
New South Wales Auditor-General's Report
Financial Audit

Volume Fourteen 2014

Focusing on Trade and Investment



The role of the Auditor-General

The roles and responsibilities of the Auditor-General, and hence the Audit Office, are set out in the *Public Finance and Audit Act 1983*.

Our major responsibility is to conduct financial or 'attest' audits of State public sector agencies' financial statements. We also audit the Total State Sector Accounts, a consolidation of all agencies' accounts.

Financial audits are designed to add credibility to financial statements, enhancing their value to end-users. Also, the existence of such audits provides a constant stimulus to agencies to ensure sound financial management.

Following a financial audit the Audit Office issues a variety of reports to agencies and reports periodically to parliament. In combination these reports give opinions on the truth and fairness of financial statements, and comment on agency compliance with certain laws, regulations and government directives. They may comment on financial prudence, probity and waste, and recommend operational improvements.

We also conduct performance audits. These examine whether an agency is carrying out its activities effectively and doing so economically and efficiently and in compliance with relevant laws. Audits may cover all or parts of an agency's operations, or consider particular issues across a number of agencies.

Performance audits are reported separately, with all other audits included in one of the regular volumes of the Auditor-General's Reports to Parliament – Financial Audits.

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GPO Box 12
Sydney NSW 2001

The Legislative Assembly
Parliament House
Sydney NSW 2000

The Legislative Council
Parliament House
Sydney NSW 2000

Pursuant to the *Public Finance and Audit Act 1983*,
I present Volume Fourteen of my 2014 report.

A handwritten signature in black ink, appearing to read 'Grant Hehir'.

Grant Hehir
Auditor-General

17 December 2014

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Section One

Trade and Investment



Executive Summary

Introduction

This report sets out the results of the financial statement audits of the Department of Trade and Investment, Regional Infrastructure and Services (DTIRIS) cluster agencies for the year ended 30 June 2014. Unqualified audit opinions were issued on 54 financial statements. One set of financial statements is outstanding and eight audits have not been completed for 30 June 2014. This includes the Water Administration Ministerial Corporation (WAMC) for which a disclaimer of opinion may be issued when the signed financial statements are received. Comment on WAMC and incomplete audits appear later in this report.

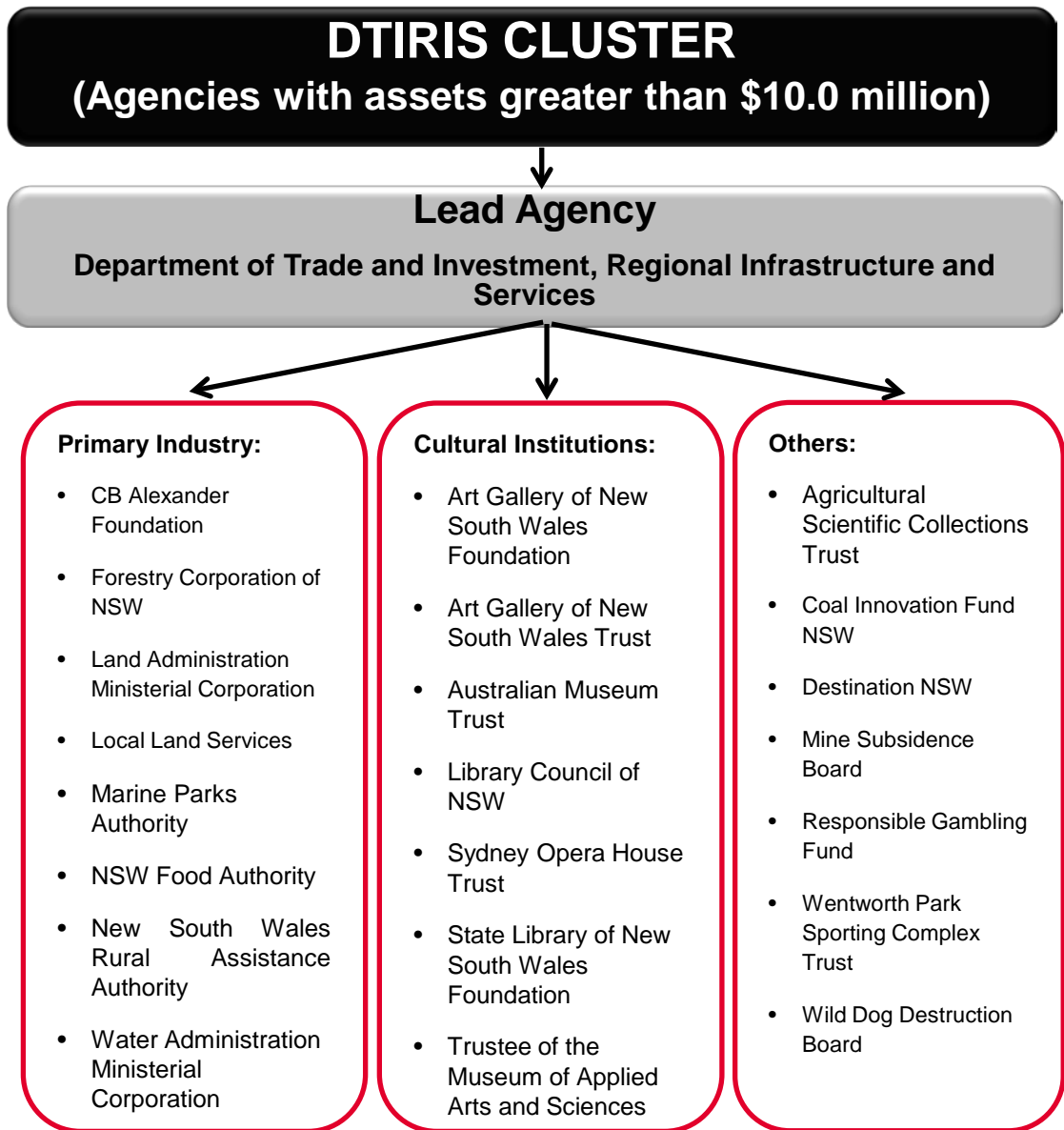
Entities in the Cluster

DTIRIS is the State's lead economic development agency. It achieves results by collaborating with and supporting businesses, industries and communities with respect to investment, trade, innovation, productivity and regional growth across all sectors.

DTIRIS cluster agencies promote trade and investment locally and internationally, providing business support, technical knowledge, and science and research capabilities to industries. They also support the tourism, hospitality, racing and cultural sectors. Agencies work to secure and regulate energy and mineral resources for New South Wales, support food and fibre industries, and encourage natural resource management.

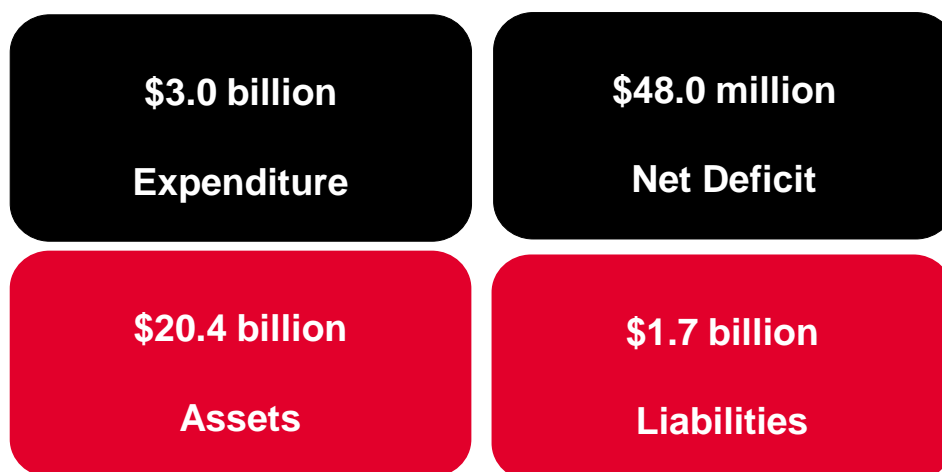
We audited 63 agencies in the DTIRIS cluster. These agencies include nine Electricity and eight Water agencies which were reported on in the NSW Auditor-General's report to Parliament Volume Five 2014. Two of those 2014 audits are ongoing. Commentary in this volume is on the remaining 46 DTIRIS cluster agencies.

The table below lists the main agencies included in this report divided into three categories based on the nature of the industry.



Snapshot of the Cluster

A snapshot for the DTIRIS cluster for the year ended 30 June 2014 is shown below.



This report also provides Parliament and other users of the financial statements with an analysis of the DTIRIS cluster's results and key observations in the following areas:

- Financial and Performance Reporting
- Financial Controls
- Governance
- Service Delivery.

Financial and Performance Reporting

Financial and performance reporting is an important dimension of good governance. Confidence in public sector decision making and transparency is enhanced when financial and performance reporting is accurate, timely and clear.

Unqualified audit opinions were issued on the 30 June 2014 financial statements of all cluster agencies where the audit was completed. Six 2014 audits are incomplete, including WAMC for which a disclaimer of opinion may be issued when the signed financial statements are received.

Financial reporting requires further improvement across the cluster with 24 significant matters reported to the relevant Minister and Treasurer for 13 agencies. These matters include financial reporting, valuation, prior period errors, accounting treatment of expenditure on land for public access, lack of controls over revenue and timeliness and quality of work papers.

There were 129 reported misstatements across all agencies in the cluster (141 in 2012-13). Thirty-five of the 2013-14 (28 in 2012-13) misstatements were in DTIRIS, 18 (10 in 2012-13) misstatements were in Game Council of NSW, and 14 misstatements were in Local Land Services (LLS). A focus is needed on skill sets, ownership of issues and timeliness of actions to make improvement in these agencies. We did not have any significant concerns with the level of misstatements in the other agencies.

Early close financial statements were received within mandated deadlines for all agencies except LLS. With the exception of DTIRIS, WAMC and Independent Liquor and Gaming Authority (ILGA), all agencies demonstrated significant compliance with the requirements of early close. DTIRIS and LLS did not complete a full asset revaluation for Crown land as required by early close procedures. ILGA had a number of matters that were incomplete, most significantly was agreeing in writing with DTIRIS the funding situation for 2013-14 (repeat finding).

LLS's and ILGA Staff Agency's 2013-14 financial statements were not provided by the statutory deadline. The audits of ten agencies were not completed by the statutory date, mainly due to the poor quality of financial reporting and supporting work papers.

Fourteen agencies received a letter of financial support from the Secretary of DTIRIS to provide assurance over going concern issues.

The net result for the DTIRIS cluster is a deficit of \$48.0 million (\$276 million surplus in 2012-13). The cluster result is mainly due to DTIRIS's net deficit of \$132 million. Forestry Corporation of NSW achieved a surplus of \$67.0 million and the Sydney Opera House Trust had a \$26.4 million surplus.

Of the agencies that prepared a budget, ten agencies had variances of greater than five per cent on total expenses. A total of eleven agencies had budget variances greater than five per cent on net result. Six agencies had budget variances greater than five per cent on total net assets.

Due to the significant misstatements in the Crown land balances including two prior period errors, DTIRIS has agreed to perform a review of controls over Crown land transactions with the aim of producing more accurate financial reporting in 2014-15.

Financial Controls

Appropriate financial controls help ensure the efficient and effective use of resources and the implementation and administration of agencies policies. They are essential for quality and timely decision making to achieve desired outcomes.

The 2013-14 audits of cluster agencies identified areas where internal controls could be improved and these were reported to the relevant agencies' management. Common issues identified across cluster entities include deficiencies in bank reconciliations, and poor documentation and record keeping of general ledger transactions.

Information systems audits focused on the information technology (IT) processes and controls supporting the integrity of financial data used in the preparation of agencies' financial statements. In 2013-14, these audits identified a total of 21 IT issues (the bulk relating to security) for agencies within the DTIRIS cluster, which was half the number of issues reported in 2012-13.

Managing excess annual leave continues to be a challenge for the cluster and meeting the 30 June 2015 target of all staff having 30 days or less will be difficult.

DTIRIS management do not systematically track maintenance backlog at a total Department or cluster level, but plan maintenance based on assessment of asset condition and requirements. Four Cultural Institutions confirmed their backlog maintenance was \$23.7 million at 30 June 2014 (\$24.0 million at 30 June 2013).

Governance

Governance refers to the framework of rules, relationships, systems and processes within, and by which, authority is exercised and controlled in agencies. It includes the systems the agencies, and those charged with governance, use and are held to account by others.

Effectiveness of the current cluster structure can be enhanced by further streamlining the number of reporting entities within it.

There is uncertainty about financial reporting requirements for Special Deposit Accounts. These Accounts have been created by legislation to receive monies and carry out specified activities. We have estimated that there are over 100 of these funds within the State, approximately a quarter of which are within the DTIRIS cluster.

Service Delivery

The achievement of government outcomes can be improved through the effective commissioning of the right mix of services. Commissioning involves the process by which agencies assess their needs, determine priorities, design and source appropriate services, and monitor and evaluate performance.

Our review of the NSW Government 2021 Goals, Targets and Measurement where DTIRIS is the lead agency identified the activity to meet a number of the targets and measures is not wholly controlled by DTIRIS. We also found some targets are not specific as to the degree of outcome and date.

Shared service arrangements aim to create efficiencies and reduce costs by centralising the delivery of services. DTIRIS provides a wide range of services to cluster agencies but many of them have not signed a Service Partnership Agreement (SPA) with DTIRIS. Some signed or unsigned SPAs lack Key Performance Indicators (KPIs).

The shared service function should continue to improve its financial statement preparation process, and accounting skills, with the aim of further reducing errors and audit costs.

