



FINANCIAL AUDIT

23 DECEMBER 2022

Treasury 2022

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 '**Treasury 2022**'.

A handwritten signature in black ink, appearing to read 'Ian Goodwin'.

Ian Goodwin
Deputy Auditor-General
23 December 2022

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RECONCILIATION COMMITMENT STATEMENT

The Audit Office of New South Wales pay our respect and recognise Aboriginal people as the traditional custodians of the land in NSW.

We recognise that Aboriginal people, as custodians, have a spiritual, social and cultural connection with their lands and waters, and have made and continue to make a rich, unique and lasting contribution to the State. We are committed to continue learning about Aboriginal and Torres Strait Islander peoples' history and culture.

We honour and thank the traditional owners of the land on which our office is located, the Gadigal people of the Eora nation, and the traditional owners of the lands on which our staff live and work. We pay our respects to their Elders past and present, and to the next generation of leaders.

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Section one

Treasury 2022

This report analyses the results of our audits of the Treasury cluster agencies for the year ended 30 June 2022.

1. Introduction

This report provides parliament and other users of the Treasury cluster's financial statements with the results of our audits, analysis, conclusions and recommendations in the following areas:

- financial reporting
- audit observations.

1.1 Snapshot of the cluster

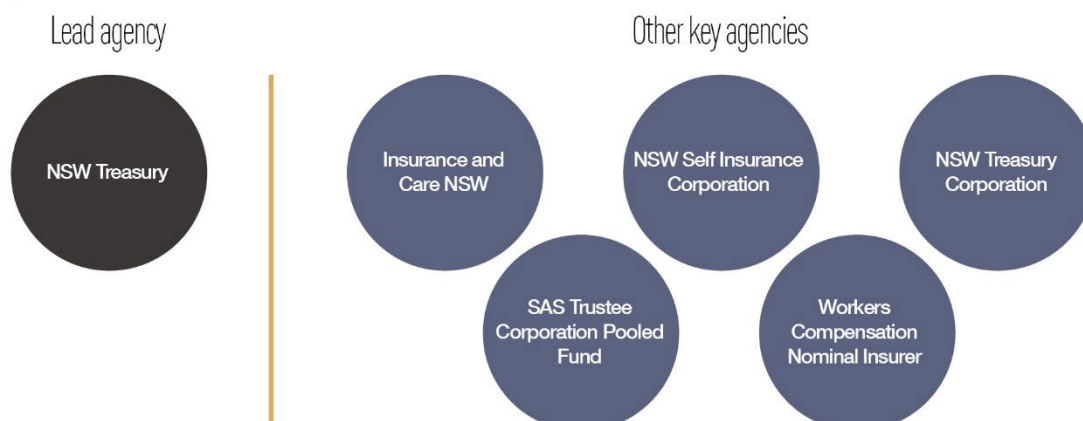
Treasury

Supporting the government's achievement of sustainable economic and financial position, and supporting the transition to net zero and a clean energy future.

State outcomes



Key agencies



Source: NSW Budget Papers 2022–23.

1.2 Changes to the cluster

Impact of administrative arrangements orders

Effective 1 April 2022, 'Administrative Arrangements (Second Perrottet Ministry–Transitional) Order 2021', the 'Administrative Arrangements (Administrative Changes–Miscellaneous) Order 2022' and the 'Administrative Arrangements (Administrative Changes–Miscellaneous) Order (No.2) 2022' resulted in the transfer of the following:

Transfers from the Treasury cluster

- persons employed in the Treasury to enable the Small Business Commissioner to exercise the commissioner's functions were transferred to the Department of Customer Service
- persons employed in the Treasury that provided support for NSW Business Connect were transferred to Service NSW

Transfers to the Treasury cluster

- persons employed in the Department of Planning and Environment involved in the administration of legislation allocated, or providing support, to the Minister for Energy were transferred to the Treasury.

Other changes to the cluster

New South Wales Treasury Corporation (TCorp) manages a number of specifically designed funds, and in 2021–22, the following occurred:

- the Snowy Hydro Legacy Fund Investment Trust was created on 14 December 2021, and
- seven new TCorpIM funds were created.

