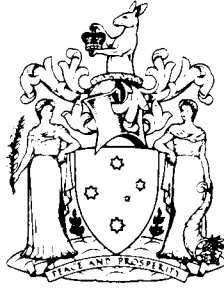


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Victoria

Report
of the
Auditor-General

May 1983 (301612)

VICTORIA

Report

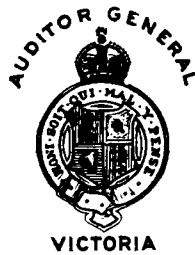
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AUDITOR-GENERAL

May 1983

Ordered by the Legislative Assembly to be printed

MELBOURNE
F D ATKINSON GOVERNMENT PRINTER
1983



Office of the Auditor-General
MELBOURNE, Vic.
4 May 1983.

Sir,

Pursuant to the provisions of the Audit Act 1958, I transmit herewith a report on the 1981-82 accounts of certain statutory bodies which I am required by law to audit. This report is supplementary to my earlier report of 13 December 1982 covering certain other statutory bodies.

Yours faithfully,

B.J. WALDRON
Auditor-General

The Honourable the Speaker,
Legislative Assembly,
Parliament House,
MELBOURNE. VIC.

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1.0 INTRODUCTION

- 1.1.1 Pursuant to the provisions of the Audit Act 1958, I present to the Legislative Assembly a report on the 1981-82 accounts of certain of the statutory bodies which the Auditor-General is required by law to audit.
- 1.1.2 Detailed statements of final accounts of statutory bodies which are required to present audited financial statements to Parliament, have not been duplicated in this report.
- 1.1.3 The report provides a brief description of each entity, an outline of the scope of the audit and any audit observations and recommendations of a significant nature which arose from the audit. Such observations include comment and recommendations, where appropriate, on:
- (1) reviews of internal control;
 - (2) reviews of E.D.P. applications;
 - (3) instances of failure to comply with legislative or regulatory requirements; and
 - (4) deficiencies or inconsistencies in the application of stated accounting policies or applicable accounting standards.
- 1.1.4 Management responses, if available, to matters raised in the audit reports have also been provided.

Reports Issued

- 1.1.5 This report completes the reporting cycle in respect of 1982.
- 1.1.6 Reports previously presented to Parliament were:
- (1) 6 October 1982 - report on the Treasurer's Statement; and
 - (2) 13 December 1982 - report on 1981-82 accounts of certain statutory bodies.
- 1.1.7 In addition, a special report covering an overview of works contracts was presented on 30 June 1982. It is anticipated a further report on this matter will be presented in the near future.

Superannuation Funds

- 1.1.8 This report contains comments on the State Superannuation Fund, the State Employees Retirement Benefits Fund and the Hospitals Superannuation Fund.
- 1.1.9 In my April 1982 report, I drew attention to the diversified nature of the various superannuation schemes operating in the public sector, the lack of uniformity in their financial statements and the results of the findings of a review group which consisted of 3 senior audit officers.
- 1.1.10 I further indicated on page 49 that there was a need "for a review of the legislative and other provisions relating to the audit, operation and reporting of superannuation and retirement benefit schemes in the public sector".

- 1.1.11 It is pleasing to note that the Governor-in-Council on 21 December 1982 referred the matter of public sector superannuation to the Economic and Budget Review Committee and that the report of the committee is due for completion on 30 December 1983.

Acknowledgement

- 1.1.12 I appreciate the helpful co-operation received during the year from the members and staff of the several authorities referred to in this and previous reports issued in respect of 1982.
- 1.1.13 The assistance of the Government Printer in the presentation of my several reports is appreciated.

2.0 MATTERS OF SPECIAL INTEREST

2.1.1 Matters of special interest in this report are identified hereunder:

<u>SUBJECT</u>	<u>PARAGRAPH REFERENCE</u>
<u>Qualification of Financial Statements</u>	
Albury-Wodonga (Victoria) Corporation	3. 1. 9
Hospitals Superannuation Board	3. 8.10
University of Melbourne	3.13. 8 - 3.13. 9
Monash University	3.14. 9 - 3.14.10
Victorian Economic Development Corporation	3.21. 8
<u>Grain Handling Improvement Authorities</u>	
Ownership of assets	3. 7. 6 - 3. 7.11
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Accounting for exchange gains and losses	3.17. 7
Interest capitalisation	3.17.13 - 3.17.18
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Unclaimed refunds of contributions	3.19.10 - 3.19.11
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Board minutes	3.19.19

3.1 ALBURY-WODONGA (VICTORIA) CORPORATION

Introduction

- 3.1.1 The Commonwealth of Australia and the States of New South Wales and Victoria entered into an agreement called the "Albury-Wodonga Area Development Agreement", on 23 October 1973. The purpose of the agreement is to promote the growth and development of the Albury-Wodonga area and, to this end, the agreement makes provision for the establishment of 3 corporations - the Albury-Wodonga Development Corporation, the principal working body of the project, and two State corporations - constituted by acts of the parliaments of the Commonwealth and the two States, respectively. The 3 corporations work as a single entity responsible to the ministerial council consisting of the appropriate Commonwealth and State ministers.
- 3.1.2 The Albury-Wodonga (Victoria) Corporation was established under the provisions of the Albury-Wodonga Agreement Act 1973. The principal functions of the corporation are to purchase, hold, manage and provide land in the areas designated for urban and regional development in the Wodonga area.

Statutory Reporting Requirements

- 3.1.3 The Albury-Wodonga Agreement Act 1973 requires the corporation to forward its audited accounts to the minister, as soon as is reasonably practicable after the 30 June in each year for tabling in Parliament.
- 3.1.4 The accounts for 1981-82 were adopted by the corporation on 7 September 1982 and the audit report on these accounts was signed on 28 April 1983.

Changes in Legislation

- 3.1.5 Under the terms of an agreement between the Commonwealth and Victorian governments for the provision of financial assistance for urban and regional development, loan funds have been provided by the Commonwealth government. Repayment of principal is not required for 10 years but interest, calculated on the long term bond rate, is payable from the date of each advance. Interest accrued is capitalised in the accounts.
- 3.1.6 During 1981-82 an amendment to the Albury-Wodonga Development (Financial Assistance) Act 1973 discharged the corporation's liability for repayment of principal and capitalised interest of \$987 000 and \$815 712 respectively in respect of an advance provided by the Commonwealth in 1973-74. The corporation has written-off the capitalised interest but continued to treat the principal as a loan liability. In audit opinion the principal should have been treated as a non-repayable advance. This matter should be reviewed by the corporation.

Financial Operations

- 3.1.7 The financial operations of the corporation for 1981-82 compared with 1980-81 are summarised hereunder:

	1980-81	1981-82
	\$	\$
Income	1 421 524	1 610 950
Expenditure	11 084 882	10 724 229
	<hr/>	<hr/>
Deficit	9 663 358	9 113 279
	<hr/>	<hr/>

- 3.1.8 This result was occasioned primarily by the capitalised interest charges in respect of financial assistance provided by the Commonwealth and Victorian governments. At 30 June 1982 this interest amounted to \$48 629 919 or 96 per cent. of the accumulated deficit of \$50 598 744 (\$41 485 465, 30 June 1981).

Qualification of the Corporation's Financial Accounts

- 3.1.9 Since the year 1978-79 and each subsequent year the following qualification has been recorded on the accounts of the corporation:

"As stated in notes 1 and 8 to the accounts, land and buildings are included at cost plus holding charges and no provision has been made for depreciation.

It is further stated in note 1 to the accounts that no independent valuation of these assets has been obtained and it is recognised that the book value may be at variance with market value.

Because of the existence of this recognised variance, and in the absence of an independent valuation, I am unable to express an opinion on whether the balance sheet gives a true and fair view of the state of the affairs of the corporation as at 30 June 1982".

Scope of Audit

- 3.1.10 Section 23 of the Albury-Wodonga Agreement Act 1973 provides for an annual audit of the accounts of the corporation by the Auditor-General.
- 3.1.11 In accordance with arrangements made with the Commonwealth Auditor-General the detailed audit to trial balance stage, was performed by staff of the Commonwealth Auditor-General's Office in conjunction with their audit of the accounts of the development corporation. A verified trial balance of the Victorian corporation provided by the Commonwealth Auditor-General together with an audit report dated 12 January 1983 were used by my officers for the purpose of the audit of the corporation's annual financial accounts.
- 3.1.12 A firm of chartered accountants appointed by the Albury-Wodonga Development Corporation (Commonwealth body) act as internal auditors. Their reports are also made available for the purpose of my audit.
- 3.1.13 Additional audit checks which included the verification of assets and liabilities of the corporation at 30 June 1982 were carried out.

Audit Observations and Recommendations

Provision for Doubtful Debts

- 3.1.14 Outstanding lease debts were examined to enable an opinion to be formed on their collectability and hence the adequacy or otherwise of the corporation's provision for doubtful debts. Several instances were disclosed of doubtful debts which, in total, exceeded the provision. Audit has recommended a review of the method of determining that provision be undertaken.

Conclusion

- 3.1.15 Apart from the qualification on the financial statements and the above matter, the results of the audit proved satisfactory.

3.2 COUNCIL OF ADULT EDUCATION

Introduction

- 3.2.1 The Council of Adult Education Act 1981 which was proclaimed on 2 December 1981 established, inter alia, a body corporate under the name of the Council of Adult Education.
- 3.2.2 The main function of the council is to plan and supervise the administration and development of adult education in Victoria. The council also assists other bodies actually engaged in adult education in Victoria.
- 3.2.3 The former council operated under the provisions of section 65 of the Education Act 1958 and the receipts and payments of that council were transacted through the Adult Education Trust Fund held at Treasury. The board of the new council is responsible for keeping proper accounts and records of the council's transactions and affairs.
- 3.2.4 The council is allocated technical and further education grants from the Commonwealth government on a calendar year basis which form part of the Commonwealth trust funds kept and accounted for by the Department of Management and Budget.

Statutory Reporting Requirements

- 3.2.5 Sub-section (4) of section 19 of the Council of Adult Education Act 1981 requires the board to furnish to the minister on or before 30 September in each year a copy of the audited statement of accounts and a report on the operations and activities of the council during the year ending on the preceding 30 June. A copy of the audited statement of accounts and the report is also required to be laid before both Houses of Parliament as soon as may be after it has been furnished to the minister.
- 3.2.6 Unaudited accounts were adopted by the council on 26 August 1982 and forwarded to the Minister of Education. The finalised accounts of the council were adopted on 7 April 1983 and the audit report on the financial statements for the year ended 30 June 1982 was signed on 28 April 1983.

Financial Operations

- 3.2.7 The financial operations of the council for 1981-82 are summarised hereunder. As the statements are the first to be prepared on an accrual basis, comparative figures are not available.

	\$
Income	5 695 089
Expenditure	5 741 950
	<hr/>
Deficit	46 861
	<hr/>

- 3.2.8 In addition to the above, technical and further education grants for 1981 totalling \$160 000 were fully expended during 1981, and of the 1982 grants totalling \$141 500, \$30 437 had been expended as at 30 June 1982.
- 3.2.9 Total net assets of the council at 30 June 1982 were \$1 515 534.

Scope of Audit

3.2.10 Sub-section (3) of section 19 of the Council of Adult Education Act 1981 provides for an annual audit of the accounts of the council by the Auditor-General. The audit comprised an examination of the various books, accounts, records and related internal control procedures and the verification of assets and liabilities of the council as at 30 June 1982. The board of the council has been advised of a number of minor weaknesses in the operation of the accounting systems. Apart from these weaknesses, which did not materially affect the financial results of the operations of the council, the results of the audit proved satisfactory.

3.3 DANDENONG VALLEY AUTHORITY

Introduction

3.3.1 The Dandenong Valley Authority, established under the provisions of the Dandenong Valley Authority Act 1963, is responsible for administering the several provisions of the Dandenong Valley Authority Act 1963 including the better drainage of the waters of the Dandenong Creek and its tributaries, channels and watercourses, the improvement of lands within the catchment thereof and the prevention of flooding and pollution.

Statutory Reporting Requirements

3.3.2 The act requires the authority, within 6 months after the close of each financial year, to submit to the minister a report of its proceedings and activities for the year accompanied by a statement of its accounts at the close of the year.

3.3.3 The report and statement of accounts are required to be tabled by the minister in both Houses of Parliament.

3.3.4 The final accounts of the authority for the year ended 30 September 1982 were received during the course of the audit and the audit report on the financial statements was signed on 17 March 1983.

Financial Operations

3.3.5 The financial operations of the authority for the years ending 30 September 1981 and 1982 are summarised hereunder:

	1981	1982
	\$	\$
Operating Income	4 235 612	5 015 563
Operating Expenditure	4 122 624	4 945 889
Excess of Operating Income over Operating Expenditure	112 988	69 674

3.3.6 The total assets of the authority at 30 September 1982 were \$55 802 234 (30 September 1981, \$50 615 765).

Scope of Audit

3.3.7 Section 13 of the Dandenong Valley Authority Act 1963, by virtue of the application to the authority of section 169 of the Water Act 1958, provides for an annual audit of the accounts of the authority.

3.3.8 The review undertaken included the evaluation and testing of the authority's major revenue and expenditure systems and the verification of its assets and liabilities at 30 September 1982.

Audit Observations and Recommendations

Treatment of Loan Funds

- 3.3.9 The authority when raising loan no. 77 specified that it was for river improvement and drainage works, however \$135 000 was subsequently applied to offices and depots in contravention of sub-section (2) of section 37 of the Dandenong Valley Authority Act 1963. This matter was brought to the attention of the authority during the course of the audit and steps were taken to provide funds from other sources.

