New South Wales Auditor-General's Report
Financial Audit

Volume One 2015
Areas of focus from 2014

audit office
OF NEW SOUTH WALES

The role of the Auditor-General

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

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

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

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

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

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

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Pursuant to the *Public Finance and Audit Act 1983*, I present Volume One of my 2015 report.

Grant Hehir
Auditor-General
20 February 2015

Contents

Areas of Focus from 2014 3

Executive Summary 4

Financial Reporting 7

Financial Controls 13

Governance 21

Service Delivery 26

Looking Forward 31

Appendices 35

Appendix One – Governance Lighthouse – Strategic Early Warning System 36

Appendix Two – Financial Audit 46

Appendix Three – Performance Audit 48

Appendix Four – Cluster Information 50

Areas of Focus from 2014

Executive Summary

Introduction

This report focuses on key observations and recommendations from financial and performance audits in 2014. The observations and recommendations have been reported to Parliament and other stakeholders, including relevant Ministers and those charged with the governance of individual agencies.

The findings have been broadly classified into four themes, which will continue to inform and shape the focus of financial and performance audits in 2015:

- financial reporting
- financial controls
- governance
- service delivery.

The 2014 audits identified issues in the area of governance and gaps in performance information and reporting across the sector, which suggest Chief Financial Officers should have a stronger role and be more involved in matters that go beyond financial efficiency.

Financial Reporting

Confidence in public sector decision making and transparency is enhanced when financial reporting is accurate, timely and clear and financial sustainability is monitored.

The quality and timeliness of financial reporting have continued to improve since mandatory early close procedures were introduced for large and medium agencies in 2012. The timeliness of financial reporting can improve further across the NSW public sector. All jurisdictions in Australia complete a higher percentage of their financial audits within three months of year-end than New South Wales.

Many agencies do not have financial sustainability indicators that provide early warning of financial management issues, such as an inability to meet financial obligations or properly maintain assets and provide services. Because of this, the Audit Office assessed the financial sustainability of 77 agencies using some commonly accepted measures. The assessment identified 18 agencies (23 per cent) with indicators showing they were at high risk of immediate financial sustainability concerns. Most of these agencies have liquidity issues or are making losses, but are expected to recover in the longer term.

Financial Controls

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

The 2014 Financial Audit Reports to Parliament made 89 (67 in 2013) recommendations for NSW public sector agencies to improve financial management and internal controls.

Significant weaknesses were identified in information security, management of leave balances, asset management and internal controls. NSW Treasury now requires Chief Financial Officers to certify internal controls over the financial reporting process. This initiative should lead to improved internal controls.

Some agencies' disaster recovery plans are not complete or are not being fully tested regularly. There has been no improvement in this area over the last three years.

Governance

Governance refers to the high-level frameworks, processes and behaviours established to ensure an entity performs by meeting its intended purpose, conforms with legislative and other requirements, and meets expectations of probity, accountability and transparency.

The 2014 financial and performance audits examined aspects of governance including risk management, audit and risk committees (ARCs) and cluster arrangements.

In 2015, the risk management maturity of a selection of agencies across clusters will be assessed and the findings reported to agencies and Parliament.

Effective compliance management helps prevent agencies from breaching laws and regulations. Many agencies do not maintain compliance registers or adequate processes to ensure they comply with relevant legislative frameworks and requirements.

ARCs with independent members strengthen governance and the integrity of financial information which forms the basis for sound decision making. Some agencies have taken advantage of having a shared ARC for their cluster arrangement. However, some agencies still do not have an ARC.

During 2014, the *Government Sector Employment Act 2013* (GSE Act) dissolved 28 agencies and created ten new staff agencies. Creating new agencies can have significant accounting and financial consequences if they are required to prepare separate financial reports which must be audited. More can be done to reduce the number of reporting entities in the NSW public sector by ensuring only those entities with real financial activity are subject to financial reporting and auditing requirements.

The governance framework in the NSW public sector should be strengthened by clarifying the authority, autonomy and accountability of cluster Chief Executive Officers (CEOs) and Chief Financial Officers (CFOs). In particular the responsibility of the head CEO and CFO of a cluster for financial management across the cluster is unclear and its consistency with legislative authority uncertain. This lack of clarity is likely to lead to sub optimal financial management as it is difficult to specifically identify those accountable for performance.

Service Delivery

The achievement of Government outcomes can be improved through effective service delivery mechanisms.

Opportunities exist to improve transparency and performance reporting by establishing performance measures and targets against which agency performance can be benchmarked and reported.

Many agencies do not have a contract management framework or a centralised contracts register. There is also a lack of monitoring performance throughout the contract term. In the case of shared service arrangements, agreements are not always in place before services are provided.

While major infrastructure projects are mostly on time and within budget, information technology projects continue to experience delays and budget overruns.

Looking Forward

The 2015 audits will have a stronger focus on governance. This will include:

- assessing the risk management maturity of large and medium agencies
- reviewing governance against key principles in the Audit Office's revised Governance Lighthouse, included in Appendix One
- reviewing fraud and corruption control in agencies using the Audit Office's revised fraud control guidance, released in February 2015.

NSW Treasury has started its Financial Management Transformation Program. From 2015, the Audit Office will monitor and report on progress of this program. This will include examining the changing role of Chief Financial Officers and the value they provide.

NSW Treasury is currently rewriting the *Public Finance and Audit Act 1983*. A broader and more robust audit mandate should be considered a necessary part of the rewrite to enable the Auditor-General to effectively report on the changing risks and challenges in the NSW Public Sector. Some other Auditors-General have the mandate to:

- provide independent assurance about service delivery outcomes and financial accountability in Government arrangements with the non-government sector ('follow the dollar' powers)
- audit performance indicators.

Recommendations

Financial Reporting

1. NSW Treasury should continue to shorten the financial reporting timeframes to align with better practice States.
2. All agencies should adopt NSW Treasury early close procedures.
3. NSW Treasury should require agencies to establish and report against financial sustainability indicators.

Financial Controls

4. Agencies should seek assurance from shared service providers on the operating effectiveness of controls.
5. Agencies should continue to strengthen budgetary controls and improve the accuracy of budgets.

Governance

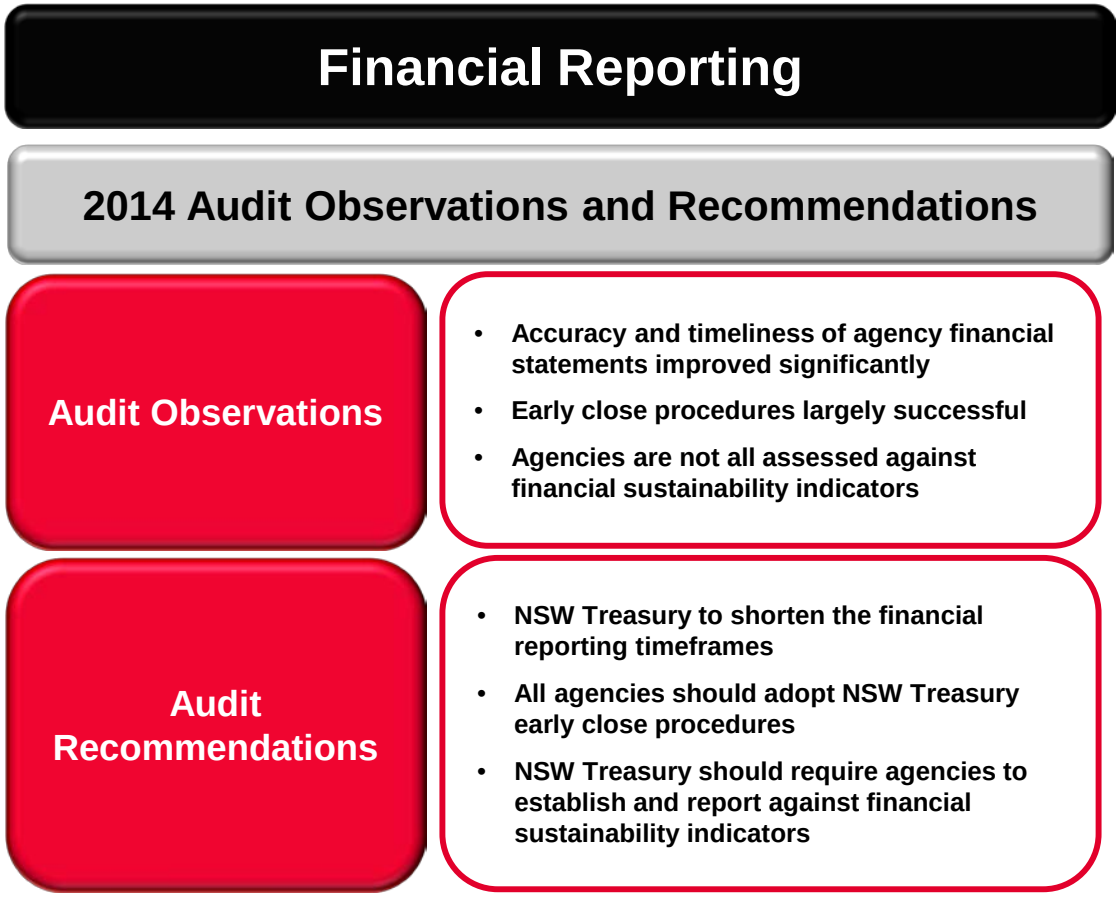
6. All agencies should maintain a compliance register, monitor compliance and report breaches to the audit and risk committee.
7. The Government should develop an alternative to creating separate staff agencies as reporting entities.
8. Cluster Heads should continue to rationalise the number of reporting entities to gain efficiencies.
9. The Government should clarify the role of the head CEOs and CFOs of clusters.

Service Delivery

10. Agencies should self-assess their contract management against key elements of the Audit Office's Better Practice Contract Management Framework and implement a plan to address any weaknesses.

Financial Reporting

Confidence in public sector decision making and transparency is enhanced when financial reporting is accurate, timely and clear. It is only when people have access to accurate and timely information about what the Government is doing can they hold it to account.



Volume Four of the Auditor-General's Report to Parliament 2009 identified issues with the quality of financial reporting. In October 2010, the Public Accounts Committee reported on the Quality and Timeliness of Financial Reporting (Report No. 14/54) and recommended:

- all agencies conduct hard closes
- chief financial officers (CFOs) certify financial systems
- chief executive officer's be accountable for quality and timeliness of financial reporting
- earlier tabling dates for Annual Reports
- minimum qualifications for CFOs.

Early close procedures have been mandatory since 2012 for medium and large agencies. These procedures are designed to bring forward traditional year-end activities, such as valuing assets and resolving financial reporting issues, to reduce reporting timeframes and improve quality.

Since early close procedures were introduced, misstatements in agency financial statements have continued to decrease and more audit opinions have been issued before the end of September. All agencies should adopt early close procedures to improve the quality and timeliness of financial reporting across the sector.

Opportunities to further improve the quality and timeliness of financial reporting include:

- preparing more regular and frequent financial reports during the year
- compiling adequate working papers to support early revaluations of property, plant and equipment so audit work can be conducted before year-end
- preparing sufficient documents to support management's proposed accounting treatments, its judgements and assumptions
- resolving all significant accounting issues as part of the early close process, or documenting a clear and achievable path towards their timely resolution
- preparing a documented action plan to facilitate resolution of issues (Volume Four 2014, page 49).

Quality of Financial Reporting

		Audit result		Reported misstatements for the year ended 30 June		
Auditor-General's Report Volume	**Total number of opinions issued**	**Modified opinions**	**Number of significant matters**	**2014**	**2013**	**2012**
Electricity and Water	13	1	3	19	26	48
Premier and Cabinet	14	--	4	14	27	46
Transport	18	--	3	31	51	85
Police and Justice (Law, Order and Emergency Services)	18	--	5	39	33	95
Family and Community Services	10	--	2	4	18	28
Treasury and Finance (including Superannuation and Insurance)	58	2	3	43	71	138
Planning and Environment	28	--	2	47	98	98
Health	30	--	10	86	151	272
Education and Communities	14	--	--	47	45	90
Trade and Investment	41	--	24	129	141	177
Total	**244**	**3**	**56**	**459**	**661**	**1,077**

The quality of financial statements has continued to improve across the NSW public sector. For the year ended 30 June 2014, three of the 244 audit opinions issued (three in 2013) were modified as follows:

- State Emergency Services for ineffective controls over fundraising activities.
- NSW Self Insurance Corporation for valuing claim liabilities using AASB137 'Provisions, Contingent Liabilities and Contingent Assets' instead of AASB 1023 'General Insurance Contracts'.
- Delta Electricity for using the income approach to measure the fair value of its power stations without reflecting the impact of the pending sale process on the fair value.

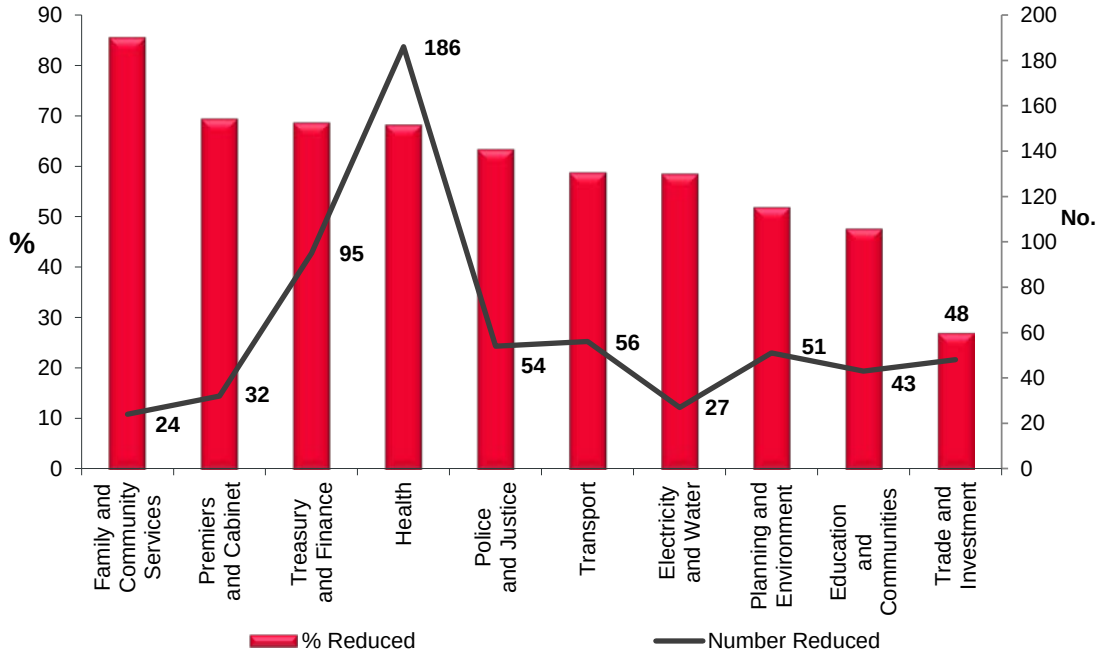
Financial reporting has improved due to:

- the mandatory early close procedures introduced in 2012
- the improved quality of supporting work papers
- the Treasurer encouraging those charged with governance to take an active role in certifying the effectiveness of internal controls, reducing the number of errors and clearing modified opinions.

