

---

**New South Wales Auditor-General's Report**  
Financial Audit

**Volume Five 2012**

Focusing on Superannuation,  
Compensation and Housing

---



## 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 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.

[audit.nsw.gov.au](http://audit.nsw.gov.au)



© Copyright reserved by the Audit Office of New South Wales. All rights reserved. No part of this publication may be reproduced without prior consent of the Audit Office of New South Wales.

The Audit Office does not accept responsibility for loss or damage suffered by any person acting on or refraining from action as a result of any of this material.



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 Five of my 2012 report.

A handwritten signature in black ink that reads 'Peter Achterstraat'.

**Peter Achterstraat**

Auditor-General

7 November 2012

# Contents

---

<b>Significant Items</b>	<b>2</b>
<b>Recommendations</b>	<b>6</b>
<b>Section One - Overview</b>	
<b>Superannuation Industry Overview</b>	<b>8</b>
<b>Section Two - Agencies with Individual Comment</b>	
<b>Minister for Family and Community Services</b>	<b>24</b>
Aboriginal Housing Office	24
City West Housing Pty Limited	28
<b>Minister for Finance and Services</b>	<b>31</b>
Compensation Authorities Staff Division	31
Department of Finance and Services	35
Energy Industries Superannuation Scheme	42
Home Purchase Assistance Fund	47
Lifetime Care and Support Authority of New South Wales	49
Local Government Superannuation Scheme Trustee	54
Long Service Corporation	56
Motor Accidents Authority of New South Wales	60
NSW Land and Housing Corporation	64
Parliamentary Contributory Superannuation Fund	75
Rental Bond Board	79
SAS Trustee Corporation - Pooled Fund	81
State Super Financial Services Australia Limited	89
Superannuation Administration Corporation (trading as Pillar Administration)	92
WorkCover Authority of New South Wales	94
Workers Compensation Nominal Insurer (trading as The NSW WorkCover Scheme)	98
<b>Premier</b>	<b>105</b>
Infrastructure NSW	105
<b>Treasurer</b>	<b>108</b>
Liability Management Ministerial Corporation	108
New South Wales Treasury Corporation	110
NSW Self Insurance Corporation	117
The Treasury	123
<b>Appendix 1 - Agencies not commented on in this volume, by minister</b>	<b>126</b>
<b>Index</b>	<b>127</b>

# Significant Items

This summary shows the most significant issues identified during my audits.

Page

## Superannuation Industry Overview

Unfunded superannuation liabilities increased significantly, primarily due to the fall in the bond rate used to discount these liabilities	9
Changes in financial markets resulted in significant divergence between corporate and government bond rates	9
Differences between valuation methods highlight unfunded liabilities could rise by \$33.4 billion should funds not achieve their long-term expected rate of returns	10
Investments increased due to significant government contributions from the proceeds of asset sales	12
Investment returns were well below the superannuation funds' investment objectives	13
Poor investment returns arising from global economic uncertainty illustrates the challenges in minimising costs to taxpayers	13
Lambert Report recommended merging of superannuation funds	14

## Compensation Authorities Staff Division

Governance is consolidated through a single Board of Directors	31
The number of employees in 'acting' positions is high and some senior management positions were not permanently filled as at 30 June 2012	32
Up to 30 per cent of employees were in 'acting' positions, some for long periods of time	32

## Department of Finance and Services

The Department reported a net result for the year of \$71.5 million, compared to budget of \$51.3 million, a favourable variance of \$20.2 million	35
The Government Property Register limitations identified since 2002 remain unresolved	35
A one-off tax assessment from 2007, previously subject to appeal, was settled out of court this year	35
There continues to be a lack of clarity around Government Licensing System project responsibilities – specifically data quality assurance responsibilities	36
As departments implement Corporate and Shared Services reforms, identified savings need to be reported	37
The Department has a negative equity position of \$138 million	40

## Lifetime Care and Support Authority of New South Wales

It costs \$2.7 million on average to fund each participant's lifelong treatment, rehabilitation and attendant care needs	49
The liability for people severely injured in motor vehicle accidents in New South Wales is estimated to increase to \$4.3 billion by 2017	49
The viability of the world's first life learning campus for people with traumatic spinal cord injuries, the Sargood Centre, is uncertain	50

12 per cent of scheme participants are children who will require lifelong treatment and attendant care	50
Almost one in four scheme participants sustained their injury in a motorcycle accident. They are significantly over-represented in the scheme	50
Road safety initiatives for our young drivers are critical given 33 per cent of scheme participants were aged between 16 and 25 years of age	51
<b>Long Service Corporation</b>	
The Corporation's actuary projected the fund will continue to have a significant deficit for the foreseeable future	56
The actuary noted that if the levy rate increased to 0.45 per cent from 0.35 per cent, the fund will return to surplus within four to five years	<b>Error! Bookmark not defined.</b>
Total scheme liabilities in 2011–12 exceeded the Corporation's investments by \$156 million. This deficit urgently needs to be addressed	
<b>Motor Accidents Authority of New South Wales</b>	
The CTP Pricing Strategy aims to ensure the scheme remains equitable, affordable and sustainable	60
Licensed CTP insurers collected \$1.8 billion in premiums (\$1.7 billion in 2010-11) and paid \$1.3 billion in benefits (\$1.1 billion)	60
616 claims were received in 2011-12, where the at-fault owner or driver was not insured or identifiable	61
The outstanding Nominal Defendant HIH claims are dominated by a small number of costly claims	61
The net cost to the NSW Government as a result of the HIH liquidation was \$235 million as at 30 June 2012	61
\$12.5 million was paid to expand the only supported accommodation for people with spinal cord injuries in New South Wales	62
<b>NSW Land and Housing Corporation</b>	
The Corporation built 5,993 dwellings under the Australian Government's Nation Building Economic Stimulus Plan, exceeding its target	64
Project delivery risk on 12 projects - involving construction of 162 dwellings and eight bed-sit conversions to one bedroom units	65
The Corporation spend on social housing varies over time	65
<b>Parliamentary Contributory Superannuation Fund</b>	
The average benefit per member was \$1.1 million at 30 June 2012, of which \$480,000 was unfunded	75
Unfunded liabilities decreased to \$162 million at 30 June 2012 but funding level is still below the 80 per cent net funding target	75
Poor investment returns reflect the continued weakness in the global economy. Ultimately the NSW Government will fund any shortfall	76
<b>SAS Trustee Corporation - Pooled Fund</b>	
Unfunded liabilities were \$19 billion at 30 June 2012	81
Australian and New South Wales Governments continued discussions to ensure NSW universities members' benefits are funded as they fall due	82

Without a funding agreement, NSW universities may need to fund benefits from their own resources	82
\$590 million was paid in 2011–12 to invalidity pensioners. Their ongoing health is not reviewed	82
People are living on average, 20 years longer which contributes to the government's problem in funding the liabilities	83
Global economic uncertainty and volatile returns may make asset liquidation difficult in the short-term as a large portion of members will retire	84
'Hurt on duty' remains the most common way Police Superannuation Scheme members retire. The Fund paid \$236 million in hurt on duty pensions in 2011–12	84
The average age on retirement for hurt on duty pensioners was 45 years	84
Investment returns were well below the Fund's long-term targets	85
<b>State Super Financial Services Australia Limited</b>	
New investment options were introduced to tailor better clients' investment strategies to their needs	89
Low returns from growth and balanced funds highlight continued economic uncertainties	90
<b>Superannuation Administration Corporation (trading as Pillar Administration)</b>	
The Corporation spent \$4.1 million above its initial cost estimate to transition the Public Sector Superannuation Accumulation Plan	92
<b>WorkCover Authority of New South Wales</b>	
Work health and safety laws provide greater consistency and clarity to employers in Australia on work safety requirements	94
Failing to ensure inspectors complete necessary training exposes the Authority to operational risks	94
There was a significant decrease in the number of penalty notices issued in 2012	95
<b>Workers Compensation Nominal Insurer (trading as the NSW WorkCover Scheme)</b>	
The overall shortfall in net assets was \$1.5 billion at 30 June 2012. This is within the Scheme's target funding ratio of between 90 to 110 per cent	98
The financial impact of the reforms is estimated to save the Scheme \$3.1 billion	100
Scheme reforms have taken action to reduce the increasing cost of statutory non-economic loss claims	101
Lump sum claims represent 15 per cent of the Scheme's total liability and are increasing. The reform did not adequately address this issue	101
<b>Infrastructure NSW</b>	
The 20 Year State Infrastructure Strategy was released in October 2012	105
Infrastructure NSW will oversee the redevelopment of Darling Harbour	105
Restart NSW will help fund major infrastructure projects	106



## Liability Management Ministerial Corporation

The Liability Management Ministerial Corporation has recommenced accumulating assets for funding State superannuation liabilities	108
A review of the General Government Liability Management Fund Act 2002 is overdue	108
Judges pension liabilities have not transferred to the Liability Management Ministerial Corporation as planned	108

## New South Wales Treasury Corporation

The State of New South Wales maintains its AAA credit rating	110
Weak overseas financial markets saw a rising demand for Australian dollar bonds	111
Waratah bond proceeds will be invested in Restart NSW	113
TCorp managed agency debt portfolios valued at \$45.0 billion	113
TCorp made a profit before tax of \$77.2 million	115
TCorp paid a dividend of \$50.5 million	116

## NSW Self Insurance Corporation

I again qualified my opinion on the Corporation's financial statements due to non compliance with Accounting Standards	117
The Corporation lost \$339 million on its investments during 2011–12	118
The Corporation received \$224 million State funding to maintain minimum net asset levels	119
Premiums charged by the Home Warranty Insurance Fund are not currently sufficient to cover expected claims costs	121

# Recommendations

This summary shows my more significant recommendations to agencies to address issues I identified during my audits.

Page

## Compensation Authorities Staff Division

The Division should review whether consolidated financial statements are required following changes to the governance arrangements arising from the <i>Safety, Return to Work and Support Board Act 2012</i> .	31
--	----

The Division should reduce its reliance on acting positions in favour of permanent positions filled by the most qualified person	32
--	----

## Department of Finance and Services

The Department resolve the Government Property Register limitations so that it becomes a complete and reliable record of all NSW Government property assets.	35
--	----

The Department should establish clear responsibility charts so its staff and those of its clients are fully aware of their duties.	36
--	----

The Department and central agencies should develop key performance indicators to measure savings derived from the procurement and shared services initiatives.	37
--	----

ServiceFirst's segregation of duties deficiencies should be addressed immediately.	37
--	----

The Department should develop key performance indicators for costs, savings and milestones associated with the ICT strategy.	37
--	----

## Lifetime Care and Support Authority of New South Wales

The Authority should prepare business cases to support all major financial decisions.	50
---	----

## Local Government Superannuation Scheme Trustee

The Trustee should establish an internal audit function to strengthen its corporate governance and internal control framework.	54
--	----

## Long Service Corporation

The Corporation should review its investment strategy to ensure strategic asset allocation decisions are made in line with the structure of its schemes' liabilities.	57
---	----

The Corporation should review the final costs of completed building and construction works to ensure it has collected all levies due to it.	58
---	----

## WorkCover Authority of New South Wales

The Authority should ensure relevant officers complete the necessary training programs on changes to the work, health and safety laws.	94
--	----

## Workers Compensation Nominal Insurer (trading as the NSW WorkCover Scheme)

The minister should consider addressing uncertainties of the impact of workers compensation reforms as part of the scheduled review of the reforms required under the legislation.	101
--	-----

## NSW Self Insurance Corporation

The Treasurer should review the long-term sustainability of the Home Warranty Insurance Fund.	121
---	-----




# Section One

Overview

---

Superannuation Industry Overview



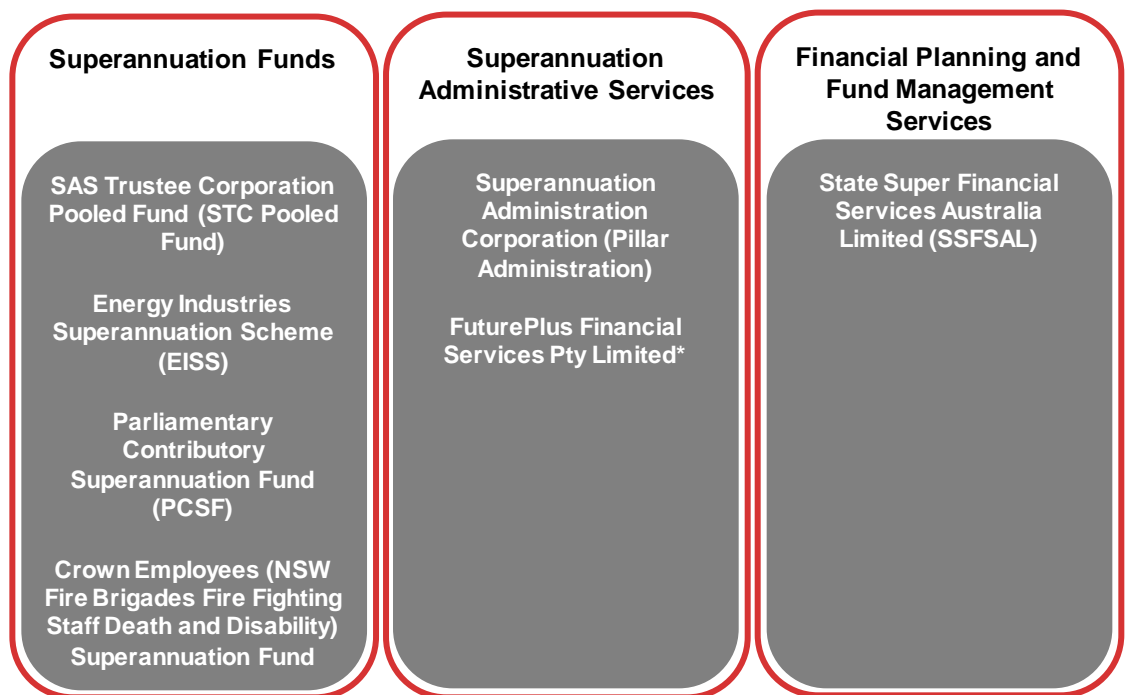
# Superannuation Industry Overview

## Superannuation Entities and Audit Opinions

I issued unqualified audit opinions on the NSW Government controlled superannuation entities' 30 June 2012 financial statements.

### Government Controlled Superannuation Entities

The NSW Government controls the following superannuation related entities. These entities manage, administer and invest superannuation assets for many NSW public sector employees.



\* FuturePlus is owned by members of the Energy Industries Superannuation Scheme.

Each of the above superannuation funds has a trustee entity that manages the fund's operations. In addition, I audit LGSS Pty Limited, the trustee of the Local Government Superannuation Schemes. I am not the auditor of the Local Government Superannuation Schemes. They are audited by a private sector auditor.

### Non-Government Controlled Superannuation Funds

Many NSW public sector employees are members of the First State Superannuation Scheme and the Local Government Superannuation Schemes. These schemes are not controlled by the NSW Government.

This overview refers only to NSW Government controlled superannuation related entities.

## Key Issues

### Significant Increase in Unfunded Superannuation Liabilities

Unfunded superannuation liabilities reported by NSW public sector agencies increased significantly compared to last year. The increase was primarily due to the fall in the Commonwealth Government ten-year bond rate used to discount liabilities to present value terms.

Year ended 30 June	2012	2011	2010	2009	2008
Unfunded superannuation liabilities (\$ billion) (a)	50.9	34.0	34.5	31.0	17.4
Discount rate (%) (b)	3.1	5.2	5.1	5.5	6.5

Source:

- a Unfunded superannuation liabilities extracted from Total State Sector Accounts 2011-12.
- b Discount rates are the Commonwealth Government ten-year bond rates at 30 June from Reserve Bank of Australia website.

These liabilities are estimated in accordance with the Australian Accounting Standard AASB 119 'Employee Benefits'. The standard requires superannuation liabilities to be discounted to show the present value of these liabilities. Treasury, as the employer sponsor, determines assumptions to be used by the actuary in estimating liabilities. One assumption is the Commonwealth Government bond rate is to be used for discounting.

### Impact of Discount Rate on Defined Benefit Liabilities Valuation

Australian Accounting Standards require not-for-profit public sector entities to use market yields on government bonds as the discount rate to value defined benefit liabilities. For-profit entities are required to use a high quality corporate bond rate. The following range of rates was available at 30 June 2012.

At 30 June	2012	2011
High quality corporate bond rate (%)	5.8	6.1
Commonwealth Government 10-year bond rate (%)	3.0	5.3
Commonwealth Government 15-year bond rate (%)	3.4	--*
New South Wales Treasury Corporation 10-year bond yield (%)	4.1	5.7

\* First issued 20 October 2011.

Treasury mandates the use of the Commonwealth Government ten-year bond rate for all entities controlled by the NSW Government. At the time the policy originated, it was generally accepted Australia did not have a sufficiently active and liquid market for high quality corporate bonds. Only the Commonwealth Government ten-year bond rate was considered liquid. An impact of the global financial crisis was a significant increase in corporate bond issues in Australia.

Changes that have occurred in financial markets have resulted in a significant divergence between the corporate and government bond rates. The implications for public sector reporting need consideration. I intend to discuss this matter with Treasury over the coming year.

Unfunded superannuation liabilities increased significantly, primarily due to the fall in the bond rate used to discount these liabilities

Changes in financial markets resulted in significant divergence between corporate and government bond rates

Differences between valuation methods highlight unfunded liabilities could rise by \$33.4 billion should funds not achieve their long-term expected rate of returns

## Accounting and Funding Challenges

Superannuation funds and agencies measure defined benefit superannuation liabilities differently as required by the following Australian accounting standards:

- AAS 25 Financial Reporting by Superannuation Plans - used by superannuation funds to determine the funds required to discharge cash payment obligations.
- AASB 119 Employee Benefits - used by employers to measure the same liabilities for financial statement reporting purposes.

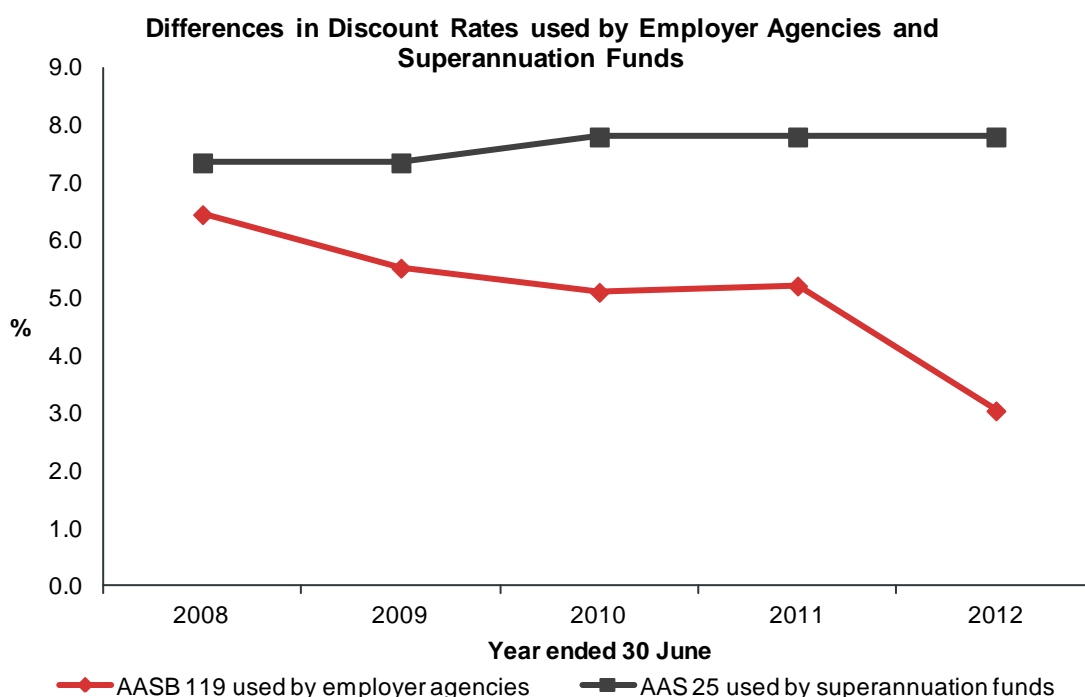
The two approaches can produce significantly different results mainly due to the application of different discount rates. This is demonstrated in the following table where NSW Government superannuation funds and employer agencies' unfunded liabilities for financial reporting purposes differ by \$33.4 billion.

Summary	AAS 25 - superannuation funds	AASB 119 - employers
Discount rate	Expected long-term after tax investments earnings rate	Government bond rate
Discount rate used at 30 June 2012	Between 7 and 8.3 per cent	3.1 per cent
Unfunded liability at 30 June 2012 (a)	\$17.5 billion	\$50.9 billion

a Excludes unfunded superannuation liabilities of NSW universities (\$2.4 billion under AAS 25, \$4.6 billion under AASB 119 at 30 June 2012).

Defined benefit superannuation funds use an earnings rate when valuing liabilities for member benefits. They report under AAS 25, not AASB 119.

When there is a low interest rate environment, the approach under AASB 119 results in larger liabilities. The following graph shows the trends in the different discount rates used under the two accounting standards.



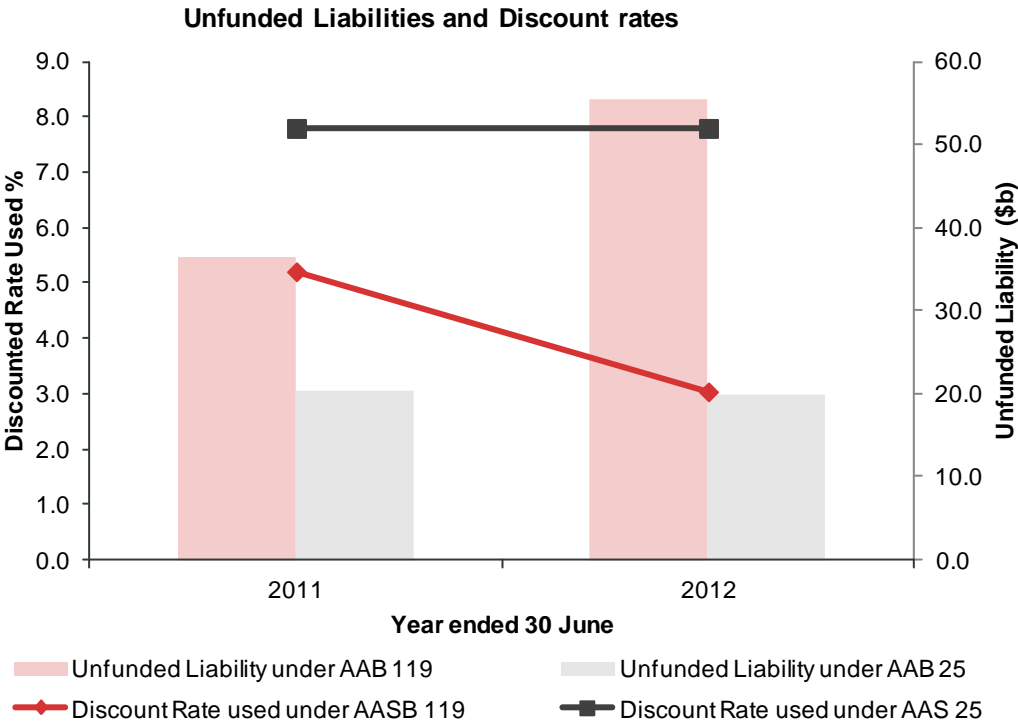
Source: Discount rates used under AASB 119 are the ten-year Commonwealth Government bond rates at 30 June.

Source: Discount rates used under AAS 25 are the average investment return rates in the STC Pool Funds triennial actuarial review.

An issue for trustees, and ultimately the NSW Government, is that their funding requirements could rise significantly if long-term expected rates of return are not realised.

**Superannuation Investments Held to Meet Liabilities**

The variances between the two measurement approaches highlight the significance of the government’s three main defined benefit funds achieving their long-term expected rates of return. Currently there are insufficient assets to meet fund liabilities resulting in unfunded liabilities of \$17.5 billion. However, this could rise to \$50.9 billion should the funds not achieve their long-term expected rates of return and only achieve a risk free rate equivalent to the government bond rate.



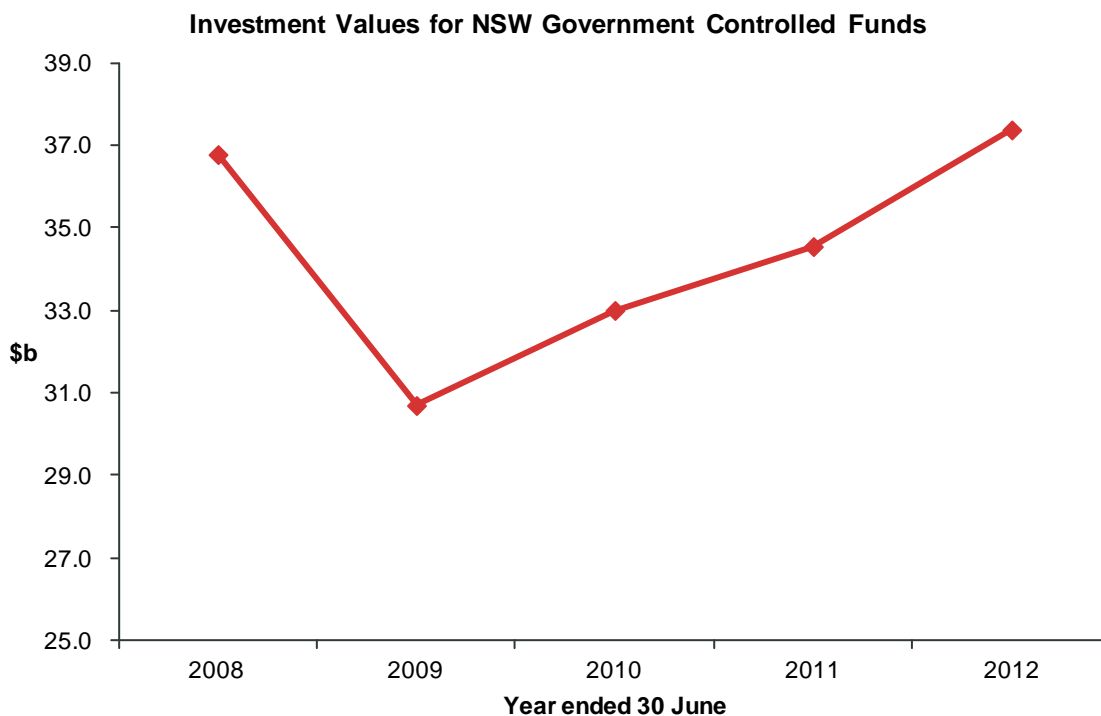
At 30 June 2012, government-defined benefit superannuation funds managed \$37.0 billion in investments (\$34.1 billion at 30 June 2011). The superannuation funds also manage investments for defined contribution funds of \$11.2 billion at 30 June 2012 (\$10.2 billion).

Investments increased due to significant government contributions from the proceeds of asset sales

### Government Funding Increased Investments Balances

During 2011-12 the Crown Entity contributed in excess of \$4.6 billion to two of the defined benefit funds. The contributions largely came from the proceeds of asset sales. The Crown Entity paid \$4.6 billion to the SAS Trustee Corporation Pooled Fund, and \$13.2 million to the Parliamentary Contributory Superannuation Fund.

The following graph shows superannuation investment values over the last five years.



Source: NSW Government Superannuation entities' financial statements.

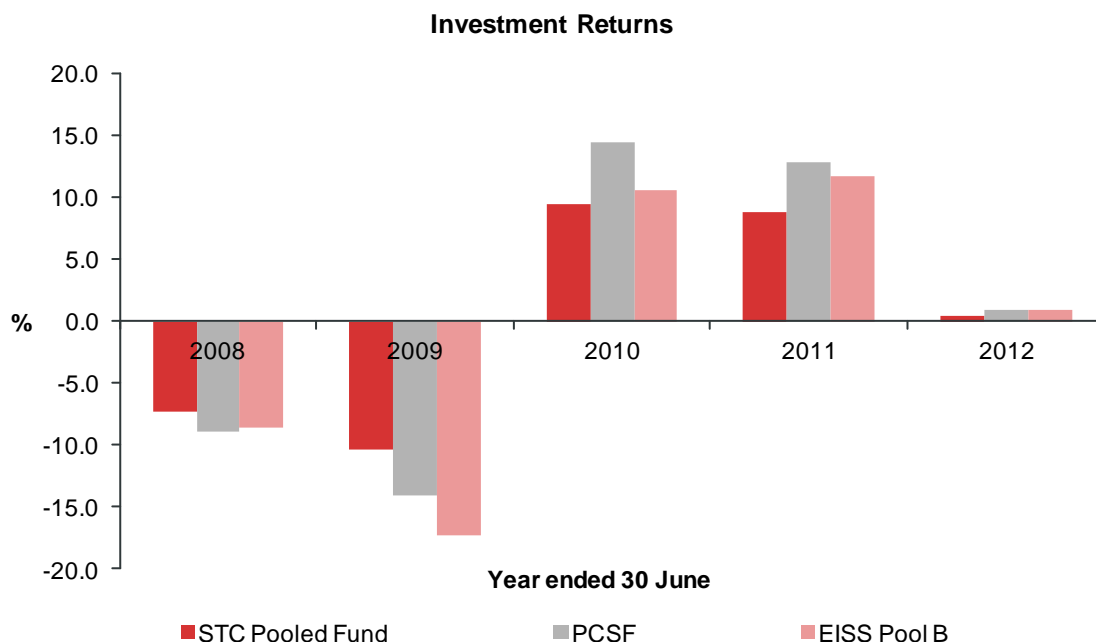
The above graph highlights the volatility and decline in domestic and global markets caused by the global financial crisis, which adversely impacted on superannuation funds' investments. Superannuation investments increased in 2012 despite poor investment returns because of the Crown Entity's significant contributions discussed above.

## Low Investment Returns

Following widespread negative investment returns during the global financial crisis, NSW Government superannuation funds have earned positive returns for the last three years. However, the returns fell significantly in 2011-12 reflecting global economic conditions.

Investment returns were well below the superannuation funds' investment objectives

Poor investment returns arising from global economic uncertainty illustrates the challenges in minimising costs to taxpayers



The majority of funds are invested in growth strategies, and for comparability purposes, only the investment returns for funds invested in growth strategies are shown above. Prior to the global financial crisis, superannuation funds had investment returns of up to 17.9 per cent per annum in 2006-07. This contrasts with negative investment returns of 17.3 per cent at the peak of the global financial crisis in 2008-09. Investment returns for the current year to 30 June 2012 were less than one per cent, which further illustrates the challenges trustees face minimising the long-term cost of funding superannuation schemes.

Global economic conditions led to substantial volatility and uncertainty in markets in which NSW Government superannuation funds invest. They pose a significant challenge to trustees and their asset consultants in prudentially balancing risk and return between asset classes, especially given the competing factors of increasing money supply and low inflation.

As the NSW Government superannuation funds are generally closed defined benefit funds, a large portion of the member base is at, or reaching, retirement age. The factors above illustrate the fragile nature of financial market recoveries and the financial risk which remain for superannuation funds and ultimately the NSW Government, which essentially underwrites the benefit entitlements of members.



Superannuation funds monitor short-term performance by comparing returns to the median manager. It is then ranked into quartiles. For example, a quartile ranking of one indicates that the fund is in the top 25 per cent of the survey sample.

The three main defined benefit funds' annual investment returns over the past two years were:

Fund	Fund annual return %		Median manager return %		Quartile ranking	
	2012	2011	2012	2011	2012	2011
STC Pooled Fund (a)	0.4	8.9	0.4	8.3	2	2
EISS Pool B (b)	0.7	11.7	0.6	9.4	1	2
PCSF (c)	0.9	12.8	0.5	9.6	1	1

Source: Fund Trustee/Administrator.

a Median fund in Mercer Customised Survey.

b Median manager in Super Ratings Pty Ltd.

c Median manager in Russell Universe of Australian Balanced Portfolios.

## Restructuring superannuation entities

Last year I recommended Treasury review:

- the structure and number of public sector superannuation funds and consider whether efficiencies and cost savings could be achieved through consolidation
- the structure of superannuation administration services controlled by the NSW Government or its superannuation funds. It should consider whether consolidating the entities will ensure the proposed reforms are implemented in the most efficient and cost effective way.

I understand that in 2012:

- timing for a review is yet to be considered with respect to my first point.
- the trustee of the Energy Industries Superannuation Scheme (EISS) decided to sell FuturePlus, the administrator of the energy schemes. At the time of writing this report, FuturePlus is held for sale by EISS.

In September 2011, the Financial Audit (The Lambert Report) was released. This was a comprehensive analysis of NSW's finances. It detailed a range of systemic issues in the financial management and fiscal leadership of New South Wales. The Lambert Report noted New South Wales has a decentralised approach to fund management functions and one of the disadvantages is cost inefficiencies in the overlap of functions. The report recommended the consolidation into the SAS Trustee Corporation Pooled Fund of the Judges Pension Scheme, the Parliamentary Contributory Superannuation Fund and the Energy Industries Superannuation Scheme.

Lambert Report  
recommended  
merging of  
superannuation  
funds

## Triennial Actuarial Valuation

The defined benefit funds legislation requires a triennial actuarial review to investigate each fund's financial position. The review makes recommendations to government regarding the level of contributions employer agencies should make. Due to the complexity and significance of the assumptions used, actuarial expertise is required to calculate members' accrued benefits. Additionally, annual actuarial solvency calculations are undertaken to monitor funds' financial strength.

Actuarial estimates involve many assumptions and judgements, such as future investment earnings. The following table summarises some of the key economic assumptions from the most recent actuarial review of NSW Government's three main defined benefit funds.

Actuarial assumptions (% per annum)	STC Pooled Funds(a)	EISS Pool B(a)	PCSF(b)
Investment rate of return (c)			
- asset backed pension liabilities	8.3	7.0	8.3
- other	7.3	--	--
Salary increase rate	4.0	4.0	4.0
CPI increase rate	2.5	2.5	2.5

Source: Fund's Triennial Actuarial Reviews.

- a Most recent actuarial review completed for the year ended 30 June 2009. The 30 June 2012 review is in progress.
- b Most recent actuarial review completed for the year ended 30 June 2011.
- c The actuary takes into account asset allocations which are different from fund to fund.

It is important to recognise that there may be significant differences between an actuarially projected amount and the actual outcome. Actual investment earnings, increases in pensions and members' salaries, and the flow of employer contributions all impact the actual unfunded liability. Any assessment of the accuracy of assumptions used can only be carried out in hindsight.

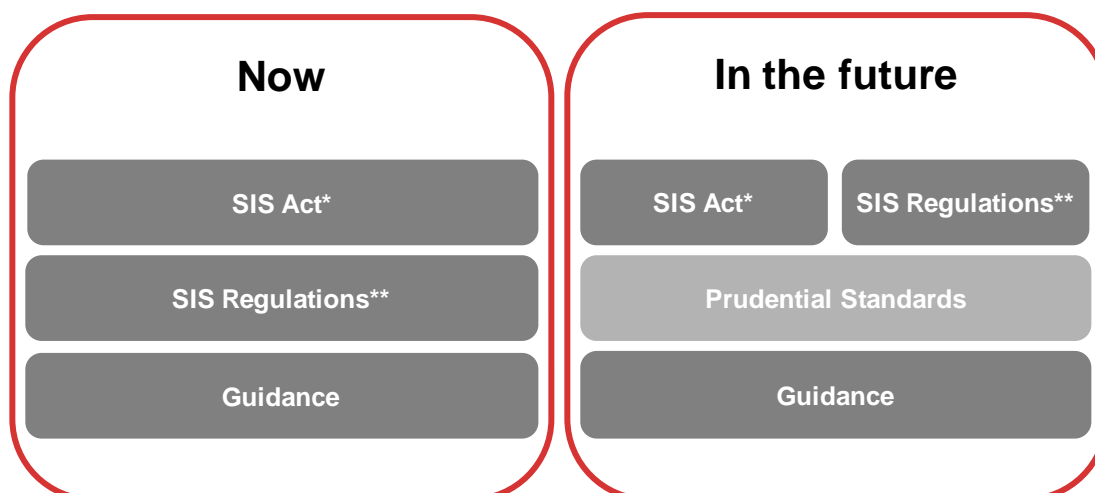
In August 2012, the *Fiscal Responsibility Act 2012* replaced the former act. A target of this 2012 Act is to eliminate superannuation unfunded liabilities by 2030. The 2012-13 Budget papers support this and State employer funding is based on the Act's target of fully funding superannuation liabilities by 2030. These funding arrangements are reviewed as part of the triennial actuarial review. This ensures liabilities are met without unnecessarily diverting financial resources away from core government services such as health, education and transport.

## Other Information

### Compliance

The SAS Trustee Corporation Pooled Fund (STC Pooled Fund) schemes and the Parliamentary Contributory Superannuation Fund (PCSF) are exempt public sector superannuation schemes under the Australian Government's *Superannuation Industry (Supervision) Act 1993*. Under a Heads of Government agreement, the NSW Government undertakes to ensure the STC Pooled Fund and the PCSF conform with the principles of the Commonwealth Government's retirement incomes policy relating to preservation, vesting, reporting to members and adequate protection of members' benefits.

## Prudential Standards for Superannuation



Source: APRA Reform workshop.

\* *Superannuation Industry (Supervision) Act 1993.*

\*\* *Superannuation Industry (Supervision) Regulation 1994.*

The Australian Prudential Regulation Authority (APRA) was given prudential standards making power for regulated superannuation entities. In April 2012, APRA released draft prudential standards for the superannuation industry. The final standards are expected to be released by December 2012 for adoption by 1 July 2013. They will have the force of law and must be complied with by regulated institutions.

There are 12 draft prudential standards. Six are behavioural standards, and six are technical standards.

Behavioural standards	Technical standards
SPS 510 Governance	SPS 521 Conflicts of Interest
SPS 520 Fit and Proper	SPS 530 Investment Governance
SPS 220 Risk Management	SPS 250 Insurance in Superannuation
SPS 232 Business Continuity Management	SPS 160 Defined Benefit Funding and Solvency
SPS 231 Outsourcing	SPS 114 Operation Risk Financial Requirement
SPS 310 Audit and Related Matters.	SPS 410 Transition to MySuper

## Outsourcing

Superannuation has a high level of outsourcing, particularly in the areas of investments, custody and administration. Trustees appoint an independent organisation as custodian to hold the assets of the fund and perform certain administrative, accounting, monitoring and reporting functions. Investment fund managers are also appointed to invest and manage assets in accordance with an investment management agreement.

The Australian Prudential Regulation Authority released draft prudential standards. One of these addressed outsourcing, to ensure all outsourcing arrangements involving material business activities are subject to appropriate due diligence, approval and ongoing monitoring.

