

ERRATUM

Second Report of the Auditor-General for the year 1984-85 Annual Reporting Act 1983

Pages 3-4 Previous reference to the operations of the Act

- 2.1.8 At that time I found it necessary to express my disappointment at the poor response by a number of administrative units which had failed to present their annual reports to the Minister for tabling in Parliament by the required date of 30 September. I did, however, acknowledge that administrative units and public bodies have been placed in some difficulty in the preparation of their annual reports as a result of the late finalisation of the Regulations and the resources required for the development of program budgeting.

Pages 4-5 Format of financial statements

- 2.1.12 Audit is of the opinion that information which is to be included in financial statements must be meaningful, concise and readily understood. Audit found that the information currently reported by administrative units was generally far too complex and detailed. The financial statements of certain administrative units exceeded 50 pages.

Page 6 Lack of commitment by administrative units to the Regulations

- 2.1.17 The attitude formed by some departmental officers was that there was no need to be overly concerned about the accuracy of the material submitted for audit, as the auditor could be expected to detect any omissions, or failure to comply with Regulations, and would indicate the changes required.

Government Stores Operations

Pages 7-8 (1) Gas and Fuel Corporation

(i) Levels of slow moving stock

- 2.2.5 The audit report commented on the inadequacy of the Corporation's procedures for the identification and review of slow moving stock items.

In the report it was noted that at 30 November 1983, of the Corporation's total stocks of \$20.4 million, some \$4.55 million (22.3 per cent) related to stock items where existing holdings exceeded usage over the previous 12 months. During the 1984-85 audit it was observed that at 20 September 1985, \$6.29 million (25.5 per cent) of total Corporation holdings of \$24.6 million were identified in this category.

VICTORIA

Second Report

of the

AUDITOR-GENERAL

for the

Year 1984-1985

Ordered by the Legislative Assembly to be printed

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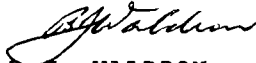
March 1986.

Sir,

Pursuant to the provisions of the Audit Act 1958, I transmit herewith my Second Report in respect of the 1984-85 financial year covering the audits of certain departments and public bodies declared in accordance with the Annual Reporting Act 1983, and the audits of a number of other statutory bodies, not declared under the Act, which I am required by law to audit.

This report is supplementary to my report of 25 September 1985 in relation to the Treasurer's Statement for the year ended 30 June 1985.

Yours faithfully,


B.J. WALDRON
Auditor-General

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

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- 1.1.7 It will be noted that many of the matters referred to in this report represent management shortcomings and irregularities. In essence, audit reports to Parliament are reports by exception and, as such, do not purport to be balanced accounts of the operations of Government departments and statutory bodies. This is why the report may seem to emphasise shortcomings without giving credit for situations where no significant irregularities were observed. Nevertheless, audit endeavours to make constructive recommendations to entities to overcome such shortcomings. In this respect I wish to acknowledge the positive way in which most entities have responded to audit recommendations.
- 1.1.8 In addition to the two reports for 1984-85, a separate report on the operations and audited financial statements of the Office of the Auditor-General was transmitted to the Premier for presentation to Parliament on 12 September 1985, in accordance with the Annual Reporting Act 1983.

1.2

ACKNOWLEDGEMENTS

- 1.2.1 I wish to acknowledge the contribution made by all members of my Office during the reporting cycle and the assistance of the Government Printer in the timely printing of my reports. The contributions made by private sector accounting firms employed as agents for certain audits are also acknowledged.
- 1.2.2 An auditor's responsibilities can be discharged more effectively and economically with the co-operation of those officers whose entities are subject to my audit. I wish to record appreciation for the co-operation and assistance that management and staff of departments and statutory bodies have extended to staff of this Office and my appointed agents during the conduct of their work in 1984-85.
- 1.2.3 I also wish to express my gratitude for the professionalism, dedication and loyalty displayed by 5 officers who recently retired after many years of dedicated service. Miss U.F. de Burgh, Messrs J.H.E. Campbell, R.H. Evans, J.A. Wernmouth and J.G. Whelan have served the State of Victoria and the Audit Office well and their expertise will be greatly missed.

PART 2

MATTERS OF SPECIAL INTEREST

2.1

ANNUAL REPORTING ACT 1983

Introduction

- 2.1.1 In my Second Report to Parliament for the year ended 30 June 1983 I referred with approval to the passing of the Annual Reporting Act 1983, which I regarded as a most significant step in improving the accountability of Government departments and authorities to Parliament.
- 2.1.2 Under the Act:-
- (1) the responsible Minister for each designated administrative unit is required to table in each House of Parliament a report of operations and audited financial statements before 30 September in each year or, if that House is not sitting, within 14 sitting days after the next meeting of that House.
- (2) each designated public body is required to submit to its responsible Minister a report of operations and audited financial statements, within 3 months of the end of each financial year, for tabling in each House of Parliament by the Minister within 14 sitting days. If that House is not then sitting, the report is to be tabled by the Minister within 14 sitting days after the next meeting of that House.
- 2.1.3 In both cases there is provision for the Treasurer to grant extensions of time. Where the Minister or the public body is unable to comply with the specific or extended deadlines, this fact and the reasons for it are also required to be reported to Parliament by the responsible Minister.
- 2.1.4 The form and content of the report on operations and the financial statements are prescribed by way of Regulations under the authority of the Act.
- 2.1.5 The Annual Reporting (Departments) Regulations 1984 were proclaimed on 4 September 1984 and the Annual Reporting (Large Trading and Rating Public Bodies) Regulations 1984 on 11 September 1984.
- 2.1.6 These Regulations were amended in 1985 by the Annual Reporting (Administrative Units) Regulations 1985 and the Annual Reporting (Large Trading and Rating Public Bodies) Regulations 1985, both of which were promulgated on 10 September 1985.

Previous reference to the operations of the Act

- 2.1.7 In my Second and Fourth Reports to Parliament for the year ended 30 June 1984 I commented on the operation of the Act during its first year of operation.
- 2.1.8 At that time I found it necessary to express my disappointment at the poor response by a number of administrative units which had failed to present their annual reports to the Minister for tabling in Parliament by the required date of 30 September. I did, however, acknowledge that administrative units and public bodies have been placed in some

the late finalisation of the Regulations and the resources required for the development of program budgeting.

Current Review

2.1.9 Audit conducted a further review during 1984-85. A major observation was the marked improvement shown by most administrative units and public bodies in meeting the reporting deadlines specified in the Act.

2.1.10 By way of comparison, in 1983-84 the Treasurer granted 22 extensions of time as against 11 granted in the year under review. Details are shown in the following table:

<u>Entities</u>	1983-84 Extensions Granted to	1984-85 Extensions Granted to
Ministry for the Arts	15.11.84	-
Department of Community Services	31.10.84	-
Department of Conservation Forests and Lands	30.11.84	30.11.85
Ministry of Consumer Affairs	30.11.84	*31.10.85
Office of Corrections	31.10.84	-
Ministry of Education	30.11.84	-
Ministry of Employment and Industrial Affairs	31.10.84	31.10.85
Department of Industry, Technology and Resources	31.10.84	30.10.85
Law Department	30.11.84	14.10.85
Local Government Department	31.10.84	*14.10.85
Department of Management and Budget	31.10.84	21.10.85
Ministry for Planning and Environment	31.01.85	10.10.85
Ministry for Police and Emergency Services	31.12.84	-
Department of Premier and Cabinet	31.10.84	-
Department of Property and Services	31.10.84	-
Office of the Public Service Board	31.10.84	-
Public Works Department	31.10.84	-
Department of Sport and Recreation	-	*14.10.85
Ministry of Transport	30.11.84	*14.10.85
Department of Water Resources	-	*30.11.85
Grain Elevators Board	31.11.84	-
Metropolitan Transit Authority	31.12.84	-
Port of Melbourne Authority	31.12.84	-
State Transport Authority	31.12.84	-

* Denotes applications in 1984-85 for extensions that were sought on grounds other than the need to prepare financial statements.

2.1.11 In the course of the 1984-85 review it became evident that a number of problems continued to be experienced by administrative units in the interpretation and application of the 1984 Regulations as amended in 1985. Audit has provided the Department of Management and Budget (DMB) with a number of observations and recommendations. These are summarised hereunder.

Format of financial statements

2.1.12 Audit is of the opinion that information which is to be included in financial statements must be meaningful, concise and readily understood. Audit found that the information currently reported by

financial statements of certain administrative units exceeded 50 pages.

- 2.1.13 Audit has made a number of recommendations with a view to rationalising the presentation of financial statements by administrative units and making the statements more meaningful to Parliament and the public.

Duplications and omissions

- 2.1.14 The State's financial records should be arranged in such a manner that the information reported in the financial statements of all administrative units collectively comprises the information contained in the Treasurer's Statement.
- 2.1.15 Audit noted that this was not the case in 1984-85 and, as a result, there was evidence of duplication and omission in the financial statements of administrative units. Examples are:

(1) Ministry of Transport

Under Regulation 19(b) of the Regulations, an administrative unit is required to include in its financial statements all moneys for which the unit has policy responsibility and which were collected and paid into the Consolidated Fund during the financial year.

During 1984-85, an amount of \$19 million was received by DMB from the Commonwealth Government for major transport improvements. However, DMB failed to notify the Ministry of this receipt and, consequently, the amount was not reported in the Ministry's financial statements but included in DMB statements.

(2) Victorian Natural Disasters Relief Account

Full details of the receipts into the payments from this account, \$5.4 million and \$9.1 million respectively, have been disclosed in the financial statements of DMB. However, as \$3.6 million of the above mentioned payments were made by the Local Government Department, that Department has also shown this amount in its financial statements.

(3) Expenditure from the State Development Program

Payments under this program for 1984-85 totalled \$146.4 million. DMB's financial statements record the total payments under the program, with the administrative units reporting only the repayments of debt and interest there-on and any commitments at 30 June.

Audit was of the opinion that payments under this program should be transferred to the appropriate administrative units and reflected in their financial statements.

Lack of commitment by administrative units to the Regulations

- 2.1.16 It would appear that many administrative units attached a low priority to the preparation of financial statements. It was a rare occurrence to find full-time responsibility assigned to the financial reporting function, and audit observed that a number of administrative units were generally not conversant with the Regulations.

no need to be overly concerned about the accuracy of the material submitted for audit, as the auditor could be expected to detect any omissions, or failure to comply with Regulations, and would indicate the changes required.

- 2.1.18 There is the need for a strong direction from the Treasurer on the standard of performance expected of administrative units in preparing financial statements. Administrative units should be encouraged to assign the responsibility for preparing financial statements to a senior officer.

Currency of Regulations

- 2.1.19 In a number of instances audit found that administrative units were unaware of the latest changes governing the preparation of the financial statements. In some cases, financial statements submitted to audit had been prepared solely on the basis of the 1984 Regulations.
- 2.1.20 This problem was compounded by the fact that changes were made to the Regulations up to the first week of September 1985, at which time a number of administrative units had already finalised the preparation of their financial statements. On the other hand audit noted that draft material was circulated by DMB to administrative units alerting the units to the proposed changes.
- 2.1.21 It would be desirable for future changes to the Regulations to be kept to a minimum, consistent with the need to rationalise the presentation of financial statements, and that any amendments to the Regulations be finalised by DMB by the end of May. It would be appropriate also for DMB to continue its recent practice of issuing instructions/guidelines to administrative units to assist them in the preparation of financial statements.

2.2

GOVERNMENT STORES OPERATIONS

Background

2.2.1 In October 1984, I presented a report to Parliament commenting on the financial operations and management of Government stores. This report arose from an audit of 7 organisations. These were:

- . Gas and Fuel Corporation
- . Government Printing Office
- . Ministry of Education (formerly Education Department)
- . Office of the Chief Commissioner of Police
- . Public Works Department
- . State Electricity Commission
- . State Transport Authority

2.2.2 The report contained a variety of audit observations and recommendations relating to each organisation. The general summary of findings concluded overall that:

"The review identified a need for significant upgrading in stores management procedures in the Victorian public sector. In general, organisations have failed to pay sufficient attention to monitoring and reviewing their stores operations and have not applied modern resource management techniques."

Subsequent developments

2.2.3 As I have indicated in previous reports, the response to audit comments and the action taken regarding opportunities for improvement identified in audit reports are, of course, a matter for the organisations under review.

2.2.4 The audit process does, however, necessarily involve the monitoring by audit of auditee responses to comments and recommendations made in these reports. Where necessary, further audit comments may be provided and/or review of action taken in response to audit reports.

2.2.5 The 1984 stores review incorporated a number of recommendations in which management action was deemed necessary to assist in the improvement of an organisation's stores operations. Action taken by management at the 7 organisations at the date of preparation of this report is outlined below. The comments are related to the major observations and recommendations noted for each organisation in the report.

(1) Gas and Fuel Corporation

(i) Levels of slow moving stock

The audit report commented on the inadequacy of the Corporation's procedures for the identification and review of slow moving stock items.

In the report it was noted that at 30 November 1983, of the Corporation's total stocks of \$20.4 million, some \$4.55 million (22.3 per cent) related to stock items where existing holdings exceeded usage over the previous 12 months. During the 1984-85 audit it was

total Corporation holdings of \$24.6 million were identified in this category.

The Corporation considers that of the \$6.29 million of stock identified above, only \$1.23 million of technical stock and \$1.31 million of appliance stock represent potential obsolete or excess holdings. Further, the Corporation did not consider the emergency material of \$2.22 million, spare parts for manufacturers' appliances no longer in production of \$1.31 million, and appliance display stock of \$0.23 million as obsolete or excess holdings.

(ii) Appliance inventory holdings

In the report Audit recommended that the Corporation consider the rationalisation of the range of appliance models held in stock and the level of showroom display stock maintained at Corporation branches and agencies.

In reply the Corporation stated that it was the largest retailer of gas appliances and provided the only comprehensive display of appliances to the public. The Corporation's position generally remains unaltered although rationalisation of holdings has occurred.

In addition the Corporation has initiated a policy whereby an appliance will not remain on display for a period longer than 2 years and that display stock holdings are to be reviewed on an annual basis.

(iii) Appliance spare parts

The report commented upon the need for the Corporation to stock a wide range of appliance manufacturers' spare parts and accessories. The stocking of these parts was regarded by audit as the manufacturers' responsibility.

Since the report the Corporation has reaffirmed its policy to stock these spare parts in order to ensure a supply of them to gas consumers and to support its service division and sub-contractors. A review has been carried out as a consequence of which the level of holdings was rationalised.

Further, the Corporation has instituted a policy whereby all items of stock with an average holding of 12 months or more are reviewed on an annual basis with a view to establishing obsolescence.

2. Government Printing Office

(i) Stock recording and control procedures

The report identified weaknesses in stock recording and control procedures that resulted in unreliable and inaccurate information being used in the re-ordering process.

Since the date of the audit report, the Office's procedures have been revised where necessary. The low level of stock checking discrepancies in 1984-85 indicates that stores records are being updated satisfactorily and reviewed regularly.

The report identified a number of inventory items, particularly in relation to publications, where individual holdings represented many years of current usage.

The Government Printer has generally reviewed his stock levels and in a number of instances reduced them significantly. This has been evidenced by a \$409 000 abnormal write-off of stock in the Office's 1984-85 financial statements.

(3) Ministry of Education

(i) Use by Government schools of the Ministry's central store

The report recommended that consideration should be given to encouraging school councils to apply education allowances towards the purchase of stock items from the Ministry's central store. It was estimated that savings of up to \$10 million to school councils were foregone in 1983-84 through schools purchasing from outside suppliers.

The Ministry has recently issued a circular to school councils pointing out the cost advantages to be gained through using the Ministry's central store. In this circular, the Ministry estimates that between \$16 million and \$18 million is available to schools for spending on stationery, requisites and small items of classroom equipment and that, of this amount, only approximately \$2 million is spent at the Ministry's central store. The Ministry also estimates that a minimum of 50 per cent price advantage would be available to schools purchasing through its supply section. On this basis, annual savings of up to \$8 million are being foregone by schools purchasing from outside suppliers.

(ii) Slow moving/obsolete items

The audit report recommended that the Ministry should give consideration to development of improved EDP reporting procedures to assist the identification of slow moving/obsolete stock items. In response to this recommendation, the Ministry has developed EDP reports which highlight potential excess stock levels. In addition, the Ministry has established procedures which provide for more effective disposal of items deemed to be obsolete.

4. Office of the Chief Commissioner of Police

(i) Surplus and obsolete inventory

Audit noted that there were significant levels of potentially surplus and obsolete inventory held in store.

Since the audit over \$100 000 of surplus stock has been written off. Currently another \$180 000 of surplus stock has been identified and is in the process of being disposed. Additional computer reports have also been developed to assist in identifying obsolete inventory, and a supply manager has been appointed to further assist in this role.

Audit noted that there was substantial duplication of purchasing activities in the Office of the Chief Commissioner and recommended their rationalisation. At the date of preparation of this report, some preliminary work has been completed towards centralising the store's purchasing function.

5. Public Works Department

(i) EDP stores system

The Department has yet to introduce a stores EDP system as recommended in the report. It is proposed that the Department commence development of such a system in 1985-86.

(ii) Port Melbourne storage facilities

The report recommended that high priority be given to upgrading storage facilities at the Department's Port Melbourne central store, including a rationalisation of the number of storehouses required. Due to funding constraints, no work has been undertaken by the Department in upgrading these facilities.

6. State Electricity Commission

(i) Upgrade of the computer system

Audit referred to the inadequacy of the Commission's current stores computer application system and the resultant adverse impact on the level of stock holdings. Audit recommended that the system be upgraded as soon as possible.

Following the audit review, a feasibility study undertaken by the Commission confirmed the need for an upgrade of the stores computer system and recommended the introduction of a new on-line computer system termed Materials Management Information System (MMIS). The selection of a software supplier and the development of initial specifications has been completed.

At the date of preparation of this report, the Commission has decided that it cannot currently proceed with MMIS until a dispute with a number of trade unions is resolved. The dispute relates to union claims for wage increases for officers required to use screen based equipment under the proposed MMIS application.

(ii) Re-order procedures

The audit report identified a need for stricter adherence to standard SEC re-ordering procedures and recommended a review of current general purpose stock holdings to reduce the current investment in stocks.

The Commission has since reviewed its re-order procedures as recommended by audit. A special review of slow moving stock was initiated in January 1985 which resulted in \$230 000 of surplus or obsolete holdings being earmarked for disposal. A further \$1 million of holdings has been identified for further review.

The major recommendations in the report related to the need for the Authority to review stores accounting systems and procedures that were adversely affecting the level of stock holdings.

Since the audit the Authority has advised that:

- . it has reviewed its policy for the write down and write off of slow moving and obsolete stock items. The new policy has been designed to enforce effective user reviews of these items; and

- . it is progressing towards the development of a computerised stores management information system currently scheduled for implementation by the end of 1986.

2.3

FAILURE TO OBTAIN TENDER BOARD APPROVAL

- 2.3.1 In my reports to Parliament for the 1982-83 and 1983-84 financial years, I have referred to the failure of departments to obtain required Tender Board approval for the purchase of goods and services. Department of Management and Budget Regulations require that, with certain exemptions, Tender Board approval be obtained for the purchase of all goods and services costing more than \$3 000.
- 2.3.2 I expressed the view in my previous reports that action should be taken to ensure that the Regulations are observed or, where they are considered inappropriate, steps be taken to revise them.
- 2.3.3 Recent developments in this area are as follows:
- . effective from 29 November 1984, the minimum purchase amount requiring Tender Board approval was raised from \$2 000 to \$3 000;
 - . the number of exemptions granted to departments whereby Board approval was not required was expanded; and
 - . the practice of granting approval for payments made without initial Tender Board sanction was discontinued by the Board during 1984-85 as there was no legal power for the Board to grant such approvals.
- 2.3.4 During 1984-85 numerous cases were again noted by audit of departments failing to obtain Tender Board approval before purchasing goods and services. The continued non-observance of the Regulations by departments is of concern and is an area requiring closer departmental attention.

2.4 PRELIMINARY REVIEW OF EMPLOYEE LEAVE ENTITLEMENTS

Background

- 2.4.1 During 1984-85 audit conducted a survey of payments made to employees in relation to leave entitlements. This survey encompassed a selection of departments and authorities and was the precursor of a further regularity review of the administration of leave entitlements to be conducted in 1985-86.
- 2.4.2 This survey was conducted to assist in identifying the reasonable bounds and structure of the audit program to conduct the further review. The prime objective will be to determine the extent of compliance by departments and authorities with the relevant regulations, determinations, instructions and pronouncements regulating the leave entitlements of public sector employees.

Preliminary review finding

- 2.4.3 Although the individual prescriptions regulating employee leave entitlements vary substantially between departments and authorities, the following major areas of non-compliance were noted:

(i) Maintenance of leave cards

Incomplete, inadequate and inaccurate maintenance of the details on leave cards was observed at a number of departments. At one department audit noted that there was a backlog of leave cards which had not been updated for 4 months.

(ii) Accumulation of unused recreation leave credits

Employees at a number of departments and authorities had accumulated leave credits often well in excess of prescribed annual entitlements. In addition audit observed a number of instances where the carry-over of employees' leave entitlements had not been formally approved by the department or authority as required by the relevant pronouncements.

(iii) Utilization of recreation leave entitlements by employees whilst on unpaid maternity leave

A number of instances were identified where employees on unpaid maternity leave were electing to take recreation leave immediately before and after public holidays. This practice resulted in employees being paid for these public holidays. By way of example, taking 2 days recreational leave, one immediately prior to, and the other immediately after the Easter period would result in the employee being paid for 7 days rather than the 2 formally applied for.

After audit drew the attention of the Public Service Board to this matter, the Board issued a direction that such practices must cease as they were contrary to Board Determination 24.2.

- 2.4.4 Other significant matters noted included:

- . inconsistent regulations governing employee leave entitlements;
- . inadequate recording of leave taken;
- . inadequate records provided to support the taking of sick leave;
- . leave forms not properly authorised; and
- . retrospective approval of leave.

Audit comment

- 2.4.5 The preliminary review disclosed that there were significant inconsistencies in the specification of leave pronouncements between inner and outer budget sectors, and in the interpretation and administration of pronouncements generally.

2.5 GOVERNMENT FUNDING OF PRIVATELY SPONSORED PROJECTS

2.5.1 In this report particulars are given of 3 cases where activities undertaken required substantial Government assistance following a financial failure. These were:

(1) Australia Games (paragraphs 3.19.2 - 3.19.5)	\$920 000
(2) Sandown Motor Racing Circuit (paragraphs 3.19.2 - 3.19.5)	\$706 000
(3) Operation Emergency '85 (paragraph 3.15.9)	\$601 800

2.5.2 In each case there was an apparent failure to establish a clear definition of responsibility and to establish proper accountability procedures.

2.5.3 Clear guidelines are obviously necessary where Government funds are to be used either during the course of privately sponsored projects, or to meet shortfalls arising therefrom.

2.5.4 Audit recommends that for future major privately sponsored projects:

(1) the financial management and viability of organisations be appraised prior to any Government commitment;

(2) the Department be actively involved in conjunction with the project management in monitoring the financial and operational status of projects;

(3) all agreements with participating organisations be formalised; and

(4) a clear definition of responsibilities of all parties be established to facilitate control over Government funds.

2.6**OTHER MATTERS OF SPECIAL INTEREST**

2.6.1 Matters of special interest detailed in Part 3 of this report, Audit of Ministerial Portfolios, are identified below:

<u>Subject</u>	<u>Paragraph reference</u>
<u>Chisholm Institute of Technology</u>	
Purchase and commercial operation of the Caulfield Plaza Shopping Centre	3.7.42
<u>Department of Conservation, Forests and Lands</u>	
Failure to reconcile advance accounts	3.5.11 - 3.5.13
<u>Department of Management and Budget</u>	
Failure by the Department to determine whether \$586 million is to be considered as equity or as a loan	3.21.7 - 3.21.12
<u>Department of Sport and Recreation</u>	
Cost overruns on project	3.19.2 - 3.19.5
<u>Director of Housing</u>	
Rental arrears position	3.11.5 - 3.11.9
<u>Geelong and District Water Board</u>	
Reported defalcation	3.22.21 - 3.22.22
<u>Health Department Victoria</u>	
Need for review of procedures governing pre school payments and home help subsidies	3.10.8 - 3.10.10
<u>Local Government Department</u>	
Irregularities in payroll system	3.13.2
<u>Melbourne Metropolitan Board of Works</u>	
Losses and theft of stores	3.22.8 - 3.22.9
<u>Metropolitan Transport Authority</u>	
Funding of operations	3.20.4 - 3.20.8
<u>Ministry of Education</u>	
Outstanding debts to the Ministry	3.7.11
Review of subsidy and grant payments	3.7.3 - 3.7.5

Ministry for Police and Emergency Services

Failure to review rentals on Police residences	3.15.2 - 3.15.18
Operation Emergency '85, estimated project loss of \$1.3 million	3.15.9

Ministry of Transport

Accountability for special projects	3.20.23 - 3.20.25
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Office of Corrections

Need for internal audit	3.3.21 - 3.2.22
Identification of costs of goods and services rendered	3.3.18 - 3.3.20

Office of the Public Trustee

Overpayment of bulk postage	3.3.26
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Parliamentary Contributory Superannuation Funds

Overpayment of \$2.1 million to superannuation fund	3.21.16 - 3.21.17
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Port of Melbourne Authority

Superannuation shortfall of \$2.2 million not funded	3.20.26 - 3.20.29
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State Electricity Commission

Lack of computer policies and controls	3.12.17 - 3.12.20
Unused leave entitlements	3.12.16

State Insurance Office

Valuation of outstanding liabilities	3.21.27 - 3.21.29
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Trustees of the National Gallery of Victoria

Inadequate control over income	3.2.9 - 3.2.15
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Victorian Prison Industries Commission

Inadequate procedures in the acquisition of a business	3.3.30 - 3.3.32
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Victorian Development Fund

Forward currency exchange contract of \$75 million entered into without authority	3.21.46 - 3.21.50
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Water Authorities

Non-compliance with legislation	3.22.14 - 3.22.16
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2.6.2 Qualification of financial statements

Cancer Institute Board		3.10.7
Construction Industry Long Service Leave Board		3.8.2
Department of Conservation, Forests and Lands		3.5.2
Department of Management and Budget	3.21.3 -	3.21.6
Department of Property and Services		3.17.2
Hospitals Superannuation Board		3.21.13
Law Department	3.3.4 -	3.3.5
Melbourne University		3.7.38
Metropolitan Transit Authority	3.20.2 -	3.20.3
Ministry of Transport	3.20.19 -	3.20.22
Monash University		3.7.41
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Rural Water Commission	3.22.12 -	3.22.13
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State Insurance Office	3.24.23 -	3.24.26
State Transport Authority	3.20.39 -	3.20.40
Technical and Further Education Board		3.7.49
Tobacco Leaf Marketing Board		3.1.4
Victorian Arts Centre Trust	3.2.16 -	3.2.18
Victorian Economic Development Corporation	3.12.28 -	3.12.30
Victorian Egg Marketing Board		3.1.5
Water Authorities	3.22.19 -	3.22.22
Werribee Park Corporation		3.5.17
Zoological Board of Victoria Superannuation Fund		3.5.18

PART 3

AUDIT OF MINISTERIAL PORTFOLIOS

3.1

AGRICULTURE AND RURAL AFFAIRS

3.1.2 The Minister for Agriculture and Rural Affairs is responsible for the administration of the following entities audited by the Auditor-General:

- . Citrus Fruit Marketing Board
- . Department of Agriculture and Rural Affairs
- . Melbourne Wholesale Fruit and Vegetable Market Trust
- . Poultry Farmer Licensing Committee
- . Poultry Farmer Licensing Review Committee
- . Rural Finance Commission
- . Tobacco Leaf Marketing Board
- . Tobacco Quota Appeals Tribunal
- . Victorian Dairy Industry Authority
- . Victorian Dried Fruits Board
- . Victorian Dried Fruits Superannuation Board
- . Victorian Egg Marketing Board
- . Victorian Fishing Industry Council

Progress of Audit

Entities	Financial Year Ended	Legislative Reporting Deadline	Date Financial Statements Signed	Date Auditor-General's Report Signed	Further Reference/Comment in this Report
Completed Audits					
Citrus Fruit Marketing Board	31 December 1984	No date specified. Marketing of Primary Products Act 1958 (S.12)	16 August 1985	10 September 1985	Refer paragraph 3.1.3.
Department of Agriculture and Rural Affairs	30 June 1985	30 September. Annual Reporting Act 1983 (S.8)	23 August 1985	23 September 1985	
Poultry Farmer Licensing Committee	30 June 1985	No date specified. Egg Industry Stabilization Act 1983 (S.52)	18 December 1985	16 January 1986	
Poultry Farmer Licensing Review Committee	30 June 1985	No date specified. Egg Industry Stabilization Act 1983 (S.52)	22 October 1985	16 January 1986	
Rural Finance Commission	30 June 1985	No date specified. Rural Finance and Settlement Commission Act 1961 (S.27)	17 October 1985	23 October 1985	
Tobacco Leaf Marketing Board	31 March 1985	No date specified. Marketing of Primary Products Act 1958 (S.12)	23 May 1985	17 December 1985	Qualified opinion issued. Refer paragraph 3.1.4.
Tobacco Quota Appeals Tribunal	31 March 1985	No date specified. Tobacco Leaf Industry Stabilization Act 1966 (S.22)	Undated	16 January 1986	
Victorian Dairy Industry Authority	30 June 1985	30 September. Dairy Industry Act 1984 (S.21)	9 September 1985	20 September 1985	
Victorian Dried Fruits Board	31 December 1984	No date specified. Dried Fruits Act 1958 (S.18)	4 March 1985	11 April 1985	
Victorian Egg Marketing Board	30 June 1985	No date specified. Marketing of Primary Products Act 1958 (S.12)	21 August 1985	23 October 1985	Qualified opinion issued. Refer paragraph 3.1.5.
Victorian Fishing Industry Council	30 June 1985	30 November. Victorian Fishing Industry Council Act 1979 (S.16)	20 December 1985	9 January 1986	

Entities	Financial Year Ended	Legislative Reporting Deadline	Date Financial Statements Signed	Date Auditor-General's Report Signed	Further Reference/Comment in this Report
Incomplete Audits					
Melbourne Wholesale Fruit and Vegetable Market Trust	30 June 1985	No date specified. Melbourne Wholesale Fruit and Vegetable Market Trust Act 1977 (S.19)			Audit at advanced stage, awaiting finalisation of Melbourne City Council loan liability.
Victorian Dried Fruits Superannuation Board	30 September 1983 15 months ended 31 December 1984*	Audit conducted at request of Treasurer			Audit at advanced stage.

* Balance date changed to 31 December.

Audit Observations and Recommendations

CITRUS FRUIT MARKETING BOARD

Financial operations

- 3.1.3 As there is no legislative requirement for the Board to present audited financial statements to Parliament, summarised financial operations of the Board for the year ended 31 December 1984, together with comparative figures for the previous year, are given below.

	1983 \$000	1984 \$000
Income	118 358	196 007
Expenditure	86 967	173 754
	<hr/>	<hr/>
Surplus for the year	31 391	22 253
	<hr/>	<hr/>

The net assets of the Board at 31 December 1984 were \$80 975 (31 December 1983, \$58 722).

