Results of Audits for Entities with 30 June 2008 Balance Dates

Victorian Auditor-General's Report

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VAGO

Victorian Auditor-General's Office

Auditing in the Public Interest

The Hon. Robert Smith MLC
President
Legislative Council
Parliament House
Melbourne

The Hon. Jenny Lindell MP
Speaker
Legislative Assembly
Parliament House
Melbourne

Dear Presiding Officers

Under the provisions of section 16AB of the *Audit Act 1994*, I transmit my report on the *Results of Audits for Entities with 30 June 2008 Balance Dates.*

Yours faithfully

D D R PEARSON
Auditor-General

3 December 2008

Foreword

This report provides a summary of the results of the audits of financial reports of the 380 state entities with 30 June 2008 balance dates. The status of audits previously reported as incomplete is also summarised.

It brings together the results of these financial report audits and provides Parliament with positive assurance regarding the overall financial management and accountability of these entities. Observations on the financial management of liabilities of departments and a discussion of the financial sustainability of selected reporting entities which are showing signs of financial pressure are also provided.

Commendably all audit opinions issued on entities' financial reports were clear. Timeliness of completion of financial reports for entities reporting under the *Financial Management Act 1994* remains satisfactorily within statutory timelines, though it is evident other jurisdictions are increasingly meeting tighter timelines.

The internal control frameworks established to ensure reliable financial reporting were generally found to be sound. Opportunities still exist to strengthen internal controls, particularly those relating to account reconciliation and masterfile standing data change procedures, segregation of incompatible functions and information system access controls.

D D R PEARSON
Auditor-General

3 December 2008

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1 Overview

1.1 Scope of this report

This is the second in a series of three reports presented to Parliament each financial year that relate to financial audits completed during the year.

This report deals principally with the audit of public sector entities with financial reports that have 30 June 2008 balance dates. This year there are, 380 of these reporting entities, with a net decrease of ten from last year. During the past year several changes have been made to the reporting entities, including:

- nine were reporting for the first time in 2007–08
- six were wound up
- five were wound up and merged with their parent entity
- eight were no longer subject to audit by the Auditor-General
- seven were transferred to different portfolios.

These changes are listed by portfolio in Figure 1A, with additional detail provided in the portfolio chapters.

1.2 Results of audits

At 31 October 2008, 95 per cent of financial reports had been finalised and all of these received clear audit opinions. Clear opinions were also issued on all statements of performance prepared by the 16 water corporations.

This year there were no qualified audit opinions issued; an improvement from 2006–07, when three financial reports were qualified as at 31 October.

However, two entities received an emphasis of matter to draw attention to a matter in the audit opinion relevant to the users of the financial report, which did not require qualification.

Figure 1A
2007–08 changes to portfolio entities

New audits	
Education and early childhood development	• Victorian Registration and Qualifications Authority
Human services	• Medical Radiation Practitioners Board of Victoria • Echuca Regional Health Foundation
Innovation, industry and regional development	• Australian Synchrotron Company Ltd • Australian Synchrotron Holding Company Pty Ltd
Justice	• HRV Management Limited • Melton Entertainment Trust
Sustainability and environment	• State-owned Enterprises for Irrigation Modernisation in Northern Victoria
Treasury and finance	• VFMC Infrastructure Fund II
Wound up	
Education and early childhood development	• Victorian Qualifications Authority
Human services	• Victorian Relief Committee • Melbourne Health Research and Development Limited
Innovation, industry and regional development	• VCPO Limited
Treasury and finance	• Victorian Trauma Foundation • Victorian Trauma Foundation Pty Ltd
Merged with another entity	
Human services	• Yarrawonga Old People's Welfare Committee Inc • Bass Coast Regional Health Benefit Fund Trust • Kilmore and District Nursing Home Society Inc
Planning and community development	• 2007 World Swimming Championships Corporation
Transport	• Victorian Railway Heritage Operations Pty Ltd
No longer audited by the Auditor-General	
Human services	• Ballarat Health Services Foundation Limited • Donald District Health Foundation • Dunmunkle Health Service Foundation • St Arnaud District Hospital Foundation • Wimmera Base Hospital Foundation
Justice	• CFA & Brigades Donations Fund • National Institute of Forensic Science • Office of the Public Advocate
Transferred from another portfolio	
Planning and community development	• Victorian Urban Development Authority • Architect's Registration Board of Victoria • Building Commission • Growth Areas Authority • Heritage Council • Plumbing Industry Commission
Primary industries	• Network Tariff Rebate Trust Fund

Source: Victorian Auditor-General's Office.

1.3 Quality of reporting

The quality of financial reports is measured by timeliness and accuracy. The later the reports are produced and published after year-end, the less useful they become.

It is important that public sector entities prepare and publish timely financial information. In 2007–08, the timeliness of entities' financial reports has made no improvement and was again comparable with last year. Figure 1B lists the average number of weeks under each Act.

Figure 1B
Average number of weeks to finalise financial reports

Reporting framework	Actual number of weeks	Statutory limit
Financial Management Act 1994	10	12
Corporations Act 2001	11	17.3
Associations Incorporations Act 1981	15	21.5

Source: Victorian Auditor-General's Office.

Another measure of report quality is the number and size of adjustments required, or made after submission to audit. Ideally, there should no errors or adjustments. There were minimal material adjustments made to the reports of material entities in 2007–08, apart from the Department of Transport, which required 12 adjustments.

This year as part of our cyclical approach to reviewing significant aspects of financial management, we reviewed the liability management practices of departments. Public sector entities typically spend the largest portion of their outlays on employee benefits and payments to suppliers for goods and services. Therefore, our analysis focuses on these expenditure streams and the results are provided in Part 2.5.

1.4 Effectiveness of internal control

Internal controls should ensure reliable, accurate and timely reporting. The audit of financial reports includes an examination of the internal control framework that relates to financial reporting. Where significant control weaknesses or breakdowns are identified these matters are reported to the entity's management.

This year the common areas for improvement were:

- performing independent reviews of account reconciliations
- reviewing changes to masterfile standing data
- segregating incompatible functions
- management of information system (IS) access controls.

1.5 Financial sustainability

This report analyses financial sustainability indicators for 148 entities. These entities were selected because they generate their own revenues, rather than relying solely on government appropriations. Those with significant infrastructure assets are also included because, while they do not generate revenues, these assets create significant expenditure obligations in terms of their maintenance, renewal and replacement.

While based on only three years data, our analysis demonstrates that a number of entities that rely primarily on their own revenues are showing signs of financial pressure. Most often these entities, while generating small operating surpluses, do not generate sufficient *own-sourced* revenues to be able to build up enough retained earnings to finance future asset replacement. This situation warrants review. Under the current government funding approach, depreciation expenses are generally not funded until capital requirements are established. However state entities are generally governed by boards who are held fully accountable for financial management and performance.

1.6 Recommendations

- The Department of Treasury and Finance (DTF) should reassess the current reporting time frames in the context of current standards and achievement in other jurisdictions. **(Recommendation 2.1)**
- Entities should assess their policies and processes against the commonly identified weaknesses within internal and information system control environments and implement any required changes so that their controls are operating in a cost effective manner. **(Recommendation 2.2)**
- The entities that rely significantly on their *own-sourced* revenues and those with significant infrastructure assets should in consultation with the portfolio department and DTF establish targets for key financial sustainability indicators, these targets should then be used to monitor actual performance and to model the impact of proposed changes to revenue and expenditure policies. **(Recommendation 2.3)**
- The Department of Sustainability and Environment (DSE) should reconcile records for the state's crown land holdings within the expected financial reporting cycles, with any required adjustments being made progressively. **(Recommendation 11.1)**
- DTF should provide authoritative guidance to all departments and entities regarding the need for their full cooperation and support in any requests from the DSE in relation to their crown land holdings. **(Recommendation 11.2)**
- DSE should establish effective procedures to record transfers and movements of crown land holdings between government entities so they are appropriately accounted for in the financial reports of those entities. **(Recommendation 11.3)**

1.7 General

The total cost of the preparing and printing this report was $610 000.

2 Summary of audit results

At a glance

Background

This is the second of three reports presented to Parliament each year, covering the results of our audit of public sector financial reports. This report comprises the results of the financial report audits of 380 state entities with 30 June 2008 balance dates.

The principal legislation governing financial reporting by public sector entities is the *Financial Management Act 1994*. For companies and other incorporated entities owned or controlled by public sector entities, it is the *Corporations Act 2001* and the *Associations Incorporation Act 1981*.

Key findings

- At 31 October, 95 per cent of entities had finalised their financial reports and had received clear audit opinions.
- Overall, the quality of reporting was good with minimal adjustments needed for material entities to finalise their financial reports.
- VAGO assessment using four high level financial indicators rates the financial sustainability for many of the entities that rely on their *own-sourced* revenue and of those with significant infrastructure assets as requiring review due to trends being experienced by those entities. Caution is however required in interpreting these assessments as many other factors impact on entity financial outcomes.

Key recommendations

- The Department of Treasury and Finance (DTF) should reassess the current reporting time frames in the context of current standards and achievement in other jurisdictions **(Recommendation 2.1)**.
- All entities should assess their policies and processes against the commonly identified weaknesses within internal and information system control environments and implement any required changes so that their controls are operating in a cost effective manner **(Recommendation 2.2).**
- The entities that rely significantly on their *own-sourced* revenues and those with significant infrastructure assets should in consultation with the portfolio department and DTF establish targets for key financial sustainability indicators, these targets should then be used to monitor actual performance and to model the impact of proposed changes to revenue and expenditure policies **(Recommendation 2.3)**.

2.1 Introduction

This report is the second of three reports presented to Parliament each year covering the results of our audit of public sector financial reports. The first report covering local government entities was tabled in Parliament on 13 November 2008. This report covers financial report audits of 380 state entities with 30 June 2008 balance dates. The third report, due to be tabled in May 2009, will contain the results of audits for entities, primarily higher education and vocational education that have balance dates other than 30 June 2008.

2.2 Reporting framework

The principal legislation governing financial reporting by public sector entities is the *Financial Management Act 1994* (FMA). For companies and other incorporated entities owned or controlled by public sector entities it is the *Corporations Act 2001* and the *Associations Incorporation Act 1981*.

Entities subject to the FMA are required to submit annual reports to the relevant minister. These should be tabled in Parliament within four months of the end of the financial year. The annual report must include an independently audited financial report and an audit opinion.

The *Corporations Act 2001* requires entities to report to their members within four months of the end of the financial year. The financial reports of all *Associations Incorporation Act 1981* entities are required to be submitted to members within five months of the end of the financial year.

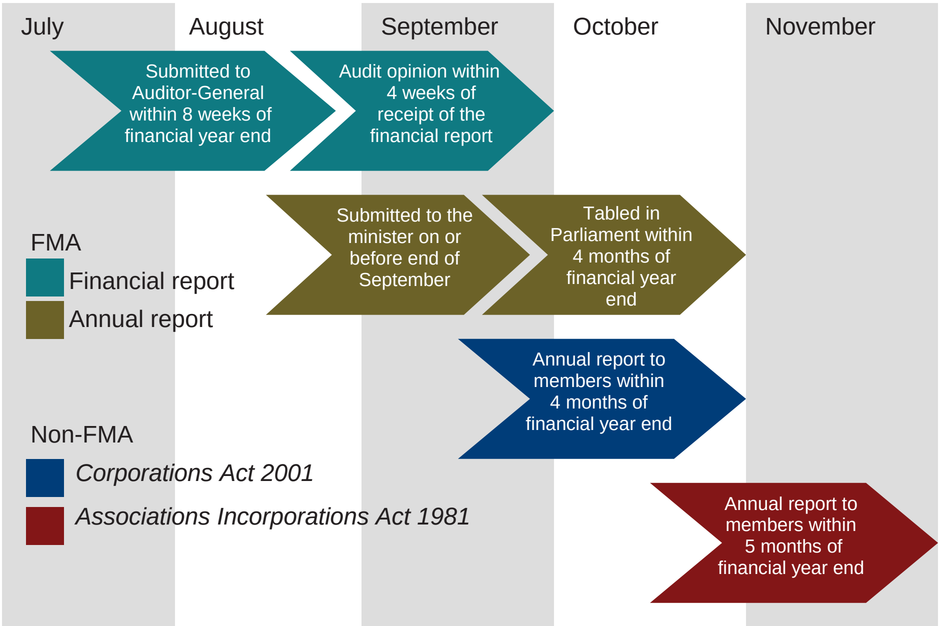
Figure 2A outlines the time frames to achieve the legislated reporting time lines.

Under the FMA, the Minister for Finance has the authority to issue directions in relation to financial administration issues. Financial Reporting Directions (FRDs) deal specifically with financial reporting issues for Victorian public sector entities.

In February 2006, the Minister for Finance issued FRD 27A *Presentation and Reporting of Performance Information*, a directive requiring water corporations to prepare statements of performance for inclusion in their annual reports. These must also be independently audited.

Independent audit opinions add credibility to these financial and performance reports by providing assurance that the information is reliable. If the report has not been prepared in accordance with the relevant reporting framework it is issued with a qualified audit opinion. This means it is likely to be less reliable and useful as an accountability document.

Figure 2A
Victorian financial reporting time frames



Source: Victorian Auditor-General's Office.

2.3 Results of audits

This year 380 Victorian public sector entities were required to prepare financial reports for the financial year ended 30 June 2008.

At 31 October 2008, clear audit opinions had been issued on 360 financial reports. Clear opinions were also issued on all statements of performance prepared by water corporations. Figure 2B summarises the status of audit opinions for entities reporting for the financial year ending 30 June 2008 and shows comparative data for 2006–07. Each portfolio's results are further detailed in relevant chapters.

Figure 2B
Audit opinions issued at 31 October

	2006–07			2007–08		
Portfolio	**Clear**	**Qualified**	**Outstanding**	**Clear**	**Qualified**	**Outstanding**
Parliament	2	-	-	2	-	-
Education and early childhood development	4	-	-	4	-	-
Human services	165	1	31	172	-	18
Innovation, industry and regional development	14	-	1	16	-	-
Justice	27	1	-	26	-	1
Planning and community development	11	-	-	16	-	-
Premier and Cabinet	11	-	-	11	-	-
Primary industries	13	-	-	14	-	-
Sustainability and environment	62	1	-	58	-	1
Transport	19	-	-	16	-	-
Treasury and finance	25	-	-	25	-	-
Total	**353**	**3**	**32**	**360**	**-**	**20**
Per cent (%)	**91**	**1**	**8**	**95**	**-**	**5**

Source: Victorian Auditor-General's Office.

2.3.1 Qualifications

At 31 October, there were no qualified audit opinions issued. This is an improvement from last year when three financial reports were qualified. Figure 2C outlines the reasons why qualified audit opinions were issued in 2006–07 but were not issued in the relevant financial reports this year.

Figure 2C
2006–07 qualifications removed

Entity	Qualification	Reason for removal
Grampians Wimmera Mallee Water Authority	Appropriateness of accounting treatment of water treatment plants	The 2007–08 financial report recognises the water treatment plants acquired under a public private partnership arrangement.
The Fawkner Crematorium and Memorial Park Trust	Insufficient evidence of comparative information in 2005–06	This qualification is not relevant to the 2007–08 financial report and is therefore discontinued.
CFA & Brigades Donations Fund	Completeness of revenue received from cash donations	This entity is no longer a controlled entity of the CFA for reporting purposes and is no longer subject to audit by the Auditor-General.
Bass Coast Regional Health Benefit Fund Trust(a)	Insufficient evidence of comparative information in 2005–06	This entity wound up and merged with their parent entity in 2006–07.

(a) The financial report opinion for 2006–07 was signed after the finalisation of our report last year.

Source: Victorian Auditor-General's Office.

2.3.2 Emphasis of matter

In certain circumstances it is appropriate to draw attention to or emphasise a matter in the audit opinion that is relevant to the users of an entity's financial report but does not warrant qualification of the audit opinion. Figure 2D lists the entities where the audit opinion on their financial report for 2007–08 contains an emphasis of matter.

Figure 2D
2007–08 emphasis of matter

Entity	Reason for emphasis of matter
Prince Henry's Institute of Medical Research	Material uncertainty regarding the entity's ability to continue as a going concern.
Industry Supervision Fund	Uncertainty about whether the winding up of the fund will be completed within 2008–09.

Source: Victorian Auditor-General's Office.

Emphasis of matter removed

The 2006–07 audit opinion for Kilmore and District Nursing Home Society Incorporated contained an emphasis of matter to draw attention to the material uncertainty regarding its continuation as a reporting entity. As the entity wound up and merged with its parent entity at the beginning of 2007–08 an audit opinion was no longer required.

2.3.3 Statements of performance

Statements of performance detail the actual results achieved for performance indicators and agreed targets, as determined by the responsible minister. When there is significant variation between the target and actual performance, a variation report stating the reasons for the difference must be included in the statement.

Of the 20 entities in the water sector there are 16 water corporations constituted under the *Water Act 1989* that are required to prepare statements of performance in accordance with an FRD issued pursuant to the FMA. In 2007–08, clear opinions were issued on all of these statements of performance.

Qualification removed

Grampians Wimmera Mallee Water Corporation, previously called Grampians Wimmera Mallee Water Authority, was issued a qualification last year on its statement of performance because certain performance measures used financial information reported in its qualified financial report. The qualification of the statement of performance has since been resolved, with the financial report recognising the water treatment plants acquired under a public private partnership as finance leases.

2.3.4 Reporting of trust funds

In 2007–08, significant accumulating trust account balances were identified as a result of the Public Accounts and Estimates Committee's report, *Report on the 2006–07 Financial and Performance Outcomes*. Our office undertook additional testing to evaluate whether these trust accounts were being appropriately operated and managed. There were no significant issues identified in this review.

2.3.5 Stand-alone community health centres

Our December 2007 report, *Results of Financial Statement Audits for Agencies with 30 June 2007 Balance Dates,* refers to 21 centres that have not finalised their 2006–07 financial reports. The report notes that these centres had received legal advice indicating they are not public statutory authorities, and the advice highlights their concerns that if designated as a public statutory authority they risk their tax exempt status. The Victorian Government Solicitor considered the legal advice but remained of the opinion that the centres are public statutory authorities under the FMA and the *Audit Act 1994*. The Department of Human Services (DHS) subsequently wrote to the centres and the Minister for Health wrote to the Victorian Healthcare Association, in support of our audit of the 2006–07 financial reports of the centres.

At 31 October, the financial reports for 14 of the 39 stand-alone community health centres has not been finalised, with 10 not submitted for public sector audit, and four yet to be finalised.

RESPONSE provided by the Acting Secretary , Department of Treasury and Finance

The Department of Treasury and Finance (DTF) welcomes the Auditor-General's report and is particularly pleased to note that:

- *all public sector agencies' financial reports audited by Victorian Auditor-General's Office (VAGO) in 2007-08 received clear audit opinions; and*
- *overall, the quality of public sector reporting continues to be of a high standard.*

These achievements are reflective of the collective efforts made by VAGO, agencies and DTF in improving the quality of financial reporting across the public sector over recent years.

DTF is also pleased to note that no significant issues were identified by VAGO in its review of the management and operation of Public Account trust funds.

2.4 Quality of financial reporting

The quality of financial reporting can be measured by the timeliness and accuracy in the preparation and finalisation of the financial report.

2.4.1 Timeliness

It is important all public sector entities prepare and publish timely financial information as part of their public accountability obligations. The usefulness of financial reports is directly related to their timeliness—the later they are produced after year end, the less useful they become.

The legislated time frame for the 284 state government entities that report in accordance with the FMA, is to finalise their audited financial reports within 12 weeks of the end of the financial year.

There are 43 entities that report in accordance with the *Corporations Act 2001*, they are required to have their financial reports finalised within four months of the end of the financial year.

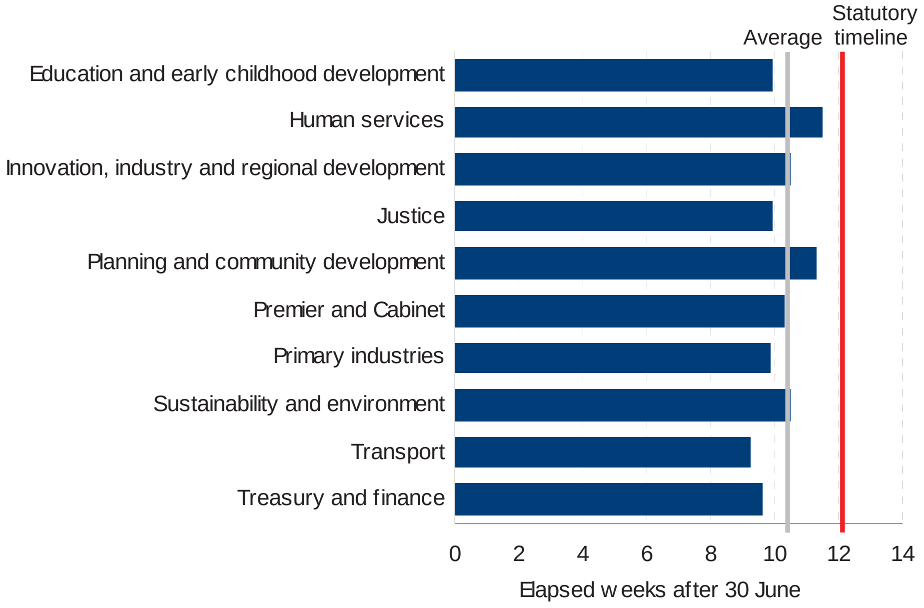
The financial reports of the 29 entities that report under the *Associations Incorporation Act 1981* are mainly stand-alone community health centres. They are required to submit their financial reports within five months of the end of the financial year. This reporting time frame had not expired at the date of preparation of this report.

Figure 2E shows for all FMA reporting entities the average number of weeks taken for financial reports to be finalised by portfolio, including the issue of an audit opinion against the 12-week statutory requirement.

In 2007–08, the average time taken to finalise financial reports was just over 10 weeks, the same as last year.

The number of entities meeting the 12-week time frame is consistent with last year, with 80 per cent again meeting the requirement in 2007–08. It is disappointing that some entities continue to fail to meet this target, compared to large public and private sector entities in other jurisdictions which readily achieve their targets.

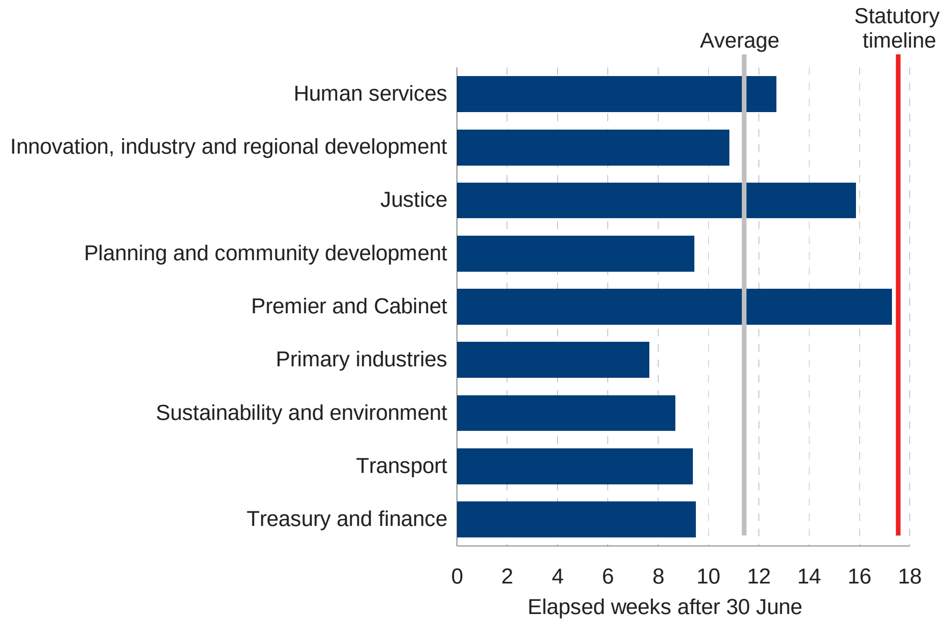
Figure 2E
Average time to finalise FMA financial reports by portfolio



Source: Victorian Auditor-General's Office.

