



FINANCIAL AUDIT

5 DECEMBER 2019

Stronger Communities 2019

NEW SOUTH WALES AUDITOR-GENERAL'S REPORT

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 52B of the *Public Finance and Audit Act 1983*, I present a report titled '**Stronger Communities 2019**'.

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

Margaret Crawford

Auditor-General
5 December 2019

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Section one

Stronger Communities 2019

This report analyses the results of our audits of the Stronger Communities cluster agencies for the year ended 30 June 2019.

Executive summary

This report analyses the results of our audits of financial statements of the agencies comprising the Stronger Communities cluster for the year ended 30 June 2019. The table below summarises our key observations.

1. Machinery of Government changes

Cluster changes

The Machinery of Government (MoG) changes announced following the NSW State election in March 2019 significantly impacted the Stronger Communities cluster. The MoG changes abolished the former Department of Justice, the former Department of Family and Community Services, and the former Justice and Family and Community Services clusters.

From 1 July 2019, the functions of the former departments and many of the cluster agencies moved to the new Stronger Communities cluster. The Department of Communities and Justice is the principal agency in the new cluster.

The Department of Communities and Justice is in the process of implementing changes

In April 2019, an Enterprise Program Management Office was established within the Department of Communities and Justice to support the cluster to implement the MoG changes.

2. Financial reporting

Financial reporting

Unqualified audit opinions were issued for all agencies' 30 June 2019 financial statements.

Timeliness of financial reporting

Twenty-six of the 27 cluster agencies' financial statements were submitted for audit on time. The audits of the financial statements for cluster agencies were completed and audit opinions issued by the statutory dates, with the exception of the Sydney Cricket and Sports Ground Trust (the Trust). The Trust's audit opinion was issued two days after the statutory deadline.

Cluster agencies substantially completed the mandatory early close procedures set by NSW Treasury. However, 19 agencies did not complete one or more mandatory requirements.

Information system limitations at Department of Justice

In November 2018, the Department of Justice implemented a new Victims Support Services system called VS Connect. Significant data quality issues arising from the VS Connect system implementation impacted the Department's ability to reliably estimate its Victims Support Scheme claims liabilities at 30 June 2019.

Recommendation: The Department of Communities and Justice should:

- resolve the data quality issues in the new VS Connect system before 30 June 2020
- capture and apply lessons learned from recent project implementations, including LifeLink, Justice SAP and VS Connect, in any relevant future implementations.

Derecognition of investment in City West Housing

In 2017–18, the State had an equity investment of \$680 million in a community housing provider, City West Housing Pty Limited (CWH). During 2018–19, CWH amended its constitution to ensure alignment with its charitable status. The unintended impact of this change was that on windup the net assets would not be distributed to the State. Consequently, the State wrote off its \$680 million investment in CWH in 2018–19.

Preparedness for new accounting standards

Cluster agencies are progressing with their implementation of the new accounting standards. However, our audits found some cluster agencies needed to do more work on their impact assessments and preparedness to implement the new accounting standards, to minimise the risk of errors in their 2019–20 financial statements.

Recommendation: Cluster agencies should finalise their plans to implement the new accounting standards as soon as possible.

NSW Police Force Death and Disability Scheme

The cost of the NSW Police Force Blue Ribbon Insurance Scheme increased and remains above the statutory target of 4.6 per cent of total NSW Police Officers' remuneration. NSW Police attribute the increase to higher employee costs and a 7.4 per cent increase in the Death and Disability Scheme insurance premium.

NSW Police data shows the cost of the scheme was 5.6 per cent of total NSW Police Officers' remuneration for the year ended 30 June 2019 (5.3 per cent in 2017–18).

Fire and Rescue NSW Death and Disability Scheme

The Fire and Rescue NSW Death and Disability Scheme liability increased by 52 per cent from \$187 million at 30 June 2018 to \$284 million at 30 June 2019. The increase in the liability is mainly due to lower interest rates, which are used to discount the liabilities, changes in workers compensation legislation and an additional year of claims being incurred.

Managing annual leave

The number of full time equivalent employees with excess annual leave has decreased but remains high. At the Department of Justice, NSW Police and Fire and Rescue NSW, 31 per cent of employees' annual leave balance exceeded the State's target of 30 days.

Recommendation (repeat issue): Cluster agencies with annual leave balances exceeding the State's target should further review their approach to managing leave balances. Strategies agencies should consider implementing include:

- regularly (e.g. each month) projecting annual leave balances to the end of the financial year
- for employees with projected balances above the target, developing and agreeing leave plans to reduce their balances over an acceptable timeframe
- focusing on employees who have taken little or no leave in the last 12 months.

NSW Police Force workplace injuries

NSW Police reported an average lost time of 90.5 hours per full time equivalent police officer due to workplace injury in 2018–19, an increase of 56.3 per cent over the last four years.

3. Audit observations

Internal control deficiencies

Our 2018–19 audits identified 157 internal control weaknesses. Of these, two were high risk and 67 moderate risk. Over one-third of the issues reported were repeat findings from prior years.

Recommendation (repeat issue): Cluster agencies should action recommendations to address internal control weaknesses promptly. Particular focus should be given to addressing high risk and repeat issues.

Managing growth in the NSW prison population

Department of Justice data shows the number of adult inmates in the NSW prison system continues to rise. It reached a maximum of 13,798 during the year.

Operational capacity was 14,626 beds on 31 August 2019, with an operational vacancy rate of 5.7 per cent, which is more than the recommended 5.0 per cent buffer. This is the first time the vacancy rate has exceeded the target over the last five years.

Prison system capacity is being expanded through the NSW Government's \$3.8 billion Prison Bed Capacity Program.

Rectification of identified control issues

The Department of Justice continues to address internal control issues arising from its 2016–17 implementation of Justice SAP. The Department's 2018–19 financial audit repeated several findings from previous audits, including:

- roles and responsibilities not being assigned properly in Justice SAP
- privileged user access not being effectively managed in Justice SAP
- ineffective processes for recording, reconciling and settling inter-agency transactions and balances
- concerns over the accuracy of long service leave balances.

Delay in rectifying internal control issues increases the risk of fraud and error in the financial statements.

The Department provides financial, human resources and IT services to other agencies within the cluster. The internal control environment at these agencies is similarly impacted by the Department's unresolved Justice SAP issues.

Implementation of the ChildStory information system

The Department of Family and Community Services implemented its ChildStory information system in 2017–18. A post implementation review of the project found the system is yet to achieve its intended benefits.

New workers compensation legislation for firefighters

In September 2018, the NSW Government introduced new workers' compensation legislation. The legislation gives eligible firefighters presumptive rights to workers' compensation when diagnosed with one of 12 prescribed cancers. The new legislation cost emergency services agencies \$180 million in 2018–19, mainly through additional workers' compensation premiums.

1. Introduction

This report provides parliament and other users of the financial statements of agencies in the Stronger Communities cluster with the results of our audits, our observations, analyses, conclusions and recommendations in the following areas:

- financial reporting
- audit observations.

This cluster was significantly impacted by the Machinery of Government (MoG) changes on 1 July 2019. This report focuses on the agencies that from 1 July 2019, comprised the Stronger Communities cluster. The MoG changes moved some agencies from the clusters to which they belonged in 2018–19 to the Stronger Communities cluster. Conversely, the MoG also moved some agencies formerly in the Family and Community Services cluster and Justice cluster elsewhere. Please refer to the section on Machinery of Government changes for more details.

The Department of Communities and Justice is the principal agency of the cluster. The newly created department combines functions of the former Department of Justice and the Department of Family and Community Services.

1.1 Snapshot of the cluster

Stronger Communities Cluster

Helps to keep citizens safe and build strong and supportive communities across the state.

$$\begin{array}{rcl} \$16,400\text{m} & + & \$1,300\text{m} = \$17,700\text{m} \\ \text{Budgeted recurrent} & & \text{Budgeted capital} & & \text{Total budget} \\ \text{expenses 2019-20} & & \text{expenditure 2019-20} & & \end{array}$$

The Government's budget papers set priorities for the cluster to contribute to:

Developing well connected communities with quality local environments

Breaking the cycle of intergenerational disadvantage

Outcomes to be delivered

	Recurrent expenses (M)		Capital expenditure (M)		Total budget (M)
Safer communities Deliver law enforcement to prevent and investigate crime, maintain social order, promote road safety and emergency services.	\$3,800	+	\$287	=	\$4,087
Assist those with a disability Support the transition of clients to the National Disability Insurance Scheme and more inclusive communities.	\$3,100	+	\$29	=	\$3,129
Disasters and emergencies Deliver emergency management to enhance response and recovery efforts and build community resilience.	\$1,600	+	\$95	=	\$1,695
Resolution and legal disputes Support the administration of courts and tribunals and delivery of legal services in NSW.	\$1,300	+	\$32	=	\$1,332
Maintain rights and records Provide client services including support for victims and vulnerable people.	\$474	+	\$45	=	\$519
Inclusive communities Deliver community support to increase community participation and promote harmony and cohesion.	\$611	+	\$15	=	\$626
Sport and recreation Foster participation in sport and recreation, support for athletes, and deliver quality venues and facilities.	\$996	+	\$0	=	\$996
Safe and affordable housing Provide access to appropriate housing for those in need, including homelessness services.	\$2,100	+	\$756	=	\$2,856
Reduce reoffending Manage adult and juvenile offenders in correctional centres, and in the community.	\$2,400	+	\$28	=	\$2,428
Children and families Support safety and wellbeing of vulnerable children, young people and families.					

SOURCE: NSW Budget Papers 2019-20

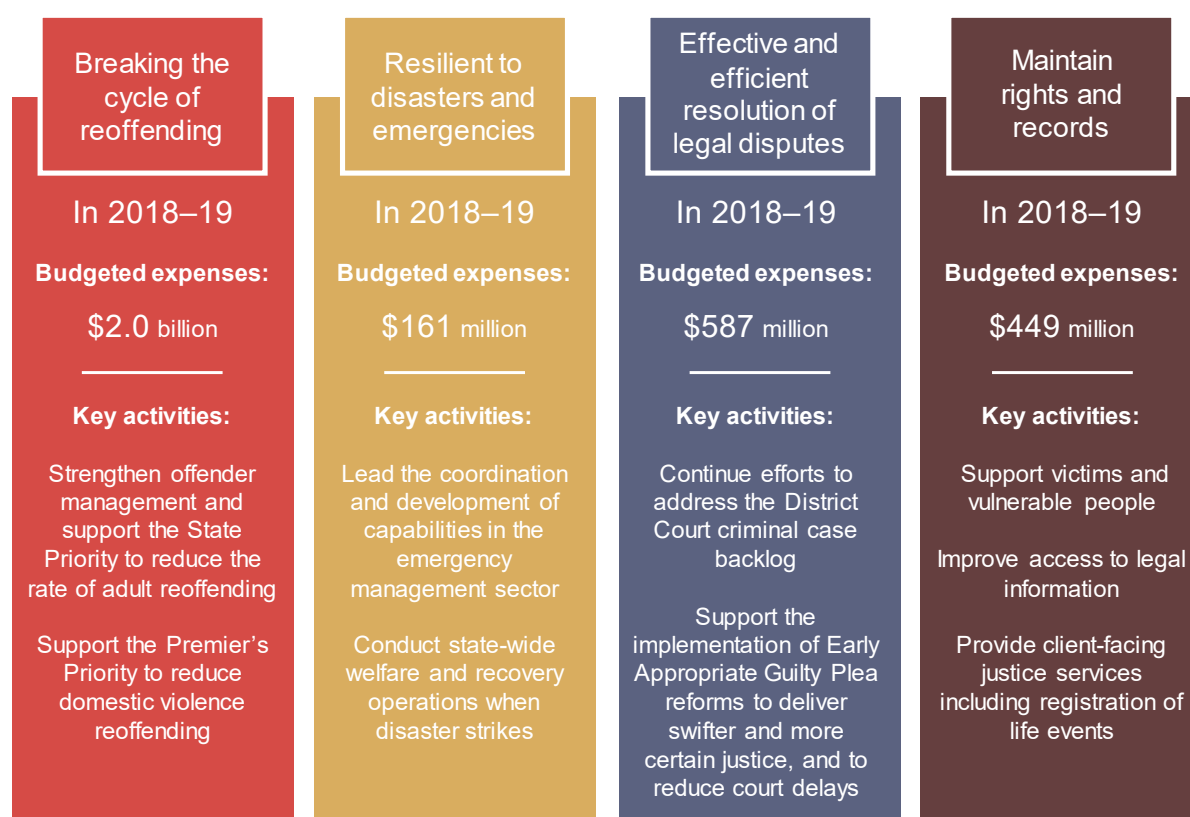
1.2 Service delivery in the cluster

Agencies in the Stronger Communities cluster provide services across a wide variety of areas. This section outlines certain service delivery outcomes for 2018–19. It provides important contextual information about the cluster's operations, but 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 section relating to performance is unaudited.

