

Office of Financial Management

annual report 1996 | 1997

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Increasing Net Worth

Improving Resource Allocation

Improving Accountability

Organisation Building

Consolidated Financial Statements of the Office of Financial Management and the Office of State Revenue which make up the New South Wales Treasury.

A report on the operations of the Office of State Revenue is included in a separate volume.

A further report also includes the financial statements of entities administered by the Office of Financial Management. These comprise the Crown Transactions and its related commercial activities, specifically the Crown Property Portfolio, the Crown Land Homesites Program, the Land Development Working Account, the New South Wales Non Budget Long Service Leave Pool and the New South Wales Structured Finance Activities. Approval has been given for this volume to be presented separately to the Parliament - by 28 February 1998

October 1997

ISSN 1322-8102



OUR MISSION

Promoting the allocation of resources that increases the economic welfare of the community

CORPORATE VALUES

- Leadership
- Integrity
- Teamwork
- Stakeholder Focus
- Valuing the Individual
- Creativity, Innovation And Learning
- Achievement And Flexibility

OBJECTIVES

Increasing Net Worth

To increase over time, within a prudent risk management framework, the net worth of the public sector

Improving Resource Allocation

Improve resource allocation and economic efficiency, having full regard to social and environmental concerns

Improving Accountability

To improve public sector accountability

Organisation Building

To build an organisation which facilitates and encourages the achievement of employee and business objectives in a manner consistent with our stated values

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The Hon Michael Egan MLC
Treasurer
Governor Macquarie Tower
1 Farrer Place
SYDNEY NSW 2000

Contact: John Pierce
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31 October 1997

Dear Treasurer,

In accordance with the requirements of the Annual Reports (Departments) Act 1985, I have pleasure in submitting the Annual Report of the NSW Treasury's Office of Financial Management for the year ended 30 June 1997, for presentation to the Parliament of New South Wales.

The Report contains the Consolidated Financial Statements for Treasury covering both OFM and the Office of State Revenue. A second volume containing a report on the operations of OSR is submitted separately.

A third volume contains the financial statements for the Consolidated Fund Entity and its commercial activities. The finalisation of the Consolidated Financial Entity's annual report which is being published for the first time has been delayed by the need to determine an appropriate structure and reporting status. Consequently an exemption has been granted for the submission of this volume to the Parliament by 28 February 1998.

Yours sincerely

John Pierce
Secretary

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MANAGEMENT AND FUNCTIONS



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Treasurer



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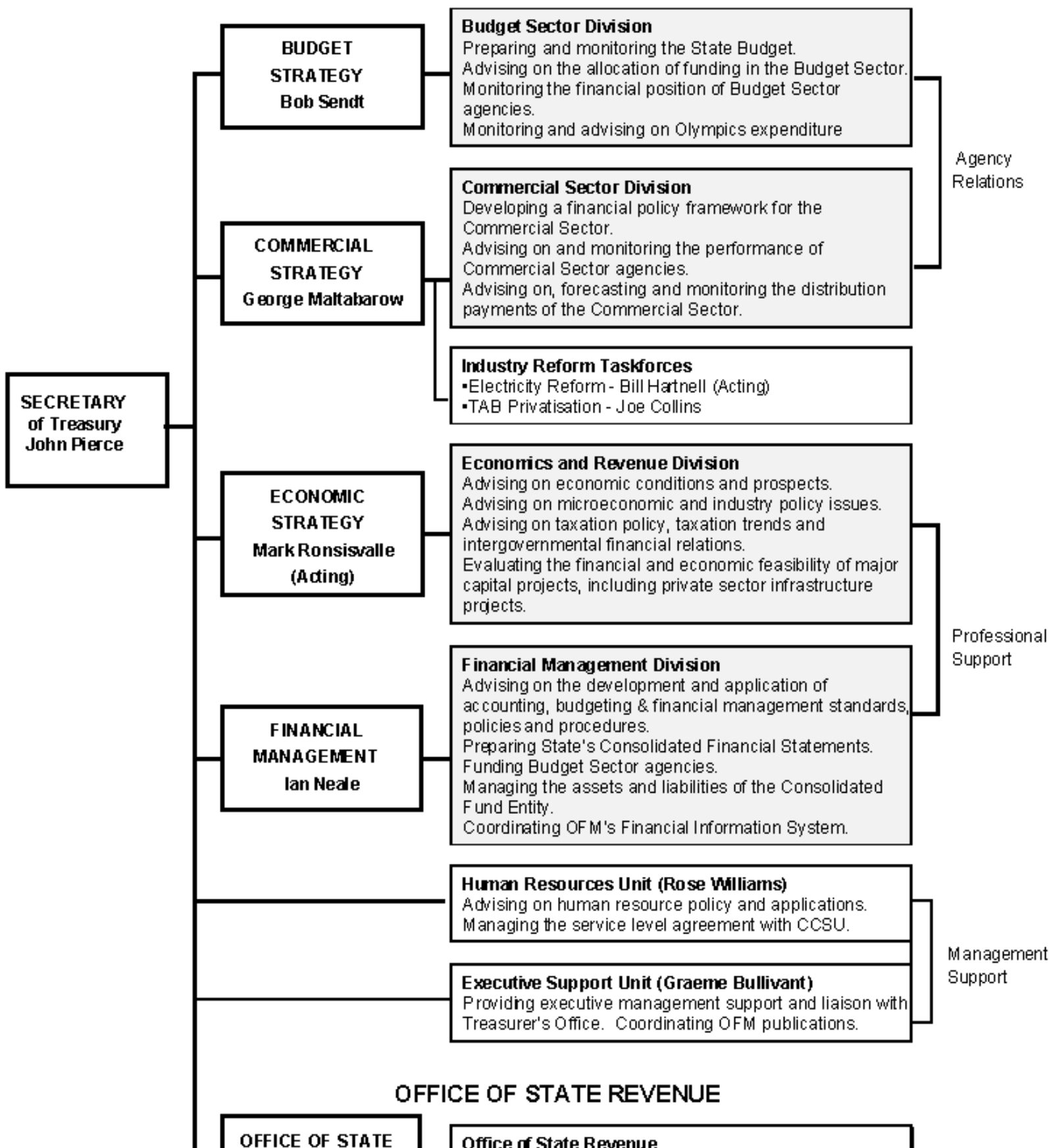
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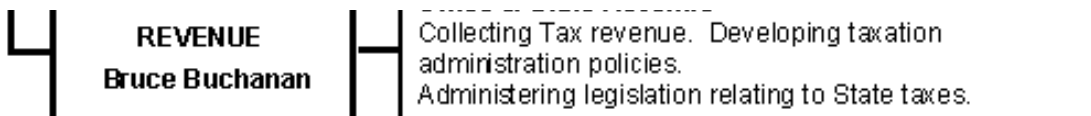
ORGANISATION CHART

Executive Directors

Responsibilities

OFFICE OF FINANCIAL MANAGEMENT





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ECONOMIC & FINANCIAL ENVIRONMENT

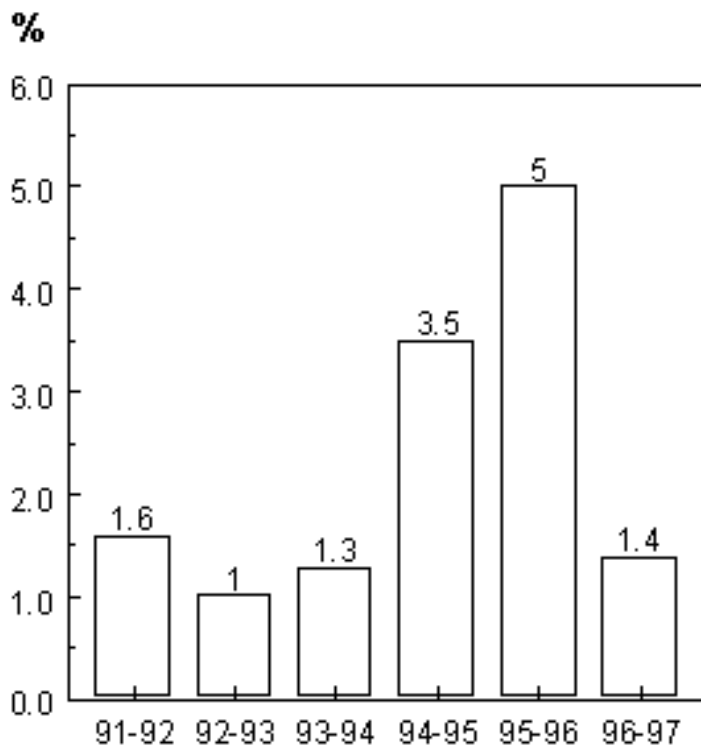
At both the national and State level economic growth slowed in 1996-97 but the deceleration was more marked for Australia as a whole. There were also changes in the sources of growth.

Key features affecting domestic growth included

- A cyclical upturn in dwelling construction
- Accelerated growth in business spending on equipment
- A slowing in business spending on construction
- Virtually no growth in public sector spending
- Slower growth in private consumption spending
- A sharp acceleration in imports.

Sydney CPI Inflation

(annual average change)



Nationally the growth of output dropped almost a full percentage point to just under 3 per cent as the federal government tightened fiscal policy. Growth of the NSW economy also slowed a little to about 3 per cent. Business investment accelerated sharply in New South Wales after little growth in 1995-96.

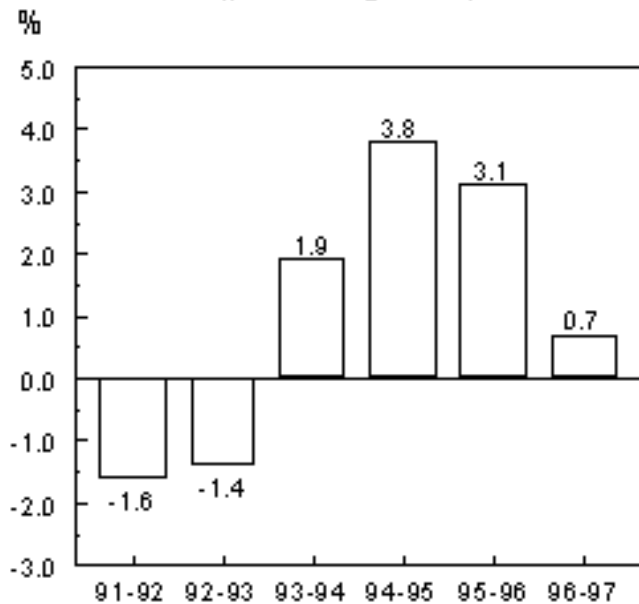
Average employment rose by 1.1 per cent nationally and by 0.7 per cent in New South Wales in 1996-97. Growth in full time employment was even slower. At the end of the year the number of people with full time jobs was lower than at the end of 1995-96.

With the slowdown in employment growth, the fall in unemployment stalled. The number of people

unemployed at the end of the year was higher, nationally than at the beginning of the year.

NSW Employment

(per cent growth)

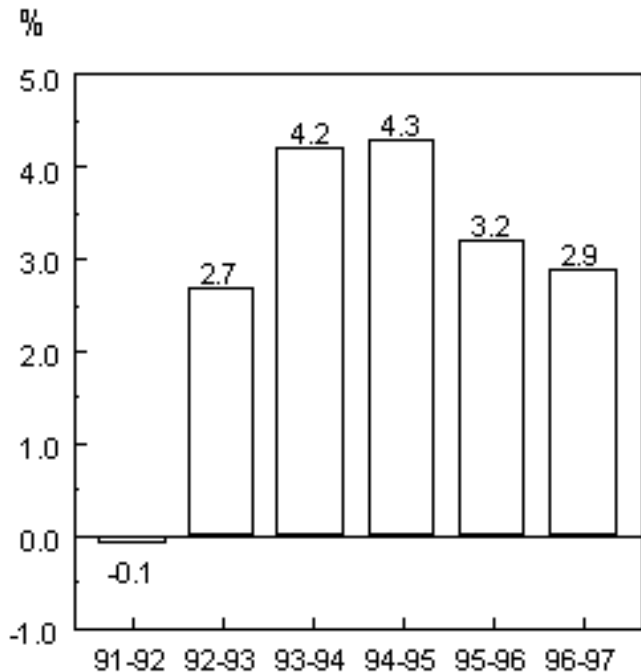


With the softer labour market in New South Wales the growth of average weekly earnings slowed further in 1996-97 and for the first time in three years earnings growth in the State fell below the national average. Nationally the rise in average earnings for all employees was 3.0 per cent, up from 2.5 per cent in 1995-96. In New South Wales, on the other hand, earnings growth dipped from 3.9 per cent to 2.4 per cent in the latest year.

The easing in earnings growth was accompanied by a significant deceleration in the rise of the consumer price index, although the primary force driving lower inflation was a fall in mortgage interest rates. At the national level, the headline CPI rose by 1.3 per cent, almost three full percentage points lower than in 1995-96. The Commonwealth Treasury's underlying CPI which excludes, among other things, mortgage interest charges, rose by 2.1 per cent, down from 3.2 per cent a year earlier. In New South Wales the rise in the CPI slowed to 1.4 per cent from 5 per cent in 1995-96. With the rate of inflation slowing during the course of the year, by June both the national and the New South Wales CPI were only 0.3 per cent higher than a year earlier. That was the same as the December 1992 result and was unmatched, prior to that, since the early 1960s.

Gross State Product

(real per cent growth)



Residential construction moved into a cyclical upturn during the year. The number of dwelling approvals rose 10 per cent at the national level while in New South Wales approvals were up 13 per cent. National accounts data show dwelling construction in Australia up by about 0.5 per cent in 1996-97. In New South Wales the recovery also got underway, but for the year as a whole dwelling construction was 2.9 per cent lower than in 1995-96.

The economy grew at a slower rate in 1996-97 as a result of the direct and indirect effects of the Federal government's tighter fiscal policy. There was virtually no growth in public sector expenditure and growth of consumer spending fell by 1_ percentage points. In addition, the contribution to growth from net exports swung from a positive 1 per cent in 1995-96 to a negative 0.1 per cent in 1996-97. All of those factors more than offset an acceleration in the growth of business investment and the improvement in dwelling construction to yield a slower overall growth rate.

The slow down in the New South Wales economy was somewhat less than at the national level. Business investment in the State accelerated at a faster rate while public sector expenditure also rose more than in 1995-96. As a result, the NSW economy grew at about the same rate as the national economy in 1996-97.

During the course of 1996-97 the share market rose by 20 per cent while the dollar fell by 5 per cent against the US dollar. Measured against the Yen and the Trade Weighted Index, the Australian dollar lost 1.2 per cent and 1.4 per cent respectively.

The economy is expected to grow by about 3_ per cent in 1997-98. Employment growth is expected to accelerate, leading to a small reduction in the unemployment rate. Inflation may fall a little further as the Reserve Bank's last reduction in official interest rates impacts on the cost of home mortgages. Growth of average earnings is expected to be similar to the moderate rate experienced in 1996-97. After two consecutive years of improvement, the current account deficit, which fell to \$16_ billion in the last financial year, is expected to widen during the current year.

The overall expectation is for continuing moderate growth with low inflation despite the foreshadowed *el nino* drought which may impact on rural production.

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1996-97 HIGHLIGHTS

INCREASING NET WORTH

Debt Management

Independent review of Budget Sector debt management, confirming the appropriateness of TCorp's management of the function, but providing a basis for the investigation of alternative management options.

Financial Distribution Policy

Review of Financial Distribution arrangements, which provide for dividend and capital return payments by Government businesses to the Budget, enabling the issue of an updated Policy Document early in 1997-98.

Rail Sector Monitoring

Implementation of enhanced monitoring regimes following the reform of the rail sector, covering Rail Access Corporation, Freight Rail Corporation State Rail Authority and Railway Services Authority.

Service Competition Policy

Implementation of service competition policy to achieve cost effective use of resources, conducting an agencies' survey to determine appropriate benchmarks and savings targets.

IMPROVING RESOURCE ALLOCATION

Performance Budgeting

Progress with the development of an approach to link budget allocations with agreed outputs and outcomes, including the preparation of statements of financial performance for service delivery agencies.

Strategic Approach to Capital Program

Development of a draft paper outlining a more strategic approach to capital allocation decision making, linking central Government strategic planning to agency capital plans.

Capital Infrastructure Projects

Comprehensive advice on significant capital infrastructure projects including the Olympic stadium and village, Eastern Distributor, new Eden wharf and Parramatta/Chatswood and Bondi rail links.

National Competition Policy

Ongoing implementation of national competition policy in New South Wales, including identification of general government business activities applying user charges and development of pricing principles to facilitate application of cost reflective pricing structures.

Financial System Inquiry

Coordination of the New South Wales submission to the Wallis Inquiry and the subsequent whole-of-Government response to its recommendations.

Industry Reform

Implementation of major reform of the electricity sector, including the establishment of retail market competition, and the rail and irrigation sectors.

High Court Challenge

Development and subsequent presentation, in conjunction with other States, of the States' case to the High Court challenge to business franchise licensing arrangements and leadership in the related debate for fundamental reform of Commonwealth/State financial arrangements.

Financial Taxes Reform

Development of proposals, in conjunction with the other States, for the reform of State financial taxes, involving the review of debits tax and the proposed abolition of financial institutions duty.

Budget Tax Initiatives

Development of tax initiatives for inclusion in the 1997-98 Budget, including an electricity distributor levy and an accommodation levy, land tax on high valued owner occupied dwellings and an increase in the rate of tax on poker machines.

Commonwealth Grants Commission

Coordination of all activities, including preparation of the State's submission, relating to the 1999 methodology review of the Commonwealth Grants Commission and a variety of activities relating to their annual updates.

IMPROVING ACCOUNTABILITY

Financial Legislation Review

Ongoing preparation for the consolidation of public sector financial management and accountability legislation, to embody modern principles and practices in public policy and public finance, for introduction to the Parliament in 1998.

Risk Management and Internal Control

Following a survey of New South Wales agencies, development of a suite of tools to guide agencies in appropriate risk management and internal control procedures, for issue early in 1997-98.

Superannuation Funds Management

As part of the ongoing reform of State superannuation arrangements, sale of the funds management business arm of State Super, Axiom Funds Management Limited, in May 1997.

Local Government and Electricity Superannuation

Chairmanship of the task force examining the desirability and feasibility of separate superannuation schemes for employees of local government and electricity industry sectors, and preparation for the schemes' commencement from 1 July 1997.

State Owned Corporations Reporting Framework

Preparation of a special financial and annual reporting framework for application to State Owned Corporations that operate in direct competition with the private sector or other government bodies ensuring that they are not required to disclose commercially sensitive information.

Treasury Banking System

Preparation for the issue in early 1997-98 of invitations for bank tenders for the Treasury banking system.

Treasury Management Policy

Completion of the review of the policy for the management of Treasury functions in public sector agencies, including the conduct of educational seminars, with the issue of a Treasury Policy and Procedures Paper to follow.

GTE Corporate Governance

Preparation of a draft Corporate Governance Paper outlining the proposed corporate governance arrangements for commercial sector agencies for presentation to stakeholder Ministers during 1997-98 and subsequent issue as a Treasury Policy and Guidelines Paper.

Performance Measurement and Appraisal

Continuing investigation and application of various efficiency measures such as Data Envelopment Analysis for Budget Sector agencies and Total Factor Productivity and related concept of Profit Composition Analysis in the Commercial Sector.

ORGANISATION BUILDING

OFM Enterprise Agreement

Implementation of the OFM Enterprise Agreement providing more flexible work arrangements and a consultative framework for organisational reform and the establishment of working groups to advise on reforms related to corporate planning, delegations, teamwork, learning strategies and performance management.

Technical Training

Implementation of the Treasury Technical Training Program in conjunction with the University of Technology Sydney, providing targeted skill development and university recognised qualification on completion.

Management Development

Ongoing focus on management development, including the design and issue of a questionnaire for completion by managers, their staff and peers, to identify areas requiring attention and determination of subsequent development action.

Financial Information System

Development of an integrated database of financial information collected by OFM from agencies to rationalise and better coordinate our requests for such information and facilitate the preparation of Government financial statements and reports.

Communication Strategies

Development of strategies for more effective communication, both internally and externally, including a Treasury corporate insignia, coordination and classification of upgraded publications, introduction of a regular corporate newsletter and upgrade of our Internet site.

Corporate Planning

Enhancement of OFM's corporate planning effectiveness through the development of agreed corporate values, more rigorous project planning methodology, increased focus at the Branch level and greater regard to the need to work in partnership with other agencies.

Organisational Restructure

Preparation for the restructure of OFM involving the trial of a portfolio approach to managing agency relations, the merging of accounting and budget policy areas and the rotation of Directors to effect better communication and improved management capability.

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1997-98 THE YEAR AHEAD

IMPROVING ACCOUNTABILITY

Implementation of a Budget Sector Financial Management Framework

- Developing a comprehensive financial management framework supported by best practice guidelines together with an implementation strategy to assist agencies to move towards best practice position.

GTE Governance

- Reforming corporate governance of Government Trading Enterprises.

IMPROVING RESOURCE ALLOCATION

Reform of the Budget Process

- Developing a performance based approach to budgeting, linking budget allocations to agreed output/outcome targets and service quality standards and efficiency indicators.
- Trialing Statements of Financial Performance in the Budget Sector.
- Undertaking purchaser-provider contestability scoping studies.
- Implementing a strategic approach to capital funds allocation.

Tax Reform and Reform of Commonwealth-State Financial Relations

- Advising on fundamental reform of the tax system to effect appropriate long term solutions to issues arising from the High Court's Section 90 Decision.
- Pursuing the reform of intergovernmental roles, responsibilities and revenue powers.

Industry Reform

- Oversighting the sale of the TAB and the ongoing reform of the electricity industry, subject to Government decision.

INCREASING NET WORTH

Reform of the Budget Process

- Establishing an appropriate medium term debt strategy and financial targets for the Budget Sector.
- Reforming the process and procedures involved with the submission of proposals to the Budget Committee to facilitate strategic budget management decision making.

ORGANISATION BUILDING

FIS Implementation

- Bringing on-line new financial information systems preparation of ABS returns, Public Accounts and Consolidated State Accounts for 1996-97;
- Monitoring of 1997-98 Budget; and
- Preparation of the 1998-99 Budget.

Performance Planning and Management

- Developing an integrated OFM performance management system, linking planning and training.
- Strengthening formulation and implementation of OFM's corporate plan with greater focus at the branch level.
- Ensuring OFM's organisation structure is aligned with its corporate priorities.

Emphasis on the Managers' Role

- Creating a flexible organisation that can capitalise on change.
- Fostering a stronger team approach within OFM and development of our junior staff.

Improved Agency Relations

- Working in partnership with other agencies, with openness, trust and the sharing of information.
- Increasing the perceived impact, influence and relevance of Treasury advice

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1996-97 THE YEAR IN REVIEW

INCREASING NET WORTH

ONGOING RESPONSIBILITIES

The first of OFM's corporate objectives is to increase the net worth of the New South Wales public sector. This requires efficient and effective management of the State's liabilities and financial assets, the cost-effective use of its resources and an appropriate return from its commercial businesses. A number of specific reform initiatives are underway to enhance the achievement of this goal. Ongoing activities and functions are also undertaken to increase the net worth of the State.

Many activities of the Financial Management Division contribute to the achievement of this objective. The Division's responsibilities included the management of the budget sector's debt and investments, the administration of the Treasury Banking and Cash Management System and the Treasury Managed Fund, management of the Crown property portfolio and forecasting, monitoring and advising on the State's unfunded superannuation liability. The Division also maintained the accounting records for the Consolidated Fund reporting entity.

During 1996-97, the Budget Sector Division continued to undertake monthly reviews of Budget Sector agencies' current and capital outlays to ensure adherence to Budget. State revenues were also monitored each month.

The Commercial Sector Division contributes to increasing net worth by ensuring a commercially and economically responsible return from the Government's businesses. This requires the Division forecasting and monitoring dividend and tax equivalent payments from Government Trading Enterprises (GTEs) and State Owned Corporations (SOCs). The Division also monitors and advises on approaches to improve their economic performance. A specific responsibility is the administration of the Government Guarantee Fee policy.

Guarantee fees are paid by agencies which have total government guaranteed debt exceeding one million dollars; a credit rating below the NSW Government's Triple A rating; and are authorities as defined in the Public Authorities Financial Arrangements (PAFA) Act. Guarantee fees expose agencies to the full risk related cost of the debt they hold and therefore encourage the development of appropriate debt structures. In 1996-97 guarantee fees were based on agencies' credit ratings, the fee scale effective from 1 July 1996 and the average amount of debt outstanding in 1996-97. These fees are due to be paid by 1 September 1997 from 26 agencies, compared to 24 agencies in 1996.

Commercial Sector Division also manages the contributions or "financial distributions" which Government businesses are required to make to the Budget. These payments represent dividends to the State as shareholder or owner of the business on behalf of taxpayers and payments made in lieu of taxes to ensure the competitive neutrality of the business. These payments are specified in an annual contract between the shareholders and management of the business. The contract takes the form of a Statement of Corporate Intent (SCI) for SOCs or a Statement of Financial Performance (SFP) for other Government businesses. Essentially the purpose of the contract is to enhance accountability for performance and provide the business with certainty as to the shareholders' expectation of financial performance.

During 1996-97, the Division successfully coordinated the negotiation of SCIs and SFPs, including

appropriate financial performance and dividend targets.

Commercial Sector Division also monitored the performance of Government businesses, reporting quarterly on actual performance against the annual targets set out in the SFP/SCI. The quarterly report is designed as a broad overview of business performance, concentrating on exception reporting and for this reason, is not as detailed as internal management reports. Reports are provided each quarter to the Treasurer, Portfolio Ministers, SOC Shareholding Ministers and the respective Chairs. The coordination process has been reformed and streamlined to maintain the timeliness in which quarterly reports are forwarded to the Treasurer and Ministers.

PROGRESS WITH REFORMS

Liability Management

Prudent management of the State's liabilities is a particular strategy employed to increase net worth. Liability management requires the pursuit of prudent medium to longer-term financial targets and the minimisation of debt cost and financial risk to the State.

As part of this strategy, an independent review of the methodology and assumptions used in calculating the public sector's unfunded superannuation liabilities was commissioned during 1996-97. The report, prepared by a consulting actuary, has assisted the development of a policy towards future funding approaches for the State's large unfunded superannuation liabilities. The project included an analysis of the causes of large variations in the reported unfunded superannuation liabilities of government trading enterprises.

Following a tender process, Bankers Trust Risk Management Advisory was engaged to undertake an independent review of the institutional and operational arrangements relating to Budget Sector debt management. OFM contracts the debt management function to the New South Wales Treasury Corporation. In that regard, the benchmarks used for measuring TCorp's performance were also reviewed.

The review of the institutional and operational arrangements, which was completed in March 1997, analysed the existing governance framework, arrangements and practices, the contractual arrangements between Treasury and TCorp and other issues such as roles and responsibilities, performance measurement, and the approach towards market risk.

Treasury's debt management committee is currently considering the review's recommendations, which have been adopted in principle. It is relevant to note that the Bankers Trust report stated that TCorp enjoys a strong reputation in the financial markets as a professional and competent manager of debt. TCorp's framework for strategy formulation and its transaction execution process were found to be sound.

In the interests of prudent liability management, a number of specific initiatives were undertaken in the implementation of the State's 1996-97 Budget. Coordinated by the Budget Sector Division, these initiatives included the development of options to address cutbacks made by the Commonwealth Government to specific purpose payments to the States. The Division also facilitated the development of a targeted asset sales program. In that regard, Treasury continued to chair the Surplus Assets Sales

Working Party, which was set up by Budget Committee to examine the potential disposal of assets identified as surplus to GTE operations, particularly in the restructured electricity industry.

During the year, the Division also represented Treasury on the Tripartite Working Group established by the Government to undertake a review of the State's Workers Compensation Scheme. Treasury also provided separate advice to the Government on the reforms to the Scheme introduced in late 1996 following the Working Group's report. Treasury is working with the Workforce Authority in developing new monitoring procedures to ensure an earlier understanding of any changes to the Scheme's financial position. Treasury also made a submission to the Parliamentary Joint Select Committee on the Victims Compensation Scheme, and appeared before the Committee to provide evidence.

Cost Effective Resource Use

Net worth will be increased if there is cost effective use of the State's resources. Service competition policy is a key part of this strategy.

Service competition policy requires that agencies identify activities that could be undertaken by contractors and, where there are clear benefits, invite tenders to do so.

Service competition policy in the New South Wales Budget Sector is assisted through the conduct of an annual survey, which is used to assess the extent of contracting by agency and function. Benchmarks and savings targets can then be set. The Budget Sector Division contracted CTC Consultants to undertake the 1996-97 survey.

Results obtained from the survey indicates that contracting is widespread in the State and that competition in the provision of publicly funded services can yield significant savings while maintaining the quality of service.

Commercial Return from GTEs

Another strategy utilised by OFM to increase public sector net worth involves the pursuit of a commercially and economically responsible return from the Government businesses.

Treasury has in place a set of policies, which provide a framework for the operation of the Government's commercial sector.

One of these, the Financial Distribution Policy sets out the arrangements for the payment of dividends and capital returns, which together comprise financial distributions, by Government businesses.

A policy document, "Financial Distribution Policy for Government Businesses", was issued in 1992. This document was reviewed during 1996-97. The main changes to the policy relate to the adoption of a post-tax dividend policy for Government businesses based on a private sector model and the introduction of the Treasury Management Policy to guide in the undertaking of treasury functions. The revised policy document was presented as a green paper to the GTE Consultative Council. It will reissue as a policy document during 1997-98.