TOBACCO LEAF MARKETING BOARD

Qualification of financial statements

- 3.1.4 The Board's financial statements were qualified on the grounds that the accounts of the Australian Leaf Corporation Pty Ltd, an exempt proprietary company and a subsidiary of the Board, were unaudited. The Board had resolved that the company's accounts would not be subject to audit.

VICTORIAN EGG MARKETING BOARD

Qualification of financial statements

3.1.5

Although there is no legal requirement in the employment awards governing Board employees for the payment of accrued sick leave entitlements on the termination of employment, the Board has adopted the policy of providing for such entitlements in its accounts. In 1984-85 sick leave expenses for the year amounted to \$133 352 and the provision for sick leave at 30 June 1985 amounted to \$413 349. Audit is of the opinion that the Board has no liability to pay accrued sick leave entitlements to an employee on termination. In audit opinion the inclusion of this provision had the effect of understating the net profit for the current year by \$133 352. Current liabilities were overstated by \$413 349 and retained earnings were understated by a similar amount at 30 June 1985.

Status Report

<u>Report</u>	<u>Page</u>	<u>Subject</u>	<u>Status at date of preparation of this report</u>
<u>Citrus Fruit Marketing Board</u>			
Fourth Report 1983-84	25	The Board's equity in its management company should be incorporated in the notes to the financial statements.	The Board's equity in its management company has been incorporated in the notes to the financial statements for 1984.
<u>Rural Finance Commission</u>			
Third Report 1983-84	10	The Commission should obtain regular independent actuarial advice as to the adequacy of provision for superannuation.	A report was prepared for the Commission by the office of the Government Statist and Actuary. Matters raised in the report are still under consideration.
<u>Onion Marketing Board</u>			
Supplementary Reports 1978-79 1979-80 1980-81	64 79 96	Finalisation of winding-up delayed pending legal proceedings in respect of a large shipment of onions to London.	Liquidator has advised that all payments have been made and that a final statement is currently being prepared for submission to audit.

3.2

ARTS

3.2.1 The Minister for the Arts is responsible for the following entities audited by the Auditor-General:

- . Council of the Museum of Victoria
- . Council of Trustees of the National Gallery of Victoria
- . Exhibition Trustees
- . Film Victoria
- . Geelong Performing Arts Centre Trust
- . Library Council of Victoria
- . Ministry for the Arts
- . State Film Centre of Victoria Council
- . Victorian Arts Centre Trust

Progress of Audit

Entities	Financial Year Ended	Legislative Reporting Deadline	Date Financial Statements Signed	Date Auditor-General's Report Signed	Further Reference/Comment in this Report
Completed Audits					
Council of Trustees of the National Gallery of Victoria	30 June 1985	30 September, National Gallery of Victoria Act 1966 (S.17)	15 October 1985	25 October 1985	Refer paragraphs 3.2.9 - 3.2.15.
Film Victoria	30 June 1985	31 December, Film Victoria Act 1981 (S.21)	11 September 1985	9 October 1985	
Library Council of Victoria	30 June 1985	30 September, Library Council of Victoria Act 1965 (S.11C)	7 November 1985	17 December 1985	Refer paragraphs 3.2.2 - 3.2.4.
Ministry for the Arts	30 June 1985	30 September, Annual Reporting Act 1983 (S.8)	24 September 1985	27 September 1985	Refer paragraphs 3.2.5 - 3.2.8.
Victorian Arts Centre Trust	30 June 1985	31 December, Victorian Arts Centre Act 1979 (S.18)	12 December 1985	23 December 1985	Financial statements qualified. Refer paragraphs 3.2.16 - 3.2.18.
Incomplete Audits					
Council of the Museum of Victoria	30 June 1985	30 September, Museums Act 1983 (S.30)			Signed statements received 10 December 1985. Audit unable to proceed until certain information is provided by the Council.
Exhibition Trustees	30 June 1984 30 June 1985	30 September, Exhibition Act 1957 (S.10)			Statements for 1983-84 and 1984-85 received on 3 December 1985. Audit in progress.
Geelong Performing Arts Centre Trust	30 June 1985	31 December, Geelong Performing Arts Centre Trust Act 1980 (S.18)			Signed statements for 1984-85 not received. Statements required to complete the audit.
State Film Centre of Victoria Council	30 June 1984 30 June 1985	30 September, State Film Centre of Victoria Council Act 1983 (S.14)			Statements for 1983-84 and 1984-85 received on 28 January 1986.

Audit Observations and Recommendations

LIBRARY COUNCIL OF VICTORIA

Investments not in accordance with provisions of the Act

- 3.2.2 Under section 11A of the Library Council Act 1965, the Council is required to invest its funds:
- (1) in any manner in which trust funds may be invested pursuant to section 4(1) of the Trustees Act 1958; or
 - (2) in other manner which may be approved by the Treasurer.
- 3.2.3 At 30 June 1985, \$215 000 invested by the Council was not dealt with in accordance with the above requirements.
- 3.2.4 Audit recommended that all investments of the Council be made in accordance with the provisions of the Act.

MINISTRY FOR THE ARTS

Museum of Sport

- 3.2.5 In my Third Report for 1983-84, I advised that \$1 million advanced by the Commonwealth Government to the State for 150th Anniversary Celebrations projects had been allocated for the construction of a museum of sport. In April 1984 the Victoria's 150th Anniversary Celebrations Committee paid \$300 000 to the private sector organisation responsible for the construction of the museum to enable it to invest the money on the short-term money market. The aim of providing these funds in advance of their need was to help the organisation offset the effects inflation may have had on the estimated cost of the project.
- 3.2.6 During 1984-85 a further advance of \$250 000 was made to the organisation. Expenditure on the project at the date this advance was received amounted to \$153 179.
- 3.2.7 The Ministry has indicated that as far as it is concerned the Museum of Sport project is funded purely by the Commonwealth Government from a \$5 million grant towards the anniversary celebrations, with no State contribution towards the project. The procedure for the payment of Commonwealth funds has been established between the Ministry for the Arts and the Commonwealth. The responsible Commonwealth Government department is aware of the action taken by the Ministry and has since advanced further funds to the State for this project.
- 3.2.8 In audit opinion, the payments were made contrary to the Department of Management and Budget instruction, issued in April 1983, which requires that such payments be made to meet the needs of an organisation as they arise, rather than on a regular basis or before actually being required. In view of the Ministry's response, the Department of Management and Budget should determine whether these payments are contrary to its instructions. The Ministry also advised that, at the time the advance of \$250 000 was made by the Ministry in 1984-85, it was not aware of any audit concern regarding moneys being advanced before they were required.

COUNCIL OF TRUSTEES OF THE NATIONAL GALLERY OF VICTORIA

Lack of control over income

- 3.2.9 During the 1984-85 year, the Council hosted a number of exhibitions at the National Gallery of Victoria. The exhibitions, organised by the International Cultural Corporation of Australia (ICCA), included those featuring Picasso, Turner and pop art.
- 3.2.10 The price of the tickets for these exhibitions sold by ICCA staff included Gallery entry fees. During the term of the exhibitions, ICCA remitted \$196 553 to the Council, representing its portion of the entry fees.
- 3.2.11 The Council did not control the issue of stocks of tickets used for the Picasso exhibition and did not reconcile the number of tickets sold with the ticket stock balances for the above exhibitions.
- 3.2.12 Audit recommended that in the case of future use of the Gallery by outside exhibitors, control procedures for the issue of tickets, day to day monitoring of ticket sales and the subsequent reconciliation of sales, receipts and unsold ticket stocks be formally documented and implemented by the Council.

Backdating of receipts

- 3.2.13 A donation of \$25 000 was received by the Council on 22 August 1985 and banked 23 August 1985. However, the receipt issued for this donation was backdated to 30 June 1985 and incorporated into the income of the Council for the year ended 30 June 1985.
- 3.2.14 Audit recommended adherence to the generally accepted accounting practice that donations and like revenue be receipted on the day actually received.

Response from Trustees

- 3.2.15 The Trustees have indicated that the audit recommendations would be implemented immediately.

VICTORIAN ARTS CENTRE TRUST

Qualification of financial statements

- 3.2.16 The financial statements of the Trust were qualified on the grounds that the Trust had not provided for depreciation of its buildings recorded in the Trust's balance sheet at a cost of \$253 714 820.
- 3.2.17 Based on an anticipated life span of 40 years, audit estimated that the annual depreciation charge on the buildings operational during 1984-85 would be approximately \$4 840 000, and therefore the expenses and the deficit for the year were understated by this amount.
- 3.2.18 This is the second year that the audit report on the financial statements has been qualified on these grounds.

Status Report

<u>Report</u>	<u>Page</u>	<u>Subject</u>	<u>Status at date of preparation of this report</u>
		<u>Council of the Museum of Victoria</u>	
Fourth Report 1984-85 3-84	28	Action should be initiated by the Council to implement a complete centralised register incorporating all exhibits.	Position unchanged.
	28	The Council should determine the share of profit due to the People's Republic of China resulting from the sale of a Chinese dinosaur replica.	Share of profit has been determined.
	28	All investments should be registered in the name of the Council of the Museum of Victoria.	Position unchanged.
	28	Action should be taken to place the operations of the museum shop on a proper business footing.	Position unchanged.
May 1983	43	No regular stocktaking of works of art and lack of insurance cover.	Position unchanged in relation to regular stocktaking of works of art. Insurance cover now satisfactory.
		<u>Council of Trustees of the National Gallery of Victoria</u>	
Fourth Report 1984-85 3-84	31	A formal plan be initiated by the Council to achieve complete registration of all works of art in the State Collection.	Position unchanged.
		<u>Exhibition Trustees</u>	
	107	Financial statements not presented for the year ended 30 June 1984.	Statements received 3 December 1985. Audit in progress.
		<u>State Film Centre of Victoria Council</u>	
	107	Financial statements not presented for the year ended 30 June 1984.	Signed statements received 28 January 1986. Audit to be completed.

<u>Report</u>	<u>Page</u>	<u>Subject</u>	<u>Status at date of preparation of this report</u>
		<u>Victorian Arts Centre Trust</u>	
Fourth Report 1982-83	110	Several weaknesses in internal control procedures relating to catering operations.	The Trust has advised that the position is being reviewed.
Fourth Report 1983-84	97	Weaknesses in internal control procedures in the cash payments system resulting in duplicate payments.	The Trust has advised that action is being taken to rectify the weaknesses.
	97	Assets registers maintained to record furniture and equipment were incomplete.	Asset registers substantially updated.

3.3

ATTORNEY GENERAL

3.3.1 The Attorney-General is responsible for the administration of the following entities audited by the Auditor-General:

- . Estate Agents Board
- . Law Department
- . Law Reform Commission
- . Legal Aid Commission
- . Office of Corrections
- . Office of the Director of Public Prosecutions
- . Office of the Public Trustee
- . Patriotic Funds Council
- . Victorian Prison Industries Commission

Progress of Audit

Entities	Financial Year Ended	Legislative Reporting Deadline	Date Financial Statements Signed	Date Auditor-General's Report Signed	Further Reference/Comment in this Report
Completed Audits					
Law Department	30 June 1985	30 September. Annual Reporting Act 1983 (S.8) Treasurer granted extension to 14 October 1985	4 October 1985	4 October 1985	In addition to the audit on the Law Department, audits were conducted of 60 magistrates' courts throughout Victoria. Qualified opinion issued, refer paragraphs 3.3.4 - 3.3.5. Additional comments, refer paragraphs 3.3.6 - 3.3.16.
Office of Corrections	30 June 1985	30 September. Annual Reporting Act 1983 (S.8)	12 September 1985	17 September 1985	Qualified opinion issued, refer paragraph 3.3.17. Additional comments, refer paragraphs 3.3.18 - 3.3.22.
Office of the Director of Public Prosecutions	30 June 1985	30 September. Annual Reporting Act 1983 (S.8)	27 September 1985	30 September 1985	
Estate Agents Board	30 June 1985	30 September. Estate Agents Act 1980 (S.98)	30 September 1985	15 October 1985	
Law Reform Commission	Period 4 December 1984 to 30 June 1985	30 September. Law Reform Commission Act 1984 (S.30)	16 January 1986	3 February 1986	
Office of the Public Trustee	30 June 1985	No reporting requirements. Public Trustee Act 1958 provides for audit of the books and accounts (S.62). A requirement however, to prepare financial statements	13 January 1986	3 February 1986	Refer paragraphs 3.3.23 - 3.3.27.
Patriotic Funds Council	Period 14 October to 1983 to 22 February 1985	No date specified. Patriotic Funds Act 1958 (S.28)	27 February 1985	N/A	No transactions during the period, therefore no audit opinion given.
Victorian Prison Industries Commission	30 June 1985	30 September. Victorian Prison Industries Commission Act 1983 (S.34)	18 December 1985	23 December 1985	Refer paragraphs 3.3.28 - 3.3.36.
Incomplete Audits					
Legal Aid Commission	30 June 1985	During September. Legal Aid Commission Act 1978 (S.12). However, no requirement to submit audited financial statements to Parliament			Financial statements of 19 September 1985 withdrawn by Commission.

Creation of new authorities

- 3.3.2 The Law Reform Commission was established under the Law Reform Commission Act 1984 which came into operation on 4 December 1984. Pursuant to section 20 of this Act, the Auditor-General is responsible for the audit of the financial statements of the Commission.
- 3.3.3 On 4 July 1984 the Victorian Prison Industries Commission Act 1983 was proclaimed and the responsibility for prison industries transferred from the Office of Corrections to the newly formed Victorian Prison Industries Commission.

Audit Observations and Recommendations

LAW DEPARTMENT

Qualification of financial statements

- 3.3.4 The financial statements of the Department were qualified on the grounds that the Department did not have the necessary systems in place at 30 June 1985 to report the total amount due for outstanding court fines and the value of general stores on hand in relation to the administration of justice program. The Department included estimates of \$20 million and \$390 000 respectively for these items in the financial statements. It was not practicable for audit to substantiate these estimates.
- 3.3.5 Audit was advised by the Department that systems to provide the necessary information were being considered.

Need for auditing provisions for financial statements of Chief Justice

- 3.3.6 The funds held in the common fund of the Senior Master of the Supreme Court at 30 June 1985 of \$98.8 million were audited pursuant to section 203 of the Supreme Court Act 1958.
- 3.3.7 Details of these funds are not reported in the financial statements of the Law Department, but are included in the annual report of the Chief Justice which is tabled in Parliament. However, there is no legislative authority for the Auditor-General to form an opinion on the financial information contained in this report.
- 3.3.8 Audit recommended that the matter be referred to the Department of Management and Budget with a view to ensuring that audited financial statements relating to these funds are presented to Parliament.

Deficiencies in the Integrated Sheriff's Information System (I.S.I.S.)

- 3.3.9 The Sheriff's Office is responsible for the collection and disbursement of moneys arising from judgements on civil matters within magistrates' courts and the Supreme Court.
- 3.3.10 On 1 January 1985 a new computerised system known as I.S.I.S. was implemented at the Sheriff's Office. The system was developed to cope with the increased volume of transactions and to overcome administrative and operational deficiencies in the manual system for processing warrants.

- 3.3.11 Due to certain deficiencies in the new system, delays occurred in the disbursement of trust funds. Furthermore, during the period 1 January to 30 June 1985, audit observed that 22 payments amounting to \$11 683 were inadvertently made in respect of cheques received which had been dishonoured. At 30 June 1985, 13 of these payments amounting to \$7 820 were still to be recovered. These deficiencies in the system led to the Sheriff's Office introducing checks on 26 March 1985 to vouch for the accuracy of the information recorded on the system before funds were disbursed.
- 3.3.12 This verification process, together with the backlog which already existed because of the slow response time of the I.S.I.S. system, caused excessive delays between the time moneys were recovered by the Sheriff and the time those moneys were disbursed.
- 3.3.13 The backlog of funds held as at 30 June 1985 was as follows:

<u>Month received</u>	\$
January 1985	7 267
February 1985	28 796
March 1985	286 401
April 1985	669 468
May 1985	738 621
	<hr/>
	1 730 553
	<hr/>

Response by Sheriff's Office

- 3.3.14 In its reply the Sheriff's Office advised that as from 1 July 1985 new computer programs have improved control over data entry and the checking of disbursements. Further improvements were to be implemented in February 1986.
- 3.3.15 As a result of these improvements, the backlog of funds held has been substantially reduced.

Misappropriation of trust funds

- 3.3.16 Funds amounting to \$3 750 were misappropriated by a Sheriff's bailiff during the year. The officer was charged by police with theft by deception, fined \$500 and ordered to pay restitution of \$3 750 to the Sheriff of Victoria at the rate of \$50 per week commencing 5 April 1985. At the date of preparation of this report, audit was advised that no funds had been recovered.

OFFICE OF CORRECTIONS

Qualification of financial statements

- 3.3.17 The financial statements were qualified on the grounds that they did not include the financial transactions of the Victorian Prison Industries Fund. Inclusion of such transactions is required by Regulation 14(1) of the Annual Reporting (Administrative Units) Regulations 1985. The Office of Corrections did not obtain an exemption from the Treasurer to exclude this information.

Goods and services provided free of charge

- 3.3.18 Audit observed that the Office of Corrections provided services to the Victorian Prison Industries Commission without charge at an estimated value of \$2 million. These services included the provision of prison overseers at prison industry sites and payments of allowances to prisoners employed in the various prison industry sites. Goods received by the Office of Corrections from the Commission without charge included manufactured goods with an estimated value of \$1.1 million.
- 3.3.19 The 1984-85 annual appropriations of the custodial services program provided for the payment of allowances to working prisoners and the salaries, wages and allowances of prison overseers and farm managers. No details were identified within the financial statements of the Office of Corrections of the costs incurred from the above appropriations which related to the Commission.
- 3.3.20 Audit recommended that details of the exchange of goods and services provided free of charge between the Office and the Commission should be included within the Office's financial statements. In addition, audit suggested that it would be appropriate for the Department of Management and Budget to review the present appropriation allocations to determine whether such exchange arrangements were consistent with the financial accountability objectives of each organisation.

Internal audit

- 3.3.21 Since the transfer of correctional services from the Department of Community Services to the Office of Corrections in 1983, the financial operations of the Office have not been subject to review and appraisal by internal audit.
- 3.3.22 In view of the regionalised nature of the Office's operations and that its estimated expenditure for 1985-86 is in excess of \$100 million, audit recommended that an internal audit function be established.

OFFICE OF THE PUBLIC TRUSTEE

Financial operations

- 3.3.23 Although there are no legislative reporting requirements, the Public Trustee prepared financial statements in 1984-85 which were audited by my Office. Amending legislation requiring the Public Trustee to prepare financial statements and the audit thereof is still being considered.
- 3.3.24 The Public Trustee, in his capacity as executor and administrator of estates and trusts, may invest moneys on behalf of beneficiaries in a common fund. The moneys in the fund are invested and applied in accordance with the Public Trustee Act 1958. The composition of the common fund at 30 June 1985 and 30 June 1984 was as follows:

	30.6.84 \$000	3.6.85 \$000
Moneys held on behalf of:		
Protected persons	93 525	103 655
Deceased estates	36 343	40 370
Minors	10 504	12 702
Trusts and agencies	524	638
Miscellaneous	343	363
Trustee deposits	64	67
Pension suspense account	249	1
Estates guarantee and reserve account	7 085	8 128
Unclaimed moneys fund	4 776	5 858
Interest suspense account	4 500	5 420
Building depreciation account	84	94
	<hr/>	<hr/>
	157 997	177 296
	<hr/>	<hr/>

The common fund was invested as follows:

	30.6.84 \$000	30.6.85 \$000
Mortgages	58 766	56 217
Inscribed stock	57 170	78 445
Bank accepted commercial bills	966	00
Municipal loans	3 639	3 632
Land and buildings	3 373	3 388
Cash at bank	751	(394)
Petty cash advance	2	2
Bank term and special deposits	329	1 048
Bank transferable deposits	8 000	8 958
Victorian Development Fund		
- State Development Account	24 000	26 000
Official short term money market	1 000	00
	<hr/>	<hr/>
	157 997	177 296
	<hr/>	<hr/>

3.3.25 In addition to the funds held in the common fund, the Public Trustee has under his control other assets of substantial value. These assets include land and buildings and other unrealised assets belonging to the estates administered by him. Estate liabilities to be met during the administration and distribution of these assets were not recorded as at 30 June 1985 in the financial records of the Public Trustee.

Overpayment of bulk postage

3.3.26 In November 1985 audit was advised that during the period September 1982 to March 1983 the Office of the Public Trustee overpaid \$19 647 to Australia Post for bulk postage charges. A police investigation established that the overpayment occurred as a result of the mail officer in the Office of the Public Trustee artificially inflating the number of articles mailed and the failure of Australia Post staff to check the number of articles lodged.

- 3.3.27 A credit of \$15 000 has since been allowed by Australia Post and the Treasurer has approved the writing-off of the balance of \$4 647. The officer concerned, who received no pecuniary gain, has been severely reprimanded and transferred to other duties.

VICTORIAN PRISON INDUSTRIES COMMISSION

Financial operations

- 3.3.28 The operations of the Commission were financed during 1984/85 by way of appropriations from the custodial services program which was managed by the Office of Corrections. Under the current budgetary framework the Commission receives and supplies significant goods and services free of charge, details of which are included in the section of this report on the Office of Corrections.
- 3.3.29 Audit recommended that in order to provide meaningful financial information all costs associated with the operations of the Commission should be included in the Commission's financial statements.

Purchase of cardboard box business

- 3.3.30 Prior to the establishment of the Commission, the Victorian Prison Industries Commission implementation team, established by the Office of Corrections, was responsible for the over-all management and future directions of the proposed Commission. The team purchased a cardboard box industry on 6 December 1983 for \$208 000, payable in equal instalments over 10 years. The respective assets and the above liability were transferred to the Commission as from 4 July 1984.
- 3.3.31 As at 30 June 1985, the liability for the purchase of the business had been reduced to \$176 800. However, based on the Commission's assessment of the future viability of the business, the assets had been devalued to \$17 709.
- 3.3.32 An audit review of the procedures concerning the purchase of the above business disclosed that an inadequate evaluation was undertaken prior to the purchase of the business. It was noted that no feasibility study was undertaken nor financial statements provided by the vendor verified. There was also inadequate documentation of the purchase agreement in that no official contract was drawn up and no details were specified of the value of assets, goodwill and services provided by the vendor.

Cash management

- 3.3.33 All moneys collected by the Commission are currently forwarded to the Department of Management and Budget for credit to the Consolidated Fund at the end of each month.
- 3.3.34 Audit observed that the daily balance of the Commission's revenue account exceeded \$100 000 for a total of 116 days between December 1984 and June 1985. The Commission did not receive interest on these funds.
- 3.3.35 Audit recommended that the Department of Management and Budget should require the Commission to forward their collections more frequently.

Travel and entertainment claims

- 3.3.36 During the audit, it was observed that a substantial number of travel and entertainment claims were not supported by adequate documentation to provide assurance to audit that the claimant had incurred the expenditure for Commission purposes. The matter was discussed with senior management of the Commission who agreed with the audit observation and stated that action had been taken to ensure that any future claims would be supported by sufficient evidence prior to being passed for payment.

Status Report

<u>Report</u>	<u>Page</u>	<u>Subject</u>	<u>Status at date of preparation of this report</u>
		<u>Estate Agents Board</u>	
Third Report 1983-84	51	Accumulated sick leave entitlements included incorrectly as a liability in the Board's financial statements as no liability exists for sick leave not taken.	Adjusted in 1984-85. Position now satisfactory.
		<u>Law Department</u>	
October 1982	103	Major functions within the Department and its branches should be reviewed by internal audit.	Some improvement has been achieved with the employment of additional resources. However some branches have still not been audited for periods in excess of 2 years.
Second Report 1982-83	64	A review should be undertaken of cash procedures at all magistrates' courts handling large volumes of cash transactions.	A working party has been established to review cash management procedures at courts.
	65	Weaknesses exist in procedures governing investment of county court funds.	A working party has been established to review cash management procedures at courts.
	66	Potential interest earnings forgone as a result of banking delays by the Corporate Affairs Office.	Additional resources have been utilised during peak registration periods. The Office also is developing a computerised registration and receipting system.

<u>Report</u>	<u>Page</u>	<u>Subject</u>	<u>Status at date of preparation of this report</u>
Third Report 1983-84	32	Financial statements - cash and investment balances, general stores on hand and debtors had been understated.	Position now satisfactory with regard to cash and investment balances. However financial statements were qualified with regard to general stores on hand and debtors. Further comment is given in paragraph 3.3.4 of this report.
Third Report 1983-84	33	Investments - magistrates' courts and the Supreme Court - failure to ensure investment returns are maximised.	A working party has been established to review cash management procedures at courts.
	34	Suspected defalcation at the Prothonotary's Office.	Enquiries by the Police Fraud Squad are continuing.
	35	The Prothonotary entered into a private lease agreement for the installation of a photocopy machine. The Department failed to account for funds generated from the use of this machine by the public.	Private lease agreement cancelled. Position now satisfactory.
	35	Control by the Prothonotary's Office over fines for non-attendance as a witness or juror is considered to be unsatisfactory due to inadequate records.	Position unchanged.
	35	Funds held by the Prothonotary's Office were not being invested so as to achieve the maximum rate of return.	Position now satisfactory.
		<u>Legal Aid Commission</u>	
May 1983	36	Legislative amendment should be sought to require annual financial statements of the Legal Aid Fund to be prepared on an accrual basis.	Amending legislation is to be proclaimed in 1986.

<u>Report</u>	<u>Page</u>	<u>Subject</u>	<u>Status at date of preparation of this report</u>
	37	Consideration should be given to creation of an internal audit function.	Funding approvals were received by the Commission for the creation of an internal audit function in 1984-85. An internal auditor has been appointed.
<u>Office of the Public Trustee</u>			
November 1981	145	Financial statements - amendment to legislation required.	Financial statements prepared for 1984-85.
December 1982	70		Amending legislation is being considered.
December 1982	74	Delays in banking of certain moneys received by the Public Trustee to which he may not be legally entitled.	Amending legislation is being considered.

3.4

COMMUNITY SERVICES

3.4.1 The Minister for Community Services is responsible for the administration of the Department of Community Services audited by the Auditor-General.

Progress of Audit

Entities	Financial Year Ended	Legislative Reporting Deadline	Date Financial Statements Signed	Date Auditor-General's Report Signed	Further Reference/Comment in this Report
Completed Audits					
Department of Community Services	30 June 1985	30 September, Annual Reporting Act 1983 (S.8)	20 September 1985	30 September 1985	

Status Report

<u>Report</u>	<u>Page</u>	<u>Subject</u>	<u>Status at date of preparation of this report</u>
Second Report 1982-83	37	Need for clarification of legislative requirement governing payments to the State Transport Authority and the Metropolitan Transit Authority for fare concessions to pensioners.	Position unchanged.
Third Report 1983-84	16	Family group homes - no formal agreement with funded organisations to protect Departmental interests.	Legal opinion obtained by Department recommended that agreements be formalised. The Department of Management and Budget has been requested to advise on related policy.
Third Report 1983-84	17	Purchase of motor vehicles for women's refuge - avoidance of sales tax.	Legal opinion by Department confirmed that sales tax was being avoided. This practice ceased in June 1985.
Third Report 1983-84	17	Debtors - action to be taken to recover long outstanding debts.	Some action taken by Department. However, debtors outstanding for more than 12 months increased during the year. Action is being taken by the Department to write off debts it considers irrecoverable.
Third Report 1983-84	17	Grants paid quarterly in advance. Department to consider changing the payment of grants from a quarterly basis to a monthly basis to save interest.	Department to consider recommendations but no action to date.

3.5 CONSERVATION, FORESTS AND LANDS

3.5.1 The Minister for Conservation, Forests and Lands is responsible for the administration of the following entities audited by the Auditor-General:

- . Albert Park Committee of Management Incorporated
- . Bundoora Park Committee of Management
- . Department of Conservation, Forests and Lands
- . Mt Macedon Memorial Cross Committee of Management
- . Olympic Park Management
- . Penguin Reserve Committee of Management
- . Port Bellarine Committee of Management
- . Shrine of Remembrance Trustees
- . State Swimming Centre Committee of Management
- . Victorian Institute of Marine Sciences
- . Werribee Park Corporation
- . Yarra Bend Park Trust
- . Zoological Board of Victoria
- . Zoological Board of Victoria Superannuation Fund

Progress of Audit

Entities	Financial Year Ended	Legislative Reporting Deadline	Date Financial Statements Signed	Date Auditor-General's Report Signed	Further Reference/Comment in this Report
Completed Audits					
Department of Conservation, Forests and Lands	30 June 1985	30 September. Annual Reporting Act 1983 (S.8). Extension to 30 November granted by Treasurer	21 November 1985	22 November 1985	Qualified opinion issued, refer paragraph 3.5.2. Additional comments, refer paragraphs 3.5.3 - 3.5.16.
Penguin Reserve Committee of Management	30 June 1985	No reporting requirements. Crown Land (Reserves) Act 1978 (S.15)	20 September 1985	21 November 1985	
Port Bellarine Committee of Management	30 September 1985	No reporting requirements. Port Bellarine Tourist Reserve Act 981 (S.21)	13 January 1986	3 February 1986	
Shrine of Remembrance Trustees	30 June 1985	No reporting requirements. Audit conducted at request of Treasurer	19 December 1985	30 December 1985	
Victorian Institute of Marine Sciences	31 December 1984	31 March. Victorian Institute of Marine Sciences Act 1974 (S.26)	22 January 1986	13 February 1986	
Werribee Park Corporation	30 June 1984	No reporting requirements. Crown Land (Reserves) Act 1978 (S.15)	25 September 1985	13 December 1985	
Yarra Bend Park Trust	30 June 1985	No reporting requirements. Audit conducted at request of Treasurer	19 November 1985	8 January 1986	
Zoological Board of Victoria	30 June 1985	30 September 1985. Zoological Parks and Gardens Act 1967 (S.15F)	3 October 1985	4 November 1985	
Zoological Board of Victoria Superannuation Fund	30 June 1985	No reporting requirements. Audit conducted at request of Treasurer	29 October 1985	13 November 1985	

Entities	Financial Year Ended	Legislative Reporting Deadline	Date Financial Statements Signed	Date Auditor-General's Report Signed	Further Reference/Comment in this Report
Incomplete Audits					
Albert Park Committee of Management Incorporated	31 December 1984	No reporting requirements. Crown Land (Reserves) Act 1978 (S.15)			Statements received 15 January 1986. Audit to be completed.
Bundoora Park Committee of Management	Period 1 July 1980 to 30 June 1985	No reporting requirements. Crown Land (Reserves) Act 1978 (S.15)			Financial statements for the 5 years to 30 June 1985 not presented for audit.
Mt Macedon Memorial Cross Committee of Management	Period 1 January 1982 to 31 December 1985	No reporting requirements. Forests Act 1958 (S.50)			Financial statements not finalised. Audit to be completed.
Olympic Park Management	30 June 1985	No reporting requirements. Crown Land (Reserves) Act 1978 (S.15)			Financial statements not finalised. Audit to be completed.
State Swimming Centre Committee of Management	30 June 1985	No reporting requirements. Crown Land (Reserves) Act 1978 (S.15)			Financial statements not finalised. Audit to be completed.
Werribee Park Corporation	Period 1 July 1984 to 20 January 1985	No reporting requirements. Crown Land (Reserves) Act 1978 (S.15)			Financial statements for period ended 20 January 1985 not presented for audit. Operations of the former Corporation were transferred to the Melbourne and Metropolitan Board of Works from 21 January 1985.

