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# New South Wales Auditor-General's Report

## Financial Audit

### Volume Six 2012

Focusing on Environment, Water and  
Regional Infrastructure

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## 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.

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The Legislative Council  
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Pursuant to the *Public Finance and Audit Act 1983*,  
I present Volume Six of my 2012 report.

A handwritten signature in black ink that reads 'Peter Achterstraat' followed by a period.

**Peter Achterstraat**  
Auditor-General

14 November 2012

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# Section One

Overview

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Environment Overview

Water Overview



# Environment Overview

The Office of Environment and Heritage (OEH) is a separate office within the NSW Department of Premier and Cabinet (DPC). It works to protect and conserve the State's natural environment, Aboriginal country, culture and heritage, our built heritage, and manage national parks and reserves.

The Environment Protection Authority (EPA) became an independent statutory authority on 29 February 2012. It is responsible for regulation and activities associated with air, noise and water pollution throughout New South Wales.

Separate commentaries on DPC and EPA appear elsewhere in this volume.

## Key Issues

The NSW Government committed over \$1.4 billion (\$1.6 billion in 2010-11) for the environment and heritage portfolios in its 2011-12 budget.

### NSW 2021

DPC, on behalf of the Minister for the Environment, is the lead agency for the NSW 2021 goal to 'Protect our Natural Environment', which includes three broad targets:

- to protect and restore priority land, vegetation and water habitats
- to protect local environments from pollution
- to increase renewable energy.

Fourteen measures will be used to evaluate progress towards achieving these targets. However, for various reasons, four of these cannot be measured in the years 2011-12 and 2012-13. No measure or baseline has been developed for the target to increase renewable energy to 20 per cent by 2020.

According to the NSW 2021 Performance Report 2012-13, the following progress was made towards achieving the targets in 2011-12:

- expansion of the national parks system with the establishment of Dharawal National Park; greater protection for Wianamatta Regional Park; extension of Goolawah National Park, and Oxley Wild Rivers National Park
- protection of areas with high conservation value by commencement of the \$40.0 million Green Corridors Program
- an \$8.0 million Bush Regeneration Program to facilitate large, long-term projects run by local community groups
- supporting landholders with conservation works with \$300,000 available in 2011-12 for up to 80 projects under the \$2.0 million Private Land Conservation grants
- pest control in national parks through development of Regional Pest Management Strategies and finalisation of a statewide framework for biodiversity priorities for widespread weeds
- establishment of continuous public reporting (web, SMS and media) of air quality in the Hunter via a network of 14 air quality monitoring stations
- increased compliance and enforcement action to combat illegal dumping including support for Regional Illegal Dumping Squads, targeted surveillance operations, prosecution and education.

The NSW Government released its Renewable Energy Action Plan on 7 September 2012. It outlines 28 actions to help New South Wales meet its renewable energy target, steer investment into the State and build expertise in renewable energy.

No measure or baseline has been determined for the target to increase renewable energy to 20 per cent by 2020

The EPA found 62 issues in its audit of 40 high risk premises

## EPA Audits on High Environmental Risk Premises

### *Recommendation*

The EPA should publish on its website whether licensees have complied with the need to prepare pollution incident management response plans.

In response to an environmental incident at the Orica plant at Koorangang Island, the EPA was given increased powers to conduct environmental audits. A total of 40 premises in New South Wales that pose high environmental risks were audited between September and December 2011. Of these, 34 were regulated by the EPA and six were regulated by local councils.

The audits identified 62 instances of noncompliance, including 15 on premises regulated by local councils. Fourteen instances were considered serious or 'high risk' with two occurring on local council regulated premises. The high risk findings included:

- hazardous chemicals being stored without adequate containment
- a faulty valve installed to prevent contaminated water entering stormwater
- an emergency response plan with no clear procedures for an emergency.

The EPA advises that action was taken in all 62 instances of noncompliance and most have been rectified. The EPA only took regulatory action against the most serious offences and issued:

- eight prevention notices
- four penalty notices
- two legally binding pollution reduction programs
- sixteen warning letters.

The EPA will be conducting an audit program on licensees' compliance with new requirements to prepare pollution incident management response plans. Licensees needed to have these plans in place by 1 September 2012.

## Fines and Penalties by OEH and EPA

The OEH can commence prosecutions for offences under threatened species, parks, wildlife, native vegetation and Aboriginal heritage provisions as well as prosecutions for environmental protection offences.

In 2011-12, OEH's Legal Services Branch commenced 40 prosecutions under OEH legislation and 100 prosecutions on behalf of the EPA under EPA legislation. In 2010-11, 145 prosecutions were commenced for both OEH and the EPA. A prosecution may not be completed in the year it commences and any resulting penalty is imposed by the court, not OEH or the EPA.

## Fines and Penalties by OEH

The table below shows completed prosecutions and related fines and penalties imposed under OEH legislation over the past three years.

Year ended 30 June	2012		2011		2010	
	Prosecutions	Fines/penalties \$	Prosecutions	Fines/penalties \$	Prosecutions	Fines/penalties \$
Total prosecutions completed under parks, wildlife, threatened species and Aboriginal heritage legislation	70	392,931	68	358,160	69	199,968
Total prosecutions completed under native vegetation legislation	5	604,500	2	112,650	12	342,500
<b>Total OEH prosecutions completed</b>	<b>75</b>	<b>997,431</b>	<b>70</b>	<b>470,810</b>	<b>81</b>	<b>542,468</b>

Source: OEH Legal Services Branch (unaudited).

The 75 prosecutions completed under OEH legislation in 2011-12 resulted in:

- 72 convictions
- one matter where an offence was proven, but a conviction was not recorded
- two acquittals.

The table below analyses 2011-12 prosecutions completed under OEH legislation.

Fines and Penalties under OEH Legislation	Under Parks, Wildlife, Threatened Species, Aboriginal Heritage Legislation		Under Native Vegetation Legislation	
	2012	2011	2012	2011
<b>Total fines and penalties (\$)</b>	<b>392,931</b>	<b>358,160</b>	<b>604,500</b>	<b>112,650</b>
From total - fines (< \$50,000) (\$)	192,431	93,160	4,500	30,150
- number of fines*	68	65	1	1
- average (\$)	2,830	1,433	4,500	30,150
From total - fines (> or = \$50,000) (\$)	200,500	265,000	600,000	82,500
- number of fines	2	3	4	1
- average (\$)	100,250	83,333	150,000	82,500

Source: OEH Legal Services Branch (unaudited).

\* Include acquittals or where an offence was proven but no conviction was recorded.

The table above shows that, on average, most fines imposed under OEH legislation are below \$5,000.

The largest penalty imposed under OEH legislation was \$200,000 (\$90,000 in 2010-11). This was the largest fine ever imposed on a company under the *Native Vegetation Act 2003* and it was imposed in 2011-12 on two separate native vegetation prosecutions. One \$200,000 fine was imposed on a property developer that cleared 23 hectares of native vegetation near Wilton in 2006-07. The cleared area included two endangered ecological communities and provided a suitable habitat for threatened species including koalas and glossy black cockatoos.

The same developer was fined \$80,000 for clearing seven hectares in Appin in 2006. This involved more than 70 species of native vegetation including forest red gums. The clearing was identified by satellite imagery in 2008 and the prosecution was commenced in 2010.

Two \$200,000 penalties issued by the courts under OEH legislation in 2011-12

## Fines and Penalties by EPA

The table below shows completed prosecutions, fines and penalties imposed under EPA legislation over the past three years.

Year ended 30 June	2012		2011		2010	
	Prosecutions	Fines/penalties \$	Prosecutions	Fines/penalties \$	Prosecutions	Fines/penalties \$
Prosecutions completed under EPA legislation	56	1,263,000	36	498,150	53	860,250

Source: OEH/EPA Legal Services Branch (unaudited).

Fines and penalties include amounts a party may be ordered to pay, for example, to a local council for environmental restoration projects. Parties may also be required to publicise details of the offence in local newspapers.

The 56 prosecutions completed under the EPA legislation in 2011-12 resulted in:

- 52 convictions
- one matter where an offence was proven, but a conviction was not recorded
- three acquittals.

The table below analyses prosecutions completed under EPA legislation over the last two years.

Fines and Penalties under EPA Legislation Year ended 30 June			2012	2011
<b>Total fines and penalties (\$)</b>			<b>1,263,000</b>	<b>498,150</b>
From total - fines < \$50,000 (\$)			225,500	149,150
- number of charges*			47	31
- average (\$)			4,798	4,811
From total - fines (> or = \$50,000) (\$)			1,037,500	349,000
- number of fines			9	5
- average fines (\$)			115,278	69,800

Source: OEH Legal Services Branch (unaudited).

\* Include acquittals or where an offence was proven but no conviction was recorded.

The table shows that, on average, most fines imposed under EPA legislation are around \$5,000. However, larger fines are issued each year.

The largest individual penalty issued under EPA legislation was \$112,500 (\$105,000 in 2010-11). It related to water pollution from a 90 year old septic system at a coal mine in Ulan. The EPA advises that the incident could have been prevented if the company operating the coal mine had regularly inspected and maintained the system.

In addition, a company that operated an abattoir near Grafton was fined \$300,000 for contempt of court after it failed to comply with court orders from an earlier prosecution under EPA legislation.

The 56 prosecutions completed by the EPA in 2011-12 resulted in 52 convictions



## EPA Regulatory Action

The table below shows other regulatory actions taken and compliance tools used by the EPA over the last two years.

Regulatory Tool	2012	2011	Comment
Pollution reduction programs	398	163	Negotiated improvements through licence variation notices
Statutory notices issued	1,856	2,350	Includes, but not limited to: <ul style="list-style-type: none"> <li>• environment protection licences</li> <li>• native vegetation</li> <li>• threatened species conservation</li> <li>• national parks and wildlife</li> </ul>
Inspections of scheduled and non-scheduled premises	2,098	1,999	Majority relates to regulated facilities
Motor vehicle related penalty notices	1,306	873	Includes smoky vehicles, littering from vehicles, noisy vehicles
Non-motor vehicle related penalty notices	357	280	Includes native vegetation, pollution control (air, water, noise, waste), pesticides and threatened species
New licences and permits issued by the EPA	3,595	3,753	Includes licences and permits issued, dangerous goods, radiation control, chemicals, and national parks and wildlife legislation
Warnings/official caution letters issued by the EPA	3,532	4,378	Includes native vegetation, pollution control (air, water, noise, waste), pesticides, contaminated sites, and motor vehicles

Source: EPA (unaudited).

In 2011-12, there was a significant increase in Pollution Reduction Programs negotiated with licensees and motor vehicle related penalty notices issued. However, Statutory Notices, Warning and Official Caution Letters decreased.

The EPA uses the regulatory performance indicators above to monitor its effectiveness and determine actions. The level of environmental harm is a consideration for all regulatory approaches, actions and decisions it takes.

## Contaminated Sites

Last year, I reported the cost to remediate contaminated sites in New South Wales is largely unknown. At 30 June 2012, 107 (102 at 30 June 2011) sites had been successfully remediated over the 12-year life of the Contaminated Land Management program.

The EPA has been notified of over 1,000 potentially contaminated sites covering more than 25,000 hectares across New South Wales, with about 95 per cent on private land. At September 2012, 338 (303) contaminated sites, covering over 5,000 hectares, were regulated under the *Contaminated Land Management Act 1997* (CLM Act) and the *Environmentally Hazardous Chemicals Act 1985*. About ten per cent are on State land.

In 2011-12, owners of contaminated land spent \$206 million on site remediation and the EPA took 94 regulatory actions.

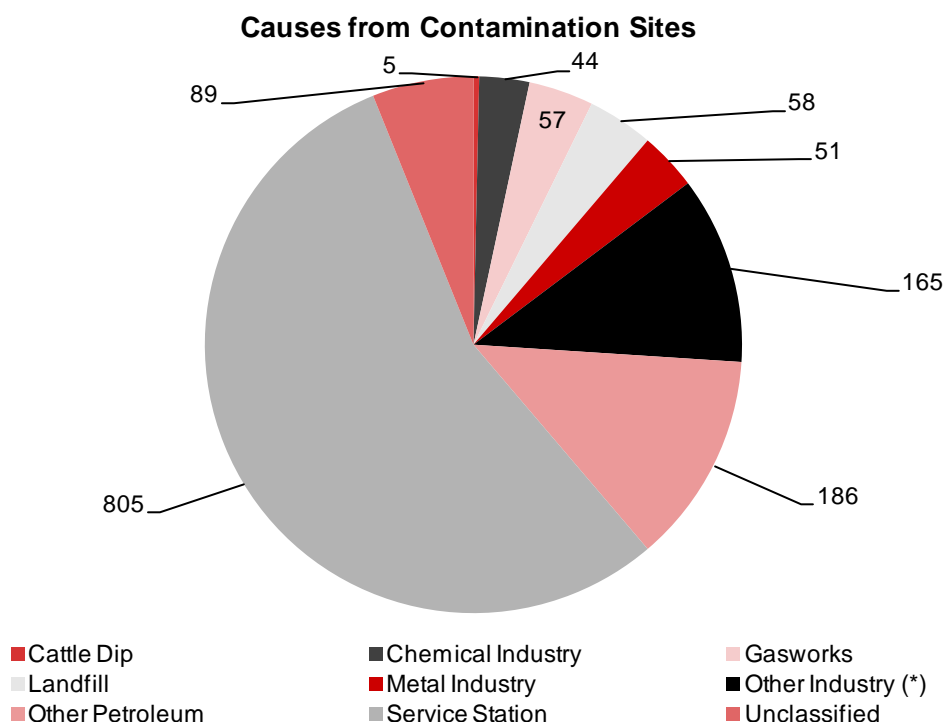
The EPA is aware of over 1,000 potentially contaminated sites across the State

Companies may choose not to provide remediation cost data to the EPA

The EPA advises that responsible parties can choose a range of best practice techniques to meet the required environmental and public health outcomes imposed by the EPA. However, many companies choose not to provide remediation cost data to the EPA. Due to the complexity and uniqueness of each contaminated site (location, type of contamination, remedial approach used, etc), the cost of remediation cannot be realistically determined. Therefore, information currently available to the EPA on contaminated land remediation costs only relates to those sites regulated by the EPA and where the responsible party provided remediation cost estimates.

### Causes of Contamination

The chart below shows the causes of contamination known to the EPA.



Source: OEH's website. Details contaminated sites known by EPA at 13 August 2012 with regard to its regulatory role under the CLM Act.

\* includes former tannery, mines, explosives, timber treatment, waste oil sites, railway workshops and many other government agencies.

The chart shows the largest sector responsible for contamination is the petroleum industry, with 67.9 per cent of total identified sites, including 805 service stations and 186 other petroleum sites.

The EPA advises it has developed and implemented a comprehensive response to the leaking Underground Petroleum Storage System (UPSS). The UPSS Regulation was amended in November 2011 to extend EPA's regulatory role to June 2017. The UPSS program aims to prevent future contaminated sites and identify existing sites by:

- introducing the Protection of the Environment Operations (Underground Petroleum Storage System) Regulation 2008
- raising awareness of the issue via workshops for industry and local councils
- funding the industry representative group Service Station Association and Motor Traders Association to provide a helpline for industry
- undertaking an extensive inspection program cooperatively with local councils and other agencies, such as WorkCover
- managing an Environmental Trust funded pilot program to address abandoned UPSS in rural areas.

The petroleum industry is responsible for 68 per cent of known contaminated sites

### **EPA Actions on Contaminated Sites**

Contaminated sites may exist that have not been notified to the EPA even though the legislation makes it an offence not to report contaminated sites. During 2011-12, the EPA has actively promoted the 'Guidelines on the Duty to Report Contamination under the CLM Act' at industry, local council and accredited auditor forums. The guidelines set out the reporting duties of landowners and persons responsible for contamination and provide guidance on how it will be assessed.

The EPA has implemented focused programs to raise awareness, audit and identify possible sites within industry sectors strongly associated with contaminated land. For example, in 2011-12, the EPA ran programs targeting UPSS, drycleaners, marinas, timber treatment plants, electroplaters and former James Hardie asbestos disposal sites.

### **Database of Contaminated Sites**

#### *Recommendation*

**The EPA should lead the effort to compile a comprehensive database of contaminated land in New South Wales.**

Last year, I reported that compiling a comprehensive database of all contaminated sites in New South Wales would be a massive project. The EPA advises that information on contaminated land would need to be sourced from:

- the EPA database of contaminated sites regulated and/or notified under the CLM Act
- the EPA database of licensed premises under the *Protection of the Environment Operations (POEO) Act 1997* (some large operational industrial sites such as steelworks or oil refineries have pollution reduction programs on their POEO licences that require monitoring and/or investigation of possible sources of land pollution associated with their ongoing operations)
- local council records on previous zonings and historical land uses, which may identify past activities associated with land contamination
- information held by other NSW Government departments such as the Department of Primary Industry and the Department of Trade and Investment, Regional Infrastructure and Services
- the Australian Government for land it controls or regulates.

The EPA advised that it cannot verify data obtained from other jurisdictions. Therefore the quality of any database compiled cannot be guaranteed.

### **Derelict Mines**

Last year, I reported that derelict mines may represent the largest category of contamination liability for the State. The 500 plus derelict mines are not regulated under the Contaminated Land Management Program by the EPA. They are managed by the Department of Trade and Investment, Regional Infrastructure and Services.

The Derelict Mines Program has many thousands of hectares of degraded and contaminated land where mining companies abandoned mines without cleaning up or stabilising the sites.

Derelict mines may represent the State's largest category of contamination liability

## NSW Climate Change Fund

The Climate Change Fund (the Fund) was established on 1 July 2007 under the *Energy and Utilities Administration Act 1987* to help households, business and government and communities in saving water, energy and greenhouse gas emissions. It raises contributions from electricity distributors and water utilities.

The following table shows the cumulative energy and water savings and expenditure of the Fund from 2007-08 to 2011-12.

Year ended 30 June	2012 (a)	2011	2010	2009	2008
Cumulative energy savings (MWh/per annum)	917,000 (c)	924,000	724,000	684,700	255,000
Cumulative water savings (ML/per annum)	19,700 (c)	19,800	18,700	16,700	16,200
Cumulative program expenditure (\$m) (b)	633.6	514.6	369.4	155.6	57.1

Source: OEH (unaudited).

a Figures shown for the year ended 30 June 2012 are best estimates provided by OEH.

b Does not include reimbursement payments for the Solar Bonus Scheme.

c Improvements in savings estimates methodologies and quality assurance on deemed savings conducted across the Fund have reduced the total estimated savings for the year ended 30 June 2012.

Up to 30 June 2012, Fund expenditure was \$634 million (\$515 million to 30 June 2011), leaving \$66.4 million (\$185 million at 30 June 2011) of the \$700 million Fund. This balance is committed to approved Fund programs, including the Solar Bonus Scheme reimbursement.

OEH advises the cumulative energy and water savings achieved in the years up to 2011-12 will continue in 2012-13 as the benefits of the Fund's investments last for a number of years beyond the year of the investment.

The Fund's revenue, advances, and expenditure over the last four years is summarised below.

Year ended 30 June	2012 \$'000	2011 \$'000	2010 \$'000	2009 \$'000
<b>Revenue</b>				
Sydney Water	17,050	23,310	33,593	36,025
Ausgrid (formerly Energy Australia)	71,012	70,997	67,354	18,866
Endeavour Energy (formerly Integral Energy)	44,684	44,679	42,385	11,875
Essential Energy (formerly Country Energy)	34,754	34,774	32,989	9,259
Interest	6,564	6,285	4,732	5,963
Other	2,399	3,382	3,076	6,913
Treasurer's advance for Solar Bonus Scheme	126,960	27,410	--	--
<b>Total revenue</b>	<b>303,423</b>	<b>210,837</b>	<b>184,129</b>	<b>88,901</b>
<b>Expenditure</b>				
Solar Bonus Scheme*	211,841	138,253	na	na
Home Saver Rebate Program	5,595	25,512	90,439	40,038
Coal Innovation NSW Fund	18,500	25,142	25,000	--
Energy Efficiency Strategy	35,436	29,881	17,581	4,086
Sydney Water Demand Management Program	1,148	6,725	16,196	18,051
Water and Energy Savings Funds	3,561	7,400	12,513	12,146
Green Business Program	1,920	2,310	4,629	2,320
Public Facilities Program	1,463	6,412	13,099	2,550
School Energy Efficiency Program	6,005	5,864	5,206	2,336
Metropolitan Water Education Program	2,000	2,000	2,000	2,000
Central Coast Water Savings Fund	2,257	404	1,477	1,953
Australian Energy Market Commission	7,718	6,365	5,516	4,219
Housing Program	2,420	3,410	6,485	5,475
Administration	4,880	6,204	6,998	2,831
Other	26,043	17,558	6,706	537
<b>Total expenditure</b>	<b>330,787</b>	<b>283,440</b>	<b>213,845</b>	<b>98,542</b>

Source: OEH (unaudited).

\* Amount shown for the year ended 30 June 2011 included expenditure incurred from 1 January 2010 to 30 June 2011 on Solar Bonus Scheme.

In 2011-12 the Crown provided a repayable advance to meet Solar Bonus Scheme costs

In 2011-12, four providers contributed 95 per cent (95 per cent in 2010-11) of Fund revenue. Program expenditure is allocated by the Minister for the Environment in accordance with the Act and is not necessarily linked to the source of Fund revenue (e.g. revenue collected from Sydney Water may not necessarily be spent on water saving initiatives).

In 2011-12, the Crown provided a repayable advance of \$127 million (\$27.4 million) to the Fund to cover costs of the Solar Bonus Scheme (the Scheme). The OEH have advised that the Fund can start to repay the advances over the years to 2019-20, starting from 2013-2014.

Further analysis of the significant items of expenditure in the table above is presented in the following sections.

The latest projection of tariffs for the Solar Bonus Scheme is \$1.3 billion

## Solar Bonus Scheme

In 2011-12, \$212 million (\$138 million in 2010-11) or 64 per cent (49 per cent) of the Fund's expenditure was for reimbursements to Distribution Network Service Providers for tariff payments to electricity retailers under the Scheme. While the Fund was originally capped at \$700 million, the latest NSW Government projection for total tariffs to be paid under the Scheme is \$1.3 billion (\$1.8 billion was projected in 2010-11).

The OEH advised that the revised projection of \$1.3 billion was made by the Distribution Network Services Providers. In 2012-13, the NSW Government requires all electricity retailers to contribute 7.7c for each eligible kilowatt hour generated under the Solar Bonus Scheme. This is expected to reduce tariffs by around \$33.0 million in 2012-13.

The following table shows the amount expended on the Solar Bonus Scheme to 30 June 2012 compared to the original estimates.

Year ended 30 June	Actual Expenditure \$'millions*	Original Estimates \$'millions**
2011	138.3	142.1
2012	211.8	246.2
<b>Total to 2012</b>	<b>350.1</b>	<b>388.3</b>

\* OEH (unaudited).

\*\* New South Wales Auditor-General's Report on Solar Bonus Scheme (unaudited).

The OEH advised that expenditure was less than the original estimates when actual claims data from the Distribution Network Service Providers was analysed.

The Solar Bonus Scheme was introduced through legislation in 2009, commenced on 1 January 2010 and is legislated to run for seven years to 31 December 2016. It provides support to people who produce electricity through rooftop solar photovoltaic systems or mini wind turbines connected to the electricity grid.

## Home Saver Rebate Program

The NSW Home Saver Rebate Program was a major area of Fund expenditure which ended on 30 June 2011 as scheduled. OEH advises the program funded the following savings:

- 401,100 tonnes of greenhouse gas emissions per year through hot water systems and ceiling insulation in NSW homes since October 2007
- 4.8 billion litres of potable water each year through water efficient washing machines, dual flush toilets and rainwater tanks.

The table below details the number of rebates paid on a cumulative basis since the introduction of the Fund.

Residential rebates paid under the Climate Change Fund (cumulative) for year ended 30 June	2012	2011	2010	2009
Hot water systems (since October 2007)	155,211	148,413	118,848	28,586
Insulation (1 October 2007 to 30 June 2009)	26,094	26,088	26,080	10,800
Rainwater tanks (since July 2007)	52,806	48,629	40,154	26,875
Washing machines (1 August 2008 to 30 June 2010)	76,638	76,632	76,223	27,765
Dual flush toilets (since 15 January 2010)	21,440	15,829	2,214	na
Hot water circulators (since 15 January 2010)	23	14	na	na

Source: OEH (unaudited).

na Program had not commenced.

By 30 June 2012, more than 332,000 (315,000 at 30 June 2011) rebates had been issued to one in eight NSW households. Additionally, one in three rainwater tanks installed in New South Wales is connected to a toilet and/or washing machine, compared to less than one in six in 2007.

### **Coal Innovation NSW Fund**

The NSW Government has committed \$100 million over four years to the Coal Innovation NSW Fund researching, developing and commercialising clean coal technologies in New South Wales. A contribution is made each year for research into, and development of, low emissions coal. Activities, achievements and expenditure incurred are reported in the annual Coal Innovation Fund Annual Report.

### ***Delta Carbon Capture and Storage Demonstration Project***

In August 2009, the NSW Government approved \$9.4 million from the Coal Innovation Fund for Stage One of the Delta Carbon Capture and Storage Demonstration Project (the Project), being the 'Development and Approvals' phase. Total expenditure for Stage 1 was \$28.3 million, with two thirds provided by the Commonwealth Department of Resources, Energy and Tourism and ACA Low Emission Technologies Limited (ACALET) in equal shares.

The NSW Government has committed \$40.0 million to Stage 2 of the Project, being 'Construction and Operation'. The Australian Government and ACALET are also expected to contribute significant amounts to Stage Two.

This project is to demonstrate integrated post combustion capture, transport and permanent geological storage of carbon dioxide from a black coal fired power station. Once the project is complete and a suitable storage site is identified, it will store up to 100,000 tonnes of CO<sub>2</sub> per year.

### ***NSW CO<sub>2</sub> Storage Assessment Program***

This program has two aims:

- to identify potential geological storage sites for the Delta Carbon Capture and Storage Demonstration Project
- to investigate long term storage potential opportunities in New South Wales

In 2011-12, there were no drilling activities undertaken. Program expenditure of \$411,419 (\$6.0 million in 2010-11) mainly related to modelling costs.

Stage One included drilling on four sites in the Sydney-Gunnedah Basin between 2008 and 2011. Associated testing and modelling was completed in early 2012. No suitable storage sites were identified.

Stage One of drilling in the Darling Basin will continue in early 2013 and is expected to be completed in 2014. The cost is expected to be approximately \$20.0 million. The Department of Trade and Investment, Regional Infrastructure and Services advise that if no suitable storage is found, the Delta Carbon Capture and Storage Demonstration Project will not proceed.

An agreement was signed in June 2012 between the Department of Trade and Investment, Regional Infrastructure and Services, the Australian Government (Geoscience Australia) and ACA Low Emission Technologies Limited (ACALET). The budgeted cost of Stage One of this program was \$54.3 million with each party contributing one third.



The Coal Innovation Fund is funding research into carbon capture and storage

### Research and Development Projects

Ten successful projects were approved by the NSW Government in May 2010 with total funding of up to \$13.0 million, aiming to drive technological developments in low emissions coal technologies that cover the full breadth of coal application in New South Wales.

The following table details the funding recipients, the amount spent in 2011-12 and the project duration.

Applicant	Description	Funding up to \$'000	Duration (years)	Expenditure in 2011-12 \$'000
University of Newcastle	Mineral Carbonation	3,040	3.5	(a)
UCC Energy Pty Ltd	UCC Burning Efficiency	2,581	4	--
Centennial Coal (Mandalong) Pty Ltd	Fugitive Emission (ventilation)	2,200	2	796
CSRIO	Capture Testing Solvents	1,300	3	545
CSRIO	Fugitive Emission (open cut)	1,000	2	(b)
University of Newcastle	Chemical Looping – Oxy-Fuel	887	3	343
University of Newcastle	Social Research / Public Awareness	619	2	331
CSIRO	Novel Capture and Energy Efficiency	614	1.5	330
University of Newcastle	Direct Carbon Fuel Cell	609	5.5	138
OurSun Pty Ltd	Combined Brayton Rankine Cycle	159	0.6	(c)
<b>Total</b>		<b>13,008</b>		<b>2,482</b>

a The funding agreement is due to be signed in the coming months.

b The Fugitive Emission field trial has been delayed due to an underground coal seam fire on site before the project commenced.

c OurSun Pty Ltd withdrew the application on 1 December 2010.

The Mineral Carbonation project by the University of Newcastle looks to take advantage of natural processes whereby CO<sub>2</sub> is captured in mineral deposits and stored in rocks permanently. It is expected to be a 'world first' project in the building and operation of a mineral carbonation pilot plant with capacity to convert up to 20 million tonnes of carbon dioxide per year.

The UCC Burning Efficiency project aims to develop a process to produce ultra clean coal and use it as coal-water fuel in diesel engines to generate electricity. It could potentially fuel small power stations with diesel engines located within the grid, reducing transmission line losses and faster start-up capability.

Both Centennial Coal Pty Ltd and CSIRO received grants to tackle fugitive methane emission, which is recognised as a more powerful greenhouse gas than carbon dioxide.

## NSW Energy Efficiency Strategy

In 2011-12, expenditure on this strategy increased to \$35.4 million (\$29.9 million in 2010-11). The purpose of the strategy is to reduce greenhouse gas emissions by lowering energy consumption, reducing the impact of rising energy prices and delaying the need to construct additional energy generation and distribution infrastructure.

The main measures undertaken under the strategy are:

- \$20.0 million Energy Efficiency Training Program, delivered in partnership with the Department of Education and Communities, to build energy efficiency skills in the NSW workforce
- \$63.0 million Home Power Savings Program which provides free home power assessments and power savings kits to 220,000 low income families
- Sustainability Advantage Energy Saver - energy efficiency for medium to large organisations under which \$20.0 million is being provided to subsidise energy audits and other technical advice to help businesses identify and implement energy savings
- Energy Efficiency for Small Business which provides small businesses that use up to approximately \$20,000 in electricity a year, or have up to about ten full-time employees, with support and subsidies for energy efficiency improvements
- \$15.0 million Energy Efficiency Community Awareness Program which provides practical advice on saving energy at home and work.

## Biodiversity Banking and Offsets Scheme

### *Recommendation*

The Office of Environment and Heritage should complete the Biobanking Scheme review and address operational issues affecting the market for Biobanking credits.

Last year, I recommended OEH investigate ways to address the availability of Ecosystem Credits and the lack of market interest for Species Credits.

The OEH is currently undertaking a statutory review of the Biodiversity Banking and Offset Scheme (Biobanking Scheme) to investigate ways to improve the match between the demand and supply of credits. Public consultation ran from May to July 2012, with 50 written submissions received and nine targeted stakeholder meetings held.

The following key issues were identified from the feedback received:

- the need to increase the supply of offset lands by helping landowners to overcome participation barriers, especially the cost of site assessment
- the need to introduce flexibility to the process to overcome barriers to participate by developers
- the need to establish a formal broker to help landowners and developers find credit buyers and sellers in the market.

The OEH anticipates a final report addressing these and other issues raised will be completed by the end of 2012.

Information obtained from OEH is summarised in the following table.

Type of Biobanking Credits	Credits Created	Credits Sold/Retired	Credits Available	Credits Wanted
Ecosystem Credits(a)	18,892	1,048	17,844(c)	19,965
Species Credits(b)	24,446	507(d)	23,939	4,704

a Ecosystem Credits can only be used to offset biodiversity impacts in the same ecological community, or in another community of the same formation that has an equal or greater percentage of vegetation cleared and the same predicted threatened species.

b Species Credits can only be used to offset biodiversity impacts on the same threatened species.

c Over 13,700 ecosystem credits have been created by Whitehaven Coal, and Whitehaven will retire these credits to offset its own development. This will leave approximately 3,100 credits available.

d Only one transaction has occurred for species credits.

There remains a lack of demand for Biobanking Species Credits

Thirteen Biobanking agreements had been approved to 30 September 2012, covering 2,000 hectares in the Sydney region, near Gunnedah and in the Hunter Valley. Around 15,000 available credits are currently earmarked for retirement to satisfy consent conditions for development projects. Credits that are not sold after a period of time are retired.

The table above shows the gap between credits available and credits wanted. The 'Credits Wanted' column shows the credits in demand do not match the type of credits available. OEH maintains a public register of interest on its website.

The following table shows the price of the 866 ecosystem credits sold in 2011-12 (1,272 sold in 2010-11).

Biobank site	Credits sold by landholder	Sale proceeds deposited in the Fund per credit \$	Sale proceeds to landholder per credit \$	Total sale proceeds per credit \$
Western Sydney Parklands	243	9,197	3,819	13,016
'Mater Dei' Cobbitty (near Camden)	228	6,851	2,149	9,000
Beulah	395	1,950	--	1,950

The market value of biodiversity credits varies due to the characteristics of the Biobank site and the existing supply of, and demand for, credits of the market. The price is calculated based on a combination of the minimum price determined by the management costs for that site, and any additional return to the landholder, as negotiated between the landholder and the buyer.

### How the Biobanking Scheme Works

Credits are created by the landholder, who establishes a Biobank site and commits to enhancing and protecting the site's biodiversity values. Once credits are issued to the landholder, they can immediately be sold to any buyer.

The Biobanking Scheme creates a market for the credits to enable an interested buyer, such as a developer, to buy the credits to offset impacts from their development and to meet the 'improve or maintain' test for biodiversity values.

When biodiversity credits are first sold, a part of the sale proceeds must be deposited into the Biobanking Trust Fund (the Fund), which is managed by the Environmental Trust (the Trust). Over \$6.6 million has been deposited in the Fund.

The Fund provides annual payments to the landholder to enable them to carry out the management actions defined in the Biobanking agreement, including fencing, weed and pest control, revegetation, erosion control and rubbish removal. The performance of these activities is monitored by OEH.

In July 2008, the Trust was appointed, by the former Minister for Climate Change and the Environment, as manager of the Fund. The Fund is an element of the Biobanking Scheme established under Section 127A of the *Threatened Species Conservation Amendment (Biodiversity Banking) Act 2006*. The Trust's appointment has now been extended until July 2013.

There was less hazard reduction burning in 2011-12 due to wet weather

## Bushfire Hazard Reduction in Parks and Reserves

The following table shows the hectares treated by prescribed burning over the last three years.

Results	2012	2011	2010
Burning (in hectares)	47,206	56,060	93,424

Source: RFS Annual Report Updated figures (unaudited).

The National Parks and Wildlife Service (NPWS) within OEH completed 204 prescribed hazard reduction burns in 2011-12 (159 in 2010-11). It advises that while this was lower than the previous record year it was above the current five and ten year averages for hazard reduction treatments.

The year 2011-12 had one of the wettest springs and the ninth wettest summer on record for New South Wales. This resulted in a reduced hazard reduction program and very few wildfires over the bushfire danger period. In 2011-12, 79 wildfires covering 14,712 hectares were recorded in parks and reserves (78 wildfires covering 1,080 hectares).

Based on the trend of bushfires in parks and reserves over the last forty years, OEH advises conditions appear conducive to extreme bushfire threats this summer. The risk is especially high in the Western Division of New South Wales where relatively high levels of grass fuel are available over vast areas of the western slopes and plains. As these grass fuels cure, especially after extreme fire weather conditions, they will be a major threat to rural areas.

The OEH manages approximately 25 per cent of the fire-prone land in New South Wales but, on average, completes over 50 per cent of the total hazard reduction burning program in the State.

## National Australian Built Environment Rating System

### *Recommendation (Repeat)*

The Office of Environment and Heritage should report compliance by NSW Government budget dependent agencies with the National Australian Built Environment Rating System on its website and in its annual report.

### *Recommendation*

NSW Government budget dependent agencies should ensure they have a rating on the National Australian Built Environment Rating System website and it is current.

For the past two years, I have recommended OEH report compliance by NSW Government budget dependent agencies with the National Australian Built Environment Rating System (NABERS) targets under the NSW Government Sustainability Policy (the Policy) on its website and in its annual report.

The OEH must report each year to the Minister for the Environment on agency progress under the Policy. This includes reporting NABERS ratings for agencies.

The OEH advises that reporting arrangements have expired under the existing policy and are currently being reviewed. It also advises that the recommendation for reporting NABERS via its annual report is being considered as part of the review and that it would be helpful if agencies confirmed compliance annually on their websites and in their annual reports.

The NABERS ratings expire after 12 months, and do not have to be renewed annually under the policy. The OEH advises it is possible agencies have obtained a rating to comply with the policy and allowed it to expire and hence are no longer listed on the NABERS website.

Government agencies may not be complying with sustainability, waste reduction and purchasing policies

The NABERS is a national initiative, managed by OEH across Australia, which rates a building on the basis of its operational impact on the environment. Though ratings are voluntary, under the Office Building Strategy of the policy, office buildings over 1,000m<sup>2</sup>, owned or tenanted by budget dependent agencies, are required to:

- obtain an accredited NABERS Energy and Water rating
- achieve and maintain a NABERS rating of 4.5 stars for energy and water by 1 July 2011, where cost effective.

## **Waste Reduction and Purchasing Policy**

### *Recommendation*

**The Office of Environment and Heritage should help ensure agencies meet their waste and recycling reporting obligations in 2013.**

Last year, I recommended agencies meet their Waste Reduction and Purchasing Policy (WRAPP) reporting obligations to OEH. Only 26 agencies (39 per cent) submitted a 2010-11 WRAPP Progress Report by the 31 August 2011 deadline.

