

The Audit Office of New South Wales

annual report 2002

Letter to Legislative Assembly

The Members of the Legislative Assembly
Parliament House
Sydney NSW 2002

Pursuant to Section 12A of the *Annual Reports (Statutory Bodies) Act 1984*, I have pleasure in submitting for the information of Members the Report of the activities of the Audit Office of New South Wales for the twelve months ended 30 June 2002.



R J Sendt

28 August 2002

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About Us

The New South Wales Auditor-General

- helps the New South Wales Parliament hold Government accountable for its use of public resources
- is independent of Government and reports directly to the Parliament
- operates under the *Public Finance and Audit Act 1983*.

The Audit Office

- supports the Auditor-General in his work
- reviews more than 400 New South Wales government agencies to:
 - give Parliament reasonable certainty that agencies' financial reports are prepared correctly
 - confirm that agencies adhere to specific laws, regulations and Government directions.
- investigates allegations of serious and substantial waste of public money
- determines whether an agency or government activity is achieving what it set out to do, economically, efficiently and according to the law
- has 205 employees.

Vision

To be recognised as a centre of excellence in auditing.

Mission

Assist Parliament to improve the accountability and performance of the State.

Values

Independence – work without fear or favour.

Equity – be fair, just and impartial.

Integrity – be open, honest and reliable.

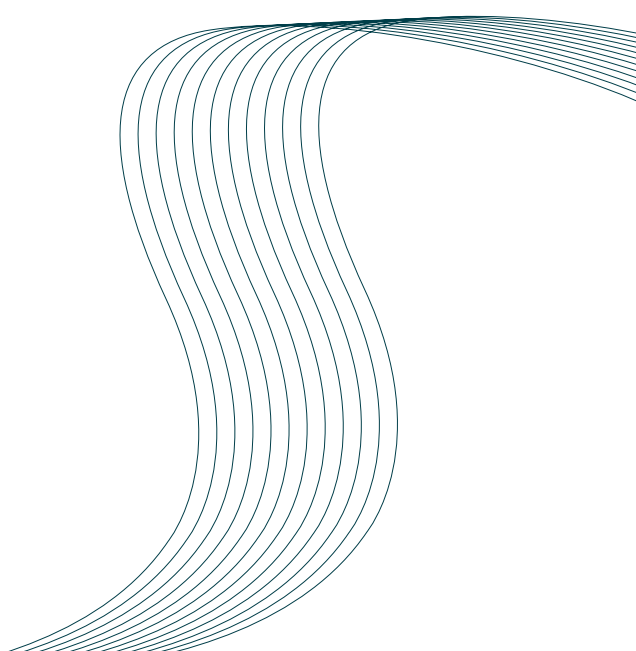
Empathy – be understanding of others.

Customer Focus – be courteous, professional and add value.

Continuous Improvement – listen, think, challenge and work smarter.

Clients

Our clients are the Parliament of NSW, the Government and its agencies, and ultimately the public of NSW.





The year in brief

Last year was one of important change and development for the New South Wales Audit Office. It was also a year in which the audit profession came under the spotlight as never before.

In last year's Annual Report, I referred to the legislative uncertainties about the extent of my powers. These uncertainties were finally resolved by Parliament in late 2001. In doing so, Parliament confirmed that I could report more widely on issues such as waste and probity.

We took on board concerns that our reports were not always written with the reader in mind. We have made changes both to the content and format of our reports and to our writing style to improve how we communicate.

Internally we started a comprehensive review of how we operate. We will examine all aspects of our organisation including our use of technology, our structure, how we develop and reward our staff and how we forge stronger relationships with our stakeholders. While we pride ourselves on our reputation and professionalism, we know how easily others' expectations can change. Continuous improvement through reflecting on our strengths and weaknesses is a challenge we readily accept.

Concerns about auditors

The recent spate of corporate collapses – in Australia and overseas – has focussed attention more than ever before on the role of auditors.

Much of the criticism levelled at auditors has been about how independent they are from their clients.

In Australia and many other countries, the legislative arrangements governing auditors in the public sector largely eliminate these concerns.

Parliament appoints us as auditors of all public sector entities. If we need to be critical of an entity's report or actions, we can do so without being worried about losing it as an audit client (and losing our fee). Nor do we have to worry about losing income from non-audit work, because our legislation largely restricts us to carrying out audit and audit-type work. And we are not personally remunerated according to the number of clients and their fees.

But there are other criticisms about auditors that could be relevant in the public sector.

The professional competence of auditors is at least as important as their independence. The Audit Office prides itself on the overall experience and skills of its staff and the strength of its professional development program. It is an area we constantly review. Staff development may be expensive in time and in dollars, but it is an investment that we will continue to make.

Like auditors in the private sector, we know that many parts of the community do not really understand what an audit does – and doesn't – do. They believe it provides some guarantee that the audited entity will not fail.

This is often referred to as the 'expectation gap'. Part of this gap may be the way we write our audit opinions and reports. Excessive use of technical terms may hide our true message. Because it is important that Members of Parliament understand the role of audit, I included a non-technical explanation in Volume One of my 2002 Report to Parliament.

Achieving our mission

Our mission is 'to assist Parliament improve the accountability and performance of the State'.

We are in a unique position to do this. We are the only body that regularly reviews almost every State government entity in New South Wales and reports on them to Parliament.

While we audit all entities' financial reports, Parliament has confirmed that our role is wider than this. Because the public sector is about more than a good 'bottom line' result, Parliament and the public want an understanding of what's 'behind the numbers'.

The legislation Parliament passed in late 2001 specifically gives us the power to report on issues such as:

- any wastage of public resources
- any lack of probity or financial prudence in the management or application of public resources.

Clearly we cannot review every transaction or decision of every agency. A challenge for us is to select which issues to examine. To do that we need to better understand what Parliament sees as important in overseeing the use of public funds.

We already receive many ad hoc suggestions from Members of Parliament on issues we should examine. Over the next year, we want to improve the way we collect, assess and respond to the needs of Parliament, its committees and individual Members. We hope that this will improve both our understanding of what we can do for Parliament, and Parliament's understanding of our role.

Getting our message across

In early 2001 we realised that we needed to communicate more effectively with our stakeholders.

Our main reports – the Auditor-General's Reports to Parliament – were not always written with the intended readers in mind. Since our only real power is the power to inform and influence, our effectiveness was reduced. We have now redesigned our report format and adopted a 'plain English' approach to our writing. We have run training sessions for all staff who contribute to our reports. The progress to date is positive, but there are still further improvements we can make.

We are also looking at the format and wording of the Independent Audit Report that we issue on each entity's financial report. Again, our intention is to make sure that our clients – Parliament and the management of the entities we audit – more clearly understand our intended messages. We envisage adopting a 'plain English' version of the Independent Audit Report from 1 January 2003.

Commitment to continuous improvement

Parliament has given us a monopoly as the external auditor of public sector agencies in this State. We are conscious that we must not abuse that position. We continually look for ways to improve our efficiency and effectiveness. Our auditing methodology and technology is the equal of any in Australia. We invest heavily in training and developing our staff and supporting them with modern equipment.

Earlier in 2002 we started a fundamental review of our operations. This is designed to ensure that we continue to adapt to changing needs and continue to supply all our stakeholders with a first class service. The review will focus particularly on human resource matters, as we recognise that our staff are our most important asset.

Reporting our own performance

This Report continues and builds on the changes adopted last year to improve our accountability.

The Report is timely. It discusses not only our successes but also where we did not achieve all we had planned. It includes a more comprehensive summary of our key performance against our targets. And it includes new data benchmarking our operations against other Australian audit offices.

Achieving our successes

Finally, on behalf of the Audit Office management team, I would like to thank all our staff for their commitment during the past year and their contribution to delivering our outcomes.



Bob Sendt
Auditor-General

Objectives and Results

Measures	Target
Objective: Satisfy the needs and expectations of Parliament, other clients and stakeholders	
Parliamentarian satisfaction index	At least 80% agree we have a positive impact on State accountability and performance (we conduct surveys every two years)
Client satisfaction index	
Objective: Ensure our processes are efficient and meet relevant standards	
Timeliness of:	
• audit opinions	90% issued within 10 weeks of receiving financial report
• reports to client management	90% issued within 4 weeks of audit opinion
• reports to Parliament.	95% of audits reported to Parliament within 6 months of balance date
Cost efficiency measures:	
• chargeable time	60%
• average cost per performance audit publication (\$'000)	≤ 200
• certification to ISO 9001 quality management system.	Maintain
Objective: Have knowledgeable and satisfied people	
Staff satisfaction index	≥ 70%
Sick leave	< 5 days
Training days per person	≥ 7 days
Objective: Be financially self-sufficient	
Positive operating result – excluding superannuation adjustments	Positive results

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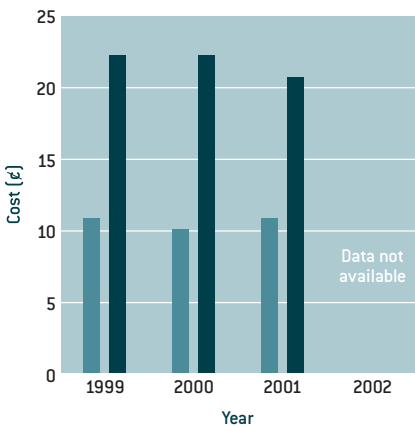
Reports to Parliament

	1999-2000	2000-01	2001-02
Financial audit reports:			
• Government agencies reported	407	417	421
• special reviews	20	9	14
Performance audit reports and better practice guides	11	11	14

1999-2000	Results 2000-01	2001-02	Future Actions
–	79%	–	<ul style="list-style-type: none"> • identify and report on issues that serve the interest of the public and public sector management • refine our 'plain English' approach to report writing • continue to liaise with the Public Accounts Committee and other parliamentary committees • improve the usability of our internet site
–	85%	–	
–	–	–	
83%	84%	85%	<ul style="list-style-type: none"> • improve timeliness of reports • benchmark processes • implement quality assurance program • monitor and adapt to changes in the auditing environment
75%	53%	74%	
96%	94%	95%	
56%	55%	54%	
198	181	184	
Yes	Yes	Yes	
68%	–	–	<ul style="list-style-type: none"> • develop integrated HR strategic plan • develop a strategy and framework for managing information and knowledge • implement internal communications strategy • implement effective records management policies and processes
5.0	6.3	7.7	
6.5	7.4	7.0	
Yes	No	Yes	<ul style="list-style-type: none"> • enhance business processes

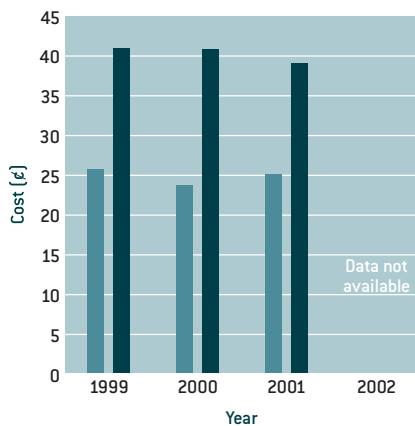
Benchmarks

Total audit costs per \$'000 of total public sector assets



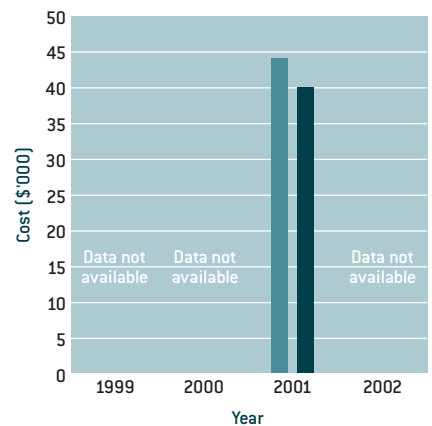
■ NSW Audit Office
■ All Australian Audit Offices (Average)

Total audit costs per \$'000 of total public sector operating transactions



■ NSW Audit Office
■ All Australian Audit Offices (Average)

Cost per financial audit opinion



■ NSW Audit Office
■ All Australian Audit Offices (Average)

In the future we will comment more on
what lies behind the financial report



• Left to right: Mary Mahoney, Auditor
Norm Pensabene, Sydney Ports Corporation

our services

In this section we cover:

Financial Audit Services

- What is a financial audit in the public sector?
- Our reports and findings
- The impact of our work
- Improving our audits and reports
- The way ahead

?

Performance Audit Services

- What is a performance audit?
- Our reports and findings
- The impact of our work
- The way ahead

Protected Disclosures

- What is a protected disclosure?
- Changes in how we handle protected disclosures

Our financial audits comment increasingly on agency resource use and outcome delivery

Financial Audit Services

	1999-2000	2000-01	2001-02
Client satisfaction index (conducted every two years)	–	85%	–
Agencies audited	427	426	421
Special and compliance reviews	18	8	14
Qualified audit opinions issued	70	39	26
Timeliness of reports			
• audit opinions issued within 10 weeks of receiving financial report	83%	84%	85%
• reports to client management within four weeks of audit opinion	75%	53%	74%
• reports to Parliament within six months of balance date	96%	94%	95%

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What is a financial audit in the public sector?

