



FINANCIAL AUDIT

12 DECEMBER 2019

Central Agencies 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 '**Central Agencies 2019**'.

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

Margaret Crawford

Auditor-General
12 December 2019

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Section one

Central Agencies 2019

This report analyses the results of our financial statement audits of the Treasury, Premier and Cabinet and Customer Service cluster agencies for the year ended 30 June 2019.

Executive summary

This report analyses the results of our financial statement audits of the Treasury, Premier and Cabinet and Customer Service clusters for the year ended 30 June 2019. Our key observations are summarised below.

1. Machinery of Government (MoG) changes

Significant MoG changes from 1 July 2019

All three Central Agency clusters were significantly impacted by MoG changes. The changes included:

- for the new Customer Service cluster, abolishing the former Department of Finance, Services and Innovation, and creating the Department of Customer Service as the principal agency
- transferring Jobs for NSW, Destination NSW and the Western City and Aerotropolis Authority into the Treasury cluster
- the Arts and Culture entities and Aboriginal Affairs NSW transferring into the Premier and Cabinet cluster.

2. Financial reporting

Audit opinions and timeliness of financial reporting

Unqualified audit opinions were issued on the 2018–19 financial statements of all agencies within the Treasury, Premier and Cabinet and Customer Service clusters.

An unqualified opinion was also issued on the Legislature's 2018–19 financial statements.

The audit opinion on the Social and Affordable Housing Fund's (Fund) compliance with payments requirements in the *Social and Affordable Housing NSW Fund Act 2016* was qualified, while the audit opinion on the Fund's financial statements was unqualified.

All cluster agencies met the statutory deadlines for completing early close procedures and submitting financial statements.

NSW Self Insurance Corporation unfunded liabilities

The NSW Self Insurance Corporation (Corporation) 2018–19 financial statements did not include an estimate of the liability for unreported incidents of abuse that have occurred within NSW Government institutions. This is because the Corporation's financial exposure could not be reliably measured at 30 June 2019. The exposure was instead disclosed as an unquantified contingent liability in the financial statement notes.

This liability may be material to the Corporation and the Total State Sector financial statements.

Annual review of instructions by management and those charged with governance to management experts

There was a prior period error in the valuation of the NSW Self Insurance Corporation Pre-Managed Fund Reserve's outstanding claims liability. The error was the result of a valuation actuary rolling forward a prior year assumption (management instruction), without first having it reassessed by management and those charged with governance.

Preparedness for new accounting standards

Agencies will be implementing the requirements of new accounting standards shortly. These could significantly impact their financial positions and operating results. We noted instances where agencies need to do more work on their impact assessments to minimise the risk of errors in the 2019–20 financial statements.

3. Audit observations

Management letter findings and repeat issues

Our 2018–19 audits found two high risk and 99 moderate risk issues across agencies. The high risk issues related to:

- the former Department of Finance, Services and Innovation (DFSI):
 - not assessing the impact of new accounting standards as part of early close procedures, and
 - exceptions in the data used to assess the impacts of AASB 16 'Leases'
- a payment from the Social and Affordable Housing NSW Fund made without delegation. This resulted in a qualified opinion on the compliance of payments with the *Social and Affordable Housing NSW Fund Act 2016*.

Of the 99 moderate risk issues, 31 per cent were repeat issues. The most common repeat issue related to weaknesses in controls over information technology user access administration, which results in increased risk of inappropriate access to systems and records.

The NSW Public Sector's cyber security resilience

The NSW Cyber Security Policy requires agencies to provide a maturity self-assessment against the Australian Cyber Security Centre (ACSC) Essential 8 to the head of the agency and Cyber Security NSW annually. Completed self-assessment returns highlighted limited progress in implementing the Essential 8.

We recommend Cyber Security NSW works with agencies to improve cyber security resilience as a matter of urgency.

Qualified service auditor report on information technology controls

GovConnect again received a qualified opinion on its information technology controls provided by Unisys. The auditor found weaknesses in how Unisys managed security over the network and infrastructure. Similar issues were identified in 2017–18.

GovConnect and disputed costs

In 2018–19 the former DFSI incurred software and Information Technology infrastructure costs of \$17.5 million relating to GovConnect, \$4.3 million of which they sought to recover from user agencies. User agencies are disputing the \$4.3 million additional charge.

Crown revenue increased marginally in 2018–19

Revenue NSW recorded \$30.9 billion from taxes, fines and fees in 2018–19 (\$30.5 billion in 2017–18) on behalf of the State. The rise was mainly due to higher land values impacting land tax, increases in coal export prices impacting mining royalties, and higher gaming and wagering tax.

4. Government financial services

Prudential oversight of NSW Government superannuation funds

Last year's Auditor-General's Report to parliament recommended that Treasury consult with the Trustees of the SAS Trustee Corporation Pooled Fund (STC Pooled Fund) and Parliamentary Contributory Superannuation Fund (PCS Fund) to prescribe appropriate prudential standards and requirements. Treasury has not taken specific action to address this recommendation.

We recommend Treasury formally assess the merits of implementing a prudential standards and supervision arrangement, after considering the risks, benefits and costs to scheme members.

Workers Compensation Nominal Insurer returned a net loss of \$876 million in 2018–19

The Nominal Insurer's net result fell \$965 million in 2018–19 resulting in a loss of \$876 million for the year. This was mainly due to:

- assumed increases in medical costs, which added \$892 million (6.1 per cent) to the liability for outstanding claims
- unfavourable movements in economic assumptions, including a decrease in the risk free discount rate, which added \$1.1 billion (7.5 per cent) to the liability for outstanding claims.

Average medical costs per claim have increased over the five years to 2016–17, even though the types of injury have not changed significantly.

The NSW Self Insurance Corporation received grant income of \$1.2 billion from the Crown

The Corporation received \$1.2 billion (\$221 million in 2017–18) in grant income from the Crown under the Net Asset Holding Level Policy between the Corporation and Treasury. This enabled the Corporation's assets to exceed its liabilities at 30 June 2019.

The Corporation's underwriting loss from insurance activities increased by \$615 million to \$1.4 billion. This was partly due to:

- an increase in workers compensation claims, including psychological injury claims and medical discharges within NSW Police
- unfavourable movements in economic assumptions, including the decrease in the risk free discount rate.

The Home Building Compensation Fund had unfunded liabilities of \$637 million at 30 June 2019

The Fund's unfunded liabilities have increased over time because historic premium rates have not generated sufficient income to meet claims and operating costs. Recent increases in premium rates have resulted in rates that, according to management, are at sustainable levels for all covered construction types, except multi-dwelling constructions.

1. Introduction

This report provides parliament and other users of the NSW Government's central agencies and their cluster agencies financial statements with the results of our audits, observations, analysis, conclusions and recommendations in the following areas:

- financial reporting
- audit observations
- government financial services.

Central agency clusters were significantly impacted by Machinery of Government changes which took effect on 1 July 2019. This report is focussed on agencies now in the Treasury, Premier and Cabinet and Customer Service clusters. Some of these agencies may have been in another cluster during 2018–19. Please refer to the section on Machinery of Government changes for more details.

Central agencies and their key responsibilities are set out below.

Central agencies	Key central agency responsibilities	Cluster responsibilities
The Treasury	<ul style="list-style-type: none">• financial and economic advisor to NSW Government• manages the NSW Government's financial resources.	<p>The cluster:</p> <ul style="list-style-type: none">• provides investment and debt management services through TCorp• manages residual business arising from privatisation of government businesses• provides insurance and compensation cover, including workers compensation insurance• includes NSW Government superannuation funds• includes functions transferred from other clusters, including NSW Trade and Investment, Procurement NSW, Jobs for NSW and the Office of the Small Business Commissioner• includes other agencies such as Destination NSW and the Western City and Aerotropolis Authority.
Department of Premier and Cabinet	<ul style="list-style-type: none">• drives NSW Government's objectives and sets targets• works with clusters to coordinate policy and achieve NSW Government priorities.	<p>The cluster:</p> <ul style="list-style-type: none">• leads the NSW public sector to deliver on the NSW Government's commitments and priorities• includes strategic coordination functions such as Greater Sydney Commission, Infrastructure NSW and the Public Service Commission• includes integrity agencies, such as the Independent Commission Against Corruption, Audit Office of NSW and Ombudsman's Office• is responsible for aboriginal affairs, the arts and heritage functions and employee relations.
Customer Service	<ul style="list-style-type: none">• plans, prioritises, funds and drives digital transformation and customer service across every cluster in the NSW Government.	<p>The cluster:</p> <ul style="list-style-type: none">• provides a customer-centred approach to a range of NSW Government services via Service NSW• is responsible for state revenue and rental bond administration• provides digital leadership and innovation in government services• regulates statutory insurance schemes, workplace safety and consumer protection.

Source: Agency websites and NSW Budget Papers.

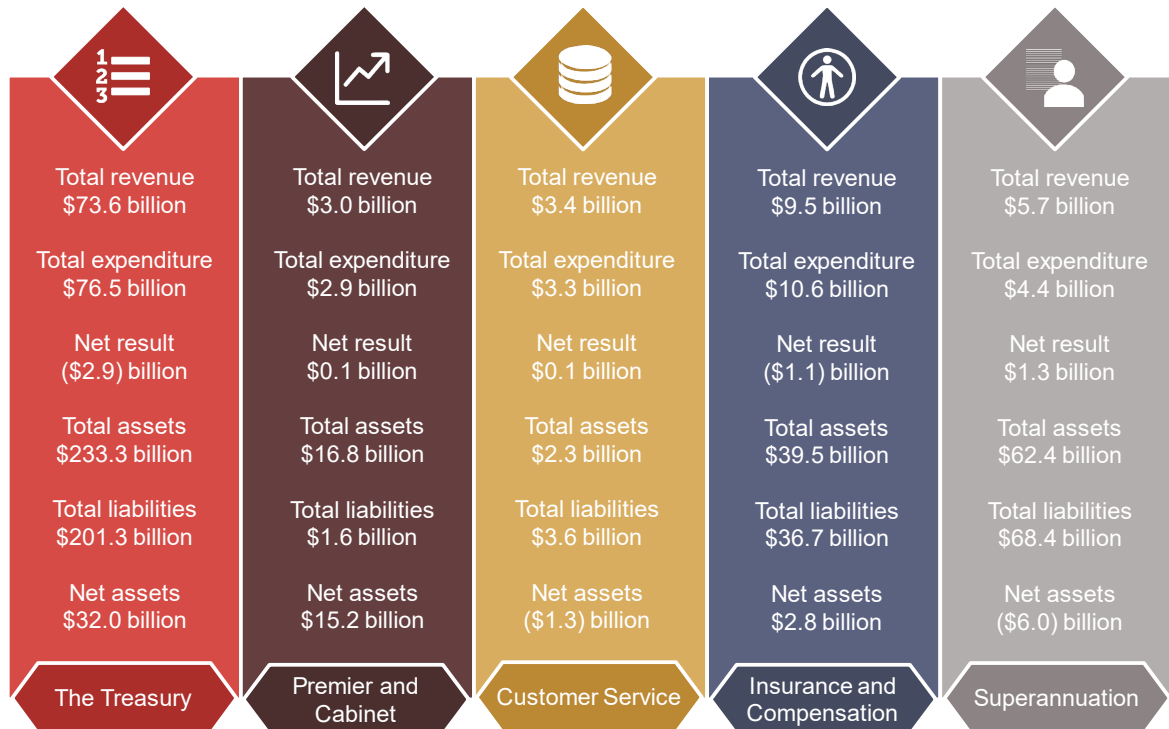
Appendix three contains a full list of agencies, by relevant cluster, covered by this report.

1.1 Snapshot of the cluster

A snapshot of the financial results of the Treasury, Premier and Cabinet and Customer Service clusters for the year ended 30 June 2019 is shown below. While superannuation and insurance are part of the Treasury cluster the financial results of these sectors have been separately presented.

Superannuation fund agencies are not controlled by the NSW Government because they manage member funds as trustees. The financial results and balances of the superannuation funds shown below are not consolidated into the Total State Sector financial statements.

Cluster snapshot



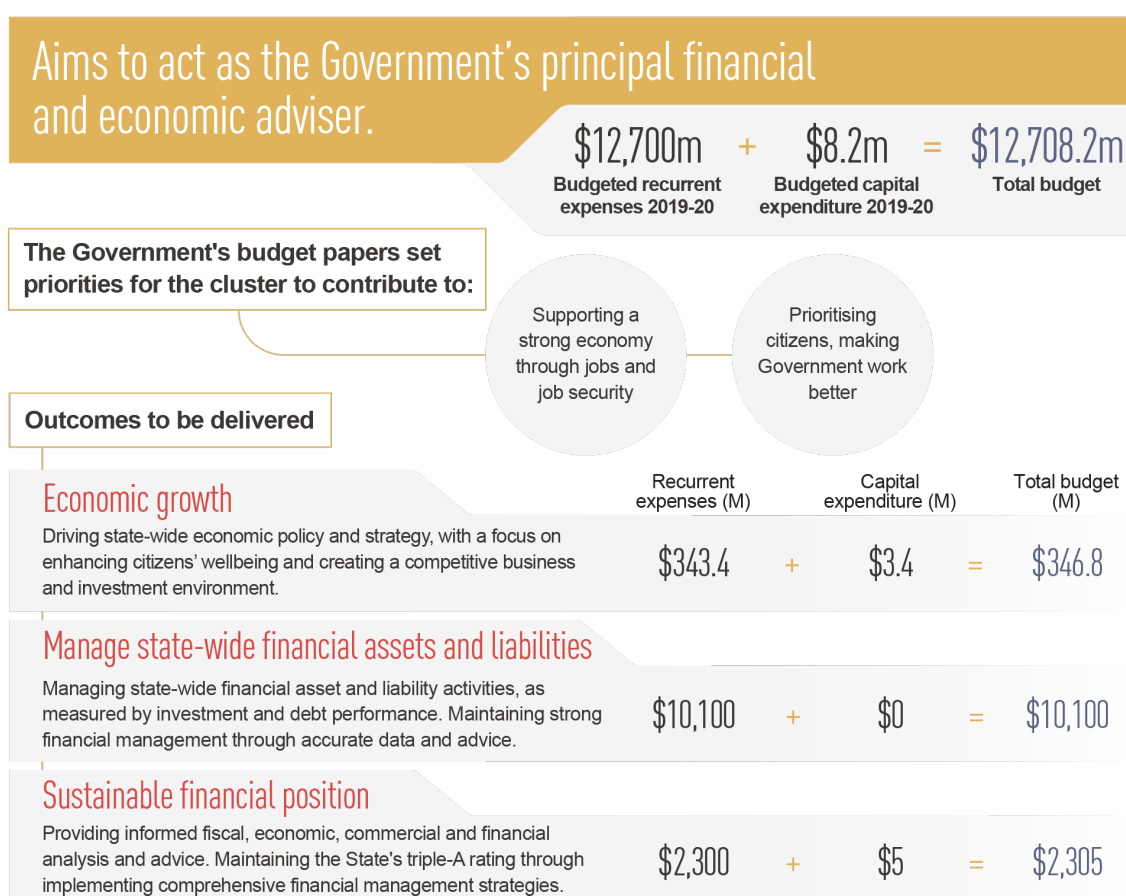
Note: The Insurance and Compensation results and balances above include the Workers Compensation Nominal Insurer. These amounts are not controlled by the NSW Government and are therefore not consolidated into the Total State Sector financial statements.

1.2 Service delivery in the cluster

The Treasury cluster

According to the 2019–20 NSW Budget Papers the Treasury cluster is the government's principal financial and economic adviser. The cluster comprises several entities, including the Crown which reports a large proportion of whole-of-state asset and liability expenses. The Treasury, by comparison, reports a smaller proportion of total cluster expenses. A snapshot of the Treasury cluster is shown below.

Treasury Cluster



SOURCE: NSW Budget Papers 2019-20

We understand that Treasury's 'Outcomes to be delivered' are currently being reviewed, and could be refined or amended in due course.

Outcome budgeting

A key focus for Treasury is outcomes-based budgeting, which was announced as a reform initiative in the 2017–18 Budget. The NSW Government expects outcomes-based budgeting will drive better funding decisions to benefit the people of New South Wales.

As a first step, the government established 46 State Outcomes covering all the activities it delivers. It has now revised these down to 38 to better reflect the new cluster arrangements. It is currently refining the Outcome Indicators assigned to each State Outcome.

The Outcomes framework requires agencies to align and allocate their resources and service delivery to achieve the State Outcomes. To help agencies, Treasury issued Treasury Policy Paper TPP 18-06 'Outcome Budgeting' in December 2018. The paper provides guidance on developing and maintaining the framework underpinning the State Outcomes and details financial and non-financial requirements for performance reporting purposes. Outcomes-based reporting is a key public accountability measure of the government's spend of tax dollars.

TPP 18-06 requires cluster agencies to:

- develop State Outcomes that cover the total expenditure of their cluster. A State Outcome means the primary purpose for which budget funding is being spent, and which explains the goal the government is seeking to achieve for its citizens
- identify at least one Outcome Indicator for each endorsed State Outcome. An Outcome Indicator is a measure of effectiveness that can reasonably demonstrate the performance in achieving the specific State Outcome
- disaggregate their total expenses and revenue into Programs relevant to a specific State Outcome that covers the total budget for that Outcome without overlaps. A Program is the collection of activities, tasks, divisions or functions of an agency, designed to deliver specific outputs that contribute towards achieving a State Outcome.

Jobs for NSW and Destination NSW

Jobs for NSW and Destination NSW transferred into the Treasury cluster from 1 July 2019 following Machinery of Government changes. Treasury is currently undertaking a review of both entities' operations.

Destination NSW provides financial and in-kind support for major events held in NSW. This support aims to create economic and cultural benefits for NSW and increase the number of international and interstate visitors.

A performance audit 'Supporting major events in NSW' is due to report in the first quarter of 2020. This audit will assess whether Destination NSW can demonstrate that its support for major events achieves value for money. It will do this by examining the effectiveness of Destination NSW's approach to:

- assessing proposals for support for major events
- evaluating the impact of its support for major events.

The Jobs for NSW fund is a \$190 million, four-year program designed to create and foster job growth. Jobs for NSW provides financial support to start-ups and emerging and fast-growth small to medium enterprises to build momentum and grow jobs. The financial support can be grants, loans or loan guarantees.

A performance audit 'Jobs for NSW fund' is planned for after 30 June 2020. This audit may consider whether the Jobs for NSW fund is effective and economical in achieving its objectives, including whether:

- there is an effective process to assess, select and prioritise proposed projects
- the outcomes of each financial support package are being tracked.