Long Service Leave Payments Reserve Fund

- 3.3.10 A review of long service leave payments indicated that the fund was not being conducted in accordance with section 13C of the Dandenong Valley Authority Act 1963. Sub-section (1) of section 13C of the act requires the authority to apportion as equally as possible between each and every year the cost of making long service leave payments and this was not being adhered to by the authority.
- 3.3.11 Payments towards the cost of long service leave in the year ended 30 September 1982 totalled \$37 516 and the fund balance at that date was \$136 121. Audit estimated the required charge for the year to be \$87 000 and the existing liability to exceed \$300 000.
- 3.3.12 Had the authority made the full provision of \$87 000 in its 1982 accounts the operating surplus of \$69 674 would have been substantially reduced.
- 3.3.13 Audit recommended:
- (1) that the authority examine the operations of the fund and increase the contribution to the fund in line with the annual increase in liability; and
 - (2) the existing liability should be calculated and the fund increased to reflect that liability.

Conclusion

- 3.3.14 Apart from the above matters and a number of minor weaknesses brought to the attention of the authority the results of the audit proved satisfactory.

3.4 FILM VICTORIA

Introduction

- 3.4.1 Film Victoria was established as a body corporate under the provisions of the Film Victoria Act 1981 which also abolished the Victorian Film Corporation and repealed the Victorian Film Corporation Act 1976. The act was proclaimed to operate from 10 March 1982.
- 3.4.2 Under the legislation all assets and liabilities together with the rights, obligations and responsibilities of the Film Corporation were taken over by Film Victoria.
- 3.4.3 The functions of the corporation are:
- (1) to encourage, promote and assist in the production, distribution, exhibition and broadcasting of films and sound recordings for the entertainment and information of the public;
 - (2) to undertake the production of films;
 - (3) to promote and participate in any scheme for the financing of film production;
 - (4) to promote the appreciation of films and sound recordings; and
 - (5) to conduct research for the purpose of improving the quality and effectiveness of films and sound recordings.

Statutory Reporting Requirements

- 3.4.4 Section 21 of the act requires the corporation, as soon as practicable after the end of each financial year and not later than 31 December, to furnish the minister with a report of its operations and audited statement of accounts for subsequent tabling in Parliament.
- 3.4.5 The final statements of accounts for the Victorian Film Corporation at 9 March 1982 and Film Victoria for the period 10 March 1982 to 30 June 1982 were finalised on 15 November 1982 and the audit report on the financial statements was signed on 13 January 1983.

Financial Operations

- 3.4.6 The financial operations of the corporation (including those of its predecessor the Victorian Film Corporation to 9 March 1982) for 1981-82, compared with the 1980-81 operations of the Victorian Film Corporation are summarised hereunder:

	1980-81	1981-82
	\$	\$
Income	644 252	900 714
Expenditure	1 689 838	1 531 261
	<hr/>	<hr/>
Deficit	1 045 586	630 547
	<hr/>	<hr/>

- 3.4.7 Net assets of the corporation at 30 June 1982 were \$2 064 166 (30 June 1981, \$1 645 713).

Scope of Audit

- 3.4.8 Sub-section (3) of section 21 of the Film Victoria Act 1981 provides for an annual audit of the accounts of the corporation by the Auditor-General. The audit work undertaken included the review, evaluation and testing of the corporation's revenue and expenditure systems and the verification of the assets and liabilities at 30 June 1982. Apart from a number of minor matters raised with the corporation, the results of the audit proved satisfactory.

3.5 GOVERNMENT PRINTING OFFICE

- 3.5.1 At the date of preparation of the December 1982 report the audit had not been completed and trading accounts in respect of 1981-82 had not been finalised by the Government Printing Office. However, certain other matters relating to the office were commented upon in that report.
- 3.5.2 Trading accounts for 1981-82 together with a statement of balances at 30 June 1982 were received by audit on 6 December 1982. Although there is no statutory requirement for the Auditor-General to express an opinion on these financial statements they have been audited and details are included later in this section.

Financial Operations

- 3.5.3 The operations of the Government Printing Office are financed through the Government Printing Office Working Account, a trust account held in the Department of Management and Budget.
- 3.5.4 The majority of capital expenditure is financed through the Works and Services Account and is not funded by the Government Printing Office.
- 3.5.5 Changes in accounting treatment introduced during 1981-82 were:
- (1) bulk postage costs incurred in relation to manufactured work offset against sales in 1980-81 are shown as part of manufacturing expenses in 1981-82;
 - (2) internal expenses for type making previously treated as a transfer into production, are shown as part of manufacturing expenses in the current year; and
 - (3) all progress claims made by the Government Printing Office on incomplete work were shown in the statement of balances as advance sales in 1980-81, in 1981-82 only those progress claims paid prior to 30 June 1982 are shown as advance sales.
- 3.5.6 The 1980-81 figures used for comparative purposes have not been adjusted to reflect these changes.
- 3.5.7 Financial statements for 1981-82 compared with 1980-81 are detailed hereunder:

MANUFACTURING STATEMENT

	1980-81	1981-82
	\$	\$
Stock 1 July		
Paper, general, reprographics and sub-stores	1 777 279	1 016 494
Work in progress	2 406 935	2 970 268
Purchases		
Materials	2 644 383	3 819 778
Sub-contract work	2 939 392	3 727 249
	9 767 989	11 533 789
Less net internal transfers*	1 483 803	1 674 372
	8 284 186	9 859 417

	1980-81	1981-82
	\$	\$
Less Stock 30 June		
Paper, general, reprographics and sub-stores	1 016 494	999 280
Work in progress	2 970 268	3 044 849
	<hr/>	<hr/>
	3 986 762	4 044 129
	<hr/>	<hr/>
	4 297 424	5 815 288
Manufacturing expenses	6 659 404	7 690 392
	<hr/>	<hr/>
Cost of goods manufactured	10 956 828	13 505 680
	<hr/>	<hr/>

PROFIT AND LOSS STATEMENT

	1980-81	1981-82
	\$	\$
Net sales	18 576 548	23 312 567
	<hr/>	<hr/>
Less		
Cost of Goods Sold		
Stock 1 July	2 420 991	2 206 192
Purchases	3 576 239	6 358 279
Net internal transfers*	1 312 143	1 459 893
Cost of goods manufactured	10 956 828	13 505 680
	<hr/>	<hr/>
	18 266 201	23 530 044
Less Stock 30 June	2 206 192	2 865 737
	<hr/>	<hr/>
	16 060 009	20 664 307
	<hr/>	<hr/>
Gross Profit	2 516 539	2 648 260
	<hr/>	<hr/>
Less		
Selling, distribution and stores expenses	1 051 499	1 251 314
Administrative expenses	949 374	1 283 586
Finance expenses	67 789	52 398
	<hr/>	<hr/>
	2 068 662	2 587 298
	<hr/>	<hr/>
Net Operating Profit	447 877	60 962
Add non-operating income	56 231	55 584
	<hr/>	<hr/>
Net Profit	504 108	116 546
Accumulated Surplus 1 July	2 403 604	2 907 712
	<hr/>	<hr/>
Accumulated Surplus 30 June	2 907 712	3 024 258
	<hr/>	<hr/>

* Transfers between departments within the Government Printing Office

STATEMENT OF BALANCES

	30.6.81	30.6.82
	\$	\$
Funds Provided From		
Treasurer's advances to working account	3 004 405	3 004 405
Works and services advances for machinery	3 607 884	4 000 953
Public Works Department works and services	431 000	577 768
Treasury payment workers compensation	172 113	314 954
	<hr/>	<hr/>
Accumulated Surplus	7 215 402	7 898 080
	2 907 712	3 024 258
	<hr/>	<hr/>
	10 123 114	10 922 338
	<hr/>	<hr/>
Represented by:		
Current Assets		
Government Printing Office Working Account	125 759	446 673
Sundry debtors, including prepayments	3 949 517	3 858 000
Stock on hand	6 194 917	6 910 626
	<hr/>	<hr/>
	10 270 193	11 215 299
	<hr/>	<hr/>
Less Current Liabilities		
Sundry creditors	1 382 839	1 978 203
Accrued salaries	73 485	110 885
Advance sales	1 015 175	698 907
	<hr/>	<hr/>
	2 471 499	2 787 995
	<hr/>	<hr/>
	7 798 694	8 427 304
	<hr/>	<hr/>
Fixed Assets		
Motor vehicles, office equipment, machinery and equipment (at cost)	3 050 761	3 221 184
Provision for depreciation	(847 851)	(1 090 916)
Capital works provided by Public Works Department	249 944	364 766
	<hr/>	<hr/>
	2 452 854	2 495 034
	<hr/>	<hr/>
Less Deferred Liabilities		
Deferred instalments - purchase of machinery	128 434	..
	<hr/>	<hr/>
	2 324 420	2 495 034
	<hr/>	<hr/>
	10 123 114	10 922 338
	<hr/>	<hr/>

Stock on Hand

3.5.8 Stock on hand at 30 June 1981 and 1982 shown in the statement of balances of the Government Printing Office consisted of:

	30.6.81	30.6.82
	\$	\$
At Cost		
Work in Progress	2 970 268	3 044 849
Stock		
Paper store	868 628	911 778
Stationery store	345 883	1 094 386
Forms store	123 421	58 678
Publications store	858 594	1 046 348
General store	47 716	35 228
Reprographic units	29 861	39 656
Sub-stores (security stock)	70 289	12 618
Postage stamps	1 963	760
At Cost Plus Loadings		
Completed jobs not yet billed to clients	878 294	666 325
	<hr/>	<hr/>
	6 194 917	6 910 626
	<hr/>	<hr/>

Scope of Audit

3.5.9 The audit included the documentation, evaluation and testing of the Government Printing Office's major revenue and expenditure systems and the verification of assets and liabilities at 30 June 1982. Apart from the matters identified in my December 1982 report and a number of minor internal control weaknesses brought to the notice of the office the results of the audit proved satisfactory.

3.6 GRAIN HANDLING IMPROVEMENT AUTHORITIES

Introduction

- 3.6.1 The Grain Handling Improvement Authorities Act 1979 provided for the establishment of the following separate authorities from 22 December 1979:

Country Grain Handling Improvement Authority
Geelong Grain Handling Improvement Authority
Portland Grain Handling Improvement Authority

- 3.6.2 The main functions of the respective authorities are to assist in the promotion and financing of improvements at the Geelong and Portland grain terminals and to assist in the establishment of a grain terminal in north-eastern Victoria.

Statutory Reporting Requirements

- 3.6.3 The Grain Handling Improvement Authorities Act 1979 requires each authority to provide the minister with a copy of its audited statement of accounts. The minister is required to table such audited statements before both Houses of Parliament.
- 3.6.4 The finalised accounts of the authorities for 1980-81 were received on 25 March 1982 and for 1981-82 on 21 February 1983.
- 3.6.5 A summary of the circumstances surrounding the delay in finalising these audits follows:
- 3.6.6 Section 5 of the Grain Handling Improvement Authorities Act 1979 provides the authorities with the power to enter into arrangements and contracts with the "relevant authorities" being the Country Roads Board, the Geelong and Portland port authorities, the Grain Elevators Board, the Railway Construction and Property Board and the Victorian Railways Board for the financing of construction or the carrying out of works deemed necessary in meeting its objectives. The land on which the authorities construct or finance the construction of assets is neither owned by nor leased to these authorities.
- 3.6.7 Given these circumstances audit sought clarification as to the ownership of assets constructed or financed by the authorities. Whilst provision exists in the act for the authorities to divest themselves of assets, there is no facility for them to generate income and so be assured of their ability to repay borrowed moneys.
- 3.6.8 Following completion of the 1980-81 audit these problems were raised with the authorities which were requested to determine their financial relationship with the "relevant authorities".
- 3.6.9 Consequently the authorities sought legal advice from their solicitors and this advice was forwarded to the Department of Agriculture which then sought the opinion of the Crown Solicitor. The Crown Solicitor's opinion of 20 December 1982 advised that the matter should be resolved by amending the Grain Handling Improvement Authorities Act 1979.
- 3.6.10 The Minister of Agriculture then wrote to the Grain Elevators Board requesting advice on the amendments that should be made to the act in order to resolve the present difficulties and if necessary, validate the actions taken in the past.

3.6.11 At the date of preparation of this report the matter remains unresolved and only the audit report on the financial statements for 1980-81 of the Country Grain Handling Improvement Authority has been finalised as the authority had not incurred any expenditure on fixed assets. This report was signed on 20 April 1983.

COUNTRY GRAIN HANDLING IMPROVEMENT AUTHORITY

Financial Operations

3.6.12 The financial operations of the authority for 1980-81 compared with the period 22 December 1979 to 31 October 1980 are summarised hereunder:

	1980-81	1979-80
	\$	\$
Income	164 479	54 838
Expenditure	152 973	65 525
	-----	-----
Surplus (Deficit)	11 506	(10 687)
	-----	-----

3.6.13 Net assets of the authority at 31 October 1981 were \$819 compared with net liabilities at 31 October 1980 of \$10 687.

Scope of Audit

3.6.14 Sub-section (3) of section 6 of the Grain Handling Improvement Authorities Act 1979 provides for the audit of the statement of accounts by the Auditor-General. The audit covered substantive testing of the authority's revenue and expenditure and the verification of the assets and liabilities of the authority at 31 October 1981.

Audit Observations and Recommendations

3.6.15 The following matters were raised in the audit report on the books and accounts of the Country Grain Handling Improvement Authority for the year ended 31 October 1981:

Loans

3.6.16 The authority obtained a loan of \$1.2 million on 17 June 1980 and at 31 October 1981 the moneys had been invested in short-term deposits as no works had commenced. The practice of obtaining loan funds substantially in advance of the development of work programs is not, in audit opinion, exercising sound fiscal policy. At the date of preparation of this report these moneys were invested on the short-term money market.