Financial audits provide an **independent opinion** on an agency’s financial report. They identify whether agencies comply with accounting standards and relevant laws, regulations and government directions. Our financial audits also highlight opportunities for agencies to improve their management methods and processes.

Our reports and findings

We issued seven volumes of financial audit summaries to Parliament during the year. These volumes covered **435 financial audits and reviews** of NSW Government agencies. For a list of these see appendix three.

Some of the significant matters included:

- the audits of the Treasurer’s Public Accounts and the Total State Sector Accounts. We improved our service by reporting on these audits to Parliament in November 2001, several months earlier than in previous years

- the impact on Government finances from the collapse of HIH
- the maintenance of key infrastructure assets
- a report on the cost of the Olympic and Paralympic Games
- reviews of regulation compliance and better practice in 10 areas of public administration. Significant findings related to credit card usage, issuing fines and penalties, long service leave, motor vehicle operations and fuel card usage, financial reporting requirements, audit committees, and annual reports.

We published all our major findings and recommendations on our website immediately after we presented them to Parliament.

The impact of our work

Our reports have provided **significant input to the Public Accounts Committee (PAC) reviews** of government agencies. The PAC is following up a number of matters raised in our reports, including:

- the Forestry Commission continuing to trade with customers in financial difficulties
- internal control weaknesses with the First Home Owners Grants Scheme
- the Department of Public Works and Services' cash position remaining in overdraft for most of 2000-01
- the Sydney Catchment Authority's short-term liquidity position and the critical need for it to improve its accounting procedures
- the New South Wales Aboriginal Land Council's mortgage loan investment scheme, which lost \$4.5 million in 2000-01, and expects further losses.

Improving our audits and reports

Our financial audits look largely at agencies' financial reports. However we recognise that Parliament wants to know more than just the accuracy of these reports. Parliament wants to understand whether agencies deliver the Government's intended outcomes. We look 'behind the numbers' and include **wider-ranging commentary** on agency resource use and outcomes. During the year we expanded our comments on the performance of the following agencies: health, education, police, electricity, corrective services, housing, courts, and universities.

We significantly improved our reports to Parliament by adopting a '**plain English**' style to meet the needs of our readership. We restructured our reports to better reflect the importance of the information in each section.

We now discuss the audit opinion, our recommendations, and any repeat findings at the beginning of each report. Less significant issues and background information appear at the end of each comment.

This year we brought together our audit teams into nine industry groups which deal with similar government clients. This has helped us to **better understand our clients** and produce better reports to Parliament.

Our practice management system has **improved the scheduling of our people** and contractors. We are now able to plan our resourcing well in advance of an audit, and manage more immediate needs as they arise.

Our **client base continues to change**. Next year will be the first that we examine 48 rural lands protection boards throughout New South Wales. During the year a major client, FreightCorp, was sold to the private sector and we completed the last of its audits. We also finalised audits of the Sydney 2000 Games.

The way ahead

Parliament resolved the legislative uncertainty about our powers during the year. In the future we will comment more on what lies behind the financial reports. We will place **greater importance on waste, probity and financial prudence** in government agencies.

Our new approach will identify areas for improvement by comparing an agency's controls and business practices with best practice. We planned to be further advanced with these programs in 2001-02 and will be focusing on this area in the year ahead.

We are expanding our performance audit program to address more issues of public concern

Performance Audit Services

	1999-2000	2000-01	2001-02
Performance audit reports	11	11	14
Average cost per performance audit (\$'000)	198	181	184

What is a performance audit?

Performance audits are special in-depth assessments of whether government agencies are **achieving value-for-money**. We report the results of these audits to the Chief Executive Officer of the agency concerned, the responsible Minister, the Treasurer, and to Parliament.

Our reports and findings

During 2001-02 we published 12 performance audit reports and two better practice guides, an increase on last year's nine reports and two guides. This was achieved within budget. The average cost of these products was \$184,000, well under our target of \$200,000. This represents a **highly competitive cost** compared to similar reports produced by our peers in Australia and overseas.

Our performance audits continued to focus on three major areas of public sector activity: e-government, the environment and agency performance accountability.

We reported on:

e-government:

- the use of internet and related technologies to improve public sector performance
- whether the Government Property Register provides accurate, up-to-date and relevant information
- the user-friendliness of nine NSW government websites.

the environment:

- how well the Department of Urban Affairs and Planning assesses environmental impacts of major projects
- the Roads and Traffic Authority's management of the environmental impacts of its operations.

accountability for performance:

- how well NSW Government agencies manage risk.

We also reported on:

- preparedness for managing outbreaks of foot-and-mouth disease
- managing intellectual property
- collecting outstanding fines
- governance of a major business unit within a university
- maintenance of the Government bus fleet
- action taken to address matters in two previous reports: school performance reporting and court waiting times.

We also produced a better practice guide on e-government and one on intellectual property.

The impact of our work

Our reports generated considerable interest throughout the year. Our **recommendations brought tangible improvements** to public sector management in the State.

The report on uncollected fines drew prompt action from the Government, with the Treasurer announcing major reforms consistent with our recommendations. The Government also acted at the highest level to coordinate the e-government reforms that our report on this topic raised.

Our reports played a vital role in Parliament. The follow-up report on Court Waiting Times assisted the NSW Public Accounts Committee's inquiry into the same topic. The Committee's report supported many of our recommendations.

Sometimes our recommendations take a while to be adopted. Our November 1999 report on the Enforcement of Street Parking was a catalyst for legislation passed by Parliament this year. This legislation transferred responsibility for street parking enforcement from NSW Police to local councils.

Other jurisdictions expressed interest in our work. The methodology we developed for auditing environmental regulators attracted interest from other States, and we sent details of our audit of the Environment Protection Authority to other Australian audit offices. A state audit office in the United States sought our methodology in the audit of bus maintenance. We were also invited to give presentations on intellectual property to conferences in NSW and interstate following our report on this matter. The better practice guide that accompanied this report was widely acclaimed as a useful tool for agencies.

The way ahead

Our 2002-03 performance audit program is our most ambitious to date, covering important topics in a variety of government agencies. We plan to start 16 audits within existing resources.

These include:

- how well the Department of Land and Water Conservation manages the regulation of land clearing of native vegetation in NSW

- the impact of electronic procurement on purchasing hospital supplies, using South East Sydney Area Health Service as a case study
- how well grants to non-government organisations are managed and administered
- how well the Government protects the quality of NSW river water from human-related impacts
- patient access to public hospitals for non-emergency medical conditions
- the efficiency and effectiveness of the Police Assistance Line in responding to calls from the public
- how well hospital waste is managed
- the tender process and project management for the Northside Tunnel
- how well the National Parks and Wildlife Service manages impacts on national parks
- how well government agencies manage the issues of unlicensed drivers and unregistered vehicles
- how well the RTA uses electronic service delivery
- how well the Millennium Train Project has been managed
- NSW Agriculture's management of the Ovine Johne's Disease (OJD) program
- the efficiency and effectiveness of the Central Corporate Services Unit (CCSU) in providing services to its client agencies
- the extent to which FOI arrangements in NSW are efficient, effective and economic
- the adequacy of information published in agencies' annual reports and whether or not it demonstrates accountability for public moneys.

We can now assess allegations of serious and substantial waste with increasing flexibility

Protected Disclosures

	1999-2000	2000-01	2001-02
Allegations received	43	24	27
Those assessed as protected disclosures	25	16	20
Agencies affected	34	16	24
Disclosures processed (including those from previous years)	54	29	21

What is a protected disclosure?

The Office examines allegations of serious and substantial waste of public money under the *Protected Disclosures Act 1994*.

This Act protects public officers (‘whistle-blowers’) when they identify maladministration, corruption, or serious and substantial waste. We assess any allegations of waste in public authorities other than local governments. The NSW Ombudsman examines maladministration, and the Independent Commission Against Corruption investigates corruption.

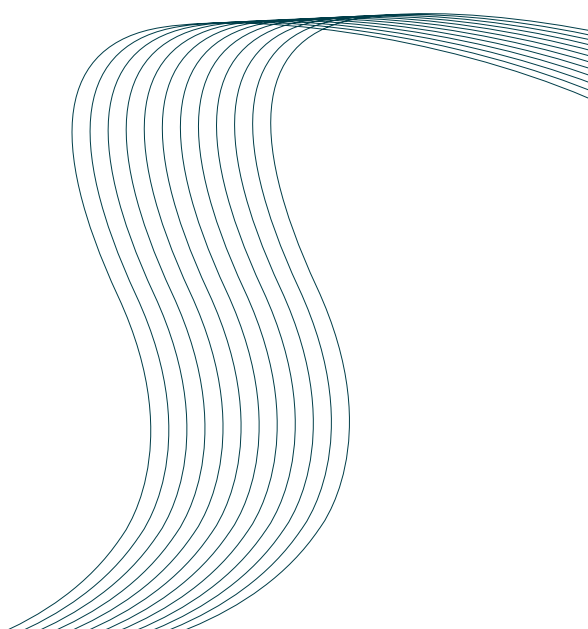
During the year we carried out a major investigation into alleged mismanagement and waste of public funds within the University of New South Wales Educational Testing Centre. Our November 2001 report to Parliament identified major deficiencies in how the Centre was managed, and the way the University monitored the Centre’s business decisions. The Ombudsman dealt with allegations of nepotism and cronyism.

As a result of this investigation the University has introduced a new corporate structure and governance and accountability framework for the Centre and like bodies.

Changes in how we handle protected disclosures

In the past, protected disclosures received by the Audit Office had to be dealt with under the performance audit procedures of the *Public Finance and Audit Act 1983*. These procedures meant that we could not always examine disclosures in the most efficient way.

During the year, the Act was amended to allow a more flexible approach to assessing and reporting protected disclosures.



Our 2002-03 performance audit program
is our most ambitious to date



■ Left to right: *Tiffany Blackett, Performance Audit Manager*
Stephen Horne, Performance Audit Director
Henriette Zeitoun, Senior Performance Audit Manager

We reviewed our operations and strengthened our corporate governance



■ Left to right: *Jimima Muir, Audit Clerk*
Lilian Chuah, Audit Clerk

our operations

In this section we cover:

Structure of the Audit Office

Corporate Governance

- Executive management team
- Audit Committee
- Risk management
- Internal and external reviews

Communications

- An integrated approach
- Annual Report Awards 2001

Professional Activities

- Accounting and auditing standards
- Fostering relations in Australasia
- SPASAI
- Sharing knowledge with overseas visitors
- Working with Parliament
- External committees, panels and presentations

Corporate Services

- Accessing and securing our information
- Privacy and personal information
- Freedom of information
- Environment

Structure of the Audit Office

Auditor-General Bob Sendt		Assistant Auditor General <i>Performance Audit Services</i> Tom Jambrich	
Deputy Auditor-General Tony Whitfield		Governance & Communications Barry Underwood	
		Assistant Auditors-General <i>Financial Audit Services</i>	Information Systems Audit Philip Poon
<ul style="list-style-type: none"> • Health, Education & Environment – Eric Lumley • Transport, Utilities & Housing – Lee White • Community Services, Justice & Finance – Phil Thomas 		Policy & Research Steven Fryer	Corporate Services Janet Grant

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Our structure is designed to deliver two main services, financial and performance auditing.

We restructured our financial audit services and corporate services to give us a more unified approach and better understanding of our clients. Financial audit is now organised under nine industry groups dealing with similar government clients and will help us to improve our audits and reports.

Our corporate services were combined under one director and include finance, computer services administration, personnel services and professional development.

The structure for performance audit remained unchanged, and a small unit supports the Auditor-General with corporate governance and communications.

Post Nominals

CA	Member of the Institute of Chartered Accountants in Australia
ARMIT	Associate Diploma Royal Melbourne Institute of Technology
BA (Ec)	Bachelor of Arts (Economics)
B.Ec	Bachelor of Economics
B.Comm	Bachelor of Commerce
Dip Environ Stud	Diploma of Environmental Studies
FCA	Fellow of the Institute of Chartered Accountants in Australia
FCPA	Fellow of CPA Australia
GAICD	Graduate of the Australian Institute of Company Directors
SIA (Aff)	Affiliate of the Securities Institute of Australia



Executive management team

- *Back row from left: Tony Whitfield B.Comm FCA, Deputy Auditor-General
Phil Thomas B.Comm CA, Assistant Auditor-General Financial Audit
Tom Jambrich B.Ec FCPA ARMIT, Assistant Auditor-General Performance Audit*
- *Front row from left: Eric Lumley FCPA, Assistant Auditor-General Financial Audit
Bob Sendt BA(Ec) FCPA Dip Environ Studies, Auditor-General
Lee White B.Ec FCA GAICD SIA (Aff), Assistant Auditor-General Financial Audit*

Corporate Governance

Executive management team

During the year the executive management team reviewed its role. It focussed increasingly on providing the **strategic direction for the Office**, guiding our business units in delivering our services. The team is responsible for:

- corporate direction, objectives and goals
- monitoring key operational issues and progress against plans
- advising the Auditor-General of important events
- establishing and monitoring advisory committees. Key committees are listed in appendix two.