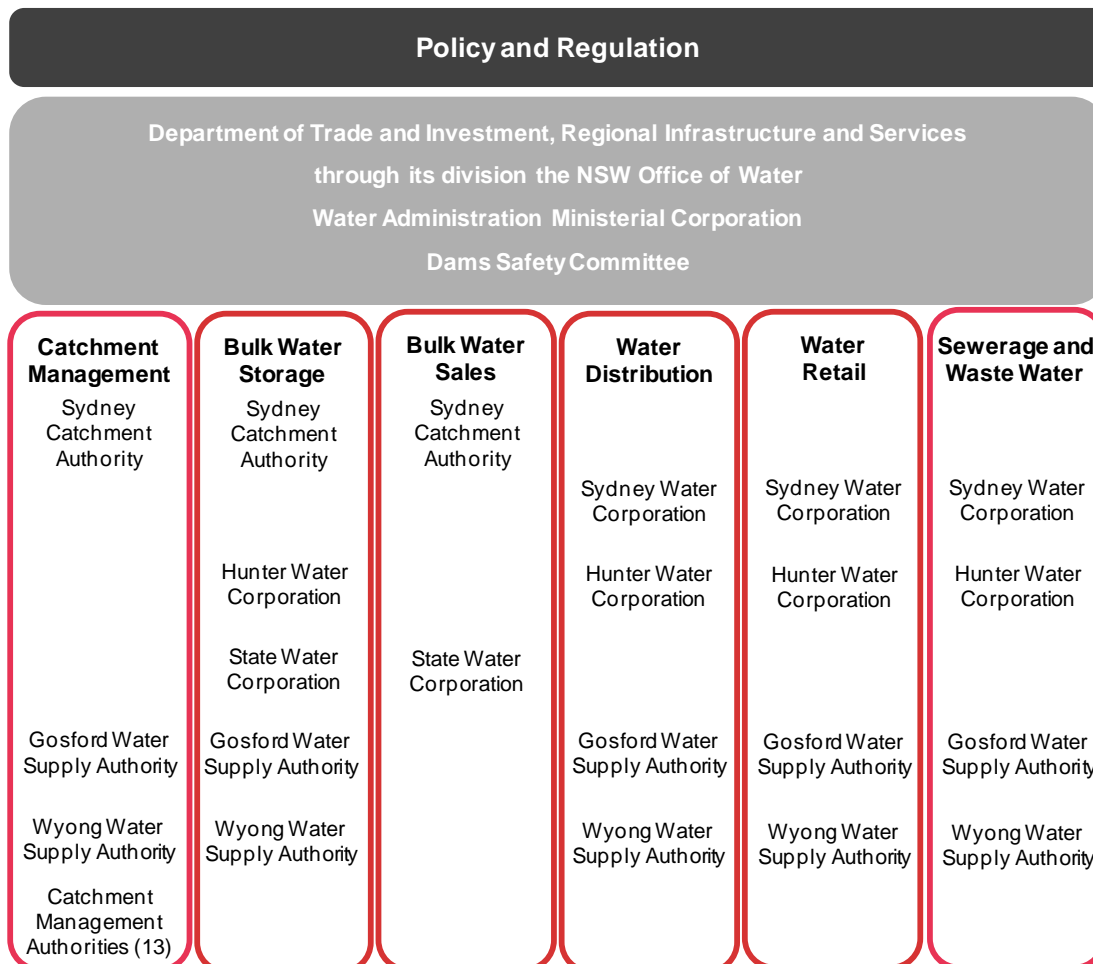
WRAPP data is collected by OEH every two years for inclusion in the 'Whole of Government WRAPP Progress Report'. The next report will be for the two years ended 30 June 2013 and the data will be due from agencies by 31 August 2013. The OEH must continue working closely with agencies to ensure they meet this deadline.

Recycling and reuse of waste is important to maximise use of our resources and minimise our carbon footprint. OEH is responsible for coordinating the WRAPP across other agencies and State owned corporations.

# Water Overview

## Water Entities and Audit Opinions

The following government entities provide water services:



Except for Sydney Water Corporation (Sydney Water), completed audits of the above entities' financial statements for the year ended 30 June 2012 resulted in unqualified audit opinions. I issued a qualified audit opinion on Sydney Water's financial statements. Sydney Water entered into contracts for three water filtration plants but does not recognise any asset or liability relating to the contracts.

At the time of preparing this report the audits of following agencies are incomplete:

- Gosford Water Supply Authority
- Water Administration Ministerial Corporation
- Murray Catchment Management Authority

The Gosford Water Supply Authority audit is linked to the audit of the Gosford City Council. I do not audit that entity. The Gosford Water Supply Authority's year-end financial reporting timetable is later than the timetable for other water entities.

The Water Administration Ministerial Corporation's financial statements for the years ended 30 June 2012 and 2011 are being audited. It has had difficulty in revaluing its assets, which are levees to reduce the impact of floods. These levees are in the Hunter Valley.

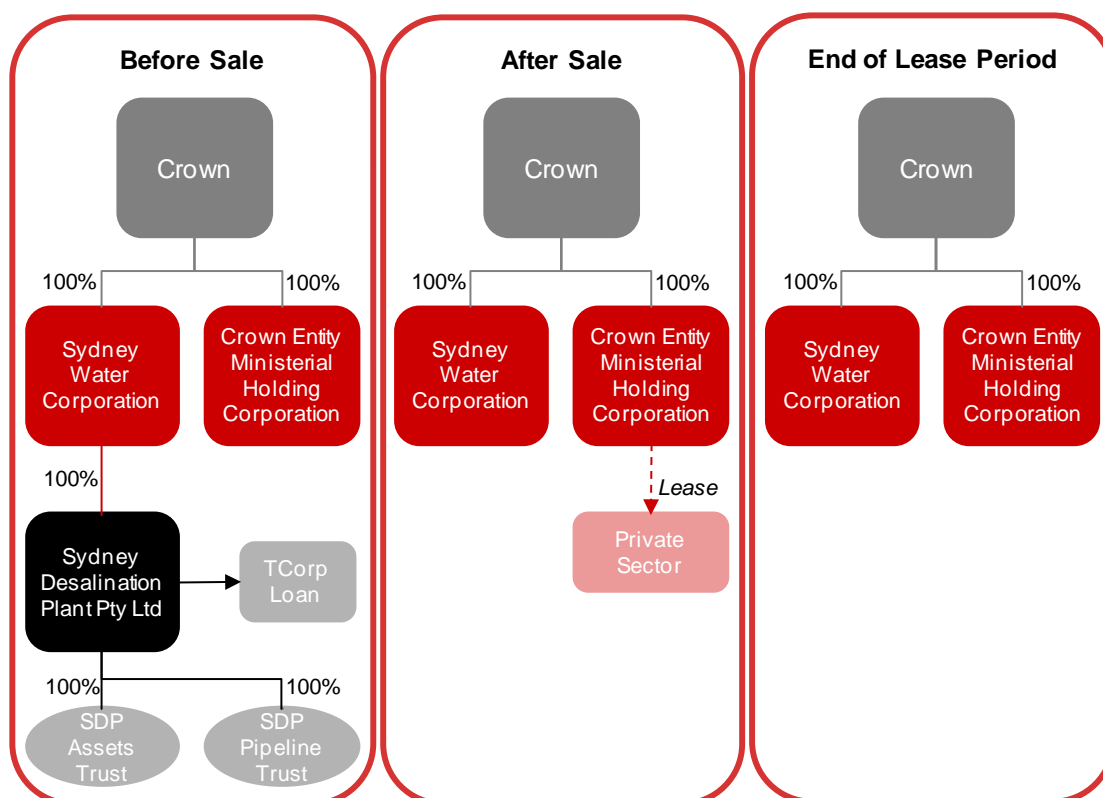
Separate comment on some of the above entities appears elsewhere in this report.

## Key Issues

### Sale of Desalination Plant, Pipeline and Sydney Desalination Plant Pty Limited

Sydney Water sold its desalination plant, pipeline and controlled entity, Sydney Desalination Plant Pty Limited, on 1 June 2012 to a private sector consortium. As part of the sale, the successful bidder repaid the plant's TCorp loans of \$1.8 billion.

Proceeds from the sale of the desalination assets and company were \$2.3 billion, resulting in a profit of \$261 million



Early in 2011–12, Sydney Water transferred the water pipeline across Botany Bay and related loans to Sydney Desalination Plant Pty Limited. The plant then transferred the pipeline to SDP Pipeline Trust and its other assets to SDP Assets Trust, two trusts it had created in anticipation of the sale.

Before the sale, Sydney Desalination Plant Pty Limited and its trusts entered into sale and lease-back arrangements of the assets with the Ministerial Holding Corporation. The agreements are 50 year finance leases, which Sydney Desalination Plant Pty Limited and its trusts have prepaid. This means the Ministerial Holding Corporation has no assets or liabilities relating to these transactions on its balance sheet.



Sydney Water's prices include the cost of the desalination plant

At the end of the lease term, the owners of Sydney Desalination Plant Pty Limited will own the assets with no conditions to be satisfied, unless the minister cancels the plant's Network Operator Licence under the terms of the lease agreement, for example, if the plant breaches the *Water Industry Competition Act 2006*. If this occurs, the plant may not receive title to the assets at the end of the lease term.

Sydney Water has a 50 year Water Supply Agreement with Sydney Desalination Plant Pty Limited.

### Pricing of Desalinated Water

The desalination plant has shut down. Assuming the desalination plant does not restart for two years, Sydney Water will pay nearly \$182 million plus fixed electricity charges to Sydney Desalination Plant Pty Limited during 2012–13. These costs are included in Sydney Water's prices to its customers.

The plant's water prices for the next five years are shown in the table below. Currently, Sydney Water is the plant's only customer.

Year ended 30 June	2017 \$	2016 \$	2015 \$	2014 \$	2013 \$
<b>Operating at full capacity</b>					
Water service charge (\$ per day)	403,504+FNC*	403,315+FNC*	402,827+FNC*	403,315+FNC*	403,504+FNC*
Water usage charge (per megalitre)	660.80+VNC <sup>#</sup>	634.78+VNC <sup>#</sup>	619.74+VNC <sup>#</sup>	582.48+VNC <sup>#</sup>	539.63+VNC <sup>#</sup>
<b>Operating in long term shutdown</b>					
Water service charge (per day)	393,739+FNC*	386,022+FNC*	380,193+FNC*	372,697+FNC*	369,438+FNC*
Water usage charge (\$ per megalitre)	--	--	--	--	--
<b>Pipeline only tariff</b>					
Pipeline charge (per day)	127,711	128,204	129,399	130,235	130,032

Source: IPART, price includes impact of carbon price scheme.

\* FNC: fixed network charge (fixed electricity charges) applicable for the relevant day.

# VNC: variable network charge (variable electricity charges) applicable for the relevant day.

# The Australian Energy Regulator (AER) sets fixed network charges and variable network charges each year.

The Independent Pricing and Regulatory Tribunal (IPART) set prices for each mode of operation. It also provides a model to adjust prices if the plant has more than one customer.

On 2 July 2012, the Minister for Finance and Services directed the Sydney Desalination Plant to cease production.

Sydney Desalination Plant Pty Limited will run the desalination plant in line with the Metropolitan Water Plan. The plant must be in full operation when the Sydney region's total available dam storage level is less than 70 per cent. It will continue to operate until available storage is greater than 80 per cent. Current dam storage levels are over 90 per cent capacity. Depending on storages levels, the plant may be shut down for long periods of time. The plant's five modes of operation are:

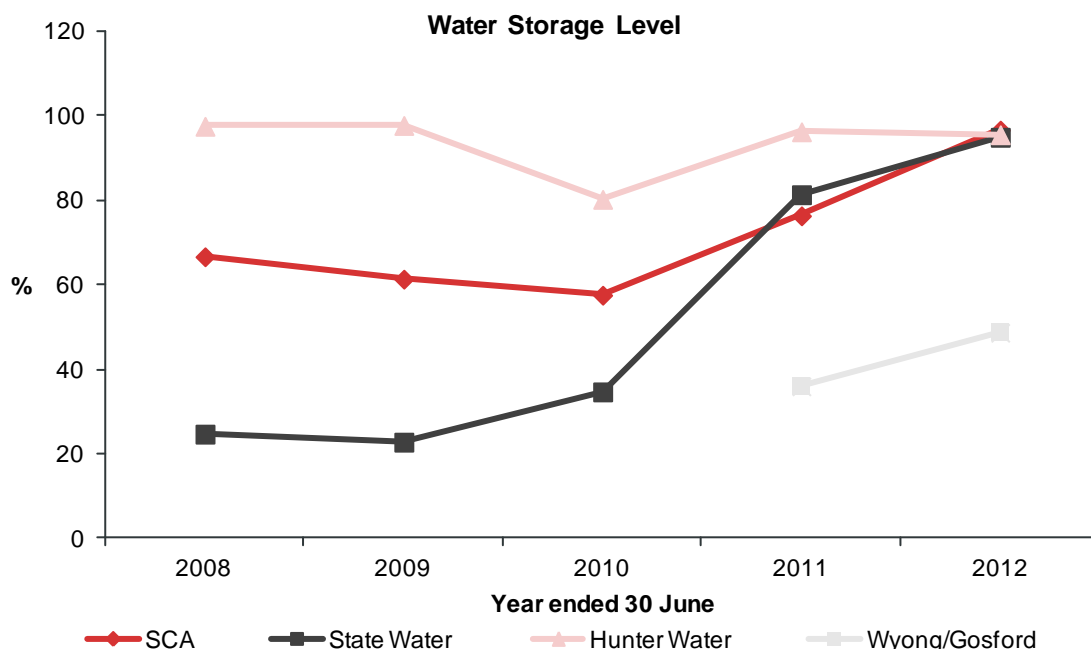
- full operation – when the plant operates at full production
- short-term shutdown – 2 to 10 days
- medium-term shutdown – 11 to 90 days
- long-term shutdown - 91 days to 2 years
- water security shutdown – more than 2 years.

Water storage levels are the highest for some time

## Water Storage

Heavy rainfall in 2011–12 resulted in higher water storage levels compared to prior years.

The graph below shows the water storage level of the Sydney Catchment Authority (SCA), Hunter Water Corporation (Hunter Water) and State Water Corporation (State Water) for the past five years. It also shows Wyong Water Supply Authority/Gosford water storage level for the past two years.



Source: SCA, Hunter Water, State Water, Wyong/Gosford Water Supply Authorities (unaudited).

Hunter Water, State Water and the SCA had water storage greater than 95 per cent of capacity at 30 June 2012. Wyong advises that Wyong/Gosford water storage levels are at their highest for more than ten years.

Hunter Water advised that its water storages can diminish very quickly but they can also recover quickly following good rainfall.

The increase in SCA's water storage level since 30 June 2010 reflects the impact of Sydney Water's desalination plant, restrained water demand and higher rainfalls during the year compared with prior years.

The desalination plant produced about 250 megalitres per day until 9 December 2011. At that time SCA's dam levels reached 80 per cent and the production of desalinated water fell to about 90 million litres per day. On 2 July 2012, the desalination plant stopped producing water. Production will restart when dam levels reach 70 per cent and produce water until dam storage levels reach 80 per cent.

The Sydney Water comment, later in this volume, discusses restrained water demand. Sydney Water believes consumers are continuing with water saving behaviours learned during the recent drought.

Long-term resource variability is a more significant issue for State Water. Its water storage increased over the past four years and was nearly 95 per cent of capacity at year-end. The high rainfall levels over the past year are more aligned with State Water's long-term average expectations.

NSW dams are not designed to mitigate floods

## Flood Mitigation

SCA advised that its dams are not designed to mitigate flooding. Warragamba Dam spilled twice in the early part of 2012. The SCA warned residents downstream of the dam prior to the spill as well as emergency services. Flooding can occur in the Hawkesbury-Nepean valley separate from any spill at Warragamba Dam.

During 2011–12, State Water released water from the Copeton Dam and the Oberon Dam spilled for the first time in ten years. Just after year end, State Water released water from the Burrendong Dam.

State Water monitors weather patterns and predicted significant rainfalls. It will release water from dams if large rain events are predicted. By doing this, State Water hopes to limit flooding downstream of a dam.

Hunter Water's two dams are for urban water supply and not designed to mitigate flooding.

WAMC controls the flood mitigation levees in the Hunter Valley.

## Access Rights

Potential water retailers benefit from access rights when entering Sydney's water retail market. They allow potential water retailers to use Sydney Water's pipes to reach any customer. Access rights mean that potential water retailers will not have to duplicate the existing water delivery network.

Sydney Water submitted a voluntary access undertaking to IPART for its review. The undertaking covers three services:

- water transport services
- interconnection services
- off-take services.

In August 2012, IPART issued its preliminary view of Sydney Water's third party access undertaking for water network services. IPART made a number of recommendations to Sydney Water. IPART will issue its final report later this year.

This is the first time an Australian economic regulator has received a voluntary access undertaking to review.

## Competition

Competition in the water industry is mainly in water recycling.

At 30 June 2011, 17 (15 at 30 June 2011) licences had been issued under the *Water Industry Competition Act 2006* for recycling projects.

SDP has two licences under the Act. One licence is for the operation of water infrastructure. The other licence is for the retail supply for water services.

The *Water Industry Competition Act 2006* commenced in August 2008. The aim of the Act is to encourage competition in relation to the supply of water and the provision of sewerage services and to facilitate the development of infrastructure for the production and reticulation of recycled water.

Sydney Water is seeking to lower a barrier to competition for retail water businesses

## Performance Issues

### Financial Performance

For the four largest NSW water suppliers and distributors, the key financial ratios are shown below.

Year ended 30 June	Sydney Water Corporation		Hunter Water Corporation		Sydney Catchment Authority		State Water Corporation	
	2012	2011	2012	2011	2012	2011	2012	2011
Current ratio (a)	0.4	0.5	0.4	0.4	0.9	0.6	0.9	0.8
Return on average equity (%) (b)	6.2	4.8	1.8	1.3	5.4	5.2	6.4	5.5
Return on average assets (%) (c)	8.0	6.3	3.5	2.8	6.0	6.2	5.8	5.1
Interest cover (times) (d)	1.9	1.7	1.7	1.6	2.3	2.5	2.8	2.7
Debt to equity ratio (%) (e)	91.2	120.3	58.8	39.8	60.2	66.7	43.0	40.9
Dividend paid (\$m)	230.0	232.0	16.6	34.1	27.3	31.2	10.7	3.1
Tax paid (\$m)	92.4	131.2	12.9	17.6	18.1	22.6	--	--
Contributions to government (\$m)	322.4	363.2	29.5	51.7	45.4	53.8	10.7	3.1

Calculated as:

- a Current assets divided by current liabilities (current liabilities include taxation liabilities and exclude employee provisions payable after 12 months).
- b Profit after income tax expense divided by average equity.
- c Profit before tax and interest expense divided by average assets.
- d Operating profit plus interest and tax expense divided by gross interest expense.
- e External debt divided by equity (net assets).

All entities have a current ratio of less than one. The water entities manage their cash flows with a lower ratio because their revenues and expenditures are highly predictable and they can quickly source funds. The water entities have access to funds from a 'come and go' facility with the New South Wales Treasury Corporation, as well as borrowing facilities.

The return on average equity during the year ended 30 June 2012 increased for all entities. Sydney Water's return benefited from the \$261 million profit on the sale of the Sydney Desalination Plant. The higher return on average equity for State Water is due to higher profit and assets. State Water completed a number of capital projects over the past year.

Sydney Water's debt to equity ratio declined because \$1.8 billion of debt was repaid as part of the sale of Sydney Desalination Plant.

The increase in Hunter Water's debt to equity ratio was due to additional borrowings of \$96.6 million for asset additions.

State Water's debt to equity ratio is higher than last year. This is due to higher debt levels and a slight fall in equity.

Dividends for Sydney Water are determined by agreement with the shareholder ministers. For Hunter Water, SCA and State Water, dividends are a percentage of profit after income tax.

## Non-Financial Performance

Non-financial performance measures are comparable for the entities below. Because the businesses of Sydney Catchment Authority and State Water are slightly different to the entities below, we have not compared their non-financial performance measures here. Refer to the commentary on these entities later in this report.

Year ended 30 June	Sydney Water Corporation		Hunter Water Corporation		Gosford Water Supply Authority		Wyong Water Supply Authority	
	2012	2011	2012	2011	2012	2011	2012	2011
Volume of water consumed (kilolitres per residential property)	193.0	197.3	163.0	174.8	145.0	148.0	153.0	157.0
Water quality complaints per 1,000 properties	0.5	0.6	2.9	2.8	14.0	9.0	7.5	16.5
Average frequency of unplanned water interruptions per 1,000 properties	147.2	176.2	205.72	258.4	153.0	200.0	62.0	85.0
Water main breaks and leaks per 100 km of water main	22.3	27.5	25.2	31.2	27.0	29.0	7.7	9.6
Sewer main breaks and chokes per 100 km of sewer main	48.0	57.0	46.6	59.9	36.0	42.0	54.9	57.1

Source: Sydney Water Corporation, Hunter Water Corporation, Gosford Water Supply Authority and Wyong Water Supply Authority (unaudited).

The volume of water consumed continues to trend down. Customers appear to have changed their behaviour since the recent drought and are using less water.

The increase in the number of complaints at Gosford is due to changing their 'Aggressive Mains Flushing Program' from quarterly to six monthly. The revised scheduling was aimed at achieving lower levels of wasted water, reduced costs and less interruption to residents during the delivery of the flushing program which is delivered at night. With the number of complaints increasing, Gosford is now completing the work quarterly. It will stay that way until their tender for mains cleaning is finalised.

The number of complaints at Wyong fell compared with the prior year. This is due to finishing major augmentation works at the Mardi Water Treatment Plant and the Mardi Dam.

Sewer chokes vary over time with trees roots causing most sewer breaks and blockages. In dry years, tree roots seek moisture more aggressively and enter pipes through joints and cracks.

When Hunter Water has unplanned water interruptions, a large number of properties can be impacted. This occurs because it supplies water to smaller communities via a single pipe. It then distributes water by smaller branch pipes to properties. If the break occurs in the single pipe section of the network, a number of properties are impacted.

Main breaks and sewer main breaks are influenced by a range of factors, including soil type, rainfall, pipe material and the age and condition of the network.

Water entities appear to respond well to IPART's Operational Audits

## IPART Operating Licence Audits

Sydney Water, Hunter Water, State Water and SCA each hold an operating licence. This allows them to fulfil their functions. Compliance with licence conditions is summarised below.

Compliance with Operating Licence Year ended 30 June	Sydney Water Corporation		Hunter Water Corporation		Sydney Catchment Authority		State Water Corporation	
	2011 %	2010 %	2011 %	2010 %	2011 %	2010 %	2011 %	2010 %
Full compliance	98	100	94	79	84	72	94	86
High compliance	2	--	6	17	15	11	6	8
Moderate compliance	--	--	--	4	1	15	--	5
Low compliance	--	--	--	--	--	--	--	1
Insufficient information	--	--	--	--	--	2	--	--

Source: IPART Sydney Water Operational Audit 2010-11.  
IPART Hunter Water Operational Audit 2010-11.  
IPART Sydney Catchment Authority Operational Audit 2010-11.  
IPART State Water Operational Audit 2010-11.

Sydney Water complies well with the conditions in its operating licence in 2011. It achieved full compliance on all licence clauses but for one item on water quality. For this item, it achieved full to high compliance. Sydney Water determined the most efficient and effective methods to meet IPART's desired outcome. It implemented the measures by the required timeframe of 30 June 2012.

Hunter Water's compliance with its operating licence improved during 2011. IPART made recommendations on water quality and infrastructure performance. They aim to help ensure customers always have water fit for purpose. The recommendations address gaps in existing processes and procedures. The gaps may result in water quality incidents given a mixture of conditions. IPART had no evidence of compromised water quality.

IPART said Hunter Water is planning processes for quality assurance, knowledge management and asset management. Hunter Water impressed IPART with its efforts in a number of actions it carried out in the audit period. These included leak detection, flow monitoring and mains rehabilitation improvement projects.

IPART's audit identified no major issues about SCA's performance against the key provisions of its licence. IPART made recommendations to SCA as a result of the audit. They are at a strategic level and are outcome-focused. This allows SCA to determine the most efficient and effective methods to meet the outcome.

The SCA demonstrated it continues to manage its resources and operations well. The level of compliance is better than the previous audit.

State Water's compliance with its operating licence also improved during 2011. The IPART suggested actions for State Water to take. They aim to help ensure it delivers drinking water in the Fish River Water Supply Scheme consistent with Australian Drinking Water Guidelines. They also relate to its implementation of an asset management system and making its code of practice on debt management available.

The IPART will follow up a matter with NSW Health and make sure it is resolved. Although outside the scope of State Water's operating licence, the audit identified a potential water quality issue for the Fish River Water Supply Scheme. The issue may present a risk to public health if not addressed. It related to the possibility of cross connecting the drinking water supply with the raw water supply in order to maintain the water service to customers. IPART found no evidence that State Water had cross connected its drinking water and raw water systems.

NSW Health has prime responsibility for regulating drinking water quality in New South Wales.

The carbon price scheme has a small impact on water prices

## Other Issues

### Cost of Carbon

The IPART has allowed water entities to recover costs associated with the carbon price scheme.

The SCA's water prices include carbon costs of approximately \$1.1 million or 1.2 per cent of total operating costs.

The IPART has considered the carbon price scheme when it determined Sydney Water's prices.

The IPART will look at Sydney Water's actual capital expenditure including actual carbon related costs in its next determination. It will include any efficient carbon related costs in Sydney Water's regulated asset base roll forward from 1 July 2012. In its price submission to IPART, Sydney Water did not include any carbon price scheme cost in its future capital expenditure.

IPART has not reflected the cost of the carbon price scheme in the water prices of Hunter Water Corporation, State Water, Gosford Water Supply Authority or Wyong Water Supply Authority. IPART will consider the cost of the carbon price scheme in the water prices for these entities in their next price determination.

### Transition to Central Coast Water Corporation

The Central Coast Water Corporation is expected to be fully operational in 2017.

The merger is expected to increase efficiencies in areas such as planning, environmental issues and drought management whilst maintaining benefits for the Central Coast community.

The corporation has not yet obtained an operating licence to supply water and other water related services on the Central Coast.

The *Central Coast Water Corporation Act 2006* commenced in late 2010. Under this Act, the water supply and sewerage activities of Wyong Shire and Gosford City Councils will merge into a single entity, the Central Coast Water Corporation.

The Wyong Water Supply Authority comment, which is later in this volume, has additional information on the Central Coast Water Corporation.

### Industry Changes

In October 2012, the government announced it will form Local Land Services. They will replace the 13 Catchment Management Authorities and 14 Livestock Health and Pest Authorities. They will include agricultural advisory services. At the moment, Agriculture NSW (part of the Department of Primary Industries) provides this service.

Local Land Services will be operational in January 2014.



## Water Accounting

The Water Accounting Standards Board released the Australian Water Accounting Standard in October 2012. It sets out requirements for the recognition, quantification, presentation and disclosure of items in a General Purpose Water Accounting Report. Public and private sector organisations can voluntarily adopt the standard.

NSW public sector water entities have not yet decided to adopt the standard. The Water Accounting Standard applies to:

- Hunter Water Corporation
- Sydney Water Corporation
- State Water Corporation
- Sydney Catchment Authority.

The water accounts will identify sources and quantities of water, how much water is used and how much water is on hand at year end.

The Board is working with the Auditing and Assurance Standards Board to develop a standard for Assurance Engagements on General Purpose Water Accounting Reports.



# Section Two

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The Legislature



# The Legislature

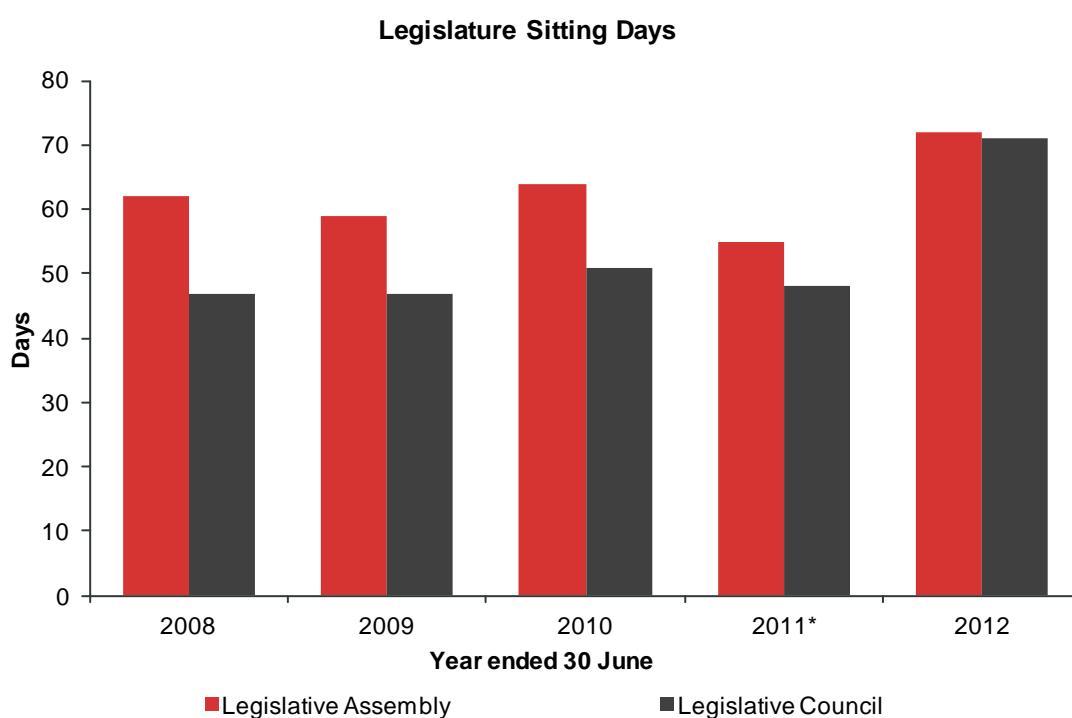
## Audit Opinion

I issued an unqualified audit opinion on the Legislature's 30 June 2012 financial statements.

## Operational Snapshot

Excluding members of parliament, the Legislature employs 548 full-time equivalent staff (550 at 30 June 2011). For the year-ended 30 June 2012, it incurred expenses of \$132 million and spent \$9.0 million on capital works around Parliament House and electoral offices.

## Performance Information



\* An election was held in this year.

Year ended 30 June	Legislative Assembly					Legislative Council				
	2012	2011	2010	2009	2008	2012	2011	2010	2009	2008
<b>Sitting days held</b>	72	55	64	59	62	71	48	51	47	47
Sitting hours	626	443	475	430	469	544	409	389	361	343
<b>Bills</b>										
Introduced	103	99	114	103	121	35	18	35	24	38
Received from council	24	12	28	15	21	na	na	na	na	na
Received from assembly	na	na	na	na	na	81	81	107	92	106
Passed	101	103	101	96	118	102	92	125	108	128
Disposed of/lapsed	5	5	15	10	--*	3	18	2	11	11
<b>Questions asked</b>										
On notice (written)	2,077	2,203	3,869	3,518	3,005	1,637	649	1,211	1,333	1,849
Without notice	736	472	517	480	482	1,423	1,031	980	825	908
<b>Committee</b>										
Reports	30	32	49	40	38	20	18	18	19	22
Meetings	191	100	145	121	141	156	75	142	161	127

Source: The Legislature (unaudited).

na not applicable.

\* Note: nine bills were rejected at the Agreement in Principle stage.

The number of sitting days in parliament increased significantly

Sitting days and hours in both houses increased significantly in 2011-12, compared with the previous four years. Parliamentary sitting days are determined by the government, with the number reflecting legislative and policy programs of the government.

Members in both houses asked 5,873 questions (4,355 questions in 2010-11), consistent with the average of 5,833 questions over the last four years. In 2011-12, almost 37 per cent of questions were asked without notice.

## Financial Information

### Abridged Statement of Comprehensive Income

Year ended 30 June	2012 \$'000	2011 \$'000
Employee related expenses	57,621	56,086
Other expenses	74,815	76,425
<b>Total expenses</b>	<b>132,436</b>	<b>132,511</b>
Government contributions	128,538	132,577
Other revenue	5,876	6,232
<b>Total revenues</b>	<b>134,414</b>	<b>138,809</b>
Other losses	(3)	(69)
<b>Net result - surplus</b>	<b>1,975</b>	<b>6,229</b>
<b>Other comprehensive income</b>		
Net increase in revaluation of assets	4,094	252
<b>Total comprehensive income</b>	<b>6,069</b>	<b>6,481</b>

Employee related expenses included salaries and wages of \$44.8 million (\$44.0 million in 2010-11) and \$2.8 million (\$5.1 million) in separation payments. The average separation payment was \$64,110 (\$42,000) per person. The reduction in other expenses was largely due to members' superannuation expenses reducing by \$4.1 million because there are fewer members in the old Parliamentary Contributory Superannuation Fund.

## Abridged Statement of Financial Position

At 30 June	2012 \$'000	2011 \$'000
Current assets	4,694	4,246
Non-current assets	196,962	190,529
<b>Total assets</b>	<b>201,656</b>	<b>194,775</b>
Current liabilities	11,351	10,549
Non-current liabilities	57	47
<b>Total liabilities</b>	<b>11,408</b>	<b>10,596</b>
<b>Net assets</b>	<b>190,248</b>	<b>184,179</b>

Non-current assets increased following \$9.0 million spent on capital works. This included:

- \$3.4 million upgrading security features at Parliament House
- \$3.4 million acquiring new plant and computer equipment.

## Abridged Service Group Information

The Legislature's total expenses on a service group basis are detailed below:

Year ended 30 June	Total expenses				
	2012 Budget \$'000	2012 Actual \$'000	2011 Actual \$'000	2010 Actual \$'000	2009 Actual \$'000
Chamber and committee support	18,156	17,481	17,491	16,725	16,353
Members' support	111,970	107,803	107,864	103,133	100,845
Community access	7,429	7,152	7,156	6,842	6,690
<b>Total all service groups</b>	<b>137,555</b>	<b>132,436</b>	<b>132,511</b>	<b>126,700</b>	<b>123,888</b>

The Legislature's total expenses for 2011-12 were \$5.1 million, or 3.7 per cent lower than budget. This favourable result was largely due to the drop in the previously mentioned superannuation expense. All three service groups operated within their budget.

Total expenses, after allowing for indexation, have remained fairly static over the last four years. The total expenses of \$132 million in 2011-12 were only 6.9 per cent more than the Legislature's expenses in 2008-09.

## Legislature Activities

The Legislature provides the Parliamentary Government for New South Wales. Its main function is to make laws or amend existing laws for the peace, welfare and good government of the State in all matters not specifically reserved for the Australian Parliament. It also has a role in holding Executive Government accountable for its use of taxpayers' moneys, powers and resources.

Under the doctrine of the separation of powers, the Parliament of New South Wales, as the Legislature, is a sovereign body that is distinct from the Executive Government.

The parliament fulfils its role as a representative and legislative body by ensuring that:

- the two Parliamentary Houses and their committee systems operate effectively to debate and pass legislation and complete inquiries with recommendations to government
- there is increased awareness of the role and functions of the parliament, including community access to members and Parliament House.

The Legislature is responsible for providing administrative and support services for parliamentary representation comprising the Members of the Legislative Assembly and the Members of the Legislative Council. Support services comprise House Departments and the Department of Parliamentary Services. The Department of Parliamentary Services provides support and ancillary services to members in the use of their entitlements and for the operations of the two Houses and the Parliamentary House building.

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





# Section Three

## Agencies with Individual Comment

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Minister for the Environment

Minister for Finance and Services

Minister for Planning and Infrastructure

Minister for Primary Industries

Minister for Regional Infrastructure and Services

Minister for Tourism, Major Events, Hospitality and Racing

Premier

# Centennial Park and Moore Park Trust

## Audit Opinion

I issued an unqualified audit opinion on Centennial Park and Moore Park Trust's (the Trust) 30 June 2012 financial statements.

## Operational Snapshot

The Trust manages the 360 hectare Centennial Parklands comprising Centennial Park, Moore Park (including the Entertainment Precinct) and Queens Park. The parklands are listed on the State Heritage Register.

The Trust managed assets of \$866 million (\$805 million at 30 June 2011) and made a surplus of \$3.9 million (\$2.7 million in 2010–11).

## Key Issues

### Centennial Parklands Foundation

Last year, I reported that Centennial Parklands Foundation Limited (Foundation Limited) had not prepared financial statements for the year ended 30 June 2011 as required by *Public Finance and Audit Act 1983* (the Act).

In May 2012, the Centennial Parklands Foundation (the Foundation) governors unanimously approved a new Foundation Deed. The deed was changed so the Foundation, and therefore its controlled entity, Foundation Limited, would no longer be controlled by the Trust. The changes followed advice received by the Foundation's governors, which was agreed by the trustees.

The changes meant the Foundation and Foundation Limited were no longer required to prepare 30 June 2012 financial statements under the Act and I no longer had a mandate to audit them.

## Performance Information

### Park Visits

The table below shows the annual number of visitors and costs per visit to the parklands over the past five years:

Year ended 30 June	2012	2011	2010	2009	2008
<b>Annual number and costs per visit</b>					
Estimated annual number of visits ('000s)	6,514	6,330	6,146	5,967	5,790
Cost per visit including depreciation (\$)	3.88	3.93	4.06	4.40	4.21
Cost per visit – maintenance (\$)	0.51	0.50	0.49	0.57	0.53
Net cost to government per visit – recurrent funding (\$)	0.18	0.23	0.27	0.30	0.32

Source: Centennial Park and Moore Park Trust Annual Report (unaudited).

The number of visitors to the Centennial Parklands has increased steadily over the past five years. The net cost to government per visit has decreased steadily over the same period reflecting the increased number of visits and reduced government funding. To compensate for the reduced government funding, the Trust has grown commercial revenues and controlled costs. It continues to focus on increasing existing revenue streams through its marketing and business development strategies.

Centennial Parklands Foundation is no longer controlled

The number of visitors to the parklands is increasing

## Financial Information

### Abridged Statement of Comprehensive Income

Year ended 30 June	2012 \$'000	2011 \$'000
Personnel services expenses	5,492	5,378
Other expenses	19,794	19,466
<b>Total expenses</b>	<b>25,286</b>	<b>24,844</b>
Sale of goods and services	8,820	8,728
Investment revenue	9,537	9,394
Grants and contributions	5,445	7,646
Other revenue	5,377	1,808
<b>Total revenues</b>	<b>29,179</b>	<b>27,576</b>
<b>Net result – surplus</b>	<b>3,893</b>	<b>2,732</b>
<b>Other comprehensive income</b>		
Net increase in revaluation of assets	58,884	14,087
<b>Total other comprehensive income</b>	<b>58,884</b>	<b>14,087</b>
<b>Total comprehensive income</b>	<b>62,777</b>	<b>16,819</b>

Other revenue increased in 2011–12 due to the first time recognition of assets valued at \$4.4 million.

The Trust revalued its land, buildings, infrastructure and trees in 2011–12. The revaluation increment was \$58.9 million and comprised increases in the value of:

- land – \$46.0 million
- buildings – \$4.8 million
- infrastructure – \$6.0 million
- trees – \$2.1 million.

### Abridged Statement of Financial Position

At 30 June	2012 \$'000	2011 \$'000
Current assets	12,207	14,165
Non-current assets	853,954	791,186
<b>Total assets</b>	<b>866,161</b>	<b>805,351</b>
Current liabilities	4,657	5,914
Non-current liabilities	3,975	4,685
<b>Total liabilities</b>	<b>8,632</b>	<b>10,599</b>
<b>Net assets</b>	<b>857,529</b>	<b>794,752</b>

Total assets increased due to the revaluation of the land, buildings, infrastructure and trees discussed above.

