New South Wales Auditor-General's Report
Financial Audit

Volume Nine 2015
Planning and Environment

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 Nine of my 2015 report.

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Acting Auditor-General
3 December 2015

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Financial reporting

Unqualified audit opinions were issued for 28 of 29 cluster agencies with one audit incomplete. The quality and timeliness of financial reporting in the cluster continues to improve, however, early close procedures can improve further.

Financial performance

Some cluster agencies should adopt a more robust and consistent approach to assessing financial sustainability and improve budgeting processes.

Financial controls

Information technology

Stronger controls are needed to reduce the risk of inappropriate access to data in financial systems. Better management of IT systems and process knowledge will reduce key person risk.

Asset management

Asset management plans at larger agencies require improved cost data, non-financial performance indicators and systems to collect and analyse asset management information.

Contract management

Some agencies are yet to self-assess contract management processes against the Audit Office's Better Practice Contract Management Framework. All agencies should address identified gaps in their frameworks promptly.

Governance

Shared service model

The Department of Planning and Environment has a new shared service model and needs to finalise the Service Partnership Agreements to ensure clarity over service levels, cost allocations, key performance indicators and service expectations.

Financial reporting by councils

Fewer local councils met financial reporting deadline in 2014-15. The Office of Local Government will need to develop initiatives to ensure councils fulfil their financial reporting responsibilities.

Service delivery

Housing supply and development approvals

The Department of Planning and Environment exceeded its target of approving 50,000 new homes and substantially improved the time taken to approve significant developments.

Litter management

Reducing litter levels in New South Wales by 40 per cent to meet the Premier's target to be the least littered state by 2020 will be challenging.

Contaminated sites

The NSW Environment Protection Authority has significantly reduced the time taken to assess potentially contaminated sites and is improving transparency by making more information on its performance publicly available.

Financial Performance and Reporting

Reported misstatements decreased and were mostly corrected by agency management

Unqualified audit opinions were issued for 28 of 29 cluster agencies on the 2014-15 financial statements. One audit was incomplete. The quality and timeliness of financial reporting in the cluster continues to improve.

Cluster agencies substantially complied with early close procedures, but further improvements are desirable. Some cluster agencies were late in assessing the impacts of Australian Accounting Standards effective for the first time and/or had not addressed prior year audit issues and recommendations as part of the early close procedures.

Recommendation (repeat issue)

> Agencies should assess the impact of new accounting standards and resolve prior year audit issues and recommendations on a timely basis.

Improved analysis of financial sustainability and budgeting is required

The Department of Planning and Environment closely monitors its own financial performance and sustainability against a variety of performance indicators, whereas most other cluster agencies only monitor financial performance against budget. There were three agencies showing material variances from budget for all major financial statement line items (four agencies in 2013-14).

Recommendations

> Some cluster agencies should adopt a more robust and consistent approach to assessing financial performance and sustainability.

> Cluster agencies should continue to review their budgeting processes to improve financial management.

Financial Controls

Some agency CFOs are not required to attest to the effectiveness of internal controls

The certification of internal controls by chief financial officers (CFO) gives the agency head some assurance they are adequate for financial reporting purposes. While the CFOs of some smaller agencies are not required to provide this assurance to the agency head, it represents best practice.

Recommendation

> As best practice, the CFOs of smaller agencies should attest to the effectiveness of internal controls over financial information in the financial statement approval process.

Thirty-two of 102 internal control issues identified and reported were repeat issues

The 2014-15 audits identified 102 internal control issues. Thirty-two of these were unresolved issues from previous audits. Internal control weaknesses increase the risk of fraud and error and, therefore, should be addressed in a timely manner.

Recommendation

> Management letter recommendations should be actioned promptly.

The integrity and security of data in financial systems is at risk

Weak user administration processes have increased the risk of excessive or unauthorised access to critical financial systems, compromising the integrity and security of financial data in the systems. IT resourcing constraints contributed to the high number of repeat IT issues.

Recommendations

> Management of user administration over financial systems should be strengthened to prevent inappropriate access to financial information.

> Key person risk should be addressed through formal staff knowledge transfer procedures, the cross skilling of staff and centralised recording of IT information.

Asset management at some larger agencies could be improved

Cluster agencies with significant land, buildings and infrastructure assets could improve service delivery outcomes if they had more effective asset management frameworks and asset management plans.

Recommendation

> Some agencies need to include the following in asset management plans:
> - Whole-of-life asset costings
> - non-financial key performance indicators
> - systems for collecting and analysing asset management data.

Contract management can be improved across the cluster

Opportunities to improve governance and introduce contract management plans for large contracts were identified by those agencies, which self-assessed contract management processes against the Audit Office's Better Practice Contract Management Framework, in 2014-15. Over a third of cluster agencies did not perform this self-assessment.

Recommendation

> Agencies, which did not self-assess contract management processes against the Audit Office's Better Practice Contract Management Framework in 2014-15, should do so. All agencies should address identified gaps in their frameworks promptly.

Managing excess annual leave continues to be an issue

Ten per cent of full time equivalent employees in cluster agencies exceeded the whole-of-government target of 30 days excess annual leave at 30 June 2015.

Recommendation (repeat issue)

> Agencies need to further reduce employees' annual leave balances.

Governance

Compliance frameworks are not fully effective in managing the associated risks

While most agencies have comprehensive frameworks to ensure compliance with laws and regulations, most do not have processes to proactively identify changes to legislation, assess the risk of non-compliance and develop strategies to mitigate the risks. A well designed and managed cluster-wide compliance management framework would provide greater consistency to compliance management across agencies.

Recommendation

> The Department of Planning and Environment should develop a cluster-wide compliance management framework.

Governance over the new shared service model is unclear

The Planning and Environment cluster has developed a shared service model to provide finance, human resources and information technology services to many cluster agencies. The Department is responsible for the governance and administration of these services, but Service Partnership Agreements are not yet in place.

Recommendation

> The Department of Planning and Environment should finalise Service Partnership Agreements to ensure clarity over service levels, cost allocations, key performance indicators and service expectations.

Risk management maturity is at varying levels across the cluster

The 2014-15 audits identified risk management maturity varied across the cluster typically depending on agencies' size, risk profile, complexity of business operations, and risk management framework.

Recommendation

> Cluster agencies should evaluate the costs and benefits of risk management capability to achieve a desirable balance based on the size and complexity of their activities.

Fewer local councils met financial reporting deadline in 2014-15

Ten of the 152 NSW local councils (seven in 2013-14) did not meet the legislative requirement to have the 2014-15 financial statements prepared and audited by 31 October 2015.

Recommendation

> The Office of Local Government should drive initiatives to ensure councils fulfil their financial reporting responsibilities.

Service Delivery

While some service delivery targets have been met, others are more challenging

In 2014-15, the Department of Planning and Environment exceeded the target of 50,000 new housing approvals across New South Wales. It also significantly improved the time taken to assess major projects from about three years in 2013-14 to four months in 2014-15.

The Premier has announced a goal of reducing the volume of litter in New South Wales by 40 per cent by 2020 so New South Wales becomes the least littered state in Australia. Current trends in litter reduction indicate achieving this target will be challenging.

Site contamination assessment times have fallen

The NSW Environment Protection Authority (EPA) has developed a database to better manage the assessment of contaminated sites, reducing the average assessment time from 203 days in 2013-14 to 73 days in 2014-15.

Enhanced disclosure on EPA's public register provides the community with greater transparency over contaminated sites, remediated sites and sites being actively regulated and monitored.

A new risk-based licensing system allows the EPA to better target regulatory efforts towards high risk and poor performing licensees, improving environmental performance and compliance.

Introduction

This report sets out the results of the financial statement audits of NSW Government agencies in the Planning and Environment cluster for the year ended 30 June 2015. It provides Parliament and other users of the financial statements an analysis of the results and key observations in the following areas:

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

The commentary covers the following agencies in the Planning and Environment cluster:

Planning and Environment Cluster

Total revenue	Total expenses	Total surplus
$4.2 billion	$4.0 billion	$270 million

Total assets	Total liabilities	Total net assets
$12.0 billion	$1.3 billion	$10.7 billion

Departments
- Department of Planning and Environment
- Office of Environment and Heritage
- Office of Local Government
- Boards of Management (six)

State Owned Corporations
- Landcom (trading as UrbanGrowth NSW)

Other Bodies
- Australian Technology Park Sydney Limited
- Building Professionals Board
- Centennial Park and Moore Park Trust
- Central Coast Regional Development Corporation
- Corporation Sole, 'Minister Administering the *Environmental Planning and Assessment Act 1979'*
- Corporation Sole, 'Minister Administering the *Heritage Act 1977'*
- NSW Environment Protection Authority
- NSW Environmental Trust
- Historic Houses Trust of New South Wales
- Hunter Development Corporation
- Jenolan Caves Reserve Trust
- Lord Howe Island Board
- Luna Park Reserve Trust
- Royal Botanic Gardens and Domain Trust
- Parramatta Park Trust
- Sydney Harbour Foreshore Authority
- UrbanGrowth NSW Development Corporation
- Western Sydney Parklands Trust
- Taronga Conservation Society Australia

Changes to the Cluster

The Sydney Harbour Foreshore Authority and the Building Professionals Board were transferred from the Planning and Environment cluster to the Finance, Services and Innovation cluster, effective 1 July 2015.

These changes have no impact on the financial information for 2014-15 presented in this report.

Status of 2014 Recommendations

Volume Eleven of the 2014 Auditor-General's Report to Parliament on the Planning and Environment cluster included six recommendations for cluster agencies to improve financial management and internal controls. The current status of each recommendation is shown below.

Recommendation	Current Status
The Office of Environment and Heritage (OEH) should:	
🔴 Develop leave plans for employees with annual leave balances exceeding Treasury's requirement.	The OEH implemented initiatives to closely monitor staff with excess annual leave and, while numbers reduced significantly, excess annual leave continues to be an issue. Further effort is needed to meet the government target. This has been raised as a repeat recommendation in the chapter on Financial Controls.
Cluster agencies should:	
🟠 Voluntarily adopt Treasury's early close guidance. This will help ensure year end accounting processes are controlled and well managed.	Treasury Circular TC 15-02 Mandatory Early Close Procedures for 2014-15 required all agencies to perform early close procedures. Most cluster agencies substantially complied with the requirements, but assessing the impact of new accounting standards and resolving prior year audit issues and recommendations can be improved. This has been raised as a repeat recommendation in the chapter on Financial Reporting and Performance.
🟢 Assess and document the accounting impact of all contracts and any variations in a timely manner. The assessments should cover whole-of-contract terms.	Cluster agencies with significant contracts have implemented plans and procedures to ensure the accounting impact of contracts are assessed and documented.
🟢 Where relevant, collate data on park and site visitor satisfaction and set targets for visitor numbers and visitor satisfaction.	The OEH advises it has collated the data and is developing key performance measures and targets for visitor numbers and visitor satisfaction as part of its internal reporting.
N/A Develop measures and baselines for all NSW 2021 targets.	There has been no public reporting of progress against the NSW 2021 goals since the NSW 2021 Performance Report 2013-14 was published in June 2014. The NSW Government released new Premier and State Priorities in September 2015 and is still developing revised measures and baselines. Further details are provided in the chapter on Service Delivery.

Recommendation	Current Status
The Department of Planning and Environment (Department) should:	
● Improve its processes to ensure grants are paid to local councils on a timely basis and strengthen its budgetary controls to achieve planned outcomes in line with its budget expectations.	The Department established procedures and allocated additional resources to ensure grant payments are made in an efficient and timely manner. Further details are provided on improved internal budgeting in the chapter on Financial Reporting and Performance.

2014 recommendation status
● Fully addressed   ● Partially addressed   ● Not addressed

Financial Performance and Reporting

Financial and performance reporting is vital to good governance. Confidence in public sector decision making and transparency is enhanced when financial reporting is accurate and timely. Effective financial management and reporting by agencies helps key stakeholders, such as the NSW Government, make effective decisions and achieve desired outcomes efficiently.

This chapter summaries audit observations, conclusions and recommendations about financial and performance reporting of agencies in the Planning and Environment cluster for 2014-15.

Financial reporting	
Observation	**Conclusion or recommendation**
Audit outcomes: The Audit Office issued unqualified audit opinions for 28 of 29 cluster agencies with one audit incomplete. Most reported misstatements were corrected by agency management and reported misstatements continue to fall.	The quality and accuracy of financial reporting across cluster agencies have shown continuous and significant improvement.
Early close procedures: While the quality and timeliness of financial reporting improved, compliance with Treasury's early close procedures can improve further. Some agencies did not assess the impact of new accounting standards and resolve prior year audit issues and recommendations on a timely basis.	**Recommendation (repeat issue):** Agencies should assess the impact of new accounting standards and resolve prior year audit issues and recommendations on a timely basis.