The services provided through outsourcing arrangements were:

Superannuation Fund	Custodian	Administrator	No. of investment fund managers
<b>Defined benefit superannuation funds</b>			
STC Pooled Funds	JP Morgan, Chase	Pillar Administration	41
Energy Industries Superannuation Scheme	JP Morgan, Chase	FuturePlus Financial Services Pty Limited	18
Parliamentary Contributory NAB Superannuation Fund		Pillar Administration	9
<b>Other superannuation funds</b>			
State Super Financial Services	Not applicable	Not applicable	18 (1)
State Super Retirement Fund	JP Morgan, Chase	State Super Financial Services	Not applicable (2)
State Super Investment Fund	JP Morgan, Chase	State Super Financial Services	Not applicable (2)
State Super Fixed Term Pension Plan	Deutsche Bank AG	State Super Financial Services	Not applicable(3)
NSW Fire Brigades Firefighting Staff Death and Disability Superannuation Fund	Not applicable	Equity Investment Management Limited	Not applicable (4)

- 1 State Super Financial Services appoints fund managers which manage the different products offered including the State Super Retirement Fund, State Super Investment Fund and State Super Fixed Term Pension Plan.
- 2 The fund does not manage investments or appoint fund managers.
- 3 The State Super Fixed Term Pension Plan closed for applications on 19 September 2004 and no longer receives contributions. The fund invests in two products developed by Deutsche Bank AG, who also act as the custodian.
- 4 The fund does not manage investments or appoint fund managers. Contributions received fund operating expenses and insurance cover. Benefits are provided via insurance arrangements.

## Review of AAS 25 Financial Reporting by Superannuation Plans

Last year, I recommended NSW Government superannuation funds review the replacement Standard for AAS 25 and ensure financial reporting issues are identified, and implement processes to enable reporting of comparative information is available. In December 2011, the Australian Accounting Standards Board issued Exposure Draft ED 223 Superannuation Entities. ED 223 is the second exposure draft, and is a refinement of the earlier proposal ED 179 Superannuation Plans and Approved Deposit Funds (issued in 2009). It addresses some of the concerns expressed by stakeholders to ED 179. NSW Government superannuation trustees continue to monitor these developments.

## Background

All the NSW Government's superannuation funds are statutory bodies. They have common objectives of:

- supporting the future well-being of members by delivering up-to-date superannuation benefits and high quality service
- helping members make informed decisions by providing relevant and up-to-date superannuation information
- engaging stakeholders in productive dialogue
- providing optimal investment returns to employers and members.

## **Superannuation Funds**

### **SAS Trustee Corporation Pooled Fund**

SAS Trustee Corporation Pooled Fund is a reporting entity which consists of the following schemes:

- State Superannuation Scheme
- State Authorities Superannuation Scheme
- State Authorities Non-contributory Superannuation Scheme
- Police Superannuation Scheme.

The schemes are closed to new members. All schemes are combined and invest through one fund, the Pooled Fund. At 30 June 2012, it had 53,317 active members.

Comment on the SAS Trustee Corporation Pooled Fund is included elsewhere in this report.

### **Energy Industries Superannuation Scheme**

The Energy Industries Superannuation Scheme is a reporting entity which consists of two superannuation plans for which separate financial statements are prepared:

- Energy Industries Superannuation Scheme - Pool A (accumulation scheme)
- Energy Industries Superannuation Scheme - Pool B (defined benefit scheme).

Pool A is open to new members. Pool B is closed to new members. All schemes are combined and invested through one fund, the Energy Investment Fund. At 30 June 2012, it had 23,315 active members. This included 18,566 members in Pool A and 4,749 members in Pool B.

Comment on the Energy Industries Superannuation Scheme is included elsewhere in this report.

### **Parliamentary Contributory Superannuation Fund**

The Parliamentary Contributory Superannuation Fund is a reporting entity which consists of a superannuation scheme for members of the Legislative Council and the Legislative Assembly. At 30 June 2012, it had 46 active members.

Comment on the Parliamentary Contributory Superannuation Fund is included elsewhere in this report.

### **Crown Employees (NSW Fire Brigades Firefighting Staff Death and Disability) Superannuation Fund**

The Crown Employees (NSW Fire Brigades Fire Fighting Staff Death and Disability) Superannuation Fund is a fund established to facilitate death and total and permanent incapacity benefits to firefighting employees of Fire and Rescue New South Wales.

## **Financial Planning and Fund Management Services**

### **State Super Financial Services Australia Limited**

State Super Financial Services is a company which provides financial planning and funds management services to past and present NSW and Commonwealth public sector employees. At 30 June 2012, it had \$10.0 billion funds under management. It offers a number of products including State Super Retirement Fund, State Super Personal Retirement Plan, State Super Allocated Pension Fund and State Super Term Allocated Pension Fund and State Super Investment Fund.

Comment on State Super Financial Services is included elsewhere in this report.

## Superannuation Administration Services

### Superannuation Administration Corporation (Pillar Administration)

Superannuation Administration Corporation (Pillar Administration) is a statutory State owned corporation. It administers both public sector superannuation schemes and private sector schemes.

Comment on Pillar Administration is included elsewhere in this report.

### FuturePlus Financial Services Pty Limited

FuturePlus Financial Services Pty Limited provides superannuation and financial services. It is owned by members of the Energy Industries Superannuation Scheme.

## Trustee Bodies

I audit the trustee companies of the superannuation funds listed above under the heading 'Superannuation Funds'. These include the SAS Trustee Corporation, Energy Industries Superannuation Scheme Pty Limited, Trustees of the Parliamentary Contributory Superannuation Fund and NSW Fire Brigades Pty Ltd respectively. I audit the trustee company LGSS Pty Limited but not the superannuation funds for which it is the trustee body.

## Local Government Superannuation Scheme

LGSS Pty Limited is the trustee of two superannuation plans for which separate financial statements are prepared:

- Local Government Superannuation Scheme - Pool A (accumulation scheme).
- Local Government Superannuation Scheme - Pool B (defined benefit scheme).

Pool A is open to new members. Pool B is closed to new members. All schemes are combined and invested through one fund, the Local Government Investment Fund.

The trustee company is scheduled under the *Public Financial and Audit Act 1983* and I therefore audit it. I do not audit either superannuation scheme.

Comment on LGSS Pty Limited is included elsewhere in this report.

## Non-Government Controlled Superannuation Funds

Many NSW public sector employees are members of the First State Superannuation Scheme and the Local Government Superannuation Scheme.

From May 2006, the First State Superannuation Scheme became a public offer fund under the *Superannuation Industry (Supervision) Act 1993*, which allows it to accept contributions from employees outside the public sector.

Neither scheme is controlled by the NSW Government and therefore is not included in this report.

## University Superannuation Funds

The Macquarie University Professorial Superannuation Scheme and University of Sydney Professorial Superannuation System are closed superannuation funds. They manage and invest superannuation assets for those university professors in the respective universities at the time the funds were closed.

These funds are not controlled by the NSW Government. I have been requested under the *Public Financial and Audit Act 1983* to be the auditor of these funds.

Other University Professorial Superannuation Schemes, which I do not audit, are:

- The University of New England Professorial Superannuation Fund
- The University of Wollongong Professorial Superannuation Scheme
- The University of New South Wales Professorial Superannuation Fund.

## Financial Information

Following are abridged financial statements for the three major NSW Government-controlled defined benefit superannuation funds.

### Funds (Defined Benefit Funds)

Fund	STC Pooled Funds		EISS - Pool B		PCSF		Total	
Year	2012 \$m	2011 \$m	2012 \$m	2011 \$m	2012 \$m	2011 \$m	2012 \$m	2011 \$m
<b>Abridged Statement of Changes in Net Assets (year ended 30 June)</b>								
<b>Net assets available at beginning of financial year</b>	<b>32,179</b>	<b>30,743</b>	<b>1,964</b>	<b>1,790</b>	<b>212</b>	<b>207</b>	<b>34,355</b>	<b>32,740</b>
<b>Total revenue</b>	<b>7,950</b>	<b>3,258</b>	<b>216</b>	<b>314</b>	<b>24</b>	<b>18</b>	<b>8,190</b>	<b>3,590</b>
<b>Total expenses</b>	<b>(3,810)</b>	<b>(3,503)</b>	<b>(147)</b>	<b>(150)</b>	<b>(24)</b>	<b>(23)</b>	<b>(3,981)</b>	<b>(3,676)</b>
Increase/(decrease) in net market value of investments	(1,240)	1,780	(43)	49	(11)	9	(1,294)	1,838
Income tax benefit/(expense)	(727)	(99)	(22)	(39)	(2)	1	(751)	(137)
<b>Net assets available at end of financial year</b>	<b>34,352</b>	<b>32,179</b>	<b>1,968</b>	<b>1,964</b>	<b>199</b>	<b>212</b>	<b>36,519</b>	<b>34,355</b>
<b>Abridged Statement of Net Assets (at 30 June)</b>								
Investments	34,830	31,993	1,931	1,944	198	208	36,959	34,145
Other assets	483	449	49	50	6	7	538	506
<b>Total assets</b>	<b>35,313</b>	<b>32,442</b>	<b>1,980</b>	<b>1,994</b>	<b>204</b>	<b>215</b>	<b>37,497</b>	<b>34,651</b>
<b>Total liabilities</b>	<b>961</b>	<b>263</b>	<b>12</b>	<b>30</b>	<b>5</b>	<b>3</b>	<b>978</b>	<b>296</b>
<b>Net assets available to pay benefits</b>	<b>34,352</b>	<b>32,179</b>	<b>1,968</b>	<b>1,964</b>	<b>199</b>	<b>212</b>	<b>36,519</b>	<b>34,355</b>



Following are abridged financial statements for NSW Government controlled public sector defined contribution superannuation funds.

## Funds (Contribution Funds)

Fund	EISS - Pool A		State Super Investment Fund		State Super Retirement Fund		Total	
Year	2012 \$m	2011 \$m	2012 \$m	2011 \$m	2012 \$m	2011 \$m	2012 \$m	2011 \$m
<b>Abridged Statement of Comprehensive Income (year ended 30 June)</b>								
<b>Total revenue</b>	<b>320</b>	<b>389</b>	<b>10</b>	<b>33</b>	<b>5,371</b>	<b>4,826</b>	<b>5,701</b>	<b>5,248</b>
<b>Total expenses</b>	<b>(11)</b>	<b>(11)</b>	<b>(4)</b>	<b>(4)</b>	<b>(105)</b>	<b>(97)</b>	<b>(120)</b>	<b>(112)</b>
Income tax benefit/(expense)	(25)	(27)	--	--	19	9	(6)	(18)
<b>Benefits accrued as a result of operations after income tax</b>	<b>284</b>	<b>351</b>	<b>6</b>	<b>29</b>	<b>5,285</b>	<b>4,738</b>	<b>5,575</b>	<b>5,118</b>
<b>Abridged Statement of Financial Position (at 30 June)</b>								
Investments	1,475	1,317	351	360	9,400	8,521	11,226	10,198
Other assets	51	40	23	30	275	451	349	521
<b>Total assets</b>	<b>1,526</b>	<b>1,357</b>	<b>374</b>	<b>390</b>	<b>9,675</b>	<b>8,972</b>	<b>11,575</b>	<b>10,719</b>
<b>Total liabilities</b>	<b>15</b>	<b>16</b>	<b>5</b>	<b>14</b>	<b>45</b>	<b>42</b>	<b>65</b>	<b>72</b>
<b>Net assets available to pay benefits</b>	<b>1,511</b>	<b>1,341</b>	<b>369</b>	<b>376</b>	<b>9,630</b>	<b>8,930</b>	<b>11,510</b>	<b>10,647</b>



# Section Two

## Agencies with Individual Comment


---

Minister for Family and Community Services

Minister for Finance and Services

Premier

Treasurer



# Aboriginal Housing Office

## Audit Opinion

I issued an unqualified audit opinion on the Aboriginal Housing Office's (AHO) 30 June 2012 financial statements.

## Operational Snapshot

The AHO plans, administers and expands the policies, programs and asset base for Aboriginal housing in New South Wales.

The AHO reported a net result of \$74.3 million for the year. This was largely due to the transfer of dwellings from the NSW Land and Housing Corporation (Corporation) and from Aboriginal Land Councils to the AHO. These dwellings were valued at \$42.3 million. The AHO also received \$51.5 million under the National Partnership Agreement on Remote Indigenous Housing program.

## Performance Information

### Dwellings

The AHO and the Corporation gives housing applicants the option of being considered, at the same time, for Aboriginal Community Housing Providers accommodation.

At 30 June	Target	Actual		
	2013	2012	2011	2010
AHO dwellings	5,458	5,168	4,949	4,551
Aboriginal Community Housing dwellings - estimated <sup>#</sup>	4,800	4,736	4,716	4,429

Source: Aboriginal Housing Office (unaudited).

<sup>#</sup> not controlled by the AHO.

During 2011-12, the AHO spent \$28.4 million on 83 new dwellings and removed three dwellings from its inventory because of sales and other transfers. The Corporation and Aboriginal Community Housing Providers transferred 115 dwellings and 24 properties to the AHO respectively.

### Applicants on Waiting List

At 30 June	2012	2011	2010	2009
Waiting list	2,490	2,244	2,176	1,708

Source: Aboriginal Housing Office (unaudited).

Applicants on the waiting list for housing through the AHO increased in line with the growing number of Aboriginal households in New South Wales. This increase was confirmed by the 2011 Census.

## Management of Housing Stock

Actual expenditure on repairs and maintenance is shown below:

Year ended 30 June	Target	Actual			
	2012	2012	2011	2010	2009
AHO dwellings planned repairs and maintenance (\$m)	12.0	11.6	9.7	12.8	9.2
Average cost per AHO dwelling upgraded/repared (\$)	42,857	41,573	44,495	38,671	47,917

Source: Aboriginal Housing Office (unaudited).

Planned maintenance of \$11.6 million in 2011-12 was higher than the prior year's \$9.7 million. This is in line with the ten year planned maintenance program.

As well as planned maintenance, the AHO spent \$15.9 million on responsive maintenance in 2011-12.

## Tenant and Property Management

The AHO advised that net rental income improved because of higher rents.

Year ended 30 June	Target	Actual			
	2012	2012	2011	2010	2009
Rental income (net of planned property expenses) (\$m)	9.1	10.3	8.5	5.0	5.3
Rental income arrears (%)	2.0	1.6	2.6	1.5	1.4

Source: Aboriginal Housing Office (unaudited).

In 2010-11, the increase in rental income arrears was due to the timing of receipts under the Australian Government's Rental Assistance Program. In 2011-12, rental income arrears fell because the timing of receipts improved. The AHO met its target for rental income arrears of less than two per cent.

At 30 June 2012, the AHO's property portfolio was valued at \$1.2 billion (\$1.1 billion at 30 June 2011) with net annual rental income of \$41.5 million (\$39.7 million).

## Other Information

### The Build and Grow Strategy

The AHO is implementing the Build and Grow Strategy over the next eight years. The strategy's aim is for the Aboriginal community housing sector to achieve financial sustainability independent of government grants. The key source of funds for the strategy is the Remote Indigenous Housing National Partnership (RIHNP) Agreement with the Australian Government.

The AHO advises it has repaired 269 ACHP properties across New South Wales during 2011-12. This included \$6.4 million under RIHNP repairing 148 dwellings with 155 dwellings in progress. The AHO spent a further \$10.2 million repairing 121 Aboriginal Community Housing Provider dwellings with 100 dwellings in progress.

During 2011-12, the AHO spent \$7.4 million of a \$12.6 million budget to reform and strengthen the Aboriginal community housing sector. The sector was not eligible for the subsidies at the start of the year.

## Financial Information

### Abridged Statement of Comprehensive Income

Year ended 30 June	2012 \$'000	2011 \$'000
Personnel expenses	14,226	8,653
Other operating expenses	47,339	43,021
Depreciation and amortisation	11,574	8,014
Grants and subsidies	19,635	27,537
<b>Total expenses</b>	<b>92,774</b>	<b>87,225</b>
Grants and contributions	83,684	61,566
Rental income	41,500	39,691
Other	43,553	96,024
<b>Total revenue</b>	<b>168,737</b>	<b>197,281</b>
Loss on disposals	(922)	(588)
Other losses	(721)	(217)
<b>Net result - surplus</b>	<b>74,320</b>	<b>109,251</b>
Revaluation increment	2,415	35,949
<b>Total other comprehensive income</b>	<b>2,415</b>	<b>35,949</b>
<b>Total comprehensive income</b>	<b>76,735</b>	<b>145,200</b>

Grants and contributions increased mainly because of the growth in grants from the Australian Government under the National Partnership Agreement on Remote Indigenous Housing program.

The fall in other revenue is due to fewer property transfers from the Corporation to the AHO. In 2010-11, the Corporation transferred properties valued at \$94.6 million to the AHO compared to \$42.3 million in 2011-12.

The increase in personnel services expenses is due to the employment of more staff in 2011-12 to meet its increasing needs and a superannuation actuarial loss of \$3.8 million.

Grants and subsidies are \$7.9 million lower due to completion of the Aboriginal Community Development Program in 2010-11 and more financial and administrative support to CHPs in that year.

### Abridged Statement of Financial Position

At 30 June	2012 \$'000	2011 \$'000
Current assets	30,205	24,165
Non-current assets	1,204,118	1,141,396
<b>Total assets</b>	<b>1,234,323</b>	<b>1,165,561</b>
Current liabilities	21,873	29,886
Non-current liabilities	40	--
<b>Total liabilities</b>	<b>21,913</b>	<b>29,886</b>
<b>Net assets</b>	<b>1,212,410</b>	<b>1,135,675</b>

The change in current assets is mainly due to an increase in cash. The AHO received more Australian Government grants in 2011-12 than in 2010-11 and had not spent all grants at year end.

The increase in non-current assets is mainly due to the Corporation and CHPs transferring dwellings to the AHO during the year and a revaluation gain of \$2.4 million.

The reduction in liabilities is primarily due to less owing to the Corporation. In 2010-11, the Corporation provided project and management services in the delivery of the National Partnership Agreement on Remote Indigenous Housing programs.

## AHO's Activities

The AHO's principal functions are to plan, develop, deliver and evaluate programs and services to assist Aboriginal and Torres Strait Islander peoples within New South Wales to meet their housing needs. Other functions relate to registering and funding Aboriginal community housing providers, the power to enter into agreements with registered Aboriginal community housing providers, and the management of property it owns.

The AHO was constituted by the *Aboriginal Housing Act 1998*. It is subject to the control and direction of the Minister for Family and Community Services.

For further information on the AHO, refer to [www.aho.nsw.gov.au](http://www.aho.nsw.gov.au).



# City West Housing Pty Limited

## Audit Opinion

I issued an unqualified audit opinion on the City West Housing Pty Limited's 30 June 2012 financial statements.

## Operational Snapshot

The Company received rent and developer contributions of \$12.5 million in 2011-12, which it used primarily to provide and manage residential affordable housing in Ultimo-Pyrmont and the Green Square area of South Sydney.

## Performance Information

The Company had no new developments in 2011-12 and, at 30 June 2012, the performance against its long-term affordable housing development program targets remained the same as last year.

Location	Long-term target units*	Completed units	% of target
Ultimo-Pyrmont	600	445	74.2
Green Square	216	102	47.2

Source: City West Housing Pty Limited (unaudited).

\* The long-term target for Ultimo-Pyrmont is 30 years from 1994 to 2024; Green Square is 20 years from 2004 to 2024.

Statistics on the Company's occupancy rates over the past four years are shown below.

As at 30 June	2012	2011	2010	2009
Number of people accommodated in Ultimo-Pyrmont	850	850	850	850
Number of people accommodated in Green Square	185	185	85	85
Average occupancy rate (%)	99	99	99	99
Number of applicants on the eligibility waiting list	329	419	365	364

Source: City West Housing Pty Limited (unaudited).

At 30 June 2012, the Company was accommodating 850 people in Ultimo-Pyrmont and 185 people in Green Square. It has reported a 99 per cent average occupancy rate for the past four years. There are currently 329 applicants on its eligibility waiting list. The drop of 21.5 per cent, when compared to 30 June 2011, is due to a timing issue. At the end of June each year the Company sends a letter to all applicants on the eligibility list requesting updated income details, and those who do not respond are withdrawn from the list. On 10 October 2012, there were 361 applicants on the waiting list.

Accommodation is allocated to eligible applicants according to need. Eligibility is determined by an applicant's:

- gross household income and financial circumstances
- connections to the local area
- current housing adequacy and suitability
- need for long-term housing in the local area
- Australian residency.

Rent charges paid by tenants are determined having regard to annual household income. At six-monthly intervals, tenants are reassessed for continued eligibility and appropriateness of rent.

## Other Information

### Future Developments

The Company continued its plan for a further development in South Sydney. In July 2012, it entered into an agreement to purchase land for \$6.5 million which is expected to settle by 30 June 2013. The development is expected to yield 97 units and is scheduled to be completed by 2015. The Company also continued negotiations to develop a site in Glebe. This site is expected to yield approximately 94 units and is also scheduled to be completed by 2015.

## Financial Information

### Abridged Statement of Comprehensive Income

Year ended 30 June	2012 \$'000	2011 \$'000
Developer contributions	6,176	5,314
Rental income and tenants' contributions to outgoings	6,341	5,890
Investment income	4,059	3,534
Grant income	213	1,376
<b>Total revenue</b>	<b>16,789</b>	<b>16,114</b>
Depreciation	4,288	4,146
Property outgoings and maintenance	2,164	1,808
Employee benefits	733	621
Other	365	213
<b>Total expenses</b>	<b>7,550</b>	<b>6,788</b>
<b>Surplus</b>	<b>9,239</b>	<b>9,326</b>
<b>Other comprehensive income</b>		
Gain on revaluation of property, plant and equipment	--	6,237
<b>Total other comprehensive income</b>	<b>--</b>	<b>6,237</b>
<b>Total comprehensive income</b>	<b>9,239</b>	<b>15,563</b>

The Company receives developer contributions under the Sydney Local Environmental Plan 2005 as part of the City West Affordable Housing Program.

The fall in grant income was due mainly to grants of \$1.3 million received from the National Employment Stimulus Package in 2010-11, which has now ceased.

In 2010-11, a gain on revaluation of \$6.2 million was recognised for one property completed in November 2010. A revaluation adjustment of land and buildings was not required in 2011-12.

## Abridged Statement of Financial Position

At 30 June	2012 \$'000	2011 \$'000
Cash and investments	81,610	69,248
Property, plant and equipment	250,924	254,856
Other	1,256	336
<b>Total assets</b>	<b>333,790</b>	<b>324,440</b>
Trade and other payables	489	407
Employee benefits	254	225
<b>Total liabilities</b>	<b>743</b>	<b>632</b>
<b>Net assets</b>	<b>333,047</b>	<b>323,808</b>

The Company's significant cash and investments are being held to fund its capital program.

## Company Activities

The Company was established in 1994, with its principal function to provide affordable rental housing to very low, low and moderate-income households in Pyrmont, Ultimo and Green Square. It develops and manages affordable housing, which contributes to the maintenance of a socially diverse community in the inner city.

The key aim of affordable housing is to maintain socially diverse communities by providing housing to people who are unable to compete in the existing private housing market. By contrast, social housing (also known as public housing) is provided to people on low incomes who are unable to obtain affordable housing.

Ownership vests with government by holding the Company's only ordinary shares. Redeemable preference shares are issued to organisations with a direct interest in the development and management of affordable rental housing in the City West area. There are currently 11 preference shareholders.

For further information on the Company, refer to [www.citywesthousing.com.au](http://www.citywesthousing.com.au).

# Compensation Authorities Staff Division

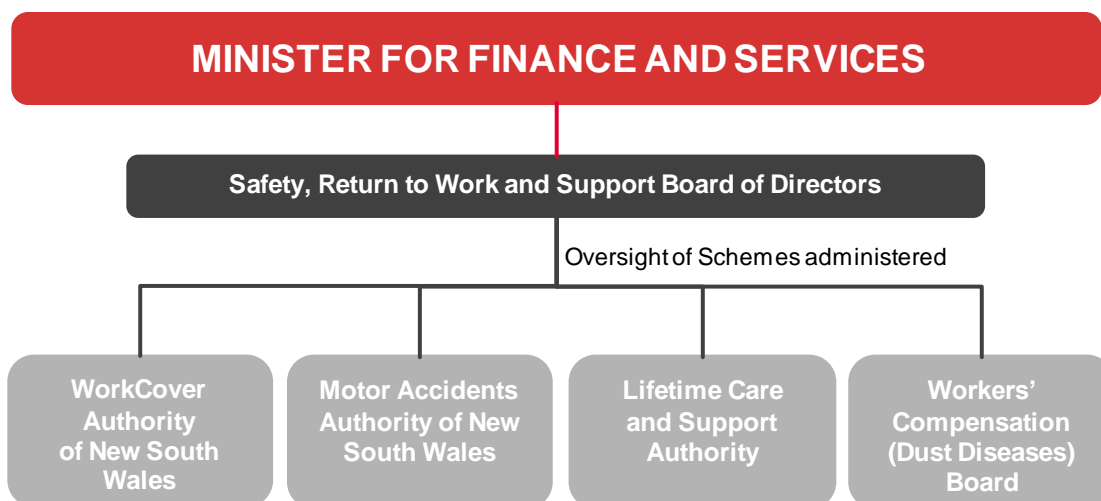
## Audit Opinion

I issued an unqualified opinion on the Compensation Authorities Staff Division's 30 June 2012 financial statements.

On 1 August 2012, the *Safety, Return to Work and Support Board Act 2012* renamed the Compensation Authorities Staff Division to the Safety, Return to Work and Support Division. The following commentary uses the Division's new name throughout.

## Operational Snapshot

The Safety, Return to Work and Support Division provides personnel services to the WorkCover Authority of New South Wales, Motor Accidents Authority of New South Wales, Lifetime Care and Support Authority of New South Wales and Workers Compensation (Dust Diseases) Board of New South Wales. Its Board of Directors provides oversight to the schemes administered by these agencies.



## Key Issues

### The Division's Structure

#### *Recommendation*

The Division should review whether consolidated financial statements are required following changes to the governance arrangements arising from the *Safety, Return to Work and Support Board Act 2012*.

Last year, I recommended Treasury review the Compensation Authorities Staff Division's structure to ensure it is not exposed to governance and operational risks as it interacts with individual agency governing Boards.

Governance is consolidated through a single Board of Directors

The Minister for Finance and Services announced a review of the compensation sector in February 2012. This resulted in passing of the *Safety, Return to Work and Support Board Act 2012* in August 2012. Key features of the Act include:

- consolidated governance arrangements for the WorkCover Authority, the Motor Accidents Authority and the Lifetime Care and Support Authority by establishing the Safety, Return to Work and Support Board (the Board)
- conferring certain functions on the Board, including determining the general policies of those authorities and investment policies for investing certain funds administered by those authorities
- providing for the establishment by the minister of advisory committees to investigate and report to the minister on matters arising under or in connection with the compensation and other related legislation
- providing for the appointment of a standing committee of the Legislative Council to oversight the functions of the relevant authorities
- abolishing the Sporting Injuries Committee and transferring its functions to the WorkCover Authority.

## Staff Structure

### *Recommendation*

**The Division should reduce its reliance on acting positions in favour of permanent positions filled by the most qualified person**

The number of employees in 'acting' positions is significant across agencies in the group and some senior management positions have not been permanently filled. At 30 June 2012, these include:

- Chief Executive Officer, Safety, Return to Work and Support Division
- General Manager, Motor Accidents Authority of New South Wales
- Executive Director, Lifetime Care and Support Authority of New South Wales
- General Manager, Investment Division, WorkCover Authority of New South Wales.

Not appointing permanent staff, especially in senior roles, may create operational risks for these agencies. The agencies may not attract the most suitably qualified person if vacant positions are not externally recruited.

In the WorkCover Authority of New South Wales and the Motor Accidents Authority of New South Wales 27 per cent and 30 per cent respectively, of all employees are in 'acting' or temporary positions. These are significant numbers particularly because of the large size of the workforce.

The numbers of people in 'acting' positions in some agencies at 30 June 2012 are shown below.

Agency	Number of employees at 30 June 2012	Number of employees in 'acting' positions at 30 June 2012	Percentage of employees in 'acting' positions at 30 June 2012 %
WorkCover Authority	1,343	358	27
Motor Accidents Authority	115	34	30
Lifetime Care and Support Authority	71	11	15

The number of employees in 'acting' positions is high and some senior management positions were not permanently filled as at 30 June 2012

Up to 30 per cent of employees were in 'acting' positions, some for long periods of time

Some employees have been in 'acting' positions for long periods of time, including:

- two employees for more than five years
- ten employees for four to five years
- twenty-five employees for three to four years.

Following the new structure under the *Safety, Return to Work and Support Act 2012*, management should ensure the necessary appointments are made promptly.

## Financial Information

### Abridged Statements of Comprehensive Income

Year ended 30 June	2012 \$'000	2011 \$'000
Sale of goods and services	246,468	160,637
Investment revenue	93	88
<b>Total revenue</b>	<b>246,561</b>	<b>160,725</b>
<b>Total expenses</b>	<b>166,782</b>	<b>161,293</b>
<b>Surplus/(deficit)</b>	<b>79,779</b>	<b>(568)</b>
<b>Other comprehensive income</b>		
Superannuation actuarial gain/(loss)	(79,779)	568
<b>Total comprehensive income</b>	<b>--</b>	<b>--</b>

The increase in the sale of goods and services was due to \$79.8 million from agencies receiving personnel services to cover increased employee superannuation liabilities.

### Abridged Statements of Financial Position

At 30 June	2012 \$'000	2011 \$'000
Cash	5,409	6,139
Receivables	208,040	122,098
<b>Total assets</b>	<b>213,449</b>	<b>128,237</b>
Provisions	203,626	118,423
Other	9,823	9,814
<b>Total liabilities</b>	<b>213,449</b>	<b>128,237</b>
<b>Net liabilities</b>	<b>--</b>	<b>--</b>

Employee related provisions increased significantly in 2011-12 because of a significant increase in superannuation defined benefit liabilities. Receivables from the agencies the Division provides personnel services to also increased significantly for this reason.

## Division Activities

The Division was established pursuant to Part One of Schedule One to the *Public Sector Employment and Management Act 2002*. It provides personnel services to the following entities:

- WorkCover Authority of New South Wales
- Workers Compensation Commission
- Motor Accidents Authority of New South Wales
- Lifetime Care and Support Authority of New South Wales
- Sporting Injuries Committee
- Workers' Compensation (Dust Diseases) Board of New South Wales.



# Department of Finance and Services

## Audit Opinion

I issued unqualified audit opinions on the Department of Finance and Services (the Department) and its controlled entities' 30 June 2012 financial statements.

The following commentary is for the consolidated entity, unless otherwise stated.

## Operational Snapshot

This is the first full year of operations for the Department following the administrative restructures of April 2011.

The net result for the year was a surplus of \$71.5 million compared to budgeted surplus of \$51.3 million. The surplus includes \$45.5 million profit from StateFleet operations.

## Key Issues

### Government Property Register (Repeat Issue)

#### *Recommendation*

**The Department resolve the Government Property Register limitations so that it becomes a complete and reliable record of all NSW Government property assets.**

Since 2002, the limitations of the Government Property Register (GPR) have been raised with the Department and predecessor agencies.

In 2010, I recommended:

- the Department develop a strategic framework to guide the future maintenance, development and use of the Government Property Register
- the limitations identified in the Government Property Register be resolved so that it becomes a complete and reliable record of all NSW Government property assets.

Management advises:

- a strategic framework has been developed to enable completion of GPR issues
- there is a steering committee in place to oversee the development and enhancement of the GPR
- the Office of Finance Property Asset Utilisation Taskforce is currently conducting a strategic review into the GPR, and any actions raised by the review will be considered and implemented as necessary.

### Large Duties Transaction

I previously reported that a one-off tax assessment in 2006-07 was subject to appeal and was before the Supreme Court of New South Wales.

The duties transaction and related accrued interest totalled \$598 million. This was recognised in administered revenue and assets (as a receivable) in accordance with the *Taxation Administration Act 1996* and accounting standards. An allowance for impairment of \$143 million had also been recognised. The assessment was subject to an appeal in the Supreme Court of New South Wales.

This matter was settled out of court on 22 June 2012. On 29 June 2012, the Department received \$287 million on behalf of the Crown Entity.

### Collection of Stamp Duty from Acquisition of the Cross City Tunnel

In previous years, I reported on an objection to an assessment of approximately \$60.0 million in duty, interest and penalty tax charged to the acquirer of the Cross City Tunnel.

The Department reported a net result for the year of \$71.5 million, compared to budget of \$51.3 million, a favourable variance of \$20.2 million

The Government Property Register limitations identified since 2002 remain unresolved

A one-off tax assessment from 2007, previously subject to appeal, was settled out of court this year

There continues to be a lack of clarity around Government Licensing System project responsibilities – specifically data quality assurance responsibilities

At 30 June 2012, this matter was still unresolved. A court date is expected in early 2013 for the taxpayer's appeal.

A remission of \$3.6 million was applied to the initial assessment amount of \$67.2 million during 2012 and \$4.0 million was received during July 2012.

## Government Licensing System Project

### Recommendation

The Department should establish clear responsibility charts so its staff and those of its clients are fully aware of their duties.

The Government Licensing System provides licensing, compliance and other transactions to nine of the State's super departments. It administers 4.0 million transactions and \$160 million revenue each year. There are 6.5 million licence records.

The project started in 2001 and has replaced 36 systems to date. The plan is to complete an average of one system every two months. In 2012, five agencies had thirteen systems either replaced or established.

Management have tried to improve the client communication processes by introducing user groups and actively engaging client participation.

There continues to be a lack of clarity around project responsibilities, specifically data quality assurance responsibilities. This has made data migration more of a challenge as data integrity issues mainly result from old legacy systems.

## Performance Information

### Government Services

#### Procurement

Expenditure through government contracts in recent years and related cost saving estimates are shown below:

Year ended 30 June	Target (\$m)	Actual (\$m)			
	2012	2012	2011	2010	2009
Government contracts	3,900	3,870	3,726	3,675	3,578
Savings identified (1)	72	73	--	--	--
Cost savings for government agencies from whole of government contracts (2)	--	--	225	323	360

Source: Department of Finance and Services (unaudited).

- 1 Current year savings of \$73 million is part of the \$1.0 billion procurement savings target over four years as approved by the Expenditure Review Committee.
- 2 Cost savings were based on independent analysis of the benefits of aggregation through State Contracts.

The Department is no longer reporting on the result indicator 'Cost savings for government agencies using NSW Procurement services' because this indicator has been superseded by the government's commitment to \$1.0 billion procurement savings in the four years to 2014-15. NSW Procurement's role is to identify the savings opportunities to assist agencies in meeting the savings target.

#### Procurement Reform

Changes to the *Public Sector Employment and Management Act 2002* on 1 July 2012 stopped the operations of the State Contracts Control Board and established the NSW Procurement Board.

The Department, through the Board, is responsible for overseeing the government's procurement system, setting policy and ensuring compliance with the government's reform initiative.

An 'Agency Accreditation Scheme' to support procurement capability started in August 2011. NSW Procurement, NSW Health and the NSW Police Force were the first to be accredited under the new scheme. A major development program to build a new electronic NSW Government purchasing and supplier platform for launch in late 2012 has begun.

From 1 July 2012, management fees are progressively being removed from State Contracts as they expire. To offset revenue forgone, the Department and Treasury allocated budget reductions to agency clusters for the 2012-13 Budget and forward estimates.

## Corporate and Shared Services Reform Program

### *Recommendation*

**The Department and central agencies should develop key performance indicators to measure savings derived from the procurement and shared services initiatives.**

The program began in 2010 to benchmark the efficiency of departments' corporate operations, develop standard administrative processes to sustainably reduce the cost and complexity of back office functions and oversee the delivery of the program across government.

In November 2011, the NSW Government reviewed progress against the plan. The review found delays in departmental program planning and implementation were substantially caused by the Department amalgamations of April 2011.

In 2012, a set of government business process standards were released and a benchmarking project completed for the human resources, procurement and finance functions.

The approved budget for the Corporate and Shared Services Reform Program is \$112 million. At June 2012, \$55.0 million had been spent.

The initial business case proposed efficiency savings of between \$750 million to \$895 million over five years (2010 to 2015).

## Shared Corporate Services

### *Recommendation*

**ServiceFirst's segregation of duties deficiencies should be addressed immediately.**

The Department provides corporate services to other government agencies through ServiceFirst.

I issued an unqualified Independent Service Auditors' Assurance Report on the internal controls operating within ServiceFirst during the 2011-12 financial year.

Repeat issues concerning segregation of duties in the computer environment have been raised with ServiceFirst for immediate rectification.

## Policy and Strategy

### Information and Communications Technology Strategy

#### *Recommendation*

**The Department should develop key performance indicators for costs, savings and milestones associated with the ICT strategy.**

The NSW Government Information Communications Strategy (NSW ICT) 2012 was endorsed on 10 April 2012. The ICT Strategy 2012 sets out the priority initiatives that will improve performance in key service capabilities.

The ICT strategy is redefining the way governments deliver the services people rely on, such as public transport, health, education and emergency services. The ICT presents a clear opportunity to improve and expand the services provided for the people of New South Wales.

Implementation of the strategy is being facilitated by the Department. The ICT Board, the ICT Leadership Group and the independent ICT Advisory Panel provide ongoing oversight over the State's \$2.0 billion annual ICT expenditure.

## Office of State Revenue

The Department uses key performance indicators to measure its effectiveness and efficiency at collecting taxes, fees and fines for the government, including:

Key performance indicators Year ended 30 June	Target	Actual			
	2012	2012	2011	2010	2009
Revenue collected as a percentage of budget (%)	98	101	100	106	95
Cost to collect \$100 of tax revenue (\$)	≤ 0.5	0.5	0.5	0.6	0.6
Cost to collect \$100 of fine revenue (\$)	≤ 13.1	12.2	12.7	11.7	11.0
<b>Total overdue tax debt as a percentage of total revenue (%)</b>	<b>1.5</b>	<b>1.3</b>	<b>1.5</b>	<b>1.4</b>	<b>1.5</b>

Source: Department of Finance and Services (unaudited).

Revenue collected as a percentage of budget shows the Department's performance in collecting all revenue due to the government.

The cost to collect \$100 of fine revenue remained steady over the last two years.

## Administered Activities

The following table details taxes, fees and fines administered by the Department on behalf of the Crown Entity.

