

Pathway to Excellence

150
Years



Annual Report
2001-02



AUDITOR GENERAL
VICTORIA

Auditing in the Public Interest

Pathway to Excellence

OUR VISION

Recognised excellence in public sector auditing.

OUR PURPOSE

To contribute to improvements in performance and enhanced accountability in the Victorian public sector.

OUR VALUES

As we pursue our corporate goals, we are all committed to:

- ▶ Integrity;
- ▶ Teamwork;
- ▶ Empowerment; and
- ▶ Professional and personal growth.

CORPORATE FOCUS FOR THE YEAR

Our prime corporate focus for 2001-02 was directed towards achieving the following key deliverables:

- ▶ Parliamentary reports and services – ensuring that our reports and services are directed to meeting the needs of Parliament;
- ▶ Financial statement audits – providing assurance to Parliament on the quality and reliability of financial data reported by agencies in their annual financial statements; and
- ▶ Managing our business – maintaining our organisational capability to support the delivery of our audit products and services to Parliament.

Successful achievement of these deliverables during the year represented our progress along the *Pathway to Excellence*.

SNAPSHOT OF OUR OFFICE

PRINCIPAL LEGISLATION

The *Constitution Act* 1975, Division 3, Part V (governing the appointment and independence of the Auditor-General) and the *Audit Act* 1994 (defining the powers and responsibilities of the Auditor-General) are the main statutes establishing the responsibilities of the Office.

AUDIT RESPONSIBILITIES

At 30 June 2002, the Auditor-General had responsibility for the audit of:

- ▶ the Government's Annual Financial Report;
- ▶ the review of the Estimated Financial Statements within the State Budget; and
- ▶ the conduct of financial statement audits and performance audits for over 580 public sector organisations within Victoria.

Organisations include Parliament, government departments, public bodies, educational institutions, public hospitals and municipal councils.

150TH ANNIVERSARY

The first Victorian Auditor-General (Charles Hotson Ebdon) was appointed in July 1851. July 2001 marked the 150th anniversary of the Office.

OPERATING ENVIRONMENT

Our audited agencies:

- ▶ receive approximately \$35 billion in revenue;
- ▶ incur approximately \$34 billion in expenditure; and
- ▶ hold in excess of \$131 billion in assets.

AVAILABLE RESOURCES

- ▶ 127 in-house personnel at 30 June 2002 (118 at 30 June 2001).
- ▶ 48 private sector contractors engaged throughout the year (50 during 2000-01).
- ▶ Funding of \$22.8 million provided by Parliament (\$22.3 million in 2000-01).

OFFICE INFORMATION

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AUDITOR-GENERAL'S REVIEW



“A number of events and achievements make this a special year.”

This year's report focuses on our performance against our planned outputs and other corporate goals for year one of our Corporate Plan.

Contribution to enhanced public accountability

A number of events and achievements make this a special year. The beginning of the year started with the build-up of financial statement audits for 30 June 2001 year-end reporting. This year, however, the start was accompanied by the completion of a round of financial audit tenders (148 in total) and the 4th independent performance audit of my Office commissioned by Parliament. The year ended with the publication of a book marking 150 years of contribution by the Office to serving the needs and interests of Parliament and the community.

The positive outcome of the performance audit, undertaken by Mr Stuart Alford of Ernst & Young, and its subsequent endorsement by the Public Accounts and Estimates Committee, and Parliament, is especially pleasing given the major changes undergone by the Office and its staff in the preceding years. The performance audit also makes recommendations where processes could be improved further. Steps have been taken to action those points.



Our strategic audit planning processes received strong endorsement by Mr Alford who commented that *“the corporate and annual planning processes now being followed by the Office are impressive”*. These processes involve the application of our combined intelligence gathering activities to the direction and focus of our audit effort over the forthcoming audit planning period. The output from this strategic audit planning activity is reflected in the Annual Work Plan – discussed in draft with Parliament’s Public Accounts and Estimates Committee – before being presented to Parliament. A noteworthy feature of the audit planning activity this year is the explicit recognition of a third stream of audit product. In the past, audit activity fell under the heading of either financial or performance audit. Special examinations or reviews fell somewhere in between – the outcomes of which are reported under section 15 of the Audit Act to Parliament.

My concern about the need for explicit assurance about the operation of some of the core financial management processes across the public sector has led to include in our audit planning agenda each year examinations of some of the core financial management processes in government. First up for 2002-03 will be an examination of payroll processes in the public sector, and an assessment of how well government agencies are accounting for GST. The results of these 2 special audits will be presented to Parliament in late Spring 2002.

The year also saw more output than ever before:

- ▶ financial statement audits increased by 6 per cent to in excess of 580; and
- ▶ 12 reports were tabled in Parliament, comprising 2 omnibus reports on the outcome of financial statement audits and special investigations, 9 performance audit reports and the results of our annual examination of the State’s finances.

Post-tabling briefings to Members of Parliament have been introduced to give Members an opportunity to hear first hand what we consider to be the key issues addressed in the reports.

Improving financial reporting performance by public sector agencies

Observations made over successive financial audit rounds have led me to the view that, while we might expect improved and more timely reporting by public sector agencies, change will occur only at the margin unless some other more effective strategy is employed. Financial reporting requirements are becoming increasingly more comprehensive and complex, making it difficult for the great majority of public agencies to gain the knowledge required to prepare financial statements without advice and assistance. The significant improvements witnessed in departmental financial reporting last year, achieved through the development of model departmental financial statements by the Department of Treasury and Finance in consultation with my Office, have prompted me to believe that similar substantial gains could be made if model financial statements were available for other sectors.

As a result, the Office has developed and issued model financial statements for local government and water authorities, and been actively involved in the preparation of model financial statements for TAFE institutes and the health sector for application at 30 June 2002. The use of the model financial statements is not mandatory. They represent minimum good guidance on how financial reports in each of those sectors should be presented. In each case, the model accounts have been prepared in consultation with the relevant administering department and peak bodies. It would be my intention to update these model accounts each year.

Importance of audit quality

Audit quality is achieved through having an effective and efficient audit methodology and competent staff (or external audit service providers) supported by sound quality review processes. A number of steps were taken during the year to ensure that our audit quality standards were maintained and audit processes were efficient and effective. Specific initiatives included:

- ▶ the progressive enhancement of our electronic financial audit methodology (EFINA);
- ▶ the extension of our post-audit quality review processes to include performance audits and special examinations;
- ▶ peer review by staff from the Audit Office of New South Wales of selected performance audits and special audits;
- ▶ selected review of performance audits by The University of Melbourne Institute of Applied Economics and Social Research to examine the logic, scope and analytical rigour of selected performance audits;
- ▶ bringing financial audit work forward so as to provide immediate feedback to auditees on the results of interim audit work completed, and to even out the peak demand associated with final audit work;
- ▶ forums for audit service providers held earlier in the year to allow more informed interim audit work to be undertaken; and
- ▶ the establishment of Financial Auditing Policy Alerts which are a series of technical bulletins to inform auditors of technical issues and their resolution as they arise.

Continuing focus on our people management skills

Our people are our most valuable asset. They come to us as fresh graduates (or with other experiences) and are trained in auditing (in the public interest). Offices such as ours commit considerably to the development of the technical proficiency of staff. In 2001-02, the Office increased its focus on the wider skills such as leadership and management development. In the context of the considerable change imposed on staff over recent years, we undertook a full staff climate survey, the results of which were presented to staff in May 2001, and asked all executive officer staff to undertake a 360-degree feedback analysis.

Following that exercise, a range of strategies were developed to respond to some of the issues raised.

A second staff climate survey has recently been completed. The results of this second review and the trend have been extremely positive and have shown clearly the effectiveness of the strategies undertaken a year ago.

Strengthening business processes

Several initiatives designed to improve our business processes were successfully achieved in 2001-02. These included:

- ▶ a comprehensive risk management framework installed for full operation from 1 July 2002;
- ▶ successful upgrading of our IT hardware platform and communications facilities;
- ▶ improved internal management information reporting practices;
- ▶ Windows 2000 and Lotus Notes V.5.5 successfully installed; and
- ▶ the Audit Committee Chair presenting the outcome of audit results to the Senior Management Group once a year.



One of our goals is to manage our business with maximum efficiency and effectiveness. To paraphrase – to practice what we preach. To that end, given the importance we attach to high quality reporting by public sector agencies, it was very pleasing indeed to have the quality of our own Annual Report for 2000-01 recently recognised with the granting of a Gold Award (the highest level) by Australasian Reporting Awards. This Award is a tremendous achievement and reflects the commitment by staff in this Office to reporting excellence.

The year ahead

The year ahead is sure to present us with many challenges, some of which will be unknown to us. The achievements reported above, along with our comprehensive business planning, risk management and business improvement processes, will ensure that the Office continues to undertake its work efficiently and effectively.

The very positive feedback received from various stakeholders about the publication of a booklet we produced during the year explaining what a performance audit is and the processes associated with such an audit have led us to commence drafting a similar publication covering financial audits. These aids contribute positively to the audit process by informing the reader about the various rights and obligations surrounding an audit and help to minimise misunderstandings.

It is hoped that the proposed changes to the audit legislation introduced into Parliament during 2001-02 will see final passage through both Houses of Parliament before the end of this calendar year. The proposed enhancements to the legislation go some considerable way to ensuring that the community's interests are safeguarded in the future. It would be disappointing, indeed, if agreement could not be reached between the parties to see the proposed legislation passed.

The increasing number of inquiries made to the Office and the growing number of public bodies requiring audit oversight will ensure that the Office continues to seek ways to improve its performance and lead others to do likewise.

This Annual Report also foreshadows our targets for 2002-03.

Finally, I wish to thank my staff for their outstanding contributions to the work of the Office over the past 12 months. It is their ongoing dedication to the highest standards of professionalism in their work that gives me great confidence for the year ahead as the Office strives to make further progress along the *Pathway to Excellence*.

J. W. CAMERON
Auditor-General



Highlights

FOR 2001-02

Accountability to Parliament

- ▶ Strong endorsement by Parliament's independent performance auditor of the Office's strategic direction and operational performance.
- ▶ Receipt of Gold Award (highest standard of excellence) for our 2000-01 Annual Report.
- ▶ Successful launch of history book marking the Office's 150th anniversary.

Parliamentary reports and services

- ▶ 12 major audit reports tabled in Parliament.
- ▶ Highly positive feedback (80 per cent satisfaction level) from stakeholders on our parliamentary reports.
- ▶ All parliamentary products and services delivered within our global budget.
- ▶ Introduction of post-tabling briefings to assist parliamentarians on issues raised in our reports.

Audit reports on financial statements

- ▶ 564 audit opinions issued on financial statements of agencies.
- ▶ 78 opinions expressed on performance statements of local government councils.
- ▶ Issue of model accounts and bringing financial statement work forward to assist agencies in achieving more timely financial reporting.

Managing our Office

- ▶ Audit methodologies progressively upgraded to maintain alignment with best practice.
- ▶ Independent quality assurance reviews carried out for all audit categories.
- ▶ Major upgrading of our information technology infrastructure.
- ▶ Strong focus on enhancing the professional growth of our staff through leadership and development programs.
- ▶ Positive responses provided by staff to our staff satisfaction survey.

Financial performance

- ▶ Net surplus for the year of \$916 000 (\$2 million, 2000-01).
- ▶ Audit fee income of \$13.1 million (\$11.6 million, 2000-01) paid into the Consolidated Fund.

ACCOUNTABILITY TO PARLIAMENT

PERFORMANCE AGAINST OUR ANNUAL PLAN

Section 7A of the *Audit Act* 1994 requires the Auditor-General to develop an Annual Plan and present it to Parliament, following consultation with the Public Accounts and Estimates Committee. This arrangement reinforces the special relationship of the Auditor-General with Parliament. It recognises that the independence and autonomy granted to the Auditor-General need to be accompanied by a clear line of accountability back to Parliament.

Our Annual Plan for 2001-02 was tabled in Parliament on 14 June 2001, and included:

- ▶ specific details of the planned delivery of products and services for the year; and
- ▶ the organisational development initiatives expected to be implemented by the Office.

This Annual Report provides an account of the implementation of the Annual Plan and the use of resources provided by Parliament in the Budget. It constitutes our key accountability document to Parliament on our performance for 2001-02, against our planned outputs, and our use and management of resources entrusted to us.



Our outputs and products

Under Victoria's output management system, the level of resources allocated by the annual Budget process is determined on the basis of outputs that the Office is expected to deliver in order to contribute to the achievement of key outcomes. Over the past 3 years, we have restructured our Output Groups to reflect the importance of our obligations to Parliament. As a result, comparative figures are only reported for the past 3 years.

The following diagram links the desired outcomes with the Office's outputs (products), and the requirements of our legislative mandate. It also identifies that the Office's expected outputs are categorised under 2 output headings, namely, *Parliamentary reports and services* and *Audit reports on financial statements*.

Corporate purpose

To contribute to improvements in performance and enhanced accountability in the Victorian public sector

Key outcomes

- 1 Parliament and the community receive, through regular and informative reports, assurance on whether public sector agencies:
 - are delivering their services effectively, and doing so efficiently and economically;
 - have operated lawfully and ethically; and
 - have reported their performance fairly.
- 2 The value-added features of our audit activities assist Parliament, Executive Government and individual agencies in effecting improvements in public sector performance and accountability.

Objectives Strategies Performance measures Targets

As outlined in our Corporate Plan

Output

Parliamentary reports and services

Output

Audit reports on financial statements

Products

- Parliamentary reports.
- Responding to inquiries from Members of Parliament and the public.
- Assistance to Parliament.
- Contributions to enhancing accountability.
- Examination and certification of Warrants.

Audit Act objectives

- To determine whether financial statements are presented fairly.
- To determine whether public sector agencies are achieving their objectives effectively, and are doing so economically and efficiently, and in compliance with all relevant Acts.
- To determine whether public grants are used for the purposes for which they are given, and are applied economically, efficiently and effectively.
- To determine whether there has been any waste of public resources, or any lack of probity or financial prudence.

Products

- Audit reports on financial statements of public sector agencies.
- Audit report on the State's Annual Financial Report.
- Review of the Budget's Estimated Financial Statements.

Annual Plan presented to Parliament





INDEPENDENT ASSESSMENT OF THE OFFICE'S PERFORMANCE

The *Audit Act* 1994 provides for an independent performance audit of the Office to be conducted at 3-yearly intervals by an auditor appointed by Parliament, on the recommendation of the Public Accounts and Estimates Committee.

In May 2001, Mr Stuart Alford, Partner, Ernst & Young, was appointed to conduct the audit and presented his report to Parliament in October 2001.

Mr Alford concluded that the Office is:

- ▶ achieving its objectives effectively, economically and efficiently, and in compliance with the Audit Act; and
- ▶ complying with Australian Auditing and Accounting Standards.

The report also acknowledged the substantial improvements made by the Office in recent times, particularly in the areas of corporate and strategic audit planning, audit topic selection and development of industry knowledge.

In response to the report, the Auditor-General indicated that successful management by the Office of the substantial turmoil that occurred over the 3 years covered by the audit was testament to the professionalism and dedication of staff.

The Hon. Peter Loney MP, Chairman of the Public Accounts and Estimates Committee, in his introduction to the Committee's report presented to Parliament on the outcome of the performance audit, commented:

"The overall findings of the performance audit are favourable and indicate that the Auditor-General is meeting his objectives effectively, economically and efficiently and in compliance with the Audit Act. The report also indicates that the management and operational changes implemented over the past three years resulted in improvements at the Auditor-General's Office. The Committee commends the former Auditor-General, Mr Ches Baragawanth, and the present Auditor-General, Mr Wayne Cameron, and the staff of the [Office] for these improvements and continuing positive initiatives.

"The independent auditor's report also identifies and targets areas for improvement and constructively prescribes ways in which the operations of the Office may be made more efficient and effective to ensure that the Victorian Auditor-General's Office continues to be a world leader in public sector auditing".

Each of the suggestions made in these reports to achieve further improvement are under consideration as part of our continuous improvement program.



PROPOSED ENHANCEMENTS TO AUDIT LEGISLATION

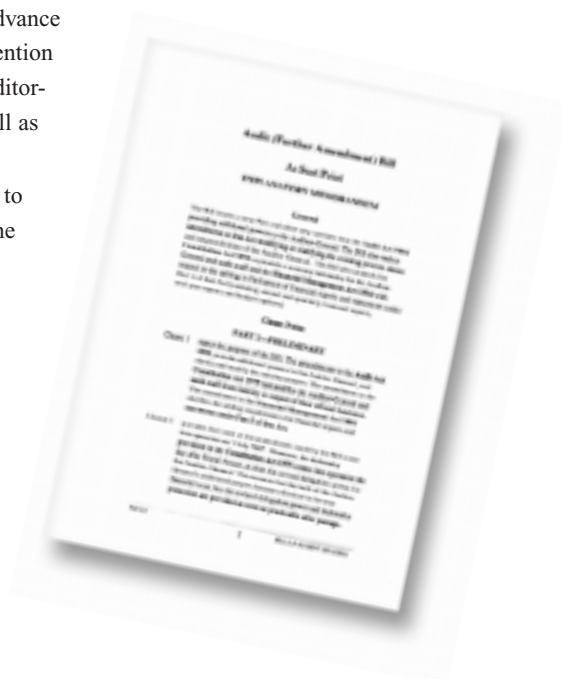
In last year's Annual Report, we referred to a number of potential amendments to the Audit Act. In October 2001, the Government introduced the Audit (Further Amendment) Bill. These amendments included:

- ▶ assignment of an explicit power to examine matters relating to waste, probity or lack of prudence in the public sector;
- ▶ widening the definition of an authority subject to audit to encompass entities controlled by the State or a public body;
- ▶ a capacity to present a report to the Clerk of each House of Parliament, and for the report to be taken to have been published by Parliament, when Parliament is in recess and to give advance notice to each Clerk of an intention to do so;
- ▶ lifting of the statutory threshold to expenditure of \$5 million for determining those agencies in respect of which the Auditor-General may delegate to authorised external audit service providers a power to sign audit opinions on financial statements;
- ▶ a requirement to include in the Office's Annual Report details of quality assurance practices in place;
- ▶ power to provide information to designated public officials such as the Police Commissioner, the Ombudsman and the responsible Minister whenever deemed desirable during the course of an audit; and
- ▶ an amendment to the Constitution Act granting indemnity protection to the Auditor-General and staff from personal liability for acts or omissions carried out in good faith in the performance of duties.

By the end of the Autumn 2002 session, Parliament had not reached agreement on the following 3 issues associated with the Bill:

- ▶ whether the proposed requirement to provide advance notification to the Clerk of each House of an intention to report should apply to all reports of the Auditor-General, i.e. when Parliament is in session as well as when it is in recess;
- ▶ the period of advance notice of an intention to report (the Bill provides for advance notice of one business day); and
- ▶ the narrative for a clause in the Bill aimed at prohibiting improper use of information in proposed reports received by parties during the pre-report consultative processes.

We are hopeful that debate on the Audit (Further Amendment) Bill will resume early in the Spring 2002 session of Parliament and all-party agreement on the outstanding matters can be reached.





150 Years of Auditing in the Public Interest

The year 2001 marked the 150th anniversary of the appointment of the first Victorian Auditor-General (Charles Hotson Ebden) in July 1851. To recognise this important occasion, we commissioned the preparation of an official history of our Office.

We engaged historian, Dr Peter Yule, to carry out the task of recording our history. The product of his work provides a structured analysis of the personalities and the key events that have influenced the functioning of the Office since its inception, and the development of public accountability in Victoria.

The launch of *In The Public Interest* took place in Queens Hall at Parliament House on 27 May 2002.

The book was officially launched by the Hon. Bruce Chamberlain MLC, President of the Legislative Council. A large gathering, including Members of Parliament, the Treasurer, officials from public sector agencies, representatives of academia and professional bodies, and current and retired staff from the Office, attended the launch.

We were very pleased to have with us on the day 3 former Victorian Auditors-General, Brian Waldron, Richard Humphry and Ches Baragwanath, and a former Australian Auditor-General, John Taylor.



The 4 most recent Victorian Auditors-General. From left: Brian Waldron (1977-1986), Ches Baragwanath (1988-1999), Wayne Cameron (1999 to present) and Richard Humphry (1986-1988).

The Treasurer, the Hon. John Brumby MLA and author, Peter Yule.

The President of the Legislative Council, the Hon. Bruce Chamberlain MLC, officially launched the Office's 150th anniversary history book in Queens Hall, Parliament House.



PARLIAMENTARY REPORTS AND SERVICES



Parliament is our primary client and, as a result, our reports and services are directed, first and foremost, to meeting the needs of Parliament.

As such, our **reports** must give clear assurance to Parliament on the quality and soundness of resource management practices in the public sector, as well as be the source of constructive suggestions for advancing public sector performance.

We also provide **services** aimed at enhancing accountability and performance in the public sector through the provision of commentary and advice on contemporary public sector developments under consideration by parliamentary committees, the Government and other external parties.

PERFORMANCE AGAINST OUTPUT TARGETS

The Office's performance for 2001-02 against the 4 targets making up the *Parliamentary reports and services* Output Group 1 is summarised below.

<i>Performance measures</i>	<i>Unit of measure</i>	<i>2001-02 target</i>	2001-02 achievement	<i>2002-03 target</i>
COST				
Delivery of reports and services within total output cost (see page 13)	\$million	9.8	8.6	9.8
QUANTITY				
Reports expected to be tabled in Parliament (see page 13)	number	12	12	15
TIMELINESS				
Reports completed within planned time frames (see page 22)	per cent	100	92	100
QUALITY				
Overall level of external satisfaction with reports (see page 23)	per cent	80	80	80



Performance against cost targets

The costs of our products arising from all of our activities in 2001-02 within the *Parliamentary reports and services* Output Group are outlined below.

<i>Product</i>	<i>Target 2001-02 (\$m)</i>	<i>Actual 2001-02 (\$m)</i>	<i>Target 2002-03 (\$m)</i>
PARLIAMENTARY REPORTS			
Performance audits	..	5.387	6.715
Special reviews, other investigations and results of annual financial statement audits	..	1.505	1.292
Report on the State's Finances for 2000-01	..	0.498	0.465
PARLIAMENTARY SERVICES			
Assistance to Parliament	..	0.234	0.200
Responding to inquiries from Members of Parliament and the public	..	0.148	0.200
Contributions to enhancing accountability	..	0.644	0.700
Liaison with international and interstate organisations	..	0.085	0.200
Examination and certification of Warrants	..	0.038	0.030
Aggregate output costs	(a) 9.8	8.539	9.802

(a) The break-up of the target was first published in the 2002-03 Annual Plan.

The above table indicates that the level of resources applied to the *Parliamentary reports and services* Output Group was less than planned. The major variation occurred in performance auditing where one planned audit was not completed and tabled in the year. This report will be tabled in the Spring 2002 session. An additional public sector agencies report was tabled.

PARLIAMENTARY REPORTS

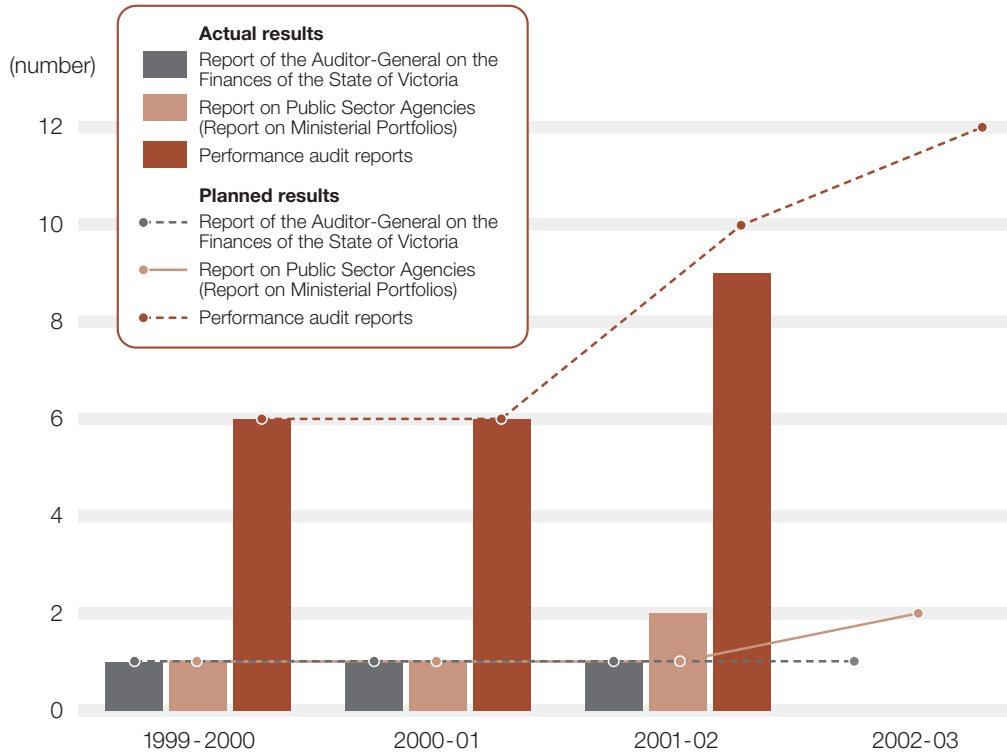
Performance against quantity targets

Performance details on the 12 reports presented to Parliament during the course of 2001-02 are shown below.

<i>Type of report</i>	<i>Target</i>	<i>Achievement</i>	<i>Comment</i>
Performance audits	10	9	The completion of the mental health services performance audit was deferred to Spring 2002 due to resource losses.
Public sector agencies	1	2	Additional report on the June 2001 financial statement audit round tabled in November 2001 in order to provide Parliament with more timely information on the results of the audits.
Examination of the State's finances	1	1	-
Total	12	12	-

The following chart shows the significant increase in performance audit reports tabled in Parliament and reflects a growing commitment to the performance audit mandate which will continue in 2002-03.