## Trust Activities

The Trust is constituted under the *Centennial Park and Moore Park Trust Act 1983*. It is subject to the control and direction of the Minister for the Environment. Its principal objectives are to:

- maintain and improve Trust lands
- encourage the use and enjoyment of Trust lands by promoting and increasing the recreational, historical, scientific, educational, cultural and environmental value of those lands
- maintain the right of the public to the use of Trust lands
- ensure the protection of the environment within Trust lands.

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

# Environment Protection Authority

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## Audit Opinion

I issued unqualified audit opinions on the Environment Protection Authority's (EPA) and its controlled entity's 30 June 2012 financial statements.

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

## Operational Snapshot

The EPA is an independent authority responsible for:

- leading business and the community to improve environmental performance
- managing waste to deliver a healthy environment.

It leads the State's responses to regulating a diverse range of activities that can have an impact on the health of the NSW environment and its people.

The EPA had total expenses of \$126 million in 2011-12 (\$92.0 million in 2010-11). Until 2011-12, EPA expenditure was derived from the Office of Environment and Heritage's (OEH) financial statements using an approved methodology which did not include any corporate support costs.

## Key Issues

### Changes to the EPA

The EPA became an independent statutory authority with a reconstituted Board and a new position of Chief Environmental Regulator on 29 February 2012. Before this, its activities were fully integrated within the OEH, within the Department of Premier and Cabinet.

### Government Response to the O'Reilly Report

The NSW Government accepted all the recommendations in the report on the environmental incident at the Orica plant at Koorangang Island on 8 August 2011. Legislative and non-legislative initiatives have given the EPA enhanced powers.

Specific changes to the *Protection of the Environment Operations Act 1997* include:

- requiring immediate notification of a pollution incident to all relevant authorities
- doubling to \$2.0 million the maximum penalty for failure to notify a pollution incident
- requiring licensees to prepare and implement pollution incident response management plans
- requiring licensees to publish monitoring results or otherwise make them available
- new powers for the EPA and Ministry of Health to require payment for analysis of the health and environmental risks arising from an incident
- more powers to require mandatory environmental audits
- more information to be included on the public registers of regulatory authorities websites.

The EPA became an independent statutory authority on 29 February 2012

The EPA has actioned all the O'Reilly Report recommendations

## Other Information

### Orica Kooragang Island site

Orica was ordered to spend \$20.0 million to upgrade facilities

Last year, I reported on licence breaches at Orica's Kooragang Island site, including serious discharge of Hexavalent Chromium to the atmosphere on 8 August 2011. The EPA advised the following actions were undertaken in response to the incident:

- a comprehensive mandatory independent environmental audit of the plant. A first stage report was submitted to the EPA in June 2012 with the remaining components due by July 2013
- commenced prosecution of Orica for four pollution incidents, including for the 8 August 2011 incident. Orica has pleaded guilty to each of the four incidents and the sentence hearing in the Land and Environment Court is set down for December 2012
- attached legally binding pollution reduction programs (12 in total since the incident) to Orica's environment protection licence, targeting works to improve performance of the facility, costing more than \$20.0 million
- ensured the community is better informed, including via the Newcastle Community Consultative Committee on the Environment. This was established by the Minister for the Environment to provide a regular forum for the community to raise concerns and receive information about EPA and industry actions to manage risk.

The EPA advises it closely monitors the facility to ensure it operates to minimise its impact on people and the environment, and reduce the risk of similar incidents reoccurring.

### Key achievements

The EPA reported key achievements in stakeholder engagement, pollution incident management and regulatory response since 29 February 2012. It also reported the following results against key performance indicators:

- Air quality - no days exceeded national targets in the Sydney Greater Metropolitan Region. Data for monitoring air quality in the Upper Hunter is now available in real time online.
- Water quality - total emissions of major water pollutants in New South Wales remained steady over the last five years, compared to an annual average increase in population and gross state product, effectively a decrease in emissions and a lower impact on the environment per capita and per unit of production.
- Waste - 18 waste compliance campaigns (16 in 2010-11) were conducted during 2011-12. Of these, seven were conducted between 1 March and 30 June 2012. With increased compliance campaigns, large scale illegal dumping has reduced by nine per cent from 2010-11 to 2011-12.
- Contaminated sites - four of six contaminated sites remediated in 2011-12 were remediated between 29 February and 30 June 2012. Since 1 March 2012, approximately 40 contaminated land regulatory actions were taken with a focus on the highest environmental risk profiles.

## Financial Information

Year ended 30 June	2012 \$'000	2011 \$'000
Revenue	121,374	92,095
Expenses	125,852	92,095
<b>Net result - deficit</b>	<b>4,478</b>	<b>--</b>
<b>Net assets (at 30 June)</b>	<b>1,579</b>	<b>--</b>

The EPA became a separate entity on 29 February 2012 with its own staff and assets. Before this, the fair value of its expenditure was derived through an assessment by management of the resources consumed by the OEH to enable the EPA to discharge its obligations. A notional grant by OEH was recognised as an offset.

In 2011-12, employee related expenses totalled \$51.2 million, and \$21.3 million was paid to the OEH for corporate support and other specialist services. The deficit of \$4.5 million was primarily due to unexpected actuarial losses on employee entitlements. This was due to the decrease of the government bond rate and reimbursement to the OEH for expenditure incurred on assets owned by the OEH.

## Environment Protection Authority Activities

The EPA as a separate legal entity was created in 1991 and has an independent role in deciding whether to undertake prosecutions. The existing statutory body, with its board, was created by the *Protection of the Environment Administration Act 1991*.

It is generally subject to the control and direction of the Minister for the Environment.

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

# Taronga Conservation Society Australia

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## Audit Opinion

I issued unqualified audit opinions on Taronga Conservation Society Australia's and its controlled entity's 30 June 2012 financial statements.

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

## Operational Snapshot

Taronga Conservation Society Australia (Taronga) operates in two locations, Taronga Zoo in Sydney and Taronga Western Plains Zoo in the central New South Wales region of Dubbo. Over 1.6 million people visited these locations in 2011-12, representing a 5.2 per cent increase over the previous year.

## Performance Information

### Highlights for the year

Taronga reported the following notable achievements:

- Taronga Western Plains Zoo celebrated its 35th birthday.
- Both Taronga Zoo and Taronga Western Plains Zoo were nominated for NSW Tourism Awards, with Taronga Zoo winning the 2011 award for Best Major Attraction.
- It completed year 11 of the 12 Year Master Plan, with the majority of capital improvements carried out within budget.
- Three Sumatran Tiger cubs and an Eastern Bongo calf were born in August 2011 as part of the conservation breeding program.
- Restoration of Taronga Zoo's Top Entrance being recognised at the 2012 National Trust Heritage Festival with an award for conservation of a medium-sized built heritage project.
- Over 162,092 students were involved in Taronga learning programs, representing over 14 per cent of NSW students.
- Increased Zoo Friends membership by 13 per cent to 70,009 members.



## Visitors

The following table shows the number of visitors and revenue for the past five years:

Year ended 30 June	Actual				
	2012	2011	2010	2009	2008
<b>Taronga Zoo</b>					
Paid attendance(1)	1,101,113	1,080,225	1,247,205	1,085,207	1,078,865
Free of charge attendance(2)	328,936	275,638	272,444	276,134	260,491
<b>Taronga Western Plains Zoo</b>					
Paid attendance(3)	197,087	187,380	184,585	190,519	193,554
Free of charge attendance(2)	27,270	29,737	33,869	38,589	37,062
<b>Total attendance</b>	<b>1,654,406</b>	<b>1,572,980</b>	<b>1,738,103</b>	<b>1,590,449</b>	<b>1,569,972</b>
<b>Admissions revenue (\$'000)</b>	<b>32,451</b>	<b>33,066</b>	<b>36,484</b>	<b>28,219</b>	<b>26,353</b>

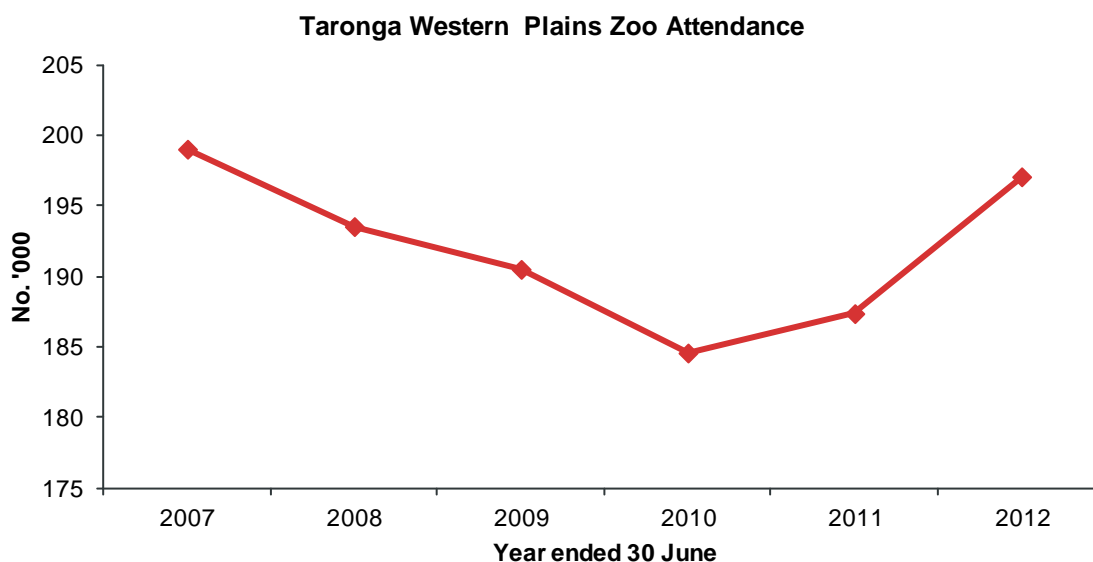
Source: Taronga Conservation Society Australia (unaudited).

- 1 Paid attendance in Taronga Zoo includes Zoo Friends and Twilight Concert attendees.
- 2 Free of charge attendance relates to sponsors, function guests and children under the age of four.
- 3 Paid attendance at Taronga Western Plains Zoo includes Zoo Friends and Zoofari guests.

Taronga Zoo attendance increased by 5.5 per cent in 2011-12. This was partly due to the arrival of three Sumatran tiger cubs which attracted 411,630 visitors between November 2011 and January 2012. This contributed to Taronga Zoo's busiest Christmas week on record.

Despite the increased attendance, admissions revenue decreased at Taronga Zoo in 2011-12 by five per cent, mainly due to more discounted admissions. There were 123 bad weather days in 2011-12 which affected visitor numbers, compared to 111 days in the previous year.

The following graph shows attendance at the Taronga Western Plains Zoo over the last five years:



Paid attendance revenue at Taronga Western Plains Zoo increased 1.4 per cent in 2011-12, continuing the improvement made in 2010-11 following a four year decline. The zoo has focussed on its long-term sustainability and received support from Destination NSW and Inland NSW to extend marketing to Southern Queensland and Northern Victoria.

Taronga operates two overnight stay programs: Zoofari Lodge, which operates at Taronga Zoo and Roar & Snore, which operates at both zoos. Zoofari Lodge provides accommodation where guests can stay overnight in canvas lodges and take zoo tours during the day. Roar & Snore is a sleepover program, which includes overnight stays in purpose built tents within the grounds of each zoo, up-close animal encounters and behind the scene tours.

Attendance and revenue from Zoofari Lodge and Roar & Snore over the last five years is provided in the following table.

	2012	2011	2010	2009	2008
<b>Zoofari Lodge</b>					
Income (\$'000)	2,090	2,107	2,256	2,032	1,842
Attendance	7,615	7,674	8,766	9,220	8,379
<b>Roar &amp; Snore</b>					
Income (\$'000)	2,497	2,483	1,886	1,282	988
Attendance - Taronga Zoo	10,238	10,435	9,111	6,038	5,800
Attendance - Western Plains Zoo	2,115	2,401	2,338	2,591	2,279
<b>Total 'Roar &amp; Snore' attendance</b>	<b>12,353</b>	<b>12,836</b>	<b>11,449</b>	<b>8,629</b>	<b>8,079</b>
<b>Total sleepover attendance</b>	<b>19,968</b>	<b>20,510</b>	<b>20,215</b>	<b>17,849</b>	<b>16,458</b>

The two programs contributed 7.3 per cent of total 2011-12 commercial revenue (7.6 per cent in 2010-11). Attendance at both Zoofari Lodge and Roar & Snore in 2011-12 was slightly lower than the previous year. Aging facilities, tents and accommodation are being replaced to ensure the programs remain competitive.

## Other Information

### 12-Year Master Plan - Capital Development

Taronga is in the eleventh year of its 12-year Master Plan to redevelop facilities and expand capacity at both Taronga Zoo and Taronga Western Plains Zoo. The 12-year Master Plan was budgeted to cost \$221 million. The Taronga Foundation undertook to raise \$56.0 million for capital works over a 12-year period, with \$44.0 million to be applied to master plan projects. The remaining cost of the master plan is funded by government grants. The Foundation has now raised \$54.0 million since its establishment in 2000 and expects to meet its target of \$56.0 million.

The table below shows the Master Plan's revised budget at 30 June 2012 and planned and actual expenditure from inception to that date.

	Revised	To 30 June 2012	
	Master Plan \$'000	Planned \$'000	Actual \$'000
Internal funding	44,042	43,088	42,857
Government grants	176,632	175,372	175,372
<b>Total</b>	<b>220,674</b>	<b>218,460</b>	<b>218,229</b>

Source: Taronga Conservation Society Australia (unaudited).

At 30 June 2012, a total of \$218 million had been spent, with a further \$2.4 million budgeted to be spent in 2012-13. Total capital expenditure for 2011-12 was \$6.0 million (\$26.8 million in 2011-12),

Significant projects completed in 2011-12 were:

- Taronga Zoo Chimpanzee Sanctuary redevelopment was completed in August 2011 providing greater flexibility and capabilities to manage the introduction of new chimpanzees into the group.
- Taronga Western Plains Zoo Ring-Tailed Lemur breeding facility was completed in December 2011, supporting the Ring-Tailed Lemur breeding program and exhibit at Taronga Zoo.

### **Endanger Ranger Program - Life changing experience**

The Endanger Ranger Program helped disadvantaged school children

As part of the NSW Government's election promise, a total grant of \$500,000 (\$330,000 received during 2011-12) will fund approximately 3,300 year eight students from Western and South Western Sydney to participate in a tailored overnight conservation education program at Taronga Western Plains Zoo.

This Endanger Ranger Program introduces the students to life skills, including leadership, group work, citizenship and sustainable practice as well as key areas of the education curriculum.

At 30 June 2012, 1,586 students had completed the program. Many students were from disadvantaged backgrounds and would not have the opportunity to visit the zoo if it was not for this program. Feedback received by Taronga indicated that this excursion was a once in a lifetime experience for many of them.

### **Zoo Friends**

Zoo Friends membership is at record levels

The Zoo Friends membership program was started in 1983 by a group of committed supporters with a desire to contribute to Taronga's conservation efforts. Joining Zoo Friends entitles the member to unlimited entry to zoos across Australia. Other discounts and exclusive offers are also available to members. Since 1983, Zoo Friend's membership has contributed more than \$14.0 million to Taronga's conservation projects.

The number of members grew by 13 per cent in 2011-12 to 70,009. The membership is at a record level, delivering revenue of \$4.1 million in 2011-12, up by 14 per cent on the prior year.

### **Volunteer Programs**

496 active volunteers in Taronga Zoo averaged 272 volunteer hours per day

Taronga Zoo and Taronga Western Plains Zoo have enjoyed strong volunteer programs in the past and they continue to consolidate and improve these programs. In 2011-12, both zoos benefited from the efforts of more than 125 new volunteers.

There are 611 volunteer roles at both zoos. There are 496 active volunteers at Taronga Zoo averaging 272 daily volunteer hours each day. Taronga Western Plains Zoo has 84 active volunteers averaging 13 volunteer hours per day.

### **Taronga Foundation**

The Taronga Foundation was created in 2000 to provide visitors and supporters with an efficient way to become involved and support animal conservation, education and research.

Funds raised by the foundation for the year ended 30 June 2012 amounted to \$11.2 million (\$18.5 million in 2010-11). A significant bequest of shares valued at \$7.3 million was received in 2010-11.

The foundation is not a separate legal entity.

## Financial Information

### Abridged Statement of Comprehensive Income

Year ended 30 June	Consolidated		Parent	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Revenue	66,253	70,720	66,253	70,720
Government grants	15,686	60,392	15,686	60,392
<b>Operating revenue</b>	<b>81,939</b>	<b>131,112</b>	<b>81,939</b>	<b>131,112</b>
Employee related expenses	41,900	40,171	46,022	40,036
Depreciation and amortisation	16,746	14,674	16,746	14,674
Other expenses	26,919	26,975	26,919	26,976
<b>Operating expenses</b>	<b>85,565</b>	<b>81,820</b>	<b>89,687</b>	<b>81,686</b>
<b>Net result - surplus/(deficit)</b>	<b>(3,627)</b>	<b>49,292</b>	<b>(7,748)</b>	<b>49,427</b>
<b>Other comprehensive income:</b>				
Gain/(loss) on revaluation of assets	(716)	7,287	(716)	7,287
Superannuation actuarial gains/(losses)	(4,122)	135	--	--
<b>Total other comprehensive income/(expense)</b>	<b>(4,838)</b>	<b>7,422</b>	<b>(716)</b>	<b>7,287</b>
<b>Total comprehensive income/(expense)</b>	<b>(8,464)</b>	<b>56,714</b>	<b>(8,464)</b>	<b>56,714</b>

Revenue decreased by \$4.5 million in 2011-12, primarily due to the receipt of \$7.3 million bequeathed shares in 2010-11. Admission revenue decreased slightly, but retail and franchise revenue increased by 16.7 per cent in 2011-12.

Government grants decreased in 2011-12 by \$44.7 million. A one-off special grant of \$36.0 million was received in 2010-11. Capital grants also decreased because the Master Plan redevelopment is approaching its end.

Employee related expenses increased as less was capitalised into fixed asset construction costs. Depreciation charges increased due to significant asset additions.

In 2011-12, Taronga sold some shares bequeathed in 2010-11 and incurred losses of \$341,000 on disposal.

The superannuation actuarial losses were due to the effect of a decrease in the Commonwealth Government bond rate used to calculate employee liabilities.

## Abridged Consolidated Statements of Financial Position

At 30 June	Consolidated		Parent	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Current assets	49,425	67,573	49,425	67,573
Non-current assets	375,853	386,960	375,853	386,960
<b>Total assets</b>	<b>425,278</b>	<b>454,533</b>	<b>425,278</b>	<b>454,533</b>
Current liabilities	14,353	27,112	22,060	30,871
Non-current liabilities	24,138	32,170	16,431	28,411
<b>Total liabilities</b>	<b>38,491</b>	<b>59,282</b>	<b>38,491</b>	<b>59,282</b>
<b>Net assets</b>	<b>386,787</b>	<b>395,251</b>	<b>386,787</b>	<b>395,251</b>

Total liabilities were lower at 30 June 2012 due to the repayment of borrowings of \$24.0 million.

## Taronga Activities

Taronga was established under The *Zoological Parks Board Act 1973*. Its principal objectives are to establish, maintain and control zoological parks at Sydney's Taronga Zoo and Taronga Western Plains Zoo in Dubbo.

It is subject to the control and direction of the Minister for the Environment.

For further information on the Society, refer to [www.taronga.org.au](http://www.taronga.org.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
Taronga Conservation Society Australia Division	*

\* This entity does not have a website.

# Western Sydney Parklands Trust

## Audit Opinion

I issued an unqualified audit opinion on Western Sydney Parklands Trust's 30 June 2012 financial statements.

## Operational Snapshot

The Trust controls over 5,280 hectares of community parklands in the western suburbs of Sydney. It plans to set aside over 500 hectares for sustainable agriculture and is expanding urban farming in the Western Sydney basin.

The Trust managed assets of \$543 million at 30 June 2012 (\$530 million at 30 June 2011).

## Performance Information

The Trust spent \$5.2 million towards improving the visitor experience and developing key recreation hubs, parks and cycleways within the parklands. This resulted in the parklands attracting over 960,000 visitors in 2011-12, a 20 per cent increase over the prior year.

## Other Information

The Trust has identified two areas on the perimeter of the parklands for future business hubs, which could create over 1,100 jobs in Western Sydney. Business hubs are planned to cover about two per cent of the total parklands. The Trust plans to derive revenue from these business hubs facilities which can be used to manage and enhance the remaining 98 per cent of the parklands.

## Wet 'n' Wild Sydney

The Trust entered into an agreement with a company owned by Village Roadshow Limited for the development and operation of 'Wet 'n' Wild Sydney'. This \$120 million investment is for a world class water theme park to be located on a 25 hectare site in Prospect.

## Abridged Statement of Comprehensive Income

Year ended 30 June	2012 \$'000	2011 \$'000
Personnel services expenses	2,006	1,921
Other expenses	5,167	4,573
<b>Total expenses</b>	<b>7,173</b>	<b>6,494</b>
Grants and contributions	7,063	6,850
Rental income	2,354	2,031
Other revenue	4,543	10,750
<b>Total revenues</b>	<b>13,960</b>	<b>19,631</b>
Other gains/(losses)	167	(6)
<b>Net result - surplus</b>	<b>6,954</b>	<b>13,131</b>
<b>Other comprehensive income</b>		
Net increase in revaluation of assets	--	190
<b>Total other comprehensive income</b>	<b>--</b>	<b>190</b>
<b>Total comprehensive income</b>	<b>6,954</b>	<b>13,321</b>

Visitors to the parklands increased by 20 per cent

Business hubs could create 1,100 jobs in Western Sydney

The decrease in 2011-12 of other revenue is due to the Trust receiving \$1.0 million from the sale of land from the Office of Strategic Lands compared to \$9.4 million in the prior year.

## Abridged Statement of Financial Position

At 30 June	2012 \$'000	2011 \$'000
Current assets	13,630	13,137
Non-current assets	529,445	516,544
<b>Total assets</b>	<b>543,075</b>	<b>529,681</b>
Current liabilities	2,905	3,623
Non-current liabilities	3,468	--
<b>Total liabilities</b>	<b>6,373</b>	<b>3,623</b>
<b>Net assets</b>	<b>536,702</b>	<b>526,058</b>

The increase in total assets is mainly due to additional capital spending on infrastructure assets.

The non-current liability at 30 June 2012 reflects a biodiversity provision. The Trust entered into BioBanking agreements for two sites during the year. As part of the agreements the Trust must comply with environmental obligations to maintain the biodiversity of the land.

## Trust Activities

The Trust is constituted under the *Western Sydney Parklands Act 2006*. It is subject to the control and direction of the Minister for the Environment. Its principal objectives are to develop the parklands, comprising the Eastern Creek, Prospect, Horsley Park and Hoxton Park open and special space corridors, into a multi-use urban parkland for the region of Western Sydney and to maintain and improve the Parklands on an ongoing basis.

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

# Hunter Water Corporation

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## Audit Opinion

I issued unqualified audit opinions on Hunter Water Corporation and its controlled entity's 30 June 2012 financial statements.

The comments below relate to the consolidated entity, unless otherwise stated.

## Operational Snapshot

The Corporation delivers essential and sustainable water services to the community in the lower Hunter region. It supplies drinking water, recycled water, wastewater services and some stormwater services.

The Corporation made a profit of \$33.3 million after tax in 2011-12. It paid a dividend to government of \$16.6 million.

## Key Issues

### Tillegra Dam

#### *Recommendation*

**The Corporation should develop a project plan for its Tillegra land-holdings.**

The Corporation has no all-inclusive project plan to manage its Tillegra land-holdings. A project plan would document the risks, all options, holding costs, and an integrated timeframe for milestone deliverables.

At 30 June 2012, the Corporation held three of its Tillegra land-holdings as available for sale. The Corporation estimates the value of this land at \$11.4 million.

In May 2012, the Corporation started a process to develop a Tillegra land use strategy. This will be completed later this year.

The Corporation receives rent on the Tillegra land it has leased. This rent more than offsets its annual outgoings on the land. The Corporation has not determined the opportunity cost of holding the land.

The Corporation valued its Tillegra land-holding at \$80.0 million at 30 June 2012.

In 2010, the then Premier stated that the planned Tillegra Dam would not be built. In 2012, the current Portfolio Minister confirmed that the Tillegra Dam was not an option to be considered in the development of the Lower Hunter Water Plan and instructed the Corporation to progress discussions with landholders who had the first right of refusal on buy back of the property and to also commence development of a land use strategy.

The Legislative Council Standing Committee on State Development is holding an inquiry into the adequacy of water storages in New South Wales.

The Corporation has no project plan to monitor options for its Tillegra land holdings



## Performance Information

### Operational Performance Indicators

Year ended 30 June	2012	2011	2010	2009	2008
Volume of water consumed (kilolitres per residential property)	163.0	174.9	184.0	179.7	177.0
Water quality complaints per 1,000 properties	2.9	2.8	3.4	3.2	2.8
Average number of unplanned water supply interruptions per 1,000 properties	205.7	258.4	255.5	271.2	225.2
Water losses (kilolitres/water main kilometre/day)	3.2	3.4	3.5	3.7	3.9
Sewer main breaks and chokes per 100 kilometres of sewer main	46.6	59.9	58.2	44.4	51.7
Wastewater biosolids available for reuse (% reused/recycled)*	86.0	95.0	104.0	88.0	100.0

Source: Hunter Water Corporation (unaudited).

Note: Does not include biosolids from Burwood Beach Waste Water Treatment Works.

The volume of water consumed per residential property in 2011-12 was 75.8 per cent of the Corporation's target supply of 215 kilolitres. This is partly due to consumers changing their use of water and wetter than normal weather during the year.

The number of sewer main breaks and chokes fell in 2011-12. There is normally a time lag of up to 12 months between dry weather conditions and sewage overflows. This is due to tree root intrusion. The Corporation analyses past sewage overflows and uses a maintenance risk model to fund sewer mains repairs. The Corporation has a focus on preventative maintenance of sewer mains that have overflow issues.

In 2011-12, the Corporation reused 86 per cent (95 per cent in 2010-11) of biosolids produced. It has stockpiled unused biosolids on site for use at a later date. Use of biosolids fell during the year because of the wet weather.

### Water Conservation

The Corporation promotes water conservation through user pay pricing, education and an ongoing leak reduction program. Water supplied over time is shown in the table below.

Year ended 30 June	Actual				
	2012	2011	2010	2009	2008
Total urban water supplied per day (megalitres)	190*	198*	187	184	180

Source: Hunter Water Corporation (unaudited).

\* Includes recycled water which was not included in previous years.

The decrease in 2011-12 reflects lower customer demand in the residential sector. The wet year and a very mild summer were the main reasons for lower demand in this sector.

The Corporation advised us that in 2011-12 drinking water saved through water use efficiency was 3,484 megalitres. This is the equivalent of just over 20 days of water supplied.

The Corporation's Integrated Water Resources Plan (also called the H250 Plan) looks at water conservation through a range of water efficiency and water loss minimisation programs. The water conservation programs focus on:

- reducing losses in the water system
- encouraging customers to swap drinking water supply with other sources (e.g. greywater, rainwater and recycled water)
- pricing policies
- encouraging the uptake of water efficiency products in homes and businesses
- changing water use behaviour.

## Recycling

The table below shows the volume of water recycled by the Corporation over the last three years.

Year ended 30 June	2012	2011	2010
Volume of recycled water (megalitres)	4,484	4,494	5,168
Recycled water as a percentage of total effluent discharged (%)	7.0	7.2	8.6

Source: Hunter Water Corporation (unaudited).

The Corporation's aim is to produce 8,000 megalitres of recycled water each year by 2013-14. Projects to meet this aim include:

- the Kooragang Industrial Water Scheme (KIWS) will produce 9,000 kilolitres of high quality recycled water each day. This water will be a substitute to drinking water and will be the largest recycled water project in the lower Hunter. The Corporation expects the scheme to save up to 3,300 megalitres of drinking water each year. The project involves diverting treated effluent from the effluent pipeline for Shortland Wastewater Treatment Works to a new Advanced Water Treatment Plant (AWTP) at Steel River. The AWTP will use membrane micro-filtration and reverse osmosis to produce high quality recycled water. Industrial customers on Kooragang Island will use the recycled water. KIWS is on track for commissioning by December 2014.
- the Branxton Recycled Water Scheme involves the use of recycled water for irrigation of the Vintage golf course. This scheme is part of the Lower Hunter Recycled Water Initiative. The Corporation expects the Branxton community will benefit from the scheme and provide economic opportunities for recycled water customers. It will also reduce the volume of treated effluent discharged to local waterways. The scheme will use up to 250 megalitres of recycled water each year. The Corporation expects the scheme will be operational by October 2012.

The Corporation uses recycled water to help manage the lower Hunter Region water cycle in the long-term. At the same time, the Corporation wants to keep customer confidence in public health and environmental protection. It has 13 operating recycled water schemes for the following end users:

- residential use - including land developments under construction at Thornton North and Gilleston Heights
- recreational use - includes local golf courses
- industrial use - including Eraring Power Station and the Oceanic Coal Washery
- agricultural use - includes local farmers.

## Wastewater Services

The Corporation operates a wastewater pipe network and treatment system to meet the licence conditions set by the Environment Protection Authority (EPA).

In 2011-12, the Corporation did not comply fully with its EPA licence conditions. Of the 1,847 applicable licence conditions, the Corporation complied with 1,810. This is equal to 98.4 per cent compliance (97.9 per cent compliance in 2010-11). Most noncompliances came from missed samples or flow not being monitored all the time due to equipment failure.

## Maintenance Activities

The table below shows the Corporation completed its planned maintenance for 2011-12. The Corporation advised it had no maintenance backlog at 30 June 2012. The results are consistent with the prior year.

Year ended 30 June	2012	2011	2010
Total planned maintenance completed for network and treatment assets (%)	89.0	97.0	95.1
Total planned maintenance completed for critical assets (%)	100.0	100.0	100.0
Maintenance work completed on time (%)	84.0	71.5	73.2
Budgeted maintenance expenditure (\$m)	52.2	48.4	47.1
Actual maintenance expenditure (\$m)	51.6	49.0	46.6

Source: Hunter Water Corporation (unaudited).

Total planned maintenance completed for network and treatment assets is scheduled maintenance. This is mainly carried out in the electrical mechanical area.

## Capital Structure

The Corporation and Treasury's policy is for the Corporation to have an investment grade credit rating. The Corporation and Treasury will review the Corporation's capital structure in early 2013. The review will be after the Independent Pricing and Regulatory Tribunal (IPART) releases its 2012 Price Determination.

In 2011-12, the Corporation paid \$16.4 million Government Guarantee Fee (\$12.6 million). The fee increase is due to a higher loan balance and the Corporation's risk profile.

## Other Information

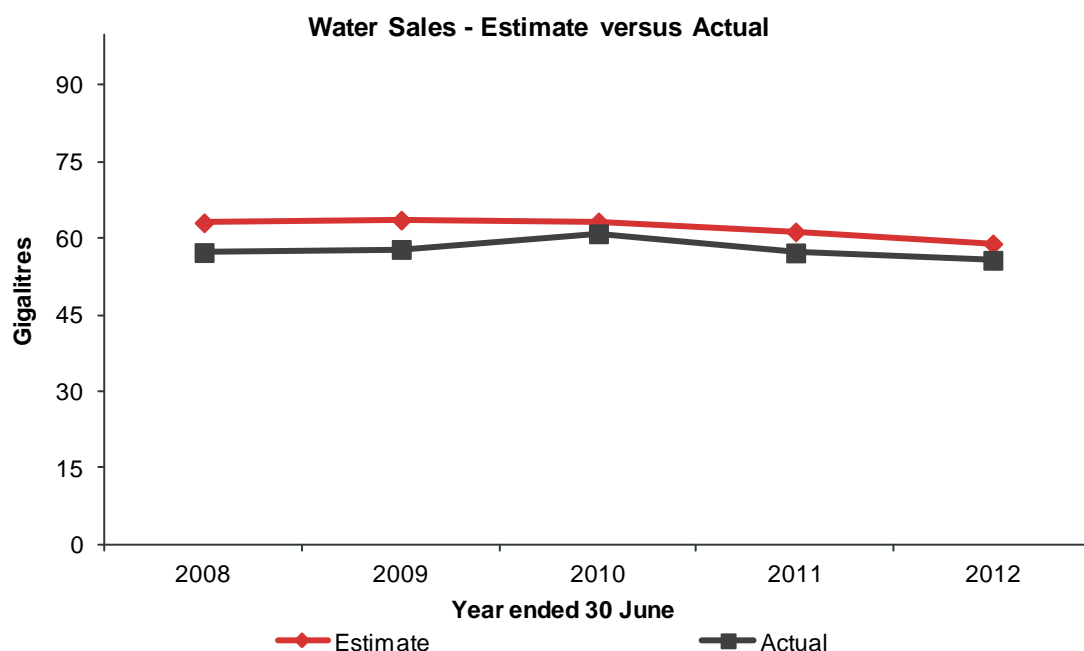
### Water Sales

The Corporation has, over time, overestimated water sales in its price submissions to IPART. This may have resulted in lower water prices than if water sales were estimated better. The IPART adopted the Corporation's forecast metered sales in its pricing decisions.

The Corporation is now using a model that takes into account end-use residential demand. It is based on a demand forecasting methodology with an integrated supply demand planning model. The model supports forecasts in the Corporation's 2012 IPART price submission and the Lower Hunter Water Plan. The Institute of Sustainable Futures built the model.

The Corporation is lowering its future residential demand estimates to allow for customers' changed behaviours

The graph below shows the difference between IPART and the Corporation's actual volume of water sales over time.



Source: Hunter Water Corporation (unaudited).

Higher water sale estimates were due to:

- IPART adopting a long-term average water demand when determining prices. This can result in differences to shorter-term actual water demand
- higher than average rainfall patterns and cooler temperature overall experienced in 2007-08, 2008-09 and 2011-12
- behavioural changes in residential customers during 2009-10 and 2010-11. Customers appear to be using less water
- the planning process to secure water for the lower Hunter being underway. The Hunter Valley water supply can be volatile. In dry spells, the dams can empty quickly but fill quickly with good rainfall
- the Corporation's view the lower Hunter Water supply is vulnerable to drought. Water levels can drop faster than in most other major Australian urban centres during drought because lower Hunter storages are small, or shallow and have high evaporation rates
- the Corporation's belief the Lower Hunter Water Plan will be completed by the summer of 2013-14.

## Review of Major Capital Projects

The Corporation had capital expenditure of \$133 million (excluding capitalised interest) in 2011-12.

The original and current cost estimates and service delivery dates for capital projects with an original cost above \$10.0 million are listed in the table below.

Project	Original Cost Estimate \$m	Actual/Current Cost Estimate \$m	Original Service Delivery Date	Achieved/ Estimated Service Delivery Date
<b>Completed during 2011-12:</b>				
Branxton Waste Water Treatment Work (WWTW) Stage 3 Upgrade	48.3	46.7	December 2011	December 2011
Clarence Town Sewerage Scheme	17.2	12.6	May 2011	July 2011
Boulder Bay WWTW Stage 2 Upgrade	15.6	25.5	September 2011	September 2011
Shortland WWTW Stage 3	10.8	11.4	March 2012	March 2012
Watermain Replacement-Beresfield to Stoney Pinch	11.4	7.3	December 2011	June 2012
<b>In progress at 30 June 2012:</b>				
KIWS Stage 1	68.4	73.0	July 2013	October 2014
High Voltage Network Upgrade	55.5	50.5	June 2014	June 2014
NEWC System State 1 Upgrade	28.0	27.7	June 2012	June 2012
Cessnock Water Distribution Stage 1 Upgrade	20.3	20.2	June 2012	March 2013
Morpeth Wastewater Transportation Upgrade	16.4	16.4	December 2013	December 2013

Source: Hunter Water Corporation (unaudited).

Lower than expected cost estimates for the Clarence town sewerage scheme project emerged on receipt of tenders. The Corporation ended the original transportation contract and this caused some delays in completing the project.

Higher than expected cost estimates for the Boulder Bay WWTW Stage 2 Upgrade and Shortland WWTW were due to changes in the scope and technologies used.

Lower than expected cost for the watermain replacement-Beresfield to Stoney Pinch was due to project savings. The project was on track for completion in December 2011 but connection occurred in winter when water demand was low.

There were time delays in KIWS and work did not commence until the commercial agreement was signed with a third party. Costs on this project have increased to allow for an education centre at the recycled water facility and a capital contribution to the major customer. The capital contribution was a condition of the commercial agreement.

Minor project delays on Cessnock Water Distribution Stage 1 Upgrade were due to the Corporation finding the geography of the land more difficult to work with than anticipated.

The Corporation considers the overall risk profile of its capital program to be low.

## Financial Information

### Abridged Statements of Comprehensive Income

Year ended 30 June	Consolidated		Parent	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Tariff charges	228,587	222,334	228,587	222,334
Other revenue	59,427	39,373	50,224	31,055
<b>Operating revenue</b>	<b>288,014</b>	<b>260,580</b>	<b>278,811</b>	<b>253,389</b>
Employee related expenses	40,836	35,161	22,782	19,010
Maintenance and operational services	79,091	71,910	91,319	82,900
Depreciation	52,372	35,683	51,606	34,919
Finance costs	66,230	57,079	66,447	57,310
Other expenses	1,893	27,910	963	27,121
<b>Operating expenditure</b>	<b>240,422</b>	<b>226,616</b>	<b>233,117</b>	<b>221,260</b>
<b>Profit before income tax</b>	<b>47,592</b>	<b>33,964</b>	<b>45,694</b>	<b>32,129</b>
Income tax expense	14,280	9,716	12,541	8,127
<b>Profit after tax</b>	<b>33,312</b>	<b>24,248</b>	<b>33,153</b>	<b>24,002</b>
<b>Other comprehensive income</b>				
Revaluation of property, plant and equipment net of tax gain/(loss)	(463,363)	355,099	(463,363)	355,099
Superannuation actuarial gains/(losses)	(39,789)	820	(35,327)	730
<b>Total other comprehensive income/(expense)</b>	<b>(503,152)</b>	<b>355,919</b>	<b>(498,690)</b>	<b>355,829</b>
<b>Total comprehensive income/(expense)</b>	<b>(469,840)</b>	<b>380,167</b>	<b>(465,537)</b>	<b>379,831</b>

The increase in tariff charges is consistent with the price increases determined by IPART.