Audit Observations and Recommendations

DEPARTMENT OF CONSERVATION, FORESTS AND LANDS

Qualification of financial statements

3.5.2 The financial statements of the Department were qualified on the grounds that audit was unable to verify general stores on hand of \$500 000 for lithographic plans, \$650 000 for country depot stores and \$164 496 for saleable publications, and that the Department failed to comply with Regulation 89 of Treasury Regulations 1981 which requires an annual stocktake to be carried out.

3.5.3 Amalgamation of former departments

An Order-in-Council, effective from 2 November 1983, required that the Ministry for Conservation, the Forests Commission and the Department of Crown Lands and Survey be amalgamated to form the Department of Conservation, Forests and Lands.

3.5.4 For administrative purposes, a divisional structure was adopted which reflected the operations of the former bodies and necessitated separate financial systems in three locations.

3.5.5 In the 1984-85 year the Department experienced difficulties in achieving the timely payment of creditors' accounts and in reconciling Departmental ledgers with those of the Department of Management and Budget. The Department also failed to present its annual report to the Minister by 30 September 1985, due, in part, the department operating 3 separate financial systems.

- 3.5.6 As from 1 July 1985, the Department centralised its major financial systems, including the functions of financial recording, revenue collection, payroll preparation and accounts payable. However, despite the time lapse in excess of 19 months from the date the amalgamation was approved, the Department's systems and procedures had not been sufficiently developed to ensure a smooth transition to the new structure. The problems relating to the timely payment of accounts and the Departmental reconciliations have continued into 1985-86. Further comments on these matters are contained in this section of the report related to these matters.

Failure to reconcile with Department of Management and Budget records

- 3.5.7 Treasury Regulations 1981 require that collections and expenditure of a department be reconciled with Department of Management and Budget records at least once each month.
- 3.5.8 Following the amalgamation by the Department of Management and Budget of the Divisions of Conservation, Forests and Lands transactions into one ledger in November 1984, the Department was unable to reconcile its records with those of the Department of Management and Budget for the period November 1984 to June 1985.
- 3.5.9 As a consequence, it was necessary for the Treasurer, pursuant to Regulation 11 of the Annual Reporting (Administrative Units) Regulations 1985, to approve the Department's including the figures recorded by the Department of Management and Budget in its financial statements.
- 3.5.10 The problem of reconciling the Department's financial records with those of the Department of Management and Budget has continued into 1985-86. Audit is of the opinion the Department should assign a higher priority to and sufficient resources towards ensuring reconciliations are performed in a timely manner.

Failure to reconcile advance accounts

- 3.5.11 Audit noted lengthy delays in the reconciliation of the Forests No.1 and No.2 advance accounts which had standing advances totalling \$841 305. The bank accounts had not been reconciled with the cash book for up to 4 months and the advances had not been reconciled for up to 10 months.
- 3.5.12 Failure of the Department to reconcile its advance accounts could lead to cash losses which may remain undetected over long periods of time.
- 3.5.13 Audit recommended that the Department give high priority to timely reconciliations in order that proper control is maintained over the advances.

Delays in the payments of accounts

- 3.5.14 I indicated in my First Report to Parliament for 1984-85 that there were long delays in the payment of accounts by some departments. An examination of the system in the Department of Conservation, Forests and Lands disclosed that the system in operation to 30 June 1985 did not allow for the number of claims remaining unpaid to be readily ascertained. Audit, however, carried out an analysis of the Department's payment records maintained on the Financial Recording and Reporting System (F.R.A.R.).

- 3.5.15 The result of this analysis was that for the 6 month period to 30 June 1985, 22 per cent of account payments were made later than 8 weeks after the invoice date. For the 3 month period to 30 September 1985, the percentage increased to 62 per cent and recovered slightly to 52 per cent for the 3 month period to 31 December 1985. In certain instances there may be some delay in receiving invoices from suppliers and therefore the date of invoice will not necessarily coincide with the date the invoice is received by the Department.
- 3.5.16 Since August 1985, the Department has endeavoured to isolate causes for the delays in the payment of accounts by instituting a weekly review of outstanding claims, analysing payments by regional location. The Department also commenced monitoring the number of claims outstanding. The information in the table below provided by the Department indicates that there has been a reduction in the claims unpaid between 11 August 1985 and 13 December 1985.

<u>Date</u>	<u>Claims unpaid</u>
11 August 1985	6668
20 September 1985	4208
18 October 1985	3333
15 November 1985	3834
13 December 1985	1075

WERRIBEE PARK CORPORATION

Qualification of financial statements

- 3.5.17 The financial statements of the Corporation for the year ended 30 June 1984 were qualified on the grounds that the provision for annual leave entitlements should have been \$30 124 and not \$4 608 as shown in the balance sheet. Consequently the surplus for the year and the accumulated fund were in audit opinion overstated by \$25 516.

ZOOLOGICAL BOARD OF VICTORIA SUPERANNUATION FUND

Qualification of financial statements

- 3.5.18 The financial statements of the fund for the year ended 30 June 1985, were qualified on the grounds that the investments of the fund held in the name of a management investment company could not be independently verified by audit. The investments totalling \$1.4 million and unrealised income of \$125 032 were included in the accounts on the basis of statements furnished by the fund manager.

Status Report

<u>Report</u>	<u>Page</u>	<u>Subject</u>	<u>Status at date of preparation of this report</u>
<u>Department of Conservation, Forests and Lands</u>			
October 1982 and preceding reports	70	Internal audit at former Ministry of Conservation disbanded until the reorganisation of the new Department is finalised.	A management review branch which includes 2 internal auditors has been established in the new Department.
Second Report 1982-83 and preceding reports	45	Workshops at the former Department of Crown Lands and Survey should be identified as separate cost centres. The workshop costing system should be based on actual costs and integrated with the divisional accounting system.	Action is currently being taken by the Department to rectify the problems identified by audit.
Third Report 1983-84	21	Inadequate system of stock control for saleable publications resulting in high stock levels, inaccurate recording of stock and unrestricted access to stock.	Action implemented during 1985-86 to improve stock control procedures.
Third Report 1983-84	22	Inadequate procedures to either collect outstanding licence fees for occupied Crown land or terminate tenancies.	No change in 1984-85, however debtors' procedures are currently being reviewed by the Department.
First Report 1984-85	81		

State Swimming Centre Committee of Management

Fourth Report 1983-84	76	Action required to recover costs and obtain compensation for defective timing equipment and structural defects in the Centre's building.	The Committee has advised that legal advice is being sought regarding action in relation to the timing equipment. The structural defects have been rectified.
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3.6

CONSUMER AFFAIRS

3.6.1 The Ministry for Consumer Affairs is the only organisation subject to audit by the Auditor-General for which the Minister for Consumer Affairs is responsible.

Progress of Audit

Entities	Financial Year Ended	Legislative Reporting Deadline	Date Financial Statements Signed	Date Auditor-General's Report Signed	Further Reference/Comment in this Report
Completed Audits					
Ministry of Consumer Affairs	30 June 1985	30 September. Annual Reporting Act 1983 (S.8). Extension granted by Treasurer to 31 October 1985	1 October 1985	9 October 1985	

Status Report

<u>Report</u>	<u>Page</u>	<u>Subject</u>	<u>Status at date of preparation of this report</u>
October 1982	72	Motor Car Traders Guarantee Fund - delay in collection of licence fees and failure to always follow-up overdue fees.	Although some improvement has been achieved, audit considers there is scope for a more timely and systematic approach by the Motor Car Traders Committee to the question of unexpired licences and collection of fees.
Second Report 1982-83	42	Interest receivable by the Residential Tenancies Fund could not be verified due to absence of appropriate arrangements with the approved financial institutions and a suitable information system.	Position now satisfactory.

3.7

EDUCATION

3.7.1 The Minister for Education is responsible for the administration of the following entities audited by the Auditor-General:

- . Council of Adult Education
- . Institute of Educational Administration
- . Ministry of Education (formerly the Education Department) *
- . Post-secondary education institutions including universities, colleges of advanced education and colleges of technical and further education
- . Technical and Further Education Board
- . Victorian Institute of Secondary Education
- . Victorian Post-Secondary Education Commission
- . Victorian Universities Admission Committee

Organisational changes

3.7.2 Under the terms of Administrative Arrangements Order (No 40) 1985, the Ministry of Education replaced the Education Department as from 12 November 1985.

Progress of Audit

Entities	Financial Year Ended	Legislative Reporting Deadline	Date Financial Statements Signed	Date Auditor-General's Report Signed	Further Reference/Comment in this Report
Completed Audits					
Ministry of Education	30 June 1985	30 September, Annual Reporting Act 1983 (S.8)	25 September 1985	30 September 1985	Refer paragraphs 3.7.3 - 3.7.24.
Post-Secondary Education Institutions					
Universities					
Deakin (and associated companies)	31 December 1984	As soon as practicable after 31 March, Deakin University Act 1974 (S.37)	21 August 1985	2 October 1985	Refer paragraphs 3.7.34 - 3.7.37.
La Trobe	31 December 1984	As soon as practicable after 31 March, La Trobe University Act 1964 (S.41)	14 June 1985	11 September 1985	
Melbourne	31 December 1984	No date specified, Melbourne University Act 1958 (S.46)	9 October 1985	10 October 1985	Qualified opinion issued. Refer paragraph 3.7.38. Additional comment, refer paragraphs 3.7.39 - 3.7.40.
Monash	31 December 1984	As soon as practicable after 31 March, Monash University Act 1958 (S.41)	22 August 1985	25 September 1985	Qualified opinion issued. Refer paragraph 3.7.41.
Colleges of Advanced Education					
Ballarat	31 December 1984	No reporting requirements	14 August 1985	10 September 1985	
Bendigo	31 December 1984	No reporting requirements	9 September 1985	30 November 1985	
Chisholm	31 December 1984	No reporting requirements	30 August 1985	5 December 1985	Refer paragraph 3.7.42.
Footscray	31 December 1984	No reporting requirements	24 September 1985	21 October 1985	
Gippsland	31 December 1984	No reporting requirements	3 July 1985	10 September 1985	
Hawthorn	31 December 1984	No reporting requirements	11 July 1985	3 October 1985	

Completed Audits (continued)

Entities	Financial Year Ended	Legislative Reporting Deadline	Date Financial Statements Signed	Date Auditor-General's Report Signed	Further Reference/Comment in this Report
Institute of Catholic Education	31 December 1984	No reporting requirements	21 June 1985	11 September 1985	
Lincoln Institute of Health Services	31 December 1984	No reporting requirements	6 August 1985	17 September 1985	
Melbourne	31 December 1984	As soon as practicable after 31 March. Melbourne College of Advanced Education Act 1982 (S.42)	11 October 1985	21 October 1985	
Phillip	31 December 1984	No reporting requirements	26 July 1985	21 October 1985	
R.M.I.T. Ltd	31 December 1984	No reporting requirements	16 September 1985	21 November 1985	
Swinburne Ltd	31 December 1984	No reporting requirements	6 September 1985	3 October 1985	
Victoria	31 December 1984	No reporting requirements	1 August 1985	9 October 1985	
Victorian College of the Arts	31 December 1984	As soon as practicable after 31 March. Victorian College of the Arts Act 1981 (S.36)	1 August 1985	21 October 1985	
Victorian College of Pharmacy Ltd	31 December 1984	No reporting requirements	27 September 1985	10 October 1985	
Victorian College of Agriculture and Horticulture	31 December 1984	No reporting requirements	24 October 1985	30 October 1985	
Warrnambool	31 December 1984	No reporting requirements	20 August 1985	29 October 1985	
Colleges of Technical and Further Education					
Bendigo	31 December 1984	No reporting requirements	25 November 1985	15 January 1986	
Collingwood	31 December 1984	No reporting requirements	9 December 1985	30 December 1985	
Frankston	31 December 1984	No reporting requirements	1 November 1985	1 December 1985	
Holmesglen	31 December 1984	No reporting requirements	4 December 1985	17 December 1985	
Melbourne College of Textiles	31 December 1984	No reporting requirements	19 November 1985	20 December 1985	
Moorabbin	31 December 1984	No reporting requirements	10 December 1985	3 February 1986	
Prahran	31 December 1984	No reporting requirements	15 January 1986	17 January 1986	
Richmond	31 December 1984	No reporting requirements	18 November 1985	18 December 1985	
R.M.I.T. Ltd	31 December 1984	No reporting requirements	16 September 1985	21 November 1985	
Sunraysia	31 December 1984	No reporting requirements	19 November 1985	16 January 1986	
Swinburne Ltd	31 December 1984	No reporting requirements	6 September 1985	3 October 1985	
School of Mines and Industries Ballarat Ltd	31 December 1984	No reporting requirements	31 October 1985	23 December 1985	
Wangaratta	31 December 1984	No reporting requirements	17 September 1985	30 December 1985	
Warrnambool#	31 December 1984	No reporting requirements	19 November 1985	16 January 1986	

Warrnambool College was established on 4 July 1984

...continued

Completed Audits (continued)

Entities	Financial Year Ended	Legislative Reporting Deadline	Date Financial Statements - Signed	Date Auditor-General's Report Signed	Further Reference/Comment in this Report
Technical and Further Education Board	Period 13 July 1983 to 30 June 1984	30 September. Post-Secondary Education Act 1978 (S.59). No specific requirement to include audited financial statements in annual report	27 June 1985	2 September 1985	Qualified opinion issued, refer paragraph 3.7.49. Additional comments, refer paragraphs 3.7.43 - 3.7.48.
Victorian Institute of Secondary Education	31 December 1984	As soon as practicable after 31 March. Victorian Institute of Secondary Education Act 1976 (S.17)	15 November 1985	31 January 1986	
Victorian Post-Secondary Education Commission	30 June 1985	As soon as practicable after 30 June. Post-Secondary Education Act 1978 (S.21). No specific requirement to include audited financial statements in annual report	9 October 1985	29 October 1985	
Victorian Universities Admission Committee	30 June 1985	No reporting requirements. Audit conducted at request of Treasurer	26 November 1985	17 December 1985	Refer paragraph 3.7.50.
Incomplete Audits					
Council of Adult Education	30 June 1985	30 September. Council of Adult Education Act 1981 (S.19)			Audit in progress.
Institute of Educational Administration	30 June 1985	31 December. Institute of Educational Administration Act 1980 (S.17)			Financial statements only recently presented for audit.
Post-Secondary Education Institutions					
Colleges of Technical and Further Education +					
Batman Automotive College	31 December 1984	No reporting requirements			Financial statements presented for audit are subject to adjustment.
Box Hill	31 December 1984	No reporting requirements			Audit nearing completion.
Box Hill	31 December 1983	No reporting requirements			Audit nearing completion.
Box Hill	31 December 1982	No reporting requirements			Audit nearing completion.
Box Hill	31 December 1981 #	No reporting requirements			Audit nearing completion.
Dandenong	31 December 1984	No reporting requirements			Final signed financial statements not yet received.
Flagstaff	31 December 1984	No reporting requirements			Field work by this Office completed in December 1985. However, final report of College's continuous auditor is not yet available.
Footscray	31 December 1984	No reporting requirements			Financial statements presented for audit are subject to adjustment.
Gordon	31 December 1984	No reporting requirements			Field work completed in November 1985. Revised financial statements received from College only recently.
Melbourne College of Decoration	31 December 1984	No reporting requirements			Field work by this Office completed in December 1985. However, final report of College's continuous auditor is not yet available.

+ The Broadmeadows, Wimmera Community and Outer Eastern Colleges were formally established as T.A.F.E. colleges in 1984 but are not listed as they did not commence operations in that year.

Period 1 October 1981 to 31 December 1981. Audit of accounts of College delayed due to late presentation of financial statements for audit and subsequent need for significant adjustments to statements.

...continued

Incompleted Audits (continued)

Entities	Financial Year Ended	Legislative Reporting Deadline	Date Financial Statements Signed	Date Auditor-General's Report Signed	Further Reference/Comment in this Report
Melbourne College of Printing and Graphic Arts	31 December 1984	No reporting requirements			Financial statements presented for audit are subject to adjustment.
Newport	31 December 1984	No reporting requirements			Financial statements presented for audit are subject to adjustment.
Preston	31 December 1984	No reporting requirements			Financial statements presented for audit are subject to adjustment.
Shepparton	31 December 1984	No reporting requirements			Field work completed in November 1985. Revised financial statements only recently received from College.
Whitehorse	31 January 1984	No reporting requirements			College amalgamated with Box Hill College of T.A.F.E. as from 1 February 1984. Audit report for January 1984 will be issued with report on Box Hill College.
William Angliss	31 January 1984	No reporting requirements			Financial statements presented for audit are subject to adjustment.
Yallourn	31 January 1984	No reporting requirements			Financial statements presented for audit are subject to adjustment.
Technical and Further Education Board	30 June 1985	30 September. Post-Secondary Education Act 1978 (S.59)			Audit has been deferred due to incomplete state of financial records.

Audit Observations and Recommendations

MINISTRY OF EDUCATION

Review of management procedures for grants and subsidies

- 3.7.3 During the year, audit finalised a review commenced in the previous year, of procedures operating within the Ministry for managing grants and subsidies.
- 3.7.4 The following types of grants and subsidies were included in the review:
- . recurrent grants to Government and non-Government schools;
 - . education allowances;
 - . interest subsidies on building project loans; and
 - . recurrent grants to educational groups and organisations.
- 3.7.5 Major audit observations and recommendations communicated to the Ministry, together with Ministry responses, are summarised in the following paragraphs:

(1) Inadequate accountability for recurrent grants to Government schools (1984-85, \$128.2 million)

Accountability over grants received was found to be inadequate in that many school councils had failed to submit their audited annual financial statements to the Auditor-General as required by section 15F of the Education Act 1958. Audit also noted that the statements submitted did not always disclose grants and related payments adequately.

To provide for greater accountability by school councils for grants, and to enable control of such accountability by the Ministry, audit recommended that:

(i) consideration be given to re-drafting the Ministry's manual of instructions to school councils so as to provide for the disclosure in financial statements of individual grants received and details of the disbursement of each grant;

(ii) school auditors be required to provide in their reports information as to whether grants have been fully expended for the intended purposes; and

(iii) an amendment be sought to section 15F of the Education Act 1958 to transfer administrative responsibility for the receipt and monitoring of school financial statements from the Auditor-General to the Ministry.

Response by Ministry

The Ministry is in the process of developing a computer package for school accounting to facilitate a link between budgets and specific grants. This package will be tested during the latter part of 1985.

For the present, the Ministry will not require school auditors to provide an audit report on whether grants have been expended for intended purposes.

Legislation is at present pending to transfer the recording and monitoring function of primary schools' audited financial statements from the Office of the Auditor-General to the Ministry of Education.

(2) Timing of grant payments

Grants to Government and non-Government schools to meet future recurrent costs (1984-85, \$253.2 million), are currently paid in 4 and 3 instalments respectively. Audit considered that the interest earnings of the State could be increased if instalments were paid on a monthly basis. However, it recognised that these increased earnings would be partially offset by increased administrative costs.

Audit recommended that the Ministry consider introduction of monthly payments of grants to schools.

Response by Ministry

Although the proposal to pay grants on a monthly rather than quarterly basis appeared attractive from the point of view of the Public Account, it could not be introduced without an extensive examination of school cash flow arrangements and discussions with schools. The Ministry also stated that:

- . short-term investments by schools of some of the funds made available on a quarterly basis produce interest which, if lost to schools, would possibly form the basis of a claim for higher grants; and

- . the concept of monthly grants would run contrary to Government policy of placing greater responsibility in the hands of school councils for developing policy and managing school finances.

(3) Education allowances to schools (1984-85, \$38.1 million)

Education allowances are distributed to Government and registered schools in half-yearly instalments. The allowances are provided to assist in meeting students' needs for text books, class materials and stationery.

Education allowances are currently payable to all schools on a per capita basis. Although this basis is also used for the calculation of grants to schools, separate procedures are followed for the payment of allowances and grants.

Audit recommended that the Ministry combine payments of education allowances and grants into the one process. Audit considered that adoption of this strategy would result in a reduction in administrative costs of the Ministry.

Response by Ministry

The Ministry does not regard the present system of administering education allowances as burdensome: there would be some advantage, however, in merging payments of education allowances with 1 or 2 of the quarterly direct grant payments.

(4) Performance measures for grants and subsidies

There were no procedures operating within the Ministry for monitoring the performance of the various grant and subsidy programs.

Audit recommended that procedures be established which provide for regular assessment of the efficiency and effectiveness of the grant and subsidy programs. These procedures should include:

(i) tailoring of performance indicators to measure the extent of achievement of specific program objectives;

(ii) comparison of the administrative costs incurred in operating the individual programs;

(iii) provision of reports by recipients on the use of funds provided; and

(iv) establishment by the Ministry of mechanisms to review and evaluate the extent to which needs identified by recipients have been met.

Response by Ministry

In Education, development of performance indicators would probably focus on qualitative rather than quantitative considerations and the former will take some time to establish.

The development of an appropriate set of indicators for evaluation of programs would be established only over time after lengthy consultations.

Program budgets have been developed in 1984-85 for central resources programs. It is not expected that school programs will be fully developed until approximately 1989-90.

Further audit comment and response by Ministry

3.7.6 While the responses provided by the Ministry were regarded by audit to be generally satisfactory, audit considered that the matters dealing with timing of payments of grants and education allowances to schools should be given further attention. In particular, audit believed that an evaluation of the costs/benefits of the audit suggestions vis-a-vis current procedures should be carried out. Audit also recommended that it would seem appropriate for the Department of Management and Budget to provide comments from a central financial management viewpoint on the 2 issues.

3.7.7 In response to this further audit comment, the Ministry advised that the additional administrative costs involved in establishing and maintaining grant payments to Government schools on a monthly basis, as proposed by audit, would be small. The extra cost would be outweighed by the interest gains accruing to the Government, on the assumption that grant levels are not increased to compensate schools for losses in investment earnings.

- 3.7.8 The Ministry also indicated that the administrative costs associated with converting non-Government schools' grants to a monthly basis would also be small. The October quarterly payment is the only one with an advance element and, in this context, interest gains would accrue to the Government from a change in arrangements. However, the Ministry again considered that the audit proposal would lead to higher grant claims to offset the losses in investment earnings.
- 3.7.9 On the question of educational allowances, the Ministry advised that its recently established allowances and grants unit would provide an enhanced organisational environment to implement a grants/allowances merger.
- 3.7.10 In view of the far-reaching implications of any change to existing grant arrangements, the Ministry agreed that the attitude of the Department of Management and Budget in this matter was crucial.

Analysis of debtors at 30 June 1985

- 3.7.11 At 30 June 1985, outstanding debts due to the Ministry were as follows:

<u>Type of debt</u>	<u>Amount</u>	<u>Less than 3 months</u>	<u>3 - 12 months</u>	<u>Over 12 months</u>
	\$	\$	\$	\$
Secondment of teachers	1 082 620	919 086	101 720	61 814
Broken bonds	5 416 799			5 416 799
Salary overpayments	886 852	Not	aged	by Ministry
Supply branch debtors	504 991	461 329	43 662	
Lease rentals	58 336	11 120	28 231	18 985
Fencing charges	13 067	546	6 146	6 375
<u>TOTAL</u>	7 962 665	1 392 081	179 759	5 503 973

3.7.12 Comments on some of the debt categories are furnished below:

(1) Secondment of teachers - \$1 082 620

These debts represent the recoupmnt of salaries and certain associated on-costs of Ministry teachers released to colleges, universities, Government organisations and the private sector. Recoupmnts by the Ministry in 1984-85 for seconded teachers totalled \$5.5 million.

Debts due for seconded teachers have decreased substantially from \$2 027 672 at 30 June 1984 to \$1 082 620 at 30 June 1985 due to changed billing procedures adopted by the Ministry since 1 July 1984. From that date, secondee organisations have been billed in advance of the secondment rather than when the secondment is completed.

An audit review carried out in this area during the year revealed that the Ministry applied a rate of 25 per cent of salaries to cover on-costs of seconded teachers. The on-costs comprised:

	Per Cent
Superannuation	15
Payroll tax	6
Workers compensation insurance	2
Sick leave, long service leave and recreation leave	2
	—
	25
	—

Audit noted that this on-cost percentage had remained unchanged for over 5 years. Audit recommended that the Ministry carry out a review to determine whether the current on-cost charge was still adequate to recoup all the salary related costs.

In response to the audit recommendation, the Ministry stated that this on-cost rate applied to all administrative units, and had been determined by the Department of Management and Budget. The rate could be varied only on the official advice of that Department.

Audit considers a review of this rate is overdue.

(2) Broken bonds - \$5 416 799

The practice of awarding studentships ceased some years ago. These particular debts resulted from breaches of studentship agreements. Ex-students repay their debts either by instalments or by providing approved alternative services.

My previous reports have included comment on the inadequate monitoring procedures within the Ministry relating to non-compliance by ex-students with certain conditions of studentship agreements and the absence of regular follow-up action to collect repayments due under the agreements. In 1983 a working party comprising representatives of the Ministry and the Department of Management and Budget examined the issues raised and made certain recommendations.

During 1984-85, a review of procedures relating to the recording and collection of broken bond debts was carried out by the audit and review unit of the Ministry. In its report the unit acknowledged that overall there had been significant improvement in the collection and follow-up procedures for broken bonds.

(3) Salary overpayments - \$886 852

These debts represent recoupment of salary overpayments to teachers, public servants, cleaners and professional staff of the Ministry.

Factors contributing to salary overpayments by the Ministry include:

(i) delays in notification by school principals of changes to teachers' entitlements e.g. cessation of allowances or duty, exhaustion of sick leave credits, etc;

(ii) problems inherent in arrangements involving the extended engagement of emergency teachers; and

(iii) administrative errors associated with the handling of a very large payroll.

3.7.13 An audit review of procedures relating to the incidence and control of salary overpayments was carried out during the year. The major matters communicated to the Ministry on the results of the review, together with the Ministry's responses, are summarised below:

(1) To achieve a reduction in overpayments, audit recommended that a reminder notice be forwarded to all school principals stressing the need to provide Head Office with accurate and timely information on matters affecting the calculation of salaries and wages. This notice would be in addition to the annual reminder published in the Education Gazette.

The Ministry stated that its policy criteria for control of overpayments would be published in the personnel procedures manual, presently under review.

(2) The responsibility for the follow-up of overpayments lies with the sub-section of the payroll unit which handles the payroll records of the employee concerned. This approach leads to an ad-hoc follow-up process which, because of on-going payroll responsibilities of each sub-section, very often is accorded a low priority. It was recommended that the responsibility for follow-up action on salary overpayments be centralised.

The Ministry advised that a combined leave/payroll unit was established in its personnel and industrial relations branch in November 1985. This unit merged staff from the accounting services and leave sections and should result in improved administration and monitoring of overpayments.

(3) Audit recommended that periodic ageing reports on overpayments be developed. This would enable management to monitor more closely progress being made in finalising long outstanding cases and ensure that resources were being allocated to follow-up the larger overpayments.

In its response the Ministry advised that ageing outstanding overpayments was a meaningful guide to recovery practices. However the Ministry indicated there were several constraints which often impeded speedy recovery e.g. the exercise of rights of appeal against recoveries, recovery of large overpayments over long periods, and sensitivity of recovery action.

The Ministry also stated that an initial priority for the new leave/payroll unit was to review policies relating to current recovery practices. This would include an assessment of the degree of priority to be directed towards recovering the various types of large overpayments.

Stores held by Government Printing Office on behalf of Ministry

3.7.14 The Victorian Government Printing Office produces and sells numerous publications on behalf of the Ministry. These publications remain under the control of that Office Transactions relating to the cost of production of the publications and revenue from their sales are recorded in the Government Printing Office Working Account, a trust account within the Public Account.

3.7.15 The total value at normal selling price of Ministry publications held by the Government Printing Office at 30 June 1985 was \$798 107.

3.7.16 The Office supplies the Ministry with regular financial reports on new publications, stock sales, stock on hand, etc. An audit review of information on publications held at 30 June 1985 revealed several very slow moving items with substantial stocks on hand. Some examples of these are given below:

	Stock ledger balance <u>30.6.85</u>	Issues <u>1983-84</u>	Issues <u>1984-85</u>
Curriculum Guide SES Geog - 3	4 396	33	55
Curriculum Guide SES Geog - 4	3 974	4	36
Maths - Section F Fractions	6 948	599	213

3.7.17 It appeared to audit that limited use was made at the Ministry of the stock reports provided by the Government Printing Office.

3.7.18 In view of the costs involved in the production and storage of the publications, audit recommended that the Ministry review its arrangements with the Government Printing Office in this area with the aim of:

- (1) controlling, through ascertaining potential sales demand, the level of funds required for production of publications;
- (2) reducing the storage space required to store publications; and
- (3) ensuring that the Ministry makes optimum use of the financial reports supplied by the Government Printing Office.

Response by Ministry

- 3.7.19 The establishment of a board of survey has been recommended to assess the stocks in the three examples cited and for numerous other publications.
- 3.7.20 Monthly meetings are held between personnel of the curriculum branch, finance section and the Government Printing Office to ascertain likely sales levels and printing requirements for existing publications.

Review of general ledger and accounts payable system (FM80)

- 3.7.21 The Ministry implemented its computerised FM80 system in July 1984. The system performs a range of accounting functions including payment of accounts and maintenance of the general ledger. Payments processed by the system in 1984-85 averaged approximately \$38 million per month.
- 3.7.22 During the year, audit conducted a review of certain aspects of the system's operations. The review centred on the following areas:
- . verification of the accuracy of creditors of the Ministry at 30 June 1985;
 - . evaluation of the system's operating procedures; and
 - . assessment of the extent to which input, processing and output controls provide assurance as to accuracy and completeness of processed data.
- 3.7.23 The audit tests of creditors of the Ministry at 30 June 1985, as computed by the system, proved satisfactory.
- 3.7.24 Control weaknesses or suggested control improvements reported by audit to the Ministry on the results of the review, together with Ministry responses, are summarised below:

(1) A lack of segregation of duties where accounting services staff perform the work of computer operators on a rotation basis. This arrangement introduces a degree of risk in that the segregation of duties between users and operators is removed which could result in unauthorised manipulation of data.

In its response the Ministry expressed the view that whilst it is desirable to have staff employed full time as computer operators, the current work load associated with operating the computer does not justify a person being involved full time on certain shifts. However, following the current upgrading of the system and the introduction of additional functions, it may be possible to have full time operators, preferably drawn from computer services staff.

(2) A lack of adequate maintenance controls was evident in relation to system problems and requests for enhancements to the system. This position could result in important authorised changes to the system not being properly implemented, outstanding problems remaining unresolved or unauthorised changes not detected.

The Ministry advised that system problems and enhancement requests were reviewed and priorities allocated by the Finance and Accounting Steering Committee.