The number of unprocessed Aboriginal land claims has remained steady for the past three years. At 30 June 2014, there were 287 approved land claims not yet transferred worth \$719 million.

Recommendations

Department of Trade and Investment, Regional Infrastructure and Services cluster agencies should:

1. implement measures to improve the accuracy of their budgets
2. arrange revaluations as early as possible given the unique characteristics of some fixed assets and overall complexity of the fixed assets portfolio
3. ensure audit management letter issues are addressed in a timely manner
4. regularly monitor performance against criteria outlined in the Service Level Agreements
5. take more effective action to reduce the crude employee recreation leave balances to a maximum of 30 days, or less, by 30 June 2015
6. have a fraud prevention policy and procedures.

Department of Trade and Investment, Regional Infrastructure and Services should:

1. review the need for Water Administration Ministerial Corporation and seek legislative change if a separate entity is not required
2. ensure the records and financial statements of Marine Parks Authority (MPA) are complete and accurate
3. initiate and monitor IT Disaster Recovery testing across all cluster agencies
4. develop formal IT service delivery management processes with its clients
5. undertake a review of all major assets to determine the extent of backlog maintenance
6. ensure all cluster agencies have risk management frameworks and risk registers
7. sign SPAs with all serviced divisions and agencies. Such SPAs should include relevant KPIs and penalty clauses for not meeting KPIs
8. continue to improve its shared service financial statement preparation and accounting skills with the aim of reducing errors and audit costs
9. take more effective actions to reduce the number of unprocessed Aboriginal Land claims as well as number of approved land claims not yet transferred out
10. continue to streamline the number of reporting entities in the cluster in order to gain efficiencies.

Department of Trade and Investment, Regional Infrastructure and Services and Independent Liquor and Gaming Authority (ILGA) should:

1. agree in writing by 28 February 2015 the medium term funding arrangements for ILGA.

NSW Treasury should:

2. continues to clarify the legislative and reporting requirements for Special Deposit Accounts so they both report to the State and are consolidated in the State's financial statements.

NSW Government should:

1. appoint trustees to the Agricultural Scientific Collections Trust as soon as possible to ensure compliance with enabling legislation and good governance
2. improve the measures used to determine goal achievement.

Financial and Performance Reporting

Financial and performance reporting is an important dimension of good governance. People need access to accurate and timely information about what their Government is doing to hold it to account. Government requires accurate and timely financial and performance information from agencies to enable effective decision making.

Financial and Performance Reporting

2013-14 Audit Observations

Financial Reporting

Significant savings could be achieved by improving controls over the financial reporting process for DTIRIS and related entities

Performance Reporting

DTIRIS has committed to develop a comprehensive plan for assessing, managing and accounting for contaminated land sites by 2015

Financial Reporting

Timely and accurate financial reporting is a key element in the transparency of Government agencies. This is a significant focus for financial audits and an area of previously reported concerns.

Unqualified audit opinions were issued for all completed 2013-14 audits within the cluster. There are six incomplete audits. One of them is WAMC which may receive a disclaimer.

Key Financial Issues from Cluster Agencies

Appendix One details the quality of the cluster entities' financial statements submitted and audited for the year ending 30 June 2014.

Twenty-four significant matters were included in our Statutory Audit Reports to Ministers and the Treasurer this year. They included recommendations where clear improvement was needed for:

- financial reporting
- valuation
- prior period errors
- accounting treatment of expenditure on land for public access
- lack of controls over revenue
- timeliness and quality of work papers.

Inadequate controls over financial reporting were an issue across much of the cluster and the number of errors and significant matters reflect that. In 2013-14, there were no misstatements reported for ten agencies. Twenty-nine agencies had misstatements in 2014 compare to 28 entities reported in the prior year. There were 129 reported misstatements in 2014, which is an improvement from 141 in 2013.

Prior period errors were again significant in DTIRIS' 2013-14 financial statements, in particular those relating to recognition of land assets and entities that should have had separate financial statements. There were five prior period errors in the 2013-14 financial statements, compared to three in the 2012-13 financial statements.

The significant matters reported to the Minister and Treasurer in 2014 are detailed below:

Department of Trade and Investment, Regional Infrastructure and Services

Two significant matters related to the accounting for Crown land and the extent of prior period errors.

Significant deficiencies exist in controls around recording of Crown land assets in the asset register and the general ledger. Crown land recording is complex and unresolved issues remain. It is not clear that all misstatements in this area have been identified by DTIRIS. DTIRIS has agreed to perform further work by the end of February 2015 to ensure the Crown land balance is fully reconciled. DTIRIS should then continuously review transactions recorded in the Crown land asset register.

The five prior period errors in the 2013-14 financial statements were:

- land under water of \$245 million controlled by MPA incorrectly valued and recorded in DTIRIS financial statements
- understatement of crown land by \$98.0 million due to previously unidentified 200,000 ha of three nautical mile land under water
- de-recognition of Coal Innovation Fund NSW, net asset of \$ 84.1 million
- \$20.1 million loan receivable was incorrectly written off in 2013 in consultation with the audit team based on information available at the time
- \$16.4 million Pillar adjustment incorrectly classified in 2012-13.

The three prior period errors in the 2012-13 financial statements were due to incorrect classification of DTIRIS' long term land leases; incorrect accounting for approved land claims not yet transferred; and the removal of Public Reserve Management Funds from DTIRIS' financial statements.

DTIRIS has addressed a number of issues that had previously been subject to qualification, including Crown Reserves and leasing of Crown Land.

Local Land Services

Local Land Services (LLS) was established on 1 January 2014 through the *Local Land Services Act 2013*. Eight significant matters were reported to the Minister:

- the *Local Land Services Act 2013* is unclear on the issue of LLS' reporting obligations. LLS is in the process of clarifying this matter
- LLS experienced significant delays in concluding the 1 January 2014 financial reporting and audits of the former Catchment Management Authorities and Livestock Health and Pest Authorities
- exceptions were identified between Crown lands data recognised by DTIRIS and the land considered to be controlled by LLS. Both agencies are committed to resolving this in 2014-15
- controls over completeness of revenue
- travelling stock route improvements with a net-book value of \$12.2 million as at 30 June 2014 have not been revalued since 2006. Management advised that an appropriately scoped and comprehensive revaluation project will be undertaken in time to meet its 2014-15 early close obligations
- Livestock Health and Pest Authorities Division's financial statements were not audited in recent years and management experienced difficulties in reconciling balances
- LLS did not perform early close procedures during the year and lodged its 2014 financial statements three days late
- LLS did not have an internal audit function during the six months to 30 June 2014. We understand no internal auditors have been appointed at the date of publishing this report.

LLS agreed there is a need to better identify land under its control, and strengthen the controls over the completeness of revenue and these will be addressed in 2014-15. There was appropriate involvement of the Chair of the Board and the Chair of the Audit and Risk Committee throughout the extended audit process.

Water Administration Ministerial Corporation

Recommendation

DTIRIS reviews the need for WAMC and seeks legislative change if a separate entity is not required.

Unsigned financial statements of WAMC were presented for audit for the 2011, 2012, 2013 and 2014 years. An audit of these financial statements is not possible as adequate records were not kept. Problems include:

- records of decisions of WAMC were not kept
- separate financial records were not kept and other entities have received the income belonging to WAMC
- the asset register of WAMC does not include all assets, or the location of the assets
- it is not clear which assets WAMC controls as other entities appear to record some of WAMC's assets.

Due to the passage of time and the likelihood that some transactions have been reported elsewhere we consider it is not practical for DTIRIS to reconstruct the records of WAMC.

If the financial statements are approved and signed a Disclaimer of Opinion may be issued.

The legislation governing water has been changed regularly over the years, and DTIRIS should review the need for WAMC and seek legislative change if a separate entity is not required. Alternatively, if the entity is required, action will need to be taken to ensure that it meets its record keeping and reporting requirements.

Lands Administration Ministerial Corporation

The audits for the 2011 and 2012 years are complete and unqualified independent auditor's reports were issued on 15 December 2014. The audits for the 2013 and 2014 years are expected to be completed before 31 January 2015.

Although Lands Administration Ministerial Corporation (LAMC) was established on 1 May 1990 by the *Crown Lands Act 1989*, it did not prepare its first set of financial statements for audit until the year ended 30 June 2011. The financial statements included transactions for the prior 21 years and large land transfers of approximately \$180 million.

There were considerable delays in finalising the financial statements because of examination of multiple years of transactions, data validation by LAMC and changes to the versions of financial statements to achieve accuracy and completeness.

Independent Liquor and Gaming Authority

Recommendation

DTIRIS and ILGA should agree in writing by 28 February 2015 the medium term funding arrangements for ILGA.

The following significant matters were reported to the Minister and Treasurer:

- all corrective actions were not taken in response to the agency's 2013 published annual report including an unaudited version of the financial statements.
ILGA's 2012-13 annual report did not include the audited financial statements, but an earlier unaudited version. Auditing standards require that the independent audit report is not misrepresented by being attached to financial statements that have not been audited. On 27 June 2014 we wrote to the Chief Executive detailing five actions ILGA had to undertake to correct this significant mistake. The following actions were not completed:
 - we have not received confirmation from the parties that received the incorrect annual report that they have received the corrected version
 - we have not received information that ILGA has designed effective control procedures and designated responsibilities to ensure this does not happen again
- 2013-14 financial statements for the Staff Agency were not received until 13 October 2014. In addition, ILGA's financial statements submitted for audit did not include the parent entity balances or disclosures required for the consolidated entity
- significant deficiencies exist in ILGA's financial recording and reporting processes including timely agreement in writing with DTIRIS of the funding situation for 2013-14 (repeat finding).

Marine Parks Authority

Recommendation

DTIRIS should ensure the records and financial statements of MPA are complete and accurate.

The audits for 2012, 2013 and 2014 have not been completed due to incomplete and inaccurate financial statements being prepared.

The significant outstanding matters are:

- the accuracy of hectares for land under water for the six marine parks that have now been recognised. This land was incorrectly included in the financial statements of DTIRIS
- the accurate accounting for monies that should have been banked into the Special Deposits Account for MPA. These monies were deposited in DTIRIS account instead of MPA.

Agricultural Scientific Collections Trust

An audit opinion has not yet been issued on the financial statements of the Agricultural Scientific Collections Trust (the Trust) for the 30 June 2013 or 2014 year end. Prior to 2012 it was considered that the value of the collection assets could not be accurately valued. A valuation of the collection assets has now been performed and the audit opinion for the 2012 financial statements was issued on 15 December 2014. Completion of the 2013 and 2014 audits will now follow.

Timeliness of Financial Reporting

NSW Treasury issued TC 14/02 'Mandatory early close procedures for 2014' aiming to improve the quality and timeliness of agencies' annual financial statements. In the DTIRIS cluster only the larger agencies were required to perform early close procedures.

Appendix Two provides an overview of the timing of early close procedures, submission of financial statements and completion of the audit process.

All necessary agencies undertook early close procedures except for LLS. Only LLS and ILGA Staff Agency submitted year-end statements late. Ten audits were not completed on time due to significant delays in the provision of audit evidence or unresolved issues relating to prior year audits.

Recommendation

DTIRIS should improve its financial reporting processes to reduce audit costs and enable timely reporting.

Outcomes of Early Close Procedures for Relevant Agencies in the Cluster

A report was sent to the Minister and Treasurer on DTIRIS, LLS, ILGA and WAMC where the early close process was inadequate. The audits were also late for these four agencies and a number of the significant matters raised in early close were raised again at the completion of the audit.

Valuation of assets was an issue for DTIRIS and LLS and they were not performed as required for early close. Instead they were performed at year end which provided less time for management review and audit. Insufficient information initially provided was an issue in determining if the valuations had been performed in accordance with AASB 13 'Fair Value Measurement' and 'TPP 14-01 Accounting Policy – Valuation of Physical Non-Current Assets at Fair Value'.

Year-end Financial Statements Provided Late

Only ILGA Staff Agency and LLS submitted 2014 financial statements late, 60 days and three days, respectively.

Incomplete and Late Audits

Audit opinions were issued after the statutory deadline for ten agencies and a further six agency audits are still ongoing. The delays were predominantly due to:

- a number of documents were not provided on time and a significant portion of those documents that were provided on time did not reconcile to the financial statements or otherwise contained misstatements
- the financial statements initially submitted contained a number of complex accounting issues that were not supported by appropriate work papers, for example issues in relation to Crown land as discussed earlier
- the financial statements contained a large number of misstatements and in some cases, required a number of revisions before the audit could start.

Key Financial Information

Appendix Three details key financial information for the DTIRIS cluster agencies included in this report.

The net result for the DTIRIS cluster is a deficit of \$48.0 million, which is a significant decline from \$276 million surplus in 2012-13 (result includes unaudited financial statements). The overall deficit is mainly due to DTIRIS net deficit of \$132 million. Forestry Corporation of NSW achieved a surplus of \$67.0 million, as did Sydney Opera House Trust, \$26.4 million.

The value of assets held by the DTIRIS cluster totalled \$20.4 billion at 30 June 2014 (\$19.3 billion at 30 June 2013). Assets were predominantly represented by \$6.5 billion of Crown lands, \$2.0 billion biological assets and \$7.0 billion of art and library collections. The cluster liabilities totalled \$1.7 billion (\$1.6 billion) consisting of approximately \$200 million borrowings, \$400 million of employee benefits provision \$450 million payables, and \$492 million of income tax liabilities.

The majority of the cluster agencies receive grants and appropriations to support them in performing their functions. During the year, DTIRIS paid \$1.2 billion in grants of which \$560 million was to entities within the cluster, \$175 million to other public sector entities and \$457 million to the public including the Low Income Household Rebate, the Arts and Cultural Development Program, the Energy Accounts Payment Assistance, and the Water and Sewer System for Aboriginal Communities. Grants paid by DTIRIS have been relatively consistent over the last three years.