PARLIAMENTARY REPORTS



All audit reports tabled during 2001-02 are available at www.audit.vic.gov.au

Performance audit reports

Performance audits are targeted to those areas offering greatest potential for the Office to contribute to continuing improvement in resource management, enhanced accountability and transparency of public sector operations. Outcomes of the 9 performance audit reports presented to Parliament in 2001-02 are described below.

Management of major injury claims by the Transport Accident Commission, October 2001

The audit examined the work practices adopted by the Transport Accident Commission for managing persons who had sustained major injury in a transport accident, and the outcomes for those persons.

The audit concluded that the Commission's work practices and policies provide a good framework for pro-active and accountable management of claimants. Most claimants were receiving the services and benefits they required to meet their needs, and had achieved maximal recovery and independence, given their injury, consistent with the Commission's objectives. The report also commented that as claims expenditure was rising in all areas, this particular area needed to be carefully managed.



Claimant receiving rehabilitation services from an approved provider.



VALUE-ADDING FEATURES OF THE REPORT

<i>Improved resource management</i>	<i>Enhanced accountability and transparency</i>	<i>Improved operational procedures</i>
Developed best practice standards in case management for major injury claimants.	Provided an independent assessment of the Commission's claims management practices which had been criticised by some segments of the community.	Provided recommendations directed at improving the Commission's claims management practices.

The Commission responded positively to the report and has taken prompt action to address the recommendations. The Commission's General Manager – Health care, stated, "... the resultant report is an excellent work that achieved its objectives. For the TAC, the best practice standards have delivered a solid framework for the major injury division to monitor its case management practices and achieve better outcomes for clients. The TAC is currently embarking on a significant change process for clients requiring life time support and where appropriate, the best practice standards will be built into work practices and systems, as the new model is developed".

Departmental performance management and reporting, November 2001

The audit focused on the development of the Victorian performance management and reporting framework and its implementation within the 8 government departments. The audit found that while some key components of the framework were yet to be finalised or publicly released, the framework had promoted an enhanced focus on performance measurement and reporting. However, unless made explicit in setting departmental objectives, the framework may not adequately address the "ownership interests" of Victorians, including the key aspects relating to the longer-term sustainability of government operations.



VALUE-ADDING FEATURES OF THE REPORT

<i>Improved resource management</i>	<i>Enhanced accountability and transparency</i>	<i>Improved operational procedures</i>
Identified the slow progress being made in developing and implementing the performance management and reporting framework, and the importance of maintaining momentum to ensure continuing commitment in the public sector.	Recommended enhancements to reporting to Parliament, including <i>ex-ante</i> reporting of whole-of-government strategic directions, priorities and targets related to government outcomes.	Provided definitions to enable development of indicators suitable for measuring and monitoring achievement of departments' objectives and government outcomes.

The central agencies commended the Office on undertaking the audit, indicating that the report was comprehensive and constructive, and would provide a reference point for departments in the ensuing period. Departments welcomed the findings of the audit and generally supported the recommendations made.

Teacher work force planning, November 2001

The audit assessed the means and effectiveness by which future requirements for the teacher work force are determined by the Department of Education, Employment and Training (DEET). It further considered how well schools planned and managed their local teacher work force requirements, as well as the effectiveness of policy initiatives in increasing the supply of teachers in subject areas of teacher shortage and schools with staffing difficulties. The audit also examined the extent to which there were effective linkages between universities as the supplier of teachers and other stakeholders such as DEET and the private school system.

The audit concluded that teacher work force planning at central and school levels could be improved. Initiatives to address teacher supply had only focused on key areas of shortage.



Teacher and students at Old Orchard Primary School, Blackburn North.

VALUE-ADDING FEATURES OF THE REPORT

<i>Improved resource management</i>	<i>Enhanced accountability and transparency</i>	<i>Improved operational procedures</i>
Recommended improvements in management reporting and improved targeting of resources to areas of greatest need.	Provided Parliament with a detailed analysis of the current teacher shortage and actions being taken.	Identified improvements were required in data collection, marketing and administration of teacher supply initiatives and usage of planning tools.

Both DEET and the universities considered the review was comprehensive and advised that the recommendations will be used in improving current strategies and developing future initiatives.

Management of claims by the Victorian WorkCover Authority, November 2001



A WorkSafe Victoria inspector discusses workplace safety.

This audit sought to assess whether actions taken by the Victorian WorkCover Authority to reform claims management would redress past deficiencies and improve the overall performance of the State's WorkCover scheme which provides rehabilitation and compensation for injured workers.

The audit concluded that the actions taken by the Authority should redress past deficiencies and improve the overall performance of the scheme. Success in this area will be dependent on improving the performance and quality of claims agents, the effectiveness of operational arrangements and injury management. The Authority needed to be more pro-active in its oversight of the system. Achievements in these aspects could not be assessed until the new model is fully operational in December 2002.



The audit further concluded that the actions taken by the Authority to mitigate the key risks associated with the re-introduction of common law rights for seriously injured workers were appropriate. However, the likely success or otherwise of these strategies will not be known until the new legislation is tested in the courts.

VALUE-ADDING FEATURES OF THE REPORT

<i>Improved resource management</i>	<i>Enhanced accountability and transparency</i>	<i>Improved operational procedures</i>
Provided independent confirmation of the need for the Authority to reform its claims management operations.	Provided an overview of the Authority's poor performance with claims management.	Provided independent endorsement of the Authority's strategies for improving its claims management operations.

The Authority welcomed independent confirmation of the need for reforming its claims management.

International students in Victorian universities, April 2002

This audit assessed whether international student programs at Melbourne, Monash and RMIT Universities have impacted on Victorian students' access to university and on academic standards, have been of financial benefit, and have been adequately regulated and monitored.

The audit found that universities have been very responsive to Commonwealth funding arrangements. While, direct displacement of domestic Higher Education Contribution Scheme (HECS) students is regulated against, the relative proportion of marginally-funded domestic HECS students has reduced and the proportion of full fee-paying international and domestic students has increased. International students have been of financial benefit to universities and the Victorian economy. There remains a high level of current demand for domestic HECS places in Victoria. The audit recommended action to address English language issues for international and domestic students, to strengthen student assessment practices, and to provide greater support to academic staff.



Significant intangible benefits are derived from mixing of international and domestic students.

VALUE-ADDING FEATURES OF THE REPORT

<i>Improved resource management</i>	<i>Enhanced accountability and transparency</i>	<i>Improved operational procedures</i>
Recommended greater understanding and debate by the Victorian Parliament and the community on current funding mechanisms for higher education.	Provided Parliament with an understanding of the impact of international student programs on access to university, academic standards and the finances of universities.	Recommended that universities actively monitor changes in student-to-staff ratios and take them into account when allocating resources. Also identified the need to address English language issues and strengthen student assessment practices.

The report was well received by the universities and the Department of Education and Training. Monash University welcomed "... the findings of this performance audit, which is constructive and helpful. The independent findings affirm the many benefits of international education, acknowledge the strengths of our universities and make suggestions for further improvement of certain aspects of higher education in Victoria".

Investment attraction and facilitation in Victoria, May 2002



Food industries – a sector given priority for investment attraction by the Victorian Government.

The audit examined the extent and effectiveness of direct financial assistance to companies investing in Victoria as well as the facilitation of these investments. In particular, the net benefits to Victoria and the adequacy of criteria, measures, transparency and reporting arrangements for this financial assistance and facilitation were examined. The audit also followed-up key recommendations of the 1995 Auditor-General's report, *Promoting industry development: Assistance by government*. The extent of local government involvement in investment attraction and facilitation services was also included in the audit.

The audit found the criteria, processes and contractual arrangements for investment assistance were sound. However, insufficient monitoring and public disclosure of investment outcomes were highlighted, with recommendations for more systematic monitoring of, and greater transparency in, reporting the benefits of the Government's investment attraction and facilitation services.

VALUE-ADDING FEATURES OF THE REPORT

<i>Improved resource management</i>	<i>Enhanced accountability and transparency</i>	<i>Improved operational procedures</i>
Recommended a range of measures to monitor the effectiveness of the program.	Recommended annual reporting of expected performance against actual performance, along with a range of other strategic criteria.	Recommended modifications to operational procedures and program criteria.

The Department of Innovation, Industry and Regional Development, and selected local governments, broadly accepted the recommendations of the report.

Nurse work force planning, May 2002

The audit assessed the effectiveness of nurse work force planning centrally (by the Department of Human Services) and in hospitals. The audit also reviewed the effectiveness of recruitment and retention strategies, and the linkages between key stakeholders associated with nurse supply and demand.

The audit concluded that the Nurse Recruitment and Retention Strategy had been successful, but that the shortage of nurses will be an ongoing issue. Work force planning at central and hospital level needs more attention, as do the linkages with nurse education providers.



RMIT Bachelor of Nursing students on clinical placement.

VALUE-ADDING FEATURES OF THE REPORT

<i>Improved resource management</i>	<i>Enhanced accountability and transparency</i>	<i>Improved operational procedures</i>
Recommended a range of initiatives aimed at enhancing recruitment, retention and work force planning.	Recommended that the quality of nurse work force data be enhanced.	Recommended that the Department of Human Services clarify its role and responsibilities in relation to hospitals, and establish clear co-ordination arrangements between key stakeholders.

The Department accepted the report's findings and recommendations, and has signalled its intention to address the major issues highlighted by the audit.



Management of roads by local government, June 2002

The audit followed recent studies that had identified problems with the management of infrastructure assets by local government.

The audit concluded that current local government practices do not meet accepted best appropriate road asset management practices or properly meet the long-term needs of the community. This deficiency has contributed to a substantial funding gap between the actual and required level of spending on infrastructure asset renewal and maintenance. Furthermore, unless asset management practices are improved, the community could ultimately be faced with undesirable consequences such as rate rises, unsafe road conditions and even loss of service.



Road upgrading within the Delatite Shire.

VALUE-ADDING FEATURES OF THE REPORT

<i>Improved resource management</i>	<i>Enhanced accountability and transparency</i>	<i>Improved operational procedures</i>
Identified a number of shortcomings with municipal councils' road asset management practices which were contributing to the inefficient use of existing resources.	Recommended actions to improve councils' reporting of their performance in managing road assets.	Recommended a number of actions directed at bringing councils' road asset management practices in line with best practice.

The findings and recommendations arising from the audit were generally accepted by the local government sector, although councils expressed a strong view that limited funding for road management is the major issue.



Motor vehicles make up the single biggest contribution to air pollution in the Port Phillip region.

Managing Victoria's air quality, June 2002

The audit focused on the Environment Protection Authority's (EPA) activities in managing air quality in Victoria with particular attention to resource management practices, air quality monitoring activities, approach to controlling emissions from industry, motor vehicles and diffuse sources.

The audit concluded that Victoria's air quality has improved over the past 30 years with emissions from major industry sources being effectively controlled. Emissions from motor vehicles and diffuse sources, which are more difficult to control, remain a challenge.

VALUE-ADDING FEATURES OF THE REPORT

<i>Improved resource management</i>	<i>Enhanced accountability and transparency</i>	<i>Improved operational procedures</i>
Recommended that improvements be made to budget and business planning processes to enable clear priority setting across the EPA, within business units, and between air quality monitoring and management activities.	Identified that Victoria's air quality management is linked to a national approach to the environment and that this approach has resourcing impacts on the State.	Recommended that the EPA evaluate its practices and activities to increase its effectiveness and the appropriateness of the mix of policy tools used for managing air quality.

The EPA agreed with the majority of the recommendations, including the need to more explicitly plan and articulate the resourcing of its air monitoring capacity.

Reports on Public Sector Agencies



A review of the sale of Harding Park, Geelong was featured in the report.

The results of financial statement audits and any special inquiries has, in the past, been reported (*Report on Ministerial Portfolios*) once each year – usually at the end of each financial year. This practice was changed this year with the introduction of an additional report in order to communicate the results of such audits to Parliament in a more timely manner.

Report on Public Sector Agencies, results of 30 June 2001 financial statement audits

This report was tabled in Parliament in November 2001, and sets out the results of financial statement audits for public sector agencies for the financial year ended 30 June 2001, and the results of a number of special reviews.

The financial audit results indicated that:

- ▶ while there had been a significant improvement in the timeliness of completion of audited financial statements and performance statements by local government entities, there remains scope for improvement in the timeliness of completion of audited financial statements in other portfolios;
- ▶ of the 399 audit opinions issued at the time of preparation of the report, 366 (or 92 per cent) were unqualified; and
- ▶ some financial statements included in annual reports and presented to Parliament by public hospitals for 2000-01 were inconsistent with those audited.

The results of special reviews reported included:

- ▶ cost and impact on Victorian public sector agencies of the HIH Insurance Group collapse;
- ▶ outcome of IT audits of government departments and other agencies;
- ▶ financial viability of hospitals;
- ▶ housing rental arrears;
- ▶ City of Greater Geelong's involvement in the Geelong Business and Trade Centre;
- ▶ sale of Harding Park, Geelong; and
- ▶ financial viability of Tourism Victoria.

Report on Public Sector Agencies, results of special reviews and 31 December 2001 financial statement audits

This report was tabled in Parliament in June 2002, and sets out the results of financial statement audits for public sector agencies with balance dates other than 30 June 2001, and the results of a number of special reviews.



Victoria Police television recruitment drive.

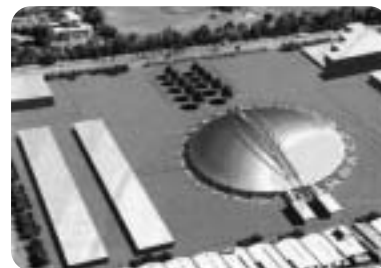


The audit results indicated that:

- ▶ there is scope for improvement in the timeliness of completion of audited financial statements to enhance the accountability process, with only 43 per cent (30 per cent in 1999-2000) of (largely education) agencies meeting the 12 week legislative time frame; and
- ▶ of the 126 audit opinions issued at the time of preparation of the report, 115 (or 91 per cent) were unqualified.

The report also included the results of a number of special reviews, including:

- ▶ operations of university subsidiary entities and joint ventures;
- ▶ case studies of selected associated entities and joint ventures of Victorian universities;
- ▶ notebook computers for teachers;
- ▶ Latrobe Regional Hospital;
- ▶ Visiting Medical Officers' arrangements at rural public hospitals;
- ▶ Acute and Psychiatric Information Directions project;
- ▶ Federation Square development;
- ▶ City Link: Surplus land;
- ▶ council monitoring of business ventures and community support arrangements;
- ▶ municipal business units;
- ▶ property management practices at Latrobe City Council;
- ▶ national synchrotron facility;
- ▶ Victims Referral and Assistance Service;
- ▶ Victoria Police: "A New Century, A New Force" recruitment initiative;
- ▶ Registry of Births, Deaths and Marriages;
- ▶ Victorian Forest Industry Structural Adjustment Package;
- ▶ survey information at Land Victoria;
- ▶ land titles automation project;
- ▶ advertising and marketing by government departments;
- ▶ National Gallery of Victoria redevelopment; and
- ▶ State Revenue Office: Management of stamp duty collections.



The report commented on the proposed \$160 million national synchrotron facility.

By 30 June 2002, the Office issued a further 39 audit opinions on financial statements. Of these, 5 were qualified.

Examination of the State's finances

Report of the Auditor-General on the Finances of the State of Victoria, 2000-01

This report was tabled in Parliament in November 2001 and outlined the results of an analysis of the Government's financial performance and financial position for the 2000-01 financial year.



In particular, the report identified that:

- ▶ The State's overall financial condition remained strong, but there were a number of challenges facing the Government which would impact on its flexibility in responding to future opportunities. These challenges included managing the impact of increasing expenditure pressures including wage growth, and reduced State own-source revenues resulting from the introduction of the National Tax Reforms and in the event of a downturn in economic conditions; and
- ▶ The Government continued to enhance financial accountability and transparency during the year through the implementation of quarterly financial reports for the Budget sector and mid-year reports covering the whole-of-government. The ongoing challenge for the Government is to continue to enhance the quality of disclosure and reporting of its activities to the public and Parliament, through greater analysis and commentary accompanying these reports.

The report also commented on various developments during 2000-01 with substantial impacts on the State's finances, including:

- ▶ a number of major industrial settlements that were finalised in the year;
- ▶ the financial market downturn on the State's investment and unfunded superannuation balances;
- ▶ the Beneficiary Choice Program in terms of its effect on the State's unfunded superannuation liabilities; and
- ▶ certain major activities of the State, such as the financing of the 2006 Commonwealth Games and the staging of the Melbourne Grand Prix event.

Post-tabling briefings to parliamentarians on reports of the Auditor-General

During the Autumn 2002 session of Parliament, post-tabling briefings were introduced to Members of Parliament on our reports. Briefings were provided on 5 performance audit reports tabled during the period April to June 2002, and on the *Report on Public Sector Agencies* tabled in June 2002.



Post-tabling briefings to parliamentarians – a new initiative in 2001-02.

The purpose of the briefings was to assist Members in their understanding of the key issues addressed in each report as soon as practicable after tabling.

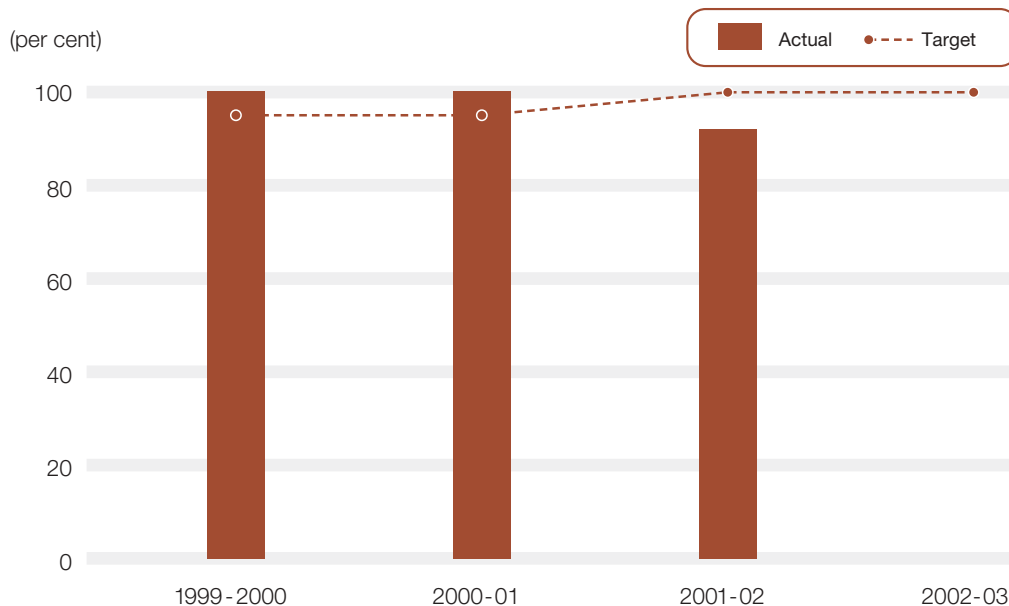
Performance against timeliness targets

The Office has set both external and internal targets for the completion and tabling of reports in Parliament. Our external target is that all reports will be tabled in the planned parliamentary session. A number of internal targets assist in the achievement of this outcome.

While we have met most of our external timeliness targets for reports tabled, our achievement of internal targets requires improvement. During 2001-02, and continuing in 2002-03, we are examining all aspects of the way in which we conduct audits and prepare parliamentary reports, including our audit methodology and the processes around the publication of our reports.



TIMELINESS OF PARLIAMENTARY REPORTING PROGRAM



The chart above indicates that the timing of 11 of the 12 reports presented to Parliament during 2001-02 was in accordance with targets established within the Annual Plan. As previously mentioned, it was necessary to defer the completion of one performance audit report (relating to the mental health services audit) to Spring 2002, and one additional *Report on Public Sector Agencies* was presented to Parliament during the year.

Measuring the quality of our parliamentary reports

Feedback on reports from Members of Parliament

Feedback is an effective mechanism for confirming that our reports have examined the most appropriate subjects and are clear and concise in their findings and recommendations. Such feedback is obtained informally throughout the course of the year from Members of Parliament and the Public Accounts and Estimates Committee in particular, and formally:

- ▶ every 3 years by the independent performance audit; and
- ▶ during intervening years by the Auditor-General.

With the aim of obtaining specific feedback from members of the Public Accounts and Estimates Committee on the relevance and quality of our reports, the Auditor-General met with individual members of the Committee during 2001-02.

The performance audit of the Office recommended that greater benefit might be obtained if the Office reduced its reliance on survey questionnaires as a feedback tool, and increased the number of face-to-face meetings with key stakeholders.

Comments received to date on reports were positive with the common theme that our reports are an important resource for Parliament – both in debate and in policy formulation. Reports presented during the year were adjudged valuable, clear and providing a sound basis for assessing the quality of financial and resource management of public sector activities, and the quality of public accountability.

References in "Hansard"

The contribution of the Office to the work of Parliament is measured, in part, by the extent of references made to our reports during proceedings of both Houses of Parliament.

During 2001-02, 135 references (2000-01, 90 references) to the Office and its reports were recorded in *Hansard*, and dealt with:

- ▶ issues in the reports drawn on by Members to support parliamentary debate;
- ▶ the role and work of the Office; and
- ▶ audit legislation and audit functions.



"Hansard" continues to record a growing number of references to the Office and its reports.

Views of client agencies on tabled reports

An important part of the Office's continuous improvement processes involved seeking feedback from audited agencies through formal surveys and face-to-face discussions.



Rob Fearnside, a key Office contact for the education sector.

For 2001-02, this feedback process in relation to reports tabled in Parliament related only to performance audits. It is our intention to expand the process in 2002-03 to encompass all of our reports.

Surveys issued to agencies during 2001-02 were used to gauge the level of agency satisfaction in 3 key areas:

- ▶ the quality of the report, which encompasses the value of the report to the agency and the relevance of the selected topic;
- ▶ the adequacy of the audit process, including the professionalism of the audit team; and
- ▶ the level of agreement with audit recommendations.

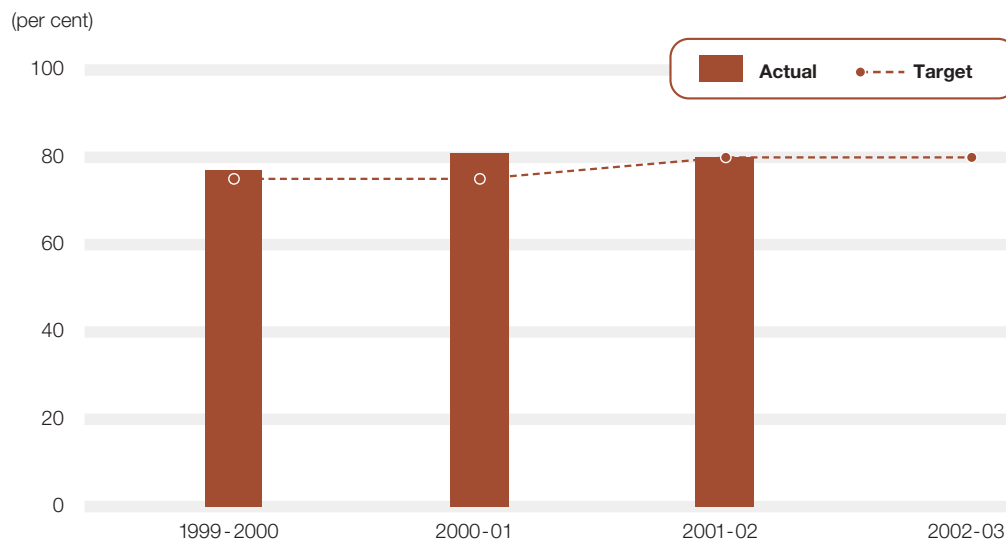
Face-to-face meetings conducted shortly after survey results are received provide the opportunity for agencies to further expand their views on the audit recommendations.

The information from completed surveys is collated to determine the overall level of satisfaction with our processes and parliamentary reports.

The results for the year, against an overall satisfaction target of 80 per cent, are presented in the following chart.



OVERALL CLIENT SATISFACTION WITH PARLIAMENTARY REPORTS



The level of client satisfaction with individual reports is presented in the following table.

CLIENT SATISFACTION WITH INDIVIDUAL REPORTS

<i>Title of report</i>	<i>Level of client satisfaction</i>	<i>Number of recommendations made</i>	<i>Number of recommendations accepted</i>
Management of major injury claims by the Transport Accident Commission	93%	26	24
Departmental performance management and reporting	80%	30	Multi-agency review
Teacher work force planning	86%	35	31
Management of claims by the Victorian WorkCover Authority	91%	16	13
International students in Victorian universities	73%	19	Multi-agency review
Investment attraction and facilitation in Victoria	77%	13	12
Nurse work force planning	81%	11	9
Management of roads by local government	74%	6	Multi-agency review
Managing Victoria's air quality	73%	16	11
Overall average	80%	-	-

The above results indicate that agencies consider that our reports are timely and relevant, and that our staff demonstrated high levels of professionalism in conducting audits. For 2002-03, our qualitative target is to maintain this 80 per cent rating.

PARLIAMENTARY SERVICES

Assistance to Parliament

Liaison with the Public Accounts and Estimates Committee

Several statutory responsibilities in relation to the Auditor-General have been assigned to Parliament's Public Accounts and Estimates Committee. These responsibilities include:

- ▶ recommendation of appointments to the position of Auditor-General;
- ▶ review of the Auditor-General's draft Annual Plan and provision of comment on the document prior to its finalisation and tabling in Parliament; and
- ▶ consideration of the annual budgetary needs of the Auditor-General.

