

Planning and Environment 2018

13 DECEMBER 2018



NEW SOUTH WALES AUDITOR-GENERAL'S REPORT

FINANCIAL AUDIT

THE ROLE OF THE AUDITOR-GENERAL

The roles and responsibilities of the Auditor-General, and hence the Audit Office, are set out in the *Public Finance and Audit Act 1983* and the *Local Government Act 1993*.

We conduct financial or 'attest' audits of State public sector and local government entities' financial statements. We also audit the Total State Sector Accounts, a consolidation of all agencies' accounts.

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

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

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

As well as financial and performance audits, the Auditor-General carries out special reviews and compliance engagements.

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



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In accordance with section 52A of the *Public Finance and Audit Act 1983*, I present a report titled **'Planning and Environment 2018'**.

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

Margaret Crawford

Auditor-General
13 December 2018

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Section one

Planning and Environment 2018

This report analyses the results of our audits of the Planning and Environment cluster agencies for the year ended 30 June 2018.



Executive summary

This report analyses the results of our audits of financial statements of the Planning and Environment cluster for the year ended 30 June 2018. The table below summarises our key observations.



1. Financial reporting

Financial reporting

Unqualified audit opinions were issued for all agencies' 30 June 2018 financial statements.

Key accounting issues

There were errors in some cultural institutions' collection asset valuations.

Recommendation: Collection asset valuations could be improved by:

- early engagement with key stakeholders regarding the valuation method and approach
- completing revaluations, including quality review processes earlier
- improving the quality of asset data by registering all items in an electronic database.

Timeliness of financial reporting

Issues with asset revaluations delayed the finalisation of the audits of two environment and heritage agencies' financial statements. The audits of remaining cluster agencies' financial statements were completed within the statutory timeframe.



2. Audit observations

Internal controls

One in five internal control weaknesses reported in 2017–18 were repeat issues.

Recommendation (repeat issue): Management letter recommendations to address internal control weaknesses should be actioned promptly, with a focus on addressing repeat issues.

Extreme risk issue

One extreme risk was identified relating to the National Art School (the School). The School does not have an occupancy agreement for the Darlinghurst campus.

The School should continue to liaise with stakeholders to formalise the occupancy arrangement.

Information technology controls

The Department of Planning and Environment (the Department) can improve controls over user access to the SAP system.

Our review of the Department's migration of data from the Aurion system to the SAP HR system did not identify any significant issues.

Maintenance benchmarks

The cluster agencies under review operate in different industries. As a result, they use different benchmarks to assess the adequacy of their maintenance spend.



1. Introduction

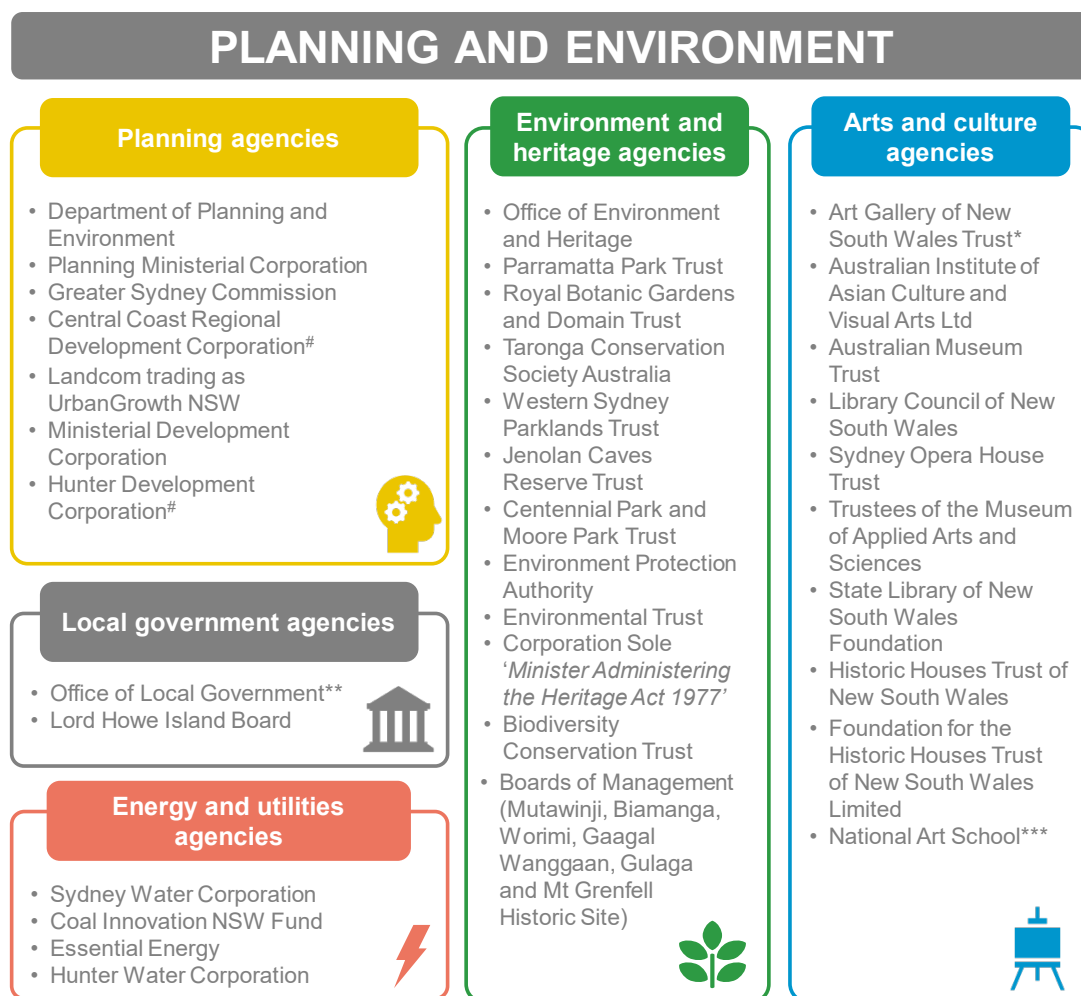
This report provides parliament and other users of the Planning and Environment cluster agencies' financial statements with the results of our audits, our observations, analysis, conclusions and recommendations in the following areas:

- financial reporting
- audit observations
- service delivery.

1.1 Snapshot of the cluster

The Planning and Environment cluster plays a role in ensuring communities across New South Wales receive the service and infrastructure they need. The cluster's responsibilities include addressing the major challenge of housing affordability, improving liveability, cultivating a vibrant arts sector, ensuring energy and water security, and protecting the state's environment and heritage, while promoting safe development of natural resources.

A snapshot of the Planning and Environment cluster is shown below.



* Brett Whiteley Foundation and Art Gallery of NSW Foundation are entities associated with, but not controlled by the Art Gallery of New South Wales Trust. The results of these audits are included in this report.

** Further information on the Office of Local Government will be included in the Local Government Auditor-General's Report to Parliament due to be tabled in the first quarter of 2019.

*** National Art School's latest audited financial statements are for the year ended 31 December 2017.

Hunter Development Corporation became the Hunter and Central Coast Development Corporation (HCCDC) on 1 November 2018. The Central Coast Regional Development Corporation was dissolved on this date, and its assets, rights and liabilities were transferred to the HCCDC.



A snapshot of the financial results of the Planning and Environment cluster for the year ended 30 June 2018 is shown below.



1.2 Premier and State Priorities

The NSW Government released Premier's and State Priorities 'NSW: Making it Happen' in September 2015. The Planning and Environment cluster is the lead cluster responsible for delivering five key priorities.

The table below provides a snapshot of cluster agencies' reported performance against the priorities' targets.

Key priorities	Targets	Agency reported progress
Planning		
Making housing more affordable	Deliver 61,000 housing completions on average per year to 2021.	✓
Increasing housing supply	Deliver more than 50,000 housing approvals every year.	✓
Accelerating major project assessment	Halve the time taken to assess planning applications for state significant developments.	✓
Environment and heritage		
Keeping our environment clean	Reduce the volume of litter by 40 per cent by 2020.	✓
Arts		
Increasing cultural participation	Increase attendance at cultural venues and events in New South Wales by 15 per cent by 2019.	✓
Key  Target met  On track to meet target		

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

The performance of cluster agencies against these priorities and targets is discussed in the Service Delivery chapter. Most analysis is performed on unaudited data provided by cluster agencies.

1.3 Changes to the cluster

The Planning and Environment cluster (the Cluster) was impacted by a number of Administrative Orders:

- the 'Administrative Arrangements (Administrative Changes - NSW State Archives and Subsidence Advisory NSW) Order 2018' transferred the State Archives and Records Authority staff employed in the Department of Finance, Services and Innovation to the Department of Planning and Environment, effective from 1 July 2018
- the 'Administrative Arrangements (Administrative Changes-Greater Sydney Commission) Order 2018' established the Greater Sydney Commission (GSC) Staff Agency as a Public Service executive agency related to the Department of Premier and Cabinet. GSC staff employed by the Department of Planning and Environment were transferred to the GSC Staff Agency, effective from 1 July 2018
- the Growth Centres (Development Corporations) Amendment (Hunter and Central Coast Development Corporation) Order 2018 changed the name of the Hunter Development Corporation to the Hunter and Central Coast Development Corporation (HCCDC), effective from 1 November 2018. On the same date, the Central Coast Regional Development Corporation was dissolved, and its assets, rights and liabilities were transferred to the HCCDC.

The NSW Biodiversity Conservation Trust (BCT) was legally constituted with the commencement of the *Biodiversity Conservation Act 2016* on 25 August 2017. BCT is a continuation of, and the same legal entity as, the Nature Conservation Trust established under the *Nature Conservation Trust Act 2001*.



2. Financial reporting

Financial reporting is an important element of good governance. Confidence and transparency in public sector decision making is enhanced when financial reporting is accurate and timely.

This chapter outlines our audit observations related to the financial reporting of agencies in the Planning and Environment cluster for 2018.

Observation	Conclusions and recommendations
2.1 Quality of financial reporting	
Unqualified audit opinions were issued for all agencies' financial statements.	The quality of financial reporting remains high across the cluster.
2.2 Key accounting issues	
There were errors in some cultural institutions' collection asset valuations.	Recommendation: Collection asset valuations could be improved by: <ul style="list-style-type: none">• early engagement with key stakeholders regarding the valuation method and approach• completing revaluations, including quality review processes earlier• improving the quality of asset data by registering all items in an electronic database.
2.3 Timeliness of financial reporting	
Except for two agencies, the audits of cluster agencies' financial statements were completed within the statutory timeframe.	Issues with asset revaluations delayed the finalisation of two environment and heritage agencies' financial statement audits.

2.1 Quality of financial reporting

Audit opinions

Unqualified audit opinions were issued for all agencies' financial statements

Unqualified audit opinions were issued for all agencies' 30 June 2018 financial statements. Sufficient audit evidence was obtained to conclude the financial statements were free of material misstatement.

However, as discussed below, some cultural institutions had challenges valuing collection assets in 2017–18.