The significant financial movements attributable to DTIRIS, Forestry Corporation of NSW (FCNSW), NSW Rural Assistance Authority (NSW RAA) and Sydney Opera House Trust (SOHT) are discussed below.

Department of Trade and Investment, Regional Infrastructure and Services

DTIRIS total assets increased by \$238 million to \$8.0 billion as at 30 June 2014. This was mainly due to an asset revaluation increment of \$478 million and offset by \$175 million de-recognition of other reporting entities cash balances.

Liabilities decreased by \$121 million during the year as the liabilities for holding cash on behalf of other reporting entities is no longer recorded and a decrease in employee benefits as a result of the administrative restructure.

The net deficit increased by \$110 million to \$132 million. This is predominantly due to the spending of grant funds which was received in the prior year.

Forestry Corporation of NSW

FCNSW's after tax result increased by \$67.0 million in 2013-14, mainly due to a \$74.0 million fair value increment to its biological assets.

NSW Rural Assistance Authority

NSW RAA obtained \$40.0 million loan from the Commonwealth Government for the Farm Finance scheme and an additional \$18.0 million assistance for the Drought Regional Initiatives Program. As a result, its total assets and liabilities increased from prior year.

Sydney Opera House Trust

Total assets increased by \$65.0 million to \$2.4 billion largely due to an asset revaluation increment of \$36.2 million and \$43.3 million of capital works incurred during the year for the Vehicle Access and Pedestrian Safety (VAPS) project.

The net surplus decreased by \$63.0 million to \$26.4 million in 2013-14 largely due to the decrease in the grants received in 2013-14 for the VAPS project.

Budget Performance for the DTIRIS Cluster

Appendices four and five include information regarding actual performance against budget for the DTIRIS cluster agencies which we were provided with the budget information.

Recommendation

All agencies should implement measures to improve the accuracy of their budgets.

Out of the agencies that provided budget information to us, ten agencies had variances greater than five per cent on total expenses, although the audit of WAMC and LLS are incomplete. A total of 11 agencies had budget variances greater than five per cent on net result. Six agencies had budget variances greater than five per cent on total net assets. Agencies that had significant variance to budget are detailed below.

Department of Trade and Investment, Regional Infrastructure and Services

Total expenses were lower than budget by \$285 million, largely due to the administrative restructure which took place in February 2014 and resulting in the transfer of six staff agencies out of and four staff agencies into DTIRIS. Grants and subsidies expenses were also lower than budgeted as less work was undertaken than initially anticipated for projects.

The budget variance in expenditure contributed to a net deficit of \$132 million instead of \$177 million net deficit.

Local Land Services

Employee expenditure was lower than budget as a result of efficiencies gained through reduced staffing requirements by combining the legacy entities.

New South Wales Rural Assistance Authority

NSW RAA's total expenses and revenue were higher than budget due to the \$33.0 million grant funding it received from DTIRIS to fund the Drought Regional Initiatives program that was not included in the budget.

Trustees of the Museum of Applied Arts and Sciences

Total expenditure is higher than budget due to the organisation restructure announced during the year which resulted in \$7.0 million of redundancy payments.

Capital grant income received during year was less than budget as a result of delays in the construction of additional collection storage facilities.

The redundancy provision as a result of the organisation restructure mostly caused the net assets to be \$12.0 million lower than budget.

Forestry Corporation of NSW

The actual operating expenses were higher than budget by \$17.0 million, mainly due to a one-off payment of \$8.6 million to ensure sustainable supply of timber in North Coast forests and increased sales activity than budgeted which resulted in increased harvest and haulage costs.

Financial Sustainability

As with any well run business, DTIRIS cluster agencies must manage their finances so they can meet current and future spending commitments to provide services, adapt quickly to emerging threats and remain financially sustainable.

The majority of agencies in the DTIRIS cluster are largely funded through government grants and appropriations, and do not have indicators of concern for their financial sustainability. The Secretary of DTIRIS issues an annual letter of guaranteed financial support for the smaller agencies that may have short term liquidity issues.

The 14 agencies receiving support are: Agricultural Scientific Collections Trust, Ministerial Corporation for Industry, Small Business Development Corporation of NSW, Chipping Norton Lake Authority, Lake Illawarra Authority, Marine Parks Authority, NSW Film and Television Office (Screen NSW), NSW Food Authority, Water Administration Ministerial Corporation, Land Administration Ministerial Corporation, Dam Safety Committee, Responsible Gambling Fund, Milk Marketing (NSW) and NSW Rural Assistance Authority.

Appendix Six summarises the performance of agencies against some commonly accepted sustainability indicators for the year ended 30 June 2014.

There are a total of 11 agencies that rated well overall and nine who have some concerns in the long term. In addition to those who requiring a letter of support, three agencies have high risk ratings for financial sustainability in the short term.

Wentworth Park Sporting Complex Trust's high risk rating is due to a negative underlying result. It is due to the \$2.2 million grandstand depreciation expense, while the revenue it received for the year is less than \$1.0 million. Any future investment in significant assets would require external funding.

Coal Innovation Fund NSW's high risk rating is because of negative underlying result. The agency received funding upfront and is now undertaking a number of projects and moved to the research stage this year. The research requires hiring consultancy services which increased the agencies expense compared to the prior year. The research stage involves site preparation, drilling, engineering, project management and other research activities. We accept there is low risk of financial sustainability.

The Australian Institute of Asian Culture and Visual Arts Limited's high risk rating is due to its negative underlying result. It incurred a large amount of grants and contribution expenses from increased sponsorship events during the year. As the agency had \$1.6 million cash as at 30 June 2014, we accept there is low risk of financial sustainability.

Outcomes of Asset Revaluations

Recommendation

Cluster agencies should arrange revaluations as early as possible given the unique characteristics of some fixed assets and overall complexity of the fixed assets portfolio.

TC 14/02 'Mandatory early close procedures for 2014' required agencies to conduct early revaluations of property, plant and equipment.

Fourteen of the 46 agencies in the cluster have property, plant and equipment assets in excess of \$10.0 million. DTIRIS cluster asset portfolio includes Crown land, heritage and cultural buildings, coastal infrastructure, public forest and other assets. Of the cluster agencies, four carried out a full revaluation at 30 June 2014, with the results summarised below:

Cluster entity with fixed assets exceeding \$10 million	Full revaluation performed this year?	Fixed assets as at 30 June 2014 (\$m)	Revaluation increment (\$m)	Revaluation effect on net book value (%)
DTIRIS	Yes	6,338	480	8
Sydney Opera House Trust	Yes	2,338	36	2
Library Council of NSW	Yes*	2,413	34	1
C B Alexander Foundation	Yes	22	2	9
Totals for the table		11,111	552	5

* Only one class of assets (land and buildings) were fully revalued.

Source: Financial Statements (audited).

A total of \$552 million in revaluation increments was recognised by the four agencies during the year ended 30 June 2014, representing five per cent of the net book value of the total assets.

DTIRIS revaluation result consisted of \$208 million increment for Crown land, representing a four per cent increase of the net book value of these assets. A \$207 million increment was recognised for infrastructure systems, a 51 per cent increase of the net book value of these assets.

The following matters were noted in the revaluation of assets in the cluster entities:

- a number of unique assets were identified in the cluster that have no direct market evidence. These include land under water (valued at \$295 million).
- Crown lands revaluation results were not available to audit at early close. Valuation methodology and AASB 13 disclosure requirements for land under water represents a complex and challenging project. Additional research and consultations with the Valuer was undertaken contributing to the delay in the audit.
- valuation results of DTIRIS' property, plant and equipment, other than Crown lands (with a value over \$1.0 billion), were available for early close. However, robust management review and discussion with the valuer to ensure the valuation methodology was in accordance with the applicable accounting standard did not take place until the beginning of June. This reduced the effectiveness of the early close procedures in identifying accounting matters that required resolution before year end.

Contaminated Land

Effective management of contaminated land makes an important contribution to the Government's goal to 'Protect our natural environment'; Goal 22 of the State Government's 'NSW 2021: A plan to make NSW number one'. The *Contaminated Land Management Act 1997* (CLM Act) establishes a framework for the regulation and management of land that becomes significantly contaminated.

A performance audit conducted this year assessed how well the risks associated with contaminated sites are being managed. It focused on DTIRIS, which is the largest State government landholder by area and is extensively involved in the management of a range of contaminated sites. This audit was supplemented by a survey of over 30 large landholding government agencies in New South Wales and their management arrangements for dealing with contaminated sites.

DTIRIS has made recent efforts to identify and manage the risk of potentially contaminated sites on Crown lands. It has developed procedures for identifying contaminated sites, but these do not extend to dealing with contamination issues for Crown land transactions including land it leases, sells or transfers. DTIRIS has conducted a desktop review that identified around 1,175 suspected or known contaminated sites and has ranked these as 38 high risk, 437 medium risk and around 700 low risk sites, with 26 sites having been reported to the Environmental Protection Authority (EPA).

DTIRIS is developing a program to undertake detailed assessments of the sites ranked as high risk and has scheduled and commenced remediation work for a number of these sites.

As identified in the performance audit report, there are seven large derelict mines on Crown land that are potentially a high risk to the environment and public health, and may need to be notified to the EPA.

The table below summarises contamination site information for the cluster.

Agency	Number of sites reported to EPA	Provision for Restoration costs	Amount spent for restoration	Number of possible sites with 'high' contaminated risk	Contingent liability	Impairment/impact on revaluation (\$'000s)
DTIRIS	26	--	--	38	None quantified	481
FCNSW	3	--	--	1	None quantified	--

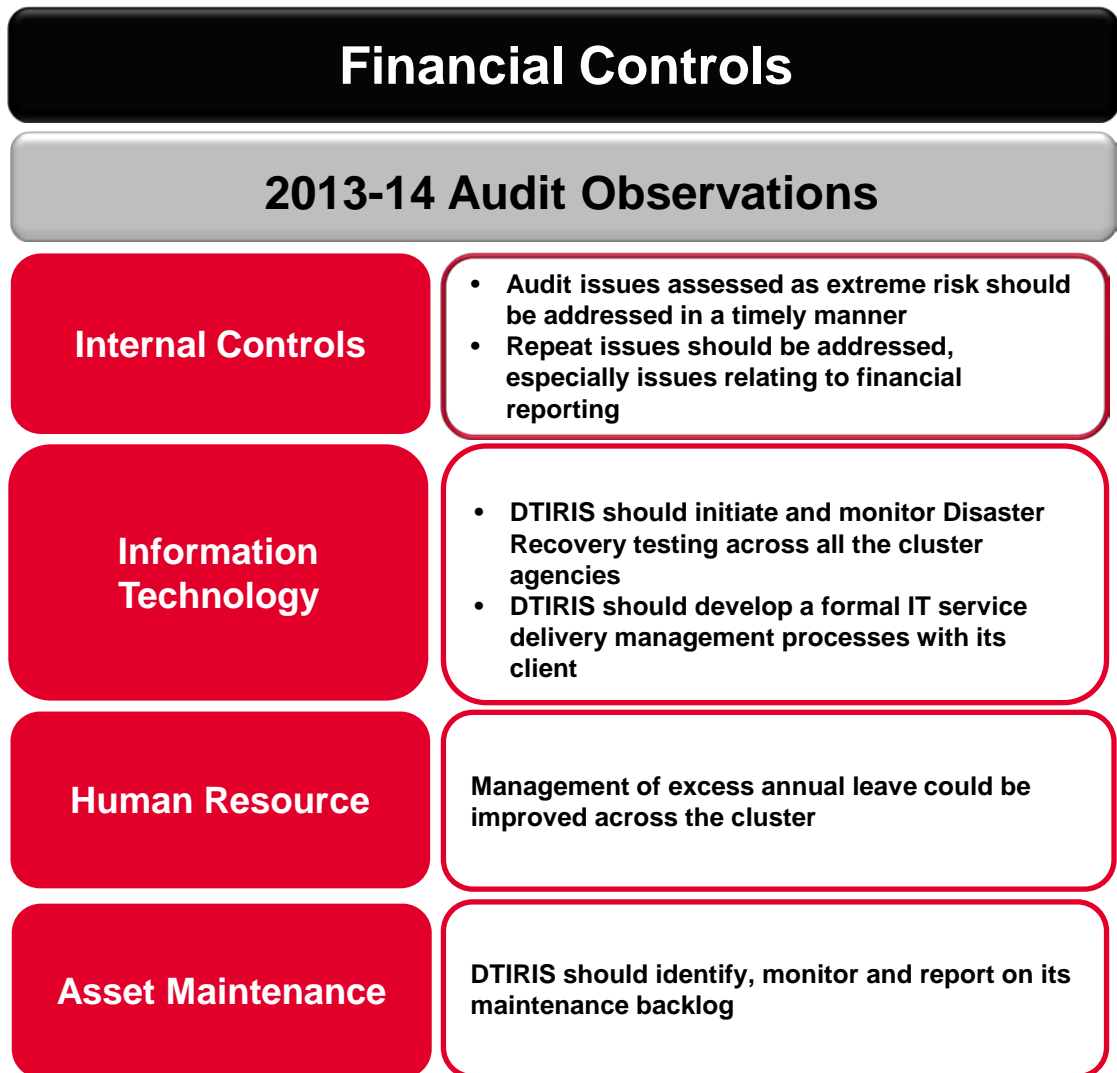
Source: Various.