During the year, the Office provided its draft Annual Plan to the Committee for its consideration and made other submissions to the Committee. Our interaction with the Committee included:

- ▶ discussions on our draft Annual Plan and related budgetary needs for the 2002-03 financial year;
- ▶ provision of evidence at public hearings and presentation of formal submissions relating to the Committee's inquiries on corporate governance and private/public partnerships;
- ▶ consultation on proposed specifications, including planned objectives and scope, for all performance audits commenced during the year;
- ▶ discussions on the findings and recommendations arising from the performance audit of the Office; and
- ▶ provision of updates to the Committee on developments in relation to past performance audit reports that have been identified by the Committee for follow-up inquiry.

We also continued our longstanding practice of providing research assistance to the Committee through the secondment of staff.

Responding to inquiries from Members of Parliament and the public

Each year, we receive many inquiries from Members of Parliament and members of the public involving the actions of public sector agencies or officers. These inquiries usually relate to concerns expressed about the management of public resources and often include a request that the Auditor-General investigate a particular subject area.

During 2001-02, we received a total of 153 such inquiries, comprising 57 from Members of Parliament and 96 from the general public and community groups.

It is our policy to acknowledge all inquiries within 7 days and to respond to the inquirer as soon as practicable with the results of our preliminary assessment. During 2001-02, we acknowledged 75 per cent of all inquiries within 7 days. Depending on the overall significance of the issues raised, we also indicate our intention to examine the matter, depending on resource availability, and indicate that any matters of significance arising from our work would be reported to Parliament. A number of the matters included in our *Reports on Public Sector Agencies* arose from inquiries from Members of Parliament and the public.



Contributions to enhancing accountability

Preparation of model financial statements

During the year, the Office contributed to the development of the following model financial reports and reporting guidelines:

- ▶ Financial Reporting Framework, 31 December 2001 – TAFE Institutes;
- ▶ Model Financial Reports for Victorian Government Departments – Department of Treasury and Finance; and
- ▶ Financial Management Act Annual Reporting Guidelines for Public Hospitals 2001-02 – Department of Human Services.



The Office was actively involved in the preparation and issue of model financial accounts.

The Office also issued an illustrative model general purpose financial report for local government councils in Victoria (Sustainable Council) and water authorities for 30 June 2002. These are available at www.audit.vic.gov.au

Liaison with international and interstate organisations

Liaison with relevant external professional organisations

The ability to keep abreast of developments in financial reporting and auditing issues is important if we are to maintain our authoritative and expert position in accounting and auditing policy and practice matters.

The Office's Accounting and Auditing Policy Group is responsible for providing staff and external audit service providers with information on developments in accounting and auditing matters. In addition, frequent liaison with the accounting profession in relation to significant financial reporting reforms is undertaken.

During the year, the Office also assisted in the preparation of submissions by the Australasian Council of Auditors-General to the Australian Accounting Standards Board, the Board's Urgent Issues Group, the Australian Accounting Research Foundation, and various international standards-setting organisations, in relation to exposure drafts and discussion papers issued by these organisations.

The Office continued its involvement with the Australasian Evaluation Society. In October 2001, the Office presented a number of sessions at the Society's annual conference in Canberra, and the Office hosted the July 2002 meeting of the Victorian Branch. The Office values its relationship with the Society as it forms an important component of our continuous improvement and staff development activities.

Contributions to professional bodies

A number of the Office's senior staff hold positions and memberships in a variety of professional bodies, committees and societies. These include membership of the Australian Accounting Standards Board, Centres of Excellence of CPA Australia, the Assurance Services and Auditing Panel of CPA Australia, the Public Sector Accountants Committee of CPA Australia and the Victorian Divisional Council of CPA Australia.

Details of external presentations made by staff during the year are provided in Appendix 2.

Interaction with the Australasian Council of Auditors-General

The Australasian Council of Auditors-General (ACAG) fosters and promotes the development of public sector auditing through the following key functions:

- ▶ developing and issuing authoritative pronouncements on the nature, scope, independence and role of Australasian Auditors-General;
- ▶ 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 various areas of responsibility of Auditors-General.

During 2001-02, the Auditor-General attended ACAG business meetings held in Sydney in November 2001, and in Brisbane in April 2002.

The Assistant Auditor-General, Accounting and Auditing Policy, is Chairman of the ACAG Liaison Committee. This Committee provides a forum for the interchange of information between jurisdictions on auditing and financial reporting issues, and facilitates ACAG participation in standards development and liaison with Heads of Treasuries Committees.

A liaison committee meeting was held in Canberra in December 2001, and the Assistant Auditor-General, Accounting and Auditing Policy, represented ACAG at the Australian Accounting Standards Board Consultative Group and participated in meetings of the Heads of Treasuries Accounting and Reporting Advisory Committee, Private Provision of Public Infrastructure Working Group.

In November 2001, the Office hosted a 2-day discussion forum on contemporary strategic issues facing Audit Offices. The purpose of the forum was to enable representatives of ACAG Offices to exchange thoughts, ideas, experiences and initiatives across some common strategic management areas of emerging significance. Representatives of 9 Audit Offices attended the forum.



Participants in our 2-day forum on strategic issues facing Australian Audit Offices, in November 2001.



South Pacific Association of Supreme Audit Institutions

The Office is a member of the South Pacific Association of Supreme Audit Institutions (SPASAI), an organisation which aims to promote the advancement of public sector accounting and auditing among its members.

In May 2002, the 7th SPASAI congress was held in Rarotonga in the Cook Islands and was attended by Auditors-General or their representatives from many South Pacific countries. The Auditor-General was represented by Edward Hay, Deputy Auditor-General. The congress was opened by the Prime Minister of the Cook Islands.

The theme of the congress was “Auditing for Tomorrow” and papers were presented by each participating country outlining issues impacting on the activities of their Offices. The discussion of these issues provided an opportunity for an open exchange of information and ideas and, at the conclusion of the congress, the members of SPASAI endorsed a number of Accords that reflected the extent of the discussions. The Accords ranged from encouraging improved accountability and good governance, to increased independence of the position of Auditor-General. The Rarotonga Accords were presented to the Minister for Finance and Audit at the closing ceremony.

Other international activities

During 2001-02, the Office hosted several international visiting groups from auditing and accounting organisations, and from public sector agencies. A list of these visitors is provided in Appendix 2.

Two significant international events occurred during the year: a visit to the Office by members of the United States General Accounting Office in February 2002, and a study tour to the UK by 3 members of our Office in May 2002. We also hosted secondments by 2 staff members of the State Audit Board of Mongolia.

Visit by members of the United States General Accounting Office

Representatives of the United States General Accounting Office visited our Office in February 2002 as part of a study of recent international public sector management reforms. Discussions focused on many areas, including:

- ▶ government management reforms in general, including current developments in performance measurement, fostering accountability through the use of performance contracts, and performance reporting;
- ▶ recent and current initiatives in the area of human resource management reform; and
- ▶ efforts to make services more citizen-centered and responsive to clients, including the use of single window portals, service contracts, satisfaction surveys and “joined up” services.



Discussions between staff from our Office and the US General Accounting Office.

Arrangements were also made for the visitors to meet with several Victorian public sector organisations, including Multimedia Victoria, the Public Accounts and Estimates Committee, the Office of Public Employment, the Department of Treasury and Finance, and the Department of Premier and Cabinet.

UK study tour

In April 2002, Greg Pound, Assistant Auditor-General, Accounting and Auditing Policy; Russell Walker, Assistant Auditor-General, Strategic Planning and Sector Liaison; and Steve Mitsas, Director, Statewide and Central Agencies, undertook a study tour to the UK. They examined issues associated with Private Finance Initiatives and Public Private Partnerships (PFI/PPP), performance reporting and the management of parliamentary appropriations.

Meetings were also held with representatives of accounting firms, the International Accounting Standards Board and the UK Accounting Standards Board to discuss PFI/PPP and other financial reporting issues.

Information gathered during the study tour will be used in future audits to be undertaken by the Office.

Secondments from the State Audit Board of Mongolia

During 2001-02, the Office continued its support to the State Audit Board of Mongolia in association with AusAid and the Asia Development Bank. Two staff members from the State Audit Board of Mongolia completed a 3-month on-the-job training program with our Office that involved a number of audit work placements supplemented with formal audit training. The placements were aimed at developing the capacity of the State Audit Board of Mongolia to conduct financial statement audits in accordance with International Auditing Standards.

Examination and certification of Warrants

Forming part of our parliamentary services is the examination and certification by the Auditor-General of Warrants required to be prepared under the authority of the *Constitution Act 1975* and the *Financial Management Act 1994*. Warrants provide constitutional authority for the issue of funds from the Consolidated Fund within the Public Account.

During 2001-02, the Auditor-General certified 17 Warrants authorising Consolidated Fund expenditure of up to \$22.5 billion.



The Auditor-General's certification of a Warrant.

AUDIT REPORTS ON FINANCIAL STATEMENTS

The Auditor-General has a statutory responsibility to undertake an annual examination of the financial statements of departments and public bodies, and to express an audit opinion on the fair presentation of those financial statements. The Auditor-General is also required to express an opinion on non-financial performance indicators included in performance statements prepared by municipal councils under section 153B of the *Local Government Act 1989*.



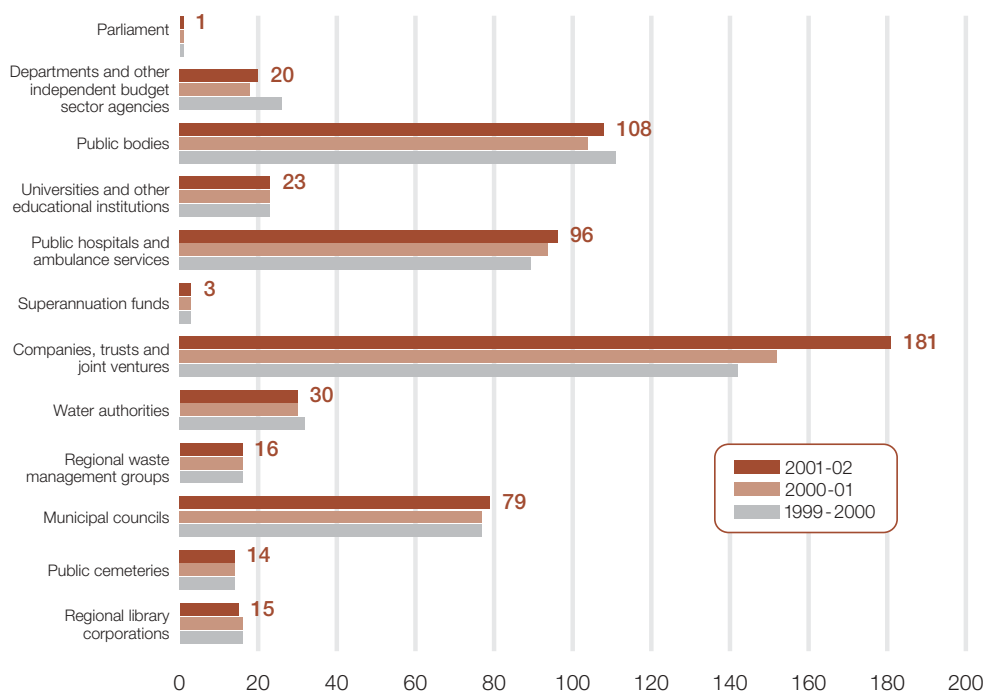
Office staff Annette Cruz and Andrew White (left) on-site at the Federation Square development.

RANGE OF AUDIT RESPONSIBILITIES

At 30 June 2002, the Auditor-General had responsibility for the audit of the Government's Annual Financial Report, the review of the Estimated Financial Statements within the State Budget, and the conduct of in excess of 580 financial statement audits of public sector agencies (around 550 in 2000-01). These agencies collect income of approximately \$35 billion, incur about \$34 billion in expenditure and hold in excess of \$131 billion in assets.

The type and number of agencies audited by the Auditor-General are shown in the following chart.

TYPE AND NUMBER OF AGENCIES AUDITED BY THE AUDITOR-GENERAL



A complete listing of the agencies audited at 30 June 2002 is provided in Appendix 3.

PERFORMANCE AGAINST OUTPUT TARGETS

The Office's performance for 2001-02 against the 4 targets making up the *Audit reports on financial statements* Output Group 2 is summarised below.

<i>Performance measures</i>	<i>Unit of measure</i>	<i>2001-02 target</i>	<i>2001-02 achievement</i>	<i>2002-03 target</i>
COST				
Delivery of services within total output cost (see page 32)	\$million	12.7	13.5	13.5
QUANTITY				
Audit opinions issued to agencies (see page 33)	number	548	562	585
Audit opinion on the Government's 2000-01 Annual Financial Report (see page 34)	number	1	1	1
Review of the Estimated Financial Statements forming part of the 2002-03 State Budget (see page 34)	number	1	1	1
TIMELINESS				
Audit opinions issued within statutory deadlines (see page 35)	per cent	100	90	100
Management letters to agencies and reports to Ministers issued within established time frames -				
Management letters (see page 36)	per cent	100	78	100
Reports to Minister (see page 36)	per cent	100	100	100
QUALITY				
Overall level of external satisfaction with the conduct of financial statement audits (see page 37)	per cent	75	70	75

Any issues assessed during the course of financial statement audits considered to be of sufficient significance to warrant reporting to Parliament are included in our *Reports on Public Sector Agencies*, described in the earlier *Parliamentary reports and services* section of this Annual Report.

Performance against cost targets

The costs arising from the *Audit reports on financial statements* Output Group in 2001-02 are outlined below.

<i>Product</i>	<i>Target 2001-02 (\$m)</i>	<i>Actual 2001-02 (\$m)</i>	<i>Target 2002-03 (\$m)</i>
Audit reports on financial statements -			
Audits conducted by internal resources	..	6.116	6.135
Audits involving external service providers	..	6.996	6.988
Audit report on State's Annual Financial Report	..	0.174	0.156
Review of Estimated Financial Statements in State Budget	..	0.257	0.260
Aggregate output costs	(a) 12.7	13.513	13.539

(a) The break-up of the target was first published in the 2002-03 Annual Plan.



During 2001-02, the number of agencies subject to audit, particularly companies, trusts and joint ventures, increased significantly. Payments made to external audit service providers also increased as a result of the increase in agencies and the early completion of audits. As a result, the level of resources applied increased. In addition, during the year additional funding of \$394 000 was provided as a result of industrial agreement decisions. These additional funds were applied to this Output Group.

The costs of conducting financial statement audits are recouped from the respective agencies and transferred to the Consolidated Fund. An amount of \$13.1 million was paid into the Consolidated Fund during 2001-02.

Performance against quantity targets

Audit opinions issued to agencies

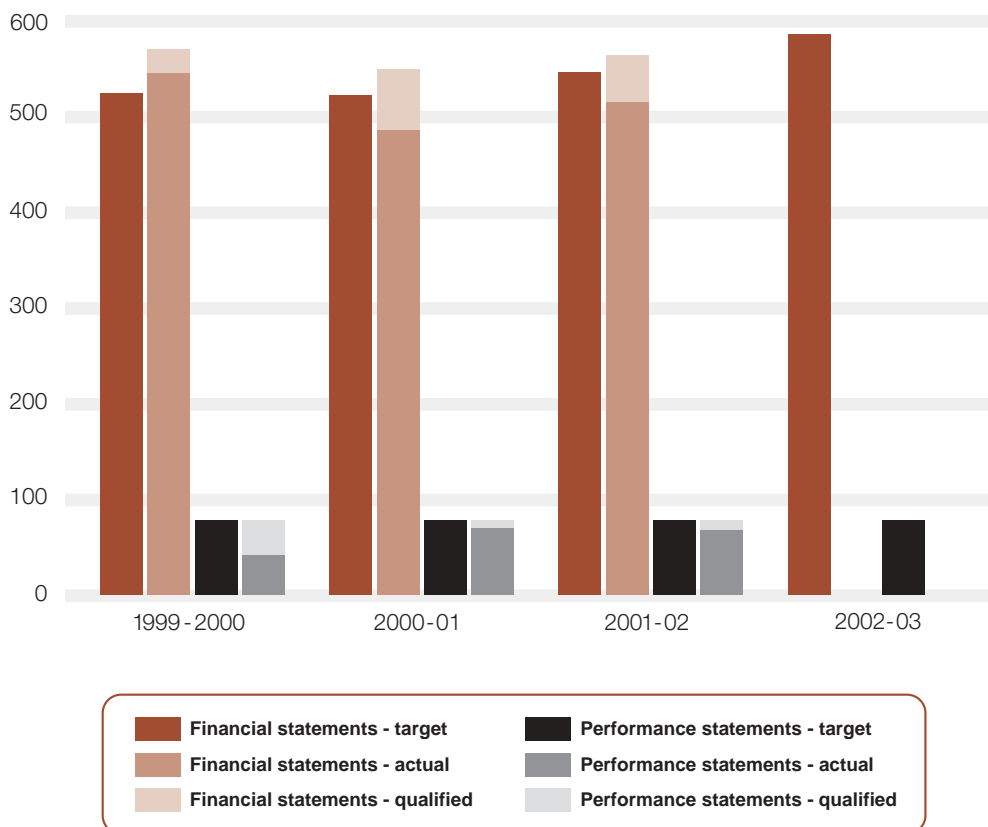
A total of 564 audit opinions were issued on agency financial statements during 2001-02. This comprised:

- ▶ 178 opinions for audits undertaken by in-house staff; and
- ▶ 386 opinions for audits where external audit service providers were engaged to carry out the audits.

In addition, 78 audit opinions were issued on performance statements of local government councils, and 39 audit opinions to the Commonwealth Department of Transport and Regional Services on financial statements of receipts and expenditure, under the *Roads to Recovery Act 2000*.

The following chart shows the number of audit opinions issued on financial statements and performance statements, and the number qualified over the last 3 years.

NUMBER OF AUDIT OPINIONS ISSUED ON FINANCIAL STATEMENTS AND PERFORMANCE STATEMENTS



Of the 564 audit opinions issued on financial statements, 91.3 per cent were unqualified. The unqualified figure for opinions on local government council performance statements was 87 per cent.

For financial statement audits, the most common reasons for the issue of qualified opinions were:

- ▶ The inappropriate disclosure of non-reciprocal grants in the health and education sectors. These grants were not reported in accordance with Australian Accounting Standards AAS15 “Revenue” which requires that they be treated as income in the year of receipt (20);
- ▶ Failure to revalue a significant portion of non-current assets or failure to undertake a condition assessment when revaluing certain non-current assets (12); and
- ▶ The inappropriate recognition of a receivable from the Commonwealth Government for unfunded superannuation liabilities in universities (8).

The qualifications on local government performance statements related to:

- ▶ failure to include a substantial portion of the performance measures set out in the council’s business plan (4);
- ▶ council’s business plan did not include performance targets (3);
- ▶ lack of sufficient and appropriate records to support reported performance measures (2); and
- ▶ failure to report actual performance against community satisfaction performance measures and targets set out in the council’s business plan (1).

Audit opinion on the Government’s 2000-01 Annual Financial Report

A key feature of the State’s accountability framework is a requirement for the Government to prepare and present each year to Parliament consolidated financial statements for the State. These statements cover all public sector entities controlled by the Government. Local government bodies and universities are not consolidated for the purpose of whole-of-State financial reporting.

An unqualified audit opinion on the Government’s Consolidated Financial Statement for 2000-01 was issued on 12 October 2001. The Government presented its audited financial report to Parliament on 30 October 2001.

Review of the Government’s Estimated Financial Statements, included in the 2002-03 State Budget

The review of the Government’s Estimated Financial Statements, covering the financial year ending 30 June 2003 and the following 3 years, was completed on 2 May 2002. A short-form report on the results of the review was incorporated in the Government’s Budget Papers presented to Parliament on 7 May 2002.



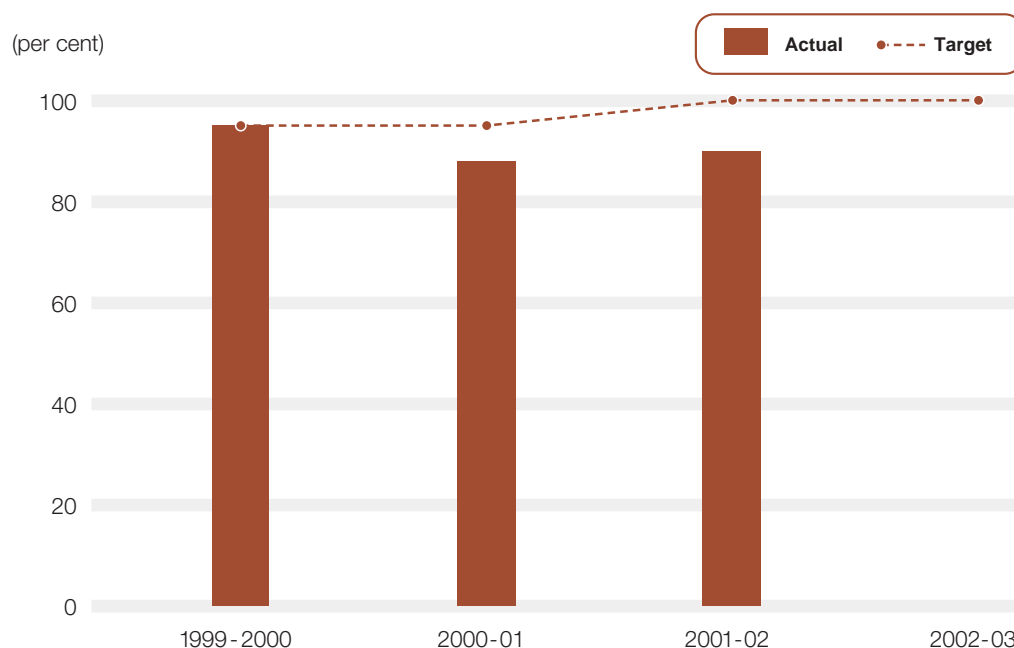
Performance against timeliness targets

Audit opinions issued within statutory deadlines

The annual reporting and audit requirements for departments and other public sector agencies are set out in the *Financial Management Act 1994* and the *Audit Act 1994*. Under section 45 of the Financial Management Act, each department and public body must submit its annual financial statements to the Auditor-General within 8 weeks of the end of the financial year.

The Auditor-General is then required by the *Audit Act 1994* to express an opinion on the financial statements within 4 weeks of receipt of the statements from the agency.

PERCENTAGE OF AUDIT OPINIONS ISSUED WITHIN STATUTORY DEADLINES



During 2001-02, 90 per cent (2000-01, 88 per cent) of audit opinions were issued within the statutory deadline. The reason for achieving less than our target of 100 per cent was mainly due to:

- ▶ ensuring that all material accounting and disclosure issues associated with certain entities were satisfactorily resolved prior to the issue of an audit opinion; and
- ▶ the need to clarify the Auditor-General's power to act as auditor of certain overseas subsidiaries of educational institutions (this power was subsequently confirmed in advice received from the Victorian Government Solicitor).

Office initiatives to improve timeliness of financial reporting by agencies

Within 4 months of the balance date of agencies, or the next sitting day after the end of the fourth month, the relevant Minister is required to table in each House of Parliament the annual report of each entity, including the audited financial statements.

The overall performance of public sector agencies in meeting the statutory requirement for the completion of audited financial statements was a low 41 per cent, compared with 42 per cent for the previous year.

The Office has implemented a number of strategies to assist agencies in meeting their statutory reporting requirements in the future. These strategies include:

- ▶ early consultation with agencies to effectively schedule year-end reporting and auditing processes;
- ▶ the resolution of emerging accounting and auditing issues as early as possible in the reporting process;
- ▶ encouraging agencies to prepare draft financial reports prior to balance date to enable issues surrounding format and disclosure within annual financial reports to be resolved in advance of balance date; and
- ▶ preparation of model accounts as described more fully on page 27.



Early consultation with client agencies assists in the timely completion of financial statements. From left: Office staff Chrissie Arvanitakis and Jenny Hurst with staff from the Melbourne Sports and Aquatic Centre.

It is anticipated that these initiatives will have a major impact on the timeliness of completion of agency financial reports for the year ended 30 June 2002.

Management letters to agencies and reports to Ministers

In 2001-02, we introduced 2 new timeliness targets:

- ▶ all management letters (which outline the findings of financial statement audits) to be issued to agencies within 4 weeks of the issue of the audit opinion; and
- ▶ all reports to relevant Ministers on the results of audits to be forwarded within 8 weeks of the issue of the audit opinion.

Management letters, outlining findings and recommendations arising from the financial audit, were issued to each of the 564 agencies audited in 2001-02. Reports, outlining significant issues included in these management letters, were issued to Ministers in relation to 87 agencies.

For 2001-02, 78 per cent of management letters and 100 per cent of reports to Ministers were issued within our targeted time frame. The variation from our management letter target was mainly due to the extensive consultation undertaken on complex issues addressed in management letters prior to their formal issue.

To improve the timeliness of the issue of management letters, the following strategies have been adopted for the 2002-03 financial year:

- ▶ maximising the extent of audit procedures undertaken prior to balance date; and
- ▶ the issue of interim management letters prior to the close of the financial year to ensure that agencies are informed of the results of audit procedures on a timely basis.



