



FINANCIAL AUDIT

17 DECEMBER 2021

Planning, Industry and Environment 2021

NEW SOUTH WALES AUDITOR-GENERAL'S REPORT

THE ROLE OF THE AUDITOR-GENERAL

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

We conduct financial or 'attest' audits of state public sector and local government entities' financial statements. We also audit the Consolidated State Financial Statements, a consolidation of all state public sector agencies' financial statements.

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

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

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

As well as financial and performance audits, the Auditor-General carries out special reviews, compliance engagements and audits requested under section 27B(3) of the *Government Sector Audit Act 1983*, and section 421E of the *Local Government Act 1993*.



GPO Box 12
Sydney NSW 2001

The Legislative Assembly
Parliament House
Sydney NSW 2000

The Legislative Council
Parliament House
Sydney NSW 2000

In accordance with section 52B of the *Government Sector Audit Act 1983*, I present a report titled '**Planning, Industry and Environment 2021**'.

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

Margaret Crawford

Auditor-General for New South Wales
17 December 2021

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Auditor-General's foreword

This report analyses the results of our audits of the Planning, Industry and Environment cluster agencies for the year ended 30 June 2021.

Our preferred approach is to table the 'Report on State Finances' in Parliament before any other cluster report. This is because the 'Report on State Finances' focuses on the audit results and observations relating to the Total State Sector Accounts, in effect a consolidation of all government agencies. This year the 'Report on State Finances' has been delayed due to significant accounting issues being considered in the Total State Sector Accounts and which may impact the Treasury and Transport clusters.

As there are no outstanding matters relating to audits in the Planning, Industry and Environment cluster impacting the Total State Sector Accounts we have decided to break with normal practice and table this cluster report ahead of the 'Report on State Finances'.

Section one

Planning, Industry and Environment 2021

This report analyses the results of our audits of the Planning, Industry and Environment cluster agencies for the year ended 30 June 2021.

Report highlights

What the report is about

The results of the Planning, Industry and Environment cluster agencies' financial statements audits for the year ended 30 June 2021.

What we found

Unmodified audit opinions were issued for all completed 30 June 2021 financial statements audits of cluster agencies. Three audits are ongoing.

An 'Other Matter' paragraph was included in the Independent Planning Commission's (the IPC) audit opinion because the prior year comparative figures were not audited. Prior to 2020–21, the IPC was not required to prepare separate financial statements under the *Public Finance and Audit Act 1983* (PF&A Act). The financial reporting provisions of the *Government Sector Finance Act 2018* now require the IPC to prepare financial statements.

The number of identified misstatements increased from 51 in 2019–20 to 54 in 2020–21.

The 2010–11 to 2019–20 audits of the Water Administration Ministerial Corporation's (the Corporation) financial statements are incomplete due to insufficient records and evidence to support the transactions of the Corporation, particularly for the earlier years. Management has commenced actions to improve the governance and financial management of the Corporation. These audits are currently in progress and the 2020–21 audit will commence shortly.

There are 609 State controlled Crown land managers (CLMs) across New South Wales that predominantly manage small parcels of Crown land.

Eight CLMs prepared and submitted 2019–20 financial statements by the revised deadline of 30 June 2021. A further 24 CLMs did not prepare financial statements in accordance with the PF&A Act. The remaining CLMs were not required to prepare 2019–20 financial statements as they met NSW Treasury's financial reporting exemption criteria.

The Department of Planning, Industry and Environment's (the Department) preliminary assessment indicates that 60 CLMs are required to prepare financial statements in 2020–21. To date, no CLMs have prepared and submitted financial statements for audit in 2020–21.

There are also 120 common trusts that have never submitted financial statements for audit. Common trusts are responsible for the care, control and management of land that has been set aside for specific use in a certain locality, such as grazing, camping or bushwalking.

What the key issues were

The number of matters we reported to management increased from 135 in 2019–20 to 180 in 2020–21, of which 40 per cent were repeat findings.

Seven high-risk issues were identified in 2020–21:

- system control deficiencies at the Department relating to user access to HR and payroll management systems, vendor master data

management and journal processing, which require manual reviews to mitigate risks

- deficiencies related to the Centennial Park and Moore Park Trust's tree assets valuation methodology
- the Lord Howe Island Board did not regularly review and monitor privileged user access rights to key information systems
- the Natural Resources Access Regulator identified and adjusted three prior period errors retrospectively, which indicate deficiencies within the financial reporting processes
- deficiencies relating to the Parramatta Park Trust's tree assets valuation methodology
- lease arrangements have not been confirmed between the Planning Ministerial Corporation and Office of Sport regarding the Sydney International Regatta Centre
- the Wentworth Park Sporting Complex Land Manager (the Land Manager) has a \$6.5 million loan with Greyhound Racing NSW (GRNSW). GRNSW requested the Land Manager to repay the loan. However, the Land Manager subsequently requested GRNSW to convert the loan to a grant. Should this request be denied, the Land Manager would not be able to continue as a going concern without financial support. This matter remains unresolved for many years.

There continues to be significant deficiencies in Crown land records. The Department uses the Crown Land Information Database (CLID) to record key information relating to Crown land in New South Wales that are managed and controlled by the Department and Land Managers (including councils and land managers controlled by the state). The CLID system was not designed to facilitate financial reporting and the Department is required to conduct extensive adjustments and reconciliations to produce accurate information for the financial statements.

The Department is implementing a new system to record Crown land (the CrownTracker project). The Department advised that the project completion date will be confirmed by June 2022.

What we recommended

The Department should ensure CLMs and common trusts meet their statutory reporting obligations.

Cluster agencies should prioritise and action recommendations to address internal control deficiencies, with a focus on addressing high-risk and repeat issues.

The Department should prioritise action to ensure the Crown land database is complete and accurate. This will allow the Department and CLMs to be better informed about the Crown land they control.

Fast facts

The Planning, Industry and Environment cluster aims to make the lives of people in New South Wales better by developing well-connected communities, preserving the environment, supporting industries and contributing to a strong economy.

There are 54 agencies, 609 State controlled Crown land managers that predominantly manage small parcels of Crown land and 120 common trusts in the cluster.

42%

of the area of NSW is
Crown land

100%

unqualified audit
opinions were issued for
all completed
30 June 2021 financial
statements audits

54

monetary misstatements
were reported in
2020–21

\$33.2b

water and electricity
infrastructure as at
30 June 2021

7

high-risk management
letter findings were
identified

40%

of reported issues were
repeat issues

1. Introduction

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

- financial reporting
- audit observations.

1.1 Snapshot of the cluster

Planning, Industry and Environment Cluster

Aims to improve the liveability and sustainability of NSW.

State Outcomes



Connecting communities to resilient and sustainable energy and local environments

Protecting and preserving the environment to support a healthy NSW while securing an affordable, reliable and sustainable energy future.



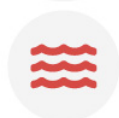
Create a strong and liveable NSW

Delivering a liveable NSW that supports innovation, infrastructure, housing, environment and public spaces that brings communities together.



Maximise community benefit from government land and property

Delivering a coordinated and strategic approach to the use of government-owned property to maximise community benefits.



Sustainable, secure and healthy water resources and services

Supporting sustainable and healthy environments, economies and societies across NSW through the transparent stewardship of water resources, provision of services and reforms.

Key Agencies

Lead Agency



Other Key Agencies



Source: NSW Budget Papers 2021–22.

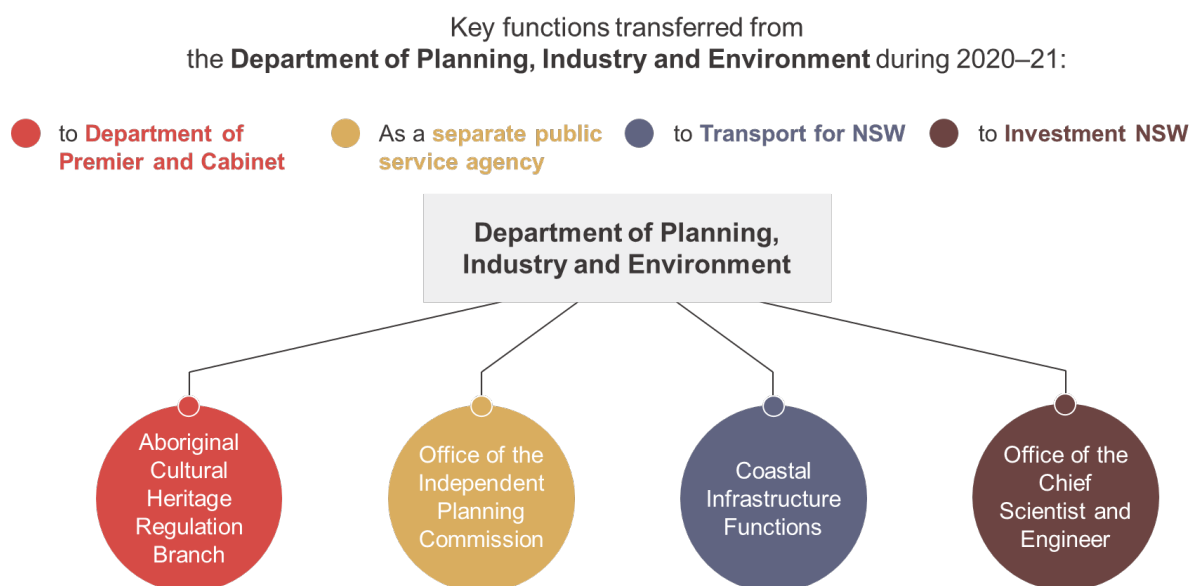
1.2 Changes to the cluster

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

During 2020–21, the cluster was mainly impacted by the following MoG changes:

- the Administrative Arrangements (Administrative Changes - Miscellaneous) Order 2020 effective from 1 July 2020, transferred the Aboriginal Cultural Heritage Regulation branch from the Department of Planning, Industry and Environment (the Department) to the Department of Premier and Cabinet (DPC). Staff employed in the Department who were principally involved in the functions of the Aboriginal Cultural Heritage Regulation Branch were transferred to the DPC on the same day
- effective from 1 July 2020, the Administrative Arrangements (Administrative Changes - Regional NSW and Independent Planning Commission) Order 2020 dated 2 April 2020 established the Office of the Independent Planning Commission (OIPC) as a separate public service agency. The persons employed in the Department who were principally involved in providing support to the Independent Planning Commission were transferred to the OIPC
- effective from 1 July 2020, the coastal infrastructure functions were transferred from the Department to the Marine Infrastructure Delivery Office (MIDO) within the Transport for NSW
- effective from 29 March 2021, under the Administrative Arrangements (Administrative Changes - Miscellaneous) Order 2021, the Office of the Chief Scientist and Engineer was transferred from the Department to Investment NSW.

The following graph summarises the MoG changes mentioned above:



The Auditor-General tabled a performance audit report on the 'Machinery of government changes' on 17 December 2021. The audit considered issues such as whether the 2019 and 2020 MoG changes, which had significant impact on the Department, achieved their effectiveness and efficiency goals and improved public sector administration. Refer to our [website](#) for more details.

2. Financial reporting





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





This chapter outlines our audit observations related to the financial reporting of agencies in the Planning, Industry and Environment cluster (the cluster) for 2021.