Land Titling Review

A review of land titling was undertaken by DTIRIS in 2012-13 on request of the Ombudsman and the Audit Office. The review resulted in recommendations that DTIRIS update guidelines, provide further staff training, increase the use of computer system functionality and address the backlog of tasks. Legal advice is being obtained by DTIRIS to ensure matters are being properly dealt with. Out of the 39 recommendations, 31 have been completed, and eight are in progress and expected to be completed in 2015.

Financial Controls

Appropriate financial controls help ensure efficient and effective use of resources and the implementation and administration of entity policies. They are essential for quality and timely decision making to achieve desired outcomes.



Internal Control

Financial Audit Issues

Audits involve performing procedures to obtain evidence about the amounts and disclosures in financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement in the financial statements. In making those risk assessments, we consider internal controls relevant to the preparation of the financial statements, but not for the purpose of expressing an opinion on the effectiveness of internal control. Breakdown and weakness in internal controls significantly increase the risk of fraud and error.

Management Letter Issues

Financial audits focus on the finance processes and controls supporting the integrity of financial data used in the preparation of agencies' financial statements. In 2013-14, we advised management of over 200 financial and information system related issues to agencies within the DTIRIS cluster. These included a substantial number of repeat issues. Information systems issues have been detailed in the section below.

In 2013-14, 13 cluster agencies had a total of 27 issues with extreme risk. DTIRIS had the most with nine, of which five were repeat issues.

Issues included:

- accounting for Crown Land (significant matter reported to Minister and Treasurer)
- the extent of prior period errors (significant matter reported to Minister and Treasurer)
- accounting policies and procedures not updated
- no documented procedures for administrative restructures
- deficiencies in monthly reconciliation procedures and poor documentation
- deficiencies in accounting for complex financial transactions
- bank reconciliations had unmatched receipts and payments, and uncleared balances
- poor documentation and record keeping. These included supporting documentation not being attached to journals, insufficient information being disclosed in the financial statements and poor quality and timeliness of the work papers
- non-compliance with the *Public Finance and Audit Act 1983* reporting requirements by the Coal Innovation Fund NSW.

Recommendation

- **DTIRIS should ensure issues assessed as extreme risk are addressed in a timely manner**
- **DTIRIS Cluster management should ensure audit issues are promptly resolved as this would assist agencies in the efficient and effective use of resources.**

Information Technology

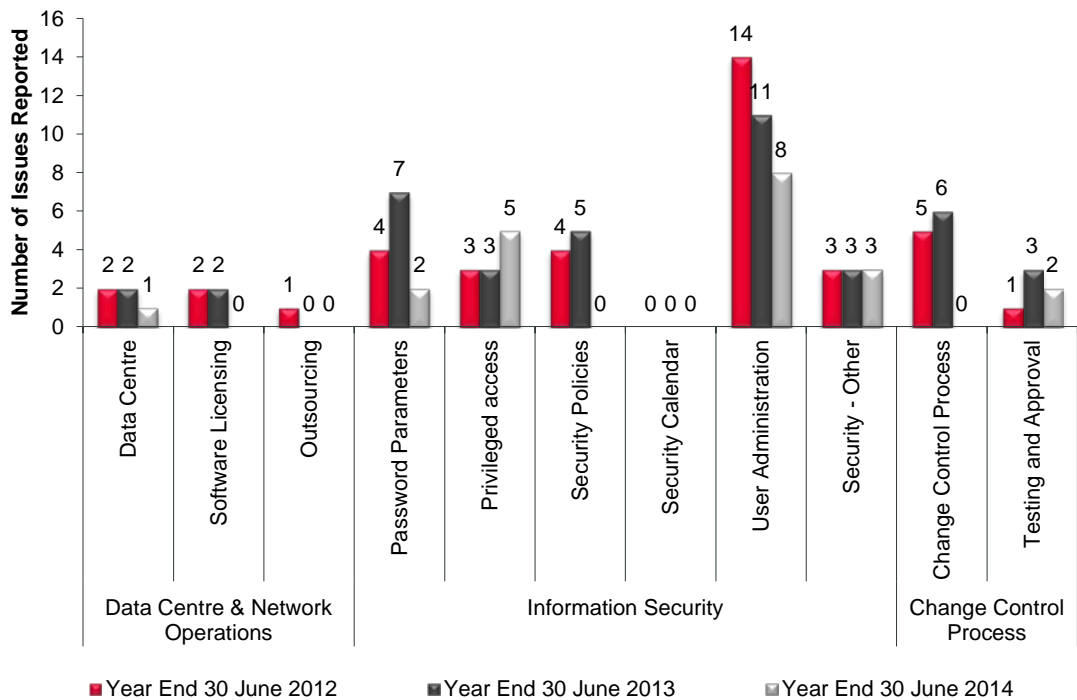
Information Systems Issues

Whilst there has been improved information flow from the IT provider and a reduced number of audit issues raised, security issues hinder us from placing reliance on system controls.

This year there was a marked improvement in the delivery and quality of information from the Information Technology (IT) provider. This enabled us to assess system controls, and identify security issues in the process. Pending the appropriate resolution of these issues, reliance on system controls should be possible in the future.

Information systems audits focused on the information technology processes and controls supporting the integrity of financial data used in the preparation of agencies' financial statements. In 2013-14, these audits identified a total of 21 IT issues for agencies within the DTIRIS cluster, which was half the number of issues reported in 2012-13. Thirty-eight per cent of the IT issues identified in 2013-14 were previously reported in 2012-13, and all but one of these issues were in relation to information security. Information security issues that are not addressed promptly expose agencies to a higher risk of security attacks and can result in data integrity issues, fraud and identity theft.

IT Issues Reported by Category - Trade and Investment



Information security issues accounted for 86 per cent of IT issues identified in 2013-14. The following areas were of particular concern:

- user administration issues accounted for 44 per cent of information security issues and most related to the lack of or inadequate performance of periodic user reviews for financial systems. This increases the risk of unauthorised access to financial systems. Although user administration continues to be the area with the greatest number of issues, there has been a significant improvement since 2012-13
- privileged access not being appropriately restricted for financial systems accounted for 28 per cent of information security issues. Unauthorised access to high privileged system accounts potentially compromises the integrity of data within the system and increases the risk of fraudulent transactions.

Disaster Recovery Planning

In 2013-14, five agencies completed a self-assessment of their disaster recovery planning and testing capabilities for their key financial systems. Testing of disaster recovery plans continues to be an area of concern in DTIRIS cluster agencies. All agencies either reported that they had not performed any testing at all, or had only performed partial testing of their disaster recovery plans for key financial systems. Without adequate testing, agencies have little comfort over the effectiveness of their disaster recovery plans in helping to restore their financial processes and systems in the event of a disaster.

Recommendation

DTIRIS should initiate and monitor IT Disaster Recovery testing across all cluster agencies.

IT Service Delivery Management

IT service delivery management processes play a major role as agencies continue to outsource significant IT functions. DTIRIS has faced security and change management challenges in effectively managing its IT service delivery processes, due to the short timeframes for implementing new systems. This has been further compounded by the complex nature of service relationships and systems within the cluster.

DTIRIS had a number of system and data incidents. In response to these incidents, they have reassessed their IT service delivery management framework and the core skills of internal staff. Consequently, staff were provided with greater visibility and flexibility to monitor and manage risks in relation to outsourced IT services.

Shared Service arrangements aim to create efficiencies and reduce costs by centralising the delivery of services, such as human resources, financial and information technology, to central agencies in a single location. The DTIRIS cluster has a shared services hybrid, with full accounting and payroll services for the majority of agencies, and just system hosting for some agencies. Challenges and incidents that have affected DTIRIS as a service provider impact the performance of the cluster agencies. Refer to the comment on 'Service Partnership Agreement (SPA) and Quality of Service Delivered' in the Service Delivery section of this report.

Recommendations

- DTIRIS should develop formal IT service delivery management processes with its clients
- Clients should regularly monitor IT service provider performance against criteria outlined in the Service Level Agreements.

Human Resources

Excess Annual Leave

Managing excess annual leave remains a challenge for most DTIRIS cluster agencies.

Managing excess annual leave is a continual challenge for most DTIRIS cluster agencies. They continue to manage employees with excessive annual leave balances with minimum disruption to their day-to-day duties. NSW Treasury Circular TC14/11 'Reduction of Accrued Recreation Leave Balances' requires agencies to make all reasonable attempts to reduce accrued employee recreation leave balances to a maximum of 30 days or less by 30 June 2015.

At 30 June 2014, the number of employees with balances exceeding 35 days was 1,374 (796 at 30 June 2013, exceeding 40 days). DTIRIS, being the largest agency in the cluster, had the most employees with excess annual leave balances. All identified agencies advised that initiatives are in place and policies have been implemented to manage excessive annual leave.

Excess leave balances can affect an organisation in the following ways:

- the associated financial liability generally increases over time as salaries increase
- workplace health and safety issues may arise
- employee fraud may remain undetected.

Staff with excess annual leave

	Number of staff with annual leave >35 days at 30 June 2014	\$ Value of annual leave > 35 days at 30 June 2014	Number of staff with annual leave >40 days at 30 June 2013	\$ Value of annual leave > 40 days at 30 June 2013
Cluster lead entity				
Department of Trade and Investment, Regional Infrastructure and Services	820	2,855,419	579	1,818,346
Other related agencies				
Destination NSW	22	118,646	16	47,076
Forestry Corporation of NSW	115	248,473	66	186,340
Independent Liquor and Gaming Authority	12	57,013	6	30,700
Local Land Services	205	783,885	N/A*	N/A*
New South Wales Rural Assistance Authority	5	7,271	3	7,012
NSW Food Authority	18	49,104	13	54,716
Cultural institutions				
Art Gallery of New South Wales Trust Staff Agency	29	34,988	22	50,394
Australian Museum Trust Staff Agency	24	47,556	21	30,292
Library Council of NSW Staff Agency	21	44,934	17	28,280
Trustees of the Museum of Applied Arts and Sciences :	44	126,167	17	19,774
Sydney Opera House Trust Staff Agency	59	160,031	36	90,406
Total	1,374	4,533,487	796	2,363,336

* LLS was established on 1 January 2014.

Source: Data provided from respective agencies.

Recommendation

Cluster agencies should take more effective action to reduce accrued employee recreation leave balances to a maximum of 30 days or less by 30 June 2015.

Workplace Health and Safety

Workers Compensation expense decreased by 70 per cent in 2013-14.

Management advised that workers compensation claims for the DTIRIS cluster entities decreased in 2013-14. The decrease is due to a number of health and wellbeing initiatives and programs that were put in place by the cluster agencies. These programs were implemented to support key initiatives in the cluster's Safety and Wellbeing Strategy 2012–15. These included:

- development of an injury management manual
- NSW Trade and Investment Wellbeing program launch
- injury management triage platform developed.

In 2013-14 DTIRIS had a total of 92 claims (169 in 2012-13) and workers compensation claims expense of \$656,000 (\$2.2 million), a decrease of 70.1 per cent.

The main injury types for cluster agencies, according to management, continue to be related to manual handling injuries, psychological injuries and slips/trips/falls.

Asset Management

Asset Maintenance

In 2013-14, the maintenance expense for DTIRIS decreased by 30 per cent from \$12.0 million to \$8.4 million.

DTIRIS management do not systematically track maintenance backlog at a total Department or cluster level, but plan maintenance based on assessment of asset condition and requirements.

Backlog maintenance can indicate that maintenance tasks to repair, or prevent equipment failures have not been completed. Asset maintenance is essential to ensure the optimal management of physical assets to maximise value.

Four Cultural Institutions confirmed their backlog maintenance was \$23.7 million at 30 June 2014 (\$24.0 million at 30 June 2013).

Recommendation

DTIRIS should undertake a review of all major assets to determine the extent of backlog maintenance.

Governance

Governance refers to 'the framework of rules, relationships, systems and processes within, and by which, authority is exercised and controlled in agencies'. It includes the systems public sector agencies and those charged with governance, use and are held to account by others.

The comments and observations in this section are based on the results and findings of our 2013-14 financial audits of agencies in the DTIRIS cluster.

Governance

2013-14 Audit Observations

Governance Frameworks for Supporting Service Delivery

- Effectiveness of the current cluster structure can be enhanced by further streamlining the number of reporting entities
- The legal reporting requirements of Special Deposit Accounts are unclear

Risk Management

DTIRIS should ensure all cluster agencies have risk management frameworks and registers

Fraud Control

Not all cluster agencies have a fraud prevention policy and procedures in place

Governance frameworks supporting service delivery

Clear accountabilities in roles, priorities, service objectives and reporting are important determinants of good governance. Frameworks are tools that enable those charged with governance to provide strategic guidance for agencies as well as effective oversight of management.

The Department of Trade and Investment, Regional Infrastructure and Services cluster

Recommendation

DTIRIS should continue to streamline the number of reporting entities in the cluster in order to gain efficiencies.

In 2012, the New South Wales Commission of Audit delivered its interim report on public sector management which recommended each cluster to review the number of entities it contained. Improving and streamlining the organisations of the public sector is a priority for the Government.

In response to this goal, the following legislative initiatives have been introduced:

1. In 2014, the *Trade and Investment Cluster Governance (Amendment and Repeal) Act 2014* was passed after DTIRIS undertook a review of the cluster in 2013. The Act decreased the number of separate statutory bodies in the cluster and will enable savings from reduced operational, financial reporting and audit costs.

