)
Financial effect of change to accumulated surplus at 1 July 1994 arising from adoption of Australian Accounting Standard AAS30 on "Accounting for Employee Entitlements"	-	65 436
Adjusted balance 1 July	3 944 108	3 904 820
Change during period	932 586	39 288
Balance 30 June	4 876 694	3 944 108

12 CASH FLOW STATEMENT

Reconciliation of net cash used in operating activities to net cost of operating the Office.

For the purposes of the statement of cash flows, "cash" includes cash at bank and on hand.

<i>Item</i>	<i>1995-96</i>	<i>1994-95</i>
	(\$)	(\$)
Net cost of operating the Office	(1 529 967)	(2 844 328)
Items not involving cash -		
Depreciation	885 458	485 651
Amortisation	10 961	191 077
Bad and doubtful debts	95 910	233 457
	992 329	910 185
Investing activity -		
Net income from disposal of non-current assets	(18 637)	(9 247)
Change in operating assets and liabilities -		
Increase in employee entitlements	402 128	557 150
(Increase) in current assets	(1 280 342)	(21 406)
(Increase) in non-current assets	(240 763)	(228 449)
(Decrease)/increase in current liabilities	(49 683)	207 583
	(1 168 660)	514 878
Net cash used in operating activities	(1 724 935)	(1 428 512)

13 PURCHASE OF NON-CURRENT ASSETS

<i>Item</i>	<i>1995-96</i>	<i>1994-95</i>
	(\$)	(\$)
Payments for acquisition of furniture and fittings, computer equipment etc.	720 835	1 241 239

14 ABNORMAL ITEMS

<i>Item</i>	<i>1995-96</i>	<i>1994-95</i>
	(\$)	(\$)
Bad debts written-off	-	233 457
Employee entitlements	-	392 550
Total	-	626 007

15 DISCLOSURES RELATING TO MINISTERS AND ACCOUNTABLE OFFICERS

Given the independent relationship of the Auditor-General with the Parliament, no government minister has any direct responsibility for the operations of the Victorian Auditor-General's Office. However, because the Office is administratively linked to the Department of Premier and Cabinet, the following disclosures are made relating to the Responsible Minister and Accountable Officer in accordance with the Directions of the Minister for Finance under the *Financial Management Act 1994*:

(i) *Names*

Persons who held the above positions in relation to the Office at any time during the reporting period are:

Responsible Minister	The Hon. J. Kennett MLA The Hon. P. McNamara MLA (Acting)
Accountable Officer (Auditor-General)	Mr C.A. Baragwanath Mr K.G. Hamilton (Acting)

(ii) *Remuneration*

Remuneration received or receivable by the Accountable Officer in connection with the responsibilities of the position during the reporting period was in the range:

\$180 000 - \$190 000 (1994-95: \$150 000 - \$160 000)

The relevant amount relating to the Responsible Minister is reported separately in the financial statements of the Department of Premier and Cabinet. The amount relating to the Acting Accountable Officer is included in "Executive Officers Remuneration".

(iii) *Other transactions*

Other related party transactions requiring disclosure under the Directions of the Minister for Finance have been considered and there are no matters to report.

16 EXECUTIVE OFFICERS REMUNERATION

(i) The numbers of executive officers whose total remuneration exceeded \$100 000 during the reporting period, are shown below in their relevant income bands:

<i>Income band</i>	<i>1995-96</i>	<i>1994-95</i>
\$100 000 to \$109 999	4	2
\$110 000 to \$119 999	1	1
\$120 000 to \$129 999	2	2
\$130 000 to \$139 999	1	1
Total number of executive officers	8	6

(ii)

<i>Item</i>	<i>1995-96</i>	<i>1994-95</i>
	(\$)	(\$)
Total remuneration for the reporting period of executive officers included above amounted to:	909 252	695 971

CERTIFICATION OF FINANCIAL STATEMENTS

We, the undersigned, hereby certify that:

- in our opinion the financial statements of the Victorian Auditor-General's Office present fairly, the financial operations during 1995-96 and the financial position of the Office as at 30 June 1996;
- 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 other mandatory professional reporting requirements and the requirements of the *Financial Management Act 1994*.



H. S. SOONG

Manager, Financial Resources

MELBOURNE 2/9/1996



C. A. BARAGWANATH

Auditor-General

FINANCIAL STATEMENTS

INDEPENDENT AUDITOR'S REPORT

Audit scope

We have audited the accompanying financial statements of the Victorian Auditor-General's Office for the year ended 30 June 1996, comprising the statement of operations, balance sheet, statement of cash flows and notes to the financial statements. The Auditor-General 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 in accordance with section 17 of the *Audit Act* 1994.

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 an 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 Accounting Standards and other mandatory professional reporting requirements (Urgent Issues Group Consensus Views) and comply with the requirements of the *Financial Management Act* 1994, so as to present a view which is consistent with our understanding of the financial position of the Victorian Auditor-General's Office and the results of its operations and its cash flows.