Section highlights

- Unmodified audit opinions were issued for all completed 30 June 2021 financial statements audits of cluster agencies. Three audits are ongoing.
- An 'Other Matter' paragraph was included in the Independent Planning Commission's (the IPC) audit opinion because the prior year comparative figures were not audited. Prior to 2020–21, the IPC was not required to prepare separate financial statements under the *Public Finance and Audit Act 1983*. From 2020–21, the IPC is required to prepare financial statements under the *Government Sector Finance Act 2018*.
- The 2010–11 to 2019–20 audits of the Water Administration Ministerial Corporation's (the Corporation) financial statements were incomplete due to insufficient records and evidence to support the transactions of the Corporation, particularly for the earlier years. These audits are currently underway, and the 2020–21 audit will commence shortly.
- The Department of Planning, Industry and Environment's (the Department) preliminary assessment indicates that 60 State controlled Crown land Managers (CLMs) are required to prepare financial statements in 2020–21. To date, no CLMs have prepared and submitted financial statements for audit in 2020–21. All 120 common trusts have never submitted their financial statements for audit. The Department needs to do more to ensure that the CLMs and common trusts meet their statutory reporting obligations.
- Nine agencies that were required to perform early close procedures did not complete a total of 20 mandatory procedures. The most common incomplete early close procedures include the revaluation of property, plant and equipment, documenting all significant management judgments and assumptions, and the implementation of new and updated accounting standards.

2.1 Cluster financial information 2021

Agencies listed in Appendix A of TD21-02	Total assets \$m 	Total liabilities \$m 	Total income* \$m 	Total expenses** \$m 
Principal department				
Department of Planning, Industry and Environment***	15,498	1,304	4,777	5,094
Environment, energy and sciences				
Environment Protection Authority***	73	36	216	213
Environmental Trust	8	3	64	63
Essential Energy	9,055	6,687	1,527	1,524
NSW Biodiversity Conservation Trust	242	54	99	31
Taronga Conservation Society Australia	723	102	142	129
Housing and property				
Aboriginal Housing Office	2,308	36	185	134
NSW Land and Housing Corporation	53,479	981	1,260	1,516
Property NSW	5,706	4,447	400	413
Teacher Housing Authority of New South Wales	198	12	42	43
Waste Assets Management Corporation	78	61	9	18
Land manager				
Lands Administration Ministerial Corporation	241	3	4	10
Planning and public spaces				
Centennial Park and Moore Park Trust	1,370	8	58	38
Hunter and Central Coast Development Corporation	248	73	79	77
Independent Planning Commission***	3	2	10	8
Landcom	864	223	163	146
Luna Park Reserve Trust	45	--	2	1
Natural Resources Commission***	7	9	9	10
Place Management NSW	2,877	1,853	283	269
Planning Ministerial Corporation	1,906	213	34	38
Royal Botanic Gardens and Domain Trust	983	21	106	63
Sydney Olympic Park Authority	3,043	27	150	179
Western Sydney Parklands Trust	1,326	40	49	16

Agencies listed in Appendix A of TD21-02	Total assets \$m 	Total liabilities \$m 	Total income* \$m 	Total expenses** \$m 
Water				
Hunter Water Corporation	3,106	1,921	351	311
Natural Resources Access Regulator	10	9	29	29
Sydney Water Corporation	22,697	15,082	2,748	2,344
Water Administration Ministerial Corporation [#]	N/A	N/A	N/A	N/A
Water NSW ^{***}	3,401	2,532	499	464

* Include other gains.

** Include other losses and taxes, if applicable.

*** Figures disclosed are for the consolidated entity.

The audits of the Water Administration Ministerial Corporation's financial statements from 2011 to 2020 were outstanding due to insufficient supporting records. These audits are currently underway, and the 2020–21 audit will commence shortly.

Source: Agencies audited 2020–21 financial statements.

2.2 Quality of financial reporting

Audit opinions

Unqualified audit opinions were issued on all completed 30 June 2021 financial statements audits

Unqualified audit opinions were issued on all completed cluster agencies' 30 June 2021 financial statements audits. Sufficient and appropriate audit evidence was obtained to conclude the financial statements were free of material misstatements.

Three audits are ongoing, including:

- Crown Reserves Improvement Fund
- Water Administration Ministerial Corporation
- Worimi Conservation Lands Board of Management.

Based on the Department's preliminary reporting exemption assessment, 60 State controlled Crown land managers (CLMs) and 120 common trusts were required to prepare financial statements in 2020–21. At the date of this report, no 2020–21 financial statements have been prepared by these entities. Refer to section 2.3 'Timeliness of financial reporting' for more details.

An 'Other Matter' paragraph was included in the Independent Planning Commission's audit opinion

An 'Other Matter' paragraph was included in the Independent Planning Commission's (the IPC) audit opinion for 30 June 2021 financial statements because the 2019–20 comparative figures were not audited. Sufficient and appropriate audit evidence was obtained to conclude that the opening balances of 2020–21 financial statements did not contain material misstatements.

Prior to 2020–21, the IPC was not required to prepare separate financial statements under the *Public Finance and Audit Act 1983*. Its 2019–20 transactions were included in the Department's 30 June 2020 financial statements. The IPC is considered as a GSF agency under the *Government Sector Finance Act 2018* (GSF Act), and it is required to prepare annual financial statements under the GSF Act from the 2020–21 financial year.

'Other Matters' are included in an agency's independent auditor's report for matters that have not been explicitly presented or disclosed by the agency in its certified financial statements. Whilst they do not constitute a qualification, they do highlight matters that are, in the auditor's judgement, relevant to the users' understanding of the audit.

The audits of the 2010–11 to 2020–21 financial statements of the Water Administration Ministerial Corporation are incomplete

The 2010–11 to 2019–20 audits of the Water Administration Ministerial Corporation's (the Corporation) financial statements are incomplete due to insufficient records and evidence to support the transactions of the Corporation, particularly for the earlier years.

The last independent auditor's opinion was issued in 2009–10. This audit opinion was qualified because the Corporation did not complete a project to value its infrastructure levee banks and the necessary evidence to support the carrying value of the levee banks could not be obtained.

Since then, further issues were identified where the Corporation:

- did not maintain separate financial records
- could not provide details of operating expenses it incurred in a number of years
- could not provide supporting documentation for the assets it purchased
- was unable to provide details of the assets it disposed of, and to account for the sale proceeds
- did not maintain records of decisions made
- did not maintain a record of contracts that it entered into.

In recent years, management has commenced actions to improve the governance and financial management of the Corporation. The 2011–2020 audits are currently underway. The 30 June 2021 financial statements were submitted on time, and the 2020–21 audit will commence shortly. The results of these audits will be included in the 2022 Report to Parliament focusing on the Planning, Industry and Environment cluster.

Unqualified audit opinions were issued on three acquittal audits

Unqualified audit opinions were issued on all 30 June 2021 acquittal audits.

The following acquittal audits were completed during 2020–21:

- Department of Planning, Industry and Environment (the Department) – an audit was conducted to determine if the Statement of Payments, which comprises the Financial Assistance Grant payments made by the Department, was prepared in accordance with section 15(b)(i) of the *Commonwealth Local Government (Financial Assistance) Act 1995*
- Lord Howe Island Board – an audit was performed to assess if the Part 1 – Chief Executive Officer's financial statement for the Roads to Recovery program was prepared in accordance with section 90 of the *National Land Transport Act 2014* and the Roads to Recovery Funding Conditions 2019
- Lord Howe Island Board – an audit was conducted to determine if the financial statements for the Local Roads and Community Infrastructure program was prepared in accordance with the COVID–19 Local Roads and Community Infrastructure Program Guidelines for Phases 1 and 2 of the program.

The number of identified monetary misstatements increased in 2020–21

The number of monetary misstatements identified during the audit of the financial statements for the cluster agencies increased from 51 in 2019–20 to 54 in 2020–21. A monetary misstatement is an error in amount recognised in the financial statements initially submitted for audit.

Reported corrected misstatements decreased from 39 in 2019–20 to 38 with a gross value of \$197 million in 2020–21. Reported uncorrected misstatements increased from 12 in 2019–20 to 16 with a gross value of \$32.3 million in 2020–21.

The table below shows the number and quantum of monetary misstatements for the past two years. This table excludes the prior period errors that have been adjusted retrospectively. Refer to section 2.4 'Key accounting issues' for details.

Year ended 30 June	2021		2020	
	✓	!	✓	!
Less than \$50,000	4	--	8	--
\$50,000 to \$249,999	11	5	10	6
\$250,000 to \$999,999	9	4	11	3
\$1 million to \$4,999,999	8	5	4	2
\$5 million and greater	6	2	6	1
Total number of misstatements	38	16	39	12
Key	✓	!		
	Corrected misstatements	Uncorrected misstatements		

Source: Engagement Closing Reports issued by the Audit Office of New South Wales.

Refer to Appendix one for details of corrected and uncorrected monetary misstatements by agency.

Of the 38 corrected misstatements identified in 2020–21, six had a gross value of greater than \$5.0 million and related to the following:

Agency	Description of corrected misstatements > \$5.0 million
Department of Planning, Industry and Environment	The Department's Crown land assets (with a net carrying amount of \$6.2 billion) were understated by \$11.2 million because it initially overstated the land size of a parcel of Crown land that was disposed of during 2020–21.
Landcom	Landcom reclassified \$10.8 million dividends that were incorrectly classified as provisions to payables.
Place Management NSW	Place Management NSW did not initially record a payment of \$10.7 million made to a creditor in its 2020–21 financial statements. This resulted in the overstatement of cash and payables of \$10.7 million.
Property NSW	Property NSW revised their lease calculations resulting from the application of inaccurate payment profiles. The correction increased its lease liabilities and leased assets by \$101 million and \$73.7 million respectively, and reduced its net result by \$27.3 million.
Royal Botanic Gardens and Domain Trust	The Royal Botanic Gardens and Domain Trust recognises an operating lease receivable relating to the Domain carpark. This receivable was not considered when determining the fair value of the carpark, resulting in an overstatement of the carpark's value by \$8.0 million. This misstatement existed in the prior year and was corrected in 2020–21.
Water NSW	Water NSW initially recorded an incorrect fair value adjustment relating to system assets in the financial statements. This resulted in an understatement of its system assets by \$33.2 million. The misstatement also impacted the tax liability, profit after income tax and asset revaluation reserve.

Of the 16 uncorrected misstatements identified in 2020–21, two had a gross value greater than \$5.0 million, which comprise the following:

Agency	Description of uncorrected misstatements > \$5.0 million
Property NSW	Property NSW undertook a comprehensive revaluation of the land and buildings in 2020–21. Due to an oversight, management did not recognise a \$10.4 million revaluation adjustment for the Parramatta North land and buildings. The uncorrected misstatement was not considered material to the financial statements.
Sydney Water Corporation	Due to the way it accounted for biodiversity offset credits, Sydney Water Corporation overstated its assets by \$5.9 million, understated provisions by \$3.5 million and overstated profit after tax by \$9.4 million. The uncorrected misstatement was not considered material to the financial statements.

New financial reporting provisions became effective from 1 July 2021

The financial reporting provisions in Division 7.2 of the GSF Act commenced on 1 July 2021. Cluster agencies prepared their annual GSF financial statements under Division 7.2 of the GSF Act for the first time in 2020–21.