Department of Justice

The Department of Justice delivered a wide range of legal, law enforcement and emergency services with a focus on protecting the rights of the people of New South Wales and ensuring a safe and just New South Wales.

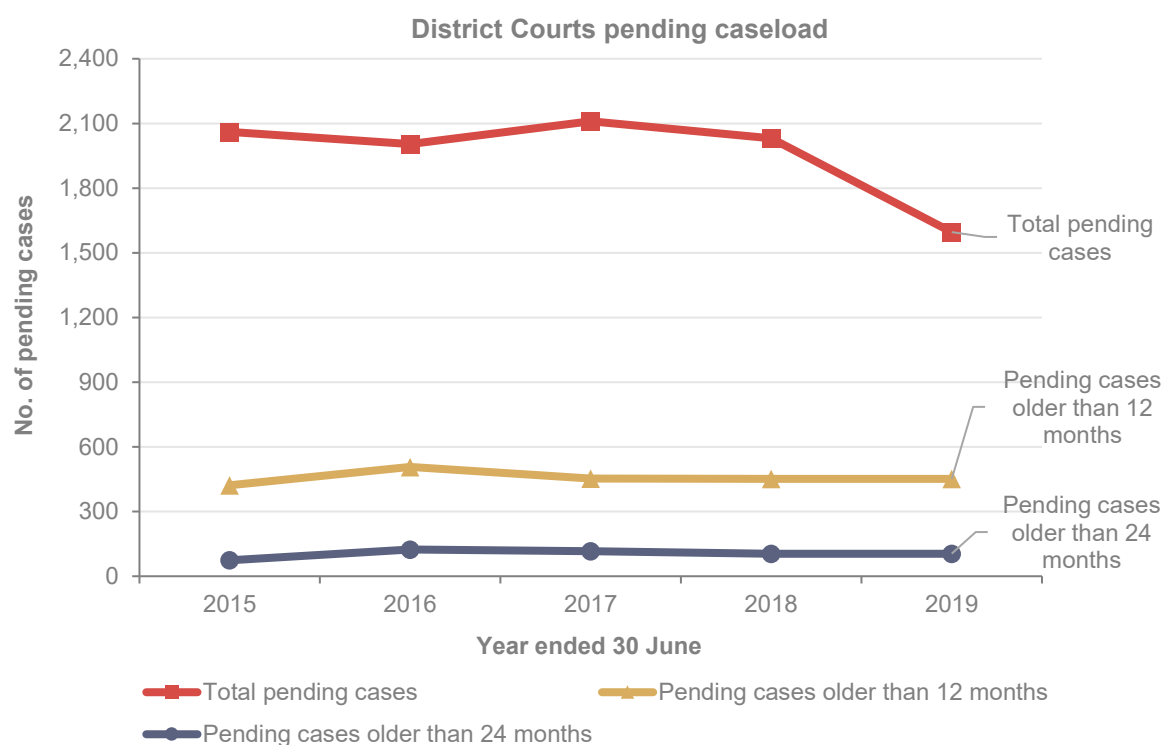
A snapshot of the Department's activities in 2018–19 is shown below:



Source: NSW Budget Papers 2018–19.

The backlog of cases in the NSW District Court has declined but ageing remains unchanged

The Department of Justice reported there were 1,596 pending case trials in the District Court at 30 June 2019, a reduction of 21.4 per cent from the 2,031 cases at 30 June 2018. But the age of cases remains unchanged. Department data shows 451 of the pending trials are older than 12 months (451 at 30 June 2018), of which 105 trials are older than 24 months (105 trials at 30 June 2018).



Note: Pending cases represent the difference between registered trials and finalised trial cases each year.
Source: Department of Justice (unaudited).

Twenty-eight per cent, 451 of the 1,596 cases pending in the NSW District Court at 30 June 2019, are older than 12 months. This is more than double the national benchmark¹ and six percentage points higher than last year.

The Department attributes the decrease in pending cases in 2018–19 to case finalisations outpacing new case registrations by 435 matters. Special call overs resulted in more than 180 additional finalisations. Call overs target region specific backlogs by reviewing pending trial matters and resolving them by alternate means.

According to the [Productivity Commission's Report on Government Services 2019](#), the net recurrent expenditure per finalisation, criminal and civil, in NSW District/County courts was \$5,563 in 2017–18 (\$5,206 in 2016–17).

¹ National benchmarks indicate that no more than ten per cent of pending cases should be more than 12 months old.

Since 2015–16, the NSW Government has allocated funding of more than \$125 million to address the District Court backlog. This includes funding in 2018–19 of:

- \$29.5 million to deliver the Early Appropriate Guilty Pleas (EAGP) reform, to deliver swifter and more certain justice, and to reduce court delays and stress for victims
- \$27.1 million to provide additional resources including additional sitting weeks to the judicial calendar and more call overs for regional centres and Sydney
- \$10.0 million to the Legal Aid Commission to fund the costs of private practitioners who conduct EAGP work on behalf of representing defendants who are receiving legal aid.

In October 2018, the Attorney-General also announced a package of almost \$150 million over four years to deliver swifter justice, reduce pressure on the judiciary, provide greater District Court presence to regional areas and to address the higher workload resulting from the Royal Commission into Institutional Child Sexual Abuse. This is in addition to the criminal justice reform package of \$93.0 million over four years announced by the Attorney-General in April 2018.

The Audit Office is conducting a performance audit on how effectively the Department is supporting an efficient District Criminal Court system. The audit will focus on the Department's collection and reporting of performance data, the Department's provision of technology to courthouses and the plans, governance and monitoring of the EAGP reform. The report is expected to be tabled in parliament on 18 December 2019.

The number of adult inmates in New South Wales declined over the 12 months to 30 June 2019

The NSW Bureau of Crime Statistics and Research (BOCSAR) reports between 30 June 2018 and 30 June 2019:

- the inmate population declined from 13,630 to 13,403 (1.7 per cent)
- the female inmate population fell from 1,067 to 946 (11.3 per cent)
- the number of sentenced inmates declined from 9,128 to 8,837 (3.2 per cent)
- the number of inmates on remand grew by 1.4 per cent, from 4,502 to 4,566.

Department of Justice data shows the number of adult inmates in New South Wales reached a maximum of 13,798 during 2018–19 (13,772 in 2017–18).

Inmates awaiting trial in the District Court cost an estimated \$75.2 million in 2018–19

The Department of Justice reports that 1,035 inmates (1,216 inmates at 30 June 2018) were on remand awaiting trial in the District Court at 30 June 2019. Long remand periods are costly and contribute to prison overcrowding. The cost to the State of prisoners on remand is estimated at \$205,965 per day, or \$75.2 million in 2018–19² (\$84.8 million in 2017–18).

² The NSW Productivity Commission's net recurrent expenditure for secure inmates is \$199 per person per day.

The net operating cost per adult inmate increased by 8.6 per cent in 2018–19

The Department of Justice reports the annual net operating cost per adult inmate increased by \$5,696 or 8.6 per cent to \$72,117 (\$66,421 in 2017–18). This equates to an annual net operating cost of \$973 million in 2018–19 (\$888 million in 2017–18).

Annual recurrent cost per adult prisoner and average inmate numbers

Year ended 30 June	2019	2018	2017	2016	2015
Annual cost per adult prisoner, all prisons (\$)	72,117	66,421	63,115	60,973	66,698
Daily average adult inmate number, all prisons [^]	13,495	13,373	12,931	12,305	11,011

[^] The measurement basis for this indicator changed in 2015–16 (the exclusion of prisoner health costs) which means results for 2015–16 onwards are not directly comparable to previous years.

Source: Department of Justice (unaudited).

The annual cost of a young person in custody has increased by 12.8 per cent since 2017

Department of Justice data shows that while the number of young people in custody reduced, the average annual cost of holding them in custody increased for the second consecutive year, from \$335,840 in 2016–17 to \$378,818 in 2018–19, an increase of 12.8 per cent.

Young people in custody

Year ended 30 June	2019	2018	2017	2016	2015
Average annual cost per young person in custody (\$)	378,818	338,403	335,840	348,401	355,444
Average daily number of young people in custody	265	286	273	292	286

Note: The average annual cost per young person in custody includes net operating expenses and capital costs.

Source: Department of Justice (unaudited).

The Department attributes the reduction in custodial numbers to falling youth crime rates and continued efforts to divert all but the most serious young offenders away from custody. Consequently, Youth Justice Centres manage New South Wales's most complex and high-risk young people. At times, this necessitates increasing the ratio of staff to young people and/or use more purpose-built infrastructure, limiting the ability to achieve cost savings.

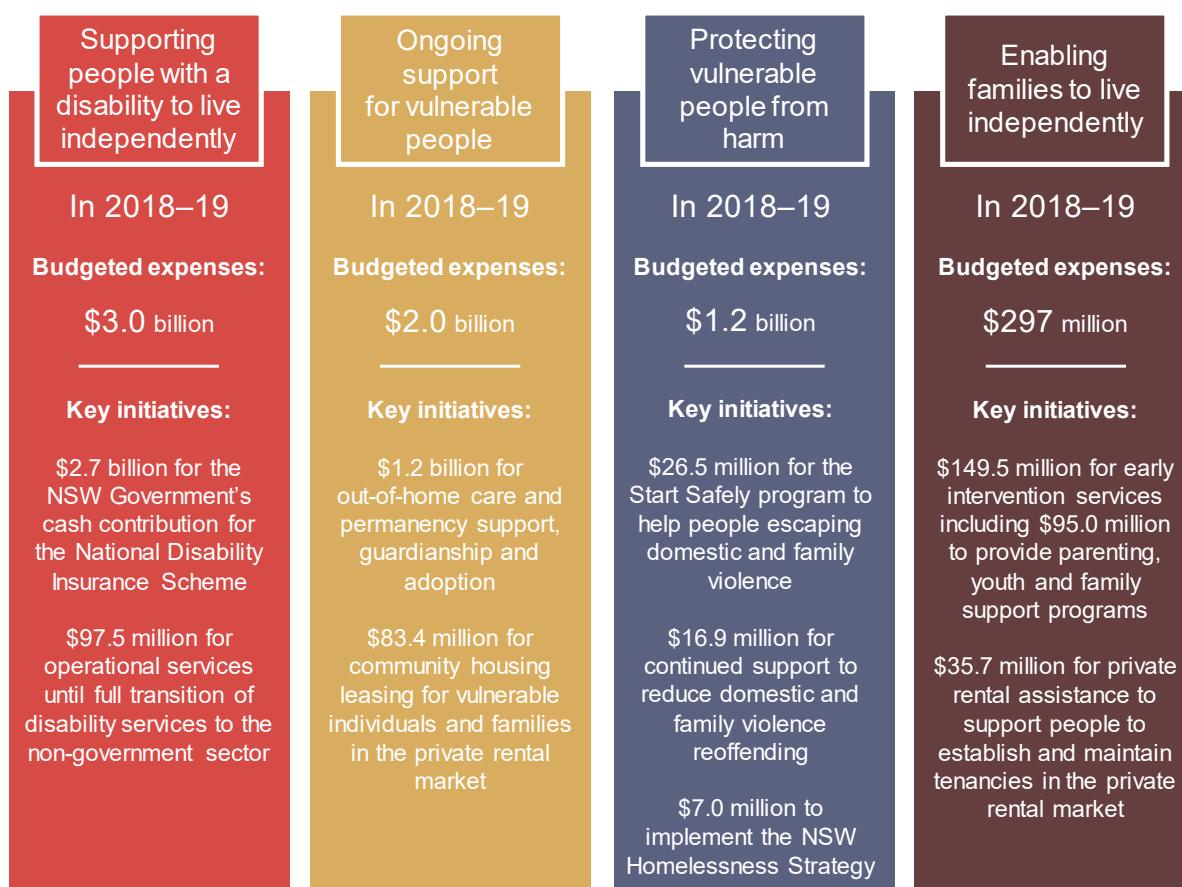
Department of Family and Community Services

The Department of Family and Community Services worked with people with a disability, vulnerable and disadvantaged children, young people and families.