Year ended 30 June	2012 \$m	2011 \$m	2010 \$m	2009 \$m	2008 \$m
Payroll tax	7,661	7,279	7,049	7,212	7,044
Duties	5,323	5,481	5,183	4,108	5,540
Land tax	2,387	2,323	2,335	2,289	1,968
Gaming and racing	1,658	1,617	1,347	1,217	1,172
Fines	377	338	331	296	275
Other	1,041	1,153	1,054	964	998
<b>Total</b>	<b>18,447</b>	<b>18,191</b>	<b>17,299</b>	<b>16,086</b>	<b>16,997</b>

## Land and Property Information

The land and property division provides titling, valuation, surveying, mapping and spatial services to the people of New South Wales on a commercial basis. The services underpin the property industry of New South Wales and include the statutory functions of the Registrar General, Surveyor General and Valuer General. The division's performance indicators include:

Key performance indicators Year ended 30 June	Target	Actual			
	2012	2012	2011	2010	2009
Total valuations completed (millions)	2.5	2.5	2.4	2.4	2.4
Documents registered	775,000	722,243	719,000	781,000	730,000
Plans registered	10,500	8,833	9,948	9,776	10,192

Source: The Department of Finance and Services (unaudited).

## Financial Information

The 2011 comparative figures in the Statement of Comprehensive Income and Statement of Financial Position include the three month impact of the April 2011 administrative restructure. The 2012 figures reflect the first full year of operations of the new department.

### Abridged Statement of Comprehensive Income

Year ended 30 June	Consolidated		Parent	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Employee related	661,806	384,270	656,320	379,409
Depreciation and amortisation	206,131	189,448	204,117	187,609
Grants and subsidies	228,385	96,434	228,385	96,434
Finance costs	32,627	34,028	32,275	33,704
Book value of motor vehicles sold	118,775	123,580	118,775	123,580
Transfers to Treasury	--	50,000	--	50,000
Other expenses	312,690	258,819	306,731	250,604
<b>Total expenses</b>	<b>1,560,414</b>	<b>1,136,579</b>	<b>1,546,603</b>	<b>1,121,340</b>
Government contributions	392,045	248,904	392,045	248,904
Sale of goods and services	991,259	649,507	977,161	633,839
Investment revenue	22,962	20,475	22,892	20,346
Retained taxes, fees and fines	59,562	58,245	59,562	58,245
Grants and contributions	19,789	13,997	19,789	13,997
Proceeds from sale of motor vehicles	146,715	152,009	146,715	152,009
Other revenue	3,136	278	3,136	278
<b>Total revenues</b>	<b>1,635,468</b>	<b>1,143,415</b>	<b>1,621,300</b>	<b>1,127,618</b>
Gain/(loss) on disposal	2,038	(7,872)	2,038	(7,872)
Other losses	(5,632)	(1,567)	(5,632)	(1,567)
<b>Net result - surplus/(deficit)</b>	<b>71,460</b>	<b>(2,603)</b>	<b>71,103</b>	<b>(3,161)</b>
<b>Deferred tax benefit</b>	<b>76</b>	<b>96</b>	<b>--</b>	<b>--</b>
<b>Net result for the year after tax - surplus/(deficit)</b>	<b>71,536</b>	<b>(2,507)</b>	<b>71,103</b>	<b>(3,161)</b>
Outside equity interest	--	(281)	--	--
<b>Other comprehensive income</b>				
Net increase in revaluation of assets	--	3,103	--	3,103
Superannuation actuarial gains/(losses)	(606,682)	7,377	(606,682)	7,377
Investment valuation gains	2,600	--	2,600	--
<b>Total other comprehensive income/(expense)</b>	<b>(604,082)</b>	<b>10,480</b>	<b>(604,082)</b>	<b>10,480</b>
<b>Total comprehensive income/(expense)</b>	<b>(532,546)</b>	<b>7,692</b>	<b>(532,979)</b>	<b>7,319</b>

## Abridged Statement of Financial Position

At 30 June	Consolidated		Parent	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Current assets	851,323	833,891	845,989	828,925
Non-current assets	940,937	891,927	940,279	885,777
<b>Total assets</b>	<b>1,792,260</b>	<b>1,725,818</b>	<b>1,786,268</b>	<b>1,714,702</b>
Current liabilities	712,932	714,530	708,905	710,205
Non-current liabilities	1,217,824	614,542	1,215,859	610,884
<b>Total liabilities</b>	<b>1,930,756</b>	<b>1,329,072</b>	<b>1,924,764</b>	<b>1,321,089</b>
<b>Net assets/(liabilities)</b>	<b>(138,496)</b>	<b>396,746</b>	<b>(138,496)</b>	<b>393,613</b>

At 30 June 2012, the Department has net liabilities of \$138 million (\$397 million net assets at 30 June 2011) as a result of a Defined Benefits Superannuation Schemes actuarial valuation loss of \$607 million (\$7.4 million gain).

Cash at 30 June 2012 includes \$74.3 million (\$28.7 million) held in the motor vehicle reserve account to manage and fund risks arising from the government's motor vehicle fleet operations (StateFleet). The reserve account increased because the Department did not remit any monies to Treasury in the current year. In the previous year, \$50.0 million was repaid to the Crown. The Department has borrowings of \$555 million (\$544 million at 30 June 2011) from New South Wales Treasury Corporation to fund the StateFleet operations.

## Abridged Service Group Information

The Department's net result on a service group basis is detailed below:

Year ended 30 June	2012	
	Parent Actual net result surplus/(deficit) \$'000	Parent Actual net assets/ (liabilities) \$'000
Fair trading	(56,962)	67,431
Public works and services	(18,424)	(139,772)
Government services	(66,497)	56,485
Policy and strategy	(177,299)	45,953
Land and property information	15,113	(259,363)
Office of State Revenue	(126,175)	71,194
Personnel services	109,302	--
Not attributable	392,045	19,576
<b>Total all service groups</b>	<b>71,103</b>	<b>(138,496)</b>

## Department's Activities

The Department of Finance and Services is a service provider, regulator and central agency of government. It is responsible for supporting sustainable government finances, major public works and maintenance programs, government procurement, information and communications technology, corporate and shared services, consumer protection, workplace relations, administration of State taxation and revenue collection, NSW land and property administration services and metropolitan water policy.

For further information on the Department, refer to [www.services.nsw.gov.au](http://www.services.nsw.gov.au).

The Department has a negative equity position of \$138 million

## Controlled Entities

The Department has two controlled entities:

- NSW Telecommunications Authority.
- Australian Centre for Advanced Computing and Communications Pty Ltd.

Previously the NSW Telecommunications Authority (TELCO)'s sole activity was ownership of 57 per cent of the shares of the Australian Centre for Advanced Computing and Communications Pty Ltd (AC3). The remaining 43 per cent was held by eight New South Wales based universities. During the year, the Department of Finance and Services purchased these remaining shares from the universities. On 29 June 2012, all TELCO shares in AC3 were transferred to the Department. TELCO reported nil assets and liabilities at 30 June 2012.

# Energy Industries Superannuation Scheme

---

## Audit Opinion

I issued unqualified audit opinions on the Energy Industries Superannuation Scheme (EISS), its controlled entities' and its trustee's 30 June 2012 financial statements.

## Operational Snapshot

The EISS is a \$3.5 billion superannuation fund for NSW Energy Industries employees. It comprises two schemes:

Fund	Fund type	Members
EISS Pool A	Accumulation	18,566
EISS Pool B	Defined benefit	4,749

The following commentary relates to the consolidated entity - Energy Industries Superannuation Scheme Pool A and Energy Industries Superannuation Scheme Pool B.

## Key Issues

### Ownership of FuturePlus

Last year, I recommended the Treasurer review the complex structure of the Energy Industries Superannuation Scheme and its associated entities.

I understand this review is still in progress, but the trustee is taking steps to manage this complexity. Steps taken include:

- the trustee Board's decision in June 2012 to sell its ownership interest in its scheme administrator, FuturePlus, and seek expressions of interest. EISS engaged external specialists to advise on the sale process. The audited financial statements of FuturePlus for the year ended 30 June 2012 showed a profit of \$5.1 million, a significant turnaround from the 2010-11 loss of \$1.6 million
- reducing the fund's investment in Chifley Financial Services Limited previously jointly owned with Union NSW and Local Government Superannuation Scheme
- ended the common directorship of EISS and FuturePlus by 30 June 2012 to mitigate any perceived conflict of interest.

## Performance Information

The EISS investment strategies are designed to achieve competitive investment returns over timeframes appropriate for superannuation investments.

Member benefits in Pool A, the accumulation scheme, are affected directly by investment returns. The member benefits in Pool B, the defined benefits scheme, are not affected significantly by scheme performance because benefits are mainly determined by the member's length of service and final salary.

Pool A's annual investment returns for the superannuation product over the last four years were:



## Pool A - Accumulation Scheme - Investment Returns

Year ended 30 June	2012 median manager	2012	2011	2010	2009
	% (b)	% (a)	% (a)	% (a)	% (a)
High growth	(1.0)	(3.7)	10.4	11.1	(19.5)
Diversified	(0.3)	0.4	9.1	10.5	(14.6)
Balanced	0.5	1.8	7.8	11.7	(10.4)
Capital Guarded	4.1	4.0	6.7	10.2	(5.9)
Cash	4.0	4.0	4.0	4.5	4.7

a Source: EISS Trustee.

b Source: Super Ratings Pty Ltd.

EISS Pool A achieved better investment returns than the median manager for 2011-12 in its diversified and balanced asset classes, but significantly under performed in its high growth investment.

Pool B's annual investment returns over the last four years were:

## Pool B - Defined Benefits Scheme - Investment Returns

Year ended 30 June	2012	2011	2010	2009
Return % (a)	0.7	11.7	10.6	(17.3)
Median manager % (b)	(1.3)	9.4	10.5	(14.6)
Fund quartile rank	1.0	2.0	3.0	2.0

a Source: EISS Trustee.

b Source: 2012, 2011, 2010, and 2009 - Super Ratings Pty Ltd for Diversified Funds.

EISS Pool B's return in 2011-12 was primarily driven by a large weighting in Australian and international equity investment vehicles as a proportion of the total portfolio. EISS Pool B achieved a better return than the median manager.

The vested benefits of Pool B were \$1.6 billion at 30 June 2012 (\$1.6 billion at 30 June 2011). Net assets available to pay benefits were \$2.0 billion (\$2.0 billion) resulting in a vested benefit index ratio of 125 per cent (125 per cent). The Trustee continues to monitor the financial solvency of the schemes.

## Other Information

### Actuarial Review

EISS legislation requires an actuarial review of the defined benefit scheme every three years. The last review was completed in 2009-10 in respect of the year ended 30 June 2009. The report identified an unfunded superannuation liability in accrued benefits of \$261 million. The next actuarial review for the year ended 30 June 2012 will be completed by December 2012.

### Superannuation Scheme Regulatory Update

On 27 April 2012, The Australian Prudential Regulation Authority (APRA) released draft prudential standards for the superannuation industry. The final standards are expected to be released by December 2012 for adoption by 1 July 2013. EISS has developed a project plan to address the changes in the prudential standards, in particular the six new technical prudential standards, which include implementing MySuper and establishing an operational risk reserve in Pool A and Pool B.

A major challenge for the industry is complying with the new disclosure regime in the prudential standards, which applies to MySuper options from 1 July 2013 and Choice options from 1 July 2014. The disclosure regime requires significant compliance reporting to APRA and significant disclosures of the schemes' investment holdings and directors' remuneration.

## Financial Information

### Abridged Operating Statement - Pool A

Year ended 30 June	2012 \$'000	2011 \$'000
Contribution revenue:		
Employers	153,589	144,210
Members	115,016	131,979
<b>Total revenue</b>	<b>268,605</b>	<b>276,189</b>
Investment gain	51,067	112,789
Investment expenses	(302)	(2,286)
<b>Net investment gain</b>	<b>50,765</b>	<b>110,503</b>
<b>Total revenue</b>	<b>319,370</b>	<b>386,692</b>
Scheme administration expenses	10,935	9,116
Surcharge expense	--	3
Income tax expense	25,167	26,625
<b>Total expenses</b>	<b>36,102</b>	<b>35,744</b>
<b>Increase in net assets</b>	<b>283,268</b>	<b>350,948</b>
Benefits paid and payable	112,644	77,646

Total contributions remained fairly consistent compared to 2010-11, although transfers in from other funds were slightly lower.

Benefits paid increased in 2011-12 due to the volume of benefit payments processed and the average benefit value being higher than last year.

### Abridged Balance Sheet - Pool A

At 30 June	2012 \$'000	2011 \$'000
Investments:		
Short-term securities	--	445
Trusts	1,474,971	1,316,441
<b>Total investments</b>	<b>1,474,971</b>	<b>1,316,886</b>
Other assets	51,358	39,908
<b>Total assets</b>	<b>1,526,329</b>	<b>1,356,794</b>
Liabilities	15,225	15,446
<b>Net assets available to pay benefits</b>	<b>1,511,104</b>	<b>1,341,348</b>

## Consolidated Statement of Changes in Net Assets - Pool B

Year ended 30 June	Consolidated*		Pool B	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Contribution revenue:				
Employers	152,237	154,541	152,237	154,541
Members	3,671	5,118	3,671	5,118
<b>Total revenue</b>	<b>155,908</b>	<b>159,659</b>	<b>155,908</b>	<b>159,659</b>
Investment gain	75,906	312,993	17,137	203,732
Investment expenses	(12,235)	(5,326)	(493)	(4,253)
<b>Net investment gain</b>	<b>63,671</b>	<b>307,667</b>	<b>16,644</b>	<b>199,479</b>
<b>Total revenue</b>	<b>219,579</b>	<b>467,326</b>	<b>172,552</b>	<b>359,138</b>
Benefits paid	136,276	136,153	136,276	136,153
Scheme administration expenses	10,372	9,680	10,372	9,680
Surcharge expense	(64)	2	(64)	2
Income tax expense	21,807	39,357	21,807	39,357
<b>Total expenses</b>	<b>168,391</b>	<b>185,192</b>	<b>168,391</b>	<b>185,192</b>
Minority interest	47,027	108,188	--	--
<b>Increase in net assets</b>	<b>4,161</b>	<b>173,946</b>	<b>4,161</b>	<b>173,946</b>

\* The consolidated entity comprises Pool B and its subsidiary, the Energy Investment Fund.

Employer contributions in 2011-12 were consistent with contributions in 2010-11 as were benefits paid.

The significant decrease in investment gain was due to low investment return resulting from continued volatile markets.

## Consolidated Statement of Net Assets - Pool B

Year ended 30 June	Consolidated*		Pool B	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Investments:				
Unit trusts	1,939,592	1,976,257	1,931,212	1,943,989
Securities	1,364,893	1,030,788	--	--
<b>Total investments</b>	<b>3,304,485</b>	<b>3,007,045</b>	<b>1,931,212</b>	<b>1,943,989</b>
Other assets	367,669	515,200	48,431	50,064
<b>Total assets</b>	<b>3,672,154</b>	<b>3,522,245</b>	<b>1,979,643</b>	<b>1,994,053</b>
Liabilities	229,081	241,358	11,541	30,112
Minority interest**	1,474,971	1,316,946	--	--
<b>Net assets available to pay benefits</b>	<b>1,968,102</b>	<b>1,963,941</b>	<b>1,968,102</b>	<b>1,963,941</b>

\* The consolidated entity comprises Pool B and its subsidiary, the Energy Investment Fund.

\*\* Minority interests represents EISS Pool A's interest in the Energy Investment Fund.

## Scheme Activities

The *Superannuation Administration Act 1996* provided for the establishment of two entities to administer NSW Energy Industries employees' superannuation:

- Energy Industries Superannuation Scheme (EISS) - Pool A and Pool B
- Energy Industries Superannuation Scheme Pty Limited - the Trustee of the Energy Industries Superannuation Schemes.

There are two distinct superannuation plans - EISS Pool A and EISS Pool B. Separate financial reports are prepared for each pool.

EISS Pool A is an accumulation scheme and comprises:

- Division A (accumulation scheme) - employees of certain NSW State owned corporations operating in the electricity industry
- Division E (executive scheme) - former members of the Public Sector Executives Superannuation Scheme
- Division F - Account Based Pension and Rollover Plan
- Division N (Electrical Contractors Division) - established for employees in the electrical contracting industry.

EISS Pool B is a defined benefit scheme and comprises:

- Division B (retirement scheme) - former members of the State Authorities Superannuation Scheme
- Division C (basic benefit scheme) - former members of the State Authorities Non-contributory Superannuation Scheme
- Division D (defined benefit scheme) - former members of the State Superannuation Scheme.

FuturePlus provides executive, managerial and administrative services to EISS and its trustee. The custodial service for the Energy Investment Fund and EISS is provided by JP Morgan Chase Bank and funds management is provided by several investment managers.

For further information, refer to [www.eisuper.com.au](http://www.eisuper.com.au).

## Controlled Entity

The following controlled entity has not been reported on separately as it is not considered material by its size or the nature of its operations to the consolidated entity.

Entity name	Website
Energy Investment Fund	<a href="http://www.eisuper.com.au">www.eisuper.com.au</a> .
EIF Pty Limited	<a href="http://www.eisuper.com.au">www.eisuper.com.au</a> .

## Trustee

Entity name	Website
Energy Industries Superannuation Scheme Pty Limited	<a href="http://www.eisuper.com.au/documents/trustee.asp">www.eisuper.com.au/documents/trustee.asp</a> .

# Home Purchase Assistance Fund

## Audit Opinion

I issued an unqualified audit opinion on Home Purchase Assistance Fund's (the Fund) 30 June 2012 financial statements.

## Operational Snapshot

The Fund is a trust, which provides funding for home purchase assistance programs for low-to-moderate income earners.

It reported a surplus attributable to beneficiaries of \$20.0 million largely due to interest income from investments. During the year, the Fund transferred \$45.0 million to the NSW Land and Housing Corporation (Corporation) as a return of capital.

## Financial Information

### Abridged Statement of Comprehensive Income

Year ended 30 June	2012 \$'000	2011 \$'000
Interest from investments	21,536	22,152
Other revenue	7	2
<b>Total revenue</b>	<b>21,543</b>	<b>22,154</b>
Grants and subsidies	1,220	--
Other expenses	270	849
<b>Total expenses</b>	<b>1,490</b>	<b>849</b>
<b>Surplus attributable to beneficiaries</b>	<b>20,053</b>	<b>21,305</b>
<b>Finance costs attributable to beneficiaries</b>		
Distribution to beneficiaries	(21,751)	(21,784)
Return of capital contribution	(45,000)	--
<b>Decrease in net assets attributable to beneficiaries</b>	<b>46,698</b>	<b>479</b>

The Fund transferred \$45.0 million to the Corporation during the year as a return of capital.

## Abridged Statement of Financial Position

At 30 June	2012 \$'000	2011 \$'000
Current assets	292,562	336,274
Non-current assets	20,935	23,894
<b>Total assets</b>	<b>313,497</b>	<b>360,168</b>
Current liabilities	300	273
<b>Total liabilities</b>	<b>300</b>	<b>273</b>
<b>Net assets attributable to beneficiaries</b>	<b>313,197</b>	<b>359,895</b>

The decrease in current assets and total assets is mainly due to the transfer of \$45.0 million from the Fund to the NSW Land and Housing Corporation.

## Fund's Activities

A Trust Deed established the Fund on 14 February 1989 to support and administer the State's home purchase assistance program. The Fund is required to make distributions including:

- meeting any income shortfalls in the First Australian National Mortgage Acceptance Corporation (FANMAC) Trusts and some shared equity schemes. These distributions are paid to the Special Beneficiary, Trust Company Fiduciary Services Limited (formerly known as Permanent Trustee Company Limited), as trustee of these trusts and schemes. The FANMAC Trusts were established to raise funds on behalf of the State and to lend funds to a certain class of homebuyers under conditions specified by the State government. At 30 June 2012 the only mortgage trust still operating was the FANMAC Master Trust
- those as directed by the beneficiary. The beneficiary is the Minister of the Crown of the State of New South Wales for the time being charged with the administration of the *Housing Act 2001*.

# Lifetime Care and Support Authority of New South Wales

## Audit Opinion

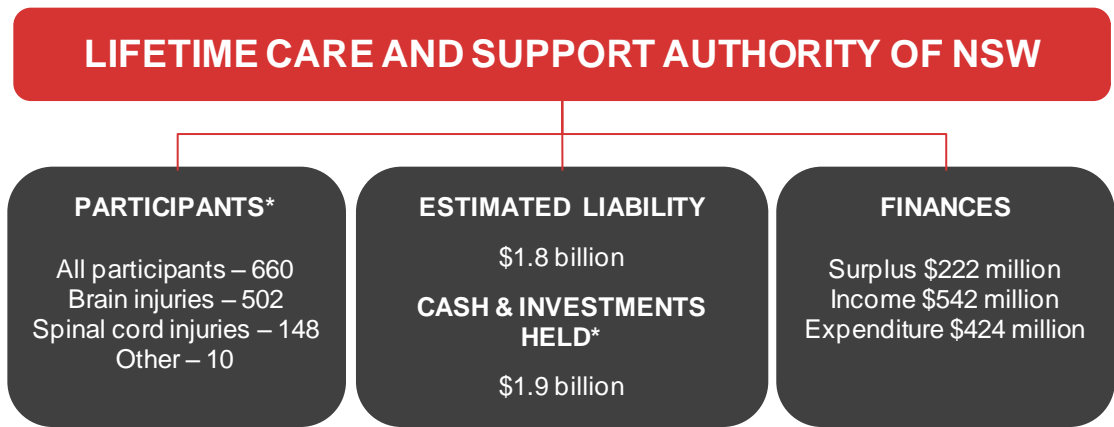
I issued an unqualified audit opinion on Lifetime Care and Support Authority's (the Authority) 30 June 2012 financial statements.

My opinion drew attention to a significant uncertainty in the valuation of the Authority's provision for participants' care and support services, due to the provision's long-term nature and limited participants' experience to date. This uncertainty will remain until sufficient participants' experience is available.

## Operational Snapshot

The Authority is responsible for administering the Lifetime Care and Support Scheme (the scheme). It provides lifelong treatment, rehabilitation and attendant care for people severely injured in a motor vehicle accident in New South Wales, regardless of who was at fault.

Below is a snapshot of the Authority's operations.



Source: Lifetime Care and Support Authority of New South Wales.

\* Participant numbers (unaudited).

## Key Issues

### Provision for Participant Care

At 30 June 2012, the Authority's liability for participants' care and support services was \$1.8 billion (\$1.4 billion at 30 June 2011). There were 660 participants in the scheme that had sustained severe injuries in a motor vehicle accident in New South Wales. It costs \$2.7 million on average to fund each participants' lifelong treatment, rehabilitation and attendant care needs.

The Authority's actuary estimates liabilities will be \$4.3 billion by 30 June 2017, based on claim incidence and other assumptions. The majority of claimants sustain severe brain or spinal cord injuries. The Authority pays treatment and care needs expenses, including medical treatment, rehabilitation, respite care, home and transport modification, attendant care services and domestic assistance.

It costs \$2.7 million on average to fund each participant's lifelong treatment, rehabilitation and attendant care needs

The liability for people severely injured in motor vehicle accidents in New South Wales is estimated to increase to \$4.3 billion by 2017

## Major Projects - Sargood Centre

### Recommendation:

The Authority should prepare business cases to support all major financial decisions.

The viability of the world's first life learning campus for people with traumatic spinal cord injuries, the Sargood Centre, is uncertain

The Sargood Centre is a joint project between ERF Industries Pty Limited, The Ability Australia Foundation and the Authority. The centre will provide transitional residential care services for people with spinal cord injuries. It aims to be the world's first life learning campus for people with spinal cord injuries. It is intended to operate under a fee-for-service model, however a detailed business plan was not presented to the Authority to demonstrate its financial viability. There is no plan for the Authority to provide ongoing funding for the centre.

The Authority paid \$6.0 million for land at Collaroy Beach for the facility. In addition, the Authority and ERF Industries Pty Limited paid \$10.0 million and \$5.0 million respectively towards the cost of the centre's construction.

For a contribution of this size, I would expect a business case, confirming the centre's viability, to have been prepared and approved by the Authority prior to it committing funds.

## Performance Information

### Scheme Participants

12 per cent of scheme participants are children who will require lifelong treatment and attendant care

Scheme participants are those with spinal cord injuries, moderate to severe brain injuries, multiple amputations, severe burns or blindness as a result of a motor vehicle accident in New South Wales. The scheme had the following actual participants.

At 30 June	Actual				
	2012	2011	2010	2009	2008
Traumatic brain injury	502	406	306	180	69
Spinal cord injury*	148	119	79	48	15
Other injuries	10	6	5	5	1
<b>Total</b>	<b>660</b>	<b>531</b>	<b>390</b>	<b>233</b>	<b>85</b>
Represented by:					
Children	80	63	46	30	15
Adults	580	468	344	203	70
Male	476	374	269	162	62
Female	184	157	121	71	23

Source: Lifetime Care and Support Authority of New South Wales (unaudited).

\* Includes participants with combined traumatic brain injury and spinal cord injury.

Almost one in four scheme participants sustained their injury in a motorcycle accident. They are significantly over-represented in the scheme

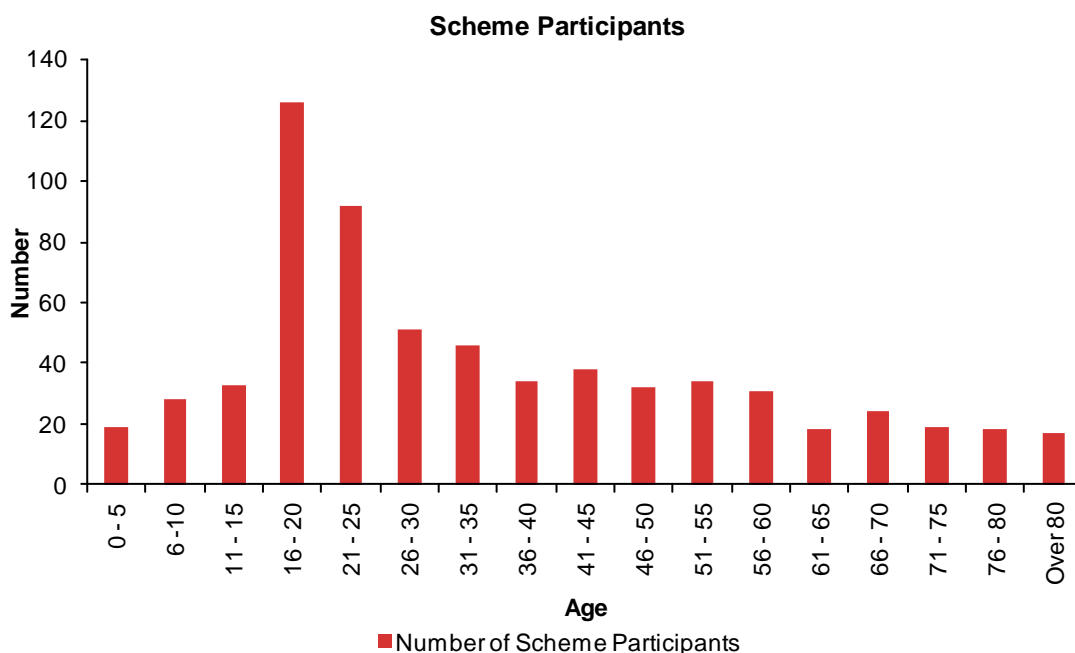
The following are observations from the scheme participant profile at 30 June 2012:

- Children - 12 per cent of the scheme participants are children who will require lifelong treatment and attendant care.
- Young people - 33 per cent of the scheme participants were aged between 16 and 25 years of age at 30 June 2012. They are disproportionately high and have the largest number of participants. This illustrates the critical importance of road safety initiatives for young people in all respects of road use.
- Older people entering the scheme - 15 per cent of scheme participants were 60 years of age or older at the time of their injuries.
- Motorcycle accidents - 22 per cent of scheme participants sustained their injuries in motorcycle accidents. Motorcycle injuries are significantly overrepresented in the scheme when the number of motorcycle registrations is compared to the total number of registered vehicles on our roads.



Road safety initiatives for our young drivers are critical given 33 per cent of scheme participants were aged between 16 and 25 years of age

The following graph demonstrates the age profile of actual scheme participants at year end:



## Other Information

### Productivity Commission Inquiry Report - Disability Care and Support

In August 2011, the Productivity Commission Inquiry Report 'Disability Care and Support' was released. It examined the possibility of a national disability and long-term care and support scheme and proposed two separate schemes:

- National Disability Insurance Scheme (NDIS)
- National Injury Insurance Scheme (NIIS).

The NDIS will cover disability at birth or acquired through accident or health condition, but not due to the natural process of ageing which would come under Aged Care. The Australian Government committed \$1.0 billion over four years to support the first stage of the NDIS. The NDIS will start mid-2013 in select locations across the country. The first stage of the NDIS in New South Wales will be in the Hunter area.

In November 2011, the Minister for Employment and Workplace Relations announced the appointment of the National Injury Insurance Scheme Advisory Group. This advisory group, chaired by the former Executive Director of the Authority, will assist the Australian Government consider the Productivity Commission's NIIS recommendations.

The core functions and structure of the Authority are unlikely to be significantly affected because it is a no-fault scheme and already reflects what is proposed, but under the umbrella of NIIS. The other States and Territories with fault-based arrangements will be more affected.

### Medical Care and Injury Service Levy

The Authority is funded by the Medical Care and Injury Services (MCIS) Levy on compulsory third party insurance policies. It is calculated as a percentage of the insurance premium.

Insurance premiums are set by licensed compulsory third party insurers. The Authority sets the percentage to be applied to premiums for the MCIS levy to ensure it will have sufficient assets to fund the scheme's obligations and its administration costs.

The Authority aims to ensure levy increases remain affordable.

## Financial Information

### Abridged Statement of Comprehensive Income

Year ended 30 June	2012 \$'000	2011 \$'000
Employee related expenses	8,179	5,642
Depreciation and amortisation	1,296	1,135
Grants and subsidies	12,042	1,942
Finance costs	83,538	59,624
Other expenses	319,384	403,626
<b>Total expenses excluding losses</b>	<b>424,439</b>	<b>471,969</b>
Retained taxes, fees and fines	428,961	403,688
Investment revenue	111,459	82,026
Other revenue	1,786	29
<b>Total revenue</b>	<b>542,206</b>	<b>485,743</b>
Other gains/(losses)	13	(4)
<b>Net result - surplus</b>	<b>117,780</b>	<b>13,770</b>
<b>Total comprehensive income</b>	<b>117,780</b>	<b>13,770</b>

The increase in total revenue was due to the increased number of motor vehicle registrations. Investment revenue increased due to more funds under management in 2012.

Total other expenses reduced due to decreases in provision for scheme expenses, even though the actual scheme expenses paid increased.

Employee related expenses increased due to an increase in defined superannuation liabilities. The increase was caused by a decrease in the discount rate used in the actuary's valuation of these liabilities.

Grants and subsidies expenses increased because of the \$10.0 million grant for the construction and fit out of the Sargood Centre as discussed.

### Abridged Statement of Financial Position

At 30 June	2012 \$'000	2011 \$'000
Cash and cash equivalents	283,210	401,572
Investments - bond and share portfolios	1,665,507	1,093,048
Receivables	51,335	45,213
Other	17,283	16,352
<b>Total assets</b>	<b>2,017,335</b>	<b>1,556,185</b>
Provision for participants' care and support	1,782,770	1,444,063
Other	12,148	7,485
<b>Total liabilities</b>	<b>1,794,918</b>	<b>1,451,548</b>
<b>Net assets</b>	<b>222,417</b>	<b>104,637</b>

Total assets increased due to more funds under management in 2012. The increase in the Authority's investment portfolio reflects the increase in its obligation to pay participant's care and support expenses in the future.

The Authority's provision for participants' care and support services valuation increased by \$339 million due to more scheme participants and increased service delivery costs.

## Authority Activities

The Authority is a statutory body constituted under the *Motor Accidents (Lifetime Care and Support) Act 2006*.

The Lifetime Care and Support Scheme was introduced in two stages. From 1 October 2006, the scheme applied to all children under 16 years severely injured in motor accidents. From 1 October 2007 the scheme also applied to adults.

For further information on the Authority refer to [www.lifetimecare.nsw.gov.au](http://www.lifetimecare.nsw.gov.au).

# Local Government Superannuation Scheme Trustee

## Audit Opinion

I issued an unqualified audit opinion on the LGSS Pty Limited's (the Trustee) 30 June 2012 financial statements.

## Operational Snapshot

The LGSS Pty Limited is the trustee of two superannuation funds:

Fund	Fund type	Members
Local Government Superannuation Scheme-Pool A	Accumulation	84,884
Local Government Superannuation Scheme-Pool B	Defined benefit	11,569

## Key Issues

### Internal Audit Function

#### *Recommendation*

The Trustee should establish an internal audit function to strengthen its corporate governance and internal control framework.

The Trustee has no internal audit function. An internal audit function would strengthen the effectiveness of the company's corporate governance procedures, risk management and internal controls.

The Trustee advises it is considering establishing an internal audit function in response to the Stronger Super prudential reform requirements.

## Financial Information

### Abridged Statement of Comprehensive Income

Year ended 30 June	2012 \$'000	Seven months ended 30 June 2011 \$'000
<b>Revenue</b>	<b>34,914</b>	<b>19,209</b>
Employee related expenditure	7,790	6,045
Administration fee	18,675	10,076
Professional fees	2,425	348
Other expenses	6,015	2,737
<b>Total expenses</b>	<b>34,905</b>	<b>19,206</b>
<b>Profit before income tax</b>	<b>9</b>	<b>3</b>
Income tax expense	8	3
<b>Profit</b>	<b>1</b>	<b>--</b>
<b>Total comprehensive income</b>	<b>1</b>	<b>--</b>

Before December 2010, the Trustee was dormant and all its operating expenses were paid out of the two superannuation schemes. In September 2010, the Trustee, on behalf of the schemes, sold its 50 per cent shareholding in FuturePlus Financial Services Pty Limited. FuturePlus is the administration services provider. As part of the restructure, certain employees transferred from FuturePlus to the Trustee and with effect from December 2010, the Trustee's expenses have been reimbursed by the schemes.

The financial year ended 30 June 2012 is the first year the Trustee has had 12 months of operating revenue and expenses.

### Abridged Statement of Financial Position

At 30 June	2012 \$'000	2011 \$'000
Cash and cash equivalents	2,051	1,940
Other assets	1,270	1,128
<b>Total assets</b>	<b>3,321</b>	<b>3,068</b>
Employee benefits	1,538	1,256
Other payables	1,782	1,812
<b>Total liabilities</b>	<b>3,320</b>	<b>3,068</b>
<b>Total equity</b>	<b>1</b>	<b>--</b>

### Scheme Activities

There are two distinct superannuation plans - Local Government Superannuation Scheme - Pool A and Pool B. Pool A is an accumulation plan and Pool B is a defined benefit scheme.

For further information, refer to <http://www.lgsuper.com.au/>.

# Long Service Corporation

## Audit Opinion

I issued an unqualified audit opinion on the Long Service Corporation's (the Corporation) 30 June 2012 financial statements.

## Operational Snapshot

The Corporation administers portable long service schemes to approximately 280,000 active workers in the building and construction industry, and 30,000 active employees in the contract cleaning industry.

It paid \$68.0 million to 11,700 workers in the Building and Construction Industry Scheme for long service leave and collected \$72.5 million in levies in 2011-12. The scheme registered 28,900 new workers and 2,604 new employers during the year.

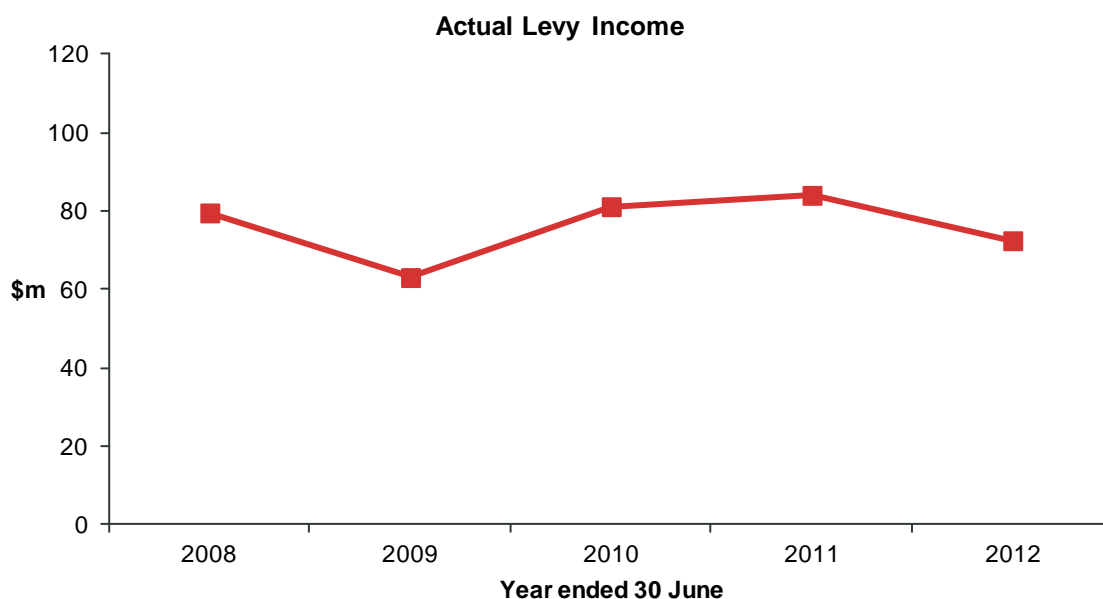
The Contract Cleaning Industry Scheme started on 1 July 2011 and has collected \$7.7 million in levy payments. Approximately 25,000 workers and 850 employers are registered with this scheme.

The Corporation made a net loss of \$79.5 million for the year ended 30 June 2012 (\$27.1 million surplus at 30 June 2011). The loss was primarily due to poor investment performance of the Corporation's long-term growth facility and lower than expected levy income, due to a decline in building and construction industry activity. Scheme liabilities for long service payments were \$741 million (\$669 million).

## Key Issues

### Declining Building and Construction Levy Income

At 30 June 2012, there was a deficit of \$88.6 million between the Corporation's assets and the value of accrued workers benefits. Levy income decreased in 2011-12 due to a decrease in construction works subject to the levy, as shown below.



Source: Long Service Corporation Financial Statements (audited).

Forward estimates based on the Australian Construction Industry Forum (ACIF) economic data predict further decreases in construction work subject to levy, by around \$23.3 billion over the period 2012-13 to 2015-16.