Seven agencies and 549 Crown land managers were exempted from financial reporting in 2020–21

Part 3A Division 2 of the Government Sector Finance Regulation 2018 (GSF Regulation) prescribes certain kinds of GSF agencies not to be a reporting GSF agency. For 2020–21, the following cluster agencies have assessed and determined they met the reporting exemption criteria under the GSF Regulation, and therefore were not required to prepare annual financial statements.

Exempted agencies	GSF Regulation reference	Basis for reporting exemption
Special purpose staff agencies		
Environment Protection Authority Staff Agency	Part 3A, Division 2, Section 9F of the GSF Regulation	GSF Regulation prescribes that a GSF agency which comprises solely of persons who are employed to enable another particular GSF agency to exercise its function not to be a reporting GSF agency.
Natural Resources Commission Staff Agency		All three staff agencies satisfy this requirement and therefore, they were not required to prepare financial statements in 2020–21.
Office of the Independent Planning Commission		
Small agencies		
Energy Corporation of New South Wales	Part 3A, Division 2, Section 9D of the GSF Regulation	GSF Regulation prescribes a GSF agency meeting all the following requirements not to be a reporting GSF agency:
Gaagal Wanggaan (South Beach) Board of Management		<ul style="list-style-type: none">the assets, liabilities, income, expense, commitments and contingent liabilities of the agency are each less than \$5.0 million
Gulaga National Park Board of Management		<ul style="list-style-type: none">the total cash or cash equivalent held by the agency is less than \$2.5 million
Ministerial Development Corporation		<ul style="list-style-type: none">at least 95 per cent of the agency's income is derived from money paid out of the Consolidated Fund or money provided by other GSF agenciesthe agency does not administer legislation for a Minister by or under which members of the public are regulated.
The Department has assessed these four agencies against the above criteria, and concluded that they have met all the requirements. Therefore, they were not required to prepare financial statements in 2020–21.		

Exempted agencies	GSF Regulation reference	Basis for reporting exemption
Crown land managers		
549 State controlled Crown land managers (CLMs) based on preliminary assessment	Part 3A, Division 2, Section 9E of the GSF Regulation	<p>GSF Regulation prescribes a GSF agency meeting all the following requirements not to be a reporting GSF agency:</p> <ul style="list-style-type: none"> the agency is a CLM the assets, liabilities, income, expense, commitments and contingent liabilities of the agency are each less than \$5.0 million the total cash or cash equivalent held by the agency is less than \$2.5 million the income of the agency, derived from sources other than money paid out of the Consolidated Fund or money provided by other GSF agencies, is less than \$100 thousand the agency does not administer legislation for a Minister by or under which members of the public are regulated. <p>The Department has assessed the State controlled CLMs against the above criteria, and concluded that 549 CLMs have met all the requirements. Therefore, they were not required to prepare financial statements in 2020–21.</p>

In 2019–20, six cluster agencies and 578 State controlled CLMs were exempted from financial reporting under Schedule 2 of the Public Finance and Audit Regulation 2015.

2.3 Timeliness of financial reporting




Early close procedures

Early close mandatory procedures were submitted on time

NSW Treasury prescribes certain mandatory early close procedures to improve the quality and timeliness of agency year-end financial statements. In March 2021, NSW Treasury reissued Treasurer's Direction TD19-02 'Mandatory Early Close as at 31 March each year' (TD19-02) and released Treasury Policy Paper TPP21-01 'Agency Direction for the 2020–21 Mandatory Early Close'. These pronouncements require the GSF agencies listed in Appendix A of TD19-02 to perform the mandatory early close procedures and provide the outcomes to the audit team by 26 April 2021.

The cluster agencies that were subject to the pronouncements performed the mandatory early close procedures and met the statutory deadlines for submitting their 2020–21 early close financial statements.

The table below summarises these agencies' completion of the 16 mandatory early close procedures, noting that some procedures are not relevant to all agencies. The 16 procedures are listed in Appendix two.

Agencies listed in Appendix A of TD19-02	Completed 	Not completed 	Not applicable# 
Principal department			
Department of Planning, Industry and Environment	10	3	3
Environment, energy and sciences			
Environment Protection Authority	11	1	4
Environmental Trust	8	2	6
Essential Energy	12	--	4
NSW Biodiversity Conservation Trust	11	1	4
Taronga Conservation Society Australia	11	--	5
Housing and property			
Aboriginal Housing Office	12	--	4
NSW Land and Housing Corporation	14	--	2
Property NSW	11	3	2
Teacher Housing Authority of New South Wales	13	--	3
Waste Assets Management Corporation	12	--	4
Land manager			
Lands Administration Ministerial Corporation	12	--	4
Planning and public spaces			
Centennial Park and Moore Park Trust	13	--	3
Hunter and Central Coast Development Corporation	12	1	3
Landcom	11	--	5
Luna Park Reserve Trust	12	--	4
Place Management NSW	12	2	2
Planning Ministerial Corporation	11	--	5
Royal Botanic Gardens and Domain Trust	13	--	3
Sydney Olympic Park Authority	8	5	3
Western Sydney Parklands Trust	11	--	5
Water			
Hunter Water Corporation	15	--	1
Sydney Water Corporation	9	2	5
Water Administration Ministerial Corporation**	N/A	N/A	N/A
Water NSW	12	--	4

** The 2011 to 2020 audits of the Water Administration Ministerial Corporation's financial statements were outstanding due to insufficient supporting records, particularly for the earlier years. These audits are currently underway. The 30 June 2021 financial statements were submitted on time, and the 2020–21 audit will commence shortly.

Certain mandatory early close procedures are not applicable to agencies. For instance, if an agency did not have changes in accounting policy or a correction of material prior period error, those procedures would be considered as not applicable to the agency.

Source: Reports on early close procedures 2021 issued by the Audit Office of New South Wales.

Agencies need to improve their completion of early close procedures

Whilst 15 cluster agencies completed all mandatory early close procedures, the following nine agencies did not perform all required procedures.

Cluster agencies	Description of incomplete early close procedures
Principal department	
Department of Planning, Industry and Environment	<ul style="list-style-type: none"> Revaluation of property, plant and equipment The Department could not complete the inspections of 40 per cent of the national parks building assets in time for early close, due to difficulties in getting access to the parks after the natural disasters. However, the Department completed all the other revaluations. Significant management judgements and assumptions The Department did not finalise the following estimations as a part of the early close: <ul style="list-style-type: none"> the impairment assessment of property, plant and equipment as a result of the March 2021 floods due to the timing of the event the revaluation of the national parks building assets. Prior year Management Letter and Engagement Closing Report issues The Department did not address or fully address prior year management letter issues in the following areas: <ul style="list-style-type: none"> IT general controls and security corporate services catalogues and service level agreements.
Other agencies listed in Appendix A of TD19-02	
Environment Protection Authority	<ul style="list-style-type: none"> Delegations The Environment Protection Authority continued to use the existing financial delegations under the transitional provisions in the GSF Act, until the new delegations were approved in June 2021. The delegation was last updated in 2016.
Environmental Trust	<ul style="list-style-type: none"> Delegations The Environmental Trust continued to use the existing financial delegations under the transitional provisions in the GSF Act, until the new delegations were approved in September 2021. The delegation was last updated in 2014. Complete Commonwealth Funding Agreement – Revenue Assessment Form for Commonwealth Funding The Environmental Trust was expecting to receive Commonwealth funding towards the Remanufacture NSW program. Despite the agreement being signed in December 2020, management did not complete and return the revenue assessment form to NSW Treasury as part of early close.
Hunter and Central Coast Development Corporation	<ul style="list-style-type: none"> Correction of material prior period errors Following submission of the early close financial statements, a material prior period error was identified relating to the contaminated Cockle Creek Smelter site. Due to the unique nature of this transaction, the accounting treatment and disclosure of the error was finalised prior to the submission of year-end financial statements in August 2021. Refer to section 2.4 'Key accounting issues' for details of the prior period error.

Cluster agencies	Description of incomplete early close procedures
NSW Biodiversity Conservation Trust	<ul style="list-style-type: none"> Significant management judgements and assumptions During the early close, the NSW Biodiversity Conservation Trust identified shortcomings with the model being used to perform the impairment assessment of inventory assets (biodiversity credits) and remeasure the provision for developer payment – biodiversity credits. A more reliable model was identified after early close and this updated model was applied for the year-end reporting process. Management should finalise their assessment and documentation of any potential change in the methodology used to determine management estimates as part of early close.
Place Management NSW	<ul style="list-style-type: none"> Revaluation of property, plant and equipment During 2020–21, Place Management NSW revalued land and buildings relating to the International Convention Centre Sydney (ICC Sydney), Harbourside carpark, Chinese Garden, service concession assets relating to ICC Sydney, infrastructure asset, art and artefacts and investment properties. However, six investment properties were omitted from the initial revaluation exercise. Correction of material prior period errors Prior period errors relating to property, plant and equipment were not appropriately reflected in the early close financial statements. Refer to section 2.4 'Key accounting issues' for details of the errors.
Property NSW	<ul style="list-style-type: none"> Revaluation of property, plant and equipment Property NSW revalued its land and buildings at 31 March 2021. However, the revaluation and indexation results of the police housing properties were not reflected in the early close financial statements due to delay in receiving relevant information. Finalise right-of-use assets and lease liability balances The following issues were identified: <ul style="list-style-type: none"> incorrect lease incentive amount was applied for the lease calculation management needed to assess if carparks and storage spaces should be excluded from the lease balances as they may not meet the identifiable asset criteria lease modifications for subleases should be processed. New and updated accounting standards Management did not restate comparative figures and include sufficient disclosures in the financial statements for the withdrawal of TPP 06-08 'Accounting for Privately Financed Projects' as required by NSW Treasury's guidance.
Sydney Olympic Park Authority	<ul style="list-style-type: none"> Significant management judgements and assumptions Management did not provide their documented assessment to support the significant judgements and assumptions used for the following estimates: <ul style="list-style-type: none"> recognition of right-of-use assets and liabilities for motor vehicles and waste service land leases impairment assessment of right-of-use assets revenue recognition under the new accounting standards useful lives of the property, plant and equipment. Changes in accounting policy There was a change in accounting policy relating to the Qudos Arena arrangement. While management communicated this change to the cluster lead agency (i.e. the Department of Planning, Industry and Environment) and NSW Treasury, the finalised position papers, the indicative transition journals and relevant impacts on the financial statements were not provided to the audit team in a timely manner.

Cluster agencies	Description of incomplete early close procedures
	<ul style="list-style-type: none"> • Finalise right-of-use assets and lease liability balances Management did not formally document their review of the lease arrangements for potential impacts such as changes in lease conditions. • Finalise assessment of all revenue contracts Management did not formally document their review of all the revenue contracts for new agreements or changes to agreements which may affect when revenue can be recognised. • New and updated accounting standards Management conducted a preliminary assessment and concluded that AASB 1059 'Service Concession Arrangements: Grantors' (AASB 1059) would not have significant impact on the Sydney Olympic Park Authority's financial statements. As part of early close, management did not prepare a comprehensive assessment to support their conclusion.
Sydney Water Corporation	<ul style="list-style-type: none"> • New and updated accounting standards Management provided work papers to support the assessment of the impact of the transition to AASB 1059. However, the impact assessment did not include: <ul style="list-style-type: none"> – valuation of the new service concession arrangement – the financial liability model – updated opening balance adjustment journals. • Significant management judgements and assumptions As a part of early close, management did not document the significant judgments and assumptions made when determining the fair value of service concession assets.