1.3 Changes to the cluster that will impact 2022–23

Restructure of Port Lessor entities

Effective 1 July 2022, Schedule 7 of the *Electricity Network Assets (Authorised Transactions) Act 2015* established three new Ministerial Holding Corporations to replace the following entities:

- Port Botany Lessor Pty Limited
- Port Kembla Lessor Pty Limited
- Port of Newcastle Lessor Pty Limited.

The new Ministerial Holding Corporations, unlike the prior Corporations Act companies, are not subsidiaries of the Ports Assets Ministerial Holding Corporation.

Other changes

Roads Retained Interest Pty Ltd was deregistered

Roads Retained Interest Pty Ltd (the corporation) was initially established to hold the State's 49% retained interest in the WestConnex (WCX) Group. On 29 October 2021, the sale of the State's remaining 49% interest in WCX to a private consortium was completed. The State received \$10.3 billion (plus \$823 million in stamp duty) in cash proceeds from the sale, which was paid into the NSW Generations (Debt Retirement) Fund as required by *NSW Generations Funds Act 2018*.

On 16 March 2022, the sole shareholder approved the corporation to apply for voluntary deregistration, and the financial statements for the year ended 30 June 2022 were prepared on a non-going concern (liquidation) basis. The corporation was deregistered on 5 October 2022.

Energy Industries Superannuation Scheme Pty Limited proposed merger

On 17 December 2021, Energy Industries Superannuation Scheme Pty Limited (EISS) as trustee to the Energy Industries Superannuation Scheme Pool A and Energy Industries Superannuation Scheme Pool B (the schemes), entered into a memorandum of understanding with United Super as trustee of Construction and Building Unions Superannuation Fund (Cbus Super) to explore a merger of the schemes with Cbus Super. EISS disclosed its intention to wind up the schemes following their merger within the next 12 months, and the schemes' financial statements for the year ended 30 June 2022 were prepared on a non-going concern (liquidation) basis.

Subsequent to the completion of the audit for the year ended 30 June 2022, a Merger Implementation Deed was signed with United Super to undertake a Successor Fund Transfer of the schemes to Cbus Super on 11 May 2023.

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 Treasury cluster (the cluster) for 2022.

Section highlights

- Unqualified audit opinions were issued on the general purpose financial statements of all cluster agencies.
- A qualified opinion was issued on the NSW Government's consolidated Total State Sector Accounts (TSSA), which are prepared by NSW Treasury. This is reported separately in our '[State Finances 2022](#)' NSW Auditor-General's Report to Parliament.
- Three qualified audit opinions were issued on special purpose financial reports, relating to whether payments from the funds complied with the relevant legislation.
- Reported corrected misstatements increased from seven in 2020–21 to ten in 2021–22 with a gross value of \$808.6 million. Reported uncorrected misstatements decreased from 17 in 2020–21 to 11 in 2021–22 with a gross value of \$85.7 million.
- Nine of 15 cluster agencies either did not submit or did not complete certain mandatory early close procedures on time.
- NSW Treasury corrected a \$39.7 million prior period error retrospectively in the financial statements as it overstated its accrual at 30 June 2021 relating to hotel quarantine costs.

2.1 Cluster financial information 2022

Agency	Total assets \$m 	Total liabilities \$m 	Total income* \$m 	Total expenses** \$m 
Principal department				
NSW Treasury	564	159	761	828
Other cluster agencies listed in Appendix A of Treasury Direction TD21-02				
Alpha Distribution Ministerial Holding Corporation	191	10	20	22
Building Insurers' Guarantee Corporation	--	--	--	--
Electricity Assets Ministerial Holding Corporation	138	52	2	10

