



annual report
2016/17

 **auditoffice**
OF NEW SOUTH WALES

annual report 2016–17

This annual report summarises the activities and performance of the Audit Office of New South Wales for 2016–17 against the main goals, strategies and targets in its strategic plan. As well as reporting on the financial results for the past year, the report looks to the year ahead. This and earlier annual reports are available on our website.

audit.nsw.gov.au



Our insights inform and challenge government to improve outcomes for citizens

Level 15, 1 Margaret Street
Sydney NSW 2000 Australia
t +61 2 9275 7100
f +61 2 9275 7200
e mail@audit.nsw.gov.au
office hours 8.30 am–5.00 pm

GPO Box 12
Sydney NSW 2001

Members of Legislative
Assembly
Parliament House
Sydney NSW 2000

Under section 12A of the *Annual Reports (Statutory Bodies) Act 1984*, I have pleasure in submitting for the information of members this report of the activities of the Audit Office of New South Wales for the year ended 30 June 2017.

A handwritten signature in black ink, appearing to read 'Margaret Crawford'.

Margaret Crawford
Auditor-General

11 September 2017

Cover: 'Yarning Circle' by Caitlin Liddle, Audit Office Indigenous Internship Program participant.

'The centre is a meeting place to symbolise the Audit Office, and sitting around this is a number of people in different colours to show our diversity. The dotting around the people signifies the conversations of acceptance that can occur when cultures combine.'

Caitlin Liddle

See page 49 for details on our Indigenous Internship Program.

Contents

• Our organisation	2
• Highlights	3
• Parliament	10
• Government entities, universities and councils	18
• People	38
• Profession	50
• Governance	54
• Finances	66
• Financial report	70
• Appendices	100
• Glossary	125
• Index	126

The history of the Auditor-General

- 1824** William Lithgow appointed Colonial Auditor-General, to compile and examine the colony's accounts and report on government departments to the Governor.
- 1855** The *UK Constitution Act 1855* formalised government in New South Wales, and the Auditor-General was made a member of the government.
- 1870** Powers and duties of the Auditor-General first set in legislation, in the *Audit Act 1870*.
- 1902** *Audit Act 1902* prohibited the Auditor-General from being a member of the Executive Council or of the parliament.
- 1929** *Audit (Amendment) Act 1929* changed the tenure of office of the Auditor-General from life to ceasing at 65.
- 1984** *Public Finance and Audit Act 1983* established the Auditor-General's Office (6 January 1984).
- 1989** Auditor-General's Office declared a statutory body, allowing it to be both more independent and more commercial.
- 1991** The *Public Finance and Audit Act 1983* expanded the Auditor-General's role to include performance audits, limited tenure to seven years (no age limit), and prevented acceptance of any other post in the NSW public service.
- 2001** Auditor-General's role expanded to report on issues of waste, probity and financial judgement.
- 2004** Auditor-General given power to employ staff directly, and set wages and conditions.
- 2013** Tenure of Auditor-General extended to eight years.
- 2016** The *Local Government Act 1993* expanded the Auditor-General's mandate to include financial and performance auditing of local government.



Our organisation

Built on strategic foundations

Our vision

Our insights inform and challenge government to improve outcomes for citizens.

Our mission

To help parliament hold government accountable for its use of public resources.

Our values

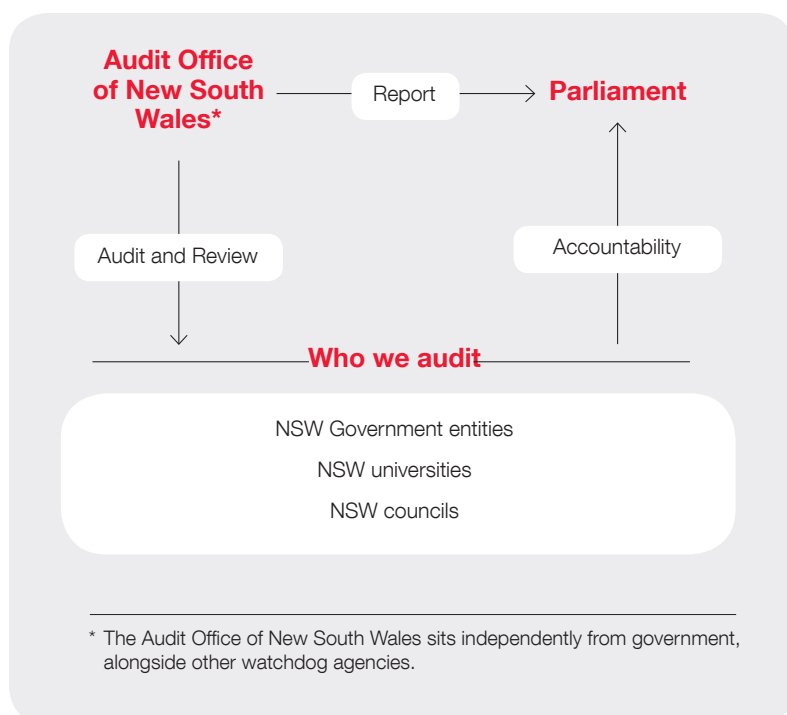
Purpose – we have an impact, are accountable, and work as a team.

People – we trust and respect others and have a balanced approach to work.

Professionalism – we are recognised for our independence and integrity and the value we deliver.

Our main stakeholders

- Parliament of New South Wales
- NSW Government entities
- NSW universities
- NSW councils
- The people of New South Wales.



Who we are

The Audit Office of New South Wales is a statutory authority, established under the *Public Finance and Audit Act 1983*, that conducts audits for the Auditor-General.

These audits help parliament hold government accountable for its use of public resources.

What we do

The Auditor-General is accountable to the NSW Parliament and is responsible for audits and related services.

The Audit Office conducts financial and performance audits, principally under the *Public Finance and Audit Act 1983* and the *Local Government Act 1993*.

Financial audits provide an independent opinion on NSW Government entities', universities' and councils' financial statements. They identify whether their financial statements comply with accounting standards and relevant laws, regulations and government directions.

Performance audits build on our financial audits by reviewing whether public money is spent efficiently, effectively, economically and in accordance with the law.

Special audits are sometimes conducted to confirm that specific legislation, directions and regulations have been adhered to.

The Auditor-General also provides certain assurance services over Commonwealth grants and payments to the NSW Government and local government under Commonwealth legislation.

Our resources

275 full-time equivalent staff at the Audit Office at 30 June 2017.

\$38 million revenue from government entities, councils and universities for audits of their financial statements.

\$9 million from the government for our performance and compliance audits and reports to parliament.

11 external contract audit agents assist with our financial statement audits, representing about 10 per cent of our financial audit work.



2016–17 highlights

Parliament

92% of parliamentarians satisfied with the Audit Office's reports and services

94 per cent agreed we operate independently from government.

96 per cent agreed our reports and services provide valuable information on public sector performance.

96 per cent agreed our reports and services help improve public sector administration.

94 per cent agreed we perform audits with integrity.

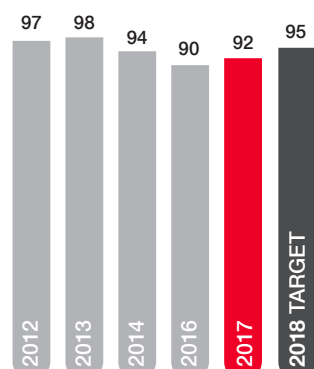
79 per cent of audits reported to parliament on time.

19 performance audits followed up by parliament's Public Accounts Committee.

◊ Refer to page 10

Overall satisfaction %

% satisfied or very satisfied
Survey not conducted in 2015



Government entities, universities and councils

98% of financial audit recommendations accepted

77 per cent of performance audit recommendations accepted.

Overall CFO performance index for financial audits remains at 78.

Overall performance index for performance audits 71, compared to 70 last year.

17 performance audits completed.

426 financial audits completed.

16 new modifications were issued and 4 audit modifications were cleared.

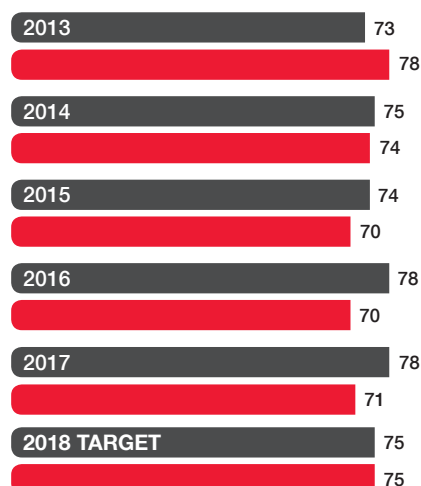
86 per cent of financial audit opinions issued within ten weeks.

◊ Refer to page 18

Overall performance index

Aggregate performance indices

Financial audit clients (CFO only)
Performance audit clients



People

81% staff satisfaction, compared to 79% last year

83 per cent staff engagement, compared to 82 per cent last year.

19 per cent staff turnover.

90 per cent of staff describe the Audit Office as 'a great place to work'.

78 per cent of staff report reasonable to very high morale.

54 per cent of middle management are women.

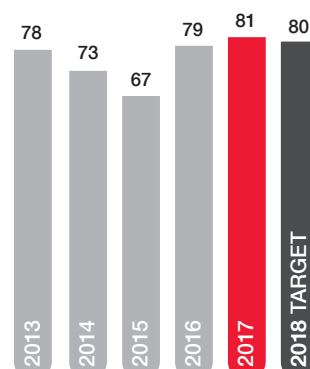
46 per cent of executive and senior leadership are women.

3 reported safety incidents and 0 new workers' compensation claims.

4.5-star greenhouse building rating maintained.

◊ Refer to page 38

Staff satisfaction %



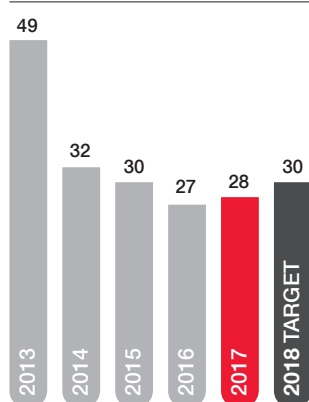
Profession

28 presentations made,
one more than last year

5 submissions made on proposed changes
to accounting and auditing standards.

◉ Refer to page 50

Presentations delivered



Governance

Our governance
framework reflects the
8 core principles
of the ASX Corporate
Governance Principles and
Recommendations

The Audit Office received one formal GIPA
access application.

We received and examined 15 public interest
disclosures.

◉ Refer to page 54

Finances

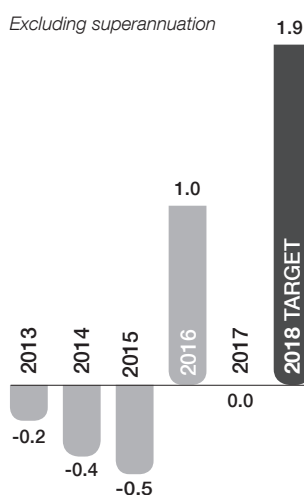
\$0.1 million cumulative deficit
(excluding superannuation
adjustments) over a five year
period, close to our break-
even target

Break-even result for 2016–17 (excluding
superannuation adjustments)

99 per cent of our creditors were paid
on time.

◉ Refer to page 66

Operating result 2016–17/\$m



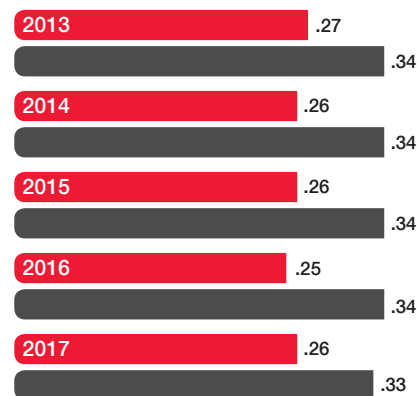
Benchmarks

Our costs compare
favourably with other
Australian audit offices

We benchmark ourselves against the national
average for audit offices.

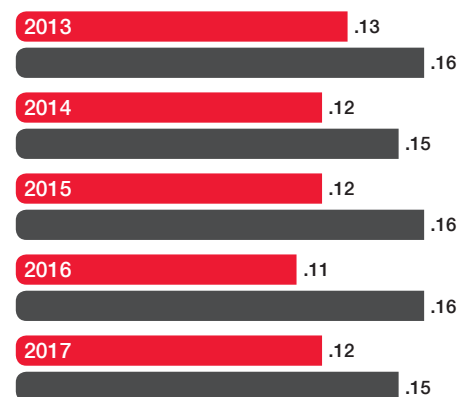
Total audit costs (excluding payroll tax) per \$'000 of public sector transactions \$

Audit Office of New South Wales
Average of all Australian audit offices



Total audit costs (excluding payroll tax) per \$'000 of public sector assets \$

Audit Office of New South Wales
Average of all Australian audit offices



Auditor-General's message

Our vision and commitment is to provide insights that inform and challenge government to improve outcomes for citizens

This report covers the first full year of my term as Auditor-General of New South Wales. I am immensely proud of the work we do and of the dedicated staff of my Office who strive in everything they do to make a positive contribution to this State.

We continue to be recognised for our integrity and professionalism and for the important role we play as one of the independent agencies that provide the checks and balances integral to our system of government.

Our vision and commitment is to provide insights that inform and challenge government to improve outcomes for citizens.

Our new local government mandate

The strong role we can play in this regard was recognised during the year by the passage of legislation that extended my mandate to local government. This represents the biggest change to our role in over two decades.

While the scale of the impact cannot be seen in the measures detailed in this report, it is without doubt the greatest achievement and largest challenge my Office has faced this year.

From 1 October 2016, the number of agencies we audit increased by around 140, or 30 per cent. The arrangements to conduct the statutory financial audits of these councils had to be in place in time to audit their 30 June 2017 financial statements. In addition, we committed to complete three sector wide performance audits of local government in the first year.

In standing up these arrangements we were cognisant of the significant reform agenda the sector was managing and our approach aimed to limit disruption while ensuring we could add value as quickly as possible.

To achieve this balance, we made a considerable investment in stakeholder engagement, conducting workshops, attending conferences and regional meetings, with a clear objective to explain our new mandate and approach, but also to listen and learn about the new sector. I have appreciated the guidance from, and dialogue with, many council representatives and Local Government NSW in this regard.

We also invested in new partnerships. We commissioned many of the councils' previous auditors to work as our agents in the conduct of audits in accordance with our standards. In this way, we benefit from their considerable knowledge of the sector, but still deliver on the promise of greater consistency of practice and sector wide insights. We also worked closely with, and enjoyed the support of, the Office of Local Government and I would like to thank Tim Hurst for his assistance.

Building the knowledge and capability of our staff also represents a considerable investment. My staff have worked long hours, collaborated constructively with new partners, travelled to distant parts of the State, actively participated in training and shown enormous enthusiasm in tackling the challenges of our new audit mandate.

Against this backdrop, I am pleased to also report progress in other areas of priority and focus.

Stakeholder engagement

Broad stakeholder engagement is important if we are to remain relevant and responsive to the changing environment in which government operates. During this year, I have again met with the Secretaries of all State Government clusters to hear their views on our audit program and to check in on the health of our relationship. Following the machinery of government changes, I reached out to and met with several Ministers to discuss audit matters concerning their new portfolios. And my Office has continued to actively support the Public Accounts Committee at its regular meetings and in formal hearings. I am open to meet with any member of parliament to receive feedback on our areas of focus, performance and responsiveness.

Audit and Risk Committees (ARCs) play an important role in the good governance of the agencies we audit – local, State and universities. Accordingly, over the last year we hosted meetings of the ARC Chairs of each of these sectors. These meetings shared insights from our audits, and from the regular interaction the ARCs have in the organisations they work with.

Record number of performance audits tabled

As reported last year, the productivity of our Performance Audit Branch continued to increase and 17 audits were tabled in the 2016–17 financial year. Consistent with our vision, the branch conducted a successful workshop for staff from across all clusters to share the findings from our audit on Program Evaluation. Each of our audits try to draw out the insights others can learn from to improve future

practice and increasingly, we will look for opportunities to communicate these learnings.

The statistics on the timeliness of performance audits, presented in this report, are a little worrying and we need to work more closely with auditees to address this. This will also go some way to improving our understanding of their business to improve our ratings of the quality of our reports.

An engaged and diverse workforce

Our staff survey results this year remain strong reflecting the commitment our people have to our core purpose. Our staff value and celebrate the diversity of our Office and I am very pleased to report that the representation of Aboriginal and Torres Strait Islander people was improved with four talented young interns joining our organisation through our partnership with CareerTrackers. More women are also now represented in senior leadership roles.

Support for budget and legislative reform

The final matter I would like to comment on in this foreword to our annual report, is our collaboration with and support of Treasury's Financial Management Transformation (FMT) program. The implementation of a new system represented a major change to the budget process and accordingly, I agreed to not conduct an audit of the 2017–18 State budget. I would encourage Treasury to re-engage my Office to audit the next and

subsequent budgets as has been the norm for many years.

Senior Audit Office staff have also provided comment on proposed legislative changes to support FMT. Our commentary is generally supportive of the objects of the proposed legislation with a focus on performance, transparency and accountability. At the same time, given the increasing role of non-government agencies in the delivery of government programs, and the greater focus on meeting outcome measures, we continue to advocate for 'follow the dollar' powers, now broadly available to other Australian audit offices, and at the appropriate juncture, the power to provide independent assurance of agency performance statements.

Thank you to the staff of the Audit Office

In conclusion, I want to recognise and welcome the new members of the Office Executive, Ian Goodwin, Lyndal Hayward, Claudia Migotto and Alison Gatt, and to thank and farewell Tony Whitfield and John Viljoen who both retired this year after more than 20 years in the Office, and Kathrina Lo who has been promoted to the role of Deputy Secretary at Justice.

I want to especially thank all the members of our broader leadership team for your support and guidance throughout a particularly challenging year. And to all staff – you are truly the most impressive and nicest bunch of people I have ever had the pleasure of working with.



Margaret Crawford Auditor-General

Office Executive

Experience and performance

The Office Executive provides the leadership necessary for the Audit Office to achieve its strategic direction and goals. The Office Executive is led by the Auditor-General and draws on the expertise of other staff when required.

Margaret Crawford

Auditor-General

Bachelor of Arts
Graduate Diploma of Recreation
Management
Master of Business Administration

Margaret has many years of experience as a senior executive across large, complex public sector organisations – local, State and the Commonwealth governments – including the Victorian Department of Human Services, the Australian Taxation Office, the former NSW Roads and Traffic Authority and Australia's largest local government, Brisbane City Council. Most recently, before becoming Auditor-General, she held the position of Deputy Secretary at the NSW Department of Family and Community Services.

Margaret has worked across a diverse range of sectors, including housing and homelessness, community and disability services, road transport policy and regulation, taxation administration, and gaming regulation.

Ian Goodwin

Deputy Auditor-General

Bachelor of Business
Chartered Accountant Fellow

Ian's early career was in banking and capital markets, working at the Reserve Bank of Australia, a 'Big Four' accounting firm and the International Monetary Fund in Washington DC. Returning to Australia, Ian joined the Australian National Audit Office (ANAO) and as a Group Executive Director was responsible for leading the ANAO's Assurance Audit Services Group and the audit of the Australian Government's Consolidated Financial Statements. Ian is a Chartered Accountant Fellow and was an ACT Regional Councillor for Chartered Accountants Australia and New Zealand. Ian is also a commissioned officer in the Australian Army and dedicates time to his role as a Squadron Commander in the Australian Army Reserve.

Alison Gatt

Assistant Auditor-General, Financial Audit

Bachelor of Commerce
Chartered Accountant Fellow

Alison Gatt has had audit and finance roles in both the private and public sectors. Prior to joining the Audit Office, Alison worked at the Australian National Audit Office, Westpac and KPMG's Orange County Office in California. Alison's most recent role was Director of the Audit Office's Audit Support Team, providing specialist technical support to the Office's financial audit teams. Alison contributes strongly to the profession, the sector and the community through her roles on boards and advisory panels.

Steven Martin

Assistant Auditor-General, Financial Audit

Bachelor of Business
Chartered Accountant
Graduate Australian Institute of Company Directors

Steven Martin joined the Audit Office in 2008 after 18 years with a 'Big Four' accounting firm where he was responsible for delivering audit services to clients. This included ten years in Europe where he specialised in advisory on cross-border transactions and acquisitions. He also worked as the commercial accountant in the head office of a blue chip multinational logistics company based in Sydney.

Scott Stanton

Assistant Auditor-General, Financial Audit

Bachelor of Commerce
Fellow Certified Practising Accountant
Graduate Australian Institute of Company Directors

Scott Stanton joined the Audit Office in 1987, and has significant experience in leading the delivery of audit services to a diverse range of public sector clients including those in the transport, electricity and university sectors. Scott has previously served on CPA Australia's NSW Divisional Council and is a past Chair of CPA Australia's NSW Public Sector Committee.

Claudia Migotto

Assistant Auditor-General, Performance Audit

Bachelor of Arts (Honours)
Master of Public Health
Master of Policy Studies

Claudia has over 15 years experience across Commonwealth and NSW Government agencies in policy and program development, implementation and evaluation. Claudia has also recently held leadership roles in agencies tasked with providing independent information to the community on the performance of governments – including the COAG Reform Council and the National Mental Health Commission. Her work in reporting on the performance of governments has touched on a diverse range of sectors, including health system performance, disability, mental health and drug and alcohol issues, gender equity, Indigenous communities regulation and housing.

Lyndal Hayward

Executive Director, Corporate Services (Acting)

Bachelor of Arts
Graduate Diploma of Editing and Publishing
Master of Business Administration
Executive Master of Public Administration

Lyndal's early career was in publishing where she worked for some of the world's leading book publishing houses in Sydney, London and Tokyo. Lyndal joined the Audit Office in 2009 and has worked in a variety of roles across communications, reporting, records and information management, human resources, business administration and project management.

Note:

Tony Whitfield PSM was Deputy Auditor-General from 1 July to 29 December 2016.

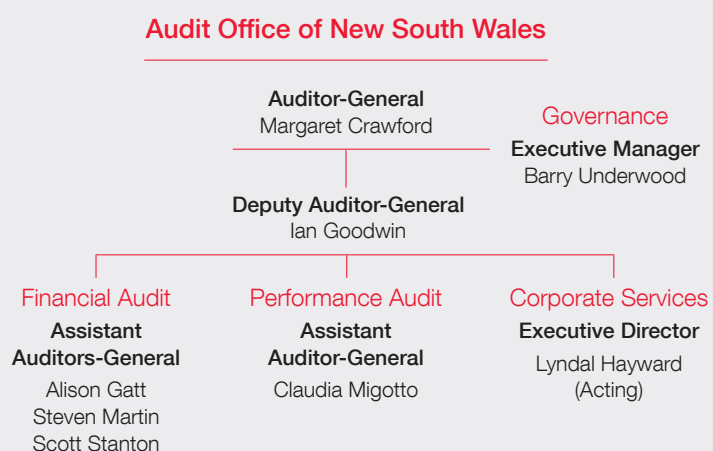
John Viljoen was Assistant Auditor-General, Financial Audit from 1 July 2016 to 6 April 2017.

Kathrina Lo was Assistant Auditor-General, Performance Audit from 1 July 2016 to 13 April 2017.





Organisational structure



The year ahead

Our activity in 2017–18 will be driven by our corporate plan

Corporate planning framework

Our activity in 2017–18 will be driven by our corporate planning framework comprised of:

- Strategic Plan 2017–2020
- Future State Roadmap
- Branch Business Plans
- Individual Staff Performance Agreements.

Together, these plans support the Audit Office to achieve its vision:

Our insights inform and challenge government to improve outcomes for citizens.

To support achievement of this vision, the Audit Office has mapped out a journey from our current state to a future state that is:

Dynamic – moving from an operational model that is highly structured, working to strictly defined peaks and troughs to a more dynamic model. This will allow us to leverage data and stakeholder input to undertake more timely and practical audits.

Integrated – moving from siloed teams that provide little interface or crossover to an integrated environment. Bringing together our financial and performance audit skills and knowledge to deliver value for parliament, clients and citizens.

Insightful – moving from a process focus to a focus on generating relevant insights and outcomes. If we are to adapt our methods to deliver these insights, we will need to allow for the application of differentiated audit approaches.

Connected – moving from an ethos of separation – separate teams, roles, contract auditors and stakeholders – to one of connection where we collaborate and engage both across our teams and with our external partners and stakeholders.

Developing potential – moving from providing highly structured career paths for our employees to a learning environment that develops potential beyond the traditional career ladder, including moving between teams and fostering experience outside the Audit Office.

Agile – encouraging our staff to move beyond their physical and professional work areas in an agile workplace that promotes creativity, collaboration, flexibility and diversity.

Strategic initiatives

Our five strategic initiatives over the next three years are focussed on building the organisational capabilities needed to achieve this future state.

Local Government

The *Local Government Amendment (Governance and Planning) Act 2016* appointed the Auditor-General as the auditor of local government entities from 2016–17. The legislation also gave the Auditor-General the power to conduct performance audits in the sector.

Throughout 2016–17, a large amount of work has been undertaken to ensure that effective and efficient audit services are provided to the local government sector. This initiative continues that journey developing our capacity to deliver high quality audit services to the local government sector into the future.

See pages 16, 17, 22, 23, 37, 40, 43, 51, 52, 53, 55, 56, 57, 59, 60, 64 and 67 for further details.

Influencing for Impact

The Audit Office has a strong desire to engage effectively with all our stakeholders to ensure we deliver audits that are of a high quality and lead to improved public sector reporting and performance.

Our immediate focus over the 2017–18 year will include developing a stakeholder engagement strategy and building a new, upgraded and more functional website.

See pages 11, 12, 14, 16, 20, 22, 55, 56, 57, 64 and 65 for further details.

Reporting Process

Effectively communicating our insights relies on the delivery of focussed and timely reports. Building on work to date – to facilitate the production of reports including development of an all-of-office reporting timetable and a new internal design template – we will continue to build streamlined, efficient and all-of-office processes that support production of clear, concise and focussed reports.

See pages 11, 12, 20, 22, 56 and 57 for further details.

Working Better, Working Together

This initiative seeks to bring our people together across teams and branches to improve communication and collaboration, development opportunities for staff, resourcing and staff engagement. A key focus over the next two years will be the development and implementation of a Facilities Strategy to underpin the creation of a modern office space that supports a collaborative, agile culture.

Beyond the physical space, a key focus of this initiative is to ensure that those working in, and with, the Audit Office are working in an environment of respect, inclusivity and empowerment.

See pages 22, 39, 42, 48, 56 and 57 for further details.

Data Analytics

We live in a digital world and the mass of data now available to governments present opportunities to deliver better services more efficiently and economically. This initiative seeks to use data analytics to improve audit efficiency and insights.

Over the 2017–18 year, a Data Analytics Strategy will be finalised that will identify and define how data will be used to achieve our future state. A local government pilot dashboard that uses data visualisation to enhance key messages in our first local government report to parliament will provide a pilot for future development of other sector data dashboards.

See pages 51, 56 and 57 for further details.





Parliament

Regularly seeks and uses our advice

The Auditor-General and the Audit Office of New South Wales provide assurance on the performance and accountability of NSW Government entities, universities and local government by:

- reporting to the Parliament of New South Wales on our audits
- working closely with parliamentary committees

Satisfaction

Parliamentarians satisfied overall with our reports and services

92% satisfied with our reports and services

94% agreed we operate independently from government

Surveying our parliamentarians

Our mission is to help parliament hold the NSW Government accountable for its use of public resources, and it is critical that we understand parliamentarians' views on our performance through their direct feedback on our reports and services.

We continually strive to ensure parliamentarians value our work and that we meet their expectations. We are committed to enhancing our public sector knowledge to ensure our work is relevant and impactful. This was driven by our 'Influencing for Impact' strategic initiative in 2016–17 (see page 56).

In the 2017 survey, of the 135 parliamentarians invited to complete the survey, 28 per cent responded, compared to 33 per cent in 2016.

Overall satisfaction remains high

Parliamentarians continue to have high overall satisfaction with the Audit Office's reports and services. Ninety-two per cent were satisfied in 2017, a slight increase from 90 per cent in 2016. Parliamentarians were particularly positive about:

- the Audit Office's reports and services providing valuable information on public sector performance, with 96 per cent in agreement, similar to last year's 95 per cent result

- the Audit Office's reports and services helping to improve public sector administration, with 96 per cent agreeing, up from 94 per cent in 2016
- in general, the Audit Office providing high quality reports and services, 100 per cent agreeing, consistent with 2016
- the Audit Office performing audits with integrity, with 94 per cent agreeing, the same result achieved in 2016
- the Audit Office operating independently from government, with 94 per cent agreeing, slightly down on 97 per cent in 2016.

These survey results also provide us with clear areas for improvement. Only 72 per cent of parliamentarians rated the responsiveness of the Audit Office as good or very good, a significant drop from 100 per cent in 2016. Our 'Influencing for Impact' strategic initiative will be developing a stakeholder engagement strategy in 2017–18 to improve the consistency of our responsiveness to key stakeholders such as parliamentarians, and ensure they are getting the most value from our reports as possible.

Satisfaction with financial audit reports declined

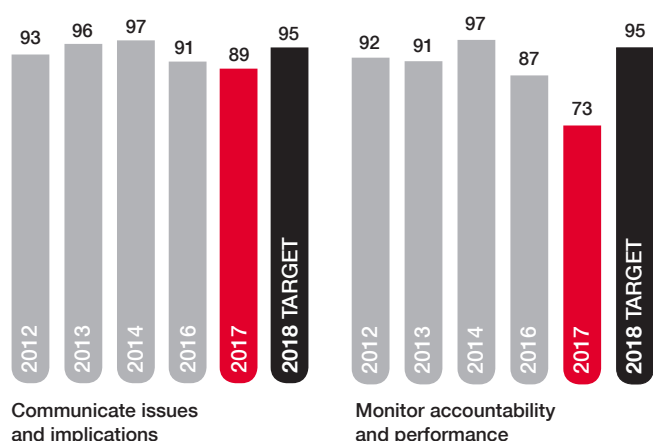
Although overall parliamentary satisfaction with the Audit Office's reports and services remains high, satisfaction with financial audit reports specifically has declined. The percentage of parliamentarians who agreed our financial audit reports clearly communicated the significant issues and their implications remained high, although there was a slight fall to 89 per cent from 91 per cent in 2016. There was a significant drop in the number who agreed that the reports were effectively presented in terms of layout and design, from 95 per cent in 2016 to 85 per cent.

There is also potential to improve how the reports help parliamentarians monitor the accountability and financial performance of the NSW public sector, as 73 per cent agreed with the proposition, compared to 87 per cent in 2016. This is a five-year low for this measure. The number of parliamentarians who agreed our reports are easy to understand remained the same at 89 per cent.

Our 'Reporting Process' strategic initiative will be implementing a new, more modern and accessible design for our reports in 2017–18 which aims to improve parliamentarians' satisfaction with the layout and design of these reports, as well as how easy they are to understand.

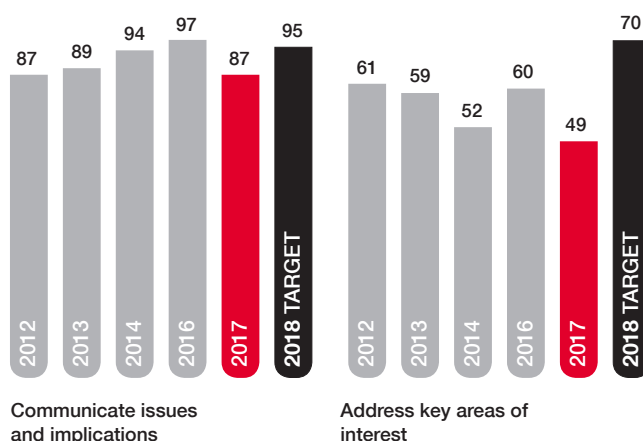
Satisfaction with financial audit reports %

Survey not conducted in 2015 due to election year.



Satisfaction with performance audit reports %

Survey not conducted in 2015 due to election year.



Performance audit satisfaction declined

Similar to satisfaction with our financial audit reports, parliamentarians have rated the Auditor-General's Reports to Parliament for performance audits lower, with results generally declined on 2016. Eighty-four per cent agreed the reports were easy to understand, down from 94 per cent in 2016. Similarly, 87 per cent of parliamentarians agreed the reports clearly communicated significant issues and their implications, down from 97 per cent in the previous survey. Agreement that the reports were effectively presented in terms of layout and design remained steady, with 87 per cent agreeing compared with 88 per cent in 2016.

Forty-nine per cent of parliamentarians felt the performance audits addressed their key areas of interest to a high or very high extent, down from 60 per cent in 2016. This is a five-year low for this measure. Seventy-six per cent of parliamentarians agreed our reports helped them monitor the performance of the area being audited, down from 94 per cent in 2016.

Our 'Influencing for Impact' strategic initiative will be focused on developing strategies in 2017–18 to ensure we better meet the needs of parliamentarians through our reporting.

Our reports and services rate above other audit offices

Since 2005, we have been comparing our parliamentary survey results against results from other participating Australian audit offices. In 2017, our results have been benchmarked against the Australian National Audit Office and the audit offices in Queensland, Victoria, Western Australia and Tasmania.

On an overall measure of satisfaction with reports and services, 92 per cent of parliamentarians were satisfied. This is a slight increase from 90 per cent in 2016 and slightly above the 90 per cent average of participating audit offices.

We rated above the average of the other audit offices on three key areas. Ninety-six per cent of parliamentarians agreed that our reports provide valuable information on public sector performance, compared to the 93 per cent average. Ninety-four per cent agreed that our reports communicate issues clearly, above the 91 per cent average. Ninety-six per cent agreed that our reports help improve public sector administration, well above the average of 88 per cent.

The year ahead

In 2017–18, through our 'Influencing for Impact' strategic initiative, we will:

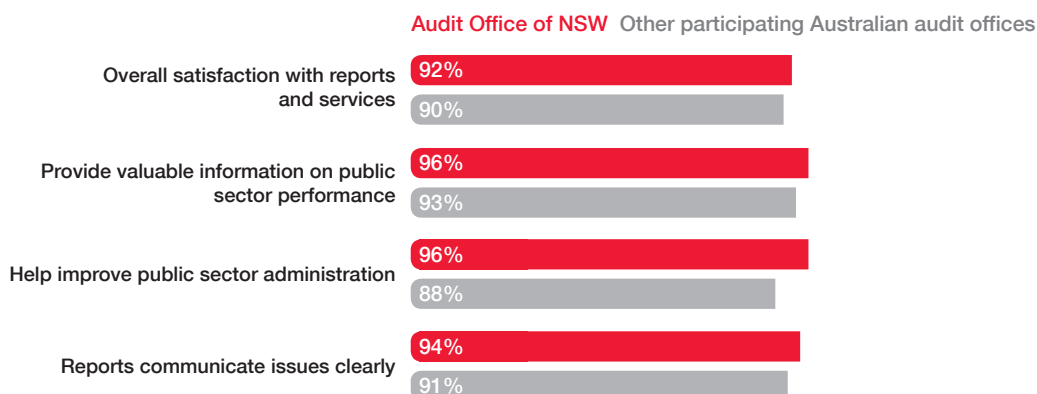
- develop a stakeholder engagement strategy that enables us to better engage with parliamentarians and ensure our reports are impactful and relevant
- build a new website to ensure our reports are delivered in a way that meets the needs of varied audiences
- strengthen government accountability through our collaborative relationship with the Public Accounts Committee (PAC) (see page 17 for further details on our relationship with the PAC)
- continue to ensure we live up to stakeholder expectations and fulfil our mandate.

Through our 'Reporting Process' strategic initiative, we will:

- redesign our Auditor-General's Reports to Parliament to improve the look, layout and readability of our reports and better meet the needs of our stakeholders, including parliamentarians.

(See page 9 for further details on our 2017–18 strategic initiatives.)

Satisfaction compared with other participating Australian audit offices



Assurance

Our financial audits provide assurance to parliament

426 financial audits and 79 other assurance audits and reviews completed

16 new modified audit opinions issued

Providing an independent opinion

Parliament requires reliable information on the operation of NSW government entities. We provide parliament with independent audit opinions on entities' financial statements, increasing their reliability and credibility. Our audits comply with professional quality and independence requirements as parliament needs to be assured our audits are independent. Our mandate further assures our independence by restricting us from providing non-audit services that other accounting firms provide. We completed 426 financial audits this year compared to 419 last year.

In addition to audits of individual entities, we audit the financial statements at the whole-of-government level, the Total State Sector Accounts. These accounts provide financial information to parliament on a State-wide basis, for example total State borrowings. We also provided 79 other assurance audits and reviews (98 last year) to help entities attest compliance or acquit their grant revenues.

Number of audited entities



Modified auditor's opinions and conclusions

During 2016–17, we issued 20 modified audit opinions and conclusions in our Independent Auditor's Reports (for details see pages 24–26). This represented four per cent of the 505 assurance engagements we conducted. Modified opinions and conclusions included:

- 1 disclaimed opinion on an entity's financial statements
- 1 qualified opinion on an entity's financial statements
- 1 qualified opinion on a special purpose financial statement to acquit funds received from the Commonwealth
- 16 qualified conclusions on reviews of compliance with requirements
- 1 qualified conclusion on a review of financial information.

Modifications of audit opinions or review conclusions can be qualified, adverse or disclaimed:

- Qualified opinions and conclusions are issued when financial statements contain material misstatements or sufficient appropriate audit evidence is not available; and the impact is material but not pervasive
- Adverse opinions and conclusions are issued when misstatements in the financial statements are material and pervasive
- Disclaimed opinions and conclusions are issued where sufficient appropriate audit evidence is not available and the effects may be material and pervasive.

Repeat modifications

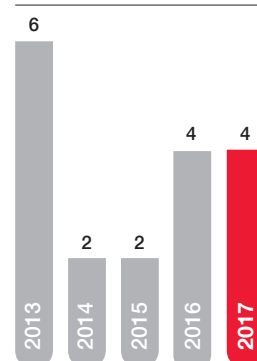
During 2016–17, we repeated four modifications, one fewer than last year. We continue to notify parliament of these

modifications and encourage the entities concerned to act on our recommendations to address the underlying causes.

New modifications

We issued 16 new modified opinions and conclusions in 2016–17.

Modified audit opinions and conclusions as a % of total assurance engagements

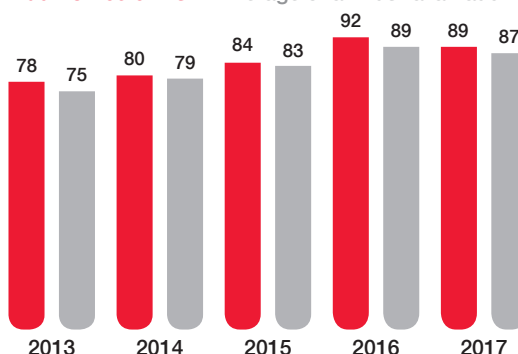


Comparing costs with other audit offices

We compare our financial audit costs with other Australian audit offices. In 2016–17, our cost per financial audit opinion was \$88,699, three per cent less than last year. Our cost per financial audit opinion was two per cent more than the average of other Australian audit offices.

Cost per financial audit opinion (\$'000)

Audit Office of NSW Average of all Australian audit offices



Our financial audit volumes

The results of our 2016 financial statement audits were reported to parliament in 13 volumes of the Auditor-General's Reports to Parliament in 2016–17.

All volumes focus on particular cluster industries, except for one special report which provided an overview of 2016, and one volume which focused on members of parliament and their entitlements. All volumes included audit insights broadly classified into four areas: financial and performance reporting, financial controls, governance, and service delivery.