Financial performance	
Observation	**Conclusion or recommendation**
Financial sustainability: The analysis and monitoring of financial performance and sustainability by some cluster agencies is limited. Seven agencies recorded a negative operating margin percentage in 2014-15.	**Recommendation:** Some cluster agencies should adopt a more robust and consistent approach to assessing financial performance and sustainability.
Budgeting process: Most agencies have material variances from budget for major financial statement line items. Budgeting processes require further improvement.	**Recommendation:** Cluster agencies should continue to review their budgeting processes to improve financial management.

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Quality of financial reporting

Unqualified audit opinions issued for agencies' 30 June 2015 financial statements

Unqualified audit opinions were issued for 28 of 29 cluster agencies' 2014-15 financial statements. One audit was incomplete at the time of writing this report. Sufficient audit evidence was obtained to conclude the financial statements were free of material misstatements.

Most reported misstatements were corrected by agency management

Agency management corrected 94 per cent (62 per cent in 2013-14) of monetary misstatements identified during the 2014-15 audits.

	Number of misstatements for the year ended 30 June					
	2015		**2014**		**2013**	
	Corrected	**Uncorrected**	**Corrected**	**Uncorrected**	**Corrected**	**Uncorrected**
Less than $50,000	13	--	6	12	50	5
$50,000 - $250,000	4	1	10	5	17	4
$250,001 - $1,000,000	4	1	6	--	10	2
$1,000,001 - $5,000,000	5	--	2	1	9	--
Greater than $5,000,000	3	--	5	--	4	--
Total number of misstatements	**29**	**2**	**29**	**18**	**90**	**11**

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

The two misstatements that were not corrected by management in the 2014-15 financial statements were not considered material enough to impact the audit opinion.

A material misstatement relates to an incorrect amount, classification, presentation or disclosure in the financial statements that could reasonably be expected to influence the economic decisions of users.

The number of reported misstatements continues to decrease

The number of reported monetary misstatements across cluster agencies fell from 101 in 2012-13 to 31 in 2014-15. This is largely attributed to the early resolution of accounting issues as a result of early close procedures, which help agencies meet earlier reporting deadlines and improve the quality and accuracy of financial reporting.

Timeliness of Financial Reporting

Early close procedures can improve further

> **Recommendation (repeat issue)**
>
> **Agencies should assess the impact of new accounting standards and resolve prior year audit issues and recommendations on a timely basis.**

Adopting mandatory early close procedures largely facilitated the early resolution of accounting issues, reduced pressure on reporting timelines and staff at year end and reduced the risk of errors.

However, early close procedures can be improved where:

- cluster agencies were late in assessing the impacts of Australian Accounting Standards, effective for the first time in 2014-15
- prior year audit issues and recommendations had not been addressed as part of the early close procedures
- sign-offs by preparers and reviewers were not evident in reconciliations of key account balances at period end.

Failure to perform these activities either before or during the early close procedures increases the risk of errors and of meeting reporting and auditing deadlines.

Three audits were not able to be completed by the statutory date

The audit of Worimi National Park Board of Management's 2014-15 financial statements was incomplete at the date of this report due to an unresolved accounting irregularity that is being followed up by the Office of Environment and Heritage (OEH). OEH provides accounting assistance to the Board and is working with the Audit Office to facilitate completion of the audit.

The financial audit for the Hunter Development Corporation was delayed due to the absence of a quorum in the Corporation Board to endorse and sign the financial statements. The audit opinion was issued 17 days after the statutory reporting deadline.

The audit opinion for the Corporation Sole 'Minister Administering the *Environmental Planning and Assessment Act 1979*' was issued one day late due to a delay in resolving an asset recognition issue.

Financial Sustainability Analysis

Limited analysis of financial performance and sustainability by some cluster agencies

> **Recommendation**
>
> **Some cluster agencies should adopt a more robust and consistent approach to assessing financial performance and sustainability.**

Financial sustainability indicators measure the ability of an agency to effectively manage its financial resources so it can meet present and future spending commitments, achieve service delivery objectives and invest in assets.

The Department of Planning and Environment (Department) monitors its financial performance and sustainability using a 'Finance and Business Metrics Report'. The report includes financial sustainability ratios and key performance indicators that align with its objectives. These indicators will be used to track performance against targets in the Premier and State Priorities announced in September 2015. Customising and implementing this type of reporting across cluster agencies will help ensure better alignment of the entire cluster to achieve the cluster's targets. This report could be used as a better practice guide for financial and business performance analysis across all cluster agencies. Maintaining consistency in the way financial performance and sustainability is analysed and monitored across cluster agencies will improve comparability of performance. Most agencies, other than the Department, indicated they only monitor financial performance against budget.

The table below summarises the performance of the cluster against some relevant financial indicators in 2014-15.

Year Ended 30 June 2015	Surplus/ (Deficit) $'000	Operating margin %	Government funding %	Expense growth rate %	Current ratio#
Departments					
Department of Planning and Environment	117,466	9	86	312	4.9
Office of Environment and Heritage	1,443	0.1	75	144	1.5
Office of Local Government	2,255	2	90	811	1.7
Biamanga Board of Management	160	41	69	(33)	68.2
Gaagal Wanggaan (South Beach) National Park Board of Management	101	32	95	359	46.3
Gulaga National Park Board of Management	(91)	(32)	94	7	7.9
Mt Grenfell Historic Site Board of Management	14	26	72	8	44.4
Mutawintji National Park Board of Management	(2,728)	(516)	81	303	35.7
State owned corporation					
Landcom (trading as UrbanGrowth NSW)	127,187	19	N/A	4	1.4
Other bodies					
Australian Technology Park Sydney Limited	(77,477)	47*	--	(48)**	2.3
Building Professionals Board	(188)	(4)	62	40	5.2
Centennial Park and Moore Park Trust	8,968	25	23	4	5.3
Central Coast Regional Development Corporation	(1,724)	(106)	N/A	(14)	0.4
Corporation Sole 'Minister Administering the *Environmental Planning and Assessment Act 1979*'	(3,633)	(15)	31	24	4.1
Corporation Sole 'Minister Administering the *Heritage Act 1977*'	908	68	22	(47)	119.2
NSW Environment Protection Authority	9,535	6	81	6	1.5
NSW Environmental Trust	(978)	(1)	96	51	43.9
Historic Houses Trust of New South Wales	2,652	9	66	(2)	3.8
Hunter Development Corporation	(481)	(1)	85	179	4.7
Jenolan Caves Reserve Trust	4,165	27	35	11	5.0
Lord Howe Island Board	5,045	32	58	(7)	5.3
Luna Park Reserve Trust	275	16	N/A	(3)	8.6
Parramatta Park Trust	5,598	62	78	(13)	6.3
Royal Botanic Gardens and Domain Trust	1,935	4	57	2	1.6
Sydney Harbour Foreshore Authority	32,952	22	29	(19)	3.8
UrbanGrowth NSW Development Corporation	13,433	40	17	20	47.1
Western Sydney Parklands Trust	16,135	71	20	6	8.0
Taronga Conservation Society Australia	3,986	4	15	2	3.6

Note: Refer to Appendix Three for a definition of the ratios.

\#   The calculation of current ratio excludes current employee provisions expected to be settled after more than 12 months and revenue received in advance.

*   The deficit in the Australian Technology Park includes a net one-off loss of $89.9 million resulting from a change of head lease arrangement with Urbangrowth NSW Development Corporation. The operating margin calculation excludes this net one-off loss.

**   The expense growth rate in the Australian Technology Park excludes a one-off loss of $109.6 million in 2015 relating to a change of head lease arrangement with Urbangrowth NSW Development Corporation.

Source: Financial statements (audited).

Seven agencies recorded negative operating margin percentages in 2014-15

A negative operating margin percentage means an agency's operating expenses are greater than its operating revenues.

The Mutawintji National Park Board of Management incurred more expenses than revenue in 2014-15 primarily due to a $3.1 million grant to the OEH to acquire Nuntherungie Station.

The Gulaga National Park Board of Management also recorded a negative operating margin primarily due to increased costs for asset acquisitions and improvements, which are correctly recorded as expenses.

The Central Coast Regional Development Corporation has had a negative operating margin for the last three years. It continues to incur increasing operating expenses on projects, such as the Gosford waterfront redevelopment and the Mt Penang Parklands development. It has a $6.8 million undrawn debt facility to meet its obligations in the short term. Over the longer term, it expects to break even through a part sale of the Mt Penang development area, which is at the negotiation stage.

The Building Professionals Board recorded a negative operating margin of four per cent in 2014-15 (positive 20.5 per cent in 2013-14) due to an increase in personnel services (21.6 per cent) and other operating expenditures (82.1 per cent). This was largely caused by increased resourcing requirements to review the *Building Professionals Act*, to reduce the complaints investigation backlog and other key initiatives.

Western Sydney Parklands Trust recorded the highest operating margin of 71 per cent primarily due to the share of land proceeds from the Office of Strategic Land.

Government funding comprised 54 per cent of total cluster revenue

Most cluster agencies are funded through government grants and contributions. Some are not fully funded by the government and raise funds from other sources, such as sales to the public.

The NSW Environmental Trust has the highest level of government funding at 96 per cent of its total revenue. It receives recurrent funding from the Department of Planning and Environment.

Expenses more than doubled at six agencies in 2014-15

The Office of Local Government experienced the highest expense growth rate in 2014-15 because its 2013-14 financial statements only covered four months to 30 June 2014. It was transferred out of the Department of Premier and Cabinet to become a separate cluster agency effective 24 February 2014.

The Department of Planning and Environment's high expense growth rate was due to increased grant and subsidy payments to cluster agencies, which were not in the cluster in 2013-14.

Most agencies have a current ratio above one

The Department of Planning and Environment adopts an industry accepted current ratio benchmark of one. A current ratio of more than one generally indicates sufficient resources are available to settle short-term debt obligations when they fall due.

The Central Coast Regional Development Corporation is the only agency with a current ratio lower than one (2.2 at 30 June 2014). This is mainly due to new borrowings of $200,000 from New South Wales Treasury Corporation together with reduced cash at year end following the payment of significant project costs.

Performance against Budget

Budgeting processes require further improvement

Recommendation

Cluster agencies should continue to review their budgeting processes to improve financial management.

Thirteen cluster agencies report budgets in the financial statements to comply with Treasury policy requirements. The table in Appendix Two compares cluster agencies' actual results to 2014-15 original budgets presented in Parliament and highlights variances greater than five per cent for major financial statement line items.

Three agencies recorded material variances from budget for all major financial statement line items in 2014-15 (four agencies in 2013-14). The table below summarises variances to budget of more than five per cent for revenue, expenses, assets and liabilities data for these three agencies.

		Corporation Sole EPA		Hunter Development Corporation		Western Sydney Parklands Trust	
		2015 actual $'000	2015 budget $'000	2015 actual $'000	2015 budget $'000	2015 actual $'000	2015 budget $'000
Abridged statement of comprehensive Income - year ended 30 June 2015							
Total expenses	●	81,470	132,116 ●	87,082	112,246 ●	8,634	9,114
Total revenue	●	77,837	51,197 ●	86,601	106,648 ●	24,769	13,987
Net result	●	**(3,633)**	**(80,919)** ●	**(481)**	**(5,598)** ●	**16,135**	**4,873**
Total other comprehensive income/(expense)*		97,351	--	--	--	87,392	--
Total comprehensive income/(expense)	●	**93,718**	**(80,919)** ●	**(481)**	**(5,598)** ●	**103,527**	**4,873**
Abridged statement of financial position - at 30 June 2015							
Total assets	●	1,692,184	1,563,727 ●	44,818	37,870 ●	745,272	594,353
Total liabilities	●	230,181	445,626 ●	2,131	1,100 ●	13,740	6,184
Net assets	●	**1,462,003**	**1,118,101** ●	**42,687**	**36,770** ●	**731,532**	**588,169**
Abridged statement of cash flows - year ended 30 June 2015							
Purchases of property, plant and equipment	●	(23,415)	(25,000)	--	-- ●	(9,417)	(29,092)

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

Source: Financial statements (audited).

Some observations about cluster agencies' budgeting and variances with actual outcomes in 2014-15 are recorded below.

- Nine agencies exceeded the budget for expenses by more than five per cent.
- Six agencies were not able to budget the purchases of property plant and equipment to within 25 per cent of actual.
- Five agencies were not able to budget the net asset position (total assets minus total liabilities) to within 20 per cent of actual.

Some reasons for the variances between budget and actuals include:

- delays in the timing of grant payments resulting in agencies not meeting grant payout targets
- delays in environmental remediation related projects due to adverse weather conditions leading to lower costs than budgeted
- failure to budget for asset revaluations or redundancies.

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 quality and timely decision making to achieve desired outcomes. This chapter summarises observations, conclusions and recommendations related to financial controls of agencies in the Planning and Environment cluster for 2014-15.

