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AUDIT OFFICE UPDATE

Performance Audit Report: Department of Housing-Maintenance of Public Housing

The Audit

This performance audit report was tabled in the Legislative Assembly on the 11 April 2001. The Department of Housing (DoH) maintains over 130,000 public housing units valued at around \$17 billion. The audit examined the management of the maintenance function at head office and three regions of DoH.

Backlog of Maintenance

DoH has accumulated a backlog of maintenance estimated to exceed \$750 million. The backlog is the consequence of both insufficient planning and funding in the past.. In addition, DoH has assessed its costs of long term fire and safety upgrading as \$350 million.

Forward projections by DoH also show that despite significantly increased expenditure on maintenance since 1995, the backlog of maintenance (including emerging health and safety issues) will continue for the foreseeable future.

Audit Opinion

In recent years DoH has made a major effort to improve both the quality of service to tenants and its processes for maintenance. In addition, the funding for maintenance has also been increased.

There is, however, a need to ensure that the maintenance of assets is adequately planned for and funded from the start. Without adequate maintenance, the value of an asset will deteriorate more rapidly and can result in significant losses.

The Audit Office has no reason to believe that this would not be the case in respect of the housing stock maintained by the DoH.

Apart from the issue of funding, the planning for maintenance, including management information to support planning, had not been well managed by the Department in the past. Whilst major steps have been taken recently, there are still areas where attention is required.

DoH needs to give greater emphasis to completing property condition surveys in order to improve the way in which maintenance is planned and organised.

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There is also a need for DoH to establish a performance reporting framework in order to assess the efficiency and effectiveness of the maintenance function in an objective way. The framework should benchmark maintenance across regions and with public housing authorities in other states.

Recommendations

The report contains a number of recommendations designed to:

- ensure that the requirements for maintenance of public housing are identified, reported and adequately funded
- establish a regime of planned maintenance
- further improve contract maintenance
- improve performance measurement and reporting.

Further Information: Please contact Dennis Streater, Director Performance Audit on 02 92850075. The full report is now available on the Audit Office's Internet site.

Performance Audit Report: Environment Protection Authority-Controlling and Reducing Pollution from Industry

The Audit

This performance audit report was tabled in Parliament on the 18 April 2001. The report examines the efficiency and effectiveness of the Environment Protection Authority (EPA) in controlling and reducing pollution from industry in New South Wales.

The audit focused on assessing EPA's licensing system, pollution reduction schemes, compliance activities and enforcement strategies.

Audit Opinion

The regulatory framework introduced under the *Protection of the Environment Operations Act 1997* is consistent with best practice. However, there are a number of issues which limit the effectiveness of recent reforms.

Key Findings

- licence conditions were inconsistent and did not establish the same performance expectations within industry sectors
- licence conditions were often vague or highly prescriptive making them difficult to enforce
- compliance activities need to provide greater assurance that premises are operating in accordance with licence conditions
- performance indicators are needed to measure the EPA's effectiveness in achieving environmental improvements from compliance and enforcement activities and pollution reduction programs
- improvements in information systems and data quality are needed to enable the EPA to construct an accurate and complete record of its activities in relation to licensees
- a more structured and formalised approach for assessing licensee performance is needed to guide decision making and ensure better targeting of resources.

There are opportunities for the EPA to maximise environmental improvements from recent initiatives. Accurate and complete data on EPA activities and assessments of licensee performance will enable the EPA to improve decision making and target resources to areas of greatest need.

Monitoring the effectiveness of intervention strategies will also provide the EPA with the necessary intelligence to select best available options and to substantiate its level of influence in environmental improvement in NSW.

Further Information: Please contact Jane Tebbatt, Principal Performance Auditor on 02 92850074 or jane.tebbatt@audit.nsw.gov.au. The full report is available on the Audit Office's Internet site.

Make Accountability Count

Visit the web-site of any audit office within Australia and you will see accountability being a recurring theme. So much is written about accountability that it feels as though the word is over used. There are times where the word is at risk of losing some meaning and the principle of accountability is thus diminished.