Another initiative involved the Commercial Sector Division in developing its spreadsheet-based system for consolidating quarterly GTE profit and distribution projections. This facilitates reconciliation with revenue forecasts. The spreadsheet consolidates forecasts from a number of reporting periods in line with the existing reporting periods, which are part of OFM's monitoring regime.

The Division also put into place enhanced monitoring regimes for the Rail Sector, including Rail Access Corporation, Freight Rail Corporation and Railway Services Authority; the Public Trustee and the TAB.

IMPROVING RESOURCE ALLOCATION

ONGOING RESPONSIBILITIES

Our second corporate objective is to improve resource allocation and economic efficiency, having full regard to social and environmental concerns.

The Budget Sector Division coordinates the preparation of the Budget papers, which represent the output of the annual Budget cycle and document the Government's decisions on resource allocation.

During its formulation, OFM advised the Treasurer and the Cabinet's Budget Committee on appropriate Budget strategy. The Budget Sector Division also analysed Ministers' specific requests for Budget enhancements and capital proposals, providing advice for the consideration of the Budget Committee. Ministers and agencies were advised of the outcome of the Committee's deliberations in March 1997. The Treasurer presented the Budget to the Parliament on 6 May.

During the year, the Division monitors adherence to the budget allocations outlined in the annual Budget.

The provision of advice during the development and subsequent monitoring of the Budget provides a most obvious mechanism for OFM to pursue its corporate objective of improving resource allocation.

OFM also has ongoing responsibility for the preparation of advice for the Treasurer on the financial and economic implications of proposals being submitted outside of the budget process to the Cabinet and its various standing committees.

The Economics and Revenue Division also contributes to the Resource Allocation objective by advising on the revenue side of the Budget allocation equation. During Budget preparation the Division advises on tax strategy and revenue estimates. The Division also advises on Commonwealth State financial arrangements that have a very substantial impact on the State's Budget.

The Economics and Revenue Division also provides forecasts for relevant economic variables that can impact on the Budget. During the period the Division monitors economic conditions and developments, assessing their implications for the state's economy and finances. This involves advising on key publications issued by the Australian Bureau of Statistics as well as surveys undertaken by other bodies.

PROGRESS WITH REFORMS

Performance Based Allocation

Implementation of Performance Budgeting

The Budget Sector Division continued to work on the development of performance budgeting. This concept involves a closer linkage between the allocation of resources in the Budget Sector and the outputs (i.e. services delivered) and outcomes (i.e. results achieved) of Budget Sector.

Output and outcome measures are already published in the Budget papers for the majority of Budget

Sector agencies involved in service provision or regulatory activities. It is apparent that the development of performance measures and their subsequent use in allocating Budget resources is a key strategy which will contribute to the achievement of two of our corporate objectives, namely improved "Resource Allocation" and "Accountability". Our efforts in developing innovative performance measurement concepts, including data envelopment analysis, are outlined under the Accountability section of this report.

The Statement of Financial Performance represents a key element of performance budgeting arrangements. It constitutes of an agreement between the Treasurer, the Portfolio Minister and the agency outlining the agency's mission, objectives and key strategies; funding and financial parameters; output and outcome measures; reporting and monitoring requirements; and performance measures. Considerable progress was made during 1996-97 in developing such statements for Budget Sector service delivery and regulatory agencies.

Performance Agreements between the Treasury and the Departments of Health, Transport and Ageing and Disability were also developed for application during 1997-98. They outline agreed specific issues, and related funding, to be addressed within the coming year. Our ultimate intention is to integrate the performance agreements with statements of financial performance so as to expand the focus of performance agreements on outputs and outcomes.

Consideration has also been given to the development of a more strategic approach to the allocation of capital funds within the State's capital program. Conceptual work on this initiative commenced during 1995-96 and a draft paper prepared during 1996-97 outlining an approach that links central government strategic planning to agency capital plans. Pilot projects are to proceed with a number of agencies to assess the feasibility of extending this approach to all Budget Sector agencies.

Olympics Budget

During 1996-97, the Treasurer gave his concurrence to the Sydney Organising Committee for the Olympic Games' (SOCOG) overall Games budget. The budget provides for a modest surplus of \$30 million to the NSW Government.

The Government has also approved the preparation of a Global Olympic Budget which will update the work previously undertaken by the Auditor-General on operating and capital costs to be incurred by Government in order to host the Olympics. The budget will also include expenditure incurred by SOCOG in performing its obligations under various contracts.

Toward the end of the financial year, the Auditor-General commenced his second performance audit into the estimated costs of the Sydney 2000 Olympics. The Report will be tabled in Parliament in December 1997 and extends an earlier review of the estimates which was tabled in Parliament in 1994.

Economic Analysis of Policy and Infrastructure Proposals

OFM is responsible for advising on the economic and financial implications of policy proposals submitted for the Government's consideration. During 1996-97, advice was given on a diverse range of major policy matters, including coal rail freight pricing options and a project proposal for a very fast train project between Sydney and Canberra, to mention two. A revised Economic Appraisal Guidelines publication was also issued.

Treasury also participates in a number of inter-agency working groups to develop policy options for the Government on a range of matters. During the year these included participation on the Metropolitan Strategy Committee and three separate Sub-Committees, and on the Transport Task Force. There was also participation on working groups addressing such matters as coal rights restitution and the development of a load-based licensing scheme to apply to the emissions of air and water pollutants.

During 1996-97 the Economics and Revenue Division further developed the Monash Multi-Regional Model and utilised it in analysing the economic impacts of a range of government policies. These included the economic implications of payroll tax policies and state tax competition, the NSW economy-wide impacts of the introduction of the accommodation levy, the federal government's automotive industry tariff reforms, the economic impact of the Sydney Olympics and various other tax reform options.

Additionally, during the period comprehensive advice was provided on a number of significant capital infrastructure projects. Where appropriate, the project advice incorporated the outcomes of benefit/cost and risk analyses undertaken internally or by consultants. The projects included:

- The Olympic Stadium, Olympic Villages and the multi-use arena
- The Eastern Distributor road
- The Parramatta to Chatswood rail link
- The Bondi Beach rail link
- The construction of a new wharf at Eden
- Commercial development within the Central Station precinct.

Application of Competition Principles

OFM's Economics and Revenue Division plays a key role in the implementation and review of National Competition Policy in New South Wales.

During 1996, as agreed with the Commonwealth Government, New South Wales released policy statements on Competitive Neutrality and the application of National Competition Policy to Local Government. Subsequently, the Economics and Revenue Division contributed to the implementation of undertakings contained in both Statements.

Specifically, those general government business activities which apply user charges were identified and pricing principles developed to guide the agencies involved in applying cost reflective pricing structures which meet the competitive neutrality requirements. (These pricing principles and more detailed guidelines will be released in 1997-98.) The Department of Local Government was also assisted with the development of competitive tendering and pricing/costing guidelines for application by local government business operations.

The Division also liaised with The Cabinet Office in developing appeal mechanisms to be implemented in 1997-98 to assist in resolving competitive neutrality complaints lodged against New South Wales Government businesses. Substantial assistance was also provided to The Cabinet Office in preparing the NSW annual report on progress in meeting national competition policy which is submitted to the National Competition Council (NCC) to assist it in assessing annual competition tranche payment entitlements. Subsequently, New South Wales was successful in receiving its full competition tranche payment entitlement for 1997-98.

Officers from the Division also represented the Treasury on a wide range of reviews of anti-competitive statutes as required under the terms of the Competition Principles Agreement. These included completion of reviews of statutory marketing arrangements in relation to rice, meat, wine grapes, bananas and the Prices Regulation Act. Reviews were also commenced in respect of legislation regulating liquor, property stock and business agents, valuers and veterinary surgeons as well as statutory marketing arrangements in relation to citrus and dairy products. A review of coal ownership and restitution of coal royalty rights was also commenced.

During the year, OFM coordinated a State submission to the Financial System Inquiry (FSI) chaired by Mr Stan Wallis. Drafting of a whole-of-Government response to the FSI recommendations was also commenced.

The Economics and Revenue Division also interacted with the Independent Pricing and Regulatory Tribunal on a number of competition policy issues:

- Submissions to the Inquiry into the Regulation and Licensing of Air Service Operators in NSW
- Review of determinations on AGL's access undertaking applying to its natural gas distribution network in NSW
- A submission on the pricing principles to apply to CountryLink services
- A submission to the Inquiry into the Pricing Principles for Local Water Authorities and the Pricing of Bulk Water Services in NSW
- A submission on the Benchmarking of Local Government Performance in NSW.

Submissions were also made to the Productivity Commission regarding its inquiries into State, Territory and Local Government Assistance to Industry, the Automotive Industry and the Textiles, Clothing and Footwear Industry. Various matters were also reviewed relating to the promotion of a more competitive natural gas market in NSW including the implementation of a State third party access regime, the determination of authorisation fees, pipeline construction proposals, consumer protection principles and other regulatory issues.

Tax Equivalent Regime

At the March 1994 Premiers' Conference, the Commonwealth and States agreed that from 1 July 1994 all States would apply consistent Tax Equivalent Regimes (TERs) to their trading enterprises. In keeping with the principles of national competition, the intention is that public businesses effectively are subject to the same tax treatment as private enterprises. The agreement to implement tax equivalent regimes was embodied in an agreement referred to as the Statement of Policy Intent. NSW has been implementing these principles, but, in common with other States, has found it necessary to implement transitional arrangements, particularly with respect to issues not previously addressed by the Australian Taxation Office. The Statement of Policy Intent required that all transitional arrangements cease at 31 March 1997. For practical purposes, however, Treasury ceased all transitional arrangements as at 30 June 1997.

Public Sector Agencies Reform Program

As part of its commitment to the application of competition principles New South Wales is pursuing a Government Trading Enterprises reform program.

Major reforms opening up the electricity sector to competition were implemented during 1996-97. The

Electricity Reform Taskforce within OFM played a key role in overseeing implementation. Ongoing advice was given on the continuing restructure of the electricity industry that had commenced in 1995-96, specifically with respect to corporatisation of distributors and generators.

Advice was given on the development of policy proposals and an implementation program for the introduction of retail electricity market competition in New South Wales. This involved considerable consultation with agencies and interest groups. A communication program was prepared for larger customers who became contestable on 1 October 1996 and 1 April 1997. Regulatory issues were assessed and input provided to regulatory policy for the introduction of retail market competition. Assistance was also provided in the development of strategies and plans for accommodating load consolidators and consumer electricity cooperatives in the market.

The Taskforce also oversaw and advised on arrangements for integrating state and national electricity markets. It was also responsible for the development of the regulatory framework to support competitive electricity market operation and environmental, customer protection and safety objectives as well as the legislation necessary to support New South Wales' participation in the national electricity market.

Action in 1997-98 to introduce further reform to the electricity sector awaits Government decision.

The Treasury is also playing a key role in the privatisation of the Totalizator Agency Board (TAB). A TAB Reform Taskforce was established during 1996-97 to advise on and manage the TAB sale process. Action in that regard is subject to extensive consultation with the racing industry, with sale expected to be effected during the first half of 1997-98.

During the 1996-97 year, the Commercial Sector Division provided extensive input into the reform of other sectors, including the rail and irrigation sectors.

Reform of the rail sector involved the division of the original State Rail Authority (SRA) into key business activities. On 1 July 1996, the former SRA was divided into four different entities: Freight Rail Corporation; Rail Access Corporation; Railway Services Authority; and the State Rail Authority. Freight Rail - which operates rail freight services in NSW, and Rail Access - which manages rail infrastructure assets and access by all rail operators, are Statutory State Owned Corporations. The Railway Services Authority was established to provide goods and services to the rail industry and the SRA was restructured as a result of these reforms.

As part of the reform of the irrigation sector, Murrumbidgee and Coleambally Irrigation underwent preparation for their eventual corporatisation on 1 July 1997. This included the undertaking of capital structure studies, financial modeling and a capital expenditure review.

In addition, NSW Lotteries Corporation was corporatised on 1 January 1997. The proposed corporatisation of NSW State Forests and the Waste Service has been delayed until at least 1997-98 whilst outstanding issues are being resolved.

The Commercial Sector Division also advised on preparation for the lease of the Sydney Markets, expected to occur during the coming year.

For the Budget Sector, the Valuer-General's Office was separated into two separate agencies. The Valuer-General's Department is responsible for the regulatory functions in real estate valuation, with the State Valuation Office now established as a corporatised body responsible for mass valuation service in

certain areas of the State and competing with private sector bodies for valuation services in the more populous regions. Treasury was heavily involved in determining the framework within which these two agencies would operate.

Public Finance Reform

There is considerable debate on the need for reform of the Australian federal system, specifically the Commonwealth and State taxation systems and financial arrangements between the Commonwealth and the States. The New South Wales Treasury has been at the forefront of this debate, working in conjunction with other State Treasuries.

The urgency of this issue was increased by High Court challenges to State tobacco franchise fee arrangements in March 1997. The Treasury Executive and Economics and Revenue Division worked with other State and Territory Treasuries to develop a common response to the two High Court challenges (*Ha and Lim v NSW* and *Walter Hammond and Associates v NSW*).

As a contribution to the debate during the High Court's deliberations, the New South Wales Treasury, in conjunction with the Economic Society and the Australian Tax Research Foundation, sponsored the conference "Reshaping Fiscal Federalism in Australia". Prominent tax researchers from both Australia and overseas presented papers to an audience of academics, business leaders and community group representatives. The Treasurer, the Honourable Michael Egan presented a lunch time address. Conference proceedings including papers and the plenary session are now available.

The States and Territories sought a comprehensive review of the High Court's interpretation of section 90 of the Constitution (which prevents the States and territories from levying 'duties of excise') to remove the constitutional uncertainty surrounding business franchise fees on tobacco, petroleum products and liquor.

(The High Court's decision was delivered on 5 August 1997, invalidating existing State tobacco licensing arrangements and casting doubt on similar arrangements applying to petrol and liquor. This decision required the Commonwealth to assist the States with interim "safety net" arrangements to protect their Budgets and has ensured that the push for longer-term reform will gather strength during 1997-98.)

While reform of overall tax systems is yet to occur, the Economics and Revenue Division has also been working in co-operation with other State and Territory Treasuries and deposit taking institutions, in developing proposals for the reform of State financial taxes. This involves the review of debits tax and the proposed abolition of financial institutions duty. These proposals were endorsed at the December 1996 Heads of Treasuries meeting and considered at the March 1997 Leaders' Forum, where all States and Territories with the exception of Queensland endorsed the proposals.

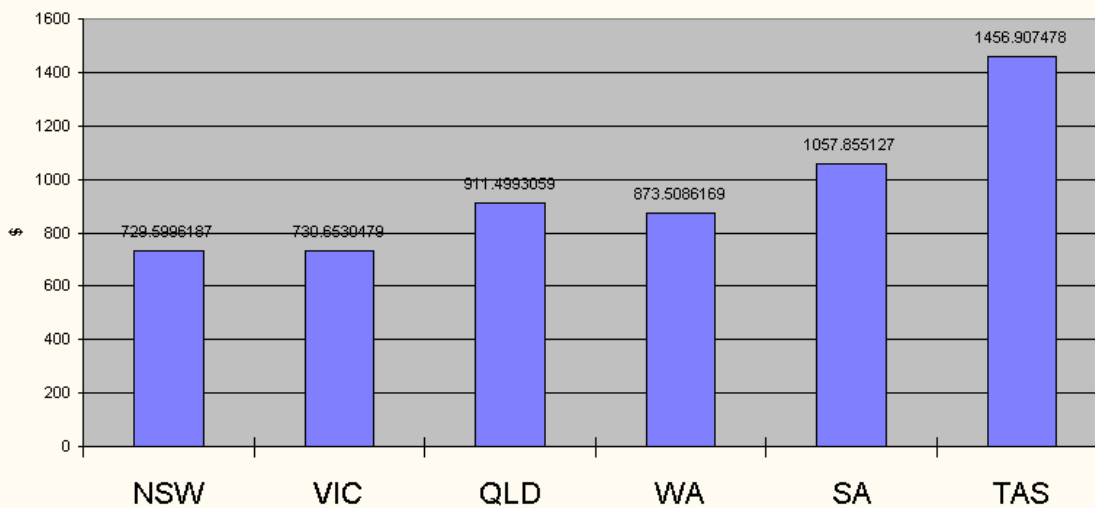
During 1996-97 OFM's Economics and Revenue Division, in consultation with the Office of State Revenue developed the following 1997-98 State Budget tax initiatives:

- An Electricity Distributor Levy, imposed on the provision of electricity distribution services to customers with annual energy consumption of 750 Megawatt hours. At the same time the Levy was imposed the price charged for distribution services to customers with annual energy consumption of 750 Megawatt hours was increased by 0.55 cents per kilowatt hour
- An Accommodation Levy of 10% on the cost of accommodation provided in the Sydney and North Sydney Central Business Districts and surrounding areas

- A land tax of \$100 plus 1.85% in the 1998 and 1999 land tax years and 1.65% thereafter on owner occupied dwellings with an unimproved capital land value of \$1 million or more
- An increase in the land tax rate in the 1998 and 1999 land tax years from 1.65% to 1.85% and an increase in the land tax in subsequent years from 1.5% to 1.7%
- An increase to 30% in the tax imposed on profits over \$1 million from poker machines operated by registered clubs
- An increase in the Parking Space Levy from \$200 to \$400 annually
- An increase in the Health Insurance Levy from 63c per week to 83 cents for singles policies and \$1.26 to \$1.66 cents per week for family policies
- An increase in the concessional rate of duty on general insurance from 2.5% to 5.0%
- An exemption from duty for crop and livestock insurance
- An increase in stamp duty on the transfer of luxury vehicles costing \$45,000 or more from 3.0% to 5.0%

The Economics and Revenue Division is also responsible for coordinating all activities relating to the 1999 Methodology Review of the Commonwealth Grants Commission (CGC) and a variety of activities relating to the CGC's annual updates. The CGC recommends the interstate distribution of Financial Assistance Grants (FAGs) each year based on the principle of horizontal fiscal equalisation. The CGC is due to complete its review of methodology in February 1999. The outcome of this review will affect NSW's share of FAGs until the year 2004.

Estimated Commonwealth Financial Assistance Grants Per State Resident 1997-98



NB: Based on Financial Assistance Grants received before Fiscal Contribution Payments by States.

Graph: Estimated Commonwealth Financial Assistance Grants per State Resident 1997-98

During 1996-97, the Division coordinated the drafting of the State's main submission to the 1999 review of relativities and gathered input from agencies in response to the Grants Commission's data requests, including those for the annual adjustment of relativities. (As a result of the annual review process, New South Wales share of general purpose payments to the States will increase by \$24.7 million in 1997-98.)

Workplace discussions for the Commission were also organised, for July 1997. These involve members of the CGC visiting NSW and holding discussions with State agencies responsible for key service delivery functions such as health, education, public transport, police and welfare services.

During the course of 1996-97 Treasury was also responsible for providing advice to various parties on a number of specific purpose payments (SPPs), including public housing, Medicare, the Commonwealth-State Disability Agreement and the Home and Community Care program. In the latter part of 1996-97, Treasury was closely involved in negotiations with the Commonwealth on the Natural Heritage Trust Agreement including the level of funding to be made available by the Commonwealth for NSW from the Trust. We were also involved in the assessment of the land and water management plan for the Colleambally Irrigation Area and the determination of appropriate funding for the plan.

Economics and Revenue Division also prepares the State's annual Loan Council allocation bid. The allocation is composed of the State's deficit/surplus plus a number of memorandum items such as the buildup in superannuation balances and local government borrowing needs. Preparation of the bid largely involves the collection and analysis of forecast financial data from Budget sector and large non-Budget agencies. The bid was submitted to Loan Council in February 1997 and was formally approved at the March Premiers' Conference/Loan Council meeting. . ([back to contents page](#))

IMPROVING ACCOUNTABILITY

ONGOING RESPONSIBILITIES

OFM's third corporate objective is to improve public sector accountability. This involves applying the highest professional standards to the monitoring and reporting of the State's finances.

A number of ongoing activities are undertaken by OFM in pursuit of this objective.

Our Financial Management Division prepares the various financial statements on behalf of the Government to provide a public record of the management of the States finances. During 1996-97, the Division prepared the Public Accounts and the Consolidated Financial Statements of the NSW Public Sector for the year ended 30 June 1996. It also produced Consolidated Financial Statements for the Budget Sector for the six months ended 31 December 1996. In addition, the Division advised the Treasurer on the Auditor-General's reports to Parliament on the Public Accounts and other special audit reports as well as Public Accounts Committee reports relating to the Treasurer's portfolio.

Throughout the year our Budget Sector Division monitored the State's Budget, producing monthly Budget reviews for the Treasurer and for the Budget Committee of Cabinet. Financial Statements on actual performance against Budget during the year to date were also publicly issued each month. The Treasurer released a comprehensive half-yearly statement, reporting on progress against the 1996-97 Budget and including a revised forecast outcome for the full year, in February. Budget Sector Division also coordinated the preparation of the State's 1997-98 Budget papers, which were released in May. These papers report on the Government's financial plans for the coming year.

OFM's Economics and Revenue Division also coordinates the preparation of a public report on the performance of the Government's commercial sector agencies. This annual publication is titled "Performance of New South Wales Government Businesses" and its seventh edition was issued by the Treasurer in February. This publication provides a stocktake of microeconomic reforms, including information on the overall productivity gains made by the six major NSW GTEs and performance indicators with respect to efficiency, service and finances of twenty-four agencies. A summary of further microeconomic reforms in the GTE sector is also included with particular reference to those reforms

being undertaken within the framework of national competition policy.

Economics and Revenue Division also provides information on the implementation of microeconomic reforms in New South Wales to the Productivity Commission which publishes the information in its annual report.

PROGRESS WITH REFORMS

Best Practice Financial Framework

One of the strategies adopted by Treasury in pursuing improved accountability involves the development and implementation of a best practice financial management and accountability framework for all public sector agencies.

Financial Legislation Review

In that regard, the review of the existing public sector financial and annual reporting legislation is one of the priority projects being coordinated by our Financial Management Division. In many respects, the current legislation does not reflect the major financial management and accountability reforms that have taken place in recent times in New South Wales.

The aim of the financial legislation review is to develop a new piece of legislation that embodies the modern principles and practices in public policy, public finance, financial management and accountability. The main areas that are subject to a comprehensive review are financial administration, Parliamentary appropriation and control, financial planning, financial and annual reporting and internal and external auditing.

The new omnibus legislation will replace the existing Public Finance and Audit Act, Annual Reports (Statutory Bodies) Act, Annual Reports (Departments) Act and Public Authorities (Financial Arrangements) Act. It will be an exclusive code on financial management and financial and annual reporting matters in this State except where prescribed otherwise.

In place of the present somewhat prescriptive and detailed approach, the new Act will be written in terms of the broad principles and policies to be followed. Regulations and Statements of Best Practice issued by the Treasurer will support it.

A Treasury working party has been established with representatives from other central agencies, line agencies and the Audit Office. A draft consultative document was prepared by the working party during 1996-97 and circulated to all Ministers and the twenty-seven member agencies of the Chief Executive Committee for comment. A number of the original proposals have been modified and the document has been redrafted in the light of the comments received.

Following Cabinet's approval, it is intended that the consultative document will be issued during 1997-98 as a Treasury "Green Paper" for a period of two months. The Green Paper is not expected to present any major policy difficulties for the key stakeholders as it merely proposes to establish a legislative backing for the financial management and accountability regime that already exists in New South Wales.

During the exposure period, a series of explanatory seminars and discussion forums will be conducted for Parliamentarians and senior executives of agencies to provide an overview of the proposed legislation and to explain and discuss the rationale for the major changes.

A reference panel will be established with representatives from a range of key agencies, the Public Accounts Committee and the Public Bodies Review Committee to assist in the examination of the major issues raised in the submissions received and in finalising the legislative proposals. The plan is to introduce the new legislation into Parliament during the 1998 Budget Session.

The present legislation was developed over 10 years ago. The new omnibus legislation, when enacted, will represent a significant event in the New South Wales public sector financial management history.

Risk Management and Internal Control

As another component of our best practice financial framework strategy, the Financial Management Division has developed a suite of risk management and internal control implementation tools. These are designed to provide a robust methodology for risk assessment together with practical strategies to assist agencies in moving towards best practice.

Treasury is committed to partnering agencies in implementing this approach. To assist agencies, Treasury will make available experienced officers to assist three pilot agencies to develop a comprehensive project implementation plan incorporating strategies that address the technological, human resource and process drivers of change. Generic project plan templates will also be developed to assist other agencies in the planning process.

The launch of the Risk Management and Internal Control Guidelines is scheduled for the second half of 1997.

Best Practice Guidelines

As mentioned, it is proposed that the Treasurer will issue Statements of Best Practice to support the State's new consolidated financial management legislation.

In the latter half of 1996-97, work commenced on a series of Costing and Pricing Guidelines reforms. These require General Government Sector agencies to develop the capacity to cost various activities more accurately. These reforms include competitively neutral pricing of user charges under National Competition Policy and the implementation of the NSW Government's Service Competition Policy.

The need for better costing information will ultimately be met through the enhancement of financial information systems within agencies. In the short term, Treasury is developing guidelines that will assist agencies to cost, and where necessary, price activities using systems that are currently in place.

A considerable number of other initiatives related to the implementation of best practice financial management and accountability systems were also undertaken during the year. Outlines of the more significant projects follow.

Sale of State Superannuation Funds Manager

The funds management business arm of State Super, Axiom Funds Management Limited, was sold to the private sector in May 1997. This represents the first step in providing the trustee for the closed, defined benefit superannuation schemes with discretion over the selection of funds managers best able to maximise investment return. The trustee for the open accumulation schemes has had discretion over selection of funds managers since 1992.

It is expected that the Deutsche Bank Group's experience in managing international assets will enhance the superannuation fund's investment return and so reduce the cost to taxpayers of the accumulated unfunded liabilities. The sale of Axiom also provides more competition in the Australian financial sector, allows for expansion of the funds management business through the support and strength of the "AAA-rated" Deutsche Bank and further enhances Sydney as a major financial centre.

Separate Local Government and Electricity Superannuation Schemes

During the latter half of the year, Treasury chaired a task force to consider the desirability and feasibility of establishing separate superannuation schemes for employees of local government and electricity industry sectors, and coordinated preparatory work for the schemes' commencement from 1 July 1997.

State Owned Corporations (SOCs) Reporting Framework

During the year, a special financial and annual reporting framework, the State Owned Corporations (SOCs) Reporting Framework, was developed for SOC's that operate in direct competition with the private sector or other government bodies. The previous reporting framework was modified to allow the presentation of summarised (rather than detailed) information in certain areas as well as the omission of a limited number of disclosures. The aim is that statutory SOC's will not be required to disclose commercially sensitive information that could adversely affect their competitive position in the market place.

The specially tailored disclosure approach was formulated following an extensive process of consultation with the affected SOC's, the Public Bodies Review Committee and the Audit Office. Those SOC's that are subject to the exemptions include the electricity distributors and generators, the port corporations and certain freight/rail entities.

This new reporting framework could well be adopted as a model for similar corporatised entities in the other jurisdictions. The Treasury intends to undertake a review of the efficacy of the SOC's' reporting practices in early 1998 with a view to further refining the policy for future annual reports.

Accounting Policy Development

Financial Management Division also made substantial progress with the preparation of the following draft Treasury Working Papers covering a number of accounting policy development matters:

- "Accounting for Corporatisation" - prescribes accounting policies on matters affecting the newly corporatised entities and the predecessor entities as well as the disclosure of information in the financial statements.
- "Valuation of Physical Non-Current Assets" - provides a policy framework and a set of principles and practical guidelines to assist agencies in the valuation of their physical non-current assets for financial reporting purposes.
- "Related Party Transactions Disclosures" - sets out a policy on the disclosure in the financial statements of the details of transactions between agencies and other parties that are related (as defined) to those agencies.
- "Valuation of Heritage and Cultural Collection Assets" - provides practical guidance on the methodology and the processes to be followed in the valuation of collection assets (e.g. library, art and museum collections).

The above Working Papers will be issued to agencies and other interested parties for comment as part of the consultative process. The final documents will be promulgated as Treasury Policy Papers at the end of 1997.

In addition, a number of Treasury Circulars were issued during the year to provide guidance to agencies on specific emerging accounting issues, in particular, Treasury Circular (TC97/9) entitled "Financial Reporting Policies".

Treasury Managed Fund - Contract Manager Selection

In 1989 the Government established a self-insurance "managed fund" as part of a systemic and coordinated approach to risk management. A key feature of the approach was that a professional Fund Manager, GIO General Ltd, was appointed to manage the fund and assist agencies to develop risk management strategies.

As the current Fund Manager's contract expired on 30 June 1997, an invitation for expressions of interest for the management of the Treasury Managed Fund for a three-year period commencing 1 July 1997, was advertised on 30 May 1996. A steering committee comprising two Treasury officers and two agency representatives reviewed the expressions. The expressions were evaluated in accordance with a pre-agreed evaluation methodology using the selection criteria given to all interested parties.

The committee recommended to the Treasurer that GIO General Ltd's submission was acceptable and judged to be most suitable for the Government's current needs. GIO General Ltd were advised in September 1996 of the Treasurer's acceptance to their continued management of the Treasury Managed Fund for a further term of three years from 1 July 1997.

Property Review

In November 1993 Treasury entered into a management agreement with the former Property Services Group for the management of the Crown Property Portfolio. The property management functions of the Group were transferred to a business unit of the Department of Public Works and Services.