The Act dissolves the:

- Chipping Norton Lake Authority and repeals the *Chipping Norton Lake Authority Act 1977*
- New South Wales Dairy Industry Conference and repeals the *Dairy Industry Act 2000* and *Dairy Industry Regulation 2010*
- Lake Illawarra Authority and repeals the *Lake Illawarra Authority Act 1987* and *Lake Illawarra Authority Regulation 2012*
- Ministerial Corporation for Industry and repeals the *State Development and Industries Assistance Act 1966*
- New South Wales Film and Television Office (SCREEN) and the Board of SCREEN
- Homebush Motor Racing Authority, the Advisory Board of the Authority and the Event Implementation Committee.

2. Local Land Services (LLS) was established on 1 January 2014 through the *Local Land Services Act 2013*. The Act abolished the following entities and transferred their assets, rights and liabilities into LLS:

- Fourteen Livestock Health and Pest Authorities
- Eleven Catchment Management Authorities
- State Management Council of Livestock Health and Pest Authorities
- State Policy Council of Livestock Health and Pest Authorities.

Despite the above, the DTIRIS cluster still has a large number of agencies. Further streamlining the structure would seem beneficial. DTIRIS should continue proactively reviewing the cluster components to identify opportunities to further reduce the number of entities.

Governance of the Agricultural Scientific Collections Trust

Recommendation

The Minister should appoint trustees as soon as possible to ensure compliance with enabling legislation and good governance.

Under the *Agricultural Scientific Collections Trust Act*, the Trust is required to have six trustees appointed by the Minister. However, there were only four trustees from 2011-12 to 2013-14. No meetings were held during this period due to the unavailability of trustees and inability to achieve a quorum. The term of engagement for the four trustees expired in May 2014, resulting in a situation where the Trust now has no trustees. The Minister appointed a Trust Director, however, the Director subsequently retired and to-date has not been replaced. We have concerns over the adequacy of governance arrangements of the Trust and \$95.0 million collection assets.

The role of the Trust is primarily to increase and disseminate knowledge in relation to agriculture, fishing activities, forestry and mining which are related to trust property, and with respect to Australian plant pathogens, other micro-organisms, insects and mites.

Special Deposits Accounts

Recommendation

NSW Treasury should continue to clarify the legislative and reporting requirements for Special Deposit Accounts so they both report to the State and are consolidated in the State's financial statements.

There is uncertainty about the financial reporting requirements for Special Deposit Accounts (Accounts). These Accounts have been created by legislation to receive monies and carry out specified activities. We have estimated that there are over 100 of these funds within the State, approximately a quarter of which are within the DTIRIS cluster.

It is the Audit Office's view that these Accounts could have the same obligations under the *Public Finance and Audit Act 1983* to prepare financial statements as Departments.

The Responsible Gambling Fund (RGF) is a Special Deposit Account entity. It receives income from a levy paid by the Sydney Casino (the Star) and pays for activities that reduce the impact of problem gambling.

Recently, RGF sought the Crown Solicitor's advice on a number of issues. However, the advice obtained casts doubt on whether RGF is a separate reporting entity and therefore required to prepare a separate set of financial statements.

The Crown Solicitor appeared to be of the view that RGF would be accounted for within DTIRIS's financial statements rather than preparing separate financial statements. RGF has submitted financial statements to NSW Treasury and the Audit Office since 2009.

Under the *Coal Innovation Administration Act 2008*, a Special Deposit Account called the Coal Innovation Fund NSW (the Fund) was established. The Fund appears to meet the definition of a 'Department' and is therefore a reporting entity under the *Public Finance and Audit Act 1983* (PF&A Act). While the Fund has prepared an externally audited annual report under its own legislation each year, this does not meet the requirements of PF&A Act. The Fund submitted its first fully compliant financial statements to the Audit Office in 2014.

This issue would also apply to other Special Deposit Accounts across the State.

Chief Finance Officer's Role

There is little clarity of the authority, autonomy and accountability of the cluster Chief Finance Officer's (CFO) role in government guidelines. The Government should clearly support the role of the cluster CFO to allow them to improve financial management and reporting for all agencies in each cluster. NSW Treasury's Financial Management Reform project could also address this matter.

Risk Management

Recommendation

DTIRIS should ensure all cluster agencies have risk management frameworks and registers.

Risk Management is a process of identifying, assessing and prioritising risks to minimise, monitor and control the impact of unforeseen events or to maximise the realisation of opportunities. An agency's risk management framework should be integrated with its organisational management systems and processes.

Public sector agencies operate in an environment that is constantly changing. Managing the risks that emerge from change is a key role for those responsible for governance.

DTIRIS's Enterprise Risk Management (ERM) framework has been developed in accordance with the NSW Treasury Internal Audit and Risk Management Policy for the NSW Public Sector (TTP 09-05). It provides a systematic approach for implementing, monitoring, reviewing and continually improving DTIRIS's risk management processes. Each division of DTIRIS has identified and evaluated its risks, documented current controls and proposed mitigation strategies to minimise negative risks or enhance positive opportunities. Risk management principles are embedded in a number of specific functions across DTIRIS, including work health and safety, program and project management, emergency management planning, environmental management systems and catchment management processes.

As part of the ERM, DTIRIS maintains Corporate and Divisional Risk Registers. The Corporate and Divisional registers are also used to develop DTIRIS's internal audit program overseen by its Audit and Risk Committee.

Seven out of nine agencies which responded to our request for information have an integrated risk management framework which is in accordance with DTIRIS's Enterprise Risk Management Policy and Procedure. This encompasses an assessment of the agency's risk, control and compliance framework, including details of any significant emerging risks or legislative changes impacting cluster agencies. The seven agencies are Art Gallery of New South Wales Trust, Destination NSW, Forestry Corporation of NSW, State Library of New South Wales Foundation, NSW Food Authority, LLS and Sydney Opera House Trust. LLS's framework was signed in June 2014, six months after the formation of the entity.

The two agencies that responded and did not identify as having an integrated risk management framework are the Trustees of the Museum of Applied Arts and Sciences, and the Australian Museum Trust.

Audit and Risk Committee

It is important for all cluster agencies to meet all relevant legislative and policy requirements, particularly in relation to having an audit and risk committee. We surveyed all agencies within the DTIRIS cluster on this issue. Twenty-one agencies have their own audit and risk committee and 14 agencies are not required to have Audit and Risk Committee as per TPP 09-05. NSW Food Authority and Milk Marketing (NSW) Pty Limited are sharing DTIRIS' Audit and Risk Committee (refer appendix seven).

Sharing of the Audit and Risk Committee of DTIRIS is permitted by TPP 12-04 'Guidance on Shared Arrangements and Subcommittees for Audit and Risk Committees'. Such arrangements increase efficiency and reduce costs to the Government through the sharing of independent Audit and Risk Committees members, secretariat services, the function of Chief Audit Executive, as well as reduced costs for travel and logistical arrangements.

Fraud Control

Recommendation

The Australian Museum Trust and other agencies in a similar position should have a fraud prevention policy and procedures.

We requested information from cluster agencies on fraud prevention policies and procedures. Eight out of nine agencies that responded, confirmed they have appropriate mechanisms to manage the risk of fraud supported by an entity level Fraud Prevention and Management framework. These agencies advised that identified fraud matters are referred to the Independent Commission Against Corruption (ICAC). The eight agencies are Destination NSW, Forestry Corporation of NSW, State Library of New South Wales Foundation, Trustees of the Museum of Applied Arts and Sciences, NSW Food Authority, Sydney Opera House Trust, LLS and Art Gallery of New South Wales Trust. LLS applied the DTIRIS Fraud Prevention policy while it is in the process of developing its own.

The only agency that responded as not having fraud prevention policy and procedures in place was the Australian Museum Trust.

As part of the DTIRIS's Fraud and Corruption Action Plan, a fraud and corruption prevention awareness staff survey was undertaken in June 2014, with the intention of repeating the survey annually to gauge staff awareness.

DTIRIS referrals to ICAC are included in a six monthly report to its Audit and Risk Committee detailing trends and issues in governance related matters identified through ICAC and Ombudsman notifications, complaints and Public Interest Disclosures.

Service Delivery

The achievement of government outcomes can be improved through the effective commissioning of the right mix of services, whether from the public, private or not-for-profit sectors. Commissioning involves the process by which agencies assess their needs, determine priorities, design and source appropriate services, and monitor and evaluate performance.

In an environment of increasing delivery through partnerships, outsourcing, devolution and shared services, audit reports have identified areas where improvement is required.

Service Delivery

2013-14 Audit Observations

NSW 2021 Performance

Agencies cannot control some of the performance targets and some targets are not specific

Some goals are not allocated to the most relevant cluster

Service Partnership Agreement (SPA) and Quality of Service Delivered

Similar to prior years, there are no signed SPAs in the cluster covering the whole 2013-14 financial year. Five were signed in the last quarter of 2013-14 and five were signed in the next financial year. Three signed SPAs do not have KPIs

The quality of some services provided by DTIRIS do not fully meet desirable expectations

Aboriginal Land Claims

The number of unprocessed Aboriginal land claims have not significantly reduced in the past four years

NSW 2021 Performance

NSW 2021, released in September 2011, is the NSW Government's ten year plan to 'rebuild the economy, provide quality services, renovate infrastructure, restore government accountability and strengthen the local environment and communities'.

Recommendation

The NSW Government should improve the measures used to determine goal achievement.

NSW 2021 includes the following performance goals relevant to the DTIRIS cluster:

- Goal 1: Improve the performance of the NSW economy
- Goal 3: Drive economic growth in regional NSW.

Our review of the 2021 Goals, Targets and Measurements where DTIRIS is the lead agency identified a number of targets and measures that are not specific as to the degree of outcome and date. For example, the target:

- 1.2.2 'Grow critical industries in NSW such as – services (financial, professional, legal) manufacturing and digital economy and international education and research'
- 3.1 'Increase the shares of jobs in regional NSW'.

Service Partnership Agreement and Quality of Service Delivered

Recommendation

DTIRIS should sign Service Partnership Agreements (SPAs) with all serviced divisions and agencies. Such SPAs should include relevant KPIs and penalty clauses for not meeting KPIs.

Of the 14 agencies listed below, ten agencies have a signed Service Partnership Agreement (SPA). Five of the SPAs were not signed until the last quarter in 2013-14. The other five SPAs were signed in the next financial year. Similar to prior years, there were no signed SPAs in the cluster covering the whole 2013-14 financial year.

SPAs should clearly define what services are to be provided, the responsibilities of parties to the arrangement, measurable performance targets, and pricing. Such agreements should also detail how disputes are resolved and provide for a periodic review. Of the ten agencies which have signed SPAs, seven agencies have included service KPIs in their SPA.

All SPAs lack a penalty clause for not meeting service KPIs. This reduces the incentive for quality services being provided consistently.

The following table summarises agencies for which DTIRIS is a service provider and have a SPA in place or being developed:

Agency	Status of Service Partnership Agreement	Does it have service KPIs?	Is there a penalty clause for not meeting KPI?
Destination NSW**	Signed 21/5/2014	Yes	No
Local Land Services*	Signed 30/06/2014	Yes	No
Independent Liquor and Gaming Authority**	Signed 26/06/2014	Yes	No
NSW Food Authority**	Signed 01/07/2014	Yes	No
State Library of New South Wales Foundation	Developed, to be signed	Yes	No
Australian Museum Trust	Developed, to be signed	Yes	No
Art Gallery of New South Wales Trust**	Signed 29/07/2014	Yes	No
Trustees of the Museum of Applied Arts and Sciences**	Signed 27/06/2014	Yes	No
Rural Assistance Authority**	Signed 23/07/2014	No	No
Belgenny Farm Agricultural Heritage Centre Trust**	Signed 25/07/2014	No	No
Coal Innovation Fund NSW**	Signed 16/07/2014	No	No
Responsible Gambling Fund	Developed, to be signed	No	No
Mine Subsidence Board	Developed, to be signed	No	No
Screen NSW***	Signed 27/06/2014	Yes	No

* The agreement is valid from signing date for 12 months or until terminated.

** The agreement is valid from signing date until terminated.

*** The agreement was valid until 30 June 2014 as the entity was abolished on 30 June 2014.

Source: DTIRIS (unaudited).

The service partnership arrangement aims to create efficiencies and reduce costs by centralising the delivery of services, such as human resources, financial and information technology, to central agencies from a single location. DTIRIS's Finance Strategy and Operations Division provides a range of corporate services to cluster agencies and earns revenue based on a cost recovery basis from some clients. DTIRIS has been delivering services to some of these agencies for a number of years.

Quality of services delivered

Recommendation

The Shared Service function should continue to improve its financial statements preparation and accounting skills with the aim of reducing errors and audit costs.

DTIRIS provides financial reporting services to many cluster agencies. Our audit results showed DTIRIS contributed to a number of misstatements and management letter issues in some agencies as discussed in the Financial Reporting and Performance section above. The issues of poor quality and delay in providing audit evidence to support balances have also been highlighted.

Aboriginal Land Claims

Recommendation

DTIRIS need to take more effective action to reduce the number of unprocessed claims as well as number of approved land claims not yet transferred out.

At 30 June 2014 there were:

- 25,724 (25,775 as at 30 June 2013) unprocessed claims
- 504 (434) unprocessed claims that are ten or more years old
- 287 (260) approved claims worth approximately \$719 million (\$687 million) not yet transferred out of DTIRIS
- 106 (97) approved claims that are ten or more years old.

The number of unprocessed Aboriginal land claims over NSW Crown land made through State legislation increased in 2010-11 by 8,674 and remained steady over the last three years. Two years ago, we recommended the processing of Aboriginal land claims to be reviewed and a plan be implemented to reduce the number of unprocessed claims. However, the number of unprocessed claims has only reduced by 51 since last year.

It will take 122 years to clear the backlog of claims at the current speed (65 years with three years average speed of 395 claims per year). This assumes there will be no more land claims lodged.