Misstatements in the Financial Statements

Reported misstatements in agencies' financial statements decreased by more than 30 per cent in both 2013 and 2014. All clusters reported fewer misstatements than in 2012. Family and Community Services agencies reduced misstatements by 86 per cent, while improvement at Trade and Investment agencies was 27 per cent. Health agencies saw the greatest reduction in the number of misstatements from 272 in 2012 to 86 in 2014.

Reduction in Reported Mistatements since 2012



Timeliness of Financial Reporting

97 per cent

Agencies met the timeframes for early close procedures

94 per cent

Financial statements were received by the statutory date

89 per cent

Audit opinions were issued by the statutory date

NSW Treasury set deadlines for medium and large agencies to submit 30 June 2014 financial statements for audit. The *Public Finance and Audit Act 1983* (PF&A Act) prescribes the statutory date of six weeks after year-end for other agencies not captured by NSW Treasury Circular 14/02 'Mandatory early close procedures for 2014'. The number of agencies not meeting these deadlines fell to four in 2014 from 20 in 2013.

	Early close procedures*		Financial statements*		Audit*	
Auditor-General's Report Volume	Total received by statutory date	Total early close procedures required	Total received by statutory date	Total submitted	Total completed by statutory date	Total opinions issued
Electricity and Water	13	13	13	13	13	13
Premier and Cabinet	13	13	14	14	14	14
Transport	12	13	18	18	17	18
Police and Justice (Law, Order and Emergency Services)	15	15	18	18	18	18
Family and Community Services	8	8	10	10	9	10
Treasury and Finance (including Superannuation and Insurance)	27	27	51	58	51	58
Planning and Environment	17	17	28	29	26	28
Health	3	3	30	30	30	30
Education and Communities	5	7	13	14	13	14
Trade and Investment	14	15	37	42	25	41
Total	**127**	**131**	**232**	**246**	**216**	**244**

Note: The agencies required to perform early close procedures and the timeframes are listed in Appendix D of TC14/02.

* As at 31 December 2014.

Timeliness of Audit Completion

Sixty four per cent or 211 independent audit opinions were issued for financial statement audits by 30 September in 2014. This is more than a 200 per cent improvement since 2011 and largely due to agencies performing early close procedures.

	Audit opinions issued							
Month	2014	%	2013	%	2012	%	2011	%
July/August	14	4	18	6	22	7	8	2
September	197	60	176	52	116	36	56	17
October	97	30	105	31	152	47	209	61
November	6	2	5	1	15	4	44	13
December	11	3	5	1	--	--	17	5
Not yet issued	2	1	30	9	18	6	8	2
Total	**327**	**100**	**339**	**100**	**323**	**100**	**342**	**100**

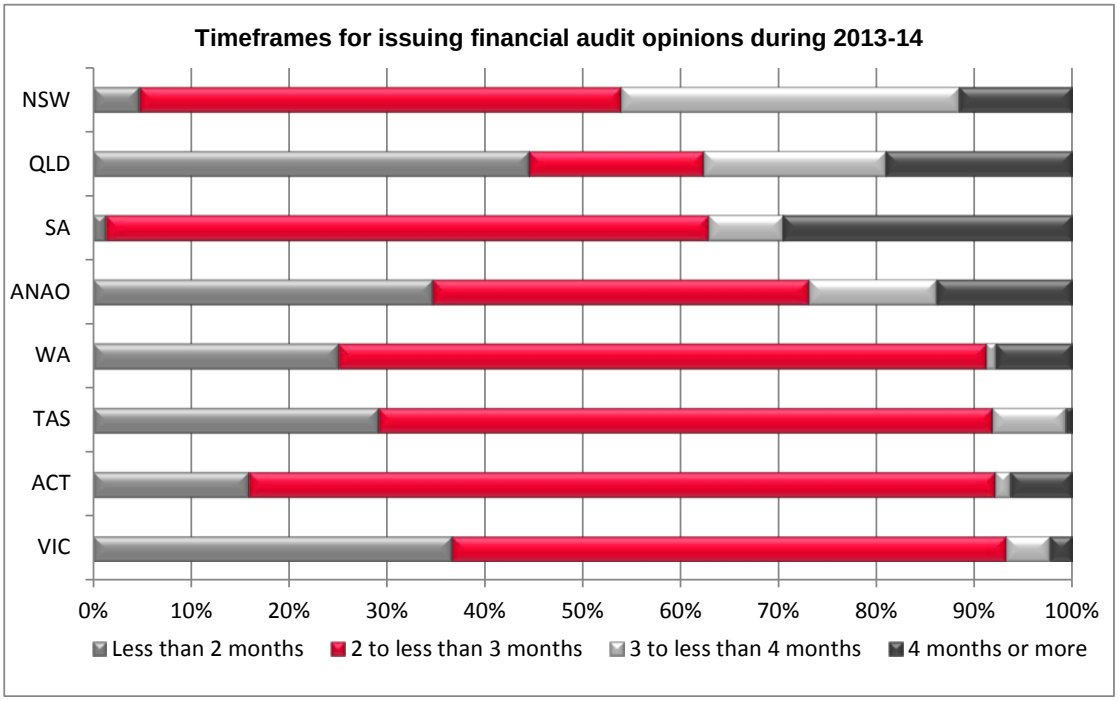
Note: Includes special purpose entities of local health districts, sub audits for superannuation clients, councils of the Health Professional Councils Authority and smaller subsidiaries resulting in more opinions than earlier tables.

Reporting Timeframes in other Australian Jurisdictions

While timeliness in New South Wales is improving, it falls behind other jurisdictions in Australia. More can be done by NSW Treasury, NSW agencies and the Audit Office to achieve earlier reporting timeframes, including:

- shortening the statutory timeframes by requiring annual reports to be tabled in Parliament within three months of year end
- streamlining/rationalising the number of reporting entities
- reviewing and considering opportunities for reduced financial reporting disclosure for certain agencies.

The chart below shows the percentage of financial audit opinions issued by different jurisdictions within various timeframes during 2013-14. These mainly comprise financial audits for the years ended 30 June 2013 and 31 December 2013. New South Wales has the lowest percentage of audits completed within three months of year-end.



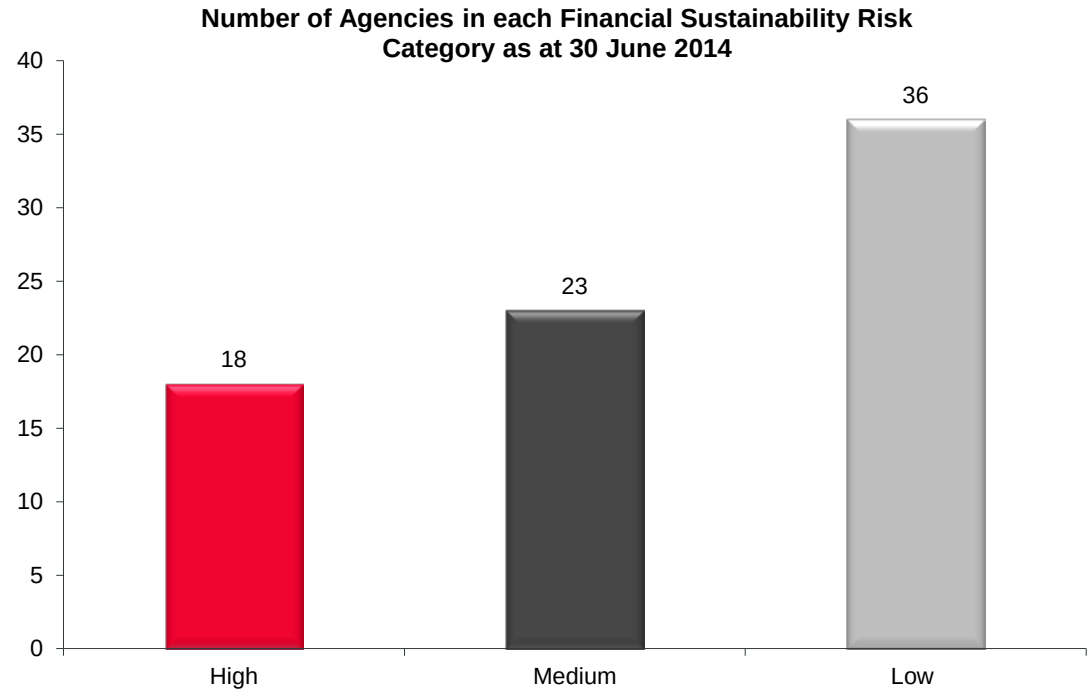
Financial Sustainability

Financial sustainability measures the ability of an agency to manage its financial resources so it can meet present and future spending commitments. It is an important performance measure in any organisation, including the public sector.

While financial sustainability measures may be less relevant for departments whose operations are funded through annual appropriations, they should not be ignored. Service delivery outcomes can be constrained if a department's financial management or structure is poor.

With the exception of for-profit entities, many agencies have few, if any, financial sustainability measures. Such measures provide early warning of financial management issues, for example, an inability to meet financial obligations or properly maintain assets and provide services. Generally, for-profit entities have established appropriate indicators and targets, which are monitored by those charged with governance and published in their annual reports.

The Audit Office assessed the financial sustainability of 77 agencies using some commonly accepted measures, which identified 18 agencies (23 per cent) with indicators showing they were at high risk of immediate financial sustainability concerns. Many of these agencies have liquidity issues or are making losses, but are expected to recover in the longer term. In other cases, agencies need to work with NSW Treasury to ensure they remain viable and are able to maintain major assets and provide services (Volume Thirteen 2014, page 19).



Risk Categories:

High – immediate sustainability concerns due to loss making and/or poor liquidity.

Medium – long term sustainability concerns due to inability to self-finance, inability to replace capital and/or high gearing.

Low – no indicators of concern.

Recommendation

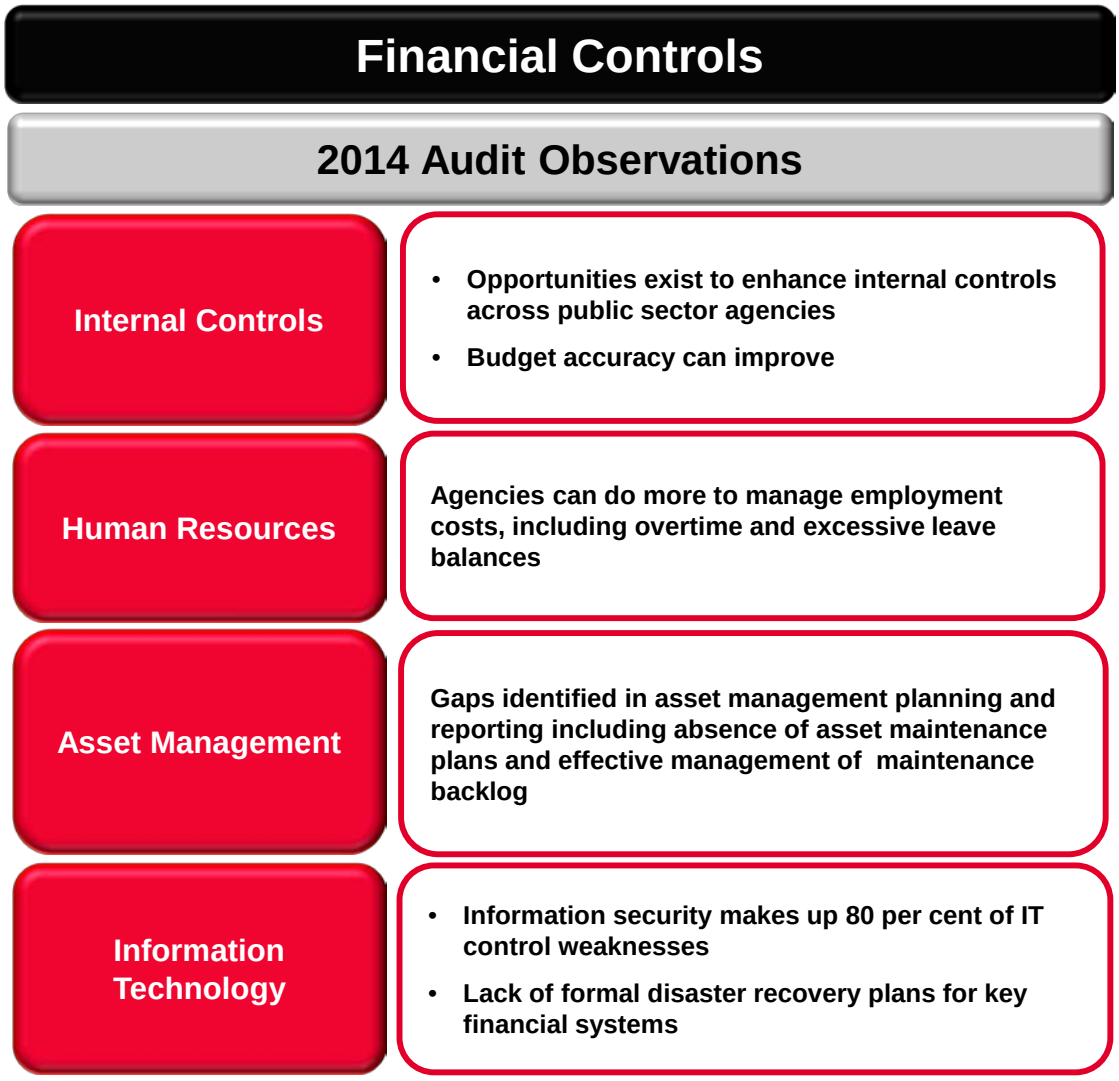
NSW Treasury should require agencies to establish and report against financial sustainability indicators.

In 2015, the Audit Office will:

- improve its understanding of the financial sustainability indicators used by agencies
- continue to explore which long and short term indicators are most relevant for the public sector
- assess and report on the financial sustainability of agencies.

Financial Controls

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



Financial Audit Report Recommendations

The 2014 Financial Audit Reports to Parliament made 89 (67 in 2013) recommendations for NSW public sector agencies to improve financial management and internal controls. Of these, 11 (10 in 2013) were repeat recommendations.

Recommendations by Volume were:

Auditor-General's Report Volume	Number of recommendations			Number of repeat recommendations		
Year ended 30 June	2014	2013*	2012*	2014	2013*	2012*
Electricity and Water	2	--	--	--	--	--
Premier and Cabinet	2	5	14	--	2	2
Transport	1	3	15	1	--	--
Police and Justice (Law, Order and Emergency Services)	11	17	15	5	3	4
Family and Community Services	2	2	2	--	--	--
Treasury and Finance (including Superannuation and Insurance)	9	10	24	--	--	1
Planning and Environment	4	--	--	--	--	--
Health	27	23	16	5	4	5
Education and Communities	9	5	11	--	1	--
Trade and Investment	22	2	7	--	--	3
Total	**89**	**67**	**104**	**11**	**10**	**15**

Note: Trade and Investment had more recommendations in 2014 as the Volume was new. Cluster agencies can change from year to year as agencies are created, others are dissolved and some are moved to another cluster.