Financial controls	
Observation	**Conclusion or recommendation**
Internal controls: Chief Financial Officers (CFOs) of some smaller agencies are required to attest to the effectiveness of internal controls to the agency head. Thirty-two of 102 internal control issues identified and reported to management were repeat issues.	**Recommendation:** As best practice, the CFOs of smaller agencies should attest to the effectiveness of internal controls over financial information in the financial statement approval process. **Recommendation:** Management letter recommendations should be actioned promptly.
Information Technology (IT) control issues: Most issues identified with IT controls in 2014-15 were repeat issues. The integrity and security of financial data in financial systems is at risk. IT resourcing constraints contributed to the high number of repeat IT issues.	**Recommendation:** Management of user administration over financial systems should be strengthened to prevent inappropriate access to financial information. **Recommendation:** Key person risk should be addressed through formal staff knowledge transfer procedures, the cross skilling of staff and centralised recording of IT information.
Disaster Recovery Planning (DRP): Six agencies were selected in an Audit Office review of compliance with Treasury's DRP requirements. Recommendations for improvement were made to two cluster agencies.	All six agencies substantially complied with Treasury's DRP requirements. No significant issues were identified with agencies' DRP compliance for key financial systems.
Asset management: Asset management continues to be an area of focus for the cluster. Of eight agencies with significant land, buildings and infrastructure assets: • three did not have whole-of-life asset costings in the asset management plans • only one had non-financial key performance indicators to monitor asset management performance against strategic priorities • three did not have systems to collect and analyse asset management data.	**Recommendation:** Some agencies need to include the following in asset management plans: • whole-of-life asset costings • non-financial key performance indicators • systems for collecting and analysing asset management data.
Contract management: Agencies are taking steps to address governance issues around contract performance monitoring and management, but further improvement are needed.	**Recommendation:** Agencies, which did not self-assess contract management processes against the Audit Office's Better Practice Contract Management Framework in 2014-15, should do so. All agencies should address identified gaps in their frameworks promptly.
Excess annual leave management: Excess annual leave days continue to be an issue.	**Recommendation (repeat issue):** Agencies need to further reduce employees' annual leave balances.

Internal Controls

Some agency CFOs are not required to attest to the effectiveness of internal controls

> ### Recommendation
>
> **As best practice, the CFOs of smaller agencies should attest to the effectiveness of internal controls over financial information in the financial statement approval process.**

Fifteen of the 29 cluster agencies were required to certify the effectiveness of internal controls over financial information. They all did so in accordance with Treasury policy before the financial statements were signed. Certification of internal controls by CFOs provides agency heads with some assurance the internal controls are adequate for financial reporting purposes.

Smaller agencies were not required to comply with Treasury policy, and consequently did not have any process in place for the CFO to provide similar assurance to the agency head. However, it may be beneficial for CFOs of the smaller agencies to make similar attestations to reflect best practice across the entire cluster.

Treasury Policy Paper 14-05 Certifying the Effectiveness of Internal Controls over Financial Information (TPP14-05), released in November 2014, requires the CFO to provide the agency head with a certification as to the effectiveness of internal controls over financial information. In 2014-15, this certification also had to be submitted to Treasury by 31 October 2015.

TPP14-05 is mandatory for all material entities, other than State Owned Corporations, identified in the NSW Government Budget Papers as a 'material entity controlled by the NSW Government', and includes departments, statutory bodies, and other entities.

Thirty-two of 102 internal control issues reported were repeat issues

> ### Recommendation
>
> **Management letter recommendations should be actioned promptly.**

The 2014-15 audits of cluster agencies identified 102 internal control issues (107 in 2013-14) which were reported to management. Thirty-two (35 in 2013-14) of these were repeat issues from previous audits, seven of which were identified and reported before the 2013-14 audit.

Weaknesses in internal controls increase the risk of fraud or error. Opportunities to improve internal controls were reported to the relevant agencies' management. Further details of the internal control weaknesses and key themes are summarised below.

Governance related issues

Some cluster agencies do not have:

- a framework that supports the identification, recording and authorisation of related party transactions and conflicts of interest
- an internal audit charter
- regular reviews of business continuity plans
- a robust legislative compliance framework
- an adequate contract management process.

Finance and operations related issues

Some agencies have:

- weaknesses in information technology controls
- challenges managing excess annual leave
- inadequate asset management processes
- no formal accounting manual detailing the accounting procedures performed by staff
- no monthly reconciliations for key general ledger accounts
- insufficient evidence of preparers and reviewers signing off on the preparation and review of monthly reconciliations, including bank reconciliations
- double-accounting of accruals and no GST on accruals.

Some of these issues are discussed further in the following sections of this chapter.

Information Technology

Information systems audit issues

Integrity and security of financial data in financial systems is at risk

> **Recommendation**
>
> **Management of user administration over financial systems should be strengthened to prevent inappropriate access to financial information.**

Seventeen information technology (IT) issues were identified in cluster agencies in 2014-15 (20 in 2013-14). Ten of these were identified and reported to management in the previous years.

Administration processes for the creation, modification, deletion and review of user access to financial systems continue to have weaknesses. The risk of users having excessive or unauthorised access to critical financial systems compromises the integrity and security of financial data residing in these systems.

IT Issues Reported by Category

■ Year End 30 June 2013   ■ Year End 30 June 2014   ■ Year End 30 June 2015
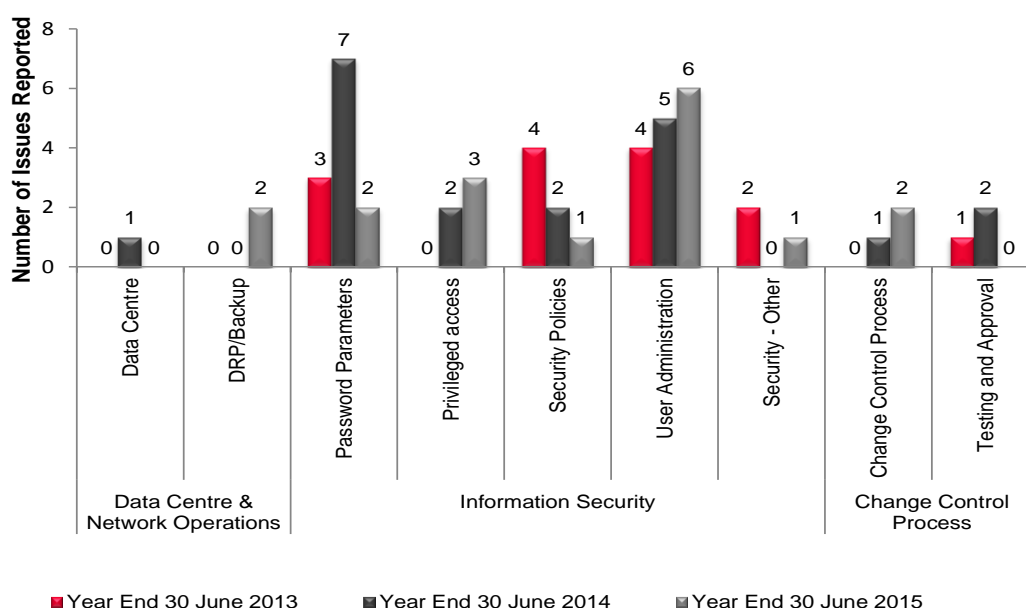
Information system audits focus on the IT processes and controls supporting the integrity of the financial data used to prepare agency financial statements and other financial information used by management and key stakeholders.

IT knowledge management and key person risk

IT resourcing constraints contributed to the high number of repeat IT issues

Recommendation

Key person risk should be addressed through formal staff knowledge transfer procedures, the cross skilling of staff and centralised recording of IT information.

Agencies continue to face challenges in managing the IT control environments, particularly in light of recent organisational restructures and staff changes. Many agencies are dependent on the expertise of a small IT team, or one person, to manage the financial systems. These challenges contributed to the ten repeat IT issues identified in 2014-15.

Agencies should develop and implement formal IT knowledge management processes, including the centralised recording of IT information. Key person risk should be managed through the formal staff handover and knowledge transfer procedures, and the cross-skilling of staff.

Appropriate IT knowledge management processes equip staff with sufficient, accurate information to perform their roles, effectively manage IT risks and work in a resilient environment that adapts to change.

Disaster Recovery Planning

No significant compliance issues were identified with DRP for key financial systems

In 2014-15, six cluster agencies were included in an Audit Office review of compliance with Treasury's Disaster Recovery Planning (DRP) requirements. The review assessed whether the agencies:

- had up-to-date DRPs aligned with business recovery requirements
- had tested the DRPs to ensure they were effective.

No major issues were identified, but two areas for improvement were reported to management:

- the Department of Planning and Environment (Department) does not have a DRP for its non-key financial systems, Hive and PRF, and no data recovery testing was performed in 2014-15. Hive is the system used to track the progress of development applications though the assessment process and PRF is a database enabling councils to submit development application information and calculate their obligation to the Department
- the Office of Environment and Heritage's DRP for the SAP and Aurion systems did not have a Business Impact Analysis.

The compliance review was designed to provide limited assurance over compliance with the requirements of section 744.05 of the Treasurer's Directions and the NSW Government Digital Information Security Policy, referencing the Disaster Recovery Planning elements of ISO 27001.

A limited assurance Independent Assurance Practitioner's Compliance Review Report was provided to the six agencies. The report concluded that no matters came to the auditor's attention that indicated the selected agencies did not materially comply with the requirements for their key financial systems.

Asset management

Asset management at some of the larger agencies could be improved

> ## Recommendation
>
> **Some agencies need to include the following in asset management plans:**
>
> - **whole-of-life asset costings**
> - **non-financial key performance indicators**
> - **systems for collecting and analysing asset management data.**

Eight cluster agencies with significant land, buildings and infrastructure assets performed an assessment against five asset management criteria on how assets were used and managed to maximise service delivery outcomes. Key observations included:

- three agencies did not have whole-of-life asset costing in the asset management strategy
- only one agency had non-financial key performance indicators to monitor asset management performance against strategic priorities
- three agencies did not have systems to collect and analyse asset management data.

The table below shows the outcomes of the assessments against the five criteria:

Agency	Value of assets $m	Asset management plan	Strategy for asset classes	Whole of life asset costing	Performance evaluation and KPIs	Systems for collection/analysis of data
Office of Environment and Heritage	3,791	✔	✔	✔	✔	✔
Corporation Sole EPA	1,539	✔	✔	✘	✔	✔
Centennial Park and Moore Park Trust	939	✔	✔	✔	✔	✘
Western Sydney Parklands Trust	692	✔	✔	✘	✔	✘
Sydney Harbour Foreshore Authority	576	✔	✔	✔	✔	✔
Royal Botanic Gardens and Domain Trust	435	✔	✔	✘	✘	✔
Taronga Conservation Society Australia	420	✔	✔	✔	✘	✔
Historic Houses Trust of NSW	246	✔	✘	✔	✘	✘

Source: Cluster agencies (unaudited).

An effective asset management framework should include, as a minimum, the following five elements:

- an asset management plan setting out the approach to asset management
- an asset management strategy for different asset classes and sub-classes
- whole-of-life asset costings to enable decisions on acquisition, maintenance, refurbishment or disposal of assets
- regular asset performance measurement and evaluation against key performance indicators
- systems to collect and analyse asset management data.

The Office of Environment and Heritage (OEH) scored well against the five criteria:

- it has an asset management plan which sets out its asset management approach in the context of the State plan, government commitments and Treasury requirements
- its Asset Management Strategy identifies eight asset categories with sub classes within each category and identifies which OEH services are supported by these categories
- its strategy includes whole-of-life asset costings, forward budget requirements and the true cost of owning and managing physical and digital assets into the future
- measures asset performance at an operational and divisional level, which is evaluated through annual business planning and divisional reporting
- uses the Plant Maintenance module of SAP as its primary business tool to support the planning and delivery of asset management.

Major projects

Some cluster agencies have major projects in progress

The following table summarises the ten largest budgeted capital projects (greater than $10 million) across cluster agencies in 2014-15.

Agency	Project	Budgeted cost $'000	Costs to date 30 June 2015 $'000	Estimated completion year
Office of Environment and Heritage	Land purchases	160,215	131,437	2019
Office of Environment and Heritage	Bush fire management equipment	50,000	30,367	2022
Western Sydney Parklands Trust	Upgrade and improve park facilities	46,315	6,724	2024
Office of Environment and Heritage	Perisher Range redevelopment	41,177	33,280	2026
Department of Planning and Environment	ePlanning stage 1	30,000	24,350	2016
Office of Environment and Heritage	Acquisition of satellite imagery	29,818	21,501	2019
Western Sydney Parklands Trust	Development of Bungarribee Park	25,507	8,280	2019
Taronga Conservation Society Australia	Taronga Institute of Science and Learning	23,872	713	2018
Royal Botanic Gardens and Domain Trust	Sydney Tropical Centre (known as 'The Calyx' since Sept 2015)	19,743	5,519	2016
Western Sydney Parklands Trust	Multipurpose pathway	18,426	5,447	2024

Source: Cluster agencies (unaudited).

The Office of Environment and Heritage (OEH) has the most, large capital projects in progress. The OEH advises it continues to research and develop initiatives to ensure the best possible outcomes for the environment and heritage of New South Wales.

The Western Sydney Parklands Trust has three large capital projects in progress. All are in the initial stages with only about 23 per cent of total budgeted costs incurred at 30 June 2015.