2.2 Key accounting issues

Valuation of collection assets

Challenges in valuing cultural, scientific and heritage collection assets

The nature of some collection assets and the associated historical catalogue records present cultural institutions with challenges in assessing their fair value in accordance with Australian Accounting Standards and NSW Treasury policy. Collection asset valuations are inherently complex and sensitive to assumptions and judgements by management and experts.

The Library corrected \$1.1 billion of errors in its Pictorial Collection value

In 2017–18, the Library Council of New South Wales (the Library) revalued its Pictorial Collection assets (the Collection) as a part of its program of rolling asset revaluations. During the valuation process, the Library identified three errors in the 2015 valuations which overstated the Collection value by \$1.1 billion. The errors included:

- inconsistencies in the extrapolation from the sample data to the total population (\$583 million)
- double counting of some assets (\$376 million)
- errors in population sizes (\$164 million).

All three errors were corrected in the Library's 2017–18 financial statements.

Royal Botanic Gardens and Domain Trust recognised a value for its Herbarium Collection for the first time

In 2017–18, the Royal Botanical Gardens and Domain Trust (RBGD Trust) performed a comprehensive valuation of its entire Herbarium Collection. This added \$284 million to the value of the RBGD Trust's property, plant and equipment.

In the past, the RBGD Trust did not recognise the Herbarium Collection in the financial statements on the basis that their value could not be reliably measured. Nearly half of the RBGD Trust's Herbarium collection are yet to be registered in the electronic database, which made the valuation more challenging.

The RBGD Trust engaged an actuary and a valuation expert to develop a:

- sampling and statistical methodology for the collection items that are not yet databased
- valuation methodology for the Herbarium Collection, including identification of key assumptions used for the valuation.

This allowed the RBGD Trust to reliably estimate the fair value of the Herbarium collection for inclusion in its 2017–18 financial statements. The RBGD Trust should continue to improve the quality of its Herbarium Collection data and its valuation methodology.

Collection valuation added \$283 million to Australian Museum's assets value

The Australian Museum (the Museum) engaged an independent valuer to perform a comprehensive revaluation of its entire natural history and cultural collection as at 30 June 2018. This resulted in a \$283 million increase in the value of the collection assets.

The increase in the collection value is mainly driven by the changes in the costs associated with recollecting specimens and an increase in the value of certain items that were previously valued at nil.

Similar to the RBGD Trust, the Museum has not yet completed registration of its collection assets in its electronic database. This added to the complexity of the valuation exercise.

Relocation of the Powerhouse Museum

Land and buildings at the Ultimo site were revalued to consider other possible uses

On 28 April 2018, the NSW Government announced its intention to completely relocate the Powerhouse Museum (Powerhouse) from Ultimo to Parramatta, with the planned opening to occur in 2023. The 2018–19 budget provided \$245 million to construct the new Powerhouse Museum in Parramatta.

As a result, Powerhouse determined the existing use of the Ultimo site was no longer 'the highest and best use', and an independent valuation was obtained. The revaluation exercise resulted in an increase of \$220 million to the value of the Ultimo site.

2.3 Timeliness of financial reporting

All financial statements were submitted and most audits completed by statutory deadlines

Agencies in the cluster completed mandatory early close procedures within the statutory timeframe. All agencies submitted financial statements to the Auditor-General by the statutory deadline.

Except for the Jenolan Caves Reserve Trust (Jenolan) and RBGD Trust, the audits of cluster agencies' financial statements were completed within the statutory timeframe.

The delay in finalising the financial audit of Jenolan was mainly due to issues with the comprehensive revaluation of buildings and general infrastructure assets. Jenolan would benefit from finalising asset reconciliations and completing quality review of the asset revaluations earlier in future reporting periods.

The RBGD Trust's audit was prolonged, primarily due to the complexity in valuing and recognising the Herbarium Collection assets for the first time. This matter was discussed earlier in the 'Key Accounting Issues' section.

Appendix five of this report provides detailed information on the timeliness of agency financial reporting and audit reporting.

Early close procedures could be more effective

Agencies completed the mandatory early close requirements set by NSW Treasury. However, we noted opportunities to improve certain aspects of early close procedures. Early close procedures allow issues and financial reporting risk areas to be addressed early in the audit process. This can help to improve both the quality and timeliness of financial reporting.

Some of the matters reported include:

- asset valuations were only partially completed or not subject to appropriate quality review procedures
- not fully assessing the impact of new and revised accounting standards
- inter-agency balances and transactions with other government agencies were not always reconciled
- key account balances were not always reconciled or reviewed in a timely manner.

Agencies should address the above issues to improve the effectiveness of early close procedures.

2.4 Key financial information

	2018 \$m	2017 \$m	Variance %
Total expenses	9,584	8,106	↑ 18.2
Total revenue	11,118	9,371	↑ 18.6
Net result	1,534	1,265	↑ 21.3
Total assets	51,822	48,553	↑ 6.7
Total liabilities	20,387	19,353	↑ 5.3

Source: Audited financial statements.

The combined net result across the cluster was \$1.5 billion

Cluster agencies recorded a combined net result, before deducting income tax equivalents for the State Owned Corporations (SOC), of \$1.5 billion in 2017–18 (\$1.3 billion in 2016–17).

The overall net surplus in 2017–18 mainly comprised:

- Sydney Water Corporation's net profit before tax of \$814 million (\$635 million in 2016–17). The Independent Pricing and Regulatory Tribunal (IPART) approved increase in service and usage prices and additional water sales in 2017–18, along with lower borrowing costs, contributed \$162 million to the Corporation's net result
- Landcom's net profit before tax of \$264 million (\$241 million in 2016–17)
- the Office of Environment and Heritage's (OEH) net surplus of \$127 million (\$51.0 million in 2016–17). A reduction in OEH Solar Bonus Scheme subsidy payments and cluster agency grants added \$79.0 million to OEH's net result in 2017–18
- Hunter Water Corporation's net profit before tax of \$94.3 million (\$82.3 million in 2016–17).

Increased government funding resulted in significant growth in cluster revenue

Total cluster revenue was \$11.1 billion in 2017–18, which represents a 19 per cent increase from 2016–17. This is mainly due to the increase in the recurrent and capital appropriations of \$1.0 billion received by the Department. The additional government funding was largely used to support the activities of resource and energy, and arts and culture agencies transferred into the cluster in 2016–17.

The Department provided \$1.3 billion (\$941 million in 2016–17) in grants and contributions to 17 cluster agencies to fund their recurrent and capital budgets. OEH and the Office of Local Government received most of this funding at \$499 million and \$242 million respectively.

Total expenses in the cluster increased by \$1.5 billion in 2017–18

The increase in cluster expenditure was mainly due to the first full year impact of the 2016–17 Machinery of Government changes (effective 1 April 2017), which resulted in the Department:

- spending more on energy and water rebates
- paying more grants to the cluster agencies transferred into the cluster on 1 April 2017.

The Office of Local Government also received a \$91.9 million increase in grants in 2017–18 which was mainly used to fund grants to amalgamating councils.

Cluster agencies' total assets increased by \$3.2 billion

Total cluster assets increased from \$48.6 billion at 30 June 2017 to \$51.8 billion at 30 June 2018. The increase was primarily due to:

- property, plant and equipment revaluations across the cluster, adding \$972 million to asset values
- Sydney Water Corporation's \$790 million investment to build new infrastructure and upgrade existing assets.

Distributions to the NSW Government increased by \$376 million

SOCs reported total distributions of \$1.3 billion (\$954 million in 2016–17) to the NSW Government in 2017–18. This increase was mainly due to higher underlying results of Sydney Water Corporation, Hunter Water Corporation and Landcom, which increased their 2017–18 combined distributions by \$392 million.

Appendix four summarises the key financial information for each cluster agency.



3. Audit observations

Appropriate financial controls help ensure the efficient and effective use of resources and administration of agency policies. They are essential for quality and timely decision making.

This chapter outlines our observations and insights from:

- our financial statement audits of agencies in the Planning and Environment cluster for 2018
- the areas of focus identified in the Audit Office [Annual Work Program](#).











The Audit Office Annual Work Program provides a summary of all audits to be conducted within the proposed time period as well as detailed information on the areas of focus for each of the NSW Government clusters.

Observation	Conclusions and recommendations
3.1 Internal controls	
One in five internal control weaknesses reported in 2017–18 were repeat issues.	Delays in implementing audit recommendations can prolong the risk of fraud and error. Recommendation (repeat issue): Management letter recommendations to address internal control weaknesses should be actioned promptly, with a focus on addressing repeat issues.
One extreme risk was identified relating to the National Art School. The School does not have an occupancy agreement for the Darlinghurst campus.	Lack of formal agreement creates uncertainty over the School's continued occupancy of the Darlinghurst site. The School should continue to liaise with stakeholders to formalise the occupancy arrangement.
3.2 Information technology controls	
The controls and governance arrangements when migrating payroll data from the Aurion system to SAP HR system were effective.	Data migration from the Aurion system to SAP HR system had no significant issues.
The Department can improve controls over user access to SAP system.	The Department needs to ensure the SAP user access controls are appropriate, including investigation of excess access rights and resolving segregation of duties issues.
3.3 Annual work program	
Agencies used different benchmarks to monitor their maintenance expenditure.	The cluster agencies under review operate in different industries. As a result, they do not use the same benchmarks to assess the adequacy of their maintenance spend.





3.1 Internal controls

Breakdowns and weaknesses in internal controls increase the risk of fraud and error. We report deficiencies in internal controls, matters of governance interest and unresolved issues identified to management and those charged with governance. We do this through our management letters, which include our observations, related implications, recommendations and risk ratings.

The table below describes the common issues identified across the cluster by category and risk rating.

Category	Risk rating	Issue
Information technology	 Moderate: 15 new, 3 repeat  Low: 6 new, 3 repeat	<p>The financial audits identified opportunities for agencies to improve information technology (IT) processes and controls that support the integrity of financial data used to prepare agencies' financial statements. The audits noted issues relating to:</p> <ul style="list-style-type: none"> • user access reviews and administration • weak password configuration • lack of monitoring of privileged user activities.
Internal control deficiencies or improvements	 High: 2 new, 2 repeat  Moderate: 14 new, 9 repeat  Low: 23 new, 5 repeat	<p>The financial audits identified internal control weaknesses across key business processes, including:</p> <ul style="list-style-type: none"> • inadequate review of payroll master file data changes • approving purchase orders after invoices are received • lack of regular review of payroll exception reports. <p>The four high-risk issues included:</p> <ul style="list-style-type: none"> • 3 recommendations relating to asset valuations • 1 recommendation regarding revenue recognition for sponsorship arrangements.
Financial reporting	 Moderate: 14 new, 2 repeat  Low: 11 new, 1 repeat	<p>The financial audits identified opportunities for agencies to strengthen financial reporting, including:</p> <ul style="list-style-type: none"> • quality review of the asset valuation process • continuous improvement in the quality of data used in the valuation of collections assets • timely review and capitalisation of completed capital work-in-progress.
Governance and oversight	 Extreme: 1 repeat  Moderate: 8 new, 1 repeat  Low: 5 new	<p>The extreme risk issue related to National Art School not yet finalising the occupancy arrangement for its campus premises. This created uncertainty around occupying the site. It also increased the risk of possible future disputes over the responsibility for maintenance, upgrade or other costs incurred to manage the buildings.</p> <p>The financial audits identified opportunities for agencies to improve governance and oversight processes, including issues associated with:</p> <ul style="list-style-type: none"> • outdated policies and procedures • lack of regular update of risk and contract registers.