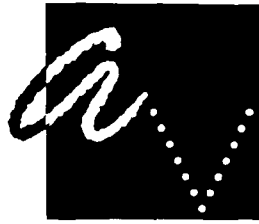
The audit opinion expressed on the financial statements has been formed on the above basis.

Audit opinion

In our opinion, the financial statements present fairly the financial position of the Victorian Auditor-General's Office as at 30 June 1996 and the results of its operations and its cash flows for the financial year ended on that date in accordance with applicable Accounting Standards and other mandatory professional reporting requirements and comply with the requirements of the *Financial Management Act* 1994.



D.N. BARTLEY
KPMG
2 / 9 / 1996



**VICTORIAN
AUDITOR-
GENERAL'S
OFFICE**

*Auditing in the
Public Interest*

APPENDICES

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Appendix 1: OFFICE PUBLICATIONS

AVAILABILITY OF PUBLICATIONS

Publications issued by the Victorian Auditor-General's Office are available from:

- Corporate Communications Section
Victorian Auditor-General's Office
Level 14, 222 Exhibition Street
Melbourne Vic. 3000
Phone: (03) 9651 6059
Fax: (03) 9651 6361
E-mail: vicaud1@vicnet.net.au
Homepage: <http://www.vicnet.net.au/~vicaud1/aghome.htm>
- Information Victoria Bookshop
318 Little Bourke Street
Melbourne Vic. 3000
Phone: (03) 9651 4100
Fax: (03) 9651 4111

PUBLICATIONS ISSUED OVER THE PAST 5 YEARS

- 1991-92** *Report of the Auditor-General on the Finance Statement, year ended 30 June 1991.*
Annual Report of the Office of the Auditor-General, 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.
Special Report No. 18 - Bayside Development, May 1992.
Report on Ministerial Portfolios, May 1992.
- 1992-93** *Report of the Auditor-General on the Finance Statement, year ended 30 June 1992.*
Annual Report of the Victorian Auditor-General's Office, 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.
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.
Report on Ministerial Portfolios, May 1993.

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- 1993-94** *Report of the Auditor-General on the Finance Statement, year ended 30 June 1993.*
Annual Report of the Victorian Auditor-General's Office, 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.
Special Report No. 31 - Purchasing Practices, May 1994.
Report on Ministerial Portfolios, May 1994.
- 1994-95** *Report of the Auditor-General on the Finance Statement, year ended 30 June 1994.*
Annual Report of the Victorian Auditor-General's Office, year ended 30 June 1994.
Special Report No. 32 - A Competent Workforce: Professional Development, November 1994.
Special Report No. 33 - Handle with Care: Dangerous Goods Management, May 1995.
Special Report No. 34 - Managing Parks for Life: The National Parks Service, May 1995.
Special Report No. 35 - Equality in the Workplace: Women in Management, May 1995.
Report on Ministerial Portfolios, May 1995.
- 1995-96** *Report of the Auditor-General on the Statement of Financial Operations, year ended 30 June 1995.*
Annual Report of the Victorian Auditor-General's Office, year ended 30 June 1995.
Special Report No. 36 - The changing profile of State education: School reorganisations, October 1995.
Special Report No. 37 - Promoting industry development: Assistance by government, October 1995.
Special Report No. 38 - Privatisation: An audit framework for the future, November 1995.
Special Report No. 39 - Marketing government services: Are you being served?, March 1996.
Report on Ministerial Portfolios, May 1996.
Special Report No. 40 - The Community Support Fund: A significant community asset, May 1996.
Special Report No. 41 - Arts Victoria and the Arts 21 Strategy: Maintaining the State for the Arts, June 1996.
Special Report No. 42 - Protecting Victoria's Children: The role of the Children's Court, Not released.
Special Report No. 43 - Protecting Victoria's Children: The role of the Department of Human Services, June 1996.