The Western City and Aerotropolis Authority

The Western City and Aerotropolis Authority (WCAA) was jointly established by the NSW and Australian Governments in November 2018 to facilitate the design and delivery of the Western Sydney Aerotropolis, and support the growth of the Western Parkland City. WCAA's specific responsibilities include:

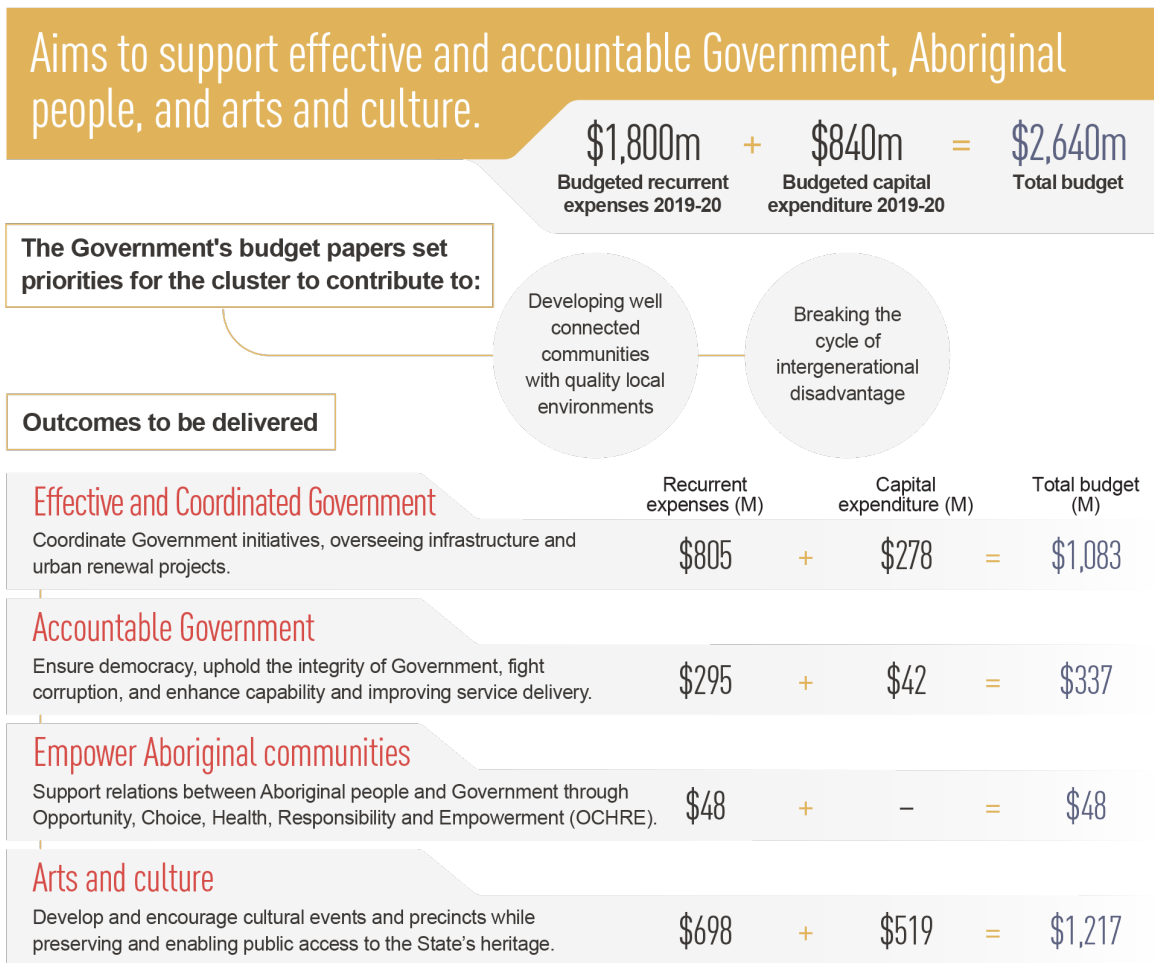
- master-planning and master-developing key strategic sites across the Western Parkland City in collaboration with local councils
- placemaking, precinct activation and precinct management
- infrastructure planning, prioritization and coordination
- securing national and foreign investment.

WCAA was initially part of the Department of Premier and Cabinet cluster but transferred to the Treasury cluster from 1 July 2019 due to Machinery of Government changes.

Premier and Cabinet cluster

According to the 2019–20 NSW Budget Papers, the Premier and Cabinet cluster works for the people of New South Wales by supporting the Premier and the Cabinet to deliver the government's objectives. A snapshot of the Premier and Cabinet cluster is shown below.

Premier and Cabinet Cluster



SOURCE: NSW Budget Papers 2019-20

Coordination of the Premier's and State Priorities

The Department of Premier and Cabinet is responsible for supporting the implementation of the Premier's Priorities. It works with agencies to ensure they have implementation plans for these priorities. It monitors, assesses and reports on agencies' progress, and helps them address difficulties they may have in delivering the priorities.

On 28 June 2019, the Premier replaced 12 NSW Premier's Priorities (2015-2019) with 14 priorities. The Premier's Priorities and information on progress is accessible online at <https://www.nsw.gov.au/improving-nsw/premiers-priorities/>.

Our performance audit, [Progress and measurement of the Premier's Priorities](#), tabled in September 2018 highlighted concerns around the transparency of public reporting on the previous 12 priorities. The audit found that the Department's Premiers Implementation Unit (PIU) effectively helps agencies progress against the priority targets. However, the lack of information about specific measurement limitations and a lack of clarity about the relationship between the targets and broader government objectives weakens public reporting. In response to our report, the PIU has made changes to its website to address some of these shortcomings.

Performance against the State Priorities not published

In the previous term of government, there were 12 Premier's Priorities and 18 State Priorities. While there was and continues to be public reporting of performance against the Premier's Priorities, a comprehensive report of performance against the previous 18 State Priorities was not published. Publishing such a report would have provided a single, comprehensive and easily accessible source of reference and improve transparency.

Major capital projects for arts and culture

The NSW Government intends to provide significant capital funding to cultural institutions

According to the 2019–20 NSW Budget Papers the NSW Government plans to spend more than a billion dollars on major arts and culture projects over the next few years. The major capital projects that have commenced include:

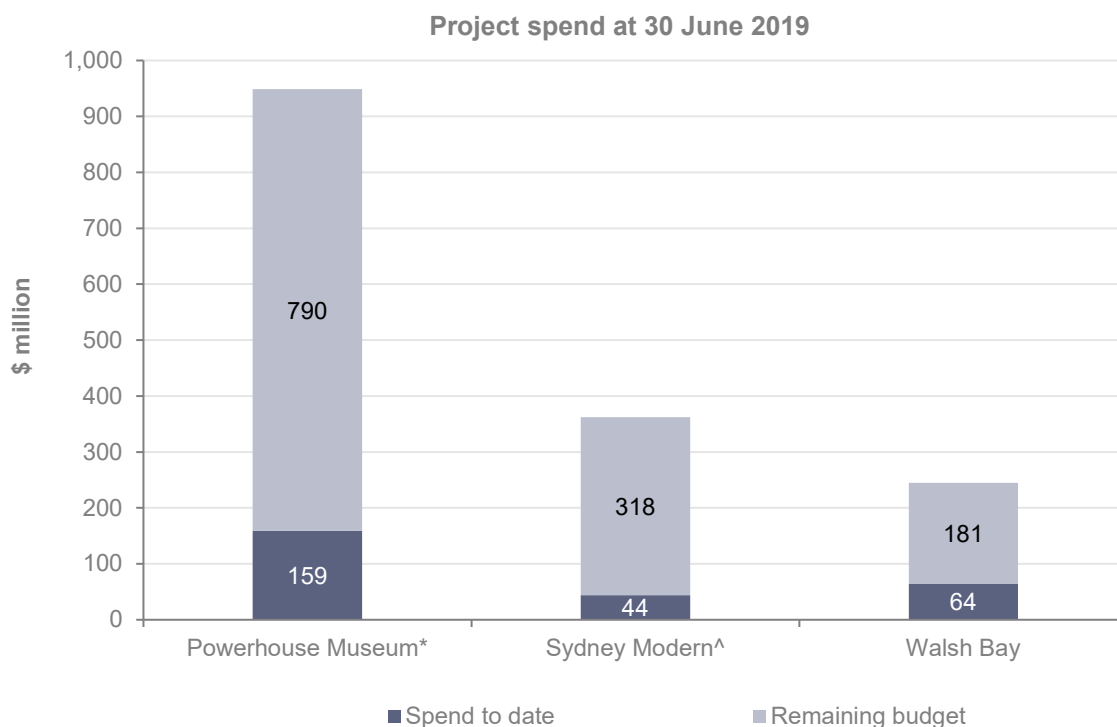
- relocation of the Powerhouse Museum
- Sydney Modern project
- rejuvenating the Walsh Bay Arts Precinct.

On 28 April 2018, the NSW Government announced its intention to relocate the Powerhouse Museum from Ultimo to Parramatta. According to the 2019–20 NSW Budget Papers, the NSW Government will contribute more than \$600 million to the project. Prior to 30 June 2019, the NSW Government purchased the land for the new Powerhouse Museum from the City of Parramatta Council for \$140 million.

The Sydney Modern project aims to transform the Art Gallery of New South Wales (the Art Gallery). The Art Gallery advised that Richard Crookes Constructions was awarded the contract and will commence the construction in December 2019. The construction is expected to complete in 2022.

For the Walsh Bay project, Create NSW from the Department of Premier and Cabinet advised the completion date for Wharf 4/5 has been revised from mid-2020 to the end of 2020.

The graph below provides a snapshot of the project budget and project costs to 30 June 2019 for these three projects.



* Powerhouse Museum project budget Includes other sources of funding in addition to the government contribution.

^ Sydney Modern project's estimated total cost includes \$244 million of Restart funding and \$100 million of private contributions. The Art Gallery advised the costs incurred to date include \$10.8 million of NSW Government funding to advance plans for the Art Gallery's expansion in 2013 and a further \$4.0 million to progress the design and planning of the project in June 2015.

Source: Department of Premier and Cabinet, Trustees of the Museum of Applied Arts and Sciences, and Art Gallery of New South Wales Trust (unaudited).

In addition to the above projects, the NSW Government also committed more than \$200 million over four years for the Sydney Opera House's Stage 1 renewal program.

Inquiry into the budget process for independent oversight bodies and the parliament of New South Wales

The Legislative Council's Public Accountability Committee (Committee) is holding an inquiry into the budget process for independent oversight bodies and the parliament of New South Wales. The inquiry's terms of reference include options for enhancing the process for determining the quantum of funding of the following bodies, including the transparency of this process:

- Independent Commission Against Corruption
- Law Enforcement Conduct Commission
- Audit Office of New South Wales
- NSW Electoral Commission
- NSW Ombudsman, and
- Parliament of New South Wales (Legislative Council and the Department of Parliamentary Services).

The Committee is due to report by April 2020.

Following the Committee establishing the inquiry, the Auditor-General received a request under 27B(3)(c) of the *Public Finance and Audit Act 1983* from the Special Minister of State, the Hon Don Harwin MLC. The Minister requested that the Auditor-General conduct an audit in relation to the effectiveness of the financial arrangements and management practices of the Independent Commission Against Corruption, the Law Enforcement Conduct Commission, the Ombudsman's Office, and the NSW Electoral Commission.

The scope of the Minister's requested audit appears to cover similar lines of inquiry as those of the Committee's inquiry. As the terms of reference for the Committee's inquiry includes the Audit Office of New South Wales, as well as the agencies that will be subject to the Minister's requested audit, a perceived conflict of interest has arisen.

The Auditor-General wrote to the Committee in November 2019, referring to the perceived conflict of interest. The Auditor-General was subsequently advised that the Committee had resolved to delay taking evidence from the Audit Office until the completion of the conclusion of the Minister's requested audit.

Promoting public sector diversity

The Public Service Commission (PSC) leads the Premier's Priority aimed at increasing women and Aboriginal and Torres Strait Islander people in senior leadership roles and the proportion of government sector roles held by people with a disability. This includes:

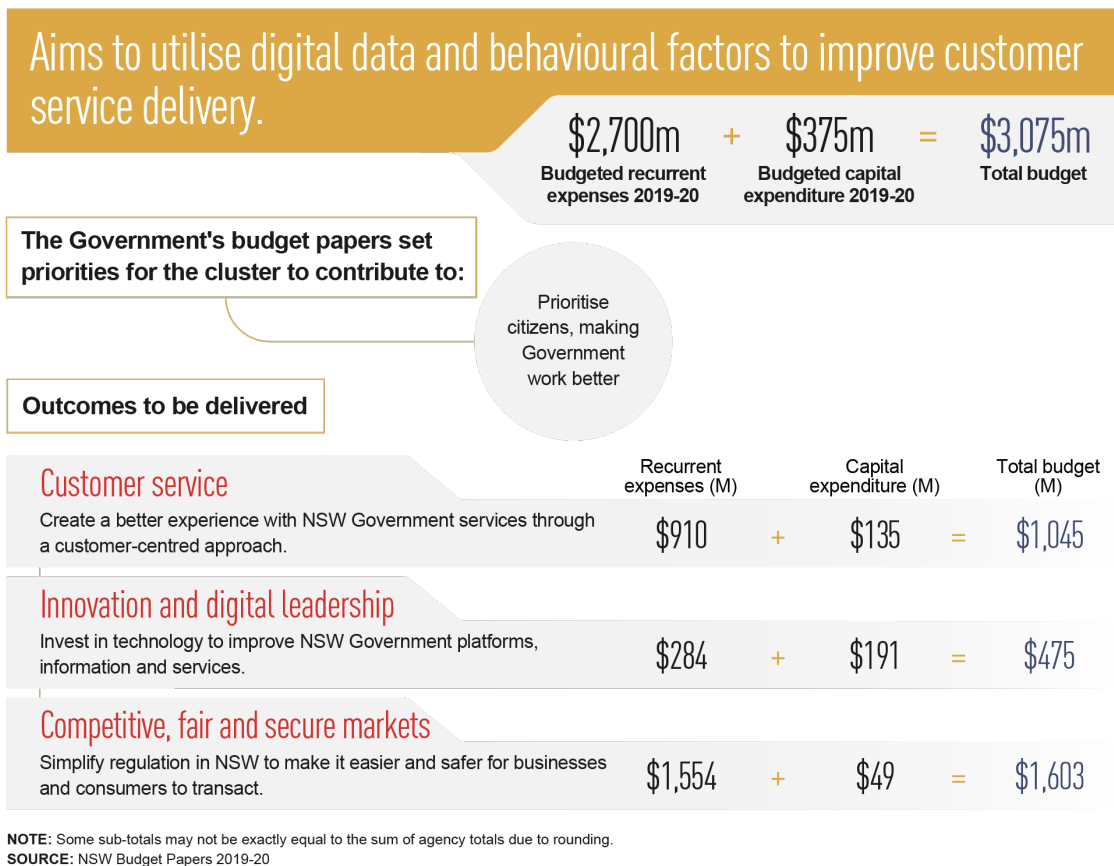
- increasing the proportion of women in senior leadership roles in the NSW Government sector from 33 to 50 per cent by 2025. The PSC has reported that the proportion has increased from 38.7 per cent in 2018 to 40.3 per cent in 2019
- doubling the number of Aboriginal and Torres Strait Islander people in senior leadership roles in the NSW Government sector from 57 to 114 by 2025. The PSC has reported that this number increased from 87 in 2018 to 98 in 2019
- ensuring 5.6 per cent of government sector roles are held by people with a disability by 2025. The PSC has reported that this proportion has remained steady compared to a 2018 baseline of 2.5 per cent.

Various initiatives exist to help agencies achieve these targets. Agencies are required to report on workforce diversity in their annual reports. This is required by a PSC circular and an annual reports regulation.

Customer Service cluster

According to the 2019–20 NSW Budget Papers, the Customer Service cluster aims to deliver and exceed customer expectations of NSW Government services. This includes the accelerated use of digital data and behavioural insights. A snapshot of the Customer Service cluster is shown below.

Customer Service Cluster



According to the 2019–20 NSW State Budget Papers, the newly established Customer Service cluster builds upon work already undertaken to deliver and exceed customer expectations of NSW Government services.

Two key service delivery aspects include state revenue and taxation, and supporting digital government.

State revenue and taxation

Revenue NSW, a division of the Department of Customer Service has a key role in managing the State's finances. It administers state taxation, manages fines, recovers state debt and administers grants and subsidies. Revenue from these activities accounted for 36 per cent of Total State sector revenue in 2018–19.

Our observations on state revenue are detailed in chapter four of this report. Following recommendations in a June 2015 performance audit on efficiency and effectiveness in tax collection, Revenue NSW now reports on efficiency and effectiveness measures annually.

Digital Information Security

Before 1 July 2019, the former Department of Finance, Services and Innovation (DFSI) oversaw information security across the NSW public sector. From that date, this became a Department of Customer Service responsibility.

The Department of Customer Service leads the whole-of-government digital and ICT strategy. The digital transformation initiative includes:

- the 'Beyond Digital' strategy to update the existing 2017 Digital strategy document
- establishment of the digital restart fund
- development and launch of the digital design system.

The Auditor-General's March 2018 performance audit report '[Detecting and responding to cyber security incidents](#)' found DFSI did not have a clear mandate and the necessary resources and systems to detect, receive, share and respond to cyber security incidents across the NSW public sector.

To address this weakness, the NSW Government established 'Cyber Security NSW' within DFSI to lead and coordinate cyber security across the NSW Government. Cyber Security NSW aims to:

- enhance whole-of-government cyber security capabilities and standards
- boost cyber incident response coordination
- oversee the development of strategic cyber policy positions.

In February 2019, Cyber Security NSW replaced the 'NSW Digital Information Security Policy' (DISP), with the 'NSW Cyber Security Policy'. The policy requires all NSW Government agencies to:

- by 31 August each year, submit a report to Cyber Security NSW covering the following:
 - assessment against all mandatory requirements for the previous financial year
 - maturity assessment against the Australian Cyber Security Centre Essential 8
 - report Cyber security risks with a residual rating of high or extreme
 - list of the Agency's crown jewels (i.e. the Agency's most valuable or operationally vital systems or information)
- include an attestation on cyber security in the annual report.

A performance audit on 'Cybersecurity and digital disruption' is planned for 2019–20. Following our 2018 audit of central policy design and implementation, this audit will examine how effectively an agency is identifying and managing their cyber security risks. This will include consideration of its compliance with the NSW Cyber Security Policy that came into effect in February 2019. We plan to publish this report in mid 2020.

Our observations on the NSW Public Sector's cyber security maturity are detailed in chapter four of this report.

Oversight of NSW insurance activities

State Insurance Regulatory Authority's review of the Workers Compensation Nominal Insurer

In February 2019, the State Insurance Regulatory Authority (SIRA) commenced a review of the Workers Compensation Nominal Insurer (Nominal Insurer). The Review's terms of reference are to consult with stakeholders and undertake analysis of data to enable it to:

- assess Nominal Insurer's compliance with SIRA's Market Practice and Premium Guidelines (MPPGs) and identify any unintended consequences, risks and priorities for improvement in SIRA regulation of the premiums of the Nominal Insurer
- identify the benefits and risks to the performance of the NSW workers compensation system arising from icare's implementation of changes to the Nominal Insurer operating model and supporting digital platforms
- assess the Nominal Insurer's performance in relation to return to work outcomes, claims management (including guidance, support and services for workers, employers and health service providers), customer experience and data quality and reporting.