Where computer system officers have access to, and where necessary have had to amend production data files outside the system, a full audit trail of before and after data was produced.

(3) Non-use of an important system control feature which can restrict specific display terminals to selected functions eg data entry. This arrangement would enhance the security of the system.

The Ministry considered that care must be taken in using security features as over-use can unnecessarily restrict normal access and cause delays and processing problems. However the Ministry indicated that a review will be conducted to determine if additional security is justified and not overly restrictive.

(4) Better control could be exercised over access to the computer system outside normal working hours so as to guard against possible unauthorised access.

The Ministry stated that the use of control features to restrict access to the system outside working hours will be addressed as part of the review of the security procedures mentioned in (3) above.

(5) Potential existed for a more complete management/audit trail to ensure all transactions can be traced through the system. An enhanced management audit trail could be achieved through maintenance within transactions of information on transaction type, operator's identification and station etc.

The Ministry indicated that the inclusion of the operator's identification is an unnecessary duplication of data. However, no decision has been taken on the other classes of information recommended by audit.

POST-SECONDARY EDUCATION INSTITUTIONS

Introduction

3.7.25 The post-secondary education sector in Victoria comprises the following 2 categories of institutions:

. the 4 universities within the State, namely, Deakin University, La Trobe University, Monash University and the University of Melbourne; and

. the 17 colleges of advanced education (C.A.E.s) and 31 colleges of technical and further education (T.A.F.E. colleges), subject to the provisions of the Post-Secondary Education Act 1978.

Financial operations

3.7.26 In my Fourth Reports for 1982-83 and 1983-84, I included comment on the absence of comprehensive reporting to Parliament on the financial operations of the post-secondary education sector. My reports identified the 2 principal elements of the sector's lack of financial accountability to Parliament as being:

. the absence of an annual consolidated report to Parliament on the financial operations of post-secondary education institutions; and

. the absence of legislative provisions for the tabling of audited financial statements in the Parliament by all C.A.E.s and T.A.F.E. colleges.

3.7.27 Recommendations for urgent review action in the areas were included in my reports.

3.7.28 It is pleasing to report that during 1985 the Treasurer initiated action aimed at overcoming the above deficiencies in the accountability of post-secondary education institutions. Further comment on this action is given in paragraph 3.7.31.

3.7.29 For 1984-85, I have continued the practice, commenced in 1982-83, of including within my report summaries of the total financial operations for universities, C.A.E.s and T.A.F.E. colleges. The following table summarises the sector's financial operations for the 1984 calendar year and illustrates the magnitude of public funds expended by the sector:

	<u>Accum'd Funds (1)</u> <u>31.12.83</u> \$mill.	<u>Income</u> <u>Govt</u> <u>Grants</u> \$mill	<u>Other</u> \$mill.	<u>Expend- iture</u> \$mill.	<u>Surplus/ Deficit</u> \$mill.	<u>Accum'd Funds (1)</u> <u>31.12.84</u> \$mill.
Univer- sities (2)	83.7	301.6	71.4	359.3	13.7	97.4
C.A.E.s (3)	32.2	273.3	39.1	311.0	1.4	33.6
T.A.F.E. colleges (4)	21.2	204.5	19.2	218.7	5.0	26.2
Totals	137.1	779.4	129.7	889.0	20.1	157.2

(1) Includes reserves held as assets, unexpended grants, trust moneys or endowments held for specified purposes.

(2) See Table 1 to this section for further details on universities.

(3) See Table 2 to this section for further details on C.A.E.s.

(4) See Table 3 to this section for further details on T.A.F.E. colleges.

Working party on implementation of the Annual Reporting Act 1983 (Post-Secondary Education Institutions)

3.7.30 As indicated in an earlier paragraph, my Fourth Reports for the previous 2 years have called for urgent review of the existing financial reporting framework of C.A.E.s and T.A.F.E. colleges and for the preparation of an annual consolidated report on the financial operations of post-secondary education institutions.

- 3.7.31 During 1985, the Treasurer initiated a course of action which promises to remedy the deficiencies in the post-secondary education sector identified by audit. The Treasurer determined that post-secondary education institutions should be brought within the ambit of the Annual Reporting Act 1983 for financial reports relating to the calendar year 1986. Following this decision, the Minister requested the Victorian Post-Secondary Education Commission to establish a working party to provide advice on appropriate reporting standards for post-secondary education institutions.
- 3.7.32 The working party established by the Commission comprises representatives from all sections of the post-secondary education sector, namely, universities, C.A.E.s, T.A.F.E. colleges, the T.A.F.E. Board and the Commission. In addition representatives of the Department of Management and Budget and my Office attend meetings of the working party in advisory and observer capacities respectively. The working party has met regularly since October 1985 and expects to submit a final report to the Minister by May 1986.
- 3.7.33 I look forward to the results of the working party's deliberations and early designation of post-secondary education institutions as bodies subject to the Annual Reporting Act 1983.

Deakin University

Formation of companies

- 3.7.34 Since its establishment, the University has formed 3 limited companies, namely, Deakin Institute for Studies in Education Limited, Deakin University Foundation Limited and Durac Limited. Audit has commented to the University in previous years on an apparent absence of legislative authority for the University to establish companies, and an absence of accountability of such bodies to Parliament in that their accounts were not subject to audit by the Auditor-General.
- 3.7.35 During the year the Deakin University Act 1974 was amended to give the University power to form, participate in or be a member of a limited company whose objectives complement those of the University. The amending legislation also provided retrospective authority for the University to establish and conduct the 3 above mentioned companies.
- 3.7.36 With respect to the financial reporting and audit provisions relating to companies, the University is now required to include within its annual report a copy of the accounts of any limited company it becomes associated with in terms of the legislation. The Act also provides legislative authority for the Auditor-General to conduct an annual audit of such companies.
- 3.7.37 The legislative framework described above for companies associated with Deakin University was also embodied in enabling legislation of Monash University. Similar amendments were recently incorporated in the University of Melbourne's legislation. The 2 latter universities have not yet become associated with limited companies under the terms of their respective statutes.

University of Melbourne

Qualification of financial statements

- 3.7.38 The financial statements of the University were qualified on the grounds that certain investments of the Academic and Staff Retirement Fund could not be independently verified by audit. These investments, which totalled \$2.6 million, were held in the name of a fund manager and were included in the accounts on the basis of statements furnished by the fund manager.

Transfers to Superannuation Scheme for Australian Universities

- 3.7.39 During 1983 and 1984, a significant number of members of the University's superannuation schemes elected to transfer to the Commonwealth-operated Superannuation Scheme for Australian Universities (S.S.A.U.). Assets of the schemes at the University were transferred to the S.S.A.U. in proportion to the accrued entitlements of the transferring members as actuarially determined at 30 September 1984, the agreed transfer date.

- 3.7.40 Funds transferred to the S.S.A.U. in 1984 were as follows:

	\$
Academic Staff Retirement Fund	44 081 288
Samuel Gillott University Provident Fund	24 275 549
Staff Retirement Fund	198 060
	<hr/>
	68 554 897
	<hr/>

Monash University

Qualification of financial statements

- 3.7.41 The 1984 financial statements of the University were qualified on the grounds that investments totalling \$101 million could not be independently verified by audit. These investments were held in the name of fund managers and were included in the University's annual accounts on the basis of statements furnished by the fund managers.

Chisholm Institute of Technology

- 3.7.42 Caulfield Plaza Shopping Centre

(1) Purchase of Centre

In July 1984 the Institute purchased a property complex known as the Caulfield Plaza Shopping centre costing \$2.375 million. The property consists of a supermarket and 14 shop locations.

In pursuing negotiations for the purchase of the property, the Institute's fundamental objective was to acquire vacant possession in order to consolidate the western boundary of its Caulfield campus and to alleviate acute accommodation pressures. Initial intentions of the Institute were to utilise the property for student and community-oriented purposes.

During the course of negotiations, there were indications that the Institute's aim of vacant possession of the Centre was attainable. However, in December 1983, the Institute was advised that the lessee occupying the supermarket which constitutes approximately 73 per cent of the property area had decided to remain at the location. Following consideration of this development, the Institute reaffirmed its interest in acquisition of the Centre, having regard to its strategic position in future campus development. The Institute was subsequently successful in achieving acquisition.

Lease arrangements relating to the supermarket, which were not affected by the change of ownership of the Plaza, include a lease term of 25 years expiring in the year 2008 with two 5 year renewal options. The Institute is obligated under such arrangements to, inter alia, maintain the Plaza as an attractive drive-in shopping centre. In these circumstances, it seems very probable that the Institute will be involved in management of the Centre as a commercial venture for a significant period of time.

(2) Recoup of outgoings

The Institute recoups from lessees the costs of operation and maintenance of the Plaza on the basis of the percentage of leased space. Recoups are determined according to estimated outgoings for each lease year ending 31 July, with an adjustment effected when actual costs are known.

An examination of records relating to the lease of the supermarket disclosed that payments for outgoings (included with each month's rental remittance) were still being based on the estimated outlays for the July 1984 lease year i.e. the basis which applied at the time of purchase of the Plaza by the Institute. In effect, this basis for recoup of outgoings was 2 years in arrears.

The Institute has since taken action to update the data used for the recoup of outgoings.

(3) Services by Institute staff to a lessee at the Plaza

In February 1985, the then Director of the Institute approved the secondment of the Manager of the Institute's catering department to a tenant at the Plaza Centre for the period 1 January 1985 to 31 December 1986. Under this arrangement, the Institute is responsible for the payment of salary and related charges to the secondee and for the recoup of such costs on a monthly basis from the lessee.

This arrangement does not appear to have been formally approved by the Institute's Council. Furthermore, audit was informed that from time to time, Institute staff, other than the secondee, provided assistance to the lessee when staff shortages were experienced at the leased premises, the cost of such services not being reimbursed to the Institute.

Audit recommended to the Institute's Council that it examine all arrangements relating to the provision of services by Institute staff to the particular tenant.

TECHNICAL AND FURTHER EDUCATION BOARD

Preparation of financial statements

- 3.7.43 The Technical and Further Education Board was established on 1 July 1980 under the provisions of the Post-Secondary Education Act 1978.
- 3.7.44 From 1 July 1980 to 12 July 1983, the financial operations of the Board were administered by the Victorian Post-Secondary Education Commission. Under the terms of amending legislation, the Post-Secondary Education (Amendment) Act 1983, the Board assumed responsibility for its own operations from 13 July 1983.
- 3.7.45 Due to accounting problems the Board did not submit for audit signed financial statements covering its initial reporting period (13 July 1983 to 30 June 1984) until February 1985. Following review by audit, a number of changes to the statements were recommended to the Board. Revised statements were not finalised by the Board until June 1985. The audit on these statements was completed in September 1985.
- 3.7.46 During the course of the initial inspection of the Board's accounts, audit stressed to the Board the importance of finalisation of annual accounts on a timely basis.
- 3.7.47 An audit of the accounts of the Board for the year ended 30 June 1985 was commenced in mid-October 1985 following receipt on 25 September of the Board's financial statements for the year. However, because of the incomplete state of the financial records, it was necessary to withdraw the audit staff.
- 3.7.48 Details of the major problems encountered by audit were formally communicated to the Board. In November 1985, the Board advised audit of a number of steps it was taking to overcome its accounting problems. At the date of preparation of this report, the Board's corrective action was still in course and, as such, no further audit work has been carried out on the 1984-85 accounts.

Qualification of 1984 financial statements

- 3.7.49 The financial statements of the Board for the period ended 30 June 1984 were qualified on the following grounds:

(1) Separation from Victorian Post-Secondary Education Commission (VPSEC)

As mentioned earlier, the operations of the Board were formally separated from VPSEC on 13 July 1983. However, for administrative purposes, VPSEC deemed the separation to be effective from 1 July 1983. As a consequence, income and expenditure transactions relating to the Board for the period 1 July to 12 July 1983, which legally were transactions of VPSEC, were recorded in the Board's accounts.

(2) Advances to regional boards

During the period ended 30 June 1984, the Board provided its various regional boards with advances for recurrent purposes, and grants for approved programs and projects. In most cases, the Board recorded funds provided to regional boards as expenditure, although at 30 June 1984 certain amounts remained unspent in the books of these boards. Audit considered that the amounts unspent at regional boards at balance date should not have been reported as expenditure of the Board for the period.

VICTORIAN UNIVERSITIES ADMISSION COMMITTEE

Financial operations

3.7.50 As there is no requirement for the Committee to present audited financial statements to Parliament, the financial operations of the Committee for 1984-85, compared with 1983-84, are summarised below:

	1984-85	1983-84
	\$	\$
Income	671 509	593 895
Expenditure	630 515	589 378
	-----	-----
Surplus	40 994	4 517
	-----	-----

Net assets of the Committee at 30 June 1985 were \$70 226 (30 June 1984, \$29 232).

Status Report

<u>Report</u>	<u>Page</u>	<u>Subject</u>	<u>Status at date of preparation of this report</u>
		<u>Ministry of Education</u>	
October 1982	77	Education allowances for certain students' needs are not verified in respect of registered schools.	Statutory declarations of enrolment numbers are obtained from the schools. The Ministry does not consider it desirable to carry out enrolment checks in these schools.
	80	In respect of capitation grants paid to non-Government schools, enrolments were accepted without verification.	Statutory declarations of enrolment numbers are obtained from the schools. The Ministry does not consider it desirable to carry out enrolment checks in these schools.
Second Report 1982-83	47	Generalised Education Network Information and Utility System (GENIUS) - various issues raised in an audit discussion paper on a review of the payroll sub-system.	The majority of issues raised have been finalised.

<u>Report</u>	<u>Page</u>	<u>Subject</u>	<u>Status at date of preparation of this report</u>
<u>Ministry of Education (cont.)</u>			
	48	Inadequate monitoring procedures relating to compliance by students with certain conditions of studentship agreements. No regular follow-up action to collect repayments due under the agreements.	Position has generally improved. Additional comments, refer paragraph 3.7.12.
	48	State primary school councils - responsibility for receiving and reviewing financial statements of State primary school councils should rest with the Ministry. Substantial number of councils not meeting legislative requirements to have accounts audited and forwarded to Auditor-General.	The Ministry anticipates that legislative amendments making it responsible for receiving financial statements will shortly be introduced into Parliament. The position concerning outstanding audited financial statements has improved due to follow-up efforts of the Ministry.
<u>Post Secondary Education Institutions</u>			
Fourth Report 1982-83	97	Lack of adequate accounting expertise and resources in T.A.F.E. colleges.	Further improvement noted by audit in this area.
Fourth Report 1984-85	57		
Fourth Report 1982-83	97	Lack of reporting to Parliament by colleges of advanced education and T.A.F.E. colleges,	Corrective action in course. Refer additional comments, paragraphs 3.7.26 - 3.7.29.
Fourth Report 1984-85	55	and lack of information for Parliament on overall financial operations of tertiary and T.A.F.E. educational areas.	
Fourth Report 1982-83	97	Inadequacies in form and content of financial statements.	Correction action in course. Refer additional comments, paragraphs 3.7.30 - 3.7.33.
Fourth Report 1984-85	56		

TABLE 1
Universities - Year 1984

Universities	Accumulated	Govt. Grants	Income		Expenditure	Surplus	Accumulated
	Funds		Other				Funds
	31.12.1983						31.12.1984
	\$	\$	\$	\$	\$	\$	\$
Deakin (and associated companies)	2 783 181	24 446 700	4 692 662		28 894 211	245 151	3 028 332
LaTrobe	1 575 946	49 402 159	5 093 854		53 968 066	527 947	2 103 893
Melbourne	57 891 493	134 844 679	39 558 111		164 145 301	10 257 489	68 148 982
Monash	21 487 933	92 972 007	22 061 761		112 391 066	2 642 702	24 130 635
Total	83 738 553	301 665 545	71 406 388		359 398 644	13 673 289	97 411 842

N.B. These figures are compiled from financial statements prepared on a modified accrual basis. Revenue includes grants for capital as well as recurrent purposes. Expenditure includes both capital and recurrent outgoings.

TABLE 2
Colleges of Advanced Education - Year 1984

College	Accumulated	Govt. Grants	Income		Expenditure	Surplus/ (Deficit)	Accumulated
	Funds		Other				Funds
	31.12.1983						31.12.1984
	\$	\$	\$	\$	\$	\$	\$
Ballarat	1 170 733	10 380 900	1 589 244		12 134 589	(164 445)	1 006 288
Bendigo	880 933	10 313 400	2 029 692		12 757 099	(414 007)	466 926
Chisholm	2 877 153	25 903 400	4 367 257		31 124 610	(853 953)	2 023 200
Footscray	891 618	17 083 500	2 591 082		18 264 188	1 410 394	2 302 012
Gippsland	726 032	13 149 254	1 474 797		14 340 546	283 505	1 009 537
Hawthorn	558 752	7 319 000	1 060 945		9 140 655	(760 710)	(201 958)
Institute of Catholic Education	712 741	6 721 400	671 286		7 300 931	91 755	804 496
Lincoln Institute of Health Sciences	1 611 064	11 714 000	687 610		12 157 414	244 196	1 855 260
Melbourne	817 189	19 125 000	2 911 712		21 858 461	178 251	995 440
Phillip	3 407 778	20 684 000	3 624 660		24 638 895	(330 235)	3 077 543
R.M.I.T. Ltd	8 220 030	53 618 260	5 714 527		57 880 572	1 452 215	9 672 245
Swinburne Ltd	3 767 111	24 969 000	2 346 531		27 539 585	(224 054)	3 543 057
Victoria	2 735 921	29 668 000	2 169 314		32 487 930	(650 616)	2 085 305
Victorian College of the Arts	330 738	4 633 000	1 394 208		5 774 996	252 212	582 950
Victorian College of Pharmacy Ltd	1 334 114	3 518 000	1 170 119		4 446 540	241 579	1 575 693
Victorian College of Agriculture and Horticulture	1 827 421	8 805 425	4 762 448		12 555 499	1 012 374	2 839 795
Warrnambool	341 443	5 731 700	493 362		6 614 863	(389 801)	(48 358)
Totals	32 210 771	273 337 239	39 058 794		311 017 373	1 378 660	33 589 431

N.B. These figures are compiled from financial statements prepared on a modified accrual basis. Income includes grants for capital as well as recurrent purposes. Expenditure includes both capital and recurrent outgoings.

TABLE 3

Colleges of Technical and Further Education - Year 1984

College	Accumulated	Govt. Grants	Income		Expenditure	Surplus/ (Deficit)	Accumulated
	Funds 31.12.1983		Other				Funds 31.12.1984
	\$	\$	\$	\$	\$	\$	\$
Batman Automotive *	211 818	4 196 909	163 161	4 149 116	210 954	422 772	
Bendigo	(38 832)	5 110 188	761 531	5 391 706	480 013	441 181	
Box Hill *	1 521 488	18 963 843	1 478 647	20 705 509	(263 019)	1 258 469	
Collingwood	535 741	9 894 035	938 210	10 816 421	15 824	551 565	
Dandenong *	217 794	7 524 217	851 418	8 839 031	(463 396)	(245 602)	
Flagstaff *(2)	289 153	2 749 441	382 007	3 169 900	(38 452)	250 701	
Footscray *	170 449	15 856 478	1 840 759	16 224 064	1 473 173	1 643 622	
Frankston	401 451	10 079 380	1 082 782	11 979 712	(817 550)	(416 099)	
Gordon *	71 675	10 372 784	1 211 711	10 949 016	635 479	707 154	
Holmesglen	2 252 044	8 357 266	1 043 893	9 168 564	232 595	2 484 639	
Melbourne College of Decorations *	183 263	2 977 602	144 443	3 081 188	40 857	224 120	
Melbourne College of Printing and Graphic Arts *	291 183	3 240 721	154 971	3 720 667	(324 975)	(33 792)	
Melbourne College of Textiles	122 625	2 923 854	563 432	3 357 847	129 439	252 064	
Moorabbin	1 135 175	9 125 940	932 739	9 122 058	936 621	2 071 796	
Newport *	(80 172)	2 846 274	256 653	2 804 662	298 265	218 093	
Prahran	197 395	5 796 543	451 357	6 319 790	(71 890)	125 505	
Preston *	(514 621)	14 092 609	1 840 395	15 325 581	607 423	92 802	
Richmond	603 199	4 342 725	137 153	4 519 352	(39 474)	563 725	
R.M.I.T. Ltd	925 843	29 211 943	1 000 936	28 310 354	1 902 525	2 828 368	
Shepparton *	178 004	5 213 670	738 218	5 480 712	471 176	649 180	
Sunraysia	1 239 971	3 655 530	659 394	5 193 758	(878 834)	361 137	
Swinburne Ltd	605 226	7 908 816	167 508	8 606 113	(529 789)	75 437	
School of Mines and Industries Ballarat Limited (3)	8 926 024	6 416 647	556 359	6 471 827	501 179	9 427 203	
Wangaratta	167 334	2 470 585	242 424	2 712 628	381	167 715	
Warrnambool (4)	161 576	883 933	57 718	947 405	(5 754)	155 822	
Whitehorse (5)	419 052	304 388	6 861	202 607	108 642	527 694	
William Angliss *	414 329	4 407 773	1 214 582	5 557 810	64 545	478 874	
Yallourn *	653 463	5 595 633	335 583	5 601 684	329 532	982 995	
Totals	21 261 650	204 519 727	19 214 845	218 729 082	5 005 490	26 267 140	

(1) Figures in respect of Colleges marked (*) are subject to audit.

(2) Formerly called the Melbourne College of Hairdressing.

(3) Funds at 31 December 1984 comprise:

Recurrent funds	\$ (68 965)
Non-recurrent capital reserve	9 496 168
	9 427 203

(4) The Warrnambool College of T.A.F.E. was formally established as a separate post-secondary education institution on 4 July 1984. Opening accumulated funds shown in the table represent net assets of the then T.A.F.E. division of the Warrnambool College of Advanced Education which were taken over by the new College on 4 July 1984.

(5) Figures are for the month of January 1984. This College was amalgamated with the Box Hill College of T.A.F.E., effective from 1 February 1984.

N.B. The above figures are compiled from financial statements prepared on a modified accrual basis. Income includes grants for capital as well as recurrent expenses. Expenditure includes both capital and recurrent outgoings.

3.8

EMPLOYMENT AND INDUSTRIAL AFFAIRS

3.8.1 The Minister for Employment and Industrial Affairs is responsible for the administration of the following entities audited by the Auditor-General:

- Construction Industry Long Service Leave Board
- Department of Employment and Industrial Affairs
- Hairdressers Registration Board

Progress of Audit

Entities	Financial Year Ended	Legislative Reporting Deadline	Date Financial Statements Signed	Date Auditor-General's Report Signed	Further Reference/Comment in this Report
Completed Audits					
Construction Industry Long Service Leave Board	30 June 1985	31 March. Construction Industry Long Service Leave Act 1983 (S.8). No date specified	20 August 1985	17 December 1985	Qualified opinion issued, refer paragraph 3.8.2.
Department of Employment and Industrial Affairs	30 June 1985	30 September. Annual Reporting Act 1983 (S.8). Treasurer granted extension to 31 October	15 October 1985	31 October 1985	
Hairdressers Registration Board	31 December 1984	Hairdressers Registration Act 1958 (S.10)	23 October 1985	2 November 1985	

Audit Observations and Recommendations

CONSTRUCTION INDUSTRY LONG SERVICE LEAVE BOARD

Qualification of financial statements

3.8.2 The financial statements of the Board were qualified on the grounds of the accounting treatment applied by the Board to the switching of fixed-interest investments. Under this treatment, investments acquired under switching arrangements are recorded at the book value (plus accrued interest) of investments sold. As a consequence of this treatment, the Board does not report losses or gains arising from switching transactions in the revenue statement, and the true cost of investments acquired under switching arrangements is not reflected in the accounts.

Audit is of the opinion that the Board should report losses or gains arising from switching transactions in the revenue statement and that the true cost of investments acquired under switching arrangements is their market value at the time of purchase.

Although the number of switches arranged by the Board fell from 8 in 1983-84 to 5 in 1984-85, insufficient information within the Board's records on the market value of securities exchanged during 1984-85 prevented assessment by audit of the resultant impact on both the operating surplus for the year and the item Investments in the statement of assets and liabilities.

Status Report

<u>Report</u>	<u>Page</u>	<u>Subject</u>	<u>Status at date of preparation of this report</u>
		<u>Construction Industry Long Service Leave Board</u>	
December 1982	6	Accounts do not disclose gains or loss on sales or switches of investments at the point of sale.	Position unchanged. Refer paragraph 3.8.2.
Fourth Report 1092-83	17		
Fourth Report 1983-84	11		

3.9

ETHNIC AFFAIRS

3.9.1 The Minister for Ethnic Affairs is responsible for the administration of the Ethnic Affairs Commission audited by the Auditor-General.

Progress of Audit

Entities	Financial Year Ended	Legislative Reporting Deadline	Date Financial Statements Signed	Date Auditor-General's Report Signed	Further Reference/Comment in this Report
Completed Audits					
Ethnic Affairs Commission	30 June 1985	30 September. Annual Reporting Act 1983 (S.8)	12 September 1985	24 September 1985	

3.10

HEALTH

3.10.1 The Minister for Health is responsible for the administration of the following entities audited by the Auditor-General:

- . Cancer Institute Board
- . Dietitians Board of Victoria
- . Health Department Victoria (formerly Health Commission of Victoria)
- . Optometrists Registration Board
- . Victorian Nursing Council

Organisational Change

3.10.2 Health Commission of Victoria became the Health Department Victoria on 26 August 1985 pursuant to the provisions of the Health Amendment Act 1985.

Progress of Audit

Entities	Financial Year Ended	Legislative Reporting Deadline	Date Financial Statements Signed	Date Auditor-General's Report Signed	Further Reference/Comment in this Report
Completed Audits					
Health Department Victoria	30 June 1985	30 September. Annual Reporting Act 1983 (S.8)	12 September 1985	23 September 1985	Refer paragraphs 3.10.8 - 3.10.26.
Cancer Institute Board	30 June 1985	No date specified. Cancer Act 1958 (S.54)	19 September 1985	18 October 1985	Financial opinion issued, refer paragraph 3.10.7. Additional comments, refer paragraphs 3.10.3 - 3.10.6.
Dietitians Board of Victoria	30 June 1985	30 September. Dietitians Act 1981 (S.25)	15 September 1985	22 October 1985	
Victorian Nursing Council	30 June 1985	31 October. Nurses Act 1958 (S.40)	25 October 1985	29 October 1985	
Optometrists Registration Board	30 June 1985	30 September. Optometrists Registration Act 1958 (S.22)	4 October 1985	22 October 1985	

Audit Observations and Recommendations

CANCER INSTITUTE BOARD

Financial operations

3.10.3 The annual report of the Cancer Institute Board is not required to be tabled in Parliament. The financial operations of the Board for 1984-85, compared with 1983-84, are summarised as follows:

	1983-84 \$000	1984-85 \$000
Income	30 199	33 195
Expenditure	31 808	34 785
	<hr/>	<hr/>
Deficit before abnormal items	1 609	1 590
Add abnormal items	1 625	62
	<hr/>	<hr/>
Deficit after abnormal items	3 234	1 652
	<hr/>	<hr/>

- 3.10.4 The main source of the Board's income was derived from the Health Department Victoria.
- 3.10.5 Abnormal items comprise adjustments relating to previous years concerning expenditure of \$347 893 for depreciation (\$602 627, 1983-84) and income of \$285 444 (\$332 111, 1983-84) representing adjustments to the Health Commission grant. Also included in 1983-84 figures were adjustments for annual leave of \$1 354 270.
- 3.10.6 Net assets of the Board at 30 June 1985 were \$31 070 178 (30 June 1984 \$29 608 580).

Qualification of financial statements

- 3.10.7 The Board's financial statements disclose an amount of \$428 877 shown as private practice income. This sum represents moneys due from private practitioners for use of the Board's facilities. The financial statements have been qualified for several years on the grounds that audit was unable to verify the full amount of income due to the Board from private practice income as the existing agreements do not provide for access to practitioners' accounting records.

HEALTH DEPARTMENT VICTORIA

Pre-school payments

- 3.10.8 During 1984-85, the Department made payments totalling \$48.4 million to subsidise staffing and operating costs at over 1500 eligible pre-school centres throughout Victoria.
- 3.10.9 The payment of the salary component of the subsidy is processed through a centralised payments system operated by the Department. This system enables direct payment of salaries to be made to pre-school centre employees.
- 3.10.10 Audit examination of these centralised procedures revealed:
- . inadequate procedures for controlling the receipt, authorisation and checking of the returns which form the basis of variations to normal pre-school payrolls;
 - . a lack of effective edit checks in the computerised payroll system, resulting in a large number of rejected input forms and the production of separate salary cheques to employees who are employed at more than 1 centre, for the work performed at each centre;

- . increased administrative costs incurred due to inefficiencies in existing procedures, a large number of off-line payments and overpayments, and resultant reconciliation problems; and

- . inadequate procedures to control off-line payments and the recovery of overpayments.

3.10.11 Audit recommended that a detailed review of the procedures be undertaken to assess alternative payment methods and to consider improvements in current computerised and manual procedures.

Home help subsidies

3.10.12 In 1984-85, \$20 571 971 was provided to municipalities operating approved home help services including domestic help for the aged and infirm, expectant and nursing mothers, and mothers temporarily incapacitated from undertaking household duties.

3.10.13 During the year audit examined the current procedures under departmental guidelines for home help subsidies in a number of municipalities and in the department. Major audit findings included:

- . reliance on the municipal supervisor to assess applicants' needs without using standard assessment criteria;

- . failure to verify applicants' incomes in assessing their ability to contribute to the costs of the scheme;

- . variances between municipalities in the scale of fees charged for the service;

- . lack of a standard policy for the conditions under which travelling expenses are payable to home helpers and the rates at which these expenses are paid;

- . inadequate reviews to ensure that services were provided within Departmental guidelines;

- . failure by the Department to notify municipalities of changes in subsidy entitlements; and

- . lack of monitoring by Department advisers and accounting staff of municipal returns.

3.10.14 Audit recommended that action be taken to improve the guidelines and procedures for administering the service.

Response by Department

3.10.15 The Commission claimed that the audit findings did not accurately represent the procedures in all municipalities and that they concentrated on financial details and not on the provision of services.

3.10.16 Audit maintains that the sample was representative and that positive action is still required to improve current procedures.

Reporting and auditing requirements - statutory boards

3.10.17 An auditing review was undertaken of the legislative reporting and audit requirements of the following 16 public bodies responsible to the Minister for Health:

- . Advanced Technicians Qualifications Board
- . Anti-Cancer Council of Victoria
- . Cancer Institute Board
- . Chiropodist Registration Board
- . Chiropractors and Osteopaths Registration Board of Victoria
- . Cinematograph Operators Board
- . Dental Board
- . Dental Technicians Licensing Committee
- . Dietitians Board of Victoria
- . Medical Board
- . Optometrists Registration Board
- . Pharmacy Board of Victoria
- . Physiotherapists Registration Board
- . Plumbers and Gasfitters Board
- . Victorian Nursing Council
- . Victorian Psychological Council

3.10.18 The review indicated that there were inadequate and inconsistent statutory provisions in respect of financial reporting and auditing requirements. In particular, the review indicated a lack of uniform legislation concerning:

- . the form of financial statements;
- . the recipient with whom the financial statements were to be lodged;
- . the year end dates for financial reporting; and
- . the audit responsibility for the conduct of an audit: 9 public bodies required registered company auditors, 4 required the Auditor-General, 3 had no specific audit requirements.