* Data from Volume One 2014.

Most repeat recommendations continue to be in the Police, Justice, and Health agencies. Some recommendations can take more than one year to implement due to resource constraints and/or the complexity of the issue. Audit and Risk Committees monitor and advise agency heads on whether management is implementing recommendations within reasonable timeframes.

Financial control recommendations are analysed below under the following categories:

- Internal Controls
- Human Resources
- Asset Management
- Information Technology.

Internal Controls

Internal controls are the processes designed, implemented and maintained by those charged with governance and management to provide reasonable assurance over financial reporting, the effectiveness and efficiency of operations and compliance with legislation. Internal controls should be designed to prevent and detect fraud.

Common internal control weaknesses identified during the 2014 audits include:

- inadequate budgetary controls
- no centralised contract registers
- inadequate processes to ensure compliance with laws and regulations
- non-compliance with Government policy requirements, such as Gateway reviews
- bank and clearing accounts not reconciled on time and long outstanding items not cleared
- inadequate review of reconciliations
- weaknesses in information technology controls (see below for further details)
- accounting implications of significant and complex contracts, lease incentives and other complex transactions not adequately assessed and documented
- poor management and oversight of credit card use
- timesheets not approved
- weak payroll controls leading to salary overpayments
- inadequate revenue controls.

NSW Treasury requires CFOs to certify the effectiveness of internal controls over the financial reporting process. This initiative aims to improve the accuracy and reliability of financial information. Recently issued TPP14-05 'Certifying the Effectiveness of Internal Controls over Financial Information' has five core policy requirements:

- system of internal control over financial and related operations
- annual letter of certification
- financial information internal control questionnaire
- management and third party certifications
- audit and risk committee review.

The requirement for third party certifications requires CFOs to obtain comprehensive letters from service providers to certify the robustness of their control environments for financial reporting. The policy also suggests agencies, where relevant, seek an independent assurance opinion on the design and operating effectiveness of internal controls from service providers.

ServiceFirst has provided its clients with an independent assurance opinion on its internal controls for over ten years. Other shared service arrangements should consider this as better practice for their clients.

Recommendation

Agencies should seek assurance from shared service providers on the operating effectiveness of controls.

Budgeting is an important financial management tool to help ensure the efficient, effective and ethical use of public monies. The 2014 audits identified agencies where actual results varied from budget by more than five per cent. Volumes six, ten, eleven and fourteen of the 2014 Auditor-General's Report to Parliament reported agencies can improve the accuracy of budgets and strengthen controls to ensure actual results are in line with budget expectations.

Recommendation

Agencies should continue to strengthen budgetary controls and improve the accuracy of budgets.

Human Resources

The 2014 audits recommended agencies do more to manage employment costs, including improved management of overtime and excessive leave balances.

Employee costs of $35.1 billion were 48 per cent of whole-of-government total expenditure (Volume Four, page 6). According to an analysis of Total State Sector expenditure, employee costs increased by about 2.9 per cent compared to the prior year. Health, Education, and Police agencies reported increased employee costs while Transport, Justice and Electricity agencies reported reduced employee costs. The 2014 financial year saw redundancy costs of $347 million compared to $327 million in 2013.

Total State Sector employment costs			
Year ended 30 June	**2014 ($ billions)**	**2013 ($ billions)**	**% change**
Salaries and wages	27.61	26.69	3.4
Superannuation - net costs in defined benefit plans	2.68	2.65	1.2
Superannuation - defined contribution	2.22	2.07	7.3
Long service leave expense	0.98	0.89	10.2
Redundancy costs	0.35	0.33	6.1
Others (including overtime)	1.24	1.47	(15.6)
Total	**35.08**	**34.10**	**2.9**

Overtime

Reports to Parliament over a number of years have recommended strategies to monitor and reduce overtime levels. Overtime is paid at a premium rate. Some agencies have implemented effective strategies to manage overtime, with:

- the electricity businesses' improved management of overtime leading to a 23.9 per cent ($41.0 million) reduction in overtime expenses in 2014 (Volume Five, page 25)
- Roads and Maritime Services implementation of 2012 performance audit recommendations leading to a 31.2 per cent ($13.4 million) reduction in overtime expenses in 2014 (Volume Seven, page 27).

Effective management of overtime results in lower employment costs and fewer health and safety issues, particularly when fatigued employees perform high risk tasks.

Recreation Leave

Annual recreation leave provides permanent and temporary employees a period of rest and recreation away from the work environment. It helps employees maintain their physical and mental health and has a positive impact on well-being. Often there is a correlation between excessive annual leave balances and high sick leave taken, for example in the Ambulance Service of NSW where the:

- percentage of employees with excessive annual leave balances increased from 51.4 per cent at 30 June 2013 to 60.7 per cent at 30 June 2014 (Volume Twelve 2014, page 30) and
- reported sick leave hours per FTE was 80 hours, 30 hours more than the Ministry of Health's target (Volume Twelve 2014, page 34).

The Government has set targets for reducing annual leave balances. While this is important for effectively managing finances, it is also important for agencies to monitor employees who take little or no leave in a rolling 12 month period.

Many employees have roles that are high risk – medical staff, police, electricity workers, ambulance officers – where excessive overtime and not taking leave can put them and the public in danger. Agencies should ensure employees in positions at risk of fraudulent activity take at least two weeks continuous leave each year as a fraud control mechanism.

Workforce Capability

The performance audits 'Management of Volunteers – NSW State Emergency Services' and 'Fitness of Firefighters' found:

- management of volunteer safety had improved
- volunteers need more up-to-date and focused training
- firefighters' health and fitness are not formally checked after they are employed
- there is no specific fitness standard or assessment to join as a volunteer and no ongoing requirements for volunteer members to maintain a specific level of fitness.

Asset Management

Effective asset management helps ensure assets are used efficiently and effectively to deliver public services. This is crucial for agencies responsible for key infrastructure. To improve asset management, the 2014 audits found more needs to be done (Volume Nine 2014, page 21, Volume Twelve 2014, pages 46-52, Volume Thirteen 2014, page 39, Volume Fourteen 2014, page 25) to:

- ensure consistent and comprehensive maintenance plans are in place, including an assessment of backlog maintenance, to allocate scarce maintenance resources effectively
- assess asset useful lives and the continued use of fully depreciated assets.

A performance audit on 'Block Grant and Regional Road Repair Programs' found Roads and Maritime Services could not demonstrate money granted to Councils was well spent and targeted at areas to provide most value.

Information Technology

A well-managed and effective Information Technology (IT) control environment:

- has a robust information security management framework
- focusses on managing IT security risks during times of change
- ensures financial systems are capable of supporting critical business processes in the event of a disaster
- regularly reviews automated controls and associated business processes, especially in a changing environment
- defines and monitors the accountabilities and responsibilities in shared service relationships.

The 2014 audits identified opportunities for improvement across all of these areas to ensure IT control environments are well managed and effective.

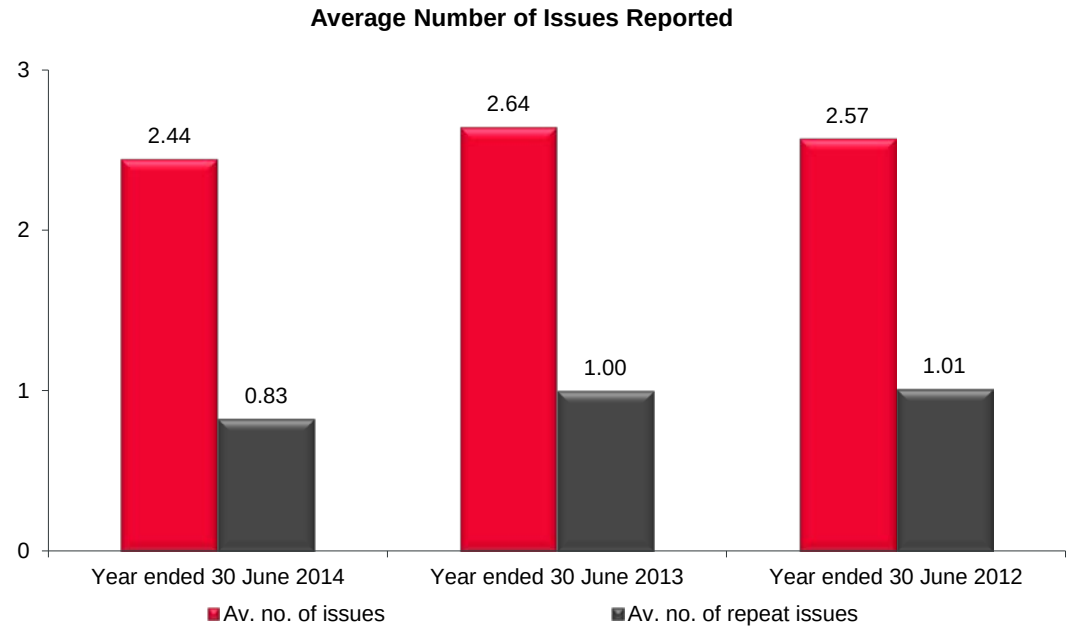
The information systems of 81 agencies were audited in 2014. The audits focused on the information technology (IT) processes and controls supporting the integrity, availability and security of financial data used to prepare the financial statements. The findings are distributed over the IT general controls (ITGC) categories as follows:

ITGC Audit Area	Description	Distribution of 2014 Issues Reported
Information Security	Review of controls that prevent or detect unauthorised use of, and changes to data, systems or programs including establishing of system-based segregation of duties	80%
Data Centre and Network Operations	Review of controls that ensure the integrity of information as it is processed, stored, or communicated	4%
System Change Control	Review of change controls over application systems, database management systems, network and communication software, systems software, and hardware, i.e. verifying that they have been effectively acquired, developed, implemented, and maintained	16%

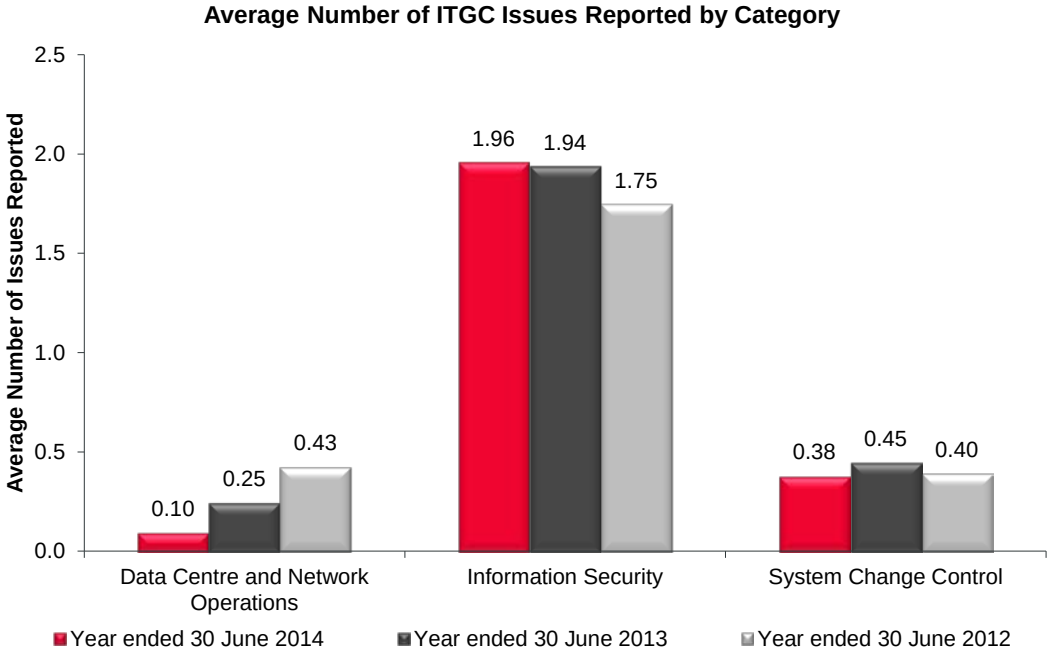
The following audits were performed and findings reported to those charged with governance over the last three years across the three ITGC categories:

- 2014: 81 audits performed and 198 issues reported
- 2013: 84 audits performed and 222 issues reported
- 2012: 91 audits performed and 234 issues reported.

The audits noted 31 per cent of the issues reported in 2013 were repeated in 2014. While repeat issues are decreasing they are still very high. Often IT solutions are costly and time consuming and can take longer to fully implement. However, agencies should put mitigating controls in place to reduce the risks until appropriate IT solutions are finalised.



There has been significant improvement in data centre and network operation issues. Most weaknesses reported over the last three years have been in information security.



The key control weaknesses in information security are user administration, password parameters and privileged access, which account for 69 per cent of all reported issues. This was primarily due to implementing new systems and restructuring agencies. Such periods of change often result in information security being overlooked when it is most critical.

The NSW Government Digital Information Security Policy 2012 (DISP) has the following core requirements for Departments and shared service providers:

- they must have an Information Security Management System (ISMS) based on a comprehensive assessment of the risk to digital information and digital information systems
- their ISMS must, as a minimum, contain measures that address the risks associated with the security categories specified in the policy, taking into account the controls identified in AS/NZS ISO/IEC 27002 'Information technology - Security techniques - Code of practice for information security management' and related standards
- they must maintain certified compliance with AS/NZS ISO/IEC 27001 'Information technology - Security techniques - Information security management systems – Requirements', with certification being continuously maintained through audits by an Accredited Third Party
- they must disseminate digital information security events, incidents and near misses that pose a threat across the public sector through the Digital Information Security Community of Practice in a time and manner appropriate to the nature and magnitude of the threat
- they must attest annually to the adequacy of their digital information and information systems security.

The information security weaknesses identified by both financial and performance audits indicate some agencies may not be fully complying with the DISP.

All agencies should consider the recommendations in the 2015 performance audit 'Security of critical IT infrastructure' as many are equally relevant to security of key financial systems:

- develop a comprehensive security plan
- identify, assess and report security risks
- improve monitoring and logging of security incidents
- determine appropriate controls to limit unauthorised access.