SPECIAL REPORTS ISSUED SINCE 1992

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16 <i>Fire Protection</i>	April 1992
17 <i>Integrated Education for Children with Disabilities</i>	May 1992
18 <i>Bayside Development</i>	May 1992
19 <i>Salinity</i>	March 1993
20 <i>National Tennis Centre and Zoological Board of Victoria</i>	April 1993
21 <i>Visiting Medical Officer Arrangements</i>	April 1993
22 <i>Timber Industry Strategy</i>	May 1993
23 <i>Information Technology in the Public Sector</i>	May 1993
24 <i>Open Cut Production in the Latrobe Valley</i>	May 1993
25 <i>Aged Care</i>	September 1993
26 <i>Investment Management</i>	November 1993
27 <i>Management of Heritage Collections</i>	November 1993
28 <i>Legal Aid Commission of Victoria and Office of the Valuer-General</i>	November 1993
29 <i>International Student Programs in Universities</i>	November 1993
30 <i>Grants and Subsidies to Non-Government Organisations</i>	March 1994
31 <i>Purchasing Practices</i>	May 1994
32 <i>A Competent Workforce: Professional Development</i>	November 1994
33 <i>Handle with Care: Dangerous Goods Management</i>	May 1995
34 <i>Managing Parks for Life: The National Parks Service</i>	May 1995
35 <i>Equality in the Workplace: Women in Management</i>	May 1995
36 <i>The changing profile of State education: School reorganisations</i>	October 1995
37 <i>Promoting industry development: Assistance by government</i>	October 1995
38 <i>Privatisation: An audit framework for the future</i>	November 1995
39 <i>Marketing government services: Are you being served?</i>	March 1996
40 <i>The Community Support Fund: A significant community asset</i>	May 1996
41 <i>Arts Victoria and the Arts 21 Strategy: Maintaining the State for the Arts</i>	June 1996
42 <i>Protecting Victoria's Children: The role of the Children's Court</i>	Not released
43 <i>Protecting Victoria's Children: The role of the Department of Human Services</i>	June 1996

Note: Information relating to Special Reports issued prior to 1992 can be found in previous Annual Reports of the Office.

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- Acute hospital infrastructure, *Report on Ministerial Portfolios, May 1994*, pp. 277-93
- Aged Care, *Special Report No. 25, September 1994*
- Alfred Hospital -
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- Arts Victoria and the Arts 21 Strategy: maintaining the State for the Arts, *Special Report No. 41, June 1996*.
- Asset -
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- Y**outh Guarantee, *Special Report No. 10, November 1988*
- Z**oological Board of Victoria, *Special Report No. 20, April 1993*

SMALL AGENCY REVIEWS CONDUCTED

- A**dult Migrant Education Services, *Report on Ministerial Portfolios, April 1991*, pp. 153-68
- Alpine Resorts Commission, *Report on Ministerial Portfolios, April 1991*, pp. 408-12
- C**onstruction Industry Long Service Leave Board, *Report on Ministerial Portfolios, May 1994*, pp. 100-106
- Council of Adult Education, *Report on Ministerial Portfolios, May 1990*, pp. 111-20; *April 1991*, pp. 168-72
- Crimes Compensation Tribunal, review of operations, *Report on Ministerial Portfolios, May 1995*, pp. 144-59
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- E**nvironment Protection Authority, *Report on Ministerial Portfolios, April 1991*, pp. 54-66
- Estate Agents Board, *Report on Ministerial Portfolios, May 1993*, pp. 183-93
- G**eelong Regional Commission, *Report on Ministerial Portfolios, May 1992*, pp. 248-58
- Government Employee Housing Authority, *Report on Ministerial Portfolios, April 1991*, pp. 219-32
- Government Printing and Publishing Services, *Report on Ministerial Portfolios, April 1991*, pp. 212-18
- K**nowledge Victoria Limited, *Report on Ministerial Portfolios, April 1991*, pp. 455-62
- L**egal Aid Commission of Victoria, *Special Report No. 28, November 1993*
- M**agistrates' Court, review of resource management processes, *Report on Ministerial Portfolios, May 1995*, pp. 124-44
- Melbourne Theatre Company, *Report on Ministerial Portfolios, April 1991*, pp. 175-87
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- National Tennis Centre Trust, *Special Report No. 20, April 1993*
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- Victorian Arts Centre Trust, *Report on Ministerial Portfolios, May 1994*, pp. 51-69
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- Victorian Institute of Marine Sciences, *Report on Ministerial Portfolios, May 1994*, pp. 147-55
- Victorian Prison Industries Commission, *Report on Ministerial Portfolios, April 1991*, pp. 116-31
- Victorian Tourism Commission, *Report on Ministerial Portfolios, May 1990*, pp. 277-89
- 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>
International		
ISACA President's Council Meeting, New Zealand, October 1995	D. Sturgess	Discussions on changing developments in information technology auditing.
Canadian Comprehensive Auditing Foundation Annual Conference, Toronto, Canada, May 1996	T. Lant and C. Estallo (at their own expense)	" <i>Governance in transition</i> ". Conference theme addressed changing government responsibilities, effective performance management and accountability.
Interstate		
Australian Council of Auditors-General, Sydney, August 1995	C.A. Baragwanath	" <i>Audit Best Practice</i> ".
Australasian Evaluation Society - International Conference, Sydney, September 1995	L. Brohm, E. Holland, M. Peters and G. Fazekas	" <i>Evaluation! Are you being served?</i> " Conference addressed how well evaluation was serving its customers, clients and stakeholders.
Australian Council of Auditors-General, Canberra, February 1996	C.A. Baragwanath	" <i>Audit Best Practice</i> ".
EDPAC 96, Perth, May 1996	K. D'Rosario	Discuss on recent developments in information technology and the resultant impact on audit.
Senior Audit Executives Conference, Sydney, June 1996	R. Walker, C. Burke, K. Barnes, M. Brennan, M. Salter and R. Szpak	" <i>Keys to Partnering for Improvement</i> ". Discussions on issues of interest including " <i>Provision for Future Losses</i> ", " <i>Reliance on Internal Audit</i> ", " <i>Due Diligence</i> " and on issues relating to matters raised at meetings of Australian Council of Auditors-General.
Victoria		
PAEC Seminar, September 1995	C.A. Baragwanath and members of panel	" <i>An MP's Guide to Public Sector Budgeting and Accounting</i> ".
ASCPA's Open Day, September 1995	C.A. Baragwanath	" <i>Not for Profit Industry Day</i> ".
Business Victoria Seminar	Seminar conducted by various members of staff for an audit delegation from Guangdong, China	Audit approach on financial audits and overview of office operations.
Annual Office Seminar, Melbourne, November 1995	All office staff	Future directions of the Office and recent achievements.
Australasian Senior Audit Executive Conference, Healesville, June 1996	Selected performance audit staff	"The future of Performance Auditing: towards 2000 ... and beyond". Discussion on future directions and business operations of the Office.
Local Government Conference, Melbourne, March 1996	S. Naylor and M. Newington	" <i>Institute of Municipal Management Annual Conference</i> ".
Local Government Conference, Melbourne, March 1996	S. Naylor and M. Newington	" <i>Municipal Accountants Association</i> ". Discussions on Compulsory Competitive Tendering.