The industry-based volumes covered:

- Education
- Finance, Services and Innovation (including Insurance)
- Family and Community Services
- Health
- Law and Order, Emergency Services and the Arts
- Planning and Environment
- Premier and Cabinet
- Industry, Skills, Electricity and Water
- Transport
- State Finances
- Universities.

Timeliness of reporting to parliament

We recognise parliament and other stakeholders need timely reports to allow prompt scrutiny of NSW Government entities' financial position and performance. For entities with a 30 June balance date (most of our clients) our internal benchmark is to report to parliament before the end of the calendar year. Our other financial audits (mainly universities) have a 31 December balance date and our reporting to parliament benchmark is by the end of May each year.

Although we reported 98 per cent of our State Government entities' audits to parliament by our end of calendar year internal benchmark, we did not report on our university audits until 6 June 2017, after our end of May internal benchmark. Overall, this resulted in 79 per cent of our financial audits being reported to parliament on time.

The year ahead

In 2017–18, we will continue to provide assurance to parliament. In addition, we will strive to provide greater insights to increase our impact on agencies.

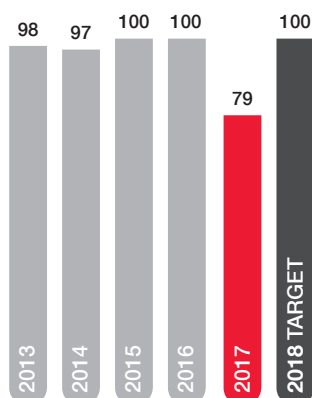
Under our strategic initiative 'Influencing for Impact' we will:

- improve engagement with our external stakeholders
- explore alternate audit approaches that improve the relevance, value and impact of our financial and performance audits.

Under our 'Local Government' strategic initiative we will be releasing our first Auditor-General's Reports to Parliament on the local government sector, including one financial audit report and three performance audit reports. These reports will strengthen assurance to parliament on the local government sector in New South Wales.

(See page 9 for further details on our strategic initiatives for 2017–18.)

Financial audits reported to parliament on time



Effectiveness, efficiency and economy

Our performance audits help parliament assess entity performance

17 performance audits completed

Helping to improve public administration

We reported on 17 performance audits in 2016–17, one more than last year. This is the most performance audit reports the Audit Office has produced in a single financial year. In these 17 reports, we made 102 recommendations to improve public administration.

Performance audits aim to inform parliament and the public about how well government programs are delivered and ultimately improve public administration. They examine whether taxpayers' money is spent efficiently, effectively, economically and in accordance with the law.

These audits may review all or part of an entity's operations. Some audits consider particular issues across a number of entities. Where we find performance gaps, we make practical recommendations.

The extracts in the box below from published responses to our reports indicate the value the entities we audit attach to our recommendations in improving public administration, and the collaborative approach we adopt.

Opportunities to improve value to parliament

Parliament is our primary stakeholder and our work supports its role in holding the government to account. Our reports are frequently referred to in parliamentary debates and in budget estimates hearings.

Parliament is an important source of suggestions for performance audit topics and audits required by specific legislation.

Although we add value to the parliamentary process, there are always areas to improve in as illustrated by the comments made by parliamentarians in a recent survey:

'There is lots of valuable information in those reports but it takes time to look for specific information.'

'Could be promoted more. Also, Parliamentary briefings have fallen away in the past year. PAC needs to work with the Audit Office to reinstate these.'

Published agency responses to our reports

I thank the Audit Office for this [Red Tape Reduction] report which will help inform the future of policy in this area.

Department of Premier and Cabinet

Treasury welcomes the contribution from the Audit Office towards further strengthening evaluation in New South Wales and broadly supports the directions of the recommendations. Stronger evaluation informs resource allocation and regulatory decisions and leads to improved outcomes for citizens.

The Treasury

I would like to thank the review team of the Audit Office for working with the officers of the department to make this [Planning for School Infrastructure] audit a worthwhile and constructive exercise.

Department of Education



Average cost of performance audits was below target

The average cost of performance audits published in 2016–17 was \$272,166. This was below the target of \$308,000 and two per cent higher than the 2015–16 result of \$266,726.

The slight cost increase of our performance audit work can be attributed to loss of team members where remaining work was completed by more senior staff, as well as several complex topics requiring increased involvement of senior staff.

Our cost target for performance audits in 2017–18 is higher than last year due to an expectation that our first performance audits of local government will be more expensive than our State government audits, given this is a new sector for us.

Choosing performance audit topics

Our three-year performance audit program focuses on the NSW Government's 'NSW – Making it Happen' priority areas and contemporary public sector risks and opportunities. Alongside this program, we continue to work with parliament's Public Accounts Committee and other key stakeholders (see page 17), to focus on important issues. We also ensure our program is sufficiently flexible to allow us to respond to emerging priority issues.

Leveraging internal and external expertise

In more complex audits, Performance Audit draws on support from senior management and expertise from across our organisation. This provides industry knowledge, agency liaison and data analysis. Performance audits also use specialist advisers for cultural advice, survey design, industry expertise, research and analysis. Five performance audits completed in 2016–17 used external advisers.

The year ahead

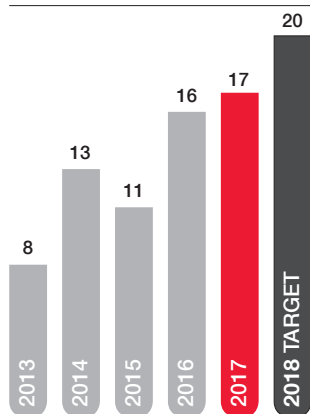
In 2017–18, we will focus on further improving our performance audit topic selection process and better communicating to stakeholders how we choose performance audit topics.

We will continue to improve how we engage with our external stakeholders, including parliamentarians, in an effort to improve the impact and relevance of our audits and increase the value we deliver to the public sector. This is core to our 'Influencing for Impact' strategic initiative for 2017–18 (see page 9 for further details on our strategic initiatives for 2017–18).

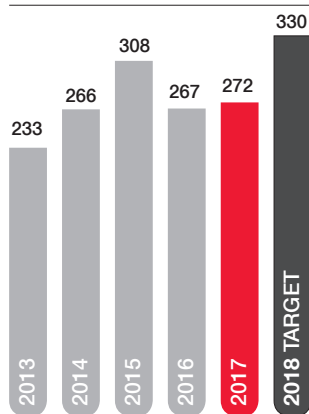
Also in 2017–18, we will deliver our first local government performance audits. We received the mandate to undertake such audits in October 2016 (see page 53 for more details on our expanded mandate). We expect these audits to include substantial stakeholder consultation given the local government sector will be learning about performance audits and we will be learning about the local government sector.

In 2017–18, we will work with the NSW Data Analytics Centre (DAC) on our performance audit of demand management at NSW Ambulance. Drawing on the DAC's expertise will increase the depth of our insights into this audit topic, and help identify new ways data can be used to understand and improve performance.

Number of performance audits completed



Average cost of performance audits \$'000



Parliamentary response to our work

Promoting improvements

Supported the Public Accounts Committee in following up 19 earlier performance audits

Parliament follows up on progress in implementing our recommendations

The Public Accounts Committee (PAC) holds the entities we audit to account for implementing the actions they agree in response to Auditor-General's report recommendations. It does so through follow-up inquiries conducted a year after the reports are tabled. The PAC makes further recommendations for action when it considers them necessary.

In 2016–17, the PAC followed-up on 19 performance audit reports. The PAC's first follow-up report was released in March 2017 and covered audit reports tabled from December 2014 to June 2015. The second report covered audit reports tabled from July 2015 to January 2016.

This follow-up includes asking entities about their response to our recommendations and the PAC may, if required, hold public hearings. We also provide comments on entities' submissions and appear at inquiries. The PAC held two public hearings covering eight of the 19 performance audit reports it followed-up this year.

The Chair of the PAC said in his foreword to its March 2017 report 'Examination of the Auditor-General's Performance Audit Reports December 2014 – June 2015':

'In accordance with its established performance review process, the Committee examines performance audits conducted by the Auditor-

General, in order to further investigate action taken by agencies in response to the Auditor-General's recommendations. As part of this follow up, the Committee questions agencies on measures they have taken and, if required, conducts public hearings to gather additional information from agency representatives.

The process has proven to be an effective means of testing action taken on performance audits and maintaining a high level of scrutiny of the agencies under review.

With some noted exceptions, the Committee is generally satisfied that the responsible agencies are now implementing the Auditor-General's recommendations.

I am pleased to present this Report and thank the Auditor-General and Audit Office staff for their assistance in this inquiry.'

This PAC report made six recommendations designed to improve the performance of government entities, building on matters already identified by the Auditor-General.

The year ahead

In 2017–18, we plan to further strengthen our support to parliament and the PAC by:

- continuing our strong relationship with the Public Accounts Committee, led by the Auditor-General
- continuing to respond promptly and thoroughly to all requests from NSW Parliament for Audit Office support, including all audit suggestions
- producing 20 performance audit reports, including three under our new mandate to audit local government in New South Wales (see page 53 for more details on our expanded mandate)
- participating in the PAC's quadrennial review of the Audit Office. This is an independent review undertaken every four years of the auditing practices and standards of the Auditor-General under s.48A of the *Public Finance and Audit Act 1983*.





Government entities, universities and councils

Act on our recommendations and seek our advice

- We work collaboratively with the entities, universities and councils we audit
- We identify opportunities to improve financial reporting and management through our financial statement audits
- Our performance audits examine entity, university and council programs critically in order to identify potential improvements

Auditee response to our work

Our audits continue to be well regarded

Overall CFO performance index for financial audits remains at 78

Overall performance index for performance audits 71, compared to 70 last year

Surveying our auditees

Each year, we measure our auditees' satisfaction with our services through a survey. The survey results and feedback provide valuable information on our performance.

We use an independent research company to conduct the survey and clients have the option of responding anonymously.

In 2016–17, for our financial audit clients, we invited 232 agency Chief Financial Officers (CFOs) and 162 Audit and Risk Committee Chairs (ARC Chairs) to participate. The response rates were similar to last year, with responses from 75 per cent of CFOs and 72 per cent of ARC Chairs.

For our performance audit auditees, we invited 31 agency contacts to respond to the survey and received a response rate of 74 per cent, again similar to last year.

Overall performance indices remain steady

The overall CFO performance index for financial audits remained the same as last year at 78. ARC Chairs' satisfaction increased slightly from 84 last year to 86. The overall performance index for performance audits was 71, compared to 70 last year.

Satisfaction with audit process

Financial audit satisfaction improves across key measures

The CFO performance index for our audit process increased slightly from 80 to 82. CFOs were particularly positive about our auditors:

- communicating effectively, up to 96 per cent from 94
- adequately understanding their organisation, up to 92 per cent from 87
- meeting agreed deadlines, up to 92 per cent from 86
- conducting themselves professionally during the audit, up to 100 per cent from 97
- using their organisation's staff members' time efficiently, up to 88 per cent from 78.

CFOs were less positive about our auditors:

- being responsive to their needs, down to 88 per cent from 92.
- being promptly informed of significant issues identified during the audit, down slightly from 92 per cent to 90.

ARC Chairs' ratings of our audit process were up from last year. Ninety-seven per cent of ARC Chairs agreed that we promptly informed them of significant issues, up from 90 last year.

The percentage of ARC Chairs who agreed our auditors met agreed deadlines increased from 94 per cent to 99.

Satisfaction with the performance audit process stable

The audit process performance index for performance audits was 72, similar to last year's 73.

Seventy-eight per cent of auditees agreed that our auditors had the professional skills and knowledge required to conduct the audit, up from 72. Auditees in agreement that our auditors met agreed deadlines increased from 79 per cent to 82.

Areas for improvement include promptly informing our auditees of significant issues as they arise during the audit, down from 79 per cent to 72, and our auditors adequately understanding their organisation, down from 55 per cent to a five-year low of 39.

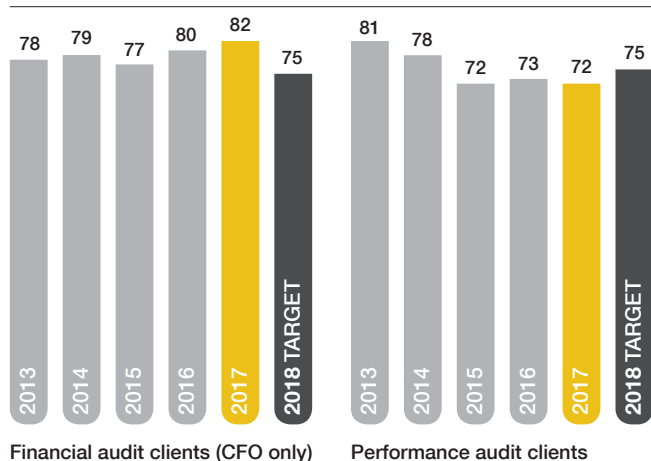
Satisfaction with audit reporting

Financial audit results steady

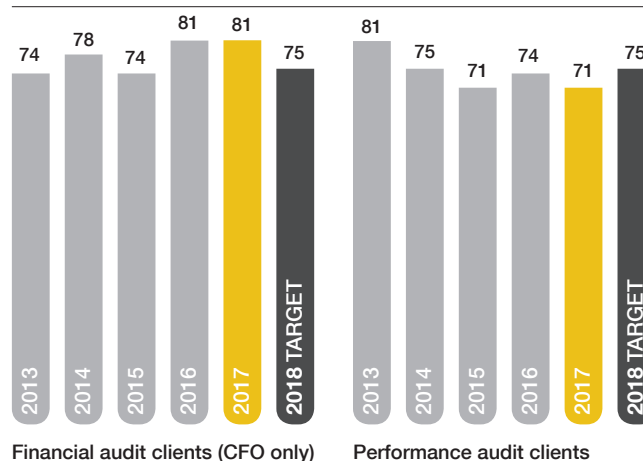
The CFO performance index for audit reporting remained at 81. CFOs were particularly positive about our:

- management letters communicating the audit findings clearly, improved from 94 per cent to 97
- audit opinions being issued in a timely manner, improved from 95 per cent to 98

Satisfaction with audit process %



Satisfaction with audit reporting %



- reports presenting audit findings in a balanced and fair manner, up from 84 per cent to 89
- the reports' media release being fair, up from 77 per cent to 91.

CFOs were less positive about our management letters containing 'no surprises', down from 90 per cent to 86.

ARC Chairs were positive about our management letters, with 96 per cent agreeing they were issued in a timely manner, up from 94. Ninety-nine per cent of ARC Chairs agreed that management letters communicated the audit findings and issues clearly, up slightly from last year's 97.

Performance audit reporting satisfaction down slightly

The performance index for performance audit reporting decreased from 74 in 2016 to 71.

Positively, the number of auditees who agreed the tabled audit report was factually accurate improved from 69 per cent to 74, and agreement the report was balanced and fair improved significantly from 59 per cent to 70. Ninety-one per cent of auditees agreed they were provided with adequate opportunities to comment on the audit findings and issues, in line with 93 per cent last year.

However, the percentage of auditees who felt the report contained 'no surprises', declined from 97 per cent to 87. Similarly, there was a fall in the number of auditees who agreed the reports' media release was balanced and fair, down to 57 per cent from 62.

Satisfaction with audit value

Financial audit value remains steady

Our CFO performance index for financial audit value remained steady at 73 in comparison to 74 in 2016. CFOs continue to value the assurance obtained from the audit of their statutory financial statements, increased to 98 per cent from 93. They also value our recommendations to improve financial management, which increased to 87 per cent from 84. Areas for improvement include CFOs agreeing our financial audit services provide value for money, down from 70 per cent to 64. Those who agreed our fees are reasonable relative to the scale, complexity and financial risk of their operations decreased, to 62 per cent from 68.

Our financial audit services providing value for money also decreased with ARC Chairs, with 75 per cent agreeing, down from 82 last year. However, ARC Chairs continue to value our recommendations to improve financial management, improved from 96 per cent in 2016 to 100 per cent this year.

Performance audit value improves

The audit value performance index for performance audits improved from 65 in 2016, to 69. Fifty-seven per cent of respondents agreed that the timing of the performance audit was appropriate, which is equal to the 2016 result, while 74 per cent agreed that the audit provided a balanced assessment of the management of the activity, up from 55 per cent. When it came to respondents agreeing that the audit will help improve the performance of the audited activity, there was a significant increase in the results, from 53 per cent in 2016 to 70 per cent this year.

In line with other audit offices

We have been comparing our auditee satisfaction with other Australian audit offices since 2005. In 2017, our financial and performance audit report results were benchmarked against recent results from the audit offices in Queensland, Victoria, Western Australia, South Australia and Tasmania, and the Australian National Audit Office.

Our results are in line with other audit offices for our financial audit auditees. The overall performance index for the Audit Office is 80, compared to 79 across all offices. We are also in line with the other audit offices on audit process, with the Audit Office index at 79 and the average 77, and audit value, with the Audit Office index at 81 and the average 83. The Audit Office is slightly ahead of the other audit offices when it comes to audit reporting, with our performance index at 81 compared to the average of 78. Our results are also in line with other audit offices for our performance audit auditees, with the overall performance index for Audit Office performance audits 72 compared to 73 across all offices.

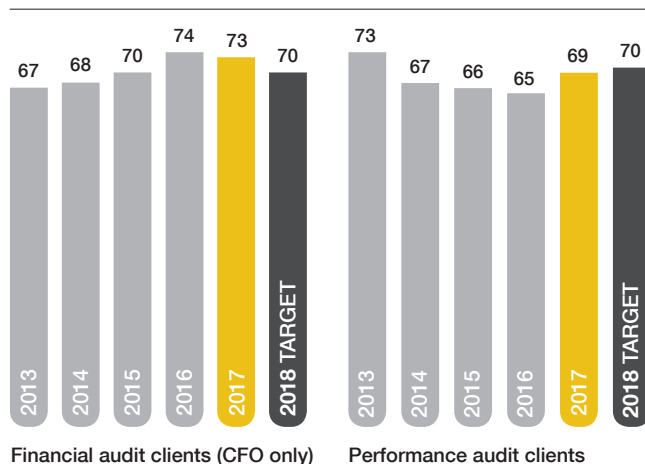
The year ahead

In 2017–18, we will:

- in our 'Influencing for Impact' strategic initiative, develop a strategy for better engaging with our external stakeholders, including our auditees. This aims to ensure we deliver audits that are of a high quality, are valued, and lead to improved public sector reporting and performance
- in our 'Reporting Process' strategic initiative, we will implement efficient tools and processes to publish high quality reports. This aims to ensure our reports clearly communicate to our auditees the issues our audits are finding, why they are important and what we are recommending.

See page 9 for further details on our strategic initiatives for 2017–18.

Satisfaction with audit value %



Influencing for impact

Our work is topical, relevant and has high impact

98% of our financial audit recommendations accepted

77% of our performance audit recommendations accepted

Improving public sector accountability and performance

Our audits identify opportunities for improving public sector accountability and performance. We develop recommendations in consultation with the entities we audit in response to our audit findings. Our recommendations are reported to the entities involved and, for the more significant matters, to parliament. Most entities agree with our recommendations.

Of the 427 recommendations we made to our top 50 financial audit entities in 2016–17, 418 (98 per cent) were accepted, above our target of 95 per cent.

Seventy-seven per cent of performance audit recommendations were accepted against our target of 90 per cent. Although this is an improvement on last year, we still have more to do to ensure more of our recommendations are accepted by our auditees.

In regards to the recommendations we have made previously, it is pleasing we continue to make an impact through these recommendations, as the following case studies highlight.

Case studies

Community Housing

In our performance audit on Community Housing, released in September 2015, we recommended that the Department of Family and Community Services ensure its social housing policy included performance measures for tenant outcomes. This would enable it to monitor progress against its goals and determine whether the community housing sector was delivering value for money. In January 2016, the department released the 'Future Directions for Social Housing in NSW' policy. Measurable social housing targets that align with the Premier's and State Priorities have been identified.

Red Tape Reduction

Released in August 2016, we found that NSW Government initiatives to prevent and reduce red tape were not effective. Reported red tape savings were inaccurate and the regulatory burden of legislation had increased. Red tape reduction targets resulted in some savings. However, estimates of these savings were, in some cases, based on unverified or unsubstantiated assumptions, cost-transfers, or pre-implementation projections that are yet to be achieved. Also, the targets

did not drive new reform or significant rollback of regulation.

The NSW Government established the 'Regulatory Policy Framework Review Panel' in October 2016 as part of its response to the Red Tape Reduction performance audit report.

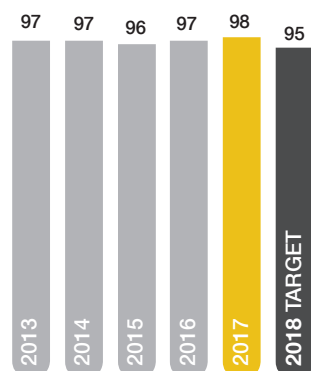
Planning for School Infrastructure

Following the tabling of our report Planning for School Infrastructure, the government allocated an additional \$4.2 billion over the next four years for school infrastructure. It also established the School Infrastructure NSW unit within the Department of Education to implement the School Assets Strategic Plan, a blueprint for the future of school infrastructure in New South Wales.

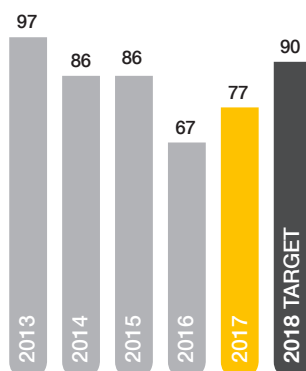
Early Childhood Education

Our May 2016 report on Early Childhood Education found enrolments in quality early childhood education programs were increasing but still below the national benchmark. To support universal access to early childhood education, the government allocated an additional \$115 million in funding in 2016 and \$217 million between 2017 and 2021.

Recommendations accepted %



Financial audits



Performance audits



Timeliness

Timeframes for reporting to agencies

86% of financial audit opinions issued within ten weeks, down from 91% last year

Financial audit timeliness needs to improve

Under the *Public Finance and Audit Act 1983*, we are required to issue all financial audit opinions within ten weeks of receiving entities' financial statements. Eighty-six per cent of our opinions were issued within ten weeks in 2016–17, a decline from 91 per cent. The earlier we give entities our audit opinions and management letters, the sooner they can make a decision around our recommendations.

The proportion of total opinions issued on or before 30 September for our 30 June entities (that is, all government entities except for government universities) reduced from 69 per cent in 2015–16 to 68 per cent in 2016–17.

While we issue interim management letters throughout the audit, we aim to issue our final management letters within six weeks of issuing our respective audit opinions. In 2016–17, we achieved 67 per cent, compared to last year's 70 per cent. We continue to develop and implement strategies to improve the timeliness of our management letters.

We also continue to improve our own internal processes, as well as report our concerns about the quality and timeliness of financial reporting across the sector.

High quality and timely financial reporting is essential for the government to make informed decisions. We continued to support NSW Treasury's early close program to improve the quality and timeliness of financial reporting through our active engagement with Chief Financial Officers and Audit and Risk Committee Chairs.

Performance audit timeliness decreases

This year our average time to complete performance audits increased to nearly 11 months from ten months. Five performance audits took longer than 12 months to complete. The remaining 12 performance audits were completed on average in 9.5 months.

The completion time for audits varies depending on the scope, number of entities involved, and subject matter complexity. Extended consultation time with some entities, and performance audit resourcing changes, also impact completion times.

This year, our performance audit branch delivered more reports than previous years while experiencing considerable resourcing challenges. Nine experienced branch members left to pursue other career opportunities. Five people joined the branch to fill new positions to support our expanded mandate to audit local government. In addition, four people joined the branch to fill existing vacancies, and two people were seconded from our financial audit branch. At the end of the financial year, four positions remained vacant.

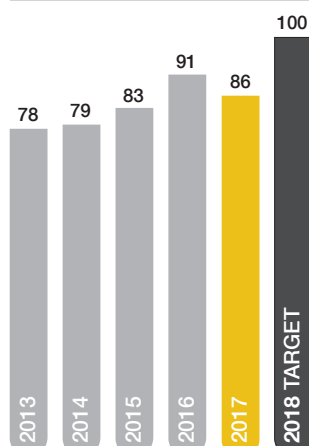
The year ahead

In 2017–18, we will focus on the timeliness of our audit output through innovation, collaboration and streamlined processes. This includes:

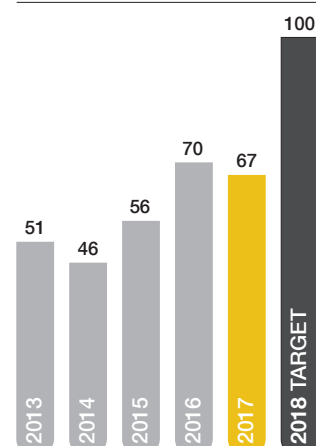
- working with NSW Government entities and central agencies to achieve improved quality and timeliness of financial and performance audit reports
- using stakeholder feedback to maintain effective relationships through our 'Influencing for Impact' strategic initiative
- improving our resource capacity by spreading the timing of audit work and partnering better with audit service providers external to the Audit Office
- our branches working together better to improve efficiency and enhance skills and knowledge transfer through our 'Working Better, Working Together' strategic initiative
- exploring opportunities to make greater use of technology to speed up and simplify reporting processes through our 'Reporting Process' strategic initiative.

(See page 9 for further details on our strategic initiatives for 2017–18.)

Audit opinions within 10 weeks %



Management letters to clients within 6 weeks %



Our financial audits

Providing value to the entities we audit

16 new modifications issued and 4 modifications cleared

What are financial audits?

Our financial audits provide independent opinions on the financial statements of NSW Government entities, universities and councils. Our opinions provide assurance about whether these financial statements comply with accounting standards, relevant laws, regulations and government directions. Additional financial audits are undertaken each year on the General Government and Total State Sector Accounts. Financial statement audits also highlight opportunities where entities can improve their accounting and financial systems.

Our audit base

We completed 426 financial audits of NSW Government agencies in 2016–17 (see Appendix Two for the full list of entities we audited over this period). These entities provide a diverse range of services and vary in size from large government departments, universities, State superannuation entities and utilities, to small boards and trusts. We also audited one local council in 2016–17. NSW State Government entities as a whole collected income of approximately \$99 billion, spent approximately \$93 billion and managed more than \$456 billion in assets.

In October 2016, we were given the mandate to audit all NSW local and county councils. Each council is unique in its administration and provision of diverse services and facilities for their communities. The financial audits of these councils will be completed under our new mandate for the first time in the 2017–18 financial year. We will therefore report on these audits in next year's annual report.

NSW General Government and Total State Sector opinion

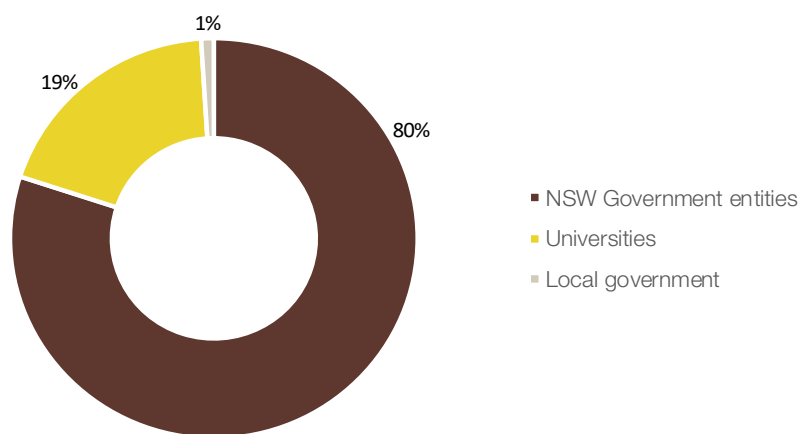
For the fourth consecutive year, the General Government and Total State Sector Accounts received an unqualified auditor's opinion following more than a decade of qualifications. This outcome shows the government's commitment to improve the quality of financial reporting across the NSW public sector. Compared to previous years, there were fewer significant errors in entities' 2015–16 financial statements submitted for audit and used for whole-of-government financial reporting.

Budget review

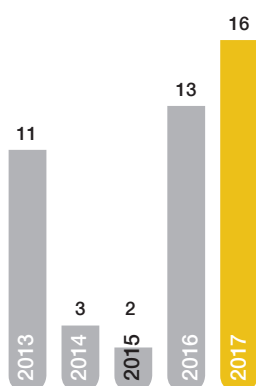
We were first engaged to review the reasonableness of estimates and forecasts used by NSW Treasury in preparing the Budget Papers for 2013–14, and have continued to conduct this review each year up to and including the 2016–17 Budget Papers.

In 2016–17, we were not engaged to review the 2017–18 Budget. This was due to the implementation of the PRIME system in 2016–17 which is part of Treasury's broader Financial Management Transformation (FMT) (see the case study on page 53 for further details on FMT). Treasury advised our review was a major undertaking, and would be challenging when run alongside the PRIME implementation.

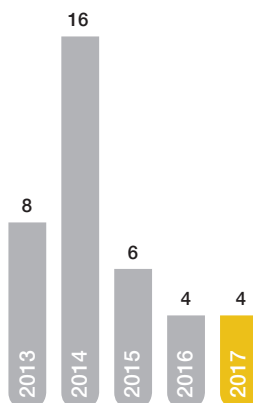
Financial audits per sector



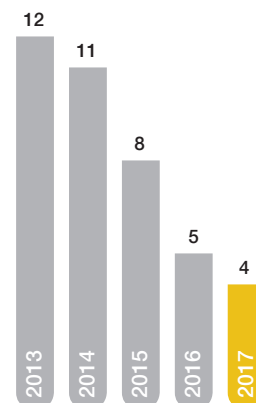
Number of new modifications



Number of modifications cleared



Number of repeat modifications



Modified auditor's opinions and conclusions

We issued 20 modified auditor's opinions and conclusions on assurance engagements in 2016–17 (18 modified audit opinions in 2015–16).

Of the 18 modifications from the previous year only four remain unresolved. Ten modifications have not been repeated as they were one-off modifications related to a compliance audit conducted in 2015–16. The Auditor-General selects a new compliance audit subject each year.

Agency	New/repeat modification	Type of modification	Reason for modification
Modified opinions on financial statements			
Former Gosford Water Supply Authority	New	Disclaimer of opinion	Control weaknesses in the finance system prevented management from attesting that all transactions had been properly recorded and reflected in the financial statements.
State Emergency Service	Repeat	Qualified opinion	We were unable to form an opinion on the completeness of received donations and fundraising revenues as the internal controls at the point of collection were not operating for the full financial year.
Modified opinions and conclusions on other assurance engagements			
The Sydney's Children's Hospital Network (Randwick and Westmead) (incorporating the Royal Alexandra Hospital for Children) Audit of the Acquittal Statements for the National Centre for Immunisation Research and Surveillance activities	New	Qualified opinion	We could not verify the unexpended funds brought forward at 1 July 2014 because the acquittal statements were not audited from the commencement of the funding agreement on 14 September 2010 until 30 June 2014.
Department of Industry, Skills and Regional Development Review of the Summary of Australian Vocational Education and Training Management Information Statistical Standard (AVETMISS) Financial Data for New South Wales	New	Qualified conclusion	Systems limitations prevented us from obtaining sufficient and appropriate evidence to support the amounts recorded for student revenue and related transactions.

Our financial audits (continued)

Providing value to the entities we audit

Modified auditor's opinions and conclusions (continued)

Agency	New/repeat modification	Type of modification	Reason for modification
Modified conclusions on compliance engagements			
<p>Review of compliance with Part 3 Division 5 of the <i>Government Information (Public Access) Act 2009</i> (GIPA Act).</p> <p>Thirteen agencies were selected for this compliance review.</p> <ul style="list-style-type: none"> Board of Studies, Teaching and Educational Standards Department of Family and Community Services Department of Industry, Skills and Regional Development Department of Justice Department of Planning and Environment Department of Premier and Cabinet Hunter New England Local Health District Insurance and Care New South Wales Justice Health and Forensic Mental Health Network Land and Property Information – Division of Department of Finance, Services and Innovation NSW Trains NSW Treasury Sydney Water Corporation 	New	Qualified conclusion	<p>The 13 agencies materially complied with the requirements of Part 3 Division 5 of the GIPA Act. However, we identified instances of non-compliance, which resulted in a qualified review conclusion for each agency.</p> <p>Instances of non-compliance included the completeness, accuracy and timeliness of contract registers.</p> <p>For further information refer to the 2016 Special Report Agency Compliance with the GIPA Act, which contains our findings and makes several recommendations to help agencies better comply with the requirements of the GIPA Act.</p>
<p>The Legislature</p> <p>Review of compliance with the annual Determination of the Parliamentary Remuneration Tribunal</p> <p>Our review program is designed to cover all Members over the four-year Parliamentary term. This year's review covered a sample of 34 Members.</p>	Repeat	Qualified conclusion	<p>The Members reviewed complied with the requirements of the Tribunal's determination. However, we identified some instances of non-compliance including:</p> <ul style="list-style-type: none"> claiming an expense from the Member's Logistic Support Allocation allowance which did not aid in their Parliamentary duties late submission of reconciliations and declarations to the Department of Parliamentary Services. <p>For further information on our findings refer to the 2017 Auditor-General's Report Members' Additional Entitlements 2016.</p>
<p>NSW Ministry of Health</p> <p>Review of compliance with the prudential requirements of Division 57 of the <i>Aged Care Act 1997</i> and Division 3 of Part 4 of the <i>User Rights Principles 1997</i></p>	Repeat	Qualified conclusion	<p>The Ministry materially complied with the requirements of the Act and the Principles. However, we identified instances of non-compliance, which resulted in a qualified review conclusion.</p>
<p>The Sydney Children's Hospitals Network (Randwick and Westmead) (incorporating the Royal Alexandra Hospital for Children)</p> <p>Review of compliance with specified requirements of the <i>Health Insurance Act 1973</i>, and the <i>Health Insurance (Approval of Billing Agents) Guidelines (No.1) 2004</i></p>	Repeat	Qualified conclusion	<p>The Network materially complied with the requirements of the Act and Guidelines, except for trust fund monies which were not paid directly into the Network's compartmentalised bank account. This resulted in a qualified review conclusion.</p>



Modified opinions cleared

We work closely with agencies to resolve qualification issues. This year we resolved four previous qualifications.

Agency	Type of opinion removed	Reason for modification
Financial statements		
Technical and Further Education Commission	Qualified opinion	The previous qualification arose because system limitations prevented the Commission from providing sufficient and appropriate support for the amounts recorded for student revenue and related transactions. The modification was removed because the Commission was subsequently able to support these amounts for 2014–15 and 2015–16.
Charles Sturt University Foundation Trust	Qualified opinion	The previous qualification arose because the Trust was not able to evidence an effective system of internal control over fundraising revenue and voluntary donations until their initial entry and receipt into their financial records system. The modification was removed as the control deficiency was rectified.
Other assurance engagements		
HealthShare NSW Parramatta and Newcastle Service Centres	Qualified opinion	These two previous qualifications arose from a control deficiency that meant the control objective 'disbursements are made to the appropriate suppliers' was not achieved during the period. The modification was removed as the control deficiency was resolved during 2014–15 and the control operated effectively for the 2015–16 year.
HealthShare NSW Westmead Service Centre		
Assurance engagement on the service organisation's description of controls, their design and operating effectiveness		

Our performance audits

Addressing issues of public concern

What is a performance audit?

Performance audits are in-depth assessments of whether government entities are achieving effectiveness, efficiency and economy in the programs and services they deliver.

A performance audit may cover:

- the whole of an entity's operations
- one particular entity activity
- an activity across a number of entities.

We report the results of these audits to the head of each entity, the responsible minister, the Treasurer and the NSW Parliament. We also publish our findings publicly on our website.

Choosing a topic

When selecting and scoping topics, we combine our own research with suggestions from parliamentarians, agency CEOs, councillors and members of the public. We aim to choose topics that reflect the interests of parliament in holding the government to account.

Our three-year program is published on our website and is reviewed annually to ensure it continues to address significant issues of interest to parliament, aligns with government priorities, and reflects contemporary thinking on public sector management. For an overview of our three-year performance audit program, see page 37.

This year's performance audits

On the following page is a table detailing all of the performance audit reports we tabled in parliament in 2016–17. Pages 29–36 provide a summary of the content of each report, as well as a summary of the response provided by each auditee. The future performance audit program is discussed on page 37.

Entities audited	Performance audit report	Tabled in parliament
<ul style="list-style-type: none"> Department of Premier and Cabinet Department of Finance, Services and Innovation 	Red Tape Reduction	25 August 2016
<ul style="list-style-type: none"> Department of Industry — Lands 	Sale and Lease of Crown Land	8 September 2016
<ul style="list-style-type: none"> NSW Food Authority 	Monitoring Food Safety Practices in Retail Food Businesses	15 September 2016
<ul style="list-style-type: none"> NSW Police Force Fire and Rescue NSW 	Preventing and Managing Worker Injuries	13 October 2016
<ul style="list-style-type: none"> Department of Premier and Cabinet 	Government Advertising 2015—16	27 October 2016
<ul style="list-style-type: none"> NSW Treasury Department of Premier and Cabinet Department of Industry, Skills and Regional Development Department of Justice Department of Planning and Environment 	Implementation of the NSW Government's Program Evaluation Initiative	3 November 2016
<ul style="list-style-type: none"> Transport for NSW 	CBD and South East Light Rail Project	30 November 2016
<ul style="list-style-type: none"> Planning Assessment Commission (Independent Planning Commission) 	Assessing Major Development Applications	19 January 2017
<ul style="list-style-type: none"> Department of Family and Community Services 	Building the Readiness of the Non-Government Sector for the NDIS	23 February 2017
<ul style="list-style-type: none"> Transport for NSW Sydney Trains NSW Trains 	Passenger Rail Punctuality	11 April 2017
<ul style="list-style-type: none"> Department of Education Transport for NSW Department of Industry 	Contingent Workforce	27 April 2017
<ul style="list-style-type: none"> Department of Justice Corrective Services NSW 	Therapeutic Programs in Prisons	3 May 2017
<ul style="list-style-type: none"> Department of Education 	Planning for School Infrastructure	4 May 2017
<ul style="list-style-type: none"> Department of Planning and Environment 	Mining Rehabilitation Security Deposits	11 May 2017
<ul style="list-style-type: none"> NSW Health 	Medical Equipment Management in NSW Public Hospitals	25 May 2017
<ul style="list-style-type: none"> Department of Premier and Cabinet NSW Treasury Infrastructure NSW Roads and Maritime Services Transport for NSW 	NorthConnex	8 June 2017
<ul style="list-style-type: none"> Roads and Maritime Services 	Sydney Region Road Maintenance Contracts	15 June 2017

This year's performance audits

Addressing issues of public concern

Red Tape Reduction

Red tape refers to unnecessary costs to the community, business and government resulting from poorly designed and implemented regulation. Between 2011 and 2015, the NSW Government committed to a program of red tape reductions aimed at improving business competitiveness comprising:

- a red tape savings target of \$750 million by June 2015
- a 'one-on, two-off' policy – for every new legislative instrument, two had to be repealed.

This audit assessed whether:

- NSW Government initiatives and processes to prevent and reduce red tape were effective
- the red tape savings initiative and 'one-on, two-off' policy were effective in reducing red tape.

Overall, we found that NSW Government initiatives and processes to prevent

and reduce red tape were not effective. Reported red tape savings were inaccurate and the regulatory burden of legislation increased. Red tape reduction targets resulted in some savings. However, estimates of these savings were, in some cases, based on unverified or unsubstantiated assumptions, cost-transfers, or pre-implementation projections that are yet to be achieved. The targets also did not drive new reform or significant rollback of regulation.

Despite the NSW Government meeting the numerical target for reducing the number of legislative instruments, legislative complexity and regulatory burden increased during implementation of the 'one-on, two-off' regulation reduction initiative.