The Auditor-General is the chair of the executive management team.

Audit Committee

In its second year of operation, the Audit Committee provides **independent advice to the Auditor-General**.

The Committee held quarterly meetings and monitored the Office's:

- risk management and internal control
- internal audit
- financial reporting
- compliance with law, policies and procedures
- relationship with the external auditor.

The Committee comprises an external chair who provides an independent perspective, the Auditor-General, the Deputy Auditor-General and two senior management representatives.

Risk management

Managing risk is critical to **our corporate and business planning processes**. Reviewing key business risks at least every six months allows us to continually assess and address risks and make the best use of opportunities. We also apply risk management to all major projects at the Office, including our financial and performance auditing.

Our key risks include:

- Parliament, the public, our clients and other stakeholders misunderstanding our role and the findings and recommendations of our audits
- not having the right people in sufficient numbers to deliver a valued service
- compromises to the security of our information
- our professional reputation being damaged by inadequate processes or staff actions.

The Office uses a structured approach to manage risks and opportunities based on the NSW Treasury's Risk Management and Internal Control Matrix and the Australian/New Zealand Risk Management Standard – AS/NZS 4360:1999.

Internal and external reviews

Internal audit

Internal audit reviewed:

- payroll, fixed assets and expenditure financial systems
- records management, internal quality audit processes, personnel and training, performance and financial auditing processes
- information security.

Internal audits identified improvements in financial controls, records management, information security, personnel and training and presented these to management and the Audit Committee.

We made substantial progress with the recommendations on financial controls, training and personnel, and began a major records project. The Office is considering the information security review, and will address the issues it raised in 2002-03.

External review ISO 9001

An external review found that our performance and financial auditing services complied with the international quality standard ISO 9001. The review highlighted our excellent attention to detail.

Public Accounts Committee review

The Public Accounts Committee will review the Office in 2002-03. Required by law every three years, these reviews examine the Audit Office's auditing practices and standards.

Communications

An integrated approach

During the year we:

- introduced 'plain English' to our reports through mandatory writing skills training
- introduced writing standards and improved editorial services
- improved the way we notify Parliament, clients and other interested parties about our reports and where they can be accessed.

In 2002-03 we will:

- improve our current website

- introduce a program to brief Parliamentarians about the role and functions of the Auditor-General
- introduce our improved corporate design, including stationery, external reports, presentations, newsletters and electronic communications.

Annual Report Awards 2001

We received a bronze award for our 2001 Annual Report at the Australasian Reporting Awards. This award recognises that our report provided quality coverage across the ARA criteria, disclosed key aspects of our business and provided outstanding disclosure in a major area.

Professional Activities

Accounting and auditing standards

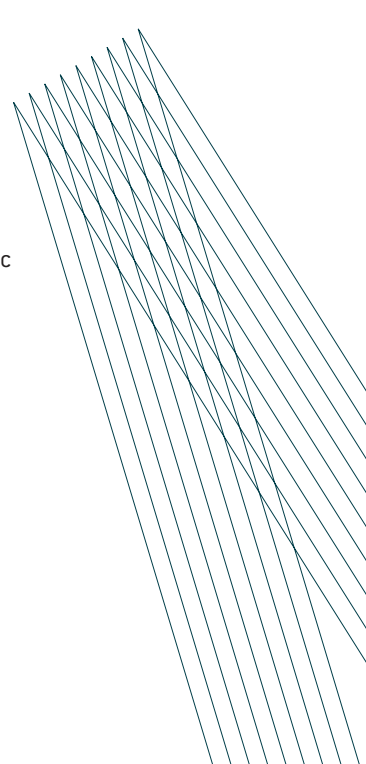
The Auditor-General's membership of the Australian Auditing and Assurance Standards Board allows him to **contribute directly to the development of auditing standards**. The Board is responsible for auditing standards and related guidance in the private and public sectors.

Fostering relations in Australasia

As active members of the Australasian Council of Auditors-General (ACAG), we meet regularly, exchange information and participate in peer reviews with audit offices in the Australasian region. The Council promotes and fosters public sector auditing through an exchange of experiences, ideas, training and development and co-operation.

SPASAI

SPASAI (the South Pacific Association of Supreme Audit Institutions) **promotes the role of public sector auditors** in the region.



In May 2002 the Auditor-General attended the seventh biennial SPASAI Congress in the Cook Islands. The congress provides a forum for Auditors-General to discuss issues of common concern such as audit independence and improving services. The Auditor-General completed his term as President of SPASAI and handed over the role to the Cook Islands Director of Audit.

As part of the SPASAI Long Term Regional Institutional Strengthening Program, Stephen Horne from our Office, with representatives from the New Zealand Audit Office, contributed to a two-day performance audit workshop. We will contribute further when Stephen helps to deliver an extended technical training program to performance auditors from SPASAI offices in Samoa in November 2002. The Asian Development Bank funds the program.

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Sharing knowledge with overseas visitors

During the year we were visited by Mr Terry Patterson, Executive Director of Audit New Zealand, as well as delegations from the Office of the Inspector-General of East Timor; Jakarta Capital City Administration, Indonesia; International Technology Exchange Centre, China; Indonesian National Audit Office; the Secretary of the Fiji Public Service Commission; and a Provincial Chinese Audit Office.

We also made presentations to delegations from the National Audit Office of China, the Eastern Cape Provincial Legislature, Indonesian Supreme Court Justices, and the KwaZulu Natal Province, South Africa.

In February 2002 the Auditor-General gave the keynote address to the PNG Institute of Accountants Conference in Port Moresby.

Working with Parliament

Our staff have worked for and given evidence before a number of Parliamentary Committees. Further details are shown in appendix four.

John Viljoen, Assistant Director of Financial Audit was seconded to the Public Accounts Committee for 12 months.

External committees, panels and presentations

A number of our people actively participate and present to professional and technical committees and forums. Details of their participation are listed in appendices four and five.

Corporate Services

During the year we commenced a **restructure of our corporate services** function to improve support for our strategic initiatives, resource efficiency and service standards.

We created a new senior role of Director, Corporate Services with responsibility for human resources, finance, information and technology and office facilities and services. The position replaced two previous Director positions and was filled in March 2002. We are introducing other elements of the restructure progressively.

While there were significant achievements in our corporate services area during 2001-02, the need to focus on the restructure and recruitment of the Director meant that progress with some initiatives was not as far advanced as we had planned.

Areas where we did not achieve our objectives include:

- not finalising our improved staff appraisal system
- not developing competency statements for our corporate services staff. We did finalise statements for our financial and performance audit staff, which is the majority of our staff

- the records management program not progressing as quickly as we had hoped
- not implementing improvements to our website.

Accessing and securing our information

During 2001-02 we implemented a Windows 2000 network and upgraded the remote network access system. The faster and more manageable network has improved archiving, email and remote access for our staff who spend much of their time at client premises. We also upgraded 220 portable computers, 50 desktop computers and replaced four network servers.

Other achievements include:

- improved network security and structures
- a new PABX system which provides individual voice-mail services for all head office and remote staff. The new system has improved client response time and Office communication
- commencing a major records management improvement project
- commissioning a review of our internet and intranet sites to improve these systems.

In 2002-03 we will:

- improve our records management policies and processes
- enhance our internet site to improve usability
- further enhance our IT security policies and procedures in line with the Office of Information Technology guidelines
- commence a project to improve the effectiveness and usefulness of our intranet.

Privacy and personal information

We have recently developed a plan to manage how we collect, use, store and disclose personal information. We will be implementing this plan during 2002-03.

If a person complains about how our Office has dealt with their personal information, we must conduct an internal review. No complaints were received during 2001-02.

However a Member of Parliament has expressed concern to the Privacy Commissioner over the information we may ask Members to show us in our audit of their parliamentary entitlements expenditure. Discussions are being held with the Privacy Commissioner to resolve the concern.

Freedom of information

There were no applications made under the *Freedom of Information Act 1989* in 2001-02. The Office is exempted from the requirements of the Act for auditing information, but covered for administrative matters.

Environment

We believe that sound environmental management is a priority. We have taken measures to reduce waste by:

- recycling paper and inks
- providing separate bins for different recycling materials
- re-using diskettes and CDs
- archiving files and data electronically.

The Office has published a Waste Reduction and Purchasing Policy and we report to the Ministry of Energy and Utilities under the Government's Energy Policy.

Our environmental management initiatives are available for all staff on our intranet site.

We encourage staff to participate in our
innovative and flexible training programs



■ Virginia Gray, Manager – Professional Development

our people

In this section we cover:

Audit Office Staff

Recruitment

Developing Our Skills

Assessing Performance

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Safety and Equity

Industrial Relations

Our Social Club

The Way Ahead

*We continue to develop the skills of our staff
and to promote a balanced work environment*

Audit Office Staff

	1999-2000	2000-01	2001-02
Senior executive employees	23	22	22
Audit employees	165	158	157
Corporate services employees	28	28	26
Total employees	216	208	205
Employee resignations	39	48	26
Employee turnover	17.5%	23.0%	12.5%
Sick leave days per employee	5.0	6.3	7.7

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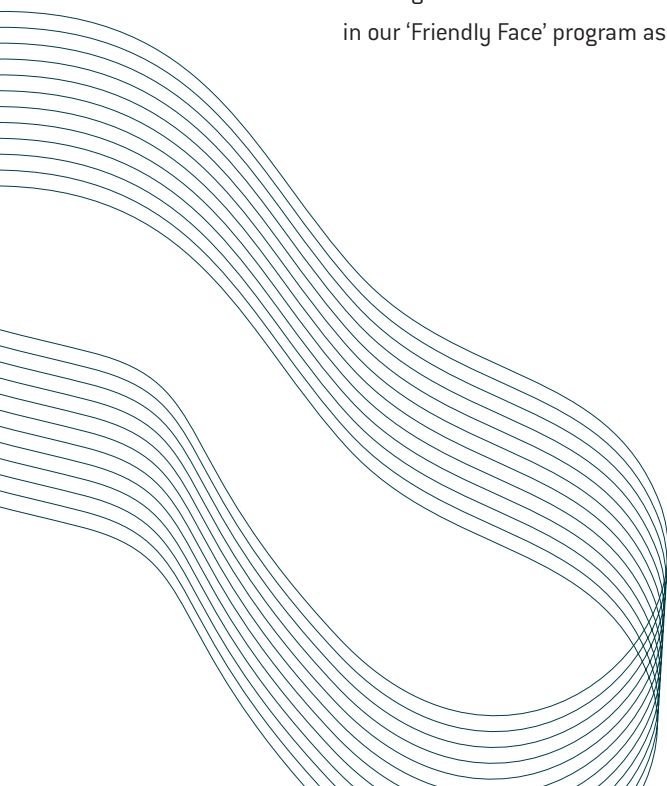
Recruitment

Graduate recruitment is an important investment in our future. We recruited 21 outstanding accounting graduates following visits to university campuses throughout the State. We also recruited six exceptional high school-leavers through the press and an advertising campaign in all NSW high schools.

All our graduates and school leavers participate in our 'Friendly Face' program as part of their

induction. This mentoring scheme effectively integrates these recruits into the Office by pairing them with recruits from previous years.

We continued to provide career opportunities by filling 31 audit positions. Existing staff succeeded in 23 of these positions. We also filled another two administrative and management positions, including one in the Senior Executive Service.



Developing Our Skills

	1999-2000	2000-01	2001-02
Training days per person	6.5	6.9	7.0
Total training days for the office	1,446	1,557	1,551
Total expenditure (\$'000)	199.0	168.9	177.5
Reimbursement of study fees (\$'000)	92.3	77.7	99.6

The Office encourages all staff to participate in our innovative and flexible training program. The Professional Development Unit offers a combination of workshops, congresses, seminars and on-the-job training.

In 2002, most staff attended our writing skills program, and all attended computer upgrade training. All graduates and school leavers participated in audit methodology and software training. The Professional Development Unit supplemented these mandatory programs with targeted training in management, computer skills and internet publishing.

The Unit has improved our induction program for accounting graduates and school leavers by including technical subjects. We will introduce an induction program for all new staff in 2003.

We support all staff in completing their qualifications and obtaining appropriate professional memberships. This includes reimbursement of fees and study leave.

The Office currently has 12 staff members studying for their accountancy degree, 26 undertaking CA studies (through the Institute of Chartered Accountants) and 17 undertaking the CPA program (through CPA Australia). During 2001-02, two staff completed the CPA program and three completed the CA program.

We also encourage staff to broaden their skills and experience through secondment. Last year, we seconded eight staff to other state government agencies, while four staff from other agencies worked temporarily in the Audit Office. In addition, nine staff travelled and worked overseas, mostly in UK government audit agencies.

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Assessing Performance

Our performance appraisal system links each staff member's work to our overall objectives. The system identifies training needs, and gives everyone in the Office feedback about the quality of their work and development needs and opportunities.

We are aligning the performance appraisal system with the competency framework we developed for financial audit roles. This was largely completed during the year and we expect to implement the revised appraisal system before the end of 2002.