3.10.19 Audit recommended that legislative amendments be sought to achieve a more consistent and effective reporting mechanism for these bodies.

Response by Department

3.10.20 The Department advised that this recommendation was under consideration by a group reviewing statutory board legislation.

3.10.21 State mental institutions

(i) Differences in charges to patients

In previous reports to Parliament, audit noted that fees to defray the cost of upkeep were levied only on pensioners in those institutions classified as benevolent homes under the provisions of the Commonwealth Social Services Act 1947. It was estimated that additional revenue of \$3.8 million per annum would be raised if fees for upkeep were levied instead on all patients at all mental health and mental retardation institutions.

The introduction of the Mental Health (Fees) Regulations 1984 provide a means for this anomaly to be resolved. However, institutions under the authority of the Mental Health Division are not yet covered by the regulations. It is estimated that of the original \$3.8 million additional revenue, approximately \$2.6 million per annum remains uncollected from patients at these institutions.

Audit therefore recommended that further action be taken to ensure that fees are levied on patients in all institutions.

(ii) Duplication of administrative procedures

In my Second Report to Parliament for 1983-84 it was noted that collection of fees by the Commonwealth from patients in benevolent homes resulted in unnecessary duplication of administrative procedures.

Audit considered that removal of the designation benevolent home under Commonwealth legislation would eliminate this duplication by enabling all fees to be collected under the Mental Health (Fees) Regulations 1984. This would also remove the need for restoration of subsidies currently made to patients in benevolent homes to offset differences between the State and Commonwealth rates for maintenance fees.

Grants to ambulance services

3.10.22 My Second Report to Parliament for 1982-83 detailed the findings of an audit review of grants paid from the Hospital and Charities Fund to ambulance services. The major observations of this review were that:

(1) a 1976 agreement between the Hospitals and Charities Commission and the ambulance services enabled, in part, the establishment of reserve funds for subsequent use in capital and maintenance development;

(2) these reserves enabled the ambulance services to retain and use substantial funds outside the direct control of the Health Commission;

(3) transfers to the reserves were treated as an expense by the ambulance services when requesting funding, thereby increasing the operating and deficit grants payable to the services;

(4) capital purchases by the ambulance services also qualified for reimbursement by way of capital and special purpose grants; and

(5) the basis of funding calculations was inconsistent with that applied to other organisations funded from the Hospitals and Charities Fund.

3.10.23 Audit therefore concluded that there was a need for review of the 1976 agreement.

3.10.24 The Public Bodies Review Committee conducted a review of the operations of Victoria's ambulance services including, in part, consideration of my report to Parliament.

- 3.10.25 In its 13th report to Parliament (November 1984) the Committee included recommendations for the restructuring of the financial management of ambulance services with respect to the budgetary process, the funding of services and the financial accountability provided by the services.
- 3.10.26 The Department is reviewing the recommendations of the Committee.

Status Report

<u>Report</u>	<u>Page</u>	<u>Subject</u>	<u>Status at date of preparation of this report</u>
<u>Health Department Victoria</u>			
October 1982	96	Expenditure on buildings and equipment from interest earned on patients' trust account investments is considered improper. Specific guidelines to regulate expenditure should be established.	Position unchanged, however new legislation is being established to provide guidelines for this expenditure from this source of funds.
Second Report 1982-83	59	The 1976 agreement with ambulance services in relation to funding by the Commission should be reviewed.	Position unchanged. Refer additional comments paragraphs 3.10.22 - 3.10.26.
Second Report 1982-83	62	Arrangements at certain psychiatric centres regarding contributions required from pensioners for upkeep are inequitable compared with arrangements in other institutions.	Refer additional comments paragraph 3.10.21.
Second Report 1983-84	22	The collection of fees by the Commonwealth from patients in benevolent homes results in unnecessary duplication of administration procedures.	Refer additional comments paragraph 3.10.21.
Second Report 1983-84	22	Inadequate controls exist within the free travel scheme to establish the bona fides of applicants and the authorisation and accounting for travel vouchers. Full cost of travel being met for pensioners rather than the concessional rate.	Position unchanged.
<u>Cancer Institute Board</u>			
Supplementary Report 1978-79 and subsequent reports		Private practice income not verifiable by audit.	Position unchanged, however procedures proposed by the Board to apply in 1985-86 should resolve this matter.

3.11

HOUSING

3.11.1 The Minister for Housing is responsible for the administration of the following entities audited by the Auditor-General:

- . Decentralized Industry Housing Authority
- . Director of Housing
- . Urban Land Authority

Progress of Audit

Entities	Financial Year Ended	Legislative Reporting Deadline	Date Financial Statements Signed	Date Auditor-General's Report Signed	Further Reference/Comment in this Report
Completed Audits					
Decentralized Industry Housing Authority	30 June 1985	No date specified. Decentralized Industry (Housing) Act 1973 (S.16)	4 November 1985	14 November 1985	
Director of Housing	30 June 1985	No date specified. Housing Act 1983 (S.12)	13 September 1985	23 September 1985	Refer paragraphs 3.11.2 - 3.11.9.
Urban Land Authority	30 June 1985	30 November. Urban Land Authority Act 1979 (S.13)	20 August 1985	27 September 1985	

Audit Observations and Recommendations

DIRECTOR OF HOUSING

Financial statements

- 3.11.2 The 1984-85 financial statements were signed within 3 months of the end of the financial year. Prior to 1983-84, this process took up to 8 months. This improvement is the result of positive action taken by senior management during the last 2 years to streamline the preparation process of the financial statements. Efforts are currently being made to reduce this time lapse even further.
- 3.11.3 The accounting policies and presentation of the financial statements have also been improved and brought more into line with Australian Accounting Standards on such matters as depreciation, reserves, deposits, trust accounts, land vested in the Urban Land Authority and the death benefit fund.
- 3.11.4 In addition, work is currently being done to improve the quality of the information contained in the financial statements. In particular, efforts are being made to incorporate program expenditure information into fund statements and to show comparisons of actuals with budgets.

Rental arrears

- 3.11.5 In the last few years I have reported on the problem of the increasing rental arrears faced by the Director of Housing (formerly the Housing Commission) in its rental operations.

3.11.6 In recent months rental arrears have risen significantly to \$14.9 million at 21 December 1985.

3.11.7 The following table shows the rental arrears position during the last 5 years and at 21 December 1985.

	<u>Rental arrears</u>	<u>Rental arrears as a percentage of net rental income</u>
	\$ millions	%
30 June 1981	3.6	6.4
30 June 1982	4.8	7.6
30 June 1983	6.2	8.6
30 June 1984	6.4	7.6
30 June 1985	8.5	9.0
21 December 1985	14.9	N/A

3.11.8 **Response by Director of Housing**

. The last 6 months of 1985 were particularly unsettling for the majority of Housing officers as their job classifications have been under review. This review has particularly affected officers who in the past have been heavily involved in arrears work.

. The demand for bond assistance and client interviews in regional offices throughout Victoria has placed increased pressure on resources at the local level.

. Delays occurred in the conversion of rental accounting and arrears controls systems to a more advanced system.

Audit Response

3.11.9 Audit maintains that continuous scrutiny of the arrears situation during the year is warranted. Deterioration in the arrears level should be given reasonable priority and addressed promptly at senior management level.

Status Report

<u>Report</u>	<u>Page</u>	<u>Subject</u>	<u>Status at date of preparation of this report</u>
<u>Director of Housing</u>			
Second Report 1983-84	46	Death Benefits Scheme - reserve substantially higher than necessary. Actuarial review recommended.	Position unchanged.
<u>Home Finance Trust*</u>			
May 1983	22	Inadequate controls exist over custody and physical movement of documents held as security for loan advances.	Position unchanged.
Fourth Report 1982-83	40	Unsatisfactory follow-up action in collection of loan arrears due to inadequate staffing in arrears section.	Position unchanged.
<u>Registry of Co-Operative Housing Societies*</u>			
May 1983	22	Interest subsidy claims in respect of loans from permanent building societies should be selectively verified.	Position unchanged.
Fourth Report 1982-83	77	No procedures under the housing assistance schemes to ensure co-operative housing societies remit collections promptly.	Position unchanged.

* From 1 January 1984 these bodies were absorbed into the Director of Housing.

3.12

INDUSTRY, TECHNOLOGY AND RESOURCES

3.12.1 The Minister for Industry, Technology and Resources is responsible for administration of the following entities audited by the Auditor-General:

- . Albury-Wodonga (Victoria) Corporation
- . Alpine Resorts Commission
- . Coal Corporation of Victoria
- . Department of Industry, Technology and Resources
- . Emerald Tourist Railway Board
- . Gas and Fuel Corporation
- . Latrobe Regional Commission
- . Liquor Control Commission
- . Overseas Projects Corporation of Victoria Ltd
- . Small Business Development Corporation
- . State Electricity Commission
- . SEC Employees' Retirement and Benefit Fund
- . SEC Superannuation Fund
- . Swan Hill Pioneer Settlement Authority
- . Victorian Economic Development Corporation
- . Victorian Solar Energy Council
- . Victorian Tourism Commission

Organisational changes affecting the Ministry

3.12.2 By Order in Council the Office of Minerals and Energy was created as an associated administrative unit within the Department of Industry, Technology and Resources with effect from 28 March 1985. This order was subsequently revoked and with effect from 23 September 1985 the Office became part of the Department of Industry, Technology and Resources.

3.12.3 During the year the Victorian Economic Development Corporation established a company called V.E.D.C. Leasing Pty Ltd which is audited by a private practitioner. The financial activities of this company were included in the consolidated financial statements prepared by the Corporation.

3.12.4 On 13 March 1985 the Overseas Project Corporation of Victoria Ltd was established as a public company limited by guarantee. The Treasurer has requested my Office to undertake an audit of the company. The first audit is to cover the period 13 March 1985 to 30 June 1986.

3.12.5 On 16 April 1985 the Alpine Resorts Commission became responsible for the activities of the former committees of management of alpine resorts at Mt. Hotham and Falls Creek. On 7 and 8 May 1985 respectively, the Commission also became responsible for the activities of the former committees of management of alpine resorts at Mt. Buller and Mt. Stirling.

3.12.6 The Coal Corporation of Victoria was established under the provisions of the State Electricity Commission (Coal Corporation of Victoria) Act 1984, and commenced operations on 1 January 1985. Under the provisions of that Act, the Victorian Brown Coal Council and the unlimited liability company incorporated under the Companies (Victoria) Code under the name of the Coal Corporation of Victoria were abolished and succeeded by the statutory authority called the Coal Corporation of Victoria. The major functions of the Coal Corporation of Victoria combine those of the former Victorian Brown Coal Council and its research and development responsibilities with the commercial briquette and coal marketing activities formerly conducted by the State Electricity Commission.

Progress of Audit

Entities	Financial Year Ended	Legislative Reporting Deadline	Date Financial Statements Signed	Date Auditor-General's Report Signed	Further Reference/Comment in this Report
Completed Audits					
Department of Industry, Technology and Resources	30 June 1985	30 September. Annual Reporting Act 1983 (S.8). Treasurer granted extension to 30 October 1985	30 September 1985	4 October 1985	Includes the financial transactions relating to the Liquor Control Commission. Additional comments, refer paragraphs 3.12.7 - 3.12.10.
Albury-Wodonga (Victoria) Corporation	30 June 1985	No date specified. Albury Wodonga Agreement Act 1973 (S.24)	21 November 1985	3 February 1986	
Coal Corporation of Victoria (Company)	period 4 July 1984 to 31 December 1984	No reporting requirements	31 July 1985	20 August 1985	
Coal Corporation of Victoria (Public Body)	period 1 January 1985 to 30 June 1985	31 August. Coal Corporation of Victoria Act 1984 (S.78)	13 August 1985	20 August 1985	
Emerald Tourist Railway Board	30 June 1985	31 October. Emerald Tourist Railway Act 1977 (S.25)	10 December 1985	8 January 1986	
Gas and Fuel Corporation	30 June 1985	30 September. Annual Reporting Act 1983 (S.9)	27 September 1985	30 September 1985	
Latrobe Regional Commission	30 June 1985	30 September. Latrobe Regional Commission Act 1983 (S.49)	25 September 1985	30 September 1985	Refer paragraphs 3.12.11 - 3.12.14.
Small Business Development Corporation	30 June 1985	No date specified. Small Business Development Corporation Act 1976 (S.18)	20 September 1985	27 September 1985	
State Electricity Commission of Victoria	30 June 1985	30 September. Annual Reporting Act 1983 (S.9)	17 September 1985	20 September 1985	Refer paragraphs 3.12.15 - 3.12.20.
S.E.C. Employees' Retirement and Benefit Fund	30 June 1985	No reporting requirements. State Electricity Commission Act 1958 (S.81) provides for the audit of the books and accounts	19 December 1985	10 January 1986	Qualified opinion issued, refer paragraph 3.12.22. Additional comments, refer 3.12.24 - 3.12.27.
S.E.C. Superannuation Fund	30 June 1985	No reporting requirements. State Electricity Commission Act 1958 (S.81) provides for the audit of the books and accounts	19 December 1985	10 January 1986	Qualified opinion issued, refer paragraph 3.12.25. Additional comments, refer 3.12.21 - 3.12.23.
Victorian Economic Development Corporation	30 June 1985	31 December. Victorian Economic Development Corporation Act 1981 (S.43)	18 October 1985	8 January 1986	Qualified opinion issued, refer paragraphs 3.12.28 - 3.12.30. Additional comments, refer paragraphs 3.12.31 - 3.12.33.
Victorian Solar Energy Council	30 June 1985	31 October. Victorian Solar Energy Council Act 1980 (S.18)	2 October 1985	8 October 1985	

Entities	Financial Year Ended	Legislative Reporting Deadline	Date Financial Statements Signed	Date Auditor-General's Report Signed	Further Reference/Comment in this Report
Incomplete Audits					
Alpine Resorts Commission	31 October 1985	31 December, Alpine Resorts Act 1983 (S.10)			Financial statements not provided due to delays in finalising the financial statements of the former committees of management which have been absorbed into the Commission. Audit has been deferred.
Swan Hill Pioneer Settlement Authority	30 June 1985	No date specified, Swan Hill Pioneer Settlement Act 1974 (S.25)			Financial statements received required amendments. Final statements not provided at date of preparation of this report. Audit substantially completed.
Victorian Tourism Commission	30 June 1985	31 December, Victorian Tourism Commission Act 1982 (S.27)			Financial statements not provided until December 1985. Audit in progress.

Audit Observations and Recommendations

DEPARTMENT OF INDUSTRY, TECHNOLOGY AND RESOURCES

Offshore petroleum royalties

- 3.12.7 The Commonwealth Petroleum (Submerged Lands) Act 1967 applies to areas beyond the 3 mile territorial sea and governs the exploration, recovery and royalties of Bass Strait petroleum. The designated authority under the Act is the Minister for Industry Technology and Resources. In its support role the Department is responsible for the administration of the legislation relating to waters adjacent to Victoria, involving the verification of and accounting for petroleum royalties.
- 3.12.8 In my previous reports, reference has been made to the audit verification of royalties. The following paragraphs summarise the current status on the audit verification process for royalties.
- 3.12.9 As in previous years, the major portion of the work undertaken during 1984-85 by the management and financial audit unit within the Department related to the review of royalty payments received from the Bass Strait licensees since the commencement of production in 1969. At the date of preparation of this report, a comprehensive report covering the review of royalty payments to 30 June 1983 had been prepared by the Department for presentation to audit. In addition, verification of royalty payments by the unit for 1983-84 and 1984-85 was progressing.
- 3.12.10 Under an agreement with the Commonwealth Department of Resources and Energy and the Commonwealth Auditor-General, the records of royalties collected by the Department on behalf of the Commonwealth are audited by my Office. Under this agreement I am required to provide to the Commonwealth Department of Resources and Energy an audit report on financial information related to royalties. Audit reports on the verification of royalties will be forwarded to the Commonwealth in due course.

LATROBE REGIONAL COMMISSION

Unauthorised borrowings

- 3.12.11 The Latrobe Regional Commission Act 1983 permits the Commission to borrow money by means of a bank overdraft or other arrangements, provided the consent of the Treasurer is obtained.
- 3.12.12 During a 2 month period the Commission obtained bank overdrafts of up to \$76 000, attracting interest charges, without the approval of the Treasurer.
- 3.12.13 Audit recommended that in future the Commission comply with the provisions of the Act.

Response by Commission

- 3.12.14 The Commission has advised that the approval of the Treasurer had been sought for overdraft facilities and the matter was pending.

STATE ELECTRICITY COMMISSION

Effect on net profit of changes in accounting policies and practices

- 3.12.15 During 1984-85, the Commission made several changes to accounting policies and practices. A summary of the material changes and the effect on the profit of the Commission for the year is as follows:

	Effect on profit \$ million
Depreciation	62.2 increase
Capitalisation of finance charges	43.9 increase
Pension supplementation	15.1 decrease
Provision for recreation leave	14.9 decrease
Foreign currency transactions	12.0 increase
Other	2.4 decrease
	—
Net effect on profit	85.7 increase
	—

- 3.12.16 Details of the major changes are as follows:

(1) Depreciation

The Commission conducted a major review of depreciation practices to ensure compliance with the requirements of the Annual Reporting (Large Trading and Rating Bodies) Regulations 1984. As a result of the review, the Commission extended the depreciation lives of most assets. In particular, the lives of steam based power stations were extended from 20 to 30 years.

The effect of the change on the 1984-85 profit was \$62.2 million. This reduction consisted of \$38 million in respect of steam based power stations and \$24.2 million for other assets, including the transmission, distribution and coal production systems.

(2) Capitalisation of finance charges

Finance charges representing net interest on loan borrowings, foreign exchange gains/losses amortised, amortisation of discount on stock issued, etc. are capitalised during the construction of major capital projects until the project either in part or in its entirety commences commercial service. These charges form part of the value of the project and are written off progressively as depreciation during the working life of the asset.

In 1983-84 a major capital project was defined as having a construction period of 2 years or more with an estimated cost exceeding \$100 million. The amount of finance charges to be capitalised was determined by the ratio between the expenditure on major projects in the course of construction and net fixed assets.

In 1984-85 a major capital project was redefined as having a construction time of 1 year or more in accordance with an amendment to the Annual Reporting (Large Trading and Rating Bodies) Regulations 1984 and an estimated cost exceeding \$5 million. The amount of finance charges to be capitalised was based on the rate of the average finance charges incurred during the construction of those projects.

The amendments to the policy resulted in an additional \$43.9 million finance charge being capitalised as an asset during 1984-85.

(3) Pension supplementation

In previous years the Commission made payments to the S.E.C. Superannuation Fund for employees on the following bases:

- (i) the normal employer contribution (2:1 basis) i.e. 13 per cent;
- (ii) a loading of 2 per cent, to eliminate the actuarially assessed deficit;
- (iii) an additional pension supplementation relating to the pension increase due to the consumer price index (CPI) component of the pension payments on a "pay as you go" basis.

In 1984-85 the Commission continued to pay the employer contribution and 2 per cent loading but resolved to provide for future CPI rises in pensions during the working lives of employees rather than on a "pay as you go" basis. Actuarial advice obtained indicated that it was appropriate to fund the estimated liability for pension supplementation over a 20 year period which approximates the average remaining working life of existing employees.

This change has resulted in an additional contribution to the fund of \$20.3 million, of which \$15.1 million was charged against the operations for the year and \$5.2 million against capital projects.

(4) Provision for recreation leave

The Commission in 1984-85 established for the first time a recreation leave provision of \$68.2 million which was the estimated liability at 1 July 1984. A deferred charges account was established for this amount and is being written off in equal instalments over 7 years, as approved by the Treasurer. Under this arrangement a sum of \$9.7 million was charged against the operations for 1984-85.

The increase in the provision attributable to 1984-85 was \$6.7 million, of which \$5.2 million was charged against the operations for 1984-85 and the balance capitalised.

Based on approximately 22500 employees within the Commission, it is estimated that there is on average \$3 300 due in recreation leave entitlements to each employee.

The high incidence of accrued recreation leave due to the employees is attributed, in part, to the following factors:

- (i) the introduction of flexitime;
- (ii) the need for many senior personnel to be continuously available on major projects such as Loy Yang; and
- (iii) the use of accumulated rostered days entitlements in lieu of recreation leave.

(5) Foreign exchange transactions

In previous years the Commission translated loans held in foreign currency into Australian dollars at rates prevailing at year end. Unrealised translation differences at year end and realised translation differences, arising from the rollover of multi-currency loans, were recorded in a deferred charges account for amortisation over the remaining terms of the relevant loans.

In 1984-85 the Commission changed this policy and translated the relevant loans at the end of each month. Any losses/gains on translations were determined each month and amortised on a monthly basis over the remaining term of each loan.

The change in policy resulted in a reduction of finance charges of \$18.7 million of which \$12 million affected the profit for 1984-85.

Review of computer controls

3.12.17 During the year audit conducted a major review of the controls and procedures within the central computer installation of the Commission at Monash House.

3.12.18 The results of this review highlighted major inadequacies within the computer operations namely;

(1) a lack of Commission-wide policies concerning computer resources systems development, planning, co-ordination, data management and security;

(2) inadequate controls in operation to ensure that the computer systems and data were secure and adequately protected;

(3) formal objectives, goals and performance measurements not established by the Commission for the provision of computer services by the Computer Services Department;

(4) insufficient measures to ensure that computer services were provided efficiently and effectively;

(5) an absence of a computer steering committee to provide co-ordination of computer activities Commission-wide to ensure that maximum benefits are obtained from the allocation of resources; and

(6) the lack of a policy statement covering contingency arrangements for the partial or complete loss of the central computer facilities.

- 3.12.19 Audit recommended that action was required to rectify the above inadequacies.

Response by Commission

- 3.12.20 The Commission's response indicated that steps are being taken to remedy the weaknesses outlined by audit. An information systems policy has been compiled and is in a final draft form. The Commission has established an information management committee and has introduced policies for the Computer Services Department. The Commission advised that a further reply would be forwarded on the detailed matters raised by audit.

SEC EMPLOYEES' RETIREMENT AND BENEFIT FUND

Financial operations of the fund

- 3.12.21 As there is no requirement for the fund to table its financial statements in Parliament, the financial operations of the fund are summarised as follows:

	1983-84 \$000	1984-85 \$000
Income	28 623	31 926
Benefit payments	9 115	11 434
	<hr/>	<hr/>
	19 508	20 492
Net unrealised gain on revaluation of investments	00	7 349
	<hr/>	<hr/>
Net income	19 508	27 841
	<hr/>	<hr/>
Transfers		
from SEC Superannuation Fund	317	36
to SEC Superannuation Fund	(1 235)	(1 632)
to asset revaluation reserve	00	(7 349)
	<hr/>	<hr/>
	(918)	(8 945)
	<hr/>	<hr/>
Net surplus	18 590	18 896
Accumulated funds at 1 July	44 646	63 236
	<hr/>	<hr/>
Accumulated funds at 30 June	63 236	82 132
	<hr/>	<hr/>

The state of affairs of the fund at 30 June 1984 and 30 June 1985 was as follows:

	30.6.84 \$000	30.6.85 \$000
Accumulated funds	63 236	82 132
Asset revaluation reserve	00	7 349
	<hr/>	<hr/>
	63 236	89 481
	<hr/>	<hr/>
Represented by:		
Current assets		
Funds pending investment	350	1 009
Accrued income and receivables	1 799	1 971
Short-term investments	8 582	17 858
	<hr/>	<hr/>
	10 731	20 838
	<hr/>	<hr/>
Investments		
Shares and convertible unsecured notes	9 745	16 460
Fixed interest securities etc.	25 318	34 723
Property	18 920	14 755
Managed funds	00	9 600
	<hr/>	<hr/>
Total investments	53 983	75 538
	<hr/>	<hr/>
Total assets	64 714	96 376
Less current liabilities		
Accrued expenditure and payables	1 478	6 895
	<hr/>	<hr/>
Total net assets	63 236	89 481
	<hr/>	<hr/>

Qualification of financial statements

- 3.12.22 The financial statements of the fund were qualified on the grounds that investments in managed funds totalling \$9.6 million, together with the related income of \$0.3 million, could not be independently verified by audit. The investments were held in the name of management service companies and a life insurance company.

Valuation of investments

- 3.12.23 During the year the fund had a significant change of accounting policy in relation to the valuation of investments. In previous years investments were disclosed in the financial statements at cost. In 1984-85 investments were reported at market value in the financial statements.

The net unrealised gains on revaluation of investments of \$7.3 million were transferred to an asset revaluation reserve.

SEC SUPERANNUATION FUND

Financial operations of the fund

3.12.24 As there is no requirement for the fund to table its financial statements in Parliament, the financial operations of the fund are summarised as follows:

	1983-84 \$000	1984-85 \$000
Income	147 815	173 979
Benefit payments	52 337	55 142
	<hr/>	<hr/>
	95 478	118 837
Net unrealised gains on revaluation of investments	00	77 752
	<hr/>	<hr/>
Net income	95 478	196 589
	<hr/>	<hr/>
Transfers		
from SEC Employee Retirement and Benefit Fund	1 235	1 632
to SEC Employee Retirement and Benefit Fund	(317)	(36)
to asset revaluation reserve	00	(77 752)
	<hr/>	<hr/>
	918	(76 156)
	<hr/>	<hr/>
Net surplus	96 396	120 433
Accumulated funds at 1 July	510 768	607 164
	<hr/>	<hr/>
Accumulated funds at 30 June	607 164	727 597
	<hr/>	<hr/>

The state of affairs of the fund at 30 June 1984 and 30 June 1985 was as follows:

	30.6.84 \$000	30.6.85 \$000
Accumulated funds	607 164	727 597
Asset revaluation reserve	00	77 752
	<hr/>	<hr/>
	607 164	805 349
	<hr/>	<hr/>

	30.6.84 \$000	30.6.85 \$000
Represented by:		
Current assets		
Funds pending investment	610	68
Accrued income and receivables	10 384	12 706
Short-term investments	43 310	95 432
	<hr/>	<hr/>
	54 304	108 206
	<hr/>	<hr/>
Investments		
Shares and convertible unsecured notes	105 431	165 377
Fixed interest securities etc.	240 072	261 091
Property	117 250	207 411
Managed funds	93 039	125 098
	<hr/>	<hr/>
Total investments	555 792	758 977
	<hr/>	<hr/>
Total assets	610 096	867 183
Less current liabilities		
Accrued expenditure and payables	2 932	61 834
	<hr/>	<hr/>
Total net assets	607 164	805 349
	<hr/>	<hr/>

Qualification of financial statements

- 3.12.25 The financial statements of the fund were qualified on the grounds that investments in managed funds totalling \$125 million, together with related income of \$14.6 million, could not be independently verified by audit. The investments were held in the name of management service companies and a life insurance company.

Valuation of investments

- 3.12.26 During the year the fund had a significant change of accounting policy in relation to the valuation of investments. In previous years investments were disclosed in the financial statements at cost. In 1984-85 investments were reported at market value in the financial statements.
- 3.12.27 The net unrealised gains on revaluation of investments of \$77.8 million were transferred to an asset revaluation reserve.

VICTORIAN ECONOMIC DEVELOPMENT CORPORATION

Qualification of financial statements

- 3.12.28 A qualified audit opinion was issued upon the financial statements of the Corporation due to the inclusion in the statements of a provision for doubtful debts of \$893 000. In audit opinion this provision was not supported by experience with bad debts within the Corporation nor was evidence available as to the likely inability to collect outstanding loans at balance date.
- 3.12.29 The Corporation stated that the type of financing presently offered had greater risks for bad debts than more established and traditional types of financing.
- 3.12.30 The Corporation has undertaken to review the matter of general provisions for doubtful debts during 1986.

Investments without Treasurer's approval

- 3.12.31 The Victorian Economic Development Corporation Act 1981 provides for the Corporation to invest moneys in such securities as are approved by the Treasurer.
- 3.12.32 During 1984-85 the Corporation placed substantial deposits with dealers on the unofficial short term money market and with merchant banks. As at 30 June 1985, \$4.1 million was invested in this manner. These investments were not approved by the Treasurer.
- 3.12.33 Audit recommended that in future the Corporation comply with the provisions of the Act.

Status Report

<u>Report</u>	<u>Page</u>	<u>Subject</u>	<u>Status at date of preparation of this report</u>
		<u>Department of Industry, Technology and Resources</u>	
Third Report 1983-84	27	Unsatisfactory practices in relation to use of Government motor vehicles.	Guidelines issued by Department. Position now satisfactory.
	28	The use of EDP facilities within Department not co-ordinated.	An EDP strategy plan has been established.
		<u>Office of Minerals and Energy</u>	
October 1982	112	Gas Examiner - the maximum statutory rate of 20 cents per consumer does not cover increased operating costs of the Gas Examiner.	Position unchanged.

<u>Report</u>	<u>Page</u>	<u>Subject</u>	<u>Status at date of preparation of this report</u>
		<u>Office of Minerals and Energy</u>	
Second Report 1982-83	80	Until the review of all past royalty payments is completed, audit is unable to confirm the accuracy of royalty payments from 1969 to date.	Position unchanged. Refer additional comment in paragraphs 3.12.7 - 3.12.10.
Second Report 1983-84	29	Victorian Supreme Court writs have been issued against the Minister for Minerals and Energy by the licensees seeking recovery of a proportion of the royalty paid, plus interest, in respect of the Cobia 2 Sub-sea Completion.	Judgement delivered in February 1985 in favour of licensees. An appeal has been lodged by the designated authority.
		<u>Albury - Wodonga (Victoria) Corporation</u>	
Supplementary Report 1979-80	7	Depreciation not provided for on Corporation buildings.	Position now rectified.
November 1981	10		
April 1982	1		
		<u>Small Business Development Corporation</u>	
Second Report 1983-84	55	Unsatisfactory practices in relation to use of Government motor vehicles.	Corporation now complies with Government guidelines on vehicle usage.
		<u>Victorian Economic Development Corporation</u>	
Third Report 1982-83	90	Formal criteria should be established for determining acceptable security for commercial loans advanced by the Corporation.	Position unchanged.
Third Report 1983-84	71	Failure of Corporation to ensure that insurance cover existed for all properties subject to mortgage from the Corporation.	Position now satisfactory.

3.13

LOCAL GOVERNMENT

3.13.1 The Minister for Local Government is responsible for the administration of the following entities audited by the Auditor-General:

- . Local Authorities Superannuation Board.
- . Local Government Department

Progress on Audits

Entities	Financial Year Ended	Legislative Reporting Deadline	Date Financial Statements Signed	Date Auditor-General's Report Signed	Further Reference/Comment in this Report
Completed Audits					
Local Government Department	30 June 1985	30 September. Annual Reporting Act 1983 (S.8). Treasurer granted extension to 14 October 1984	12 September 1985	25 September 1985	Refer paragraph 3.13.2.
Incomplete Audits					
Local Authorities Superannuation Board	28 February 1985	No reporting requirements. However the Board has presented an unaudited report to all members of Parliament			During the year the Board experienced a number of difficulties which delayed the preparation of the accounts. The financial statements were received on 19 December 1985, 9 months after balance date. Audit is now nearing completion.

