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

- 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

Victorian Auditor-General’s Office
Level 34, 140 William Street, Melbourne Vic. 3000
Telephone: (03) 8601 7000
Facsimile: (03) 8601 7010
Email: comments@audit.vic.gov.au
Website: wwwaudit.vic.gov.au
Hours of business: 8.00 a.m. – 5.30 p.m.
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-tableing 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
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

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 reports on financial statements

Products
- Audit reports on financial statements of public sector agencies.
- 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.
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.
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.

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

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

(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.

<table>
<thead>
<tr>
<th>Type of report</th>
<th>Target</th>
<th>Achievement</th>
<th>Comment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Performance audits</td>
<td>10</td>
<td>9</td>
<td>The completion of the mental health services performance audit was deferred to Spring 2002 due to resource losses.</td>
</tr>
<tr>
<td>Public sector agencies</td>
<td>1</td>
<td>2</td>
<td>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.</td>
</tr>
<tr>
<td>Examination of the State’s finances</td>
<td>1</td>
<td>1</td>
<td>-</td>
</tr>
<tr>
<td>Total</td>
<td>12</td>
<td>12</td>
<td>-</td>
</tr>
</tbody>
</table>
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**

<table>
<thead>
<tr>
<th>Actual results</th>
<th>Planned results</th>
</tr>
</thead>
<tbody>
<tr>
<td>Performance audit reports</td>
<td>Performance audit reports</td>
</tr>
</tbody>
</table>

All audit reports tabled during 2001-02 are available at [www.audit.vic.gov.au](http://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.
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**

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

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.

VALUE-ADDINg FEATURES OF THE REPORT

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

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

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**

<table>
<thead>
<tr>
<th>Improved resource management</th>
<th>Enhanced accountability and transparency</th>
<th>Improved operational procedures</th>
</tr>
</thead>
<tbody>
<tr>
<td>Provided independent confirmation of the need for the Authority to reform its claims management operations.</td>
<td>Provided an overview of the Authority’s poor performance with claims management.</td>
<td>Provided independent endorsement of the Authority’s strategies for improving its claims management operations.</td>
</tr>
</tbody>
</table>

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.

**VALUE-ADDING FEATURES OF THE REPORT**

<table>
<thead>
<tr>
<th>Improved resource management</th>
<th>Enhanced accountability and transparency</th>
<th>Improved operational procedures</th>
</tr>
</thead>
<tbody>
<tr>
<td>Recommended greater understanding and debate by the Victorian Parliament and the community on current funding mechanisms for higher education.</td>
<td>Provided Parliament with an understanding of the impact of international student programs on access to university, academic standards and the finances of universities.</td>
<td>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.</td>
</tr>
</tbody>
</table>

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”.

Significant intangible benefits are derived from mixing of international and domestic students.
**Investment attraction and facilitation in Victoria, May 2002**

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

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

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.

### VALUE-ADDING FEATURES OF THE REPORT

<table>
<thead>
<tr>
<th>Improved resource management</th>
<th>Enhanced accountability and transparency</th>
<th>Improved operational procedures</th>
</tr>
</thead>
<tbody>
<tr>
<td>Recommended a range of initiatives aimed at enhancing recruitment, retention and work force planning.</td>
<td>Recommended that the quality of nurse work force data be enhanced.</td>
<td>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.</td>
</tr>
</tbody>
</table>

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.

VALUE-ADDING FEATURES OF THE REPORT

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

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.

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

<table>
<thead>
<tr>
<th>Improved resource management</th>
<th>Enhanced accountability and transparency</th>
<th>Improved operational procedures</th>
</tr>
</thead>
<tbody>
<tr>
<td>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.</td>
<td>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.</td>
<td>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.</td>
</tr>
</tbody>
</table>

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

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.
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.

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.

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.

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.

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

### CLIENT SATISFACTION WITH INDIVIDUAL REPORTS

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

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.
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:
- Model Financial Reports for Victorian Government Departments – Department of Treasury and Finance; and

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.

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.
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*.

**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.

![Chart showing the type and number of agencies audited by the Auditor-General from 1999-2000 to 2001-02.](chart.png)

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.

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

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.

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

(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.
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.


**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.

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.

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

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.

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

($million)

<table>
<thead>
<tr>
<th>Year</th>
<th>Payments</th>
</tr>
</thead>
<tbody>
<tr>
<td>1999-00 (a)</td>
<td></td>
</tr>
<tr>
<td>2000-01</td>
<td></td>
</tr>
<tr>
<td>2001-02</td>
<td></td>
</tr>
<tr>
<td>2002-03 (b)</td>
<td></td>
</tr>
</tbody>
</table>

(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.

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

(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:

- 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.

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

<table>
<thead>
<tr>
<th>Target for the year</th>
<th>Achievement</th>
</tr>
</thead>
<tbody>
<tr>
<td>Make further qualitative enhancements to our strategic audit planning processes.</td>
<td>Further enhancements made. Highly positive assessment by the performance audit (see page 48).</td>
</tr>
<tr>
<td>Complete a major upgrade of our information technology infrastructure.</td>
<td>Major upgrading of IT infrastructure completed (see page 49).</td>
</tr>
</tbody>
</table>
| 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:  
  - 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). |
**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], MEc, 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 *(BCom [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
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

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

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.
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](chart)

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**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Staff numbers at year-end</td>
<td>111</td>
<td>118</td>
<td><strong>127</strong> (a)</td>
<td><strong>128</strong> (a)</td>
</tr>
</tbody>
</table>

(a) Projected.

**STAFF PROFILE BY POSITION**

<table>
<thead>
<tr>
<th>Position at year-end</th>
<th>Male 2000-01</th>
<th>Male 2001-02</th>
<th>Female 2000-01</th>
<th>Female 2001-02</th>
<th>Total 2000-01</th>
<th>Total 2001-02</th>
</tr>
</thead>
<tbody>
<tr>
<td>Executive officers</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>EO 2</td>
<td>4</td>
<td>5</td>
<td>1</td>
<td>1</td>
<td>5</td>
<td>6</td>
</tr>
<tr>
<td>EO 3</td>
<td>11</td>
<td>14</td>
<td>4</td>
<td>5</td>
<td>15</td>
<td>19</td>
</tr>
<tr>
<td>VPS 5</td>
<td>24</td>
<td>25</td>
<td>7</td>
<td>7</td>
<td>31</td>
<td>32</td>
</tr>
<tr>
<td>VPS 4</td>
<td>3</td>
<td>4</td>
<td>-</td>
<td>1</td>
<td>3</td>
<td>5</td>
</tr>
<tr>
<td>VPS 3</td>
<td>14</td>
<td>12</td>
<td>13</td>
<td>19</td>
<td>27</td>
<td>31</td>
</tr>
<tr>
<td>VPS 2</td>
<td>15</td>
<td>15</td>
<td>21</td>
<td>18</td>
<td>36</td>
<td>33</td>
</tr>
<tr>
<td>VPS 1</td>
<td>-</td>
<td>-</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>71</strong></td>
<td><strong>75</strong></td>
<td><strong>47</strong></td>
<td><strong>52</strong></td>
<td><strong>118</strong></td>
<td><strong>127</strong></td>
</tr>
</tbody>
</table>
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 Sandercok, Kim Nolan, Penny Sharwood and Amanda McCombe) for actions which reduce energy use, and improve waste and recycling within the Office.
**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.