Approval to use Grain Elevators Board Staff

3.6.17 Sub-section (3) of section 10 of the Grain Handling Improvement Authorities Act 1979 provides for the authority, with the approval of the minister to make use of the services of any officer or employee of any of the relevant authorities. Officers of the Grain Elevators Board have been involved on duties associated with the authority but no approval has been sought.

Conclusion

3.6.18 Apart from the above matters and others of a minor nature the results of the audit proved satisfactory.

3.7 HOME FINANCE TRUST AND REGISTRY OF CO-OPERATIVE HOUSING SOCIETIES

Introduction

- 3.7.1 The Home Finance Trust, constituted under the Home Finance Act 1962, is empowered to raise money from lending institutions for the purpose of making housing loans on the security of first and second mortgages. Funds made available from lending institutions are, subject to approval of the Governor-in-Council, guaranteed by the Treasurer.
- 3.7.2 The Registry of Co-operative Housing Societies, established under the Co-operative Housing Societies Act 1958, is responsible for the registration, administration and inspection of the books and accounts of co-operative housing societies and the allocation of funds derived from Commonwealth-State Housing Agreements, to such societies. The registry also administers the special housing assistance schemes and interest relief subsidies payable to permanent building societies on behalf of eligible home purchasers.

Statutory Reporting Requirements

- 3.7.3 The Home Finance Act 1962 does not provide for statutory reporting of the trust's operations and consequently an annual report is not presented to Parliament.
- 3.7.4 The Co-operative Housing Societies Act 1958 requires the registrar, as soon as possible after the end of each financial year, to submit a report to the Treasurer of Victoria, and for such report to be tabled in Parliament.
- 3.7.5 The finalised accounts for the Home Finance Trust were adopted by the trust on 21 December 1982 and the audit report was signed on 13 January 1983. The financial statements prepared by the registry were adopted on 13 April 1983 and the audit report was signed on 28 April 1983.

Financial Operations

Home Finance Trust

- 3.7.6 A summary of the income and expenditure of the trust for 1981-82 and 1980-81 is furnished below:

	1980-81	1981-82
	\$	\$
Income		
Interest receivable from mortgagors and investments	3 142 346	3 378 494
Less interest payable to depositors (including overdraft interest)	3 395 412	3 844 627
	<hr/>	<hr/>
Net Interest	(253 066)	(466 133)
Interest Subsidy - Treasurer of Victoria	384 700	689 750
Other	15 537	20 222
	<hr/>	<hr/>
	147 171	243 839
	<hr/>	<hr/>

	1980-81 \$	1981-82 \$
Expenditure*		
Contribution to Treasury	126 805	151 061
Provision for doubtful debts	50 000	49 864
Fees - Members of Trust	13 390	5 465
Other	20 444	3 965
	<hr/>	<hr/>
	210 639	210 355
	<hr/>	<hr/>
Net (Deficit) Surplus	(63 468)	33 484
	<hr/>	<hr/>

* Salaries are not charged in the accounts of the trust.

3.7.7 The trust's balance sheets at 30 June 1982 and 1981, are summarised hereunder:

	30.6.81 \$	30.6.82 \$
Accumulated Funds		
Accumulated surplus Home Finance Funds Nos. 1 and 2	1 090 005	1 123 489
Current Liabilities		
Sundry Creditors	513 590	1 440 576
Prepayments by mortgagors	178 158	398 635
	<hr/>	<hr/>
	691 748	1 839 211
Provisions		
Doubtful debts	175 000	175 000
Interest fluctuation	150 000	150 000
	<hr/>	<hr/>
	325 000	325 000
Deferred Liabilities		
Deposits by lending institutions and bank overdraft accommodation	34 550 877	32 494 986
Mortgagors equity in repossessed properties	2 508	2 399
	<hr/>	<hr/>
	34 553 385	32 497 385
	<hr/>	<hr/>
	36 660 138	35 785 085
Non Current Assets		
Loans secured by mortgage	32 491 185	33 602 939
Contracts of sale on repossessed properties	19 880	19 786
Investments	100 000	..
Fixed Assets	2 213	1 881
	<hr/>	<hr/>
	32 613 278	33 624 606

	30.6.81	30.6.82
	\$	\$
Current Assets		
Term deposits and cash on hand	3 495 040	1 750 040
Sundry debtors	551 280	410 439
	<hr/>	<hr/>
	4 046 860	2 160 479
	<hr/>	<hr/>
	36 660 138	35 785 085
	<hr/>	<hr/>

Registry of Co-operative Housing Societies

3.7.8 The registry administers the Home Purchase Assistance Account and the Home Builders Account No. 2. These accounts are revolving funds, whereby housing loan repayments and moneys received under Commonwealth-State housing agreements are re-allocated to co-operative housing societies for further lending. The financial operations for 1981-82 compared with 1980-81 are summarised hereunder:

(1) Home Purchase Assistance Account

	1980-81	1981-82
	\$	\$
Balance 1 July	4 376 682	5 073 624
Receipts	48 063 855	38 071 242
	<hr/>	<hr/>
Payments	52 440 537	43 144 866
	47 366 913	39 740 398
	<hr/>	<hr/>
Balance 30 June	5 073 624	3 404 468
	<hr/>	<hr/>

(2) Home Builders Account No. 2

Balance 1 July	2 026 210	2 111 922
Receipts	3 156 186	3 086 457
	<hr/>	<hr/>
Payments	5 182 396	5 198 379
	3 070 474	1 808 839
	<hr/>	<hr/>
Balance 30 June	2 111 922	3 389 540
	<hr/>	<hr/>

Scope of Audit

3.7.9 The audit of the Home Finance Trust and the Registry of Co-operative Housing Societies was conducted pursuant to the provisions of the Home Finance Act 1962 and the Audit Act 1958.

3.7.10 The audit encompassed an examination of financial systems and transactions including an evaluation of internal controls and the degree of compliance with relevant statutes and policy directives.

Audit Observations and Recommendations

Home Finance Trust

Arrears

- 3.7.11 Loan arrears increased substantially from \$291 570 in 1981 to \$396 327 at 30 June 1982. The increase was mainly attributed to:
- (1) inadequate staffing in the arrears section; and
 - (2) lack of positive action in arrears collection.

Securities

- 3.7.12 Inadequate controls existed over the custody and physical movement of documents held as security for loan advances.

Conclusion

- 3.7.13 Apart from the above matters and a number of weaknesses in internal control brought to the attention of the trust, the results of the audit examination proved satisfactory.

Registry of Co-operative Housing Societies

Interest Subsidies - Permanent Building Societies

- 3.7.14 Under the provisions of the Housing Assistance Act 1981, interest subsidies are available to eligible low income earners receiving loans from permanent building societies.
- 3.7.15 Major control weaknesses identified by audit in the scheme were:
- (1) subsidy claims from building societies are paid without any check as to the accuracy thereof;
 - (2) subsidies could be paid in respect of persons who are no longer eligible; and
 - (3) additional subsidies are incurred where mortgage payments are in arrears.
- 3.7.16 Audit recommended that subsidy claims be selectively verified and that steps be taken to ensure arrears are not subsidised.

Housing Assistance Schemes

- 3.7.17 The Registry of Co-operative Housing Societies is responsible for the administration of 4 housing assistance schemes, the first of which commenced in 1977-78. Under these schemes, loans are made available from co-operative building societies to eligible home purchasers at subsidised interest rates. Such loans are financed by bank overdraft guaranteed by the Treasurer of Victoria. At 30 June 1982, loan advances outstanding under the 4 schemes totalled \$64 209 118.
- 3.7.18 The following matters raised in previous audit reports are still unresolved:
- (1) there is no specific legislation authorising the establishment of the housing assistance schemes and the audit thereof, including certification of financial statements; and

- (2) the legality of the Registrar of Co-operative Housing Societies acting as an agent for societies in the collection and forwarding of loan repayments to lending banks warrants clarification. An audit recommendation that legal opinion be sought on this matter has not been acted upon.

Home Purchase Assistance Account

- 3.7.19 The Commonwealth/State housing agreement provides for the Home Purchase Assistance Account to be debited with "management costs and other outgoings" relating to the operation of the account. However, the agreement does not specify how management costs are to be calculated. The management costs are currently determined on the basis of recouping a percentage (usually 1/4 per cent.) of the interest charges incurred annually by the co-operative housing societies on advances outstanding.
- 3.7.20 In audit opinion charges recouped on this basis, \$979 782 in 1981-82, may bear little relationship to the actual costs involved and appear excessive. This matter has been raised in previous audit reports and although the Ministry of Housing agrees that the determination of the charges should be reviewed, no such review has taken place.

Conclusion

- 3.7.21 Apart from the above matters and a number of minor internal control weaknesses, the results of the audit proved satisfactory.

Response by the Ministry of Housing

- 3.7.22 The Ministry of Housing on behalf of the Home Finance Trust and the Registry of Co-operative Housing Societies have advised:
 - (1) implementation of the VILA computer system in 1983 will largely overcome deficiencies in internal controls;
 - (2) the arrears situation is expected to improve with the appointment of an arrears officer and the recommencement of regular arrears notices;
 - (3) Home Finance Trust security details are to be included in the VILA computer system;
 - (4) specific legislation covering the Housing Assistance Schemes is to be considered;
 - (5) legal advice is to be sought on the powers of the Registrar of Co-operative Housing Societies to act as an agent; and
 - (6) registry inspectors are to incorporate verification procedures for interest subsidies in their audit program for permanent building societies.

3.8 HOSPITALS SUPERANNUATION BOARD

Introduction

- 3.8.1 The Hospitals Superannuation Board operates under the provisions of the Hospitals Superannuation Act 1965. It is responsible for the administration of the Hospitals Superannuation Fund established under that act for the purpose of providing on a contributory basis a scheme of superannuation for employees of participating hospitals and other institutions.
- 3.8.2 Benefits provided out of that fund are generally by way of both lump sum and pension payable upon retirement, death or disability.

Statutory Reporting Requirements

- 3.8.3 Section 9 of the Hospitals Superannuation Act 1965 requires the board each year, to submit to the minister, a report dealing with the general administration and working of the act which is to be laid before both Houses of Parliament.
- 3.8.4 Sections 18 and 35ZA of the Hospitals Superannuation Act 1965 (as amended) required the board to cause triennial actuarial investigations to be carried out into the financial operations of the Hospitals Superannuation Fund.
- 3.8.5 Provision is also made for every actuarial report carried out under sections 18 and 35ZA to be laid before both Houses of Parliament.
- 3.8.6 The finalised accounts of the board for 1981-82 were received by audit on 23 November 1982. The audit report on the financial statements was signed on 28 April 1983.

Financial Operations

- 3.8.7 The financial operations of the fund for 1980-81 compared with 1981-82 are summarised hereunder:

	1980-81	1981-82
	\$	\$
Income		
Life Assurance Companies' Schemes	8 482 132	974 111
Interest	4 732 685	5 978 096
Other	107 782	140 514
	<hr/>	<hr/>
Transfer from Income Stabilisation Reserve	13 322 599	7 092 721
	1 519 970	2 921 323
	<hr/>	<hr/>
Distribution of Income	14 842 569	10 014 044
	<hr/>	<hr/>

3.8.8 Details of the income stabilisation reserve for 1981-82 compared with 1980-81 are:

	1980-81	1981-82
	\$	\$
Balance 1 July	3 744 869	2 843 772
Add		
Distribution of Fund Income	595 434	255 940
Transfer from Withdrawal Surplus Account	23 439	284 812
	<hr/>	<hr/>
	4 363 742	3 384 524
Less		
Transfer to Income Account	1 519 970	2 921 323
	<hr/>	<hr/>
Balance 30 June	2 843 772	463 201
	<hr/>	<hr/>

3.8.9 Net assets of the fund at 30 June 1982 were \$117 643 151 (30 June 1981, \$107 088 124).

Qualification of Board's Financial Statements

3.8.10 It was necessary to record the following qualification on the 1981-82 financial statements of the board:

"As indicated in note 1 to the accounts, certain investments of the fund are held in the names of trustee and life assurance companies. These investments have been included in the accounts on the basis of statements furnished by the abovementioned bodies and have not been independently verified by audit".

Actuarial Investigations

3.8.11 Reports on the financial position at 30 June 1981 provided to the board indicated that within the fund:

- (1) the Lump Sum Scheme was financially sound;
- (2) the Pension Scheme in respect of:
 - (i) Pension Contribution Fund had a surplus of \$508 027; and
 - (ii) Institutions Fund had a deficit of \$781 221 at that date (\$302 777 at 30 June 1978) and that the levy to 30 June 1982 of 2.37 per cent. was inadequate and recommended a new levy of 3.91 per cent. for the period 1 July 1982 to 30 June 1985.

Scope of Audit

3.8.12 Section 17 of the Hospitals Superannuation Act 1965 provides for an annual audit of the accounts of the fund by the Auditor-General.

3.8.13 In addition, a firm of chartered accountants appointed by the board, conducted an audit on a regular basis throughout the year. Their audit programs and working papers were examined, evaluated and accepted for the purpose of my audit.

- 3.8.14 Additional work was undertaken on various aspects of the board's accounts to enable an opinion to be formed on the financial statements.