The ePlanning system at the Department of Planning and Environment (Department) involves the digitisation of planning services by transforming paper based and face to face transactions to an online environment. The Department spent $24.4 million on the project in 2014-15 from a total budget of $30 million. The 2015-16 Budget Papers include a further $19.9 million towards Stage 2 of the project. Once developed, the state-based ePlanning tools and services within the ePlanning Program will be provided to the public free of charge. More information about the ePlanning system is provided in the Service Delivery chapter of this report.

Contract management

Contract management can be improved further

> ### Recommendation
>
> **Agencies, which did not self-assess contract management processes against the Audit Office's Better Practice Contract Management Framework in 2014-15, should do so. All agencies should address identified gaps in their frameworks promptly.**

During 2014-15, 62 per cent of cluster agencies self-assessed contract management processes against the Audit Office's Better Practice Contract Management Framework, as recommended in Volume One of the 2015 Auditor-General's Report to Parliament. The self-assessment was against the elements shown in the table below.

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

The diagram below indicates the combined outcome of the self-assessments of the five agencies with the large budgeted capital projects mentioned in the previous section.

Better Practice Contract Management Framework Focus Areas
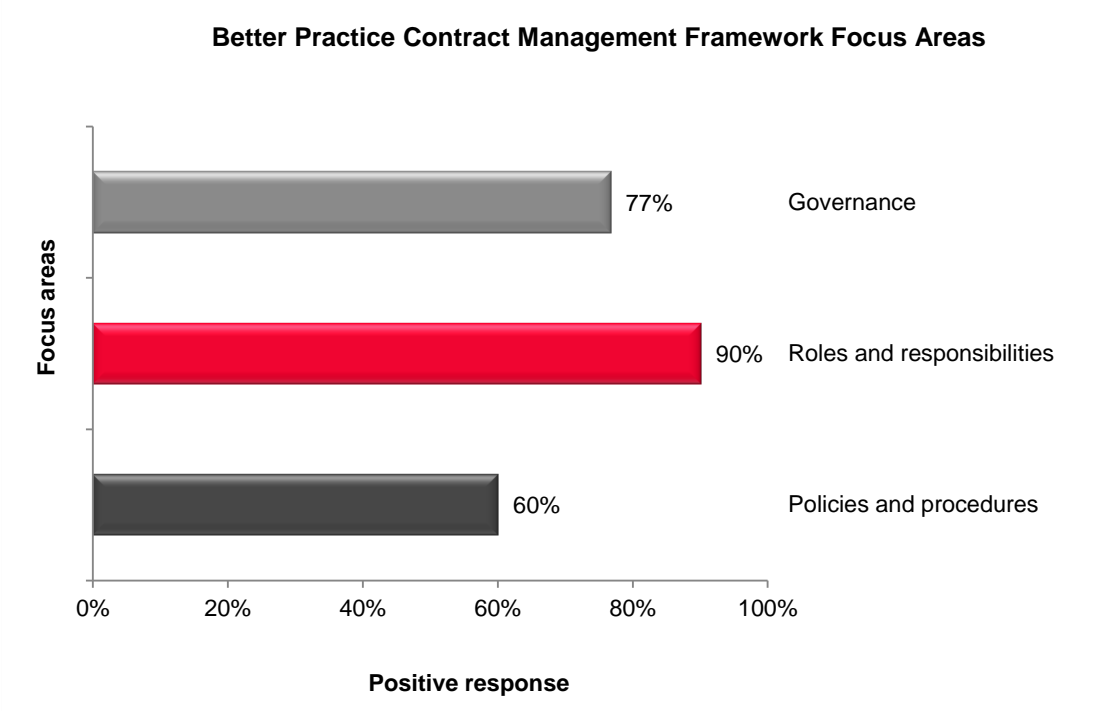
Note: Percentages above indicate positive responses from agencies' self-assessment against contract management better practice principles.
Source: Cluster agencies (unaudited).

Agencies are taking steps to address identified governance issues

Seventy-seven per cent of self-assessment responses to the contract management better practice principles in the governance area were positive. The following better practices identified:

- agencies are using industry-accepted standards for contract management, such as those specified by 'AS 4000-1997 General Conditions of Contract'
- delegations are subject to regular review and monitoring at multiple internal and external levels, such as top level management, boards, oversight entities of agencies, probity officers and internal auditors
- some agencies engaged an external auditor to carry out an independent compliance check of the contract management framework
- most agencies planned to review the contract register and present the results to the Audit and Risk Management Committee by the end of 2015
- some agencies found gaps in visibility in the contract management processes and plan to address them by implementing specialised contract lifecycle management software.

The self-assessments identified the following actions to improve governance over contract management:

- independent oversight and random spot reviews by internal parties outside the business unit that 'owns' the contract
- use of independent experts to support management oversight responsibilities and IT services related contracts
- greater focus on contract performance monitoring and management, supplier relationship management, and risk assessment and risk management at the individual supplier and project level, especially for high profile and complex contracts.

Industry benchmarks estimate organisations should invest between three and seven per cent of the contract value to manage complex contracts with high switching costs or long switch timeframes, and where there is low market competition for the services provided.

The roles and responsibilities for contract management are generally understood

Ninety per cent of self-assessment responses against the contract management better practice principles for roles and responsibilities were positive. Most agencies felt roles and responsibilities are clearly understood and indicated they are integrated into the role descriptions of the relevant personnel. In some cases, high value or high risk contracts are jointly managed by multiple divisions within the agency so there is segregation of duties and accountability.

Contract management plans are not in place for all large contracts

Sixty per cent of the self-assessment responses for contract management better practice principles for policies and procedures were positive for high dollar value contracts. Agencies indicated they maintain procurement manuals, which include contract management policies and procedures. The manuals are regularly reviewed and updated to align with NSW government procurement policies. However, contract management plans were not in place for all large contracts. Agencies should address identified gaps in their frameworks promptly.

Human Resources

Management of Excess Annual Leave

Managing excess annual leave continues to be an issue

> ### Recommendation (repeat issue)
>
> **Agencies need to further reduce employees' annual leave balances.**

Ten per cent of full time equivalent (FTE) employees in the cluster exceeded the whole-of-government target of 30 days at 30 June 2015, a significant improvement on 17 per cent of employees having balances greater than 35 days at 30 June 2014.

The table below analyses excess annual leave the past two years for the cluster.

Annual leave entitlements (days)	> 30 days at 30 June 2015	> 35 days at 30 June 2014
1-9 days higher than Treasury requirement	424	634
10-19 days higher than Treasury requirement	122	207
More than 20 days higher than Treasury requirement	29	67
Total number of staff with excess annual leave	**575**	**908**
Number of total staff	**5,614**	**5,449**
Staff with excess annual leave	**10%**	**17%**

Source: Cluster agencies (unaudited).

Annual leave provides permanent and temporary employees with a period of rest and recreation away from the work environment every year. It helps employees maintain their physical and mental health and has a positive impact on well-being.

Treasury Circular TC14/11 Reduction of Accrued Recreation Leave Balances required agencies to make reasonable attempts to reduce employee leave balances below 40 days at 30 June 2013, 35 days at 30 June 2014 and 30 days at 30 June 2015.

The table below shows the number of employees with accrued annual leave above Treasury's requirement at 30 June in 2013, 2014 and 2015.

Agency	30 June 2015 > 30 days annual leave	30 June 2014 > 35 days annual leave	30 June 2013 > 40 days annual leave	Movement Staff numbers 2015	Staff numbers 2014
Departments					
Department of Planning and Environment (Cluster Lead)	88	78	22	10	56
Office of Environment and Heritage	250	680	460	(430)	220
Office of Local Government	9	7	N/A	2	7
State owned corporation					
Landcom (trading as UrbanGrowth NSW)	10	2	--	8	2
Other bodies					
Australian Technology Park Sydney Limited	--	--	--	--	--
Building Professionals Board	6	8	1	(2)	7
Centennial Park and Moore Park Trust	4	2	2	2	--
Central Coast Regional Development Corporation	1	--	--	1	--
NSW Environment Protection Authority	74	48	21	26	27
Historic Houses Trust of New South Wales	19	12	13	7	(1)
Hunter Development Corporation	6	5	--	1	5
Jenolan Caves Reserve Trust	9	10	5	(1)	5
Royal Botanic Gardens and Domain Trust	17	11	17	6	(6)
Sydney Harbour Foreshore Authority	56	36	17	20	19
Taronga Conservation Society Australia	15	6	14	9	(8)
Western Sydney Parklands Trust	8	2	3	6	(1)
Lord Howe Island Board	3	1	2	2	(1)
Total	**575**	**908**	**577**	**(333)**	**331**

N/A   Not applicable.

Source: Cluster agencies (unaudited).

The Office of Environment and Heritage (OEH) reduced the number of staff with excess annual leave from 680 at 30 June 2014 to 250 at 30 June 2015. It did this through strategies and reporting processes that closely monitor and manage staff with balances exceeding Treasury's target.

The Department of Planning and Environment (Department) had 88 staff with excess leave at 30 June 2015, up from 78 in the prior year. While the number of staff with excess leave increased, the overall annual leave liability fell in 2014-15. The Department ensures its Human Resources Division works closely with the business to reach the target.

The number of staff with excess annual leave at the NSW Environment Protection Authority (EPA) represents over 14 per cent of its total workforce. To address this, the EPA advises that excess annual leave balances are monitored in the monthly executive meetings.

The Sydney Harbour Foreshore Authority (SHFA) attributes the increase in staff with excess leave to business priorities, such as the SAP implementation and review of SHFA functions. Employees were not able to take accumulated excess leave in 2014-15.

To reduce excess annual leave days, the Historic Houses Trust of NSW has developed annual leave plans and made them part of each employees' performance development plan.

Governance

Governance refers to the framework of rules, relationships, processes, systems and behaviours established to ensure an entity performs through meeting its objectives, conforms to legislation and regulations, and meets expectations of probity, accountability and transparency.

This chapter outlines audit observations, conclusions and recommendations related to the governance of agencies in the Planning and Environment cluster for 2014-15.

Governance	
Observation	**Conclusion or recommendation**
Compliance management framework: Most agencies have a compliance management framework in place, but these may not effectively manage the risk of non-compliance with legislation.	A well designed and managed cluster-wide framework would provide greater consistency of approach to compliance management across agencies. **Recommendation:** The Department of Planning and Environment should develop a cluster-wide compliance management framework.
Shared service model: The Planning and Environment cluster is progressing to an internally delivered shared service model. Service Partnership Agreements are not yet in place.	**Recommendation:** The Department of Planning and Environment should finalise Service Partnership Agreements to ensure clarity over service levels, cost allocations, key performance indicators and service expectations.
Risk management: Risk management maturity is at varying levels across the cluster.	**Recommendation:** Cluster agencies should evaluate the costs and benefits of risk management capability to achieve a desirable balance based on the size and complexity of their activities.
Financial reporting by local councils: Ten of 152 local councils did not meet the financial reporting deadline for the year ended 30 June 2015.	**Recommendation:** The Office of Local Government should drive initiatives to ensure councils fulfil their financial reporting responsibilities.

Cluster Wide Governance Arrangements

Some compliance frameworks are not effectively managing the risk of non-compliance

> **Recommendation**
>
> **The Department of Planning and Environment should develop a cluster-wide compliance management framework.**

Twenty of the 24 cluster agencies have established a comprehensive framework to ensure compliance with laws and regulations. Such frameworks serve as useful tools if updated accurately and in a timely manner. However, the 2014-15 audits identified that most cluster agencies do not have processes to:

- proactively identify changes to legislation
- assess the risk of non-compliance
- develop strategies to mitigate these risks.

The effectiveness and potential benefits of a compliance framework are diminished without these processes in place.

While agencies need to have their own process to ensure compliance with specific laws and regulations, a well-designed and managed cluster-wide compliance management framework would provide a consistent approach, and clear direction and accountability for compliance management across the cluster.

Components of a robust compliance management framework include:

- key policies and procedures to identify, monitor and report compliance obligations
- tools to ensure key compliance obligations are identified, risk ratings are assigned and appropriate mitigation strategies are implemented
- regular reporting to audit and risk committees on agency compliance with key legislation and regulations, including breaches and actions taken
- an effective communication strategy to ensure the compliance framework is clear and readily accessible to employees
- regular updates and monitoring of the compliance management framework for relevance.