Measuring the quality of financial statement reports

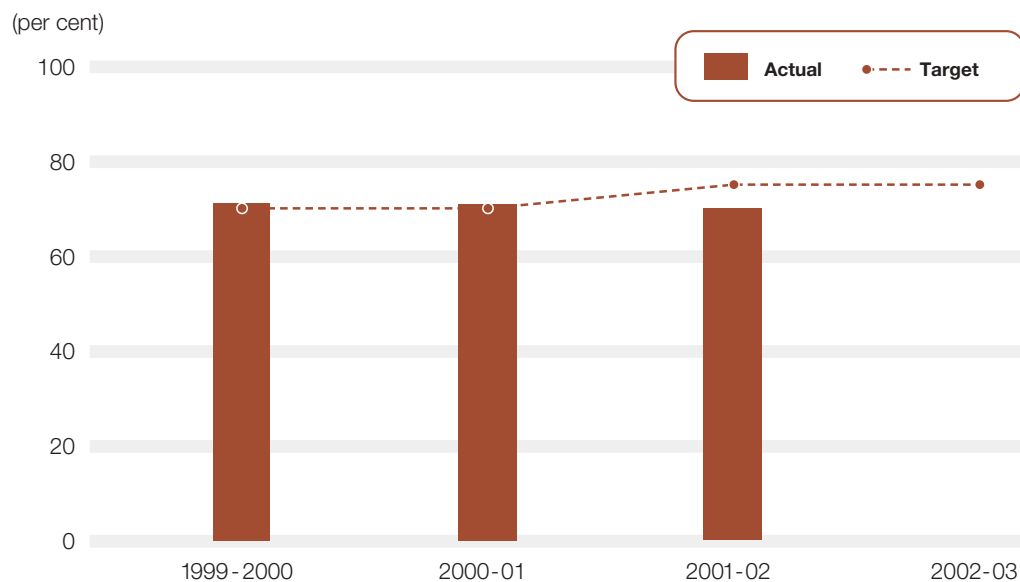
Level of external satisfaction with the conduct of financial statement audits

Each year, we conduct a survey of audited agencies to obtain feedback on the quality of financial statement audit work performed by audit staff and external audit service providers.

The survey enables executive management within agencies to assess our financial statement audit services against a range of key attributes, including the professionalism and skills of audit staff, effectiveness of communications with the audited agency and the level of understanding of the agency's business. Responses to these questions are used to identify areas for achieving improvements in the standard of our service delivery.

The survey also seeks an overall rating of satisfaction with financial statement audit services. The following chart shows that the overall average satisfaction level expressed by agencies for 2001-02 was 70 per cent; lower than our target for the year of 75 per cent.

LEVEL OF EXTERNAL SATISFACTION WITH THE CONDUCT OF FINANCIAL STATEMENT AUDITS



A major factor impacting on the result for the year was the need to address a range of complex issues arising from new financial reporting requirements issued by the Australian Accounting Standards Board. These changed requirements, in many instances, resulted in the need to seek amendments to the draft financial statements initially submitted for audit and, in certain cases, delayed finalisation of the annual reporting process.

Strategies have been implemented for 2002-03 aimed at continually improving the level of satisfaction expressed by agencies with the financial audit process. These include:

- ▶ earlier consultation with agencies on the resolution of emerging accounting issues; and
- ▶ emphasis on ongoing interaction with agencies to discuss the progress and outcomes of the financial audit process.

RESOURCING OUR FINANCIAL STATEMENT AUDITS

Resourcing audits

Audits of the financial statements of agencies are undertaken by either the Office's Financial Audit Group or by external audit service providers appointed under contract.

Financial Audit Group

By 30 June 2002, the Financial Audit Group's responsibilities had grown to 193 audits, including:

- ▶ audit of the Government's Annual Financial Report;
- ▶ the review of the Government's Estimated Financial Statements;
- ▶ Parliament and all government departments; and
- ▶ a range of other agencies spread across all government portfolios, including financial institutions, the water industry, local government and public hospitals.

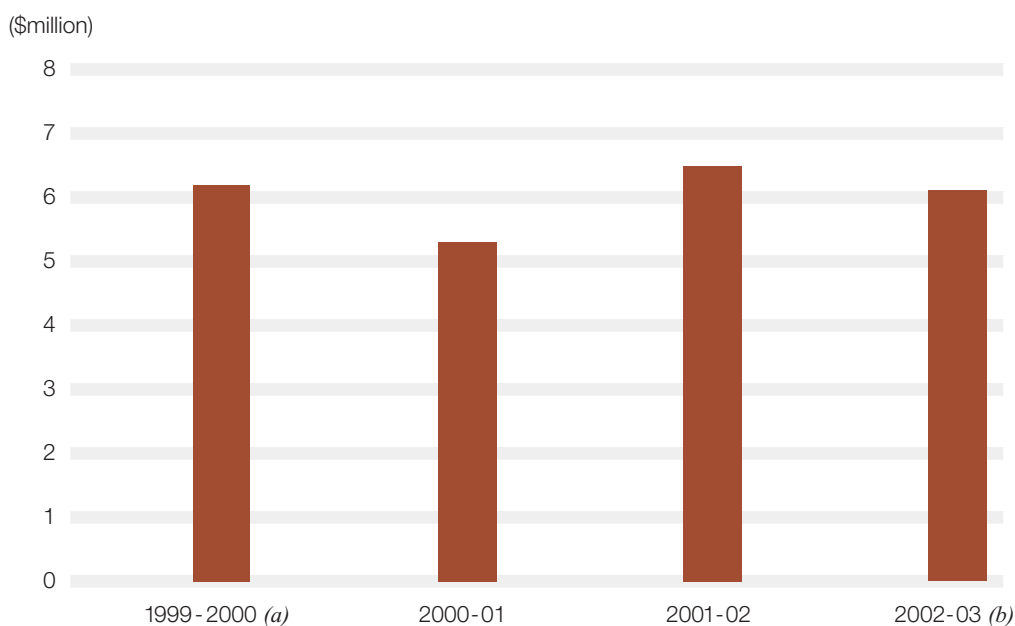


Travis Derricott and Carol Pagnon from the Financial Audit Group reviewing a proposed audit plan.

Use of external audit service providers in 2001-02

During 2001-02, the Office made payments of \$6.516 million to external audit service providers for their work on financial statement audits. A comparison of payments over the last 3 years, and projected expenditure for 2002-03, is outlined in the following chart.

FINANCIAL STATEMENT AUDITS, PAYMENTS TO EXTERNAL AUDIT SERVICE PROVIDERS



(a) Excludes payments of \$2.7 million in 1999-2000 made to the former Audit Victoria under previous legislative arrangements.

(b) Planned.



The increase in payments made to external audit service providers during the 2001-02 period reflects:

- ▶ the amount and timing of interim audit work undertaken on audits during the course of the financial year and a corresponding increase in the billing for the work undertaken;
- ▶ additional audits undertaken in the education sector arising from the expanded commercial activities of universities and the establishment of new entity structures for those activities;
- ▶ additional audits undertaken in the local government sector under the Roads to Recovery Program; and
- ▶ additional fees paid to address problem areas identified in specific audits requiring expanded audit coverage.

Details of payments to specific external audit service providers in 2001-02 are outlined in the following table.

**FINANCIAL STATEMENT AUDITS, PAYMENTS TO
EXTERNAL AUDIT SERVICE PROVIDERS, 2001-02**

<i>External audit service provider</i>	<i>Amount</i>
Stockford Accounting Services Pty Ltd	\$1 408 579
Day Neilson	\$715 940
Anderson (now Ernst & Young)	\$569 400
PricewaterhouseCoopers	\$419 247
KPMG	\$387 621
Ernst & Young	\$355 410
Armitage Downie	\$332 560
Richmond Sinnott & Delahunty	\$320 406
Haines Norton	\$283 320
Hall Chadwick	\$260 610
Wernli O'Kane	\$233 453
Coffey Hunt	\$199 755
Johnsons MME	\$171 680
Deloitte Touche Tohmatsu	\$163 940
MGI Meyrick Webster	\$162 080
Other (a)	\$532 306
Total	\$6 516 307

(a) Comprises payments to audit service providers of less than \$100 000.

Under the Audit Act, the Auditor-General is authorised to delegate responsibility for the signing of audit opinions on financial statements to external audit service providers where the net equity of an agency is less than \$1 million. Under this authority, the Auditor-General delegated the responsibility to 13 external audit service providers to issue audit opinions and audit management letters on his behalf for 28 audits in 2001-02. Specific delegations are shown in Appendix 4.

Policy for future resourcing of financial statement audits

During the year, our policy for the future resourcing of financial statement audits was further implemented. Key features of the policy include:

- ▶ retention of responsibility by the Office's Financial Audit Group for the audit of the Government's Annual Financial Report, review of the Government's Budget estimates, the administrative functions of Parliament and government departments;
- ▶ the Office to progressively move to a position of internally resourcing a minimum of 35 per cent of financial statement audits within each sector of government by 2004;
- ▶ progressive public tendering of contracted audits as current contractual arrangements expire; and
- ▶ a requirement for rotating the external audit service provider for each audit every 5 years in line with international "best practice" to support the maintenance of audit independence and ensure the application of a fresh and objective perspective to the audit task.

Underpinning the policy to resource a minimum of 35 per cent of audits internally is the need to ensure that the Office maintains a representative audit presence and capability in each sector. Implementation of the policy to optimise the balance between work undertaken by the Office's Financial Audit Group and external audit service providers by 2004 will be influenced by operational considerations, existing contractual arrangements and the commercial viability of the contract audit offerings as perceived by prospective external audit service providers.

Implementation of the policy has resulted in the transfer of seventeen 2001-02 audits in the health sector and one in the local government sector to the Financial Audit Group. A tender round was commenced during 2001 for 148 audits in the health, water and other sectors, and new contracts were awarded in August 2001.

These audits were last tendered in 1995-96. In conformity with the rotation policy, contracts awarded to successful tenderers who were existing audit service providers were for auditees for which they had no previous involvement. In addition, a number of new external audit service providers were awarded contracts.

The mix of in-house and external audit service providers across each sector at 30 June 2002, by percentage of audits, is shown in the following table.

<i>Sector</i>	<i>In-house (%)</i>	<i>Contracted (%)</i>
Local Government and Infrastructure	11.6	89.4
Justice and Natural Resources	35.6	64.4
Health and Human Services	30.8	69.2
Education and State Development	47.2	52.8
Statewide/Central agencies	61.8	39.2
Average	36.4	63.6

MANAGING OUR OFFICE

Given the nature of our responsibilities in reporting to Parliament on how others in the public sector utilise the resources entrusted to them, it is imperative that we conduct our own affairs with maximum efficiency and effectiveness. We, therefore, aim to be exemplary in managing our Office and its people, and reporting our annual performance to Parliament.

This underpins all aspects of our operations - from the soundness of our strategic audit planning and the effectiveness of our quality assurance practices, our success in attracting and retaining sufficient numbers of skilled people and providing them with adequacy opportunities for professional growth - through to our stewardship in administering the funds assigned to us.

Our challenge is to maintain and, where necessary, upgrade our capacity to support the delivery of our core audit products.

OUR PERFORMANCE AGAINST CORPORATE TARGETS

<i>Target for the year</i>	<i>Achievement</i>
Make further qualitative enhancements to our strategic audit planning processes.	Further enhancements made. Highly positive assessment by the performance audit (see page 48).
Complete a major upgrade of our information technology infrastructure.	Major upgrading of IT infrastructure completed (see page 49).
Devise recruitment practices that keep pace with the changing external environment and attract competent and skilled people to the Office.	Specific initiatives undertaken during the year included: <ul style="list-style-type: none"> ▶ web-based publishing of graduate recruitment opportunities; and ▶ introduction of new selection techniques supported by training for our internal recruiters (see page 50).
Continually improve our learning and development strategies to ensure that our people maintain high standards of professional skills and performance.	Specific programs delivered for executives and managers, together with a range of other development activities (see page 51).
Positive responses received from staff in feedback obtained from periodic staff satisfaction surveys.	Overall staff satisfaction levels increased by between 10 and 15 per cent on all key performance indicators compared with 2000-01 survey results (see page 52).
Implement progressive improvements to our financial statement and performance audit methodologies to maintain alignment with best practice.	Planned enhancements to each methodology carried out (see page 56).
Effective post-audit quality assurance reviews applied to a representative sample of audits.	Structured quality assurance reviews were carried out by independent external reviewers on all types of audits conducted by the Office (see page 58).
Implement strategies designed to strengthen our communications with Parliament and other key stakeholders.	Several initiatives undertaken during the year broadened our communications practices with our key stakeholders, particularly in communicating with Members of Parliament and in electronic communications (see page 60).

CORPORATE GOVERNANCE

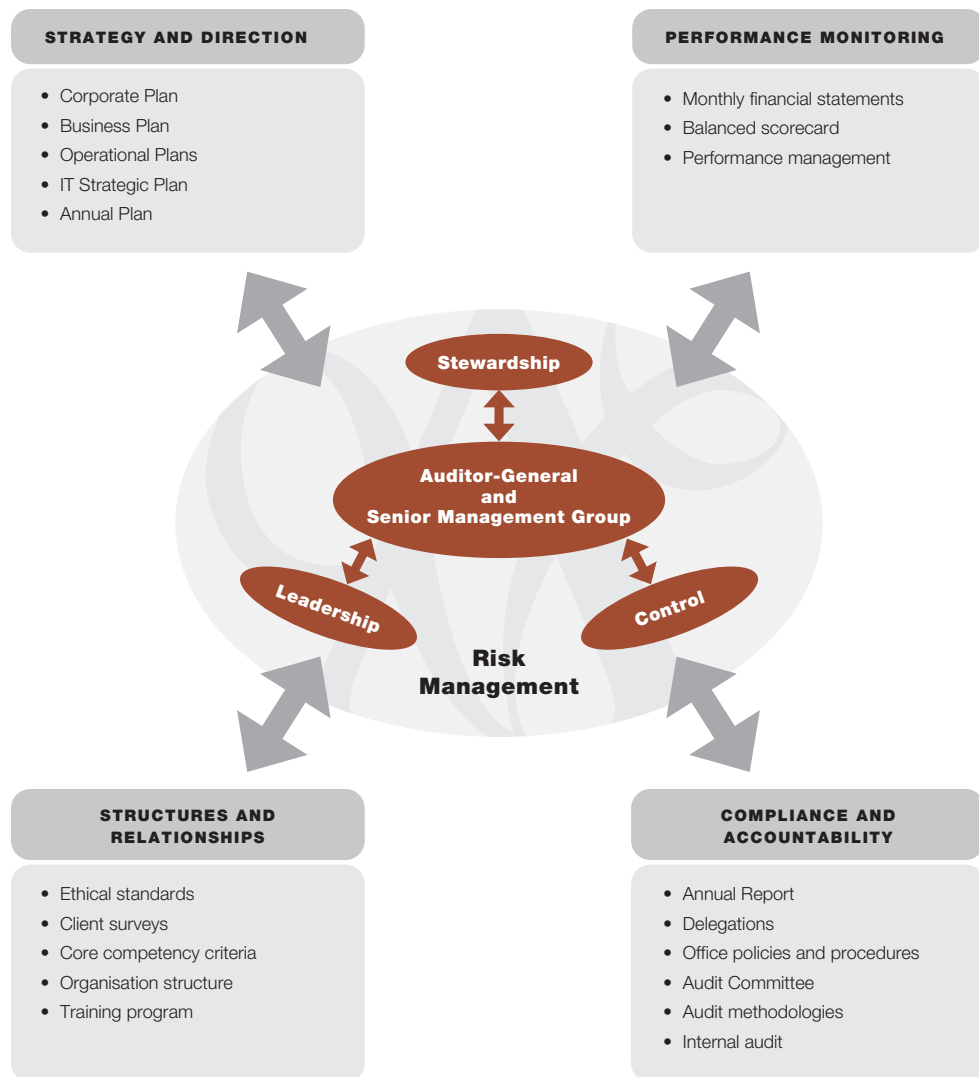
A key organisational driver

Our Office is committed to the highest standards of governance in managing its human and physical resources, pursuing opportunities for continuous improvement and reporting periodically on its performance to Parliament.

Our governance framework comprises 4 specific elements, namely, strategy and direction, structures and relationships, compliance and accountability, and performance monitoring. The first 2 elements constitute the organisational context for our governance policies and practices, while the latter 2 focus on the accountability obligations arising from implementation of those policies and practices.

The 4 elements and their underlying components are presented diagrammatically below and show the interaction of the elements with the central pillars of the governance framework, including the important area of risk management.

GOVERNANCE FRAMEWORK

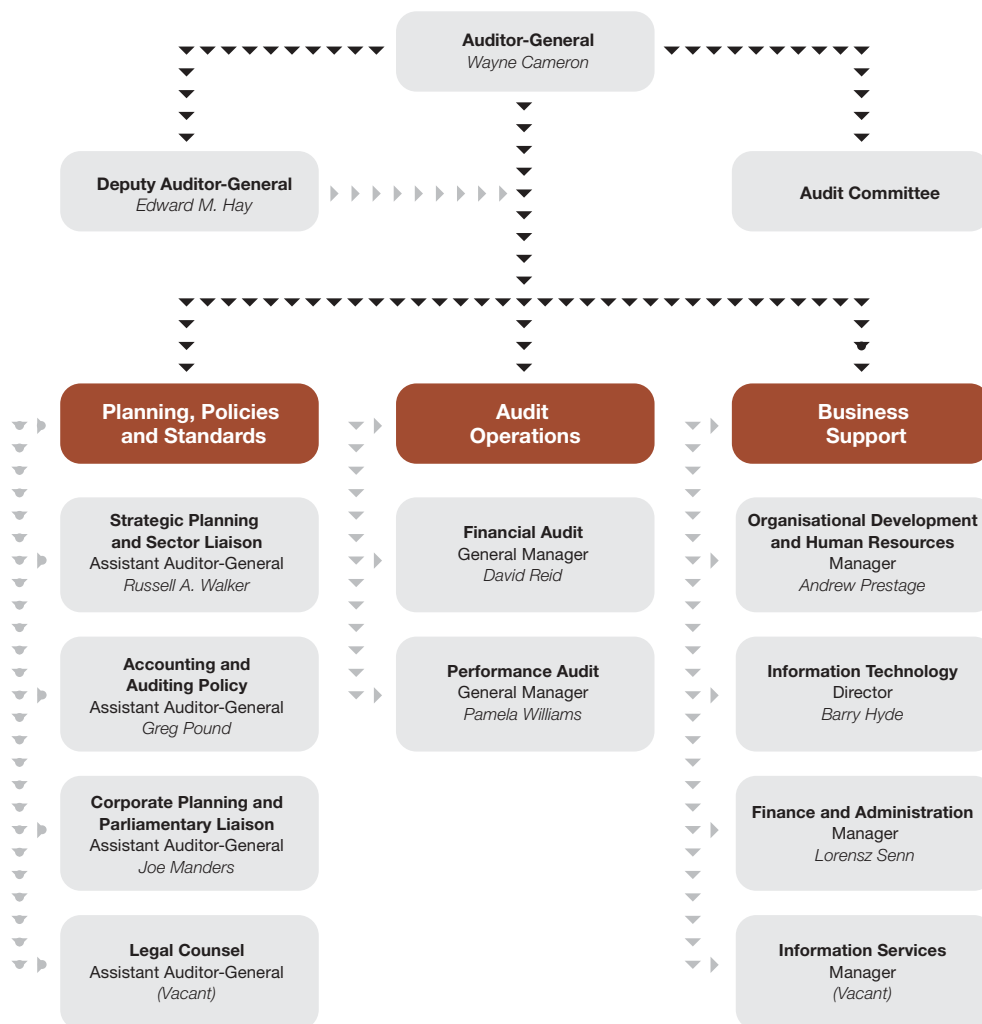


Commentary on the various components of each element making up the governance framework and how they have contributed during 2001-02 to effective functioning of the Office is included in this part of the Annual Report.

Leadership and stewardship

Senior management structure

The following chart outlines the management structure of the Office at 30 June 2002.



The leaders of each organisational unit are members of the Senior Management Group. The principal functions of the Group are to provide a collective forum for consideration and advice on the policy framework and strategic direction, and to monitor organisational performance against corporate goals and milestones. It, therefore, fulfills a key role in the governance framework.

Members of the Group retain full responsibility for the implementation of policies and for the management of available resources within their respective areas. Details on the composition of the Senior Management Group are provided on the following page.

Composition of the Senior Management Group

At 30 June 2002, the Senior Management Group comprised:



Wayne Cameron (*BCom, FCA [NZ], FCPA, CA [Aust.], FIPA*)

Auditor-General of Victoria

Wayne Cameron was appointed Auditor-General of Victoria in September 1999. His appointment is for a term of 7 years.

He is responsible to the Victorian Parliament for the exercise of the audit powers and functions assigned to the position under the *Constitution Act 1975* and the *Audit Act 1994*. He is also responsible for the overall management of the Office.



Edward M. Hay (*BA [Accounting], CA*)

Deputy Auditor-General

Edward Hay was appointed Deputy Auditor-General in November 2001. He reports directly to the Auditor-General on all matters relating to the management and performance of the Office. He oversees the co-ordination of audit operational and internal support functions, and the work of the Office in fostering a positive and constructive professional relationship with audited agencies and the auditing profession.



Russell A. Walker (*GradDip [Govt Accounting], FCPA [Auditing]*)

Assistant Auditor-General, Strategic Planning and Sector Liaison

Russell Walker was appointed Assistant Auditor-General in 1987 and became responsible for the Strategic Planning and Sector Liaison Group in April 2000. As part of its functions, the Group identifies medium to long-term issues across the various elements of the public sector, particularly in relation to accountability and performance matters pertaining to government agencies and programs. In addition, the Group maintains an oversight and advisory role in relation to the planning and conduct of high risk financial audits, performance audits and special reviews.



Greg Pound (*BEC [Hons], MEd, FCA, FCPA*)

Assistant Auditor-General, Accounting and Auditing Policy

Greg Pound was appointed to the position of Assistant Auditor-General, Accounting and Auditing Policy in 2000. He is responsible for accounting and auditing policy advice, the Office's contract management system and tendering process for external audit service providers, and the Office's audit quality assurance processes.



Joe Manders (*GradDip [Accounting], FCPA [Auditing]*)

Assistant Auditor-General, Corporate Planning and Parliamentary Liaison

Joe Manders was appointed Assistant Auditor-General in 1989 and assumed responsibility for Corporate Planning and Parliamentary Liaison in April 2000. He is responsible for co-ordinating the Office's corporate and annual planning processes, and for the provision of advice to the Auditor-General on parliamentary matters and developments in audit legislation.

**David Reid** (BCom, FCPA)*General Manager, Financial Audit Group*

David Reid was appointed to the position of General Manager, Financial Audit Group in May 2000. He is responsible for financial statement audits conducted by in-house resources, which include the Government's Annual Financial Report, all government departments and most high risk public bodies.

**Pamela Williams** (BEd [Hons])*General Manager, Performance Audit Group*

Pamela Williams was appointed General Manager, Performance Audit Group in 2000. She is responsible for managing the Office's annual performance audit program, including the preparation each year of a series of major performance audit reports for presentation by the Auditor-General to Parliament.

**Andrew Prestage** (GradDipBus, MBus)*Manager, Organisational Development and Human Resources*

Andrew Prestage was appointed Manager, Organisational Development and Human Resources in 2001, and is responsible for managing the operations of the Human Resources Unit. The Unit aims to ensure that the potential of the Office's human resources is maximised and that the Office reflects best practice standards in its people management.

**Barry Hyde** (BAppSc [EDP])*Director, Information Technology*

Barry Hyde was appointed Director, Information Technology in 1988. He is responsible for developing and maintaining the Office's information technology infrastructure and information systems.

**Lorensz Senn** (MBA, CPA)*Manager, Finance and Administration*

Lorensz Senn was appointed Manager, Finance and Administration in 2000. He is responsible for all financial management matters within the Office, including the preparation of internal and external financial reports, and general administration functions.

Committees

The work of the Senior Management Group is supplemented by 3 committees:

- ▶ the Audit Committee;
- ▶ the Information Management and Technology Steering Committee; and
- ▶ the Operations Committee.

The membership of the latter 2 committees is drawn mainly from relevant members of the Senior Management Group.

Audit Committee

The Audit Committee members are Mr David Greenall (Chairman), Mr Keith James (appointed in May 2002) and Mr Ted Holmes, who are all independent members, and the Auditor-General. The Committee met 4 times during the year.

This year's commentary on the operation of the Audit Committee during 2001-02 is presented in the form of a report by the Committee's Chairman.

Audit Committee Chairman's report

The Audit Committee is set up pursuant to directions issued by the Minister for Finance under the *Financial Management Act 1994*. It provides independent advice to the Auditor-General on the financial management and external reporting practices of the Office. It carries out this function through meetings with the external and internal auditors and relevant staff. More recently, its role has also encompassed the review of risk management procedures.

The Committee's charter was reviewed and amended during the year to reflect contemporary practice, and to provide an avenue for the Chairman to outline the Committee's work and raise issues with the Office's Senior Management Group. The Committee comprises 3 members (in addition to the Auditor-General): David Greenall (Chairman), chartered accountant in public practice; Ted Holmes, retired academic and public sector consultant; and recent appointee, Keith James, Managing Partner, Hall & Wilcox (lawyers), and with extensive experience within the accounting profession.

During the year, the Committee met with the external auditor, Graeme T. Ross of Day Neilson to discuss the results of the 2000-01 audit and plans for the 2001-02 audit. The internal auditor, Neville Eyre, attended each meeting where the internal audit program and the implementation of recommendations were discussed.

The Committee responded to an invitation of the independent performance auditor appointed by Parliament, Stuart Alford of Ernst & Young to discuss the Committee's role. These discussions focused on the Committee's widened role in reviewing the Office's risk management program and processes, which are presently under revision.

During the year, the Committee also assessed in detail the Annual Financial Statements and the Office's monthly performance reports and reviewed the Office's quality assurance and privacy legislation practices.



David Greenall (Chairman)



Information Management and Technology Steering Committee

The Information Management and Technology Steering Committee members are the Auditor-General, Deputy Auditor-General, Manager IT, Manager Finance and Administration, and General Manager Financial Audit. Its responsibilities include the strategic oversight of the information management and technology initiatives undertaken by the Office.

This year was one of great activity as the Office undertook the upgrade of its IT infrastructure, and set in motion the replacement of its practice management system and redevelopment of its website.

Operations Committee

The Operations Committee members are the Deputy Auditor-General, General Managers Performance and Financial Audit, and Assistant Auditor-General, Strategic Planning and Sector Liaison. The responsibilities of the Committee include the effective use of resources to achieve planned outputs.