Agency	Total assets \$m 	Total liabilities \$m 	Total income* \$m 	Total expenses** \$m 
Electricity Retained Interest Corporation - Ausgrid	5,804	--	302	1
Electricity Retained Interest Corporation - Endeavour Energy	3,054	--	90	25
Electricity Transmission Ministerial Holding Corporation	196	93	5	3
Epsilon Distribution Ministerial Holding Corporation	42	5	5	4
Insurance and Care NSW	335	322	946	946
Liability Management Ministerial Corporation	298	--	1	--
Lifetime Care and Support Authority of New South Wales	8,398	7,752	220	(248)
New South Wales Treasury Corporation	124,546	124,316	256	159
NSW Self Insurance Corporation	16,596	16,278	3,767	4,317
Ports Assets Ministerial Holding Corporation	288	--	62	44
Roads Retained Interest Pty Ltd	--	--	4,677	101
Workers Compensation (Dust Diseases) Authority	2,052	2,052	31	31
Other cluster agencies not listed in Appendix A of Treasury Direction TD21-02				
Energy Industries Superannuation Scheme Pool A	3,635	3,608	(287)	287
Energy Industries Superannuation Scheme Pool B	1,802	1,723	(142)	(26)
Energy Investment Fund	5,395	71	(429)	--
ERIC Alpha Holdings Pty Ltd	5,804	--	302	--
ERIC Epsilon Holdings Pty Ltd	3,054	--	89	24
SAS Trustee Corporation Pooled Fund	42,088	59,379	(100)	3,948
NSW TCorp Investment Funds***	41,449	471	(1,796)	36
43 NSW TCorp Investment Management Funds	74,590	443	(2,048)	179
Workers Compensation Nominal Insurer	18,549	19,795	2,599	3,592
Immaterial agencies	1,473	1,737	379	360

* Including other gains.

** Including other losses.

**** NSW TCorp Investment Funds includes Treasury Managed Fund Investment Portfolio, Long Service Corporation Investment Fund, Snowy Hydro Legacy Fund Investment Trust, Parliamentary Contributory Superannuation Fund Investment Trust, Insurer's Guarantee Fund Investment Trust, NSW Infrastructure Future Fund, Social and Affordable Housing NSW Fund Investment Trust, and NSW Generations (Debt Retirement) Fund Investment Trust. Excludes 43 NSW TCorp Investment Management Funds.

Source: Agencies audited 2021–22 financial statements.

2.2 Quality of financial reporting

Audit opinions

Unqualified audit opinions were issued on agencies' financial statements

Unqualified audit opinions were issued on all cluster agencies' 30 June 2022 financial statements. Sufficient and appropriate audit evidence was obtained to conclude the financial statements were free of material misstatement.

A qualified opinion was issued on the NSW Government's consolidated Total State Sector Accounts (TSSA), which are prepared by NSW Treasury. This is reported separately in our ['State Finances 2022'](#) NSW Auditor-General's Report to Parliament.

Seven 'emphasis of matter' paragraphs were included in the Independent Auditor's Reports

An emphasis of matter paragraph, which does not modify the audit opinion, was included in each of the following Independent Auditor's Reports:

- four individual TCorpIM funds
- Roads Retained Interest Pty Ltd
- Energy Industries Superannuation Scheme Pool A (EISS Pool A)
- Energy Industries Superannuation Scheme Pool B (EISS Pool B).

The financial reports for these entities were prepared on a non-going concern basis as they are expected to be wound up within the next twelve months. Roads Retained Interest Pty Ltd, EISS Pool A and EISS Pool B were prepared on a liquidation basis, and the four individual TCorp IM funds were prepared on a termination basis.

Unqualified audit opinions were issued on 22 of the 25 other engagements prepared by cluster agencies, and three were issued with qualified audit opinions

Cluster agencies prepared information for 25 engagements other than general purpose financial statements, during 2021–22. These included:

- six audits of special purpose financial reports of NSW Treasury administered funds
- audits of TCorp's description of controls with respect to their design and operating effectiveness over managed asset portfolios and investment management services, and of Commonwealth Guarantee Fee Forms
- an audit on the Energy Industries Superannuation Scheme Pty Limited and NSW Fire Brigades Superannuation Pty Ltd's compliance with requirements of the Australian Financial Services (AFS) Licence
- audit opinions on seven superannuation entities' Australian Prudential Regulation Authority (APRA) forms and regulatory compliance requirements.

Qualified audit opinions were issued on the following special deposit accounts:

- Electricity Retained Interest Corporation - Ausgrid (ERIC-A) Fund
- Electricity Retained Interest Corporation - Endeavour (ERIC-E) Fund
- Social and Affordable Housing NSW Fund.