Number of claims unprocessed

At 30 June	Number of unprocessed claims at year end	Number of claims determined during the year	Value of land transferred to Aboriginal Land Councils (\$m)
2014	25,724	211	26.3
2013	25,775	493	81.4
2012	25,834	482	23.5
2011	25,549	394	10.3
2010	16,875	1,226	116

Source: DTIRIS (unaudited).

During 2013-14, 211 claims were determined, with 23 successful and 188 unsuccessful.

Ageing of claims unprocessed at 30 June 2014

Year of claim application	Number of claims unprocessed	Percentage of total claims	Land Area (hectares)
0-1 years	200	1	6,795
1-5 years	16,961	66	361,340
5-10 years	8,059	31	81,350
10+ years	504	2	330,820
Total claims	25,724	100	780,305

Source: DTIRIS (unaudited).

Of the current outstanding claims awaiting determination, two per cent are more than ten years old and over 67 per cent have been lodged in the last five years.

The ten oldest claims are more than 20 years old and account for 0.4 per cent of the number of hectares yet to be processed. The ten largest unprocessed claims are over 32,372 hectares or 4.2 per cent of total hectares claimed.

Ageing of claims approved, but not yet transferred at 30 June 2014

Year of approval	Number of claims not transferred	Percentage of total claims	Area (hectares)
0-1 years	30	10	499
1-5 years	111	39	33,695
5-10 years	40	14	7,223
10+ years	106	37	12,130
Total claims	287	100	53,547

Source: DTIRIS (unaudited).

At 30 June 2014, there were 287 Aboriginal land claims that had been approved by the Minister or a court, but the land had not been transferred out of DTIRIS. These claims relate to land worth approximately \$719 million. Thirty-seven per cent of these claims were approved more than ten years ago.

The main reason for claims not being transferred is that a land survey is needed before obtaining full land title.

Major Projects in the Cluster

DTIRIS - State Priority Projects

On 4 June 2012, the Commonwealth Government signed deeds for four priority water delivery projects in New South Wales to help meet sustainable water targets. On 24 June 2013, the Commonwealth Government approved further funding on water projects. The budget and actual spending as at 30 June 2014 are as below.

	Basin pipe project	Healthy Flood plains project	Metering project	Modernisation farm project	Total
Original budget amount (\$ million)	136	49	197	83	465
Revised budget amount (\$ million)	n/a	n/a	32	n/a	32
Amount spent as at 30 June 2014 (\$ million)	6	11	8	23	48
Commencement year	June 2012	Nov 2012	June 2012	June 2012	--
Original estimated completion year	June 2018	June 2018	June 2018	October 2017	--
Revised estimated completion year	n/a	n/a	June 2017	n/a	--
Responsible division	NSW Office of Water	NSW Office of Water	NSW Office of Water	NSW Department of Primary Industries	--
Participating agency	--	Office of Environment and Heritage	State Water Corporation	--	--

Source: DTIRIS (unaudited).

These priority projects are currently in their early stages and significantly increased expenditure is expected in coming years as the projects move into the delivery stages.

The Basin Pipe Project is a water efficiency infrastructure project that will replace open drains, channels and dams with pipeline schemes to provide farmers with more secure and better quality water. Expected increase in spending will occur over the next few years as more schemes are finalised. This project is currently within budget and expected to be completed on time.

The Healthy Floodplains Project will reform water management on floodplains through the modification of floodplain structures and extraction control. The project is still in the pilot stage with implementation in only one catchment to-date. The future of this project relies on the results of the pilot project being supported by stakeholders. This project is currently within budget and is expected to be completed on time.

The Metering Project will upgrade meters on regulated rivers and install or upgrade meters on groundwater and unregulated rivers. The budget has been revised from \$197 million to \$32.0 million due to a change of project scope. The scope for this project has been significantly downgraded following opposition by northern irrigators. The project is estimated to be completed one year earlier than the original plan.

The Farm Modernisation Project will improve water use efficiency and savings and increase water related productivity in irrigated farming systems. The project is well established and expenditure is expected to remain at \$25.0 million per year for the life of the project. This project is currently within budget and is expected to be completed on time.

Sydney Opera House – Vehicle Access and Pedestrian Safety project

The project commenced in 2011 and was originally budgeted for \$152 million and to be completed in 2014. The budget was revised to \$156 million and the completion year changed to 2015. The revision was due to changes in the project schedule to avoid disrupting the programme of events as well as the need to complete additional strategic works at the same time as the VAPS project. The Opera House will remain fully operational throughout the project, with theatres, restaurants and guided tours all open for business. As at October 2014 the project was 94 per cent complete against budget.

The NSW Government is funding the project. It consists of three components:

- diverting the Bennelong Drain, a stormwater drain servicing parts of the Sydney CBD, that runs across the Sydney Opera House site
- excavating a new access road and loading dock under the forecourt and vehicle concourse
- remediating the existing road.

The project was established to separate pedestrians and delivery vehicles for safety and efficiency, while maintaining operation of performance spaces and restaurants within the Sydney Opera House.

Section Two

Appendices



Appendix One - Quality of Financial Reporting

Agency	Audit result		Reported misstatements for the year ended 30 June		
	Modified opinion	Number of significant matters	2014	2013	2012
Cluster lead entity					
Department of Trade and Investment, Regional Infrastructure and Services	No	2	35	28	49
Controlled entity of DTIRIS					
Milk Marketing (NSW) Pty Limited	No	2	4	4	3
Other related agencies					
Belgenny Farm Trust	No	1	3	6	3
C B Alexander Foundation	No	--	3	2	1
Coal Innovation Fund NSW *	No	2	7	N/A	N/A
Destination NSW	No	--	--	4	9
Destination NSW Staff Agency	No	--	--	1	2
Farrer Memorial Trust **	No	1	N/A	8	4
Forestry Corporation of NSW	No	1	1	--	13
Game Council of NSW	No	1	18	10	6
Independent Liquor and Gaming Authority	No	2	4	18	11
Independent Liquor and Gaming Authority Staff Agency *	No	1	1	N/A	N/A
Local Land Services *	No	8	14	N/A	N/A
Local Land Services Staff Agency *	No	--	--	N/A	N/A
Mine Subsidence Board	No	--	4	6	8
New South Wales Rural Assistance Authority	No	--	4	2	1
NSW Food Authority	No	--	3	3	13
Screen NSW	No	--	1	6	5
Rice Marketing Board	No	--	--	3	--
Veterinary Practitioners Board	No	1	2	4	3
Wentworth Park Sporting Complex Trust	No	1	2	1	--
Wild Dog Destruction Board **	No	--	N/A	7	9
Ministerial Corporation for Industry	No	--	2	4	3
Chipping Norton Lake Authority	No	--	4	1	--
Lake Illawarra Authority	No	--	3	2	2
Dam Safety Committee	No	--	3	2	2
Responsible Gambling Fund	No	1	1	2	20

Agency	Audit result		Reported misstatements for the year ended 30 June		
	Modified opinion	Number of significant matters	2014	2013	2012
Cultural institutions					
Art Gallery of New South Wales Foundation	No	--	--	2	--
Art Gallery of New South Wales Trust	No	--	1	4	2
Art Gallery of New South Wales Trust Staff Agency *	No	--	--	N/A	N/A
The Brett Whiteley Foundation	No	--	1	1	1
The Australian Institute of Asian Culture and Visual Arts Limited	No	--	1	--	--
Australian Museum Trust	No	--	--	1	1
Australian Museum Trust Staff Agency *	No	--	--	N/A	N/A
Library Council of NSW	No	--	2	3	1
State Library of New South Wales Foundation	No	--	1	--	1
Library Council of NSW Staff Agency *	No	--	--	N/A	N/A
Trustees of the Museum of Applied Arts and Sciences	No	--	1	6	3
Trustees of the Museum of Applied Arts and Sciences Staff Agency *	No	--	2	N/A	N/A
Sydney Opera House Trust	No	--	1	--	1
Sydney Opera House Trust Staff Agency *	No	--	--	N/A	N/A
Electricity and water agency total					
Electricity Agencies (total) - refer to Volume Five	No	--	8	7	28
Water Agencies (total) - refer to Volume Five	No	3	11	18	19
Total for the cluster excluding Electricity and Water agencies		24	129	141	177

* The agency did not exist in the prior year.

** Farrer Memorial Trust and Wild Dog Destruction Board have a 31st December financial year end. The 31 December 2013 financial data is reported here.

Notes:

- The last opinion given by Audit Office was for the 2011-12 financial statements for Small Business Development Corporation. An exemption from preparing financial statements was being sought from NSW Treasury from 2012-13.
- Agricultural Scientific Collections Trust and LAMC audits are currently ongoing for 2013 and 2014
- MPA audits are currently ongoing for 2012, 2013 and 2014
- WAMC audits are currently ongoing for 2011, 2012, 2013 and 2014.

Source: Statutory Audit Reports issued by the Audit Office of New South Wales

Appendix Two - Timeliness of Financial Reporting

Agency	Early close procedures		Financial statements		Audit	
	Received by statutory date	Days late	Received by statutory date	Days late	Completed by statutory date	Days late
Cluster lead entity						
Department of Trade and Investment, Regional Infrastructure and Services***	Yes	--	Yes	--	No	34
Controlled entity of DTIRIS						
Milk Marketing (NSW) Pty Limited	N/A	N/A	Yes	--	No	50
Other related agencies						
Agricultural Scientific Collections Trust *	N/A	N/A	N/A		N/A	
Belgenny Farm Trust *	N/A	N/A	N/A		N/A	
C B Alexander Foundation *	N/A	N/A	N/A		N/A	
Coal Innovation Fund NSW	N/A	N/A	Yes	--	No	56
Destination NSW	Yes	--	Yes	--	Yes	--
Destination NSW Staff Agency	Yes	--	Yes	--	Yes	--
Farrer Memorial Trust * #	N/A	N/A	N/A		N/A	
Forestry Corporation of NSW	Yes	--	Yes	--	Yes	--
Game Council of NSW **	N/A	N/A	Yes	--	N/A	
Independent Liquor and Gaming Authority***	Yes	--	Yes	--	No	41
Independent Liquor and Gaming Authority Staff Agency	N/A	N/A	No	60	Yes	--
Land Administration Ministerial Corporation	N/A	N/A	N/A		N/A	
Local Land Services***	No	Not done	No	3	No	Ongoing audit
Local Land Services Staff Agency	N/A	N/A	Yes	--	No	Ongoing audit
Marine Parks Authority *	N/A	N/A	N/A		N/A	
Mine Subsidence Board	N/A	N/A	Yes	--	Yes	--
New South Wales Rural Assistance Authority	Yes	--	Yes	--	No	3
NSW Food Authority	Yes	--	Yes	--	Yes	--
Screen NSW	Yes	--	Yes	--	Yes	--
Water Administration Ministerial Corporation***	Yes	--	Yes	--	No	Ongoing audit
Rice Marketing Board	N/A	N/A	Yes	--	Yes	--
Veterinary Practitioners Board	N/A	N/A	Yes	--	No	1
Wentworth Park Sporting Complex Trust	N/A	N/A	Yes	--	No	9
Wild Dog Destruction Board #	N/A	N/A	Yes	--	Yes	--
Ministerial Corporation for Industry	N/A	N/A	Yes	--	No	3
Chipping Norton Lake Authority	N/A	N/A	Yes	--	No	7
Lake Illawarra Authority	N/A	N/A	Yes	--	No	7
Dam Safety Committee	N/A	N/A	Yes	--	Yes	--
Responsible Gambling Fund	N/A	N/A	Yes	--	Yes	--

Agency	Early close procedures		Financial statements		Audit	
	Received by statutory date	Days late	Received by statutory date	Days late	Completed by statutory date	Days late
Cultural institutions						
Art Gallery of New South Wales Foundation	N/A	N/A	Yes	--	Yes	--
Art Gallery of New South Wales Trust	Yes	--	Yes	--	Yes	--
Art Gallery of New South Wales Trust Staff Agency	N/A	N/A	Yes	--	Yes	--
The Brett Whiteley Foundation	N/A	N/A	Yes	--	Yes	--
The Australian Institute of Asian Culture and Visual Arts	N/A	N/A	Yes	--	Yes	--
Australian Museum Trust	Yes	--	Yes	--	Yes	--
Australian Museum Trust Staff Agency	N/A	N/A	Yes	--	Yes	--
Library Council of NSW	Yes	--	Yes	--	Yes	--
State Library of New South Wales Foundation	N/A	N/A	Yes	--	Yes	--
Library Council of NSW Staff Agency	N/A	N/A	Yes	--	Yes	--
Trustees of the Museum of Applied Arts and Sciences	Yes	--	Yes	--	Yes	--
Trustees of the Museum of Applied Arts and Sciences Staff Agency	N/A	N/A	Yes	--	Yes	--
Sydney Opera House Trust	Yes	--	Yes	--	Yes	--
Sydney Opera House Trust Staff Agency	N/A	N/A	Yes	--	Yes	--

Farrer Memorial Trust and Wild Dog Destruction Board have a 31st December financial year end. The 31 December 2013 financial data is reported here.

* The above entities are request audits and do not have statutory deadlines.

** Game Council was abolished on November 2013 and therefore does not have a statutory reporting date.

*** Statutory audit reports were issued to the Minister and Treasurer on issues with the agency's early close procedures.

Notes:

- The last opinion given by Audit Office was for the 2011-12 financial statements for Small Business Development Corporation. An exemption from preparing financial statements was being sought from NSW Treasury from 2012-13.

- Agricultural Scientific Collections Trust and LAMC audits are currently ongoing for 2013 and 2014.