**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.

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”.

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

**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.

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.

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.
**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.

**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.

<table>
<thead>
<tr>
<th>Item</th>
<th>1999-2000</th>
<th>2000-01</th>
<th>2001-02</th>
</tr>
</thead>
<tbody>
<tr>
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<td>20 636</td>
<td>22 053</td>
</tr>
<tr>
<td>Income</td>
<td>21 875</td>
<td>22 363</td>
<td>22 969</td>
</tr>
<tr>
<td>Operating result before extraordinary items</td>
<td>921</td>
<td>1 727</td>
<td>916</td>
</tr>
<tr>
<td>Extraordinary items and others</td>
<td>84</td>
<td>332</td>
<td>-</td>
</tr>
<tr>
<td>Operating result</td>
<td>1 005</td>
<td>2 059</td>
<td>916</td>
</tr>
<tr>
<td>Net assets at year-end</td>
<td>5 105</td>
<td>3 374</td>
<td>4 363</td>
</tr>
</tbody>
</table>

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.
### Statement of Financial Performance

**FOR THE YEAR ENDED 30 JUNE 2002**

<table>
<thead>
<tr>
<th>Notes</th>
<th>2001-02</th>
<th>2000-01</th>
</tr>
</thead>
<tbody>
<tr>
<td>($)</td>
<td>($)</td>
<td></td>
</tr>
</tbody>
</table>

#### REVENUES FROM ORDINARY ACTIVITIES

- **Output appropriations**: 22,613,000
- **Special appropriations**: 211,442
- **Revenue from other parties**: 126,482
- **Resources received free of charge**: 19,000

4. **Total Revenues**: 22,969,924

#### EXPENSES FROM ORDINARY ACTIVITIES

- **Employee benefits**: 10,399,653
- **Contract audits**: 7,382,512
- **Consumables**: 2,410,978
- **Rental expenses**: 1,067,297
- **Depreciation and amortisation**: 664,370
- **Capital assets charge**: 127,255
- **Loss on disposal of plant and equipment**: 1,203

5. **Total Expenses**: 22,053,268

#### RESULT FROM ORDINARY ACTIVITIES

916,656

#### GAIN FROM EXTRAORDINARY ITEMS

6. **Total Gains**: 332,790

#### NET RESULT FOR THE REPORTING PERIOD

916,656

#### TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH VICTORIAN STATE GOVERNMENT IN ITS CAPACITY AS OWNER

13. **Net increase in asset revaluation reserve**: 227,751

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

**AS AT 30 JUNE 2002**

<table>
<thead>
<tr>
<th>Notes</th>
<th>2001-02</th>
<th>2000-01</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>($)</td>
<td>($)</td>
</tr>
</tbody>
</table>

### ASSETS

#### CURRENT ASSETS

<table>
<thead>
<tr>
<th>Item</th>
<th>2001-02</th>
<th>2000-01</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash</td>
<td>7,900</td>
<td>900</td>
</tr>
<tr>
<td>Receivables</td>
<td>7,280,764</td>
<td>5,723,321</td>
</tr>
<tr>
<td>Prepayments</td>
<td>48,568</td>
<td>145,462</td>
</tr>
<tr>
<td>Other financial assets</td>
<td>218,745</td>
<td>327,446</td>
</tr>
<tr>
<td><strong>Total current assets</strong></td>
<td><strong>7,548,977</strong></td>
<td><strong>6,197,129</strong></td>
</tr>
</tbody>
</table>

#### NON-CURRENT ASSETS

<table>
<thead>
<tr>
<th>Item</th>
<th>2001-02</th>
<th>2000-01</th>
</tr>
</thead>
<tbody>
<tr>
<td>Property, plant and equipment</td>
<td>1,838,900</td>
<td>1,868,841</td>
</tr>
<tr>
<td><strong>Total non-current assets</strong></td>
<td><strong>1,838,900</strong></td>
<td><strong>1,868,841</strong></td>
</tr>
</tbody>
</table>

**Total Assets**

<table>
<thead>
<tr>
<th></th>
<th>2001-02</th>
<th>2000-01</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td><strong>9,387,877</strong></td>
<td><strong>8,065,970</strong></td>
</tr>
</tbody>
</table>

### LIABILITIES

#### CURRENT LIABILITIES

<table>
<thead>
<tr>
<th>Item</th>
<th>2001-02</th>
<th>2000-01</th>
</tr>
</thead>
<tbody>
<tr>
<td>Payables</td>
<td>1,990,540</td>
<td>1,741,697</td>
</tr>
<tr>
<td>Provisions</td>
<td>1,035,439</td>
<td>1,046,584</td>
</tr>
<tr>
<td><strong>Total current liabilities</strong></td>
<td><strong>3,025,979</strong></td>
<td><strong>2,788,281</strong></td>
</tr>
</tbody>
</table>

#### NON-CURRENT LIABILITIES

<table>
<thead>
<tr>
<th>Item</th>
<th>2001-02</th>
<th>2000-01</th>
</tr>
</thead>
<tbody>
<tr>
<td>Provisions</td>
<td>1,998,959</td>
<td>1,903,546</td>
</tr>
<tr>
<td><strong>Total non-current liabilities</strong></td>
<td><strong>1,998,959</strong></td>
<td><strong>1,903,546</strong></td>
</tr>
<tr>
<td><strong>Total Liabilities</strong></td>
<td><strong>5,024,938</strong></td>
<td><strong>4,691,827</strong></td>
</tr>
</tbody>
</table>

**NET ASSETS**

<table>
<thead>
<tr>
<th></th>
<th>2001-02</th>
<th>2000-01</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td><strong>4,362,939</strong></td>
<td><strong>3,374,143</strong></td>
</tr>
</tbody>
</table>

### EQUITY

<table>
<thead>
<tr>
<th>Item</th>
<th>2001-02</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contributed capital</td>
<td>350,127</td>
</tr>
<tr>
<td>Reserves</td>
<td></td>
</tr>
<tr>
<td>Accumulated surplus</td>
<td>4,012,812</td>
</tr>
<tr>
<td><strong>TOTAL EQUITY</strong></td>
<td><strong>4,362,939</strong></td>
</tr>
</tbody>
</table>