In September 1996 approval was given to seek expressions of interest for the provision of consultancy services to review strategic direction and management of the Crown Property Portfolio. It was considered that the review of the management of the Crown Property Portfolio would also ensure that property management is comparable with industry benchmarks. An evaluation committee including a representative from Treasury's Commercial Sector Division and the Department of Public Works and Services reviewed the submissions received and agreed that Arthur Andersen possessed the most relevant knowledge and experience required for the review.

Arthur Andersen provided a report to Treasury containing a large number of recommendations for the management of the Crown Property Portfolio by State Property. The report and its recommendations are currently under review.

Tender for Treasury Banking System

During May 1997 work commenced on the preparation of the bank tender for the Treasury banking system.

The New South Wales Government currently contracts three providers for transactional banking services

and one provider for card services to agencies included in the Treasury Banking System or TBS. The TBS includes all budget dependent general Government agencies with the exception of schools, area health services and various arts bodies. A small number of non-budget dependent general Government agencies are also included in the TBS.

Expected outcomes from this tender include:

- Competitive fees and charges
- A service level agreement with each provider (including any special arrangements for individual Agencies), including ongoing monitoring of performance, to improve service delivery
- A package of bank services to meet agency needs and future requirements, and to provide opportunities for business re-engineering, particularly in regard to:
 - Reduction in the number of transactions
 - Electronic transactions to replace paper based transactions
 - Use of electronic banking systems to replace paper statements and manual account management
 - Outsourcing opportunities - for example over-the-counter collections by banks direct from agency customers.

Agencies and Treasury are particularly focused on encouraging a shift towards more efficient banking transactions and internal processes that support banking, and improving service delivery to Agencies and users of Government services. The tender was issued in September 1997.

Treasury Management Policy

Our Commercial Sector Division also contributes to the implementation of the best practice financial framework strategy.

The Treasury Management Policy sets out the policy framework for NSW public sector agencies in undertaking treasury functions, their roles and responsibilities and risk methodology.

Treasury functions cover borrowings, investments, derivative transactions, debt and investment management and structured financing. The policy relates to both Budget and Non Budget Sector agencies but is of particular relevance to Government Trading Enterprises and State Owned Corporations.

The objectives of the Treasury management policy are to minimise the cost of net debt, within prudent risk parameters; identify, minimise and effectively manage financial risk; and ensure professional interaction with financial markets.

This policy was completed and fully promulgated through a series of seminars jointly conducted by Treasury and NSW TCorp and attended by all Agency Relationship Managers and Directors of the Commercial Sector Division and representatives of all relevant agencies. It issued as a Treasury Policy and Guidelines Paper during the second half of 1997.

GTE Corporate Governance

In 1996-97 Commercial Sector Division prepared a draft Corporate Governance Paper outlining the proposed corporate governance arrangements to accompany the Government's corporatisation model. The proposed arrangements are intended to make it easier for Ministers to carry out their responsibilities

by clarifying roles, eliminating the potential for conflicts of interest, and providing an appropriate process for the resolution of contentious issues which might arise. The draft paper was presented to the GTE Consultative Council in 1996-97. It is intended that the draft corporate governance paper will be presented to stakeholder Ministers in the context of a seminar presentation during 1997-98. Subsequently it will issue as a Treasury Policy and Guidelines Paper.

To facilitate the appointment of appropriate boards to oversight the operations and performance of the Government's businesses, Commercial Sector division advised on the appointments of non-executive directors, thereby ensuring best available professional expertise.

Monitoring of Government Businesses

Our Commercial Sector Division is responsible for monitoring the performance of GTEs and SOCs on behalf of the Government, specifically from a shareholder's perspective.

In recent years, the Division has introduced the concept of shareholder value added (SVA) to the measurement of GTE and SOC performance. In simple terms, SVA measures the extent to which a business adds value for shareholders by generating net returns which exceed the firm's weighted cost of capital. SVA based monitoring improves the quality of advice to the shareholder, i.e. the Government, and results in greater accountability for the investment of capital by its businesses.

Treasury's monitoring regime for GTEs and SOCs is one of a suite of policies aimed at introducing a best practice financial management and accountability framework for all Government businesses. The monitoring regime is outlined in a Treasury Policy Document first issued in 1992.

"Financial Monitoring Policy for Government Businesses" was reviewed during 1996-97 to reflect Treasury's use of the shareholder valued added concept as a measure of performance in lieu of more traditional accounting measures. The Monitoring Policy was presented to the GTE Consultative Council as a green paper and will issue as a Treasury Policy Document during 1997-98.

Performance Measurement and Appraisal

The development of a comprehensive agency performance measurement and appraisal system is another strategy utilised by Treasury to ensure improved public sector accountability.

During 1996-97 a number of innovative concepts for measuring and assessing the performance of public sector organisations were investigated. Initiatives covered both the Budget and Commercial Sectors.

Budget Sector Performance Measurement

For the Budget Sector, it is obviously desirable that there be a link between an agency's performance and its Budget allocation. In that regard, Treasury continues to participate on the national Steering Committee for the Review of Commonwealth, State and Local Government Service Provision.

This Committee, which is chaired by the Industry Commission, produces annual reports containing efficiency and effectiveness indicators for the priority areas of service provision including health, education, vocational education and training, police, courts, corrective services, public housing and community services. Development of these indicators is oversighted by a Working Party for each area. Treasury chairs the Police Working Party.

The Steering Committee is assessing the merits of more sophisticated techniques to measure efficiency, such as Data Envelopment Analysis (DEA). DEA is a linear programming based technique that operates to identify best performers in terms of input use and output production. Other service providers are allocated a single efficiency score based on their performance relative to these best performers.

A DEA Working Group, convened by NSW Treasury, has been established to explore the opportunities for applying the technique to the service provision areas under review. As part of this exercise, NSW Treasury is using DEA to assess the performance of several service providers. Studies have been completed on the technical efficiency of NSW police patrols, corrective services, fire brigades and motor registries. Studies have commenced to determine the technical efficiency of NSW local courts, TAFE colleges and non-teaching hospitals.

The Steering Committee will issue an information paper on the use of DEA in late 1997. NSW Treasury will continue to use the technique and is examining further opportunities to apply it to other service providers.

Commercial Sector Performance Measurement

As part of improved performance measurement in the Commercial Sector, new Tornqvist Total Factor Productivity models were developed during 1996-97 for two of the new NSW electricity distributors.

In addition, Treasury developed a new analytical tool for analysing the linkages between profit and productivity by extending the Tornqvist total factor productivity framework. It has been named Profit Composition Analysis (PCA).

This type of analysis is necessary because a GTE's financial performance may be a poor indicator of its underlying operating efficiency. High profitability may reflect high price recovery (e.g. from monopoly pricing) rather than strong productivity performance. Conversely, low profitability may be due to low recovery (e.g. from an economic regulator's adverse pricing determinations) rather than inferior productivity performance.

PCA involves reconstructing a firm's profit and loss statement in terms of its outputs and inputs. This facilitates the analysis of productivity and price recovery and their relationship to profit.

A NSW water GTE was selected for the first pilot study using the PCA framework.

In 1996-97 NSW Treasury introduced the first tranche of 21 Government businesses to our new value based monitoring regime. This regime utilises the shareholder value added concept already referred to above. The businesses' performance will be measured based on the change in value, rather than accounting measures. In simple terms, this involves measuring whether value is being generated or eroded in a business via a formula which compares the percentage net return on assets with the weighted average cost of capital. The second tranche of 17 businesses will be introduced in 1997-98.

As part of the introduction of a Shareholder Value Based Framework for the Government's commercial sector, Treasury and EnergyAustralia are undertaking a joint project to develop a Shareholder Value Management best practice model for Government businesses. EnergyAustralia will lead the way for all NSW GTEs by piloting the introduction of a shareholder value based management philosophy, which will include the preparation of a Guidebook. It is anticipated that this project will be completed in 1997-98.

As part of Commercial Sector Division's ongoing role in monitoring the performance of the Government's businesses, the Division each year coordinates the negotiation of Statements of Corporate Intent and Statements of Financial Performance for SOCs and GTEs respectively. These annual Statements set out the core activities of each business, its financial performance benchmarks and targets, economic and business assumptions underlying financial projections, key risks likely to affect performance, as well as the business' target capital structure and target financial distributions. During 1996-97 Statements were negotiated for all SOCs and GTEs monitored by the Division. [[back to contents page](#)]

ORGANISATION BUILDING

ONGOING RESPONSIBILITIES

Treasury's fourth corporate objective is referred to as "organisation building". It concerns the building of an organisation that facilitates and encourages the achievement of Treasury's employee and business objectives in a manner consistent with our stated values. It is based on the premise that Treasury should be a values-driven organisation. This objective prescribes the way we wish Treasury to operate and as such it underpins our other business objectives.

Specific strategies include the application of best practice management and internal and external communication systems, to ensure the organisational excellence of OFM.

An appropriate employee performance management system is integral to the fulfillment of the Organisation Building objective. In that regard, ongoing arrangements are in place for both SES and non-SES officers. Treasury continues to meet the requirements for assessing SES performance on a continuous basis to ensure satisfactory performance. Comprehensive performance appraisal arrangements also apply to other officers. These systems emphasise the links between employee performance agreements and the corporate plan. Particular efforts continue to strengthen this linkage as well as integration with technical and management staff development.

For new staff, formal orientation programs are conducted as required.

Treasury's responsibilities under EEO and Occupational Health and Safety legislation continue to receive high priority.

Treasury ensures the participation and equal treatment of EEO target groups when considering promotion, training and development, and conditions of employment. This commitment is reflected in the representation of women in OFM's senior positions. Currently women hold 32% of our grade 10 and above positions. This record compares favourably with the public service average which is 15% for grade 12 and higher positions.

The results of a survey conducted by the Office of the Director of Equal Opportunity and Public Employment ranked us eighth out of 108 agencies for staff from non English speaking backgrounds.

We continued to support flexible work practices including "working from home arrangements" and seasonal part-time work. An Employee Assistance Program is available to staff and their families to help solve personal and work problems.

Our Ethnic Affairs Policy Advisory Committee maintained strategies under the Charter of Principles for a Culturally Diverse Society guidelines.

Our Graduate Recruitment Program which was first implemented in 1990, continues to operate successfully. Seven new graduates were recruited to the program during 1996-97.

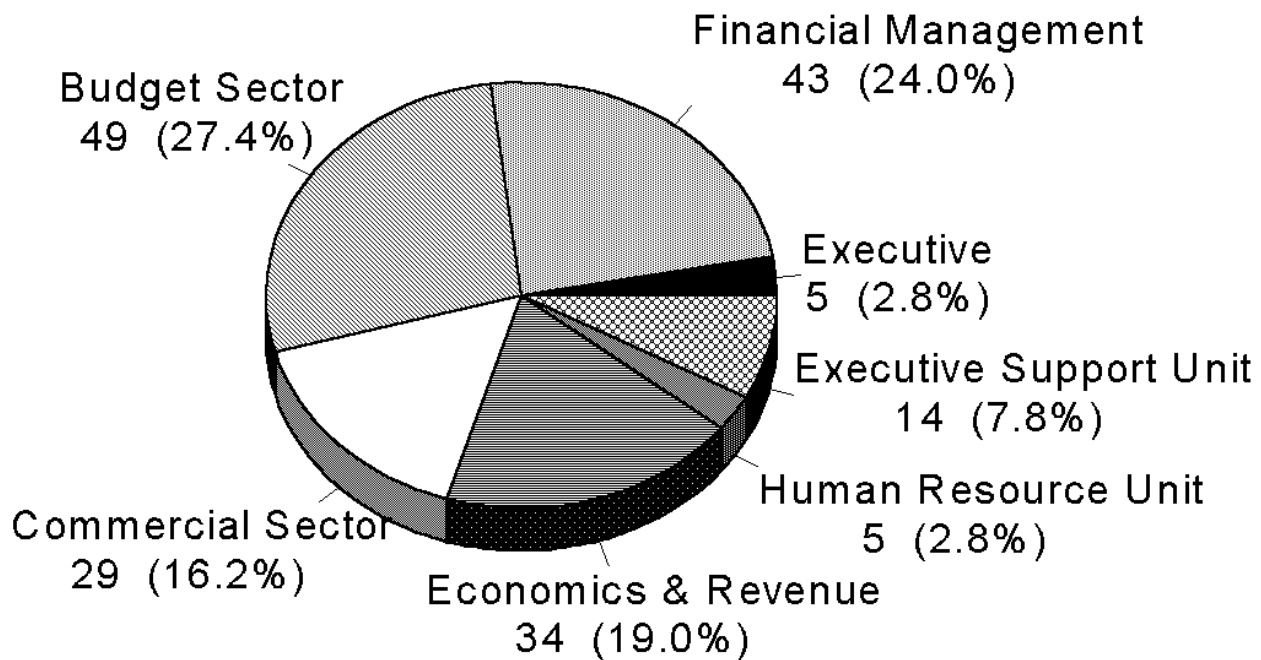
The Staff and Management Advisory Committee (SMAC) continues to provide a forum for consultation on management initiatives. No time was lost during the year as a result of local industrial disputes.

During the 1996-97 year, Freedom of Information requests were processed in accordance with the underlying legislation.

OFM's corporate planning arrangements, which continue to be refined and adapted, resulted in each Division conducting one or more planning workshops. The results of our quarterly staff opinion questionnaires provide useful information when considering particular issues at these sessions.

Staff Resources

OFM employed 179 full-time equivalent staff as at 30 June 1997. The decrease of twelve employees in comparison to the previous year, reflects the transfer of staff to the Central Corporate Services Unit. This was partially offset by successful recruitment to the senior levels



Number of Employees within OFM -

Employee numbers and percentages by Division.

[ESU total includes temporary and redeployed employees]

PROGRESS WITH REFORMS

An Integrated Management Approach

The OFM Enterprise Agreement was registered on 14 June 1996. The Enterprise Agreement provided a consultative framework for the review of work practices.

Through the Enterprise Bargaining process, OFM has recognised the need for more flexible work practices. Flexible work options have been included in the Enterprise Agreement to enable staff to balance their work and other needs. The Agreement was implemented during 1996-97.

Joint management staff working groups were created, and their recommendations have contributed to improvements in the corporate planning cycle, delegations, developing a learning organisation and teamwork.

A particular development which resulted from the Enterprise Agreement process is the commitment of management and staff to implement an integrated management scheme to link corporate planning, training and development, with options for performance pay. The Treasury Integrated Performance Scheme (TIPS) will be implemented during 1997-98.

Treasury has developed a Technical Training Program in conjunction with the University of Technology Sydney. The program commenced in May 1996 and will be completed at the end of 1997.

The Program addresses the Treasury's core technical needs. On completion of the full program, participating staff will be awarded a Graduate Certificate in Finance (Treasury). Staff will also have the opportunity to articulate the Certificate into a Masters or MBA.

A small number of staff from other agencies was invited to participate in the program. At the completion of the program a review will be undertaken to determine whether the program should be offered more widely across the Public Sector.

Treasury has continued to address the developmental needs of managers as part of the Management Development Program. A variety of strategies are being used at both an individual and team level including coaching and attendance at Management Development courses.

The Management Development questionnaire was administered, after being tailored to incorporate the corporate values that were developed by the Executive and refined by staff in 1996-97. The bulk of the questions were unchanged to enable a longitudinal assessment of managers' performance, at both the individual and organisation level.

Ongoing training and development programs have been made available to staff.

Best Practice Information Systems

During 1996-97 work was completed on the development of an integrated Treasury database of financial information collected by OFM from agencies. The objective of this Financial Information System (FIS) is to rationalise and better coordinate our requests for such information.

FIS has been developed to obtain accrual accounting information from agencies in order to monitor and report on the State's finances on both an accrual (commercial accounting) and a cash basis, in accordance with ABS principles. FIS will not only produce information on the State's current financial situation, facilitating the production of the State's Consolidated Accounts, but also projected information for the current year and the following four years.

FIS is to be implemented during 1997-98. Once it is fully operational, agencies will only need to provide financial data to their Treasury Agency Relationship Manager in line with accrual accounting principles. This will provide agencies with an improved contact point in Treasury and improve the consistency of published data.

The Public Accounts and the State Consolidated Accounts for 1996-97 will be produced from FIS. The first Budget produced from the system will be for 1998-99. These Budget papers will include, for each Budget Sector agency, a full set of accrual financial statements, namely an operating statement, statement of financial position (assets and liabilities) and a cash flow statement. This will be a first for any State or the Commonwealth.

Implementation of FIS involves training of both Treasury officers as well as representatives of other agencies. This training commenced in late 1996-97.

Management Reform

During 1996-97 a number of reforms to OFM's corporate planning process were effected. Particular emphasis was placed on the establishment of agreed values to ensure that OFM operates as a values-driven organisation. Our values define appropriate behaviour for both managers and staff and guide us in the manner we implement reforms and perform our ongoing functions.

More rigorous planning methodology was also implemented to ensure adequate regard is given to both the need and feasibility of projects being considered for inclusion in our corporate plan. This methodology requires that adequate regard is given to implementation issues for both Treasury and other agencies. Specific strategies were adopted to ensure that there is proper consultation and involvement with agencies in our planning. It was determined that in future the focus of our planning will be at the Branch level.

Preparations were also made for the organisational reform of OFM. This reform which took effect early in 1997-98 includes the trial of a portfolio approach to managing agency relations. Under this approach, the roles of our Budget Sector Division and Commercial Sector Division would become similar, with all agency relationship manager responsibilities for a portfolio being concentrated in one area.

Budget Sector accounting and budget procedures policy are being consolidated into a Financial Management Improvement Branch, merging separate policy areas previously located in the Budget Sector Division and the former Accounting and Finance Division. The new branch will be located in the Accounting and Finance Division which is renamed the Financial Management Division, better reflecting its range of responsibilities.

The reform, which also involves the rotation of a number of the Directors in our Budget Sector and Commercial Sector Divisions, is aimed at enhancing our communication, both internally and externally, and improving our management capability.

The establishment from 1 July 1996 of the GMT Central Corporate Services Unit (CCSU) to provide corporate support services to agencies within Governor Macquarie Tower was another initiative which is expected to result in more cost-effective management of OFM. During 1996-97 Treasury played a leading role in forming service level agreements with the Unit, and has been a major driver in establishing meaningful, timely performance indicator reports.

Effective Communication

Treasury aims to increase the effectiveness of our communication, both internally to employees and externally to key stakeholders. To facilitate this current practices were reviewed and strategies developed for implementation in the new financial year.

A component of our communication strategy is the development of a Treasury corporate insignia to promote and identify work, reports and publications produced by our organisation.



The New South Wales Treasury has 173 years of history and is the oldest continuing public sector agency in Australia. Since its introduction in 1824, Treasury has provided economic and financial advice and information to the Government and the people of NSW. The new insignia was developed with this history, tradition and reliability in mind. This history is being documented for celebration of our 175th anniversary in 1999.

As part of the communication strategy, revised procedures and systems were implemented to coordinate the issue of Treasury publications. This includes:

- Presentational review of all publications
- Categorisation of publications prior to issue
- Application of a numbering system for reference purposes.

As a result, a standard presentation style incorporating the new insignia was developed and all Treasury publications now issue under one of the following three categories which readily identify the purpose and status of the publication.

- Treasury Policy and Guidelines Paper
- Treasury Research & Information Paper
- Treasury Working Paper.

Each publication is allocated a reference number according to its specific category. As far as possible, all Treasury publications are also available on our Internet site. The introduction of the new corporate insignia and publication guidelines commenced early in the new 1997-98 financial year. Further details on Treasury publications are available in Schedule 11.

Another project to address our "organisation building" objective and specifically our communication strategy was the development of a corporate newsletter, Treasury Focus. The overall aim is to enhance Treasury's presence and communicate to agencies current events that may impact on their dealings with Treasury. The first edition of the corporate newsletter issued in July 1997 and reflected the new Treasury corporate style.

The Treasury's Office of Financial Management has an Internet home page which is undergoing a progressive revision and upgrade. Our home page address is:

<http://www.treasury.nsw.gov.au/>

All Divisions within OFM have been provided with access and an 'address' on the Internet. Treasury has continued its World Wide Web home page presence by making available on the site the State's Budget papers and Treasury Policy & Guidelines and Research & Information Papers. Electricity reform publications produced by our Electricity Reform Taskforce are also included.

Utilising the Internet allows timely access to these documents. An additional benefit is the fact that customers can readily access and print the sections required. We are also expanding the scope of information and Treasury publications on our site. The overall aim is to make access to information as easy as possible.

OFM has a number of mechanisms for capturing information on the quality of its service delivery to stakeholders. Both employee and agency opinion surveys are conducted to obtain information on current issues, and identify opportunities to improve service delivery.

Employee opinion surveys include a 360-degree management development questionnaire and quarterly and annual staff surveys. A survey of our stakeholder agencies is undertaken every two years, the next scheduled for late 1997.

The information obtained from the surveys is used to inform our corporate planning process, and to provide input into the performance review process for SES managers. The content of the surveys will be reviewed during 1997-98 to ensure they reflect OFM's values and current issues.

Our Agency Relationship Managers are a focal point for our communication with other agencies. We have continued to develop the role of Agency Relationship Managers within Budget Sector Division and Commercial Sector Division, our client service divisions.



Address

Level 27 Governor Macquarie Tower
1 Farrer Place Sydney NSW 2000

Internet

<http://www.treasury.nsw.gov.au/>

Executive Reception

Tel: 9228 4426 Fax: 9221 7029
(8.30 am - 5.30 pm)

CLIENT SERVICE

Budget Sector Agencies

Tel: 9228 4604 Fax: 9228 4184

Non Budget Sector Agencies

Tel: 9228 5622 Fax: 9228 5278

FOI Enquiries Tel: 9689 6740

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SCHEDULE 1

WORKLOAD AND PERFORMANCE INDICATORS

OBJECTIVE 1 - Maximising Net Worth

| | 1996-97 | | 1997-98 |
|---|---------------|---------|----------|
| | Target | Result | Target |
| Financial/Asset Management | | | |
| Number of days each month the Treasury banking system account is in overdraft | <4 days | 3 days | <4 days |
| Number of days from the end of each quarter to provide agencies with cash flow forecast variation reports | <21 days | 12 days | <21 days |
| Number of days from the end of the month to submit the report on Crown activities | <14 days | 15 days | <14 days |
| Percentage of agencies with endorsed Asset Management Plans | new indicator | | >75% |
| Percentage of agencies who have used Treasury's Risk Management Self Assessment Matrix | new indicator | | >10% |

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OBJECTIVE 2 - Improving Resource Allocation

State Budget

| | | | |
|---|---------------|----------|-----------------|
| Timely completion of budget papers | <Budget Day | yes | <Budget Day |
| Provision of timely advice on agenda items for Cabinet, Budget Committee and other Cabinet Committee meetings | as required | achieved | as required |
| Percentage of targeted agencies who have signed Performance Agreements | new indicator | | > <u>75%</u> |
| \$M variation in result projected in the Budget vs actual result achieved | new indicator | | < <u>\$50M</u> |
| Percentage error in forecasting Budget outlays | | | |
| Superannuation | <±10% | 17% | <±10% |
| Interest payments | <±10% | 10% | <±10% |
| Total recurrent outlays | <±0.5% | 3.6% | <±0.5% |
| Total capital outlays | <±1% | -16.6% | <±1% |
| Total outlays | <±0.5% | 0.8% | <±0.5% |
| Percentage variation in Budget forecast vs actual revenue collected for major taxes | new indicator | | < + <u>7.5%</u> |
| Percentage error in forecasting Budget revenues from specific taxes: | | | |
| Stamp duty revenue | <±12% | -14.3% | <±12% |
| Land tax and tobacco licences revenue | <±6.5% | -9.9% | <±6.5% |
| Payroll tax revenue | <±2.5% | -5.8% | <±2.5% |
| Revenue from other taxes | <±4.5% | 3.4% | <±4.5% |
| Percentage variation in Budget forecast of dividends vs actual result achieved | < ±10% | 3.2% | < ±10% |

Government Businesses

| | | | |
|--|---------------|--|--------------|
| Percentage of GTEs/SOCs which have signed Statements of Financial Performance / Statements of Corporate Intent | new indicator | | > <u>95%</u> |
|--|---------------|--|--------------|

Economic Advice

| | | | |
|--|-------------------|---------|-------------------|
| Timely submission of advices on key ABS publications | <1 day from issue | 0.5 day | <1 day from issue |
| Percentage error in forecasting macroeconomic variables: | | | |
| - National | <±1.2% | 1.0 | <±1.2% |
| - State | <±1.5% | 0.8 | <±1.5% |

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OBJECTIVE 3 - Improving Accountability

Efficiency in Handling Correspondence & Other Registered Projects

| | | | |
|--|--------------------|---------|--------------------|
| Percentage completed by due date | <u>>80%</u> | 82% | <u>>80%</u> |
| Percentage on hand that are late | <u><20%</u> | 15% | <u><20%</u> |
| Average days late for those completed late | <u><10 days</u> | 8 days | <u><10 days</u> |
| Average number of days to complete | <u><15 days</u> | 15 days | <u><15 days</u> |

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SCHEDULE 2

STAFF NUMBERS AND GRADING STRUCTURE ¹

| | 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 |
|------------------------|------|------|------|------|------|------|------|------|
| Executive | 5 | 5 | 5 | 5 | 6 | 6 | 7 | 5 |
| Divisional Directors | 14 | 16 | 16 | 14 | 9 | 15 | 14 | 14 |
| Grade 7-12 | 60 | 68 | 65 | 69 | 72 | 69 | 93 | 94 |
| Grade 3-6 | 34 | 30 | 35 | 38 | 44 | 49 | 44 | 32 |
| Clerical Officer 3/4 2 | - | - | - | 14 | 13 | 13 | 10 | 16 |
| Clerical Officer 1/2 2 | - | - | - | 17 | 14 | 17 | 16 | 7 |
| DPO | - | - | - | - | - | - | 6 | 11 |
| Driver | 1 | 1 | 1 | 1 | 1 | - | - | - |
| Grade 1-2 | 12 | 15 | 12 | - | - | - | - | - |
| General Scale | 8 | 7 | 5 | - | - | - | - | - |
| Clerical Assistant 1/2 | 1 | 1 | 1 | - | - | - | - | - |
| Clerical Assistant GS | 4 | 3 | 5 | - | - | - | - | - |
| WPO/MO | 11 | 8 | 8 | - | - | - | - | - |
| | 150 | 154 | 153 | 158 | 159 | 169 | 1902 | 1793 |

1. Increases to OFM's staff number were approved in 1993 and 1995. This reflected the expansion of OFM's monitoring of the Commercial Sector, an upgrade of its economic research function and the transfers to OFM of the Superannuation Policy Unit and the Capital Works Unit. Due to difficulties in filling positions the impact on actual staff numbers did not occur until 1995 and 1996.

2. New categories following reclassification, largely subsuming previous junior gradings.

3. The reduction in staff numbers was a result of Treasury staff being transferred to the Central Corporate Services Unit (CCSU).

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SCHEDULE 3

CHIEF EXECUTIVE AND SENIOR EXECUTIVE OFFICERS ¹

| Scale prior to 1-10-95 | 1992 | 1993 | 1994 | 1995 | Scale since 1-10-95 | 1996 | 1997 |
|------------------------|------|------|------|------|---------------------|------|------|
| Level 8 | 1 | 1 | 1 | 1 | Level 4 (upper) | 1 | 1 |
| Level 7 | - | - | - | - | Level 4 (lower) | - | - |
| Level 6 | 1 | 2 | 1 | - | Level 3 (upper) | - | - |
| Level 5 | 3 | 2 | 2 | 5 2 | Level 3 (lower) | 6 2 | 4 |

| | | | | | | | |
|---------|----|-----|------|------|-----------------|------|------|
| Level 4 | 1 | 1 | 1 | - | Level 2 (upper) | - | - |
| Level 3 | 2 | 3 2 | 3 2 | 1 | Level 2 (lower) | 1 | 1 |
| Level 2 | 1 | 1 | 1 | 4 2 | Level 1 (upper) | 3 2 | 3 2 |
| Level 1 | 11 | 9 | 10 3 | 10 3 | Level 1 (lower) | 10 3 | 10 3 |

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SCHEDULE 4

PERFORMANCE STATEMENTS FOR CHIEF EXECUTIVE AND SENIOR EXECUTIVE OFFICERS

John Pierce¹, Secretary, Level 4

Mr Pierce, as Secretary, is responsible for the strategic direction of Treasury. Key achievements in 1996-97 included:

- Advice on, and implementation of, electricity industry reforms.

Development of the 1997-98 Budget strategy, in conjunction with the Executive Director for Budget Strategy.

- Oversight of the NSW challenge to the High Court on State Taxation.
- Implementation of the OFM Enterprise Agreement.
- Structural review of OFM, to take effect from July 1997.

Robert Sendt, Executive Director, Level 3

Mr Sendt is the Executive Director, Budget Strategy and has management oversight of Budget Sector Division. Key achievements in 1996-97 included:

- Management of the preparation and presentation of the 1997-98 Budget.
- Development, with other central agencies, of strategies for achieving Budget savings.
- Continuing development of performance budgeting, with output and outcome measures for Budget Sector agencies.
- Continuing development of Statements of Financial Performance for selected Budget Sector agencies.

Ian Neale², Executive Director, Level 3

Mr Neale is the Executive Director, Financial Management and has management oversight of the Financial Management Division. Key achievements in 1996-97 included:

- Provision of financial advice in relation to the Olympic Games and related development projects.
- Management of the preparation of the 1995-96 Public Accounts and State Consolidated financial Statements.
- Review of major private sector infrastructure projects.
- Continued development of a strategy to upgrade OFM's financial information systems and oversight of the commencement of its implementation.