Response

The Department of Premier and Cabinet and the Department of Finance, Services and Innovation supported the recommendations in the report. The NSW Government established an independent inquiry into the NSW Regulatory Policy Framework in response to the report.

📅 Report release date:

25 August 2016

Sale and Lease of Crown Land

The audit assessed whether the Department of Industry managed the sale and lease of Crown land effectively. In making this assessment, we looked at the department's strategy for the use of Crown land, compliance with legislation and policies, systems for ensuring quality and transparency in decision-making, and engagement with stakeholders.

We found that the department was not managing the sale and lease of Crown land effectively, although there had been some improvement. Policy and guidance for staff needed to improve – there were more than 1,300 pages of policies and guidance, and many had not been updated in the last decade.

Decisions about Crown land did not always comply with policies on rent rebates, rent determinations, debt management, and direct negotiation.

There was limited oversight of sale and lease decisions, and tenant compliance. The department only reviewed many leases when they were due for renewal, and there was no systematic checking of compliance with lease conditions during the term of a lease.

The department complied with statutory requirements to notify the public about its decisions, but did not provide consistent opportunities for people to understand or have a say in decisions about the sale and lease of Crown land. Decision-making about Crown land was not transparent and direct negotiations were common with 97 per cent of leases and 50 per cent of sales directly negotiated over the past four years.

Response

The Department of Industry accepted the recommendations in the report.

📅 Report release date:

8 September 2016



Monitoring Food Safety Practices in Retail Food Businesses

Under the *Food Act 2003*, the NSW Food Authority (the Authority) is responsible for ensuring that food sold in New South Wales is safe and fit for human consumption. Its responsibilities cover all sectors of the food industry, including primary production, manufacturing, transport and retail food businesses, such as restaurants, cafes, bakeries and takeaways.

This audit focused on the Authority's responsibility to ensure that retail food businesses complied with national food safety standards. To meet this responsibility, the Authority appoints enforcement agencies, which are primarily local councils, to inspect and monitor around 40,000 retail food businesses across the State. Councils assess whether retail food businesses in their area comply with food safety standards.

At the time of our report, New South Wales had a lower rate of foodborne illness than the national average. This reflected some good practices in the Authority's risk-based approach and councils' long-standing commitment to ensuring food safety standards are met. We found that the Authority provided guidance and training to councils and retail food businesses to improve their knowledge and compliance with food safety standards.

However, the Authority had not implemented sufficient controls to monitor the consistency and quality of regulatory activities conducted by councils. Consequently, the Authority could not provide assurance that councils applied food safety inspection and enforcement activities in accordance with its requirements consistently across the State.

Response

The NSW Food Authority accepted the recommendations in the report.

📅 Report release date:

15 September 2016

Preventing and Managing Worker Injuries

This audit assessed how well the NSW Police Force and Fire & Rescue NSW prevented worker injuries and managed the return to work of injured workers.

We found that the NSW Police Force had introduced a number of health promotion and injury prevention programs, some on a trial basis. These were promising examples of a shift towards a more proactive approach to injury prevention, and initial feedback on the programs from police officers was positive. The NSW Police Force should use evaluations of these programs to determine whether initiatives should be rolled out more broadly. We also found that the NSW Police Force could improve access to return to work options for injured officers.

Fire & Rescue NSW promoted health, fitness and wellbeing through a range of programs. However, many of these programs were voluntary and did not adequately ensure all firefighters remained fit for duty. We recommended that Fire & Rescue NSW introduce ongoing periodic assessments of firefighter health and fitness to reduce risks of injury.

Response

The NSW Police Force and Fire & Rescue NSW broadly supported the recommendations in the report.

📅 Report release date:

13 October 2016



This year's performance audits (continued)

Addressing issues of public concern

Government Advertising 2015–16

In New South Wales, the *Government Advertising Act 2011* requires government advertising campaigns with a likely expenditure over \$50,000 to be independently peer reviewed before commencement. This audit assessed whether peer review was effective in providing assurance that government advertising was needed and cost-effective.

We found that, overall, the peer review process was effective in providing assurance that government advertising was needed and cost-effective. The majority of feedback we received about the process was positive.

Noting that the process was generally effective, the audit report focussed on areas where we identified room for improvement. These included recommending changes to the process of allocating reviewers to campaigns and providing regular feedback to peer reviewers to support improvement in the quality of peer reviews.

Response

The Department of Premier and Cabinet supported the recommendations in the report.

📅 Report release date:
27 October 2016

Implementation of the NSW Government's Program Evaluation Initiative

The NSW Government introduced program evaluation in 2013. This requires agencies to periodically assess whether service delivery programs are achieving expected outcomes and value for money. Departments each year prioritise and prepare a list of programs for evaluation in their cluster in the upcoming financial year. NSW Treasury then consolidates these lists into an annual report to the Expenditure Review Committee of Cabinet (ERC).

This audit assessed whether the program evaluation initiative was implemented in a way that informed the NSW Government's decisions on what programs to support and fund. We reviewed NSW Treasury, the Department of Premier and Cabinet, the Department of Justice, the Department of Planning and Environment, and the Department of Industry, Skills and Regional Development.

We found that the program evaluation initiative was largely ineffective, as it was not providing sufficient information to government decision makers on the performance of programs.

Only one agency – the Department of Industry, Skills and Regional Development – had processes which gave assurance that the right programs were being listed in their annual report to the ERC.

We also found that NSW Treasury and the Department of Premier and Cabinet did not use evaluation outcomes in their advisory role to the NSW Government on funding and prioritisation of programs.

Response

All the departments we reviewed supported the recommendations in the report.

📅 Report release date:
3 November 2016



CBD and South East Light Rail Project

The Central Business District and South East Light Rail (CSELR) project is a large public transport infrastructure project. At the time of the audit, the estimated capital cost was \$2.1 billion in 2014 dollars, excluding finance, operation and maintenance costs.

This audit assessed how well Transport for NSW (TfNSW) ensured planning and procurement for the CSELR project achieved value for money within the parameters set by the NSW Government.

We found the established assurance framework provided that TfNSW undertake the assurance reviews of the CSELR project. However, this approach did not provide the independent assurance required for such a major infrastructure project. In addition, the planning and governance arrangements, while approved by the NSW Government,

skipped important assurance steps. Tight timeframes meant planning was inadequate and normal governance systems were not initially in place. This contributed to underestimating costs and overestimating benefits. As a result, between 2011 and 2014, TfNSW did not effectively plan and procure the CSELR project to ensure it maximised value for money for New South Wales.

TfNSW continues to manage problems created because of these shortcomings. Above all, it did not finalise key third-party agreements that affected the design and scope of works before issuing tenders and signing the major public private partnership (PPP) contract. This increased the project's complexity and risks, and reduced value for money.

Response

Transport for NSW accepted the recommendations in the report.

📅 Report release date:
30 November 2016

Assessing Major Development Applications

The audit assessed whether the Planning Assessment Commission made decisions in a consistent and transparent manner. We looked at whether the Commission:

- had sound processes to help it make decisions on development applications
- ensured its decisions were free from bias and transparent to stakeholders and the public.

We found that while the Commission had improved its decision-making process, there was more it could do to ensure its decisions were consistent and transparent. Improvements made by the Commission included standard documentation and processes for public meetings, a range of probity policies and procedures, and publication of its decisions, fact sheets for 'high profile' decisions, and records of meetings with applicants/stakeholders.

The Commission was not able to show in every decision we reviewed how it met its statutory obligation to consider the matters in Section 79C of the *Environmental Planning and Assessment Act 1979*, and its reports did not clearly address these matters.

The Commission only notifies the community of public meetings via its website and newspaper advertisements. Also, it imposes an inflexible five-minute time limit for individual speakers. There was a perception among some stakeholders that the Commission was not independent of the Department of Planning and Environment. For example, the Commission becomes involved late in the process, after the department prepares an assessment recommending whether a development should proceed.

Response

The Planning Assessment Commission accepted the recommendations in the report.

📅 Report release date:
19 January 2017



This year's performance audits (continued)

Addressing issues of public concern

Building the Readiness of the Non-Government Sector for the NDIS

This audit assessed the effectiveness of the NSW Department of Family and Community Services' management of the risks of the National Disability Insurance Scheme (NDIS) transition in New South Wales. It focused on the department's work to build the readiness of the non-government sector for the NDIS.

We found the department managed the risks of the transition effectively by increasing the overall capacity of the sector and investing in provider capability building initiatives. The department supported significant growth in the non-government sector in the years leading up to the NDIS. More targeted work will

be needed to build the sector's capacity to provide services to people with the most complex support and access needs. The department evaluated the larger provider capability building programs and these received positive feedback from providers. However, the overall impact of the department's investment on providers is not clear because of limitations in the department's monitoring of changes in provider capability.

Response

The Department of Family and Community Services supported the recommendations in the report.

📅 Report release date:
23 February 2017

Passenger Rail Punctuality

This audit assessed whether rail agencies had plans and strategies to maintain or improve performance in getting the growing number of rail passengers to their destinations on time.

We found rail agencies were well placed to manage the forecast increase in passengers up to 2019. Based on forecast patronage increases, the rail agencies will find it hard to maintain punctuality after 2019 unless the capacity of the network to carry trains and people is increased significantly. Punctuality could be at risk sooner if recent patronage growth continues.

In addition to investment in new metro networks, sustained and substantial investment needs to be made into the existing heavy rail network to meet demand and ensure its ongoing reliability.

Transport for NSW had undertaken work on strategies to increase capacity and maintain punctuality after 2019, but remained some months away from putting a costed plan to government.

Passenger rail punctuality indicators adopted in New South Wales are good practice, and measurement of punctuality is reasonably precise. Train punctuality is reported publicly, but there is limited public reporting of customer delay. System-wide train punctuality has usually exceeded target since 2005, but some services suffer from poor punctuality compared to the rest of the network.

Response

The rail agencies asked us to reconsider our conclusions citing various projects and initiatives to meet demand. We commented in the report that we had considered these in reaching our conclusions.

📅 Report release date:
11 April 2017

Contingent Workforce: Procurement and Management

Contingent labour are people employed by a recruitment agency and hired by agencies to provide labour or services on a short-term basis. Between 2011–12 and 2015–16, spending on contingent labour had increased from \$503 million to \$1.1 billion.

The audit assessed whether the approach of three agencies' to purchasing and managing their contingent workforce met business needs and delivered value for money.

We found that none of the three agencies we reviewed could demonstrate that contingent labour was the best resourcing strategy to meet their agencies' business needs or delivered value for money.

Two of the three agencies had limited oversight of their contingent workforce. None of the agencies routinely monitored and centrally documented the performance of contingent workers. These factors made it difficult for agencies to ensure contingent labour was engaged only when needed, at reasonable rates, and delivered quality services.

Despite the Public Service Commission's recommended maximum tenure of six months for contingent labour, we found that the maximum tenure of contingent labour varied across agencies from nine years to more than 20 years.

Response

The Department of Education and the Department of Industry supported the recommendations in the report. Transport for NSW did not commit to accepting the recommendations, stating: *'We again ask that you take these matters into account as we do not consider the conclusions reached accord with the level of delivery that is underway in the Transport cluster using an appropriate mix of skills, capabilities and resources.'*

📁 Report release date:
27 April 2017

Therapeutic Programs in Prisons

This audit assessed whether prison programs aimed at reducing reoffending were available, accessible and effective. The audit focused on a selection of programs that targeted prisoners who made up more than half the prison population.

The Department of Justice had increased the roll out of moderate intensity prison programs which reached greater numbers of prisoners. However, over the same period, the number of higher intensity prison programs that addressed the therapeutic needs of sex offenders, and serious and violent offenders, had decreased or remained the same. In 2015–16, 75 per cent of prisoners who needed programs reached their earliest release date without receiving one. These prisoners were often released with incomplete or no intervention, or

were refused parole and held in custody longer than their minimum term. The department had worked in partnership to independently evaluate some programs, however these had largely been inconclusive. In August 2016, the department received an additional \$237 million to reduce reoffending and proposed to focus its efforts on evaluating the effectiveness of its programs by engaging external experts and increasing resourcing in its own evaluation unit, as well as increasing the number of higher intensity prison programs.

Response

The Department of Justice broadly supported the recommendations in the report but had concerns on the interpretation and reporting of certain data.

📁 Report release date:
3 May 2017



This year's performance audits (continued)

Addressing issues of public concern

Planning for School Infrastructure

This audit assessed whether the Department of Education had a strategy and implementation model to ensure it has sufficient fit-for-purpose student learning spaces when and where needed.

Over the next 15 years, the student population in New South Wales is projected to grow by 21 per cent to nearly 1.5 million. Over 80 per cent of this growth is expected to be in the Sydney metropolitan area. Many more classrooms will be needed, with many others requiring renovation.

The department had developed its first School Asset Strategic Plan to deliver sufficient fit-for-purpose student learning spaces when and where needed up to 2031. The plan proposes several changes to the way schools are planned, designed, built, managed and funded. It also

proposes a significant change in the way decisions on infrastructure are made at the local level. Cluster planning will look at groups of schools that are close to each other to better distribute student numbers and improve infrastructure investments. Up until now, decisions had been made on a school-by-school basis.

Even with these significant reforms, the estimated cost of the infrastructure needed up to 2031 is significantly more than the department had been receiving. The department was yet to secure the funding required to meet the expected need.

Response

The Department of Education accepted the recommendations in the report and advised that work is underway to address them.

📅 Report release date:
4 May 2017

Mining Rehabilitation Security Deposits

This audit assessed whether the Department of Planning and Environment maintains adequate security deposits to cover the liabilities associated with mine closures if mining companies default on their rehabilitation obligations.

The total value of security deposits held had increased from \$500 million in 2005 to around \$2.2 billion in 2016. While a substantial increase, mine rehabilitation security deposits are still not likely to be sufficient to cover the full costs of each mine's rehabilitation in the event of a default. This is largely because:

- rates and allowances used to calculate deposits had not changed since 2013
- deposit calculations did not cover, or cover adequately, some activities required for effective rehabilitation
- the department also did not seek sufficient contingency from mining companies to cover uncertainties associated with unplanned closure.

Further, there is no financial assurance to cover unexpected environmental degradation in the long-term after a mine is deemed to be rehabilitated and the security deposit is returned. We recommended that the department investigates ways to address this risk.

This audit was undertaken almost entirely when the Department of Industry, Skills and Regional Development was responsible for administering security deposits. This responsibility was transferred to the Department of Planning and Environment on 1 April 2017.

Response

The Department of Planning and Environment supported the recommendations in the report.

📅 Report release date:
11 May 2017

Medical Equipment Management in NSW Public Hospitals

Medical equipment needs to be properly managed over its lifecycle, from planning to acquisition, operation and disposal, to ensure patient safety and quality of care. This audit assessed how well NSW hospitals managed medical equipment to meet the needs of patients. We examined the management of:

- Positron Emission Tomography and Computed Tomography (PET-CT) scanners, a high-value piece of equipment commonly used for diagnosing cancer

- a small sample of lower value but critical medical equipment known as biomedical equipment.

We found that while PET-CT scanners were well managed, management could be enhanced by better performance reporting and replacement planning. Separately, we found improvement was needed in the timeliness of testing and maintenance for biomedical equipment. Outdated and inefficient information systems used for day-to-day management of biomedical equipment also needed to be improved or replaced.

Response

NSW Health supported the recommendations in the report.

📁 Report release date:
25 May 2017

NorthConnex

NorthConnex is a nine-kilometre tolled motorway tunnel between the M1 Pacific motorway at Wahroonga and the M2 Hills motorway at West Pennant Hills. Major construction work commenced in February 2015 and the tunnel is expected to open to traffic in late 2019. This audit assessed whether the process used to determine the NorthConnex funding model adequately considered value for money for taxpayers and road users.

We found that the processes used to assess NorthConnex adequately considered value for money for taxpayers and road users within the NSW Government's stated policy objectives. These processes included assessing the proposal against the costs and benefits

of the NSW Government fully funding the project, adding a competitive tender process for the design and construction components, and using independent cost estimation and traffic modelling. The NorthConnex proposal met a need identified by the NSW Government. By these measures, the NorthConnex agreement represented value for money for the NSW Government.

We identified two areas where there were deficiencies. The Unsolicited Proposals Guide was not clear on the timing of key assurance stages. Additionally, record keeping for this project did not meet the standards for government record keeping.

Response

The Department of Premier and Cabinet and NSW Treasury supported the recommendations in the report.

📁 Report release date:
8 June 2017

Sydney Region Road Maintenance Contracts

In November 2013, Roads and Maritime Services (RMS) outsourced the maintenance of State roads in the Sydney region west and south zones using a new contract model called the Stewardship Maintenance Contract (SMC). This audit assessed whether RMS had effectively managed this outsourcing.

We found the SMC was an innovative approach which met RMS' requirements for:

- flexibility in pricing mechanisms as contractors become familiar with the road assets
- the need for collaboration in asset maintenance planning

- promoting innovation
- effective performance management.

RMS established a framework to manage SMCs which included most elements of good practice. However, RMS' management had key elements missing which reduced its effectiveness. RMS did not have procedures and authorities to guide its contract managers in exercising specific provisions of the SMC. Consequently, RMS failed to exercise several significant SMC requirements. RMS achieved around 80 per cent of expected cost savings in 2014–15. However, it has not tracked benefits achieved since then.

Response

Roads and Maritime Services broadly supported the recommendations in the report.

📁 Report release date:
15 June 2017



The year ahead for performance audit

Continuing with our three-year program

We consider broad themes in government administration and reform

Section 38B of the *Public Finance and Audit Act 1983* gives the Auditor-General of New South Wales the mandate to undertake performance audits in NSW Government.

In developing the proposed performance audit program, we directly consulted a range of stakeholders, including NSW Parliament's Public Accounts Committee, cluster department secretaries, and the integrity agencies. We also receive suggestions from members of parliament, and from the community.

Our program considers broad themes that are relevant to today's government administration and reform, including:

- ensuring services meet citizen needs
- leveraging digital opportunities
- having good checks and balances
- getting value from commissioning
- breaking down silos
- looking after future generations and the vulnerable
- a capable and diverse public sector
- investing in infrastructure to meet the needs of a growing population
- working together with local government.

Our proposed performance audit program for 2017–18 to 2019–20, is available on our website. It is a rolling three-year program and the Auditor-General may prioritise other topics that come to our attention for performance audits, or may remove topics that are no longer deemed relevant.

In 2017–18, we will table our first local government performance audits, resulting from the NSW Government's 2016 decision to expand our mandate (see page 53 for more details on our expanded mandate).

Consistent with broader trends in government, we will continue to work with entities in a collaborative and cooperative way, whilst ensuring we retain our independence and objectivity.

We will also continue our efforts to strengthen our topic selection processes and better communicate this to key stakeholders.

To support contemporary approaches to performance auditing, we will host the IMPACT Conference in 2018. This conference brings together key thought leaders in, and relevant to, performance auditing. The focus of the conference will be on the future of performance auditing and how we can address key emerging challenges for the profession and our audit clients.

We will also build on our efforts to develop more integrated approaches to our performance audits by leveraging knowledge, skills and capabilities from across the organisation. This will ensure a greater diversity of thinking on our audits and hence greater audit insights.





People

Our people are highly skilled and dedicated to improving the public sector

At the Audit Office of New South Wales, we have built a constructive and achievement-oriented working environment that:

- is founded on respect for staff, clients and stakeholders
- strives to maintain a balance between work life and personal life
- fosters and values trust and allows staff to be the best they can be
- attracts and retains highly skilled staff who take opportunities to achieve their potential

Staff satisfaction

Our staff indicated improvements across all key staff opinion survey measures

Staff satisfaction 81%, compared to 79% last year

Staff engagement 83%, compared to 82% last year

Staff satisfaction up

The staff opinion survey is an important measure of staff satisfaction. It calculates a weighted satisfaction index and an overall 'gut feel' measure of staff satisfaction. Participation in the survey was high this year with 95 per cent of staff contributing.

Results for the year showed an improvement compared to 2015–16, with our staff satisfaction index increasing from 79 per cent to 81 per cent.

The 'gut feel' satisfaction measure also improved, with 89 per cent of respondents 'satisfied' to 'extremely satisfied' working at the Audit Office, up from 87 per cent.

Staff sustainability, which effectively measures work-life balance, remained steady with 52 per cent of our staff rating they are 'working in a highly sustainable way', compared to 51 per cent in 2015–16. The percentage of staff working in a 'moderately sustainable way' reduced to 32 per cent from last year's 36 per cent.

Staff engagement up

Staff engagement connects measures of staff satisfaction, morale, loyalty and commitment to the Audit Office's success. It further measures whether staff feel trusted and valued. Staff engagement remained steady at 83 per cent to last year's 82 per cent. Ninety per cent of staff would recommend the Audit Office as a 'great place to work', consistent with last year's result. Ninety-four per cent of staff indicated they 'are willing to put in extra

effort to achieve a professional result', up from 91 per cent.

Morale has remained steady with 78 per cent of staff reporting 'reasonable' to 'very high' morale, compared to 79 per cent last year, although this is below our 80 per cent target.

Performance gaps improved

The staff survey tells us what staff consider most important, and identifies the gaps between their expectations of the 'ideal' and how well the Audit Office is currently performing. Gaps of more than 20 points between importance and delivery indicate a need to focus on these areas. When compared to the 2015–16 survey there was improvement across all performance gaps, some significantly.

The five largest performance gaps, from highest to lowest, were:

- the Audit Office has sufficient resources to deliver value to clients
- good communication exists throughout the office
- I am able to balance work with my personal life
- I feel valued
- we have a constructive culture at the Audit Office.

People Matter Survey

In 2016–17, the Audit Office participated in the NSW public sector's People Matter Survey. Sixty per cent of our staff participated in the survey, compared with 40 per cent in 2014 (the last time the survey was conducted). Our engagement score was 70 per cent, an increase from 64 per cent in 2014. This result also compared well with the overall public sector engagement result of 65 per cent.

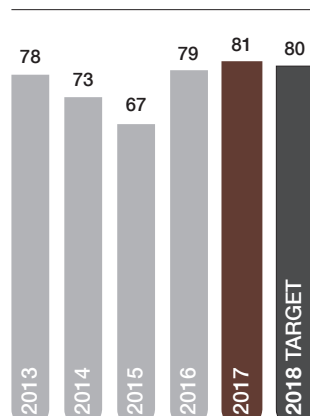
The year ahead

Although our results have improved significantly, we will continue to work to address the performance gaps raised by our staff, particularly in areas of resourcing, communication, constructive leadership, feeling valued and culture.

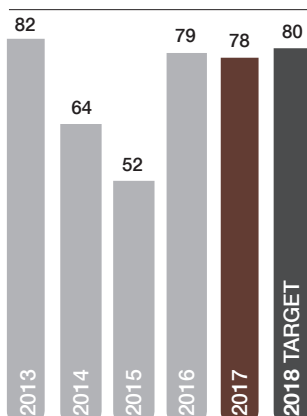
Through our 'Working Better, Working Together' strategic initiative, the Leadership Team will work in 2017–18 to bring our people closer together across teams and branches to improve the biggest performance gaps in the staff survey (see page 9 for further details on our strategic initiatives for 2017–18.).

We will also next year try and bring our staff opinion survey and the NSW public sector's People Matter Survey into greater alignment.

Staff satisfaction %



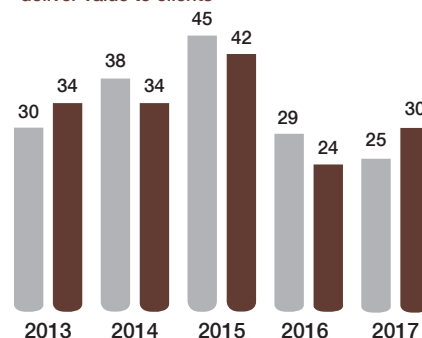
Staff morale %



Significant performance gaps

Good communication exists throughout the office

The Audit Office has sufficient resources to deliver value to clients



Performance

A focus on effective, quality results

57% billable productivity achieved, down from 60% last year

100% of staff have performance agreements

Productivity

Our billable staff productivity (the percentage of total staffing hours that we charge to our audit work) in 2016–17 decreased from 60 per cent to 57 per cent, below our 70 per cent target. This drop in productivity can be largely attributed to the expansion of our mandate in October 2016 to audit local government. We invested significantly in 2016–17 setting up our office to audit local government. This set-up investment has not been charged to councils, but instead has been absorbed by the Audit Office.

Total staffing hours include time worked by all staff, including those responsible for administration and governance.

Enhancing technology infrastructure and systems

In 2016–17, we continued to enhance audit delivery through improved systems and processes. Technology achievements included:

- migrated all email to Office 365 to increase capacity and availability
- started the process to replace our on-premise data centre
- replaced our laptop fleet, including an upgrade to Windows 10 and 4G access for staff
- upgraded our Wi-Fi network to enhance security and speed
- implemented an enterprise service management platform to improve the tracking of issues and reporting across Corporate Services

- rolled out our bring your own device (BYOD) program for staff to use their personal mobile devices to access office resources

- engaged an external organisation to conduct a cyber security maturity review.

We also continued to meet compliance and operational stability requirements by:

- maintaining the ISO27001:2013 security standard
- maintaining systems availability above the target of 99 per cent
- delivering self-paced information security training
- enhancing our data centre monitoring capability
- conducting an external and Wi-Fi penetration test.

Embedding our performance management framework

The performance, behaviour and conduct of our employees are integral to our success. The Audit Office promotes a transparent performance management approach that aligns personal goals and individual development with the Audit Office strategy and vision.

In 2016–17, we continued embedding our performance management framework by:

- cascading the Audit Office strategic plan down into branch plans and individual performance agreements
- strengthening our performance management process, including performance conversations, two-way feedback and the link between performance and remuneration
- completing the implementation of the MiCareer human capital management system
- ensuring 100 per cent of staff have performance agreements in place.

Fair and responsible remuneration

Our approach to remuneration is focused on being procedurally fair and fiscally responsible, and in line with the NSW Government's wages policy.

Employee performance is assessed twice annually through a mid-year and end-year performance assessment. The results of the performance assessment are moderated across branches through leadership collaboration sessions.

Employee remuneration is then assessed once per year immediately following the end-year performance assessment.

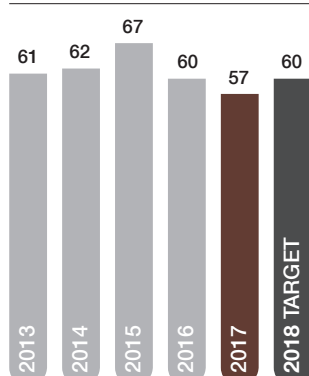
The Remuneration Committee met twice during 2016–17 to consider auditor progression and the end-year remuneration review. The committee reviews recommendations to the Auditor-General on the application of the Audit Office's remuneration policies and practices. These recommendations have improved the remuneration assessment process.

The year ahead

In 2017–18, we will continue to:

- improve our performance management framework
- cascade the updated Audit Office strategic plan to branch plans and individual performance agreements
- ensure our approach to remuneration remains procedurally fair and fiscally responsible, and in line with the NSW Government's wages policy.

Productivity %



Staffing and recruitment

Focus on attracting high quality staff

275 full-time equivalent staff

54% of middle management are women

Staff turnover higher than our target

Our strong brand, excellent reputation and opportunities for personal and career development has enabled the Audit Office to continuously attract and recruit high quality staff. This has positively impacted our ability to sustain a regular supply of specialist talent and our capacity to meet client demands. However, we have experienced a slight increase in staff turnover in 2016–17, the 19 per cent result slightly above the 18 per cent of 2015–16 and above our target of 12–15 per cent.

Feedback gathered in surveys of staff exiting the Audit Office reveals they:

- appreciated the work-life balance and the people at the Audit Office
- felt there were too many layers of bureaucracy and limited promotional opportunities
- were happy with the quality of training and would like to see an improvement in the training being implemented on the job
- felt their manager listened to them and were free to express their opinions
- would like to see more cross-collaboration between teams and branches
- believe the Audit Office was a friendly place to work.

From the survey responses received, 42 per cent of exiting employees have moved to the private sector and 33 per cent have moved within the public sector. Seventy-three per cent of respondents would return to the Audit Office if an opportunity arose.

The number of full-time staff at 30 June 2017 was 275, up from 273 last year.

In March 2017, we began our graduate recruitment process for 2018. We worked to ensure our ongoing alliance with professional accounting bodies and universities by attending career events, promoting our program through universities and engaging in other recruitment activity. We shortlisted and interviewed 74 candidates from the 421 applications received, and offered a four-year fixed-term contract to 25 candidates, down on last year's 26.

Increased focus on diversity

At the Audit Office we are committed to ensuring we have a diverse workplace that reflects a constantly changing external workforce and client base. We recognise that by embracing the different contributions, perspectives and talents that make up our organisation we create a culture of participation, contribution and respect. Our new Diversity Inclusion and Accessibility Framework guides our activity in this area.

The number of women as a percentage of the total full-time equivalent workforce has increased slightly from 49 to 51 per cent.

The representation of women in middle management has also increased slightly, to 54 per cent from the previous 52 per cent. The Audit Office has an ongoing commitment to supporting the growth and development of talented women in the organisation. The percentage of women in the executive and senior leadership positions has also increased from 42 to 46 per cent in the last twelve months.

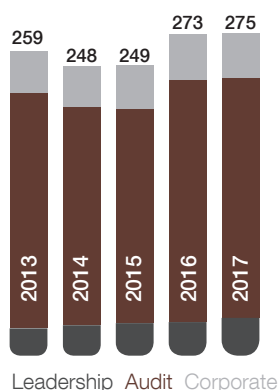
Staff at the Audit Office come from 38 countries and speak 26 languages. In 2016–17, we celebrated many cultural festivals such as Diwali, Eid-ul-Adh, Naw Ruz, Lunar New Year, Harmony Day, International Women's Day, Australia Day and Remembrance Day. These celebrations help us recognise the diversity of our workplace and encourage our staff to learn more about other cultures and diversity groups.

A major new diversity initiative we introduced in 2016–17 was an Indigenous Internship Program. Four Indigenous interns started at the Audit Office in June 2017. This program aims to increase the representation of Indigenous people in our organisation. See the case study on page 49 for further information on this new program.

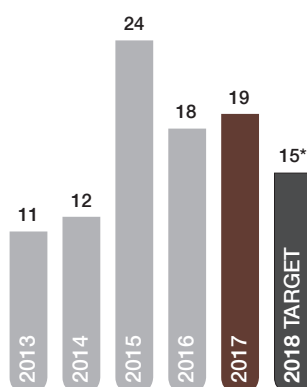
For further information on workforce diversity, see Appendix 6.

Total staff at 30 June*

*FTE: Full-time equivalent.



Staff turnover %



*Target range is 12–15 per cent



Supporting our staff

The health and well-being of our staff remains a strong focus for the Audit Office. In 2016–17, several staff used our Employee Assistance Program, which includes independent, confidential counselling services for staff and their immediate families. We continued to provide assorted fruit every day to promote healthier eating, and offer free flu vaccinations to all staff.

We also continue to offer flexible working arrangements. Employees can have a flexible approach to working hours that helps them manage fluctuating workloads and achieve work-life balance. Flexible arrangements include working from home, a compressed working week, term working, job share and career breaks.

In 2016–17, we provided support to those competing in the Corporate Cup running competition and we introduced a second running team to further commit to our healthy workforce culture.

Recognising our staff

The Audies formal Recognition Program continued this year with a total of 88 nominations. There were ten individual winners (one winner being for the Karyn Neal Leadership Award) and four team winners. The winners for the December 2016 to June 2017 period will be eligible to be considered for the Annual Awards in December 2017.

Recreation club

The recreation club, known as the ReClub, is a social organisation run by staff, for staff. Approximately 63 per cent of staff are members of the ReClub, steady to last year's 64 per cent. The club is fully funded by staff and run by a representative committee. The ReClub is responsible for organising a number of the Audit Office's key events including the Annual Dinner, the Christmas Party and numerous 'Happy Hour' events. Additionally in 2016–17, the ReClub organised:

- Launchies – a welcome event for new graduates joining the Audit Office and a fun event for all employees
- Australia's Biggest Morning Tea annual bake-off – our eleventh participation which raised over \$500 in 2017
- Futsal – our fiercely competitive indoor soccer competition which this year includes four teams with 41 players
- 10,000 steps challenge – a health event challenging staff to walk 10,000 steps per day, with almost every business team across the Audit Office entering a team
- City2Surf – partially subsidising entry fees for ReClub members
- Badminton games – held the first Saturday of every month
- Happy Hour breakfast – a feast for all staff with delicious pastries, hot food and healthy options

- Book Club – a new initiative for Audit Office bookworms and an opportunity to meet and discuss good reads
- Street Count – another new initiative, members took part in the City of Sydney's bi-annual street count to help collect information about the number of homeless people sleeping rough in the Sydney municipality.

The ReClub is an integral part of our culture, with fun activities and a chance for staff to network with colleagues they may not usually see on a daily basis.

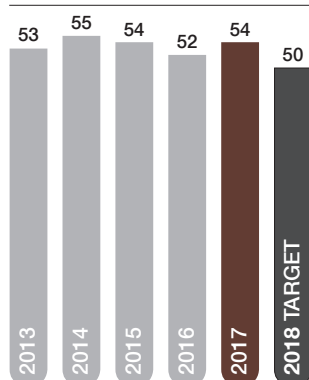
The year ahead

In 2017–18, our 'Working Better, Working Together' strategic initiative will work towards staff improvements in a number of areas by:

- improving how our staff work together by piloting new meeting room spaces around the themes of 'collaboration, concentration and communication'
- empowering our staff through devolving responsibility and adjusting risk tolerances
- continuing to implement the Diversity Inclusion and Accessibility Framework which includes embedding the Indigenous Internship Program and implementing a women in leadership program.

(See page 9 for further details on our 2017–18 strategic initiatives).

Women in middle management %



Women in executive and senior leadership %



Professional development

Continuing to invest in our talent

6 training days on average per employee

Well-developed skills

Our learning and development program ensures our staff have the skills and capability they need to do their job well, and ensure they are supported to meet their career goals.

In 2016–17 we:

- developed and facilitated a learning program for our expanded local government mandate
- increased our focus on the skills that can effectively impact client relationships (see the case study on our client simulation on page 49)
- improved how and where we spend our learning dollars
- provided an opportunity for Senior Auditors and Audit Leaders to facilitate parts of the graduate induction program
- delivered cultural awareness training to support our new Indigenous Internship Program (see the case study on our Indigenous Internship Program on page 49).

We continued to help staff gain their professional accounting qualifications in 2016–17 by reimbursing 100 per cent of fees. Twelve staff qualified as Chartered Accountants and two as Certified Practising Accountants. We also support non-audit staff with their further education by paying a percentage of their fees for relevant study. Study leave is granted for all those undertaking approved studies.

Training days per staff member in 2016–17 averaged six days and included a combination of online training and face-to-face sessions. On top of this face-to-face and online learning, staff receive considerable on the job learning. The use

of internal coaching, and training delivered by internal subject matter experts, remains a focus to ensure we continue to offer cost-effective learning solutions.

Leadership development

We continue to provide mentoring as a way of developing our staff. We also assist potential candidates for Senior Auditor and above roles with the opportunity to attend an interviewee skills workshop. Each year we send our potential leaders to the Institute of Public Administration Australia (IPAA) Young Professionals Breakfast. A number of lunchtime assertiveness training sessions were held to assist staff and leaders at all levels to confidently deal with challenging situations. We continue with each newly promoted manager receiving an induction into their new roles whilst working with unsuccessful candidates to assist them with a development plan to address gaps. We also held another successful Business Simulation in 2016–17 to bolster the leadership and business acumen skills of our managers.

Technical development

Financial audit staff this year were trained across a variety of subject areas, including Plain English, audit methodology, accounting standards, on-the-job coaching and auditing local government. Corporate Services staff received relevant industry-specific training and continued to develop through attendance at seminars, training sessions and conferences.

Performance audit staff attended industry conferences, and developed advanced report writing skills through face-to-face training and coaching.

Staff development

Throughout 2016–17, we continued to offer our staff a variety of work and development opportunities. Staff are given the opportunity for internal movement including acting at higher levels.

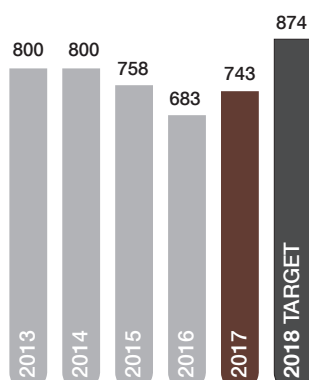
As part of our commitment to offer staff experiences in other organisations, we seconded 12 staff to PwC Australia, one to Deloitte and one to BDO. We also arranged four secondments to other government departments, and some internal secondments between branches.

The year ahead

In 2017–18, our learning and development program will include:

- launching the 'Connect' collaboration tool to enable knowledge sharing for different topics
- developing a Leadership Framework that links to the NSW Public Service Commission's Capability Framework
- focusing on women's leadership development
- ensuring senior managers have the required skills to present at local government public meetings through training and coaching
- developing an online learning module called 'About Government' for those recruits hired from outside the public sector
- developing a partnership with the Committee for Economic Development in Australia (CEDA) to enable our Office Executive and Leadership Team to attend meetings and events with other members of government.

Training spending \$'000



Average training days per staff member



*Our new MiCareer human capital management system enables more targeted and accurate reporting of average training days per employee. We are therefore from 2016–17 starting to report just on actual face-to-face and online training days per employee as a more accurate measure of average training days per employee, as opposed to also including on-the-job learning, coaching and the like.



Workplace health and safety

Keeping our people safe a high priority

3 reported notifiable incidents

0 new workers' compensation claims

WHS injuries and incidents

In 2016–17, we recorded a total of three notifiable injuries directly related to Workplace Health and Safety (WHS), down from 12 in 2015–16. These were immediately reported and addressed. Reported injury categories included:

- slips, trips and falls
- repetitive strain
- a minor hot water burn.

None of these incidents resulted in workers' compensation claims or lost time. One workers' compensation claim carried over from 2015–16, and in 2016–17 we worked closely with this employee and our insurers to support their recovery back to full pre-injury duties.

The significant drop in reported notifiable injuries has been in part due to the WHS Committee proactively conducting regular WHS internal inspections and proactively actioning any issues raised through our WHS Client Site Checklist. Two of our three notifiable injuries occurred outside our office or client premises.

Strategies to deal with reported safety hazards and risks are developed by the Audit Office's WHS Committee through ongoing consultation, education and training. In 2016–17, the WHS Committee continued to put a strong focus on consultation within each of our workgroups and actively identifying hazards.

Our commitment

We are committed to providing the best possible standard of workplace health and safety for all our staff at both our office premises and at client premises, and for visitors to our head office.

Case study

Ensuring safety both in our office and out at client sites

Our staff spend much of their time working from the premises of our audit clients. The WHS Client Site Checklist was launched in 2015–16 to ensure our auditors undertake an induction at each client site against a minimum set of criteria. The accompanying Internal Inspection Guidelines were developed to ensure that internal inspections are carried out appropriately, resulting in improved inspection processes at each site.

We are very pleased with the progress we are making with these two new processes. The WHS Client Site Checklist has a completion rate of 100 per cent for 2016–17, a significant improvement on the 12 per cent completion rate last year.

Our 2016–17 WHS Survey showed 88 per cent of our staff feel their clients provide a safe and healthy work environment, improved from 67 per cent in 2015–16. Additionally, the new Internal Inspection Guidelines have assisted us in achieving a significantly lower notifiable injuries rate within our office premises, from 12 in 2015–16 to one in 2016–17.

Over the last year, staff have been diligently assessing their client sites and returning the checklists, ensuring any WHS concerns are promptly addressed.