*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**

<table>
<thead>
<tr>
<th>Notes</th>
<th>2001-02</th>
<th>2000-01</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>($)</td>
<td>($)</td>
</tr>
</tbody>
</table>

### Cash Flow from Operating Activities

<table>
<thead>
<tr>
<th>Description</th>
<th>2001-02</th>
<th>2000-01</th>
</tr>
</thead>
<tbody>
<tr>
<td>Receipts from Government</td>
<td>22,540,574</td>
<td>21,060,302</td>
</tr>
<tr>
<td>Receipts from other parties</td>
<td>134,819</td>
<td>76,954</td>
</tr>
<tr>
<td>Payments to suppliers and employees</td>
<td>(22,095,207)</td>
<td>(20,076,805)</td>
</tr>
<tr>
<td>Capital asset charge</td>
<td>(127,255)</td>
<td>(116,418)</td>
</tr>
<tr>
<td><strong>Net Cash Inflow from Operating Activities</strong></td>
<td>452,931</td>
<td>944,033</td>
</tr>
</tbody>
</table>

### Cash Flows from Investing Activities

<table>
<thead>
<tr>
<th>Description</th>
<th>2001-02</th>
<th>2000-01</th>
</tr>
</thead>
<tbody>
<tr>
<td>Payments for plant and equipment</td>
<td>(635,632)</td>
<td>(1,015,590)</td>
</tr>
<tr>
<td>Redemption of investments</td>
<td>108,701</td>
<td>71,557</td>
</tr>
<tr>
<td><strong>Net Cash (Outflow) Investing Activities</strong></td>
<td>(526,931)</td>
<td>(944,033)</td>
</tr>
</tbody>
</table>

### Cash Flows from Financing Activities

<table>
<thead>
<tr>
<th>Description</th>
<th>2001-02</th>
<th>2000-01</th>
</tr>
</thead>
<tbody>
<tr>
<td>Proceeds from capital contributions by the Government</td>
<td>74,000</td>
<td>-</td>
</tr>
<tr>
<td><strong>Net Increase/(Decrease) in Cash Held</strong></td>
<td>74,000</td>
<td>-</td>
</tr>
</tbody>
</table>

**Cash at End of the Financial Year**

<table>
<thead>
<tr>
<th>Description</th>
<th>2001-02</th>
<th>2000-01</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash at beginning of the financial year</td>
<td>900</td>
<td>900</td>
</tr>
<tr>
<td><strong>Cash at End of the Financial Year</strong></td>
<td>900</td>
<td>900</td>
</tr>
</tbody>
</table>

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

FOR THE YEAR ENDED 30 JUNE 2002

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:

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

(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**

<table>
<thead>
<tr>
<th></th>
<th>Output Group 1 Reports and services to Parliament</th>
<th>Output Group 2 Financial audit</th>
<th>Total for the Office</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2002</td>
<td>2001 (a)</td>
<td>2002</td>
</tr>
<tr>
<td></td>
<td>($</td>
<td>($)</td>
<td>($)</td>
</tr>
<tr>
<td><strong>REVENUE</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Output appropriations</td>
<td>9 701 125</td>
<td>9 542 302</td>
<td>12 911 875</td>
</tr>
<tr>
<td>Special appropriations</td>
<td>98 875</td>
<td>87 968</td>
<td>112 567</td>
</tr>
<tr>
<td>Revenue from other parties</td>
<td>54 307</td>
<td>32 222</td>
<td>72 175</td>
</tr>
<tr>
<td>Resources received free of charge</td>
<td>8 613</td>
<td>7 784</td>
<td>10 387</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>9 862 920</td>
<td>9 670 276</td>
<td>13 107 004</td>
</tr>
<tr>
<td><strong>EXPENSES</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employee benefits</td>
<td>5 439 454</td>
<td>5 126 158</td>
<td>4 960 199</td>
</tr>
<tr>
<td>Contract audits</td>
<td>866 205</td>
<td>1 116 472</td>
<td>6 516 307</td>
</tr>
<tr>
<td>Consumables</td>
<td>1 261 042</td>
<td>1 081 035</td>
<td>1 149 936</td>
</tr>
<tr>
<td>Rental expenses</td>
<td>558 241</td>
<td>609 246</td>
<td>509 056</td>
</tr>
<tr>
<td>Depreciation and amortisation</td>
<td>347 493</td>
<td>310 662</td>
<td>316 877</td>
</tr>
<tr>
<td>Capital assets charge</td>
<td>66 560</td>
<td>60 891</td>
<td>60 695</td>
</tr>
<tr>
<td>Net losses on disposal of plant and equipment</td>
<td>629</td>
<td>2 013</td>
<td>574</td>
</tr>
<tr>
<td>Gain/(Loss) from extraordinary items</td>
<td>-</td>
<td>(174 063)</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>8 539 624</td>
<td>8 132 414</td>
<td>13 513 644</td>
</tr>
</tbody>
</table>

| 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**

<table>
<thead>
<tr>
<th></th>
<th>Output Group 1 Reports and services to Parliament</th>
<th>Output Group 2 Financial audit</th>
<th>Total for the Office</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2002 ($)</td>
<td>2001 ($)</td>
<td>2002 ($)</td>
</tr>
<tr>
<td>ASSETS</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current assets</td>
<td>3 925 468</td>
<td>3 222 507</td>
<td>7 548 977</td>
</tr>
<tr>
<td>Non-current assets</td>
<td>956 228</td>
<td>971 797</td>
<td>1 838 900</td>
</tr>
<tr>
<td><strong>TOTAL ASSETS</strong></td>
<td><strong>4 881 696</strong></td>
<td><strong>4 194 304</strong></td>
<td><strong>9 387 877</strong></td>
</tr>
<tr>
<td>LIABILITIES</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current liabilities</td>
<td>1 573 509</td>
<td>1 449 906</td>
<td>3 025 979</td>
</tr>
<tr>
<td>Non-current liabilities</td>
<td>1 039 459</td>
<td>989 844</td>
<td>1 998 959</td>
</tr>
<tr>
<td><strong>TOTAL LIABILITIES</strong></td>
<td><strong>2 612 968</strong></td>
<td><strong>2 439 750</strong></td>
<td><strong>5 024 938</strong></td>
</tr>
<tr>
<td><strong>NET ASSETS</strong></td>
<td><strong>2 268 728</strong></td>
<td><strong>1 754 554</strong></td>
<td><strong>4 362 939</strong></td>
</tr>
</tbody>
</table>
### 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.