The increase in other revenue was mainly due to developers' contributed assets from higher activity during the year.

Depreciation expense is higher than the prior year. This is due to there being more system assets brought into service during 2011-12 and higher asset values at 30 June 2011.

Finance costs increased due to additional borrowings during the year. The Corporation used the funds to deliver its capital works program.

Other expenses fell due to a prior year write-off of \$24.9 million for Tillegra Dam project costs.

The changes in estimates used in determining asset impairment resulted in a large fall in the valuation of property, plant and equipment.

The Corporation also reported actuarial losses for defined benefits superannuation. This is due to a fall in the discount rate applied to the Corporation's defined benefit obligations, compared to the prior year.

## Abridged Statements of Financial Position

Year ended 30 June	Consolidated		Parent	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Current assets	68,776	54,593	63,004	50,442
Non-current asset	2,910,895	3,481,657	2,917,985	3,486,731
<b>Total assets</b>	<b>2,979,671</b>	<b>3,536,250</b>	<b>2,980,989</b>	<b>3,537,173</b>
Current liabilities	177,243	128,740	177,460	128,701
Non-current liabilities	1,241,496	1,355,918	1,240,170	1,358,756
<b>Total liabilities</b>	<b>1,418,739</b>	<b>1,484,658</b>	<b>1,417,630</b>	<b>1,487,457</b>
<b>Net assets</b>	<b>1,560,932</b>	<b>2,051,592</b>	<b>1,563,359</b>	<b>2,049,716</b>

Current assets increased due mainly to land held for sale at year-end of \$13.4 million. Three land-holdings at Tillegra are included as land held for sale.

Non-current assets declined largely due to a \$662 million property plant and equipment impairment loss.

Liabilities fell mainly due to lower deferred tax liabilities of \$215 million. The fall in deferred tax liabilities occurred because of the impairment of property plant and equipment. The fall in deferred tax is offset by a \$55.2 million increase in superannuation liabilities and higher borrowings of \$103 million.

## Corporation Activities

The Corporation is a statutory State owned corporation that operates within the Lower Hunter Region. It collects, conserves, preserves and distributes water, provides sewerage facilities, and constructs, controls and maintains certain stormwater channels.

Its charter is to be commercially successful as a company while delivering water, wastewater and associated services.

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

## Controlled Entities

The controlled entity, below, has not been reported separately. It is not material by size or the nature of its operations to the consolidated entity.

For further financial and other information on this entity, we have listed the entity's website.

Entity Name	Website
Hunter Water Australia Pty Limited	<a href="http://www.hwa.com.au">www.hwa.com.au</a>

# State Property Authority

## Audit Opinion

I issued an unqualified audit opinion on the State Property Authority's 30 June 2012 financial statements.

## Operational Snapshot

The Authority is the primary provider of office accommodation to government agencies. It owns 234 and leases 827 properties. It recorded an 8.7 per cent (8.7 per cent in 2010–11) return on owned properties and 1.1 per cent (0.2 per cent) on leased properties. The value of owned properties was \$843 million at 30 June 2012 (\$825 million at 30 June 2011).

The Authority generated revenue of \$459 million (\$405 million) and reported a surplus of \$10.1 million (\$43.4 million). It paid \$36.8 million (\$36.8 million) to the Government.

The Authority is responsible for managing remediation works for various parcels of land at Newcastle on behalf of the NSW Government.

## Other Information

### Vesting Program

Premier's Memorandum 2008-06, 'State Property Authority and Government Property Principles' established the framework for managing government property assets. The framework's key initiatives include vesting all government owned office accommodation to the Authority.

Since 1 July 2007, 1,150 government-owned and leased properties have been vested to the Authority.

### Remediation Costs for Newcastle Sites

The Authority is responsible for remediating various contaminated lands in Newcastle.

Its estimated remediation obligations are:

Location	Land owned by:	2012 \$000	2011 \$000
Newcastle	Another government agency	64,879	63,501
Newcastle	The Authority	36,687	33,446
<b>Total</b>		<b>101,566</b>	<b>96,947</b>

At 30 June 2012, the Authority held cash of \$73.5 million to fund estimated remediation costs of \$102million. Increased remediation costs have resulted in a funding shortfall of \$28.1 million.

Currently, the Authority bears all increases in remediation costs to land owned by other government agency, whilst the benefit of associated increases in land values are recognised by the respective other government agency. This practice may result in inefficient outcomes for government as a whole. The Authority advises it is liaising with Treasury to clarify these arrangements.



## Contaminated Land

Last year, I reported the government was evaluating options for remediating contaminated land at Hunters Hill. On 31 October 2011, the Minister for Finance and Services announced the government's plans to use the Kemps Creek site for non-hazardous materials. Changes to this plan and any resulting delays could adversely impact remediation costs.

## Performance Information

### Lease Management

Year ended 30 June	Target*	Actual		
	2012	2012	2011	2010
<b>Owned properties</b>				
Number of tenancies by property	335	336	335	312
Lease revenue (\$m)	73	74	71	67
Value of properties (\$m)	828	843	825	810
Gross return on leased properties (%)	na	8.7	8.7	8.2
Vacancy rate (%)	<1.4	0.5	0.5	0.5
<b>Leased properties</b>				
Number of tenancies by property	1043	1097	1043	702
Lease revenue (\$m)	340	346	289	182
Lease expenditure (\$m)	337	342	290	182
Gross margin over expenditure (%)	na	1.1	0.2	(0.1)
<b>Property related revenue (\$m)</b>	<b>413</b>	<b>420</b>	<b>360</b>	<b>249</b>

Source: State Property Authority (unaudited).

\* Target is set by management.

na not available.

### Rental Debt Management

Year ended 30 June	2012 \$000	2011 \$000	2010 \$000	2009 \$000	2008 \$000
Annual rental revenue	427,033	366,772	253,769	184,569	159,664
Average monthly debtors over 30 days	1,978	3,684	4,476	4,575	3,112
Percentage of aged debtors (%)	0.5	1.0	1.8	2.5	1.9

Source: State Property Authority (unaudited).

The Authority has significantly improved its debtor management since 2008–09, reducing average monthly debtor balances over 30 days by 2.6 million, despite a \$242 million increase in annual rental income of over the same period. The outcomes were achieved by implementing direct debit payment arrangements and increasing oversight and follow up of outstanding debts.

## Financial Information

### Abridged Statement of Comprehensive Income

Year ended 30 June	2012 \$'000	2011 \$'000
Property related expenses	364,918	311,481
Depreciation and amortisation	27,990	27,045
Other operating expenses	33,807	9,680
Personnel services expenses	27,509	16,184
<b>Total expenses</b>	<b>454,224</b>	<b>364,390</b>
Property related revenue	427,033	366,772
Grants and contributions	26,539	31,109
Other income	5,493	7,024
<b>Total revenue</b>	<b>459,065</b>	<b>404,905</b>
Other gains	5,281	2,843
<b>Net result – surplus</b>	<b>10,122</b>	<b>43,358</b>
<b>Other comprehensive income:</b>		
Net increase in revaluation of assets	5,219	21,065
<b>Total other comprehensive income</b>	<b>5,219</b>	<b>21,065</b>
<b>Total comprehensive income</b>	<b>15,341</b>	<b>64,423</b>

Property related expenses and revenues reflect increased lease activities for the current year for the 23 owned and 341 leased properties vested to the Authority in August 2010.

Other operating expenses increased mainly due to an increase in estimated remediation costs.

The decrease in grants and contributions revenue represents reduced government contributions for major capital projects.

The Authority paid \$36.8 million (\$36.8 million in 2010–11) to the government. The payment comprises \$31.0 million (\$30.0 million) from rental revenue and \$5.8 million (\$6.8 million) from the proceeds of asset sales.

### Abridged Statement of Financial Position

At 30 June	2012 \$'000	2011 \$'000
Current assets	172,003	187,926
Non-current assets	1,135,859	1,095,663
<b>Total assets</b>	<b>1,307,862</b>	<b>1,283,589</b>
Current liabilities	88,249	97,834
Non-current liabilities	272,281	232,916
<b>Total liabilities</b>	<b>360,530</b>	<b>330,750</b>
<b>Net assets</b>	<b>947,332</b>	<b>952,839</b>

Current assets include restricted cash of \$73.5 million (\$92.4 million at 30 June 2011) set aside for remediation of Newcastle lands.

Current and non-current provisions for remediation totalled \$113 million (\$108 million).

## Authority's Activities

The *State Property Authority Act 2006* established the Authority as a statutory body from 1 September 2006. The Authority's principal objectives are to:

- improve operational efficiencies in the use of properties by government agencies
- manage properties of government agencies in a way that supports the delivery of government services by agencies
- advise government on property matters
- operate at least as efficiently as any comparable business.

The Authority is subject to the control and direction of the Minister for Finance and Services.

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

# Sydney Water Corporation

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## Audit Opinion

I issued a qualified audit opinion on Sydney Water Corporation's financial statements. The qualification related to assets and liabilities of the Build-Own-Operate (BOO) schemes not being recognised in the Corporation's statement of financial position. The audit opinion for the year ended 30 June 2011 was qualified for the same reason.

The comments below are for the consolidated entity, unless otherwise stated.

## Operational Snapshot

The Corporation delivers essential and sustainable water services to the community. Its principal objectives are to protect public health and the environment, and be a successful business.

The Corporation supplies drinking water, recycled water, wastewater services and some stormwater services to over four million people in Sydney, the Illawarra and the Blue Mountains.

The Corporation made a profit of \$367 million after tax in 2011-12 and paid a dividend to the government of \$230 million.

## Key Issues

### Corruption Prevention

The Corporation has put into place 12 of the Independent Commission Against Corruption's (ICAC) recommendations. It has partially put into place six ICAC recommendations. The ICAC made recommendations in its 'Investigation into Corrupt Conduct of Sydney Water Employees and Others' report of March 2011. The Corporation is putting into effect all 18 ICAC recommendations.

In March 2012, the Corporation updated the ICAC on its assessment of its progress in addressing the recommendations, which is supported by an external review. It will report to the ICAC again in the first quarter of 2013.

### Benefit Realisation-Information Technology Projects

The Corporation completed a benefit realisation review on two information technology projects during 2011-12.

One review was on the Customer Management System Project (CMS).

The review identified several gains, including a five per cent reduction in average call handling time, six full-time equivalent fewer staff and lower business support costs.

The Corporation believes the effectiveness of the customer management process improved by:

- better call handling efficiency and accuracy
- an open customer complaints process.

The Corporation finished the CMS project in March 2011 at a cost of \$50.2 million. A post implementation review identified limitations with the benefits register. The Corporation has corrected various issues in the benefits register and tracks the project's benefits each quarter.

The other review was on the Maximo Business Intelligence Project (Maximo BI).

Sydney Water Corporation completed benefit realisation reviews on two IT projects and believes benefits have emerged from these

The review found one benefit was achieved, six benefits were partially realised, three were not realised, and two could not be substantiated. Since this review, the Corporation has identified other benefits. It has also developed, with stakeholders, a program to gain more from its investment in Maximo BI.

The Corporation changed its benefits realisation approach after the project started. Use of the new approach may have delivered more evidence of realised benefits.

The project's sponsor is addressing all matters raised in the benefit realisation review.

The Corporation completed the Maximo BI project in 2010-11 at a cost of \$4.4 million. It views the project as a success as it believes Maximo delivers better capability, and reporting and analysis efficiencies with flow on benefits.

The Corporation has not completed a formal benefit realisation review on its Maximo Consolidation Project. The Maximo Consolidation project was undertaken as risk mitigation to ensure a critical business asset remained operational, and in a simplified and supportable form. The Corporation finished this project in June 2011 at a cost of \$40.7 million.

## Performance Information

### Water Conservation

Under its operating licence, the Corporation must keep water consumption equal to, or less than, 329 litres per capita per day by 30 June 2015. Drinking water consumption over time is shown in the table below.

Year ended 30 June	Target	Actual				
	2015	2012	2011	2010	2009	2008
Water consumption per capita per day (litres) including the effect of water restrictions*	329	297	304	309	310	308

\* Both target and actual are climate corrected.

Source: Sydney Water (unaudited).

The Corporation advises that Sydney's water use is at historically low levels. This lower demand reflects a shift in how the community uses water and a decline in the use of drinking water by the non-residential sector. Total water use in 2011-12 was just below 482 gigalitres. This is about the same as it was in 2007-08. At that time level three drought restrictions and water efficiency programs were in place.

Under the NSW Government's '2010 Metropolitan Water Plan', the Corporation is responsible for diversifying water supply and using water wisely. The Corporation is contributing to the following 2015 targets in the plan:

- water efficiency and leak reduction programs will save 145 gigalitres a year
- recycling 70 gigalitres a year by 2015, supplying 12 per cent of Sydney's water needs.

The Corporation advises that in 2011-12:

- water efficiency and leak management programs have saved over 31 gigalitres a year, adding to the water savings achieved in previous years by the Corporation and other agencies, and
- almost 46 gigalitres of recycled water was used from the Corporation's recycled water schemes, reducing drinking water use by over 13 gigalitres.

Water demand  
restrained

## Recycling

The table below shows the volume of water recycled by the Corporation over the last three years.

Year ended 30 June	2012	2011	2010	2009
Volume of recycled water (gigalitres)	45.9	47.5	33.7	25.4
Recycled water as a percentage of total effluent discharged (%)	8.0	9.1	7.5	5.3

Source: Sydney Water Corporation (unaudited).

The Corporation recycled almost 46 gigalitres of wastewater in 2012. The 2010 Metropolitan Water Plan aims to recycle about 70 gigalitres of wastewater a year by 2015. The recycled water is fit for industry, irrigation and residential use.

The volume of recycled water produced in 2011-12 is 3.5 per cent less than the prior year. This is because nearly half of the schemes use recycled water for irrigation purposes and the wet year meant less demand for water. The discharge from the St Marys Water Recycling Plant was also lower because the scheme operated in low flow mode from mid-April to mid-July 2012.

A barrier to the Corporation completing more recycled water projects is having customer commitment for a project's life. The Independent Pricing and Regulatory Tribunal (IPART) allows recycling costs in its water charges only when a minister directs the Corporation to participate in a project.

The Corporation has nearly finished building the Hoxton Park Recycled Water Scheme. It will supply recycled water to customers from June 2013. The scheme will be commissioned in two stages. Hoxton Park will eventually serve Edmondson Park, Middleton Grange, Ingleburn Gardens, Yarrunga Industrial Area and Panorama Estate.

The Corporation believes new recycled water schemes in Sydney are likely to be small, localised sewer mining or stormwater harvesting schemes. It enables other entities to develop water recycling schemes. The Corporation does this by allowing them to access water resources from its wastewater and stormwater systems. In 2011-12, the Corporation signed two sewer mining agreements and one recycled water agreement.

## Water Loss from the Water Distribution System

The Corporation's operating licence caps water loss at 105 megalitres per day or 38,325 megalitres per year. The Independent Pricing and Regulatory Tribunal accepts the target is met when water loss is within plus or minus 16 megalitres of the per day target or between 32,485 to 44,165 megalitres per year. The Corporation met this target.

The table below sums up water losses from breaks and leaks in the water distribution system.

Year ended 30 June	2012	2011	2010	2009
Volume of water loss (megalitres)	42,241	38,620	35,323	38,445
Costs incurred to reduce water loss (\$m)	106.3	148.7	139.1	140.0

Source: Sydney Water Corporation (unaudited).

In 2011-12, the Corporation checked and fixed leaks on 12,045 kilometres of pipeline as part of its Active Leak Detection Program.

The Corporation also manages water pressure and plans renewals of the water delivery network to help lower water loss. Its water pressure program sets up multiple pressure control zones to cut pressure and reduce breaks, leaks and water usage. At 30 June 2012, the Corporation estimates the program cut water loss by about 7,800 megalitres per year.

The Corporation has tried to balance the costs of water loss with the benefits from water savings. Long periods of wet weather last year lowered the number of leaks reported by customers.

Sydney Water's  
leak  
management  
and water  
efficiency  
program are  
saving water

The International Water Association believes an infrastructure leakage index below two indicates an entity is making substantial efforts to manage and maintain its infrastructure. The Corporation's Infrastructure Index Leakage is 1.5.

## Response Times

The table below shows how well the Corporation responded to calls reporting water main breaks and leaks.

Year ended 30 June	Target %	2012 Actual %	2011 Actual %
Priority 6 (stop water loss within 3 hours)	90	92	91
Priority 5 (stop water loss within 6 hours)	90	93	91
Priority 4 (stop water loss within 5 days)	90	92	94

Source: Sydney Water Corporation (unaudited).

In 2011-12, the Corporation met all response time targets set out in its operating licence.

A Priority Six is defined as a high flow of water causing an immediate danger to people, property or the environment, such as water gushing or spurting from the ground and resulting in a major loss of water. A Priority Five is water running at a rate greater than the full flow of a garden tap. A Priority Four is a leak which results in a minor loss of water.

## Wastewater Services

The Office of Environment and Heritage issued one penalty infringement notice to the Corporation during 2011-12 for a delayed clean up of a sewage overflow.

The Corporation had 59 instances of licence noncompliances during the year. Most related to overflows from reticulation networks, tree roots being the major cause.

It operates wastewater treatment plants and sewer pumping stations in accordance with licence conditions set by the Office of Environment and Heritage.

The Corporation met its operating licence target of less than 14,000 properties being affected by sewage overflows in 2011-12. The number of properties impacted by uncontrolled dry weather sewage overflows was 7,708.

## Maintenance Activities

The table below shows the Corporation completed most of its planned maintenance for 2011-12. The results are largely similar the prior year except for backlog maintenance.

Year ended 30 June	2012	2011	2010	2009
Total planned maintenance completed for network and treatment assets (%)	100.5	96.7	104.1	103.2
Total planned maintenance completed for critical assets (%)	100.2	101.3	100.0	100.6
Maintenance work completed on time (%)	81.1	82.0	80.0	84.0
Budgeted maintenance expenditure (\$m)	237.7	231.6	223.0	212.4
Actual maintenance expenditure (\$m)	217.3	231.1	229.8	211.6
Backlog maintenance (number of jobs)	7,377	3,745	4,123	5,046
Backlog maintenance (\$m)	3.9	4.2	8.9	9.3

Source: Sydney Water (unaudited).

During 2011-12, the Corporation finished 107,557 (179,564) maintenance jobs. Breakdown maintenance is still trending down. Improving civil network asset preventative maintenance has lowered the number of jobs.

Sydney Water met all response time targets set out in its operating licence

Backlog maintenance job numbers increased to 7,377 in 2011-12 at a cost of \$3.9 million. The Corporation keeps a small level of backlog maintenance to manage scheduling and workflow. Backlog maintenance is lower priority maintenance. The Corporation has no formal plan to reduce backlog maintenance by a certain date and/or by a certain percentage, but reviews backlog maintenance monthly to help ensure it does not delay critical work.

## Carbon Reduction

During 2011-12, the Corporation's net emissions from energy and electricity were 157,231 tonnes of CO<sub>2</sub> equivalents. The Corporation advised that it lowered its emissions from energy and electricity use by 60 per cent compared with a 1993-94 baseline. It will complete the voluntarily surrender of 290,292 NSW Greenhouse Gas Abatement Certificates in the current year.

The Corporation's plan is to be carbon neutral for its electricity needs by 2020. It continues to review its carbon and energy reduction plans.

## Credit Risk

In 2011-12, the Corporation's guarantee fee expense increased to \$105 million (\$94.2 million) due to its risk profile and changed economic conditions.

Treasury calculates the guarantee fee based on outstanding borrowings times the guarantee fee rate. This is the difference between a market interest rate for a business of similar risk and the cost of debt obtained from TCorp.

The Corporation's and Treasury's policy is to maintain an investment grade credit rating. The Corporation's Board and Treasury reviewed the capital structure in 2012, following IPART's 2012 Price Determination. They agreed the Corporation's current and forecast capital structure supports a stand-alone investment grade credit rating.

## Organisational Reform

IPART wants the Corporation to have efficiency savings of about \$173 million in today's dollars from now until June 2016. This is \$36.0 million, in nominal dollars, more than the Corporation put forward to IPART.

The Corporation's budget for core operating expenditure matches the IPART target as shown in the table below:

Year ended 30 June	2013	2014	2015	2016	Total 4 years
	\$m	\$m	\$m	\$m	\$m
Corporation submission to IPART	802	828	848	871	3,349
IPART efficiency targets	--	(6)	(12)	(18)	(36)
IPART determination	802	822	836	853	3,312
Statement of Corporate Intent	802	822	836	853	3,312

Source: Sydney Water Corporation (unaudited).

\* The IPART Determination was provided in 2011-12 dollars. The nominal figures shown above assume annual escalation of 2.5 per cent.

The Corporation's Board reviews progress reports on expenditure each month. The Corporation will discuss its performance against the Determination with IPART quarterly. Each division of the Corporation has a budget allocation and specific efficiency targets.

## Urban Growth Process Reform

The Corporation started using complying development applications in late 2011. The average response time for the Corporation to approve a complying development application is two days. This is a much shorter time frame than the ten to twenty days approval time in prior years. The Corporation is looking to extend the definition of complying applications to include minor development applications, which are low risk.

Sydney Water has reduced the time it takes to approve a complying development application



The table shows development applications (section 73) and response times for major, minor and complying developments:

Year ended 30 June	2012	2011	2010
<b>Number of applications</b>			
Major developments	564	624	581
Minor developments	1,985	2,514	2,332
Complying developments	641	--	--
<b>Total applications</b>	<b>3,190</b>	<b>3,138</b>	<b>2,913</b>
<b>Average approval times (days)</b>			
Major developments	118	118	114
Minor developments	106	103	103
Complying developments	2	--	--
<b>Total average approval time</b>	<b>87</b>	<b>105</b>	<b>105</b>

Source: Sydney Water Corporation (unaudited).

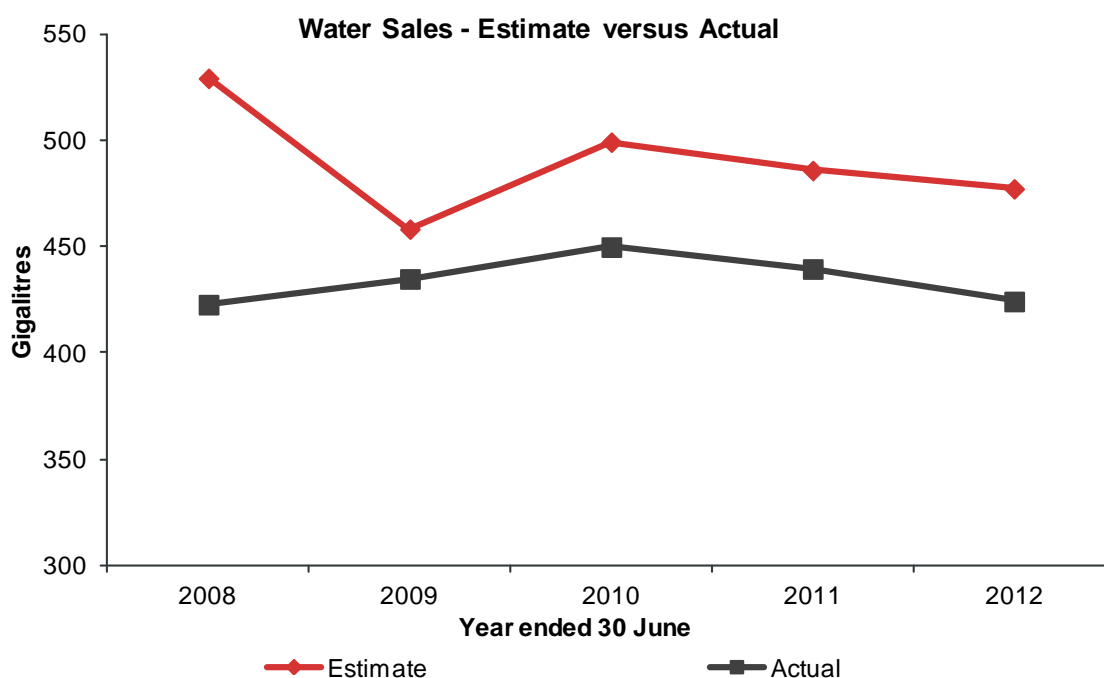
The section 73 certificate is required before the developer registers new lots of land for sale or obtains an occupation certificate for existing lots. The average approval time for all applications is 87 (105) days.

## Other Information

### Water Sales

The Corporation has, over time, overestimated water sales in its price submissions to IPART. This may have impacted IPART's pricing decisions.

The graph below compares estimated volumes of water sales used in IPART's pricing decisions and actual volumes of water sales over the last five years:



Source: Sydney Water Corporation (unaudited).

The Corporation estimated higher water sales because:

- the 2005 price determination assumed drought restrictions would gradually ease and be lifted by January 2007. This did not occur. Instead, drought restrictions increased to level three for the period of the determination. The determination remained in force until 30 June 2008
- the 2008 price determination assumed drought restrictions would be gradually lifted during the first year. This did not occur. Instead, they were replaced with Water Wise Rules until late June 2009. Under Water Wise Rules, the determination also assumed customers would increase total water use by around 50 to 60 gigalitres per year. This was not the case as residential, business and institutional average water use has not increased
- the 2008 price determination assumed total property numbers would be higher. Instead, the total number of dwellings connected to the Corporation's networks by 30 June 2012 is expected to be around 50,000 less than forecast in 2008, or three per cent of total residential properties
- water sales in 2011-12 reduced due to a very wet spring and summer.

Water Wise Rules have been in place for over two years, and the Corporation believes it is now possible to forecast future water use more accurately.

The Corporation studied the water use of residential and non-residential properties and used this information in its submission to IPART's 2012 price setting process. The Corporation's view of water sales for the next four years is in the table below:

Forecast treated water sales*	2013	2014	2015	2016
Water sales (gigalitres)	431	433	435	439.

Source: Sydney Water Corporation (unaudited).

\* Excludes unmetered billed consumption.

The Corporation expects water sales to increase marginally over the next four years through water efficiency and more recycling schemes offsetting the water use of new properties.

IPART added a demand volatility setting in its 2012 price determination. This will even out possible revenue over/under recoveries, which may come from changes in actual and forecast water sales.

## Information Technology Projects

The Corporation spent approximately \$46.4 million on information technology (IT) capital projects during 2011-12. It completed 11 projects, two of which were over \$2.0 million, shown below:

Project	Original budget \$m	Actual cost \$m	Original service delivery date	Actual service delivery date
MS Office Upgrade	6.6	4.6	June 2011	December 2011
Intermoco Transition/Stabilisation	2.4	1.7	March 2012	December 2011

Source: Sydney Water Corporation (unaudited).

The Corporation started the MS Office Upgrade later than first planned. It delivered the project under budget. Its technical solution was simpler than first thought. The Corporation advises that, to date, it has realised all project benefits.

The Corporation finished the Intermoco Transition/Stabilisation project under budget. The project's technical solution was, again, less complex than first thought. This project lets the Corporation deliver its normal billing and collection cycles as well as maintain its cash flows.

The IT capital program includes several significant IT projects, which are still in progress. Some of these are shown below:

Incomplete projects over \$2.0 million at 30 June 2012	Original budget \$m	Actual cost \$m	Approved budget \$m	Original service delivery date	Revised service delivery date
SWIM 2 Document Management	9.8	12.4	14.0	November 2011	na
Server Platform Refresh Contract	18.0	6.0	18.0	June 2015	June 2015
Inventory management	6.3	2.7	6.3	June 2012	December 2012
Website Rebuild	6.3	4.0	7.8	April 2012	March 2013
Incident Recording and Notification	3.5	3.7	4.2	October 2011	October 2012
SCADA BI	3.4	1.0	3.4	April 2012	March 2013

Source: Sydney Water Corporation (unaudited).

na not available.

The SWIM 2 Document Management project is paused pending an options review.

The Corporation approved a change to the business case for the Website Rebuild project, increasing the approved budget and impacting the delivery date.

The Corporation changed the business case for the Incident Recording and Notification project because the technical configuration tasks were more complex than originally scoped.

The Corporation delayed the SCADA (Supervisory Control and Data Acquisition system) Business Intelligence project due to the need for data remediation and taking on a staged deployment. It allows the Corporation to monitor and control its processes.

## Review of Major Capital Projects

The Corporation's capital expenditure in 2011-12 was \$659 million (excluding capitalised interest). The Corporation's Statement of Corporate set a target of \$707 million in capital expenditure.

The original cost, current cost estimates and service delivery dates for capital projects (excluding ongoing work, e.g. water mains renewals) with an original cost above \$10.0 million are in the table below.

Project	Original cost estimate \$m	Actual/current cost estimate \$m	Original service delivery date	Achieved/estimated service delivery date
<b>Completed during 2011-12:</b>				
Bankstown Trunk Main Renewal	25	21	December 2011	October 2011
<b>In progress at 30 June 2012:</b>				
Hoxton Park Recycled Water	65	88	Mid 2009	Mid 2013
North West Growth Centre Package 2	79	78	Mid 2014	Mid 2014
Appin Sewerage Scheme	82	74	Late 2012	July 2012
South West Growth Centres (SWGC) - First Release Precincts	88	48	Mid 2013	Mid 2013

Source: Sydney Water Corporation (unaudited).

The increase in cost estimates and delay in service delivery of the Hoxton Park Recycled Water Scheme is largely due to a changed scope of works. The lower cost estimate of SWGC First Release Precincts is due to favourable market prices.

The Corporation's other projects in progress are tracking within original cost estimates or are forecast to cost less than first estimates.

The Corporation realised almost \$42.0 million in capital efficiencies in 2011-12. These were mainly from the renewal of water mains and delivery of growth infrastructure.

## Financial Information

### Abridged Consolidated Statements of Comprehensive Income

Year ended 30 June	Consolidated		Parent	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Service charges	1,086,034	1,014,899	1,086,034	1,014,899
Usage charges	999,956	999,711	999,956	999,711
Other	334,735	294,785	588,965	294,785
<b>Operating revenue</b>	<b>2,420,725</b>	<b>2,309,395</b>	<b>2,674,955</b>	<b>2,309,395</b>
Employee related expenses	388,985	311,084	388,985	311,084
Bulk water	418,947	390,442	418,947	390,442
Water treatment	100,131	103,465	100,131	103,465
Maintenance and operational services	232,399	230,342	232,399	230,342
Finance costs	415,151	383,646	415,151	383,646
Depreciation and amortisation	214,003	194,266	214,003	194,266
Other	236,282	269,491	236,282	269,491
<b>Operating expenses</b>	<b>2,005,898</b>	<b>1,882,736</b>	<b>2,005,898</b>	<b>1,882,736</b>
<b>Profit before income tax</b>	<b>414,827</b>	<b>426,659</b>	<b>669,057</b>	<b>426,659</b>
<b>Income tax expense</b>	<b>184,777</b>	<b>152,813</b>	<b>263,174</b>	<b>152,813</b>
<b>Profit from continuing operations</b>	<b>230,050</b>	<b>273,846</b>	<b>405,883</b>	<b>273,846</b>
<b>Profit/(loss) from discontinued operations net of income tax</b>	<b>137,026</b>	<b>(79)</b>	<b>--</b>	<b>--</b>
<b>Profit after tax</b>	<b>367,076</b>	<b>273,767</b>	<b>405,883</b>	<b>273,846</b>
<b>Other comprehensive income</b>				
Gain on revaluation of assets (after tax)	239,673	298,803	254,274	282,313
Superannuation actuarial gains/(losses)	(346,469)	3,452	(346,469)	3,452
Other (losses)	--	(53)	--	--
<b>Total other comprehensive income/(expense)</b>	<b>(106,796)</b>	<b>302,202</b>	<b>(92,195)</b>	<b>285,765</b>
<b>Total comprehensive income</b>	<b>260,280</b>	<b>575,969</b>	<b>313,688</b>	<b>559,611</b>

The increase in service charges is consistent with price increases.

The consolidated entity made a profit on discontinued operations of \$137 million. This is made up of the profit on sale of SDP of \$261 million, offset by expenses of \$87.8 million; taxation expense of \$59.9 million; and a loss of \$8.2 million on liquidating its subsidiary Australian Water Technologies Pty Limited.

The Corporation restructured its business during the year. This led to an increase in employee related expenses due to redundancy costs of \$37.7 million. An actuarial assessment of leave expenses saw these increase by \$19.7 million. Together these higher costs explain the change in employee expenses from 2010-11.

Finance costs increased mainly due to penalty interest of \$50.4 million on the early repayment of SDP debt. The SDP repaid its debt early as part of the sale transaction.

The superannuation losses are due to the current market conditions and the impact they have in calculating the present value of the defined benefit superannuation liabilities.

## Abridged Consolidated Statements of Financial Position

At 30 June	Consolidated		Parent	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Current assets	376,587	395,242	376,587	389,262
Non-current assets	13,640,058	14,675,087	13,640,058	13,460,025
<b>Total assets</b>	<b>14,016,645</b>	<b>15,070,329</b>	<b>14,016,645</b>	<b>13,849,287</b>
Current liabilities	1,114,854	966,805	1,114,854	944,172
Non-current liabilities	6,970,368	8,190,381	6,970,368	7,045,380
<b>Total liabilities</b>	<b>8,085,222</b>	<b>9,157,186</b>	<b>8,085,222</b>	<b>7,989,552</b>
<b>Net assets</b>	<b>5,931,423</b>	<b>5,913,143</b>	<b>5,931,423</b>	<b>5,859,735</b>

The fall in current assets is due to a late receipt of cash from Treasury in 2010-11 of approximately \$40.0 million and that year's current tax asset of \$24.0 million (the pay-as-you-go income tax instalment payments exceeded the income tax payable). These items did not recur in 2011-12 and were offset by an increase in service and usage charges of \$40.0 million. This increase is due to a delay in meter reading.

The decline in non-current assets is mainly due to the desalination plant sale. The decline has been offset by asset additions and asset revaluations.

The increase in current liabilities is mainly due to a current tax liability of \$111 million. This is offset by an increase in trade and other payables due mainly to an increase in accrued government guarantee fees by \$41.0 million. Provisions increased by \$31.2 million due mainly to the lower government bond rate and the impact it had on increasing employee provisions.

The fall in non-current liabilities is due mainly to SDP repaying loans of \$1.8 billion. Higher defined benefit superannuation liabilities of \$479 million have, in part, offset the impact of the lower debt level.

## The Corporation's Activities

The Corporation is a statutory State owned corporation established under the *Sydney Water Act 1994*. It provides sustainable water services to the communities it services, and has as its principal objectives the protection of public health, the protection of the environment and to be a successful business.

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

The Corporation's subsidiary company, Australian Water Technologies Pty Limited, was liquidated on 31 May 2012. This was in line with the Board's decision to wind up operations after the winding up and divestment of all its overseas foreign operations in May 2011.

# Waste Assets Management Corporation

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## Audit Opinion

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

## Operational Snapshot

The Corporation operates two waste management centres and rehabilitates seven closed landfill sites. It processed 568,000 tonnes of solid waste during the year and generated 96,000 megawatt hours of electricity from landfill waste gas emissions.

The Corporation generated revenue of \$74.7 million (\$105 million in 2010-11) and recorded a deficit of \$12.9 million (\$24.7 million).

## Key Issues

### ***Clean Energy Act 2011***

The Commonwealth *Clean Energy Act 2011* imposes a price on carbon emissions for waste received after 1 July 2012. This poses significant challenges to the Corporation, as waste deposited in the Corporation's landfill sites will require it to account for and report future greenhouse gas emissions over thirty years.

If the Corporation's carbon pricing model's estimates do not reliably predict the future price of carbon permits or emissions, its future cash flows may be adversely impacted.

The Corporation advises it has performed extensive modelling to address these issues.

## Other Information

### **Revenue**

Last year, I recommended the Corporation implement appropriate controls to ensure it receives complete and accurate waste tonnage data from the operator of its weighbridges. In September 2012, the operator implemented a new computer system to record weighbridge transactions. The Corporation is implementing a customised part of this new system and will review the completeness and accuracy of revenue.

### **Rehabilitation Funding**

In 2010-11, the Corporation received \$48.9 million and created a provision for rehabilitation of landfill sites for the next 43 years. This provision has grown to \$54.9 million at 30 June 2012.

The ability of the Corporation to fund its long-term rehabilitation obligations depends on a number of factors including long term interest rates, regulatory changes, advancement in rehabilitation technology, and cost efficiencies.

## Financial Information

### Abridged Statement of Comprehensive Income

Period ended 30 June	2012 \$'000	2011 \$'000
Waste related revenue	70,504	30,198
Grants and contribution	954	72,856
Investment revenue	3,253	1,589
<b>Total revenue</b>	<b>74,711</b>	<b>104,643</b>
Waste related expenses	64,274	42,585
Personnel services	4,394	1,870
Depreciation and amortisation	9,224	3,878
Finance costs	2,727	1,256
Landfill rehabilitation expenses	7,062	30,342
<b>Total expenses</b>	<b>87,681</b>	<b>79,931</b>
<b>(Deficit)/surplus</b>	<b>(12,971)</b>	<b>24,712</b>
<b>Total comprehensive income/(expense)</b>	<b>(12,971)</b>	<b>24,712</b>

All revenues and expenses increased mainly due to 2011-12 being the first full year of operations. In 2010-11, the Corporation operated for only five months.

On creation of the Corporation in 2010-11, it received \$72.9 million government funding for the rehabilitation of landfill sites and to settle liabilities transferred from the former WSN Environmental Solutions.

The landfill rehabilitation expenses reflect increases in the independently estimated long-term rehabilitation liability at balance date.

### Abridged Statement of Financial Position

At 30 June	2012 \$'000	2011 \$'000
Current assets	70,582	87,631
Non-current assets	44,943	50,340
<b>Total assets</b>	<b>115,525</b>	<b>137,971</b>
Current liabilities	23,617	40,749
Non-current liabilities	50,997	43,340
<b>Total liabilities</b>	<b>74,614</b>	<b>84,089</b>
<b>Net assets</b>	<b>40,911</b>	<b>53,882</b>

Current assets and current liabilities have decreased due to settlement of the liabilities vested to it from the \$72.9 million provided by the NSW Government.

Non-current assets relate to property, plant and equipment. The decrease in non-current assets is predominately due to depreciation for the year.

## Corporation Activities

The Corporation was established on 23 March 2010 to own and operate the Eastern Creek and Belrose Waste Management Centres. It also manages the rehabilitation and aftercare of several closed landfills across the Sydney metropolitan region.

The Corporation was constituted under the *Waste Recycling and Processing Corporation (Authorised Transaction) Act 2010*.

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



# Barangaroo Delivery Authority

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## Audit Opinion

I issued unqualified audit opinions on Barangaroo Delivery Authority ('the Authority') and its controlled entity's 30 June 2012 financial statements.