Category	Risk rating	Issue
Non-compliance with key legislation and/or central agency policies	<div> <div>—</div> <div>Moderate: 9 new, 3 repeat</div> </div> <div> <div>✓</div> <div>Low: 7 new, 5 repeat</div> </div>	The financial audits identified breaches of NSW Treasury Circular TC16/03 'Managing Accrued Recreation Leave Balances', Annual Reports regulation and procurement board directions.

-  Extreme risk from the consequence and/or likelihood of an event that has had, or may have a negative impact on the entity.
-  High risk from the consequence and/or likelihood of an event that has had, or may have a negative impact on the entity.
-  Moderate risk from the consequence and/or likelihood of an event that has had, or may have a negative impact on the entity.
-  Low risk from the consequence and/or likelihood of an event that has had, or may have a negative impact on the entity.

Note: Management letter findings are based either on final management letters issued to agencies, or draft letters where findings have been agreed with management.

One in five internal control issues reported were repeat issues

The 2017–18 financial audits of cluster agencies identified 149 internal control weaknesses, which represents an increase of ten per cent from issues reported in 2016–17. One in five issues identified in 2017–18 were repeat findings from previous financial audits. Management of the relevant agencies responded to these findings and have agreed to implement additional controls and processes to address the deficiencies identified.

A delay in implementing audit recommendations can prolong the risk of fraud and error. It also impacts on the quality of financial information and the effectiveness of decision making and exposes an agency to the risk of financial loss.

3.2 Information technology controls

Data migration from the Aurion system to the SAP HR system had no significant issues

In 2017–18, the Department of Planning and Environment's (the Department) Cluster Corporate Services migrated the payroll data of the Office of Environment and Heritage and a number of other entities from the Aurion system to the SAP HR system.

We reviewed the data migration process to ensure accurate and complete transfer of financial and payroll information. This included an assessment of the project governance processes such as:

- User Acceptance Testing
- customisation of reporting forms
- issue management
- user security setup
- go-live approval.

We found the Department had put in place key controls for the transfer of transactions and opening balance data between systems. The Department also managed the governance and performed system testing effectively. Variances identified through the parallel run were substantially remediated prior to system go-live.

More effort is required to ensure the SAP user access controls are operating as intended

The financial audit process identified an issue relating to excess SAP user access. This allowed certain users to circumvent segregation of duties controls, particularly in the payroll area. Additional audit work we performed on changes made by payroll staff during 2017–18 did not identify any invalid or unauthorised changes. However, we identified and reported the following payroll related control deficiencies:

- Payroll staff can make changes to their own payroll Masterfile data.
- User access rights are assigned to user profiles rather than positions. If a staff member moves roles or teams, there are currently no prompts to review and update their system access.
- SAP HR system does not perform any validation checks when staff manually input additional payment amounts or hours in the system.

The Department's Cluster Corporate Services provides a range of service offerings to many agencies in the cluster, including IT related services. Our financial audits focused on the information technology processes and controls supporting the integrity, availability and security of financial data.

3.3 Annual work program

Each year our financial audits examine a small number of specific topics across agencies. We determine which topics to consider by looking for opportunities to improve public-sector accountability, governance and administration. We also consider the risks and challenges to reporting the true financial position and performance of the state and how these may be addressed during our audits.

Risks and challenges that may impact on financial reporting of the Planning and Environment cluster agencies this year include:

- valuation of collection assets ([refer to Section 2.2](#))
- migration of payroll data to a new IT system ([refer to Section 3.2](#))
- capital projects ([refer to Section 4.5](#)).

Asset maintenance

We selected four cluster agencies to review their asset maintenance processes in 2017–18. The following table summarises the current year maintenance expense for each of these agencies.

2017–18	Essential Energy	Sydney Water	Hunter Water	Office of Environment and Heritage
Maintenance expense (\$'000)	360,246	204,381	32,147	28,826

Source: Essential Energy, Sydney Water Corporation, Hunter Water Corporation and Office of Environment and Heritage (unaudited).

All agencies have a policy on asset maintenance

When developing their asset strategy, all agencies under review have policies on what constitute asset maintenance, capital and operating expenses. To monitor their maintenance expenditure, agencies regularly review the planned, unplanned and backlog maintenance.

Some agencies had high levels of unplanned maintenance

Unplanned maintenance is any unscheduled repair of an asset. A high percentage of unplanned maintenance can indicate the entity is maintaining their assets reactively. It may also indicate:

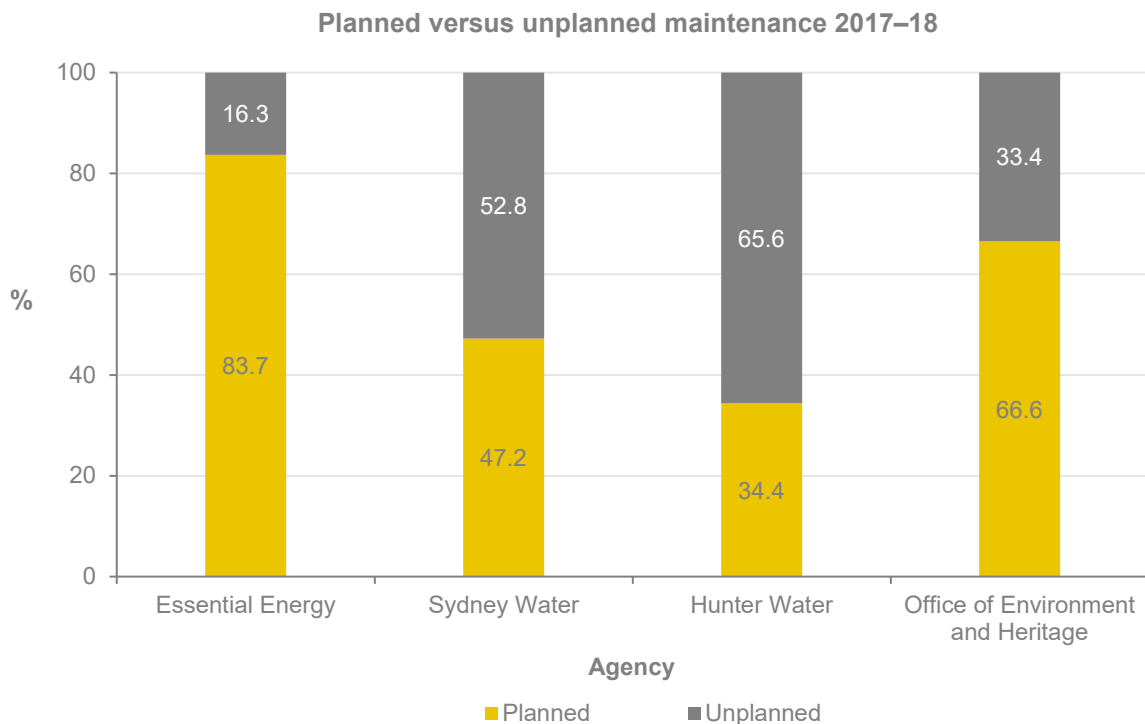
- a lack of reliable data for the budgeting and planning processes of asset maintenance
- certain assets are not operating adequately and need to be replaced
- there is a high proportion of assets with a low consequence of failure.

As indicated in the graph below, the two water utilities had high levels of unplanned maintenance in 2017–18. Hunter Water Corporation had almost 66 per cent unplanned asset maintenance, whereas around half of Sydney Water Corporation's maintenance was unplanned. In comparison, Essential Energy had the highest level of planned maintenance at 84 per cent.

For water utilities, the nature of water and sewer infrastructure assets (i.e. being underground) has contributed to the relatively high ratio of unplanned maintenance. Water utilities advised it is more challenging to regularly monitor and assess conditions of the underground assets, and they experienced a significant increase in breaks and leaks during 2017–18 due to soil movement from extended dry conditions. This has contributed to the rise in unplanned maintenance work.

Sydney Water Corporation indicated their asset maintenance approach uses an industry accepted risk framework to achieve required service levels whilst ensuring the best financial return on the assets. Sydney Water Corporation advised it adopts two approaches to maintenance:

- **Plan to repair (unplanned)** – response to failure, which applies to assets where there is a low consequence of failure that can be managed within acceptable level of service, safety or cost impact.
- **Avoid fail (planned)** – interventions are scheduled to prevent or minimise failures. This applies to assets where there is a high consequence of failure that cannot be managed without unacceptable loss of service safety or cost impact.



Source: Essential Energy, Sydney Water Corporation, Hunter Water Corporation and Office of Environment and Heritage (unaudited).

Since 2015–16, Essential Energy has maintained the level of planned maintenance. Sydney Water Corporation and the Office of Environment and Heritage had a decrease in planned maintenance from 2016–17.

Agencies use different benchmarks to monitor their maintenance expenditure

The cluster agencies we reviewed operate in different industries (e.g. water, electricity), and use different approaches to benchmark and assess the adequacy of their maintenance spend.

The Water entities indicated that their operating and capital expenses per property are assessed against available Industry benchmarks such as 'National performance report: urban water utilities'. Also, the Water Service Association of Australia (WSAA) conducts asset management and expense benchmarking for the Australian Water Industry on a cyclic basis.

Essential Energy advised the Australian Energy Regulator (AER) performs benchmarking on Australian energy distribution entities to inform its revenue determinations. The benchmark takes into account the efficiency of operating expenditure (which includes maintenance costs), and the fundamental differences in the networks.

The Office of Environment and Heritage advised it monitors actual maintenance spend against the required maintenance expenditure, and it is currently developing a benchmark to monitor the asset maintenance.



4. Service delivery

This chapter outlines certain service delivery outcomes for 2017–18. The data on activity levels and performance is provided by cluster agencies. The Audit Office does not have a specific mandate to audit performance information. Accordingly, the information in this chapter is unaudited.

We report this information on service delivery to provide additional context to understand the operations of the Planning and Environment cluster, and to collate and present service information for different segments of the cluster in one report.

In our recent performance audit, '[Progress and measurement of Premier's Priorities](#)', we identified 12 limitations of performance measurement and performance data. We recommended the Department of Premier and Cabinet ensure that processes to check and verify data are in place for all relevant agency data sources.