<table>
<thead>
<tr>
<th>Appropriation Act</th>
<th>Financial Management Act 1994, Section 32</th>
<th>Total Parliamentary Authority</th>
<th>Appropriations Applied</th>
<th>Variance</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2001-02</td>
<td>2000-01</td>
<td>2001-02</td>
<td>2000-01</td>
</tr>
<tr>
<td><strong>Controlled</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Provision for outputs</td>
<td>($22,239,000)</td>
<td>($21,772,000)</td>
<td>($143,000)</td>
<td>($290,000)</td>
</tr>
<tr>
<td><strong>Additions to net assets</strong></td>
<td>- (74,000)</td>
<td>- (74,000)</td>
<td>- (74,000)</td>
<td>- (74,000)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>($22,239,000)</td>
<td>($21,846,000)</td>
<td>($251,000)</td>
<td>- (719,000)</td>
</tr>
</tbody>
</table>

(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

<table>
<thead>
<tr>
<th>Authority</th>
<th>Purpose</th>
<th>Appropriation applied</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>2001-02</td>
</tr>
<tr>
<td></td>
<td></td>
<td>($)</td>
</tr>
<tr>
<td>Section 94A(6) of the Constitution Act 1975</td>
<td>Auditor-General’s salary</td>
<td>211,442</td>
</tr>
</tbody>
</table>

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

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

(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

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

<table>
<thead>
<tr>
<th>Year ending 30 June</th>
<th>$</th>
</tr>
</thead>
<tbody>
<tr>
<td>2002</td>
<td>(508,918)</td>
</tr>
<tr>
<td>2003</td>
<td>(326,026)</td>
</tr>
<tr>
<td>2004</td>
<td>222,652</td>
</tr>
<tr>
<td>2005</td>
<td>222,652</td>
</tr>
<tr>
<td>2006</td>
<td>222,652</td>
</tr>
<tr>
<td>2007</td>
<td>166,988</td>
</tr>
</tbody>
</table>

6 EXTRAORDINARY ITEMS

<table>
<thead>
<tr>
<th></th>
<th>2001-02</th>
<th>2000-01</th>
</tr>
</thead>
<tbody>
<tr>
<td>Expenditure -</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Surplus lease space</td>
<td>-</td>
<td>332,790</td>
</tr>
<tr>
<td>TOTAL</td>
<td>-</td>
<td>332,790</td>
</tr>
</tbody>
</table>

7 CASH

<table>
<thead>
<tr>
<th></th>
<th>2002-02</th>
<th>2001-01</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash on hand</td>
<td>900</td>
<td>900</td>
</tr>
<tr>
<td>Balance per statement of cash flows</td>
<td>900</td>
<td>900</td>
</tr>
</tbody>
</table>

8 RECEIVABLES

<table>
<thead>
<tr>
<th></th>
<th>2002-02</th>
<th>2001-01</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Amounts owing from Victorian Government</td>
<td>7,261,240</td>
<td>5,688,438</td>
</tr>
<tr>
<td>Other debtors</td>
<td>19,524</td>
<td>34,883</td>
</tr>
<tr>
<td></td>
<td>7,280,764</td>
<td>5,723,321</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th></th>
<th>2002-02</th>
<th>2001-01</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Current:</strong></td>
<td>($)</td>
<td>($)</td>
</tr>
<tr>
<td>Investment with Treasury Corporation of Victoria</td>
<td>218,745</td>
<td>327,446</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th></th>
<th>2001-02</th>
<th>2000-01</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>($)</strong></td>
<td>($)</td>
<td>($)</td>
</tr>
</tbody>
</table>

#### Leasehold Improvements

- **At cost**: 1,708,276
- **Less: Accumulated amortisation**: (889,066)
- **Total leasehold improvements**: 819,210

#### Furniture and Fittings

- **At cost**: 422,580
- **Less: Accumulated depreciation**: (237,703)
- **Total furniture and fittings**: 184,877

#### Computer Software

- **At cost**: 182,584
- **Less: Accumulated depreciation**: (154,904)
- **Total computer software**: 27,680

#### Computer Hardware

- **At cost**: 1,067,065
- **At valuation - June 2001**: -
- **Less: Accumulated depreciation**: (315,719)
- **Total computer hardware**: 751,346

#### Office Equipment

- **At cost**: 92,474
- **At valuation - June 2001**: -
- **Less: Accumulated depreciation**: (36,687)
- **Total office equipment**: 55,787

<table>
<thead>
<tr>
<th></th>
<th>2001-02</th>
<th>2000-01</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>($)</strong></td>
<td>($)</td>
<td>($)</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th></th>
<th>Leasehold improvements</th>
<th>Furniture and fittings</th>
<th>Computer software</th>
<th>Computer hardware</th>
<th>Office equipment</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>2001-02</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Carrying amount at start of year</td>
<td>1 280 248</td>
<td>4 063</td>
<td>54 341</td>
<td>486 247</td>
<td>43 942</td>
<td>1 868 841</td>
</tr>
<tr>
<td>Transfer between classes (a)</td>
<td>(293 022)</td>
<td>286 460</td>
<td>-</td>
<td>-</td>
<td>6 562</td>
<td>-</td>
</tr>
<tr>
<td>Additions</td>
<td>5 251</td>
<td>-</td>
<td>3 735</td>
<td>584 677</td>
<td>41 969</td>
<td>635 632</td>
</tr>
<tr>
<td>Disposals</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Revaluation increments</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Depreciation/amortisation expense</td>
<td>(173 267)</td>
<td>(105 646)</td>
<td>(30 396)</td>
<td>(318 375)</td>
<td>(36 686)</td>
<td>(664 370)</td>
</tr>
<tr>
<td>Write-off of assets</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(1 203)</td>
<td>-</td>
<td>(1 203)</td>
</tr>
<tr>
<td>Carrying amount at end of year</td>
<td>819 210</td>
<td>184 877</td>
<td>27 680</td>
<td>751 346</td>
<td>55 787</td>
<td>1 838 900</td>
</tr>
</tbody>
</table>

|                      |                        |                        |                   |                   |                 |                |
| **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

<table>
<thead>
<tr>
<th></th>
<th>2001-02 ($)</th>
<th>2000-01 ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current:</td>
<td>($)</td>
<td>($)</td>
</tr>
<tr>
<td>Creditors</td>
<td>1 758 712</td>
<td>1 473 699</td>
</tr>
<tr>
<td>Other payables</td>
<td>231 828</td>
<td>267 998</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>1 990 540</strong></td>
<td><strong>1 741 697</strong></td>
</tr>
</tbody>
</table>
## 12 PROVISIONS

<table>
<thead>
<tr>
<th></th>
<th>2001-02</th>
<th>2000-01</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>($)</td>
<td>($)</td>
</tr>
</tbody>
</table>