The following comments are for the consolidated entity, unless otherwise stated.

## Operational Snapshot

The Authority is charged with managing the delivery of the \$6.0 billion landmark waterfront development at the Barangaroo site at no cost to taxpayers.

The Barangaroo precinct comprises Barangaroo South, Central and the Headland Park and the Authority expects to complete overall construction by 2021.

Barangaroo South currently has concept plan approval for 490,240 square metres of commercial, residential and retail space and accommodate over 23,000 workers and residents. Major construction at Barangaroo South started in early 2012, with the first commercial building scheduled to open in 2015.

The Authority incurred expenses of \$39.2 million (2010-11: \$22.6 million) and recorded a deficit of \$37.5 million (\$20.2 million).

## Key Issues

### Project Risks

Last year, I reported on project governance risks impacting the project, particularly its ability to deliver the development at nil cost to the taxpayers.

The Authority advises it has an appropriately skilled team and adequate processes in place to proactively manage these risks. It continuously monitors and updates the major risks, which include:

- transport infrastructure
- delivery of budget and 15 year financial forecasts
- remediation of contaminated area.

### Value Sharing Payments

The Authority expects to obtain market valuations for two to three commercial towers in 2012-13. The valuations will determine the value sharing payments it receives under the Project Development Agreement and its financial forecasts. Significant changes to its financial forecasts may impact the Authority's ability to fund the public domain and other infrastructure.

## Other Information

### Headland Park Project

The Headland Park will feature a new cultural centre, with an expected floor area of between 10,000 and 20,000 square metres. The park will be funded through payments from the developer of Barangaroo South and is expected to be completed by 2015.

The table below shows forecast completion dates and costs:

	Initial estimated completion	Forecast completion	Initial project estimate \$m	Cost to 30 June 2012 \$m	Forecast final cost \$m
Headland Park	2014	2015	177	32.1	199

Source: Barangaroo Delivery Authority (unaudited).

## Financial Information

### Abridged Statements of Comprehensive Income

Year ended 30 June	Consolidated		Authority	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Employee related/personnel services expense	6,418	4,878	6,418	4,878
Finance costs	5,102	6,302	5,102	6,302
Other expenses	27,751	11,453	27,751	11,453
<b>Total expenses</b>	<b>39,271</b>	<b>22,633</b>	<b>39,271</b>	<b>22,633</b>
Contributions	--	2,117	--	2,117
Other revenue	1,733	339	1,733	339
<b>Total revenue</b>	<b>1,733</b>	<b>2,456</b>	<b>1,733</b>	<b>2,456</b>
<b>Net result – deficit</b>	<b>(37,538)</b>	<b>(20,177)</b>	<b>(37,538)</b>	<b>(20,177)</b>
<b>Other comprehensive expense</b>				
Net decrease in revaluation of assets	(741)	--	(741)	--
<b>Total other comprehensive expense</b>	<b>(741)</b>	<b>--</b>	<b>(741)</b>	<b>--</b>
<b>Total comprehensive expense</b>	<b>(38,279)</b>	<b>(20,177)</b>	<b>(38,279)</b>	<b>(20,177)</b>

There was nil contributions revenue in 2011–12 from the developer per the Project Development Agreement.

The increase in other revenue was largely due to an increase in revenue from road permits. The Authority became the roads authority for parts of Hickson Road, parts of Sussex Street and Napoleon Street from 31 January 2011.

Increase in employee related/personnel services expense was largely due to an increase in staff numbers, resulting from the Authority's expanding operations and increases in rates of pay.

Other expenses increased due to the payment of the first grant instalment of \$18.5 million (total grant commitment \$100 million) to Transport for NSW for the Wynyard walk project.

A revaluation of the Barangaroo site at 30 June 2012 increased its value by \$15.9 million. This was offset by a \$16.6 million increase in the provision for remediation, effectively decreasing other comprehensive income by \$741,000.

## Abridged Statement of Financial Position

At 30 June	Consolidated		Authority	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Current assets	273,130	108,708	273,130	108,708
Non-current assets	214,626	340,173	214,626	340,173
<b>Total assets</b>	<b>487,756</b>	<b>448,881</b>	<b>487,756</b>	<b>448,881</b>
Current liabilities	237,501	62,206	237,501	62,206
Non-current liabilities	196,288	294,429	196,288	294,429
<b>Total liabilities</b>	<b>433,789</b>	<b>356,635</b>	<b>433,789</b>	<b>356,635</b>
<b>Net assets</b>	<b>53,967</b>	<b>92,246</b>	<b>53,967</b>	<b>92,246</b>

Total assets largely comprise the value of the Barangaroo's land assets. Total liabilities include borrowings, and provisions for relocating the passenger terminal and for remediation.

The increase in current assets is mainly due to a transfer of \$151 million of land from non-current assets to assets held for sale.

The Authority received \$103 million from the developer in prior years and \$51.7 million in 2011–12 based on the Development Agreement. The receipts have been recognised as a deferred income liability until the respective long-term leases commence for each parcel of land.

## Authority Activities

The Authority is a statutory body under the *Barangaroo Delivery Authority Act 2009*.

Its principal role is to manage the development of the Barangaroo site as a vibrant, commercial, sustainable location for national and global business.

For further information on the Authority, refer to [www.barangaroo.com](http://www.barangaroo.com).

## 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
Office of the Barangaroo Delivery Authority	*

\* This entity does not have a website.

# Corporation Sole 'Minister Administering the *Environmental Planning and Assessment Act 1979*'

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## Audit Opinion

I qualified my audit opinion on the Corporation's 30 June 2012 financial statements. The qualification related to the completeness and accuracy of the Corporation's land assets. My 2009-10 and 2010-11 opinions were qualified for the same reason.

## Operational Snapshot

The Corporation was established to acquire land for planning purposes within the Sydney region. This includes acquiring land for:

- expansion of the transport system
- regional open space, including recreational and conservation areas
- specific projects, such as the Rouse Hill Regional Centre.

In 2011-12, the Corporation purchased land for \$68.2 million (\$41.2 million in 2010-11). It transferred land with a value of \$31.0 million (\$105 million) to other agencies.

## Key Issue

### Completeness and Accuracy of Land Holdings

#### *Recommendation*

The Corporation needs to address its processes for identifying and valuing land it controls as a matter of priority so it can effectively manage the full extent of its land holdings.

Certain parcels of land within New South Wales may be controlled by the Corporation, but have not been recognised at fair value in the Corporation's accounting records. The land is currently under the care, control and management of local councils.

During 2011-12, an interagency working group was established to determine the appropriate accounting treatment for land subject to these arrangements. Until this exercise is complete, I am unable to form an opinion on the value of land recognised in the Corporation's financial statements.

The Corporation does not know the full extent of its land holdings

## Quality of Financial Statements

### *Recommendation*

The Corporation should improve the quality of its financial statements and supporting work papers.

The financial statements contained a number of errors and supporting work papers were not always reviewed by management. The Corporation should review its processes to improve the quality of financial information and reporting.

## Other Information

### Land purchases

In 2011-12, the Corporation acquired land to the value of \$43.9 million in Blacktown, Liverpool, Penrith, Pittwater and Sutherland. Most of this land (29 hectares) will be transferred to the Western Sydney Parklands Trust.

Several other small parcels of land were purchased for environmental conservation purposes and to cover land adjoining coastal and riverine environments.

The responsibility for land acquisitions in the North West rail corridor has reduced with the creation of Transport for NSW and its increased role in land acquisitions. One parcel of land (\$4.8 million) was purchased for this purpose.

### Land Disposals

Land disposals generated \$62.4 million in 2011-12. A total of 189 residential lots were sold, including 97 lots in the Bunya development (at Bungarribee, Doonside) and 85 lots and built houses in the Rouse Hill town centre development.

An additional 14.5 hectares of industrial land was also sold.

### Land Transfers

During the year the Corporation transferred \$31.0 million in land to the Roads and Maritime Services (\$21.7 million), Western Sydney Parklands Trust (\$3.7 million) and Transport for NSW (\$5.6 million).

### Others

I identified opportunities for improvements to accounting and internal control procedures and will report them to management.

## Financial Information

### Abridged Statement of Comprehensive Income

Year ended 30 June	2012 \$'000	2011 \$'000
Employee related expenses	4,496	3,401
Depreciation and amortisation	709	65
Grants and subsidies	15,091	16,308
Finance costs	20,947	19,339
Other expenses	5,114	5,438
<b>Total expenses</b>	<b>46,357</b>	<b>44,551</b>
Investment revenue	207	2,362
Other revenue	30,336	29,112
<b>Total revenues</b>	<b>30,543</b>	<b>31,474</b>
Other gains/(losses)	13,144	(25,327)
<b>Net result-deficit</b>	<b>(2,670)</b>	<b>(38,404)</b>
<b>Other comprehensive income</b>		
Net increase/(decrease) in revaluation of assets	4,315	(44,576)
<b>Total other comprehensive income/(expense)</b>	<b>4,315</b>	<b>(44,576)</b>
<b>Total comprehensive income/(expense)</b>	<b>1,645</b>	<b>(82,980)</b>

Employee related expenses increased by \$1.1 million, or 32 per cent, mainly due to the employment of six additional staff during the year.

The Corporation achieved a gain of \$13.1 million (loss of \$25.3 million in 2010-11) on disposal of land. This is influenced by:

- the location and type of land sold
- the sale of 97 lots in the Bunya project and 85 lots in the Rouse Hill project
- the sale of one significant lot for \$30.0 million (at West Huntingwood).

### Abridged Statement of Financial Position

At 30 June	2012 \$'000	2011 \$'000
Current assets	170,569	138,623
Non-current assets	1,044,520	1,022,742
<b>Total assets</b>	<b>1,215,089</b>	<b>1,161,365</b>
Current liabilities	107,394	94,851
Non-current liabilities	353,588	283,029
<b>Total liabilities</b>	<b>460,982</b>	<b>377,880</b>
<b>Net assets</b>	<b>754,107</b>	<b>783,485</b>

Current assets increased by \$31.9 million predominantly due to an increase in cash held for property acquisitions.

Current liabilities increased by \$12.5 million predominantly due to the acquisition of property towards the end the year that has not been settled.

Non-current liabilities increased by \$70.6 million due to:

- a payable of \$17.0 million in relation to property acquired during the year where the terms allow for settlement in 2014-15
- the reclassification of \$17.6 million of borrowings from current to non-current
- an increase in borrowing of \$35.3 million for property acquisition.

## Corporation's Activities

The Minister for Planning is incorporated as the Corporation Sole 'Minister Administering the *Environmental Planning and Assessment Act 1979*'. The Corporation's main activities are to acquire land, control and manage its vested lands and dispose of surplus land.

The Office of Strategic Lands administers the functions of the Corporation.

The Public Sector Employment and Management (Departments) Order 2011 moved the Office from the former Land and Property Management Authority to the Department of Planning and Infrastructure.

# Department of Planning and Infrastructure

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## Audit Opinion

I issued an unqualified audit opinion on the Department of Planning and Infrastructure's 30 June 2012 financial statements.

## Operational Snapshot

The role of the Department is to deliver strategies and decisions to facilitate sustainable growth and employment in New South Wales.

The Department is the lead agency in advising government on:

- diverse housing and employment opportunities
- major development and infrastructure projects
- strategic land use planning.

Significant achievements during 2011-12 include:

<b>Housing Outcomes</b>	<ul style="list-style-type: none"><li>• Approvals up by 20 per cent</li><li>• Planning for more than 50,000 homes accelerated in growth centres</li><li>• Online housing approval system launched allowing approval in three days</li></ul>
<b>Employment Outcomes</b>	<ul style="list-style-type: none"><li>• Approved two commercial buildings with 10,000 jobs at sites</li><li>• Approved development proposals will create up to 24,000 ongoing jobs</li></ul>
<b>Infrastructure Outcomes</b>	<ul style="list-style-type: none"><li>• Coordinated major upgrades to roads to boost growth in the north west and south west growth centres</li><li>• Coordinated more than \$90.0 million of infrastructure and planning agreements with developers</li></ul>
<b>Development Outcomes</b>	<ul style="list-style-type: none"><li>• More than \$10.0 billion of approvals</li><li>• New State significant assessment system introduced and \$24.0 billion of development proposals lodged</li></ul>

Source: Department of Planning and Infrastructure.

## Key Issues

### Development Contributions

#### *Recommendation*

The Department should continue to develop accounting policies and controls to ensure the transparency of all development contributions received and related expenditure on infrastructure.



Last year, I reported that the Department should develop accounting policies to ensure the transparency of special infrastructure contributions and related expenditure on infrastructure. Significant progress was made during 2011-12 and these contributions and related expenditure are now being recorded in the financial statements.

However, the Department needs to ensure it has systems and controls in place to effectively manage all development contributions it is entitled to collect and the related expenditure.

## Quality of Financial Statements

### *Recommendation*

**The Department should improve the quality of its financial statements and supporting work papers.**

The financial statements contained a number of errors relating to both current and prior period information. Supporting work papers were not always reviewed by management. The Department should review its processes to improve the quality of financial information and reporting.

## Financial Information

### Abridged Statement of Comprehensive Income

Year ended 30 June	2012 \$'000	2011 \$'000
Employee related expenses	111,631	85,438
Depreciation and amortisation	613	1,113
Grants and subsidies	79,507	22,539
Finance costs	1,335	1,074
Other expenses	14,361	20,403
<b>Total expenses</b>	<b>207,447</b>	<b>130,567</b>
Government contributions	91,659	84,342
Sale of goods and services	43,625	44,583
Investment revenue	960	813
Other revenue	66,706	23,430
<b>Total revenues</b>	<b>202,950</b>	<b>153,168</b>
Other gains	262	--
<b>Net result - surplus/(deficit)</b>	<b>(4,235)</b>	<b>22,601</b>
<b>Other comprehensive income</b>		
Net increase in revaluation of assets	111	--
Superannuation actuarial gains/(losses)	(4,463)	1,177
<b>Total other comprehensive income/(expense)</b>	<b>(4,352)</b>	<b>1,177</b>
<b>Total comprehensive income/(expense)</b>	<b>(8,587)</b>	<b>23,778</b>

The Public Sector Employment and Management (Departments) Order 2011 transferred a number of staff from the former Land and Property Management Authority to the Department. The majority of the transferred staff provided services to the Sydney Harbour Foreshore Authority under a personnel services arrangement. This increased both employee related expenses and other revenue by \$29.5 million.

Grants and subsidies expenses increased by \$57.0 million mainly due to:

- a grant of \$21.9 million to the Sydney Harbour Foreshore Authority for reimbursement of Barangaroo Development Authority costs
- Priority Infrastructure Fund payments of \$18.5 million to Hills Shire Council and Blacktown City Council
- an increase in grant payments to the Corporation Sole 'Minister Administering the *Environmental Planning and Assessment Act 1979*' for the South West Rail Link project.

Other revenue increased by \$43.4 million due to an increase in personnel services income described above and the recognition of special infrastructure contributions of \$16.1 million. In previous years, these contributions were recorded by the Crown Entity.

## Abridged Statement of Financial Position

At 30 June	2012 \$'000	2011 \$'000
Current assets	68,172	68,975
Non-current assets	10,537	10,038
<b>Total Assets</b>	<b>78,709</b>	<b>79,013</b>
Current liabilities	37,339	29,541
Non-current liabilities	23,597	23,092
<b>Total Liabilities</b>	<b>60,936</b>	<b>52,633</b>
<b>Net Assets</b>	<b>17,773</b>	<b>26,380</b>

Current liabilities increased by \$7.8 million mainly due to the impact of actuarial losses on defined benefit superannuation provisions.

## Department Activities

Following the Public Sector Employment and Management (Departments) Order 2011, in April 2011, the Department of Planning and Infrastructure employed staff specifically to enable the following Statutory Corporations to exercise their functions:

- Office of Strategic Lands
- Sydney Harbour Foreshore Authority
- Hunter Development Corporation
- Central Coast Regional Development Corporation
- Luna Park Reserve Trust.

The Department oversees and implements government policies on land use planning and development, and facilitates and manages sustainable growth.

It advises the minister and the government on the approval of major development and infrastructure projects of significance to the New South Wales' economy and employment.

The Department leads and coordinates statewide planning strategies to guide growth and development, and to inform infrastructure planning, staging and delivery.

Key legislation includes the *Environmental Planning and Assessment Act 1979*, the *Heritage Act 1977* and the *Coastal Protection Act 1979*.

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

# Landcom

## Audit Opinion

I issued an unqualified audit opinion on Landcom's 30 June 2012 financial statements.

## Operational Snapshot

Landcom develops and sells residential, commercial and industrial properties. As part of urban management, it develops land for residential purposes and redevelops inner city land for medium/high density housing. It also provides for the development of shopping centres, aged care and commercial facilities to complement its residential developments.

Landcom delivered 2,198 dwelling equivalents to the market in 2011-12 (1,758 dwelling equivalents in 2010-11) and expects to deliver a further 2,200 dwelling equivalents in 2012-13. It earned a profit of \$48.9 million (\$54.3 million).

## Performance Information

### Financial Performance

The table below compares Landcom's financial results against targets set in its Statement of Corporate Intent, and shows it exceeded most of its financial targets for 2011-12.

Year ended 30 June	Target*	Actual			
	2012	2012	2011	2010	2009
Earnings before interest and income tax (\$m)	66.4	78.1	82.8	53.1	51.6
Dividend to Consolidated Fund (\$m)	26.4	33.8	36.6	51.8	42.9
Income tax to Consolidated Fund (\$m)	16.2	21.0	23.0	12.6	15.3
Return on equity (%)	11.0	13.9	15.9	9.6	9.6
Return on assets (%)	8.5	6.1	7.1	4.5	4.8
Debt to total equity (%)	85.2	25.4	34.9	27.1	32.8

\* Performance indicators included in Landcom's 2011-12 Statement of Corporate Intent.

## Other Information

### Major Highlights\*

Landcom is involved in some major projects in the Greater Sydney Metropolitan Area, the Hunter, the Illawarra and the Southern Highlands. Most projects are residential, but include retail, commercial, industrial and mixed-use developments.

Significant highlights during the year include:

- Landcom accelerated its production schedule to help the government deliver its target of 10,000 home sites in Western Sydney. Landcom released 2,198 dwelling equivalents in 2011-12 compared to 1,758 in the previous year. This is the highest production Landcom has achieved in Western Sydney for 20 years.
- Landcom constructed and completed a new facility at Potts Hill to relocate 300 police staff from an existing Zetland property. This allowed Landcom to secure the Zetland site for its Green Square Town Centre development. This core site will deliver around 1,600 homes, 12,000m<sup>2</sup> of retail space and almost 50,000m<sup>2</sup> of commercial space when completed. Construction is due to start by the end of 2012.
- Landcom purchased the Ingleburn army camp from the Commonwealth Government. This development will provide 3,600 new homes, a new town centre, schools and a regional park and help with construction of the South West Rail Link.

Landcom has once again exceeded most of its financial targets in 2011-12

- Landcom opened an \$8.5 million sporting facility at The Ponds known as Jonas Bradley Oval. This sports facility comprises two playing fields, four multi-purpose courts, four netball courts, a children's playground and parking for 165 cars.

\* Source: Landcom.

## Financial Information

### Abridged Statement of Comprehensive Income

Year ended 30 June	2012 \$'000	2011 \$'000
Sales income	398,086	402,851
Cost of sales	(271,984)	(264,983)
<b>Gross profit</b>	<b>126,102</b>	<b>137,868</b>
Other income	3,839	7,968
Employee related expenses	(16,938)	(16,582)
Other expenses	(34,920)	(46,454)
<b>Profit before interest and income tax</b>	<b>78,083</b>	<b>82,800</b>
Finance income	2,725	4,480
Finance expense	(10,985)	(9,933)
Income tax equivalent expense	(20,960)	(23,024)
<b>Profit</b>	<b>48,863</b>	<b>54,323</b>
<b>Other comprehensive income</b>		
Superannuation actuarial gains/(losses) (net of income tax)	(6,672)	44
<b>Total comprehensive income</b>	<b>42,191</b>	<b>54,367</b>

Gross profit decreased by \$11.8 million primarily due to the variability of products sold between 2011 and 2012.

Other expenses decreased by \$11.5 million mainly due to the adjustment of inventory to net realisable value falling from \$15.4 million in 2010-11 to \$5.9 million in 2011-12.

### Abridged Statement of Financial Position

At 30 June	2012 \$'000	2011 \$'000
Inventory	702,321	592,049
Other assets	99,447	177,640
<b>Total assets</b>	<b>801,768</b>	<b>769,689</b>
Borrowings	89,286	119,585
Other liabilities	361,492	307,469
<b>Total liabilities</b>	<b>450,778</b>	<b>427,054</b>
<b>Net assets</b>	<b>350,990</b>	<b>342,635</b>

Inventory increased by \$110.2 million, primarily due to an accelerated production schedule to help the government deliver 10,000 home sites over the next four years and the acquisition of the Ingleburn army land site.

Other assets decreased by \$78.2 million mainly due to a reduction in cash of \$58.7 million, which was used to repay borrowings (\$30.0 million) and the first instalment of the Ingleburn army land site purchase.

Total liabilities increased by \$23.7 million mainly due to:

- provisions for costs to complete projects increasing by \$13.7 million
- payables for new land acquisitions increasing by \$25.3 million
- employee provisions increasing by \$10.6 million.

This was offset by a \$30.3 million decrease in borrowings.

## Landcom Activities

Landcom is constituted under the *Landcom Corporation Act 2001*.

The principal objectives of Landcom are to:

- be a successful business, and to this end:
  - to operate at least as efficiently as any comparable business
  - to maximise the net worth of the State's investment in it
- exhibit a sense of social responsibility by having regard to the interests of the community in which it operates
- protect the environment by complying with the principles of ecologically sustainable development contained in section 6(2) of the Protection of the *Environment Administration Act 1991*
- approach regional development and decentralisation responsibly
- undertake, or assist the government in undertaking, strategic or complex urban development projects
- assist the government in achieving its urban management objectives
- be a responsible developer of residential, commercial and industrial land.

For further information on Landcom, refer to [www.landcom.nsw.gov.au](http://www.landcom.nsw.gov.au).

# Luna Park Reserve Trust

## Audit Opinion

I issued an unqualified audit opinion on the Luna Park Reserve Trust's 30 June 2012 financial statements.

## Operational Snapshot

The Trust manages the lease of the Luna Park site including maintenance of the heritage buildings. It incurred a cumulative deficit of \$7.0 million in the last ten years and did not receive any government funding during this period.

## Key Issues

### Financial Status of the Park Operator

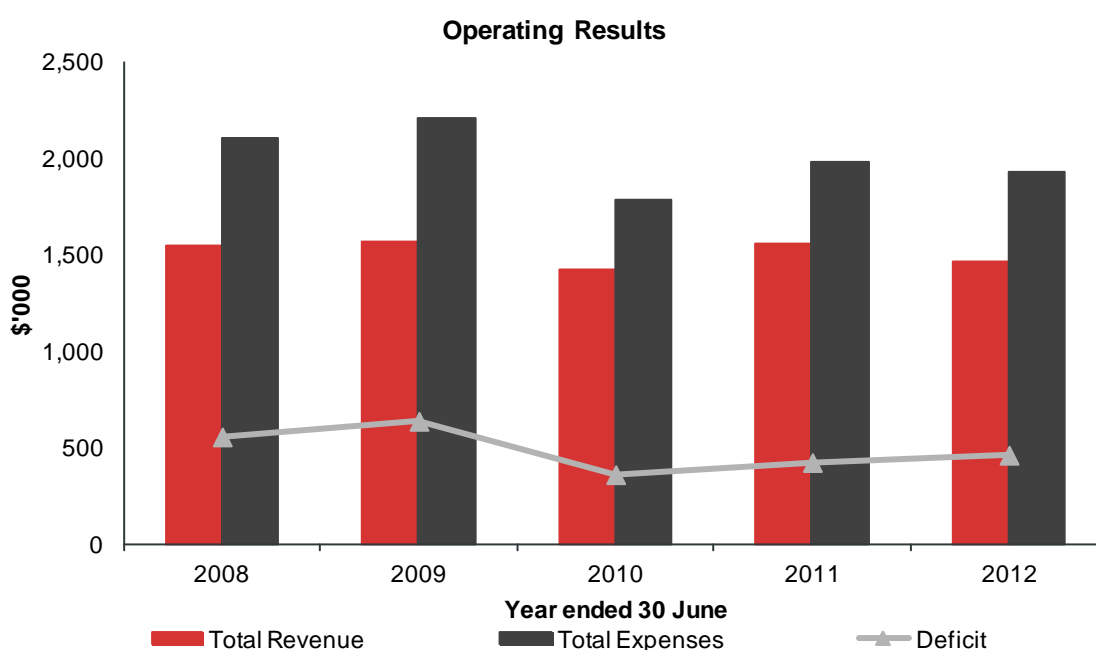
Last year, I recommended the Trust continue monitoring the financial status of the operator. The present lease arrangement lacks the ability for the Trust to receive relevant financial information of the operator.

The Trust is negotiating to include this aspect in a proposed new lease arrangement.

### Financial Information

Year ended 30 June	2012 \$'000	2011 \$'000
Expenses	1,928	1,980
Revenue	1,465	1,555
<b>Net result – deficit</b>	<b>(463)</b>	<b>(425)</b>
<b>Net assets (at 30 June)</b>	<b>30,856</b>	<b>31,319</b>

The Trust continues to use its net assets and incur losses as below:



The Trust expects to monitor the financial status of the operator in 2013

## Trust Activities

The Luna Park Reserve Trust was created in October 1990 under the *Luna Park Site Act 1990*. The Trust controls the Luna Park site, an area dedicated for public amusement, recreation and entertainment. Sydney Harbour Foreshore Authority manages the Trust.

The Minister for Planning and Infrastructure has administrative responsibility for the *Luna Park Site Act 1990* and for the *Crown Lands Act 1989* so far as it relates to the Luna Park site.

# Sydney Harbour Foreshore Authority

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## Audit Opinion

I issued an unqualified audit opinion on the Sydney Harbour Foreshore Authority's and its controlled entities' 30 June 2012 financial statements.

The following comments are for the consolidated entity, unless otherwise stated.

## Operational Snapshot

The Authority owns and manages some of the State's most significant assets, including Sydney's heritage and cultural precincts at The Rocks and Darling Harbour.

It earns an average rental return of 11 per cent per year from leases of commercial properties valued at \$423 million.

Every year, it supports more than 30 major public events and community festivals in the Rocks and Darling Harbour vicinities.

## Key Issues

### **Sydney International Convention, Exhibition and Entertainment Precinct Project**

#### *Recommendation*

**The Authority should develop a structured risk management strategy to identify and address the risks associated with this major redevelopment project.**

In April 2012, the government announced a \$1.2 billion redevelopment of:

- Sydney Convention and Exhibition Centre
- Sydney Entertainment Centre
- Sydney Entertainment Centre Car Park.

The government appointed Infrastructure NSW to project manage this project and announced two proponents for the redevelopment in April 2012. The project is expected to start in 2013 and end in 2016. It expects to deliver world class conference and entertainment venues with residential and hotel properties and a modern public domain.

Infrastructure NSW has received the bids from the proponents and expects to recommend the preferred proponent to the government in late 2012.

Whilst the redevelopment will be through a Public Private Partnership, the Authority expects to maintain a similar risk profile as it has with its own projects. However, it may need funding from Treasury for the required availability payments under the Public Private Partnership arrangements.

I understand Infrastructure NSW, as project manager, has compiled a project development risk register with relevant risk mitigation strategies. The Authority has established its own working group to manage the various precinct impacts and its own specific responsibilities for the project.

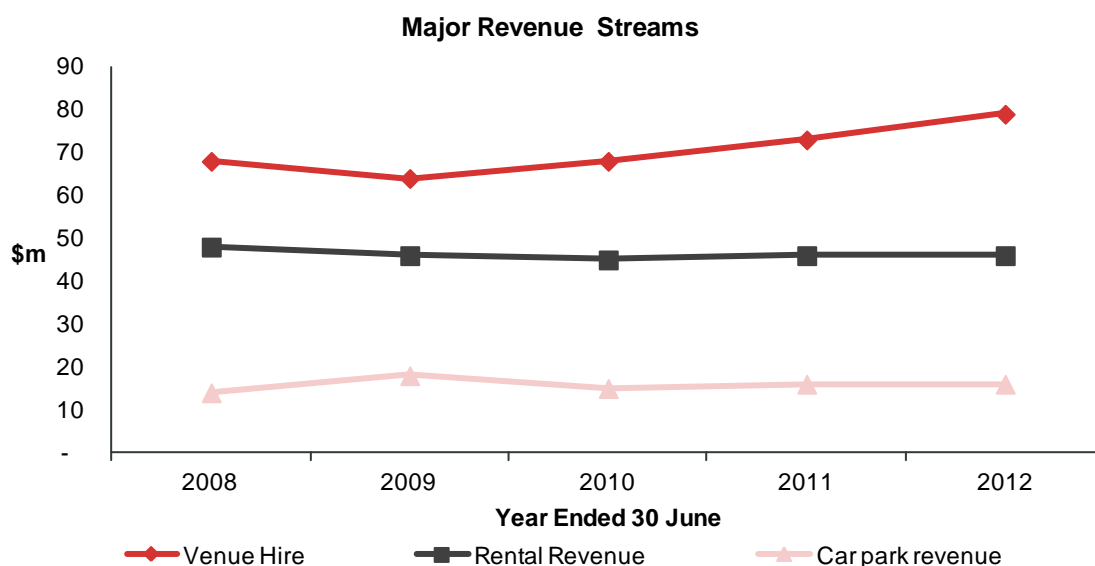


## Performance Information

The Authority provided the following information on its performance.

### Major Revenue Streams

The following chart shows the Authority's revenue from venue hire, property leases and car parks.



Revenue for venue hire has increased since 2009 after the global financial crisis and with the impending close down of the venues in 2013.

### Lease Management

Year ended 30 June	Target*	2012	2011	2010	2009	2008
Number of lease properties	134	134	134	134	133	132
Total number of leases	272	255	281	273	270	286
Value of leased properties (\$m)	423	423	395	376	320	370
Lease revenue (\$m)	48.0	46.5	46.4	45.3	44.1	43.9
Return on leased properties (%)	11.3	11.0	11.8	12.0	13.8	11.9
Commercial vacancy rate (%)	<8.2	2.8	15.1	17.1	17.9	15.9
Retail vacancy rate (%)	<9.5	1.2	4.8	2.4	1.6	1.8

Source: Sydney Harbour Foreshore Authority (unaudited).

\* Target is set by management.

The value of the leased properties increased due to favourable movement in commercial property market conditions in Sydney.

Vacancy rates improved mainly due to an increase in the availability of properties that were under renovation in 2010-11.

## Other Information

### Authority's Restructure

On 15 August 2012, the Minister for Planning and Infrastructure announced a restructure of the Authority. A change management plan for the restructure has been prepared, which includes potential savings and efficiencies.

The plan includes a voluntary redundancy program and use of the government's corporate and share services.

It is estimated the restructure will save the Authority approximately \$4.0 million in labour costs over four years.

## Financial Information

### Abridged Statements of Comprehensive Income

Year ended 30 June	Consolidated		Parent	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Property related revenue	141,485	135,666	141,485	135,666
Other	78,218	63,706	78,218	63,706
<b>Total income</b>	<b>219,703</b>	<b>199,372</b>	<b>219,703</b>	<b>199,372</b>
Property related expenses	103,538	85,371	103,538	85,371
Employee/personnel services expense	32,020	25,658	32,020	25,658
Depreciation and amortisation	30,685	17,075	30,685	17,075
Loss on revaluation of properties	88,907	--	88,907	--
Other expenses	35,221	37,035	35,221	37,035
<b>Total expenses</b>	<b>290,371</b>	<b>165,139</b>	<b>290,371</b>	<b>165,139</b>
<b>(Deficit)/surplus</b>	<b>(70,668)</b>	<b>34,233</b>	<b>(70,668)</b>	<b>34,233</b>
Income tax equivalent expense	--	532	--	532
<b>(Deficit)/surplus after income tax</b>	<b>(70,668)</b>	<b>33,701</b>	<b>(70,668)</b>	<b>33,701</b>
<b>Other comprehensive income</b>				
(Loss)/gain on revaluation of properties	(64,591)	39,708	(64,591)	39,708
<b>Total comprehensive income/(expense)</b>	<b>(135,259)</b>	<b>73,409</b>	<b>(135,259)</b>	<b>73,409</b>

Property related revenue increased mainly due to an increase in events held during the year at Sydney Convention and Exhibition Centre and Sydney Entertainment Centre.

The increase in other revenue was mainly due to:

- a specific government grant of \$21.9 million for costs incurred on the Barangaroo site before 2009
- a market value gain of \$27.2 million (\$18.8 million in 2010-11) on investment properties offset by loss of \$15.6 million on a finance lease.

Property related expenses increased mainly due to more events at Sydney Convention and Exhibition Centre and Sydney Entertainment Centre, \$4.7 million remediation work identified during the year and increased costs on the major redevelopment project discussed above.

The loss on revaluation of properties is due to the Authority closing down its major assets after the government announced the redevelopment.

## Abridged Statement of Financial Position

At 30 June	Consolidated		Parent	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Current assets	87,755	114,643	87,755	114,643
Non-current assets	1,067,190	1,194,610	1,067,190	1,194,610
<b>Total assets</b>	<b>1,154,945</b>	<b>1,309,253</b>	<b>1,154,945</b>	<b>1,309,253</b>
Current liabilities	58,042	63,902	58,042	63,902
Non-current liabilities	24,073	12,575	24,073	12,575
<b>Total liabilities</b>	<b>82,115</b>	<b>76,477</b>	<b>82,115</b>	<b>76,477</b>
<b>Net assets</b>	<b>1,072,830</b>	<b>1,232,776</b>	<b>1,072,830</b>	<b>1,232,776</b>

Current assets decreased mainly due to cash payments to major creditors before year end.

The value of non-current assets decreased due to the write down of the Authority's major assets noted above.

The movement in non-current liabilities is due to:

- an increase in the superannuation liability of \$4.4 million resulting from lower interest rates
- redundancies of \$4.6 million.

## Authority Activities

The Authority's roles are to:

- protect and enhance the natural and cultural heritage of the foreshore area
- promote, coordinate, manage, undertake and secure the orderly and economic development and use of the foreshore area, including the provision of infrastructure
- promote, coordinate, organise, manage, undertake, secure, provide and conduct cultural, educational, commercial, tourist, recreational, entertainment and transport activities and facilities.

The Authority owns and manages land within its precincts, including The Rocks and Darling Harbour. It also manages the Cooks Cove project in Arncliffe and the Luna Park Reserve Trust.

The Authority was established under the *Sydney Harbour Foreshore Authority Act 1998*.

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

## Controlled Entities

### Cooks Cove Development Corporation

In January 2006, the Corporation contracted with a private entity for a development at Cooks Cove site. The project stopped when the developer went into voluntary administration. Since October 2010, the Corporation has been negotiating a settlement with the project financiers. It expects to receive a negotiated settlement before 2013.

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
Sydney Harbour Foreshore Authority Casual Staff Division	*

\* This entity does not have a website.

# Sydney Metropolitan Development Authority

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## Audit Opinion

I issued unqualified audit opinions on the Sydney Metropolitan Development Authority's and its controlled entities' 30 June 2012 financial statements. The controlled entities are the Office of the Sydney Metropolitan Development Authority and Australian Technology Park Sydney Limited.

On 1 January 2012, the *Redfern Waterloo Repeal Act 2011* abolished the Redfern Waterloo Authority including the Office of Redfern Waterloo Authority and transferred its assets, rights and liabilities to the Sydney Metropolitan Development Authority.

Following the restructure, I issued unqualified audit opinions on Redfern Waterloo Authority's and its controlled entities' financial statements for the period 1 July 2011 to 31 December 2011.

The following comments are for the consolidated entity, unless otherwise stated.

## Operational Snapshot

The Authority and Australian Technology Park Sydney Limited continue to develop the Australian Technology Park at Redfern. In 2011-12 five large commercial properties worth \$177 million were leased (\$172 million in 2010-11).

The Authority manages development of affordable housing in the Redfern-Waterloo and Granville areas. For this purpose, it has entered into a licensing agreement with Rail Corporation for land and buildings at Redfern-Waterloo precinct.

## Key Issues

### Right to Use Car Spaces

In 2010-11, I issued qualified audit opinions on the Redfern Waterloo Authority's and its controlled entity Australian Technology Park Sydney Limited's financial statements due to Australian Technology Park Sydney Limited's recognition of the right to use 350 car spaces as an asset. It received the right to use these car spaces under a series of leases that it accounted for as operating leases. This treatment was inconsistent with the requirements of the Australian Accounting Standards AASB117 'Leases'.

Australian Technology Park Sydney Limited subsequently reassessed and revised its accounting treatment on the right to use the car park spaces as a finance lease arrangement in its financial statements for the period 1 July 2011 to 31 December 2011. This removed the need for a qualified audit opinion.

### Taxes and Rates

In prior years, my audit report included an emphasis of matter drawing attention to significant uncertainties relating to the applicability of taxes and rates to Australian Technology Park Sydney Limited.

Following agreement between Australian Technology Park Limited and the relevant authorities, the uncertainties surrounding land tax and rates have been settled and I have been able to remove the emphasis of matter. The financial statements now recognise appropriate expenses and liabilities for both taxes and rates.

## Financial Information

### Abridged Statements of Comprehensive Income

Year ended 30 June	Consolidated		Parent	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Property related expense	2,099	--	101	--
Employee related expense	3,480	1,512	--	1,512
Other expenses	15,304	544	9,700	544
<b>Total expenses</b>	<b>20,883</b>	<b>2,056</b>	<b>9,801</b>	<b>2,056</b>
Property related income	13,916	1,048	200	1,048
Grants and contributions revenue	21,888	1,500	21,888	1,500
Other revenue	2,881	5	2,081	5
<b>Total revenue</b>	<b>38,685</b>	<b>2,553</b>	<b>24,169</b>	<b>2,553</b>
<b>Net result - surplus</b>	<b>17,802</b>	<b>497</b>	<b>14,368</b>	<b>497</b>
<b>Other comprehensive income</b>				
Net increase in revaluation of assets	3,243	--	100	--
<b>Total comprehensive income</b>	<b>21,045</b>	<b>497</b>	<b>14,468</b>	<b>497</b>

The increases in all items of revenue and expenses were due to the receipt of the former Redfern Waterloo Authority's functions and operations on 1 January 2012.