Figure 2F shows the average number of weeks taken for financial reports to be finalised by portfolio, including the issue of an audit opinion against the four-month statutory requirement for all *Corporations Act 2001* reporting entities.

Figure 2F
Average time to finalise *Corporations Act 2001* financial reports by portfolio

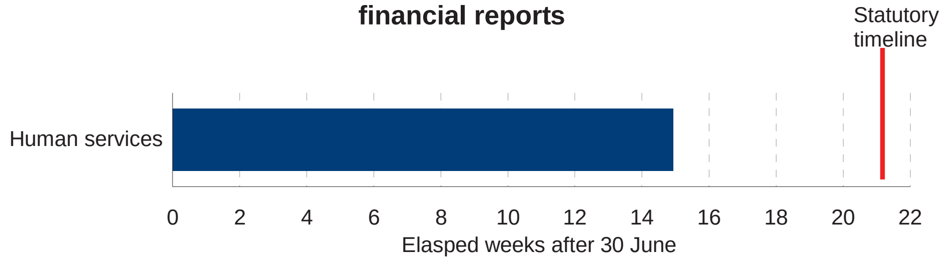


Source: Victorian Auditor-General's Office.

In 2007–08, the average time taken to finalise financial reports was just over 11 weeks. This is more than a week later that the average time taken in 2006–07. With two exceptions, all 43 entities, or 95 per cent, met the four month requirement in 2007–08; up from 88 per cent of entities in 2006–07.

Figure 2G for *Associations Incorporation Act 1981* reporting entities sets out the average number of weeks taken for financial reports to be finalised by portfolio, including the issue of an audit opinion against the five month statutory requirement.

Figure 2G
Average time to finalise *Associations Incorporation Act 1981* financial reports



Source: Victorian Auditor- General's Office.

In 2007–08, the average time taken to finalise financial reports was almost 15 weeks, which was the same as last year. Of the entities reporting under this Act, 59 per cent had finalised their financial reports by 31 October 2008.

Material entities

A material entity is a public sector entity whose operations have a significant impact on the reporting of the state's finances, in terms of Australian accounting standards.

Of the 47 material entities, 60 per cent, or 28 entities met their required date for providing the first complete draft of the financial report to VAGO. A complete draft comprises the main statements, including the notes to the financial statements and all major reconciliations and adjustments processed. The timing of the receipt of a complete draft financial report affects the cost effectiveness and timeliness of the audit.

Figure 2H shows the time taken by the 19 entities that did not meet their agreed date.

Figure 2H
Weeks after the requested date to receive financial reports

Time period	Number of entities	Percentage of material entities (%)
Less than 1 week	6	12.8
1–2 weeks	6	12.8
2–3 weeks	5	10.6
3–4 weeks	1	2.1
More than 4 weeks	1	2.1
Total	**19**	**40.4**

Source: Victorian Auditor-General's Office.

As shown in Figure 2H, there were seven material entities that did not meet their agreed date by two or more weeks, and four of these were departments. DTF was the latest, supplying its financial report six weeks after the deadline because it was reliant on information from other entities.

2.4.2 Accuracy

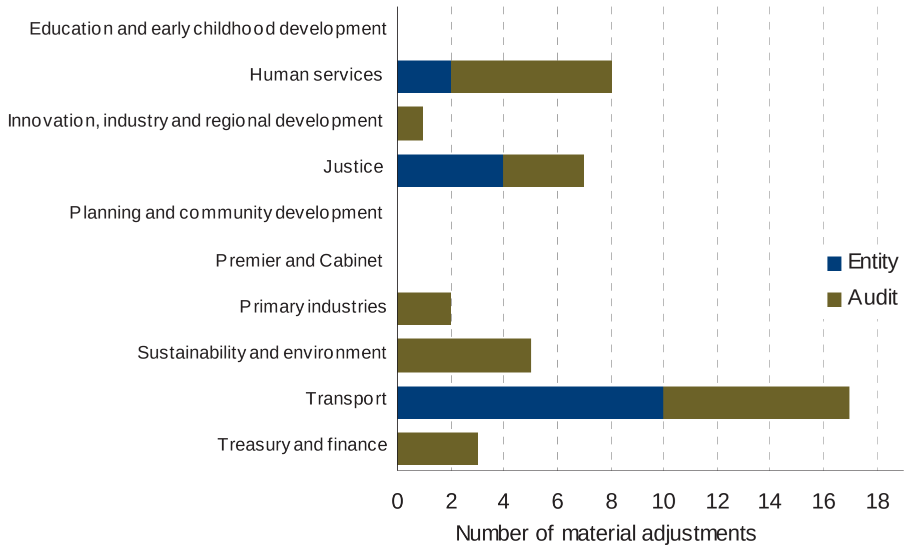
Entities generally provide draft financial reports for audit review and clearance before they are certified. This provides an opportunity to identify and correct any financial reporting issues identified by VAGO in a timely manner.

When the audit detects errors in the draft financial report they are raised with the entity. Material errors need to be corrected before a clear audit opinion can be issued. The entity itself may also change its draft report after submitting it to VAGO, if their procedures find that reported information is incorrect or incomplete.

Another measure of the quality of the draft report prepared by entities is the number and size of adjustments required or made after submission to VAGO. Ideally, there should be no errors or adjustments.

Figure 2I shows the number of material adjustments to financial reports of material entities by portfolio level and whether they were made by entities or at the request of VAGO. The results show that overall minimal material adjustments were made, apart from the transport portfolio which required 17, primarily related to the Department of Transport's (DOT) financial report, which had 12 adjustments.

Figure 2I
2007–08 material adjustments by portfolio



Note: This includes only the adjustments made to the financial reports of material entities.
Source: Victorian Auditor-General's Office.

The adjustments and omissions corrected after the first draft financial report on the DOT were principally due to its reliance on external entities to provide information. For example, Major Projects Victoria has its information incorporated into the departmental financial report.

Our analysis identified a direct correlation between financial reports requiring adjustment and the early submission of draft reports. This implies a trade-off between timeliness and accuracy, as draft reports submitted later had fewer errors, for example, within portfolios, the Department of Education and Early Childhood Development (DEECD) and the Department of Planning and Community Development (DPCD) had no material errors, but provided their draft financial reports two and three weeks respectively, after other departments that did have errors.

The matters requiring adjustment were varied, with the biggest problems areas arising from:

- ***AASB 7 Financial Instruments: Disclosures***—this is the first time this standard has been applied and many of these adjustments occurred because the data submitted was incomplete or of poor quality. There were instances of incomplete disclosures, as well as errors in the amounts being reported. Consequently, entity staff had to correct incomplete and inaccurate information and VAGO had to perform additional verification work. Some entities did not have an effective quality assurance process to ensure that the information for reporting of financial instruments was complete and accurate.

- **Treatment of land assets**— there were adjustments required to correct the recognition of crown land; and the incorrect application of land indices used for updating the valuation of land assets.
- **Disclosure of commitments**—adjustments were required to capital and operating commitments. Some entities did not adopt the correct recognition criteria when determining the classification of items as expenditure commitments. The majority of adjustments related to recognising commitments before the execution of relevant contracts.

2.4.3 Improving timeliness and accuracy

There are various better practice initiatives that entities could implement to improve the quality of financial reporting. These initiatives can be undertaken both before and after the end of each financial year and include:

Before year end:

- preparation of a project plan that includes the required human and financial resources, assignment of responsibility, and sets time frames for financial reporting
- reviewing actual and proposed changes to accounting standards, FRDs and other pronouncements, to identify significant accounting and reporting issues, and obtain agreement with VAGO about any significant changes in accounting policy or reporting practice
- preparation of *shell* financial reports that can be reviewed by VAGO before the final audit visit
- undertaking a *hard close* at an interim balance date a month or two ahead of the end of the financial year
- give consideration to the extent to which current financial systems have performance gaps, such as the ability to generate full accrual information with minimal manual intervention.

After year end:

- analyse significant variances between actual and the previous period results and budgeted outcomes to identify any potential omissions or errors
- establish a system of documented *sign-offs* by executive managers with responsibility for components of the financial report
- undertake a quality assurance review of the draft financial report before submission for audit; preferably by internal audit or other independent, suitably qualified professionals
- submit the draft financial report to the audit committee for review and endorsement before finalisation.

These better practices have been included in previous reports and are actively promoted by VAGO as part of our engagement with clients. It is disappointing, therefore, that some entities have yet to take sufficient steps to improve the timeliness and quality of their reporting.

Experience shows that it is only when an external imperative is applied, such as the Premier's request in 2005–06 for all entities to table annual reports by 4 October, that entities give sufficient energy and attention to more timely reporting.

The financial systems used by entities are generally sufficiently mature and have the functionality to support full accrual reporting. This means that little additional effort should be required to generate reliable financial reports. Attention needs to be given to the nature and timing of reporting processes, systems and the capability of resources applied to financial reporting.

Victoria is lagging behind other jurisdictions, such as the Commonwealth, which requires all material entities to have their financial reports certified by the end of July; Queensland, which this year introduced a requirement to have financial reports certified within two months of the end of the financial year; and Western Australia, which for a number of years has required annual reports to be tabled in Parliament within 90 days of the end of the financial year.

Recommendation

2.1 The Department of Treasury and Finance should reassess the current reporting time frames in the context of current standards and achievement in other jurisdictions.

RESPONSE provided by the Acting Secretary , Department of Treasury and Finance

Timeliness of reporting

DTF notes that, overall, the average timeliness of financial statement completion by agencies reporting under the Financial Management Act 1994 was well within established statutory timeframes. DTF will continue to work closely with VAGO and agencies to identify opportunities that will further improve the timeliness of public agencies' reporting under separate frameworks, such as the Corporations Act.

DTF also notes the audit recommendation regarding statutory reporting timeframes in other Australian jurisdictions, and will consider this issue as part of the current review of the State's financial management legislation.

Quality of financial reporting

DTF acknowledges that the quality of reporting by agencies under its portfolio can be further improved and, as part of its commitment towards continuous improvement, will work constructively with VAGO and agencies to identity opportunities for further improvement.

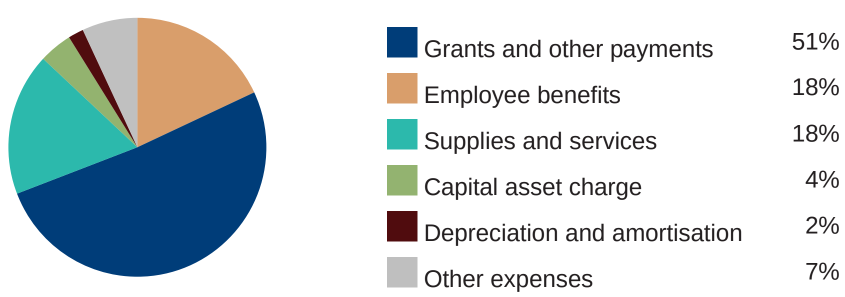
2.5 Management of liabilities

This year, as part of our cyclical approach to reviewing key aspects of financial management for material entities, we carried out a review on the management of liabilities.

Public sector entities typically spend a large portion of their outlays on employee benefits and payments to suppliers for goods and services. Figure 2J shows the annual expenditure composition for departments for the year ended 30 June 2008.

It is important that liabilities related to these expenditure streams are well managed. This year we reviewed how well the 10 state government departments were managing their liabilities relating to employee benefits and payables. To do this we analysed relevant key management ratios and also looked at the underlying systems and monitoring processes in place at each entity.

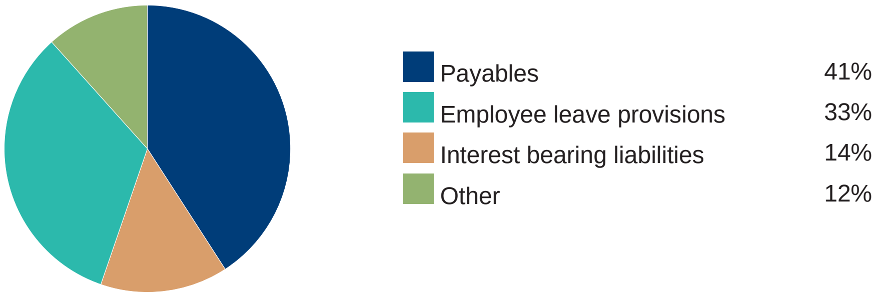
Figure 2J
Expenditure composition of departments at 30 June 2008



Source: Victorian Auditor-General's Office.

The total liabilities for departments amounted to $6.4 billion as at 30 June 2008, excluding the $12.5 billion of superannuation liability held by DTF. The bulk of this relates to employee provisions for recreation leave and long service leave and payables for supplies and services. Figure 2K shows the liability composition of departments at 30 June 2008.

Figure 2K
Liabilities composition of departments at 30 June 2008



Source: Victorian Auditor General's-Office.

2.5.1 Management of employee leave provisions

At 30 June 2008, the 10 state government departments employed approximately 81 000[1] full-time equivalent (FTE) staff with annual salaries and wages costing about $6.2 billion.

The government offers a range of leave entitlements to help employees balance their work and personal commitments, these include:

- recreation leave
- sick leave
- long service leave
- paid maternity and paternity leave
- special leave, on compassionate grounds, jury service and training etc.

This report's analysis focuses on the more significant leave categories, such as recreation and sick leave.

Recreation leave

The majority of full-time employees at departments are entitled, under the *Victorian Public Service Agreement 2006*, to four weeks, or 20 days, paid recreation leave for every year worked.

Recreational leave entitlements should be taken by the end of the calendar year, following the calendar year in which they were accrued, but can be deferred by agreement. Therefore, unless otherwise agreed, the maximum balance an employee is allowed to carry forward is 40 days.

Figure 2L shows a three-year analysis for recreation leave liability as a percentage of payroll.

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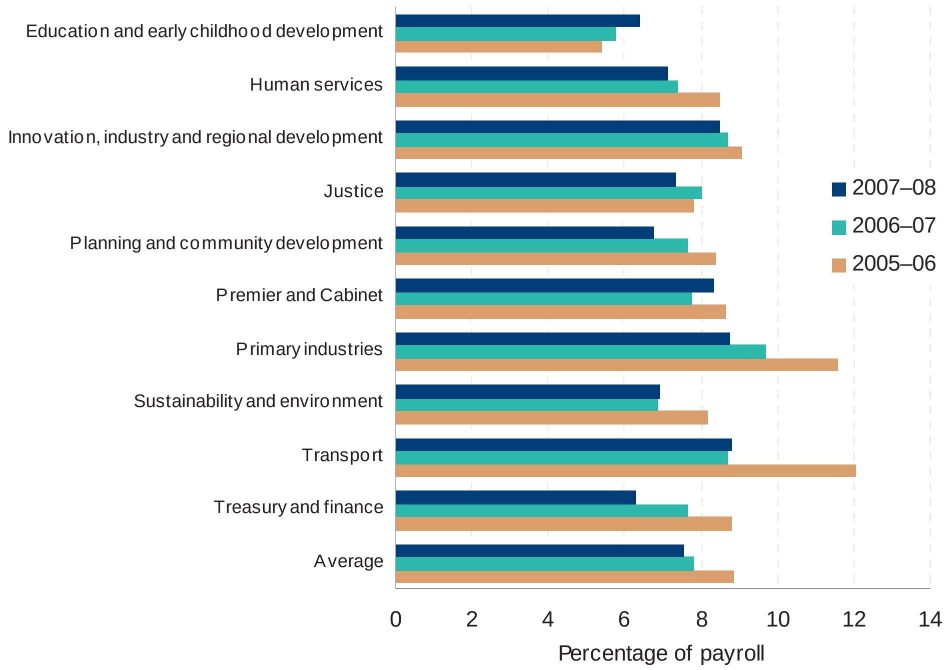
[1] The figure of 81 000 includes over 50 000 FTE employees in primary and secondary schools, as departmental salaries are consolidated to include these employees.

Figure 2L
Recreation leave as a percentage of payroll



Note: The entitlement of 20 working days equates to approximately eight per cent of total working days available to an employee in a year.
Source: Victorian Auditor-General's Office.

The average recreational leave balance was 14 days in 2007–08. The average has remained consistent from the previous year, which shows that overall departments are managing their recreation leave balances well. This is reinforced by our analysis of staff with recreation leave balances in excess of 40 days.

Figure 2M shows the percentage of staff with recreation leave balances in excess of 40 days has decreased marginally on average from the previous year. However, the value of recreation leave balances over 40 days as a percentage of accrued balances has increased from the previous year.

It is important that entities actively manage these employee leave balances because:

- future expense of accrued recreation leave will be higher than if it had been paid earlier
- potential for adverse occupational health and safety outcomes on staff who do not take leave regularly may affect business operations and the wellbeing of staff.

Figure 2M
Recreational leave balances in excess of 40 days

Department	2006–07 Number of staff (%)	2006–07 Average days	2007–08 Number of staff (%)	2007–08 Average days
Education and early childhood development	1.5	65.1	1.7	69.7
Human services	6.9	57.1	7.0	58.1
Innovation, industry and regional development	5.1	52.6	4.1	53.9
Justice	3.9	54.7	3.3	55.3
Planning and community development	3.6	50.7	2.7	58.8
Premier and Cabinet	7.0	59.9	7.4	56.5
Primary industries	4.1	48.5	4.9	48.4
Sustainability and environment	8.2	53.3	4.9	52.9
Transport	5.8	66.6	5.9	63.2
Treasury and finance	6.5	49.5	6.9	51.4
Average	**5.3**	**55.8**	**4.9**	**56.8**

Source: Victorian Auditor-General's Office.

Sick leave

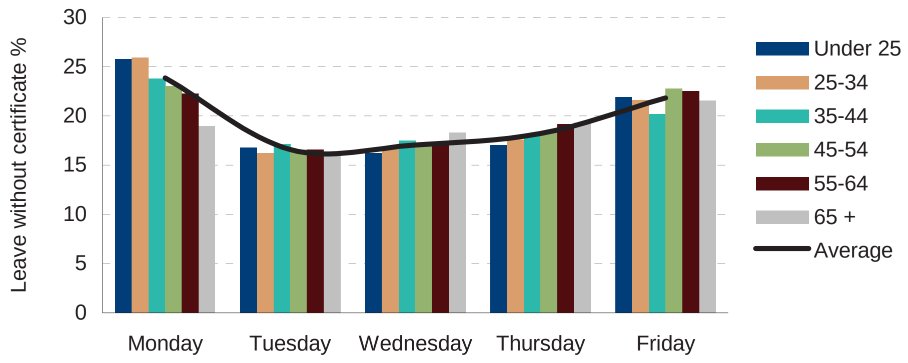
On commencement of employment, department employees are allocated 15 days sick leave, with a further fifteen days allocated on the completion of each year of service thereafter. Accumulated sick leave entitlements lapse on termination and are not paid out.

Sick leave trends

Five of the 15 days of allocated sick leave is allowed to be taken without a certificate. It is a generally held belief that the highest proportion of sick leave taken without certificate on a Monday. We examined departmental sick leave data for the 2007 calendar year and looked for trends in sick leave taken without a certificate.

Figure 2N shows the comparison in sick leave without a certificate across age groups. While the analysis showed no significant differences within the age groups, employees in younger age groups report in sick without a certificate on Mondays more than any other day.

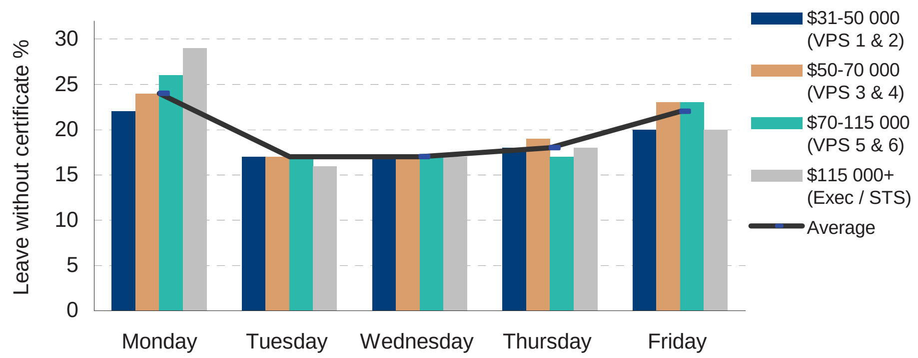
Figure 2N
Sick leave without certificate by age group



Source: Victorian Auditor-General's Office.

Figure 2O shows an analysis of sick leave taken without a certificate by salary range. This has the same pattern of sick leave taken without a certificate as the age groups analysis, with all salary bands also taking more leave on Mondays than any other day.

Figure 2O
Sick leave without certificate by salary range



Source: Victorian Auditor-General's Office.

Analysis and cost of sick leave

It is estimated that as much as 40 per cent[2] of sick leave may be avoidable in organisations with high levels of absence. The key to reducing absenteeism is to understand and address the general causes of sick leave.

[2] Get Better Soon – The Management of Sickness Absence in the WA Public Sector, Auditor-General Western Australia, Performance Examination, Report No. 5, August 1997 pp. 1,7.

Figure 2P shows the cost of sick leave across the 10 departments in comparison to the total payroll at these departments.

Figure 2P
Cost of sick leave in departments

	Average sick leave days per FTE		Total cost of sick leave		
Department	Without certificate	Total with pay	’000	Percentage of payroll (%)	Savings if reduced by one day per FTE ’000
Education and early childhood development	2.2	8.9	104 919	3.4	11 860
Human services	2.5	9.6	27 615	3.7	2 871
Innovation, industry and regional development	1.7	7.2	1 311	2.8	182
Justice	3.0	8.8	11 753	3.4	1 344
Planning and community development	1.6	5.1	868	2.0	169
Premier and cabinet	1.1	4.6	998	1.8	216
Primary industries	1.5	4.8	2 214	1.9	459
Sustainability and environment	1.5	5.3	3 910	2.1	732
Transport	2.5	6.9	1 795	2.7	259
Treasury and finance	1.2	4.2	1 287	1.6	307
Average	**2.0**	**7.0**	**15 667**	**3.0**	**1 840**

Source: Victorian Auditor-General’s Office

On average, employees had seven days sick leave, of which, two were without a certificate. This is a relatively good result compared with the sick leave allowance of 15 days, five without a certificate.

VAGO estimates the cost of sick leave taken without a certificate in departments to be almost $42 million per annum. Sick leave accounted for almost four percent of total payroll costs in 2006–07. If sick leave could be reduced by one day across all departments the annual cost of sick leave could be cut by $18.4 million.

Initiatives to reduce sick leave

Wellbeing programs are being introduced across departments and entities, these establish services that assist in the reduction of sick leave taken, including:

- providing counselling and support services that deal with depression, gambling and substance abuse
- offering gym memberships
- initiating early intervention strategies in relation to stress management.

While departments have implemented these programs, it is too soon to determine the effect these programs have had on the incidence of sick leave taken.

RESPONSE provided by the Secretary, Department of Human Services

The Department of Human Services divisions and regions actively manage their leave liability which includes:

- *Improvements to leave management reporting at program and line management level with an emphasis on managing excess leave entitlement*
- *Re-enforcement of existing policies and importance of not allowing staff to accumulate excess leave*
- *Regular discussion on policy and legislative compliance at meetings between the Human Resources Branch and divisional and regional HR Managers*
- *Communication to managers reiterating the importance of regular leave breaks for the health and wellbeing of staff*
- *Managers have been given direct access to leave balances via Manager Self Service system.*

2.5.2 Management of trade creditors

In 2008, total expenditure for supplies and services by state public sector entities was $18.2 billion, up from $16.1 billion in 2006–07, and liabilities for payments to suppliers was $2.6 billion.