### 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

### NON-CURRENT

**EMPLOYEE ENTITLEMENTS**

- **Long service leave (a)** 1,998,959  1,903,546

### AGGREGATE CARRYING AMOUNT OF PROVISIONS

<table>
<thead>
<tr>
<th></th>
<th>2001-02</th>
<th>2000-01</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1,035,439</td>
<td>1,046,584</td>
</tr>
</tbody>
</table>

- **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

#### (A) ACCUMULATED SURPLUS

<table>
<thead>
<tr>
<th>Description</th>
<th>2001-02</th>
<th>2000-01</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance at beginning of the year</td>
<td>3,146,392</td>
<td>5,105,080</td>
</tr>
<tr>
<td>Adjustments for administered items</td>
<td>(1,860)</td>
<td>(4,018,272)</td>
</tr>
<tr>
<td>Transferred from reserves (refer note 1g)</td>
<td>227,751</td>
<td>-</td>
</tr>
<tr>
<td>Transferred to Contributed Capital (a)</td>
<td>(276,127)</td>
<td>-</td>
</tr>
<tr>
<td>Adjusted balance at beginning of the year</td>
<td>3,096,156</td>
<td>1,086,808</td>
</tr>
<tr>
<td>Operating results for 2002</td>
<td>916,656</td>
<td>2,059,584</td>
</tr>
<tr>
<td>Balance at end of the year</td>
<td>4,012,812</td>
<td>3,146,392</td>
</tr>
</tbody>
</table>

#### (B) ASSET REVALUATION RESERVE

<table>
<thead>
<tr>
<th>Description</th>
<th>2001-02</th>
<th>2000-01</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance at beginning of the year</td>
<td>227,751</td>
<td>-</td>
</tr>
<tr>
<td>Transferred to accumulated surplus (refer note 1g)</td>
<td>(227,751)</td>
<td>-</td>
</tr>
<tr>
<td>Adjusted balance at beginning of the year</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Increment on revaluation of computer and office equipment during the year</td>
<td>-</td>
<td>227,751</td>
</tr>
<tr>
<td>Balance at end of the year</td>
<td>-</td>
<td>227,751</td>
</tr>
</tbody>
</table>

#### (C) CONTRIBUTED CAPITAL

<table>
<thead>
<tr>
<th>Description</th>
<th>2001-02</th>
<th>2000-01</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance at beginning of the year</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Transferred from accumulated surplus (a)</td>
<td>276,127</td>
<td>-</td>
</tr>
<tr>
<td>Adjusted balance at beginning of the year</td>
<td>276,127</td>
<td>-</td>
</tr>
<tr>
<td>Capital contribution by Victorian State Government</td>
<td>74,000</td>
<td>-</td>
</tr>
<tr>
<td>Balance at end of the year</td>
<td>350,127</td>
<td>-</td>
</tr>
<tr>
<td>Total equity at the end of the financial year</td>
<td>4,362,939</td>
<td>3,374,143</td>
</tr>
</tbody>
</table>

(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

<table>
<thead>
<tr>
<th></th>
<th>2001-02</th>
<th>2000-01</th>
</tr>
</thead>
<tbody>
<tr>
<td>Audit fees</td>
<td>19 000</td>
<td>18 000</td>
</tr>
</tbody>
</table>

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

15 COMMITMENTS

(A) OPERATING LEASES

<table>
<thead>
<tr>
<th></th>
<th>2001-02</th>
<th>2000-01</th>
</tr>
</thead>
<tbody>
<tr>
<td>Not later than 1 year</td>
<td>1 368 395</td>
<td>1 110 601</td>
</tr>
<tr>
<td>Later than 1 year but less than 5 years</td>
<td>4 900 386</td>
<td>826 385</td>
</tr>
<tr>
<td>Later than 5 years</td>
<td>912 711</td>
<td>-</td>
</tr>
<tr>
<td>TOTAL</td>
<td>7 181 492</td>
<td>1 936 986</td>
</tr>
</tbody>
</table>

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

(B) CONTRACT AUDITS

<table>
<thead>
<tr>
<th></th>
<th>2001-02</th>
<th>2000-01</th>
</tr>
</thead>
<tbody>
<tr>
<td>Not later than 1 year</td>
<td>4 528 968</td>
<td>5 181 391</td>
</tr>
<tr>
<td>Later than 1 year but less than 5 years</td>
<td>8 498 860</td>
<td>3 836 272</td>
</tr>
<tr>
<td>TOTAL</td>
<td>13 027 828</td>
<td>9 017 663</td>
</tr>
</tbody>
</table>
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.

<table>
<thead>
<tr>
<th>Income band</th>
<th>Total remuneration</th>
<th>Base remuneration</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2001-02</td>
<td>2000-01</td>
</tr>
<tr>
<td>$30,000 to $39,999</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>$90,000 to $99,999</td>
<td>-</td>
<td>3</td>
</tr>
<tr>
<td>$100,000 to $109,999</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td>$110,000 to $119,999</td>
<td>4</td>
<td>3</td>
</tr>
<tr>
<td>$120,000 to $129,999</td>
<td>4</td>
<td>3</td>
</tr>
<tr>
<td>$130,000 to $139,999</td>
<td>1</td>
<td>-</td>
</tr>
<tr>
<td>$140,000 to $149,999</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td>$150,000 to $159,999</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td>$160,000 to $169,999</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>$170,000 to $179,999</td>
<td>1</td>
<td>-</td>
</tr>
<tr>
<td><strong>TOTAL NUMBERS</strong></td>
<td><strong>19</strong></td>
<td><strong>16</strong></td>
</tr>
<tr>
<td><strong>TOTAL AMOUNT</strong></td>
<td><strong>$2,495,559</strong></td>
<td><strong>$2,054,582</strong></td>
</tr>
</tbody>
</table>
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:

<table>
<thead>
<tr>
<th>Recognised Financial Instruments</th>
<th>Accounting Policies</th>
<th>Terms and Conditions</th>
</tr>
</thead>
<tbody>
<tr>
<td>(A) FINANCIAL ASSETS</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Amounts owing from Victorian Government</td>
<td>Receivable from the Public Account are carried at nominal amounts</td>
<td>Details of the terms and conditions are set out in note 8.</td>
</tr>
<tr>
<td>Debtors and work in progress</td>
<td>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.</td>
<td>Trade receivables are to be settled within 30 days from the date of issue of invoice.</td>
</tr>
<tr>
<td>Investment</td>
<td>This investment is stated at the lower of cost and net realisable value. Interest is recognised in the Statement of Financial Performance when earned.</td>
<td>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.</td>
</tr>
</tbody>
</table>