4.1 Planning

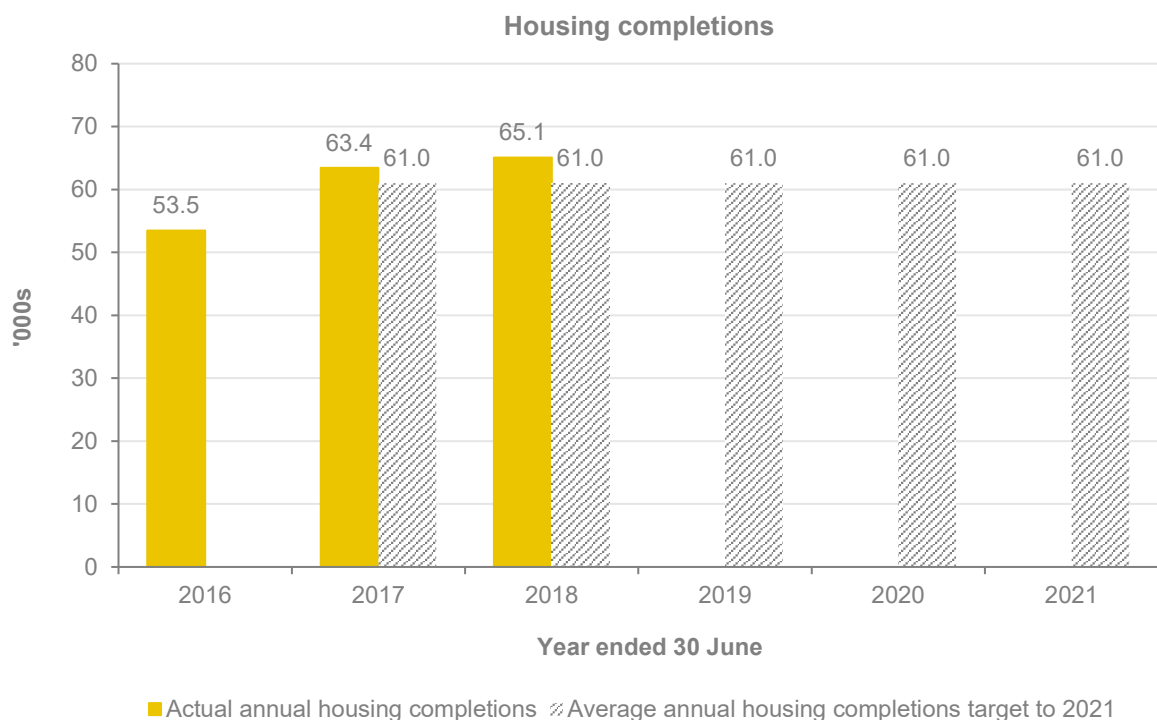
The Planning and Environment cluster plays a role in addressing the challenge of housing affordability. It aims to do this by increasing housing supply, accelerating major project assessment and simplifying the planning system.

Housing completion

The housing completion target was achieved in 2017–18

The Australian Bureau of Statistics data shows 65,082 new houses were completed across the state in 2017–18 (63,448 in 2016–17). This was 6.7 per cent above the Premier's Priority target of 61,000 housing completions on average per year to 2021, with 2016–17 as the baseline year.

The chart below shows the trend in housing completions over the past three years.



Source: Australian Bureau of Statistics (unaudited).

One of the Department's key strategies to increase housing completion, through faster housing approvals, is the expansion of the NSW Planning Portal (also referred to as the ePlanning system) to enable online lodgement of housing applications. The ePlanning system is discussed later in this chapter.

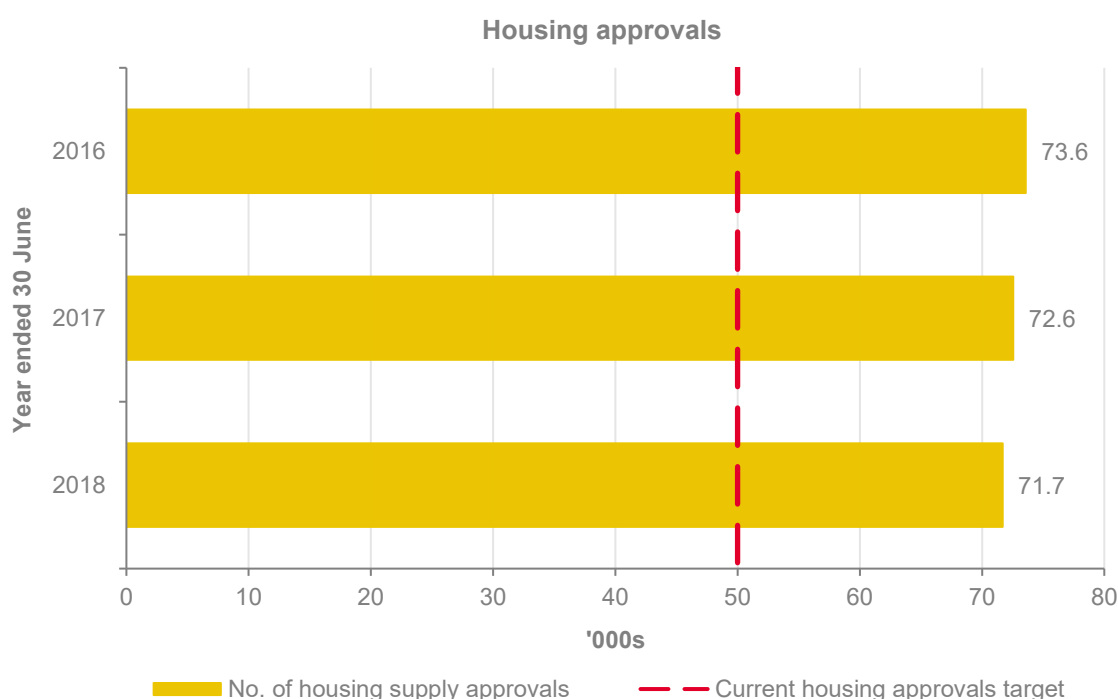
The performance audit report on '[Progress and measurement of Premier's Priorities](#)' found the data used to measure '61,000 housing completions on average per year' does not include housing demolitions, meaning it does not give an overall picture of additional available housing.

Increasing housing supply

The Department continues to meet the housing approvals target

The Australian Bureau of Statistics reported the number of new housing approvals in 2017–18 was 71,680, slightly below the previous year of 72,550. Approvals in 2017–18 were 43.4 per cent above the State Priority target of delivering more than 50,000 housing approvals per year.

The chart below shows the Department achieved the housing approvals target in the past three years.



Source: Australian Bureau of Statistics (unaudited).

Major project assessment

The Department reports two target measures for state significant developments

One State Priority target is to halve the time taken to assess planning applications for state significant developments by March 2019.

The Department believes it is on track to meet the State Priority target by March 2019 when considering the combined results of both complex mining proposals and all other state significant development proposals.

In the Auditor-General's [Report on Planning and Environment 2017](#), the Department advised it was unclear which state significant developments were meant to be included in and reported against the State Priority target. The Department indicated they have now agreed with the Department of Premier and Cabinet (DPC) that the lead indicator, which focused on complex mining proposals, can be supplemented by the indicator showing the average time taken to assess all other state significant development proposals.

The Department advised it is working with DPC to revise the calculation of the target measure for state significant developments to allow effective and consistent reporting.

Currently, the Department's annual report includes:

- the average time taken to assess the complex mining proposals, which include 24 proposals assessed since November 2014 that require additional stages of assessment, including a review and determination by the Independent Planning Commission
- the rolling 12-month average of time taken to assess all other state significant development proposals.

Time taken to assess complex mining proposals decreased in 2017–18

The Department's unaudited data indicates the average time taken to assess the complex mining proposals decreased by 6.7 per cent from 432 days at 30 June 2017 to 403 days at 30 June 2018. This represents a 41.4 per cent reduction (37.2 per cent reduction as at 30 June 2017) in the time taken to assess these applications from the baseline of 688 days as at November 2014. Despite the decrease from prior year, the average time taken in 2017–18 to assess the complex mining proposals is still longer than 2015–16. This trend is demonstrated in the chart below.



Source: Department of Planning and Environment (unaudited).

ePlanning system

The ePlanning project is expected to be completed in 2018–19 at a total cost of \$63.6 million

The Department has spent \$52.2 million up to 30 June 2018 on the ePlanning project (also known as the NSW Planning Portal). The remaining budget for 2018–19 is \$11.4 million, which will be used to complete stages two and three of the ePlanning system.

The original budget for ePlanning phases one and two was \$35.1 million, with planned completion of December 2016 and June 2017 respectively. The Department advised the revisions to the original budget and completion date were mainly due to the:

- delay in the pilot project
- brief pause of the project to further analyse the delivery model and adoption roadmap
- change in approach for the development and deployment of the Planning Portal solution following the council pilot in 2017. The approach for project delivery was changed from rapid delivery in two years to a more sustainable and progressive delivery model
- change in the underlying technology platform used for the program delivery.

The NSW Planning Portal aims to support effective planning and decision-making for stakeholders in the NSW planning ecosystem. The project has three phases:

- Phase one established the foundations of the e-Planning Platform for New South Wales to enable users to access planning legislation, policies, guidelines and documentation at any time. This phase was completed in June 2016.
- Phase two expands the content and reach of the program across the planning system.
- The third phase commenced in September 2017. It includes integration of state infrastructure contributions into the Planning Portal and the creation of an integrated electronic workflow for local environmental planning.

The Department advised five councils are actively using the online lodgement tool

The objective of the ePlanning project is to deliver a system which can be used by 100 per cent of the councils by 2023. The Department indicated the adoption of the system, including the online development application lodgement tool, is not mandatory and will be a decision of the individual councils.

The Department advised a Complying Development Certification (CDC) tool has been delivered through the Planning Portal. This tool allows the submission of CDC lodgements online. The Department indicated it initially rolled out the CDC tool to five councils, and plan to progressively release the tool to remaining councils from December 2018.

The Department advised the Development Applications (DA) lodgement tool was initially rolled out to 12 councils in December 2018, and will be progressively released to remaining councils from February to June 2019.

