



FINANCIAL AUDIT

11 DECEMBER 2019

Planning, Industry and Environment 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 '**Planning, Industry and Environment 2019**'.

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

Margaret Crawford

Auditor-General
11 December 2019

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Planning, Industry and Environment 2019

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Section one

Planning, Industry and Environment 2019

This report analyses the results of our audits of the Planning, Industry and Environment cluster agencies for the year ended 30 June 2019.

Executive summary

This report analyses the results of our audits of financial statements of the Planning, Industry and Environment cluster agencies for the year ended 30 June 2019. The table below summarises our key observations.

1. Machinery of Government changes

Creation of the Planning, Industry and Environment cluster

The Machinery of Government (MoG) changes abolished the former Planning and Environment cluster and former Industry cluster, and created the Planning, Industry and Environment cluster on 1 July 2019.

The Department of Planning and Environment (DPE), the Department of Industry (DOI), the Office of Environment and Heritage, and the Office of Local Government were abolished and the majority of their functions were transferred to the new Department of Planning, Industry and Environment (DPIE).

The Department of Planning, Industry and Environment is still in the process of implementing changes

The MoG changes bring risks and challenges to the cluster. A MoG Steering Committee, with the support of various project control groups and working groups, identified and developed responses to key risks arising from the changes.

However, the DPIE will take some time to fully integrate the policies, systems and processes of the abolished Departments and agencies.

2. Financial reporting

Audit opinions

Unqualified audit opinions were issued for 56 of the 66 cluster agencies' 30 June 2019 financial statements audits. Ten financial statements audits are still ongoing.

Timeliness of financial reporting

Fifty-five of the 57 agencies subject to statutory deadlines submitted their financial statements on time.

Due to issues identified during the audit, 13 financial statements audits were not completed and audit opinions issued by the statutory deadline.

Agencies prepared and submitted their early close procedures in accordance with the mandatory timeframe set by NSW Treasury. However, 17 of the 49 agencies where we reviewed early close procedures were assessed as either partially addressing or not addressing one or more of the mandatory requirements. The cluster agencies could benefit from an increased focus on early close procedures.

Introduction of AASB 16 'Leases'

We noted errors in the lease data used in Property NSW's AASB 16 impact calculations, which affect both Property NSW and other government agencies. These errors were significant enough to present a risk of material misstatements to the financial statements of Property NSW and other government agencies in future reporting periods.

We had similar findings in our recent performance audit on 'Property Asset Utilisation', which highlighted issues with the quality of Property NSW's records.

Recommendation: Property NSW should urgently address the deficiencies in the lease data used to calculate the impact of the new leasing standard effective from 1 July 2019.

Unprocessed Aboriginal land claims have continued to increase

Despite an increase in the number of claims resolved, the number of unprocessed Aboriginal land claims increased by 7.2 per cent from the prior year to 35,855 at 30 June 2019. Claims can be made over Crown land assets of the DPIE or other government agencies. Until claims are resolved, there is an uncertainty over who is entitled to the land and the uses and activities that can be carried out on the land. We first recommended action to address unprocessed claims in 2007.

Recommendation (repeat issue): The DPIE should prioritise action to reduce unprocessed Aboriginal land claims.

3. Audit observations

Internal controls

One in five internal control issues identified and reported to management in 2018–19 were repeat issues.

The lack of user access review was the most common IT general control issue in the cluster.

Drought relief

The NSW Government announced an emergency drought relief package of \$500 million in 2018, in addition to other financial assistance measures already in place.

Limited documentation and written agreements between relevant delivery agencies resulted in a \$31.0 million misstatement relating to grant revenue.

Recognition of Crown land

Crown land is an important asset of the state. Management and recognition of Crown land assets is weakened when there is confusion over who is responsible for a particular Crown land parcel. Last year we recommended the DOI should ensure the database of Crown land is complete and accurate. While the DOI has commenced actions to improve the database, this continued to be an issue in 2018–19.

Recommendation (repeat issue): The DPIE should ensure the Crown land database is complete and accurate so state agencies and local government councils are better informed about the Crown land they control.

Developer contributions

The former DPE continued to accumulate more developer contributions revenues than it spent on infrastructure projects. Total unspent funds increased to \$274 million at 30 June 2019.

1. Introduction

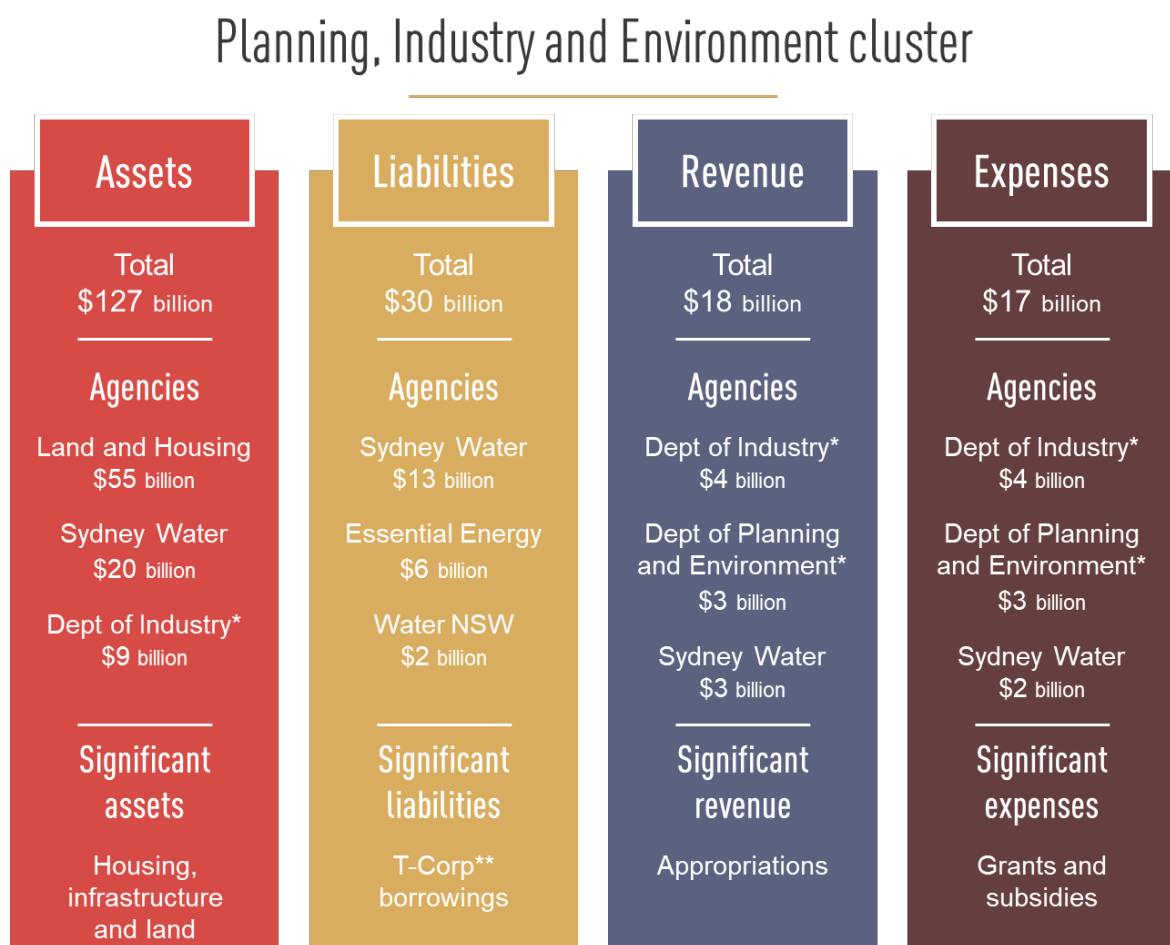
This report provides parliament and other users of the Planning, Industry and Environment cluster agencies financial statements with the results of our audits, our observations, analysis, conclusions and recommendations in the following areas:

- financial reporting
- audit observations.

This cluster was created by the Machinery of Government changes on 1 July 2019. This report is focussed on agencies in the Planning, Industry and Environment cluster from 1 July 2019. However, these agencies were all in other clusters during 2018–19. Please refer to the section on Machinery of Government changes for more details.

1.1 Snapshot of the cluster

The snapshot below shows the financial positions at 30 June 2019 and the financial results for the year then ended for agencies that were transferred into the Planning, Industry and Environment cluster. It indicates the largest agencies and components in the new cluster.



* Former Departments. Refer to the section on Machinery of Government changes for further details.

** NSW Treasury Corporation.

For full details of the financial information of all agencies in the new cluster, please refer to the Appendix four.

1.2 Service delivery in the cluster

The 2019–20 NSW Budget Paper outlines the objectives of the Planning, Industry and Environment cluster which are to improve the liveability, prosperity and sustainability of New South Wales. The cluster's key areas of focus include:

- security and affordability of water and energy
- building sustainable communities with adequate public spaces
- job creation and industry development
- environmental conservation
- strengthening regional areas and primary producers to unlock the economic potential of rural New South Wales.

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

Planning, Industry and Environment Cluster



SOURCE: NSW Budget Papers 2019-20

The Premier announced 14 priorities on 28 June 2019, replacing the previous 12 NSW Premier's Priorities (2015–2019).

The Premier's Priorities along with information on progress is accessible online at <https://www.nsw.gov.au/improving-nsw/premiers-priorities/>.

The Premier's Priorities relevant to the Planning, Industry and Environment cluster are:

- increasing the tree canopy and green cover across Greater Sydney by planting one million trees by 2022
- increasing the proportion of homes in urban areas within ten minutes' walk of quality green, open and public space by ten per cent by 2023.

The former Planning and Environment cluster and the former Industry cluster were the lead clusters responsible for delivering the following eight key priorities during 2018–19:

- making housing more affordable
- increasing housing supply
- accelerating major projects
- keeping our environment clean
- increasing cultural participation
- creating jobs
- be the leading state in business confidence
- increasing completed apprenticeships.

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 are where the government reorganises these structures and functions that are given effect by Administrative orders.

The MoG changes, announced following the NSW State election on 23 March 2019, created the Planning, Industry and Environment (PIE) cluster. The Administrative Changes Orders issued on 2 April 2019, 1 May 2019 and 28 June 2019 gave effect to these changes. These orders became effective on 1 July 2019.

Section highlights

The 2019 MoG changes significantly impacted the former Planning and Environment, and Industry clusters and agencies.

- The PIE cluster combines most of the functions and agencies of the former Planning and Environment and Industry clusters from 1 July 2019.
- The Department of Planning, Industry and Environment is the principal agency in the PIE cluster.
- The MoG changes bring risks and challenges to the PIE cluster.
- A MoG Steering Committee was established to oversee the transitional processes.
- The full integration of the systems and processes will not be completed in the near future.

2.1 Cluster changes

The recent MoG changes significantly impacted the former Planning and Environment, and Industry clusters and agencies

The MoG changes abolished the Department of Planning and Environment, the Department of Industry, the Office of Environment and Heritage and the Office of Local Government. From 1 July 2019, the majority of the functions of these abolished agencies were transferred to the newly established Department of Planning, Industry and Environment (DPIE). The DPIE is the principal agency in the PIE cluster.