Source: Reports on early close procedures 2021 issued by the Audit Office of New South Wales.

The review of agencies' early close procedures found more work needs to be done to:

- complete all comprehensive revaluation of property, plant and equipment in a timely manner
- appropriately document all significant management judgements and assumptions made when estimating transactions and balances
- assess the impact of implementing new and updated accounting standards.

Year-end financial reporting

NSW Treasury extended financial reporting deadlines

Due to the COVID-19 pandemic, NSW Treasury extended the year-end financial reporting deadline for agencies listed in Appendix A of Treasury Direction TD21-02 'Mandatory Annual Returns to Treasury' (TD21-02) to 2 August 2021.

During May and June 2021, NSW Treasury issued a suite of Treasurer's Directions, Treasury Circular and policy papers for 2020–21 financial reporting requirements and timetables:

- Treasurer's Direction TD21-02 and Treasury Policy Paper TPP21-04 'Agency Direction for the 2020–21 Mandatory Annual Returns to Treasury' require agencies listed in the Appendix A of TD21-02 to submit their 2020–21 financial statements to both NSW Treasury and the Audit Office by 26 July 2021
- Treasury Circular TC21-04 '2020–21 Mandatory Annual Returns to Treasury for non-GSF agencies' requires NSW public sector agencies not listed in Appendix A of TD21-02 to submit their draft 2020–21 financial statements to NSW Treasury by 26 July 2021
- Treasurer's Direction TD21-03 'Submission of Annual GSF Financial Statements to the Auditor-General' requires reporting GSF agencies that are not listed in Appendix A of TD21-02 to submit their annual financial statements for audit within six weeks after the year-end.

The following agencies obtained NSW Treasury's approval to further delay submission of their 30 June 2021 financial statements:

Cluster agencies	Revised deadline	Reason
Planning Ministerial Corporation (PMC) and Sydney Olympic Park Authority (SOPA)	12 August 2021	To resolve the accounting treatment of a complex and material transaction, which involved PMC compulsorily acquiring SOPA's land assets with leasehold interests.
Lord Howe Island Board	22 October 2021	Due to the departure of the former Chief Executive Officer and the finance manager in late June 2021, and the lack of staff in finalising the valuations of electricity assets and walking tracks.

Financial statements were submitted on time for all cluster agencies except Crown land managers and common trusts

Cluster agencies, except Crown land managers and common trusts, met the revised or approved reporting deadlines for submitting their 2020–21 year-end financial statements.

On 1 July 2021, the *Public Finance and Audit Act 1983* (PF&A Act) was renamed the *Government Sector Audit Act 1983* (GSA Act). Whilst the PF&A Act required the Auditor-General to audit agencies' financial statements within ten weeks of their receipt, the GSA Act does not specify the statutory deadline for issuing the audit reports.

The table in Appendix three shows the timeliness of the year-end financial reporting for cluster agencies.

Crown land managers have not yet prepared and submitted 30 June 2021 financial statements

Crown land managers (CLMs) are persons or entities appointed by the Minister to be responsible for the care, control and management of crown reserves on behalf of the people of New South Wales.

The PF&A Act, replaced by the GSF Act, requires State controlled CLMs to prepare annual financial statements. Historically, these CLMs (other than the Crown Cemeteries Operators and NSW Crown Holiday Parks Land Manager) did not prepare and submit financial statements for audit.

During 2019–20, NSW Treasury established reporting exemption criteria for the CLMs. These criteria are outlined in Division 2, Part 3A of the GSF Regulation. The Department completed a desktop review of the annual reports submitted by the CLMs. It was determined 32 State controlled CLMs (excluding the Crown Cemeteries Operators and NSW Crown Holiday Parks) did not meet the reporting exemption criteria and were required to submit 2019–20 financial statements.

NSW Treasury approved three requests to extend the 32 CLMs' submission date for their 2019–20 financial statements. The last approval was granted in late June 2021 with a revised deadline of 30 June 2021.

Eight of the 32 non-exempted CLMs submitted their 2019–20 general purpose financial statements for audit by the revised due date on 30 June 2021. The remaining 24 CLMs have not submitted 2019–20 financial statements. The audits of the eight CLMs that submitted financial statements are currently underway. The results of these audits will be included in the 2022 Report to Parliament focusing on the Planning, Industry and Environment cluster.

The Department is currently finalising the 2020–21 financial reporting exemption assessment for CLMs. The preliminary assessment indicates that 60 State controlled CLMs do not meet the reporting exemption criteria and therefore, are required to prepare 30 June 2021 financial statements. To date, no CLMs have prepared and submitted financial statements for audit in 2020–21. The Department is also seeking NSW Treasury's approval to extend the submission date for CLMs' 2020–21 financial statements.

Whilst the Department has made some progress in the financial reporting of CLMs, more can be done to support the CLMs to meet their statutory reporting obligations.

None of the common trusts have submitted their financial statements for audit

Common trusts are responsible for the care, control and management of commons for which the trust is established. A common is a parcel of land that has been set aside by the Governor or the Minister for specific use in a certain locality, such as grazing, camping or bushwalking. The common trusts are considered to be controlled entities of the Minister who administers the *Commons Management Act 1989*. Common Trusts are not CLMs.

Whilst NSW Treasury established specific reporting exemption criteria for CLMs, no such criteria were established for the common trusts.

Currently there are 120 common trusts in New South Wales. None of these trusts have prepared and submitted financial statements as required under the PF&A Act (now the GSF Act).

Recommendation (repeat issue)

The Department should ensure CLMs and common trusts meet their statutory reporting obligations.

Catholic Metropolitan Cemeteries Trust did not submit financial statements to the Audit Office

The Catholic Metropolitan Cemeteries Trust (CMCT) continues to maintain they are not controlled by the State. Consequently, their financial statements have not been provided to the Audit Office for audit. NSW Treasury considers that CMCT is controlled by the State.

2.4 Key accounting issues

Prior period errors adjustments

Five agencies processed prior period errors retrospectively

The following material prior period errors were adjusted in agencies' 30 June 2021 financial statements.

Agency	Description of prior period errors
Essential Energy	<p>Management and audit detected that the methods and rates for determining the fair value of contributed assets were not applied consistently. Management reviewed and analysed projects over the period 1 July 2016 to 30 June 2021 and identified an understatement of a total gifted assets revenue of \$60.5 million in prior years.</p> <p>The correction increased the prior year comparatives for property, plant and equipment by \$53.9 million, deferred tax liabilities by \$16.2 million, retained earnings by \$37.7 million, other revenue from contracts with customers by \$22.6 million, and depreciation expenses and tax benefits by \$9.0 million.</p> <p>Management considered the impact of these adjustments was material to the financial statements, and therefore adjusted the errors retrospectively.</p>
Hunter and Central Coast Development Corporation (HCCDC)	<p>In October 2019, the contaminated Cockle Creek Smelter site at Lake Macquarie was vested in HCCDC under <i>the Lake Macquarie Site (Perpetual Care of Land) Act 2019</i> (the Act). HCCDC's roles are to manage the site and facilitate the development of the land. Under the Act, the legal owner of the site would need to manage the contaminated containment cell in perpetuity. The containment cell land is expected to be transferred to the Waste Asset Management Corporation (WAMC) in the foreseeable future.</p> <p>During 2019–20, HCCDC recognised a \$11.3 million provision for ongoing management obligations for the containment cell, being the net present value of costs to maintain the containment cell in perpetuity of \$64.0 million less the net land value expected to be received on sale of \$52.7 million. This was to reflect the intention that the sales proceed from the disposal of the uncontaminated land would be used for ongoing maintenance of the containment cell.</p> <p>However, paragraph 51 of AASB 137 'Provisions, Contingent Liabilities and Contingent Assets' states that the gains from the expected disposal of assets shall not be taken into account in measuring provision. Therefore, the inventory and provision should both be grossed up by \$52.7 million.</p> <p>Whilst there was no net impact on both the Statement of Comprehensive Income and the Statement of Financial Position, the error was considered to be material due to its magnitude, and it was adjusted retrospectively in HCCDC's 30 June 2021 financial statements.</p>
Lord Howe Island Board (LHIB)	<p>LHIB did not historically recognise walking tracks in its financial statements. LHIB has 13 walking tracks, which consist of separate components such as stairs, bridges, viewing platforms, ropes and anchors. These assets are considered to be controlled by LHIB and should have previously been recorded in the financial statements. These assets were independently valued at 30 June 2021 with a fair value of \$4.2 million.</p> <p>Management considered this prior period error to be material and therefore, adjusted it retrospectively in LHIB's 30 June 2021 financial statements.</p>

Agency	Description of prior period errors
Natural Resources Access Regulator (NRAR)	<p>Management identified and adjusted the following three prior period errors:</p> <ul style="list-style-type: none"> The Department administered water bonds in accordance with the <i>Water Management Act 2000</i> until 6 April 2020, when a change in Minister's delegation on that day transferred this delegation to NRAR. Therefore, at 30 June 2020, \$3.4 million of security bonds, with associated cash should have been recognised by NRAR. NRAR did not reverse \$430,000 of accrued expenditure despite the related invoices already being paid. This resulted in an overstatement of expenses and trade creditors in both 2019 and 2020. NRAR has been collecting s60A penalties and reporting them as its fines and penalties revenue. This revenue should have been recognised as administered item on behalf of NSW Treasury. \$105,000 penalties relating to 2019 and 2020 were adjusted retrospectively given this error was considered to be material in nature.
Place Management NSW (PMNSW)	<p>Management undertook a revaluation of the Sydney IMAX Theatre building and Sydney International Convention Centre service concession assets in 2017–18, and recorded adjustment journals of \$75.2 million decreasing their value. These journals were entered twice into the general ledger, which resulted in assets being understated by \$75.2 million at 30 June 2020.</p> <p>The correction increased the prior year comparatives for property, plant and equipment by \$75.2 million.</p> <p>Management considered these prior period errors to be material and therefore, adjusted them retrospectively in PMNSW's 30 June 2021 financial statements.</p>

Implementation of new accounting standard

Agencies implemented AASB 1059 'Service Concession Arrangements: Grantors' in 2020–21

The implementation of AASB 1059 had a significant impact on Place Management NSW (PMNSW) and Sydney Water Corporation's (SWC) 2020–21 financial statements. PMNSW had one service concession arrangement for the design, construction and operation of the Sydney International Convention Centre. SWC had seven such arrangements for sewage tunnels, sewage treatment plant, water filtration plant and water treatment plants.

The following table summarises the impact of the initial adoption of AASB 1059 at 1 July 2020 for PMNSW and SWC:

	Place Management NSW \$m	Sydney Water Corporation \$m
Service concession asset	1,151	1,307
Reclassification of system asset to service concession asset	--	934
Reclassification of finance lease asset to service concession asset	1,151	373
Liability	441	179

Source: Signed 2020–21 financial statements of PMNSW and SWC.

It is important that agencies have appropriate processes and resources to implement the new accounting standard. It was found that both PMNSW and SWC have made the necessary modifications to their processes to implement AASB 1059 in 2020–21. These agencies also included appropriate disclosures in their 30 June 2021 financial statements.

