

**Submission
No 7**

FOLLOW UP OF THE AUDITOR-GENERAL'S 2013 FINANCIAL AUDIT REPORTS

Organisation: Audit Office of New South Wales
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Date Received: 12/08/2014

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Public Accounts Committee
Parliament of New South Wales
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Our ref: D1425589
Your ref: D14/18025

11 August 2014

Dear Dr Groves

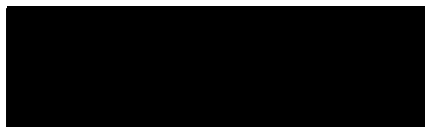
Follow up of the 2013 Financial Audit Reports

I have reviewed the submissions provided by the Agencies that were contained in your letter of 21 July 2014.

Please find attached my comments on the progress reported in relation to the relevant recommendations in my original reports.

I am happy to provide any further assistance the Committee may need in completing its examination.

Yours sincerely



A T Whitfield
Acting Auditor-General

Financial Audit - Transport for NSW

Recommendations	Accepted/ Rejected	Status	AO Comment
<p>All transport entities should do more to reduce excessive annual leave balances to ensure they will comply with new targets set by the Premier</p> <p>1</p>	Accepted	Ongoing	<p>Transport advises excess annual leave has decreased across the cluster, however they also note \$6.57 million in excess leave liabilities still existed at 31 April 2014. They need to continue to apply a focus in this area and are still unlikely to fully meet the targets set out in TC 14-11. We will review the situation at 30 June 2014 and include comment in the Report to Parliament.</p>

Financial Audit - NSW Health

	Recommendations	Accepted/ Rejected	Status	AO Comment
1	<p>In addition to its payment performance indicator, the Ministry of Health should develop a liquidity ratio definition and target for local health districts, taking into account the nature of their operations and funding model.</p>	Accepted	Completed	<p>The Ministry of Health has developed a liquidity ratio definition for local health districts. The Ministry has explained the methodology and ratio that it has adopted to the Audit Office. The Audit Office will complete a review of this area during August-October and will report the findings in Volume 13 of the 2014 Auditor-General's Report to Parliament, which will be tabled in Parliament in December 2014.</p>
2	<p>The Ministry should provide more guidance and feedback to health entities to help them:</p> <ul style="list-style-type: none"> • develop consistent, comprehensive asset maintenance plans • consistently identify and measure backlog maintenance. 	Accepted	On track	<p>The Ministry is implementing a consolidated asset management system across NSW Health. The Ministry has advised it will be rolled out to local health districts from August 2014. Volume 13 of the 2014 Auditor-General's Report to Parliament, which will be tabled in Parliament in December 2014, will include further details on the status of the system implementation.</p> <p>At the time of preparing this response, the Audit Office had not seen the Ministry's advice to health entities to support the measurement of backlog maintenance. The Audit Office will seek copies of all relevant correspondence and review it in the coming months.</p>

Financial Audit - NSW Health

3	<p>The Ministry should establish a working group of finance and asset manager to review asset useful lives across the sector. The working group should report it's findings to the Ministry by no later than 31 March 2014.</p>	Accepted	On track	<p>The Ministry accepted the recommendation in Volume Ten of the 2013 Auditor-General's Report to Parliament. The Audit Office recommended the working group report findings in relation to asset useful lives by 31 March 2014. The Ministry has advised the revised target completion date is February 2015 due to the implementation of the consolidated asset management system, and the Accounts and Audit Determination for Public Health Organisations which is currently being updated. Volume 13 of the 2014 Auditor-General's Report to Parliament, which will be tabled in Parliament in December 2014, will include further details on the work undertaken by the Ministry.</p>
4	<p>All local health districts should stocktake plant and equipment assets annually.</p>	Accepted	Completed	<p>Most local health districts completed annual stocktakes of plant and equipment as part of the 31 March 2014 early close. There were a limited number of local health districts who did not complete their annual stocktake, and update the fixed asset register by 31 March 2014. Management of these local health districts indicated they were working towards completing it by 30 June 2014. The Audit Office will review the outcomes as part of the 30 June 2014 year-end audit process for these local health districts.</p>