SIRA is due to report later in December 2019.

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 and they are given effect by Administrative orders.

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

Section highlights

Significant impacts of the 2019 MoG changes included:

- abolishing the former Department of Finance, Services and Innovation, and creating the Department of Customer Service as the principal agency within the newly established Customer Service cluster
- transferring Jobs for NSW, Destination NSW and the Western City and Aerotropolis Authority into the Treasury cluster
- transferring Arts and Culture entities and Aboriginal Affairs NSW into the Premier and Cabinet cluster
- new responsibilities, risks and challenges for each cluster.

2.1 Cluster changes

The Treasury cluster

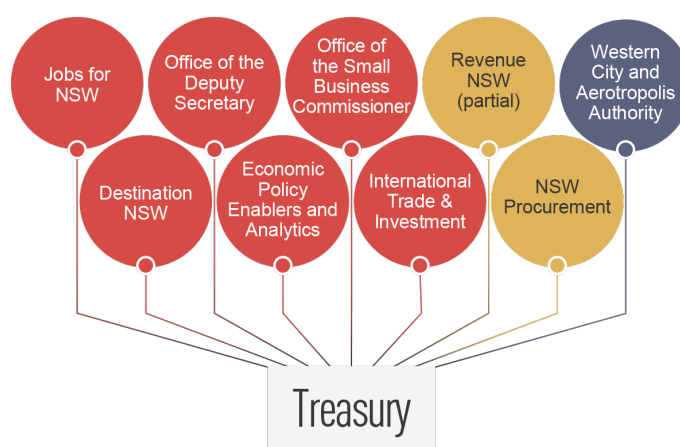
The Treasury cluster includes the financ functions of the former Finance, Services and Innovation cluster and the economic development functions, including Destination NSW, of the former Industry cluster. The functions of former independent agency, Jobs for NSW were also merged into the Treasury cluster. A summary of the MoG impacts on the Treasury cluster is shown below.

Machinery of Government changes

The Treasury cluster combines some finance functions from the former Finance, Services and Innovation cluster, the skills and economic development functions from the former Industry cluster and the Western City and Aerotropolis Authority.

Key functions and agencies moved into the **Treasury** cluster as at 1 July 2019:

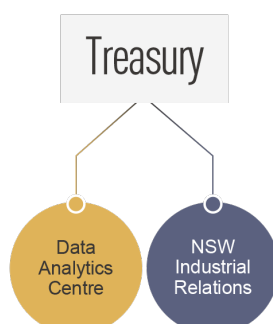
● Formerly **Industry** ● Formerly **Finance, Services and Innovation** ● Formerly **Premier and Cabinet**



The **Treasury** is the principal agency of the cluster.

Key functions and agencies moved out of the **Treasury** cluster as at 1 July 2019:

● To **Customer Service** ● To **Premier and Cabinet**



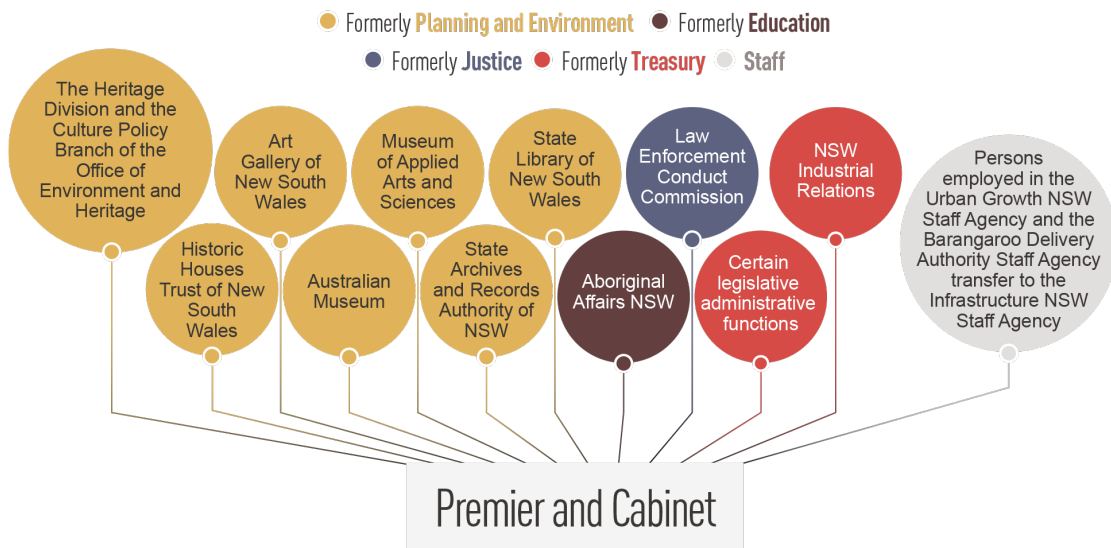
The Premier and Cabinet cluster

The Premier and Cabinet cluster includes the Greater Sydney Commission, Infrastructure NSW, the Public Service Commission, and each integrity agency. The MoG changes brought Aboriginal Affairs, the arts and heritage functions, and employee relations into the Department of Premier and Cabinet.

A summary of the MoG impacts on the Premier and Cabinet cluster is shown below.

Machinery of Government changes

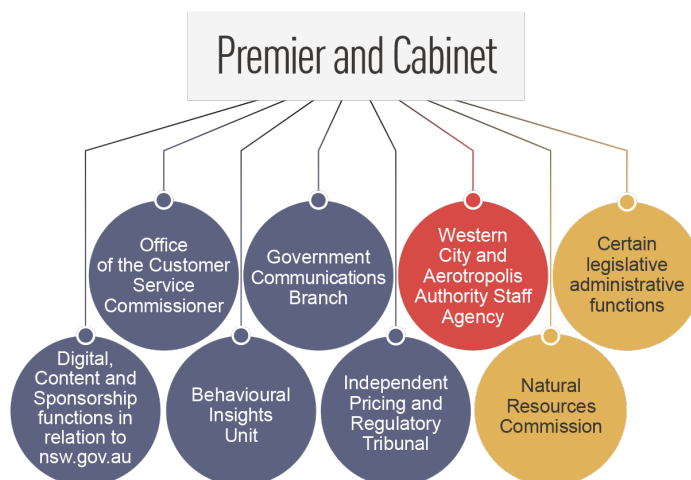
Key functions and agencies moved into the **Premier and Cabinet** cluster as at 1 July 2019:



The **Department of Premier and Cabinet** is the principal agency in the cluster.

Key functions and agencies transferring out of the **Premier and Cabinet** cluster as at 1 July 2019:

● To **Customer Service** ● To **Treasury** ● To **Planning, Industry and Environment**



Note: The 'Certain legislative administrative functions' referred to above were too inconsequential to be specifically referenced in the MoG.

The Customer Service cluster

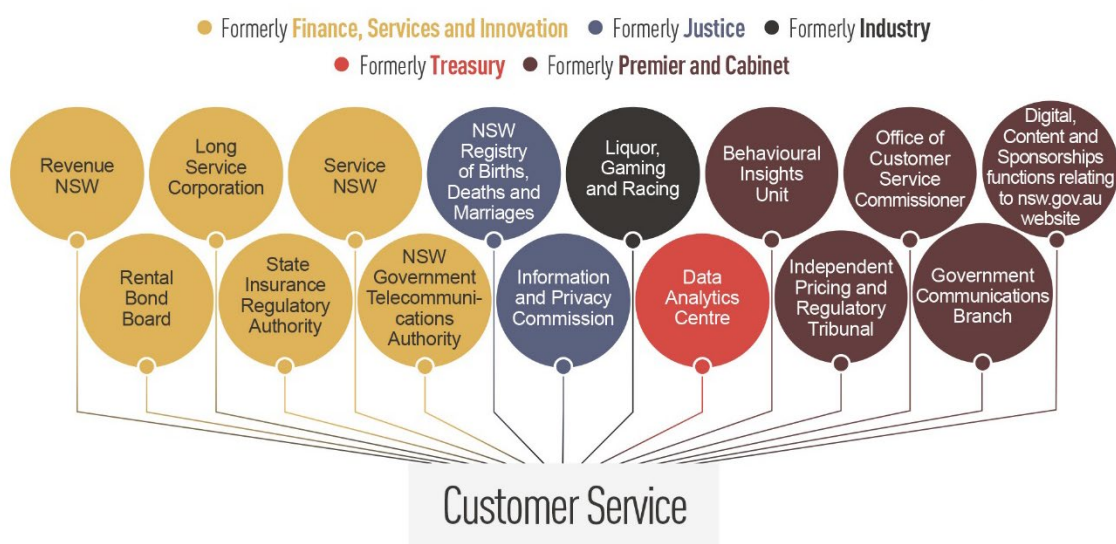
The Department of Customer Service is the principal agency in this newly established cluster. One of this cluster's responsibilities is to plan, prioritise, fund and drive digital transformation and customer service across every cluster in the NSW Government.

A summary of the MoG impacts on the Customer Service cluster is shown below.

Machinery of Government changes

The **Customer Service** cluster combines the functions and agencies of the former **Finance, Services and Innovation** cluster with some functions from the former **Industry** cluster, the former **Justice** cluster, the **Premier and Cabinet** cluster and the **Treasury** cluster.

Key functions and agencies moved into the **Customer Service** cluster as at 1 July 2019:



The **Department of Customer Service** is the principal agency of the cluster.

A performance audit is planned after 30 June 2020 on whether the 2019 MoG changes achieved their effectiveness and efficiency goals 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 on the 2019 financial reporting of agencies in the Treasury, Premier and Cabinet, and Customer Service clusters.

Section highlights

- Unqualified audit opinions were issued on the 30 June 2019 financial statements of all agencies within the three clusters, and the Legislature.
- The NSW Self Insurance Corporation (Corporation) 2018–19 financial statements did not include an estimate of the liability for unreported incidents of abuse that have occurred within NSW Government institutions. This is because the Corporation's financial exposure could not be reliably measured at 30 June 2019. The exposure was instead disclosed as an unquantified contingent liability in the financial statement notes. This liability may be material to the Corporation and the Total State Sector financial statements.
- We recommend management and those charged with governance review instructions provided to management experts each year, along with other significant accounting judgements.
- Agencies will be implementing the requirements of new accounting standards shortly. These could significantly impact their financial positions and operating results. We noted instances where agencies need to do more work on their impact assessments to minimise the risk of errors in the 2019–20 financial statements.

3.1 Quality of financial reporting

Audit opinions

Unqualified audit opinions were issued on cluster agencies' financial statements

Unqualified audit opinions were issued on the 30 June 2019 financial statements of all agencies within the three clusters, and the Legislature. Sufficient audit evidence was obtained to conclude the financial statements were free of material misstatement.

The audit opinion on the Social and Affordable Housing NSW Fund's (Fund) compliance with the payment requirements of the *Social and Affordable Housing NSW Fund Act 2016* (Act) was qualified. Refer to the 'Audit observations' chapter for further details. The audit opinion on the Fund's financial statements was unqualified.

3.2 Compliance with financial reporting requirements

Financial statements were submitted and audit opinions issued on time

In 2018–19, all agencies in the clusters met the statutory deadlines for completing early close procedures and for submitting their financial statements.

All audit opinions were issued within the statutory dates.

Forty-eight agencies did not comply with the statutory requirement to prepare financial statements

Forty-eight agencies in the Treasury cluster did not comply with the statutory requirement to prepare financial statements. All these agencies' financial information was captured in the consolidated financial statements of their parent entity, which was subject to audit.

Cluster agencies completed early close procedures, but improvements are needed

Cluster agencies completed Treasury's mandatory early close procedures. These procedures allow financial reporting issues and risks to be addressed early in the audit process. This in turn can help to improve both the quality and timeliness of financial reporting.

Our review of agencies early close procedures found more work could be done to:

- assess the impacts of the *Government Sector Finance Act 2018* (GSF Act)
- assess the impact of new and updated accounting standards.

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

3.3 Key accounting issues

Liabilities that could not be reliably measured

Unfunded liabilities for abuse claims within NSW Government institutions

The NSW Self Insurance Corporation (Corporation) 2018–19 financial statements did not include an estimate of the liability for unreported incidents of abuse that have occurred within NSW Government institutions. This is because the Corporation's financial exposure could not be reliably measured at 30 June 2019. The exposure was instead disclosed as an unquantified contingent liability in the Corporation's notes to its financial statements. These contingent liabilities and potential future liabilities may be material to the Corporation and the Total State Sector financial statements, and should be recognised on balance sheet as soon as possible, once a reliable estimate is available.

Under the Net Asset Holding Policy (the policy) between the Corporation and Treasury, initial recognition of the liability may require the Crown to provide the Corporation with additional funding. The policy requires the Corporation to maintain financial assets for certain schemes at between 105 per cent and 115 per cent of their liabilities. Under the policy, net assets above the required holding level are paid to the Crown, while net assets below the holding level are supplemented through receipts from the Crown.

The Corporation's liability arises because it may be required to fund successful civil claims for damages arising from these incidents in the future. Since 1 July 1989, the Corporation's exposure to incidents of abuse has been met through the Treasury Managed Fund (TMF) scheme. Before this, the exposure was met through the Pre-Managed Fund Reserve (PMF) scheme. There are three main considerations in estimating TMF and PMF exposures to unreported past incidents of abuse:

- the average size of expected payments for these claims
- the number of civil abuse claims incurred to date but not yet reported
- the impact recent legislative changes and the National Redress Scheme may have on the number of civil claims and the average size of payments.

The cumulative level of uncertainty in estimating these elements of the liability was considered too significant for the Corporation to reliably estimate the value of the exposure at 30 June 2019.

Prior period errors corrected retrospectively

Restatement of the NSW Self Insurance Corporation's PMF scheme liabilities

Recommendation

Where accounting valuations performed by experts (actuaries and valuation firms) include judgements and assumptions instructed by management, we recommend the instructions be reviewed annually by management and those charged with governance, along with other significant accounting judgements.

The valuation actuary for the Corporation's PMF scheme carried out a prior year management instruction not to include an allowance for unreported claims for past non-abuse incidents without first having it reassessed by management or those charged with governance. Management's previous instruction had been made on the basis these types of exposure could not be reliably estimated.

Management revisited this position with the valuation actuary after the 2018–19 financial statements had been submitted for audit and determined that, in fact, an allowance could be reliably estimated for dust disease related claims, but not for other types of non-abuse claims.

Updated outstanding claims valuations were subsequently obtained for PMF as at 1 July 2017, 30 June 2018 and 30 June 2019 including an allowance for past dust disease incidents that had not yet been reported. This resulted in the PMF's outstanding claims liability increasing by \$28.4 million to \$248 million at 30 June 2019. The increase was corrected retrospectively in the Corporation's financial report and included prior period error disclosures.

Where accounting valuations performed by experts (actuaries and valuation firms) include judgements and assumptions instructed by management, we recommend the instructions be reviewed annually by management and those charged with governance, along with other significant accounting judgements.

Accounting for cluster grants by the Department of Premier and Cabinet

During 2018–19 Treasury reviewed how appropriations paid to cluster agencies should be accounted for by principal departments. The review of all principal departments identified instances of inconsistent accounting treatments and Treasury concluded that principal departments should record these transactions as income and expenses, not as pass through amounts. Pass through amounts (also known as transfer payments) are not included in agency income statements. Instead, they are disclosed within the notes to the financial statements.

The Department of Premier and Cabinet previously recognised appropriations paid to cluster agencies, such as the Natural Resources Commission, Infrastructure NSW and Greater Sydney Commission, as pass through amounts rather than as grants and subsidy expenses.

The Department corrected this accounting treatment retrospectively, which increased the prior year comparatives for appropriations income and grants and subsidy expenses by \$146.2 million. The correction did not impact the Department's net result for 2018–19.

Correction of museum collection assets

The 2017–18 value of the Australian Museum's collection assets was restated by \$27.0 million to \$800 million in its 2018–19 financial statements.

After the 2017–18 financial statements were published, the Australian Museum identified additional collection assets not included in the original valuation. This resulted in the \$27.0 million asset valuation error.

Other financial reporting matters

Sale of Investments with Property Exchange Australia Limited (PEXA)

The former Department of Finance, Services and Innovation (DFSI) sold its shares in PEXA on 16 January 2019 for \$105 million, \$61.9 million more than the investment's carrying value. The \$61.9 million gain was appropriately recognised through other comprehensive income.

DFSI transferred the net proceeds of \$105 million to the Crown and initially presented the transfer as an expense in its Statement of Comprehensive Income. DFSI subsequently corrected this and presented the transfer as an equity transfer within its statement of changes in equity.

PEXA is Australia's online property exchange network. It enables members such as lawyers, conveyancers and financial institutions to lodge documents with Land Registries, and complete financial settlements electronically.

Sale of the State's 51 per cent controlling interest in Sydney Motorway Corporation (WestConnex)

The NSW Government sold its 51 per cent controlling interest in the Sydney Motor Way Corporation (WestConnex) to Sydney Transport Partners for \$9.3 billion in August 2018. Of the proceeds, \$7.0 billion was directed to the NSW Generations Fund. This fund is managed by NSW Treasury Corporation. Refer to the 'Government financial services' chapter for further details.

Preparedness for new accounting standards

Agencies will be implementing the requirements of new accounting standards shortly. These may significantly impact the financial positions and operating results of agencies across the sector. Accounting standards require agencies to assess and disclose where possible, the impact of the new standards in their 2018–19 financial statements.

Our audits found instances where agencies needed to do more work on their impact assessments to minimise the risk of errors in the financial statements. Some agencies disclosed that the new standards would not have a material impact on their reported financial position and performance, but had little evidence to support this.

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

- having the required technical skills in house
- 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 across the sector, 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.

Agencies will be applying new accounting standards AASB 16 'Leases', AASB 15 'Revenue from contracts with customers' and AASB 1058 'Income of not-for-profit entities' for the first time in their 2019–20 financial statements. Of the three new standards, AASB 16 is expected to have the biggest impact on agencies in the Central Agencies' clusters.

Accounting standard AASB 1059 'Service Concession Arrangements: Grantors' will be implemented for the first time in 2020–21.

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 Treasury, Premier and Cabinet and Customer Service clusters.