AASB 1059 became effective for all NSW public sector agencies for the 2020–21 financial year. It applies to arrangements which may involve a private sector operator designing, constructing or upgrading assets used to provide public services, and operating and maintaining those assets for a specified period of time. In return, the private sector operator is compensated by the public sector entity (the grantor). AASB 1059 may result in agencies recognising more service concession assets and liabilities in their financial statements.

Cloud-based arrangement

Agencies changed their accounting policies for cloud-based arrangement related costs

In April 2021, the International Financial Reporting Standards Interpretations Committee (IFRIC) approved an agenda decision on 'Configuration or Customisation Costs in a Cloud Computing Arrangement'. IFRIC observed that the supplier (not customer) controls the cloud application software to which the customer has access. As such, any application or customisation costs incurred by the customer do not create a resource controlled by the customer and therefore, should not be capitalised as an asset.

This issue had significant impact on Essential Energy and Water NSW. Both entities performed detailed analysis to determine the impact on their financial statements. As a result, the following adjustments were made:

- Essential Energy – derecognised \$17.5 million of intangible assets at 1 July 2019 and a further \$12.6 million at 30 June 2020. After incorporating the impacts from corporate overhead allocation, depreciation and taxation, net assets decreased by \$8.7 million (\$5.6 million at 1 July 2019) and the loss for the 2019–20 year increased by \$3.1 million.
- Water NSW – derecognised \$24.4 million of software assets at 1 July 2019 and a further \$8.8 million at 30 June 2020, net of amortisation reversal. After incorporating the impacts on the fair value of property, plant and equipment, asset revaluation reserve, reversal of amortisation and taxation, the loss for the 2019–20 financial year decreased by \$3.2 million.



Both agencies have treated the adjustment as a change in accounting policy, and appropriately disclosed the change in their 30 June 2021 financial statements.

2.5 Key financial statement risks

The tables below detail our specific audit coverage and response over key areas of financial statements risks that had the potential to impact the financial statements of significant cluster agencies.

Department of Planning, Industry and Environment

The Department of Planning, Industry and Environment aims to make the lives of people in New South Wales better by developing well-connected communities, preserving the environment, supporting industries and contributing to a strong economy.

	Key financial statement risk	Audit response
 <p>Property, plant and equipment – \$13.1 billion</p>	<p>The Department's property, plant and equipment consists of specialised and unique assets, including Crown lands, national parks and reserves and roads and other access infrastructure. These assets collectively account for 95.4 per cent of the Department's total property, plant and equipment.</p> <p>Our audit risk rating for property, plant and equipment is higher because these assets are proportionately significant to the financial statements of the Department, and are subject to management judgements and estimates when determining their fair values. These judgements and estimates often require the assistance of a qualified valuer.</p>	<p>Our audit procedures included testing the accuracy and completeness of the asset register; reviewing the appropriateness of the valuation methods, assumptions and judgements applied; and reviewing the presentation in the financial statements in accordance with Australian Accounting Standards.</p>
 <p>Crown land – \$6.2 billion</p>	<p>Historically, there were issues with the Department's recognition of Crown land assets.</p> <p>Our audit risk rating for Crown land is higher because there have been historical deficiencies in the accuracy and completeness of the recording of Crown land assets in the Crown Land Information Database (CLID) and the general ledger. Crown land assets are considered to be financially significant to the Department.</p>	<p>Our audit procedures included understanding the Department's processes to manage and record Crown land assets; reviewing the reconciliation between CLID and the general ledger including assessing the completeness and accuracy of CLID data; and testing the Crown land asset movements during the financial year.</p>

Essential Energy

Essential Energy operates and manages the poles and wires that deliver electricity to 95 per cent of New South Wales and parts of southern Queensland, serving regional, rural and remote communities.

	Key financial statement risk	Audit response
 <p>System assets – \$8.3 billion</p>	<p>System assets are highly specialised assets, which comprise infrastructure, land and buildings used for the distribution of electricity, provision of public lighting, and water and sewerage infrastructure. They account for 97 per cent of Essential Energy's total property, plant and equipment. System assets are measured at fair value using an income approach.</p> <p>Our audit risk rating for system assets is higher because these assets are proportionately significant to the financial statements of Essential Energy, and the discounted cash flow (DCF) model used to value the system assets is complex and involves significant judgements and assumptions. These judgements and estimates often require the assistance of a qualified valuer.</p>	<p>Our audit procedures included understanding management's approach to estimating the fair value of system assets; reviewing the appropriateness of the valuation methods, assumptions and judgements applied in the DCF model; and reviewing the presentation in the financial statements in accordance with Australian Accounting Standards.</p>
 <p>Accrued revenue from unread meters – \$173 million</p>	<p>Essential Energy records accrued revenue from unread meters for customers' electricity usage. This is an estimate where meter data is not known at balance date.</p> <p>Our audit risk rating for accrued revenue is higher because significant judgement and uncertainty is involved in calculating the accrual.</p>	<p>Our audit procedures included understanding the processes and key controls in place to determine the estimated unbilled electricity usage charges; reviewing the reasonableness of the key assumptions; and testing the accuracy of the calculation and the historical accuracy of the estimate against subsequent and actual billings.</p>
 <p>Defined benefit superannuation liability – \$17.2 million</p>	<p>Essential Energy reports defined benefit superannuation liabilities at each balance date. The administrator of the superannuation schemes determined this liability balance based on independent actuarial assessments.</p> <p>Our audit risk rating for the defined benefit superannuation liability is higher because the underlying liability valuation model is complex due to the significant degree of judgement involved, and the total value of the liability is sensitive to minor changes in valuation inputs.</p>	<p>Our audit procedures included understanding the processes and key controls in place to support the inputs into the model and the calculation; assessing the completeness and accuracy of the membership data used in the model; reviewing the reasonableness of the methodology and key assumptions; and reviewing the presentation in the financial statements in accordance with Australian Accounting Standards.</p>


Landcom

Landcom is the NSW Government's land and property development organisation. It is a State owned corporation that works with government and the private and not-for-profit sectors to address housing affordability issue by improving the supply, diversity and affordability of new housing in Sydney and New South Wales.

	Key financial statement risk	Audit response
 <p>Inventory – \$480 million</p>	<p>Landcom has a portfolio of long-term land development projects, classified as inventory, that are being developed for future sale. The inventory is measured at the lower of cost and net realisable value, which is assessed at each reporting date.</p> <p>Our audit risk rating for inventory is higher because these assets are financially significant to Landcom's financial statements, and the measurement of net realisable value involves significant judgements and estimates.</p>	<p>Our audit procedures included reviewing and assessing the recoverability of recorded inventories at reporting date; understanding the current status of selected projects, key project risks and opportunities; reviewing the reasonableness of the significant judgements and estimates applied; testing a sample of new inventory costs to ensure they were allocated to the relevant project; and assessing whether any write down was required.</p>
 <p>Provision to complete projects – \$93.4 million</p>	<p>Landcom recognises a provision to capture future development costs, which are based on the original land development schedule and estimates of other known obligations expected to be incurred when the land is ready for settlement.</p> <p>Our audit risk rating for this provision is higher because the provision is financially significant to Landcom's financial statements, and its measurement requires the use of significant judgements and estimates.</p>	<p>Our audit procedures included reviewing the nature and value of the provision and any changes from the prior year to determine the reasonableness of the current year provision; reviewing the reasonableness of the significant judgments and estimates applied, testing a sample of payments to ensure they were attributable to the relevant project provision; and reviewing the appropriateness of the rate used to index future cost estimates and discount the provision, and the accuracy of the calculation.</p>
 <p>Defined benefit superannuation liability – \$11.3 million</p>	<p>Landcom reports defined benefit superannuation liabilities at each balance date. The administrator of the superannuation schemes determined this liability balance based on independent actuarial assessments.</p> <p>Our audit risk rating for the defined benefit superannuation liability is higher because the underlying liability valuation model is complex due to the significant degree of judgement involved, and the total value of the liability is sensitive to minor changes in valuation inputs.</p>	<p>Our audit procedures included understanding the processes and key controls in place to support the inputs into the model and the calculation; assessing the completeness and accuracy of the membership data used in the model; reviewing the reasonableness of the methodology and key assumptions; and reviewing the presentation in the financial statements in accordance with Australian Accounting Standards.</p>


NSW Land and Housing Corporation


NSW Land and Housing Corporation (LAHC) addresses the need for social housing across NSW. Social housing is provided by the NSW Government for some of the most vulnerable people in our communities. LAHC builds and manages the largest social housing portfolio in Australia.

	Key financial statement risk	Audit response
 <p>Property, plant and equipment – \$52.4 billion</p>	<p>LAHC has a large social housing portfolio with property assets being acquired, sold, redeveloped or refurbished on an ongoing basis. The most significant asset class is residential land and buildings, which account for 98 per cent of LAHC's total property, plant and equipment.</p> <p>These assets are measured at fair value based on their market value.</p> <p>Our audit risk rating for property, plant and equipment is higher because these assets are proportionately significant to LAHC's financial statements and are subject to management judgements and estimates when determining their fair values. These judgements and estimates often require the assistance of a qualified valuer.</p>	<p>Our audit procedures included testing the accuracy and completeness of the asset register; reviewing the appropriateness of the valuation methods, assumptions and judgements applied; and reviewing the presentation in the financial statements in accordance with Australian Accounting Standards.</p>

Place Management NSW


Place Management NSW (PMNSW) is responsible for Sydney's most historically and culturally significant waterfront locations. PMNSW manages significant commercial and retail leases, provides security, cleaning, building maintenance and other asset management services, and cares for the public domain and over 100 heritage items.


	Key financial statement risk	Audit response
 <p>Property, plant and equipment – \$1.8 billion</p>	<p>PMNSW's property, plant and equipment mainly consists of:</p> <ul style="list-style-type: none"> land and buildings service concession assets. <p>These assets account for 87 per cent of PMNSW's total property, plant and equipment.</p> <p>These assets are measured at fair value based on their current replacement cost or market value.</p> <p>Our audit risk rating for property, plant and equipment is higher because these assets are proportionately significant to PMNSW's financial statements and are subject to management judgements and estimates when determining their fair values. These judgements and estimates often require the assistance of a qualified valuer.</p>	<p>Our audit procedures included testing the accuracy and completeness of the asset register; reviewing the appropriateness of the valuation methods, assumptions and judgements applied; and reviewing the presentation in the financial statements in accordance with Australian Accounting Standards.</p>

	Key financial statement risk	Audit response
 <p>Service concession arrangement – \$464 million</p>	<p>PMNSW adopted AASB 1059 'Service Concession Arrangements: Grantors' (AASB 1059) from 1 July 2020. This resulted in adjustments at the 1 July 2019 as follows:</p> <ul style="list-style-type: none"> • increase in total liabilities of \$464 million • decrease in accumulated funds of \$464 million. <p>Our audit risk rating for the service concession arrangements is higher because the related balances are financially significant to PMNSW's financial statements; PMNSW applied the new standard AASB 1059 for the first time; and the methods used to value the service concession assets and liabilities are complex and involve significant judgements and assumptions.</p>	<p>Our audit procedures included examining contracts, valuation reports and professional accounting advice to assess the reasonableness of the accounting treatment; assessing the appropriateness of the methodology, key assumptions and judgements applied; assessing the adequacy of the financial statement disclosures against the requirements of applicable Australian Accounting Standards.</p>

Property NSW


Property NSW is responsible for the management and delivery of large scale or complex real estate projects, transactions, workplace strategy, design and delivery, and manages the state's significant property portfolio.