To keep the meaning of the word alive, it is useful to continually revisit the importance of accountability, and its application to the public sector.

Accountability can be defined as the obligation to answer for a responsibility that has been conferred. The Lambert Commission (Canada) commented on accountability in the following terms:

“Accountability is the fundamental prerequisite for preventing the abuse of delegated power and for ensuring, instead, that power is directed towards the achievement of broadly accepted goals with the greatest possible degree of efficiency, effectiveness, probity and prudence.”

Accountability also features in many World Bank publications. The World Bank links accountability by governments with a nation’s economic growth and stability and comments that “Accountability, at its simplest, means holding public officials responsible for their actions. Political leaders are ultimately responsible to their populations for government actions, and this means that there has to be accountability within government.” (The World Bank, Governance and Development, 1992.)

The managers of government agencies play a key role in contributing to improved accountability within the public sector. They can improve public sector accountability in many ways. One aspect is to have annual reports meet stakeholder needs and expectations, to report on achievements together with areas where performance was less than anticipated or desired. And how less than desired results can be improved in the future.

A major challenge facing public sector agencies (including the Audit Office) in respect of accountability is to understand and anticipate the changing needs of stakeholders. What levels of disclosure satisfied the notion of accountability twenty years ago are likely to no longer satisfy today’s understanding of accountability. It is necessary to constantly question the status quo and to seek mechanisms and practices to enhance accountability of the public sector.

OTHER ISSUES

The NSW Government Property Register¹ -An Integrated Data Source

The Government Property Register (GPR) is a list of state government owned and controlled property. The database holds over 260,000 records of property and is the most definitive list available.

The records contain basic property information together with ownership and agency control details. Information is also held on Crown Land, such as description of trust status and classification.

While the list of government property is largely definitive, GPR data has some limitations that are being addressed.

The GPR provides an overview of the government’s property holdings for future planning purposes and to assist in the rationalisation of resources. GPR data can also be used for auditing purposes in validating property that agencies own or control.

The GPR is maintained by Land and Property Information New South Wales (LPINSW). GPR provides an integrated data source combining data from individual owner agencies with data from LPINSW systems. This combined record provides the best quality of information available, with the security of knowing the data has been matched against, and is maintained partly via the State’s title system. The GPR also provides some linking fields to enable additional information about a property to be obtained from other systems, such as the system of the owner agency.

¹ Awareness 2000/02 refers

GPR data can be provided in electronic format for loading into most software formats and can be transferred via e-mail, if required. Please contact one of the officers below should you require more information or any specific GPR reports.

Further Information: Noelene Brown, GPR Coordinator Ph: 9236 7683, Email: Noelene.Brown@ditm.nsw.gov.au or John Harlow, Assistant GPR Coordinator Ph: 9236 7684, Email: John.Harlow@ditm.nsw.gov.au.

INTERNATIONAL UPDATE

The Auditor's Report on Financial Statements-Revisions to ISA 700

The International Federation of Accountants (IFAC) is proposing changes to its standard on audit reports to require the auditor to clearly state the financial reporting framework being used to prepare financial statements. IFAC's International Auditing Practices Committee (IAPC) has recommended these revisions to International Standard on Auditing ISA 700, so that users may better understand the context under which the auditor's opinion is expressed.

The IAPC has long required that the auditor's report should identify which country's accounting principles have been used in audited financial statements where that is not evident. The IAPC is amending the requirement now in an effort to transform what is currently best practice into standard practice. The changes to the standard will become effective for audits of financial statements for periods ending on or after September 30, 2002.

The deadline for receipt of comments is 31 May 2001.

IFAC Re-exposes Guidance on Independence-Additional Comments Sought

The International Federation of Accountants (IFAC)'s Ethics Committee is seeking comments on a recently revised exposure draft on independence. The revised ED, Independence Proposed Changes to the Code of Ethics for Professional Accountants, released in April 2001, clarifies certain points made in the initial ED, issued in June 2000², and expands the guidance on circumstances creating threats to independence. It establishes a framework for independence requirements for assurance engagements that, if adopted, will be the international standard on which national standards should be based. Accordingly, no member body or firm would be allowed to apply less stringent standards than those stated in the revised ED.