During the year, there was a concentrated effort to educate managers on the importance of doing staff appraisals. This resulted in a significant increase in the number of appraisals completed during the year.

Safety and Equity

Our Occupational Health and Safety Committee regularly reviews our safety management systems and monitors changes in legal requirements and potential liabilities.

We reviewed and implemented three OH&S policies during 2001-02:

- First Aid in the Workplace
- Fire Safety Training
- Fitness for Continued Duty Procedures.

The only reported safety incidents during the year were a small number of minor slips and falls. Remedial action should minimise recurrences, and we have first aid officers on staff.

Our EEO Committee ensures that all our work practices are fair and free from discrimination and harassment. All staff have equal access to training, job opportunities, higher duties and flexible working hours. We improved our grievance and complaints procedures during the year, and will conduct further training in this area in 2003.

We have increased the number of women in senior management positions by 50 per cent during the year with the appointment of the Director, Corporate Services. However, the percentage of women in senior positions remains very low. Our human resources plan will consider this from a longer-term perspective.

Our successful Spokeswomen's Program continued to promote opportunities for women within the organisation. The spokeswomen attended conferences and gave presentations to graduates and school leavers. The program also organised morning teas for International Women's Day and Office Professionals Day where money was donated by staff to the Redfern Women's and Girls' Emergency Centre.

Industrial Relations

The Office maintained a sound working relationship with the Public Service Association. Staff and management from the Office met regularly through the Joint Consultative Committee to discuss performance management, remuneration and corporatisation. We experienced no industrial action during the year, but defended two appeals at the Government and Related Employees Appeals Tribunal. The Tribunal disallowed both appeals.

Our Social Club

Eighty per cent of our staff are members of our Recreation Club. During the year members participated in a range of social and sporting activities. The Club is fully funded by staff, and run by a representative committee. It sponsored activities such as a launch picnic, golf days, comedy clubs, and the annual tennis day. Members can also purchase discount movie and theatre tickets.

The Office continues its proud tradition of running in the Corporate Cup, which we have done since its inception 21 years ago.

The Way Ahead

During 2002-03 we will:

- develop an integrated human resources strategic plan as a framework for reviewing our HR policies and practices
- develop competencies for corporate services positions
- further develop and implement a competency based appraisal system
- develop ways of improving internal communications and knowledge sharing.

Everyone in the Office receives feedback about the quality of their work and development needs



■ Left to right: Michael Cleur, Fleet Co-Ordinator
Mark Hadaway, Administrative Assistant

All staff have access to training, job opportunities,
higher duties and flexible working hours

■ Left to right: Roujane Mousallem, Audit Clerk
Mark Piggott, Auditor

our finances

In this section we cover:

Commentary on Our Finances

- Financial performance
- Financial position
- Future operating results

Key Financial Statistics

- Three-year trend
- Performance against budget

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Financial Report

- Independent Audit Report
- Auditor-General's Statement
- Statement of Financial Performance
- Statement of Financial Position
- Statement of Cash Flows
- Notes to and Forming Part of the Financial Statements

Commentary on Our Finances

Financial performance

As a non-budget dependent agency, the Office aims to break even over time.

Our 2001-02 result was a deficit of \$4.6 million, largely due to an additional \$6.0 million superannuation expense which was beyond our control. This expense relates to staff that are members of the State's defined benefit superannuation schemes, and affects all non-budget dependent agencies. The expense in 2001-02 resulted from an increase in our actuarially assessed liability and the poor investment returns of these schemes.

Excluding this cost we would have made a \$1.4 million surplus, a favourable result when compared to our budgeted surplus of \$46,000 and last year's \$327,000 deficit.

Our revenue of \$24.3 million was similar to last year's revenue of \$24.0 million. Most of this came from Government agencies for the audit of their financial reports. Parliament contributed \$2.6 million towards our performance audits and reports to Parliament.

Excluding the superannuation adjustment, operating expenses were \$22.9 million, 5.9 per cent less than last year. Staff costs were the largest part of this reduction, falling \$796,000 to \$17.8 million. Contract audit agents costs fell \$398,000 to \$1.7 million, and other costs fell \$244,000 to \$3.4 million. Most of the reduction in staff costs came from changes in the salary cost component of unbilled work in progress.

Financial position

Most of our assets and liabilities are of a financial nature, as we lease our accommodation, motor vehicles and computer hardware.

Our largest single asset is the \$7.6 million 'surplus' contributions in the defined benefit superannuation schemes. However as indicated above, this surplus was substantially reduced during the year.

Staff long service leave entitlements of \$6.0 million are our largest liability. An equivalent asset offsets this, as the Crown assumes the liability.

Our improved cash and receivables balances are largely due to improved billing processes. These improvements contributed to an increase in our interest earned from \$118,000 last year to \$163,000. All our available funds are managed through Treasury set-off banking arrangements where Treasury pays interest on daily balances.

Future operating results

In 2002-03, we expect our revenue to be similar to 2001-02. Our operating expenditure will be greater in 2002-03 as we are planning to spend more on operating infrastructure and strategic initiatives. These include a records management system, enhanced information security and a range of human resources strategies, including improved training and development programs for our staff.

We expect the 2001-02 surplus (excluding defined benefit superannuation) will be partially offset by a deficit in 2002-03. This remains consistent with our rolling break-even policy. During the year, we will also review our longer term funding requirements and strategies.

Key Financial Statistics

Three-year trend

	2000 (\$'000)	2001 (\$'000)	2002 (\$'000)
Operating results			
Total revenue	20,285	23,993	24,253
Total expenses	11,943	24,541	28,840
Operating surplus/(deficit)	8,342	(548)	(4,587)
Superannuation adjustment included in total expenses	(8,131)	221	5,958
Financial position			
Total assets	27,357	29,043	23,704
Accumulated funds	18,767	18,219	13,632
Analytics			
Operating result to total revenue	41.1%	(2.3%)	(18.9%)
Current ratio	2.3	1.7	2.5
Debtor turnover	6.9	5.7	7.2

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Performance against budget

	2001-02 Budget (\$'000)	2001-02 Actual (\$'000)	2002-03 Budget (\$'000)
Revenue from ordinary activities			
Audit fees	20,696	21,235	21,673
Contribution by Government	2,540	2,575	2,675
Interest	93	163	160
Other revenue	104	280	4
	23,433	24,253	24,512
Expenditure from ordinary activities			
Salaries and related expenses	17,422	17,803	18,146
Decrease in prepaid contributions for State Superannuation Schemes	–	5,958	–
Maintenance and other operating expenses	4,127	3,055	4,726
Contract audit agent costs	1,434	1,671	1,864
Depreciation	404	353	371
	23,387	28,840	25,107
Operating surplus/(deficit)	46	(4,587)	(595)

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**Deloitte
Touche
Tohmatsu**

Independent Audit Report

To the Members of the Legislative Assembly

Scope

I have audited the financial report of The Audit Office of New South Wales for the year ended 30 June 2002 as set out on pages 1 to 15. The Auditor-General of New South Wales is responsible for the financial report. I have conducted an independent audit of the financial report in order to express an opinion on it to the Members of the Legislative Assembly.

My 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. My 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 and other mandatory professional reporting requirements and the Public Finance and Audit Act 1983, the Public Finance and Audit Regulation 2000 and the Treasurer's Directions so as to present a view which is consistent with my understanding of The Audit Office of New South Wales' financial position, 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 my opinion, the financial report presents fairly in accordance with applicable Accounting Standards and other mandatory professional reporting requirements and the Public Finance and Audit Act 1983, the Public Finance and Audit Regulation 2000 and the Treasurer's Directions, the financial position of The Audit Office of New South Wales as at 30 June 2002 and the results of its operations and its cash flows for the year then ended.



G Couttas
Registered Company Auditor
8 August 2002

Start of Audited Financial Statements

The Audit Office of New South Wales



Statement by Auditor-General of New South Wales for the year ended 30 June 2002

Pursuant to section 41C of the Public Finance and Audit Act 1983, I state that, in my opinion, the accompanying financial statements exhibit a true and fair view of the financial position of the Audit Office of New South Wales as at 30 June 2002 and transactions for the year then ended.

I further state:

- (a) that the financial statements have been prepared in accordance with the provisions of the Public Finance and Audit Act 1983, the Public Finance and Audit Regulation 2000, and the Treasurer's Directions; and
- (b) that I am not aware of any circumstances which would render any particulars included in the financial statements to be misleading or inaccurate.

A handwritten signature in black ink, appearing to read 'R J Sendt'.

R J Sendt

SYDNEY

8 August 2002

Statement of Financial Performance

for the year ended 30 June 2002

	Note	2002 \$'000	2001 \$'000
Revenues from Ordinary Activities			
Audit Fees		21,235	21,277
Contributions by Government	3(a)	2,575	2,405
Interest		163	118
Other Revenue	3(b)	280	193
		24,253	23,993
Expenses from Ordinary Activities			
Salaries and Related Expenses	4	17,803	18,599
Decrease in prepaid contributions for State Superannuation Schemes	10(b)	5,958	221
Contract Audit Agents Costs	5	1,671	2,069
Depreciation and Amortisation	9	353	278
Maintenance		158	132
Loss on Disposal of Plant		–	11
Other Operating Expenses	6	2,897	3,231
		28,840	24,541
		(4,587)	(548)
(Deficit) from Ordinary Activities			
Total Changes In Equity Other than those resulting from transactions with owners as owners		(4,587)	(548)

The accompanying notes form part of these statements

Statement of Financial Position

as at 30 June 2002

	Note	2002 \$'000	2001 \$'000
ASSETS			
Current Assets			
Cash at Bank		4,747	3,306
Receivables	7	3,354	4,233
Work in Progress		1,105	1,095
Other	8	157	88
Total Current Assets		9,363	8,722
Non-Current Assets			
Plant, Equipment and Furniture	9	828	1,040
Other Financial Assets			
Prepaid Superannuation Contributions	10(b)	7,552	13,510
Crown Acceptance of Long Service Leave Liability	2(b)(vi)	5,961	5,771
Total Non-Current Assets		14,341	20,321
Total Assets		23,704	29,043
LIABILITIES			
Current Liabilities			
Fees in Advance		866	1,422
Payables	11	1,290	1,849
Provisions	10	1,566	1,834
Total Current Liabilities		3,722	5,105
Non-Current Liabilities			
Provisions	10	6,350	5,719
Total Non-Current Liabilities		6,350	5,719
Total Liabilities		10,072	10,824
EQUITY			
Accumulated Funds	12	13,632	18,219

The accompanying notes form part of these statements

Statement of Cash Flows

for the year ended 30 June 2002

		2002 \$'000	2001 \$'000
	Note	Inflows (Outflows)	Inflows (Outflows)
Cash Flows from Operating Activities			
Receipts from Operations		26,031	25,460
Payments to Suppliers and Employees		(24,589)	(24,097)
Interest Received		140	104
Net Cash provided by Operating Activities	18(b)	1,582	1,467
Cash Flows from Investing Activities			
Purchase of Equipment and Furniture		(122)	(22)
Purchase of Management Information Software		(15)	(137)
Purchase of Leasehold Improvements		(4)	–
Net Cash used in Investing Activities		(141)	(159)
Net Increase/(Decrease) in Cash held		1,441	(1,308)
Cash at the beginning of the Financial Year		3,306	1,998
Cash at the end of the Financial Year	18(a)	4,747	3,306

The accompanying notes form part of these statements

Notes to and Forming Part of the Financial Statements

for the year ended 30 June 2002

1 REPORTING ENTITY

The Audit Office of New South Wales has been designated as a statutory body by Schedule 2 of the Public Finance and Audit Act 1983.

2 STATEMENT OF ACCOUNTING POLICIES

(a) Basis of Accounting

The Office's financial statements are a general purpose financial report which has been prepared on an accruals basis and in accordance with:

- applicable Australian Accounting Standards;
- other authoritative pronouncements of the Australian Accounting Standards Board (AASB);
- Urgent Issues Group (UIG) Consensus Views;
- the requirements of the Public Finance and Audit Act 1983 and the Public Finance and Audit Regulation 2000 and Treasurer's Directions.

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Where there are inconsistencies between the above requirements, the legislative provisions have prevailed.

In the absence of a specific Accounting Standard, other authoritative pronouncements of the AASB or UIG Consensus Views, the hierarchy of other pronouncements as outlined in AAS6 "Accounting Policies" is considered.

The financial statements are prepared in accordance with the historical cost convention.

All amounts are rounded to the nearest one thousand dollars and are expressed in Australian currency.

There have been no changes in accounting policies from the previous year.

(b) Summary of Accounting Policies and Procedures

i) Non-Current Assets

Plant, Furniture and Equipment are shown (note 9) at historic cost less accumulated depreciation and amortisation.

Items costing \$1,000 and above are capitalised.