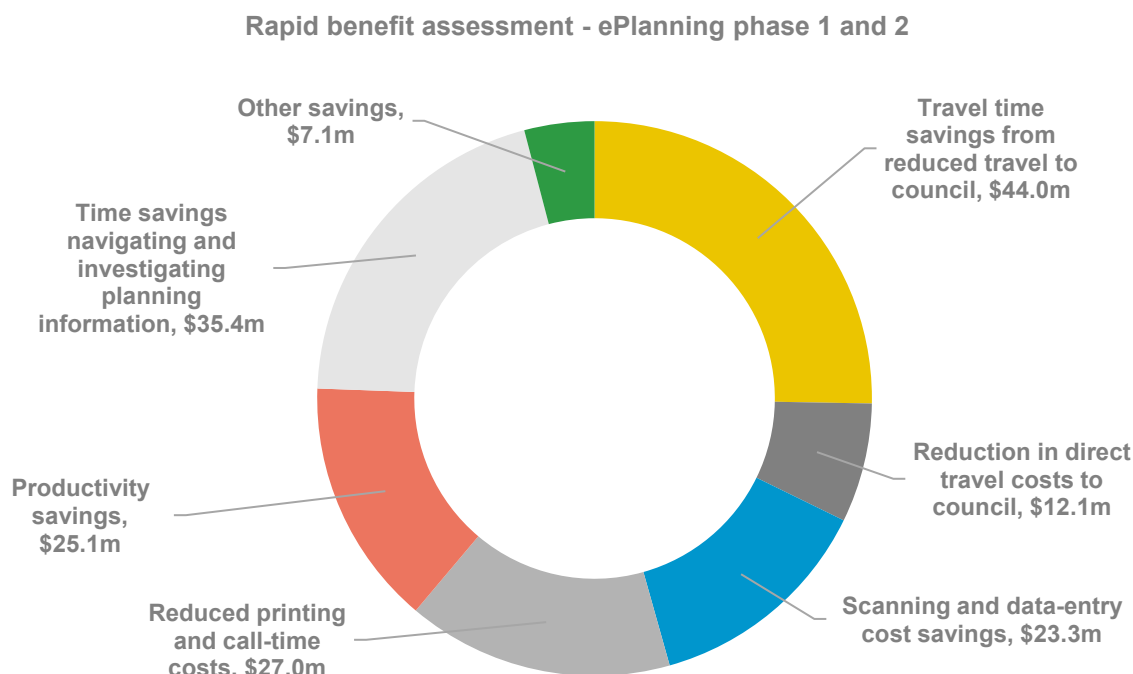
The Department completed a rapid benefit realisation assessment for phase one and two

In August 2018, the Department performed a rapid assessment of economic benefits arising from the implementation of phase one and two of the ePlanning system. The assessment was conducted over a 20-year appraisal period. However, the Department's audited 2017–18 financial statements indicated the ePlanning system is likely to have an economic useful life of only ten years. The Department advised the 20-year timeframe was used because the project was redesigned from a ten-year to 20-year scope following the 2017 pilot. The Department indicated there are two main phases under the revised scope:

- design, development and roll-out of Planning Portal functions to councils (ten years)
- operational phase where most of the benefits are expected to be realised (ten years).

Another key assumption used in the assessment is that all DA or CDC lodgements to all Councils in New South Wales are transitioned to the ePlanning Portal by 2023. Complying development is a fast-track approval process for straightforward residential, commercial and industrial development. Currently, five councils are actively using the CDC tool in the Planning Portal. At 30 June 2018, there are 128 councils in New South Wales.

The Rapid benefit realisation assessment review indicated that total benefits will be \$174 million in present value terms. As indicated from the graph below, the largest benefits result from online application lodgement, which includes the benefits from reduced travel time to council offices and a reduced need for scanning, data entry and printing. These account for more than 50 per cent of the total benefits.



Source: Report on Rapid Assessment of Economic Benefits provided by the Department of Planning and Environment (unaudited).

The scope of work of the rapid assessment included:

- review of validity of the benefits captured in the business case
- review and update of the economic parameters and assumptions underlying the benefits captured in the business case.

A comprehensive benefits realisation review of the ePlanning project is scheduled to be completed in January 2019

The Department advised a comprehensive benefit realisation review commenced in October 2018, and is expected to be completed in January 2019.

A comprehensive benefits realisation review would help the Department determine if ePlanning has achieved its intended outcomes. The scope of the review is usually determined in consultation with benefit owners and other stakeholders and should include:

- a review of the business case, benefits report and benefits plan, including the benefits register, benefits map, and the governance and risks
- a review of the benefits register to compare the data collected on actual performance with the baseline data and forecast targets
- the benefits map and benefit distribution matrix to assess how the program activities planned contribute to the intended outcomes, and actual outcomes
- an assessment of whether key assumptions and inputs used for the review are consistent and achievable
- an assessment of who benefits from the program, how and to what extent, and whether there were any unintended consequences for stakeholders.

Developer contributions

Developer contributions comprise Special Infrastructure Contributions and Voluntary Planning Agreements

Developer contributions include Special Infrastructure Contributions (SIC) and Voluntary Planning Agreements (VPA) and are paid during the development process.

SIC is a levy paid by developers to share the cost of delivering the state and regional infrastructure required to support growing communities. The SIC funds infrastructure such as schools, state and regional roads, regional open space, emergency and health facilities, and some public transport infrastructure.

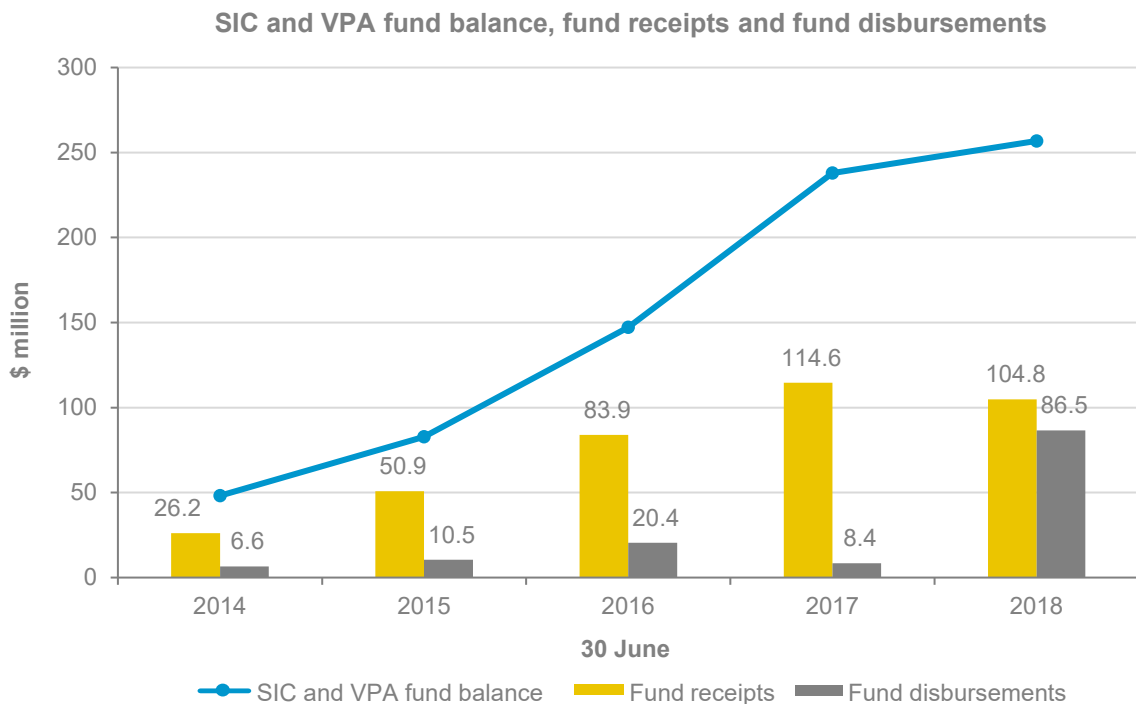
Contributions are collected for new developments within a defined boundary called the special contributions area. There are currently three special contributions areas in New South Wales, and another 27 proposed special contributions areas for all Planned Precincts and Growth Areas across the State.

VPA is an agreement entered into by a planning authority and a developer to provide public infrastructure. There are currently 233 executed VPAs in place in New South Wales.

Unspent SIC and VPA funds have been building up over a number of years

The Department has accumulated more SIC and VPA revenues than it has spent on infrastructure projects in recent years. Total unspent SIC and VPA funding has increased from \$48.2 million at 30 June 2014 to \$257 million at 30 June 2018. The Department forecasts it will receive an additional \$834 million in SIC and \$48.0 million in VPA contributions over the next four years.

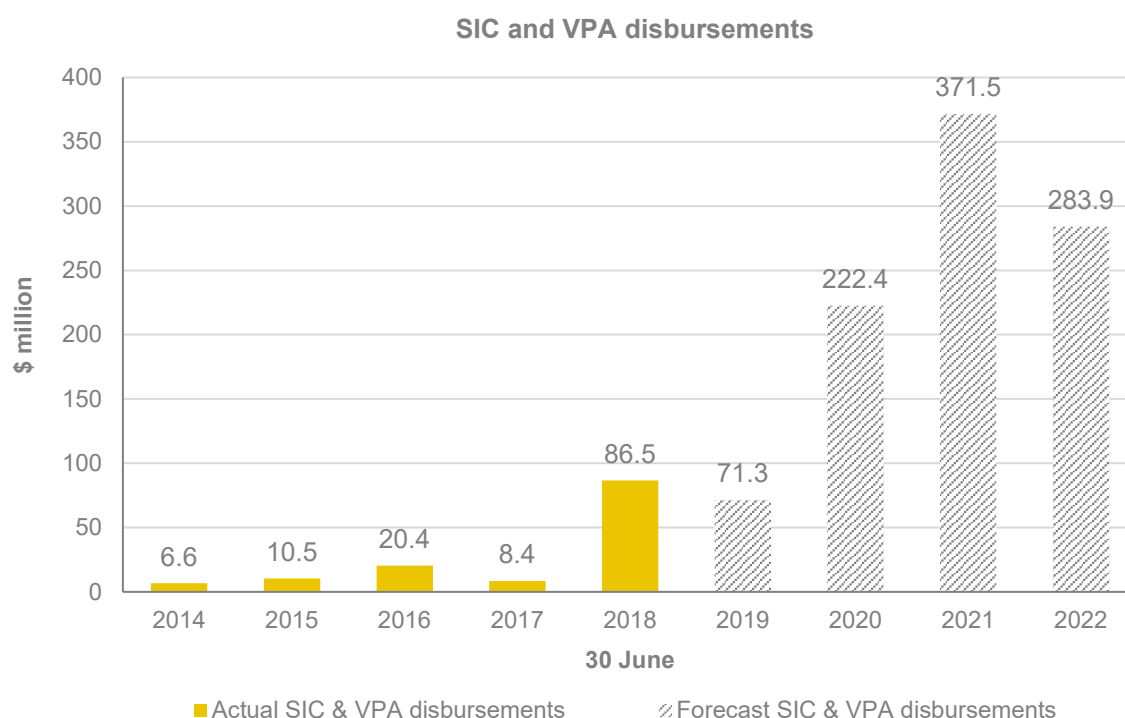
The Department advised there is usually a time lag between collecting sufficient contributions and allocating these funds to deliver the infrastructure projects.



Source: Audited financial statements of the Department of Planning and Environment.

The Department has set challenging targets for SIC and VPA infrastructure spending

The Department advised it expects to allocate \$909 million of SIC funding and \$40.0 million of VPA contributions to infrastructure projects over the next four years. Based on actual SIC and VPA disbursements made since 2013–14, this will be a challenging target to meet.



Source: Department of Planning and Environment (unaudited).

The Department recently strengthened the governance arrangements over SIC and VPA

The end-to-end SIC and VPA process is inherently complex due to the involvement of many internal and external stakeholders, including developers, councils, various state agencies and the wider community. The funds are expected to grow as further investment in the current and proposed SIC plan areas are activated. Following a June 2017 internal audit review of the SIC fund, the Department actioned the recommendations to enhance current processes and controls.