Audit Observations and Recommendations

LOCAL GOVERNMENT DEPARTMENT

3.13.2 Irregularities in payroll system

Subsequent to 30 June 1985 it was established that there were certain irregularities in the payroll and advance account operations of the Department with a suspected defalcation amounting to \$61 086. At the date of this report police charges have been laid and a court hearing is listed for April 1986.

Status Report

<u>Report</u>	<u>Page</u>	<u>Authority</u>	<u>Status at date of preparation of this report</u>
		<u>Local Authorities Superannuation Board</u>	
December 1982	41	An internal audit function should be established.	Satisfactory. Now established.

3.14

PLANNING AND ENVIRONMENT

3.14.1 The Minister for Planning and Environment is responsible for the administration for the following entities which are audited by the Auditor-General:

- . Ministry for Planning and Environment
- . Historic Buildings Council
- . Plumbers and Gasfitters Board

Progress of Audit

Entities	Financial Year Ended	Legislative Reporting Deadline	Date Financial Statements Signed	Date Auditor-General's Report Signed	Further Reference/Comment in this Report
Completed Audits					
Ministry for Planning and Environment	30 June 1985	30 September Annual Reporting Act 1983 (S.8)	4 October 1985	9 October 1985	
Historic Buildings Council	30 June 1985	30 September Historic Buildings Act 1981 (S.62)	29 November 1985	6 December 1985	
Plumbers and Gasfitters Board	30 June 1985	No reporting requirements	21 October 1985	2 November 1985	Audit of financial statements delayed due to late preparation of statements and the finalisation of an agreement between the Department of Health and the Board.
	30 June 1983	No reporting requirements	6 June 1985	21 June 1985	
	30 June 1984	No reporting requirements	6 June 1985	21 June 1984	

Status Report

<u>Report</u>	<u>Page</u>	<u>Subject</u>	<u>Status at date of preparation of this report</u>
		<u>Ministry for Planning and Environment</u>	
Second Report 1982-84	41	Inadequate control procedures at the Environment Protection Authority concerning assessment of licence fees and processing of computer input.	Position now satisfactory.
Fourth Report 1983-84	20	Failure to reconcile ledger records with the central financial records of the Department of Management and Budget.	Position now satisfactory.

3.15

POLICE AND EMERGENCY SERVICES

3.15.1 The Minister for Police and Emergency Services is responsible for the administration of the following entities audited by the Auditor-General:

- . Country Fire Authority
- . Metropolitan Fire Brigades Board
- . Ministry for Police and Emergency Services

Progress of Audit

Entities	Financial Year Ended	Legislative Reporting Deadline	Date Financial Statements Signed	Date Auditor-General's Report Signed	Further Reference/Comment in this Report
Completed Audits					
Ministry for Police and Emergency Services	30 June 1985	30 September, Annual Reporting Act 1983 (S.8)	16 September 1985	25 September 1985	Refer paragraphs 3.15.2 - 3.15.9.
Country Fire Authority	30 June 1984	No date specified, Country Fire Authority Act 1958 (S.24)	29 October 1984	14 May 1985	
Country Fire Authority	30 June 1985	No date specified, Country fire Authority Act 1958 (S.24)	28 October 1985	5 December 1985	
Incomplete Audits					
Metropolitan Fire Brigades Board	30 June 1985	No date specified, Metropolitan Fire Brigades Act 1958 (S.48)			Financial statements not yet adopted by Board. Audit in progress.

Audit Observations and Recommendations

MINISTRY FOR POLICE AND EMERGENCY SERVICES

Failure to review rentals on police residences

3.15.2 The Office of the Chief Commissioner of Police maintains over 400 residences throughout Victoria to house serving members of the police force and their dependants. In accordance with Police Service Board Determinations, rent is charged on the following basis:

(1) 3 per cent of salary or 30 per cent of the rental value of the residence, whichever is the lower, when the residence is part of, or in the vicinity of a police station; or

(2) 6 per cent of salary or 60 per cent of the rental value of the residence, whichever is the lower, where the residence is not part of or in the vicinity of the police station.

3.15.3 Where residences have no assessed rental value, rent is charged on the basis of 3 per cent or 6 per cent of salary.

3.15.4 Audit disclosed that:

- (1) rental value had not been assessed for residences purchased or constructed since 1975; and
- (2) the rental value of all other residences, held prior to 1975, had not been reviewed since that year.

3.15.5 A review of rental records of the residences disclosed that approximately 280 residences (70 per cent) have rent calculated on the percentage of rental value. For over 50 per cent of these residences, the rental paid was less than half the amount which would have been payable if the rental had been based on salary. In 252 cases the rental was less than \$20 per week, including 107 cases where rental was less than \$6 per week.

3.15.6 Audit estimated that approximately \$100 000 rental income was foregone during 1984-85 due to the failure by the Office of the Chief Commissioner of Police to review rentals regularly.

3.15.7 Audit recommended that the Office of the Chief Commissioner of Police take action to ensure that residences are subject to regular revaluations and that rentals charged are determined from up-to-date rental valuation figures.

Response by Ministry

3.15.8 The Ministry advised audit that:

(1) an approach was made some time ago to the Valuer-General to undertake an up-to-date valuation of all Police residences to assist the Office of the Chief Commissioner of Police in assessing rentals to be charged for tenancy of Police residences, based on the rental value of the premises. However, the Valuer-General advised that because of the number of residences involved, he did not have the resources available to carry out such a large project;

(2) as all Government valuations must be conducted by the Valuer-General's Office, the Office has no control over this matter and rentals have continued to be charged in accordance with the Police Service Board Determinations; and

(3) the Ministry acknowledges that substantial revenue is foregone as a result of out-of-date market rental values of Police residences. The Ministry has arranged for the matter to be re-examined with a view to ensuring that details of the market rental values are regularly updated so that appropriate rentals may be calculated and charged.

3.15.9 Operation Emergency '85

(1) Introduction

A limited examination has been undertaken by my officers of a project titled Operation Emergency '85. This project was conceived in 1983 by personnel associated with police and various emergency services. A co-ordinating committee was formed with representatives from the Metropolitan Fire Brigade, police and the Commonwealth Industrial Gases Ltd., the primary sponsor.

The co-ordinating committee's tasks were:

(i) to create, stage and administer Operation Emergency '85 as a major contribution to Victoria's 150th Birthday Celebrations; and

(ii) to establish the Combined Emergency Services Foundation.

(2) Combined Emergency Services Foundation

The Combined Emergency Services Foundation was launched by the Minister for Police and Emergency Services on 8 August 1984. The Foundation was established for the benefit of all members of emergency service organisations. Its stated role is to provide assistance to members of the various services who may be injured, or to families of members who are killed or injured whilst on duty.

The co-ordinating committee set a target of \$1 million to be raised through Operation Emergency '85, during Victoria's 150th Birthday Celebrations, to place the Foundation on a sound financial footing.

At the date of preparation of this report, the Foundation has not been constituted as a separate legal entity and is not subject to my audit. However, the Foundation is managed by interim trustee representatives from Government and private bodies.

The funds were to be obtained through two main areas:

(i) Operation Emergency '85 Spectacular, a display by the various State emergency services at Calder Raceway on 1 and 2 June 1985; and

(ii) corporate and commercial sponsorship. It is understood that 10 per cent of corporate sponsorship was to be applied to Operation Emergency '85 and 90 per cent to the Foundation. However, audit was unable to sight documentation authorising the above apportionment.

A firm of private practitioners, appointed by the Police and CIG reported on 16 December 1985 that as at 31 July 1985 the Foundation had a credit bank balance of \$205 900.

(3) Estimated project loss - \$1.3 million

Operation Emergency '85 Spectacular and associated functions which had been conducted in June 1985 by the Co-ordinating Committee failed to raise sufficient moneys to cover the costs of the venture. Reasons given included:

(i) failure to gain sufficient corporate and commercial sponsorship;

(ii) lack of public support at Calder Raceway on 1 and 2 June 1985, due in part to bad weather and insufficient promotion of the event.

Legal advice was sought by the Police concerning the liability of individual Government employees who entered into contracts for the provision of goods or services on behalf of the co-ordinating committee.

The advice, dated 4 July 1985, was that such individuals are liable at law for any contracts so entered. They did not enter the contracts as

agents for any corporate entity or legal person. The advice indicated that they could not be considered as acting as agents of the Crown as they were acting outside the normal scope of their employment. Accordingly, they could be sued for any debts incurred.

On becoming aware of a possible large deficit arising from the conduct of Operation Emergency '85, the Minister for Police and Emergency Services advised the Treasurer on 7 August 1985 that urgent action was required to settle outstanding creditors' accounts and suggested the following arrangements for the settlement of the unpaid accounts:

(i) a joint bank account be opened between CIG and the Police Department; signatories to the account being senior officers of each organisation;

(ii) that CIG conduct negotiations with creditors and provide the Police Department with verification of the amount required to settle each creditor's account; and

(iii) that appropriate arrangements be made within the Police Department in respect of audit procedures.

A request was made to the Treasurer for a special advance of \$500 000. It was indicated that a similar amount would be provided by CIG, both amounts to be paid into the joint bank account.

Whilst expressing his concern at the situation which had arisen, the Treasurer accepted the need for appropriate action and consequently approved the special advance of \$500 000 on the clear understanding that any expenditure would eventually be met from the 1985-86 appropriations of the Police Department.

A letter from the Police to the Ministry dated 4 September 1985 tentatively proposed that the following appropriation items be adjusted:

	\$
Operating expenses	150 000
Uniforms and personal equipment	125 000
Equipment	325 000
	<hr/>
	600 000
	<hr/>

The letter further stated:

"It is understood that the adjustment is for the 1985-86 financial year only and these amounts will be reinstated in 1986-87. It is also understood that some flexibility will be allowed to adjust during the year to cover unforeseen circumstances in our program."

As at the date of preparation of this report, a sum of \$601 810 had been paid from the Public Account into the joint bank account.

Although the arrangements set down by the Minister and the Treasurer provided for the verification of claims, in practice this was not achievable in that:

(i) there was no evidence of the receipt of goods on many claims; and

(ii) contractual obligations were apparently entered into in a number of cases without orders being raised.

Whilst it is recognised that these unsatisfactory controls cannot be remedied subsequent to the events, nevertheless audit is concerned that the normal controls applicable to the expenditure of public moneys were not applied in this instance in that the moneys were paid into a joint bank account, payments from which were not subject to proper accountability.

An audit undertaken by the firm of private practitioners calculated the deficit of Operation Emergency '85 to be \$1 258 825 at 31 July 1985. The firm advised on 16 December 1985 that this deficit was determined taking the following into account:

(i) the income included only income which had been received and banked; and

(ii) costs incurred were determined on the basis of the information made available during the audit and therefore may not include outstanding accounts.

The firm also advised that the audit examination was based on information provided by the Police Department, the Metropolitan Fire Brigade and CIG. The auditor could not establish the completeness of the information. Accordingly, in the auditor's view, both the expenses and income may be understated, with a consequential effect on the final deficit.

(4) Conclusion

I must express my deep concern at the serious inadequacies and shortcomings which permeated the course of this project. Poor project management, coupled with the absence of what would be seen as basic checks and balances, allowed substantial funds to be committed against revenue which was never realised.

In my opinion clear guidelines must be established for departments and authorities wishing to embark with private sector organisations on joint undertakings of this nature, to ensure that management control systems and accountability requirements are in place to safeguard both the parties involved and the public purse, and to report to Parliament.

Status Report

<u>Report</u>	<u>Page</u>	<u>Subject</u>	<u>Status at date of preparation of this report</u>
		<u>Ministry for Police and Emergency Services</u>	
First Report 1978-79	55	Central firearms registry - system weakness.	New system in operation. Minor system weaknesses only.
First Report 1980-81	172	Internal audit not yet established	Position unchanged.
October 1982	118	Audit of the police payroll and an examination of leave records revealed various weaknesses in internal control.	Corrective action has been taken on this matter.
		<u>Country Fire Authority</u>	
December 1982	12	Authenticity of statutory contributions should be verified by means of a selective examination of premium returns.	Position unchanged.
Fourth Report 1982-83	24	Two practices adopted for depreciation of fixed assets are not consistent with Australian Accounting Standards.	Depreciation rate now reviewed annually. Position unchanged regarding depreciation of assets purchased during the year.
	24	Transfer by the Authority of interest earned on general account investments to the Sale of Property Fund should be reviewed by the Department of Management and Budget.	Position unchanged.

3.16

PREMIER AND CABINET

3.16.1 The Premier is responsible for the administration of the following entities audited by the Auditor-General:

- . Department of the Premier and Cabinet
- . Office of the Auditor-General
- . Office of the Public Service Board
- . State Relief Committee

Progress of Audit

Entities	Financial Year Ended	Legislative Reporting Deadline	Date Financial Statements Signed	Date Auditor-General's Report Signed	Further Reference/Comment in this Report
Completed Audits					
Department of the Premier and Cabinet	30 June 1985	30 September, Annual Reporting Act 1983 (S.8)	23 September 1985	25 September 1985	
Office of the Public Service Board	30 June 1985	30 September, Annual Reporting Act 1983 (S.8)	6 September 1985	18 September 1985	
Office of the Auditor-General	30 June 1985	30 September, Annual Reporting Act 1983 (S.8)	11 September 1985	12 September 1985	
State Relief Committee	30 June 1985	No reporting requirements. Audited at request of Treasurer	19 December 1985	24 January 1986	

3.17

PROPERTY AND SERVICES

3.17.1 The Minister for Property and Services is responsible for the administration of the following entities audited by the Auditor-General:

- . Department of Property and Services
- . Government Employee Housing Authority
- . Government Printing Office *
- . State Electoral Office
- . Victorian Public Offices Corporation

* The Government Printer is a functional activity of the Department and does not report independently to Parliament.

Progress of Audit

Entities	Financial Year Ended	Legislative Reporting Deadline	Date Financial Statements Signed	Date Auditor-General's Report Signed	Further Reference/Comment in this Report
Completed Audits					
Department of Property and Services	30 June 1985	30 September. Annual reporting Act 1983 (S.8)	24 September 1985	27 September 1985	Qualified opinion issued, refer paragraph 3.17.2.
Government Employee Housing Authority	30 June 1985	31 December. Government Employee Housing Authority Act 1981 (S.23)	27 September 1985	4 October 1985	
Government Printing Office	30 June 1985	N/A	20 December 1985	N/A	Refer paragraph 3.17.3 - 3.17.6.
Victorian Public Offices Corporation	30 June 1985	31 October. Victorian Public Offices Corporation Act 1974 (S.17)	31 January 1986	3 February 1986	Notes to accounts disclose Corporation to disband.
Incomplete Audits					
State Electoral Office	N/A	Returning officers are required to submit financial returns within 6 months of an election. Constitution Act Amendment Act 1968 (S.161)			Certain accounts relating to the March 1985 State election and various by-elections, are still being examined by the Chief Electoral Officer prior to being forwarded to the Auditor-General.

Audit observations and recommendations

DEPARTMENT OF PROPERTY AND SERVICES

Qualification of financial statements

3.17.2 The 1984-85 financial statements of the Department of Property and Services were qualified on the grounds of noncompliance with Regulation 53(2)(b) of the Annual Reporting (Administrative Units) Regulations 1985 in that:

- . the State Electoral Office failed to value its stocks of forms; and
- . the Government Printing Office valued its general stores on hand at the lower of cost or net realisable value.

GOVERNMENT PRINTING OFFICE

Financial operations

- 3.17.3 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. The major part of capital expenditure incurred by the Office is financed through the works and services account. These transactions are incorporated in the annual financial statements of the Department of Property and Services.
- 3.17.4 In addition, the Government Printing Office prepares a manufacturing statement, a trading and profit and loss statement, a balance sheet, and a statement of sources and applications of funds which do not form part of the Departmental financial statements.
- 3.17.5 Although there is no statutory requirement for the Auditor-General to express an opinion on the financial statements of the Government Printing Office, such statements have been examined by audit.
- 3.17.6 A summary of the statements on manufacturing, trading and profit and loss, prepared by the Government Printing Office for 1984-85, compared with 1983-84, is given below:

Manufacturing statement

	1983-84	1984-85
	\$	\$
Prime cost of goods manufactured	16 150 706	17 890 711
Manufacturing expenses	3 848 155	3 772 568
Work in progress 1 July	2 583 932	3 050 551
	22 582 793	24 713 830
Less work in progress 30 June	3 050 551	2 801 087
	19 532 242	21 912 743

Trading and profit and loss statement

	1983-84	1984-85
	\$	\$
Net sales	31 564 535	36 487 646
Less cost of goods sold		
Stock 1 July	3 321 120	3 131 051
Cost of goods manufactured	19 532 242	21 912 743
Stock written off	(65 573)	(409 244)
Other costs	9 447 575	10 807 084
Stock 30 June	(3 131 051)	(3 173 303)
	29 104 313	32 268 331

	2 460 222	4 219 315
Less trading expenses	1 175 726	1 406 107
	<hr/>	<hr/>
Gross profit	1 284 496	2 813 208
Less selling, administrative and finance expenses	2 442 071	2 741 494
	<hr/>	<hr/>
Plus other operating income	(1 157 575) 67 354	71 714 61 760
	<hr/>	<hr/>
Operating (loss) profit	(1 090 221)	133 474
Plus non-operating income	469 405	605 288
	<hr/>	<hr/>
Net (loss) profit before abnormal items	(620 816)	738 762
Less abnormal items		
Workers' compensation insurance premiums	* 414 273	00
Stock written off	(65 573)	409 244
	<hr/>	<hr/>
Net (loss) profit after abnormal items	(272 116)	329 518
Retained earnings 1 July	2 346 505	2 074 389
	<hr/>	<hr/>
Retained earnings 30 June	2 074 389	2 403 907
	<hr/>	<hr/>

A profit of \$738 762 (before abnormal items) was earned in 1984-85, compared with a loss of \$620 816 for 1983-84. This improved result was primarily attributable to an increase in production charge rates which applied during 1984-85.

* 1983-84 - amounts contributed in prior years by the Department of Management and Budget in respect of workers' compensation insurance premiums previously treated as equities.

Balance sheet

	30.6.1984	30.6.1985
	\$	\$
Capital and reserves		
Contributed capital		
Treasurer's advance to working account	3 004 405	3 004 405
Works and services allocations to assets	5 741 400	6 024 959
Retained earnings	2 074 389	2 403 907
	<hr/>	<hr/>
	10 820 194	11 433 271
	<hr/>	<hr/>

Represented by:

Current assets	13 137 169	12 564 305
Less current liabilities	5 245 069	3 971 478
	<hr/>	<hr/>
Working capital	7 892 100	8 592 827
	<hr/>	<hr/>
Fixed assets		
Motor vehicles, office equipment, machinery and equipment (at cost)	5 263 795	5 973 840
Provision for depreciation	(1 889 411)	(2 418 096)
	<hr/>	<hr/>
	3 374 384	3 555 744
	<hr/>	<hr/>
	11 266 484	12 148 571
Less long term liability - Loan from State Development Fund	446 290	715 300
	<hr/>	<hr/>
Net assets	10 820 194	11 433 271
	<hr/>	<hr/>

Status Report

<u>Report</u>	<u>Page</u>	<u>Subject</u>	<u>Status at date of preparation of this report</u>
		<u>Government Employee Housing Authority</u>	
December 1982	21	Accommodation register not yet finalised.	Accommodation register is now substantially finalised.
Third Report 1982-83	19	The continuing loss on rental operations warrants further review by the Authority.	Loss on rental operations remains significant.
		<u>Government Printing Office</u>	
Supplemen- tary Report 1980-81	54	Sundry debtors - Government departments. Instruction of Department of Management and Budget re payment of accounts within 30 days not being complied with.	At 30 June 1985, debtors outstanding over 30 days amounted to \$1 470 707. Procedures for payment of accounts currently under review by Government Printing Office and Department of Management and Budget.

<u>Report</u>	<u>Page</u>	<u>Subject</u>	<u>Status at date of preparation of this report</u>
<u>Department of Property and Services</u>			
October 1982	124	Government Computing Service - greater control necessary in the accounting for debtors and improved security measures necessary at the I.C.L. installation.	Position now satisfactory.
Second Report 1982-83	86	A range of environmental, organisational and operational control weaknesses exist at the Burroughs (B6800/B7700) Centre of the Government Computing Service.	Although some improvements have been made, environmental control weaknesses remain.
<u>State Electoral Office</u>			
Second Report 1983-84	31	Surcharge of \$30 845 on Returning Officer for Prahran, pursuant to subsection 1 of section 37 of the Audit Act 1958, for failing to properly account for moneys advanced to him in respect of the April 1982 State election.	Action by Crown Solicitor on this matter is currently in course.
<u>Property Division</u> <u>Property Rentals</u>			
Third Report 1983-84	44	Department did not maintain a complete listing of all properties available for rental.	Action in course to improve property records.
	44	Rent due not always raised in Department's debtors' records.	Position now satisfactory.
	44	Regular review of debtors' records not undertaken to determine tenants in arrears, so that follow-up action could be taken.	Department currently considering implementing E.D.P. system to improve controls.

3.18

PUBLIC WORKS

3.18.1 The Minister for Public Works is responsible for the administration of the Public Works Department which is audited by the Auditor-General.

Progress of Audit

Entities	Financial Year Ended	Legislative Reporting Deadline	Date Financial Statements Signed	Date Auditor-General's Report Signed	Further Reference/Comment in this Report
Completed Audits					
Public Works Department	30 June 1985	30 September, Annual Reporting Act 1983 (S.8)	17 September 1985	24 September 1985	

Status Report

<u>Report</u>	<u>Page</u>	<u>Subject</u>	<u>Status at date of preparation of this report</u>
		<u>Public Works Department</u>	
Third Report 1983-84	44	For consultancy services provided to South Eastern Medical Complex Ltd, the Department should recoup actual costs and not estimated costs.	Agreement has been amended to provide for a fixed fee to be paid over the period of the consultancy.
	45	Department had not negotiated a formal lease agreement with occupier of 107-109 Rathdowne Street Carlton.	Property has been sold.

3.19

SPORT AND RECREATION

3.19.1 The Minister for Sport and Recreation is responsible for the administration of the following entities audited by the Auditor-General:

- . Department of Sport and Recreation
- . Greyhound Racing Control Board
- . Harness Racing Board
- . Totalizator Agency Board

Progress of Audit

Entities	Financial Year Ended	Legislative Reporting Deadline	Date Financial Statements - Signed	Date Auditor-General's Report Signed	Further Reference/Comment in this Report
Completed Audits					
Department of Sport and Recreation	30 June 1985	30 September. Annual Reporting Act 1983 (S.8). Treasurer granted an extension to 14 October 1985	11 September 1985	25 September 1985	Refer paragraphs 3.19.1 - 3.19.5.
Greyhound Racing Control Board	31 July 1985	31 October. Racing Act 1958 (S.81)	22 November 1985	17 December 1985	
Harness Racing Board	31 July 1985	31 October. Racing Act 1958 (S.47)	21 October 1985	22 October 1985	
Totalizator Agency Board	31 July 1985	No date specified. Racing Act 1958 (S.116V)	27 September 1985	4 October 1985	Refer paragraphs 3.19.6 - 3.19.9.

Audit Observations and Recommendations

DEPARTMENT OF SPORT AND RECREATION

3.19.2 Cost overruns on projects sponsored by Department.

(1) Australia Games - \$920 000

The inaugural Australia Games held from 26 January to 3 February 1985 in Melbourne, as part of Victoria's 150th anniversary, were controlled by the Australia Games Foundation (AGF), a non-profit company, limited by guarantee and not subject to my audit. Forecast estimates of the cost of staging the Games were in the vicinity of \$2.2 million. The audited financial statements indicated that the costs exceeded \$3.3 million.

The funding agreement entered into between the Commonwealth Government, the State Government and the AGF to stage the Games, provided for Government grants of \$800 000 from the Commonwealth and \$375 000 from the State with the balance to come from private sponsorships, television rights, and gate takings. Under the agreement, any shortfall in funds or cost overruns would be the responsibility of the AGF and no further Government assistance would be forthcoming.

As a result of financial difficulties arising out of the Games, the AGF sought and received from the Department advances totalling \$500 000 on condition that repayment take place when the AGF was in a position to do so. The Minister for Sport and Recreation subsequently approved the conversion of the advances to a grant.

In addition to the above fundings the AGF then sought further financial assistance from the Department. The additional money was provided by the Department of Management and Budget as follows:

- (i) establishment costs - \$350 000, comprising:
 - . a loan of \$262 500 repayable over the next 3 Games;
 - . an amount of \$87 500 as the Victorian Government contribution to the amortisation of establishment costs; and
- (ii) a grant of \$70 000

The total State Government funding for the Games was \$1 295 000, an increase of \$920 000 over the initial agreed State grant of \$375 000.

The Department advised audit that the establishment costs incurred in staging the inaugural Games were expected to benefit future Games and therefore could be considered a capital outlay in establishing them as an international event.

(2) Sandown Motor Racing Circuit - \$706 000

Commonwealth funding of \$2 894 680 was made available to the Department in 1983 under the International Standard Sports Facilities Program to develop an international standard motor racing circuit at Sandown. No State Government funds were to be committed to the project.

An agreement between the Department and the Light Car Club of Australia (LCCA) for redevelopment of the circuit was signed in November 1983 and included the following conditions:

- (i) the LCCA to accept responsibility for co-ordination of documentation and construction;
- (ii) the LCCA to enter into agreements and contracts;
- (iii) the Department to reimburse the LCCA for claims;
- (iv) the Department to reserve the right not to proceed if expenditure exceeded the maximum Commonwealth contribution of \$2 894 680;
- (v) any excess expenditure to be financed by the LCCA; and
- (vi) the LCCA to provide audited financial statements upon the project's completion.

In September 1984, when minor cost overruns were noted, the LCCA gave assurances that they would be able to meet the additional costs from profits to be derived from running the World Endurance Championship. However, it was not until February 1985 that it became obvious that they could not meet their outstanding debts.

Anticipated profits from the World Endurance Championship held on 2 December 1984 did not eventuate. The Department advised audit that a loss of \$329 000 arose from the following factors:

- (i) low attendances at the championship;
- (ii) failure to secure a major sponsor; and
- (iii) a live telecast of the championship to Melbourne.

In view of the financial failure of the championship, the LCCA was unable to meet outstanding debts relating to construction work at the circuit. It was necessary for the Government to provide \$706 000 to meet these construction costs.

3.19.3 Audit examination of the monitoring procedures employed by the Department over each project indicated that the Department:

- (1) failed to establish a clear definition of responsibility; and
- (2) failed to ensure adequate control over Government funds.

3.19.4 Audit recommended that for future major projects:

- (1) the financial management and viability of organisations be appraised prior to any Government commitment;
- (2) the Department be actively involved in conjunction with project management in monitoring the financial and operational status of projects;
- (3) all agreements with participating organisations be formalised; and
- (4) a clear definition of responsibilities of all parties be established to facilitate control over Government funds.

Response by Department

3.19.5 The Department has advised audit that consideration will be given to incorporating the following features in future agreements for the construction and ongoing control of similar projects:

- (1) the construction elements of the project to be administered by either a public statutory authority or a municipality. In either case, the Department would specify the cost limits, the quality requirements and the time constraints to apply;
- (2) the facility to be constructed either on Crown land or on land owned by a municipality. In some cases this might necessitate the acquisition of land by the Crown or by local government prior to the commencement of construction;
- (3) the ongoing operation of the facility to be managed by a duly constituted committee of management or a responsible non-profit organisation (responsibility evidenced by charter, duration of existence and financial standing);

(4) funding for the construction element to be managed through the organisation appointed under (1) above, i.e. the grant from this Department and the Commonwealth Government would be assigned to the appropriate public statutory authority or municipality;

(5) the Department to establish a finance committee comprising the Department's finance manager, the co-ordinator, facilities and technical design services unit from the Department and a representative(s) of the particular organisation(s) involved with the project. This committee would be responsible for the vetting of all financial aspects of the project and for reporting to the Director-General on these matters; and

(6) with regard to points (1) and (3) above, the Department would play an active role in the project and would be represented on these bodies. During the construction phase the representative probably would be the co-ordinator, facilities and technical design services unit.

TOTALIZATOR AGENCY BOARD

Review of computer installation

- 3.19.6 During the year a review of the computer installation at the Board's headquarters was undertaken. Areas reviewed included management policies, operations procedures, system development procedures and maintenance controls. Several audit recommendations were made and appropriate corrective actions were taken by the Board. However, a matter still outstanding is the lack of a proven plan to enable the Board to recover from a major disaster at its computer centre.
- 3.19.7 Although various discrete recovery strategies had been propounded by the Board, they had not been integrated into a formal disaster recovery plan, nor tested. Consequently, audit was unable to satisfy itself that the Board could restore its wagering service within a reasonable interval if the centre became inoperative.
- 3.19.8 As the Board is an organisation totally reliant on the uninterrupted functioning of its computer systems audit considered the non-formalisation and testing of a disaster plan by the Board was a significant system weakness.

Response by Board

- 3.19.9 The Board advised that it considered its recovery strategies were extensive, ranging from the recovery of a single betting module to recovery of the wagering system from a major disaster. It has not attempted to "live test" full disaster recovery as in the Board's view the substantial costs of this exercise would constitute unwarranted expenditure.
- 3.19.10 While the recovery contingency procedures are presently well documented and understood within the Board, action is being taken to consolidate them into a formal major disaster recovery plan.

Status Report

<u>Report</u>	<u>Page</u>	<u>Subject</u>	<u>Status at date of presentation of this report</u>
<u>Department of Sport and Recreation</u>			
October 1982	156	Stock records or stock control system is not in operation.	Manual controls now operating.
Second Report 1982-83	101	Unsatisfactory procedures for payment of grants from the Racecourses Development Fund and the Greyhounds Racing Grounds Development Fund.	Position unchanged.
<u>Totalizator Agency Board</u>			
Third Report 1982-83	78	A consistent policy is necessary for the accounting treatment of research and development costs.	Appropriate action has been taken on this matter.
Third Report 1983-84	67	A lack of segregation of duties in the area of investments.	Matter under attention.