Audit Observations

Life Assurance Companies' Schemes

- 3.8.15 At 30 June 1982 \$66.97 million (30 June 1981 \$64.78 million) was invested by the board in life assurance companies' schemes.
- 3.8.16 The actuary, in his report of 23 November 1982, when commenting upon Lump Sum Scheme investments, also made comment in respect to Pension Scheme investments. The actuary advised that the months following 30 June 1981 were characterised by sharply rising interest rates and falling share prices. This situation had the effect of reducing the rate of return on those units which were heavily weighted in ordinary shares and was the major factor behind the return from this form of investment decreasing from \$8.48 million in 1980-81 to \$0.97 million in 1981-82.
- 3.8.17 The decreased rate of return on investments had the effect of reducing the amount of income available for distribution to members accounts. However the board maintains an income stabilisation reserve from which shortfalls in investment returns may be supplemented. During 1981-82 \$2.92 million was made available from the reserve for distribution to members.

Conclusion

- 3.8.18 Apart from the above matters the results of the audit proved satisfactory.

3.9 HOUSING COMMISSION

Introduction

- 3.9.1 The Housing Commission was constituted under the provisions of the Housing Act 1958. The main functions of the commission are the provision of houses for letting or selling to eligible persons, improvement of existing housing conditions, urban redevelopment and the development and sale of land for housing and related purposes.
- 3.9.2 For these purposes, the State has made loan allocations to the commission and the commission, itself, has raised loan moneys by the issue of debentures. The major funds allocated to the commission for housing projects between 1945-46 and 1981-82, have been those advanced by the Commonwealth in terms of a series of Commonwealth-State Housing Agreements. The current 5 year Commonwealth-State Housing Agreement 1981 came into operation on 1 July 1981. Many municipalities have, in various forms, assisted the commission with cash contributions, rate refunds and gifts of land for housing projects of a special nature.

Statutory Reporting Requirements

- 3.9.3 Section 111 of the Housing Act 1958, requires the commission to finalise its accounts as soon as practicable after 30 June each year. The audited accounts are to be tabled in Parliament by the minister on or before 30 November or, if Parliament is not sitting, within 14 days after the next meeting of Parliament.
- 3.9.4 The finalised accounts for 1981-82 were adopted by the commission on 15 November 1982 and the audit report on the accounts was signed on 13 December 1982.

Financial Operations

- 3.9.5 The financial operations of the Housing Commission for 1981-82 compared with 1980-81 are summarised hereunder:

	1980-81	1981-82
	\$	\$
Income	103 097 296	114 351 213
Expenditure	98 191 190	108 461 636
Operating Surplus	4 906 106	5 889 577
Extraordinary Items	..	(24 703 460)
Non-recurring Amounts	1 783 519	..
Net Surplus (Deficit)	6 689 625	(18 813 883)

- 3.9.6 Net assets of the commission at 30 June 1982 were \$51 536 214 (30 June 1981, \$71 565 519). This variation was occasioned primarily by the net deficit as shown above.

3.9.7 Material items effecting the above result are commented upon in the following paragraphs.

(1) Rental Operations

An increase in rental income for the year of \$11 571 714, was negated by higher operating costs of \$16 835 727. A net loss of \$8 696 065 (\$3 432 052, 1980-81) was incurred for the current year.

(2) Extraordinary Items

The two most significant items contributing to the deficit have been the provision created in recognition of decreased land values amounting to \$12 540 272 and costs associated with the closedown of Holmesglen Constructions amounting to \$10 879 689.

(i) Revaluation Provision

Section 19 of the Urban Land Authority Act 1979 provides for Crown land to be vested in that authority for the purpose of development and/or resale. Net proceeds of property sales are repaid to the "owner".

Pursuant to this section, the Housing Commission vested land with the authority during 1981-82 with a book value of \$42 060 864. Land sales for the year amounted to \$4 499 342 leaving a book value of \$37 561 522. The value of unsold land at 30 June 1982, as determined by the Valuer-General, amounted to only \$25 021 250, a decrease of \$12 540 272. Accordingly, the commission has written-down the value of such land by that amount.

(ii) Holmesglen Constructions - Closedown Costs

On 17 December 1981, pursuant to government directive, Holmesglen Constructions ceased operations. All financial and accounting entries after that date were treated as relating to the Housing Commission and absorbed into their accounts. At 30 June 1982, the closedown costs incurred by the commission amounted to \$10 879 689.

Scope of Audit

3.9.8 The audit comprised the following segments:

- (1) detailed evaluation of the system of internal control in respect of the cash payments, salaries and day labour payments systems;
- (2) substantive testing of other accounting systems;
- (3) a review of the work performed by the internal audit section;
and
- (4) verification of the annual financial statements.

Audit Observations and Recommendations

Interest Relief Scheme

- 3.9.9 In October 1981, the Ministry of Housing established an "interest relief scheme" designed to assist those borrowers who have genuine financial difficulty as a result of the escalation of interest rates. Broadly, the scheme provides for a 12 months interest free loan representing the difference between current repayments and original repayments. At present repayment conditions have not been determined nor has there been any apparent action to recoup overdue instalments. Adequate precautions to safeguard scheme funds e.g. caveats on titles, have not been instituted.
- 3.9.10 Audit recommended that prompt action be taken to improve control and thus safeguard public funds.

Sundry Debtors

- 3.9.11 Selective examination of subsidiary ledger records relating to miscellaneous sundry debtors revealed the following internal control weaknesses:
- (1) incomplete source documents to substantiate amounts receivable;
 - (2) failure to reconcile subsidiary records with general ledger accounts;
 - (3) failure to follow-up outstanding debtors; and
 - (4) failure to maintain an aged debtors listing.
- 3.9.12 These weaknesses, which could occasion undue delay in the collection of amounts receivable, have been brought to the attention of the commission which has taken appropriate action.

Rental Arrears

- 3.9.13 Rental arrears have continued to increase. At 30 June 1982 arrears of rents amounted to \$4 816 619 or 7.62 per cent. of the net amount due compared with \$3 666 233 or 6.53 per cent. in 1981.
- 3.9.14 Of these, tenants in arrears 10 weeks and over increased from \$1 297 029 to \$2 094 466, an increase of 61.5 per cent.
- 3.9.15 Audit recommended that aged arrears and collection procedures be further reviewed.

Conclusion

- 3.9.16 Apart from the above matters, the results of the audit examination proved satisfactory.

3.10 INSTITUTE OF EDUCATIONAL ADMINISTRATION

Introduction

- 3.10.1 The Institute of Educational Administration was established as a body corporate under the provisions of the Institute of Educational Administration Act 1980. The objects of the institute are generally to provide training programs in educational administration, to improve the administrative ability of educational leaders and other interested persons, to undertake research, to improve educational administration and to advise educational institutions in these matters.

Statutory Reporting Requirements

- 3.10.2 The Institute of Educational Administration Act 1980 requires the governing council of the institute to submit a report to the minister on its operations during the financial year ending 30 June together with the audited statement of accounts. This report and statements are to be laid before both houses of Parliament by 31 December.
- 3.10.3 The finalised accounts of the institute for 1981-82 were received by audit on 14 October 1982 and the audit report on the financial statements was signed on 26 November 1982.

Financial Operations

- 3.10.4 The financial operations of the institute for 1980-81 and 1981-82 are summarised hereunder:

	1980-81	1981-82
	\$	\$
Income	646 444	793 766
Expenditure	659 987	795 662
	<hr/>	<hr/>
Deficit	13 543	1 896
	<hr/>	<hr/>

- 3.10.5 Net assets of the institute at 30 June 1982 were \$134 856 (30 June 1981, \$136 752).

Scope of Audit

- 3.10.6 Sub-section (3) of section 17 of the Institute of Educational Administration Act 1980 provides for an annual audit of the accounts of the institute by the Auditor-General. The accounting records were examined and the internal controls and accounting systems in operation during the period were reviewed. The assets and liabilities of the institute at 30 June 1982 were verified.

Audit Observations and Recommendations

Loan

- 3.10.7 On 8 June 1982 the Treasurer, pursuant to section 8 of the Institute of Educational Administration Act 1980, gave his approval for the institute to borrow \$1.2 million from the State Bank of Victoria. The amount borrowed is to be applied towards the construction of premises in Geelong for the institute. Construction commenced in November 1982.

Conclusion

3.10.8 The results of the audit examination proved satisfactory.

3.11 LA TROBE UNIVERSITY

Introduction

- 3.11.1 La Trobe University was established under the La Trobe University Act 1964.
- 3.11.2 Under the act the university is a body politic and corporate and its objects include the provision of tertiary education at university level.

Statutory Reporting Requirements

- 3.11.3 The La Trobe University Act 1964 requires the council of the university to prepare a statement of accounts at 31 December in every year for submission to the Auditor-General for audit. The audited accounts, together with its annual report on the university, are required to be forwarded by the council to the Governor-in-Council as soon as practicable after 31 March in each year. Copies of the report and the accounts are to be laid before Parliament.
- 3.11.4 The audit report was signed on 24 December 1982.

Financial Operations

- 3.11.5 The university's accounts structure is based on recording income and expenditure into funds or groups of funds.
- 3.11.6 The notes to the accounts of the university indicate that the accounts are kept on an accrual basis, but, as the university does not operate for the purpose of profit making, the conventional distinction between capital and revenue expenditure is not maintained in the accounts. Funds used for the purchase of equipment, the construction of buildings or for other items regarded as capital expenditure in the normal accounting sense are recorded as expenditure against the amounts received for such purposes in the year.
- 3.11.7 The major source of funding was from Commonwealth government grants provided under the States Grants (Tertiary Education Assistance) Act 1978. Grants totalling \$37 532 768 (1980, \$32 232 143) were received for the year while other income, derived mainly from interest, donations and general service fees, amounted to \$4 709 278 (1980, \$4 324 901).
- 3.11.8 Expenditure for the year amounted to \$42 770 910 (1980, \$36 364 750) resulting in a net deficit of \$528 864. After taking into account the accumulated deficit of \$404 705 brought forward from 1980 and the "write back" of several previously created provisions and reserves totalling \$548 482 (now deemed by the university to be unnecessary), an overall accumulated deficit of \$385 087 was carried forward to 1982.

Scope of Audit

- 3.11.9 The audit for the year 1981 was conducted pursuant to section 38 of the La Trobe University Act 1964 and involved the examination and evaluation of systems of internal control, including the work performed by the internal audit section and private auditors.
- 3.11.10 Verification of assets and liabilities disclosed in the statement of balances at 31 December 1981 was also carried out.

Audit Observations and Recommendations

Children's Centre

- 3.11.11 In my annual report to Parliament for the year ended 30 June 1980, I reported that a defalcation involving irregularities in the accounting for fees received from users had occurred at the centre. Weaknesses in internal control were again evident in the year under review as audit was unable to determine that all amounts receivable for the attendance of children at the centre had been brought to account. Audit enquiries revealed that daily rolls were compiled only when staff had time to do so.
- 3.11.12 Appropriate action by the university to institute a system which would provide better control over amounts receivable is considered necessary and has been brought to the attention of the university.

Conclusion

- 3.11.13 Apart from the above matter and a number of minor matters raised with the university, the results of the audit proved satisfactory.

3.12 LEGAL AID COMMISSION

Introduction

3.12.1 The Legal Aid Commission was established as a body corporate on 13 February 1980 in accordance with section 3 of the Legal Aid Commission Act 1978. 1 September 1981 was proclaimed as the commencement date for the provision of legal aid services by the commission.

3.12.2 The activities of the following organisations:

Australian Legal Aid Office - Victorian Division;
Legal Aid Committee, established under the provisions of the
Legal Aid Act 1969; and
Public Solicitor;

are now performed by the Legal Aid Commission which is empowered to continue any legal assistance granted to assisted persons by the previous agencies and to be responsible for any financial commitments of those bodies.

3.12.3 The functions of the commission include:

- (1) the provision of legal aid services either by qualified commission staff or private practitioners; and
- (2) the control and management of the Legal Aid Fund established on 1 September 1981 in accordance with section 41 of the act.

3.12.4 Section 49 of the act allows the State to enter into agreements or arrangements with the Commonwealth in respect of, inter alia, the respective level of funding to be provided by the parties for the purpose of legal aid, sharing of establishment and operational costs and the delineation of the jurisdiction of law and the type of assisted person for whom each party will be responsible. An agreement covering these matters was entered into between the State and the Commonwealth on 20 December 1979.

Statutory Reporting Requirements

3.12.5 Section 12 of the Legal Aid Commission Act 1978 requires the commission to present an annual report of its operations to the Attorney-General, during September, for tabling in Parliament. However, no requirement exists for audited financial statements to be included in the report or presented to Parliament. The commission is to forward a copy of the audited financial statements together with the report of the Auditor-General to the Attorney-General as soon as is practicable.

3.12.6 The financial accounts as adopted by the commission were finalised with audit on 15 April 1983 and the audit report on those accounts was signed on 28 April 1983.

Financial Operations

3.12.7 The commission commenced operations on 1 September 1981. The results of the financial operation of the commission for the 10 month period to 30 June 1982 are summarised hereunder:

Legal Aid Fund

\$

Receipts	
Government grants	6 994 143
Solicitor's Guarantee Fund	5 097 435
Client's contribution to costs	1 300 772
Costs recovered	430 871
Interest on investments	372 585
Sundry	7 992
	<hr/>
Total Operating Receipts	14 203 798
Legal Aid Committee Fund	344 770
Establishment grants	51 441
	<hr/>
Total Receipts	14 600 009
	<hr/>
Payments	
Pre-commencement cases	6 212 554
Post-commencement cases	3 422 439
Salaries	2 926 794
Administration	862 814
Refund of client contributions	61 715
	<hr/>
Total Operating Payments	13 486 316
Establishment costs	623 273
	<hr/>
Total Payments	14 109 589
	<hr/>
Balance 30 June 1982	490 420
	<hr/>
Trust Account	
	\$
Receipts	100 996
Payments	95 702
	<hr/>
Balance 30 June 1982	5 294
	<hr/>

3.12.8 The financial operation of the Legal Aid Fund recorded a net cash position of \$490 420 for the 10 month period ended 30 June 1982. However, as the result has been determined on the basis of cash receipts and payments, items such as accounts receivable \$1 697 477 and accounts payable \$4 040 407 have been excluded. Had such items been included a substantial deficit would have been disclosed.