The Department was funded to spend \$6.5 billion in 2018–19 across four key areas of focus:

- supporting people with a disability to live independently
- sustained and ongoing support for vulnerable individuals, children and families
- targeted support and services to protect vulnerable people from harm
- prevention and early intervention for families to enable them to live independently.

A snapshot of the Department's activities in 2018–19 is shown below:



Source: NSW Budget Papers 2018–19.

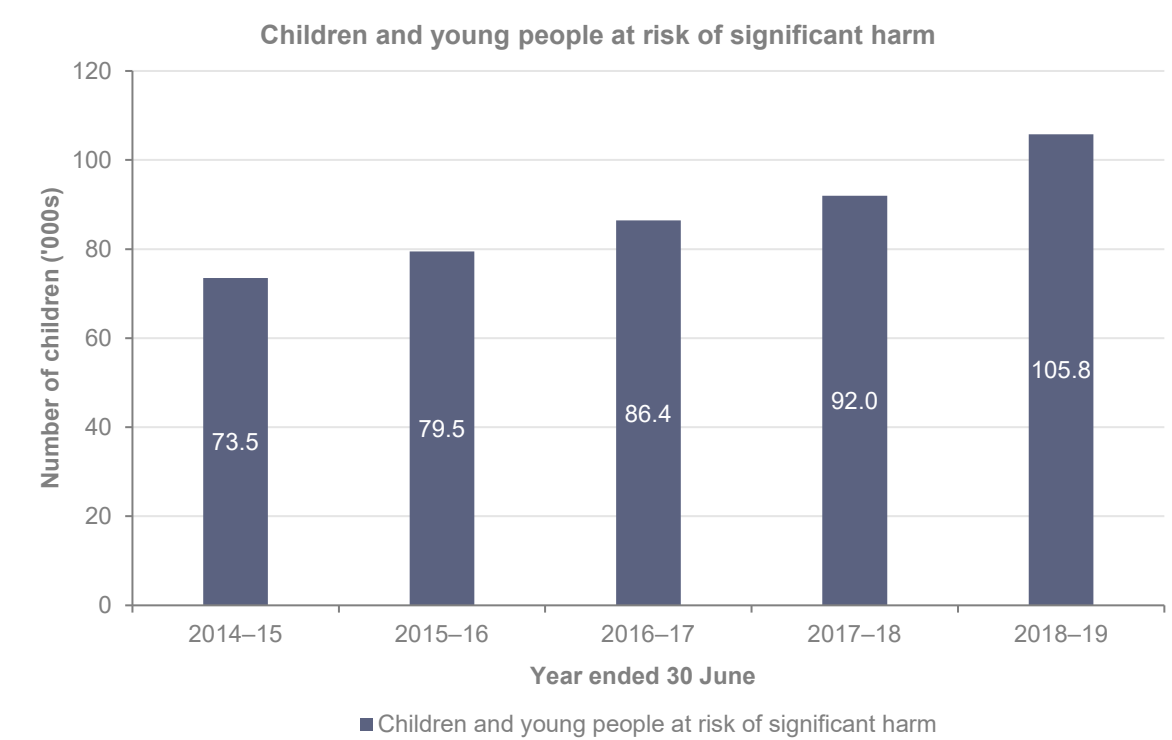
The Department responded to the increasing numbers of children reported at risk of significant harm

The Department of Family and Community Services was the agency within the NSW Government with the statutory responsibility for protecting children and young people from risk of significant harm.

A child or young person is at risk of significant harm if circumstances causing concern for the safety, welfare or well-being of the child or young person are present to a significant extent.

The Department aimed to provide more children at risk of significant harm with a face-to-face child protection response from a caseworker. The Department's unaudited data shows 105,772 children were reported at risk of significant harm in 2018–19, which is an increase of over 13,000 children from the previous year. At the same time, caseworkers saw 30,949 children and young people in 2018–19, an additional 4,753 children seen compared to 2017–18.

The chart below shows the number of children and young people reported to be at risk of significant harm over the past five years.



Source: Department of Family and Community Services (unaudited).

2. Machinery of Government changes

Machinery of Government (MoG) refers to how the government organises the structures and functions of the public service. MoG changes occur when the government reorganises these structures and functions and those changes are given effect by Administrative Orders.

The MoG changes announced following the NSW State election on 23 March 2019 significantly impacted the Stronger Communities cluster through Administrative Changes Orders issued on 2 April 2019 and 1 May 2019. These orders took effect on 1 July 2019.

Section highlights

The 2019 MoG changes significantly impacted the former Justice and Family and Community Services (FACS) departments and clusters.

- The Stronger Communities cluster combines most of the functions and agencies of the former Justice and FACS clusters from 1 July 2019.
- The Department of Communities and Justice is now the principal agency in the new cluster.
- The MoG changes bring new responsibilities, risks and challenges to the cluster.
- A temporary office has been established by the Department of Communities and Justice to support the cluster in the planning, delivery and reporting associated with implementing the changes.

2.1 Cluster changes

The MoG changes abolished the former Department of Justice, the former Department of Family and Community Services, and the former Justice and Family and Community Services clusters. From 1 July 2019, functions of the former departments and many of the cluster agencies moved to the new Stronger Communities cluster (the cluster) in accordance with the Administrative Orders.

The Department of Communities and Justice (the Department) is the principal agency in the new cluster.

Machinery of Government changes

The **Stronger Communities** cluster combines most of the functions and agencies of the former **Family and Community Services** cluster with the former **Justice** cluster.

Key functions moved into the Stronger Communities cluster as at 1 July 2019:

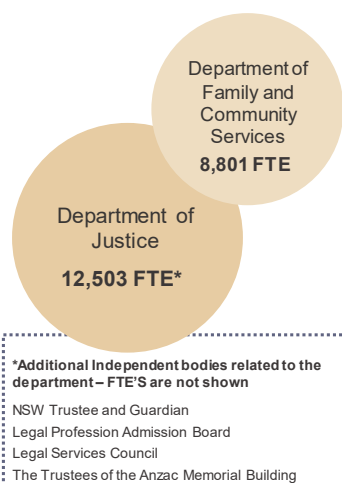
● Formerly **Justice** ● Formerly **Family and Community Service** ● Formerly **Industry**



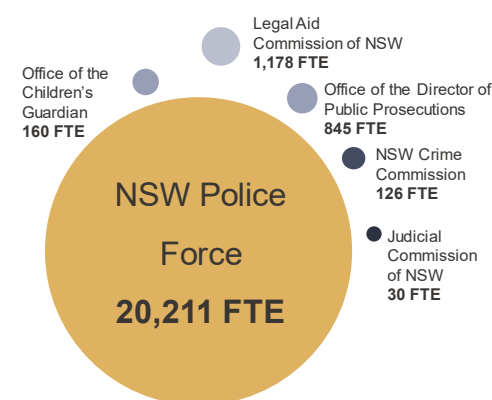
The **Department of Communities and Justice** is the principal agency of the cluster.

The Stronger Communities cluster employs more than 50,000 full time equivalent (FTE) staff at 30 June 2019, as illustrated below.

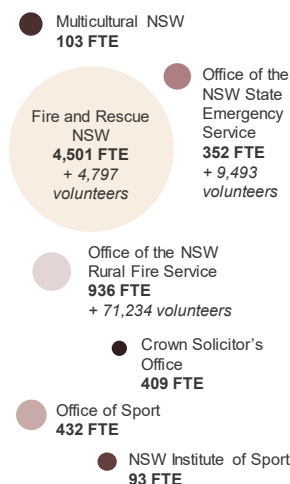
Principal departments



Separate statutory agencies and independent agencies



Other agencies



Source: Prepared using information provided by cluster agencies (unaudited).

2.2 Agency preparation and implementation of changes

The former departments of Justice and Family and Community Services commenced preparing for the MoG changes to transition to the newly formed Department of Communities and Justice in the last quarter of the 2018–19 financial year in readiness for the 1 July 2019 transition date.

An Enterprise Program Management Office was established to support the transition

The Stronger Communities Enterprise Program Management Office (EPMO) was established in April 2019. The EPMO is a temporary office within the Department of Communities and Justice to support the Stronger Communities cluster with the planning, delivery and reporting associated with the MoG changes.

The EPMO reports to the Deputy Secretary of Corporate Services and the Executive Director of Governance and Assurance and works with the Deputy Secretaries, Executive Directors and Corporate Service Business Partners across the Department of Communities and Justice.

The key challenges the Department identified include:

- meeting the NSW Government's defined savings targets
- policy harmonisation, including updating delegation instruments to reflect new organisation structures and delegation limits
- the challenging budget environment on business and system integration projects
- appropriate engagement with staff in a period of significant change and uncertainty
- managing complex asset and liability transfers between agencies, including data migration and contracts
- governance arrangements that are appropriate for the new structures
- tight timeframes to implement the changes while maintaining business as usual
- additional demands on organisation leadership while still delivering on key priorities and services to the community.

The key risks the Department identified include:

- disruption to internal control environments due to staffing, process and system changes
- loss of corporate knowledge with key staff changes
- failure to build a cohesive culture compromising ability to achieve priorities and social reform
- impacts to service delivery due to unclear roles and responsibilities
- poorly defined services performed on behalf of other agencies during the transition.

The risk of material misstatements in cluster agencies' financial statements increases if the risks and challenges of the MoG changes are not effectively managed and mitigated.

Post 30 June 2020, the Audit Office plans to conduct a performance audit on whether the 2019 MoG changes achieved their goals effectively and efficiently and improved public sector administration.

3. Financial reporting

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

This chapter outlines our audit observations relating to the financial reporting of agencies in the Stronger Communities cluster for 2019.

Section highlights

- Unqualified audit opinions were issued for all agencies' 30 June 2019 financial statements. However, further actions can be taken by some cluster agencies to enhance the quality of their financial reporting.
- In November 2018, the Department of Justice implemented a new Victims Support Services system called VS Connect. Significant data quality issues arising from the VS Connect system implementation impacted the Department's ability to reliably estimate its Victims Support Scheme claims liabilities at 30 June 2019.
We recommend the Department of Communities and Justice resolves the data quality issues in the new VS Connect System before 30 June 2020 and capture and apply lessons learned from recent project implementations, including LifeLink, Justice SAP and VS Connect, in any relevant future implementations.
- Our audits found some cluster agencies needed to do more work on their impact assessments and preparedness to implement the new accounting standards, to minimise the risk of errors in their 2019–20 financial statements.
- Cluster agencies with annual leave balances exceeding the State's target should further review their approach to managing leave balances.

3.1 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 2019 financial statements. Sufficient audit evidence was obtained to conclude the financial statements were free of material misstatement.

3.2 Timeliness of financial reporting

Most financial statements for cluster agencies were submitted by the statutory deadlines

Twenty-six of the 27 cluster agencies' financial statements were submitted for audit on time. The NSW Institute of Sport submitted their financial statements eight days late. The statutory deadline was 12 August 2019.

Except for the Sydney Cricket and Sports Ground Trust (the Trust), the audits of the financial statements for cluster agencies were completed and audit opinions issued by the statutory dates. The Trust, which has a 28 February year-end, submitted financial statements to the Audit Office on 8 April 2019, which was three days before the statutory date. The Trust provided certified financial statements to the Audit Office on 19 June 2019 and the audit opinion was issued on the same day. The statutory deadline for issue of the Trust's audit opinion was 17 June 2019, which was ten weeks from the submission date.

The Department of Justice obtained NSW Treasury's approval to delay submission of its 30 June 2019 financial statements from 22 July 2019 to 9 August 2019. The extension was granted because the Department's accounting treatment for a lease extension signed in August 2018, was still being discussed and resolved between the Department and NSW Treasury. The Department formally submitted its financial statements to the Audit Office on 9 August 2019.

The delay could have been avoided had the accounting treatment been resolved earlier. To help improve the timeliness of financial statements submission, the Department's legal and operational staff should engage with the finance team when commercial transactions are being considered and before contracts are finalised. This will help ensure position papers can be prepared and NSW Treasury and the Department's Audit and Risk Committee can be consulted in a timely manner.

Cluster agencies substantially completed early close procedures, but improvement is required

Nineteen cluster agencies did not complete one or more mandatory requirements, including:

- identifying and documenting significant accounting issues or transactions
- assessing the impact of new and updated accounting standards
- resolving prior year Management Letter and Engagement Closing Report issues
- assessing the impacts of the *Government Sector Finance Act 2018* (GSF Act).