APPENDIX 2: PROFESSIONAL ACTIVITIES

EXTERNAL PRESENTATIONS

<i>Officers</i>	<i>Date</i>	<i>Topic</i>
C.A. Baragwanath	July 1995	<i>"Performance Audits - Project Selection"</i> , presented to the State Co-ordination and Management Council, Melbourne.
J. Tranter	July 1995	Detailed briefing provided to the Public Accounts and Estimates Committee on <i>Special Report No. 33: Handle with Care - Dangerous Goods Management</i> .
J. Manders	August 1995	<i>"How the Victorian Auditor-General's Office Measures Performance. What Criteria?"</i> Paper presented at the Measuring Performance Conference 1995, attended by Police Inspectorate and audit practitioners across Australia.
R. Walker	August 1995	<i>"New Arrangements for Local Government Audits"</i> . Presentation made to the Commissioners and Chief Executives of Victoria's 78 municipalities at the Ringwood Convention Centre.
R. Mifsud	September 1995	Presentation to a meeting of the Australian Shareholders' Association Ltd on the <i>"Role and Functions of Auditors"</i> , at the Stock Exchange, Melbourne.
C.A. Baragwanath	September 1995	Presentation on <i>"The Role and Future of Public Sector Auditing"</i> to the ICAA Accounting and Audit Discussion Group.
K.G. Hamilton and S. Naylor	October 1995	Presentation to Commissioners, executives and corporate managers of the Shire of Yarra Ranges, with a particular focus on the new arrangements for local government audits.
R. Walker	October 1995	Presentation to representatives of the State's public libraries on the new arrangements for local government and regional library corporation audits.
J. Olesky	November 1995	Three presentations at the <i>"Presentation and Marketing of Audit Reports"</i> seminar at the NSW Audit Office. The presentation included <i>"Dealing with the Media"</i> , <i>"Electronic Publishing"</i> and <i>"Marketing on the Internet"</i> .
T. Brown, J. Thwaites and T. Lant	January - February 1996	Performance Audit Training Seminar, conducted by the Office for selected staff of the Victoria Police, Melbourne.
C.A. Baragwanath	May 1996	Address local government Chief Executive Officer's at Mills Oakley, Melbourne.
S. Naylor	June 1996	<i>"The Auditor-General and Local Government - What can be expected from this alliance?"</i> Presentation at the Annual Conference of the Victorian Association of Municipal Accountants, Echuca.
C.A. Baragwanath	June 1996	Address to local government Chief Executive Officer's at Mills Oakley, Melbourne.
R. Tilley	June 1996	Presentation at <i>"Conference of Public Sector Superannuation Schemes"</i> , hosted by the Australian Society of Certified Practising Accountants, Melbourne.

APPENDIX 2: PROFESSIONAL ACTIVITIES

VISITORS TO THE OFFICE

<i>Visitor</i>	<i>Topic</i>
Representatives from the Australian National Audit Office (ANAO), July 1995.	To discuss information and issues relating to audits of common interest.
Mr Chen Jianming and Mr Li Mao Long of the Chinese Institute of Certified Public Accountants (CICPA), People's Republic of China, October 1995.	Role of the Auditor-General, performance audit and financial audit methodologies.
Mr Paul Cresswell, Partner-in-charge of PA Consulting Group's Government Consulting Practice in the UK, October 1995.	Discussions on information relating to outsourcing.
Mr Terry Mackian, British Columbia Auditor-General's Office, November 1995.	Discussions on corporation and business planning, annual reporting, internet presentation and use of contracted agents.
Mr Roger Henderson and Mr David Jones, NSW Audit Office, February 1996.	Numerous issues relating to information and audit issues on the restructuring of the Victorian electricity industry.
Mr Bob le Marechal (Deputy Controller and Auditor-General) and Mr Gavin Lidderdale (UK National Audit Office), February 1996.	Issues of mutual interest relating to audit practice and office operations.
Mr John Stanford, UK Audit Commission, April 1996.	Discussion on matters relating to local government administration and the development of " <i>Compulsory Competitive Tendering</i> " in Victoria.

