

# Annual Report 2018-19



Generating insights to improve outcomes for citizens

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## About this report

This annual report summarises the activities and performance of the Audit Office of New South Wales for 2018–19 against the main goals, strategies and targets in its corporate plan.

As well as reporting on our results for the past year, the report looks to the year ahead.

This and earlier reports are available on our website.

[audit.nsw.gov.au](http://audit.nsw.gov.au)

Cover: In 2018–19, the Audit Office of New South Wales moved to new premises. This major project is featured throughout this report.

## 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)

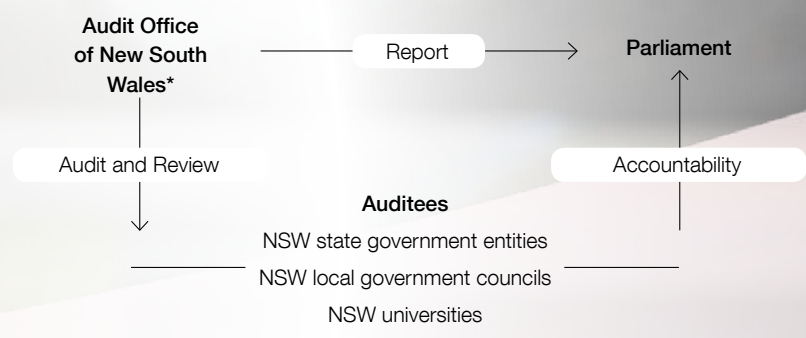
# Our insights inform and challenge government to improve outcomes for citizens

## Our vision



## Our main stakeholders

NSW Parliament  
NSW citizens  
NSW state government entities  
NSW local government councils  
NSW universities



\* The Audit Office of New South Wales is independent of government, and reports directly to parliament.



# Our organisation

## Who we are

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

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

## What we do

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

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

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

Performance audits review whether public money is spent effectively, efficiently, economically and in accordance with the law.

We can also be requested by the Treasurer, a minister or both Houses of Parliament to perform other audit or audit-related services. These can include audits of agencies' compliance with specific legislation, directions and regulations.

## Our resources

279 full-time equivalent staff at the Audit Office at 30 June 2019.

\$48.9 million revenue from government entities, councils and universities for audits of their financial statements.

\$10.1 million from the government for our performance and compliance audits and reports to parliament.

42 per cent of our financial audit work is delivered in partnership with external audit service providers.



# History of the Auditor-General

1824

William Lithgow appointed Colonial Auditor-General to compile and examine the colony's accounts and report on government departments to the Governor.

1855

The *UK Constitution Act 1855* formalised government in New South Wales, and the Auditor-General was made a member of the government.

1870

Powers and duties of the Auditor-General first set in legislation, in the *Audit Act 1870*.

1902

*Audit Act 1902* prohibited the Auditor-General from being a member of the Executive Council or of the parliament.

1929

*Audit (Amendment) Act 1929* changed the tenure of office of the Auditor-General from life to ceasing at 65.

1984

*Public Finance and Audit Act 1983* established the Auditor-General's Office (6 January 1984).

1989

Auditor-General's Office declared a statutory body, allowing it to be both more independent and more commercial.

1991

The *Public Finance and Audit Act 1983* expanded the Auditor-General's role to include performance audits, limited tenure to seven years, and prevented acceptance of any other post in the NSW public service.

2001

Auditor-General's role expanded to report on issues of waste, probity and financial judgement.

2004

Auditor-General given power to employ staff directly, and set wages and conditions.

2013

Tenure of Auditor-General extended to eight years.

2016

The *Local Government Act 1993* expanded the Auditor-General's mandate to include financial and performance auditing of local government.

New starters in our 2019 financial audit graduate program.



# Auditor-General's message

I am pleased to present the 2018–19 Annual Report covering the activities and performance of the Audit Office of New South Wales. In its preparation, I was reminded of the amount of change that has been managed over the last twelve months – the capability and resilience of the people in this organisation is exceptional.

## Acquitting our Corporate Plan

This annual report is framed around our Corporate Plan, its strategic objectives and the key initiatives that support us to fulfil our vision and purpose – to help parliament hold government accountable for its use of public resources, and in doing so, inform and challenge government to improve outcomes for citizens.

During 2018–19, the Office made significant shifts in our organisational arrangements to ensure we have the capacity, capability and culture to deliver on our mandate today and into the future. The Audit Office is independent and largely self-funded so the investments we make in our people and in the workplace must be aligned to our corporate intent and must be sustainable.

## A future workplace designed to deliver quality audits

Considerable focus was given to our Future Workplace project and I am immensely proud of the result we have achieved. After more than 15 years of calling our Margaret Street location home, the lease expired in the middle of this year. Accordingly, we established a project to manage the process to secure accommodation that would set us up for the future. Our approach was to ensure that our physical accommodation facilitated the way we want to work.

Consistent with our Corporate Plan, staff told us they wanted to be more integrated, agile and connected, in order to develop their full potential and help us generate greater insights from our audits.

We have designed a workplace that is activity based and technology enabled. It is filled with natural light and flexible spaces that allow for both focused individual work and for collaboration. The design is contemporary but recognises and celebrates the long history of our office. And it is fiscally responsible, reducing our footprint to one floor. Images of our new home are featured through this report.

## Our values

Importantly, we leveraged the office move to review and refresh our values, behaviours and the way we work together and with others. Consultation with our staff identified the things we wanted to take with us, and those we wanted to leave behind. Our new values tell this story. They are:

- Pride in purpose
- Curious and open-minded
- Valuing people
- Contagious integrity
- Courage (even when it's uncomfortable).

## Cyber security

I would like to draw attention to the strengthened focus we have placed on cyber security, both within our own organisation and in the organisations we audit. All Audit Office staff have undertaken cyber security training and we have achieved minimum maturity levels as prescribed by the Australian Cyber Security Centre's Essential 8 mitigation strategies, with application whitelisting recently implemented. Like most organisations, we have more work to do to mitigate the risk of cyber breaches against a realistic assessment of our risk appetite.

Agency information technology control environments will continue to be a focus of our financial audits across all sectors, and for performance audits in specific agencies.

## Quality framework

In 2018–19, we also increased our focus on ensuring audit quality. The quality framework was expanded to include independent quality reviews of performance audits. There was also an increased focus on learning and development, in technical areas such as new accounting standards and cyber security, and beyond the technical to the 'soft skills' required to work effectively with audit clients and others. The Technical Issues Committee continued to ensure that the most complex audit judgements were thoroughly considered, debated and determined.

In the new year, we will appoint an independent chair to our Quality Audit Review Committee, and financial audit directors will play an increased role as quality reviewers and 'cluster specialist' advisors in performance audits. We will also contract an external firm to conduct some independent financial audit quality reviews.

## Our performance

The work that we have completed throughout 2018–19 is documented in this report along with a variety of feedback and benchmarking data. Of note, we tabled in the parliament a record number of 21 performance audits this year, each adding to the transparency and accountability of government programs. Our performance audit survey results were not always as good as we would like. We will carefully review this feedback and look to improve the quality of dialogue with auditees over the coming years, remembering that our key client is the Parliament of New South Wales.

Feedback in relation to our financial audits remained very positive this year – particularly from Audit and Risk Committee chairs, and the changes we made to how we present our reports have improved their accessibility and ease of understanding.

I am pleased to report that we have fully embedded the local government sector into our business and while this change has been challenging for councils, we can see a small improvement in their survey responses, particularly their recognition of the quality of the audits we undertake.

I would like to point to the strong partnerships we are building with external Audit Service Providers. This year we undertook a major commissioning exercise and now around 40 percent of our audits are undertaken with partner firms. This partnership approach not only helps us manage the volume of work we need to complete but helps us to learn and keep pace with good practice audit techniques, including data analytics.

## Audit program focused on the fundamentals of good government

For a second year we have published an [annual audit program](#) on our website. This program describes the areas of focus of both our financial and performance audits for the 2019–20 year, and forecasts performance audits over the next three years. The program is developed from insights our staff gain in the conduct of audits, and from extensive consultation with stakeholders including parliamentarians, departmental secretaries, council managers, and independent integrity agencies. We aim to achieve broad coverage of the sectors we audit and to tackle the areas of greatest risk or public interest.

The sectors we audit are experiencing significant change, whether this be as a consequence of machinery of government changes, the consolidation of council mergers, diversification of university revenue sources, changes brought by reform under the *Government Sector Finance Act (2018)*, new accounting standards and the constant requirement for efficiency savings. In this context, our audit program will pay increased attention to the fundamentals of good government: transparency, documentation and record keeping, good process and advice to government, compliance with delegations and other legislative requirements, data quality and the measurement of performance. These matters remain fundamental to our system of government and should not be overlooked in the delivery of government commitments.

## One last thing

I said at the outset of this message that the capability and resilience of the people in this organisation is exceptional. I am fortunate to be surrounded by a great executive and broader leadership cohort. Our people are diverse and talented and inspire me every day. Collectively, we play an important role in support of the Parliament of New South Wales.



Margaret Crawford  
Auditor-General for New South Wales



Margaret Crawford, Auditor-General for New South Wales



GPO Box 12  
Sydney NSW 2001

Members of Legislative Assembly  
Parliament House  
Sydney NSW 2000

Under section 12A of the *Annual Reports (Statutory Bodies) Act 1984*, I have pleasure in submitting for the information of members this report of the activities of the Audit Office of New South Wales for the year ended 30 June 2019.



**Margaret Crawford**  
Auditor-General  
4 October 2019

# Our Office Executive

The Office Executive provides the leadership necessary for the Audit Office to achieve its strategic direction and goals. The Office Executive is chaired by the Auditor-General.

## Margaret Crawford

### Auditor-General

Bachelor of Arts, Graduate Diploma of Recreation Management, Master of Business Administration, Fellow Institute of Public Administration Australia, Fellow Australian Institute of Company Directors

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

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

## Ian Goodwin

### Deputy Auditor-General

Bachelor of Business, Chartered Accountant Fellow

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

## Alison Gatt

### Assistant Auditor-General, Financial Audit

Bachelor of Commerce, Chartered Accountant Fellow, Graduate Australian Institute of Company Directors

Alison Gatt has had audit and finance roles in both the private and public sectors. Prior to joining the Audit Office, Alison worked at the Australian National Audit Office, Westpac and KPMG's Orange County Office in California. Prior to her appointment as Assistant Auditor-General, Alison led the Audit Office's specialist technical support team. Alison contributes strongly to the profession, the sector and the community through her roles on boards and advisory panels.

## Scott Stanton

### Assistant Auditor-General, Financial Audit (Head of Branch)

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

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

## Claudia Migotto

### Assistant Auditor-General, Performance Audit

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

Prior to Claudia joining the Audit Office in 2016 she had over 15 years experience across Commonwealth and NSW government agencies in policy and program development, implementation and evaluation. Claudia has also held leadership roles in agencies tasked with providing independent information to the community on the performance of governments – including the COAG Reform Council and the National Mental Health Commission. Her work in reporting on the performance of governments has touched on a diverse range of sectors including health system performance, disability, mental health and drug and alcohol issues, gender equity, Indigenous communities regulation and housing.

## Aaron Green

### Assistant Auditor-General, Financial Audit

Bachelor of Commerce, Chartered Accountant

Aaron Green joined the Audit Office in 1999 and was appointed Assistant Auditor-General on 21 January 2019. Aaron has significant experience in leading the delivery of audit services to a diverse range of public sector clients including those in the Treasury, education and university sectors. Aaron most recently led the completion of Treasury audits including the Total State Sector Accounts, the Crown Entity and the Treasury, and has provided strong representation and advice relating to sector wide matters, including Treasury's Financial Management Transformation program.

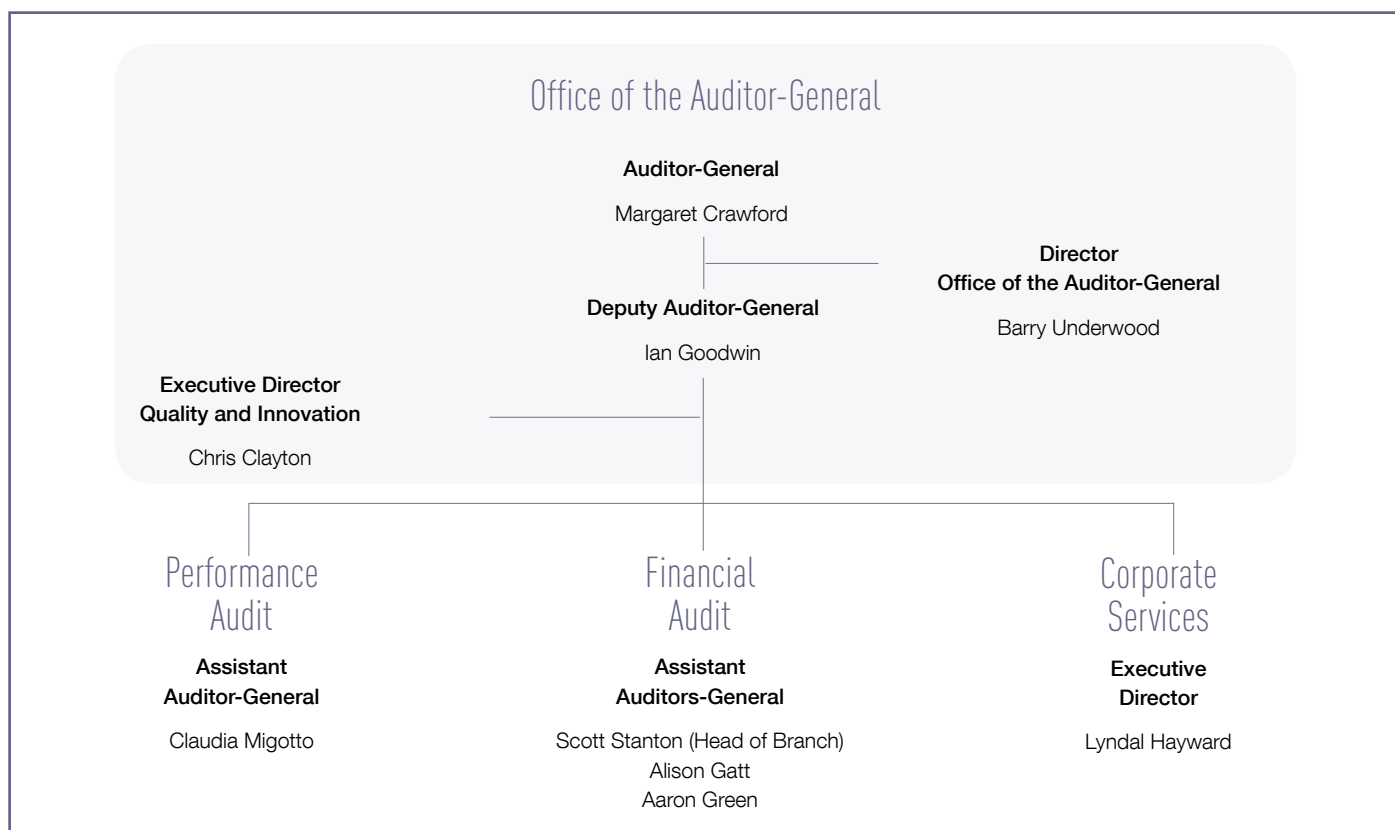
## Lyndal Hayward

### Executive Director, Corporate Services

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

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





Organisational structure at 30 June 2019



Office Executive (L-R) Aaron Green, Alison Gatt, Lyndal Hayward, Margaret Crawford (front), Scott Stanton, Claudia Migotto, Ian Goodwin

# Performance summary 2018-19

We report on the performance targets we set for ourselves in our Corporate Plan. Our Corporate Plan has four strategic objectives:

1. Our products
2. Our people and culture
3. Our systems and processes
4. Our finances.

Under these objectives are a series of strategic initiatives as well as measures of success. These are introduced below along with an 'at a glance' summary of our 2018-19 performance.

Further details can be found throughout this report.

## Our products

Our insights are trusted as independent, relevant, timely and impactful, and they make a positive contribution to government financial reporting and performance. Our partnerships with stakeholders will be responsive and value-adding.

### Strategic initiatives

#### **Influencing for Impact** page 17

- Launched a new, modern, accessible website
- Conducted a brand audit to refresh and consolidate our corporate branding
- Commenced work on an External Stakeholder Engagement Strategy.

#### **Local Government** page 21

- Completed 137 financial audits of local government
- Tabled one financial audit, and three performance audit, Auditor-General's Reports to Parliament on the local government sector
- Developed a Commissioning Strategy with 119 financial audits tendered, 101 in the local government sector
- Closed this initiative and moved our work in the local government space into 'business as usual'.

#### **Data Analytics** page 26

- Created Chief Data Officer role
- Conducted performance audit unstructured data mining pilot
- Developed a local government data visualisation.

### Measures of success

#### **Parliamentarians are satisfied with our reports and services** page 14

Target: 90% | Actual: 87%

#### **Parliamentarians agree we operate independently from government** page 14

Target: 90% | Actual: 92%

#### **Auditees believe that performance audits help them improve the performance of the audited activity** page 19

Target: 70% | Actual: 71%

#### **Auditees value the assurance obtained from our audit of statutory financial statements** page 19

Target: 80% | Actual: 93%

#### **Performance audits completed** page 22

Target: 20 | Actual: 21

#### **Financial audits completed** page 24

Target: 590 | Actual: 590

#### **Total assurance engagements** page 24

Target: 1315 | Actual: 1184

## Our people and culture

Our people are diverse, dynamic, agile and insightful and work in a collaborative and constructive environment. They are connected to each other and our stakeholders, and are developed to be leaders in their field.

### Strategic initiatives

#### **Working Better, Working Together** page 29

- Designed, fitted out and moved to new premises under our Future Workplace Project page 29
- Developed a Workforce Strategy page 31
- Refreshed our Corporate Values page 33
- Developed and began implementation of a Leadership Development Framework page 35

### Measures of success

#### **Employee engagement** page 28

Target: 80% | Actual: 69%

#### **Employee satisfaction** page 28

Target: 80% | Actual: 62%

#### **Women in middle management** page 32

Target: 50% | Actual: 58%

#### **Women in executive and senior leadership** page 32

Target: 50% | Actual: 51%

#### **Training days per staff member** page 34

Target: 7 | Actual: 7

## Our systems and processes

Our innovative technology, systems and processes are integrated, efficient and improve organisational performance. We have the capability and capacity to keep pace with a fast-changing world.

### Strategic initiatives

#### **Reporting Process** page 39

- Developed a modern, accessible and easy-to-use design template
- Explored collaborative editorial review technologies.

#### **Technology and Process Innovation** page 50

- Improved our cyber security capability
- Implemented a major upgrade of our practice management and finance system
- Further developed our corporate reporting framework.

### Measures of success

#### **Financial audits are reported to parliament on time** page 38

Target: 100% | Actual: 100%

#### **Financial audits are completed within 10 weeks of receiving financial reports** page 38

Target: 100% | Actual: 85%

#### **Audit staff available hours charged to audit** page 38

Target: 75% | Actual: 76%

#### **Audit conclusions reviewed through our Quality Assurance Program are supportable** page 41

Target: 100% | Actual: 100%



# Performance summary 2018-19 (continued)

## Our finances

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

### Measures of success

**We meet or do better than our budgeted result for the year**  
page 52

Result: Achieved

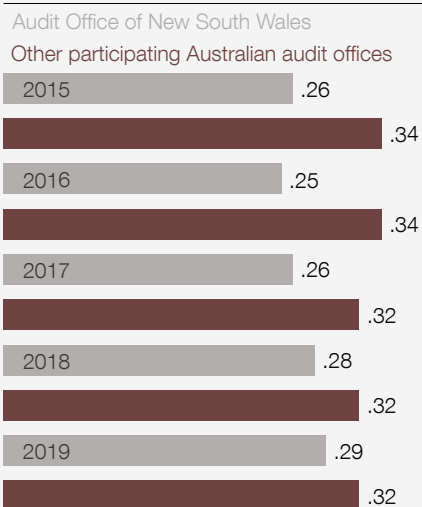
**We generate a net cash inflow from our operating activities**  
page 53

Result: Achieved

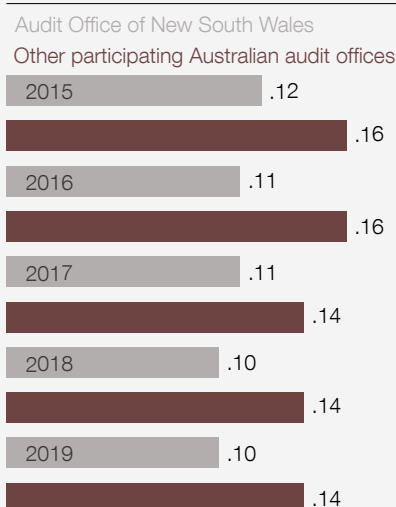
## Benchmarks

Our costs benchmark favourably against the national average of other audit offices.

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



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



For more on benchmarking our costs, see page 39

# Our products

## Strategic objective:

Our insights are trusted as independent, relevant, timely and impactful, and they make a positive contribution to government financial reporting and performance. Our partnerships with stakeholders will be responsive and value-adding.

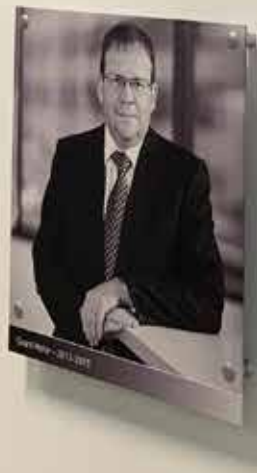
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Auditors-General of New South Wales



There have been 23 Auditors-General in New South Wales, starting with William Lithgow in 1824 through to current Auditor-General Margaret Crawford. A key objective of our Future Workplace Project in 2018-19 was to honour our organisation's rich history in the physical environment.

# Our products and parliament

87% of parliamentarians are satisfied with our reports and services  
92% of parliamentarians agree we operate independently from government

## Our relationship with parliament

Parliament requires reliable information on the operation of NSW government entities, and the use of public money. We provide parliament with independent audit opinions on NSW public sector financial statements, increasing confidence in their reliability. We also conduct performance audits that provide information to the parliament about how well government programs and services are delivered.

We report directly to parliament through the Public Accounts Committee (PAC). The PAC holds the entities we audit to account for implementing the recommendations in our reports. The PAC also reviews the performance and operation of the Audit Office every four years.

See page 16 for further details on the PAC.

## What parliament thinks of us

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

In 2019, our scheduled survey of parliamentarians coincided with the March 2019 state election. We do not conduct surveys in election years as the participation rate is likely to be low during the caretaker and settling-in period after elections. Fortunately the 2018 survey results are current enough to give us a reasonable indication of parliament's view of our recent work.

In the 2018 survey, of the 135 parliamentarians invited to complete the survey, 28 per cent responded, the same response rate as in 2017.

## Overall satisfaction down slightly

Although parliamentarian satisfaction with the Audit Office's reports and services is high, satisfaction is down slightly compared to 2017. Eighty-seven per cent of parliamentarians were satisfied overall in 2018, a decrease from 92 per cent the previous year.

Parliamentarians responded:

- in general, the Audit Office provides high quality reports and services, 95 per cent agreeing, down on 100 per cent in 2017
- the Audit Office's reports and services provide valuable information on public sector performance, with 92 per cent in agreement, down slightly on last year's 96 per cent result
- the Audit Office's reports and services help improve public sector administration, with 89 per cent agreeing, down from 96 per cent in 2017
- the Audit Office performs audits with integrity, with 89 per cent agreeing, down on 94 per cent in 2017
- the Audit Office operates independently from government, with 92 per cent agreeing, broadly consistent with 93 per cent in 2017.

## Satisfaction with financial audit reports improved

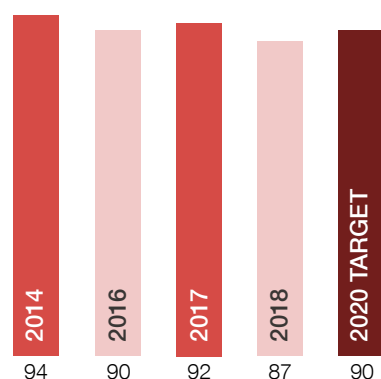
Although overall parliamentarian satisfaction with the Audit Office's reports and services was down slightly in 2018 compared to 2017, satisfaction with financial audit reports specifically has improved – in some areas significantly. The percentage of parliamentarians who agreed our financial audit reports clearly communicated the significant issues and their implications improved from 89 per cent in 2017 to 95 per cent in 2018. There was a similar increase in the number who agreed that the reports were easy to understand, from 89 per cent in 2017 to 95 per cent.

Our 'Reporting Process' strategic initiative implemented a new, more modern and accessible design for our financial audit reports in 2018 which seems to have improved parliamentarians' satisfaction with the layout and design of these reports, as well as how easy they are to understand. See page 39 for further details.

The number of parliamentarians who agreed our reports were presented effectively in terms of layout and design improved from 85 per cent to 89 per cent. The most significant improvement was in the area of monitoring the accountability and financial performance of the NSW public sector, with 85 per cent of parliamentarians agreeing our financial audit reports help them do this, compared to 73 per cent in 2017.

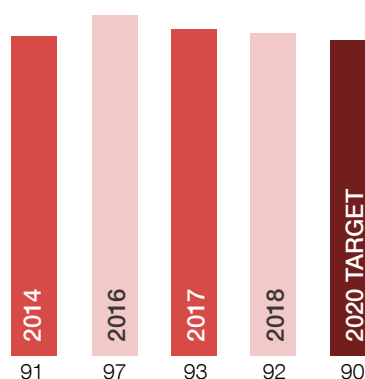
### Satisfaction with our reports and services %

Survey not conducted in 2015 or 2019 due to election years



### Agreement we operate independently from government %

Survey not conducted in 2015 or 2019 due to election years





## Performance audit satisfaction improved

Similar to the satisfaction results for our financial audit reports, parliamentarians have rated the Auditor-General's Reports to Parliament for performance audits higher, with results generally improved on 2017. Ninety-five per cent agreed the reports were easy to understand, up from 84 per cent in 2017. Similarly, 93 per cent of parliamentarians agreed the reports clearly communicated significant issues and their implications, up from 87 per cent in the previous survey. Agreement that the reports were effectively presented in terms of layout and design also improved, with 92 per cent agreeing compared with 87 per cent in 2017.

As with our financial audit reports, our strategic initiative implemented a new, more accessible design for our performance audit reports which seems to have improved parliamentarians' satisfaction with the accessibility and clarity of these reports also. See page 39 for further details.

In regards to parliamentarians feeling our performance audits addressed their key areas of interest to a high or very high extent, 57 per cent agreed, up from 49 per cent in 2017. Consistent with our financial audit reports discussed previously, a significant increase was in the area of monitoring the performance of the NSW public sector, with 88 per cent of parliamentarians agreeing our performance audit reports help them do this, compared to 76 per cent in 2017.

## How we compare to other audit offices

Since 2005, we have been comparing our parliamentary survey results against results from other participating Australian audit offices.

On an overall measure of satisfaction with reports and services, 87 per cent of parliamentarians were satisfied in 2018, the last survey results available. This is a decrease from 92 per cent in 2017 but consistent with the 88 per cent average of other participating audit offices.

We rated above the average of the other audit offices on several key measures:

- 89 per cent agreed that our reports help improve public sector administration, above the average of 85 per cent
- 95 per cent agreed our financial audit reports are easy to understand, above the 89 per cent average
- 95 per cent agreed our performance audit reports are easy to understand, above the 90 per cent average
- 95 per cent agreed our financial audit reports clearly communicated the significant findings and implications, above the 88 per cent average
- 93 per cent agreed our performance audits reports clearly communicated the significant findings and implications, above the 88 per cent average.

We rated below the average of the other audit offices in the following areas:

- 20 per cent referred to our financial audit reports often or very often in the past 12 months, below the average of 29 per cent
- 27 per cent referred to our performance audit reports often or very often in the past 12 months, below the average of 35 per cent
- 57 per cent agreed our performance audits addressed key areas of interest, below the 63 per cent average.

## Satisfaction compared with other participating Australian audit offices

Audit Office of New South Wales Other participating Australian audit offices



# Our products and parliament

The Public Accounts Committee followed up on 10 performance audits  
We appeared at 2 Public Accountability Committee hearings

## Public Accounts Committee

The Public Accounts Committee (PAC) is a statutory committee of NSW Parliament's Legislative Assembly that examines the government's use of resources and agencies' financial operations. It also looks at financial probity and regularity, and focuses on whether agency programs are achieving their aims. The PAC reviews the Auditor-General's reports to ensure that agencies respond appropriately to the Auditor-General's recommendations. The PAC also reviews the operation of the Audit Office every four years.

The PAC holds the entities we audit to account for implementing the recommendations in our reports through follow-up inquiries conducted a year after the reports are tabled. The PAC may hold a public inquiry to seek further information from agencies regarding our reports and can make further recommendations for action when it considers them necessary. This process has proven to be an effective means of testing action taken on performance audits and maintaining a high level of scrutiny of the agencies under review.

In 2018–19, the PAC sought our comment on agencies' progress in implementing recommendations from five of our completed performance audit reports. Ten performance audits were followed up by the PAC in total. Four of these audit reports were also subject to a public inquiry.

The PAC's report on the examination of these audits made 14 recommendations designed to improve the performance of government entities, building on matters already identified by the Auditor-General. Further details on this PAC report can be found in the highlight box on this page.

## Public Accountability Committee inquiries

The Public Accountability Committee is a committee of NSW Parliament's Legislative Council. The committee was established to inquire into and examine the public accountability, financial management, regulatory impact and service delivery of government departments, statutory bodies or corporations. In 2018–19, the Auditor-General appeared at two Public Accountability Committee hearings.

The first hearing the Auditor-General attended in 2018–19 was the Public Accountability Committee's inquiry into the 'Impact of the CBD and South East Light Rail Project'. The second was the committee's inquiry into the 'Impact of the WestConnex Project'.

A listing of all our appearances before parliamentary committees can be found in Appendix Four of this report.

## Examination of performance audit reports

In November 2018, the Public Accounts Committee released its report 'Examination of Auditor-General's Performance Audit Reports October 2016 – May 2017'.

The report reviewed ten performance audits covering the period from October 2016 to May 2017:

- Preventing and managing worker injuries
- Government Advertising
- Implementation of the NSW Government's program evaluation initiative
- CBD and South East Light Rail Project
- Assessing major development applications
- Building the readiness of the non-government sector for the NDIS
- Passenger Rail Punctuality
- Contingent workforce: procurement and management
- Therapeutic programs in prisons
- Planning for school infrastructure.

The then Chair of the PAC, Bruce Notley-Smith MP said in the report:

'With some exceptions, the Committee is generally satisfied that the responsible agencies are implementing the Auditor-General's recommendations, while identifying areas where more action is required.'

The Committee has made a total of fourteen recommendations to NSW Government agencies to improve program evaluation processes, provide more information on the CBD and South East Light Rail project, address rail punctuality and public information provision, and strategies for the management of school infrastructure.

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

# Influencing for impact

## Strategic initiative focus

The Audit Office has a strong desire to engage effectively with all our external stakeholders to ensure we deliver audits that are of a high quality and lead to improved public-sector reporting and performance. Our 'Influencing for Impact' strategic initiative aims to increase the impact of our reports, and help us achieve our vision of ensuring our insights inform and challenge government to improve outcomes for citizens.

In 2018–19, we conducted a brand audit to refresh and consolidate our corporate branding. We also started work on an External Stakeholder Engagement Strategy. However, our main focus in this strategic initiative in 2018–19 was to build a new, more functional website that better enables our stakeholders, including parliamentarians, to access our audit reports. Our FutureWeb Project delivered a new, modern website on 14 February 2019.

### Getting to know the needs of parliamentarians and other stakeholders

There was a strong focus in our FutureWeb Project to get a better understanding of how our key stakeholders use our website and access our reports. Along with analysing past parliamentarian and auditee surveys, we interviewed people in these groups to get their first-hand experience of using our website and how they access and use our reports. We also thoroughly tested what information people were looking for, how they approached their search, and what they expected to find and where.

All this information was used to design a user-friendly, accessible website that was then tested with internal stakeholders. Our staff participated in a number of workshops and a series of one-on-one feedback sessions to test not just the visual design, but also information architecture, content, navigation, search results and report accessibility.

### A citizen-centric website

The new website is more citizen-centric, with the public for the first time able to directly contribute to our audits.

The visual design was refreshed, while still retaining key elements of our corporate brand, with usability and accessibility a key focus in every stage of development. Our new website ensures the insights in our reports are showcased in a more dynamic and accessible way.

### The year ahead

In 2019–20, the main focus of our 'Influencing for Impact' strategic initiative will be completing our External Stakeholder Engagement Strategy. This strategy will determine a clear position and approach to interacting with our external stakeholders, including how we interact via social media.



[Our work](#) [Our stakeholders](#) [Who we are](#) [Work with us](#)

[Contact us](#) [Accessibility](#) [Media releases](#)



**Annual work program 2019-20**

Our work program explains how we decide the focus of audits...

[READ OUR PROGRAM](#)



**Ensuring contract management capability in Government - Department of Education**

[READ REPORT](#)



**Managing native vegetation**

[READ REPORT](#)



**Contracting non-government organisations**

[READ REPORT](#)



**Have your say on upcoming audits**

[CONTRIBUTE](#)

The Audit Office's new website was launched in February 2019.



# Our products and auditees

71% believe performance audits help them improve the performance of audited entities  
93% value the assurance obtained from our financial audits

## Our relationship with our auditees

The Audit Office undertakes audits of state-based government entities, local government councils and universities in New South Wales. We work collaboratively to add value to the entities we audit, and ultimately to the citizens of New South Wales.

## What our auditees think of our services

Each year, we measure our auditees' satisfaction with our services through a survey. The survey results and feedback provide valuable information on our performance. We use an independent research company to conduct the survey and auditees have the option of responding anonymously.

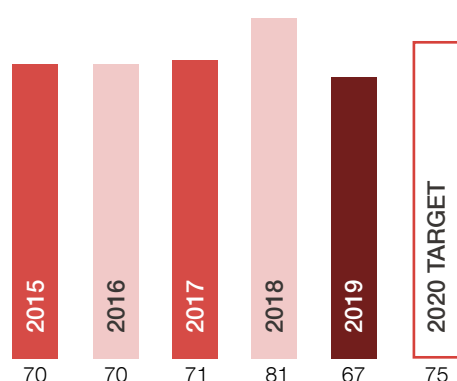
In 2018–19, for our financial audit clients, we invited 390 Chief Financial Officers (CFOs) or General Managers (GMs) from our state government, local government and university auditees to participate in the survey. We also invited 183 Audit and Risk Committee Chairs (ARC Chairs) from our state government and university auditees to participate. The response rates were similar to last year, with responses from 73 per cent of CFOs/GMs and 74 per cent of ARC Chairs.

For our performance audit auditees, we invited 31 agency contacts to respond to the survey and received a response rate of 68 per cent, slightly down on last year's response rate of 71 per cent.

## How our auditees rate us overall

The overall CFO performance index for financial audits remained similar to last year, at 74 compared to 76 in 2017–18. ARC Chairs' satisfaction also remained similar to last year, at 83 compared to 81 in 2017–18. The overall performance index for performance audits decreased significantly, from 81 last year to 67. However, last year's result was an outlier compared to previous years with this year's result more consistent with the overall five-year trend.