Early close procedures allow financial reporting issues and risks to be addressed early in the audit process. This in turn can help to improve the quality and timeliness of financial reporting.

The table in Appendix one shows the timeliness of financial reporting for cluster agencies.

3.3 Key accounting issues

Correction of previously reported values

The Department of Justice corrected its lease liability by \$46.3 million

On 1 July 1995, the Department of Justice entered into a 25-year lease arrangement with an option to extend for a further 15 years. The Department accounted for the arrangement as a finance lease by recognising a building asset and a corresponding finance lease liability for the period of 25 years. The Department depreciated the leased asset based on a useful life of 40 years. The Department subsequently exercised the option to extend the lease for the additional 15 years in August 2018.

The Department determined that it was reasonably certain it would exercise the lease option at inception, and accordingly should have recognised a liability to reflect the full 40-year lease period when the lease was originally brought to account. To correct the prior year error and properly reflect the extended lease period, the Department increased the lease liability and decreased retained earnings by \$46.3 million at 1 July 2017.

Restatement of the Office of the NSW Rural Fire Service's workers' compensation liability

The Office of the NSW Rural Fire Service (the Service) restated its financial statements to recognise a liability to the NSW Self Insurance Corporation for contributions to the Bush Fire Fighters Compensation Fund (the Fund). The restatement resulted in the Service's reported liabilities increasing by \$16.9 million at 1 July 2017, and by \$17.7 million at 30 June 2018.

Insurance coverage for volunteer fire fighters is provided by the Fund, which is administered by the NSW Self Insurance Corporation. Under the *Workers Compensation (Bush Fire, Emergency and Rescue Services) Act 1987*, the payment of benefits to volunteer fire fighters will be met from contributions into the Fund from the Rural Fire Fighting Fund, after their review and approval by the State Insurance Regulatory Authority. As the Service is the custodian of the Rural Fire Fighting Fund, payments from this fund are payments from the Service.

Victims Support Services system implementation

Significant issues were identified following implementation of the VS Connect system

Recommendation

The Department of Communities and Justice should:

- **resolve the data quality issues in the new VS Connect System before 30 June 2020**
- **capture and apply lessons learned from recent project implementations, including LifeLink, Justice SAP and VS Connect, in any relevant future implementations.**

In November 2018, the Department of Justice implemented a new Victims Support Services system, which included the migration of data from the legacy CARES system to the new VS Connect system. There were significant data quality issues arising from the VS Connect implementation, which the Department is in the process of addressing.

Poor data quality impacted the estimate of Victims Support Scheme claims liabilities at 30 June 2019

An independent actuary helps the Department of Justice estimate its liability for lodged but unresolved Victims Support Scheme (VSS) claims, and its incurred but not yet reported (IBNR) claims. The actuary's valuation at 30 June 2019 was impacted by the data quality issues referred to above. The issues included:

- missing claim payments made prior to November 2018
- payment transactions with no payment date and amount
- cancelled payment transactions with no amount populated.

The Department did not resolve the data quality issues before 30 June 2019. Consequently, the independent actuary adopted a revised valuation methodology compared to previous years.

The Department should resolve the data quality issues before 30 June 2020, so a reliable estimate can be made before next year's financial statements are prepared. The longer the Department takes to resolve the issues, the more challenging it will become for the actuary to perform future valuations. If the issues are not resolved, the impact to the Department of Communities and Justice's 30 June 2020 financial statements could be material.

At 30 June 2019, the Department reported a total liability for lodged but unresolved VSS claims of \$135 million and a contingent liability for IBNR claims within a reasonably plausible range of \$300 million to \$525 million.

The Department reports it spent \$3.5 million implementing the VS Connect system, which was \$499,000 or 16.6 per cent higher than originally budgeted. A further \$662,000 was spent in 2018–19 addressing implementation issues and more is expected to be spent in 2019–20. However, the Department is yet to quantify the costs it expects to incur in the future.

An external review of VS Connect identified key implementation issues

The Department engaged an external firm to perform a post implementation review of the project. In addition to the data quality issues referred to above, the review found:

- current processes in the system do not match business processes
- the system does not meet business expectations
- business users find the system difficult to use, mostly due to the lack of training and support
- the requirements used to build the system were not validated directly with the business.

Some of these issues were similar to those identified in the post implementation reviews of the Department's LifeLink system in 2015 and Justice SAP in 2017. Details can be found in the [2015 Auditor-General's Report to Parliament, Part One Law and Order](#) and the [2017 Auditor-General's Report to Parliament on Justice](#).

Other financial reporting matters

Derecognition of investment in City West Housing

In 2017–18, the State had an equity investment of \$680 million in a community housing provider, City West Housing Pty Limited (CWH). During 2018–19, CWH amended its constitution to ensure alignment with its charitable status. The unintended impact of this change was that on windup the net assets would not be distributed to the State. The accounting implications to the State's investment were not considered by NSW Treasury at the time of approving the amended constitution. Consequently, the State wrote off its \$680 million investment in CWH in 2018–19.

It is important that accounting impacts of such changes are discussed and agreed upon early. At the time of approving the decision to change the constitution, all accounting implications should be made available and understood. Such information is relevant when approving decisions.



Change in accounting for disability services at the Department of Family and Community Services

The Department of Family and Community Services' revenue decreased from \$6.7 billion in 2017–18 to \$3.9 billion in 2018–19. Similarly, expenses fell from \$6.5 billion to \$4.0 billion over the same period. The decrease in revenue and expenses is attributable to cash contributions of \$2.7 billion received by the Department from the Crown Entity and paid by the Department to the National Disability Insurance Agency (NDIA) under the National Disability Insurance Scheme (NDIS) being recorded as administered items in the financial statements for the year ended 30 June 2019.

Transactions and balances relating to administered activities are not recognised as the Department's income, expenses, assets and liabilities. They are disclosed in the financial statements as administered items and transfer payments.

The Commonwealth and the NSW Government entered into a bilateral agreement under the NDIS for financial contributions to be paid to the NDIA with effect from 2018–19. The Department administers but does not control disability services operated by the NDIS.

The Department of Communities and Justice will write off project costs of \$2.0 million in 2019–20

The Corrective Services NSW division of the Department of Justice ceased work on the transition of its Ellipse finance system to Justice SAP during 2018–19. Consequently, the Department of Communities and Justice will write off \$2.0 million of previously capitalised development costs during 2019–20.

The project was suspended following the Machinery of Government changes referred to in chapter two. The Department of Communities and Justice will embark on a project to consolidate the various financial systems that now exist within the new department.

The Office of the Director of Public Prosecutions wrote off project costs of \$1.5 million in 2018–19

The Office of the Director of Public Prosecutions (ODPP) ceased work on the replacement of its Case Management System (CMS) during the year. As a result, total costs incurred and capitalised on the project to 30 June 2019 were impaired. This decreased ODPP's net result by \$1.5 million for the year ending 30 June 2019.

ODPP had \$4.0 million capital funding and \$450,000 recurrent funding approved to replace its CMS over the four years from 2016–17 to 2019–20. However, as an outcome of the 2019–20 NSW Budget, ODPP was advised in May 2019 funding for continuation of the project in 2019–20 had not been approved.

Preparedness for new accounting standards

Agencies will implement four new accounting standards shortly. Three are effective from 1 July 2019 and the fourth is effective from 1 July 2020. These may significantly impact the financial position and operating results of agencies across the cluster. Accounting standards required agencies to assess and disclose where possible, the impact of new standards in their 2018–19 financial statements.

Recommendation

Cluster agencies should finalise their plans to implement the new accounting standards as soon as possible.

Our review found instances where agencies needed to do more work on their impact assessments to minimise the risk of error in their 30 June 2019 financial statements disclosures, and to better prepare for their implementation from 1 July 2019. Some agencies disclosed the new standards would not have a material impact on their reported statements of financial position and performance but had little evidence to support this conclusion. Cluster agencies should finalise the implementation of these standards as soon as possible, if they haven't already done so.

Each agency is unique and implementing the new standards is not straight forward. Many new principles apply. Management judgement is needed to interpret how the principles apply to each agency and in many instances, to each transaction. As a result, agencies face the following risks and challenges:

- supporting their staff with additional technical advice and resources
- having accurate data to assess the impacts
- correctly and consistently interpreting the new requirements
- adequately planning and preparing for their application
- implementing new systems to capture the information needed to meet the new reporting obligations.

To help agencies implement the new standards consistently, NSW Treasury:

- issued guidance to agencies
- prepared position papers on proposed accounting treatments
- provided briefing sessions to agencies
- mandated which option in the new standards agencies had to adopt on transition.

Preparing well in advance is key for agencies to effectively transition to the new standards. The transition requires significant planning and resources to ensure the impacts are appropriately assessed and all necessary information is captured accurately for reliable reporting. Key points to consider in the transition are included in the [Report on State Finances 2019](#).

Key dates



The new accounting standard AASB 9 'Financial Instruments' was implemented from 1 July 2018. AASB 9 introduced a simplified model for classifying and valuing financial instruments and a new method for calculating impairment (decreases in asset values). Applying the new method for calculating impairment in 2018–19 resulted in cluster agencies recognising additional impairment losses of \$9.3 million at 1 July 2018.

3.4 Financial performance key issues

Demand funding

A demand funding model for the criminal and civil justice system is being developed

The Justice component of the cluster is integrated with key service delivery inter-dependencies. Ensuring communities are safe requires both upstream and downstream agencies to be appropriately resourced. This is a delicate balance. Increases in frontline policing can subsequently impact the court system as more offenders are apprehended. More convictions can in turn increase prisoner numbers and limit the opportunities for inmate rehabilitation. Failure to successfully rehabilitate prisoners and prevent reoffending could impact future police resourcing.

Despite the inter-dependencies, funding in the criminal and civil justice system is determined in advance through the annual appropriation process. This does not always reflect the expenditure that will be required, which is driven by the level of activity. Where funding does not meet demand, added pressure is placed on downstream agencies which tend to respond by reducing non-core services to meet budget constraints.

To help address this issue, a new demand funding model for the criminal and civil justice system is being developed by various agencies from across the cluster in conjunction with NSW Treasury. Cluster agencies advise:

- a methodology underpinning the model is being developed with NSW Treasury including the nature of fixed costs, demand and decision-based costs, and relevant drivers
- a final demand funding model and budget estimates are subject to endorsement by the NSW Government in February 2020
- subject to final endorsement, the demand funding model is expected to be functional in 2020–21.

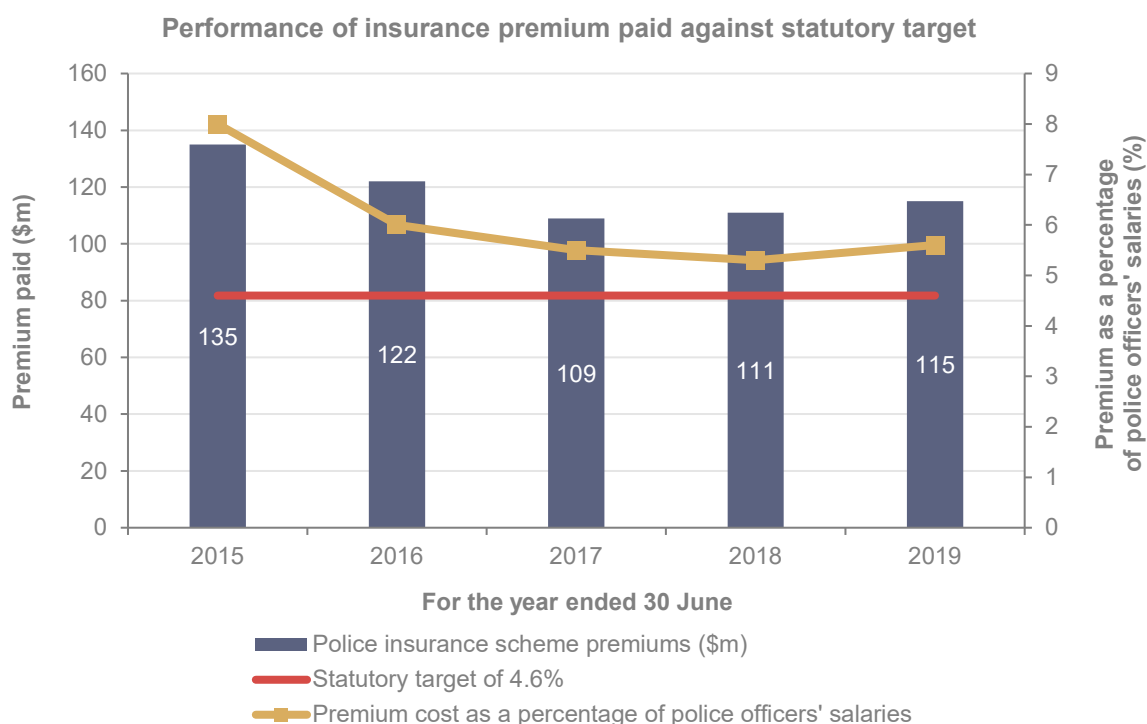
The [2016 Auditor-General's Report to Parliament](#) recommended that, in making decisions about Justice cluster resources, the Department of Justice should consider the activities of the interrelated components of the criminal justice system.