'The WHS Client Site Checklist is a pro-active way to ensure my staff are safe at work. It helps to identify any issues when out at clients, but more importantly, demonstrates the importance we place on always having a safe and healthy work environment.'

Aaron Green, Director, Financial Audit

Notifiable injuries

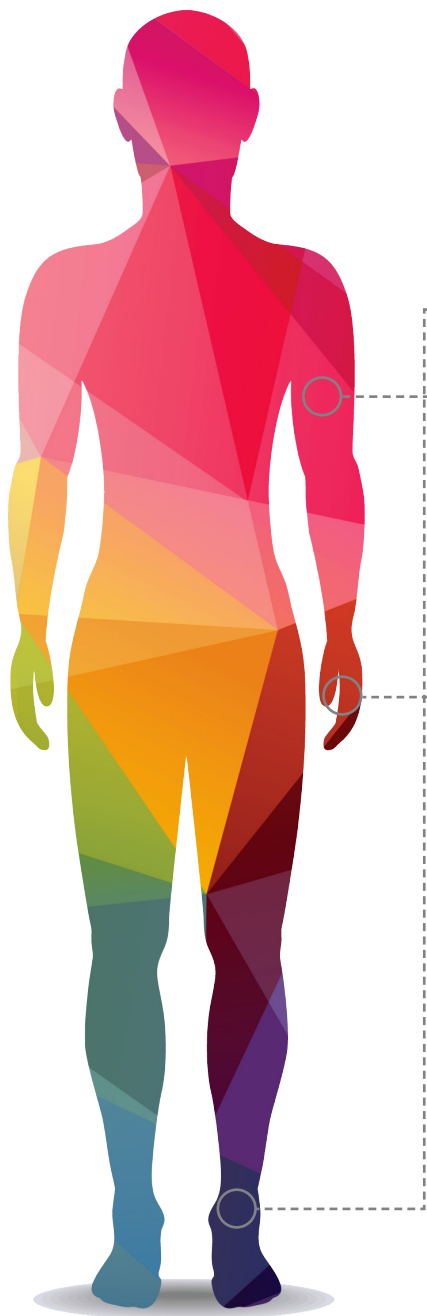


Workers' compensation claims

Notifiable injuries



Keeping our people safe a high priority



Notifiable injuries by body part and occurrence

In 2016–17, we recorded three notifiable injuries, categorised below by body part and how the injuries occurred.

Notifiable injuries by body part	
Body part	Injuries
Ankle	1
Hand	1
Arm	1
Total	3

Notifiable injuries by mechanisms	
How injuries occurred	Injuries
Slips, trips and falls	1
Use of hot water tap	1
Repetitive typing	1
Total	3

WHS activities and initiatives

The following table details all our 2016–17 WHS activities and initiatives against nine key reporting categories.

WHS activity by category	
Category	Initiative
Consultation	<ul style="list-style-type: none"> WHS Committee met four times WHS Committee actively consulted and engaged with all workgroups throughout the year Election process completed for new Health and Safety Representatives Office Executive provided with four comprehensive WHS reports with in-depth analysis of all WHS key performance indicators, including a new easy to read WHS Snapshot Report All WHS survey results, including verbatim comments, communicated to all staff.
WHS management system risk management	<ul style="list-style-type: none"> WHS Annual Plan 2016–17 developed in response to 2015–16 WHS Survey outcomes WHS Client Site Checklist actively monitored and all hazards identified were actioned immediately WHS Risk Register reviewed and consolidated into nine key risk areas to make it easier to manage WHS Risk Register aligned more closely to the Audit Office's Enterprise Risk Register for consistency.
Ergonomic	<ul style="list-style-type: none"> 11 stand-up desks and 36 electronic sit-to-stand workstations installed to promote healthy work habits and encourage staff to incorporate regular postural breaks into their work routine Seven ergonomic workplace assessments conducted in 2016–17 to minimise and prevent injuries related to posture 10 lunch tables were assessed as not meeting safety standards and were modified to ensure they do not pose any risk to employees.
Information, education and training	<ul style="list-style-type: none"> 100 per cent of staff completed the WHS online learning module WHS Chairperson training held Two WHS Committee refresher training sessions held WHS Coordinator attended a 'People, Culture, Strategies' webinar 'Just incidentally: Your key must-knows in dealing with a WHS incident in your organisation' 100 per cent of staff that are not on long term leave completed the compulsory 'Diversity, Inclusion and Respect' online learning module All new employees completed 'Bullying and Harassment' training All first aid officers completed annual first aid and defibrillation refresher training Fire wardens attended three refresher training sessions.
Policies and procedures	<ul style="list-style-type: none"> All WHS policies were reviewed, updated and consolidated where practical A new WHS Committee Timetable was developed to ensure the committee is on track with all safety commitments.
Safety alerts	<ul style="list-style-type: none"> WHS Newsletter continues to be communicated regularly to advise of safety issues and hazards, safety initiatives and safety updates to all staff WHS Communication Plan 2016–17 developed to help communicate and educate all staff on how to report incidents, what their WHS roles and responsibilities are, and to increase safety awareness Practiced our evacuation procedure through a fire drill Safety alerts routinely communicated to staff in the event of an incident.
Electrical	<ul style="list-style-type: none"> Annual check conducted to ensure all electrical equipment is tagged and a review of all Material Safety Data Sheets (MSDS) conducted.
Physical	<ul style="list-style-type: none"> Four WHS internal inspections conducted 100 per cent of WHS Client Site Checklists completed for client site visits.
Programs	<ul style="list-style-type: none"> Flu Vaccination Program (four strains) successfully held for a higher number of employees than last year Employee Assistance Program (EAP) communicated twice to ensure staff are aware of the service provided NSW Government initiative 'Get Healthy at Work' investigated to improve health awareness at work.

Keeping our people safe a high priority

We have an engaged and active WHS Committee

In 2016–17, the Audit Office held WHS elections and five new employees joined the committee. The outgoing committee members conducted a successful handover to new members, ensuring the transition was smooth and effective. All new members completed a committee training session. As per previous years, our first aid officers completed first aid and defibrillation refresher training this year.

In 2016–17, the WHS survey showed improvements in many areas including:

- safety awareness
- who and where to find health and safety representatives
- where to find WHS policies and procedures
- how to report incidents and hazards
- improved satisfaction rates with safety at client sites.

The committee are currently developing actions that will address areas for improvement identified in the survey.

Staff satisfaction with WHS

Every year as part of our staff survey, we include questions to measure staff satisfaction with workplace health and safety. We assess this through performance gaps, which is the difference between staff expectation of the 'ideal' and how well we are performing. Gaps over 20 points are considered a high priority for resolution.

In 2015–16, the performance gap for the statement 'The Audit Office provides a safe and healthy work environment' was 10, closing the gap from 19 in the 2014–15 survey. In 2016–17, we have remained steady with a gap of 10.

See page 39 for further information on our staff satisfaction survey.

We aim to continuously improve WHS initiatives

A WHS Emergency Evacuation Plan and WHS Medical Emergency Procedure was developed 2016–17. These documents will be communicated to all employees to ensure they understand their responsibilities in the case of an emergency evacuation and to highlight the medical emergency process for several different scenarios.

The WHS Committee amalgamated our current WHS Risk Register into nine key risk categories and aligned it to our Human Resources People Risk Register and the Audit Office's overarching Enterprise Risk Register. The aim of this consolidation was to make the risks more manageable to monitor, and make the register consistent with other Audit Office risk registers.

Additionally this year, there was a strong focus on improving our consultation approach with all employees to identify any WHS issues currently facing the Audit Office. To do this the committee actively consulted with employees' multiple times throughout the year and developed actions to rectify the hazards identified.

In 2016–17, we completed our first full year using our new WHS key performance indicators (KPIs). We were below the new KPI for Lost Time Injury Frequency Rate by 0.2 per cent. This was partly due to a focus on working with Nominated Treating Doctors and employees to provide suitable return to work duties, typically reducing lost time. The WHS Committee will benchmark again this year with professional services industries to determine if our safety KPIs are still relevant.

The year ahead

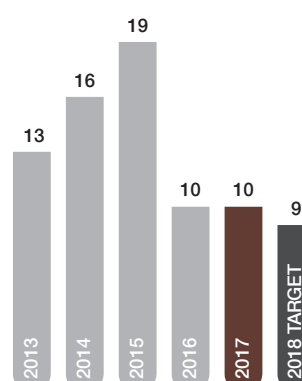
In 2017–18, we plan to build on last year's progress on WHS by focusing on:

- further reducing our lost time injury frequency rate
- embedding promotion of, and compliance with, our WHS Client Site Checklist
- continuing to improve communication on WHS initiatives across the organisation
- developing new 'healthy at work' initiatives
- training all new WHS Committee members.

In 2017–18, the WHS Committee will continue to actively work to:

- identify and resolve safety concerns
- action the results of internal audits and inspections
- identify WHS hazards and risks
- understand the impact of operational and business requirements on the safety, health and wellbeing of our staff.

'The Audit Office provides a safe and healthy work environment' performance gap



Environment

Reducing our impact on the environment

Maintained 4.5 star greenhouse building rating

Significantly reduced paper storage to encourage electronic document production

Reducing our environmental impact

The Audit Office continues to report its progress against the Government Resource Efficiency Policy (GREP) which guides us towards meeting environmental targets.

This year we have introduced 100 per cent recycled paper in all our photocopiers and printers and recycle 100 per cent of wasted paper using secure disposal processes. We recycle 100 per cent of our ink and toner cartridges, and continue to recycle cardboard and other recyclable products. All laptop batteries are disposed of in an environmentally-friendly way.

In 2016–17, we remained focused on reducing our environmental footprint by:

- publishing our Auditor-General's Reports to Parliament in online format only
- continuing to convert hard copy forms to self-service online forms, including eight new onboarding forms.
- disposing of 833 boxes, equating to 3,600 files of expired paper records, reducing our storage footprint
- disposing of 12 paper storage cabinets to encourage electronic document creation and storage.

Greenhouse performance maintained

The Audit Office achieved a greenhouse building rating of four-and-a-half stars, in line with government targets, by:

- buying 40 per cent green electricity
- using timers on lights and equipment
- buying energy efficient equipment
- running small, fuel efficient vehicles in our fleet.

The year ahead

In 2017–18, we will continue our commitment to reducing our environmental impact by:

- piloting automated lighting in meeting rooms to reduce power usage
- piloting video-conferencing equipment to reduce travel
- moving our on-premise data centre infrastructure into the cloud
- as part of our 'Working Better Working Together' initiative, investigating environmentally friendly office space as part of our end-of-lease facilities strategy.

Environmental initiatives 2016–17



Published our Auditor-General's Reports to Parliament in online format only



Disposed of over 3,600 time-expired paper record files



Converted 8 hard copy forms to self-service online forms



Disposed of 12 paper storage cabinets to encourage electronic document creation and storage

Building a constructive culture through feedback, collaboration and client relationships

1 Indigenous Internship Program

In 2016–17, the Audit Office partnered with CareerTrackers, a not-for-profit organisation that creates internship opportunities for Indigenous university students. Through this partnership, the Audit Office has developed an Indigenous Internship Program. The primary aim of this program is to prepare students for success at university in their chosen profession, and in their respective communities. The longer-term goal is for these interns to convert to permanent employees upon completion of their university degree. This program is one of the initiatives we are undertaking within our new Diversity Inclusion and Accessibility Framework.

The program runs over two periods – a winter period (26 June 2017 – 21 July 2017) and a summer period (20 November 2017 – 9 February 2018). Our interns will rotate through different branches within the Audit Office. This will give them the opportunity to experience different aspects of our business and

provide them with a broader experience to assist them when deciding on their desired future career.

We accepted four interns into the Indigenous Internship Program. The interns attended a two-day induction in June 2017 to introduce them to the Audit Office, as well as a full week of technical training. The remainder of their time at the Audit Office was spent working in our Performance Audit Branch. In their last week, the interns presented to our Office Executive on the project they had been working on during their internship. As part of this presentation, one of the interns presented the Auditor-General with a gift – Caitlin Liddle had painted an artwork representing diversity in the Audit Office. This painting can be found on the front cover of this annual report.

The program will be assessed annually to ensure we are meeting the Audit Office's and our interns' expectations.

2 Onboarding — MiCareer

In 2016–17, the Audit Office implemented a new 'onboarding module' as part of the MiCareer Project. The MiCareer Project began in 2015–16 to implement a new human capital management system for the Audit Office. Previous modules implemented include performance management, learning and development, and recruitment. The onboarding module was the last module to be implemented and the project was successfully closed in 2016–17.

The onboarding module is an online resource for new Audit Office recruits who have been offered a position but have not yet commenced. It provides an introduction to the Audit Office through a welcome video message from the Auditor-General, and allows for the completion of essential online forms in advance of the new employee's start date. Other information in the module includes information on salary and working conditions, training, reward and recognition, general support, the ReClub and even a handy list of coffee shops, restaurants, banks and other local places.

Our approach to the implementation involved a high level of engagement across the Audit Office. The cross-collaboration between our Human Resources and Technology teams produced

a complex system integration from the onboarding module in MiCareer to our payroll system. The automatic integration of new recruits has streamlined the process and eliminated the need for manual entries and paper forms.

Since the launch in March 2017, 23 new recruits have been through the onboarding process and have been automatically integrated into our systems. We see the onboarding module as an important platform for engaging with our future graduates, starting with the February 2018 intake.

Feedback from new recruit Emma Wallhead, Governance Manager:

'I thought the online facility presented a very professional interface for the onboarding process. It was really convenient and easy to use. It allowed me to go in and complete the forms at my convenience over the period before my start date.

'HR staff were also available to answer any questions I had about using the system. The combination of the friendliness of staff and the comprehensive information on the online facility meant that I felt connected with the Audit Office before I had even started.'

3 Improving client relationships through a simulated experience

In 2016–17, we ran a Client Simulation to help newly promoted Senior Auditors, Senior Analysts and Analysts decide the best approach in addressing a number of challenging client scenarios. As at the end of June 2017, 62 participants have attended the simulation.

The simulation calls on participants to practice their leadership (supported by emotional intelligence tools), decision-making, influencing and time management skills whilst being challenged with some unexpected client situations in a safe learning environment.

The simulation is co-facilitated by our Learning and Development team and selected Directors and Principal Analysts from our financial and performance audit branches. These facilitators

conduct debriefs on the client scenarios presented and provide real-world client situations they have experienced.

Feedback from participants as to what they learnt included:

- 'Assessing options and making decisions, applying appropriate actions to impact clients, managing own emotions, and having impact with client relationships.'
- 'Balancing four priorities (audit excellence, impact, client satisfaction and people) with limited resources available.'
- 'Importance of emotional intelligence, tips for improving leadership skills, importance of considering impact of decisions in different areas.'





Profession

We are known for influencing auditing in Australia

We work closely with the auditing profession, commenting on draft accounting and auditing standards, and present to various forums on auditing and governance.

This helps us maintain our professional presence and influence the direction of auditing in Australia.

Professional influence

Making positive and varied contributions

28 presentations delivered to the public and the profession

Professional services

The Audit Office's Audit Support team provides technical advice on professional standards, legislation and regulations, and monitors audit quality.

Audit Support helps our financial auditors maintain their professional knowledge and keep up-to-date with latest developments. Audit Support contributes to high quality public sector financial reporting by ensuring audit staff understand, implement and apply auditing and accounting standards consistently and fairly. Audit Support reviews modifications to clients' audit opinions before they are issued, to ensure they are fair and in accordance with applicable standards.

Audit Support is seen as a leader in the profession, particularly in public sector accounting issues. Their input is sought by professional bodies, NSW Treasury and the Office of Local Government on a wide variety of financial reporting matters, policy development and legislative proposals. Audit Support also contributes to the Australasian Council of Auditors-General comments on new pronouncements.

Audit Support produces a monthly publication, 'Professional Update', available on our website. This provides commentary on emerging issues, activities of standard setters, NSW Treasury, the Office of Local Government and other central agencies, regulators and professional bodies.

In 2016–17, Audit Support continued to support and maintain our financial audit methodology 'Iris', which is based on one used by a 'Big Four' professional services firm. Iris addresses professional standard setter and legislator requirements and uses world-leading audit software. Iris targets risks to deliver effective, value adding audits. Audit Support also helps maintain a software-based solution to document and deliver performance audits.

Services to the public sector and the profession

The Audit Office aims to be recognised as a leader and expert in the auditing and accounting profession. We do this via presentations, submissions, contributions to external committees, and appearances before parliamentary committees.

We delivered 28 presentations to a variety of audiences in 2016–17, one more than in 2015–16. Twenty-two of these were to the public sector. Presentation topics included the Auditor-General's mandate in local government, principles of governing in local government, enterprise risk management and data analytics (see pages 109–110 and 112 for further details).

Submissions to professional bodies

The Audit Office contributes to the collaborative efforts of Australian audit offices by helping develop responses to professional bodies on pronouncements exposed for comment. In 2016–17, Audit Support prepared or contributed to five responses to standard setters by the Australasian Council of Auditors-General (ACAG) (see page 112 for further details).

Influencing by educating, mentoring and advising

Educating

Our staff have, for many years, been involved in determining the content of course and training modules, leading training and focus sessions and marking examination papers for Chartered Accountants Australia and New Zealand, and CPA Australia (see page 111).

Graduates employed by the Audit Office must gain membership of a professional accounting body by completing training and passing exams for a recognised Australian professional accounting qualification.

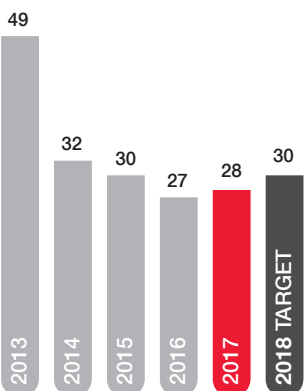
Mentoring

The Audit Office provides formal mentoring to all our candidates working towards membership of a professional accounting body. Our program achieves consistently outstanding results, providing our audit teams with well trained, high calibre professionals.

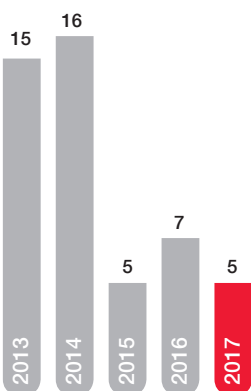
Advising

The Audit Office interacts with Australian accounting and auditing bodies, participating in their committees, research groups and working parties (see page 111). We help them better understand public sector issues. Our representatives attend roundtables hosted by the standard setters. We develop comments in conjunction with other Australian audit offices to help the boards develop standards that can be applied with equal ease in the public as well as private sectors.

Presentations delivered



Submissions made



Influencing through the Australasian Council of Auditors-General

The Audit Office is an active participant in ACAG, established in 1993 to encourage sharing and cooperation between audit offices in Australasia.

In 2016–17, the Audit Office participated in and supported various ACAG sub-groups and working parties, including:

- Financial Reporting and Auditing Committee – responsible for developing a consensus view in relation to matters exposed for comment on financial auditing, accounting and financial reporting
- Heads of Financial Audit Group – shares information between members and supports the development of effective and efficient financial auditing methods and practices by members, and oversees financial audit training
- Heads of Performance Audit Group – shares information between members and supports the development of effective and efficient performance auditing methods and practices, and oversees performance audit training
- Audit Quality Assurance Panel – seeks to enhance audit quality in Australasian audit offices, meet legal and professional requirements for quality control, and establish agreed audit quality indicators and benchmarks
- Information Systems Audit Group – a forum for exchanging knowledge and experiences in information systems audit and the use of technology as a support tool for auditors.

ACAG Performance Audit Methodology Workshop 2017

In March 2017, our new performance audit staff attended this annual training program, along with staff from other audit offices in Australia and New Zealand. This is the only training program designed specifically for government sector performance auditors. It develops knowledge of performance auditing standards and guidance for assurance engagements. The program also develops skills in applying the ACAG performance audit methodology.

Local knowledge sharing

The heads of performance audit in all Australian States and Territories meet twice a year to share ideas on performance audit topics, methodologies and better practice. Through these meetings, and subsequent liaison between audit teams in the different jurisdictions, we have helped other offices develop new audits on topics that have proved useful to them. In turn, our performance audit program has benefited from topics successfully delivered elsewhere.

ARC Chair events

We also hold events for Audit and Risk Committee Chairs who play an important role in the governance of the entities we audit. This year we hosted meetings of the ARC Chairs of State, local government and university sectors. At these meetings we shared insights from our audits, and ARC Chairs shared knowledge with, and learnt from, each other.

Feedback from participants on these events was extremely positive.

Program Evaluation event

Another knowledge sharing event we held this year was to share our insights from our Program Evaluation performance audit with members of the public sector.

Again, participant feedback on this event was very positive and we plan on holding similar events in future years.

International knowledge sharing

In 2016–17, we worked with BPK Indonesia, the Audit Board of the Republic of Indonesia, helping them transition from cash to accrual accounting and the implications of this change to their organisation. This involved the Audit Office delivering various presentations, as well as facilitating staff secondments.

We also worked closely with the Auditor-General's Office in Papua New Guinea, with staff coming to the Audit Office on secondment. These secondees had the opportunity to work with our audit teams to improve their skills and knowledge in contemporary audit techniques and methodology.

We are currently working to extend this knowledge sharing with other nations by

developing a 'twinning' relationship with the Office of the Auditor General in the Solomon Islands, which if successful will result in secondment opportunities for Audit Office staff to the Solomon Islands and vice versa. This arrangement will focus on helping the Office of the Auditor General in the Solomon Islands implement a modern audit methodology.

The year ahead

In 2017–18, we will maintain our professional presence by:

- contributing through ACAG to the development of new standards by Australian Standard setters
- being on the advisory group for the Auditing and Assurance Standards Board's (AUASB) review of the Standard on Assurance Engagements 3500 Performance Engagements
- continuing to liaise with NSW Treasury on the development and implementation of the Financial Management Transformation Program, and development of public sector accounting policy and legislation
- continuing to liaise with the Office of Local Government, councils and our contract audit agents on the Audit Office's new mandate, and development of local government sector accounting policy and legislation (see page 53 for more details on our expanded mandate)
- engaging with professional bodies about issues facing the profession, their focus areas, the public sector and the development of educational programs
- engaging with central agencies, standard setters, regulators and audit offices in other jurisdictions
- publishing 'Professional Update', the Audit Office's monthly technical update newsletter
- hosting industry events that allow us to better share insights from our audits.



Collaboration adds value

1 Auditor-General's mandate expanded to local government

In 2016–17, the *Local Government Amendment (Governance and Planning) Act 2016* gave the Auditor-General the mandate to audit NSW local government. The mandate has been extended to NSW councils as part of the NSW Government's broader local government reform agenda, which aims to create a modern system of local government with strong performing councils.

It is expected that this change will:

- support reforms aimed at strengthening governance and financial oversight in the sector
- provide greater consistency in the financial reporting and audit process
- improve financial management, fiscal responsibility and public accountability.

Since being given this new mandate, we have worked collaboratively with the sector and with accredited audit providers to ensure the arrangements we put in place are efficient and effective, and add value to our new clients and to the citizens of New South Wales.

'This is a major reform that brings New South Wales into line with most other Australian jurisdictions and New Zealand, and that will provide greater consistency and certainty across the sector. It will also ensure that reliable financial information is available that can be used to assess councils' performance and for benchmarking.'

Paul Toole, Minister for Local Government

2 Extending related party disclosures to the public sector

The extension of AASB 124 'Related Party Disclosures' to the not-for-profit sector in the 2016–17 financial year is the most significant change to the financial reporting framework in recent times. Not-for-profit agencies will collect, report and disclose related party transactions for the first time. The Audit Office will audit the completeness and accuracy of related party disclosures.

To help the NSW public sector prepare for application of the new standard, the Audit Office partnered with key stakeholders to create a better understanding of the requirements, and establish a robust process for collection and disclosure of information. Key partners included NSW Treasury, the Department of Premier and Cabinet, the Office of Local Government, the Australasian Council of Auditors-General, the Heads of Treasury Accounting and Reporting Advisory Committee and the Australian Accounting Standards Board.

To date, the Audit Office has:

- provided the Treasurer with practical examples of reportable Ministerial related party transactions and how they might be treated for disclosure purposes
- participated in discussions with key stakeholders across Australia to promote a common understanding of the requirements and their practical application
- helped central agencies understand the requirements, provide clarity about expectations, reduce unnecessary regulatory burden, and help with guidance on practical application issues
- provided feedback on Treasury and Office of Local Government's guidance, templates and frequently asked questions
- advised on auditing requirements in relation to related party risks and financial statement disclosures.

3 Financial Management Transformation

In 2016–17, the Audit Office worked closely with NSW Treasury on detailed proposals for legislative and policy reform aimed at simplifying and modernising agency management, responsibility and accountability, financial reporting, governance and performance. The reforms are being implemented by Treasury's Financial Management Transformation (FMT) team.

The Audit Office has provided comments to Treasury on key papers underpinning the reforms, been an active member of the consultation group and worked through some key proposals with the FMT team, the Crown Solicitor and the Parliamentary

Counsel's Office. The proposals aim to increase performance, accountability and transparency in the NSW public sector.

The Audit Office has provided feedback on the proposed Government Sector Finance Bill and is now working with Treasury on the content of what will become the *Government Sector Audit Act 1983*.



Governance

We have a sound governance framework which guides us to achieve our purpose

At the Audit Office we:

- have a governance framework that reflects the eight core principles of good corporate governance
- are committed to legislative compliance and ethical behaviour
- meet public expectations of probity, accountability and transparency
- have a dedicated governance unit to administer, support and guide our governance processes

Strong governance foundations

Driven by the eight core Australian Securities Exchange (ASX) corporate governance principles

Our governance processes leading the way

Our governance processes and behaviours guide us to achieve our purpose, conform to all relevant laws, standards and directions and meet public expectations of probity, accountability and transparency. They provide our employees with a clear sense of purpose and focus, guiding their behaviour when dealing with each other, parliamentarians, our audit clients and other stakeholders.

ASX Corporate Governance Principles and Recommendations

Our governance framework, the Governance Lighthouse, reflects the eight core Australian Securities Exchange (ASX) Corporate Governance Principles. Under these eight core principles, the Audit Office has developed 17 major points of good governance. We use the Governance Lighthouse as a way to develop, manage and report on our governance arrangements.

Continuous enhancement

In 2016–17, we continued to strengthen our governance framework by:

- developing a new long term Strategic Plan including a new vision for the organisation
- releasing our updated Gifts and Benefits Policy
- releasing a new standard risk assessment template to capture operational risks across the business
- undertaking an extensive program of stakeholder engagement with our new local government clients.

The year ahead

In 2017–18, we will:

- release our new Strategic Plan taking us to 2020
- review our Risk Management Framework including a reassessment of our risk appetite statement, review of our strategic risks and Risk Management Policy, and develop risk tolerances
- develop our performance reporting systems to provide timely, accurate reports on the performance of our organisation
- Under our 'Influencing for Impact' strategic initiative, develop an overarching stakeholder engagement strategy to ensure we take a co-ordinated and strategic approach to stakeholder engagement (see page 9 for more information on our strategic initiatives)
- undertake our biennial fraud control health check
- revise our Complaints Policy and Public Interest Disclosure Policy to reflect the evolving nature of our work following the change to our mandate to include local government audits (see page 53 for more details on our expanded mandate).



Setting direction

We have a strong commitment to strategic planning

LIGHTHOUSE PRINCIPLE: MANAGEMENT AND OVERSIGHT

(based on ASX Principle 1)

Lay solid foundations

The Audit Office of New South Wales is a statutory authority established under the *Public Finance and Audit Act 1983* to conduct audits for the Auditor-General. The Auditor-General is accountable to the NSW Parliament and is responsible for the Audit Office and its activities.

Our strategic plan

Our 2016–19 strategic plan was developed by the Office Executive and the Leadership Team to meet the strategic priorities of the Audit Office.

The four focus areas for 2016–17 were:

Products

Our quality products and services have impact, relevance and value.

Systems and Processes

Our contemporary systems and processes are integrated, efficient and fit for purpose.

People

Our people are engaged, confident, capable and adaptable, working together in a constructive environment.

Finances

Our financial frameworks are fiscally responsible, future-focused, and ensure our sustainability.

The strategic initiatives that underpinned our four focus areas are outlined below.

Local Government

Goal for 2016–17:

Understand the reform agenda, articulate our value proposition, prepare for expectation gaps, and build required capability.

Key achievements include:

- put in place audit arrangements for 140 councils across New South Wales
- completed an auditor accreditation process resulting in new firms joining us as accredited audit providers
- conducted both whole-of-office and specialist training, and released a staff local government resource centre
- launched a local government information site on our external website
- completed recruitment for additional resources

- updated our audit methodology and developed templates for local government audits
- secured funding for three annual performance audits of local government
- conducted extensive stakeholder engagement including State-wide information sessions, held numerous workshops, including for audit and risk committee chairs and contract audit agents, attended relevant conferences and forums, and consulted with key stakeholders
- identified council expectation gaps and strategies to address them.

Influencing for Impact

Goal for 2016–17:

Better engage with our external stakeholders, ensure our products meet their needs, and maximise engagement channels.

Key achievements include:

- identified priority stakeholders and obtained greater awareness of stakeholder engagement opportunities
- mapped our current engagement with external stakeholders
- explored both the internal and external view of what 'impact' means
- hosted stakeholder workshops such as the Program Evaluation industry briefing and ARC Chair events.

Data Analytics

Goal for 2016–17:

Develop a Data Analytics Strategy aimed at improving the relevance, value and impact of both the Audit Office's performance audit and financial audit products and services.

Key achievements include:

- identified data champions to share ideas on the use of data across the organisation and identified potential audit processes that could be automated
- identified potential areas to pilot data analytics in financial and performance audits
- conducted a pilot with the NSW Data Analytics Centre in scoping the performance audit Efficiency of NSW Ambulance Services
- Auditor-General presentation delivered at the Certified Practising Accountants Congress 'Innovation in auditing using data analytics'
- communicated with and collaborated across other audit offices, NSW Government agencies and private accounting firms.

Reporting Process

Goal for 2016–17:

Implement systems, tools and processes that support efficient and effective report development and publishing, and that meet the objectives of the 'Influencing for Impact' strategy.

Key achievements include:

- identified best practice by examining public websites and publications, and interviewing other audit offices about their experiences, processes and systems
- aligned financial and performance audit reporting processes and timetable
- streamlined financial audit reports and engaged an external expert to guide the design of a new volume on 'Financial Governance and Internal Controls'
- explored more dynamic reporting options using our existing website.

Working Better, Working Together

Goal for 2016–17:

Bring our people closer together across teams and branches to improve communication and collaboration, development opportunities, resourcing, and staff engagement.

Key achievements include:

- researched and identified a desired view of the future in the areas of work, worker and workplace
- developed pilot initiatives to improve collaboration
- developed a Diversity Inclusion and Accessibility Framework with initiatives implemented such as the Indigenous Internship Program and International Women's Day event.

The year ahead

Our 2017–20 Strategic Plan builds on the explorative and transitional work achieved in 2016–17, having identified a new vision and desired future state. This future state will be achieved by building organisational capabilities through continued work on the five strategic initiatives established in 2016–17.

See page 9 for full details on our strategic initiatives for 2017–18.



Structured to add value

Key committees provide leadership and guidance

LIGHTHOUSE PRINCIPLE:

STRUCTURE

(based on ASX Principle 2)

The Audit Office has a well-defined governance structure consisting of the Office Executive, independent Audit and Risk Committee and Remuneration Committee, as well as an external audit function and an internal audit function (see page 61).

Office Executive

The Office Executive, with the Auditor-General as Chair, directs the affairs of the Audit Office and is responsible for:

- setting and monitoring progress against the Audit Office's vision, values, mission and strategic goals
- setting direction on key changes to standards, legislation and machinery of government change that have a whole-of-office consequence
- ensuring the Audit Office is compliant with relevant laws, directions, codes

and practices, ensuring key policies are regularly reviewed, up-to-date and relevant, as well as role-modelling and embedding a culture of ethical and lawful behaviour

- operating in accordance with the Audit Office's values
- overseeing the Audit Office's financial performance and sustainability.

In 2016–17, the structure of the Office Executive and frequency of meetings was reassessed. This resulted in the Auditor-General joining the committee and becoming Chair, and the Executive Manager Governance and Chief Financial Officer permanent attendees at each monthly meeting. The Office Executive also includes the Deputy Auditor-General, Assistant Auditors-General from Financial Audit and Performance Audit, and the Executive Director Corporate Services.

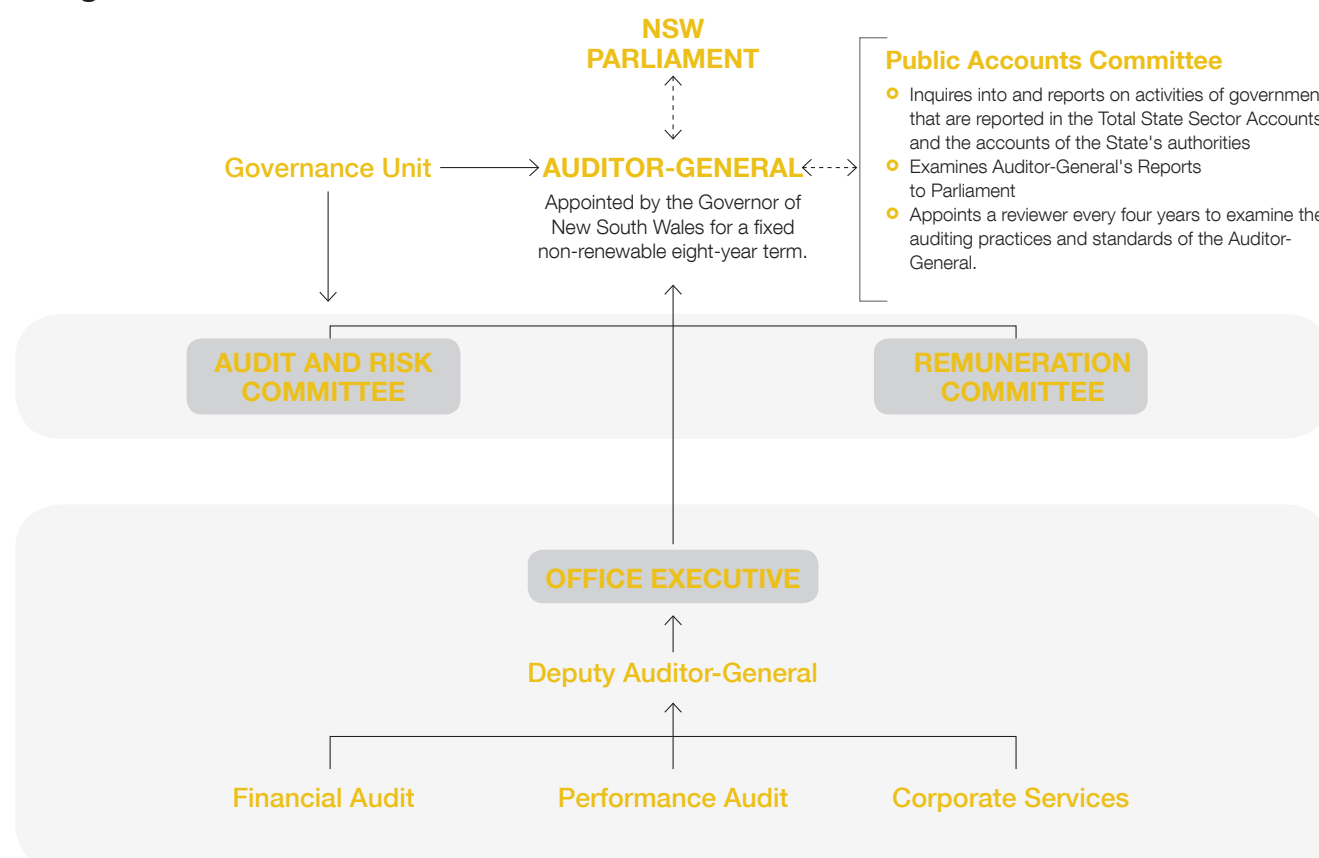
The Office Executive has a broad level of experience, skills, and diversity to fulfil its oversight role. This includes disciplines in economics, accounting, law and business

administration, experience in local and State government and the private sector, and diversity in gender and age consisting of four women and three men (at 30 June 2017) within a diverse age range. For further details on the skills and experience of members of the Office Executive see page 7.

Key focus areas for the Office Executive during 2016–17 included:

- standing up our new mandate to audit local government (see page 53)
- reassessing and tracking progress against the Audit Office strategy and vision (see page 56)
- overseeing the Audit Office's strategic initiatives including Local Government, Influencing for Impact, Reporting Process, Working Better, Working Together, and Data Analytics (see page 56)
- reviewing the Audit Office's strategic risks and monitoring actions to mitigate each strategic risk to an acceptable level (see page 63).

Our governance framework



Audit and Risk Committee

The Audit and Risk Committee assisted the Auditor-General in 2016–17 by providing oversight and review of:

- the risk management framework including review of our strategic risk register, project risk management, fraud framework, and business continuity and disaster recovery plans
- the internal audit plan, and internal and external audit reports
- Audit Office annual financial statements
- compliance with relevant applicable laws and regulations, relevant government policies and directions, and Audit Office policies
- the internal control framework.

The Governance Unit assessed the committee's activities in 2016–17 to confirm compliance with Treasury Policy Paper 1503 Internal Audit and Risk Management Policy for the NSW Public Sector (TPP 15-03). For a copy of the attestation statement see page 119. The committee's charter is also in line with the requirements of TPP 15-03 and can be found on our website.

The Audit and Risk Committee consists of three independent members – Dianne Hill (Chair), Greg Fletcher and new member Bruce Turner AM who joined on 17

February 2017. Brian Suttor completed his term as Chair on 27 November 2016. Brian made a strong contribution to the ARC and we are thankful for all his excellent work on this committee. The independence, integrity, and experience of the Audit and Risk Committee members are key strengths, providing insight and enhancing our operations.

Dianne Hill was appointed on 12 December 2016 as Chair for a final term until 28 August 2021. Dianne brings considerable experience having been an independent non-executive director for over 20 years at several organisations, and currently sits on several boards and audit and risk committees for both NSW public sector agencies and public companies. Her background is in chartered accounting, financial services and project management.

Greg Fletcher was reappointed on 4 December 2013 for a second and final four-year term. Greg brings considerable experience as a former partner in a major accounting firm where he specialised in external audit, internal audit and risk management. He is an audit and risk committee Chair for several NSW public sector agencies and a director of several publicly listed companies.

Bruce Turner AM was appointed on 17 February 2017 for a four-year term. Bruce brings extensive experience sitting on audit and risk committees within the State government and not-for-profit sectors, as well as governance committees in the local government sector. Bruce has also been involved through Chief Audit Executive roles in large and diverse state and federal government agencies. He sits on several Boards, including that of the Institute of Internal Auditors (Australia).

The Auditor-General, Chief Audit Executive, internal and external auditors, and management representatives attend committee meetings. The committee also met independently, without management, with the internal and external auditors, Chief Audit Executive and Auditor-General. Committee members also provided annual written conflict of interest declarations to the Auditor-General which were verbally confirmed at the start of each meeting. There were no conflicts of interest declared that prohibited the continuing engagement of the members of the Audit and Risk Committee.

Remuneration Committee

Please see page 60 for more information on the Remuneration Committee.