The diagram below provides an overview of an effective communication strategy within an effective compliance management framework.
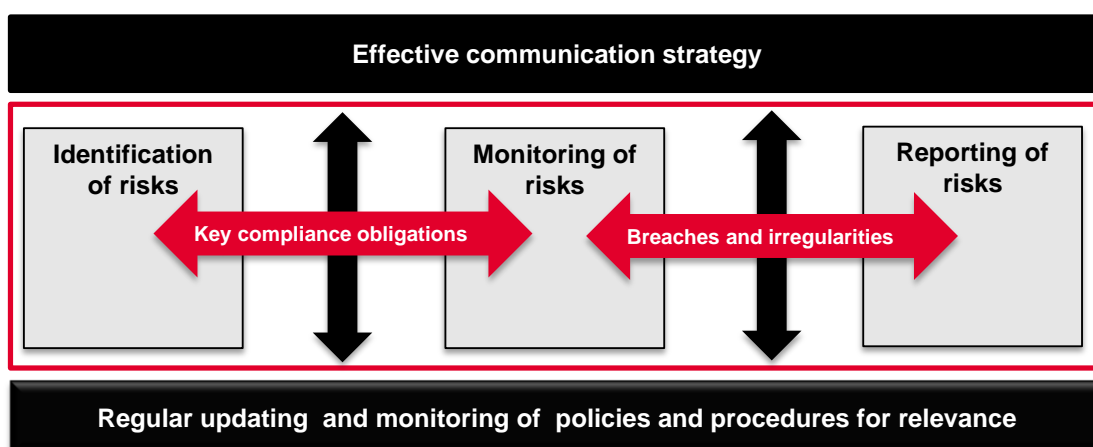
Most cluster agencies used the Governance Lighthouse self-assessment tools

Four of five large and medium sized agencies in the cluster used the Auditor-General's Governance Lighthouse Checklist to self-assess the effectiveness of their governance framework and identify areas for improvement. Some smaller cluster agencies used the checklist as a tool to help establish effective governance structures and ethics and compliance frameworks.

The Auditor-General released a revised Governance Lighthouse – Strategic Early Warning System in Volume One of the 2015 Auditor-General's Report to Parliament. The Governance Lighthouse was updated to reflect changes in better practice and to focus on the cultural elements that need to be present in an effective framework.

The number of reporting entities in the cluster has been rationalised

A review of control and ownership of government-owned lands around Sydney Harbour revealed duplication of service delivery and inefficiency. As a result, the functions of Sydney Harbour Foreshore Authority (SHFA) are to be consolidated into Government Property NSW and Destination NSW in 2016. The changes are part of the NSW Government's commitment to a whole-of-government approach to manage the Sydney Harbour foreshore.

Volume One of the 2015 Auditor-General's Report to Parliament, recommended Cluster Heads further rationalise the number of reporting entities to gain efficiencies.

Shared Service Model

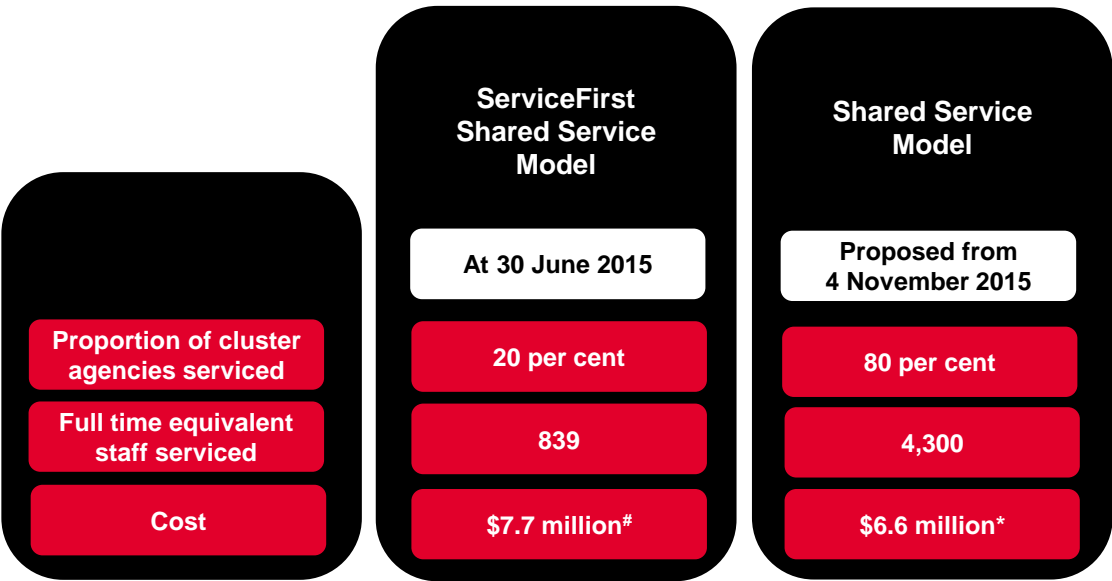## Governance over the new shared service model lacks clarity

> **Recommendation**
>
> **The Department of Planning and Environment should finalise Service Partnership Agreements to ensure clarity over service levels, cost allocations, key performance indicators and service expectations.**

The cluster is progressing to an internally delivered shared service model. The Office of Environment and Heritage (OEH) has historically provided shared services to numerous NSW Government agencies. The new model will see these services expanded to most Planning and Environment cluster agencies, some of which previously used ServiceFirst.

The Department of Planning and Environment will lead the governance and administration of the shared services. It will need to ensure OEH has the service capacity, and appropriate systems and skills to provide the agreed levels of shared services to individual cluster agencies. Service Partnership Agreements outlining service levels, cost allocations, key performance indicators and service expectations are not yet in place between OEH and the agencies.

The transformation of cluster shared services is described in the following diagram.

	ServiceFirst Shared Service Model	Shared Service Model
	At 30 June 2015	Proposed from 4 November 2015
Proportion of cluster agencies serviced	20 per cent	80 per cent
Full time equivalent staff serviced	839	4,300
Cost	$7.7 million#	$6.6 million*

\#   ServiceFirst costs are the base costs of services to the cluster negotiated at the beginning of 2014-15 (provided by the Department and unaudited).

*   Cost relates to the estimated preliminary annual operating cost. It excludes shared service model transitional costs and ServiceFirst off-boarding costs totalling $3.9 million (provided by the Department).

Source: Department of Planning and Environment (unaudited).

Eighty per cent of cluster agencies are under the new shared services arrangement. From 4 November 2015, the shared service model will provide most cluster agencies with finance, human resource, and information and communication technology services. The remaining 20 per cent of cluster agencies will operate outside the new shared service model, the largest being Landcom (trading as UrbanGrowth NSW).

Risk management maturity is at varying levels across the cluster

> **Recommendation**
>
> **Cluster agencies should evaluate the costs and benefits of risk management capability to achieve a desirable balance based on the size and complexity of their activities.**

In 2014-15, agencies self--assessed their risk management processes and risk management maturity. The assessments indicated that the risk management maturity is at varying levels across agencies in the cluster. The respondents believe:

- an enterprise wide risk management framework exists covering all major risk types
- risk management is linked directly to strategy and business objectives
- standardised risk management principles are defined and documented, basic risk training is conducted
- consistent risk management processes with communication and accountability exist but not all processes have been fully implemented across the business
- there is evidence of risk management becoming more proactive.

Organisations with integrated and effective risk management frameworks can identify, assess and manage risk to both protect and create value. Risk management can improve decision making and lead to significant efficiencies and cost savings. By embedding risk management directly into processes, agencies can derive additional value from their risk management programs. The more mature an agency's risk management, the stronger its culture in balancing the tension between value creation and protection.

Treasury Policy Paper TPP 15-03: Internal Audit and Risk Management Policy for the NSW Public Sector requires an agency to establish and maintain an appropriate risk management framework and related processes.

A mature risk management process should:

- foster an embedded risk aware culture
- align strategic and business decision making processes with risk management activities
- improve resilience in dealing with adversity
- increase agility in pursuing new opportunities.

Oversight and Monitoring of Councils

Fewer local councils met financial reporting deadline in 2014-15

> **Recommendation**
>
> **The Office of Local Government should drive initiatives to ensure councils fulfil their financial reporting responsibilities.**

Ten of 152 (seven in 2013-14) local councils did not meet the legislative reporting deadline for the year ended 30 June 2015. Under the *Local Government Act 1983*, councils are required to have the financial statements prepared and audited within four months of the financial year-end. The Office of Local Government granted four local councils an extension to the 2015 reporting deadline.

Of the local councils that met the legislated reporting deadline, 99 per cent (95 per cent) received unqualified audit opinions on their financial statements.

In 2013-14, seven councils received qualified audit opinions on their 2013-14 financial statements. Full results of the 2014-15 audit outcomes will be reported in Volume One of the 2016 Auditor-General's Report to Parliament.

In the October 2013 report on 'Revitalising Local Government', the Independent Local Government Review Panel recommended the Auditor-General oversee council audits and report the results to Parliament to provide an independent assessment of the financial health of the local government system. In supporting this recommendation, the NSW Government has recognised the importance of a robust external audit process in improving financial management, fiscal responsibility and public accountability for how councils use taxpayer funds.

Unlike most other Australian states, the NSW Auditor-General does not have the mandate to audit councils. The current legislation allows the Auditor-General to audit a council if a council fails to appoint an auditor or during any vacancy in the office of auditor.

Service Delivery

This chapter outlines observations and conclusions about Service Delivery in the Planning and Environment cluster for 2014-15.

Service delivery	
Observation	**Conclusion**
Premier and State Priorities: The Premier and State Priorities outline four key priorities relevant to the Planning and Environment cluster.	The Department of Planning and Environment is already achieving the housing approval target in the State Priorities and is making progress against the other targets.
Development approvals: The multi-level assessment and approval process in New South Wales makes the development application and assessment process complex.	The NSW Government has established the Greater Sydney Commission to oversee significant development and is planning to reform the system of local government.
NSW planning system: The Government allocated $30 million over two years to modernise the NSW planning system through the launch of ePlanning.	The Department of Planning and Environment reports that the ePlanning system has reduced timeframes for development approvals and increased transparency in the planning process.
Litter management: The NSW Premier's priority is to reduce the volume of litter by 40 per cent by 2020 to become the least littered state in Australia.	Achieving the target of reducing litter levels in New South Wales by 40 per cent by 2020 will be challenging.
Contaminated sites management: The 2014 performance audit on the management of contaminated sites made 13 recommendations to the NSW Environment Protection Authority (EPA).	The EPA has made progress against the recommendations. The EPA has significantly reduced the time to assess potentially contaminated sites. Increased information on EPA's public register will improve transparency over contaminated sites.
Bushfire hazard reduction: There were 31 per cent less incidences of fire in 2014-15 compared to the previous year.	The Enhanced Bushfire Management Program has allowed increased hazard reduction burning over the past three years although weather conditions are the primary factor in determining the impact of bushfires.

Planning

The Premier and State Priorities

The Department of Planning and Environment is already achieving some targets

The NSW Government released Premier and State Priorities 'NSW: Making it Happen' in September 2015 to replace the previous ten-year State plan NSW 2021, released in September 2011. The Premier and State Priorities include the following three key priorities for the planning arm of the Planning and Environment cluster.

Priority	Faster housing approvals	Accelerating major project assessment	Increasing housing supply across NSW
Target	90 per cent of housing development applications determined within 40 days	Halve the time taken to assess planning applications for State significant developments*	Deliver more than 50,000 approvals every year
Actual achieved	2014-15: 44 days	2014-15: 87 per cent assessed within four months	2014-15: 58,252

* The assessment time for State significant proposals in 2013-14 was 1,089 days, approximately three years.

Source: NSW State and Premier's Priorities 'Making it Happen' and Department of Planning and Environment (unaudited).

The Department of Planning and Environment (Department) advises that baseline data for measurement purposes of all three targets is 2013-14 actual performance data.

Housing Approvals and Supply

Home approvals increased by 12 per cent in 2014-15

In 2014-15, the Department increased home approvals by 12 per cent to 58,252. The new State Priority target for 2015-16 is 50,000.

The Department is working with councils to implement online systems to simplify assessment and approval processes to achieve the target of determining all housing development applications within 40 days. The Department has identified the capacity and resources of local councils to assess applications faster as one of its major risks in achieving the target.

In December 2014, the Department released 'A Plan for Growing Sydney' outlining plans for the Sydney metropolitan area for the next 20 years. The Greater Sydney Commission, established in June 2014, will drive implementation of the plan. The Commission is an independent body responsible for metropolitan planning in partnership with the State and local government.

New residential land releases in New South Wales have increased by 118 per cent over the last ten years. The population of Sydney is expected to increase to 5.9 million by 2031 and the Department expects 664,000 new homes will be needed to meet demand. The supply of land for development poses a risk to meeting the growing demand for housing.

Development approvals

Multi-level assessment process for development applications

The Department advises that in 2014-15, 87 per cent of State significant development applications were assessed within four months compared to an average of about three years in the in 2013-14.

The diagram below demonstrates the approval requirements for different types of development.

Examples	Permissibility	Assessment and approval process
A carport	No consent needed if required standards are met	Electronic Housing Code on Council website can be used to check requirements for proposed development
An apartment block	Consent required. Local councils to assess and approve	Applications assessed by local council against local and state planning controls, policies and strategies
A sports stadium	Consent required. Minister for Planning to consult and approve	State significant development proposals are assessed with input from local government and the community

Source: Department of Planning and Environment (unaudited).

To develop an apartment block, the relevant local council will assess the plans against environmental planning instruments such as the State Environment Planning Policy (SEPP), Local Environment Plans (LEP) and Development Control Plans (DCP) published by the local council. SEPPs are approved by the Governor on recommendation of the Minister for Planning and LEPs are prepared by local councils in consultation with the community, and approved by the Minister for Planning. This multi-level assessment and approval process makes the development application assessment process complex.