Other financial performance matters

The cost of the NSW Police Force Blue Ribbon Insurance Scheme increased and remains above the statutory target

NSW Police data shows the cost of the NSW Police Death and Disability Insurance Scheme (Police Blue Ribbon Scheme) for the year ended 30 June 2019 was 5.6 per cent of total NSW Police Officers' remuneration (5.3 per cent in 2017–18). This cost remains higher than the statutory target of 4.6 per cent.

The cost of the Police Blue Ribbon Scheme premium increased by 3.6 per cent to \$115 million in 2018–19 (\$111 million in 2017–18). The increase is due to higher employee costs during the year and a higher premium of 7.4 per cent (7.1 per cent in 2017–18).



Source: NSW Police Force financial statements (audited).

Last year's Auditor-General's Report to Parliament recommended NSW Police estimate the scheme costs for future years, to understand when the statutory target of 4.6 per cent of total NSW Police Officers' remuneration, will be met. NSW Police estimated the cost of the Blue Ribbon insurance scheme for future years but advised it is difficult to predict if or when the statutory target may be met due to upward pressure on the insurance scheme's performance with no change to product design.

Monitoring the performance of the insurance scheme is important to ensure premiums are kept to a reasonable level and NSW Police can budget to meet the costs. In 2011, a statutory target was determined which requires the cost of the Blue Ribbon Scheme to fall below 4.6 per cent of NSW Police Officers' remuneration.

The Fire and Rescue NSW Death and Disability Scheme liability increased by 52 per cent this year

The Fire and Rescue NSW Death and Disability Scheme liability increased from \$187 million at 30 June 2018 to \$284 million at 30 June 2019. The rise is mainly due to:

- lower interest rates which are used to discount the liability (\$41 million)
- changes in workers compensation legislation, which presumes certain cancers are a work-related injury for firefighters meeting minimum eligible service periods (\$37 million). Further details on the legislative changes are included in the 'Audit observations' chapter later in this report
- an additional year of claims being incurred (\$15 million).



The increased cost of the scheme will ultimately be passed on to consumers in New South Wales, through higher council rates and insurance premiums. Under the *Fire and Rescue Act 1989*, the cost of running Fire and Rescue NSW is passed on through levies to insurers, councils and NSW Treasury.

3.5 Human resources

This section outlines our review of annual leave, sick leave and Workplace Health and Safety at the Department of Justice, NSW Police and Fire and Rescue NSW, which employed a substantial proportion of frontline staff in the cluster in 2018–19.

Managing annual leave

The number of employees with excess annual leave balances has reduced, but remains high

Managing excess annual leave is a continual challenge for certain agencies within the cluster. At the agencies we reviewed, 31 per cent of employees have an annual leave balance exceeding the State's 30-day target at 30 June 2019, despite an improvement of 9.7 percentage points since 2016.

Recommendation (repeat issue)

Cluster agencies with annual leave balances exceeding the State's target should further review their approach to managing leave balances. Strategies agencies should consider implementing include:

- regularly (e.g. each month) projecting annual leave balances to the end of the financial year
- for employees with projected balances above the target, developing and agreeing leave plans to reduce their balances over an acceptable timeframe
- focusing on employees who have taken little or no leave in the last 12 months.

The table below shows the number of employees with excess leave.

At 30 June	2019	2018	2017	2016
Number of staff with annual leave >30 days	11,647	14,056	14,380	14,980
Percentage of full time equivalent staff	31.3%	38.9%	40.5%	41.0%

Note: The figures in the table include the Department of Justice, NSW Police Force and Fire and Rescue NSW only. These agencies are the highest employers of frontline staff in the cluster.

Source: Provided by the Department of Justice, NSW Police Force and Fire and Rescue NSW (unaudited).

Whilst the number of employees that took less than five days annual leave decreased from 4,009 in 2017–18 to 2,783 in 2018–19, the number remains high. Many employees continue to take little or no annual leave. Our 2018–19 financial audits identified some employees with excess leave where the employer agency had not formally documented leave plans to reduce balances to acceptable levels. Some factors agencies within the cluster claim contribute to excess annual leave balances include:

- increasing inmate numbers in the NSW prison system reduces the opportunity for frontline staff in the Corrective Services NSW division of the Department of Justice to take annual leave
- some employees accrue more than the standard 20 days annual leave each year. The higher entitlement recognises some staff need more leave due to the nature or location of their work
- police officers at NSW Police can accrue up to nine weeks of annual leave under the Crown Employees (Police Officers - 2017) Award. This equates to an annual entitlement of 36 working days which is more than the State target of 30 days.

NSW Police data shows that whilst 6,297 police officers exceeded the State's 30-day target at 30 June 2019 (7,549 at 30 June 2018), only 788 (1,109 at 30 June 2018) exceeded the award annual entitlement of 36 days.

Risks associated with excessive leave balances include:

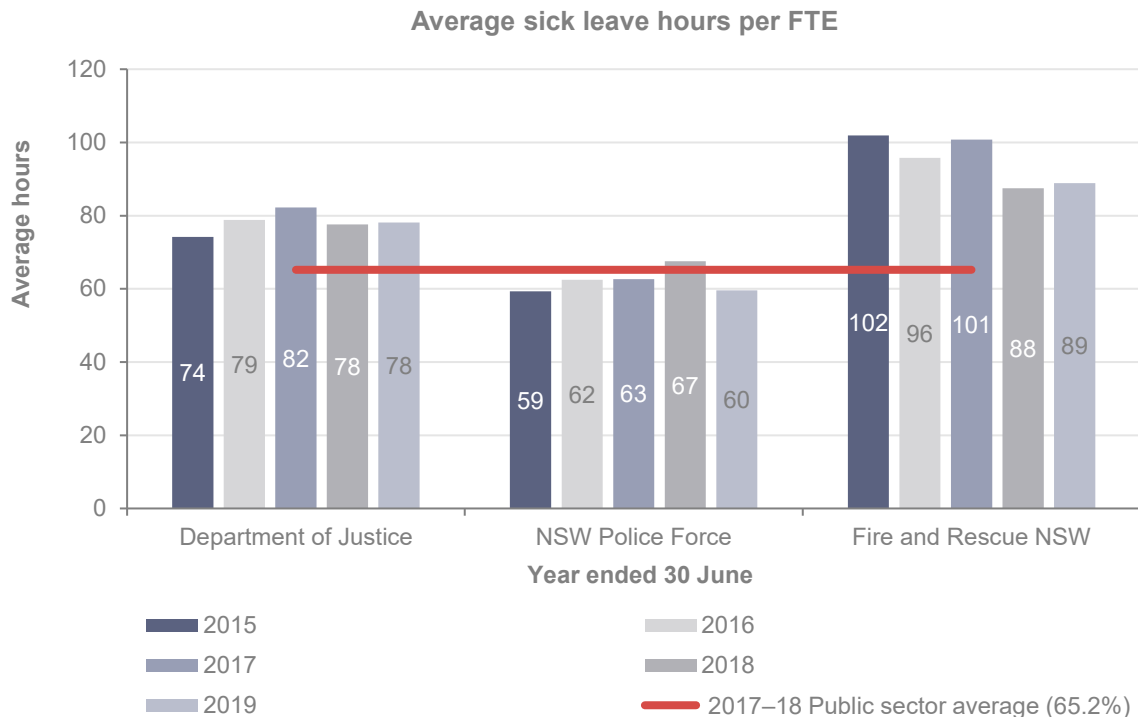
- adverse effects to the health and wellbeing of staff who do not take sufficient leave
- possible work health and safety issues
- disruptions to service delivery when key employees take lengthy periods of leave
- employee fraud remaining undetected
- an increasing financial liability over time as salaries increase.

Sick leave

Effectively managing sick leave remains challenging for cluster agencies

Data from the three agencies we reviewed show each full time equivalent (FTE) employee took on average, 69.4 hours sick leave in 2018–19 (73.2 hours in 2017–18). This exceeds the 2017–18 public sector average of 65.2 hours per FTE employee referred to in the Public Service Commission's ['State of the NSW Public Sector Report 2018'](#).

The total cost of sick leave at the agencies we reviewed was \$124 million in 2018–19 (\$121 million in 2017–18).



Note: The figures in the table include the Department of Justice, NSW Police Force and Fire and Rescue NSW only. These agencies are the highest employers of frontline staff in the cluster.

Source: Provided by the Department of Justice, NSW Police Force and Fire and Rescue NSW (unaudited).

Data from the Department of Justice shows sick leave taken in 2018–19 by frontline staff, mainly custodial officers within the Corrective Services NSW division, was 25.6 per cent (16.7 hours) more than the 2017–18 public sector average of 65.2 hours.

NSW Police data shows sick leave taken by administrative employees in 2018–19 exceeded the 2017–18 public sector average by 7.3 hours (11.2 per cent). Administrative employees took an average of 72.5 hours sick leave in 2018–19 (78.5 hours in 2017–18).

Sick leave taken by employees at Fire and Rescue NSW in 2018–19 exceeded the 2017–18 public sector average by 36.3 per cent (23.7 hours). On average employees took 88.9 hours sick leave in 2018–19 (87.5 hours in 2017–18).

[TC14/13 'Managing Sick Leave Policy'](#) allows agencies to adopt a range of strategies that suit the workplace to help address genuine illness and sick leave abuse by employees. The strategies include:

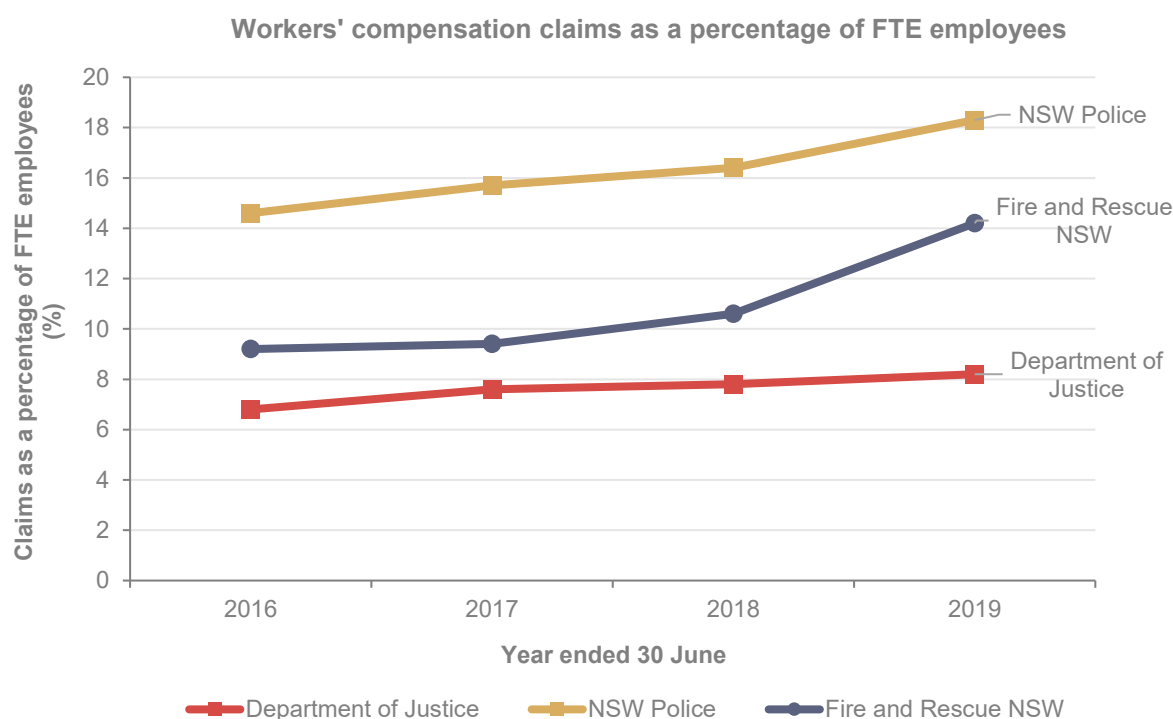
- using information management systems to monitor, measure and analyse sick leave data/information
- identifying options, strategies and support available to manage absences when they occur
- developing return to work plans and conducting effective return to work interviews.