The initial June 2000 exposure draft proposed a move to a conceptual framework approach that would require the identification and evaluation of threats to independence and the application of safeguards to reduce any threats created to an acceptable level. Respondents were strongly supportive of this approach and suggested that additional examples be added. The revised ED includes such examples.

The revised ED also expands the class of people that may create threats to independence. As with the June exposure draft, immediate and close family members may create threats to independence; however, the revised ED also discusses threats to independence that may be created by individuals who are not part of the assurance team, such as other partners and professional staff within the firm, and the firm itself.

Comments are due by 30 June 2001.

² Awareness 2000/08 refers

MISCELLANEOUS PUBLICATIONS

The Australian National Audit Office Reports:

- Administration of Consular Services 2000/2001 (No 31)
- Defence Cooperation Program 2000/2001 (No 32)
- Contract Management
- Planning for the Workforce of the Future
- Certified Agreement 2000-03

These reports are available at <http://www.anao.gov.au>

TREASURY UPDATE

Treasury Circular 01/06 Fringe Benefits Tax Annual Return: 1 April 2000-31 March 2001

This Treasury Circular advises that the State Government, as the registered employer under the Fringe Benefits Tax (FBT) legislation, is required to lodge a consolidated annual return for all agencies funded through the Consolidated Fund, and for certain nominated general government sector agencies.

All other agencies are required to register separately as an employer under the legislation and lodge an annual return with the Australian Taxation Office. Where parts of an agency have been corporatised or established as separate entities during the FBT year, these new entities are required to ensure that they comply with the requirements of the FBT legislation.

Those agencies lodging through Treasury are required to use the standard *FBT Simplifier 2001* and Pool Car Calculator software to prepare a pro forma FBT return. Those agencies with a FBT liability under \$1 million are to submit the return data to Treasury by Tuesday 1 May 2001. All other agencies are to submit the return data by Thursday 10 May 2001.

Further Information: John Angelakis (9228-3873).

Treasury Circular 01/07 Limitations on Investment Powers of Certain Authorities Under the Public Authorities (Financial Arrangements) Act 1987

The Public Authorities (Financial Arrangements) Act 1987 ("PAFA Act") applies to authorities as defined in section 3 of the PAFA Act ("PAFA Act authorities"). The PAFA Act specifies the investment powers of PAFA Act authorities.

The Treasurer has issued an order in writing limiting the powers of PAFA Act authorities with Part 1, Schedule 4 PAFA Act investment powers who also hold an account/account/s in the Treasury Banking System.

The order prohibits such PAFA Act authorities from making any investments outside the Treasury Banking System account/s held. To make any other types of investments, the PAFA Act authority must obtain the Treasurer's specific written approval.

Any PAFA Act authorities holding investments outside the Treasury Banking System must either:

- obtain the Treasurer's specific written approval to hold such investments by 30 June 2001; or
- withdraw the funds from those investments by 30 June 2001 and invest the funds in their Treasury Banking System account/s.

A list of PAFA Act authorities with Part 1, Schedule 4 PAFA Act investment powers currently holding accounts in the Treasury Banking System is provided in the appendix to this circular.

Further Information: Kristina Pawliw/Susan Timmins (9228 4935)
Andrew Waddington (9228 4982).

Treasury Circular 01/08 2000-01 Financial Reporting Requirements for the Consolidated Financial Reports of the State

This Treasury Circular sets out the accounting, reporting and auditing arrangements in respect of the 2000-01 financial year. The Circular covers the following:

- timetable for year-end financial reporting, auditing and Annual Treasury Returns
- year-end procedures including a suggested checklist of tasks prior to year-end;
- Annual Returns to Treasury
- confirmation of inter-agency transactions and balances to ensure consistency of accounting treatment between transacting agencies; and
- reporting of emerging accounting issues to Treasury **(for return to Treasury no later than 25 May 2001)**.