	Key financial statement risk	Audit response
 <p>Property, plant and equipment – \$1.0 billion</p>	<p>Property NSW's property, plant and equipment mainly consists of land and buildings, which account for 96 per cent of the total property, plant and equipment. These assets are measured at fair value based on their market value.</p> <p>Our audit risk rating for property, plant and equipment is higher because these assets are proportionately significant to the financial statements of Property NSW and are subject to management judgements and estimates when determining their fair values. These judgements and estimates often require the assistance of a qualified valuer.</p>	<p>Our audit procedures included testing the accuracy and completeness of the asset register; reviewing the appropriateness of the valuation methods, assumptions and judgements applied; and reviewing the presentation in the financial statements in accordance with Australian Accounting Standards.</p>

	Key financial statement risk	Audit response
 <p>Lease Accounting – \$3.6 billion of finance lease receivables \$748 million of right-of-use assets \$4.2 billion of lease liabilities</p>	<p>Property NSW manages the NSW Government's owned and leased properties. It utilises the LeaseAccelerator (LA) system to calculate and generate lease accounting information for the financial statements of Property NSW, other NSW Government agencies and Total State Sector Accounts (TSSA).</p> <p>Our audit risk rating for lease accounting is higher because the lease related balances are financially significant to Property NSW's financial statements. The lease calculation also involves significant management judgements and estimates. These judgements and estimates require assistance from the relevant agencies to ensure accuracy and completeness of the inputs.</p>	<p>Our audit procedures included evaluating the design, implementation and operating effectiveness of controls over lease data administration and master file maintenance process; assessing the validity, completeness and accuracy of the lease balances; verifying the accuracy of lease data incorporated into the systems; and performing recalculation of lease related balances.</p>

Sydney Water Corporation

Sydney Water Corporation (SWC) is a State owned corporation that supplies customers in Greater Sydney and Illawarra with safe drinking water. SWC is also a custodian of wastewater, recycled water and some stormwater services, ensuring the communities can enjoy healthy rivers and clean beaches.

	Key financial statement risk	Audit response
 <p>System assets – \$18.4 billion</p>	<p>SWC's system assets are highly specialised assets, which comprise infrastructure used to deliver water, wastewater and stormwater services to customers through an integrated network. They account for 86 per cent of SWC's total property, plant and equipment. These assets are measured at fair value using an income approach.</p> <p>Our audit risk rating for system assets is higher because these assets are proportionately significant to SWC's financial statements and the discounted cash flow (DCF) model used to value the system assets is complex and involves significant judgements and assumptions.</p>	<p>Our audit procedures included understanding SWC's approach to estimating the fair value of system assets; reviewing the reasonableness of the valuation methods, assumptions and judgements applied in the DCF model; and reviewing the presentation in the financial statements in accordance with Australian Accounting Standards.</p>

	Key financial statement risk	Audit response
 <p>Service concession arrangement – \$194 million</p>	<p>SWC adopted AASB 1059 'Service Concession Arrangements: Grantors' (AASB 1059) from 1 July 2020. This resulted in adjustments at the 1 July 2019 as follows:</p> <ul style="list-style-type: none"> • increase in total liabilities of \$194 million • decrease in retained earnings of \$194 million. <p>Our audit risk rating for the service concession arrangements is higher because the related balances are financially significant to SWC's financial statements; SWC applied the new standard AASB 1059 for the first time; and the methods used to value the service concession assets and liabilities are complex and involve significant judgements and assumptions.</p>	<p>Our audit procedures included examining contracts, valuation reports and professional accounting advice to assess the reasonableness of the accounting treatment; assessing the appropriateness of the methodology, key assumptions and judgements applied; assessing the adequacy of the financial statement disclosures against the requirements of applicable Australian Accounting Standards.</p>
 <p>Defined benefit superannuation liability – \$661 million</p>	<p>SWC reports defined benefit superannuation liabilities at each balance date. The administrator of the superannuation schemes determined this liability balance based on independent actuarial assessments.</p> <p>Our audit risk rating for the defined benefit superannuation liability is higher because this liability is financially significant to SWC's financial statements; the underlying liability valuation model is complex due to the significant degree of judgement involved; and the total value of the liability is sensitive to minor changes in valuation inputs.</p>	<p>Our audit procedures included understanding the processes and key controls in place to support the inputs into the model and the calculation; assessing the completeness and accuracy of the membership data used in the model; reviewing the reasonableness of the methodology and key assumptions; and reviewing the presentation in the financial statements in accordance with Australian Accounting Standards.</p>
 <p>Accrued unbilled water usage charges – \$176 million</p>	<p>SWC records accrued revenue from unread meters for customers' water usage. This is an estimate where meter data is not known at balance date.</p> <p>Our audit risk rating for accrued revenue is higher because significant judgement and uncertainty is involved in calculating the accrual.</p>	<p>Our audit procedures included understanding the processes and key controls in place to determine the estimated unbilled water usage charges; reviewing the reasonableness of the key assumptions; and testing the accuracy of the calculation.</p>

3. Audit observations

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

This chapter outlines our observations and insights from our financial statements audits of agencies in the Planning, Industry and Environment cluster.

Section highlights

- The number of findings reported to management has increased from 135 in 2019–20 to 180 in 2020–21, and 40 per cent were repeat issues.
- Seven high-risk issues were identified in 2020–21, and three high-risk findings were repeat issues.
- There continues to be significant deficiencies in Crown land records. The Department should prioritise action to ensure the Crown land database is complete and accurate.

3.1 Findings reported to management

The number of findings reported to management has increased, and 40 per cent were repeat issues

Breakdowns and weaknesses in internal controls increase the risk of fraud and error. Deficiencies in internal controls, matters of governance interest and unresolved issues were reported to management and those charged with governance of agencies. The Audit Office does this through management letters, which include observations, related implications, recommendations and risk ratings.

In 2020–21, there were 180 findings raised across the cluster (135 in 2019–20). Forty per cent of all issues were repeat issues (35 per cent in 2019–20).

The most common repeat issues related to information technology user access controls and monitoring, and improvements in property, plant and equipment valuation review and quality assurance processes.

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

Recommendation (repeat issue)

Cluster agencies should prioritise and action recommendations to address internal control deficiencies, with a focus on addressing high-risk and repeat issues.

2020–21 audits identified seven high-risk findings
















High-risk findings, including repeat findings, were reported at the following cluster agencies. Three of the high-risk findings were repeat issues.


Agency	Description
2020–21 findings	
Centennial Park and Moore Park Trust (new finding)	<p>Accounting and valuation of tree assets</p> <p>The Centennial Park and Moore Park Trust (CPMPT) records tree assets in its financial statements, which are subject to fair value measurement. Issues were identified in relation to the tree assets' valuation methodology, depreciation and consumption of utility, accounting treatment for removal/ disposal of trees, and dependency on professional experts.</p> <p>Not appropriately addressing these issues increases the risk of material misstatements in CPMPT's financial statements.</p>
Department of Planning, Industry and Environment (repeat finding)	<p>Access to key SAP transactions were not properly restricted and segregated</p> <p>The Department maintains three separate SAP application systems: SAP DPE, SAP OEH and SAP MyHQ. Control deficiencies were identified relating to user access to HR and payroll management, vendor master data management and finance journal processing.</p> <p><i>HR and payroll management</i></p> <ul style="list-style-type: none"> • Access to change employee master data and payroll processing in SAP DPE and SAP MyHQ were not properly restricted. • Users with access to change employee master data in SAP DPE and SAP MyHQ also had access to run payroll process (segregation of duties issue). • Users with access to change employee master data in SAP MyHQ could change their own salary. <p><i>Vendor master data management</i></p> <ul style="list-style-type: none"> • Access to approve vendor master data changes in SAP OEH was not properly restricted. • User with access to initiate vendor creation/ changes in SAP DPE could manually remove the vendor block status prior to approval. Block status aims to prevent a vendor to be used before the vendor details are reviewed and approved. <p><i>Finance</i></p> <ul style="list-style-type: none"> • SAP OEH currently does not have system enforced functionality to prevent the preparers of the manual journals to post the journals in the system. <p>This matter was reported as a high-risk finding because these issues increase the risk of inappropriate or unauthorised transactions and changes to the systems. Furthermore, some of these issues were first identified and reported in 2018 but have not yet been satisfactorily addressed.</p> <p>In previous years, the above matters were reported as moderate risk issues. Given these issues have been long outstanding and collectively would significantly increase the risk of fraud if not being addressed in a timely manner, the risk rating was escalated to high in 2020–21.</p> <p>The audit team performed additional audit procedures in response to the above issues, and no inappropriate or unauthorised transactions or changes were identified in 2020–21.</p>


Agency	Description
2020–21 findings	
Lord Howe Island Board (repeat finding)	<p>Privileged user access rights</p> <p>The Lord Howe Island Board (LHIB) has a number of staff who are super users or administrators at the network, application and database levels. External service providers also have privileged access rights using generic accounts. LHIB does not regularly review these user access rights or monitor the activities of the privileged users.</p> <p>This matter was reported as a high-risk finding because these issues increase the risk of inappropriate or unauthorised transactions and changes to the systems.</p>
Natural Resources Access Regulator (new finding)	<p>Improvement to the financial reporting processes</p> <p>The Natural Resources Access Regulator (NRAR) identified and adjusted three prior period errors retrospectively (refer to section 2.4 'key accounting issues' for details). To reduce the risk of material misstatements in NRAR's financial statements, management should review and improve the existing financial reporting processes and ensure timely communication between the business and the finance team.</p> <p>This matter was reported as a high-risk issue because of the large number of prior period errors reported in current year, which indicate deficiencies within the existing financial reporting processes.</p>
Parramatta Park Trust (new finding)	<p>Accounting and valuation of tree assets</p> <p>The Parramatta Park Trust (PPT) records tree assets in its financial statements, which are subject to fair value measurement. Issues were identified in relation to the tree assets' valuation methodology, depreciation and consumption of utility, accounting treatment for removal/ disposal of trees, and dependency on professional experts.</p> <p>Not appropriately addressing these issues increases the risk of material misstatements in PPT's financial statements.</p>
Planning Ministerial Corporation (new finding)	<p>Finalisation of lease agreements for Penrith Whitewater Stadium and Sydney International Regatta Centre</p> <p>The Penrith Whitewater Stadium (PWS) and Sydney International Regatta Centre (SIRC) are currently managed by Penrith City Council and the Office of Sport (OoS) based on lease agreements that were never executed. The Planning Ministerial Corporation (PMC) is the legal owner of these properties. For PWS, PMC recognised both the built assets and the related land assets in its financial statements. For SIRC, PMC recognises the land assets whilst OoS recognises the SIRC built assets on the basis that OoS manages and controls the built assets for many years.</p> <p>Formalising the lease arrangements will provide all parties with certainty over occupancy of the site, responsibility for maintenance, upgrade or any other costs incurred to manage the buildings.</p> <p>This matter was reported as a high-risk finding because the issue was first reported in 2015 and has not yet been resolved.</p>
Wentworth Park Sporting Complex Land Manager (repeat finding)	<p>Indeterminable loan with Greyhound Racing NSW</p> <p>The Wentworth Park Sporting Complex Land Manager (Land Manager) has a \$6.5 million loan with Greyhound Racing NSW (GRNSW). GRNSW requested the Land Manager to repay the loan. However, the Land Manager subsequently requested GRNSW to convert the status of the loan to a grant.</p> <p>Should the loan become payable, the Land Manager would not be able to continue as a going concern without financial support. This matter has been raised as a repeat high-risk issue for many years and remains unresolved.</p>