3.12.9 The commission as from 1 September 1981 assumed responsibility for the Legal Aid Committee's staff superannuation fund in accordance with section 52 of the Legal Aid Commission Act 1978. The fund was established by a trust deed and has a balance date of 30 April. For the period ended 30 April 1982, the fund had a membership of 5 and incurred a deficit of \$40 990; however the fund had assets of \$133 956 at that date.

Scope of Audit

3.12.10 Section 42 of the Legal Aid Commission Act 1978 provides for an annual audit of the accounts of the commission by the Auditor-General.

3.12.11 The scope of the audit included an examination of receipts, payments, salaries, investments, amounts owed by assisted persons, creditors, client history files and superannuation fund and the verification of the annual financial statements.

Audit Observations and Recommendations

Annual Accounts

3.12.12 The following annual financial accounts of the commission are prepared on the bases indicated:

(1) Legal Aid Fund - prepared on a cash basis; and

(2) Superannuation Fund - prepared on an accrual basis.

3.12.13 Audit recommended that legislative amendment be sought to require the annual financial statements of the Legal Aid Fund to be prepared on an accrual basis.

Trust Account

3.12.14 Section 16 of the Legal Aid Commission Act 1978 requires that the director or any officer of the commission when practising as a solicitor shall observe the same rules and standards of professional conduct as required of a solicitor in private practice. Also the director shall be deemed to be a firm of solicitors and all qualified legal staff are regarded as being employees of that firm. Section 16 also requires that the director and employees hold current practising certificates issued in accordance with the Legal Profession Practice Act 1958.

3.12.15 The Legal Profession Practice Act 1958 requires that any trust account operated by the holder of a practising certificate must be subject to a yearly independent audit examination by a practising public accountant.

3.12.16 The commission operates a trust account titled "Legal Aid Commission Trust Account" and to comply with the requirements of the Legal Profession Practice Act 1958 had the trust account audited to 31 March 1982 by a practising public accountant.

3.12.17 The Law Institute of Victoria questioned the keeping of the trust account in the name of the commission rather than in the name of the holder of the practising certificate.

- 3.12.18 To comply with this directive, the commission has proposed to change the title of the trust account to the name of the holder of the practising certificate who, by the statutory provisions of the Legal Aid Commission Act 1978, is the incumbent of the position of Director, Legal Aid Commission.
- 3.12.19 Audit is of the opinion that a conflict exists between the requirements of the Legal Aid Commission Act 1978 and the Legal Profession Practice Act 1958 in respect of the accounting and auditing provisions associated with the operation of the trust account. Audit recommends that urgent action be taken to resolve this conflict.

Accounts Payable

- 3.12.20 The Legal Aid Commission does not have a system for recording unpaid invoices received in respect of legal services and administrative costs. At 30 June 1982 the commission had prepared a listing of unpaid invoices which totalled \$4 040 407. Audit examination disclosed that this total could not be verified and subsequently the commission excluded details of the accounts payable from the notes accompanying its annual financial statements.
- 3.12.21 Audit recommended that a system be implemented whereby the value of accounts payable can be accurately determined and included in the commission's annual financial statements.

Computer Systems

- 3.12.22 The commission uses the facilities and services of several computer service bureaux to operate its computerised systems. With the exception of the payroll system, the commission did not maintain adequate documentation of its computer systems. Audit considers that documentation of computer systems, programs, operations and all related procedures is necessary for a complete and accurate understanding of the computer processing activities and their impact on user groups.
- 3.12.23 Audit recommended that the commission adopt a policy of adequately documenting all its computerised systems.

Internal Audit

- 3.12.24 At the present time the commission does not have an internal audit function and audit recommended that consideration be given to the creation of an internal audit function within the commission.

Conclusion

- 3.12.25 Apart from the above matters and minor weaknesses, brought to the attention of the commission, the result of the audit proved satisfactory.

3.13 THE UNIVERSITY OF MELBOURNE

Introduction

- 3.13.1 The University of Melbourne was established by an act of Parliament in 1853. The law relating thereto is now consolidated under the Melbourne University Act 1958. Under the act the university is a body politic and corporate and its objects include the provision of tertiary education at university level and various research activities.

Statutory Reporting Requirements

- 3.13.2 The Melbourne University Act 1958 requires the council of the university to prepare an annual statement of accounts for submission to the Auditor-General for audit. Apart from the Melbourne University Press which reports at 30 September, the balance date for university accounts is 31 December in each year. The annual report of the university containing the audited accounts is required to be forwarded by the council to the Governor. A copy of the report is to be laid before Parliament.
- 3.13.3 The audit report was signed on 31 December 1982.

Financial Operations

- 3.13.4 The income and expenditure in respect of the major functions of the university - teaching, research and related support services, together with trust fund operations, are summarised in a financial statement styled the "combined statement". The financial operations of the university's many other activities are reported by means of a series of separate financial statements.
- 3.13.5 The university's accounts structure is based on recording income and expenditure into funds or groups of funds. The notes to the accounts indicate that the accounts of combined statement funds are maintained and published on an accrual basis, but, as the university does not operate for the purpose of profit making, the conventional distinction between capital and revenue expenditure is not maintained in the accounts. Funds used for the purchase of equipment, the construction of buildings or for other items regarded as capital expenditure in the normal accounting sense are recorded as expenditure against the amounts received for such purposes in the year.
- 3.13.6 The major source of funding was from Commonwealth government grants provided under the States Grants (Tertiary Education Assistance) Act 1978. Grants totalling \$91 141 000 (1980, \$78 253 000) were received for the year while other income, derived mainly from research grants (both governmental and private), interest on investments, donations and amenities and general service fees, amounted to \$26 104 963 (1980, \$26 146 058).
- 3.13.7 From total funds available, \$148 663 591 (including the accumulated surplus of \$31 417 628) brought forward from 1980), a sum of \$115 894 497 (1980, \$97 718 607) was expended during the year leaving an overall surplus of \$32 869 521 (after taking into account net adjustments of \$100 427 not reflected in the combined statement) to be carried forward to 1982.

Qualification of University's Financial Statements

- 3.13.8 Changes in the method of investment of funds of the Academic Staff Retirement Fund occurred during the year. The fund's investments, now associated with investment linked superannuation policies, were included in the accounts on the basis of information provided by the fund managers.
- 3.13.9 Because of the inability of audit to confirm the accuracy of statements provided by the fund managers, it was necessary to record the following qualification on the 1981 accounts of the university:

"As stated in note 6 to the accounts, certain investments of the Academic Staff Retirement Fund are held in the names of fund managers. These investments, totalling \$24 980 793, have been included in the accounts on the basis of statements furnished by the fund managers and have not been independently verified by audit".

Scope of Audit

- 3.13.10 The audit for the year 1981 was conducted pursuant to section 41 of the Melbourne University Act 1958 and involved the examination and evaluation of systems of internal control, including the work performed by the internal audit section. Verification of assets and liabilities in the statement of balances at 31 December 1981 was also carried out. Apart from the need to qualify the accounts and to raise a number of minor matters with the university the results of the audit proved satisfactory.

3.14 MONASH UNIVERSITY

Introduction

- 3.14.1 Monash University was established under the Monash University Act 1958.
- 3.14.2 In terms of the act, the university is a body politic and corporate and its objects include the provision of tertiary education at university level and the advancement of knowledge and its practical application by means of research.

Statutory Reporting Requirements

- 3.14.3 The Monash University Act 1958 requires the council of the university to prepare a statement of accounts at 31 December in every year for submission to the Auditor-General for audit. The audited accounts, together with its annual report on the university are required to be forwarded by the council to the Governor-in-Council as soon as practicable after 31 March in each year. Copies of the accounts, and the report are to be laid before Parliament.
- 3.14.4 The audit report was signed on 24 December 1982.

Financial Operations

- 3.14.5 The university's accounts structure is based on recording income and expenditure into funds or groups of funds.
- 3.14.6 The notes to the accounts indicate that the accounts are kept on an accrual basis, but, as the university does not operate for the purpose of profit making, the conventional distinction between capital and revenue expenditure is not maintained in the accounts. Funds used for the purchase of equipment, the construction of buildings or for other items regarded as capital expenditure in the normal accounting sense are recorded as expenditure against the amounts received for such purposes in the year.
- 3.14.7 The major source of funding was from Commonwealth government grants provided under the States Grants (Tertiary Education Assistance) Act 1978. Grants totalling \$73 477 659 (1980, \$64 528 570) were received for the year while other income, derived mainly from research grants (both governmental and private), interest on investments, donations, general service fees and outside earnings amounted to \$14 678 628 (1980, \$11 051 134).
- 3.14.8 From total funds available, \$97 451 500 (including the accumulated surplus of \$9 295 213 brought forward from 1980) a sum of \$83 832 161 (1980, \$74 700 120) was expended by the university during the year, leaving an overall surplus of \$13 619 339 to be carried forward to 1982.

Qualification of University's Financial Statements

- 3.14.9 A new superannuation scheme was established by the university during the year replacing to a large extent schemes previously in operation. The scheme's investments, now associated with investment linked superannuation policies, were included in the accounts on the basis of information provided by the fund managers.

3.14.10 Because of the inability of audit to confirm the accuracy of statements provided by the fund managers, it was necessary to record the following qualification on the 1981 financial statements of the university:

"As stated in note 6 to the accounts, certain investments of the Superannuation and Pension Schemes are held in the names of fund managers. These investments have been included in the accounts on the basis of statements furnished by the fund managers and have not been independently verified by audit".

Scope of Audit

3.14.11 The audit for the year 1981 was conducted pursuant to section 36 of the Monash University Act 1958 and involved the examination and evaluation of systems of internal control, including the work performed by the internal audit section. Verification of assets and liabilities disclosed in the statement of balances at 31 December 1981 was also carried out. Apart from the need to qualify the accounts and to raise a number of minor matters with the university, the results of the audit proved satisfactory.

3.15 NATIONAL GALLERY OF VICTORIA

Introduction

- 3.15.1 The Council of Trustees of the National Gallery of Victoria was constituted under the National Gallery of Victoria Act 1966.
- 3.15.2 The council is responsible for the management and administration of the National Gallery of Victoria and the Banyule Gallery. It is also responsible for the acquisition, display and preservation of the State collection of works of arts and assists in the promotion and supervision of art education throughout Victoria.

Statutory Reporting Requirements

- 3.15.3 The National Gallery of Victoria Act 1966 requires the council to furnish to the minister on or before 30 September in each year a report containing a full account of its income and expenditure for the previous year to 30 June audited by the Auditor-General. This report is then to be tabled in Parliament.
- 3.15.4 As indicated in my April 1982 report the accounts for 1980-81 were returned to the council for necessary adjustment. The finalised financial statements were re-submitted for audit on 8 November 1982, together with the statements in respect of the financial year ended 30 June 1982. The audit reports on the financial statements for the two years were signed on 1 December 1982.

Financial Operations

- 3.15.5 A summary of the overall operations of the council for the years 1980-81 and 1981-82 is given hereunder:

	1980-81	1981-82
	\$	\$
Income	2 531 380	3 232 560
Expenditure	1 253 055	2 359 646
	<hr/>	<hr/>
Surplus	1 278 325	872 914
	<hr/>	<hr/>

- 3.15.6 Net assets of the council at 30 June 1982 were \$6 012 160 (30 June 1981, \$5 139 245).

Scope of Audit

- 3.15.7 The audit, covering the years 1980-81 and 1981-82, was conducted pursuant to sub-section (1) of section 17 of the National Gallery of Victoria Act 1966. The audit work undertaken included an examination of the accounting system and a review and evaluation of internal controls, together with verification of the assets and liabilities disclosed in the statements of balances at 30 June 1981 and 1982.

Audit Observations and Recommendations

3.15.8 The following matters were discussed with responsible officers of the gallery during the audit and brought to the attention of the council in an audit report upon the books and accounts for the two years under review:

- (1) the unreasonable delay in submission of the finalised financial statements for audit in respect of the year 1980-81;
- (2) the desirability of establishing an accounting system which is more appropriate to the needs of the council and which embodies the necessary internal controls;
- (3) the importance of internal check in the debtors, receipting and banking functions;
- (4) the need to take action to eliminate control weaknesses in respect of publications stocktaking procedures and to provide financial control over stocks held in the bookshop;
- (5) internal control would be improved in the accounts payable section if all supporting documentation was cancelled when a voucher was passed for payment; and
- (6) although raised in a previous audit report, security over works of art, including the desirability for regular stocktaking and insurance cover over valuable items, still requires review by the council.

Conclusion

3.15.9 Apart from the above and a number of minor matters brought to the attention of the council the audit proved to be satisfactory.

Response by the Ministry

3.15.10 The reply by the ministry dated 5 January 1983 to the matters raised in the audit report stated that appropriate action had been taken or is in course to:

- (1) expedite the preparation of future annual financial statements;
- (2) maintain the financial records on the accrual basis of accounting;
- (3) provide improved internal check in the debtors/receipting and banking functions;
- (4) overcome previous problems associated with the stocktaking of publications; and
- (5) cancel all supporting documentation after accounts have been paid.