### Performance audit overall performance index



## Satisfaction with our audit process

The overall CFO performance index for our financial audit process remained similar at 76, compared to 78 last year. CFOs were particularly positive about:

- our financial auditors conducting themselves professionally during the audit, the 96 per cent result similar to 98 last year
- senior financial audit staff being appropriately involved in the audit, the 93 per cent result similar to last year's 91
- our financial auditors having the professional skills and knowledge required to conduct the audit, the 93 per cent result similar to last year's 94
- our financial auditors communicating effectively, up slightly to 90 per cent from 87.

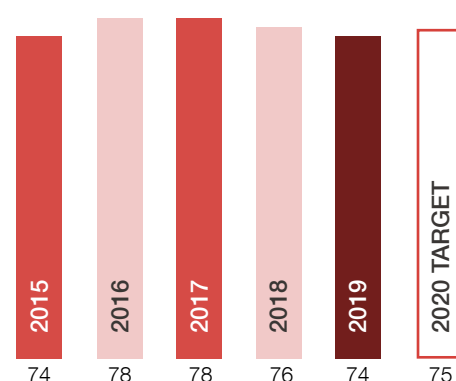
CFOs were less positive about:

- our financial auditors meeting agreed deadlines, the 79 per cent result significantly down on 89 last year
- their organisation's staff members' time being used efficiently, down to 71 per cent from 82 last year.

ARC Chairs' ratings of our financial audit process were similar to last year, or increased. Ninety-five per cent of ARC Chairs agreed that we promptly informed them of significant issues, 96 per cent agreed our financial auditors adequately understood their organisation, and 99 per cent agreed our financial auditors had the professional skills and knowledge to conduct the audit. The percentage of ARC Chairs who agreed our auditors met agreed deadlines increased significantly from 84 per cent to 93.

The overall audit process performance index for performance audits was 70, a significant decrease on last year's 81. Eighty-six per cent agreed our performance auditors communicated effectively, down from 94. Forty-three per cent agreed our performance auditors adequately understood their organisation, down significantly from 76. Another area of significant decline was auditees agreeing we promptly informed them of the significant issues as they arose during the audit, down from 94 per cent last year to 81. An area of significant improvement includes our performance auditors meeting agreed deadlines. The result increased from 71 per cent last year to 86.

### Financial audit overall performance index



## Satisfaction with our audit reporting

The overall CFO performance index result of 76 for audit reporting was slightly down on 79 last year. CFOs were particularly positive about our:

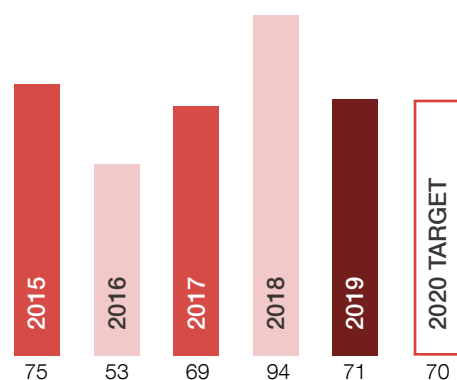
- Client Service Reports communicating audit findings clearly, the 97 per cent result similar to last year's 99
- Financial audit opinions being issued in a timely manner, the 91 per cent result only slightly down on last year's 94
- having adequate opportunity to comment on financial audit findings and issues, the 90 per cent result still strong although slightly down on last year's 94.

CFOs were less positive about management letters being balanced and fair, down from 89 per cent to 82.

ARC Chairs were positive about our Client Service Reports and management letters communicating findings and issues clearly, at 99 and 100 per cent agreement respectively. ARC Chairs were less positive about our management letters being issued in a timely manner, 85 per cent agreeing which is still a slight improvement on last year's 82.

The overall performance index for performance audit reporting decreased significantly from 83 last year to 68 this year, with all reporting performance audit survey areas also declining. The number of auditees who agreed the report was balanced and fair decreased from 76 per cent to 68. Seventy-one per cent of auditees agreed our performance audit reports communicated the findings and issues clearly, down significantly from 94 last year. Media releases communicating the key performance audit findings and issues clearly also declined significantly, from 94 per cent last year to 60 this year. The number of auditees who agreed the tabled performance audit report was factually accurate decreased from 94 per cent to 52. When questions of factual accuracy were raised by an auditee in concluding the final report, we have in every case closely re-examined and confirmed the facts within the report.

### Auditees believe performance audits help improve the performance of the audited activity



## Satisfaction with audit value

Our overall CFO performance index for financial audit value is 71, the same result as last year. Ninety-three per cent of CFOs agreed they value the assurance obtained from our financial statement audits, increased slightly from 90 last year, and 57 per cent of CFOs agreed our financial audit services provide value for money, also increased from 53.

Our financial audit services providing value for money increased with ARC Chairs, with 69 per cent agreeing, up from 66 last year. However, ARC Chairs valuing the assurance they obtain from our statutory financial statement audits decreased from 100 per cent to 96, although still a very strong result.

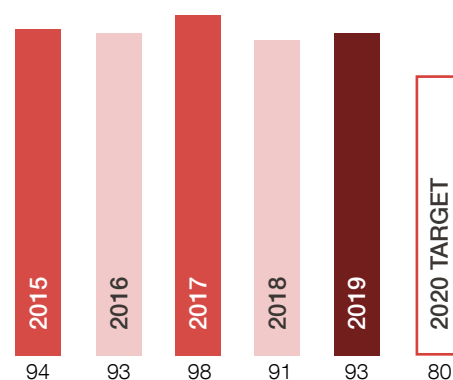
The overall audit value performance index for performance audits decreased significantly from 79 to 62, with all underlying measures reduced. However, last year's result was an outlier compared to previous years with this year's result more consistent with the overall five-year trend. Fifty-two per cent of respondents agreed that the timing of the performance audit was appropriate, down significantly from 94, while 52 per cent agreed that the audit provided a balanced assessment of the management of the activity, again down significantly from 88. When it came to respondents agreeing that the audit will help improve the performance of the audited activity, there was also a significant decrease in the result, from 94 per cent to 71.

## Comparing to other audit offices

We have been comparing our auditee satisfaction with other Australian audit offices since 2005. In 2018–19, our results were slightly below other audit offices for our financial audit auditees. The overall performance index for the Audit Office is 77, compared to 79 across all offices. On audit process, the Audit Office index is 75 compared to the average of 77, and on audit reporting the Audit Office index is 76 and the average 78. We are also below the other Audit Office's on audit value, with the Audit Office index at 79 and the average 83.

For our performance audits, our auditee survey results are also below the other audit offices. The overall performance index for Audit Office performance audits is 68 compared to 72 across all offices.

### Auditees value the assurance obtained from our financial audits



# Our products and auditees

79% of our performance audit recommendations accepted  
98% of our financial audit recommendations accepted

## Improving public sector accountability and performance

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

## Financial audit recommendations accepted

We track all the recommendations made to the entities we audit. For the 40 financial audit entities included in our Internal Controls and Governance Auditor-General's Report to Parliament – the largest financial entities in the state and representing about 95 per cent of total expenditure for all NSW public sector agencies – of the 419 recommendations we made to these entities, 411 (98 per cent) were accepted, exceeding our target of 95 per cent.

## Performance audit recommendations accepted

Of the 123 total performance recommendations made, 79 per cent were accepted either in full, or in principle, a decline on last year's result and below our target of 90 per cent. Agencies did not indicate a clear response to 15 per cent of the recommendations made, four per cent were noted and two per cent were rejected.

## The impact of our recommendations

One example of the impact our reports can have is related to our 'Detecting and Responding to Cyber Security Incidents' performance audit report released in March 2018. This report identified a number of weaknesses with the NSW public sector's ability to detect and respond to cyber security incidents. It concluded that the sector needed to improve significantly and quickly.

In September 2018, the NSW government released a Cyber Security Strategy containing a number of actions which aimed to directly address recommendations from our performance audit report. In February 2019, the government released a new Cyber Security Policy which contains requirements addressing recommendations from our report, including:

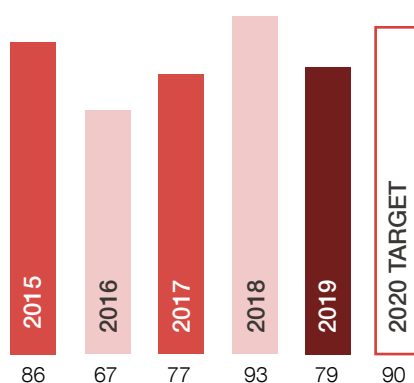
- mandatory sharing of information on security threats and intelligence
- cyber security education for employees
- role requirements and responsibilities for cyber security across government.

Consistent with our three-year Audit Work Program, we will be commencing a further cyber security performance audit in 2019–20. This audit will follow up on aspects of our past report and look to add further insights for government to continue to improve in this area of significant risk.

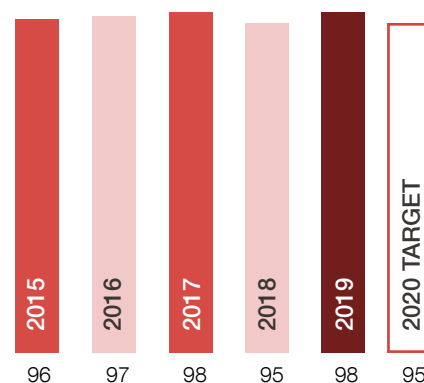


## Recommendations accepted %

Performance audits



Financial audits





# Local government

## Strategic initiative focus

The Auditor-General was appointed the auditor of local government from 2016–17. The objective of our Local Government strategic initiative was to develop our capacity to deliver high quality audit services to the local government sector under our new mandate.

The key areas of focus of this initiative in 2018–19 are detailed below.

### Second full year of auditing local councils

The 2018–19 financial year was our second full year of auditing NSW local and county council financial statements. We completed 137 financial audits of local government during the year.

### Report to parliament on financial audits

In February 2019, we tabled the local government sector Auditor-General's Report to Parliament. This report was focused on key observations and findings from 2017–18 financial audits, and included a refreshed data visualisation tool. This tool provided a simple and visual opportunity for readers to engage with the data in the report.

A key observation in this local government sector report was that the timeliness of financial reporting had improved in the sector with 111 councils, or 80 per cent, submitting their financial statements before the 31 October statutory reporting deadline. This compares with 73 per cent the previous financial year.

### Performance audit reports

In 2018–19, we tabled three performance audit Auditor-General's Reports to Parliament on the local government sector. These reports focused on workforce reform in amalgamated councils, domestic waste management and development assessments. A full list of our 2018–19 performance audit reports can be found on page 23.

### Commissioning and contestability strategy

An important focus for the Audit Office in 2018–19 was to develop and implement a commissioning and contestability strategy. This strategy informs how we engage with the market when procuring audit services and what we want to achieve from partnering with private sector audit firms. It also informs how the Auditor-General decides to resource financial audits, whether it be in-house or in partnership with private sector firms. The work we completed allowed us to clarify expectations with the marketplace and develop stronger partnering arrangements, as well as bolster our resourcing capacity.

As a general principle, the Auditor-General aims to resource around 70 per cent of all audits in-house with the remaining 30 per cent delivered in partnership with private sector audit firms. In accordance with this resourcing strategy, we tendered 119 financial audits in 2018–19, 101 of which were in the local government sector. This was a record number of tenders for the Audit Office at one time. As at 30 June 2019, over 240 audits were being delivered in partnership with 16 private sector audit service providers.

### Stakeholder engagement

We continued our focus on stakeholder engagement in the local government sector in 2018–19 by presenting at various local government forums in New South Wales. The number of presentations we made reduced from our peak in 2017–18 as we moved to embed our auditing role in this sector. We also continued to partner with the Office of Local Government to enable better engagement and information sharing with local councils.

### Building capability in local government

In 2018–19, we continued to invest in the ongoing professional development of our employees across key local government areas. This included Introduction to Local Government training for all audit employees new to this area, presentation skills training for auditors who need to present at public council meetings, and training in the development of data visualisation dashboards.

### The year ahead

In December 2018, we formally closed the Local Government strategic initiative and transitioned the work we do in this sector to 'business as usual'. The Local Government strategic initiative aimed to develop our capacity to deliver high quality audit services to the local government sector in New South Wales, something we feel we have now achieved, acknowledging there is further work to do to grow and improve.

In 2019–20, we will continue auditing NSW local and county council financial statements and the performance of local government across key areas. We will also continue to build our knowledge of the local government sector, and develop strong connections and partnerships with local and county councils.



We attended the Local Government NSW Annual Conference in Albury in 2018–19.

# Our performance audits and special reports

21 performance audits completed, a record number for the Audit Office in one year  
5 special reports completed

## What is a performance audit?

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

A performance audit may cover:

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

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

## Helping to improve public administration

Performance audits provide information to the NSW Parliament and public about how well government programs and services are delivered. Ultimately, they aim to improve public administration.

In 2018–19, the Auditor-General tabled 21 performance audit reports on the effectiveness, efficiency and economy of the NSW public sector. This was a record number of reports published in one year at the Audit Office. These reports made a total of 123 recommendations to improve public administration.

The reports looked at operations, service delivery, governance, project implementation and government advertising across a range of NSW government agencies and local councils. Some audits considered particular issues across a number of entities.

## Choosing a performance audit topic

There are a multitude of government activities and programs which we could audit. But our resources are limited, so we undertake a robust process to determine the performance audits we undertake.

In 2018 we analysed the key findings and recommendations from 61 performance audits and special reports from 2015 to 2018. These spanned varied areas of government activity. We have used this analysis to help determine areas of unaddressed risk across all parts of government, and to shape our future audit priorities.

We also continue to work with parliament's Public Accounts Committee, senior members of agencies, ministers and other key stakeholders, to identify important issues and areas of concern to help define and focus the scope of our audits.

In addition, we work collaboratively across our organisation to draw together insights from financial, performance and compliance audits to help formulate our program and add to our understanding of key risks.

Our Audit Work Program is published on our website and is reviewed annually to ensure it continues to address significant issues of interest to parliament, aligns with areas of greatest risk and reflects contemporary thinking on public sector management.

## Special reports

The Auditor-General can be requested by the Treasurer, a minister or both Houses of Parliament to perform other audit or audit-related services. These can include audits of agencies' compliance with specific legislation, directions and regulations. Each year we also review whether members of NSW Parliament complied with certain requirements outlined in the Parliamentary Remuneration Tribunal's Determination.

In 2018–19, we tabled five special reports in parliament:

- Procurement and reporting of consultancy services (compliance audit)
- Members' Additional Entitlements 2017 (compliance review)
- Compliance of expenditure with Section 12A of the *Public Finance and Audit Act 1983* – Law Enforcement Conduct Commission (ministerial request audit)
- Members' Additional Entitlements 2018 (compliance review)
- Engagement of probity advisers and probity auditors (compliance audit).

## Auditee responses to our reports

Following are some published responses to our reports, indicating the value the entities we audit attach to our recommendations in improving public administration, and generally our collaborative approach.

'I welcome the findings and recommendations from the Performance Audit, which identify areas for improving the Department of Planning, Industry and Environment's operations'.

*Planning, Industry and Environment, 'Managing Native Vegetation'*

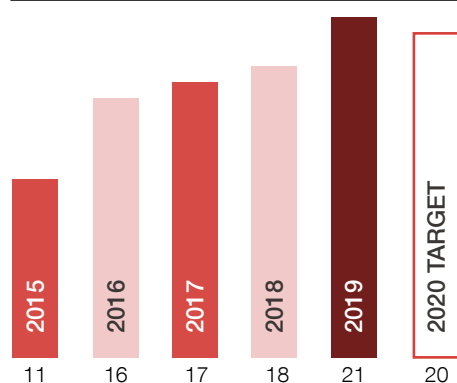
'I appreciate the collaborative approach adopted by your officers in undertaking the audit by engaging and working closely with the Ministry, the Boards and the Local Health Districts in the course of the audit'.

*NSW Health, 'Governance of Local Health Districts'*

'The department welcomes the Auditor-General's performance report as an opportunity to reflect on the challenges faced in attracting and recruiting high quality STEM teachers across all NSW public secondary schools as well as acknowledge the positive work that is already underway by the department to address these issues'.

*Department of Education, 'Supply of secondary teachers in STEM-related disciplines'*

### Number of performance audits completed



## Our 2018–19 performance audits

Entities audited	Performance audit report	Tabling date
Department of Industry	<a href="#">Matching skills training with market needs</a>	26 July 2018
Department of Family and Community Services	<a href="#">Managing antisocial behaviour in public housing</a>	10 August 2018
Department of Premier and Cabinet	<a href="#">Progress and measurement of the Premier's Priorities</a>	13 September 2018
Transport for NSW Roads and Maritime Services	<a href="#">Mobile speed cameras</a>	18 October 2018
Department of Premier and Cabinet NSW Treasury	<a href="#">Unsolicited proposal process for the lease of Ausgrid</a>	11 December 2018
Hunter and Central Coast Development Corporation Transport for NSW	<a href="#">Newcastle Urban Transformation and Transport Program</a>	12 December 2018
Property NSW	<a href="#">Property asset utilisation</a>	18 December 2018
State Insurance Regulatory Authority Department of Premier and Cabinet TAFE NSW	<a href="#">Government Advertising 2017–18</a>	18 December 2018
Department of Education	<a href="#">Supply of secondary teachers in STEM-related disciplines</a>	29 January 2019
Transport for NSW	<a href="#">Transport Access Program</a>	19 February 2019
NSW Police Force	<a href="#">Firearms regulation</a>	28 February 2019
NSW Health	<a href="#">Governance of Local Health Districts</a>	18 April 2019
Snowy Monaro Regional Council Inner West Council Queanbeyan-Palerang Regional Council Office of Local Government	<a href="#">Workforce reform in three amalgamated councils</a>	1 May 2019
Department of Education	<a href="#">Wellbeing of secondary school students</a>	23 May 2019
Department of Justice	<a href="#">Managing growth in the NSW prison population</a>	24 May 2019
Campbelltown City Council Fairfield City Council	<a href="#">Domestic waste management in Campbelltown City Council and Fairfield City Council</a>	5 June 2019
Department of Primary Industries	<a href="#">Biosecurity risk management</a>	18 June 2019
Camden Council Randwick City Council	<a href="#">Development assessment: pre-lodgement and lodgement in Camden Council and Randwick City Council</a>	20 June 2019
Department of Family and Community Services	<a href="#">Contracting non-government organisations</a>	26 June 2019
Local Land Services Office of Environment and Heritage Biosecurity Conservation Trust	<a href="#">Managing native vegetation</a>	27 June 2019
Department of Education Public Service Commission	<a href="#">Ensuring contract management capability in government</a>	28 June 2019

# Our financial audits

590 financial audits and 594 other assurance reviews completed, 1 184 in total

## What is a financial audit?

Our financial audits provide independent opinions on the financial statements of NSW government entities, councils and universities. Our opinions provide assurance about whether these financial statements comply with accounting standards, relevant laws, regulations and government directions. Financial statement audits also highlight opportunities where entities can improve their accounting and financial systems.

Our audits comply with professional quality and independence requirements as parliament needs to be assured they are objective and of a high quality. Our mandate assures our independence by restricting us from providing non-audit services.

## Our financial audit base

We completed 590 financial audits this year of NSW state, local government and university entities, compared to 550 last year. These entities cover a diverse range of services and vary in size from large government departments, universities, state superannuation entities and utilities, and local and county councils, to small boards and trusts (see Appendix Two for the full list of entities we audited over this period). NSW state government entities as a whole collected income of approximately \$86.1 billion, spent approximately \$88.0 billion and managed more than \$468.2 billion in assets.

We also provided 594 other assurance audits and reviews (583 last year), most of which were acquittals or attesting compliance. This increase in the number of other assurance audits and reviews is largely due to an increased number of acquittals in local government.

## Total State Sector opinion

In addition to audits of individual state, university and local government entities, we audit the Total State Sector Accounts. These accounts provide aggregated whole-of-government financial information to parliament, for example total state borrowings.

## Modified auditor's opinions and conclusions

During 2018–19, we issued eight modified auditor's opinions and conclusions in our Independent Auditor's Reports (for details see Appendix Six). Modified opinions and conclusions included:

- 2 disclaimed opinions on an entity's financial statements
- 1 disclaimed opinion on an entity's special purpose financial statements
- 2 qualified conclusions on audits of compliance with requirements
- 2 qualified conclusions on reviews of compliance with requirements
- 1 adverse conclusion on an audit of compliance with requirements.

Modified audit opinions or review conclusions can be qualified, adverse or disclaimed.

Qualified opinions and conclusions are issued when:

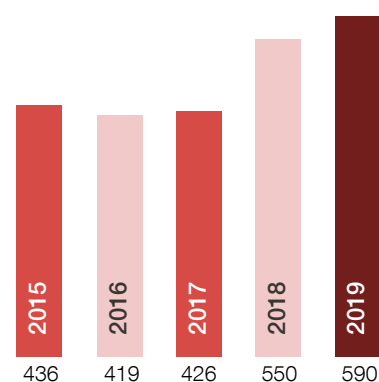
- financial statements contain material misstatements or sufficient appropriate audit evidence is not available; and the impact is material but not pervasive
- there is a scope limitation or material non-compliance with the compliance requirements.

Adverse opinions and conclusions are issued when:

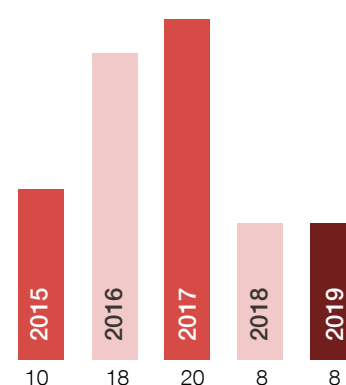
- misstatements in the financial statements are material and pervasive
- the non-compliance with compliance requirements are material and pervasive.

Disclaimed opinions and conclusions are issued where sufficient appropriate audit evidence is not available and the effects may be material and pervasive.

### Number of financial audits



### Modified auditor's opinions and conclusions





## Our financial audit reports

The results of our 2018 financial statement audits were reported to parliament in 12 Auditor-General's Reports to Parliament in 2018–19.

Our State Finances report focuses on the state's consolidated financial statements. It comments on the key matters that have been the focus of our audit and highlights significant factors that have contributed to the state's financial results.

Our Internal Controls and Governance report brings together the findings and recommendations from financial audits that relate to the internal controls and governance of the 40 largest NSW State Government agencies.

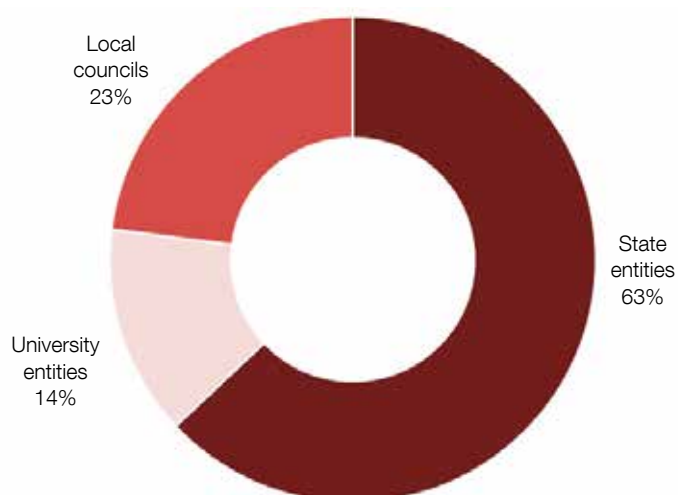
Eight other reports focused on the outcomes of our financial audits of NSW state government agencies and covered:

- Planning and Environment
- Transport
- Education
- Industry
- Family and Community Services
- Health
- Justice
- Central Agencies.

Each year we also report on the outcomes of our audits of the university and local government sectors.



## Financial audits per sector



# Data analytics

## Strategic initiative focus

The intent of our Data Analytics strategic initiative is to deliver more effective audits with improved assurance that generate reportable insights. This initiative will develop a Data Analytics Strategy that will identify and define how data will be used.

The key areas of focus of this initiative in 2018–19 are detailed below.

### Data Analytics Team

We made a commitment in 2018–19 to create three new data analytics roles in order to establish a dedicated Data Analytics Team. A Chief Data Officer role description was developed in 2018–19 with recruitment to commence in 2019–20, with the other two roles to follow thereafter.

### Data analytics tools

A key part of our approach to data has included piloting data analytics tools. In 2018–19, we built on previous pilots by utilising data analytics to provide assurance and support insights for some significant and complex audits. We continued the use of an audit data analytics tool across some small and medium audits. We extended our use of Information Systems Audit tools to interrogate large data sets with complex auditees. We also trialled open source data tools to spread our capabilities across multiple platforms.

### Unstructured data mining

Our Performance Audit Branch completed an initial pilot of 'unstructured data mining' in 2018–19. This pilot increased our ability to audit larger volumes of documentation by enabling more advanced search capability across multiple document types. The pilot indicated that this software would reduce the need for manual intervention in data sourcing. In the future, it is hoped this will lead to a reduction in the administrative burden on our auditees in sourcing and extracting large volumes of information.

### Data visualisations

In February 2019, our Local Government Auditor-General's Report to Parliament contained an interactive data visualisation tool. This tool provided up-to-date, drill-down data on the local government sector in New South Wales, improving opportunities for readers to engage with the data in the published report.

### Knowledge sharing

In 2018–19, we continued to engage with our colleagues in other Australasian audit offices and private firms to understand common approaches and learn from their experiences across data collection, analysis, visualisation, automation, continuous financial statement auditing and data curation. We will continue to learn from our peers as we develop our data and analytics maturity. We also sent two representatives to the INTOSAI Working Group on IT Audit in Fiji. This was an opportunity for our auditors to learn how international audit offices are responding to the increasing prevalence of technology in auditing with a focus on data analytics and information sharing.

### The year ahead

In 2019–20, we will further our data journey by:

- establishing a Data Analytics Team starting with the recruitment of a Chief Data Officer
- finalising a Data Analytics Strategy for the Audit Office that defines how data will be used to achieve our strategic objectives
- continuing to develop our use of data analytics tools and identifying automation opportunities
- conducting a larger pilot for a high-volume data-based performance audit
- further developing internal staff knowledge, skills and capability in using data on audits.



The intent of our Data Analytics strategic initiative is to deliver more effective audits with improved assurance that generate reportable insights.



# People and culture

## Strategic objective:

Our people are diverse, dynamic, agile and insightful and work in a collaborative and constructive environment. They are connected to each other and our stakeholders, and are developed to be leaders in their field.

Staff engagement | 28

Workforce management | 30

Culture and diversity | 32

Leadership and professional development | 34

Work health and safety | 36

Our graduate program welcomes new people to the Audit Office each year.

# Staff engagement

69% staff engagement, above the NSW public sector result of 65%  
62% staff satisfaction

## Survey participation high

In 2018–19, 91 per cent of our staff participated in the NSW public sector People Matter Employee Survey, slightly down on the 95 per cent who participated last year. Given the survey was conducted in June 2019 which was the same time as our office move (see page 29 for further details) we were very pleased with our survey participation rate this year.

## Employee engagement remains steady

Employee engagement was 69 per cent, which is the same result as 2017–18, but below our target of 80 per cent. Our result is above the NSW public sector engagement result of 65 per cent. Employee morale also remained steady at 78 per cent.

## Employee satisfaction down

Sixty-two per cent of respondents agreed they were satisfied with their job, down from 66 per cent last year and below our 80 per cent target.

## Several areas of strength

This year's People Matter survey results show several areas of strength for the Audit Office. These include (from highest to lowest):

- My organisation respects individual differences (e.g. cultures, working styles, backgrounds, ideas)
- I am comfortable notifying my manager if I become aware of any risks at work
- My workgroup strives to achieve customer/client satisfaction
- My manager listens to what I have to say
- People in my workgroup treat each other with respect
- I understand what is expected of me to do well in my role.

## Areas employees feel we need to improve

The areas our employees believe we perform the least well in are (from lowest to highest):

- There is good co-operation between teams across our organisation
- I have confidence in the way recruitment decisions are made
- I am able to keep my work stress at an acceptable level
- I feel a strong personal attachment to my organisation
- I feel that senior managers listen to employees
- I am satisfied with the opportunities available for career development in my organisation.

## We benchmark well against the NSW public sector

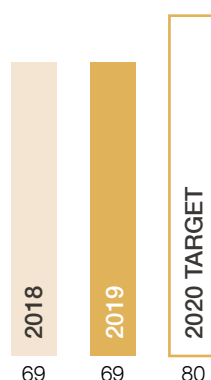
The People Matter Employee Survey allows us to benchmark our results against other NSW public sector organisations. In 2018–19, we had the same or better result compared to the rest of the NSW public sector for 91 per cent of measures. The areas we compared most favourably to the rest of the sector are:

- 66 per cent of our staff agreed that change is managed well in their organisation, compared to 42 per cent in the rest of the NSW public sector
- 85 per cent of our staff agreed their manager supports flexible working in their team, compared to 63 per cent in the rest of the sector
- 61 per cent of staff believe action will be taken on the survey results, compared to 39 per cent in the rest of the sector.

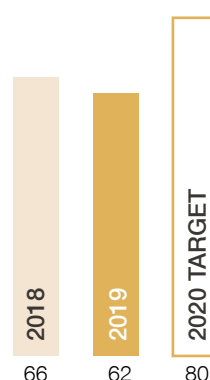
## Our People Matter Action Plan

Our People Matter Action Plan will be updated in 2019–20 to reflect these results. Some particular areas of focus will be embedding our new corporate values, particularly the value of 'Pride in Purpose', and adjusting our approach to resourcing, work allocation and workload management.

Staff engagement %\*



Staff satisfaction %\*



\* Only results from 2018 onwards are provided as we started using the People Matter Employee Survey as our engagement survey from this point – previous Audit Office engagement survey results are not comparable due to them being conducted under a different survey methodology.



# Working better, working together

## Strategic initiative focus

The objective of our Working Better, Working Together strategic initiative is to define what our work will look like in the future, the capabilities we will need, and the culture and conditions we will need to create. A key focus was to create a new, modern office space that enables collaboration, integration and more agile ways of working. We will also ensure our people work in an environment of diversity and empowerment, supported by clear and focused leadership.

In this 'People and Culture' section of our annual report you will find an overview of each of the key areas of focus in this strategic initiative in 2018–19, including our Future Workplace Project (see below), our Workforce Strategy (page 31), our Values Refresh (page 33) and our Leadership Development Framework (page 35).

### Future Workplace Project

In 2018, our Future Workplace Project was established to source a suitable site and create an optimal working environment for the Audit Office that aligns with our Workforce Strategy (see page 31) and is future ready with respect to our workplace requirements.

The scope of the project included:

- devising a workplace strategy
- locating a suitable site and securing a new lease
- designing and constructing an effective working environment
- embedding processes that support transition to the new working environment
- relocating business operations, people and equipment
- completing 'make-good' of our previous site.

The project presented a unique opportunity to achieve key objectives of the Working Better, Working Together strategic initiative – to create a modern office environment with technology that supports a collaborative and agile culture, while also respecting the rich history of our office.

### Robust governance structure

To ensure the project had the best chance of success, a strong governance structure was established and consisted of six project work streams, a Project Leadership Group, a Steering Committee and our Office Executive. The project's diverse team from right across the organisation, as well as its careful management, ensured the project was delivered on time and under budget.

As well as meeting time and cost objectives, the Future Workplace Project also met strategic objectives and our workforce vision by creating a vibrant and appealing workplace that engages our staff while enhancing connectivity and encouraging a collaborative and integrated way of working.

### Advancing technology

Our new technology provides more efficient ways of working and facilitates greater connection with our external stakeholders. Enhanced technologies and digital signage throughout the workspace enable better collaboration and connection both internally and externally. These technologies also support enhanced interaction with applications, data dashboards, reports and day-to-day work across the office.



A variety of flexible work spaces in the Audit Office's new office accommodation.

### Flexible and diverse design

The design of the new office provides a flexible environment that can accommodate agile teams, which can be created and then evolve in line with the Audit Office's changing priorities and objectives. The design provides more functional and varied meeting spaces and dedicated diversity spaces. Part of the strategic intent of the Future Workplace Project was to embrace diversity, and this has been key to the design, with the new office supporting our people to feel valued in an environment of respect, inclusivity and empowerment.

### Effective and engaging change management

Effective change management was a key focus for the project. The Strategic Office and Continuous Improvement work stream was established to ensure the right systems, processes and protocols were put in place to maximise the benefits of our new workplace. The People, Culture and Communications work stream ensured key stakeholders were actively involved at every stage of the project to create engagement, manage expectations, address concerns and facilitate the people and transitional aspects of the move.

### The year ahead

Although we successfully moved into our new premises on 17 June 2019, the work has not finished with the focus now shifted from facilities to behaviours. Ensuring our people are embracing new ways of working in their new office environment – including collaborating across teams, better engaging with external stakeholders using the new technology, and using different elements of the space for different purposes – will be the focus of this project until its close, and indeed beyond. It will be important to ensure all the culture change benefits of the project are realised and this will not happen overnight, although early indicators are that our staff on the whole are enthusiastically embracing the new ways of working. The Future Workplace Project is scheduled to close in December 2019.

# Workforce management

279 full-time equivalent staff  
12 per cent staff turnover

## Staff turnover within target

Our strong brand, excellent reputation and opportunities for personal and career development has enabled the Audit Office to continuously attract and recruit high quality staff. This has positively impacted our ability to sustain a regular supply of specialist talent and our capacity to meet client demands.

We experienced a 12 per cent staff turnover in 2018–19, the same result as 2017–18 and within our target range of 12–15 per cent.

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

- appreciated the people at the Audit Office
- were made to feel part of their teams with support from colleagues
- felt they had adequate freedom to exercise judgement in their work
- believed they received adequate training, although some suggested that more training be provided in some areas
- had high satisfaction in their relationships with managers, their working teams and the office environment
- would like more workplace agility and less siloed working teams
- felt that there could be a more even distribution of workloads between teams
- felt that there were limited promotional opportunities.

Of the employees that exited the Audit Office in 2018–19, 46 per cent moved elsewhere within the public sector, 14 per cent moved to the private sector, and 40 per cent exited for other reasons. Eighty-one per cent would return to the Audit Office if an opportunity arose.

## Number of staff steady

The number of full-time equivalent staff at 30 June 2019 was 279, compared with 278 last year.

## Our graduate recruitment program

In March 2019, we began our graduate recruitment process for 2020. We worked to enhance our ongoing alliance with professional accounting bodies and universities by attending career events, promoting our program through universities and engaging in other recruitment activities. From the 281 applications received for our graduate program, we interviewed 48 candidates and offered positions to nine candidates.

## Focus on performance management

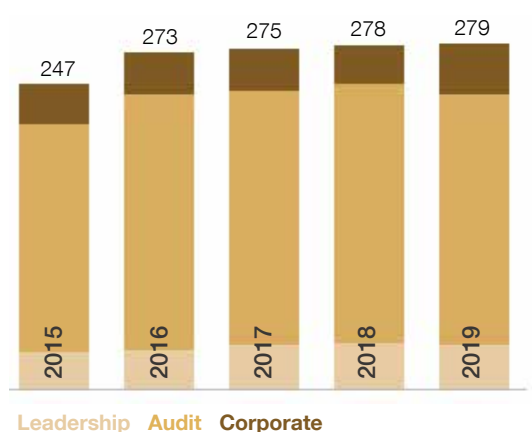
The performance, behaviour and conduct of our employees are integral to our success. The Audit Office promotes a transparent performance management approach that aligns personal goals and individual development with the Audit Office corporate plan and vision.