The Audit Office has acquired third party audit methodology and MIS software; software licences and associated costs have been capitalised. These assets are shown at historical cost less accumulated amortisation.

ii) Revaluation of Physical Non-Current Assets

The Office controls no land or buildings. The carrying value of Plant, Equipment and Furniture is considered as being a fair approximation of the market value of those assets and as such a revaluation is not regarded as necessary.

iii) Depreciation and Amortisation

Non-current assets are depreciated and amortised on a straight line basis over their estimated useful lives to the Office. The rates of depreciation and amortisation are: computer equipment 33.3%; office equipment 20%; audit methodology and the MIS software 20%; and furniture and fittings 10%.

iv) Accounting for the Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except:

- the amount of GST incurred by the Office as a purchaser that is not recoverable from the Australian Taxation Office is recognised as part of the cost of acquisition of an asset or as part of an item of expense.
- receivables and payables are stated with the amount of GST included.

v) Revenue Recognition

- a) Fees are charged for financial audits. Fees for audit work performed during the year are treated as revenue at invoicing.
- b) Contributions from Government are also recognised as revenue at time of invoicing.
- c) Investment Income – interest revenue is recognised as it accrues.

vi) Employee Entitlements

The Audit Office is responsible as the employing agency for the liability for all untaken annual leave. A provision has been established for the full liability at 30 June 2002. Details are shown in Note 10. A liability for non-vested sick leave entitlement is not recognised because it is estimated that, on average, the sick leave taken in each year is less than the entitlement accruing in that year.

The Audit Office contributes to the New South Wales Non Budget Long Service Leave Pool Account held by Treasury. The Treasury "pool" account administers the Long Service Leave Provision for agencies and commercial activities whose liabilities were previously assumed by the Crown due to their being part of the Budget Sector. Contributions made to Treasury are included in Salaries and Related Expenses. In accordance with Australian Accounting Standard AAS 30 "Accounting for Employee Entitlements" and Treasury Circular 95/10, the total liability has been recognised as a provision and an offsetting asset has been recognised as "Acceptance of Long Service Leave Liability". The nominal valuation method has been used to assess the liability because it would not result in material variance to the present value method. Oncosts have been applied in calculating the liability. Details are shown in Note 10{a}.

The Superannuation Schemes relating to employees of the Audit Office are: the State Superannuation Scheme; the State Authorities Superannuation Scheme; the State Authorities Non Contributory Superannuation Scheme (Basic Benefits Scheme) – these funds are now closed to new entrants; and the First State Super Scheme. This last scheme is an accumulation scheme and consequently the Audit Office has no ongoing employer liability for this scheme. Details of the reserves, assessed liabilities, overfundings and provisions are shown in Note 10(b).

vii) Segment Reporting

The Audit Office operates in one geographical segment being New South Wales, and in one industry, the principal activity being the provision of external audit services to Parliament.

viii) Financial Instruments

Financial instruments give rise to positions that are financial assets or liabilities (or equity instruments) of either the Audit Office or another party. These include Cash at Bank, Receivables, Work in Progress, and Payables. Information is disclosed in Note 19 in respect of the interest rate risk and credit rate risk of financial instruments. Classes of instruments are recorded at cost and are carried at net fair value.

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ix) Receivables

Trade receivables are recognised and carried at original invoice amount less a provision for any uncollectable debts.

x) Work in Progress

Work in Progress is stated at the cost of staff directly engaged in financial audit services plus an allocation of overhead costs attributable to financial audit activity in general.

xi) Payables

Liabilities for trade creditors and other payables are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not already billed.

xii) Operating Leases

The Office leases assets on an operating lease basis. The operating lease payments are recognised in the Statement of Financial Performance in the periods in which they are incurred. The major operating leases relate to office accommodation and computer equipment.

3 REVENUES

(a) Contributions by Government

	2002 \$'000	2001 \$'000
Cost of Reports to Parliament	1,275	1,205
Performance Audits	1,300	1,200
	2,575	2,405

The contributions do not cover the full costs of the respective services, the difference being met by the Audit Office.

(b) Other Revenue

Recoupment of Salaries	267	167
Other Miscellaneous Income	13	26
	280	193

4 SALARIES AND RELATED EXPENSES

Salaries and Allowances	14,267	14,957
Payroll Tax	910	902
Workers' Compensation	50	95
Superannuation	758	727
Employees' Leave and Retirement	401	466
Temporary Assistance	1,417	1,452
	17,803	18,599

5 CONTRACT AUDIT AGENTS COSTS

Fees were paid to contract audit agents for the audit of:

Health Services Clients	954	921
Olympic Games Authorities	127	473
Superannuation Services	214	301
Water Industry Clients	97	150
University related activities	54	74
Electricity Distributors	103	30
Other Audit Office Clients	122	120
	1,671	2,069

6 OTHER OPERATING EXPENSES

	2002 \$'000	2001 \$'000
Rent and Cleaning	938	891
Fees for Services Rendered	345	472
Operating Lease – Computer Equipment	428	445
Travelling	280	270
Staff Development and Training (excluding Salaries)	277	247
Printing	186	180
Motor Vehicle Running	128	151
Stores	117	139
Telephone and Postage	133	121
Bad Debt Expense	–	75
Electricity	30	31
Other General Expenses	35	209
	2,897	3,231

7 CURRENT ASSETS – RECEIVABLES

Audit Fee Debtors		
(less provision for doubtful accounts \$88,000; 2001 – \$88,000)	3,179	3,766
Miscellaneous Debtors	175	467
	3,354	4,233

8 CURRENT ASSETS – OTHER

Prepayments	13	4
Accrued Income	144	84
	157	88

Accrued Income includes interest on the bank balance of \$82,000 (2001 – \$60,000).

9 NON-CURRENT ASSETS – PLANT, EQUIPMENT AND FURNITURE

	2002 \$'000	2001 \$'000
Office Equipment		
At cost	197	112
Accumulated Depreciation	(112)	(88)
	85	24
Computer and Related Equipment		
At cost	365	498
Accumulated Depreciation	(334)	(476)
	31	22
Furniture and Fittings		
At cost	367	367
Accumulated Depreciation	(202)	(165)
	165	202
Audit Methodology Software		
At cost	364	364
Accumulated Amortisation	(312)	(233)
	52	131
Management Information Systems		
At cost	555	540
Accumulated Amortisation	(198)	(78)
	357	462
Leasehold Improvements		
At cost	726	722
Accumulated Amortisation	(588)	(523)
	138	199
Total Plant, Equipment and Furniture at Net Book Value	828	1,040

9 NON-CURRENT ASSETS – PLANT, FURNITURE AND EQUIPMENT – RECONCILIATIONS

Reconciliations of the carrying amounts of each class of plant, equipment and furniture at the beginning and end of the current and previous financial years are set out below.

	Office Equipment	Computer & Related Equipment	Furniture & Fittings	Audit Methodology Software	Management Information Systems	Leasehold Improvements	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
2002							
Carrying amount as at 1 July	24	22	202	131	462	199	1,040
Additions	91	31	–	–	15	4	141
Disposals	(7)	(164)	–	–	–	–	(171)
Depreciation/amortisation expense	(30)	(22)	(37)	(79)	(120)	(65)	(353)
Write-back of depreciation on disposal	7	164	–	–	–	–	171
Carrying amount as at 30 June	85	31	165	52	357	138	828
2001							
Carrying amount as at 1 July	27	56	234	209	380	264	1,170
Additions	11	4	7	–	137	–	159
Disposals	(50)	(667)	(191)	–	–	–	(908)
Depreciation/amortisation expense	(12)	(32)	(36)	(78)	(55)	(65)	(278)
Write-back of depreciation on disposal	48	661	188	–	–	–	897
Carrying amount as at 30 June	24	22	202	131	462	199	1,040

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The Office continues to derive service potential and economic benefits from the following fully depreciated assets:

Asset Class	No. of Assets		Gross Value		Accumulated Depreciation		Written Down Value	
	2002	2001	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Office Equipment	13	13	69	64	69	64	–	–
Computer and Related Equipment	43	60	315	425	315	425	–	–
Furniture and Fittings	–	–	–	–	–	–	–	–
Total	56	73	384	489	384	489	–	–

10 PROVISIONS

	2002 \$'000	2001 \$'000
Current –		
Annual Leave	1,551	1,538
Long Service Leave	15	296
	1,566	1,834
Non-Current –		
Long Service Leave	5,946	5,475
Superannuation	404	244
	6,350	5,719

(a) Long Service Leave

The total liability at 30 June 2002 was \$5,961,000 (2001 – \$5,771,000) and is shown as current \$15,000 (\$296,000) and non-current \$5,946,000 (\$5,475,000). This liability comprises:

Unconditional Leave (over 10 years service)	5,569	5,412
Conditional Leave (between 5 and 10 years service)	392	359
	5,961	5,771

To be consistent with Public Sector policies, no liability for long service leave has been assessed for employees with less than 5 years service.

Contributions made to the Treasury pool account during this financial year totalled \$401,000 (2001 – \$474,000). Re-imbursements from Treasury on account of payments to staff, or transfers of entitlements to other agencies, totalled \$449,000 (2001 – \$269,000).

(b) Superannuation

The assessed liability for the Audit Office at 30 June 2002 and funds held in the reserve accounts administered by the Superannuation Administration Corporation of New South Wales (including accrued interest), as well as prepaid contributions and superannuation provisions were:

	Assessed Liability		Reserve Account		Provision / (Prepaid Contributions)	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
State Superannuation Scheme	29,703	27,165	37,044	40,457	(7,341)	(13,292)
State Authorities Super Scheme	1,307	1,193	1,518	1,411	(211)	(218)
State Authorities Non Contributory Superannuation Scheme	1,621	1,417	1,217	1,173	404	244
	32,631	29,775	39,779	43,041	(7,148)	(13,266)

The liabilities have been determined by the appointed actuary as at 30 June 2002 based on economic assumptions as follows:

	2002-03	2003-04	2004-05
	% p.a.	% p.a.	% p.a.
Rate of investment return	7.0	7.0	7.0
Rate of salary increase	6.5	4.0	4.0
Rate of increase in CPI	2.5	2.5	2.5

The State Superannuation Scheme and State Authorities Superannuation Scheme reserve accounts for the Audit Office each exceed the respective assessed liabilities. The surpluses at 30 June 2002 total \$7,552,000 (2001 – \$13,510,000) and are included as a non-current asset – Prepaid Superannuation Contributions.

For this year, the actuarial assessment of the liability resulted in a decrease in the prepaid contributions of \$5,958,000, reflected as a superannuation expense. In the previous financial year, the decrease was \$221,000.

Funding contributions for the State Superannuation Scheme (SSS) have been suspended with approval of the Superannuation Administration Corporation of New South Wales. The effect of this has been that no contributions have had to be made to this Scheme while the balance of the reserve account has been greater than the assessed liability of members. Continued application of this arrangement is dependent on successful application to the Corporation.

The value of this asset is primarily dependent upon annual reviews of the superannuation liabilities for the schemes and the effect of investment earnings of the schemes. The calculation of the 30 June 2002 superannuation position has used actuarial assumptions consistent with those used in the previous year.

The First State Superannuation Scheme covers employees who are not contributing to any other schemes. During the year employer contributions were 8% of such employees' salaries and totalled \$511,000 (2001 – \$507,000). For this Scheme, the Audit Office has no outstanding employer liability because the contributions are fully funded and vested to individual officers.

11 CURRENT LIABILITY – PAYABLES

	2002 \$'000	2001 \$'000
Salaries and related expenses	583	627
Payroll Tax	69	70
Unremitted GST	261	420
Unremitted PAYG Taxation	37	47
Contract Audit Agent Costs	40	138
Other Creditors	300	547
	1,290	1,849

Other creditors include a rental incentive of \$156,000 (2001 – \$231,000) which is accounted for in compliance with Urgent Issues Group (UIG) Abstract 3 “Lessee Accounting for Lease Incentives Under a Non-Cancellable Operating Lease”. The rental incentive is a direct reflection of a rent-free inducement given at the time of entering the leasing arrangement, amortised over the period to the expiry of the lease in 2004.

12 CHANGES IN EQUITY

Balance at beginning of the financial year	18,219	18,767
Changes in equity – other than transactions with owners as owners: (Deficit) for the year	(4,587)	(548)
Balance at the end of the financial year	13,632	18,219

13 AUDITOR'S REMUNERATION

Audit Fees	15	24
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The previous year includes an additional fee of \$5,000 in respect of the 2000 year audit.

In May 2002, Mr Greg Couttas a partner of Deloitte Touche Tohmatsu was appointed by the Governor, on the recommendation of the Treasurer as the external auditor of the Office. In addition to the auditing fee, during the year Deloitte Touche Tohmatsu received \$277,000 for contracted services in relation to auditing our clients, and \$42,000 as an annual maintenance payment on the Office's Audit Methodology Software acquired in 1997-98.

During the previous year, the Office's then auditors, PricewaterhouseCoopers received \$361,000 for similar contracted auditing services to our clients.

14 AUDIT COMMITTEE

The Office appointed Mr Jon Isaacs as chair of its audit committee from April 2001. A remuneration of \$1,500 was made to him for services provided in that role. The Office subsequently engaged the services of The Stephenson Partnership to provide executive development training at a cost of \$5,000. Mr Isaacs is a partner in that business.