3.6 Workplace Health and Safety

Workers' compensation claims as a percentage of full time equivalent employees have increased since 2016

Data from the agencies we reviewed shows workers' compensation claims in 2018–19 were 14.4 per cent (5,357 claims) of total FTE employees compared to 12.9 per cent (4,661 claims) in the prior year.

Since 2016, NSW Police has had the highest number of claims as a percentage of FTE employees. But the largest increase has been at Fire and Rescue NSW where workers' compensation claims as a percentage of FTE employees increased by 5.0 percentage points over the same period.



Note: The figures in the table include the Department of Justice, NSW Police Force and Fire and Rescue NSW only. These agencies are the highest employers of frontline staff in the cluster.

Source: Provided by the Department of Justice, NSW Police Force and Fire and Rescue NSW (unaudited).

The agencies we reviewed reported they spent \$312 million in workers compensation insurance premiums in 2018–19 (\$229 million in 2017–18) an increase of 36.2 per cent. The largest increase was at Fire and Rescue NSW, where premiums rose by \$44.2 million due to new legislation that presumes certain cancers are a work-related injury for firefighters meeting minimum eligible service periods. Details on the new presumptive legislation is included in the 'Audit observations' chapter later in this report.

Lost hours due to workplace injuries in NSW Police continue to increase

NSW Police reports average workplace injury leave of 90.5 hours per FTE police officer in 2018–19 (71.3 hours in 2017–18), a 19.2 hour (26.9 per cent) increase compared to the prior year.

Workplace injury leave per police officer FTE (hours)

Year ended 30 June	2019	2018	2017	2016
NSW Police*	90.5	71.3	65.6	57.9

* Relates to workplace injury excluding all other sick leave.

Source: NSW Police Force (unaudited).

The cost of workplace injury leave for police officers rose to \$50.8 million in 2018–19 (\$39.4 million in 2017–18). On average, the cost per police officer FTE was \$3,078 in 2018–19 (\$2,412 in 2017–18) an increase of 27.6 per cent. NSW Police advised injury leave fluctuates year on year depending on the number of accidents that occur while on duty.

NSW Police data shows body stress claims increased by 236 in 2018–19 compared to the prior year. NSW Police attributes the increase to older, more experienced police officers being injured during training and by the equipment they use.

NSW Police lost 137.7 hours per FTE employee in 2018–19 (129.5 hours in 2017–18) for sick leave and workplace injury leave across police officers and administration staff. The total cost of sick and work place injury leave for police officers and administration staff was \$118 million in 2018–19 (\$107 million in 2017–18).

4. 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 Stronger Communities cluster.

Section highlights

- Cluster agencies should action recommendations to address internal control weaknesses promptly. Particular focus should be given to prioritising high risk issues. The 2018–19 financial audits of cluster agencies identified 157 internal control issues. Of these, two were high risk and 37.6 per cent were repeat findings from previous audits.
- Data from the Department of Justice shows the inmate population reached a maximum of 13,798, compared to an operational capacity of 14,626 beds on 31 August 2019. This equates to an operational vacancy rate of 5.7 per cent, which is more than the recommended 5.0 per cent buffer. This is the first time the vacancy rate has exceeded the target over the last five years. Growth in the NSW prison population is being managed through the NSW Government's \$3.8 billion Prison Bed Capacity Program.
- In September 2018, the NSW Government introduced new workers' compensation legislation, which gives eligible firefighters presumptive rights to workers' compensation when diagnosed with one of 12 prescribed cancers. The new legislation cost emergency services agencies \$180 million in 2018–19, mainly through additional workers' compensation premiums.

4.1 Internal control deficiencies

Management letter findings

Two high risk internal control deficiencies were identified

Our 2018–19 cluster audits identified two high risk internal control weaknesses. One of the deficiencies related to financial controls and the other to information technology controls.

High risk finding	Implication
We noted deficiencies in controls to manage inventories held for distribution at the Office of the NSW Rural Fire Service (RFS), including: <ul style="list-style-type: none">• policies that did not require all items in warehouses, stores and caches to be included in the annual stocktake• inventory movements were not reflected in the financial management system on a timely basis• warehouse records were unable to establish the dates when inventory items were despatched.	<p>There is a risk inventories are materially understated for financial reporting purposes because:</p> <ul style="list-style-type: none">• certain items are excluded from the stocktake• warehouse records are not able to establish despatch dates. <p>There is an increased risk theft will not be detected or will not be detected on a timely basis. RFS has previously experienced fraud in this area.</p>

High risk finding	Implication
We noted deficiencies in controls in monitoring privileged user activities on a key business system at the Sydney Cricket and Sports Ground Trust. Audit logs were not maintained or reviewed.	<p>Privileged users can access key systems and functions. They may also be able to remove records of their activity if programmed logging features are disabled.</p> <p>Inappropriate privileged user access exposes agencies to greater risk of unauthorised changes to systems and data by these users, or by cyber criminals using their logon details. The unauthorised changes may not be identified in a timely manner and/or be traceable to individual users.</p>

Source: Audit Office management letters.

Agencies should address these high risk internal control deficiencies as a matter of priority.

Over one-third of internal control issues reported were repeat findings

The 2018–19 financial audits of cluster agencies identified 157 internal control issues, of which 59 or 37.6 per cent were repeat findings from previous financial audits. We reported these deficiencies to agency management and those responsible for governance at agencies, such as audit and risk committees and cluster secretaries. Our management letters outline each audit finding, assess its implications, rate the level of risk and make recommendations.

Recommendation (repeat issue)

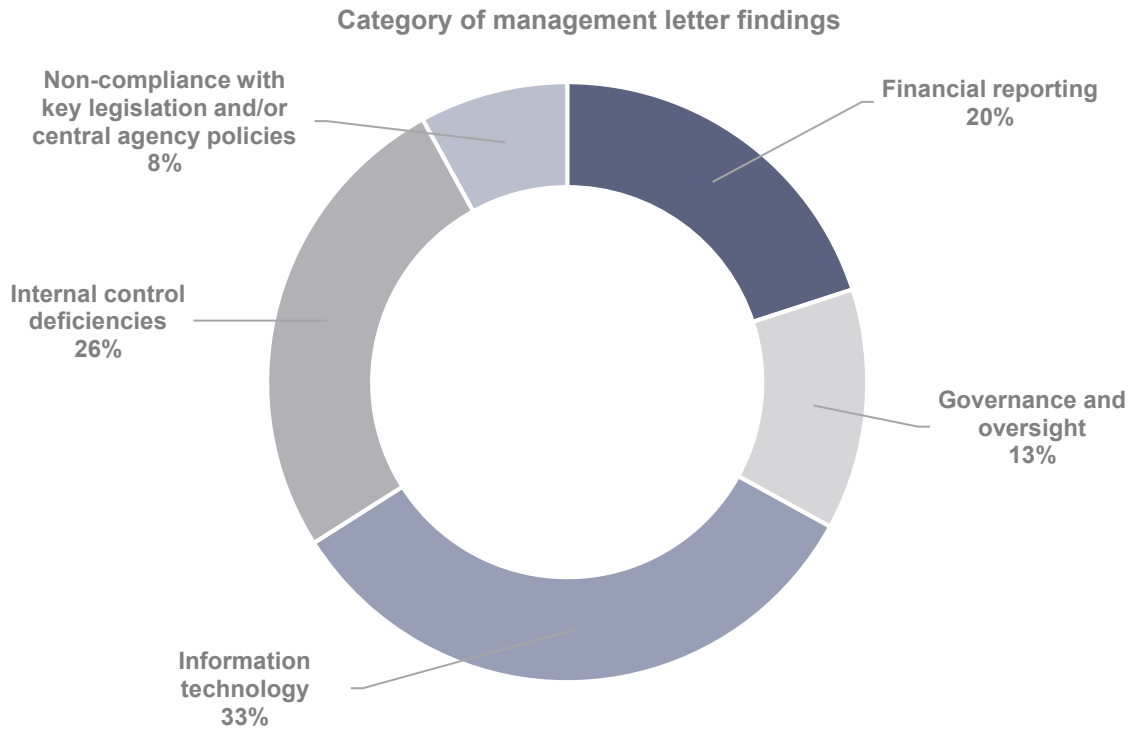
Cluster agencies should action recommendations to address internal control weaknesses promptly. Particular focus should be given to addressing high risk and repeat issues.

A delay in implementing audit recommendations increases the risk of intentional and accidental errors in processing information, producing management reports and generating financial statements. This can impair decision-making, affect service delivery and expose agencies to fraud, financial loss and reputational damage. Poor controls may also mean agency staff are less likely to follow internal policies, inadvertently causing the agency not to comply with legislation, regulation and central agency policies.

The table in Appendix two shows the management letter findings for each cluster agency.

Thirty-three per cent of internal control deficiencies were information technology related












The graph below shows 33 per cent of reported deficiencies were information technology (IT) related. The rest were split between internal control deficiencies (26 per cent), financial reporting (20 per cent), governance and oversight (13 per cent), and non-compliance with key legislation and/or central agency policies (8 per cent).



Source: Audit Office management letters.

Good IT controls are an essential ingredient underpinning effective processes, policies and procedures for managing information systems, securing sensitive information, and ensuring the integrity of agency data. Poor IT controls increase risks to agencies, including unauthorised access, cyber security attacks, fraud, data manipulation, privacy breaches, non-compliance with laws and regulations and information theft.

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

Category	Risk rating	Issue
Information technology	 High: 1 new  Moderate: 13 new, 19 repeat  Low: 11 new, 7 repeat	<p>The high-risk matter related to the Sydney Cricket and Sports Ground Trust's lack of monitoring of privileged user activities referred to in Section 4.1.</p> <p>Other IT control issues of particular concern included:</p> <ul style="list-style-type: none"> • user access administration • password security policies and parameters • development, review and testing of system disaster recovery plans.
Internal control deficiencies	 Moderate: 7 new, 5 repeat  Low: 16 new, 12 repeat	<p>Moderate and low risk issues included:</p> <ul style="list-style-type: none"> • ineffective management of inter-agency transactions and balances • approval of purchase requisitions after the invoice date • incomplete plant and equipment stocktakes • delays in capitalising completed capital works projects.
Financial reporting	 High: 1 new  Moderate: 12 new, 2 repeat  Low: 15 new, 2 repeat	<p>The high-risk matter related to deficiencies in controls in managing inventory at the Office of the NSW Rural Fire Service referred to in Section 4.1.</p> <p>Moderate and low risk issues included:</p> <ul style="list-style-type: none"> • insufficient evidence to support agencies' impact assessments for new accounting standards • concerns over the completeness and accuracy of annual leave and long service leave balances • fully depreciated assets still in use without a reassessment of their useful lives.
Governance and oversight	 Moderate: 6 new  Low: 11 new, 4 repeat	<p>Moderate and low risk issues included:</p> <ul style="list-style-type: none"> • outdated policies and procedures • incomplete contract registers • lack of laws and regulations compliance register to monitor key compliance activities • financial delegation instruments not reviewed to ensure their currency.
Non-compliance with key legislation and/or central agency policies	 Moderate: 3 repeat  Low: 5 new, 5 repeat	<p>Moderate and low risk issues included:</p> <ul style="list-style-type: none"> • excessive annual leave balances • underpayments of payroll tax.



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 on interim and final management letters issued to agencies, or draft letters where findings have been agreed with management.

4.2 Key issues

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 agencies in the Stronger Communities cluster this year include:

- delivery of the Prison Bed Capacity Program
- rectification of identified control issues due to a new system implementation
- implementation of the new ChildStory IT system
- social housing management
- introduction of presumptive legislation for firefighters.

Delivery of the Prison Bed Capacity Program

Growth in the NSW prison population is being managed through the Prison Bed Capacity Program

Prison system capacity is being expanded through the NSW Government's \$3.8 billion Prison Bed Capacity Program (the PBC Program). The PBC Program comprises the construction of rapid build prisons, prison expansions, recommissioning of correctional centres and the delivery of Immediate Future Needs beds. At 30 June 2019, the PBC Program has delivered a total of 3,506 beds (2,770 beds at 30 June 2018).