Your attention is drawn to:

- the timetable included in this circular that will permit the reporting dates required by legislation to be met. To ensure the legislative deadlines are met, Treasury does not propose to allow any extensions of time for the preparation and submission of agencies' financial statements.
- the need to act **now** to:
 - develop a year-end reporting plan to meet the required reporting dates
 - review the many new and revised accounting standards – refer TC01/03, TC01/04, and TC01/05
 - prepare pro forma 2000-01 financial statements (ie prior to year end)
 - identify and arrange early audit substantiation of your material transactions and balances (where possible) and
 - discuss your proposed year-end reporting timetable with your external auditor and other stakeholders.

This Treasury Circular is a direction issued under section 9(2) of the *Public Finance and Audit Act, 1983*.

Further Information: Ian Rosenbaum (9228-4659) or Terry Murphy (9228-5626).

PREMIER'S DEPARTMENT UPDATE

Premier's Department Circulars

Number		Issued
2001-15	Displaced Employees-March 2001	20 March 01
2001-16	New Arrangements for the Lifting of the Suspension of Advertising and Filling Vacancies	30 March 01
2001-17	NSW Pilot Project-Workplace Based Assessment of Competency	19 April 01
2001-18	Workforce Profile Data on the Internet	19 April 01
2001-19	2001 Premier's Public Sector Awards	23 April 01
2001-20	Superannuation Amendments	24 April 01
2001-21	Information Technology-2001 Review of Information Management and Technology Strategic Plans	23 April 01

COPIES OF REPORTS AND PUBLICATIONS

All performance audit reports are available on The Audit Office web site at <http://www.audit.nsw.gov.au/repperf.htm> and can be purchased from the NSW Government Information Service (tel 9743 7200).

Copies of Auditing Standards, Auditing Guidance Statements, Audit Guides, Exposure Drafts, and other guidance, including Legislative Policy Discussion Papers may now be obtained from:

The Institute of Chartered Accountants in Australia CA Retail/Chartered Bookshop
Phone: 1800 659 397
Fax: 1800 676 732
Email: bookshop@icaa.org.au
Postal Address: GPO Box 3921, Sydney. NSW.2001
Address: Level 11, 37 York Street, Sydney. NSW. 2000

OR

CPA Australia
Level 28
385 Bourke Street Melbourne, Vic, 3000
Telephone (03) 9886 5623

Publications of the Australian Accounting Standards Board (AASB), including Accounting Standards and Accounting Exposure Drafts are available direct from the AASB as follows:

Australian Accounting Standards Board
Level 3, 530 Collins Street Melbourne, Vic, 3000
Telephone (03) 9617 7600
Fax (03) 9617 7608
Email: publications@asb.com.au
Website: www.aasb.com.au

Copies of International Federation of Accountants (IFAC) publications may be obtained direct from IFAC, 535 Fifth Avenue, 26th Floor, New York, NY 10017, USA (tel 212/286.9344 or fax 212/286.9570 or by visiting the IFAC web site at <http://www.ifac.org>).

Copies of International Accounting Standards, Exposure Drafts and International Accounting Standards Committee (IASB) publications may be obtained direct from the IASB, 166 Fleet Street, London EC4A 2DY, United Kingdom (tel +44 (171) 353-0565 or fax +44 (171) 353-0562 or email iasc@iasc.org.uk or Internet <http://www.iasc.org.uk>).

Copies of NSW Government legislation including changes to legislation can be purchased from the NSW Government Information Service. The legislation is also on the Internet at <http://www.austlii.edu.au/>.

Treasury publications (including Circulars) may be viewed by visiting the NSW Treasury web site at <http://www.treasury.nsw.gov.au>.

Copies of Premier's Department Circulars and Premier's Memoranda may be viewed by visiting the Premier's Department website at <http://www.premiers.nsw.gov.au/>.

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