Section highlights

- The 2018–19 audits found two high risk and 99 moderate risk issues across the agencies. Of these, 31 per cent were repeat issues. The most common repeat issue related to weaknesses in controls over information technology user access administration.
- NSW Government agency self-assessment results show that the NSW Public Sector's cyber security resilience needs urgent attention.
- GovConnect received a qualified opinion from the auditor of their service provider, Unisys, over weaknesses in information technology controls.
- Crown revenues from taxes, fines and fees continued to increase, but this was offset by decreases in stamp duty on property sales.
- The CTP reform resulted in green slip refunds of \$198 million to vehicle owners. Unclaimed refunds are to be returned to motorists through a reduction in green slip premiums.

4.1 Internal control deficiencies

Management letter findings

Internal controls at agencies



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 to management and those charged with the governance of agencies. We do this through our management letters, which include our observations, related implications, recommendations and risk ratings.




Our 2018–19 audits found two high risk and 99 moderate risk issues across the agencies. Of these, 31 per cent were repeat issues. The most common repeat issue related to weaknesses in controls over information technology user access administration, 11 of which were repeat issues in 2018–19. The user access weaknesses included:

- a lack of monitoring and reporting of privileged user access to key databases and systems on a timely basis
- reliance on incomplete and/or inaccurate information for existing user access review processes.

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

Category	Risk rating		Issue
Information technology		Moderate: 23 new, 11 repeat	<p>The financial audits identified opportunities for agencies to improve information technology (IT) processes and controls that support the integrity of financial data used to prepare agencies' financial statements. Of particular concern are issues associated with:</p> <ul style="list-style-type: none"> • user access administration • privileged user activities • program change management • business continuity and disaster recovery planning • response to cyber security incidents.
		Low: 26 new, 7 repeat	
Internal control deficiencies or improvements		Moderate: 11 new, 6 repeat	<p>The financial audits identified internal control weaknesses across key business processes, including:</p> <ul style="list-style-type: none"> • lack of documentation for employee appointments, remuneration reviews, and approval of leave requests • salary overpayments and payments processed after employee termination • purchase orders raised after receipt of invoices • inadequate review of master data changes to the payroll/vendor details and incomplete or out of date information in master data tables • balance sheet reconciliations not prepared or not reviewed • expenses incurred through purchasing cards not being reviewed on time.
		Low: 20 new, 6 repeat	
Financial reporting		High: 1 new	<p>The financial audits identified opportunities for agencies to strengthen financial reporting, including:</p> <ul style="list-style-type: none"> • reviewing and documenting the impact assessment of new and updated Australian Accounting Standards issued but not yet effective • reviewing and clearing reconciling differences and unusual items, in areas such as: personnel services, fixed/intangible assets and trade creditors • ensuring the completeness of the annual leave/long service leave reports • improvements in the annual revaluation and impairment assessment for financial/non-financial assets.
		Moderate: 10 new, 4 repeat	
		Low: 22 new, 4 repeat	

Category	Risk rating	Issue
		<p>We identified one high-risk issue at the former Department of Finance, Services and Innovation (DFSI). In our interim management letter, we noted that DFSI's preliminary assessment of the impact of issued but not yet effective accounting standards (AASBs) contained a number of deficiencies including:</p> <ul style="list-style-type: none"> management's assessment did not consistently evidence their application of the steps required by the AASBs, and issued Treasury Guidance papers for these standards there were a high number of exceptions in the data maintained by Property NSW to manage DFSI's leases. DFSI did not check whether this data was accurate and complete. These exceptions include: <ul style="list-style-type: none"> lease extension options not factored into the lease term lease extension options in the lease term where no lease extension options are specified monthly rental amounts not consistent with the sub-lease arrangement monthly rental amounts factoring in fixed increases when they are subject to CPI or market reviews and vice versa. <p>These matters were revisited in the final management letter and the rating reduced to moderate risk.</p>
Governance and oversight	<div>  <p>Moderate: 17 new, 6 repeat</p> </div> <div>  <p>Low: 16 new, 2 repeat</p> </div>	<p>The financial audits identified opportunities for agencies to improve governance and oversight processes, including issues associated with:</p> <ul style="list-style-type: none"> outdated policies and procedures deficiencies in contract and procurement management processes service level agreements being outdated, signed late or not in place lack of management of gifts and benefits register no annual review of the performance of internal audit function outdated delegation manuals.

Category	Risk rating	Issue
Non-compliance with key legislation and/or central agency policies	 High: 1 new	<p>The financial audits identified instances of non-compliance with key legislation and/or central agency policies, including the following:</p> <ul style="list-style-type: none"> compliance with financial delegations as per the <i>Government Sector Finance Act and Regulation 2018</i> reporting of major capital works in progress as per the Annual Reports Acts and Regulations managing excess leave balances in accordance with Treasury Circular TC16/03 'Managing Accrued Recreation Leave Balances'. <p>We identified a high-risk issue as part of our compliance audit of the Social and Affordable Housing NSW Fund. See below for details.</p>
	 Moderate: 7 new, 4 repeat	
	 Low: 2 new, 5 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 final management letters issued to agencies, or draft letters where findings have been agreed with management.

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

Social and Affordable Housing NSW Fund non-compliance

The audit opinion on the Social and Affordable Housing NSW Fund's (Fund) compliance with the payment requirements of the *Social and Affordable Housing NSW Fund Act 2016* (Act) was qualified. Section 6 of the Act requires the Treasurer to control and manage the Fund, and section 13 allows for the delegation of these functions. During 2018–19 one instance was identified where a payment of \$35,057 was made from the fund without the Treasurer's delegation under section 13 of the Act. The payment required delegation of that function.

The audit opinion on the Fund's financial statements was unqualified.

4.2 Key issues

Topics identified in the 2018–19 Annual Work Program

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

The 2018–19 Annual Work Program identified risks and challenges that could impact agencies in the Treasury, Premier and Cabinet and Customer service clusters this year.

Some matters identified in the Program and where they have been reported, include:

- Machinery of Government changes (refer to chapter 2)
- government sector finance reforms (refer to our [Report on State Finances 2019](#))
- information technology system controls (refer chapter 4)
- impact of new accounting standards (refer to chapter 3).

Agencies' Cyber Security Essential 8 self-assessment results

The NSW Public Sector's cyber security resilience needs urgent attention

The NSW Cyber Security Policy requires agencies to provide a maturity self-assessment against the Australian Cyber Security Centre (ACSC) Essential 8 to the head of the agency and Cyber Security NSW annually. Cyber Security NSW received 62 completed self-assessment returns across all eight clusters. While only 62 completed self-assessment returns were received, the self-assessment results provide coverage over the NSW public sector as some returns applied to multiple agencies.

The Essential 8 comprises:

- Mitigation strategies to prevent malware delivery and execution
 - **Application whitelisting** allows only approved programs to run on systems.
 - **Patch applications** with security fixes once they are available.
 - **Configure Microsoft Office macro** settings to only allow trusted macros to run within Office applications.
 - **User application hardening**, by switching off unneeded parts of applications.
- Mitigation strategies to limit the extent of cyber security incidents
 - **Restrict administrative privileges** to minimise the use of the most powerful accounts and protect them from misuse.
 - **Patch operating systems** with security fixes once they are available.
 - **Multi-factor authentication** to add extra layers of protection and ensure only approved users can access systems.
- Mitigation strategies to recover data and maintain system availability
 - **Daily backups** of important data, software and configuration settings so that it can be restored if systems are compromised.

Refer to the link for the [Australian Cyber Security Centre's definition of 'Essential 8' mitigation strategies](#).

The ACSC Essential 8 model identifies three levels of maturity for organisations to use when assessing the maturity of their Essential 8 implementation. The NSW policy adds Maturity Level Zero to its assessment model to cater for maturity levels lower than Maturity Level One.

Maturity levels explained:

- **Maturity Level Zero:** Not aligned with the intent of the mitigation strategy.
- **Maturity Level One:** Partly aligned with the intent of the mitigation strategy.
- **Maturity Level Two:** Mostly aligned with the intent of the mitigation strategy.
- **Maturity Level Three:** Fully aligned with the intent of the mitigation strategy.

Refer to [NSW Cyber Security Policy: Maturity Model](#), tab 4 'Essential 8 Maturity Model'.

This was the first-time agencies were required to report against the ACSC's 'Essential 8' cyber risk mitigation strategies. The self-assessments were unaudited.

Essential 8 mitigation strategies	Number of self-assessments				Total
	Maturity Level Zero	Maturity Level One	Maturity Level Two	Maturity Level Three	
Application whitelisting	53	3	2	4	62
Patch application	23	16	16	7	62
Configure-Microsoft office macro	32	23	4	3	62
User application hardening	45	13	3	1	62
Restrict administration privileges	28	13	16	5	62
Patch operating system	18	17	23	4	62
Multi-factor authentication	26	19	14	3	62
Daily back ups	6	18	11	27	62

Notes:

- 1 Some Essential 8 mitigation strategies are disaggregated between servers and workstations. The self-assessment summary above includes agency's self-assessed maturity responses for servers only, on the basis that this generally poses the greater cyber security risk.
- 2 Some agencies submitted scores between levels (e.g. 0.5 or 1.5 scores). In such instances, scores were rounded down.

Source: Individual self-assessed Essential 8 maturity returns (unaudited).

Recommendation

We recommend Cyber Security NSW works with agencies to improve cyber security resilience as a matter of urgency.

The Department of Customer Service advises that following the first year of reporting under the NSW Cyber Security Policy, cluster secretaries will report to the Secretaries Board on their progress against all elements of the policy.

The Secretaries Board is made up of the cluster secretaries of the principal departments, and the Public Service Commissioner.

Internal controls at outsourced service providers

Qualified opinion received on information technology services provided to the clusters

GovConnect provides transactional and information technology services to Treasury, the Department of Premier and Cabinet and the Department of Customer Service and several of their cluster agencies. Similar to 2017–18, GovConnect received unqualified opinions from their service auditor on all business process controls, except for information technology controls provided by Unisys. The opinion for this provider was qualified.

The opinion was qualified because the service auditor identified the following weaknesses in the management of security over the network and infrastructure:

- user access was not adequately restricted, including accounts which were not disabled following the departure of staff
- evidence of performing some controls, such as analysing security logs and following up on security issues, was not able to be produced
- vulnerability scanning was not performed consistently.

These control deficiencies increase the risk of unauthorised access to key business systems.

The service auditors and financial audit team performed additional audit procedures to obtain reasonable assurance these control deficiencies had not been exploited throughout the financial year. This increased audit effort and costs. The service auditors' additional procedures confirmed:

- the issues related to specific infrastructure components and did not directly impact the SAP database where all financial relevant data is stored
- their work did not identify these control deficiencies being exploited, i.e. the integrity of the financial data and controls was not affected.

GovConnect has since implemented new identity management software, SailPoint, from July 2019. The effectiveness of the new controls will be reviewed as part of our 2019–20 financial audit.

In October 2019, the Department of Customer Service terminated the Establishment and Transition Agreement (ETA) and the Customer Outsourcing Agreement (COA) with Unisys. The Department of Customer Service is working through the transition out plan with Unisys to ensure that State has continuity of service during the transition period.

Provision of outsourced services

The Department of Customer Service incurred additional costs of \$17.5 million for GovConnect

In 2018–19 the Department of Customer Service incurred additional software and Information Technology infrastructure costs of \$17.5 million for GovConnect. The Department absorbed \$13.2 million of these costs, and sought recovery of \$4.3 million from user agencies based on their level of service consumption. User agencies are disputing the \$4.3 million additional charge, with the result that it is currently unpaid.

Machinery of Government impact on the Long Service Corporation

Long Service Corporation wrote off \$1.4 million due to Machinery of Government changes

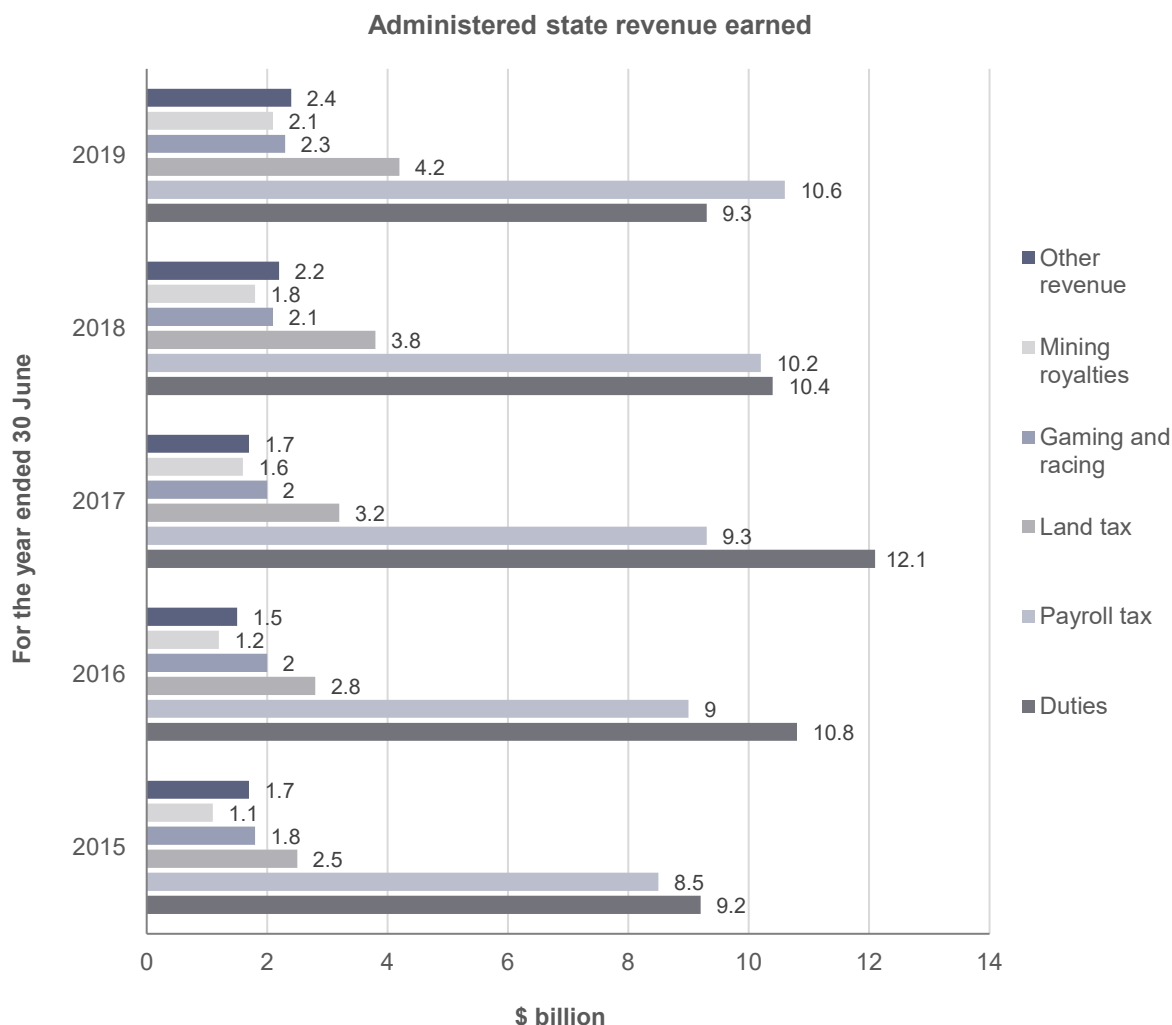
Before the Machinery of Government (MoG) changes were announced in 2018–19, the Long Service Corporation (Corporation) spent \$1.4 million preparing to implement Microsoft Dynamics 365. However, the MoG changes meant the Corporation had to use newly established Department of Customer Service aligned systems and processes instead. As a result, the Corporation wrote off the \$1.4 million Microsoft Dynamics 365 implementation costs.

As reported in the MoG chapter, the Administrative Arrangements (Administrative Changes – Public Service Agencies) Order 2019, effective on 1 July 2019, abolished DFSI and created the Department of Customer Service. DFSI's functions and staff, together with associated assets and liabilities were transferred to Department of Customer Service.

State revenue and taxation

Crown revenue continues to increase

Revenue NSW recorded \$30.9 billion from taxes, fines and fees in 2018–19 (\$30.5 billion in 2017–18) on behalf of the State.



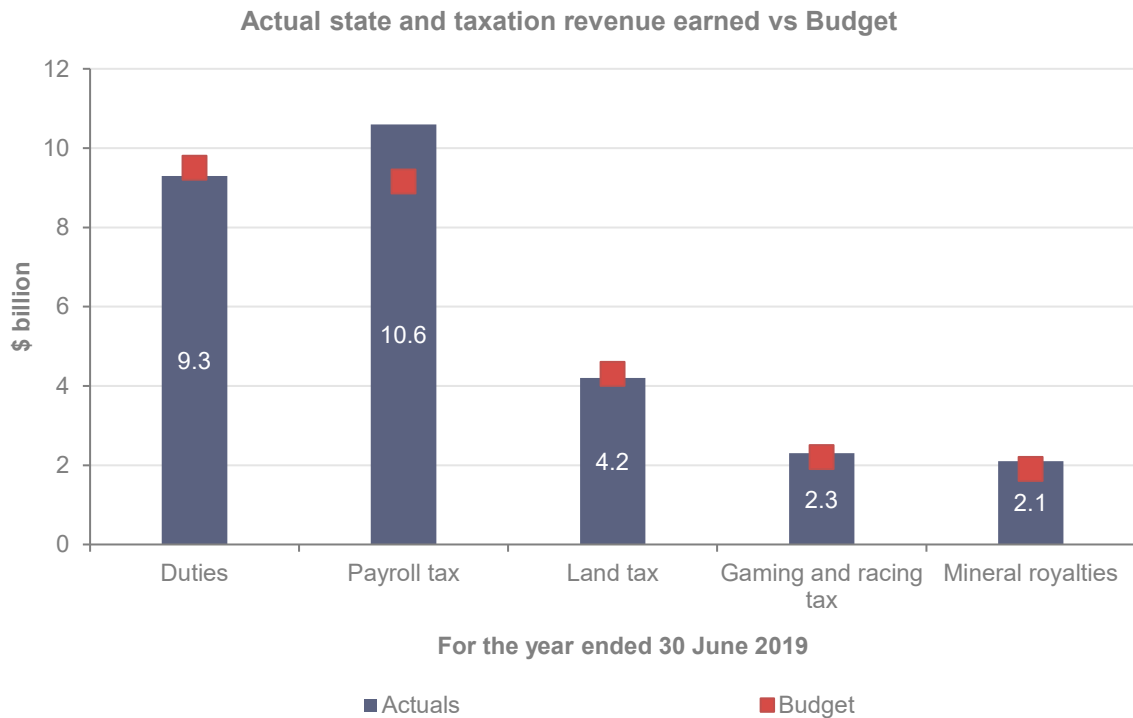
Source: Financial Statements (audited).

Overall crown revenue has steadily increased over the last five years, driven by:

- growth in payroll tax
- higher coal export prices (mining royalties)
- bigger lottery jackpots and increased metered profits from gaming machines in hotels (gaming and racing).