In November 2004, the Victorian Government introduced the fair payment clause, requiring departments to pay for purchased goods and services on the lesser of supplier terms, or 30 days from the date a correct invoice is received. This clause allows suppliers to charge penalty interest for undisputed invoices that remain unpaid beyond the due date.

Where the fair payments clause applies but payments have been delayed, suppliers may make a claim for penalty interest. The penalty interest rate is fixed by the Attorney-General under the *Penalty Interest Rates Act 1983*. The rate is reviewed regularly by the Attorney-General and is based on an appropriate institutional rate together with an added penalty element. The penalty interest rate appears in *The Age* newspaper every Monday under the Law List; it is currently at 11 per cent per annum.

The fair payments clause requires that the countdown to payment begins on the receipt of a correctly rendered invoice.

Entities should have processes in place to pay invoices by the due date to avoid significant penalty interest being charged.

In terms of the payment of trade creditors, this year we analysed the systems and processes for payables of material entities and the actual performance of government departments in paying accounts.

Systems and processes

All material entities reviewed had systems capable of scheduling payments to meet terms of trade requirements; however, the following observations were noted:

- departments and many material entities do not pay on creditor terms unless a prior agreement is reached
- six entities did not consistently use the scheduling capability, instead relying on other processes to schedule payments
- four entities did not consistently capture the date of receipt of a correct invoice, therefore, they are not correctly calculating the payment due day, and payment performance against due date cannot be adequately monitored against the fair payment clause.

An important function of paying on terms of trade is monitoring the outcome. A number of departments have mechanisms in place to capture and report on their compliance. These include monthly reports on:

- late payment performance by location
- finance status, including invoices awaiting payment by age, number and value and an analysis of creditors turnover for the current and previous month
- business management detailing creditor payment performance for the current and previous month
- fair payment reporting sent to regions and divisions for monitoring.

Actual payment performance

Ageing of accounts payable

Figure 2Q provides details of the ageing of the departments' payables at 30 June 2008 and 2007. The analysis examined the number of days that have elapsed from the date of invoice.

Figure 2Q
Ageing of payables by department

	Ageing 30 June 2008 (%)					Ageing 30 June 2007 (%)				
Department	**1–30**	**31–60**	**61–90**	**91–120**	**120+**	**1–30**	**31-60**	**61-90**	**91-120**	**120+**
Education and early childhood development	98.1	1.5	0.4	-	-	97.1	1.7	0.8	0.3	0.1
Human services	99.9	-	-	-	0.1	99.9	-	-	-	0.1
Innovation, industry and regional development	100	-	-	-	-	100	-	-	-	-
Justice	97.9	1.1	1.0	-	-	99.3	0.6	0.1	-	-
Primary industries	89.1	9.3	0.2	1.2	0.2	94.6	1.2	1.9	1.9	0.4
Premier and Cabinet	90.6	3.7	5.2	-	0.5	79.2	6.8	3.0	0.5	10.5
Planning and community development	100	-	-	-	-	92.6	2.8	2.5	0.8	1.3
Sustainability and environment	95.9	3.2	0.3	0.1	0.5	99.7	0.1	0.1	0.1	-
Transport	90.7	8.9	0.4	-	0.1	99.8	-	0.1	0.1	-
Treasury and finance	90.9	6.3	1.3	0.9	0.6	97.7	1.2	0.8	-	0.3
Average	**95.3**	**3.4**	**0.9**	**0.2**	**0.2**	**96.0**	**1.4**	**0.9**	**0.4**	**1.3**

Source: Victorian Auditor-General's Office.

This analysis indicates that departments are meeting the 30-day payment terms for invoices on hand at year end, with less than five per cent of the outstanding value of invoices exceeding 30 days from invoice date.

Payment performance

We performed terms of trade testing across the 10 departments and found from a sample of 300 invoices paid during the year that, of the dollar value tested, three per cent was not paid within agreed terms of trade requirements. Of the late payments, 55 per cent were paid within a further seven days. This analysis is consistent with the results of our ageing of accounts payable, where less than five per cent of invoices were outstanding.

The incidence of late payment is minimal and the performance achieved indicates an insignificant risk of penalty interest payments by the state.

However, it was noted that 35 per cent of sampled payments were paid within seven days of receipt of a correctly rendered invoice, and the average time elapsed from receipt of invoice to payment was 16 days. This is well within the 30-day requirement, and implies that departments are drawing down cash in advance of need. This has cost implications for the government overall from potential lost interest. Our analysis projects the possible lost interest income to the state to be significant, warranting greater management attention.

2.6 Effectiveness of internal control

Each entity is responsible for the development and maintenance of an adequate system of internal control to ensure that:

- financial records and other information are complete and provide an accurate reflection of their activities
- assets are adequately safeguarded
- errors and other irregularities are prevented or detected.

While the main purpose of a financial audit is to form an opinion on an entity's financial reports, an integral part of this process is to assess the adequacy of an entity's internal control and governance processes as they affect financial reporting.

Weaknesses in internal controls identified in an audit will usually not result in a qualified audit opinion. Only when they give rise to significant uncertainty about the financial information being reported is a qualification warranted. Often, there are other compensating control procedures and audit processes that are used to mitigate the risk of material error. Nevertheless, any weaknesses noted are brought to management's attention.

This section summarises the major internal and information system (IS) control weaknesses found in a number of entities.

2.6.1 Common areas for improvement in controls

Overall, our assessment of internal and IS integrity established that systems for internal control were generally adequate for financial reporting purposes. However, we did identify opportunities to strengthen controls at many entities. The most significant commonly identified areas requiring improvement were:

- independent review of account reconciliations
- reviewing changes to masterfile standing data
- segregation of incompatible functions
- management of IS access controls.

Reconciliation

The majority of entities maintain subsidiary systems, these systems are periodically reconciled to the general ledger to ensure they balance.

This year, it was found that while entities were performing reconciliations, there was no evidence of review by an independent person. The lack of independent review increases the risk that reconciliations may not be promptly performed or that any discrepancies will not be resolved in a timely manner.

Masterfile (standing) data

Financial systems, such as accounts payable and payroll rely on masterfile (standing) data files. This year, it was found that a low number of entities were not reviewing changes made to their masterfiles. All changes made to masterfiles should be checked to ensure they are complete, accurate and legitimate.

A review of masterfile changes should be performed by someone independent of the relevant financial process so any intentional or unintentional errors are identified. The inability to identify and correct these errors can have a systemic effect on the accuracy and validity of transactions and financial reports.

Segregation of duties

Ideally, entities will have sufficient resources to ensure that there is no conflict in staff duties. Generally, this means that those who initiate and approve transactions are not involved in the recording or supervision of the related assets.

This year a small number of entities were unable to maintain satisfactory separation of duties in the areas of accounts payable and payroll. This increases their exposure to fraud through unsupervised activities with no systematic way of detecting these activities.

Access controls

The management of financial IS security is critical to the confidentiality, integrity and availability of programs and the associated data. This is in addition to maintaining the reliability of system processing.

This year, particularly in the human services portfolio, the following access control weaknesses were identified:

- irregular reviewing of user access profiles
- inappropriate granting of access rights to users
- the lack of ongoing monitoring of users access levels
- not applying standards to the setting and renewal of passwords
- restricting the number of logon attempts not being enabled.

Recommendation

2.2 Entities should assess their policies and processes against the commonly identified weaknesses within internal and information system control environments and implement any required changes so that their controls are operating in a cost-effective manner.

2.6.2 Fraud management

Under the FMA, entities are required to establish a system of internal controls to adequately safeguard assets, including the prevention and detection of fraud.

The Australian standard AS 8001—2008 Fraud and Corruption Control defines fraud as *"dishonest activity causing actual or potential financial loss to any person or entity including theft of moneys or other property by employees or persons external to the entity and where deception is used at the time, immediately before or immediately following the activity. This also includes the deliberate falsification, concealment, destruction or use of falsified documentation used or intended for use for a normal business purpose or the improper use of information or position".*

A high-level review of fraud management practices was performed during this year's financial audit. It was found that the majority of entities are maintaining:

- basic fraud prevention practices as part of their general internal control systems
- clearly documented and up-to-date fraud management policies and procedures
- a fraud risk assessment process that is detailed in their fraud policy.

This is a significant improvement from the 2006–07 audits, where several entities were identified as not having any prevention or detection plans or processes to identify fraudulent activity.

2.7 Financial sustainability

To be financially sustainable, public sector entities must have the capacity to meet current and future expenditure as it falls due. They must also be able to absorb foreseeable changes and risks materialising, without significantly changing their revenue and expenditure policies.

VAGO applied four high level financial sustainability indicators for 148 entities. These entities were selected because they generate their own revenues, rather than relying solely on government appropriations. Those with significant infrastructure assets are also included because these assets, while not generating revenues, create significant expenditure obligations in terms of their maintenance, replacement and renewal.

Two portfolios are not included in this assessment of financial sustainability:

- education and early childhood development—these entities do not generate their own revenues and rely solely on government appropriations
- treasury and finance—an assessment was provided in our June 2008 report, *Performance Reporting by Public Financial Corporations*.

The sustainability of entities in the other portfolios has been rated using a set of four interrelated indicators to assess their financial performance and position. These indicators show trends that warrant review in relation to the future sustainability of these entities. Figure 2R describes each indicator.

Figure 2R
Indicators of financial sustainability

Indicator	Formula	Description
Underlying result (%)	Net surplus / Revenue	A positive result indicates a surplus, and the larger the percentage the stronger the result. A negative result indicates a deficit. Operating deficits cannot be sustained in the long-term. Net surplus is obtained from the operating statement and is adjusted to take into account large one-off (non-recurring) transactions.
Liquidity	Current assets / Current liabilities	The ability to pay existing debts over the next year. A ratio greater than one indicates current assets exceed current liabilities. Current liabilities have been adjusted to exclude long term employee provisions and on costs that have been disclosed as liabilities.
Self-financing (%)	Net operating cash flows / Revenue	Measures the ability to fund replacement of assets from cash generated by operations. The higher the percentage, the more effectively it can be done. Net operating cash flows are obtained from the cash flow statement.
Investment gap	Capital spend / Depreciation	Indicates whether the physical capital is being maintained by reinvesting in or renewing non-current assets. A ratio higher that 1:1 indicates that spending is exceeding depreciation. This is a long-term indicator, as capital expenditure can be deferred in the short-term if there are insufficient funds available from operations, and borrowing is not an option. Capital spend is obtained from the cash flow statement and includes expenditure on intangible assets. Depreciation includes amortisation.

Source: Victorian Auditor-General's Office.

Notwithstanding the application of sector neutral Australian accounting standards, the financial sustainability indicators highlight unfavourable trends which need to be addressed arising from the adoption of accrual accounting principles across the public sector. For example, as some funding models do not fully provide for depreciation until capital requirements are established, this will unfavourably impact actual trends. Further, the conservative or 'break-even' bottom line objectives of some public sector entities will also unfavourably impact actual trends.

Three year averages for these indicators have been included in this report however a more meaningful trend analysis will require at least five-year's data. This level of analysis will be progressively developed in future reports.

2.7.1 Financial sustainability assessment

The financial sustainability assessment is based on the risks associated with each ratio, using the risk criteria outlined in Figure 2S. Caution is required in interpreting these results, pending consideration of the public sector-related considerations referred to in section 2.7 above.

Figure 2S
Risk assessment criteria for financial sustainability indicators

Risk	Underlying result (%)	Liquidity	Self-financing (%)	Investment gap
High	**Negative 10% or less** Insufficient revenue is being generated to fund operations and asset renewal.	**Equal to or less than 1** Immediate sustainability issues with insufficient current assets to cover liabilities.	**Less than 10%** Insufficient cash from operations to fund new assets and asset renewal.	**Equal to or less than 1.0** Spending on capital works has not kept pace with consumption of assets.
Medium	**Negative 10% to zero** A risk of long-term run down to cash reserves and inability to fund asset renewals.	**1.0–1.5** Need for caution with cash flow, as issues could arise with meeting obligations as they fall due.	**10–20%** May not be generating sufficient cash from operations to fund new assets.	**1.0–1.5** May indicate spending on asset renewal is insufficient.
Low	**More than zero** Generating surpluses consistently.	**More than 1.5** No issues with repaying short-term liabilities as they fall due.	**20% or more** Generating enough cash from operations to fund assets.	**More than 1.5** Low risk of insufficient spending on asset renewal.

Source: Victorian Auditor-General's Office.

We have calculated the average for the portfolios over the past three years for each ratio. In accordance with our criteria, Figure 2T shows when taken as a whole, most portfolios are sustainable. The individual results for all entities are provided in Appendix B.

The results in Figure 2T show areas of concern for many entities within all portfolios, apart from planning and community development and transport.

Figure 2T
Three-year average financial sustainability indicators

Portfolio	Underlying result (%)	Liquidity	Self-financing (%)	Investment gap
Human services	1.91	1.47	7.87	2.12
Innovation, industry and regional development	-4.16	15.41	13.67	1.11
Justice	4.30	2.76	14.85	3.90
Planning and community development	10.29	3.74	42.17	2.52
Premier and Cabinet	-1.31	2.10	9.47	0.73
Primary industries	5.98	5.24	41.13	0.23
Sustainability and environment	-1.43	3.64	13.84	2.20
Transport	4.76	6.95	27.71	1.69

Source: Victorian Auditor-General's Office.

Human services

Health services were analysed within the human services portfolio. Overall, the operating result for these services was in surplus. However, 41 per cent of entities reported negative operating results and they were rated as high risk for their underlying result indicator, partly a consequence of several entities not being funded by government for their depreciation expense in the year incurred.

The self-financing ratio was rated as high risk in 77 per cent of entities and medium risk in 20 per cent, again partly a consequence of the capital funding arrangements for those entities.

Although the overall portfolio was rated as low risk for the investment-gap ratio, 22 per cent of entities were rated as high risk, and 27 per cent were given medium-risk ratings. Again, these results in part are a consequence of the capital funding arrangements for these entities. This has flow on implications for the monitoring of the financial performance responsibilities of the boards of those entities.

Innovation, industry and regional development

The tourism and industry institutions were analysed within this portfolio. They all received medium-risk ratings for the investment gap and underlying result ratios. This is due to the majority of these entities having facilities that were constructed or developed in recent years and that are faced with considerable depreciation expenses, which cannot be matched with capital expenditure in the short-term.

High or medium-risk ratings were given to 67 per cent of entities in relation to their ability to self-finance the replacement of their assets. This means that under current revenue policies, if asset replacement is required, these entities will find it difficult to finance new assets from their retained earnings.

Justice

Emergency service entities and statutory gaming boards were analysed for this portfolio. Of these, the statutory gaming boards were rated as high risk in relation to their ability to self-finance the replacement of their assets.

Premier and Cabinet

In the Premier and Cabinet portfolio, we analysed the arts and other cultural institutions. All of these entities were rated as either high or medium risk for their self-financing ratio. As these entities do generate external revenues, these are not sufficient to provide funds for renewal or to replace their physical assets. As asset replacement is also funded from government subsidies, this also has implications for monitoring of the financial performance responsibilities of the respective entity boards.

While the investment-gap ratio has a high-risk rating for these entities, this is expected given the nature of their asset holdings. Therefore, the investment gap indicator requires trend data over a longer period to provide meaningful results.

Primary industries

The Melbourne Market Authority is the only entity analysed from the primary industries portfolio. This entity was rated as high risk for its investment gap ratio because of its pending relocation to Epping expected to be completed by 2011.

Sustainability and environment

The analysis for the sustainability and environment portfolio entities is mostly comprised of water and catchment management authorities. Of these, 19 per cent are rated as high risk and 22 per cent were rated as medium risk in relation to their ability to generate a surplus that can be used to sustain future operational expenditure and asset investment. The majority of entitles with high-risk ratings were water corporations which are subject to regulatory pricing arrangements. This also has implications for the monitoring of the financial performance responsibilities of the respective entity boards.

High-risk ratings were given to 41 per cent of entities in relation to their ability to self-finance the replacement of their assets. The majority of these entities were catchment management authorities. Again, partly a consequence of their regulatory pricing arrangements which also has flow on implications for the monitoring of the financial performance responsibilities of the respective entity boards.

The low-risk rating for the investment gap ratio for most entities is potentially overstated. As water entities carry their infrastructure assets at historic cost and therefore the annual depreciation expense does not take into account the current replacement cost of these assets.

Conclusion

While based on only three year's data, the above analysis demonstrates that a number of state entities that rely primarily on their own revenues and those with significant infrastructure assets are showing signs of financial pressure. Most often these entities, while generating small operating surpluses, do not generate sufficient *own-sourced* revenues to be able to build up enough retained earnings to finance future asset replacement. This situation warrants review. Under the current government funding approach, depreciation expenses are generally not funded until capital requirements are established. However state entities are generally governed by boards who are held fully accountable for financial management and performance.

Entities that persistently generate operating deficits are of more concern, as their current revenue and expenditure policies are not sustainable in the short-to medium-term without ongoing government support.

Recommendation

2.3 The entities that rely significantly on their *own-sourced* revenues and those with significant infrastructure assets should in consultation with the portfolio department and DTF establish targets for key financial sustainability indicators, these targets should then be used to monitor actual performance and to model the impact of proposed changes to revenue and expenditure policies.

2.7.2 *Audit Act 1994* Section 16 – submissions and comments

In accordance with the *Audit Act 1994*, section 16 (3) (b), Parliament and the 10 government departments were asked for submissions or comments they may wish to make in response to this audit report, including any submissions or comments they wished included in the report.

Not all entities elected to provide submissions or comments. Most commentary received related to the financial sustainability of public sector entities, which is included below. Commentary related to other aspects of this report is incorporated in the relevant section of the report.

RESPONSE provided by the Secretary, Department of Human Services

The financial sustainability measures used by VAGO are reasonable in their application to commercially based self financing entities. However we note and concur with VAGO's comments relating to capital funding requirements and the impact of depreciation expense, including caution in interpreting results.

It is important for readers to appreciate that Victoria's public health services are specifically not funded for depreciation. Instead funds equivalent to depreciation plus additional funds are pooled by government and strategically allocated to capital projects on a merits basis. This means that health services not in receipt of capital funded projects are likely to show negative or less favourable results for some VAGO indicators. Conversely health services with funded capital projects in excess of annual depreciation will likely show positive or more favourable results for some VAGO indicators.

In order to address these anomalies we propose to work with VAGO and the Department of Treasury and Finance during 2008–09 to agree on a set of appropriate indicators.

RESPONSE provided by the Secretary, Department of Sustainability and Environment

The principle of using indicators to measure and manage the financial sustainability of entities is supported.

DSE notes that, for the purposes of individual agency analysis, the Auditor-General acknowledges several issues that impact on the financial ratios used in the audit report in the context of the public sector, and that a longer analysis period than that presented in the report would enhance financial sustainability assessments.

The indicators must be specifically tailored to the prevailing service delivery and regulatory environment, principle activities and funding framework of the particular sector entities. This is especially true in relation to the water sector entities where their pricing policies are within a strict regulatory regime under the control of the Essential Services Commission.

Given the importance of an effective financial oversight of agencies' financial condition by respective agency boards, DSE will work with DTF, VAGO and portfolio entities over the coming year with the aim of achieving consensus on the refinement of the sustainability indicators and related targets for application in the future.

RESPONSE provided by the Secretary, Department of Transport

DOT recognises the importance of effective financial oversight of agencies and will work with DTF and VAGO to assist in refining the sustainability indicators and targets.

RESPONSE provided by the Acting Secretary , Department of Treasury and Finance

Financial sustainability of agencies

DTF notes VAGO's overall assessment that, taken as a whole, most portfolios are financially sustainable.

DTF also notes that, for the purposes of individual agency analysis, the Auditor-General acknowledges several issues that impact on the financial ratios used in the audit report in the context of the public sector, and that a longer analysis period than that presented in the report would enhance financial sustainability assessments.

Given the importance of an effective oversight of agencies' financial condition, DTF will work with VAGO and portfolio departments over the coming year to refine the sustainability indicators and related targets.

It is pleasing to see that the recommendation relating to the assessment of entity financial sustainability will now be acted upon by DTF and the portfolio departments. Recommendation 2.3 is that the entities should, in consultation with the portfolio department and DTF establish targets for key financial sustainability indicators. These targets should then be used to monitor actual performance and to model the impact of proposed changes to revenue and expenditure policies.

The central issues, which underpin Recommendation 2.3, are the overall adverse impact on individual entity financial sustainability in consequence of the departmental approach to capital funding and in other cases the impact of the regulatory pricing arrangements.

This situation blurs accountability for the performance of the individual entities. Successful resolution will deliver another significant step in the realisation of the benefits of the implementation of accrual accounting in the public sector.

3 Parliament

At a glance

Portfolio overview

The Parliament of Victoria comprises the Crown (represented by the Governor) and the two Houses of Parliament (the Legislative Council and the Legislative Assembly), which collectively form the legislature.

The Parliament is not required by legislation to report on its administrative activities. However, under a standing arrangement with the Presiding Officers of both Houses, the Victorian Auditor-General's Office (VAGO) audits the annual financial report of the Parliament of Victoria which includes the financial report of the Department of Parliamentary Services.

As the Auditor-General is an Officer of the Parliament, the auditor for the financial report of VAGO is appointed by the Parliament on the recommendation of its Public Accounts and Estimates Committee.

Key finding

Clear audit opinions were issued on the financial reports of the Parliament of Victoria and VAGO for the year ended 30 June 2008, well within the 12-week reporting benchmark.

3.1 Introduction

The Parliament of Victoria is a bicameral, or two-house, legislature. It is comprised of three main elements—the Office of the Governor, representing the Crown, the Legislative Council or *Upper House* and the Legislative Assembly or *Lower House*. The principal business of the Parliament is to enact laws for the better governance of the State of Victoria.

Parliamentary operations are funded through appropriations to the Department of Parliamentary Services (DPS), which in turn, service the two houses of the Parliament and their associated committees. The DPS also provides administrative support to members and electorate offices. As the Auditor-General is an officer of the Parliament, appropriations are also provided to the Victorian Auditor-General's Office (VAGO).

3.1.1 Reporting framework

Although the Parliament is not required to report on its administrative activities, our office completes an annual audit of the financial report of the Parliament, which includes the financial report of the DPS. This financial report is prepared in line with the requirements of the *Financial Management Act 1994* (FMA). Under the FMA, entities are required to prepare financial reports and have them audited by the Auditor-General within 12 weeks of the end of the financial year.

The auditor for the financial report of VAGO is appointed by the Parliament on the recommendation of its Public Accounts and Estimates Committee.

3.2 Results of audits

Clear audit opinions were issued for the Parliament of Victoria and VAGO. Both entities finalised their reports by 15 August 2008, well within the 12-week reporting benchmark for 2007–08.

3.3 Financial management and reporting

The quality of reporting can be measured by its accuracy and by the timeliness of preparation and finalisation of the financial report.

When the audit process reveals errors in the draft financial report they are raised with the entity. If the errors are considered to be material, adjustments are requested. The frequency and size of errors requiring adjustment are therefore, two direct measures of quality.

3.3.1 Timeliness

The timeliness of financial reporting was again well within the 12-week benchmark, with the Parliament of Victoria and VAGO completing their financial reports in six and seven weeks respectively.

3.3.2 Accuracy

No material adjustments were made to the financial reports of the Parliament of Victoria or VAGO after the first acceptable draft was received.

Figure 3A
Audit status: Parliament

	Audit type		Financial reports		Finalised within statutory time frame	
Entity	**FMA**	**Non-FMA**	**Clear opinion issued**	**Audit report signed**	**Met**	**Not met**
COMPLETED AUDITS WITH 30 JUNE 2008 BALANCE DATES						
Parliament of Victoria		●	✓	12 Aug 2008	●	
Victorian Auditor-General's Office[(a)]		●	✓	15 Aug 2008	●	
2007–08 Total number of entities = 2	**0**	**2**			**2**	**0**
				Per cent	**100**	**0**
2006–07 Total number of entities = 2	0	2			2	0
				Per cent	100	0

(a) The Victorian Auditor-General's Office was audited by a private sector auditor.