In 2018–19, we continued focusing on performance management by:

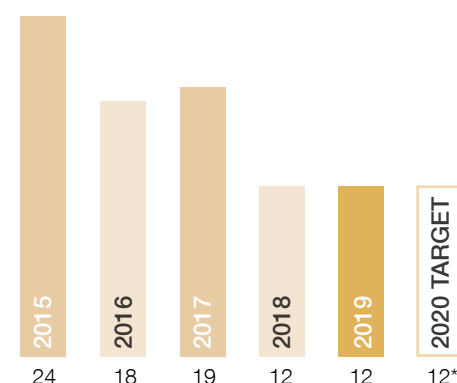
- cascading the Audit Office corporate plan down into branch plans and individual performance agreements
- strengthening our performance management process, including performance conversations, two-way feedback and the link between performance and remuneration
- holding collaboration sessions for all classification levels to ensure managers have an agreed and collective understanding of performance expectations.

We also in 2018–19 implemented a new performance tool for our financial auditors to capture feedback about how staff have performed at the end of each audit engagement. This was to support our move to 'neighbourhoods' in financial audit – for further details on this move to neighbourhoods see our 'Workforce Strategy' on page 31.

Full-time equivalent staff at 30 June



Staff turnover %



\*Target range is 12–15 per cent

# Working better, working together

## Strategic initiative focus

### Fair and responsible remuneration

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

Mid-year and year-end performance conversations were held between managers and employees. A year-end performance and remuneration assessment was conducted and the results were moderated across branches through leadership collaboration sessions.

The Remuneration Committee met twice during 2018–19 to consider auditor and analyst progression and the year-end remuneration review. The committee reviews recommendations to the Auditor-General on the application of the Audit Office's remuneration policies and practices. These recommendations continue to improve the remuneration assessment process.

### Workforce Strategy

In 2018–19, a key focus of the Working Better, Working Together strategic initiative was to develop a Workforce Strategy. The objective of the strategy is to ensure we build the right capability across our workforce to support both our current and future workforce needs, in a rapidly changing professional environment. This will ensure we have the right people in the right jobs at the right time.

We started the development of a Workforce Strategy by conducting research into the likely changing nature of our profession in the short, medium and longer term. We commissioned an external consultant to conduct this research for us which entailed both internal and external interviews, data research and desktop reviews.

The resulting report was used by our Office Executive as the basis for a number of workshops to challenge our thinking about the future of our work, and to agree on a series of key, high-level workforce strategies. These strategies were tested with our Leadership Team at our annual strategic planning workshop in April 2019, further refined based on this group's feedback, and by June 2019 it was finalised.

One of the strategies was to 'Develop an agile approach to internal resourcing'. This strategy was partly implemented in 2019 with a move to a pooled resourcing model in our financial audit branch. The branch moved from 18 separate business teams to three industry-based 'neighbourhoods'. This model allows resources to be shared across audits more readily, and provides our staff more opportunity to work on different types of audits and to collaborate more broadly across the organisation.

### The year ahead

In the first quarter of 2019–20 we will develop a more detailed roadmap to underpin the high-level workforce strategies, with prioritisation of effort and timing of implementation determined. We will then formally release the Workforce Strategy to staff at our November 2019 all-staff Office Forum, ready for full implementation from the start of 2020.



One of our 2019 financial audit graduates during induction. In March 2019, from the 281 applications received for our graduate program, we interviewed 48 candidates and offered positions to nine candidates to start with us in 2020.

# Culture and diversity

51% of executive and senior leadership are women  
58% of middle management are women

## A strong focus on diversity

At the Audit Office, we are committed to ensuring we have a diverse workplace that reflects a constantly changing external environment. We recognise that by embracing the different contributions, perspectives and talents that make up our organisation we not only create a culture of participation, contribution and respect, but also increase innovation, creativity and organisational performance. Our Diversity Inclusion and Accessibility Framework continues to guide our activity in this area. For further details on our workforce diversity beyond what is outlined in this section, please refer to Appendix Eleven.

## Gender diversity remains strong

The Audit Office has an ongoing commitment to support the growth and development of talented women in the organisation. The number of women as a percentage of the total full-time equivalent workforce has increased to 53 per cent from 51 per cent. The representation of women in middle management has remained at 58 per cent. The percentage of women in executive and senior leadership positions has increased from 50 to 51 per cent in the last twelve months. We also introduced gender pay gap analysis in all quarterly Human Resources reports in 2018–19 with the Office Executive ensuring remuneration is pro-actively managed to avoid gaps based on gender.

## Increasing Indigenous representation

We continued to develop and implement our Indigenous Internship Program in 2018–19, a program which aims to increase the representation of Indigenous people in our organisation. We had three Indigenous interns working at the Audit Office over a 12-week summer period. We also had one Indigenous intern for the winter internship period. We also had one Indigenous intern from our summer 2017–18 intake successfully apply for our financial audit graduate program, commencing employment with us in February 2019.

## Cultural diversity

Staff at the Audit Office come from over 37 countries and speak some 27 languages. In 2018–19, we celebrated many cultural festivals such as Diwali, NAIDOC, Lunar New Year, Harmony Day, Eid, as well as International Women's Day. These celebrations help us recognise the diversity of our workplace and encourage our staff to learn more about other cultures and diversity groups. We also in 2018–19 delivered mandatory cultural awareness training for all staff.

## Promoting a flexible workplace

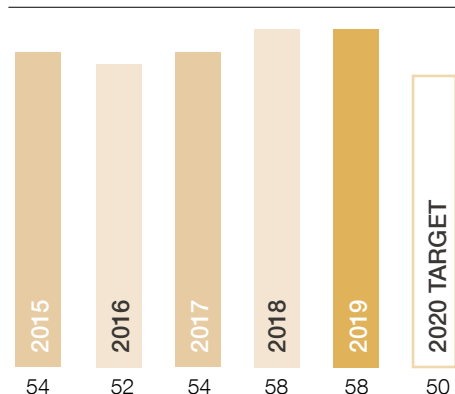
We continued to develop and support flexible working options in 2018–19. Sixteen per cent of staff have a formal flexible working arrangement in place such as part-time, compressed working week, job share or career break arrangements. Many more take advantage of flex leave and informal flexible working arrangements. In our November 2018 Work Health and Safety Survey, 44 per cent of respondents advised they have some kind of formal or informal flexible working arrangement in place. Informal arrangements can include such things as working from home or working flexible hours. One of our highest rating results in the NSW public sector People Matter Employee Survey is around flexible working with 85 per cent of staff agreeing their manager supports flexible working in their team (see page 28 for further details).

## Supporting the wellbeing of our staff

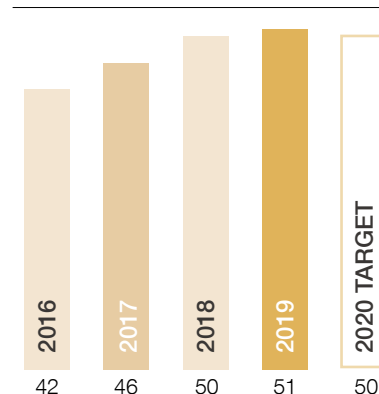
The health and wellbeing of all employees remains a top priority for the Audit Office. In 2018–19, five per cent of our employees utilised the Employee Assistance Program, receiving free independent and confidential counselling for either themselves or their families. The Audit Office encourages employees and managers to use the program to get professional, objective support when required whether it be for work or personal matters. The majority of employees who used the program – 81 per cent – sought assistance in relation to personal matters.

Ergonomic assessments were conducted for employees who have an injury or were experiencing discomfort whilst at work. We also invested

Women in middle management %



Women in executive and senior leadership %





heavily in additional ergonomic assessments to support our office move in June 2019 to ensure all our staff were set up properly in the new environment. For further details on our office move see our 'Future Workplace Project' on page 29.

The Audit Office continues to support employees who participate in the Corporate Cup running challenge as well as provide fresh fruit every day to employees to promote healthier eating. We also in 2018–19 had 44 per cent of our staff participate in our flu vaccination program, the highest uptake we've had for this program.

## Recognising our staff

Our Audies Recognition Program continued this year with a total of 40 nominations for the July 2018 to June 2019 period. There were ten individual winners (one winner being for the Karyn Neal Leadership Award) and 12 recipients of team awards.

For further details on our 2018–19 winners please see Appendix Twelve.

## Recreation club

The recreation club, known as the ReClub, is a social organisation run by staff, for staff. Approximately 56 per cent of staff are members of the ReClub, similar to last year's 57 per cent. The club is fully funded by staff and run by a representative committee.

The ReClub is responsible for organising a number of the Audit Office's key events including the Annual Dinner and numerous 'Happy Hour' events. In 2018–19, the ReClub also organised:

- Launchies – a welcome event for new graduates joining the Audit Office and a fun event for all employees to participate in
- Australia's Biggest Morning Tea annual bake-off – our twelfth participation which raised over \$628 in 2019
- Futsal – our indoor soccer competition which this year included four teams with 38 players
- Step challenge – a health event challenging staff to walk 10,000 steps per day
- City2Surf – partially subsidising entry fees for ReClub members
- ReClub breakfast – a gathering for all staff with pastries, hot food and healthy options
- Trivia nights – an event for Audit Office quiz masters to test their skills against one another.

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

## Values refresh

In 2018–19, a key focus of the Working Better, Working Together strategic initiative was to refresh our corporate values. With our move to a new office happening in 2019 (see page 29 for further details), and the cultural change opportunities this offered, we took the opportunity to think about what kind of behaviours we wanted to take with us to our new office, what we wanted to leave behind, and what new behaviours we wanted to embrace. We commenced a grass-roots process to find out from our people what values they think are important for the Audit Office. A series of interviews and workshops with almost 100 staff resulted in five key themes being identified, with these themes worked into five new organisational values for the Audit Office. Each value incorporates a lot of the history of the Audit Office and where we have come from, as well as demonstrates a desire from all of us to embrace new ways of working together and with our external stakeholders. Our new values are:

- Pride in purpose
- Curious and open-minded
- Valuing people
- Contagious integrity
- Courage (even when it's uncomfortable).

## The year ahead

In 2019–20, we will embed our new values through various communications activities, leadership and staff storytelling, training programs and visual representation of the values to add to the design of our new office.



Staff enjoying Lunar New Year celebrations, February 2019.

# Leadership and professional development

7 training days per employee, increased from 6 last year

## Well-developed skills

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

General training in 2018–19 included a combination of online training, face-to-face sessions, external courses, seminars and conferences. Staff also continued to consistently learn and develop whilst on the job. Internal coaching and face-to-face training delivered by Audit Office subject matter experts continue to form an integral part of our learning program.

In 2018–19, our training program included:

- mandatory training for all staff on bullying and harassment, fraud, code of conduct, cyber security and cultural awareness
- negotiation skills training for our performance auditors
- effective job skills training for relevant staff
- a variety of online learning through Lynda.com, our new online learning platform
- our graduate induction program, with Senior Auditors and Audit Leaders facilitating parts of the program after attending 'train the trainer' sessions
- project management fundamentals training for first time project managers.

There was also a focus on communication across all branches with Plain English and presentation skills training delivered to staff with capability needs in these areas, with follow-up coaching offered to managers.

## Technical development

Financial audit staff in 2018–19 were trained across a variety of technical subject areas including audit methodology, accounting standards, Higher Education Research Data Collection (HERDC), superannuation, auditing local government, and Information Technology Infrastructure Library (ITIL) foundation training.

Performance audit staff attended industry conferences and developed advanced report writing skills through face-to-face training and coaching. Some staff also attended advanced performance audit training conducted by the Canadian Audit and Accountability Foundation in Canberra.

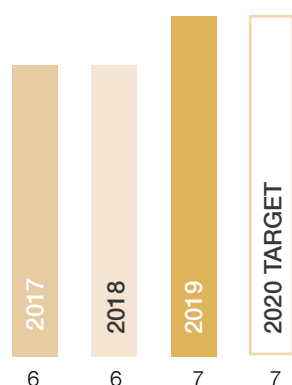
## Supporting professional qualifications

We continued to help staff gain their professional accounting qualifications in 2018–19 by reimbursing 100 per cent of fees and providing study leave. We supported 60 staff in total towards their professional qualifications in 2018–19, with 20 staff becoming fully qualified as Chartered Accountants and four as Certified Practising Accountants during this period. In addition, we had three staff members qualify as Certified Information Systems Auditors (CISA) and two graduate from the Australian Institute of Company Directors.

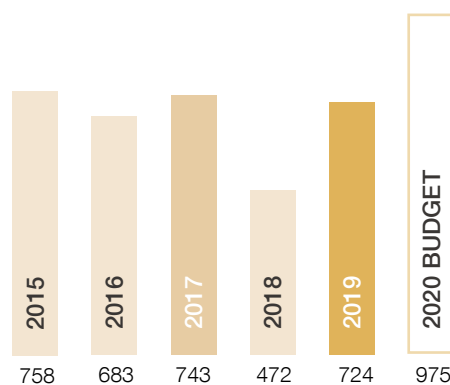
## Supporting tertiary education

We continued to support our staff with tertiary education by paying a percentage of fees for studies relevant to their role. In addition to financial support, approved staff are also granted study leave to maximise their potential for success. We supported nine staff in completing degrees across a broad range of disciplines in 2018–19, with one staff member graduating with a Master of Evaluation.

Average training days per staff member



Learning and development spending \$'000



# Working better, working together

## Strategic initiative focus

### Leadership development

In 2018–19, we delivered tailored bullying and harassment (respectful workplace) training for all our people leaders that built on the more generic training delivered to all staff. We also continued to partner with the Committee for Economic Development in Australia (CEDA) which has enabled our Office Executive and Leadership Team to attend meetings and events with government leaders. In 2018–19, we also finalised our Leadership Development Framework – for further details see the 'Strategic initiative focus' on this page.

### Staff development

Throughout 2018–19, we continued to offer our staff a diverse range of development opportunities both externally and internally. Staff continue to be given the opportunity for internal movement to other teams or branches, including opportunities to act at higher levels.

We also continued our ongoing commitment to offering staff development experiences with external organisations. In 2018–19, we seconded 12 staff to a 'Big Four' accounting firm and three staff were seconded to a mid-tier accounting firm. Some of our staff were also offered development opportunities at the Independent Pricing and Regulatory Tribunal, the Parliamentary Budget Office, and the Department of Planning, Industry and Environment.

### Investment in development increased

In 2018–19, we delivered an average of seven training days per staff member which is an increase from last year and in line with our target. We increased our learning and development expenditure significantly in 2018–19, with \$724,270 invested in the development of our staff, compared to last year's \$472,000.

### Leadership Development Framework

In 2018–19, we finalised and began implementation of a Leadership Development Framework to support the objectives of our Working Better, Working Together strategic initiative. This framework is designed to support all staff on their leadership journey, from leading themselves to leading others, and right through to strategic leadership. It is also calibrated to the NSW Public Service Commission's Capability Framework.

There were three key focus areas in the implementation of the framework in 2018–19:

- Lynda.com – this online learning platform was implemented providing all our staff with on-demand online learning, including numerous leadership development offerings
- Behavioural Tool Pilot – the Office Executive undertook a pilot of the Human Synergistics Lifestyles Inventory (LSI) tool to support them in developing constructive leadership behaviours
- Middle Managers Training Pilot – we began development of a leadership program for our middle managers, many of whom are first-time managers.

### The year ahead

We will launch our middle management training pilot in the first half of 2019–20. We will also assess the Office Executive LSI pilot with a view to cascade this tool down to the next level of leadership. In 2019–20 we will also calibrate all our leadership programs to align with our newly refreshed corporate values – see page 33 for more details on our new values.



Our Karyn Neal Leadership Award is a key component of both our Leadership Development Framework and our Audies Recognition Program. This is 2018 winner Jason Appleby with Auditor-General Margaret Crawford.

# Work health and safety

6 reportable notifiable incidents  
2 new workers' compensation claims

## WHS injuries and incidents

In 2018–19, we recorded a total of six reported notifiable injuries directly related to Work Health and Safety (WHS), up from five in 2017–18. These were immediately reported and addressed.

One injury was a notifiable incident to Safe Work Australia – this was the result of an employee fracturing their elbow on a public street in the category of slips, trips and falls. Two incidents resulted in workers' compensation claims, with one of these resulting in lost time. As at 30 June 2019, we have two active workers' compensation claims (one of these carried over from the previous year). Both active claims relate to the same employee and we are currently working closely with the employee and our insurers to support their recovery back to full pre-injury duties.

## We have an engaged and active WHS committee

Under the *Work Health and Safety Act 2011* the Audit Office is required to consult staff on matters pertaining to work health and safety. The Audit Office continues to do this through the WHS Committee. The WHS Committee is made up of seven employee representatives and three management representatives. The committee meets quarterly. The committee plays a proactive role in WHS through:

- quarterly WHS internal inspections
- reviewing the WHS risk register
- reviewing and monitoring workplace injuries
- reviewing WHS policies, strategies and procedures
- developing initiatives to promote WHS awareness
- identifying WHS issues and risks, and recommending mitigations
- consulting with workgroups regarding WHS matters.

In 2018–19, we sought nominations from employee representatives to commence a new three-year term. Four existing representatives nominated again and continued on the committee, and three new

representatives joined the committee. All new committee members have either completed WHS committee training or will complete it in early 2019–20. Along with WHS Committee members, we also have four first aid officers and 11 fire wardens, all fully trained.

## Staff satisfaction with WHS

In 2018–19, we conducted our annual WHS Survey with the highest ever participation rate of 62 per cent. The objective of the survey is to gain a better understanding of employee awareness of WHS, as well as to give employees the opportunity to provide confidential feedback on areas they perceive as risks in the workplace and areas they would like to see improved. New questions were added in 2018–19 to monitor employee wellbeing.

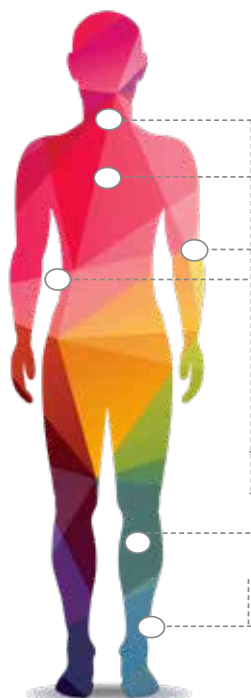
In 2018–19, the survey showed a WHS satisfaction index score of 88, slightly down on last year's 91 but above our target of 85. Positive results from respondents included:

- 91 per cent knew where to find our WHS policies
- 90 per cent believed their managers were aware of their WHS obligations
- 89 per cent were satisfied with the role of WHS Committee members
- 86 per cent knew where to find first aid officer details.

The key areas staff want to see us focus more on are employee wellbeing, WHS at client sites, head office ergonomics and awareness of WHS issues.

In response to these survey findings, a WHS Action Plan has been developed by the WHS Committee which includes:

- updating WHS refresher training
- improving and increasing the regularity of WHS communications
- improving workplace ergonomic furniture
- developing training and activities focused on staff wellbeing, especially in the area of mental health
- improving support for staff at client sites.



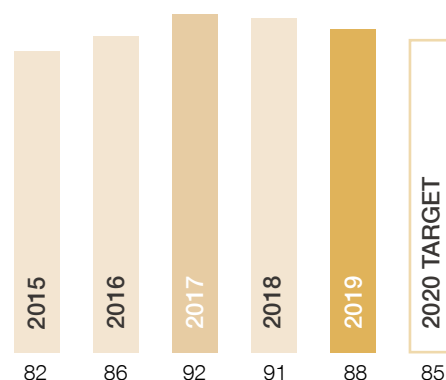
### Injuries by body part

Body part	Injuries
Neck	1
Chest	1
Elbow	1
Back	1
Leg	1
Ankle	1
<b>Total</b>	<b>6</b>

### Injuries by mechanisms

How injuries occurred	Injuries
Slips, trips and falls	3
Repetitive movement	1
Physiological	1
Car accident	1
<b>Total</b>	<b>6</b>

### WHS staff satisfaction index





# Our systems and processes

## Strategic objective:

Our innovative technology, systems and processes are integrated, efficient and improve organisational performance. We have the capability and capacity to keep pace with a fast-changing world.



Audit and reporting processes | 38

Quality processes | 40

Governance | 42

Technology and environment | 49

Modern technology that enables collaboration and more dynamic ways of working was a key objective of our 2018–19 Future Workplace Project. This is one of our new meeting rooms.

# Audit and reporting processes

76% of audit staff available hours charged to audit, meeting our 75% target  
100% of financial audits reported to parliament on time

## Timeliness of our performance audits

Our average time to complete performance audits was ten months, which is lower than our previous years' averages of 11 months. We have achieved this while consolidating our new mandate to audit the local government sector, and exploring new ways to present insights from our reports.

## Timeliness of our financial audits

We recognise parliament and other stakeholders need timely reports to allow prompt scrutiny of government entities' financial information. We have different timeframes for reporting our financial audits to parliament, reporting our financial audit opinions to auditees, and issuing management letters to auditees. These are detailed below.

## Timeliness of parliamentary reporting

For state government entities with a 30 June balance date our internal benchmark is to report to parliament before the end of the calendar year. For our local government auditees, who also have a 30 June balance date, we report to parliament by 31 March the following year. Our other financial audits (mainly universities) have a 31 December balance date and our reporting to parliament benchmark is by the end of June the following year.

In 2018–19, we reported 100 per cent of our financial audits to parliament on time.

## Timeliness of issuing financial audit opinions

Under the *Public Finance and Audit Act 1983*, we are required to issue all NSW government entity financial audit opinions within ten weeks of receiving entities' financial statements. Eighty-five per cent of our opinions were issued within ten weeks in 2018–19, down from 91 per cent.

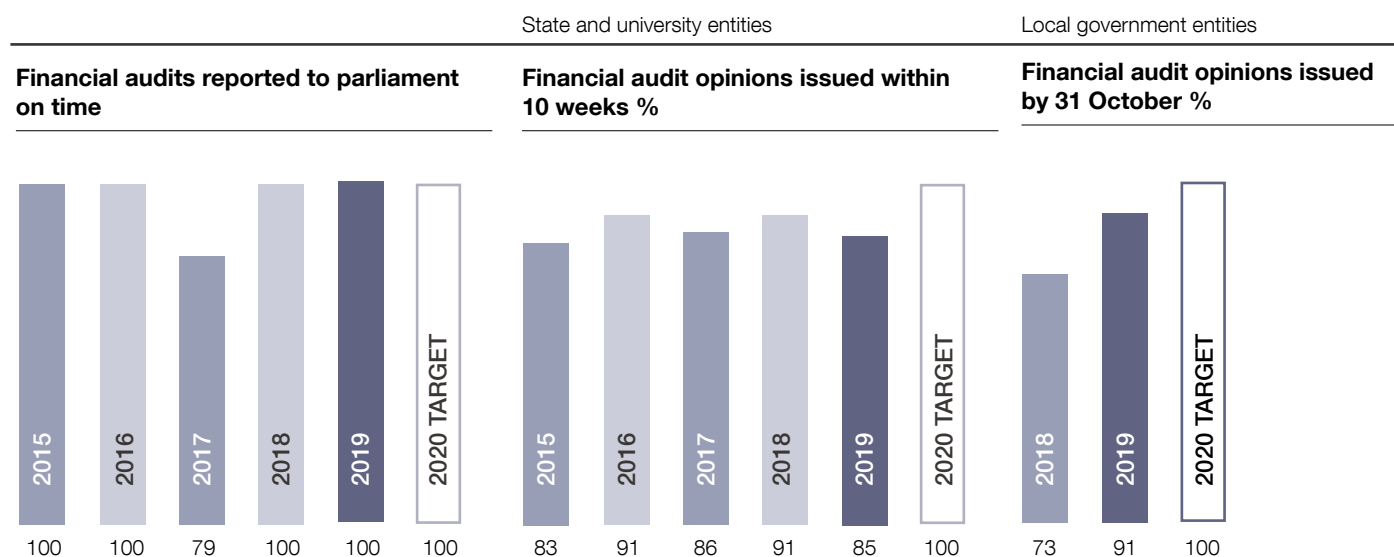
In our second year auditing the financial statements of local government entities, we provided 91 per cent of audit opinions by 31 October 2018, a significant improvement on 73 per cent last year. Our target for the 2018–19 year is 100 per cent.

## Timeliness of issuing management letters

While we issue interim management letters throughout the audit, we aim to issue our final management letter at the same time as our audit opinion, but no later than the following six weeks. In 2018–19, 74 per cent of management letters were issued within six weeks, a significant improvement on last year's 61 per cent and a five-year best for the Audit Office on this measure. Although a significant improvement on previous years, we continue to develop and implement strategies to improve the timeliness of our management letters.

## Efficiency of our audits

We need to deliver our audits as efficiently as possible. Our target is that 75 per cent of total available audit time is actually charged to audit activities. In 2018–19, 76 per cent of our available audit time was charged to audit activities thus meeting our target. Audit time includes all time available from both our performance and financial auditors, and does not include our audit policy and research staff, nor our corporate support staff.



## Reporting process

### Strategic initiative focus

The objective of our Reporting Process strategic initiative is to build streamlined, efficient processes that support the production of clear, concise and insightful reports to parliament.

The key areas of focus of this initiative in 2018–19 were:

- reporting milestones and processes were updated following feedback from authors and reviewers on the 2017–18 reporting season. This resulted in a much smoother reporting season in 2018–19
- performance audit and financial audit reports were brought into alignment to harmonise the two reporting formats, ensuring a consistent all-of-office product
- software options were explored to provide electronic writing support to authors
- plain English coaching services were provided to relevant authors to help them improve their writing capability
- the design of our reports was refreshed with a new colour palette to better reflect a more consistent approach to Audit Office corporate branding
- reporting software solutions were explored in order to streamline our current processes and provide better quality reports.

### The year ahead

In 2019–20, we will further improve our reporting processes by:

- holding debriefs on the 2019 reporting season and identifying areas where we can increase efficiencies and make the process more streamlined
- conducting a pilot of a new reporting software solution.

## Cost of our audits

### Our performance audit costs

The average cost of performance audits published in 2018–19 was \$305,733. This was below the target of \$330,000 and 6.4 per cent higher than the 2017–18 result of \$287,420.

The cost of our performance audit work reflects the complexity of the work we do and the capability of staff required to meet that challenge.

### Our financial audit costs

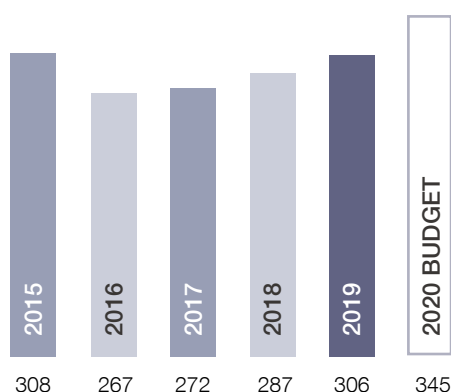
Our average cost per financial audit opinion in 2018–19 was \$87,069. This is a slight reduction in cost from the \$89,594 per audit opinion last year. This includes the cost of auditing the state, university and local government sectors.

We also compare our financial audit costs with other Australian audit offices. In 2018–19, our cost per financial audit was above the average of \$73,111 across other Australian audit offices. The difference between our cost and the average is driven by the variation in cost of local governments across different jurisdictions.

### Benchmarking our total audit costs

We also benchmark our costs compared to other Australian audit offices, comparing our total audit costs as a proportion of total public sector transactions, and total public sector assets. This is a better way of comparing 'like for like' across jurisdictions. On these comparisons, our costs compare very favourably with other Australian jurisdictions. See page 12 for further details on our how our costs benchmark against other audit offices.

Average cost of performance audits \$'000



# Quality processes

100% of audit conclusions reviewed through our quality assurance program were supportable  
17 submissions made to professional bodies

## Our quality assurance framework

During 2018–19, we performed a holistic review of our system of quality control. Our system of quality control is an important mechanism to ensure the Audit Office and its staff comply with Australian Auditing Standards, relevant ethical requirements, and applicable legal and regulatory requirements; and to ensure our reports are appropriate in the circumstances.

Our quality assurance framework aims to demonstrate the Audit Office's compliance with ASQC 1 Quality Control for Firms that Perform Audits and Reviews of Financial Reports and other Financial Information, other Assurance Engagements and Related Service Engagements. The framework outlines how we address each of the following elements:

- leadership
- ethics
- auditee relationships
- human resources, including learning and development
- engagement performance
- monitoring.

## Quality Audit Review Committee

Our Quality Audit Review Committee monitors the quality of audit products, and provides the Auditor-General with assurance the Audit Office complies with the requirements of ASQC 1 Quality Control for Firms that Perform Audits and Reviews of Financial Reports and Other Financial Information, Other Assurance Engagements and Related Service Engagements and APES 320 Quality Control for Firms.

The Quality Audit Review Committee is chaired by the Director Office of the Auditor-General, and includes the Deputy Auditor-General and two other internal practitioners with appropriate experience and qualifications.

## Internal quality reviews

We recognise the importance of audit quality in achieving our vision. Audit quality is supported through our comprehensive quality assurance program. Our system of quality control is designed to provide assurance that the Audit Office complies with Australian auditing standards, relevant ethical requirements, and applicable laws and regulations.

The Audit Office reviews the quality of its financial and performance audits annually. Historically, internal quality reviews were only focussed on financial audits. However in 2018–19, as part of the new quality assurance framework, this has been expanded to also include performance audits.

Financial audit reviews may be coaching (hot) reviews, where files are reviewed in progress, or monitoring (cold) reviews, where files are reviewed on completion. The quality review program for financial audits covers the audits the Audit Office conducts and those carried out in partnership with our external Audit Service Providers. The quality review program for performance audits consists only of monitoring reviews.

During 2018–19, six financial audits were reviewed. These consisted of two coaching reviews and four monitoring reviews. One performance audit was reviewed. This was the first time we have reviewed a performance audit as part of our internal quality assurance program. For the first performance audit quality review, we were assisted by an experienced

audit professional who oversaw audit quality at a large accounting firm, and now conducts audit inspections for the Australian Securities and Investments Commission (ASIC).

The results of these reviews were reported to the Quality Audit Review Committee. The committee is responsible for ensuring the process, conclusions and any remedial actions are communicated to the Auditor-General, the Audit and Risk Committee, the Office Executive, audit teams, and our Audit Service Providers.

Overall, the reviews concluded that the assurance conclusions for the reviewed audits were appropriate. The results of the quality reviews are communicated to staff at a debrief session and to our Audit Service Providers individually, and annually at the Audit Service Providers Forum. Quality findings inform the learning and development program of the Audit Office to promote an environment of continuous improvement.

Based on these reviews, the Auditor-General is satisfied that the system of quality control functioned effectively in 2018–19.

## External quality reviews

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

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

- a quadrennial review by a person appointed by parliament's Public Accounts Committee to examine the auditing practices and standards of the Auditor-General. The most recent review was conducted by Deloitte in 2017–18. The review concluded that we demonstrated the Auditor-General has in place methodology and tools to effectively, economically and efficiently deal with our core business and achieve compliance with the appropriate standards.
- periodic reviews of aspects of the Audit Office by peer reviewers arranged under a quality assurance framework sponsored by the Australasian Council of Auditors-General. The most recent peer review was conducted in 2016–17 and was led by the Western Australian Office of the Auditor-General. The review confirmed that there is very sound governance and audit practice management in place at the Audit Office.

## Ensuring the quality of our Audit Service Providers

Our ability to deliver quality audits is influenced by those we partner with – our external Audit Service Providers. Our Audit Service Providers are required to comply with Audit Office policies, including policies related to managing independence, conflicts of interest, and other audit-related policies. They are also subject to our internal quality assurance reviews. The proactive supervision of our Audit Service Providers ensures the work they deliver for each audit achieves the required audit quality.

## Technical Issues Committee

To maintain audit quality, we have a robust process to deal with complex technical matters that our auditors encounter through their audits. The Technical Issues Committee (TIC) is responsible for considering complex technical matters including areas of significant accounting judgements and estimates, complex transactions, modifications to our auditor's



reports, and issues creating precedent or affecting a range of our auditees. The TIC enables greater audit quality by bringing together a wide range of internal stakeholders to consider issues in detail and from multiple perspectives. The committee is chaired by the Auditor-General, and includes the Deputy Auditor-General and senior audit executives. Technical support is provided by the Quality and Innovation Group.

## Safeguarding our independence

Independence is fundamental to fulfilling our mandate. We have robust policies to safeguard our independence, including requirements to declare conflicts of interest, and maximum periods that senior audit team members can be involved with auditees.

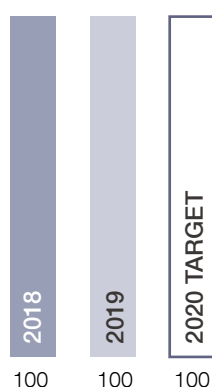
An important policy addresses how other engagements are accepted. This policy – which also applies to our Audit Service Providers – has a range of protections to ensure we only accept (or approve our Audit Service Providers to accept) other engagements where independence is preserved.

As our mandate does not permit us to perform non-audit services (such as consulting or advisory work), we do not provide these services to our auditees. Our policies do allow Audit Service Providers to deliver non-audit services to our auditees. These policies envisage limited circumstances where this will occur, and have safeguards in place to manage such occasions. This includes a requirement for Audit Service Providers to seek our approval before being engaged to deliver additional services. We approve these requests only after we have conducted a rigorous assessment to ensure our independence – and the independence of our Audit Service Providers – is preserved.

Our mandate under the *Public Finance and Audit Act 1983* and *Local Government Act 1993* permits us to perform additional assurance work (such as grant acquittals) where we are requested to do so by the Treasurer, a minister, councils, the chief executive of the Office of Local Government, or both Houses of Parliament. Before accepting these engagements (or approving our Audit Service Providers to do so), we evaluate the appropriateness of accepting the engagements.

We monitor compliance with these policies and our approach to accepting (or approving our Audit Service Providers to accept) other engagements so our independence is beyond reproach.

### Audit conclusions reviewed through our quality assurance program are supportable %



## Transparent quality reporting

The *Corporations Act 2001* includes requirements for annual transparency reporting by auditors. Although the Audit Office is not subject to the requirements, we have embraced the principles of transparency reporting. For our 2018–19 annual report, Appendix Ten summarises the requirements that are relevant to the Audit Office and shows where the required information is presented in this report.

We are also developing a suite of audit quality indicators to provide a balanced view of our efforts in maintaining the quality of our work. Over time, we intend using these measures to enable greater transparency in our audit quality processes and outcomes.

## Building capability

To deliver quality audits we must support the capability of our people. We have a comprehensive learning and development program that ensures we support and maintain the capabilities and knowledge of our people. This program has a strong focus on audit quality – including core accounting, auditing, and legislation technical competencies. Our current program also includes non-technical competencies such as professional scepticism and use of professional judgement, conflict resolution, and writing skills. See page 34 for more on our learning and development programs.