George Maltabarow, Executive Director, Level 3

Mr Maltabarow is Executive Director, Commercial Strategy and has management oversight of the Commercial Sector Division. Key achievements in 1996-97 included:

- Establishment of new arrangements for monitoring GTEs, including incorporation of key risk factors.
- Implementation of a new approach to asset valuation for pricing purposes in the areas of transport, water and rail.
- Implementation of an economic value-added approach to assessing and monitoring GTE/SOC performance from a shareholder perspective.
- Financial analysis and strategy development of proposed corporatisations including the electricity industry, TAB and Snowy Mountains Authority.
- Advice on the reform of the rail industry to give access of private operators to rail infrastructure.

Mark Ronsisvalle³, Acting Executive Director, Level 3

Mr Ronsisvalle is the Acting Executive Director, Economic Strategy and has management oversight of Economics and Revenue Division. Key achievements in 1996-97 included:

- Development of the State's submission in respect of the Section 90 High Court challenge.
- Development of tax options for the 1997-98 State Budget
- Preparation of the State's submission to the 1999 Grants Commission Review.
- Contribution to debate on the reform of Commonwealth/State relations and participation in that regard on various intergovernmental committees.

All members of the Executive undertook their roles in an efficient and effective manner.

-
1. Mr Pierce was appointed Secretary of Treasury from 14 April 1997. He had acted in the position from January 1997. Prior to this date he held the position of Executive Director, Economic Strategy.
 2. Mr Neale assumed responsibility for the position of Executive Director, Financial Management from 28 January. Prior to that he held the position of Executive Director, Strategic Projects.
 3. Mr Ronsisvalle has acted in the position of Executive Director, Economic Strategy since 28 January 1997.

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SCHEDULE 5

PERFORMANCE REVIEW AND IMPROVEMENT ¹

Action in 1996-97

Corporate Planning Process

Corporate values, which had been developed by management and staff in early 1996, underpinned our planning deliberations during 1996-97. Our values define appropriate behaviours in performing ongoing functions as well as corporate plan initiatives. Formal methodology to better identify and plan for projects was also implemented to take account of both need and feasibility when assessing potential projects. These improvements impacted during the development of the 1997-2000 Plan which occurred from October through to June.

Budgeting

The process for allocating OFM's Budget across our Divisions was reviewed and reformed to strengthen the link with our corporate plan. This was facilitated by our improved planning methodology which resulted in better prioritisation of projects and in turn improved budgeting.

Structural Reform of OFM

Arrangements for the structural reform of OFM were developed during the latter half of the year. This involved considerable consultation between Executive and Divisional management. The aim is to enhance our communication, both internally and externally, and improve our management capability. Changes include the trial of a portfolio approach to managing agency relations and the merging of previously separate accounting and budget procedures policy areas into a Financial Management Improvement Branch. A significant number of our Directors are also being rotated. The arrangements will take effect in 1997-98.

Integrated Financial Information System

Treasury developed a new Financial Information System (FIS), integrating our previously independent financial data bases, to rationalise and eliminate duplication of our requests for information from agencies. This will also facilitate the preparation of consolidated State accounts and improve the consistency of published data. Training in the use of FIS was provided to Treasury and other agencies' officers. Implementation will occur during 1997-98 and ultimately all our public reports on the State's finances, including the Budget, will be produced from FIS.

Enterprise Agreement

Under the terms of our Enterprise Agreement which was implemented during 1996-97, a number of joint management staff working groups were created. Their recommendations contributed to improvements in our corporate planning cycle and teamwork. All administrative and financial delegations were reviewed and will be submitted for the approval of the Treasurer early in 1997-98. A time recording system was trialed to facilitate work management and allocation

Corporate Support

A comprehensive service level agreement was negotiated with the Centralised Corporate Services Unit for the provision of a range of corporate support services to OFM. Additionally, we assessed and rationalised our remaining administrative and management support functions.

Debt and State Property Management Reviews

TCorp manages the public sector debt portfolio while the Department of Public Works and Services manages the Crown property portfolio on behalf of OFM. It was concluded that the debt management portfolio was appropriately managed. Nevertheless, OFM continues to investigate options for enhancement. A number of improvements are being implemented following the findings of the property management review.

Cash Management

An internal audit review was conducted of OFM's cash management system, including cash forecasting, interest payment and bank account opening and closing activities. The review confirmed OFM's decision to develop a new system based on SAP software used for the development of FIS.

Superannuation Liability Monitoring

A review was undertaken of the State's unfunded liability and the related long term funding plan. This included the review of the 1994 actuarial investigation of the four closed superannuation schemes in the Pooled Fund and the funding plan for the schemes. The findings will provide useful input to the future modification of the funding arrangements.

Action Planned for 1997-98

Corporate Planning Process

Continuing emphasis will be given to ensure OFM operates as a value driven organisation. The focus of our corporate planning will shift, with the implementation of formal Branch plans to ensure greater staff participation and "ownership" of our Corporate Plan. The link between the Corporate Plan and staff performance agreements will be strengthened. Our performance indicators will be reviewed to ensure their relevance for the corporate objectives.

Staffing Initiatives

Following its trial, the implementation of a time recording system for OFM officers will be pursued to facilitate the management and planning of workloads. The establishment of a grade 13 position to bridge the gap between the current grade 12 and the SES and to accommodate a technical career path will also be investigated in the context of the Enterprise Agreement.

FIS Implementation ²

Implementation of our integrated Financial Information System will proceed. A review of the implementation plan is to be undertaken in conjunction with the Internal Audit Bureau to ensure that all risks which may impact on the successful completion of the project have been identified and appropriate controls defined. FIS will be used to produce the Public and State Consolidated Accounts for 1996-97.

Debt Administration ²

A review of the internal controls operating in the Debt Administration system is to be undertaken to ensure their effectiveness and compliance with relevant management policies and procedures.

OFM Project Monitoring System (PMS) ²

A review of OFM's PMS will be conducted to assess its continued relevance in the light of market alternatives and to consider if the system's efficiency and effectiveness can be further enhanced.

Internal Control Risk Assessment ²

Best Practice in internal audit dictates that all areas of the organisation should be periodically subject to independent appraisal. Consequently reviews of major ongoing processes in our Economics and Revenue and Commercial Sector Divisions are to be undertaken. Areas to be reviewed will include the preparation of submissions to rating agencies and submissions to the Commonwealth Grants Commission, monitoring of Budget tax revenues and the quarterly reporting regime for Government businesses.

Audit Plan and Liaison ²

Preparation of the annual audit plan for 1998-99 will be undertaken in liaison with the responsible senior managers. It will be based on OFM's risk assessment and strategic plan for the 1996-1999 period.

1. Includes program evaluations, internal audits and management improvement initiatives.

2. To be undertaken in conjunction with the Internal Audit Bureau.

CONSULTANTS

Consultants Exceeding \$30,000 in Cost

| <i>Consultant</i> | <i>Project</i> | <i>Cost \$</i> |
|-------------------|----------------|----------------|
|-------------------|----------------|----------------|

OFM Core Activities

| | | |
|---------------------------------|---|---------|
| University of Technology Sydney | Treasury Technical Training Program | 47,002 |
| Price Waterhouse Urwick | FBT Review and Workshops | 59,400 |
| Price Waterhouse Urwick | NSW Government Banking Tender | 85,068 |
| Coopers & Lybrand | Internal Control Best Practice | 98,000 |
| Arthur Andersen | Crown Property Review | 95,000 |
| CTC Consultants | Contracting in the Public Sector, Survey and Advice | 86,546 |
| State Property | Advice on Disposal of Surplus Property | 125,000 |
| Baring Brothers & Co | Port Kembla Coal Terminal - Advice on Lease Value and Restructuring | 83,000 |
| Pro:Ned Board Consultants | Board Appointments - Screen and Select Candidates | 120,000 |
| Valuad Pty Ltd | Shareholder Value Added - Training of Staff | 43,186 |
| Care Pty Ltd | Completion of Input/Output Tables | 39,487 |
| Price Waterhouse | Financial Impact Study - Electronic Banking | 52,094 |
| | <i>Sub Total</i> | 933,783 |

Industry Reform Activities TAB Taskforce

| | | |
|-----------------------------|----------------------|---------|
| Burston Marstellar | Privatisation of TAB | 203,000 |
| Middleton Moore & Bevins | Privatisation of TAB | 176,044 |
| Hong Kong Bank of Australia | Privatisation of TAB | 149,080 |
| | <i>Sub Total</i> | 528,124 |

Electricity Reform Taskforce

| | | |
|------------------|---|------------------|
| Clayton Utz | National Code - Issues Management | 436,862 |
| Clayton Utz | NEMI - Legal Advice | 72,915 |
| Price Waterhouse | Snowy Corporation - Scoping Study for Sale | 82,500 |
| David Harbord | Report on Market Share and Retail Sector | 190,000 |
| A. L. Bloom | Customer Consultative Groups Standards for Contracts | 93,049 |
| Quay Connections | Advice on Introduction of Retail Competition | 114,730 |
| | <i>Sub Total</i> | 990,056 |
| | Total of Consultancies costing more than \$30,000: | 2,451,963 |

Consultants Costing less than \$30,000

| | | |
|-----------------------------|---|------------------|
| OFM Core Activities: | 58 projects | 332,600 |
| Industry Reform Activities: | TAB Taskforce 1 project | 29,969 |
| | Electricity Reform Taskforce 13 projects | 186,006 |
| | Total of Consultancies costing \$30,000 or less: | 548,575 |
| | TOTAL COST OF CONSULTANCIES | 3,000,538 |

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SCHEDULE 7

COMMITTEES AND BOARDS

The following is a list of significant statutory bodies and other corporations, and Treasury and other committees having representation from the Office of Financial Management during 1996-97.

Statutory Bodies and Other Corporations

Australian Statistics Advisory Council (Commonwealth)

Treasury Officer: Richard Cox

Hardship Board and Board of Review

Treasury Officer: Russell Agnew

Indicative Planning Council

Treasury Officer: David Maynard

Internal Audit Bureau

Treasury Officer: Ian Neale (Chair)

NSW Treasury Corporation

Treasury Officer: John Pierce (Chair), George Maltabarow (Deputy Chair)

Parliamentary Contributory Superannuation Scheme Trustee

Treasury Officer: John Pierce, Trustee

Rental Bond Board

Treasury Officer: Brian Waddington

Sydney Market Authority

Treasury Officer: Lindsey Williams

Treasury Managed Fund

Treasury Officer: Joan Cram

Treasurer/Treasury Committees

Bank Contracts Committee

Treasury Officer: Ian Neale (Chair), Colin Broad

Debt Management Committee

Treasury Officer: Ian Neale (Chair), Colin Broad, Mark Pellowe, Laurie Worth, Richard Cox

Enterprise Agreement Monitoring Committee

Treasury Officers: Bob Sendt, Rose Williams, Michael McGrath

Government Trading Enterprises Consultative Council

Treasury Officers: John Pierce (Chair), George Maltabarow (Member), Judy O'Connell (Secretary)

Staff and Management Advisory Committee

Treasury Officers: John Pierce, Rose Williams, Colin Broad, Phil Blunden, Robert Williams, Henry Maleszka, Greg O'Donnell, Karen Riley, Kim Garvey

Surplus Asset Sales Steering Committee

Treasury Officers: Bob Sendt (Chair), George Maltabarow, Judy O'Connell

TAB Reform Steering Committee

Treasury Officer: George Maltabarow

Treasurer's Accounting Advisory Panel

Treasury Officers: John Pierce (Convenor), Ian Neale, John Chan-Sew (Secretary)

Treasury Consultative Committee

Treasury Officers: Rose Williams

Treasury Functions Advisory Committee

Treasury Officer: John Pierce (Chair)

Non-Treasury Committees

ATO/States and Territories FBT Liaison Committee

Treasury Officers: Joan Cram

Coal Restitution Taskforce

Treasury Officers: Frank Jordan, Peter Shields

Coleambally Land and Water Management Plan Negotiation Team

Treasury Officer: Roland Stanmore

Commonwealth - State Review of Service Provision

Treasury Officer: Bob Sendt, Nara Puthuchear

Commonwealth/State Tax Equivalent Regime Standing Committee

Treasury Officers: George Maltabarow, Ziggi Lejins

Construction Policy Steering Committee

Treasury Officer: John Pash

Consultative Groups to Auditing Standards Board and Public Sector Accounting Standards Board

Treasury Officer: John Chan-Sew

DEA Working Group

Treasury Officers: John Pierce (Chair), Nara Puthuchear, Roger Carrington, Kathy Kang

EPA Load Based Licensing Steering Committee

Treasury Officer: Ray Anns

Gosford/Wyong Review Steering Committee

Treasury Officer: George Maltabarow (Chair)

Government Trading Enterprises Reform Committee

Treasury Officer: George Maltabarow

Government Trading Enterprises Stocktake Committee

Treasury Officer: George Maltabarow

Heads of Treasuries Accounting and Reporting Advisory Committee

Treasury Officer: Peter Marshall

Housing Policy Sub-Committee

Treasury Officer: Nara Puthuchear

Hunter Water Tech Pty Ltd Due Diligence Committee

Treasury Officer: Judy O'Connell

Land and Water Management Plan Assessment Team

Treasury Officer: Roland Stanmore

Land and Housing Sub-Committee

Treasury Officer: Danny Graham

Limitation of Council Rate Income - Committee of Advice

Treasury Officer: Nin Rejante

NSW Trustee Advisory Committee

Treasury Officer: Ray Anns

Review of the Meat Industry Authority

Treasury Officer: Peter Shields

Review of the Legislation Establishing the Wine Grapes Marketing Board

Treasury Officer: Frank Jordan

Tradeable Credits for Greenhouse Gas Emissions Working Group

Treasury Officer: Ray Anns

Water Industry Interdepartmental Committee

Treasury Officer: Frank Jordan/George Maltabarow

Metropolitan Strategy Committee

Treasury Officer: Frank Jordan

Minerals Consultative Committee

Treasury Officer: Ray Anns

National Financial Working Group, Snowy Corporatisation

Treasury Officer: Ziggi Lejins, David Crossley

National Legal Working Group snowy Corporatisation

Treasury Officer: David Crossley

National Steering Committee on Performance Monitoring

Treasury Officer: George Maltabarow

National Water and Environment Working Group, Snowy Corporatisation

Treasury Officer: David Crossley

National Industrial Relations Working Group, Snowy Corporatisation

Treasury Officer: David Crossley

NECA/NEMMCO Jurisdictional Liaison Group

Treasury Officer: Sandra Gamble

Officers' Working Party on the Implementation of the Outcomes of the Review of the Rice Marketing Board

Treasury Officer: Frank Jordan

Police Service Ministerial Working Party

Treasury Officers: Martin Conley, Tim North

Public Sector Superannuation Consultative Committee

Treasury Officers: John Pierce, Ian Neale,
Tim North

Snowy Implementation Group

Treasury Officer: David Crossley

Snowy Mountains Council

Treasury Officer: Warwick Watkins

Steering Committee on National Performance Monitoring of GTEs

Treasury Officers: George Maltabarow

Steering Committee on Port Corporation/ Marine Authority

Treasury Officer: George Maltabarow

Steering Committee on Strategic Review of the NSW Government Approach to the Capital Program and Asset Management

Treasury Officers: Bob Sendt

Steering Committee on Property Services Group Reform

Treasury Officer: George Maltabarow

State/Commonwealth Police Working Group

Treasury Officers: Bob Sendt (Chair), Nara Puthuchearu (Secretary)

State Emergency Management Committee

Treasury Officer: Phil Blunden

State Environment Working Group, Snowy Corporatisation

Treasury Officer: David Crossley

State Financial Working Group, Snowy Corporatisation

Treasury Officer: David Crossley, Ziggi Lejins

State Industrial Relations Working Group, Snowy Corporatisation

Treasury Officer: David Crossley

State Legal Working Group, Snowy Corporatisation

Treasury Officer: David Crossley

State Snowy Steering Group

Treasury Officer: David Crossley, Ziggi Lejins, Warwick Watkins

State Water Working Group, Snowy Corporatisation

Treasury Officer: David Crossley

TDC Technical Advisory committee

Treasury Officer: Danny Graham

Transport Task Force

Treasury Officer: Frank Jordan

Treasury Managed Fund Insurance Committee

Treasury Officers: Joan Cram, Sue Timmins

Treasury Managed Fund - Advisory Board

Treasury Officers: Joan Cram, Sue Timmins

Water Asset Valuation Experts Group

Treasury Officer: George Maltabarow

WorkCover Tripartite Working Party

Treasury Officer: Bob Sendt

Significant Committees Established During 1996-97

Axiom Sale Committee

Treasury Officers: Michael Lambert, Ian Neale (Chair), Tim North (Secretary)

COAG Water Reform Working Group

Treasury Officer: Frank Jordan

Commonwealth/State Committee for the EIS for the Second Sydney Airport

Treasury Officer: Frank Jordan

Commonwealth/State Steering Committee for Higher Education Superannuation Cost Sharing Review

Treasury Officer: Joe Kristof

Crown Property Portfolio Steering Committee

Treasury Officers: Brian Cheney (Chairperson), John Angelakis

Debt Management Liaison Committee

Treasury Officers: Ian Neale (Convenor) , Colin Broad, Mark Pellowe, Laurie Worth, Richard Cox, Phil Blunden

Interdepartmental committee on Cooperatives Policy

Treasury Officers: Ray Anns

NSW Greenhouse Network

Treasury Officers: Ray Anns

Officers Steering Group Taxation Working Group

Treasury Officer: Mark Ronsisvalle

Population Projection Group (DUAP)

Treasury Officer: David Maynard

Reciprocal Taxation Working Party

Treasury Officer: Mark Ronsisvalle

Review Group for the NSW Dairy Industry ACT 1979

Treasury Officer: Frank Jordan

Review of the Valuers Registration Committee

Treasury Officer: Peter Shields

Review of the Property Stock and Business Agents Act Committee

Treasury Officer: Peter Shields

Review of Business Names Act 1962

Treasury Officer: Nara Puthuchery

Review of the Legislation Establishing the Banana Industry Committee

Treasury Officer: Peter Shields

Review of the Legislation Establishing the MIA Fruit Promotion Marketing Committee

Treasury Officer: David Feeney

Review of Veterinarian Surgeons Act and Stock Artificial Breeding Act

Treasury Officer: David Feeney

Review of the Country Industries (Payroll Tax Rebates) Act 1977 Committee

Treasury Officer: Eric Swan

Section 90 Working Party

Treasury Officer: Mark Ronsisvalle , Russell Agnew

Treasury Managed Fund - Asset Management Review Committee

Treasury Officers: Colin Broad (Chair), Joan Cram, Slue Timmins

Significant Statutory Bodies/ Committees Abolished During 1996-97

Axiom Sale Committee

Treasury Officers: Michael Lambert, Ian Neale (Chair), Tim North (Secretary)

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SCHEDULE 8

COMMITTEES AND BOARDS

EEO Achievements for 1996-97

- Finalised the Aboriginal Employment Equity Plan, in conjunction with other central agencies.
- Implemented an Enterprise Agreement which included a range of initiatives including:
 - More flexible work start and finish times
 - Broader employment options
 - Work from home provisions

o Cumulative flexidays.

- Implemented job rotation as part of a skill development and diversification program.
- Promoted spokeswoman activities.
- Provided executive coaching for female managers.
- Implemented a technical training program to improve the skills of women and other employees across all classifications and grades.

EEO Strategies for 1997-98

- Implement the Aboriginal Employment Equity Plan.
- Implement strategies for providing mentoring to target group members.
- Provide improved access to learning options in Treasury's Technical Development programs.
- Enhance target group member skills through job rotation.

| Table 1 | | Staff Distribution by Remuneration Level* | | | | | | | |
|------------------------|-----------------------------|---|------------|--------------|---|--|--|---------------------------------|--|
| | | Subgroup as Percent of Total Staff at each Level | | | | | | | |
| LEVEL | Total Staff (Number) | Staff responding to EEO data form (Respondents) | Men | Women | Aboriginal & Torres Strait Islander People | People from Racial, Ethnic, Ethno-Religious Minority Groups | People Whose Language First Spoken as a Child was not English | People with a Disability | People with a Disability Requiring Adjustment at Work |
| < \$21,995 | 0 | - | - | - | - | - | - | - | - |
| \$21,995 - \$32,295 | 30 | 87% | 37% | 63% | 0.0% | 33% | 30% | 0% | 0.0% |
| \$32,296 - \$40,869 | 29 | 79% | 48% | 52% | 0.0% | 31% | 21% | 0% | 0.0% |
| \$40,870 - \$52,850 | 36 | 86% | 56% | 44% | 0.0% | 25% | 17% | 6% | 2.8% |
| > \$52,850 (non SES) | 70 | 90% | 70% | 30% | 0.0% | 24% | 16% | 1% | 0.0% |
| SES | 19 | 16% | 79% | 21% | 0.0% | 16% | 0% | 0% | 0.0% |
| TOTAL | 184 | 79% | 59% | 41% | 0.0% | 26% | 17% | 2% | 0.5% |
| <i>Subgroup Totals</i> | | <i>146</i> | <i>109</i> | <i>75</i> | <i>0</i> | <i>48</i> | <i>32</i> | <i>3</i> | <i>1</i> |

| Table 2 | | Staff Distribution by Employment Basis* | | | | | | | | |
|-------------------------|-----------------------------|---|------------|--------------|---|--|--|---------------------------------|--|------|
| | | Subgroup as Percent of Total Staff in each Employment Category | | | | | | | | |
| EMPLOYMENT BASIS | TOTAL STAFF (Number) | Staff responding to EEO data form (Respondents) | Men | Women | Aboriginal & Torres Strait Islander People | People from Racial, Ethnic, Ethno-Religious Minority Groups | People Whose Language First Spoken as a Child was not English | People with a Disability | People with a Disability Requiring Adjustment at Work | |
| Permanent | Full-Time | 148 | 87% | 60% | 40% | 0.0% | 27% | 20% | 2% | 0.7% |
| | Part-Time | 7 | 71% | 0% | 100% | 0.0% | 71% | 14% | 0% | 0.0% |
| Temporary | Full-Time | 11 | 91% | 55% | 45% | 0.0% | 18% | 18% | 0% | 0.0% |

| | | | | | | | | | | |
|------------------------|------------------|------------|------------|------------|-----------|----------|-----------|-----------|----------|----------|
| | Part-Time | <i>1</i> | 100% | 0% | 100% | 0.0% | 0% | 0% | 0% | 0.0% |
| SES | | <i>19</i> | 16% | 79% | 21% | 0.0% | 11% | 0% | 0% | 0.0% |
| Casual | | <i>0</i> | - | - | - | - | - | - | - | - |
| Other | | <i>0</i> | - | - | - | - | - | - | - | - |
| TOTAL | | <i>184</i> | 79% | 59% | 41% | 0.0% | 26% | 17% | 2% | 0.5% |
| Subgroup Totals | | | <i>146</i> | <i>109</i> | <i>75</i> | <i>0</i> | <i>48</i> | <i>32</i> | <i>3</i> | <i>1</i> |

*As at 31 March 1997.

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SCHEDULE 9

FREEDOM OF INFORMATION

Sixteen FOI applications were received by OFM during 1996-97, as compared to twelve for the previous year. There are no major issues to report on the Office's compliance with FOI requirements. There were no inquiries of an FOI nature instituted by the Ombudsman's Office.

Freedom of Information statistics follow.

| New Requests | | | | | | |
|--------------------------------|-----------------|----------------|----------------|----------------|----------------|----------------|
| | Personal | | Other | | Other | |
| | 1995-96 | 1996-97 | 1995-96 | 1996-97 | 1995-96 | 1996-97 |
| New (including transferred in) | - | 2 | 12 | 14 | 12 | 16 |
| Brought forward | - | - | - | - | - | - |
| Total to be processed | - | 2 | 12 | 14 | 12 | 16 |
| Completed | - | 2 | 12 | 14 | 12 | 16 |
| Transferred out | - | - | - | - | - | - |
| Withdrawn | - | - | - | - | - | - |
| Total Processed | - | 2 | 12 | 14 | 12 | 16 |
| Unfinished (carried forward) | - | - | - | - | - | - |

What happened to completed requests

| Result of FOI request | Personal | | Other | |
|------------------------------|-----------------|----------------|----------------|----------------|
| | 1995-96 | 1996-97 | 1995-96 | 1996-97 |
| Granted in full | - | 1 | 10 | 15 |
| Granted in part | - | - | 2 | 4 |
| Refused | - | 1 | - | 5 |
| Deferred | - | - | - | 0 |
| Completed | - | 2 | 12 | 14 |

Ministerial Certificates

| | 1995-96 | 1996-97 |
|---------------------------------|---------|---------|
| Ministerial Certificates issued | - | - |

Formal Consultations

| | 1995-96 | 1996-97 |
|---|---------|---------|
| Number of requests requiring formal consultation(s) | 1 | 10 |

Reviews

| | 1995-96 | 1996-97 |
|--|---------|---------|
| Number of internal reviews finalised | N/A | 1 |
| Number of Ombudsman reviews finalised | N/A | N/A |
| Number of District Court appeals finalised | N/A | N/A |

Amendment of Personal Records

| | 1995-96 | 1996-97 |
|---------------------------------------|---------|---------|
| Result of amendment request - Agreed | N/A | N/A |
| Result of amendment request - Refused | N/A | N/A |
| TOTAL | N/A | N/A |

Internal Review Results

| | Personal | | Other | |
|---|----------|---------|---------|---------|
| | 1995-96 | 1996-97 | 1995-96 | 1996-97 |
| Grounds on which internal review requested | | | | |
| Access Refused | - | - | - | 1 |
| Deferred | - | - | - | - |
| Exempt Matter | - | - | - | - |
| Unreasonable Charges | - | - | - | - |
| Charges Unreasonably Incurred | - | - | - | - |
| Amendments Refused | - | - | - | - |
| Totals | - | - | - | 1 |

Discounts Allowed

| Type of discount allowed | Personal | | Other | |
|--|----------|---------|---------|---------|
| | 1995-96 | 1996-97 | 1995-96 | 1996-97 |
| Public Interest | - | - | - | - |
| Financial Hardship - Pensioner/Child | - | - | - | - |
| Financial Hardship - Non-Profit Organisation | - | - | - | - |
| Totals | - | - | - | - |
| Significant Correction Of Personal Records | - | - | - | - |

FOI requests granted in part or refused

| Type of discount allowed | Personal | | Other | |
|---|----------|---------|---------|---------|
| | 1995-96 | 1996-97 | 1995-96 | 1996-97 |
| Section 19 (application incomplete, wrongly directed) | - | - | - | 1 |
| Section 22 (deposit not paid) | - | - | - | - |
| Section 22 (unreasonable diversion of resources) | - | - | - | 1 |
| Section 25(1)(a) (exempt) | - | - | 2 | 7 |
| Section 25(1)(b), (c), (d) (otherwise available) | - | 1 | - | - |
| Section 25(1)(e) (documents more than 5 years old) | - | - | - | - |
| Section 24(2) (deemed refused, over 21 days) | - | - | - | - |
| Totals | - | 1 | 2 | 9 |

Costs and fees of requests processed

| Result of FOI request | Assessed costs | | FOI fees received | |
|------------------------|----------------|---------|-------------------|---------|
| | 1995-96 | 1996-97 | 1995-96 | 1996-97 |
| All completed requests | \$360 | \$2,400 | \$877.50 | \$450 |

Days to process

| Elapsed time | Personal | | Other | |
|--------------|----------|---------|---------|---------|
| | 1995-96 | 1996-97 | 1995-96 | 1996-97 |
| 0-21 days | - | - | 11 | 6 |
| 22-35 days | - | 2 | 1* | 7 |
| over 35 days | - | - | - | 1 |
| Total | - | 2 | 12 | 14 |

* extension determined under S.59B

Processing time

| Processing hours | Personal | | Other | |
|------------------|----------|---------|---------|---------|
| | 1995-96 | 1996-97 | 1995-96 | 1996-97 |
| 0-10 hours | - | 2 | 12 | 11 |
| 11-20 hours | - | - | - | 1 |
| 21-40 hours | - | - | - | 2 |
| Over 40 hours | - | - | - | - |
| Total | - | 2 | 12 | 14 |

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VISITS

Overseas Visits by Treasury Officers

United Kingdom

Sandra Gamble (Electricity Taskforce) attended a short course on the UK electricity market in London during September 1996. During the course, presentations were given by representatives of major industry stakeholders including the Department of Trade and Industry, the Electricity Pool of England and Wales, the Office of Electricity Regulation, National Power, PowerGen, Midlands Electricity, Barking Power and Sedwick Global Power & Nuclear Services.

New Zealand

George Maltabarrow (Executive Director, Commercial Strategy) and Rose Williams, (Director, Human Resources) visited the New Zealand Treasury from 30 July until 2 August 1996, to investigate the extent to which the New Zealand Treasury may serve as a best practice model for operational management within OFM.

Overseas Visitors to Treasury

South Africa

Six officials from Central Statistical Services, visited NSW Treasury in June as part of their visit to the Australian Bureau of Statistics (ABS) in both Canberra and Sydney. The purpose of the visit was to obtain an overview of the interface between the ABS and Treasury, as a key public sector user.