Machinery of Government changes

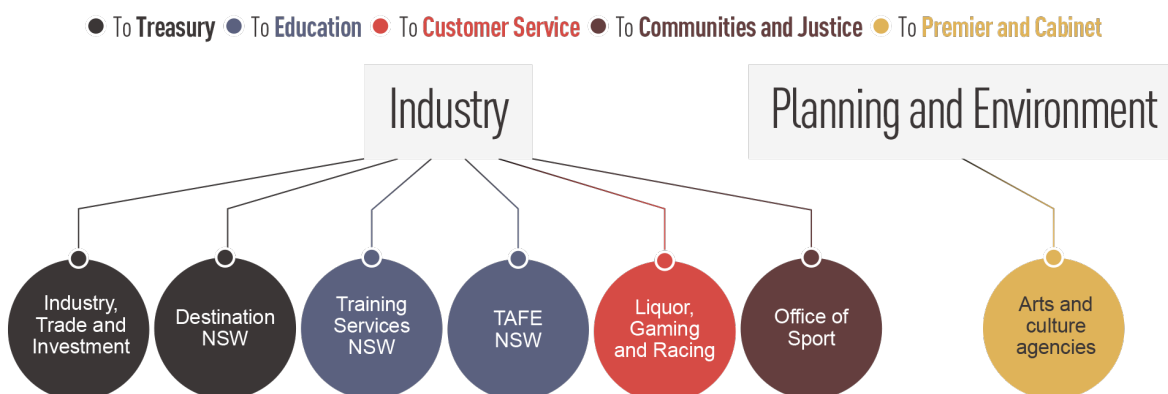
The **Planning, Industry and Environment** cluster combines most of the functions and agencies of the former **Industry** cluster with the former **Planning and Environment** cluster with specific functions from the former **Finance, Services and Innovation** cluster, the former **Family and Community Services** cluster and the **Premier and Cabinet** cluster.

Key functions and agencies moved into the **Planning, Industry and Environment** cluster as at 1 July 2019:



The **Department of Planning, Industry and Environment** is the principal agency in the cluster.

Key functions and agencies transferring from the former **Industry** cluster and the former **Planning and Environment** cluster as at 1 July 2019:



2.2 Agency preparation and implementation of changes

The former Department of Planning and Environment and the former Department of Industry commenced preparations for the MoG changes in the last quarter of 2018–19. This included activities to transition to the newly formed DPIE and to determine cluster arrangements in readiness for the 1 July 2019 transition date.

A MoG Steering Committee was established to oversee the changes

In response to the significant changes, a MoG Steering Committee was established in April 2019 to oversee the transitional processes. The MoG Steering Committee consists of representatives from various agencies forming part of the PIE cluster, such as the former Department of Planning and Environment, the former Department of Industry, the former Office of Environment and Heritage, the former Office of Local Government, Land and Housing Corporation and Aboriginal Housing Office.

The MoG Steering Committee met on a regular basis to assess the impact of the changes and manage risks arising from the changes. Project control groups were also set up to govern and coordinate the following working groups:

- people and culture
- finance, budget and equity transfer
- governance, legal and parliamentary government services
- property, facilities and fleet
- corporate shared services
- digital and information.

Key activities across the various working groups included:

- developing a governance framework, which:
 - set out the proposed governance framework for the design and implementation of the changes
 - set out the connection to the sector-wide governance framework
 - defined key governance bodies, roles and responsibilities
 - defined program team and work stream structures
- developing and implementing the transition plan
- implementing a new organisational design for the DPIE
- setting up new lines of authority and delegation manual. The instrument of delegation for the DPIE was approved on 28 June 2019
- establishing the new Audit and Risk Committee arrangements within the PIE cluster, including the shared arrangements
- developing an approach to progressively integrate the policies and procedures. Given the scale of changes involved, and to minimise confusion and the risk of non-compliance, the DPIE decided to retain all current policies and procedures, unless an urgent need is identified to meet the core obligations.

A decision register was also maintained to track all the key decisions made in relation to the changes.

The MoG changes bring risks and challenges to the PIE cluster

The working groups identified key risks and challenges arising from the MoG changes and documented them in the 'Machinery of Government Risk Report' (the Report).

The Report included the following key risks:

- impact to business continuity and service delivery
- MoG related budget allocation may not be sufficient for newly formed DPIE. Inbound budget data may not adequately reflect the true costs and responsibilities of the inbound agencies
- initial 1 July 2019 MoG transition may be delayed as a result of delayed analysis, development and due diligence
- transitioned services may be of poor quality and not meet the needs of the DPIE
- pre-determined MoG goals may not be achieved
- impact to staff morale and confidence which may affect service delivery, reputation and quality
- delayed delivery to Corporate Shared Services deliverables, which may impact people, service delivery and continuity of systems and services.

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

The DPIE will take some time to fully integrate systems and processes

The DPIE is still undergoing internal restructure, and considering how the systems and processes, and the shared service centres should be integrated. The former Department of Planning and Environment and the former Department of Industry operated their own shared service centres.

Risks of having disaggregated systems and processes include:

- inconsistencies in policies, procedures and controls
- inefficiencies in operating different systems and performing different procedures for similar transactions
- increased risk of duplicate payments due to confusion over roles and responsibilities
- potential material misstatements in the DPIE's financial statements if the consolidation processes are not sufficiently robust.

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. Refer to our [Annual Work Program](#).

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 related to the financial reporting of agencies in the Planning, Industry and Environment (PIE) cluster for 2019. In this chapter, the Department of Planning, Industry and Environment is referred to as DPIE, the former Department of Planning and Environment as DPE, and the former Department of Industry as DOI.

Section highlights

- Unqualified audit opinions were issued for all completed 30 June 2019 financial statements audits. However, some cluster agencies can further enhance the quality of financial reporting.
- Timeliness of financial reporting remains an issue for 13 agencies.
- Deficiencies were identified in the data used to calculate the impact of AASB 16 'Leases' effective from 1 July 2019. Property NSW should urgently address these deficiencies.
- Unprocessed Aboriginal land claims continue to increase. DPIE should prioritise action to reduce unprocessed Aboriginal land claims.

3.1 Quality of financial reporting

Audit opinions

Unqualified audit opinions were issued for all completed financial statements audits

Unqualified audit opinions were issued for 56 out of 66 cluster agencies' 30 June 2019 financial statements audits. Sufficient audit evidence was obtained to conclude the financial statements were free of material misstatement. Ten audits for 30 June 2019 financial statements are ongoing.

Five misstatements greater than \$20.0 million were corrected

The PIE cluster agencies corrected five misstatements that were greater than \$20.0 million. The misstatements were related to:

- incorrect accounting for grant revenue and/or expense
- a transfer between reserves and accumulated funds
- incorrect reduction in the value of infrastructure assets.

DOI and the Royal Botanic Gardens and Domain Trust identified prior period errors which were corrected in the current year. This is further discussed under Section 3.3 'Key accounting issues'.

3.2 Timeliness of financial reporting

The timeliness of financial reporting remains an issue

Fifty-five of the 57 agencies subject to statutory deadlines submitted their financial statements on time. Not all agencies have statutory deadlines for submitting their financial statements for audit and for issuing the Independent Auditor's Report.

The time required by cluster agencies to resolve issues and respond to audit queries and information requests meant we were only able to issue an Independent Auditor's Report for 44 entities within the statutory deadline. Eight were issued after statutory deadlines and a further five cluster agency audits remain ongoing. In 2017–18, 48 out of 61 Independent Auditor's Reports were issued within the deadline. The DPIE has committed to improve timeliness of financial reporting in 2019–20.

The table below details these exceptions.

Timeliness of financial reporting			
Cluster agencies	Early close procedures	Financial statements	Audit report
Environment, energy and science			
Mutawintji Board of Management	✓	✓	! ¹
Worimi Conservation Lands Board of Management	✓	✓	! ¹
Housing and property			
Cemeteries and Crematoria NSW	✓	✓	!
Waste Assets Management Corporation	✓	✓	!
Land manager			
Lands Administration Ministerial Corporation	✓	✓	! ¹
Rookwood General Cemeteries Reserve Land Manager	✓	✓	!
Rookwood Necropolis Land Manager	✓	!	!
Wentworth Park Sporting Complex Land Manager	N/A	✓	!
Planning and public spaces			
Parramatta Park Trust	✓	✓	!
Western Sydney Parklands Trust	✓	✓	!
Regions, industry, agriculture and resources			
New South Wales Rural Assistance Authority	✓	!	✓
Water			
Dams Safety Committee	✓	✓	!
Natural Resources Access Regulator	✓	✓	! ¹
Water Administration Ministerial Corporation	✓	✓	! ²
Key	✓	!	Statutory reporting deadline was not met

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

¹ Audits for these agencies are still ongoing.

² Water Administration Ministerial Corporation presented unsigned financial statements. The audits from 2011 to 2019 are outstanding due to insufficient supporting records.

For the financial statements of agencies not subject to statutory deadline, four audit opinions have been issued and five audits are ongoing.

Details for all agencies in the cluster are included in the Appendix six.

Cluster agencies would benefit from an increased focus on early close procedures

The PIE cluster agencies prepared and submitted their early close work in accordance with the mandatory timeframe set by NSW Treasury. However, we assessed 17 of the 49 agencies where we reviewed early close procedures as either partially addressing, or not addressing one or more of the mandatory requirements.

An increased focus on early close activities would help agencies with timely financial reporting and reduce the number of misstatements in the financial statements.

Deficiencies in early close procedures included:

- five agencies not fully completing comprehensive revaluations and fair value assessments of property, plant and equipment as a part of the early close process
- not reconciling inter-agency balances and transactions with other government agencies
- not assessing the impact of new and revised accounting standards.

Early close procedures aim to bring forward year-end activities, such as valuing assets and resolving financial reporting issues, to reduce reporting timeframes and improve quality.

3.3 Key accounting issues

Prior period errors corrected retrospectively

Accounting for Cluster Grants by the DOI was revised

The DOI previously recognised appropriations paid to cluster agencies such as Destination NSW, Office of Sport and Local Land Services as transfer payments, rather than as grants and subsidies expenses. Transfer payments are presented outside of agencies' income statements and are disclosed in the notes to the financial statements.

NSW Treasury performed a review of how appropriations paid to cluster agencies should be accounted for by principal departments and noted instances where the accounting treatment was inconsistent. NSW Treasury concluded that these transactions should be reported as income and expenses for principal departments.

The retrospective correction of error by the DOI increased the prior year comparatives for appropriations income, and grants and subsidies expenses by \$465 million. There was no impact on the net result for the year.

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

In 2018–19, the Royal Botanic Gardens and Domain Trust (the RBGD Trust) performed a comprehensive valuation of its Seedbank Collection (the Collection). This added \$27.4 million to the value of the RBGD Trust's property, plant and equipment.

In the past, the RBGD Trust did not recognise the Collection in the financial statements on the basis that their value could not be reliably measured.

The RBGD Trust engaged a valuation expert and utilised internal expert collections staff to develop a valuation methodology for the Collection, including identification of key assumptions used for the valuation.

This allowed the RBGD Trust to reliably estimate the fair value of the Collection for inclusion in its 2018–19 financial statements. Management concluded the recognition of the Collection should be treated as a prior period error in the RBGD Trust's 2018–19 financial statements.