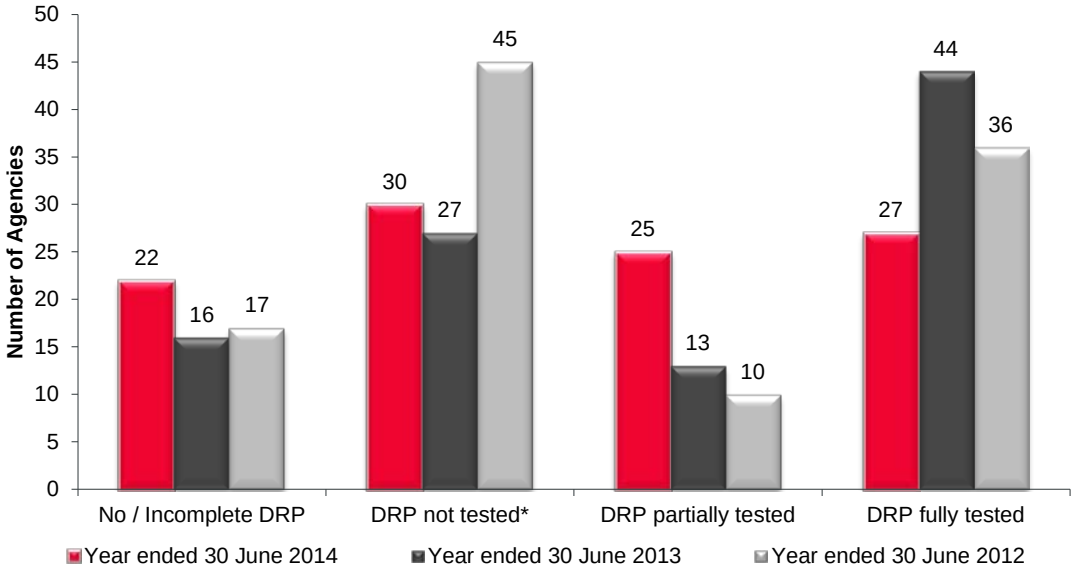
Disaster Recovery Planning

Disaster recovery planning provides the means to recover processes and capabilities of financial systems and supporting IT infrastructure in the event of a disaster. In 2014, 82 agencies completed a self-assessment of their disaster recovery planning and testing capabilities. The graph below shows the results.

Disaster recovery planning for financial systems continues to be an area for improvement, with 27 percent of agencies reporting they had no or incomplete disaster recovery plans for their key financial systems. A greater proportion of agencies reported they had not completed sufficient testing of their disaster recovery plans, but this did not mean they did not regularly back-up their data.

Without formal disaster recovery plans and regular testing, agencies have little comfort over their ability to restore their financial processes and systems in the event of a disaster. Experiences in other jurisdictions recovering from natural disasters highlight the importance for agencies to continue improving their disaster recovery management processes.

Financial Systems Disaster Recovery Planning and Testing Results



* Includes agencies with no DRP or an incomplete DRP.

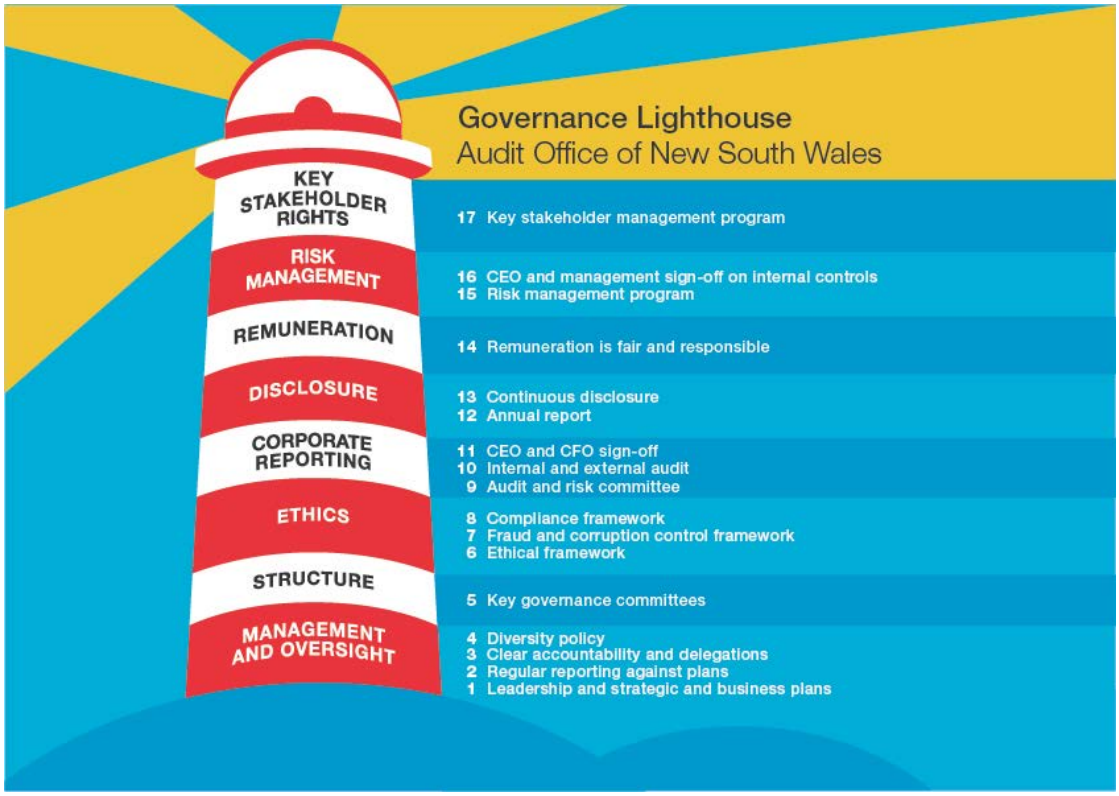
The NSW Government Data Centre Reform Project commenced in 2012 and is changing the way agencies manage their disaster recovery planning processes. The Project involves consolidating dispersed and aging data centres for 130 agencies into two privately operated shared facilities by 2017. To date approximately 80 per cent of agencies have moved or are in the process of moving their data to these shared facilities. Agencies should understand the implications of this change on their disaster recovery processes and continue to maintain ownership of their disaster recovery responsibilities.

Governance

Governance refers to the high-level frameworks, processes and behaviours established to ensure an entity **performs** by meeting its intended purpose, and **conforms** with legislative and other requirements, and meets expectations of probity, accountability and transparency.

Good governance promotes public confidence in Government and its agencies. Well governed agencies should result in improved service delivery and the most efficient use of resources.

Governance Lighthouse



Our Governance Lighthouse was recently updated for changes in better practice and to place additional focus on the cultural elements that need to be present to implement an effective framework. For further information refer to Appendix One.

The governance framework for NSW public sector agencies is set out in legislation, regulations, policy documents, NSW Treasury publications, Department of Premier and Cabinet publications and other directives. This includes:

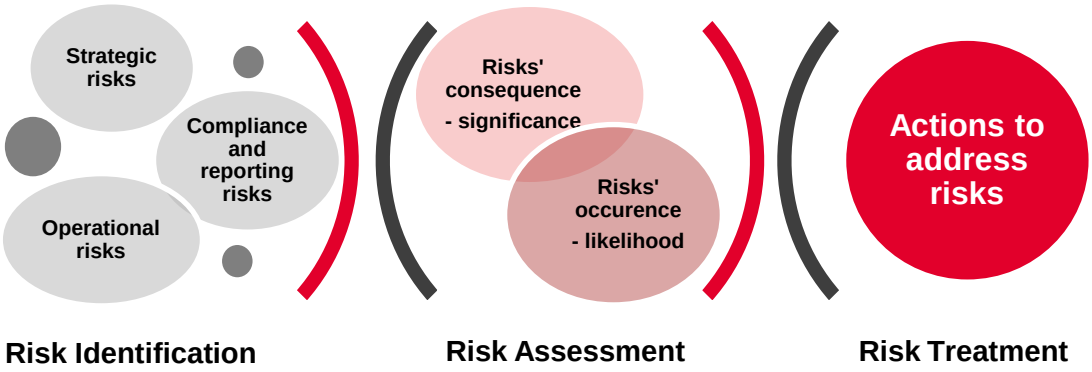
- *Public Finance and Audit Act 1983*
- *Government Sector Employment Act 2013*
- Treasurer's Directions
- Treasury Policy and Guidelines
- Department of Premier and Cabinet Memoranda and Circulars.

Policies and frameworks are only effective if implemented. Without clear accountabilities and ongoing monitoring the planned objectives may not be met.

The 2014 audits made observations and recommendations on particular principles of good public sector governance including risk management, financial reporting, ethics and structure. Financial reporting is covered in an earlier chapter. Other aspects are summarised below.

Risk Management

Risk management is a key component of good governance. Risk management is the process of identifying, assessing and prioritising risks to minimise, monitor and control the impact of unforeseen events and realise opportunities. Risk treatment requires options for addressing risks to be assessed, decision on best course of action made and plans implemented.



In 2014, the Audit Office piloted its Risk Management Maturity toolkit to assess the maturity of risk management activities and capabilities in a small number of agencies. The toolkit is based on the principles and guidelines of the AS/NZS ISO 31000: Risk management – Principles and guidelines, TPP 09-05 'Internal Audit and Risk Management Policy for the NSW Public Sector' and TPP12-03 'Risk Management Toolkit for the NSW Public Sector'. The Audit Office will publish its Risk Management Maturity toolkit in Volume 2, 2015.

In addition to the pilot, some agencies were asked to self-assess against TPP 09-05. The State Owned Corporations and NSW Treasury Corporation reported they comply with AS/NZS ISO 31000. Agencies within the Premier and Cabinet, Law and Order and some other clusters reported that they broadly comply with TPP 09-05. Where restructures have occurred there are some integration issues which are delaying an enterprise wide approach to risk management.

Some smaller agencies, for example in the Education cluster, are seeking exemptions from TPP09-5. While it may be more efficient and better practice to co-ordinate risk management at the Department level, it is important that mechanisms are in place for smaller agencies to identify and report risks through to the Department. A risk consequence may be low for the Department, but high at the agency level. Whatever the arrangement, those charged with governance of an agency remain responsible for managing risks.

In 2015, the Audit Office plans to assess and report on the risk management maturity of a selection of agencies across all clusters. Agencies may comply with TPP09-5 by having the appropriate documents in place, but their risk management activities and capabilities are immature. NSW Treasury recently released its draft revised 'Internal Audit and Risk Management Policy for the NSW Public Sector' for consultation. This policy is being revised following a review of the existing NSW Treasury Policy TPP09-05 and to keep pace with best practice changes.

Ethics

Fraud and Corruption Control

Fraud and corruption control should be incorporated within an agency's internal control framework and governance structure and should focus on prevention and detection. Fraud risk assessments, stakeholder awareness programs, detection systems and investigation processes are all important.

The 2014 Auditor-General's Reports to Parliament made the following observations:

- fraud controls across the Premier and Cabinet cluster were generally effective (Volume Six 2014, page 28).
- seven of the nine Trade and Investment cluster agencies surveyed have appropriate mechanisms to manage the risk of fraud supported by an entity level Fraud Prevention and Management Framework (Volume Fourteen 2014, page 29).

Agencies are required to report corrupt conduct to the Independent Commission Against Corruption (ICAC). In 2014 the Transport cluster reported the most fraud (243 incidents). Common incidents referred to ICAC involve the misuse of resources, timesheet fraud and fraudulent claims (medical certificates, allowances and expenditure).

Employee training and workplace culture are key to better detection and response to fraud. Both Roads and Maritime Services and the electricity network businesses saw an increase in reported incidents after training and awareness programs.

In response to fraud and corruption incidents, agencies have been actively looking to improve fraud and corruption frameworks. Sydney Water Corporation and Transport for NSW have refined their corruption control frameworks to focus on fraud and corruption risk management. The electricity network businesses have developed a three year Fraud and Corruption Plan (FCCP), based on the ten attributes in the Audit Office 'Fraud Control Improvement Kit'. The FCCP requires a company-wide Fraud Risk Assessment to be conducted every two years.

At the same time as this report, the Audit Office will release an updated Fraud Control Kit and Better Practice Guide. In 2015, a number of agencies will be surveyed to give an updated picture of frauds identified over the previous three years, to assess whether mitigation strategies are working to reduce fraud and to identify what more can be done.

Compliance Management

Effective compliance management requires agencies to:

- identify all applicable laws, regulations and government directions
- maintain a centralised up-to-date compliance register
- assign responsibility for each requirement
- monitor and report on compliance.

Breaching laws and regulations can be costly, may impact on service delivery and may result in negative publicity.

The 2014 audits identified the following issues:

- half of the Education and Communities agencies either did not have or did not maintain compliance registers (Volume Thirteen 2014, page 43)
- a number of Planning and Environment agencies did not have appropriate processes to ensure compliance with laws and regulations (Volume Eleven 2014, page 24)
- State Emergency Services had breached a number of legislative requirements including delegations under the PF&A Act (Volume Eight 2014, page 74).

Compliance management issues were identified in the 2014 performance audit 'Managing Contaminated Sites'. This audit recommended agencies with large land holdings have comprehensive, risk-based policies and procedures in place to manage contaminated sites. The Environmental Protection Authority lacked controls to ensure all significantly contaminated sites are actively monitored and key milestones for remediation are met.

A performance audit on 'WestConnex' found relevant agencies had not complied effectively with the requirements of the Government's Major Projects Assurance Framework. The audit found that while the agencies had implemented some good internal controls, these is no substitute for the independent scrutiny embodied by the Major Projects Assurance Framework.

Some agencies do have effective compliance management processes in place, such as the Department of Family and Community Services (FACS), which has centralised its oversight of compliance with legislative, regulatory and policy requirements across the cluster. NSW Treasury Corporation and superannuation entities also have well established compliance management processes to meet the high level of regulation by Australian Prudential Regulation Authority and other independent regulatory bodies.

Opportunities exist for agencies to leverage off good practice compliance management processes established in other agencies.

Recommendation

All agencies should maintain a compliance register, monitor compliance and report breaches to the Audit and Risk Committee.

Structure

Strong governance requires well-defined key committees responsible for high-level direction and control. The strength of governance across the NSW public sector is impacted by cluster arrangements and the interrelationships between agencies and policy direction.

Audit and Risk Committees

Audit and Risk Committees (ARCs) with independent members strengthen governance and the integrity of financial information which forms the basis for sound decision making. It may be difficult for small agencies to have an effective ARC in place. To overcome this constraint some agencies have taken advantage of having a shared ARC for their cluster arrangement where one committee covers a number of agencies in the cluster.

Despite this, the 2014 audits found some agencies still do not have an ARC.

NSW Treasury Policy TPP 12-04 'Guidance on Shared Arrangements and Subcommittees for Audit and Risk Committees' allows shared arrangements. This may increase efficiency and reduce the costs to Government through the sharing of independent ARC members, secretariat services, the function of Chief Audit Executive, as well as reduced costs for travel. A number of clusters including Premier and Cabinet have shared ARCs.

All clusters should explore whether they are maximising opportunities from shared governance arrangements. However, while a shared audit and risk committee can discuss any matter with the internal and external auditors, the secrecy provisions in the PF&A Act may restrict the Auditor-General or his delegates from discussing matters discovered on one client with another.

Cluster Arrangements

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

In 2014, *the Trade and Investment Cluster Governance (Amendment and Repeal) Act 2014* dissolved a number of entities.

The *Government Sector Employment Act 2013* (GSE Act) saw great change in 2014 dissolving 28 agencies and creating ten additional staff agencies. Despite efforts to date, the number of reporting entities has not dropped significantly, 327 audit opinions for 30 June 2014 (339 in 2013).