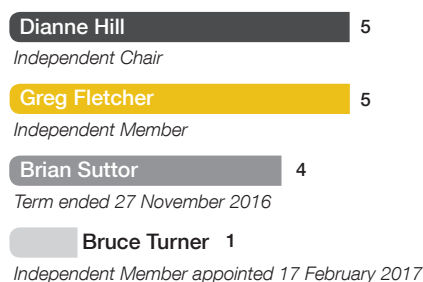
Formal Office Executive meetings attended

A total of 18 formal meetings held (fortnightly until April 2017 and thereafter informally each week and formally each month)



Audit and Risk Committee meetings attended

A total of five meetings held*



*Including one special meeting to review the annual financial statements



Ethical and responsible decision-making

We are driven by strong values and ethical behaviour

LIGHTHOUSE PRINCIPLE:

ETHICS

(based on ASX Principle 3)

High standards of conduct are instilled

Protecting the reputation of the Audit Office is vital to ensure our credibility and to maintain public trust in what we do. To do this we foster a culture that instils ethical behaviour, integrity, independence and respect, which are embedded in our core values of purpose, people and professionalism. These core values, and the NSW Public Sector values of integrity, trust, service and accountability, are the foundation of our Code of Conduct.

In support of our Code of Conduct, the Audit Office's ethical framework includes policies covering conflicts of interest, gifts and benefits, diversity and inclusion, a respectful workplace, compliance, performance management, and privacy management.

During induction, all new staff are trained on the Audit Office's ethical framework before signing the Code of Conduct and completing a Conflict of Interest declaration. These sign-offs are completed annually thereafter.

As part of post induction training, and to support the annual sign-off, all staff are required to complete an online training module before signing the Code of Conduct. We also have a Statement of Business Ethics which provides guidance for third parties when doing business with the Audit Office. The statement is available on our website and is included in our contract audit agents manual.

In 2016–17, we:

- reviewed and updated our Gifts and Benefits Policy
- reviewed and updated our Performance Management Policy
- updated our staff guidance material and on-line training for implications of our new local government mandate
- migrated the Conflict of Interest Declaration Form and Secondary Employment Form to our online system to improve tracking and monitoring
- streamlined the process for approval of secondary employment declarations.

Protecting privacy

The Audit Office is committed to protecting individual privacy and managing personal information in accordance with the *Privacy and Personal Information Protection Act 1998* (Privacy Act). As required by the Privacy Act, the Audit Office has a Privacy Management Plan that sets out how we manage personal information in line with the Privacy Act and health information under the *Health Records and Information Privacy Act 2002*. This plan can be accessed on our website.

Prevent, detect and respond to fraud

The Audit Office has a zero tolerance for fraud and is committed to minimising the incidence of fraud by implementing and regularly reviewing strategies that prevent, detect and respond to fraud.

During 2016–17, we analysed the results of the biennial fraud control health check conducted in 2015–16. These results showed a positive response with 94 per cent of staff agreeing or strongly agreeing that the Audit Office has ethical policies in place. A further 90 per cent of staff agreed or strongly agreed that our fraud control policies and procedures tell our staff how to effectively deal with fraud risk.

Also in 2016–17, we commenced the biennial fraud risk assessment using a newly developed standard template used across the organisation to capture both operational and strategic risks.

No instances of suspected fraud against the Audit Office were detected during 2016–17.

Compliance management

The Audit Office has many compliance obligations including legislation, central agency directions, standards and codes. To meet these obligations, our compliance program promotes the importance of compliance to all staff, identifies obligations and responds to noncompliance.

The Audit Office's compliance framework is based on International Standard ISO 19600-2014 Compliance Management Systems – Guidelines, and includes:

- a Compliance Policy
- a Register of Compliance Obligations that includes a risk assessment formally reviewed by the Office Executive

- annual verification of compliance through the Management Internal Control Sign-Off (see page 61)
- financial and performance audit methodologies mapped to professional standards and legislation
- regular management reviews and reporting to the Office Executive and Audit and Risk Committee.

In 2016–17, we continued to maintain our centralised policy register which captures key internal policies and ensures policies are up-to-date and remain relevant. The register was updated in 2016–17 for the new local government mandate. Audit Office policies were also updated to reflect any potential impact of this new mandate (see page 53 for more details on our expanded mandate).

The year ahead

In 2017–18, we will:

- analyse the results of our biennial fraud control risk assessment and action any areas for improvement
- complete the biennial fraud control health check
- develop a central conflicts of interest register to capture staff conflicts across the organisation
- review our policies covering media and consolidate into one policy
- review our Statement of Business Ethics.



Disclosure – timely and balanced

We are committed to fair and responsible disclosure and remuneration

LIGHTHOUSE PRINCIPLE: DISCLOSURE

(based on ASX Principle 5)

Accountability and transparency

The Audit Office supports the principle of accountability and transparency to the public. Information we proactively release on our website includes our planned audit programs, corporate and auditing policies, Professional Update newsletters, client service resources, presentations and better practice guides.

In 2016–17, in compliance with section 7(3) of the *Government Information (Public Access) Act 2009* (the GIPA Act), a review of proactive release of information was undertaken and reported to the Office Executive including information proposed for publication. Items proposed for proactive release, and subsequently published on the website, included information associated with our new mandate to audit local government, including:

- client service resources (for councils)
- resources for contract audit service providers
- a list of Audit Office directors allocated to councils
- information session presentation packs
- a performance audit guide for local government
- Memorandum of Understanding between the Audit Office and the Office of Local Government concerning the sharing of information and referral of complaints relating to local government (see page 53 for more information on our expanded mandate).

Open access information

The Audit Office holds a significant amount of government information, mostly used for our audit services. We also hold a smaller amount of information dealing with administrative matters. Certain government information is made available to the public under the 'open access' provisions of the GIPA Act. The Audit Office's 'open access' information includes:

- Information Guide – explains who we are, what we do and how to interact with us
- policy and charter documents
- disclosure log of access applications

- disclosure register
- register of government contracts.

Information held by us which relates to our auditing, investigative and reporting functions is classed as 'excluded information' under the GIPA Act and is not released to the public.

Access applications and informal release

The Audit Office welcomes requests for government information from the public and will, unless the request refers to excluded information, make every effort to make information readily available without charge.

During 2016–17, we received one formal GIPA access application which was deemed to be partially invalid as it was seeking access to excluded information. We also received a request from another government agency for our consent to release information. This was not approved as it related to excluded information. Statistical information about access applications can be found in Appendix Twelve.

We undertook a review of our compliance with the GIPA Act for 2016–17 using the standard checklist provided by the Information and Privacy Commission. Overall, the review found we are compliant with the GIPA Act.

Award-winning annual report

Our annual report is a key part of our commitment to continuous disclosure and we voluntarily adopt full and open reporting on our performance. The report contains extensive comment on what our key stakeholders, parliament and our audit clients think of our services, and whether agencies have accepted and acted on our recommendations.

In recognition of our high standard in annual reporting, in June 2017 we were awarded 'Report of the Year' by the Australasian Reporting Awards (ARA) for our 2015–16 Annual Report. We also received a Gold Award for the eighth consecutive year, and were a finalist for special awards in the 'Online Reporting' and 'Workplace Health and Safety' categories.

LIGHTHOUSE PRINCIPLE: REMUNERATION

(based on ASX Principle 8)

Remuneration Committee

The Audit Office's Remuneration Committee consists of two members – an independent Chair, Dianne Hill and the Executive Manager Governance, Barry Underwood. The committee is directly responsible and accountable to the Auditor-General and provides independent advice on the appropriateness and application of the Audit Office's remuneration policies and procedures.

In 2016–17, the committee met twice and:

- endorsed the committee's charter
- reviewed management reports and made recommendations on the appropriateness and application of remuneration policies and procedures
- reviewed management sign-offs, including validating the financial impact of the recommended annual remuneration determination
- reviewed the remuneration risk assessment including associated controls.

See Appendix One for details of our executive remuneration.

The year ahead

In 2017–18, we will:

- update our Agency Information Guide
- undertake our annual review of compliance with the GIPA Act.



Independent assurance and corporate reporting

Sound financial and corporate reporting structure

LIGHTHOUSE PRINCIPLE: CORPORATE REPORTING

(based on ASX Principle 4)

The integrity of our financial information is safeguarded by a number of key mechanisms.

Audit and Risk Committee

The Audit and Risk Committee independently reviews the objectivity and reliability of the Audit Office's financial information, and ensures the financial statements are supported by appropriate management sign-off on the adequacy of internal controls. At each meeting, financial reports and budgets are presented to the committee for review. A special meeting is also held annually to review the annual financial statements (see page 58).

Internal audit

Our internal auditors add value and improve our operations by monitoring and providing independent and objective assurance to the Audit and Risk Committee, and ultimately the Auditor-General. The internal audit function brings a systematic, disciplined approach to evaluate and improve organisational systems, processes and reporting. The internal auditors attend each quarterly Audit and Risk Committee meeting to report on the progress of the Internal Audit Plan and present the findings of their reviews. Our internal audit function is externally resourced.

In 2016–17, the internal auditors reviewed:

- procurement and contract management
- systems and processes supporting the development of our Auditor-General's Reports to Parliament
- performance management framework
- recruitment and retention
- Audit Office readiness for the Public Accounts Committee quadrennial review
- follow up of previous internal audit findings and recommendations.

During the year an external quality assessment of our internal audit function confirmed that the Audit Office is generally conforming with TPP15-03 'Internal Audit and Risk Management Policy'.

External audit

Pursuant to Section 47 of the *Public Finance and Audit Act 1983*, the Governor of New South Wales appointed an independent audit practitioner to audit the Audit Office's financial statements. The external auditor, Nexia Australia, provides an independent opinion on whether the Audit Office's financial statements are true and fair and comply with applicable Australian Accounting Standards. The external auditor also attends all Audit and Risk Committee meetings.

Auditor-General and Management Internal Control Sign-Off

The Auditor-General certifies that the Audit Office's financial statements give a true and fair view and are prepared in accordance with applicable Australian Accounting Standards, the *Public Finance and Audit Act 1983*, the Public Finance and Audit Regulation 2010, the Financial Reporting Code for NSW General Government Sector Entities and Treasurer's Directions.

This certification is supported by the Management Internal Control Sign-Off (see Appendix Nine for further information) and the Chief Financial Officer's sign-off as to the effectiveness of internal controls over financial information. The Chief Financial Officer's sign-off is supported by the completion of an internal control questionnaire.

Independent quality assurance program

The Audit Office has established a system of quality control designed to provide assurance that it complies with Australian Auditing Standards, relevant ethical requirements, and applicable laws and regulations. This is achieved through the Quality Audit Review Committee, which monitors the quality of financial audit engagements and provides the Auditor-General with reasonable assurance they comply with the requirements of ASQC 1 Quality Control for Firms that Perform Audits and Reviews of Financial Reports and Other Financial Information, Other Assurance Engagements and Related Service Engagements, APES 320 Quality Control for Firms.

The Quality Audit Review Committee is accountable to the Auditor-General, is chaired by the Executive Manager Governance, and comprises at least four people who are:

- appropriately experienced and qualified
- drawn from our financial audit and performance audit branches, or external, independent members of the profession.

External reviews provide important scrutiny of the Audit Office's quality control systems and processes and help benchmark the effectiveness of the Audit Office's quality control systems and processes.

The Audit Office is subject to or has participated in the following external reviews:

- a quadrennial review by a person appointed by the Public Accounts Committee to examine the auditing practices and standards of the Auditor-General. The next review is scheduled for 2017–18
- periodic reviews of aspects of the Audit Office by peer reviewers arranged under a quality assurance framework sponsored by the Australasian Council of Auditors-General (ACAG). The most recent peer review was conducted in 2016–17 and was led by the Western Australian Office of the Auditor-General. The review confirmed that there is very sound governance and audit practice management in place at the Audit Office. Performance and financial audit engagement files reviewed were supported by sufficient and appropriate audit evidence and were rated either 'better practice' or 'good with limited improvement opportunities'.



Quality assurance reviews

The Audit Office reviews the quality of its financial audits annually. The reviews may be coaching reviews, where files are reviewed in progress, or monitoring reviews, where files are reviewed on completion. The quality review program covers the audits the Audit Office conducts internally and those contracted to private sector firms (our contract audit agents).

The assurance review program for financial statement audits is managed by the Audit Support Team. During 2016–17, 12 financial statement audits were reviewed. The reviews consisted of six coaching reviews and six monitoring reviews.

The results of these reviews are reported to the Quality Audit Review Committee. The Quality Audit Review Committee is responsible for ensuring the process, conclusions and any remedial actions are communicated to the audit team, the Auditor-General, the Audit and Risk Committee, the Office Executive, and the Audit Office's contract audit agents.

The findings from the 2015–16 financial statement audit reviews related to the sufficiency and adequacy of audit documentation. Deficiencies identified included:

- insufficient documentation of the client's business and accounting processes and the related controls activities
- inappropriate and insufficient audit procedures to respond to the risk of management override through journals
- audit teams not assessing compliance with the Audit Office's rotation policies (which exceed mandatory requirements).

Despite these deficiencies, all assurance conclusions were found to be appropriate in the circumstances. The results of the quality reviews are communicated to staff at a debrief session highlighting the deficiencies identified. The results of quality reviews are communicated to contract audit agents individually and annually at the Contract Audit Agents Forum. Quality findings inform the learning and development program of the Audit Office to promote an environment of continuous improvement.

Based on the completed internal and external reviews, the Auditor-General is satisfied that the system of quality control functioned effectively in 2016–17.

Independence practices

The Audit Office's commitment to high ethical and professional standards underpins the quality of our work.

The Audit Office's independence policy requires staff and contractors engaged in audits to comply with the relevant provisions of APES 110 Code of Ethics for Professional Accountants relating to independence so independence of mind and appearance is maintained throughout the audit.

Performance reporting

In 2016–17, performance against the Audit Office's strategic plan was tracked and reported to staff. Lead managers and executive sponsors met quarterly to review milestones and key performance indicators and track progress towards achieving overall outcomes.

Regular financial and operational reports were presented to the Office Executive, Financial Audit Executive and Performance Audit Executive to monitor our audits and related reporting. These were also supported by regular reports on the performance of our Corporate Services function.

Transparency reporting

The *Corporations Act 2001* includes requirements for annual transparency reporting by auditors.

Although the Audit Office is not subject to the requirements, the Audit Office has embraced the principles of transparency reporting. Appendix Eleven summarises the requirements that are relevant to the Audit Office and shows where the required information is presented in this annual report.

The year ahead

In 2017–18, our internal auditors will focus on key areas of risk in our audit practices and corporate systems.

We will also in 2017–18:

- review the governance arrangements of our strategic initiatives and planning process
- ensure our performance reporting is based on our revised strategic and branch business plans
- include progress in our performance reporting against our strategic initiatives and revised key performance and branch business plan indicators.

See page 9 for further details on our 2017–18 strategic initiatives.



Risks – recognised and managed

Our risk management and strategic planning are integrated

LIGHTHOUSE PRINCIPLE:

RISK MANAGEMENT

(based on ASX Principle 7)

Recognising and managing risk

Our risk management and strategic planning are integrated. The Auditor-General assumes ultimate responsibility for our Risk Management Framework. The Office Executive sets the organisation's Risk Appetite Statement (RAS) and ensures strategic risks are identified, assessed and treated in accordance with the agreed RAS.

The Office Executive regularly reviews the enterprise risk register which is supported by detailed analysis of each strategic risk, taking into account the underlying business risks. The Audit and Risk Committee provides independent advice to the Auditor-General on the risk and internal control frameworks.

Our Risk Management Framework

Our Risk Management Framework is developed in line with NSW Treasury's Internal Audit and Risk Management Policy for the NSW Public Sector (TPP 15-03), the Risk Management Toolkit (TPP 12-03), the Australian/New Zealand Risk Management Standard (AS/ NZS ISO 31000:2009), and the Accounting Professional and Ethical Standards Board's professional risk management standard (APES 325 Risk Management for Firms).

During 2016–17, we

- reassessed our strategic risks in line with our revised strategic plan and new mandate (see page 53 for more details on our expanded mandate)
- better integrated risk management with our strategic and business planning processes, including incorporating risk identification in the annual strategic planning process
- rolled out an operational risk register template to ensure consistency in approach within the business, and that feeds into our strategic risk register.

Insurance

Our insurance cover is provided by the Treasury Managed Fund in respect of:

- workers' compensation according to NSW statute
- property (full replacement, new for old, consequential loss, and business continuity costs or losses of revenue)
- liability, including but not limited to public liability, professional indemnity and directors and officers liability
- motor vehicles
- miscellaneous losses including those due to staff dishonesty, personal accident, and protection for local and overseas travel.

Exposures not included are:

- illegal activities
- wear and tear and inherent vice
- pollution (not being sudden and accidental pollution).

Strategic risks

In 2016–17, our six key strategic risks remained unchanged and were:

- failure to anticipate, manage and live up to stakeholder expectations and to fulfil our mandate
- failure to achieve efficiencies and demonstrate value for money
- our audit opinions and reports do not meet our quality standards
- internal governance failure
- failure to effectively manage our workforce
- inability to adapt to and influence changes in audit mandate.

Risk management and internal control attestation

To provide additional assurance that the Audit Office's Risk Management Framework and related controls are operating properly, two attestations are completed each year.

The first is an annual attestation by the Auditor-General on the quality of the Audit Office's risk management and internal audit processes. This is based on our compliance with the core requirements of NSW Treasury Policy 15-03 Internal Audit and Risk Management Policy (see our Internal Audit and Risk Management Attestation statement in Appendix Nine).

The second is a Management Internal Control Sign-Off which is completed annually in line with the Audit Office's financial statements and covers the financial year. Managers sign off on the implementation of internal controls as they relate to their business area and staff compliance with our policies (see page 61).

The year ahead

In 2017–18, we will:

- establish clear processes to elevate new significant and emerging business risks to strategic risks on a timely basis
- reassess our Risk Appetite Statement including reviewing our audit risk appetite
- clarify what our risk appetite looks like on a day to day basis by developing risk tolerances
- look at ways to improve staff engagement with risk and embed a mature risk culture
- review our risk management policies
- finalise our enterprise risk management framework.



Stakeholder engagement

We regularly connect with our stakeholders

LIGHTHOUSE PRINCIPLE:
KEY STAKEHOLDER RIGHTS
(based on ASX Principle 6)

Building effective relationships

In 2016–17, we maintained our focus on building effective relationships with our key stakeholders:

- NSW Parliament
- NSW Government entities
- NSW universities
- NSW councils.

Our 2016–17 strategic initiatives 'Influencing for Impact' and 'Local Government' (see page 56) were key contributors to achieving effective stakeholder relations through:

- mapping our current engagement with external stakeholders
- identifying key stakeholders
- hosting workshops with stakeholders such as our Program Evaluation industry briefing and Audit and Risk Committee Chair meetings (see page 52 for more details).

Stronger audit client engagement

The Auditor-General has recently completed meetings with all the Secretaries of the clusters that make up the NSW public sector. This is part of a stronger focus on promoting audit client engagement while still maintaining our independence. The meetings provided an opportunity to review the proposed Performance Audit Program and to check on the status of our relationships with our clients.

As part of our commitment to engaging more effectively with parliamentarians, the Auditor-General also extended an invitation to meet with new Ministers in 2017 and to date has met with eleven. The Auditor-General is also meeting regularly with the Public Accounts Committee.

The Auditor-General and Deputy Auditor-General are continuing to meet regularly with NSW Treasury and the Department of Premier and Cabinet as well as having regular meetings with Local Government NSW and the Office for Local Government.

Engaging with our local government stakeholders was a key focus during 2016–17, with extensive work undertaken to get to know our new audit clients and their business. Activities included:

- 11 Audit Office information sessions held across the State in November and December 2016
- presentations at a number of different local government sector conferences
- workshops for contract audit agents and Audit and Risk Committee Chairs
- developing a local government brochure and dedicated page on our website
- internal newsletter for Audit Office staff.

In addition, we engaged an external consultant to conduct a survey to help us engage more effectively with the local government sector (see page 53 for more details on our new local government mandate).

Broader stakeholder engagement

As in previous years, we consulted our stakeholders widely when developing our performance audit three-year plan and the final plan will be published on our website in the second half of 2017 to promote ongoing comment and feedback.

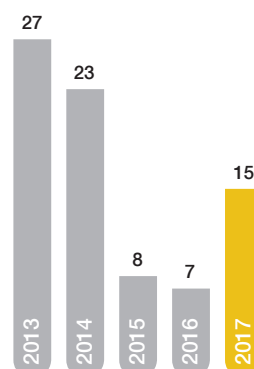
We conducted our annual survey of parliamentarians, audit clients and Audit and Risk Committee Chairs, to gain their feedback on our performance and target areas where we can improve (see pages 11–12 and 19–20).

Public interest disclosures

The Auditor-General has the power to examine allegations of serious and substantial waste of public money under the *Public Interest Disclosures Act 1994*. This Act protects public officials who make such public interest disclosures in good faith. We examined 15 public interest disclosures in 2016–17, none of which demonstrated serious and substantial financial waste. Fourteen of them concerned NSW Government agencies and one related to a local council.

The Audit Office has an internal and external Public Interest Disclosures Policy establishing a reporting system for staff and public officials to report allegations of serious and substantial waste. These policies are consistent with the NSW Ombudsman's model policy and the requirements of the Act. The policies also outline our public interest disclosures officers.

Number of public interest disclosures



We regularly connect with our stakeholders

Complaints management

We are committed to actively seeking and using feedback to improve our performance and services. We report bi-annually to the Office Executive on complaints received.

In 2016–17, we received 120 complaints (just over three times the number received in the previous year). Of these:

- 21 (18 per cent) were about local councils
- 82 (68 per cent) were about State Government agencies
- 13 complaints were outside our mandate
- 4 complaints were made about the Audit Office.

The 82 complaints about other NSW Government agencies were varied in nature and across the ten government clusters. Twenty-two per cent of complaints related to the NSW Transport cluster and included complaints about large infrastructure projects such as the City and South East Light Rail, WestConnex and Newcastle Light Rail.

Of the four complaints about the Audit Office, two related to our audits of local councils, one to a performance audit report and one to our complaints management system. With the latter complaint, we have implemented a new process to address the issue raised about our complaints system.

The vast majority of these complaints were referred to our financial audit and/or performance audit branches for information and/or action. In addition, we commenced what will become an annual process of collating complaints information at the end of each year to provide an overview to the Auditor-General of complaints received by our audit teams.

Working with the public and other watchdog agencies

We work closely with other independent agencies in New South Wales and audit offices in other jurisdictions to improve our services and increase the impact of our work. This includes our important work in responding to public complaints and public interest disclosures where serious and substantial waste is involved. We refer complaints involving allegations of corruption, maladministration or privacy to the Independent Commission Against Corruption, the NSW Ombudsman, the Information and Privacy Commission or to other independent agencies.

In 2016–17, we entered into a Memorandum of Understanding with the Office of Local Government for the referral of complaints and public interest disclosures.

The year ahead

In 2017–18, we will:

- build on our work from 2016–17 and under our 'Influencing for Impact' strategic initiative develop a new stakeholder engagement strategy to ensure we take a co-ordinated and strategic approach to stakeholder engagement (see page 9 for further details on our strategic initiatives for 2017–18)
- continue to develop our program of stakeholder engagement with local councils
- update our complaints and public interest disclosures policy to reflect the increasing number of complaints the Audit Office is receiving due to its expanded mandate to audit local government (see page 53 for more details on our expanded mandate).



Finances

We have a financial framework that supports our business objectives

We aim to:

- maintain a sound financial position
- collect our debts within a reasonable time
- pay our creditors promptly
- break even over the medium-term

Financial performance

Close to our goal to break even over the medium-term

Excluding superannuation adjustments, we have achieved a cumulative \$0.1 million deficit over the last five years.

Close to our break-even target

The work of the Audit Office is largely self-funded, generated from audit fees paid by our clients. These fees are set to cover our expenses while maximising value for the NSW public sector. Unlike private sector auditors, we aim to break even over the medium-term rather than make a profit.

In monitoring our financial performance, we exclude the impact of the annual superannuation adjustments that affect our operating result. Like all government agencies with staff in the State's defined benefit superannuation schemes, the schemes' assessment of our liability varies substantially from year to year. These annual variations are outside our control and reflect the investment performance of the schemes and changes in actuarial assumptions. These superannuation adjustments are fully reflected in our audited financial statements, but are excluded from the information presented here so we can focus on our own performance.

As reported earlier in this report, the Auditor-General was appointed the auditor of councils in New South Wales in 2016–17 and we spent our own funds to implement the mandate (see page 53 for more details on our expanded mandate). This significantly impacted our financial performance for the year, leading to a net result of \$5,000 excluding defined benefit

superannuation adjustments. This break-even result for 2016–17 was much less than the original budget and lower than last year's profit. Over the five years to 2016–17, we have achieved a cumulative \$0.1 million deficit, close to our medium term break-even target.

Our 2016–17 revenue of \$47 million was \$2 million more than the previous year's \$45 million. Government agencies, universities and councils paid \$38 million for the audit of their financial statements. Government contributed \$8.6 million towards our performance audits and reports to parliament. Our 2016–17 total expenditure of \$47 million, excluding the defined benefit schemes superannuation adjustments, was \$3 million more than the previous year's \$44 million.

The increase in our total revenue was largely due to an increase in audit fees (\$1.0 million) and additional government contributions towards our performance audits and reports to parliament (\$1.0 million). The increase in expenditure was largely due to implementing the new local government mandate, as well as commencing our inaugural audits in the sector.

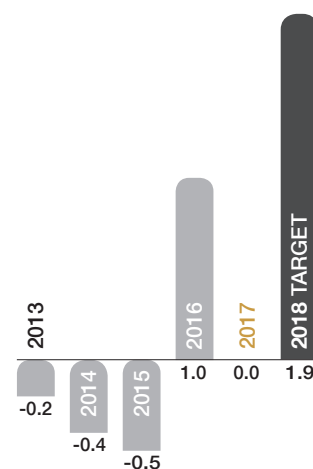
Budgeting

Our break-even result for 2016–17 is significantly less than the budgeted profit of \$1.4 million because of the new local government mandate. Our 2016–17 budget was set before the Auditor-General was appointed the auditor of NSW councils. As part of implementing the new mandate, we incurred costs on training, recruitment, communications and change management, and software and equipment purchases.

Per the State's Budget Papers, our initial 2017–18 budget shows us making a profit of \$1.9 million. We are working with NSW Treasury to adjust this as it does not reflect our latest estimate of the local government mandate change. We will be submitting a budget adjustment request to NSW Treasury during the half-yearly budget review process later this year.

Operating result 2016–17/\$m

Excluding superannuation



Financial position

Our financial management is sound

Our financial position is sound

While we have a net liability position, we are a going concern as we have a sustainable level of cash with positive cashflows. Our net liability position is a result of the actuarial losses on the defined benefit superannuation schemes. This liability is a long-term liability whereby the Audit Office has not been required to make employer contributions for several years to these schemes, and nor do we foresee any contributions in the near future.

Most of our assets and liabilities are of a financial rather than physical nature. Cash remains our largest asset with \$10.5 million at 30 June 2017. Our assets include \$6.7 million for the Crown's assumption of the liability for our staff's long service leave entitlements. This offsets the liability in our financial statements. We also have \$5.3 million in receivables from government entities and councils for our auditing services.

Our liabilities at 30 June 2017 were \$56.3 million, a decrease of \$16.5 million from 30 June 2016. This large drop is due to a decrease in superannuation liabilities from \$61 million to \$44 million.

Solvency remains stable but debtor management needs improving

Our current ratio at 30 June 2017 shows we had \$2.04 in current assets to meet every \$1.00 of our current liabilities. This is consistent with last year's ratio and at the upper level of our target range of between \$1.00 and \$2.00.

Some of our debtors continue to take longer to pay than our agreed invoice terms of 14 days. In 2016–17, it took us an average of 37 days from invoice to collection. While this is an improvement from 40 days in 2015–16, we need to do more to improve the collection timeframe.

Timely creditor payments

During the year we paid 99 per cent of our creditors on time. We are expected to pay all creditors within 30 days, unless contracts state otherwise.

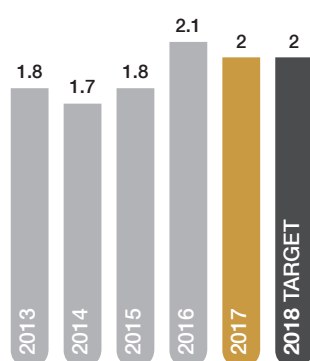
For more detail on our performance with creditor payments, see Appendix Seven.

The year ahead

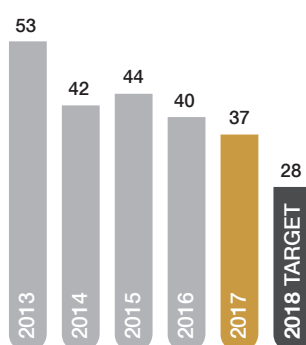
In 2017–18, we will:

- improve our efficiency and productivity by making financial management information available to all levels in the business via a self-service reporting tool and better corporate performance reporting
- improve our procurement and contract management practices
- improve our revenue and expense modelling to ensure we continue to operate at a sustainable level.

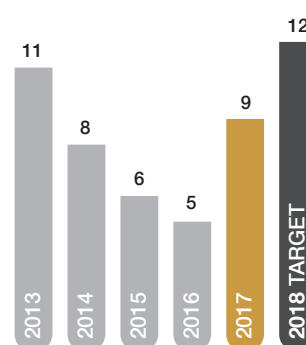
Solvency – current ratio



Debtor management – average days to collect



Work in progress – at 30 June 2017



Key financial statistics

	2012-13 \$'000	2013-14 \$'000	2014-15 \$'000	2015-16 \$'000	2016-17 \$'000
Five year trend					
Financial performance¹					
Total revenue	42,541	42,271	43,021	44,979	47,251
Total expenses	42,659	42,658	43,534	43,975	47,246
(Loss) on disposal	(38)	(22)	0	0	0
Operating profit/(loss)	(156)	(409)	(513)	1,004	5
Financial position					
Total assets	28,555	27,587	26,020	26,857	27,228
Accumulated funds	(19,601)	(20,288)	(26,696)	(45,970)	(29,051)
Solvency and debtor management					
Current ratio	1.8	1.7	1.8	2.1	2.0
Average days to collect debts	53	42	44	40	37

	2016-17 Budget \$'000	2016-17 Actual \$'000	2017-18 Budget \$'000
Performance against budget¹			
Revenue			
Audit fees	38,236	37,827	50,801
Government contributions	7,980	8,592	9,750
Interest	150	167	151
Other revenue	206	665	214
Total revenue	46,572	47,251	60,916
Expenditure			
Salaries and related expenses	33,560	33,498	38,685
Other expenses including operating expenses, maintenance, loss on disposal and finance costs	7,894	7,880	8,025
Contract audit agent costs	2,443	4,718	11,304
Depreciation and amortisation	1,239	1,150	1,039
Total expenditure	45,136	47,246	59,053
Operating profit	1,436	5	1,863

¹ Excludes defined benefit superannuation scheme adjustments of \$2,088,000 in 2016-17 (\$1,803,000 in 2015-16).





Financial Report

Independent Auditor's Report	71
Statement by Auditor-General of New South Wales	73
Statement of comprehensive income	74
Statement of financial position	75
Statement of changes in equity	76
Statement of cash flows	77
Notes to and forming part of the financial statements	
1 Basis of preparation and significant changes	78
2 Budget review	79
3 Our financial performance	80
4 Our assets	83
5 Our liabilities	90
6 Risk and other notes	99

Independent Auditor's Report

to the Members of the New South Wales Parliament



Report on the Audit of the Financial Report

Opinion

I have audited the financial statements of The Audit Office of New South Wales (the 'Audit Office'), which comprises the statement of financial position as at 30 June 2017, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the Auditor-General's declaration.

In my opinion, the accompanying financial statements of the Audit Office are in accordance with the *Public Finance and Audit Act 1983*, including:

- i) giving a true and fair view of the Audit Office's financial position as at 30 June 2017 and of its financial performance for the year then ended; and
- ii) complying with Australian Accounting Standards and section 41B of the Public Finance and Audit Act 1983 and the Public Finance and Audit Regulation 2015.

Basis for opinion

I conducted my audit in accordance with Australian Auditing Standards. My responsibilities under those standards are further described in the 'auditor's responsibilities for the audit of the financial statements' section of our report. I am independent of the Audit Office in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (the Code) that are relevant to my audit of the financial statements in Australia. I have also fulfilled my other ethical responsibilities in accordance with the Code.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Other information

The Auditor-General is responsible for the other information. The other information comprises the information in The Audit Office of New South Wales's annual report for the year ended 30 June 2017, but does not include the financial report and the auditor's report thereon.

My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work I have performed, I conclude that there is a material misstatement of the other information I am required to report that fact. I have nothing to report in this regard.

Sydney Office

Level 16, 1 Market Street
Sydney NSW 2000
PO Box H195
Australia Square NSW 1215
p +61 2 9251 4600
f +61 2 9251 7138
e info@nexiasydney.com.au
w nexia.com.au

Liability limited by a scheme approved under Professional Standards Legislation.

Nexia Sydney Partnership (ABN 71 502 156 733) is an independent firm of Chartered Accountants. It is affiliated with, but independent from Nexia Australia Pty Ltd, which is a member of Nexia International, a worldwide network of independent accounting and consulting firms. Neither Nexia International nor Nexia Australia Pty Ltd, deliver services in its own name or otherwise. Nexia International Limited and the member firms of the Nexia International network (including those members which trade under a name which includes NEXIA) are not part of a worldwide partnership.

The trademarks NEXIA INTERNATIONAL, NEXIA and the NEXIA logo are owned by Nexia International Limited and used under licence.



Independent Auditor's Report (continued)

to the Members of the New South Wales Parliament

Auditor-General's responsibility for the financial statements

The Auditor-General of New South Wales is responsible for the preparation of the financial statements that gives a true and fair view in accordance with Australian Accounting Standards and the *Public Finance and Audit Act 1983* and for such internal control as the Auditor-General determines is necessary to enable the preparation of the financial statements that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Auditor-General is responsible for assessing the Audit Office's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Audit Office will be dissolved by an Act of Parliament or otherwise cease operations. The assessment must disclose, as applicable, matters related to going concern and the appropriateness of using the going concern basis of accounting.

Auditor's responsibility for the audit of the financial statements

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial statements.

A further description of our responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website at: www.auasb.gov.au/auditors_responsibilities/ar4.pdf.

This description forms part of our auditor's report.

Lester Wills

Chartered Accountant, Registered Company Auditor
Sydney, 5 September 2017



Statement by Auditor-General of New South Wales

for the year ended 30 June 2017

Under section 41C of the *Public Finance and Audit Act 1983*, I state that, in my opinion, the accompanying financial statements and notes thereto exhibit a true and fair view of the financial position of the Audit Office of New South Wales at 30 June 2017 and its performance for the year then ended.

I further state:

(a) that the financial statements and notes thereto comply with Australian Accounting Standards, the *Public Finance and Audit Act 1983*, the *Public Finance and Audit Regulation 2015* and financial reporting directions of the Treasurer

(b) that I am not aware of any circumstances which would make any details in the financial statements misleading or inaccurate.



Margaret Crawford

Sydney, 5 September 2017

Audit Office of New South Wales

Statement of comprehensive income for the year ended 30 June 2017

	Notes	2016-17 Actual \$'000	2016-17 Budget \$'000	2015-16 Actual \$'000
Revenue				
Sales of services	C1	37,827	38,236	36,889
Government contributions	C1	8,592	7,980	7,520
Other revenue	C1	832	356	570
TOTAL REVENUE		47,251	46,572	44,979
Expenses				
Employee related expenses	C2	35,586	33,560	34,556
Operating expenses	C3	12,585	10,318	9,666
Depreciation and amortisation	C4	1,150	1,239	1,543
Finance costs	E2.1	13	19	14
TOTAL EXPENSES		49,334	45,136	45,779
NET RESULT		(2,083)	1,436	(800)
Other comprehensive income				
Items that will not be reclassified to net result:				
Superannuation actuarial gain/(loss) on liabilities	E2.2	14,299	–	(18,531)
Superannuation actual return on Fund assets less interest income	E2.2	4,703	–	57
Total remeasurement in other comprehensive income		19,002	–	(18,474)
TOTAL COMPREHENSIVE INCOME		16,919	1,436	(19,274)

The accompanying notes form part of these financial statements.



Audit Office of New South Wales

Statement of financial position as at 30 June 2017

	Notes	2016–17 Actual \$'000	2016–17 Budget \$'000	2015–16 Actual \$'000
Assets				
Current assets				
Cash and cash equivalents	D1	10,534	11,137	11,000
Receivables	D2	5,323	4,885	4,521
Other financial assets	D3	1,138	–	576
Other current assets	D4	6,174	6,954	6,570
TOTAL CURRENT ASSETS		23,169	22,976	22,667
Non-current assets				
Property, plant and equipment	D6			
– plant and equipment		894	1,210	309
– leasehold improvements		–	–	3
Total property, plant and equipment		894	1,210	312
Intangible assets	D5	2,628	3,815	3,307
Other non-current assets	D4	537	529	571
Total non-current assets		4,059	5,554	4,190
TOTAL ASSETS		27,228	28,530	26,857
Liabilities				
Current liabilities				
Payables	E1	2,114	2,383	1,297
Provisions	E2	9,196	8,826	9,683
Other current liabilities		64	–	3
TOTAL CURRENT LIABILITIES		11,374	11,209	10,983
Non-current liabilities				
Provisions	E2	44,905	41,507	61,844
TOTAL NON-CURRENT LIABILITIES		44,905	41,507	61,844
TOTAL LIABILITIES		56,279	52,716	72,827
NET LIABILITIES		(29,051)	(24,186)	(45,970)
Equity				
Accumulated funds		(29,051)	(24,186)	(45,970)
TOTAL EQUITY		(29,051)	(24,186)	(45,970)

The accompanying notes form part of these financial statements.



Audit Office of New South Wales

Statement of changes in equity for the year ended 30 June 2017

	Notes	Actual \$'000
Balance at 1 July 2016		(45,970)
Net result for the year		(2,083)
Other comprehensive income:		
– Superannuation actuarial loss and return on Fund assets	E2.2	19,002
Total comprehensive income for the year		16,919
BALANCE AT 30 JUNE 2017		(29,051)
Balance at 1 July 2015		(26,696)
Net result for the year		(800)
Other comprehensive income:		
– Superannuation actuarial gain and return on Fund assets	E2.2	(18,474)
Total comprehensive income for the year		19,274
BALANCE AT 30 JUNE 2016		(45,970)

The accompanying notes form part of these financial statements.



Audit Office of New South Wales

Statement of cash flows for the year ended 30 June 2017

	Notes	2016-17 Actual \$'000	2016-17 Budget \$'000	2015-16 Actual \$'000
Cash flows from operating activities				
Payments				
Employee related		(33,328)	(33,528)	(33,105)
Other		(18,164)	(10,369)	(16,380)
TOTAL PAYMENTS		(51,492)	(43,897)	(49,485)
Receipts				
Sale of services		46,586	46,216	46,790
Interest received		183	150	160
Other		5,313	206	5,044
TOTAL RECEIPTS		52,082	46,572	51,994
NET CASH FLOWS FROM OPERATING ACTIVITIES	D1.1	590	2,675	2,509
Cash flows from investing activities				
Purchases of property, plant and equipment		(852)	(970)	(32)
Purchases of intangible assets		(204)	(1,000)	(348)
NET CASH FLOWS FROM INVESTING ACTIVITIES		(1,056)	(1,970)	(380)
Net increase/(decrease) in cash				
Opening cash and cash equivalents		11,000	10,432	8,871
Closing cash and cash equivalents	D1	10,534	11,137	11,000

The accompanying notes form part of these financial statements.



Section 1: Basis of preparation and significant changes

Notes to and forming part of the financial statements for the year ended 30 June 2017

A1. Entity information

The Audit Office of NSW (the Audit Office) is a statutory authority, established under the *Public Finance and Audit Act 1983* that conducts audits for the Auditor-General of NSW (the Auditor-General). The Auditor-General helps parliament hold government accountable for its use of public resources. We are a not-for-profit entity as profit is not our principal objective. Our financial statements are consolidated as part of the NSW Total State Sector Accounts.