Source: Victorian Auditor-General's Office.

4 Education and early childhood development

At a glance

Portfolio overview

The education and early childhood development portfolio is comprised of four entities with 30 June 2008 balance dates, including one material entity; the Department of Education and Early Childhood Development (DEECD).

The portfolio provides policy and planning advice for all stages of education and childhood development.

The education and early childhood development portfolio employs 54 000 staff, working in five central and nine regional offices, three statutory authorities and 1 594 schools across the state.

Key findings

- Clear audit opinions were issued on all financial reports for entities with 30 June 2008 balance dates in this portfolio.
- All of the entities in this portfolio are under the *Financial Management Act 1994,* they are required to finalise their financial report within 12 weeks of the end of the financial year. In 2007–08, the timeliness of financial reporting improved significantly, with all entities meeting this time frame; up from only 50 per cent last year.
- The DEECD report summarising the results of audits for school councils showed a reduction in the average number of issues raised per school. However, the most frequently raised issues are relatively consistent with last year.

4.1 Introduction

The education and early childhood development portfolio comprises the Department of Education and Early Childhood Development (DEECD) and three other entities with 30 June 2008 balance dates.

In August 2007, the DEECD was formed by integrating the Department of Education with the functions of the Office for Children, formerly in the Department of Human Services.

The portfolio provides policy and planning advice for all stages of education and childhood development. The DEECD supports the health, development, wellbeing and learning of Victoria's children by overseeing services, including kindergartens and child care, maternal and child health, supported playgroups, parenting services and early childhood intervention services.

The DEECD provides primary and secondary education in government schools and regulates and funds non-government schools in Victoria. The funding activity also includes the processing of Commonwealth funding to non-government schools in Victoria.

The other entities in this portfolio develop curriculum and assess schools across all year levels, accredit training qualifications and courses and regulate and promote the teaching profession in Victoria.

At 30 June 2008, the portfolio supported and advised two ministerial portfolios:

- education
- children and early childhood development.

In 2007–08, the portfolio had the following changes to its entities with 30 June balance dates:

- Victorian Qualification Authority (VQA) ceased operations on 30 June 2007
- Victorian Registration and Qualifications Authority (VRQA) commenced operations on 1 July 2007.

The VRQA was created under the *Education and Training Reform Act 2006* (*ETR Act*), effective from 1 July 2007. The ETR Act merged the VQA, the Registered Schools Board and some functions of the Office of Training and Tertiary Education. Currently, two ministers, the Minister for Education and the Minister for Skills and Workforce Participation, are responsible for the VRQA.

The VRQA is responsible for accreditation, registration, certification and quality assurance of government and non-government schools, vocational education and training providers, including technical and further education institutes and higher education providers; with the exception of universities, which are established under their own separate Acts.

4.1.1 Reporting framework

Under the FMA, DEECD and the three other entities in the portfolio are required to prepare financial reports and have these audited by the Auditor-General.

4.2 Results of audits

By 22 September 2008, clear audit opinions had been issued on the 2007–08 financial reports for all entities in the portfolio.

4.3 Financial management and reporting

The quality of reporting can be measured by its accuracy and the timeliness of preparation and finalisation of the financial report.

When the audit process reveals errors in the draft financial report they are raised with the entity. If the errors are considered to be material, adjustments are requested. The frequency and size of errors requiring adjustment are, therefore, two direct measures of quality.

4.3.1 Timeliness

As the *Financial Management Act 1994* (FMA) is applied by all entities in this portfolio, financial reports are required to be finalised within 12 weeks of the end of the financial year. This year, timeliness improved significantly, with all entities meeting the required time frame, up from 50 per cent in 2006–07.

The only material entity in this portfolio is DEECD. They were requested to meet earlier time lines to facilitate meeting whole-of-government reporting schedules. DEECD did not submit the first complete draft financial report for audit by the target date of 25 July 2008.

Although DEECD did not meet the target date, they negotiated with audit a date beyond the target date which they met.

4.3.2 Accuracy

There were no material adjustments made to the financial report for DEECD after the first complete draft was received.

4.3.3 Audit of government school councils

The Auditor-General has continued to exercise his authority available under the *Audit Act 1994* and dispensed with the direct audits of school councils. DEECD engages approved private sector auditors for the financial audit of government school councils.

The DEECD report summarising these audits showed a reduction in the average number of issues raised per school. However, the most frequently raised issues remain relatively consistent with last year, including:

- coding errors in grants
- overdrawn accounts
- asset management
- electronic banking.

Figure 4A
Audit status: Education and early childhood development portfolio

	Audit type		Financial reports		Finalised within statutory time frame	
Entity	FMA	Non-FMA	Clear opinion issued	Auditor-General's report signed	Met	Not met
COMPLETED AUDITS WITH 30 JUNE 2008 BALANCE DATES						
Department of Education and Early Childhood Development[(a)]	●		✓	5 Sep 2008	●	
Victorian Curriculum and Assessment Authority	●		✓	22 Sep 2008	●	
Victorian Institute of Teaching	●		✓	28 Aug 2008	●	
Victorian Registration and Qualifications Authority	●		✓	10 Sep 2008	●	
2007–08 Total number of entities = 4	**4**	**0**			**4**	**0**
				Per cent	**100**	0
2006–07 Total number of entities = 4	4	0			2	2
				Per cent	**50**	**50**

(a) The Department of Education and Early Childhood Development was previously known as the Department of Education and Training.

Source: Victorian Auditor-General's Office.

5 Human services

At a glance

Portfolio overview

The human services portfolio is comprised of 190 entities with 30 June 2008 balance dates that are subject to public sector audit, including the following nine material entities: The Department of Human Services, Austin Health, Barwon Health, Bayside Health, Eastern Health, Melbourne Health, Royal Children's Hospital, Southern Health and Western Health.

It is the largest portfolio, accounting for around one-third of total expenditure by the State of Victoria, and comprises 40 per cent of all entities with 30 June balance dates subject to audit.

The portfolio plans, delivers, funds and regulates health, community and housing services in Victoria.

Key findings

- Clear audit opinions were issued on the financial reports for 172 of the 190 entities in this portfolio. The financial reports for eight entities had not been finalised and 10 stand-alone community health centres have not submitted.
- In 2007–08, timeliness of financial reporting by the 125 entities under the *Financial* Management *Act 1994* declined, with only 74 per cent of entities achieving the 12-week time frame, down from 81 per cent in 2006–07.
- The timeliness of the 17 entities reporting under the *Corporations Act 2001* improved, as 88 per cent met their finalisation date, up from 78 per cent last year.
- The material entities were requested to meet earlier time lines to facilitate meeting whole-of-government reporting schedules. Only two met the requested date.
- For finalised audits, the volatility in financial markets during 2007–08 led to nine entities incurring losses amounting to $17 million in the value of some financial instruments.

5.1 Introduction

The human services portfolio comprises the Department of Human Services (DHS) and 189 other entities with 30 June 2008 balance dates that are subject to public sector audit.

This portfolio plans, delivers, funds or regulates health, community and housing services in Victoria.

At 30 June 2008, the portfolio supported and advised the following four ministerial portfolios:

- community services
- health
- housing
- mental health.

The portfolio had several changes to entities subject to audit with 30 June 2008 balance dates when compared with 2006–07 as listed in Figure 5A.

Figure 5A
Changes to human services portfolio entities

New entities subject to audit
• Medical Radiation Practitioners Board of Victoria
• Echuca Regional Health Foundation
Entities no longer audited because they are no longer controlled
• Ballarat Health Services Foundation Limited
• Donald District Health Foundation
• Dunmunkle Health Service Foundation
• St Arnaud District Hospital Foundation
• Wimmera Base Hospital Foundation.
Entities that were wound up and merged with their parent entities
• Yarrawonga Old People’s Welfare Committee Inc.
• Bass Coast Regional Health Benefit Fund Trust
• Kilmore and District Nursing Home Society Inc.
Entities that were wound up in 2007
• Victorian Relief Committee (final report for the period to 31 Dec 2007)
• Melbourne Health Research and Development Limited.

Source: Victorian Auditor-General's Office.

5.1.1 Reporting framework

DHS and 124 other entities in this portfolio prepare financial reports in accordance with the *Financial Management Act 1994* (FMA). The remaining 65 entities prepare their financial reports in accordance with the *Corporations Act 2001, Associations Incorporation Act 1981*, or under another reporting framework.

5.2 Results of audits

By 31 October 2008, clear audit opinions had been issued on the 2007–08 financial reports for 172 of the 190 portfolio entities.

5.2.1 Qualifications removed

In 2007–08, the following qualifications that were issued last year are no longer required:

- Fawkner Crematorium and Memorial Park Trust—in relation to the comparative financial information for the 2005–06 year
- Bass Coast Regional Health Benefit Fund Trust—in relation to the 2005–06 comparative financial information. This entity wound up and merged with its parent entity during 2006–07.

5.2.2 Emphasis of matter removed

The 2006–07 audit opinion for Kilmore and District Nursing Home Society Inc. contained an emphasis of matter to draw attention to the uncertainty regarding its continuation as a reporting entity. As the entity wound up and merged with its parent entity at the beginning of 2007–08 an audit opinion was no longer required.

5.3 Financial management and reporting

The quality of reporting can be measured by its accuracy and the timeliness of preparation and finalisation of the financial report.

When the audit process reveals errors in the draft financial reports they are raised with the entity. If the errors are considered to be material, adjustments are requested. The frequency and size of errors requiring adjustment are, therefore, two direct measures of quality.

5.3.1 Timeliness

The FMA was applied to 125 of the 190 entities in the portfolio. FMA entities are required to finalise their financial reports within 12 weeks of the end of the financial year. This year timeliness for FMA entities declined, with only 74 per cent of entities achieving the required time frame, down from 81 per cent in 2006–07.

There are 17 entities reporting under the *Corporations Act 2001* that are required to have their financial reports finalised within four months of the end of the financial year. At 31 October 2008, 88 per cent of these entities under that Act had finalised their financial reports, up from only 78 per cent in 2006–07.

The remaining 48 entities, primarily reporting under the *Associations Incorporation Act 1981,* are mainly stand-alone community health centres. The entities reporting under the *Associations Incorporation Act 1981* are required to finalise their financial reports within five months of the end of the financial year, this time frame had not expired at the date of preparation of this report.

There are nine material entities in this portfolio: DHS, Austin Health, Barwon Health, Bayside Health, Eastern Health, Melbourne Health, Royal Children's Hospital, Southern Health and Western Health. All of these entities were requested to meet earlier time lines to facilitate meeting whole-of-government reporting schedules. Only two had submitted complete draft financial reports by the requested time line of 25 July 2008. Of the remaining seven, three reports were received within one week; two were not received until two weeks after the target date; and DHS's and Melbourne Health's were not received until almost three weeks later.

The first complete draft financial report for DHS was delayed due to the revaluation of a large portfolio of land and buildings; as well as the sheer size and complexity of its activities and accounting systems. Melbourne Health's report was subject to a material amendment during the finalisation phase.

5.3.2 Accuracy

There were eight material adjustments made to the financial reports for material entities in the health portfolio. The adjustments were made to the reports from Austin Health, Barwon Health, Bayside Health, Melbourne Health and Southern Health and are summarised in Figure 5B.

Figure 5B
2007–08 material adjustments

Missing or incomplete disclosures	Errors in transactions	Errors in balances
• Financial instruments requirements • Contingent liabilities • Dissection of revenue and expenditure	• Useful lives of buildings • Recognition of revenue	• Asset revaluation reserves • Long service leave provisions • The recognition of land

Source: Victorian Auditor-General's Office.

5.3.3 Stand-alone community health centres

Our February 2007 report, *Results of financial statement audits for agencies with 30 June 2006 balance dates*, identified 39 stand-alone community health centres that have been declared under section 45 of the *Health Services Act 1988*, and which had not previously been subject to audit under the provisions of the *Audit Act 1994*.

In 2006, the Victorian Government Solicitor advised that stand-alone community health centres met the definition of a public statutory authority under the *Audit Act 1994* and the FMA. Therefore, they had a legislative obligation to prepare financial reports and to submit those reports for public sector audit. Subsequently, during 2006, the department supported our office advising the centres of our intention to commence auditing them in the 2006–07 financial year. Consequently, we indicated to the centres that we would commence annual financial audits from 2006–07.

Our December 2007 report, *Results of Financial Statement Audits for Agencies with 30 June 2007 Balance Dates,* referred to the status of the 2006–07 audit of the centres. Our report highlighted that many of the centres had indicated that they had received alternative legal advice indicating that they are not public statutory authorities. At the time of preparing that report, the financial reports of 21 centres had not been finalised. In addition, the department had also sought its own legal advice on this matter. Most centres had expressed a concern that designation as a public statutory authority may put at risk their concessional or tax exempt status.

We referred the alternative legal advice provided on behalf of the centres, and that obtained by the department, to the Victorian Government Solicitor for his consideration. After reviewing the alternative advice, the Victorian Government Solicitor remained of the opinion that the centres are public statutory authorities under the FMA and the *Audit Act 1994*.

The department subsequently wrote to the centres in support of our audit of the 2006–07 financial reports of the centres, and the Minister for Health also wrote to the industry body, the Victorian Healthcare Association, in support of our audit for the 2006–07 financial report.

The key finding of our December 2007 report was that those nine centres not submitting their 2006–07 financial reports for audit remain unaccountable to the Parliament. In the DHS response included in the report; the Secretary of DHS states that she has requested the assistance of the Secretary of the Department of Treasury and Finance to seek the Minister for Finance to declare the centres as being under the FMA. However, at the time of preparing this report, the centres remain to be declared under the FMA.

On 20 March 2008, the Minister for Health announced a review of the governance and accountability arrangements for the centres, following the February 2008 decision of the Australian Taxation Office (ATO) to revoke their concessional taxation status by applying a full Federal Court decision to the centres. The full Federal Court had previously concluded that where an organisation was sufficiently governmental in character, in relation to its constitution funding and functions, it would not fall within the accepted meaning of a public benevolent institution for taxation purposes. The decision by the ATO (which was pending the outcome of the ministerial review) reinforces VAGO's previously stated view that the centres are already subject to the FMA and *Audit Act 1994*.

The government's review identified three options for the centres:

- a new legislative model: whereby the centres would become a registered community health service under the *Health Services Act 1988*
- an independent charitable non-government organisation not registered under the *Health Services Act 1988*
- an amalgamation with a public hospital under the *Health Services Act 1988*.

These options were presented to the industry in a discussion paper.

Subsequently, during late October 2008, the government introduced the *Health Services Legislation Amendment Bill 2008* to the Parliament. This bill seeks to amend the *Health Services Act 1988* such that:

- community health centres would no longer be registered funded agencies under that Act
- introduces a new legislative framework for community health centres
- companies limited by guarantee may apply to the department to become a registered community health centre
- the department must have regard to certain criteria when considering an application for registration
- the department may register such applicants and impose such conditions on the registration of applicants as determined by the department
- the responsible minister may determine performance standards to be met by registered community health centres
- the circumstances under which the registration of a centre could be revoked, or an administrator appointed are specified
- certain transitional arrangements are included for existing community health centres.

At the date of preparation of this report the bill had not passed either house of Parliament.

In May 2008 the Parliament's Public Accounts and Estimates Committee published the *Report on the 2006–07 Financial and Performance Outcomes*. That report included commentary on the accountability of the centres and concluded:

> *'The Committee supports the need for the public accountability responsibilities of community health centres to be strengthened, an issue that was first raised by the Auditor-General in a 1999 report to Parliament. In that report, the Auditor-General identified a need for the reporting framework of stand-alone community health centres to be enhanced to ensure appropriate accountability to Parliament. The Committee will view with interest the outcome of the government's review of governance and accountability arrangements for Victoria's standalone community health centres.'*

In the meantime, it is incumbent on the centres to comply with the *Audit Act 1994* in order that they are accountable to the Parliament.

The 2007–08 public sector audit of financial reports for 14 of the 39 stand-alone community health centres had not been finalised, as at 31 October 2008, with ten financial reports not being submitted for public sector audit, and four reports not finalised. The statutory time line for finalising these reports is not until 30 November.

5.3.4 Investments

During 2007–08, there has been volatility in the financial markets leading to significant reductions in the value of financial instruments; particularly to collateralised debt obligations, held by entities within the human services portfolio. This volatility has continued past the end of the financial year.

Figure 5C lists the entities that have brought to account impairment losses in their 2007–08 operating statements as at 31 October 2008, as a response to the reductions in the value of their financial instruments. These entities have included note disclosures alluding to the further potential valuation movements since the 30 June balance date.

Figure 5C
Impairment losses at 30 June 2008

Entity	Impairment loss $'000	Total other financial assets (including those impaired) $'000	Per cent of impairment loss to other financial assets %
Ballarat General Cemeteries Trust	160	916	17
Bellarine Community Health Inc.	3 275	12 814	26
Benalla and District Memorial Hospital	741	6 681	11
Dental Health Services Victoria	2 270	19 792	11
Inner South Community Health Service Inc.	288	2 917	10
Latrobe Regional Hospital	1 120	9 744	11
Metropolitan Ambulance Service	2 950	19 773	15
Northern Health	2 643	5 500	48
Royal Victorian Eye and Ear Hospital	3 512	63 304	6
Total	**16 959**	**141 441**	**12**

Source: Victorian Auditor-General's Office.

Registered funded agencies, such as public hospitals and community health centres, have broad discretion under the *Health Services Act 1988* to make investment decisions. However, DHS has advised that guidelines for new investment policies are currently under consideration, but had not been issued at the date of this report.

These multimillion dollar losses, the ongoing volatility of financial markets, as well as aspects of investment strategies, policies and practices, will be the subject of ongoing audit attention.

RESPONSE provided by the Secretary, Department of Human Services

As of 30 June 2008 hospitals reported $1.1 billion in cash and other financial investments, while over half of these were held in cash, $539 million were invested in a range of other financial investments. Hospital investments have not been immune from the general volatility of the market, which has seen the value of equities decline significantly and the valuations of other financial instruments reduce. As a result some hospitals have reported impairment of certain financial assets in their 30 June 2008 financial statements. Many of these investments are held for the longer term and the extent to which current unrealised losses will be recovered is dependent on future market conditions.

Figure 5D
Audit status: Human services portfolio

	Audit type		Financial reports		Finalised within statutory time frame	
Entity	**FMA**	**Non-FMA**	**Clear opinion issued**	**Auditor-General's report signed**	**Met**	**Not met**
COMPLETED AUDITS WITH 30 JUNE 2008 BALANCE DATES						
Department of Human Services	●		✓	9 Sep 2008	●	
PUBLIC HOSPITALS, AMBULANCE SERVICES AND ASSOCIATED ENTITIES						
Alexandra District Ambulance Service	●		✓	22 Sep 2008	●	
Alexandra District Hospital	●		✓	26 Sep 2008		●
Alpine Health	●		✓	15 Sep 2008	●	
Austin Health	●		✓	15 Sep 2008	●	
Bairnsdale Regional Health Service	●		✓	11 Sep 2008	●	
Ballarat Health Services	●		✓	5 Sep 2008	●	
Barwon Health	●		✓	25 Aug 2008	●	
Bass Coast Regional Health	●		✓	10 Sep 2008	●	
Bayside Health	●		✓	5 Sep 2008	●	
Beaufort and Skipton Health Service	●		✓	6 Oct 2008		●
Beaufort and Skipton Health Services Foundation Ltd[(a)]		C	✓	30 Oct 2008	●	
Beechworth Health Service	●		✓	11 Sep 2008	●	
Benalla and District Memorial Hospital	●		✓	3 Oct 2008		●
Bendigo Health Care Group	●		✓	19 Sep 2008	●	
Boort District Hospital	●		✓	18 Sep 2008	●	
Caritas Christi Hospice Limited		C	✓	9 Oct 2008	●	

(a) The 2006–07 financial report for Beaufort and Skipton Health Services Foundation Ltd remains outstanding.

Note: Non-FMA audit types: C—*Corporations Act 2001*.

Figure 5D
Audit status: Human services portfolio – *continued*

	Audit type		Financial reports		Finalised within statutory time frame	
Entity	FMA	Non-FMA	Clear opinion issued	Auditor-General's report signed	Met	Not met
COMPLETED AUDITS WITH 30 JUNE 2008 BALANCE DATES – *continued*						
PUBLIC HOSPITALS, AMBULANCE SERVICES AND ASSOCIATED ENTITIES – continued						
Casterton Memorial Hospital	●		✓	10 Sep 2008	●	
Cell Therapies Pty Ltd		O	✓	3 Sep 2008	N/A	N/A
Central Gippsland Health Service	●		✓	11 Sep 2008	●	
Cobram District Hospital	●		✓	22 Sep 2008	●	
Cohuna Community Nursing Home Inc.		O	✓	24 Sep 2008	N/A	N/A
Cohuna District Hospital	●		✓	22 Sep 2008	●	
Colac Area Health	●		✓	26 Aug 2008	●	
Communities That Care Limited		C	✓	12 Sep 2008	●	
Djerriwarrh Health Services	●		✓	24 Sep 2008		●
Dunmunkle Health Services	●		✓	10 Sep 2008	●	
East Grampians Health Service	●		✓	5 Sep 2008	●	
East Wimmera Health Service	●		✓	5 Sep 2008	●	
Eastern Health	●		✓	13 Aug 2008	●	
Echuca Regional Health	●		✓	22 Sep 2008	●	
Echuca Regional Health Foundation		O	✓	25 Sep 2008	N/A	N/A
Echuca Regional Health Foundation Limited		C	✓	25 Sep 2008	●	
Edenhope and District Memorial Hospital	●		✓	4 Sep 2008	●	
Evivar Medical Pty Ltd		C	✓	19 Aug 2008	●	

Note: Non-FMA audit types: C—*Corporations Act 2001* and O—other reporting framework.

Figure 5D
Audit status: Human services portfolio – *continued*

	Audit type		Financial reports		Finalised within statutory time frame	
Entity	FMA	Non-FMA	Clear opinion issued	Auditor-General's report signed	Met	Not met
COMPLETED AUDITS WITH 30 JUNE 2008 BALANCE DATES – *continued*						
PUBLIC HOSPITALS, AMBULANCE SERVICES AND ASSOCIATED ENTITIES – continued						
Gippsland Southern Health Service	●		✓	18 Sep 2008	●	
Goulburn Valley Health	●		✓	15 Sep 2008	●	
Hepburn Health Service	●		✓	24 Sep 2008		●
Hesse Rural Health Service	●		✓	22 Sep 2008	●	
Heywood Rural Health	●		✓	12 Sep 2008	●	
Inglewood and Districts Health Service	●		✓	19 Sep 2008	●	
Kerang District Health	●		✓	15 Sep 2008	●	
Kilmore and District Hospital	●		✓	15 Sep 2008	●	
Kitaya Holdings Pty Ltd		C	✓	13 Aug 2008	●	
Kooweerup Regional Health Service	●		✓	22 Sep 2008	●	
Kyabram and District Health Service	●		✓	22 Sep 2008	●	
Kyneton District Health Service	●		✓	17 Sep 2008	●	
Latrobe Regional Hospital	●		✓	22 Sep 2008	●	
LMHA Network Limited		C	✓	8 Oct 2008	●	
Lorne Community Hospital	●		✓	5 Sep 2008	●	
Maldon Hospital	●		✓	17 Sep 2008	●	
Mallee Track Health and Community Service	●		✓	17 Oct 2008		●
Manangatang and District Hospital	●		✓	17 Sep 2008	●	
Mansfield District Hospital	●		✓	22 Sep 2008	●	
Maryborough District Health Service	●		✓	18 Sep 2008	●	

Note: Non-FMA audit types: C—*Corporations Act 2001*.