Prior period errors resulted in significant delays in financial reporting by the Lands Administration Ministerial Corporation

The Lands Administration Ministerial Corporation's (LAMC) financial statements for the years ended 30 June 2017 and 30 June 2018 were finalised in March 2019. The delays were due to the time required to address a number of prior period errors relating to:

- accounting for assets, liabilities, revenues and expenses of certain reserve trusts under LAMC's control which were not previously recognised
- a parcel of land disposed in 2006 had not been treated as a disposal in the financial statements
- errors in accounting for leases.

Introduction of AASB 16 'Leases'

Deficiencies were identified in data used to calculate the impact of new leasing standard

Recommendation

Property NSW should urgently address the deficiencies in the lease data used to calculate the impact of the new leasing standard effective from 1 July 2019.

In anticipation of adopting AASB 16 'Leases' from 2019–20, agencies were required to estimate the expected impact of the new accounting standard. Property NSW estimated it would recognise the right of use assets and lease liabilities of \$2.8 billion. Property NSW also provided AASB 16 impact calculations to other government agencies for intra-government leases where Property NSW is the lessor.

We noted errors in the lease data used in Property NSW's impact calculations. Examples include:

- lease terms and lease extension options were not consistent with the lease arrangement. There has not yet been any assessment made of the 'reasonable certainty' of exercising lease extension options, as required by the new standard
- monthly rental amounts were not consistent with the lease arrangement
- rental increases over the lease term took into account fixed increases when they are subject to consumer price indexation or market reviews and vice-versa.

Also, for six sub-lease arrangements within our sample, Property NSW were unable to provide any evidence of a lease arrangement with the other government agency. Overall, we identified exceptions in:

- 55 per cent of the sub lease arrangements reviewed
- 54 per cent of the head lease arrangements reviewed.

These exceptions are significant enough to present a risk of material misstatement to the financial statements of Property NSW and other government agencies in future reporting periods. These findings are also consistent with a recent performance audit on '[Property Asset Utilisation](#)'. The performance audit looked at Property NSW's effectiveness in managing NSW Government owned and leased assets. While the scope of the performance audit differed, it also found that Property NSW's 'record keeping is inconsistent and many of its divisions did not have procedures or guidelines'. Property NSW will need to ensure it addresses our findings as a matter of priority.

AASB 16 changes the way lessees treat operating leases for financial reporting purposes. With a few exceptions, operating leases will be recorded in the Statement of Financial Position as a right of use asset, with a corresponding liability. AASB 16 will result in more assets and liabilities being recorded in the Statement of Financial Position and change the timing and pattern of expenses recorded in the Statement of Comprehensive Income.

For future reporting periods, Property NSW is implementing a whole-of-government lease accounting solution, known as 'Lease Accelerator', which will be used to provide lease accounting data for the financial statements of Property NSW and other government agencies.

Accounting for Crown land

Errors in accounting for Crown land continue to be identified

Accounting for Crown land assets continues to challenge the DOI. For several years, we have reported deficiencies in the recording of Crown land assets in the Crown Land Information Database (CLID) and how it interfaces with the general ledger. Refer to Chapter four on internal control deficiencies and recognition of Crown land.

CLID contains records of Crown land in New South Wales, and despite not being designed to facilitate efficient financial reporting, it is still used by the DOI to generate financial reporting information. The DOI expends significant effort to generate the information from CLID that it needs to prepare its financial statements. However, there continues to be Crown land related misstatements identified in the DOI's financial statements. In 2018–19, the DOI recognised approximately \$43.7 million in Crown land that had not been previously identified.

As part of our audit of the DOI's financial statements, we tested the reconciliation adjustments between CLID and the DOI's general ledger to ensure that the balance of Crown land presented in the financial statements was materially correct.

Aboriginal land claims over Crown land

The number of unprocessed Aboriginal land claims has continued to increase since 2007

Recommendation (repeat issue)

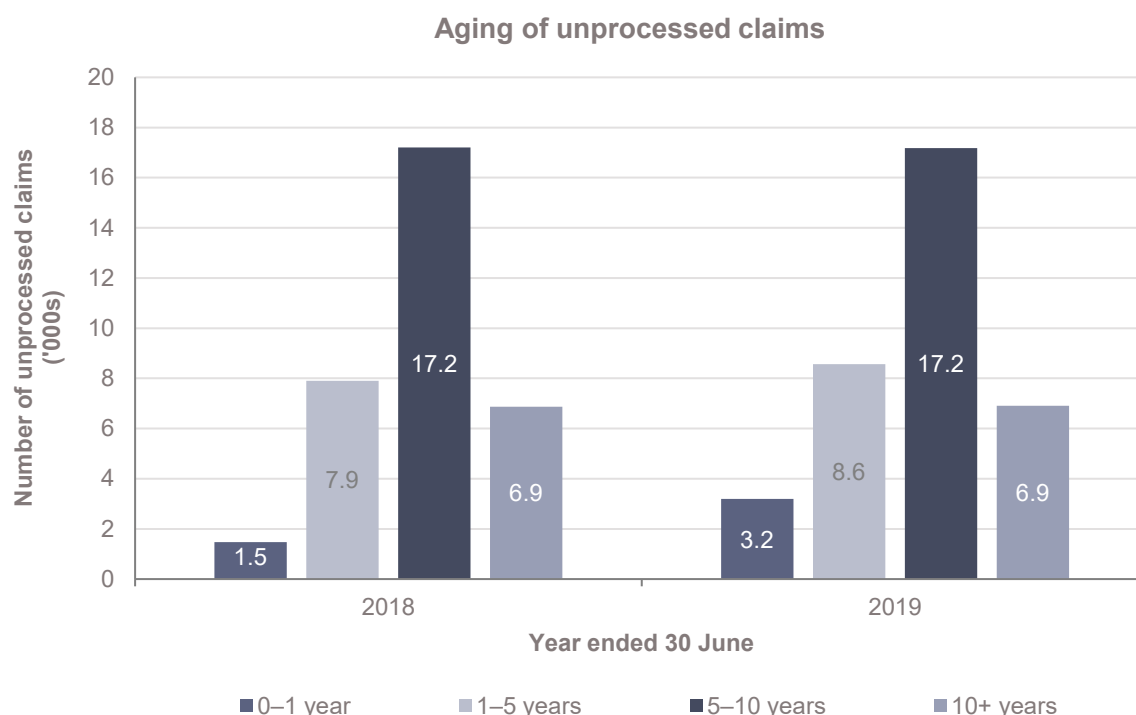
The DPIE should prioritise action to reduce unprocessed Aboriginal land claims.

The DOI has not been able to reduce the number of unprocessed Aboriginal land claims over Crown land, as new claims lodged exceed claims processed. The DOI's unaudited data shows that there were 35,855 unprocessed claims at 30 June 2019, an increase of 2,403 or 7.2 per cent from 30 June 2018. There were 6,906 claims unprocessed more than ten years after they were lodged.

Reports to Parliament since 2007 have recommended action to address the increasing number of unprocessed claims. At that stage, 8,922 claims were unprocessed.

Unprocessed claims are contingent liabilities for the DOI. Once a land claim is granted, the land transfers to the relevant Aboriginal Land Council.

The aging of unprocessed claims at both 30 June 2019 and 30 June 2018 is shown in the following table.



Source: Department of Planning, Industry and Environment (unaudited).

The DOI reported the claims backlog grew due to factors, such as:

- land claim legislation, which provides limited restrictions on new claims, and often results in multiple claims over the same property
- limited Departmental resources to process and manage claims
- the complexity of claim investigation and legal challenges to claims.

In 2018–19, there were 3,232 claims lodged and 1,037 claims determined. The number of claims determined increased from 492 in 2017–18. One hundred and eighty-two claims were successful, and 855 claims were refused or withdrawn.

A key initiative to reduce the unprocessed claims is the development of Aboriginal Land Agreements, which allow for the settlement of multiple land claims. Since 2016, the DOI has been working with the NSW Aboriginal Land Council to prioritise land claims that provide economic, social or cultural benefit to Land Councils. The DOI entered into negotiations in nine locations (seven locations in 2017–18) and will continue to meet with the participants to facilitate the assessment and resolution of land claims.

Financial reporting of Crown land managers

Accountability for the state's Crown land reserves remains an issue

Approximately 700 land managers managed by Boards continued to not prepare the financial statements required under the *Public Finance and Audit Act 1983* (PF&A Act). The majority of the land managers do not control significant assets or are dormant. Three cemetery land managers which do control significant assets did not prepare financial statements under the PF&A Act, as they continue to disagree with NSW Treasury's view that they are NSW Government agencies.

NSW Treasury and DPIE are still working to establish criteria for financial reporting exceptions under the *Government Sector Finance Act 2018*. This would clarify the financial reporting obligations for the majority of these land managers. However, this issue will continue to exist for land managers who do not meet the criteria for exemption. This is likely to include the three cemetery land managers referred to above.

3.4 Key financial information and sustainability

Operating results

Cluster agencies recorded a surplus of \$779 million

Cluster agencies recorded a combined operating surplus of \$779 million in 2018–19 (\$741 million in 2017–18). The key agencies that contributed to this financial result included:

Cluster agencies	Net result Surplus/(Deficit)	
	2019 \$m	2018 \$m
Department of Industry*	189	(55)
Department of Planning and Environment*	99	17
Forestry Corporation of New South Wales ¹	166	33
NSW Land and Housing Corporation	(508)	(463)
Sydney Water Corporation ¹	479	572

* Former Departments.

¹ Balances are net profit after tax.

Appendix four summarises key financial information for each agency.

Significant changes in the net result of cluster agencies from the prior year included:

- DOI's net surplus of \$189 million was mainly due a 19 per cent increase in total revenue compared to 13 per cent increase in total expenses. The increase in revenue was primarily due to the recognition of \$64.6 million non-cash land grants, an increase in personnel service revenue of \$17.2 million and an increase in revenue from sales of goods and services.
- The former Office of Environment and Heritage (OEH)'s net result decreased by \$94.9 million mainly due to \$50.0 million grants paid to NSW agencies relating to the Climate Change Fund (CCF) and other environment projects. The increase in CCF grants was mainly related to the private land conservation, Hawkesbury Nepean Valley Flood Risk Mitigation and strategic programs of the Department of Primary Industries.
- Landcom's net profit fell by \$152 million mainly due to a reduction in the number of settlements for the year and deferral of significant settlements to future years. Total revenue decreased from \$792 million in 2017–18 to \$268 million in 2018–19.
- Sydney Water Corporation's profit after tax decreased by \$93.5 million, which was mainly due to a \$23.8 million increase for the additional drought-related reactive maintenance and a \$24.0 million increase for reactive environmental and safety programs. Also, the dam levels fell below 60 per cent, triggering restart of the Sydney Desalination Plant that increased costs by \$23.8 million.
- Forestry Corporation of New South Wales' profit after income tax expense rose by \$133 million to \$166 million largely due to an increase in the fair value of its biological assets of \$177 million.
- Planning Ministerial Corporation's net result increased by \$49.2 million, largely due to the \$40.0 million funding received for the acquisition of land in Parramatta for the proposed construction of the new Powerhouse Museum.

Total cluster assets and liabilities

Cluster agencies' total combined assets was \$127 billion at 30 June 2019, up from \$123 billion at 30 June 2018. The increase was predominantly due to the increase in fair value of assets from revaluations.

Total liabilities at 30 June 2019 increased to \$29.5 billion from \$26.9 billion at 30 June 2018. A significant factor in the increase was Water NSW and Sydney Water Corporation increasing their borrowings from NSW Treasury Corporation by \$704 million and \$1.1 billion respectively.