Grants and contributions increased mainly due to an operating grant of \$9.5 million from the NSW Government and an affordable housing grant of \$5.5 million from Australian Government.

Property related income includes a \$4.1 million increase in the market value of investment properties.

Net increase in revaluation of assets represents the increase in values of property, plant and equipment at 30 June 2012.

### Abridged Statements of Financial Position

At 30 June	Consolidated		Parent	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Current assets	81,397	1,176	52,815	750
Non-current assets	197,324	--	116,790	--
<b>Total assets</b>	<b>278,721</b>	<b>1,176</b>	<b>169,605</b>	<b>750</b>
Current liabilities	15,646	422	9,764	253
Non-current liabilities	28,171	257	27,869	--
<b>Total liabilities</b>	<b>43,817</b>	<b>679</b>	<b>37,633</b>	<b>253</b>
<b>Net assets</b>	<b>234,904</b>	<b>497</b>	<b>131,972</b>	<b>497</b>

All asset and liability balances increased following the restructure discussed above.

Current assets included restricted cash of \$46.4 million representing affordable housing developer contributions from a partner developer.

## Authority Activities

The Authority was constituted in 2010 under the *Growth Centres (Development Corporations) Act 1974*.

The Authority promotes the development of affordable housing at Redfern-Waterloo and Granville areas.

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

## Controlled Entities

### Australian Technology Park Sydney Limited

#### Performance Information

The Company provided the following information regarding its performance.

Year ended 30 June	Target*	Actual		
	2012	2012	2011	2010
Value of leased properties (\$m)	69.3	69.3	65.2	63.9
Lease rental (\$m)	14.6	14.6	14.5	14.2
Gross return on leased properties (%)	14.7	14.8	14.6	22.2
Vacancy rate (%)	--	0.5	na	na
Event management revenue (\$m)	na	6.7	5.1	4.9

Source: Australian Technology Park Sydney Limited (unaudited).

\* Target is set by management.

na not available.

There have been no significant changes in Australian Technology Park Sydney Limited's performance measures over the last three years.

## Financial Information

#### Abridged Statement of Comprehensive Income

Year ended 30 June	2012 \$'000	2011 \$'000
Property related expense	4,109	3,169
Employee related expense	2,911	2,164
Other expenses	16,479	15,795
<b>Total expenses</b>	<b>23,499</b>	<b>21,128</b>
Property related income	26,084	20,961
Other revenue	2,517	2,765
<b>Total revenue</b>	<b>28,601</b>	<b>23,726</b>
<b>Net result - surplus</b>	<b>5,102</b>	<b>2,598</b>
<b>Other comprehensive income</b>		
Net increase in revaluation of assets	2,665	--
<b>Total comprehensive income</b>	<b>7,767</b>	<b>2,598</b>

Property related expenses increased largely due to recognition of arrears in land tax expenses.

Property related income increased due mainly to a \$4.1 million market value appreciation of investment properties at Australian Technology Park.

Other comprehensive income represents the market value increase of property, plant and equipment.

### Abridged Statement of Financial Position

At 30 June	2012 \$'000	2011 \$'000
Current assets	28,787	31,160
Non-current assets	139,080	132,160
<b>Total assets</b>	<b>167,867</b>	<b>163,320</b>
Current liabilities	6,313	5,396
Non-current liabilities	55,865	60,002
<b>Total liabilities</b>	<b>62,178</b>	<b>65,398</b>
<b>Net assets</b>	<b>105,689</b>	<b>97,922</b>

The increase in non-current assets was mainly due to the rise in market value of property, plant and equipment.

The decrease in non-current liabilities was due to repayment settlement of borrowings.

### Australian Technology Park Sydney Limited's Activities

Australian Technology Park Sydney Limited is responsible for the day-to-day property management, development of the Australian Technology Park located at Eveleigh in Sydney.

For further information on Australian Technology Park Sydney Limited, refer to [www.atp.com.au](http://www.atp.com.au).

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
Office of the Sydney Metropolitan Development Authority	*

\* This entity does not have a website.

# Forestry Commission of New South Wales (trading as Forests NSW)

## Audit Opinion

I issued unqualified audit opinions on the Forestry Commission of New South Wales' (trading as Forests NSW) and its controlled entity's 30 June 2012 financial statements.

The following comments are for the consolidated entity, unless otherwise stated.

## Operational Snapshot

Forests NSW:

- manages 2 million hectares of native forests, 235,000 hectares of softwood and 33,000 hectares of hardwood plantations across New South Wales
- made a loss after tax of \$74.4 million in 2011-12, including \$74.3 million increase in superannuation costs on defined benefit schemes. Operating expenses for the year were \$213 million.

## Key Issues

### Fire Management Plans

Last year, I recommended Forests NSW finalise and implement its corporate level fire management plan and policies. Forests NSW finalised its plans and policies in 2011-12 and is now implementing the fire management plan and policies. It developed several initiatives to improve fire management including:

- establishment of a corporate-level fire management policy and key performance indicators for fire management
- standard operating procedure guidelines are available on its intranet
- developing a Geographical Information System project for hazard reduction planning
- developing key performance indicators and regularly monitoring progress against them.

### Corporatisation

To improve financial performance and to deliver better returns to the community, the NSW Government announced plans to corporatise Forests NSW. Forests NSW will remain publicly owned. The nature of the business and business relationships will remain largely the same but governance structures will change to improve the organisation's commercial performance. A draft bill has been prepared to establish Forests NSW as a corporate entity and to replace the *Forestry Act 1916*, putting in place a contemporary forest regulatory regime. The bill is currently in second reading before parliament. This should allow for a corporatisation date of 1 January 2013.

### Forest Valuation

Last year, I recommended Forests NSW continue to review and improve its valuation method for its plantation and native forests.

Forests NSW made further improvements in 2011-12. The discount rate (weighted average cost of capital) has a significant impact on the forest valuation. The 15-year government bond rate was revised to reflect the year end spot rate and the market risk was reconsidered based on current economic conditions. The resulting valuation of forests was \$734 million at 30 June 2012 (\$751 million at 30 June 2011).

Fire Management Plans and Policies have been created and are now being implemented

The Government is corporatising Forests NSW in 2012-13



## Other Control Issues

I have identified areas where opportunities exist to improve internal controls. These have been discussed and reported to Forests NSW.

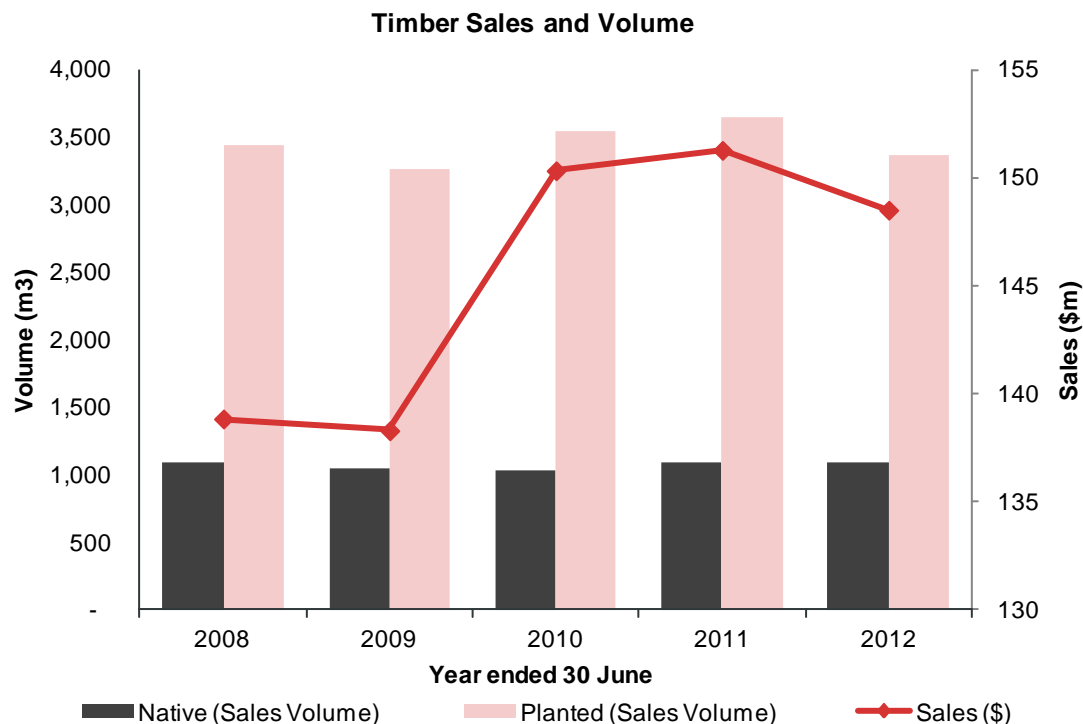
## Financial Information

### Abridged Statement of Comprehensive Income

Year ended 30 June	Consolidated		Parent	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Forest sales	293,204	291,457	293,204	291,457
Other revenue	25,857	35,850	25,857	37,093
<b>Total revenue</b>	<b>319,061</b>	<b>327,307</b>	<b>319,061</b>	<b>328,550</b>
Expenses from operations	213,807	204,608	213,807	205,964
Personnel services expenses	143,404	64,930	150,609	65,758
Other expenses	22,456	19,596	22,456	18,092
<b>Total expenses</b>	<b>379,667</b>	<b>289,134</b>	<b>386,872</b>	<b>289,814</b>
<b>Profit/(loss) before fair value adjustment</b>	<b>(60,606)</b>	<b>38,173</b>	<b>(67,811)</b>	<b>38,736</b>
Gain/(loss) in fair value of forests	(16,304)	88,641	(16,304)	90,070
<b>Profit/(loss) before tax</b>	<b>(76,910)</b>	<b>126,814</b>	<b>(84,115)</b>	<b>128,806</b>
Income tax expense/(benefit)	(2,488)	50,385	(2,488)	50,385
<b>Profit/(loss) after tax</b>	<b>(74,422)</b>	<b>76,429</b>	<b>(81,627)</b>	<b>78,421</b>
<b>Other comprehensive income</b>				
Revaluation/(devaluation) of property, plant and equipment	55,053	(259)	55,053	(259)
Superannuation actuarial loss	(7,205)	(830)	--	--
Income tax (expense)/benefit on other comprehensive income	(15,885)	119	(15,885)	119
<b>Total other comprehensive income/(expense)</b>	<b>31,963</b>	<b>(970)</b>	<b>39,168</b>	<b>(140)</b>
<b>Total comprehensive income/(expense)</b>	<b>(42,459)</b>	<b>75,459</b>	<b>(42,459)</b>	<b>78,281</b>

Reduced volume and sales to major customers is predominantly due to the depressed housing and renovating markets, as shown below. Detached dwellings continue to be a smaller share of the total housing market, so less timber is being used in each such dwelling.

Forests NSW had reduced sales in 2011-12, due to the depressed housing and renovation markets



Source: FNSW Annual Report.

Personnel services expenses increased by 121 per cent. This was largely due to \$74.3 million increase in superannuation cost on defined benefit schemes resulting from a fall in the discount rate used to calculate the superannuation liability.

The movement in the value of the forests was mainly due to changes in the discount rate applied to future cashflows from 9.6 per cent in 2010-11 to 8.4 per cent in 2011-12, and also slight movements in other variables used in the valuation. The increase in operating expenses was mainly due to an increase in plantation establishment costs and harvest and haulage costs. The later costs are going up even though sales are down as the timber is being harvested from more remote areas.

### Abridged Statement of Financial Position

At 30 June	Consolidated		Parent	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Current assets	120,721	128,555	120,721	128,555
Non-current assets	1,831,125	1,791,844	1,831,125	1,791,844
<b>Total assets</b>	<b>1,951,846</b>	<b>1,920,399</b>	<b>1,951,846</b>	<b>1,920,399</b>
Current liabilities	111,701	130,179	111,701	130,338
Non-current liabilities	776,567	678,992	776,567	678,833
<b>Total liabilities</b>	<b>888,268</b>	<b>809,171</b>	<b>888,268</b>	<b>809,171</b>
<b>Net assets</b>	<b>1,063,578</b>	<b>1,111,228</b>	<b>1,063,578</b>	<b>1,111,228</b>

The majority of the non-current assets is made up of property plant and equipment of \$1.1 billion (\$1.1 billion at 30 June 2011) of which 91 per cent is Crown land. Non-current assets also include forests valued at \$734 million (\$751 million in 2010-11) comprising plantations of \$734 million, (\$751 million) and native forests with nil value (nil). Discounted cash flows are based on projected future wood volume flows over 100 years for native forests and 40 years for planted forests.

There was nearly a 30 per cent reduction in excessive annual leave

Last year, we reported on annual leave balances in excess of 40 days. Forests NSW management is progressively monitoring annual leave. The Chief Executive Officer issued a directive to all business managers asking them to ensure their teams have future leave plans and that they are followed. This contributed to an improvement in the extent of excess annual leave for employees from 106 in 2010-11 to 82 this year.

The increase in total liabilities is mainly due to the increase in superannuation liabilities of \$76.0 million because of a fall in the discount rate.

## Forests NSW Activities

Forests NSW is a corporation sole constituted by the *Forestry Act 1916*. Its objectives include:

- conserving and utilising the timber on Crown timber lands and other land it controls
- sustainable forest management and ensuring the sustained supply of timber
- planting and regeneration operations, planning and managing harvest operations
- preserving and improving, in accordance with good forestry practice, the soil resources and water catchment capabilities of these lands
- encourage the use of timber derived from trees grown in the State.

Forests NSW is aligned with the Department of Primary Industries, a Division of the Department of Trade and Investment, Regional Infrastructure and Services. It continues to operate as a self funded Public Trading Enterprise.

For further information on Forests NSW, refer to [www.forests.nsw.gov.au](http://www.forests.nsw.gov.au).

## Controlled Entity

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

Entity Name	Website
Forestry Commission Division	*

\* This entity does not have a website.

# Sydney Catchment Authority

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## Audit Opinion

I issued unqualified audit opinions on Sydney Catchment Authority's and its controlled entity's 30 June 2012 financial statements.

The comments below relate to the consolidated entity, unless otherwise stated.

## Operational Snapshot

The Authority manages and protects drinking water catchments, dams and other water supply infrastructure assets across a 16,000 square kilometre area of south-eastern New South Wales. It also manages a network of 21 storage dams holding more than 2.5 million megalitres of water. Its customers include Sydney Water Corporation (Sydney Water) and Shoalhaven and Wingecarribee councils.

The Authority made a profit of \$40.6 million after tax in 2011-12 and paid a dividend to government of \$27.3 million.

## Key Issues

### Flood Incident

The widespread rainfall across New South Wales in February and March 2012, including in the Hawkesbury-Nepean valley, caused Warragamba Dam to spill for the first time in 14 years. This contributed to minor flooding in the valley.

Warragamba Dam has no flood mitigation function. However, the Minister for Primary Industries has asked some agencies, including the Authority, to jointly review options for flood mitigation and response in the Hawkesbury-Nepean valley. The review will also consider using Warragamba Dam differently. This might help in mitigating downstream floods.

The Authority's prime role during the spill event was to monitor dam inflows and outflows, and keep the main agencies, the State Emergency Service and the Bureau of Meteorology, up to date with the volumes and the likely timing of any dam spills. The Authority also monitored water quality across the catchments and within storages. This helped the Authority deliver good quality water from the dam.

The Authority has undertaken a debrief following the spill event to identify any learnings and guide its management of future spills.

Warragamba Dam is not designed to mitigate floods. Options for flood mitigation in the Hawkesbury Nepean valley are being reviewed

## Performance Information

The Authority's performance against the following key non-financial performance measures met or exceeded targets.

Year ended 30 June	2012		2011	
	Target %	Actual %	Target %	Actual %
Health related compliance with the Australian Drinking Water Guidelines	100	100	100	100
Compliance with Bulk Water Supply Agreement with Sydney Water	>95	99.6	>95	99.6
Compliance with Dams Safety Committee requirements and Australian National Committee on Large Dams guidelines	100	95*	100	100
Environmental release compliance with Water Management Licence	100	100	100	100

Source: Sydney Catchment Authority (unaudited).

The Authority conducted performance monitoring of the 21 prescribed dams throughout 2011-12 and all dams were found to be performing satisfactorily. However, two of the five yearly surveillance reports had not been finalised by year end. This has resulted in the Authority not complying in full with the Dams Safety Committee requirements and Australian National Committee on Large Dams guidelines.

The Authority advises that the Dams Safety Committee granted an extension of time for it to lodge the surveillance reports. The revised submission date is the end of November 2012.

## Maintenance Activities

The table below shows the Authority completed the majority of its planned maintenance of water supply facilities over time.

Year ended 30 June	2012	2011	2010
Total planned maintenance completed for facility assets (%)	98	97	99
Total planned maintenance completed for critical assets (%)*	97	97	99
Maintenance work completed on time (%)	76	91	89
Budgeted maintenance expenditure (\$m)	4.8	4.6	4.6
Actual maintenance expenditure (\$m)	5.0	4.8	4.8
Backlog maintenance (number of jobs)	88	47	83
Backlog maintenance (\$m)	0.2	0.2	0.1

Source: Sydney Catchment Authority (unaudited).

\* Included jobs carried over from previous year.

The Authority delivered its planned maintenance yearly program within target. However, the dam spills impacted the timeliness of this work. The Authority reallocated resources during the dam spills.

The maintenance budget and expenditure increased in response to new asset acquisitions. Over \$100 million of new facility assets have been acquired in the last two years. The available funds were also placed under pressure due to asset damage caused by flooding in March and to a lesser extent in April 2012.

Backlog works increased due to additional repairs as a result of flooding and the moving of resources to support the heavy rainfall events.

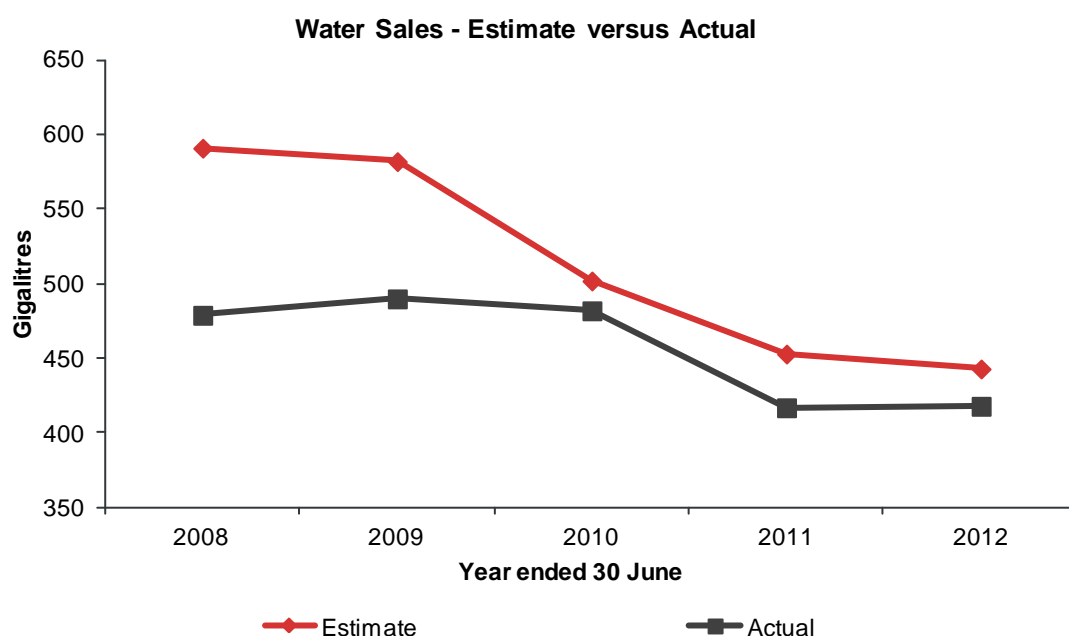
## Other Information

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

### Water Sales

The Authority receives water sale volume forecasts from Sydney Water. It includes these forecasts in its price submissions to the Independent Pricing and Regulatory Tribunal (IPART). Over time these sales have been overestimated. The Authority's major customer is Sydney Water.

The graph below compares the estimated volume of water sales and the actual volume of water sales of the Authority for the past five years:



Source: Sydney Catchment Authority (unaudited).

Water demand relies on storage levels, water restrictions and other constraints, the weather (hot conditions result in higher demand), other water supply systems, demand, and pricing.

The Authority is currently working with key customers to determine better future demand.

The 2012 IPART determination allowed the Authority to recover 80 per cent of its revenue from Sydney Water from the fixed charge (previously 40 per cent). This removes a significant revenue uncertainty in the 2012 price path.

### Impact of Desalination

The operation of the desalination plant contributed to the Authority selling less water than the prior year. It sold 60.6 megalitres less water than in the prior year.

The 2012 IPART determination allows the Authority to apply a higher variable price when the desalination plant produces water. This is to help ensure the Authority is not worse off when the desalination plant operates and to improve revenue certainty.

Sydney Desalination Plant Pty Limited holds a long-term lease on the desalination plant located in Kurnell.

## Metropolitan Water Plan

The Authority continues to deliver projects under the NSW Government's Metropolitan Water Plan.

During 2011-12, the Authority completed a \$39.3 million project to allow water released from the Avon, Cordeaux, Cataract and Nepean dams to pass through its weirs. This provides fish passage down the length of the Nepean River.

The construction of borefields at the Kangaloon groundwater remains an extreme drought emergency measure within the Metropolitan Water Plan. The Kangaloon borefield is south west of Wollongong.

## Leakage and Loss Management in the Water Supply System

The Authority estimates leakage and other losses from its water supply system amounted to 1.6 per cent (0.8 per cent in 2010-11) of water sold in 2011-12. In addition to leakage, the Authority estimates water equal to three per cent of its inflows during the year was lost due to evaporation. This is significantly less than the prior year and is due to higher inflows.

The Authority has steps in place to lower water leakage and loss from the water supply system. These include dam surveillance and data collection on evaporation. This will also give steady measurements and explanations of future changes in local climate.

## Healthy Catchments Program

During 2011-12, the Authority completed the Accelerated Sewerage Program that provided almost \$39.0 million to councils over ten years to help ensure more reliable, modern sewerage systems in the catchments to protect water quality.

The Authority's new Healthy Catchments Strategy 2012-16, is expected to be finalised in December 2012.

## Review of Major Capital Projects

The Authority's capital expenditure in 2011-12 was \$20.0 million (excluding capitalised interest) compared with its target of \$20.7 million.

The original and current cost estimates, and service delivery dates, for capital projects with an original cost above \$10.0 million are listed in the table below. The table does not include ongoing programs of work, for example, valve renewals.

Project	Original cost estimate \$m	Actual/current cost estimate \$m	Original service delivery date	Achieved/ estimated service delivery date
<b>Completed during 2011-12:</b>				
Warragamba Dam Crest Gates, Construction	36.5	35.4	30 Nov 2010	01 Jan 2012
Upper Nepean Environmental Flows Works	30.0	39.4	30 Nov 2010	30 Jun 2011
<b>In progress at year end</b>				
Prospect Dam Improvement Works	16.8	32.5	30 Jun 2014	20 Jun 2015
Wingecarribee Dam Improvement Works	12.0	12.0	30 Dec 2012	30 Sep 2012

Source: Sydney Catchment Authority (unaudited).

Most of the major projects completed during the year were within the original/revised cost estimates. Revised delivery dates were due to changes to project components and technical difficulties.

The revision in budget and service delivery date for the Upper Nepean environmental flows was due to unforeseeable construction difficulties. Preliminary works identified large underwater holes. It is not possible to identify this problem at the time of setting the original budget. The Authority built some additional weirs as part of the project.

The Authority considers the overall risk profile of its capital program to be low.

## Financial Information

### Abridged Statements of Comprehensive Income

Year ended 30 June	Consolidated		Parent	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Water sales	205,109	190,850	205,109	190,850
Other revenue	3,185	2,895	3,185	2,895
<b>Operating revenue</b>	<b>208,294</b>	<b>193,745</b>	<b>208,294</b>	<b>193,745</b>
Employee related expenses	34,914	32,149	225	284
Contractors and consultancies	42,379	33,590	101,018	66,496
Depreciation, amortisation and impairment	25,164	22,505	25,164	22,505
Financing charges	36,321	33,192	36,321	33,192
Other expenses	20,338	19,847	20,338	19,847
<b>Operating expenses</b>	<b>159,116</b>	<b>141,283</b>	<b>183,066</b>	<b>142,324</b>
<b>Profit before tax</b>	<b>49,178</b>	<b>52,462</b>	<b>25,228</b>	<b>51,421</b>
Income tax expense	8,531	15,703	8,531	15,703
<b>Profit after tax</b>	<b>40,647</b>	<b>36,759</b>	<b>16,697</b>	<b>35,718</b>
<b>Other comprehensive income</b>				
Superannuation actuarial losses	(23,950)	(1,041)	--	--
Revaluation and impairment of property, plant and equipment gain/(loss)	106,907	(3,304)	106,907	(3,304)
Other losses	(32,058)	(70)	(32,058)	(70)
<b>Total other comprehensive income/(expense)</b>	<b>50,899</b>	<b>(4,415)</b>	<b>74,849</b>	<b>(3,304)</b>
<b>Total comprehensive income</b>	<b>91,546</b>	<b>32,344</b>	<b>91,546</b>	<b>32,344</b>

The price of water was higher than the prior year but the volume of water sold was lower than the prior year. This resulted in a small increase in revenue. Water sales are less than the prior year largely due the operation of the Sydney desalination plant and lower demand.

Contractors and consultancies increased because of the Accelerated Sewerage Program. Funding for this project ended at 30 June 2012. The Authority worked with councils to complete as much work as possible in this year.

The Authority sold nearly 60,670 megalitres less water than in 2010-11.



## Abridged Statements of Financial Position

At 30 June	Consolidated		Parent	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Current assets	61,926	44,498	61,412	44,167
Non-current assets	1,430,965	1,332,140	1,430,965	1,332,140
<b>Total assets</b>	<b>1,492,891</b>	<b>1,376,638</b>	<b>1,492,377</b>	<b>1,376,307</b>
Current liabilities	84,168	85,134	128,523	105,893
Non-current liabilities	629,166	578,396	594,297	557,306
<b>Total liabilities</b>	<b>713,333</b>	<b>663,530</b>	<b>712,819</b>	<b>663,199</b>
<b>Net assets</b>	<b>779,588</b>	<b>713,108</b>	<b>779,588</b>	<b>713,108</b>

Current assets increased mainly due to a current tax asset of \$8.9 million. The asset is related to the actuarial losses in the defined benefit superannuation schemes. Actuarial losses in the current year were \$23.9 million.

Non-current assets are higher due to a revaluation gain in the Authority's system assets of \$107 million.

Current liabilities increased mainly due to actuarial losses in the defined benefit superannuation schemes of \$23.9 million.

Non-current liabilities are higher mainly due to repayment of borrowings of \$9.8 million and an increase in deferred tax liability of \$36.8 million. The higher deferred tax liability is due to higher asset values.

## Authority Activities

The Authority is a statutory body under the *Sydney Water Catchment Management Act 1998*.

Its principal role is to manage and protect catchment areas and infrastructure works, to be a supplier of raw water, and to regulate certain activities within catchment areas.

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

## Controlled Entity

I have not commented separately on the following controlled entity. It is not material by its size or the nature of its operations to the consolidated entity.

Entity Name	Website
Sydney Catchment Authority Division	*

\* This entity does not have a website.

# State Water Corporation

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## Audit Opinion

I issued an unqualified audit opinion on the State Water Corporation's 30 June 2012 financial statements.

## Operational Snapshot

The Corporation owns, manages and operates major infrastructure to deliver bulk water to approximately 6,300 licensed water users on the State's regulated rivers and environmental flows. Regulated rivers contain structures to manage water flow along the river.

The Corporation made a profit of \$23.5 million after tax in 2011-12. It paid a dividend to government of \$10.7 million.

## Key Issues

### NSW Metering Scheme

The Corporation is installing meters in the Upper Murray catchment of the NSW Murray-Darling Basin.

It estimates water savings of about 10,200 megalitres per year from the NSW Murray Pilot Metering Project (Priority Project). Of this amount, it will transfer nearly 6,100 megalitres annual savings to the Australian government. The transfer will be in the form of secure and transferable water entitlements. The Australian government agency, Environmental Water Holder, will manage these entitlements.

Under the Priority Project, water meters will cover at least 95 per cent of the total volume of licensed extractions from the Upper Murray catchment. The licensed extractions include off takes in regulated waters, unregulated rivers and groundwater sources.

The Corporation and the NSW Office of Water will deliver the Priority Project by buying and installing meters and telemetry systems. These systems will collect water usage data in the Upper Murray area. The cost of the project for 2011-12 was \$10.1 million against a budget of \$16.4 million. The Australian Government is funding the Priority Project up to \$22.4 million from the \$221 million it has allocated to NSW metering projects. The project started in 2010.

The project has delivered 1,000 megalitres of water savings to date. The Corporation has transferred 600 megalitres of water entitlements to the Australian government. It plans to complete the last project milestone by 1 May 2013. At 30 June 2012, it installed and validated 480 meters.

The Priority Project will increase the accuracy of measuring water extractions. It will also help minimise the unauthorised and unlicensed take of water.

The Corporation plans to start the statewide metering project in early 2013. The project benefits include:

- ability to assess water availability and usage patterns with higher accuracy
- protect environmental allocations and water available to environmental licences.

In 2004, the creation of the National Water Initiative resulted in all Australian governments agreeing to establish a national approach to water management. New national standards for water meters and meter data collection systems were also established.

The Corporation estimates water savings of about 10,200 megalitres per year from the NSW Murray Pilot Metering Project

## Meter Tampering

The Corporation believes the new water meters are difficult to tamper with. Its testing results found that attempts to affect meter readings with methods external to the meter and most internal methods had no effect.

The Corporation will own and maintain the meters which will be connected by telemetry. The telemetry enabled meters will provide real time, accurate measurement and reporting. This will reduce meter tampering and water theft. Regular and random inspections, installing covers and tamper-evident seals to prevent access to meters will also help minimise water theft.

## Other Matters

### Dam Safety Compliance

By November 2012 the Corporation expects to complete a portfolio risk and key learning assessment of the first phase of its dams safety upgrade project. The assessment will assist the Corporation determine the timing and extent of other dam upgrades, including any second phase works.

The Corporation is completing the assessment in two steps by undertaking:

- a hydrology assessment and dam break modelling
- a failure model and risk assessment process on all of its dams.

The Corporation started its dam upgrades in 2009 and hopes the work will end in 2016. The dam upgrades are to help ensure they meet the NSW Dams Safety Committee standards. The Corporation is finishing work at each dam in phases. It began phase one of the upgrades in 2009 and is nearly finished. The Corporation has started phase two of the upgrade program at Chaffey Dam.

The Corporation is still working on the first phase of its dam safety compliance program. During the year, the Corporation spent \$36.0 million (excluding borrowing costs of \$5.6 million) on the program. The table below shows the timing of the incomplete works and estimated cost of the major components of the program.

	Original cost estimate \$m	Forecast estimate \$m	Original completion date	Estimated/actual completion date
Keepit	117	116	November 2011	June 2016
Burrendong	29	36	July 2012	June 2015
Copeton	48	54	February 2013	February 2013
Split Rock	5	8	May 2013	March 2012
Wyangala	34	55	October 2012	June 2017

Source: State Water Corporation (unaudited).

The variations in original cost estimates and completion dates are due to reordering of works and revised estimates or contract costs. It is only when the Corporation tenders for the work that costs become clearer. This can result in variances from the estimates.

For Chaffey Dam, the Corporation has also commenced the second phase of its dam safety compliance program.

	Original cost estimate \$m	Forecast estimate \$m	Original completion date	Estimated completion date
Chaffey Upgrade	17	16	June 2014	June 2015
Chaffey Augmentation	26	27	June 2014	June 2015

Source: State Water Corporation (unaudited).

The Corporation will upgrade 18 of its 20 dams to comply with the Committee's requirements. All of the Corporation's dams are safe for day-to-day operations, but need upgrading to meet current safety requirements for large to extreme floods and earthquakes.

The Corporation manages and operates 20 dams and more than 280 weirs and regulators to deliver water for town water supplies, industry, irrigation and environmental flows.

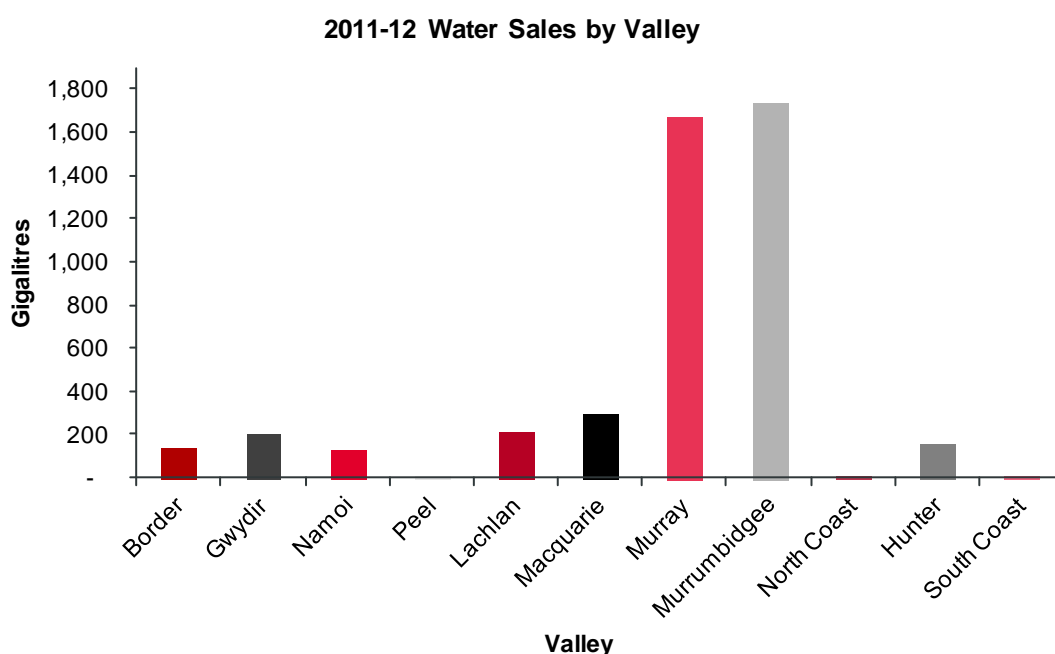
## Performance Information

### Water Sales

The Corporation's revenue is sensitive to changes in the level of available water for sale. This sensitivity is greater in the Corporation than other State controlled water bodies.

Heavy rainfall in 2011-12 meant the Corporation had more water for sale than in prior years. Consistent with prior years, the Murray and Murrumbidgee valleys provided most of the water sales.

The graph below shows the water sales by valley in 2011-12.



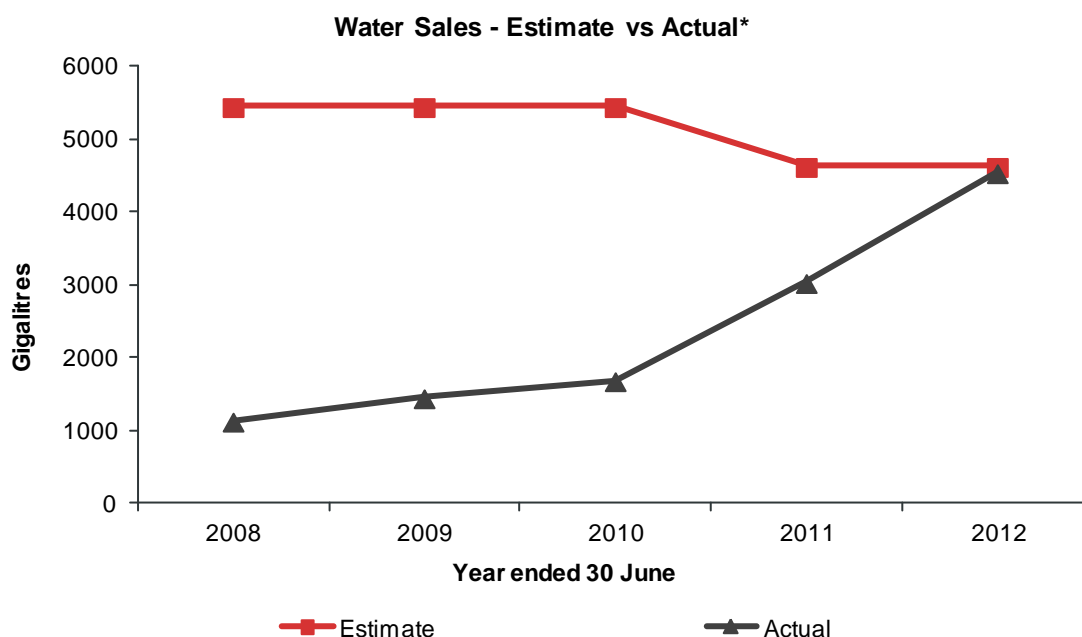
Source: State Water Corporation (unaudited).

Water prices vary from valley to valley. The volume of water sold in the Murray and Murrumbidgee valleys is large compared with other valleys. However, the price of water in these valleys is less than other valleys, for example, the Lachlan, Hunter and Gwydir valleys.

The Corporation sold 4,541 gigalitres of water in 2011-12 compared with a budget of 4,627 gigalitres. This was 2,977 gigalitres more than the prior year. However, the volume of water sold in the valleys with the higher prices did not increase.

Rainfall in western New South Wales can be extremely variable and unpredictable between and within years. This makes estimating water sales difficult. National forecasting improves each year but much of the seasonal variability is still difficult to predict accurately. The Corporation invests in systems to improve supply and demand forecasting through projects. One of these projects is the Murrumbidgee Computer Aided River Management Project. The Corporation also invests in automatic weather stations along with the Bureau of Meteorology.

The Independent Pricing and Regulatory Tribunal (IPART) uses long-term average water sales in reaching its price determination. The graph below compares the estimated volume of water sales in IPART's determination and the Corporation's actual volume of water sales for the past five years:



Source: State Water Corporation (unaudited).

\* Excludes interstate sales.

In 2011-12, the Corporation sold 4,541 gigalitres (3,031 gigalitres on 2010-11) of water. The Corporation also sold 418 gigalitres (302 gigalitres) to interstate parties. These water sales are more than the 20-year average sales of 4,627 gigalitres.

Wetter conditions in 2011-12 increased water storage levels from 81 per cent of capacity in July 2011 to 95 per cent of capacity at 30 June 2012. The higher rainfall levels corresponded with the Corporation's long-term average expectations.