Financial Audit - NSW Health

5	Each year, all health entities should identify the top one per cent of overtime earners (including call backs) and investigate whether excessive reliance on these employees represents value.	Accepted	Ongoing reporting	From a small sample of local health districts my office has reviewed so far, it appears management has completed a review of the top overtime earners (including call backs) and reporting findings to their respective Finance and Performance Committees and Audit and Risk Management Committees. The Audit Office will review the remaining local health districts in the coming months.
6	Health entities should monitor employees who take no or very little leave in a rolling 12 month period.	Accepted	Completed	From a small sample of local health districts my office has reviewed so far, it appears management are reviewing employees that take no or very little leave in a rolling 12 month period and reporting findings to their respective Finance and Performance Committees and Audit and Risk Management Committees. The Audit Office will review the remaining local health districts in the coming months.

Financial Audit - Police and Justice

Recommendations	Accepted/ Rejected	Status	AO Comment
<p>The Department of Attorney-General and Justice should continue integrating policies, operations and systems between its divisions and once complete, analyse the cost and benefits.</p>	Accepted	Ongoing	<p>The Department was created effective from the 1 July 2009 by merging the former Department of Corrective Services (DCS) and the former Attorney General Department (AGD). From 1 April 2011, the functions of the former Juvenile Justice division and the Guardianship Tribunal were also transferred into the Department.</p> <p>The recommendation to integrate policies, operations and systems across the divisions was first raised in Volume 8 of the 2010 Report to Parliament. The Department has been progressively actioning the recommendation since this date. The recent focus of the Department has been in the corporate services area.</p> <p>The Department should continue its efforts to implement the recommendation (where appropriate).</p> <p>The Audit Office will provide an update in Volume 8 of the 2014 Auditor-General's Report to Parliament, which will be tabled in November 2014.</p>

Financial Audit - Police and Justice

2	<p>The Department of Attorney-General and Justice should ensure it has the necessary processes in place to enable it to regularly monitor and measure the performance and success of the Victims Support Scheme in providing more accessible, streamlined and targeted service to victims of violent crime in NSW.</p>	Accepted	Ongoing	<p>The current Victim Support Scheme (VSS) commenced on 3 June 2013. The Department advise that a new Reporting and Quality Assurance Framework (Framework) for VSS has now been implemented.</p> <p>The Audit Office will provide an update in Volume 8 of the 2014 Auditor-General's Report to Parliament, which will be tabled in November 2014.</p>
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Financial Audit - Office of Environment and Heritage

Recommendations	Accepted/ Rejected	Status	AO Comment
<p>The Office of Environment and Heritage (OEH) should report compliance by NSW budget dependent agencies with the National Australian Built Environment Rating System 1 (NABERS) in its annual report.</p>	Rejected	N/A	<p>The requirement to report this compliance is no longer active. The five year Government Sustainability Policy was approved in 2008 and now expired. This was acknowledged in the 2013 Auditor-General's Report. The new policy has recently (July 2014) been adopted by Government. It is proposed that OEH reporting of NSW government performance against any NABERS targets be in accordance with this new policy. The Audit Office will follow up with OEH the responsibility for reporting on adoption of the new policy (Government Resource Efficiency Policy).</p>

Financial Audit - Planning and Environment

Recommendations	Accepted/ Rejected	Status	AO Comment
The Department of Planning and Infrastructure should finalise development of accounting policies and controls for Special Infrastructure Contributions.	Accepted	Completed	The Department has developed an accounting policy for Special Infrastructure Contributions. We have reviewed the policy and agree with the underlying accounting principle. For the year ended 30 June 2014, the Department will recognise unearned income of \$5.5 million in the current year.

Financial Audit - Treasury

Recommendations	Accepted/ Rejected	Status	AO Comment
That the State Record Authority of NSW should establish a digital archiving system that enables it to comply with its enabling legislation.	Accepted	ongoing	The Authority is progressing to implement a digital solution to resolve the issue. The actions the Secretary has described in his letter to the Committee are consistent with my understanding.