Financial performance and sustainability

Cluster agencies were assessed as financially sustainable

As a part of our audit, we obtain an understanding of the entity and its environment, including an entity's financial performance and sustainability. Strong financial performance underpins an agency's overall performance, providing a platform for service delivery.

The majority of agencies in the PIE cluster are largely funded through government grants and contributions or through their own activities and sales. Our analysis against key financial performance and sustainability indicators found that, overall, while some cluster agencies are dependent on ongoing government support, they are not at high risk of sustainability concerns.

Where indicators of potential going concern issues were identified, we reviewed management's assessment of the entity's ability to continue operations, and the basis for continuing to prepare the financial statements as a going concern.

The New South Wales Rural Assistance Authority was the only cluster agency that had a deficit in accumulated funds at 30 June 2019. This deficit was primarily due to the delay in receiving \$31.0 million in cluster grants, which were subsequently received in July and August 2019.

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 audit observations and insights from our financial statement audits of agencies in the Planning, Industry and Environment (PIE) cluster for 2019. In this chapter, the Department of Planning, Industry and Environment is referred to as DPIE, the former Department of Planning and Environment as DPE, and the former Department of Industry as DOI.

Section highlights

- One in five issues identified and reported to management in 2018–19 were repeat issues.
- The lack of user access review was the most common IT general control issue in the PIE cluster.
- The PIE cluster provided significant financial assistance for drought relief.
- There continues to be significant deficiencies in Crown land records. The DPIE should ensure the Crown land database is complete and accurate.
- Unspent developer contributions funds continued to build up in 2018–19.

4.1 Internal control deficiencies

Management letter findings


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



One in five internal control deficiencies identified were repeat issues

The 2018–19 financial audits of cluster agencies identified 202 internal control weaknesses, which represents a decrease of 18 per cent from issues reported in 2017–18. One in five issues identified in 2018–19 were repeat findings from previous financial audits. Management of the relevant agencies responded to these findings and have agreed to implement additional controls and processes to address the deficiencies identified.

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

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

Category	Risk rating		Issue
Information technology		Moderate: 26 new, 7 repeat	<p>The financial audits identified the need for agencies to improve information technology (IT) processes and controls that support the integrity of financial data used to prepare agencies' financial statements. Of particular concern are issues associated with:</p> <ul style="list-style-type: none"> • user access reviews • monitoring of privileged users' activities • lack of system enforced segregation of duties • disaster recovery planning • sensitive information and cyber security • non-compliance with IT policies.
		Low: 14 new, 2 repeat	
Internal control deficiencies or improvements		Moderate: 25 new, 13 repeat	<p>The financial audits identified internal control weaknesses across key business processes, including:</p> <ul style="list-style-type: none"> • lack of review evidence for onboarding and offboarding employees • fully depreciated and replaced assets in the fixed asset register • collection of fees and rental receipts.
		Low: 24 new, 3 repeat	
Financial reporting		High: 1 new, 1 repeat	<p>The financial audits identified the need for agencies to strengthen financial reporting, including:</p> <ul style="list-style-type: none"> • quality review of and improvements to the property, plant and equipment revaluation • assessment of new accounting standards issued but not yet effective • improvement in quality of data used for valuation indexation for Crown Lands. <p>High-risk issues identified:</p> <ul style="list-style-type: none"> • deficiencies in data used by Property NSW for the calculation of expected impact of new leasing standard • an interest free loan of \$6.5 million held by Wentworth Park Sporting Complex Land Manager. The nature of the loan continues to need resolution with the counterparty - Greyhound Racing NSW. This matter has been raised as a repeat issue for many years and remains unresolved.
		Moderate: 20 new, 10 repeat	
		Low: 16 new, 1 repeat	
Governance and oversight		Moderate: 10 new, 3 repeat	<p>The financial audits identified weakness in agencies' governance and oversight processes, including:</p> <ul style="list-style-type: none"> • lack of service partnership agreements • outdated policies, procedures and registers • lack of management of gifts and benefits policy and register.
		Low: 9 new, 3 repeat	

Category	Risk rating	Issue
Non-compliance with key legislation and/or central agency policies	 Moderate: 4 new, 2 repeat	The financial audits identified the need for agencies to improve its compliance with key legislation and central agency policies, including: <ul style="list-style-type: none"> compliance with early close requirements compliance with Treasury Policy Paper (TPP) or Treasury Circular (TC) requirements contracts register managed in accordance with the <i>Government Information (Public Access) Act 2009</i>.
	 Low: 8 new, 0 repeat	



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



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



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

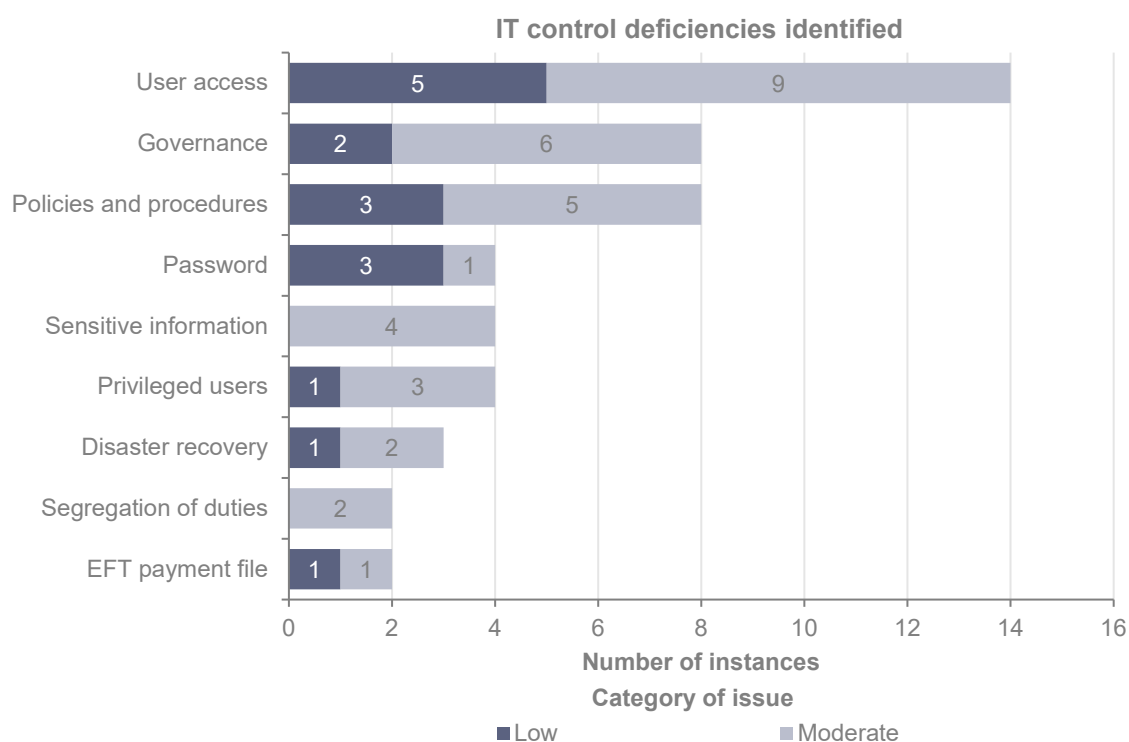
Note: Management letter findings are based either on management letters issued to agencies, or draft letters where findings have been agreed with management.

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

Information technology control deficiencies

User access is a common issue among cluster agencies

We identified 33 moderate risk and 16 low risk issues, nine of which are repeat issues from prior year.



Source: Audit Office management letters.

The main category of IT issue identified in 2018–19 relates to user access. These were mainly due to a lack of user access review for various systems or transactions. The next most common finding was in relation to updating policies and procedures and governance arrangements.

Monitoring of user access is an important function because it ensures key transactions and systems can only be accessed by the personnel responsible for that process. This is a way to minimise the risk of inappropriate manipulation of financial data.

4.2 Key issues

Drought relief

Cluster agencies provided significant drought relief

The NSW Government announced an emergency drought relief package of financial assistance of \$500 million in July and August 2018. This was in addition to other financial assistance measures already in place. We reviewed progress on the distribution of this financial assistance and the financial controls implemented to ensure the assistance is provided in accordance with established criteria.

The table below outlines a number of financial assistance measures contained in the drought relief package and the amount spent by agencies in 2018–19.

Financial assistance	Purpose	Conditions	Total allocation (\$m)	Spent to 30 June 2019 (\$m)
Loans				
Farm innovation fund (FIF)	Infrastructure works to improve farm efficiency	Up to \$1 million, interest at 2.5%, term up to 20 years	1,000	247*
Drought assistance fund	Transport costs and installing farm and water infrastructure	Up to \$50,000 over seven years interest free, with no repayments in first two years	100 (within the total FIF allocation)	26*
Subsidies				
Donated fodder transport	100% of cost of transporting donated fodder	Maximum of \$5 per km and up to 1,500 km	20	20
Drought transport subsidy	50% of cost of transporting fodder and water for stock or domestic use	Up to \$40,000 and a maximum of \$5 per km	190	86
Farm business skills development	50% of costs for an approved course or activity	Maximum of \$5,000 per farmer or \$9,000 per farm business	5.7	1.7
Waivers				
FIF loans interest	Waive/refund interest on FIF loans	Interest waived for period 1 January 2018 to 30 June 2019	11	8.6
Local Land Services rates	Waive rates for year ended 30 June 2019	Nil	50	50
Water licence	Waive fixed charge component of general water security licences	Maximum of \$4,000	30	30

* This is a cumulative figure of the amount of loans outstanding at 30 June 2019. FIF has been in operation for a number of years.

Source: Department of Planning, Industry and Environment, NSW Rural Assistance Authority, and Local Land Services (unaudited).

Under the emergency drought relief package, the NSW Rural Assistance Authority (RAA):

- spent \$125 million in grants, subsidies and interest waivers
- advanced \$110 million in loans.

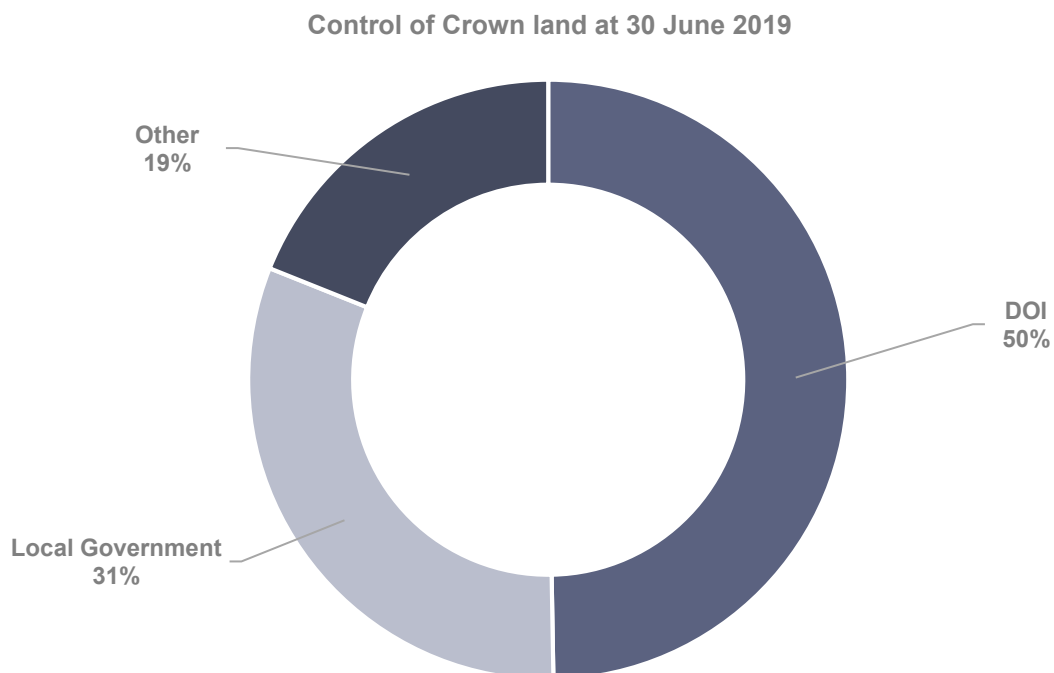
We found there was limited evidence of a formal funding agreement between RAA, DOI and NSW Treasury regarding the terms and conditions applying to the various components of the drought relief package. This resulted in a \$31.0 million misstatement where RAA accrued grant revenue when it did not have an unconditional right to the funds. This misstatement was corrected in the signed financial statements.