The Department of Justice reported it spent \$781 million on the PBC Program in 2018–19 (\$456 million in 2017–18). Three prison expansion projects were completed during the year, adding 736 beds to the NSW prison system. This included 360 beds at the South Coast Correctional Centre at a cost of \$174 million, 330 beds at the Shortland Correctional Centre in Cessnock at a cost of \$178 million and 46 beds at the Goulburn Correctional Centre at a cost of \$15.0 million.

In our recent performance audit on [managing growth in the NSW prison population](#), we assessed the efficiency and effectiveness of the Department's immediate, short, medium and longer-term responses to growth in the prison population and providing prison capacity. The audit found:

- the Department has relied heavily on temporary responses to accommodate growing prisoner numbers
- sustained reliance on temporary responses, including doubling and tripling up the number of beds in cells, reopening closed facilities and using ageing facilities, is inefficient and creates risks to safety and timely access to prisoner support services
- to plan for longer-term needs, the Department has prepared a 20-year infrastructure strategy but it has yet to be funded.

The report makes recommendations which aim to improve the quality of advice on prison population growth and capacity needs and ensure the prison system can respond to future prisoner population fluctuations while improving system efficiency and effectiveness.

Operational capacity in the NSW prison system exceeded the recommended buffer

The inmate population reached a maximum of 13,798 in 2018–19 compared to an operational capacity of 14,626 beds on 31 August 2019 (14,057 beds on 17 August 2018). This equates to an operational vacancy rate of 5.7 per cent (2.0 per cent on 17 August 2018).

The Commissioner of Corrective Services NSW has previously referred to a target average 5.0 per cent operational capacity buffer, to enable the efficient and effective management of the inmate population. The operational vacancy rate of 5.7 per cent on 31 August 2019 exceeds the 5.0 per cent target. This is the first time the operational vacancy rate has exceeded the target over the last five years. Corrective Services NSW advised the actual buffer available on any given day will vary. However, when there is a sustained change above or below the buffer, it is used to plan for capacity changes.

Inmate numbers and prison capacity

Year ended 30 June	2019	2018	2017	2016	2015
Total daily average inmate number, all prisons	13,495	13,373	12,931	12,305	11,011
Total daily average operational capacity, all prisons	14,243**	14,057*	14,106	13,290	12,103
Maximum daily population, all prisons	13,798	13,772	13,265	12,737	11,878

* Between February and May 2018, a total of 379 beds were temporarily removed from the prison system to enable bed modifications and upgrades. Following completion of the works, 246 beds were returned to the system between October 2018 and July 2019.

** Excludes beds temporarily removed from the prison system to enable bed upgrades.

Source: Department of Justice (unaudited).

While the daily average prison population continued to increase in 2018–19, the rate of increase decreased from 3.4 per cent in 2017–18 to 0.9 per cent in 2018–19. The Department advised in the longer-term, the NSW prison population is expected to grow by approximately three per cent per annum.

Operational capacity is the total number of commissioned beds within the correctional system to which an offender can be permanently assigned or allocated. Operational bed capacity can be changed, for example, by installing more beds in existing cells.

Around 2,500 beds will be removed from the NSW prison system

In September 2019, the NSW Government announced the Prison Bed Capacity Adjustment Program. The program allows Corrective Services NSW to adjust prison capacity by retiring high risk and obsolete infrastructure as new infrastructure under the \$3.8 billion PBC Program and the new Clarence Correctional Centre come on line.

In August and September 2019, the Minister for Corrections announced:

- the closure of prisons at Grafton, Berrima, Unanderra (Illawarra Reintegration Centre), Ivanhoe and Brewarrina
- changes to remove obsolete and high-risk beds from across the prison network, to increase single cell capacity and reduce overcrowding.

Overall, around 2,500 beds will be removed from the system.

Rectification of identified control issues due to a new system implementation

Control issues resulting from the 2016–17 implementation of Justice SAP continue to be addressed

Our [2017 Auditor-General's Report to Parliament](#) recommended the Department of Justice reinstate controls over financial information as soon as possible. The recommendation was made because there were significant IT, payroll and general finance related issues resulting from the Department's implementation of Justice SAP in 2016–17.

The Department continues to address the control deficiencies. However, significant effort is still needed to ensure controls are operating as intended. The Department's 2018–19 financial audit reported several repeat findings from previous audits, including:

- roles and responsibilities not being assigned properly in Justice SAP
- privileged user access not being effectively managed in Justice SAP
- ineffective processes for recording, reconciling and settling inter-agency transactions and balances
- concerns over the accuracy of long service leave balances.

The delay in rectifying the control issues increases the risk of fraud and error.

The Department provides financial, human resources and IT services to other independently governed agencies within the cluster. The internal control environment at these agencies is similarly impacted by the Department's Justice SAP issues.

The Department advised future initiatives planned to address the control issues include:

- improving system change management
- completing a capability assessment of internal resources and addressing skill gaps
- optimising its shared services capabilities by combining similar functions to provide best practice business processes
- harmonising policies and procedures to drive consistent service delivery.

The Department reported it incurred additional costs of \$12.3 million in 2018–19 addressing the implementation issues. The total cost of remediating control issues since the implementation of Justice SAP is \$33.9 million.

Implementation of the new ChildStory IT system

The Department of Family and Community Service's ChildStory information technology project commenced in 2014 and was deployed across two releases in November 2017 and June 2018. ChildStory replaced a number of the Department's previous IT systems for child protection, early intervention and out-of-home care. The system collects and stores key information relating to the Department's clients to support decision making and oversight.

At the current time, ChildStory is available to:

- FACS caseworkers
- child protection practitioners in NSW Police, Health and Education
- non-government organisations
- other government agencies
- mandatory reporters.

According to the 2014–15 NSW Budget, \$100 million was allocated for ChildStory over a four-year period. During the design and implementation stage, this amount was revised to \$128 million. The actual cost incurred over the four years until 30 June 2018 was approximately \$131 million, 31 per cent over the original budget and two per cent over the revised budget.

ChildStory transitioned to business as usual but work is still ongoing

ChildStory transitioned to business as usual for the Department in June 2018, although the full scope of the original business case had not been delivered. The completeness of the system currently remains uncertain and project work is still ongoing.

New governance arrangements for ChildStory were introduced in July 2018. The ChildStory Steering Committee and the Reference Group are responsible for managing amendments to the ChildStory support and training model and overseeing the design, build and testing model for system enhancements rolled out during 2018–19.

ChildStory has not yet demonstrated the achievement of its intended benefits

Regular independent 'health check' reviews of the ChildStory project have been undertaken by the Department of Finance, Services and Innovation on behalf of the NSW Government since the project's inception. A post implementation review of the project was completed in the first quarter of 2019. The review found that:

- the completeness of the project is unclear with project work still continuing
- the project had not yet demonstrated whether its intended benefits had been achieved
- a strategic plan is needed to ensure the system can effectively respond to ongoing stakeholder demands and policy change.

The Department advised that a benefits realisation assessment and the pre-work for the strategic plan have commenced. It predicts both will be finalised in early 2020.

The first user access review of ChildStory is expected to be complete by the end of 2019

ChildStory contains sensitive and confidential information about children, families and other clients. Due to the nature and volume of information held within ChildStory, access to the system is tightly controlled, restricted and monitored. The first user access review of ChildStory commenced in September 2019 and has moved progressively across all relevant districts and directorates. The review is expected to be complete by the end of 2019.

Social housing management

The Audit Office released a performance audit report on [Managing antisocial behaviour in public housing](#) in August 2018.

The performance audit found that the Department of Family and Community Services had not adequately supported or resourced its staff to implement the antisocial behaviour policy. The Department's antisocial behaviour data was incomplete and unreliable. Accordingly, there was insufficient data to determine the nature and extent of the problem and whether the implementation of the policy is leading to improved safety and security. The Department had not dedicated sufficient training to equip frontline housing staff with the relevant skills to apply the antisocial behaviour management policy. However, the Department managed serious and illegal antisocial behaviour effectively.

The performance audit also found that the Department's information management system (HOMES-ASB) was poorly designed and had significant functional limitations which impeded the ability of staff to record and manage antisocial behaviour. Staff at most of the housing offices visited were unable to accurately record antisocial behaviour matters in HOMES-ASB, making the data incorrect and unreliable.

The Department of Family and Community Services has actioned key recommendations from the performance audit

The Department advises that the functional issues experienced by staff with the information management system (HOMES-ASB) have been addressed through a series of IT changes. Phase one of the changes went live on 30 November 2018 and phase two went live on 28 February 2019.

The HOMES-ASB user guide was reviewed and updated. The revised user guide was implemented in parallel to the HOMES-ASB system changes in November 2018.

To improve staff capacity and capability in managing antisocial behaviour, the Department advised it has:

- undertaken a resource allocation review to ensure regional areas are adequately resourced and staff have received appropriate training
- included an antisocial behaviour element in the compulsory Leadership Engagement and Professional training for all client service officers
- continued training client service officers through the Certificate IV in Social Housing
- introduced monthly team leader webinars to highlight issues that are identified, share best practices and provide policy and process updates.

Introduction of presumptive legislation for firefighters

The new presumptive legislation cost emergency services agencies more than \$180 million in 2018–19

In September 2018, the NSW Government introduced the *Workers Compensation Legislation Amendment (Firefighters) Act 2018*, which is presumptive legislation, and reverses the onus of proof for NSW firefighters who are diagnosed with one of 12 prescribed cancers.

Employed and volunteer firefighters continue to have rights to workers compensation. However, they are now entitled to the presumption that any of the 12 prescribed cancers diagnosed post 27 September 2018 is a work-related injury where the firefighter has met the applicable minimum service period.

As shown below the new presumptive legislation cost emergency services agencies approximately \$180 million in 2018–19, mainly through additional workers compensation premiums.

Impacts of the new presumptive legislation in 2018–19

Fire and Rescue NSW	Office of the NSW Rural Fire Service
<ul style="list-style-type: none">• Workers compensation premiums increased by \$41.9 million.• The death and disability scheme liability increased by \$37.0 million.	<ul style="list-style-type: none">• Workers compensation premiums for volunteer firefighters increased by \$90.9 million.• Workers compensation premiums for employed firefighters increased by \$10.9 million.

Note: The agencies report there is significant uncertainty surrounding the estimated impact of the presumptive legislation.

Source: Fire and Rescue NSW and Office of the NSW Rural Fire Service financial statements (audited).

Based on claims to date, firefighters covered by workers compensation may also have access to common law litigation. No common law claims have been settled at this point and the quantum of the claims are uncertain as at 30 June 2019.

Section two

Appendices

Appendix one – Timeliness of financial reporting by agency

The table below shows the timeliness of financial reporting for cluster agencies.

Cluster agencies	Timeliness of financial reporting		
	Early close procedures	Financial statements	Audit report
Principal departments			
Department of Family and Community Services	✓	✓	✓
Department of Justice*	✓	✓	✓
Independent agencies			
Judicial Commission of New South Wales**	✓	✓	✓
Legal Aid Commission of New South Wales	✓	✓	✓
New South Wales Crime Commission	✓	✓	✓
Office of the Children's Guardian	✓	✓	✓
Office of the Director of Public Prosecutions	✓	✓	✓
Other agencies			
Combat Sports Authority of NSW	N/A	✓	✓
Crown Solicitor's Office	✓	✓	✓
Fire and Rescue NSW	✓	✓	✓
Home Purchase Assistance Fund	N/A	✓	✓
John Williams Memorial Charitable Trust	N/A	✓	✓
Legal Profession Admission Board	✓	✓	✓
Legal Services Council	N/A	✓	✓
Multicultural NSW	✓	✓	✓
New South Wales Aboriginal Land Council**	N/A	✓	✓
NSWALC Resources Pty Limited**	N/A	✓	✓
NSWALC Properties Pty Ltd**	N/A	✓	✓
NSWALC Housing Ltd**	#	#	#
NSWALC Employment and Training Ltd**	#	#	#
New South Wales Institute of Sport	✓	!	✓
NSW Police Force	✓	✓	✓
NSW Trustee and Guardian	✓	✓	✓
Office of Sport	✓	✓	✓
Office of the NSW Rural Fire Service	✓	✓	✓

Timeliness of financial reporting			
Cluster agencies	Early close procedures	Financial statements	Audit report
Office of the NSW State Emergency Service	✓	✓	✓
Sydney Cricket and Sports Ground Trust	N/A	✓	!
The Trustees of the Anzac Memorial Building	✓	✓	✓
Venues NSW	✓	✓	✓
Key	✓ Statutory reporting deadline was met	! Statutory reporting deadline was not met	

* The Department of Justice obtained NSW Treasury's approval to delay submission of its financial statements from 22 July 2019 to 9 August 2019. The extension was granted because the Department's accounting treatment for a lease extension signed in August 2018, was still being discussed and resolved between the Department and NSW Treasury. The Department formally submitted its financial statements to the Audit Office on 9 August 2019.