Qualified audit opinions were issued as payments from these funds did not comply with the relevant legislation. The audits found instances where payments were made from the funds that exceeded the relevant delegation instruments. This is further discussed in Chapter 3 'Audit observations'.

Refer to Appendix five for further details about other engagements.

A large number of monetary misstatements were again identified in 2021–22

The number of monetary misstatements identified during the audits of cluster agencies' financial statements was 21 in 2021–22 (24 in 2020–21). A monetary misstatement is an error in amount recognised in the financial statements initially submitted for audit.

Reported corrected misstatements increased from seven in 2020–21 to ten with a gross value of \$808.6 million in 2021–22. Reported uncorrected misstatements decreased from 17 in 2020–21 to 11 with a gross value of \$85.7 million in 2021–22.

The table below shows the number and quantum of monetary misstatements for the past two years.

Year ended 30 June	2022		2021	
	✓	!	✓	!
Less than \$50,000	2	1	0	2
\$50,000 to \$249,999	2	3	1	4
\$250,000 to \$999,999	--	1	1	3
\$1 million to \$4,999,999	1	3	0	3
\$5 million and greater	5	3	5	5
Total number of misstatements	10	11	7	17
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 ten corrected monetary misstatements, five had a gross value of greater than \$5 million and related to the following:

Agency	Description of corrected misstatements > \$5 million
Electricity Retained Interest Corporation - Ausgrid (the corporation) and ERIC Alpha Holdings Pty Ltd	ERIC Alpha Holdings Pty Ltd understated its net result by \$302 million as it did not recognise its share of associate's profit/(loss) for the year. The error was also then corrected in Electricity Retained Interest Corporation - Ausgrid which consolidates ERIC Alpha Holdings Pty Ltd.
Electricity Retained Interest Corporation - Endeavour Energy (the corporation) and ERIC Epsilon Holdings Pty Ltd	ERIC Epsilon Holdings Pty Ltd understated its net result by \$83.6 million as it did not recognise its share of associate's profit/(loss) for the year. The error was also then corrected in Electricity Retained Interest Corporation - Endeavour Energy which consolidates ERIC Epsilon Holdings Pty Ltd.
NSW Treasury	<p>NSW Treasury overstated its accrual for hotel quarantine costs at 30 June 2021. This error was corrected retrospectively in the financial statements by:</p> <ul style="list-style-type: none"> decreasing the prior year comparative for operating expenses (and increasing the net result) by \$36.1 million decreasing the prior year comparative for payables by \$39.7 million and related receivables (related GST accrued amount) by \$3.6 million. <p>NSW Treasury reversed the accrual above in 2021–22, which then initially understated its expenses. This was corrected by increasing its operating expenses (and reducing the net result) by \$36.1 million.</p>

Of the 11 uncorrected monetary misstatements, three had a gross value of greater than \$5 million, which comprise the following:

Agency	Description of uncorrected misstatements > \$5 million
Workers Compensation Nominal Insurer (the Nominal Insurer)	The Nominal Insurer understated its accrued premium revenue and 'unclosed premium' receivables by an estimated \$35 million. The 'unclosed premium' receivable is an estimate of the amount due to the Nominal Insurer, where the Nominal Insurer has accepted insurance risk but has not (yet) billed the policy to the counterparty at reporting date. The accrual was understated because the assumptions used in the estimate were not updated for recent claims data. This is further discussed in Chapter 3 'Audit observations'.
Workers Compensation Nominal Insurer (the Nominal Insurer)	The Nominal Insurer's gross claims expense and outstanding claims liability were impacted by an error in the indexation of workers benefits. Based on calculations provided by Insurance and Care NSW (icare), the Audit Office reported an uncorrected judgemental misstatement of \$28.5 million (understatement). This is further discussed in Chapter 3 'Audit observations'.
NSW Treasury	NSW Treasury overstated its administered expenses and administered liabilities by \$12.6 million as it incorrectly recognised a liability relating to the Judges Pension Scheme, which is recognised by the State Insurance Regulatory Authority.