Creating agencies as separate reporting entities has significant accounting and financial consequences, such as separate financial reporting and auditing. More can be done to reduce the number of reporting entities particularly be ensuring only those with real financial activity are subject to financial reporting and auditing requirements.

The staff agencies supply staff to statutory bodies. This is administrative rather than a substantive change to the human resources function within the statutory body. They are reporting entities which require financial statements to be prepared and audited. This additional administrative burden provides little value.

Recommendations

- **The Government should develop an alternative to creating separate staff agencies as reporting entities.**
- **Cluster Heads should continue to rationalise the number of reporting entities to gain efficiencies.**

Role of the Chief Executive and Chief Financial Officers

The current governance framework in the NSW public sector does not provide clarity on the authority, autonomy and accountability of the head Chief Executive Officer (CEO) and Chief Financial Officer (CFO) of clusters.

In particular the responsibility of the head CEO and CFO of a cluster for financial management across the cluster is unclear and its consistency with legislative authority uncertain. This lack of clarity is likely to lead to sub optimal financial management as it is difficult to specifically identify those accountable for performance.

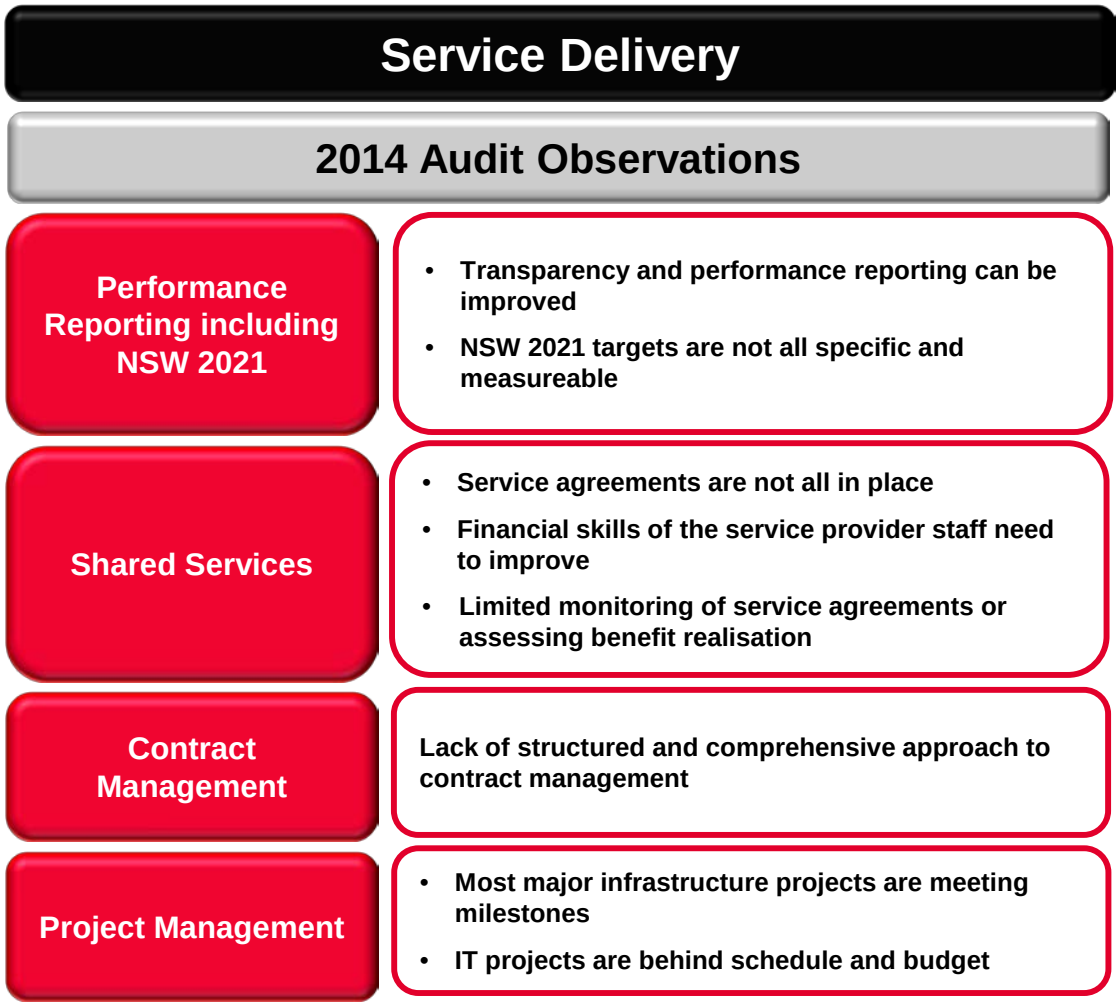
The Government should clearly support the role of the head CEO and CFO of clusters, to allow them to improve financial management and reporting for all agencies in the cluster.

Recommendation

The Government should clarify the role of the head CEO and CFO of the clusters.

Service Delivery

The achievement of Government outcomes can be improved through effective delivery of the right mix of services, whether from the public, private or not-for-profit sectors. Agencies have been working to achieve the goals and targets outlined in NSW 2021 and to provide services in the most efficient and effective way possible.



Performance Reporting

A key objective of public sector reform is to improve performance and create a culture of accountability. Performance reporting against benchmarks and targets is an effective means of measuring the success of these reforms.

Currently the NSW public sector has limited and inconsistent performance reporting including measures for financial sustainability. Performance reporting is primarily internal which reduces transparency and excludes the information needs of some key stakeholders.

Our recent audits recommended the following to improve transparency and reporting of performance:

- public disclosure of performance against key targets such as on time running of outer metropolitan bus services (Volume Seven 2014, page 43)
- public and privately managed correctional centres be subject to the same degree of performance management and reporting (Volume Eight 2014, page 15)
- analysis of costs to identify efficiencies and reassess performance measures used to oversight performance of public and private correctional centres (Volume Eight 2014, page 15)
- NSW Trustee and Guardian should establish performance measures and targets be established for cost and quality of services provided to the community (Volume Eight 2014, page 52)
- Department of Family and Community Services should establish performance measures to compare performance with other jurisdictions and other service providers (Volume Nine 2014, page 29)
- budget processes be refined to improve accuracy of projections
- six monthly reporting against performance metrics be established for the Vocational and Education Training sector (Vocational Educational and Training Reform 2015, page 6).

NSW 2021 Performance

Released in September 2011, NSW 2021 is the Government's ten-year strategic business plan to:

- rebuild the economy
- return quality services
- renovate infrastructure
- restore accountability to Government
- strengthen the local environment and communities.

Most agencies are working towards achieving the performance goals set in NSW 2021. The Government and agencies are nearing the midpoint of this ten-year plan and there is more to be done.

The Department of Premier and Cabinet is responsible for monitoring and reporting on the 32 goals and 186 targets in NSW 2021.

There are opportunities to improve the reporting of performance against NSW 2021. These include:

- revisiting targets to ensure they are measurable and within the control of the cluster (Volume Nine 2014, page 29 ; Volume Fourteen 2014, page 31)
- implementing a system to allow data to be captured online (Volume Six 2014, page 29)
- fully developing all measures and baselines including the methodology (Volume Eight 2014, page 50; Volume Eleven 2014, page 32)
- providing the Auditor-General with a similar mandate as some other State Auditors-General to allow key performance indicators to be audited.

Shared Services

Shared service arrangements aim to create efficiencies and reduce costs by centralising the delivery of services, such as human resources, financial accounting and information technology to agencies from a single location.

The NSW Commission of Audit, in their May 2012 report on 'Government Expenditure', recommended improvements in the delivery of corporate and shared services across the government sector.

Premier and Cabinet, Planning and Environment, Trade and Investment, Health and Treasury are the main clusters using shared service arrangements. We expect service agreements to be finalised before the services are provided. This standard has not been consistently met. Over time the agreements have improved with the majority containing performance measures. Most agreements in the Premier and Cabinet and Health clusters also require reporting against these measures.

Opportunities for improvement include:

- establishing clear service agreements prior to the provision of the service
- improving accounting and financial reporting skills of the service provider (Volume Fourteen 2014, page 33)
- including a performance component in the fee to encourage improved service
- establishing ongoing monitoring of the service agreements including key performance measures
- assessing the benefits realised including cost savings from shared service arrangements.

Since March 2014, the Government has been examining alternate options for the delivery of shared services currently provided by ServiceFirst to agencies within Planning and Environment, Premier and Cabinet and NSW Treasury clusters. The aim of a different delivery model is to achieve value for money, better outcomes, reduced costs and increased productivity.

In December 2014, the Government established a memorandum of understanding with two companies to progress detailed discussions on options for delivering shared services to agencies.

Contract Management

A rigorous contract management framework is vital to ensure all parties meet their obligations, contractual relationships are well managed, value for money is achieved and deliverables meet the required standards and agreed timeframes.

The 2014 performance audit 'Making the most of government purchasing power – telecommunication' developed a 'Better Practice Contract Management Framework' with nine key elements.

GOVERNANCE
• Agencies' contract management delegations are clear and consistent with their general financial delegations
• Appropriate reporting and oversight for contract management is in place
• The capability required to manage contracts is established
• The framework is regularly reviewed
• There is independent monitoring of contracts to check compliance and identify weaknesses.
ROLES AND RESPONSIBILITIES
• Roles and responsibilities are clear
• People managing contracts have the appropriate skills and experience.
POLICIES AND PROCEDURES
• Policies and procedures are in place to guide staff
• A contract management plan is in place for each contract.

Source: 2014 Performance Audit Report 'Making the most of government purchasing power – telecommunications'.

The common contract management issues identified during our audits included:

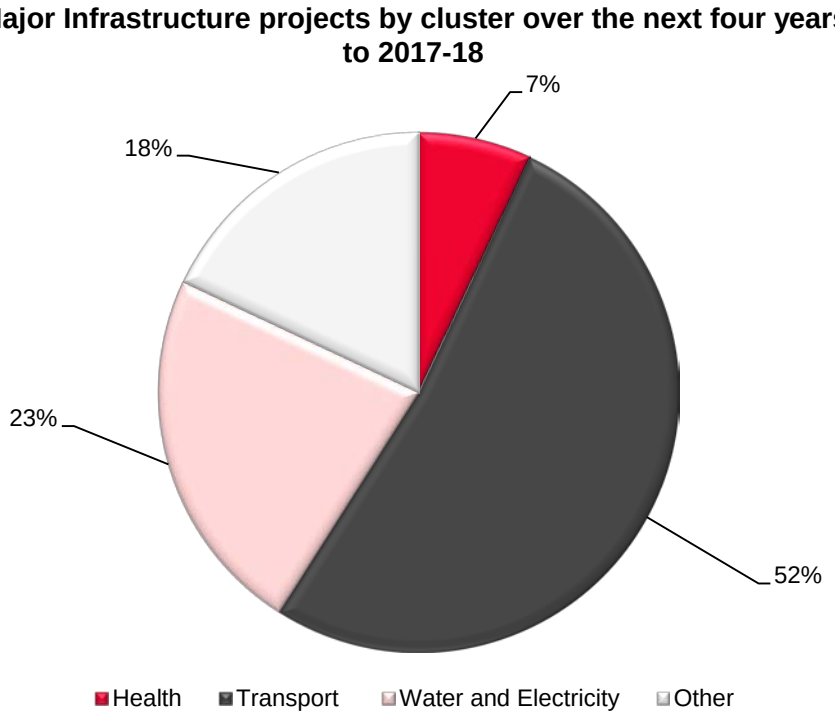
- no contract management framework or centralised contracts register
- lack of monitoring of contracts or the contract register for compliance with government and agency procurement policies
- lack of risk based contract management plan for each contract to effectively monitor and manage performance against the contract objectives, service delivery standards and key performance indicators
- limited skills and experience to negotiate best value-for-money and for the on-going management of contracts.

There are opportunities to leverage knowledge and experience from other agencies through creating stronger networks and sharing of information.

Recommendation

Agencies should self-assess their contract management against key elements of our Better Practice Contract Management Framework and implement a plan to address any weaknesses.

Project Management



Source: Calculated from Budget Paper no. 4 2014-15; total budget $61.5 million.

An effective project management framework ensures the objectives, milestones and requirements of a project will be achieved. It is a crucial component to efficient and effective delivery of NSW public sector infrastructure and associated services.

In 2014, most major infrastructure projects, other than information technology projects, are meeting milestones and budgets. One exception is the Nepean Hospital project which incurred additional costs when a developer went into administration. It is important agencies monitor how suppliers are performing at inception and throughout the contract.

A number of information technology (IT) projects were behind schedule and/or over budget including:

- almost half of eHealth NSW's information technology projects (Volume Twelve 2014, page 54)
- Hunter Water's ERP Upgrade (Volume Five 2014, page 77)
- replacement of legacy financial systems of transport agencies (Volume Seven 2014, page 25)
- the Department of Education's Learning Management and Business Reform Program (LMBR) (Volume Thirteen 2014, page 28).

A performance audit of the LMBR Program was published in 2014. The audit found that one of the major causes of delays and cost overruns was ineffective project management controls and processes. It was also noted that the Department had not developed a process to effectively measure benefits realised throughout the project.

The Office of Finance and Services issued a Project Management Guideline in 2011. Agencies should use this guidance for managing IT and other projects. A key component of the guidance is to assess benefits realised.

Maximising Revenue

In addition to controlling costs there are additional opportunities to increase revenue and reduce revenue leakage. The following opportunities were identified in 2014:

- the value of National Disability Insurance Scheme services being funded by the Department of Family and Community Services during the transition should be measured as they may be recoverable from the Commonwealth (Volume Nine 2014, page 18)
- the Ambulance Service of NSW continues to lose revenue due to problems with its patient billing system including lengthy delays and incomplete data transfers. At 30 June 2014 it had debts owed by patients of $98.4 million, of which $86.2 million was considered doubtful (Volume Twelve 2014, page 7)
- the Environment Protection Authority does not currently recover costs associated with an order or voluntary management proposal as allowed under legislation (Performance Audit: Managing Contaminated Sites).

Performance audit on taxation revenue management is planned for 2015.

Looking Forward

The 2014 audit findings were reported across the themes of financial reporting, financial controls, governance and service delivery. Overall some key issues have been highlighted within these main areas:

- timeliness and accuracy of financial reporting.
- internal control
- governance and accountability
- compliance with Government policy and frameworks
- performance reporting.

In 2015, audit reports to Parliament and management letters will build on recent efforts to better target areas of Government focus including progress against policy objectives and the Government's reform agenda.

In particular we will focus on:

- financial reporting
  - public information that is timely, accurate and reliable
  - financial sustainability
- financial controls
  - assessing compliance with government and agency policies, including CFO certification of internal controls
  - information systems for transparent and evidence-based decisions that are secure and fit for purpose
  - workforce capability and flexibility
  - asset management
- governance
  - devolution of decision-making and accountability in clusters
  - collaboration and coordination across agencies and government
  - risk management
  - control frameworks including fraud and compliance
  - management and oversight
- service delivery
  - procurement reform
  - contestability of government services
  - partnerships and out-sourcing
  - program, project and contract management
  - performance measurement and reporting.