(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

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

### 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

<table>
<thead>
<tr>
<th></th>
<th>2001-02</th>
<th>2000-01</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Administered Revenues</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Audit fees</td>
<td>13 123 125</td>
<td>11 572 398</td>
</tr>
<tr>
<td>Other</td>
<td>8 566</td>
<td>42 152</td>
</tr>
<tr>
<td><strong>Total Revenues</strong></td>
<td>13 131 691</td>
<td>11 614 550</td>
</tr>
</tbody>
</table>

| **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) |
| **Total**                | 3 049 482 | 3 152 924 |

| **Administered Liabilities** |           |           |
| Amounts owing to the State  | 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

LORENSZ 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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Delegations for signing audit opinions 99

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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
  Email: comments@audit.vic.gov.au
  Website: www.information.vic.gov.au

Reports issued during 2001-02

- 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
- 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

<table>
<thead>
<tr>
<th>Date</th>
<th>Officers</th>
<th>Topic</th>
</tr>
</thead>
<tbody>
<tr>
<td>July 2001</td>
<td>Wayne Cameron</td>
<td>“AAANZ Conference”, Auckland, NZ.</td>
</tr>
<tr>
<td>July 2001</td>
<td>Pamela Williams</td>
<td>“Public Sector Leaders’ Summits”, Victorian representative, Wellington, NZ.</td>
</tr>
<tr>
<td>July and</td>
<td>Pamela Williams, Scott Bayley</td>
<td>“Performance Audit Workshop and Forum”, presentations to ACAG members, Canberra and Sydney.</td>
</tr>
<tr>
<td>October 2001</td>
<td></td>
<td></td>
</tr>
<tr>
<td>October 2001</td>
<td>Pamela Williams, Scott Bayley</td>
<td>“Australasian Evaluation Society conference”, workshop on research designs and presentation on performance auditing, Canberra.</td>
</tr>
<tr>
<td>October 2001</td>
<td>Erik Hopp</td>
<td>“Corporate Governance and Accountability”, presentation to CPA Australia, Singapore.</td>
</tr>
<tr>
<td>October 2001</td>
<td>Joe Manders, Yves Tawil</td>
<td>“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.</td>
</tr>
<tr>
<td>November 2001</td>
<td>Wayne Cameron</td>
<td>“The roles, responsibilities and accountabilities of the Victorian Auditor-General’s Office”, presentation to the 7th International Police Executive Officers’ course, Melbourne.</td>
</tr>
<tr>
<td>November 2001</td>
<td>Pamela Williams</td>
<td>“Public Sector Leaders’ Summits”, Victorian representative, Brisbane.</td>
</tr>
<tr>
<td>February 2002</td>
<td>Wayne Cameron</td>
<td>“Corporate Governance in the Public Sector”, presentation to Clayton Utz CEO breakfast seminar, Melbourne.</td>
</tr>
<tr>
<td>Date</td>
<td>Officers</td>
<td>Topic</td>
</tr>
<tr>
<td>------------</td>
<td>----------------</td>
<td>----------------------------------------------------------------------</td>
</tr>
<tr>
<td>March 2002</td>
<td>Erik Hopp</td>
<td>“Corporate Governance and Accountability”, presentation to CPA Australia, Singapore.</td>
</tr>
<tr>
<td>March and May 2002</td>
<td>Peter Stoppa</td>
<td>“Leadership and Management”, presentation to Airlie Police College, South Yarra.</td>
</tr>
<tr>
<td>April 2002</td>
<td>Wayne Cameron</td>
<td>“Risk Management”, presentation to CPA, Melbourne.</td>
</tr>
<tr>
<td>April 2002</td>
<td>Wayne Cameron</td>
<td>“Managing risk beyond compliance”, presentation to CPA, Melbourne.</td>
</tr>
<tr>
<td>April 2002</td>
<td>Pamela Williams</td>
<td>“Public Sector Leaders’ Summits”, Victorian representative, Canberra.</td>
</tr>
<tr>
<td>May 2002</td>
<td>Wayne Cameron</td>
<td>“Accountability and the Auditor-General”, presentation to the Master of Policy Program, Monash University, Melbourne.</td>
</tr>
<tr>
<td>May 2002</td>
<td>Roger Farrer</td>
<td>“National Conference of the Royal College of Nursing, Australia”, findings of the nurse work force planning audit, Launceston.</td>
</tr>
</tbody>
</table>
## Overseas visitors to the Office

<table>
<thead>
<tr>
<th>Date</th>
<th>Organisation/Country</th>
<th>Topic</th>
</tr>
</thead>
<tbody>
<tr>
<td>July 2001</td>
<td>Supreme Audit Board of Indonesia</td>
<td>“The role and functions of the Victorian Auditor-General and key characteristics of Victoria’s public accountability framework”.</td>
</tr>
<tr>
<td>August 2001</td>
<td>Dubai Financial Audit Department</td>
<td>Fact finding tour on public sector audit practices in Australia.</td>
</tr>
<tr>
<td>September 2001</td>
<td>Delegations from Mongolia</td>
<td>“Accountability and Performance Management in the Victorian public sector”.</td>
</tr>
<tr>
<td>October 2001</td>
<td>Indonesian officials as part of the Accountability in Public Sector Management course, conducted by the Privatisation and Public Accountability Centre of Monash University</td>
<td>“Role and functions of the Victorian Auditor-General”.</td>
</tr>
<tr>
<td>December 2001</td>
<td>Beijing Municipal Audit Bureau</td>
<td>“Contemporary public sector audit practices”.</td>
</tr>
<tr>
<td>December 2001</td>
<td>People’s Solidarity for Participatory Democracy, Republic of Korea</td>
<td>“The role of the Auditor-General, public sector reforms and recent developments in corporate governance.”</td>
</tr>
<tr>
<td>February 2002</td>
<td>US General Accounting Office</td>
<td>“Examination of recent international public sector management reforms”.</td>
</tr>
<tr>
<td>May 2002</td>
<td>KOHEI MIKI – Isida, The Japan Research Institute, Ltd, Center for the Strategy of Emergence</td>
<td>“The Victorian Auditor-General’s Office’s work on salinity”.</td>
</tr>
<tr>
<td>May 2002</td>
<td>Philippines Commission on Audit</td>
<td>“Office’s performance audit functions and other business operations”.</td>
</tr>
<tr>
<td>May 2002</td>
<td>Delegation from the United Kingdom National Audit Office</td>
<td>“Our performance audit practices and quality assurance procedures”</td>
</tr>
</tbody>
</table>
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
Mount Stirling 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
Beaufort and Skipton Health Service
Beechworth Health Service
Benalla and District Memorial Hospital
Bendigo Health Care Group
Bethlehem Hospital Inc.
Boort District Hospital
Caritas Christi Hospice Ltd
Casterton Memorial Hospital
Central Gippsland Health Service
Cobram District Hospital
Cohuna District Hospital
Colac Community Health Services
Coleraine District Health Services
Dental Health Services Victoria
Djerriwarrh Health Services
Dunnunkle Health Services
East Grampians Health Service
East Wimmera Health Services
Eastern Health
Echuca Regional Health
Edenhope and District Memorial Hospital
Gippsland Southern Health Service
Goulburn Valley Health
Hepburn Health Service
Hesse Rural Health Service
Heywood Rural Health
Inglewood and Districts Health Service
Kerang and District Hospital
Kilmore and District Hospital
Kooweerup Regional Health Service
Kyabram and District Memorial Community Hospital
Kyneton District Health Service
Latrobe Regional Hospital
Lorne Community Hospital
Maldon Hospital
Mallee Track Health and Community Service
Manangatang and District Hospital
Mansfield District Hospital
Maryborough District Health Service
McIvor Health and Community Services
Melbourne Health
Mercy Public Hospitals Incorporated
Mildura Base Hospital
Moyne Health Services
Mt Alexander Hospital
Nathalia District Hospital