Agencies exempt from financial reporting in 2021–22

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 2021–22, 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		
SAS Trustee Corporation Staff Agency	Part 3A, Division 2, section 9F of the GSF Regulation	The GSF Regulation prescribes a GSF agency that comprises solely of persons who are employed to enable another particular GSF agency to exercise its function not to be a reporting GSF agency. The staff agency satisfied this requirement and therefore was exempted from preparing financial statements in 2021–22.

Exempted agencies	GSF Regulation reference	Basis for reporting exemption
Small agencies		
Buroba Pty Ltd Ministerial Holding Corporation State Rail Authority Residual Holding Corporation Twenty-four controlled entities of the Electricity Retained Interest Corporation - Ausgrid Twenty-four controlled entities of the Electricity Retained Interest Corporation – Endeavour Energy Valley Commerce Pty Ltd	Part 3A, Division 2, section 9D of the GSF Regulation	<p>The 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 assets, liabilities, income, expense, commitments and contingent liabilities of the agency are each less than \$5 million the total cash or cash equivalent held by the agency is less than \$2.5 million at least 95% of the agency's income is derived from money paid out of the Consolidated Fund or money provided by other GSF agencies the agency does not administer legislation for a minister by or under which members of the public are regulated. <p>These agencies were assessed against the above criteria, and concluded that they have met all the requirements. Therefore they were not required to prepare financial statements in 2021–22.</p>

In 2020–21, each of the cluster agencies above were also exempt from financial reporting under Part 3A Division 2 of the GSF Regulation.

2.3 Timeliness of financial reporting

Early close procedures


Nine agencies did not submit or complete early close mandatory procedures on time


NSW Treasury introduced early close procedures to improve the quality and timeliness of year-end financial statements. In April 2022, NSW Treasury reissued Treasurer's Direction TD19-02 'Mandatory Early Close as at 31 March each year' and released Treasury Policy and Guidelines TPG22-11 'Agency Direction for the 2021–22 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 27 April 2022. The 17 mandatory procedures are listed in Appendix two.

Six of 15 agencies met the statutory deadline for submitting their 2021–22 early close financial statements and other mandatory procedures. NSW Treasury, Electricity Retained Interest Corporation - Ausgrid, Electricity Retained Interest Corporation - Endeavour Energy and each of the Ministerial Holding Corporations had a number of early close procedures that were not completed on time.

Agencies need to improve their completion of early close procedures

The following cluster agencies did not complete all mandatory early close procedures:

Cluster agencies	Number of incomplete early close procedures	Description of incomplete early close procedures
		
Principal department		
NSW Treasury	3	<p>Monthly management reports</p> <p>NSW Treasury's variance analysis did not provide explanations for year-to-date actuals to the previous year as required by the mandatory procedures.</p> <p>Accounting treatment for restructures and discontinued/abolished agencies</p> <p>NSW Treasury did not document its assessment of the accounting treatment for changes to its structure resulting from legislative or other changes, as required by the mandatory procedures. NSW Treasury was impacted by a number of Machinery of Government changes, announced on 20 December 2021, and effective 1 April 2022. These changes are discussed in Section 1.2.</p> <p>NSW Treasury similarly did not document this assessment for its administered activities.</p> <p>These procedures were subsequently completed at year-end.</p>
Other agencies listed in Appendix A of TD19-02		
Ministerial Holding Corporations (MHC) which include: <ul style="list-style-type: none"> Alpha Distribution (ADMHC) Epsilon Distribution (EDMHC) Electricity Assets (EAMHC) Electricity Transmission (ETMHC) Liability Management (LMMC) Ports Assets (PAMHC) 	2	<p>Significant management judgements and assumptions</p> <p>Management has not documented its assessment to support significant judgements and assumptions for a number of the MHC including those used in relation to:</p> <ul style="list-style-type: none"> defined benefit superannuation balances (ADMHC, EDMHC, ETMHC) finance lease receivables (ADMHC, EDMHC, ETMHC, PAMHC) valuation of outstanding claims (EAMHC, ETMHC) support the appropriateness of the going concern basis of preparation (PAMHC). climate related matters (all). <p>Except for climate related matters, these procedures were subsequently completed at year-end.</p> <p>Accounting treatment for restructures and discontinued/abolished agencies</p> <p>PAMHC did not document its assessment of the accounting treatment for changes to its structure resulting from legislative or other changes, as required by the mandatory procedures. In October 2021, the Secretary of NSW Treasury approved the restructure of the three subsidiary lessor companies of PAMHC. During early close, management did not provide details of future operational arrangements in relation to the restructure of the three subsidiary lessor companies. These changes are discussed in Section 1.2.</p>