During the year, the Committee met on a needs basis to agree on the allocation of resources to our various products.

Risk management

Risk management is an integral part of effective corporate governance within organisations. It encompasses the identification and assessment of risks and the adoption of appropriate risk treatments to reduce risks to acceptable levels.

During April 2002, the Office initiated action aimed at ensuring that sound risk management procedures were in place and effectively integrated with its strategic and business unit planning practices. A firm of external consultants was engaged as part of the project to facilitate:

- ▶ the identification and assessment of key strategic and operational risks impacting on the Office in its pursuit of corporate objectives;
- ▶ risk management workshops to assist staff in understanding risk concepts and equip them with the knowledge and skills to implement a risk management program within the Office; and
- ▶ the development of a draft risk management policy supplemented by risk management guidelines for the Office.

These tasks have been completed and an enhanced policy framework for the management of Office risks became operative from the start of 2002-03. Future Annual Reports will include commentary on this aspect of the Office's operations, including the results of the Audit Committee's periodic monitoring of the risk management process.

Strategy and direction

Corporate Plan

Our Corporate Plan 2001-02 to 2003-04 sets out our corporate objectives and the strategies to achieve the outcomes established for the Office. Progress towards the achievement of our objectives is monitored on a quarterly basis by the Senior Management Group. During 2002-03, the Office will commence a review of the Corporate Plan.



Annual Plan

A key element of planning within the Office is to make better informed decisions on areas for audit examination. This involves the conduct of detailed environmental scanning throughout the year aimed at maintaining oversight of the public sector and identifying emerging trends and directions. It involves interaction with stakeholders, in order to gather information and provide advice on key issues affecting audited entities.

When carrying out this important function during 2001-02, we directed attention to:

- ▶ international and national trends in public sector practice, in particular, the move to multi-agency approaches to the achievement of desired outcomes;
- ▶ emerging issues, such as the private-public partnerships approach to infrastructure provisions;
- ▶ results of current or previous audit work leading, for example, to the revisiting of the international student program in Victorian universities;
- ▶ risk issues attached to areas of government operations, specifically resulting in a focus during the year on issues such as the commercial activities of associated entities of universities; and
- ▶ community concerns about the operations of government agencies, in particular, local government, as expressed in communications to our Office, and through the media throughout the year.

In reaching a view on the Office's strategic planning approach, the performance audit reported, that *"... this strategic planning process has provided the Victorian Auditor-General's Office with significant knowledge, tools and strategies to direct audit and management planning activities. When combined with the continuous improvement initiatives being undertaken within the Office, a strong, ongoing ability to monitor and support strategic, audit and management planning activities is provided"*.

Final selection of major audit areas is guided by the application of the following key selection criteria:

- ▶ potential social, environmental and financial risks to the community;
- ▶ high public interest and/or materiality of public resources;
- ▶ potential for improved resource/financial management; and
- ▶ scope for enhanced accountability.

Current government policy directions are also considered in assessing and prioritising potential areas for audit. However, because these directions are not relevant to all cases of topic selection, they are regarded as useful adjuncts to the above criteria.

Two streams of strategic information flow from this process:

- ▶ The development of a 3-year strategic audit plan for each sector of government, including determination of those areas with potential for inclusion in our Annual Plan.
This information formed an integral part of the process in the compilation of our Annual Plan for 2002-03 and formulation of our budgetary needs. Following consultation with Parliament's Public Accounts and Estimates Committee, the Annual Plan was finalised and transmitted to each House of Parliament in June 2002 as required by section 7A of the Audit Act. The Annual Plan is expected to be tabled early in the Spring 2002 session; and
- ▶ Identification of any organisational issues impacting on our business operations warranting management action.

Business and Operational Group Plans

While the Corporate Plan outlines, at a strategic level, the directions for the Office, the Business Plan sets out the plan for achieving each year’s outputs and outcomes. The Business Plan is supported by plans for each Group in the Office. Progress against the Business and Operational Group Plans is monitored by the Senior Management Group.

IT strategic planning

This year was one of great activity as the Office undertook the upgrade of its IT infrastructure, set in motion the replacement of its practice management system and commenced the redevelopment of its website.

Upgrading of network information systems

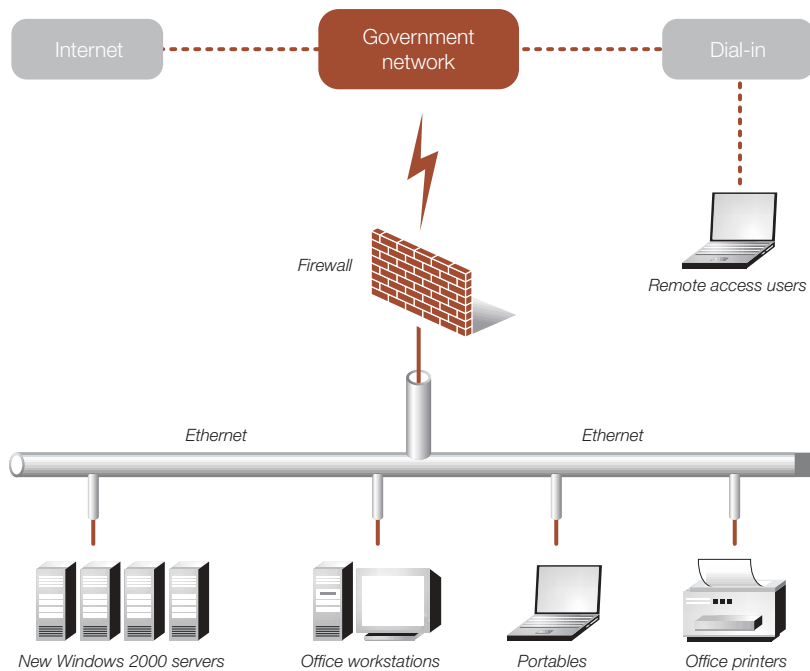


Dean Anagnos monitoring the performance of recent upgrades to IT hardware.

Computer technology is a core component of all modern business processes and systems. The Office has made a significant investment in information technology hardware, software and staff training to ensure that its processes and activities are efficient and effective.

During the past year, a major upgrade of the network infrastructure was completed to improve response times, expand the data storage capacity, improve data security facilities, increase data communications speeds, reduce power consumption and reduce annual maintenance costs.

OFFICE IT STRUCTURE



In addition to the upgrade of the network infrastructure, several other technological improvements have been completed during the year, including:

- ▶ the Windows 2000 operating system was deployed on all desktop and portable computers, resulting in a substantial improvement in the reliability of these computers;
- ▶ 19 portable computers were purchased to replace slower machines;
- ▶ deployment of virus scanning software updates has been automated so that the latest anti-virus software is available to staff in the field and in the Office as soon as they are released by the vendor;
- ▶ software has been deployed to manage email traffic to ensure legislative and corporate obligations are observed;
- ▶ a high speed link to the internet and the Government VicOne network has been installed to improve response times;
- ▶ a new disaster recovery plan has been developed, including the right to use external hardware, software and premises in the event of an emergency;
- ▶ faster dial-in data communications facilities for staff working away from the Office in client premises has been installed; and
- ▶ new graphics software has been installed to allow auditors to quickly construct schematics and diagrams for audit activities.

Key tasks that are planned for 2002-03 include:

- ▶ completion of the implementation of a new practice management system;
- ▶ revision of the intranet;
- ▶ improvements to the EFINA and EMPERA software which underpins the methodology used for financial and performance audit activities;
- ▶ upgrade and improve ease of use of the TRIM records management software;
- ▶ replace the accounting package; and
- ▶ completion of the redevelopment of the internet website.



Joy Patton (standing) and Kim Nolan viewing a prototype of the Office's new website design.

Structures and relationships

Ethical standards

The Office applies the *Code of Conduct for the Victorian Public Sector* to its staff. The code provides guidance for addressing ethical issues, such as conflicts of interest, confidentiality in the use of official information, and adherence to equal employment opportunity and anti-discrimination principles.

In accordance with the code, all senior staff complete a Declaration of Pecuniary Interests each year.

Maintaining the effectiveness of our recruitment strategies

The Office has developed a new recruitment policy aimed at maximising modern recruitment techniques. To ensure this policy is applied as efficiently as possible, all senior staff involved in recruitment activities must participate in a 2-day recruitment training program which outlines the Office's recruitment practices, legislative responsibilities and behavioural interview techniques.



Graduate recruitment program

The aim of the 2001-02 graduate recruitment program was to increase graduates' awareness of the role of the Auditor-General and how they can contribute to this role. As part of this program, students were made aware of the unique, yet challenging professional and personal developmental opportunities graduates receive in the Office.

Through the extensive participation in careers fairs at major universities and participation in "on-line" and published graduate recruitment media, we received a 48 per cent increase in graduate applications. In addition to the interview process, targeted psychometric testing was introduced this year.

Delivering staff development programs

An ongoing management priority of the Office is to provide opportunities to enhance and extend the capabilities and skill levels of staff. This has involved providing a range of learning and development programs from graduate to executive level.

Leadership development program for executives

Leadership development activities continued to be implemented during 2001-02. Leadership forums took place on a quarterly basis involving executives which gave opportunities to listen and engage with invited guest speakers on leadership-related subjects. In addition, the forums provided an opportunity for further learning.

As part of the leadership program, a 360-degree feedback process for executives was undertaken and included personal coaching sessions.

Manager development program

The manager group embarked on a major initiative during the year through a dedicated manager development program. The objective of the program is to improve the leadership quality of participants and to prepare them to excel as managers and leaders. The first phase of the program included a 3-day residential forum and the undertaking of selected project work. Stage 2 of the program comprises development activities covering project and people management skills.

Other staff development activities

Performance and Financial Audit Groups continued to extend their learning and development through participation in programs specific to their function, including training associated with audit methodology updates.

Graduate development

Induction program

Thirteen new accounting graduates commenced with the Office in February 2002. The new graduates participated in a comprehensive induction program designed to provide them with a sound understanding of the Office. The induction was supplemented with further training and development, involving financial audit methods and practices, as well as client communications.

Mentor scheme

The mentor scheme continues to feature as a prominent development activity. Aimed specifically at graduates, the scheme assists them in their transition from an academic environment to a workplace setting. Graduates are assigned to a mentor during a 12-month period, and the mentor provides guidance and support in the early stages of the graduate's professional career.



Recent graduate Anthony Reitano (left) and Paul Martin participants in the Office's mentor scheme.

Secondments

The Office supports secondments as they provide opportunities for staff of the Office and from other agencies to expand their professional skills.

The following secondments took place during 2001-02:

- ▶ Chris Theodoratos to the Public Accounts and Estimates Committee, along with Mark Holloway who continued an existing secondment;
- ▶ Nick Myrianthis to Victoria Police; and
- ▶ Kate Nichols from the Department of Natural Resources and Environment.

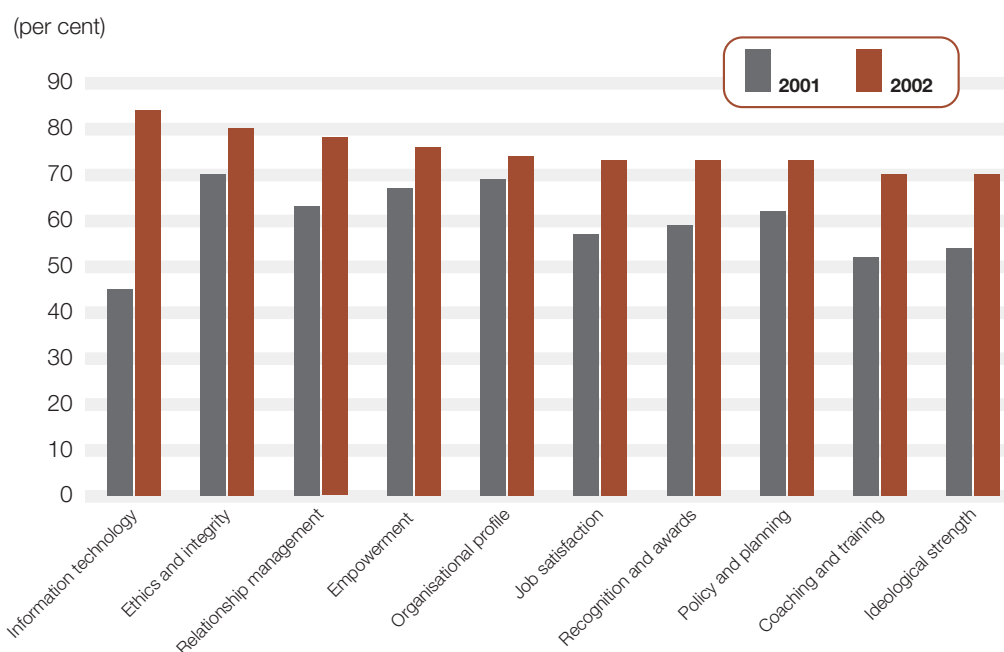
Positive results from 2001-02 staff satisfaction survey

To identify our strengths and developmental opportunities in the areas of managing our staff, we conduct an annual organisational effectiveness survey. The survey assists in the development of strategies to improve our processes.

The survey conducted in the previous year highlighted a number of areas for improvement, including information technology, leadership, performance management and innovation.

It was pleasing that the 2001-02 survey reported significant improvement against all of the areas measured. In most cases, the results reflected improvement of between 10 and 15 per cent, demonstrating the high level of staff satisfaction with their working environment and their relationship with managers. The following chart compares last year's 10 least favourable results against the same indicators for this year. In all cases, the results are more positive.

IMPROVEMENTS IDENTIFIED IN LATEST STAFF SURVEY



These improvements were achieved through the investment in a number of key organisational development activities, including the previously mentioned executive leadership program and manager development program.

Areas that the Office will continue to focus on over the next 12 months include performance management, service quality and management competencies through the development and implementation of a new Work Force Planning Framework.



Our staff



Staffing profile

During 2001-02, staff numbers increased from 118 (116.6 EFT) at 30 June 2001 to 127 (125.8 EFT) at 30 June 2002.

STAFFING TRENDS

	1999-2000	2000-01	2001-02	2002-03
Staff numbers at year-end	111	118	127	(a) 128

(a) Projected.

STAFF PROFILE BY POSITION

Position at year-end	Male		Female		Total	
	2000-01	2001-02	2000-01	2001-02	2000-01	2001-02
Executive officers -						
EO 2	4	5	1	1	5	6
EO 3	11	14	4	5	15	19
VPS 5	24	25	7	7	31	32
VPS 4	3	4	-	1	3	5
VPS 3	14	12	13	19	27	31
VPS 2	15	15	21	18	36	33
VPS 1	-	-	1	1	1	1
Total	71	75	47	52	118	127

Commencements and departures

The net increase of 9 in staff numbers between 30 June 2001 and 30 June 2002 was represented by 27 commencements (41, 2000-01) less 18 departures (32, 2000-01). These figures mainly resulted from movements to and from the Office of financial statement auditors at graduate level and the filling of a number of vacant and newly-created performance audit positions.

Acknowledging staff achievements

Australasian Evaluation Society – Caulley Tulloch Prize

Each year, the Australasian Evaluation Society awards various prizes for accomplishments in the field of program evaluation. In October 2001, Scott Bayley, Director, Performance Audit, won the Society's Caulley Tulloch Prize for the year's best "pioneering" publication on evaluation on the subject of "Measuring Customer Satisfaction".

Williamson Community Leadership Program 2002

Carol Pagnon, Director, Financial Audit Operations, was selected to participate in Leadership Victoria's prestigious Williamson Community Leadership Program for the 2002 calendar year. The Williamson Community Leadership Program is a rigorous, challenging and life-enriching year of seminars, visits, field trips and lectures, which draws together 34 of Victoria's future leaders and above average achievers from a variety of backgrounds.

Strategic Public Sector Leaders' Summits

Pamela Williams, General Manager, Performance Audit, was one of 3 Victorian public servants selected to attend the Strategic Public Sector Leaders' Summits, which held 3 meetings during the year. Supported by the Public Service Commissioners of each State, Territory, the Commonwealth and New Zealand, the Summits provided an opportunity for participants to discuss important issues facing the public sector in the future.

Auditor-General's Innovation Awards

The Auditor-General's Innovations Awards were introduced this year to encourage and recognise innovation as a positive step in further building a cohesive and highly efficient Office. The Awards recognise individuals and teams for their contributions to improving Office operations. The following staff members were presented with Innovation Awards at the Annual Staff Conference held in June 2002:

Overall winner

- ▶ Fabienne Balsamo, for work associated with the teacher work force planning performance audit;

Honourable mentions

- ▶ Joy Patton and Amanda McCombe for website redevelopment initiatives;
- ▶ Yves Tawil, for introducing efficiencies in communications processes between the Office and external audit service providers;
- ▶ John Olesky, for new corporate image concepts promoting the 150th anniversary of the Office; and
- ▶ Green Office Interest Group (Pam Williams, Lorensz Senn, Catherine Sandercock, Kim Nolan, Penny Sharwood and Amanda McCombe) for actions which reduce energy use, and improve waste and recycling within the Office.



Fabienne Balsamo receiving the Auditor-General's Innovation Award from Wayne Cameron.



Tribute to a role model - Jan Tranter

The Office was deeply saddened during the year by the loss of a valued colleague and friend. Jan Tranter passed away suddenly on 20 October 2001, after a short illness. She was 55 years of age.

Jan was strongly committed to serving the public interest and excelled in the performance audit arena. She was also a remarkable role model for women in public sector auditing, sharing her skills and experience, and bringing out the best in those who worked with her.

Jan joined the Office in 1983. Her capabilities were soon recognised and she quickly moved through the ranks to the position of Director, Performance Audit. As a pioneer in the early development of public sector performance auditing, she was responsible for a number of major audits across key economic, social and environmental issues that led to reform within the Victorian public sector. Jan took a leading role in the development of the Office's highly regarded performance audit methodology which, combined with her love of travelling, involved study trips to the UK and the USA to determine best practice in this field.

She also contributed greatly to maintaining a harmonious and focused work environment.

She is sadly missed, but will always be remembered by the Office.



Jan Tranter.

Employment conditions for staff

Merit and equity policy

The Office has in place a merit and equity policy which includes the following individual policies:

- ▶ anti-discrimination;
- ▶ harassment and victimisation;
- ▶ equal employment opportunity;
- ▶ managing diversity; and
- ▶ guidelines for resolving complaints of harassment.

No complaints were received during 2001-02.

Performance management strategic framework

The performance management strategic framework plays a central role in facilitating the performance and development of staff. The framework includes the opportunity to provide feedback to staff regarding performance, as well as identifying specific development needs. Formal feedback is provided twice each year.

Victorian Public Service (Non-Executive Staff) Agreement 2001

This Agreement establishes employment conditions for non-executive staff in the Victorian public service. The Victorian Public Service (Non-Executive Staff) Agreement 2001 was ratified in May 2001 and the Agreement has been successfully implemented in accordance with the stipulated requirements.

Occupational health and safety

During the year, the Office developed a Manual Handling Hazard Identification Checklist and established a program for 6-monthly occupational health and safety workplace inspections. A working group was formed to address occupational health and safety issues for staff working at external locations.

The Office also investigated the provision of advanced driver training for staff undertaking audits at rural locations.

Six work-related injuries were reported during the year, of which 2 resulted in WorkCover claims.

Flexible working arrangements

Staff continue to utilise options available to them under the Office's Flexible Work Arrangements Policy such as telecommuting, working from home, flexitime and part-time hours.

Office Social Club

The Office Social Club aims to promote a spirit of friendship and teamwork among staff members, and to maintain a high level of staff morale. The Club also plays an important role in providing for the cultural and recreational interests of staff.

The Club co-ordinated a number of events throughout the year, including regular happy hours, morning tea to raise money for breast cancer, fun run/walk and BBQ on the Yarra River, golf day, tin-pin bowling and numerous sports days.

Compliance and accountability

Gold Award for 2000-01 Annual Report

As has been the practice for many years, the 2000-01 Annual Report was entered in the Australasian Reporting Awards (ARA), an Australia-wide project managed by Australasian Reporting Awards Australia Inc. The Awards recognise best practice in annual reporting and attract entries from listed companies, government agencies, community groups and not-for-profit organisations.

The Annual Report was awarded a Gold Award at the ARA's awards ceremony held in Sydney in May 2002 which represents the highest standard of excellence in reporting. The Annual Report was commended for its high quality coverage of most aspects of the ARA criteria, and a number of its disclosure features were assessed as outstanding.



From left: Kim Nolan, Wayne Cameron and John Olesky with the Gold Award for the Office's 2000-01 Annual Report.

Audit methodology

We are committed to professional best audit practice in the conduct of our audits. We aim to seek out, and act upon, opportunities to continually raise the standard of our audit activities in line with the expectation of Parliament and our audit clients.

Keeping our audit methodologies and practices up-to-date

We place a high priority on ensuring that we have in place modern and effective methodologies for all of our audit activities.

The performance audit examined this aspect of our work during the most recent audit and strongly confirmed the soundness of our methodologies, and commented that, "... the core methodologies of the Office have been benchmarked against the quality assurance processes of international audit practices. In general the results support, from a world class viewpoint, that the Victorian Office's methodologies are effective and applied efficiently".



A key aspect of our operational activities is to continually enhance our audit policies and methodologies. These provide a comprehensive basis for delivering high quality outcomes through:

- ▶ outlining the legislative framework governing the audit environment in the Victorian public sector;
- ▶ ensuring compliance with auditing standards issued by professional auditing bodies;
- ▶ implementing robust quality assurance processes for all audit activities; and
- ▶ providing detailed guidance to audit staff and external contractors on any specific procedures to be adopted in undertaking audit assignments.



Michael Chan and Margaret Salter discussing revisions to the Office's financial audit methodology.

Financial Audit Policy Manual

The Office's Financial Audit Policy Manual provides guidance to our audit staff and external audit service providers on the conduct of financial statement audits.

Elaboration of the contents of the Manual, updated for the 2001-02 round of financial statement audits, formed part of an Office-sponsored Audit Service Providers' Forum which was held in April 2002. The Forum included presentations on current developments in auditing and financial reporting, as well as emerging developments within individual sectors or across the public sector as a whole. A similar Forum was held in November 2001 for the 31 December year-end education sector audits.



Erik Hopp was a key presenter at many forums organised for external audit service providers.

In addition to periodic revisions of the Manual, and in order to provide timely guidance on policy developments on emerging legislative, financial reporting or auditing issues, interim guidance is progressively issued in the form of Financial Auditing Policy Alerts. These Alerts are issued on an "as needed" basis by the Accounting and Auditing Policy Group as updates to the Manual. Access to the Manual and the Alerts was enhanced during the year through providing auditors in the field with controlled internet access to this guidance. During the year, 22 Financial Auditing Policy Alerts were issued.

Financial audit methodology

As previously referred to, 178 (32 per cent) of financial statement audits are undertaken internally using the resources of the Financial Audit Group. A key role of this Group is to ensure that the methodology adopted for these audits results in high quality outcomes.

Accordingly, our electronic financial audit methodology, EFINA, is subject to ongoing enhancement to provide for continuous improvement in our financial audit work and to reflect changes in professional Accounting and Auditing Standards.

Major enhancements in 2001-02 included:

- ▶ strengthening of our audit planning processes with particular emphasis on the evaluation and addressing of key financial risks within public sector agencies;
- ▶ revision of policies and guidance statements in a range of areas covered by the financial audit process, including the adequacy of fraud management processes implemented by agencies and assessing the financial viability of agencies; and
- ▶ continuing the focus on the review of emerging information technology issues within agencies and the use of electronic audit tools to improve the efficiency and effectiveness of the financial audit process.

Addressing computer risk

The Office has developed a detailed methodology to review information technology (IT) controls implemented within computer systems of our audit clients, including the review of IT security, business continuity planning, and development and maintenance of key business applications.



Paull Dundon (left) and Ian Soh from the Office's Computer Risk Management team.

Reviews using this methodology are conducted by our Computer Risk Management team.

In 2001-02, the team conducted IT reviews (of varying levels of detail and scope) at 45 agencies, including universities and TAFEs, as part of the annual financial audit process. These reviews focused on assessing the IT controls over core financial systems used to produce information critical to the preparation of annual financial reports.

For 2002-03, the team will continue to focus on IT controls within financial systems, and will direct additional attention to emerging areas in the IT environment such as e-commerce and internet security.

Methodology for performance audits and special reviews

Key actions taken during 2001-02 to support the conduct of high quality performance audits included ongoing development of our audit methodology, practices and systems.

The Victorian Performance Audit Methodology (VPAM), which was developed by the Office, provides a framework for the conduct of performance audits and special reviews. VPAM addresses both conceptual and policy issues, and establishes the procedures to be followed during the planning, resourcing, implementation and reporting phases of an audit. It also addresses the management of communications with audited agencies and the engagement of specialist assistance. The methodology is designed to ensure that performance audits are conducted in an efficient manner and that high quality reports are presented to Parliament.

An electronic working paper system, EMPERA, is the primary means by which performance audits are documented. A rigorous and user-friendly system, it provides significant efficiencies in the audit process as well as facilitating the systematic organisation of audit evidence and quality assurance review.

As part of a commitment to ongoing improvement in performance auditing and special reviews, the Office is continually re-assessing its methodology, systems and procedures. During 2001-02, we:

- ▶ Continued our revision of VPAM with all performance audit staff attending a 2-day intensive workshop to further explore key methodological issues. The revision will be completed during 2002-03; and
- ▶ Reviewed the electronic working paper system to ensure that it continued to support the efficient conduct of audits. Key refinements identified through this review will be implemented during 2002-03.

Quality assurance practices

Section 13 of the *Audit Act* 1994 requires the Auditor-General to apply Australian Auditing Standards in the performance of audit functions under the Act. The Office has in place a quality assurance program to establish that all audits are conducted in accordance with those Standards and that they exhibit the highest professional standard.