The Department also strengthened the governance arrangements around the SIC and VPA programs by establishing a Development Infrastructure and Revenue Executive Steering Committee in May 2018. The committee includes key stakeholders from the Department, NSW Treasury, DPC and Infrastructure NSW. The committee meets monthly to oversee and monitor the performance of the funds, including:

- SIC/VPA program budget and key activities update
- project identification and selection
- ensuring the SIC and VPA funds are used in accordance with their intended purpose
- providing governance and assurance, and advising how to work within set frameworks, such as Infrastructure NSW's Infrastructure Investor Assurance Framework.

To determine which SIC projects to fund, the Department advised it undertakes a preliminary prioritisation process to select projects which are considered to be a priority. The Department then opens an invitation to the respective delivery agencies to seek nomination on the pre-selected projects.

The Department advised the nomination forms will be assessed to confirm if the nominated projects meet the criteria of the scheme, which include:

- the number of future dwellings supported by the infrastructure
- the rate of current and future development in the precinct
- delivery timeframe
- project readiness - completed studies and level of stakeholder awareness
- project support offered or its ability to compliment other infrastructure projects.

4.2 Environment and heritage

The Planning and Environment cluster works with the New South Wales community to care for and protect the State's environment and heritage. One of the key focus areas is litter management.

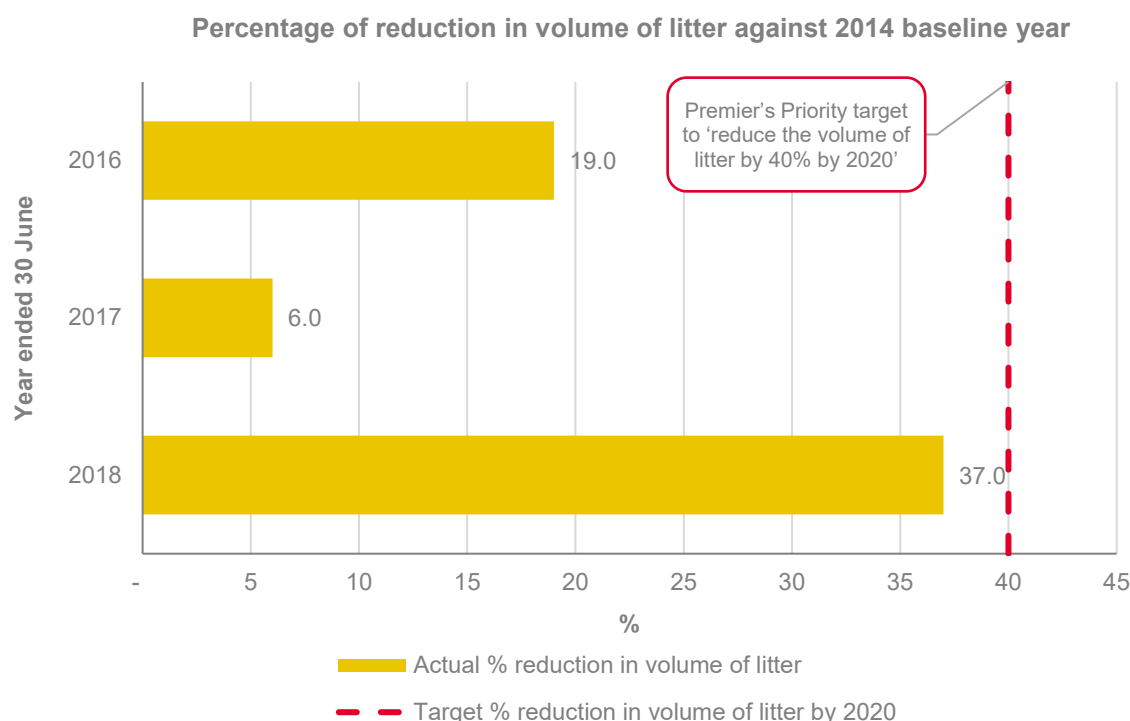
Litter management

EPA has made progress towards the Premier's Priority target for litter reduction

The state plan 'NSW: Making it Happen' includes a Premier's Priority to reduce the volume of litter by 40 per cent by 2020. This equates to a litter volume target of 4.2 litres per 1,000 square metres by 2020.

According to the Keep Australia Beautiful National Litter Index, litter volume in New South Wales was 4.5 litres per 1,000 square metres in 2017–18, a decrease of 32 per cent from the prior year, and almost 37 per cent since the 2013–14 baseline year.

The graph below indicates the Environment Protection Authority (EPA) is on track to meet the 2020 target for litter reduction.



Source: Keep Australia Beautiful National Litter Index 2017–18 (excluding illegal dumping) (unaudited).

Our recent performance audit, '[Progress and measurement of Premier's Priorities](#)', found it is not clear how the Premier's Priority target to 'reduce the volume of litter by 40 per cent' is helping achieve the policy objective of 'Keeping our Environment Clean'.

Container Deposit Scheme

The Container Deposit Scheme (the Scheme) is one of the key strategies to reduce the volume of litter.

The costs the EPA incurs in undertaking the Scheme's activities are recovered through a Scheme compliance fee paid by the Scheme Coordinator. The Scheme is largely self-funded and does not rely on government funding.

The performance of Scheme Coordinator and Network Operator will be reviewed annually

The key parties in the Scheme include the EPA, the Scheme Coordinator (Exchange for Change), the Network Operator (TOMRA Cleanaway), and the 'first suppliers' of eligible beverage containers in NSW.

The EPA advised the performance of Scheme Coordinator and Network Operator will be assessed 12 months after the commencement date of the Scheme, and annually thereafter. Both parties' performance will be assessed against the executed agreements and pre-determined performance measures.

Additionally, the ongoing performance of both the Scheme Coordinator and Network Operator is monitored by the EPA through operational meetings and monthly management meetings. EPA has highlighted that there are performance improvements required by both parties, which include:

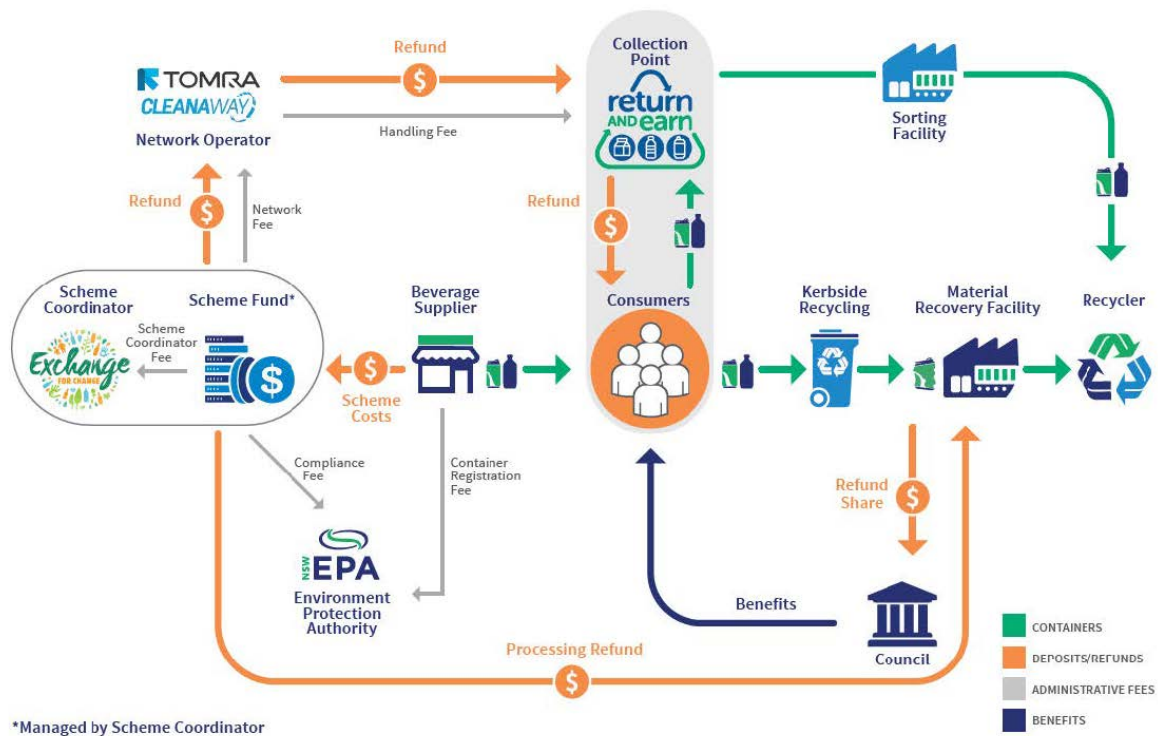
- improving monthly and quarterly reporting to capture data critical to measuring program effectiveness (Scheme Coordinator and Network Operator)
- optimising the network of return points by identifying gaps in network coverage and reducing over reliance on over the counter return points (Network Operator)
- improving communication with beverage suppliers (Scheme Coordinator)
- developing an integrated Scheme-level marketing and communications plan (Scheme Coordinator)
- implementing a Scheme-wide assurance approach and ensure this is visible to EPA, the Scheme Coordinator and Network Operator (Scheme Coordinator).

Key performance measures include volume targets for the collection points, targets for implementing collection points, down time and customer engagement.

EPA advised more than one billion containers have been collected

The EPA advised, since the Scheme's inception in December 2017, more than one billion containers have been collected across over 670 return points. Governance arrangements are in place to ensure that the data collected and published on the Scheme website is audited by the EPA.

The diagram below outlines how the Scheme works and the various participants in the Scheme.



Source: Environment Protection Authority (unaudited).

The Scheme, also known as 'Return and Earn', commenced operation on 1 December 2017. It aims to help reduce the number of drink containers ending up as litter and cut the state's total litter volume by 40 per cent by 2020.

Under the Scheme, consumers returning eligible beverage containers receive a 10c refund per container. Businesses supplying beverages in eligible containers in New South Wales pay monthly fees to cover the costs of the Scheme, and can increase the price of eligible container beverages to recover these costs.

The Network Operator is responsible for the rollout of the collection points and the collection of containers. The Scheme Coordinator is responsible for managing the performance of the Network Operator, managing the Scheme Fund and distributing a network fee to the relevant stakeholders.

4.3 Water

Metropolitan Water Plan 2017

The NSW Government's Metropolitan Water Plan 2017 outlined a mix of measures to ensure Sydney, the Illawarra and the Blue Mountains have secure and sustainable supply of water.

This plan provided for a secure supply of water to 2025 from a combination of sources, including dams, desalination, and water recycling and conservation.

Warragamba dam wall raising

In May 2017, the government released the Hawkesbury-Nepean Valley Flood Risk Management Strategy. This strategy aimed at reducing the risk of flooding in the catchment areas from Bents Basin near Wallacia to the Brooklyn Bridge. It concluded that raising Warragamba dam's wall by around 14 metres is the best infrastructure option to reduce the risk of flood from the Warragamba River catchment and provides additional water security.