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


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

Risk rating	Issue
Information technology	
 High: 0 new, 2 repeat  Moderate: 24 new, 21 repeat  Low: 8 new, 3 repeat	The financial audits identified internal control weaknesses across information technology processes and controls that support the integrity of financial data used to prepare agencies' financial statements. Of particular concern are issues associated with: <ul style="list-style-type: none"> • monitoring and management of user access, including privileged users • segregation of duties • outdated policies and procedures • governance of third party providers.
Internal control deficiencies or improvements	
 High: 1 new, 0 repeat  Moderate: 18 new, 11 repeat  Low: 10 new, 3 repeat	The financial audits identified internal control weaknesses across key business processes, including: <ul style="list-style-type: none"> • lack of review and approval of payroll reports and masterfile data • purchase orders are not raised and approved prior to committing to expenditures.
Financial reporting	
 High: 3 new, 1 repeat  Moderate: 12 new, 14 repeat  Low: 13 new, 2 repeat	The financial audits identified internal control weaknesses in financial reporting process, including: <ul style="list-style-type: none"> • lack of documentation and review of key assumptions and methodologies used for valuation and fair value assessment • using incorrect on-cost rates for employee leave entitlement calculations • lack of documented review of accounting estimates.
Governance and oversight	
 High: 0 new, 0 repeat  Moderate: 5 new, 4 repeat  Low: 2 new, 2 repeat	The financial audits identified internal control weaknesses and deficiencies in governance and oversight processes, including outdated or unsigned service level agreements.
Non-compliance with key legislation and/or central agency policies	
 High: 0 new, 0 repeat  Moderate: 9 new, 8 repeat  Low: 3 new, 1 repeat	The financial audits identified the need for agencies to improve its compliance with key legislation and central agency policies, including updating: <ul style="list-style-type: none"> • outdated policies and procedures • outdated delegation manuals.

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

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

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

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

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

The number of moderate risk findings increased from prior year

One hundred and twenty-six moderate risk findings were reported in 2020–21, representing a 30 per cent increase from 2019–20. Of these, 58 were repeat findings, and 68 were new issues.

Moderate risk findings mainly related to:

- weaknesses in user access management and privileged user controls and monitoring
- inappropriate segregation of duties for user profiles
- reviewing and documentation of comprehensive revaluation and fair value assessment of property, plant and equipment, including data, assumptions and methodology used
- deficiencies in payroll process controls where payroll reports and checklists for staff onboarding were not completed in a timely manner or not independently reviewed
- deficiencies in expenditure controls where goods or services were receipted without purchase orders
- process improvements for review of key financial reporting tasks such as review of reconciliations and workpapers for accounting estimates
- outdated key policies, procedures and delegation documents.

3.2 Recognition of Crown land

The Department is responsible for oversight of the management of NSW Crown land, which it estimates to cover approximately 34 million hectares or 42 per cent of the State. Crown land includes parks, reserves, roads and cemeteries. Parcels of Crown land are managed and controlled by numerous public and private sector organisations, including corporations, statutory bodies and local councils.

There continues to be significant deficiencies in Crown land records

Recommendation (repeat issue)

The Department should prioritise action to ensure the Crown land database is complete and accurate. This will allow the Department and Crown land managers to be better informed about the Crown land they control.

The Department maintains the Crown Land Information Database (CLID), which records various details about the Crown land in New South Wales managed and controlled by the Department and Crown land managers. For several years, we have reported deficiencies in the recording of Crown land assets in CLID.

While the Department implemented a number of initiatives to remediate the system over the past few years, the audit process continued to identify deficiencies in Crown land records. Examples include:

- incorrect entity identified as the manager of some Crown land
- incorrect status of Crown land
- incorrect records relating to Crown land, such as land size and use
- delays in updating changes to CLID.

Auditor-General's Reports to Parliament since 2017 have recommended that the Department should ensure the Crown land database is complete and accurate. This would enable the Department and other Crown land managers to confirm all Crown land that should be recognised, and that different organisations are not recognising the same parcel of Crown land.

The completion of CLID replacement project is expected to be delayed

In November 2018, the Department commenced the implementation of CrownTracker as a replacement system for CLID. CrownTracker is a case management system. The Department advised the end-to-end business processes in CrownTracker system will remove current deficiencies in workflow management within CLID that can lead to reconciling items.

The first release of CrownTracker system went live in April 2020, and included functionality for reserves, aboriginal land claims, compliance, land status searches, spatial, request management and a reserve manager portal. Work is progressing on CrownTracker Release 2 (CTR2) and CrownTracker Release 3 (CTR3) scopes.

CTR2 will include functionality for Crown land licences and landowners' consent. It was originally scheduled for release in November 2021. The Department advised CTR2 implementation was delayed because COVID-19 restrictions impacted user acceptance testing. The revised 'go-live' date is expected to occur before June 2022.

CTR3 will include functionality for leases, Crown land valuations, roads and land disposals, and SAP integration. The revised completion date for CTR3 will be confirmed by June 2022. The project was originally due for completion by 30 June 2021.

The Department advised the key differences between CrownTracker and CLID include:

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

Section two

Appendices

Appendix one – Misstatements in financial statements submitted for audit

	2020–21			2019–20		
	Uncorrected	Corrected	Total	Uncorrected	Corrected	Total
Principal department						
Department of Planning, Industry and Environment	--	2	2	--	3	3
Environment, energy and science						
Biamanga National Park Board of Management	--	--	--	--	--	--
Environment Protection Authority	--	--	--	--	1	1
Environmental Trust	--	--	--	--	--	--
Essential Energy	3	--	3	2	--	2
Gulaga National Park Board of Management	N/A	N/A	N/A	--	1	1
Jenolan Caves Reserve Trust	--	4	4	--	2	2
Lord Howe Island Board	1	4	5	4	3	7
Mt Grenfell Historic Site Board of Management	--	--	--	N/A	N/A	N/A
Mutawintji Board of Management	--	1	1	--	--	--
NSW Biodiversity Conservation Trust	--	--	--	--	--	--
Taronga Conservation Society Australia	--	--	--	--	--	--
Worimi Conservation Lands Board of Management	^	^	^	--	3	3
Housing and property						
Aboriginal Housing Office	2	1	3	--	--	--
Cemeteries and Crematoria NSW	--	--	--	--	--	--
NSW Land and Housing Corporation	--	--	--	--	--	--
Property NSW	1	2	3	1	2	3
Teacher Housing Authority of New South Wales	--	1	1	--	--	--
Waste Assets Management Corporation	--	1	1	--	1	1

	2020–21			2019–20		
	Uncorrected	Corrected	Total	Uncorrected	Corrected	Total
Land manager						
Lands Administration Ministerial Corporation	--	--	--	--	1	1
Northern Metropolitan Cemeteries Land Manager	--	--	--	--	--	--
NSW Crown Holiday Parks Land Manager	--	--	--	--	1	1
Rookwood General Cemeteries Reserve Land Manager	1	1	2	1	1	2
Rookwood Necropolis Trust	--	--	--	--	--	--
Southern Metropolitan Cemeteries Land Manager	3	1	4	--	--	--
Wentworth Park Sporting Complex Trust	--	--	--	--	2	2
60 non-exempt CLMs (based on preliminary assessment)	#	#	#	#	#	#
120 Common Trusts	#	#	#	#	#	#
Planning and public spaces						
Centennial Park and Moore Park Trust	1	1	2	--	2	2
Hunter and Central Coast Development Corporation	2	--	2	--	2	2
Independent Planning Commission	--	1	1	a	a	a
Landcom	--	1	1	--	--	--
Luna Park Reserve Trust	--	2	2	--	--	--
Natural Resources Commission	--	--	--	--	--	--
Parramatta Park Trust	1	--	1	--	3	3
Place Management NSW	--	2	2	--	3	3
Planning Ministerial Corporation	--	1	1	--	2	2
Royal Botanic Gardens and Domain Trust	--	7	7	1	1	2
Sydney Olympic Park Authority	--	3	3	--	--	--
Western Sydney Parklands Trust	--	--	--	--	2	2

	2020–21			2019–20		
	Uncorrected	Corrected	Total	Uncorrected	Corrected	Total
Special deposit account						
Crown Reserves Improvement Fund	^	^	^	--	1	1
Water						
Cobar Water Board	--	--	--	--	--	--
Dams Safety NSW	--	--	--	--	1	1
Hunter Water Corporation	--	--	--	--	--	--
Natural Resources Access Regulator	--	1	1	--	1	1
Sydney Water Corporation	1	--	1	--	--	--
Water Administration Ministerial Corporation*	^	^	^	^	^	^
Water NSW	--	1	1	2	--	2
WaterNSW Infrastructure Pty Ltd	--	--	--	1	--	1
Total	16	38	54	12	39	51

N/A Exempted from financial reporting.

a Prior to 2020–21, the Independent Planning Commission (IPC) was not required to prepare separate financial statements under the PF&A Act. From 2020–21, the IPC is required to prepare financial statements under the GSF Act.

^ Audits for these agencies are ongoing.

* The audits of Water Administration Ministerial Corporation's financial statements from 2011 to 2020 were outstanding due to insufficient supporting records, particularly for the earlier years. These audits are currently underway. The 30 June 2021 financial statements were submitted on time, and the 2020–21 audit will commence shortly.

The Department is currently finalising the 2020–21 reporting exemption assessment for the CLMs. The preliminary assessment indicates that 60 State controlled CLMs do not meet the reporting exemption criteria and therefore, are required to prepare 30 June 2021 financial statements. To date, no CLMs have prepared and submitted financial statements for audit in 2020–21. The Department is seeking NSW Treasury's approval to extend the submission date for CLM's' 2020–21 financial statements. All 120 common trusts have never submitted financial statements for audit.

Source: 2021 Engagement Closing Reports issued to cluster agencies.

Appendix two – Early close procedures

No.	Procedure	Description
1	Proforma financial statements	Complete proforma financial statements and ensure management has endorsed the statements and reviewed the supporting working papers. Reconcile the March 2021 month-end Prime submission to the proforma financial statements and provide explanations for variances exceeding \$5.0 million.
2	Fair value assessment of property, plant and equipment	Perform and document an annual assessment of the fair value of property, plant and equipment, their useful lives and residual values, and the reasons why the carrying value was not materially different to the fair value. This assessment is performed between comprehensive revaluations.
3	Revaluation of property, plant and equipment	Complete the comprehensive revaluation of property, plant and equipment by early close.
4	Inter and intra (cluster) agency transactions and balances	Agree and confirm all inter and intra (cluster) agency balances and transactions with the counterparty agency.
5	Significant management judgements and assumptions	Document all significant management judgements and assumptions made when estimating transactions and balances.
6	Reconciliation of key account balances	Reconcile all key account balances (including annual leave provisions) and clear reconciling items.
7	Changes in accounting policy	Review and agree changes in accounting policy with the Principal Cluster Agency.
8	Finalise right-of-use assets and lease liability balances	Ensure that all lease arrangements are accurate and complete.
9	Finalise assessment of all revenue contracts	Ensure revenue is accurate and complete and has been correctly accounted for under AASB 15 'Revenue from Contracts with Customers' or AASB 1058 'Income of Not-for-Profit Entities'.
10	Correction of material prior period errors	Confirm there are no changes to the 2019–20 closing balances except for adjustments for AASB 1059 'Service Concession Arrangements: Grantor' and TPP06-08 'Accounting for Privately Financed Projects'. Proposed changes are accompanied by journals, explanations and proposed disclosures.
11	Monthly management reports	Perform variance analysis with meaningful explanations for actuals versus budget, and year-to-date actuals for the previous year.
12	Changes to legislation	Identify and document changes to legislation affecting agency structures and/or financial reporting requirements.
13	Delegations	Ensure all material transactions are supported by appropriate delegations.
14	Prior year Management Letter and Engagement Closing Report issues	Agreed action plans are in place to address prior year Management Letter and Engagement Closing Report issues. Explanations are provided for any unresolved issues(s).