Financial statement audits

Pre-signing reviews

As the Auditor-General is the principal auditor of all Victorian public sector agencies, the results of all audits conducted by external audit service providers are subject to pre-signing review by staff (other than the few delegated) prior to the audit opinion being issued either by the Auditor-General or his staff.

All medium to high risk audits undertaken by staff of the Financial Audit Group are also subject to high level pre-signing review by experienced personnel not associated with the audit. This process is designed to ensure that for such audits, an added level of review is maintained to ensure consistency in treatment across entities within each industry sector.

Post-audit quality reviews

A detailed post-audit quality review was undertaken for at least one audit of each external audit service provider, including audits where signing has been delegated, and a sample of audits conducted by in-house staff. The process for 2001-02 resulted in a review of 49 audits involving external audit service providers and 7 in-house audits. This review process involved a detailed examination of the audit files and audit working papers for the selected audits.

The objective of each post-audit quality review was to determine whether:

- ▶ the audit had been undertaken in accordance with Australian Auditing Standards and applicable legislative requirements;
- ▶ a professional and comprehensive risk assessment had been documented and linked to the audit strategy;
- ▶ an appropriate audit strategy and audit program had been developed;
- ▶ adequate audit evidence and documentation supported the recommended audit opinion;
- ▶ there had been an appropriate level of resources and review processes applied by the auditor to the engagement;
- ▶ for contracted audits, the engagement had been completed in accordance with the terms of the contract;
- ▶ all issues arising during the audit were addressed including, for contracted audits, any queries raised by the Office; and
- ▶ required reports and management letters had been issued expeditiously.

Reviews were carried out by individuals drawn from a panel of qualified and experienced external persons, and designated members of the Accounting and Auditing Policy Group.

The results of each review were communicated to the auditor and, where necessary, discussions held on matters raised during the review. If circumstances arise where serious and recurring unsatisfactory performance is identified, the Office would re-assess its ongoing relationship with the external audit service provider.

Performance audit and special reviews

The quality assurance program for 2001-02 was extended to include performance audits and special reviews. Through the Accounting and Auditing Policy Group, 2 performance audits and 2 special reviews were subject to a quality review. The quality reviews were undertaken by representatives from the performance auditing group of the New South Wales Auditor-General's Office. The review provided an independent assessment of:

- ▶ the extent to which the audits complied with professional quality assurance standards; and
- ▶ whether audits had been undertaken in an efficient and economic manner, and there has been an effective discharge of statutory responsibilities.

Overall, the results of the peer review were satisfactory and identified scope for some procedural improvements.



Celinda Estallo (left) and Susan Roberts from the Performance Audit Group discuss the findings from a performance audit.



Peter Rorke (left) providing information to Rod Longford from the NSW Auditor-General's Office during a recent quality assurance review.

Corporate Communication Strategy

Our Corporate Communication Strategy aims to enhance external awareness and confidence in our role and activities. It is directed at the following audiences: Parliament; audited agencies; the community; other Auditors-General; the accounting profession; educational institutions; and Office staff.

In line with the Strategy, a number of corporate communication initiatives were implemented during 2001-02, including:

- ▶ Ongoing enhancement to our internet website which contains comprehensive information about the Office, including the full text of reports tabled in Parliament;
- ▶ Distribution of the Office's corporate video, titled *Auditing in the Public Interest*, to various government organisations and to a number of audit committees, to assist them with a fuller understanding of the role and function of the Office;
- ▶ Involvement in the Government Exhibition at the September 2001 Royal Melbourne Show through an Office information stand. The Exhibition attracted over 300 000 visitors. The main purpose of our display was to inform the community of the wide-ranging auditing services we provide to Parliament, government and taxpayers of Victoria. As the year marked our 150th anniversary, the exhibit's theme celebrated the long and proud history of the Office;
- ▶ Provision to all Members of Parliament and their electorate offices of copies of *In brief* brochures shortly after the tabling in Parliament of each report to inform them of the release and the contents of the report. A new process of "email alerts" was also introduced during the Autumn 2002 session whereby the Office notified all Members by email immediately after the tabling of the report; and
- ▶ Wide distribution of our quarterly *Auditing in the Public Interest* newsletter to Members of Parliament, audited agencies and interested organisations.



The Office's exhibit at the 2001 Royal Melbourne Show, featuring the 150th anniversary theme.

Whistleblowers legislation

The *Whistleblowers Protection Act 2001* was passed by the Victorian Parliament during the Autumn 2001 session. The main provisions of the legislation became operative on 1 January 2002.

The legislation's principal objective is to encourage and facilitate the making of disclosures of improper conduct by public officers and public bodies. It provides protection to whistleblowers who make disclosures and establishes a system for the investigation of disclosed matters.

The functions of the Auditor-General under the *Audit Act 1994* are expressly excluded from application of the whistleblowers legislation.

Section 41 of the legislation enables the Ombudsman to refer a disclosure to the Auditor-General if considered appropriate. However, the decision on whether or not an investigation is carried out is at the discretion of the Auditor-General in accordance with the powers assigned to the position under the *Audit Act*. The Ombudsman referred one matter to the Auditor-General under section 41 in 2001-02, and the matter is currently under investigation.



The administrative processes of the Office are fully subject to the new legislation.

We have established written procedures for the handling of whistleblower disclosures in respect of our administrative processes. These procedures have been distributed to staff and are available on request to members of the public.

The Deputy Auditor-General is the Office's protected disclosure co-ordinator under the legislation. No disclosures were made during the 6 month period to 30 June 2002.

Freedom of information

The Office has a professional relationship with its audited agencies and is precluded under legislative provisions from disclosing information obtained during an audit to a third party. Under section 20B of the *Audit Act* 1994, third parties do not have access to information and documents held by the Office in connection with the discharge of its audit responsibilities.

The administrative processes of the Office are, however, subject to the provisions of the State's Freedom of Information legislation. No applications under the legislation were lodged during the year.

Further initiatives under our Green Office Action Plan

As reported last year, the Office has committed to a Green Office Action Plan, designed to minimise energy use and waste, and reduce the negative environmental impact of official activities.

Last year, we undertook some energy reduction initiatives, including installing timed light switches. This year, the focus has been on reducing, reusing and recycling office materials and renegotiating the office energy contract, including purchasing 5 per cent of our energy from renewable sources.

The initiative has had encouraging results, namely:

- ▶ Although peak energy usage has increased by one per cent, off-peak energy usage has decreased by 4 per cent. Overall energy figures are higher than usual due to an IT system upgrade, in which double computing facilities were in use;
- ▶ Paper recycling increased from 20 per cent to 72 per cent of total waste as measured by a waste audit in April 2001 and again in April 2002; and
- ▶ Volume of paper purchased has declined by 14 per cent compared with 2000-01, but waste is still increasing.

EcoRecycling (the responsible State agency) has acknowledged the efforts of the Office by approving the Green Office Action Plan and awarding a certificate, naming the Office a Waste Wise Organisation.

Challenges for the future are to monitor the Green Office key performance indicators quarterly, to keep all staff updated and involved in new initiatives, and to focus on reducing paper and energy consumption.



Caroline Hingst, a member of the Office's Green Office Interest Group.

Performance monitoring

Financial performance

Some key indicators of our financial performance during 2001-02 included:

- ▶ a net result for the period of \$916 000 (2000-01, \$2 million);
- ▶ net assets at balance date of \$4.4 million (2000-01, \$3.4 million);
- ▶ substantial resources assigned to the upgrades of both our IT hardware platform and software applications; and
- ▶ separation made between contributed capital and accumulated surpluses as requested by the Department of Treasury and Finance.

Office operating performance and financial position

The following table presents comparative information on the Office's operating performance and financial position over the last 3 years.

OPERATING RESULT

(\$'000)

Item	1999-2000	2000-01	2001-02
Expenditure	20 954	20 636	22 053
Income	21 875	22 363	22 969
Operating result before extraordinary items	921	1 727	916
Extraordinary items and others	84	332	-
Operating result	1 005	2 059	916
Net assets at year-end	5 105	3 374	4 363



Lorenz Senn (left), Manager, Finance and Administration, and Graeme Ross, Principal, Day Neilson, signing-off the Office's 2001-02 financial statements.

In 2001-02, expenditure increases were as a result of a government-negotiated certified agreement salary increase, general increases in operating expenses and additional payments to external audit service providers as a result of an increase in audits and completing audits earlier (compared with this time last year). In the latter case, this has also had a favourable impact on our audit fees collected, which rose to \$13.1 million (2000-01, \$11.6 million).

Income (which primarily consist of our appropriation from Parliament) increased as a result of supplementation for salary increases and cost of living allowances offset by a productivity charge.

Consultancies

The Office engaged the services of consultants on 14 major projects during the year at a cost of \$252 000. Systhesys Consultancies and Services, which was engaged in the upgrade of the practice management system, accounted for \$112 250. Other services included the 150th anniversary history book project, website development and preparation of model annual accounts for various government sectors.

FINANCIAL STATEMENTS



FOR THE YEAR ENDED
30 JUNE 2002

2001-02

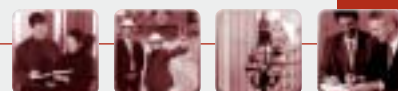
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Statement of Financial Performance

F O R T H E Y E A R E N D E D 3 0 J U N E 2 0 0 2

	Notes	2001-02 (\$)	2000-01 (\$)
REVENUES FROM ORDINARY ACTIVITIES			
Output appropriations		22 613 000	22 066 574
Special appropriations		211 442	203 426
Revenue from other parties		126 482	74 513
Resources received free of charge		19 000	18 000
	4	22 969 924	22 362 513
EXPENSES FROM ORDINARY ACTIVITIES			
Employee benefits		10 399 653	9 800 666
Contract audits		7 382 512	6 889 198
Consumables		2 410 978	2 066 824
Rental expenses		1 067 297	1 164 813
Depreciation and amortisation		664 370	593 952
Capital assets charge		127 255	116 418
Loss on disposal of plant and equipment		1 203	3 848
	5	22 053 268	20 635 719
RESULT FROM ORDINARY ACTIVITIES		916 656	1 726 794
GAIN FROM EXTRAORDINARY ITEMS	6	-	332 790
NET RESULT FOR THE REPORTING PERIOD		916 656	2 059 584
Net increase in asset revaluation reserve	10	-	227 751
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH VICTORIAN STATE GOVERNMENT IN ITS CAPACITY AS OWNER	13	916 656	2 287 335

The above statement of financial performance should be read in conjunction with the accompanying notes.



Statement of Financial Position

A S A T 3 0 J U N E 2 0 0 2

	<i>Notes</i>	2001-02	2000-01
		(\$)	(\$)
ASSETS			
CURRENT ASSETS			
Cash	7	900	900
Receivables	8	7 280 764	5 723 321
Prepayments		48 568	145 462
Other financial assets	9	218 745	327 446
Total current assets		<u>7 548 977</u>	<u>6 197 129</u>
NON-CURRENT ASSETS			
Property, plant and equipment	10	1 838 900	1 868 841
Total non-current assets		<u>1 838 900</u>	<u>1 868 841</u>
Total Assets		<u>9 387 877</u>	<u>8 065 970</u>
LIABILITIES			
CURRENT LIABILITIES			
Payables	11	1 990 540	1 741 697
Provisions	12	1 035 439	1 046 584
Total current liabilities		<u>3 025 979</u>	<u>2 788 281</u>
NON-CURRENT LIABILITIES			
Provisions	12	1 998 959	1 903 546
Total non-current liabilities		<u>1 998 959</u>	<u>1 903 546</u>
Total Liabilities		<u>5 024 938</u>	<u>4 691 827</u>
NET ASSETS		<u>4 362 939</u>	<u>3 374 143</u>
EQUITY			
Contributed capital		350 127	-
Reserves		-	227 751
Accumulated surplus		4 012 812	3 146 392
TOTAL EQUITY	13	<u>4 362 939</u>	<u>3 374 143</u>

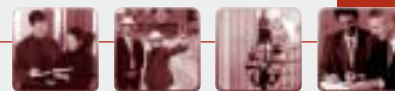
The above statement of financial position should be read in conjunction with the accompanying notes.

Statement of Cash Flows

FOR THE YEAR ENDED 30 JUNE 2002

	<i>Notes</i>	2001-02	2000-01
		(\$)	(\$)
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts from Government		22 540 574	21 060 302
Receipts from other parties		134 819	76 954
Payments to suppliers and employees		(22 095 207)	(20 076 805)
Capital asset charge		(127 255)	(116 418)
NET CASH INFLOW FROM OPERATING ACTIVITIES	<i>18</i>	452 931	944 033
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for plant and equipment	<i>10(b)</i>	(635 632)	(1 015 590)
Redemption of investments		108 701	71 557
NET CASH (OUTFLOW) INVESTING ACTIVITIES		(526 931)	(944 033)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from capital contributions by the Government		74 000	-
		74 000	-
NET INCREASE/(DECREASE) IN CASH HELD		-	-
Cash at beginning of the financial year		900	900
CASH AT END OF THE FINANCIAL YEAR	<i>7</i>	900	900

*The statement of cash flows is inclusive of the Goods and Services Tax, where applicable.
The above statement of cash flows should be read in conjunction with the accompanying notes.*



Notes to the Financial Statements

F O R T H E Y E A R E N D E D 3 0 J U N E 2 0 0 2

1 SIGNIFICANT ACCOUNTING POLICIES

This financial report is a general purpose financial report that has been prepared in accordance with the *Financial Management Act 1994*, Australian Accounting Standards, Statements of Accounting Concepts and Urgent Issues Group Consensus Views.

The financial report is prepared in accordance with the historical cost convention, except for certain assets, which, as noted, are at deemed cost in compliance with new reporting requirements. The accounting policies adopted, and the classification and presentation of items, are consistent with those of the previous year, except where a change is required to comply with an Australian Accounting Standard or Urgent Issues Group Consensus View, or an alternative accounting policy or an alternative presentation or classification of an item, as permitted by an Australian Accounting Standard, is adopted to improve the relevance and reliability of the financial report. Where practicable, comparative amounts are presented and classified on a basis consistent with the current year.

The significant policies which have been adopted in the preparation of the financial statements are:

(a) REPORTING ENTITY

The financial statements include all the controlled activities of the Victorian Auditor-General's Office.

ADMINISTERED RESOURCES

The Victorian Auditor-General's Office administers but does not control certain resources on behalf of the Victorian Government. It is accountable for the transactions involving these administered resources, but does not have the discretion to deploy these resources to achieve the Office's objectives. For these resources, the Office acts only on behalf of the Victorian Government. The accrual basis of accounting has been used in accounting for administered resources.

The administered resources of the Office are primarily audit fees raised from performing financial statement audits and relate to the activities of Output Group 2 (also refer note 2.)

Transactions and balances relating to these administered resources are not recognised as the Office's revenues, expenses, assets or liabilities, and are disclosed in note 20.

NON-CURRENT ASSETS

All non-current assets controlled by the Office are reported in the statement of financial position.

Non-current assets which the Office administers on behalf of the Victorian Government are reported as administered resources.

(b) OBJECTIVES AND FUNDING

The primary objectives of the Office are to assure the Parliament that the public sector agencies are delivering their services effectively, and doing so efficiently and economically, have operated lawfully and ethically and have reported their performance fairly.

The Office is predominantly funded by parliamentary appropriations for the provision of pre-agreed outputs. Its financial audit function is provided on a fee-for-service basis and the revenue generated is treated as administered resources.

(c) OUTPUTS OF THE OFFICE

Information about the Office's output groups is set out in the Output Groups Schedule (note 2). Information about expenses, revenues, assets and liabilities administered by the Office are given in the schedule of administered expenses and revenues and the schedule of administered assets and liabilities (note 20).

(d) **ACQUISITIONS OF ASSETS**

The cost method of accounting is used for all acquisitions of assets. Cost is measured as the fair value of the assets given up or liabilities undertaken at the date of acquisition plus incidental costs directly attributable to the acquisition.

(e) **REVENUE RECOGNITION**

Revenue becomes controlled by the Office when it has been appropriated by the Victorian Parliament and the appropriation is applied by the relevant Minister.

All other revenues received by the Office are generally required to be paid into the Consolidated Fund and are treated as administered funds and disclosed in note 20.

(f) **RECEIVABLES**

Total receivables due at reporting date are adjusted for any write offs and any provision for debts considered doubtful.

(g) **VALUATION OF NON-CURRENT ASSETS**

In the previous financial year, non-current assets were measured at either cost or deprival value. Deprival value was deemed to approximate fair value, being the amounts the Office would have to forgo if it were deprived of those assets.

For the financial year ending on 30 June 2002, to comply with the accounting requirements of AASB 1041 and the Department of Treasury and Finance Policy Paper, *Valuation of Non-Current Physical Assets*, the Office elected revert to the cost basis for measuring all plant and equipment. In changing from a deprival basis to the cost basis, the carrying amount for plant and equipment at 1 July 2001 was deemed to equal the cost of assets and the asset revaluation reserve was transferred to accumulated surplus.

The change in accounting policy for measuring plant and equipment has no impact on either the current year statement of financial performance or opening accumulated surplus.

(h) **OTHER FINANCIAL ASSETS – INVESTMENTS**

Investments represent funds invested with the Treasury Corporation of Victoria. Interest income on these investments is recognised in the statement of financial performance on a monthly basis.

(i) **DEPRECIATION AND AMORTISATION OF NON-CURRENT ASSETS**

Non-current assets are depreciated on a straight line basis to write off the net cost or revalued amount of each asset group over its expected useful life to the Office.

The expected useful lives, consistent with year ended 30 June 2001, are as follows:

Furniture and fittings	Between 4 to 10 years
Computer equipment	3 years
Computer software	2.5 years
Office equipment	4 years

(j) **LEASEHOLD IMPROVEMENTS**

The cost of improvements to or on leased properties is amortised over the unexpired period of the lease or the estimated useful life of the improvement to the Office, whichever is the lesser.

The Office has now elected to exercise the option under the lease agreement to extend the lease for a further term of 4 years. Accordingly, from 1 July 2001 the leasehold improvements are being amortised on a straight-line basis over the remaining extended term of the lease, (5.75 years).

In previous reporting periods the leasehold improvements were amortised on a straight-line basis over the original 4 years lease agreement.

**(k) LEASED NON-CURRENT ASSETS**

A distinction is made between finance leases which effectively transfer from the lessor to the lessee substantially all the risks and benefits incident to ownership of leased non-current assets, and operating leases under which the lessor effectively retains substantially all such risks and benefits.

The Office has no finance leases.

Operating leases are charged to the statement of financial performance in the period in which the lease payments are incurred, as this represents the pattern of benefits derived from the leased assets.

(l) TRADE AND OTHER CREDITORS

These amounts represent liabilities for goods and services provided to the Office prior to the end of the financial year and which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

(m) EMPLOYEE ENTITLEMENTS**(i) SALARIES AND ANNUAL LEAVE**

Liabilities for salaries and annual leave are recognised, and are measured as the amount unpaid at the reporting date at current pay rates in respect of employees' services up to that date.

(ii) 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 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 national 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 statement of financial position.

The following assumptions were adopted in measuring the present value of liability for long service leave:

	<i>2002</i>	<i>2001</i>
Weighted average rates of increase in annual employee entitlements to settlement of the liabilities	4.50%	5.70%
Weighted average discount rates	5.19%	5.21%
Weighted average terms to settlement of the liabilities	12.51 years	12.48 years

(iii) PERFORMANCE INCENTIVE PAYMENTS

The Executive Officers' performance incentive entitlements for the performance review period to 30 June 2002, payable within the next financial year, are classified as a current liability within the statement of financial position.

(iv) SUPERANNUATION

The amount charged to the statement of financial performance for the employee superannuation represents the contributions made by the Office to superannuation funds.

No liability is recognised in the statement of financial position for the Office's share of the State's unfunded superannuation liability. The States' unfunded superannuation liability has been reflected in the financial statements of the Department of Treasury and Finance.

(n) CAPITAL ASSET CHARGE

The capital asset charge imposed by the Department of Treasury and Finance represents the opportunity costs of capital invested in the non-current physical assets used in the provision of outputs. The charge (8 per cent in 2001-02 and 2000-01) is calculated on the carrying amount of non-current physical assets.

(o) **RESOURCES PROVIDED AND RECEIVED FREE OF CHARGE**

Contributions in the form of services are only recognised when a fair value can be reliably determined and the services would have been purchased if not donated.

(p) **CONTRIBUTED CAPITAL**

Consistent with UIG Abstract 38 and Department of Treasury and Finance's Accounting and Financial Reporting Bulletin 39 appropriations for additions to net assets have been designated as contributed capital.

Based on Department of Treasury and Finance's Accounting and Financial Reporting Bulletin 40, the Office has determined a part of its accumulated surplus as at 1 July 2001 as the opening balance of contributed capital and the details are disclosed in note 13.

(q) **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.

(r) **CHANGE IN ACCOUNTING POLICIES**

There were changes in accounting policies in relation to measuring non-current assets, recognising contributed capital and establishing the opening balance of contributed capital. The details of these are disclosed in notes 1(g), 1(p) and 13.

2 OUTPUT GROUPS OF THE OFFICE

The Office has 2 major output groups: (1) the provision of reports and services to Parliament; and (2) audit reports on financial statements.

(1) **THE PROVISION OF REPORTS AND SERVICES TO PARLIAMENT RESULTING FROM**

- (i) major programmed audit studies;
- (ii) other studies on specific issues;
- (iii) an examination of the State's finances;
- (iv) the results of annual financial statements audits;
- (v) any investigations following inquiries by Members of Parliament and the general public;
- (vi) other matters that merit investigation by this Office; and
- (vii) broader contributions to enhancing public accountability;

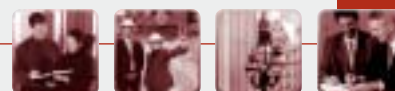
(2) **THE AUDIT REPORTS ON FINANCIAL STATEMENT AUDITS RESULTING FROM**

- (i) the conduct of audits on the financial statements of the State and its agencies;
- (ii) the review of the estimated financial statements incorporated within the State's annual budget; and
- (iii) matters arising out of the annual financial statement audits process that are reported to the responsible minister and senior agency management.

In the 2000-01 items 1 (ii), (iii) and (iv) in Group 1 formed part of Group 2 and was reported accordingly.

In this year, 2001-02, the comparatives have been aligned to reflect the change in the groupings.

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. The major function of the Office is to provide the organisational framework and resources to enable the Auditor-General to carry out an external audit of public sector agencies on behalf of Parliament. External contractors are appointed by the Auditor-General, following a process of contestability to assist in the carrying out of performance and financial audits. Audit fee income arising from financial statement audits is required under the *Financial Management Act 1994* to be paid into the Consolidated Fund and is treated as an Administered Item.



**OUTPUT GROUPS SCHEDULE -
CONTROLLED REVENUE AND EXPENSES**

FOR THE YEAR ENDED 30 JUNE 2002

	<i>Output Group 1 Reports and services to Parliament</i>		<i>Output Group 2 Financial audit</i>		<i>Total for the Office</i>	
	2002	<i>2001 (a)</i>	2002	<i>2001 (a)</i>	2002	<i>2001</i>
	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)
REVENUE						
Output appropriations	9 701 125	9 542 302	12 911 875	12 524 272	22 613 000	22 066 574
Special appropriations	98 875	87 968	112 567	115 458	211 442	203 426
Revenue from other parties	54 307	32 222	72 175	42 291	126 482	74 513
Resources received free of charge	8 613	7 784	10 387	10 216	19 000	18 000
	9 862 920	9 670 276	13 107 004	12 692 237	22 969 924	22 362 513
EXPENSES						
Employee benefits	5 439 454	5 126 158	4 960 199	4 674 508	10 399 653	9 800 666
Contract audits	866 205	1 116 472	6 516 307	5 772 726	7 382 512	6 889 198
Consumables	1 261 042	1 081 035	1 149 936	985 789	2 410 978	2 066 824
Rental expenses	558 241	609 246	509 056	555 567	1 067 297	1 164 813
Depreciation and amortisation	347 493	310 662	316 877	283 290	664 370	593 952
Capital assets charge	66 560	60 891	60 695	55 527	127 255	116 418
Net losses on disposal of plant and equipment	629	2 013	574	1 835	1 203	3 848
Gain/(Loss) from extraordinary items	-	(174 063)	-	(158 727)	-	(332 790)
	8 539 624	8 132 414	13 513 644	12 170 515	22 053 268	20 302 929
Net result for the reporting period	1 323 296	1 537 862	(406 640)	521 722	916 656	2 059 584

(a) The 2001 comparative figures have been revised to accommodate the reclassification of certain activities that have shifted in 2002 from Output Group 2 to 1.

**OUTPUT GROUPS SCHEDULE -
CONTROLLED ASSETS AND LIABILITIES**

FOR THE YEAR ENDED 30 JUNE 2002

	<i>Output Group 1 Reports and services to Parliament</i>		<i>Output Group 2 Financial audit</i>		<i>Total for the Office</i>	
	2002	2001	2002	2001	2002	2001
	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)
ASSETS						
Current assets	3 925 468	3 222 507	3 623 509	2 974 622	7 548 977	6 197 129
Non-current assets	956 228	971 797	882 672	897 044	1 838 900	1 868 841
TOTAL ASSETS	4 881 696	4 194 304	4 506 181	3 871 666	9 387 877	8 065 970
LIABILITIES						
Current liabilities	1 573 509	1 449 906	1 452 470	1 338 375	3 025 979	2 788 281
Non-current liabilities	1 039 459	989 844	959 500	913 702	1 998 959	1 903 546
TOTAL LIABILITIES	2 612 968	2 439 750	2 411 970	2 252 077	5 024 938	4 691 827
NET ASSETS	2 268 728	1 754 554	2 094 211	1 619 589	4 362 939	3 374 143



3 SUMMARY OF COMPLIANCE WITH ANNUAL PARLIAMENTARY APPROPRIATIONS

(A) SUMMARY OF COMPLIANCE WITH ANNUAL PARLIAMENTARY APPROPRIATIONS

The following table discloses the details of the various parliamentary appropriations received by the Office for the year. In accordance with accrual output-based management procedures "Provision for outputs" and "Additions to net assets" are disclosed as "controlled" activities of the Office.