Japan

A Parliamentary Delegation of The House of Councilors, Japan, led by Mr Mitsuhiro Uesugi, visited Treasury on August 3 1996. The Delegation held discussions with the then Secretary, Michael Lambert , covering the topics of investigation into deregulation, and political and economic situations in Australia

Austria

In September, a representative from the State Government of Salzburg met with the Executive Director, Economic Strategy to discuss general guidelines and current Treasury projects, the shift from cash accounting to accrual accounting; "Fiscal-Management" models and/or strategies to evaluate the cost of regulations [regulatory impact statements and regulatory and economic reform].

Korea

Delegates from the Korea Electric Power Corporation (KEPCO) met with the Chairman of the Electricity Reform Taskforce in December. The meeting covered an outline of the restructure of the electricity supply industry in NSW to introduce competition at the wholesale and retail levels.

Japan

In February 1997, Mr Katsuya Oda of the Tokyo Shimbun met with the Executive Director Financial Management to discuss the Sydney Olympics, specifically the NSW Government's position on economic policy in relation to the Olympics.

People's Republic of China

On three separate occasions delegations from the People's Republic of China visited Australia to attend presentations on New South Wales methods of assessing and approving infrastructure investment. Delegates from the Ministry of Finance and the Hebei Provincial Government met with the Executive Director, Financial Management in October 1996. Again in April 1997, two separate delegations from the Dalian Municipal Bureau of Finance and the Hebei Provincial Communications Department (HPCD) held meetings with the Executive Director, Financial Management.

Argentina and Haiti

In June, Dr Humberto Petrei, Executive Director for Argentina and Haiti at the American Development Bank and Advisor to the Argentinean Minister for the Economy, met with the Executive Director, Budget Strategy to obtain a State perspective of Budget reforms in Australia.

Fiji

The Chief Economic Planning Officer of the Central Planning Office in the Ministry of Finance and Economic Development, Suva, visited Treasury in April for a demonstration of our Financial Information System (FIS) and software.

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SCHEDULE 11

OFM'S GUARANTEE OF SERVICE

COMMITMENT TO SERVICE

OFM is committed to serving its customers in a professional and timely manner at all times.

Specifically OFM commits to:

- Undertaking ongoing core functions in an efficient and effective manner;
- Meeting corporate plan project deadlines;
- Undertaking other projects within the designated corporate timeliness targets; and
- Maintaining close, ongoing and open communications with agencies.

Our code of practice provides a framework for interaction between OFM and agencies. The code is based on the following principles.

Regular Consultation, Openness and Courtesy

OFM will discuss agency issues with them before making a final decision or recommendation to the Treasurer - there should be no "surprises" sprung on agencies. Similarly, we ask that agencies maintain close contact to keep OFM fully apprised in a timely manner of all relevant developments.

Regular meetings, are arranged with agencies to discuss financial and other relevant issues. For larger agencies meetings will be held at least quarterly.

Where proposed changes to OFM procedures impact across a range of agencies, views are sought from a sample of agencies.

OFM applies generic strategies when implementing its Corporate Plan initiatives. A number of these strategies ensure appropriate focus on, and alliance with, clients. Additionally our planning methodology requires special attention to any implementation issues for agencies. We undertake to show consultative leadership in pursuing successful implementation and shared accountability for achieving reform and outcomes.

Our system of Agency Relationship Managers ensures that there is one person who can act as a single point of contact on all OFM issues affecting the agency. We are also trialing a structure within Treasury based on portfolio groupings. For example our "Transport" Branch oversees both Budget and Commercial Sector matters concerning the transport portfolio.

These initiatives are aimed at improving communication and avoiding duplication of information requests to an agency by our Divisions. Agencies also are requested to establish a designated contact point with OFM.

Agencies are requested to make all efforts to resolve intra-agency financial disputes before raising them with Treasury.

Consistency and Accuracy of Advice

OFM endeavours to ensure that all staff are fully trained so as to provide consistent advice to agencies. It is recognised that changes in staff dealing with an individual agency can create problems for the agency. A team based approach helps minimise these problems.

Timeliness of Responses

The Agency Relationship Manager ensures that responses are provided to Ministerial and agency correspondence or other requests as quickly as possible. Whenever advice can issue directly from OFM we aim to do so within 15 working days. If the matter requires referral to the Treasurer a response can be expected within 20 working days of Treasury's receipt of the request. Progress reports are provided where any delay occurs. In turn, agencies need to ensure that all reporting and other information requirements of OFM are met in a timely and accurate manner.

Performance Evaluation

OFM undertakes a biennial survey of agencies to assess the extent to which they consider OFM has complied with its code of good practice.

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SCHEDULE 12

CODE OF CONDUCT

OFM has a code of conduct for staff which provides guidance on standards of conduct and behaviour to be followed.

The Code has three underlying principles:

- The public has a right to expect the highest integrity and competence from OFM's staff;
- The Government is entitled to impartial and accurate advice and prompt implementation of its policy;
and
- All staff have rights and obligations as employees.

The Code is published within the Procedure Manual held by all OFM officers.

There were no changes to the Code during 1997-97.

In keeping with the Premier's directive to all agencies, The code will be reviewed during 1997-98 to ensure that it satisfies the model code that the Government has published for the guidance of all public sector agencies. Following this review, OFM's code will be published in our next annual report.

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SCHEDULE 13

ETHNIC AFFAIRS POLICY STATEMENT

OFM continued to consider the needs of ethnic communities in its financial management responsibilities. The role of the Office is one of policy and advice rather than a service delivery function and our primary clients are the Government and the State Government agencies.

In developing the budget, The Treasurer invites the Ethnic Communities Council of NSW each year to submit a submission on issues to be considered as part of the process.

Treasury's Ethnic Affairs Policy Advisory Committee maintains strategies under the Charter of Principles for a Culturally Diverse Society. These strategies are maintained for both the Office of State Revenue and the Office of Financial Management.

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SCHEDULE 14

RESEARCH AND DEVELOPMENT

No activity directly undertaken or supported by the Office of Financial Management qualifies as Research and Development.

Policy Development by Non-Government Organisations

Recognising the role that non-government organisations can play in assisting with policy research and development, OFM made the following grant:

- Australian Accounting Research Foundation: \$30,000

(This grant was made under Program Area: 68.1 Central Financial Management Services, specifically under Program: 68.1.2 Accounting and Finance Administration, Policy and Standards, Funding, Liability and Asset Management, Banking and Financial Reporting.)

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SCHEDULE 15

MAJOR ASSETS ACQUIRED DURING 1996-97 ¹

| Type | 1996-97 \$'000 |
|---------------------------|-------------------|
| Hardware | |
| Personal computing | 301 |
| Other computer equipment | 243 |
| Total hardware | 544 |
| Software | 0 |
| Office equipment | 0 |
| Office furniture | 16 |
| Total major assets | 560 |

1. Valued more than \$5,000

SCHEDULE 16

COMPARISON OF WATER USAGE

New South Wales Treasury is located at 1 Farrer Place Sydney, in the Governor Macquarie Tower. This building is a twin tower complex comprised of Governor Phillip and Governor Macquarie Towers.

During 1996-97, the average consumption rate of water was 10.77 kilolitres per person*, for the Governor Macquarie and Governor Phillip Tower complex.

No information has been collated for previous years.

Accordingly, for the 1996-97 period, Treasury had 179 full time employees and a corresponding total consumption rate estimated at 1,927 kilolitres of water.

*Note: There is one water meter shared by both towers in the complex. As a result, the water usage for Treasury alone is difficult to estimate. For the purpose of this report to enable a water usage comparison to be calculated, the approximate total water usage for the complex has been determined (70,000 kilolitres) and divided by the total number of employees in the complex (6,500 employees).

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SCHEDULE 17

PUBLICATIONS

Commencing from May 1996, NSW Treasury has issued its publications according to three categories which readily identify the status of the publication. The categories are:

- ***Treasury Policy and Guidelines Paper*** - Outline Government policy and/or Treasury procedures for the direction or guidance of Agencies.
- ***Treasury Research & Information Paper*** - Aimed at promoting discussion, educating or providing

information on research projects undertaken by Treasury officers.

- **Treasury Working Paper** - Papers prepared and circulated usually for comment as a precursor to its issue as a formal **Policy and Guidelines or Research & Information Paper**.

Publications are allocated a reference number according to their category. Particular publications, for example the State's Budget Papers, the Treasury Annual Report and Corporate Plan, Treasury Circulars, and similar documents are not subject to this classification system.

Available publications issued prior to May 1996 are shown below under broad category headings. Current Treasury publications are available on the Internet from the NSW Treasury Office of Financial Management home page located at <http://www.treasury.nsw.gov.au/>

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Publications issued during 1996-97

Treasury Policy & Guidelines Papers

TPP 97-2 Guidelines for Economic Appraisal

Outlines and promotes a consistent approach to the assessment of potential capital works projects across all public sector agencies.

TPP 97-1 Treasury Management Policy

The Treasury Management Policy sets out the framework for NSW public sector agencies in the undertaking of Treasury functions, including borrowings, investments, derivative transactions, debt and investment management and structured dealings, and relates to both Budget and Commercial Sector agencies.

TPP 96-2 Financial Reporting Code for Budget Dependent Agencies

Presents a comprehensive financial reporting framework, outlining the form and content of financial statements and the accompanying note disclosures, for Budget Sector agencies.

Treasury Research & Information Papers

TRP 97-5 Summary of the 1997-98 Commonwealth Budget

This document is prepared annually and presents a summary of the 1997-98 Commonwealth Budget with particular emphasis on its implications for the States.

TRP 97-4 An Assessment of the Impacts of Restructuring Payroll Taxes

The paper analyses the State and national economic impact of NSW payroll tax reform.

TRP 97-3 Using Performance Measures to drive change within the Public Sector

Discusses the role of performance measurement in driving change within the public sector.

TRP 97-2 Contracting for Services in the NSW Public Sector - 1996 Survey Findings

Results of the 1996 survey of Budget Sector agencies and part of a planned strategy to implement service competition policy in NSW.

TRP 97-1 Performance of NSW Government Businesses - Microeconomic Reform: 1995-96

An annual publication covering the performance of major Government business in terms of efficiency, effectiveness (client service) and financial indicators, using measures that are as standardised as possible. It has a time series coverage going seven years back and three years forward for most businesses. Also included is an overview of the NSW Government's involvement in microeconomic reform.

TRP96-5 Interstate Comparison of Taxes: 1996-97

This publication is produced annually with the assistance of agencies in NSW and other States and Territories, after the delivery of State and Territory Budgets and provides a brief description of each tax to facilitate interstate comparisons.

TRP 96-4 Implementing Contracting Policy in NSW - Lessons from Initial Experience

A report into the implementation of contracting policy in New South Wales conducted by the CTC Research Team, the Graduate School of Business, University of Sydney in consultation with NSW Treasury.

TRP 96-3 Analysis of the 1996-97 Commonwealth Budget

Presents a summary of the 1996-97 Commonwealth Budget with particular emphasis on its implications for the States.

TRP 96-2 The NSW Electricity Supply Industry - the Transition to Full Retail Competition

Provides an overview of the regulatory framework which will apply to the transition to retail competition within the NSW electricity industry. ([back to contents page](#))

Publications issued prior to 1996-97

Treasury Policy Papers

TPP 96-1 Retail Competition in Electricity Supply

Presents the preferred approach to the introduction of competition in electricity retailing in New South Wales. The timetable for introducing competition is set out, consumer protection measures are detailed and trading arrangements described.

Treasury Research and Information Papers

TRP 96-1 Contracting of Services in the NSW Public Sector - 1995 Survey Findings

Provides an analysis of the results of the 1995 survey of competitive tendering and contracting in the NSW Public Sector.

Publications issued prior to May 1996- not subject to current classification system

Budget Sector Policy and Procedures

Excellence in Financial Management - Budget Sector Reform

Provides an overview of the financial management reform program of the NSW Budget Sector.

Budget Procedures Manual

Designed principally for use by Budget Sector Division Staff, the Manual documents the many changes to Budget procedures and processes over recent years. The Manual has also been released to Budget Sector agencies to assist them in understanding how their proposals are analysed and how the Budget is put together. It is prepared in a loose leaf form to enable regular updating.

Commercial Sector Policy Framework

A Policy Framework for Improving the Performance of GTEs

This paper is concerned with the promotion of efficient performance by GTEs including the provision of goods and services to other parts of the public sector.

A Framework for National Performance Monitoring of GTEs

This report to the Special Premiers' Conference in July, 1991 proposes the establishment of a national monitoring system on the comparative performance of GTEs.

A Financial Distribution Policy for NSW GTEs

Outlines guidelines for the financial distributions to be made by GTEs to the Government.

Monitoring Policy for NSW GTEs

Outlines the financial monitoring arrangements which apply to all GTEs.

Guarantee Fees for Commercial Sector Agency Debt

Explains the Government's Guarantee Fee Scheme and provides specific guidance for calculating the fee on the guaranteed debt of GTEs.

Tax Equivalent Regime

- **A Tax Equivalent Regime**

- **A Tax Equivalent Regime for NSW GTEs - Supplementary Document 1- Rules**

- **A Tax Equivalent Regime for NSW GTEs - Supplementary Document 2- Manual**

Establish a framework, largely consistent with that of the Australia Tax Office, within which the State GTEs are subject to corporate and sales tax equivalents.

A Social Program Policy for NSW GTEs

Sets out the Social Program (SP) Policy and its implementation schedule from 1994-95 to 1998-99. It also covers issues such as costing, evaluation and funding of Social Programs (SPs), as well as contracting arrangements between social policy Ministers and their agents as purchasers of SPs and GTE Ministers and GTEs as providers of SPs.

Capital Structure Policy for NSW GTEs

Outlines the NSW Capital Structure Policy and provides a commercially based methodology to be used to determine target capital structures for GTEs, together with the underlying rationale.

Accounting Policy and Procedures

Accounting Guidelines for Reporting Physical Assets in the Budget Sector

Provides guidelines to assist Budget Sector agencies in reporting physical assets.

Policy Guidelines for Valuation of Physical Non-Current Assets in NSW Public Sector

Provides a framework and a set of guidelines to assist public sector agencies in the valuation of their physical non-current assets.

Financial Reporting Code Under Accrual Accounting for Inner Budget Sector Entities

Prescribes the form and content for the annual financial statements prepared by departments on an accrual accounting basis. The Code is issued by the Treasurer under the Public Finance and Audit Act.

Cash Forecasting and Banking Arrangements for Agencies in the Treasury Banking System

Contains operational details of the cash forecasting and banking arrangements which were implemented in October 1992. It also incorporates various suggestions and feedback made by agencies following their implementation.

Guidelines for Capitalisation of Expenditure in the NSW Public Sector

Provides general guidance for the appropriate accounting and budgeting treatment of capital and maintenance expenditures in the NSW Public Sector.

Excellence in Financial Management: Annual Reports - A Guide for the NSW Public Sector

Outlines guidelines for the preparation of annual reports by all government agencies.

Statement of Best Practice - Internal Control & Internal Audit

Provides best practice guidance on internal control and internal audit based on latest developments locally and overseas. It expands the scope of internal control from the traditional one, focusing on financial controls and legal compliance, to one which also incorporates assurance that an agency's objectives are being achieved. It also expands the function of internal audit beyond its traditional financial and compliance focus to form part of the management tool that adds value to the organisation.

Internal Control Assessment

Provides practical advice to agencies in developing and assessing internal control as outlined in the Statement of Best Practice. Examples of the functions, tasks, risks and mitigating controls of a typical agency are provided.

Economic Guidelines and Research

Interstate Comparison of Taxes 1996-97 *

This annual publication contains a comparison of State taxes and selected charges. It is produced with the co-operation of various government agencies in New South Wales and other States.

Public Authority Pricing in NSW -Case Studies

Examines case studies of existing pricing policies and their likely economic, social and environmental consequences.

An Annual Model of the NSW Economy

This paper reports on a simple structural model based on the ABS State Accounts and aimed primarily at forecasting short to medium term trends in NSW.

Possible Applications of Microsimulation for NSW Treasury

Examines the process of modelling socio-economic systems as a means of analysing impacts of policy change.

An Application of the Monash Multi-Regional Forecasting Model - the Economic Impacts of Improving the Productivity of NSW GTEs

This paper considers the impact on the New South Wales and national economies of increasing the productivity of NSW GTEs operating in the electricity, water and transport industries.

Electricity Reform

Electricity Reform Statement

Outlines the Government's reform strategies in relation to the electricity generating sector.

Electricity Distribution Structure Review

Outlines the recommendations of the Distribution Review Group presented in full in the above paper.

Electricity Distribution Structure Review Summary Report

Summary version of the above publication.

Electricity Generation Structure Review

Presents the findings of the Generation Review Group and contains the recommended structure for the New South Wales generation sector.

Sustainable Energy Fund Final Report

Presents the recommendations of the Sustainable Energy Fund Working Group on the establishment of the Sustainable Energy Fund.

Retail Competition in Electricity Supply Issues Paper

Discusses the key issues in introducing retail competition into the NSW electricity sector. Various approaches to introducing retail competition are discussed.

Retail Competition in Electricity Supply Interim Report

Reviews institutional arrangements in the restructured electricity supply industry and presents four options for introducing retail competition. An analysis of each of the options is given.

Other Publications

Agency Relations - Guidelines for Agencies and OFM

Establishes guidelines to ensure harmonious relations and communications within the Office of Financial Management and between the Office of Financial Management and agencies.

State Budget Papers *

- **Budget Summary**

Outlines the key features of the State Budget.

- **Budget Speech BP 1**

The printed version of the speech delivered in Parliament by the Treasurer on Budget day. It highlights the Government's Budget strategy and key features of the Budget.

- **Budget Information BP 2**

Contains background material, supplementary to the Budget Speech and other important financial information. It comprises an in-depth analysis of the economic background to the Budget, a detailed outline of Budget receipts and payments and an overview of financial arrangements with the Commonwealth. It includes information on public sector employment, taxation, debt and borrowings by the State and its instrumentalities.

- **Budget Estimates BP 3**

Contains the detailed estimates of payments in program format, including the amounts to be appropriated from the Consolidated Fund.

- **State Capital Program BP 4**

Lists works-in-progress and new capital works costing \$500,000 or more, being undertaken by departments and authorities within the State's overall Capital Program.

- **Appropriation Bills BP 5**

The Bills presented to Parliament seeking appropriations out of the Consolidated Fund for the current financial year and seeking appropriations from the Consolidated Fund to cover payments made in the previous financial year from the Advance to the Treasurer and under Section 22 of the Public Finance and Audit Act 1983.

- **Government Finance Statistics and Loan Council Reporting BP 6**

Details outlays, revenues and financing transactions for the New South Wales public sector, based on international conventions for public finance statistics.

- **Social Justice Budget Statement**

Outlines the Government's Budget initiatives on social justice programs.

NSW Consolidated Financial Statements 1995-96 *

An annual publication outlining government activities and overall financial position of the State Public Sector.

NSW Budget Sector Consolidated Financial Statements - for 6 months ending 31-12-96*

Half-yearly consolidated financial statements for the Budget Sector.

NSW Public Accounts 1995-96 *

Comprises the Budget Sector Consolidated Financial Statements and supplementary information. They are prepared in accordance with the Public Finance and Audit Act 1983 and are audited by the Auditor-General for tabling in Parliament.

NSW Treasury (OFM) Strategic Plan *

- **Corporate Plan**

Revised each year - with a more fundamental review every three years - it outlines the mission, philosophy,

environment, objectives and strategies of OFM and its Divisions.

- **Divisional Work Plans**

Internal OFM documents which translate the Corporate Plan into action by detailing the implementation tasks which are to be undertaken to address the corporate objectives.

**NSW Treasury (OFM)
Commitment to Service ***

An annual pamphlet which documents the guarantee of service given to OFM clients.

NSW Treasury Annual Report *

Prepared each year in accordance with the provisions of the Annual Reports (Departments) Act 1985.

Managing State Finance - the NSW Experience (D Nicholls)

This book, published by Treasury, was written by Don Nicholls, former Deputy Secretary. It covers every aspect of public financial management including budget and accounting. It gives an insight into the historical development of the State financial system, with a focus on the financial management reforms of the past decade. ([back to contents page](#))

* Issued during 1996-97.

SCHEDULE 18

CIRCULARS

| | Circular Number | Date |
|--|----------------------------|-------------|
| Results of Annual Reports Review Program | TC96/10 | 19/07/96 |
| Cross Border Leases | TC96/11 | 10/10/96 |
| Superannuation Payroll Tax Liability | TC96/12 | 10/10/96 |
| Equal Employment Opportunity Disclosure Requirements | TC97/1 | 7/2/97 |
| Fringe Benefits Tax - Annual Returns 31 March 1997 | TC97/2 | 10/3/97 |
| Sales Tax Payable on Government Motor Vehicle Purchases | TC97/3 | 6/5/97 |
| Guidelines on Reporting of Investment and Liability Management Performance | TC97/4 | 3/6/97 |
| Re-Financing of Loans | TC97/5 | 20/6/97 |
| Variations in Authorised Payments from the Consolidated Funds | TC97/6 | 20/6/97 |
| Annual Reporting Update | TC97/7 | 23/6/97 |

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SCHEDULE 19

TREASURER'S LEGISLATION

Full Listing of Legislation

Accommodation Levy Act 1997 No 32

Annual Reports (Departments) Act 1985 No. 156.

Annual Reports (Statutory Bodies) Act 1984 No. 87.

Australia and New Zealand Banking Group Limited (NMRB) Act 1991 No. 35.

Bank Integration Act 1992 No. 80.

Bank Mergers Act 1996 No 130

Bank Mergers Act 1997

Bank Mergers (Application of Laws) Act 1996 No 64

Banks and Bank Holidays Act 1912 No. 43, section 22. (remainder, Minister for Industrial Relations)

Business Franchise Licences (Petroleum Products) Act 1987 No. 94.

Business Franchise Licences (Tobacco) Act 1987 No. 93.

Business Franchise Licences (Tobacco) Amendment Act 1996, No. 119

Business Franchise Licences (Tobacco) Amendment Regulation 1997

Canberra Advance Bank Limited (Merger) Act 1992 No. 17.

Capital Debt Charges Act 1957 No. 1.

Commonwealth Powers (State Banking) Act 1992 No. 104.

Conversion of Securities Adjustment Act 1931 No. 63.

Cooperation Act 1923 (1924 No1) (except parts, Minister for Housing and Minister for Fair Trading)

Dartmouth Reservoir (Financial Agreement) Act 1970 No. 30.

Debits Tax Act 1990 No. 112.

Decimal Currency Act 1965 No. 33.

Educational Institutions (Stamp Duties Exemption) Act 1961 No. 37.

Electricity Supply (amendment) Act 1997

Energy Services Corporations Act 1995 No. 95.

Federal Aid Roads (Further Agreement) Act 1931 No. 49.

Finances Adjustment Act 1932 No 27

Financial Agreement Act 1944 No 29

Financial Agreement Act 1994 No 71

Financial Agreement (Amendment) Act1976 No35

Financial Agreement (Decimal currency) Act 1966 No 39

Financial Agreement Ratification Act 1928 No 14

Financial Agreement (Returned Soldiers) Ratification Act 1935 No 1

Financial Institutions (New South Wales) Act 1992 No. 46.

Financial Institutions Commission Act 1992 No. 47.

Friendly Societies Act 1989, No 232

Friendly Societies Act 1997, No 11

General Government Debt Elimination Act 1995, No. 83.

Government Guarantees Act 1934 No. 57.

Government Insurance Office (Privatisation) Act 1991 No. 38.

Health Insurance Levies Act 1982 No. 159.

Inscribed Stock (Issue and Renewals) Act 1912 No. 51.

Inscribed Stock Act 1902 No. 79.

Interest Reduction Act 1931 No. 44.

Internal Audit Bureau Act 1992 No. 20.

Land Tax Act 1956 No. 27.

Land Tax Management Act 1956 No. 26.

NSW Grain Corporation Holdings Limited Act 1992 No. 31.

Pay-roll Tax Act 1971 No. 22.

Petroleum Products Subsidy Act 1965 No. 1.

Public Authorities (Financial Arrangements) Act 1987 No. 33.

Public Authorities (Financial Arrangements) Regulation 1995

Public Finance and Audit Act 1983 No. 152 (except parts, Premier).

Public Loans Act 1902 No. 81.

Regulation under Land Tax Management Act 1956

Regulation under Taxation Administration Act 1996

Revenue Laws (Reciprocal Powers) Act 1987 No. 86.

Road Improvement (Special Funding) Act 1989 No. 95.

Secondary Mortgage Market (State Equity Participation) Act 1985 No. 131.

Stamp Duties Act 1920 No. 47.

State Bank (Corporatisation) Act 1989 No. 195.

State Bank of South Australia (Transfer of Undertaking) Act 1994 No. 47.
State Bank (Privatisation) Act 1994 No. 73.
State Revenue Legislation (Further Amendment) Act, 1996.
State Revenue Legislation Amendment Act 1997 No 37
State Revenue Legislation Further Amendment Act 1997 No 41
Superannuation Administration Act 1996 No 39
Superannuation (Axiom Funds Management Corporation) Act 1996, No. 40.
Taxation Administration Act 1996 No 43
Totalizator Act 1997 No 45
Totalizator Agency Board Privatisation Act 1997 No 43
Treasury Corporation Act 1983 No. 75.
Trustees Protection Act 1931 No. 28.
Unclaimed Money Act 1995 No. 75.
Unclaimed Money Amendment Act 1997 No 30
Wills, Probate and Administration Act 1898 No. 13, Section 61B(7) and (8) (remainder, Attorney General).

Legislative Changes during 1996-97

1. A number of amendments to *the Public Finance and Audit Act 1983, the Public Finance and Audit (General) Regulation 1995, the Public Authorities (Financial Arrangements) Act 1987 and the Public Authorities (Financial Arrangements) Regulation 1995* involving matters of a machinery or administrative nature were made during 1996/97, eg updating the lists of departments and statutory bodies and conferring appropriate investment and borrowing powers on specific agencies.
2. The *Annual Reports (Departments) Regulation 1995* and the *Annual Reports (Statutory Bodies) Regulation 1995* were amended to require the inclusion of ethnic affairs priorities statements and information relating to the implementation of ethnic affairs agreements in annual reports. These regulations were also amended to require particulars of account payment performance to be included in the reports.
3. The *Public Finance and Audit Act 1983, the Public Finance and Audit (General) Regulation 1995, the Public Authorities (Financial Arrangements) Act 1987 and the Public Authorities (Financial Arrangements) Regulation 1995* were amended so as to permit entities whose investment powers are regulated by New South Wales legislation to invest their funds in financial products offered by building societies and credit unions.
4. The *Public Authorities (Financial Arrangements) Act 1987* and the *Public Authorities (Financial Arrangements) Regulation 1995* were amended to extend the definition of "financial adjustments" to include further transactions or arrangements (similar to those already prescribed) and to transfer the statutory definition of "financial adjustments" from the Regulation to the Act.
5. The *Public Authorities (Financial Arrangements) Regulation 1995* was amended to specify certain terms that may be included in the Treasurer's approval to the obtaining of financial accommodation under the *Public Authorities (Financial Arrangements) Act 1987*.

6. The *Superannuation (Axiom Funds Management Corporation) Act 1996* established the Axiom Funds Management Corporation as the new funds management body for public sector superannuation schemes. Axiom was converted to a Corporations Law company and sold to Deutsche Australia Ltd in May 1997.
7. The *Bank Mergers (Application of Laws) Act* enables the Governor to issue a proclamation to apply in New South Wales the legislation passed in another State or Territory which facilitates the merger of banks in that other State or Territory. The effect will be to merge the banks in New South Wales without the requirement for further legislation to that effect in New South Wales. The Act also provides that the proclamation may modify the application in New South Wales of the law of the other State or Territory so that it may be effective in New South Wales to merge the assets and liabilities in New South Wales of the banks concerned and that any provisions in the legislation of another State or Territory relating to government guarantees or tax exemptions do not apply in New South Wales. A proclamation in relation to the merger in New South Wales of banks will not be issued unless an appropriate amount of tax has been paid in respect of the merger or an undertaking to pay has been received.
8. The *Bank Mergers Act 1997* enables the Governor to issue a regulation setting out the terms and conditions to apply in New South Wales to facilitate the merger of banks where the merger originates in New South Wales. A regulation in relation to the merger in New South Wales of banks will not be issued unless an appropriate amount of tax has been paid in respect of the merger or an undertaking to pay has been received.
9. The *Electricity Supply (Amendment) Act 1997* imposes the Electricity Distributor Levy, a tax on the profits of electricity distributors in New South Wales. The levy is expected to raise \$100 million in 1997-98 and annually thereafter. The Act also increases by 0.550 cents per kilowatt hour the distribution charge imposed on electricity customers with consumption above 750 megawatt hours annually.
10. The *State Revenue Legislation (Miscellaneous Amendments) Act 1996 No. 125* amended various state revenue legislation on stamp duty, debits tax, pay-roll tax, land tax, and reciprocal powers. These were minor in nature, except the pay-roll tax on employers' contribution to superannuation funds.
11. The *Business Franchise Licences (Tobacco) Amendment Act 1996 No. 119* amended the main Act to make provisions with respect to regulation and control of distribution, sale and purchase of tobacco as well as amending the Revenue Laws (Reciprocal Powers) Act 1987 with respect to exchange of information with Australian Customs Service.
12. The *Taxation Administration Act 1996 No 97* came into effect from 1 January 1997. This was prepared in consultation with five other jurisdictions with the result all provisions (with minor exceptions to local variations in certain areas) are similar in all participating jurisdictions.