Appendix 3: AUDIT RESPONSIBILITIES

Parliamentary bodies

Parliament of Victoria
Parliamentary Construction Authority

State accounts

Statement of Financial Operations of Victoria

Departments and other independent budget sector agencies

Education, Department of
Human Services, Department of
Infrastructure, Department of
Justice, Department of
Natural Resources and the Environment,
Department of
Ombudsman, Office of the
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
Registrar-General, Office of the
Regulator-General, Office of the
State Development, Department of
State Electoral Office
Treasury and Finance, Department of

Public bodies

Adult, Community and Further Education Board,
Office of the
Advanced Dental Technicians Qualifications Board
Alpine Resorts Commission
Ambulance Officers Training Centre
Andersons Creek Cemetery Trust
Anti-Cancer Council
Architects Registration Board of Victoria
Australian Grand Prix Corporation
Ballarat General Cemeteries and Crematorium
Bendigo Cemeteries Trust
Board of Studies
Brothel Licensing Board
Building Control Commission
Cheltenham Cemeteries Trust
Chiropodists Registration Board
Chiropractors and Osteopaths Registration Board
Construction Industry Long Service Leave Board
(COINVEST)
Council of Adult Education

Country Fire Authority
County Court of Victoria
Crimes Compensation Tribunal
Dental Board of Victoria
Dental Technicians Licensing Committee
Docklands Authority
Eastern Regional Waste Management Group
Emerald Tourist Railway Board
Environment Protection Authority
Estate Agents Council
Estate Agents Disciplinary and Licensing Appeals
Tribunal
Fawkner Crematorium and Memorial Park
Film Victoria
GASCOR
Gas Transmission Corporation
Geelong Cemeteries Trust
Geelong Performing Arts Centre Trust
Generation Victoria
Greyhound Racing Control Board
Guardianship and Administration Board
Harness Racing Board
Historic Building Council
Judicial Studies Board
Keilor Cemeteries Trust
Legal Aid Commission of Victoria
Lilydale Memorial Park and Cemetery
Liquor Licensing Commission
Loddon-Campaspe Regional Planning Authority
Marine Board of Victoria
Medical Practitioners Board
Melbourne and Olympic Parks
Melbourne City Link Authority
Melbourne Exhibition Centre Trust
Melbourne Market Authority
Melbourne Sports and Aquatic Centre
Melbourne Water Corporation
Memorial Park Altona, The
Mental Health Review Board
Metropolitan Fire Brigades Board
Mildura Cemetery Trust
Murray Valley Citrus Marketing Board
Murray Valley Wine Grape Industry Committee
Museum of Victoria, Council of the
National Gallery of Victoria, Council of Trustees of
the
Necropolis Springvale, The
Northern Regional Waste Management Council
Northern Victorian Fresh Tomato Industry
Development Committee

APPENDIX 3: AUDIT RESPONSIBILITIES

Nurses Board of Victoria
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
Police Board of Victoria
Port of Melbourne Authority
Powernet Victoria
Preston Cemetery Trust
Prince Henry's Institute for Medical Research
Prothonotary
Psychosurgery Review Board
Public Advocate, Office of the
Public Transport Corporation
Queen Victoria Women's Centre Trust
Recycling and Resource Recovery Council
Registrar of Probates
Renewable Energy Authority of Victoria
Road Safety Accident Prevention Trust Account
Roads Corporation
Royal Botanic Gardens Board
Rural Finance Corporation of Victoria
Sheriff's Office
Shrine of Remembrance Trustees
Small Business Development Corporation
Solicitors' Guarantee Fund
South Eastern Regional Waste Management Council
State Electricity Commission of Victoria
State Film Centre of Victoria Council
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 of Victoria
Surveyors Board of Victoria
TABCO Club Keno Business Segment
TABCO Gaming Business Segment
Tattersall Club Keno Business Division
Tattersall Gaming Machine Division
Tattersall Sweep Consultation
Templestowe Cemetery Trust
Totalizator Agency Board
Tourism Victoria
Transport Accident Commission
Treasury Corporation of Victoria
Urban Land Authority
Victorian Arts Centre Trust
Victorian Casino and Gaming Authority
Victorian Conservation Trust
Victorian Dairy Industry Authority
Victorian Debt Retirement Fund
Victorian Dried Fruits Board