Further assistance has been announced to apply to the 2019–20 financial year.

The NSW Government also has a number of programs addressing water management, security and supply. As set out in our [Annual Work program](#), we intend to conduct several performance audits which will examine how well, from a state and local government perspective, entities are ensuring, managing and regulating the state's water supply. We will conduct these pieces of work as part of a multi-volume series on the theme of water, including looking at this issue in a particular place.

Recognition of Crown land

The DPIE is responsible for oversight of the management of NSW Crown land, which it estimates to cover approximately 42 per cent of the State. Crown land includes parks, reserves, roads and cemeteries. Parcels of Crown land are managed and controlled by numerous public and private sector organisations, including corporations, statutory bodies and local governments. The DPIE maintains the Crown Land Information Database (CLID), which records various details about the state's Crown land.



Source: Crown Land Information Database (unaudited).

There continues to be significant deficiencies in Crown land records

Recommendation (repeat issue)

The DPIE should ensure the Crown land database is complete and accurate so state agencies and local government councils are better informed about the Crown land they control.

The DPIE uses CLID to record Crown land in New South Wales managed and controlled by the DPIE and Land Managers. For several years, we have reported deficiencies in the recording of Crown land assets in CLID. The 2018 Industry report to parliament included a recommendation that the DOI should confirm the completeness and accuracy of the Crown land database with other organisations that manage and control Crown land to improve the reliability of its records. This would enable the Department and other managers to confirm all Crown land that should be recognised has been, or that two organisations are not recognising the same parcel of Crown land.

The DPIE advised there are several initiatives in progress, including:

- conducting data integrity reviews and performing data cleansing for the management of Crown reserves
- a project aiming to improve compliance reporting, focussing on sales and disposal of Crown land and the correction of anomalies in CLID. The project includes identifying gaps in processes and training needs to assist the business in improving the accuracy of information in CLID
- improved financial integration between CLID and the general ledger
- a new structure that aims to improve administration
- maintaining an online portal to enable councils to query Crown land data
- replacement of CLID.

Replacement of CLID is in progress

In November 2018, the DOI commenced the implementation of CrownTracker as a replacement system for CLID. The DPIE advised the key differences include:

- spatial information will be captured in CrownTracker, which was previously imported and reconciled with CLID
- a modern case management module which aims to improve delays in updating changes
- integration with SAP and reporting tools to assist with financial reporting
- an external portal for non-council Crown Land Managers to lodge financial reports.

The project is due for completion by 30 June 2021.

An online portal is assisting councils to resolve issues relating to Crown land

On 1 July 2018, the DOI launched an online portal to enable councils to query Crown land data. The portal provides councils with information on Crown land where they are identified as the manager in CLID.

The DPIE advised that 127 enquiries had been raised by councils regarding information provided from CLID by 30 September 2019, and 116 enquiries had been addressed as at 10 October 2019.

Issues with council's Crown land records resulted in prior period errors

Since last year, the DOI has provided access to its CLID records to local councils. Councils compared their Crown land records with the DOI's CLID records. This exercise helped identify prior period errors in councils' financial statements. For the completed 2018–19 financial statements audits of local councils, the correction resulted in a \$201 million increase in Crown land assets recognised by the councils.

Land Negotiation Program is contributing towards a stocktake of Crown land

The DPIE is continuing a voluntary land negotiation program with the NSW Aboriginal Land Council, and various Local Aboriginal land councils and local government councils which started in 2016. This program considers Crown land in a given area and explores which party is best placed to manage that land. The DPIE has advised that as a part of this program, a stocktake of the Crown land is undertaken in the subject area. This program will also assist in reducing the number of unprocessed Aboriginal land claims.

In 2018–19, two new locations were added to the Land Negotiation Program. The program is not yet completed at any of the locations.

System implementation

The DOI successfully implemented an upgraded financial system

The DOI completed a project to upgrade the information technology system used to manage its financial operations and data in September 2018. This system also provides services for most agencies within the former Industry cluster. As a part of our audit, we reviewed the controls over the implementation of the new system, the migration of data to the new system and the controls built into the new system.

We identified a number of user access and segregation of duties issues relating to the system implementation and reported these in our management letter. The DPIE has either addressed these issues or committed to address them.

ePlanning project

Completion of the project has been extended and will cost an extra \$5.0 million

The DPE had spent \$66.9 million to 30 June 2019 on the ePlanning project (also known as the NSW Planning Portal). The DPIE advised the total project cost is now expected to be \$68.4 million, which is \$5.0 million higher than the 2018 projection.

The project was expected to complete in 2018–19. However, the DPIE advised the anticipated completion date has been extended to March 2020 to allow for the development of two additional digital services: Special Infrastructure Contributions and State Voluntary Planning Agreements.

The Department was unable to provide certain project cost information

During 2018–19, the DPE performed an impairment assessment of the ePlanning project, which found there was no indicator of impairment of the ePlanning assets as at 30 June 2019. The DPE advised the decommissioned Interactive Building tool was redeployed for use in the subsequent ePlanning portal upgrade.

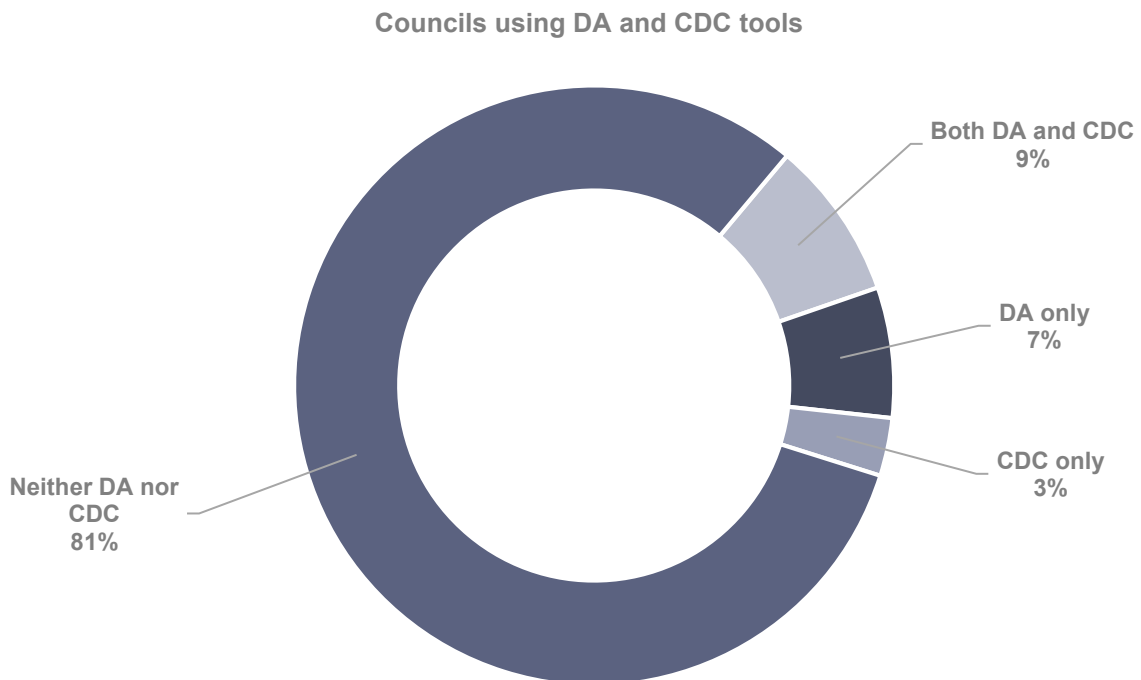
However, we found the DPE was unable to provide detailed cost information associated with the decommissioned and redeployed module. The DPE advised this costing information was related to pre-2017, when record keeping and documentation was limited. We have reported this issue in our management letter.

Usage of key ePlanning modules remains low

In March 2019, the DPE engaged an external consultant to perform a benefit realisation review of the ePlanning project. The review highlighted that the councils and private certifiers are not currently required to use the NSW Planning Portal and associated modules, which makes it challenging to fully realise the benefits of the project.

The DPIE advised 20 Councils are currently using the Development Application lodgement (DA) tool and 15 councils are using the Complying Development Certification lodgement (CDC) tool in 2018–19. As at 30 June 2019, there were 128 local councils in New South Wales.

The following graph shows the percentage of councils using the DA and CDC tools.



Source: Department of Planning, Industry and Environment (unaudited).

Developer contributions

Developer contributions include Special Infrastructure Contributions (SIC) and Voluntary Planning Agreements (VPA) and are levied on developers during the development process. Contributions can be in the form of cash, works or infrastructure assets.

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

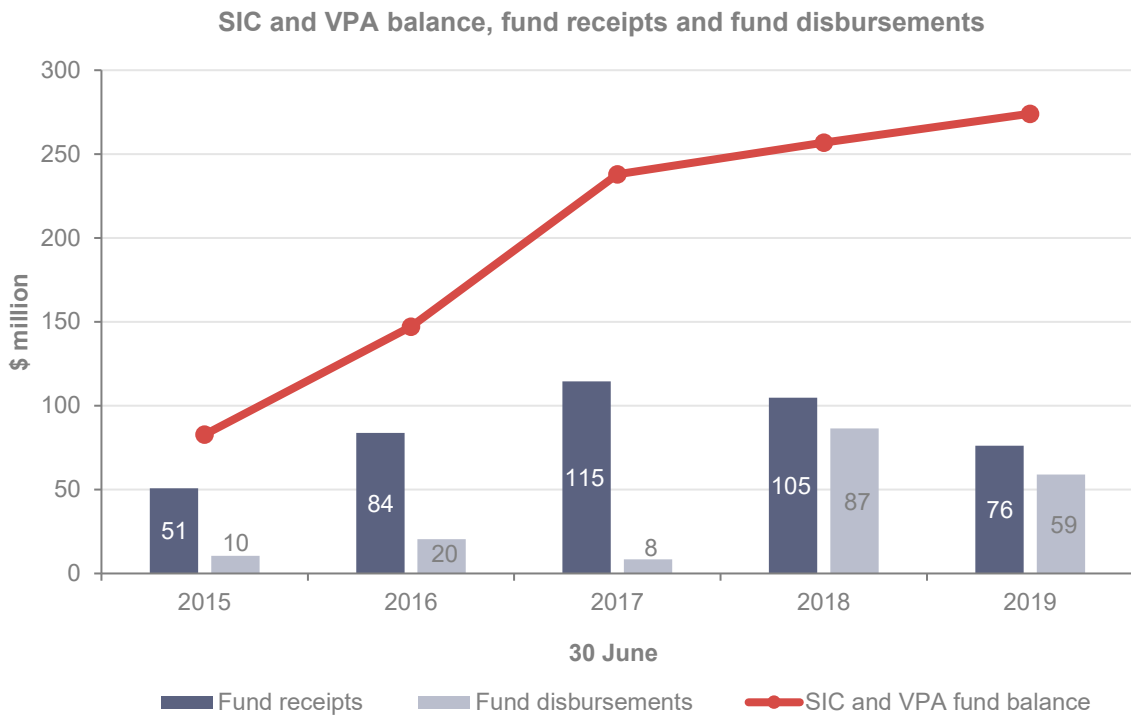
Contributions are collected for new developments within a defined boundary called the special contributions area. There are currently four special contributions areas in New South Wales, and another 33 proposed special contributions areas for all Planned Precincts and Growth Areas across the State.