15 COMMITMENTS

Commitments for leased office accommodation and leased computer equipment under operating leases are:

	2002 \$'000	2001 \$'000
Lease commitments:		
not later than one year	1,377	1,078
later than one year but not later than five years	1,254	1,853
	2,631	2,931

The Office has a lease, expiring in July 2004, for floor space in 234 Sussex Street, Sydney. The lease rental is reviewable.

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UIG Abstract 31 "Accounting for Goods and Services Tax" requires the reporting of GST commitments. The commitments include GST of \$239,000 (2001 – \$239,000). A contingent asset exists for the calculated GST, being an input tax credit recoverable from the Australian Taxation Office consequent to its payment.

16 MATERIAL ASSISTANCE PROVIDED AT NO OR NOMINAL COST

Audit clients provide, at no cost, accommodation and facilities at their premises for staff of this Office during the course of the audit. It is not possible to quantify the cost of providing such facilities.

17 CONSULTANTS ENGAGED

During the year the Audit Office engaged 5 consultants at a total cost of \$25,000. This compares with 7 last year at a cost of \$139,000. No consultants were paid in excess of \$30,000.

18 NOTES TO THE STATEMENT OF CASH FLOWS

(a) Reconciliation of Cash

For the purposes of the statement of cash flows, the Audit Office of New South Wales considers cash to include cash on hand and in the bank. At 30 June 2002, cash as shown in the statement of cash flows of \$4,747,000 (2001 – \$3,306,000) is equal to the amount shown in the Statement of Financial Position.

(b) Reconciliation of Net Cash provided by Operating Activities to Operating Result

	2002 \$'000	2001 \$'000
Operating (Deficit)	(4,587)	(548)
Depreciation and Amortisation	353	278
Decrease in Overfunded Superannuation	5,958	221
(Increase)/Decrease in Receivables	879	(1,299)
(Increase)/Decrease in Work in Progress	(10)	927
(Increase) in Other Current Assets	(69)	(33)
Increase/(Decrease) in Fees in Advance	(556)	1,129
Increase/(Decrease) in Payables	(559)	607
Increase in Provisions	173	174
Net loss on disposal of plant, equipment and furniture	–	11
Net cash provided by operating activities	1,582	1,467

19 FINANCIAL INSTRUMENTS

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(a) Interest Rate Risk

Interest rate risk is the risk that the value of the financial instruments will fluctuate due to changes in market interest rates. The Audit Office's exposure to interest rate risks and the effective interest rates of financial assets and liabilities at the balance date are as follows:

Financial Instrument	Floating Interest Rate (\$'000)		Non-Interest Bearing (\$'000)		Total carrying amount as per the Statement of Financial Position (\$'000)		Weighted Effective Interest Rate	
	2002	2001	2002	2001	2002	2001	2002	2001
Financial Assets								
Cash	4,746	3,305	1	1	4,747	3,306	3.73%	4.00%
Receivables			3,354	4,233	3,354	4,233		
Work in Progress			1,105	1,095	1,105	1,095		
Total Financial Assets	4,746	3,305	4,460	5,329	9,206	8,634		
Financial Liabilities								
Payables			1,290	1,849	1,290	1,849		
Total Financial Liabilities			1,290	1,849	1,290	1,849		

(b) Credit Risk

Credit risk is the risk of financial loss arising from another party to a contract or financial obligation. The Audit Office's maximum exposure to credit risk is represented by the carrying amounts of the financial assets included in the Statement of Financial Position.

	Banks (\$'000)		Government* (\$'000)		Other (\$'000)		Total (\$'000)	
	2002	2001	2002	2001	2002	2001	2002	2001
Financial Assets								
Cash	4,746	3,305			1	1	4,747	3,306
Receivables			661	1,589	2,693	2,644	3,354	4,233
Work in Progress			40	475	1,065	620	1,105	1,095
Total Financial Assets	4,746	3,305	701	2,064	3,759	3,265	9,206	8,634

* Government includes budget dependent agencies only.

20 CONTINGENT LIABILITY

On 1 March 1999, the Audit Office was served with a Statement of Claim filed for damages, interest thereon and costs. The amount of the claim is in excess of \$1.5 million. The claim related to investments by the NSW Aboriginal Land Council in breach of relevant Acts and Regulations between October 1990 and March 1993 with an entity that was placed into voluntary liquidation in March 1993. The Office has instructed the Crown Solicitor's Office to file a cross claim enjoining the Directors and staff of the Council.



appendices

In this section we cover:

One – Senior Executive Service

- Number of CES/SES positions
- Number of positions filled by women
- Performance statements – level 5 and above

Two – Internal Committees

Three – Financial Audits, Related Services and Reviews

- Financial audits
- Audit-related services requested by the Treasurer under s27[3][c] of the *Public Finance and Audit Act 1983*
- Special reviews

Four – Work Undertaken for External Committees and Panels

- Appearances before Parliamentary committees
- Service on other committees

Five – External Presentations

Six – Publications

Seven – Equal Employment Opportunity Statistics

Eight – Ethnic Affairs Priorities Statement

– Disability Action Plan

Nine – Accounts Payable Performance

One – Senior Executive Service

Number of CES/SES positions

Remuneration Level	Total CES/SES 30 June 2001	Total CES/SES 30 June 2002
Auditor-General*	1	1
Level 8	–	–
Level 7	–	–
Level 6	–	–
Level 5	1	1
Level 4	4	4
Level 3	–	–
Level 2	11	15
Level 1	5	1
Total	22	22

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* The Auditor-General is not appointed under the Public Sector Management Act 1988 and is therefore not part of the Chief Executive Service. As at 30 June 2002, the Auditor-General's remuneration, determined by the Statutory and Other Offices Remuneration Tribunal, was \$279,035.

Number of positions filled by women

In the previous year: 1 at remuneration level 2; 1 at remuneration level 1

In the current year: 2 at remuneration level 2; 1 at remuneration level 1

Performance statements – level 5 and above

Bob Sendt

Position and level	Auditor-General and CEO of the Audit Office
Total remuneration in 2001-02	\$275, 600
Period in position	Full period
Comment	As the Auditor-General's responsibilities are to Parliament, there is no performance agreement with, and annual review by, a Minister

Tony Whitfield

Position and level	Deputy Auditor-General, Level 5
Total remuneration in 2001-02	\$212,520
Period in position	Full period
Results	As Deputy Auditor-General, the main functions of Mr Whitfield's position are to: <ul style="list-style-type: none"> oversight and coordinate financial audit operations, including policy and research activities oversight the Office's corporate services.

Major achievements in 2001-02 included:

- completing the introduction of a new structure in the Financial Audit Branch
- successful completing the 2001-02 audits for a number of major clients under his personal direction, including University of Sydney, NSW Treasury Corporation, Rail Infrastructure Corporation and State Transit Authority
- maintaining sound, professional relations with audit clients
- representing the Office in briefing a number of overseas parliamentary, audit and public sector delegations
- continuing to make a strong external contribution to the accounting and auditing profession
- developing a new structure for corporate services on appointment of new Director of Corporate Services.

Mr Whitfield successfully met all required performance criteria at a superior level.

Two – Internal Committees

The following committees have had a significant impact on the operations of the Office:

Audit Committee

Oversee risk management and control, audit functions and financial reporting

Composition:

- Jon Isaacs (Independent Chair)
- Auditor-General
- Deputy Auditor-General
- Financial Audit representative
- Performance Audit representative

Information Management and Technology Steering Committee

Oversee strategic IT plans to ensure projects are within the overall aims of the Office and that goals are consistent with the corporate plan

Composition:

- Deputy Auditor-General
- Director Corporate Services
- Financial Audit representative
- Performance Audit representative
- Information System Audit representative

Joint Consultative Committee

Review work practices and employment conditions

Composition:

- Deputy Auditor-General
- Director Corporate Services
- Personnel Manager
- Office union representatives
- PSA representative

PD Steering Committee

Provide a strategic role for Professional Development (PD) and additional assurance that PD meets organisational needs

Composition:

- Assistant Auditor-General
- Director Corporate Services
- Professional Development representative
- Financial Audit representative
- Performance Audit representative

The Audit Committee provides independent advice to the Auditor-General. The other three committees advise the Office's executive management team.

Three – Financial Audits, Related Services and Reviews

Financial audits

Agencies audited under the *Public Finance and Audit Act 1983*.

(Note: Agencies appearing with a bullet point are subsidiaries to those main, or 'primary' agencies appearing immediately above them.)

Aboriginal Housing Office	• Charles Sturt Services Limited
Advance Energy	• Mitchell Services Limited
Air Transport Council	• Olive Street Services Limited
Ambulance Service of New South Wales	• Rivservices Limited
Art Gallery of New South Wales Trust	Chipping Norton Lake Authority
Arts Education Foundation Trust	City West Housing Pty Ltd
Attorney General's Department	Coastal Council of New South Wales
• State Debt Recovery Office	Cobar Water Board
Australian Centre for Advanced Computing and Communications Pty Ltd	Commission for Children and Young People
Australian Inland Energy Water Infrastructure	Community Services Commission
Australian Museum Trust	Corrections Health Service
Australian Water Technologies Pty Ltd	Country Energy
• AWT International Pty Ltd	• EMMLINK Pty Limited
•• AWT Philippines, Inc	• NorthPower Energy Services Pty Limited
• Water Ecoscience Pty Ltd	Crown Lands Homesites Program
Banana Industry Committee	Crown Property Portfolio
Bicentennial Park Trust	Crown Solicitor's Office
Board of Architects of New South Wales	Dams Safety Committee
Board of Surveyors of New South Wales	Darling Harbour Authority
Board of Veterinary Surgeons of New South Wales	Delta Electricity
Board of Vocational Education and Training	Dental Board of New South Wales
Brett Whiteley Foundation	Department for Women
Broken Hill Water Board	Department of Aboriginal Affairs
Building and Construction Industry Long Service Payments Corporation	Department of Ageing, Disability and Home Care
Buroba Pty Limited and Valley Commerce Pty Limited	Department of Agriculture
Carnivale Ltd	Department of Community Services
Casino Community Benefit Fund	Department of Corrective Services
Centennial Park and Moore Park Trust	Department of Education and Training
Centennial Parklands Foundation	Department of Fair Trading
Central Coast Waste Planning and Management Board	Department of Gaming and Racing
Charles Sturt University	Department of Health
	• Area Health Services (metropolitan)
	•• Central Coast
	•• Central Sydney
	•• Hunter

- Illawarra
- Northern Sydney
- South Eastern Sydney
- South Western Sydney
- Wentworth
- Western Sydney
- Area Health Services (rural)
- Far West
- Greater Murray
- Macquarie
- Mid North Coast
- Mid Western
- New England
- Northern Rivers
- Southern
- Department of Industrial Relations
- Department of Information Technology and Management
- The New South Wales Government
- Telecommunications Authority
- Department of Juvenile Justice
- Department of Land and Water Conservation
- Department of Local Government
- Department of Mineral Resources
- Department of Public Works and Services
- Department of Sport and Recreation
- Eastern Creek Raceway
- Department of State and Regional Development
- Department of Transport
- Department of Urban Affairs and Planning
- Dumaresq-Barwon Border Rivers Commission
- Election Funding Authority of New South Wales
- Elsun Pty Limited
- EnergyAustralia
- Downtown Utilities Pty Limited
- Energy Management International Pty Ltd
- EnergyAustralia Enterprises Pty Limited
- EnergyAustralia Pty Limited
- EnergyAustralia Venture Holdings Pty Limited
- Energygen Pty Limited
- Energy Industries Superannuation Schemes
- Energy Industries Superannuation Scheme – Pool A and Pool B
- Energy Industries Superannuation Schemes Pty Limited
- Environment Protection Authority
- Environmental Trust
- Eraring Energy
- Pacific Western Pty Limited
- Fair Trading Administration Corporation
- Festival Development Corporation
- Financial Counselling Trust Fund
- First State Superannuation Fund
- Fish River Water Supply
- Forestry Commission of New South Wales (trading as State Forests of New South Wales)
- Freight Rail Corporation (trading as FreightCorp)
- Motive Power Company Pty Limited
- FSS Trustee Corporation
- Gila Pty Limited and Vistajura Pty Limited
- Great Southern Energy
- EastCoast Gas Pty Ltd
- Final Pty Ltd
- Great Southern Energy Gas Networks Pty Ltd
- Great Southern Energy Pty Ltd
- Greyhound Racing Authority (NSW)
- Harness Racing New South Wales
- Hawkesbury-Nepean Catchment Management Trust
- Health Care Complaints Commission
- Health Professionals Registration Boards (11)
- Heritage Office
- Historic Houses Trust of New South Wales
- Historic Houses Trust of NSW Foundation
- The Hamilton Rouse Hill Trust
- The Rouse Hill Hamilton Collection Pty Limited
- Home Care Service of New South Wales
- Home Purchase Assistance Authority
- Honeysuckle Development Corporation
- Hunter Catchment Management Trust
- Hunter Waste Planning and Management Board
- Hunter Water Corporation
- Hunter Water Australia Pty Limited
- Illawarra Waste Planning and Management Board
- Independent Commission Against Corruption
- Independent Pricing and Regulatory Tribunal