3.20

TRANSPORT

3.20.1 The Minister for Transport is responsible for the following entities audited by the Auditor-General:

- . Grain Elevators Board
- . Marine Board of Victoria
- . Metropolitan Transit Authority
- . Ministry of Transport
- . Port of Geelong Authority
- . Port of Melbourne Authority
- . Port of Portland Authority
- . Road Construction Authority
- . Road Traffic Authority
- . State Transport Authority
- . Victorian Transport Borrowing Agency

Progress of Audit

Entities	Financial Year Ended	Legislative Reporting Deadline	Date Financial Statements Signed	Date Auditor-General's Report Signed	Further Reference/Comment in this Report
Completed Audits					
Grain Elevators Board	30 September 1985	31 December, Annual Reporting Act 1983 (S.9)	21 November 1985	19 December 1985	
Metropolitan Transit Authority	30 June 1985	30 September, Annual Reporting Act 1983 (S.9)	16 September 1985	27 September 1985	Qualified opinion issued, refer paragraph 3.20.2. Additional comments, refer 3.20.3 - 3.20.15.
Ministry of Transport (including Marine Board of Victoria)	30 June 1985	30 September, Annual Reporting Act 1983 (S.8). Treasurer granted extension to 14 October 1985	27 September 1985	30 September 1985	Section 74 of the Marine Act 1958 requires that the Auditor-General audit the Pilots Salary Fund which is administered by the Marine Board. The audit has been completed to 30 June 1985. Qualified opinion issued, refer paragraphs 3.20.19 - 3.20.22. Additional comments, refer paragraphs 3.20.16 - 3.20.25.
Port of Melbourne Authority	30 June 1985	30 September, Annual Reporting Act 1983 (S.9)	18 September 1985	25 September 1985	Refer paragraphs 3.20.26 - 3.20.31.
Port of Portland Authority	30 June 1985	No date specified, Port of Portland Authority Act 1958 (S.44)	28 November 1985	12 December 1985	
Road Construction Authority	30 June 1985	30 September, Transport Act 1983 (S.67)	25 October 1985	6 November 1985	Qualified opinion issued, refer paragraphs 3.20.32 - 3.20.37.
Road Traffic Authority	30 June 1985	30 September, Transport Act 1983 (S.67)	5 September 1985	27 September 1985	Qualified opinion issued, refer paragraph 3.20.38.
State Transport Authority	30 June 1985	30 September, Annual Reporting Act 1983 (S.9)	24 September 1985	30 September 1985	Qualified opinion issued, refer paragraph 3.20.39. Additional comments refer paragraphs 3.20.40 - 3.20.41.
Victorian Transport Borrowing Agency	30 June 1985	30 September, Transport Act 1983 (S.67)	18 October 1985	25 October 1985	
Incomplete Audits					
Port of Geelong Authority	31 December 1985	No date specified, Port of Geelong Authority Act 1958 (S.86)			Audit in progress.

Audit Observations and Recommendations

METROPOLITAN TRANSIT AUTHORITY

Qualification of financial statements

- 3.20.2 The Authority's financial statements for 1984-85 were qualified on the grounds that the Authority treated moneys received from the Public Account (other than contributions towards operating expenses and subsidies) as advances, and treated payments to the Public Account, (proceeds of borrowings, sale of assets, lease drawdowns and unexpended appropriations received from the Public Account for capital purposes) as repayments of advances. As the Appropriation (1984 -85, No. 1) Act 1984 and the Transport Act 1983, under whose provisions the transactions occurred, did not indicate whether the amounts were advances or repayment of advances, audit was unable to form an opinion as to whether the transactions had been reported in the appropriate manner.
- 3.20.3 The 1983-84 financial statements of the Authority were qualified on the same grounds.

Funding of operations

- 3.20.4 Audit considers that the practice of borrowing moneys to cover operating costs, if continued in future years, will eventually lead to financial difficulties and affect the overall financial viability of the organisation.
- 3.20.5 An examination of the Authority's statement of sources and applications of funds in 1984-85, an abridged version of which is set out below, disclosed that of borrowings (inscribed stock and leasing finance) raised during the year (\$286.256 million), an amount of \$16.617 million had been applied towards operating costs.

<u>Sources of funds</u>	<u>Operations</u> \$000	<u>Borrowings</u> \$000
From operations	180 123	
Government contributions	286 722	
Sale of assets	9 401	
Reduction in cash and investments	37 110	
Increase in creditors and liabilities	22 935	
Inscribed stock and leasing finance		286 256
	-----	-----
Total funds available	536 291	286 256
	-----	-----
<u>Applications of funds</u>	<u>Operations</u> \$000	<u>Capital</u> \$000
Operations	552 908	
Redemption of loans		61 270
Increase in assets		208 369
	-----	-----
	552 908	269 639
	-----	-----
(Shortfall) excess in funds	(16 617)	16 617

- 3.20.6 The shortfall in funds from operations has been met from borrowings.
- 3.20.7 Further analysis of the Authority's financial transactions revealed that:
- (1) the level of borrowings at 30 June 1985 (\$1 030 million) had increased by 31 per cent over the level at 30 June 1984 (\$788 million); and
 - (2) associated finance charges, including interest capitalised on major capital projects, had increased by 41 per cent from \$82 million in 1983-84 to \$116 million in 1984-85.
- 3.20.8 Audit recommended that the funding process and use of borrowings to meet operating expenses be reviewed.

MetRail

- 3.20.9 The Transport Act 1983 provides for the Metropolitan Transit Authority (MTA) to be responsible for the operation and management of the metropolitan rail service. The Act also provides that the State Transport Authority (STA) shall control and maintain all railway facilities and ancillary equipment and shall be the employing authority for all officers engaged in the provision of railway and ancillary services. MetRail is the operating division which accounts for and co-ordinates metropolitan rail operations.
- 3.20.10 In my report to Parliament in April 1985, I commented that the existing legislation and administration arrangements resulted in conflict as to which authority had in practice the final responsibility for the operation and management of the metropolitan rail service. This matter is under review by a working party established by the Ministry of Transport.
- 3.20.11 The administration arrangements have also resulted in accounting problems in respect to certain charges raised by the STA for the operation of the metropolitan rail service. These charges are referred to in this report as non-cash charges, details of which are given hereunder.

Non-cash charges

- 3.20.12 Charges raised against the Authority by the State Transport Authority for the operation of MetRail, included both cash and non-cash based charges. Examples of non-cash based charges were depreciation and provisions for employee benefits such as superannuation.
- 3.20.13 As the budgets for the MTA and STA are prepared on a cash basis, and because the amount appropriated to the MTA from the Consolidated Fund is also determined on a cash basis, the Authority reimburses the STA for cash based charges only. As a result, the non-cash based charges of \$84 million at 30 June 1985 remain as a liability to STA. Under present arrangements the Authority will not be able to clear this liability which will increase every time non-cash based charges are raised by the STA.

3.20.14 Audit recognises that the accounting treatment adopted reflects:

(1) differences which arise from reporting the Authority's operations on an accrual basis and determining the funding for operations on a cash basis; and

(2) the effect of the legislation which governs STA and MTA in relation to the responsibility and management of MetRail operations.

3.20.15 However it is recommended that the current procedures be reviewed with particular emphasis given to the possibility of the Authority adopting alternative bases and accounting treatment for these charges.

MINISTRY OF TRANSPORT

Transactions between transport authorities and the Public Account

3.20.16 My report to Parliament in April 1985 drew attention to the inconsistency in accounting treatment by transport authorities, i.e. Metropolitan Transit Authority, Road Construction Authority, Road Traffic Authority and State Transport Authority, of certain transactions between the Authorities and the Public Account.

3.20.17 The report also referred to the need for action to be taken by the Ministry of Transport and the Department of Management and Budget in consultation with the Authorities to standardise the manner in which the transactions are to be reported.

3.20.18 The anticipated action did not eventuate, with the result that the inconsistencies of treatment, which are evident from a comparison of the qualification on the financial statements of the Metropolitan Transit Authority, Road Traffic Authority and State Transport Authority, remained at 30 June 1985. Details of the qualifications can be found in the sections of this report dealing with the respective Authorities.

Qualification of financial statements

3.20.19 The financial statements of the Ministry were qualified on the grounds that they did not comply with the Annual Reporting (Administrative Units) Regulations 1985 in that they did not include certain fees and charges collected by the Road Traffic Authority.

3.20.20 In audit opinion the fees and charges should have been paid by the Authority to the Consolidated Fund and, in accordance with the above mentioned regulations, should have been included in the financial statements of the Ministry. The 1983-84 statements of the Ministry were qualified on the same grounds.

3.20.21 The Ministry has sought the advice of the Crown Solicitor to resolve this matter. At the date of preparation of this report, the Ministry had not received the Crown Solicitor's opinion.

3.20.22 Further comment on the grounds for the qualification relating to the payment of the fees and charges to the Consolidated Fund is contained in the section of this report on the Road Traffic Authority.

Accountability for special projects

- 3.20.23 The Appropriation (1984-85 Act, No. 1) 1984 provided for the Ministry to spend up to \$16.1 million on special projects. The Ministry has interpreted special projects as those approved by the Minister which are designed to improve, develop and better co-ordinate railway, tramway and road transport in Victoria. Actual expenditure totalled \$13.5 million and included the annual contribution to the State Bicycle Committee, and items of a one-off nature, for example a \$5 million interest free loan to the State Transport Authority.
- 3.20.24 Audit examination of special project expenditure indicated a lack of budgetary control over individual projects both at approval and progress stages, and a lack of disclosure within the annual financial statements of the Ministry as to the nature and extent of projects undertaken during the year.
- 3.20.25 In the interests of accountability, audit recommended that full disclosure of individual special projects be included in the Ministry's annual financial statements. It is anticipated that proposed changes to the Ministry's accounting system will improve budgetary control over individual projects.

PORT OF MELBOURNE AUTHORITY

Superannuation fund shortfall

- 3.20.26 An actuarial investigation of the Members' Superannuation Fund revealed that a shortfall of \$3.8 million existed in the fund at 30 June 1984. Of this amount, \$1.6 million related to the commutation recoupment method used between 1 January 1967 and 30 June 1979 for lump sum payments, whereby the total payment was initially charged to the fund with the Authority's share of the payment being credited to the fund over the life of the pensioner. Of the total amount, the Authority provided \$0.7 million in 1984-85. The balance of \$0.9 million will be provided by the Authority in future years.
- 3.20.27 The fund is invested in the Authority's operations. It was the actuary's opinion that the primary factor leading to the balance of the shortfall of \$2.2 million was the rate used to determine the notional interest credited to the fund. The notional interest rate used is specified in the Port of Melbourne Superannuation Regulations 1974 as the yearly earning rate of the State Superannuation Fund.
- 3.20.28 Other contributing factors to the shortfall included the impact of inflation on salaries, the high number of ill health retirements and the introduction of an early retirement option. The Authority is considering the actuary's report but has not made any decision as to its liability for, or the method to be adopted to fund, the shortfall of \$2.2 million.
- 3.20.29 Audit recommended that the Authority take appropriate action to ensure the shortfall was funded.

State convention centre

- 3.20.30 In December 1983 the Government requested the Authority to prepare detailed plans for a State convention centre and an associated hotel adjacent to the World Trade Centre site. As at 30 June 1985 the

Authority had incurred costs amounting to \$974 244 in respect of the design phase of this project.

- 3.20.31 The Authority had indicated its willingness to fund the design phase provided that it received an undertaking from the Government that any expenditure would be reimbursed irrespective of whether the project finally proceeded or not. The Treasurer gave an undertaking that the development costs would be reimbursed to the Authority when the Convention Centre Authority was established.

ROAD CONSTRUCTION AUTHORITY

Qualification of financial statements

- 3.20.32 The financial statements of the Authority were qualified on the following grounds.
- 3.20.33 Prior to 1984-85 it was the Authority's accounting policy for expenditure on property acquired for roadworks to be charged against income in the year of purchase, with the value of property which had not actually been used in roadworks at balance date being disclosed in a note to the financial statements.
- 3.20.34 From 1 July 1984 the Authority changed its accounting policy to one of initially capitalising the cost of acquisition. When the property was used for roadworks the cost would be charged against income with a consequential reduction in the capitalised value of property held.
- 3.20.35 To incorporate the change in accounting policy, property held at 1 July 1984 valued at \$145.5 million was brought to account as an asset.
- 3.20.36 Audit examination of the asset figure for property held for use in future roadworks as at 30 June 1985 disclosed inaccuracies due to the inclusion of a number of properties which had, in fact, been incorporated into roadworks prior to that date. It was also found that amounts charged against income for roadworks expenditure during the year included the value of properties which had been incorporated into roadworks prior to the 1984-85 year.
- 3.20.37 It was not practicable for audit to identify all properties concerned. Consequently audit was unable to form an opinion as to the adequacy or otherwise of the value of the asset item, land and buildings acquired for roadworks, the amount charged against income for properties incorporated into roadworks and the adjustment to the accumulated deficit brought forward at 30 June 1984.

ROAD TRAFFIC AUTHORITY

Qualification of financial statements

- 3.20.38 The financial statements were qualified on the following grounds:

(1) Treatment of appropriations from the Public Account

The Authority offset an amount of \$4.3 million paid into the Public Account, under the provisions of the Transport Act 1983, against an amount of \$44.5 million received from the Public Account under the provisions of the Appropriation (1984-85, No. 1) Act 1984 and reported

the balance as income in the income and expenditure statement. As neither of the Acts indicated whether or not the amounts appropriated were revenue grants by Government, and the amounts paid to the Public Account were reductions of such revenue grants, audit was unable to form an opinion as to whether the transactions had been reported in the appropriate manner.

Response by Authority

The method of handling amounts paid into the Public Account is consistent with current Government policy and procedures agreed to with the Department of Management and Budget (DMB). The Authority will therefore continue to disclose these transactions in this manner.

(2) Retention of fees collected under the Motor Car Act

During 1984-85 the Authority collected and retained certain fees levied under the Motor Car Act 1958 amounting to approximately \$7.9 million, such amount being reported as income in the income and expenditure statement. The Motor Car Act 1958 does not prescribe how such fees are to be applied. Section 11 of the Audit Act 1958 provides that where no mode of applying a fee is prescribed by law, then the fee shall form part of the Consolidated Fund. In audit opinion such fees constitute moneys payable by the Authority to the Consolidated Fund. At 30 June 1985 fees totalling approximately \$16 million due to the Consolidated Fund had been retained by the Authority.

A similar exception opinion was given on the 1983-84 financial statements of the Authority. I recommended in my Fourth Report to Parliament for that year that the legal position be clarified. In response the Authority, through the Ministry of Transport, sought the Crown Solicitor's opinion.

Response by Authority

The Authority's treatment of fees raised under the Motor Car Act 1958 reflects 1984-85 budgetary decisions reached between the Ministry of Transport and the Department of Management and Budget, and is consistent with legal opinion obtained by the Authority. The Authority proposes to continue the present practice pending receipt of the Crown Solicitor's opinion.

STATE TRANSPORT AUTHORITY

Qualification of financial statements

3.20.39 The financial statements of the State Transport Authority were qualified on the following grounds:

(1) Fixed assets and depreciation

The asset recording system of the Authority did not permit the identification and determination of the cost and accumulated depreciation of individual assets due to deficiencies in the methods and records used by predecessor Authorities to record fixed assets. As a result audit was unable to determine the existence or cost associated with all individual fixed assets. In addition the adequacy of the yearly depreciation charge could not be determined.

(2) Appropriations from the Public Account as advances

The Authority treated moneys appropriated from the Public Account for capital works, together with amounts made available to predecessor Authorities, as advances from State Government. Moneys paid into the Public Account in accordance with section 66 of the Transport Act 1983, i.e. borrowings and proceeds of sales of assets, were treated as repayments of such advances. The difference between the amounts received and paid has been treated within the Authority's balance sheet as equity. The Annual Reporting (Large Trading and Rating Public Bodies) Regulations 1984 require that the transactions be reported in accordance with their nature. As neither the Transport Act 1983 nor the Appropriation (1984-85, No. 1) Act 1984 indicate whether the transactions represent advances by State Government or repayment of such advances, and whether the difference represents equity, audit was unable to conclude that the transactions had been presented in accordance with the requirements of the regulations.

- 3.20.40 It is anticipated that the matters relating to fixed assets and depreciation will be resolved within the next two years as a computerised fixed asset register has been installed. Various classes of assets have been or are proposed to be the subject of stocktakes and steps are being taken to review the various values associated with the classes of assets.

Annual accounts

- 3.20.41 Following the introduction of the Transport Act 1983, the State Transport Authority experienced difficulties in producing its annual financial statements within the legislative timeframe. It is pleasing to note that the Authority was able to prepare the annual accounts of 1984-85 on time, thereby ensuring audited financial statements were presented to the Minister for Transport by the legislative deadline of 30 September, as required by the Annual Reporting Act 1983.

Status Report

<u>Report</u>	<u>Page</u>	<u>Subject</u>	<u>Status at date of preparation of this report</u>
		<u>Transport Authorities</u>	
Fourth Report 1983-84	81	Problems associated with accounting procedures for recording transactions between the Authorities and the Public Account. The Ministry of Transport and the Department of Management and Budget need to consult with the Authorities to standardise the manner in which the transactions are reported.	Position unchanged, however audit has been advised that discussions are taking place.
		<u>Grain Elevators Board</u>	
Fourth Report 1982-83	33	Overpayment of travelling and other expenses to former chairman totalling \$7 603 (\$5 164 in 1981-82 and \$2 439 in prior years).	An amount of \$5 403 is still outstanding. The Board has sought guidance from the Ministry of Transport as to what action should be taken to recover these funds.
	34	Crown Solicitor's opinion sought by Ministry of Transport on whether overpayments of \$8 838 to senior management since 1979 should be recovered.	Legal opinion indicates that no further action required.
		<u>Ministry of Transport</u>	
Third Report 1983-84	47	Salaries of officers seconded to the Ministry not disclosed in annual financial statements.	Resolved. Item now fully disclosed in the annual statements.
		<u>Metropolitan Transit Authority</u>	
Fourth Report 1983-84	83	Administrative arrangements and legislation relating to the operation and management of metropolitan rail operations need to be addressed to enable such operations to be properly accounted for and managed.	Working party established by the Ministry of Transport to review the situation.
	84	Agreement for determining costs and revenue applicable to metropolitan rail operations should be formalised.	Position unchanged.

<u>Report</u>	<u>Page</u>	<u>Subject</u>	<u>Status at date of preparation of this report</u>
<u>Metropolitan Transit Authority (Cont.)</u>			
Fourth Report 1983-84	84	To enable control over costs and revenue applicable to metropolitan rail operations, suitable monitoring and analysis techniques should be implemented.	Improvement has been made in procedures used.
	85	Legislation relating to orders for vesting of assets between authorities should be reviewed.	Position unchanged.
	85	Policy and procedures for determining public liability provision needed to be reviewed.	Position now satisfactory.
<u>Port of Portland Authority</u>			
Third Report 1982-83	58	Current account overdrawn by the Authority on a number of occasions without the consent of the Treasurer as required by the Port of Portland Authority Act 1958.	Practice has been continued by Authority.
<u>Road Construction Authority</u>			
Fourth Report 1983-84	87	Property acquired for roadworks should be brought to account as an asset.	Position now satisfactory.
	88	Natural Disaster Relief Grants expenditure not supported by documentary evidence.	Documentary evidence obtained to support expenditure. Unspent balances have been repaid to Public Account.
	89	Financial records did not contain historical costs of all land and buildings nor were buildings being depreciated.	Historical costs now being recorded and buildings are being depreciated.
	90	Adjustments required to depreciation records relating to plant and motor vehicles.	Action has been taken, however a number of matters still requiring adjustment.
<u>Road Traffic Authority</u>			
Fourth Report 1983-84	91	Legal position regarding retention by the Authority of certain fees levied under the Motor Car Act 1958 needs to be resolved.	Position unchanged. Refer additional comments in paragraph 3.20.38.

<u>Report</u>	<u>Page</u>	<u>Subject</u>	<u>Status at date of preparation of this report</u>
		<u>State Transport Authority</u>	
Supplementary Report 1981 . December 1982	233 107	V/Line Industries Pty Ltd, a wholly owned subsidiary of the Authority, no provision in legislation for accounts to be audited by Auditor-General.	Position unchanged.
Fourth Report 1983-84	94	The recording system is presently inadequate to establish the existence and cost of individual assets and determine an appropriate depreciation charge.	Action underway to resolve this matter but likely to take several years.
	95	Track and related infrastructure - in audit opinion the present accounting policies, in relation to depreciation, maintenance and deferred maintenance requires review.	Position unchanged.
	95	Lack of asset capitalisation policy.	Policy introduced during 1984-85.

3.21

TREASURER

3.21.1 The Treasurer is responsible for the administration of the following entities audited by the Auditor-General:

- . Capital Works Authority
- . Coal Mine Workers' Pensions Tribunal
- . Department of Management and Budget
- . Hospitals Superannuation Board
- . Metropolitan Fire Brigades Superannuation Board
- . Motor Accidents Board
- . Parliamentary Contributory Superannuation Fund
- . State Employees Retirement Benefits Board
- . State Insurance Office
- . State Superannuation Board (including Lump Sum Fund, Pensions Supplementation Fund, Holmesglen Constructions Superannuation Plan)
- . Tattersall Sweep Consultations
- . Victorian Coal Miners Accidents Relief Board
- . Victorian Development Fund
- . Victorian Public Authorities Finance Agency
- . Workers Compensation Board

3.21.2 New Authorities

(1) Capital Works Authority

In my report on the Treasurer's statement for the year ended 30 June 1985 I drew attention to the establishment of the Capital Works Authority.

The Authority, constituted by Order in Council on 28 May 1985, shall from time to time as requested in writing by the Treasurer:

(i) negotiate contracts on behalf of the State of Victoria for the borrowing of money;

(ii) enter into and execute contracts on behalf of the State of Victoria for the borrowing of money; and

(iii) affix and authenticate the seal of the Treasurer to any contract which it is authorised to enter into and execute.

All moneys borrowed by the Capital Works Authority are to be paid into the Consolidated Fund or the Works and Services Account.

The audit is to be undertaken at the request of the Treasurer pursuant to section 3 of the Audit Act 1958.

(2) State Insurance Office

On 18 September 1984 the State Insurance Office Act 1984 was proclaimed. This Act, which repealed the State Insurance Office Act 1975, established the Office as a body corporate under the control of a Board of Management consisting of 5 directors.

Progress of Audit

Entities	Financial Year Ended	Legislative Reporting Deadline	Date Financial Statements Signed	Date Auditor-General's Report Signed	Further Reference/Comment in this Report
Completed Audits					
Coal Mine Workers' Pensions Tribunal	30 June 1985	No date specified. Coal Mines Act 1958 (S.128)	2 October 1985	14 October 1985	
Department of Management and Budget	30 June 1985	30 September. Annual Reporting Act 1983 (S.8) Extension granted by Treasurer to 21 October 1985	30 September 1985	4 October 1985	Qualified opinion issued, refer paragraphs 3.21.3 - 3.21.6. Additional comments refer paragraphs 3.21.7 - 3.21.12.
Hospitals Superannuation Board	30 June 1985	No date specified. Hospitals Superannuation Act 1965 (S.9)	4 November 1985	13 November 1985	Qualified opinion issued, refer paragraph 3.21.13.
Motor Accidents Board	30 June 1985	31 December. Motor Accidents Act 1973 (S.86)	20 December 1985	23 December 1985	Qualified opinion issued, refer paragraphs 3.21.14 - 3.21.15.
Parliamentary Contributory Superannuation Fund	30 June 1985	No reporting requirements, however the trustees report annually to Parliament. Audit conducted at request of Treasurer	13 November 1985	20 November 1985	Refer paragraphs 3.21.16 - 3.21.17.
State Employees Retirement Benefits Board	30 June 1985	No date specified. State Employees Retirement Benefits Act 1979 (S.11)	28 November 1985	2 December 1985	
State Insurance Office	30 June 1985	30 September. State Insurance Office Act 1984 (S.24)	14 October 1985	25 October 1985	Qualified opinion issued, refer paragraphs 3.21.23 - 3.21.26. Additional comments refer paragraphs 3.21.18 - 3.21.33.
State Superannuation Board					Refer paragraphs 3.21.34 - 3.21.47.
Superannuation Fund	30 June 1985	No date specified. Superannuation Act 1958 (S.63)	13 December 1985	13 December 1985	
Lump Sum Fund	30 June 1985	No reporting requirements. Audit conducted under Superannuation (Lump Sum Benefits) Act 1981 (S.17)	13 December 1985	13 December 1985	
Pensions Supplementation Fund	30 June 1985	No date specified. Pension Supplementation Act 1966 (S.10)	13 December 1985	13 December 1985	
Holmesglen Constructors Superannuation Plan	30 June 1985	No reporting requirements. Audit conducted at request of Treasurer	20 September 1985	8 October 1985	
Tattersall Sweep Consultations	30 June 1985	No reporting requirements	undated	23 December 1985	
Victorian Coal Miners Accidents Relief Board	30 June 1985	No requirement to prepare financial statements or to report to Parliament. The Coal Mines Act 1958 provides for the audit of the books and accounts. (S.81)	2 October 1985	11 October 1985	
Victorian Development Fund	30 June 1985	30 September. Public Account Act 1958 (S.76)	30 August 1985	23 September 1985	Refer paragraphs 3.21.48 - 3.21.52.
Victorian Public Authorities Finance Agency	30 June 1985	30 September. Victorian Public Authorities Finance Act 1984 (S.14)	30 September 1985	9 October 1985	
Incomplete Audits					
Capital Works Authority	30 June 1985	No reporting requirements. Audit conducted at request of Treasurer			No financial statements received as at 3 February 1986.
Metropolitan Fire Brigades Superannuation Board	30 June 1985	No date specified. Metropolitan Fire Brigades Superannuation Act 1976 (S.7)			Audit finalised. Awaiting adopted financial statements.
Workers Compensation Board	30 June 1985	August. Workers Compensation Act 1958 (S.82)			No financial statements received as at 3 February 1986. Difficulties being experienced by former Board in finalising the statements.

Audit Observations and Recommendations

DEPARTMENT OF MANAGEMENT AND BUDGET

Qualification of financial statements

- 3.21.3 The financial statements of the Department were qualified on the grounds that audit was unable to form an opinion on the reliability of the estimates of \$51 million for outstanding land tax and \$13.9 million for payroll tax included in the statements. The Taxation Office did not have satisfactory systems in place to provide accurate figures in 1984-85.
- 3.21.4 In previous reports I drew attention to the unreliable information contained on the land tax database. Whilst considerable progress had been made to improve the integrity of this information, segments of the land and owner portion of the database were still unreliable. This was the main reason for the inability to accurately determine land tax debtors at 30 June 1985.
- 3.21.5 The item payroll tax debtors in the financial statements included amounts payable under proofs of debt lodged in the case of liquidated companies, arrangements entered into by the Commissioner and assessments made under section 18(2) of the Payroll Tax Act 1971, which could not be accurately estimated at 30 June 1985.
- 3.21.6 Audit recommended that efforts be increased by the Taxation Office to develop suitable systems to enable amounts outstanding to be determined at balance date.

Failure to determine status of moneys expended on railways

- 3.21.7 Prior to 30 June 1983 the operations of the former Victorian Railways Board were conducted through the Public Account. Capital expenditure by the Board was financed from appropriations made under various works and services acts.
- 3.21.8 The capital liability recorded by the Department of Management and Budget on behalf of the former Board at 1 July 1983, the date of establishment of the State Transport Authority (the successor authority to the Board), was \$586 million after allowing for a credit of \$148 million in the National Debt Sinking Fund.
- 3.21.9 The Department did not include the liability in its financial statements for 1984-85 as it had not determined whether the amount involved is to be regarded as the State's equity in the STA or whether that authority will be required to repay the amount advanced by the State.
- 3.21.10 In the absence of a definitive statement by the Department, the Authority recorded the amounts as equity in its financial statements, resulting in the statements of the Authority being qualified in 1983-84 and 1984-85. Comment is contained in the Transport section of this report.
- 3.21.11 Audit is concerned that this matter has remained unresolved since the establishment of the State Transport Authority on 1 July 1983 and recommends priority be given to its resolution.

Response by Department

- 3.21.12 The treatment of both moneys advanced to the Transport Authorities by the Department and borrowed through the Victorian Transport Borrowing Agency is under active consideration and is expected to be resolved during the 1986-87 Budget considerations.

HOSPITALS SUPERANNUATION BOARD

Qualification of financial statements

- 3.21.13 The financial statements of the Board were qualified on the grounds that certain investments of the Hospitals Superannuation Fund were held in the names of life insurance companies. These investments totalling \$125.7 million and the related income of \$20.5 million, which included both realised and unrealised gains and losses, have been included in the accounts on the basis of statements furnished by the above mentioned companies. They were not able to be independently verified by audit because of the nature of the investments.

MOTOR ACCIDENTS BOARD

Qualification of financial statements

- 3.21.14 The financial statements of the Board were qualified on the basis of the carry-forward effect of an accounting policy followed by the Board in the previous financial year. Under this policy the Board made certain payments totalling \$1.4 million late in 1983-84 and deferred recognition of the expenditure in the financial statements until 1984-85.
- 3.21.15 The resultant impact of the 1983-84 deferral of expenditure on the financial statements for 1984-85 was that the item in the income and expenditure statement benefits paid by the Board was overstated by \$1.4 million.

PARLIAMENTARY CONTRIBUTORY SUPERANNUATION FUND

Excess contribution to the fund

- 3.21.16 Section 13 of the Parliamentary Salaries and Superannuation Act 1968 provides for an actuarial investigation of the fund at 3 yearly intervals. The report on the actuarial investigation in relation to the triennium ended 30 June 1984 was submitted by the actuary on 4 January 1985. The actuary certified the amount required to be paid to the fund from the Consolidated Fund in 1984-85 to be \$2.8 million.
- 3.21.17 The Department of Management and Budget was not notified of the results of the actuarial investigation until October 1985. As a result of this delay, an amount of \$4.9 million was received from the Consolidated Fund in 1984-85. Of this amount, \$2.1 million (the difference between the amount received by the fund and the amount certified by the actuary) was not legally available to the fund. That amount, together with interest earned to 30 June 1985 of \$151 789, has been recognised as an amount owing to the Consolidated Fund at 30 June 1985. Both amounts, together with interest up to date, have been repaid to the Consolidated Fund.

STATE INSURANCE OFFICE

Introduction

- 3.21.18 Principal activities carried out by the State Insurance Office (S.I.O.) during the financial year were the underwriting of various classes of general insurance including employers' liability, motor vehicle, buildings, household contents and personal lines, the investment of funds, and the development, ownership and occupation of property.
- 3.21.19 The S.I.O. is now the sole insurer of compulsory third party insurance. This position has arisen because over the years private companies have ceased providing this type of insurance as it was considered unprofitable. In practice compulsory third party is now perceived as being in the nature of a community service.

Financial position

- 3.21.20 The unprofitable nature of the compulsory third party insurance business has been reflected in the financial position of the S.I.O. The financial position has continued to deteriorate, notwithstanding the steps taken by the S.I.O. during the last 4 years to change the basis of the calculation of the outstanding compulsory third party liabilities.

The following table shows the net liabilities over the past 4 years as reported by the S.I.O. together with a comparison of the position if ultimate cost, at the time of settlement, had been used in valuing outstanding claims liabilities.

<u>Net liabilities of the S.I.O.</u>	<u>1981-82</u> <u>\$000</u>	<u>1982-83</u> <u>\$000</u>	<u>1983-84</u> <u>\$000</u>	<u>1984-85*</u> <u>\$000</u>
On the basis that outstanding claims are valued at ultimate cost	338 925	476 466	1 029 257	1 708 373
On the basis that outstanding claims are valued in the method adopted by the S.I.O.	75 175	234 983	711 957	856 073

* As from 1 July 1984 the employers' liability policy in respect of workers compensation cover for certain Government employees has been calculated on a pay-as-you-go basis with no provision for outstanding claims being included in the 1984-85 accounts.