A VPA is an agreement between a planning authority and a developer in which the developer agrees to provide public infrastructure as part of their development consent. There are currently 250 executed VPAs in New South Wales.

Unspent SIC and VPA funds continued to build up in 2018–19

The DPE continued to accumulate more SIC and VPA revenues than it spent on infrastructure projects in 2018–19. Total unspent SIC and VPA funding increased from \$257 million at 30 June 2018 to \$274 million at 30 June 2019. This balance represents the opportunity to provide infrastructure for communities.

Over the past five years, the total unspent SIC and VPA funding has increased by more than 200 per cent. The DPIE advised there is usually a time lag between collecting sufficient contributions and allocating these funds to deliver the infrastructure projects.

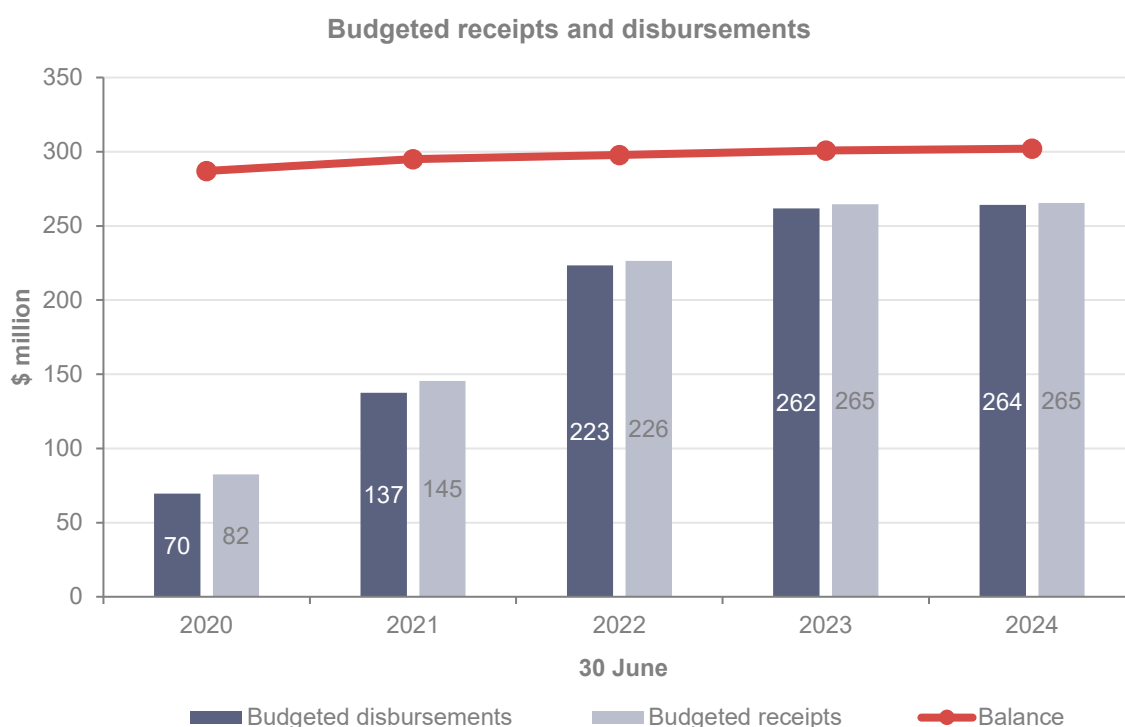


Source: Audited financial statements of the former Department of Planning and Environment.

As shown in the graph above, expenditure has increased in the last two years compared to the previous years.

The DPIE plans to spend \$956 million on SIC and VPA over the next five years

The DPIE's budget indicates it will receive an additional \$983 million in SIC and VPA contributions over the next five years. This is offset by a budgeted \$956 million in expenditure. The net impact is likely to be an increase to the unspent SIC and VPA fund balance to \$301 million by 30 June 2024.



Source: Department of Planning, Industry and Environment (unaudited).

The DPE had proper processes in place to manage SIC and VPA agreements

This year, we selected a sample of SIC and VPA agreements to determine if the DPE had proper processes in place to enter into, manage and monitor those agreements. We found the DPE:

- had adequate governance and processes to manage and monitor the SIC and VPA agreements
- appropriately calculated and approved the developer contributions.

VPA project nomination and prioritisation framework is still under development

We examined a sample of projects that have been funded through SIC and VPA to determine the basis on which these projects were selected.

Some projects under review commenced prior to the end of 2018, when the DPE was yet to establish a robust framework for project selection and prioritisation. The DPE advised these projects were selected following a merit based qualitative assessment, which involved stakeholder consultation and engagement. Whilst the DPE documented the basis of assessment and how the selected projects met the program objectives, it is not always clear why the selected projects would be considered priorities.

The DPIE advised it is currently in the process of developing a VPA project nomination and prioritisation framework, which is expected to be finalised before 30 June 2020.

In response to a June 2017 internal audit review of the SIC fund, the DPE developed a SIC implementation guide in late 2018. The guide outlines the following project selection criteria:

- potential for new dwellings that the planned precinct/growth area could support
- range of completed investigation studies, design works or environmental assessments
- current rate of development in the precinct
- current proposed subdivision or dwelling approvals
- project support offered or its ability to compliment other infrastructure projects
- available resourcing and expertise to deliver the project
- need for other complimentary projects
- current community demand for the project.

In prioritising SIC projects, the following factors would be considered:

- project readiness
- preliminary cost benefit ratio
- capital expenditure requirement
- estimated delivery timeframe
- assessment of risk of delivery
- any other stakeholder consultation/coordination required to facilitate delivery.

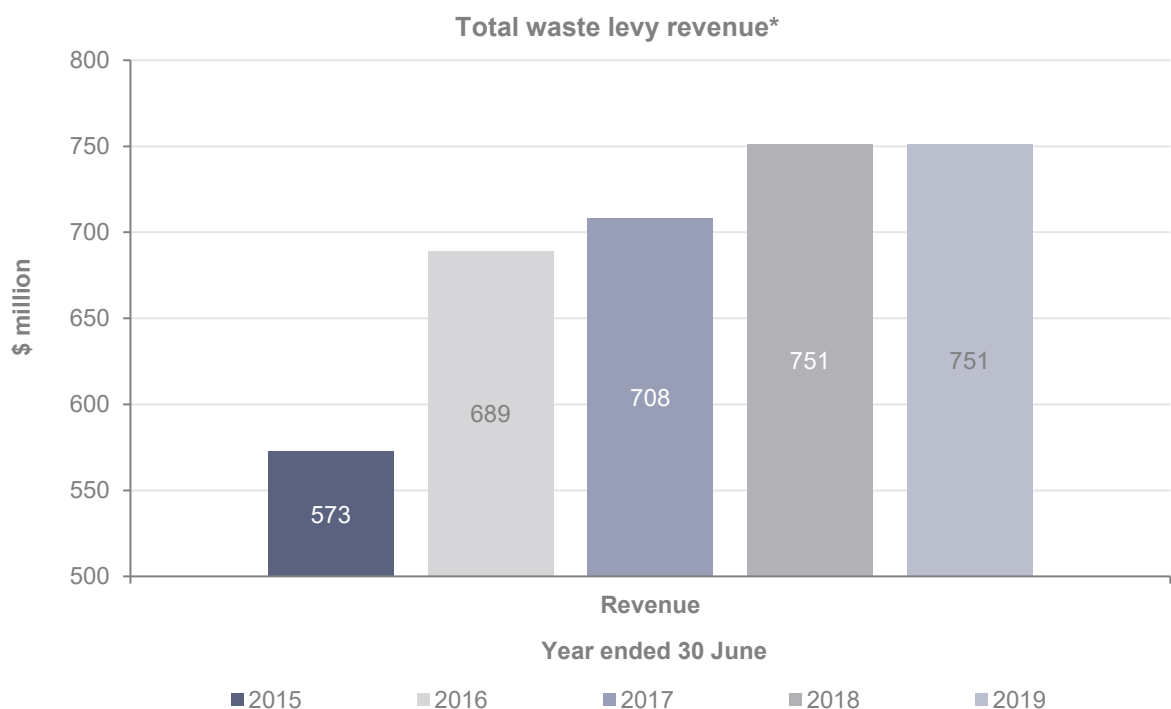
Prior to 30 June 2020, the Audit Office intends to conduct a performance audit on developer contributions and VPA for local government sector. This audit will consider the management and use of developer contributions, including VPA, in selected NSW local councils.

Waste levy

The Environment Protection Authority collects significant amount of waste levies each year

In 2018–19, the Environment Protection Authority (EPA) collected \$751 million of waste levies. This represents an increase of \$178 million (or 31.1 per cent) from 2014–15.

The graph below summarises the total waste levy revenue collected by the EPA over the past five years.



* Amounts represent waste levy revenue less rebates.

Source: Environment Protection Authority (Audited financial statements).

One of the main reasons for the significant increase in collection of waste levy is the increase in waste levy rates applied per tonne. Additionally, there has been an increase in the volume of waste disposed.

Rate type	2014–15 Rate (\$)	2018–19 Rate (\$)	Increase (%)
Metropolitan levy area	120.9	141.2	16.8
Regional levy area	65.4	81.3	24.3

Source: Environment Protection Authority (unaudited).

The EPA oversees the collection of the waste levy on behalf of the Crown Entity. The levy is collected and remitted to the consolidated fund, where it becomes a part of the pool of money paid out to the principal Departments through Appropriations. The Crown Entity advised it does not specifically track how the waste levy is spent.

The *Protection of the Environment Operations Act 1997* requires certain licensed waste facilities in NSW to pay a waste levy contribution for each tonne of waste they receive. The contribution aims to reduce the amount of waste being landfilled and promote recycling and resource recovery.

In 2020, the Audit Office plans to conduct a performance audit on the waste services levy and planning for waste infrastructure.

Outsourcing of property and facility management services

Services were outsourced by Place Management NSW

Place Management NSW signed a contract with a service provider to receive property and facilities management services across its property portfolio, effective from 1 December 2018. Previously, these services were managed internally.