Inner Sydney Waste Planning and Management Board	New South Wales Coal Compensation Board
Integral Energy Australia	New South Wales Crime Commission
<ul style="list-style-type: none"> • InfoMet Pty Limited • Integral Energy Gas Pty Limited 	New South Wales Fire Brigades
Internal Audit Bureau of New South Wales	New South Wales Government
Jenolan Caves Reserve Trust	Telecommunications Authority
Judicial Commission of New South Wales	New South Wales Health Foundation
Koala and Endangered Species Trust Fund	New South Wales Institute of Psychiatry
Lake Illawarra Authority	New South Wales Institute of Sport
Land Development Working Account	New South Wales Land and Housing Corporation (Department of Housing)
Landcom	<ul style="list-style-type: none"> • Rental Housing Assistance Fund
Legal Aid Commission of New South Wales	New South Wales Lotteries Corporation
Legal Practitioners Admission Board	New South Wales Medical Board
Library Council of New South Wales	New South Wales Police Service
<ul style="list-style-type: none"> • State Library of New South Wales Foundation 	New South Wales Rural Assistance Authority
Liquor Administration Board	New South Wales Treasury Corporation
Lord Howe Island Board	<ul style="list-style-type: none"> • TCorp Nominees Pty Limited
Luna Park Reserve Trust	Newcastle International Sports Centre Trust
<ul style="list-style-type: none"> • Luna Park Amusements Pty Limited 	Newcastle Port Corporation
Macarthur Waste Planning and Management Board	Newcastle Showground and Exhibition Centre Trust
Macquarie Generation	Northern Sydney Waste Planning and Management Board
Macquarie University	NSW Adult Migrant English Service
<ul style="list-style-type: none"> • CMBF Limited • Macquarie Graduate School of Management Pty Limited • Macquarie Research Ltd 	NSW Film and Television Office
MIA Citrus Fruit Promotion Marketing Committee	NSW Fisheries
Mine Subsidence Board	NSW Rural Fire Service
Mines Rescue Board of New South Wales	Office of Co-ordinator General of Rail
Ministerial Corporation for Industry	Office of the Board of Studies
Ministerial Development Corporation	Office of the Children's Guardian
Ministry for Police	Office of the Director of Public Prosecutions
Ministry for the Arts	Office of the Minister for Public Works and Services
Ministry of Energy and Utilities	Office of the Ombudsman
Motor Accidents Authority of New South Wales	Office of the Protective Commissioner and Public Guardian
Motor Vehicle Repair Industry Council	Olympic Co-ordination Authority
Murray Valley Wine Grape Industry Development Committee	Olympic Roads and Transport Authority
National Parks and Wildlife Service	Pacific Power
New South Wales Aboriginal Land Council	<ul style="list-style-type: none"> • Collieries Superannuation Pty Ltd • Mt Arthur South Coal Pty Limited • Pacific Power (International) Pty Limited • Pacific Solar Pty Limited and Pacific Solar SUB1 Pty Limited
New South Wales Cancer Council	
New South Wales Casino Control Authority	

- Powercoal Pty Ltd
- Collieries Superannuation Pty Limited
- Elcom Collieries Pty Ltd
- Huntley Colliery Pty Limited
- Mandalong Pastoral Management Pty Ltd
- Powercoal Superannuation Pty Limited
- Parliamentary Contributory Superannuation Fund
- Parliamentary Counsel's Office
- Parramatta Rail Link Company
- Parramatta Stadium Trust
- Pharmacy Board of New South Wales
- Police Integrity Commission
- Port Kembla Port Corporation
- Premier's Department
- Public Trustee
- Rail Infrastructure Corporation
- Rail Services Australia (Hong Kong) Ltd
- Registry of Births, Deaths and Marriages
- Rental Bond Board
- Rice Marketing Board for the State of New South Wales
- Roads and Traffic Authority of New South Wales
- Royal Botanic Gardens and Domain Trust
- Safe Food Production New South Wales
- Milk Marketing (NSW) Pty Limited
- Pacific Industry Services Corporation Pty Limited
- SAS Trustee Corporation
- SAS Trustee Corporation - Pooled Fund
- Police Superannuation Scheme
- State Authorities Non-Contributory Superannuation Scheme
- State Authorities Superannuation Scheme
- State Superannuation Scheme
- Small Business Development Corporation
- Somersby Park Pty Limited
- South East Waste Planning and Management Board
- South Sydney Development Corporation
- Southern Cross University
- Cellulose Valley Technology Park Ltd
- Norsesearch Limited
- Southern Cross Human Resource Development Pty Ltd
- Southern Sydney Waste Planning and Management Board
- Sporting Injuries Committee
- SSB Mayfair Trust
- State Authorities Superannuation Fund – FSS Trustee Corporation
- First State Superannuation Fund
- Public Sector Executives Superannuation Fund
- State Electoral Office
- State Emergency Service
- State Rail Authority of New South Wales
- State Records Authority of New South Wales
- State Sports Centre Trust
- State Super Financial Services Limited
- State Super Allocated Pension Fund
- State Super Fixed Term Pension Plan
- State Super Investment Fund
- State Super Personal Retirement Plan
- State Transit Authority
- ACN 090 845 097 Pty Limited (in liquidation)
- North and Western Coaches Pty Ltd (in liquidation)
- Riverside Bus and Coach Services Pty Limited (in liquidation)
- Superannuation Administration Corporation
- Sustainable Energy Development Authority
- Sydney Aquatic and Athletic Centre
- Sydney Catchment Authority
- Sydney Cricket and Sports Ground Trust
- Sydney Harbour Foreshore Authority
- Australian Technology Park Precinct Management Ltd
- Sydney Opera House Trust
- Sydney Opera House Appeal Fund
- Sydney Organising Committee for the Olympic Games
- Sydney Paralympic Organising Committee Limited
- Australian Paralympic Foundation Limited
- Sydney Ports Corporation
- Sydney Water Corporation
- Australian Water Technologies Pty Ltd
- AWT International Pty Ltd
- AWT Philippines, Inc

- Special Environmental Levy Unit Trust
- Water EcoScience Pty Ltd
- Teacher Housing Authority of New South Wales
- Technical and Further Education Commission
- TAFE GLOBAL Pty Ltd
- Technical Education Trust Funds
- The Cabinet Office
- The Crown Entity
- Crown Lands Homesites Program
- Electricity Tariff Equalisation Ministerial Corporation
- Insurance Ministerial Corporation
- Land Development Working Account
- The Electricity Tariff Equalisation Ministerial Corporation
- The Royal Alexandra Hospital for Children
- Tourism New South Wales
- Tow Truck Authority of New South Wales
- TransGrid
- Treasury
- Office of Financial Management
- Office of State Revenue
- Trustees of the ANZAC Memorial Building
- Trustees of the Museum of Applied Arts and Sciences
- University of New England
- Agricultural Business Research Institute
- National Marine Science Centre Pty Ltd
- UNE Partnerships Pty Limited
- University of New England Professorial Superannuation Fund
- University of New South Wales
- Acyte Biotech Pty Ltd
- AGSM Consulting Ltd
- AGSM Ltd
- Biosignal Pty Limited
- NewSouth Enterprises Pty Ltd Group
- New South Global Pty Ltd
- UNSW (Hong Kong) Ltd
- UNSW (Singapore) Pty Ltd
- The University of New South Wales Foundation Limited (as Trustee for UNSW Foundation)
- Unisearch Ltd Group
- Qucom Pty Ltd

- Unisearch (Hong Kong) Ltd
- University of New South Wales International House Ltd
- University of New South Wales Press Ltd
- University of Newcastle
- GraduateSchool.com Pty Limited
- The University of Newcastle Research Associates Limited (TUNRA) and UMAT Pty Limited
- The University of Newcastle Sports and Aquatic Centre Pty Limited (UNSAC or The Forum)
- University of Sydney
- Museum of Contemporary Art Limited
- Rural Australia Foundation Limited
- Sydney University Short Term Academic and Other Special Appointments Fund
- The University of Sydney Professorial Superannuation System
- Ucom Four Pty Ltd
- Ucom Two Pty Ltd
- UOS Superannuation Pty Limited
- Wentworth Annexe Limited
- University of Technology, Sydney
- Insearch Limited
- Sydney Educational Broadcasting Limited
- University of Western Sydney
- CADRE Design Pty Limited and Cadre Design Unit Trust
- Hawkesbury Global Limited
- Linkwest Limited
- Sydney Graduate School of Management Limited
- Sydney West International College Pty Limited
- University of Western Sydney Foundation Limited and University of Western Sydney Foundation Trust
- UWS Conference and Residential Colleges Limited
- University of Wollongong
- Illawarra Technology Corporation Limited
- University of Wollongong Foundation Limited
- University of Wollongong Recreation and Aquatic Centre Limited
- Wollongong UniCentre Limited
- Upper Parramatta River Catchment Trust

Victims Compensation Fund Corporation	East Fairfield Project Joint Venture
Vocational Education and Training Accreditation Board	Gosford Water Supply Authority
Waste Planning and Management Boards	Home Purchase Assistance Fund
Waste Recycling and Processing Service	Jannali Project Joint Venture
Waterways Authority	Kings Bay (Five Dock Project) Joint Venture
Wentworth Park Sporting Complex Trust	Macquarie University Professorial Superannuation Scheme
Western Sydney Waste Planning and Management Board	New South Wales Insurance Ministerial Corporation
Wild Dog Destruction Board	New South Wales Centenary of Federation Committee
Wine Grapes Marketing Board for the City of Griffith and the Shires of Leeton, Carrathool and Murrumbidgee	Oatlands Project Joint Venture
Wollongong Sportsground Trust	Ovine Johne's Disease Industry Contribution Fund
WorkCover Authority of New South Wales	• Ovine Johne's Disease Industry Levy Fund
WorkCover Scheme Statutory Funds	Quakers Hill Project Joint Venture
Workers' Compensation (Dust Diseases) Board	Stormwater Trust
Zoological Parks Board of New South Wales	Superannuation Services Company Pty Ltd
Agencies Audited at the Request of the Treasurer or a Minister	• Energy Industries Superannuation Scheme
Agricultural Scientific Collections Trust	• Energy Industries Superannuation Scheme Pty Limited
Art Gallery of New South Wales Foundation	Sydney Educational Broadcasting Limited
AusHealth International Pty Limited	The Legislature
Australia Day Council of New South Wales	Trustees of the Farrer Memorial Research Scholarship Fund
Australian Institute of Asian Culture and Visual Arts Limited	UNILINC Limited
Belgenny Farm Agricultural Heritage Centre Trust	Uniprojects Pty Limited
Blacksmiths Project Joint Venture	Universities Admissions Centre (NSW and ACT) Pty Limited
C.B. Alexander Foundation	University of Newcastle Staff Superannuation Scheme
Corporation Sole 'Minister Administering the Environmental Planning and Assessment Act 1979'	Waste Fund
Corporation Sole 'Minister Administering the Heritage Act 1977'	West Pennant Hills Project Joint Venture
Cowra Japanese Garden Maintenance Foundation Ltd and Trust	Wyong Water Supply Authority
Cowra Japanese Garden Maintenance Foundation Ltd and Trust	Zetland Project Joint Venture
Dumaresq-Barwon Border Rivers Commission	

Audit-related services requested by the Treasurer under s27(3)(c) of the *Public Finance and Audit Act 1983*

- opinions on returns required for Worker's Compensation insurance renewals
- opinions on returns to acquit grants provided by the Commonwealth and other donors to NSW government agencies
- opinions on returns required under Commonwealth/State agreements or to acquit disaster relief payments from the Commonwealth
- opinions on returns by universities to the Department of Education, Training, and Youth Affairs as required by Commonwealth funding arrangements and/or agreements
- opinions on returns supplied to Queensland Building Services Authority (Pacific Power International)
- audit of financial statements of receipts and payments relating to the 3x3 levy
- audit of the report on the cost of the Olympic and Paralympic Games (Olympic Coordination Authority)
- audit of income from parking stations (Roads and Traffic Authority and Council of the City of Sydney)
- audit of transactions and balances relating to an agreement between the Public Trustee and the IOOF SA Ltd for funeral bonds
- audit of the financial report of the Nippon Fellowship Fund in accordance with an agreement between Macquarie University and the Nippon Foundation
- audit of special purpose and trust funds for controlled entities of the Department of Health
- audit of contract summaries prepared under the 'Working with Government Policy' (November 2001)
- provision of 'letters of comfort' to interested parties of Treasury Corporation regarding Euro Medium Note Program
- audit or audit-related service to enable NSW public sector agencies to meet requirements under the Corporations Act 2001 or the Superannuation Industry (Supervision) Act 1993
- audit reports required by section 24 of the Charitable Fundraising Act 1991 to NSW government agencies that conduct fundraising appeals
- audit under the Local Government Act 1993 (Council of the City of Sydney only)
- attend each draw of a public lottery under the Public Lotteries Act 1996 and inspect/test Draw Lotteries equipment.