The 2015 audits will also see a stronger focus on governance across the key principles of our revised Governance Lighthouse. This will include assessing the risk management maturity of a wider number of agencies and updating our previous work on fraud and corruption control. Performance audit will report on governance over major capital projects, including reasons for any deviations from budget and scope, and how well major project assurance under the Government's procurement policy framework is operating.

Financial Reporting Reform

NSW Treasury is continuing to drive improved timeliness and accuracy of financial reporting. Its Financial Management Transformation Program (FMT), aims to reform financial management for the NSW public sector. It is a multi-year program to be implemented between now and 2017-18.

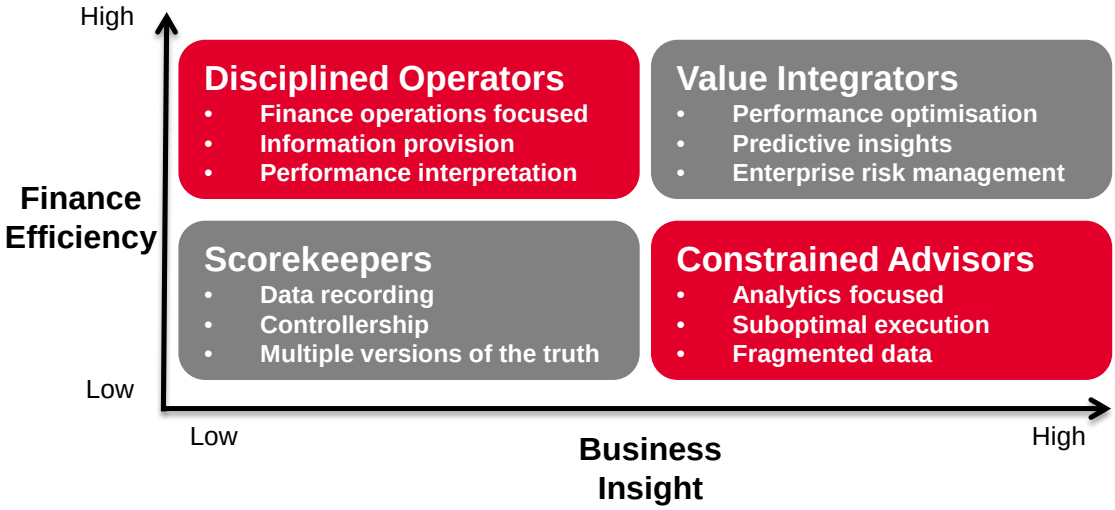
The Program will revise financial governance arrangements and the budgeting performance framework and will provide Government with greater transparency and understanding of agency expenditure.

FMT is developing a new financial management system which will replace the Financial Information System (FIS) and the NSW Treasury Online Entry System (TOES) and improve data analysis capability.

FMT will impact on the work of Chief Financial Officers (CFOs) and their finance teams. Currently many CFOs operate in the 'scorekeepers' space in the diagram below. FMT aims to move more CFOs towards being 'disciplined operators'. The focus continues to be on financial operations and financial efficiency.

Our future audits will monitor and report on progress of the FMT and examine the changing role of CFOs.

Impact of the CFO



Source: IBM – Accelerating Performance 2010.

The 2014 audits identified a number of issues in governance and lack of performance information. CFOs should play a stronger role across the agency to provide more value beyond financial efficiency.

Where a CFO embeds strong internal controls and leads an effective and skilled finance function they will have more time to focus on strategy and risk management. This move into the business insight space will maximise performance and add value. This is not to say there are not CFOs already providing business insights, but more needs to be done to encourage CFOs to become 'value integrators'.

Maintaining Effective Accountability in New South Wales

Legislation determines what Auditors-General can do to ensure accountability and this has a significant influence on their effectiveness.

All Australian Auditors-General have a mandate to audit the finances and performance of government agencies in their respective jurisdictions, but the way governments operate is changing. Governments are adopting new forms of managing service delivery by increasing their use of privatisation, partnership and joint venture with non-government organisations (NGOs) and other levels of government. Many parliaments (Volume One 2013, page 44) now have legislation to ensure Auditors-General provide them with independent assurance about service delivery outcomes and financial accountability in these arrangements ('follow the money' powers).

This has not occurred in New South Wales, where the *Public Finance and Audit Act 1983* has not been significantly amended since its introduction.

The ability to provide an appropriate level of assurance through our performance audits is at times limited due to the Auditor-General not having the mandate of other jurisdictions. In its September 2013 report to parliament on the Efficiency and Effectiveness of the Audit Office of New South Wales, the Public Accounts Committee recommended the *Public Finance and Audit Act 1983* be amended to enable the Auditor-General to 'follow the dollar' by being able to directly audit functions performed by entities, including private contractors and other non-government organisations, on behalf of the State in the delivery of government programs.

Examples from recent reports include:

- Security of Critical IT Infrastructure (Transport for NSW, Roads and Maritime Service, Sydney Water Corporation), page 18 - Our inability to gauge the effectiveness of security at the Prospect Water Treatment Plant is an example of where this extension of powers would have enabled the Audit Office of New South Wales to directly gather evidence from third party providers to provide assurance to the NSW Parliament.
- Regional Road funding – Block Grant and REPAIR programs (Roads and Maritime Service), page 16 - We did not examine directly the validity of the methods used by councils to assess average annual daily traffic or the accuracy of the traffic data ourselves used to determine block grant allocations. We do not have the power to 'follow the dollar' to examine how government grants are allocated or spent by councils. We therefore relied on the information and assessments provided by RMS.

NSW Treasury is currently rewriting the *Public Finance and Audit Act 1983*. A broader and more robust audit mandate should be considered a necessary part of the rewrite in order for the Auditor-General to effectively report on the changing risks and challenges in the NSW Public Sector.

Appendices

Appendix One – Governance Lighthouse – Strategic Early Warning System

This guide presents an updated version of the Audit Office's eight principles and 17 key governance components, published in 2011. It provides practical advice and resources on implementing successful governance in the public sector. References to legislation and directions relate to NSW government agencies

The principles and components are based on the ASX 'Corporate Governance Principles and Recommendations' and draw from other publications such as the Australian National Audit Office 'Public Sector Governance – Strengthening Performance through Good Governance, Better Practice Guide and Internal Audit and Risk Management Policy for the NSW Public Sector.

Why revisit public sector governance

The revised lighthouse places additional focus on the cultural elements that need to be present for effective governance. This is in response to feedback from organisations that use the lighthouse and issues raised in the recent Audit Office of New South Wales surveys on internal audit and risk management[1] and fraud[2] in the NSW public sector.

The new guidance also takes into account a renewed focus on open government and changes in governance better practice:

- 3rd edition of the ASX 'Corporate Governance Principles and Recommendations', released in March 2014
- June 2014 update of the Australian National Audit Office 'Public Sector Governance – Strengthening Performance through Good Governance, Better Practice Guide.

The importance of a good governance framework

Good corporate governance promotes public confidence in Government and its agencies. The better agencies are governed, the better they will perform3 and the more satisfied the public will be. Sound corporate governance is paramount to service delivery and the economic and efficient use of taxpayers' money.

Good governance is those high-level processes and behaviours that ensure an organisation performs by achieving its intended purpose, and conforms by complying with all relevant laws, codes and directions while meeting community expectations of probity, accountability and transparency.

Governance should be enduring, not just something done from time to time. It is important to recognise that implementing a set of processes and procedures will not deliver good governance unless they are accompanied by a good governance culture. The attitudes, values, beliefs, and behaviours of leaders must support good governance.

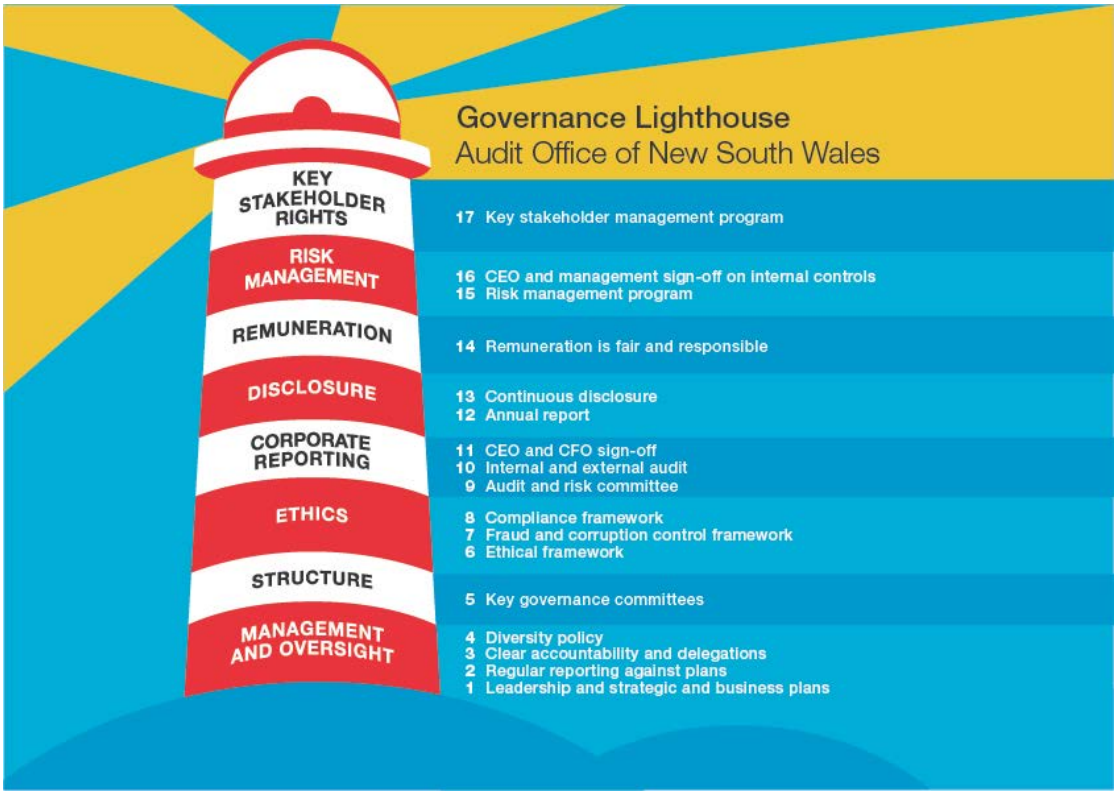
[1] Audit Office of New South Wales, October 2012,Compliance Review Report – Internal Audit and Risk Management for the NSW Public Sector, Auditor-General's Report to Parliament, Volume Three
[2] Audit Office of New South Wales, November 2012, Fraud Survey for the NSW Public Sector, Auditor-General's Report to Parliament, Volume Seven
[3] Brown, R. and Gorgens, T. March 2009, Corporate Governance and Financial Performance in an Australian Context, Australian Government Treasury Working Paper 2009-02

Governance Lighthouse – a strategic early warning signal

Public sector governance is about shining a light on what agencies and government are doing and leads to agencies better meeting their obligations to taxpayers and the public.

Good governance sets a clear direction, a way to get there and tracks progress. There is independent assurance that management is achieving this direction in an ethical and legal way. Risks and opportunities are recognised and addressed. The rights of stakeholders are respected with open and transparent information on organisational activities and performance. And importantly, the organisation and its leaders embrace a governance culture that focuses on achievement, accountability and ethical behaviour.

Governance Lighthouse



Revised eight principles and 17 components of public sector governance

Some of the more significant changes to the eight principles and 17 components of the 2011 version of the governance lighthouse include:

- aligning the values that support eight governance principles with the 2014 Ethical Framework for the NSW Government sector that support good governance
- changing three of the eight governance principles to better reflect the revised version of the ASX 'Corporate Governance Principles and Recommendations' and the needs of the public sector:
  - 'Promote ethical and responsible decision making' has been strengthened to now read 'Act ethically and responsibly'.
  - 'Safeguard integrity of financial reporting' has been broadened to 'Safeguard integrity in corporate reporting' to better reflect public expectations that reporting is more than just financial in nature.
  - 'Key stakeholder management' has been sharpened to 'Respect the rights of key stakeholders'. This acknowledges that agencies need to be transparent and be held to account for their performance.
- additional questions in the lighthouse checklist to assist agencies determine if their culture is supportive of good governance.

Other noteworthy issues include:

Governance structures need to be independent

Strong governance requires a well-defined set of governance committees responsible for high-level direction and control. Ideally, the structure and purpose of these committees should collectively set organisational direction and provide independent assurance on the performance and conformance of management. This assurance is part of an organisation's overall internal control framework.

Many agencies have an audit and risk committee, some also have a board and others have remuneration committees. These committees would usually have a majority of or all independent members.

Many public sector agencies do not have a board with the agency head taking on many of the roles of a 'board' and being accountable to a Minster/s and/or Parliament. In these cases, independent assurance functions should report directly to the agency head. When considering independence, agencies should look beyond the position a person holds and consider whether a member has an interest, association or relationship that might materially interfere, or reasonably be seen to interfere, with the member's capacity to bring an independent judgement.

In organisations with no board, management often form executive management committees to oversee strategic and key operational activities and to provide advice to the agency head and Minister. In some cases, these committees may appear to take on 'board like' functions such as overseeing the activities of the audit and risk committee and internal audit. This should be avoided as executive management should not be controlling activities designed to hold them to account for their performance and conformance. The role of the executive management committee should be restricted to achieving organisational outcomes and providing advice to the agency head.

Governance arrangements in cluster agencies should be clear

Organisational structures and legislation should facilitate the proper governance of public sector organisations. This is particularly important when public sector organisations are clustered with other like organisations. A departmental Secretary usually leads the cluster on behalf of a Minister or Ministers with a chief financial officer (CFO) looking after financial management and reporting. For cluster governance to work properly, the authority, autonomy and accountability for the Secretary and CFO should be clear.

For example, there may be statutory bodies and State Owned Corporations that report to different cluster Ministers, making it difficult for the Secretary and CFO to exercise the expected oversight/control.

These challenges require Government, Ministers, boards, departmental Secretaries, head of the organisations, CFOs and management to work together to clarify governance arrangements in clusters to remove ambiguity and ensure the necessary direction and control.

Risk management should be clearly linked to strategic and business planning

Too often, organisations treat their risk management and strategic planning as separate processes. Strategic risks and opportunities should be a fundamental input to strategic planning.

Transparency and performance reporting can be improved

Public sector agencies are accountable and should have a culture of establishing and publicly reporting on their performance across the full service delivery chain – inputs, outputs, processes and outcomes. Benchmarks should also be published to show how well agencies are performing against similar jurisdictions and service providers.

Often public sector agencies publish limited and inconsistent information on their performance. Performance reporting is often internally focussed on processes and tasks, which reduces transparency and excludes the information needs of some key stakeholders.

Compliance management, internal audit and audit and risk committees

Compliance management continues to be an area needing attention. The Audit Office October 2012 report on internal audit and risk management for the NSW Public Sector identified that some agencies do not have a formal, documented regulatory compliance management framework. A framework is important as it:

- promotes a culture of compliance
- fosters continuous improvement in compliance processes
- ensures obligations are met and helps the organisation demonstrate its corporate and social responsibilities.