- MPA audits are currently ongoing for 2012, 2013 and 2014.

- WAMC audits are currently ongoing for 2011, 2012, 2013 and 2014.

Source: Statutory Audit Reports issued by the Audit Office of New South Wales.

Appendix Three - Summary Financial Information

	Total assets		Total liabilities		Total revenue		Total expense		Net result	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Cluster lead entity										
Department of Trade and Investment, Regional Infrastructure and Services	8,028	7,790	352	473	1,533	1,670	1,661	1,734	(132)	(22)
Controlled entity of DTIRIS										
Milk Marketing (NSW) Pty Limited	--	--	--	--	--	--	--	--	--	--
Other related agencies										
Agricultural Scientific Collections Trust (Unaudited)	95	93	--	--	--	--	--	--	--	--
Belgenny Farm Trust	1	1	--	--	2	2	2	2	--	--
C B Alexander Foundation	23	21	--	--	1	1	1	1	--	--
Coal Innovation Fund NSW	87	90	1	--	18	36	20	4	(3)	33
Destination NSW	50	40	34	28	135	133	131	132	4	2
Destination NSW Staff Agency	10	11	4	4	21	19	21	20	(1)	(1)
Farrer Memorial Trust *	N/A	--	N/A	--	N/A	--	N/A	--	N/A	--
Forestry Corporation of NSW	1,978	1,920	804	805	398	317	331	317	67	--
Game Council of NSW (Unaudited) ***	N/A	1	N/A	1	1	4	2	4	(1)	--
Independent Liquor and Gaming Authority	8	7	3	3	14	14	13	12	1	2
Independent Liquor and Gaming Authority Staff Agency **	1	N/A	1	N/A	3	N/A	3	N/A	--	N/A
Land Administration Ministerial Corporation (Unaudited)	314	342	1	--	--	131	23	--	(23)	131
Local Land Services ** (unaudited)	610	N/A	56	N/A	106	N/A	105	N/A	1	N/A
Local Land Services Staff Agency ** (Unaudited)	18	N/A	18	N/A	41	N/A	41	N/A	--	N/A
Marine Parks Authority (Unaudited)	271	271	--	1	6	4	6	5	--	(1)
Mine Subsidence Board	113	117	37	39	33	24	35	12	(2)	14
New South Wales Rural Assistance Authority	217	168	218	156	77	62	90	53	(13)	10
NSW Food Authority	39	33	24	26	24	25	25	22	(2)	3
Screen NSW	7	8	3	4	11	13	11	13	--	--
Water Administration Ministerial Corporation (Unaudited)	711	697	--	--	59	64	45	69	14	(5)
Rice Marketing Board	10	12	9	11	1	1	1	1	--	--
Veterinary Practitioners Board	3	3	1	1	1	1	1	1	--	--
Wentworth Park Sporting Complex Trust	51	52	7	7	1	1	3	3	(2)	(2)
Wild Dog Destruction Board *	N/A	12	N/A	--	N/A	3	N/A	3	N/A	--
Ministerial Corporation for Industry	2	2	--	--	2	5	2	5	--	1
Chipping Norton Lake Authority	--	3	--	--	--	--	--	--	--	--
Lake Illawarra Authority	10	40	--	--	1	3	3	3	(3)	(1)
Dam Safety Committee	--	--	--	--	2	2	2	2	--	--
Responsible Gambling Fund	50	33	23	7	16	15	15	14	1	1

	Total assets		Total liabilities		Total revenue		Total expense		Net result	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Cultural institutions										
Art Gallery of New South Wales Foundation	33	31	--	--	3	4	2	1	2	4
Art Gallery of New South Wales Trust	1,379	1,361	12	6	55	64	45	47	10	17
Art Gallery of New South Wales Trust Staff Agency **	3	N/A	3	N/A	7	N/A	7	N/A	--	N/A
The Brett Whiteley Foundation	2	1	--	--	1	1	--	--	1	1
The Australian Institute of Asian Culture and Visual Arts Limited	2	2	--	--	--	--	1	--	--	--
Australian Museum Trust	767	766	7	5	45	42	45	43	(1)	(48)
Australian Museum Trust Staff Agency **	4	N/A	4	N/A	9	N/A	9	N/A	-	N/A
Library Council of NSW	2,465	2,431	10	14	95	103	91	91	3	12
State Library of New South Wales Foundation	15	14	--	--	4	4	3	3	1	2
Library Council of NSW Staff Agency **	5	N/A	5	N/A	15	N/A	15	N/A	--	N/A
Trustees of the Museum of Applied Arts and Sciences	578	568	13	6	54	45	51	45	4	34
Trustees of the Museum of Applied Arts and Sciences Staff Agency **	11	N/A	11	N/A	18	N/A	18	N/A	--	N/A
Sydney Opera House Trust	2,449	2,384	44	42	169	216	143	127	26	89
Sydney Opera House Trust Staff Agency **	19	N/A	19	N/A	17	N/A	18	N/A	--	N/A
Total for the Cluster excluding Electricity and Water Agencies	20,439	19,325	1,724	1,639	2,999	3,029	3,041	2,789	(48)	276

* This is a 31 December client. As this is the case, we will only be able to document 2013 figures.

** This is a new reporting entity in 2014 due to government restructure, no prior year comparative figures available.

*** The entity was abolished effective November 2013, all assets (except for cash) have been transfer to DTIRIS.

Notes:

- The last opinion given by Audit Office was for the 2011-12 financial statements for Small Business Development Corporation. An exemption from preparing financial statements was being sought from NSW Treasury from 2012-13.

- There were 11 Catchment Management Authorities (CMA) that had a six months year end to 31 December 2013 and these were rolled into LLS. These have not been separately captured in the tables. Commentary on CMAs has been included under LLS in the Financial and Performance Reporting, and Governance sections.

Source: Financial Statements (audited and unaudited).

Appendix Four - Performance Against Budget - GGS

	DTIRIS		Destination NSW		Independent Liquor and Gaming Authority		Local Land Services **		Mine Subsidence Board	
	2014 actual	2014 budget	2014 actual	2014 budget	2014 actual	2014 budget	2014 actual	2014 budget	2014 actual	2014 budget
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Abridged statement of comprehensive income - year ended 30 June										
Employee expenses	638	683	17	18	3	--	39	48	2	3
All other expenses and losses	1,027	1,267	114	114	10	10	66	66	33	20
Total expenses	1,665	1,950	131	132	13	10	105	114	35	23
Government contributions	993	1,120	135	133	--	--	60	2	--	--
Other revenue	540	653	--	--	14	10	46	106	33	32
Total revenue	1,533	1,773	135	133	14	10	106	108	33	32
Net result	(132)	(177)	4	1	1	--	1	(6)	(2)	9
Total other comprehensive income/(expense)*	465	--	--	--	--	--	(1)	--	--	--
Total comprehensive income/(expense)	333	(177)	4	1	1	--	--	(6)	(2)	9
Abridged statement of financial position - at 30 June										
Current assets	531	694	41	16	8	3	121	77	104	--
Non-current assets	7,496	7,839	9	9	--	--	489	123	9	--
Total assets	8,027	8,533	50	25	8	3	610	200	113	--
Current liabilities	263	223	33	17	3	2	56	19	18	--
Non-current liabilities	88	670	1	--	--	--	3	9	19	--
Total liabilities	351	893	34	17	3	2	59	28	37	--
Net assets	7,676	7,640	16	8	5	1	551	172	76	--
Abridged statement of cash flows - year ended 30 June										
Purchases of property, plant and equipment	39	45	3	3	--	--	--	--	--	--

	New South Wales Rural Assistance Authority		NSW Food Authority		Screen NSW		Water Administration Ministerial Corporation **		Rice Marketing Board		
	2014 actual	2014 budget	2014 actual	2014 budget	2014 actual	2014 budget	2014 actual	2014 budget	2014 actual	2014 budget	
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	
Abridged statement of comprehensive income - year ended 30 June											
Employee expenses	● 2	2	● 9	15	● --	--	● --	--	● --	--	--
All other expenses and losses	● 88	47	● 16	7	● 11	11	● 45	56	● 1	1	
Total expenses	● 90	49	● 25	22	● 11	11	● 45	56	● 1	1	
Government contributions	--	--	--	--	● 10	10	● 31	--	● --	--	
Other revenue	● 77	49	● 23	22	● 1	1	● 28	51	● 1	1	
Total revenue	● 77	49	● 23	22	● 11	11	● 59	51	● 1	1	
Net result	(13)	--	(2)	--	--	--	● 14	(5)	--	--	
Total other comprehensive income/(expense)*	--	--	9	--	--	--	--	--	--	--	
Total comprehensive income/(expense)	(13)	--	7	--	--	--	● 14	(5)	--	--	
Abridged statement of financial position - at 30 June											
Current assets	● 82	36	● 24	17	● 7	6	● 4	--	● 4	--	
Non-current assets	● 135	130	● 15	13	● --	--	● 707	744	● 6	--	
Total assets	● 217	166	● 39	30	● 7	6	● 711	744	● 10	--	
Current liabilities	● 67	22	● 6	8	● 3	2	● --	--	● 3	--	
Non-current liabilities	● 151	130	● 18	25	● --	--	● --	--	● 6	--	
Total liabilities	● 218	152	● 24	33	● 3	2	● --	--	● 9	--	
Net assets	● (1)	14	● 15	(3)	● 4	4	● 711	744	● 1	--	
Abridged statement of cash flows - year ended 30 June											
Purchases of property, plant and equipment	--	--	● 1	1	--	--	--	--	--	--	

	Wentworth Park Sporting Complex Trust		Dam Safety Committee		Art Gallery of New South Wales Trust		Australian Museum Trust		Library Council of NSW	
	2014 actual	2014 budget	2014 actual	2014 budget	2014 actual	2014 budget	2014 actual	2014 budget	2014 actual	2014 budget
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Abridged statement of comprehensive income - year ended 30 June										
Employee expenses	--	--	--	--	7	--	9	--	15	--
All other expenses and losses	3	1	2	2	38	45	36	43	76	92
Total expenses	3	1	2	2	45	45	45	43	91	92
Government contributions	--	--	2	2	30	35	34	31	90	86
Other revenue	1	1	--	--	25	13	10	10	4	4
Total revenue	1	1	2	2	55	48	44	41	94	90
Net result	(2)	--	--	--	10	3	(1)	(2)	3	(2)
Total other comprehensive income/(expense)*	1	--	--	--	--	--	--	--	34	--
Total comprehensive income/(expense)	(1)	--	--	--	10	3	(1)	(2)	37	(2)
Abridged statement of financial position - at 30 June										
Current assets	2	--	--	--	24	19	13	12	7	13
Non-current assets	49	--	--	--	1,355	1,334	754	754	2,457	2,408
Total assets	51	--	--	--	1,379	1,353	767	766	2,464	2,421
Current liabilities	--	--	--	--	12	6	6	5	10	9
Non-current liabilities	7	--	--	--	--	--	1	1	--	--
Total liabilities	7	--	--	--	12	6	7	6	10	9
Net assets	44	--	--	--	1,367	1,347	760	760	2,454	2,412
Abridged statement of cash flows - year ended 30 June										
Purchases of property, plant and equipment	--	--	--	--	10	5	4	3	20	18

	Trustees of the Museum of Applied Arts and Sciences		Sydney Opera House Trust	
	2014 actual	2014 budget	2014 actual	2014 budget
	\$m	\$m	\$m	\$m
Abridged statement of comprehensive income - year ended 30 June				
Employee expenses	18	--	15	--
All other expenses and losses	● 32	45	● 128	149
Total expenses	● 50	45	● 143	149
Government contributions	● 48	52	● 77	70
Other revenue	● 6	7	● 92	90
Total revenue	● 54	59	● 169	160
Net result	● 4	14	● 26	11
Total other comprehensive income/(expense)*	--	--	--	--
Total comprehensive income/(expense)	● 4	14	● 26	11
Abridged statement of financial position - at 30 June				
Current assets	● 13	7	109	--
Non-current assets	● 565	576	2,340	--
Total assets	● 578	583	2,449	--
Current liabilities	● 13	6	42	--
Non-current liabilities	--	--	2	--
Total liabilities	● 13	6	44	--
Net assets	● 565	577	2,405	--
Abridged statement of cash flows - year ended 30 June				
Purchases of property, plant and equipment	● 5	19	53	--

Actual v Budget Indicator

- Variance below 2 per cent of budget
- Variance between 2 and 5 per cent of budget
- Variance greater than 5 per cent of budget

* Includes transactions taken directly to equity, such as asset revaluation movements and actuarial movements on defined benefit superannuation plans.

** These are unaudited figures.

Notes:

- Farrer Memorial Research Scholarship Fund and Wild Dog Destruction Board are excluded as they have a 31 December financial year end.

- The last opinion given by Audit Office was for the 2011-12 financial statements for Small Business Development Corporation. An exemption from preparing financial statements was being sought from NSW Treasury from 2012-13.

- Although we issue separate audit opinion for staff agencies, we considered that their budgets are at the consolidated level. These staff agencies are not included in this Appendix.

Appendix Five - Performance Against Budget - For Profit

Forestry Corporation of NSW			
2014 Actual			
2014 SCI			
\$m			
\$m			
Abridged statement of comprehensive income -year ended 30 June			
Total revenue	●	398	297
Operating expenses	●	292	275
Finance costs	●	9	9
Profit before tax	●	97	13
Income tax expense	●	30	4
Profit after tax	●	67	9
Total other comprehensive income/(expense)*	●	2	--
Total comprehensive income/(expense)	●	69	9
Abridged statement of financial position - at 30 June			
Current assets	●	134	129
Non-current assets: Property, plant and equipment	●	1,119	1,133
Non-current assets: Other	●	725	687
Total assets	●	1,978	1,949
Current liabilities	●	92	108
Non-current liabilities	●	711	769
Total liabilities	●	803	877
Net assets	●	1,175	1,072
Abridged statement of cash flows - year ended 30 June			
Purchases of property, plant and equipment	●	2	9

* Includes transactions taken directly to equity, such as asset revaluation movements and actuarial movements on defined benefit superannuation plans.