	Appropriation Act						Total Parliamentary Authority	Appropriations Applied		Variance		
	Annual appropriation		Advance from Treasurer		Section 3(2)			Financial Management Act 1994, Section 32				
	2001-02	2000-01	2001-02	2000-01	2001-02	2000-01		2001-02	2000-01		2001-02	2000-01
CONTROLLED												
Provision for outputs	22 239 000	21 772 000	143 000	290 000	251 000	-	645 000	650 000	22 712 000	22 613 000	665 000	645 426
Additions to net assets	-	74 000	-	-	-	-	74 000	374 000	448 000	74 000	-	448 000
TOTAL	22 239 000	21 846 000	143 000	290 000	251 000	-	719 000	1 024 000	23 160 000	22 687 000	665 000	1 093 426

(i) The variance between total parliamentary authority and appropriations applied for the reporting period in respect of provision of outputs was attributable to the following timing factors:

- certain performance audits that were initially planned for completion in year 2001-02 were still in progress as at 30 June 2002; and
- delays in external service providers completing year 2001-02 work as at 30 June 2002.

(B) SUMMARY OF COMPLIANCE WITH SPECIAL APPROPRIATION

Authority	Purpose	Appropriation applied	
		2001-02	2000-01
Section 94A(6) of the Constitution Act 1975	Auditor-General's salary	211 442	203 426

The above figures include salary on costs, such as payroll tax and WorkCover.

4 REVENUE

	Operating		Non-operating	
	2001-02	2000-01	2001-02	2000-01
	(\$)	(\$)	(\$)	(\$)
REVENUE BY SOURCE				
Revenue from Government				
Output appropriations	22 613 000	22 066 574	-	-
Special appropriations	211 442	203 426	-	-
Resources provided free of charge (a)	-	-	19 000	18 000
	22 824 442	22 270 000	19 000	18 000
REVENUE FROM OTHER PARTIES				
Interest received from Treasury Corporation of Victoria	-	-	11 829	19 783
Other – Secondment of staff	90 998	46 230	-	-
Parliamentary reports	14 905	-	-	-
Melbourne Show grant	8 750	8 500	-	-
	114 653	54 730	11 829	19 783
TOTAL INCOME	22 939 095	22 324 730	30 829	37 783

(a) This represents external audit of the Office, commissioned and paid for by the Public Accounts and Estimates Committee.

5 RESULTS FOR THE REPORTING PERIOD

(A) EXPENSES FROM ORDINARY ACTIVITIES

	2002-02	2001-01
	(\$)	(\$)
EXPENSES		
Depreciation		
Furniture and fittings	105 646	934
Computer equipment and software	348 771	217 577
Office equipment	36 686	16 503
Total depreciation	491 103	235 014
Amortisation of		
Leasehold improvements	173 267	358 938
Total depreciation and amortisation	664 370	593 952
Capital charge on assets	127 255	116 418
Net losses on disposal of plant and equipment	1 203	3 848
Employee benefits	10 399 653	9 800 666
Contract audits	7 382 512	6 889 198
Rental expenses relating to		
Accommodation	901 590	1 017 286
Motor vehicle and equipment	165 707	147 527
Total rental expenses	1 067 297	1 164 813
Consumables	2 410 978	2 066 824
TOTAL EXPENSES	22 053 268	20 635 719

**(B) REVISIONS OF ACCOUNTING ESTIMATES**

During the year the estimated total useful lives of the Office's Leasehold improvements were revised. The net effect of the change in the current financial year was a decrease in amortisation expense of \$508 918 (refer note 1(j)).

Assuming the assets are held to the end of their estimated useful lives, the amortisation charge for these assets will change by the following amounts:

Year ending 30 June	\$
2002	(508 918)
2003	(326 026)
2004	222 652
2005	222 652
2006	222 652
2007	166 988

6 EXTRAORDINARY ITEMS

	2001-02	2000-01
	(\$)	(\$)
Expenditure -		
Surplus lease space	-	332 790
TOTAL	-	332 790

7 CASH

	2002-02	2001-01
	(\$)	(\$)
Cash on hand	900	900
Balance per statement of cash flows	900	900

8 RECEIVABLES

	2002-02	2001-01
	(\$)	(\$)
Current:		
Amounts owing from Victorian Government	7 261 240	5 688 438
Other debtors	19 524	34 883
	7 280 764	5 723 321

Amount owing from Victorian Government represents previously applied parliamentary appropriations not yet drawn down. This amount is held in the Consolidated Fund within the Public Account.

9 OTHER FINANCIAL ASSETS

	<i>2002-02</i>	<i>2001-01</i>
Current:	(\$)	(\$)
Investment with Treasury Corporation of Victoria	218 745	327 446

In accordance with the terms of the Public Sector Management and Employment Act 1998 a total of \$218 745 (2000-2001, \$327 446) is available for executive officers' performance pay entitlements. These funds are held in the "Performance Incentive Payments Trust Account". The proceeds of this Account are invested with the Treasury Corporation of Victoria. (Also refer note 12.)

Since performance pay entitlements are now paid on an annual basis, no further transfer of funds will be made to the investment account. It is expected that the available funds will be fully utilised by the end of year 2003.

10 (A) PROPERTY, PLANT AND EQUIPMENT

	<i>2001-02</i>	<i>2000-01</i>
	(\$)	(\$)
LEASEHOLD IMPROVEMENTS		
At cost	1 708 276	2 134 822
Less: Accumulated amortisation	(889 066)	(854 574)
Total leasehold improvements	819 210	1 280 248
FURNITURE AND FITTINGS		
At cost	422 580	5 783
Less: Accumulated depreciation	(237 703)	(1 720)
Total furniture and fittings	184 877	4 063
COMPUTER SOFTWARE		
At cost	182 584	178 850
Less: Accumulated depreciation	(154 904)	(124 509)
Total computer software	27 680	54 341
COMPUTER HARDWARE		
At cost	1 067 065	-
At valuation - June 2001	-	486 247
Less: Accumulated depreciation	(315 719)	-
Total computer hardware	751 346	486 247
OFFICE EQUIPMENT		
At cost	92 474	-
At valuation - June 2001	-	43 942
Less: Accumulated depreciation	(36 687)	-
Total office equipment	55 787	43 942
	1 838 900	1 868 841

In 2000-01 computer hardware and office equipment were valued at replacement value adjusted for remaining useful life of the assets.



10(B) PROPERTY, PLANT AND EQUIPMENT

	<i>Leasehold improvements</i>	<i>Furniture and fittings</i>	<i>Computer software</i>	<i>Computer hardware</i>	<i>Office equipment</i>	<i>TOTAL</i>
2001-02						
Carrying amount at start of year	1 280 248	4 063	54 341	486 247	43 942	1 868 841
Transfer between classes (a)	(293 022)	286 460	-	-	6 562	-
Additions	5 251	-	3 735	584 677	41 969	635 632
Disposals	-	-	-	-	-	-
Revaluation increments	-	-	-	-	-	-
Depreciation/amortisation expense	(173 267)	(105 646)	(30 396)	(318 375)	(36 686)	(664 370)
Write-off of assets	-	-	-	(1 203)	-	(1 203)
Carrying amount at end of year	819 210	184 877	27 680	751 346	55 787	1 838 900
2000-01						
Carrying amount at start of year	886 994	2 357	53 948	349 434	22 893	1 315 626
Additions	752 192	2 640	47 237	117 004	4 191	923 264
Disposals	-	-	-	(29)	-	(29)
Revaluation increments	-	-	6 900	187 490	33 361	227 751
Depreciation/amortisation expense	(358 938)	(934)	(53 744)	(163 833)	(16 503)	(593 952)
Write-off of assets	-	-	-	(3 819)	-	(3 819)
Carrying amount at end of year	1 280 248	4 063	54 341	486 247	43 942	1 868 841

(a) In 2001-02 certain Leasehold improvements were reclassified as Furniture and fittings and Office equipment.

11 PAYABLES

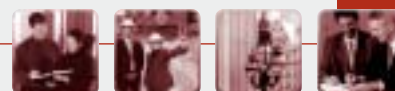
	<i>2001-02</i>	<i>2000-01</i>
Current:	(\$)	(\$)
Creditors	1 758 712	1 473 699
Other payables	231 828	267 998
TOTAL	1 990 540	1 741 697

12 PROVISIONS

	<i>2001-02</i>	<i>2000-01</i>
	(\$)	(\$)
CURRENT		
EMPLOYEE ENTITLEMENTS		
Annual leave (a)	733 165	688 059
Long service leave (a)	168 888	109 369
Performance Incentive Scheme (b)	133 386	249 156
	1 035 439	1 046 584
NON-CURRENT		
EMPLOYEE ENTITLEMENTS		
Long service leave (a)	1 998 959	1 903 546
	1 998 959	1 903 546
AGGREGATE CARRYING AMOUNT OF PROVISIONS		
Current	1 035 439	1 046 584
Non-current	1 998 959	1 903 546
Total employee entitlements	3 034 398	2 950 130

(a) Refer note 1(m).

(b) A total of \$133 386 (2000-01, \$249 156) is set aside for executive officers' performance pay entitlements. The performance pay entitlements will be funded from the "Performance Incentive Payments Scheme Trust Account" of \$218 745 (2000-01, \$327 446). (Also refer note 9.)



13 EQUITY AND MOVEMENTS IN EQUITY

	2001-02	2000-01
	(\$)	(\$)
(A) ACCUMULATED SURPLUS		
Balance at beginning of the year	3 146 392	5 105 080
Adjustments for administered items	(1 860)	(4 018 272)
Transferred from reserves (refer note 1g)	227 751	-
Transferred to Contributed Capital (a)	(276 127)	-
Adjusted balance at beginning of the year	3 096 156	1 086 808
Operating results for 2002	916 656	2 059 584
Balance at end of the year	4 012 812	3 146 392
(B) ASSET REVALUATION RESERVE		
Balance at beginning of the year	227 751	-
Transferred to accumulated surplus (refer note 1g)	(227 751)	-
Adjusted balance at beginning of the year	-	-
Increment on revaluation of computer and office equipment during the year	-	227 751
Balance at end of the year	-	227 751
(C) CONTRIBUTED CAPITAL		
Balance at beginning of the year	-	-
Transferred from accumulated surplus (a)	276 127	-
Adjusted balance at beginning of the year	276 127	-
Capital contribution by Victorian State Government	74 000	-
Balance at end of the year	350 127	-
Total equity at the end of the financial year	4 362 939	3 374 143

(a) For the reporting period ending 30 June 2002, the Office has determined that \$276 127 of its accumulated surplus is to form the opening balance for contributed capital. This accounting treatment is to comply with Urgent Issues Abstract 38, Contributions by Owners Made to Wholly-Owned Public Sector Entities, Accounting and Financial Reporting Bulletin No.39, Accounting for Contributed Capital and No 40, Establishment of Opening Balances and Formal Designation for Contributed Capital. The change in accounting policy has resulted in recognition, in the statement of financial position, as at 1 July 2001 of an opening balance of \$276 127 as contributed capital (1 July 2000, \$nil).

14 AUDITOR'S REMUNERATION

	<i>2001-02</i>	<i>2000-01</i>
	(\$)	(\$)
Audit fees	19 000	18 000

This represents external audit services paid for by the Public Accounts and Estimates Committee.

15 COMMITMENTS

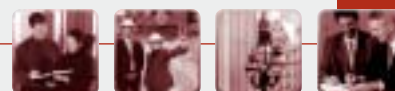
(A) OPERATING LEASES

	<i>2001-02</i>	<i>2000-01</i>
	(\$)	(\$)
Not later than 1 year	1 368 395	1 110 601
Later than 1 year but less than 5 years	4 900 386	826 385
Later than 5 years	912 711	-
TOTAL	7 181 492	1 936 986

The above operating leases relate primarily to leasing costs associated with the Office's accommodation valued at current rental rates.

(B) CONTRACT AUDITS

	<i>2001-02</i>	<i>2000-01</i>
	(\$)	(\$)
Commitments for the payment of future auditing services under contracts in existence at the reporting date, payable as follows:		
Not later than 1 year	4 528 968	5 181 391
Later than 1 year but less than 5 years	8 498 860	3 836 272
TOTAL	13 027 828	9 017 663



16 EXECUTIVE OFFICERS' REMUNERATION

- (i) The numbers of executive officers, other than accountable officers, whose total remuneration exceeded \$100 000 during the reporting period are shown in the first two columns in the table below in their relevant income bands. The base remuneration of executive officers receiving more than \$100 000 remuneration is shown in the third and fourth columns. Base remuneration includes cash salary, superannuation and fringe benefits. Total remuneration incorporates Base remuneration plus any bonus entitlements, long service leave and retirement entitlements paid.

Several factors have affected the total remuneration payable to executives over the year. Two employment contracts were completed and several new employment contracts were negotiated. All contracts with executive officers now provide for annual payment of bonuses.

<i>Income band</i>	<i>Total remuneration</i>		<i>Base remuneration</i>	
	<i>2001-02</i>	<i>2000-01</i>	<i>2001-02</i>	<i>2000-01</i>
	No.	No.	No.	No.
\$30 000 to \$39 999	-	-	-	1
\$90 000 to \$99 999	-	-	1	1
\$100,000 to \$109 999	3	3	7	5
\$110 000 to \$119 999	4	3	4	2
\$120 000 to \$129 999	4	3	1	1
\$130 000 to \$139 999	1	-	1	4
\$140 000 to \$149 999	2	3	2	2
\$150 000 to \$159 999	2	3	3	-
\$160 000 to \$169 999	2	1	-	-
\$170 000 to \$179 999	1	-	-	-
TOTAL NUMBERS	19	16	19	16
TOTAL AMOUNT	\$2 495 559	\$2 054 582	\$2 320 897	\$1 858 541

17 FINANCIAL INSTRUMENTS

(I) TERMS, CONDITIONS AND ACCOUNTING POLICIES

The Office's accounting policies, including the terms and conditions of each class of financial asset and financial liability, recognised at the balance date, are as follows:

<i>Recognised Financial Instruments</i>	<i>Accounting Policies</i>	<i>Terms and Conditions</i>
(A) FINANCIAL ASSETS		
Amounts owing from Victorian Government	Receivable from the Public Account are carried at nominal amounts	Details of the terms and conditions are set out in note 8.
Debtors and work in progress	Debtors and work-in-progress are carried at nominal amounts due, less any provision for doubtful debts. A provision for doubtful debts is recognised when collection of the full nominal amount is no longer probable.	Trade receivables are to be settled within 30 days from the date of issue of invoice.
Investment	This investment is stated at the lower of cost and net realisable value. Interest is recognised in the Statement of Financial Performance when earned.	Details of the terms and conditions are set out in note 9. The investment held at balance date totalling \$218 745 (2000-2001: \$327 446) earned weighted average interest of 4.93% (2000-2001: 5.10%) received semi-annually in November and May.
(B) FINANCIAL LIABILITIES		
Creditors and other payables	Liabilities are recognised for amounts to be paid in the future for goods and services received, whether or not billed to the Office.	Trade liabilities are normally settled on government terms of 30 days or as agreed with the supplier on specific contractual terms.

(II) INTEREST RATE RISK

The Office's exposure to interest rate risks is only applicable to the investment balance as disclosed in note 17(i)(a) above.

(III) NET FAIR VALUES

The carrying amounts of financial assets and financial liabilities, recognised, at the balance date consisting of debtors and audits-in-progress, the investment and creditors and accruals approximates fair value.

(IV) CREDIT RISK EXPOSURES

The Office's exposure to credit risk is limited due to legislative provisions provided under the Audit Act 1994 which requires an audited entity to pay to the Consolidated Fund an amount to be determined by the Auditor-General to defray the reasonable costs and expenses of a financial audit undertaken by the Office.



18 RECONCILIATION OF RESULTS FROM ORDINARY ACTIVITIES TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2001-02	2000-01
	(\$)	(\$)
Result from ordinary activities	916 656	2 059 584
Depreciation and amortisation	664 370	593 952
Net gains/(losses) on disposal of non-current assets	1 203	3 848
CHANGES IN OPERATING ASSETS AND LIABILITIES		
Decrease (increase) in receivables	(1 559 303)	(2 163 447)
Decrease (increase) in prepayments	96 894	80 508
Increase (decrease) in payables	248 843	573 610
Increase (decrease) in provisions	84 268	(204 022)
NET CASH INFLOW FROM OPERATING ACTIVITIES	452 931	944 033

19 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. The following disclosures are made relating to the 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 position in relation to the Office at any time during the reporting period are:

Accountable Officer

Mr Wayne Cameron – Auditor-General

Mr Edward Hay (Acting, during the period 24 December 2001 to 11 January 2002)

Mr Russell Walker (Acting, during the period 1 July 2001 to 16 July 2001)

(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:

\$190 000 - \$199 999 (2000-2001 \$190 000 - \$199 999)

The amounts relating to the Acting Accountable Officers are included in "Executive Officers' Remuneration" (note 16)

(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.

20 ADMINISTERED ITEMS

	<i>2001-02</i>	<i>2000-01</i>
	(\$)	(\$)
ADMINISTERED REVENUES		
Audit fees	13 123 125	11 572 398
Other	8 566	42 152
TOTAL REVENUES	13 131 691	11 614 550
ADMINISTERED EXPENSES		
Payments into the Consolidated Fund	13 129 741	11 600 243
Doubtful debts	-	14 307
Bad debts	1 950	-
TOTAL EXPENSES	13 131 691	11 614 550
REVENUE LESS EXPENSES	-	-
ADMINISTERED ASSETS		
Debtors	2 945 219	2 220 159
Work-in-progress	127 570	956 072
Provision for doubtful debts	(23 307)	(23 307)
	3 049 482	3 152 924
ADMINISTERED LIABILITIES		
Amounts owing to the State	3 049 482	3 152 924
	3 049 482	3 152 924

The Victorian Auditor-General's Office administers but does not control certain resources on behalf of the Victorian Government. It is accountable for the transactions involving those administered resources, but does not have the discretion to deploy the resources for achievement of the Office's objectives. For these resources, the Office acts only on behalf of the Victorian Government. The accrual basis of accounting has been used in accounting for administered resources.



DECLARATION BY ACCOUNTABLE AND CHIEF FINANCE OFFICERS

We certify that the attached financial statements for the Victorian Auditor-General's Office have been prepared in accordance with Part 9 of the Directions of the Minister of Finance under the *Financial Management Act 1994*, applicable Australian Accounting Standards and other mandatory professional reporting requirements.

We further state that, in our opinion, the information set out in the Statement of Financial Performance, Statement of Financial Position, Statement of Cash Flows and notes to and forming part of the financial statements, present fairly the financial transactions during the year ended 30 June 2002 and financial position of the Office as at 30 June 2002.

We are not aware of any circumstance which would render any particulars included in the financial statements to be misleading or inaccurate.

WAYNE CAMERON
Auditor-General
Victorian Auditor-General's Office
Melbourne
16 September 2002

LORENZ SENN
Chief Finance Officer
Victorian Auditor-General's Office
Melbourne
16 September 2002

INDEPENDENT AUDITOR'S REPORT

Scope

We have audited the financial report of the Victorian Auditor-General's Office for the year ended 30 June 2002, comprising the statement of financial performance, statement of financial position, statement of cash flows, the accompanying notes and the declaration by accountable and chief financial officers (as set out on pages 64 to 85). The Auditor-General is responsible for the financial report. We have conducted an independent audit of the financial report in order to express an opinion on it in accordance with the *Audit Act* 1994.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance as to whether the financial report is free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, 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 report is presented fairly in accordance with Accounting Standards, other mandatory professional reporting requirements 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 Victorian Auditor-General's Office's financial position, and performance as represented by the results of its operations and its cash flows.

The audit opinion expressed in this report has been formed on the above basis.

Audit opinion

In our opinion, the financial report presents fairly the financial position of the Victorian Auditor-General's Office as at 30 June 2002 and the results of its operations and its cash flows for the year then ended in accordance with Accounting Standards and other mandatory professional reporting requirements and complies with the requirements of the *Financial Management Act* 1994.

Signed at Melbourne this 16th day of September 2002.



DAY NEILSON

Accountants and advisers



Graeme T. Ross

Principal

APPENDIXES

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Additional staff statistics 100

APPENDIX 1

OFFICE PUBLICATIONS

How to obtain our publications

Copies of all reports of the Auditor-General are available for purchase through the Office, or through the Government's Information Victoria bookshop, at the addresses listed below.

Information on all Auditor-General's reports is also available on our website at www.audit.vic.gov.au. The website also features a "search this site" facility which enables users to quickly identify issues of interest.

Requests for copies of reports may also be made by email at the Office's e-mail address of comments@audit.vic.gov.au

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

- | | |
|---|---|
| ▶ Victorian Auditor-General's Office
Level 34, 140 William Street
Melbourne Vic. 3000

Phone: (03) 8601 7000
Fax: (03) 8601 7010
Email: comments@audit.vic.gov.au
Website: www.audit.vic.gov.au | ▶ Information Victoria Bookshop
356 Collins Street
Melbourne Vic. 3000

Phone: 1300 366 356 (local call cost)
Fax: (03) 9603 9920

Website: www.information.vic.gov.au |
|---|---|

Reports issued during 2001-02

- ▶ *Report of the Auditor-General on the Finances of the State of Victoria, 2000-01*, November 2001
- ▶ *Annual Report of the Victorian Auditor-General's Office, 2000-01*
- ▶ *Management of major injury claims by the Transport Accident Commission*, October 2001
- ▶ *Departmental performance management and reporting*, November 2001
- ▶ *Teacher work force planning*, November 2001
- ▶ *Management of claims by the Victorian WorkCover Authority*, November 2001
- ▶ *Report on Public Sector Agencies – Results of 30 June 2001 financial statement audits*, November 2001
- ▶ *International students in Victorian universities*, April 2002
- ▶ *Investment attraction and facilitation in Victoria*, May 2002
- ▶ *Nurse work force planning*, May 2002
- ▶ *Management of roads by local government*, June 2002
- ▶ *Managing Victoria's air quality*, June 2002
- ▶ *Report on Public Sector Agencies – Results of special reviews and 31 December 2001 financial statement audits*, June 2002



APPENDIX 2 PROFESSIONAL ACTIVITIES

External presentations

<i>Date</i>	<i>Officers</i>	<i>Topic</i>
July 2001	Wayne Cameron	“AAANZ Conference”, Auckland, NZ.
July 2001	Pamela Williams	“Public Sector Leaders’ Summits”, Victorian representative, Wellington, NZ.
July and October 2001	Pamela Williams, Scott Bayley	“Performance Audit Workshop and Forum”, presentations to ACAG members, Canberra and Sydney.
August 2001	Scott Bayley	“Asian Business Forum – Auditing and developing KPIs in the public sector”, Singapore.
September 2001	Wayne Cameron	“Property valuations for rating purposes”, presentation to Municipal Valuers Group Evaluation Conference, Melbourne.
September 2001	Wayne Cameron	“Internal Audit Managers of Victorian Universities”, Melbourne.
October 2001	Wayne Cameron	“Victorian Association of Municipal Accountants Seminar 2001”, Melbourne.
October 2001	Pamela Williams, Scott Bayley	“Australasian Evaluation Society conference”, workshop on research designs and presentation on performance auditing, Canberra.
October 2001	Erik Hopp	“Corporate Governance and Accountability”, presentation to CPA Australia, Singapore.
October 2001	Joe Manders, Yves Tawil	“Victoria’s parliamentary framework and the role and functions of the Auditor-General within that framework”, presentation to students of Korowa Anglican Girls School, Korowa.
November 2001	Wayne Cameron	“The roles, responsibilities and accountabilities of the Victorian Auditor-General’s Office”, presentation to the 7th International Police Executive Officers’ course, Melbourne.
November 2001	Pamela Williams	“Public Sector Leaders’ Summits”, Victorian representative, Brisbane.
February 2002	Wayne Cameron	“Corporate Governance in the Public Sector”, presentation to Clayton Utz CEO breakfast seminar, Melbourne.

External presentations – *continued*

<i>Date</i>	<i>Officers</i>	<i>Topic</i>
March 2002	Erik Hopp	“Corporate Governance and Accountability”, presentation to CPA Australia, Singapore.
March and May 2002	Peter Stoppa	“Leadership and Management”, presentation to Airlie Police College, South Yarra.
April 2002	Wayne Cameron	“Risk Management”, presentation to CPA, Melbourne.
April 2002	Wayne Cameron	“Managing risk beyond compliance”, presentation to CPA, Melbourne.
April 2002	Greg Pound	“The ‘How To’ of Asset Management Planning – Sustainable Services for the Future Workshop – Financial Reporting for Infrastructure Assets”, presentation to the Local Government Professionals, Institute of Public Works Engineering Australia, Altona and Oakleigh.
April 2002	Pamela Williams	“Public Sector Leaders’ Summits”, Victorian representative, Canberra.
April 2002	Pamela Williams	“Asia Business Forum – workshop on auditing service quality”, Singapore.
May 2002	Wayne Cameron	“Accountability and the Auditor-General”, presentation to the Master of Policy Program, Monash University, Melbourne.
May 2002	Russell Walker	“Financial reporting update”, opening address at Australian Health Services Financial Management Association Conference, Lorne.
May 2002	Roger Farrer	“National Conference of the Royal College of Nursing, Australia”, findings of the nurse work force planning audit, Launceston.
May 2002	Tony Brown	“The ‘How To’ of Asset Management Planning – Sustainable Services for the Future Workshop – Financial Reporting for Infrastructure Assets”, presentation to the Local Government Professionals, Institute of Public Works Engineering Australia, Bendigo.