By 2019, an environmental and detailed concept design are planned to be completed, and approvals sought for the construction to commence in 2020.

Shoalhaven transfer system

This plan includes transfers from Tallowa dam on the Shoalhaven River to supplement water supply to Sydney. The stored water in the Tallowa dam can be transferred to Warragamba dam via the Wingecarribee River or to the Nepean dam to boost water supplies to both Sydney and the Illawarra. The Shoalhaven system has operated since the 1970s and can provide a significant portion of water supply when storage levels in the Warragamba and Upper Nepean dams are declining.

Water recycling and conservation

Sydney Water Corporation and Hunter Water Corporation advised water recycling increased in 2017–18

Sydney Water Corporation's recycled water quantity increased by 11.7 per cent in 2017–18, due to the prolonged hot and dry conditions during the year. Hunter Water Corporation's recycled water quantity increased by 20.4 per cent, which was mainly due to increased demand from commercial customers in 2017–18 compared to 2016–17.

The tables below show recycling performance for the past three years.

Year ended 30 June	2018	2017	2016
Water recycling			
Hunter Water Corporation			
Actual recycled water production (gigalitres)	6.5	5.4	5.4
Water recycling targets (gigalitres)	6.0	6.0	6.0
Sydney Water Corporation			
Actual recycled water production (gigalitres)	42.8	38.3	43.3
Water recycling targets (gigalitres)	na	na	na
Water conservation			
Hunter Water Corporation			
Actual water usage per person per day (kilolitres)	0.3	0.2	0.3
Target maximum water usage per person per day (kilolitres)	0.3	0.3	0.3
Sydney Water Corporation			
Actual water usage per person per day (kilolitres)	0.3	0.3	0.3
Target maximum water usage per person per day (kilolitres)	na	0.3	0.3

Source: Hunter Water Corporation and Sydney Water Corporation (unaudited).

4.4 Arts and culture

Cultural participation

Overall attendance at cultural venues and events increased by 20.7 per cent since 2014–15

The Department's unaudited data shows overall attendance at cultural venues and events in New South Wales increased by 20.7 per cent between 2014–15 and 2016–17. Attendance fluctuated across individual venues and events. Data for 2017–18 is not yet available, however the Department advised that the upward trend is expected to continue.

One State Priority target is to increase overall attendance at cultural venues and events in New South Wales by 15 per cent by 2019. The 2014–15 cultural attendance forms the baseline for this target.

4.5 Managing major capital projects

We obtained information about three significant ongoing capital projects in the Planning and Environment cluster with a total estimated cost of \$840 million.

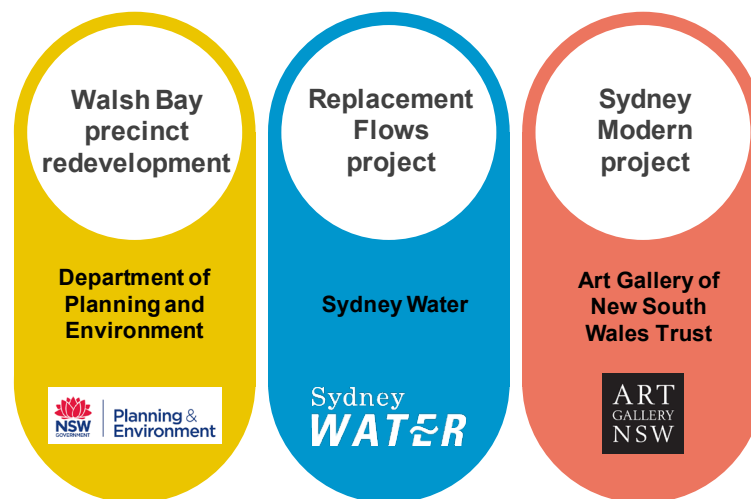
We looked at:

- the original project budget and timeline and any subsequent revisions
- capitalisation of project costs to work in progress and then to depreciable assets
- the amount and use of budgeted project contingencies
- monitoring and oversight of the delivery of the project.

This information presents the results of that work. However, this analysis relies on unaudited information provided by cluster agencies. Where possible the details have been confirmed against the 2018–19 budget papers.

The budget for the Walsh Bay redevelopment was revised from \$139 million to \$245 million

The three significant ongoing capital projects we reviewed include:



Both Sydney Water Corporation and Art Gallery of New South Wales Trust are working towards the original scheduled completion dates for the Replacement Flows and Sydney Modern projects, respectively. The Walsh Bay project revised its original completion date from February 2019 to mid-2020, and its original budget from \$139 million to \$245 million. This was mainly due to the subsequent inclusion of the Sydney Theatre Company in the project scope. There was also a successful legal challenge by a business owner impacted by the original development application. As a result, the Department revised the original business case to address the changes and any concerns raised.

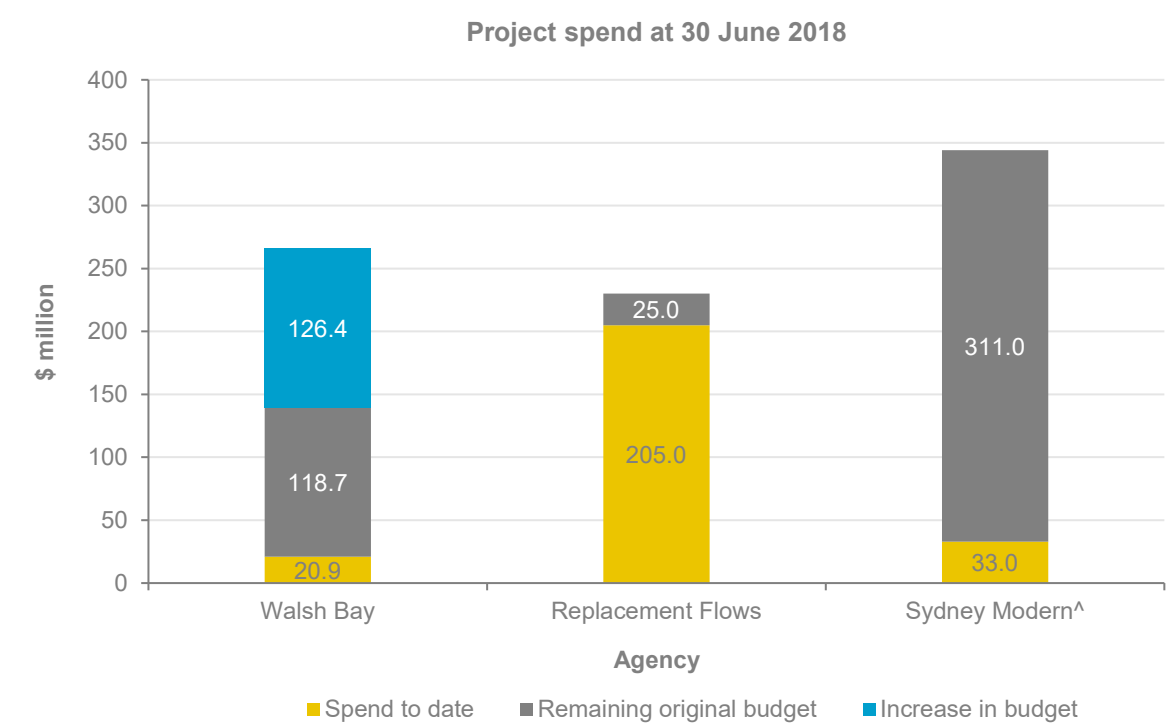
Agencies expect the selected projects to be completed within budget

Each of the agencies have governance bodies set up to oversee the projects and regularly review project costs.

The projects are at various stages of completion:

- The Sydney Modern project has yet to commence construction and there is currently a request for tender to select the shortlisted construction companies.
- Replacement Flows project has completed the construction phase and is currently in the operations and maintenance phase.
- Stage one (of two stages) of the Walsh Bay redevelopment has begun demolition and construction with the closure of Wharf 4/5.

The graph below provides a snapshot of the total expenditure to date and how much budget remains.



[^] Sydney Modern project's estimated total cost includes \$100 million of private contributions.

Source: Department of Planning and Environment, Sydney Water Corporation and Art Gallery of New South Wales Trust (unaudited).

Section two

Appendices



Appendix one – List of 2018 recommendations

The table below lists the recommendations made in this report.



1. Financial reporting

1.1 Key accounting issues

Collection asset valuations could be improved by:

- early engagement with key stakeholders regarding the valuation method and approach
- completing revaluations, including quality review processes earlier
- improving the quality of asset data by registering all items in an electronic database.



2. Audit observations

2.1 Internal controls

Management letter recommendations to address internal control weaknesses should be actioned promptly, with a focus on addressing repeat issues.



Key



Low risk



Medium risk



High risk



Appendix two – Status of 2017 recommendations

Recommendation		Current status
Planning and Environment cluster agencies should ensure:		
Management letter recommendations to address internal control weaknesses are actioned promptly, with a focus on addressing repeat issues.	There are a number of repeat management letter issues in 2017–18. Refer to Section 3.1 for further details.	—
Management of user administration over financial systems are strengthened to prevent inappropriate access to financial information.	User access administration remains an issue at agencies. Refer to Section 3.1 for further details.	—
Key	Fully addressed	Partially addressed Not addressed



Appendix three – Cluster agencies

Agency

Principal department

[Department of Planning and Environment](#)

Planning agencies

[Greater Sydney Commission](#)

Planning Ministerial Corporation

[Central Coast Regional Development Corporation](#)

Ministerial Development Corporation

[Hunter Development Corporation](#)

[Landcom trading as Urban Growth NSW](#)

Arts and culture agencies

[Art Gallery of NSW Trust](#)

Art Gallery of NSW Foundation

Art Gallery of NSW Trust Staff Agency

[The Australian Institute of Asian Culture and Visual Arts Limited](#)

The Brett Whiteley Foundation

[Trustees of the Museum of Applied Arts and Sciences](#)

Trustees of the Museum of Applied Arts and Sciences Staff Agency

[Australian Museum Trust](#)

Australian Museum Trust Staff Agency

[Sydney Opera House Trust](#)

Sydney Opera House Trust Staff Agency

[Historic Houses Trust of New South Wales](#)

Foundation for Historic Houses Trust of New South Wales

Foundation for Historic Houses Trust New South Wales Limited

[Library Council of NSW](#)

Library Council of NSW Staff Agency

[State Library of NSW Foundation](#)

[National Art School](#)

Energy and utilities

[Essential Energy](#)

[Hunter Water Corporation](#)

[Sydney Water Corporation](#)

[Coal Innovation NSW](#)

Agency

Environment and heritage agencies

[Office of the Environment and Heritage](#)

Biamanga National Park Board of Management

Gulaga National Park Board of Management

Gaagal Wanggaan (South Beach) Board of Management

Mutawintji Board of Management

Mt Grenfell Historic Site Board of Management

Worimi Conservation Board of Management

Corporation Sole '*Minister Administering the Heritage Act 1977*'