3.15.11 The ministry also stated in the reply that "matters relating to previous audit reports regarding security over works of art, regular stocktakes and insurance coverage is taken on advice and noted".

3.16 PORT OF GEELONG AUTHORITY

Introduction

- 3.16.1 The Port of Geelong Authority was established by the Port of Geelong Authority Act 1958.
- 3.16.2 The objectives of the authority as laid down by the Commissioners of the authority are:
- (1) to operate as a profitable commercial enterprise playing a significant part in carefully selected segments of shipping cargo and the ship-repair market;
 - (2) to contribute to the overall development of the Geelong region by integrating the port into a world wide system of total distribution of imports and exports; and
 - (3) to contribute to an efficient and economical transport system within Victoria.

Statutory Reporting Requirements

- 3.16.3 The Port of Geelong Authority Act 1958 requires the authority to finalise its accounts as soon as practicable after 31 December in each year and have such accounts audited by the Auditor-General prior to them being tabled in Parliament.
- 3.16.4 The final accounts of the authority were received during the course of the audit and the audit report on the financial statements was signed on 14 April 1983.

Legislative Charges

- 3.16.5 The Public Authorities (Sinking Funds) Act 1982 repealed section 95 of the Port of Geelong Authority Act 1958 which required the authority to maintain a sinking fund to pay off the principal sums borrowed under the act. The balance of the fund \$150 665 was transferred to the general reserve.

Financial Operations

- 3.16.6 The financial operations of the authority for the years ended 31 December 1981 and 1982 are summarised hereunder:

	1981	1982
	\$	\$
Operating Revenue	6 918 410	10 535 190
Operating Expenses	5 566 874	7 712 563
	-----	-----
Net Profit from Port operations	1 351 536	2 822 627
Investment and Extraordinary income (net)	1 170 902	1 333 463
	-----	-----
Net Profit	2 522 438	4 156 090
	-----	-----

- 3.16.7 The increase in net profit for the year was due mainly to:

- (1) higher charges for port services which came into effect on 15 February 1982,
 - (2) an increase in the number of vessels using port facilities, and
 - (3) an increase in income from investments.
- 3.16.8 The net assets of the authority at 31 December 1982 were \$42 784 481 (31 December 1981, \$38 519 759).

Scope of Audit

- 3.16.9 Section 86 of the Port of Geelong Authority Act 1958 provides for an annual audit of the accounts of the authority by the Auditor-General.
- 3.16.10 The audit consisted of an appraisal of the soundness of the accounting methods employed and the effectiveness of the systems of internal control maintained by the authority. Assets and liabilities at 31 December 1982 were verified. Satisfactory explanations were given in respect of the matters raised during the course of the audit.

3.17 STATE ELECTRICITY COMMISSION

Introduction

3.17.1 The State Electricity Commission of Victoria is constituted under the State Electricity Commission Act 1958. The principal functions of the Commission are:

- (1) to ensure a safe, economical and effective supply of electricity to the State; and
- (2) to establish and improve works for the generation, distribution, supply and use of electricity throughout Victoria and in the process, applying the natural resources of the State, particularly brown coal.

Statutory Reporting Requirements

3.17.2 The State Electricity Commission Act 1958 requires the commission to prepare at the end of each financial year a profit and loss account and a balance sheet in respect to its electrical undertakings. An audited copy of the balance sheet and profit loss account is to be included in the annual report of the commission, which is to be laid before both Houses of Parliament on or before the 30 November in each year.

3.17.3 The finalised accounts for 1981-82 were adopted on 23 November 1982 and the audit report was signed on 24 November 1982.

Financial Operations

3.17.4 The financial operations of the commission for 1981-82 compared with 1980-81 are summarised hereunder:

	1980-81	1981-82
	\$000	\$000
Income	890 687	1 088 444
Expenditure	812 807	1 012 360
	<hr/>	<hr/>
Net revenue prior to statutory contributions to Consolidated Fund of Victoria	77 880	76 084
Less		
Provision for statutory contributions to Consolidated Fund of Victoria	48 994	59 687
Other provisions and appropriations	26 500	10 800
	<hr/>	<hr/>
Balance of revenue transferred to general reserve	2 386	5 597

3.17.5 Net assets of the commission at 30 June 1982 were \$183.76 million (\$165.75 million at 30 June 1981).

3.17.6 During 1981-82, the commission made a major policy change in respect of the method of accounting for accruals at balance date. The change principally provided for all invoices in excess of \$10 000, which were received after 30 June but which related to the previous financial period, to be accounted for, where practicable, in the period to which they related. The financial effect of the change in policy on the accounts for the period under review was as follows:

<u>Item</u>	<u>Increase</u>
	\$000
Fixed assets	135 000
Other assets	7 000
Operating expenses	5 000
Accounts payable and miscellaneous accruals	147 000

3.17.7 With effect from 1981-82, the commission implemented a policy change in respect of accounting for realised and unrealised exchange gains and losses on financing transactions. Under the changed procedures, exchange gains and losses, both realised and unrealised, are recorded in a deferred charges account for amortisation over the remaining period to settlement. Previously, realised exchange gains and losses were capitalised by way of addition to the value of the asset to which the loan applied and unrealised exchange gains and losses were not brought to account but were disclosed as a note to the accounts. The financial effect of the policy change on the commission's accounts for the year is summarised below:

	\$
Net realised/unrealised exchange losses	39 134 140
<u>Less net loss charged to Revenue Account for year</u>	<u>13 898 249</u>
Balance 30 June 1982	-----
Deferred Charges Account	<u>25 235 891</u>

Scope of Audit

3.17.8 Section 79 of State Electricity Commission Act 1958 provides for the audit of the accounts of the commission by the Auditor-General. The scope of the audit included:

- (1) a review of the commission's depreciation policy;
- (2) substantive testing of certain lease payments;
- (3) consideration of certain aspects of the commission's 'capitalisation of interest' policy;
- (4) a review of the plans, programs, reports and working papers of the internal auditor;
- (5) examination of the procedures relating to balance date accruals;
- (6) evaluation of the materials management system and related stock checking procedures; and
- (7) verification of the commission's 1981-82 revenue account and balance sheet.

Audit Observations and Recommendations

Depreciation

3.17.9 A review of the commission's depreciation policy disclosed that a number of practices adopted by the commission for the depreciation of non-current assets are at variance with Australian accounting standards.

- 3.17.10 The extent to which the departures from the standards impact the annual depreciation charge has not been determined by the commission.
- 3.17.11 The area which could have the greatest significance concerns the calculation of depreciation charges for assets within the transmission and distribution systems. Assets within these systems are regarded by the commission as having a continuing function and in view of the problems of individual identification and recording, the assets are grouped for depreciation purposes. Depreciation for these assets is assessed using weighted average lives and no adjustments are made for early retirement or for continuance in service beyond assessed lives.
- 3.17.12 Audit recommended that the commission take action to provide information which would quantify the effect that the depreciation practices in question have on the annual depreciation charge.

Interest Capitalisation

- 3.17.13 Under a policy which has been applied by the State Electricity Commission since 1 July 1979, interest during construction on major projects is capitalised until the asset first comes into service. The capitalised interest forms part of the value of the asset and is written off over the depreciable life of the asset.
- 3.17.14 On 2 December 1981, unit 3 of the Yallourn W power station came into service. On that date, the commission ceased capitalisation of interest on units 3 and 4 of Yallourn W even though the latter unit was not commissioned until 31 March 1982.
- 3.17.15 Audit considered that it could reasonably be contended that unit 4 constituted a separate asset and, as such, interest capitalisation on unit 4 should have continued until 31 March 1982.
- 3.17.16 The commission contended that the word "asset" referred to in its policy was, in effect, the project and not the individual assets contained within the project. To overcome problems of interpretation of the word "asset", the commission varied the wording of its policy in 1981-82 so that interest during construction of major projects is capitalised until the project either in part or in its entirety is first commissioned, and the interest so capitalised forms part of the value of the project and is written off over the depreciable life of the project. As the date on which unit 3 came into service was deemed by the commission to be the date on which part of the project was first commissioned, interest capitalisation on the project ceased on 2 December 1981.
- 3.17.17 The financial effect of adoption by the commission of a common cut-off point for capitalisation of interest during construction of units 3 and 4 of Yallourn W power station was that approximately \$11 million in interest was charged to operations in 1981-82 in lieu of being capitalised as would have been the case if unit 4 was deemed to be a separate asset.
- 3.17.18 The implications of the amendment to the wording of the commission's policy concerning capitalisation of interest will be quite far-reaching when applied to large scale capital projects such as Loy Yang. Consistent application of the policy will require that all interest charges incurred on the project in the period following the commissioning of the first unit will be accounted for as an expense against operations in the period in which incurred.

Provision for Long Service Leave

- 3.17.19 During 1981-82, an amount of \$8.3 million was appropriated to the provision for long service leave. The accumulated provision at 30 June 1982 was \$53.6 million and the aggregate liability at that date was estimated by the commission to be \$81.6 million. It is understood that the commission is giving consideration to formulation of a policy in relation to the shortfall between the total long service leave commitment and the accumulated balance of the provision.

Superannuation Funds

- 3.17.20 In previous years, I have undertaken the audit of the S.E.C. Superannuation Fund and the S.E.C. Employees' Retirement and Benefit Fund in accordance with the terms of the respective Funds' rules.
- 3.17.21 During the 1981-82 year, the commission as trustee of the funds sought legal advice on several matters relating to the two superannuation funds. In September 1982, the commission made available a copy of the legal opinion which it had received.
- 3.17.22 Counsel expressed the opinion that there was an absence of legislative authority for the Auditor-General to undertake the audit of the two funds. In the light of this opinion, the audit for 1981-82 was not finalised by my officers and the trustees engaged a firm of chartered accountants to undertake the audits.
- 3.17.23 The State Electricity Commission (Amendment) Act 1982 proclaimed on 2 March 1983 provides statutory authority for the Auditor-General to carry out future audits of the two superannuation funds.

Leasing

- 3.17.24 In the year under review, the commission entered into leasing arrangements which had an aggregate value of \$73.85 million. These leasing arrangements increased the commission's total lease liability to \$90.52 million at 30 June 1982.
- 3.17.25 The major lease agreements entered into during the year were for the sale and leaseback of coal plant, the value of such leases amounting to \$64.42 million.
- 3.17.26 The commission's policy in respect of profits arising from assets subject to sale and leaseback arrangements is to offset profits on sale against the value of the capitalised lease and to amortise the net value over the remaining life of the asset.

Conclusion

- 3.17.27 Apart from the above comments, the audit proved satisfactory.

3.18 STATE EMPLOYEES RETIREMENT BENEFITS BOARD

Introduction

- 3.18.1 The State Employees Retirement Benefits Board was constituted under the provisions of the State Employees Retirement Benefits Act 1979 and is responsible for the administration of the State Employees Benefits Fund.
- 3.18.2 The fund provides, on a contributory basis, superannuation benefits for certain employees of State departments and any other class of officers not otherwise covered by superannuation benefits who may be recommended by the Governor-in-Council.
- 3.18.3 The board provides benefits on account of age, disability, death and resignation. These benefits include pension entitlements and lump sum payments to beneficiaries.

Statutory Reporting Requirements

- 3.18.4 The State Employees Retirement Benefits (Amendment) Act 1981 requires the board to submit to the Treasurer its report, including the audited accounts to be presented to both Houses of Parliament as soon as practicable after the accounts relating to the fund have been audited.
- 3.18.5 In my April 1982 report I indicated that the board had presented its report to Parliament containing unaudited financial statements and further that the financial statements required material amendment. The audit report on the 1981 accounts was signed on 26 July 1982 and the board presented its amended report to Parliament in September 1982.
- 3.18.6 The finalised accounts of the board for the year ended 30 June 1982 were received on 30 November 1982 and the audit report on the financial statements was signed on 13 April 1983.
- 3.18.7 One of the reasons for the delay in the finalisation of the audit report on the 1982 accounts was the need to clarify the current situation in relation to contributions by certain employees. In a letter of 30 September 1982 to the board, the acting Treasurer indicated that certain legislative changes were envisaged and that they would be retrospective to 1 July 1982. At the date of preparation of this report no legislation had been introduced into Parliament and the board has included a suitable note to its accounts.

Financial Operations

- 3.18.8 The financial operations of the board for 1981-82 compared with 1980-81 are summarised hereunder:

	1980-81	1981-82
	\$	\$
Income	6 739 578	12 533 944
Expenditure	5 257 514	8 474 620
	<hr/>	<hr/>
Surplus for year	1 482 064	4 059 324
	<hr/>	<hr/>

- 3.18.9 The main reason for the improved result for the year was the increase in employee and employer contributions resulting from the receipt of contributions from members employed by the Education Department and State technical schools for the full year.
- 3.18.10 The total accumulated funds and net assets of the board at 30 June 1982 were \$4 929 798 compared with \$636 807 at 30 June 1981.

Scope of Audit

- 3.18.11 Section 17 of the State Employees Retirement Benefits Act 1979 provides for an annual audit of the accounts of the board by the Auditor-General. For the years ended 30 June 1981 and 1982, in addition to my statutory responsibility to conduct an audit each year, a firm of chartered accountants appointed by the board, conducted an audit on a regular basis throughout the year. Their audit programs and working papers were examined and evaluated by my officers and were accepted for the purpose of my audit. Additional audit work undertaken included the documentation, evaluation and testing of the board's contributions, income, expenditure and inward receipts systems. Substantive testing was carried out on all other areas of the board's activities and the assets and liabilities of the board at 30 June 1981 and 30 June 1982 were verified.