No.	Procedure	Description
15	Complete Commonwealth Funding Agreement – Revenue Assessment Form for Commonwealth Funding Agreements	Complete and return the 'Commonwealth Funding Agreement – Revenue Assessment Form for Commonwealth Funding Agreements' for all new and amended Commonwealth Funding Agreements entered or amended during the 2020–21 financial year.
16	New and updated accounting standards	Supporting workpapers evidencing how management has considered the requirements of new and updated accounting standards.

Appendix three – Timeliness of financial reporting

Cluster agencies	2020–21 Financial statements submission	Date audit report was issued
Principal department		
Department of Planning, Industry and Environment	✓	6 October 2021
Energy, environment and science		
Biamanga National Park Board of Management	✓	9 December 2021
Environment Protection Authority	✓	19 October 2021
Environmental Trust	✓	13 October 2021
Essential Energy	✓	16 September 2021
Jenolan Caves Reserve Trust	✓	29 October 2021
Lord Howe Island Board	—	13 December 2021
Mt Grenfell Historic Site Board of Management	✓	10 December 2021
Mutawintji Board of Management	✓	9 December 2021
NSW Biodiversity Conservation Trust	✓	29 September 2021
Taronga Conservation Society Australia	✓	31 August 2021
Worimi Conservation Lands Board of Management	✓	^
Housing and property		
Aboriginal Housing Office	✓	15 October 2021
Cemeteries and Crematoria NSW	✓	15 October 2021
NSW Land and Housing Corporation	✓	14 October 2021
Property NSW	✓	8 October 2021
Teacher Housing Authority of NSW	✓	8 October 2021
Waste Assets Management Corporation	✓	7 October 2021
Land manager		
Catholic Metropolitan Cemeteries Trust	!	**
Lands Administration Ministerial Corporation	✓	30 September 2021
Northern Metropolitan Cemeteries Land Manager	✓	10 November 2021
NSW Crown Holiday Parks Land Manager	✓	7 October 2021
Rookwood General Cemeteries Reserve Land Manager	✓	22 September 2021
Rookwood Necropolis Trust	✓	2 November 2021
Southern Metropolitan Cemeteries Land Manager	✓	18 November 2021
Wentworth Park Sporting Complex Trust	✓	22 October 2021

Cluster agencies	2020–21 Financial statements submission	Date audit report was issued
60 non-exempt CLMs (based on preliminary assessment)	!	#
120 Common Trusts	!	#
Planning and public spaces		
Centennial Park and Moore Park Trust	✓	12 November 2021
Hunter and Central Coast Development Corporation	✓	5 October 2021
Independent Planning Commission	✓	22 October 2021
Landcom	✓	26 August 2021
Luna Park Reserve Trust	✓	7 October 2021
Natural Resources Commission	✓	8 October 2021
Parramatta Park Trust	✓	12 November 2021
Place Management NSW	✓	12 October 2021
Planning Ministerial Corporation	–	7 October 2021
Royal Botanic Gardens and Domain Trust	✓	14 October 2021
Sydney Olympic Park Authority	–	19 October 2021
Western Sydney Parklands Trust	✓	12 November 2021
Special deposit account		
Crown Reserves Improvement Fund	✓	^
Water		
Cobar Water Board	✓	21 September 2021
Dams Safety NSW	✓	27 October 2021
Hunter Water Corporation	✓	27 August 2021
Natural Resources Access Regulator	✓	6 December 2021
Sydney Water Corporation	✓	23 August 2021
Water Administration Ministerial Corporation *	✓	^
Water NSW	✓	30 September 2021
WaterNSW Infrastructure Pty Ltd	✓	22 September 2021

✓ Original reporting deadline, including Treasury's revised reporting deadline was met.

– Treasury's approved extension timeframe was met.

! Treasury's reporting deadline was not met.

^ Audits for these agencies are ongoing.

* The audits of Water Administration Ministerial Corporation's financial statements from 2011 to 2020 were outstanding due to insufficient supporting records, particularly for the earlier years. These audits are currently underway. The 30 June 2021 financial statements were submitted on time, and the 2020–21 audit will commence shortly.

** The Catholic Metropolitan Cemeteries Trust (CMCT) continues to maintain they are not controlled by the State. Consequently, their financial statements have not been provided to the Audit Office for audit.

The Department is currently finalising the 2020–21 reporting exemption assessment for the CLMs. The preliminary assessment indicates that 60 State controlled CLMs do not meet the reporting exemption criteria and therefore, are required to prepare 30 June 2021 financial statements. To date, no CLMs have prepared and submitted financial statements for audit in 2020–21. The Department is seeking NSW Treasury's approval to extend the submission date for CLM's 2020–21 financial statements. All 120 common trusts have never submitted financial statements for audit.

Appendix four – Financial data

	Total assets		Total liabilities		Total revenue*		Total expense**	
	2021	2020	2021	2020	2021	2020	2021	2020
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Principal department								
Department of Planning, Industry and Environment***	15,498	15,766	1,304	1,249	4,777	4,878	5,094	4,775
Environment, energy and science								
Biamanga National Park Board of Management	2	2	--	--	--	--	--	--
Environment Protection Authority***	73	58	36	24	216	183	213	181
Environmental Trust	8	7	3	3	64	56	63	56
Essential Energy	9,055	8,928	6,687	6,588	1,527	1,514	1,524	1,558
Gulaga National Park Board of Management	N/A	1	N/A	--	N/A	--	N/A	--
Jenolan Caves Reserve Trust	38	33	3	3	17	9	13	12
Lord Howe Island Board	104	97	8	6	14	14	14	16
Mt Grenfell Historic Site Board of Management	1	1	--	--	--	--	--	--
Mutawintji Board of Management	3	2	--	--	1	1	--	--
NSW Biodiversity Conservation Trust	242	150	54	31	99	72	31	43
Taronga Conservation Society Australia	723	701	102	92	142	125	129	123
Worimi Conservation Lands Board of Management^	10	9	--	--	3	2	1	1
Housing and property								
Aboriginal Housing Office	2,308	2,179	36	30	185	159	134	120
Cemeteries and Crematoria NSW	2	2	--	--	3	2	3	2
NSW Land and Housing Corporation	53,479	52,372	981	924	1,260	971	1,516	1,439
Property NSW	5,706	5,881	4,447	4,731	400	407	413	573
Teacher Housing Authority of New South Wales	198	182	12	5	42	19	43	25
Waste Assets Management Corporation	78	81	61	54	9	5	18	5

	Total assets		Total liabilities		Total revenue*		Total expense**	
	2021	2020	2021	2020	2021	2020	2021	2020
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Land manager								
Lands Administration Ministerial Corporation	241	241	3	1	4	42	10	4
Northern Metropolitan Cemeteries Land Manager	215	196	49	43	29	28	22	21
NSW Crown Holiday Parks Land Manager	358	345	32	37	68	51	60	51
Rookwood General Cemeteries Reserve Land Manager	238	203	4	4	54	20	18	18
Rookwood Necropolis Trust	26	24	--	1	3	3	1	1
Southern Metropolitan Cemeteries Land Manager	205	163	13	11	46	17	25	21
Wentworth Park Sporting Complex Trust	63	57	7	7	2	1	3	3
60 non-exempt CLMs (based on preliminary assessment)	#	#	#	#	#	#	#	#
120 Common Trusts	#	#	#	#	#	#	#	#
Planning and public spaces								
Centennial Park and Moore Park Trust	1,370	1,225	8	9	58	40	38	37
Hunter and Central Coast Development Corporation	248	229	73	72	79	43	77	61
Independent Planning Commission***	3	--	2	--	10	6	8	6
Landcom	864	828	223	194	163	180	146	154
Luna Park Reserve Trust	45	44	--	--	2	3	1	3
Natural Resources Commission***	7	7	9	7	9	8	10	10
Parramatta Park Trust	111	80	6	4	34	5	5	5
Place Management NSW	2,877	2,826	1,853	1,885	283	295	269	299
Planning Ministerial Corporation	1,906	1,864	213	208	34	84	38	36
Royal Botanic Gardens and Domain Trust	983	939	21	34	106	81	63	58
Sydney Olympic Park Authority	3,043	2,992	27	24	150	104	179	203
Western Sydney Parklands Trust	1,326	1,071	40	22	49	70	16	14

	Total assets		Total liabilities		Total revenue*		Total expense**	
	2021	2020	2021	2020	2021	2020	2021	2020
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Special deposit account								
Crown Reserves Improvement Fund^	61	46	1	1	59	15	45	18
Water								
Cobar Water Board	77	80	1	1	7	4	7	5
Dams Safety NSW	1	1	--	--	4	3	4	3
Hunter Water Corporation	3,106	2,942	1,921	1,800	351	368	311	317
Natural Resources Access Regulator	10	9	9	8	29	25	29	25
Sydney Water Corporation	22,697	21,703	15,082	14,777	2,748	2,967	2,344	2,525
Water Administration Ministerial Corporation^	****	****	****	****	****	****	****	****
Water NSW***	3,401	3,235	2,532	2,426	499	421	464	448
WaterNSW Infrastructure Pty Ltd	432	424	330	312	26	25	22	22

N/A Exempted from financial reporting.

^ Audits for these agencies are ongoing.

* Include other gains.

** Include other losses and taxes, if applicable.

*** Figures disclosed are for the consolidated entity.

**** The audits of Water Administration Ministerial Corporation's financial statements from 2011 to 2020 were outstanding due to insufficient supporting records, particularly for the earlier years. These audits are currently underway. The 30 June 2021 financial statements were submitted on time, and the 2020–21 audit will commence shortly.

The Department is currently finalising the 2020–21 reporting exemption assessment for the CLMs. The preliminary assessment indicates that 60 State controlled CLMs do not meet the reporting exemption criteria and therefore, are required to prepare 30 June 2021 financial statements. To date, no CLMs have prepared and submitted financial statements for audit in 2020–21. The Department is seeking NSW Treasury's approval to extend the submission date for CLM's' 2020–21 financial statements. All 120 common trusts have never submitted financial statements for audit.

Source: Agencies audited 2020–21 financial statements.

OUR VISION

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

OUR PURPOSE

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

OUR VALUES

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

Level 19, Darling Park Tower 2
201 Sussex Street
Sydney NSW 2000 Australia

PHONE +61 2 9275 7100

mail@audit.nsw.gov.au

Office hours: 8.30am-5.00pm
Monday to Friday.