The Government has announced planned reforms to the system of Local Government. Councils play a key role in assessing development applications and these reforms may impact the development assessment and approval process.

Planning System

ePlanning has reduced assessment times and increased planning transparency

Volume Eleven of the 2014 Auditor-General's Report to Parliament reported that the NSW planning system was more than 30 years old. The NSW Government allocated $30 million over two years to upgrade the planning system through the launch of the ePlanning program.

The ePlanning program includes a suite of online tools to help with planning and development in New South Wales. It aims to provide more transparency around the planning process and is reducing assessment times and administrative overheads. The Department is also working on a range of activities to make application tracking available in more local government areas. The full roll out of the system is expected in 2016.

Environment

Litter Management

The volume of litter in New South Wales is above national average

The previous State plan 'NSW 2021: A plan to make New South Wales number one' included a goal for New South Wales to have the lowest litter count per capita in Australia by 2016. This required a reduction of approximately 40 per cent in the number of littered items by 2016, based on 2011–12 data.

The new State plan 'NSW Making it Happen', announced in September 2015, includes a Premier's Priority to reduce the volume of litter by 40 per cent by 2020 to overtake Victoria as the least littered state in Australia.

Volume (litres) per 1,000 square metres
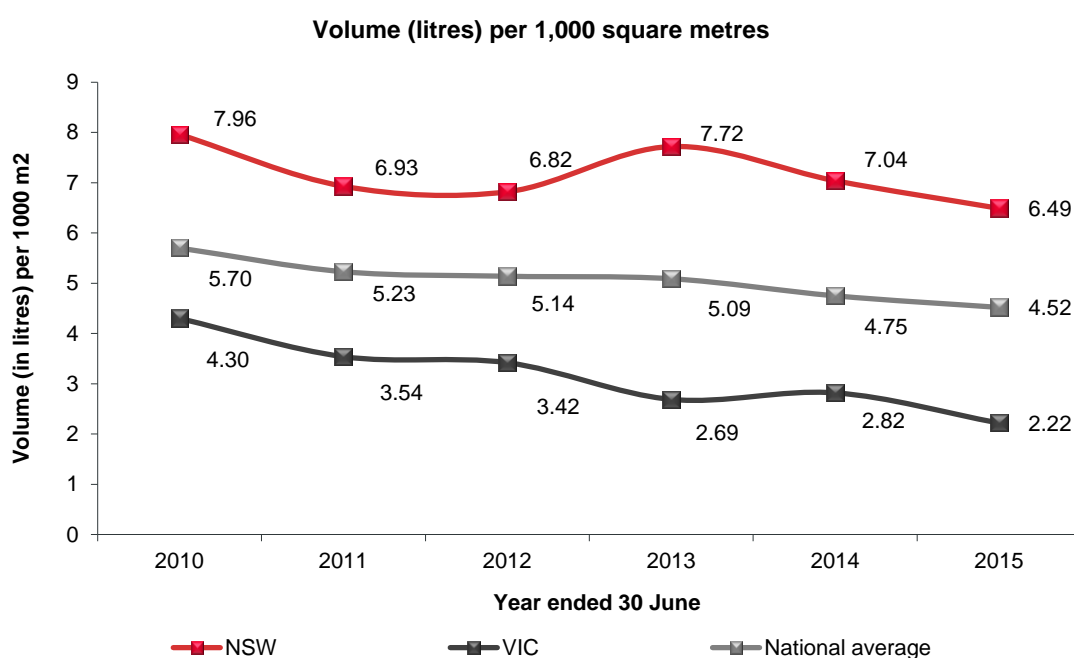
Note: Caution should be taken when making comparisons between jurisdictions.
Source: Keep Australia Beautiful National Litter Index 2014-15 (excluding illegal dumping).

The baseline in 2013-14 was 7.04 litres per 1,000 square meters. A 40 per cent reduction by 2020 indicates the target is 4.22 litres per 1,000 square meters. The volume of litter (excluding illegal dumping) decreased from 7.04 litres per 1,000 square metres in 2013-14 to 6.49 in 2014-15. This remains higher than the national average and significantly higher than Victoria, the least littered state in Australia. Current trends in litter reduction indicate achieving this target will be challenging.

The Premier's Priority to reduce litter uses the 2013-14 'Keep Australia Beautiful National Litter Index' (excluding illegal dumping) as the baseline for litter measurement. The annual index measures types and volumes of litter in various public places such as highways, parks, beaches, retail and residential sites. It is Australia's only national, annual, quantitative measure of what and where litter occurs and in what volume.

The 'Waste Less, Recycle More' program commits $466 million over five years

The NSW Litter Prevention Program was launched in 2013-14 to align with the State's goal of reducing litter. The NSW Environment Protection Authority (EPA)'s 'Waste Less Recycle More' initiative is one of the NSW Government's key waste and resource recovery initiatives to achieve this goal.

The initiative includes investment of $466 million over the five years ending 30 June 2017 in waste and recycling. Twenty million dollars of this dedicated to reducing litter.

Waste and Resource Recovery Initiative
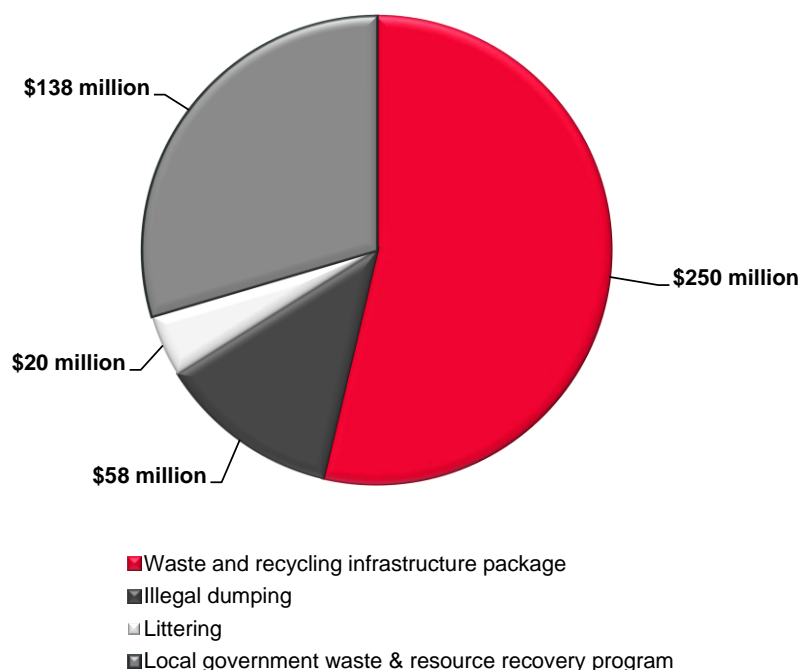
Source: NSW Environment Protection Authority (unaudited).

The initiative includes the provision of grants for infrastructure, new kerbside collections, community recycling centres for problem waste and projects to reduce litter and tackle illegal dumping.

The EPA advises that to 30 June 2015, the initiative has injected $207 million into recycling, litter and illegal dumping prevention in New South Wales, including actions to divert an extra 1.6 million tonnes of waste from landfill. It reports that the initiative has also stimulated a further $141 million in public and private sector investment in waste and recycling.

The Better Waste and Recycling Fund (BWR Fund) within the initiative also contributes to litter reduction programs. The BWR Fund will provide a total of $70 million to local councils in New South Wales that pay the waste levy (currently 72 of the 152 councils).

The initiative has seen the introduction of, or plans for, new regulations as detailed in the following diagram.

1 Nov 2014

Higher standards on storage, processing and transport of waste

1 Mar 2015

Landfill waste must be disposed of within 150 km of where it's generated, or to the nearest lawful disposal facility

1 July 2015

New technologies to monitor the transport of asbestos and tyre waste

1 Aug 2015

Wider range of facilities liable for the levy for non-recyclable portion of the waste

1 Feb 2016

Facilities with a levy liability must have a weighbridge installed to accurately record waste movements

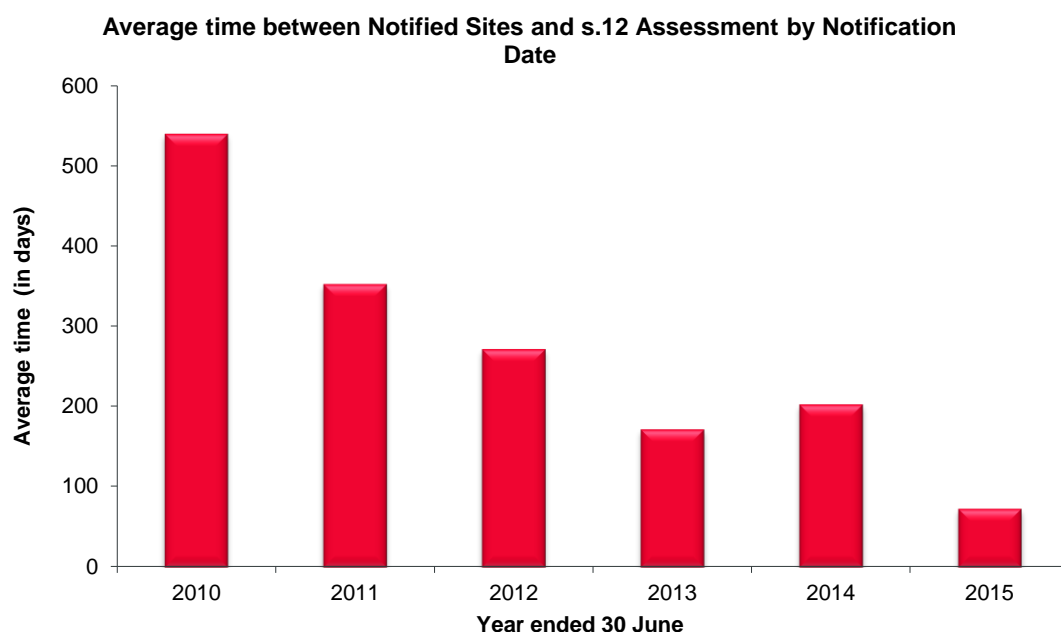Source: NSW Environment Protection Authority (unaudited).

Landfill sites currently report details of waste they receive to the EPA on a monthly basis. The EPA is developing an electronic system to enable more regular reporting and better compliance management, and to ensure the levy paid is appropriate.

Contaminated Sites

The EPA has reduced the time to assess potentially contaminated sites

The EPA advises it has developed a new database to better manage the backlog of assessments and reduce timeframes between receiving a site notification and the assessment decision under section 12 of the *Contaminated Land Management Act 1997* (CLM Act). The average time to assess potential contaminated sites has fallen from 203 days in 2013-14 to 73 days in 2014-15. During 2014-15, the EPA received funding from Treasury to clear the backlog of sites awaiting assessment. Changes to the EPA site management classification for sites listed on the public register provides transparency over contaminated sites, remediated sites and sites being actively regulated and monitored.

Performance data on the management of notified sites over the last five years is shown in the following graph.

Average time between Notified Sites and s.12 Assessment by Notification Date

Source: NSW Environment Protection Authority (unaudited).

The CLM Act gives the NSW Environment Protection Authority (EPA) powers to investigate and manage sites where contamination is significant enough to warrant regulation.

The Auditor-General's 2014 performance audit on the 'Management of Contaminated Sites' in New South Wales assessed how well the risks associated with contaminated sites are managed. Thirteen recommendations were made to the EPA, predominantly on the need to implement a streamlined process for prioritising and assessing sites notified to it under the CLM Act. The report also noted a significant backlog of notified sites to be assessed. During 2014-15, the Public Accounts Committee conducted a follow up inquiry on action taken by the EPA on the recommendations.

The petroleum industry has the highest number of contaminated sites

Over the past four years, the sector responsible for most contamination in the State is the petroleum industry. It accounted for 65 per cent of all contaminated sites at 30 June 2015, including 820 service stations and 202 other petroleum sites.

The table below details the number of contaminated sites over the last five years by category.

	Number of contaminated sites				
Causes of contaminated sites at 30 June	Increase from 2014 to 2015	2015	2014	2013	2012
Cattle dip	--	7	7	6	5
Landfill	1	62	61	61	58
Service station	1	820	819	816	805
Other petroleum	--	202	202	200	186
Chemical industry	4	52	48	45	44
Metal industry	2	57	55	55	51
Gasworks	--	57	57	57	57
Other industry	20	213	193	191	165
Unclassified	4	101	97	91	89
Total	**32**	**1,571**	**1,539**	**1,522**	**1,460**

Source: NSW Environment Protection Authority (unaudited).

The NSW Environmental Trust established a Contaminated Land Management Program (CLM Program) in 2001 to allow for the remediation of contaminated sites that may pose a major risk to human health and the environment. Since 2011-12, this program also included a pilot Underground Petroleum Storage Systems program to remediate abandoned leaking tanks in road reserves.