Figure 5D
Audit status: Human services portfolio – *continued*

Entity	Audit type		Financial reports		Finalised within statutory time frame	
	FMA	Non-FMA	Clear opinion issued	Auditor-General's report signed	Met	Not met
COMPLETED AUDITS WITH 30 JUNE 2008 BALANCE DATES – *continued*						
PUBLIC HOSPITALS, AMBULANCE SERVICES AND ASSOCIATED ENTITIES – continued						
McIvor Health and Community Services	●		✓	11 Sep 2008	●	
Melbourne Health	●		✓	20 Aug 2008	●	
Mercy Public Hospitals Inc.	●		✓	28 Oct 2008		●
Metropolitan Ambulance Service	●		✓	27 Oct 2008		●
Moyne Health Services	●		✓	19 Sep 2008	●	
Moyne Health Services Inc.		A	✓	25 Sep 2008	●	
Mt. Alexander Hospital	●		✓	15 Sep 2008	●	
Nathalia District Hospital	●		✓	18 Sep 2008	●	
Northeast Health Wangaratta	●		✓	22 Sep 2008	●	
Northern After Hours Clinic Limited		C	✓	28 Oct 2008	●	
Northern Health	●		✓	22 Oct 2008		●
Northern Health Research, Training and Equipment Foundation Limited		C	✓	31 Oct 2008	●	
Northern Health Research, Training and Equipment Foundation Trust		O	✓	31 Oct 2008	N/A	N/A
Numurkah District Health Service	●		✓	17 Sep 2008	●	
O'Connell Family Centre (Grey Sisters) Inc.	●		✓	28 Oct 2008		●
Omeo District Hospital	●		✓	17 Sep 2008	●	
Orbost Regional Health	●		✓	17 Sep 2008	●	
Otway Health and Community Services	●		✓	15 Sep 2008	●	
Peninsula Health	●		✓	9 Sep 2008	●	
Peter MacCallum Cancer Centre	●		✓	22 Sep 2008	●	

Note: Non-FMA audit types: A—*Associations Incorporation Act 1981*, C—*Corporations Act 2001* and O—other reporting framework.

Figure 5D
Audit status: Human services portfolio – continued

Entity	Audit type		Financial reports		Finalised within statutory time frame	
	FMA	Non-FMA	Clear opinion issued	Auditor-General's report signed	Met	Not met
COMPLETED AUDITS WITH 30 JUNE 2008 BALANCE DATES – *continued*						
PUBLIC HOSPITALS, AMBULANCE SERVICES AND ASSOCIATED ENTITIES – continued						
Peter MacCallum Cancer Foundation	●		✓	22 Sep 2008	●	
Peter MacCallum Cancer Foundation Ltd		C	✓	22 Sep 2008	●	
Portland District Health	●		✓	22 Sep 2008	●	
Queen Elizabeth Centre	●		✓	15 Sep 2008	●	
Robinvale District Health Services	●		✓	16 Sep 2008	●	
Rochester and Elmore District Health Service	●		✓	22 Sep 2008	●	
Royal Children's Hospital	●		✓	28 Aug 2008	●	
Royal Children's Hospital Education Institute Ltd		C	✓	5 Sep 2008	●	
Royal Children's Hospital Foundation Trust Funds		O	✓	22 Aug 2008	N/A	N/A
Royal Melbourne Hospital Foundation Ltd		C	✓	20 Aug 2008	●	
Royal Victorian Eye and Ear Hospital	●		✓	22 Sep 2008	●	
Royal Women's Hospital	●		✓	10 Oct 2008		●
Royal Women's Hospital Foundation Limited		C	✓	31 Oct 2008	●	
Royal Women's Hospital Trust Funds		O	✓	31 Oct 2008	N/A	N/A
Rural Ambulance Victoria	●		✓	22 Sep 2008	●	
Rural Northwest Health	●		✓	28 Aug 2008	●	
Seymour District Memorial Hospital	●		✓	29 Sep 2008		●
South Gippsland Hospital	●		✓	10 Sep 2008	●	
South West Alliance of Rural Health (SWARH) Joint venture	●		✓	5 Sep 2008	●	
South West Healthcare	●		✓	12 Sep 2008	●	

Note: Non-FMA audit types: C—*Corporations Act 2001* and O—other reporting framework.

Figure 5D
Audit status: Human services portfolio – continued

	Audit type		Financial reports		Finalised within statutory time frame	
Entity	**FMA**	**Non-FMA**	**Clear opinion issued**	**Auditor-General's report signed**	**Met**	**Not met**
COMPLETED AUDITS WITH 30 JUNE 2008 BALANCE DATES – *continued*						
PUBLIC HOSPITALS, AMBULANCE SERVICES AND ASSOCIATED ENTITIES – continued						
Southern Health	●		✓	13 Aug 2008	●	
St George's Health Service Limited [10]		C	✓	9 Oct 2008	●	
St. Vincent's Hospital (Melbourne) Limited		C	✓	9 Oct 2008	●	
Stawell District Hospital Foundation	●		✓	5 Sep 2008	●	
Stawell Regional Health	●		✓	5 Sep 2008	●	
Swan Hill District Hospital	●		✓	5 Sep 2008	●	
Tallangatta Health Service	●		✓	30 Sep 2008		●
Terang and Mortlake Health Service	●		✓	19 Sep 2008	●	
Timboon and District Healthcare Service	●		✓	19 Sep 2008	●	
Tweddle Child and Family Health Service	●		✓	2 Oct 2008		●
Upper Murray Health and Community Services	●		✓	2 Oct 2008		●
West Gippsland Healthcare Group	●		✓	26 Sep 2008		●
West Wimmera Health Service	●		✓	22 Sep 2008	●	
Western District Health Service	●		✓	3 Sep 2008	●	
Western Health	●		✓	13 Aug 2008	●	
Wimmera Health Care Group	●		✓	5 Sep 2008	●	
Winchelsea Hostel and Nursing Home Society		O	✓	22 Sep 2008	N/A	N/A
Wodonga Regional Health Service	●		✓	16 Sep 2008	●	
Yarram and District Health Service	●		✓	17 Sep 2008	●	
Yarrawonga District Health Service	●		✓	22 Sep 2008	●	
Yea and District Memorial Hospital	●		✓	17 Sep 2008	●	

Note: Non-FMA audit types: C—*Corporations Act 2001* and O—other reporting framework.

Figure 5D
Audit status: Human services portfolio – continued

Entity	Audit type		Financial reports		Finalised within statutory time frame	
	FMA	Non-FMA	Clear opinion issued	Auditor-General's report signed	Met	Not met
COMPLETED AUDITS WITH 30 JUNE 2008 BALANCE DATES – *continued*						
COMMUNITY HEALTH CENTRES						
Ballarat Community Health Centre Inc.		A	✓	25 Sep 2008	●	
Banyule Community Health Service Inc.		A	✓	8 Oct 2008	●	
Bellarine Community Health Inc.		O	✓	6 Oct 2008	N/A	N/A
Castlemaine District Community Health Service Inc.		O	✓	15 Sep 2008	N/A	N/A
Central Bayside Community Health Services Inc.		A	✓	30 Sep 2008	●	
Cobaw Community Health Service.		A	✓	26 Sep 2008	●	
Darebin Community Health Service Inc. (b)		A	✓	10 Oct 2008	●	
Dianella Community Health Inc.		A	✓	30 Oct 2008	●	
Doutta Galla Community Health Service Inc.		O	✓	29 Sep 2008	N/A	N/A
Ensay Community Health Centre Inc.		O	✓	22 Oct 2008	N/A	N/A
Gippsland Lakes Community Health Service Inc.		O	✓	22 Oct 2008	N/A	N/A
Inner East Community Health Service Inc.(b)		A	✓	22 Oct 2008	●	
Inner South Community Health Service Inc.		A	✓	7 Oct 2008	●	
Latrobe Community Health Service Inc.		A	✓	26 Sep 2008	●	
Manningham Community Health Service Inc.		A	✓	24 Oct 2008	●	
Mitchell Community Health Service Inc.		A	✓	31 Oct 2008	●	
Moreland Community Health Service Inc.		A	✓	31 Oct 2008	●	

(b) The 2006–07 financial reports for Darebin Community Health Service Inc. and Inner East Community Health Service Inc. remain outstanding.

Note: Non-FMA audit types: A—*Associations Incorporation Act 1981* and O—other reporting framework.

Figure 5D
Audit status: Human services portfolio – continued

Entity	Audit type		Financial reports		Finalised within statutory time frame	
	FMA	Non-FMA	Clear opinion issued	Auditor-General's report signed	Met	Not met
COMPLETED AUDITS WITH 30 JUNE 2008 BALANCE DATES – *continued*						
COMMUNITY HEALTH CENTRES – continued						
North Richmond Community Health Centre Inc.		A	✓	29 Oct 2008	●	
Northern District Community Health Service Inc.		A	✓	25 Sep 2008	●	
Nowa Nowa Community Health Centre Inc.		O	✓	31 Oct 2008	N/A	N/A
Ovens and King Community Health Service Inc. (c)		O	✓	9 Sep 2008	N/A	N/A
Ranges Community Health Service Inc.		O	✓	9 Oct 2008	N/A	N/A
Sunbury Community Health Centre Inc.		A	✓	28 Oct 2008	●	
Upper Hume Community Health Service Inc.		O	✓	17 Oct 2008	N/A	N/A
Whitehorse Community Health Service Inc.		A	✓	31 Oct 2008	●	
MAJOR CEMETERIES						
Anderson's Creek Cemetery Trust	●		✓	23 Oct 2008		●
Ballarat General Cemeteries Trust	●		✓	22 Oct 2008		●
Bendigo Cemeteries Trust	●		✓	16 Sep 2008	●	
Geelong Cemeteries Trust	●		✓	3 Sep 2008	●	
Keilor Cemetery Trust	●		✓	30 Sep 2008		●
Mildura Cemetery Trust	●		✓	30 Sep 2008		●
Preston Cemetery Trust	●		✓	22 Sep 2008	●	
Templestowe Cemetery Trust	●		✓	9 Oct 2008		●
The Cheltenham and Regional Cemeteries Trust	●		✓	19 Sep 2008	●	
The Fawkner Crematorium and Memorial Park Trust	●		✓	18 Sep 2008	●	
The Trustees of the Necropolis Springvale	●		✓	18 Sep 2008	●	

Note: Non-FMA audit types: A—*Associations Incorporation Act 1981* and O—other reporting framework.
(c) The 2006–07 financial report is also outstanding for this entity.

Figure 5D
Audit status: Human services portfolio – continued

	Audit type		Financial reports		Finalised within statutory time frame	
Entity	FMA	Non-FMA	Clear opinion issued	Auditor-General's report signed	Met	Not met
COMPLETED AUDITS WITH 30 JUNE 2008 BALANCE DATES – ***continued***						
MAJOR CEMETERIES – continued						
Trustees of Altona Memorial Park	●		✓	30 Sep 2008		●
Lilydale Cemeteries Trust	●		✓	28 Oct 2008		●
Wyndham Cemeteries Trust	●		✓	16 Sep 2008	●	
OTHER PUBLIC BODIES						
Chinese Medicine Registration Board of Victoria	●		✓	12 Sep 2008	●	
Chiropractors Registration Board of Victoria	●		✓	20 Oct 2008		●
Dental Health Services Victoria	●		✓	9 Oct 2008		●
Dental Practice Board of Victoria	●		✓	19 Sep 2008	●	
Health Purchasing Victoria	●		✓	16 Sep 2008	●	
Infertility Treatment Authority	●		✓	9 Sep 2008	●	
Medical Radiation Practitioners Board of Victoria	●		✓	29 Sep 2008		●
Mental Health Review Board of Victoria	●		✓	31 Oct 2008		●
Nurses Board of Victoria	●		✓	15 Sep 2008	●	
Optometrists Registration Board of Victoria	●		✓	29 Sep 2008		●
Osteopaths Registration Board of Victoria	●		✓	8 Oct 2008		●
Pharmacy Board of Victoria	●		✓	3 Sep 2008	●	
Physiotherapists Registration Board of Victoria	●		✓	22 Sep 2008	●	
Podiatrists Registration Board of Victoria	●		✓	8 Oct 2008		●
Psychosurgery Review Board	●		✓	31 Oct 2008		●
Victorian Health Promotion Foundation	●		✓	24 Sep 2008		●
Victorian Institute of Forensic Mental Health	●		✓	22 Sep 2008	●	

Figure 5D
Audit status: Human services portfolio – continued

Entity	Audit type: FMA	Audit type: Non-FMA	Financial reports: Clear opinion issued	Financial reports: Auditor-General's report signed	Finalised within statutory time frame: Met	Finalised within statutory time frame: Not met
INCOMPLETE AUDITS AT 31 OCTOBER 2008						
Bass Coast Community Health Service Inc.		●	*Financial report yet to be submitted for audit*			
Bendigo Community Health Services Inc. (d)		●	*Financial report yet to be finalised*			
Bentleigh Bayside Community Health Service Inc.		●	*Financial report yet to be finalised*			
Calvary Health Care Bethlehem Ltd		●	*Financial report yet to be finalised*			
Cobram District Health Services Foundation		●	*Financial report yet to be submitted for audit*			
Eastern Access Community Health Inc.(d)		●	*Financial report yet to be finalised*			
Gippsland Health Alliance		●	*Financial report yet to be finalised*			
Goulburn Valley Community Health Service Inc.		●	*Financial report yet to be submitted for audit*			
Grampians Community Health Centre Inc.		●	*Financial report yet to be submitted for audit*			
HumeNET Limited		●	*Financial report yet to be submitted for audit*			
ISIS Primary Care Inc. (d)		●	*Financial report yet to be submitted for audit*			
Knox Community Health Service Inc.		●	*Financial report yet to be submitted for audit*			
MonashLink Community Health Service Inc.(d)		●	*Financial report yet to be submitted for audit*			
Nillumbik Community Health Service Inc.(d)		●	*Financial report yet to be submitted for audit*			
North Yarra Community Health Inc.(d)		●	*Financial report yet to be submitted for audit*			
Peninsula Community Health Service Inc.		●	*Financial report yet to be finalised*			
Plenty Valley Community Health Service Inc.(d)		●	*Financial report yet to be submitted for audit*			
Sunraysia Community Health Services Inc.(d)		●	*Financial report yet to be submitted for audit*			

(d) The 2006–07 financial reports are also outstanding for these entities.

Figure 5D
Audit status: Human services portfolio – continued

	Audit type		Financial reports		Finalised within statutory time frame	
Entity	**FMA**	**Non-FMA**	**Clear opinion issued**	**Auditor-General's report signed**	**Met**	**Not met**
INCOMPLETE AUDITS AT 31 OCTOBER 2008 – *continued*						
2007–08 Total number of entities = 190	**125**	**65**			**124**	**32**
				Per cent	**71**	**18**
2006–07 Total number of entities = 198	129	68			131	21
				Per cent	74	12
COMPLETED AUDITS WITH OTHER BALANCE DATES						
HumeNET Limited		**C**	✓	29 Oct 2008		
Goulburn Valley Community Health Service Inc.		**O**	✓	28 Aug 2008		

Note: Non-FMA audit types: C—*Corporations Act 2001* and O – other reporting framework.
Source: Victorian Auditor-General's Office.

6 Innovation, industry and regional development

At a glance

Portfolio overview

The innovation, industry and regional development portfolio is comprised of 16 entities with 30 June 2008 balance dates, including two material entities; the Department of Innovation, Industry and Regional Development and the Victorian Skills Commission (VSC).

The portfolio provides policy and planning advice for economic and regional development across the areas of attracting investment, trade development, developing innovative industries, regional development and marketing Victoria.

Key findings

- Clear audit opinions were issued on all financial reports for entities with 30 June 2008 balance dates in this portfolio.
- The timeliness of financial reporting by the nine entities under the *Financial Management Act 1994* declined with only 78 per cent of entities achieving the 12-week time frame, down from 83 per cent in 2006–07.
- In 2007–08, all of the seven entities reporting under the *Corporations Act 2001* met their finalisation requirement, up from 83 per cent from last year.
- Both material entities were requested to meet earlier time lines to facilitate meeting whole-of-government reporting schedules. The VSC met the requested date.

6.1 Introduction

The innovation, industry and regional development portfolio comprises the Department of Innovation, Industry and Regional Development (DIIRD) and 15 other entities with 30 June 2008 balance dates.

The portfolio works closely with business, other government entities and the community to achieve economic development goals of increased investment, exports and high-quality jobs. The innovation, industry and regional development entities develop and implement a diverse range of programs, initiatives and projects designed to attract and facilitate investment, encourage exports and industries, foster skills, stimulate innovation and promote Victoria nationally and internationally.

At 30 June 2008, the portfolio supported and advised the following eight ministerial portfolios:

- industrial relations
- industry and trade
- information technology
- innovation
- regional and rural development
- skills and workforce participation
- small business
- tourism and major events.

Higher education and vocational training entities form a major division of this portfolio. The majority of these entities (primarily universities) have 31 December balance dates and are not included in this report. These entities are covered in a separate report published in May each year, which covers entities with balance dates other than 30 June.

In 2007–08, the portfolio had the following changes to its entities with 30 June balance dates:

- the Australian Synchrotron Company Ltd and the Australian Synchrotron Holding Company Pty Ltd commenced operations during the year
- the VCPO Limited ceased operating during 2006–07
- from 1 July 2008, responsibility for Major Projects Victoria (MPV) moved from the Department of Transport to DIIRD for financial reporting purposes. MPV has a financial reporting exemption and incorporates its results within the departmental financial report.

6.1.1 Reporting framework

DIIRD and eight of the 15 other portfolio entities are required by the *Financial Management Act 1994* (FMA) to prepare financial reports and have these audited by the Auditor-General. The remaining seven entities are required to produce financial reports under the *Corporations Act 2001*.

6.2 Results of audits

By 16 October 2008, clear audit opinions had been issued on the 2007–08 financial reports for all entities in the portfolio.

VCPO Limited prepared its 2003–04 financial report on a liquidation basis because it was preparing for voluntary liquidation during 2004–05. The liquidation process has now been finalised and DIIRD is in the process of finalising financial reports for 2004–05, 2005–06 and 2006–07. The completion and audit of the outstanding financial reports will discharge the accountability requirements to Parliament for this entity.

6.2.1 Emphasis of matter

The audit opinion on the Prince Henry's Institute of Medical Research contained an emphasis of matter to draw attention to the uncertainty regarding the entity's continuation as a going concern.

DIIRD has requested that the entity establish itself as a public company limited by guarantee. The public company has been incorporated, and initial directors and a secretary appointed. It is anticipated that subject to parliamentary approval and due diligence, the operations, assets and liabilities will be transferred to the company by 1 January 2009. As a result, there is uncertainty about whether Prince Henry's Institute of Medical Research will continue as a going concern.

6.3 Financial management and reporting

The quality of reporting can be measured by its accuracy and the timeliness of preparation and finalisation of the financial report.

When the audit process reveals errors in the draft financial reports they are raised with the entity. If the errors are considered to be material, adjustments are requested. The frequency and size of errors requiring adjustment are, therefore, two direct measures of quality.

6.3.1 Timeliness

The FMA is applied by nine entities in the portfolio. FMA entities are required to finalise their financial reports within 12 weeks of the end of the financial year. The timeliness for these entities declined in 2007–08, with only 78 per cent of entities achieving the required time frame, down from 83 per cent last year.

Under the *Corporations Act 2001,* the remaining seven entities are required to have their financial reports finalised within four months of the end of the financial year. All of these entities met this requirement, up from only 83 per cent in 2006–07.

This improvement can be attributed to entities providing *shell* financial reports for audit comment before the end of the financial year. This has enabled audit effort to be brought forward with any significant financial management and reporting issues being resolved before commencing the final audit process.

There are two material entities in this portfolio; DIIRD and the Victorian Skills Commission (VSC). These entities were requested to meet earlier time lines to facilitate meeting whole of government reporting schedules. Only the VSC submitted the first complete draft financial report for audit by the target date of 25 July 2008. The financial report for DIIRD was not received until two weeks after the target date.

6.3.2 Accuracy

There was one material adjustment made to the financial reports for material entities in the innovation, industry and regional development portfolio. This adjustment was to the financial report from VSC and involved an error in balances of land and buildings.

Figure 6A
Audit status: Innovation, industry and regional development portfolio

Entity	Audit type		Financial reports		Finalised within statutory time frame	
	FMA	Non-FMA	Clear opinion issued	Auditor-General's report signed	Met	Not met
COMPLETED AUDITS WITH 30 JUNE 2008 BALANCE DATES						
Department of Innovation, Industry and Regional Development	●		✓	8 Sep 2008	●	
INNOVATION						
Australian Synchrotron Company Limited		C	✓	9 Sep 2008	●	
Australian Synchrotron Holding Company Proprietary Limited		C	✓	9 Sep 2008	●	
Fed Square Pty Ltd		C	✓	17 Sep 2008	●	
Film Victoria	●		✓	18 Sep 2008	●	
Prince Henry's Institute of Medical Research	●		✓	4 Sep 2008	●	
SKILLS AND WORKFORCE PARTICIPATION						
NMIT International Limited		C	✓	13 Aug 2008	●	
TAFE Development Centre Ltd		C	✓	23 Sep 2008	●	
VCAMM Limited		C	✓	16 Oct 2008	●	
Victorian Skills Commission[(a)]	●		✓	22 Sep 2008	●	
Victorian Tertiary Admissions Centre	●		✓	12 Sep 2008	●	
TOURISM AND MAJOR EVENTS						
Australian Grand Prix Corporation	●		✓	1 Oct 2008		●
Emerald Tourist Railway Board	●		✓	25 Sep 2008		●
Melbourne Convention and Exhibition Trust	●		✓	20 Aug 2008	●	
Tourism Victoria	●		✓	5 Sep 2008	●	

(a) Victorian Skills Commission was previously known as the Victorian Learning and Employment Skills Commission.

Note: Non-FMA audit types: C—*Corporations Act 2001.*

Figure 6A
Audit status: Innovation, industry and regional development portfolio – *continued*

	Audit type		Financial reports		Finalised within statutory time frame	
Entity	FMA	Non-FMA	Clear opinion issued	Auditor-General's report signed	Met	Not met
COMPLETED AUDITS WITH 30 JUNE 2008 BALANCE DATES – *continued*						
TOURISM AND MAJOR EVENTS – continued						
Victoria Trade and Investment Office Pty Ltd		C	✓	18 Sep 2008	●	
2007–08 Total number of entities = 16	**9**	**7**			**14**	**2**
				Per cent	**88**	12
2006–07 Total number of entities = 15	9	6			13	1
				Per cent	87	6
INCOMPLETE AUDITS WITH OTHER BALANCE DATES						
International Training Australia Pty Ltd[(b)]		●	*Financial report yet to be submitted for audit.*			
VCPO Limited[(c)]		●	*Financial report yet to be submitted for audit.*			

(b) International Training Australia Pty Ltd ceased operations on 15 November 2007. The financial report for 31 December 2006 is also outstanding.
(c) VCPO Limited was placed into voluntary liquidation during 2004–05. DIIRD has undertaken to complete the 2004–05, 2005–06 and 2006–07 financial reports.

Note: Non-FMA audit types: C—*Corporations Act 2001*.
Source: Victorian Auditor-General's Office

7 Justice

At a glance

Portfolio overview

The justice portfolio is comprised of 27 entities, including seven material entities: the Department of Justice, Country Fire Authority, Metropolitan Fire and Emergency Services Board, Residential Tenancies Bond Authority, Senior Master of the Supreme Court, Victoria Police and the Victorian Commission for Gambling Regulation.

The portfolio is responsible for the administration of civil and criminal justice and public safety; responsible management and regulation of gaming and racing; and providing an effective framework for consumer affairs.