## Influencing quality internationally

In 2018–19, we assisted the Australian National Audit Office (ANAO) to arrange four staff secondments from the Audit Board of the Republic of Indonesia, BPK Republic Indonesia (BPK). These secondments allowed the BPK's staff to gain practical insights and on the job experience in applying a contemporary audit methodology and auditing financial statements prepared using accrual accounting. This activity was funded by the Australian Department of Foreign Affairs and Trade (DFAT).

We are currently working to extend this knowledge sharing through our 'twinning' relationship with the Solomon Islands Office of the Auditor General (SIOAG), also funded by DFAT. During the year, staff from our Financial Audit and Performance Audit branches travelled to SIOAG to share our knowledge of public sector auditing. Our Performance Audit staff shared their experience in planning performance audit work. Our Financial Audit staff coached SIOAG staff on how to:

- properly plan the audit
- apply a financial audit methodology
- use and document audit work in an audit software solution.

## Promoting quality through ACAG

The Audit Office is an active participant in the Australasian Council of Auditors General (ACAG), established in 1993 to encourage sharing and cooperation between audit offices in Australasia. In 2018–19, the Audit Office participated in and supported various ACAG sub-groups and working parties.

The Audit Office also contributes to the collaborative efforts of Australian audit offices by helping develop responses to professional bodies on pronouncements exposed for comment. In 2018–19, we prepared or contributed to 17 ACAG responses to standard setters (see Appendix Five for further details).

# Governance

## Governance framework and structures

### Strong governance foundations

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

Our governance framework reflects the eight core Australian Securities Exchange (ASX) Corporate Governance Principles. We use these eight core principles as a way to develop, manage and report on our governance arrangements as detailed below.

#### ASX PRINCIPLE 1: Management and Oversight

### Our corporate plan

Our 2017–20 Corporate Plan was developed by the Office Executive and the Leadership Team to achieve our vision and meet the strategic priorities of the Audit Office. Details of our Corporate Plan can be found on page 10.

#### ASX PRINCIPLE 2: Structure

### Structured to add value

The Audit Office has a well-defined governance structure consisting of the Office Executive, independent Audit and Risk Committee and Remuneration Committee, as well as an external and internal audit function (see page 45).

### Office Executive

The Office Executive directs the affairs of the Audit Office and is responsible for:

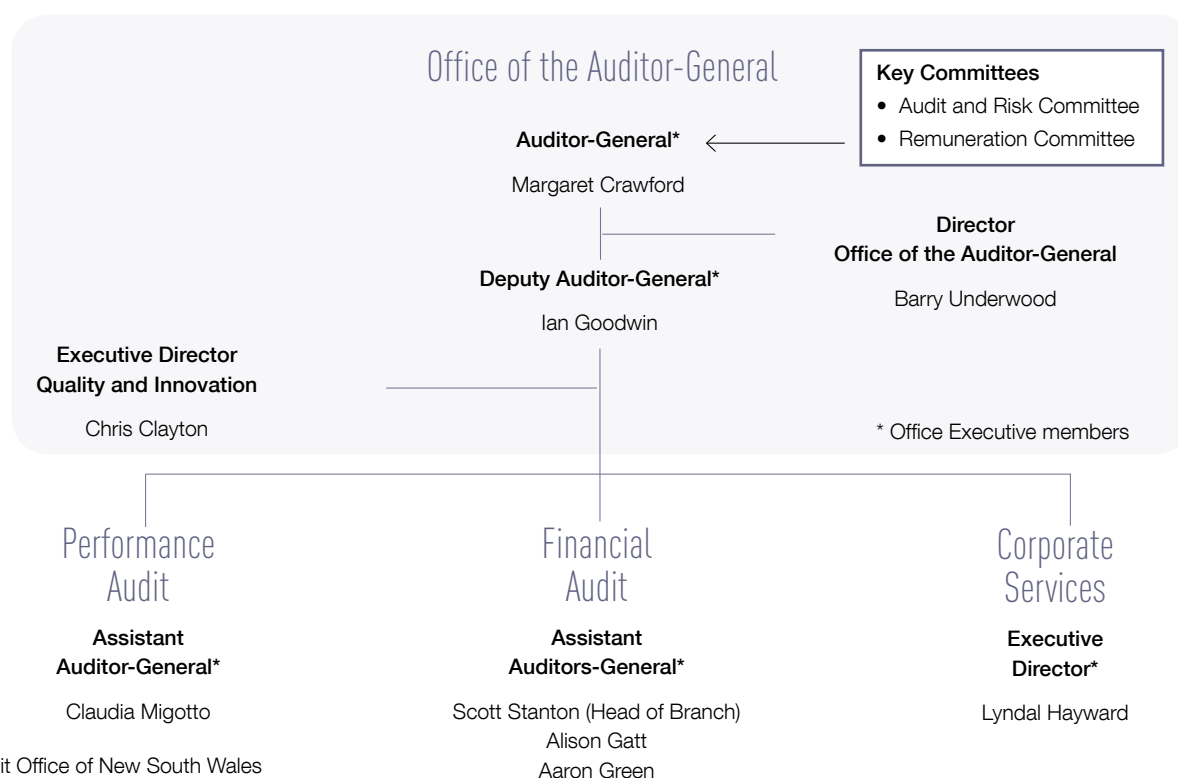
- setting the strategic direction and monitoring performance against the Audit Office's Corporate Plan
- setting direction on key changes to standards, legislation and machinery of government that have a whole-of-office consequence
- ensuring the Audit Office is compliant with relevant laws, directions, codes and practices, ensuring key policies are regularly reviewed, up-to-date and relevant
- operating in accordance with the Audit Office's values, operating principles and embedding a culture of ethical behaviour
- overseeing the Audit Office's financial performance and sustainability.

The Office Executive consists of the Auditor-General as Chair, the Deputy Auditor-General, Assistant Auditors-General from Financial Audit and Performance Audit, and the Executive Director Corporate Services. Meetings are also attended by the Executive Director Quality and Innovation, the Director Office of the Auditor-General as the Chief Risk Officer and Chief Audit Executive, and from time to time by management representatives. The CFO attends each monthly meeting. For details on the skills and experience of members of the Office Executive see page 8.

Key focus areas for the Office Executive during 2018–19 included:

- reassessing and tracking progress against the Audit Office's Corporate Plan and strategic initiatives (see page 10)
- overseeing the move to new premises (see page 29)

### Our governance structure



- reviewing the Audit Office's strategic risks and monitoring actions to mitigate each strategic risk to an acceptable level (see page 48)
- working with NSW Treasury on their Financial Management Transformation program and associated legislation.

## Audit and Risk Committee

The Audit and Risk Committee assists the Auditor-General by providing oversight and review of governance, risk management and internal control frameworks. In 2018–19, the committee reviewed:

- the risk management framework, strategic and operational risk registers, project risk management, fraud control framework, and business continuity and disaster recovery plans
- the internal and external audit plan, internal and external audit reports and follow up of recommendations from these reviews
- the performance of internal audit
- financial results and annual financial statements
- compliance with relevant applicable laws, regulations, government policies and directions, and Audit Office policies
- the internal control framework
- the Audit and Risk Committee Charter and Internal Audit Charter.

Management provided the committee with regular updates on progress against the Corporate Plan – important information for them to fulfil their responsibilities.

We assessed the committee's activities in 2018–19 to confirm compliance with Treasury Policy Paper Internal Audit and Risk Management Policy for the NSW Public Sector (TPP 15-03). For a copy of the attestation statement see Appendix Eight. The committee's charter is also in line with the requirements of TPP 15-03 and can be found on our website, as can the committee's annual report to the Auditor-General outlining its activities and achievements during the financial year.

The Audit and Risk Committee consists of three independent members – Dianne Hill (Chair), Bruce Turner AM and John Gordon. The independence, integrity, and experience of the Audit and Risk Committee members are key strengths, providing insight and enhancing our operations.

Dianne Hill was appointed on 12 December 2016 as Chair for a final term until 28 August 2021. Dianne brings considerable experience having been an independent non-executive director for over 25 years at several organisations. Dianne has 30 years' experience in chartered accounting, project and business consulting, financial services and risk.

Bruce Turner AM was appointed on 17 February 2017 for a four-year term. Bruce brings extensive experience on audit and risk committees within the state government and not-for-profit sectors, as well as governance committees in the local government sector. Bruce has also held Chief Audit Executive roles in large and diverse state and federal government agencies.

John Gordon was appointed on 1 November 2017 for a three-year term. John has over 40 years' experience providing assurance, advisory and corporate governance assistance to a broad range of clients in the private and public sectors. This includes 22 years as an audit and assurance partner with PwC Australia. He was a founding member of the NSW Department of Local Government Accounting Advisory Committee with 35 years of continuing involvement in the local government sector. John currently serves on several audit and risk committees and boards.

The Auditor-General, Deputy Auditor-General, Director Office of the Auditor-General (as Chief Audit Executive and Chief Risk Officer), internal and external auditors, and management representatives attend committee meetings. The committee also met independently, without management, with the internal and external auditors, Chief Audit Executive and Auditor-General.

Committee members also provided annual written conflict of interest declarations to the Auditor-General which were verbally confirmed at the start of each meeting. There were no conflicts of interest declared that prohibited the continuing engagement of the members of the Audit and Risk Committee.

## Remuneration Committee

The Remuneration Committee provides advice on the appropriateness and application of the Audit Office's remuneration policies and procedures. Please see page 46 for more information on the Remuneration Committee.

### Formal Office Executive meetings attended\*

A total of 12 monthly meetings held

Margaret Crawford	11
Ian Goodwin	9
Claudia Migotto	10
Scott Stanton	10
Alison Gatt	10
Aaron Green	5*
Lyndal Hayward	10

\* Aaron Green became a member of the Office Executive in January 2019

### Audit and Risk Committee meetings attended\*

A total of six meetings held, including two special meetings to review the annual financial statements.

Dianne Hill	6
Bruce Turner	6
John Gordon	4

\* Individual committee members sit on various boards and audit and risk committees for councils, state government agencies and public companies. These memberships are captured and appropriately managed on a conflict of interest register. This register is publicly available on our website.

# Governance

## Ethics

### ASX PRINCIPLE 3: Ethics

#### High standards of conduct are instilled

Protecting the reputation of the Audit Office is vital to ensure our credibility and to maintain public trust in what we do. To do this we foster a culture that instils ethical behaviour supported by a clear Code of Conduct.

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

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

We also have a Statement of Business Ethics which provides guidance for third parties when doing business with the Audit Office. The statement is available on our website and is included in our Audit Service Provider manual and contracts.

In 2018–19, we:

- finalised a review of our Gifts, Benefits and Hospitality Policy to provide strengthened guidance to our staff on hospitality, and conducted training in this policy
- provided additional guidance to staff on identifying and managing conflicts of interest and threats to professional independence, including updated 'Q&As' and real-life scenarios
- rolled out a new process to centrally capture conflict of interest and professional independence declarations.

#### Protecting privacy

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

During 2018–19, we developed a Data Breach Policy to provide guidance to staff on managing data breaches, including those involving personal information. We also established a register to capture and report on data breach incidents and our response to those incidents.

#### Prevent, detect and respond to fraud

The Audit Office has a zero tolerance for fraud and is committed to minimising the incidence of fraud by implementing and regularly reviewing strategies that prevent, detect and respond to fraud. No instances of suspected fraud against the Audit Office were detected during 2018–19.

In 2018–19, we completed the biennial fraud control health check which gives an indication of staff perceptions of fraud control within the office. The results of the health check showed a positive response from staff with an average of 94 per cent of staff agreeing or strongly agreeing that:

- the office has ethical behaviour policies that staff are aware of
- our Fraud Control Policy and procedures tell us how to deal effectively with fraud risks
- staff and third parties are encouraged to report alleged fraud and corruption.

In addition to the fraud control health check, we also rolled out mandatory online training to all staff on fraud control.

#### Compliance management

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

Through the Audit Office's compliance framework, we ensure we comply with legal and internal policy requirements. The framework is based on International Standard ISO 19600:2015 Compliance Management Systems – Guidelines, and includes:

- a commitment by the Office Executive to promote and instil a compliance culture
- a Compliance Policy, updated in 2018–19
- a Register of Compliance Obligations that includes a risk assessment formally reviewed by the Office Executive
- annual certification of compliance through the Management Control Questionnaire
- financial and performance audit methodologies mapped to professional standards and legislation
- regular management reviews and reporting to the Office Executive and Audit and Risk Committee.

In 2018–19, the compliance register was refreshed to provide more concise information and we continued to maintain our centralised policy register which captures key internal policies and ensures policies are up-to-date and remain relevant.



# Independent assurance and reporting

## ASX PRINCIPLE 4: Corporate Reporting

The integrity of our financial and corporate information is safeguarded by a number of mechanisms. These mechanisms also provide independent assurance over how well Audit Office processes are operating and complying with relevant laws, standards and policies.

### Financial reporting

The Audit and Risk Committee independently reviews the objectivity and reliability of the Audit Office's financial information, and ensures the financial statements are supported by appropriate management sign-off on the adequacy of internal controls. At each meeting, financial reports and budgets are presented to the committee for review. Special meetings are also held to review the annual financial statements (see page 43).

### Auditor-General and Management Control Questionnaire

The Auditor-General certifies that the Audit Office's financial statements give a true and fair view and are prepared in accordance with applicable Australian Accounting Standards, the *Public Finance and Audit Act 1983*, the Public Finance and Audit Regulation 2015 and financial reporting directions mandated by the Treasurer.

This certification is supported by the Management Control Questionnaire (see page 48 for further information) and the Chief Financial Officer's sign-off on the effectiveness of internal controls over financial information.

### External audit

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

### Internal audit

Our internal audit function is managed by in-house staff, with internal audit services provided by an external service provider.

In 2018–19, a follow-up review was conducted of recommendations from the independent quality assessment of the internal audit function completed in the prior year. This was completed by the Institute of Internal Auditors Australia. The follow-up review concluded that the improvement suggestions from the initial review had been implemented, resulting in an improvement in the maturity level of the internal audit function from 'Managed' to the highest rating of 'Optimising'.

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

In 2018–19, the internal auditors reviewed the following areas:

- Work, Health and Safety (WHS)
- Managing Audit Service Providers
- ISO 27001 Information Security Management System (ISMS)
- Post implementation review of our Data Centre Replacement Project
- Third party information security
- Follow-up of previous internal audit recommendations.

All these reviews had a 'satisfactory' conclusion, meaning each area assessed had a satisfactory overall control environment with a small number of low risk improvement opportunities.

Recommendations from internal audits and independent reviews are tracked and progress reported regularly to the Office Executive and Audit and Risk Committee. The majority of recommendations have been implemented.

Following a performance review of our externally sourced internal audit service provider, the option to extend their contract for another two years was taken up. This will cover both the 2019–20 and 2020–21 internal audit programs.

### Performance reporting

In 2018–19, performance against the Audit Office's corporate plan was tracked and reported to the Office Executive and Leadership Team. The Leadership Team met three times to review milestones and key performance indicators and track progress towards achieving overall outcomes.

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

# Governance

## Disclosure

### ASX PRINCIPLE 5: Disclosure

#### Open access information

The Audit Office holds a significant amount of government information, mostly used for our audit services. We also hold a smaller amount of information dealing with administrative matters. Certain government information is made available to the public under the 'open access' provisions of the *Government Information (Public Access) Act 2009* (GIPA Act). The Audit Office's 'open access' information includes:

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

In 2018–19, we also completed our annual review of our compliance with the *GIPA Act*.

#### Proactive release

In 2018–19, the Audit Office developed a new program for proactive release of information to better review and report on government information held by the office. In 2018–19, the Audit Office proactively released our Diversity and Inclusion Policy and Respectful Workplace Policy.

#### Access applications and informal release

The Audit Office will make every effort to make certain government information readily available to the public without charge, unless a request relates to excluded information. Information held by us which relates to our auditing, investigative and reporting functions is classed as 'excluded information' under the *GIPA Act*.

During 2018–19, we received one formal GIPA access application which was refused as the information requested was excluded information of the office. We also received two informal GIPA access applications that were processed with referral to information published on our website. In addition, one agency consulted us regarding a GIPA application they had received and whether we consented to the release of information that related to our office.

Statistical information about access applications can be found in Appendix Fifteen.

#### Annual report

Our annual report is a key part of our commitment to continuous disclosure and we voluntarily adopt full and open reporting on our performance. The report contains extensive comment on the services we provide and what our key stakeholders think of our services. In recognition of our high standard in annual reporting, in June 2019 we were awarded a Gold Award for the tenth consecutive year for our 2017–18 annual report, as well as a special award recognising our excellence in annual reporting over the past ten years.

### ASX PRINCIPLE 8: Remuneration

#### Remuneration Committee

The Audit Office's Remuneration Committee consists of two members – an independent Chair, Dianne Hill and the Director Office of the Auditor-General. The committee reviews and makes recommendations to the Auditor-General on the appropriateness and application of Audit Office remuneration policies and practices and on the remuneration risk assessment.

In 2018–19, the committee met twice and:

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

See Appendix One for details of our executive remuneration.

# Stakeholder management

## ASX PRINCIPLE 6: Key Stakeholder Rights

### Building effective relationships

In 2018–19, we maintained our focus on building effective relationships with our key stakeholders:

- NSW Parliament
- NSW citizens
- NSW government entities, councils and universities.

Our 2018–19 strategic initiative 'Influencing for Impact' provided strategic direction on effective stakeholder relations – see page 17 for further details on this strategic initiative.

### Stronger auditee engagement

In 2018–19, we met with the Secretaries Board, comprising the Secretaries of all clusters that make up the NSW public sector. The purpose of this meeting was to provide a briefing on the proposed audits of NSW government agencies over the coming three years. This is part of a stronger focus on promoting auditee engagement while still maintaining our independence.

The meeting provided an opportunity to discuss our proposed Performance Audit Program and to check on the status of our relationships with our auditees. Follow-up meetings were held with all individual agency Secretaries and several agency leadership teams, further strengthening existing relationships.

As part of our commitment to engaging more effectively with parliamentarians, we regularly meet with the Public Accounts Committee and have commenced regular meetings with the Legislative Council's Public Accountability Committee (see page 16 for further details). In 2018–19, we also continued to meet regularly with NSW Treasury, the Department of Premier and Cabinet and the Public Service Commission, as well as regular meetings with the Office of Local Government.

As in previous years, we consulted our stakeholders widely when developing our Performance Audit Program. We also conducted our annual survey of auditees to gain their feedback on our performance, and target areas where we can improve (see page 18).

### Working with the public and other integrity agencies

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

## Public interest disclosures

The Auditor-General has the power to examine allegations of serious and substantial waste of public money under the *Public Interest Disclosures Act 1994*. This Act protects public officials who make such public interest disclosures in good faith. The Audit Office has an internal and external Public Interest Disclosures Policy establishing a reporting system for staff and public officials to report allegations of serious and substantial waste. These policies are consistent with the NSW Ombudsman's model policy and the requirements of the Act.

We examined 11 public interest disclosures in 2018–19, seven of which were referred by ICAC under section 25 of the Act. Eight of the public interest disclosures we received concerned state government entities and three related to local councils. All of the public interest disclosures received were sent to our financial audit branch for consideration as part of their audits.

Statistical information about public interest disclosures can be found in Appendix Sixteen.

## Responding to feedback and complaints

We are committed to actively seeking and using feedback to improve our performance and services. Feedback received about the entities we audit is reported to the Office Executive bi-annually. In 2018–19, we received 83 new items of feedback or complaints. The vast majority of these were about the entities we audit. Of these:

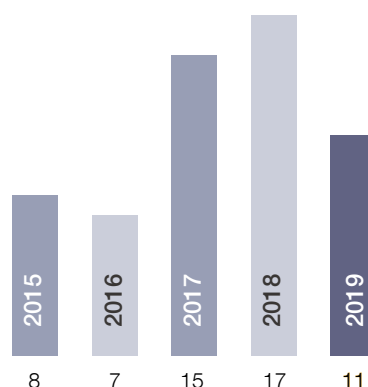
- 22 were about local councils
- 46 were about state government agencies
- 9 were classified as 'other' – covering feedback outside of our mandate and about the government in general
- 6 were about the Audit Office.

The majority of feedback received was referred to our financial or performance audit branches for action and/or information.

The six complaints received about the Audit Office in 2018–19 covered three areas:

- how we managed individual complaints
- the operation of our mailing lists
- the content of our audit reports.

### Public interest disclosures



## Risk management

### ASX PRINCIPLE 7: Risk Management

#### Recognising and managing risk

Our risk management and strategic planning are integrated. The Office Executive sets the organisation's Risk Appetite Statement (RAS) and ensures strategic risks are identified, assessed and treated in accordance with our risk management framework.

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

#### Our risk management framework

Our risk management framework aligns with NSW Treasury's Internal Audit and Risk Management Policy for the NSW Public Sector (TPP 15-03), the Risk Management Toolkit (TPP 12-03), the Australian/New Zealand Risk Management Standard (AS/ NZS ISO 31000:2018), and the Accounting Professional and Ethical Standards Board's Professional Risk Management Standard (APES 325 Risk Management for Firms).

During 2018–19, we:

- reviewed our enterprise risk management framework including reviewing our risk appetite statement and updating our risk management policy
- reassessed our strategic risks in line with our Corporate Plan 2017–2020, key developments and emerging risks
- developed new strategic and operational risk reports to better support robust risk discussions and better communicate risks throughout the organisation
- worked more closely with our operational areas to help them better understand, manage and report their risks
- continued to monitor the effectiveness of controls to mitigate risks
- continued to improve the Audit Office's risk maturity and implement the roadmap to improve our risk culture and practices
- continued to work towards a better understanding of our risk universe.

#### Strategic risks

In 2018–19, our six key strategic risks were reassessed as follows:

- our insights are not relevant and do not result in a demonstrable improvement in public administration
- our audits are not defensible resulting in lost credibility, trust and confidence by government and the public
- we do not act according to our own ethical standards, do not meet legal obligations and are not transparent and beyond reproach damaging our reputation
- we are not efficient such that we don't keep pace in a contestable environment resulting in reputational loss and potential disruption to the current business model
- we cannot develop or access required capabilities compromising our ability to achieve our objectives
- loss of confidential information (including client and personal staff information) resulting in legal or regulatory breaches or reputational damage.

#### Risk management and internal control attestation

To provide additional assurance that the Audit Office's risk management framework and related controls are operating properly, two attestations are completed each year.

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

The second is an annual attestation by the Chief Financial Officer certifying the effectiveness of internal controls over financial information. This attestation is supported by a Management Control Questionnaire which is completed annually in line with the Audit Office's financial statements and covers the financial year. The Leadership Team complete the questionnaire on the implementation of internal controls as they relate to their business area and staff compliance with our policies (see page 45).



# Technology and environment

Technology systems availability kept above our 99 per cent target  
5 star greenhouse building rating maintained

## Enhancing technology infrastructure and systems

In 2018–19, we continued to enhance audit delivery through improved technology systems and processes. Technology achievements included:

- enabling our new workplace with the latest workspace technology to facilitate flexibility and collaboration between our teams, auditees and vendors – see 'our Future Workplace Project' on page 29 for more details
- refreshing our risk assessment process to ensure we are leveraging best in breed software-as-a-service (SaaS) solutions wherever possible
- developing our team's technology skills in cloud platforms and software development (DevOps), and the use of agile workflows, to better enable innovation and automation
- implementing new mobile device, cloud security and identity management platforms to ensure our security approach is future proof and in line with our technology roadmap
- implementing a new suite of technology policies and guidelines.

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

- renewing our ISO27001:2013 security certification
- adhering to the requirements of the new NSW Cyber Security Policy
- implementing recommendations of the Australian Cyber Security Centre's 'Essential Eight'
- maintaining systems availability above the target of 99 per cent
- refreshing and testing our Business Continuity Plan and Crisis Management Plan
- conducting penetration and disaster recovery testing.

See 'Cyber Security' on page 50 for further details.

## Reducing our environmental impact

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

In 2018–19, we remained focused on reducing our environmental footprint by maintaining the following:

- using 100 per cent recycled content paper in all our photocopiers and printers
- recycling our waste paper using secure disposal processes
- recycling all our ink and toner cartridges, and continuing to recycle cardboard and other recyclable products
- disposing all laptop batteries in an environmentally-friendly way
- using a secure online file-transfer platform, so auditees can easily share large files with us electronically, rather than via post
- eliminating all hard copy forms to self-service online forms
- continuing to use recycling sorting bins to encourage greater recycling by staff
- removing our paper-based records storage area to encourage the use of electronic documents
- transitioning audit correspondence to electronic format only, to further reduce printing.

## Greenhouse performance maintained

In 2018–19, the Audit Office achieved a greenhouse building rating of 5 stars, in line with government targets, by:

- buying 40 per cent green electricity
- installing timers on lights and equipment
- buying energy efficient equipment
- utilising video-conferencing equipment for external meetings where possible to reduce travel.

In 2018–19, we transitioned to our new workplace which was completed in June 2019. This provided new opportunities to reduce our environmental impact including:

- reducing our total physical footprint by nearly 20 per cent
- installing sensor integrated LED lights throughout the office that automatically switch off after 30 minutes of inactivity
- reducing our fleet car vehicles from three to one and encouraging staff to use alternative transport options
- reducing our number of printers from five to three
- implementing a coffee pod recycling program
- implementing a master switch that allows excess fridges to be turned off when not in use
- reducing the number of Auditor-General's reports we print for parliament, achieving an overall reduction in our printing of 40 per cent.

See 'Future Workplace Project' on page 29 for further details on our new office environment.



# Technology and process innovation

## Strategic initiative focus

The objective of our Technology and Process Innovation strategic initiative is to continuously improve our systems and processes to ensure our sustainability, and the efficiency and effectiveness of our work.

The key areas of focus of this initiative in 2018–19 were finishing the replacement of our data centre, improving our cyber security maturity, upgrading our practice management and finance system, and uplifting our performance reporting.

Following are details on our biggest focus for 2018–19 – improving our cyber security.

### Cyber security

In 2018–19, the Audit Office recognised the risk ‘We lose confidential information (including client and personal staff information) resulting in legal or regulatory breaches, or reputational damage’ as our highest priority strategic risk. In line with this recognition, our cyber security improvement program was given significant priority for the organisation under our Technology and Process Innovation strategic initiative.

This program of work was also of greater importance in 2018–19 given new mandatory reporting requirements set out in the NSW Cyber Security Policy released on 1 February 2019. In line with this new policy, the Audit Office now reports our maturity level against all mandatory requirements as well as the Australian Cyber Security Centre’s ‘Essential Eight’ mitigation strategies.

Outside of these reporting requirements and in a period of significant change with our office relocation (see page 29 for further details), we have maintained our focus on cyber security. Significant steps have been taken this year to enhance our cyber security in line with our long-term risk treatment goal to move from a reactive to defensive cyber security stance.

In 2018–19, we successfully rolled out a number of new cyber initiatives including:

- Multi-Factor Authentication (MFA)
- advanced identity and device management systems
- multiple disaster recovery and penetration tests
- full recertification of our compliance with ISO27001.

We also in 2018–19, noting that culture is the first line of defence on the cyber front:

- undertook a full technology policy refresh
- delivered mandatory cyber security classroom training for all staff
- had guest cyber experts speak at one of our all-staff forums.



In this initiative we strive to continuously improve our systems, processes, and the efficiency and effectiveness of our work. The focus in 2018–19 was cyber security.

We also implemented a cyber risk assessment process in 2018–19 to more rigorously evaluate new systems, and have revised the mix of our technology budget to give specific focus to our investment in cyber resilience.

### The year ahead

In 2019–20, the Audit Office will continue to focus on cyber resilience with plans to increase maturity levels even further across the Australian Cyber Security Centre’s ‘Essential Eight’. We will also leverage Artificial Intelligence (AI) tools to safeguard our systems, staff and data assets. Working closely with our colleagues at local, state and Commonwealth levels, we will continue to assess and respond to cyber risks while focussing on and investing in our overall defence strategies.



# Our finances

## Strategic objective:

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

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One of our 2019 financial audit graduates during their induction to the Audit Office.

# Financial performance

Excluding superannuation adjustments, we have achieved a cumulative \$0.7 million surplus over the last four years, close to our goal to break even over the medium-term

## Close to our break-even target

The work of the Audit Office is largely self-funded from audit fees paid by auditees. These fees are set to cover our expenses while maximising value for the NSW public sector. Unlike private sector auditors, we aim to break even over the medium-term rather than make a profit. Over the four years to 2018–19, we have achieved a cumulative \$0.7 million surplus, close to our medium term break-even target.

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

## Budgeting

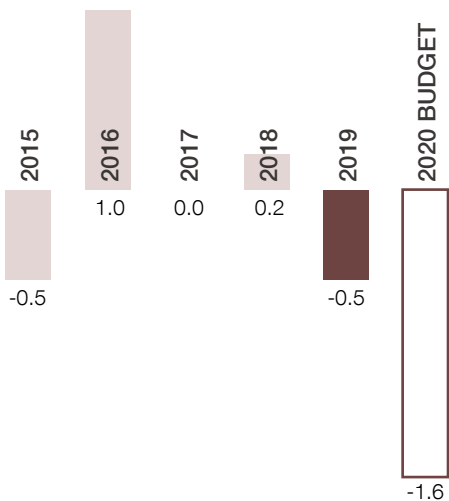
Our actual loss for the year of \$0.5 million is slightly more than the original budgeted loss of \$0.4 million that was determined as part of the 2018–19 state budget process. This slightly unfavourable result was largely because we had to expense some project costs relating to our Future Workplace Project (see page 29 for further details). We also incurred extra costs because of the increase in our actuarially assessed long service leave liability at year-end. While we exceeded the original budgeted loss, our actual loss of \$0.5 million was within the revised budgeted loss the NSW government approved as part of the 2019–20 state budget process.

## Revenue and expenditure

In keeping with the expenditure constraints being placed on our auditees, our revenue growth was only \$1.1 million or 1.9 per cent more than the previous year, with total revenue increasing to \$60.4 million. Government entities, universities and councils paid \$48.9 million (\$48.0 million in 2018) for the audit of their financial statements. The NSW government contributed \$10.1 million towards our performance audits and reports to parliament. Our 2018–19 total expenditure of \$61.0 million, excluding the defined benefit schemes’ superannuation adjustments, was \$1.8 million or 3.1 per cent more than the previous year’s \$59.1 million.

### Operating result 2018–19/\$m

Excluding superannuation





# Financial position

## Our financial position is sound

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

Most of our assets and liabilities are of a financial rather than physical nature. Cash remains one of our largest assets, with \$7.5 million at 30 June 2019. Our assets also include \$9.2 million for the Crown agreeing to fund our staff's long service leave entitlements. This offsets the liability in our financial statements. We also have \$5.3 million in receivables from government entities and councils for our auditing services.

Our liabilities at 30 June 2019 were \$76.1 million, an increase of \$20.6 million from 30 June 2018. The increase is largely due to the \$19.2 million increase in the actuarially assessed defined superannuation liability.

## Solvency has reduced but debtor management has improved

Our current ratio at 30 June 2019 shows we had \$1.60 in current assets to meet every \$1.00 of our current liabilities. This is lower than last year's ratio but still within our target range of between \$1.50 and \$2.00. The drop in solvency is due to us investing in new office accommodation during the year (see page 29 for further details).

The average time to collect unpaid invoices has reduced to 26 days and is within our target of 28 days. The improvements we put in place to monitor and follow up outstanding balances in late 2017–18 has helped to reduce the length of time it takes to collect money owing to us. Timely payment by auditees is important to ensure we have sufficient cash on hand to meet our liabilities.

## We continue to generate net cash inflows from our core business

We generated \$1.0 million from our operating activities, some \$0.1 million more than the previous year. As a self-funded organisation, it is important that we generate enough cash to fund today's expenditure, our capital works program and future investment in the organisation. We expect to generate \$0.2 million from our operating activities in 2019–20.

## Timely creditor payments

During the year we paid 95 per cent of our creditors on time. We are expected to pay all creditors within 30 days, unless contracts state otherwise.

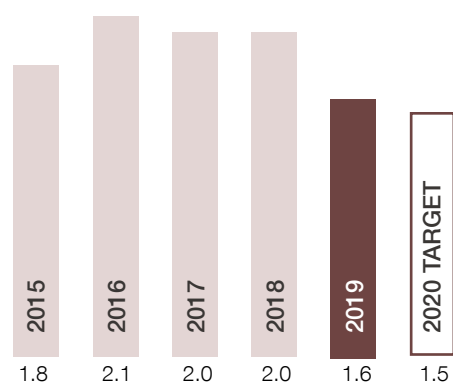
For further details on our performance with creditor payments, see Appendix Thirteen.

## The year ahead

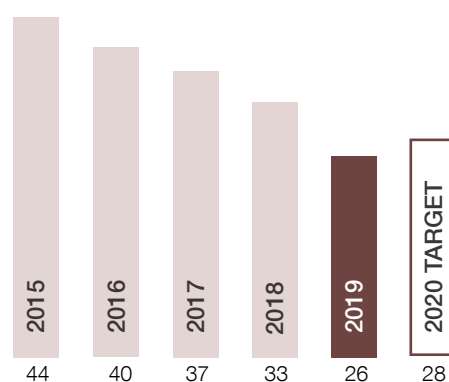
In 2019–20, we will:

- revisit the way we measure the financial health of the Audit Office and develop a Finance Strategy to ensure we remain financially sustainable in the longer term
- continue to improve our internal reporting capability, bringing together the financial and non-financial metrics which measure our inputs, outputs and success
- revisit our 'procure to pay', billing practices and debtor management to ensure we interact with our vendors efficiently, and that we are billing and collecting audit fees in a timely manner.

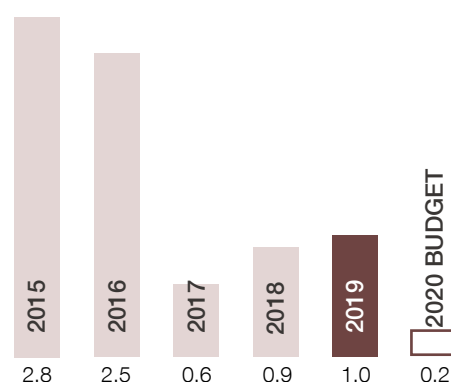
### Solvency – current ratio



### Debtor management – average days to collect



### Cashflows from operating activities 2018-19/\$million



# Key financial statistics

	2014–15 \$'000	2015–16 \$'000	2016–17 \$'000	2017–18 \$'000	2018–19 \$'000
Five year trend					
<b>Financial performance<sup>1</sup></b>					
Total revenue	43,021	44,979	47,251	59,334	60,439
Total expenses	43,534	43,975	47,246	59,147	60,979
Operating profit/(loss)	(513)	1,004	5	187	(540)
<b>Financial position</b>					
Total assets	26,020	26,857	27,228	28,721	29,609
Accumulated funds	(26,696)	(45,970)	(29,051)	(26,776)	(46,505)
<b>Solvency and debtor management</b>					
Current ratio	1.8	2.1	2.0	2.0	1.6
Average days to collect debts	44	40	37	33	26

	2018–19 Budget \$'000	2018–19 Actual \$'000	2019–20 Budget \$'000
Performance against budget <sup>1</sup>			
<b>Revenue</b>			
Audit fees	49,903	48,891	49,730
Government contributions	10,089	10,095	10,438
Interest	150	168	149
Other revenue	250	1,285	211
<b>Total revenue</b>	<b>60,392</b>	<b>60,439</b>	<b>60,528</b>
<b>Expenditure</b>			
Salaries and related expenses	38,749	38,148	40,088
Other expenses including operating expenses, maintenance, loss on disposal and finance costs	9,107	8,462	7,311
Audit service provider costs	11,579	13,360	11,871
Depreciation and amortisation	1,308	1,009	2,858
<b>Total expenditure</b>	<b>60,743</b>	<b>60,979</b>	<b>62,128</b>
<b>Operating surplus/(loss)</b>	<b>(351)</b>	<b>(540)</b>	<b>(1,600)</b>

<sup>1</sup> Excludes defined superannuation scheme adjustments of \$1,603,000 in 2018–19 (\$1,758,000 in 2017–18).