Source: Financial statements (audited) and Statement of Corporate Intent.

Actual v Budget Indicator

- Variance below 2 per cent of budget
- Variance between 2 and 5 per cent of budget
- Variance greater than 5 per cent of budget

Appendix Six - Financial Sustainability Indicators at 30 June 2014

Cluster Agencies	Underlying result %	Liquidity	Self-financing %	Capital replacement	Overall assessment
Cluster lead entity					
Department of Trade and Investment, Regional Infrastructure and Services	(9)	2.02	–	0.59	●
Other related agencies					
Belgenny Farm Trust	8	3.59	17	0.74	●
C B Alexander Foundation	(1)	5.35	22	2.33	●
Coal Innovation Fund NSW	(17)	96.33	–	N/A***	●
Destination NSW	3	1.22	10	1.68	●
Farrer Memorial Trust ****	66	N/A*	11	N/A***	●
Forestry Corporation of NSW	17	1.45	8	0.26	●
Independent Liquor and Gaming Authority	8	2.64	–	0.16	●
Local Land Services	1	2.15	23	0.02	●
Mine Subsidence Board	(6)	5.84	–	0.55	●
Rice Marketing Board	32	1.32	–	0.67	●
Veterinary Practitioners Board	4	2.74	6	0.07	●
Wentworth Park Sporting Complex Trust	(197)	7.85	29	0.02	●
Wild Dog Destruction Board ****	2	8.44	19	2.17	●
Cultural institutions					
Art Gallery of New South Wales Foundation	53	205.23	14	N/A***	●
Art Gallery of New South Wales Trust	18	1.99	31	2.39	●
The Brett Whiteley Foundation	91	170.74	92	N/A***	●
The Australian Institute of Asian Culture and Visual Arts Limited	(124)	260.42	–	N/A***	●
Australian Museum Trust	(2)	2.17	14	0.66	●
Library Council of NSW	4	0.71	13	1.41	●
State Library of New South Wales Foundation	29	14.92	–	N/A***	●
Trustees of the Museum of Applied Arts and Sciences	7	1.00	26	1.07	●
Sydney Opera House Trust	16	2.60	25	4.29	●

* Agency has no current liabilities.

** Agency has no debt or equity as it was dissolved.

*** Agency did not purchase any fixed assets or have any depreciation or amortisation expense.

**** Farrer Memorial Trust and Wild Dog Destruction Board have a 31st December financial year end. The 31 December 2013 financial data is reported here.

Note: Agencies which received a letter of support from DTIRIS and incomplete audits as identified in Appendix 1 have been excluded from this list.

Source: Financial statements (audited and unaudited).

Indicator	Formula	Description
Underlying result %	Adjusted net surplus / total underlying revenue	A positive result indicates a surplus, and the larger the percentage, the stronger the result. A negative result indicates a deficit. Operating deficits cannot be sustained in the long term. Underlying revenue does not take into account one-off or non-recurring transactions. Net result and total underlying revenue is obtained from the comprehensive operating statement and is adjusted to take into account large one-off (non-recurring) transactions.
Liquidity (ratio)	Current assets / current liabilities	This measures the ability to pay existing liabilities in the next 12 months. A ratio of one or more means there are more cash and liquid assets than short-term liabilities. Current liabilities exclude long-term employee provisions and revenue in advance.
Debt-to-equity (%)	Debt / equity	This is a longer-term measure that compares all current and non-current interest bearing liabilities to equity. It complements the liquidity ratio, which is a short-term measure. A low ratio indicates less reliance on debt to finance the capital structure of an organisation.
Self-financing (%)	Net operating cash flows / underlying revenue	Measures the ability to replace assets using cash generated by the entity's operations. The higher the percentage the more effectively this can be done. Net operating cash flows are obtained from the cash flow statement.
Capital replacement (ratio)	Cash outflows for property, plant and equipment and intangibles / depreciation and amortisation	Comparison of the rate of spending on infrastructure, property, plant and equipment and intangibles with their depreciation and amortisation. Ratios greater than one indicate that spending is greater than the depreciating rate. This is a long-term indicator, as capital expenditure can be deferred in the short term if there are insufficient funds available from operations, and borrowing is not an option. Cash outflows for infrastructure, property, plant and equipment and intangibles are taken from the cash flow statement. Depreciation and amortisation is taken from the comprehensive operating statement.

Risk	Underlying result	Liquidity	Debt to equity	Self-financing	Capital replacement
High	Negative 10% or less Insufficient revenue is being generated to fund operations and assets renewal.	Less than 0.7 Immediate sustainability issues with insufficient current assets to cover liabilities.	More than 60% Potential long-term concern over ability to repay debt levels from own source revenue.	Less than 10% Insufficient cash from operations to fund new assets and asset renewal.	Less than 1.0 Spending on capital works has not kept pace with consumption of assets.
Medium	Negative 10%–0% A risk of long-term run down of cash reserves and inability to fund asset renewals.	0.7–1.0 Need for caution with cash flow, as issues could arise with meeting obligations as they fall due.	40-60% Some concern over the ability to repay the debt from own source revenue.	10–20% May not be generating sufficient cash from operations to fund new assets.	1.0–1.5 May indicate spending on asset renewal is insufficient.
Low	More than 0% Generating surpluses consistently.	More than 1.0 No immediate issues with repaying short-term liabilities as they fall due.	Less than 40% No concern over the ability to repay debt from own source revenue.	More than 20% Generating enough cash from operations to fund new assets.	More than 1.5 Low risk of insufficient spending on asset renewal.
Risk rating	Overall assessment				
High	High risk of Short-term and immediate sustainability concerns indicated by: red underlying result indicator or red liquidity indicator.				
Medium	Medium risk of long-term sustainability concerns indicated by either: red self-financing indicator red debt to equity indicator red capital replacement indicator				
Low	Low risk of financial sustainability concerns. There are no high risk indicators.				

Appendix Seven - Audit Risk Committee

Does the entity have its own Audit and Risk Committee?	
Cluster lead entity	
Department of Trade and Investment, Regional Infrastructure and Services	Yes
Controlled entity of lead entity	
Milk Marketing (NSW) Pty Limited	Shared with DTIRIS
Other cluster entities	
Agricultural Scientific Collections Trust	*
Belgenny Farm Trust	*
C B Alexander Foundation	*
Chipping Norton Lake Authority	Entity Dissolved
Coal Innovation Fund NSW	#
Dam Safety Committee	*
Destination NSW	Yes
Destination NSW Staff Agency	Yes
Farrer Memorial Trust	*
Forestry Corporation of NSW	Yes
Game Council of NSW	Entity Dissolved
Independent Liquor and Gaming Authority	Yes
Independent Liquor and Gaming Authority Staff Agency	Yes
Lake Illawarra Authority	Entity Dissolved
Land Administration Ministerial Corporation	*
Local Land Services	Yes
Local Land Services Staff Agency	Yes
Marine Parks Authority	*
Mine Subsidence Board	Yes
Ministerial Corporation for Industry	Entity Dissolved
New South Wales Rural Assistance Authority	Yes
NSW Food Authority	Shared with DTIRIS
Responsible Gambling Fund	#
Screen NSW	Entity Dissolved
Small Business Development Corporation of NSW	Entity Dissolved
Water Administration Ministerial Corporation	*
Rice Marketing Board	Yes
Veterinary Practitioners Board	*
Wentworth Park Sporting Complex Trust	*
Wild Dog Destruction Board	*

Cultural institutions	
Art Gallery of New South Wales Trust	Yes
Art Gallery of New South Wales Foundation	*
Art Gallery of New South Wales Trust Staff Agency	Yes
The Brett Whiteley Foundation	*
The Australian Institute of Asian Culture and Visual Arts Limited	*
Australian Museum Trust	Yes
Australian Museum Trust Staff Agency	Yes
Library Council of NSW	Yes
State Library of New South Wales Foundation	*
Library Council of NSW Staff Agency	Yes
Trustees of the Museum of Applied Arts and Sciences	Yes
Trustees of the Museum of Applied Arts and Sciences Staff Agency	Yes
Sydney Opera House Trust	Yes
Sydney Opera House Trust Staff Agency	Yes

* The cluster agency is not required to have an Audit and risk Committee as per TPP 09-05

This entity has a Special Deposit Account and we recommend NSW Treasury should continue to clarify the legislative and reporting requirements for Special Deposit Accounts so they both report to the State and are consolidated in the State's financial statements.

Appendix Eight - Cluster Information

Agency	Website
Cluster lead entity	
Department of Trade and Investment, Regional Infrastructure and Services	http://www.trade.nsw.gov.au/
Controlled entity of DTIRIS	
Milk Marketing (NSW) Pty Limited	*
Other related agencies	
Agricultural Scientific Collections Trust	http://www.dpi.nsw.gov.au/aboutus/about/legislation-acts/agricultural-scientific-collections-trust
Belgenny Farm Trust	http://www.belgennyfarm.com.au
C B Alexander Foundation	http://www.tocal.com/tocal-organisations/cb-alexander-foundation
Coal Innovation Fund NSW	http://www.resourcesandenergy.nsw.gov.au/energy-consumers/energy-sources/coal-innovation-nsw
Destination NSW	http://www.destinationnsw.com.au/
Destination NSW Staff Agency	http://www.destinationnsw.com.au/
Farrer Memorial Trust	http://www.dpi.nsw.gov.au/aboutus/about/farrer-memorial-trust
Forestry Corporation of NSW	http://www.forestrycorporation.com.au/
Game Council of NSW	*
Independent Liquor and Gaming Authority	http://www.ilga.nsw.gov.au/
Independent Liquor and Gaming Authority Staff Agency	*
Land Administration Ministerial Corporation	*
Local Land Services	http://www.lls.nsw.gov.au/
Local Land Services Staff Agency	*
Marine Parks Authority	http://www.mpa.nsw.gov.au/
Mine Subsidence Board	http://www.minesub.nsw.gov.au
New South Wales Rural Assistance Authority	http://www.raa.nsw.gov.au/
NSW Food Authority	http://www.foodauthority.nsw.gov.au/
Screen NSW	http://www.screen.nsw.gov.au/
Water Administration Ministerial Corporation	*
Rice Marketing Board	http://www.rmbnsw.org.au
Veterinary Practitioners Board	http://www.vpb.nsw.gov.au/
Wentworth Park Sporting Complex Trust	http://www.wentworthparksport.com.au/
Wild Dog Destruction Board	*
Ministerial Corporation for Industry	*
Small Business Development Corporation of NSW	*
Chipping Norton Lake Authority	*
Lake Illawarra Authority	*
Dam Safety Committee	http://www.damsafety.nsw.gov.au/
Responsible Gambling Fund	http://www.olgr.nsw.gov.au/raf_home.asp
Cultural institutions	
Art Gallery of New South Wales Foundation	http://www.artgallery.nsw.gov.au/
Art Gallery of New South Wales Trust	*
Art Gallery of New South Wales Trust Staff Agency	*
The Brett Whiteley Foundation	*
The Australian Institute of Asian Culture and Visual Arts Limited	http://www.artgallery.nsw.gov.au/support-us/visasia-council/
Australian Museum Trust	http://australianmuseum.net.au/
Australian Museum Trust Staff Agency	*
Library Council of NSW	http://www.sl.nsw.gov.au/
State Library of New South Wales Foundation	*
Library Council of NSW Staff Agency	*
Trustees of the Museum of Applied Arts and Sciences	http://www.powerhousemuseum.com/media/?p=489
Trustees of the Museum of Applied Arts and Sciences Staff Agency	*
Sydney Opera House Trust	http://www.sydneyoperahouse.com/homepage.aspx
Sydney Opera House Trust Staff Agency	*

Agency	Website
Other electricity agencies	
Electricity generators:	
Delta Electricity	www.de.com.au
Green State Power Pty Limited	www.greenstatepower.com.au
Macquarie Generation	www.macgen.com.au
Electricity transmitter	
TransGrid	www.transgrid.com.au
Electricity distributors	
Ausgrid	www.ausgrid.com.au
Ausgrid Pty Limited	*
Endeavour Energy	www.endeavourenergy.com.au
Essential Energy	www.essentialenergy.com.au
Networks NSW Pty Limited	*
Other water agencies	
Water utilities:	
Hunter Water Australia Pty Limited	www.hwa.com.au
Hunter Water Corporation	www.hunterwater.com.au
State Water Corporation	www.statewater.com.au
Sydney Catchment Authority	www.sca.nsw.gov.au
Sydney Water Corporation	www.sydneywater.com.au
Water utilities controlled by local councils:	
Cobar Water Board	www.cobar.nsw.gov.au/index.php/engineering/cobar-water-board
Gosford Water Supply Authority	www.gwcwater.nsw.gov.au
Wyong Water Supply Authority	www.gwcwater.nsw.gov.au

* This entity has no website.

Our vision

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Purpose – we have an impact, are accountable, and work as a team.

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Making a difference through audit excellence.

Level 15, 1 Margaret Street
Sydney NSW 2000 Australia

t +61 2 9275 7100

f +61 2 9275 7200

e mail@audit.nsw.gov.au

office hours 8.30 am–5.00 pm

audit.nsw.gov.au