These financial statements for the year ended 30 June 2017 have been authorised for issue by the Auditor-General on 5 September 2017.

The Audit Office's financial statements are general purpose financial statements that have been prepared on an accrual basis and in accordance with:

- Australian Accounting Standards (which include Australian Accounting Interpretations)
- the *Public Finance and Audit Act 1983* and Public Finance and Audit Regulation 2015, and
- Financial Reporting Directions of the Treasurer.

Property, plant and equipment are measured at fair value. Other financial statement items are prepared in accordance with the historical cost convention except where specified otherwise.

A2. Going concern

Despite the Audit Office incurring a deficit of \$2,083,000 for the year (2016: \$800,000 deficit) and it having a net liability position of \$29.1 million (2016: \$46.0 million), we believe the assumption that the Audit Office is a going concern is justified. The solvency ratio (short-term) of the Audit Office remained steady at 2.04 (2016: 2.06) and the cash balance is at a sustainable level with positive cash flows from operating activities.

The net liability position is due to the Audit Office recognising actuarial valuation losses on defined benefit superannuation schemes. Note E2.2 contains more detail. This liability is a long-term non-current liability whereby the Audit Office has not been required to make employer contributions for a number of years to these schemes, and nor do we foresee any contributions in the near future. A triennial review of the liability was undertaken at 30 June 2015, where economic assumptions and significant risks were reviewed. The valuation resulted in a significant increase of our long-term liability.

A3. Significant accounting judgments, estimates and assumptions

Judgments, key assumptions and estimations management has made are disclosed and highlighted in the relevant notes to the financial statements. All amounts are rounded to the nearest one thousand dollars and expressed in Australian currency.

A4. Statement of compliance

The financial statements and notes comply with Australian Accounting Standards.

A5. Comparative information

Where necessary, the comparatives are reclassified and repositioned to be consistent with current year disclosures except when an Australian Accounting Standard permits or requires otherwise.

A6. Accounting for the Goods and Services Tax (GST)

Income, expenses and assets are recognised net of the amount of GST except for:

- the amount of GST incurred as a purchaser that is not recoverable from the Australian Taxation Office (ATO), which is recognised as part of the cost of acquisition of an asset or as part of an item of expense
- receivables and payables are stated with the amount of GST included. Cash flows are included in the statement of cash flows on a gross basis. However, the GST components of cash flows arising from investing activities that are recoverable from, or payable to the ATO are classified as operating cash flows.



Note	Item	Key Judgement/Estimate
C1	Revenue	We have exercised judgment in determining the stage of completion for recognising revenue
D2	Receivables	We have exercised judgement in assessing the recoverability of amounts invoiced to clients for audit engagements.
D3	Other financial assets-work in progress	We have exercised judgement in assessing the recoverability of time worked and other charges which remain unbilled at reporting date.
E2	Employee provisions	Leave provisions involve assumptions based on the expected tenure of existing staff, patterns of leave claims and payouts, future salary movements and future discounts.
E2.2	Superannuation Defined Benefit Plans	The calculation of the defined benefit liability involves actuarial assumptions that may differ from actual developments in the future.
F1	Financial instruments	We believe recognising the Audit Office's financial instruments at amortised cost approximates their fair value because of their short-term nature.

A7. New Australian accounting standards

(i) Effective for the first time in 2016-17

For the first time, the Audit Office has applied the disclosure requirements of AASB 124 Related Party Disclosures. See Note F5.

This change arose from AASB 2015- 6 'Amendments to Australian Accounting Standards - Extending Related Party Disclosures to Not-for-Profit Public Sector Entities'. This new requirement does not require us to disclose comparative information.

(ii) New Australian Accounting Standards issued but not yet effective

At the reporting date, the Audit Office has not early adopted accounting standards and interpretations issued by the AASB but not yet operative. The Audit Office is assessing the potential impact of these changes, with the key ones being:

- AASB 15 *Revenue from Contracts with Customers* and AASB 1058 *Income for Not-for-Profit Entities* - these standard apply to reporting periods beginning on or after 1 January 2019. The new standards will result in revenue recognition policies aligning with the satisfaction of performance obligations in contracts with customers
- AASB 16 *Leases* - this standard applies to reporting periods beginning on or after 1 January 2019. This standard introduces new criteria for assessing contracts to identify leases. Certain leases previously reported as expenses (such as our office accommodation lease) will be recorded on the Statement of Financial Position as right of use assets recorded at cost, and adjusted for depreciation and impairment or subject to revaluation, and lease liabilities adjusted for interest on the lease liability and payments made. Leases with terms of 12 months or less and for low value items will be recorded as expenses.

A8. Events after the reporting period

There were no events subsequent to reporting date that require disclosure in the financial statements.

Section 2: Budget review

Notes to and forming part of the financial statements for the year ended 30 June 2017

The budgeted amounts are drawn from the original budgeted financial statements presented to Parliament. Other amendments made to the budget are not reflected in the budgeted amounts. Major variances between the original budgeted amounts and the actual amounts disclosed in the primary financial statements are explained below.

B1. Budget review

Net result

The actual net result was unfavourable to the budgeted net result by \$3.5 million. The main reasons for this variance were the change in the Auditor-General's mandate and the movement in the Audit Office's defined superannuation liability.

The Auditor-General was appointed the auditor of the local government sector from 1 July 2017, after the 2016–17 budget had been set. The additional mandate resulted in the Audit Office incurring one-off implementation costs. The mandate also resulted in Treasury providing the Audit Office with \$600,000 to fund the performance audit component of the new mandate.

While the Audit Office's defined superannuation liability has reduced, the actuarially assessed expense for the year was \$2.1 million. This represents the current service cost and interest. We do not budget for this movement as it is outside our control. More information on our defined superannuation liability can be found in Note E2.2.

Assets and liabilities

Total current assets of \$23.2 million is largely consistent with the budgeted total current assets of \$23.0 million. Within total assets, receivables and other current assets are slightly higher than budget, largely because of the change in the Auditor-General's mandate.

Total non current assets of \$4.1 million is lower than budget because of lower than planned capital spend on intangible assets. Some of this expenditure will occur in 2017–18.

Total current liabilities of \$11.4 million is largely consistent with the budgeted total current liabilities of \$11.2 million.

Total non current liabilities are higher than budget because of the higher than expected defined superannuation liability. This actuarially assessed liability was \$43.6 million at 30 June 2017.

Cash flows

The net cash from operating activities of \$590,000 was significantly lower than budget because of the new local government mandate. We used our cash reserves to fund the implementation costs. The Auditor-General was given the local government mandate after the budget had been set.

Section 3: Our financial performance

Notes to and forming part of the financial statements for the year ended 30 June 2017

This section outlines the major areas of revenue and expenditure incurred by the Audit Office in the course of its ordinary activities.

C1. Revenue	2017 \$'000	2016 \$'000
(a) Sale of services		
Fee revenue from NSW Government agency and university audits	34,635	36,889
Fee revenue from local council audits	3,192	—
	37,827	36,889
(b) Government contributions		
Government contributions for performance audit and compliance audits	6,260	5,270
Funding for the Auditor-General's Report to Parliament	2,332	2,250
	8,592	7,520
(c) Other revenue		
Interest income	167	175
Recoupment of salaries and oncosts from staff secondments	601	389
Other	64	6
	832	570

Recognition and measurement

Income is measured at the fair value of the consideration or contribution received or receivable.

(i) Rendering of services – audit fees

Revenue from rendering of services is recognised by reference to the stage of completion on audit engagements at the reporting date. The Audit Office invoices its clients in arrears for work completed on each audit engagement.

The revenue is recognised when:

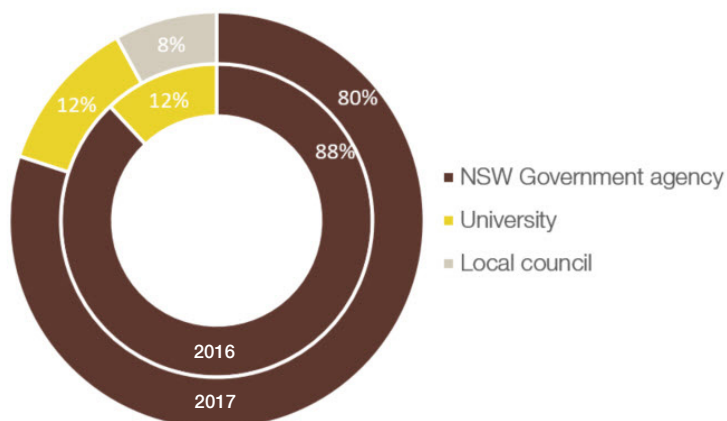
- the amount of revenue, stage of completion and transaction costs incurred can be reliably measured and
- the probable economic benefits associated with the transaction will flow to the Audit Office.

The stage of completion for audit engagements at the reporting date is determined by reference to the actual costs incurred relative to total estimated engagement cost, less any impairment.

(ii) Recoupment of salaries and oncosts

From time to time, the Audit Office enters into secondment arrangements with other NSW public sector agencies and professional services firms. In return for seconding staff, the Audit Office generally seeks to recover the salary and related oncosts on a cost recovery basis. Revenue from seconding staff is recognised by reference to days worked.

Audit fee revenue – analysis by client type



Key judgements and estimates

At reporting date, we have reviewed amounts owed to us (Receivables – see Note D2) and unbilled time and charges on all fee earning audit engagements (Work in progress – see Note D3) to assess their recoverability. Where there was objective evidence that the debtor balance and/or the unbilled time and/or charges may not be recovered, we have raised an allowance for impairment or written off the amount. Factors considered when making this assessment include: the agreed audit fee; the engagement budget; known variations to the audit engagement; and the likelihood of additional recoveries from the client.



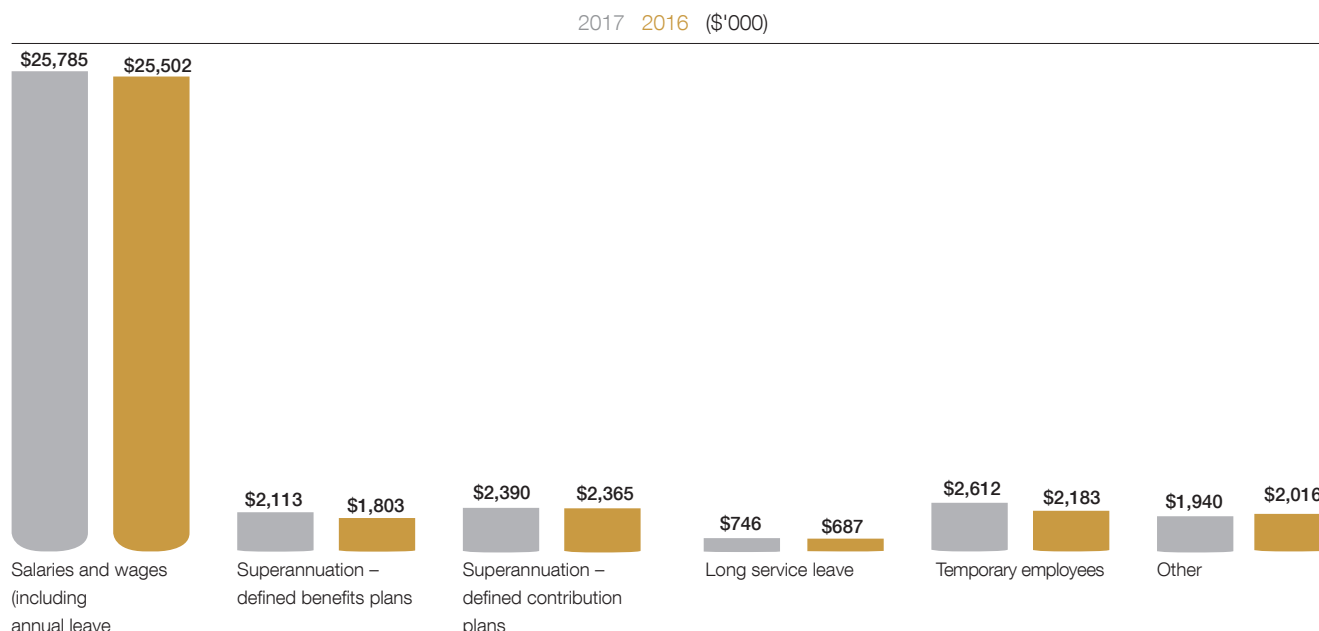
Section 3: Our financial performance (continued)

Notes to and forming part of the financial statements for the year ended 30 June 2017

C2. Employee related expenses

The Audit Office's employee related expenses for the year totalled \$35,586,000 (2016: \$34,556,000).

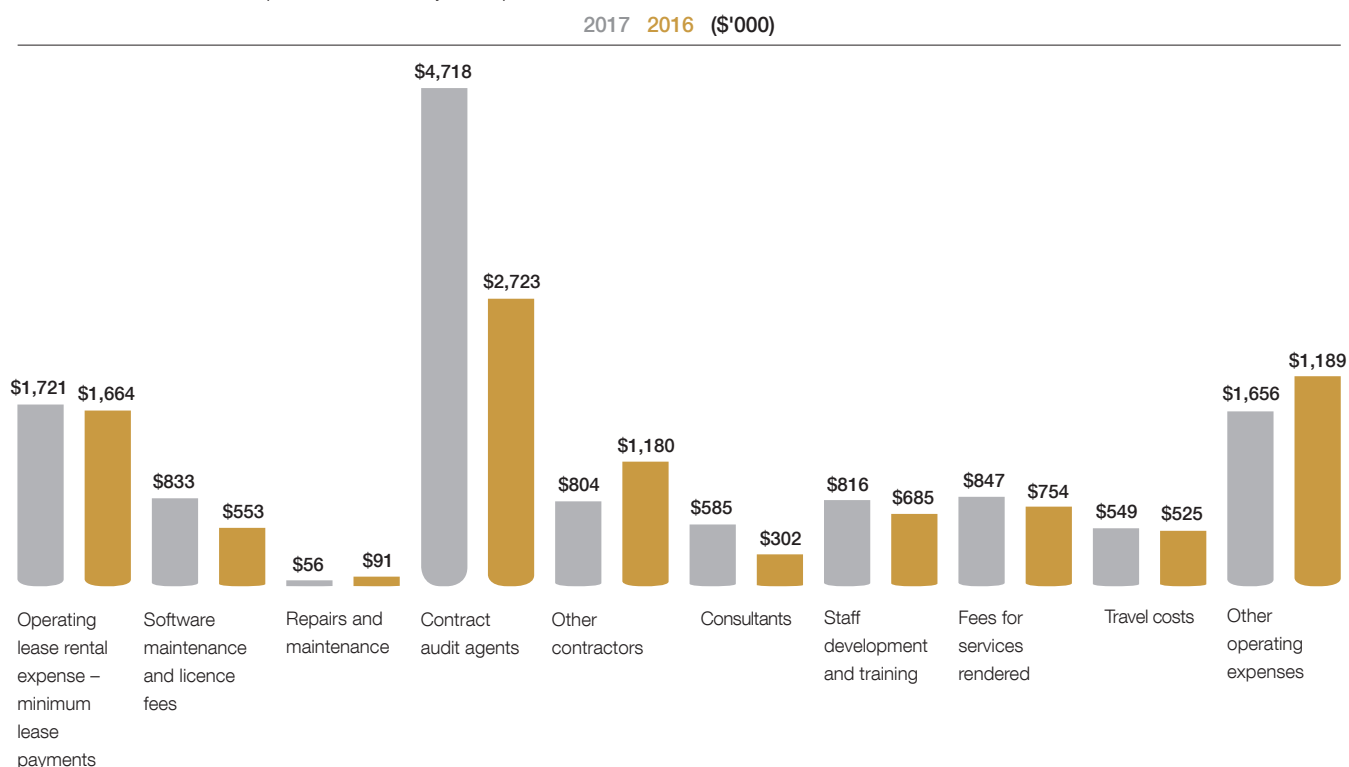
The chart below shows the split between the major components



C3. Other operating expenses

The Audit Office's operating expenses for the year totalled \$12,585,000 (2016: \$9,666,000).

The chart below shows the split between the major components.



Section 3: Our financial performance (continued)

Notes to and forming part of the financial statements for the year ended 30 June 2017

Operating lease commitments

Future non-cancellable operating lease rentals not provided for and payable:	2017 \$'000	2016 \$'000
Within one year	2,069	1,783
Later than one year and not later than five years	2,333	3,870
Total (including GST)	4,402	5,653

The above commitments relate to office accommodation, office equipment and motor vehicle leases that will expire within one to two years. The Audit Office's office accommodation lease contains a fixed annual increase and the lease expires in July 2019.

Recognition and measurement

Leases

The Audit Office does not have any finance leases. It has operating leases for office accommodation, office equipment and motor vehicles whereby the lessors (being the landlord/supplier) retain substantially all of the risks and benefits incidental to owning the leased assets.

The Audit Office recognises the operating lease payments as expenses on a straight-line basis over the period of the lease term.

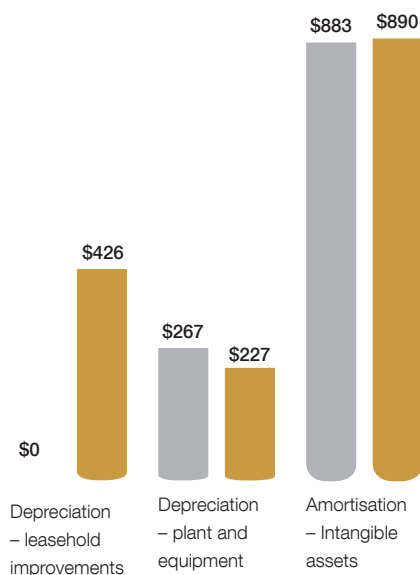
C4. Depreciation and amortisation

Depreciation and amortisation

The Audit Office's depreciation and amortisation expenses for the year totalled \$1,150,000 (2016: \$1,543,000).

The chart below shows the split between the major components.

2017 2016 (\$'000)



See Note D5 Intangible Assets and Note D6 Property Plant and Equipment

Section 4: Our assets

Notes to and forming part of the financial statements for the year ended 30 June 2017

An asset is a resource the Audit Office controls as a result of past events and from which we expect to obtain future economic benefits. Our assets comprise cash at bank, receivables, other assets (work in progress and Crown reimbursement), physical plant and equipment and intangibles.

D1. Current assets - cash and cash equivalents	2017 \$'000	2016 \$'000
Cash at bank and on hand	10,534	11,000

Cash comprises cash on hand and bank balances within the NSW Treasury Banking System. Interest as determined by NSW Treasury is earned on daily bank balances and paid twice yearly.

For the purposes of the statement of cash flows, cash and cash equivalents include cash at bank and cash on hand.

Credit facility

Apart from a credit card facility of \$122,000, the Audit Office has no other standing credit facility. The Audit Office's cash position has been consistently adequate to meet its liquidity requirements.

Risk

Interest rate risk

The Audit Office's exposure to interest rate risk arises primarily through its cash at bank. It does not hold any other interest bearing financial assets or liabilities.

The Audit Office does not hold collateral and has not granted any financial guarantees.

D1.1 Reconciliation of cash flows from operating activities to net result	2017 \$'000	2016 \$'000
Reconciliation of cash flows from operating activities to the net results as reported in the statement of comprehensive income		
Net cash from operating activities	590	2,509
Depreciation and amortisation	(1,150)	(1,543)
Finance costs	(13)	(13)
Decrease / (Increase) in provisions	(1,561)	(2,707)
Increase / (Decrease) in receivables and other assets	933	19
Decrease / (Increase) in creditors	(882)	935
NET RESULT	(2,083)	(800)

Section 4: Our assets (continued)

Notes to and forming part of the financial statements for the year ended 30 June 2017

D2. Current assets – receivables	2017 \$'000	2016 \$'000
Sale of services - audit services	4,807	4,110
Less: allowance for impairment	(16)	(16)
TOTAL TRADE RECEIVABLES	4,791	4,094
Prepayments	402	323
Accrued income and other debtors	60	18
Interest receivable	70	86
	5,323	4,521

Recognition and measurement

Receivables are recognised at fair value based on the original invoice amount. Receivables are due for settlement within 14 days from the date of issuing the invoice, hence they are not amortised or discounted as the effect of discounting is immaterial.

Impairment of financial assets

When there is objective evidence that the amounts due will not be collected, the Audit Office recognises an allowance for impairment. The amount of the allowance is the difference between the receivable's carrying amount and the amount we expect to receive.

When an impairment is recognised, the loss is recorded in the net result for the year. Where there is objective evidence of recovering a previously impaired receivable, the reversal of impairment losses is also recognised through the net result for the year.

Risk

Receivables – trade debtors

Credit risk is the risk of financial loss arising from another party to a contract or financial obligation. The Audit Office is exposed to minimal credit risk with the maximum exposure arising from potential default of a debtor.

This amount is equal to the total amount of receivables for services of \$4,791,000 (2016: \$4,094,000) and amounts recorded in WIP \$1,138,000 (2016: \$576,000).

The Audit Office is not materially exposed to concentrations of credit risk to a single debtor or group of debtors. It has policies and procedures in place to guide debt recovery. Most of the debtors are government agencies or local councils whose credit risk is considered low.

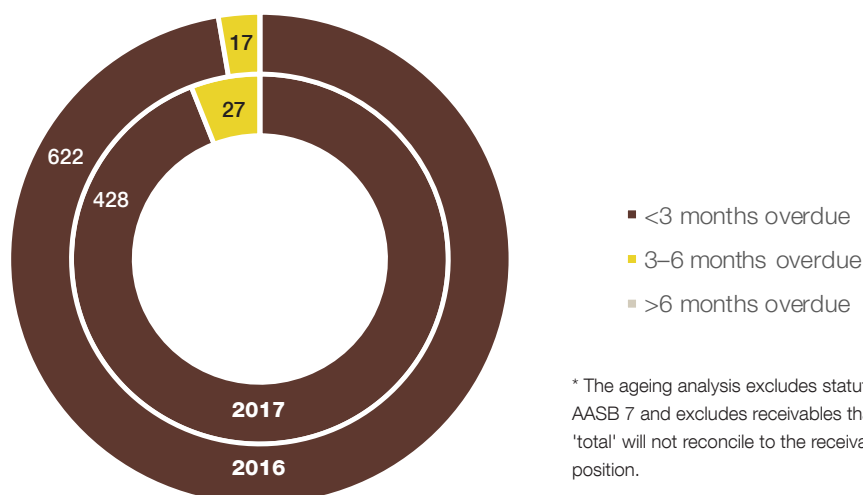
Key judgement/estimates Audit Office receivables

The carrying value of the Audit Office's receivables approximates its fair value because of the short-term nature of this financial asset.

The Audit Office reviews its receivables for impairment on an ongoing basis. Apart from a single debt of \$16,000 (2016: \$16,000) that is considered impaired at reporting date, the Audit Office believes all outstanding receivables are recoverable. This is because all amounts owing are bound by agreed terms with the client. The ageing profile of our debtors is shown in the chart below.

Trade Receivables – past due but not impaired*

\$'000



* The ageing analysis excludes statutory receivables, as these are not within the scope of AASB 7 and excludes receivables that are not past due and not impaired. Therefore, the 'total' will not reconcile to the receivables total recognised in the statement of financial position.



Section 4: Our assets (continued)

Notes to and forming part of the financial statements for the year ended 30 June 2017

D3. Other financial assets (work in progress)	2017 \$'000	2016 \$'000
Work in progress – unbilled charges on audit engagements	1,138	576

Recognition and measurement

Work in progress (WIP) represents work performed on audit engagements but not invoiced to the client. This includes staff time and other charges. Staff time is based on approved hourly charge out rates.

We assess WIP for impairment annually to ensure it is not carried at an amount in excess of its recoverable amount.

A provision for unrecoverable amounts is raised when there is objective evidence that the WIP may not be recoverable.

Key judgement/estimates Audit Office WIP

The directors of each audit engagement have reviewed the unbilled staff time and other charges to assess their recoverability at reporting date. The figure recognised in the financial statements is net of any time or charges the directors have assessed as potentially not being recoverable.

In assessing the recoverability of WIP, the directors make reference to factors such as: the remaining budget versus forecasted effort to complete the audit engagement; the historical cost for recurring audit engagements; unexpected scope variations; and the potential to recover scope variations with an additional billing.

Risk

Credit Risk – As reported above, the Audit Office is exposed to minimal credit risk with the maximum exposure arising from potential default of a debtor.

The directors responsible for the audit engagements review and monitor WIP on a monthly basis. WIP is also monitored by the Office Executive on a monthly basis. Refer to Note D2 on Receivables for commentary on customer creditworthiness.

D4. Current / non-current assets – other	2017 \$'000	2016 \$'000
Crown acceptance of long service leave liability – current	6,174	6,570
Crown acceptance of long service leave liability – non-current	537	571
	6,711	7,141

D5. Intangible assets

2017:	Systems Software \$'000	Intangible Assets Under Development \$'000	TOTAL \$'000
At 1 July 2016			
Cost (gross carrying amount)	6,078	–	6,078
Accumulated amortisation	(2,771)	–	(2,771)
Net carrying amount	3,307	–	3,307
At 30 June 2017			
Cost (gross carrying amount)	6,217	–	6,217
Accumulated amortisation	(3,589)	–	(3,589)
Net carrying amount	2,628	–	2,628

Section 4: Our assets (continued)

Notes to and forming part of the financial statements for the year ended 30 June 2017

Reconciliation

A reconciliation of the carrying amount of each class of intangible assets at the beginning and end of the current reporting period is set out below:

2017:	Systems Software \$'000	Intangible Assets Under Development \$'000	TOTAL \$'000
Year ended 30 June 2017			
Net carrying amount at the start of year	3,307	–	3,307
Additions	204	–	204
Amortisation (recognised in 'depreciation and amortisation')	(883)	–	883
Net carrying amount at the end of the year	2,628	–	2,628

2016:	Systems Software \$'000	Intangible Assets Under Development \$'000	TOTAL \$'000
At 1 July 2015			
Cost (gross carrying amount)	5,489	241	5,730
Accumulated amortisation	(1,881)	–	(1,881)
Net carrying amount	3,608	241	3,849
At 30 June 2016			
Cost (gross carrying amount)	6,078	–	6,078
Accumulated amortisation	(2,771)	–	(2,771)
Net carrying amount	3,307	–	3,307

Reconciliation

2016:	Systems Software \$'000	Intangible Assets Under Development \$'000	TOTAL \$'000
Year ended 30 June 2016			
Net carrying amount at the start of year	3,608	241	3,849
Transfer from systems development to software	241	(241)	–
Additions	348	–	348
Amortisation (recognised in 'depreciation and amortisation')	(890)	–	(890)
Net carrying amount at end of year	3,307	–	3,307



Section 4: Our assets (continued)

Notes to and forming part of the financial statements for the year ended 30 June 2017

Recognition and measurement

The Audit Office's intangibles comprises its audit methodology/software, computer software systems and associated enhancement costs. These assets are carried at cost less accumulated amortisation and impairment losses. The useful lives of Audit Office intangibles are deemed finite.

Research and Development costs

All research costs are expensed. Development costs are only capitalised when certain criteria are met.

Amortisation

All intangible assets are amortised using the straight-line method over a period of three to ten years.

Impairment

Intangible assets are tested for impairment where an indicator of impairment exists. If the recoverable amount is less than its carrying amount, the carrying amount is reduced to recoverable amount and the reduction is recognised as an impairment loss.

Key judgement/estimates Audit Office intangibles

The Audit Office has determined there is no active market for the intangibles it holds and therefore they are recorded at cost less accumulated depreciation and impairment.

The Audit Office has determined the useful lives of its intangibles to be between three to ten years. Its major intangible assets are:

- audit methodology software – 10 years
- corporate management systems – 5 years
- other software licenses – 3 to 5 years.

The useful lives remain unchanged from the prior year.

Some of the factors considered in setting the useful lives include: technical obsolescence; the likely support period by vendors; our ability to invest in replacement assets; the typical life cycle of similar assets; and the actual lives of similar assets currently or previously controlled by the Audit Office.

The Audit Office has reviewed its intangibles for any indication of impairment at reporting date. None was noted.

Section 4: Our assets (continued)

Notes to and forming part of the financial statements for the year ended 30 June 2017

D6. Non-current assets – property, plant and equipment

2017:	Plant and Equipment \$'000	Leased Assets (Leasehold Improvements) \$'000	TOTAL \$'000
At 1 July 2016 – fair value			
Gross carrying amount	2,053	3,108	5,161
Accumulated depreciation	(1,744)	(3,105)	(4,849)
Net carrying amount	309	3	312
At 30 June 2017 – fair value			
Gross carrying amount	2,875	3,108	5,983
Accumulated depreciation	(1,981)	(3,108)	(5,089)
Net carrying amount	894	–	894

Reconciliation

A reconciliation of the carrying amount of each class of property, plant and equipment at the beginning and end of the current reporting period is set out below:

Year ended 30 June 2017			
Net carrying amount at start of year	309	3	312
Additions	852	–	852
Depreciation expense	(267)	(3)	(270)
Net carrying amount at end of year	894	–	894

2016:

At 1 July 2015 – fair value			
Gross carrying amount	2,200	3,107	5,307
Accumulated depreciation	(1,696)	(2,679)	(4,375)
Net carrying amount	504	428	932
At 30 June 2016 – fair value			
Gross carrying amount	2,053	3,107	5,160
Accumulated depreciation	(1,744)	(3,104)	(4,848)
Net carrying amount	309	3	312

Reconciliation

A reconciliation of the carrying amount of each class of property, plant and equipment at the beginning and end of the prior reporting period is set out below:

Year ended 30 June 2016			
Net carrying amount at start of year	504	428	932
Additions	32	–	32
Disposals	(179)	–	(179)
Depreciation expense	(227)	(425)	(652)
Write-back of amortisation on disposal	179	–	179
Net carrying amount at end of year	309	3	312



Section 4: Our assets (continued)

Notes to and forming part of the financial statements for the year ended 30 June 2017

Recognition and measurement

Acquisition of assets

Purchases of property, plant and equipment are initially recognised at cost in the Statement of Financial Position. The Audit Office capitalises individual pieces of equipment costing \$1,000 or more. When the equipment forms part of a network, the threshold of \$1,000 is applied to the network cost. All other equipment purchases are expensed in the year they are acquired.

Revaluation

Following initial recognition at cost, leasehold improvements and plant and equipment are recorded at fair value less accumulated depreciation and impairment. The Audit Office applies the valuation guidelines outlined in the 'Valuation of Physical Non-Current Assets at Fair Value' Policy and Guidelines Paper (TPP 14-01) which applies the requirements of AASB 13 Fair Value and AASB 116 Property, Plant and Equipment.

Property, plant and equipment is measured at the highest and best use by market participants that is physically possible, legally permissible and financial feasible. The highest and best use must be available at a period that is not remote and take into account the characteristics of the asset being measured. In all cases, after taking into account these considerations, the highest and best use of the Audit Office's assets is their existing use.

Depreciation

Depreciation is calculated on a straight-line basis over the estimated useful lives to the Audit Office of the assets as follows:

	2017	2016
Computer equipment	3 years	3 years
Office equipment	5 years	5 years
Furniture and fittings	10 years	10 years
Leasehold improvements	Over the term of the lease	Over the term of the lease

Make good

The estimated cost for making good the Audit Office's leasehold premises is included in leasehold improvements to the extent it is recognised as a liability. See Note E2.1.

Key judgement/estimates

Audit Office property, plant and equipment

In deciding whether costs should be expensed or capitalised, the Audit Office treats individual computer/telecommunication hardware (such as laptops) as part of a network. As a result, equipment of this nature is generally capitalised.

The Audit Office reviews the useful lives of all assets annually. It also assesses whether there are any indicators of impairment. The lives ascribed to our assets in 2017 remain unchanged from the prior year. We have also reviewed our assets for any indication of impairment. None was noted in the year.

Some of the factors considered in setting the useful lives include: technical obsolescence; the typical life cycle of similar assets; and the actual lives of similar assets currently or previously controlled by the Audit Office.

Because our property, plant and equipment assets are non-specialised with short useful lives, the Audit Office believes the depreciated historical cost is a reasonable approximation of their fair value. We believe any difference between fair value and depreciated historical cost is unlikely to be material.



Section 5: Our liabilities

Notes to and forming part of the financial statements for the year ended 30 June 2017

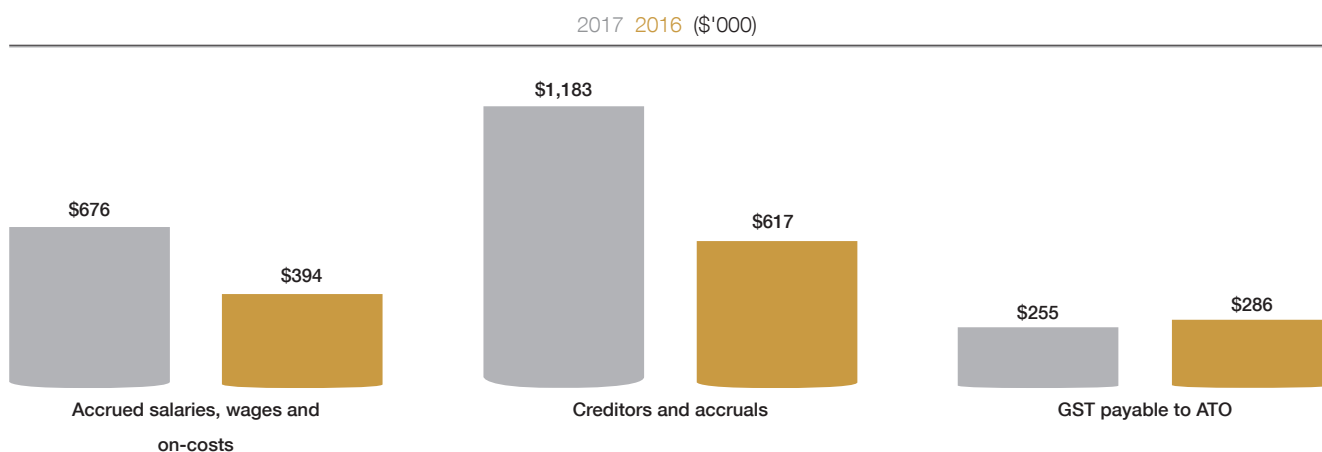
An essential characteristic of our liabilities is that we have a present obligation. A large proportion of our liabilities are employment benefits payable to our staff for services rendered to the reporting date. We also have obligations to our suppliers and tax authorities such as the Australian Taxation Office and the Office of State Revenue.

An obligation is a duty or responsibility to act or perform in a certain way. A future commitment (such as a decision by the Audit Office to acquire assets in the future) does not, of itself, give rise to a present obligation.

Our obligations may be legally enforceable as a consequence of a binding contract or statutory requirement. This is normally the case, for example, with amounts payable for goods and services received. Obligations also arise from normal business practice.

E1. Current liabilities – payables

The Audit Office's payables at 30 June 2017 totalled \$2,114,000 (2016: \$1,297,000). The chart below shows the split between the major components.



Recognition and measurement

Payables

The Audit Office initially recognises liabilities for trade creditors and other payables at fair value, which is usually based on the transaction cost or face value. These payables are subsequently measured at amortised cost using the effective interest rate method. Trade payables with no stated interest rate are measured at the original invoice amount where the effect of the discounting is immaterial.

The liabilities are recognised for amounts due to be paid in the future for goods or services received, whether or not invoiced.

Risk – liquidity risk

Liquidity risk is the risk that the Audit Office will be unable to meet its payment obligations when they fall due. The risk is continuously managed through monitoring future cash flows to ensure adequate holding of liquid assets.

During the current and prior year, there were no defaults of loans payable. No assets have been pledged as collateral. An exposure to liquidity risk is deemed insignificant based on prior period's data and current assessment of risk.

For small business suppliers, where terms are not specified, payment is made no later than 30 days from date of receipt of a correctly rendered invoice. For other suppliers, if trade terms are not specified, payment is made no later than the end of the month following the month in which an invoice or a statement is received. For small business suppliers, where payment is not made within the specified time period, simple interest must be paid unless an existing contract specifies otherwise. For payments to other suppliers, the Audit Office may pay the supplier simple interest. The Audit Office did not pay any interest during the year (2016: Nil).

Maturity profile

All of the Audit Office's payables and accruals have a maturity of less than 12 months (2016: less than 12 months).

Market risk

The Audit Office has no exposure to foreign currency risk and does not enter into commodity contracts.



Section 5: Our liabilities (continued)

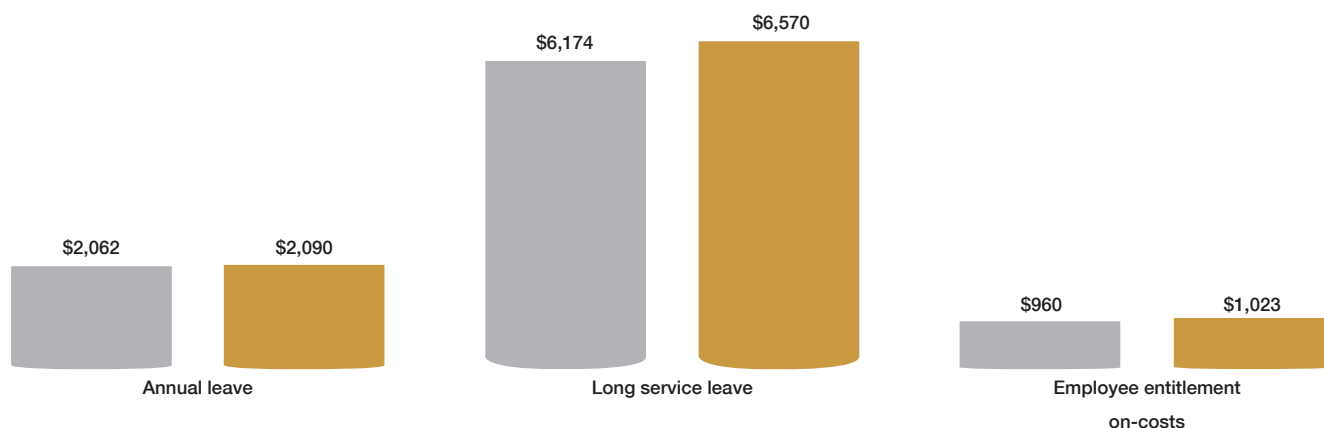
Notes to and forming part of the financial statements for the year ended 30 June 2017

E2. Current/non-current liabilities – provisions

The Audit Office's current provisions at 30 June 2017 totalled \$9,196,000 (2016: \$9,683,000) and its non-current provisions totalled \$44,905,000 (2016: \$61,844,000). The charts below show the split between the major components.

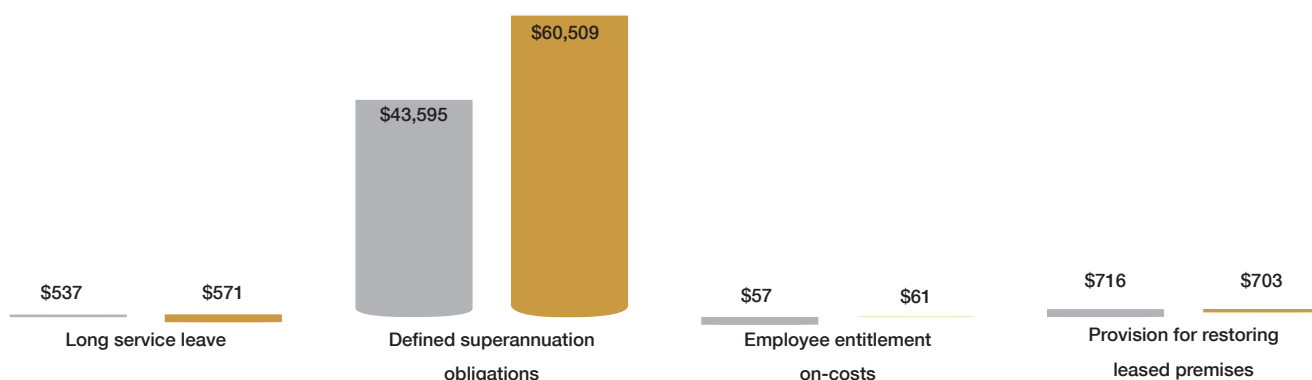
Current liabilities – provisions

2017 2016 (\$'000's)



Non-current liabilities – provisions

2017 2016 (\$'000's)



a) Employee benefits and related on-costs

Annual leave

The annual leave liability at 30 June 2017 was \$2,062,000 (2016: \$2,090,000). Of this liability, the value expected to be paid within the next 12 months is \$1,400,000 (2016: \$1,415,000) and \$662,000 (2016: \$675,000) after 12 months. The liability is based on leave entitlements at 30 June 2017 using remuneration rates payable post 30 June 2017.