# Financial report

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# Independent Auditor's Report

to the Members of New South Wales Parliament



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## Independent Auditor's Report

To the Members of New South Wales Parliament

### Report on the audit of the financial report

#### Opinion

I have audited the financial report of the Audit Office of NSW (the 'Audit Office'), which comprises the statement of financial position as at 30 June 2019, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the Auditor-General's declaration.

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

- a giving a true and fair view of the Audit Office's financial position as at 30 June 2019 and of its performance for the year ended on that date; and
- b complying with Australian Accounting Standards and section 41B of the *Public Finance and Audit Act 1983* and the *Public Finance and Audit Regulation 2015*.

#### Basis for opinion

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

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

### Information other than the financial report and auditor's report thereon

The Auditor-General is responsible for the other information. The other information comprises the information included in the Audit Office of New South Wales' annual report for the year ended 30 June 2019, but does not include the financial report and my auditor's report thereon.

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

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# Independent Auditor's Report (continued)



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

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

## **Responsibilities of the Auditor-General for the financial report**

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

In preparing the financial report, the Auditor-General is responsible for assessing the Audit Office's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Audit Office ceases operations or is dissolved by an Act of Parliament.

## **Auditor's responsibilities for the audit of the financial report**

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

A further description of my responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: [http://www.auasb.gov.au/auditors\\_responsibilities/ar4.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf). This description forms part of my auditor's report.

A stylized signature of "Grant Thornton" in blue ink.

Grant Thornton Audit Pty Ltd  
Chartered Accountants

A stylized signature of "A J Archer" in blue ink.

A J Archer  
Partner – Audit & Assurance

Sydney, 28 August 2019



# Statement by the Auditor-General for New South Wales

for the year ended 30 June 2019

Under section 41C of the *Public Finance and Audit Act 1983*, I state that, in my opinion, the accompanying financial statements and notes thereto exhibit a true and fair view of the financial position of the Audit Office of New South Wales at 30 June 2019 and its performance for the year then ended.

I further state:

- (a) that the financial statements and notes thereto comply with Australian Accounting Standards, the *Public Finance and Audit Act 1983*, the Public Finance and Audit Regulation 2015 and the financial reporting directions mandated by the Treasurer.
- (b) that I am not aware of any circumstances that would make any details in the financial statements misleading or inaccurate.



**Margaret Crawford**

Sydney, 28 August 2019

# Audit Office of New South Wales

## Statement of comprehensive income for the year ended 30 June 2019

	Notes	2018–19 Actual \$'000	2018–19 Budget \$'000	2017–18 Actual \$'000
<b>Revenue</b>				
Rendering of services	C1	48,891	49,903	48,000
Government contributions	C1	10,095	10,089	10,337
Other revenue	C1	1,128	400	997
Other income	C1	325	-	-
<b>TOTAL REVENUE AND OTHER INCOME</b>		<b>60,439</b>	<b>60,392</b>	<b>59,334</b>
<b>Expenses</b>				
Employee related expenses	C2	39,751	38,749	37,266
Operating expenses	C3	21,800	20,667	22,378
Depreciation and amortisation	C4	1,009	1,308	1,247
Finance costs	E2.1	22	19	14
<b>TOTAL EXPENSES</b>		<b>62,582</b>	<b>60,743</b>	<b>60,905</b>
<b>Net result</b>		<b>(2,143)</b>	<b>(351)</b>	<b>(1,571)</b>
<b>Other comprehensive income</b>				
Items that will not be reclassified to net result in subsequent periods:				
Superannuation actuarial gain/(loss) on liabilities	E2.2	(21,251)	-	(81)
Superannuation actual return on Fund assets less interest income	E2.2	3,665	-	3,928
<b>Total other comprehensive income</b>		<b>(17,586)</b>	<b>-</b>	<b>3,847</b>
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>(19,729)</b>	<b>(351)</b>	<b>2,276</b>

The accompanying notes form part of these financial statements.

# Audit Office of New South Wales

## Statement of financial position as at 30 June 2019

	Notes	2018–19 Actual \$'000	2018–19 Budget \$'000	2017–18 Actual \$'000
<b>Assets</b>				
<b>Current assets</b>				
Cash and cash equivalents	D1	7,544	5,423	11,014
Receivables	D2	5,310	4,756	5,957
Other financial assets	D3	1,502	1,000	1,572
Other current assets	D4	8,471	6,570	6,917
<b>Total current assets</b>		<b>22,827</b>	<b>17,749</b>	<b>25,460</b>
<b>Non-current assets</b>				
Leasehold improvements	D5	3,278	–	–
Property, plant and equipment	D5	1,225	6,903	582
Intangible assets	D5	1,542	2,422	2,078
Other non-current assets	D4	737	571	601
<b>Total non-current assets</b>		<b>6,782</b>	<b>9,896</b>	<b>3,261</b>
<b>Total assets</b>		<b>29,609</b>	<b>27,645</b>	<b>28,721</b>
<b>Liabilities</b>				
<b>Current liabilities</b>				
Payables	E1	2,120	1,778	2,413
Provisions	E2	12,104	9,446	10,212
<b>Total current liabilities</b>		<b>14,224</b>	<b>11,224</b>	<b>12,625</b>
<b>Non-current liabilities</b>				
Provisions	E2	61,890	45,458	42,872
<b>Total non-current liabilities</b>		<b>61,890</b>	<b>45,458</b>	<b>42,872</b>
<b>Total liabilities</b>		<b>76,114</b>	<b>56,682</b>	<b>55,497</b>
<b>Net liabilities</b>		<b>(46,505)</b>	<b>(29,037)</b>	<b>(26,776)</b>
<b>Equity</b>				
Accumulated funds		(46,505)	(29,037)	(26,776)
<b>Total equity</b>		<b>(46,505)</b>	<b>(29,037)</b>	<b>(26,776)</b>

The accompanying notes form part of these financial statements.

# Audit Office of New South Wales

## Statement of changes in equity for the year ended 30 June 2019

		Accumulated Funds
	Notes	Actual \$'000
<b>Balance at 1 July 2017</b>		(29,051)
<b>Net result for the year</b>		(1,571)
Other comprehensive income:		
– Superannuation actuarial gain/(loss) and return on Fund assets	E2.2	3,847
<b>Total comprehensive income for the year</b>		2,276
<b>Balance at 30 June 2018</b>		(26,776)
<b>Balance at 1 July 2018</b>		(26,776)
<b>Net result for the year</b>		(2,143)
Other comprehensive income:		
– Superannuation actuarial gain/(loss) and return on Fund assets	E2.2	(17,586)
<b>Total comprehensive income for the year</b>		(19,729)
<b>Balance at 30 June 2019</b>		(46,505)

The accompanying notes form part of these financial statements.

# Audit Office of New South Wales

## Statement of cash flows for the year ended 30 June 2019

	Notes	2018–19 Actual \$'000	2018–19 Budget \$'000	2017–18 Actual \$'000
<b>Cash flows from operating activities</b>				
<b>Receipts</b>				
Rendering of services and Government Contributions		66,574	60,030	65,172
Interest received		168	150	172
Other		1,058	212	709
<b>Total receipts</b>		<b>67,800</b>	<b>60,392</b>	<b>66,053</b>
<b>Payments</b>				
Employee related		(37,776)	(38,749)	(35,441)
Other		(29,006)	(20,686)	(29,746)
<b>Total payments</b>		<b>(66,782)</b>	<b>(59,435)</b>	<b>(65,187)</b>
<b>Net cash flows from operating activities</b>	D1.1	<b>1,018</b>	<b>957</b>	<b>866</b>
<b>Cash flows from investing activities</b>				
Purchases of property, plant and equipment		(4,425)	(6,470)	(103)
Purchases of intangible assets		(63)	(1,000)	(283)
<b>Net cash flows used in investing activities</b>		<b>(4,488)</b>	<b>(7,470)</b>	<b>(386)</b>
<b>Net increase/(decrease) in cash</b>		<b>(3,470)</b>	<b>(6,513)</b>	<b>480</b>
Opening cash and cash equivalents		11,014	11,936	10,534
<b>Closing cash and cash equivalents</b>	D1	<b>7,544</b>	<b>5,423</b>	<b>11,014</b>

The accompanying notes form part of these financial statements.



# Section 1: Basis of preparation and significant changes

## Notes to and forming part of the financial statements for the year ended 30 June 2019

### A1. Entity information

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

These financial statements for the year ended 30 June 2019 have been authorised for issue by the Auditor-General on 28 August 2019.

### A2. Basis of preparation

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

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

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

All amounts are rounded to the nearest one thousand dollars (unless otherwise stated) and expressed in Australian currency.

### A3. Going concern

As at 30 June 2019, the Audit Office has a net liability position of \$46.5 million (2018: \$26.8 million). Despite the net liability position, we believe the assumption that the Audit Office is a going concern is justified. The solvency ratio (short-term) of the Audit Office is at 1.60 (2018: 2.02) and the cash balance is at a sustainable level with positive cash flows from operating activities.

The net liability position is due to the Audit Office having net defined benefit superannuation scheme liabilities of \$60.7 million (2018: \$41.5 million). Note E2.2 contains more detail. This liability is a long-term non-current liability and the Audit Office has not been required to make employer contributions for a number of years to the schemes, and nor do we foresee making any contributions in the near future. The trustee has advised that we do not need to make any contributions in 2019–20. This is because the trustees use the measurement basis under AASB 1056 'Superannuation Entities' to determine an employer's obligation to make contributions. Based on the recent actuarial assessment, the combined schemes have a net surplus of \$9.8 million at 30 June 2019 (2018: \$8.3 million). Factors that could trigger a contribution by the Audit Office include: multiple large lump sum payments to members that exceed the available surplus under AASB 1056; and/or poor investment returns; and/or reduction in the value of fund assets.

A triennial review of the liability was done at 30 June 2018, where economic assumptions and significant risks were reviewed.

### A4. Significant accounting judgments, estimates and assumptions

The significant judgements, key assumptions and estimates we have made in preparing these financial statements are listed below. Refer to the relevant note for more details.

Note	Item	Key Judgement/Estimate
C1	Revenue	We have exercised judgement in determining the stage of completion for recognising revenue.
D2	Receivables	We have exercised judgement in assessing the recoverability of amounts invoiced to auditees for audit engagements.
D3	Other financial assets – work in progress	We have exercised judgement in assessing the recoverability of time worked and other charges which remain unbilled at reporting date.
D5	Property, plant and equipment and intangible assets	We have exercised judgement in determining the useful lives of the Audit Office's physical and intangible assets. We have also determined that the written down value of physical assets approximates to their fair value.
E2	Employee provisions	We have made assumptions about the expected tenure of existing staff, patterns of leave claims and payouts, future salary movements and future discounts in measuring employee liabilities.
E2.2	Superannuation Defined Benefit Plans	The calculation of the defined benefit liability involves actuarial assumptions that may differ from actual developments in the future.
F1	Financial instruments	We believe recognising the Audit Office's financial instruments at amortised cost approximates their fair value because of their short-term nature.

### A5. Statement of compliance

The financial statements and notes comply with Australian Accounting Standards.

# Section 1: Basis of preparation and significant changes (continued)

## Notes to and forming part of the financial statements for the year ended 30 June 2019

### A6. Comparative information

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

### A7. Accounting for the Goods and Services Tax (GST)

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

- the amount of GST incurred as a purchaser that is not recoverable from the Australian Taxation Office (ATO), which is recognised as part of the cost of acquisition of an asset or as part of an item of expense
- receivables and payables are stated with the amount of GST included.

Cash flows are included in the statement of cash flows on a gross basis. However, the GST components of cash flows arising from investing activities that are recoverable from, or payable to, the ATO are classified as operating cash flows.

### A8. New Australian accounting standards

#### (i) New Australian Accounting Standards issued but not yet effective

At the reporting date, the Audit Office has not early adopted accounting standards and interpretations issued by the AASB but not yet operative. The key accounting standards that will have an impact on Audit Office of NSW are:

- *AASB 15 Revenue from Contracts with Customers* (replaces *AASB 118 Revenue*) and *AASB 1058 Income for Not-for-profit Entities* – these standards apply to reporting periods beginning on or after 1 July 2019. The new standards will result in revenue recognition policies aligning with the satisfaction of performance obligations in contracts with customers. The core principle of *AASB 15 Revenue* is that an entity shall recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. *AASB 1058* includes specific requirements with respect to grants received under enforceable agreements for construction or acquisition of recognisable non-financial assets.

In terms of the Audit Office's main source of revenue, being audit fees for the provision of audit services, we believe the Audit Office would account for it under *AASB 15* as revenue from contracts with customers. *AASB 15* states that a contract "is an agreement between two or more parties that creates enforceable rights and obligations". The existence of the legal mandate to audit the financial statements of state, university and local government entities, and an annual engagement plan for each audit, creates the enforceable rights and obligations. In terms of when to recognise audit fee revenue (timing), *AASB 15* states an entity shall recognise revenue when it has satisfied a performance obligation. We believe the conduct of an audit represents transferring control of a service over time because the auditee simultaneously receives and consumes the benefits of the audit services. We also believe we have an enforceable right to payment for performance completed to date because of the legislative mandate to conduct the audit and the annual engagement plan. In measuring the value of revenue, the Audit Office would apply the input methods approach under *AASB 15*. Revenue would be recognised on the basis of the Office's efforts to meet the performance obligation i.e. labour hours and direct costs expended on an audit relative to the total expected inputs to complete the audit. This approach would result in the Office continuing to recognise revenue in the same way it currently does under *AASB 118 Revenue*, and therefore we do not believe it will materially change the financial statements.

The Audit Office's other main revenue source is government funding for its performance audits and preparing the Auditor-General's Reports to Parliament. Our assessment is that this contribution does not have elements of 'enforceable' rights and obligations and therefore the Audit Office will continue to recognise this contribution as revenue upon receipt under *AASB 1058 Income for Not-for-profit Entities*.

- *AASB 16 Leases* – this standard applies to reporting periods beginning on or after 1 July 2019. This standard introduces new criteria for assessing contracts to identify leases. Certain leases previously reported as expenses (such as the Audit Office's office accommodation lease) will be recorded on the Statement of Financial Position. Under this new accounting standard, the Audit Office will present these leases as right-of-use (ROU) assets separately from other assets on the Statement of Financial Position or in the notes. Likewise, the Audit Office will present lease liabilities separately from other liabilities on the Statement of Financial Position or in the notes. In the Statement of Comprehensive Income, the Audit Office will present interest expense on the lease liability separately from the depreciation charge for the ROU asset. In the Statement of Cash Flows, cash payments for the principal portion of the lease liability will be presented within financing activities, while cash payments for the interest portions will be presented within operating activities (*in accordance with AASB 107 Statement of Cash Flows and Treasury Mandates*). Based on the Audit Office's current leasing arrangements and NSW Treasury mandates, at inception date the Audit Office:

- will treat the current office accommodation lease at 1 Margaret Street as a short-term lease (as it will expire 31 July 2019) and therefore continue to record it in the same manner as it currently does under *AASB 117 Leases*
- will treat the motor vehicle lease as short-term and low value lease because the remaining term is less than 12 months and we do not intend to replace it
- will treat the office printer leases as low value leases because each printer is valued at less than \$10,000 each
- will recognise a ROU asset and an equivalent lease liability of approximately \$15 million (present value) for the new office lease at Darling Park as at 1 July 2019. The impact on the Statement of Comprehensive income for FY2019-20 is expected to be \$1.7 million (present value).

In accordance with NSW Treasury's mandated options in Treasury Circular *TC 18/05 AASB 16 Leases Transition Options*, the Audit Office:

- will apply a discount rate of 2.45 per cent to measure its Darling Park ROU asset
- will not apply this standard to intangible assets such as software licenses
- will adopt the partial retrospective option in *AASB 16*, where the cumulative effect of initially applying *AASB 16* is recognised on the initial application date. The comparatives (for 30 June 2019) will not be restated.

## Section 1: Basis of preparation and significant changes (continued)

### Notes to and forming part of the financial statements for the year ended 30 June 2019

The table below shows a comparative analysis of the current leasing standard (*AASB 117*) versus *AASB 16* for 2019–20:

	Current standard (AASB 117) \$'000	New standard (AASB 16) \$'000
<b>Statement of comprehensive income</b>		
Operating expenses – minimum lease payments	1,272	–
Right of use asset amortisation	–	1,363
Interest expense	–	333
<b>Total expenditure recognised in the statement of comprehensive income</b>	<b>1,272</b>	<b>1,696</b>
<b>Statement of financial position (at 30 June 2020)</b>		
Right of use asset (non current)	–	13,510
Borrowings – lease liability (current)	–	(306)
Borrowings – lease liability (non current)	–	(13,089)
<b>Net assets</b>	<b>–</b>	<b>115</b>

#### (ii) Accounting Standards applied for the first time

- *AASB 9 Financial Instruments* – this new standard has resulted in changes to accounting policies in respect of recognition, classification and measurement of financial assets and financial liabilities; and impairment of financial assets. *AASB 9* also significantly amends other standards dealing with financial instruments such as the revised *AASB 7 Financial Instruments: Disclosures (AASB 7R)*. Because the Audit Office's only financial instruments are cash, debtors and payables, the adoption of this new standard has not had a material impact on our financial statements.

The Office has applied *AASB 9* retrospectively but has not restated the comparative information which is reported under *AASB 139 Financial Instruments: Recognition and Measurement (AASB 139)*.

#### A9. Events after the reporting period

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

# Section 2: Budget review

Notes to and forming part of the financial statements for the year ended 30 June 2019

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

## B1. Budget review

### Net result

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The net result was unfavourable to the budgeted net result by \$1.8 million. The main reason for the variance is we do not budget for the current service cost and interest associated with the Audit Office's defined superannuation liability. These expenses totalled \$1.6 million for the year. The expenses are actuarially assessed at the end of the financial year and outside our control. More information on our defined superannuation liability can be found in Note E2.2.

### Assets and liabilities

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Total current assets of \$22.8 million is \$5.1 million higher than the budgeted position of \$17.7 million. This higher than expected position is due to an underspend on the Audit Office's capital program. It is also due to a \$1.6 million increase in the long service leave reimbursement from the Crown Finance Entity. In setting the budget we had not anticipated such a large increase in this balance.

Total non-current assets are \$3.1 million lower than budget because of an underspend on the Audit Office's capital program.

Total current liabilities of \$14.2 million are \$3.0 million higher than budget due to the unexpected increase in the Audit Office's long service leave liability. This liability is actuarially assessed each year and it increased significantly because of a drop in the long term government bond rate. The bond rate is used to calculate the present value of the long service leave liability.

### Cash flows

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The net cash inflow from operating activities of \$1.0 million was consistent with the budget. The Audit Office's net cash outflow from investing activities was significantly less than budget because of an underspend on the capital program. A portion of the planned spend has been deferred to 2019–20.

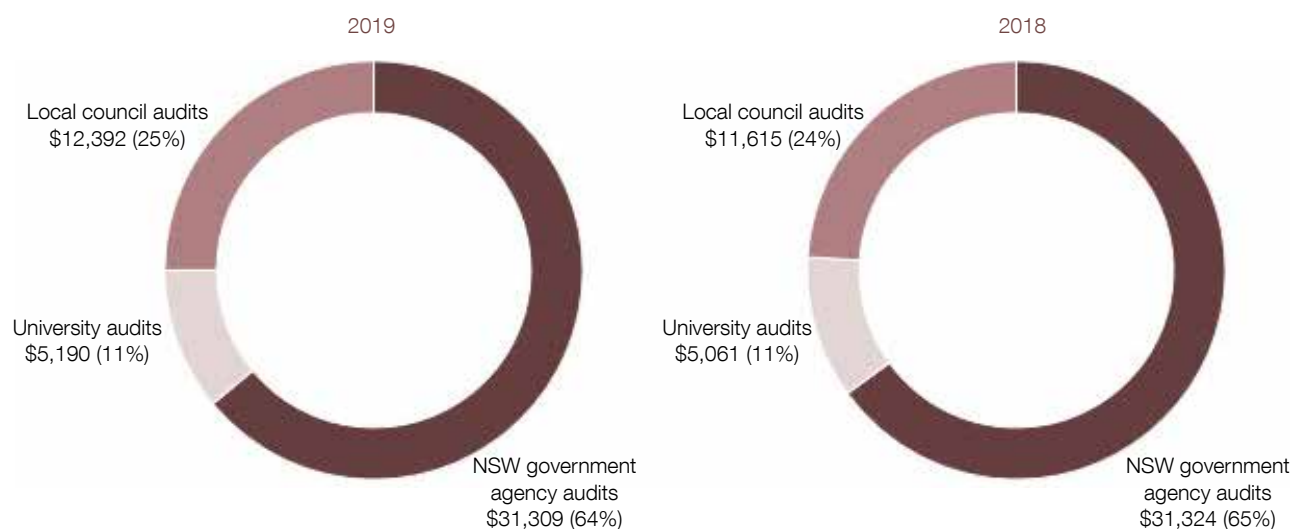
# Section 3: Our financial performance

Notes to and forming part of the financial statements for the year ended 30 June 2019

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

C1. Revenue	2019 \$'000	2018 \$'000
<b>(a) Rendering of services</b>		
Audit fee revenue from NSW Government agency audits	31,309	31,324
Audit fee revenue from university audits	5,190	5,061
Audit fee revenue from local council audits	12,392	11,615
	<b>48,891</b>	<b>48,000</b>
<b>(b) NSW Government contributions</b>		
Funding for performance audits and compliance review	7,300	7,108
Funding for the Auditor-General's Report to Parliament	2,795	3,229
	<b>10,095</b>	<b>10,337</b>
<b>(c) Other revenue</b>		
Interest income	168	172
Recoupment of salaries and oncosts from staff secondments	662	431
Grant funding - twinning support to the Office of the Auditor General Solomon Islands	228	116
Impact conference - ticket sales and contribution by the Australasian Council of Auditors General	–	104
Other	70	174
	<b>1,128</b>	<b>997</b>
<b>(d) Other income</b>		
Gain from make good settlement	325	–
	<b>325</b>	<b>–</b>

## Audit fee revenue analysis by auditee type \$'000





# Section 3: Our financial performance (continued)

## Notes to and forming part of the financial statements for the year ended 30 June 2019

### Recognition and measurement

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

#### (i) Rendering of services – audit fee revenue

Audit fee revenue from rendering of services is recognised by reference to the stage of completion (work performed) on audit engagements. The Audit Office invoices its auditees in arrears for work completed on each audit engagement.

Revenue is recognised when:

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

#### (ii) NSW Government contributions

Revenue from the NSW Government is based on an agreed amount set through the annual State Budget process. The Audit Office recognises this revenue source by reference to work performed.

#### (iii) Recoupment of salaries and oncosts

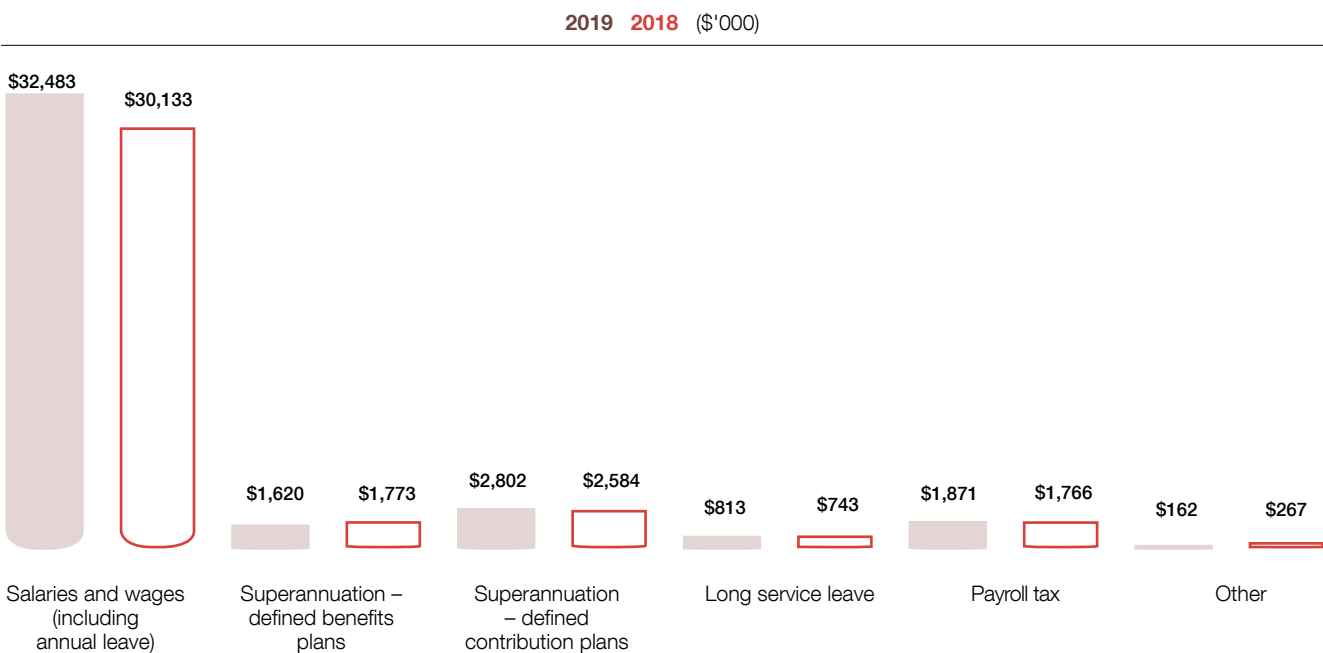
From time to time, the Audit Office enters into secondment arrangements with other NSW public sector agencies and professional services firms. In return for seconding staff, the Audit Office generally seeks to recover the salary and related oncosts on a cost recovery basis. Revenue from seconding staff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

### Key judgements and estimates

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

### C2. Employee related expenses

The Audit Office's employee related expenses for the year totalled \$39,751,000 (2018: \$37,266,000). The chart below shows the split between the major components.



## Section 3: Our financial performance (continued)

### Notes to and forming part of the financial statements for the year ended 30 June 2019

#### C2.1 Key management personnel remuneration

We have determined that members of the Office Executive are key management personnel (KMP) of the Audit Office. The Office Executive is made up of the Auditor-General, the Deputy Auditor-General, the four Assistant Auditors-General and the Executive Director, Corporate Services. We believe they have the authority and responsibility for planning, directing and controlling the activities of the Audit Office.

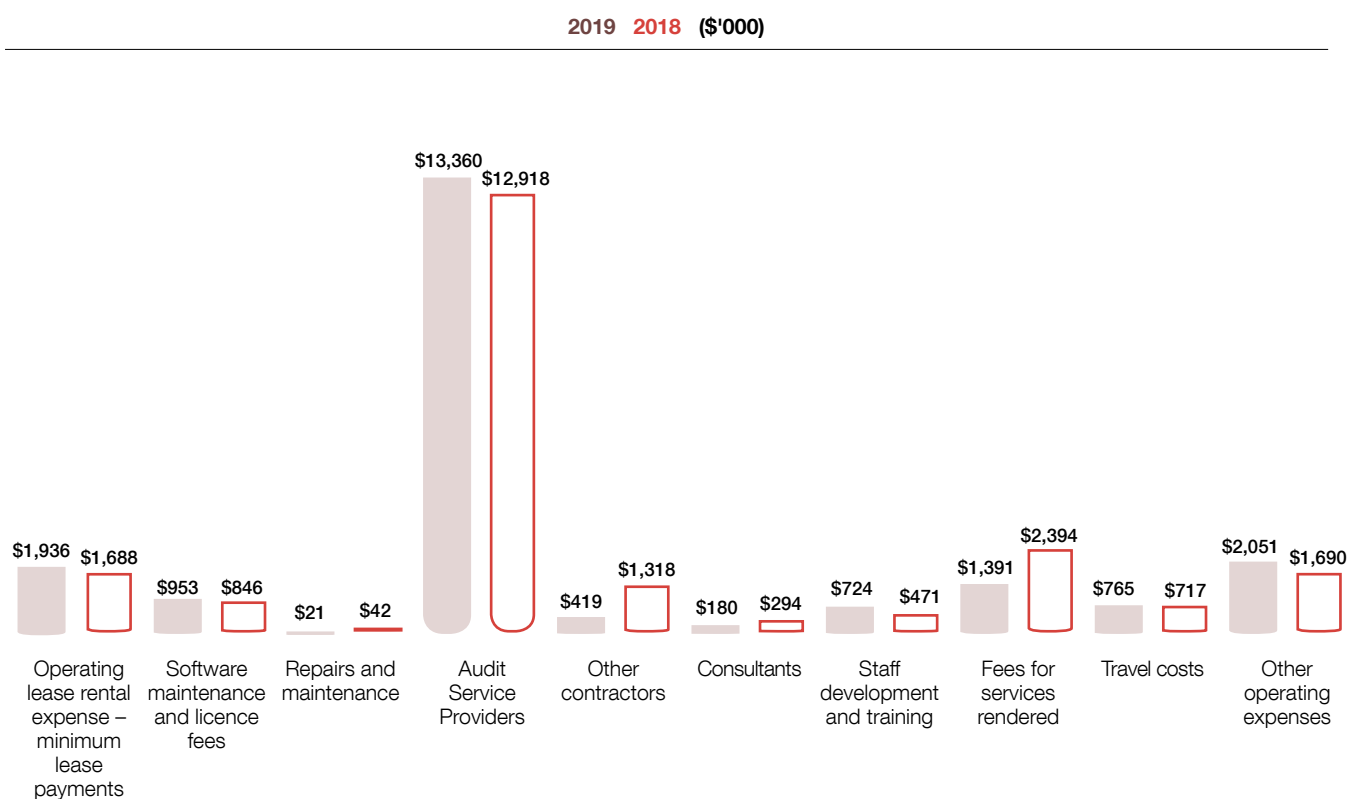
The Audit Office's key management personnel compensation is as follows:

	2019 (\$'000)	2018 (\$'000)
Short-term employee benefits:		
Salaries	2,462	2,214
Other long-term employee benefits	87	86
Post-employment benefits	175	167
<b>Total remuneration</b>	<b>2,724</b>	<b>2,467</b>

The Audit Office did not enter into any material transactions with key management personnel, their close family members or entities they controlled or jointly controlled during the year.

#### C3. Operating expenses

The Audit Office's operating expense for the year totalled \$21,800,000 (2018: \$22,378,000). The chart below shows the split between the major components.



## Section 3: Our financial performance (continued)

### Notes to and forming part of the financial statements for the year ended 30 June 2019

#### C3.1 Operating lease commitments

Future non-cancellable operating lease rentals not provided for and payable:	2019 \$'000	2018 \$'000
Within one year	1,397	2,150
Between one to five years	6,156	187
More than five years	9,312	–
<b>Total operating lease commitments (excluding GST)</b>	<b>16,865</b>	<b>2,337</b>

The above commitments largely relate to our office accommodation at Darling Park Tower. It also includes our lease of photocopiers and a motor vehicle lease. Our office accommodation lease at Darling Park Tower is for 10 years and it contains a fixed annual increase of four per cent per annum. The Audit Office does have the option to extend the lease by a further five years.

#### Recognition and measurement

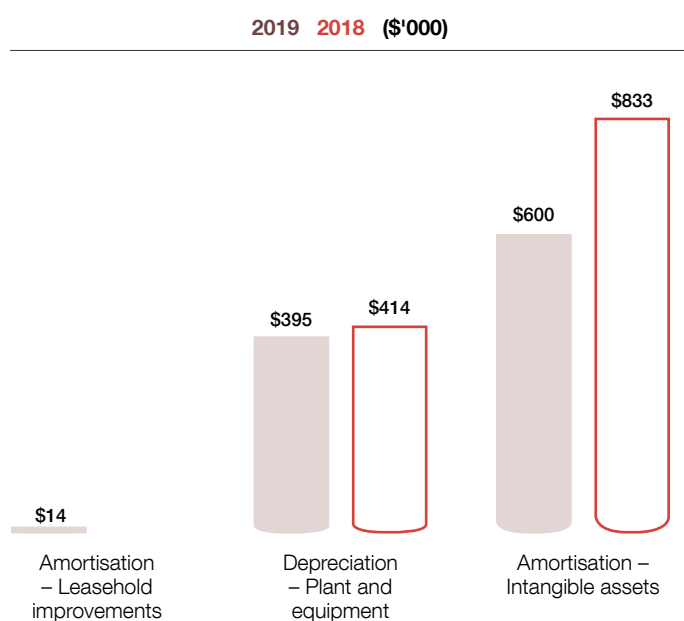
##### Leases

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

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

#### C4. Depreciation and amortisation

The Audit Office's depreciation and amortisation expenses for the period totalled \$1,009,000 (2018: \$1,247,000). The chart below shows the split between the major components.



See Note D5 Property Plant and Equipment and Intangibles

# Section 4: Our assets

## Notes to and forming part of the financial statements for the year ended 30 June 2019

The Audit Office's assets are resources it controls as a result of past events and from which it expects to obtain future economic benefits. The Audit Office's assets comprise cash at bank, receivables, other assets (work in progress and Crown reimbursement), property, plant and equipment and intangibles.

D1. Current assets — cash and cash equivalents	2019 \$'000	2018 \$'000
Cash at bank and on hand	7,544	11,014

Cash comprises cash on hand and bank balances within the NSW Treasury Banking System. NSW Treasury determines the interest rate and interest is earned on daily bank balances and paid monthly.

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

### Credit facility

The Audit Office has a credit card facility of \$350,000 and we have used \$207,000 of the facility (2018: \$187,000). The Audit Office has no other standing credit facility. The Audit Office's cash position throughout the year has consistently been adequate to meet its liquidity requirements.

## Risk

### Interest rate risk

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

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

D1.1 Reconciliation of cash flows from operating activities to net results	2019 \$'000	2018 \$'000
<b>Reconciliation of cash flows from operating activities to the net result as reported in the statement of comprehensive income</b>		
Net cash from operating activities	1,018	866
Depreciation and amortisation	(1,009)	(1,247)
Plant and equipment write offs	(95)	—
Finance costs	(22)	(14)
Decrease/(Increase) in provisions	(3,301)	(2,752)
Increase/(Decrease) in receivables and other assets	974	1,876
Decrease/(Increase) in creditors	292	(299)
<b>NET RESULT</b>	<b>(2,143)</b>	<b>(1,571)</b>

## Section 4: Our assets (continued)

### Notes to and forming part of the financial statements for the year ended 30 June 2019

D2. Current assets – receivables	2019 \$'000	2018 \$'000
Rendering of services – audits	4,584	5,436
Less: Allowance for impairment	–	(16)
Less: Allowance for expected credit losses	–	–
<b>Total receivables</b>	<b>4,584</b>	<b>5,420</b>
Prepayments	628	534
GST receivable from ATO	27	–
Accrued income and other debtors	71	3
	<b>5,310</b>	<b>5,957</b>
<i>Reconciliation of allowance for expected credit losses</i>		
Balance at 30 June 2018 under AASB 139	(16)	
Amounts restated through opening accumulated funds	–	
Balance at 1 July 2018 under AASB 9	(16)	
Amounts recovered during the year	16	
<b>Balance at 30 June 2019</b>	<b>–</b>	

#### Recognition and measurement

Receivables are initially recognised at fair value based on the original invoice amount. Receivables are due for settlement within 14 days from the date of issuing the invoice.