Special reviews

Special reviews generally include reviews of government agency compliance with laws, regulations and government directions and matters of importance which have arisen during the course of financial audits.

For the reporting period, special reviews were made on:

- collapse of HIH Insurance
- compliance Review of Credit Card Use
- compliance Review of Fully Depreciated Assets
- compliance Review of NSW Government Superannuation Schemes
- compliance Review of the Operations of Audit Committees
- compliance Review of the Timing Requirements of the Annual Reports Legislation
- compliance Review on Long Service Leave Entitlements
- compliance Review on Motor Vehicle Operations and the Usage of Fuel Cards
- compliance Review on Production of Year-end Financial Reporting Requirements
- compliance Review on the Delegation of Authority
- compliance Review on the Issuing of Fines and Penalties
- cost of the Olympic and Paralympic Games
- maintenance of Infrastructure Assets
- use of Public Resources for Political Purposes.

These reports can be found in the Auditor-General's Report to Parliament Volumes Four and Seven for 2001 and Volumes Two and Three for 2002.

Four – Work Undertaken for External Committees and Panels

Appearances before Parliamentary committees

7/12/01	Public Accounts Committee Inquiry Into Court Waiting Times
14/2/02 and 15/3/02	Legislative Council General Purpose Standing Committee No 1 Inquiry Into Review and Monitoring of the NSW Workers Compensation Scheme
6/6/02	Public Accounts Committee Inquiry Review of the Audit Office

Service on other committees

During the year, staff of the Audit Office were members of the following Committees, panels or working parties. The total time involvement during the year was approximately 101 days.

Bob Sendt	Australasian Council of Auditors-General Australian Auditing and Assurance Standards Board South Pacific Association of Supreme Audit Institutions
Tony Whitfield	Institute of Chartered Accountants in Australia – NSW Council
Lee White	Institute of Chartered Accountants in Australia – Accounting and Auditing Panel Securities Institute – Superannuation and Funds Management Taskforce
Eric Lumley	Office of State Revenue Hardship Review Panel Public Sector Reporting Timetable Reduction Steering Committee
Tom Jambrich	Protected Disclosures Steering Committee
Stephen Horne	Corruption Prevention Network Committee Corruption Prevention Network – Strategic Alliances Subcommittee Corruption Prevention Network – 2001 Forum Information Exhibition Subcommittee Institute of Internal Auditors – NSW Branch Council Institute of Internal Auditors – Audit Executives Network Subcommittee Institute of Internal Auditors – SOPAC 2002 Conference Subcommittee
Steven Fryer	CPA Australia – CPA Program – Financial Accounting Panel CPA Australia – CPA Program – Financial Reporting and Disclosure Panel CPA Australia – CPA Program – Reporting and Professional Practice Panel Institute of Chartered Accountants in Australia – Research Group
Keith Brown	Casino Safety Net Committee
David Jones	Joint Legislation Review Committee (Between ICAA and CPA Australia) Department of Local Government Accounting Advisory Committee Street Safety Camera Project Audit Committee – Sydney City Council
Ron Hegarty	Joint Legislative Review Committee (Between ICAA and CPA Australia)
Anne Chung	Institute of Chartered Accountants in Australia – Pro Bono Skilled Matching Program Task Force

Five – External Presentations

Title of Presentation	Presenter	Date	Audience
The Role and Functions of the NSW Audit Office	Chris Bowdler and Andrew Grice	23/7/01	Delegation from the National Audit Office of China
Accrual Accounting	Tony Whitfield	15/8/01	Delegation from Eastern Cape Provincial Legislature
Meeting the Public's Expectations – How Do You Rate? Observations from the Auditor-General	Bob Sendt	28/8/01	IPAA Forum
Getting Value for Your Tax Dollars: Your Right to Know	Bob Sendt	13/9/01	CPA Australia Merit Awards Night, University of New England
Corporate Governance in the Public Sector	Stephen Horne	25/9/01	IIR Conference
Performance Auditing	Tom Jambrich	15/10/01	Delegation from the Office of the Inspector-General of East Timor
Issues and Challenges Facing Public Sector Auditors	Bob Sendt	16/10/01	Bachelor of Commerce Students, Macquarie University
Corporate Governance in the Public Sector	Bob Sendt	23/10/01	CPA Congress 2001
Governance and Devolution Issues in NSW	Tom Jambrich	31/10/01	Indonesian Delegation from Jakarta Capital City Administration
e-government – Use of the Internet and Related Technologies to Improve Public Sector Performance	Tom Jambrich	7/11/01	Annual ICT Industry Conference, Canberra
Best Practice Standards for Public Sector Corporate Governance	Bob Sendt	20/11/01	Institute of Company Secretaries' Conference
Implementing e-government	Stephen Horne and Rod Longford	28/11/01	NSW Fire Brigades

Title of Presentation	Presenter	Date	Audience
Regulation and Compliance – an Auditor’s View	Jane Tebbatt	29/11/01	Environment Protection Authority
Performance Auditing	Tom Jambrich	6/12/01	Delegation from International Technology Exchange Centre, China
Management of Intellectual Property	Michael Johnston	6/12/01	TAFE Intellectual Capital Focus Group
Performance Auditing	Tom Jambrich	5/2/02	Delegation from the Indonesian National Audit Office
Governance and Accountability in the Public Sector	Bob Sendt	21/2/02	PNG Institute of Accountants Conference
Strategy, Networking and Knowledge Management for Internal Audit	Stephen Horne	20/2/02	Internal Audit Workshop
Performance Auditing	Tom Jambrich	26/2/02	Secretary, Fiji Public Service Commission
Improving Government Property Records	Tom Jambrich and Stephen Horne	28/2/02	Government Asset Management Committee
Keeping Governments Accountable: the Taxpayer’s Right to Know	Bob Sendt	25/3/02	Institute of Chartered Accountants of New Zealand
The Role of the Auditor-General	Tony Whitfield	27/3/02	Delegation of Indonesian Supreme Court Justices
Corporate Governance or Just Governance	Tom Jambrich	8/4/02	CPA Australia
AASB 1044 Provisions, Contingent Liabilities and Contingent Assets	Maria Spriggins	10/4/02	Chartered Accountants Public Sector Discussion Group
Overview of Audit Methodology of the Audit Office of NSW	Lee White and Glenn Burdon	17/4/02	A Provincial Chinese Audit Office
Performance Auditing in New South Wales	Bob Sendt	23/4/02	KwaZulu-Natal Delegation
Public Sector Reporting, Auditing of Financial Statements	Peter Carr	2/5/02	CPA Australia

Title of Presentation	Presenter	Date	Audience
Probity, Performance and Politics – an Auditor-General's Perspective	Bob Sendt	2/5/02	IIR Conference
Best Practices and Internal Controls	Keith Brown	8/5/02	Department of Land and Water Conservation, State Water Meter Readers and Supervisors
Audit Office Reliance on Internal Audit	Peter Barnes	13/5/02	Sydney Water Corporation's Internal Audit Team
Performance Auditing Workshop for Auditors-General	Stephen Horne	16-17/5/02	South Pacific Association of Supreme Audit Institutions Conference, Cook Islands
Role of the Audit Office	Ron Hegarty	29/5/02	Rural Lands Protection Boards Administrative Officers Conference
Audit Office Reliance on Internal Audit	Peter Barnes	5/6/02	NSW Police Service's Internal Audit Team
Audit Independence: Views From the Public Sector	Bob Sendt	13/6/02	IBC Conference
Corporate Governance in the Public Sector	Bob Sendt	17/6/02	Association of Australian Ports and Marine Authorities Conference
Journal Articles			
'Brain Drain'	Denis Streater	May 2002	CPA Australia

Six – Publications

Auditor-General's Reports to Parliament – Performance Audits

Follow-up of Performance Audits	The School Accountability and Improvement Model (May 1999) The Management of Court Waiting Times (September 1999)	14 September 2001
E-government	Use of the Internet and related technologies to improve public sector performance	19 September 2001
*E-government	e-ready, e-steady, e-government: e-government readiness assessment guide	19 September
Intellectual Property	Management of Intellectual Property	17 October 2001
*Better Practice Guide	Management of Intellectual Property	17 October 2001
University of New South Wales	Educational Testing Centre	21 November 2001
Department of Urban Affairs and Planning	Environmental Impact Assessment of Major Projects	28 November 2001
Department of Information Technology and Management	Government Property Register	31 January 2002
State Debt Recovery Office	Collecting Outstanding Fines and Penalties	17 April 2002
Roads and Traffic Authority	Managing Environmental Issues	29 April 2002
NSW Agriculture	Managing Animal Disease Emergencies	8 May 2002
State Transit Authority Department of Transport	Bus Maintenance and Bus Contracts	29 May 2002
Risk Management	Managing Risk in the NSW Public Sector	19 June 2002
E-government	User-friendliness of Websites	26 June 2002
*Better Practice Guides		

Auditor-General's Reports to Parliament – Financial Audits

2001	Volume 4	4 September 2001
	Volume 5	12 November 2001
	Volume 6	29 November 2001
	Volume 7	13 December 2001
2002	Volume 1	14 March 2002
	Volume 2	11 April 2002
	Volume 3	28 May 2002

The Audit Office produced an annual report, eleven editions of a technical information bulletin called 'Awareness' and two editions of 'Professional Update'.

Seven – Equal Employment Opportunity Statistics

Table 1: Percent (%) of Total Staff* by Level

Level	Staff Nos.	(i)	(ii)	(iii)	(iv)	(v)	(vi)	(vii)
\$21,178-\$39,417 (GS Clerk – Grade 2)	55	43	57	2	34	23	7	–
\$40,536-\$42,798 (Grade 3-6)	54	44	56	–	42	26	9	2
\$54,379-\$60,193 (Grade 7-8)	40	55	45	–	50	42	5	–
\$60,193-\$82,914 (Grade 9-12)	50	88	12	–	24	22	4	2
>\$83,868 (non-SES) (Grade 9-12)	3	100	–	–	66	–	–	–
>\$83,868 (SES)	22	86	14	–	36	23	4	–
Total	<u>224</u>							

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Table 2: Percent (%) of Total Staff* by Employment Basis

Employment Basis	Staff Nos.	(i)	(ii)	(iii)	(iv)	(v)	(vi)	(vii)
Permanent full time	193	63	37	–	34	25	5	0.4
Permanent part-time	5	17	83	–	17	17	50	17
Temporary full time	4	25	75	25	25	–	–	–
SES	22	86	14	–	36	23	4	–
Total	<u>224</u>							

*excludes contract staff employed through agencies

(i) Men

(ii) Women

(iii) Aboriginal and Torres Strait Islander

(iv) People from racial, ethnic, ethno-religious minority groups

(v) People whose first language spoken as a child was not English

(vi) People with a disability

(vii) People with a disability requiring adjustment at work

Note: Figures in these tables relate to staff numbers on a headcount basis at 30 June 2002. Elsewhere in this report, average EFT staff numbers for the year are used.

Eight – Ethnic Affairs Priorities Statement

The Office's activities are centred on providing services to Parliament and government agencies, not directly to members of the public. Therefore the Office has little capacity to address EAPS issues.

The Office respects the rights of Australian citizens and residents who wish to become citizens to seek employment from advertised vacancies in the Office. Our employment record is evidence of our support of cultural diversity.

Commitment by the Office is reflected by the number of staff appointed from racial, ethnic and ethno-religious groups.

Disability Action Plan

The Audit Office Disability Plan continues to meet the need of people with a disability both as employees and clients by:

- ensuring access for staff with a disability to Head Office premises and the premises they need to visit in the course of their duties
- ensuring access to information about services of the Audit Office
- improving employment opportunities at the Audit office for people with a disability.

Nine – Accounts Payable Performance

Generally late paid accounts relate to invoices submitted by contract auditors. Payments were held pending certification of performance of service and submission of reports.

Only one late payment attracted interest – \$345. This was a consequence of a change in staff responsible for the payment.

Aged Analysis at the End of Each Quarter

	Within due time \$	Less than 30 days overdue \$	Between 30 & 60 days overdue \$	Between 60 & 90 days overdue \$	More than 90 days overdue \$
September quarter	196,789	35,679	33,484	–	–
December quarter	145,388	5,108	6,897	–	203
March quarter	81,954	3,797	5,787	–	–
June quarter	168,263	–	–	–	–

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Accounts Paid on Time Each Quarter

	Target %	Total Accounts Paid on Time Actual %	Total Amount Paid \$	Total Amount Paid \$
September quarter	100	98.24	3,675,189	3,740,968
December quarter	100	96.46	2,694,134	2,793,059
March quarter	100	93.92	1,623,164	1,728,330
June quarter	100	99.30	3,312,273	3,335,671

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		Report production details	
		600 printed copies of this report have been produced at an average external cost (printing, design, photography) of \$24.65.	
		The total cost (including staff costs) of producing the printed and CD-ROM copies of this report was \$39,500.00.	



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**To be recognised as a centre
of excellence in auditing**





THE AUDIT OFFICE

OF NEW SOUTH WALES