We reviewed controls at Place Management NSW to monitor the service providers activities. While no significant deficiencies were identified, we found there was a lack of documentation:

- for end to end outsourced finance processes, risks and mitigating controls
- to support review and acceptance of financial report package received from the service provider. This issue was resolved in April 2019.

These findings are also consistent with a recent internal audit report.

Appropriate monitoring and oversight arrangements of the service provider performance is important and helps to ensure:

- the benefits expected from the outsourcing arrangement are realised
- poor performance is identified and rectified
- erroneous or fraudulent transactions processed by the service provider will be detected.

Place Management NSW's service provider also obtains an internal controls assurance report from an independent auditor on its internal controls. It received an unqualified opinion for the year ended 30 June 2019. Place Management NSW owns, manages and maintains approximately \$1.8 billion in infrastructure, property, plant and equipment and \$635 million in investment property. Income from sale of goods and services, which includes property rental income, venue hire and parking fees, was \$181 million during 2018–19.

Section two

Appendices

Appendix one – List of 2019 recommendations

The table below lists the recommendations made in this report.

1. Financial reporting

Introduction of AASB 16 'Leases'

Property NSW should urgently address the deficiencies in the lease data used to calculate the impact of the new leasing standard effective from 1 July 2019.



Aboriginal land claims over Crown land (repeat issue)

The DPIE should prioritise action to reduce unprocessed Aboriginal land claims.



2. Audit observations

Recognition of Crown land (repeat issue)

The DPIE should ensure the Crown land database is complete and accurate so state agencies and local government councils are better informed about the Crown land they control.








Key  Low risk




 Medium risk

 High risk

Appendix two – Status of 2018 recommendations

The following recommendations were reported in the 2018 New South Wales Auditor-General's Reports for Industry and Planning and Environment. The status of the recommendations are relating to the agencies in the Planning, Industry and Environment cluster.

Recommendation	Current status
The former Department of Industry should:	
Address system limitations and control weaknesses to ensure complete and accurate reporting for Crown land.	DOI has implemented several initiatives aiming to resolve the on-going issues surrounding Crown land. This is further reported in Chapter three under key accounting issues. 
Reduce unprocessed Aboriginal land claims.	The number of land claims resolved has more than doubled since 2017–18 through DOI's improved processes. However, the number of unprocessed land claims continued to increase in 2018–19. Despite DOI's efforts to reduce the number of unprocessed Aboriginal land claims, they do not have the ability to restrict the lodgement of land claims. The Land Negotiation Program is aiming to resolve some of the unprocessed land claims. 
Ensure the Crown land database is complete and accurate so state agencies and local government councils are better informed about the Crown land they control.	DOI has implemented several initiatives aiming to resolve the on-going issues surrounding Crown land. This is further reported in Chapter four. 
The former Planning and Environment cluster agencies should:	
Improve on collection asset valuations by: <ul style="list-style-type: none"> early engagement with key stakeholders regarding the valuation method and approach completing revaluations, including quality review processes earlier improve the quality of asset data by registering all items in an electronic database. 	The Royal Botanic Gardens and Domain Trust (the RBGD Trust) recognised its Seedbank Collection for the first time in 2018–19. Refer to Chapter three for more details. The RBGD Trust continues to improve the quality of its asset data, particularly for the Herbarium Collection, through the digitisation process. 
Management letter recommendations to address internal control weaknesses should be actioned promptly, with a focus on addressing repeat issues.	The cluster agencies are addressing this recommendation, but many internal control issues remain unresolved. Refer to Chapter four for internal control deficiencies. 

Recommendation	Current status	
The former Department of Industry and other agencies should:		
Improve the timeliness of financial reporting through better oversight of the preparation of financial statements, prompt resolution of issues, and an increased focus on early close procedures.	<p>The DOI and other agencies are addressing this recommendation, but there remain agencies with audit opinions not issued within the statutory deadline. The DPIE has committed to improve timeliness of financial reporting in 2019–20.</p> <p>Refer to Chapter three for timelines of financial reporting.</p>	—
Promptly address internal control issues and recommendations from previous years to reduce risk and improve processes (repeat issue).	<p>The DOI and other agencies are addressing this recommendation, but many internal control issues remain unresolved.</p> <p>Refer to Chapter four for internal control deficiencies.</p>	—
<p>Ensure administration of user access to critical systems:</p> <ul style="list-style-type: none"> • retain documentation of approvals to create, modify and deactivate user access • allocate appropriate access rights • perform and document regular user access reviews • log and monitor privileged/super user account activity • deactivate terminated user access on a timely basis. 	<p>The high risk issue related to user access administration within the DPIE cluster has been resolved.</p> <p>The DOI and other agencies are addressing this recommendation. However, some moderate risk issues are still unresolved.</p> <p>Refer to Chapter four for information technology controls.</p>	—
Develop an asset maintenance plan and complete an assessment of the condition of their assets to identify any maintenance backlogs.	The DOI and other agencies are addressing this recommendation. However, some issues are still unresolved.	—
Set their maintenance budgets based on identified maintenance needs to more accurately budget and prioritise expenditure.	The DOI and other agencies are addressing this recommendation. However, some issues are still unresolved.	—
Key	 Fully addressed  Partially addressed  Not addressed	

Appendix three – Cluster agencies

Agency

Principal departments

Department of Industry

Department of Planning and Environment

Environment, energy & science

Biamanga Board of Management

Environment Protection Authority

Environmental Trust

Essential Energy

Gaagal Wanggaan (South Beach) Board of Management

Gulaga Board of Management

Jenolan Caves Reserve Trust

Lord Howe Island Board

Mt Grenfell Historic Site Board of Management

Mutawintji Board of Management

NSW Biodiversity Conservation Trust

Office of Environment and Heritage

Taronga Conservation Society Australia

Worimi Conservation Lands Board of Management

Housing and property

Aboriginal Housing Office

Cemeteries and Crematoria NSW

NSW Land and Housing Corporation

Property NSW

Teacher Housing Authority of NSW

Waste Assets Management Corporation

Land manager

Lands Administration Ministerial Corporation

NSW Crown Holiday Parks Land Manager

Rookwood General Cemeteries Reserve Land Manager

Rookwood Necropolis Land Manager

Wentworth Park Sporting Complex Land Manager

Local government

Office of Local Government

Agency

Planning and public spaces

Centennial Park and Moore Park Trust
Central Coast Regional Development Corporation **
Hunter and Central Coast Development Corporation
Landcom
Luna Park Reserve Trust
Ministerial Development Corporation *
Parramatta Park Trust
Place Management NSW
Planning Ministerial Corporation
Royal Botanic Gardens and Domain Trust
Sydney Olympic Park Authority
Western Sydney Parklands Trust

Regions, industry, agriculture and resources

Agricultural Scientific Collections Trust
Border Fence Maintenance Board
CB Alexander Foundation
Forestry Corporation of NSW
Local Land Services
New South Wales Rural Assistance Authority
NSW Food Authority
Rice Marketing Board for the State of New South Wales
Veterinary Practitioners Board
Wine Grapes Marketing Board

Special deposit accounts

Coal Innovation Fund
Crown Reserves Improvement Fund
Fisheries Trust Funds
Game and Pest Management Trust Fund

Water

Cobar Water Board
Dams Safety Committee
Hunter Water Australia Pty Ltd
Hunter Water Corporation
Natural Resources Access Regulator

Agency

Water

Sydney Water Corporation

Water NSW

Water NSW Infrastructure Pty Ltd

Water Administration Ministerial Corporation

Other

Belgenny Farm Agricultural Heritage Centre Trust

Natural Resources Commission

NSW Ovine Johne's Disease Transaction Based Contribution Scheme

Trustees of the Farrer Memorial Research Scholarship Fund

* Agency is dormant in 2018–19.

** Central Coast Regional Development Corporation was dissolved, and its assets, rights and liabilities were transferred to the Hunter and Central Coast Development Corporation on 1 November 2018.

Appendix four – 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 Industry *	9,282	8,616	430	468	3,810	3,165	3,621	3,219
Department of Planning and Environment	900	767	204	169	2,666	2,672	2,568	2,654
Environment, energy and science								
Biamanga Board of Management	2	1	--	--	--	--	--	--
Environment Protection Authority *	51	44	19	19	202	174	195	166
Environmental Trust	6	4	3	--	78	52	77	52
Essential Energy	8,669	8,470	6,300	6,091	1,579	1,442	1,576	1,454
Gaagal Wanggaan (South Beach) Board of Management	1	1	--	--	--	--	--	--
Gulaga Board of Management	1	--	--	--	--	--	--	--
Jenolan Caves Reserve Trust	37	38	3	2	11	11	12	10
Lord Howe Island Board	69	71	3	2	13	13	17	13
Mt Grenfell Historic Site Board of Management	1	1	--	--	--	--	--	--
Mutawintji Board of Management **	2	2	--	--	1	1	--	--
NSW Biodiversity Conservation Trust	102	50	12	3	75	45	30	10
Office of Environment and Heritage	4,990	4,471	157	157	1,141	1,121	1,112	997
Taronga Conservation Society Australia	696	581	98	59	130	136	122	118
Worimi Conservation Lands Board of Management **	8	7	--	--	2	2	1	1

	Total assets		Total liabilities		Total revenue		Total expense	
	2019	2018	2019	2018	2019	2018	2019	2018
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Housing and property								
Aboriginal Housing Office	2,186	2,153	24	28	150	133	121	108
Cemeteries and Crematoria NSW	2	2	--	--	2	1	2	1
NSW Land and Housing Corporation	54,591	54,846	910	769	983	1,137	1,491	1,600
Property NSW	1,683	1,702	383	396	710	833	705	829
Teacher Housing Authority of NSW	176	175	5	3	17	17	23	21
Waste Assets Management Corporation	83	86	56	55	7	22	12	23
Land manager								
NSW Crown Holiday Parks Land Manager	324	306	25	24	51	52	52	53
Rookwood General Cemeteries Reserve Land Manager	202	184	4	3	37	36	19	25
Rookwood Necropolis Land Manager	17	17	2	4	3	3	1	1
Wentworth Park Sporting Complex Land Manager	59	52	7	7	1	1	3	4
Local government								
Office of Local Government	11	13	6	8	256	255	256	261
Planning and public spaces								
Centennial Park and Moore Park Trust	1,213	1,128	7	7	46	40	35	31
Central Coast Regional Development Corporation	--	32	--	4	1	1	4	3
Hunter and Central Coast Development Corporation	153	96	16	6	62	81	51	59
Landcom	1,075	1,529	452	737	291	828	257	643
Luna Park Reserve Trust	44	44	1	--	2	2	2	3
Parramatta Park Trust	67	66	1	1	5	7	5	5
Place Management NSW	2,855	2,899	1,488	1,511	310	408	367	418
Planning Ministerial Corporation	1,997	1,842	304	181	90	38	27	24