Because the Audit Office holds receivables with the objective of collecting the contractual cash flows, we subsequently measure receivables under AASB 9 (from 1 July 2018) at amortised cost using the effective interest method, less any impairment. Because the receivables are short-term, the invoice amount is considered to be the amortised cost as the effect of discounting is immaterial.

#### Impairment of financial assets

##### Impairment under AASB 9 (from 1 July 2018)

When there is objective evidence that the Audit Office will not collect the amounts owing, we recognise an allowance for expected credit losses (ECLs). ECLs are based on the difference between the contractual cash flows and the cash flows we expect to receive, discounted at the original effective interest rate.

##### Impairment under AASB 139 (for comparative period ended 30 June 2018)

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

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

#### Risk

##### Receivables – trade debtors

Credit risk is the risk of financial loss arising from the auditee defaulting on their contractual obligation, resulting in a financial loss to the Audit Office. This amount is equal to the total amount of receivables for services of \$4,584,000 (2018: \$5,420,000) and amounts recorded in WIP \$1,502,000 (2018: \$1,572,000).

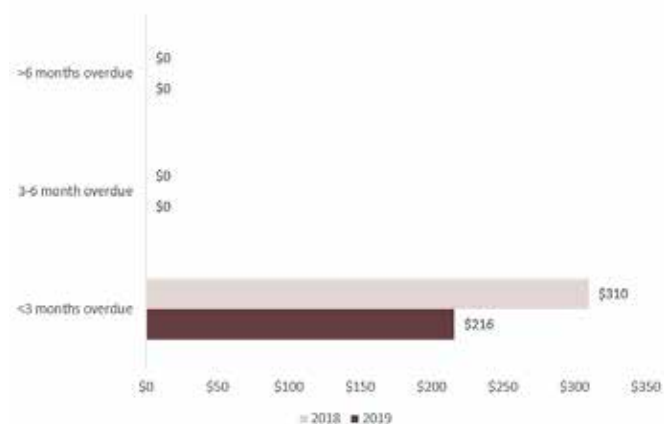
The Audit Office is not materially exposed to concentrations of credit risk to a single debtor or group of debtors. It has policies and procedures in place to recover outstanding amounts in a timely manner. Most of the debtors are government agencies or local councils whose credit risk is considered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



## Section 4: Our assets (continued)

Notes to and forming part of the financial statements for the year ended 30 June 2019

### Trade receivables – past due but not impaired\* \$'000



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

### Key judgement/estimates – Receivables

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

#### Impairment under AASB 9 (from 1 July 2018)

As at 30 June 2019 we have no expected credit losses (ECLs) as we believe all outstanding receivables are recoverable. This is because all amounts owing are bound by agreed terms with our auditees. Furthermore, based on historical experience, we have recovered all invoiced amounts in the last four years.

#### Impairment under AASB 139 (for comparative period ended 30 June 2018).

Apart from a single debt of \$16,000 that was considered impaired at 30 June 2018 reporting date (the full amount was recovered in FY2018-19), we believe all outstanding receivables are recoverable.

## Section 4: Our assets (continued)

Notes to and forming part of the financial statements for the year ended 30 June 2019

D3. Other financial assets (work in progress)	2019 \$'000	2018 \$'000
Work in progress – unbilled charges on audit engagements	1,502	1,572

### Recognition and measurement

Work in progress (WIP) represents work performed on audit engagements which the Audit Office has not invoiced to the auditee. This is largely made up of staff time and charges by the Audit Office's audit service providers. Staff time is based on approved hourly charge out rates.

We assess WIP for impairment annually to ensure it is not carried at an amount in excess of its recoverable amount. A provision for unrecoverable amounts is raised when there is objective evidence that the WIP may not be recoverable.

### Risk

**Credit Risk** – We believe the Audit Office is exposed to minimal credit risk. The maximum exposure arises from a debtor potentially defaulting on their debt/WIP. We believe the likelihood of this occurring is low.

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

### Key judgement/estimates – WIP

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

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

D4. Current/non-current assets – other	2019 \$'000	2018 \$'000
Crown acceptance of long service leave liability – current	8,471	6,917
Crown acceptance of long service leave liability – non-current	737	601
	<b>9,208</b>	<b>7,518</b>

The 'Crown Acceptance of Long Service Leave Liability' represents the Audit Office's right to reimbursement from the Crown Finance Entity for long service leave owed to employees. See Note E2 for more details.

### D5. Plant, equipment and intangibles

2019:	Leasehold improvements \$'000	Plant and equipment \$'000	Intangible assets \$'000	TOTAL \$'000
<b>At 1 July 2018</b>				
Cost (gross carrying amount)	3,108	2,977	6,499	<b>12,584</b>
Accumulated depreciation and amortisation	(3,108)	(2,395)	(4,421)	<b>(9,924)</b>
<b>Net carrying amount as at 1 July 2018</b>	<b>–</b>	<b>582</b>	<b>2,078</b>	<b>2,660</b>
Additions	3,291	1,134	63	<b>4,488</b>
Depreciation and amortisation expense	(14)	(395)	(600)	<b>(1,009)</b>
Disposals	–	(95)	–	<b>(95)</b>
<b>Net carrying amount as at 30 June 2019</b>	<b>3,278</b>	<b>1,225</b>	<b>1,542</b>	<b>6,045</b>
<b>Net carrying amount as at 30 June 2019 as represented by:</b>				
Cost (gross carrying amount)	3,291	1,903	5,687	<b>10,881</b>
Accumulated depreciation and amortisation	(14)	(678)	(4,145)	<b>(4,837)</b>
<b>Net carrying amount as at 30 June 2019</b>	<b>3,278</b>	<b>1,225</b>	<b>1,542</b>	<b>6,045</b>

## Section 4: Our assets (continued)

Notes to and forming part of the financial statements for the year ended 30 June 2019

2018:	Leasehold improvements \$'000	Plant and equipment \$'000	Intangible assets \$'000	TOTAL \$'000
<b>At 1 July 2017</b>				
Cost (gross carrying amount)	3,108	2,875	6,217	<b>12,200</b>
Accumulated depreciation and amortisation	(3,108)	(1,981)	(3,589)	<b>(8,678)</b>
<b>Net carrying amount as at 1 July 2017</b>	<b>–</b>	<b>894</b>	<b>2,628</b>	<b>3,522</b>
Additions	–	121	283	<b>404</b>
Depreciation and amortisation expense	–	(414)	(833)	<b>(1,247)</b>
Disposals	–	(19)	–	<b>(19)</b>
<b>Net carrying amount as at 30 June 2018</b>	<b>–</b>	<b>582</b>	<b>2,078</b>	<b>2,660</b>
<b>Net carrying amount as at 30 June 2018 represented by:</b>				
Cost (gross carrying amount)	3,108	2,977	6,499	<b>12,584</b>
Accumulated depreciation and amortisation	(3,108)	(2,395)	(4,421)	<b>(9,924)</b>
<b>Net carrying amount as at 30 June 2018</b>	<b>–</b>	<b>582</b>	<b>2,078</b>	<b>2,660</b>

### Recognition and measurement – intangible assets

The Audit Office's intangible assets comprise its audit methodology/ software, computer software systems and associated enhancement costs. These assets are carried at cost less accumulated amortisation and impairment losses. The useful lives of the Audit Office's intangible assets are finite.

#### Research and Development costs

All research costs are expensed. Development costs are only capitalised when certain criteria are met.

#### Amortisation

All intangible assets are amortised using the straight-line method over a period of three to ten years.

#### Impairment

Intangible assets are tested for impairment where an indicator of impairment exists. If the recoverable amount is less than its carrying amount, the carrying amount is reduced to recoverable amount and the reduction is recognised as an impairment loss.

### Key judgement/estimates – Intangibles assets

We have determined there is no active market for the Audit Office's intangible assets and therefore they are recorded at cost less accumulated amortisation and impairment.

We have determined the useful lives of the Audit Office's intangibles to be between three to ten years. The major intangible assets are:

- audit methodology software – 10 years (2018: 10 years)
- corporate management systems – 5 years (2018: 5 years)
- other software licenses – 3 to 5 years (2018: 3 to 5 years).

Some of the factors considered in setting the useful lives include: technical obsolescence; the likely support period by vendors; the Audit Office's ability to invest in replacement assets; the typical life cycle of similar assets; and the actual lives of similar assets currently or previously controlled by the Audit Office.

We have reviewed the intangible assets for any indication of impairment at reporting date. None was noted (nil in the prior year).

# Section 4: Our assets (continued)

Notes to and forming part of the financial statements for the year ended 30 June 2019

## Recognition and measurement – Plant and equipment

### Acquisition of assets

Purchases of plant and equipment (P&E) are initially recognised at cost in the Statement of Financial Position. The Audit Office capitalises individual pieces of equipment costing \$1,000 or more. When the equipment forms part of a network, the threshold of \$1,000 is applied to the network cost. All other equipment purchases are expensed in the year they are acquired.

### Revaluation

Following initial recognition at cost, leasehold improvements and plant and equipment are recorded at fair value less accumulated depreciation and impairment. The Audit Office applies the valuation guidelines outlined in the 'Valuation of Physical Non-Current Assets at Fair Value' Policy and Guidelines Paper (*TPP 14-01*). This policy applies the requirements of *AASB 13 Fair Value* and *AASB 116 Property, Plant and Equipment*.

Property, plant and equipment is measured at the highest and best use by market participants that is physically possible, legally permissible and financially feasible. The highest and best use must be available at a period that is not remote and take into account the characteristics of the asset being measured. In all cases, after taking into account these considerations, the highest and best use of the Audit Office's assets is their existing use.

### Depreciation

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

	2019	2018
Computer equipment	3 years	3 years
Office equipment	5 years	5 years
Furniture and fittings	5-10 years	10 years
Leasehold improvements	Over the term of the lease	Over the term of the lease

### Make good

The estimated cost for making good the Audit Office's leasehold premises is included in leasehold improvements to the extent it is recognised as a liability. See Note E2.1.

## Key judgement/estimates – Plant and equipment

In deciding whether costs should be expensed or capitalised, the Audit Office treats individual computer/telecommunication hardware (such as laptops) as part of a network. As a result, equipment of this nature is generally capitalised.

We review the useful lives of all assets annually. We also assess whether there are any indicators of impairment. The lives ascribed to the Audit Office's assets in 2018–19 remain unchanged from the prior year. We have also reviewed PPE assets for any indication of impairment. None was noted in the current year (nil in the previous year) .

Some of the factors considered in setting the useful lives include: technical obsolescence; the typical life cycle of similar assets; and the actual lives of similar assets currently or previously controlled by the Audit Office.

Because the Audit Office's property, plant and equipment assets are non-specialised with short useful lives, we believe the depreciated historical cost is a reasonable approximation of their fair value. We believe any difference between fair value and depreciated historical cost is unlikely to be material.

# Section 5: Our liabilities

## Notes to and forming part of the financial statements for the year ended 30 June 2019

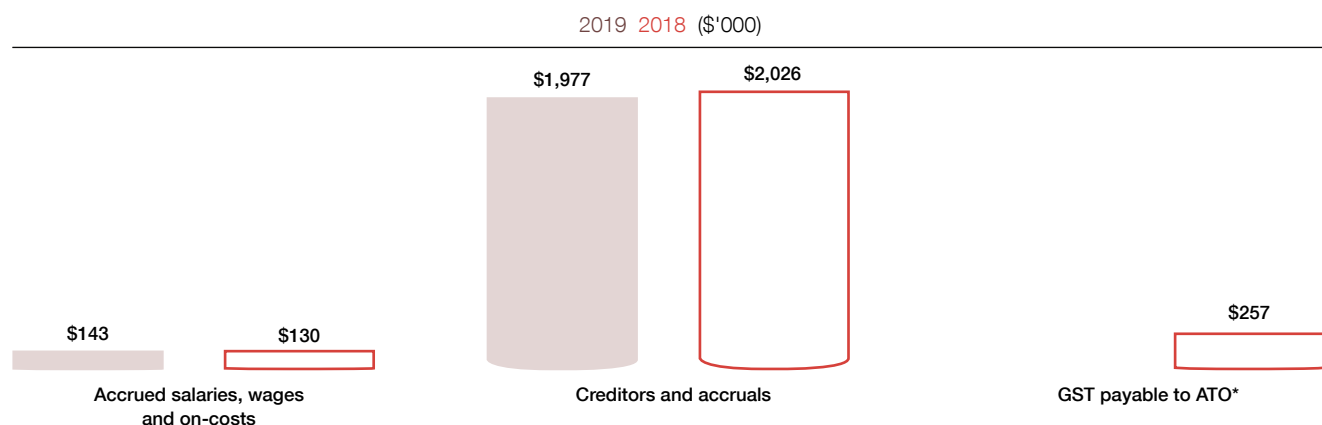
An essential characteristic of the Audit Office's liabilities is that a present obligation exists from past transactions or other past events. An obligation is a duty or responsibility to act or perform in a certain way. A future commitment (such as a decision by the Audit Office to acquire assets in the future) does not, of itself, give rise to a present obligation.

The Audit Office's obligations may be legally enforceable as a consequence of a binding contract or statutory requirement. This is normally the case, for example, with amounts payable for goods and services received. Obligations also arise from normal business practice.

A large proportion of the Audit Office's liabilities are employment benefits payable to staff for services rendered up to the reporting date. The Audit Office also has obligations to its suppliers and tax authorities such as the Australian Taxation Office and Revenue NSW.

### E1. Current liabilities – payables

The Audit Office's payables at 30 June 2019 totalled \$2,120,000 (2018: \$2,413,000). The chart below shows the split between the major components.



\* As at 30 June 2019, Audit Office has a net GST receivable from ATO of \$27,000. Refer to note D2.

### Recognition and measurement – Payables

The Audit Office initially recognises liabilities for creditors and other payables at fair value, which is usually based on the transaction cost or face value. These payables are subsequently measured at amortised cost using the effective interest rate method. Payables with no stated interest rate are measured at the original invoice amount because the effect of the discounting is immaterial.

The liabilities are recognised for amounts due to be paid in the future for goods or services received, whether or not invoiced.

### Risk

#### Liquidity risk

Liquidity risk is the risk that the Audit Office will be unable to meet its payment obligations when they fall due. The risk is continuously managed through monitoring future cash flows to ensure adequate holding of liquid assets.

During the current and prior year, there were no defaults of payables. No assets have been pledged as collateral. The Audit Office's exposure to liquidity risk is deemed insignificant based on prior period's data and our current risk assessment.

For small business suppliers, where terms are not specified, the Audit Office pays no later than 7 days from date of receiving a correctly rendered invoice. For other suppliers, if trade terms are not specified, payment is made no later than the end of the month following the month in which the Audit Office receives an invoice. For small business suppliers,

where payment is not made within the specified time period, simple interest must be paid unless an existing contract specifies otherwise. For payments to other suppliers, the Audit Office may pay the supplier simple interest. The Audit Office paid nil interest during the year for a late payment (2018: \$40).

#### Maturity profile

All of the Audit Office's payables and accruals have a maturity of less than 12 months (2018: less than 12 months).

#### Market risk

The Audit Office has very limited exposure to foreign currency risk and does not enter into commodity contracts.



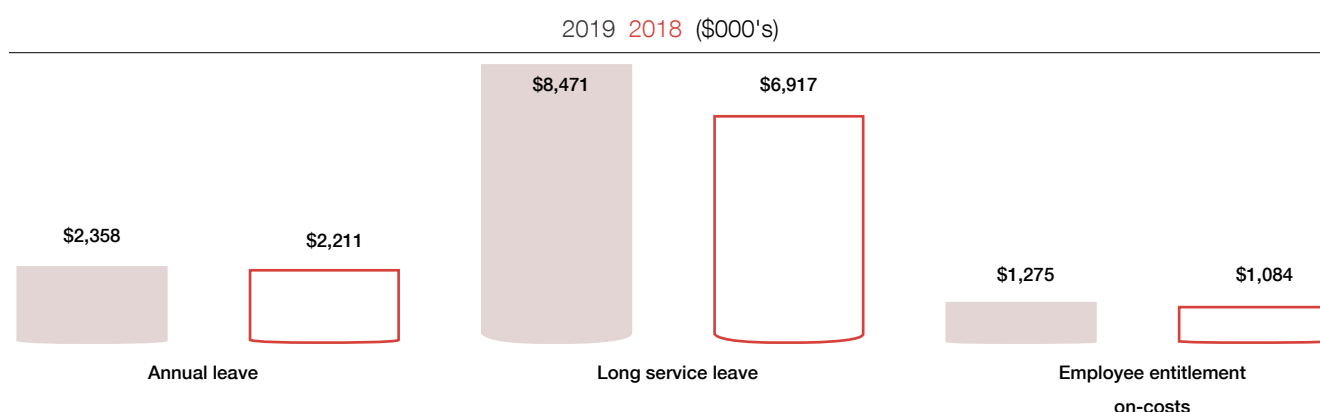
## Section 5: Our liabilities (continued)

Notes to and forming part of the financial statements for the year ended 30 June 2019

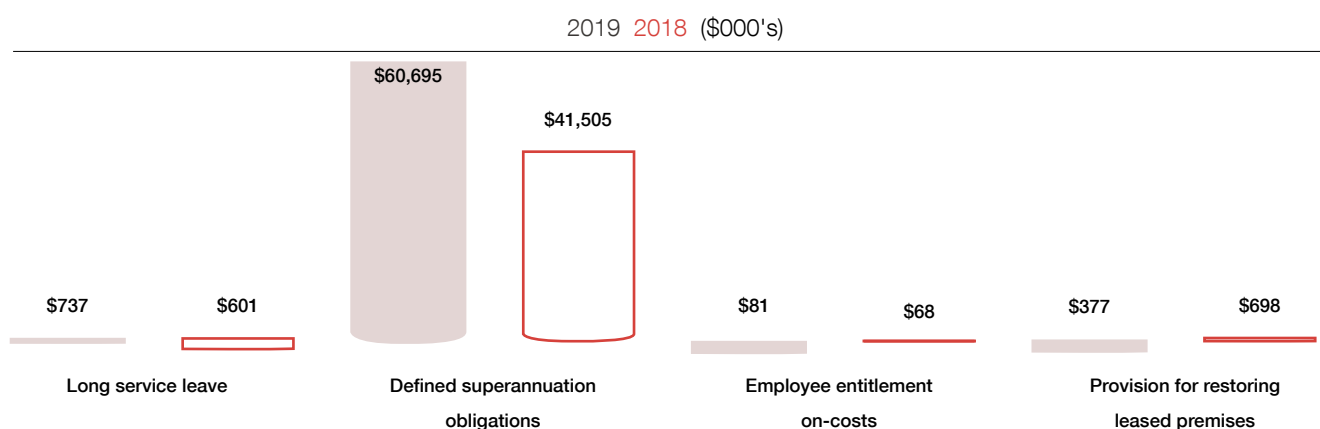
### E2. Current/non-current liabilities – provisions

The Audit Office's current provisions at 30 June 2019 totalled \$12,104,000 (2018: \$10,212,000) and its non current provisions totalled \$61,890,000 (2018: \$42,872,000). The charts below show the split between the major components.

#### Current liabilities – provisions



#### Non-current liabilities - provisions



#### a) Employee benefits and related on-costs

##### Annual leave

The annual leave liability at 30 June 2019 was \$2,358,000 (2018: \$2,211,000). Of this liability, the value expected to be paid within the next 12 months is \$1,574,000 (2018: \$1,481,000) and \$784,000 (2018: \$730,000) after 12 months.

##### Long service leave

The long service liability at 30 June 2019 was \$9,208,000 (2018: \$7,518,000). Of this amount, \$7,638,000 (2018: \$6,917,000) is recorded as current and \$601,000 (2018: \$601,000) is recorded as non-current. This liability comprises:

	2019 \$'000	2018 \$'000
Short term – expected to be settled within 12 months	217	278
Long term – not expected to be settled within 12 months	8,991	7,240
	<b>9,208</b>	<b>7,518</b>

The Audit Office is part of the Crown funded Long Service Leave Pool. As a member of this pool, the Audit Office makes an annual contribution based on its budgeted salaries and wages. In return for making a contribution, the Audit Office has a right to be reimbursed by the Crown Finance Entity for an amount equal to the liability owed to staff. This asset is disclosed in Note D4.

The Audit Office made contributions of \$811,000 to the Crown Finance Entity pool during the year (2018: \$805,000).

## Section 5: Our liabilities (continued)

### Notes to and forming part of the financial statements for the year ended 30 June 2019

#### Recognition and measurement

##### Salaries and wages, annual leave, sick leave and on-costs

Liabilities for salaries and wages, including non-monetary benefits and annual leave are measured on an undiscounted basis. Where annual leave is not expected to be settled within 12 months, it is accounted for as a long term benefit at the present value in accordance with AASB119 *Employee Benefits*.

Unused non-vested sick leave entitlement does not give rise to a liability as it is considered that sick leave taken in the future will not be greater than the benefits accrued in the future.

The amount of annual leave is increased by on-costs in determining the total provision at reporting date.

##### Long service leave

A long service leave liability is recognised as a long-term employee benefit and measured for all employees with five or more years of service. The present value method, based on remuneration rates approved to be payable post 30 June, is used to measure the liability. The on-cost factors specified in *Treasury Circular 18/13 Accounting for Long Service Leave and Annual Leave* are applied when calculating the related oncosts.

##### Consequential on-costs

Consequential costs to employment are recognised as liabilities and expenses where the employment benefits to which they relate have been recognised. This includes outstanding amounts of payroll tax, workers' compensation insurance premiums, fringe benefits tax and superannuation.

#### Key judgement/estimates – Employee entitlements

##### Annual leave

We have referred to leave taken during the year to determine the split between short term (leave expected to be taken in the next 12 months) and long term (leave expected to be taken after 12 months).

##### Long service leave

The present value of long service leave has been calculated by an actuary. The key assumptions they used include:

- discount rate of 1.32 per cent (2018: 2.595 per cent)
- short term salary increases of 3.2 per cent for FY2018/19 and 3.2 per cent per annum thereafter.

In determining the split between current and non current, we have used 92 and 8 per cent respectively. This is consistent with *Treasury Circular TC18/13 Accounting for Long Service Leave and Annual Leave*.

The Audit Office has recognised a reimbursement from the Crown Finance Entity of equal value to the long service leave liability. This is based on *Treasury Circulars TC18/13 Accounting for Long Service Leave and Annual Leave* and *TC14/06 Funding Arrangements for Long Service Leave and Transferred Officers Leave Entitlements*.

#### E2.1 Other provisions

##### Restoration costs

In accordance with AASB 116 - *Property, Plant and Equipment* and its lease agreements, the Audit Office is required to make good its leased premises at the end of the lease terms.

	2019 \$'000
Movements in the provision during the financial year is set out below:	
Carrying amount at the beginning of financial year	698
Re-measurement of provision	(343)
Unwinding/change in the discount rate	22
<b>Carrying amount at end of financial year</b>	<b>377</b>

## Section 5: Our liabilities (continued)

### Notes to and forming part of the financial statements for the year ended 30 June 2019

#### Recognition and measurement

##### Other provisions

Other provisions are recognised when there are legal or constructive obligations as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

##### Key judgement/estimates – other provisions

This provision to make good the Audit Office's leased premises has been calculated by reference to the leased space area (square metres), an industry rate per square metre to make good the premises, the lease expiry date of July 2029 and the long term government bond rate.

#### E2.2 Superannuation

Some current and former Audit Office employees are members of defined benefit superannuation schemes which means contributions are required to be made to a separately administered fund and members receive a pension entitlement based on a multiple of salary and years of membership. Members receive lump sum or pension benefits on retirement, death, disablement and withdrawal.

Name of Scheme	Type of Scheme
The State Superannuation Scheme (SSS)	Multi-employer defined benefit scheme
The State Authorities Superannuation Scheme (SASS)	Multi-employer defined benefit scheme
The State Authorities Non-Contributory Superannuation Scheme (SANCS – Basic Benefits Scheme)	Multi-employer defined benefit scheme

The above schemes are closed to new members and employer contributions to the above funds were suspended in 2005.

##### Regulatory Framework

The schemes in the Pooled Fund are established and governed by the following NSW legislation: *Superannuation Act 1916*, *State Authorities Superannuation Act 1987*, *Police Regulation (Superannuation) Act 1906*, *State Authorities Non-Contributory Superannuation Act 1987*, and their associated regulations.

The schemes in the Pooled Fund are exempt public sector superannuation schemes under the *Commonwealth Superannuation Industry (Supervision) Act 1993 (SIS)*. The SIS Legislation treats exempt public sector superannuation funds as complying funds for concessional taxation and superannuation guarantee purposes.

Under a Heads of Government agreement, the New South Wales Government undertakes to ensure that the Pooled Fund will conform with the principles of the Commonwealth's retirement incomes policy relating to preservation, vesting and reporting to members and that members' benefits are adequately protected.

The New South Wales Government prudentially monitors and audits the Pooled Fund and the Trustee Board activities in a manner consistent with the prudential controls of the SIS legislation. These provisions are in addition to other legislative obligations on the Trustee Board and internal processes that monitor the Trustee Board's adherence to the principles of the Commonwealth's retirement incomes policy.

##### Valuations

An actuarial investigation of the Pooled Fund is performed every three years. The last actuarial investigation was performed as at 30 June 2018. The next actuarial investigation will be performed at 30 June 2021.

##### Governance

The Fund's Trustee is responsible for the governance of the Fund. The Trustee has a legal obligation to act solely in the best interests of the fund beneficiaries. The Trustee has the following roles:

- Administration of the fund and payment to the beneficiaries from fund assets when required in accordance with the fund rules;
- Management and investment of the fund assets; and
- Compliance with other applicable regulations

The following information has been prepared by the Scheme actuary.

## Section 5: Our liabilities (continued)

Notes to and forming part of the financial statements for the year ended 30 June 2019

### Reconciliation of the net defined benefit liability

	Present value of obligation \$'000	Fair value of plan assets \$'000	Net amount \$'000
<b>At 1 July 2017</b>	<b>(112,684)</b>	<b>69,090</b>	<b>(43,595)</b>
Current service cost	(615)	–	(615)
Interest (expense)/income	(2,895)	1,753	(1,142)
<b>(Expense)/income recognised in profit or loss</b>	<b>(3,510)</b>	<b>1,753</b>	<b>(1,757)</b>
<b>Contributions by fund participants</b>			
Employers	–	–	–
Plan participants	(220)	220	–
	(220)	220	–
<b>Remeasurements</b>			
Actual return on Fund assets less interest income	–	3,928	3,928
Actuarial gains/(losses) arising from changes in demographic assumptions	(596)	–	(596)
Actuarial gains/(losses) arising from changes in financial assumptions	443	–	443
Actuarial gains/(losses) arising from liability experience	71	–	72
<b>Amount recognised in other comprehensive income</b>	<b>(82)</b>	<b>3,928</b>	<b>3,847</b>
Benefits paid	7,025	(7,025)	–
Taxes, premiums and expenses paid	(492)	492	–
<b>At 30 June 2018</b>	<b>(109,964)</b>	<b>68,458</b>	<b>(41,505)</b>
<b>At 1 July 2018</b>	<b>(109,964)</b>	<b>68,458</b>	<b>(41,505)</b>
Current service cost	(514)	–	(514)
Interest (expense)/income	(2,858)	1,769	(1,089)
<b>(Expense)/income recognised in profit or loss</b>	<b>(3,372)</b>	<b>1,769</b>	<b>(1,602)</b>
<b>Contributions by fund participants</b>			
Employers	–	–	–
Plan participants	(211)	211	–
	(211)	211	–
<b>Remeasurements</b>			
Actual return on Fund assets less interest income	–	3,665	3,665
Actuarial gains/(losses) arising from changes in demographic assumptions	(13)	–	(13)
Actuarial gains/(losses) arising from changes in financial assumptions	(21,871)	–	(21,871)
Actuarial gains/(losses) arising from liability experience	633	–	634
<b>Amount recognised in other comprehensive income</b>	<b>(21,251)</b>	<b>3,665</b>	<b>(17,586)</b>
Benefits paid	3,795	3,795	–
Taxes, premiums and expenses paid	(425)	425	–
<b>At 30 June 2019</b>	<b>(131,427)</b>	<b>70,733</b>	<b>(60,695)</b>

## Section 5: Our liabilities (continued)

### Notes to and forming part of the financial statements for the year ended 30 June 2019

#### Fair value of fund assets

All Pooled Fund assets are invested by SAS Trustee Corporation (STC) at arm's length through independent fund managers. Assets are not separately invested for each entity and it is not possible or appropriate to disaggregate and attribute fund assets to individual entities. As such, the disclosures below relate to total assets of the Pooled Fund. The percentage invested in each asset class at the reporting date is:

Asset category at 30 June 2019	Quoted prices in active markets for identical assets	Significant observable inputs	Unobservable inputs	Total	Percentage invested in each asset class
	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	\$'000	
Cash	2,135,561	1,906,555	–	4,042,116	10%
Australian Fixed Interest	4,993	2,289,679	–	2,294,672	5%
International Fixed Interest	6,827	1,952,396	8,871	1,968,093	5%
Australian Equities	7,818,302	547,571	3,055	8,368,928	20%
International Equities	8,795,299	2,592,132	8	11,387,439	26%
Property	698,607	717,079	2,172,544	3,588,230	9%
Alternatives	327,329	5,758,095	4,472,758	10,558,181	25%
<b>Total</b>	<b>19,786,917</b>	<b>15,763,506</b>	<b>6,657,236</b>	<b>42,207,659</b>	<b>100%</b>

Derivatives, including futures and options, can be used by investment managers. However, each manager's investment mandate clearly states that derivatives may only be used to facilitate efficient cashflow management or to hedge the portfolio against market movements and cannot be used for speculative purposes or gearing of the investment portfolio. As such managers make limited use of derivatives.

#### Fair value of pooled fund assets

The disclosures below relate to total assets of the Pooled Fund.

The fair value of the Pooled Fund assets as at 30 June 2019 include \$99.5 million in NSW government bonds.

Of the direct properties owned by the Pooled Fund:

- SAS Trustee Corporation occupies part of a property 100% owned by the Pooled Fund with a fair value of \$316 million (30 June 2018: \$280 million).
- Health Administration Corporation occupies part of a property 50% owned by the Pooled Fund with a fair value (100% interest) of \$331 million (30 June 2018: \$287 million).

#### Significant actuarial assumptions at the reporting date

As at	30 June 2019	30 June 2018
Discount rate	1.32% p.a	2.65% p.a
Salary increase rate (excluding promotional increases)	3.2% p.a	2.7% p.a. for 2018/19; 3.2% p.a thereafter.
Rate of CPI increase	1.75% for 2018/19 and 2019/20, 2.00% for 2020/21; 2.25% for 2021/22 and 2022/23; 2.50% p.a. thereafter.	2.25% p.a for 2018/19 and 2019/20; 2.5% p.a thereafter.
Pensioner mortality	The pensioner mortality assumptions are as per the 2018 Actuarial Investigation of the Pooled Fund. These assumptions are disclosed in the actuarial investigation report available from the trustee's website. The report shows the pension mortality rates for each age.	The pensioner mortality assumptions are as per the 2018 Actuarial Investigation of the Pooled Fund. These assumptions are disclosed in the actuarial investigation report available from the trustee's website. The report shows the pension mortality rates for each age.



## Section 5: Our liabilities (continued)

### Notes to and forming part of the financial statements for the year ended 30 June 2019

#### The economic assumptions adopted for 30 June 2019 AASB 1056 Accounting

The economic assumptions adopted for 30 June 2019 AASB 1056 Accounting Standard 'Superannuation Entities' are:

##### Weighted-average assumptions

Expected rate of return on Fund assets backing current pension liabilities	7.4% p.a.
Expected rate of return on Fund assets backing other liabilities	6.4% p.a.
Expected salary increase rate (excluding promotional salary increases)	3.2% p.a.
Expected rate of CPI increase	2.2% p.a.

#### Sensitivity analysis

The entity's total defined benefit obligation as at 30 June 2019 under several scenarios is presented below. The total defined benefit obligation disclosed is inclusive of the contribution tax provision which is calculated based on the asset level at 30 June 2019.

Scenarios A to F relate to sensitivity of the total defined benefit obligation to economic assumptions, and scenarios G and H relate to sensitivity to demographic assumptions.

	Base Case	Scenario A -1.0% discount rate	Scenario B +1.0% discount rate	Scenario C +0.5% rate of CPI increase	Scenario D -0.5% rate of CPI increase	Scenario E +0.5% salary increase rate	Scenario F -0.5% salary increase rate
Discount rate	as above	as above - 1.0% p.a.	as above + 1.0% p.a.	as above	as above	as above	as above
Rate of CPI increase	as above	as above	as above	above rates plus 0.5% p.a.	above rates less 0.5% p.a.	as above	as above
Salary inflation rate	as above	as above	as above	as above	as above	above rates plus 0.5% p.a.	above rates less 0.5% p.a.
Defined benefit obligation (A\$'000)	131,427,377	154,410,719	113,007,285	141,794,194	122,038,935	131,846,997	131,025,324

	Base Case	Scenario G Lower Mortality*	Scenario H Higher Mortality**
Defined benefit obligation (A\$'000)	131,427,377	133,973,409	129,752,510

\*Assumes the short term pensioner mortality improvement factors for years 2019-2023 also apply for years after 2023.

\*\*Assumes the long term pensioner mortality improvement factors for years post 2023 also apply for the years 2019 to 2023.

The defined benefit obligation has been recalculated by changing the assumptions as outlined above, whilst retaining all other assumptions.

## Section 5: Our liabilities (continued)

Notes to and forming part of the financial statements for the year ended 30 June 2019

### Surplus/deficit

The following is a summary of the financial position of the Fund calculated in accordance with *AASB 1056 – Superannuation Entities*:

	2019 \$'000	2018 \$'000
Accrued benefits*	60,964	60,159
Net market value of Fund assets	(70,733)	(68,458)
<b>Net surplus</b>	<b>(9,769)</b>	<b>(8,299)</b>

\* There is no allowance for a contribution tax provision within the Accrued Benefits figure for *AASB 1056*. Allowance for contributions tax is made when setting the contribution rates.

### Contribution recommendations

Recommended contribution rates for the Audit Office are:

	SASS multiple of member contributions	SANCS % member salary	SSS multiple of member contributions
	NIL	NIL	NIL

### Expected contributions

	SASS	SANCS	SSS
	Financial year to 30 June 2020		
Expected employer contributions	NIL	NIL	NIL

### Maturity profile of defined benefit obligation

The weighted average duration of the defined benefit obligation is 12.7 years.

## Section 5: Our liabilities (continued)

Notes to and forming part of the financial statements for the year ended 30 June 2019

### Recognition and measurement

The cost of providing benefits under a defined benefit plan is determined using the projected unit credit method. Net interest is calculated by applying the discount rate to the net defined benefit liability or asset.