Northern Health
Numurkah District Health Service
O’Connell Family Centre (Grey Sisters) Inc.
Omeo District Hospital
Orbost Regional Health
Otway Health and Community Services
Peninsula Health
Peter MacCallum Cancer Institute
Portland and District Hospital
Queen Elizabeth Centre
Robinvale District Health Services
Rochester and Elmore District Health Service
Royal Victorian Eye and Ear Hospital
Rural Ambulance Victoria
Rural North West Health
Seymour District Memorial Hospital
South Gippsland Hospital
South West Healthcare
Southern Health
Southern Health Care Network (Shell)
St Georges Health
St Vincent’s Hospital (Melbourne) Ltd
Stawell Regional Health
Swan Hill District Hospital
Tallangatta Health Service
Terang and Mortlake Health Service
Timboon and District Healthcare Service
Tweddle Child and Family Health Service
Upper Murray Health and Community Services
Wangaratta District Base Hospital
West Gippsland Healthcare Group
West Wimmera Health Service
Western District Health Service
Western Health
Wimmera Health Care Group
Wodonga Regional Health Service
Women’s and Children’s Health Care Service
Wonthaggi and District Hospital
Yarram and District Health Service
Yarrawonga District Health Service
Yea and District Memorial Hospital

Superannuation funds
Emergency Services Superannuation Scheme
Parliamentary Contributory Superannuation Fund
State Superannuation Fund
## Companies, trusts and joint ventures

ACN 056 641 420 Pty Ltd  
Agriculture Victoria Services Pty Ltd  
Angliss Consulting Pty Ltd  
Angliss Multimedia Pty Ltd  
Angliss Solutions Pty Ltd  
Arada Pty Ltd  
Arada Trust  
Australasian Human Resources Institute Pty Ltd  
Australian Alpine Institute Pty Ltd  
Australian International Health Institute Limited  
Australian Music Exams Board (Vic) Ltd  
Australian National Academy of Music Ltd  
Box Hill Enterprises Ltd  
Brain Sciences Institute Trust  
Callista Software Services Pty Ltd  
Central Highlands Region Timber Pty Ltd  
Centre for Innovation and Enterprise Pty Ltd  
City West Water Ltd  
City Wide Service Solutions Pty Ltd  
Citytech Pty Ltd  
Deakin Networks Pty Ltd  
Deakinprime USA  
Dealdrum Pty Ltd  
Dentire Pty Ltd  
Driver Education Centre of Australia Ltd  
Federation Square Management Pty Ltd  
Food Science Australia  
Footy Consortium Pty Ltd  
Fresh Chain Limited  
Gas Release Co Pty Ltd  
Gascor (T No. 1) Pty Ltd  
Gascor (TH) Pty Ltd  
Gascor EPL Pty Ltd  
Gascor Holdings No.1 Pty Ltd  
Gascor Holdings No.2 Pty Ltd  
Gascor Holdings No.3 Pty Ltd  
Gascor IEPL Pty Ltd  
Gascor KEPL Pty Ltd  
Gascor MAPL Pty Ltd  
Gascor MGPL Pty Ltd  
Gascor Pty Ltd  
Gascor SAPL Pty Ltd  
Gascor SNPL Pty Ltd  
Gascor WAPL Pty Ltd  
Gascor WPL Pty Ltd  
Geelong Performing Arts Centre Trust  
Hawthorn Edinburgh Ltd  
Hawthorn English Language Centres (Canada) Ltd  
Holmesglen International Training Services Pty Ltd  
Ingenko Pty Ltd  
Inquirion Pty Ltd  
Inskill Limited  
Institute for Innovation and Enterprise Ltd  
International Education Network (Hong Kong) Ltd  
International Education Network Pty Ltd  
International Fibre Centre Limited  
International Training Australia Pty Ltd  
John Batman Training and Consulting Pty Ltd  
Kerbridge Pty Ltd  
Kitaya Holdings Pty Ltd  
La Trobe International Pty Ltd  
La Trobe Marketing Pty Ltd  
La Trobe University Housing Limited  
Land Aggregation Program Trust Fund  
Land and Food Services Limited  
Meanjin Company Limited  
Melbourne 2002 World Masters Games Limited  
Melbourne 2006 Commonwealth Games Pty Ltd  
Melbourne and Olympic Parks Trust  
Melbourne Convention and Exhibition Trust  
Melbourne Enterprises International (New Zealand) Limited  
Melbourne Enterprises International (Taiwan) Limited  
Melbourne Enterprises International Limited  
Melbourne Information Management Pty Ltd  
Melbourne University Private Limited  
Melbourne Wholesale Fish Market Pty Ltd  
Meltech Services Ltd  
Monash Commercial Pty Ltd  
Monash Digital Media Pty Ltd  
Monash ED Pty Ltd  
Monash English Language Centre Pty Ltd  
Monash International Pty Ltd  
Monash IVF Pathology Services Trust  
Monash IVF Pty Ltd  
Monash Learningfast Pty Ltd  
Monash Property Management Pty Ltd  
Monash Reproductive Health Enterprises Pty Ltd  
Monash Reproductive Pathology and Genetics Pty Ltd  
Monash Southern Africa Pty Ltd  
Monash Ultrasound Pty Ltd
Monash Ultrasound Trust
Monash Unicomm Pty Ltd
Monash University Foundation
Monash University Foundation Trust
Monash University South Africa
MonServe Pty Ltd
Montech Medical Developments Pty Ltd
Montech Pty Ltd
Montores Pty Ltd
MUP Services Pty Ltd
National Institute of Circus Arts Limited
Neurometric Systems Pty Ltd
Opalwood Pty Ltd
Overseas Development Corporation
Paragon Trust No. 1
Paragon Trust No. 2
Premium Cash Fund
Premium Diversified Fund
Premium Equity Fund
Premium Fixed Interest Fund
Premium International Fund
Premium Mortgage Fund
Premium Property Fund
Prostate Diagnostics Pty Ltd
Queen Victoria Market Pty Ltd
Queen Victoria Women’s Centre Trust
Regent Management Company Pty Ltd
Rinal Pty Ltd
RMIT (Malaysia) Sdn Bhd
RMIT Foundation
RMIT Innovation Ltd
RMIT International Pty Ltd
RMIT International University Vietnam
RMIT Resources Limited
RMIT Training Pty Ltd
RMIT Union
RMIT Vietnam Holdings Pty Ltd
Rondole Pty Ltd
Securities Finance Corporation Ltd
Sir John Monash Business Centre Pty Ltd
South East Water Ltd
South Eastern Medical Complex Ltd
Southgate Trust
SouthWal Pty Ltd
Spatial Vision Innovations Pty Ltd
State Sport Centres Trust
State Trustees Common Fund No. 1
State Trustees Common Fund No. 10
State Trustees Common Fund No. 2
State Trustees Common Fund No. 3
State Trustees Common Fund No. 4
State Trustees Common Fund No. 5
State Trustees Common Fund No. 6
State Trustees Limited
STL Financial Services Ltd
Streetsahead Cleaning Service
Swinburne Graduate School of Integrative Medicine Pty Ltd
Swinburne Intellectual Property Trust
Swinburne Limited
Swinburne Ventures Ltd
TAC Law Pty Ltd
Tattersall Gaming Pty Ltd
Tattersall Sweeps Pty Ltd
Tattersall’s Club Keno Pty Ltd
Telematics Course Development Fund Trust
The School of Forestry Creswick Ltd
The School of Mines and Industries Ballarat Ltd
Tricontinental Corporation Ltd
Tricontinental Holdings Ltd
Trust for Nature (Victoria)
Twin Waters Resort Pty Ltd
ULC Real Estate Services Pty Ltd
Unilink Ltd
VFM Australian Equities Trust
VFM Australian Fixed Interest Trust
VFM Global Bond Trust
VFM Hedged International Equities Trust
VFM Indexed Bonds Trust
VFM International Equities Trust
VFM Short Term Money Market Trust
Vicfleet Pty Ltd
Victoria University Enterprises Pty Ltd
Victoria University of Technology (Singapore) Pty Ltd
Victoria University of Technology Foundation Ltd
Victorian Arts Centre Trust
Victorian Energy Networks Corporation
Victorian Institute of Sport Limited
Victorian Institute of Sport Trust
Victorian Medical Consortium Pty Ltd
Yarra Bend Park Trust
Yarra Valley Water Ltd
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
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)*