While overall crown revenue has been increasing, the duties revenue component has been decreasing in recent years. Since 2016–17 (i.e. over the last three years) duties revenue decreased by \$2.8 billion or 23.1 per cent. This partly reflects declines in the volume and average price of property sales. In 2018–19 duties revenue decreased by \$1.1 billion or 10.6 per cent. The decrease would have been more, if not for earnings of \$555 million from the sale of the NSW Government's 51 per cent interest in WestConnex.

The graph below compares Crown revenue against budget.



Source: Financial statements (audited) and NSW Budget Papers 2018–19 (unaudited).

Most revenue streams were consistent with budget expectations in 2018–19, except for payroll tax which exceeded budget by \$1.5 billion. This reflected increases in employment and wage growth above what was budgeted.

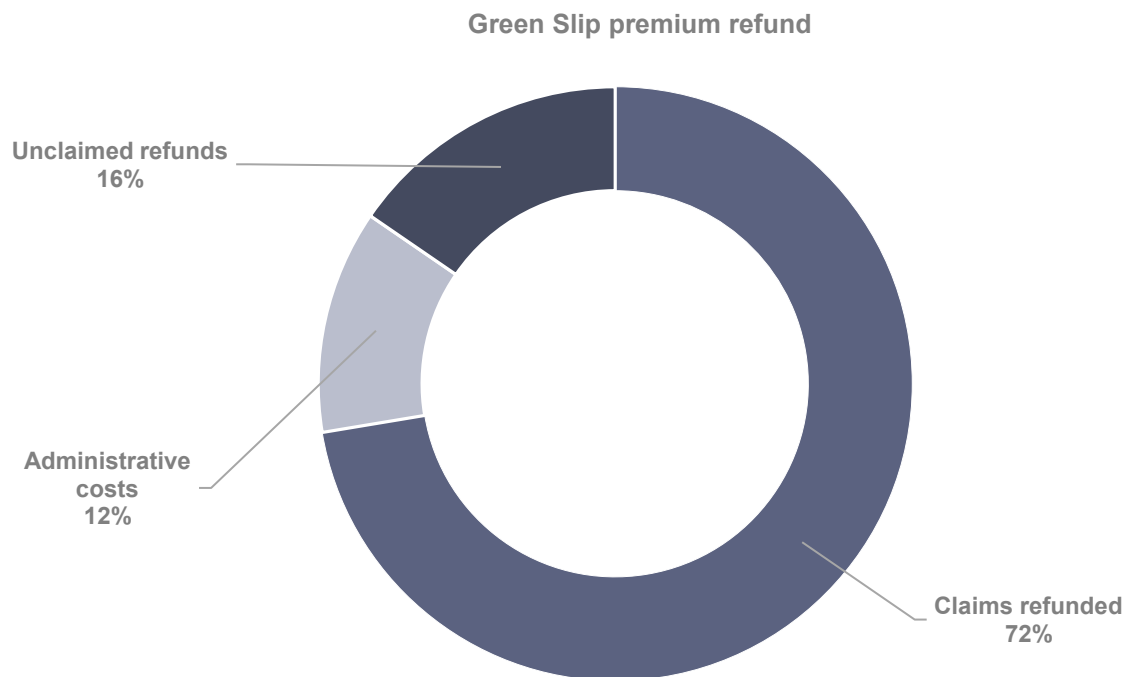
Green Slip refund program

Approximately \$198 million has been refunded to vehicle owners through Service NSW

In 2017–18, the State Insurance Regulatory Authority recouped \$269 million in over-collected Green Slip premiums from CTP insurers. It refunded \$198 million (\$57 million in 2018–19 and \$138 million in 2017–18) to policy holders through Service NSW. The refund of Green Slip premiums came about because the new CTP scheme, effective from 1 December 2017, reduced green slip premium prices for most classes of vehicles. This allowed refunds to be made to most vehicle owners who purchased or renewed Green Slips with a start date before 1 December 2017.

At 30 June 2019, \$41.5 million held by the State Insurance Regulatory Authority and Service NSW had not been claimed. The deadline for policyholders to claim refunds was extended from 30 September 2018 to 30 September 2019.

Unclaimed Green Slip refunds at 30 September 2019 are expected be returned to motorists through reduced future levies.



Migration of finance data to a new IT system

Controls over the SAPConnect data migration were effective

In 2018–19, cluster agencies and business units within the former Department of Finance, Services and Innovation, including Revenue NSW and the State Insurance Regulatory Authority, migrated their finance data to a new IT system - SAPConnect. Our review of the data migration process did not identify any significant deficiencies in project governance, or in the controls implemented to ensure the completeness and accuracy of migrated data to SAPConnect.

Last year we reported that:

- while controls were in place over the completeness and accuracy of migrated data, formal risk assessment activities were not performed to identify and manage risks associated with data migration
- security management plans could be improved.

5. Government financial services

Background

This chapter outlines our audit observations, conclusions and recommendations specific to NSW Government agencies providing financial services.

Section highlights

- Last year's Auditor-General's Report to Parliament recommended Treasury consult with STC Pooled Fund and PCS Fund Trustees to prescribe prudential standards and requirements. Treasury has not taken specific action to address this recommendation.
We recommend Treasury formally assess the merits of implementing prudential standards and supervision arrangements, after considering the risks, benefits and costs to scheme members.
- The NSW Self Insurance Corporation did not include an estimate of the liability for unreported incidents of abuse that have occurred within NSW Government institutions because it could not be reliably measured at 30 June 2019. The amounts involved could be material to the Corporation's and Total State Sector's financial statements.
- Insurance scheme liabilities were significantly impacted by unfavourable movements in economic assumptions, including a decrease in the risk free discount rate, and adverse changes in non-economic assumptions, such as higher medical costs.

5.1 Superannuation funds

NSW Government superannuation agencies manage, administer and invest assets of approximately \$52.8 billion for some 121,000 public sector employees. The commentary below focusses on the government's main superannuation funds (the Funds):

- SAS Trustee Corporation Pooled Fund (STC Pooled Fund)
- Energy Industries Superannuation Scheme (EISS Fund)
- Parliamentary Contributory Superannuation Fund (PCS Fund).

Benefit payments

Member benefit payments remain stable

Funds paid \$5.3 billion (\$5.3 billion in 2017–18) in benefits to members during the year. The effect of increases in pensions paid to new retirees and inflation was offset by pensioners exiting the funds. Except for the EISS Fund the funds are closed to new members.

Benefit payments by the Funds are summarised below.

Benefit payments at 30 June 2019	
	\$m
STC Pooled Fund	4,872
EISS Fund*	433
PCS Fund	29
Total	5,334

* This incorporates benefits paid to members in both EISS Pool A and EISS Pool B.

Source: Financial statements (audited).

Recovery of benefits from PCS Fund members convicted of a serious crime

An amendment to Section 19AA of the *Parliamentary Contributory Superannuation Act 1971* (PCS Act) on 1 June 2017 made convicted members of parliament ineligible to receive pension payments and required them to repay any pension or lump-sum benefit received, to the PCS Fund.

In July 2017, the PCS Fund suspended pension payments to three affected members and was reviewing appropriate actions to recover benefits paid. While this process is still ongoing at 30 June 2019, no receivable was recognised in the financial statements due to doubts over recoverability of the benefits paid.

Prudential oversight

There is no prudential supervision of some NSW Government superannuation funds

Recommendation

Treasury should formally assess the merits of implementing a prudential standards and supervision arrangement for the STC Pooled Fund and PCS Fund, considering the associated risks, benefits and cost to scheme members.

STC Pooled Fund and the PCS Fund are exempt public-sector funds under the *Superannuation Industry (Supervision) Act 1993*. While the funds are not required to comply with the prudential and reporting standards issued by the Australian Prudential Regulation Authority (APRA), they are required to conform, on a best endeavours basis, to the Australian Government's 'Heads of Government Agreement' (HOGA). HOGA sets out the principle elements of the Commonwealth's retirement income policy objectives. However, unlike APRA regulated funds, the HOGA arrangement does not provide a structured and effective mechanism for an appropriate level of prudential supervision. As a result, there is no prudential supervision of the STC Pooled Fund or PCS Fund.

Last year's Auditor-General's Report to Parliament recommended that Treasury consult with the Trustees of the STC Pooled Fund and PCS Fund to prescribe appropriate prudential standards and requirements, including oversight arrangements. Treasury have chosen not to take any specific action at this stage.

During the year, the Trustee of the STC Pooled Fund commissioned an external review of the STC Pooled Fund's operations against the 21 HOGA principles. The report concluded that nothing came to light to indicate that the STC Pooled Fund did not have appropriate policies and procedures to comply with the HOGA principles. The results of the review were reported to Treasury.

On-going prudential oversight of these funds is important as they operate in a volatile financial sector, have 100,000 members and manage investments of \$44.0 billion. Amendments to the *Superannuation Administration Act 1996* in November 2015 allow the responsible Minister to prescribe applicable prudential standards, reporting and audit requirements, but no standards, reporting or audit requirements have been prescribed to 30 June 2019.

Investment performance

The Funds met their long-term investment targets

A key objective of superannuation funds is to meet long-term investment targets, as investment performance affects the net assets available to pay member benefits.

The investment returns for the Funds and targets is below.

Investment returns				
Fund at 30 June	2019 Actual (%)	2019 Target (%)	Rolling ten-year average actual (%)	Rolling ten-year target (%)
STC Pooled Fund	8.1	5.6	8.8	6.7
EISS Fund (Pool A and B)	8.8	N/A	8.3	N/A
PCS Fund	9.4	5.7	11.2	6.2

N/A Not applicable, as targets are set for specific investment options and not at a whole-of-fund level.

Source: Financial statements (audited) for STC Pooled Fund and EISS Fund 2019 actual results. The PCS Fund's 2019 actual result was provided by the Fund's investment manager. Targets and the rolling ten-year average actual results were provided by the trustees (unaudited).

The return on investments is calculated by dividing the investment revenue for the year by the average investments under management. For both the STC Pooled Fund and PCS Fund, the targets are determined with the aim of eliminating the unfunded liability and meeting member benefit payments in the long-term.

Management expense ratios remained stable

The Funds have maintained management expense ratios (MER) at relatively consistent levels over the past two years.

MER is an industry recognised ratio used to measure the performance of funds and investment managers. It is calculated as a percentage of the fund's management expenses over funds under management. Costs included in this ratio are manager fees, performance fees, custody fees, consulting fees and an administration fee component. Trustees are assessed on meeting the target ratio set at the start of the year.

STC Pooled Fund and EISS met the target for 2019. The Funds' MERs are listed below.

MER at 30 June	2019 Actual	2019 Target	2018 Actual	2018 Target
	%	%	%	%
STC Pooled Fund	0.46	0.48	0.42	0.48
EISS Fund	0.70	0.70	0.64	0.72

Note: The PCS Fund does not report an MER as its investment expenses are embedded within the unit prices for its investments and not separately disclosed.

Source: Financial statements (audited) for 2019 and 2018 actual results. Targets were provided by the trustees (unaudited).

5.2 Insurance and compensation

Insurance and compensation schemes

The table below summarises the financial performance and position of insurance and compensation agencies.

	Net result		Net assets		Net cash flows from operating activities	
	2019 \$m	2018 \$m	2019 \$m	2018 \$m	2019 \$m	2018 \$m
Insurance and Care NSW	--	--	13.1	13.1	(14.5)	0.9
Workers Compensation Nominal Insurer	(876)	88.9	1,578	2,454	219.1	(108)
NSW Self Insurance Corporation	406	118	618	212.2	1,243	238
Lifetime Care and Support Authority of NSW	(576)	105	580	1,157	37.5	12.9
Workers' Compensation (Dust Diseases) Authority	(11.0)	(6.7)	--	13.6	(9.9)	11.2
Building Insurers' Guarantee Corporation	3.9	6.5	39.2	35.3	(2.9)	(11.4)
Sporting Injuries Compensation Authority	0.4	0.6	3.0	2.6	(0.2)	0.2

Source: Financial statements (audited).

Insurance and Care NSW (icare) incurred expenses of \$665 million in 2018–19 (\$655 million in 2017–18) by providing services to the other entities listed above. These costs were largely recovered from each entity through service fees. This resulted in a nil net result from icare's operations.

The financial statements for the Workers Compensation Nominal Insurer (Nominal Insurer), the NSW Self Insurance Corporation (Corporation) and the Sporting Injuries Compensation Authority apply insurance reporting requirements. As insurance entities, their financial statements disclose an underwriting result and a net result. The underwriting result represents each entities' performance from insurance activities, while the net result represents the underwriting result plus non-insurance related income and expenses.

The Nominal Insurer's net result fell \$965 million and it recorded a loss of \$876 million in 2018–19. The loss reflects a \$1.6 billion increase in the Nominal Insurer's net underwriting losses, offset by a \$698 million increase in net investment income. The increase in underwriting loss is mainly due to:

- assumed increases in medical costs, which added \$892 million or 6.1 per cent to the outstanding claims provision
- unfavourable movements in economic assumptions, including a decrease in the risk free discount rate, which added \$1.1 billion or 7.5 per cent to the outstanding claims provision.

Average medical costs per claim have increased over the five years to 2016–17, while the types of injury have not changed significantly. Management notes this trend is seen across Australia and reflects increases in the number and complexity of medical procedures performed. In response to these observations, the assumed medical cost per worker within the Nominal Insurer's outstanding claims liability was increased.

The Nominal Insurer's higher investment returns reflect the generally stronger performance in investment markets in 2018–19 compared to 2017–18. The Nominal Insurer's investments returned 10.1 per cent in 2018–19 compared to 6.2 per cent in 2017–18. The returns are consistent with benchmark returns.

The Nominal Insurer's net result was also impacted by icare's ongoing transformation, which cost the Nominal Insurer \$159 million in 2018–19. Refer below for further discussion on the transformation.

The Corporation's net result increased by \$288 million to \$406 million. While the Corporation's underwriting loss increased by \$615 million to \$1.4 billion, this was more than offset by a \$942 million increase in grant income received from the Crown.

The Corporation received \$1.2 billion (\$221 million in 2017–18) in grant income from the Crown, under the Net Asset Holding Level Policy (NAHLP) that exists between the Corporation and Treasury. The NAHLP requires the Corporation to maintain financial assets for certain schemes at between 105 per cent and 115 per cent of their liabilities. Net assets above the required holding level are paid to the Crown, while net assets below the holding level are supplemented through funding from the Crown.

Most of the increase in the Corporation's underwriting loss related to the Treasury Managed Fund (TMF), the State's self-insurance scheme, which increased by \$412 million to \$998 million, and the Home Building Compensation Fund (HBCF), which increased by \$96.0 million to \$235 million. The TMF underwriting loss was impacted by:

- an increase in the number of workers compensation claims, including psychological injury claims, and medical discharges within NSW Police, and
- unfavourable movements in economic assumptions, including the decrease in the risk free discount rate, which added about \$538 million to the outstanding claims provision.

The HBCF underwriting result is discussed further below.

As noted in the 'Financial Reporting' chapter of this report, the Corporation did not recognise liabilities for incurred but not reported (IBNR) abuse claims within the TMF and Pre-Managed Fund Reserve (PMF) schemes, on the basis that they could not be reliably estimated. It is possible that the IBNR for these claims is material to the Corporation's financial statements. Both the TMF and PMF schemes are covered by the NAHLP referred to above.

The Lifetime Care and Support Authority's (the Authority) net result fell \$682 million and it recorded a loss of \$576 million in 2018–19. Most of the loss reflects the impact of a lower risk free discount rate on the outstanding claims liability, and increases in assumed attendant care hourly rates from 1 July 2019.

Management observed increases in attendant care hourly rates in response to market pressures. The assumed increase in rates added approximately \$99.0 million to the Authority's outstanding claims provision at balance date.

icare has spent \$510 million on its three-year transformation program

The 2018–19 year was the planned final year of icare's three-year business transformation program. The program incurred \$364 million in expenses and a further \$146 million in capitalised costs over the three years. icare has budgeted \$116 million for further transformation projects in 2019–20, which would bring the total spend to \$626 million.

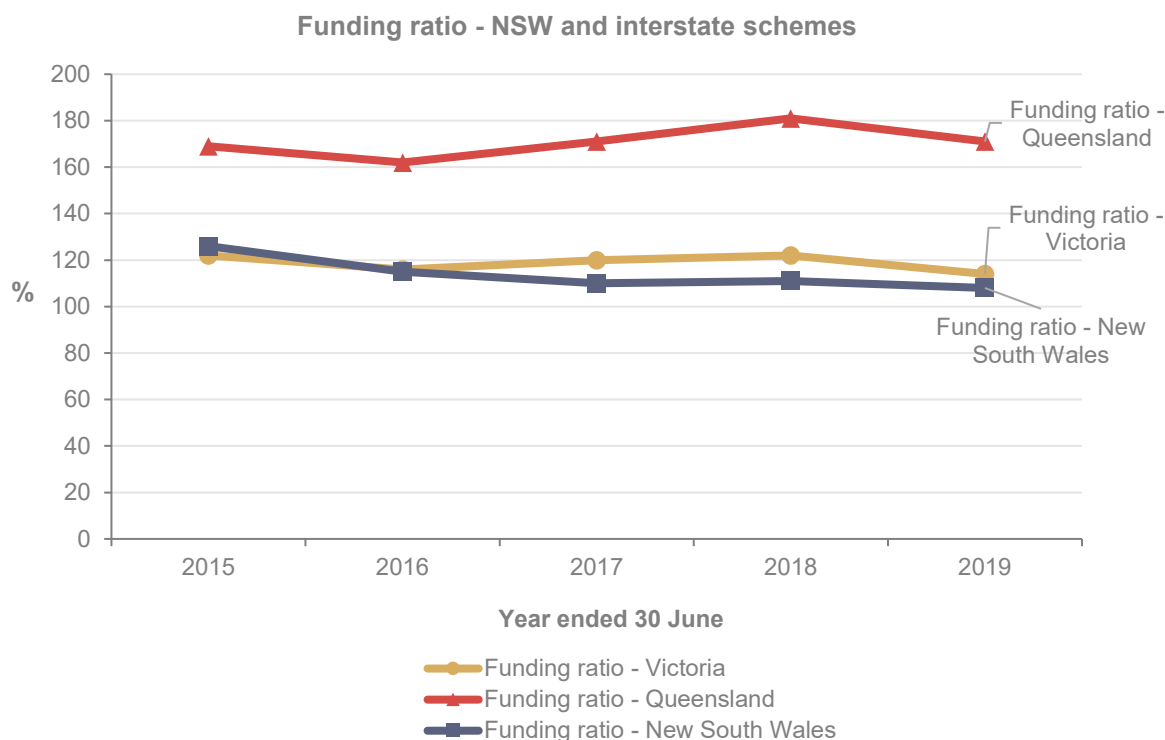
Transformation expenses of \$185 million were incurred in 2018–19 to further develop the new claims system, to transition claims from scheme agents on to the new system, and to implement changes to policy and billing systems.