The absence of a formal regulatory compliance framework was evident in the limited compliance reporting to audit and risk committees. Some committees see very little information on:

- key legislation affecting an organisation
- how management addresses and monitors legal and compliance risks
- how management identifies breaches and implications.

Agencies were also not promptly acting on internal audit recommendations they agreed to implement nor properly reviewing the performance of their audit and risk committees.

Audit and risk committees were not meeting with the external and/or internal auditors at least once during the year without management being present.

Fraud control requires an ongoing commitment

Fraud control requires an ongoing commitment that goes well beyond setting up policies and procedures. The Audit Office November 2012 survey of fraud control identified that some agencies simply ‘tick the box‘ and are not committed to fraud control. To illustrate this, the survey indicated that:

- not enough agencies are revising fraud risk assessments when there is a major change to their role or function
- while a high proportion of agencies have a code of conduct, a much lower proportion require staff to regularly attest they know and understand it
- weaknesses in fraud awareness and training exist.

Agencies should refer to the 2015 Audit Office Fraud Control Improvement Kit, which consolidates previously issued Audit Office resources into one document and places additional focus on the cultural elements that need to be present to implement an effective fraud control framework.

Revised governance lighthouse checklist

Organisations may not need to implement all 17 components of the lighthouse and the level of sophistication required for each component will vary between organisations. Where a public sector organisation decides not to have a particular component, it should satisfy itself that the component is not necessary or develop alternative compensating measures. The reasons for not using a particular component and any compensating measures should be documented.

How to use the governance lighthouse checklist

Government agencies and universities should:

- review their governance frameworks against the revised governance lighthouse checklist
- pay particular attention to ensuring:
  - governance committees are independent of management
  - governance arrangements in cluster agencies are clear
  - risk management is clearly linked to strategic and business planning
  - an ethical framework exists that supports all people acting ethically and in the public interest
  - performance information on key metrics, inputs, outputs, processes and outcomes is regularly disclosed and benchmarked
  - there is a formal compliance framework to ensure legal obligations, central agency directions and polices are followed
  - fraud and corruption control is part of the culture and not just an exercise.

Lay solid foundations for management and oversight - accountability and service

1. Leadership and strategic and business plans

- Does a results and services plan (RSP), statement of business intent (SBI) or equivalent exist?
- Is it signed-off by the head of the organisation?
- Is it signed-off by the board or executive management committee?
- Has it been provided to NSW Treasury and the relevant Minister?
- Do senior executives actively connect staff with the organisation's purpose (e.g. through forums, attendance at meetings, walking the floor, performance agreements and connecting day-to-day work with purpose)?

2. Regular reporting against plans

- Are written quarterly status reports based on the RSP, SBI or equivalent provided to the head of the organisation?
- Are reports presented to staff, the board, executive management committee, the relevant shareholder Minister and NSW Treasury, staff and other applicable stakeholders?
- Are results against plans disclosed in the annual report?

Lay solid foundations for management and oversight - accountability and service

3. Clear accountability and delegations

- Do all staff know what they are to do, for whom, when and to what level of performance – including their obligations under the Ethical Framework for the NSW Government sector?
- Are delegations documented, regularly reviewed and available to all staff?
- Are the responsibilities between Ministers, governance committees and management clear and understood?

For agencies with boards:

- Is there a clear division of responsibilities between Ministers, boards and management?
- Is the performance of the board periodically evaluated?
- Is the performance of the board disclosed in the annual report?
- Are there written terms of appointment for all board members and senior executives?

4. Diversity policy

- Is there a policy outlining measureable objectives concerning diversity?
- Is there an annual assessment on how diversity goals are being achieved?
- Are results against diversity targets published in the annual report?

Structure to add value - accountability

5. Key governance committees

- Is there a set of well-defined key committees responsible for high-level direction and control that are independent of management?
- Are the responsibilities and reporting lines for these committees clearly understood and documented in a charter?
- Does each of these committees have a chair who is independent of management and a majority of independent members?
- Do the key committees collectively have the required level of experience, capability and diversity to meet the needs of the business and legislative requirements?
- If there is an executive management committee, is its role restricted to achieving organisational outcomes and advising the head of the organisation - with separate independent assurance on the conformance and performance of management reporting directly to the head of the organisation?

  Used wisely an audit and risk committee, remuneration committee and internal audit would be able to provide this assurance.

For agencies with boards:

- Are the chair and a majority of members independent of management?

  A chair or member is independent of management if they do not have an interest, position, association or relationship that might materially interfere, or reasonably be seen to interfere, with the member's capacity to bring an independent judgement. For example, a member would not been considered independent if they:
  - are currently employed by or have a material relationship with the organisation
  - had held a senior management position at the organisation in the last three years
  - had a material business relationship with organisation in the last three years.
- Are the interests, positions, associations or relationships that do or may compromise the independence of the directors disclosed?
- Are the names, skills and length of service of each member disclosed?
- Are members inducted and provided with appropriate development?

Act ethically and responsibly - integrity, service and trust

6. Ethical framework

- Does the organisation follow an ethical framework? For further guidance refer to the Ethical Framework for the NSW Government
- Is the code of conduct endorsed by the head of the organisation and Board?
- Is the code of conduct signed annually by all staff?
- Does the code of conduct cover conflicts of interest, gifts and benefits and secondary employment?
- Is the code of conduct publically available – e.g. on the internet?
- Is there a statement of business ethics?
- Do senior management 'walk the talk' on ethical behaviour:
  - Is the code of conduct current - has it been reviewed in the past two years or when there is a significant change to the nature of the organisation's business or its key processes?
  - Are staff surveyed on whether:
    - senior management 'walks the talk' on integrity and ethics issues?
    - ethical breaches are dealt with properly and promptly?
  - Do senior management have an open door policy where staff feel safe and comfortable to openly raise questions, concerns or state their views?
  - Do senior management regularly review ethical breaches?

7. Fraud and corruption control framework

- Is there a documented fraud control framework?
- Does the framework cover the prevention, detection and response to fraud? For guidance, refer to the 2015 Audit Office Fraud Control Improvement Kit.

8. Compliance framework

- Is there a documented approach or plan that covers how compliance is identified, monitored and reported?
- Have all key compliance obligations (relevant laws, regulations and government directions) been identified along with their risk ratings and appropriate mitigation?
- Is there regular reporting to the audit and risk committee on an organisation's compliance with key laws, regulations and central directions?
- Are breaches of compliance obligations addressed adequately and promptly?
- Are all key policies clear, available, regularly updated and monitored for compliance?

Safeguard integrity in corporate reporting - accountability and service

9. Audit and risk committee

- Is there an audit and risk committee that meets the requirements of Internal Audit and Risk Management Policy for the NSW Public Sector including its establishment, role and responsibilities, performance and processes for selecting, appointing and rotating independent members?
- Does the committee examine the adequacy of corporate as well as financial reporting?
- Is the internal and external auditor invited to attend all audit and risk committee meetings?
- Do executive management appreciate the independence and role of the audit and risk committee?
  - Does the audit and risk committee have full access to all relevant information, staff, internal and external reviewers?
  - Is executive management's role restricted to achieving organisational outcomes and providing advice to the organisational head?

    Executive management should not take on 'board like' functions such as overseeing the activities of the audit and risk committee and internal audit, as these activities are designed to hold them to account for their performance and conformance.

10. Internal and external audit

- Is there an internal audit function that meets the requirements of Internal Audit and Risk Management Policy for the NSW Public Sector including the role, responsibilities, authorisation, activities and reporting relationships?

  Internal audit should provide assurance to the head of the organisation and the audit and risk committee that financial and operational controls properly manage risks and achieve objectives and are operating in an efficient, effective and ethical manner.
- Is the internal audit plan publically available, e.g. on the website?
- Are internal audits completed in accordance with the plan?
- Does executive management facilitate and respond constructively to reviews, findings and their recommendations?
  - Are recommendations or corrective action implemented on a timely basis?
  - Are key review findings and agreed recommendations publically available?
  - Is internal audit able to access sufficient skills and experience?

11. CEO and CFO sign-off of financial report

- Has the CFO and head of the organisation certified that the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial performance and position?
- Have the head of the organisation and CFO signed the management representation letter and forwarded it to the external auditor?
- Where a board exists, has the head of the organisation and CFO provided a similar representation?

Make timely and balanced disclosure - integrity and accountability

12. Annual report

- Has the annual report been forwarded to the relevant Minister on time?
- Has the annual report been tabled in Parliament on time?
- Is the annual report published on the organisation's website?
- Does the annual report include performance information on key metrics, inputs, outputs, processes (i.e. quality control etc.) and outcomes?

Make timely and balanced disclosure - integrity and accountability

13. Continuous disclosure

- Is there a documented continuous disclosure policy that is endorsed by the head of the organisation and board?
- Does the policy provide for regular disclosure of performance information on key metrics, inputs, outputs, processes (i.e. quality control etc.) and outcomes, in addition to the annual report? E.g. regular publication on the internet.
- Does the policy promote the disclosure of positive and negative information?
- Has the policy been reviewed in the past two years or when there is a significant change to the nature of the organisation's business or its key processes?
- Is the policy published on the organisation's website?

Remunerated fairly and responsibly - (accountability)

14. Remuneration is fair and responsible

- Is the head of the organisation's remuneration linked to achieving the RSP, SBI or equivalent?
- Are the head of the organisation's direct reports' and staff's remuneration linked to achieving the RSP, SBI or equivalent?
- Is there a remuneration committee with independent members?
- Does the remuneration committee have a charter? Ideally, the committee should oversee whether remuneration policies are fair and responsible.
- Is the policy for remunerating senior executives publically disclosed along with the remuneration and performance of senior executives (e.g. in the annual report)?

Recognise and manage risk - (accountability)

15. Risk management program

- Is there a documented risk management policy and has it been endorsed by the head of the organisation and board (where one exists)?
- Is the risk management framework appropriate and consistent with the Risk Management Toolkit for the NSW Public Sector?
- Is there a strong risk management culture:
  - Is the risk management framework reviewed at least annually or when there is a significant change to the nature of the organisation's business or its key processes?
  - Is the risk management framework clearly linked to strategic and business planning?
  - Does the organisation document and have a shared understanding of its risk appetite?
  - Do individual staff members accept personal responsibility for identifying and managing risks in their area?
  - Are risks actively monitored and mitigating controls implemented?
- Do risks include any material exposure to economic, environmental and social responsibility risks?

Recognise and manage risk - (accountability)

16. CEO and management sign-off on adequacy of internal controls

- Have senior management provided the head of the organisation with a sign-offs on the operation of internal controls to support the head of the organisation's sign-off?
- Has a signed statement on the adequacy of an organisation's internal controls been published in the organisation's annual report?

Respect the rights of key stakeholders - (accountability)

17. Key stakeholder management program

- Is there a documented program to facilitate two-way interaction with key stakeholders and the public?
- Is the program reviewed annually, or when there is a significant change to the nature of the organisation's business or its key processes?
- Is information about an entity's functions and governance structure freely available? – e.g. published on the web – additional to the annual report
- Is there a complaints handling policy and procedure and are these publically accessible and easily understood?
- Are there prompt responses and actions towards complaints and grievances?
- Are there policies and practices that adequately address open government requirements – publication of key policies and access to information?

Appendix Two – Financial Audit

Financial Audit Reporting

Fourteen financial audit reports were tabled in Parliament during 2014. The observations and recommendations summarised in this first Volume for 2015, exclude Universities.

Financial audits provide an independent opinion on NSW government agencies' financial statements. They are designed to add credibility to financial statements, enhancing their value to end-users. Also, they identify whether agencies comply with accounting standards and relevant laws, regulations and government directions. Audit findings are reported in our reports to Parliament, which are summarised earlier in this report and also in management letters.

Management Letter Recommendations

Management letters contain detailed recommendations reported to those charged with agency governance during and after each financial audit. They also include repeat issues identified in previous audits, which have not been satisfactorily actioned by management.

Management letter recommendations by Volume were:

Auditor-General's report volume	Number of recommendations			Number of repeat recommendations		
Year ended 30 June	2014	Average no per agency	2013	2014	Average no per agency	2013
Electricity and Water*	52	4.7	--	1	0.1	8
Premier and Cabinet	33	2.4	108	2	0.1	1
Transport	41	2.3	69	8	0.4	16
Police and Justice (Law, Order and Emergency Services)	83	4.6	64	22	1.2	5
Family and Community Services	26	2.6	39	7	0.7	6
Treasury and Finance	85	1.3	164	25	0.4	44
Planning and Environment	94	3.1	--	22	0.7	17
Health	200	5.9	259	73	2.1	90
Education and Communities**	137	9.8	118	38	2.7	45
Trade and Investment	202	8.1	127	54	3.2	57
Total	**953**	**4.0**	**948**	**252**	**1.1**	**289**

Note: Planning and Environment is a new cluster in 2014, Electricity and Water not reported in 2013. All management letter recommendations are included regardless of whether an extreme, moderate or low risk finding.

* Excludes Delta Electricity.

** Excludes management letter recommendations made to individual schools.

Our audit of financial information systems of 81 agencies accounted for approximately one quarter of management letter recommendations. These are detailed in the Financial Controls section of this report. That section also covers recommendations in reports to Parliament on internal controls, human resources and asset management.

The remaining recommendations cover a wide range of findings including:

- poor compliance with legislation, policies and procedures
- weaknesses in financial reporting
- lack of segregation of duties and appropriate approval processes
- poor procurement practices.

Overall the number of recommendations and average number per agency have decreased. Clusters with a large number of significant agencies, such as Trade and Investment and Health, have a larger number of findings.

Education had increased findings for financial reporting and human resources. Health agencies continue to have the highest number of repeat issues. Many of the other clusters are addressing recommendations in the expected timeframes.

Public Accounts Committee

A key activity of the Public Accounts Committee (PAC) of Parliament is to follow up on how agencies are progressing with implementing agreed audit recommendations. This occurs twelve months after our reports are tabled.

In 2014, the PAC followed up action on repeat recommendations from 2013 financial audit reports to Parliament and made further recommendations. The PAC findings were published in PAC Report 18/55. This report examined recommendations made to the State Records Authority, the Department of Justice, Transport for NSW, the Department for Planning and Environment and the Office of Environment and Heritage.

Overall the PAC was pleased with the action taken by these agencies in addressing audit recommendations. They were particularly pleased with the Department of Planning and Environment improving its accounting methods to provide a more accurate indication of requirements for infrastructure projects.

The PAC made five additional recommendations to ensure the savings and efficiencies are realised.

Appendix Three – Performance Audit

Performance Audit Reporting

Performance audits provide independent assurance to Parliament and to the public on the economy, efficiency and effectiveness of government activities. Through their recommendations, performance audits seek to improve government performance and achievement of its priorities. In 2014, nine performance audits were published and are available on our website.