The administrative provisions covered by the Act will apply to six items of legislation. They are pay-roll tax, land tax, debits tax, parking space levy, health insurance levies and stamp duty. TAA now applies to five Acts, except stamp duty. TAA will apply to stamp duty when the new Duties Act comes into effect, which is expected to be 1 March 1998
13. The *Unclaimed Money Amendment Act 1997 No 30*, assented to on 25 June 1997, covered amendments to the NSW Unclaimed Money Act to require superannuation funds to remit unclaimed benefits to the NSW Chief Commissioner of State Revenue and made the administrative provisions of the NSW Unclaimed Money Act consistent with the Taxation Administration Act 1996.
14. The *State Revenue Legislation Amendment Act 1997 No 37* was cognate with the Appropriation Bill 1997. The objectives of the Act were as follows to:

- Increase in health insurance levy
- Impose land tax on principal place of residence (land value over \$1 million)
- Increase in parking space levy
- Impose duty under the Registered Clubs Act 1976 on profits from gaming devices;
- Extend stamp duty exemption on intergenerational transfers of rural land and leases.

15. The *Accommodation Levy Act 1997 No 32* imposes a levy on charges for the provision of residential accommodation on or after 1 September 1997 at a place of accommodation situated within the area to which the proposed Act applies

16. The *State Revenue Legislation Further Amendment Act 1997 No 41* essentially covered the following:

- Loan securities associated with certain consumer credit contracts
- Takeovers of NSW public companies
- Amendment of The Land Tax Management Act 1956, enabling the transfer of regulation to the main act.

17. The *Business Franchise Licences (Tobacco) Amendment Regulation 1997* was Gazetted on 27 June 1997 (Gazette No. 68 - PP 4783 - 4786) and commenced on that date. The Regulation provides as for the matters set out below.

- Licensed tobacco retailers must reapply for a retailer's licence every 3 years. When applying they must provide particulars of their licensed businesses. These particulars will be the same as those which are provided by a person who applies for a licence to the first time.
- The failure to supply the particulars when required as referred to in the above paragraph, will result in forfeiture of the right to the general exemption from the monthly fixed fee granted under clause 12 of the Business Franchise Licences (Tobacco) Regulation 1995.
- The Regulation dispenses with an exemption under which a licensed tobacco retailer who purchased from an unlicensed person could claim that he or she believed the vendor of the tobacco to have been licensed and thereby is exempt from payment of the ad valorem component of the licence fee.
- When licenses purchase tobacco they must verify whether or not the vendor has a valid licence and if not the purchases will be required to pay full and valorem licence fees under section 41 of the Business Franchise Licences (Tobacco) Act.

18. The *Regulation under Land Tax Management Act 1956* without significant changes was transferred into the main Act. This was achieved through State Revenue Legislation Further Amendment Act 1997 No. 41 assented to on 30 June 1997

19. The *Regulation under Taxation Administration Act 1996* prescribing laws of other jurisdiction as recognised revenue laws for the purpose of reciprocal powers was made and was gazetted on 20 December 1996 (pp 8615--8618). ([back to contents page](#))

SCHEDULE 20

TREASURY'S FOLLOW-UP TO PUBLIC ACCOUNTS COMMITTEE REPORTS

During 1996-97 the Public Accounts Committee (PAC) issued two reports which dealt with matters of relevance to the Treasury. The main recommendations of the reports, and Treasury's comments on them, are summarised below. The comments only reflect the Treasury's views and they are not necessarily indicative of the position of the Government.

Report No 107 "Follow-up of Selected Public Accounts Committee Reports: 1988 - 1996"

In order to gain an overview of the success of its reports, the Public Accounts Committee has investigated the implementation of the recommendations of a selection of Committee reports published between 1988 and 1996. For each report reviewed, the Committee has examined the extent of the implementation of its recommendations and rated the overall "success" of the report.

The Committee found that, on the whole, based on the take up of the recommendations in the reports reviewed, it has been able to make an important contribution to the improved accountability and management of the NSW Public Sector. Of the reports reviewed by the Committee, 64% were regarded as successfully implemented, with the most effective reports being those which were initiated by references from Ministers.

Twenty seven reports were reviewed by the Committee. Ten reports were related directly to the Treasurer's portfolio of which the Committee regarded five as "successfully implemented", one as "partially implemented", two as "not successfully implemented" and two as "not yet implemented".

The reports which the Committee regard as "successfully implemented" include:

Report No 47: "The Challenge of Accountability" (Nov 1989)

Report No 55: "Payment Performance" (April 1991)

Report No 61: "Follow-up Report on Financial Accountability" (June 1992)

Report No 64: "Report on Progress of Financial Reform in the New South Wales Public Sector" (June 1992)

Report No 71: "Internal Audit in the New South Wales Public Sector" (June 1993)

Report No 60 "Report on Dividend Payments Made by Statutory Authorities to the Consolidated Fund" (April 1992) was regarded by the Committee as being "partially implemented". Subsequent to the Committee's review, the Treasury has redrafted the August 1992 dividend policy statement "A Financial Distribution Policy for NSW Government Trading Enterprises". The revised policy addresses the remainder of the Committee's recommendations and is currently being finalised and is due to be released shortly.

Report No 82 "Matters Arising from the Auditor-General's Reports" and Report No 43 "Report on Payments Without Parliamentary Appropriation" were regarded as "not successfully implemented" by the PAC.

The broad-based review of the Public Trustee Office as recommended in Report No 82 has in essence been subsequently conducted by the Microeconomic and GTE Economic Reform Committee of Cabinet. The Committee of Cabinet considered the role and purpose of the Public Trustee and recommended that it be corporatised. The key recommendations in Report No 43 concerning payments made under section 22 of the Public Finance and Audit Act have been implemented as a result of later developments and this was noted by the Committee.

The Committee are awaiting further developments before commenting on the success of Report No 95 "Annual Reporting in the NSW Public Sector: the truth, the whole truth and nothing but the truth?" and Report No 94 "Offshore and Off-Target - Why NSW lags the field in overseas projects".

The recommendations contained in Report No 95 have already been incorporated in the Treasury's draft consultative document on "A Fundamental Review of NSW Financial and Annual Reporting Legislation" which is awaiting issue as a Green Paper. The proposed legislation is planned to be introduced into Parliament during the 1998 Budget Session.

In response to Report No 94, the Treasury has been advised that the Department of State and Regional Development has submitted a proposal addressing the issues raised by the PAC.

The PAC recommended in its report, that the Government provide two responses to PAC reports to be tabled in Parliament. The first response within six months of the report being tabled (as per Premier's Memorandum to Ministers No 96-9) and the second with greater detail on the implementation of the recommendations within eighteen months of the first response. This is a matter for decision by the Government.

Report No 108 "Matters Arising from the Auditor-General's 1996 Report"

The purpose of the PAC's inquiry was to examine the major matters raised in the Auditor-General's 1996 report to Parliament. Of particular interest to the Treasury were the Committee's recommendations relating to the Public Trustee.

In the report, the Committee focussed on the proposed corporatisation of the Public Trustee. It commented that the Treasury had not issued a Green Paper outlining to the public the reasons for corporatisation, the benefits, the costs and the implications for those currently involved with the Public Trustee. The Committee had previously recommended that a Green Paper be issued.

A Green Paper is currently being drafted by the Treasury, along the lines as suggested by the Committee. The Attorney General's Department is participating in the paper's drafting. ([back to contents page](#))

SCHEDULE 21

ANNUAL REPORTING LEGISLATION

Review of Annual Reports

| | | |
|--|-----------|------|
| Number of annual reports to be received by the Treasurer | 149 | |
| - Statutory bodies | | |
| - Departments | <u>53</u> | 202 |
| Number of reports reviewed | | 24 |
| Number of reports for which matters were raised with agencies | | 20 |
| Number of reports for which matters were satisfactorily resolved | | 20 |
| Percentage of reports which were satisfactorily resolved | | 100% |

Under the Annual Reports Acts, a copy of the annual report of each agency is required to be submitted to the Treasurer within four months of the end of the financial year. Since the end of 1991, the Treasury has engaged the Audit Office of NSW to assist in the examination of annual reports. The review program is an integral part of the Treasury's strategy aimed at enhancing statutory compliance and the overall quality of the information presented in annual reports.

The key objectives of the program are:

- To examine agencies' compliance with statutory annual reporting requirements; and
- To recommend proposed approaches to further improve particular areas of reporting.

Instances of apparent non-compliance with legislation are raised with the agencies concerned. In the event that an agency fails to take appropriate action and the matters involved are significant, the policy is to raise these with the responsible Minister. All major cases of non-compliance may also be commented on in the Auditor-General's Reports to Parliament and the Treasury's Annual Report.

The Public Bodies Review Committee was established by Parliament in May 1995 to examine and monitor the annual reports of NSW Public Sector agencies. As part of the co-operative arrangements between the Committee and the Treasury, the results of the reviews are referred to the Committee for consideration and any follow-up action that it may consider appropriate. In exercising its functions, hearings are conducted, from time to time, by the Committee into matters covered by agencies' annual reports.

A review of the 1995-96 annual reports has recently been completed by the Audit Office. A sample of twenty four annual reports was examined with a special focus on the reporting of performance and accountability issues. This was in addition to the usual compliance review.

The following problem areas were identified among a large number of agencies:

- Lack of comprehensive coverage of qualitative and quantitative measures of performance, for example, lack of a detailed commentary on significant trends and unclear linkage between reported inputs, outputs and outcomes;
- Agencies not giving enough information on problems, difficulties and setbacks faced during the year;
- Consumer complaints and changes made as a result of complaints or suggestions are not well covered;
- Agencies not reporting their standards for providing services together with comments on any variances from the standards or changes made to the standards;
- Inadequate information provided on risk management;
- Agencies not adequately reporting on personnel policies and practices.

Based on the Audit Office's review of the 1995-96 annual reports, Treasury Circular TC97/7 "Annual Reporting Update" was issued to provide agencies with suggestions for further improvement of their annual reports as well as references to examples of "better" reporting practices on particular areas.

Exemptions/Variations from Public Finance and Audit Act and Regulations

| Agency | Applicable Financial Year(s) | Exemption / Variation Granted | Reason(s) for Approval |
|--|-------------------------------------|---|---|
| National Parks and Wildlife Service | 1996-97 onwards | Exemption from the requirements of Treasurer's Directions 130.01 in relation to the banking of collections at remote offices. [s 9(2)(n) PFAA] | To allow the banking of collections in remote areas to be managed more efficiently without compromising the controls. Exemption granted subject to the continued operation of appropriate control procedures. |

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|---|---------------------|---|---|
| EnergySouth | 1995-96 | Exemption from Treasury Circular No G1991/20 and the requirement to revalue assets residing in the water supply businesses of predecessor electricity distributors. [s 9(2)(n) PFAA] | The water supply assets were shortly to be transferred to another entity. |
| Tobacco Leaf Marketing Board | 1995-96 | Approval for the final financial period to be from 1 January 1994 to the date of wind up. [s 4(1A) PFAA] | To extend the Board's final financial year to the date of wind up. |
| Department of School Education | 1995-96 | Exemption from section 3.16(e) of the Financial Reporting Code which requires disclosure of the carrying amount of the total assets that are directly attributable to individual programs. [s 45E(3) PFAA] | The Department has extensive school assets which are utilised to varying degrees at different times over a wide range of activities. Consequently it is not possible to reliably apportion asset values to the programs. |
| Valuer General's Office | 1995-96 and 1996-97 | Exemption from Treasury Circular No G1991/20 and the requirement to revalue its Computerised Valuation Roll Maintenance System. [s 9(2)(n) PFAA] | The Office was to be split into two organisations, a regulator and an operator. The full impact of the change on the future utility and value of the system was unknown |
| EnergyAustralia Integral Energy NorthPower Advance Energy Great Southern Energy Australian Inland Energy | 1.7.95 - 29.2.96 | Approval to modify the financial statement requirements. [s 9(2)(n) PFAA] | New electricity distributors were formed on 1 October 1995 and were subsequently corporatised on 1 March 1996. Rather than preparing two separate sets of full financial statements for these periods, approval was granted to prepare an abbreviated set of financial statements for the period 1 July 1995 to 29 February 1996. |

| | | | |
|---|-------------------|---|--|
| Historic Houses Trust of New South Wales | 1995-96 | Exemption from Treasury Circular G 1991/20 and the requirement to revalue the Government House and its collections. [s 9(2)(n) PFAA] | Due to financial constraints, the Trust had to stagger its revaluation exercise over 2 years. |
| Department of Housing | 1995-96 | Exemption from Treasury Circular G1991/20 and the revaluation requirement. [s 9(2)(n) PFAA] | The sampling methodology adopted resulted in a significant degree of uncertainty in the valuation figure. Therefore the revaluation was not able to be carried out. |
| Advance Energy Delta Electricity EnergyAustralia Far West Energy Integral Energy Macquarie Generation NorthPower Pacific Power Great Southern Energy | 1995-96 | Exemption from certain disclosure requirements in the Public Finance and Audit (General) Regulation 1995 (eg consultants, program information). [cl 15 PFAR] | Exemption from certain financial statement requirements was granted to a number of statutory State Owned Corporations plus one statutory body operating in competition as compliance would lead to the disclosure of commercially sensitive information. |
| Sydney West Airport Development Corporation | 1995-97 | Approval granted for a 24 month financial period from 1.7.95 to 30.6.97. [s 4(1A) PFAA] | There had been no financial activities in 1995-96 as a result of the Commonwealth Government's decision to undertake an Environmental Impact Study. |
| Australian Water and Coastal Studies Pty Ltd | 1.10.95 - 30.4.97 | Approval granted for a 19 month financial period from 1.10.95 to 30.4.97. [s 4(1A) PFAA] | To enable the company to proceed with the winding up of the business. |
| NSW Police | 1995-96 onwards | Approval granted in accordance with Treasurer's Direction TD 212.09 to dispense with manuscript signatures for system generated cheques. [s 9(2)(n) PFAA] | Approval granted subject to adherence to appropriate control procedures. |

| | | | |
|---|---------------------|--|--|
| Rice Marketing Board | 1995-96 onwards | Exemption from Treasury Circular G 1991/20 and the requirement to revalue non-current physical assets [s 9(2)(n) PFAA] | Impact on the ricegrower's income as a result of depreciating assets based on the revalued asset amounts. Granted subject to note disclosure of revaluations, which are required to be not greater than 5 years apart. |
| FANMAC Trusts | 1995-96 and 1996-97 | Direction not to consolidate the assets and liabilities of the FANMAC trusts. [s 9(2)(n) PFAA] | Treasury is of the view that the Government does not control the trusts. |
| Attorney General's Department | 1996-97 | Exemption from Treasury Circular G1991/20 and the requirement to revalue the non-current physical assets. [s 9(2)(n) PFAA] | Assets to be revalued over a 3 year cyclical program commencing in 1996-97. |
| Historic Houses Trust | 1996-97 | Exemption from Treasury Circular G1991/20 and the requirement to revalue collections at Rouse Hill, Susannah Place and Meroogal. [s 9(2)(n) PFAA] | Priority given to the revaluation of the Government House collections. Collections at Rouse Hill, Susannah Place and Meroogal had previously been valued. |
| Sydney Market Authority | 1.7.96 - 30.9.97 | Approval granted for a final 15 month financial period from 1.7.96 to 30.9.97. [s 4(1A) PFAA] | The Authority was to be dissolved and it was expected that operations would cease on 30 September 1997. |
| Energy Efficient Research Centre Limited | 1996-97 | Approval granted to exempt the preparation of financial statements at the date of winding up. [s 43A(5) PFAA] | The Centre is currently being wound up and has recently been audited. Exemption granted subject to the conduct of an audit of the company's books to ensure the proper discharge of liabilities and transfer of residual assets. |

| | | | |
|--|---------------------|--|--|
| Department of Corrective Services | 1996-97 onwards | Exemption from the requirement of Treasurer's Direction TD 220.01(4) regarding the issue of cheques. [s 9(2)(n) PFAA] | To improve efficiency and reduce administrative costs associated with the processing of accounts payable vouchers and payment of suppliers. Exemption subject to adhering to certain control procedures. |
| Election Funding Authority | 1996-97 onwards | Withdrawal of permanent exemption which allowed the Authority to dispense with the need to prepare its financial statements on an accrual basis. [s 41BA(1) PFAA] | The Authority have commenced reporting on an accrual basis. |
| Roads and Traffic Authority | 1995-96 and 1996-97 | Exemption not to include budgetary amounts as required by the Financial Reporting Code. [s 9(2)(n) and s 45E PFAA] | The Public Finance and Audit Act states that statutory bodies must not include budget information. The Authority is a statutory body. |

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Exemptions/Variations from Annual Reports Act and Regulations

| Agency | Applicable Financial Year(s) | Exemption / Variation Granted | Reason(s) for Approval |
|-------------------------|-------------------------------------|--|--|
| Joint Coal Board | 1995-96 | Exemption from the requirement to prepare its annual report in ISOA4 format. [s 19 ARSBR] | The Board is required to table its annual report in both the Commonwealth and NSW Parliament. The Commonwealth requires B5 presentation, while NSW requires A4 format. |

| | | | |
|---|-----------------|--|--|
| Sydney Organising Committee of the Olympic Games | 1995-96 | Exemption from the disclosure of an outline budget for the following year and the detailed budget for the year in the annual report. [s 7(2) ARSBA] | According to the Sydney Organising Committee for the Olympic Games Act 1993 a budget which has not received the approval of the Minister and the President of the Australian Olympic Committee cannot be published. The budget for SOCOG was not approved by the date of publication of its 1995-96 annual report. |
| Public Sector Executives Superannuation Board | 1995-96 | Exemption from the inclusion of an outline budget for the following year in the annual report. [s 7(2) ARSBA] | Practical difficulties had been encountered in attempting to accurately forecast income and expenditure. |
| Sydney Ports Corporation Port Kembla Port Corporation Newcastle Port Corporation | 1995-96 onwards | Exemption from the inclusion of an outline budget for the following year and the detailed budget for the year. [s 7(2) ARSBA] | Companies operating in a commercial and competitive environment would not normally report budget information publicly. |
| Great Southern Energy Advance Energy Integral Energy NorthPower Australian Inland Energy Energy Australia Delta Electricity Macquarie Generation Pacific Power | 1995-96 | Exemption from certain disclosures required by the annual reports legislation (eg budget information, research and development). [s 7(2)ARSBA, and cl 19 ARSBR] | Statutory State Owned Corporations and statutory bodies operating in competition are not required to disclose commercially sensitive information under the Treasury's policy. |

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Extensions of Time Granted

1. To Submit Financial Statements

| Agency | Applicable Financial Year(s) | Exemption / Variation Granted | Reason(s) for Approval |
|---|-------------------------------------|--|--|
| State Rail Authority of NSW | 1995-96 | Extension of time of 4 weeks: [s 42(3) PFAA] | To ensure all assets and liabilities were valued as accurately as possible before being transferred to the new rail entities. |
| Pacific Power | 1995-96 | Extension of time of 2 weeks: [s 42(3) PFAA] | Several major outstanding issues including asset valuations delayed the production of the financial statements. |
| EnergyAustralia Integral Energy NorthPower Advance Energy Great Southern Energy Australian Inland Energy | 1.7.95 - 29.2.96 | Extension of time for the preparation and audit of the financial statements for the period 1 July 1995 to 29 February 1996 to coincide with the reporting time periods under the State Owned Corporations Act for the period ended 30 June 1996. [s 42(3) PFAA] | New electricity distributors were formed on 1 October 1995 and were subsequently corporatised on 1 March 1996. The reporting period under the State Owned Corporations Act was from 1 March to 30 June 1996. |
| Building Services Corporation | 1995-96 | Extension of time of 2 weeks: [s 42(3) PFAA] | The amalgamation into the Department of Fair Trading and the move to a new Financial System had delayed the preparation of the financial statements. |
| Advance Energy | 1995-96 | Extension of time of 3 weeks: [s 42(3) PFAA] | The amalgamation and corporatisation process and the implementation of a new financial system caused difficulties in the preparation of the financial statements. |
| Department of School Education | 1995-96 | Extension of time of 3 weeks: [s 45H(1) PFAA] | Major restructure of the Department over the period from August 1995 to December 1996 delayed the preparation of the financial statements. |

| | | | |
|--------------------------|-----------------|---|---|
| WorkCover NSW | 1995-96 onwards | Extension of time to 30 September (approx 7 weeks) each year: [s 42(3) PFAA] | To enable the preparation and inclusion of the WorkCover Statutory Funds. |
|--------------------------|-----------------|---|---|

2. To Submit Annual Reports

| Agency | Applicable Financial Year(s) | Extension Granted | Reason(s) for Approval |
|-----------------------------------|-------------------------------------|--|--|
| Department of Fair Trading | 1995-96 | Extension of time of 4 weeks: [s 16ARDA]. | The two week extension given to Building Services Corporation's financial statements delayed the finalisation of the Department's annual report. Operational difficulties associated with the restructuring process also contributed to the delay. |
| Great Southern Energy | 1995-96 | Extension of time of 3 weeks: [s13 (3) ARSBA] | Difficulties as a result of obtaining information from the nine predecessor distributors. |
| NorthPower | 1995-96 | Extension of time 1 week: [s 13(3) ARSBA] | Delay in the issue of an Audit Certificate. |
| Parramatta Stadium Trust | 1996 | Extension of time 1 month: [s 13(3) ARSBA] | Difficulties as a result of the number of events being conducted at the Stadium during the preparation of the annual report. |
| WorkCover NSW | 1995-96 onwards | Extension of time 1 month each year: [s 13(3) ARSBA] | Seven week extension of time given for the preparation of the financial statements. |

Reference

PFAA - Public Finance and Audit Act 1985

PFAR - Public Finance and Audit (General) Regulation 1995

ARDA - Annual Reports (Departments) Act 1985

ARDR - Annual Reports (Departments) Regulation 1995

ARSBA - Annual Reports (Statutory Bodies) Act 1985

ARSBR - Annual Reports (Statutory Bodies) Regulation 1995

Treasury Circular G1991/20: "Accounting Policies for Revaluation of Non Current Physical Assets"

Financial Reporting Code: "Financial Reporting Code under Accrual Accounting for Inner Budget Sector Entities"

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- [Cash Flow Statements](#)
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STATEMENT BY DEPARTMENT HEAD

Pursuant to Section 45F of the Public Finance and Audit Act 1983, I state that:

- a) The accompanying financial statements in respect of the year ended 30 June 1997 have been prepared in accordance with the provisions of the Public Finance and Audit Act 1983, the Financial Reporting Code for Budget Dependent Agencies, the Public Finance and Audit (General) Regulation 1995 (as applicable) and the Treasurer's Directions;
- b) The statements exhibit a true and fair view of the financial position and transactions of the Department; and
- c) There are no circumstances which would render any particulars included in the financial statements to be misleading or inaccurate.

J. Pierce
Secretary
 28 September 1997

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OPERATING STATEMENT FOR THE YEAR ENDED 30 JUNE 1997

| | Notes | Actual 1997 \$'000 | Budget 1997 \$'000 | Actual 1996 \$'000 |
|----------------------------|-------|--------------------------|--------------------------|--------------------------|
| Expenses | | | | |
| Operating expenses | | | | |
| - Employee related | 2(a) | 45 582 | 46 499 | 41 966 |
| - Other operating expenses | 2(b) | 29 185 | 20 509 | 24 134 |
| Maintenance | 2(c) | 679 | 773 | 715 |
| Depreciation | 2(d) | 5 137 | 3 187 | 4 257 |
| Grants and subsidies | 2(e) | 9 980 | 10 050 | 9 640 |

| | | | | |
|--|------|------------------------|-----------------------|----------------------|
| Other expenses | 2(f) | <u>2 214</u> | <u>1 565</u> | <u>1 827</u> |
| Total Expenses | | <u>92 777</u> | <u>82 583</u> | <u>82 539</u> |
| Less: | | | | |
| Retained Revenue | | | | |
| Sale of goods and services | 3(a) | 3 274 | 2 821 | 2 870 |
| Grants and contributions | 3(b) | 733 | 73 | 93 |
| Other revenue | 3(c) | <u>774</u> | <u>553</u> | <u>725</u> |
| Total Retained Revenue | | <u>4 781</u> | <u>3 447</u> | <u>3 688</u> |
| Gain/(loss) on sale of non-current assets | 4 | <u>57</u> | - | <u>(83)</u> |
| NET COST OF SERVICES | 19 | <u>87 939</u> | <u>79 136</u> | <u>78 934</u> |
| Government Contributions | | | | |
| Recurrent appropriation | | 70 920 | 70 568 | 70 931 |
| Capital appropriation | | 1 906 | 2 659 | 8 898 |
| Acceptance by the Crown Transactions Entity of employee entitlements and other liabilities | 6 | <u>461</u> | <u>4 156</u> | <u>4 572</u> |
| Total Government Contributions | | <u>77 287</u> | <u>77 383</u> | <u>84 401</u> |
| SURPLUS/(DEFICIT) FOR THE YEAR | | <u>(10 652)</u> | <u>(1 753)</u> | <u>5 467</u> |

The accompanying notes form part of these statements.

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**STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 1997**

| | Notes | Actual 1997 \$'000 | Budget 1997 \$'000 | Actual 1996 \$'000 |
|-----------------------------|--------------|-----------------------------------|-----------------------------------|-----------------------------------|
| ASSETS | | | | |
| Current Assets | | | | |
| Cash | 17 | 3 697 | 8 061 | 10 397 |
| Receivables | 8 | 916 | 703 | 498 |
| Other | | <u>949</u> | <u>819</u> | <u>954</u> |
| Total Current Assets | | <u>5 562</u> | <u>9 583</u> | <u>11 849</u> |
| Non-Current Assets | | | | |

| | | | | |
|--------------------------------------|----|----------------------|----------------------|----------------------|
| Plant and Equipment | 9 | 20 005 | 21 877 | 21 405 |
| Other | | <u>58</u> | <u>105</u> | <u>105</u> |
| Total Non-Current Assets | | <u>20 063</u> | <u>21 982</u> | <u>21 510</u> |
| Total Assets | | <u>25 625</u> | <u>31 565</u> | <u>33 359</u> |
| LIABILITIES | | | | |
| Current Liabilities | | | | |
| Accounts payable | 10 | 602 | 678 | 682 |
| Employee entitlements | 11 | 4 912 | 3 571 | 3 487 |
| Other | 12 | <u>121</u> | <u>121</u> | <u>121</u> |
| Total Current Liabilities | | <u>5 635</u> | <u>4 370</u> | <u>4 290</u> |
| Non-Current Liabilities | | | | |
| Other | 12 | <u>51</u> | <u>50</u> | <u>171</u> |
| Total Non-Current Liabilities | | <u>51</u> | <u>50</u> | <u>171</u> |
| Total Liabilities | | <u>5 686</u> | <u>4 420</u> | <u>4 461</u> |
| Net Assets | | <u>19 939</u> | <u>27 145</u> | <u>28 898</u> |
| EQUITY | | | | |
| Reserves | 13 | 4 409 | 2 716 | 2 716 |
| Accumulated funds | | <u>15 530</u> | <u>24 429</u> | <u>26 182</u> |
| Total Equity | | <u>19 939</u> | <u>27 145</u> | <u>28 898</u> |

The accompanying notes form part of these statements.

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**CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 1997**

| Notes | Actual 1997 \$'000 | Budget 1997 \$'000 | Actual 1996 \$'000 |
|-------|--------------------------|--------------------------|--------------------------|
|-------|--------------------------|--------------------------|--------------------------|

Cash Flows from Operating Activities

Payments

| | | | |
|------------------|----------|----------|----------|
| Employee related | (39 823) | (42 349) | (38 333) |
|------------------|----------|----------|----------|

| | | | | |
|---|-----------|------------------------|------------------------|------------------------|
| Other operating | | (27 556) | (20 417) | (20 105) |
| Maintenance | | (694) | (748) | (731) |
| Grants and subsidies | | (9 980) | (10 050) | (9 640) |
| Other | | (2 223) | (1 565) | (4 951) |
| Total Payments | | <u>(80 276)</u> | <u>(75 129)</u> | <u>(73 760)</u> |
| Receipts | | | | |
| Sale of goods and services | | 3 181 | 2 726 | 3 808 |
| Interest | | 533 | 546 | 505 |
| Other | | <u>698</u> | <u>74</u> | <u>722</u> |
| Total Receipts | | <u>4 412</u> | <u>3 346</u> | <u>5 035</u> |
| Net Cash Flows from Operating Activities | 19 | <u>(75 864)</u> | <u>(71 783)</u> | <u>(68 725)</u> |
| Cash Flows from Investing Activities | | | | |
| Proceeds from sale of plant and equipment | | 300 | - | 29 |
| Other | | 30 | - | 30 |
| Purchase of plant and equipment | | (3 992) | (3 780) | (6 453) |
| Net Cash Flows from Investing Activities | | <u>(3 662)</u> | <u>(3 780)</u> | <u>(6 394)</u> |
| Cash Flows from Government | | | | |
| Recurrent appropriation | | 70 920 | 70 568 | 70 931 |
| Capital appropriation | | <u>1 906</u> | <u>2 659</u> | <u>8 898</u> |
| Net Cash Flows from Government | | <u>72 826</u> | <u>73 227</u> | <u>79 829</u> |
| Net Increase/(Decrease) in Cash | | <u>(6 700)</u> | <u>(2 336)</u> | <u>4 710</u> |
| Opening cash and cash equivalents | 18 | <u>10 397</u> | <u>10 397</u> | <u>5 687</u> |
| CLOSING CASH AND CASH EQUIVALENTS | | <u>3 697</u> | <u>8 061</u> | <u>10 397</u> |

The accompanying notes form part of these statements.