The Corporation's actuary projected the fund will continue to have a significant deficit for the foreseeable future

The actuary noted that if the levy rate increased to 0.45 per cent from 0.35 per cent, the fund will return to surplus within four to five years

Some large developers were successful in claiming levy exemptions, which contributed to declining levy income. Total refunds paid during 2011-12 amounted to \$6.7 million. I understand the Corporation is proposing legislative changes to tighten the *Building and Construction Industry Long Service Payments Act 1986* so builders cannot claim exemptions from the levy, and to eliminate uncertainties in the classification of works captured by the Act.

The Corporation's actuary advises that if the levy rate is increased to 0.45 per cent from 0.35 per cent, the fund should return to surplus within 4 to 5 years. A rate increase, tightening the current legislation and/or significant increases in construction activities, is required for the Corporation's operations to be sustainable.

## Poor Investment Fund Performance

### Recommendation

The Corporation should review its investment strategy to ensure strategic asset allocation decisions are made in line with the structure of its schemes' liabilities.

At 30 June 2012, net cash inflows were only slightly positive due to declining levy income and consistent levels of benefit payments.

The Corporation invested over \$585 million in long-term growth facilities (\$589 million at 30 June 2011) to fund the long service schemes' liabilities. A net investment loss of \$4.3 million was recorded in 2011-12 (\$45.0 million net gain at 30 June 2011) mainly due to the state of the investments market and underperformance of the facility.

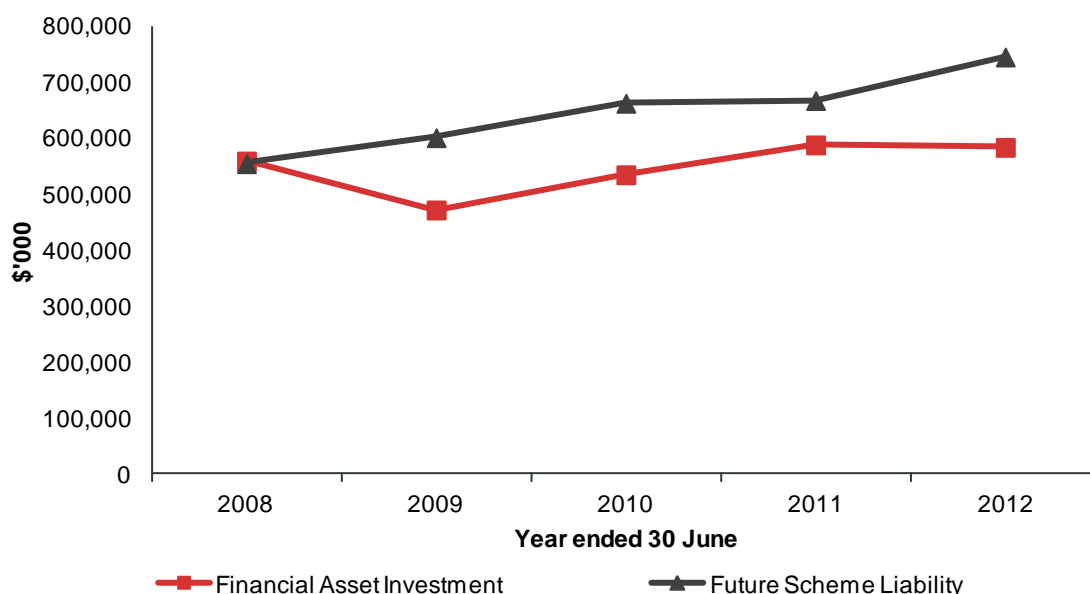
Total schemes liabilities at 30 June 2012 exceeded the investments by \$156 million.

The Corporation's investment allocation is focused on high growth strategy with 70 per cent invested in a medium to long-term investment horizon of shares and properties. However, the Corporation's liabilities have an estimated short to medium-term horizon of approximately seven years.

The graph below shows how scheme liabilities have risen at a faster rate than investment values have grown over the period 2007-08 to 2011-12.

Total scheme liabilities in 2011-12 exceeded the Corporation's investments by \$156 million. This deficit urgently needs to be addressed.

Financial Asset Investment versus Future Scheme Liabilities



Source: Long Service Corporation Financial Statements (audited).

## No Reviews of Levies Collected

### *Recommendation*

The Corporation should review the final costs of completed building and construction works to ensure it has collected all levies due to it.

Currently, levies in the building and construction industry are calculated at 0.35 per cent of total estimated leviable building and construction costs. Levies are not adjusted to account for variations in the final construction costs. Because actual construction costs in this industry often exceed original cost estimates, the Corporation may not be collecting all levy income it is entitled to.

## Financial Information

### Abridged Statement of Comprehensive Income

Year ended 30 June	2012 \$'000	2011 \$'000
Employee related expenses	12,448	5,022
Depreciation and amortisation	641	586
Finance costs	61,211	29,812
Other expenses	82,362	67,923
<b>Total expenses excluding losses</b>	<b>156,662</b>	<b>103,343</b>
Retained taxes, fees and fines	80,193	84,136
Investment revenue/(losses)	(2,989)	46,272
Other revenue	2	7
<b>Total revenue</b>	<b>77,206</b>	<b>130,415</b>
Other gains	4	2
<b>Net result - surplus/(deficit)</b>	<b>(79,452)</b>	<b>27,074</b>
<b>Total comprehensive income/(expense)</b>	<b>(79,452)</b>	<b>27,074</b>

The Corporation incurred net investment losses of \$3.0 million. This comprised a \$4.3 million loss on its long-term growth facility investment offset by interest revenue of \$1.3 million.

The decrease in retained taxes, fees and fines of \$3.9 million was due to a downturn in the building and construction industry of \$11.6 million and increased levy collection from the contract cleaning industry of \$7.7 million. Some large developers' successful claims for exemptions from leviable work also contributed to declining levy income.

The increases in finance cost of \$31.4 million is primarily due to the fall in the Commonwealth Government Bond Rate used to discount the actuarially assessed long service scheme liability provision.



## Abridged Statement of Financial Position

At 30 June	2012 \$'000	2011 \$'000
Investments	584,909	589,210
Other	37,096	29,973
<b>Total assets</b>	<b>622,005</b>	<b>619,183</b>
Provision for long service payments liabilities	740,710	668,700
Other	19,803	9,539
<b>Total liabilities</b>	<b>760,513</b>	<b>678,239</b>
<b>Net liabilities</b>	<b>138,508</b>	<b>59,056</b>

Provision for liabilities increased by \$72.0 million due to more registered workers and the declining Commonwealth Government bond rate.

## Corporation Activities

The Corporation is constituted under the *Long Service Corporation Act 2010*, it includes both the Building and Construction Industry Long Service Payments Fund and the Contract Cleaning Industry Long Service Leave Fund.

The Corporation's principal objective is to operate a portable long service payments scheme for building, construction and contract cleaning workers, and adopt investment in strategic portfolios to ensure there is sufficient funding to meet future scheme liabilities.

The Corporation is subject to the control and direction of The Treasury from 10 October 2012.

For further information on the Corporation, refer to [www.longservice.nsw.gov.au](http://www.longservice.nsw.gov.au).

# Motor Accidents Authority of New South Wales

## Audit Opinion

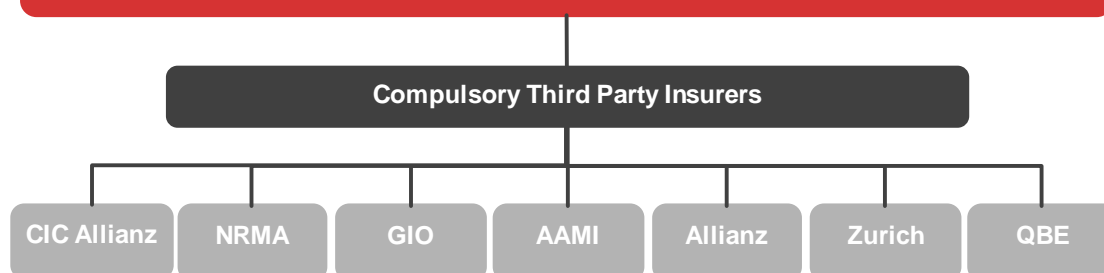
I issued an unqualified audit opinion on the Motor Accidents Authority (Authority) of New South Wales' 30 June 2012 financial statements.

## Operational Snapshot

The Authority oversees the privately underwritten compulsory third party (CTP) personal injury insurance scheme. It is responsible for ensuring a fair, efficient, affordable and effective motor accidents insurance scheme.

All vehicle owners in New South Wales must purchase a Green Slip from a licensed CTP insurer (shown below) before registering their vehicle. The Authority is funded by a levy on CTP insurance policies. It received \$142 million in levies in 2011-12 (\$133 million in 2010-11).

### MOTOR ACCIDENTS AUTHORITY OF NEW SOUTH WALES



The CTP Pricing Strategy aims to ensure the scheme remains equitable, affordable and sustainable

## Key Issues

### CTP Pricing Strategy Review

The Authority was directed by the NSW Minister for Finance and Services to prepare a Compulsory Third Party (CTP) Pricing Strategy amid concerns of excessive profit margins made by licensed CTP insurers. A final report is due later this year.

Licensed CTP insurers collected \$1.8 billion in premiums in 2011-12 (\$1.7 billion in 2010-11) and paid \$1.3 billion (\$1.1 billion) in benefits to people injured in motor vehicle accidents.

The strategy will determine the future direction of the scheme and address current issues and areas for improvement, including:

- insurer profits and costs
- transparency of legal costs to ensure injured parties are fairly treated in terms of entitlements
- equitable and affordable CTP pricing
- ensuring the Authority has optimal regulatory powers.

The strategy will consider experiences in other jurisdictions as each State's scheme design and regulation differs. In New South Wales and Queensland, the schemes are privately underwritten and motorists must purchase a policy from private insurers. Other States, such as Victoria, include CTP insurance in the registration fee of the vehicle.

Licensed CTP insurers collected \$1.8 billion in premiums (\$1.7 billion in 2010-11) and paid \$1.3 billion in benefits (\$1.1 billion)

## Performance Information

### Nominal Defendant

The CTP scheme compensates people injured in motor vehicle accidents. When an at-fault owner or driver is uninsured or unidentified, the Authority stands as the Nominal Defendant, who the injured person can seek compensation from. The Authority allocates claims to licensed insurers in proportion to their market share. The insurer then manages the claim as it would any other claim.

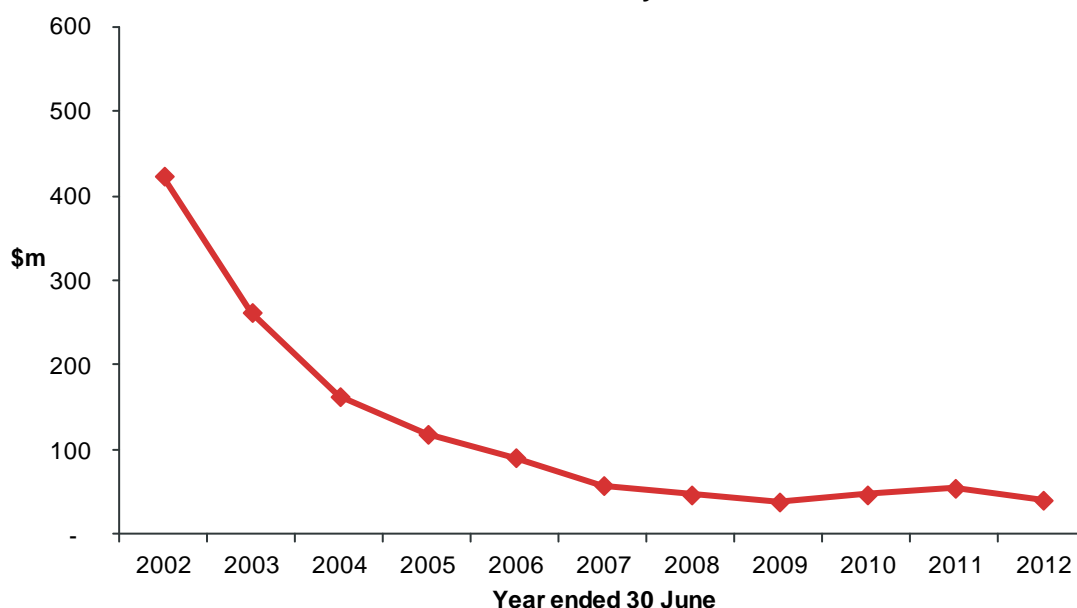
The Nominal Defendant allocated 616 claims in 2011-12 (607). The Authority estimates that in 80 per cent of nominal defendant claims, the vehicle at fault was unidentified and in the remaining 20 per cent, the vehicle at fault was uninsured and unregistered.

### Management of HIH Claims

The Nominal Defendant is responsible for claims made against CTP insurance policies issued by the collapsed HIH Insurance Group (HIH). When HIH went into liquidation in 2001, more than 6,000 CTP claims, worth an estimated \$600 million, were outstanding. This liability was assumed by the Nominal Defendant. The Authority receives funding from the Crown Entity to meet payments for outstanding HIH claims.

The outstanding liability (net of reinsurance proceeds) for HIH Nominal Defendant claims has reduced over time. The liability fell from \$54.9 million at 30 June 2011 to \$40.9 million at 30 June 2012, mainly due to the settlement of four large claims in the June 2012 quarter.

Net Claims Liability



Most of the known remaining outstanding liability is for two claimants, both under 18 years old, with brain injuries. The ultimate costs and timing of settlement of such claims can be unpredictable.

At 30 June 2012, there were six (12 at 30 June 2011) outstanding managed claims. The NSW Government paid \$496 million for claims made against HIH-issued compulsory third party insurance policies up to 30 June 2012. Offsetting this, the government received \$261 million in recoveries from the HIH liquidators and HIH's reinsurers.

616 claims were received in 2011-12, where the at-fault owner or driver was not insured or identifiable

The outstanding Nominal Defendant HIH claims are dominated by a small number of costly claims

The net cost to the NSW Government as a result of the HIH liquidation was \$235 million as at 30 June 2012

## Other Information

### Ferguson Lodge Redevelopment

The Authority, in partnership with Ageing, Disability and Home Care, paid \$12.5 million towards Ferguson Lodge redevelopment. Ferguson Lodge is a facility in Lidcombe, Sydney, which provides permanent and respite accommodation for people with a spinal cord injury. It is operated by ParaQuad NSW (Paraplegic and Quadriplegic Association of NSW), a not-for-profit organisation that supports people with spinal cord injuries.

The redeveloped facility has doubled in size and was officially launched on 24 November 2011. Funding received from the Authority and other supporters paid for the new building, which can accommodate 24 residents who require 24 hour care. The redeveloped facility includes ten two bedroom villas and a gymnasium.

Ferguson Lodge project summary:

	Budget	Actual
Funds committed and paid	\$12.8 million	\$12.5 million
Completion date	July 2010	November 2011

### Medical Care and Injury Services Levy

The Authority is funded by the Medical Care and Injury Services (MCIS) levy on compulsory third party insurance policies. It is calculated as a percentage of the insurance premium.

Licensed CTP insurers set insurance premiums, while the Authority sets the percentage to be applied to the premiums for its portion of the MCIS levy. The Authority's levy rates during 2011-12 and prior years were:

- 1 July 2010 - current: eight per cent
- 15 August 2009 - 30 June 2010: nine per cent
- 1 July 2009 - 14 August 2009: ten per cent.

## Financial Information

### Abridged Statement of Comprehensive Income

Year ended 30 June	2012 \$'000	2011 \$'000
Employee related expenses	12,980	13,344
Depreciation and amortisation	893	912
Grants and subsidies	5,985	6,686
Other expenses	145,519	121,578
<b>Total expenses excluding losses</b>	<b>165,377</b>	<b>142,520</b>
Retained taxes, fees and fines	141,998	133,460
Investment revenue	2,909	3,241
Other revenue	53	1,692
<b>Total revenue</b>	<b>144,960</b>	<b>138,393</b>
Other gains	2	--
<b>Net result - deficit</b>	<b>(20,415)</b>	<b>(4,127)</b>
<b>Total comprehensive expense</b>	<b>(20,415)</b>	<b>(4,127)</b>

\$12.5 million was paid to expand the only supported accommodation for people with spinal cord injuries in New South Wales

The increase in total revenue in 2011-12 was due to more motor vehicle registrations. Other expenses increased due to higher fees in the revised Bulk Billing Agreement between the Authority and Ministry of Health, and Ambulance Service of NSW.

## Abridged Statement of Financial Position

At 30 June	2012 \$'000	2011 \$'000
Cash and cash equivalents	51,184	53,195
Receivable from Crown Entity - outstanding nominal defendant claims	48,096	62,773
Other assets	31,097	26,632
<b>Total assets</b>	<b>130,377</b>	<b>142,600</b>
Provision for outstanding Nominal Defendant claims	48,096	62,773
Payables and other provisions	48,382	25,513
<b>Total liabilities</b>	<b>96,478</b>	<b>88,286</b>
<b>Net assets</b>	<b>33,899</b>	<b>54,314</b>

The provision for outstanding nominal defendant claims decreased largely due to the settlement of large claims in June 2012. The Authority's receivables, which is mainly recoveries from the Treasury, have consequently decreased.

Payables and other provisions increased largely due to finalisation of the 2010-11 wash-up payment to NSW Health following the Authority's review of the patient bed days. The number of bed days and associated costs were higher than estimated in the bulk billing agreement.

## Authority Activities

The Authority is constituted under the *Motor Accidents Compensation Act 1999*. Its functions include:

- regulating the compulsory third party insurance scheme
- acting as the nominal defendant for the purposes of the Act
- providing funding for measures to prevent or minimise injuries and for safety education
- performing specific functions to support the provision of acute care treatment, rehabilitation, long-term support and other services for persons injured.

For further information on the Authority refer to [www.maa.nsw.gov.au](http://www.maa.nsw.gov.au).

# NSW Land and Housing Corporation

## Audit Opinion

I issued an unqualified audit opinion on the NSW Land and Housing Corporation's (the Corporation) 30 June 2012 financial statements.

## Operational Snapshot

On 1 July 2011, some functions transferred from the Corporation to the Department of Family and Community Services (DFACS). DFACS provides tenancy management services to the Corporation on a fee-for-service basis. It also administers the rental assistance scheme.

The restructure means the Corporation receives less government grants than prior years and incurs fewer expenses. In particular, government grants and employee related expenses.

The Corporation received rent and other tenant charges of \$727 million and government grants of \$206 million in 2011-12.

It used this money primarily to manage NSW's public housing portfolio.

## Key Issues

### Social Housing Implementation Plan

The Corporation's most significant project over the past two years has been the Social Housing Implementation Plan. The Corporation invested \$1.8 billion in building 5,993 new dwellings. The number of new dwellings exceeded the target of 5,974 dwellings.

The Corporation has not kept all of these dwellings. In April 2011, the previous government approved the transfer of 6,019 dwellings from the Corporation to Community Housing Providers (CHPs). The Corporation transferred 3,099 properties to CHPs in 2010-11. No decision has been made on the timing to transfer a further 2,920 dwellings.

The table below shows Australian Government cash spent during the year and over the life of the Plan.

Year ended 30 June	Actual expenditure pre 2011-12 \$m	Actual expenditure 2011-12 \$m	Total Plan cash received \$m	Total Plan expenditure to date \$m
Repairs and maintenance	100.4	--	130.4	100.4
Redevelopment of bedsitters	30.0	--	--	30.0
Construction of new dwellings	1,514.1	300.7	1,763.6	1,763.6
<b>Total expenditure</b>	<b>1,644.5</b>	<b>300.7</b>	<b>1,894.0</b>	<b>1,894.0</b>

Source: NSW Land and Housing Corporation (unaudited).

The Corporation added 336 dwellings to the program funded from GST credits. It has completed 114 dwellings and has another 222 dwellings in progress. This is the NSW Government's contribution to the Social Housing Implementation Plan.

Housing NSW, part of the Department of Family and Community Services, monitors the performance of CHPs. Housing NSW advises that CHPs have not reached their potential in using their assets to increase the number of social housing dwellings.

The Corporation built 5,993 dwellings under the Australian Government's Nation Building Economic Stimulus Plan, exceeding its target

Project delivery risk on 12 projects - involving construction of 162 dwellings and eight bed-sit conversions to one bedroom units

## Project Delivery Risk

The Social Housing Implementation Plan was not without its risks. One risk, the financial viability of contractors, emerged on 12 Plan building projects.

The Department of Finance and Services awarded a multi-site contract to St Hilliers Construction Pty Ltd to finish 12 projects. The earlier insolvency of several builders stopped these projects from being finished.

After St Hilliers won the contract, it was placed into voluntary administration in May 2012. DFS ended the contract and took on the task of completing the work. It did this through deeds of novation with all sub-contractors and suppliers engaged by St Hilliers.

The Corporation identified risks associated with the new scope of works. These included the redesign and construction work to finish incomplete and defective work by former builders as well as work required on dilapidated, unoccupied sites, which may add further costs to complete the projects.

The Corporation's focus is to work with suppliers and sub-contractors. This creates a secure environment for them to work in and helps minimise the impact of the St Hilliers' insolvency. The Corporation adopted the following strategies to complete these projects:

- enhanced payment practices to help ensure direct and expeditious payments to sub-contractors
- on-time approval of variation claims.

The table below shows incomplete projects where the builder has been placed into liquidation or receivership at 30 June 2012.

Location	Original contract amount and approved variations \$'000	Work in progress 30 June 2012 \$'000	Estimated final cost \$'000
Coffs Harbour, Tarrawanna, Towradgi	11,069	9,972	15,038
Caringbah, Campbelltown, Casula and Teralba	14,705	12,558	20,405
Orange	9,573	8,467	11,390
Bomaderry, Warrawong	4,295	3,422	6,958
<b>Total</b>	<b>39,642</b>	<b>34,419</b>	<b>57,791</b>

Source: NSW Land and Housing Corporation (unaudited).

Work has continued across all sites since DFS took over the build responsibility, with four projects reaching completion when this report was written.

The Corporation spend on social housing varies over time

## Performance Information

### Social Housing Spending

The Corporation is building and buying dwellings over time.

Year ended 30 June	2012	2011	2010	2009	2008
Spending on new dwellings (\$m)	183	237	267	371	279
Completed dwellings (number)	919	674	1,039	1,217	995

Source: NSW Land and Housing Corporation.

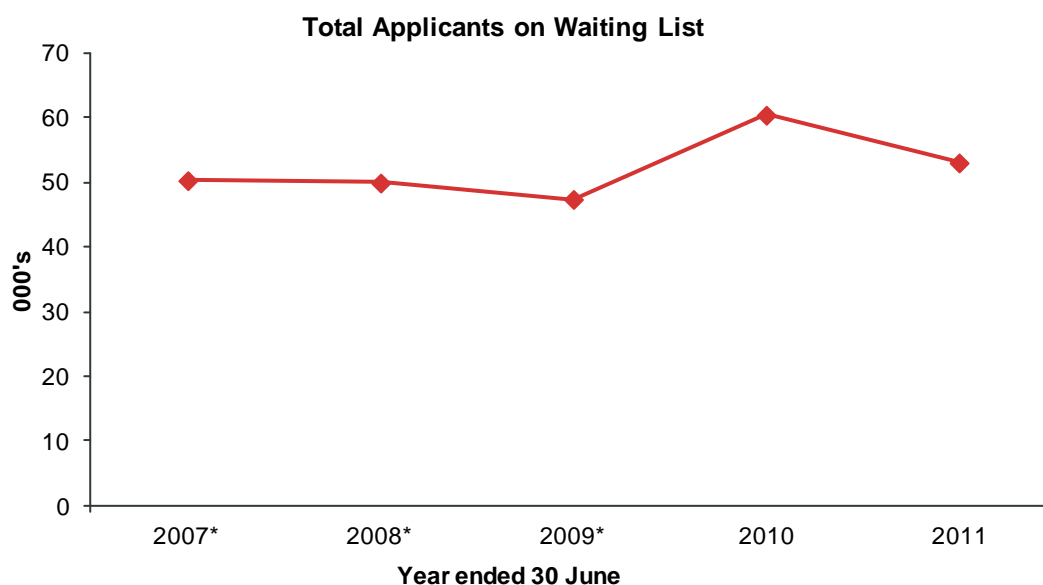
Note:

- 1 Spending does not include spending under the Plan.
- 2 A completed dwelling is when the keys are handed over by the builder. Expenditure for Head Leasing Program or other leased units is not included.

The table shows how the spend does not always match the completed build or purchase. Housing projects take time to develop. Spending can be across one or more years before the dwelling is completed.

## Waiting Lists

From 2009-10, there is one social housing waiting list for public sector housing common to all social housing providers. The common waiting list, housing affordability and the tight rental market caused a spike in the waiting list in 2009-10. Applicants may have been on more than one waiting list before 2009. Restating earlier waiting lists to a common base in the graph below is not possible.



Source: Productivity Commission Report on Government Services, 2012.

\* Public housing only.

Note: Information for 30 June 2012 not yet available.

The table below shows the number of dwellings and the waiting list at 31 October 2011.

At 30 October 2011*	Number of dwellings	Waiting list
Central Sydney Region	37,871	12,767
Greater Western Sydney Region	54,638	21,797
Northern Region	31,746	12,703
Southern and Western Region	25,602	8,789
<b>Total</b>	<b>149,857</b>	<b>56,056</b>

Source: Department of Family and Community Services.

\* most recent publically available data.

In October 2011, the longest wait times (more than ten years) for a three bedroom house were in the Central Sydney and Greater Western Sydney regions. The wait time for a three bedroom house appears to be shorter in the Southern and Western region of the state.

Most housing is required in the Greater Western Sydney region where 21,797 applicants are waiting for housing.

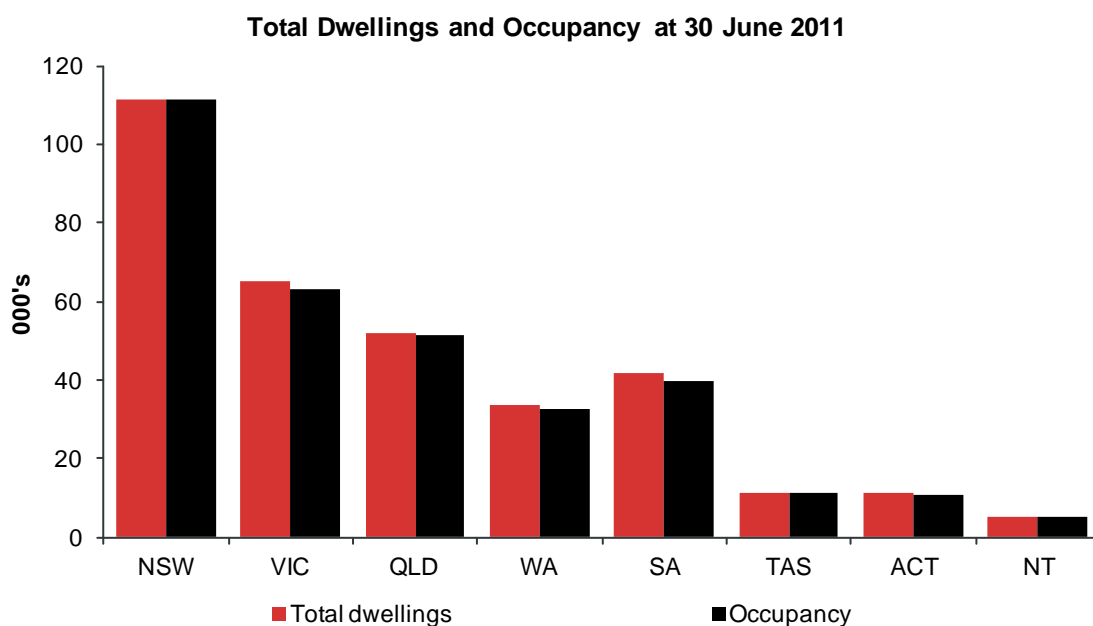
I am currently conducting a performance audit on how well DFACS relocates tenants when their needs change and how well the NSW Land and Housing Corporation makes sure its asset base reflects its clients' demands. I plan to release my report 'Making the best use of public housing' in the fourth quarter of 2012-13.

DFACS publishes the wait times for general applicants on the NSW Housing Register.



## Number of Public Housing Properties and Occupancy Rates

The Corporation provides social housing across New South Wales. CHPs are a small but growing source of public housing in the State.



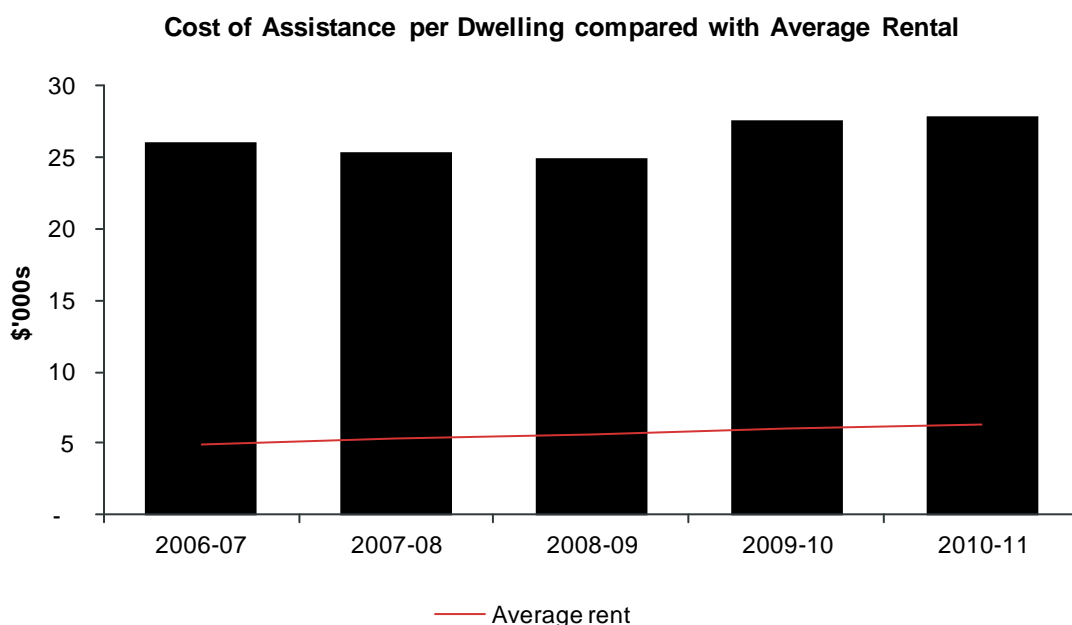
Source: Productivity Commission Report on Government Services, 2012.

Note: Information for 30 June 2012 not yet available.

At 30 June 2011, New South Wales had the most public housing properties in Australia and the highest occupancy rate at 99.1 per cent (98.9 per cent in 2010-11). This is higher than the national average of 98 per cent (97.7 per cent).

## Cost of Providing Assistance per Dwelling compared with Average Rental

Average rents have increased over time. Since 2004-05, the average rent has increased from \$4,262 per year to \$6,267 per year in 2010-11. The cost of providing assistance per dwelling includes the cost of capital.

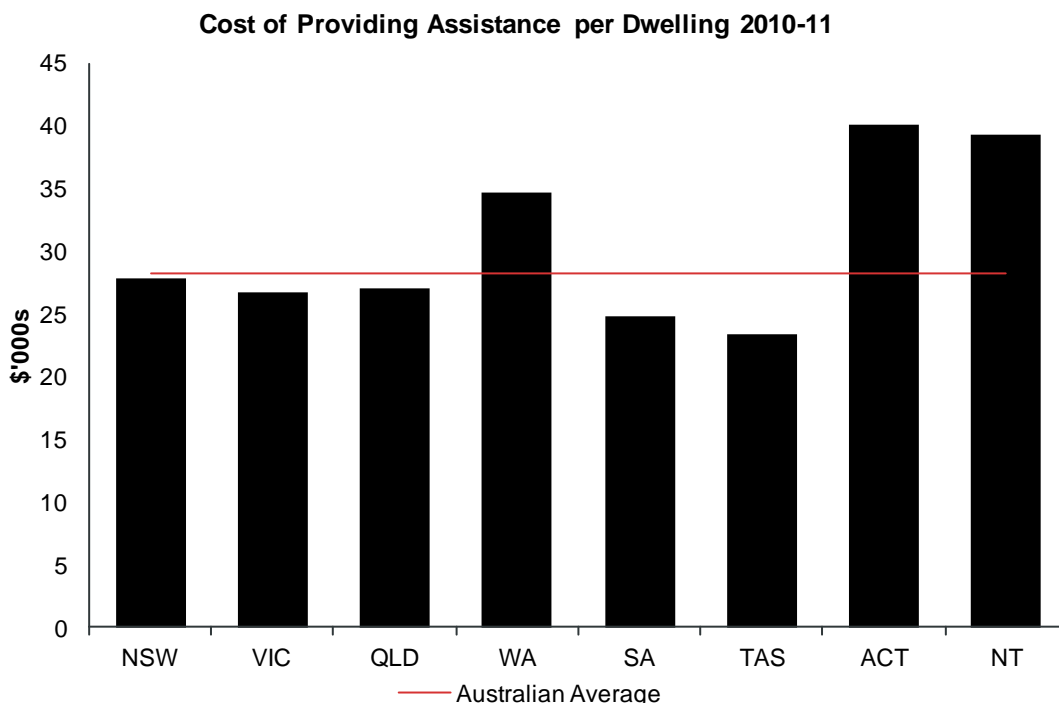


Source: compiled by the Audit Office of New South Wales, based on information in the Productivity Commission Report on Government Services, 2012.

Note: Information for 30 June 2012 not yet available.

## Cost of Providing Assistance per Dwelling

In 2010-11, New South Wales had the fourth (fourth) highest cost of providing assistance (including the cost of capital) per dwelling at \$27,905 (\$27,572). This is one per cent lower (one per cent higher) than the national average.



Source: Productivity Commission Report on Government Services, 2012.

Note: Jurisdictions may not have collected cost data on a consistent basis.

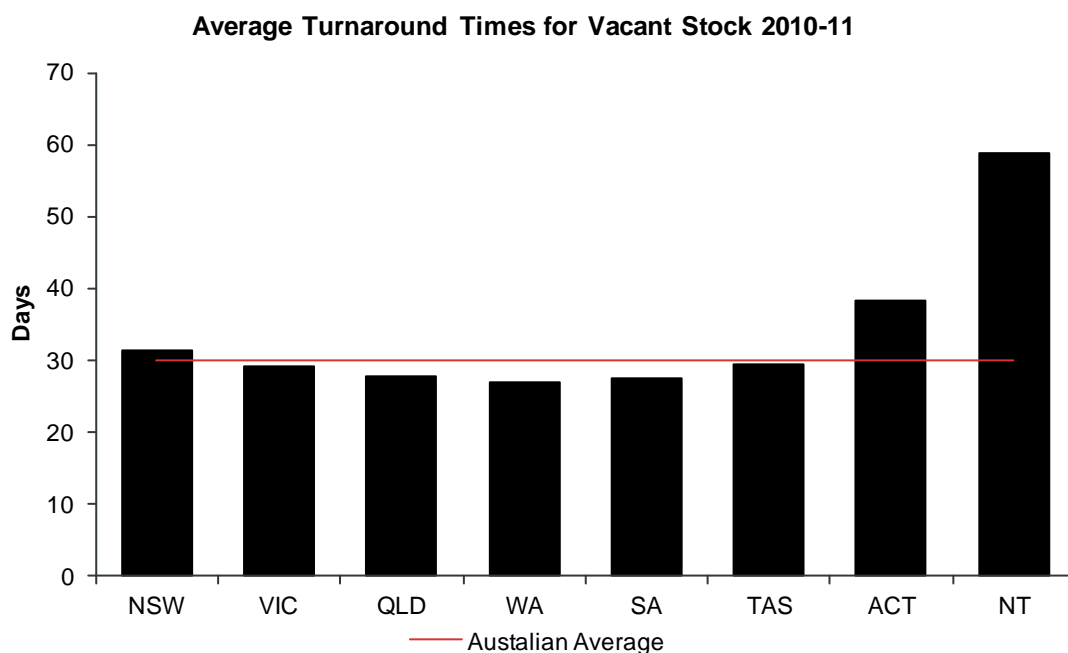
Note: Information for 30 June 2012 not yet available.

## Average Turnaround Time

In 2010-11, NSW's public housing turnaround time of 31.3 days (29.4 days) was higher than the Australian average of 30.0 days (28.8 days). When compared across jurisdictions, New South Wales ranked third in Australia.

There was a high level of building in 2010-11 due to the Social Housing Implementation Plan. The Corporation needed to relocate some tenants which caused many dwellings to remain vacant for longer than normal. Between 2006 and 2009 the State's turnaround time was below the national average.

Turnaround time indicates how quickly jurisdictions rent out vacant housing stock.



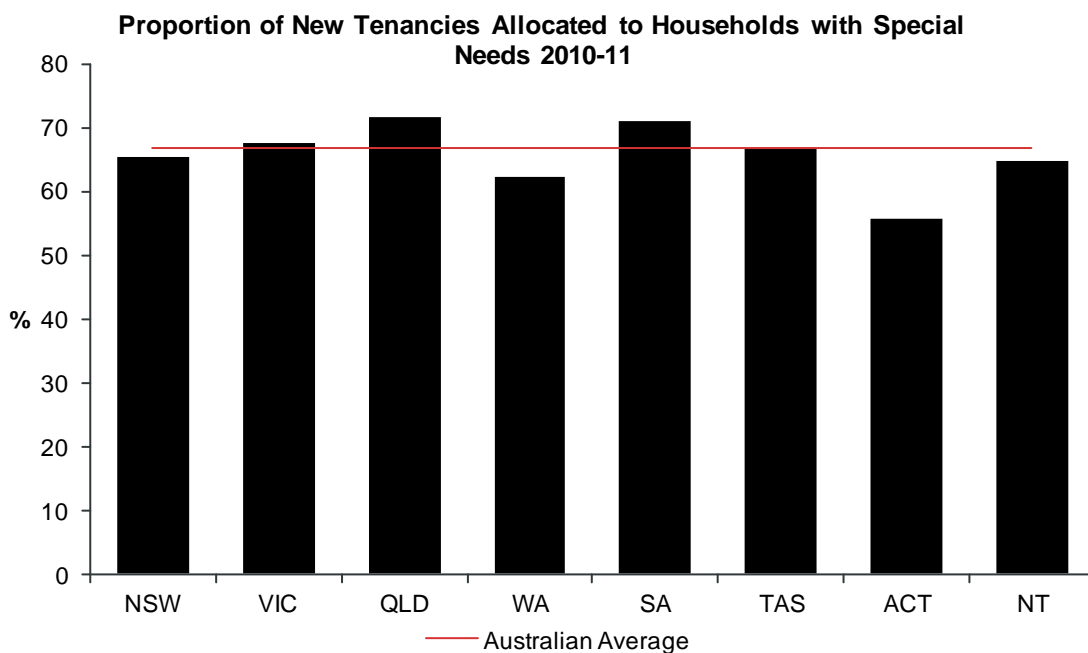
Source: Productivity Commission Report on Government Services, 2012.