Long service leave

The long service liability at 30 June 2017 was \$6,711,000 (2016: \$7,141,000) shown as current \$6,174,000 (2016: \$6,570,000) and non-current \$537,000 (2016: \$571,000). This liability comprises:

	2017 \$'000	2016 \$'000
Short term – expected to be settled within 12 months	226	252
Long term – not expected to be settled within 12 months	6,485	6,889
	6,711	7,141

The Audit Office's long service leave liability is offset by a corresponding reimbursement right from the Crown Finance Entity as the Audit Office is part of the Crown funded Long Service Leave Pool. See Note D4.

The Audit Office made contributions of \$684,000 (2016: \$734,000) to the Crown Finance Entity pool during the year.



Section 5: Our liabilities (continued)

Notes to and forming part of the financial statements for the year ended 30 June 2017

Recognition and measurement

Salaries and wages, annual leave, sick leave and on-costs

Liabilities for salaries and wages, including non-monetary benefits and annual leave are measured on an undiscounted basis. Where annual leave is not expected to be settled within 12 months, it is accounted for as a long term benefit at the present value in accordance with AASB 119 *Employee Benefits*.

Unused non-vested sick leave entitlement does not give rise to a liability as it is considered that sick leave taken in the future will not be greater than the benefits accrued in the future. The amount of annual leave is increased by on-costs in determining the total provision at reporting date.

Long service leave

A long service leave liability is recognised as a long-term employee benefit and measured for all employees with five or more years of service. The present value method, based on remuneration rates approved to be payable post 30 June, is used to measure the liability. The on-cost factors specified in Treasury Circular 15/09 are applied when calculating the related oncosts.

Consequential on-costs

Consequential costs to employment are recognised as liabilities and expenses where the employment benefits to which they relate have been recognised. This includes outstanding amounts of payroll tax, workers' compensation insurance premiums, fringe benefits tax and superannuation.

Key judgement/estimates

Audit Office employee entitlements

Annual leave

The Audit Office has referred to leave taken during the year to determine the split between short term (leave expected to be taken in the next 12 months) and long term (leave expected to be taken after 12 months).

Long service leave

The present value of long service leave has been calculated by an actuary. The key assumptions they used include:

- discount rate of 2.595 per cent (2016: 1.98 per cent)
- short term salary increases of 2.5 per cent up to 2019, 3.5 per cent from 2020 to 2021, 3 per cent from 2022 to 2026 and 3.5 per cent for future years.

In determining the split between current and non current, the Audit Office has used 92 and 8 per cent respectively. This is consistent with Treasury Circular 15/09.

The Audit Office has recognised a reimbursement from the Crown Finance Entity of equal value to the long service leave liability. This is based on Treasury Circulars *TC15/09 Accounting for Long Service Leave and Annual Leave* and *TC14/06 Funding Arrangements for Long Service Leave and Transferred Officers Leave Entitlements*.

E2.1 Other provisions

Restoration costs

The Audit Office has an obligation to restore its leased premises at 1 Margaret Street at the end of the lease term. In accordance with AASB 137 – *Provisions, Contingent Liabilities and Contingent Assets*, the Audit Office has recognised a provision to make good the premises.

	2017 \$'000
Movements in the provision during the financial year is set out below:	
Carrying amount at the beginning of financial year	703
Additional provisions recognised	–
Unwinding / change in the discount rate	13
Carrying amount at end of financial year	716



Section 5: Our liabilities (continued)

Notes to and forming part of the financial statements for the year ended 30 June 2017

Recognition and measurement

Other provisions

Other provisions are recognised when there are legal or constructive obligations as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Key judgement/estimates Audit Office other provisions

This provision to make good our leased premises has been calculated by reference to the leased space area (square metres), an industry rate per square metre to make good the premises, the lease expiry date of July 2019 and the three year Commonwealth Government bond rate of 1.99 per cent.

E2.2 Superannuation

Some current and former Audit Office employees are members of defined benefit schemes which means contributions are required to be made to a separately administered fund and members receive a pension entitlement based on a multiple of salary and years of membership. Members receive lump sum or pension benefits on retirement, death, disablement and withdrawal.

Name of Scheme	Type of Scheme
The State Superannuation Scheme (SSS)	Multi-employer defined benefit scheme
The State Authorities Superannuation Scheme (SASS)	Multi-employer defined benefit scheme
The State Authorities Non-Contributory Superannuation Scheme (SANCS – Basic Benefits Scheme)	Multi-employer defined benefit scheme

The above schemes are closed to new members and employer contributions to the above funds were suspended in 2005.

Regulatory Framework

The schemes in the Pooled Fund are established and governed by the following NSW legislation: *Superannuation Act 1916*, *State Authorities Superannuation Act 1987*, *Police Regulation (Superannuation) Act 1906*, *State Authorities Non-Contributory Superannuation Act 1987*, and their associated regulations.

The schemes in the Pooled Fund are exempt public sector superannuation schemes under the *Commonwealth Superannuation Industry (Supervision) Act 1993* (SIS). The SIS Legislation treats exempt public sector superannuation funds as complying funds for concessional taxation and superannuation guarantee purposes.

Under a Heads of Government agreement, the New South Wales Government undertakes to ensure that the Pooled Fund will conform with the principles of the Commonwealth's retirement incomes policy relating to preservation, vesting and reporting to members and that members' benefits are adequately protected.

The New South Wales Government prudentially monitors and audits the Pooled Fund and the Trustee Board activities in a manner consistent with the prudential controls of the SIS legislation. These provisions are in addition to other legislative obligations on the Trustee Board and internal processes that monitor the Trustee Board's adherence to the principles of the Commonwealth's retirement incomes policy.

Valuations

An actuarial investigation of the Pooled Fund is performed every three years. The last actuarial investigation was performed as at 30 June 2015. The next actuarial investigation will be performed at 30 June 2018.

Governance

The Fund's Trustee is responsible for the governance of the Fund. The Trustee has a legal obligation to act solely in the best interests of the fund beneficiaries. The Trustee has the following roles:

- Administration of the fund and payment to the beneficiaries from fund assets when required in accordance with the fund rules;
- Management and investment of the fund assets; and
- Compliance with other applicable regulations

The defined benefit schemes from 30 June 2015 have remained at an unfunded liability position, a net movement of \$16,914,000 (2016: \$20,277,000). Employer contributions to all funds have been suspended since 1 December 2005.

The following information has been prepared by the Scheme actuary.

Section 5: Our liabilities (continued)

Notes to and forming part of the financial statements for the year ended 30 June 2017

Reconciliation of the net defined benefit liability

	2017 \$'000	2016 \$'000
Net defined benefit liability at start of year	60,509	40,232
Expenses:		
Current service cost	884	584
Net Interest on the net defined benefit liability	1,204	1,219
Superannuation expense in profit and loss	2,088	1,803
Other comprehensive income:		
Actual return on Fund assets less interest income	(4,703)	(57)
Actuarial (gains)/losses arising from changes in demographic assumptions	11	3,224
Actuarial (gains)/losses arising from changes in financial assumptions	(11,611)	16,554
Actuarial (gains)/losses arising from liability experience	(2,699)	(1,247)
Amount recognised in other comprehensive income	(19,002)	18,474
Net defined benefit liability at end of year	43,595	60,509

Reconciliation of the fair value of fund assets

	2017 \$'000	2016 \$'000
Fair value of Fund assets at beginning of the year	65,509	67,587
Interest income	1,264	1,990
Actual return on Fund assets less Interest income	4,703	57
Employer contributions	–	–
Contributions by participants	229	229
Benefits paid	(3,179)	(4,534)
Taxes, premiums and expenses paid	563	180
Fair value of Fund assets at end of the year	69,089	65,509

Reconciliation of the Defined Benefit Obligation

	2017 \$'000	2016 \$'000
Present value of defined benefit obligations at beginning of the year	126,018	107,819
Current service cost	884	584
Interest cost	2,468	3,209
Contributions by participants	229	229
Actuarial losses arising from changes in demographic assumptions	11	3,224
Actuarial (gains)/losses arising from changes in financial assumptions	(11,611)	16,554
Actuarial (gains)/losses arising from liability experience	(2,699)	(1,247)
Benefits paid	(3,179)	(4,534)
Taxes, premiums and expenses paid	563	180
Present value of defined benefit obligations at end of the year	112,684	126,018



Section 5: Our liabilities (continued)

Notes to and forming part of the financial statements for the year ended 30 June 2017

Fair value of fund assets

All Pooled Fund assets are invested by SAS Trustee Corporation (STC) at arm's length through independent fund managers. Assets are not separately invested for each entity and it is not possible or appropriate to disaggregate and attribute fund assets to individual entities. As such, the disclosures below relate to total assets of the Pooled Fund.

As at 30 June 2017

Asset Category	Quoted prices in active markets for identical assets	Significant observable inputs	Unobservable inputs	Total	Percentage invested in each asset class
	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	\$'000	
Cash	3,077,362	9,945		3,087,307	7.7%
Australian Fixed Interest	997	2,499,728		2,500,725	6.2%
International Fixed Interest		480,991		480,991	1.2%
Australian Equities	8,947,483	498,572	24	9,446,079	23.6%
International Equities	9,033,497	1,869,112	1,150,894	12,053,503	30.1%
Property	926,105	533,191	1,993,812	3,453,108	8.6%
Alternatives	390,899	5,068,137	3,607,020	9,066,056	22.6%
TOTAL	22,376,343	10,959,676	6,751,750	40,087,769	100.0%

Level 1 – quoted prices in active markets for identical assets or liabilities. The assets in this level are listed shares; listed unit trusts.

Level 2 – inputs other than quoted prices observable for the asset or liability either directly or indirectly. The assets in this level are cash; notes; government, semi-government and corporate bonds; unlisted trusts where quoted prices are available in active markets for identical assets or liabilities.

Level 3 – inputs for the asset or liability that are not based on observable market data. The assets in this level are unlisted property; unlisted shares; unlisted infrastructure; distressed debt; hedge funds.

Derivatives, including futures and options, can be used by investment managers. However, each manager's investment mandate clearly states that derivatives may only be used to facilitate efficient cashflow management or to hedge the portfolio against market movements and cannot be used for speculative purposes or gearing of the investment portfolio. As such managers make limited use of derivatives.

Fair value of entity's own financial instruments

The disclosures below relate to total assets of the Pooled Fund.

The fair value of the Pooled Fund assets as at 30 June 2017 include \$354.0 million in NSW government bonds.

Of the direct properties owned by the Pooled Fund:

- SAS Trustee Corporation occupies part of a property 100% owned by the Pooled Fund with a fair value of \$250 million (30 June 2016: \$222 million)
- Health Administration Corporation occupies part of a property 50% owned by the Pooled Fund with a fair value (100% interest) of \$261 million (30 June 2016: \$243 million).



Section 5: Our liabilities (continued)

Notes to and forming part of the financial statements for the year ended 30 June 2017

C4.1 Significant actuarial assumptions at the reporting date

As at	30 June 2017	30 June 2016
Discount rate	2.62% p.a.	1.99% p.a.
Salary increase rate (excluding promotional increases)	2.50% 2017/2018 and 2018/2019; 3.50% 2019/2020 and 2020/2021; 3.00% p.a. 2021/2022 to 2025/2026; 3.50% p.a. thereafter	2.50% 2016/2017 to 2018/2019; 3.50% 2019/2020 and 2020/2021; 3.00% p.a. 2021/2022 to 2025/2026; 3.50% p.a. thereafter
Rate of CPI increase	2.00% 2017/2018; 2.25% 2018/2019; 2.50% p.a. thereafter	1.50% 2015/2016; 1.75% 2016/2017; 2.25% 2017/2018; 2.50% p.a. thereafter
Pensioner mortality	The pensioner mortality assumptions are as per the 2015 Actuarial Investigation of the Pooled Fund. These assumptions are disclosed in the actuarial investigation report available from the trustee's website. The report shows the pension mortality rates for each age.	The pensioner mortality assumptions are as per the 2015 Actuarial Investigation of the Pooled Fund. These assumptions are disclosed in the actuarial investigation report available from the trustee's website. The report shows the pension mortality rates for each age.

Sensitivity analysis

The Audit Office's total defined benefit obligation as at 30 June 2017 under several scenarios is presented below. The total defined benefit obligation disclosed is inclusive of the contribution tax provision which is calculated based on the asset level at 30 June 2017.

Scenarios A to F relate to sensitivity of the total defined benefit obligation to economic assumptions, and scenarios G and H relate to sensitivity to demographic assumptions.

	Base Case	Scenario A -1.0% discount rate	Scenario B +1.0% discount rate	Scenario C +0.5% rate of CPI increase	Scenario D -0.5% rate of CPI increase	Scenario E +0.5% salary increase rate	Scenario F -0.5% salary increase rate
Discount rate	as above	as above - 1.0% p.a.	as above + 1.0% p.a.	+ as above	as above	as above	as above
Rate of CPI increase	as above	as above	as above	above rates plus 0.5% p.a.	above rates less 0.5% p.a.	as above	as above
Salary inflation rate	as above	as above	as above	as above	as above	above rates plus 0.5% p.a.	above rates less 0.5% p.a.
Defined benefit obligation (A\$'000)	112,684,411	131,493,398	97,527,289	121,116,183	105,029,927	113,186,704	112,198,741

	Base Case	Scenario G Lower Mortality*	Scenario H Higher Mortality**
Defined benefit obligation (A\$'000)	112,684,411	114,771,155	111,400,681

* Assumes the short-term pensioner mortality improvement factors for years 2017–2021 also apply for years after 2021

** Assumes the long-term pensioner mortality improvement factors for years post 2021 also apply for years 2017 to 2021

The defined benefit obligation has been recalculated by changing the assumptions as outlined above, whilst retaining all other assumptions.



Section 5: Our liabilities (continued)

Notes to and forming part of the financial statements for the year ended 30 June 2017

Surplus/deficit

The following is a summary of the 30 June 2017 financial position of the Fund calculated in accordance with AASB 1056 – Superannuation Entities:

	2017 \$'000	2016 \$'000
Accrued benefits*	61,613	60,766
Net market value of Fund assets	(69,090)	(65,510)
Net surplus	(7,477)	(4,744)

* There is no allowance for a contribution tax provision within the Accrued Benefits figure for AASB 1056. Allowance for contributions tax is made when setting the contribution rates.

Contribution recommendations

Recommended contribution rates for the Audit Office are:

	SASS multiple of member contributions	SANCS % member salary	SSS multiple of member contributions
	NIL	NIL	NIL

Economic assumptions

The economic assumptions adopted for the 30 June 2017 AASB 1056 – Superannuation Entities:

Weighted average assumptions	30 June 2017	30 June 2016
Expected rate of return on Fund assets backing current pension liabilities	7.4% p.a.	7.8% p.a.
Expected rate of return on Fund assets backing other liabilities	6.4% p.a.	6.8% p.a.
Expected salary increase rate (excluding promotional salary increases)	2.7% to 30 June 2019 then 3.2% p.a. thereafter	3.0% to 30 June 2019 then 3.5% p.a. thereafter
Expected rate of CPI increase	2.2% p.a.	2.5% p.a.

Expected contributions

	SASS	SANCS	SSS
		Financial year to 30 June 2018	
Expected employer contributions	NIL	NIL	NIL

Maturity profile of defined benefit obligation

The weighted average duration of the defined benefit obligation is 14.1 years.



Section 5: Our liabilities (continued)

Notes to and forming part of the financial statements for the year ended 30 June 2017

Recognition and measurement

The cost of providing benefits under a defined benefit plan is determined using the projected unit credit method.

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset.

Key judgement/estimates Audit Office superannuation

The cost of the defined benefit pension plan and the present value of the pension obligation are determined using actuarial obligations and an actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include:

- the determination of the discount rate
- future salary increases mortality rates; and
- future pension increases (Table C4.1).

Due to the complexities involved in the calculation and its long term nature, a defined benefit obligation is highly sensitive to change in these assumptions. All assumptions are reviewed at each reporting date.

Risk

Investment risk

The risk that investment returns will be lower than assumed and the Audit Office will need to increase contributions to offset this shortfall.

Longevity risk

The risk that pensioners live longer than assumed, increasing future pensions.

Pension indexation risk

The risk that pensions will increase at a rate greater than assumed, increasing future pensions.

Salary growth risk

The risk that wages or salaries (on which future benefit amounts for active members will be based) will rise more rapidly than assumed, increasing defined benefit amounts and thereby requiring additional employer contributions.

Legislative risk

The risk is that legislative changes could be made which increase the cost of providing the defined benefits.

The defined benefit fund assets are invested with independent fund managers and have a diversified asset mix.

The Fund has no significant concentration of investment risk or liquidity risk.

Asset-Liability matching strategies

The Trustee monitors its asset-liability risk continuously in setting its investment strategy. It also monitors cashflows to manage liquidity requirements. No explicit asset-liability matching strategy is used by the Trustee

Section 6: Risk and other notes

Notes to and forming part of the financial statements for the year ended 30 June 2017

F1. Financial instruments

The Audit Office's principal financial instruments are cash (note D1), receivables (note D2), WIP (note D3) and payables (note E1). These financial instruments arise directly from our operations. The Audit Office does not enter into or trade financial instruments for speculative purposes.

Quantitative and qualitative disclosures together with our objectives, policies and processes for measuring and managing risk are included throughout the financial statements.

The Office Executive has overall responsibility for the establishment and oversight of risk management and reviews and agreed policies for managing each of these risks. Risk management policies are established to identify and analyse risks, to set risk controls and to monitor the risks faced by the Audit Office. Compliance with policies is reviewed by the Audit Office on a continuous basis.

F2. Capital commitments

The Audit Office had nil (2016: \$72,000) contractual commitments to purchase equipment and intangible assets at reporting date.

F3. Contingent assets and contingent liabilities

At the reporting date, the Audit Office was not aware of any contingent assets or contingent liabilities (2016: nil).

F4. Auditor's remuneration

In May 2017, the Governor appointed Mr Lester Wills, a partner of Nexia Sydney Partnership, to audit our financial statements for the 2016–17 year. The auditor's remuneration for auditing the financial statements is \$38,540 (2016: \$37,680). Nexia Sydney Partnership did not provide any other services to the Audit Office (2016: nil).

F5. Related party disclosures

We have assessed that the Office Executive are key management personnel (KMP) of the Audit Office. We believe they have the authority and responsibility for planning, directing and controlling the activities of the Office.

The Audit Office's key management personnel compensation is as follows:

	2017 \$'000
Short-term employee benefits:	
Salaries	2,139
Other long-term employee benefits	84
Post-employment benefits	151
Total remuneration	2,374

The Audit Office did not enter into any material transactions with key management personnel, their close family members or entities they controlled or jointly controlled during the year.

Transactions with NSW Government agencies

During the year, the Audit Office provided audit and audit related services to entities that are controlled by the NSW Government. These services were provided at arm's length based on agreed terms and using our standard charge rates. None of these transactions were individually significant. The total revenue received from NSW Government agencies was \$29.7 million. Of this amount, \$3.7 million is owed to the Audit Office at the reporting date.

The Audit Office also received funding of \$8.6 million from the Crown Entity for its performance and compliance audit services. The funding is set through the annual State Budget process, together with any subsequent adjustments. In 2016–17, the Audit Office received additional funding for the new performance audit mandate of the local government sector.

End of audited financial statements



Appendices

Appendix one

Senior executive and leadership positions	101
---	-----

Appendix two

Financial audit entities, reviews and other related services	102
--	-----

Appendix three

Services to the public sector	108
-------------------------------	-----

Appendix four

Services to the profession	111
----------------------------	-----

Appendix five

Publications	113
--------------	-----

Appendix six

Workforce diversity and disability inclusion action plan	115
--	-----

Appendix seven

Accounts payable performance	117
------------------------------	-----

Appendix eight

Consultants	118
-------------	-----

Appendix nine

Internal audit and risk management attestation	119
--	-----

Appendix ten

Digital information security annual attestation statement	120
---	-----

Appendix eleven

Transparency reporting	121
------------------------	-----

Appendix twelve

GIPA application information	122
------------------------------	-----

Appendix thirteen

Public interest disclosures information	124
---	-----

Senior executive and leadership positions

1 Appendix one

Public Service Senior Executive remuneration band equivalent range and average remuneration*

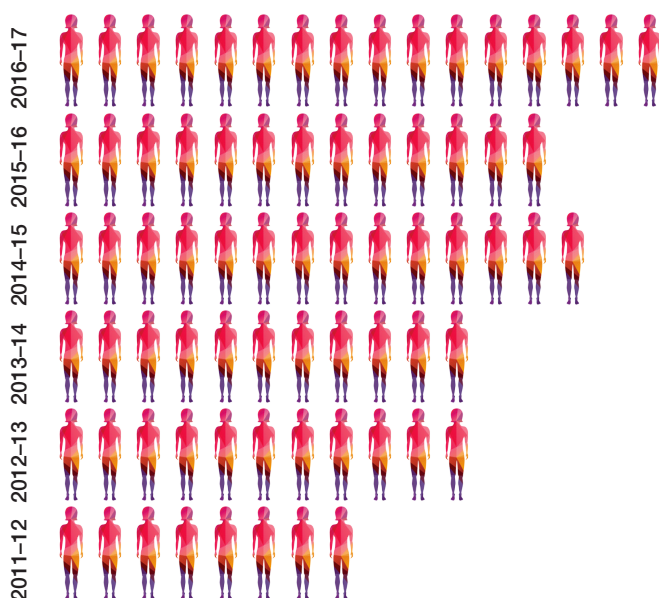
Band	2015–16		2016–17	
	Range	Average	Range	Average
Band Four (equivalent)	441,201–509,750	495,868	452,251–522,500	499,583
Band Three (equivalent)	313,051–441,200	315,956	320,901–452,250	342,992
Band Two (equivalent)	248,851–313,050	279,200	255,051–320,900	270,811
Band One (equivalent)	174,500–248,850	211,490	178,850–255,050	215,070

*Due to the nature of our business, 25 per cent of the Audit Office's employee-related expenditure in 2016–17 was related to senior executive, compared with 22 per cent in 2015–16.

Public Sector Senior Executive remuneration band equivalent and gender

Band	2015–16		2016–17	
	Female	Male	Female	Male
Band Four (equivalent)	1	1	1	0
Band Three (equivalent)	0	1	0	3
Band Two (equivalent)	1	3	2	2
Band One (equivalent)	11	14	13	14
Total		32		35

Number of executive and leadership positions filled by women



Financial audit entities, reviews and other related services

2 Appendix two

Aboriginal Housing Office	Cobbora Rail Company Pty Limited	Fire and Rescue New South Wales
Agricultural Scientific Collections Trust	Combat Sports Authority of NSW	Forestry Corporation of New South Wales (trading as Forests NSW)
Ambulance Service of New South Wales	Corporation Sole 'Minister Administering the Environmental Planning and Assessment Act 1979'	Gaagal Wanggaan (South Beach) National Park Board of Management
Armidale Dumaresq Council	Corporation Sole 'Minister Administering the Heritage Act 1977'	Game and Pest Management Trust Fund
Art Gallery of New South Wales Foundation	Corrective Services NSW	Government Property NSW
Art Gallery of New South Wales Trust	Cowra Japanese Garden Maintenance Foundation Ltd	Gulaga National Park Board of Management
Art Gallery of New South Wales Trust Staff Agency	Cowra Japanese Garden Trust	Guyra Shire Council
Australian Institute of Asian Culture and Visual Arts Limited, The	Crown Employees (NSW Fire Brigades Firefighting Staff Death and Disability) Superannuation Fund	Health Care Complaints Commission
Ausgrid	Crown Entity, The	Health Care Complaints Commission Staff Agency
Ausgrid Pty Limited	Crown Solicitor's Office	Health Professional Councils (13)
Australian Museum Trust	Dams Safety Committee	Historic Houses Trust of New South Wales
Australian Museum Trust Staff Agency	Delta Electricity	Foundation for the Historic Houses Trust of NSW
Barangaroo Delivery Authority	Department of Education and Communities	Foundation for the Historic Houses Trust of NSW Limited
Barangaroo Delivery Authority Staff Agency	Department of Family and Community Services	Home Building Compensation Fund
Office of Barangaroo Delivery Authority	John Williams Memorial Charitable Trust	Home Care Service of New South Wales
Belgenny Farm Agricultural Heritage Centre Trust	Department of Justice	Home Care Service Staff Agency
Biamanga National Park Board of Management	Department of Industry	Home Purchase Assistance Fund
Board of Studies, Teaching and Educational Standards	Department of Planning and Environment	Hunter Development Corporation
Board of Studies, Teaching and Educational Standards Staff Agency	Department of Premier and Cabinet	Hunter Water Corporation
Board of Surveying and Spatial Information	Department of Transport	Hunter Water Australia Pty Limited
Brett Whiteley Foundation, The	Transport for NSW	Illawarra Health and Medical Research Institute Limited
Building Insurers' Guarantee Corporation	Transport Services of NSW	Independent Commission Against Corruption
Building Professionals Board	Destination NSW	Independent Liquor and Gaming Authority
Bush Fire Coordinating Committee	Destination NSW Staff Agency	Independent Liquor and Gaming Authority Staff Agency
C.B. Alexander Foundation	Election Funding Authority of New South Wales	Independent Pricing and Regulatory Tribunal
Cemeteries and Crematoria NSW	Electricity Assets Ministerial Holding Corporation	Independent Pricing and Regulatory Tribunal Staff Agency
Centennial Park and Moore Park Trust	Electricity Transmission Ministerial Holding Corporation	Independent Transport Safety Regulator
Central Coast Council Water Supply Authority	Endeavour Energy	Independent Transport Safety Regulator Staff Agency
Central Coast Regional Development Corporation	Energy Industries Superannuation Scheme	Information and Privacy Commission NSW
Charles Sturt University	EIF Pty Limited	Infrastructure NSW
Charles Sturt University Foundation Trust	Energy Industries Superannuation Scheme (EISS) – Pool A and Pool B	Infrastructure NSW Staff Agency
Charles Sturt Campus Services Limited	Energy Industries Superannuation Scheme Pty Limited	Insurance and Care NSW
Chief Investigator of the Office of Transport Safety Investigations	Energy Investment Fund	Internal Audit Bureau of New South Wales
City West Housing Pty Limited	Essential Energy	Jenolan Caves Reserve Trust
Coal Innovation Fund NSW	Fair Trading Administration Corporation	Judicial Commission of New South Wales
Cobar Water Board	Financial Counselling Trust Fund	Landcom
Cobbora Holding Company Pty Limited		Lands Administration Ministerial Corporation
Cobbora Coal Mine Pty Limited		Law Enforcement Conduct Commission
		Legal Aid Commission of New South Wales



Financial audit entities, reviews and other related services

2 Appendix two (continued)

Legal Aid Commission Staff Agency	Mine Subsidence Board	Nepean Blue Mountains
Legal Profession Admission Board	Ministerial Holding Corporation	Nepean Blue Mountains Local Health District Special Purpose Entity
Legislature, The	Ministry of Health	Northern NSW
Legislature (Audit of Members' Additional Entitlements), The	Agency for Clinical Innovation	Northern NSW Local Health District Special Purpose Entity
Liability Management Ministerial Corporation	Agency for Clinical Innovation Special Purpose Service Entity	Northern Sydney
Library Council of New South Wales	Albury Base Hospital	Northern Sydney Local Health District Special Purpose Entity
Library Council of NSW Staff Agency	Albury Wodonga Health Employment Division	South Eastern Sydney
State Library of New South Wales Foundation	Bureau of Health Information	South Eastern Sydney Local Health District Special Purpose Entity
Lifetime Care and Support Authority of New South Wales	Bureau of Health Information Special Purpose Service Entity	Southern NSW
Liverpool City Council	Cancer Institute NSW	Southern NSW Local Health Network Special Purpose Entity
Local Government Superannuation Scheme Pty Ltd	Cancer Institute Special Purpose Service Entity	South Western Sydney
Local Land Services	Clinical Excellence Commission	South Western Sydney Local Health Network Special Purpose Entity
Local Land Services Staff Agency	Clinical Excellence Commission Special Purpose Service Entity	Sydney
Long Service Corporation	Graythwaite Charitable Trust	ANZAC Health and Medical Research Foundation Trust Fund
Lord Howe Island Board	Health Administration Corporation	Sydney Local Health Network Special Purpose Service Entity
Lotteries Assets Ministerial Holding Corporation	Public Health System Support Division Special Purpose Service Entity	Sydney Children's Hospital Network
Luna Park Reserve Trust	Health Education and Training Institute	The Sydney Children's Hospital Network Special Purpose Service Entity
Macquarie University	Health Education and Training Institute Special Purpose Service Entity	Western NSW
Access Macquarie Limited	Justice Health and Forensic Mental Health Network	Western NSW Local Health District Special Purpose Entity
Australian Proteome Analysis Facility Ltd	Justice Health and Forensic Mental Health Network Special Purpose Service Entity	Western Sydney
CMBF Limited	Local Health Networks	Western Sydney Local Health District Special Purpose Entity
COH Property Trust	Central Coast	NSW Health Pathology
Macquarie University Clinical Associates Pty Ltd	Central Coast Local Health District Special Purpose Entity	NSW Kids and Families
Macquarie University Professorial Superannuation Scheme	Far West	Multicultural NSW
Macquarie University Property Investment Company Pty Limited	Far West Local Health District Special Purpose Entity	Multicultural NSW Staff Agency
Macquarie University Property Investment Company No 3 Pty Limited	Hunter New England	Mutawintji Board of Management
Macquarie University Property Investment Trust	Hunter New England Local Health District Special Purpose Entity	Mt Grenfell National Park Board of Management
MGSM Ltd	Illawarra Shoalhaven	National Art School
MUH Operations Pty Limited	Illawarra Shoalhaven Local Health District Special Purpose Entity	Natural Resources Commission
MUH Operations No. 2 Limited	Mid North Coast	Natural Resources Commission Staff Agency
MUPH Clinic Pty Limited	Mid North Coast Local Health District Special Purpose Entity	Networks NSW Pty Limited
Risk Frontiers Flood (Australia) Pty Limited	Murrumbidgee	New South Wales Aboriginal Land Council
Risk Frontiers Group Pty Limited	Murrumbidgee Local Health District Special Purpose Entity	New South Wales Crime Commission
U@MQ Limited		New South Wales Crime Commission Staff Agency
Mental Health Commission of New South Wales		New South Wales Electoral Commission
Mental Health Commission Staff Agency		
MidCoast Water		



New South Wales Electoral Commission Staff Agency	Place Management NSW	Taronga Conservation Society Australia
New South Wales Health Foundation	Port Authority of New South Wales	Teacher Housing Authority of New South Wales
New South Wales Home Building Compensation Fund	Port Botany Lessor Pty Limited	Technical and Further Education Commission, New South Wales
New South Wales Institute of Psychiatry	Port Kembla Lessor Pty Limited	TAFE Commission (Senior Executives) Staff
New South Wales Institute of Psychiatry Staff Agency	Port of Newcastle Lessor Pty Ltd	TransGrid
New South Wales Institute of Sport	Ports Assets Ministerial Holding Corporation	Treasury
New South Wales Institute of Sport Staff Agency	Public Reserve Management Fund	Trustees of the ANZAC Memorial Building
New South Wales Rural Assistance Authority	Public Service Commission	Trustees of the Farrer Memorial Research Scholarship Fund
New South Wales Rural Fire Service	Public Trustee NSW Common Fund	Trustees of the Museum of Applied Arts and Sciences
New South Wales Treasury Corporation	Rail Corporation New South Wales	Trustees of the Museum of Applied Arts and Sciences Staff Agency
TCorp Nominees Pty Limited	Rental Bond Board	Trustees of the Parliamentary Contributory Superannuation Fund
NSW Architects Registration Board	Responsible Gambling Fund	Universities Admission Centre (NSW & ACT) Pty Limited
New England Weeds Authority	Rice Marketing Board for the State of New South Wales	University of Newcastle, The
NSW Environment Protection Authority	Roads and Maritime Services	Newcastle Innovation Limited
Environment Protection Authority Staff Agency	Sydney Motorway Corporation	UON Singapore Pte Ltd
NSW Environmental Trust	Royal Botanic Gardens and Domain Trust	University of New England
NSW Fire Brigades Superannuation Pty Limited	SAS Trustee Corporation	Agricultural Business Research Institute Limited
NSW Food Authority	SAS Trustee Corporation Staff Agency	Sport UNE Limited
NSW Government Telecommunications Authority	SAS Trustee Corporation – Pooled Fund	UNE Foundation
NSW Land and Housing Corporation	Buroba Pty Limited	UNE Foundation Limited
NSW Ovine Johne's Disease Transaction-Based Contribution Scheme	Valley Commerce Pty Limited	UNE Life Pty Ltd
NSW Police Force	State Super Financial Services Australia Limited	UNE Partnerships Pty Limited
NSW Self Insurance Corporation	Service NSW	University of New South Wales
NSW Skills Board	Sesquicentenary of Responsible Government Trust Fund	UNSW Global Pty Limited
NSW Trains	Southern Cross University	Australian Education Consultancy Limited
NSW Treasury Corporation Managed Trusts	Norsearch Limited	UNSW Global India Pvt Limited
NSW Trustee and Guardian	Sporting Injuries Compensation Authority	UNSW (Hong Kong) Limited
NSW Trustee and Guardian Common Fund – Financial Management	State Insurance and Regulatory Authority	UNSW Global (Singapore) Pte Limited
Office of Finance and Services	State Rail Authority Residual Holding Corporation	NewSouth Innovations Pty Limited
Office of the Children's Guardian	State Records Authority of New South Wales	Cystemix Pty Limited
Office of the Director of Public Prosecutions	State Sporting Venues Authority	Qucor Pty Limited
Office of Environment and Heritage	State Transit Authority of New South Wales	Scientia Clinical Research Limited
Office of Local Government	Superannuation Administration Corporation (trading as Pillar Administration)	The New South Wales Minerals Industry/University of New South Wales Education Trust
Office of Sport	Sydney Cricket and Sports Ground Trust	UK Friends of UNSW Australia
Office of the NSW State Emergency Services	Sydney Cricket and Sports Ground Trust Staff Agency	University of New South Wales Foundation Limited
Parliamentary Contributory Superannuation Fund	Sydney Ferries	University of New South Wales Foundation
Parliamentary Counsel's Office	Sydney Olympic Park Authority	
Parramatta Park Trust	Sydney Opera House Trust	
	Sydney Opera House Trust Staff Agency	
	Sydney Trains	
	Sydney Water Corporation	



Financial audit entities, reviews and other related services

2 Appendix two (continued)

University of New South Wales Press Limited	University of Wollongong Asset Trust
UNSW Hong Kong Foundation Limited	University of Wollongong Recreation and Aquatic Centre Limited
UNSW Study Abroad – Friends and US Alumni Inc	UOW Pulse Ltd
University of Technology, Sydney	Urban Growth NSW Development Corporation
accessUTS Pty Limited	Australian Technology Park Sydney Limited
AustLii Foundation Ltd	Venues NSW
Insearch Limited	Newcastle International Sports Centre Club
Insearch Education International Pty Limited	Veterinary Practitioners Board
Insearch (Shanghai) Pty Limited	Waste Assets Management Corporation
Pivot Pty Limited	Water Administration Ministerial Corporation
Sydney Educational Broadcasting Limited	Water NSW Corporation
UTS Global Pty Limited	WCX M4 Pty Limited
University of Sydney, The	Wentworth Park Sporting Complex Trust
A14 Holdings Limited	Western Sydney Parklands Trust
SydneyLearning Pty Limited	Wild Dog Destruction Board
Sydney Talent Pty Limited	Wine Grapes Marketing Board for the City of Griffith and the Shires of Leeton, Carrathool and Murrumbidgee
The Warren Centre for Advanced Engineering Limited	Worimi Conservation Lands Board of Management
United States Studies Centre Limited	Workers' Compensation (Dust Diseases) Board
University of Sydney Professorial Superannuation System	Workers' Compensation Nominal Insurer (trading as The NSW WorkCover Scheme)
Westmead IVF Pty Limited	
University of Western Sydney, The	
Television Sydney (TVS) Limited	
University of Western Sydney Foundation Limited	
University of Western Sydney Foundation Trust	
UWS College Pty Limited	
UWS Early Learning Limited	
UWS Enterprises Pty Limited	
uwconnect Limited	
Whitlam Institute within the University of Western Sydney Limited and Whitlam Institute within the University of Western Sydney Trust	
University of Wollongong	
Community College of City University Limited	
CCCU Trust	
UOWD Limited	
UOWC Limited	
The University of Wollongong USA Foundation	
Sydney Business School Pty Limited	



Audit-related services requested by the Treasurer under section 27B(3)(c) of the *Public Finance and Audit Act 1983*

Any audit or audit related services for which:

- a Commonwealth or State Government Body requires, for regulatory purposes, a NSW public sector agency to have information, reports or returns audited, reviewed, examined or certified by an auditor, and
- a NSW public sector agency asks the Audit Office to undertake the audit, review, examination or certification.

Audit or audit related services to enable NSW public sector agencies to meet requirements under the *Corporations Act 2001* or the *Superannuation Industry (Supervision) Act 1993*

Audit reports required by s. 24 of the *Charitable Fundraising Act 1991* for NSW Government agencies that conduct fundraising appeals

Audit of financial reports for funds within the Special Deposits Account

Audit or audit related services requested by a NSW Government agency in relation to information, reports of returns required to be provided by NSW Government agencies under the terms of a contract, lease or agreements between the NSW Government agency and third parties

Audit of data returns or reports required under the Australian Government/State Agreements

Audit of data returns or reports to acquit Disaster Relief Payments from the Commonwealth

Audit of data returns or reports to acquit grants provided by the Commonwealth and other donors to NSW Government agencies

Audit of universities' Higher Education Research Data Collection (HERDC) Return – Return 1 as required by Commonwealth funding arrangements and/or agreements

Audit of general purpose financial statements of the:

- NSW Trustee and Guardian Common Fund – Trustee
- NSW Trustee and Guardian Common Fund – Financial Management

Audit of special purpose and trust funds for controlled entities of the Ministry of Health



Financial audit entities, reviews and other related services

2 Appendix two (continued)

Overseas visits

Staff member	Date of travel	Return date	Destination	Reason
Ali Amjad Kenneth Leung Quentin Wong	19 September 2016	23 September 2016	Lord Howe Island	To audit Lord Howe Island Board in accordance with the <i>Public Finance and Audit Act 1983</i> .
Margaret Crawford	12 October 2016	16 October 2016	New Zealand	To discuss audit mandate, audit approach and commissioning with the Office of the Auditor-General New Zealand.
Bola Oyetunji	22 February 2017	1 March 2017	Hong Kong and China	To undertake an audit of Australian Education Consultancy Limited, UNSW Hong Kong Limited and UNSW Hong Kong Foundation Limited.
Celia Withers	24 February 2017	1 March 2017	Hong Kong	To undertake an audit of Australian Education Consultancy Limited, UNSW Hong Kong Limited and UNSW Hong Kong Foundation Limited.
Scott Stanton Susanti Tedja	25 February 2017	3 March 2017	Solomon Islands	To help build the Solomon Islands Office of the Auditor-General's capacity to perform its audit functions under the Solomon Islands Twinning Arrangement.
Chris Phillips	25 February 2017	4 March 2017	Hong Kong and Singapore	To undertake an audit of Australian Education Consultancy Limited, UNSW Hong Kong Limited, UNSW Hong Kong Foundation Limited and UNSW (Singapore) Pte Limited.
Roopal Rachna Sanjay Ram	1 May 2017	12 May 2017	Solomon Islands	To help build the Solomon Islands Office of the Auditor-General's capacity to perform its audit functions under the Solomon Islands Twinning Arrangement.