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

NUMBER OF EXECUTIVES AND EXECUTIVE VACANCIES
(at 30 June 2002)

<table>
<thead>
<tr>
<th></th>
<th>Ongoing Executive Officers</th>
<th>Special projects Executive Officers</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Executives employed</td>
<td>25</td>
<td>-</td>
<td>25</td>
</tr>
<tr>
<td>Vacancies being filled</td>
<td>1</td>
<td>-</td>
<td>1</td>
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</table>

RECONCILIATION WITH EXECUTIVE NUMBERS
(at 30 June 2002)

<table>
<thead>
<tr>
<th></th>
<th>2000-01</th>
<th>(a) 2001-02</th>
</tr>
</thead>
<tbody>
<tr>
<td>Executives with remuneration over $100,000</td>
<td>16</td>
<td>19</td>
</tr>
<tr>
<td>Add</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Recruiting for vacant positions</td>
<td>5</td>
<td>1</td>
</tr>
<tr>
<td>Executives employed with total remuneration below $100,000</td>
<td>3</td>
<td>6</td>
</tr>
<tr>
<td>Accountable Officers (b)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total executive numbers at 30 June</td>
<td>24</td>
<td>26</td>
</tr>
</tbody>
</table>

(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

<table>
<thead>
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<th>Number of exemptions</th>
<th>Classification</th>
<th>Circumstances as defined in Office policy</th>
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</thead>
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<td>1</td>
<td>VPS-5</td>
<td>Reclassification</td>
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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.

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<td>Operating revenue by class</td>
<td>.74</td>
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<td>9.2.3 (ii)(c)</td>
<td>Other material revenue, including disposal of non-current assets</td>
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<td>9.2.3 (ii)(h)</td>
<td>Net increment or decrement on revaluation recognised in the statement of financial performance</td>
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</tr>
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<td>9.2.3 (ii)(i)</td>
<td>Audit expense</td>
<td>.80</td>
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<td>Motor vehicle lease commitments</td>
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**Statement of financial position**

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<td>Statement of financial position</td>
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</tr>
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<td>9.2.3 (ii)(a)(i)</td>
<td>Cash at bank and funds held in trust</td>
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<td>9.2.3 (ii)(a)(ii)</td>
<td>Inventories by class</td>
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<td>9.2.3 (ii)(a)(iii)</td>
<td>Receivables, including trade debtors, loans and other debtors</td>
<td>.75, .84</td>
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<td>Other assets, including prepayments</td>
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<td>Intangible assets</td>
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<td>Provisions, including employee entitlements</td>
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<th>Requirement</th>
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<tr>
<td>9.2.2 (i)(c)</td>
<td>Statement of cash flows for the year</td>
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</table>

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<table>
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<tr>
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<th>Requirement</th>
<th>Page</th>
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<td>9.2.3 (iv)(a)</td>
<td>Liability secured by a charge over assets</td>
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<td>9.2.3 (iv)(b)</td>
<td>Contingent liabilities</td>
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<td>9.2.3 (iv)(c)</td>
<td>Commitments for expenditure</td>
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<td>Government grants received or receivable</td>
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<td>Quantity targets</td>
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### THREE-YEAR STATISTICS

#### Parliamentary reports and services

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#### Audit reports on financial statements

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<td>Audit responsibilities (entities at report date) (number)</td>
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<td>Unqualified opinions issued during reporting year (number)</td>
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<td>Qualified opinions issued during reporting year (number)</td>
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#### Audit reports on local government performance statements -

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#### Resources

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<td>External audit service providers (number)</td>
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<td>Staff commencements (number)</td>
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<td>Days sick leave per employee (number)</td>
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<td>Workers compensation claims (number)</td>
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<td>Grievances lodged (number)</td>
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<td>Days – overall (number)</td>
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#### Financial management

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<td>Expenditure on audit service providers ($million)</td>
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