Note: Jurisdictions may not have collected cost data on a consistent basis.

Note: Information for 30 June 2012 not yet available.

### Proportion of New Tenancies to Households with Special Needs

The Australian average of new tenancies allocated to 'special needs' households was 66.9 per cent and 65.3 per cent in 2010-11 and 2009-10 respectively. New South Wales was lower than the Australian average over those two years.



Source: Productivity Commission Report on Government Services, 2012.

Note: Jurisdictions may not have collected cost data on a consistent basis.

Note: Information for 30 June 2012 not yet available.

## Other Matters

I identified opportunities for improvement to accounting and internal control procedures and have reported them to management.

### **Airds Bradbury Renewal Project**

The NSW Government endorsed the issuing of an expression of interest on the proposed Airds Bradbury renewal project.

The Corporation received three expressions of interest in May 2012 for the project, which a panel is evaluating.

The project will renew a large social housing estate in the South West Sydney area, which includes a redevelop or refurbish choice for the townhouse and cottage precincts and building new housing on surplus open space. The Social Housing Implementation Plan aims to improve connectivity to other areas of Campbelltown; public safety and to support a mixed income community over the long-term.

At the end of the project, there will be 2,098 dwellings with 629 (30 per cent) for social housing tenants. Private homeowners will occupy the remaining dwellings. The Corporation will demolish 641 dwellings and buy 841 dwellings away from the estate to re-house current tenants.

### **Bonnyrigg Project**

The Bonnyrigg project is a public/private partnership, which will last for over 30 years, under which the Corporation expects the project managers to rebuild the estate in 18 stages over 14 years.

The project managers are currently building stage three and the Corporation should take delivery of the dwellings in March 2013. Stage three consists of 159 new dwellings, 75 of which will be social housing dwellings. Stages one and two were completed by July 2011, providing 77 social houses and offering 133 private houses for sale.

The project managers will redevelop and renew 833 social housing dwellings into the community of 1,633 private and 699 social housing dwellings. The Corporation will build or purchase 134 dwellings offsite to help ensure the stock of 833 social houses is maintained. When complete, 70 per cent of the housing on the estate will be private dwellings and 30 per cent will be social housing dwellings.

The project aims to improve the quality of social housing and community facilities and services for both the tenants and local community. The Corporation's payments to its private sector partner are mainly performance based. The partners have agreed key performance indicators for most service delivery points, including tenant's satisfaction with each broad category of service provision.

The NSW Government chose New Leaf Communities (formerly Bonnyrigg Partnerships) in October 2007 to renew the Bonnyrigg estate. New Leaf Communities is Becton Property Group, Westpac Banking Corporation, St George Community Housing Association and Spotless Group Limited.

The finance lease liability for the project is \$20.8 million at 30 June 2012.

## One Minto Project

The One Minto project includes the de-concentration of the estate with rebuilding of the townhouse precincts, upgrading the cottage precincts and refurbishment of roads, parks and common areas across Minto. Management advises that on completion of the development:

- there will be about 1,221 homes with 348 public housing properties and 873 private housing properties
- of the 348 public housing properties, 169 are upgraded retained cottages, 120 new seniors units and 59 new dwellings. Eventually, about 50 upgraded properties will be sold
- 659 properties lost from the original yield of 1,007 at Minto will be replaced with dwellings in other parts of South Western Sydney where there is high demand for social housing. The Corporation will acquire these dwellings over time. They are outside the project's scope.

Landcom began selling land in the estate in late 2008. The Social Housing Implementation Plan's partners have created nearly 415 lots and sold 80 per cent of the released lots (excluding reserved and retained lots).

The Corporation, Campbelltown City Council and Landcom are working partners for the project. The Corporation developed the One Minto Concept Plan (formerly Minto Renewal Project) after community input. It expects to complete the project in 2017-18.

## Backlog Maintenance

The Corporation has started a property assessment survey across its asset portfolio. The process will take three years and be finished by June 2014.

The project's scope is to complete a visual inspection of assets. This will help to identify condition, amenity, component failures, environmental information and structural integrity issues.

The Corporation expects to benefit from the surveys and benchmark dwellings against Asset Standards. The Corporation uses Asset Standards in longer term asset management strategies and can use the surveys to help it identify its overall maintenance liability. The surveys will help it plan work programs based on priority assessment and financial availability.

The table below shows how well the Corporation responded to maintenance requests from tenants.

Year ended 30 June	Target	2011-12 Achieved %	2010-11 Achieved %
<b>Responsive work type</b>			
Urgent	4 hours	98	96
Priority 1	24 hours	95	94
Priority 2	48 hours	87	89
Priority 3	72 hours	72	93
Planned general repairs	20 days	88	90
<b>All</b>		<b>88</b>	<b>92</b>

Source: NSW Land and Housing Corporation (unaudited).

## Financial Information

### Abridged Statement of Comprehensive Income

Year ended 30 June	2012 \$'000	2011 \$'000
Rent and other tenant charges	727,059	699,016
Government grants	205,719	955,486
Other income	69,684	116,079
<b>Total revenue</b>	<b>1,002,462</b>	<b>1,770,581</b>
Repairs and maintenance	221,158	202,292
Council and water rates	201,115	196,614
Personnel services	51,335	234,708
Depreciation and amortisation	296,347	323,675
Grant expenses	33,959	1,275,159
Other expenses	354,673	209,109
<b>Total expenses</b>	<b>1,158,587</b>	<b>2,441,557</b>
<b>Deficit</b>	<b>(156,125)</b>	<b>(670,976)</b>
<b>Other comprehensive income</b>		
Revaluation increment/(decrement)	1,161,242	(41,865)
<b>Total other comprehensive income/(expense)</b>	<b>1,161,242</b>	<b>(41,865)</b>
<b>Total comprehensive income/(expense)</b>	<b>1,005,117</b>	<b>(712,841)</b>

Government grants fell for two main reasons; funding for the Social Housing Implementation Plan ended and the National Affordability Housing Agreement (NAHA) funding went to DFACS during 2011-12. The Corporation received \$442 million on NAHA funding in 2010-11. The Australian Government provided \$483 million under the Social Housing Implantation Plan in the prior year.

Other income fell because land under roads of \$47.7 million was recognised in 2010-11, which did not recur in 2011-12, and the Corporation earned \$17.0 million less interest because it had a lower cash balance.

The drop in personnel services expenses is due to the administrative restructure.

Grant expenses fell as no dwellings transferred to CHPs in 2011-12, whereas 3,076 dwellings with a value of \$946 million transferred to CHPs the year before.

The administration restructure transferred the tenancy services function from the Corporation to DFACS. As a result, the Corporation and DFACS entered into a tenancy management agreement in 2012, which resulted in the Corporation spending \$111 million on tenancy services in 2011-12 instead of incurring personnel services costs.

The Corporation revalued its land and buildings during the year. This resulted in an increase in value of \$1.2 billion.

## Abridged Statement of Financial Position

	2012 \$'000	2011 \$'000
Current assets	150,380	359,062
Non-current assets	32,432,247	31,561,497
<b>Total assets</b>	<b>32,582,627</b>	<b>31,920,559</b>
Current liabilities	264,713	468,055
Non-current liabilities	701,559	706,737
<b>Total liabilities</b>	<b>966,272</b>	<b>1,174,792</b>
<b>Net assets</b>	<b>31,616,355</b>	<b>30,745,767</b>

Current assets fell due to the Corporation transferring \$63.1 million in cash to DFACS. The transfer was part of the administrative restructure.

The fall in current liabilities is due to less accrued capital works expenditure because the NBESP is ending and building activity decreased.

## Financial Ratios

At 30 June Ratio	2012 \$'000	2011 \$'000
Interest cover (times) (a)	(1.1)	(8.4)
Current ratio (b)	0.6	0.8
Return on average assets (%) (c)	(0.5)	(2.1)
Return on average equity (%) (d)	(0.5)	(2.2)
Debt to equity ratio (%) (e)	2.3	2.2

Calculated as:

- a Deficit for the year plus interest divided by gross interest expense.
- b Current assets divided by current liabilities.
- c Deficit for the year expense divided by average assets.
- d Deficit for the year divided by average equity.
- e External debt divided by equity.

The 2011-12 interest cover improved due to a lower deficit. The 2010-11 deficit included a grant expense of \$946 million, which did not recur in 2011-12.

The Corporation transferred current assets and liabilities to DFACS as part of the administrative restructure, which is the main reason for the change in the current ratio.

The return on average assets and average equity ratios improved due to the lower deficit in 2011-12.

The debt to equity ratio reflects an increase in debt from the prior year.

## The Corporation's Activities

The Corporation's statutory functions are set out in the *Housing Act 2001*. Its role is to provide quality rental housing solutions for those whose needs cannot be met by the private market.

The Minister for Finance and Services has the power to direct and control the Director General of the Corporation in respect of all the Corporation's operations. Management advised that no such ministerial directions occurred in 2011-12.

For further information on the Corporation, refer to [www.housing.nsw.gov.au](http://www.housing.nsw.gov.au).

## Controlled Entity

The trustees wound up the Rental Housing Assistance Fund on 16 December 2011. The Fund closed its bank account on 30 January 2012. The audit of the Rental Housing Assistance Fund's financial report for the period 1 July 2011 and 30 January 2012 resulted in an unmodified audit opinion within the Independent Auditor's Report.



# Parliamentary Contributory Superannuation Fund

## Audit Opinion

I issued unqualified audit opinions on the Parliamentary Contributory Superannuation Fund (Fund) and its Trustees' 30 June 2012 financial statements.

## Operational Snapshot

The Fund is a closed defined benefit superannuation fund for members of the Legislative Council and the Legislative Assembly.

Fund	Status	Benefit type	Members	Pensioners
Parliamentary Contributory Superannuation Fund	Closed 2007	Pension	46	289

Members of Parliament elected after the 2007 State election can no longer join the Fund. Members now join other superannuation funds of their choice.

## Key Issues

### Unfunded Superannuation Liabilities

Unfunded superannuation liabilities decreased to \$162 million at 30 June 2012 from \$184 million at 30 June 2011 as shown in the table below. Unfunded liabilities are the difference between the net assets held by the Fund and the accrued superannuation benefits of members. The Crown is responsible for meeting the unfunded liability.

The Treasurer established a funding level target of 80 per cent to maintain net assets available for benefit payments to the Fund's accrued superannuation liabilities. The Treasurer suspended Crown contributions between 1 July 2006 to 30 June 2011. Contributions resumed in 2011-12 and \$13.2 million was paid to the Fund. This resulted in the funding level increasing to 55.4 per cent (53.6 per cent in 2010-11). Despite this, unfunded superannuation liabilities is still below the funding target and at 30 June 2012, the average benefit per member was \$1.1 million of which \$480,000 was unfunded.

Year ended 30 June	2012	2011	2010	2009	2008
<b>Net accrued members' benefits (\$'000)</b>	<b>361,932</b>	<b>396,540</b>	<b>373,333</b>	<b>353,690</b>	<b>343,581</b>
<b>Net assets available to pay benefits (\$'000)</b>	<b>200,349</b>	<b>212,372</b>	<b>207,593</b>	<b>199,356</b>	<b>254,982</b>
<b>Unfunded liabilities (\$'000)</b>	<b>161,583</b>	<b>184,168</b>	<b>165,740</b>	<b>154,334</b>	<b>88,599</b>
Percentage unfunded (%)	44.6	46.4	44.4	43.6	25.8
Percentage funded (%)	55.4	53.6	55.6	56.4	74.2

The average benefit per member was \$1.1 million at 30 June 2012, of which \$480,000 was unfunded

Unfunded liabilities decreased to \$162 million at 30 June 2012 but funding level is still below the 80 per cent net funding target

Refer to the Superannuation Industry Overview comment for further commentary about the valuation of defined benefit superannuation liabilities. The above accrued member benefits are valued using an expected long-term investment rate of return of 8.3 per cent as a discount rate. In the current environment, these returns may be optimistic and actual results may be significantly different should the Fund not achieve its expected long-term investment rate of return.

## Performance Information

### Investment Returns

The Fund's investment strategy is to minimise the long-term cost of the Fund to the taxpayer. The Fund's investment return for 2011-12 was 0.9 per cent (12.8 per cent in 2010-11), which was 0.4 per cent above the 'Average Managers' performance.

The annualised return over the last five years to 30 June 2012 was 0.4 per cent, and over the last ten years to 30 June 2012 was 5.9 per cent.

The Fund's short-term performance is monitored by comparing its returns to the median growth manager. The Fund's annual returns over the last five years were:

Year ended 30 June	2012	2011	2010	2009	2008
Fund % pa	0.9	12.8	14.5	(14.0)	(8.9)
Average Manager % pa	0.5	9.6	11.5	(12.5)	(9.3)
Quartile Rank %	1.0	1.0	1.0	3.0	2.0

Source: Russell Australian Balanced Fund Universe for all years up to and including 2011, Chant West Implemented Consulting Survey (Growth Funds) from 2012 (unaudited).

Refer to the Superannuation Industry Overview comment for further commentary about performance information.

## Other Information

### Fund Membership

The Fund continued to provide superannuation arrangements for members of parliament who were re-elected to parliament up to the 2007 election. The table below summarises the Fund's membership at year-end.

Year ended 30 June	2012	2011	2010
Contributory members	45	47	94
Non-contributory members	1	1	1
Deferred members	10	11	4
Suspended pensioners	7	5	6
Pensioners	272	279	257
<b>Total</b>	<b>335</b>	<b>343</b>	<b>362</b>

Source: Fund Administrator (unaudited).

#### Notes:

- Contributory members - current members of the Legislative Council and Legislative Assembly who are contributing to the Fund.
- Non-contributory member - current member of the Parliament of New South Wales who elected under the Fund legislation to cease making contributions as they had attained 65 years of age and completed 20 years of service.
- Deferred members - either deferred pensioners, who are former members of the Parliament of New South Wales who, under the Fund legislation, cannot receive payment of their Fund pensions until they attain the age of 55, or deferred lump sum members, who are former members of the Parliament of New South Wales who have elected to keep a lump sum benefit deferred or preserved in the Fund.
- Suspended pensioners - former members of the Parliament of New South Wales whose pension is suspended under the Fund legislation as they later became a member of the Commonwealth or another State Parliament, or, in one case, a former member of the Parliament of New South Wales whose pension is suspended under section 19AA of the Fund legislation. Under this section, the pension entitlement is suspended while criminal proceedings for a serious offence are pending against the person.
- Pensioners - former members of the Parliament of New South Wales, their spouses and children of deceased former members, who are receiving payment of pensions from the Fund.

Poor investment returns reflect the continued weakness in the global economy. Ultimately the NSW Government will fund any shortfall

## Actuarial Review

The *Parliamentary Contributory Superannuation Act 1971* requires an actuarial review of the Fund every three years. A review of the Fund at 30 June 2011 was completed during the year.

I engaged an independent actuary to assess the 30 June 2011 triennial review. The actuary concluded that the assumptions used by the Fund's actuary were reasonable.

## Financial Information

### Abridged Statement of Changes in Net Assets

Year ended 30 June	2012 \$'000	2011 \$'000
<b>Net assets available to pay benefits at beginning of financial year</b>	<b>212,372</b>	<b>207,593</b>
Member contributions	1,165	1,745
Employer contributions	13,200	--
Net investment revenue/(expense)	(830)	25,282
<b>Total revenue</b>	<b>13,535</b>	<b>27,027</b>
Benefits paid	23,619	24,046
Scheme administration expenses	586	600
Surcharge revenue	(202)	(1,815)
Income tax expense/(benefit)	1,555	(583)
<b>Total expenses</b>	<b>25,558</b>	<b>22,248</b>
<b>Increase/(decrease) in net assets</b>	<b>(12,023)</b>	<b>4,779</b>
<b>Net assets available to pay benefits at end of financial year</b>	<b>200,349</b>	<b>212,372</b>

Employer contributions increased significantly due to the Crown resuming employer contributions. The Treasurer had previously suspended the Crown's contributions prior to 30 June 2011.

Net investment revenue decreased significantly due to poor investment returns as discussed above. The Fund's annual return was 11.9 per cent higher in 2010-11 compared to 2011-12.

Benefit payments were higher in 2010-11 due to a large number of members retiring following the 2011 state election.

### Abridged Statement of Net Assets

At 30 June	2012 \$'000	2011 \$'000
Fixed interest	38,905	53,746
Equities	128,300	128,229
Property trusts	31,298	26,329
<b>Total investments</b>	<b>198,503</b>	<b>208,304</b>
Other assets	6,413	6,903
<b>Total assets</b>	<b>204,916</b>	<b>215,207</b>
Liabilities	4,567	2,835
<b>Net assets available to pay benefits</b>	<b>200,349</b>	<b>212,372</b>

The net assets available to pay benefits decreased in 2012 due to poor investment returns despite the large contribution by the Crown.

## Fund Activities

The Fund operates under the *Parliamentary Contributory Superannuation Act 1971*. It is a superannuation fund for members, former members of the Legislative Council and the Legislative Assembly and beneficiaries of deceased former members.

Most member benefits are calculated using the member's salary and years of membership, with a small number of benefits affected by Fund performance. Contributions by fund members are fixed at 12.5 per cent of salary as a member of parliament, minister or office holder.

The Trustee of the Parliamentary Contributory Superannuation Fund is a statutory body which holds in trust all assets of the Fund. The Trustee comprises two trustees from the Legislative Council, five trustees from the Legislative Assembly, and the Secretary of the Treasury (or a Treasury official appointed in his absence).

# Rental Bond Board

---

## Audit Opinion

I issued an unqualified audit opinion on the Rental Bond Board's (the Board) 30 June 2012 financial statements.

## Operational Snapshot

The Board holds residential bonds in trust on behalf of private tenants of New South Wales. It funds its operations by investing bonds held in trust and retaining the returns earned.

## Performance Information

### Rental Bonds

The Board holds over 680,150 bonds at 30 June 2012 (663,000 at 30 June 2011). The 2.6 per cent increase was higher than the prior year's 2.3 per cent and slightly higher than the ten year average of 2.5 per cent. Based on the 2011 actuarial review of Board operations at 30 June 2015, the Board expects to hold approximately 691,793 bonds with a value in excess of \$1.1 billion.

During 2012, the Board processed a total of 518,129 (507,000) rental bond lodgements and disbursements. The number of new bond lodgements has remained stable over the last four years. The number of bonds refunded increased by 1.7 per cent in 2012.

## Other Information

### Trust Funds

The market value of trust funds invested at 30 June 2012 exceeded the value of residential bonds held in trust by \$55.9 million.

At 30 June	2012 \$'000	2011 \$'000	2010 \$'000
Amounts owing to bond depositors	974,771	909,440	845,779
Market value of rental bond investments	1,030,670	918,309	861,668
Excess	55,899	8,869	15,889

Legal opinion indicates the Board would be liable for any shortfall of funds invested over bonds held in trust. The *Residential Tenancies Act 2010* commenced on 31 January 2011 and replaced the *Landlord and Tenant (Rental Bonds) Act 1977*. The previous legislation did not allow payments from the Board's funds to make good shortfalls. However, the new Act permits such payments.

## Financial Information

### Summary Financial Information

Year ended 30 June	2012 \$'000	2011 \$'000
<b>Total revenue</b>	<b>57,474</b>	<b>55,448</b>
Administrative services	22,522	20,979
Tenancy function of Consumer, Trader and Tenancy Tribunal	13,444	12,311
Grants	12,228	10,131
Tenancy services	73	665
Interest on rental bonds	123	116
Other operating expenses	801	825
<b>Operating expenses</b>	<b>49,191</b>	<b>45,027</b>
<b>Net result-surplus</b>	<b>8,283</b>	<b>10,421</b>
<b>Net assets</b>	<b>58,834</b>	<b>50,551</b>

The Board receives income from the investment of rental bonds lodged by tenants. Revenue is mainly influenced by the level of investment returns.

Through its grants program the Board supports tenancy and housing organisations that provide residential rental accommodation or conduct research into relationships between landlords and tenants.

The Board has no employees and its operations are performed and supported by the Department of Finance and Services in return for an administration fee.

The rate of interest payable on rental bonds to tenants is prescribed in clause 25 of the Residential Tenancies Regulation 2010 and is equivalent to the rate payable by the Commonwealth Bank of Australia on a Streamline Account Balance of \$1,000.

At 30 June 2012, trust investments had a market value of \$1.0 billion and were invested in:

Trust Investments	Market Value 2012 \$'000	Market Value 2011 \$'000
NSW Treasury Corporation Hour-Glass Facility	74,712	78,502
Direct fixed interest portfolio	963,200	842,064
Private shared equity scheme	2,046	2,207
Less: provision for interest owed to the Board	(9,288)	(4,464)
<b>Total</b>	<b>1,030,670</b>	<b>918,309</b>

As the Board holds residential bonds in trust for private tenants, the value of the trust investments does not form part of the \$58.8 million in net assets of the Board.

### Board Activities

The Board is constituted by the *Residential Tenancies Act 2010*. The Board is an independent and impartial guardian of rental bonds on private residential tenancies in New South Wales. The Board also provides access to tenancy information to help uphold the rights and responsibilities of tenants and landlords.

The Board is controlled by the Minister for Fair Trading.

For further information on the Board, refer to the New South Wales Fair Trading's website [www.fairtrading.nsw.gov.au](http://www.fairtrading.nsw.gov.au).

# SAS Trustee Corporation - Pooled Fund

## Audit Opinion

I issued unqualified audit opinion on the SAS Trustee Corporation - Pooled Fund's, its controlled entities' and its trustee's 30 June 2012 financial statements.

The following comments are for the Fund, unless otherwise stated.

## Operational Snapshot

The Fund is a \$34.4 billion defined benefit superannuation fund for public sector members of the following four closed superannuation schemes.

Scheme	Status	Benefit type
SSS (a)	Closed 1985	Pension
SASS (b)	Closed 1992	Lump sum
SANCS (c)	Closed 1992	Lump sum
PSS (d)	Closed 1988	Pension

a State Superannuation Scheme (SSS).

b State Authorities Superannuation Scheme (SASS).

c Employees do not contribute towards the benefit in State Authorities Non-contributory Superannuation Scheme (SANCS). It is an employer financed lump sum benefit of three per cent of final average salary for each year of membership for SASS, PSS and SSS members.

d Police Superannuation Scheme (PSS).

Employees who joined the New South Wales public sector after these schemes closed are members of other superannuation funds of their choice.

## Key Issues

### Unfunded Superannuation Liabilities

Unfunded liabilities are the difference between net assets held by the Fund and accrued superannuation benefits payable to the members. The Crown Entity and other contributing employers are responsible for meeting the liability.

Unfunded superannuation liabilities were \$19.0 billion at 30 June 2012. Unfunded liabilities decreased slightly from 2010-11, because of the Crown Entity's \$4.6 billion contribution to the Fund in 2011-12.

Year ended 30 June	2012	2011	2010	2009	2008
Accrued member benefits (\$m)	53,363	52,178	50,585	48,235	49,093
Net assets available to pay benefits (\$m)	34,352	32,179	30,743	28,848	34,214
Unfunded liabilities (\$m)	19,011	19,999	19,842	19,387	14,879
Percentage unfunded (%)	35.6	38.3	39.2	40.2	30.3
Percentage funded (%)	64.4	61.7	60.8	59.8	69.7

The *Fiscal Responsibility Act 2012* has a target to eliminate superannuation unfunded liabilities by 2030. The 2012-13 budget papers support this and State employer funding is based on fully funding superannuation liabilities by 2030. These funding arrangements are reviewed every three years as part of the triennial actuarial review.

Unfunded liabilities were \$19 billion at 30 June 2012

Australian and New South Wales Governments continued discussions to ensure NSW universities members' benefits are funded as they fall due

Without a funding agreement, NSW universities may need to fund benefits from their own resources

\$590 million was paid in 2011–12 to invalidity pensioners. Their ongoing health is not reviewed

## Unfunded superannuation liabilities may increase significantly

The \$19.0 billion unfunded superannuation liabilities may increase significantly if the Fund is unable to achieve its long-term investment return objective. The accrued member benefits of \$53 billion were valued using an expected long-term earnings rate after tax of between 7.3 per cent and 8.3 per cent. With the continued global economic uncertainty, financial risk remains and the Fund may struggle to attain the investment return estimates included in the 2009 triennial review. The Crown Entity and other contributing employers' liabilities may therefore increase significantly.

Refer to the Superannuation Industry Overview comment for further commentary about the valuation of superannuation liabilities.

## Superannuation Liabilities of NSW Universities

Employees of various NSW universities are members of the Fund. At 30 June 2012, members' accrued benefits were \$3.8 billion, but the Fund balance available to pay benefits was \$1.4 billion. A funding agreement between the Australian Government and NSW Government has not been agreed. New South Wales universities with high unfunded liabilities may need to fund reserves from their own resources to enable the trustee to continue paying benefits.

For the year ending 30 June 2012, more than \$335 million was paid to members in benefits. The table below shows an aggregate balance of \$1.4 billion available for all universities to pay benefits, but some universities' funding situations are more serious than others.

Another factor contributing to the significance of this issue is the ageing profile of university members. At 30 June 2012, 22 per cent were aged 60 years or older and entitled to normal retirement benefits. Another 34 per cent were between 55 and 60 years of age and entitled to early retirement benefits. Benefit payments are, therefore, likely to increase significantly in the short-term and put significant pressure on the need for a funding agreement to be reached.

Year ended 30 June	2012 \$'000
Accrued member benefits (\$m)	3,789
Net assets available to pay benefits (\$m)	1,421
Unfunded liabilities (\$m)	2,368
Percentage unfunded (%)	62.5
Percentage funded (%)	37.5

## Review of invalidity benefit entitlements

Last year, I recommended the SAS Trustee Corporation (the trustee) review the requirements around undertaking periodic reviews of invalidity benefit entitlements as allowed by the Scheme's legislation.

In 2012, the trustee consulted the Public Service Commission and other relevant agencies on the practicality and benefit of it undertaking reviews of invalidity pensioners, and I understand no reviews are likely to occur.

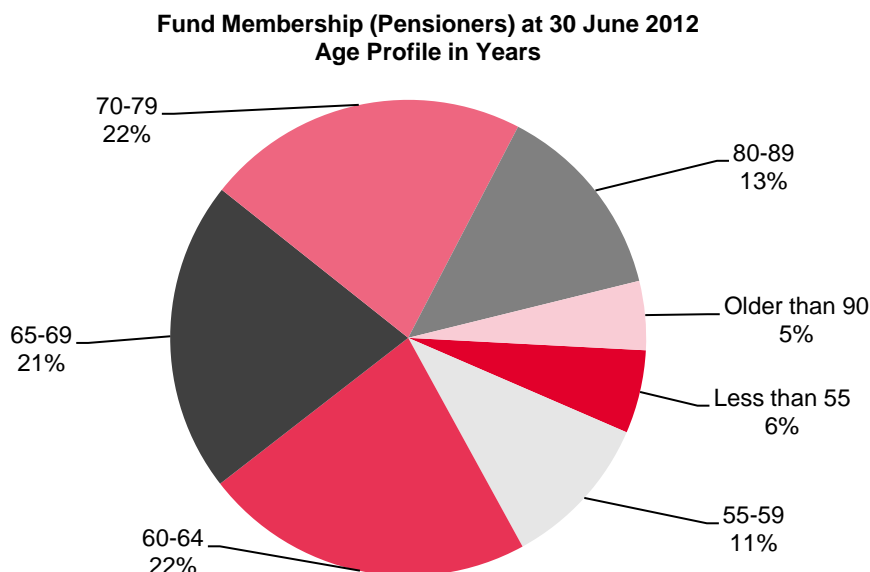
The legislation allows the trustee to review the health of invalidity pensioners, which may result in pensioners being recalled to employment. This legislative requirement may be difficult and costly to implement, but a member's health may sometimes be restored to a point where they are fit for work despite previously being retired on grounds of physical or mental incapacity.

The Fund paid approximately 13,000 invalidity pensioners \$590 million in 2011-12 (\$525 million in 2010-11). More than one in five members exited through invalidity retirement benefits.



## Ageing pensioners

The age profile of the Fund's pensioners at year end was:



Source: Fund Administrator.

In 2011-12, pension payments were \$2.2 billion (\$2.1 billion in 2010-11). Of all pensioners at 30 June 2012, only 47 per cent had exited the workforce under normal retirement conditions, while:

- 14.1 per cent exited through early voluntary retirement
- 21.9 per cent exited through invalidity retirement (including 'hurt on duty' - refer below)
- 1.6 per cent exited with retrenchment pensions
- 15.4 per cent became entitled to spouse and child pensions.

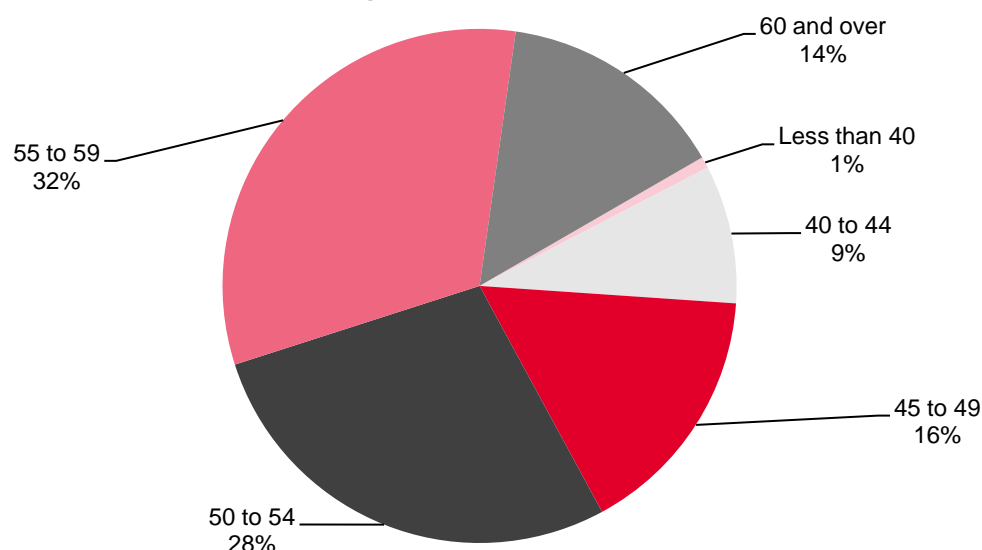
Australian life expectancy rates have increased by approximately 20 years since the Fund started in the early 1900s, when average life expectancy was 55 to 60 years of age according to the Australian Bureau of Statistics. The Fund's pensioner age profile sees 18 per cent of its pensioners older than 80 and 2,784 of its pensioners older than 90. People living longer poses significant funding challenges for the Crown Entity and other contributing employers responsible for funding the liabilities.

People are living on average, 20 years longer which contributes to the government's problem in funding the liabilities

## Active and Deferred Members

The age profile of the Fund's active and deferred members at 30 June 2012 was:

**Fund Membership (Active and Deferred) at 30 June 2012**  
**Age Profile in Years**



Source: Information provided by Administrator.

The Fund's age profile poses challenges in managing liquidity risk, investment asset allocation and the timing of asset acquisitions and disposals. The Trustee manages these issues as part of its strategic asset allocation.

The graph shows 60 per cent of members are approaching retirement age and 14 per cent have already reached retirement age. Significant asset liquidation will be needed soon to help ensure benefit payments can be met by the Fund.

## Hurt on Duty Benefit Payments

Most members who retire from the Police Superannuation Scheme (PSS) do so under 'hurt on duty' provisions in the legislation and can receive a full entitlement as if they had retired at a normal retirement age.

In 2011-12, 163 (198 in 2010-11) members retired hurt on duty, the most common way for PSS to members retire. At 30 June 2012, 72 per cent of PSS pensioners were receiving a hurt on duty pension. The average age for these members on retirement was 45 years of age.

In 2011-12, the Fund paid approximately \$236 million in hurt on duty pension benefits. This is a significant financial burden from an employer cost perspective because:

- members exit the Fund much earlier than retirement age
- no service restriction is applied to calculate the superannuation benefit.

## Performance Information

### Investment Returns

Most of the Fund's investments are in a growth strategy, which has the objective of achieving investment returns over ten-year rolling periods that exceed the consumer price index by an average margin of 4.5 to 5.5 per cent per year. The Fund's growth strategy achieved a return of 5.2 per cent return per annum in the ten year period to 30 June 2012 (4.5 per cent in the ten-year period to 30 June 2011), compared to the long-term target of 7.2 per cent. The global financial crisis negatively impacted the Fund's ability to achieve its long-term target. However, before the market downturn, the Fund achieved 8.5 per cent return each year for the ten years to 30 June 2007.

Global economic uncertainty and volatile returns may make asset liquidation difficult in the short-term as a large portion of members will retire

'Hurt on duty' remains the most common way Police Superannuation Scheme members retire. The Fund paid \$236 million in hurt on duty pensions in 2011-12

The average age on retirement for hurt on duty pensioners was 45 years

Investment returns were well below the Fund's long-term targets

The Fund's short-term performance is monitored by comparing its returns to the median growth manager. It is then ranked into quartiles. For example, a quartile ranking of one indicates that the Fund is in the top 25 per cent of the survey sample.

The Fund's annual investment returns over each of the last five years were:

Year ended 30 June	2012	2011	2010	2009	2008
Pooled fund (%)	0.4	8.7	9.2	(10.3)	(7.2)
Median manager (%) (a)	0.4	8.2	10.0	(12.2)	(7.6)
Pooled fund quartile rank (one is top quartile)	2	2	3	1	2

Source: SAS Trustee Corporation.

a Median fund in the Mercer Customised Survey.

Refer to the Superannuation Industry Overview comment for further commentary on performance information.

## Administration and Investment Costs

Year ended 30 June	2012	2011	2010	2009	2008
Investment fees (\$'000)	85,800	86,400	90,400	85,400	109,100
Administration costs (\$'000) (a)	34,900	32,100	32,900	34,100	32,700
Administration cost as a % of FUM (b)	0.10	0.10	0.11	0.11	0.09
Direct investment fees as a % of FUM (b)	0.26	0.27	0.30	0.27	0.30

a Includes Trustee and administration costs.

b FUM is average Funds Under Management during the year.

Employers pay most of the administration costs of the various schemes making up the Fund because the legislation does not require members to pay these fees.

## Other Information

### Fund Membership

The table below summarises the Fund's membership at 30 June 2012. Membership is falling because:

- the schemes are closed to new members
- more members are reaching scheme retirement age (refer above to Ageing Demographics - Active and Deferred Members).

Year ended 30 June	2012	2011	2010	2009	2008
Active members	53,317	58,842	64,015	69,209	74,824
Deferred members (a)	13,420	13,691	14,217	14,916	15,312
Pensioners	59,438	57,893	57,790	54,910	52,823
<b>Total</b>	<b>126,175</b>	<b>130,426</b>	<b>136,022</b>	<b>139,035</b>	<b>142,959</b>

a Deferred members are those who are not actively contributing to their superannuation accounts and have not started their pensions or withdrawn their benefit from the schemes.

## Actuarial Review

The Fund's legislation requires an actuarial review of the Fund every three years. The last review was completed as at 30 June 2009 by the Fund's actuary. I engaged the Australian Government Actuary to independently assess the triennial review and he concluded the assumptions used by the Fund's actuary were reasonable.

The 2012 triennial review will be completed after this report is published.

## Financial Information

### Abridged Statement of Changes in Net Assets

Year ended 30 June	2012 \$m	2011 \$m
<b>Net assets available to pay benefits at beginning of financial year</b>	<b>32,179</b>	<b>30,743</b>
Investment revenue	1,289	1,231
Increase/(decrease) in net market values	(1,240)	1,781
Investment expenses	(86)	(86)
<b>Net investment revenue/(expense)</b>	<b>(37)</b>	<b>2,926</b>
Employer contributions	6,145	1,495
Member contributions	504	522
<b>Total contribution revenue</b>	<b>6,649</b>	<b>2,017</b>
Other revenue and transfers	6	4
<b>Total revenue</b>	<b>6,618</b>	<b>4,947</b>
Benefits paid	(3,689)	(3,384)
Scheme administration and other expenses	(36)	(34)
Superannuation contributions surcharge	7	6
<b>Total scheme expenditure</b>	<b>(3,718)</b>	<b>(3,412)</b>
Increase in net assets before income tax	2,900	1,535
Income tax expense	(727)	(99)
<b>Increase in net assets after income tax</b>	<b>2,173</b>	<b>1,436</b>
<b>Net assets available to pay benefits at end of financial year</b>	<b>34,352</b>	<b>32,179</b>

Employer contributions were higher in 2012 due to an additional \$4.6 billion contribution from the Crown Entity.

Benefits paid increased in 2011-12 as more members retired. Pension benefits are also adjusted each October for increases in the Consumer Price Index.

## Abridged Statement of Net Assets

At 30 June	2012 \$m	2011 \$m
Short-term securities	7,107	2,789
Australian fixed interest	1,767	2,679
International fixed interest	840	1,382
Australian equities	9,513	10,171
International equities	7,992	8,202
Property	3,045	3,106
Alternatives	4,567	3,665
<b>Total investments</b>	<b>34,831</b>	<b>31,994</b>
Receivables, cash and other assets	418	401
Current tax asset	--	6
Deferred tax asset	65	41
<b>Total other assets</b>	<b>483</b>	<b>448</b>
<b>Total assets</b>	<b>35,314</b>	<b>32,442</b>
Reserve units	2	2
Payables	272	261
Current tax liability	688	--
<b>Total liabilities</b>	<b>962</b>	<b>263</b>
<b>Net assets available to pay benefits</b>	<b>34,352</b>	<b>32,179</b>

The net assets available to pay benefits increased in 2011-12 due to the additional contributions from the Crown Entity noted above. This resulted in the current tax liability in 2011-12.

## Fund Activities

All of the schemes referred to above are combined and invested through one fund, the Pooled Fund. This Fund is the entity for financial reporting and taxation purposes of the four schemes. All schemes are defined benefit plans, although the State Authorities Superannuation Scheme also has a member funded accumulation component. The Australian Prudential Regulation Authority does not regulate the Fund because it is an exempt public sector superannuation scheme.

The Superannuation Administration Corporation, trading as Pillar Administration, provides scheme administration services to the Fund. JP Morgan Investor Services performs custodial activities. A number of investment fund managers provide funds management services for the Fund. The Trustee's executive monitors each manager to ensure compliance with investment mandates and satisfactory investment performance. Refer to the Superannuation Industry Overview comment for further commentary about outsourcing arrangements in NSW public sector superannuation funds.

Comment on SAS Trustee Corporation is included below. Comments on the Superannuation Administration Corporation are included elsewhere in this report.