Funding committed to manage significantly contaminated sites until 2017

The NSW Environmental Trust (Trust) has committed funding until 2017 to the CLM Program, including education and prevention programs, which will focus on capacity building for regional councils and landowners responsible for contaminated sites. In 2014-15, for the first time, the Trust provided a $6 million grant to the EPA to deliver the CLM program. A variation to this grant allowed $225,000 to be used to facilitate the clean-up of lead contaminated playgrounds in Broken Hill.

One of the recommendations in the Auditor-General's 2014 performance audit was for the EPA to gain a better understanding of its costs and develop procedures to recover them by December 2015. The EPA has subsequently made legislative and administrative changes to allow it to recover costs for sites that generate significant resource demands.

Licensing System

Risk-based licensing system implemented to improve performance and compliance

The EPA's risk-based licensing system commenced on 1 July 2015. A total of 1,365 of the required 1,994 risk assessments for licenced sites were completed in 2014-15. Risk-based licensing aims to ensure all environment protection licensees receive an appropriate level of regulation based on the environmental risk of the activity. This allows the EPA to better target regulatory efforts towards high risk and poor performing licensees.

The risk based licensing framework provides incentives for licensees to improve environmental performance and compliance through changes to licence administration fees. As part of the risk assessment, licensees can receive credits if they have an environmental management system certified to the international standard ISO 14001, or if they have aspects of an environmental management system in place on the premises. The changes to licence fees will commence on 1 July 2016, giving licensees time to focus on improving their environmental performance.

Environmental risk levels for each licence will be made available on the EPA's public register as they are determined. This will provide the community with more information about the environmental risks and environmental performance of individual licensees, and the EPA's regulatory decisions.

Bushfire Hazard Reduction in Parks and Reserves

The Department of Planning and Environment (Department) and the Office of Environment and Heritage (OEH), together with the NSW Rural Fire Service and local councils, are involved in managing bushfire risks.

The Department is involved in assessing developments in bushfire prone land and in mapping bushfire prone land in urban release areas. It uses Planning Circulars to inform councils, developers, consultants, and the community on a range of topics, including the management of bushfire risks.
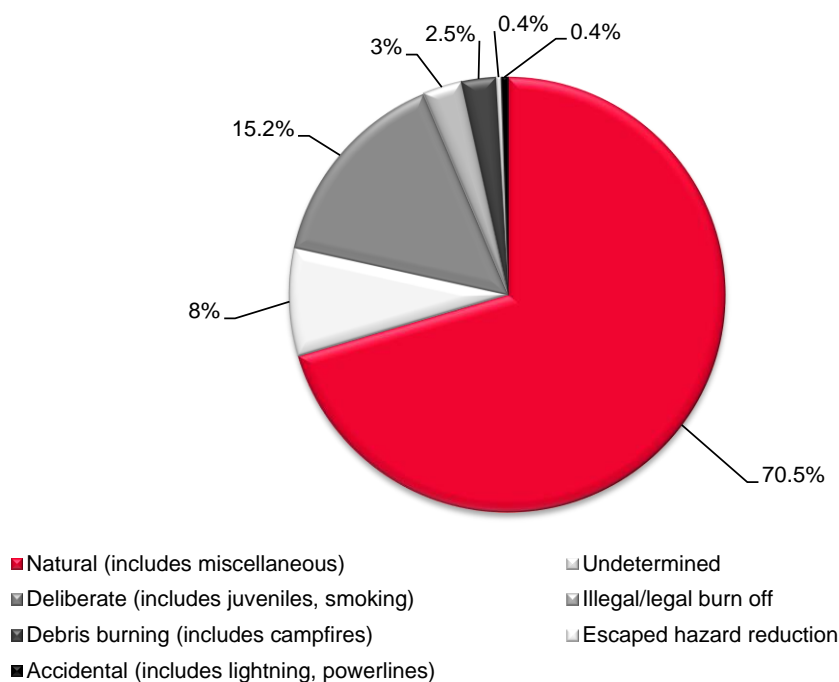
The OEH manages bushfire in NSW national parks and reserves, which account for approximately nine per cent of the State's land mass, to protect life and property and to conserve biodiversity.

Bushfire causes

Lightning strike was the main cause of fires in national parks

Natural events contributed to 71 per cent (37.4 per cent in 2013-14) of total bushfires in managed national parks and reserves in 2014-15. The main natural cause of fires was lightning strikes. The number and proportion of natural fires is highly variable from year to year.

Causes of Bush fires in National Parks in 2015

■ Natural (includes miscellaneous)   ◩ Undetermined

■ Deliberate (includes juveniles, smoking)   ◩ Illegal/legal burn off

■ Debris burning (includes campfires)   ◩ Escaped hazard reduction

■ Accidental (includes lightning, powerlines)

Source: Office of Environment and Heritage (unaudited).

In 2014-15, there were 31 per cent less fire incidents compared to 2013-14

In 2013-14, 311,740 hectares of park land was affected by bushfires with the spring-summer conditions leading to an early and significant bushfire season across the State. The OEH advises there were 237 fires in 2014-15 (342 in 2013-14) and 90 per cent of those starting in parks were contained within the parks.
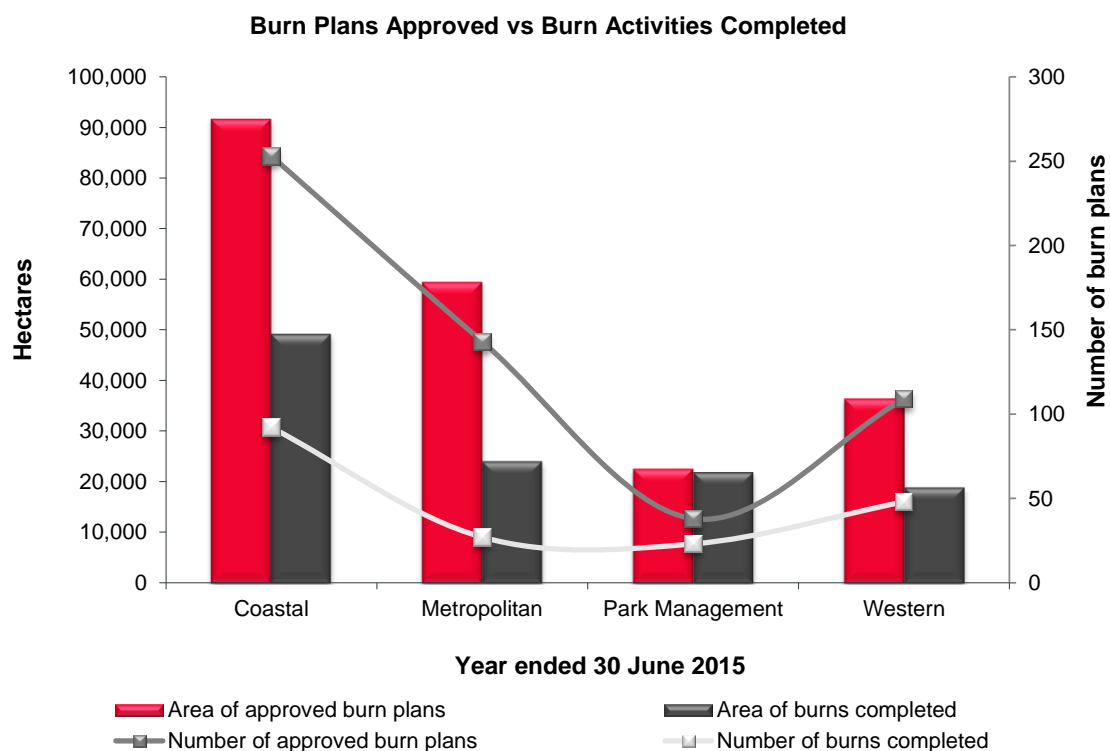
The OEH attributes the lower impact of bushfires and the success in containing these fires to the ten year fire management strategy, 'Living with Fire in NSW National Parks: A Strategy for Managing Bushfires in National Parks and Reserves 2012-21'. This provides a framework for the National Parks and Wildlife Service fire management and outlines priorities for managing bushfires in national parks and reserves. The strategy is supported by a six-year Enhanced Bushfire Management Program with funding of $76.2 million for 2011 to 2017. This funding is in addition to the recurrent budget for fire management in parks and reserves.

Areas of Hazard Reduction and Bush fire in NSW National Parks
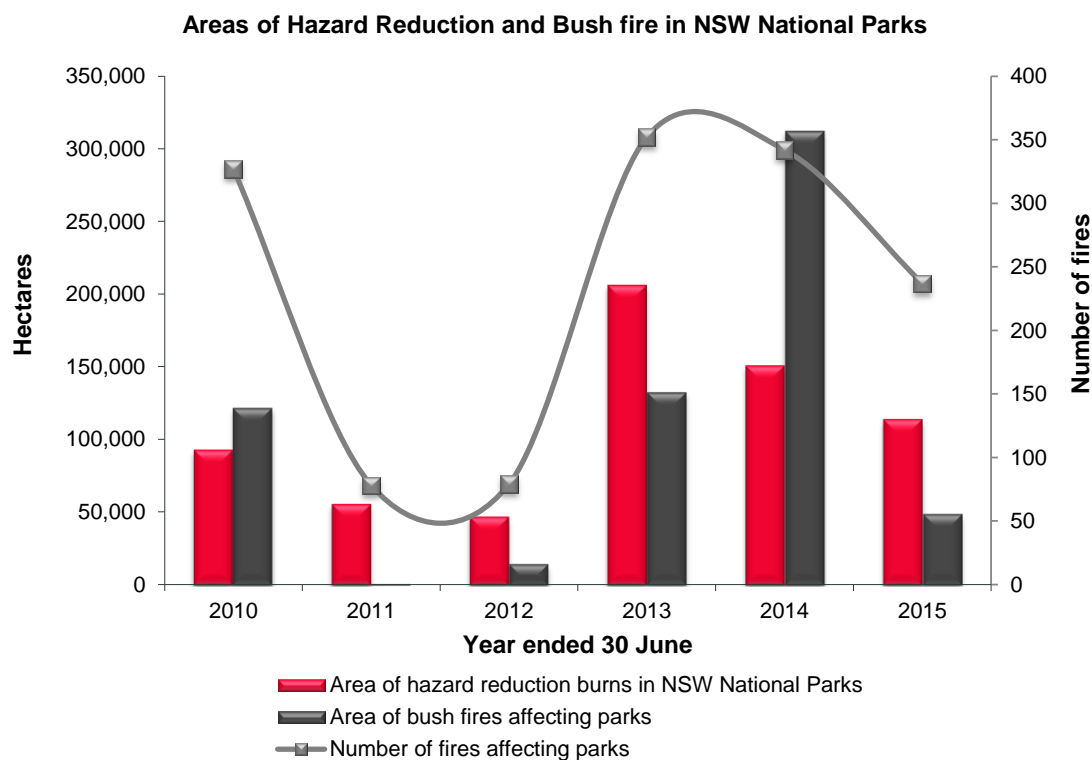
Source: Office of Environment and Heritage (unaudited).

The National Parks and Wildlife Service within OEH completed 190 (232 in 2013-14) prescribed hazard reduction burns in 2014-15. On average, approximately 106,000 hectares has been treated annually over the last five years, to a total 534,000 hectares.

Hazard reduction burning was lower in 2011 and 2012 due to higher than average rainfall. The State experienced flooding in both years. The wetter weather conditions may have contributed to fewer fires in National Parks in those years.

Burn Plans Approved vs Burn Activities Completed

Year ended 30 June 2015

Legend:
- Area of approved burn plans
- Area of burns completed
- Number of approved burn plans
- Number of burns completed

Note: Coastal Branch includes Central Coast Hunter, Lower North Coast, North Coast, Northern Rivers, South Coast and Far South Coast regions. Metro and Mountains Branch includes Blue Mountains, Metro North East, Metro South West and Southern Ranges regions. Western Branch includes Far West, Northern Plains, Northern Tablelands and Western Rivers regions.

Source: Office of Environment and Heritage - National Parks and Wildlife Service (unaudited).

The OEH burned fewer hectares during 2014-15 than planned. It undertook 114,204 hectares of hazard reduction burning in 2014-15 (151,044 hectares in 2013-14). Despite this, the impact of the 2014-15 bushfire seasons was not as severe as the previous year. The favourable weather conditions contributed considerably to this.