Services to the public sector

3 Appendix three

Appearances before parliamentary committees

We appeared before the following parliamentary committees.

Date	Committee	Event	Who
27 September 2016	Committee on the Ombudsmen, the Police Integrity Commission and the Crime Commission, Legislative Assembly	Review of the <i>Public Interest Disclosures Act 1994</i>	Margaret Crawford Barry Underwood
7 November 2016	Public Accounts Committee	Examination of the Auditor-General's Performance Audit Reports December 2014 to June 2015	Margaret Crawford Tony Whitfield Kathrina Lo
22 May 2017	Public Accounts Committee	Auditor-General's Public Hearing on Performance Audit Reports	Ian Goodwin Claudia Migotto
22 May 2017	Legislative Council – Portfolio Committee No. 2 – Health and Community Services	Inquiry into Road Tolling	Ian Goodwin Claudia Migotto

Memberships

Audit Office staff were members of the following public sector organisations and committees.

Margaret Crawford	Australasian Council of Auditors-General – Member Institute of Public Administration Australia – Fellow and NSW Council
Tony Whitfield	Australasian Council of Auditors-General – Financial Reporting and Auditing Committee
Ian Goodwin	Australian Army Reserve – RAAC Squadron Commander Australasian Council of Auditors-General – Heads of Financial Audit
Peter Barnes	Taxation Hardship Relief Board
Alison Gatt	Australasian Council of Auditors-General – Financial Reporting and Auditing Committee Australian Prudential Regulatory Authority (APRA) – Superannuation National Audit Consultative Committee
James Sugumar	NSW Public Sector Community of Finance Professionals – Advisory Board
Barry Underwood	Corruption Prevention Network – Board Member (ex officio) Public Interest Disclosures Steering Committee – Auditor-General's Representative Integrity Agencies Collaboration Group – Member
Michael Thistlethwaite	NSW Public Sector Community of ICT Professionals – Member NSW Public Sector Community of Change Professionals – Member
Karen Duke	Institute of Public Administration Australia – Member
Giulia Vitetta	Institute of Public Administration Australia – Member
David Daniels	NSW Public Sector Community of Finance Professionals – Member of the Advisory Board



Services to the public sector

3 Appendix three (continued)

Presentations

Audit Office staff gave the following presentations to various public sector audiences.

Title	Presenter(s)	Date	Who
Enterprise Risk Management Maturity Assessment	Bola Oyetunji	18 August 2016	NSW Agencies' Enterprise Risk Management Community of Practice
Insights into Performance frameworks in Custodial Centre Operations	Kathrina Lo	23 August 2016	Prison's 2016 Conference
Conversation with Margaret Crawford, NSW Auditor-General	Margaret Crawford	6 October 2016	NSW Public Sector Community of Finance Professionals
Public Sector Performance Expectations from the Audit Office	Steven Martin	4 November 2016	Internal Audit Local Government Forum, Institute of Internal Auditors — Australia
Working with the Local Government Sector — NSW Information Sessions	Lawrissa Chan Chris Clayton Peter Coulogeorgiou Margaret Crawford Caroline Karakatsanis Michael Kharzoo Weini Liao Rod Longford Steven Martin Renee Meimaroglou David Nolan Karen Taylor	9 November 2016 to 13 December 2016	NSW Local Councils
Local Councils Contract Audit Agent Workshop	Sally Bond Peter Coulogeorgiou Gerry Coy Margaret Crawford David Daniels Michelle Martin Steven Martin	14 November 2016	Contract Audit Agents and Office of Local Government representatives
The Auditor-General's Mandate in Local Government	Steven Martin	30 November 2016	Local Government Internal Auditors
The Audit Office – Update on the Local Government Mandate (Local Government Professionals Australia – Hot Topics)	Margaret Crawford	2 December 2016	Local Government Hot Topics General Manager and Director Forum
Local Government Contract Audit Agents Workshop	Lawrissa Chan Peter Coulogeorgiou Steven Martin	13 February 2017	Contract Audit Agents Annual Forum
Local Government Audits	Lawrissa Chan Caroline Karakatsanis	14 February 2017	NSW Local Councils



Title	Presenter(s)	Date	Who
Local Government Audit and Risk Committee Chairs Workshop	Peter Coulogeorgiou Margaret Crawford Kathrina Lo Steven Martin Mukesh Nair	3 March 2017	Chairs of NSW Local Government Audit, Risk and Improvement Committees
Auditor-General's Mandate	Peter Coulogeorgiou	3 March 2017	Chairs and Members of NSW Local Government Audit, Risk and Improvement Committees
International Women's Day – Be Bold for Change	Margaret Crawford	7 March 2017	Institute of Public Administration Australia (IPAA)
Principles of Governing in Local Government	Barry Underwood	13 March 2017	Local Government Governance Professionals
Audit Office of New South Wales – Update on the Mandate	Margaret Crawford	14 March 2017	Local Government Governance Professionals
Performance Audit Learnings Series Preparing Annual Cluster Program Evaluation Schedules	Edward Shestovsky	29 March 2017	Departmental representatives of NSW Agencies
Audit Methodology Training	Roopal Rachna Sanjay Ram	1–12 May 2017	Auditors of Solomon Islands Auditor-General's Office
Update on the Local Government Mandate	Lawrissa Chan Peter Coulogeorgiou Reiky Jiang	5 May 2017	NSW Local Councils
Audit Office of New South Wales – Update on the Local Government Mandate	Steven Martin	11 May 2017	Local Government Professionals Australia Annual Conference
Enterprise Risk Management Maturity: The Journey Needs to be Dynamic	Bola Oyetunji	2 June 2017	Australia and New Zealand Universities' AURIMS and ANZUAIG Insurance and Risk Management Conference
Audit and Risk Committee Chairs Presentation	Ian Goodwin	16 June 2017	Chairs of NSW Agencies' Audit and Risk Committees
Audit Office of New South Wales – Update on the Mandate	Margaret Crawford	29 June 2017	NSW Local Councils

Services to the profession

4 Appendix four

Memberships

Audit Office staff were members of the following committees, professional associations, panels or working parties.

Margaret Crawford	Australian Institute of Company Directors – Fellow
Tony Whitfield	International Governance and Performance Research Centre – Advisory Panel
Ian Goodwin	Chartered Accountants, Australia and New Zealand – ACT Regional Councillor
Alison Gatt	Chartered Accountants Australia and New Zealand – Sydney Research Group – Member Macquarie University Departmental Advisory Board – Department of Accounting and Corporate Governance – Member
Kathrina Lo	Law Society of New South Wales – Member
Steven Martin	Chartered Accountants Australia and New Zealand – Accounting, Assurance and Governance Discussion Group
Bola Oyetunji	Global Association of Risk Professionals Financial Services Institute of Australasia
Scott Stanton	CPA Australia – NSW Division, Divisional Councillor CPA Australia – NSW Divisional Council, Divisional Council Liaison Member NSW Public Sector Committee
Ashwar Kumaraguru	Information Systems Audit and Control Association – Member
Chris Giumelli	CPA Australia – Public Sector Committee, Chair and Member
Barry Li	CPA Australia – Chair of the Young Professionals Committee (NSW)

Education

Audit Office staff contributed to these professional publications, resources and qualification programs.

Alison Gatt	Chartered Accountants Australia and New Zealand – Member Advisory Panel Audit and Assurance Module
-------------	--



Submissions to professional bodies

The Audit Office contributes to the collaborative effort of all Australian audit offices by helping to develop responses to professional bodies on pronouncements exposed for comment. We have prepared or contributed to the following responses by the Australasian Council of Auditors-General.

Title	Date
AASB – Australian Accounting Standard Board	
Fatal-Flaw Review Drafts AASB 10XX 'Income of Not-for-Profit Entities'	21 October 2016
AASB 2016-X Amendments to Australian Accounting Standards – 'Australian Implementation Guidance for Not-for-Profit Entities'	
AASB's Tentative Agenda Decision 'Materiality of Key Management Personnel Related Party Transactions for Public Sector Entities'	21 February 2017
Fatal-Flaw Review Draft AASB 10XY 'Service Concession Arrangements: Grantors'	17 March 2017
Exposure Draft ED 277 'Reduced Disclosure Requirements for Tier 2 Entities'	26 May 2017
AUASB – Auditing and Assurance Standards Board	
Exposure Draft 04/16 – Proposed Standard on Assurance Engagements ASAE 3100 'Compliance Engagements'	19 October 2016

Presentations

Audit Office staff gave the following presentations to various professional auditing and accounting, and other audiences.

Title	Presenter(s)	Date	Who
Innovation in auditing using data analytics	Margaret Crawford	11 October 2016	CPA Congress
Public sector audits – do they really make a difference?	Margaret Crawford	18 November 2016	CPA Congress
Role of the Auditor-General	Margaret Crawford	28 November 2016	Ernst & Young
Panel discussion at Treasury – Public Sector Financial Reporting	Ian Goodwin	10 February 2017	Chartered Accountants Australia and New Zealand
Celebrating women's achievements in business and leadership	Margaret Crawford	9 March 2017	CPA Australia
Annual Report of the Year Award acceptance speech	Ian Goodwin	21 June 2017	Australasian Reporting Awards Gala Presentation Event



Publications

5 Appendix five

Financial audit reports

Volume	Focus	Date released
Volume Four 2016	State Finances	6 October 2016
Volume Five 2016	Finance, Services and Innovation (including Insurance)	10 November 2016
Volume Six 2016	Family and Community Services	17 November 2016
Volume Seven 2016	Law and Order, Emergency Services and the Arts	24 November 2016
Volume Eight 2016	Premier and Cabinet	29 November 2016
Volume Nine 2016	Transport	1 December 2016
Volume Ten 2016	Planning and Environment	6 December 2016
Volume Eleven 2016	Health	8 December 2016
Volume Twelve 2016	Industry, Skills, Electricity and Water	14 December 2016
Volume Thirteen 2016	Education	15 December 2016
Volume One 2017	Universities 2016	6 June 2017
Volume Two 2017	Members' Additional Entitlements 2016	21 March 2017

Special reports

Title	Date released
2016 – An Overview	30 March 2017

Performance audit reports

Agencies audited	Performance audit report	Date released
<ul style="list-style-type: none"> Department of Premier and Cabinet Department of Finance, Services and Innovation 	Red tape reduction	25 August 2016
<ul style="list-style-type: none"> Department of Industry — Lands 	Sale and lease of Crown land	8 September 2016
<ul style="list-style-type: none"> NSW Food Authority 	Monitoring food safety practices in retail food businesses	15 September 2016
<ul style="list-style-type: none"> NSW Police Force, Fire & Rescue NSW 	Preventing and managing worker injuries	13 October 2016
<ul style="list-style-type: none"> Department of Premier and Cabinet 	Government Advertising 2015—16	27 October 2016
<ul style="list-style-type: none"> NSW Treasury Department of Premier and Cabinet Department of Industry, Skills and Regional Development Department of Justice Department of Planning and Environment 	Implementation of the NSW Government's program evaluation initiative	3 November 2016
<ul style="list-style-type: none"> Transport for NSW 	CBD and South East Light Rail Project	30 November 2016
<ul style="list-style-type: none"> Planning Assessment Commission 	Assessing major development applications	19 January 2017
<ul style="list-style-type: none"> NSW Department of Family and Community Services 	Building the readiness of the non-government sector for the NDIS	23 February 2017
<ul style="list-style-type: none"> Transport for NSW Sydney Trains NSW Trains 	Passenger rail punctuality	11 April 2017
<ul style="list-style-type: none"> Department of Education Transport for NSW Department of Industry 	Contingent workforce	27 April 2017
<ul style="list-style-type: none"> Department of Justice Corrective Services NSW 	Therapeutic programs in prisons	3 May 2017
<ul style="list-style-type: none"> Department of Education 	Planning for school infrastructure	4 May 2017
<ul style="list-style-type: none"> Department of Planning and Environment 	Mining rehabilitation security deposits	11 May 2017
<ul style="list-style-type: none"> NSW Health 	Medical equipment management in NSW public hospitals	25 May 2017
<ul style="list-style-type: none"> Department of Premier and Cabinet NSW Treasury Infrastructure NSW Roads and Maritime Services Transport for NSW 	NorthConnex	8 June 2017
<ul style="list-style-type: none"> Roads and Maritime Services 	Sydney region road maintenance contracts	15 June 2017

Professional Update

Professional Update is produced monthly by our Audit Support team with the main purpose of informing our readers of current issues in the accounting and auditing industry.

Annual Report

Annual Report 2015–16 published 9 September 2016.

Total external production costs for the Annual Report 2016–17: \$0.



Workforce diversity and disability inclusion action plan

6 Appendix six

Trends in the representation of Workforce Diversity groups

	Benchmark/Target*	2013–14	2014–15	2015–16	2016–17
Workforce Diversity Group	%	% of total staff			
Women	50	51.3	50.2	49.3	52.5
Aboriginal people and Torres Strait Islanders	2.6	0	0	0	1.4
People whose first language spoken as a child was not English	19	43.2	40.4	38	50.0
People with a disability	n/a	2.2	2.7	2.5	2.5
People with a disability requiring work-related adjustment	1.5	1.5	2.0	1.8	1.4

Trends in the distribution of Workforce Diversity groups

	Benchmark/Target*	2013–14	2014–15	2015–16	2016–17
Workforce Diversity Group	%	% of total staff			
Women	100	96	100	97	96
Aboriginal people and Torres Strait Islanders	100	n/a	n/a	0	n/a
People whose first language spoken as a child was not English	100	94	98	98	86
People with a disability	100	n/a	n/a	n/a	n/a
People with a disability requiring work-related adjustment	100	n/a	n/a	n/a	n/a

* Provided by the Public Service Commission.

¹ A Distribution Index of 100 indicates that the centre of the distribution of the Workforce Diversity group across salary levels is equivalent to that of other staff. Values less than 100 mean that the Workforce Diversity group tends to be more concentrated at lower salary levels than is the case for other staff. The more pronounced this tendency is, the lower the index will be. In some cases the index may be more than 100, indicating that the Workforce Diversity group is less concentrated at lower salary levels.

² The Distribution Index is not calculated where Workforce Diversity group or non-Workforce Diversity group numbers are less than 20.



Diversity Inclusion and Accessibility Framework

In 2016–17, the Audit Office developed a Diversity Inclusion and Accessibility Framework. This framework provides an overarching platform for the Audit Office to ensure meaningful employment opportunities to all employees regardless of culture, disability, gender or background. We are working towards breaking down any barriers that may exist and putting strong targets in place to allow us to build a stronger, more innovative workforce. The framework also incorporates our Disability Inclusion Action Plan.

A description of each area, as well as achievements in 2016–17 and goals for 2017–18, are included in the table following.

Multicultural Policies and Services Program

The Audit Office's activities are centred on providing services to parliament and government agencies, not directly to members of the public. We therefore have limited capacity to address multicultural services issues.

We respect the rights of Australian citizens and residents who wish to become citizens to seek employment from advertised vacancies in the Audit Office.

Our employment record is evidence of our support for cultural diversity. Our commitment is reflected in the number of racial, ethnic and ethno-religious groups that comprise our staff.

Our Diversity Inclusion and Accessibility Framework provides a structure to assist the Audit Office in ensuring its people are representative of our community. The framework will ensure our employees:

- are informed about diversity activities
- know their responsibilities and rights
- understand our commitment to diversity
- understand legislation and other associated requirements underpinning diversity
- are supportive of and engaged with our diversity activities and events.

Focus Area	2016–17 Achievements	2017–18 Planned Activity
Indigenous (Reconciliation) Aims to address barriers that exist for Aboriginal and Torres Strait Islanders for employment with the Audit Office.	<ul style="list-style-type: none"> • Investigated practical initiatives for increasing the employment of Aboriginal and Torres Strait Islander people • Year 1 of our Indigenous Internship Program developed and implemented with four Indigenous interns employed • 2 Indigenous cultural awareness training sessions conducted • Investigated Phase 1 (Reflect) of Reconciliation Action Plan (RAP). 	<ul style="list-style-type: none"> • Develop and implement Year 2 of our Indigenous Internship Program • Implement Phase 1 (Reflect) of Reconciliation Action Plan (RAP).
Gender Equity Aims to eliminate discrimination on the basis of gender and remove barriers to equal participation.	<ul style="list-style-type: none"> • Formed an International Women's Day focus group to develop initiatives to support women in the workplace • Remuneration review data analysed including statistics on gender by branch and classification • Continued to support female participation in the workplace. 	<ul style="list-style-type: none"> • Conduct gender pay gap analysis • Conduct regular Women in Leadership focus groups with male champions • Develop a Women in Leadership Action Plan • Create a nursing/quiet room.
Disability and Inclusion Aims to meet the needs of people with a disability and increase accessibility to information, services and the workplace.	<ul style="list-style-type: none"> • Applied the principles of universal design in the implementation of our Level 14 office refit • Ensured all service information was available in accessible, electronic formats • Provided resources to managers of people with disability. 	<ul style="list-style-type: none"> • Maintain web content compliance to conformance level AA in the W3Cs Web Content Accessibility Guidelines in our website replacement project • Ensure the principle of universal design is incorporated in our end-of-lease facilities strategy.
Cultural Diversity Aims for different cultures to respect each other's differences and to remove cultural barriers such as language and communication.	<ul style="list-style-type: none"> • Ensured all new and existing employees complete compulsory respect and diversity online learning • Celebrated diversity on a regular basis through workplace social gatherings. 	<ul style="list-style-type: none"> • Develop a Cultural Diversity Action Plan including: <ul style="list-style-type: none"> – Online 'Cultural Competence' and 'Respect and Diversity' programs – Diversity calendar – Community services program – Prayer/meditation room.



Accounts payable performance

7 Appendix seven

Aged analysis at the end of each quarter

Quarter	Current (i.e. within due date) \$'000	Less than 30 days overdue \$'000	Between 30 and 60 days overdue \$'000	Between 60 and 90 days overdue \$'000	More than 90 days overdue \$'000
All suppliers					
September	248	20	–	–	–
December	13	12	–	–	–
March	136	136	–	–	–
June	674	674	–	–	–
Small business suppliers					
September	71	–	–	–	–
December	2	–	–	–	–
March	–	–	–	–	–
June	4	4	–	–	–

Accounts due or paid within each quarter

Measure	September	December	March	June
All suppliers				
Number of accounts due for payment	1,014	641	692	1,482
Number of accounts paid on time	1,013	639	691	1,478
Actual percentage of accounts paid on time (based on number of accounts)	100%	99.7%	99.9%	99.7%
Dollar amount of accounts due for payment	\$5,545,718	\$5,663,839	\$4,738,799	\$7,799,521
Dollar amount of accounts paid on time	\$5,540,249	\$5,646,167	\$4,731,951	\$7,778,469
Actual percentage of accounts paid on time (based on \$)	100%	99.7%	99.9%	99.7%
Number of payments for interest on overdue accounts	–	–	–	–
Interest paid on overdue accounts	–	–	–	–
Small business suppliers				
Number of accounts due for payment to small businesses	37	19	10	52
Number of accounts due to small businesses paid on time	37	19	10	52
Actual percentage of small business accounts paid on time (based on number of accounts)	100%	100%	100%	100%
Dollar amount of accounts due for payment to small businesses	\$149,635	\$98,707	\$75,626	\$91,005
Dollar amount of accounts due to small businesses paid on time	\$149,635	\$98,707	\$75,626	\$91,005
Actual percentage of small business accounts paid on time (based on \$)	100%	100%	100%	100%
Number of payments to small business for interest on overdue accounts	–	–	–	–
Interest paid to small businesses on overdue accounts	–	–	–	–

Commentary

During the year we paid almost all of our accounts on time, exceeding our target of 90 per cent for the year.

Interest on late payments

We had no instances of penalty interest for delayed payments to a supplier for the year.

Purchasing Card Certification

The Purchasing Card Policy was last reviewed and updated in June 2016 and is considered current. The policy and controls are consistent with government policy as outlined in Treasurer's Directions and NSW Treasury Circulars.



Consultants

8 Appendix eight

Consultants

A consultant in the Audit Office is referred to as a person or organisation that provides expert advice professionally to assist decision making. Audit Office consultancy expenses for 2016–17 were \$585,191. The consultancy services were provided for audit services, system services and strategic consulting.

Consultant	Nature of service	Amount \$
Contracts \$50,000 or more		
PwC Australia	Financial Audit – review of tax balances	65,000
Deloitte Touche Tohmatsu	Cyber security review of systems and processes	64,000
Cumpston Sarjeant Pty	Financial Audit – actuarial services	99,853
Michelle Wheeler Consulting	Performance Audit – expert advice – palliative care	51,268
Total	(4 contracts)	280,121
Contracts \$30,000 to \$50,000		
Crowe Horwath (Aust) Pty Ltd	Financial Audit – review of tax balances	42,900
Total	(1 contract)	42,900
Contracts less than \$30,000 (total)	(20 contracts)	262,170
Total expenditure for 2016–17		585,191



Internal audit and risk management attestation

9 Appendix nine

Internal Audit and Risk Management Attestation Statement for the 2016–17 Financial Year for the Audit Office of New South Wales

I, Margaret Crawford, am of the opinion that the Audit Office of New South Wales has internal audit and risk management processes in operation that are compliant with the eight (8) core requirements set out in the Internal Audit and Risk Management Policy for the NSW Public Sector, specifically:

Core requirements	Compliant, non-compliant or in transition
Risk Management Framework	
1.1 The agency head is ultimately responsible and accountable for risk management in the agency.	Compliant
1.2 A risk management framework that is appropriate to the agency has been established and maintained and the framework is consistent with AS/NZS ISO 31000:2009.	Compliant
Internal Audit Function	
2.1 An internal audit function has been established and maintained.	Compliant
2.2 The operation of the internal audit function is consistent with the International Standards for the Professional Practice of Internal Auditing.	Compliant
2.3 The agency has an Internal Audit Charter that is consistent with the content of the 'model charter'.	Compliant
Audit and Risk Committee	
3.1 An independent Audit and Risk Committee with appropriate expertise has been established.	Compliant
3.2 The Audit and Risk Committee is an advisory committee providing assistance to the agency head on the agency's governance processes, risk management and control frameworks, and its external accountability obligations.	Compliant
3.3 The Audit and Risk Committee has a Charter that is consistent with the content of the 'model charter'.	Compliant

Membership

The Chair and members of the Audit and Risk Committee are:

- Independent Chair, Dianne Hill, appointed 29 August 2013 (appointed as Chair from 12 December 2016) with term ending on 28 August 2021.
- Independent Member, Greg Fletcher, appointed 4 December 2009 and re-appointed for a final four-year term ending on 4 December 2017.
- Independent Member, Bruce Turner, appointed 17 February 2017 for a four-year term, ending on 16 February 2021.

These processes, including the practicable alternative measures being implemented, demonstrate that the Audit Office of New South Wales has established and maintained frameworks, including systems, processes and procedures for appropriately managing audit and risk within the Audit Office of New South Wales.



Margaret Crawford

Auditor-General

18 August 2017

Digital information security annual attestation statement

10 Appendix ten

Digital Information Security Annual Attestation Statement for the 2016–17 Financial Year for the Audit Office of New South Wales

I, Margaret Crawford, am of the opinion that the Audit Office of New South Wales had an Information Security Management System in place during the 2016–2017 financial year that is consistent with the Core Requirements set out in the NSW Government Digital Information Security Policy.

The controls in place to mitigate identified risks to the digital information and digital information systems of the Audit Office of New South Wales are adequate.

There is no agency under the control of the Audit Office of New South Wales which is required to develop an independent ISMS in accordance with the NSW Government Digital Information Security Policy.

The Audit Office of New South Wales has maintained certified compliance with ISO 27001 Information technology – Security techniques – Information security management systems – Requirements by an Accredited Third Party during the 2016–2017 financial year.



Margaret Crawford

Auditor-General

Transparency reporting

11 Appendix eleven

Prescribed information*	Coverage in annual report
Description of the auditor's legal structure and ownership	The 'Our organisation' section details our legislative framework. Refer to page 2.
Description of the auditor's governance structure	The 'Structured to add value' section details our governance structure. Refer to page 57.
Description of the auditor's internal quality control system	The 'Independent assurance and corporate reporting' section details our internal quality assurance program and internal audit and quality assurance arrangements. Refer to pages 61 and 62.
Statement on the effectiveness of the auditor's internal quality control system in the reporting year	The 'Independent assurance and corporate reporting' section includes the Auditor-General's statement on the effectiveness of our internal quality assurance program in 2016–17. Refer to pages 61 and 62.
The name of each body that is authorised to review the auditor, and the date of the most recent review of the auditor conducted by each body	The 'Independent assurance and corporate reporting' section details the bodies that are authorised to review our work and external reviews conducted. Refer to pages 61 and 62.
The names of the bodies for which the auditor conducted an audit in the reporting year	Appendix 2 details all entities audited during 2016–17. Refer to pages 102–105.
Statement about the auditor's independence practices in the reporting year, including the date on which the auditor most recently conducted an internal review of its independence compliance	The 'Independent assurance and corporate reporting' section details our independence practices. Refer to pages 61 and 62.
Statement about the policy that the auditor follows regarding the amount and nature of professional education that members of an audit team must undertake during the reporting year	The 'Professional development' section details our technical development for audit professionals. Refer to page 43.
Financial information for the auditor for the reporting year	The 'Finances' section details our financial results. Refer to pages 67 and 68. For our audited financial statements, refer to pages 71 to 99.
Information on the basis for remuneration of the auditor's senior managers	Appendix 1 details our senior executive and leadership remuneration. Refer to page 101.

*Based on Schedule 7A of the Corporations Regulations 2001.



GIPA application information

12 Appendix twelve

Commentary on applications for information under the *Government Information (Public Access) Act 2009* (the GIPA Act) can be found on page 60.

Table A: Number of applications by type of applicant and outcome*

	Access granted in full	Access granted in part	Access refused in full	Information not held	Information already available	Refuse to deal with application	Refuse to confirm/deny whether information is held	Application withdrawn
Media	0	0	0	0	0	0	0	0
Members of parliament	0	1	0	0	0	0	0	0
Private sector business	0	0	0	0	0	0	0	0
Not for profit organisations or community groups	0	0	0	0	0	0	0	0
Members of the public (application by legal representative)	0	0	0	0	0	0	0	0
Members of the public (other)	0	0	0	0	0	0	0	0

* More than one decision can be made in respect of a particular access application. If so, a recording must be made in relation to each such decision. This also applies to table B.

Table B: Number of applications by type of application and outcome

	Access granted in full	Access granted in part	Access refused in full	Information not held	Information already available	Refuse to deal with application	Refuse to confirm/deny whether information is held	Application withdrawn
Personal information applications*	0	0	0	0	0	0	0	0
Access applications (other than personal information applications)	0	1	0	0	0	0	0	0
Access applications that are partly personal information applications and partly other	0	0	0	0	0	0	0	0

* A 'personal information application' is an access application for personal information (as defined in clause 4 of Schedule 4 to the Act) about the applicant (the applicant being an individual).

Table C: Invalid applications

Reason for invalidity	Number of applications
Application does not comply with formal requirements (section 41 of the Act)	0
Application is for excluded information of the agency (section 43 of the Act)	1
Application contravenes restraint order (section 110 of the Act)	0
Total number of invalid applications received	1
Invalid applications that subsequently became valid applications	0



GIPA application information

12 Appendix twelve (continued)

Table D: Conclusive presumption of overriding public interest against disclosure: matters listed in Schedule 1 of the Act

	Number of times consideration used*
Overriding secrecy laws	0
Cabinet information	0
Executive Council information	0
Contempt	0
Legal professional privilege	0
Excluded information	1
Documents affecting law enforcement and public safety	0
Transport safety	0
Adoption	0
Care and protection of children	0
Ministerial code of conduct	0
Aboriginal and environmental heritage	0

* More than one public interest consideration may apply in relation to a particular access application and, if so, each such consideration is to be recorded (but only once per application). This also applies in relation to Table E.

Table E: Other public interest considerations against disclosure: matters listed in table to section 14 of the Act

	Number of occasions when application not successful
Responsible and effective government	0
Law enforcement and security	0
Individual rights, judicial processes and natural justice	0
Business interests of agencies and other persons	0
Environment, culture, economy and general matters	0
Secrecy provisions	0
Exempt documents under interstate Freedom of Information legislation	0

Table F: Timeliness

	Number of applications
Decided within the statutory timeframe (20 days plus any extensions)	0
Decided after 35 days (by agreement with applicant)	0
Not decided within time (deemed refusal)	1
Total	1

Table G: Number of applications reviewed under Part 5 of the Act (by type of review and outcome)

	Decision varied	Decision upheld	Total
Internal review	0	0	0
Review by Information Commissioner*	0	0	0
Internal review following recommendation under section 93 of Act	0	0	0
Review by Administrative Decisions Tribunal	0	0	0
Total	0	0	0

* The Information Commissioner does not have the authority to vary decisions, but can make recommendations to the original decision-maker. The data in this case indicates that a recommendation to vary or uphold the original decision has been made by the Information Commissioner.

Table H: Applications for review under Part 5 of the Act (by type of applicant)

	Number of applications for review
Applications by access applicants	0
Applications by persons to whom information the subject of access application relates (see section 54 of the Act)	0

Table I: Applications transferred to other agencies under Division 2 of Part 4 of the Act (by type of transfer)

	Number of applications transferred
Agency-initiated transfers	1
Applicant-initiated transfers	0



Public interest disclosures information

13 Appendix thirteen

Commentary on public interest disclosures and the *Public Interest Disclosures Act 1994* can be found on page 64.

Statistical information on Public Interest Disclosures (PIDs) for the period 1 July 2016 to 30 June 2017

	Categories of wrongdoing																	
	Corrupt conduct			Mal-administration			Serious and substantial waste			Government information contravention			Local government pecuniary interest contravention			TOTAL		
	Function	Stat.	Other	Function	Stat.	Other	Function	Stat.	Other	Function	Stat.	Other	Function	Stat.	Other	Function	Stat.	Other
Number of public officials who made PIDs direct to the Audit Office	–	–	1	–	–	2	–	–	8	–	–	–	–	–	–	–	–	11
Number of PIDs made directly to your investigating authority	–	–	1	–	–	2	1	–	9	–	–	–	–	–	–	–	–	12
Number of PIDs received by your investigating authority under section 25 of the PID Act	–	–	–	–	–	–	–	–	3	–	–	–	–	–	–	–	–	3
Number of PIDs received by your investigating authority under section 26 of the PID Act	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Total number of PIDs	–	–	1	–	–	2	–	–	12	–	–	–	–	–	–	–	–	15

	Corrupt conduct			Mal-administration			Serious and substantial waste			Government information contravention			Local government pecuniary interest contravention			TOTAL		
Number of PIDs referred to a public authority under section 25 of the PID Act	–	–	–	–	–	–	1	–	–	–	–	–	–	–	–	1	–	–
Number of PIDs referred to another investigating authority under section 25 of the PID Act	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Number of PIDs handled solely by your investigating authority	1	–	–	1	–	–	12	–	–	–	–	–	–	–	–	14	–	–
Number of PIDs handled with a public authority	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Number of PIDs handled with another investigating authority	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Total number of PIDs	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	15	–	–
Number of PIDs handled by commencing a formal investigation	–	–	–	–	–	–	0	–	–	–	–	–	–	–	–	0	–	–
Number of PIDs finalised in 2016–17	1	–	–	2	–	–	9	–	–	–	–	–	–	–	–	12	–	–



Glossary

Audit evidence

Audit evidence supports the completeness and accuracy of the financial statements.

Main sources of audit evidence are: observation, re-performance, and examination of documents (including confirmation with third parties) in combination with enquiry and analytical procedures.

Audit methodology

A set of documented processes and procedures that provide evidence the audit team has appropriately addressed the risk of material misstatement in financial statements and comply with Australian Auditing Standards.

Audit and Risk Committee

Provides the Auditor-General with reasonable assurance that the Audit Office has appropriate risk management, organisational processes and controls and reliable financial reporting processes.

Australasian Council of Auditors-General

Association established by Auditors-General for their mutual support and the sharing of information.

Controlled entity

A controlled entity exists when another entity (the investor) is exposed, or has rights to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

CPA

The accounting body CPA Australia. Members are Certified Practising Accountants.

CA ANZ

The accounting body Chartered Accountants Australia and New Zealand. Members are Chartered Accountants.

Internal audit

Independent, objective assurance designed to add value and improve an organisation's operations.

Internal control framework

An integrated set of policies and procedures designed to help management achieve its goals and objectives.

Management letter

Letter sent to clients outlining observations from the audit, their possible implications, audit recommendations to address the finding and management responses.

Material misstatements

Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

Modified auditor's opinion

Modifications of an audit opinion can be adverse, qualified or disclaimed. Adverse opinions are issued when misstatements in the financial statements are material and pervasive. Qualified opinions are issued when there are material misstatements in the financial statements, or we cannot get all the evidence we require. An opinion is disclaimed only where auditors cannot get the evidence they need and the effects could be material and pervasive.

Risk Management Policy

A policy setting out how risks identified by a risk assessment process will be managed and controlled.

Index

- a**
- allegations of waste *see public interest disclosures*
 - annual report
 - contact details 1
 - external production costs 114
 - Audit and Risk Committee (Audit Office) 57, **58**, 59, 61–63
 - Auditor-General
 - about 2, 7–8
 - history 1
 - message 5–6
 - expanded mandate 1, 5, 22, 52, **53**, 57, 59, 67, 79
 - Australasian Council of Auditors-General 51, **52**, 53, 61, 108, 112, 125
- b**
- benchmarking 4, **12**, **20**, 47, 53, 61, 115
 - budget
 - Audit Office 61, **67**, **69**, **79**, 85, 99
 - NSW State review 6, **23**
 - business risks *see risk management*
- c**
- case studies 21, 44, 49, 53
 - code of conduct 59
 - committees *see Audit and Risk Committee, Public Accounts Committee, parliamentary committees, Quality Review Committee, Remuneration Committee and Workplace Health and Safety Committee*
 - complaints management 55, 60, **65**
 - consultants 81, **118**
 - corporate governance *see governance*
 - credit card certification *see purchasing card certification*
 - creditor payments 4, **68**
 - cyber security **40**, 118
- d**
- digital information security 40, **120**
 - disability inclusion action plan 116
 - diversity 6, **41–42**, 43, 101, **115–116**
- e**
- employee satisfaction *see staff*
 - environmental action 48
 - equal employment opportunity *see diversity*
 - executive positions 7–8, 101
 - external audit **61**, 71–72, 99
- f**
- financial audits
 - entities audited 102–105
 - modified opinions 3, 13, **23–26**, 120
 - recommendations, acceptance of 3, 15, 19–20, **21**, 29–36
 - reports 3, 11–12, 14, 19–20, **113**
 - satisfaction with 3, **11–12**, **19–20**
 - timeliness 3, **14**, **22**
 - financial commentary **67–68**
 - accounts payable performance 117
 - break-even target 4, 67
 - financial position 68
 - financial statistics 69
 - financial statements 71–99
 - freedom of information *see Government Information (Public Access) Act 2009*
- g**
- governance **54–65**
 - committees **57–58**, 60, 61
 - disclosure 60
 - ethics 59
 - lighthouse 55
 - management 57–58
 - reporting 60, **61–62**
 - risk management 55, 58, 63
 - stakeholder engagement 64–65
 - structure 8, **57**, 121
- Government Information (Public Access) Act 2009* 4, **60**, 122–123
- h**
- highlights 3–4
- i**
- internal audit 47, 57, 58, **61–62**, 121, 125
 - risk management attestation 119
- k**
- key performance indicators 3–4, 4–6, 46, 47, **62**
- l**
- legislation 1, 2, 9, 17, 22, 25, 31, 32, 37, 53, 59, 60, 61, 62, 64, 71–72, 73, 78, 93, 106, 122–123, 124
 - letter of transmission 1
 - local government 1, 2, 5, 9, 14, 16, 17, 22, 23, 37, 40, 43, 51, 52, **53**, 55, 56, 57, 58, 59, 60, 64, 65, 67, 79, 99, 109, 102
- m**
- management
 - executive remuneration 101
 - Office Executive 7, 43, 46, 49, 56, **57**, 58, 59, 60, 62, 63, 65, 85, 99
 - memberships 108, 111
 - mission 2
 - multicultural policies and services program 116
- n**
- NSW Making it Happen 16
- o**
- occupational health and safety *see workplace health and safety*
 - office hours 1
 - overseas visits 107
- p**
- parliamentarian satisfaction **11–12**, 15
 - parliamentary committees,
 - appearances before **17**, 108
 - people *see also staff* 38
 - performance audits
 - 3, 5–6, 11–12, 15–16, 17, 19–20, **27–37**
 - impact 15, **21**
 - follow-up 17
 - program 16, 27, **37**
 - recommendations, acceptance of 3, 17, **21**, 29–36
 - reports 3, 5, 15–16, **27–36**, 114
 - satisfaction 2, **11–12**, 15, **19–20**
 - timeliness 6, **22**
 - performance management 36, **40**, 49, 59, 61
 - agreements 40
 - presentations 51, **109–110**, **112**
 - privacy **59**, 65
 - professional development **43**, 121
 - projects 49, 58, 116
 - Public Accounts Committee 3, 16, **17**, 37, 57, 61, 64, 108
 - Premier's Priorities *see NSW – Making it Happen*
 - publications 113–114
 - public interest disclosures 4, **64**, 65, **123–124**
 - purchasing card certification 117
- q**
- quality assurance 52, 61–62, 121
 - Quality Audit Review Committee 61–62
- r**
- recreation club 42
 - reporting, financial 4, **67–68**, 69, 71–99, 118
 - Remuneration Committee 40, 57, 58, **60**
 - reviews
 - external **61**, 62, 119, 121
 - internal 58, 61
 - risk management *see governance*
- s**
- social club *see recreation club*
 - staff
 - counselling 42
 - engagement **39**, 49, 63
 - productivity 5, **40**
 - recruitment **41**, 49, 56, 61, 67
 - satisfaction 3, **39**, 47
 - turnover 3, **41**
 - stakeholders
 - key 2, 17, 37, 53, 56, 60, **64**
 - engagement 5, 9, 11, 12, 55, 56, **57–58**
 - strategic plan 9, 40, 55, **56**, 62, 63
 - structure
 - governance 8, **57**, 121
 - organisation 8
- t**
- training 40, 41, **43**, 44, 46, 47, 49, 59, 67, 81, 116
 - turnover, staff *see staff – turnover*
- v**
- values 2, 57, 59
 - vision 2, 5, 9, 40, 55, 56, 57
- w**
- workplace health and safety **44–47**, 60
 - workforce diversity *see diversity*
 - women
 - middle management 3, **40**
 - executive and senior leadership 3, **40**, 101
- y**
- year ahead, the 9, 12, 14, 16, 17, 20, 22, 37, 39, 40, 42, 43, 47, 48, 52, 55, 56, 59, 60, 62, 63, 65, 68