The aim of the program is to improve customer outcomes and financial performance by transforming icare's operating model and by building new capabilities. The program includes developing a single customer interface, updating technology, and regaining direct control of core insurance processes and data which have been historically outsourced.

The funding ratio for Workers Compensation schemes continues to decrease

The funding ratio compares total assets to total liabilities. It measures the extent to which an insurer's assets can fund its liabilities. Given the long tail nature and inherent risk of Workers Compensation schemes, a buffer is held (assets in excess of liabilities) to protect against volatilities in investments and claims costs.

The graph below, shows funding ratio movements over the last five years for New South Wales against similar schemes in Victoria and Queensland.



Note: The funding ratio is calculated by dividing the schemes assets by its liabilities.

Source: Financial statements (audited).

The combined funding ratio for New South Wales (comprising the Nominal Insurer and the Corporation) fell from 115 per cent in 2015–16 to 108 per cent in 2018–19. The funding ratio is comparable to the Victorian WorkCover Authority.

The funding ratio of the Nominal Insurer of 109 per cent is marginally below its target funding ratio of 110 to 130 per cent (based on an 80 per cent probability of adequacy). The Corporation's funding ratio is 106 per cent, however it does not set a target funding ratio.

A combined funding ratio capturing Nominal Insurer and the Corporation is presented in the graph to enable comparison with other jurisdictions, even though they are independent entities with their own assets and liabilities.

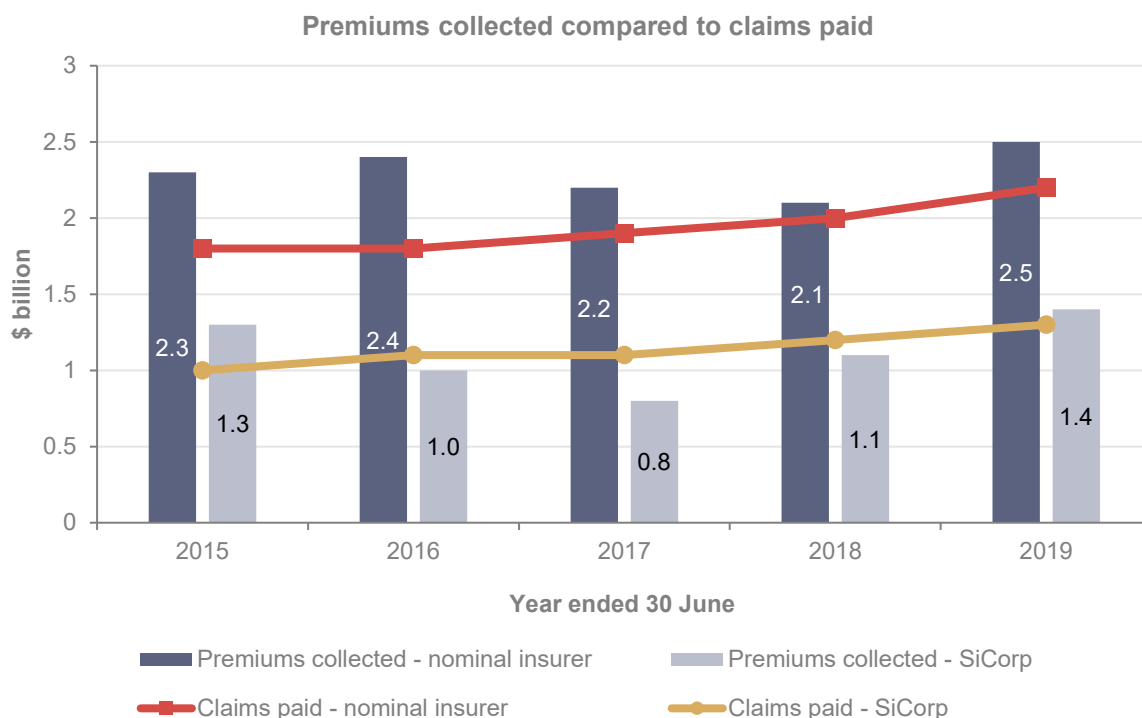
Insurance premium receipts increased by more than claim payments in 2018–19

The Nominal Insurer's premium receipts increased by \$361 million (16.8 per cent) to \$2.5 billion in 2018–19, while claims paid increased by \$231 million (11.8 per cent) to \$2.2 billion.

The Corporation's premium receipts increased by \$298 million (28.3 per cent) to \$1.4 billion in 2018–19, while claims paid increased by \$166 million (14.4 per cent) to \$1.3 billion.

Both the Nominal Insurer and the Corporation recorded underwriting losses in 2018–19. The Nominal Insurer's underwriting loss was \$2.4 billion (\$760 million in 2017–18), while the Corporation's was \$1.4 billion (\$820 million).

The graph below shows the gap between premiums collected net of claims experience adjustments, and claims paid for each agency over the last five years.



Source: Financial statements (audited).

The graph shows Nominal Insurer's collected premiums exceeded claims paid in each of the last five years. Combined with investment earnings, this has resulted in investments increasing by \$2.5 billion (16.4 per cent) over the five years to \$17.7 billion at 30 June 2019.

For the first time since 2014–15, the Corporation's collected premium's marginally exceeded claims paid in 2018–19. Investment returns and grants from the Crown under the Net Asset Holding Level Policy have resulted in the Corporation's investments increasing by \$1.2 billion (15.2 per cent) over the five years to \$9.1 billion at 30 June 2019. This excludes the Corporation's cash at bank balance of \$1.7 billion at 30 June 2019.

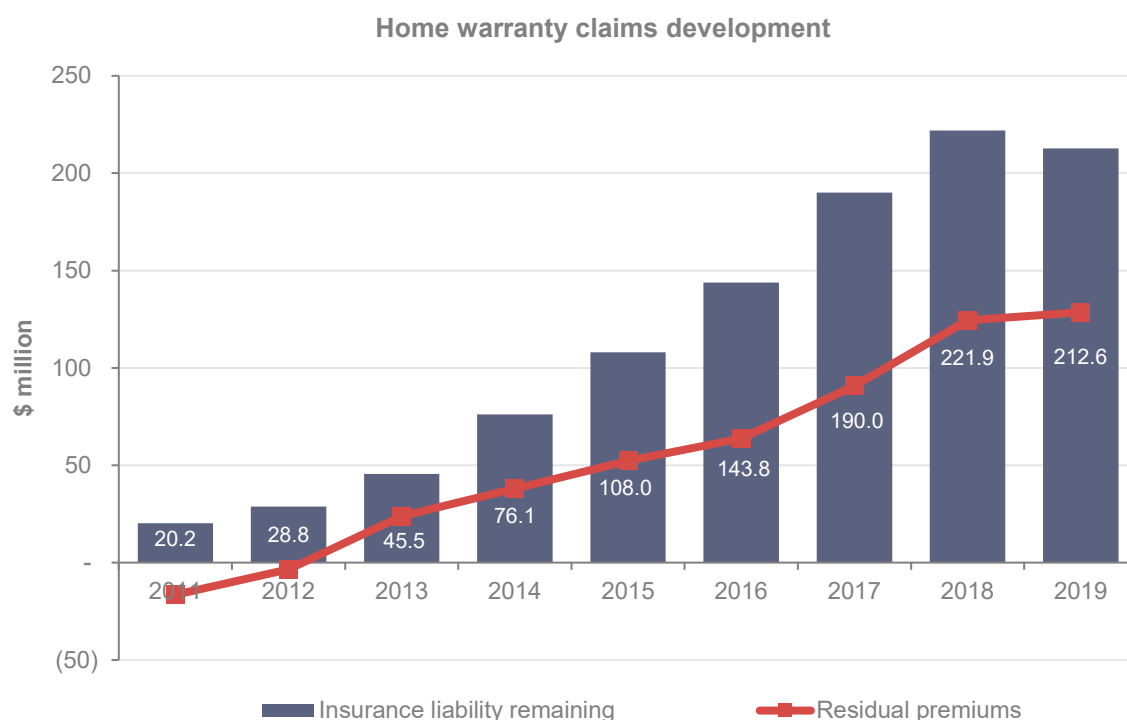
Funding arrangements to support the Home Building Compensation Fund

The Home Building Compensation Fund (HBCF) had unfunded liabilities of \$637 million at 30 June 2019 (\$435 million at 30 June 2018). The unfunded liability is the difference between total assets of \$420 million (\$335 million), and liabilities of \$1.1 billion (\$770 million).

The unfunded position has built up over time because HBCF's historic premium rates have not generated sufficient income to meet claims and operating costs. Recent increases in premium rates have, according to management, resulted in rates that are at sustainable levels for all covered construction types, except for multi-dwelling constructions. The Net Asset Holding Level Policy referred to above, does not apply to HBCF.

The increase in liabilities was partly due to new claims, but also reflects changes in economic and actuarial assumptions. These include a change in discount rates, and recent adverse claims experience.

The following chart shows the gap between the value of claims in an accident year, and premium income (net of payments), decreased in 2018–19 for the first time since 2010–11.



HBCF received funding from the NSW Government of \$28.5 million in 2018–19, as reimbursement for prior year losses up to 30 June 2017. A further \$12.2 million was received by HBCF in July 2019 for 2017–18 losses. HBCF expects to receive funding from the NSW Government until all losses incurred before the establishment of sustainable premium rates are recovered.

The HBCF was created by the *NSW Self Insurance Act 2004* to provide consumer protection for home owners undertaking residential building projects in NSW where the contracted builder, due to certain circumstances, defaults under the contract. The Corporation took over as the sole provider of home warranty insurance cover in New South Wales, under the *Home Building Act 1989*, from 1 July 2010.

Returns on insurance investments were close to benchmark returns

The Nominal Insurer's investment returns increased from 8.8 per cent in 2014–15 to 10.1 per cent in 2018–19. The average rate of return of 6.6 per cent per annum over this period met the benchmark return of 6.6 per cent per annum.

The Corporation's investment¹ returns declined from 12.1 per cent in 2014–15 to 9.0 per cent in 2018–19. Over the past five years, the average annual return for the Corporation was 9.3 per cent, meeting the benchmark return of 9.3 per cent.

¹ Investment return is derived from the Corporation's 'Treasury Managed Fund'.

The table below shows the variability in investment returns compared to their benchmark target.

Investment returns				
Fund at 30 June	2019 Actual	2019 Target	5-year Actual	5-year Target
	(%)	(%)	(%)	(%)
Nominal Insurer	10.1	10.2	6.6	6.6
Corporation	9.0	9.1	9.3	9.3

Source: 2019 actual investment returns are sourced from audited financial statements. The 2019 target, 5-year actual and 5-year target investment returns were provided by the agency (unaudited).

The difference in returns largely reflects each entity's mix of growth and defensive investments. The Nominal Insurer has more defensive assets, such as bonds, in its investment portfolio than the Corporation. These assets generally yield lower returns and are less volatile than growth assets. However, lower bond yields in 2018–19 resulted in Nominal Insurer's investments achieving higher returns above those of the Corporation. The Corporation's returns largely reflect movements in equity markets.

Declining investment returns can impact the premiums required to maintain an adequate funding ratio and other factors such as claims experience and discount rates.

5.3 NSW Treasury Corporation

NSW Treasury Corporation (TCorp) was created by the *Treasury Corporation Act 1983* to provide financial services for, or for the benefit of, the government, public authorities and other public bodies. It does this through two business units:

- Financial markets, whose functions include managing the state's annual funding program, and lending to government clients. This activity is reflected in TCorp's primary financial statements.
- Investment management, which manages the investments of other government clients through the TCorpIM Funds, and other customised portfolios. Other than the fees which TCorp earns for providing these services, this activity is largely not reflected in TCorp's primary financial statements.

Financial markets

The table below summarises the financial performance and position of TCorp:

	Net result		Net assets		Net cash flows from operating activities	
	2019 \$m	2018 \$m	2019 \$m	2018 \$m	2019 \$m	2018 \$m
New South Wales Treasury Corporation	86.8	62.2	263	293	(5,233)	(2,462)

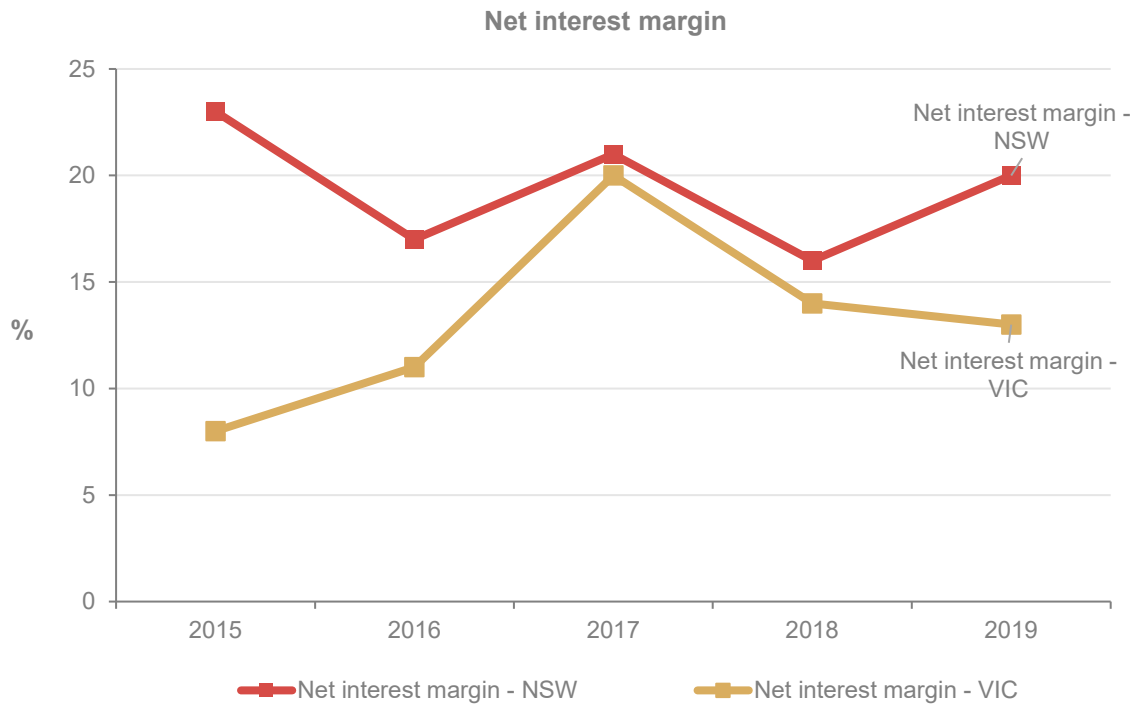
Source: Financial statements (audited).

TCorp has achieved positive net results over the last two years. The decrease in net assets in 2018–19 largely reflects the impact of a \$117.5 million declared dividend. No dividend was declared in 2017–18, as approved by NSW Treasury.

While TCorp had net cash outflows from operating activities, these were more than offset by net cash inflows from investing and financing activities (including bond issuances). As a result TCorp's cash position increased by \$136 million to \$1,902 million at 30 June 2019 (\$1,766 million at 30 June 2018).

Net interest margin

The graph below shows TCorp's net interest margin over the last five years compared to the equivalent agency in Victoria. This represents the net income earned on financial instruments, as a percentage of total financial assets.



Source: Financial statements (audited).

TCorp's net interest margin was about 0.2 per cent over the last five years and shows consistent balance sheet risk management. The increase this year partly reflects revaluation gains on offshore financial instrument positions. The difference between TCorp and their Victorian equivalent could also reflect differing net interest margin objectives for each state.

Cost to revenue

The graph below shows the ratio of TCorp's operating (non-financial) costs to net revenue over the last three years.



Source: Financial statements (audited).

The cost to revenue ratio decreased by 7 per cent in 2018–19 primarily due to TCorp's income increasing by more than its costs.

Income increased by \$39.4 million in 2018–19, primarily due to the impact of changes in interest rates on the fair value of TCorp's financial assets and liabilities, and by an additional \$4.3 million in fees mainly earned while managing the recently established NSW Generations Fund. Costs increased by only \$4.2 million, mainly due to salaries from additional staff working on specific projects, and bond issuance fees on TCorp's borrowing program.

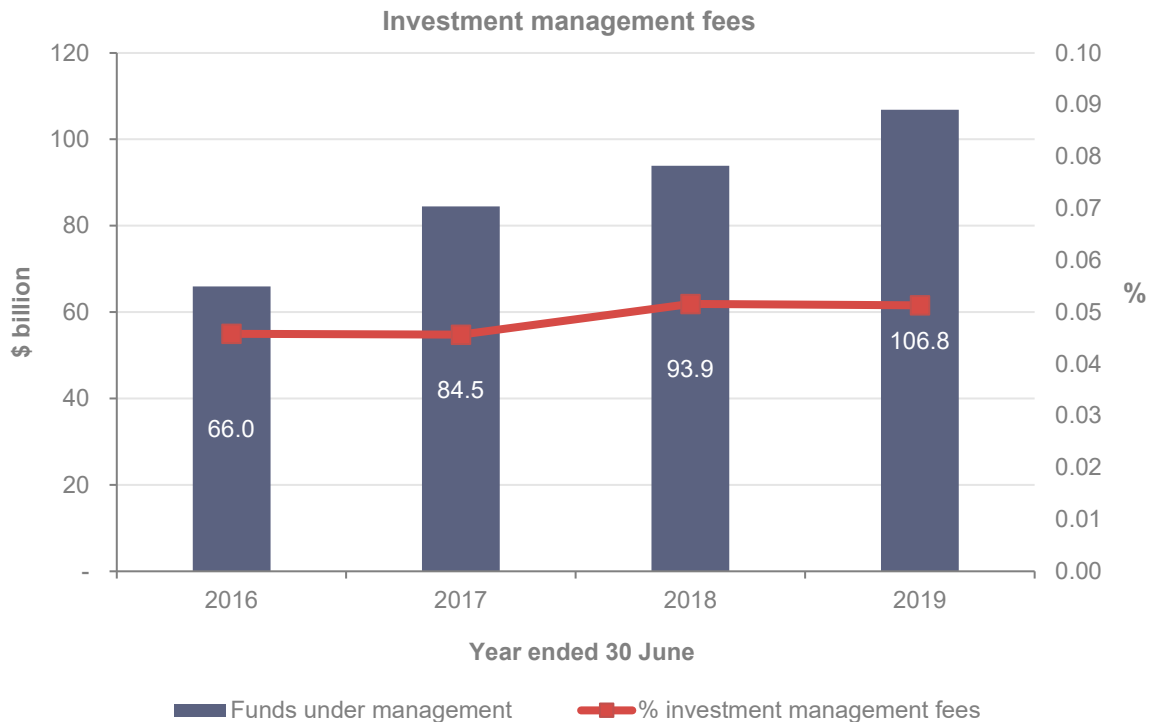
TCorp issued \$1.8 billion in ten-year green bonds in November 2018, the proceeds of which will be used to refinance low carbon transport and water projects. The issuance was made under the NSW Sustainability Bond Framework and was certified as complying with the internationally recognised Climate Bonds Standard. This was TCorp's first sustainability bond programme.