Section Two

Appendices

Appendix One – Financial Information

	Total assets		Total liabilities		Total revenue		Total expense		Net result	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000	2015 $'000	2014 $'000	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Departments										
Department of Planning and Environment (cluster lead)	184,833	153,233	69,182	154,429	1,347,318	284,928	1,229,852	298,790	117,466	(13,862)
Office of Environment and Heritage	4,313,562	4,256,002	420,661	431,037	1,132,199	348,501	1,130,756	463,638	1,443	(115,137)
Office of Local Government	22,456	16,591	13,642	10,032	122,165	14,643	119,910	13,163	2,255	1,480
Biamanga National Park Board of Management	887	733	13	19	389	371	229	341	160	30
Gaagal Wanggaan (South Beach) National Park Board of Management	602	503	13	15	312	301	211	46	101	255
Gulaga National Park Board of Management	103	196	13	15	285	278	376	350	(91)	(72)
Mt Grenfell Historic Site Board of Management	444	432	10	12	54	147	40	37	14	110
Mutawintji National Park Board of Management	464	3,194	13	15	529	518	3,257	809	(2,728)	(291)
Statutory owned corporation										
Landcom (trading as UrbanGrowth NSW)	870,424	848,035	394,446	422,528	678,338	647,778	551,151	531,048	127,187	116,730

	Total assets		Total liabilities		Total revenue		Total expense		Net result	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000	2015 $'000	2014 $'000	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Other bodies										
Australian Technology Park Sydney Limited	25,816	143,870	10,484	51,061	49,796	26,097	127,273	33,653	(77,477)	(7,556)
Building Professionals Board	3,486	3,231	1,423	981	4,705	4,409	4,893	3,506	(188)	903
Centennial Park and Moore Park Trust	966,172	938,102	10,657	8,904	35,445	34,371	26,477	25,399	8,968	8,972
Central Coast Regional Development Corporation	31,127	31,432	788	606	1,629	1,211	3,353	3,907	(1,724)	(2,695)
Corporation Sole 'Minister Administering the *Environmental Planning and Assessment Act 1979'*	1,692,184	1,650,959	230,181	427,845	77,837	65,241	81,470	65,566	(3,633)	(325)
Corporation Sole 'Minister Administering the *Heritage Act 1977'*	10,702	9,769	57	139	1,335	822	427	803	908	19
NSW Environment Protection Authority	29,563	16,798	13,883	11,007	148,296	134,401	138,761	130,982	9,535	3,419
NSW Environmental Trust	17,679	21,219	403	2,965	84,645	56,037	85,623	56,679	(978)	(642)
Historic Houses Trust of New South Wales	262,337	244,543	5,172	4,085	28,979	32,772	26,327	26,752	2,652	6,020
Hunter Development Corporation	44,818	44,970	2,131	1,802	86,601	24,061	87,082	31,192	(481)	(7,131)
Jenolan Caves Reserve Trust	22,275	18,139	2,577	2,607	15,265	10,904	11,099	10,002	4,166	902
Lord Howe Island Board	66,261	55,655	4,088	2,069	19,291	11,834	10,705	12,353	8586	(519)
Luna Park Reserve Trust	42,607	41,456	414	302	1,742	1,659	1,467	1,515	275	144
Parramatta Park Trust	52,376	45,008	1,025	1,331	9,081	4,040	3,483	4,003	5,598	37
Royal Botanic Gardens and Domain Trust	449,037	390,428	6,952	5,077	51,917	50,890	49,982	48,933	1,935	1,957
Sydney Harbour Foreshore Authority	1,406,322	1,353,156	72,618	72,932	183,647	222,949	150,695	186,760	32,952	36,189
UrbanGrowth NSW Development Corporation	267,394	276,078	6,620	28,880	40,493	35,467	27,060	23,473	13,433	11,994
Western Sydney Parklands Trust	745,272	631,939	13,740	7,004	24,769	27,336	8,634	8,152	16,135	19,184
Taronga Conservation Society Australia	489,504	485,498	37,908	37,459	98,669	89,896	94,683	92,689	3,986	(2,793)

Source: Financial Statements (audited).

Appendix Two – Performance Against Budget

	Department of Planning and Environment		Office of Environment and Heritage		Office of Local Government		Centennial Park and Moore Park Trust	
	2015 actual $'000	2015 budget $'000	2015 actual $'000	2015 budget $'000	2015 actual $'000	2015 budget $'000	2015 actual $'000	2015 budget $'000
Abridged statement of comprehensive Income - year ended 30 June 2015								
Total expenses	🔴 1,229,852	1,308,160 🔴	1,130,756	1,073,873 🔴	119,910	128,345 🟢	26,477	26,040
Total revenue	🟡 1,347,318	1,308,201 🔴	1,132,199	1,041,313 🟡	122,165	127,956 🔴	35,445	30,861
Net result	🔴 **117,466**	**41** 🔴	**1,443**	**(32,560)** 🔴	**2,255**	**(389)** 🔴	**8,968**	**4,821**
Total other comprehensive income/(expense)*	(619)	--	59,316	--	--	--	17,349	--
Total comprehensive income/(expense)	🔴 **116,847**	**41** 🔴	**60,759**	**(32,560)** 🔴	**2,255**	**(389)** 🔴	**26,317**	**4,821**
Abridged statement of financial position - at 30 June 2015								
Total assets	🔴 184,833	103,139 🟡	4,313,562	4,217,323 🔴	22,456	3,833 🟡	966,172	945,987
Total liabilities	🔴 69,182	61,590 🔴	420,661	457,107 🔴	13,642	3,140 🔴	10,657	7,381
Net assets	🔴 **115,651**	**41,549** 🟡	**3,892,901**	**3,760,216** 🔴	**8,814**	**693** 🟢	**955,515**	**938,606**
Abridged statement of cash flows - year ended 30 June 2015								
Purchases of property, plant and equipment	🔴 (322)	(812) 🔴	(35,371)	(38,084) 🔴	(135)	(105) 🔴	(9,237)	(9,973)

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

Source: Financial Statements (audited) and Budget Papers 2014-15.

Actual v Budget Indicator

🟢   Variance below 2 per cent of budget

🟡   Variance between 2 and 5 per cent of budget

🔴   Variance greater than 5 per cent of budget

	Corporation Sole EPA		NSW Environment Protection Authority		NSW Environmental Trust		Historic Houses Trust of New South Wales	
	2015 actual $'000	2015 budget $'000	2015 actual $'000	2015 budget $'000	2015 actual $'000	2015 budget $'000	2015 actual $'000	2015 budget $'000
Abridged statement of comprehensive Income - year ended 30 June 2015								
Total expenses	🔴 81,470	132,116	🟢 138,761	141,571	🔴 85,623	102,692	🟡 26,327	26,943
Total revenue	🔴 77,837	51,197	🟡 148,296	142,755	🔴 84,645	101,761	🟢 28,979	28,418
Net result	🔴 **(3,633)**	**(80,919)**	🔴 **9,535**	**1,184**	🔴 **(978)**	**(931)**	🔴 **2,652**	**1,475**
Total other comprehensive income/(expense)*	97,351	--	(10)	--	--	--	14,067	--
Total comprehensive income/(expense)	🔴 **93,718**	**(80,919)**	🔴 **9,525**	**1,184**	🔴 **(978)**	**(931)**	🔴 **16,719**	**1,475**
Abridged statement of financial position - at 30 June 2015								
Total assets	🔴 1,692,184	1,563,727	🔴 29,563	17,625	🔴 17,679	19,060	🔴 262,337	245,695
Total liabilities	🔴 230,181	445,626	🔴 13,883	12,459	🔴 403	1,776	🔴 5,172	3,987
Net assets	🔴 **1,462,003**	**1,118,101**	🔴 **15,680**	**5,166**	🟢 **17,276**	**17,284**	🔴 **257,165**	**241,708**
Abridged statement of cash flows - year ended 30 June 2015								
Purchases of property, plant and equipment	🔴 (23,415)	(25,000)	🔴 (145)	(50)	--	--	🔴 (2,861)	(3,304)

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

Source: Financial Statements (audited) and Budget Papers 2014-15

Actual v Budget Indicator

🟢 Variance below 2 per cent of budget

🟡 Variance between 2 and 5 per cent of budget

🔴 Variance greater than 5 per cent of budget

	Hunter Development Corporation		Luna Park Reserve Trust		Royal Botanic Gardens and Domain Trust		UrbanGrowth NSW Development Corporation		Western Sydney Parklands Trust	
	2015 actual $'000	2015 budget $'000	2015 actual $'000	2015 budget $'000	2015 actual $'000	2015 budget $'000	2015 actual $'000	2015 budget $'000	2015 actual $'000	2015 budget $'000
Abridged statement of comprehensive Income - year ended 30 June 2015										
Total expenses	🔴 87,082	112,246	🔴 1,467	1,863	🟡 49,982	48,682	🔴 27,060	39,552	🔴 8,634	9,114
Total revenue	🔴 86,601	106,648	🔴 1,742	2,141	🔴 51,917	54,791	🔴 40,493	34,784	🔴 24,769	13,987
Net result	🔴 (481)	(5,598)	🟢 275	278	🔴 1,935	6,109	🔴 13,433	(4,768)	🔴 16,135	4,873
Total other comprehensive income/(expense)*	--	--	764	--	54,799	--	143	--	87,392	--
Total comprehensive income/(expense)	🔴 (481)	(5,598)	🔴 1,039	278	🔴 56,734	6,109	🔴 13,576	(4,768)	🔴 103,527	4,873
Abridged statement of financial position - at 30 June 2015										
Total assets	🔴 44,818	37,870	🟡 42,607	41,592	🔴 449,037	394,248	🟡 267,394	260,886	🔴 745,272	594,353
Total liabilities	🔴 2,131	1,100	🔴 414	164	🔴 6,952	8,456	🔴 6,620	23,558	🔴 13,740	6,184
Net assets	🔴 42,687	36,770	🟢 42,193	41,428	🔴 442,085	385,792	🔴 260,774	237,328	🔴 731,532	588,169
Abridged statement of cash flows - year ended 30 June 2015										
Purchases of property, plant and equipment	--	--	--	--	🔴 (5,791)	(17,216)	🔴 (3,177)	(4,375)	🔴 (9,417)	(29,092)

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

Source: Financial Statements (audited) and Budget Papers 2014-15

Actual v Budget Indicator

🟢 Variance below 2 per cent of budget

🟡 Variance between 2 and 5 per cent of budget

🔴 Variance greater than 5 per cent of budget

Appendix Three – Financial Analysis

Indicator	Formula	Description
Surplus/ (deficit) ($)	Net result from the Statement of Comprehensive Income	A positive result indicates a surplus, while a negative result indicates deficit. Operating deficits cannot be sustained in the long term.
Operating margin (%)	Adjusted net result / total underlying revenue	Net result and total underlying revenue is obtained from the Statement of Comprehensive Income and is adjusted to take into account large one-off (non-recurring) transactions.
Government funding (%)	Government grants and contributions/ total revenue	It indicates the proportion of total revenue which is contributed as grants, by State and Federal Government. A higher percentage means that the agency relies on the Government to fund its expenditure. This percentage is expected to be lower for self funding agencies.
Expense growth rate (%)	(Total expenditure 2015 - total expenditure 2014) / total expenditure 2014	This demonstrates the rate at which total expenditure for an agency has increased or decreased in the financial year 2014-15, compared to 2013-14. A positive growth rate indicates that expenses have increased compared to prior year, while a negative growth rate indicates that expenses have decreased compared to the prior year.
Current ratio	Current assets / current liabilities	This measures the ability to pay existing liabilities in the next 12 months. A ratio of one or more means there are more liquid assets than short-term liabilities. Current liabilities exclude employee provisions expected to be settled after 12 months and revenue in advance.

Appendix Four – Cluster Information

Agency	Website
Departments	
Department of Planning and Environment	www.planning.nsw.gov.au
Office of Environment and Heritage	www.environment.nsw.gov.au
Office of Local Government	www.olg.nsw.gov.au
Biamanga National Park Board of Management	*
Gaagal Wanggaan (South Beach) National Park Board of Management	*
Gulaga National Park Board of Management	*
Mt Grenfell Historic Site Board of Management	*
Mutawintji National Park Board of Management	*
Worimi National Park Board of Management	*
State owned corporation	
Landcom (trading as UrbanGrowth NSW)	www.urbangrowthnsw.com.au
Other bodies	
Australian Technology Park Sydney Limited	www.atp.com.au
Building Professionals Board	www.bpb.nsw.gov.au
Centennial Park and Moore Park Trust	www.centennialparklands.com.au
Central Coast Regional Development Corporation	www.ccrdc.nsw.gov.au
Corporation Sole 'Minister Administering the *Environmental Planning and Assessment Act 1979*'	www.planning.nsw.gov.au/office-of-strategic-lands
Corporation Sole 'Minister Administering the *Heritage Act 1977*'	*
NSW Environment Protection Authority	www.epa.nsw.gov.au
NSW Environmental Trust	www.environmentaltrust.nsw.gov.au
Historic Houses Trust of New South Wales	www.sydneylivingmuseums.com.au
Hunter Development Corporation	www.hunterdevelopmentcorporation.com.au
Jenolan Caves Reserve Trust	www.jenolancaves.org.au
Lord Howe Island Board	www.lhib.nsw.gov.au
Luna Park Reserve Trust	www.service.nsw.gov.au/nswgovdirectory/luna-park-reservetrust
Parramatta Park Trust	www.parrapark.com.au
Royal Botanic Gardens and Domain Trust	www.rbgsyd.nsw.gov.au
Sydney Harbour Foreshore Authority	www.shfa.nsw.gov.au
UrbanGrowth NSW Development Corporation	www.urbangrowthnsw.com.au
Western Sydney Parklands Trust	www.westernsydneyparklands.com.au
Taronga Conservation Society Australia	www.taronga.org.au

* This entity has no website.

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Making a difference through audit excellence.

Our mission

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