Victorian Financial Institutions Commission
Victorian Health Promotion Foundation
Victorian Institute of Forensic Pathology
Victorian Institute of Marine Sciences
Victorian Interpreting and Translating Service
Victorian Meat Authority
Victorian Plantations Corporation
Victorian Power Exchange
Victorian Prison Industries Commission
Victorian Psychological Council
Victorian Relief Committee
Victorian Strawberry Industry Development
Committee
Victorian Tertiary Admissions Centre
Victorian Workcover Authority
Waste Management Council
Water Training Centre
Werribee Cemetery Trust
Western Regional Waste Management Group
Yarra Bend Park Trust
Zoological Board of Victoria

Universities and other educational institutions

Ballarat, University of
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 of TAFE
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 Textiles
Monash University
Moorabbin College of TAFE
Northern Metropolitan College of TAFE
Outer Eastern College of TAFE
Royal Melbourne Institute of Technology
South West College of TAFE
Sunraysia College of TAFE
Swinburne University of Technology
Victoria University of Technology
Victorian College of Agriculture and Horticulture Ltd

APPENDIX 3: AUDIT RESPONSIBILITIES

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 and District Ambulance Service
Alexandra District Hospital
Ambulance Services Victoria -
Metropolitan Region
North Eastern Region
North Western Region
South Eastern Region
South Western Region
Western Region
Bacchus Marsh and Melton Memorial Hospital
Bairnsdale Regional Health Service
Ballarat Base Hospital
Beechworth Hospital, The
Benalla and District Memorial Hospital
Bendigo Health Care Group
Bethlehem Hospital Inc.
Birregurra and District Community Hospital
Boort District Hospital
Bright 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
Corangamite Regional Hospital Services
Corryong District Hospital
Donald District Hospital
Dunmunkle Health Services
East Grampians Health Service
Eastern Health Care Network
Echuca Regional Health Inc.
Edenhope and District Memorial Hospital
Geelong Hospital
Gippsland Base Hospital
Gippsland Southern Health Service
Goulburn Valley Base Hospital
Grace McKellar Centre
Hamilton Base Hospital
Heathcote District Hospital
Hesse Rural Health Service
Heywood and District Memorial Hospital
Inglewood Hospital

Inglewood and District Health Service
Inner Health Care Network
Kerang and District Hospital
Kilmore and District Hospital
Kyabram and District Memorial Community Hospital
Kyneton District Hospital
Latrobe Regional Hospital
Lorne Community Hospital
Maffra District Hospital
Maldon Hospital
Manangatang and District Hospital
Mansfield District Hospital
Maryborough and District Health Service
Mercy Public Hospitals Inc.
Mildura Base Hospital
Mt Alexander Hospital
Myrtleford District War Memorial Hospital
Nathalia District Hospital
North Eastern Health Care Network
Numurkah and District War Memorial Hospital
O'Connell Family Centre (Grey Sisters) Inc.
Omeo District Hospital
Orbost and District Hospital
Otway Health and Community Services
Ouyen and District Hospital
Penshurst and District Memorial Hospital
Peninsula Health Care Network
Port Fairy Hospital
Portland and District Hospital
Queen Elizabeth Centre
Queen Elizabeth Centre, Ballarat, The
Ripon Peace Memorial Hospital
Rochester and Elmore District Health Service
Royal Dental Hospital of Melbourne
Seymour District Memorial Hospital
Skipton and District Memorial Hospital
South Gippsland Hospital
Southern Health Care Network
St Arnaud District Hospital
St Vincent's Hospital (Melbourne), Ltd
Stawell District Hospital
Swan Hill District Hospital
Tallangatta Hospital
Tawonga District General Hospital
Terang and Mortlake Health Services
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
West Gippsland Hospital
Western Health Care Network
Western Highlands Health Service

APPENDIX 3: AUDIT RESPONSIBILITIES

West Wimmera Health Service
Wimmera Health Care Group
Wodonga District Hospital
Women's and Children Health Care Network
Wonthaggi and District Hospital
Wycheproof District Hospital
Yarram and District Health Services
Yarrowonga District Hospital
Yea and District Memorial Hospital

Superannuation funds

Coal Mine Workers' Pension Fund
Emergency Services Superannuation Board
Gas and Fuel Corporation Superannuation Fund
Hospitals Superannuation Board
Legal Aid Commission Staff Superannuation Fund
Local Authorities Superannuation Board
Melbourne Water Corporation Employees'
Superannuation Fund
Parliamentary Contributory Superannuation Fund
Port of Geelong Superannuation Fund
State Superannuation Fund
Victorian Electricity Industry Superannuation Fund
Victorian Superannuation Board
Victorian Superannuation Fund
Zoological Board of Victoria Superannuation Fund