Overseas visitors to the Office

<i>Date</i>	<i>Organisation/Country</i>	<i>Topic</i>
July 2001	Supreme Audit Board of Indonesia	“The role and functions of the Victorian Auditor-General and key characteristics of Victoria’s public accountability framework”.
August 2001	Dubai Financial Audit Department	Fact finding tour on public sector audit practices in Australia.
September 2001	Delegations from Mongolia	“Accountability and Performance Management in the Victorian public sector”.
October 2001	Indonesian officials as part of the Accountability in Public Sector Management course, conducted by the Privatisation and Public Accountability Centre of Monash University	“Role and functions of the Victorian Auditor-General”.
December 2001	Beijing Municipal Audit Bureau	“Contemporary public sector audit practices”.
December 2001	People’s Solidarity for Participatory Democracy, Republic of Korea	“The role of the Auditor-General, public sector reforms and recent developments in corporate governance”.
February 2002	US General Accounting Office	“Examination of recent international public sector management reforms”.
May 2002	KOHEI MIKI – Isida, The Japan Research Institute, Ltd, Center for the Strategy of Emergence	“The Victorian Auditor-General’s Office’s work on salinity”.
May 2002	Philippines Commission on Audit	“Office’s performance audit functions and other business operations”.
May 2002	Delegation from the United Kingdom National Audit Office	“Our performance audit practices and quality assurance procedures”.

APPENDIX 3

AUDIT RESPONSIBILITIES

Parliamentary bodies

Parliament of Victoria

State accounts

Annual Financial Report

Estimated Financial Statements

Departments and other independent budget sector agencies

Education and Training, Department of

Environment Protection Authority

Equal Opportunity Commission

Human Services, Department of

Infrastructure, Department of

Innovation, Industry and Regional Development,
Department of

Justice, Department of

Natural Resources and Environment, Department of

Office of Public Employment

Office of the Public Advocate

Ombudsman, Office of the

Police, Office of the Chief Commissioner

Premier and Cabinet, Department of

Public Prosecutions, Office of

Regulator-General, Office of the

Senior Master of the Supreme Court

Sport, Tourism and Commonwealth Games,
Department of

Treasury and Finance, Department of

Victorian Electoral Commission

Victorian Privacy Commissioner, Office of the

Public bodies

Adult Community and Further Education Board

Adult Multicultural Education Services

Alpine Resorts Co-ordinating Council

Anti-Cancer Council of Victoria

Architects Registration Board of Victoria

Australian Centre for the Moving Image

Australian Food Industry Science Centre

Australian Grand Prix Corporation

Building Commission

Centre for Adult Education

Chinese Medicine Registration Board of Victoria

Chiropractors Registration Board of Victoria

Country Fire Authority

Dairy Food Safety Victoria

Dental Practice Board of Victoria

Docklands Authority

Domestic Building (HIH) Indemnity Fund

EcoRecycle Victoria

Emerald Tourist Railway Board

Falls Creek Alpine Resort Management Board

Film Victoria

Gambling Research Panel

Gas Transmission Corporation

Government Superannuation Office

Greyhound Racing Victoria

Harness Racing Victoria

Hastings Port (Holding) Corporation

Health Purchasing Victoria

Heritage Council

Industry Supervision Fund

Infertility Treatment Authority

Lake Mountain Alpine Resort Management Board

Legal Practice Board

Legal Practitioners Liability Committee

Library Board of Victoria

Marine Board of Victoria

Medical Practitioners Board of Victoria

Melbourne City Link Authority

Melbourne Market Authority

Melbourne Port Corporation

Melbourne Water Corporation

Mental Health Review Board of Victoria

Metropolitan Fire and Emergency Services Board

Mount Baw Baw Alpine Resort Management Board

Mount Buller Alpine Resort Management Board

Mount Hotham Alpine Resort Management Board

Mount Stirling Alpine Resort Management Board

Murray Valley Citrus Marketing Board

Murray Valley Wine Grape Industry
Development Committee

Museums Board of Victoria

National Gallery of Victoria,
Council of Trustees of the

National Institute of Forensic Science

National Police Ethnic Advisory Bureau



Northern Victorian Fresh Tomato Industry Development Committee
 Nurses Board of Victoria
 Office of Gas Safety
 Office of the Chief Electrical Inspector
 Office of the Legal Ombudsman
 Optometrists Registration Board of Victoria
 Osteopaths Registration Board of Victoria
 Parks Victoria
 Pharmacy Board of Victoria
 Phillip Island Nature Park Board of Management
 Physiotherapists Registration Board of Victoria
 Plumbing Industry Commission
 Podiatrists Registration Board of Victoria
 Prince Henry's Institute for Medical Research
 Psychologists Registration Board of Victoria
 Psychosurgery Review Board
 Public Transport Corporation
 Residential Tenancies Bond Authority
 Roads Corporation
 Royal Botanic Gardens Board
 Rural Finance Corporation of Victoria
 Shrine of Remembrance Trustees
 Spencer Street Station Authority
 State Electricity Commission Victoria
 State Library of Victoria Foundation
 Surveyors Board of Victoria
 Sustainable Energy Authority Victoria
 Tourism Victoria
 Transport Accident Commission
 Treasury Corporation of Victoria
 Urban and Regional Land Corporation
 Veterinary Practitioners Registration Board of Victoria
 Victoria Legal Aid
 Victorian Casino and Gaming Authority
 Victorian Channels Authority
 Victorian Curriculum and Assessment Authority
 Victorian Funds Management Corporation
 Victorian Health Promotion Foundation
 Victorian Institute of Forensic Medicine
 Victorian Institute of Forensic Mental Health
 Victorian Interpreting and Translating Service
 Victorian Law Reform Commission
 Victorian Learning and Employment Skills Commission
 Victorian Managed Insurance Authority
 Victorian Meat Authority

Victorian Plantations Corporation
 Victorian Qualifications Authority
 Victorian Rail Track
 Victorian Relief Committee
 Victorian Strawberry Industry Development Committee
 Victorian Tertiary Admissions Centre
 Victorian Trauma Foundation
 Victorian Trauma Foundation Pty Ltd
 Victorian WorkCover Authority
 Zoological Parks and Gardens Board

Universities and other educational institutions

Bendigo Regional Institute of TAFE
 Box Hill Institute of TAFE
 Central Gippsland Institute of TAFE
 Chisholm Institute of TAFE
 Deakin University
 East Gippsland Institute of TAFE
 Gordon Institute of TAFE
 Goulburn Ovens Institute of TAFE
 Holmesglen Institute of TAFE
 Kangan Batman Institute of TAFE
 La Trobe University
 Monash University
 Northern Melbourne Institute of TAFE
 Royal Melbourne Institute of Technology
 South West Institute of TAFE
 Sunraysia Institute of TAFE
 Swinburne University of Technology
 The University of Melbourne
 University of Ballarat
 Victoria University of Technology
 Victorian College of the Arts
 William Angliss Institute of TAFE
 Wodonga Institute of TAFE

Public hospitals and ambulance services

Alexandra and District Ambulance Service
 Alexandra District Hospital
 Alpine Health
 Ambulance Service Victoria - Metropolitan Region
 Austin and Repatriation Medical Centre
 Bairnsdale Regional Health Service
 Ballarat Health Services
 Barwon Health

Bayside Health	Northern Health
Beaufort and Skipton Health Service	Numurkah District Health Service
Beechworth Health Service	O'Connell Family Centre (Grey Sisters) Inc.
Benalla and District Memorial Hospital	Omeo District Hospital
Bendigo Health Care Group	Orbost Regional Health
Bethlehem Hospital Inc.	Otway Health and Community Services
Boort District Hospital	Peninsula Health
Caritas Christi Hospice Ltd	Peter MacCallum Cancer Institute
Casterton Memorial Hospital	Portland and District Hospital
Central Gippsland Health Service	Queen Elizabeth Centre
Cobram District Hospital	Robinvale District Health Services
Cohuna District Hospital	Rochester and Elmore District Health Service
Colac Community Health Services	Royal Victorian Eye and Ear Hospital
Coleraine District Health Services	Rural Ambulance Victoria
Dental Health Services Victoria	Rural North West Health
Djerriwarrh Health Services	Seymour District Memorial Hospital
Dunmunkle Health Services	South Gippsland Hospital
East Grampians Health Service	South West Healthcare
East Wimmera Health Services	Southern Health
Eastern Health	Southern Health Care Network (Shell)
Echuca Regional Health	St Georges Health
Edenhope and District Memorial Hospital	St Vincents Hospital (Melbourne) Ltd
Gippsland Southern Health Service	Stawell Regional Health
Goulburn Valley Health	Swan Hill District Hospital
Hepburn Health Service	Tallangatta Health Service
Hesse Rural Health Service	Terang and Mortlake Health Service
Heywood Rural Health	Timboon and District Healthcare Service
Inglewood and Districts Health Service	Tweddle Child and Family Health Service
Kerang and District Hospital	Upper Murray Health and Community Services
Kilmore and District Hospital	Wangaratta District Base Hospital
Kooweerup Regional Health Service	West Gippsland Healthcare Group
Kyabram and District Memorial Community Hospital	West Wimmera Health Service
Kyneton District Health Service	Western District Health Service
Latrobe Regional Hospital	Western Health
Lorne Community Hospital	Wimmera Health Care Group
Maldon Hospital	Wodonga Regional Health Service
Mallee Track Health and Community Service	Women's and Children's Health Care Service
Manangatang and District Hospital	Wonthaggi and District Hospital
Mansfield District Hospital	Yarram and District Health Service
Maryborough District Health Service	Yarrawonga District Health Service
McIvor Health and Community Services	Yea and District Memorial Hospital
Melbourne Health	
Mercy Public Hospitals Incorporated	Superannuation funds
Mildura Base Hospital	Emergency Services Superannuation Scheme
Moyne Health Services	Parliamentary Contributory Superannuation Fund
Mt Alexander Hospital	State Superannuation Fund
Nathalia District Hospital	

Companies, trusts and joint ventures

ACN 056 641 420 Pty Ltd	Geelong Performing Arts Centre Trust
Agriculture Victoria Services Pty Ltd	Hawthorn Edinburgh Ltd
Angliss Consulting Pty Ltd	Hawthorn English Language Centres (Canada) Ltd
Angliss Multimedia Pty Ltd	Holmesglen International Training Services Pty Ltd
Angliss Solutions Pty Ltd	Ingenko Pty Ltd
Arada Pty Ltd	Inquirion Pty Ltd
Arada Trust	Inskill Limited
Australasian Human Resources Institute Pty Ltd	Institute for Innovation and Enterprise Ltd
Australian Alpine Institute Pty Ltd	International Education Network (Hong Kong) Ltd
Australian International Health Institute Limited	International Education Network Pty Ltd
Australian Music Exams Board (Vic) Ltd	International Fibre Centre Limited
Australian National Academy of Music Ltd	International Training Australia Pty Ltd
Box Hill Enterprises Ltd	John Batman Training and Consulting Pty Ltd
Brain Sciences Institute Trust	Kerbridge Pty Ltd
Callista Software Services Pty Ltd	Kitaya Holdings Pty Ltd
Central Highlands Region Timber Pty Ltd	La Trobe International Pty Ltd
Centre for Innovation and Enterprise Pty Ltd	La Trobe Marketing Pty Ltd
City West Water Ltd	La Trobe University Housing Limited
City Wide Service Solutions Pty Ltd	Land Aggregation Program Trust Fund
Citytech Pty Ltd	Land and Food Services Limited
Deakin Networks Pty Ltd	Meanjin Company Limited
Deakinprime USA	Melbourne 2002 World Masters Games Limited
Dealdrum Pty Ltd	Melbourne 2006 Commonwealth Games Pty Ltd
Dentire Pty Ltd	Melbourne and Olympic Parks Trust
Driver Education Centre of Australia Ltd	Melbourne Convention and Exhibition Trust
Federation Square Management Pty Ltd	Melbourne Enterprises International (New Zealand) Limited
Food Science Australia	Melbourne Enterprises International (Taiwan) Limited
Footy Consortium Pty Ltd	Melbourne Enterprises International Limited
Fresh Chain Limited	Melbourne Information Management Pty Ltd
Gas Release Co Pty Ltd	Melbourne University Private Limited
Gascor (T No. 1) Pty Ltd	Melbourne Wholesale Fish Market Pty Ltd
Gascor (TH) Pty Ltd	Meltech Services Ltd
Gascor EPL Pty Ltd	Monash Commercial Pty Ltd
Gascor Holdings No.1 Pty Ltd	Monash Digital Media Pty Ltd
Gascor Holdings No.2 Pty Ltd	Monash ED Pty Ltd
Gascor Holdings No.3 Pty Ltd	Monash English Language Centre Pty Ltd
Gascor IEPL Pty Ltd	Monash International Pty Ltd
Gascor KEPL Pty Ltd	Monash IVF Pathology Services Trust
Gascor MAPL Pty Ltd	Monash IVF Pty Ltd
Gascor MGPL Pty Ltd	Monash Learningfast Pty Ltd
Gascor Pty Ltd	Monash Property Management Pty Ltd
Gascor SAPL Pty Ltd	Monash Reproductive Health Enterprises Pty Ltd
Gascor SNPL Pty Ltd	Monash Reproductive Pathology and Genetics Pty Ltd
Gascor WAPL Pty Ltd	Monash Southern Africa Pty Ltd
Gascor WPL Pty Ltd	Monash Ultrasound Pty Ltd

Monash Ultrasound Trust	State Trustees Common Fund No. 10
Monash Unicomm Pty Ltd	State Trustees Common Fund No. 2
Monash University Foundation	State Trustees Common Fund No. 3
Monash University Foundation Trust	State Trustees Common Fund No. 4
Monash University South Africa	State Trustees Common Fund No. 5
MonServe Pty Ltd	State Trustees Common Fund No. 6
Montech Medical Developments Pty Ltd	State Trustees Limited
Montech Pty Ltd	STL Financial Services Ltd
Montores Pty Ltd	Streetsahead Cleaning Service
MUP Services Pty Ltd	Swinburne Graduate School of Integrative Medicine Pty Ltd
National Institute of Circus Arts Limited	Swinburne Intellectual Property Trust
Neurometric Systems Pty Ltd	Swinburne Limited
Opalwood Pty Ltd	Swinburne Ventures Ltd
Overseas Development Corporation	TAC Law Pty Ltd
Paragon Trust No. 1	Tattersall Gaming Pty Ltd
Paragon Trust No. 2	Tattersall Sweeps Pty Ltd
Premium Cash Fund	Tattersall's Club Keno Pty Ltd
Premium Diversified Fund	Telematics Course Development Fund Trust
Premium Equity Fund	The School of Forestry Creswick Ltd
Premium Fixed Interest Fund	The School of Mines and Industries Ballarat Ltd
Premium International Fund	Tricontinental Corporation Ltd
Premium Mortgage Fund	Tricontinental Holdings Ltd
Premium Property Fund	Trust for Nature (Victoria)
Prostate Diagnostics Pty Ltd	Twin Waters Resort Pty Ltd
Queen Victoria Market Pty Ltd	ULC Real Estate Services Pty Ltd
Queen Victoria Women's Centre Trust	Unilink Ltd
Regent Management Company Pty Ltd	VFM Australian Equities Trust
Rinal Pty Ltd	VFM Australian Fixed Interest Trust
RMIT (Malaysia) Sdn Bhd	VFM Global Bond Trust
RMIT Foundation	VFM Hedged International Equities Trust
RMIT Innovation Ltd	VFM Indexed Bonds Trust
RMIT International Pty Ltd	VFM International Equities Trust
RMIT International University Vietnam	VFM Short Term Money Market Trust
RMIT Resources Limited	Vicfleet Pty Ltd
RMIT Training Pty Ltd	Victoria University Enterprises Pty Ltd
RMIT Union	Victoria University of Technology (Singapore) Pty Ltd
RMIT Vietnam Holdings Pty Ltd	Victoria University of Technology Foundation Ltd
Rondole Pty Ltd	Victorian Arts Centre Trust
Securities Finance Corporation Ltd	Victorian Energy Networks Corporation
Sir John Monash Business Centre Pty Ltd	Victorian Institute of Sport Limited
South East Water Ltd	Victorian Institute of Sport Trust
South Eastern Medical Complex Ltd	Victorian Medical Consortium Pty Ltd
Southgate Trust	Yarra Bend Park Trust
SouthWal Pty Ltd	Yarra Valley Water Ltd
Spatial Vision Innovations Pty Ltd	
State Sport Centres Trust	
State Trustees Common Fund No. 1	



Water authorities

Barwon Region Water Authority
 Casey's Weir and Major Creek Rural Water Authority
 Central Gippsland Region Water Authority
 Central Highlands Region Water Authority
 Coliban Region Water Authority
 Corangamite Catchment Management Authority
 East Gippsland Catchment Management Authority
 East Gippsland Region Water Authority
 First Mildura Irrigation Trust
 Gippsland and Southern Rural Water Authority
 Glenelg Hopkins Catchment Management Authority
 Glenelg Region Water Authority
 Goulburn Broken Catchment Management Authority
 Goulburn Valley Region Water Authority
 Goulburn-Murray Rural Water Authority
 Grampians Region Water Authority
 Lower Murray Region Water Authority
 Mallee Catchment Management Authority
 North Central Catchment Management Authority
 North East Catchment Management Authority
 North East Region Water Authority
 Portland Coast Region Water Authority
 South Gippsland Region Water Authority
 South West Water Authority
 Sunraysia Rural Water Authority
 West Gippsland Catchment Management Authority
 Western Region Water Authority
 Westernport Region Water Authority
 Wimmera Catchment Management Authority
 Wimmera-Mallee Rural Water Authority

Regional waste management groups

Barwon Regional Waste Management Group
 Calder Regional Waste Management Group
 Central Murray Regional Waste Management Group
 Desert Fringe Regional Waste Management Group
 Eastern Regional Waste Management Group
 Gippsland Regional Waste Management Group
 Goulburn Valley Regional Waste Management Group
 Grampians Regional Waste Management Group
 Highlands Regional Waste Management Group
 Mildura Regional Waste Management Group
 Mornington Peninsula Regional Waste Management Group

North East Victorian Regional Waste Management Group
 Northern Regional Waste Management Group
 South Eastern Regional Waste Management Group
 South Western Regional Waste Management Group
 Western Regional Waste Management Group

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
 Borough of Queenscliffe
 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
 Gannawarra 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
 Kingston City Council
 Knox City Council
 La Trobe Shire Council
 Loddon Shire Council
 Macedon Ranges Shire Council
 Manningham City Council

Maribyrnong City Council
Maroondah City Council
Melbourne City Council
Melton Shire Council
Mildura Rural City Council
Mitchell Shire Council
Moirra 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
Prahran Market Pty Ltd
Pyrenees Shire Council
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

Regional library corporations

Casey-Cardinia Regional Library Corporation
Central Highlands Regional Library Corporation
Corangamite Regional Library Corporation
Eastern Regional Library Corporation
Geelong Regional Library Corporation
Glenelg Regional Library Corporation
Goulburn Valley Regional Library Corporation
High Country Library Corporation
Hume-Moonee Valley Regional Library Corporation
North Central Goldfields Regional
Library Corporation
West Gippsland Regional Library Corporation
Whitehorse-Manningham Regional
Library Corporation
Wimmera Regional Library Corporation
Yarra Plenty Regional Library Corporation
Yarra/Melb Regional Library Corporation

Public cemeteries

Andersons Creek Cemetery Trust
Ballarat General Cemeteries Trust
Bendigo Cemeteries Trust
Cheltenham and Regional Cemeteries Trust
Geelong Cemeteries Trust
Keilor Cemetery Trust
Mildura Cemetery Trust
Preston Cemetery Trust
Templestowe Cemetery Trust
Trustees of the Fawkner Crematorium and
Memorial Park
Trustees of the Lilydale Memorial Park
and Cemetery
Trustees of the Memorial Park
Trustees of the Necropolis Springvale
Wyndham Cemeteries Trust

APPENDIX 4 DELEGATION FOR SIGNING AUDIT OPINIONS

Delegation provided to external audit service providers for signing of audit opinions, 2001-02

(net equity less than \$1 million)

<i>Agency</i>	<i>Audit service provider</i>	<i>Firm</i>
Alexandra and District Ambulance Service	B. Potgieter	Day Neilson
Architects Registration Board of Victoria	M. Crossley	Day Neilson
Barwon Regional Waste Management Group	C. Kol Coffey	Hunt
Calder Regional Waste Management Group	R. Fraser	Day Neilson
Central Murray Regional Waste Management Group	H. McKenzie-McHarg	Johnsons MME
Chinese Medicine Registration Board of Victoria	S. O'Kane	Wernli O'Kane
Chiropractors Registration Board of Victoria	S. O'Kane	Wernli O'Kane
Desert Fringe Regional Waste Management Group	M. Gunn	Coffey Hunt
Gippsland Regional Waste Management Group	K. Wood	RSM Bird Cameron
Goulburn Valley Regional Waste Management Group	M. Crossley	Day Neilson
Grampians Regional Waste Management Group	M. Gunn	Coffey Hunt
Highlands Regional Waste Management Group	R. Fraser	Day Neilson
Melbourne 2002 World Masters Games Limited	B. Potgieter	Day Neilson
Mildura Regional Waste Management Group	S. Wight	Davidsons
Mornington Peninsula Regional Waste Management Group	M. Crossley	Day Neilson
Murray Valley Wine Grape Industry Development Committee	S. Wight	Davidsons
North East Victorian Regional Waste Management Group	R. Lindner	Haines Norton
Northern Regional Waste Management Group	R. Lindner	Haines Norton
Northern Victorian Fresh Tomato Industry Development Committee	S. Naylor	Stockford Accounting Services Pty Ltd
Osteopaths Registration Board of Victoria	S. O'Kane	Wernli O'Kane
Podiatrists Registration Board of Victoria	S. O'Kane	Wernli O'Kane
Psychologists Registration Board of Victoria	S. O'Kane	Wernli O'Kane
South Western Regional Waste Management Group	M. Gunn	Coffey Hunt
Victorian Institute of Sport Limited	I. Blencowe	Haines Norton
Victorian Institute of Sport Trust	I. Blencowe	Haines Norton
Victorian Meat Authority	D. Nairn	MGI Meyrick Webster
Victorian Strawberry Industry Development Committee	S. Naylor	Stockford Accounting Services Pty Ltd
Western Regional Waste Management Group	M. Crossley	Day Neilson

APPENDIX 5 ADDITIONAL STAFF STATISTICS

NUMBER OF EXECUTIVES AND EXECUTIVE VACANCIES

(at 30 June 2002)

	Ongoing Executive Officers	Special projects Executive Officers	Total
Executives employed	25	-	25
Vacancies being filled	1	-	1

RECONCILIATION WITH EXECUTIVE NUMBERS

(at 30 June 2002)

	2000-01	(a) 2001-02
Executives with remuneration over \$100 000	16	19
Add		
Recruiting for vacant positions	5	1
Executives employed with total remuneration below \$100 000	3	6
Accountable Officers (b)	-	-
Total executive numbers at 30 June	24	26

(a) Refer to executive officers' remuneration, note 16 of the financial statements.

(b) This position is held by the Auditor-General who is an Officer of Parliament and not an executive officer.

EXEMPTIONS FROM NOTIFICATION OF VACANCY

Number of exemptions	Classification	Circumstances as defined in Office policy
1	VPS-5	Reclassification

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COMPLIANCE INDEX

The Annual Report of the Victorian Auditor-General's Office is prepared in accordance with the *Financial Management Act 1994* and the Directions of the Minister for Finance. This index facilitates identification of the Office's compliance with the Directions of the Minister for Finance by listing references to disclosures in this Annual Report.

<i>Clause</i>	<i>Requirement</i>	<i>Page</i>
---------------	--------------------	-------------

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		1999-2000	2000-01	2001-02
Parliamentary reports and services				
Reports tabled in Parliament -				
Performance audit reports	(number)	5	7	9
Public sector agencies reports	(number)	3	2	3
Hansard references	(number)	..	90	135
Client satisfaction with parliamentary reports	(percentage)	77	81	80
Audit reports on financial statements				
Audit responsibilities (entities at report date)	(number)	545	552	588
Audit reports on financial statements -				
Unqualified opinions issued during reporting year	(number)	546	486	515
Qualified opinions issued during reporting year	(number)	24	63	49
Total opinions issued during reporting year	(number)	570	549	564
Audit reports on local government performance statements -				
Unqualified opinions issued during reporting year	(number)	42	70	68
Qualified opinions issued during reporting year	(number)	36	8	10
Total opinions issued during reporting year	(number)	78	78	78
Audit opinions issued within time limit	(percentage)	95	88	90
Client satisfaction with audit services	(percentage)	71	71	70
Resources				
In-house staff	(number)	113	118	127
External audit service providers	(number)	53	50	48
Staff commencements	(number)	..	41	27
Staff departures	(number)	..	32	18
Days sick leave per employee	(number)	..	8.4	16.2
Workers compensation claims	(number)	..	-	2
Grievances lodged	(number)	..	-	-
Staff training and professional development -				
Days – overall	(number)	..	249	1 203
Days per employee	(number)	..	2.1	9.4
Financial management				
Expenditure on audit service providers	(\$million)	11.28	6.89	7.38
Revenue from audit fees	(\$million)	13.31	11.57	13.12
Operating surplus/(deficit)	(\$million)	1.00	2.06	0.92
Assets	(\$million)	9.43	8.07	9.39
Liabilities	(\$million)	4.32	4.69	5.02
Financial audit costs recovered from clients	(percentage)	..	95	97

.. (figures not available)



AUDITOR GENERAL
VICTORIA

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Years of Auditing in the Public Interest