Investment management

TCorp's funds under management increased by \$13 billion to \$107 billion at 30 June 2019 (\$94 billion at 30 June 2018). Part of the reason for the increase was the new NSW Generations Fund. This fund commenced in November 2018 with a \$10.0 billion initial investment from the NSW Government, comprising \$7.0 billion from the sale of WestConnex, and \$3.0 billion from Treasury balance sheet reserves.

Investment management fees

TCorp receives an investment management fee in return for providing Trustee services for funds under management. The graph below shows that TCorp has earned investment management fees averaging 0.05 per cent of funds under management, over the last four years.



The earned fees increased from \$21.3 million in 2015–16 to \$51.5 million in 2018–19, reflecting the growth in the value of funds under management over this period.

TCorp also earns fees for directly managing cash and fixed income assets. These earned fees increased from \$7.1 million or 0.05 per cent of directly managed assets in 2015–16 to \$17.6 million or 0.07 per cent in 2018–19.

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
Customer Service cluster			
Department of Customer Service (incl. Revenue NSW) - cluster lead	✓	✓	✓
Board of Surveying and Spatial Information	✓	✓	✓
Building Professionals Board	✓	✓	✓
Financial Counselling Trust Fund	✓	✓	✓
Greyhound Welfare and Integrity Commission	✓	✓	✓
Independent Liquor and Gaming Authority	✓	✓	✓
Independent Pricing and Regulatory Tribunal	✓	✓	✓
Information and Privacy Commission NSW	✓	✓	✓
New South Wales Government Telecommunications Authority	✓	✓	✓
NSW Architects Registration Board	✓	✓	✓
Rental Bond Board	✓	✓	✓
Responsible Gambling Fund	#	#	#
Service NSW	✓	✓	✓
State Insurance and Regulatory Authority	✓	✓	✓
Premier and Cabinet cluster			
Department of Premier and Cabinet - cluster lead	✓	✓	✓
Aboriginal Affairs NSW	✓	✓	✓
Art Gallery of New South Wales Foundation	✓	✓	✓ ₁
Art Gallery of New South Wales Trust	✓	✓	✓ ₁
Australian Museum Trust	✓	✓	✓
Barangaroo Delivery Authority ^{^^}	✓	✓	✓
Corporation Sole " <i>Minister Administering the Heritage Act 1977</i> "	#	#	#
Foundation for the Historic Houses Trust of New South Wales	✓	✓	✓
Foundation for the Historic Houses Trust of New South Wales Limited	✓	✓	✓
Greater Sydney Commission	✓	✓	✓

Cluster agencies	Timeliness of financial reporting		
	Early close procedures	Financial statements	Audit report
Greater Sydney Commission (Staff Agency)	✓	✓	✓
Historic Houses Trust of New South Wales	✓	✓	✓
Independent Commission Against Corruption	✓	✓	✓
Infrastructure NSW	✓	✓	✓
Library Council of New South Wales	✓	✓	✓
Library Council of New South Wales (Staff Agency)	✓	✓	✓
National Art School	^	✓	✓
New South Wales Electoral Commission	✓	✓	✓
Office of Environment and Heritage	✓	✓	✓
Ombudsman's Office	✓	✓	✓
Parliamentary Counsel's Office	✓	✓	✓
Public Service Commission	✓	✓	✓
Sesquicentenary of Responsible Government Trust Fund	✓	✓	✓
State Archives and Records Authority of New South Wales	✓	✓	✓
State Library of New South Wales Foundation	✓	✓	✓
Sydney Opera House Trust	✓	✓	✓
The Australian Institute of Asian Culture and Visual Arts Limited (VisAsia)	✓	✓	✓ ¹
The Brett Whiteley Foundation	✓	✓	✓
Trustees of the Museum of Applied Arts and Sciences	✓	✓	✓
UrbanGrowth NSW Development Corporation ^{^^}	✓	✓	✓
Treasury cluster			
The Treasury - cluster lead	✓	✓	✓
Alpha Distribution Ministerial Holding Corporation	✓	✓	✓
Building Insurers' Guarantee Corporation	✓	✓	✓
Buroba Pty Ltd	*	*	*
Crown Employees (NSW Fire Brigades Firefighting Staff Death and Disability) Superannuation Fund (Fund)	#	#	#
Crown Employees (NSW Fire Brigades Firefighting Staff Death and Disability) Superannuation Fund (Trustee)	#	#	#
Crown Entity (the Crown)	✓	✓	✓
Destination NSW	✓	✓	✓
EIF Pty Limited	#	#	#
Electricity Assets Ministerial Holding Corporation	✓	✓	✓
Electricity Retained Interest Corporation - Ausgrid	✓	✓	✓

Timeliness of financial reporting

Cluster agencies	Early close procedures	Financial statements	Audit report
Twenty-four controlled entities of the Electricity Retained Interest Corporation - Ausgrid	2	 2	2
Electricity Retained Interest Corporation - Endeavour			
Twenty-four controlled entities of the Electricity Retained Interest Corporation - Endeavour	2	 2	2
Electricity Retained Interest Corporation Fund - Ausgrid	#	#	#
Electricity Retained Interest Corporation Fund - Endeavour	#	#	#
Electricity Transmission Ministerial Holding Corporation			
Energy Industries Superannuation Scheme Pool A	#	#	#
Energy Industries Superannuation Scheme Pool B	#	#	#
Energy Industries Superannuation Scheme Pty Limited	#	#	#
Energy Investment Fund	#	#	#
Epsilon Distribution Ministerial Holding Corporation Pty Ltd			
ERIC Alpha Holdings Pty Ltd			
ERIC Epsilon Holdings Pty Ltd			
Generator Property Management Pty Ltd			
ICNSW Australian Equities Fund	#	#	#
ICNSW International Equities Fund	#	#	#
ICNSW International Equities Fund (Unhedged)	#	#	#
Insurance and Care NSW			
Insurer's Guarantee Fund Investment Trust	#	#	#
Jobs for NSW Fund	#	#	#
LGSS Pty Limited	#	#	#
Liability Management Ministerial Corporation			
Lifetime Care and Support Authority of New South Wales			
Long Service Corporation			
Long Service Corporation Investment Fund	#	#	#
Macquarie University Professorial Superannuation Scheme	#	#	#
Ministerial Holding Corporation			
New South Wales Treasury Corporation			
NSW Fire Brigades Superannuation Pty Ltd	#	#	#
NSW Generations (Community Services and Facilities) Fund	#	#	#
NSW Generations (Debt Retirement) Fund	#	#	#
NSW Generations (Debt Retirement) Fund Investment Trust	#	#	#
NSW Infrastructure Future Fund	#	#	#
NSW Self Insurance Corporation			

Cluster agencies	Timeliness of financial reporting		
	Early close procedures	Financial statements	Audit report
Parliamentary Contributory Superannuation Fund	#	#	#
Parliamentary Contributory Superannuation Fund (Trustees)	#	#	#
Parliamentary Contributory Superannuation Fund Investment Trust	#	#	#
Port Botany Lessor Pty Limited	✓	✓	✓
Port Kembla Lessor Pty Limited	✓	✓	✓
Port of Newcastle Lessor Pty Limited	✓	✓	✓
Ports Assets Ministerial Holding Corporation	✓	✓	✓
Restart NSW	#	#	#
Roads Retained Interest Pty Ltd	✓	✓	✓
SAS Trustee Corporation - Pooled Fund	✓	✓	✓
SAS Trustee Corporation (Trustee)	✓	✓	✓
Social and Affordable Housing NSW	#	#	#
Social and Affordable Housing NSW Fund Investment Trust	#	#	#
Sporting Injuries Compensation Authority	✓	✓	✓
State Rail Authority Residual Holding Corporation	✓	✓	✓
TCorplm Absolute Return Multi-Asset Class Fund	#	#	#
TCorplm Alternative Risk Premia Fund	#	#	#
TCorplm Australian Bond Fund	#	#	#
TCorplm Australian Inflation Linked Bond Fund	#	#	#
TCorplm Australian Share Fund	#	#	#
TCorplm Bank Loan Fund	#	#	#
TCorplm Cash Fund	#	#	#
TCorplm Cyclical Growth Australian Share Fund	#	#	#
TCorplm Cyclical Growth International Share Fund	#	#	#
TCorplm Direct Infrastructure Fund A	#	#	#
TCorplm Direct Investment Fund B	#	#	#
TCorplm Direct Investment Fund C	#	#	#
TCorplm Direct Investment Fund D	#	#	#
TCorplm Direct Investment Fund E	#	#	#
TCorplm Downside Protection Australian Share Fund	#	#	#
TCorplm Downside Protection International Share Fund	#	#	#
TCorplm Emerging Market Debt Fund	#	#	#
TCorplm Emerging Market Share Fund	#	#	#
TCorplm Global Credit Fund	#	#	#
TCorplm High Yield Fund	#	#	#

Timeliness of financial reporting			
Cluster agencies	Early close procedures	Financial statements	Audit report
TCorpIM Indexed Australian Share Fund	#	#	#
TCorpIM Indexed International Share (Unhedged) Fund	#	#	#
TCorpIM International Share (Hedged) Fund	#	#	#
TCorpIM International Share (Unhedged) Fund	#	#	#
TCorpIM Liquidity Cash Fund	#	#	#
TCorpIM Listed Property Fund	#	#	#
TCorpIM Long Term Growth Fund	#	#	#
TCorpIM Medium Term Growth Fund	#	#	#
TCorpIM Multi-Asset Class Fund	#	#	#
TCorpIM Small Cap Australian Share Fund	#	#	#
TCorpIM Specialist Emerging Market Share Fund	#	#	#
TCorpIM Short Term Income Fund	#	#	#
TCorpIM Unlisted Infrastructure Fund	#	#	#
TCorpIM Unlisted Property Fund	#	#	#
Treasury Managed Fund Investment Portfolio	#	#	#
University of Sydney Professorial Superannuation System	#	#	#
Valley Commerce Pty Limited	*	*	*
Western City and Aerotropolis Authority	**	✓	✓
Workers Compensation (Dust Diseases) Authority	✓	✓	✓
Workers Compensation Nominal Insurer	✓	✓	✓
Other agency (not part of the above clusters)			
The Legislature	✓	✓	✓
Key	✓	! Statutory reporting deadline was not met	

- # Agency is a prescribed or request audit and is not subject to statutory financial reporting deadlines.
- ^ Agency has a 31 December year end and is not subject to early close procedures.
- ^^ This entity has been abolished and is merged into Infrastructure NSW following MoG changes.
- * Agency is exempt from financial reporting in 2019, not audited.
- ** Agency prepared their first set of financial statements for the period ending 30 June 2019, and is exempt from early close procedures.
- 1 Agency financial statements were signed on time. The audit report was issued within 3 days of receipt of financial statements.
- 2 The financial statements of 24 subsidiaries of both the Electricity Retained Interest Corporation – Ausgrid (ERIC-A) and Electricity Retained Interest Corporation – Endeavour (ERIC-E) were reported on a consolidated basis as part of the ERIC-A and ERIC-E group financial statements. The Directors advised that all financial statement information pertaining to the subsidiaries has been captured as part of the audited consolidated ERIC-A and ERIC-E parent and Holding Co. financial statements.

Appendix two – Management letter findings by agency

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






	Management letter findings				
	Extreme	High	Moderate	Low	Repeat
Customer Service cluster					
Department of Finance, Services and Innovation	--	1	15	15	10
Building Professionals Board	--	--	--	1	--
Independent Pricing and Regulatory Tribunal	--	--	1	1	--
Information and Privacy Commission NSW	--	--	--	2	1
New South Wales Government Telecommunications Authority	--	--	2	3	1
Rental Bond Board	--	--	--	1	--
Service NSW	--	--	8	1	5
State Insurance and Regulatory Authority	--	--	4	1	1
Premier and Cabinet cluster					
Department of Premier and Cabinet	--	--	1	5	1
Art Gallery of New South Wales Foundation	--	--	2	1	2
Art Gallery of New South Wales Trust	--	--	6	1	3
Australian Museum Trust	--	--	2	--	--
Greater Sydney Commission	--	--	--	3	--
Historic Houses Trust of New South Wales	--	--	1	1	--
Independent Commission Against Corruption	--	--	3	6	5
Infrastructure NSW	--	--	1	1	2
Library Council of New South Wales	--	--	--	2	1
National Art School	--	--	3	4	2
New South Wales Electoral Commission	--	--	4	2	5
Office of Environment and Heritage	--	--	--	3	--
Ombudsman's Office	--	--	1	2	--
Parliamentary Counsel's Office	--	--	--	1	--
Public Service Commission	--	--	--	1	--
State Archives and Records Authority of New South Wales	--	--	5	4	2
Trustees of the Museum of Applied Arts and Sciences	--	--	5	2	--
UrbanGrowth NSW Development Corporate ^{^^}	--	--	7	--	1

Management letter findings					
	Extreme	High	Moderate	Low	Repeat
Treasury cluster					
The Treasury	--	--	5	10	2
Alpha Distribution Ministerial Holding Corporation	--	--	1	--	--
Crown Entity (the Crown)	--	--	--	7	3
Electricity Assets Ministerial Holding Corporation	--	--	1	--	--
Electricity Transmission Ministerial Holding Corporation	--	--	1	--	--
Epsilon Distribution Ministerial Holding Corporation	--	--	1	1	--
Generator Property Management Pty Ltd	--	--	1	--	--
Insurance and Care NSW	--	--	9	6	5
Jobs for NSW Fund	--	--	1	--	--
LGSS Pty Ptd	--	--	--	1	--
Long Service Corporation	--	--	2	--	--
New South Wales Treasury Corporation	--	--	--	6	--
NSW Self Insurance Corporation	--	--	1	1	--
Port Botany Lessor Pty Limited	--	--	--	2	--
Port Kembla Lessor Pty Limited	--	--	--	2	--
Port of Newcastle Lessor Pty Limited	--	--	--	2	--
SAS Trustee Corporation - Pooled Fund	--	--	--	1	--
Social and Affordable Housing NSW	--	1	--	--	--
Sporting Injuries Compensation Authority	--	--	--	1	--
University of Sydney Professorial Superannuation System	--	--	1	1	1
Western City and Aerotropolis Authority	--	--	1	--	--
Workers Compensation (Dust Diseases) Authority	--	--	--	1	--
Workers Compensation Nominal Insurer	--	--	1	--	--
Other Agency (not part of the above clusters)					
The Legislature	--	--	2	4	2

^{^^} This entity has been abolished and is merged into Infrastructure NSW following MoG changes. The entity prepared financial statements for FY2018–19.

Appendix three – Status of 2018 recommendations

The table below lists the recommendations made in the Central Agencies 2018 report relating to agencies in the Department of Finance, Services and Innovation (DFSI), Premier and Cabinet, and Treasury clusters.

Recommendation	Current status
NSW Government agencies should:	
Respond to key accounting issues when they are identified by preparing accounting papers and engaging with Treasury, the Audit Office and their Audit and Risk Committee when these matters are identified.	Our audit of early close procedures found that agencies were identifying and addressing key accounting issues as part of their early close procedures, and engaging with the appropriate parties. No further issues were raised on this matter. 
The Treasury should:	
Consult with the Trustees of the STC Pooled Fund and PCS Fund to prescribe appropriate prudential standards and requirements, including oversight arrangements	Treasury have chosen not to take any specific action at this stage.  In chapter five on government financial services, we have recommended that Treasury formally assess the merits of implementing a prudential standards and supervision arrangement for the STC Pooled Fund and PCS Fund, considering the associated risks, benefits and cost to scheme members.
Key	 Fully addressed  Partially addressed  Not addressed

Appendix four – Cluster agencies

Agency

Customer Service cluster

[Department of Customer Service \(incl. Revenue NSW\) - cluster lead](#)

[Board of Surveying and Spatial Information](#)

[Building Professionals Board](#)

[Financial Counselling Trust Fund](#)

[Greyhound Welfare and Integrity Commission](#)

[Independent Liquor and Gaming Authority](#)

[Independent Pricing and Regulatory Tribunal*](#)

[Information and Privacy Commission NSW](#)

[New South Wales Government Telecommunications Authority](#)

[NSW Architects Registration Board](#)

[Rental Bond Board](#)

[Responsible Gambling Fund](#)

[Service NSW](#)

[State Insurance and Regulatory Authority](#)

Premier and Cabinet cluster

[Department of Premier and Cabinet - cluster lead](#)

[Aboriginal Affairs NSW](#)

[Art Gallery of New South Wales Foundation](#)

[Art Gallery of New South Wales Trust*](#)

[Australian Museum Trust*](#)

[Barangaroo Delivery Authority^](#)

[Corporation Sole *"Minister Administering the Heritage Act 1977"*](#)

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

[Foundation for the Historic Houses Trust of New South Wales Limited](#)

[Greater Sydney Commission](#)

[Greater Sydney Commission \(Staff Agency\)](#)

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

[Independent Commission Against Corruption](#)

[Infrastructure NSW*](#)

[Library Council of New South Wales](#)

[Library Council of New South Wales \(Staff Agency\)](#)

[National Art School](#)

[New South Wales Electoral Commission*](#)

[Office of Environment and Heritage](#)

[Ombudsman's Office](#)

Agency

[Parliamentary Counsel's Office](#)

[Public Service Commission](#)

Sesquicentenary of Responsible Government Trust Fund

[State Archives and Records Authority of New South Wales](#)

[State Library of New South Wales Foundation](#)

[Sydney Opera House Trust*](#)

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

[The Brett Whiteley Foundation](#)

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

[UrbanGrowth NSW Development Corporation^](#)

Treasury cluster

[The Treasury - cluster lead](#)

[Alpha Distribution Ministerial Holding Corporation](#)

[Building Insurers' Guarantee Corporation](#)

Buroba Pty Ltd

[Crown Employees \(NSW Fire Brigades Firefighting Staff Death and Disability\) Superannuation Fund \(Fund\)](#)

[Crown Employees \(NSW Fire Brigades Firefighting Staff Death and Disability\) Superannuation Fund \(Trustee\)](#)

Crown Entity (the Crown)

[Destination NSW](#)

[EIF Pty Limited](#)

[Electricity Assets Ministerial Holding Corporation](#)

[Electricity Retained Interest Corporation - Ausgrid](#)

Twenty-four controlled entities of the Electricity Retained Interest Corporation - Ausgrid

[Electricity Retained Interest Corporation - Endeavour](#)

Twenty-four controlled entities of the Electricity Retained Interest Corporation - Endeavour

[Electricity Retained Interest Corporation Fund - Ausgrid](#)

[Electricity Retained Interest Corporation Fund - Endeavour](#)

[Electricity Transmission Ministerial Holding Corporation](#)