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New South Wales Treasury

**PROGRAM STATEMENT - EXPENSES AND REVENUES
FOR THE YEAR ENDED 30 JUNE 1997**

| | Program 69.1.1* | | Program 69.1.2* | | Program 69.1.3* | | Program 69.1.4* | | Program 69.2.1* | | Program 69.2.2* | | Program 69.2.3* | | Program 69.2.4* | | Program 69.2.5* | | Total | | |
|--|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|---------------------|---------------------|--------------------|---------------------|---------------------|---------------------|--------------------|--------------------|--------------------|--------------------|---------------------|---------------------|--|
| Agency's Expenses & Revenues | 1997 \$'000 | 1996 \$'000 | 1997 \$'000 | 1996 \$'000 | 1997 \$'000 | 1996 \$'000 | 1997 \$'000 | 1996 \$'000 | 1997 \$'000 | 1996 \$'000 | 1997 \$'000 | 1996 \$'000 | 1997 \$'000 | 1996 \$'000 | 1997 \$'000 | 1996 \$'000 | 1997 \$'000 | 1996 \$'000 | 1997 \$'000 | 1996 \$'000 | |
| Expenses | | | | | | | | | | | | | | | | | | | | | |
| Operating expenses | | | | | | | | | | | | | | | | | | | | | |
| Employee related | 4071 | 4364 | 3323 | 3161 | 3197 | 2813 | 3006 | 2563 | 14751 | 13877 | 5517 | 4931 | 9071 | 8288 | 1565 | 1547 | 1081 | 422 | 45582 | 41966 | |
| Other operating expenses | 3553 | 1936 | 3234 | 1602 | 6292 | 4458 | 3016 | 1730 | 5900 | 6660 | 2128 | 2224 | 4208 | 4693 | 592 | 667 | 262 | 164 | 29185 | 24134 | |
| Maintenance | 25 | 27 | 24 | 21 | 16 | 18 | 21 | 16 | 282 | 313 | 100 | 100 | 176 | 187 | 23 | 26 | 12 | 7 | 679 | 715 | |
| Depreciation | 416 | 394 | 325 | 294 | 271 | 271 | 247 | 226 | 1812 | 150 | 667 | 495 | 1153 | 905 | 163 | 131 | 83 | 35 | 5137 | 4257 | |
| Grants and subsidies | - | - | 30 | 40 | - | - | - | - | - | - | - | - | 9950 | 9600 | - | - | - | - | 9980 | 9640 | |
| Other expenses | - | - | <u>2064</u> | <u>1597</u> | - | - | <u>150</u> | <u>230</u> | - | - | - | - | - | - | - | - | - | - | <u>2214</u> | <u>1827</u> | |
| Total Expenses | <u>8065</u> | <u>6721</u> | <u>9000</u> | <u>6715</u> | <u>9776</u> | <u>7560</u> | <u>6440</u> | <u>4765</u> | <u>22745</u> | <u>22356</u> | <u>8412</u> | <u>7750</u> | <u>24558</u> | <u>23673</u> | <u>2343</u> | <u>2371</u> | <u>1438</u> | <u>628</u> | <u>92777</u> | <u>82539</u> | |
| Retained Revenues | | | | | | | | | | | | | | | | | | | | | |
| Sale of goods and services | 14 | 35 | 5 | 15 | 19 | 3 | 19 | 2 | 248 | 216 | 30 | 10 | 2928 | 2586 | 8 | 3 | 3 | - | 3274 | 2870 | |
| Grants | - | 5 | - | 4 | 650 | 3 | - | 3 | 38 | 39 | 14 | 12 | 25 | 23 | 4 | 3 | 2 | 1 | 733 | 93 | |
| Other revenue | <u>56</u> | <u>56</u> | <u>46</u> | <u>33</u> | <u>50</u> | <u>35</u> | <u>33</u> | <u>114</u> | <u>273</u> | <u>234</u> | <u>102</u> | <u>79</u> | <u>176</u> | <u>147</u> | <u>25</u> | <u>21</u> | <u>13</u> | <u>6</u> | <u>774</u> | <u>725</u> | |
| Total Retained Revenue | <u>70</u> | <u>96</u> | <u>51</u> | <u>52</u> | <u>719</u> | <u>41</u> | <u>52</u> | <u>119</u> | <u>559</u> | <u>489</u> | <u>146</u> | <u>101</u> | <u>3129</u> | <u>2756</u> | <u>37</u> | <u>27</u> | <u>18</u> | <u>7</u> | <u>4781</u> | <u>3688</u> | |
| Gain/(loss) on sale of non-current assets | <u>29</u> | <u>(6)</u> | <u>23</u> | <u>(5)</u> | <u>20</u> | <u>(2)</u> | <u>17</u> | <u>(4)</u> | <u>(14)</u> | <u>(32)</u> | <u>(6)</u> | <u>(11)</u> | <u>(10)</u> | <u>(19)</u> | <u>(1)</u> | <u>(3)</u> | <u>(1)</u> | <u>(1)</u> | <u>57</u> | <u>(83)</u> | |
| Net Cost Of Services | 7 966 | 6 631 | 8 26 | 6 668 | 9 037 | 7521 | 6371 | 4650 | 22200 | 21899 | 8272 | 7660 | 21439 | 20936 | 2307 | 2347 | 1421 | 622 | 87939 | 78934 | |
| Government contributions | <u>6442</u> | <u>8186</u> | <u>7198</u> | <u>9080</u> | <u>8171</u> | <u>8517</u> | <u>4818</u> | <u>5413</u> | <u>19912</u> | <u>21483</u> | <u>7400</u> | <u>8181</u> | <u>19938</u> | <u>20612</u> | <u>2096</u> | <u>2314</u> | <u>1312</u> | <u>615</u> | <u>77287</u> | <u>84401</u> | |

Financial Statement for 96/97

| | | | | | | |
|------------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Program 69.1.2 * | 6 500 | 6 635 | 6 635 | 6 386 | 6 265 | 6 265 |
| Program 69.1.3 * | 5 655 | 7 629 | 7 629 | 3 986 | 7 173 | 7 173 |
| Program 69.1.4 * | 4 229 | 4 351 | 4 351 | 4 614 | 4 265 | 4 265 |
| Program 69.2.1 * | 18 594 | 18 007 | 18 007 | 18 952 | 18 811 | 18 811 |
| Program 69.2.2 * | 6 811 | 6 701 | 6 701 | 6 622 | 6 635 | 6 635 |
| Program 69.2.3 * | 19 385 | 18 757 | 18 757 | 19 141 | 19 101 | 19 101 |
| Program 69.2.4 * | 1 891 | 1 903 | 1 903 | 2 047 | 2 052 | 2 052 |
| Program 69.2.5 * | <u>1 177</u> | <u>1 187</u> | <u>1 187</u> | <u>540</u> | <u>544</u> | <u>544</u> |
| | <u>70 568</u> | <u>70 920</u> | <u>70 920</u> | <u>68 453</u> | <u>70 931</u> | <u>70 931</u> |

Capital appropriations

| | | | | | | |
|------------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Program 69.1.1 * | 361 | 361 | 361 | 627 | 1 662 | 620 |
| Program 69.1.2 * | 311 | 311 | 311 | 499 | 2 501 | 1 662 |
| Program 69.1.3 * | 271 | 271 | 271 | 416 | 1 080 | 409 |
| Program 69.1.4 * | 264 | 264 | 264 | 407 | 946 | 343 |
| Program 69.2.1 * | 1 234 | 307 | 307 | 1 025 | 1 056 | 762 |
| Program 69.2.2 * | 39 | 131 | 131 | 986 | 987 | 13 |
| Program 69.2.3 * | 133 | 205 | 205 | 602 | 553 | 399 |
| Program 69.2.4 * | 35 | 37 | 37 | 77 | 88 | 64 |
| Program 69.2.5 * | <u>11</u> | <u>19</u> | <u>19</u> | <u>19</u> | <u>25</u> | <u>18</u> |
| | <u>2 659</u> | <u>1 906</u> | <u>1 906</u> | <u>4 658</u> | <u>8 898</u> | <u>4 990</u> |
| Total | <u>73 227</u> | <u>72 826</u> | <u>72 826</u> | <u>73 111</u> | <u>79 829</u> | <u>75 921</u> |

Explanations for variations between original and revised appropriations are as follows:

Recurrent - The increase in total appropriation reflects the cumulative effect of a \$3.4 million supplementation offset by budget deductions/adjustments in line with the Government's strategy to contain costs through improved procurement procedures. In addition, the Department used its available cash in lieu of budget appropriations to fund its expenditure. In particular, the \$2 million increase over original appropriation for Program 69.1.3 is mainly due to a \$2.4 million supplementation for the Electricity Reform Task Force project.

Capital - The decrease in total appropriation is mainly due to the use of the Department's available cash resulting from a \$0.8 million capital appropriation advanced during the previous year. Variations between individual programs reflect the reallocation of funds following the abandonment of specific projects.

* The name and purpose of each program is summarised in Note 7.

**In New South Wales, agencies are not required to separately record expenditures which are financed by the Consolidated Fund as distinct from expenditures financed by their own user charges. As a result, they are not able to determine accurately the exact amount of the expenditures that are related to the Consolidated Fund. However, the amount of revised appropriation should approximate the actual expenditure of Consolidated Fund monies by agencies.

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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
30 JUNE 1997

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Reporting Entity

The NSW Treasury (the Department) comprises all the operating activities and entities under the control of the Department, viz. Office of Financial Management (OFM) and Office of State Revenue (OSR). The OFM is responsible for providing budgetary and financial advice on the effective management of the State's finances and for providing timely and relevant information on the overall State finances. The OSR is responsible for the administration and collection of specific taxes imposed by the State of New South Wales. It is also responsible for the collection of Income and Sales tax equivalents from State Government businesses.

Details of assets, revenues and expenses administered by the OSR on behalf of the Crown Transactions Entity disclosed in Notes 21 to 25 are incorporated in the Public Accounts.

As a consequence of the High Court decision, brought down on 5 August 1997, and advice from the NSW Solicitor General (Solicitor General), administration of the Business Franchise Licenses legislation has been suspended by OSR. See Note 26-Subsequent events.

(b) Basis of Accounting

The Department's financial statements are a general purpose financial report which has been prepared on an accruals basis and in accordance with applicable Australian Accounting Standards and the Urgent Issues Group Consensus Views, the requirements of the Public Finance and Audit Act and Regulations, and the Financial Reporting Directions published in the Financial Reporting Code for Budget Dependent Agencies or issued by the Treasurer under section 9(2)(n) of the Act.

Where there are inconsistencies between the above requirements, the legislative provisions have prevailed.

Statements of Accounting Concepts are used as guidance in the absence of applicable Accounting Standards, Urgent Issues Group Consensus Views and legislative requirements.

Except for certain plant and equipment which, as noted in the accounts, are at valuation, the financial statements are prepared in accordance with the historical cost convention. All amounts are rounded to the nearest one thousand dollars and are expressed in Australian currency. Comparative figures have been reclassified to conform with the 1996-97 accounts presentation. Unless otherwise noted, accounting policies adopted are consistent with those of the previous year.

(c) Administered Activities

The Department administers, but does not control, certain activities on behalf of the Crown Transactions Entity. It is accountable for the transactions relating to those administered activities but does not have the discretion to deploy those resources for the achievement of the Department's objectives.

Transactions and balances relating to the administered activities are not recognised as revenues, expenses, assets and liabilities of the Department, but are disclosed in the accompanying supplementary financial statements as "Administered Expenses & Revenues", and in Notes 21 and 22 as "Administered Assets" and "Administered Liabilities".

The accrual basis of accounting and all applicable accounting standards have been adopted for the reporting of administered activities.

(d) Parliamentary Appropriations and Contributions from Other Bodies

Parliamentary appropriations and contributions (including grants) from other bodies are recognised as revenues when the Department obtains control over the assets comprising the appropriations/contributions. Control over appropriations and contributions is normally obtained upon the receipt of cash.

(e) Employee Entitlements

(i) Wages and Salaries, Annual Leave, Sick Leave and On-Costs

Liabilities for wages and salaries and annual leave are recognised and measured as the amount unpaid at the reporting date at current pay rates in respect of employees' services up to that date.

Unused non-vesting sick leave does not give rise to a liability as it is not considered probable that sick leave taken in the future will be greater than entitlements accrued in the future.

The outstanding amounts of pay-roll tax, workers' compensation, insurance premiums and fringe benefits tax, which are consequential to employment, are recognised as liabilities and expenses where the employee entitlements to which they relate have been recognised.

(ii) Long Service Leave and Superannuation

The Department's liabilities for long service leave and superannuation are assumed by the Crown Transactions Entity. The Department accounts for the liability as having been extinguished resulting in the amount assumed being shown as part of the non-monetary revenue item described as "Acceptance by the Crown Transactions Entity of employee entitlements and other liabilities".

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
30 JUNE 1997**

Long service leave is measured on a nominal basis. The nominal method is based on the remuneration rates at year end for all employees with five or more years of service. It is considered that this measurement technique produces results not materially different from the estimate determined by the using the present value basis of measurement.

The superannuation expense for the financial year is determined by using the formulae specified in the Treasurer's Directions. The expense for certain superannuation schemes (i.e. Basic Benefit and First State Super) is calculated as a percentage of the employees' salaries. For other superannuation schemes (i.e. State Superannuation Scheme and State Authorities Superannuation Scheme), the expense is calculated as a multiple of the employees' superannuation contributions.

(f) Insurance

The Department's insurance activities are conducted through the NSW Treasury Managed Fund Scheme of self insurance for Government agencies. The expense (premium) is determined by the Fund Manager based on past experience.

(g) Acquisitions of Assets

The cost method of accounting is used for the initial recording of all acquisitions of assets controlled by the Department. Cost is determined as the fair value of the assets given as consideration plus the costs incidental to the acquisition.

Assets acquired at no cost, or for nominal consideration, are initially recognised as assets and revenues at their fair value at the date of acquisition.

Fair value means the amount for which an asset could be exchanged between a knowledgeable, willing buyer and a knowledgeable, willing seller in an arm's

length transaction.

(h) Plant and Equipment

Office furniture and equipment costing at least \$5 000 are capitalised. Computer hardware costing at least \$1 000 is also capitalised. However, grouped assets with inter-related functions such as the computer network and revenue receipting equipment are capitalised regardless of cost.

Packaged software is charged against revenue except when used in the in-house development of software such as the taxation software. All software development costs are capitalised, as are enhancements which substantially change the nature of the existing software.

(i) Revaluation of Physical Non-Current Assets

Plant and equipment are valued based on the estimated written down replacement cost of the most appropriate modern equivalent replacement facility having a similar service potential to the existing asset.

Each class of physical non-current assets is revalued every 5 years. The last revaluation was completed on 1 July 1996.

Where assets are revalued upward or downward as a result of a revaluation of a class of non-physical assets, the Department restates separately the gross amount and the related accumulated depreciation of that class of assets.

The recoverable amount test has not been applied as the Department is a not-for-profit entity whose service potential is not related to the ability to generate net cash inflows.

(j) Depreciation of Non-Current Physical Assets

Depreciation is provided for on a straight line basis for all depreciable assets so as to write off the depreciable amount of each asset as it is consumed over its useful life to the Department.

(k) Leased Assets

A distinction is made between finance leases which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to ownership of the leased assets, and operating leases under which the lessor effectively retains all such risks and benefits.

Where a non-current asset is acquired by means of a finance lease, the asset is recognised at its fair value at the inception of the lease. The corresponding liability is established at the same amount. Lease payments are allocated between the principal component and the interest expense.

Operating lease payments are charged to the Operating Statement in the periods in which they are incurred.

(l) Trust Funds

The Department receives monies in a trustee capacity as set out in Note 20. As the Department performs only a custodial role in respect of these monies, they are not brought to account in the financial statements because the monies cannot be used for the achievement of the Department's objectives.

(m) Change in accounting policy

On 1 July 1996, the capitalisation policy for plant and equipment was changed. Management considers the new capitalisation limit, as described in Note 1 (h), more appropriate for the types of assets acquired by the Department. This change reduced operating results by \$281 000.

2. EXPENSES

| | 1997 \$'000 | 1996 \$'000 |
|--|----------------|----------------|
| (a) Employee related expenses comprise the following specific items: | | |
| Salaries and wages | 34 119 | 32 291 |
| Superannuation entitlements | 2 673 | 3 179 |
| Long service leave | 1 605 | 1 393 |
| Recreation leave | 3 276 | 2 387 |
| Workers' Compensation insurance | 256 | 210 |
| Pay-roll tax and fringe benefit tax | <u>3 653</u> | <u>2 506</u> |
| | <u>45 582</u> | <u>41 966</u> |

Employee related expense amounting to \$70 000 (1996-\$315 000) are included in software development costs reported as Capital work in progress in Note 9. Except as noted, there are no other employee related payments included in asset and expenditure accounts.

(b) Other operating expenses:

| | | |
|---|-------|-------|
| Auditor's remuneration | 290 | 180 |
| Rental expense relating to operating leases | 5 858 | 6 296 |
| Insurance | 113 | 69 |
| Other | | |
| Asset transfers (i) | 4 180 | - |
| Contractors' and consultancy fees | 3 742 | 2 587 |
| Electricity Reform Task Force | 3 637 | 3 167 |
| Computer maintenance and software licenses | 1 706 | 1 946 |
| Printing and advertising | 1 581 | 1 496 |
| Centralised corporate support charges | 1 268 | - |
| Building maintenance and utilities | 1 021 | 1 915 |
| Minor plant, equipment and stores (Note 5) | 802 | 1 391 |

| | | |
|------------------|---------------|---------------|
| Data access fees | 672 | 713 |
| Training | 534 | 969 |
| Other | <u>3 781</u> | <u>3 405</u> |
| | <u>29 185</u> | <u>24 134</u> |

(i) During the year, the administration of two Capital work in progress projects were transferred from the OFM to the Department of Public Works and Services (DPWS). These projects, Governor Macquarie Tower (GMT) Integration and GMT Rationalisation aim to achieve efficiency gains by providing a centralised corporate support service for public sector agencies located in the GMT. To fully realise this objective, the following assets were transferred by OFM to the DPWS:

| | |
|--------------------------|--------------|
| Cash | 2 964 |
| Computer hardware | 44 |
| Capital work in progress | <u>1 172</u> |
| | <u>4 180</u> |

(c) Maintenance:

| | | |
|---------------------------------|------------|------------|
| Repairs and routine maintenance | <u>679</u> | <u>715</u> |
|---------------------------------|------------|------------|

(d) Depreciation expense:

| | | |
|-------------------|--------------|--------------|
| Computer hardware | 2 381 | 1 972 |
| Computer software | 1 595 | 1 125 |
| Office equipment | 349 | 349 |
| Office furniture | <u>812</u> | <u>811</u> |
| | <u>5 137</u> | <u>4 257</u> |

(e) Grants and subsidies:

| | | |
|---|--------------|--------------|
| Valuer General's Office (i) | 9 950 | 9 600 |
| Australian Accounting Research Foundation | <u>30</u> | <u>40</u> |
| | <u>9 980</u> | <u>9 640</u> |

(i) The Valuer General's Office provides the OSR with land information and valuation services required to administer the Land Tax Management Act, 1956.

(f) Other expenses:

| | | |
|---|--------------|--------------|
| Production of Auditor General's Reports to Parliament (i) | 1 000 | 900 |
| Auditor General's comprehensive audits (i) | 1 000 | 500 |
| Community service obligation | 150 | 230 |
| Supplementary Sports Injuries Fund | 64 | 144 |
| Workers' Compensation - Broken Hill | - | <u>53</u> |
| | <u>2 214</u> | <u>1 827</u> |

(i) The Department's budget appropriation included an amount to cover the Auditor General's fees for conducting comprehensive audits and preparing reports to Parliament. Payments were made to the Audit Office as expenses were incurred.

| | | |
|------------------------------------|-------------|-------------|
| 3. REVENUES | 1997 | 1996 |
| | \$'000 | \$'000 |
| Sale of goods and services: | | |
| Land Tax search fees | 2 869 | 2 561 |
| Administration fees | 278 | 169 |
| Sale of publications | 27 | 89 |
| Other | <u>100</u> | <u>51</u> |
| | <u>3274</u> | <u>2870</u> |
| (b) Grants and contributions: | | |
| Electricity Task Force (i) | 650 | - |
| Australian Traineeship System (ii) | <u>83</u> | <u>93</u> |
| | <u>733</u> | <u>93</u> |

(i) Certain agencies contributed towards meeting costs associated with the development of policy advice and recommendations to the Government on electricity industry reforms.

(ii) Amounts received from the NSW Department of Training and Education Coordination were used to finance employee related payments to trainees employed under the Australian Traineeship System.

(c) Other revenue:

Other

Operating activities-

| | | |
|-------------------------------------|------------|------------|
| Interest | 470 | 547 |
| Building maintenance costs recouped | 203 | - |
| Other | <u>71</u> | <u>141</u> |
| | <u>744</u> | <u>688</u> |

Investing activities-

| | | |
|----------------------|------------|------------|
| Insurance recoveries | <u>30</u> | <u>37</u> |
| | <u>774</u> | <u>725</u> |

4. GAIN/(LOSS) ON SALE OF NON-CURRENT ASSETS

Gain/(loss) on sale of plant and equipment

| | | |
|--|------------|-------------|
| Proceeds from sale | 304 | 59 |
| Written down value of assets sold | <u>247</u> | <u>142</u> |
| Net gain/(loss) on sale of plant and equipment | <u>57</u> | <u>(83)</u> |

5. ABNORMAL ITEMS

| | | |
|---|--------------|------------|
| Asset transfer to another agency (Note 2(b)(i)) | 4 180 | - |
| Write off of plant and equipment (i) | 369 | - |
| Write off of software developed in-house | - | 457 |
| Write off of software development costs | - | <u>324</u> |
| | <u>4 549</u> | <u>781</u> |

(i) As a result of a change in accounting policy, the written down value of plant and equipment which did not meet the new asset capitalisation criteria, was written off. This abnormal item is included in Minor plant, equipment and stores reported in Note 2 (b), as are the previous year's abnormal items.

6. ACCEPTANCE BY THE CROWN TRANSACTIONS ENTITY OF EMPLOYEE ENTITLEMENTS AND OTHER LIABILITIES

The following liabilities and/or expenses have been assumed by the Crown Transactions Entity:

| | | |
|--------------------------|--------------|--------------|
| Superannuation | 2 673 | 3 179 |
| Long service leave | 1 605 | 1 393 |
| Other operating expenses | <u>183</u> | - |
| | <u>4 461</u> | <u>4 572</u> |

7. PROGRAMS/ACTIVITIES OF THE DEPARTMENT

(a) Program 69.1.1 Budgetary Strategy, Allocation, Monitoring, Reporting and Systems

Objective: To ensure financial responsibility by advising on a State Budget strategy that will achieve a responsible financial position and monitoring and analysing budget trends to assist in the achievement of budget targets. To promote economic efficiency in the management of the State's finances by advising on the allocation of State financial resources in accordance with Government policies and available funds. To promote public accountability by providing accurate, timely, comprehensive and relevant reports and information on Budget Sector finances and improving financial management practices in the Budget Sector, including implementation of appropriate budget systems.

(b) Program 69.1.2 Accounting and Finance Administration, Policy and Standards, Funding, Liability and Asset Management, Banking and Financial Reporting

Objective: To ensure financial responsibility by managing Budget Sector liabilities and financial assets in an efficient and effective manner and providing select central financial services, including funding departments, banking, maintenance of accounting records and administration of State financial and annual reporting legislation. To promote public accountability by preparing accurate, timely and comprehensive reports on State finances and developing and monitoring appropriate public sector accounting, reporting and financial management principles and standards.

(c) Program 69.1.3 Economic Advice, Taxation Policy and Advice on Intergovernmental Financial Relations

Objective: To ensure financial responsibility and assist in the consolidation of the State's financial position. To improve resource allocation and economic efficiency.

(d) Program 69.1.4 Government Trading Enterprises Financial Monitoring and Shareholder Advice

Objective: To ensure financial responsibility by monitoring financial performance of Commercial Sector agencies against appropriate benchmarks and developing policies and initiatives aimed at optimising the net worth of the shareholder's investment in commercial activities, Government Trading Enterprises and State Owned Corporations. To promote economic efficiency and microeconomic reform by advising on the review of Government Trading Enterprises.

(e) Program 69.2.1 Stamp Duties Collection

Objective: To collect revenue to finance services for the people of New South Wales by imposing duties on the liable instruments, documents and transactions.

(f) Program 69.2.2 Pay-roll Tax Collection

Objective: To collect revenue to finance services for the people of New South Wales by imposing Pay-roll tax on employers in respect of certain wages.

(g) Program 69.2.3 Land Tax Collection

Objective: To collect revenue to finance services for the people of New South Wales by imposing a tax on liable properties.

(h) Program 69.2.4 Business Franchise Licenses Collection

Objective: To collect revenue to finance services for the people of New South Wales by imposition of license fees and levies.

(i) Program 69.2.5 Tax Equivalents Collection

Objective: To collect revenue to finance services for the people of New South Wales by imposition of tax equivalents on Government Trading Enterprises and State Owned Corporations.

| | 1997 \$'000 | 1996 \$'000 |
|---|----------------|----------------|
| 8. CURRENT ASSETS - Receivables | | |
| Sale of goods and services | 107 | 15 |
| Other | | |
| Grant from Department of Energy (Note 3(b)(i)) | 300 | |
| Salary accrual deposited with the Crown Transactions Entity | 279 | 171 |
| Interest | 216 | 266 |
| Other | <u>14</u> | <u>46</u> |
| | <u>916</u> | <u>498</u> |
| 9. NON-CURRENT ASSETS - Plant & Equipment | | |
| Computer hardware | | |
| At valuation | 8 705 | 5 002 |
| Less: Accumulated depreciation | <u>5 570</u> | <u>4 992</u> |
| | <u>3 135</u> | <u>10</u> |
| At cost | 1 264 | 9 203 |
| Less: Accumulated depreciation | <u>107</u> | <u>5 226</u> |
| | <u>1 157</u> | <u>3 977</u> |
| Total computer hardware | <u>4 292</u> | <u>3 987</u> |
| Computer software | | |
| At valuation | 4 300 | 4 218 |
| Less: Accumulated depreciation | <u>1 470</u> | <u>111</u> |
| | <u>2 830</u> | <u>4 107</u> |

| | | |
|-----------------------------------|---------------|---------------|
| At cost | 1 890 | 82 |
| Less: Accumulated depreciation | <u>236</u> | = |
| | <u>1 654</u> | <u>82</u> |
| Total computer software | <u>4 484</u> | <u>4 189</u> |
| Office equipment At valuation | 1 915 | 992 |
| Less: Accumulated depreciation | <u>894</u> | <u>858</u> |
| | <u>1 021</u> | <u>134</u> |
| At cost | 64 | 2 013 |
| Less: Accumulated depreciation | <u>7</u> | <u>505</u> |
| | <u>57</u> | <u>1 508</u> |
| Total office equipment | <u>1 078</u> | <u>1 642</u> |
| Office furniture At valuation | 7 815 | 1 626 |
| Less: Accumulated depreciation | <u>2 808</u> | <u>909</u> |
| | <u>5 007</u> | <u>717</u> |
| At cost | 16 | 6 332 |
| Less: Accumulated depreciation | <u>1</u> | <u>1 122</u> |
| | <u>15</u> | <u>5 210</u> |
| Total office furniture | <u>5 022</u> | <u>5 927</u> |
| Capital work in progress, at cost | <u>5 129</u> | <u>5 660</u> |
| TOTAL PLANT AND EQUIPMENT | <u>20 005</u> | <u>21 405</u> |
| At valuation | 11 993 | 4 968 |
| At cost | <u>8 012</u> | <u>16 437</u> |
| | <u>20 005</u> | <u>21 405</u> |

The following fully depreciated assets are included in the amounts reported above:

| | | |
|--------------------------------|--------------|--------------|
| Computer mainframe | 3 196 | 4 060 |
| Personal computers | 1 575 | 1 024 |
| Terminals, printers and other | 843 | 450 |
| Computer software | 416 | - |
| Office furniture and equipment | <u>183</u> | <u>130</u> |
| | <u>6 213</u> | <u>5 664</u> |

Valuation of plant and equipment

In accordance with the Department's accounting policy, all classes of non-current assets were revalued on 1 June 1996 and 1 July 1996 by senior Departmental officers. Computer software developed in-house were revalued on 1 June 1996 and are reported on the basis of current development costs at the time of valuation, taking into account the future economic benefit of each software and the resulting accumulated depreciation. All other asset classes were revalued on 1 July 1996 and are reported on the basis of the estimated written down replacement cost of the most appropriate replacement asset having similar service potential or future economic benefit.