For further information on the Fund, refer to [www.statesuper.nsw.gov.au](http://www.statesuper.nsw.gov.au).

## Controlled Entities

Comment on State Super Financial Services Australia Limited is included elsewhere in this report.

The following controlled entities have not been reported on separately as they are not considered material by their size or the nature of their operations to the consolidated entity.

Entity Name	Status	Website
Buroba Pty Ltd	Entity is dormant	*
State Infrastructure Holdings (SEA Gas) Pty Ltd	Entity is dormant	*
State Infrastructure Trust	Entity is dormant	*
Valley Commerce Pty Limited	Entity is dormant	*

\* This entity does not have a website.

## Trustee

### SAS Trustee Corporation

The SAS Trustee Corporation is the trustee of the Fund, under the *Superannuation Administration Act 1996*. It holds in trust all assets of the Fund.

The corporation was established as a statutory body on 1 July 1996 under the *Superannuation Administration Act 1996*. It is subject to the direction of the Treasurer.

The consolidated group comprises the SAS Trustee Corporation and the controlled entity SAS Trustee Corporation Division of the Government Service of NSW.

This corporation has not been reported on separately as it is not considered material by its size or the nature of its operations to the Fund.

# State Super Financial Services Australia Limited

## Audit Opinion

I issued unqualified audit opinions on State Super Financial Services Australia Limited's, its two retail investment products and the State Super Fixed Term Pension Plan's 30 June 2012 financial statements.

## Operational Snapshot

State Super Financial Services Australia Limited provides New South Wales and Commonwealth public sector employees and their family members with financial planning and funds management services. Funds under management were \$10.0 billion at 30 June 2012 (\$9.3 billion at 30 June 2011).

The two retail investment products used are:

- State Super Retirement Fund - including State Super Personal Retirement Plan, State Super Allocated Pension Fund and State Super Term Allocated Pension Fund
- State Super Investment Fund.

## Performance Information

### Investment Performance of the Retail Investment Products

For its retail investment products, nine investment choices are available to client investors for different investor risk profiles. These are:

- growth fund
- balanced fund
- capital stable fund
- cash fund
- fixed interest fund
- moderate fund
- growth plus fund
- Australian equities fund
- international equities fund.

The product performance tables below show the returns to investors for each of the Company's retail investment products. All funds performed positively in the three year average measure for all investment choices. Results for the current year and five year average measures were mixed.

State Super Personal Retirement Plan investment choice	Product performance % per annum		
	1 Year %	3 Year %	5 Year %
Growth fund	(1.6)	7.2	(2.4)
Balanced fund	0.7	7.3	0.2
Capital stable fund	4.1	5.1	3.3
Cash fund	3.4	3.2	3.8

Source: State Super Financial Services Australia Limited (unaudited).

New investment options were introduced to tailor better clients' investment strategies to their needs

Low returns from growth and balanced funds highlight continued economic uncertainties

State Super Allocated Pension Fund investment choice	Product performance % per annum		
	1 Year %	3 Year %	5 Year %
Growth fund	(0.8)	7.7	(2.1)
Balanced fund	1.3	7.8	0.4
Capital stable fund	4.6	5.8	3.8
Cash fund	3.8	3.6	4.3

Source: State Super Financial Services Australia Limited (unaudited).

State Super Investment Fund investment choice	Product performance % per annum		
	1 Year %	3 Year %	5 Year %
Growth fund	(1.5)	7.1	(2.7)
Balanced fund	0.8	7.3	--
Capital stable fund	4.3	5.5	3.5
Cash fund	3.7	3.6	4.3

Source: State Super Financial Services Australia Limited (unaudited).

State Super Fixed Term Pension Plan is a defined benefit plan which closed for applications on 19 September 2004. The plan invests in a product developed by Deutsche Bank AG to fund the defined benefits obligation. No performance information is therefore provided.

Also refer to the Superannuation Industry Overview comment for further commentary on performance information.

## Financial Information

### Abridged Statement of Comprehensive Income

Year ended 30 June	2012 \$'000	2011 \$'000
Income	107,482	100,563
Expenses	58,572	52,541
<b>Profit before income tax</b>	<b>48,910</b>	<b>48,022</b>
Income tax expense	14,716	14,446
<b>Profit</b>	<b>34,194</b>	<b>33,576</b>

Income comprises interest and fees from management of the retail investment products, including trustee fees of \$102 million (\$94.4 million in 2010-11). Income increased in 2011-12 due to increased funds under management.

Expenses include staff expenses of \$38.7 million (\$35.4 million), administration expenses of \$17.4 million (\$15.3 million), depreciation and amortisation of \$2.5 million (\$1.8 million).



## Abridged Statement of Financial Position

At 30 June	2012 \$'000	2011 \$'000
Current assets	51,761	54,474
Non-current assets	13,625	9,140
<b>Total assets</b>	<b>65,386</b>	<b>63,614</b>
Current liabilities	18,066	16,954
Non-current liabilities	1,110	1,068
<b>Total liabilities</b>	<b>19,176</b>	<b>18,022</b>
<b>Net assets</b>	<b>46,210</b>	<b>45,592</b>

Funds under management are not included in the statement of financial position. They increased by 7.2 per cent to \$10.0 billion at 30 June 2012. The Company contracts the investment management of these funds to external investment managers. Refer to the Superannuation Industry Overview comment for further commentary about outsourcing arrangements.

## Company Activities

The Company was established by the SAS Trustee Corporation and is 100 per cent owned (at 30 June 2012) by the SAS Trustee Corporation Pooled Fund of which SAS Trustee Corporation is the trustee. It provides past and present NSW and Commonwealth public sector employees and their family members with financial planning and funds management services. Comment on the SAS Trustee Corporation Pooled Fund is included elsewhere in this report.

The Company acts as the Responsible Entity for the State Super Investment Fund, and as 'Registrable Superannuation Entities' Licensee for the State Super Retirement Fund and State Super Fixed Term Pension Plan.

For further information on the Company, refer to [www.ssfs.com.au](http://www.ssfs.com.au).

# Superannuation Administration Corporation (trading as Pillar Administration)

## Audit Opinion

I issued an unqualified audit opinion on the Superannuation Administration Corporation's (Corporation) 30 June 2012 financial statements.

## Operational Snapshot

The Corporation administers over 1.6 million members' accounts for a number of superannuation funds. These funds manage all superannuation related products including defined benefit schemes, accumulation funds, eligible rollover funds and retirement income streams.

In 2011-12, the revenue derived from the provision of these services amounted to \$77.2 million (\$76.7 million in 2010-11), resulting in a loss of \$2.2 million (profit of \$3.2 million).

## Key Issues

### Management of Major Projects

The Corporation took over the member administration services of the Public Sector Superannuation Accumulation Plan previously provided by ComSuper. The Corporation's initial cost estimate of the transition was \$1.2 million, however, the actual cost at 30 June 2012 amounted to \$5.3 million. The \$4.1 million overspend related to project management issues including process implementation, data migration and post implementation reviews.

The Corporation appointed a consultant to investigate the nature of the project overspend. This consultant recommended a number of improvements to the current process which the Corporation has accepted.

## Financial Information

### Abridged Statement of Comprehensive Income

Year ended 30 June	2012 \$'000	2011 \$'000
Revenue from provision of services	77,177	76,668
Other	1,656	2,807
<b>Total revenue</b>	<b>78,833</b>	<b>79,475</b>
Employee benefits expense	59,303	52,682
Other	22,978	21,675
<b>Total expenses</b>	<b>82,281</b>	<b>74,357</b>
<b>(Loss)/profit before income tax</b>	<b>(3,448)</b>	<b>5,118</b>
<b>Income tax benefit/(expense)</b>	<b>1,236</b>	<b>(1,313)</b>
<b>(Loss)/profit after income tax</b>	<b>(2,212)</b>	<b>3,805</b>
<b>Other comprehensive expense</b>	<b>--</b>	<b>(585)</b>
<b>Total comprehensive income/(expense)</b>	<b>(2,212)</b>	<b>3,220</b>

The Corporation spent \$4.1 million above its initial cost estimate to transition the Public Sector Superannuation Accumulation Plan

Total expenses increased by \$7.9 million mainly due to the Public Sector Superannuation Accumulation Plan overspend, resulting in the loss this year of \$2.2 million, a \$5.4 million downturn from a \$3.2 million profit last year.

## Abridged Statement of Financial Position

At 30 June	2012 \$'000	2011 \$'000
Current assets	17,180	23,365
Non-current assets	18,057	18,036
<b>Total assets</b>	<b>35,237</b>	<b>41,401</b>
Current liabilities	10,498	15,728
Non-current liabilities	4,431	3,153
<b>Total liabilities</b>	<b>14,929</b>	<b>18,881</b>
<b>Net assets</b>	<b>20,308</b>	<b>22,520</b>

Current assets decreased by \$6.1 million because of a reduced cash balance as at 30 June 2012. Current liabilities decreased by \$5.2 million due to current year loss resulting in no provision for dividends and tax.

## Corporation Activities

The Corporation's principal functions are the development, promotion and conduct of its business of providing superannuation scheme administration and related services, in both the public and private sectors.

The Corporation was established as a statutory State owned corporation under the *Superannuation Administration Authority Corporatisation Act 1999* and came into existence in July 1999.

For further information on the Corporation, refer to [www.pillar.com.au](http://www.pillar.com.au).

# WorkCover Authority of New South Wales

---

## Audit Opinion

I issued unqualified audit opinions on the WorkCover Authority of New South Wales' and its controlled entity's 30 June 2012 financial statements.

Unless otherwise stated, the following commentary relates to the Authority.

## Operational Snapshot

The Authority is constituted under the *Workplace Injury Management and Workers Compensation Act 1998*. It administers:

- work health and safety
- licensing and registration
- workers' compensation insurance
- workers' compensation benefits
- return to employment for injured workers.

The Authority made a loss of \$80.3 million for the year ended 30 June 2012, which includes an actuarial loss of \$73.5 million for defined benefits superannuation liabilities.

## Key Issues

### Harmonisation of Work, Health and Safety Laws

The new Work Health and Safety laws replaced the Occupational, Health and Safety laws in New South Wales on 1 January 2012. The new laws aim to provide greater consistency and clarity to employers and workers in Australia on work safety requirements. The national model legislation aims to reduce 'red tape' for employers, and simplify laws for both employers and workers while keeping businesses accountable.

Harmonisation of work, health and safety laws was a key focus area over the past two years for the Authority. A Work, Health and Safety Implementation Project was established to ensure the Authority's new operational arrangements comply with the new legal requirements. The project will ensure appropriate enforcement or other compliance actions are taken in the event of a serious breach of the new legislation.

### Workplace inspections

#### *Recommendation*

**The Authority should ensure relevant officers complete the necessary training programs on changes to the work, health and safety laws.**

The Authority developed a number of face-to-face and online training modules on changes to the work, health and safety laws. At 30 June 2012, not all of the Authority's inspectors and business advisory officers had attended or completed the training modules. The harmonised law was already in operation for six months. Attendance and completion of the training modules is critical to the Authority's officers' understanding of the new laws to ensure appropriate enforcement actions are applied.

The Authority may be exposed to operational risks if enforcement actions against non-compliant employers do not follow proper procedures. Business advisory officers also provide advice, education and practical assistance to NSW businesses.

Work health and safety laws provide greater consistency and clarity to employers in Australia on work safety requirements

Failing to ensure inspectors complete necessary training exposes the Authority to operational risks

## Performance Information

### Workplace Injury Rates

Year ended 30 June	Workplace injuries			
	2011	2010	2009	2008
Incidence rate (a)	8.9	9.1	10.0	10.0
Frequency rate (b)	5.3	5.4	6.0	5.8
Fatalities	51	51	75	53
Permanent disability	3,033	3,980	4,302	4,775

Source: New South Wales Workers Compensation data and WorkCover Authority (unaudited).

a Incidence rate measures the number of injuries per 1,000 employees.

b Frequency rate is the number of injuries per million hours worked.

The Authority monitors changes in the incidence rates for major injuries and workplace fatalities to measure the effectiveness of its activities to minimise workplace injury. The Authority advised that the most recent figures available are for 2010-11 and show that workplace injury rates were at their lowest levels since the workers' compensation scheme commenced in 1987.

The agriculture, forestry and fishing industry had the highest rate of major workplace injuries with 18.1 per 1,000 employees. The industries with the highest number of fatalities were property and business services with ten and transport and storage with seven.

### Enforcement Activity

Year ended 30 June	Notices Issued		
	2012	2011	2010
Penalty notices (a)	357	587	688
Prohibition notices (b)	601	832	856
Improvement notices (c)	8,858	11,318	12,161
Confirmation of 'advice records' (d)	4,220	2,272	2,486

Source: WorkCover Authority (unaudited).

- a Issued for offences under the *Occupational Health and Safety Act 2000*, Occupational Health and Safety Regulation 2001, the Occupational Health and Safety (Clothing Factory Registration) Regulation 2001 (from 1 July 2011 to 31 December 2011) and the *Work Health and Safety Act 2011* (from 1 January 2012 to 30 June 2012) where it appears that a person has committed an offence.
- b Issued in response to an immediate risk to the health or safety of any person and prohibits the activity until the risk is remedied. These will usually, but not always, constitute a breach of the *Occupation Health and Safety Act 2000* or the Occupational Health and Safety Regulation 2001 (from 1 July 2011 to 31 December 2011) and the *Work Health and Safety Act 2011* (from 1 January 2012 to 30 June 2012)
- c Issued in response to apparent breaches of the *Occupation Health and Safety Act 2000*, the Occupational Health and Safety Regulation 2001, the Occupational Health and Safety (Clothing Factory Registration) Regulation 2001 (from 1 July 2011 to 31 December 2011) and the *Work Health and Safety Act 2011* (from 1 January 2012 to 30 June 2012) or for administrative breaches of legislation, to rectify systems of work or hazards which do not pose an immediate risk to the health or safety of any person.
- d Encourage employers to examine how they can make improvements to the way they manage workplace safety.

The Authority focuses on providing information and advice to ensure employers meet their workplace safety obligations, and attributes this to the general reduction in the number of prohibition and penalty notices issued.

Confirmation of 'advice records' increased as a result of the national harmonisation of the Authority's workplace health and safety's approach to compliance and enforcement. The Authority issued 1,028 confirmation of 'advice records' between 1 July 2011 and 31 December 2011 and a further 3,192 advice records as part of issuing inspection reports following workplace visits.

There was a significant decrease in the number of penalty notices issued in 2012

The Authority should review the underlying cause of the significant reduction of penalty notices, prohibition notices and improvement notices issued in 2011-12. The reduction in notices issued is consistent with the decrease in the trend of injuries, (shown above). However, the decline in notices issued may be a result of the 11 per cent decrease in the number of inspectors.

## Financial Information

### Abridged Statements of Comprehensive Income

Year ended 30 June	Consolidated		Parent	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Retained taxes, fees and fines	250,130	245,463	250,130	245,463
Investment revenue	6,700	13,215	6,700	13,215
Other	14,725	10,210	15,514	11,065
<b>Total revenue</b>	<b>271,555</b>	<b>268,888</b>	<b>272,344</b>	<b>269,743</b>
<b>Total expenses</b>	<b>349,893</b>	<b>263,355</b>	<b>350,682</b>	<b>264,211</b>
Gain/(loss) on disposal	41	(77)	41	(77)
Other losses	(2,023)	(2,184)	(2,023)	(2,184)
<b>Surplus/(deficit)</b>	<b>(80,320)</b>	<b>3,271</b>	<b>(80,320)</b>	<b>3,271</b>
<b>Other comprehensive income</b>				
Transfer from asset revaluation reserve	487	621	487	621
Revaluation of land and buildings - decrement	(487)	(621)	(487)	(621)
<b>Total other comprehensive income/(expense)</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>
<b>Total comprehensive income/(expense)</b>	<b>(80,320)</b>	<b>3,271</b>	<b>(80,320)</b>	<b>3,271</b>

Investment revenue decreased by \$6.5 million due to declining investment returns.

Other revenue increased by \$4.5 million because of the introduction of a shared service costing model from 1 July 2011, which improved cost recovery on the activities performed for other agencies.

Total expenditure increased by \$86.5 million mainly as a result of higher superannuation expense in the current year. Superannuation expense increased due to a lower discount rate used in the actuarial valuation of superannuation liabilities.

### Abridged Statements of Financial Position

At 30 June	Consolidated		Parent	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Cash and investments	202,677	187,774	202,676	187,773
Other	73,385	88,921	73,024	88,085
<b>Total assets</b>	<b>276,062</b>	<b>276,695</b>	<b>275,700</b>	<b>275,858</b>
Outstanding claims	145,671	127,908	145,671	127,908
Other	246,706	184,782	246,344	183,945
<b>Total liabilities</b>	<b>392,377</b>	<b>312,690</b>	<b>392,015</b>	<b>311,853</b>
<b>Net liabilities</b>	<b>116,315</b>	<b>35,995</b>	<b>116,315</b>	<b>35,995</b>

Cash and investments increased by \$14.9 million primarily due to reduced general operating expenses because of a higher staff vacancy rate in 2011-12. Grant payments were lower and the sale of a parcel of land at the Authority's TestSafe site to NSW Police added \$1.8 million to the cash and investments balance.

Outstanding claims increased by \$17.8 million due to a lower discount rate used in valuing these liabilities.

The financial position of the Authority showed a deficit of \$116 million at 30 June 2012. The financial statements were prepared on a going concern basis because the *Workplace Injury Management and Workers Compensation Act 1998* allows for additional funding to be provided to meet the needs of the Authority, subject to the minister's approval.

## Authority Activities

The Authority:

- promotes the prevention of work-related injuries and diseases and assists workplaces to become healthier and safer
- promotes prompt, efficient and effective management of injuries to persons at work
- ensures efficient operation of workers' compensation insurance arrangements
- coordinates the administration of schemes relating to workers' compensation and occupational health and safety legislation.

The Authority directs, controls and manages four active funds - the WorkCover Authority Fund, the Insurers' Guarantee Fund, the Emergency and Rescue Workers' Compensation Fund and the Bush Fire Fighters' Compensation Fund. The Authority's financial report combines the results and financial positions of these funds. The NSW WorkCover Scheme's operations are not included in the financial report. The Chief Executive Officer of the Authority and the Board of Directors are subject to the control and direction of the Minister for Finance and Services.

For further information on the Authority, refer to [www.workcover.nsw.gov.au](http://www.workcover.nsw.gov.au).

## Controlled Entity

The following controlled entity has not been reported on separately as it is not considered material by its size or the nature of its operations to the consolidated entity.

Entity Name	Website
Workers' Compensation Commission of New South Wales	<a href="http://www.wcc.nsw.gov.au">www.wcc.nsw.gov.au</a> .

# Workers Compensation Nominal Insurer (trading as the NSW WorkCover Scheme)

## Audit Opinion

I issued an unqualified audit opinion on the Workers' Compensation Nominal Insurer's (trading as the NSW WorkCover Scheme) 30 June 2012 financial statements.

My audit report drew attention to the significant uncertainty in estimating the Scheme's outstanding claims liabilities due to the June 2012 New South Wales Workers' Compensation Reforms. The Scheme's actuary made significant assumptions in order to assess the financial impact of the reforms which may materially differ from actual results. This uncertainty is likely to remain until sufficient post reform claims experience is available.

## Operational Snapshot

The Scheme collects premiums for workers' compensation insurance policies and pays benefits to injured workers.

The Scheme's investments balance at 30 June 2012 was \$12.8 billion (\$11.4 billion at 30 June 2011) to meet long-term claims. The outstanding liability for benefit payments to injured workers was \$14.6 billion (\$14.7 billion).

## Key Issues

### Reforms Improve Scheme's Financial Position

The Scheme's net liabilities decreased from \$2.4 billion at 30 June 2011 to \$1.5 billion at 30 June 2012. The improvement reflects the impact of the Worker's Compensation Reforms.

The Scheme aims to maintain an asset to liability ratio of between 90 and 110 per cent. At 30 June 2012, the ratio increased to 91 per cent from 85 per cent at 30 June 2011 largely due to changes in workers' compensation legislation.

The movements in the Scheme's funding ratio for the last five years were:

At 30 June	2012	2011	2010	2009	2008
Surplus/(deficit) (\$m)	866	(780)	(101)	(2,107)	(187)
Net assets/(liabilities) (\$m)	(1,497)	(2,363)	(1,583)	(1,482)	625
Funding ratio (%)	91	85	89	89	104

The overall shortfall in net assets was \$1.5 billion at 30 June 2012. This is within the Scheme's target funding ratio of between 90 to 110 per cent



The Scheme is required to apply a risk margin to its outstanding claims liability under Australian Accounting Standards to reflect inherent uncertainty in the calculation of outstanding liabilities. The risk margin applied for the 2012 valuation was 16 per cent. The Scheme's actuary advised that, at 30 June 2012, excluding the risk margin, the Scheme can meet net claims and other operating costs.

The key drivers of the increase in the outstanding claims liability are movements in the discount rate, inflation rate and changes to the risk margin. The impact of these factors over the last five years was:

At 30 June	5 Year Total \$m	2012 \$m	2011 \$m	2010 \$m	2009 \$m	2008 \$m
Opening liability	9,859	14,737	13,152	12,002	10,485	9,859
Changes due to:						
Actuarial assumptions	(268)	(2,313)	829	401	703	112
Discount/inflation rates	4,119	1,819	521	660	715	404
Risk margins	904	459	170	123	80	72
Net claims incurred	527	89	240	141	19	38
Expected expenses on claim payments	(526)	(176)	(175)	(175)	--(*)	--(*)
<b>Closing liability</b>	<b>14,615</b>	<b>14,615</b>	<b>14,737</b>	<b>13,152</b>	<b>12,002</b>	<b>10,485</b>

Source: WorkCover New South Wales 2012 Annual Report.

\* Expected expenses on claim payments not separately disclosed in the actuary's report.

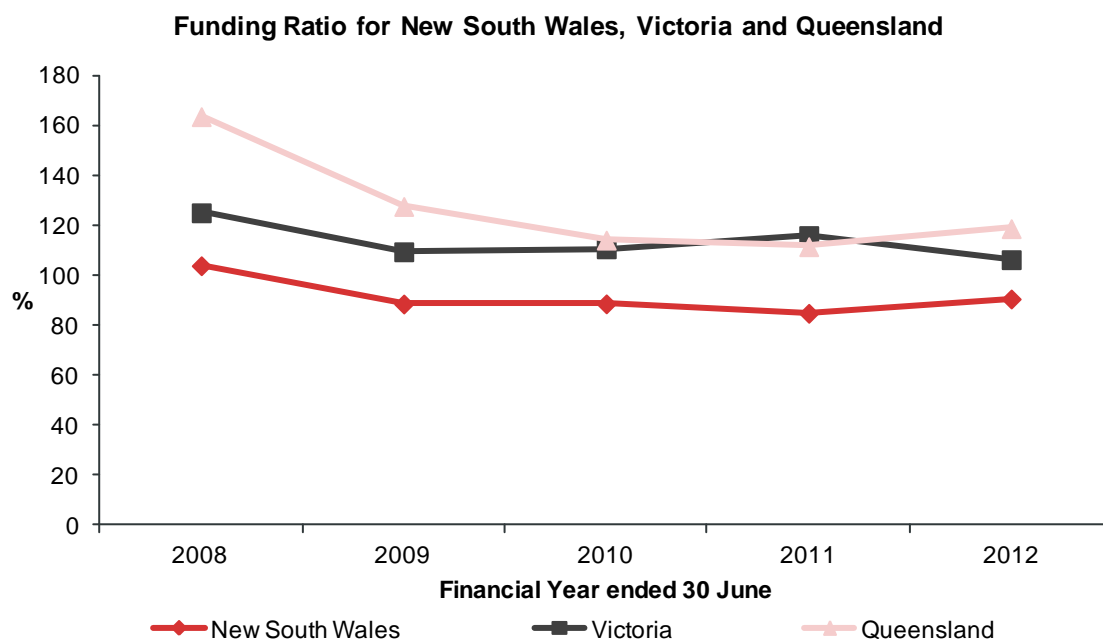
The decrease in actuarial assumptions for 2012 reflects the result of reforms to workers compensation legislation. The Scheme's risk margin increased from 12 per cent to 16 per cent in 2011-12 to reflect additional uncertainty around the impact of the reforms.

Discount and inflation rates significantly impacted the scheme liabilities in 2011-12 because of the fall in the Commonwealth bond rates applied in the valuation model, as required by the relevant accounting standard.

## NSW Workers Compensation Reforms

Over the last five years, the value of claims paid to injured workers increased by 33 per cent while premiums collected from employers increased by only three per cent. By comparison, in the Victorian compensation scheme, claims and premiums increased by 17 per cent and 15 per cent respectively. In Queensland, premiums increased 66 per cent and claims paid increased by 35 per cent over the same period.

The movement in the funding ratio for New South Wales, Victoria and Queensland is shown below.



Source: WorkCover New South Wales, WorkSafe Victoria and WorkCover Queensland 2012 Annual Reports.

In my 2011 report, I noted that the Scheme's estimated premium collection for 2011-12 was below requirements and outlined four methods which could be used to reduce the Scheme's liability. These were:

- improved claims management
- improved returns on investments
- reduced benefits to injured workers
- increased premiums paid by employers.

At 31 December 2011, the Scheme's net deficit was estimated at \$4.1 billion, an increase of \$1.7 billion since 30 June 2011.

A Joint Parliamentary Committee was established in 2012. The committee reviewed the financial sustainability of the Scheme (including its impact on the NSW economy) and its success in returning injured workers back to work. The committee's final report was published on 13 June 2012.

In response, the government announced a series of legislative reforms including:

- changes in the way a worker's pre-injury earnings are calculated
- limiting weekly benefits paid to workers to five years from the date of claim (except for seriously injured workers)
- limiting medical benefits to one year after a worker ceases receiving weekly benefits (except for seriously injured workers)
- introduction of work capacity assessments
- new arrangements for journey claims, lump sum payments, nervous shock, heart attack, stroke and disease injury claims.

The financial impact of the reforms is estimated to save the Scheme \$3.1 billion

These reforms were implemented in stages from June 2012, with all new claims on or after 1 October 2012 subject to the new arrangements. Existing claims will be transitioned to the new arrangements in 2013.

The Scheme's actuary estimated that, as a result of these changes, the Scheme's deficit decreased by about \$3.1 billion. However, this estimate is subject to significant uncertainty and the actual impact may be materially different. The final result will depend on a number of factors including the successful implementation of the reforms and behavioural attitudes of claimants.

## Significant Uncertainties Remain After the Reform

### *Recommendation*

**The minister should consider addressing uncertainties of the impact of workers compensation reforms as part of the scheduled review of the reforms required under the legislation.**

The expected outcome of the reform is to reduce claim costs and reduce Scheme deficits by restricting the amounts and terms of payments of benefits and improving return to work outcomes. Some areas where the impacts from the reforms appear uncertain include:

- the deterioration in Workplace Injury Damages was not addressed. The restrictions placed on weekly and medical benefits may result in more injured workers pursuing Workplace Injury Damages settlements
- Whole Person Impairment assessments by doctors are used to determine an injured worker's entitlement to weekly and medical benefits. By linking the amount of benefits paid to the Whole Person Impairment assessments, injured workers may search for doctors who provide more generous assessments
- injured workers are allowed only one Whole Person Impairment assessment. Any decline in their health after the initial assessment is not factored into their compensation. As a result, injured workers may be penalised if their health declines after the original assessment
- in order to maintain access to medical benefits, injured workers may stay on weekly benefits longer (or reactivate a weekly benefit for a short period each year).

## Statutory Non-Economic Loss Benefits - Maximising Claims

Last year, I reported that changes in claimants' behaviour indicated attempts to maximise compensation claims for statutory non-economic loss (SNEL) benefits resulting in increased Scheme costs.

Scheme reforms now placed restrictions on SNEL benefits by:

- eliminating smaller claims with the introduction of a ten per cent threshold on permanent impairment
- eliminating entitlements relating to pain and suffering for this type of claim.

## Workplace Injury Damages Claims

Workplace Injury Damages (WID) claims are made when an injured worker takes legal action against their employer. Damages are paid as one lump sum and only cover the economic loss of past and future earnings. These types of claims emerge slowly over time, and are finalised even more slowly.

Last year, I reported that proactive management was required to prevent the 'lump-sum culture' re-emerging in the Scheme and avoid significant increases in Scheme costs.

The legislative reforms did not address the deterioration in the Scheme's WID. As a result of the lower weekly and medical benefits payable to less-severely injured workers, there may be a stronger incentive for workers in certain circumstances to prefer a WID settlement.

Scheme reforms have taken action to reduce the increasing cost of statutory non-economic loss claims

Lump sum claims represent 15 per cent of the Scheme's total liability and are increasing. The reform did not adequately address this issue

At 30 June 2012, the estimated WID liability was \$1.8 billion (\$1.5 billion in 2011) which represents around 15 per cent of the Scheme's total liability. Workplace Injury Damages claims in 2007 were only \$508 million or six per cent. The continued increase in the WID liability during the year ended 30 June 2012 suggests the 'lump-sum culture' was becoming more entrenched.

## Performance Information

### Number of Claims Incurred

The Scheme is responsible for claims incurred from 1986-87. The Scheme's actuary estimated the total number of claims incurred over the life of the Scheme was 2,677,953.

The trend in claims incurred over the last five years is:

At 30 June	2012	2011	2010	2009	2008
Claims incurred (No.)	76,630	80,992	80,507	83,140	88,891
Claims not yet reported (No.)	4,858	1,170	748	543	434
<b>Total claims (No.)</b>	<b>81,488</b>	<b>82,162</b>	<b>81,255</b>	<b>83,683</b>	<b>89,325</b>

In recent years, the number of claims reported has decreased, which is primarily attributed to general reduction in economic activities and improved occupational health and safety practices by employers.

### Investment Performance of the Scheme

The following table shows the Scheme's actual and benchmark investment return percentages for the last three years:

Year ended 30 June	Investment Performance per annum		
	2012 %	2011 %	2010 %
Investment return	7.8	8.0	11.0
Benchmark return	8.4	7.6	11.3

Source: WorkCover New South Wales 2012 Annual Report (unaudited).

Since the Scheme's commencement, its investments have returned 5.6 per cent per annum (5.2 per cent at 30 June 2011) and outperformed the benchmark by 0.4 per cent (0.6 per cent).

### Credit Worthiness of the Scheme's Investments

Indexed and interest bearing investments comprise 65 per cent of the Scheme's investments at 30 June 2012 (67 per cent). An investment's credit rating is a key measure of its credit worthiness (or likelihood of default). Credit ratings and holdings of the Scheme's cash and interest bearing investments at 30 June were:

At 30 June	2012 %	2011 %
<b>Rating:</b>		
AAA/aaa	73	83
AA/Aa	14	9
A/A	5	5
BBB	4	3
No rating	4	--
<b>Total</b>	<b>100</b>	<b>100</b>

Source: WorkCover New South Wales 2012 Annual Report.

Investments rated BBB and above are considered investment grade. The Scheme's holding of AAA rated securities decreased in 2012 as a result of ratings downgrades of counterparties and purchases of unrated infrastructure debt. The Scheme's asset allocation has a maximum exposure of four per cent to infrastructure debt assets.

Lower rated investments are more susceptible to adverse changes in issuer circumstances and economic conditions, which may impact the value of the investment.

## Financial Information

### Abridged Statement of Comprehensive Income

Year ended 30 June	2012 \$m	2011 \$m
Net earned premiums	2,509	2,495
Investment income	939	922
Other income	132	92
<b>Total revenue</b>	<b>3,580</b>	<b>3,509</b>
Claims incurred	2,016	3,597
Management fees	404	333
Statutory levies	229	233
Other expenses	65	126
<b>Total expenses</b>	<b>2,714</b>	<b>4,289</b>
<b>Surplus/(deficit)</b>	<b>866</b>	<b>(780)</b>
<b>Total comprehensive income/(expense)</b>	<b>866</b>	<b>(780)</b>

The decrease in claims incurred of \$1.6 billion reflects the impact of the reforms on outstanding claims liability (\$525 million increase in 2010-11). Net claims comprise compensation payments and movement in outstanding claims liabilities.

### Abridged Statement of Financial Position

At 30 June	2012 \$m	2011 \$m
Investments	12,784	11,381
Other	1,781	1,946
<b>Total assets</b>	<b>14,565</b>	<b>13,327</b>
Outstanding claims	14,615	14,737
Other	1,447	953
<b>Total liabilities</b>	<b>16,062</b>	<b>15,690</b>
<b>Net liabilities</b>	<b>1,497</b>	<b>2,363</b>

Investments increased by \$1.4 billion due to increases in investment values and investment earnings (\$662 million increase in 2010-11).

Overall net liabilities improved because of the impact of the Workers' Compensation Reform.

## Investments

At 30 June	2012 \$m	2011 \$m
Indexed and interest bearing securities	8,338	7,597
Australian equities	1,205	702
International equities	1,547	1,473
Unit trusts	1,536	1,465
Derivative assets	158	144
<b>Total investments</b>	<b>12,784</b>	<b>11,381</b>
Derivative liabilities	165	125
<b>Net investments</b>	<b>12,619</b>	<b>11,256</b>

The Scheme's strategic asset allocation changed during the year. The Scheme increased growth asset holdings such as equities by one per cent (two per cent in 2010-11), with the corresponding decrease in defensive assets such as bonds.

## Scheme Activities

The Scheme was established under the *Workers Compensation Act 1987*. It comprises two entities, the Workers' Compensation Nominal Insurer and the Workers' Compensation Insurance Fund. The Nominal Insurer manages the Insurance Fund.

The Nominal Insurer operates as a licensed workers' compensation insurer. The Insurance Fund holds premiums, investment funds and all other funds received. Effective operation of the Nominal Insurer and Insurance Fund commenced on 1 July 2005 when the assets and liabilities of the former WorkCover Scheme Statutory Funds were transferred to the Insurance Fund and the Nominal Insurer.

The WorkCover Authority does not control, but does act for, the Nominal Insurer.

The *Safety, Return to Work and Support Board Act 2012* established the Safety, Return to Work and Support Board to determine investment policies for Insurance Fund assets. The Board reports to the minister on the investment performance of the Insurance Fund.

For further information on the Scheme, refer to [www.workcover.nsw.gov.au](http://www.workcover.nsw.gov.au).

# Infrastructure NSW

## Audit Opinion

I issued unqualified audit opinions on Infrastructure NSW's and its controlled entity's 30 June 2012 financial statements.

Unless otherwise stated, the commentary relates to the consolidated entity.

## Operational Snapshot

Infrastructure NSW was established in July 2011 to assist the NSW Government in identifying and prioritising the delivery of critical public infrastructure for New South Wales.

## Other Issues

### The 20-Year State Infrastructure Strategy

In July 2011, Infrastructure NSW was tasked with preparing a 20-year strategy that assesses the current state of infrastructure and identifies strategic priorities across New South Wales in a broad range of sectors. On 3 October 2012, Infrastructure NSW released the State Infrastructure Strategy highlighting 70 recommendations with five, ten and 20-year investment horizons.

The strategy sets out a total funding requirement of \$30.4 billion over a 20-year period, of which \$10.6 billion is expected to be funded by users of the infrastructure and the remaining \$19.8 billion by the NSW Government. The strategy proposes that the infrastructure priorities can be delivered within a sustainable budgetary framework using the following funding strategies:

- tolls on new and upgraded motor links
- Restart NSW funding
- reduction in public transport subsidies
- limited reprioritisation of current capital projects
- Commonwealth contributions for projects that align with Infrastructure Australia's key findings
- value capture from beneficiaries of new infrastructure.

The ultimate strategy adopted by the NSW Government will be implemented through annual Five-Year Infrastructure Plans which will identify specific major infrastructure projects to be undertaken as a priority. Infrastructure NSW will be required to prepare these plans and expects to deliver the first Five-Year Infrastructure Plan in early 2013.

### Sydney International Convention, Exhibition and Entertainment Precinct (SICEEP)

The NSW Government and the private sector are partnering to create Australia's largest convention, exhibition and entertainment facilities in a renewed Darling Harbour. SICEEP is being delivered by Infrastructure NSW. Two consortia have submitted bids to design, build and operate the SICEEP.

In September 2011, the government used powers under the *Infrastructure NSW Act 2011* to make Infrastructure NSW responsible for delivery of the SICEEP project. The Sydney Harbour Foreshore Authority (SHFA) previously had this responsibility. This is the first infrastructure project under which the government has exercised these powers. The SHFA continues to record the infrastructure assets in its books.

The 20 Year State Infrastructure Strategy was released in October 2012

Infrastructure NSW will oversee the redevelopment of Darling Harbour

Restart NSW  
will help fund  
major  
infrastructure  
projects

## Restart NSW

Restart NSW is a special account established and managed by Treasury. Restart NSW is to fund major infrastructure projects that will improve public transport, roads, and infrastructure required for economic competitiveness of New South Wales. Infrastructure NSW's role is to assess and make recommendations to the NSW Government for the use of the funds.

The proposed funding sources of Restart NSW are:

- windfall tax revenues
- additional borrowings including new Waratah Bonds
- proceeds from the sale of assets including the long-term lease of Sydney's Desalination Plant, Port Botany and Port Kembla and the transfer of electricity generator assets.

Thirty per cent of payments from this fund will be dedicated to infrastructure projects in rural and regional areas in New South Wales outside the metropolitan areas of Sydney, Newcastle and Wollongong.

## Financial Information

### Abridged Statement of Comprehensive Income

Year ended 30 June	Consolidated	Parent
	2012 \$'000	2012 \$'000
Employee related expenses	3,275	--
Personnel services	--	3,266
Other expenses	13,206	13,206
<b>Total expenses</b>	<b>16,481</b>	<b>16,472</b>
Sale of goods and services	6,772	6,772
Grants and contributions	10,900	10,900
Other	149	140
<b>Total revenues</b>	<b>17,821</b>	<b>17,812</b>
<b>Net result - surplus</b>	<b>1,340</b>	<b>1,340</b>
<b>Total comprehensive income</b>	<b>1,340</b>	<b>1,340</b>

The sale of goods and services revenue of \$6.8 million relates to the amount recouped from SHFA for advisory and consultancy services for the delivery of the SICEEP project. Excluding this \$6.8 million recouped from SHFA, expenses totalled \$9.7 million against a budget of \$10.9 million. These expenses were incurred on the following areas:

- \$1.7 million was spent on expert reports which formed the development of the 20-year State Infrastructure Strategy.
- \$1.9 million was spent on other key projects including the development of an assurance framework and monthly reporting tool for major infrastructure projects; a report on a Better Infrastructure Value Plan in relation to infrastructure delivery; and independent review and industry engagement in regards to the North West Rail Link project.
- \$6.1 million was spent on resourcing (including employee costs and contracted labour hire), operations and governance of Infrastructure NSW's activities.