Companies, trusts and joint ventures

Albury Gas Company Ltd
Aluminium Smelters of Victoria Pty Ltd
Alufin Pty Ltd
Aluvic Castings Pty Ltd
Aluvic Services Pty Ltd
Australian Food Industry Science Centre
Australian Music Examinations Board (Vic.) Ltd
Blackspots Projects Trust Account
Circular Force Pty Ltd
Citytech Pty Ltd
City West Water Ltd
CityWide Service Solutions Pty Ltd
Daratech Pty Ltd
Deakin University Foundation Ltd
Deakin University Foundation Trust
Dynosis Pty Ltd
Driver Education Centre of Australia
Ecogen Pty Ltd
Energy Brix Australia Corporation
Energy Business Centre Pty Ltd
Everton Dell Pty Ltd
GFE Resources Ltd
Graduate School of Management Foundation Ltd
Graduate School of Management Ltd
Hazelwood Power Corporation Ltd

Health Computing Services Ltd
Holding Trust, The
Institute of Innovation and Enterprise Ltd
Japlin Pty Ltd
La Trobe Marketing Pty Ltd
La Trobe University Housing Ltd
Loy Yang Power Ltd
Loy Yang B Power Station Pty Ltd
Melbourne Business School Ltd
Melbourne Parks and Waterways
Melbourne Wholesale Fish Market Pty Ltd
Meltech Services Pty Ltd
Milake Pty Ltd
Mines and Industries Ballarat Ltd, The School of
Monash International Pty Ltd
Monash IVF Pathology Services Pty Ltd
Monash IVF Pathology Services Trust
Monash IVF Pty Ltd
Monash Language Centre
Monash Merchandising Company Pty Ltd
Monash Merchandising Unit Trust
Monash Mt Eliza Graduate School Ltd
Monash Ultra Sound Pty Ltd
Monash Ultra Sound Trust
Monash University Foundation
Monash-ANZ Centre for International Briefing Pty
Ltd
Montech Pty Ltd
Mycell International Pty Ltd
National Academy of Music Ltd
National Electricity Pty Ltd
National Power Pty Ltd
Neurometric Systems Pty Ltd
Opalwood Pty Ltd
Open Learning Agency of Australia Pty Ltd
Overseas Projects Corporation of Victoria Ltd
Parkhurst Gem Pty Ltd
Pelletray Pty Ltd
Powernet Victoria
PowerWorks Pty Ltd
Prahan Market Pty Ltd
Qualitative Solutions and Research Pty Ltd
Queen Victoria Market Pty Ltd
Radius Computing Pty Ltd
Rehab. Holdings Ltd
RMIT Foundation
RMIT International Pty Ltd
RMIT Ltd
RMIT Malaysia
RMIT Student Union
RMIT Training
School of Forestry Creswick Ltd
Securities Finance Corporation Ltd
Sir John Monash Business Centre Pty Ltd

APPENDIX 3: AUDIT RESPONSIBILITIES

South East Water Ltd
Southern Hydro Ltd
Southgate Control Ltd
Southgate Hotel Management Pty Ltd
Southgate Trust
S.T.L. Financial Services Pty Ltd
Swinburne Ltd
TAC Property Investments Pty Ltd
Technisearch Pty Ltd
Telematics Course Development Fund Trust
The Holding Trust
Tiber Pines Pty Ltd
Tricontinental Australia Ltd
Tricontinental Corporation Ltd
Tricontinental Holdings Ltd
Twin Waters Resorts Pty Ltd
Unilink Ltd
Unimelb Ltd
Vicfleet Pty Ltd
Victorian Education Foundation
Victorian Education Foundation Pty Ltd
Victorian Electricity Industry Superannuation Pty Ltd
Victorian Funds Management Corporation
Victorian Institute of Sport Ltd
Victorian Institute of Sport Trust
Victorian Rehab. Centre Pty Ltd
Victorian University of Technology Foundation Ltd
Victorian Medical Consortium Pty Ltd
Western Institute Foundation Ltd
Western Melbourne Business Development Pty Ltd
Yarra Valley Water Ltd

Water authorities

Alberton River Improvement Trust, Shire of
Avoca River Improvement Trust
Barwon Region Water Authority
Broken River Management Board
Bullock Creek Improvement Trust
Central Gippsland Region Water Authority
Central Highlands Region Water Authority
Colac Region Water Authority
Coliban Region Water Authority
East Gippsland Region Water Authority
East Gippsland River Management Board
First Mildura Irrigation Trust
Glenelg Region Water Authority
Glenelg River Improvement Trust
Goulburn-Murray Rural Water Authority
Goulburn Valley Region Water Authority
Grampians Region Water Authority
Kiewa-Murray Region Water Authority
Korumburra River Improvement Trust, Shire of
Lake Wellington Rivers Authority
Lower Goulburn Waterway Management Authority

Lower Murray Region Water Authority
Mid-Goulburn Regional Water Board
Mitchell River Management Board
Ovens Region Water Authority
Ovens River Management Board
Pental Island River Management Board
Portland Coast Region Water Authority
Snowy River Improvement Trust
South Gippsland Region Water Authority
South West Water Authority
Sunraysia Rural Water Authority
Tambo Nicholson River Management Board
Tarwin River Management Board
Upper Goulburn Waterways Authority
Upper North East River Management Authority
Westernport Water Board
Western Region Water Authority
Wimmera-Mallee Rural Water Authority