[Energy Industries Superannuation Scheme Pool A](#)

[Energy Industries Superannuation Scheme Pool B](#)

[Energy Industries Superannuation Scheme Pty Limited](#)

[Energy Investment Fund](#)

Epsilon Distribution Ministerial Holding Corporation Pty Ltd

ERIC Alpha Holdings Pty Ltd

ERIC Epsilon Holdings Pty Ltd

[Generator Property Management Pty Ltd](#)

[ICNSW Australian Equities Fund](#)

[ICNSW International Equities Fund](#)

[ICNSW International Equities Fund \(Unhedged\)](#)

[Insurance and Care NSW](#)

[Insurer's Guarantee Fund Investment Trust](#)

[Jobs for NSW Fund](#)

Agency

[LGSS Pty Limited](#)

Liability Management Ministerial Corporation

[Lifetime Care and Support Authority of New South Wales](#)

[Long Service Corporation](#)

[Long Service Corporation Investment Fund](#)

Macquarie University Professorial Superannuation Scheme

[Ministerial Holding Corporation](#)

[New South Wales Treasury Corporation](#)

[NSW Fire Brigades Superannuation Pty Ltd](#)

NSW Generations (Community Services and Facilities) Fund

NSW Generations (Debt Retirement) Fund

[NSW Generations \(Debt Retirement\) Fund Investment Trust](#)

[NSW Infrastructure Future Fund](#)

[NSW Self Insurance Corporation](#)

Parliamentary Contributory Superannuation Fund (The Fund)

Parliamentary Contributory Superannuation Fund (Trustees)

[Parliamentary Contributory Superannuation Fund Investment Trust](#)

[Port Botany Lessor Pty Limited](#)

[Port Kembla Lessor Pty Limited](#)

[Port of Newcastle Lessor Pty Limited](#)

[Ports Assets Ministerial Holding Corporation](#)

Restart NSW

[Roads Retained Interest Pty Ltd](#)

[SAS Trustee Corporation - Pooled Fund](#)

[SAS Trustee Corporation \(Trustee\)](#)

[Social and Affordable Housing NSW](#)

[Social and Affordable Housing NSW Fund Investment Trust](#)

[Sporting Injuries Compensation Authority](#)

State Rail Authority Residual Holding Corporation

[TCorplM Absolute Return Multi-Asset Class Fund](#)

[TCorplM Alternative Risk Premia Fund](#)

[TCorplM Australian Bond Fund](#)

[TCorplM Australian Inflation Linked Bond Fund](#)

[TCorplM Australian Share Fund](#)

[TCorplM Bank Loan Fund](#)

[TCorplM Cash Fund](#)

[TCorplM Cyclical Growth Australian Share Fund](#)

[TCorplM Cyclical Growth International Share Fund](#)

[TCorplM Direct Infrastructure Fund A](#)

[TCorplM Direct Investment Fund B](#)

[TCorplM Direct Investment Fund C](#)

Agency

[TCorplM Direct Investment Fund D](#)
[TCorplM Direct Investment Fund E](#)
[TCorplM Downside Protection Australian Share Fund](#)
[TCorplM Downside Protection International Share Fund](#)
[TCorplM Emerging Market Debt Fund](#)
[TCorplM Emerging Market Share Fund](#)
[TCorplM Global Credit Fund](#)
[TCorplM High Yield Fund](#)
[TCorplM Indexed Australian Share Fund](#)
[TCorplM Indexed International Share \(Unhedged\) Fund](#)
[TCorplM International Share \(Hedged\) Fund](#)
[TCorplM International Share \(Unhedged\) Fund](#)
[TCorplM Liquidity Cash Fund](#)
[TCorplM Listed Property Fund](#)
[TCorplM Long Term Growth Fund](#)
[TCorplM Medium Term Growth Fund](#)
[TCorplM Multi-Asset Class Fund](#)
[TCorplM Short Term Income Fund](#)
[TCorplM Small Cap Australian Share Fund](#)
[TCorplM Specialist Emerging Market Share Fund](#)
[TCorplM Unlisted Infrastructure Fund](#)
[TCorplM Unlisted Property Fund](#)
[Treasury Managed Fund Investment Portfolio](#)
University of Sydney Professorial Superannuation System
[Valley Commerce Pty Limited](#)
[Western City and Aerotropolis Authority](#)
[Workers Compensation \(Dust Diseases\) Authority](#)
[Workers Compensation Nominal Insurer](#)

Other agency

The Legislature

* Only the parent entity is included, the associated staff agency was exempt from the preparation of financial statements in FY2018–19.

^ This entity has been abolished and is merged into Infrastructure NSW following MoG changes. The entity prepared financial statements for FY2018–19.

Note: The Audit Office of NSW is an independent agency included in the Premier and Cabinet cluster for administrative purposes, but not commented on in this report.

Appendix five – 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
Customer Service cluster								
Department of Customer Service (incl. Revenue NSW) - cluster lead	1,222	1,285	3,129	3,308	2,013	2,045	1,960	1,911
Board of Surveying and Spatial Information	1	1	--	--	1	1	1	1
Building Professionals Board	1	1	2	1	3	3	4	3
Financial Counselling Trust Fund	--	2	--	--	--	--	2	2
Greyhound Welfare and Integrity Commission	4	2	2	2	18	3	16	3
Independent Liquor and Gaming Authority	3	19	--	10	1	5	3	3
Independent Pricing and Regulatory Tribunal*	5	8	5	6	31	33	33	30
Information and Privacy Commission NSW	2	2	--	1	6	6	6	6
New South Wales Government Telecommunications Authority	287	191	47	51	182	111	82	68
NSW Architects Registration Board	3	3	--	--	2	2	1	1
Rental Bond Board	67	66	1	1	60	57	59	53
Responsible Gambling Fund	39	36	3	1	25	19	24	17
Service NSW	226	278	83	79	484	397	540	438
State Insurance and Regulatory Authority	406	419	302	292	556	551	579	540
Customer Service cluster total	2,266	2,313	3,574	3,752	3,382	3,233	3,310	3,076

	Total assets		Total liabilities		Total revenue		Total expense	
	2019	2018	2019	2018	2019	2018	2019	2018
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Premier and Cabinet cluster								
Department of Premier and Cabinet - cluster lead	200	205	74	73	543	363	551	365
Aboriginal Affairs NSW	--	--	--	--	--	--	--	--
Art Gallery of New South Wales Foundation	67	68	--	--	3	9	4	3
Art Gallery of New South Wales Trust*	1,768	1,714	7	9	116	103	64	59
Australian Museum Trust*	1,044	1,039	10	15	53	90	53	47
Barangaroo Delivery Authority #	1,140	1,260	1,026	1,105	33	33	81	68
Corporation Sole "Minister Administering the Heritage Act 1977"	20	13	--	--	8	1	1	1
Foundation for the Historic Houses Trust of New South Wales	2	2	--	--	--	--	--	--
Foundation for the Historic Houses Trust of New South Wales Limited	--	--	--	--	--	--	--	--
Greater Sydney Commission	1	1	3	3	17	23	17	23
Greater Sydney Commission (Staff Agency)	1	--	1	--	7	--	7	--
Historic Houses Trust of New South Wales	320	295	7	5	32	30	9	27
Independent Commission Against Corruption	5	6	4	5	29	24	29	26
Infrastructure NSW*	33	54	19	43	253	237	250	231
Library Council of New South Wales	2,296	2,407	14	15	99	101	89	91
Library Council of New South Wales (Staff Agency)	5	4	5	4	38	35	38	35
National Art School^	10	7	3	3	16	13	12	13

	Total assets		Total liabilities		Total revenue		Total expense	
	2019	2018	2019	2018	2019	2018	2019	2018
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
New South Wales Electoral Commission*	23	18	8	5	144	71	142	75
Office of Environment and Heritage	4,990	4,471	157	157	1,141	1,121	1,112	997
Ombudsman's Office	5	8	4	6	30	37	31	35
Parliamentary Counsel's Office	3	3	2	1	10	11	10	10
Public Service Commission	10	11	7	9	42	41	41	37
Sesquicentenary of Responsible Government Trust Fund	--	--	--	--	--	--	--	--
State Archives and Records Authority of New South Wales	1,075	1,035	9	10	69	111	33	35
State Library of New South Wales Foundation	19	21	1	1	6	11	8	8
Sydney Opera House Trust*	2,713	2,682	48	45	177	217	158	144
The Australian Institute of Asian Culture and Visual Arts Limited (VisAsia)	2	2	--	--	--	--	--	--
The Brett Whiteley Foundation	4	4	--	--	2	--	--	--
Trustees of the Museum of Applied Arts and Sciences*	720	714	10	7	51	49	58	65
UrbanGrowth NSW Development Corporation #	354	296	149	188	126	69	57	307
Premier and Cabinet Cluster Total	16,830	16,340	1,568	1,709	3,045	2,800	2,855	2,702
Treasury cluster (Other)								
The Treasury - cluster lead	77	86	33	44	140	136	138	135
Alpha Distribution Ministerial Holding Corporation	174	166	32	18	19	18	11	10
Crown Entity (Crown)	37,199	30,831	124,899	101,646	63,890	63,159	75,022	67,691
Destination NSW*	37	31	49	42	182	207	184	207

	Total assets		Total liabilities		Total revenue		Total expense	
	2019	2018	2019	2018	2019	2018	2019	2018
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Electricity Assets								
Ministerial Holding Corporation	162	168	55	56	3	6	8	19
Electricity Retained Interest Corporation - Ausgrid	3,644	3,954	--	--	81	257	146	197
Electricity Retained Interest Corporation - Endeavour	1,978	2,033	--	--	147	179	39	79
Electricity Transmission Ministerial Holding Corporation	189	185	219	150	8	6	6	8
Epsilon Distribution Ministerial Holding Corporation Pty Ltd	37	35	20	11	5	10	3	3
ERIC Alpha Holdings Pty Ltd	3,644	3,954	--	--	211	256	146	196
ERIC Epsilon Holdings Pty Ltd	1,978	2,033	--	--	147	178	38	78
Generator Property Management Pty Ltd	8	11	1	2	5	11	8	3
ICNSW Australian Equities Fund	1,912	1,830	15	8	197	266	8	266
ICNSW International Equities Fund (Hedged)	252	240	3	5	23	15	--	15
ICNSW International Equities Fund (Unhedged)	3,363	3,168	6	26	525	322	21	322
Insurer's Guarantee Fund Investment Trust	207	196	--	--	19	14	--	14
Jobs for NSW Fund	34	26	21	15	21	39	18	32
Liability Management Ministerial Corporation	207	170	--	--	38	34	--	--
Long Service Corporation	1,825	1,609	1,473	1,237	328	324	347	171
Long Service Corporation Investment Fund	1,515	1,329	--	--	133	125	--	125
Ministerial Holding Corporation	--	--	--	--	--	--	--	--
New South Wales Treasury Corporation	74,522	65,822	74,259	65,529	218	178	131	116

	Total assets		Total liabilities		Total revenue		Total expense	
	2019	2018	2019	2018	2019	2018	2019	2018
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
NSW Generations (Debt Retirement) Fund Investment Trust	10,909	--	2	--	930	--	5	--
NSW Infrastructure Future Fund	18,320	19,473	33	16	1,093	1,037	13	1,037
Parliamentary Contributory Superannuation Fund Investment Trust	333	316	--	--	29	35	--	35
Port Botany Lessor Pty Limited	185	173	--	--	41	37	28	26
Port Kembla Lessor Pty Limited	20	19	--	--	7	6	5	5
Port of Newcastle Lessor Pty Limited	29	27	--	--	6	6	4	4
Ports Assets Ministerial Holding Corporation	235	219	--	--	53	50	38	35
Roads Retained Interest Pty Ltd	6,469	--	--	--	(2)	--	1	--
Social and Affordable Housing NSW Fund Investment Trust	1,220	1,087	--	--	101	87	--	87
State Rail Authority Residual Holding Corporation	--	--	--	--	--	--	--	--
TcorpIM Absolute Return Multi-Asset Class Fund	1,261	--	--	--	38	--	1	--
TCorpIM Alternative Risk Premia Fund	1,394	1,320	1	--	8	(30)	4	--
TCorpIM Australian Bond Fund	899	547	15	1	72	19	1	19
TCorpIM Australian Inflation Linked Bond Fund	331	418	--	--	31	11	1	11
TCorpIM Australian Share Fund	5,996	5,406	2	7	595	674	7	674
TCorpIM Bank Loan Fund	2,342	1,898	--	--	93	27	2	27
TCorpIM Cash Fund	830	3,289	--	--	31	43	--	43
TCorpIM Cyclical Growth Australian Share Fund	2,298	1,641	2	1	208	197	8	197

	Total assets		Total liabilities		Total revenue		Total expense	
	2019	2018	2019	2018	2019	2018	2019	2018
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
TCorplm Cyclical Growth International Share Fund	3,133	1,365	9	4	420	120	20	120
TCorplm Direct Infrastructure Fund A	191	176	--	--	12	7	--	7
TCorplm Direct Investment Fund B	132	125	--	--	12	10	1	10
TCorplm Direct Investment Fund C	149	81	--	--	5	(2)	--	(2)
TCorplm Direct Investment Fund D	130	85	2	5	1	5	--	5
TCorplm Direct Investment Fund E	566	506	1	1	77	57	3	57
TCorplm Downside Protection Australian Share Fund	1,897	1,721	19	9	175	215	9	215
TCorplm Downside Protection International Share Fund	2,267	1,664	3	2	315	184	14	184
TCorplm Emerging Market Debt Fund	1,356	551	16	12	183	3	7	3
TCorplm Emerging Market Share Fund	1,923	1,068	11	6	194	191	10	191
TCorplm Global Credit Fund	426	579	8	31	37	6	1	6
TCorplm High Yield Fund	1,042	196	9	7	41	3	3	3
TCorplm Indexed Australian Share Fund	228	205	--	--	24	24	--	24
TCorplm Indexed International Share (Unhedged) Fund	624	557	--	--	71	79	3	79
TCorplm International Share (Hedged) Fund	1,218	922	14	19	66	99	--	99
TCorplm International Share (Unhedged) Fund	7,586	6,353	14	10	796	825	26	825
TCorplm Liquidity Cash Fund	3,143	3,931	--	1	67	49	2	49
TCorplm Listed Property Fund	309	250	3	5	24	16	4	16
TCorplm Long Term Growth Fund	1,452	1,209	--	1	117	102	--	102

	Total assets		Total liabilities		Total revenue		Total expense	
	2019	2018	2019	2018	2019	2018	2019	2018
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
TCorplM Medium Term Growth Fund	705	372	--	--	38	13	--	13
TCorplM Multi-Asset Class Fund	1,788	626	--	--	85	54	1	54
TCorplM Short Term Income Fund	3,703	990	41	--	70	30	2	30
TCorplM Small Cap Australian Share Fund	829	458	8	4	99	14	4	14
TCorplM Specialist Emerging Market Share Fund	1,296	1,038	8	4	107	144	15	144
TCorplM Unlisted Infrastructure Fund	1,132	1,054	--	--	87	85	1	85
TCorplM Unlisted Property Fund	1,637	1,585	--	--	143	178	1	178
Treasury Managed Fund Investment Portfolio	8,392	7,938	2	3	706	853	1	853
Western City and Aerotropolis Authority	1	--	1	--	3	--	3	--
Treasury cluster (Other) total	233,290	189,315	201,309	168,938	73,649	71,305	76,523	75,251
Treasury cluster (Insurance and Compensation)								
Building Insurers' Guarantee Corporation	46	49	7	14	1	1	(3)	(6)
Insurance and Care NSW	161	178	148	165	665	655	665	655
Lifetime Care and Support Authority of New South Wales	6,777	5,922	6,197	4,765	1,077	947	1,653	842
NSW Self Insurance Corporation	11,255	9,391	10,637	9,179	3,380	2,341	2,974	2,223
Sporting Injuries Compensation Authority	5	5	2	2	1	1	1	--
Workers Compensation (Dust Diseases) Authority	1,963	1,849	1,963	1,836	206	170	217	177
Workers Compensation Nominal Insurer	19,333	18,480	17,755	16,027	4,213	3,316	5,089	3,227
Treasury cluster (Insurance and compensation) total	39,540	35,874	36,709	31,988	9,543	7,431	10,596	7,118

	Total assets		Total liabilities		Total revenue		Total expense	
	2019	2018	2019	2018	2019	2018	2019	2018
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Treasury cluster (Superannuation)								
Buroba Pty Ltd	--	--	--	--	--	--	--	--
Crown Employees (NSW Fire Brigades Firefighting Staff Death and Disability) Superannuation Fund (Fund)	3,648	3,691	2,907	2,926	674	750	698	641
Crown Employees (NSW Fire Brigades Firefighting Staff Death and Disability) Superannuation Fund (Trustee)	--	--	--	--	--	--	--	--
EIF Pty Limited	--	--	--	--	--	--	--	--
Energy Industries Superannuation Scheme Pool A	3,865	3,613	3,854	3,603	289	231	289	231
Energy Industries Superannuation Scheme Pool B	2,112	2,017	1,987	1,961	213	160	144	173
Energy Industries Superannuation Scheme Pty Limited	24	22	24	22	39	34	39	34
Energy Investment Fund	5,922	5,574	18	21	501	390	--	--
LGSS Pty Limited	11	9	11	9	36	37	36	37
Macquarie University Professorial Superannuation Scheme	12	12	12	11	1	1	1	1
NSW Fire Brigades Superannuation Pty Ltd	--	--	--	--	--	--	--	--
Parliamentary Contributory Superannuation Fund (The Fund)	335	319	427	417	29	34	23	(7)
Parliamentary Contributory Superannuation Fund (Trustees)	--	--	--	--	--	--	--	--
SAS Trustee Corporation - Pooled Fund	46,454	46,017	59,103	59,438	3,890	3,957	3,118	3,110
SAS Trustee Corporation (Trustee)*	11	14	11	14	38	37	38	37

	Total assets		Total liabilities		Total revenue		Total expense	
	2019	2018	2019	2018	2019	2018	2019	2018
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
University of Sydney Professorial Superannuation System [^]	31	35	25	27	--	3	1	2
Valley Commerce Pty Limited	--	--	--	--	--	--	--	--
Treasury cluster (Superannuation) total	62,425	61,323	68,379	68,449	5,710	5,634	4,387	4,259
Other agency								
The Legislature	353	356	14	13	171	169	174	162

* Only the parent entity is included, the associated staff agency was exempt from the preparation of financial statements in FY2018–19.

This entity has been abolished following MoG changes and is merged into Infrastructure NSW.

[^] Agency has a 31 December year-end. Financial data presented are for financial years ended 31 December 2018 and 31 December 2017.

OUR VISION

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

OUR PURPOSE

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

OUR VALUES

Pride in purpose

Curious and open-minded

Valuing people

Contagious integrity

Courage (even when it's uncomfortable)

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