## Abridged Statement of Financial Position

At 30 June	Consolidated	Parent
	2012 \$'000	2012 \$'000
Current assets	4,418	4,418
Non-current assets	809	809
<b>Total assets</b>	<b>5,227</b>	<b>5,227</b>
Current liabilities	3,423	3,424
Non-current liabilities	464	463
<b>Total liabilities</b>	<b>3,887</b>	<b>3,887</b>
<b>Net assets</b>	<b>1,340</b>	<b>1,340</b>

## Agency Activities

Infrastructure NSW is a statutory body established under the *Infrastructure NSW Act 2011*. It reports to the Premier and advises NSW Government on economic and regulatory impediments to infrastructure delivery and funding approaches. Its key services are:

- preparing infrastructure plans and strategies
- reviewing and evaluating proposed major infrastructure projects
- overseeing and monitoring the delivery of major projects
- responsibility for the delivery of specified major infrastructure projects.

For further information see <http://www.infrastructure.nsw.gov.au>.

# Liability Management Ministerial Corporation

## Audit Opinion

I issued an unqualified audit opinion on the Liability Management Ministerial Corporation's 30 June 2012 financial statements.

## Operational Snapshot

The Corporation has been dormant in recent years. The 2011-12 Budget Papers announced the recommencement of the Corporation's operations to accumulate an asset portfolio to fund superannuation liabilities.

The Corporation was used for this purpose between 2002 and 2006. In 2007, it paid \$7.2 billion to the Crown Entity, which transferred the funds to the SAS Trustee Corporation (State Super) to reduce superannuation liabilities by the same amount.

The *Fiscal Responsibility Act 2012* includes a target of eliminating the State's unfunded superannuation liabilities by 2030.

## Key Issues

### Statutory Review of Legislation

The Treasurer was required to perform a review of the *General Government Liability Management Fund Act 2002* as soon as possible after five years from the date of its assent. A report on the outcome of the review was to be tabled in each House of Parliament within 12 months after the period of five years. The date of assent was 10 July 2002. No review of the legislation has occurred.

Treasury advises a review will commence as soon as possible and no later than March 2013.

### Other Information

Judges' pension obligations arising under the *Judges' Pensions Act 1953* were to transfer to the Corporation from the Crown Entity in 2011-12, but this has not occurred. The Corporation's statutory functions are limited to managing the General Government Liability Management Fund and do not include holding of liabilities. Therefore, judges' pension liabilities remain with the Crown Entity, which will be discussed in a later volume.

## Financial Information

### Abridged Statement of Comprehensive Income

Year ended 30 June	2012 \$'000	2011 \$'000
Grants and contributions	14,835	--
Investment revenue	202	--
<b>Total revenue</b>	<b>15,037</b>	<b>--</b>
Other	95	--
<b>Total expenses</b>	<b>95</b>	<b>--</b>
<b>Surplus</b>	<b>14,942</b>	<b>--</b>
<b>Total comprehensive income</b>	<b>14,942</b>	<b>--</b>

The Corporation received a contribution from the Crown Entity of \$14.8 million (nil in 2010-11).

The Liability Management Ministerial Corporation has recommenced accumulating assets for funding State superannuation liabilities

A review of the General Government Liability Management Fund Act 2002 is overdue

Judges pension liabilities have not transferred to the Liability Management Ministerial Corporation as planned

## Abridged Statement of Financial Position

At 30 June	2012 \$'000	2011 \$'000
Current assets	520	--
Non-current assets	14,527	--
<b>Total assets</b>	<b>15,047</b>	<b>--</b>
Current liabilities	105	--
Non-current liabilities	--	--
<b>Total liabilities</b>	<b>105</b>	<b>--</b>
<b>Net assets</b>	<b>14,942</b>	<b>--</b>

Non-current assets comprise amounts invested with New South Wales Treasury Corporation.

## Corporation Activities

The Corporation is a statutory body constituted under the *General Government Liability Management Fund Act 2002*. The Corporation manages the General Government Liability Management Fund established under the same legislation. This fund accepts contributions from the Crown Entity. Payments out of the fund are generally restricted to settling General Government superannuation obligations or other specific government borrowings.

# New South Wales Treasury Corporation

## Audit Opinion

I issued unqualified audit opinions on New South Wales Treasury Corporation (TCorp) and its controlled entities' financial statements for the year ended 30 June 2012.

Unless otherwise stated, the following commentary relates to the consolidated entity.

## Operational Snapshot

TCorp is the central financing authority for the NSW public sector. It raises funds in the financial markets, which it lends to government agencies.

Year ended 30 June	2012 \$'000	2011 \$'000
Profit after tax	54,159	106,018
Loans to the NSW public sector	58,406,519	49,515,921
Assets managed for the NSW public sector	18,548,157	20,574,361
Liabilities managed for the NSW public sector	45,519,283	36,016,000

## Key Issues

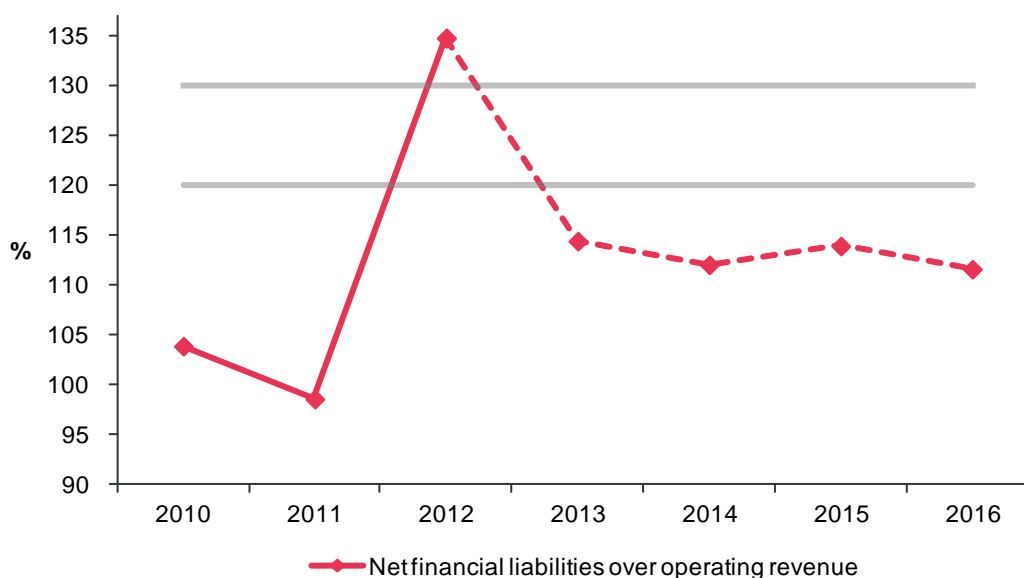
### AAA Credit Rating

The State of New South Wales and TCorp have both maintained credit ratings of AAA from Standard & Poor's, Aaa/Stable from Moody's Investors Service and AAA from Fitch Ratings. In October 2012, Standard & Poor's reaffirmed the State's AAA credit rating but lowered the outlook to negative. Their view is that there is a one in three chance of a downgrade in the next two years. Moody's and Fitch Ratings last assessed the State's credit rating outlook as being stable and are expected to issue formal credit opinions in coming months. TCorp's rating is closely related to the credit rating of the State.

Ratings agencies use a variety of quantitative factors and apply judgment to determine the credit rating. Agencies frequently identify a key metric for triggering a review of a rating. The following graph shows the State exceeded Standard & Poor's credit rating review trigger at 30 June 2012.

The State of  
New South  
Wales maintains  
its AAA credit  
rating

### Standard & Poor's Credit Rating Review Trigger



Source: 2012-13 budget papers (unaudited), Audit Office calculations.

Note: Standard & Poor's definition of net financial liabilities is net debt plus unfunded superannuation liabilities.

The Net Financial Liabilities ratio is only one indicator of the State's credit-worthiness. Standard & Poor's has already identified the State can tolerate higher levels of net financial liabilities than most jurisdictions. With the exception of Victoria, trigger ranges for other Australian states and territories are lower than for New South Wales.

Other factors relevant to ratings agencies when assessing the State's and TCorp's credit rating include:

- prevailing economic conditions
- budgetary performance and flexibility
- the ability of the State to service borrowings
- liquidity of the State's balance sheet
- financial management processes and financial reporting.

Ratings agencies may update their formal opinions at any time, if they perceive material changes in credit-worthiness have occurred.

## Performance Information

### Funding the NSW Public Sector

Infrastructure investment programs are funded through revenues, capital grants from the State Budget and debt. The government's 2012-13 Infrastructure Statement plans for increased capital spending in the transport, electricity and health sectors. TCorp will increase its total borrowings to meet these infrastructure needs.

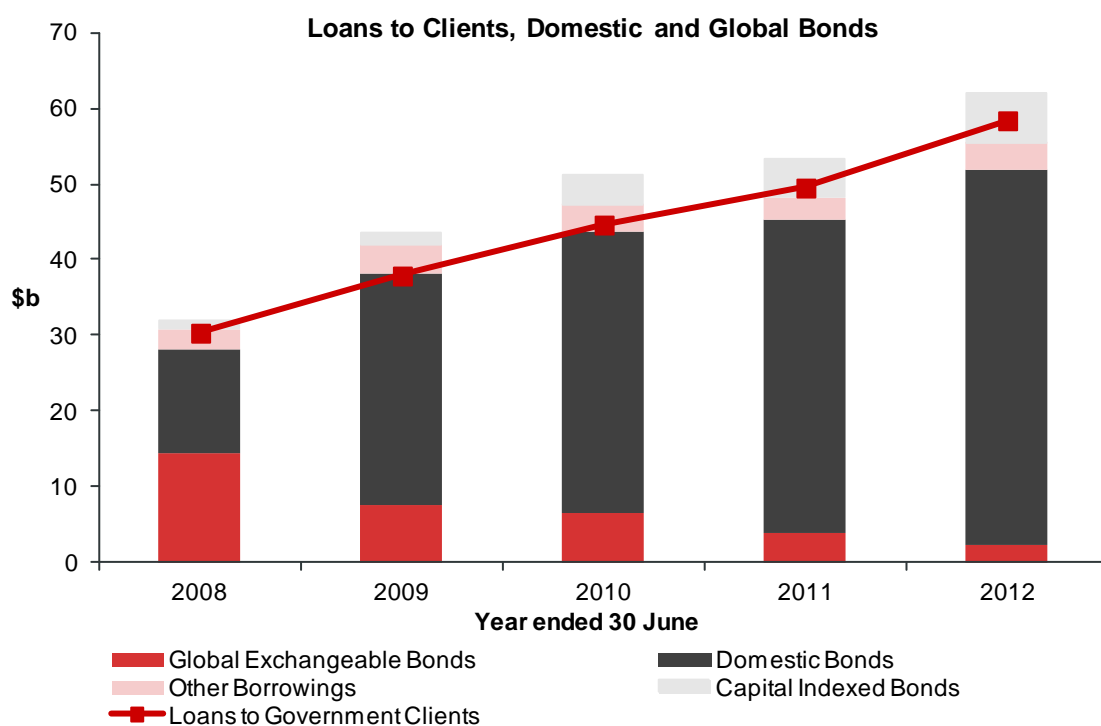
Weakening overseas financial markets has seen a rising demand for Australian dollar bonds. TCorp has taken advantage of this and raised \$12.1 billion (\$11.2 billion in 2010-11) during the year. TCorp used these funds, along with the \$3.0 billion pre-funded in 2010-11, to finance the \$4.0 billion (\$4.9 billion) net increase in client loans and to refinance existing liabilities of \$9.2 billion (\$8.8 billion).

Weak overseas financial markets saw a rising demand for Australian dollar bonds

The State of New South Wales has participated in the Australian Government Guarantee Scheme since June 2009. The Guarantee Scheme closed to new issuances from 31 December 2010. Total guarantee fees paid by the State in 2011-12 were \$21.7 million (\$31.1 million). TCorp continues to encourage investors to switch from Commonwealth guaranteed bonds to State guaranteed bonds. This strategy resulted in \$4.7 billion in Commonwealth guaranteed bonds being retired during 2011-12 (\$4.1 million) and will reduce guarantee fees in the future. However, payments will continue until the last Commonwealth guaranteed bond matures on 1 May 2023. Total Benchmark Bonds on issue were \$51.8 billion (\$45.1 billion) at 30 June 2012, which includes \$13.9 billion (\$18.5 billion) of Commonwealth guaranteed borrowings.

TCorp continued its commitment to issue capital indexed bonds (CIB) with \$6.5 billion (\$5.2 billion) on issue at year-end. These funds are used to meet the demand for capital indexed loans, which are attractive to clients whose revenues are subject to movements in CPI.

No new global exchangeable bonds have been issued since overseas holders of domestic bonds became eligible for the withholding tax exemption.



## Loans to Government Clients

At 30 June	2012 \$'000	2011 \$'000
<b>NSW public sector clients</b>		
Crown entity	25,480,810	18,968,696
Electricity sector	21,554,379	17,576,654
Transport sector	1,299,296	1,652,658
Water sector	7,851,155	8,850,528
Other sectors	2,175,819	2,425,283
Universities	45,060	42,102
<b>Total loans to government clients</b>	<b>58,406,519</b>	<b>49,515,921</b>

The 2012-13 budget papers project \$61.8 billion of capital spending over the four years to June 2016. This investment is a key driver of funding requirements and therefore loans to clients will increase over that period.

Refer to industry overviews and individual agency comments in this and other volumes of my 2012 Report for details on capital programs and borrowings.

## Waratah Bonds

The Treasurer launched the Waratah Bond Programme on 28 August 2011 with the introduction of three-year and ten-year fixed rate bonds with a minimum investment of \$10,000. More recently the programme launched annuity bonds with a minimum investment of \$25,000 and designated investments for skilled and business migrants to satisfy part of their visa requirements.

On 5 October 2012, the Treasurer announced the proceeds from Waratah Bonds had been invested in Restart NSW, the State's new infrastructure fund, established to fund critical economic and social infrastructure projects across the State. He stated that the NSW Government plans to raise an estimated \$200 million over four years through the Waratah Bond Programme.

At the date of this report, TCorp has issued approximately \$32.6 million of the Waratah bonds.

## Management of Client Debt

TCorp managed 22 client debt portfolios with a total portfolio value at 30 June 2012 of \$45.5 billion (\$36.0 billion). The largest portfolio was Treasury's \$24.9 billion (\$19.0 billion) Crown debt portfolio.

TCorp manages the interest rate risk of client debt portfolios. As bond yields fell sharply during the year, TCorp lengthened the maturity of client debt portfolios. Further falls in market bond yields towards the end of the financial year led to client debt portfolios underperforming against their benchmarks. As a result, the performance component of TCorp's debt management fees reduced by \$5.7 million compared to the previous year.

## Management of Client Investments

TCorp manages client investment through Hour-Glass investment facilities and discrete client mandates. The cash and fixed income portfolios are primarily managed internally while the remaining facilities are outsourced to external fund managers.

### Hour-Glass Investment Facilities

Hour-Glass Investment Facilities are managed funds established to meet the investment needs of public sector agencies.

The strategies adopted for cash facilities continued to be successful throughout the year and exceeded benchmark returns. Medium-term and long-term growth facilities are lagging behind benchmarks, primarily due to underperforming international and domestic equities.

Waratah bond proceeds will be invested in Restart NSW

TCorp managed agency debt portfolios valued at \$45.0 billion

TCorp provided the following information about its Hour-Glass Investment Facilities performance:

Year ended 30 June	2012	2011	2010	2009
Hour-Glass cash facility return %pa	4.90	5.37	4.46	5.35
Benchmark index return %pa	4.70	4.98	3.89	5.48
<b>Total market value \$m 30 June</b>	<b>4,113</b>	<b>3,747</b>	<b>3,465</b>	<b>3,053</b>
Hour-Glass strategic cash facility return %pa	5.02	5.58	4.62	5.80
Benchmark index return %pa	4.70	4.98	3.89	5.48
<b>Total market value \$m 30 June</b>	<b>1,955</b>	<b>1,724</b>	<b>1,632</b>	<b>990</b>
Hour-Glass medium-term growth facility return %pa	4.28	7.13	8.69	0.73
Benchmark return %pa	4.69	7.06	8.39	0.15
<b>Total market value \$m 30 June</b>	<b>183</b>	<b>231</b>	<b>372</b>	<b>337</b>
Hour-Glass long-term growth facility return %pa	(0.73)	8.51	11.28	(10.33)
Benchmark return %pa	0.61	8.43	10.86	(10.88)
<b>Total market value \$m 30 June</b>	<b>1,142</b>	<b>1,202</b>	<b>938</b>	<b>843</b>
Combined Treasury Managed Fund return %pa	(1.29)	8.56	8.37	(2.78)
Benchmark return %pa	(0.45)	9.07	8.57	(3.99)
<b>Total market value \$m 30 June</b>	<b>5,272</b>	<b>5,092</b>	<b>4,672</b>	<b>3,901</b>

Source: New South Wales Treasury Corporation (unaudited).

Note:

- 1 Benchmarks are either market index returns or peer groups for investment facilities with similar investment profiles to the relevant Hour-Glass facility.
- 2 Hour-Glass returns are reported net of fees.

### Discrete Client Funds

TCorp internally manages specific cash and fixed income portfolios for some public sector agencies. Funds invested fell to \$10.8 billion (\$12.9 billion) at 30 June 2012, as Treasury used the proceeds from the electricity sale included in the prior year balance.

TCorp takes a conservative approach to credit risk, consistent with the risk profile of client mandates. Its decisions around portfolio construction, timing of investments and security selection significantly influence investment returns. During 2011-12, investment returns on fixed income and inflation funds underperformed against benchmarks, whilst cash and book value funds outperformed their benchmark.

Significant investment performance is reported in separate comments for each agency in this and my other 2012 volumes.

### Other Information

I identified and reported to management opportunities for TCorp to improve its internal control procedures. Management has taken appropriate action.

### Information Technology

Information technology is critical to TCorp's day-to-day operations and management decision making. TCorp is progressing with its strategy to replace existing financial management software and hardware.

In 2011-12, TCorp's data centre was relocated to a highly secure site with modern infrastructure to enable TCorp to improve its capabilities as its needs expand.



## Financial Information

### Abridged Consolidated Statement of Comprehensive Income

Year ended 30 June	2012 \$'000	2011 \$'000
Income from changes in fair value	8,174,991	3,468,308
Expenses from changes in fair value	8,076,666	3,303,173
<b>Net Income from changes in fair value</b>	<b>98,325</b>	<b>165,135</b>
Fees and commissions	22,057	27,757
<b>Total net income</b>	<b>120,382</b>	<b>192,892</b>
Staff costs	18,331	20,597
Other costs	24,900	20,846
<b>Total general administrative costs</b>	<b>43,231</b>	<b>41,443</b>
<b>Profit before income tax equivalent expense</b>	<b>77,151</b>	<b>151,449</b>
Income tax equivalent expense	22,992	45,431
<b>Profit after tax</b>	<b>54,159</b>	<b>106,018</b>
<b>Other comprehensive losses</b>	<b>510</b>	<b>12</b>
<b>Total comprehensive income</b>	<b>53,649</b>	<b>106,006</b>

TCorp made a profit before tax of \$77.2 million

TCorp considers the profit before tax of \$77.2 million a good result, primarily reflecting its conservative approach to credit risk, which protected it from losses despite the volatile financial markets environment. In comparison, the result in the previous year is considered exceptional and largely due to one-off opportunities provided in the volatile markets.

The large increase in income and expenses from changes in fair value is due to the effect of the decreases in interest rates on balance sheet valuations. However, as assets and liabilities are largely matched, the movements in income and expenses largely offset.

### Abridged Consolidated Statement of Financial Position

At 30 June	2012 \$'000	2011 \$'000
Cash and liquid assets	1,650,752	1,012,870
Outstanding settlements receivable	--	464,966
Due from financial institutions	3,353,203	3,240,216
Securities held	6,216,622	5,919,466
Derivative financial instruments receivable	594,085	176,809
Loans to clients	58,406,519	49,515,921
Other assets	32,633	45,036
<b>Total assets</b>	<b>70,253,814</b>	<b>60,375,284</b>
Due to financial institutions	6,639,725	4,753,241
Outstanding settlements payable	25,155	565,469
Due to clients	748,128	1,099,573
Borrowings	61,968,874	53,300,871
Derivative financial instruments payable	693,865	432,343
Other liabilities and provisions	74,644	123,513
<b>Total liabilities</b>	<b>70,151,391</b>	<b>60,275,010</b>
<b>Net assets</b>	<b>103,423</b>	<b>100,274</b>

TCorp paid a dividend of \$50.5 million

The movements in the statement of financial position primarily reflect the decisions made to meet and manage the funding requirements of the NSW public sector.

TCorp operates under self-imposed capital requirements based on prudential statements published by the Australian Prudential Regulation Authority. To meet these requirements, TCorp's board approved an increase in the capital base during the year. The excess in net assets, after allowing for tax equivalent payments and the increase in the capital base, was returned to the Crown as dividends totalling \$50.5 million (\$91.0 million in 2010-11).

## Derivative Financial Instruments

TCorp does not use derivative financial instruments for speculative purposes. Derivatives are used to manage risks from its borrowing and investing activities. These transactions comply with established board policies and client mandate agreements, which stipulate instrument risk limits.

## Corporation Activities

TCorp provides specialised financial services to the NSW public sector. These include acting as a central borrowing authority and providing corporate treasury, corporate finance, and debt and asset management services.

TCorp raises funds in the financial markets and lends the funds to agencies. TCorp borrows funds more cost effectively than private sector organisations because the government guarantees repayment. Public sector agencies are required to borrow funds through TCorp unless specific approval is obtained from the Treasurer.

While TCorp is able to raise funds using the strong credit rating of the State, borrowing costs for individual agencies are based on their individual credit ratings. If an agency has a lower credit rating than the State, Treasury levies a guarantee fee relative to that credit rating. This ensures that while the State benefits from cost effective funding, agencies' borrowing costs are based on their individual financial positions.

TCorp is constituted under the *Treasury Corporation Act 1983* and is subject to the control and direction of the Treasurer. Its Chief Executive manages the affairs of TCorp in accordance with its board's policies and directions. TCorp may borrow, invest and undertake financial management transactions under the *Public Authorities (Financial Arrangements) Act 1987*.

For further information on TCorp, refer to [www.tcorp.nsw.gov.au](http://www.tcorp.nsw.gov.au).

## Controlled Entities

The following controlled entities have not been reported on separately as they are not considered material by their size or the nature of their operations to the consolidated entity.

Entity Name	Website
TCorp Nominees Pty Limited	*
Treasury Corporation Division of the Government Service	*

\* This entity does not have a website.

# NSW Self Insurance Corporation

## Audit Opinion

I qualified my audit opinion on the NSW Self Insurance Corporation's 30 June 2012 financial statements.

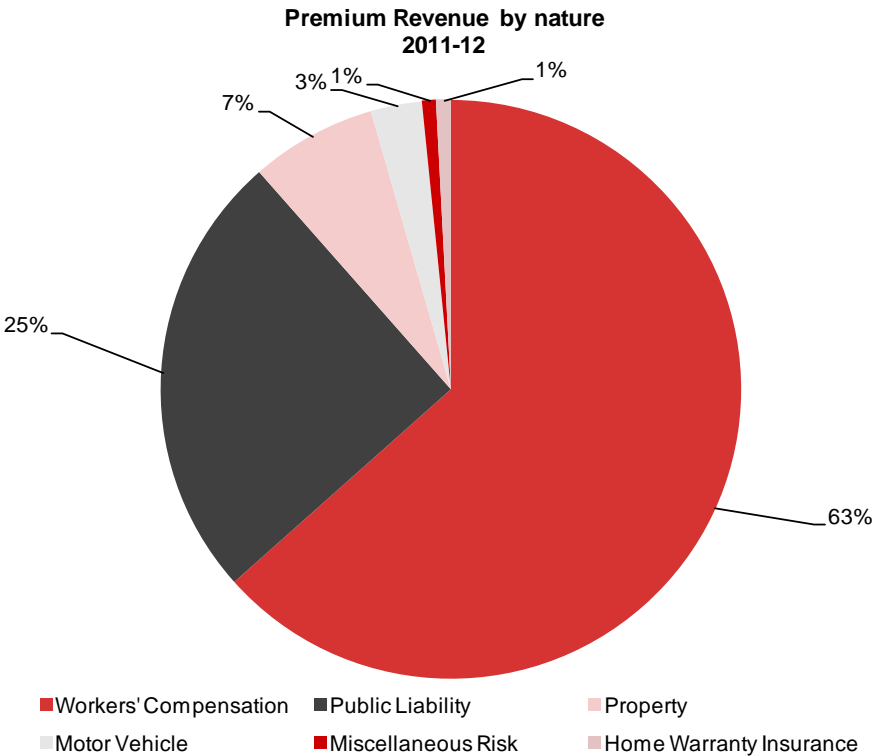
In my opinion, the Corporation applied inappropriate accounting policies to the operations of the Treasury Managed Fund (TMF). Instead of using policies required by Australian Accounting Standards applicable to general insurance activities, the Corporation incorrectly used policies applied by the State when preparing the Total State Sector Accounts. My 2010-11 opinion was qualified for the same reason.

The selection of accounting policies has no impact on the Total State Sector Accounts, as differences are eliminated on consolidation.

Had the Corporation applied the appropriate policies, its liabilities would have increased by a material amount and net assets decreased by the same amount. The Corporation's financial statements would also have included additional disclosures about its TMF operations.

## Operational Snapshot

In 2011-12, the Corporation collected around \$1.2 billion in insurance premiums. Most of this relates to workers' compensation and public liability insurance.



The Corporation provides insurance cover for approximately 312,000 public sector employees and around \$130 billion of public sector assets via the TMF.

I again qualified my opinion on the Corporation's financial statements due to non compliance with Accounting Standards

## Other Information

### Impact from the Workers' Compensation Legislative Reforms

Changes to the State's workers' compensation legislation assented to on 27 June 2012 are expected to have a favourable impact on the Corporation's obligations.

Aspects of the changes have not been implemented yet. As there is little guidance on how this will happen in practice, it is uncertain what impact the changes will have on the Corporation's obligations. However, using best estimates, the Corporation reduced its liabilities at 30 June 2012 by \$254 million as a direct result of the legislative changes.

The legislative changes include:

- performing regular work capacity assessments for workers receiving weekly benefits
- determining the amount and duration of weekly workers compensation benefit payments based on the worker's pre-injury average weekly earnings, extent of incapacity and ability to return to work
- capping injured workers' entitlements and employers' liabilities for medical, hospital and rehabilitation expenses after 12 months
- limiting the eligibility criteria for lump sum compensation
- limiting injuries covered by the workers compensation scheme.

### Expansion of the Treasury Managed Fund

The TMF provides insurance to most NSW Government agencies. These agencies get unlimited cover worldwide, with no excess and limited exclusions. From 1 July 2013, the government has mandated TMF use for all government insurance requirements. This initiative aims to get cost savings, but still provide comprehensive cover against loss and damage to the State.

The Corporation has identified fifteen agencies expected to join the TMF in 2013-14. These will begin transitioning from 1 July 2013 and are likely to add \$32.0 billion of insurable assets and 21,400 employees to TMF's existing coverage.

### Mandated Adoption of 'Principal Arranged Insurance'

From May 2012, the government has mandated agencies take out 'principal arranged insurance' through the Corporation for all capital works projects expected to cost more than \$10.0 million. The aim is to ensure adequate insurance with a reputable insurer, remove administrative burden and get cost savings. Principle arranged insurance is construction insurance, arranged by the customer (public sector agencies) not the contractor (private sector).

State owned corporations are not covered by this mandate, but need to demonstrate they can acquire principle arranged insurance at more competitive prices than that offered by the Corporation.

### Financial Results

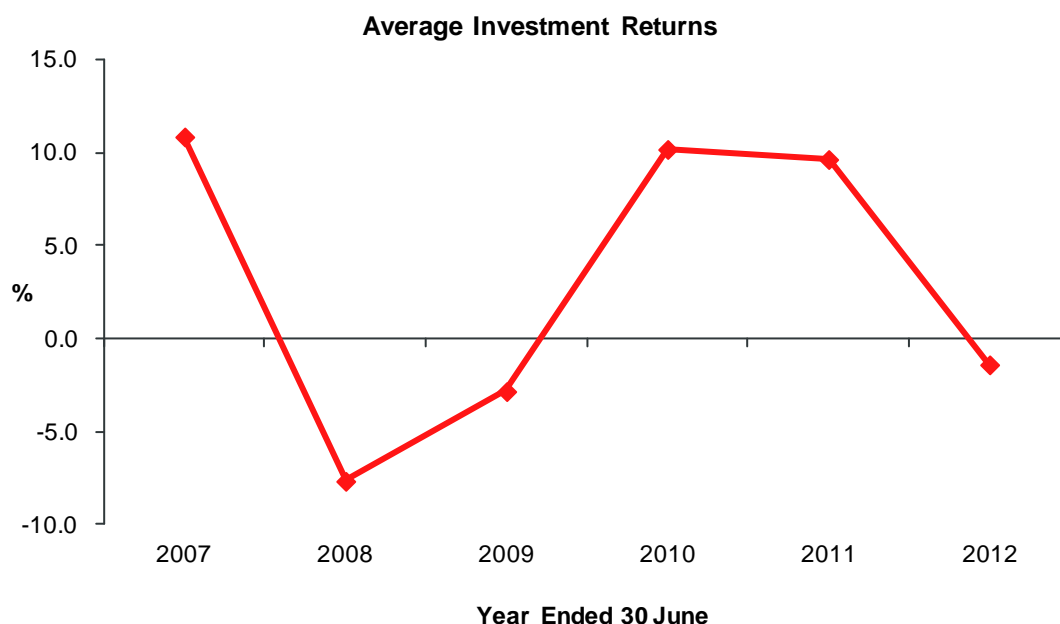
The Corporation's finances have been significantly impacted by current economic conditions. It recorded a \$205 million loss for the year and its net assets fell from \$312 million at 30 June 2011 to \$107 million at 30 June 2012.

#### Investment Returns

The Corporation incurred an unrealised loss of \$339 million on its investments in 2011-12, a \$563 million turnaround from the previous year. Whilst this is significant, the result reflects the economic conditions affecting global investment markets. The Corporation's investment returns are comparable to industry benchmarks.

The Corporation lost \$339 million on its investments during 2011-12

The graph below shows average investment returns from 2006-07 to 2011-12:



Average investment returns include investment revenue and unrealised investment gains/(losses).

#### **Lower Bond Rates**

The Corporation's liabilities are discounted with reference to government bond rates. The impact of weakening government bond markets on expenses has compounded poor investment performance. A 0.4 per cent reduction in the discount rate used to measure the present value of the Corporation's outstanding claims provisions increased expenses and liabilities by \$134 million.

#### **Grants to Maintain Minimum Net Asset Levels**

As a result of the Corporation's deteriorating net assets, the Crown Entity gave \$224 million to return the Corporation's net asset position to within set limits. Unlike most commercial insurers, the Corporation does not recognise risk margins on its liabilities (except for the Home Warranty Insurance Fund). Grants to maintain net asset levels ensure the Corporation has enough assets to meet its liabilities and protect it from a poor investment year (or years) in the investment cycle. Grants are returned once the Corporation's net asset position exceeds the set limits.

The Corporation received \$224 million State funding to maintain minimum net asset levels

## Financial Information

### Abridged Statement of Comprehensive Income

Year ended 30 June	2012 \$'000	2011 \$'000
Claims-related expenses	1,406,074	1,084,825
Fees for claims management	135,444	129,800
Outwards reinsurance	34,347	32,310
Other	91,030	51,926
<b>Total expenses</b>	<b>1,666,895</b>	<b>1,298,861</b>
Premium revenue	1,231,706	978,198
Investment revenue	262,364	255,027
Unrealised investment gains/(losses)	(339,150)	224,194
Contribution from the Crown Entity	224,000	67,042
Other	82,684	20,929
<b>Total revenue</b>	<b>1,461,604</b>	<b>1,545,390</b>
<b>Total comprehensive income/(expense)</b>	<b>(205,291)</b>	<b>246,529</b>

Claims related expenses increased in 2011-12, mainly due to a change in discount rate used to measure its outstanding claims liabilities and flow on effects from the government's NSW Police death and disability reforms. Offsetting this was the favourable impact of the workers' compensation reforms, discussed earlier.

Premium revenue continued to increase mainly due to increases in premiums charged to NSW Police. NSW Police premiums rose again in 2011-12 in response to increasing workers' compensation claims costs since the death and disability scheme was introduced. Whilst the reforms are intended to reduce NSW Police's death and disability costs, workers' compensation claims costs for existing claims continued to increase.

Changes in unrealised investment gains/(losses) and contributions from the Crown Entity are discussed in the financial results section above.

### Abridged Statement of Financial Position

At 30 June	2012 \$'000	2011 \$'000
Cash and investments	5,777,792	5,608,237
Other	591,984	320,923
<b>Total assets</b>	<b>6,369,776</b>	<b>5,929,160</b>
Claims liabilities	6,014,173	5,543,165
Other	248,573	73,674
<b>Total liabilities</b>	<b>6,262,746</b>	<b>5,616,839</b>
<b>Net assets</b>	<b>107,030</b>	<b>312,321</b>

Cash and investments increased in 2011-12, but poor investment performance means they did not increase in line with claims liabilities. Other assets include \$221 million receivable from the Crown Entity (\$55.0 million at 30 June 2011) for the contribution discussed in the Financial Results section above.

Claims liabilities increased for the same reasons claims expenses increased, while other liabilities increased mainly due to Home Warranty Insurance Fund activities discussed below.

## Home Warranty Insurance Fund

The Home Warranty Insurance Fund has prepared separate financial statements for the year ended 30 June 2012. I issued an unqualified opinion on the Fund's 30 June 2012 financial statements. My audit report drew attention to significant uncertainty surrounding measurement of the provision for claims mainly due to the Fund's limited claims experience.

The Fund provides home warranty insurance coverage for building work in New South Wales and started operations on 1 July 2010.

### Impact from Current Economic Climate

The Home Warranty Insurance Fund's provision for claims is affected by the economic cycle because the building industry is particularly sensitive to economic variables. The incidence of insolvent builders tends to increase during and shortly after economic downturns.

Two large home builders went into administration in 2011-12, leading to approximately 200 claims. These collapses are expected to cost the Fund around \$18.0 million. The Corporation advises work has commenced in most cases, with many homes now completed or nearing completion.

The Corporation's long-range modelling for the Home Warranty Insurance Fund predicts one major builder collapse every five years. Given the Fund is only in its second year of operations, it is too soon to conclude if the long-range modelling is reasonable.

### Financial sustainability of the Home Warranty Insurance Fund

#### *Recommendation*

**The Treasurer should review the long-term sustainability of the Home Warranty Insurance Fund.**

The Home Warranty Insurance Fund incurred a loss of \$106 million for 2011-12, following a loss of \$3.9 million in the prior year. The 2011-12 loss includes write offs of deferred acquisition costs and recognition of an unexpired risk liability discussed in the Financial Information section below.

The Corporation's most recent modelling shows the Home Warranty Insurance Fund is not sustainable in the longer term because current policy premiums do not cover the Fund's costs.

### Financial Information

Summary financial information for the Home Warranty Insurance Fund appears below:

Year ended 30 June	2012 \$'000	2011 \$'000
Total revenue	12,078	16,121
Total expenses	117,791	19,975
<b>Total comprehensive expense</b>	<b>(105,713)</b>	<b>(3,854)</b>

Revenue in 2011-12 includes premiums of \$10.2 million (\$3.4 million in 2010-11) and investment income of \$1.9 million (\$717,000). Revenue in 2010-11 includes a \$12.0 million contribution from the Crown Entity for start up of operations. The Corporation advises an intention to eventually repay this contribution, but this appears unlikely in the foreseeable future given the Fund's financial performance.

Premiums charged by the Home Warranty Insurance Fund are not currently sufficient to cover expected claims costs

Expenses include claims related costs of \$51.5 million (\$2.6 million). Expenses also include acquisition costs of \$29.7 million (\$8.9 million) and an unexpired risk liability expense of \$32.2 million (nil), which are discussed below.

At 30 June	2012 \$'000	2011 \$'000
Total assets	45,976	47,872
Total liabilities	155,543	51,726
<b>Net liabilities</b>	<b>(109,567)</b>	<b>(3,854)</b>

Total assets include cash and cash equivalents of \$38.6 million (\$29.9 million) and premiums receivables of \$6.5 million (\$8.4 million).

Total liabilities include a provision for claims of \$37.0 million (\$2.3 million). The main reason for the increase is deterioration in claims experience. Unearned premiums of \$81.5 million (\$44.1 million) are also included in total liabilities.

### Deferred Acquisition Costs and Unexpired Risk Liability

The Home Warranty Insurance Fund has no deferred acquisition costs within its assets at 30 June 2012 (\$9.5 million) and the Fund's liabilities at 30 June 2012 include an unexpired risk liability of \$32.2 million (nil).

Costs incurred in obtaining and recording insurance contracts can be deferred and recognised over the period to which the premium relates. However, when future cash outflows associated with policies issued exceed revenue arising from those contracts, deferred acquisition costs are written off. When the outflows exceed acquisition costs, an unexpired risk liability is recognised for the balance of the expected cash outflows.

## Corporation Activities

The NSW Self Insurance Corporation is a statutory body incorporated under the *NSW Self Insurance Corporation Act 2004*. Its functions include:

- operating government managed fund schemes
- entering into reinsurance to cover the liabilities of these schemes
- acting for the State in dealing with claims under these schemes
- provision of home warranty insurance cover for building work done in New South Wales and management of the Home Warranty Insurance Fund.

The Corporation operates six managed fund schemes, with the Treasury Managed Fund representing around 95 per cent of its operations.

The Treasury Managed Fund at the whole-of-government level is a self-insurance scheme for NSW public sector agencies. It provides unlimited cover in respect of the following classes of insurable risks:

- workers' compensation as per NSW statute
- liability (including but not limited to public liability, products liability, professional indemnity, directors/officers liability and medical negligence)
- property, comprehensive motor vehicle and miscellaneous.

The Treasury Managed Fund applies a premium-based structure, which incorporates hindsight adjustments to workers' compensation and motor vehicle premiums. Hindsight adjustments result in a payment to or from agencies depending on their performance against certain benchmarks.

For further information, refer to [www.sicorp.nsw.gov.au](http://www.sicorp.nsw.gov.au).



# The Treasury

---

## Audit Opinion

I issued an unqualified audit opinion on Treasury's 30 June 2012 financial statements.