** This entity is not part of the cluster but is included for reporting purposes.

N/A This entity is not required to perform early close procedures.

NSW Treasury extended the first financial year for NSWALC Housing Ltd which was incorporated on 23 January 2019 and NSWALC Employment and Training Ltd incorporated on 28 June 2019 to cover the financial period from the date each entity was incorporated until 30 June 2020.

Appendix two – Management letter findings by agency

The table below lists the management letter findings for each cluster agency.

Cluster agencies	Management letter findings				
	Extreme	High	Moderate	Low	Repeat^
Principal departments					
Department of Family and Community Services	--	--	4	8	--
Department of Justice	--	--	9	14	15
Independent agencies					
Judicial Commission of New South Wales*	--	--	2	3	1
Legal Aid Commission of New South Wales	--	--	1	3	1
New South Wales Crime Commission	--	--	--	4	2
Office of the Children's Guardian	--	--	1	1	--
Office of the Director of Public Prosecutions	--	--	1	1	1
Other agencies					
Combat Sports Authority of NSW	--	--	1	--	1
Crown Solicitor's Office	--	--	3	4	3
Fire and Rescue NSW	--	--	3	4	5
Home Purchase Assistance Fund	--	--	--	--	--
John Williams Memorial Charitable Trust	--	--	--	--	--
Legal Profession Admission Board	--	--	1	6	2
Legal Services Council	--	--	2	1	--
Multicultural NSW	--	--	2	1	--
New South Wales Aboriginal Land Council*	--	--	6	5	7
NSWALC Resources Pty Limited*	--	--	--	--	--
NSWALC Properties Pty Ltd*	--	--	--	--	--
NSWALC Housing Ltd*	N/A	N/A	N/A	N/A	N/A
NSWALC Employment and Training Ltd*	N/A	N/A	N/A	N/A	N/A
New South Wales Institute of Sport	--	--	1	3	--
NSW Police Force	--	--	3	3	3
NSW Trustee and Guardian	--	--	2	3	2
Office of Sport	--	--	6	3	1
Office of the NSW Rural Fire Service	--	1	2	2	3
Office of the NSW State Emergency Service	--	--	6	5	4
Sydney Cricket and Sports Ground Trust	--	1	3	5	5
The Trustees of the Anzac Memorial Building	--	--	4	4	1

Management letter findings

Cluster agencies	Extreme	High	Moderate	Low	Repeat [^]
Venues NSW	--	--	4	5	2
Total for cluster	--	2	67	88	59

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

^{*} This entity is not part of the cluster but is included for reporting purposes.

N/A NSW Treasury extended the first financial year for NSWALC Housing Ltd which was incorporated on 23 January 2019 and NSWALC Employment and Training Ltd incorporated on 28 June 2019 to cover the financial period from the date each entity was incorporated until 30 June 2020.

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

Appendix three – List of 2019 recommendations

The table below lists the recommendations made in this report.

1. Financial reporting

Lessons learned from project implementations

The Department of Communities and Justice should:

- resolve the data quality issues in the new VS Connect System before 30 June 2020
- capture and apply lessons learned from recent project implementations, including LifeLink, Justice SAP and VS Connect, in any relevant future implementations.



Preparedness for new accounting standards

Cluster agencies should finalise their plans to implement the new accounting standards as soon as possible.



Excess annual leave balances (repeat issue)

Cluster agencies with annual leave balances exceeding the State's target should further review their approach to managing leave balances. Strategies agencies should consider implementing include:

- regularly (e.g. each month) projecting annual leave balances to the end of the financial year
- for employees with projected balances above the target, developing and agreeing leave plans to reduce their balances over an acceptable timeframe
- focusing on employees who have taken little or no leave in the last 12 months.



2. Audit observations

Addressing internal control weaknesses (repeat issue)

Cluster agencies should action recommendations to address internal control weaknesses promptly. Particular focus should be given to addressing high risk and repeat issues.



Key



Low risk







Medium risk






High risk

Appendix four – Status of 2018 recommendations

The table below lists the recommendations made in the [Family and Community Services 2018](#) report and the [Justice 2018](#) report relating to agencies in the new Stronger Communities cluster.

Recommendation	Current status
The Department of Justice should:	
Perform asset revaluations early and complete them by the early close procedures deadline, ensuring results are quality reviewed before including them in the financial statements.	The Department completed a fair value assessment of its land and buildings at 31 March 2019 as part of the early close. The next full revaluation is due to be performed in 2020–21. 
NSW Police should:	
Estimate the cost of its Blue Ribbon Insurance Scheme for future years to understand when the statutory target of 4.6 per cent of total NSW Police Officers' remuneration will be met.	NSW Police estimated the cost of the Blue Ribbon insurance scheme for future years but advised it is difficult to predict if or when the statutory target may be met due, to the upward pressure on the insurance scheme's performance with no change in product design.  Refer to the 'Financial reporting' chapter for details.
Justice cluster agencies should:	
Review their approach to managing annual leave balances where leave balances exceed the State's target. They should: <ul style="list-style-type: none"> regularly (e.g. each month) project annual leave balances to the end of the financial year for employees with projected balances above the target, develop and agree leave plans to reduce their balances over an acceptable timeframe. <p>Focus on employees who have taken little or no leave in the last 12 months.</p>	We reviewed annual leave at the Department of Justice, NSW Police and Fire and Rescue NSW which employ a substantial proportion of frontline staff in the cluster. We noted: <ul style="list-style-type: none"> the percentage of full time equivalent employees with excess annual leave improved by 9.7 percentage points since 2016. However, 31 per cent of employees continue to have an annual leave balance exceeding the State's 30-day target some agencies where employees did not have formally documented leave plans to reduce excess balances to acceptable levels the number of employees that took less than five days annual leave in 2018–19 (2,783 employees) remains high. <p>The prior year recommendation has been raised as a repeat issue this year. Refer to the 'Financial reporting' chapter for details.</p> 
Promptly action Audit Office management letter recommendations to address internal control and governance weaknesses, with a focus on addressing repeat issues.	Our 2018–19 cluster audits identified 157 internal control issues, of which 59 or 37.6 per cent were repeat findings from previous financial audits.  The prior year recommendation has been raised as a repeat issue this year. Refer to the 'Audit observations' chapter for details.

Recommendation	Current status	
Complete a condition based assessment of their assets to identify any maintenance backlog to help provide more reliable and consistent information on assets and their condition.	At the cluster agencies we reviewed, we noted condition based assessments are still in progress at some agencies. We will revisit this issue as part of our 2019–20 financial audits.	—
Consider establishing maintenance benchmarks to help assess the adequacy of their maintenance spend.	The recommendation has been considered. Agencies are either in the process of developing relevant targets and measures for maintenance delivery or have concluded their current programs and processes are sufficient to help assess the adequacy of their maintenance spend.	—
Family and Community Services cluster agencies should:		
Strengthen user access administration to prevent inappropriate access to key IT systems by: <ul style="list-style-type: none"> ensuring privileged user access is limited to those requiring access to maintain the IT systems monitoring privileged user access to address risks from unauthorised activity ensuring IT password settings comply with password policies ensuring timely removal of access to business systems for terminated and casual employees. 	<p>The Department of Family and Community Services and other relevant agencies have acted to address control weaknesses for information systems. However, our financial audits continue to identify and report control weaknesses.</p> <p>Following a risk assessment, the Department of Family and Community Services did not address some system user access issues due to limitations and expected system replacements.</p>	—
Ensure their contract registers are complete and accurate so they can more effectively govern contracts and manage compliance obligations.	The Department of Family and Community Services and other relevant agencies have acted to improve the completeness and accuracy of contract registers. As work is ongoing, we will revisit this issue as part of our 2019–20 financial audits.	—
Key	 Fully addressed  Partially addressed  Not addressed	

Appendix five – Cluster agencies

Cluster agencies

Principal departments

[Department of Family and Community Services](#)

[Department of Justice](#)

Independent agencies

[Judicial Commission of New South Wales](#) ^

[Legal Aid Commission of New South Wales](#)

[New South Wales Crime Commission](#)

[Office of the Children's Guardian](#)

[Office of the Director of Public Prosecutions](#)

Other agencies

[Combat Sports Authority of NSW](#)

[Crown Solicitor's Office](#)

[Fire and Rescue NSW](#)

Home Purchase Assistance Fund*

John Williams Memorial Charitable Trust*

[Legal Profession Admission Board](#)

[Legal Services Council](#)

[Multicultural NSW](#)

[New South Wales Aboriginal Land Council](#) ^

NSWALC Resources Pty Limited*^

NSWALC Properties Pty Ltd*^

NSWALC Housing Ltd*^

NSWALC Employment and Training Ltd*^

[New South Wales Institute of Sport](#)

[Office of the NSW Rural Fire Service](#)

[NSW Police Force](#)

[NSW Trustee and Guardian](#)

[Office of Sport](#)

[Office of the NSW State Emergency Service](#)

[Sydney Cricket and Sports Ground Trust](#)

[The Trustees of the Anzac Memorial Building](#)

[Venues NSW](#)

* This entity has no website.

^ This entity is not part of the cluster but is included for reporting purposes.

Appendix six – Financial data

	Total assets		Total liabilities		Total revenue [^]		Total expense [^]	
	2019	2018	2019	2018	2019	2018	2019	2018
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Principal departments								
Department of Family and Community Services	1,911	2,150	406	582	3,922	6,707	3,973	6,508
Department of Justice	6,140	5,519	875	889	8,719	7,973	8,142	7,548
Independent agencies								
Judicial Commission of New South Wales	2	2	1	1	8	7	8	7
Legal Aid Commission of New South Wales*	69	87	43	36	349	320	375	319
New South Wales Crime Commission*	5	7	2	2	25	27	27	27
Office of the Children's Guardian	15	8	5	5	48	36	41	34
Office of the Director of Public Prosecutions	16	17	22	19	166	150	169	151
Other agencies								
Combat Sports Authority of NSW	--	--	--	--	2	1	2	1
Crown Solicitor's Office	71	70	25	27	71	65	64	55
Fire and Rescue NSW	1,230	1,008	500	338	808	742	815	737
Home Purchase Assistance Fund	214	235	--	--	5	7	8	8
John Williams Memorial Charitable Trust	11	11	--	--	--	--	--	--
Legal Profession Admission Board	11	11	1	4	3	3	2	2
Legal Services Council	1	--	--	--	2	1	1	1
Multicultural NSW*	4	5	5	5	25	26	25	27
New South Wales Aboriginal Land Council**	708	713	6	9	49	75	51	45
New South Wales Institute of Sport*	5	6	3	3	21	20	22	19
NSW Police Force	2,184	2,159	823	785	3,738	3,583	3,775	3,481
NSW Trustee and Guardian	178	164	35	28	93	93	86	84
Office of Sport	249	228	23	24	326	248	304	246
Office of the NSW Rural Fire Service	240	270	90	88	521	425	552	371

	Total assets		Total liabilities		Total revenue [^]		Total expense [^]	
	2019	2018	2019	2018	2019	2018	2019	2018
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Office of the NSW State Emergency Service	144	122	19	21	132	113	108	102
Sydney Cricket and Sports Ground Trust ^{<}	776	749	208	126	110	123	176	101
The Trustees of the Anzac Memorial Building	92	77	8	7	7	19	5	2
Venues NSW	974	839	327	310	238	249	141	123
Total for Stronger Communities cluster	15,250	14,457	3,427	3,309	19,388	21,013	18,872	19,999

[^] Includes gains/(losses) on disposal, impairment losses on financial instruments and other gains/(losses).

^{*} Consolidated financial statements.

^{**} Consolidated financial statements. Includes NSWALC Resources Pty Ltd, NSWALC Properties Pty Ltd, NSWALC Housing Ltd, NSWALC Employment and Training Ltd.

[<] Year end 28 February 2019.

Source: Financial statements (audited).

OUR VISION

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

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Courage (even when it's uncomfortable)

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