## Financial Information

### Abridged Statement of Comprehensive Income

Year ended 30 June	2012 \$'000	2011 \$'000
Revenue from storage and delivery of water	62,715	52,543
Infrastructure operation, maintenance and construction	54,983	49,004
Government contributions	44,277	31,709
Other revenue	4,332	3,213
<b>Operating revenue</b>	<b>166,307</b>	<b>136,469</b>
Operational costs	112,682	93,116
Depreciation and amortisation	11,384	10,858
Finance costs	9,447	4,672
<b>Operating expenditure</b>	<b>133,513</b>	<b>108,646</b>
<b>Profit before income tax</b>	<b>32,794</b>	<b>27,823</b>
Income tax expense	9,339	7,451
<b>Profit after tax</b>	<b>23,455</b>	<b>20,372</b>
<b>Other comprehensive income</b>		
Net superannuation actuarial gains/(losses)	(19,725)	368
Net impairment loss relating to revalued assets	(2,145)	(7,562)
<b>Total other comprehensive expense</b>	<b>(21,870)</b>	<b>(7,194)</b>
<b>Total comprehensive income</b>	<b>1,585</b>	<b>13,178</b>

The increase in revenue from storage and delivery of water is consistent with more water available for sale and higher prices.

Revenue for infrastructure operation, maintenance and construction increased in the current year due to more work for the Murray Darling Basin Authority.

Government contributions were higher in 2011-12. This is due to higher IPART prescribed contributions to operations and grant income for the Priority Project.

The higher operational costs are mainly due to increased work performed for Murray Darling Basin Authority during the year.

Finance costs increased during 2011-12. This is due to capitalised interest being \$1.8 million less than the prior year, the Corporation paid \$2.9 million more interest and the government guarantee fee was higher.

Superannuation actuarial losses, net of income tax, were higher than the prior year. The ten-year Commonwealth bond yield, which is used to discount long-term defined benefits fell during 2011-12

## Abridged Statement of Financial Position

Year ended 30 June	2012 \$'000	2011 \$'000
Current assets	55,465	48,382
Non-current assets	698,861	633,244
<b>Total assets</b>	<b>754,326</b>	<b>681,626</b>
Current liabilities	57,116	63,786
Non-current liabilities	329,841	248,054
<b>Total liabilities</b>	<b>386,957</b>	<b>311,840</b>
<b>Net assets</b>	<b>367,369</b>	<b>369,786</b>

The increase in current assets is mainly due to unspent funds for the Murrumbidgee Water Efficiency and metering projects.

The increase in non-current assets is mainly due to the Corporation revaluing its assets upwards.

The fall in current liabilities is due largely to the provision for dividend for 2011-12 being \$4.0 million. It was \$10.7 million in the prior year.

Non-current liabilities increased due to deferred grants. The Corporation spent the grants on building assets. The grants are recognised as income over the assets life. The major increase in deferred grants, \$41.1 million, was for the water for rivers project and the Priority Project, \$6.5 million. The Corporation's superannuation liability increased by \$27.1 million during 2011-12. The ten-year Commonwealth bond yield used to discount long-term defined benefit liabilities fell during 2011-12.

## Corporation Activities

The Corporation is a statutory State owned corporation. It incorporates all of New South Wales' bulk water delivery services outside of the areas of operation of Sydney Catchment Authority, Sydney Water Corporation, Hunter Water Corporation and other water supply authorities.

The Corporation delivers water to irrigation corporations, country town water supply authorities, farms, mines and electricity generators, by releasing flows from its dams into rivers for water users. It also provides water for stock and domestic users and is responsible for delivering environmental flows on regulated rivers.

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

# Wyong Water Supply Authority

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## Audit Opinion

I issued an unqualified audit opinion on the Wyong Water Supply Authority's 30 June 2012 financial statements.

## Operational Snapshot

The Authority, with the Gosford Water Supply Authority, manages the urban water supply system on the Central Coast. It is the third largest urban water supply system in New South Wales after Sydney and the Hunter. The system includes three dams, three weirs, two water treatment plants, 56 reservoirs and 2,200 kilometres of pipelines. It serves an urban population of approximately 300,000 people.

## Key Issues

### Transition to Central Coast Water Corporation

The Central Coast Water Corporation does not have an operating licence to supply water and other water related services on the Central Coast.

In May 2012, the Gosford City and Wyong Shire Councils adopted a business model for the Central Coast Water Corporation that included the establishment of a Joint Services Business. This business model sees these two councils keeping their water assets, and leasing them to the Central Coast Water Corporation for 40 years. The councils will transfer all water and sewerage functions and staff to the Central Coast Water Corporation in phases. This transition will start from 1 July 2014 and end by 1 July 2017. At this point the Central Coast Water Corporation will have full operational responsibility for water and sewer services.

The councils will establish a Joint Services Business by 1 July 2017. It will provide support services to the Central Coast Water Corporation and both councils. Support services will include finance, information management, human resources and plant and fleet. The councils still have to finalise how the Joint Services Business will work in practice.

On 15 December 2011, the NSW Governor endorsed the appointment of five directors to the Central Coast Water Corporation's Board. The Board is responsible for the governance of the corporation.

The *Central Coast Water Corporation Act 2006* commenced in late 2010. Under this Act, the water supply and sewerage activities of Wyong Shire and Gosford City Councils will merge into a single entity, the Central Coast Water Corporation. Each council owns 50 per cent of the issued shares in this corporation.

The expected benefits for the Central Coast Water Corporation include:

- a coordinated regional approach to water, sewerage services and decision making
- reduced costs through the creation of common administrative and IT systems
- aligned and updated policies and procedures
- savings from joint purchasing of services, equipment, property and capital works
- savings reinvested to improve existing or new community services.



Water delivery benefited from works at the Mardi dam and water treatment plant

## Performance Information

The table below shows the Authority's performance over the past five years on some key indicators.

Year ended 30 June	2012	2011	2010	2009	2008
Average volume of water consumed (kilolitres) per residential property	153	157	153	141	146
Water quality complaints per 1,000 properties	7.5	16.5	4.9	4.9	3.4
Average frequency of unplanned water supply interruptions per 1,000 properties	62.0	85.0	59.9	58.8	39.0
Water main breaks per 100 km of water main	7.7	9.6	6.0	8.6	4.0
Water losses (kilolitres/water main kilometre/day)	1.4	1.7	1.5	1.5	1.5
Total connection sewer main breaks and chokes per 100 kilometres of sewer main	54.9	57.1	47.4	47.7	46.6
Percentage of sewage treated to a secondary level	97.3	93.7	93.0	91.0	92.0
Percentage of sewage treated to a tertiary level	2.7	6.3	7.0	9.0	8.0

Source: Indicators for 2007 to 2009 from National Water Commission Reports. Wyong Water provided the 2010, 2011 and 2012 indicators (unaudited).

The Authority has a target for water quality complaints per 1,000 properties of five. It has no targets for other items in the above table.

The fall in average volume of residential water usage in 2011-12 was due to reduced outdoor usage, due to high rainfall of 1800 millimetres a year. The average long term rainfall is 1200 millimetres a year.

The higher than target level of complaints in 2011-12 is due to the system chlorination program. The Authority worked with NSW Health on this program. The program's aim was to reduce chlorine residual levels.

Water quality complaints reduced compared with the prior year. This is due to the completion of major augmentation works at the Mardi Water Treatment Plant and the Mardi Dam.

Water main breaks fell as the system returned to normal operation after the Authority completed major capital works. This meant there were limited system adjustments and consequent fewer pressure fluctuations in the reticulation system.

Sewage treated to a tertiary level is for a number of uses, predominantly the outdoor watering of facilities such as ovals and golf courses. Sewage treated to a tertiary level is highly weather dependent and can vary from year to year. As 2011-12 was a wet year, the need for treated sewerage fell significantly.

## Other Information

### Review of Major Capital Projects

In 2011-12, the Authority incurred capital expenditure of \$17.7 million for water supply projects and \$5.1 million for sewerage projects. Its capital expenditure targets were \$18.4 million for water supply projects and \$6.1 million for sewerage projects.

The original and current cost estimates and service delivery dates for capital projects with an original cost above \$10.0 million are listed in the table below.

Project	Original cost estimate (and year) \$m	Current cost estimate \$m	Original service delivery date	Achieved/ estimated service delivery date
<b>Completed at 30 June 2012</b>				
Mardi to Mangrove project	14.0	11.6	Dec 2011	April 2012

Source: Wyong Water (unaudited).

The aim of the Mardi to Mangrove project is to increase water yield and drought security on the Central Coast. It includes a 21.1 kilometre buried water pipeline, new pumps and other associated works. The decrease in the current cost was due to not needing to use the contingency allowance. The delay in completion was due to extended wet weather in 2010 and 2011. Post implementation review of the project will be completed in early 2013.

## Financial Information

### Abridged Statement of Comprehensive Income

Year ended 30 June	2012 \$'000	2011 \$'000
Service charges	41,005	39,408
Usage charges	23,810	22,147
Other	9,248	37,734
<b>Total revenue</b>	<b>74,063</b>	<b>99,289</b>
<b>Total expenses</b>	<b>88,599</b>	<b>83,365</b>
<b>Surplus/(deficit)</b>	<b>(14,536)</b>	<b>15,924</b>
<b>Other comprehensive income</b>		
Gain on revaluation of infrastructure, property, plant and equipment	263,827	27,224
<b>Total other comprehensive income</b>	<b>263,827</b>	<b>27,224</b>
<b>Total comprehensive income</b>	<b>249,291</b>	<b>43,148</b>

The decrease in other revenue is mainly due to \$27.7 million in grants in 2010-11 to fund the Mardi-Mangrove link project.

The Authority revalued water and sewerage assets at 30 June 2012. This increased the values of these assets by \$264 million (\$27.2 million in 2010-11).

## Abridged Statement of Financial Position

At 30 June	2012 \$'000	2011 \$'000
Current assets	76,755	88,333
Non-current assets	1,462,939	1,200,684
<b>Total assets</b>	<b>1,539,694</b>	<b>1,289,017</b>
Current liabilities	28,793	34,905
Non-current liabilities	185,702	177,835
<b>Total liabilities</b>	<b>214,495</b>	<b>212,740</b>
<b>Net assets</b>	<b>1,325,199</b>	<b>1,076,277</b>

The decrease in current assets is mainly due to disposal of investments during the year.

The increase in non-current assets was due to the revaluation of water and sewerage assets and infrastructure additions.

The increase in liabilities was mainly due to increase in interest bearing loans for the capital works program, offset by a decrease in accrued expenses at year-end.

## Authority Activities

Wyong Water Supply Authority is part of Wyong Shire Council and provides water, sewerage and related services.

For further information on Wyong Shire Council, refer to [www.wyong.nsw.gov.au](http://www.wyong.nsw.gov.au).

# State Council of Rural Land Protection Boards of NSW

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## Audit Opinion

I issued unqualified audit opinions on the State Council of Rural Land Protection Boards of NSW's (the Council) and its controlled entities' 31 December 2008 financial statements.

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

## Operational Snapshot

The Council was responsible for the implementation and monitoring of policies for each of the State's 47 Rural Land Protection Boards.

On 1 January 2009, the Council was replaced by the State Management Council of Livestock Health and Pest Authorities of NSW by amendments to the *Rural Lands Protection Act 1998*. The 47 Rural Lands Protection Boards were also replaced by 14 Livestock Health and Pest Authorities.

The net assets and liabilities of the Council were transferred to the State Management Council of Livestock Health and Pest Authorities of New South Wales on 1 January 2009. The Council was funded by contributions made by individual Boards and an annual NSW Government grant.

## Key Issues

The Council has a history of late completion of financial statements. Its ability to finalise and support its financial statements further deteriorated in 2009 and 2010. As a consequence of late completion, the Board breached the *Public Finance and Audit Act 1983*. The audit opinion on the 31 December 2008 financial report was issued on 5 July 2012.

### Control deficiencies

The 2008-09 restructure of the State Council of Rural Lands Protection Boards apparently required significant focus at the cost of other aspects of corporate governance.

The Council also breached the *Annual Reports (Statutory Bodies) Act 1984* by including unaudited financial statements in the annual report for the year ended 31 December 2008. The published financial statements were materially misstated.

Significant control deficiencies and poor quality financial records significantly delayed the preparation and audit of the financial report.

### Management action

The delays in financial reporting carried over to the State Management Council of Livestock Health and Pest Authorities of New South Wales. Management are working with my officers to finalise outstanding authorities' financial reports. The audit opinion on the financial report for period 1 January 2009 to 30 June 2010 was issued on 2 October 2012. The 2010-11 and 2011-12 financial reports were prepared and the audits are in progress.

A new management team was established in late 2010 including Board of Directors and Chief Executive Officer. In consultation with the minister, the State Council has appointed an independent investigative accountant to review current systems and processes.

The Council has a history of late completion of financial statements

The Board breached the *Public Finance and Audit Act 1983* and *Annual Reports (Statutory Bodies) Act 1984*

## Financial Information

The Council's net result for the year was a deficit of \$334,297. Revenue totalled \$3.1 million and expenditure was \$3.4 million. Net assets at 31 December 2008 were \$1.2 million.

## Council Activities

The Council is constituted under the *Rural Lands Protection Act 1998*. Their core area of responsibility is animal health, pest animal and insect control and travelling stock reserves. The Council also assist ratepayers and the community with stock movement, stock identification and assistance in natural disaster relief.

The Council is controlled by the Minister for Primary Industries.

For further information on the Council, refer to the Livestock Health and Pest Authorities' website [www.lhpa.org.au](http://www.lhpa.org.au).

## Controlled Entity

### **State Council of Rural Land Protection Board Division**

The State Council of Rural Land Protection Board Division provides personnel services to the Council. The division assumed responsibility for all employee related expenses and liabilities, which are funded by the Council as they are required to be paid.

# Department of Trade and Investment, Regional Infrastructure and Services

## Audit Opinion

I qualified my audit opinion on the Department of Trade and Investment, Regional Infrastructure and Services' 30 June 2012 financial statements. In my opinion, the Department:

- incorrectly included transactions and balances of the former Department of Primary Industries in its 30 June 2011 financial statements, which materially impacts the comparability of 2011-12 disclosures and balances with 2010-11
- has not evaluated each of its 4,000 plus long term leases to determine if they are appropriately classified as finance or operating leases under Australian Accounting standards
- had not been provided with audited financial statements of the Murray Darling Basin Authority and Dumaresq-Barwon Border Rivers Commission joint ventures as the audits were incomplete. Therefore, I was unable to form an opinion on the Department's investment in joint ventures and its shares in joint venture net income. The investments in the joint venture are carried at \$863 million in the Statement of Financial Position and the joint ventures share of net income of \$49.5 million is included within the Statement of Comprehensive Income.

I issued an adverse opinion on the Department's 30 June 2011 financial statements due to the first item above.

The 2011-12 audit of the Department's controlled entity, Milk Marketing (NSW) Pty Limited, is ongoing.

## Key Issues

### Crown Land Reserve Trusts

#### *Recommendation*

**The government should resolve outstanding issues on control and financial reporting for remaining Crown Land Reserve Trusts uncertainties.**

The annual accounts for the audit opinions on the Total State Sector accounts were qualified for the past eight years since 2003-04 due to uncertainty of control over Crown Land Reserve Trusts. On 1 July 2011, the former Land Property Management Authority was transferred into the Department with the accompanying responsibility of resolving ownership/control and financial reporting issues for certain Crown Land Reserve Trusts. At 30 June 2012, Crown Land Reserve Trusts comprised 692,633 hectares of land valued at \$5.0 billion.

The following significant progress was made in resolving the issue in 2011-12:

- local councils, not the NSW Government, were confirmed to control most Reserve Trust lands, valued at \$3.6 billion
- Livestock Health and Pest Authorities, not the NSW Government, were confirmed to control other Reserve Trust lands, valued at \$416 million.

The Department will need to help the government resolve outstanding uncertainties around the control of the remaining Reserve Trust lands.

The Department has not evaluated the accounting treatment of its 4,000 long-term leases

Significant progress was made by resolving most Crown Reserve Trust issues

## Financial Statements (Repeat issue)

### *Recommendation*

The Department should continue improving the quality of its financial reporting.

The Department's financial reporting process significantly improved in 2011-12. The improvements included resolving the long standing qualification around Crown Land Reserve Trusts, and the previously reported expenditure classification issues, classifying expenditure consistently by nature as required by Treasury policy and Australian Accounting Standards.

The transfer of other agencies' functions into the Department continues to create financial reporting challenges, including unresolved accounting issues. I will continue working with the Department to ensure the quality and timeliness of its financial reporting process continues to improve in 2012-13.

## Internal Controls (Repeat Issue)

### *Recommendation*

The Department should continue to address my recommendations and have processes in place to implement strategies for improvement.

Several previously reported issues still existed in 2011-12, including:

- no reconciliation of the Department's land holdings with the Government Property Register
- general journal control deficiencies
- fixed assets control deficiencies
- mining security deposits control deficiencies.

These were reported to the Department in the interim management letter issued in July 2012. The Department advised the matters will be addressed in 2012-13, assisted by the implementation of its new information technology system.

## Fishery Trust Funds

### *Recommendation*

The Department should review the reporting requirements of each of the six fishery trusts to determine whether they are reporting entities.

Six fishery trust funds were set up under the *Fisheries Management Act 1994* to help:

- conserve and promote ecologically sustainable development
- promote viable commercial fishing
- promote quality recreational fishing.

I was unable to obtain sufficient evidence to support the recognition and disclosure of trust funds, including the Department's six fishery trusts, in the Department's financial statements. Based on our reading of the *Fisheries Management Act 1994* I currently believe the trust funds are not controlled by the Department and should not be included in its financial statements. The combined cash assets of the fishery trusts totals \$8.2 million at 30 June 2012. Trust fund revenue is mainly derived from recreational and commercial fishing licence fees and can only be spent in accordance with fulfilling the above objectives.

The Department is implementing a new IT system, by January 2013

## Information System Control Deficiencies (Repeat Issue)

I have previously reported on deficiencies in general information system controls. Management is implementing a major information system project, procuring - software as a service Enterprise Resource Planning System (SAP ByDesign) using cloud technology.

The Department expects this project will enable former agencies' systems, transferred to the Department as part of the 2011 restructure, to integrate in the one accounting system. The Department expects this to create process efficiencies and significant cost savings for the State. It also expects the new system to address financial reporting deficiencies, including the Department's inability to reliably attribute asset and liability balances to service groups.

The Department advised this project began in July 2012 with expected implementation of the Finance system by 10 December 2012 and payroll by the end of January 2013.

On my recommendation, the Department has engaged an external party to review the project's governance arrangements and monitor progress.

## Aboriginal Land Claims

The Department expects to take over 52 years to clear the current backlog of land claims

Over the last four years, outstanding Aboriginal Land Claims have increased by 18,152 or 236 per cent. During 2011-12, 486 (394 in 2010-11) claims were determined leaving 25,834 (25,549) claims remaining at 30 June 2012. The Department expects to take over 52 years to clear the current backlog of land claims based on current trends and resources.

In my previous report, I recommended an urgent review and evaluation of the approach to the processing of Aboriginal Land Claims with the intent of developing and implementing a plan to quickly reduce the number of unprocessed claims.

The Department has developed a pilot project with the Bahtabah Local Aboriginal Land Council to speed up processing of land claims, which it expects will start in November 2012.

The intent of the pilot project is that a similar approach could be applied to resolving claims lodged by the NSW Aboriginal Land Council. Of the total backlog of claims, 73 per cent were lodged by the Council.

Whilst the project is being negotiated, the Department is focusing on assessing claims less likely to be appealed to the Land and Environmental Court to maximise the number of claims resolved with the current resources. However, as claims continue to be made, the actual number outstanding is increasing.

Year 30 June	Number of outstanding claims at year end	Number of claims determined during the year	Value of land transferred to aboriginal land councils \$m
2012	25,834	486	23.5
2011	25,549	394	10.3
2010	16,875	1,226	116.0
2009	8,786	1,086	11.9
2008	7,682	406	13.4

## Contaminated Land

The Department has identified over 400 sites as potentially contaminated

The Environment Protection Agency has issued notices to the Department on four land sites. These are now subject to regulatory action under the *Contaminated Land Management Act 1997*. One order requires the Department to remediate a site and this is expected to be done by December 2013.

Given the nature of vacant Crown land there may be significant unknown instances of contamination. The Department has identified over 400 sites as potentially contaminated.

A database for contaminated sites on Crown land has been developed by the Department and is being tested. It is expected to be operational by July 2013.



## Other Information

### Derelict Mines

There were approximately 573 derelict mine sites in New South Wales at 30 June 2012. In 2011-12, the Derelict Mines Program rehabilitated 27 sites with funding of \$2.1 million.

Major projects included:

- Belmont Mineral Sands - reduced the potential radiological exposure the mine had to visitors of the former site as well as making it available for recreational purposes
- Ardlethan tin open cut mine - rehabilitated to help the long-term stability of the site
- the gold mine at Home Rule - rehabilitated to reduce the chance of the road collapsing.

### Overseas Trade Offices

The NSW Government has established four overseas trade offices in China (Shanghai and Guangzhou), India (Mumbai) and the United Arab Emirates (Abu Dhabi) with a new office in the United States (California). The offices are part of the Investment and Export Services (IES) Division of the Department.

The offices' major investment function is to identify business leads that will eventually result in investment and/or employment in New South Wales. Each trade office has a target Return on Investment (ROI), which was set by Cabinet when the Offices were approved in 2009.

Phase of project	Return on Investment expected
First 12-18 months	1:20
Once established	1:40

Source: Department of Trade and Investment, Regional Infrastructure and Services, July 2012. (unaudited).

The Department advised the ROI is difficult to apply as a key performance indicator (KPI) because trade offices do not deliver investment and trade outcomes in isolation making it impossible to specifically isolate the exact value they add.

Because it is not separately measured, trade offices' performance is captured within the team-wide KPIs of the IES Division in which they operate. The following table shows the KPIs achieved relative to targets for 2010-11 and 2011-12.

KPI	Target 2012	Actual 2012	Target 2011	Actual 2011
Investment wins (\$m)	800	1,213	200	351
Export (\$m)	300	599	110	400
Jobs	4,000	5,632	550	1,857
Companies assisted	6,000	7,353	5,000	6,760

Source: NSW Trade and Investment July 2012.

Note: 2010-11 the figures are for the then International Markets and Trade Division. In 2011-12 this division was combined with the then Investment Attraction Division to form the IES division. The above is unaudited financial data.

New South Wales trade offices cost the State \$1.5 million in 2011-12 (\$1.7 million in 2010-11). The table below shows the total actual operating costs for each office.

	2012 \$	2011 \$
Abu Dhabi	384,000	477,000
Shanghai	440,000	459,000
Mumbai	421,000	426,000
Guangzhou	286,000	299,000

Source: Department of Trade and Investment, Regional Infrastructure and Services, July 2012. (unaudited).

27 of 573  
derelict  
mine sites were  
rehabilitated in  
2011-12

## Financial Information

The restructure of the Department in 2010-11 caused significant variances to the previous year's financial performance and financial position.

### Abridged Consolidated Statement of Comprehensive Income

Year ended 30 June	Consolidated	Parent	
		2012 \$'000	2011 \$'000
Employee related expenses	755,180	755,180	441,270
Grants and subsidies	587,279	587,279	382,816
Depreciation and amortisation	75,184	75,184	43,347
Other expenses	288,274	288,150	306,701
<b>Total expenses</b>	<b>1,705,917</b>	<b>1,705,793</b>	<b>1,174,134</b>
Government Contributions	1,013,202	1,013,202	807,993
Sales of Goods and Services	175,468	175,468	95,804
Investment Income	77,909	77,884	22,488
Retained taxes, fees and fines	19,691	19,691	13,351
Grants and Contributions	118,493	118,493	96,978
Other revenue	30,628	30,628	21,246
Personnel services revenue	346,701	346,701	104,961
<b>Total revenue</b>	<b>1,782,092</b>	<b>1,782,067</b>	<b>1,162,821</b>
Gain/(loss) on disposal	5,816	5,816	(16,963)
Other gains	50,000	50,000	23,041
<b>Net result - surplus/(deficit)</b>	<b>131,991</b>	<b>132,090</b>	<b>(5,235)</b>
<b>Other comprehensive income</b>			
Increase in revaluation of assets	103,316	103,316	22,516
Other net increases/(decreases) in equity	(92,208)	(92,208)	50,385
<b>Total other comprehensive income</b>	<b>11,108</b>	<b>11,108</b>	<b>72,901</b>
<b>Total comprehensive income</b>	<b>143,099</b>	<b>143,198</b>	<b>67,666</b>

### Abridged Consolidated Statement of Financial Position

At 30 June	Consolidated	Parent	
		2012 \$'000	2011 \$'000
Current assets	546,935	546,415	488,762
Non-current assets	8,093,843	8,093,843	7,904,752
<b>Total assets</b>	<b>8,640,778</b>	<b>8,640,258</b>	<b>8,393,514</b>
Current liabilities	252,911	252,893	261,759
Non-current liabilities	790,251	790,251	718,231
<b>Total liabilities</b>	<b>1,043,162</b>	<b>1,043,144</b>	<b>979,990</b>
<b>Net assets</b>	<b>7,597,616</b>	<b>7,597,114</b>	<b>7,413,524</b>

## Department Activities

The Department works with and supports a range of businesses and industries across New South Wales with the aim of advancing investment, innovation, activity and business improvement across all sectors.

The Department's activities include:

- promoting trade and investment within the State and key international markets
- providing business support, technical knowledge and science and research capabilities to industries
- developing and sustaining profitable food and fibre industries, and best practice natural resource management
- securing and regulating energy and mineral resources for the State
- supporting tourism, hospitality, racing and cultural sectors.

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

The Department is subject to the control and direction of the Minister for Trade and Investment and Minister for Regional Infrastructure and Services the Hon. Andrew Stoner.

# NSW Food Authority

## Audit Opinion

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

The following comments are for the consolidated entity, unless otherwise stated.

## Operational Snapshot

The Authority:

- monitors and regulates the safe production, processing, wholesale and distribution of all primary produce and seafood for human consumption
- uses 152 local councils in New South Wales to help it monitor and regulate more than 39,000 food retail and food service businesses across the State
- conducted 59,974 primary inspections, in partnership with local councils, with over 94.5 per cent compliance rate
- was funded by grants and contributions of \$12.9 million and industry levies and licence fees of \$6.7 million.

## Key Issue

### Status of Pacific Industry Services Corporation Pty Limited

The Authority did not amend its 2012 financial statements and did not prepare the 2012 financial statements for the Pacific Industry Services Corporation Pty Limited until I made enquiries with the Australian Securities and Investment Commission (ASIC).

The Pacific Industry Services Corporation Pty Limited was de-registered on 9 May 2010, while its bank account was open. The bank balance at 30 June 2012 was \$200,818 (\$207,268 at 30 June 2011). The Authority re-registered the corporation on 28 August 2012 in order to close the bank account and transfer the remaining funds to the Authority. A letter dated 28 August 2012 from ASIC indicated that the corporation had been re-registered and exists as if it had never been de-registered.

## Other Information

### The 'Name and Shame' Register

The Authority maintains a 'name and shame' register, which gives consumers access to important food safety information. The register publishes the names of food businesses around the State that received penalty notices or convictions for alleged food breaches. The register only publishes breaches assessed to have the potential to cause a public health and safety issue. The name and shame register continued to be accessed by the public, with 1.2 million (1.0 million in 2010–11) hits on the site recorded during the year. The register is available on the Authority's website.

The Authority should finalise the winding up of its controlled entity by 31 December 2012

The Authority, with local councils, conducted 59,974 inspections with a compliance rate exceeding 94.5 per cent

## Food Regulation Partnership

The Food Regulation Partnership between the 152 local councils in New South Wales and the Authority has continued to evolve since its inception in July 2008. It is responsible for food surveillance in the food retail and food service industry in New South Wales. Local councils are food safety enforcement agencies under the Food Regulation Partnership and help the Authority monitor and regulate more than 39,000 food retail and food service businesses across the State. Under the partnership, councils are required to report annually to the Authority on how they carry out their functions.

The fourth 12 month 'summary report of NSW enforcement agencies activities' for the period July 2011 to June 2012 highlighted:

- 59,974 (61,066 in 2010–11) primary inspections conducted by councils, with over 94.5 per cent compliance rate, a slight improvement on last year (94.2 per cent)
- 7,108 (6,914) warning letters issued
- 4,344 (4,341) food complaints received, of which 96.6 per cent were investigated
- 1,246 (1,455) improvement notices issued
- 1,714 (1,374) penalty notices issued
- 14 (12) council generated prosecutions initiated.

Source: NSW Food Authority (unaudited).

## Compliance and Enforcement

In addition to the Food Regulation Partnership, the Authority investigates food businesses across the State for breaches of the *Food Act 2003*. It has enforcement strategies in place to ensure food sold in New South Wales is safe and correctly labelled.

The table below shows the Authority's compliance and enforcement activities:

Activity	2012	2011	2010
Improvement notices issued*	677	681	753
Prohibition orders issued**	7	12	16
Penalty notices	238	244	249
Prosecutions	32	86	120

Source: NSW Food Authority (unaudited).

\* issued where cleaning, repair, replacement, revision of a food safety program, implementation of a food safety program or implementation of the Food Safety Standards is required.

\*\* issued to control certain activities where there is failure to comply with an improvement notice or to prevent or mitigate a serious danger to public health.

In 2011–12, the Authority undertook 12,711 audits and inspections with a 93 per cent (98 per cent in 2010–11) compliance rate, investigated 1,039 complaints and 1,174 suspected foodborne illness incidents.

## Financial Information

### Abridged Statement of Comprehensive Income

Year ended 30 June	2012 \$'000	2011 \$'000
Employee related expenses	13,552	12,496
Depreciation and amortisation	1,012	953
Grants and subsidies	648	510
Finance costs	12	14
Other expenses	7,151	6,238
<b>Total expenses</b>	<b>22,375</b>	<b>20,211</b>
Government contributions	12,949	12,233
Investment revenue	950	905
Other revenue	10,466	9,864
<b>Total revenues</b>	<b>24,365</b>	<b>23,002</b>
Other losses	(160)	(822)
<b>Net result – surplus</b>	<b>1,830</b>	<b>1,969</b>
<b>Other comprehensive income</b>		
Superannuation actuarial gains/(losses)	(17,456)	233
<b>Total other comprehensive income/(expense)</b>	<b>(17,456)</b>	<b>233</b>
<b>Total comprehensive income/(expense)</b>	<b>(15,626)</b>	<b>2,202</b>

Grants and contributions are received from the government through the Department of Trade and Investment, Regional Infrastructure and Services.

### Abridged Statement of Financial Position

At 30 June	2012 \$'000	2011 \$'000
Current assets	17,117	14,870
Non-current assets	13,139	13,613
<b>Total assets</b>	<b>30,256</b>	<b>28,483</b>
<b>Total liabilities</b>	<b>33,187</b>	<b>15,788</b>
<b>Net assets/(liabilities)</b>	<b>(2,931)</b>	<b>12,695</b>

The increase in total liabilities is mainly due to the increase in superannuation liabilities of \$16.5 million. The superannuation liabilities increased mainly because of a fall in the discount rate used to calculate the liability.

## Authority Activities

The Authority monitors and regulates the safe production, processing, wholesale and distribution of all primary produce and seafood for human consumption from the paddock or ocean to the point-of-sale.

The Authority is under the control and direction of the Minister for Primary Industries. It was established under the *Food Act 2003* and also has certain legislative responsibilities under the *Dairy Industry Act 2000* and the *Meat Industry Act 1978*.

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

## Consolidated Entities

The following consolidated 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
Office of the NSW Food Authority	*
Pacific Industry Services Corporation Pty Limited	*

\* This entity does not have a website.

# New South Wales Rural Assistance Authority

## Audit Opinion

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

The following comments are for the consolidated entity, unless otherwise stated.

## Operational Snapshot

The Authority provides support and information to regional New South Wales through grants and interest rate subsidies on loans. Total grants and subsidies expenditure was \$56.3 million in 2011-12 (\$291 million in 2010-11).

Primary producer and small business applications for the Rural Adjustment Scheme have steadily declined since 2009. The scheme wound up in June 2012 due to no areas of the State being declared as 'exceptional circumstances'.

## Other Information

Support to regional New South Wales is provided through several schemes.

### Rural Adjustment Scheme

This scheme helps farmers and small businesses by providing interest rate subsidies. The Australian Government contributes 90 per cent of this scheme's funding and the State ten per cent. The amount of subsidy to an approved applicant can be up to \$100,000 per year. Assistance is provided under the exceptional circumstances provisions of the scheme, which requires areas to be specifically declared 'exceptional circumstances' by the Australian Government.

#### Exceptional Circumstances Interest Rate Subsidy - Primary Producers

Year ended 30 June	2012	2011	2010	2009	2008
Applications received	42	2,977	4,920	10,504	9,081
Applications withdrawn	3	18	22	15	91
Applications declined	66	315	568	765	931
Applications approved	433	3,335	4,609	8,741	9,604
Amount approved (\$'000)	16,792	153,507	188,441	246,156	385,024
Average (\$'000)	39	46	41	28	40
Applications pending 30 June	--	460	1,151	1,430	447

Source: NSW Rural Assistance Authority (unaudited).

In 2011-12, the drought broke across NSW and grants and subsidies fell significantly



### Exceptional Circumstances Interest Rate Subsidy - Small Business

Exceptional circumstances assistance is also available for small rural businesses (those with less than 100 employees) where they face extreme hardship due to their direct reliance on primary producers. The support comes in the form of a subsidy on interest payable and costs associated with business related loans, and can be up to 80 per cent of these costs.

Year ended 30 June	2012	2011	2010	2009	2008
Applications received	1	335	544	1,068	1,030
Applications withdrawn	--	4	5	4	23
Applications declined	15	55	147	222	269
Applications approved	48	314	457	785	795
Amount approved (\$'000)	1,471	10,124	13,140	17,623	24,543
Average (\$'000)	31	32	29	22	31
Applications pending 30 June	--	62	100	165	108

Source: NSW Rural Assistance Authority (unaudited).

### Natural Disaster Relief Assistance Scheme

This scheme provides loans to farmers and small businesses in rural and regional New South Wales to allow them to continue operating following a natural disaster (e.g. bushfires, hailstorms and floods). Assistance comes by way of concessional, fixed interest rate loans up to a maximum of \$130,000. There is an interest and repayment-free period of two years followed by a maximum repayment term of ten years. The interest rate for loans at 30 June 2012 was 2.7 per cent (2.8 per cent at 30 June 2011).

In June 2007, additional assistance measures became available as part of the Community Recovery Package following activation by Premier/Prime Minister agreement. Recovery grants provide immediate relief to eligible primary producers and small businesses for clean up and restoration costs in the aftermath of extreme natural disasters. Assistance is by way of a grant up to \$15,000 per farm enterprise or small business.

In 2011-12, there was a slight decrease in the number of applications for recovery grants and loans compared to 2010-11, but still significantly above the five year trend. The tables below show the results of both grant and loan applications.

### Natural Disaster Relief Assistance Scheme - Grants

Year ended 30 June	2012	2011	2010	2009	2008
Applications received	6,338	6,384	2,447	346	2,902
Applications withdrawn	56	17	23	4	47
Applications declined	952	360	306	9	298
Applications approved	6,809	4,351	2,386	68	2,677
Amount approved (\$'000)	100,813	64,473	27,365	800	15,262
Average (\$'000)	15	15	11	12	6
Applications pending 30 June	177	1,656	--	268	3

Source: NSW Rural Assistance Authority (unaudited).

### Natural Disaster Relief Assistance Scheme - Loans

Year ended 30 June	2012	2011	2010	2009	2008
Applications received	671	664	359	159	386
Applications withdrawn	29	9	9	11	14
Applications declined	395	218	167	101	101
Applications approved	320	263	189	118	171
Amount approved (\$'000)	34,890	28,093	18,633	10,697	15,916
Average (\$'000)	109	107	99	91	93
Applications pending 30 June	131	204	30	36	107

Source: NSW Rural Assistance Authority (unaudited).

### Special Conservation Scheme

This scheme is an incentive based scheme aimed at promoting improved land management practices in rural New South Wales. These loans are for up to 90 per cent of the net cost of eligible conservation works to a maximum of \$150,000. A maximum repayment term of 15 years is available with half yearly repayments in line with the client's cash flow. The interest rate applicable to the scheme at 30 June 2012 was three and a half per cent (five per cent at 30 June 2011).

There has been a steady decrease in applications received since 2008-09 because of improved seasonal conditions and the eventual breaking of the drought in 2011-12.

Year ended 30 June	2012	2011	2010	2009	2008
Applications received	88	117	214	371	371
Applications withdrawn	24	18	59	115	45
Applications declined	7	14	25	28	125
Applications approved	61	74	158	270	204
Amount approved (\$'000)	5,220	5,155	10,241	18,631	11,692
Average (\$'000)	86	70	65	69	57
Applications Pending 30 June	18	22	11	39	81

Source: NSW Rural Assistance Authority (unaudited).

## Financial Information

### Abridged Statements of Comprehensive Income

Year ended 30 June	Consolidated		Parent	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Employee related and other operating expenses	5,111	5,377	5,111	5,377
Finance costs	6,910	6,592	6,910	6,592
Grants and subsidies	56,313	290,556	56,313	290,556
<b>Total expenses</b>	<b>68,334</b>	<b>302,525</b>	<b>68,334</b>	<b>302,525</b>
<b>Total revenue</b>	<b>121,995</b>	<b>46,359</b>	<b>121,995</b>	<b>46,359</b>
Loss on disposal	--	24	--	24
<b>Net result (deficit)/surplus</b>	<b>(53,661)</b>	<b>256,190</b>	<b>(53,661)</b>	<b>256,190</b>
Contributions	26,293	153,795	26,293	153,795
<b>Total comprehensive income/(expense)</b>	<b>79,954</b>	<b>(102,395)</b>	<b>79,954</b>	<b>(102,395)</b>

Grants and subsidies decreased in 2011-12 due mainly to a combination of the winding down of the Rural Adjustment Scheme and no new areas declared as natural disaster zones during the year. Contributions from the NSW Government decreased in line with decreased grants and subsidies expenditure.

Total revenue increased in 2011-12 mainly due to the reclaim of funds from the Australian Government for Natural Disaster Relief Grants made.