## Operational Snapshot

Treasury operated seven directorates during 2011-12:

- Budget and Financial Management - responsible for preparation of the Total State Sector Accounts, managing the State's Budget process and the sector's financial management framework,
- Fiscal and Economic - the NSW Government's central source of advice on State fiscal and economic strategy
- Commercial Policy and Financing - exercises oversight of government businesses and provides advice on financing and structuring projects
- Human and Social Services - provides advice on use of State resources in the areas of health, family and community services, education and training, justice, police and emergency services
- Economic, Environment and Services - develops micro-economic reform and provides advice on use of State resources in the areas of transport, planning, trade and investment, environment and government services
- Expenditure Review - had the lead role in driving value for money in the public sector and monitoring implementation of savings measures (functions transferred to other directorates after 30 June 2012)
- Corporate.

## Other Information

### State Finances

Volume Three of my 2012 Report to Parliament contained recommendations relevant to the activities of the Budget and Financial Management directorate. In particular, Treasury needs to continue to work on improving the quality and timeliness of financial reporting across the NSW public sector.

### Transformation Program

During 2011-12, Treasury began a series of changes aimed at improving the efficiency and effectiveness of the way it operates and engages with stakeholders. Treasury advises this Transformation Program has four focus areas:

- financial management - development of a revised framework for financial operations and a new financial system for the sector
- process redesign - review of Treasury's internal processes to improve efficiencies
- strategic projects - development of a project based approach to priority reforms and projects
- commercial reform - a new approach to managing commercial activities, entities and assets.

## Additional Functions in 2012-13

Treasury functions and staff numbers have increased in the 2012-13 financial year as a result of administrative restructures.

The Public Sector Employment and Management (Industrial Relations) Order 2012 transferred the functions of NSW Industrial Relations and related staff from the Department of Finance and Services to Treasury effective 12 September 2012.

The Public Sector Employment and Management (Treasury) Order 2012 transferred staff related to the Long Service Corporation from the Department of Finance and Services to Treasury effective 10 October 2012.

## Financial Information

### Abridged Statement of Comprehensive Income

Year ended 30 June	2012 \$'000	2011 \$'000
Employee related expenses	49,657	122,753
Depreciation and amortisation	997	5,288
Grants and subsidies	169	18,251
Other expenses	24,262	53,559
<b>Total expenses</b>	<b>75,085</b>	<b>199,851</b>
Government contributions	63,722	181,724
Sale of goods and services	12,076	32,003
Investment revenue	737	2,066
Other revenue	9	469
<b>Total revenues</b>	<b>76,544</b>	<b>216,262</b>
Other gains/(losses)	(9)	26
<b>Net result - surplus</b>	<b>1,450</b>	<b>16,437</b>
<b>Total comprehensive income</b>	<b>1,450</b>	<b>16,437</b>

Treasury's 2010-11 statement of comprehensive income includes financial results for the Office of State Revenue up to 3 April 2011. The Public Sector Employment and Management (Departments) Order 2011 transferred the Office of State Revenue functions to the Department of Finance and Services from this date.

### Abridged Statement of Financial Position

At 30 June	2012 \$'000	2011 \$'000
Current assets	20,427	13,943
Non-current assets	2,428	2,030
<b>Total assets</b>	<b>22,855</b>	<b>15,973</b>
Current liabilities	12,723	8,340
Non-current liabilities	1,105	56
<b>Total liabilities</b>	<b>13,828</b>	<b>8,396</b>
<b>Net assets</b>	<b>9,027</b>	<b>7,577</b>

## Treasury Activities

Treasury acts as fiscal and economic adviser to the NSW Government and its main goal within the NSW 2021 State Plan is to rebuild State finances. Treasury also manages the activities of a range of other agencies within the Treasury cluster.

For further information refer to [www.treasury.nsw.gov.au](http://www.treasury.nsw.gov.au).

# Appendix 1

## Agencies not commented on in this volume, by minister

The following audits resulted in unqualified independent auditor's reports and did not identify any significant issues or risks.

Entity name	Website	Period/year ended
<b>Minister for Finance and Services</b>		
Australian Centre for Advanced Computing and Communications Pty Limited	<a href="http://www.ac3.com.au">www.ac3.com.au</a>	30 June 2012
Board of Surveying and Spatial Information	<a href="http://www.bossi.nsw.gov.au">www.bossi.nsw.gov.au</a>	30 June 2012
Crown Employees (NSW Fire Brigades Firefighting Staff Death & Disability) Superannuation	<a href="http://www.nswfiresuper.com.au">www.nswfiresuper.com.au</a>	30 June 2012
Fair Trading Administration Corporation	*	30 June 2012
Financial Counselling Trust Fund	<a href="http://www.fairtrading.nsw.gov.au">www.fairtrading.nsw.gov.au</a>	30 June 2012
Motor Vehicle Repair Industry Authority	<a href="http://www.fairtrading.nsw.gov.au">www.fairtrading.nsw.gov.au</a>	30 June 2012
NSW Architects Registration Board	<a href="http://www.architects.nsw.gov.au">www.architects.nsw.gov.au</a>	30 June 2012
NSW Fire Brigades Superannuation Pty Limited	<a href="http://www.nswfiresuper.com.au">www.nswfiresuper.com.au</a>	30 June 2012
Sporting Injuries Committee	<a href="http://www.sportinginjuries.nsw.gov.au">www.sportinginjuries.nsw.gov.au</a>	30 June 2012
Teacher Housing Authority of New South Wales	<a href="http://www.tha.nsw.gov.au">www.tha.nsw.gov.au</a>	30 June 2012
Workers' Compensation (Dust Diseases) Board	<a href="http://www.ddb.nsw.gov.au">www.ddb.nsw.gov.au</a>	30 June 2012
<b>Minister for Planning and Infrastructure</b>		
Building Professionals Board	<a href="http://www.bpb.nsw.gov.au">www.bpb.nsw.gov.au</a>	30 June 2012
<b>Premier</b>		
Public Service Commission	<a href="http://www.psc.nsw.gov.au">www.psc.nsw.gov.au</a>	30 June 2012
<b>Treasurer</b>		
Lotteries Assets Ministerial Holding Corporation	*	30 June 2012
State Rail Authority Residual Holding Corporation	*	30 June 2012

\* This entity does not have a website.

# Index

## A

Aboriginal Affairs, Minister for	Vol 9 2011
Aboriginal Affairs NSW	Vol 9 2011
<b>Aboriginal Housing Office</b>	<b>24</b>
Aboriginal Land Council, New South Wales	Vol 9 2011
Access Macquarie Limited	Vol 2 2012
accessUTS Pty Limited	Vol 2 2012
ACN 125 694 546 Pty Ltd	Vol 2 2012
Adult Migrant English Service, NSW	Vol 9 2011

## Agencies not commented on in this Volume, by Minister **126**

Agency for Clinical Innovation	Vol 10 2011
Agricultural Business Research Institute	Vol 2 2012
Agricultural Scientific Collections Trust	Vol 6 2011
AGSM Limited	Vol 2 2012
Albury Base Hospital	Vol 10 2011
Albury Wodonga Health	Vol 10 2011
ANZAC Health and Medical Research Foundation	Vol 10 2011

## Architects Registration Board, NSW **126**

Art Gallery of New South Wales Foundation	Vol 9 2011
Art Gallery of New South Wales Trust	Vol 9 2011
Arts Education Foundation Trust	Vol 10 2010
Arts, Minister for the	Vol 9 2011
Asia Pacific Football Institute Operations Pty Ltd	Vol 2 2012
Attorney General	Vol 1 2012
Ausgrid	Vol 4 2012
Ausgrid Pty Limited	Vol 4 2012
AustLii Foundation Limited	Vol 2 2012

## Australian Centre for Advanced Computing and Communications Pty Ltd **126**

Australian Education Consultancy Limited	Vol 2 2012
Australian Institute of Asian Culture and Visual Arts Limited, The	Vol 9 2011
Australian Museum Trust	Vol 9 2011
Australian Plant DNA Bank Limited	Vol 2 2012
Australian Proteome Analysis Facility Limited	Vol 2 2012
Australian Technology Park Sydney Limited	Vol 6 2011

Australian Water Technologies Pty Ltd	Vol 6 2011
--	------------

AWT International (Thailand) Limited	Vol 6 2011
---	------------

## B

Bandwidth Foundry International Pty Ltd	Vol 2 2012
Barangaroo Delivery Authority	Vol 6 2011
Barangaroo Delivery Authority, Office of the	Vol 6 2011
Belgenny Farm Agricultural Heritage Centre Trust	Vol 6 2011
Biobank Pty Ltd	Vol 2 2012
Board of Studies, Office of the	Vol 9 2011
Board of Studies Casual Staff Division	Vol 9 2011

## Board of Surveying and Spatial Information **126**

Board of Vocational Education and Training, NSW	Vol 9 2011
Border Rivers-Gwydir Catchment Management Authority	Vol 6 2011
Brett Whiteley Foundation, The	Vol 9 2011
Building the Education Revolution	Vol 9 2011
Building Insurers' Guarantee Corporation	Vol 5 2011

## Building Professionals Board **126**

Bureau of Health Information	Vol 10 2011
Bureau of Health Information Special Purpose Service Entity	Vol 10 2011

## Buroba Pty Ltd **88**

Bush Fire Co-ordinating Committee	Vol 7 2011
Businesslink Pty Ltd, NSW	Vol 9 2011

## C

C.B. Alexander Foundation	Vol 6 2011
CADRE Design Pty Limited	Vol 2 2012
CADRE Design Unit Trust	Vol 2 2012
Cancer Institute NSW	Vol 10 2011
Cancer Institute Division	Vol 10 2011
Casino, Liquor and Gaming Control Authority	Vol 9 2011
CCP Holdings Pty Limited	Vol 4 2012
Centennial Park and Moore Park Trust	Vol 6 2011
Centennial Parklands Foundation	Vol 6 2011
Central Coast Local Health Network	Vol 10 2011
Central Coast Local Health Network Special Purpose Service Entity	Vol 10 2011
Central Coast Regional Development Corporation	Vol 6 2011

Central West Catchment Management Authority	Vol 6 2011	Planning and Assessment Act, 1979'	Vol 6 2011
Charles Sturt Campus Services Limited	Vol 2 2012	Corporation Sole 'Minister Administering the Heritage Act, 1977'	Vol 6 2011
Charles Sturt Foundation Limited	Vol 2 2012	Corrective Services	Vol 7 2011
Charles Sturt Services Limited	Vol 2 2012	Country Rail Infrastructure Authority	Vol 8 2011
Charles Sturt University Foundation Trust	Vol 2 2012	Cowra Japanese Garden Maintenance Foundation Limited	Vol 6 2011
Charles Sturt University	Vol 2 2012	Cowra Japanese Garden Trust	Vol 6 2011
Chief Investigator of the Office of Transport Safety Investigations	Vol 8 2011	Crime Commission, New South Wales	Vol 7 2011
Chipping Norton Lake Authority	Vol 6 2011	Crime Commission, Office of the New South Wales	Vol 7 2011
Citizenship and Communities, Minister for	Vol 9 2011	Crime Commission Division, New South Wales	Vol 7 2011
Chiropractic Council of New South Wales	Vol 1 2012	<b>Crown Employees (NSW Fire Brigades Firefighting Staff, Death and Disability) Superannuation Fund</b>	<b>126</b>
<b>City West Housing Pty Limited</b>	<b>28</b>	Crown Entity	Vol 7 2011
Clinical Education and Training Institute	Vol 10 2011	Cultural Overview	Vol 9 2011
Clinical Excellence Commission	Vol 10 2011	Cystemix Pty Limited	Vol 2 2012
Clinical Excellence Commission Special Purpose Service Entity	Vol 10 2011	<b>D</b>	
CMBF Limited	Vol 2 2012	Dams Safety Committee	Vol 6 2011
Cobar Water Board	Vol 6 2011	Delta Electricity	Vol 4 2012
Cobbora Coal Mine Pty Limited	Vol 4 2012	Delta Electricity Australia Pty Ltd	Vol 4 2012
Cobbora Coal Unit Trust	Vol 4 2012	Dental Council of New South Wales	Vol 1 2012
Cobbora Holding Company Pty Limited	Vol 4 2012	Director of Public Prosecutions, Office of the	Vol 7 2011
Cobbora Management Company Pty Limited	Vol 4 2012	Downtown Utilities Pty Limited	Vol 4 2012
Cobbora Rail Company Pty Limited	Vol 4 2012	Dumaresq-Barwon Border Rivers Commission	Vol 6 2011
Cobbora Unincorporated Joint Venture	Vol 4 2012	<b>E</b>	
COH Property Trust	Vol 2 2012	Education and Communities, Department of (formally Department of Education and Training)	Vol 9 2011
Coffs Harbour Technology Park Limited	Vol 9 2011	Education, Minister for	Vol 2 2012
Combat Sports Authority of NSW	Vol 9 2011	<b>EIF Pty Limited</b>	<b>46</b>
Commission for Children and Young People, NSW	Vol 9 2011	Election Funding Authority of New South Wales	Vol 6 2011
Communities NSW	Vol 9 2011	Electoral Commission, New South Wales	Vol 6 2011
Community Relations Commission for a Multicultural New South Wales	Vol 9 2011	Electricity Industry Overview	Vol 4 2012
<b>Compensation Authorities Staff Division</b>	<b>31</b>	Electricity Sale Transactions	Vol 1 2011
Compliance Review Report – Procurement Reform of eProcurement and eTendering	Vol 1 2011	Electricity Tariff Equalisation Ministerial Corporation	Vol 4 2012
Cooks Cove Development Corporation	Vol 6 2011	Electronic Information Security	Vol 1 2011
Corporation Sole 'Minister Administering the Environmental		Emergency Services Overview	Vol 7 2011
		Endeavour Energy	Vol 4 2012
		<b>Energy Industries Superannuation Scheme</b>	<b>42</b>
		<b>Energy Industries Superannuation Scheme Pty Limited</b>	<b>46</b>

**Energy Industries Superannuation Scheme Pool A** 42

**Energy Industries Superannuation Scheme Pool B** 42

**Energy Investment Fund** 46

Environment, Minister for	Vol 6 2011
Environment Overview	Vol 6 2011
Environment and Heritage, Office of	Vol 6 2011
Environment Protection Authority	Vol 6 2011
Environmental Trust	Vol 6 2011
eProcurement Review	Vol 1 2011
Eraring Energy	Vol 4 2012
Essential Energy	Vol 4 2012
Events New South Wales Pty Limited	Vol 6 2011

**F**

**Fair Trading Administration Corporation** 126

Far West Local Health Network	Vol 10 2011
Far West Local Health Network Special Purpose Entity	Vol 10 2011
Film and Television Office, New South Wales	Vol 6 2011
Family and Community Services, Department of	Vol 9 2011
Family and Community Services – Community Services, Department of	Vol 9 2011
Family and Community Services - NSW Businesslink, Department of	Vol 9 2011
Family and Community Services – Ageing Disability and Home Care, Department of	Vol 9 2011

**Family and Community Services, Minister of** 24

**Finance and Services, Department of** 35

**Finance and Services, Minister for** 31

**Financial Counselling Trust Fund** 126

Financial Statements Not Received by Statutory Date (at 2 December 2011)	Vol 10 2011
Financial Statements Received but Audit Incomplete by Statutory Date (at 2 December 2011)	Vol 10 2011

**Fire Brigades Superannuation Pty Limited, NSW** 126

Fire Brigades (Fire and Rescue NSW), New South Wales	Vol 7 2011
Flesh Footed Shearwater Coastal Habitat Recovery	Vol 6 2011
Food Authority, NSW	Vol 6 2011

Food Authority, Office of the NSW	Vol 6 2011
-----------------------------------	------------

Forensic Mental Health Network	Vol 10 2011
--------------------------------	-------------

Forestry Commission Division	Vol 6 2011
------------------------------	------------

Forestry Commission of New South Wales (Trading as Forests NSW)	Vol 6 2011
---	------------

Foundation for the Historic Houses Trust of New South Wales Limited	Vol 9 2011
---	------------

Foundation for the Historic Houses Trust of New South Wales	Vol 9 2011
---	------------

**G**

Game Council of New South Wales	Vol 6 2011
---------------------------------	------------

Game Council Division	Vol 6 2011
-----------------------	------------

Gosford Water Supply Authority	Vol 2 2012
--------------------------------	------------

**Government Telecommunications Authority, New South Wales** 41

GraduateSchool.com Pty Limited	Vol 2 2012
--------------------------------	------------

**H**

Hamilton Rouse Hill Trust	Vol 9 2011
---------------------------	------------

Hawkesbury-Nepean Catchment Management Authority	Vol 6 2011
--	------------

Health Administration Corporation	Vol 10 2011
-----------------------------------	-------------

Health Care Complaints Commission	Vol 10 2011
-----------------------------------	-------------

Health Care Complaints Commission, Office of the	Vol 10 2011
--	-------------

Health Foundation, New South Wales	Vol 10 2011
------------------------------------	-------------

Health, Department of	Vol 10 2011
-----------------------	-------------

Health, Minister for	Vol 1 2012
----------------------	------------

Health Overview	Vol 10 2011
-----------------	-------------

Health Professional Councils	Vol 1 2012
------------------------------	------------

Health Reform Transitional Organisation Northern	Vol 10 2011
--	-------------

Health Reform Transitional Organisation Southern	Vol 1 2012
--	------------

Health Reform Transitional Organisation Western	Vol 1 2012
---	------------

Health Support Services	Vol 10 2011
-------------------------	-------------

Heritage, Minister of	Vol 9 2011
-----------------------	------------

Historic Houses Trust of New South Wales	Vol 9 2011
--	------------

Home Care Service of New South Wales	Vol 9 2011
--------------------------------------	------------

Home Care Service Division	Vol 9 2011
----------------------------	------------

**Home Purchase Assistance Fund** 47

**Home Warranty Insurance Fund** 121

Hunter Development Corporation	Vol 6 2011
--------------------------------	------------

Hunter International Sports Centre Club	Vol 1 2012
---	------------

Hunter New England Local Health Network	Vol 10 2011	ITC Ltd	Vol 2 2012
Hunter New England Local Health Network Special Purpose Entity	Vol 10 2011	ITC (New Zealand) Limited	Vol 2 2012
Hunter Region Sporting Venues Authority	Vol 1 2012	<b>J</b>	
Hunter Water Australia Pty Limited	Vol 6 2011	Jenolan Caves Reserve Trust	Vol 6 2011
Hunter Water Corporation	Vol 6 2011	Jenolan Caves Reserve Trust Division	Vol 6 2011
Hunter-Central Rivers Catchment Management Authority	Vol 6 2011	John Lewis and Pamela Lightfoot Trust	Vol 2 2012
<b>I</b>		John Williams Memorial Charitable Trust	Vol 9 2011
Illawarra Health and Medical Research Institute Limited	Vol 10 2011	Judicial Commission of New South Wales	Vol 7 2011
Illawarra Shoalhaven Local Health Network	Vol 1 2012	Justice and Attorney General, Department of	Vol 7 2011
Illawarra Shoalhaven Local Health Network Special Purpose Entity	Vol 1 2012	Justice Health	Vol 10 2011
Illawarra Venues Authority	Vol 9 2011	Justice Health Special Purpose Service Entity	Vol 10 2011
Independent Commission Against Corruption	Vol 6 2011	Juvenile Justice NSW	Vol 7 2011
Independent Pricing and Regulatory Tribunal	Vol 6 2011	<b>L</b>	
Independent Pricing and Regulatory Tribunal Division	Vol 6 2011	Lachlan Catchment Management Authority	Vol 6 2011
Independent Transport Safety Regulator	Vol 8 2011	Lake Illawarra Authority	Vol 6 2011
Independent Transport Safety Regulator Division	Vol 8 2011	LAMS Foundation Limited	Vol 2 2012
Information Commissioner, Office of the	Vol 6 2011	LAMS International Pty Ltd	Vol 2 2012
Infrastructure Implementation Corporation	Vol 6 2011	<b>Land and Housing Corporation, NSW</b>	<b>64</b>
<b>Infrastructure NSW</b>	<b>105</b>	<b>Land and Property Information</b>	<b>38</b>
Insearch Education	Vol 2 2012	Landcom	Vol 6 2011
Insearch Education International Pty Limited	Vol 2 2012	Law and Order Overview	Vol 7 2011
Insearch Limited	Vol 2 2012	Legal Aid Commission of New South Wales	Vol 7 2011
Insearch (Shanghai) Limited	Vol 2 2012	Legal Aid Commission, Office of the	Vol 7 2011
Institute of Psychiatry, New South Wales	Vol 10 2011	Legal Aid Temporary Staff Division	Vol 7 2011
Institute of Sport, New South Wales	Vol 9 2011	Legal Opinions Provided by the Crown Solicitor	Vol 3 2011
Institute of Sport Division	Vol 9 2011	Legal Profession Admission Board	Vol 7 2011
Institute of Teachers, NSW	Vol 9 2011	Legislature, The	Vol 6 2011
Institute of Teachers, Office of the	Vol 9 2011	Legislature (Audit of Members' Additional Entitlements), The	Vol 2 2012
Internal Audit Bureau of New South Wales	Vol 6 2011	<b>Liability Management Ministerial Corporation</b>	<b>108</b>
International Film School Sydney Pty Ltd	Vol 2 2012	Library Council of New South Wales	Vol 9 2011
International School of European Aviation Pty Ltd	Vol 2 2012	<b>Lifetime Care and Support Authority of New South Wales</b>	<b>49</b>
ITC Aviation Pty Ltd	Vol 2 2012	<b>Local Government Superannuation Scheme</b>	<b>54</b>
ITC Education Ltd	Vol 2 2012	<b>Long Service Corporation</b>	<b>56</b>
		Lord Howe Island Board	Vol 6 2011
		<b>Lotteries Assets Ministerial Holding Corporation</b>	<b>126</b>



Lower Murray-Darling Catchment Management Authority	Vol 6 2011
Luna Park Reserve Trust	Vol 6 2011

## M

Macquarie Generation	Vol 4 2012
Macquarie Graduate School of Management Pty Limited	Vol 2 2012
Macquarie University Professorial Superannuation Scheme	Vol 2 2012
Macquarie University Property Investment Company No. 2 Pty Limited	Vol 2 2012
Macquarie University Property Investment Company No. 3 Pty Limited	Vol 2 2012
Macquarie University Property Investment Company Pty Limited	Vol 2 2012
Macquarie University Property Investment Trust	Vol 2 2012
Macquarie University	Vol 2 2012
Marine Parks Authority	Vol 6 2011
Maritime Authority of NSW	Vol 8 2011
Maritime Authority of NSW Division	Vol 8 2011
Medical Council of New South Wales	Vol 1 2012
MGSM Ltd (formerly ACN 153 973 481)	Vol 2 2012
Mid North Coast Local Health Network	Vol 10 2011
Mid North Coast Local Health Network Special Purpose Entity	Vol 10 2011
Mid West Primary Pty Ltd	Vol 4 2012
Midwest Development Corporation Pty Limited	Vol 4 2012
Milk Marketing (NSW) Pty Limited	Vol 6 2011
Mine Subsidence Board	Vol 6 2011
<b>Motor Accidents Authority of New South Wales</b>	<b>60</b>
<b>Motor Vehicle Repair Industry Authority</b>	<b>126</b>
MU Hospital Pty Limited	Vol 2 2012
MUH Operations No. 2 Limited	Vol 2 2012
MUH Operations Pty Limited	Vol 2 2012
MUPH Clinic Pty Limited	Vol 2 2012
MUPH Hospital Pty Limited	Vol 2 2012
Murray Catchment Management Authority	Vol 6 2011
Murrumbidgee Catchment Management Authority	Vol 6 2011
Murrumbidgee Local Health Network	Vol 10 2011
Murrumbidgee Local Health Network Special Purpose Entity	Vol 10 2011

## N

Namoi Catchment Management Authority	Vol 6 2011
National Art School	Vol 2 2012
National Marine Science Centre Pty Ltd	Vol 2 2012
Natural Resources Commission	Vol 6 2011
Natural Resources Commission Division	Vol 6 2011
Nepean Blue Mountains Local Health Network	Vol 10 2011
Nepean Blue Mountains Local Health Network Special Purpose Entity	Vol 10 2011
Newcastle Innovation Limited	Vol 2 2012
Newcastle Port Corporation	Vol 8 2011
NewSouth Global (Thailand) Limited	Vol 2 2012
NewSouth Innovations Pty Ltd	Vol 2 2012
New South Wales Minerals Industry/University of NSW Education Trust, The	Vol 2 2012
Norsearch Limited	Vol 2 2012
Northern NSW Local Health Network	Vol 10 2011
Northern NSW Local Health Network Special Purpose Entity	Vol 10 2011
Northern Rivers Catchment Management Authority	Vol 6 2011
Northern Sydney Local Health Network	Vol 10 2011
Northern Sydney Local Health Network Special Purpose Entity	Vol 10 2011
NorthPower Energy Services Pty Limited	Vol 4 2012
<b>NSW Self Insurance Corporation</b>	<b>117</b>
NSW Trustee and Guardian Common Fund - Trustee	Vol 1 2012
Nursing and Midwifery Council of New South Wales	Vol 1 2012
<b>O</b>	
Ombudsman's Office	Vol 6 2011
Optometry Council of New South Wales	Vol 1 2012
Osteopathy Council of New South Wales	Vol 1 2012
Overview of 2011	Vol 1 2012
Ovine Johne's Disease Transaction Based Contribution Scheme, NSW	Vol 6 2011
<b>P</b>	
Pacific Industry Services Corporation Pty Limited	Vol 6 2011
Pacific Solar Pty Limited	Vol 4 2012
Parklands Foundation Limited	Vol 9 2011

**Parliamentary Contributory  
Superannuation Fund****75**

Parramatta Park Trust	Vol 6 2011
Parramatta Stadium Trust	Vol 2 2012
Pharmacy Council of New South Wales	Vol 1 2012
Physiotherapy Council of New South Wales	Vol 1 2012
Planning and Infrastructure, Department of	Vol 6 2011
Planning and Infrastructure, Minister for	Vol 9 2011
Podiatry Council of New South Wales	Vol 1 2012
Police Force, NSW	Vol 7 2011
Police Integrity Commission	Vol 7 2011
Police Integrity Commission Division	Vol 7 2011
Police and Emergency Services, Minister for	Vol 7 2011
Port Kembla Port Corporation	Vol 8 2011
Ports Overview	Vol 8 2011

**Premier**

Premier and Cabinet, Department of	Vol 6 2011
Primary Industries, Minister for	Vol 2 2012
Protective Commissioner – Common Fund, Office of the	Vol 1 2012
Protective Commissioner and Public Guardian, Office of the	Vol 8 2009
Psychology Council of New South Wales	Vol 1 2012

Public Health System Support Division Special Purpose Service Entity	Vol 10 2011
--	-------------

**Public Service Commission****126**

Public Transport Ticketing Corporation	Vol 8 2011
Public Trustee NSW – Common Fund	Vol 8 2010

**Q**

Qualified Independent Audit Reports Issued	Vol 10 2011
Qucor Pty Ltd	Vol 2 2012

**R**

Rail Corporation New South Wales	Vol 8 2011
Redfern-Waterloo Authority	Vol 6 2011
Redfern Waterloo Authority, Office of the	Vol 6 2011
Regional Infrastructure and Services, Minister for	Vol 2 2012

**Rental Bond Board****79****Rental Housing Assistance Fund****74**

Reporting of the State's Performance	Vol 1 2011
--------------------------------------	------------

Residual Business Management Corporation	Vol 4 2011
--	------------

Responsible Gambling Fund	Vol 9 2011
---------------------------	------------

Rice Marketing Board for the State of New South Wales	Vol 6 2011
---	------------

Resources and Energy, Minister for	Vol 4 2012
------------------------------------	------------

Risk Frontiers Flood (Australia) Pty Ltd	Vol 2 2012
--	------------

Risk Frontiers Group Pty Ltd	Vol 2 2012
------------------------------	------------

Riverina Citrus	Vol 6 2011
-----------------	------------

Roads and Traffic Authority of New South Wales	Vol 8 2011
--	------------

Roads and Traffic Authority Division	Vol 8 2011
--------------------------------------	------------

Rocky Point Holdings Pty Limited	Vol 4 2012
----------------------------------	------------

Rouse Hill Hamilton Collection Pty Limited	Vol 9 2011
--	------------

Royal Botanic Gardens and Domain Trust	Vol 6 2011
--	------------

RTA M2 Motorway – Update Contract Summary	Vol 8 2011
---	------------

RTA Special Purpose Financial Statements on Commonwealth Grant Acquittals	Vol 8 2011
---	------------

Rural Assistance Authority, New South Wales	Vol 6 2011
---	------------

Rural Assistance Authority, Office of the	Vol 6 2011
---	------------

Rural Fire Service, NSW	Vol 7 2011
-------------------------	------------

**S****SAS Trustee Corporation****88****SAS Trustee Corporation - Pooled Fund****81****SAS Trustee Corporation Division of the Government Service of NSW****88**

SCU College Pty Ltd	Vol 2 2012
---------------------	------------

Services UNE Ltd	Vol 2 2012
------------------	------------

Sesquicentenary of Responsible Government Trust Fund	Vol 6 2011
--	------------

Small Business Development Corporation of New South Wales	Vol 6 2011
---	------------

South Eastern Sydney Local Health Network	Vol 1 2012
---	------------

South Eastern Sydney Local Health Network Special Purpose Entity	Vol 1 2012
--	------------

South Western Sydney Local Health Network	Vol 10 2011
---	-------------

South Western Sydney Local Health Network Special Purpose Entity	Vol 10 2011
--	-------------

Southern Cross University	Vol 2 2012
---------------------------	------------

Southern NSW Local Health Network	Vol 10 2011
-----------------------------------	-------------

Southern NSW Local Health Network Special Purpose Entity	Vol 10 2011	Sydney Harbour Foreshore Authority	Vol 6 2011
Southern Rivers Catchment Management Authority	Vol 6 2011	Sydney Harbour Foreshore Authority Casual Staff Division,	Vol 6 2011
Sport and Recreation, Minister for	Vol 2 2012	Sydney Local Health Network	Vol 10 2011
Sport Knowledge Australia Pty Limited	Vol 2 2012	Sydney Local Health Network Special Purpose Entity	Vol 10 2011
Sport UNE Limited	Vol 2 2012	Sydney Metro	Vol 8 2011
<b>Sporting Injuries Committee</b>	<b>126</b>	Sydney Metropolitan Catchment Management Authority	Vol 6 2011
State Emergency Service	Vol 7 2011	Sydney Metropolitan Development Authority	Vol 6 2011
<b>State Infrastructure Holdings (Sea Gas) Pty Ltd</b>	<b>88</b>	Sydney Metropolitan Development Authority, Office of	Vol 6 2011
<b>State Infrastructure Trust</b>	<b>88</b>	Sydney Olympic Park Authority	Vol 9 2011
State Library of New South Wales Foundation	Vol 9 2011	Sydney Opera House Trust	Vol 9 2011
State Property Authority	Vol 6 2011	Sydney Pilot Service Pty Ltd	Vol 8 2011
<b>State Rail Authority Residual Holding Corporation</b>		Sydney Ports Corporation	Vol 8 2011
State Records Authority of New South Wales	Vol 5 2011	Sydney Talent Pty Limited	Vol 2 2012
State Rescue Board	Vol 7 2011	Sydney Water Corporation	Vol 6 2011
<b>State Super Financial Services Australia Limited</b>	<b>89</b>	SydneyLearning Pty Limited	Vol 2 2012
<b>State Super Fixed Term Pension Plan</b>	<b>89</b>	<b>T</b>	
<b>State Super Investment Fund</b>	<b>89</b>	Taronga Conservation Society Australia	Vol 6 2011
<b>State Super Retirement Fund</b>	<b>89</b>	Taronga Conservation Society Australia Division	Vol 6 2011
State Transit Authority of New South Wales	Vol 8 2011	<b>TCorp Nominees Pty Limited</b>	<b>116</b>
State Transit Authority Division	Vol 8 2011	<b>Teacher Housing Authority of New South Wales</b>	<b>126</b>
State Water Corporation	Vol 6 2011	Technical and Further Education Commission, New South Wales	Vol 9 2011
Statement of the Budget Result	Vol 3 2011	Technical and Further Education Commission Division, New South Wales	Vol 9 2011
<b>Superannuation Administration Corporation</b>	<b>92</b>	Technical Education Trust Funds	Vol 9 2011
<b>Superannuation Industry Overview</b>	<b>8</b>	Television Sydney Foundation Limited	Vol 2 2012
Sydney Business School Pty Ltd, The	Vol 2 2012	Television Sydney Foundation Trust	Vol 2 2012
Sydney Catchment Authority	Vol 6 2011	Television Sydney (TVS) Limited	Vol 2 2012
Sydney Catchment Authority Division	Vol 6 2011	Timber and Carbon Plantation Pty Ltd	Vol 2 2012
Sydney Children's Hospital Network, The	Vol 10 2011	Total State Sector Accounts	Vol 3 2011
Sydney Children's Hospital Network Special Purpose Service Entity, The	Vol 10 2011	Tourism, Major Events, Hospitality and Racing, Minister for	Vol 9 2011
Sydney Cricket and Sports Ground Trust	Vol 9 2011	Trade and Investment, Regional Infrastructure and Services, Department of	Vol 1 2012
Sydney Cricket and Sports Ground Trust Division	Vol 9 2011	Trainworks Limited	Vol 8 2011
Sydney Desalination Plant Pty Limited	Vol 6 2011	TransGrid	Vol 4 2012
Sydney Educational Broadcasting Limited	Vol 2 2012	Transport Department of	Vol 8 2011
Sydney Ferries	Vol 8 2011	Transport, Minister for	Vol 8 2011
		Transport Construction Authority	Vol 8 2011

Transport Overview	Vol 8 2011	UNSW Global (Singapore) Pte Limited	Vol 2 2012
<b>Treasurer</b>	<b>108</b>	UNSW Global India Private Limited	Vol 2 2012
<b>Treasury, The</b>	<b>123</b>	UNSW Global Pty Limited	Vol 2 2012
<b>Treasury Corporation, New South Wales</b>	<b>110</b>	UNSW Hong Kong Foundation Limited	Vol 2 2012
<b>Treasury Corporation Division of the Government Service</b>	<b>116</b>	UNSW Hong Kong Limited	Vol 2 2012
Trustees of the ANZAC Memorial Building	Vol 2 2010	UON Foundation	Vol 2 2012
Trustees of the Farrer Memorial Research Scholarship Fund	Vol 2 2012	UON Foundation Ltd	Vol 2 2012
Trustees of the Museum of Applied Arts and Sciences	Vol 9 2011	UON Services Limited	Vol 2 2012
<b>U</b>		UON, Singapore Pte Ltd	Vol 2 2012
U@MQ Limited	Vol 2 2012	Upper Parramatta River Catchment Trust	Vol 1 2012
UNE Foundation Ltd	Vol 2 2012	Upper Parramatta River Catchment Trust Division	Vol 1 2012
UNE Foundation	Vol 2 2012	UWS College Pty Limited	Vol 2 2012
UNE Partnerships Pty Limited	Vol 2 2012	UWS Early Learning Limited	Vol 2 2012
UniCentre Conferences and Functions Pty Limited	Vol 2 2012	uwsconnect Limited	Vol 2 2012
Uniprojects Pty Limited	Vol 2 2012	<b>V</b>	
United States Studies Centre Limited	Vol 2 2012	<b>Valley Commerce Pty Limited</b>	<b>88</b>
Universities Admissions Centre (NSW & ACT) Pty Limited	Vol 9 2011	Veterinary Practitioners Board	Vol 6 2011
University Overview	Vol 2 2012	Vocational Education and Training Accreditation Board, NSW	Vol 2 2011
University of New England	Vol 2 2012	<b>W</b>	
University of New South Wales	Vol 2 2012	Warren Centre for Advanced Engineering Limited, The	Vol 2 2012
University of New South Wales Foundation	Vol 2 2012	Waste Assets Management Corporation	Vol 6 2011
University of New South Wales Foundation Limited	Vol 2 2012	Waste Recycling and Processing Corporation	Vol 6 2011
University of New South Wales International House Limited	Vol 2 2012	Water Overview	Vol 6 2011
University of New South Wales Press Limited	Vol 2 2012	Wayahead Pty Limited	Vol 2 2012
University of Newcastle	Vol 2 2012	Wentworth Annexe Limited	Vol 2 2012
University of Sydney, The	Vol 2 2012	Wentworth Park Sporting Complex Trust	Vol 9 2011
University of Sydney Professorial Superannuation System	Vol 2 2012	Western Catchment Management Authority	Vol 6 2011
University of Technology, Sydney	Vol 2 2012	Western NSW Local Health Network	Vol 10 2011
University of Western Sydney	Vol 2 2012	Western NSW Local Health Network Special Purpose Entity	Vol 10 2011
University of Western Sydney Foundation Limited	Vol 2 2012	Western Sydney Buses Division	Vol 8 2011
University of Western Sydney Foundation Trust	Vol 2 2012	Western Sydney Local Health Network	Vol 10 2011
University of Wollongong	Vol 2 2012	Western Sydney Local Health Network Special Purpose Entity	Vol 10 2011
University of Wollongong Recreation and Aquatic Centre Limited	Vol 2 2012	Western Sydney Parklands Trust	Vol 6 2011
UNSW & Study Abroad – Friends and U.S. Alumni, Inc.	Vol 2 2012	Whitlam Institute Within the University of Western Sydney Limited	Vol 2 2012
UNSW (Thailand) Limited	Vol 2 2012	Whitlam Institute Within the University of Western Sydney Trust	Vol 2 2012

Wild Dog Destruction Board	Vol 2 2012
Wild Dog Destruction Board Division	Vol 2 2012
Wine Grapes Marketing Board	Vol 2 2012
Wollongong UniCentre Limited	Vol 2 2012
<b>WorkCover Authority of New South Wales</b>	<b>94</b>
<b>Workers Compensation Commission of New South Wales</b>	<b>34</b>
<b>Workers' Compensation (Dust Diseases) Board</b>	<b>126</b>
<b>Workers Compensation Nominal Insurer</b>	<b>98</b>
Wyong Water Supply Authority	Vol 1 2012

## Our vision

To make the people of New South Wales  
proud of the work we do.

## Our mission

To perform high quality independent audits  
of government in New South Wales.

## Our values

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

**People** – we trust and respect others  
and have a balanced approach to work.

**Professionalism** – we are recognised  
for our independence and integrity  
and the value we deliver.

**Professional people with purpose**

Making the people of New South Wales  
proud of the work we do.

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](mailto:mail@audit.nsw.gov.au)

**office hours** 8.30 am–5.00 pm

**[audit.nsw.gov.au](http://audit.nsw.gov.au)**