The future Performance Audit Program will be published by 30 June 2015. It will be sufficiently flexible to be responsive to any emerging priority issues of the new Parliament and Public Accounts Committee (PAC).

A key activity of the PAC is to follow up on how agencies are progressing with implementing agreed audit recommendations. This occurs twelve months after our reports are tabled.

In 2014, the PAC followed up action on recommendations from 14 performance audits published from April 2012 to July 2013, and made further recommendations. The PAC findings were published in three reports, PAC Report 15/55, PAC Report 17/55 and PAC Report 19/55 which are available on its website.

PAC follow-up in 2014 of recommendations from earlier performance audits	Further recommendations from PAC
Cannabis cautioning	Yes
Barangaroo	No
Two ways together	Yes
Transporting dangerous goods	No
Road safety speed cameras	Yes
Prequalification scheme for management consultants	Yes
Improving safe driving - young drivers	Yes
Domestic violence	Yes
Managing IT services contracts	Yes
Visiting medical officers and staff specialists	Yes
Managing drug exhibits and other high profile goods	Yes
Managing gifts and benefits	Yes
Management of ClubGRANTS scheme	Yes
Management of historic heritage in national parks and reserves	Yes

The PAC was generally satisfied with the action taken by agencies in responding to audit recommendations.

It noted in its second report in August 2014:

> The Committee was fairly satisfied with agencies responses to these performance audits. It is clear to the Committee that agencies have taken the Auditor-General's findings seriously, with most recommendations being accepted.(PAC Report 17/55 2014, page iv).

The following agencies were specifically acknowledged by the Committee:

> Sydney Trains for implementing recommendations on improved monitoring and reporting of overtime (PAC Report 15/55 2014, page 34).
>
> NSW Health for including the requirement to address Auditor-General recommendations as a performance measure in its Chief Executive contracts. (PAC Report 19/55 2014, page iv).

Also of interest was the follow up of 'Monitoring of Local Government' audit where the PAC expressed support for the Auditor-General being provided with powers to conduct the financial and performance audits of local government.(PAC Report 17/55 2014, page 10)

The Committee was disappointed with responses from agencies and actioning of recommendations in a few cases including:

- the Department of Education's response and actioning of recommendations made in 'Improving the Literacy of Aboriginal Students in NSW Public Schools'.(PAC Report 15/55 2014)
- the Department of Premier and Cabinet and Community Relations Commission response to 'Settling Humanitarian Entrants in NSW'.(PAC Report 15/55, 2014).

Appendix Four – Cluster Information

Volume Five 2014 focusing on Electricity and Water *		
Trade and Investment, Regional Infrastructure Cluster		
Ausgrid	Gosford Water Supply Authority	State Water Corporation
Ausgrid Pty Limited	Green State Power Pty Ltd	Sydney Catchment Authority
Cobar Water Board	Hunter Water Australia Pty Limited	Sydney Water Corporation
Delta Electricity	Hunter Water Corporation	TransGrid
Endeavour Energy	Macquarie Generation	Wyong Water Supply Authority
Essential Energy	Networks NSW Pty Limited	
Volume Six 2014 focusing on Premier and Cabinet		
Premier and Cabinet Cluster		
Audit Office of New South Wales	Infrastructure NSW	Ombudsman's Office
Barangaroo Delivery Authority	Infrastructure NSW Staff Agency	Parliamentary Counsel's Office
Barangaroo Delivery Authority Staff	Internal Audit Bureau of New South Wales	Police Integrity Commission
Department of Premier and Cabinet	Natural Resources Commission	Police Integrity Commission Staff Agency
Election Funding Authority of New South Wales	Natural Resources Commission Staff Agency	Public Service Commission
Hamilton Rouse Hill Trust	New South Wales Electoral Commission	Rouse Hill Hamilton Collection Pty Limited
Independent Commission Against Corruption	New South Wales Electoral Commission Staff Agency	Service NSW
Independent Pricing and Regulatory Tribunal	Office of Barangaroo Delivery Authority	Sesquicentenary of Responsible Government Trust Fund
Independent Pricing and Regulatory Tribunal Division	Office of Sport	Stockton Bight Board of Management
Independent Pricing and Regulatory Tribunal Staff Agency	Office of the New South Wales Electoral Commission	
Volume Seven 2014 focusing on Transport		
Transport Cluster		
Office of Transport Safety Investigations	Port Authority of New South Wales	Sydney Trains
Department of Transport	Port Kembla Port Corporation	Trainworks Limited
Independent Transport Safety Regulator	Rail Corporation New South Wales	Transport Cleaning Service
Independent Transport Safety Regulator Staff Agency	Roads and Maritime Services	Transport for NSW
MTS Holding Company Pty Limited	State Transit Authority of New South Wales	Transport Service
Newcastle Port Corporation	Sydney Ferries	WestConnex Delivery Authority
NSW Trains	Sydney Ports Corporation	Western Sydney Buses Division
Volume Eight 2014 focusing on Police and Justice		
Justice Cluster		
Bush Fire Coordinating Committee	Legal Profession Admission Board	NSW Trustee and Guardian
Crown Solicitor's Office	Ministry for Police and Emergency Services	NSW Trustee and Guardian Common Fund
Department of Police and Justice	New South Wales Crime Commission	Office of the Director of Public Prosecutions
Fire and Rescue New South Wales	New South Wales Crime Commission Staff Agency	Office of the Protective Commissioner Common Fund
Information and Privacy Commission NSW	Office of The New South Wales Rural Fire Service	State Rescue Board
Judicial Commission of New South Wales	NSW Police Force	
Legal Aid Commission of New South Wales	New South Wales State Emergency Service	

* The balance of entities in the Trade and Investment Cluster were reported in Volume Fourteen 2014.

Volume Nine 2014 focusing on Family and Community Services		
Family and Community Services Cluster		
City West Housing Pty Limited	Home Purchase Assistance Fund	NSW Land and Housing Corporation
Department of Family and Community Services	John Williams Memorial Charitable Trust	Office of the Children's Guardian
Home Care Service of New South Wales	NSW Aboriginal Housing Office	
Home Care Service Staff Agency	NSW Businesslink Pty Ltd	
Volume Ten 2014 focusing on Treasury and Finance (including Superannuation and Insurance)		
Treasury and Finance Cluster		
Australian Centre for Advanced Computing and Communications Pty Limited	Local Government Superannuation Scheme Pty Ltd	SAS Trustee Corporation
Board of Surveying and Spatial Information	Long Service Corporation	SAS Trustee Corporation Pooled Fund
Building Insurers' Guarantee Corporation	Lotteries Assets Ministerial Holding Corporation	SAS Trustee Corporation Division of the Government Service of NSW
Buroba Pty Ltd	Ministerial Holding Corporation	Southern Way Unit Trust
Cobbora Coal Mine Pty Limited	Motor Accidents Authority of New South Wales	State Rail Authority Residual Holding Corporation
Cobbora Holding Company Pty Limited	Motor Vehicle Repair Industry Authority	State Records Authority of New South Wales
Cobbora Rail Company Pty Limited	New South Wales Government Telecommunications Authority	State Super Financial Services Australia Limited
Crown Employees (NSW Fire Brigades Firefighting Staff Death & Disability) Superannuation	New South Wales Treasury Corporation	State Super Fixed Term Pension Plan
Crown Entity	NSW Architects Registration Board	State Super Investment Fund
Department of Finance and Services	NSW Fire Brigades Superannuation Pty Limited	State Super Retirement Fund
EIF Pty Limited	NSW Land and Housing Corporation	Superannuation Administration Corporation (trading as Pillar Administration)
Electricity Assets Ministerial Holding Corporation	NSW Self Insurance Corporation	TCorp Nominees Pty Limited
Energy Industries Superannuation Scheme Pool A	Office of Finance and Services	Teacher Housing Authority of New South Wales
Energy Industries Superannuation Scheme Pool B	Parliamentary Contributory Superannuation Fund	The Treasury
Energy Industries Superannuation Scheme Pty Limited	Pisco STC Funds Unit Trust 1	Treasury Corporation Division of the Government Service
Energy Investment Fund	Pisco STC Funds Unit Trust 2	Valley Commerce Pty Limited
Fair Trading Administration Corporation	Port Botany Lessor Pty Limited	Waste Assets Management Corporation
Financial Counselling Trust Fund	Port Kembla Lessor Pty Limited	WorkCover Authority of New South Wales
Government Property NSW	Port of Newcastle Lessor Pty Ltd	Workers' Compensation (Dust Diseases) Board
Home Warranty Insurance Fund	Ports Assets Ministerial Holding Corporation	Workers Compensation Nominal Insurer
Liability Management Ministerial Corporation	Rental Bond Board	
Lifetime Care and Support Authority of New South Wales	Residual Business Management Corporation	
Volume Eleven 2014 focusing on Planning and Environment		
Planning and Environment Cluster		
Australian Technology Park Sydney Limited	Foundation for the Historic Houses Trust of New South Wales	Office of Environment and Heritage
Biamanga Board of Management	Foundation for the Historic Houses Trust of New South Wales Limited	Office of Local Government
Building Professionals Board	Gaagal Wangaan (South Beach) Board of Management	Parramatta Park Trust
Centennial Park and Moore Park Trust	Gulaga Board of Management	UrbanGrowth NSW Development Corporation
Central Coast Regional Development	Historic Houses Trust of New South	UrbanGrowth NSW Development
Cooks Cove Development Corporation	Hunter Development Corporation	Royal Botanic Gardens and Domain Trust
Corporation Sole 'Minister Administering the *Environmental Planning and Assessment Act 1979*'	Jenolan Caves Reserve Trust	Sydney Harbour Foreshore Authority
Corporation Sole 'Minister Administering	Landcom	Sydney Harbour Foreshore Authority
Department of Planning and Environment	Lord Howe Island Board	Western Sydney Parklands Trust
Environment Protection Authority	Luna Park Reserve Trust	Zoological Parks Board of New South Wales
Environment Protection Authority Staff Agency	Mt Grenfell Board of Management	
Environmental Trust	Mutawintji Board of Management	

Volume Twelve focusing on Health		
Health Cluster		
Aboriginal and Torres Strait Islander Council of New South Wales	Health Education and Training Institute	Northern NSW Local Health District
Agency for Clinical Innovation	Hunter New England Local Health District	Northern Sydney Local Health District
Albury Base Hospital	Health Infrastructure	NSW Institute of Psychiatry Staff Agency
Albury Wodonga Health Employment Division	Healthshare NSW	NSW Kids and Families
Ambulance Service of NSW	Health System Support Group	Nursing and Midwifery Council of New South Wales
ANZAC Health and Medical Research Foundation	Illawarra Health and Medical Research Institute Limited	Occupational Therapy Council of New South Wales
ANZAC Health and Medical Research Foundation Trust Fund	Illawarra Shoalhaven Local Health District	Optometry Council of New South Wales
Bureau of Health Information	Justice Health and Forensic Mental Health Network	Osteopathy Council of New South Wales
Cancer Institute NSW	Medical Council of New South Wales	Pharmacy Council of New South Wales
Central Coast Local Health District	Medical Radiation Council of New South Wales	Physiotherapy Council of New South Wales
Chinese Medicine Council of New South Wales	Mental Health Commission of New South Wales	Podiatry Council of New South Wales
Chiropractic Council of New South Wales	Mental Health Commission Staff Agency	Psychology Council of New South Wales
Clinical Excellence Commission	Mid North Coast Local Health District	South Eastern Sydney Local Health District
Dental Council of New South Wales	Ministry of Health	South Western Sydney Local Health District
Far West Local Health District	Murrumbidgee Local Health District	Southern NSW Local Health District
Graythwaite Charitable Trust	Nepean Blue Mountains Local Health District	Sydney Local Health District
Health Administration Corporation	New South Wales Health Foundation	The Sydney Children's Hospitals Network
Health Care Complaints Commission	New South Wales Health Pathology	Western NSW Local Health District
Health Care Complaints Commission Staff Agency	New South Wales Institute of Psychiatry	Western Sydney Local Health District
Volume Thirteen 2014 focusing on Education and Communities		
Education and Communities Cluster		
Arts Education Foundation Trust	New South Wales Institute of Sport	Sydney Cricket and Sports Ground Trust Staff Agency
Board of Studies, Teaching and Educational Standards	New South Wales Technical and Further Education Commission	Sydney Olympic Park Authority
Board of Studies, Teaching and Educational Standards Staff Agency	Newcastle International Sports Centre Club	Technical and Further Education Comission
Combat Sports Authority of NSW	NSW Board of Vocational Education And Training	Technical Education Trust Funds
Community Relations Commission for a Multicultural NSW	NSW Commission For Children and Young People	Trustees of the ANZAC Memorial Building
Community Relations Commission Staff Agency	NSW Department of Education and Communities	Universities Admissions Centre (NSW & ACT) Pty Limited
Institute of Sport Staff Agency	NSW Skills Board	Venues NSW
Macquarie University Professorial Superannuation Scheme	State Sporting Venues Authority	
New South Wales Aboriginal Land Council **	Sydney Cricket and Sports Ground Trust	

** NSW Aboriginal Land Council is not part of a Cluster and is reported in Volume Thirteen 2014.

Volume Fourteen 2014 focusing on Trade and Investment ***		
Trade and Investment, Regional Infrastructure Cluster		
Agricultural Scientific Collections Trust	Game Council of New South Wales	NSW Food Authority
Art Gallery of New South Wales Foundation	Independent Liquor and Gaming Authority	NSW Ovine Johne's Disease Transaction Based Contribution Scheme
Art Gallery of New South Wales Trust	Independent Liquor and Gaming Authority Staff Agency	Responsible Gambling Fund
Art Gallery of New South Wales Trust Staff Agency	Lake Illawarra Authority	Rice Marketing Board for the State of New South Wales
Australian Museum Trust	Lands Administration Ministerial Corporation	Small Business Development Corporation of New South Wales
Australian Museum Trust Staff Agency	Library Council of New South Wales	State Library of New South Wales Foundation
Belgenny Farm Agricultural Heritage Centre Trust	Library Council of New South Wales Staff Agency	Sydney Opera House Trust
CB Alexander Foundation	Local Land Services	Sydney Opera House Trust Staff Agency
Chipping Norton Lake Authority	Local Land Services Staff Agency	The Australian Institute of Asian Culture And Visual Arts Limited (VISASIA)
Dams Safety Committee	Marine Parks Authority	The Brett Whiteley Foundation
Department of Trade and Investment, Regional Infrastructure and Services	Milk Marketing (NSW) Pty Limited	Trustees of Museum of Applied Arts and Sciences Staff Agency
Destination NSW	Mine Subsidence Board	Museum of Applied Arts and Sciences
Destination NSW Staff Agency	Ministerial Corporation for Industry	Veterinary Practitioners Board
Forestry Corporation of NSW	New South Wales Film and Television Office (Trading as Screen NSW)	Water Administration Ministerial Corporation
Game Council Division	New South Wales Rural Assistance Authority	Wentworth Park Sporting Complex Trust

*** Excludes water and electricity entities, reported in Volume Five 2014.

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