Key findings

- Clear audit opinions were issued on the financial reports for 26 of the 27 entities with 30 June 2008 balance dates in this portfolio. The financial report for Melton Entertainment Trust has not been finalised.
- The timeliness of financial reporting by the 25 entities under the *Financial Management Act 1994* improved significantly, with 92 per cent of entities achieving the 12-week time frame, up from 60 per cent in 2006–07.
- HRV Management Ltd did not meet its statutory time line under the *Corporations Act 2001* this year.
- All material entities, other than Victoria Police met the earlier time lines to facilitate whole-of-government reporting schedules.

7.1 Introduction

The justice portfolio comprises the Department of Justice (DOJ) and 26 entities with 30 June 2008 balance dates.

The portfolio is responsible for all police and prosecution functions; the court system; prison and community corrections services; various entities established to protect citizens' rights; emergency management; emergency services; racing and gaming; and the provision of legal advice to government.

At 30 June 2008, the justice portfolio supported and advised six ministerial portfolios:

- attorney-general
- racing
- police and emergency services
- corrections
- consumer affairs
- gaming.

In 2007–08, the portfolio had the following changes to its entities with 30 June balance dates:

- HRV Management Limited and the Melton Entertainment Trust were identified as requiring audit
- CFA & Brigades Donations Fund, National Institute of Forensic Science and Office of the Public Advocate ceased to be controlled entities for reporting purposes and therefore no longer subject to audit by the Auditor-General.

HRV Management Limited and the Melton Entertainment Trust were formed on 8 June 2005 and 6 July 2005 respectively, and have been inactive since. The financial reports for HRV Management Limited have been prepared and audited for 2006–07 and 2007–08 and an exemption was obtained for the 2005–06 report. There have been no financial reports finalised for the Melton Entertainment Trust.

7.1.1 Reporting framework

The DOJ and 24 of the 26 entities in the justice portfolio are required by the *Financial Management Act 1994* (FMA) to prepare financial reports and have these audited by the Auditor-General. The remaining two entities prepare their financial reports in accordance with the *Corporations Act 2001* and the *Supreme Court Act 1986.*

7.2 Results of audits

By 31 October 2008, clear audit opinions had been issued on the 2007–08 financial reports for all entities in the portfolio, except for the Melton Entertainment Trust.

7.2.1 Qualification removed

In 2006–07, the CFA & Brigades Donations Fund financial report was qualified in relation to the completeness of revenue received from cash donations. This entity is no longer a controlled entity of the Country Fire Authority and therefore, is no longer subject to audit by the Auditor-General.

7.3 Financial management and reporting

The quality of reporting can be measured by its accuracy and by the timeliness of preparation and finalisation of the financial report.

When the audit process reveals errors in the draft financial reports they are raised with the entity. If the errors are considered to be material, adjustments are requested. The frequency and size of errors requiring adjustment are therefore, two direct measures of quality.

7.3.1 Timeliness

The FMA is applied by 25 entities in the portfolio. FMA entities are required to finalise their financial reports within 12 weeks of the end of the financial year. This year, timeliness for FMA entities improved significantly, with 92 per cent of entities achieving the required time frame, up from 60 per cent in 2006–07.

This improvement can be attributed to an increase in the number of entities using better practice initiatives before the end of the financial year, including:

- preparing a financial report at an interim balance date, such as at 31 May, and submitting it for audit
- providing *shell* financial reports for audit comment before 30 June.

This has enabled the audit effort to be brought forward, with any significant financial management and reporting issues resolved before starting the final audit process.

Of the remaining two entities, HRV Management Ltd is required under the *Corporations Act 2001* to have its financial report finalised within four months of the end of the financial year. They met this requirement.

There are seven material entities in this portfolio; DOJ, Country Fire Authority, Metropolitan Fire and Emergency Services Board, Residential Tenancies Bond Authority, Senior Master of the Supreme Court, Victoria Police and the Victorian Commission for Gambling Regulation. All of these entities were requested to meet earlier time lines to facilitate whole-of-government reporting schedules. Only Victoria Police failed to submit the first complete draft financial reports for audit by the target date of 25 July 2008. The report for Victoria Police was not received until two weeks after the target date.

7.3.2 Accuracy

There were seven material adjustments made to the financial reports of material entities in the justice portfolio. These adjustments were made to the reports for DOJ, Metropolitan Fire and Emergency Services Board and Victoria Police and involved missing or incomplete disclosure associated with:

- financial instruments requirements
- commitments for operating leases
- cash flow disclosures
- administered items.

RESPONSE provided by the Secretary, Department of Justice

The department considers that the Auditor-General's report on the results of financial statement audits represents a fair and factually accurate assessment of the department's position regarding timeliness of completion of financial statements, quality of financial reporting and adequacy of control environments.

The department will work with material entities in the justice portfolio to improve the quality of reports and reduce the number of material adjustments required to draft financial reports.

Figure 7A
Audit status: Justice portfolio

	Audit type		Financial reports		Finalised within statutory time frame	
Entity	**FMA**	**Non-FMA**	**Clear opinion issued**	**Auditor-General's report signed**	**Met**	**Not met**
COMPLETED AUDITS WITH 30 JUNE 2008 BALANCE DATES						
Department of Justice	●		✓	25 Aug 2008	●	
ATTORNEY-GENERAL						
Judicial College of Victoria	●		✓	19 Sep 2008	●	
Legal Practitioners Liability Committee	●		✓	16 Sep 2008	●	
Legal Services Board	●		✓	19 Sep 2008	●	
Legal Services Commissioner	●		✓	23 Sep 2008	●	
Office of Public Prosecutions	●		✓	16 Sep 2008	●	
Office of the Victorian Privacy Commissioner	●		✓	18 Sep 2008	●	
Professional Standards Council	●		✓	7 Oct 2008		●
Senior Master of the Supreme Court		S	✓	27 Aug 2008	N/A	N/A
Sentencing Advisory Council	●		✓	17 Sep 2008	●	
Victorian Electoral Commission	●		✓	19 Aug 2008	●	
Victorian Equal Opportunity and Human Rights Commission	●		✓	16 Sep 2008	●	
Victorian Institute of Forensic Medicine	●		✓	12 Sep 2008	●	
Victorian Law Reform Commission	●		✓	17 Sep 2008	●	
Victoria Legal Aid	●		✓	26 Aug 2008	●	
CONSUMER AFFAIRS						
Residential Tenancies Bond Authority	●		✓	23 Sep 2008	●	
GAMING						
Victorian Commission for Gambling Regulation	●		✓	25 Aug 2008	●	

Note: Non-FMA audit type: S—*Supreme Court Act 1986*.

Figure 7A
Audit status: Justice portfolio – *continued*

	Audit type		Financial reports		Finalised within statutory time frame	
Entity	**FMA**	**Non-FMA**	**Clear opinion issued**	**Auditor-General's report signed**	**Met**	**Not met**
COMPLETED AUDITS WITH 30 JUNE 2008 BALANCE DATES *– continued*						
POLICE AND EMERGENCY SERVICES						
Country Fire Authority	●		✓	15 Aug 2008	●	
Emergency Services Telecommunications Authority	●		✓	15 Sep 2008	●	
Metropolitan Fire and Emergency Services Board	●		✓	11 Aug 2008	●	
Office of Police Integrity	●		✓	5 Sep 2008	●	
Victoria Police	●		✓	29 Aug 2008	●	
Victoria State Emergency Service Authority	●		✓	11 Sep 2008	●	
RACING						
Greyhound Racing Victoria	●		✓	5 Sep 2008	●	
Harness Racing Victoria	●		✓	5 Sep 2008	●	
HRV Management Limited		**C**	✓	20 Oct 2008	●	
INCOMPLETE AUDITS AT 31 OCTOBER 2008						
Melton Entertainment Trust[(a)]	*Financial report yet to be submitted for audit.*					
2007–08 Total number of entities = 27	**25**	**2**			**24**	**1**
				Per cent	**92**	4
2006–07 Total number of entities = 28	25	3			15	10
				Per cent	60	40

(a) The financial reports for Melton Entertainment Trust for 2005–06 and 2006–07 are also outstanding.

Note: Non-FMA audit type: C—*Corporations Act 2001*.

Source: Victorian Auditor-General's Office.

8 Planning and community development

At a glance

Portfolio overview

The planning and community development portfolio is comprised of 16 entities, including two material entities: the Department of Planning and Community Development (DPCD) and Victorian Urban Development Authority.

The portfolio is responsible for Victoria's built environment, including land-use planning and urban growth, and building strong communities that are well-planned and well-designed.

Key findings

- Clear audit opinions were issued on all financial reports for entities with 30 June 2008 balance dates in this portfolio.
- The timeliness of financial reporting by the 15 entities under the *Financial Management Act 1994* deteriorated, with only 53 per cent of entities achieving the 12-week time frame, down from 70 per cent in 2006–07.
- The one entity reporting under the *Corporations Act 2001* met their statutory time line in 2007–08, the same as last year.
- The DPCD did not meet the requested earlier time lines to facilitate meeting whole-of-government reporting schedules.

8.1 Introduction

The planning and community development portfolio comprises the Department of Planning and Community Development (DPCD) and 15 entities with 30 June 2008 balance dates.

In August 2007, the DPCD was formed from the integration of the Department of Victorian Communities, with the divisions and authorities that previously reported to the Minister for Planning in the sustainability and environment portfolio and the urban development functions from the transport portfolio.

The portfolio provides policy advice and services in a range of areas, including employment and adult education, local government, youth affairs, multicultural affairs, seniors and veteran's affairs, indigenous affairs, and sport and recreation.

At 30 June 2008, the portfolio supported and advised 11 ministerial portfolios:

- Aboriginal affairs
- community development
- community services
- local government
- multicultural affairs
- planning
- senior Victorians
- skills and workforce participation
- sport, recreation and youth affairs
- veterans' affairs
- women's affairs.

Local Government Victoria is a major division of this portfolio and supports Victoria's 79 councils. Given the size and diversity of the local government sector, the results of those financial audits were reported separately on 13 November 2008.

In 2007–08, the portfolio had several changes to the entities with 30 June 2008 balance dates.

The changes are listed in Figure 8A.

Figure 8A
Changes to planning and community development portfolio

Entities that were transferred from other portfolios:

- sustainability and environment—Architect's Registration Board, Building Commission, Growth Areas Authority, Heritage Council and Plumbing Industry Commission.
- infrastructure—Victorian Urban Development Authority (VicUrban).

Entities that have ceased in 2007–08 are:

- 2007 World Swimming Championships Corporation—not reporting as a separate entity. Transactions and balances have been consolidated into the DPCD financial report.

Source: Victorian Auditor-General's Office.

8.1.2 Reporting framework

The DPCD and 14 of the 15 entities in the planning and community development portfolio are required by the *Financial Management Act 1994* (FMA) to prepare financial reports and have them audited by the Auditor-General. The remaining entity, the Victorian Institute of Sport Limited prepares its financial report in accordance with the *Corporations Act 2001*.

8.2 Results of audits

By 10 October 2008, clear audit opinions had been issued on the 2007–08 financial reports for all 16 entities in the portfolio.

8.3 Financial management and reporting

The quality of reporting can be measured by its accuracy and by the timeliness of preparation and finalisation of the financial report.

When the audit process reveals errors in the draft financial report they are raised with the entity. If the errors are considered to be material, adjustments are requested. The frequency and size of errors requiring adjustment are therefore, two direct measures of quality.

8.3.1 Timeliness

The FMA is applied by 15 of the 16 entities in the portfolio. FMA entities are required to finalise their financial reports within 12 weeks of the end of the financial year. This year, only 53 per cent of entities achieved the required time frame, down from 70 per cent in 2006–07.

This decline can be attributed to a lack of preparation for the end of financial year and inadequate processes and procedures for *closing the books* at some entities.

The remaining entity, the Victorian Institute of Sport Limited is required under the *Corporations Act 2001* to have its financial report finalised within four months of the end of the financial year. In 2007–08 they completed their financial report within 10 weeks of year end, which was the same timing as last year.

There are two material entities in this portfolio; DPCD and VicUrban. These entities were requested to meet earlier time lines to facilitate whole-of-government reporting schedules. Only VicUrban submitted the first complete draft financial reports for audit by the target date of 25 July 2008. The financial report of DPCD was received four weeks after the target date.

DPCD negotiated with VAGO to submit their financial report on a date beyond the target date. However, they also failed to meet this time frame, submitting the first complete draft financial report three weeks after the revised date.

8.3.2 Accuracy

There were no material adjustments made to the financial reports of the two material entities in this portfolio.

Figure 8B
Audit status: Planning and community development

	Audit type		Financial reports		Finalised within statutory time frame	
Entity	**FMA**	**Non-FMA**	**Clear opinion issued**	**Auditor-General's report signed**	**Met**	**Not met**
COMPLETED AUDITS WITH 30 JUNE 2008 BALANCE DATES						
Department of Planning and Community Development	●		✓	8 Sep 2008	●	
PLANNING						
Architects' Registration Board of Victoria	●		✓	30 Sep 2008		●
Building Commission	●		✓	15 Sep 2008	●	
Growth Areas Authority	●		✓	17 Sep 2008	●	
Heritage Council	●		✓	30 Sep 2008		●
Plumbing Industry Commission	●		✓	30 Sep 2008		●
Victorian Urban Development Authority	●		✓	14 Aug 2008	●	
SPORT, RECREATION AND YOUTH AFFAIRS						
Melbourne and Olympic Parks Trust	●		✓	29 Aug 2008	●	
State Sport Centres Trust	●		✓	26 Aug 2008	●	
Victorian Institute of Sport Limited		C	✓	5 Sep 2008	●	
Victorian Institute of Sport Trust	●		✓	5 Sep 2008	●	
SKILLS AND WORKFORCE PARTICIPATION						
Adult, Community and Further Education Board	●		✓	29 Sep 2008		●
MULTICULTURAL AFFAIRS						
VITS Languagelink	●		✓	23 Sep 2008	●	
WOMEN'S AFFAIRS						
Queen Victoria Women's Centre Trust	●		✓	16 Sep 2008	●	

Note: Non-FMA audit types: C—*Corporations Act 2001*.

Figure 8B
Audit status: Planning and community development– *continued*

Entity	FMA	Non-FMA	Clear opinion issued	Auditor-General's report signed	Met	Not met
COMPLETED AUDITS WITH 30 JUNE 2008 BALANCE DATES – *continued*						
VETERAN'S AFFAIRS						
Shrine of Remembrance Trustees	●		✓	26 Sep 2008		●
Victorian Veteran's Council	●		✓	10 Oct 2008		●
2007–08 Total number of entities = 16	**15**	**1**			**10**	**6**
				Per cent	**63**	**37**
2006–07 Total number of entities = 11	10	1			8	3
				Per cent	73	27
COMPLETED AUDITS WITH OTHER BALANCE DATES						
Melbourne Cricket Ground Trust	●		✓	30 May 2008		

Source: Victorian Auditor-General's Office.

9 Premier and Cabinet

At a glance

Portfolio overview

The Premier and Cabinet portfolio is comprised of 11 entities, including two material entities: the Department of Premier and Cabinet (DPC) and the Council of Trustees of the National Gallery of Victoria.

The portfolio is responsible for supporting the Premier as head of Government and Cabinet, providing strategic policy leadership, developing whole-of-government initiatives, delivering services and programs in relation to Arts Victoria.

Key findings

- Clear audit opinions were issued on all financial reports for entities with 30 June 2008 balance dates in this portfolio.
- The timeliness of financial reporting by the 10 entities under the *Financial Management Act 1994* improved, with 100 per cent of entities achieving the 12-week time frame, up from 90 per cent in 2006–07.
- The one entity reporting under the *Corporations Act 2001* met its statutory time line in 2007–08, the same as last year.
- The Council of Trustees of the National Gallery of Victoria did not meet the requested earlier time lines to facilitate meeting whole-of-government reporting schedules.

9.1 Introduction

The Premier and Cabinet portfolio comprises the Department of Premier and Cabinet (DPC), the State Services Authority, the Office of the Ombudsman and eight arts entities.

The portfolio has a leadership role in the identification and implementation of the strategic directions of government. It achieves this through the provision of independent, rigorous and soundly based policy advice. It manages relationships with other governments in Australia and overseas, and develops processes for community engagement and partnering in government decision-making.

At 30 June, this portfolio supports and advises two ministerial portfolios:

- the Premier
- arts.

9.1.1 Reporting framework

DPC and nine of the 10 entities in this portfolio are required by the *Financial Management Act 1994 (*FMA) to prepare financial reports and have these audited by the Auditor-General. The remaining entity, Melbourne Recital Centre Ltd prepares its financial report in accordance with the *Corporations Act 2001*.

9.2 Results of audits

By 31 October 2008, clear audit opinions had been issued on the 2007–08 financial reports for all 11 entities in the portfolio.

9.3 Financial management and reporting

The quality of financial reporting can be measured by its accuracy and by the timeliness of preparation and finalisation of the financial report.

When the audit process reveals errors in the draft financial reports they are raised with the entity. If the errors are considered to be material, adjustments are requested. The frequency and size of errors requiring adjustment are therefore, two direct measures of quality.

9.3.1 Timeliness

The FMA is applied by 10 of the 11 entities in the portfolio. FMA entities are required to finalise their financial reports within 12 weeks of the end of the financial year. This year, timeliness for these entities improved with 100 per cent, achieving the required time frame, up from 90 per cent in 2006–07.

The Melbourne Recital Centre Ltd is required under the *Corporations Act 2001* to have its financial report finalised within four-months of the end of the financial year. They had completed their financial report within this time frame in 2007–08, the same as last year.

There are two material entities in this portfolio; DPC and the Council of Trustees of the National Gallery of Victoria (NGV). Both of these entities were requested to meet earlier time lines to facilitate whole-of-government reporting schedules. Only DPC submitted the first complete draft financial reports for audit by the target date of 25 July 2008. The report for NGV was two weeks late. NGV experienced difficulties in meeting the target date due to the resignation of a key member of the financial reporting team.

9.3.2 Accuracy

No material adjustments were made to the financial reports of the two material entities in this portfolio.

Figure 9A
Audit status: Premier and Cabinet

	Audit type		Financial reports		Finalised within statutory time frame	
Entity	**FMA**	**Non-FMA**	**Clear opinion issued**	**Auditor-General's report signed**	**Met**	**Not met**
COMPLETED AUDITS WITH 30 JUNE 2008 BALANCE DATES						
Department of Premier and Cabinet	●		✓	18 Aug 2008	●	
ARTS						
Australian Centre for the Moving Image	●		✓	12 Sep 2008	●	
Council of Trustees of the National Gallery of Victoria	●		✓	1 Sep 2008	●	
Geelong Performing Arts Centre Trust	●		✓	23 Sep 2008	●	
Library Board of Victoria	●		✓	23 Sep 2008	●	
Melbourne Recital Centre Ltd		C	✓	30 Oct 2008	●	
Museums Board of Victoria	●		✓	12 Sep 2008	●	
State Library of Victoria Foundation	●		✓	23 Sep 2008	●	
Victorian Arts Centre Trust	●		✓	22 Sep 2008	●	
OTHER						
Office of the Ombudsman	●		✓	29 Aug 2008	●	
State Services Authority	●		✓	10 Sep 2008	●	
2007–08 Total number of entities = 11	**10**	**1**			**11**	**0**
				Per cent	**100**	**0**
2006–07 Total number of entities = 11	10	1			10	1
				Per cent	91	9

Note: Non-FMA audit types: C—*Corporations Act 2001*.
Source: Victorian Auditor-General's Office.

10 Primary industries

At a glance

Portfolio overview

The primary industries portfolio is comprised of 14 entities, including two material entities: the Department of Primary Industries and Victorian Energy Networks Corporation.

The portfolio is responsible for designing and delivering government policies and programs that enable Victoria's primary and energy industries to sustainably maximise the wealth and wellbeing they generate.

Key findings

- Clear audit opinions were issued on all financial reports for entities with 30 June 2008 balance dates in this portfolio.
- The timeliness of reporting for entities under the *Financial Management Act 1994* deteriorated, with 92 per cent of entities meeting the 12-week time frame, down from 100 per cent in 2006–07.
- In 2007–08, both of the entities reporting under the *Corporations Act 2001* met their time frames, the same as last year.
- Both material entities met the requested earlier time lines to facilitate whole-of-government reporting schedules.

10.1 Introduction

The primary industries portfolio comprises the Department of Primary Industries (DPI) and 13 entities with 30 June 2008 balance dates.

The portfolio designs and delivers government policies and programs that enable primary and energy industries to maximise the wealth and wellbeing they generate in the areas of agriculture, fisheries, earth resources, energy and forests in Victoria sustainably.

At 30 June 2008, the portfolio supported and advised two ministerial portfolios:

- agriculture
- energy and resources.

In 2007–08, the number of portfolio entities with 30 June balance dates was one more than last year, due to the transfer of the Network Tariff Rebate Trust Fund from the transport portfolio.

10.1.1 Reporting framework

DPI and 11 of the 13 entities in the primary industries portfolio are required by the *Financial Management Act 1994* (FMA) to prepare financial reports and have these audited by the Auditor-General. The remaining two entities are required to produce financial reports in accordance with the *Corporations Act 2001*.

10.2 Results of audits

By 26 September 2008, clear audit opinions had been issued on the 2007–08 financial reports of all entities in the portfolio.

10.3 Financial management and reporting

The quality of reporting can be measured by its accuracy and by the timeliness of preparation and finalisation of the financial report.

When the audit process reveals errors in the draft financial reports they are raised with the entity. If errors are considered to be material, adjustments are requested. The frequency and size of errors requiring adjustment are therefore, two direct measures of quality.

10.3.1 Timeliness

The FMA is applied by 86 per cent of entities in this portfolio. FMA entities are required to finalise their financial reports within 12 weeks of the end of the financial year. This year, 92 per cent of entities achieved the required time frame, down from 100 per cent in 2006–07.

The remaining two entities are required under the *Corporations Act 2001* to have their financial reports finalised within four months of the end of the financial year. These entities met this requirement in 2007–08, the same as last year.

There are two material entities in this portfolio; DPI and the Victorian Energy Networks Corporation. Both these entities met the requested earlier time lines to facilitate whole-of-government reporting schedules with both submitting their first complete draft financial reports for audit by the target date of 25 July 2008.

10.3.2 Accuracy

There were two material adjustments made to the financial reports for material entities in the primary industries portfolio. These adjustments were to the financial report for DPI and involved:

- missing or incomplete disclosure of commitments for expenditure
- errors in revaluation of land.

Figure 10A
Audit status: Primary industries portfolio

Entity	Audit type		Financial reports		Finalised within statutory time frame	
	FMA	Non-FMA	Clear opinion issued	Auditor-General's report signed	Met	Not met
COMPLETED AUDITS WITH 30 JUNE 2008 BALANCE DATES						
Department of Primary industries	●		✓	25 Aug 2008	●	
AGRICULTURE						
Agriculture Victoria Services Pty Ltd		C	✓	22 Aug 2008	●	
Dairy Food Safety Victoria	●		✓	28 Aug 2008	●	
Melbourne Market Authority	●		✓	17 Sep 2008	●	
Murray Valley Citrus Board	●		✓	22 Sep 2008	●	
Murray Valley Wine Grape Industry Development Committee	●		✓	22 Sep 2008	●	
Northern Victorian Fresh Tomato Industry Development Committee	●		✓	26 Sep 2008		●
Phytogene Pty Ltd		C	✓	25 Aug 2008	●	
Primesafe	●		✓	18 Aug 2008	●	
Veterinary Practitioners Registration Board of Victoria	●		✓	22 Sep 2008	●	
Victorian Strawberry Industry Development Committee	●		✓	25 Aug 2008	●	
ENERGY AND RESOURCE						
Energy Safe Victoria	●		✓	9 Sep 2008	●	
Network Tariff Rebate Trust Fund	●		✓	22 Sep 2008	●	
Victorian Energy Networks Corporation	●		✓	19 Aug 2008	●	
2007–08 Total number of entities = 14	**12**	**2**			**13**	**1**
				Per cent	**93**	**7**
2006–07 Total number of entities = 13	11	2			13	0
				Per cent	100	0

Note: Non-FMA audit types: C—*Corporations Act 2001*.