Audit Observations and Recommendations

Employee Contributions in Arrears/Advance

- 3.18.12 The board has included in its accounts estimates of the arrears and payments in advance of employee contributions. The necessity to estimate these amounts arose due to certain deficiencies in the computer application programs. Whilst audit was unable to be completely satisfied as to the accuracy of the amounts shown for employee contributions in arrears and in advance, audit was satisfied that the figures shown in the accounts are fairly stated.
- 3.18.13 Audit recommended that the board investigate the amounts generated by the computer system and make appropriate adjustments for errors detected on the members file.

Reconciliation of Board's Records

- 3.18.14 The board has requested from all employers details of contributions paid for each member of the fund during the 1980-81 and 1981-82 financial years. Examination of contributory records kept by the board indicated variances between details supplied by the employers and the members records kept by the board. The board is in the process of investigating all variances and adjusting its records accordingly.

Actuarial Investigation

- 3.18.15 Section 18 of the State Employees Retirement Benefits Act 1979 provides for the board to cause an actuarial investigation into the financial position of the fund as at 30 June 1982. The investigation had not been completed at the date of the audit report.

Conclusion

- 3.18.16 Apart from the above matters and a number of minor matters brought to the attention of the board, the results of the audit proved satisfactory.

3.19 STATE SUPERANNUATION BOARD

Introduction

- 3.19.1 In my December 1982 report, I included comments on the Pensions Supplementation Fund, the Parliamentary Contributory Superannuation Fund, the Married Women's Superannuation Fund and the newly established Superannuation Lump Sum Fund. The report also indicated that due to a lack of resources it was not possible, at that time, to complete the audit of the Superannuation Fund. The audit has now been completed and comments are made hereunder.

The Superannuation Fund

Statutory Reporting Requirements

- 3.19.2 Statutory reporting requirements of the board are:

(1) Annual Report

Section 63 of the Superannuation Act 1958 requires the board in each year to submit to the minister a report dealing with the general administration and working of the act. The report is to be laid before both Houses of Parliament.

Although the act does not specifically require the presentation of a financial report, the board has over the years provided Parliament with financial statements.

The accounts of the fund for the year ended 30 June 1982 were adopted by the board on 15 September 1982, however, their finalisation was delayed pending clarification of several key issues relating to the accounts. The matters were finally resolved with officers of the board on 4 March 1983. The audit report on the accounts was signed on 21 March 1983.

(2) Actuarial Report

Section 10 of the Superannuation Act 1958 requires an actuarial investigation into the state and sufficiency of the fund every 3 years. The investigation at 30 June 1980 revealed a surplus of \$157.3 million compared with a surplus of \$103.5 million at 30 June 1977.

Legislative Changes

- 3.19.3 The Superannuation (Lump Sum Benefits) Act 1981 amended the Superannuation Act 1958 in a number of respects and inter alia required the fund to meet the costs of administering the Superannuation Fund and the act. These costs were previously met from the Consolidated Fund.

- 3.19.4 The act further required the establishment of a management account for the purposes of crediting moneys:

- (1) appropriated from the Superannuation Fund;
- (2) recovered from the Superannuation Lump Sum Fund; and
- (3) recovered as costs of administration from any fund or scheme administered by the board.

3.19.5 The management account is required to be charged with the payments of all costs of administering the Superannuation Fund and the act together with the expenses incurred in administering the Superannuation Lump Sum Fund and any other scheme.

Financial Operations

3.19.6 The financial operations of the fund for 1981-82 compared with 1980-81 are summarised hereunder:

	1980-81	1981-82
	\$	\$
Income	129 167 919	143 249 136
Expenditure	51 926 867	65 143 008
	<hr/>	<hr/>
Increase in fund	77 241 052	78 106 128
	<hr/>	<hr/>

3.19.7 Net assets of the fund at 30 June 1982 were \$744 560 043 (30 June 1981, \$666 513 524).

Scope of Audit

3.19.8 Section 8 of the Superannuation Act 1958 requires the accounts relating to the fund to be audited by the Auditor-General.

3.19.9 The audit encompassed an examination of the financial systems and transactions and included an evaluation of internal controls. Assets and liabilities of the fund at 30 June 1982 were verified.

Audit Observations and Recommendations

Unclaimed Refunds of Contributions

3.19.10 Section 38 of the Superannuation Act 1958 provides for the refund of contributions in the event of a member resigning from the fund. Records indicated that at 30 June 1982 there were approximately 2 500 unclaimed refunds. The board disclosed the existence of this liability in the notes to the financial statements but did not include the total liability of the fund.

3.19.11 Audit recommended that the board take immediate steps to ascertain the amount of the liability and to incorporate the amount in the 1982-83 financial statements.

Default in Repayment of Loans to the Board

3.19.12 At the date of audit the repayment of loans made by the board to 3 organisations namely:

Shire of Donald

Talinga Home Buyers Co-op No. 5 Ltd.; and

Ballarat Y.M.C.A.

all of which are subject to government guarantees, were in arrears.

3.19.13 At the date of this report, the government has been required to meet the sum of \$254 296 under the terms of the guarantee in respect of the Shire of Donald.

Reserve Units Account

- 3.19.14 At the date of audit the subsidiary records of the reserve units account had not been reconciled to the general ledger at 30 June 1982.
- 3.19.15 The inability to reconcile these records was due mainly to the failure of a number of bodies to submit required returns to the board.
- 3.19.16 Audit recommended that further action should be taken by the board to ensure that returns are received on a more timely basis and that consideration be given to the computerisation of the records to improve the efficiency of processing.

Review of the Internal Audit Function

- 3.19.17 A review of the internal audit function of the board established that, for the year under review, the function had not been carried out in an effective manner.
- 3.19.18 The board has required the internal auditor to submit for approval a detailed audit program for the 1982-83 year and at the date of finalisation of the audit, the board had approved this program "in principle".

Board Minutes

- 3.19.19 A number of previous audit reports and a Public Service Board study, have made mention of the lack of information contained in the board's minutes. The current audit revealed that the situation has not changed and audit again recommended that the board improve the quality of the minutes of its meetings.

Trade Practices Commission

- 3.19.20 The board has for some time been involved in a legal action brought against it by the Trade Practices Commission. The action related to the board's practice of exclusive dealing with an insurance broker for the provision of insurance cover on property mortgaged to the board as security for loans.
- 3.19.21 On 19 December 1980 a judgment was entered against the board by the High Court and an appeal to the Full Court was subsequently lodged by the board. In a judgment handed down on 14 December 1982, the board was held to be a financial corporation subject to Federal legislative control. The result of the decision is that the Trade Practices Commission will be able to pursue its investigations into the alleged exclusive dealings.

Conclusion

- 3.19.22 Apart from the above matters and a number of minor weaknesses in internal control brought to the attention of the board, the results of the audit proved satisfactory.

3.20 VICTORIAN DAIRY INDUSTRY AUTHORITY

Introduction

- 3.20.1 The Victorian Dairy Industry Authority was established under the Victorian Dairy Industry Authority Act 1977 and is responsible for administering the supply, sale and distribution of milk in the proclaimed milk districts of the State.
- 3.20.2 All milk produced under contract is purchased by the authority.
- 3.20.3 The authority also purchases quantities of non-contract milk, the proceeds of which, when sold, form 'pools' on a monthly basis. In accordance with section 38 of the act, cash distributions have been made each month from the pools, after meeting operating expenses, to all producers who delivered non-contract milk of approved quality.

Statutory Reporting Requirements

- 3.20.4 The Victorian Dairy Industry Act 1977 requires the authority to prepare a balance sheet and statement of accounts. An audited copy of the balance sheet and statement is to be submitted to the minister on or before the last day of February in each year and laid before both Houses of Parliament.
- 3.20.5 The finalised accounts for 1981-82 adopted by the authority were received by audit on 16 February 1983 and the audit report on the financial statements was signed on 28 February 1983.

Financial Operations

- 3.20.6 The financial operations of the authority for 1981-82 compared with 1980-81 are summarised hereunder:

	1980-81	1981-82
	\$	\$
Income	122 274 540	142 803 154
Expenditure	117 430 028	137 737 156
	<hr/>	<hr/>
Transfer to Capital Fund	5 131 512	5 065 998
	5 013 001	4 408 091
	<hr/>	<hr/>
Net Operating Surplus	118 511	657 907
	<hr/>	<hr/>

- 3.20.7 Net assets of the authority at 30 June 1982 were \$12 036 264 (30 June 1981, \$11 855 841).

Scope of Audit

- 3.20.8 Sub-section (3) of section 20 of the Victorian Dairy Industry Authority Act 1977 provides for an annual audit of the accounts of the authority by the Auditor-General. The audit work undertaken included the documentation, evaluation and testing of the authority's expenditure and revenue systems and the verification of assets and liabilities of the authority at 30 June 1982. In accordance with established practice, a firm of chartered accountants is responsible for the audit of each of the monthly pools. The chartered accountants operate in conjunction with the authority's inspectorial staff. Their audit programs, working papers and reports were examined and evaluated and accepted for the purpose of the audit.

Audit Observations and Recommendations

- 3.20.9 Included in the audit report on the books and accounts of the Victorian Dairy Industry Authority for the year ended 30 June 1982 were the following matters:

Audit of Pool Distribution

- 3.20.10 The authority continued to use the services a firm of chartered accountants to complement the work of the authority's internal audit group in providing a continuous audit of the transactions relating to the authority's purchase and sale of milk.
- 3.20.11 It was also noted that the number of audits conducted during the year by the authority's audit group had decreased compared with the previous year. This matter has been brought to the attention of the authority which indicated that there will be no expansion of audit activity until the future of the direct payments to farmers system has been resolved.
- 3.20.12 In audit opinion each depot/processor not covered by the direct payments system should have at least one sales/purchase audit per year.

Direct Payments to Producers

- 3.20.13 Concern was expressed in my 1980-81 supplementary report (page 205) in respect of the procedure used by the authority in paying for its milk purchases through third parties (depots etc.).
- 3.20.14 The authority's reply to the 1980-81 audit report indicated that it would be proceeding with the implementation of a direct payment to farmers service and that it would cover all depots in the State by July 1983.
- 3.20.15 Despite efforts by the authority to comply with the implementation program, objections raised by the Victorian Dairy Farmers Association and the United Dairy Farmers of Victoria, culminated in the postponement, for a period of 3 months, of the implementation of the system. Following the postponement on 12 October 1982 a working party has been established to review the system and to endeavour to find a solution which is satisfactory to all parties.
- 3.20.16 At the date of preparation of this report farmers supplying milk to 9 depots, covering 10.3 per cent. of the authority's total milk purchases, were being paid directly.

- 3.20.17 Until the direct payments system is extended to all farmers audit opinion that the authority is being placed in a position of risk by paying for the milk purchases through third parties is reiterated.

Disposal of Retail Outlet (I.C. Creams)

- 3.20.18 The authority obtained an independent valuation for its retail outlets located at the City Square and Bendigo. This resulted in a loss on revaluation of \$68 538 as compared to the book value of the assets. Both outlets were subsequently sold, on 27 June 1982, at a price which exceeded the revalued figures by \$16 600.
- 3.20.19 The authority, in its accounts for 1981-82 disclosed a loss on revaluation of \$68 538 and a profit on the sale of the outlets of \$16 600.

Employment of Management Consultants

- 3.20.20 During 1981-82 the services of 8 management consultants were used on either a full-time or part-time basis in order to carry out special projects and duties.
- 3.20.21 The authority could only produce documentation authorising the appointment of two of these consultants.
- 3.20.22 Following audit enquiries the authority, in December 1982, created a register of management consultants to record details of the services provided by each consultant. Ratification by the authority now occurs on a monthly basis.
- 3.20.23 Audit recommended that the authority enter into formal agreements with all consultants covering the term and conditions of appointment. The authority should also ensure that, wherever practicable, consultants are made fully accountable for their work and that they prepare written reports for the authority on the completion of each assignment.

Investigation

- 3.20.24 As the Minister of Agriculture has already indicated to the Parliament (Hansard, Legislative Council 22 March 1983) an investigation was undertaken by audit in relation to the alleged falsification in the authority's files of information relating to certain tenders. This investigation was carried out during November 1982 and audit recommended to the Premier that certain matters be referred to the Chief Commissioner of Police for further enquiry.

Conclusion

- 3.20.25 Apart from the above matters and a number of minor weaknesses in internal control brought to the attention of the authority the results of the audit proved satisfactory.

3.21 VICTORIAN ECONOMIC DEVELOPMENT CORPORATION

Introduction

- 3.21.1 The Victorian Economic Development Corporation was constituted under the provisions of the Victorian Economic Development Corporation Act 1981, which came into operation on 1 July 1981.
- 3.21.2 Under the terms of the legislation, the Victorian Development Corporation and the Victoria Promotion Committee were abolished and the rights, powers, obligations and functions of both bodies were transferred to the Victorian Economic Development Corporation.
- 3.21.3 The main objectives of the corporation are:
- (1) to increase the rate of growth of the production of goods and services in Victoria;
 - (2) to increase employment opportunities;
 - (3) to increase the development of manufacturing and tourist industries throughout the State, particularly in country areas;
 - (4) to expand tourist accommodation and facilities throughout the State; and
 - (5) to promote the export of Victorian produce, products and services into interstate and overseas markets.

Statutory Reporting Requirements

- 3.21.4 The Victorian Economic Development Corporation Act 1981 requires the corporation to prepare at the end of each financial year a statement of accounts including such information as is necessary to give a true and fair view of the financial transactions and the state of affairs of the corporation. Audited statements must then be forwarded to the minister, for tabling in Parliament, no later than 31 December each year.
- 3.21.5 The accounts were adopted by the corporation on 19 November 1982 and the audit report on the financial statements was signed on 9 December 1982.