- 3.21.21 In my December 1982 and April 1984 Reports to Parliament I adverted to and gave reasons for my concern at the practice of making an allowance for an estimate of the anticipated interest, that would be earned in future accounting periods on the investments underpinning the provision, in assessing the outstanding claim provision for reporting purposes in the financial statements.

- 3.21.22 In my report on 30 April 1985 I further referred to the matter and made the following comment: "In my opinion these losses (compulsory third party insurance losses) have impacted upon the ability of the office to achieve the projected future income and this in fact has been recognised by the insurance commissioner in lowering the average yield used in determining future investment income to discount the provision for outstanding claims". In fact, the allowance for future investment income which had been first adopted by the insurance commissioner in 1980-81 has been progressively reduced by adjusting the average yield used in actual calculation of the allowance from 11 per cent in 1981-82 to 6.7 per cent in 1983-84.

Qualification of financial statements

- 3.21.23 In the year 1984-85, in accordance with the advice received from the Department of Management and Budget, the S.I.O. adopted a net present value basis of valuing both the outstanding claims liability for compulsory third party and commercial employers' liability.
- 3.21.24 Audit could not be satisfied that this method of valuing outstanding claims for these categories of insurance was appropriate. Therefore it was necessary to record the following qualification on the 1984-85 financial statements of the Office:

(1) The Board has adopted the net present value approach to the valuation of its liability for outstanding claims for compulsory third party and commercial employers' liability.

I am unable to be satisfied that the method used by the Board in valuing the liability for outstanding claims for compulsory third party and commercial employers' liability is appropriate for these categories of insurance.

The Board has indicated that had it not adopted a policy of valuing the liability for outstanding claims for compulsory third party and commercial employers' liability at net present value:

(i) outstanding claims for compulsory third party of \$1 908.2 million would have been \$2 658.3 million; and

(ii) outstanding claims for commercial employers' liability of \$173.3 million would have been \$275.5 million.

Based on the Board's figures:

(i) the loss on compulsory third party operations of \$238.1 million would have been \$670.9 million;

(ii) the disclosed profit of \$81.2 million for all employers' liability would have been a loss of \$21 million;

(iii) the overall loss for the year of \$144.1 million would have been \$679.1 million; and

(iv) the overall accumulated losses of \$909.3 million would have been \$1 761.6 million.

The Treasurer has given an undertaking that, on the recommendation of the Board, cash requirements necessary to meet claims under compulsory third party insurance policies will be provided by the Government without the use of assets associated with other classes of business of the S.I.O.

(2) An additional provision for outstanding claims for commercial employers' liability for possible retrospective legislation, subsequent court decisions and other emerging work related diseases has been provided. Documentation provided in support of this provision of \$50 million, an increase of \$5 million in 1984-85, did not enable me to determine the adequacy of this component of the provision.

3.21.25 Whilst the Board of the S.I.O. adopted net present value as the basis of valuing outstanding claims liabilities for third party and commercial employers' liability, it also indicated in the notes to the financial statements that further losses would occur in future years due to the interest that would not be earned because of a shortfall in assets under the current funding arrangements. The actuarial estimate at 30 June 1985 of these further losses was \$402 million.

3.21.26 I am pleased to note that the Government has decided to take action to completely overhaul the compulsory third party scheme and has allocated \$30 million from petroleum royalties in 1985-86 towards meeting compulsory third party insurance commitments of the S.I.O.

Response by Board

3.21.27 In its response dated 4 March 1986, the Board expressed concern on the unsatisfactory nature of the compulsory third party scheme which has been building up over many years and detracting from the efficient and competitive operations in the other areas of S.I.O. The Board believes the long term reforms expected to be announced by the Government before the end of this financial year will put this matter in a better perspective for the future.

Conclusion

3.21.28 Irrespective of the entity to which the responsibility for undertaking compulsory third party activities is given, I am strongly of the view that the financial reporting by such an entity should include financial information which not only satisfies accountability needs but is useful in assisting the Parliament to get a proper understanding of the effect on future budgets of the application of the policy adopted for determining the reporting of future liabilities.

3.21.29 In my view it would not be sufficient to adopt an accounting treatment which merely provides information on a present value basis.

3.21.30 Whether the scheme is a funded scheme, or an unfunded scheme, the financial statements of the entity, in my opinion, should be required to disclose:

(1) the aggregate estimated ultimate cost.

(2) where the ultimate cost figure is reduced by whatever method, full details of the method used including the rates adopted to achieve such reduction.

(3) the effect on that year's results of the adoption of a reduced figure and the aggregate effect of that and previous years' reduction on the financial position of the entity as at balance date; and

(4) particulars of cash flow requirements to meet liabilities over 1, 2 and 5 year and later than 5 year periods.

Suspected fraudulent claims

- 3.21.31 Early in 1985 the Victorian Police Fraud Squad began an investigation into alleged fraudulent third party claims. The investigation involved claims made by members of a number of community groups utilising the services of a small group of medical and legal personnel.
- 3.21.32 It is apparent from the investigations of the Fraud Squad that there is a need for the Office to strengthen its control and surveillance over the claims acceptance process. Audit recommended that the current claims system be enhanced so as to provide for recording on computer file the full details of individual accidents. With access to such information on computer file, the Office would be in a position to readily identify common features in seemingly unrelated accidents and be alerted to the need for further investigation.

Response by Board

- 3.21.33 The Board advised that it has leased a computer package which will enable the Office to extract and collate information from its data base in order to identify fraud cases as suggested by audit.

STATE SUPERANNUATION BOARD

Commutation of pensions

- 3.21.34 Contributors and certain pensioners, including the spouse of a deceased contributor or pensioner can elect to convert part of their pension entitlement to a lump sum by way of a cash option on one occasion. Amounts paid on conversion of the cash options are fully funded by the Superannuation Fund which recoups the employers' share, i.e. the Government's share, from the Consolidated Fund on a fortnightly basis.
- 3.21.35 Audit examination indicated that there appeared to be a conflict between the provisions of the Superannuation Act 1958 and the Pensions Supplementation Act 1966 in relation to pension entitlement for the purpose of commutation of pensions.
- 3.21.36 The current practice of the Board is to define pension entitlement as the base pension only. Therefore it does not include any entitlements to a supplementary pension as provided for in the Pensions Supplementation Act 1966.
- 3.21.37 Section 32AB of the Superannuation Act 1958 states "... pension entitlement includes a reference to any entitlement to a supplementary pension ... under the provisions of the Pensions Supplementation Act 1966". On the other hand, section 9(1) of the Pensions Supplementation Act 1966 states "... a supplementary pension is not a pension or entitlement for the purposes of any other Act ...". It would appear that the Board's current practice in relation to the calculation of lump sum payments is in accordance with the Pensions Supplementation Act 1966 but contrary to the Superannuation Act 1958.

- 3.21.38 Audit recommended that the Board take the necessary action to clarify the position.
- 3.21.39 The Board has requested the Crown Solicitor to provide an opinion on the matter.

Income on cash options

- 3.21.40 With the introduction of accrual accounting in 1980-81 the Board included income on cash options in its income and expenditure statement and a non-current asset, cash option reimbursement in its balance sheet. Income on cash options represents imputed interest at 6 per cent on the asset valuation of the cash option reimbursement which is assessed by actuarial valuation based on the present value of future amounts receivable from the Consolidated Fund in relation to pensions commutated.
- 3.21.41 The following table illustrates the income and rate of return on cash options for the past 5 years.

	1985 \$000	1984 \$000	1983 \$000	1982 \$000	1981 \$000
(1) Valuation of cash option reimbursement 1 July	<u>186 000</u>	<u>161 800</u>	<u>134 600</u>	<u>116 800</u>	<u>101 281</u>
(2) Plus: additional amounts approved and paid	48 985	47 023	49 232	37 062	31 412
(3) Less: fund's share of cash options paid	13 996	13 435	14 066	10 567	8 975
(4) Less: recoup from Consolidated Fund	<u>24 962</u>	<u>22 577</u>	<u>18 460</u>	<u>15 754</u>	<u>13 537</u>
(5) Residual balance of (1) at 30 June	<u>196 027</u>	<u>172 811</u>	<u>151 306</u>	<u>127 541</u>	<u>110 181</u>
(6) Income on cash options	<u>25 973</u>	<u>13 189</u>	<u>10 494</u>	<u>7 059</u>	<u>6 619</u>
(7) Valuation of cash option reimbursement 30 June	<u>222 000</u>	<u>186 000</u>	<u>161 800</u>	<u>134 600</u>	<u>116 800</u>
(8) Return on cash options (6 - 5)	13.3%	7.6%	6.9%	5.5%	6.0%

- 3.21.42 The actuarial valuation of the cash option reimbursement was undertaken using the same variables relating to mortality rates and

interest at 6 per cent as were adopted in previous years. However, the information supplied to the actuary by the Board in 1984-85 was extracted from the new Facom computer system, whereas in previous years the information had been extracted directly by the actuary from the Board's old ICL computer system.

- 3.21.43 Audit noted that income on cash option had increased from \$13 189 000 in 1983-84 to \$25 973 000 in 1984-85, an increase of \$12 784 000 or 96.9 per cent.
- 3.21.44 Discussions with the actuary and officers of the Board as to the reasons for the variation in the income on cash options indicated that the data supplied to the actuary, for the purpose of determining the asset valuation of the cash option reimbursement, was suspect.
- 3.21.45 In the report on the 14th actuarial investigation as to the state and sufficiency of the Superannuation Fund as at 30 June 1983, the actuary stated that "... the data supplied is inadequate in a number of areas, and the accuracy of certain sections is suspect. These unsatisfactory features apply to the data because the Superannuation Board has had insufficient staff since the early 1960's to allow the adequate maintenance of records ...". It appears that the suspect data is the most likely reason for the large increase in income on cash options.
- 3.21.46 Audit recommended that the Board investigate the reason for the variation.

Response by Board

- 3.21.47 The Board acknowledged that income from cash options appeared to be incorrect and that an investigation into this matter had commenced.

VICTORIAN DEVELOPMENT FUND

Forward currency exchange contracts entered into without authority

- 3.21.48 During the year the Victorian Development Fund, comprising the Cash Management Account and the State Development Account, entered into forward currency exchange contracts in excess of \$75 million on behalf of the Victorian Public Authorities Finance Agency.
- 3.21.49 Under the provisions of the Public Account Act 1958, the powers of the Victorian Development Fund in regard to the Cash Management Account are limited to accepting deposits from relevant authorities and declared trust accounts, and investing moneys standing to the credit of the account in a manner declared by the Governor-in-Council on the recommendation of the Treasurer.
- 3.21.50 In audit opinion the Victorian Development Fund does not have the authority under the provisions of the Public Account Act 1958 to enter into forward exchange currency contracts on behalf of other public bodies.
- 3.21.51 Audit recommended that the Department of Management and Budget review this matter and, if the practice is to continue, seek legislative amendments to provide the Victorian Development Fund with the proper authority.

Response by Fund

- 3.21.52 The Victorian Development Fund indicated that it had acted as agent for the public body concerned. The counter-parties, with whom the forward exchange contracts were written, were aware that this was so. Settlements which took place were funded by the principal, so no assets of the fund were invested other than in terms of the Public Account Act 1958. The matter of possible legislative amendments being sought is under discussion within the Department of Management and Budget.

Status Report

<u>Report</u>	<u>Page</u>	<u>Subject</u>	<u>Status at date of preparation of this report</u>
		<u>Department of Management and Budget</u>	
First Report 1981-82	143	Contractors' securities held are not always current for current contracts and include securities which should have been returned to contractors.	Position unchanged.
	145	Stamps Office Clearing Account - a suitable system is necessary to enable reconciliation of balance.	Position unchanged.
	145	Australia Post - sale of duty stamps. The records of the Stamp Duties Office and Australia Post did not agree.	Matter is still unresolved. However the Office is currently taking action to resolve the matter.
Second Report 1982-83	72	Reconciliations of the Public Account bank accounts in arrears.	Position now satisfactory.
	75	The Tender Board should review the scheme relating to the payment of freight charges for country schools to establish the scheme's costs and effectiveness.	Position unchanged.
	75	The Tender Board does not have power to grant retrospective approvals for out of contract purchases.	Refer comments in paragraph 2.3.3 of this report.
	76	Amount of land tax to be realised from issue of amended assessments could not be determined.	Refer comments in paragraph 3.21.4 of this report.

<u>Report</u>	<u>Page</u>	<u>Subject</u>	<u>Status at date of preparation of this report</u>
<u>Department of Management and Budget (cont.)</u>			
Third Report 1983-84	38-39	Unclaimed moneys. Audit recommended that action be taken to review the operations of the Registrar to ensure that the provisions of the Unclaimed Moneys Act 1962 are complied with. Audit also recommended that a review of the provisions of the Act be undertaken.	Action is awaited.
Third Report 1983-84	40	Accounting records of the State Development Program were inadequate.	In the process of being computerised.
	41	Failure to enforce penalties on insurance and assurance companies.	Further evidence of failure to enforce penalties of approximately \$800 000, due to breakdown in laid-down procedures. Action has now been taken to avoid further occurrences.
	42	Taxation Office - delays in banking	Now satisfactory.
<u>Hospitals Superannuation Board</u>			
Third Report 1980-81	9	Rental of premises (now vacated by Board) - no formal agreement.	Position unchanged. Presently the Department of Management and Budget is taking action to resolve the matter.
<u>Motor Accidents Board</u>			
Third Report 1980-81	15	Computer operations contractual relationship - formal agreement to be finalised.	Agreement now expired. Issue no longer relevant as the Board has acquired and utilises its own computer facilities.
Third Report 1981-82	64		
Third Report 1980-81	15	Bethesda Hospital - agreement to establish a rehabilitation centre not yet finalised.	A revised agreement has been drawn up but is not yet finalised.

<u>Report</u>	<u>Page</u>	<u>Subject</u>	<u>Status at date of preparation of this report</u>
<u>Motor Accidents Board (cont.)</u>			
Third Report 1981-82	62	Contingent liability in respect of income tax for accident victims not disclosed.	Position unchanged.
Fourth Report 1983-84	44	Absence of formalised agreement with Alfred Hospital governing funding of road trauma service and intensive care facilities.	Position unchanged.
Fourth Report 1983-84	44	The Board should seek legislative authority for its practice of entering into agreements with accident victims for financial assistance towards home alterations.	Although legal doubts exist as to the validity of such agreements, the Board regards its action as proper and in keeping with its responsibilities for expenditure of motorists' funds.
<u>Victorian Development Fund</u>			
Second Report 1982-83	87	A number of control weaknesses exist in the fund's computer system.	Position unchanged.
Second Report 1983-84	73		
Second Report 1983-84	73	Advance of \$10 million refunded to the Consolidated Fund contrary to the provisions of the legislation.	No further occurrences during 1984-85.
	73	Need for fidelity guarantee insurance.	Matter is under consideration by the Department of Management and Budget.

3.22

WATER RESOURCES

3.22.1 The Minister for Water Resources is responsible for the administration of the following entities audited by the Auditor-General.

- . Dandenong Valley Authority
- . Department of Water Resources
- . Latrobe Valley Water and Sewerage Board
- . Melbourne and Metropolitan Board of Works
- . Rural Water Commission of Victoria
- . Water Authorities, River Improvement and Drainage Trusts.

Organisational change

3.22.2 By Order-in-Council of 16 January 1985, the Werribee Park Corporation was abolished and the park placed under the control of the Melbourne and Metropolitan Board of Works. Further comment on the former Corporation is included in the section of this report on Conservation, Forests and Lands.

Progress of Audit

Entities	Financial Year Ended	Legislative Reporting Deadline	Date Financial Statements Signed	Date Auditor-General's Report Signed	Further Reference/Comment in this Report
Completed Audits					
Department of Water Resources	30 June 1985	30 September. Annual Reporting Act 1983 (S.8). Treasurer granted extension to 30 November 1985	25 September 1985	27 September 1985	
Latrobe Valley Water and Sewerage Board	30 June 1985	31 December. Latrobe Valley Act 1958 (S.53)	30 October 1985	28 November 1985	
Melbourne and Metropolitan Board of Works	30 June 1985	30 September. Annual Reporting Act 1983 (S.9)	17 September 1985	24 September 1985	Refer paragraphs 3.22.3 - 3.22.11.
Rural Water Commission of Victoria	30 June 1985	30 September. Water Act 1958 (S.43)	22 November 1985	22 November 1985	Qualified opinion issued, refer paragraphs 3.22.12 - 3.22.13.
Incomplete Audits					
Dandenong Valley Authority	30 September 1985	31 March. Dandenong Valley Authority Act 1963 (S.40)			Audit in progress.

Audit Observations and Recommendations

MELBOURNE AND METROPOLITAN BOARD OF WORKS

Changes in accounting treatment in 1984-85

3.22.3 During 1984-85 the Board introduced several significant changes in accounting treatment in relation to certain Board assets. These changes reduced the operating result for 1984-85 by \$662 000, with the major adjustments being made against the retained earnings of the Board in accordance with the requirements of the Annual Reporting (Large Trading and Rating Bodies) Regulations 1984. Comments on the changes follow.

(1) Adjustment of backlog depreciation of \$201 million on works assets, buildings and depots

Prior to the 1983-84 financial year, Board assets consisting of works assets, buildings and depots with estimated lives in excess of 50 years were not depreciated. However the Board maintained a renewals fund for these assets. The condition of ageing assets led the Board to re-evaluate this policy and during 1983-84 a task force was established to assess estimated lives for ageing assets.

The investigation was completed during 1984-85 with the task force estimating total depreciation chargeable on these assets to be \$342.4 million. At 30 June 1985 depreciation charged on these assets, together with the transfer from the renewals fund totalled only \$140.9 million, leaving an accumulated depreciation backlog of \$201.5 million.

The Board was of the view that the adjustment of backlog depreciation was a change in accounting treatment in accordance with the provisions of Regulation 67(2) of the Annual Reporting (Large Trading and Rating Public Bodies) Regulations 1984, and therefore charged the adjustment against retained earnings at the beginning of the period. This resulted in a transfer from the Board's general reserve of \$201.5 million to meet the increase in the accumulated depreciation.

(2) Backlog depreciation on metropolitan parks' assets

The Board's metropolitan open space policy provides for the establishment and development of metropolitan parks for public use. At 30 June 1985 the total cost of land purchased by the Board for metropolitan parks since 1975 amounted to \$43.1 million. The Board had also spent some \$26.2 million on capital improvement works to metropolitan parks with the provision of such items as access roads, carparks, picnic areas, shelters, depots etc.

In the past, the Board had not provided depreciation on capital improvements to metropolitan parks. This policy was reviewed during 1984-85 and the Board decided that certain capital improvements should be depreciated and consequently provided an amount of \$662 000 in 1984-85.

The Board is to conduct a detailed evaluation of depreciation chargeable on metropolitan parks' assets during 1985-86 to determine the amount of accumulated depreciation that has not been provided on these assets for the years prior to 1984-85.

The Board has subsequently advised that the adjustment to its accounts is to occur during 1985-86.

(3) Plant spares previously charged against operations

Prior to 1984-85 the cost of plant spares purchased for the maintenance of major water supply and sewerage plant installations was charged against revenue in the year of purchase.

During 1984-85 the Board decided that the cost of these assets should be capitalised and the previous charges against revenue written back. Consequently, a stocktaking program was initiated to identify and bring to account as assets all major spares of this type. For the year

ended 30 June 1985, plant spares with an estimated written-down value of \$584 736 were identified and capitalised by the Board and a corresponding adjustment made to retained earnings at the beginning of the financial year.

The Board is to continue its program of stocktaking during 1985-86 to identify and progressively bring to account as assets all other major spares of this type which had previously been written off. At 30 June 1985 the Board was unable to provide an estimate of the value of such assets.

Advice from the Board indicated that it would not be possible to complete the stocktaking during 1985-86.

Pro-rata charges not raised for all supplementary council valuations

- 3.22.4 The Board had a policy of raising pro-rata accounts only where supplementary council valuations disclosed increases in the net annual value of individual properties of \$2 000 or more.
- 3.22.5 A recent review of the matter by an officer of the Board disclosed that for the year 1983-84 additional revenue of approximately \$740 000 could have been raised had pro-rata accounts been raised for all relevant properties.
- 3.22.6 Audit recommended that the Board review its policy on the issue of pro-rata accounts and so ensure the collection of additional rate revenue.
- 3.22.7 The Board implemented the change with effect from 1 July 1985.

Losses and thefts of stores

- 3.22.8 During the year the Board notified audit that stores, plant and equipment with a book value of \$165 274 had either been lost or stolen. Of this amount, the Board claimed \$34 004 against its self insurance scheme.
- 3.22.9 In the majority of instances where theft was involved, the police were notified and action was taken by the Board to improve security.

Events subsequent to 30 June 1985

- 3.22.10 Up to 30 June 1985 the Board, under the provisions of the Town and Country Planning Act 1961, was the responsible authority for the preparation of planning schemes in the metropolitan area. This function was transferred to the Ministry for Planning and Environment on 1 July 1985.
- 3.22.11 The Board will continue to collect a metropolitan improvement rate. Part of this will be used to improve and maintain metropolitan parks and waterways and part will be transferred to the Consolidated Fund to meet the cost of the planning responsibilities transferred to the Ministry. Part of the rate is also used to offset a portion of the debt servicing costs for the Melbourne Underground Rail Loop.

RURAL WATER COMMISSION OF VICTORIA

Qualification of financial statements

- 3.22.12 It was necessary to record qualifications on the 1984-85 financial statements of the Commission in the following terms:

The Commission had commenced the preparation of its fixed asset register but as at 30 June 1985 the register was not at a sufficient stage of completion for it to fully support the fixed assets figures in the balance sheet. As the register does not agree with the figures in the balance sheet, I am unable to form an opinion on the value and/or existence of all the fixed assets. In addition, I am unable to determine the adequacy or otherwise of the charge of \$5.4 million depreciation, due to the incomplete nature of the asset register.

The Commission had included in the balance sheet as a current asset, Advances to the Victorian Government of \$4.032 million. The amount comprised a number of advances which were not held in trust funds and its availability to the Commission in the future was therefore dependent upon appropriation by Parliament. Audit was therefore of the opinion that the advances are not assets of the Commission and, as such, current assets were accordingly overstated by \$4.032 million.

The Commission had included an amount of \$7.253 million as a current asset under the heading Current Account with Victorian Government. The balance in this account represented the difference between moneys collected relating to business activities of the Commission (\$70.8 million) and funds appropriated by Parliament for the Commission's operating expenditure in respect of its business activities (\$63.6 million). Section 43A of the Water Act states that "all money payable to the Rural Water Commission under this Act shall be collected and received for or on account of the Consolidated Fund", and therefore the availability of these funds to the Commission was dependent on a future appropriation by Parliament. Audit was therefore of the opinion that the current account was not an asset of the Commission and that current assets are accordingly overstated by a further \$7.253 million.

The capital liability owing to the Victorian Government as at 30 June 1985 has been included under the heading Capital and Reserves in the balance sheet. The conversion of this amount from capital liability to non-repayable and non-interest-bearing capital contributed by the Victorian Government was dependent upon the enactment of the Water Act (Amendment) Bill. At the date of this report the legislation has not been proclaimed.

- 3.22.13 Audit comments on the matters raised in the qualifications and/or responses by the Commission follow:

(1) Fixed assets

Response by Commission

The Commission indicated it had commenced the preparation of its fixed assets register. But at 30 June 1985 the register was not sufficiently

advanced to fully support the fixed assets figures in the balance sheet. The Commission expects its fixed assets register to be completed by 30 June 1986.

(2) Advances to Victorian Government \$4 million

Response by Commission

Even though the Commission requires an appropriation by Parliament to obtain these funds, there is nothing to indicate that these funds will not be appropriated by Parliament when required. We are therefore of the opinion that these amounts should be shown as an asset of the Commission with appropriate clarification of their nature in the notes to the financial statements.

Further Audit Comment

Audit maintains its opinion that these notional balances are not assets of the Commission, as they clearly form part of the balance of the Consolidated Fund.

Audit recommends that the current assets and the reserve funds of the Commission be reduced by \$4 million.

(3) Current account with Victorian Government - \$7.3 million

Section 43A of the Water Act 1958 provides that all moneys payable to the Rural Water Commission under this Act shall be collected and received for or on behalf of the Consolidated Fund. In accordance with this provision, the Commission makes regular payments of its collections into the Consolidated Fund. To defray the running expenses of the Commission, Parliament makes certain appropriations to the Commission out of the Consolidated Fund.

As all moneys payable to the Rural Water Commission under this Act are collected and received for and on behalf of the Consolidated Fund, audit is of the opinion that once the moneys are paid into the Consolidated Fund, the Commission loses all rights to any claim on the moneys.

Response by Commission

The Commission maintains that although the availability of the funds is subject to appropriation by Parliament, there is nothing to indicate that these funds will not be appropriated when required. The Commission is therefore of the opinion that this amount should be shown as an asset of the Commission with appropriate disclosure as to the process for obtaining the funds.

Further Audit Comment

The statement that the Commission considers these funds will be available under the provisions of an Appropriation Act and, as such, should be shown as an asset of the Commission, is not supported. There can be no guarantee that the funds generated by any government body and paid into the Consolidated Fund will be made available to that body.

Conversely, if funds appropriated by Parliament exceeded the revenue of the Commission and were expended by the Commission, such funds would not be regarded as being owed to the Consolidated Fund by the Commission.

The main reason for the problem is that the Commission has been established as a statutory authority, but for budgetary purposes its financial operations have been retained within the Public Account.

Audit considers this matter requires resolution between the Department of Management and Budget and the Commission.

WATER AUTHORITIES

- 3.22.14 During 1984-85, 190 water authorities, including former waterworks trusts, were subject to my audit. As in the previous year I continued to engage private practitioners to conduct the audits of a large number of these authorities.

Non-compliance with legislation

- 3.22.15 During the year, audit informed the Minister and/or Department of Water Resources of the following breaches by various water authorities of the Water and Sewerage Authorities (Restructuring) Act 1983 and the Water Act 1958:

(1) investment of moneys in securities not authorised by the legislation;

(2) expenditure incurred in excess of estimates approved by the Minister;

(3) the write-off of amounts without ministerial approval;

(4) funds borrowed in excess of limits authorised by the Governor in Council;

(5) failure to bank moneys within the period prescribed by the legislation;

(6) failure to submit financial statements to the Auditor-General in compliance with the reporting requirements of the Water and Sewerage Authorities (Restructuring) Act 1983. Sections 36 and 47 require audited financial statements to be submitted to the Minister within four months of balance date; and

(7) failure to keep books and accounts up to date and ready for inspection and audit at all times during the year as required by the Water Act 1958.

- 3.22.16 In audit opinion the Department needs to take immediate corrective action on the above matters.

Consolidation of financial records

- 3.22.17 During the year a significant number of water boards and certain municipalities continued to maintain separate accounting records and prepared financial statements for each former water trust/sewerage authority as if each body continued to exist. This led to duplication

and waste of resources. Additional audit time was required to complete these audits and, as a consequence, it was necessary to increase the audit fees.

- 3.22.18 In December 1984 audit recommended that the Department of Water Resources develop regulations which would require authorities to consolidate their accounting records. In February 1985 the Department requested all water authorities to consolidate their accounts and financial statements. Subsequently all authorities complied with the Department's request. However, audit noted that separate accounting records continued to be maintained in many authorities. The retention of separate accounting records by the new water boards conflicts with the benefits arising from the restructure within the water industry.

Qualification of financial statements

- 3.22.19 It was necessary to qualify the financial statements of the Woodend Waterworks Trust for the year ended 30 September 1983 on the grounds that a contingent liability for claims for damages arising from the bushfires of 1 February 1983 was unable to be quantified in the financial statements.
- 3.22.20 Because of the existence of the material uncertainty of the claims for damages and the possible effects of the ultimate resolution of that uncertainty on the state of affairs of the Woodend Waterworks Trust, audit was unable to form an opinion on the financial statements.

Defalcation - Geelong and District Water Board

- 3.22.21 In May 1985 certain irregularities were disclosed in the Board's accounting operations. These concerned the rating system and the banking system.
- 3.22.22 At the date of preparation of this report it had been determined that funds approximating \$180 000 had been misappropriated. Investigations were proceeding by both the Police Fraud Squad and the Water Board.

Status Report

<u>Report</u>	<u>Page</u>	<u>Subject</u>	<u>Status at date of preparation of this report</u>
		<u>Latrobe Valley Water and Sewerage Board</u>	
December 1982	32	All office and laboratory equipment should be recorded in asset registers.	Position unchanged.
	32	The failure to keep a satisfactory register to record all agreements and charges due to the Board resulted in the non-invoicing of certain charges for interest redemption and depreciation.	Register established. Position now satisfactory.
Third Report 1982-83	35	Asset registers for permanent works items were incomplete.	Position unchanged.
		<u>Melbourne and Metropolitan Board of Works</u>	
Fourth Report 1982-83	64	Delays in raising debtors for financial and chargeable works and in following up some outstanding debts by the Sundry Accounts Department.	Action taken by Board to overcome problems.
		<u>Rural Water Commission of Victoria</u> (formerly the State Rivers and Water Supply Commission)	
Second Report 1982-83	96	Further approval of the Governor in Council should be obtained for contracts with costs in excess of amounts previously approved.	Consent of Governor-in-Council now obtained in these instances.
	97	Failure to comply with requirements of the Water Act 1958 concerning preparation of budgets for the Water Supply Stores and Suspense Account, and the Water Supply Plant and Machinery Depreciation Fund.	Position now satisfactory.

3.23

PARLIAMENT

3.23.1 The Auditor-General is responsible for the audit of the Parliament of Victoria under the provision of section 31(1) of the Audit Act 1958.

Progress of Audit

Entities	Financial Year Ended	Legislative Reporting Deadline	Date Financial Statements Signed	Date Auditor-General's Report Signed	Further Reference/Comment in this Report
Completed Audits					
Parliament of Victoria	30 June 1985	No requirement to report	15 October 1985	25 October 1985	
Incomplete Audits					
State Parliament Refreshment Rooms	30 June 1985	No requirement to report	30 January 1986		Audit in progress.

3.23.2 State Parliament Refreshment Rooms

The Auditor-General also conducts an audit of the State Parliament Refreshment Rooms at the request of the Parliamentary House Committee.

Financial transactions

3.23.3 The major payments of the Parliament of Victoria for the last two years were:

<u>Items</u>	<u>1983-84</u> \$	<u>1984-85</u> \$
Members' salaries and expenses	6 734 748	6 341 287
Committee expenses (incl. Select Committee)	1 181 944	1 319 844
Payroll Tax	859 609	875 760
To supplement the special appropriation under the Constitution Act 1975, Part V, Division 2, Clerk and expenses of the Legislative Assembly	1 344 412	1 300 607
Salaries and payments in the nature of salary	5 116 278	4 522 844
Administrative expenses	669 958	547 700
Parliamentary printing	2 648 146	2 397 949
Refreshment rooms	505 000	399 177
Members' accommodation	744 273	2 519
Other expenses (i.e. expenditure categories below \$500 000)	1 325 329	1 927 088
	<hr/>	<hr/>
	21 129 697	19 634 775
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