	Total assets		Total liabilities		Total revenue		Total expense	
	2019	2018	2019	2018	2019	2018	2019	2018
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Royal Botanic Gardens and Domain Trust	886	838	10	10	58	59	56	53
Sydney Olympic Park Authority	2,572	2,455	26	31	219	198	159	142
Western Sydney Parklands Trust	950	854	21	19	20	21	12	11
Regions, industry, agriculture and resources								
Agricultural Scientific Collections Trust	108	103	--	--	--	--	--	--
Border Fence Maintenance Board	14	12	--	--	4	2	2	2
CB Alexander Foundation **	35	32	2	2	2	3	2	2
Forestry Corporation of NSW	2,385	2,071	885	790	595	375	428	342
Local Land Services *	721	691	56	61	239	225	233	220
NSW Rural Assistance Authority	506	433	539	427	133	36	167	37
NSW Food Authority	28	51	2	18	10	13	18	18
Rice Marketing Board for the State of New South Wales	2	2	1	1	--	1	1	1
Veterinary Practitioners Board	4	4	1	1	2	1	1	1
Wine Grapes Marketing Board	3	3	--	--	1	1	1	1
Special deposit accounts								
Coal Innovation Fund	77	82	2	2	1	1	6	3
Crown Reserves Improvement Fund ^**	51	N/A^	3	N/A^	17	N/A^	17	N/A^
Fisheries Trust Funds **	38	33	6	--	22	23	23	19
Game and Pest Management Trust Fund	2	1	1	--	2	1	2	--
Water								
Cobar Water Board	80	80	1	1	5	6	6	5
Dams Safety Committee	1	--	--	--	2	1	2	1
Hunter Water Corporation *	2,794	2,763	1,653	1,495	376	368	303	312
Natural Resources Access Regulator	4	1	4	2	26	2	24	3

	Total assets		Total liabilities		Total revenue		Total expense	
	2019	2018	2019	2018	2019	2018	2019	2018
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Sydney Water Corporation	20,342	19,093	12,818	11,271	2,928	2,898	2,449	2,326
Water NSW *	3,107	2,743	2,262	2,003	455	424	387	340
Other								
Belgenny Farm Agricultural Heritage Centre Trust **	1	--	--	--	1	1	1	2
Natural Resources Commission *	2	2	1	1	6	5	7	5
NSW Ovine Johne's Disease Transaction Based Contribution Scheme**	--	1	--	--	--	--	--	--
Trustees of the Farrer Memorial Research Scholarship Fund	1	1	--	--	--	--	--	--

* Consolidated financial statements.

** Audit is incomplete.

^ Created on 1 July 2018 to replace the Public Reserves Management Fund, therefore there are no prior year comparative figures.

Appendix five – Management letter findings

	Extreme	High	Moderate	Low	Repeat
Principal departments					
Department of Industry	--	--	24	7	15
Department of Planning and Environment	--	--	7	10	--
Environment, energy and science					
Biamanga Board of Management	--	--	--	--	--
Environment Protection Authority	--	--	2	--	--
Environmental Trust	--	--	--	--	--
Essential Energy	--	--	4	5	--
Gaagal Wanggaan (South Beach) Board of Management	--	--	--	--	--
Gulaga Board of Management	--	--	--	--	--
Jenolan Caves Reserve Trust	--	--	6	--	2
Lord Howe Island Board	--	--	19	5	--
Mt Grenfell Historic Site Board of Management	--	--	--	--	--
Mutawintji Board of Management	--	--	--	--	--
NSW Biodiversity Conservation Trust	--	--	--	--	--
Office of Environment and Heritage	--	--	--	3	--
Taronga Conservation Society Australia	--	--	3	4	3
Worimi Conservation Lands Board of Management	--	--	--	1	--
Housing and property					
Aboriginal Housing Office	--	--	--	--	--
Cemeteries and Crematoria NSW	--	--	--	--	--
NSW Land and Housing Corporation	--	--	--	--	--
Property NSW	--	1	5	--	2
Teacher Housing Authority of NSW	--	--	2	--	--
Waste Assets Management Corporation	--	--	2	--	--
Land manager					
Lands Administration Ministerial Corporation	N/A	N/A	N/A	N/A	N/A
NSW Crown Holiday Parks Land Manager	--	--	3	--	2

	Extreme	High	Moderate	Low	Repeat
Rookwood General Cemeteries Reserve Land Manager	--	--	4	1	--
Rookwood Necropolis Land Manager	--	--	2	2	--
Wentworth Park Sporting Complex Land Manager	--	1	1	1	2
Local government					
Office of Local Government	--	--	--	--	--
Planning and public spaces					
Centennial Park and Moore Park Trust	--	--	3	2	2
Central Coast Regional Development Corporation	--	--	--	1	--
Hunter and Central Coast Development Corporation	--	--	--	--	--
Landcom	--	--	--	3	--
Luna Park Reserve Trust	--	--	2	--	--
Parramatta Park Trust	N/A	N/A	N/A	N/A	N/A
Place Management NSW	--	--	2	3	--
Planning Ministerial Corporation	--	--	1	1	--
Royal Botanic Gardens and Domain Trust	--	--	4	2	2
Sydney Olympic Park Authority	--	--	--	2	--
Western Sydney Parklands Trust	N/A	N/A	N/A	N/A	N/A
Regions, industry, agriculture and resources					
Agricultural Scientific Collections Trust	--	--	2	--	1
Border Fence Maintenance Board	--	--	--	--	--
CB Alexander Foundation	--	--	--	--	--
Forestry Corporation of NSW	--	--	--	--	--
Local Land Services	--	--	6	3	6
New South Wales Rural Assistance Authority	--	--	5	--	2
NSW Food Authority	--	--	--	--	--
Rice Marketing Board for the State of New South Wales	--	--	--	--	--
Veterinary Practitioners Board	--	--	1	2	2
Wine Grapes Marketing Board	--	--	--	2	--

	Extreme	High	Moderate	Low	Repeat
Special deposit accounts					
Coal Innovation Fund	--	--	--	--	--
Crown Reserves Improvement Fund	N/A	N/A	N/A	N/A	N/A
Fisheries Trust Funds	N/A	N/A	N/A	N/A	N/A
Game and Pest Management Trust Fund	--	--	1	1	2
Water					
Cobar Water Board	--	--	--	--	--
Dams Safety Committee	--	--	--	--	--
Hunter Water Australia Pty Ltd	--	--	--	--	--
Hunter Water Corporation	--	--	--	4	--
Natural Resources Access Regulator	N/A	N/A	N/A	N/A	N/A
Sydney Water Corporation	--	--	3	6	--
Water Administration Ministerial Corporation	N/A	N/A	N/A	N/A	N/A
Water NSW	--	--	5	6	--
Water NSW Infrastructure Pty Ltd	--	--	--	--	--
Other					
Belgenny Farm Agricultural Heritage Centre Trust	N/A	N/A	N/A	N/A	N/A
Natural Resources Commission	--	--	--	--	--
NSW Ovine Johne's Disease Transaction Based Contribution Scheme	--	--	--	--	--
Trustees of the Farrer Memorial Research Scholarship Fund	--	--	1	3	2

N/A Management letter is not yet available.

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

Appendix six – Timeliness of financial reporting

Timeliness of financial reporting			
Cluster agencies	Early close procedures	Financial statements	Audit report
Principal departments			
Department of Industry	✓	✓	✓
Department of Planning and Environment	✓	✓	✓
Environment, energy and science			
Biamanga Board of Management	✓	✓	✓
Environment Protection Authority	✓	✓	✓
Environmental Trust	✓	✓	✓
Essential Energy	✓	✓	✓
Gaagal Wanggaan (South Beach) Board of Management	✓	✓	✓
Gulaga Board of Management	✓	✓	✓
Jenolan Caves Reserve Trust	✓	✓	✓
Lord Howe Island Board	✓	✓	✓
Mt Grenfell Historic Site Board of Management	✓	✓	✓
Mutawintji Board of Management	✓	✓	! ¹
NSW Biodiversity Conservation Trust	✓	✓	✓
Office of Environment and Heritage	✓	✓	✓
Taronga Conservation Society Australia	✓	✓	✓
Worimi Conservation Lands Board of Management	✓	✓	! ¹
Housing and property			
Aboriginal Housing Office	✓	✓	✓
Cemeteries and Crematoria NSW	✓	✓	!
NSW Land and Housing Corporation	✓	✓	✓
Property NSW	✓	✓	✓
Teacher Housing Authority of NSW	✓	✓	✓
Waste Assets Management Corporation	✓	✓	!
Land manager			
Lands Administration Ministerial Corporation	✓	✓	! ¹
NSW Crown Holiday Parks Land Manager	✓	✓	✓
Rookwood General Cemeteries Reserve Land Manager	✓	✓	!

Timeliness of financial reporting			
Cluster agencies	Early close procedures	Financial statements	Audit report
Rookwood Necropolis Land Manager	✓	!	!
Wentworth Park Sporting Complex Land Manager	^	✓	!
Local government			
Office of Local Government	✓	✓	✓
Planning and public spaces			
Centennial Park and Moore Park Trust	✓	✓	✓ ²
Central Coast Regional Development Corporation	^	✓	✓
Hunter & Central Coast Development Corporation	✓	✓	✓
Landcom	✓	✓	✓
Luna Park Reserve Trust	✓	✓	✓
Parramatta Park Trust	✓	✓	!
Place Management NSW	✓	✓	✓
Planning Ministerial Corporation	✓	✓	✓
Royal Botanic Gardens and Domain Trust	✓	✓	✓ ²
Sydney Olympic Park Authority	✓	✓	✓
Western Sydney Parklands Trust	✓	✓	!
Regions, industry, agriculture and resources			
Agricultural Scientific Collections Trust	#	#	#
Border Fence Maintenance Board	^	✓	✓
CB Alexander Foundation	#	#	# ¹
Forestry Corporation of NSW	✓	✓	✓
Local Land Services	✓	✓	✓
New South Wales Rural Assistance Authority	✓	!	✓
NSW Food Authority	✓	✓	✓
Rice Marketing Board for the State of New South Wales	^	✓	✓
Veterinary Practitioners Board	^	✓	✓
Wine Grapes Marketing Board	^	✓	✓
Special deposit accounts			
Coal Innovation Fund	#	#	#
Crown Reserves Improvement Fund	#	#	# ¹
Fisheries Trust Funds	#	#	# ¹
Game and Pest Management Trust Fund	#	#	#

Timeliness of financial reporting			
Cluster agencies	Early close procedures	Financial statements	Audit report
Water			
Cobar Water Board	✓	✓	✓
Dams Safety Committee	✓	✓	!
Hunter Water Australia Pty Limited	^	✓	✓
Hunter Water Corporation	✓	✓	✓
Natural Resources Access Regulator	✓	✓	! ¹
Sydney Water Corporation	✓	✓	✓
Water Administration Ministerial Corporation	✓	✓	! ³
Water NSW	✓	✓	✓
WaterNSW Infrastructure Pty Ltd	^	✓	✓
Other agencies			
Belgenny Farm Agricultural Heritage Centre Trust	#	#	# ¹
Natural Resources Commission	✓	✓	✓
NSW Ovine Johne's Disease Transaction Based Contribution Scheme	#	#	# ¹
Trustees of the Farrer Memorial Research Scholarship Fund	#	#	#
Key	✓	!	
	Statutory reporting deadline was met		Statutory reporting deadline was not met

Agency is a prescribed or request audit and is not subject to statutory financial reporting deadlines.

^ Agency not required to complete early close procedures.

1 Audit for this agency is still ongoing.

2 Agency financial statements were signed on time but the issuance of audit report was slightly delayed due to scheduling.

3 Water Administration Ministerial Corporation presented unsigned financial statements. The audits from 2011 to 2019 are outstanding due to insufficient supporting records.

OUR VISION

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

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