Source: Victorian Auditor-General's Office.

11 Sustainability and environment

At a glance

Portfolio overview

The sustainability and environment portfolio is comprised of 59 entities, including eight material entities: the Department of Sustainability and Environment (DSE), Barwon Region Water Corporation, City West Water Limited, Goulburn Murray Rural Water Corporation, Melbourne Water Corporation, Parks Victoria, South East Water Limited and Yarra Valley Water Limited. The portfolio is responsible for the management and governance of water resources, climate change, bushfires, public land, forests and ecosystems.

Key findings

- Clear audit opinions were issued on the financial reports for 58 of the 59 entities in this portfolio. The outstanding report is for the First Mildura Irrigation Trust.
- In 2007–08, the timeliness of reporting for entities in this portfolio deteriorated:
    - 80 per cent of entities under the *Financial Management Act 1994* achieved the 12-week time frame, down from 87 per cent
    - all of the entities reporting under the *Corporations Act 2001* met their time frame
    - Barwon Regional Water Corporation and the Goulburn Murray Rural Water Corporation did not meet the requested earlier time line to facilitate whole-of-government reporting schedules.

Key recommendations

- DSE should reconcile the records for the state's crown land holdings **(Recommendation 11.1)**.
- The Department of Treasury and Finance should provide authoritative guidance to departments and entities regarding the need for their full cooperation and support in any requests from the DSE in relation to their crown land holdings **(Recommendation 11.2)**.

11.1 Introduction

The sustainability and environment portfolio comprises the Department of Sustainability and Environment (DSE), and 58 entities with 30 June balance dates, including 20 water entities; 10 catchment management authorities; 13 waste management groups; and 15 entities involved with the natural environment, such as the Melbourne Zoo, botanical gardens, parks and environment protection entities.

The portfolio leads the state's efforts for sustainable management of water resources, climate change, bushfires, public land, forests and ecosystems.

The water entities include three retail water companies. While policy responsibility rests within the sustainability and environment portfolio, the shares in these entities are held by the Treasurer of Victoria on the state's behalf. Therefore, the Department of Treasury and Finance has certain governance and financial management responsibilities in relation to these entities.

At 30 June 2008, this portfolio supported and advised two ministerial portfolios:

- water
- environment and climate change.

In 2007–08, the following changes to entities with 30 June balance dates were:

- the Architect's Registration Board of Victoria, Building Commission, Growth Areas Authority, Heritage Council and Plumbing Industry Commission were transferred to the planning and community development portfolio
- State-owned Enterprises for Irrigation Modernisation in Northern Victoria commenced operations during the year. This entity was established under the *State Owned Enterprise Act 1992*, to coordinate the Food Bowl Modernisation Project. The objective of the project is the modernisation of the Goulburn Murray irrigation system to capture water savings though increased operational efficiencies. This forms part of the government's *Our Water Our Future—The Next Stage of the Government's Water Plan*.

11.1.1 Reporting framework

DSE and 55 of the 58 entities in the sustainability and environment portfolio are required by the *Financial Management Act 1994* (FMA) to prepare financial reports and have these audited by the Auditor-General. The remaining entities prepare their financial reports in accordance with the *Corporations Act 2001.*

11.2 Results of audits

By 31 October 2008, clear audit opinions had been issued on the 2007–08 financial reports for all entities in the portfolio, except for the First Mildura Irrigation Trust.

The First Mildura Irrigation Trust breached the *Borrowing and Investment Powers Act 1987* by making an inappropriate investment from funds borrowed from the state government for upgrades to irrigation systems. On 19 August, the Minister for Water, made a determination under the *Water Act 1989*, to appoint Lower Murray Urban and Rural Water Corporation to take over the functions, powers and duties of the First Mildura Irrigation Trust. As a result, the date for submitting the financial reports of the First Mildura Irrigation Trust was extended. A financial report from 1 July 2007 to 19 August 2008 has been produced and is currently being audited.

11.2.1 Qualifications

Grampians Wimmera Mallee Water Corporation had previously entered into an agreement with an external party to build, own, operate and transfer at the end of the lease period four water treatment plants. The arrangement had the characteristics of a finance lease as outlined in the Australian Accounting Standard *AASB 117 Leases*.

The audit opinion on the financial report and the statement of performance of the Grampians Wimmera Mallee Water Corporation was qualified for the previous two financial years on the basis that arrangements of a finance lease asset and the related liabilities had not been recognised in their financial report.

In their 2007–08 financial report, these assets amounting to $11.4 million were recognised, as well as a liability of $11.9 million that reflects future payments to be made to the operator for the use of the assets. Therefore, the qualification has been resolved and is not required in the 2007–08 report.

11.3 Financial management and reporting

The quality of reporting can be measured by its accuracy and by the timeliness of preparation and finalisation of the financial report.

When the audit process reveals errors in the draft financial report they are raised with the entity. If the errors are considered to be material, adjustments are requested. The frequency and size of errors requiring adjustment are therefore, two direct measures of quality.

11.3.1 Timeliness

The FMA was applied by all but three entities in this portfolio. FMA entities are required to finalise their financial reports within 12 weeks of the end of the financial year. This year, only 80 per cent of entities achieved the required time frame, down from 87 per cent in 2006–07.

The remaining entities are required under the *Corporations Act 2001* to have their financial reports finalised within four months of the end of the financial year. All of these entities met this requirement in 2007–08, the same as last year.

There are eight material entities in this portfolio; DSE, Barwon Region Water Corporation, City West Water Limited, Goulburn Murray Rural Water Corporation, Melbourne Water Corporation, Parks Victoria, South East Water Limited and Yarra Valley Water Limited. All of these entities were requested to meet earlier time lines to facilitate whole-of-government reporting schedules, only six submitted their first complete draft financial reports by the target date of 25 July 2008.

Barwon Regional Water Corporation and Goulburn Murray Rural Water Corporation were received a week after the target date. Barwon Regional Water Corporation negotiated a date beyond the target date; however, they also failed to meet this date by four days.

11.3.2 Accuracy

There were five material adjustments made to the financial reports for material entities in this portfolio. The adjustments were made to the reports from DSE, Goulburn Murray Rural Water Corporation and Parks Victoria, they are listed in Figure 11A.

Figure 11A
2007–08 material adjustments

Missing or incomplete disclosures	Errors in transactions	Errors in balances
• Commitments for capital and operating expenditure.	• Processing of past crown land transactions • Prior year expenditure • Amounts received from insurance provider.	• Capital contributions from government.

Source: Victorian Auditor-General's Office.

11.3.3 Completeness of crown land records

DSE is responsible for managing a register of crown land holdings. While, the DSE directly manages and reports the value for about 70 per cent of these holdings, the other 30 per cent is managed and reported by various other government entities.

For a number of years, there has been concern about DSE’s ability to confirm the crown land holdings managed by other government entities as being complete and accurate. This lack of reconciliation could result in financial reporting deficiencies, including:

- **double counting**—crown land holdings are reported by DSE and also recognised by the managing government entity
- **omission**—crown land holdings are not registered by DSE nor are they recorded by the managing government entity
- government entities **not effectively managing** crown land holdings under their control.

In 2006–07, DSE started the reconciliation of the records of crown land holdings. DSE is reliant on the full cooperation of government entities to confirm the recording and recognition of the crown land holdings is complete and accurate. DSE has significantly progressed the reconciliation, with 85 per cent of holdings confirmed by the managing departments and other key entities. DSE is continuing to work with entities to resolve the residual unconfirmed and unreconciled crown land, an initial estimate by DSE values these unreconciled holdings at less than $150 million. DSE expects confirmation of crown land holdings for departments and most other key entities to be completed in time for the preparation of the 2008–09 financial report.

In contrast, confirmation of crown land holdings for Victorian Rail Track and the state's water corporations has progressed slowly. These entities are adversely affected by the complexity surrounding the recorded information for crown land holdings. The confirmation of these records will continue over the next 18 months and DSE expects that this task should be completed in time for 2009–10 financial reports.

VAGO found that DSE recently improved procedures for the confirmation process in relation to any transfers or movements of crown land holdings.

Recommendations

11.1 DSE should reconcile records for the state's crown land holdings within the expected financial reporting cycles, with any required adjustments made progressively.

11.2 DTF should provide authoritative guidance to all departments and entities regarding the need for their full cooperation and support in any requests from the DSE in relation to their crown land holdings.

11.3 DSE should establish effective procedures to record transfers and movements of crown land holdings between government entities so they are appropriately accounted for in the financial reports of those entities.

RESPONSE provided by the Secretary, Department of Sustainability and Environment

The department will fully support such necessary DTF endeavours to ensure full cooperation for this Whole of Victorian Government issue.

Figure 11B
Audit status: Sustainability and environment portfolio

	Audit type		Financial reports		Finalised within statutory time frame	
Entity	**FMA**	**Non-FMA**	**Clear opinion issued**	**Auditor-General's report signed**	**Met**	**Not met**
COMPLETED AUDITS WITH 30 JUNE 2008 BALANCE DATES						
Department of Sustainability and Environment	●		✓	26 Aug 2008	●	
WATER						
Barwon Region Water Corporation	●		✓	15 Aug 2008	●	
Central Gippsland Region Water Corporation	●		✓	4 Sep 2008	●	
Central Highlands Region Water Corporation	●		✓	16 Sep 2008	●	
City West Water Limited		C	✓	29 Aug 2008	●	
Coliban Region Water Corporation	●		✓	18 Sep 2008	●	
East Gippsland Region Water Corporation	●		✓	19 Sep 2008	●	
Gippsland and Southern Rural Water Corporation	●		✓	22 Sep 2008	●	
Goulburn-Murray Rural Water Corporation	●		✓	29 Aug 2008	●	
Goulburn Valley Region Water Corporation	●		✓	4 Sep 2008	●	
Grampians Wimmera Mallee Water Corporation	●		✓	24 Sep 2008		●
Lower Murray Urban and Rural Water Corporation	●		✓	5 Sep 2008	●	
Melbourne Water Corporation	●		✓	15 Aug 2008	●	
North East Region Water Corporation	●		✓	22 Aug 2008	●	
South East Water Limited		C	✓	5 Sep 2008	●	
South Gippsland Region Water Corporation	●		✓	10 Sep 2008	●	
Wannon Region Water Corporation	●		✓	10 Sep 2008	●	
Western Region Water Corporation	●		✓	14 Aug 2008	●	
Westernport Region Water Corporation	●		✓	22 Sep 2008	●	
Yarra Valley Water Limited		C	✓	27 Aug 2008	●	

Note: Water corporations were previously known as water authorities.
Note: Non-FMA audit types: C—*Corporations Act 2001*.

Figure 11B
Audit status: Sustainability and environment portfolio – *continued*

	Audit type		Financial reports		Finalised within statutory time frame	
Entity	FMA	Non-FMA	Clear opinion issued	Auditor-General's report signed	Met	Not met
COMPLETED AUDITS WITH 30 JUNE 2008 BALANCE DATES – *continued*						
ENVIRONMENT AND CLIMATE CHANGE						
Alpine Resorts Co-ordinating Council	●		✓	5 Aug 2008	●	
Barwon Regional Waste Management Group	●		✓	29 Sep 2008		●
Calder Regional Waste Management Group	●		✓	2 Oct 2008		●
Central Murray Regional Waste Management Group	●		✓	20 Aug 2008	●	
Commissioner for Environmental Sustainability	●		✓	8 Sep 2008	●	
Corangamite Catchment Management Authority	●		✓	22 Sep 2008	●	
Desert Fringe Regional Waste Management Group	●		✓	19 Sep 2008	●	
East Gippsland Catchment Management Authority	●		✓	22 Sep 2008	●	
Environment Protection Authority	●		✓	3 Sep 2008	●	
Gippsland Regional Waste Management Group	●		✓	9 Sep 2008	●	
Glenelg Hopkins Catchment Management Authority	●		✓	29 Aug 2008	●	
Goulburn Broken Catchment Management Authority	●		✓	19 Sep 2008	●	
Goulburn Valley Regional Waste Management Group	●		✓	9 Oct 2008		●
Grampians Regional Waste Management Group	●		✓	22 Sep 2008	●	
Highlands Regional Waste Management Group	●		✓	22 Sep 2008	●	
Mallee Catchment Management Authority	●		✓	25 Sep 2008		●
Metropolitan Waste Management Group	●		✓	30 Sep 2008		●
Mildura Regional Waste Management Group	●		✓	24 Sep 2008		●
Mornington Peninsula Regional Waste Management Group	●		✓	9 Oct 2008		●
North Central Catchment Management Authority	●		✓	3 Sep 2008	●	
North East Victorian Regional Waste Management Group	●		✓	15 Sep 2008	●	

Figure 11B
Audit status: Sustainability and environment portfolio – *continued*

Entity	FMA	Non-FMA	Clear opinion issued	Auditor-General's report signed	Met	Not met
COMPLETED AUDITS WITH 30 JUNE 2008 BALANCE DATES – *continued*						
ENVIRONMENT AND CLIMATE CHANGE– continued						
North East Catchment Management Authority	●		✓	29 Aug 2008	●	
Parks Victoria	●		✓	18 Aug 2008	●	
Phillip Island Nature Park Board of Management	●		✓	2 Sep 2008	●	
Port Phillip and Westernport Catchment Management Authority	●		✓	19 Sep 2008	●	
Royal Botanic Gardens Board	●		✓	23 Sep 2008	●	
Smart Water Fund	●		✓	19 Sep 2008	●	
South Western Regional Waste Management Group	●		✓	18 Sep 2008	●	
State Owned Enterprise for Irrigation Modernisation in Northern Victoria	●		✓	9 Sep 2008	●	
Surveyor's Registration Board of Victoria	●		✓	22 Sep 2008	●	
Sustainability Victoria	●		✓	15 Sep 2008	●	
Trust for Nature (Victoria)	●		✓	9 Oct 2008		●
VicForests	●		✓	17 Sep 2008	●	
Victorian Plantations Corporation	●		✓	10 Oct 2008		●
West Gippsland Catchment Management Authority	●		✓	22 Sep 2008	●	
Wimmera Catchment Management Authority	●		✓	29 Aug 2008	●	
Yarra Bend Park Trust	●		✓	18 Sep 2008	●	
Zoological Parks and Gardens Board	●		✓	9 Sep 2008	●	
INCOMPLETE AUDITS AT 31 OCTOBER 2008						
First Mildura Irrigation Trust	●		*Audited financial report yet to be finalised.*			
2007–08 Total number of entities = 59	**56**	**3**			**48**	**10**
				Per cent	**81**	**17**
2006–07 Total number of entities = 63	60	3			55	8
				Per cent	87	13

Source: Victorian Auditor-General's Office.

12 Transport

At a glance

Portfolio overview

The transport portfolio is comprised of 16 entities, including five material entities: the Department of Transport (DOT), Port of Melbourne Corporation, Roads Corporation, Victorian Rail Track and the V/Line Passenger Corporation.

The portfolio is responsible for public transport; road and rail transport infrastructure and services; and ports and marine facilities and services.

Key findings

- Clear audit opinions were issued on all financial reports for entities with 30 June 2008 balance dates in this portfolio.
- The timeliness of financial reporting by the 10 entities under the *Financial Management Act 1994* deteriorated slightly, with 90 per cent of entities achieving the 12-week time frame, down from 92 per cent in 2006–07.
- In 2007–08, all of the entities reporting under the *Corporations Act 2001* met their statutory time line, the same as last year.
- Only DOT met the requested earlier time line to facilitate whole-of-government reporting schedules.
- The quality of reporting needs improvement, as 17 material adjustments were required to the first draft of financial reports received from material entities in this portfolio.

12.1 Introduction

The transport portfolio comprises the Department of Transport (DOT) and 15 entities with 30 June 2008 balance dates.

In April 2008, the DOT was created from the former Department of Infrastructure.

The portfolio is responsible for Victoria's public transport, the road and rail transport infrastructure and services and its ports and marine facilities and services.

At 30 June 2008, the portfolio supported and advised two ministerial portfolios:

- public transport
- roads and ports.

In 2007–08, the number of entities with 30 June balance dates is three less than last year due to:

- transfer of Network Tariff Rebate Trust Fund to the primary industries portfolio
- Victorian Urban Development Authority was transferred to the planning and community development portfolio
- Victorian Railway Heritage Operations Pty Ltd was de-registered and all activities from 4 February 2008 were transferred to V/Line Passenger Pty Ltd
- from 1 July 2008, responsibility for Major Projects Victoria (MPV) was moved to the Department of Innovation, Industry and Regional Development for financial reporting purposes. MPV has a financial reporting exemption and incorporated its results within the DOT financial report for the last time in 2007–08.

12.1.1 Reporting framework

DOT and nine of the 15 portfolio entities are required by the *Financial Management Act 1994* (FMA) to prepare financial reports and have these audited by the Auditor-General. The remaining six entities are required to produce financial reports under the *Corporations Act 2001*.

12.2 Results of audits

By 24 September 2008, clear audit opinions had been issued on the 2007–08 financial reports for all 16 entities in the portfolio.

12.3 Financial management and reporting

The quality of reporting can be measured by its accuracy and by the timeliness of preparation and finalisation of the financial report.

When the audit process reveals errors in the draft financial report they are raised with the entity. If the errors are considered to be material, adjustments are requested. The frequency and size of errors requiring adjustment are therefore, two direct measures of quality.

12.3.1 Timeliness

The FMA is applied by 10 entities in this portfolio. FMA entities are required to finalise their financial reports within 12 weeks of the end of the financial year. This year 90 per cent of entities achieved the required time frame, slightly down from 92 per cent in 2006–07.

Under the *Corporations Act 2001* the remaining six entities are required to have their financial reports finalised within four months of the end of the financial year. All of these entities met this requirement in 2007–08, the same as last year.

There are five material entities in this portfolio; DOT, Port of Melbourne Corporation, Roads Corporation, Victorian Rail Track and the V/Line Passenger Corporation. All of these entities were requested to meet earlier time lines to facilitate whole-of-government reporting schedules. This year only DOT submitted their first complete draft financial report for audit by the target date of 25 July 2008.

Of the remaining four the report for Roads Corporation and V/Line Passenger Corporation were received within two weeks; Port of Melbourne Corporation was received in three weeks and the Victorian Rail Track was not received until four weeks after the target date.

The delays for Victorian Rail Track's financial report were due to poor communication and a lack of clarity regarding a complex and an atypical material transaction, which involved liaison with DOT.

12.3.2 Accuracy

There were 17 material adjustments made to the financial reports of material entities in the transport portfolio. The adjustments were made to the reports for DOT, the Port of Melbourne Corporation, and the V/Line Passenger Corporation, and they are summarised in Figure 12A.

Figure 12A
2007–08 material adjustments

Missing or incomplete disclosures	Errors in transactions	Errors in balances
• department outputs • compliance with parliamentary appropriations note • cash flow and cash flow reconciliation information • administered items • commitments for expenditure • wording changes to summary of significant accounting policies.	• land sales • revenue from other departments.	• inter-entity receivables • land inventory • work in progress • creditors • accumulated depreciation • asset revaluation reserves • foreign currency transactions.

Source: Victorian Auditor-General's Office.

RESPONSE provided by Secretary, Department of Transport

The Department of Transport (DOT) acknowledges the issues raised by the Auditor-General and will continue to work with agencies to improve timeliness and quality of reports.

Figure 12B
Audit status: Transport portfolio

Entity	Audit type		Financial reports		Finalised within statutory time frame	
	FMA	Non-FMA	Clear opinion issued	Auditor-General's report signed	Met	Not met
COMPLETED AUDITS WITH 30 JUNE 2008 BALANCE DATES						
Department of Transport	●		✓	29 Aug 2008	●	
PUBLIC TRANSPORT						
Public Transport Ticketing Body	●		✓	12 Sep 2008	●	
Rolling Stock Holdings (Victoria) Pty Ltd		C	✓	9 Sep 2008	●	
Rolling Stock Holdings (Victoria – VL) Pty Ltd		C	✓	9 Sep 2008	●	
Rolling Stock (VL – 1) Pty Ltd		C	✓	9 Sep 2008	●	
Rolling Stock (VL – 2) Pty Ltd		C	✓	9 Sep 2008	●	
Rolling Stock (VL – 3) Pty Ltd		C	✓	9 Sep 2008	●	
Southern Cross Station Authority	●		✓	17 Sep 2008	●	
Victorian Rail Track	●		✓	9 Sep 2008	●	
V/Line Passenger Corporation	●		✓	14 Aug 2008	●	
V/Line Passenger Pty Ltd		C	✓	14 Aug 2008	●	
ROADS AND PORTS						
Port of Melbourne Corporation	●		✓	26 Aug 2008	●	
Port of Hastings Corporation	●		✓	24 Sep 2008		●
Roads Corporation	●		✓	21 Aug 2008	●	
Southern and Eastern Integrated Transport Authority	●		✓	15 Sep 2008	●	
Victorian Regional Channels Authority	●		✓	26 Aug 2008	●	
2007–08 Total number of entities = 16	**10**	**6**			**15**	**1**
				Per cent	**94**	**6**
2006–07 Total number of entities = 19	12	7			18	1
				Per cent	95	5
COMPLETED AUDITS WITH OTHER BALANCE DATES						
Victorian Rail Heritage Operations Pty Limited		C	✓	22 Aug 2008		

Note: Non-FMA audit types: C—*Corporations Act 2001*.

Source: Victorian Auditor-General's Office.

13 Treasury and finance

At a glance

Portfolio overview

The treasury and finance portfolio is comprised of 25 entities, including nine material entities: the Department of Treasury and Finance (DTF), Emergency Services Superannuation Board, Rural Finance Corporation of Victoria, State Electricity Commission of Victoria, State Trustees Limited, Transport Accident Commission, Treasury Corporation of Victoria, Victorian Managed Insurance Authority and the Victorian WorkCover Authority.

The portfolio provides economic, financial and resource management policy advice to assist the government in delivering its policy outcomes. The advice balances economic, social and environmental goals within a framework of responsible financial management.

The DTF is responsible for the financial reporting for the State Revenue Office (SRO). The SRO administers a range of taxes and the collection of these taxes raises significant revenue which is included in the DTF financial statements.

Key findings

- Clear audit opinions were issued on all financial reports for entities with 30 June 2008 balance dates in this portfolio.
- The timeliness of reporting for entities under the *Financial Management Act 1994* achieved improved, with 88 per cent of entities achieving the 12-week time frame, up from 67 per cent in 2006–07.
- In 2007–08, all of the entities that report under the *Corporations Act 2001* met their statutory time line, the same as last year.
- Only three of the nine material entities met the requested earlier time line to facilitate whole-of-government reporting schedules.

13.1 Introduction

The treasury and finance portfolio comprises the Department of Treasury and Finance (DTF) and 24 entities with 30 June 2008 balance dates.

The portfolio provides economic, financial and resource management advice to assist the government in the delivery of its policy outcomes. The portfolio provides support and advice on budget and financial management; a range of economic, social and environmental issues; economic and financial sector reform; the implementation of major infrastructure projects and frameworks; and influencing decisions on contractual arrangements.

At 30 June 2008, the portfolio supported and advised two ministerial portfolios:

- treasury
- finance, WorkCover and the Transport Accident Commission.

In 2007–08, the changes to the entities with 30 June balance dates in this portfolio were:

- Victorian Trauma Foundation and Victorian Trauma Foundation Pty Ltd ceased operations on 4 March 2008
- creation of the VFMC Infrastructure Fund II.

The DTF is responsible for the financial reporting of the operations of the State Revenue Office (SRO). The SRO administers Victoria's taxation legislation and collects a range of taxes, duties and levies. In 2006–07, the SRO collected almost $8.6 billion in revenue for the Victorian Government. The financial results of the SRO are incorporated into the DTF financial report.