Municipal councils

Alpine Shire Council
Ararat Rural City Council
Ballarat City Council
Banyule City Council
Bass Coast Shire Council
Baw Baw Shire Council
Bayside City Council
Boroondara City Council
Brimbank City Council
Buloke Shire Council
Campaspe Shire Council
Cardinia Shire Council
Casey City Council
Central Goldfields Shire Council
Colac-Otway Shire Council
Corangamite Shire Council
Darebin City Council
Delatite Shire Council
East Gippsland Shire Council
Frankston City Council
Gannawara Shire Council
Glen Eira City Council
Glenelg Shire Council
Golden Plains Shire Council
Greater Bendigo City Council
Greater Dandenong City Council
Greater Geelong City Council
Greater Shepparton City Council
Hepburn Shire Council
Hindmarsh Shire Council
Hobsons Bay City Council
Horsham Rural City Council
Hume City Council
Indigo Shire Council

APPENDIX 3: AUDIT RESPONSIBILITIES

Kingston City Council
Knox City Council
La Trobe Shire Council
Loddon Shire Council
Macedon Ranges Shire Council
Manningham City Council
Maribymong City Council
Maroondah City Council
Melbourne City Council
Melton Shire Council
Mildura Rural City Council
Mitchell Shire Council
Moirā Shire Council
Monash City Council
Moonee Valley City Council
Moorabool Shire Council
Moreland City Council
Mornington Peninsula Shire Council
Mount Alexander Shire Council
Moyne Shire Council
Murrindindi Shire Council
Nillumbik Shire Council
Northern Grampians Shire Council
Port Phillip City Council
Pyrenees Shire Council
Queenscliffe, Borough of
South Gippsland Shire Council
Southern Grampians Shire Council

Stonnington City Council
Strathbogie Shire Council
Surf Coast Shire Council
Swan Hill Rural City Council
Towong Shire Council
Wangaratta Rural City Council
Warrnambool City Council
Wellington Shire Council
West Wimmera Shire Council
Whitehorse City Council
Whittlesea City Council
Wodonga Rural City Council
Wyndham City Council
Yarra City Council
Yarra Ranges Shire Council
Yarriambiack Shire Council

Libraries

Corangamite Regional Library Corp.
Eastern Regional Library
Glenelg Regional Library Corp.
Hume-Moonee Valley Regional Library Corp.
North Central Goldfields Regional Library Corp.
West Gippsland Regional Library Corp.
Whitehorse Manningham Regional Library Corp.
Wimmera Regional Library Corp.
Yarra/Melbourne Regional Library Corp.
Yarra Plenty Regional Library Corp.

Appendix 4: STAFF CLASSIFICATION

Detailed information on the classification and gender of permanent staff at 30 June 1996 is set out in the following table.

CLASSIFICATION BY GENDER FOR PERMANENT STAFF, AT 30 JUNE 1996

Classification	Full-time			Part-time		
	Male	Female	Total	Male	Female	Total
VPS-5	22	10	32	-	3	3
VPS-4	3	2	5	-	-	-
VPS-3	24	18	41	-	-	-
VPS-2	20	18	38	-	1	1
VPS-1	-	1	1	-	-	-
Total	69	49	117	-	4	4
AM 8	-	-	-	-	-	-
AM 7	-	-	-	-	-	-
AM 6	-	-	-	-	-	-
AM 5	1	-	1	-	-	-
AM 4	-	-	-	-	-	-
AM 3	-	-	-	-	-	-
AM 2	-	1	1	-	-	-
AM 1	-	-	-	-	-	-
Total	1	1	2	-	-	-
CSO 5	1	-	1	-	-	-
CSO 4	1	-	1	-	-	-
CSO 3	2	-	2	-	-	-
CSO 2	-	-	-	-	-	-
CSO 1	-	-	-	-	-	-
Total	4	-	4	-	-	-
Executive Officers	19	1	20	-	-	-
Total	93	51	143	-	4	4

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

OFFICE INFORMATION

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222 Exhibition Street
Melbourne Vic. 3000

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8.15 a.m. - 5.00 p.m.

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**VICTORIAN
AUDITOR-
GENERAL'S
OFFICE**

*Auditing in the
Public Interest*

"The Auditor-General has the power, and the duty, to go through the books of government. He can, and does, also make critical judgements and comments on what he finds. Importantly, the Auditor-General is an officer of the Parliament and is not directly beholden to the government of the day for his job. The fearless findings by the current occupant of that job in Victoria ... demonstrate the value of the arrangement.

"The public's right to know what its elected representatives are doing with its money, and why, remains a fundamental requirement in our democracy."

*Editorial, The Age
1 June 1996*



**VICTORIAN
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