[Biodiversity Conservation Trust](#)

[Taronga Conservation Society Australia](#)

[Jenolan Caves Reserve Trust](#)

[Western Sydney Parklands Trust](#)

[Parramatta Parkland Trust](#)

[Environment Protection Authority](#)

Environment Protection Authority Staff Agency

[Environmental Trust](#)

[Royal Botanic Gardens and Domain Trust](#)

[Centennial Park and Moore Park Trust](#)

Local government agencies

[Office of Local Government](#)

[Lord Howe Island Board](#)



Appendix four – Financial data

	Total assets		Total liabilities		Total revenue		Total expense	
	2018	2017	2018	2017	2018	2017	2018	2017
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Planning agencies								
Department of Planning and Environment	767	692	169	120	2,672	1,466	2,653	1,353
Greater Sydney Commission	1	--	3	3	23	19	23	21
Planning Ministerial Corporation	1,842	1,522	181	202	35	24	24	36
Central Coast Regional Development Corporation	32	32	4	2	1	1	3	2
Ministerial Development Corporation	--	--	--	--	--	--	--	--
Hunter Development Corporation	96	77	6	9	81	29	59	30
Landcom trading as Urban Growth NSW	1,529	1,148	737	343	828	793	564	552
Arts and culture agencies								
Art Gallery of NSW Trust	1,714	1,665	9	9	103	86	59	52
Art Gallery of NSW Foundation	68	62	--	--	9	9	3	3
Art Gallery of NSW Trust Staff Agency	3	3	3	3	28	25	28	25
The Australian Institute of Asian Culture and Visual Arts Limited	2	2	--	--	--	--	--	--
Brett Whiteley Foundation	2	2	--	--	--	--	--	--
Trustees of the Museum of Applied Arts and Sciences	714	505	7	6	49	51	65	61
Trustees of the Museum of Applied Arts and Sciences Staff Agency	4	3	4	3	31	27	31	27
Australian Museum Trust	1,012	723	15	6	43	43	47	43
Australian Museum Trust Staff Agency	3	3	3	3	23	21	23	21
Sydney Opera House Trust	2,682	2,608	45	44	217	159	144	155
Sydney Opera House Trust Staff Agency	15	16	15	16	68	63	68	63

	Total assets		Total liabilities		Total revenue		Total expense	
	2018	2017	2018	2017	2018	2017	2018	2017
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Historic Houses Trust of New South Wales	292	279	5	5	30	32	27	27
Foundation for Historic Houses Trust of New South Wales	2	2	--	--	--	--	--	--
Foundation for Historic Houses Trust New South Wales Limited	--	--	--	--	--	--	--	--
Library Council of NSW	2,407	2,371	15	13	101	97	91	90
Library Council of NSW Staff Agency	4	4	4	4	35	34	35	34
State Library of NSW Foundation	21	19	--	--	11	4	8	2
National Art School*	7	6	3	2	13	12	13	12
Energy and utilities agencies								
Essential Energy	8,470	8,399	6,091	6,041	1,438	1,534	1,454	1,462
Hunter Water Corporation	2,763	2,684	1,495	1,469	368	336	274	253
Sydney Water Corporation	19,093	18,078	11,271	10,765	2,898	2,660	2,085	2,024
Coal Innovation Fund	82	83	2	1	1	1	3	4
Environment and heritage agencies								
Office of the Environment and Heritage	4,471	4,314	157	154	1,121	1,109	994	1,058
Biamanga Board of Management	1	1	--	--	--	--	--	--
Gulaga Board of Management	--	--	--	--	--	--	--	--
Gaagal Wanggaan (South Beach) National Park Board of Management	1	1	--	--	--	--	--	--
Mutawintji Board of Management	2	1	--	--	1	1	--	--
Mt Grenfell Board of Management	1	1	--	--	--	--	--	--
Worimi Conservation Lands	7	6	--	--	2	2	1	1
Corporation Sole 'Minister Administering the Heritage Act 1977'	13	12	--	--	1	1	1	1
Biodiversity Conservation Trust	50	14	3	2	45	2	10	3

	Total assets		Total liabilities		Total revenue		Total expense	
	2018	2017	2018	2017	2018	2017	2018	2017
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Taronga Conservation Society Australia	581	553	59	50	136	129	118	110
Jenolan Caves Reserve Trust	39	20	3	3	11	11	10	11
Western Sydney Parklands Trust	854	843	19	18	20	25	11	10
Parramatta Parkland Trust	66	64	1	1	7	6	5	4
Environment Protection Authority	44	33	19	16	174	162	166	169
Environment Protection Authority Staff Agency	10	10	10	10	75	73	75	73
Environmental Trust	4	4	--	--	52	60	52	62
Royal Botanic Gardens and Domain Trust	838	527	10	8	59	49	53	50
Centennial Park and Moore Park Trust	1,128	1,075	7	9	40	43	31	30
Local government agencies								
Office of Local Government	13	20	8	10	255	162	260	159
Lord Howe Island Board	71	65	2	2	13	10	13	13

* Figures are for the year ended 31 December 2017 and 31 December 2016.



Appendix five – Timeliness of financial reporting

Cluster agencies	Timeliness of financial reporting		
	Early close procedures	Financial statements	Audit report
Principal department			
Department of Planning and Environment	✓	✓	✓
Planning agencies			
Greater Sydney Commission	✓	✓	✓
Planning Ministerial Corporation	✓	✓	✓
Central Coast Regional Development Corporation	✓	✓	✓
Ministerial Development Corporation	N/A	✓	✓
Hunter Development Corporation	✓	✓	✓
Landcom trading as Urban Growth NSW	✓	✓	✓
Arts and culture agencies			
Art Gallery of NSW Trust	✓	✓	✓
Art Gallery of NSW Foundation	N/A	✓	✓
Art Gallery of NSW Trust Staff Agency	✓	✓	✓
The Australian Institute of Asian Culture and Visual Arts Limited	✓	✓	✓
Brett Whiteley Foundation	N/A	✓	✓
Trustees of the Museum of Applied Arts and Sciences	✓	✓	✓
Trustees of the Museum of Applied Arts and Sciences Staff Agency	✓	✓	✓
Australian Museum Trust	✓	✓	✓
Australian Museum Trust Staff Agency	✓	✓	✓
Sydney Opera House Trust	✓	✓	✓
Sydney Opera House Trust Staff Agency	✓	✓	✓
Historic Houses Trust of New South Wales	✓	✓	✓
Foundation for Historic Houses Trust of New South Wales	N/A	✓	✓
Foundation for Historic Houses Trust New South Wales Limited	N/A	✓	✓
Library Council of NSW	✓	✓	✓
Library Council NSW of Staff Agency	✓	✓	✓
State Library of NSW Foundation	✓	✓	✓

Timeliness of financial reporting			
Cluster agencies	Early close procedures	Financial statements	Audit report
National Art School*	N/A	✓	✓
Energy and utilities			
Essential Energy	✓	✓	✓
Hunter Water Corporation	✓	✓	✓
Sydney Water Corporation	✓	✓	✓
Coal Innovation Fund	N/A	✓	✓
Environment and heritage agencies			
Office of the Environment and Heritage	✓	✓	✓
Biamanga National Park Board of Management	N/A	✓	✓
Gulaga National Park Board of Management	N/A	✓	✓
Gaagal Wanggaan (South Beach) Board of Management	N/A	✓	✓
Mutawintji Board of Management	N/A	✓	✓
Mt Grenfell Historic Site Board of Management	N/A	✓	✓
Worimi Conservation Board of Management	N/A	✓	✓
Corporation Sole ' <i>Minister Administering the Heritage Act 1977</i> '	✓	✓	✓
Biodiversity Conservation Trust	✓	✓	✓
Taronga Conservation Society Australia	✓	✓	✓
Jenolan Caves Reserve Trust [#]	N/A	✓	!
Western Sydney Parklands Trust	✓	✓	✓
Parramatta Parkland Trust	✓	✓	✓
Environment Protection Authority	✓	✓	✓
Environment Protection Authority Staff Agency	✓	✓	✓
Environmental Trust	✓	✓	✓
Royal Botanic Gardens and Domain Trust [#]	✓	✓	!
Centennial Park and Moore Park Trust	✓	✓	✓
Local government agencies			
Office of Local Government	✓	✓	✓
Lord Howe Island Board*	✓	✓	✓
Key	✓	!	Statutory reporting deadline was not met

[#] The delays in finalising the financial audit were due to asset valuation issues. These are discussed in Section 2.3.

* National Art School's latest audited financial statements are for the year ended 31 December 2017.

N/A Agency not required to complete early close procedures.



Appendix six – Management letter findings by risk rating

Management letter findings					
	Extreme	High	Moderate	Low	Repeat^
Principal department					
Department of Planning and Environment	--	--	9	7	2
Planning agencies					
Planning Ministerial Corporation	--	--	1	--	--
Central Coast Regional Development Corporation	--	--	1	--	--
Landcom trading as UrbanGrowth NSW	--	--	1	2	3
Total	--	--	3	2	3
Arts and culture agencies					
Art Gallery of NSW Trust	--	--	5	5	6
Art Gallery of NSW Foundation	--	--	2	4	--
The Australian Institute of Asian Culture and Visual Arts Limited	--	--	--	1	--
The Brett Whiteley Foundation	--	--	--	1	--
Trustee of the Museum of Applied Arts and Sciences	--	--	1	1	1
Australian Museum Trust	--	3	3	1	2
Sydney Opera House Trust	--	--	1	--	--
Historic Houses Trust of New South Wales	--	--	5	3	2
Library Council of NSW	--	--	1	--	1
National Art School	1	--	3	3	3
Total	1	3	21	19	15
Energy and utilities agencies					
Essential Energy	--	--	4	2	--
Hunter Water Corporation	--	--	4	6	--
Sydney Water Corporation	--	--	2	5	3
Total	--	--	10	13	3

Management letter findings					
	Extreme	High	Moderate	Low	Repeat [^]
Environment and heritage agencies					
Office of the Environment and Heritage	--	--	1	9	2
Biodiversity Conservation Trust	--	--	--	3	--
Taronga Conservation Society Australia	--	--	5	2	--
Jenolan Caves Reserve Trust	--	1	12	3	7
Western Sydney Parklands Trust	--	--	2	2	--
Environment Protection Authority	--	--	1	--	--
Royal Botanic Gardens and Domain Trust	--	--	3	3	1
Centennial Park and Moore Park Trust	--	--	3	2	--
Total	--	1	27	24	10
Local government agencies					
Lord Howe Island Board	--	--	6	3	2
Total	--	--	6	3	2
Total for cluster	1	4	76	68	35

[^] Repeat issues are included in the extreme, high, moderate or low management letter findings.

Note: Management letter findings are based either on final management letters issued to agencies, or draft letters where findings have been agreed with management. Agencies with no management letter findings are excluded from the table.

OUR VISION

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

OUR PURPOSE

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.

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