### Abridged Statements of Financial Position

At 30 June	Consolidated		Parent	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Current assets	36,507	31,939	36,507	31,939
Non-current assets	122,170	97,435	122,170	97,435
<b>Total assets</b>	<b>158,677</b>	<b>129,374</b>	<b>158,677</b>	<b>129,374</b>
Current liabilities	33,674	109,151	33,674	109,151
Non-current liabilities	122,545	97,719	122,545	97,710
<b>Total liabilities</b>	<b>156,219</b>	<b>206,870</b>	<b>156,219</b>	<b>206,870</b>
<b>Net assets/(liabilities)</b>	<b>2,458</b>	<b>(77,496)</b>	<b>2,458</b>	<b>(77,496)</b>

The increase in non-current assets in 2011-12 was due to a \$24.8 million increase in the loan portfolio, as a result of the natural disasters declared during 2010-11. The decrease in current liabilities was due to a \$75.2 million decrease in the provision for grants because of the winding down of the Rural Assistance Scheme and no new disaster areas being declared. The increase in non-current liabilities corresponds to the increase in the loan portfolio and repayment of loans to Treasury.

## Authority Activities

The Authority was constituted under the *Rural Assistance Act 1989*. Its principal function is to assist and administer financial assistance schemes for farmers and other eligible borrowers. The Authority is subject to the control and direction of the Minister for Primary Industries, the Hon. Katrina Hodgkinson.

For further information on the Authority refer to [www.raa.nsw.gov.au](http://www.raa.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
Office of the Rural Assistance Authority	<a href="http://www.raa.nsw.gov.au">www.raa.nsw.gov.au</a>

# New South Wales Film and Television Office

## Audit Opinion

I issued an unqualified audit opinion on the New South Wales Film and Television Office's 30 June 2012 financial statements.

## Operational Snapshot

The Office:

- approved production finance of \$6.5 million to 32 screen projects. This is estimated to generate more than \$99.0 million expenditure and 4,300 jobs in New South Wales
- provided development funding of \$1.0 million to 77 screen projects and \$180,000 to six short film projects for emerging screen practitioners.

## Key Issues

### Interactive Multimedia Program

#### *Recommendation*

The Office should review its procedures to ensure there is accurate recording of grant receipts, supported by appropriate documentation.

In June 2012, the Office incorrectly invoiced, and the Department of Trade and Investment, Regional Infrastructure and Services (the Department) incorrectly paid a \$1.8 million (GST exclusive) grant to fund the Office's 2012–13 Interactive Multimedia Program. The Office had recognised this transaction as a payable to the Department as it should not have received the grant prior to 1 July 2012. The Office did not have documentation to support its accounting treatment. In absence of adequate documentation the \$1.8 million should have been recognised as grant revenue in 2011–12. After I advised the Office of the error, appropriate supporting documents were obtained.

The Office incorrectly billed \$1.8 million in 2011-12

## Financial Information

### Abridged Statement of Comprehensive Income

Year ended 30 June	2012 \$'000	2011 \$'000
Grants and subsidies	9,759	10,475
Other operating expenses	3,619	4,065
<b>Total expenses</b>	<b>13,378</b>	<b>14,540</b>
Contributions	9,345	13,910
Other revenue	1,042	1,298
<b>Total revenue</b>	<b>10,387</b>	<b>15,208</b>
<b>Net result – surplus/(deficit)</b>	<b>(2,991)</b>	<b>668</b>
<b>Total comprehensive income/(expense)</b>	<b>(2,991)</b>	<b>668</b>

Total contributions decreased in 2011–12, as 2010–11 contributions from the Department included a one off \$5.0 million contribution for film industry production investment program. Other operating expenses declined mainly due to a decreased use of external advisors and contractors.

## Abridged Statement of Financial Position

At 30 June	2012 \$'000	2011 \$'000
<b>Total assets</b>	<b>9,796</b>	<b>11,143</b>
<b>Total liabilities</b>	<b>5,163</b>	<b>3,519</b>
<b>Net assets</b>	<b>4,633</b>	<b>7,624</b>

The decrease in assets was primarily attributable to grant and subsidy payments exceeding budget. The increase in liabilities was primarily due to the Department paying the Office \$2.0 million of grants in advance for the 2012–13 Interactive Multimedia Program.

## Entity Activities

The Office (trading as Screen NSW) was constituted under the *NSW Film and Television Office Act 1988*. Its principal function is to promote and provide assistance to the NSW film and television industry. For further information on the Office refer to [www.screen.nsw.gov.au](http://www.screen.nsw.gov.au).

# Destination NSW

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## Audit Opinion

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

Events New South Wales Pty Limited (Events NSW) is Destination NSW's controlled entity. In my audit report on Events NSW I drew attention to the fact that its financial statements were prepared on a liquidation basis because it was being deregistered.

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

## Operational Snapshot

The role of Destination NSW is to market Sydney and New South Wales as one of the world's premier tourism and major event destinations and secure major sporting and cultural events. It is charged with the NSW Government's goal of doubling overnight tourism expenditure within the State's visitor economy by 2020.

Destination NSW's responsibilities include the functions formerly carried out by Tourism NSW, Events NSW and the Homebush Motor Racing Authority (HMRA).

In 2011-12, it had revenue and expenditure of \$135 million, and spent \$37.9 million promoting and funding 81 events and \$44.9 million promoting tourism.

## Key Issues

### Formation of Destination NSW

Destination NSW was formed on 1 July 2011. The processes required to effect the government's transfer of HRMA and Events NSW to Destination NSW at 1 July 2011 were not planned or performed in a timely manner. As a result complexities arose when preparing the 30 June 2012 financial statements as legal, accounting and operational issues had not been addressed.

The administrative order transferring the functions of HMRA from the Department of Trade Investment, Regional Infrastructure and Services (DTIRIS) was not made until 28 June 2012, and the resolution to wind up Events NSW occurred on 8 March 2012.

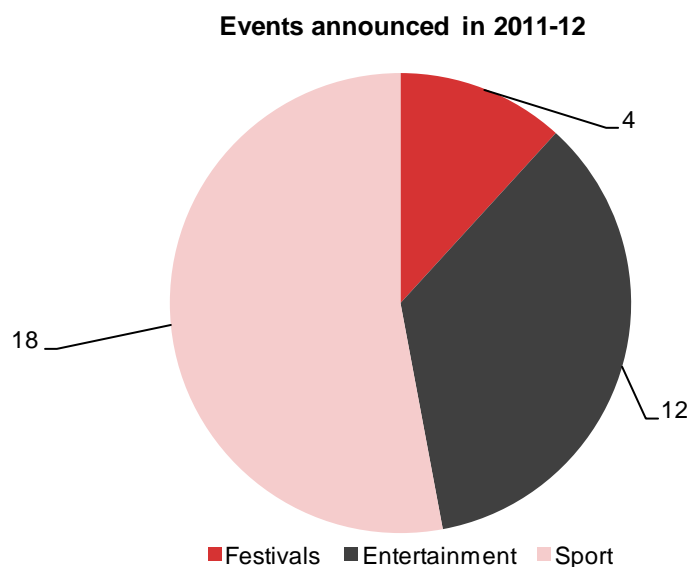
## Performance Information

One of Destination NSW's principal activities is to develop a distinctive and compelling events calendar for New South Wales. This includes identifying, evaluating and managing investment into significant and major events. Destination NSW is also focused on building the appeal of Sydney and New South Wales as global tourism destinations.

The formation of Destination NSW was not well planned and executed

## Events announced in 2011-12

Destination NSW's role is to attract and secure high-value major events across a range of categories. The graph below shows the events announced in 2011-12.



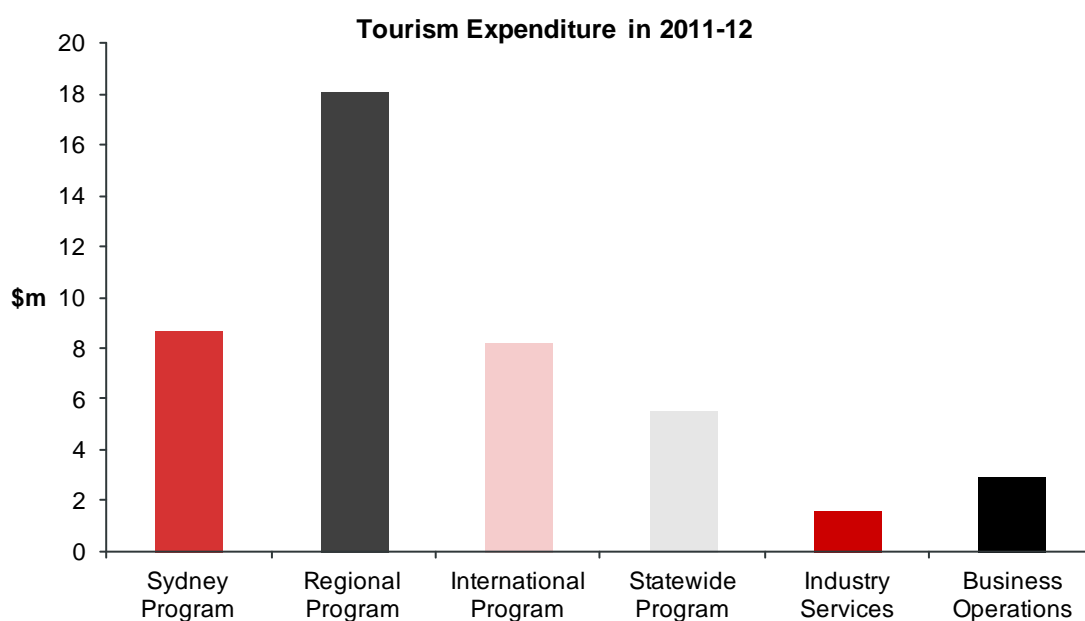
Source: Destination NSW (unaudited).

The graph above indicates 34 events were announced in 2011-12 with sporting events representing over 50 per cent of the total. Some of these major events include the 2013 Special Olympics Asia Pacific Regional Games and the 2014 FIFA World Cup Asian Qualifiers.

The major entertainment events include the Paris Opera Ballet for 2013 and the major Sydney festivals included the Sydney Festival and Vivid Sydney.

## Tourism Expenditure

The graph below shows the breakdown of tourism expenditure in 2011-12.



Source: Destination NSW (unaudited).



Tourism programs in regional New South Wales received the largest share of funding

Programs in regional New South Wales received the most funding. Destination NSW provided funding via three programs:

- the Regional Tourism Partnership Program, which works with Regional Tourism Organisations (RTOs) to align marketing initiatives. In 2011-12, Destination NSW provided \$5.0 million to support marketing campaigns of RTOs and their stakeholders. Funding was provided to 93 regional tourism projects and was matched by other sources.
- the Regional Flagship Events Program, which aims to increase visits to regional events by supporting regional event marketing. In 2011-12, 32 events received funding, an increase of 35 per cent on the previous year (under Tourism NSW).
- the NSW Government's Regional Product Development Program, which delivered \$5.0 million to NSW operators to create, grow and enhance tourism products in regional New South Wales.

## Other Information

### Visitors to New South Wales

The table below shows the number of visitors to New South Wales over the past two years.

Year ended 30 June	Sydney			Regional New South Wales		
	2012 000's	2011 000's	% change	2012 000's	2011 000's	% change
International	2,610	2,626	(0.6)	570	613	(7.0)
Domestic	7,900	7,908	(0.1)	17,590	17,399	1.1
<b>Total</b>	<b>10,510</b>	<b>10,534</b>	<b>(0.2)</b>	<b>18,160</b>	<b>18,012</b>	<b>0.8</b>

Source: Destination NSW (unaudited).

The table above indicates the total number of visitors to New South Wales has remained steady over the last two years. However, international visitors to regional New South Wales fell by seven per cent in 2011-12 compared to the previous year.

### Visitor Expenditure in New South Wales

The table below details visitor expenditure in New South Wales over the past two years.

Year ended 30 June	Sydney			Regional New South Wales		
	2012 \$m	2011 \$m	% change	2012 \$m	2011 \$m	% change
International	5,440	5,445	(0.1)	660	699	(5.6)
Domestic	5,610	5,473	2.5	8,450	8,501	(0.6)
<b>Total</b>	<b>11,050</b>	<b>10,918</b>	<b>1.2</b>	<b>9,110</b>	<b>9,200</b>	<b>(1.0)</b>

Source: Destination NSW (unaudited).

The table above indicates total visitor expenditure in New South Wales has remained steady over the last two years. However, in 2011-12, spending by international visitors in regional New South Wales fell by 5.6 per cent. Destinations NSW reported this was mostly due to a fall in backpackers, who tend to travel into regional areas.

## Financial Information

### Abridged Statement of Comprehensive Income

Year ended 30 June	Consolidated	Parent
	2012 \$'000	2012 \$'000
Personnel services/employee related expenses	18,568	17,489
Fees paid	54,816	54,667
Advertising	28,346	28,313
Other expenses	33,688	32,911
<b>Total expenses</b>	<b>135,418</b>	<b>133,380</b>
Sale of goods and services	207	207
Grants and contributions	132,290	131,086
Other	3,082	2,832
<b>Total revenues</b>	<b>135,579</b>	<b>134,125</b>
Other losses	(232)	(232)
<b>Net result - (deficit)/surplus</b>	<b>(71)</b>	<b>513</b>
<b>Total comprehensive (expense)/income</b>	<b>(71)</b>	<b>513</b>

Fees paid include events income of \$47.2 million. Other expenses include grants paid to third parties of \$13.2 million.

Grants and contributions include \$124 million in government contributions and \$8.0 million from third parties and in kind sponsorships.

### Abridged Statement of Financial Position

Year ended 30 June	Consolidated	Parent
	2012 \$'000	2012 \$'000
Current assets	18,450	17,963
Non-current assets	8,385	699
<b>Total assets</b>	<b>26,835</b>	<b>18,662</b>
Current liabilities	16,927	16,907
Non-current liabilities	98	98
<b>Total liabilities</b>	<b>17,025</b>	<b>17,005</b>
<b>Net assets</b>	<b>9,810</b>	<b>1,657</b>

Current assets comprise cash of \$10.9 million and receivables of \$7.6 million. Current liabilities include payables of \$12.0 million and provisions for employee benefits of \$4.5 million.

## Destination NSW Activities

Destination NSW is constituted under the *Destination NSW Act 2011*. It is subject to the control and direction of the Minister for Tourism, Major Events, Hospitality and Racing.

The principal objective of Destination NSW is to achieve economic and social benefits for the people of New South Wales through the development of tourism and the securing of major events.

For further information on Destination NSW visit: [www.destinationnsw.com.au](http://www.destinationnsw.com.au).

# Department of Premier and Cabinet

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## Audit Opinion

I issued an unqualified audit opinion on the Department of Premier and Cabinet's 30 June 2012 financial statements.

## Operational Snapshot

### The Department

The Department provides policy and operational capabilities that allow the Premier, ministers and other departments to address whole-of-government issues. It helps coordinate and lead the public sector in delivering the government's directions and policies.

In 2011–12, the Department incurred expenses of \$1.3 billion (\$764 million in 2010–11) against a budget of \$1.4 billion. It recorded a deficit of \$129 million (\$212 million) against a budgeted deficit of \$260 million.

### Office of Environment and Heritage

The Department oversees the management of environmental issues through the Office of Environment and Heritage (OEH). The OEH works to protect and conserve the NSW environment and became a separate office within the Department on 4 April 2011.

The OEH supports the Premier, Minister for the Environment and Minister for Heritage in performing their executive and statutory functions.

### Environment Protection Authority

The Environment Protection Authority (EPA) became an independent statutory authority on 29 February 2012. Prior to that date, the activities of the EPA were fully integrated within the OEH.

See the separate comment on the EPA and the Environment Overview for more information on EPA activities.

### Public Service Commission

On 1 November 2011, the majority of staff in the Department's Public Sector Workforce Branch were transferred to the newly established Public Service Commission. It supports the public sector in developing and delivering standards, policies, and programs. It also collects, analyses and provides information about workforce management.

## Key Issues

### e-Recruitment Project (repeat issue)

#### *Recommendation*

**The Public Services Commission should reassess the estimated cost savings from the e-Recruitment project in light of the delays and difficulties to date with implementation.**

Last year, I recommended that all agencies should implement e-Recruitment by 31 December 2012. The Department managed the e-Recruitment project until 1 November 2011, when the Public Service Commission took over responsibility. At 30 September 2012, the Public Service Commission reported that 73 government agencies had implemented e-Recruitment with full system functionality.

The NSW Police Force implemented the system for sworn officers during September 2012. Schools within the Department of Education and Communities are scheduled to 'go live' with e-Recruitment in January 2013.

Last year, I reported that unless the health cluster implements the e-Recruitment system, the government will not fully achieve the benefits outlined in the original business case. The Public Services Commission is conducting a feasibility study into the system configuration requirements for the health cluster. This study is to be completed by late 2012 with required components implemented by June 2013.

The project's aim is to establish a whole-of-government technology based system for the full recruitment process from identifying vacant positions through to appointing successful applicants. This project started in July 2008.

## Other Information

### NSW 2021

In September 2011, the government released its ten-year strategic business plan 'NSW 2021' setting priorities for action and guiding resource allocation. It contains 32 goals around:

- rebuilding the economy
- returning quality services
- renovating infrastructure
- strengthening our local environment and communities
- restoring accountability to government.

The Premier and Cabinet cluster of government is the lead for the following NSW 2021 goals:

- invest in critical infrastructure (Goal 19)
- build liveable centres (Goal 20)
- protect our natural environment (Goal 22)
- restore confidence and integrity in the planning system (Goal 29)
- restore trust in state and local government as a service provider (Goal 30)
- improve government transparency by increasing access to government information (Goal 31)
- involve the community in decision making on government policy, services and projects (Goal 32).

For further information on NSW 2021, refer to <http://www.2021.nsw.gov.au/>.

### Service NSW

The State's NSW 2021 plan includes objectives to simplify public access to government services and increase their quality.

Services NSW is a new government organisation that will become the main point where people and businesses in New South Wales will interact with government. It will deliver a broad range of transactions via a 24/7 telephone service, a customer friendly web portal, and service centres across the State.

By mid 2013, Services NSW will provide services including:

- Roads and Maritime Services licence and registration services
- Fair Trading licences
- Office of Liquor, Gaming and Racing licences
- National Park permits
- Birth, death and marriage certificates.

## **Integrated Landscape Management Program**

At 30 June 2012, 8.8 per cent of land in New South Wales, or 7.1 million hectares, was reserved under the *National Parks and Wildlife Act 1974*.

Dharawal National Park was established in March 2012. Wianamatta Nature Reserve, which was previously part of Wianamatta Regional Park, was created in October 2011.

In 2011-12, OEH's land acquisition program enabled the acquisition of ten properties covering 25,000 hectares, making a significant contribution to the government's Green Corridors Program.

At 2 November 2012, 13 Biobanking agreements were approved, covering over 2,000 hectares in the Sydney region, near Gunnedah and in the Hunter Valley. These agreements created 18,892 ecosystem credits and 24,446 species credits. Around 15,000 of these credits are currently earmarked for retirement to satisfy consent conditions for development projects.

Further information on Biobanking is provided in the Environment Overview in this volume.

## **Managing Sick Leave in the Public Sector**

In my report last year, I noted the Department had implemented two of the three recommendations I made in my Performance Audit Report on Sick Leave. The responsibility for workforce planning was transferred to the Public Service Commission on 1 November 2011. I have been advised the remaining recommendation has now been addressed by the Public Service Commission.

For further information on the performance audit, refer to [http://www.audit.nsw.gov.au/publications/reports/performance/performance\\_reports.htm](http://www.audit.nsw.gov.au/publications/reports/performance/performance_reports.htm).

## **Human Resources in Office of Environment and Heritage (OEH)**

This year, I reviewed the actions being taken by the OEH to address issues I raised last year in relation to human resources.

### **Annual Leave Balances**

In my 2010 report, I recommended that the OEH require all staff with excess leave to develop leave management plans. Last year I commended the OEH on the improvement in this area. The number of staff with leave balances over 40 days had reduced from 590 (15 per cent of the total headcount) in June 2010 to 364 (nine per cent of the total headcount) in June 2011.

At 30 June 2012 there were 491 staff with leave balances over 40 days, representing 15.8 per cent of the total headcount. The OEH advised that they have an active program to progressively reduce excess leave balances to the government's target of no more than 40 days at 30 June 2013. Regular reports are given to the OEH Executive on excessive leave balances.

OEH have advised that as at 30 September 2012 there were 322 staff with leave balances over 40 days, representing nine per cent of the total headcount.

## **Backlog Asset Maintenance in Office of Environment and Heritage (OEH)**

In 2010-11, the OEH was successful in obtaining Treasury funding of \$1.7 million over a three-year period (2011-12 to 2013-14) to enhance its asset maintenance system to a strategic total asset management system. Once developed and fully rolled out across the OEH, the system will be able to provide accurate information on asset maintenance requirements.

An early indication of the maintenance backlog is in the order of \$23.0 million per annum. This figure is based on the reporting of maintenance transactions and planned but unexecuted work orders in the asset maintenance system. As the system becomes more sophisticated and condition surveys and life cycle maintenance plans provide complementary data, this annual increase in backlog maintenance is expected to increase, at least initially.

As the system becomes fully implemented, the OEH expects the growth of maintenance backlog will decrease. This will be due to the improved allocation of resources based on better decision making capability.

## Aboriginal Trust Fund Repayment Scheme

In 2011-12, the Department paid \$5.5 million (\$5.0 million in 2010-11) to claimants under the Aboriginal Trust Fund Repayment Scheme. Since the scheme's inception, the fund has paid a total of \$12.9 million to claimants.

The scheme commenced operations on 1 July 2005 and the scheme's Indigenous Advisory Panel met for the last time in November 2011. All claims and reviews have been considered, and the services of the panel have now ceased.

## Financial Information

### Abridged Statement of Comprehensive Income

Year ended 30 June	2012 \$'000	2011 \$'000
Employee related expenses	524,918	221,377
Grant and subsidies	406,188	334,844
Other expenses	384,972	208,229
<b>Total expenses</b>	<b>1,316,078</b>	<b>764,450</b>
Government contributions	716,404	433,502
Grants and contributions	259,847	77,750
Other revenue	212,728	41,864
<b>Total revenues</b>	<b>1,188,979</b>	<b>553,116</b>
Other losses	(2,332)	(357)
<b>Net Result - deficit</b>	<b>(129,431)</b>	<b>(211,691)</b>
<b>Other comprehensive income</b>		
Net increase in revaluation of assets	369,430	14,904
<b>Total other comprehensive income</b>	<b>369,430</b>	<b>14,904</b>
<b>Total comprehensive income/(expense)</b>	<b>239,999</b>	<b>(196,787)</b>

The increase in expenses and revenues is due to the administrative restructure which transferred the OEH to the Department on 4 April 2011.

### Abridged Statement of Financial Position

At 30 June	2012 \$'000	2011 \$'000
Current assets	282,426	327,438
Non-current assets	3,862,621	3,504,087
<b>Total assets</b>	<b>4,145,047</b>	<b>3,831,525</b>
Current liabilities	211,814	249,012
Non-current liabilities	205,036	88,167
<b>Total liabilities</b>	<b>416,850</b>	<b>337,179</b>
<b>Net assets</b>	<b>3,728,197</b>	<b>3,494,346</b>

The increase in assets and liabilities was due to the previously mentioned administrative restructure.

## Department Activities

The Department's role is to:

- provide policy and operational capabilities that allow the Premier, ministers and other departments to address systemic issues with a whole-of-government approach
- help coordinate and lead the public sector in delivering the government's directions and policies
- draft and publish law for the government, and the Division of Local Government via the Parliamentary Counsel's Office
- help the NSW Governor execute constitutional, ceremonial and community duties, and deliver special events of state significance
- regulate industry, develop policy and deliver programs to protect and conserve the NSW environment via the Office of Environment and Heritage
- manage over 850 national parks and reserves, urban parklands and gardens, and protects natural, cultural and built heritage via the Office of Environment and Heritage
- oversee NSW 2021 - A Plan to make NSW Number One.

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

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

# Election Funding Authority of New South Wales

## Audit Opinion

I issued an unqualified audit opinion on the Election Funding Authority of New South Wales' 30 June 2012 financial statements.

## Key Issues

Political parties and candidates were reimbursed \$20.8 million for electoral communication expenditure

Eligible political parties and individual candidates were reimbursed \$20.8 million by the Authority for electoral communication expenditure they incurred on the 2011 State election. This is significantly lower than the Authority's original estimate of \$33.0 million, but nearly double the \$11.2 million paid at the last State election.

The significant increase from the last State election is due to amendments to election funding legislation, which started on 1 January 2011. Political parties and individual candidates are now entitled to greater public election funding in lieu of caps on political donations. The table below summarises the payments made.

Group	House	Total number of claims	Total paid	Largest payment	Smallest payment	Average payment
Political parties	Legislative Assembly	5	\$14.8 million	\$6.5 million	\$286,000	--
Political parties	Legislative Council	2	\$1.1 million	\$654,000	\$460,000	--
Individual candidates	Legislative Assembly	326	\$4.9 million	\$66,100	\$64	\$14,900

Source: Election Funding Authority (unaudited).

The Authority received, audited and paid 333 claims during the year. The payments to individual candidates varied from \$64 to \$66,100. Under the funding arrangements, the most an individual candidate could claim was either \$30,000 (endorsed by a political party) or \$67,500 (not endorsed by a political party).

Political parties and individual candidates could claim expenditure they incurred on advertising; producing and distributing election material; internet, telecommunications, stationery and postage costs; employing staff; and office accommodation. They could not claim travel expenditure, campaign research costs and the costs of fund raising and auditing campaign accounts.

## Financial Information

Year ended 30 June	2012 \$'000	2011 \$'000
Election Campaigns Fund expenditure	20,015	90
Policy Development Fund and Administration Fund expenditure	9,598	1,963
<b>Total expenses</b>	<b>29,613</b>	<b>2,053</b>
Government contributions	29,613	2,053
<b>Total revenue</b>	<b>29,613</b>	<b>2,053</b>
<b>Net result</b>	<b>--</b>	<b>--</b>
<b>Net assets</b>	<b>--</b>	<b>--</b>

The Authority has no assets, liabilities or employees. The Authority receives administrative support from the New South Wales Electoral Commission.



## Authority Activities

The Authority registers groups and candidates for elections. It is also responsible for dealing with:

- payment of claims made by eligible political parties and candidates for the reimbursement of election campaign expenditure
- disclosures by groups, candidates and political donors of political contributions and electoral expenditure
- claims for payment lodged by eligible registered political parties for the purposes of administration and policy development.

For further information on the Election Funding Authority of New South Wales, refer to [www.efa.nsw.gov.au](http://www.efa.nsw.gov.au).

# New South Wales Electoral Commission

## Audit Opinion

I issued an unqualified audit opinion on the New South Wales Electoral Commission's and its controlled entity's 30 June 2012 financial statements.

The following comments are for the consolidated entity, unless otherwise stated.

## Operational Snapshot

The Commission is responsible for registering political parties, enrolling electors, maintaining the electoral roll and conducting elections. For the year ended 30 June 2012, the Commission incurred expenses of \$31.4 million, including \$2.7 million preparing for the September 2012 local government elections.

## Performance Information

The table below provides key statistics on the local government elections held in 2004, 2008 and 2012.

	2012 Election	2008 Election	2004 Election
Number of enrolments ('000)	4,777	4,544	4,091
Voter participation (%)	82.1	85.2	92.1*
Informal votes (%)	6.4	6.6	6.9
Penalty notices for not voting ('000)	na	398	373
Number of citizens asking to be excused from the fine ('000)	na	232	222
Number of requests granted ('000)	na	227	220

Source: New South Wales Electoral Commission (unaudited).

\* This is not directly comparable with 2008 and 2012 because the Commission used a different methodology to measure participation rate.

na Not Available. The Commission had not issued penalty notices at 29 October 2012.

Voter participation dropped to just 82.1 per cent at the 2012 local government elections, meaning some 630,000 people did not vote. Not only was voter participation lower than participation rates in the 2004 and 2008 local government elections, but it was less than the Commission's target of 83.4 per cent. The Commission was expecting a decline in voter participation from the 2008 elections, which is why in 2008 it recommended the government change the legislation and offer greater voting choices to voters.

The Commission advises it will do further analysis to understand why voter participation continues to decline. An initial survey after the 2012 elections found some electors did not vote because they could not get to a polling place or were away. The survey also found 46 per cent of the respondents prefer voting online. The Commission believes extending the use of iVote (see below) could increase voter participation.

The decline in voter participation at local government elections is consistent with the trend in other states. The Commission advised most Australian States have experienced declining voter participation at local government elections over the last ten years.

Voter participation at local government elections is declining

## iVote system

Last year, I recommended the Commission evaluate why eligible voters did not use iVote in the 2011 state election. I also recommended the Commission investigate expanding its use to other voter groups.

If given the opportunity, 56 per cent of voters would use iVote

As part of its report on the conduct of the 2011 state election, the Commission surveyed voters, and 21 per cent of respondents who were eligible to use iVote said they were unaware of it. Another 29 per cent said 'they could not be bothered/no need for it'. Since the 2011 State election, acceptance and usage of iVote has increased. In the Clarence by-election held in November 2011, iVote use increased by 142 per cent.

In the same survey, 56 per cent of all respondents said they would use iVote if it was available to them. They said the government should change the legislation and allow more voters to use it. Similar comments were made after the 2012 local government elections.

Extending iVote's use to other voter groups could result in greater participation rates. The Commission is advocating legislative changes to make iVote available during the 2016 local government elections.

The iVote system allows internet or phone voting. It was developed for voters with a disability, who are vision impaired or who live in remote areas. Its use was extended to include voters who were outside the state. In total, nearly 47,000 voters used the system during the 2011 state election, representing just 1.1 per cent of all voters.

Unless iVote is extended to other voter groups, the average cost per vote will continue to be much higher than traditional paper based voting. The Commission spent \$4.1 million on implementing iVote.

## Other Information

### SmartRoll

In 2011-12, SmartRoll identified 267,513 electors had not updated their address on the electoral roll. It also identified 127,609 citizens had not enrolled as electors.

SmartRoll checks and updates the electoral roll against records held by other government agencies such as the Roads and Maritime Services. Unless an elector objects to the Commission updating their address, SmartRoll will automatically update it for them. The system also checks its records against the Board of Studies NSW database to identify 17-year-old to 18-year-old students who have not enrolled.

The Commission spent \$1.9 million operating SmartRoll during 2011-12.

## Financial Information

### Abridged Statement of Comprehensive Income

Year ended 30 June	Consolidated		Parent	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Employee related	11,039	8,030	360	334
Personnel services	--	--	10,165	7,221
Other expenses	20,340	49,162	20,340	49,161
<b>Total expenses</b>	<b>31,379</b>	<b>57,192</b>	<b>30,865</b>	<b>56,716</b>
<b>Total revenue</b>	<b>29,181</b>	<b>62,807</b>	<b>28,667</b>	<b>1,303</b>
<b>Net result - surplus</b>	<b>2,198</b>	<b>5,615</b>	<b>2,198</b>	<b>55,413</b>
<b>Total comprehensive income</b>	<b>2,198</b>	<b>5,615</b>	<b>2,198</b>	<b>5,616</b>

The increase in employee related costs was largely due to the Commission expanding its audit branch from four employees to 15 employees. This branch provides administrative support to the Election Funding Authority and its functions include auditing disclosures and claims by political parties, groups and candidates.

Total expenses were higher in 2011 because of the State election held in March 2011.

## Abridged Statement of Financial Position

At 30 June	Consolidated		Parent	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Current assets	7,440	2,061	7,440	2,061
Non-current assets	18,766	22,694	18,766	22,694
<b>Total assets</b>	<b>26,206</b>	<b>24,755</b>	<b>26,206</b>	<b>24,755</b>
<b>Total liabilities</b>	<b>6,820</b>	<b>3,171</b>	<b>6,820</b>	<b>3,171</b>
<b>Net assets</b>	<b>19,386</b>	<b>21,584</b>	<b>19,386</b>	<b>21,584</b>

The increase in current assets was largely due to the Commission drawing down more consolidated fund monies than it needed, resulting in a \$2.6 million liability to the consolidated fund at 30 June 2012. The decrease in non-current assets was largely due to the amortisation of the Commission's software assets like iVote and SmartRoll.

## Commission Activities

The Commission assists the Electoral Commissioner administer the *Parliamentary Electorates and Elections Act 1912* by registering political parties, enrolling electors, preparing rolls and conducting elections. The Commission conducts statutory and industrial ballots, and if requested by the councils, may conduct council elections under the *Local Government Act 1993*.

For further information on the New South Wales Electoral Commission, refer to [www.elections.nsw.gov.au](http://www.elections.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
Office of the of the New South Wales Electoral Commission	*

# 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 Environment</b>		
Environmental Trust	<a href="http://www.environment.nsw.gov.au">www.environment.nsw.gov.au</a>	30 June 2012
Jenolan Caves Reserve Trust	<a href="http://www.jenolancaves.org.au">www.jenolancaves.org.au</a>	30 June 2012
Jenolan Caves Reserve Trust Division	*	30 June 2012
Lord Howe Island Board	<a href="http://www.lordhoweisland.info">www.lordhoweisland.info</a>	30 June 2012
Royal Botanic Gardens and Domain Trust	<a href="http://www.rbgsyd.snw.gov.au">www.rbgsyd.snw.gov.au</a>	30 June 2012
<b>Minister for Heritage</b>		
Corporation Sole 'Minister Administering Heritage Act, 1977'	<a href="http://www.heritage.nsw.gov.au">www.heritage.nsw.gov.au</a>	30 June 2012
<b>Minister for Planning and Infrastructure</b>		
Central Coast Regional Development Corporation	<a href="http://www.ccrdc.nsw.gov.au">www.ccrdc.nsw.gov.au</a>	30 June 2012
Hunter Development Corporation	<a href="http://www.hunterdevelopmentcorporation.com.au">www.hunterdevelopmentcorporation.com.au</a>	30 June 2012
<b>Minister for Primary Industries</b>		
Sydney Metropolitan Catchment Management Authority	<a href="http://www.sydney.cma.nsw.gov.au">www.sydney.cma.nsw.gov.au</a>	30 June 2012
<b>Minister for Regional Infrastructure and Services</b>		
Border Rivers-Gwydir Catchment Management Authority	<a href="http://www.brg.cma.nsw.gov.au">www.brg.cma.nsw.gov.au</a>	30 June 2012
C.B. Alexander Foundation	<a href="http://www.tocal.com">www.tocal.com</a>	30 June 2012
Central West Catchment Management Authority	<a href="http://www.cw.cma.nsw.gov.au">www.cw.cma.nsw.gov.au</a>	30 June 2012
Dams Safety Committee	<a href="http://www.damsafety.nsw.gov.au">www.damsafety.nsw.gov.au</a>	30 June 2012
Game Council of New South Wales	<a href="http://www.gamecouncil.nsw.gov.au">www.gamecouncil.nsw.gov.au</a>	30 June 2012
Game Council Division	*	30 June 2012
Hawkesbury-Nepean Catchment Management Authority	<a href="http://www.hn.cma.nsw.gov.au">www.hn.cma.nsw.gov.au</a>	30 June 2012
Hunter-Central Rivers Catchment Management Authority	<a href="http://www.hcr.cma.nsw.gov.au">www.hcr.cma.nsw.gov.au</a>	30 June 2012
Lachlan Catchment Management Authority	<a href="http://www.lachlan.cma.nsw.gov.au">www.lachlan.cma.nsw.gov.au</a>	30 June 2012
Lower Murray-Darling Catchment Management Authority	<a href="http://www.lmd.cma.nsw.gov.au">www.lmd.cma.nsw.gov.au</a>	30 June 2012
Murrumbidgee Catchment Management Authority	<a href="http://www.murrumbidgee.cma.nsw.gov.au">www.murrumbidgee.cma.nsw.gov.au</a>	30 June 2012
Namoi Catchment Management Authority	<a href="http://www.namoi.cma.nsw.gov.au">www.namoi.cma.nsw.gov.au</a>	30 June 2012

Entity Name	Website	Period/year ended
Northern Rivers Catchment Management Authority	<a href="http://www.northern.cma.nsw.gov.au">www.northern.cma.nsw.gov.au</a>	30 June 2012
NSW Ovine Johne's Disease Transaction Based Contribution Scheme	*	30 June 2012
Rice Marketing Board for the State of New South Wales	<a href="http://www.rmbnsw.org.au">www.rmbnsw.org.au</a>	30 June 2012
Southern Rivers Catchment Management Authority	<a href="http://www.southern.cma.nsw.gov.au">www.southern.cma.nsw.gov.au</a>	30 June 2012
Veterinary Practitioners Board	<a href="http://www.vpb.nsw.gov.au">www.vpb.nsw.gov.au</a>	30 June 2012
Western Catchment Management Authority	<a href="http://www.western.cma.nsw.gov.au">www.western.cma.nsw.gov.au</a>	30 June 2012
<b>Minister for Resources and Energy</b>		
Mine Subsidence Board	<a href="http://www.minesub.nsw.gov.au">www.minesub.nsw.gov.au</a>	30 June 2012
<b>Minister for Sports and Recreation</b>		
Parramatta Park Trust	<a href="http://www.ppt.nsw.gov.au">www.ppt.nsw.gov.au</a>	30 June 2012
<b>Premier</b>		
Cowra Japanese Garden Maintenance Foundation Limited	<a href="http://www.cowragarden.com.au">www.cowragarden.com.au</a>	31 March 2012
Cowra Japanese Garden Trust	<a href="http://www.cowragarden.com.au">www.cowragarden.com.au</a>	31 March 2012
Independent Commission Against Corruption	<a href="http://www.icac.nsw.gov.au">www.icac.nsw.gov.au</a>	30 June 2012
Independent Pricing and Regulatory Tribunal	<a href="http://www.ipart.nsw.gov.au">www.ipart.nsw.gov.au</a>	30 June 2012
Independent Pricing and Regulatory Tribunal Division	<a href="http://www.ipart.nsw.gov.au">www.ipart.nsw.gov.au</a>	30 June 2012
Information and Privacy Commission NSW	<a href="http://www.ipc.nsw.gov.au">www.ipc.nsw.gov.au</a>	30 June 2012
Internal Audit Bureau of New South Wales	<a href="http://www.iab.nsw.gov.au">www.iab.nsw.gov.au</a>	30 June 2012
Natural Resources Commission	<a href="http://www.nrc.nsw.gov.au">www.nrc.nsw.gov.au</a>	30 June 2012
Natural Resources Commission Division	<a href="http://www.nrc.nsw.gov.au">www.nrc.nsw.gov.au</a>	30 June 2012
Ombudsman's Office	<a href="http://www.ombo.nsw.gov.au">www.ombo.nsw.gov.au</a>	30 June 2012
Sesquicentenary of Responsible Government Trust Fund	*	30 June 2012
Trustees of the ANZAC Memorial Building	*	31 December 2010

\* This entity does not have a website.

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