13.1.1 Reporting framework

DTF and 15 of the 24 entities in the treasury and finance portfolio are required by the *Financial Management Act 1994* (FMA) to prepare financial reports and have these audited by the Auditor-General. There are five entities that prepare their financial reports in accordance with the *Corporations Act 2001,* and the remaining four prepare their financial reports in accordance with other reporting frameworks.

13.2 Results of audits

By 23 October 2008, clear audit opinions had been issued on the 2007–08 financial reports for all the entities in the portfolio.

13.3 Financial management and reporting

The quality of reporting can be measured by its accuracy and by the timeliness of preparation and finalisation of the financial report.

When the audit process reveals errors in the draft financial reports they are raised with the entity. If the errors are considered to be material, adjustments are requested. The frequency and size of errors requiring adjustment are therefore, two direct measures of quality.

13.3.1 Timeliness

The FMA is applied by 64 per cent of entities in this portfolio. FMA, entities are required to finalise their financial reports within 12 weeks of the end of the financial year. This year, timeliness for FMA entities improved significantly, with 88 per cent of entities achieving the required time frame, up from 67 per cent in 2006–07.

Under the *Corporations Act 2001*, entities are required to have their financial reports finalised within four months of the end of the financial year. In 2007–08, the five entities in this portfolio all met this requirement, the same as last year.

There are nine material entities in this portfolio; DTF, Emergency Services Superannuation Board (ESSB), Rural Finance Corporation of Victoria, State Electricity Commission of Victoria (SECV), State Trustees Limited, Transport Accident Commission (TAC), Treasury Corporation of Victoria, Victorian Managed Insurance Authority and the Victorian WorkCover Authority (VWA).

All of these entities were requested to meet earlier time lines to facilitate meeting whole-of-government reporting schedules. Only three submitted their first complete draft financial reports for audit by the target date of 25 July 2008. Of the remaining six, reports for the ESSB, TAC, VWA and the State Trustees Limited were received within three weeks, and those of the SECV and the DTF were not received until five and six weeks respectively, after the target date. DTF’s financial report was not received due to the consolidation of information from a number of entities.

Although six entities did not meet the target date, the SECV, TAC and the VWA, had negotiated with audit for dates beyond the target date, of which, only the VWA failed to meet the revised date, submitting their report a week later.

13.3.2 Accuracy

There were three material adjustments made to the financial reports of material entities in the treasury and finance portfolio. These adjustments were to the reports for the DTF, SECV and the TCV and involved:

- missing or incomplete disclosure:
  - accountable officer remuneration
  - post balance date events
  - financial instruments requirements.

Figure 13A
Audits status – Treasury and finance portfolio

	Audit type		Financial reports		Finalised within statutory time frame	
Entity	**FMA**	**Non-FMA**	**Clear opinion issued**	**Auditor-General's report signed**	**Met**	**Not met**
COMPLETED AUDITS WITH 30 JUNE 2008 BALANCE DATES						
Department of Treasury and Finance	●		✓	23 Sep 2008	●	
FINANCE						
Emergency Services Superannuation Scheme	●		✓	1 Sep 2008	●	
Emergency Services Superannuation Board	●		✓	1 Sep 2008	●	
Essential Services Commission	●		✓	24 Sep 2008		●
Housing Guarantee Claims Fund	●		✓	22 Aug 2008	●	
Industry Supervision Fund	●		✓	23 Oct 2008		●
Parliamentary Contributory Superannuation Fund	●		✓	15 Sep 2008	●	
Vicfleet Pty Ltd		C	✓	17 Oct 2008	●	
Victorian Managed Insurance Authority	●		✓	22 Aug 2008	●	
TREASURER						
Domestic Building Indemnity (HIH) Fund	●		✓	22 Aug 2008	●	
Rural Finance Corporation of Victoria	●		✓	12 Aug 2008	●	
State Electricity Commission of Victoria	●		✓	15 Sep 2008	●	
State Trustees Limited Common Funds comprising: • *Cash Common Fund 1* • *Cash Common Fund 2* • *Equity Common Fund* • *Fixed Interest Common Fund* • *Charitable Common Fund* • *Property Common Fund.*		C	✓	26 Aug 2008	●	
State Trustees Limited		C	✓	26 Aug 2008	●	
STL Financial Services Limited		C	✓	26 Aug 2008	●	

Note: Non-FMA audit types: C—*Corporations Act 2001*.

Figure 13A
Audits status – Treasury and finance portfolio – *continued*

	Audit type		Financial reports		Finalised within statutory time frame	
Entity	FMA	Non-FMA	Clear opinion issued	Auditor-General's report signed	Met	Not met
COMPLETED AUDITS WITH 30 JUNE 2008 BALANCE DATES – continued						
TREASURER – continued						
STL Financial Services Premium Funds comprising: • *Premium Cash Fund* • *Premium Cash Plus Fund* • *Premium Fixed Interest Fund* • *Premium Property Fund* • *Premium Equity Fund* • *Premium International Fund* • *Premium Diversified Fund*		C	✓	26 Aug 2008	●	
Treasury Corporation of Victoria	●		✓	20 Aug 2008	●	
VFM Equity Trusts comprising: • *VFM Global Small Companies Trust* • *VFM Emerging Markets Trust*		O	✓	23 Sep 2008	N/A	N/A
VFMC Infrastructure Fund		O	✓	23 Sep 2008	N/A	N/A
VFMC Infrastructure Fund II		O	✓	23 Sep 2008	N/A	N/A
Victorian Funds Management Corporation		O	✓	23 Sep 2008	N/A	N/A
WORKCOVER & TRANSPORT ACCIDENT COMMISSION						
Accident Compensation Conciliation Service	●		✓	8 Sep 2008	●	
Transport Accident Commission	●		✓	29 Aug 2008	●	
Victorian Neurotrauma Initiative Pty Ltd	●		✓	22 Sep 2008	●	
Victorian WorkCover Authority	●		✓	2 Sep 2008	●	

Note: .O — Other reporting framework.

Figure 13A
Audits status – Treasury and finance portfolio – *continued*

	Audit type		Financial reports		Finalised within statutory time frame	
Entity	FMA	Non-FMA	Clear opinion issued	Auditor-General's report signed	Met	Not met
COMPLETED AUDITS WITH 30 JUNE 2008 BALANCE DATES – continued						
2007–08 Total number of entities = 25	**16**	**9**			**19**	**2**
				Per cent	**90**	**10**
2006–07 Total number of entities = 25	17	8			17	6
				Per cent	74	26
COMPLETED AUDITS WITH OTHER BALANCE DATES						
Victorian Trauma Foundation			✓	10 June 2008		
Victorian Trauma Foundation Pty Ltd			✓	10 June 2008		

Source: Victorian Auditor-General's Office.

Appendix A
Acronyms and glossary

A.1 Acronyms

AASB	Australian Accounting Standards Board
AS	Australian standard
ATO	Australian Taxation Office
CFA	Country Fire Authority
DEECD	Department of Education and Early Childhood Development
DHS	Department of Human Services
DIIRD	Department of Innovation, Industry and Regional Development
DOJ	Department of Justice
DOT	Department of Transport
DPC	Department of Premier and Cabinet
DPCD	Department of Planning and Community Development
DPI	Department of Primary Industries
DPS	Department of Parliamentary Services
DSE	Department of Sustainability and Environment
DTF	Department of Treasury and Finance
ESSB	Emergency Services Superannuation Board
ETR	*Education and Training Reform Act 2006*
FMA	*Financial Management Act 1994*
FRD	Financial Reporting Direction
FTE	Full-time equivalent
HRV	Harness Racing Victoria
IS	Information system

MPV	Major Projects Victoria
NGV	National Gallery of Victoria
SECV	State Electricity Commission of Victoria
SRO	State Revenue Office
TAC	Transport Accident Commission
VAGO	Victorian Auditor-General's Office
VFMC	Victorian Funds Management Corporation
VicUrban	Victorian Urban Development Authority
VMIA	Victorian Managed Insurance Authority
VQA	Victorian Qualification Authority
VRQA	Victorian Registration and Qualifications Authority
VSC	Victorian Skills Commission
VWA	Victorian WorkCover Authority

A.2 Glossary

Amortisation

The systematic allocation of the depreciable amount of an intangible asset over its expected useful life.

Asset

A resource controlled by an entity as a result of past events, and from which future economic benefits are expected to flow to the entity.

Capital expenditure

Amount capitalised to the balance sheet for contributions by a public sector entity to major assets owned by the entity, including expenditure on:

- capital renewal of existing assets that returns the service potential or the life of the asset to that which it had originally
- capital expansion which extends an existing asset at the same standard to a new group of users.

Depreciation

The systematic allocation of the depreciable amount of an asset over its expected useful life.

Emphasis of matter

In certain circumstances, an auditor’s report is modified by adding an emphasis of matter paragraph to highlight a matter affecting the financial report which is included in a note to the financial statements. The addition of such an emphasis of matter paragraph does not affect the auditor’s opinion.

Entity

Is a body whether corporate or unincorporated that has a public function to exercise on behalf of the state or is wholly owned by the state, including: departments, statutory authorities, statutory corporations and government business enterprises.

Expense

Outflows or other depletions of economic benefits in the form of incurrence of liabilities or depletion of assets of the entity, other than those relating to contributions by owners, that results in a decrease in equity during the reporting period.

Financial year

The period of 12 months from which a financial report is prepared ending on 30 June each year.

Investment

The expenditure of funds intended to result in medium-to long-term service and/or financial benefits arising from the development and/or use of infrastructure or assets by either the public or private sectors.

Liability

A present obligation of the entity arising from past events, the settlement of which is expected to result in an outflow from the entity of resources embodying economic benefits.

Masterfile

A database of entries containing data that does no often change (for example, address and bank account details).

Materiality

Information is material if its omission or misstatement could influence the economic decisions of users taken on the basis of the financial report. Materiality depends on the size of the item or error judged in the particular circumstances of its omission or misstatement. Thus, materiality provides a threshold or cut-off point rather than being a primary qualitative characteristic which information must have if it is to be useful.

Material entity

Material entities represent those entities which are collectively deemed to have a significant effect on the transactions and balances reported in the state's annual report. The selection of these entities follows a detailed analysis of the financial operations of all controlled entities and takes into account any major risk factors that are attached to specific entities or portfolios.

Qualification

A qualification is issued when the auditor concludes that an unqualified opinion cannot be expressed due to one of the following reasons:

- disagreement with those charged with governance
- conflict between applicable financial reporting frameworks
- limitation on the scope.

A qualified opinion shall be expressed as being *except for* the effects of the matter to which the qualification relates.

Revenue

Inflows or other enhancements or savings in outflows of service potential, or future economic benefits in the form of increases in assets or reductions in liabilities of the entity, other than those relating to contributions by owners which results in an increase in equity during the reporting period.

Risk

The chance of a negative impact on the objectives, outputs or outcomes of the entity.

Appendix B
Financial sustainability ratios

B.1 Human services

Human services	Underlying result (%)	Liquidity	Self-financing (%)	Investment gap
Alexandra District Hospital	6.18	4.78	14.24	1.01
Alpine Health	-2.18	0.56	4.93	0.55
Austin Health	-1.59	0.84	5.31	0.82
Bairnsdale Regional Health Service	4.82	1.30	9.16	1.21
Ballarat Health Services	-0.41	0.50	6.67	1.58
Barwon Health	1.24	0.91	7.54	3.55
Bass Coast Regional Health	-1.25	0.98	4.64	1.04
Bayside Health	1.61	0.72	7.43	3.19
Beaufort and Skipton Health Service	-2.11	1.50	5.28	7.35
Beechworth Health Service	0.68	1.64	2.66	0.63
Benalla and District Memorial Hospital	1.93	3.02	8.25	1.90
Bendigo Health Care Group	-1.86	0.68	5.51	1.01
Boort District Hospital	-2.33	1.52	2.92	1.34
Calvary Health Care Bethlehem	-0.80	0.34	4.85	0.95
Casterton Memorial Hospital	0.49	0.89	8.70	0.44
Central Gippsland Health Services	0.73	0.70	5.96	0.80
Cobram District Hospital	-0.59	2.06	5.70	1.17
Cohuna District Hospital	1.21	2.22	5.00	0.74
Colac Area Health	7.59	0.66	13.94	3.71
Djerriwarrh Health Service	11.64	0.73	7.40	1.98
Dunmunkle Health Services	0.25	0.69	6.39	1.41
East Grampians Health Service	-1.46	1.30	5.62	3.76
East Wimmera Health Service	-2.54	1.43	2.89	1.00
Eastern Health	3.81	0.57	8.28	3.99
Echuca Regional Health	6.75	0.63	11.04	2.25
Edenhope and District Memorial Hospital	4.19	1.67	11.82	1.03
Gippsland Southern Health Service	4.51	3.19	11.70	2.27
Goulburn Valley Health	1.67	0.56	7.09	2.36
Hepburn Health Service	0.13	2.09	6.39	0.82
Hesse Rural Health Service	11.16	0.73	15.61	3.09
Heywood Rural Health	-0.33	1.10	5.26	0.78
Inglewood and Districts Health Service	-1.26	1.37	6.78	1.27
Kerang District Health	-1.43	1.44	6.50	0.62
Kilmore & District Hospital	-1.80	1.67	2.83	1.11
Kooweerup Regional Health Service	11.71	1.31	16.88	1.29

B.1 Human services – *continued*

Human services continued	Underlying result (%)	Liquidity	Self-financing (%)	Investment gap
Kyabram and District Health Services	2.32	1.78	5.48	2.52
Kyneton District Health Service	-1.55	1.00	6.37	1.39
Latrobe Regional Hospital	0.56	0.74	5.01	3.78
Lorne Community Hospital	6.46	2.09	19.76	2.14
Maldon Hospital	4.08	2.11	10.09	0.45
Manangatang & District Hospital	2.39	1.40	3.28	1.99
Mansfield District Hospital	-1.54	0.69	4.92	1.20
Maryborough District Health Service	9.90	2.23	16.34	2.62
McIvor Health & Community	-3.47	4.61	2.64	1.00
Melbourne Health	0.97	0.72	4.30	2.16
Mercy Public Hospitals Inc.	-0.59	0.61	4.54	1.89
Moyne Health Services	0.75	1.37	-1.32	6.69
Mt. Alexander Hospital	-1.42	1.08	4.50	3.29
Nathalia District Hospital	-1.42	2.82	6.37	6.26
Northeast Health Wangaratta	-2.32	0.86	1.94	1.93
Northern Health	-1.11	0.46	3.10	2.59
Numurkah District Health Service	6.80	1.36	12.80	1.03
Omeo District Hospital	-0.06	1.40	8.18	1.84
Orbost Regional Health	1.79	1.56	7.50	1.21
Otway Health & Community	6.79	1.36	11.65	1.81
Peninsula Health	-1.59	1.09	4.04	1.58
Peter MacCallum Cancer Centre	0.08	1.19	7.45	1.48
Portland and District Health	-3.57	0.83	4.31	2.28
Robinvale District Health Service	3.33	2.65	10.21	4.37
Rochester and Elmore District Health Service	12.69	1.01	17.64	6.67
Royal Children's Hospital	0.34	0.60	8.13	2.40
Royal Victorian Eye and Ear Hospital	5.76	0.85	11.46	1.17
Royal Women's Hospital	-2.56	0.31	1.88	0.62
Rural Northwest Health	21.78	1.48	25.20	12.24
Seymour District Memorial Hospital	10.95	4.28	16.67	6.00
South Gippsland Hospital	-0.57	2.77	8.03	1.06
South West Healthcare	-1.81	1.12	3.51	1.43
Southern Health	0.01	0.70	4.59	1.59
St. Vincent's Hospital (Melbourne) Limited	0.49	1.14	6.50	2.78
Stawell Regional Health	-0.54	0.87	6.52	1.52
Swan Hill District Hospital	-1.41	1.80	5.44	0.96
Tallangatta Health Service	0.03	1.45	9.99	0.74

B1 Human services – *continued*

Human services continued	Underlying result (%)	Liquidity	Self-financing (%)	Investment gap
Terang & Mortlake Health Service	2.58	2.60	7.24	1.93
Timboon & District Health Service	20.24	8.42	26.68	1.13
Tw eddle Child & Family Health Service	2.54	2.88	9.93	1.60
West Gippsland Healthcare Group	1.93	1.14	9.01	2.32
West Wimmera Health Service	5.35	0.73	13.04	0.54
Western District Health Service	2.08	2.29	6.34	1.12
Western Health	1.17	0.59	6.13	1.64
Wimmera Health Care Group	-2.20	0.71	2.81	0.78
Wodonga Regional Health Service	-1.05	0.54	3.12	0.76
Yarram and District Health Service	4.95	2.65	14.05	1.09
Yarraw onga District Health Service	-5.58	1.02	4.59	6.40
Yea and District Memorial Hospital	-4.34	2.36	7.76	0.48
Portfolio average	1.91	1.47	7.87	2.12

B.2 Innovation, industry and regional development

Innovation, industry and regional development	Underlying result (%)	Liquidity	Self-financing (%)	Investment gap
Australian Grand Prix Corporation	-3.76	1.56	0.26	0.51
Fed Square Pty Ltd	-29.29	4.52	35.77	0.23
Film Victoria	-1.11	75.71	6.88	2.65
Melbourne Convention and Exhibition Trust	-12.28	3.74	10.49	0.16
VCAMM Limited	12.34	1.94	20.27	2.25
Victorian Tertiary Admissions Centre	9.12	4.96	8.38	0.88
Portfolio average	-4.16	15.41	13.67	1.11

B.3 Justice

Justice	Underlying result (%)	Liquidity	Self-financing (%)	Investment gap
Country Fire Authority	5.95	1.90	15.00	1.97
Emergency Services Telecommunications Authority	-2.20	1.64	23.84	0.41
Greyhound Racing Victoria	6.34	7.56	2.12	1.64
Harness Racing Victoria	0.59	1.84	9.90	15.20
Metropolitan Fire and Emergency Services Board	8.88	2.27	20.10	2.75
Victoria State Emergency Service Authority	7.08	1.37	18.14	1.45
Portfolio average	4.44	2.76	14.85	3.90

B.4 Planning and community development

Planning and community development	Underlying result (%)	Liquidity	Self-financing (%)	Investment gap
Melbourne and Olympic Parks Trust	15.63	3.09	29.15	3.37
State Sport Centres Trust	-37.22	3.44	6.87	1.24
Victorian Urban Development Authority	52.46	4.68	90.50	2.93
Portfolio average	10.29	3.74	42.17	2.52

B.5 Premier and Cabinet

Premier and Cabinet	Underlying result (%)	Liquidity	Self-financing (%)	Investment gap
Australian Centre for the Moving Image	3.11	2.94	15.88	1.67
Geelong Performing Arts Centre	-7.95	1.42	4.96	0.77
Library Board of Victoria	1.29	2.80	6.03	0.50
Museums Board of Victoria	-6.15	1.84	6.83	0.60
National Gallery of Victoria	3.14	1.50	13.62	0.11
Portfolio average	-1.31	2.10	9.47	0.73

B.6 Primary industries

Primary industries	Underlying result (%)	Liquidity	Self-financing (%)	Investment gap
Melbourne Market Authority	5.98	5.24	41.13	0.23
Portfolio average	5.98	5.24	41.13	0.23

B.7 Sustainability and environment

Sustainability and environment	Underlying result (%)	Liquidity	Self-financing (%)	Investment gap
Barwon Region Water Authority	2.23	0.85	27.59	1.67
Central Gippsland Region Water Authority	-0.13	2.48	30.46	3.70
Central Highlands Region Water Authority	-11.13	2.40	21.30	5.40
City West Water Ltd	12.60	0.52	19.08	3.00
Coliban Region Water Authority	-45.83	0.57	5.04	2.99
Corangamite Catchment Management Authority	-9.68	5.93	-5.11	0.81
East Gippsland Catchment Management Authority	5.00	20.43	4.30	2.33
East Gippsland Region Water Authority	15.17	1.27	26.07	2.60
Environment Protection Authority	14.93	5.20	11.46	0.66
Gippsland and Southern Rural Water Authority	-13.34	2.36	12.80	1.99
Glenelg Hopkins Catchment Management Authority	0.71	6.43	2.43	1.58
Goulburn Broken Catchment Management Authority	3.69	2.38	4.81	1.79
Goulburn Valley Region Water Authority	-6.18	1.51	27.01	1.52
Goulburn-Murray Rural Water Authority	-5.39	2.86	16.40	2.61
Grampians Wimmera Mallee Water Corporation	-46.61	2.86	25.27	3.80
Lower Murray Urban and Rural Water Authority	2.05	4.67	30.28	1.17
Mallee Catchment Management Authority	7.42	6.72	10.12	2.42
Melbourne Water Corporation	28.06	0.17	34.16	3.27
North Central Catchment Management Authority	-7.81	3.51	-8.61	2.38
North East Catchment Management Authority	5.04	5.22	8.33	1.54
North East Water	-10.49	1.18	27.22	0.98
Parks Victoria	3.93	0.66	8.15	1.18
Phillip Island Nature Park Board of Management	4.62	3.18	16.00	2.42
Port Phillip and Westernport Catchment Management Authority	3.23	9.11	0.29	2.58
Royal Botanic Gardens Board	0.12	1.91	9.87	2.76
South East Water Limited	15.46	0.48	20.65	2.48
South Gippsland Region Water Authority	-12.06	0.46	23.94	1.93
Sustainability Victoria	1.14	6.36	2.32	0.87
VicForests	3.66	2.10	2.12	3.78
Wannon Water	-5.97	1.50	17.81	1.97
West Gippsland Catchment Management Authority	1.92	8.38	5.27	1.68
Western Region Water Authority	-4.07	0.62	22.65	2.25
Westernport Region Water Authority	5.12	1.54	33.13	1.62
Wimmera Catchment Management Authority	-11.11	6.11	-14.19	1.45
Yarra Bend Park Trust	-5.80	6.28	6.39	0.01

B.7 Sustainability and environment – *continued*

Sustainability and environment continued	Underlying result (%)	Liquidity	Self-financing (%)	Investment gap
Yarra Valley Water Limited	4.88	0.33	16.93	4.02
Zoological Parks and Gardens Board	0.23	6.01	10.33	2.33
Portfolio average	-1.43	3.64	13.84	2.20

B.8 Transport

Transport	Underlying result (%)	Liquidity	Self-financing (%)	Investment gap
Melbourne Port Corporation	25.53	0.59	43.45	3.94
Port of Hastings Corporation	-30.39	14.21	14.66	0.01
Roads Corporation	14.84	0.79	45.24	2.31
V/Line Passenger Pty Ltd	-3.49	0.25	7.00	0.94
Victoria Rail Track	2.51	4.69	7.86	1.28
Victorian Regional Channel Authority	18.95	21.15	48.03	1.67
Portfolio average	4.66	6.95	27.71	1.69

Source: Victorian Auditor-General's Office.

Auditor-General’s reports

Reports tabled during 2008–09

Report title	Date tabled
Managing Complaints Against Ticket Inspectors (2008-09:1)	July 2008
Records Management Checklist: A Tool to Improve Records Management (2008-09:2)	July 2008
Investing Smarter in Public Sector ICT: Turning Principles into Practice (2008-09:3)	July 2008
Private Practice Arrangements in Health Services (2008-09:4)	October 2008
Working with Children Check (2008-09:5)	October 2008
CASES21 (2008-09:6)	October 2008
School Buildings: Planning, Maintenance and Renewal (2008-09:7)	November 2008
Managing Acute Patient Flows (2008-09:8)	November 2008
Biosecurity Incidents: Planning and Risk Management for Livestock Diseases (2007-08:9)	November 2008
Enforcement of Planning Permits (2008-09:10)	November 2008
Auditor-General's Report on the Annual Financial Report of the State of Victoria, 2007–08 (2007-08:11)	November 2008
Local Government: Results of the 2007–08 Audits (2007-08:12)	November 2008
Management of the Multi-Purpose Taxi Program (2007-08:13)	December 2008

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