Financial Operations

- 3.21.6 The financial operations of the corporation for 1981-82 are summarised hereunder:

	1981-82
	\$
Income	6 883 859
Expenditure	5 998 667
	<hr/>
Surplus	885 192
	<hr/>

- 3.21.7 Net assets of the corporation at 30 June 1982 were \$4 120 737.

Qualification of Corporation's Financial Statements

- 3.21.8 It was necessary to record the following exception opinion in the audit report on the financial statements:

"The Victoria Promotion Committee, whose property, liabilities, contracts etc. were transferred to the Victorian Economic Development Corporation as from 1 July 1981, was a body which had its derivation from a trust arrangement dated 22 March 1956 which established the responsibilities of the trustees of the Victorian Promotion Trust Fund.

The Victorian Economic Development Corporation Act 1981 which authorised the said transfer refers to a committee established by the State Development Decentralisation and Tourism Act 1978.

On the evidence available, it would appear that there is only one organisation called the Victoria Promotion Committee, namely the committee established under the above trust arrangement, and that it was the property, liabilities, contracts etc. of that committee which were intended to be transferred under the terms of the Victorian Economic Development Corporation Act 1981."

- 3.21.9 Audit recommended that the Corporation seek legal advice as to the necessity or otherwise of an amendment to the Victorian Economic Development Corporation Act 1981, in respect of the matter referred to above.

Scope of Audit

- 3.21.10 The audit was conducted pursuant to sub-section (4) of section 43 of the Victorian Economic Development Corporation Act 1981 and involved examination and appraisal of the financial systems in operation at the corporation. The assets and liabilities of the corporation at 30 June 1982 were verified.
- 3.21.11 Following a communication from the then minister an examination was undertaken in May 1982 to determine whether the financial transactions of the corporation during the period 1 July 1981 to 21 May 1982, were in accordance with the provisions of the act as it then stood. The audit observations and conclusions contained within the report on the examination highlighted the difficulties which had been experienced by the corporation in attempting to comply with the financial provisions of the act and generally raised doubts as to the legality of the corporation's financial activities since 1 July 1981. Amending legislation to validate such activities, with retrospective effect to 1 July 1981, came into operation on 8 July 1982.
- 3.21.12 The corporation engaged the services of a firm of chartered accountants as internal auditor. Internal audit programs, work papers and reports were examined as part of the overall examination of internal control. For the purposes of my audit, work undertaken by the firm at the corporation's overseas offices was accepted.

Audit Observations and Recommendations

Temporary Overdraft Facility

- 3.21.13 Sub-section (1)(b) of section 27 of the Victorian Economic Development Corporation Act 1981 states that with the approval of the Treasurer and subject to such terms and conditions as the Treasurer thinks fit to impose after consultation with the minister, the corporation may borrow moneys from any bank by way of overdraft on current account.

3.21.14 During the 1981-82 financial year, the corporation on a number of occasions allowed their operating bank account to be overdrawn, on a temporary basis, without the approval of the Treasurer. The maximum amount overdrawn at any one time was \$800 406.

Guarantee

25/8/82
used in 1981-82
- Treasurer

3.21.15 Sub-section (2)(b) of section 13 of the Victorian Economic Development Corporation Act 1981 provides that the corporation shall not execute a guarantee in respect of a loan or other credit facility, if the amount to be guaranteed together with the amounts of all other guarantees executed by the corporation and then in force exceeds the amount as may from time to time be fixed by the Treasurer.

3.21.16 At the date of preparation of this report the Treasurer had not fixed an amount for the purposes of the act.

Accounts of Overseas Offices

3.21.17 The accounts of the corporation's overseas offices were not prepared on a consistent basis i.e. some were prepared on an accrual basis whilst others were prepared on a cash basis.

3.21.18 The attention of the corporation was drawn to the need to establish standard financial reporting requirements for its overseas offices.

Conclusion

3.21.19 Apart from the above matters and a number of minor weaknesses in internal control brought to the attention of the corporation, the results of the audit examination proved satisfactory.

25/8/82

Don Soss

3.22 VICTORIAN GOVERNMENT TRAVEL AUTHORITY

Introduction

3.22.1 The Victorian Government Travel Authority was established under the provisions of the Victorian Government Travel Authority Act 1977 to carry out the following functions:

- (1) promote and market travel to and from Victoria;
- (2) organise travel arrangements;
- (3) provide travel information;
- (4) promote and publicise Victoria's tourist facilities and attractions; and
- (5) advise the minister on matters associated with the industry.

Statutory Reporting Requirements

3.22.2 The Victorian Government Travel Authority Act 1977 requires the authority to furnish to the minister, not later than 31 December each financial year, audited financial statements for the year ended 30 June. Copies of these statements are required to be laid before both Houses of Parliament.

3.22.3 The accounts were adopted by the authority on 25 October 1982 and the audit report on the financial statements was signed on 28 October 1982.

Financial Operations

3.22.4 The financial operations of the authority for 1981-82 and 1980-81 are summarised hereunder:

	1980-81	1981-82
	\$	\$
Income	4 487 182	5 369 833
Expenditure	4 639 362	5 754 934
	<hr/>	<hr/>
Deficit	152 180	385 101
	<hr/>	<hr/>

3.22.5 Net liability of the authority at 30 June 1982 was \$101 298 compared with net assets of \$325 854 at 30 June 1981.

Scope of Audit

3.22.6 Regular audits of the authority's accounts were undertaken during the year by the auditors appointed by the authority under the provisions of section 23 of the Victorian Government Travel Authority Act 1977. The audit program for the year focused, to a large extent, on a review of the work carried out by the authority's auditors, supplemented by an examination of selected procedures and records. In addition, the assets and liabilities at 30 June 1982 of the authority were verified.

Audit Observations and Recommendations

Trust Debtors

- 3.22.7 Trust debtors at 30 June 1982 amounted to \$310 638, of which \$280 081 was owed by Victorian government departments and statutory authorities.
- 3.22.8 The authority monitors the level of trust debtors on a continuous basis, however, its efforts are hindered to a substantial extent by delays in payments by departments and authorities of amounts due.

Conclusion

- 3.22.9 Apart from the above matters and a number of minor weaknesses brought to the notice of the authority, the results of the audit proved satisfactory.

3.23 VICTORIAN POST-SECONDARY EDUCATION COMMISSION

Introduction

- 3.23.1 The Victorian Post-Secondary Education Commission was constituted under the provisions of the Post-Secondary Education Act 1978.
- 3.23.2 The commission's functions are to make reports and recommendations in relation to the planning, organisation, administration and co-ordination of post-secondary education in Victoria and to make recommendations to appropriate Commonwealth bodies concerning funds needed for the proper development of post-secondary education.

Statutory Reporting Requirements

- 3.23.3 The Post-Secondary Education Act 1978 directs the commission to keep proper books and accounts and for such accounts to be audited at least once in each year by the Auditor-General.
- 3.23.4 The act also requires the commission, as soon as practicable after 30 June in each year, to present an annual report to the minister on its proceedings during the previous year. Such report is to be subsequently tabled in Parliament.
- 3.24.5 The financial statements of the commission for 1981-82 were finalised on 3 December 1982 and the audit report was signed on 7 December 1982.

Financial Operations

- 3.23.6 The commission's income for 1981-82 consisted of \$2 151 000 (1980-81, \$1 454 697) from a State grant under an Education Department vote and \$205 337 (1980-81, \$56 492) from extraneous funds.
- 3.23.7 The total sum available from grant funds, \$2 471 851, including accumulated funds of \$320 851 brought forward from 1980-81, was insufficient by \$15 081 to meet the operating and other expenses of the commission for the year totalling \$2 486 932 (1980-81, \$1 133 846). An amount of \$80 000 (1980-81, \$56 492) was distributed during the year from extraneous funds to colleges of advanced education to augment a shortfall in States grants funds for approved capital projects.
- 3.23.8 The recorded net assets of the commission at 30 June 1982 were \$166 748 (30 June 1981, \$377 343).

Scope of Audit

- 3.23.9 Sub-section (2) of section 4A of the Post-Secondary Education Act 1978 provides for an annual audit of the accounts of the commission by the Auditor-General. The audit work undertaken by my officers included the examination and evaluation of the accounting system and the verification of assets and liabilities at 30 June 1982. Apart from minor weaknesses brought under notice during the audit, the results of the audit proved satisfactory.

**4.0 STATUS OF OBSERVATIONS AND RECOMMENDATIONS CONTAINED
IN PREVIOUS SUPPLEMENTARY REPORTS**

<u>REPORT</u>	<u>PAGE</u>	<u>AUTHORITY</u>	<u>STATUS AT DATE OF PREPARATION OF THIS REPORT</u>
<u>ALBURY WODONGA (VICTORIA) CORPORATION</u>			
1978-79	7	Independent valuation of land	Position unchanged.
1979-80	8	and buildings required.	
1980-81	10		
April 82	1		
1979-80	7	No provision for depreciation	Position unchanged.
1980-81	10	has been made on land and buildings.	
1979-80	9	Reserves have not been	Position unchanged.
1980-81	12	established for future	
April 82	1	commitments in accordance with legislation.	
<u>CANCER INSTITUTE BOARD</u>			
1978-79	11	Private practice income not	Position unchanged. Will remain so until all existing agreements expire.
1979-80	15	verifiable by audit.	
1980-81	18		
1981-82	8		
<u>GOVERNMENT PRINTING OFFICE</u>			
1980-81	54	Sundry debtors - government departments - Treasury instruction re payment of accounts within 30 days not being complied with.	Situation unchanged during year ended 30 June 1982.
<u>GRAIN ELEVATORS BOARD</u>			
April 82	5	Internal Audit - problems with reporting area and other inadequacies.	Still unresolved.
		Stock control Pesticides - method of control inadequate.	Still unresolved.
<u>GRAIN HANDLING IMPROVEMENT AUTHORITIES</u>			
1980-81	63	Doubt on ownership of assets.	Legal situation unresolved.
	63	No facility to generate income.	Position unchanged. Further comment in this report paragraphs 3.6.5 to 3.6.11.
<u>HOSPITALS SUPERANNUATION BOARD</u>			
April 82	9	Rental of premises - no formal agreement.	Matter still unresolved.

<u>REPORT</u>	<u>PAGE</u>	<u>AUTHORITY</u>	<u>STATUS AT DATE OF PREPARATION OF THIS REPORT</u>
<u>HOUSING COMMISSION</u>			
1979-80	60	Increased rental arrears.	Position unchanged. Further comment in this report, paragraphs 3.9.13 to 3.9.15.
1980-81	78		
<u>LOCAL AUTHORITIES SUPERANNUATION BOARD</u>			
1978-79	58	Unsatisfactory contractual	Matter still unresolved.
1979-80	76	arrangements in respect of	
1980-81	94	service bureau facilities to	
1981-82	40	State Superannuation Board, Motor Accidents Board etc.	
<u>ONION MARKETING BOARD</u>			
1978-79	64	Finalisation of winding up	Department of Agriculture advised that liquidator has now reached final distribution stage.
1979-80	76	delayed pending legal	
1980-81	96	proceedings in respect of large shipment of onions to London.	
<u>MELBOURNE UNDERGROUND RAIL LOOP AUTHORITY</u>			
1980-81	127	Assets consisting of part of	Position unchanged.
1981-82	53	loop now vested in Victorian Railways Board still included in accounts of Authority.	
<u>MOTOR ACCIDENTS BOARD</u>			
1978-79	95	Computer facilities provided by	Still not finalised.
1979-80	115	L.A.S.B. -	
1980-81	15	- formal agreement to be	
1981-82	64	finalised.	
1980-81	15	Bethesda Hospital - payment	Position unchanged.
1981-82	63	for unused beds.	
<u>NATIONAL GALLERY OF VICTORIA</u>			
1980-81	139	Cash collections internal control weaknesses. Works of art - no regular stocktaking. - lack of insurance cover.	Necessary steps being taken to correct weaknesses. Position unchanged. See further comment in this report, paragraph 3.15.8.
<u>PUBLIC TRUSTEE</u>			
1980-81	145	Financial statements -	Position unchanged.
1981-82	70	amendment to legislation required.	
1980-81	148	Internal audit - effectiveness	Action being taken to remedy situation.
1981-82	74	impaired by staff turnover and secondment of staff to other sections.	

<u>REPORT</u>	<u>PAGE</u>	<u>AUTHORITY</u>	<u>STATUS AT DATE OF PREPARATION OF THIS REPORT</u>
<u>STATE SUPERANNUATION BOARD</u>			
1979-80	140	Computer services supplied by	
1980-81	187	Local Authorities Superannuation Board - formal agreement still to be finalised	Still unresolved.
1979-80	140	Stressed need for introduction	Board has advised that all
1980-81	187	of full accrual accounting procedures and meaningful financial reports.	accounts for 1982-83 will be on accrual basis.
<u>VICTORIAN DAIRY INDUSTRY AUTHORITY</u>			
1980-81	205	Payments to producers through depots - review of procedures required.	Action in course. Further comment in this report, paragraphs 3.20.13 to 3.20.17.
<u>VICTORIAN RAILWAYS BOARD</u>			
1980-81	221	Contracts for road passenger	Position unchanged.
1981-82	103	bus services - power to enter into contracts questioned.	
1980-81	229	Financial accounts -	Position unchanged.
1981-82	107	insufficient information disclosed.	
1980-81	233	Vicrail Pipelines Pty. Ltd. -	Position unchanged.
198-82	105	wholly owned subsidiary - no provision in legislation for accounts to be audited by Auditor-General.	