#### Key judgement/estimates — Defined superannuation liability

The cost of the defined benefit pension plan and the present value of the pension obligation are determined using actuarial obligations and an actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include:

- the determination of the discount rate
- future salary increases mortality rates; and
- future pension increases.

Due to the complexities involved in the calculation and its long term nature, a defined benefit obligation is highly sensitive to change in these assumptions. All assumptions are reviewed at each reporting date.

### Risk

There are a number of risks to which the Fund exposes the Audit Office. The more significant risks relating to the defined benefits are:

#### Investment risk

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The risk that investment returns will be lower than assumed and the Audit Office will need to increase contributions to offset this shortfall.

#### Longevity risk

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The risk that pensioners live longer than assumed, increasing future pensions.

#### Pension indexation risk

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The risk that pensions will increase at a rate greater than assumed, increasing future pensions.

#### Salary growth risk

---

The risk that wages or salaries (on which future benefit amounts for active members will be based) will rise more rapidly than assumed, increasing defined benefit amounts and thereby requiring additional employer contributions.

#### Legislative risk

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The risk is that legislative changes could be made which increase the cost of providing the defined benefits.

The defined benefit fund assets are invested with independent fund managers and have a diversified asset mix.

The Fund has no significant concentration of investment risk or liquidity risk.

#### Asset-Liability matching strategies

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The Trustee monitors its asset-liability risk continuously in setting its investment strategy. It also monitors cashflows to manage liquidity requirements. No explicit asset-liability matching strategy is used by the Trustee.

# Section 6: Risk and other notes

Notes to and forming part of the financial statements for the year ended 30 June 2019

## F1. Financial instruments

The Audit Office's principal financial instruments are cash (note D1), receivables (note D2), WIP (note D3) and payables (note E1). These financial instruments arise directly from the Audit Office's operations. The Audit Office does not enter into or trade financial instruments for speculative purposes.

Quantitative and qualitative disclosures together with the objectives, policies and processes for measuring and managing risk are included throughout the financial statements.

The Auditor-General has overall responsibilities for the establishment and oversight of risk management, as well as reviewing and agreeing policies for managing each of these risks. Risk management policies are established to identify and analyse risks, to set risk controls and to monitor the risks faced by the Audit Office. Compliance with policies is reviewed by the Audit Office on a continuous basis.

## F2. Capital commitments

The Audit Office has \$13,440 ex GST (2018: \$364,000) of capital contractual commitments at reporting date.

## F3. Contingent assets and contingent liabilities

We are not aware of any contingent assets or contingent liabilities (2018: nil).

## F4. Auditor's remuneration

In April 2018, the Governor appointed Mr Andrew Archer to audit the Audit Office's financial statements for 2017-18, 2018-19 and 2019-20. Mr Andrew Archer is a partner at Grant Thornton and he uses the firm's resources to complete the audit. The auditor's remuneration for auditing the 2018-19 financial statements is \$45,000 (2018: \$43,000).

While Mr Andrew Archer did not provide any other services during the year to the Audit Office, his firm did provide services as an audit service provider (ASP). Grant Thornton is currently an audit service provider on 15 audits. The Audit Office paid Grant Thornton \$531,600 for this work in 2018-19 (\$339,000 in 2017-18). Grant Thornton's appointment is for a period of up to four years and they conduct these audits under the control and direction of the Auditor-General. Mr Andrew Archer is not involved in the audits that Grant Thornton conducts as an ASP on behalf of the Auditor-General.

## F5. Related party disclosures

### Transactions with NSW government agencies

During the period, the Audit Office provided audit and audit related services to entities that are controlled by the NSW Government. These services were provided at arm's length based on agreed terms and using our standard charge rates and pricing approach. None of these transactions were individually significant. The total revenue received from NSW Government agencies was \$31.3 million (2018: \$31.3 million). Of this amount, \$2.7 million (2018: \$3.7 million) is owed to the Audit Office at the reporting date.

The Audit Office also received funding of \$10.1 million (2018: \$10.3 million) from the Crown Finance Entity to fund the performance audit program, Auditor-General's Reports to Parliament and compliance reviews. This funding is set through the annual State Budget process, together with any subsequent adjustments. There were no adjustments in 2018-19.

End of audited financial statements



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The Recreation Club's annual picnic held in March 2019 had an Olympics-themed outdoor competition.



# Appendix one

## Senior executive and leadership positions

Public Service Senior Executive remuneration band equivalent range and average remuneration\*

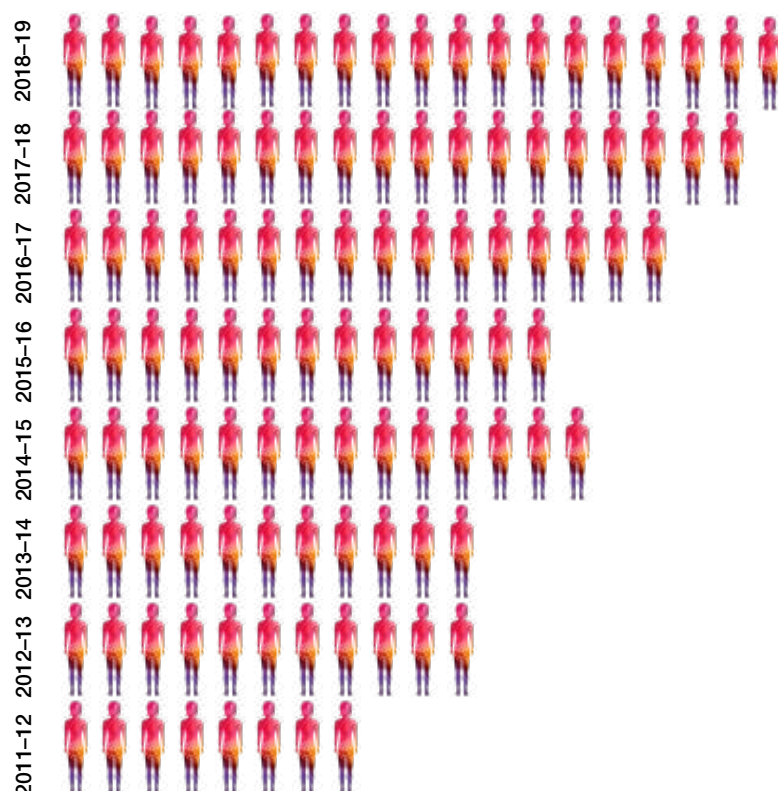
Band	2017–18		2018–19	
	Range	Average	Range	Average
Band Four (equivalent)	463,551–535,550	524,872	475,151–548,950	537,996
Band Three (equivalent)	328,901–463,550	366,815	337,101–475,150	380,957
Band Two (equivalent)	261,451–328,900	278,373	268,001–337,100	284,129
Band One (equivalent)	183,300–261,450	222,154	187,900–268,000	227,940

\*Due to the nature of our business, 25 per cent of the Audit Office's employee-related expenditure in 2018–19 was related to senior executive, compared with 26 per cent in 2017–18.

Public Sector Senior Executive remuneration band equivalent and gender

Band	2017–18		2018–19	
	Female	Male	Female	Male
Band Four (equivalent)	1	0	1	0
Band Three (equivalent)	0	2	0	2
Band Two (equivalent)	2	2	2	3
Band One (equivalent)	15	14	16	13
Total	36		37	

Number of executive and leadership positions filled by women



# Appendix two

## Financial audit entities, reviews and other related services

Aboriginal Housing Office	Clinical Excellence Commission	Energy Industries Superannuation Scheme Pool A
Dunghutti Aboriginal Elders Tribal Council Trust	Clinical Excellence Commission Special Purpose Service Entity	Energy Industries Superannuation Scheme Pool B
Agency for Clinical Innovation	Coal Innovation Fund	Energy Investment Fund
Agency for Clinical Innovation Special Purpose Service Entity	Cobar Water Board	Environment Protection Authority
Agricultural Scientific Collections Trust	Combat Sports Authority of NSW	Environment Protection Authority Staff Agency
Albury Base Hospital	Corporation Sole 'Minister Administering the <i>Heritage Act</i> '	Environmental Trust
Albury Wodonga Health NSW Employment Division Special Purpose Service Entity	Corrective Services NSW	Essential Energy
Alpha Distribution Ministerial Holding Corporation	Cowra Japanese Garden Maintenance Foundation Limited	Far West Local Health District
Ambulance Service of New South Wales	Crown Employees (NSW Fire Brigades Firefighting Staff Death & Disability) Superannuation Fund	Far West Local Health District Special Purpose Entity
ANZAC Health and Medical Research Foundation	Crown Entity	Financial Counselling Trust Fund
ANZAC Health and Medical Research Foundation Trust Fund	Electricity Retained Interest Corporation Fund - Ausgrid	Fire and Rescue New South Wales
Art Gallery of New South Wales Foundation	Electricity Retained Interest Corporation Fund - Endeavour	Forestry Corporation of NSW
Art Gallery of New South Wales Trust	Restart NSW	Gaagal Wanggaan (South Beach) Board of Management
Art Gallery of New South Wales Trust Staff Agency	Social and Affordable Housing NSW Fund	Generator Property Management Pty Limited
Australian Museum Trust	Twenty-four controlled entities of the Electricity Retained Interest Corporation - Ausgrid	Graythwaite Charitable Trust
Australian Museum Trust Staff Agency	Twenty-four controlled entities of the Electricity Retained Interest Corporation - Endeavour	Greater Sydney Commission
Australian Technology Park Sydney Limited	ERIC Alpha Holdings Pty Ltd	Greyhound Welfare and Integrity Commission
Barangaroo Delivery Authority	ERIC Epsilon Holdings Pty Ltd	Office of the Greyhound Welfare and Integrity Commission
Barangaroo Delivery Authority Staff Agency	Crown Solicitor's Office	Gulaga Board of Management
Belgenny Farm Agricultural Heritage Centre Trust	Dams Safety Committee	Health Administration Corporation
Biamanga Board of Management	Department of Education	Public Health System Support Special Purpose Service Entity
Board of Surveying and Spatial Information	Department of Family and Community Services	Health Care Complaints Commission
Border Fence Maintenance Board	John Williams Memorial Charitable Trust	Health Care Complaints Commission Staff Agency
Building Insurers' Guarantee Corporation	Department of Finance, Services and Innovation	Health Education and Training Institute
Building Professionals Board	Revenue NSW	Health Education and Training Institute Special Purpose Service Entity
Bureau of Health Information	Department of Industry	Health Infrastructure
Bureau of Health Information Staff Agency	Crown Reserves Improvement Fund	Health Infrastructure Special Purpose Entity
Buroba Pty Ltd	Fisheries Trusts	Health Professional Councils Authority
Cancer Institute NSW	Jobs for NSW Fund	Chinese Medicine Council of NSW
Cancer Institute NSW Special Purpose Service Entity	Department of Justice	Chiropractic Council of NSW
Catholic Metropolitan Cemeteries Land Manager	State Rescue Board	Dental Council of NSW
CB Alexander Foundation	Department of Planning and Environment	Health Professional Council's Authority
Cemeteries and Crematoria NSW	Department of Premier and Cabinet	Medical Council of NSW
Centennial Park and Moore Park Trust	Department of Transport	Medical Radiation Council of NSW
Central Coast Local Health District	Destination NSW	
Central Coast Local Health District Special Purpose Entity	Destination NSW Staff Agency	
Central Coast Regional Development Corporation	Electricity Assets Ministerial Holding Corporation	
Chief Investigator of the Office of Transport Safety Investigations	Electricity Transmission Ministerial Holding Corporation	
City West Housing Pty Limited	Energy Industries Superannuation Scheme	
	EIF Pty Ltd	

# Appendix two

## Financial audit entities, reviews and other related services

Nursing and Midwifery Council of NSW	Library Council of New South Wales Staff Agency	New South Wales Technical and Further Education Commission
Occupational Therapy Council of NSW	Lifetime Care and Support Authority of New South Wales	TAFE Commission (Senior Executives) Staff
Optometry Council of NSW	Local Land Services	New South Wales Treasury Corporation
Osteopathy Council of NSW	Local Land Services Staff Agency	TCorpIM Indexed International Share (Unhedged) Fund
Pharmacy Council of NSW	Long Service Corporation	TCorpIM International Share (Hedged) Fund
Physiotherapy Council of NSW	Lord Howe Island Board	TCorpIM International Share (Unhedged) Fund
Podiatry Council of NSW	Luna Park Reserve Trust	TCorpIM Liquidity Cash Fund
Psychology Council of NSW	Mental Health Commission of NSW	TCorpIM Listed Property Fund
Historic Houses Trust of New South Wales	Mental Health Commission of NSW Staff Agency	TCorpIM Long Term Growth Fund
Foundation for the Historic Houses Trust of New South Wales	Mid North Coast Local Health District	TCorpIM Medium Term Growth Fund
Foundation for the Historic Houses Trust of New South Wales Limited	Mid North Coast Local Health District Special Purpose Service Entity	TCorpIM Multi-Asset Class Fund
Home Purchase Assistance Fund	Ministerial Development Corporation	TCorpIM Small Caps Fund
Hunter and Central Coast Development Corporation	Ministerial Holding Corporation	TCorpIM Specialist Emerging Market Share Fund
Hunter New England Local Health District	Ministry of Health	TCorpIM Strategic Cash Fund
Hunter New England Local Health District Special Purpose Service Entity	Mt Grenfell Board of Management	TCorpIM Unlisted Infrastructure Fund
Hunter Water Corporation	Multicultural NSW	TCorpIM Unlisted Property Fund
Hunter Water Australia	Multicultural NSW Staff Agency	Treasury Managed Fund Investment Portfolio
Illawarra Health and Medical Research Institute Limited	Murrumbidgee Local Health District	ICNSW Australian Equities Fund
Illawarra Shoalhaven Local Health District	Murrumbidgee Local Health District Special Purpose Entity	ICNSW International Equities Fund (Unhedged)
Illawarra Shoalhaven Local Health District Special Purpose Service Entity	Mutawintji Board of Management	ICNSW International Equities Fund (Hedged)
Independent Commission Against Corruption	National Art School	Insurers' Guarantee Fund Investment Trust
Independent Liquor and Gaming Authority	Natural Resources Access Regulator	Long Service Corporation Investment Fund
Independent Pricing and Regulatory Tribunal	Natural Resources Commission	Parliamentary Contributory Superannuation Fund (Investment Trust)
Independent Pricing and Regulatory Tribunal Staff Agency	Natural Resources Commission Staff Agency	Social and Affordable Housing NSW Fund Investment Trust
Information and Privacy Commission NSW	Nepean Blue Mountains Local Health District	TCorp Commonwealth Guarantee Fee
Infrastructure NSW	Nepean Blue Mountains Local Health District Special Purpose Entity	TCorp Controls Over Investment Management
Infrastructure NSW Staff Agency	New South Wales Aboriginal Land Council	TCorp Controls Over Managed Asset Portfolios
Insurance and Care NSW	NSWALC Resources Pty Ltd	TCorp IM Alternative Risk Premia Fund
Jenolan Caves Reserve Trust	New South Wales Crime Commission	TCorpIM Australian Bond Fund
Judicial Commission of New South Wales	New South Wales Crime Commission Staff Agency	TCorp IM Australian Inflation Linked Bond Fund
Justice Health and Forensic Mental Health Network	New South Wales Electoral Commission	TCorpIM Australian Share Fund
Justice Health and Forensic Mental Health Network Special Purpose Entity	New South Wales Electoral Commission Staff Agency	TCorp IM Bank Loan Fund
Landcom	New South Wales General Government and Total State Sectors	TCorp IM Cash Fund
Lands Administration Ministerial Corporation	New South Wales Government Telecommunications Authority	
Law Enforcement Conduct Commission	New South Wales Health Foundation	
Legal Aid Commission of New South Wales	New South Wales Institute of Sport	
Legal Aid Commission Staff Agency	Institute of Sport Staff Agency	
Legal Profession Admission Board	New South Wales Rural Assistance Authority	
Local Government Superannuation Scheme Pty Limited	New South Wales Rural Fire Service	
Liability Management Ministerial Corporation	BushFire Co-ordinating Committee	
Library Council of New South Wales		

# Appendix two

## Financial audit entities, reviews and other related services

TCorplM Cyclical Growth Australian Share Fund	Office of Sport	State Transit Authority
TCorplM Cyclical Growth International Share Fund	Office of the Children's Guardian	Subsidence Advisory NSW (formerly MIne Subsidence Board)
TCorplM Direct Infrastructure Fund A	Office of the Director of Public Prosecutions	Sydney Cricket and Sports Ground Trust
TCorplM Direct Investment Fund B	Ombudsman's Office	Sydney Ferries
TCorplM Direct Investment Fund C	Parliamentary Contributory Superannuation Fund	Sydney Local Health District
TCorplM Direct Investment Fund D	Trustees of the Parliamentary Contributory Superannuation Fund	Sydney Local Health District Special Purpose Service Entity
TCorplM Direct Investment Fund E	Parliamentary Counsel's Office	Sydney Motorway Corporation Pty Limited
TCorplM Downside Protection Australian Share Fund	Parramatta Park Trust	WCX Integrated OpCo Pty Ltd
TCorplM Downside Protection International Share Fund	Place Management NSW	WCX M4 AHT Pty Ltd
TCorplM Emerging Market Debt Fund	Planning Ministerial Corporation	WCX M4 Asset Hold Trust
TCorplM Emerging Market Share Fund	Port Authority of New South Wales	WCX M4 Asset Trust
TCorplM Global Credit Fund	Port Botany Lessor Pty Limited	WCX M4 AT Pty Ltd
TCorplM High Yield Fund	Port Kembla Lessor Pty Limited	WCX M4 FinCo Pty Ltd
TCorplM Indexed Australian Share Fund	Port of Newcastle Lessor Pty Limited	WCX M4 PHT Pty Ltd
NSW Infrastructure Future Fund	Ports Assets Ministerial Holding Corporation	WCX M4 Project Hold Trust
Northern Metropolitan Cemeteries Land Manager	Property NSW	WCX M4 Project Trust
Northern NSW Local Health District	Public Service Commission	WCX M4 PT Pty Ltd
Northern NSW Local Health District Special Purpose Entity	Rail Corporation New South Wales	WCX M4 Pty Limited
Northern Sydney Local Health District	Rental Bond Board	WCX M4-M5 Link AHT Pty Ltd
Northern Sydney Local Health District Special Purpose Entity	Responsible Gambling Fund	WCX M4-M5 Link Asset Trust
NSW Architects Registration Board	Rice Marketing Board for the State of New South Wales	WCX M4-M5 Link AT Pty Ltd
NSW Crown Holiday Parks Trust	Roads and Maritime Services	WCX M4-M5 Link FinCo Pty Ltd
NSW Education Standards Authority	Rookwood General Cemetary Land Manager	WCX M4-M5 Link PHT Pty Ltd
NSW Fire Brigades Superannuation Pty Limited	Rookwood Necropolis Trust	WCX M4-M5 Link Project Hold Trust
NSW Food Authority	Royal Botanic Gardens and Domain Trust	WCX M4-M5 Link Project Trust
NSW Generations (Community Services and Facilities) Fund	SAS Trustee Corporation	WCX M4-M5 Link PT Pty Ltd
NSW Generations (Debt Retirement) Fund	SAS Trustee Corporation - Pooled Fund	WCX M5 AHT Pty Ltd
NSW Health Pathology	SAS Trustee Corporation Staff Agency	WCX M5 Asset Hold Trust
NSW Health Pathology Employment Division	Service NSW	WCX M5 Asset Trust
NSW Land and Housing Corporation	Sesquicentenary of Responsible Government Trust Fund	WCX M5 AT Pty Ltd
NSW Ovine Johne's Disease Transaction Based Contribution Scheme	South Eastern Sydney Local Health District	WCX M5 FinCo Pty Ltd
NSW Police Force	South Eastern Sydney Local Health District Special Purpose Entity	WCX M5 PHT Pty Ltd
NSW Self Insurance Corporation	South Western Sydney Local Health District	WCX M5 Project Hold Trust
Home Building Compensation Fund	South Western Sydney Local Health District Special Purpose Entity	WCX M5 Project Trust
NSW Skills Board	Southern NSW Local Health District	WCX M5 PT Pty Ltd
NSW Trains	Southern NSW Local Health District Special Purpose Entity	WCX State Works Contractor Pty Ltd
NSW Trustee and Guardian	Sporting Injuries Compensation Authority	Sydney Olympic Park Authority
Office of Environment and Heritage	State Archives and Records Authority of New South Wales	Sydney Opera House Trust
Office of Local Government	State Emergency Services	Sydney Opera House Trust Staff Agency
	State Insurance Regulatory Authority	Sydney Trains
	State Library of New South Wales Foundation	Sydney Water Corporation
	State Sporting Venues Authority	Taronga Conservation Society Australia
		Teacher Housing Authority of NSW
		Brett Whiteley Foundation, The
		The Legislature

# Appendix two

## Financial audit entities, reviews and other related services

<p>The Sydney Children's Hospitals Network</p> <p>The Sydney Children's Hospitals Network 2018 Special Purpose Service Entity</p> <p>Cord Blood Bank</p> <p>The Treasury</p> <p>Transport for NSW</p> <p>Transport Service of NSW</p> <p>Trustees of the ANZAC Memorial Building</p> <p>Trustees of the Farrer Memorial Research Scholarship Fund</p> <p>Trustees of the Museum of Applied Arts and Sciences</p> <p>Museum of Applied Arts and Sciences Staff Agency</p> <p>University of Sydney Professorial Superannuation System</p> <p>UrbanGrowth NSW Development Corporation</p> <p>UrbanGrowth NSW Development Staff Agency</p> <p>Valley Commerce Pty Limited</p> <p>Venues NSW</p> <p>Veterinary Practitioners Board</p> <p>Waste Assets Management Corporation</p> <p>Water NSW</p> <p>Water NSW Infrastructure Pty Ltd</p> <p>Wentworth Park Sporting Complex Trust</p> <p>Western NSW Local Health District</p> <p>Western NSW Local Health District Special Purpose Entity</p> <p>Western Sydney Local Health District</p> <p>Western Sydney Local Health District Special Purpose Entity</p> <p>Western Sydney Parklands Trust</p> <p>Wine Grapes Marketing Board</p> <p>Worimi Conservation Lands Board of Management</p> <p>Workers Compensation (Dust Diseases) Authority</p> <p>Workers Compensation Nominal Insurer</p>	<p>Macquarie University Hong Kong Foundation Limited</p> <p>Macquarie University Investment Company No. 3 Pty Limited</p> <p>Macquarie University Property Investment Company Pty Limited</p> <p>Macquarie University Property Investment Trust</p> <p>MGSM Limited</p> <p>MQ Health Pty Ltd</p> <p>MUH Operations Pty Ltd</p> <p>MUPH Clinic Pty Limited</p> <p>MUPH Hospital Pty Ltd</p> <p>U@MQ Limited</p> <p>University of Newcastle</p> <p>The University of Newcastle Research Associates Limited</p> <p>UON Singapore Pte Ltd</p> <p>Southern Cross University</p> <p>Southern Cross Campus Limited</p> <p>The University of Sydney</p> <p>A14 Holdings Pty Ltd</p> <p>Kolling Joint Venture Management Pty Limited</p> <p>Suzhou Xi Su Business Consulting Co</p> <p>Sydney Talent Pty Limited</p> <p>SydneyLearning Pty Limited</p> <p>The Warren Centre for Advanced Engineering Limited</p> <p>Westmead IVF Pty Limited</p> <p>University of New England</p> <p>Agricultural Business Research Institute</p> <p>UNE Foundation</p> <p>UNE Foundation Ltd</p> <p>UNE Life Pty Ltd</p> <p>UNE Partnerships Pty Ltd</p> <p>University of New South Wales</p> <p>Australian Education Consultancy Limited</p> <p>Systemix Pty Limited</p> <p>NewSouth Innovations Pty Limited</p> <p>Qucor Pty Ltd</p> <p>Scientia Clinical Research Ltd</p> <p>The New South Wales Minerals Industry/ University of NSW Education Trust</p> <p>UK Foundation of UNSW Australia</p> <p>University of New South Wales Foundation</p> <p>University of New South Wales Foundation Limited</p> <p>University of New South Wales Press Limited</p> <p>UNSW &amp; Study Abroad - Friends and U.S. Alumni, Inc.</p>	<p>UNSW Centre for Transformational Technologies (Yixing)</p> <p>UNSW Global (Singapore) Pte Limited</p> <p>UNSW Global India Private Limited</p> <p>UNSW Global Pty Limited</p> <p>UNSW Hong Kong Foundation Limited</p> <p>UNSW Hong Kong Limited</p> <p>UNSW SinoAustralia Innovative Technology and Education (Shanghai) Co. Ltd</p> <p>University of Wollongong</p> <p>CCCU Deed of Trust</p> <p>The University of Wollongong Asset Trust</p> <p>University of Wollongong Recreation and Aquatic Centre Limited</p> <p>UOW Pulse Ltd</p> <p>UOWC Ltd</p> <p>UOW College Hong Kong Ltd</p> <p>UOWD Ltd</p> <p>The University of Wollongong USA Foundation</p> <p>The Sydney Business School Pty Ltd</p> <p>University of Technology, Sydney</p> <p>accessUTS Pty Limited</p> <p>Insearch Limited</p> <p>Insearch (Shanghai) Limited</p> <p>Insearch Education International Pty Limited</p> <p>Insearch India</p> <p>Pivot Pty Ltd</p> <p>UTS Beijing Ltd</p> <p>UTS Global Pty Limited</p> <p>Western Sydney University</p> <p>Western Growth Developments (Innovation Hub Parramatta) Pty Ltd</p> <p>Western Growth Developments (Westmead) Pty Ltd</p> <p>Western Sydney University Early Learning Ltd</p> <p>Western Sydney University Enterprises Pty Limited</p> <p>Western Unlimited Limited</p> <p>Whitlam Institute within Western Sydney University Limited</p> <p>Whitlam Institute within Western Sydney University Trust</p> <p>Other entities associated with universities</p> <p>AustLII Foundation Limited</p> <p>Sydney Educational Broadcasting Limited</p> <p>United States Study Centre Limited</p>
<b>Universities</b>		
<p>Charles Sturt University</p> <p>Charles Sturt Campus Services Limited</p> <p>Charles Sturt Foundation</p> <p>Macquarie University</p> <p>Access Macquarie Limited</p> <p>Australian Proteome Analysis Facility</p> <p>CMBF Limited</p> <p>COH Property Trust</p> <p>Macquarie University Clinical Associates Limited</p>		
<b>Local government</b>		
		<p>Albury City Council</p> <p>Armidale Regional Council</p>



# Appendix two

## Financial audit entities, reviews and other related services

Ballina Shire Council	Georges River Council	Penrith City Council
Balranald Shire Council	Gilgandra Shire Council	Port Macquarie-Hastings Council
Bathurst Regional Council	Glen Innes Severn Council	Port Stephens Council
Bayside Council	Goldenfields Water County Council	Queanbeyan-Palerang Regional Council
Bega Valley Shire Council	Goulburn Mulwaree Council	Randwick City Council
Bellingen Shire Council	Greater Hume Shire Council	Richmond Valley Council
Berrigan Shire Council	Griffith City Council	Riverina Water County Council
Blacktown City Council	Gunnedah Shire Council	Rous County Council
Bland Shire Council	Gwydir Shire Council	Shellharbour City Council
Blayney Shire Council	Hawkesbury City Council	Shoalhaven City Council
Blue Mountains City Council	Hawkesbury River County Council	Singleton Council
Bogan Shire Council	Hay Shire Council	Snowy Monaro Regional Council
Bourke Shire Council	Hilltops Council	Snowy Valleys Council
Brewarrina Shire Council	Inner West Council	Strathfield Municipal Council
Broken Hill City Council	Inverell Shire Council	Sutherland Shire Council
Burwood Council	Junee Shire Council	Tamworth Regional Council
Byron Shire Council	Kempsey Shire Council	Temora Shire Council
Cabonne Council	Ku-ring-gai Council	Tenterfield Shire Council
Camden Council	Kyogle Council	The Council of the Municipality of Hunters Hill
Campbelltown City Council	Lachlan Shire Council	The Council of the Municipality of Kiama
Canterbury-Bankstown Council	Lake Macquarie City Council	The Council of the Shire of Hornsby
Carrathool Shire Council	Lane Cove Municipal Council	The Hills Shire Council
Castlereagh Macquarie County Council	Leeton Shire Council	Tweed Shire Council
Central Coast Council	Lismore City Council	Upper Hunter County Council
Central Darling Shire Council	Lithgow City Council	Upper Hunter Shire Council
Central Murray County Council	Liverpool City Council	Upper Lachlan Shire Council
Central Tablelands County Council	Liverpool Plains Shire Council	Upper Macquarie County Council
Cessnock City Council	Lockhart Shire Council	Uralla Shire Council
City of Canada Bay Council	Maitland City Council	Wagga Wagga City Council
City of Parramatta Council	MidCoast Council	Walcha Council
City of Ryde Council	Mid-Western Regional Council	Walgett Shire Council
Clarence Valley Council	Moree Plains Shire Council	Warren Shire Council
Cobar Shire Council	Mosman Municipal Council	Warrumbungle Shire Council
Coffs Harbour City Council	Murray River Council	Waverley Council
Coolamon Shire Council	Murrumbidgee Council	Weddin Shire Council
Coonamble Shire Council	Muswellbrook Shire Council	Wentworth Shire Council
Cootamundra-Gundagai Regional Council	Nambucca Shire Council	Willoughby City Council
Council of the City of Sydney	Narrabri Shire Council	Wingecarribee Shire Council
Cowra Shire Council	Narrandera Shire Council	Wollondilly Shire Council
Cumberland Council	Narromine Shire Council	Wollongong City Council
Dubbo Regional Council	New England Weeds Authority	Woollahra Municipal Council
Dungog Shire Council	Newcastle City Council	Yass Valley Council
Edward River Council	North Sydney Council	
Eurobodalla Shire Council	Northern Beaches Council	
Fairfield City Council	Oberon Council	
Federation Council	Orange City Council	
Forbes Shire Council	Parkes Shire Council	

# Appendix two

## Financial audit entities, reviews and other related services

Audit-related services of an ongoing nature requested by the Treasurer under section 27B(3)(c) of the *Public Finance and Audit Act 1983*

Any audit or audit related services for which:

- a Commonwealth or State Government Body requires, for regulatory purposes, a NSW public sector agency to have information, reports or returns audited, reviewed, examined or certified by an auditor, and
- a NSW public sector agency asks the Audit Office to undertake the audit, review, examination or certification.

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Audit or audit related services to enable NSW public sector agencies to meet requirements under the *Corporations Act 2001* or the *Superannuation Industry (Supervision) Act 1993*

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Audit reports required by section 24 of the *Charitable Fundraising Act 1991* for NSW Government agencies that conduct fundraising appeals

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Audit of financial reports for funds within the Special Deposits Account

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Audit or audit related services requested by a NSW Government agency in relation to information, reports of returns required to be provided by NSW Government agencies under the terms of a contract, lease or agreements between the NSW Government agency and third parties

---

Audit of data returns or reports required under the Australian Government/State Agreements

---

Audit of data returns or reports to acquit Disaster Relief Payments from the Commonwealth

---

Audit of data returns or reports to acquit grants provided by the Commonwealth and other donors to NSW Government agencies

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Audit of universities' Higher Education Research Data Collection (HERDC) Return – Return 1 as required by Commonwealth funding arrangements and/or agreements

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Audit of general purpose financial statements of the:

- NSW Trustee and Guardian Common Fund – Trustee
- NSW Trustee and Guardian Common Fund – Financial Management.

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Audit of special purpose and trust funds for controlled entities of the Ministry of Health

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Audit of any Fisheries Trust Funds special purpose financial reports submitted by the Department of Industry

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Audit of Sydney Motorway Corporation Pty Limited final financial report as a Government controlled entity

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Audit of the Law Enforcement Conduct Commission's compliance with section 12A of the *Public Finance and Audit Act 1993* in relation to the reimbursement of overseas travel costs to the Chief Commissioner

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# Appendix three

## Overseas visits

Staff member	Date of travel	Return date	Destination	Reason
Farisha Ali	14 July 2018	21 July 2018	Solomon Islands	To help build the Solomon Islands Office of the Auditor General's capacity to perform its audit functions under the Solomon Islands Twinning Arrangement
Furqan Yousuf	14 July 2018	22 July 2018	Solomon Islands	To help build the Solomon Islands Office of the Auditor General's capacity to perform its audit functions under the Solomon Islands Twinning Arrangement
Susanti Tedja Min Lee	4 November 2018	9 November 2018	Solomon Islands	To help build the Solomon Islands Office of the Auditor General's capacity to perform its audit functions under the Solomon Islands Twinning Arrangement
Furqan Yousuf	4 November 2018	16 November 2018	Solomon Islands	To help build the Solomon Islands Office of the Auditor General's capacity to perform its audit functions under the Solomon Islands Twinning Arrangement
Weini Liao	15 February 2019	22 February 2019	China	To conduct the audits of UNSW Centre of Transformational Environmental Technologies (Yixing), and UNSW Sino-Australia Innovative Technologies & Education (Shanghai) Co. Ltd
Patrick Or	23 February 2019	1 March 2019	Hong Kong	To complete the audit of UNSW Hong Kong Limited, UNSW Hong Kong Foundation Limited
James Sugumar Cathy Wu	24 February 2019	1 March 2019	Singapore	To complete the audit of UON Singapore Pty Ltd
Chris Phillips	23 February 2019	2 March 2019	Hong Kong and Singapore	To complete the audits of Australian Education Consultancy Limited, UNSW Hong Kong Limited, UNSW Hong Kong Foundation Limited and UNSW (Singapore) Pte Limited
Renee Meimaroglou	24 February 2019	2 March 2019	Hong Kong and Singapore	To complete the audits of Australian Education Consultancy Limited, UNSW Hong Kong Limited, UNSW Hong Kong Foundation Limited and UNSW (Singapore) Pte Limited
Scott Stanton Chris Clayton	1 April 2019	6 April 2019	Fiji	To attend the 28th meeting of the International Organisation of Supreme Audit Institutions (INTOSAI) Working Group on IT Audit and the 9th Performance Audit Seminar
Claudia Migotto	23 April 2019	26 April 2019	Singapore	To attend and present at the Singapore Public Sector Internal Audit Conference
Susanti Tedja Jason Appleby Min Lee	17 June 2019	21 June 2019	Solomon Islands	To help build the Solomon Islands Office of the Auditor General's capacity to perform its audit functions under the Solomon Islands Twinning Arrangement

# Appendix four

## Appearances before parliamentary committees

Date	Committee	Event	Who
16 August 2018	Public Accounts Committee	Briefing on Auditor-General's Reports to Parliament 21 June 2018–16 August 2018	Margaret Crawford Ian Goodwin Claudia Migotto
20 August 2018	Public Accountability Committee	Public Hearing – Inquiry into the Impact of the CBD and South East Light Rail Project	Margaret Crawford Ian Goodwin Claudia Migotto
17 September 2018	Public Accounts Committee	Examination of the Auditor-General's Performance Audit Reports October 2016–May 2017	Margaret Crawford Ian Goodwin Claudia Migotto
27 September 2018	Public Accounts Committee	Briefing on Auditor-General's Reports to Parliament 16 August 2018–27 September 2018	Margaret Crawford Ian Goodwin Claudia Migotto Alison Gatt
11 October 2018	Public Accountability Committee	Public Hearing – Inquiry into the Impact of the WestConnex Project	Margaret Crawford Scott Stanton Claudia Migotto
25 October 2018	Public Accounts Committee	Briefing on Auditor-General's Reports to Parliament 27 September 2018–25 October 2018	Margaret Crawford Ian Goodwin Scott Stanton Claudia Migotto
22 November 2018	Public Accounts Committee	Briefing on Auditor-General's Reports to Parliament 25 October 2018–22 November 2018	Margaret Crawford Ian Goodwin Claudia Migotto Alison Gatt Scott Stanton

# Appendix five

## Submissions to professional bodies

The Audit Office contributes to the collaborative effort of all Australian audit offices by helping to develop responses to professional bodies on pronouncements exposed for comment. We have prepared or contributed to the following responses by the Australasian Council of Auditors-General.