The movements in non-current assets during the year are summarised below:

| | Computer Hardware \$'000 | Computer Software \$'000 | Office Equipment \$'000 | Office Furniture \$'000 | Capital Works In Progress \$'000 | Total \$'000 |
|--|--------------------------------|--------------------------------|-------------------------------|-------------------------------|---|-----------------|
| Valuation/Cost | | | | | | |
| Balance 1 July 1996 | 14 205 | 4 300 | 3 005 | 7 958 | 5 660 | 35 128 |
| Additions | | | | | | |
| Purchases | 498 | - | 64 | 16 | 3 297 | 3 875 |
| Transfers from capital work in progress | <u>766</u> | <u>1 890</u> | - | - | - | <u>2 656</u> |
| | <u>1 264</u> | <u>1 890</u> | <u>64</u> | <u>16</u> | <u>3 297</u> | <u>6 531</u> |
| Disposals | | | | | | |

| | | | | | | |
|--|----------------|--------------|--------------|--------------|--------------|-----------------|
| Sales and retirements | 980 | - | 570 | - | - | 1 550 |
| Transfers to another agency (Note 2(b)(i)) | 44 | - | - | - | 1 172 | 1 216 |
| Transfers to other plant and equipment | - | - | - | - | 2 656 | 2 656 |
| Write offs - change in accounting policy | - | - | <u>514</u> | <u>143</u> | - | <u>657</u> |
| | <u>1 024</u> | - | <u>1 084</u> | <u>143</u> | <u>3 828</u> | <u>6 079</u> |
| Revaluation (a) | <u>4 476</u> | - | <u>6</u> | - | - | <u>4 482</u> |
| Balance 30 June 1997 | <u>9 969</u> | <u>6 190</u> | <u>1 979</u> | <u>7 831</u> | <u>5 129</u> | <u>31 098</u> |
| Accumulated depreciation | | | | | | |
| Balance 1 July 1996 | 10 218 | 111 | 1 363 | 2 031 | - | 13 723 |
| Depreciation for the year | 2 381 | 1 595 | 349 | 812 | - | 5 137 |
| Write back on disposal | (753) | - | (550) | - | - | (1 303) |
| Write back on transfer to another agency | (1) | - | - | - | - | (1) |
| Write back - change in accounting policy | - | - | (254) | (34) | - | (288) |
| Transfer on revaluation (a) | <u>(6 168)</u> | = | <u>(7)</u> | = | = | <u>(6 175)</u> |
| Balance 30 June 1997 | <u>5 677</u> | <u>1 706</u> | <u>901</u> | <u>2 809</u> | - | <u>11 093</u> |
| Written down value at 30 June 1997 | <u>4 292</u> | <u>4 484</u> | <u>1 078</u> | <u>5 022</u> | <u>5 129</u> | <u>20 005</u> |
| Written down value at 1 July 1996 | <u>3 987</u> | <u>4 189</u> | <u>1 642</u> | <u>5 927</u> | <u>5 660</u> | <u>21 405</u> |

(a) At the time of revaluation, the accumulated depreciation of the revalued assets was credited against the assets' cost accounts. The asset class accounts were increased to the revalued amounts and the increment of \$1 693 000 was credited to the Asset Revaluation Reserve account.

| | 1997 \$'000 | 1996 \$'000 |
|---|----------------|----------------|
| 10. CURRENT LIABILITIES - Accounts Payable | | |
| Creditors | 107 | 1 |
| Other | <u>495</u> | <u>681</u> |
| | <u>602</u> | <u>682</u> |
| 11. CURRENT LIABILITIES - Employee Entitlements | | |
| Recreation leave (a) | 3 558 | 3 010 |
| Accrued salaries and wages | 270 | 197 |
| Other | | |
| Pay-roll tax payable | 996 | 206 |
| Provision for fringe benefits tax (b) | <u>88</u> | <u>74</u> |
| Aggregate employee entitlements | <u>4 912</u> | <u>3 487</u> |
| a. The movement in the provision for employee recreation leave is as follows: | | |
| Balance 1 July | 3 010 | 2 822 |
| Increase in provision | <u>548</u> | <u>188</u> |
| Balance 30 June | <u>3 558</u> | <u>3 010</u> |
| Recreation leave paid and directly charged against the provision amounted to \$2.7 million (1996 - \$2.3 million) | | |
| The movement in the provision for fringe benefits tax is as follows: | | |
| Balance 1 July | 74 | 79 |
| Increase/(decrease) in provision | <u>14</u> | <u>(2)</u> |
| Balance 30 June | <u>88</u> | <u>74</u> |

12. CURRENT/NON-CURRENT LIABILITIES - Other

Investing activities

Unamortised lease incentive

172292

During 1994-95, an up-front cash lease incentive amounting to \$485 000 was received from the lessor of the OSR's City Office. In accordance with the Urgent Issues Group Consensus Views, the lease incentive is being amortised over the four year term of the lease.

13. CHANGES IN EQUITY

| | Accumulated Funds | | Asset Revaluation | | Total Equity | |
|--|-------------------|----------------|-------------------|----------------|----------------|----------------|
| | 1997 \$'000 | 1996 \$'000 | 1997 \$'000 | 1996 \$'000 | 1997 \$'000 | 1996 \$'000 |
| Balance at the beginning of the financial year | 26 182 | 22 040 | 2 716 | - | 28 898 | 22 040 |
| Decrease in assets from administration restructuring | - | (1 325) | - | - | (10 652) | (1 325) |
| Surplus/(deficit) for the year | (10 652) | 5 467 | - | - | - | 5 467 |
| Increment on revaluation of plant and equipment | = | = | <u>1 693</u> | <u>2 716</u> | <u>1 693</u> | <u>2 716</u> |
| Balance at the end of the financial year | <u>15 530</u> | <u>26 182</u> | <u>4 409</u> | <u>2 716</u> | <u>19 939</u> | <u>28 898</u> |

14. COMMITMENTS FOR EXPENDITURE

| | 1997\$ '000 | 1996 \$'000 |
|--|----------------|----------------|
| (a) Capital Commitments | | |
| Aggregate capital expenditure contracted for at balance date and not provided for: | | |
| Not later than one year | 80 | 1 080 |
| Later than one year and not later than two years | - | - |

| | | |
|---|---------------|---------------|
| Later than two years and not later than five years | - | - |
| Later than five years | = | = |
| | <u>80</u> | <u>1 080</u> |
| Other Expenditure Commitments | | |
| Aggregate other expenditure contracted for at balance date and not provided for: | | |
| Not later than one year | 37 | 39 |
| Later than one year and not later than two years | - | - |
| Later than two years and not later than five years | - | - |
| Later than five years | = | = |
| | <u>37</u> | <u>39</u> |
| Operating Lease Commitments | | |
| Commitments in relation to non-cancellable operating leases are payable as follows: | | |
| Not later than one year | 6 104 | 5 768 |
| Later than one year and not later than two years | 5 858 | 5 768 |
| Later than two years and not later than five years | 14 485 | 16 174 |
| Later than five years | <u>15 180</u> | <u>16 643</u> |
| | <u>41 627</u> | <u>44 353</u> |

These operating lease commitments are not recognised in the financial statements as liabilities.

15. CONTINGENT LIABILITIES

As at reporting date, the Department is not aware of any contingent liability which will materially affect its financial position.

16. BUDGET REVIEW

Net cost of services

The actual net cost of services after charging abnormal items amounting to \$4 549 000 was \$87 939 000, 11.1% above the original budget of \$79 136 000.

During the year, the original budget was supplemented by \$3 442 000. The net cost of services before charging abnormal items was \$83 390 000, 1% above the revised budget of \$82 578 000. The factors contributing to this result were, primarily, a substantial increase in depreciation charges and, to a lesser extent, higher other operating expenses.

The increase in depreciation is due to the revaluation of computer software in June 1996 and computer hardware in 1996-97 that were, due to timing differences, not included in the budget. Other operating expenses exceeded budget largely through the engagement of contractors to implement and maintain computer systems and the commissioning of essential building maintenance for OSR.

Assets and liabilities

Total assets are below budget by \$5 940 000 and the difference is due to a reduction in both current and non-current assets. The drop in current assets is directly attributable to a lower cash balance resulting from the voluntary return of \$2 300 000 to the Consolidated Fund and the transfer of \$2 964 000 to DPWS for the provision of centralised corporate support services. The decrease in non-current assets is due to the transfer of Capital work in progress to DPWS and change in capitalisation threshold from \$1 000 to \$5 000 for all asset classes except computer hardware and grouped assets.

Total liabilities are greater than budget primarily as a result of a significant increase in employee entitlements. Due to a marked increase in the accumulation of recreation leave, the provision was revised up considerably to equal the cost of the liability. The creation of a provision for pay-roll tax on accumulated recreation and long service leave, not previously provided for, accounts for the balance in the rise in liabilities.

Total equity is sharply down compared to budget as a result of a higher than anticipated deficit, partially offset by an increase in reserves due to the revaluation of assets.

Cash flows

The net decrease in cash is \$4 364 000 over budget and is due to higher than anticipated expenditure on operating activities, partially subsidised by an increase in retained revenues. The costs associated with establishing the centralised corporate support services within the GMT was essentially responsible for the increased expenditure on operating activities, while greater than budgeted sale of goods and services was the major contributor to an increase in revenue.

In addition, capital appropriation was under budget as a result of \$753 000 advanced in the previous year.

17. CASH AND CASH EQUIVALENTS

| | | |
|---|--------|--------|
| For the purposes of the Cash Flow Statement, cash includes cash on hand and at bank. | 1997 | 1996 |
| Cash at the end of the financial year as shown in the Cash Flow Statement is reconciled to the related items in the | \$'000 | \$'000 |

Statement of Financial Position as follows:

| | | |
|-----------------------------------|--------------|---------------|
| Cash on hand | 12 | 10 |
| Cash at bank | <u>3 685</u> | <u>10 387</u> |
| Closing cash and cash equivalents | <u>3 697</u> | <u>10 397</u> |

Under the Treasury Cash Management and Banking system, the Crown Transactions Entity pays interest on agency bank balances.

18. OPENING CASH AND CASH EQUIVALENT

During 1995-96, the New South Wales Superannuation Office was abolished, resulting in staff transfers to the Premier's Department with the exception of the Policy Unit. In the same year, the Government Actuary's Office was also transferred from the Department to the Public Employment Office. The comparative figures in the Cash Flow Statement do not reflect the 1995-96 transactions relating to these agencies. The 1995-96 opening cash and cash equivalents balance is reconciled to the Cash Flow Statement as follows:

| | | |
|---|--|---------------|
| Reported opening cash and cash equivalents 1 July 1995 | | 7 155 |
| Cash paid resulting from the Administrative Restructure | | (1325) |
| Decrease in cash and cash equivalents during 1995-96 attributable to the agencies transferred | | <u>(143)</u> |
| Opening cash and cash equivalents 1 July 1995 | | <u>5 687</u> |

19. RECONCILIATION OF NET COST OF SERVICES TO NET CASH FLOWS FROM OPERATING ACTIVITIES

| | Notes | | |
|--|---------|-----------|-----------|
| Net cash used on operating activities | | (75 864) | (68 725) |
| Depreciation | 2(d) | (5 137) | (4 257) |
| Decrease/(increase) in employee entitlements | 11 | (1 425) | 765 |
| Increase/(decrease) in receivables and other assets | | 366 | (1 413) |
| Decrease/(increase) in accounts payable | 10 | 80 | 95 |
| Asset transfers to another agency | 2(b)(i) | (1 216) | - |
| Acceptance by the Crown Transactions Entity of employee entitlements and other liabilities | 6 | (4 461) | (4 572) |
| Net gain/(loss) on sale of plant and equipment | 4 | 57 | (83) |
| Abnormal items | 5 | (369) | (781) |
| Other revenue - investing activities | 3(c) | <u>30</u> | <u>37</u> |

Net cost of services

(87 939)(78 934)**20. TRUST FUNDS**

Monies held in trust for the Crown Transactions Entity are excluded from the financial statements as the Department can not use them for the achievement of its objectives. The following is a summary of the transactions in the trust accounts:

| | Testamentary & Trust Interest | | Testamentary & Trust Interest | | Companies Liquidation | | Total | |
|---|----------------------------------|----------------|----------------------------------|----------------|--------------------------|----------------|----------------|----------------|
| | 1997 \$'000 | 1996 \$'000 | 1997 \$'000 | 1996 \$'000 | 1997 \$'000 | 1996 \$'000 | 1997 \$'000 | 1996 \$'000 |
| Cash balance at the beginning of the financial year | 4 049 | 4 025 | 2 830 | 2 314 | 1 034 | 1 419 | 7 913 | 7 758 |
| Add receipts | 107 | 34 | 515 | 516 | 243 | - | 865 | 550 |
| Less: Expenditure | <u>26</u> | <u>10</u> | <u>314</u> | - | <u>919</u> | <u>385</u> | <u>1 259</u> | <u>395</u> |
| Cash balance at the end of the reporting period | <u>4 130</u> | <u>4 049</u> | <u>3 031</u> | <u>2 830</u> | <u>358</u> | <u>1 034</u> | <u>7 519</u> | <u>7 913</u> |

21. ADMINISTERED ASSETS - Receivables

| | | |
|--|--------|--------|
| | 1997 | 1996 |
| | \$'000 | \$'000 |

Assets administered by the Department for the Crown Transactions Entity are not recognised in the Statement of Financial Position.

Receivables - State taxes

| | | |
|-----------------------------------|----------------|----------------|
| Current and instalment amounts | 112 748 | 104 616 |
| Overdue amounts | <u>79 635</u> | <u>151 448</u> |
| | 192 383 | 256 064 |
| Less: Provision for doubtful debt | <u>13 577</u> | <u>66 900</u> |
| | <u>178 806</u> | <u>189 164</u> |

These receivables exclude credit balances (shown separately in Note 22) representing tax paid in advance and overpayments to be refunded to clients or awaiting final assessments pending receipt of additional information.

Following the High Court's decision, finding certain sections of the Business Franchise Licenses (Tobacco) Act 1987 unconstitutional, all Business franchise license receivables (including any provision for doubtful debts - Note 24) as at 30 June 1997, which remained uncollected at the date of the decision were written back against administered revenue earned. See Note 26 - Subsequent Events.

The following is a summary of receivable balances by tax type:

| Current and Instalment Amounts | Current | | Instalments | | Total | |
|---------------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|
| | 1997 \$'000 | 1996 \$'000 | 1997 \$'000 | 1996 \$'000 | 1997 \$'000 | 1996 \$'000 |
| Stamp duties | 300 | 280 | - | - | 300 | 280 |
| First home purchase | 652 | 840 | 19 793 | 24 476 | 20 445 | 25 316 |
| Pay-roll tax | 3 435 | 1 009 | - | - | 3 435 | 1 009 |
| Land tax | 51 961 | 20 370 | 36 051 | 36 630 | 88 012 | 57 000 |
| Business franchise licenses | - | 20 433 | - | - | - | 20 433 |
| Parking space levy | <u>556</u> | <u>578</u> | <u>-</u> | <u>-</u> | <u>556</u> | <u>578</u> |
| | <u>56 904</u> | <u>43 510</u> | <u>55 844</u> | <u>61 106</u> | <u>112 748</u> | <u>104 616</u> |

| Overdue Amounts | Less than 30 days | | 30 - 90 days | | Greater than 90 days | | Total | | Provision for doubtful debts | | Net | |
|-----------------------------|-------------------|----------------|----------------|----------------|----------------------|----------------|----------------|----------------|------------------------------|-----------------|----------------|----------------|
| | 1997 \$'000 | 1996 \$'000 | 1997 \$'000 | 1996 \$'000 | 1997 \$'000 | 1996 \$'000 | 1997 \$'000 | 1996 \$'000 | 1997 \$'000 | 1996 \$'000 | 1997 \$'000 | 1996 \$'000 |
| Stamp duties | 1 261 | 1 700 | 624 | 429 | 5 069 | 6 945 | 6 954 | 9 074 | (437) | (700) | 6 517 | 8 374 |
| First home purchase | 341 | 378 | 423 | 495 | 5 699 | 8 551 | 6 463 | 9 42 | (2 213) | (5 295) | 4 250 | 4 129 |
| Pay-roll tax | 2 913 | 1 466 | 3 070 | 1 471 | 23 859 | 28 563 | 29 842 | 31 500 | (9 873) | (12 962) | 19 969 | 18 538 |
| Land tax | 464 | 339 | 2 703 | 2 123 | 32 599 | 47 933 | 35 766 | 50 395 | (1 004) | (1 357) | 34 762 | 49 038 |
| Parking space levy | - | - | - | - | 163 | 493 | 163 | 493 | (50) | - | 113 | 493 |
| Business franchise licenses | <u>-</u> | <u>-</u> | <u>-</u> | <u>67</u> | <u>447</u> | <u>50 495</u> | <u>447</u> | <u>50 562</u> | <u>-</u> | <u>(46 586)</u> | <u>447</u> | <u>3 976</u> |
| | <u>4 979</u> | <u>3 883</u> | <u>6 820</u> | <u>4 585</u> | <u>67 836</u> | <u>142 980</u> | <u>79 635</u> | <u>151 448</u> | <u>(13 577)</u> | <u>(66 900)</u> | <u>66 058</u> | <u>84 548</u> |

22. ADMINISTERED LIABILITIES

Credit balances have been excluded from the receivables reported separately in Note 21.

The following credit balances are classified as administered liabilities.

| | 1997 | 1996 |
|---------------------|---------------|--------------|
| | \$'000 | \$'000 |
| Stamp duties | 3 223 | 205 |
| First home purchase | 90 | 78 |
| Pay-roll tax (a) | 19 858 | 53 |
| Land tax | <u>2 081</u> | <u>1 225</u> |
| | <u>25 252</u> | <u>1 561</u> |

a. This amount includes a \$19 million overpayment by the Consolidated Fund Entity in respect of pay-roll tax on employers' contributions to superannuation.

Current and Instalment Amounts
First home purchase

The First home purchase Scheme is a Government initiative aimed at assisting first home buyers. The Scheme provides the following options:

- i) payment of Stamp duties over five equal annual instalments;
- ii) payment of Stamp duties upfront, receiving discounts of up to 30%.

Stamp duties upfront, resulting in a reduction of instalments during the year.

Land tax

In line with the Crown Transactions Entity's revenue recognition policy, approximately \$42.1 million unissued Land tax assessments relating to current and prior years' liabilities have been brought to account this year. Comparative figures are not provided as reliable estimates of the unissued assessments were not available last year.

In addition some 1 900 assessments covering various tax years amounting to \$7.45 million were issued through the Land tax potentials project undertaken during the year.

Overdue amounts

The Compliance Division is responsible for collecting all overdue amounts. Recovery action may result in the establishment of repayment plans or the initiation of legal debt recovery action by the Office or the Crown Solicitor.

The provision for doubtful debts is regularly reviewed and updated to take into account current economic conditions, available information of clients' financial status and the expected results of recovery action undertaken by Compliance Division.

A special revenue initiative resulted in the identification of \$35.5 million additional debt of which \$24.1 million has been collected. Most of the balance outstanding relates to Pay-roll tax payable under repayment plans.

Land tax

Under Section 47 of the Land Tax Management

Act 1956, a charge is held in respect of overdue amounts on the land owned by taxpayers. Where normal recovery procedures have been unsuccessful, a caveat is generally registered on the title to prevent dealings on the title until the debt is paid.

The debt carried forward from 1995-96 included prior year assessments issued under the Land tax amnesty. Debt outstanding at year end largely represents 1997 assessments issued in January. Land tax debts are aged from the date of notification of liability plus 30 days. Clients had the option of paying in full by April or in three instalments by June.

23. ADMINISTERED REVENUE - DEBTS WRITTEN OFF

In accordance with Treasurer's Direction 450.05, the following debts comprising primary tax, fines and penalties were considered irrecoverable and written off during the year.

| | Actual - 1997 | | | Actual - 1996 | | |
|--------------------------------|---------------|---------------------|---------------|---------------|---------------------|---------------|
| | Tax | Fines/ Penalties | | Tax | Fines/ Penalties | Total |
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Stamp duties | 3 590 | 287 | 3 877 | 438 | 110 | 548 |
| Pay-roll tax | 9 895 | 2 849 | 12 744 | 4 469 | 970 | 5 439 |
| Land tax | 622 | 364 | 986 | 313 | 115 | 428 |
| Business franchise licenses | <u>13</u> | <u>16</u> | <u>29</u> | <u>3 314</u> | <u>6 104</u> | <u>9 418</u> |
| | <u>14 120</u> | <u>3 516</u> | <u>17 636</u> | <u>8 534</u> | <u>7 299</u> | <u>15 833</u> |

During the year, Compliance Division extensively reviewed long outstanding receivables. This resulted in significant write offs for Pay-roll tax owed by liquidated businesses and Stamp duties under the First home purchase Scheme, by individuals enduring personal financial hardship.

Under the various taxing legislation administered by OSR, the Chief Commissioner or his delegate has the discretionary power to remit partially or wholly a statutory fine or penalty. The increase in Pay-roll tax remissions is due to system modifications which brought to account the full statutory penalty, even though lesser amounts had been imposed. This arrangement ceased with the introduction of the Tax Administration Act from 1 January 1997.

Penalties and fines remitted during the year amounted to:

| | Actual 1997 | Actual 1996 |
|--------------|----------------|----------------|
| | \$'000 | \$'000 |
| Stamp duties | 12 507 | 18 206 |

| | | |
|-----------------------------|---------------|---------------|
| Pay-roll tax | 6 689 | 342 |
| Land tax | 2 792 | 4 140 |
| Business franchise licenses | <u>25</u> | <u>30</u> |
| | <u>22 013</u> | <u>22 718</u> |

24. ADMINISTERED EXPENSES - OTHER

During the year, the Department incurred the following expenses on behalf of the Crown Transactions Entity:

| | | |
|--|-----------------|---------------|
| | 1997 | 1996 |
| | \$'000 | \$'000 |
| Property enquiry cost reimbursements - Roads and Traffic Authority | 784 | 577 |
| Acts of Grace payments | 3 266 | 36 101 |
| Court imposed interest payments | 216 | 120 |
| Bad debts expense (Note 21) | (35 687) | 32 769 |
| First home purchase discounts | 5 808 | 6 006 |
| Other | = | = |
| | <u>(25 613)</u> | <u>75 573</u> |

25. ADMINISTERED REVENUE - CONSOLIDATED FUND

Taxation revenue information is presented on a cash and an accrual basis. Revenue estimates relate to budgeted cash receipts for each tax type and are reported in the table summarising revenue collected on behalf of the Crown Transactions Entity.

| | | | |
|-----------------------|-----------|-----------|-----------|
| Revenue collected | Actual | Estimate | Actual |
| | 1997 | 1997 | 1996 |
| | \$'000 | \$'000 | \$'000 |
| Taxes, fees and fines | | | |
| Stamp duties | 3 170 241 | 2 762 290 | 2 607 012 |

| | | | |
|-----------------------------|------------------|------------------|------------------|
| First home purchase | <u>22 788</u> | <u>29 000</u> | <u>25 462</u> |
| Total Stamp duties | 3 193 029 | 2 791 290 | 2 632 474 |
| Parking space levy | 8 177 | 7 600 | 7 355 |
| Pay-roll tax | 3 645 496 | 3 446 000 | 3 294 142 |
| Land tax | 640 805 | 576 000 | 574 764 |
| Debits tax | 318 982 | 327 000 | 319 425 |
| Business franchise license | 1 513 301 | 1 445 000 | 1 409 990 |
| Health insurance levies | <u>44 373</u> | <u>44 000</u> | <u>44 353</u> |
| Total taxes, fees and fines | <u>9 364 163</u> | <u>8 636 890</u> | <u>8 282 503</u> |
| Other | | | |
| Tax equivalents | 601 080 | 491 640 | 325 579 |
| Unclaimed money | 6 758 | 11 566 | 11 635 |
| Other revenue | <u>399</u> | - | <u>199</u> |
| | <u>608 237</u> | <u>503 206</u> | <u>337 413</u> |
| Total revenue collected | <u>9 972 400</u> | <u>9 140 096</u> | <u>8 619 916</u> |

Taxes, fees and fines reported above are net of refunds paid, but include Act of Grace (ex gratia) payments by the State amounting to \$3.3 million (1996 - \$36.1 million).

On behalf of the Department of Transport, the Office collects Parking space levy imposed under the Parking Space Levy Act 1992. Parking space levy refunds totalling \$1 800 (1996 - \$1 200) were paid during the year. The Office was reimbursed by the Department of Transport from the "Public Transport Facilities Fund" Special Deposits Account.

Tax equivalents relate to Federal Income and Sales tax equivalents paid by Government Trading Enterprises (GTE's). Certain GTE's are also required to pay Stamp duty and Land tax equivalents. Included in the amounts reported above are Stamp duty and Land tax equivalents collected from GTE's amounting to \$0.6 million and \$2.6 million (1996 - \$2.8 million and \$4.1 million) respectively.

| | | |
|----------------|--------|--------|
| Revenue earned | Actual | Actual |
| | 1997 | 1996 |
| | \$'000 | \$'000 |

Taxes, fees and fines

| | | |
|-----------------------------|------------------|------------------|
| Stamp duties | 3 168 946 | 2 607 458 |
| First home purchase | <u>24 065</u> | <u>25 461</u> |
| Total Stamp duties | 3 193 011 | 2 632 919 |
| Parking space levy | 7 972 | 7 870 |
| Pay-roll tax | 3 639 433 | 3 297 474 |
| Land tax | 672 107 | 567 017 |
| Debits tax | 318 982 | 319 425 |
| Business franchise licenses | 1 442 782 | 1 436 300 |
| Health insurance levies | <u>44 373</u> | <u>44 353</u> |
| Total taxes, fees and fines | <u>9 318 660</u> | <u>8 305 358</u> |
| Other | | |
| Tax equivalents | 601 080 | 325 579 |
| Unclaimed money | 6 758 | 11 635 |
| Other revenue | <u>399</u> | <u>199</u> |
| | <u>608 237</u> | <u>337 413</u> |
| Total revenue earned | <u>9 926 897</u> | <u>8 642 771</u> |

In accordance with the Crown Transactions Entity's revenue recognition policy, tax equivalents are recognised as revenue when cash is received.

For the first time, an accrual of \$42.1 million representing unissued Land tax assessments relating to current and prior years, has been brought to account. Comparative figures are not available.

OSR has collected Business franchise license revenues in accordance with legislation up until the High Court decision dated 5 August 1997. Following the decision, it was determined that these assessments were raised illegally due to the legislation extending beyond the State government's legislative authority. The Solicitor General has advised that there is no need for OSR to refund any fees paid by clients.

26. SUBSEQUENT EVENTS

On 5 August 1997, the High Court held that certain provisions of the Business Franchise Licenses (Tobacco) Act 1987 are unconstitutional. OSR sought advice from the Solicitor General with respect to the legality of all Business franchise license collections. It was the opinion of the Solicitor General that, if challenged all Business franchise license collections may be considered unconstitutional and hence illegal. Based on this advice, the administration of the Business franchise license legislation has been suspended. Business franchise licenses due and receivable at year end which have not been collected at the

date of the decision were written back against administered revenue earned as they are no longer enforceable.

The Solicitor General has advised that revenues collected under the legislation prior to it being "struck down" will not be subject to refund. .([Back to contents page](#))



BOX 12 GPO
SYDNEY NSW 2001

INDEPENDENT AUDIT REPORT THE TREASURY

To Members of the New South Wales Parliament and the Secretary of the Treasury

Scope

I have audited the accounts of The Treasury for the year ended 30 June 1997. The preparation and presentation of the financial report consisting of the accompanying statement of financial position, operating statement, statement of cash flows, program statement - expenses and revenues and summary of compliance with financial directives, together with the notes thereto, and the information contained therein, is the responsibility of the Secretary. My responsibility is to express an opinion on the financial report to Members of the New South Wales Parliament and the Secretary based on my audit as required by sections 34 and 45F(I) of the *Public Finance and Audit Act 1983*. My responsibility does not extend here to an assessment of the assumptions used in formulating budget figures disclosed in the financial report.

My audit has been conducted in accordance with the provisions of the Act and Australian Auditing Standards to provide reasonable assurance as to whether the financial report is free of material misstatement. My procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant accounting estimates.

In addition, other legislative requirements which could have an impact on The Treasury's financial report have been reviewed on a cyclical basis. For this year, the requirements examined comprise: Chief Executive Service/Senior Executive Service remuneration; Payroll Tax on superannuation benefits; disaster recovery plans for computer installations and prompt payment of accounts.

These procedures have been undertaken to form an opinion as to whether, in all material respects, the financial report is presented fairly in accordance with the requirements of the *Public Finance and Audit Act 1983*, Accounting Standards and other mandatory professional reporting requirements (Urgent Issues Group Consensus Views) so as to present a view which is consistent with my understanding of The Treasury's financial position, the results of its operations and its cash flows.

The audit opinion expressed in this report has been formed on the above basis.

Qualification

On 5 August 1997, the High Court held that the fee-based licensing provisions in the *Business Franchise Licences (Tobacco) Act 1987* are unconstitutional. The New South Wales Solicitor General advised that, if challenged, the High Court would also strike down the equivalent provisions of the *Business Franchise Licences (Petroleum Products) Act 1987*. The Treasury is responsible for the collection of the licence fees under both these Acts and discloses details of the related administered assets and revenues in the notes to the financial statements. As stated in note 26, a consequence of the High Court decision, is that The Treasury on behalf of the Government has invalidly collected \$1,513,301,000 in Business Franchise Licence fees, (\$1,409,990,000 1995/96), disclosed in note 25 to the financial statements. The New South Wales Solicitor General has advised that as the law presently stands, the Government is not required to refund those fees collected prior to the decision. There is no financial effect on the financial report.

Qualified Audit Opinion

In my opinion, except for the invalidly collected administered revenues as referred to in the qualification paragraph, the financial report of The Treasury complies with section 45E of the Act and presents fairly in accordance with applicable Accounting Standards and other mandatory professional reporting requirements the financial position of The Treasury as at 30 June 1997 and the results of its operations and its cash flows for the year then ended.

A.C. HARRIS

SYDNEY

17 October 1997

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