Title	Date
<b>AASB – Australian Accounting Standards Board</b>	
ITC 39 – Applying the IASB's Revised Conceptual Framework and Solving the Reporting Entity and Special Purpose Financial Statement Problems – Phase 1	9 August 2018
Fatal Flaw Review – AASB 2018-X: Amendments to Australian Accounting Standards – Deferral of AASB 1059	10 October 2018
ITC 41 – The AASB's approach to International Public-Sector Accounting Standards	29 November 2018
Exposure Draft 286 – Amendments to Australian Accounting Standards – Right-of-Use Assets of Not-for-Profit Entities	7 December 2018
Exposure Draft ED 287 Onerous Contracts – Cost of Fulfilling a Contract – Proposed amendments to AASB 137	22 March 2019
<b>IASB – International Accounting Standards Board</b>	
ED/2018/2 Onerous Contracts – Cost of Fulfilling a Contract – Proposed amendments to IAS 137	22 March 2019
<b>AUASB – Auditing and Assurance Standards Board</b>	
ED 01/18 Proposed Auditing Standard ASA 315 Identifying and Assessing the Risk of Material Misstatement	15 October 2018
ED 02/18 Proposed Auditing Standard ASA 2018-1 Amendments to Australian Auditing Standards	15 October 2018
ED 03/18 Proposed Auditing Standard ASA 540 Auditing Accounting Estimates and Related Disclosures	15 October 2018
ED 04/18 Proposed Auditing Standard ASA 2018-2 Amendments to Australian Auditing Standards	15 October 2018
Exposure Draft – Revised ISA 220 Quality Management at the Engagement Level	5 June 2019
Exposure Draft – Proposed ISQM 1, Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements	5 June 2019
Exposure Draft – Proposed ISQM 2, Engagement Quality Reviews	5 June 2019
<b>IAASB – International Auditing and Assurance Standards Board</b>	
Exposure Draft – Revised ISA 220 Quality Management at the Engagement Level	5 June 2019
Exposure Draft – Proposed ISQM 1, Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements	5 June 2019
Exposure Draft – Proposed ISQM 2, Engagement Quality Reviews	5 June 2019
<b>IPSASB – International Public Sector Accounting Standards Board</b>	
Exposure Draft ED 64 Leases	2 July 2018



# Appendix six

## Modified auditor's opinions and conclusions

We issued eight modified auditor's opinions and conclusions on assurance engagements in 2018–19 (eight modified audit opinions in 2017–18). See page 24 for further details.

### Modified opinions on financial statements

Agency	Type of modification	Reason for modification
Bayside Council General purpose financial statements for the period 10 September 2016 to 30 June 2017	Disclaimer of opinion	Significant breakdowns in administrative, financial and governance internal controls affected the reliability of financial reporting of the Council.  Consequently, councillors and management were unable to provide written representation that the financial statements present fairly the financial performance and position of the Council. As a result, Australian Auditing Standards require a disclaimer of opinion to be issued.
Bayside Council General purpose financial statements for the year ended 30 June 2018	Disclaimer of opinion	Significant breakdowns in administrative, financial and governance internal controls affected the reliability of financial reporting of the Council.  Consequently, councillors and management were unable to provide written representation that the financial statements present fairly the financial performance and position of the Council. As a result, Australian Auditing Standards require a disclaimer of opinion to be issued.

### Modified opinions and conclusions on other assurance engagements

Agency	Type of modification	Reason for modification
Bayside Council Special purpose financial statements of the Council's Declared Business Activities for the period 10 September 2016 to 30 June 2017	Disclaimer of opinion	Significant breakdowns in administrative, financial and governance internal controls affected the reliability of financial reporting of the Council.  Consequently, councillors and management were unable to provide written representation that the financial statements present fairly the financial performance and position of the Council. As a result, Australian Auditing Standards require a disclaimer of opinion to be issued.
Ministry of Health Review of compliance with the prudential requirements of Division 52M of the <i>Aged Care Act 1997</i> , <i>Aged Care (Transitional Provisions) Act 1997</i> and Part 5 of the Fees and Payments Principles 2014 (No.2) for year ended 30 June 2017	Qualified conclusion	The Ministry materially complied with the requirements of Division 52M of the <i>Aged Care Act 1997</i> (the Act), <i>Aged Care (Transitional Provisions) Act 1997</i> (Transitional Provisions Act) and Part 5 of the Fees and Payments Principles 2014 (No.2) (the Principles). However, we identified a number of instances of non-compliance with the Act, Transitional Provisions Act and the Principles which resulted in a qualified review conclusion.
Ministry of Health Review of compliance with the prudential requirements of Division 52M of the <i>Aged Care Act 1997</i> , <i>Aged Care (Transitional Provisions) Act 1997</i> and Part 5 of the Fees and Payments Principles 2014 (No.2) for year ended 30 June 2018	Qualified conclusion	The Ministry materially complied with the requirements of Division 52M of the <i>Aged Care Act 1997</i> (the Act), <i>Aged Care (Transitional Provisions) Act 1997</i> (Transitional Provisions Act) and Part 5 of the Fees and Payments Principles 2014 (No.2) (the Principles). However, we identified a number of instances of non-compliance with the Act, Transitional Provisions Act and the Principles which resulted in a qualified review conclusion.

Agency	Type of modification	Reason for modification
The Legislature Review of compliance with the Annual Determination of the Parliamentary Remuneration Tribunal by Members of the New South Wales Parliament for year ended 30 June 2017	Qualified conclusion	<p>The Members reviewed complied with the requirements of the Tribunal's determination. However, we identified the following two instances of material non-compliance with the determination which resulted in a qualified conclusion:</p> <ul style="list-style-type: none"> <li>one member claimed the Communication Allowance for communications noted related to issues affecting the Member's electorate</li> <li>one Member claimed the Electorate to Sydney Travel Allowance but was not able to evidence that the travel related to the Member's parliamentary duties.</li> </ul> <p>For further information on our findings refer to the 2018 Auditor-General's Report Members' Additional Entitlements 2017.</p>
The Legislature Review of compliance with the Annual Determination of the Parliamentary Remuneration Tribunal by Members of the New South Wales Parliament for year ended 30 June 2018	Qualified conclusion	<p>The Members reviewed complied with the requirements of the Tribunal's determination. However, we identified two instances of material non-compliance with the determination which resulted in a qualified conclusion.</p> <p>On two occasions one Member claimed the Electorate to Sydney Allowance but was not able to evidence that the travel related to the Member's parliamentary duties.</p> <p>For further information on our findings refer to the 2019 Auditor-General's Report Members' Additional Entitlements 2018.</p>
Law Enforcement Conduct Commission Compliance of expenditure with section 12A of the <i>Public Finance and Audit Act 1983</i>	Adverse conclusion	<p>The Commission did not comply with section 12A of the <i>Public Finance and Audit Act 1983</i> because it spent money on overseas travel without the Minister's approval to incur the travel expenditure, resulting in an adverse conclusion.</p>

## Modified opinions cleared

We work closely with agencies to resolve qualification issues. This year we resolved three previous modified opinions on financial statements.

Agency	Type of opinion removed	Reason for modification
The Hills Shire Council	Qualified opinion	<p>The previous qualification arose as the method used by the Council to value land under roads did not appropriately reflect external restrictions on the use of this land as required by Australian Accounting Standards. The modification was removed as Council revised the value of land under roads to include external restrictions.</p>
Junee Council	Qualified opinion	<p>The previous qualification arose as the Council could not demonstrate that roads, bridges, footpaths and bulk earthworks were reported at fair value, as it did not value these asset classes during the year under audit. The modification was removed as Council revised the value of roads, bridges, footpaths and bulk earthworks so they were recorded at fair value.</p>
Yass Council	Qualified opinion	<p>The previous qualification arose as the Council did not record the receipt of financial assistance grants from the Australian Government as revenue in the year received, as required by Australian Accounting Standards. The modification was removed as Council corrected the recognition of financial assistance grants.</p>

# Appendix seven

## Publications

### Performance audit reports

See page 23 for a full listing of performance audit reports published in 2018–19.

### Financial audit reports

Report	Date released
<a href="#">Report on State Finances</a>	19 October 2018
<a href="#">Report on Internal Controls and Governance 2018</a>	30 October 2018
<a href="#">Report on Justice 2018</a>	22 November 2018
<a href="#">Report on Transport 2018</a>	28 November 2018
<a href="#">Report on Central Agencies 2018</a>	29 November 2018
<a href="#">Report on Family and Community Services 2018</a>	4 December 2018
<a href="#">Report on Industry 2018</a>	11 December 2018
<a href="#">Report on Health 2018</a>	12 December 2018
<a href="#">Report on Planning and Environment 2018</a>	13 December 2018
<a href="#">Report on Education 2018</a>	19 December 2018
<a href="#">Report on Local Government 2018</a>	28 February 2019
<a href="#">Report on Universities 2018 Audits</a>	31 May 2019

### Special reports

Report	Date released
<a href="#">Procurement and reporting of consultancy services</a>	4 September 2018
<a href="#">Members' Additional Entitlements 2017</a>	27 September 2018
<a href="#">Compliance of expenditure with Section 12A of the <i>Public Finance and Audit Act 1983</i> – Law Enforcement Conduct Commission</a>	27 September 2018
<a href="#">Members' Additional Entitlements 2018</a>	28 February 2019
<a href="#">Engagement of probity advisers and probity auditors</a>	27 May 2019

### Professional Update

Professional Update is produced quarterly by our Quality and Innovation Group with the main purpose of informing our readers of current issues in the accounting and auditing industry.

Editions published in 2018–19:

- July to September 2018
- October to December 2018
- January to March 2019
- April to June 2019.

### Annual Report

Annual Report 2017–18 published 18 October 2018.

Total external production costs for the Annual Report 2018–19: \$0.

# Appendix eight

## Internal Audit and Risk Management Attestation

### Internal Audit and Risk Management Attestation Statement for the 2018–19 Financial Year for the Audit Office of New South Wales

I, Margaret Crawford, am of the opinion that the Audit Office of New South Wales has internal audit and risk management processes in operation that are compliant with the eight (8) core requirements set out in the Internal Audit and Risk Management Policy for the NSW Public Sector, specifically:

Core requirements		Compliant or non-compliant
<b>Risk Management Framework</b>		
1.1	The agency head is ultimately responsible and accountable for risk management in the agency.	Compliant
1.2	A risk management framework that is appropriate to the agency has been established and maintained and the framework is consistent with AS/NZS ISO 31000:2018.	Compliant
<b>Internal Audit Function</b>		
2.1	An internal audit function has been established and maintained.	Compliant
2.2	The operation of the internal audit function is consistent with the International Standards for the Professional Practice of Internal Auditing.	Compliant
2.3	The agency has an Internal Audit Charter that is consistent with the content of the 'model charter'.	Compliant
<b>Audit and Risk Committee</b>		
3.1	An independent Audit and Risk Committee with appropriate expertise has been established.	Compliant
3.2	The Audit and Risk Committee is an advisory committee providing assistance to the agency's governance processes, risk management and control frameworks, and its external accountability obligations.	Compliant
3.3	The Audit and Risk Committee has a Charter that is consistent with the content of the 'model charter'.	Compliant

### Membership

The Chair and members of the Audit and Risk Committee are:

- Independent Chair, Dianne Hill, appointed 29 August 2013, (appointed as Chair from 12 December 2016) with term ending on 28 August 2021
- Independent Member, Bruce Turner AM, appointed 17 February 2017 for a four-year term, ending on 16 February 2021.
- Independent Member, John Gordon, appointed 1 November 2017 for a three-year term, ending on 31 October 2020.



Margaret Crawford  
Auditor-General  
8 August 2019

# Appendix nine

## Cyber Security Annual Attestation Statement

### Cyber Security Annual Attestation Statement for the 2018–19 Financial Year for the Audit Office of New South Wales

I, Margaret Crawford, Auditor-General for New South Wales, am of the opinion that the Audit Office of New South Wales has managed cybersecurity risks in a manner consistent with the Mandatory Requirements set out in the NSW Government Cyber Security Policy.

Risks to the information and systems of the Audit Office of New South Wales have been assessed and are managed.

Governance is in place to manage the cyber-security maturity and initiatives of the Audit Office of New South Wales.

There exists a current cyber incident response plan for the Audit Office of New South Wales which has been tested during the reporting period.

An internal audit of the Audit Office of New South Wales' Information Security Management System (ISMS) and effectiveness of controls was undertaken by RSM Australia Pty Ltd and found to be adequate or being properly addressed in a timely manner.

An independent certification of the Audit Office of New South Wales' ISMS was undertaken by Lloyd's Register Quality Assurance Limited and found to be adequate or being properly addressed in a timely manner.



Margaret Crawford  
Auditor-General  
8 July 2019



# Appendix ten

## Transparency reporting

The *Corporations Act 2001* includes requirements for annual transparency reporting by auditors. Although the Audit Office is not subject to these requirements, we have embraced the principles of transparency reporting. The table following summarises the requirements that are relevant to the Audit Office and shows where the required information is presented in this report.

Prescribed information*	Coverage in the annual report
Description of the auditor's legal structure and ownership	The 'Our organisation' section details our legislative framework. Refer to page 4.
Description of the auditor's governance structure	The 'Governance framework and structures' section details our governance structure. Refer to page 42.
Description of the auditor's internal quality control system in the reporting year	The 'Quality processes' and 'Independent assurance and corporate reporting' sections detail our internal quality assurance program and internal audit and quality assurance arrangements. Refer to pages 40–41, and 45.
Statement on the effectiveness of the auditor's internal quality control system in the reporting year	The 'Quality processes' section includes the Auditor-General's statement on the effectiveness of our internal quality assurance program in 2018–19. Refer to page 40.
The name of each body that is authorised to review the auditor, and the date of the most recent review of the auditor conducted by each body	The 'Quality processes' and 'Independent assurance and corporate reporting' sections detail the bodies that are authorised to review our work and external reviews conducted. Refer to pages 40–41, and 45.
The names of the bodies for which the auditor conducted an audit in the reporting year	Appendix Two details all entities audited during 2018–19. Refer to page 89.
Statement about the auditor's independence practices in the reporting year, including the date on which the auditor most recently conducted an internal review of its independence compliance	The 'Quality processes' section details our independence practices. Refer to page 40.
Statement about the policy that the auditor follows regarding the amount and nature of professional education that members of an audit team must undertake during the reporting year	The 'Quality processes' and 'Professional development' sections detail our technical development for audit professionals. Refer to pages 34–35 and 40.
Financial information for the auditor for the reporting year	The 'Finances' section details our financial results, including our audited financial statements. Refer to page 55.
Information on the basis for remuneration of the auditor's senior managers	Appendix One details our senior executive and leadership remuneration. Refer to page 88.

# Appendix eleven

## Workforce diversity and disability inclusion

### Trends in the representation of Workforce Diversity groups

	Benchmark/ Target*	2014–15	2015–16	2016–17	2017–18	2018–19
Workforce Diversity Group	%	% of total staff				
Women	50	50.2	49.3	52.5	52.6	53.1
Aboriginal people and Torres Strait Islanders	3.3	0	0	1.4	0.3	1.0
People whose first language spoken as a child was not English	23.2	40.4	38	50	47.4	44.3
People with a disability	5.6	2.7	2.5	2.5	1.7	1.4
People with a disability requiring work-related adjustment	n/a	2.0	1.8	1.4	1.4	1.1

### Trends in the distribution of Workforce Diversity groups

	Benchmark/ Target*	2014–15	2015–16	2016–17	2017–18	2018–19
Workforce Diversity Group	%	% of total staff				
Women	100	100	97	96	100	101
Aboriginal people and Torres Strait Islanders	100	n/a	0	n/a	n/a	n/a
People whose first language spoken as a child was not English	100	98	98	86	93	97
People with a disability	100	n/a	n/a	n/a	n/a	n/a
People with a disability requiring work-related adjustment	100	n/a	n/a	n/a	n/a	n/a

\* Provided by the Public Service Commission.

1. A Distribution Index score of 100 indicates that the distribution of members of the Workforce Diversity group across salary bands is equivalent to that of the rest of the workforce. A score less than 100 means that members of the Workforce Diversity group tend to be more concentrated at lower salary bands than is the case for other staff. The more pronounced this tendency is, the lower the score will be. In some cases, the index may be more than 100, indicating that members of the Workforce Diversity group tend to be more concentrated at higher salary bands than is the case for other staff.

2. The Distribution Index is not calculated when the number of employees in the Workforce Diversity group is less than 20 or when the number of other employees is less than 20.

## Diversity Inclusion and Accessibility Framework

In 2018–19, we continued to implement our Diversity Inclusion and Accessibility Framework. This framework provides an overarching platform for the Audit Office to ensure meaningful employment opportunities to all employees regardless of culture, disability, gender or background. We are working towards breaking down any barriers that may exist and putting strong targets in place to allow us to build a stronger, more innovative workforce. The framework also incorporates our Disability Inclusion Action Plan.

Key achievements and planned activity under this framework can be found in the table on the next page.

## Multicultural Policies and Services Program (MPSP)

The Audit Office's activities are centred on providing services to parliament and government agencies, not directly to members of the public. Therefore, we have limited capacity to address multicultural services issues.

We respect the rights of Australian citizens and residents who wish to become citizens to seek employment from advertised vacancies in the Audit Office. Our employment record is evidence of our support for cultural diversity. Our commitment is reflected in the number of racial, ethnic and ethno religious groups that comprise our staff. Our Diversity

Inclusion and Accessibility Framework provides a structure to assist us in ensuring our people are representative of our community – for multicultural activity delivered under this framework in 2018–19, and activity planned for 2019–20, please see 'Cultural Diversity' in the table on the following page.

Multicultural NSW provides three MPSP themes all NSW government agencies are to report against in 2018–19. These themes, along with our responses, are detailed below.

### Theme 1: Improving Outcomes for Women Leadership

*Number of women from culturally and linguistically diverse (CALD) backgrounds:* in 2018–19, six women are from CALD backgrounds out of 37 Band 1 equivalent and above leaders in total – this equates to 16 per cent.

*Leadership training spend on CALD women by leadership position and role:* our leadership training spend can be found on page 34.

### Theme 2: Language services

The Audit Office of New South Wales is not a public facing agency and does not provide for language services for members of the public.

### Theme 3: Services for humanitarian entrants

The Audit Office of New South Wales is not a public facing agency and does not provide any services directly to the public. We therefore do not have actions or outcomes specifically to address the needs of refugees or humanitarian entrants.

## Diversity Inclusion and Accessibility Roadmap

Focus Area	2018–19 Achievements	2019–20 Goals and Planned Activity
<b>Indigenous (Reconciliation)</b> Aims to address barriers that exist for Aboriginal and Torres Strait Islanders for employment with the Audit Office.	<ul style="list-style-type: none"> <li>Year 3 of our Indigenous Internship Program implemented using lessons from previous years, with three Indigenous interns employed</li> <li>Attended CareerTrackers Gala</li> <li>Kristal Kinsella (2017 NSW Aboriginal Woman of the Year) was a guest speaker at our NAIDOC week celebrations.</li> </ul>	<ul style="list-style-type: none"> <li>Continue to partner with CareerTrackers for our Indigenous Internship Program and implement Year 4 of the program</li> <li>Develop a reconciliation roadmap.</li> </ul>
<b>Gender Equity</b> Aims to eliminate discrimination on the basis of gender and remove barriers to equal participation.	<ul style="list-style-type: none"> <li>Continued to conduct twice-yearly gender pay gap analysis</li> <li>Created the 'Kaleidoscope' room for nursing in the new workplace</li> <li>Continued our approach to championing flexible working practices</li> <li>Continued to advertise roles as supporting flexible working arrangements</li> <li>Supported a number of International Women's Day events.</li> </ul>	<ul style="list-style-type: none"> <li>Continue to encourage women in leadership events</li> <li>Continue to review and support flexible working options.</li> </ul>
<b>Disability and Inclusion</b> Aims to meet the needs of people with a disability and increase accessibility to information, services and the workplace.	<ul style="list-style-type: none"> <li>Developed a new website with AA web content</li> <li>Applied the principle of universal design in our Future Workplace (office move) Project</li> <li>Engaged a disability access consultant and developed a Disability Access Management Plan for our Future Workplace (office move) Project</li> <li>Developed a Disability Access Management Plan for our new office</li> <li>Continued to ensure that all service information was available in accessible electronic formats</li> <li>Engaged a rehabilitation consultant to work with staff with a disability to maximise job design</li> <li>Investigated training solutions for staff with a disability</li> <li>Implemented training for managers of staff with a disability.</li> </ul>	<ul style="list-style-type: none"> <li>Implement training, development and job design solutions for staff with a disability</li> <li>Review the NSW Public Service Commission's Disability Training Module with the aim to roll it out to all staff.</li> </ul>
<b>Cultural Diversity</b> Aims for different cultures to respect each other's differences and to remove cultural barriers such as language and communication.	<ul style="list-style-type: none"> <li>Created a separate prayer room in our new workplace</li> <li>Mandatory 'Cultural Competence' online training completed by all staff</li> <li>Continued with regular intranet profiles of staff representing different cultural backgrounds</li> <li>Ensured all new and existing employees complete compulsory Respect and Diversity online learning</li> <li>Continued with diversity statements being included in all job advertisements</li> <li>Launched a 'Cultural Atlas' to inform and educate staff in cross-cultural attitudes, practices, norms, behaviours and communications</li> <li>Continued to build our diversity calendar with days of cultural significance</li> <li>Conducted numerous diversity events</li> <li>Specifically designed a 'Kaleidoscope' wall in our breakout area in our new workplace to celebrate the diversity of our people.</li> </ul>	<ul style="list-style-type: none"> <li>Continue to build on and deliver against the Cultural Diversity component of our action plan.</li> <li>Build on the 'Cultural Competence' training delivered in 2018–19</li> <li>Continue with diversity statements being included in all job advertisements</li> <li>Continue to build our diversity calendar with days of cultural significance.</li> </ul>

# Appendix twelve

## Recognition program winners

Following are the 2018–19 winners in the Audit Office's 'Audies' recognition program. For further details on this program see page 33.

Name	Type of award	Audies nomination period
Jason Appleby	Karyn Neal Leadership Award 2018	2018
Elsa Daddo	Individual	July 2018 – November 2018
Tracey Morris	Individual	
Cherrymae Tabelon	Individual	
Trevor Tye	Individual	
Peter McCloud	Team - Data Centre Refresh Project	
Mike McLaughlin	Team - Data Centre Refresh Project	
Ken Thomson	Team - Data Centre Refresh Project	
Barry Li	Individual	December 2018 – June 2019
Monique Bartley	Individual	
Nishat Dowla	Individual	
Angela Lee	Individual	
Yuli Tjandra	Individual	
Aniko Fekete	Team - FutureWeb Project	
Mike McLaughlin	Team - FutureWeb Project	
Renee O'Kane	Team - FutureWeb Project	
Trevor Tye	Team - FutureWeb Project	
Seán Bryceland	Team - Future Workplace Project	
Chris Clayton	Team - Future Workplace Project	
Peter Coulogeorgiou	Team - Future Workplace Project	
Emily Duncan	Team - Future Workplace Project	
Sharon Kuhn	Team - Future Workplace Project	

# Appendix thirteen

## Accounts payable performance

Aged analysis at the end of each quarter

Quarter	Current (i.e. within due date) \$'000	Less than 30 days overdue \$'000	Between 30 and 60 days overdue \$'000	Between 60 and 90 days overdue \$'000	More than 90 days overdue \$'000
<b>All suppliers</b>					
September	777	–	–	–	–
December	52	–	–	–	–
March	615	–	–	–	–
June	1,098	–	–	–	–
<b>Small business suppliers</b>					
September	19	–	–	–	–
December	8	–	–	–	–
March	1	–	–	–	–
June	6	–	–	–	–

Accounts due or paid within each quarter

Measure	September	December	March	June
<b>All suppliers</b>				
Number of accounts due for payment	1,000	849	594	943
Number of accounts paid on time	935	821	564	888
Actual percentage of accounts paid on time (based on number of accounts)	93.5%	96.7%	94.9%	94.2%
Dollar amount of accounts due for payment	\$7,899,657	\$6,911,187	\$5,517,273	\$13,103,753
Dollar amount of accounts paid on time	\$7,206,288	\$6,761,056	\$5,286,569	\$12,764,116
Actual percentage of accounts paid on time (based on \$)	91.2%	97.8%	95.8%	97.4%
Number of payments for interest on overdue accounts	–	–	–	–
Interest paid on overdue accounts	–	–	–	–
<b>Small business suppliers</b>				
Number of accounts due for payment to small businesses	14	14	25	20
Number of accounts due to small businesses paid on time	14	14	24	18
Actual percentage of small business accounts paid on time (based on number of accounts)	100%	100%	96.0%	90.0%
Dollar amount of accounts due for payment to small businesses	\$120,089	\$50,538	\$112,091	\$75,889
Dollar amount of accounts due to small businesses paid on time	\$120,089	\$50,538	\$107,339	\$72,132
Actual percentage of small business accounts paid on time (based on \$)	100%	100%	95.8%	95.0%
Number of payments to small business for interest on overdue accounts	–	–	–	–
Interest paid to small businesses on overdue accounts	–	–	–	–

### Commentary

During the year we paid 95 per cent of all accounts on time.

### Interest on late payments

There were no interest payments to small businesses during the year for overdue payments (2017:18 – one interest payment).

### Purchasing Card Certification

The Purchasing Card Policy was last reviewed and updated in April 2018 and is considered current. The policy and controls are consistent with government policy as outlined in Treasurer's Directions and NSW Treasury Circulars.



# Appendix fourteen

## Consultants

A consultant in the Audit Office is referred to as a person or organisation that provides expert advice professionally to assist decision making. Audit Office consultancy expenses for 2018–19 were \$435,978, compared to \$293,946 in 2017–18.

Consultant	Nature of consultancy	Amount \$
<b>Contracts \$50,000 or more</b>		
Hot Black	Workplace design services	129,419
Aston Consulting	IT/audio visual solutions for new office fitout	88,880
PD Corp	Tenancy advisory services	60,819
MWAH	Refresh of Audit Office values	55,000
<b>Total</b>	<b>(4 contracts)</b>	<b>334,118</b>
<b>Contracts less than \$50,000 (total)</b>		
	<b>(6 contracts)</b>	<b>101,860</b>
<b>Total expenditure for 2018–19*</b>		<b>435,978</b>

\*This table excludes the engagement of audit service providers and firms/individuals whom the Audit Office engaged to provide assistance on financial and performance audits.

# Appendix fifteen

## GIPA application information

Commentary on applications for information under the *Government Information (Public Access) Act 2009* (the GIPA Act) can be found on page 46.

Table A: Number of applications by type of applicant and outcome\*

	Access granted in full	Access granted in part	Access refused in full	Information not held	Information already available	Refuse to deal with application	Refuse to confirm/deny whether information is held	Application withdrawn
Media	0	0	0	0	0	0	0	0
Members of parliament	0	0	0	0	0	0	0	0
Private sector business	0	0	0	0	0	0	0	0
Not for profit organisations or community groups	0	0	0	0	0	0	0	0
Members of the public (application by legal representative)	0	0	0	0	0	0	0	0
Members of the public (other)	0	0	0	0	0	1	0	0

\*More than one decision can be made in respect of a particular access application. If so, a recording must be made in relation to each such decision. This also applies to table B.

Table B: Number of applications by type of application and outcome

	Access granted in full	Access granted in part	Access refused in full	Information not held	Information already available	Refuse to deal with application	Refuse to confirm/deny whether information is held	Application withdrawn
Personal information applications*	0	0	0	0	0	0	0	0
Access applications (other than personal information applications)	0	0	0	0	0	1	0	0
Access applications that are partly personal information applications and partly other	0	0	0	0	0	0	0	0

\*A 'personal information application' is an access application for personal information (as defined in clause 4 of Schedule 4 to the Act) about the applicant (the applicant being an individual).

Table C: Invalid applications

Reason for invalidity	Number of applications
Application does not comply with formal requirements (section 41 of the Act)	0
Application is for excluded information of the agency (section 43 of the Act)	1
Application contravenes restraint order (section 110 of the Act)	0
Total number of invalid applications received	1
Invalid applications that subsequently became valid applications	0

Table D: Conclusive presumption of overriding public interest against disclosure: matters listed in Schedule 1 of the Act

	Number of times consideration used*
Overriding secrecy laws	0
Cabinet information	0
Executive Council information	0
Contempt	0
Legal professional privilege	0

	Number of times consideration used*
Excluded information	1
Documents affecting law enforcement and public safety	0
Transport safety	0
Adoption	0
Care and protection of children	0
Ministerial code of conduct	0
Aboriginal and environmental heritage	0
Information about compliants to Judicial Commission	0
Information about authorised transactions under <i>Electricity Network Assets (Authorised Transactions) Act 2015</i>	0
Information about authorised transaction under <i>Land and Property Information NSW (Authorised Transaction) Act 2016</i>	0

\* More than one public interest consideration may apply in relation to a particular access application and, if so, each such consideration is to be recorded (but only once per application). This also applies in relation to Table E.

Table E: Other public interest considerations against disclosure: matters listed in table to section 14 of the Act

	Number of occasions when application was not successful
Responsible and effective government	0
Law enforcement and security	0
Individual rights, judicial processes and natural justice	0
Business interests of agencies and other persons	0
Environment, culture, economy and general matters	0
Secrecy provisions	0
Exempt documents under interstate Freedom of Information legislation	0

Table F: Timeliness

	Number of applications
Decided within the statutory timeframe (20 days plus any extensions)	1*
Decided after 35 days (by agreement with applicant)	0
Not decided within time (deemed refusal)	0
<b>Total</b>	<b>1</b>

\* The application was determined to be invalid within the statutory timeframe (5 days)

Table G: Number of applications reviewed under Part 5 of the Act (by type of review and outcome)

	Decision varied	Decision upheld	Total
Internal review	0	0	0
Review by Information Commissioner*	0	0	0
Internal review following recommendation under section 93 of Act	0	0	0
Review by NCAT	0	0	0
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>

\* The Information Commissioner does not have the authority to vary decisions, but can make recommendations to the original decision-maker. The data in this case indicates that a recommendation to vary or uphold the original decision has been made by the Information Commissioner.

Table H: Applications for review under Part 5 of the Act (by type of applicant)

	Number of applications for review
Applications by access applicants	0
Applications by persons to whom information the subject of access application relates (see section 54 of the Act)	0

Table I: Applications transferred to other agencies under Division 2 of Part 4 of the Act (by type of transfer)

	Number of applications transferred
Agency-initiated transfers	0
Applicant-initiated transfers	0

# Appendix sixteen

## Public interest disclosures information

Commentary on public interest disclosures and the *Public Interest Disclosures Act 1994* can be found on page 47.

Statistical information on Public Interest Disclosures (PIDs) for the period 1 July 2018 to 30 June 2019

Categories of wrongdoing																		
Corrupt conduct			Mal-administration			Serious and substantial waste			Government information contravention			Local government pecuniary interest contravention			TOTAL			
Function	Stat.	Other	Function	Stat.	Other	Function	Stat.	Other	Function	Stat.	Other	Function	Stat.	Other	Function	Stat.	Other	
Number of public officials who made PIDs direct to the Audit Office	–	–	–	–	–	1	–	–	3	–	–	–	–	–	–	–	4	
Number of PIDs made directly to your investigating authority	–	–	–	–	–	1	–	–	3	–	–	–	–	–	–	–	4	
Number of PIDs received by your investigating authority under section 25 of the PID Act	–	–	3	–	–	–	–	–	4	–	–	–	–	–	–	–	7	
Number of PIDs received by your investigating authority under section 26 of the PID Act	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	
Total number of PIDs	–	–	3	–	–	1	–	–	7	–	–	–	–	–	–	11		

	Corrupt conduct			Mal-administration			Serious and substantial waste			Government information contravention			Local government pecuniary interest contravention			TOTAL		
Number of PIDs referred to a public authority under section 25 of the PID Act	–			–			1			–			–			1		
Number of PIDs referred to another investigating authority under section 25 of the PID Act	–			1			–			–			–			1		
Number of PIDs handled solely by your investigating authority	3			–			6			–			–			9		
Number of PIDs handled with a public authority	–			–			–			–			–			–		
Number of PIDs handled with another investigating authority	–			–			–			–			–			–		
<b>Total number of PIDs</b>	<b>3</b>			<b>1</b>			<b>7</b>			<b>–</b>			<b>–</b>			<b>11</b>		

Number of PIDs handled by commencing a formal investigation	–			–			–			–			–			–		
Number of PIDs finalised in 2018–19	1			1			4			–			–			6		

# Glossary

## **Audit evidence**

Audit evidence supports the completeness and accuracy of the financial statements. Main sources of audit evidence are: observation, re-performance, and examination of documents (including confirmation with third parties) in combination with enquiry and analytical procedures.

## **Audit methodology**

A set of documented processes and procedures that provide evidence the audit team has appropriately addressed the risk of material misstatement in financial statements and comply with Australian Auditing Standards.

## **Audit and Risk Committee**

Provides the Auditor-General with assistance in ensuring that the Audit Office has appropriate risk management, organisational processes and controls and reliable financial reporting processes.

## **Audit Service Provider**

Provides services to the Auditor-General and the Audit Office in relation to the undertaking of financial audits of state entities, local government and/or universities.

## **Australasian Council of Auditors-General**

Association established by Auditors-General for their mutual support and the sharing of information.

## **Controlled entity**

A controlled entity exists when another entity (the investor) is exposed, or has rights to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

## **CPA**

The accounting body CPA Australia. Members are Certified Practicing Accountants.

## **CA ANZ**

The accounting body Chartered Accountants Australia and New Zealand. Members are Chartered Accountants.

## **Internal audit**

Independent, objective assurance designed to add value and improve an organisation's operations.

## **Internal control framework**

An integrated set of policies and procedures designed to help management achieve its goals and objectives.

## **Management letter**

Letter sent to clients outlining observations from the audit, their possible implications, audit recommendations to address the finding and management responses.

## **Material misstatements**

Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

## **Modified auditor's opinion**

Modifications of an audit opinion can be adverse, qualified or disclaimed. Adverse opinions are issued when misstatements in the financial statements are material and pervasive. Qualified opinions are issued when there are material misstatements in the financial statements, or we cannot get all the evidence we require. An opinion is disclaimed only where auditors cannot get the evidence they need and the effects could be material and pervasive.

## **Risk Management Policy**

A policy setting out how risks identified by a risk assessment process will be managed and controlled.

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