Cluster agencies	Number of incomplete early close procedures	Description of incomplete early close procedures
		
Electricity Retained Interest Corporation - Ausgrid	1	Significant management judgements and assumptions The valuation of the retained interest in Ausgrid was not completed at early close. This procedure was subsequently completed at year-end.
Electricity Retained Interest Corporation - Endeavour	1	Significant management judgements and assumptions The valuation of the retained interest in Endeavour Energy was not completed at early close. This procedure was subsequently completed at year-end.

Source: Reports on early close procedures 2022 issued by the Audit Office of New South Wales.

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

- provide documentation to the audit team for all mandatory procedures by the due date
- document significant management judgements and assumptions
- document the accounting treatment of restructures and discontinued/abolished agencies.

Year-end financial reporting

NSW Treasury required all agencies to submit their financial statements by 1 August 2022

In June 2022, NSW Treasury issued a suite of Treasurer's Directions and Treasury Policy and Guidelines for 2021–22 financial reporting requirements and timetables:

- Treasurer's Direction TD21-02 'Mandatory Annual Returns to Treasury' and Treasury Policy and Guidelines TPG22-16 'Agency Direction for the 2021–22 Mandatory Annual Returns to Treasury' require agencies listed in the Appendix A of TD21-02 to submit their 2021–22 financial statements to both NSW Treasury and the Audit Office by 1 August 2022
- Treasury Policy and Guidelines TPG22-17 'Agency guidelines for the 2021–22 Mandatory Annual Returns to Treasury for NSW public sector agencies that are not included in TD21-02' requires NSW public sector agencies not listed in Appendix A of TD21-02 to submit their draft 2021–22 financial statements to NSW Treasury by 1 August 2022
- 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 within six weeks after the year end.

Financial statements were submitted on time

Cluster agencies met the reporting deadlines for submitting their 2021–22 year-end financial statements.

The *Government Sector Audit Act 1983* does not specify the statutory deadline for issuing the audit reports.

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

2.4 Key accounting issues

NSW Treasury related matters

The changes in office accommodation arrangement with Property NSW resulted in derecognition of right-of-use assets and lease liabilities

Property NSW (PNSW) is responsible for managing most of the state government agencies leased real estate property portfolio. During 2021–22, PNSW made some changes to its intra-government lease arrangements, including rewriting the standard Client Acceptance Letter (CAL) to include a 'Relocation and substitution right' clause. This clause allows PNSW to relocate agencies to other locations and remove their right to control the use of the identified accommodations. As a result, the new CALs no longer constitute a lease under AASB 16 'Leases'. The changes became effective from 30 June 2022.

NSW Treasury accepted changes to its office accommodation arrangements with PNSW. This resulted in:

- the derecognition of \$59.2 million of right-of-use assets (ROU assets)
- the derecognition of \$82.1 million of lease liabilities
- \$14.4 million of other gains/losses.

Going forward, NSW Treasury will recognise the office accommodation payments as expenses in the Statement of Comprehensive Income. NSW Treasury will continue to recognise the fit-outs and make good provisions.

NSW Treasury included appropriate disclosures in its year-end financial statements, detailing the accounting policies, significant judgments made and impact of the derecognition of the ROU assets and lease liabilities at 30 June 2022.

New South Wales Treasury Corporation and icare did not opt in to the updated leasing arrangements. Some cluster agencies including superannuation trustees held office accommodation leases independently of PNSW and were not impacted by the changes discussed above.

Retrospective correction of a prior period error relating to COVID-19 hotel quarantine costs

NSW Treasury corrected a prior period error retrospectively in the financial statements. NSW Treasury engaged a government supplier to manage hotel quarantine arrangements, and incorrectly used reports from this external supplier for its year-end accruals process. These reports were not intended to inform NSW Treasury's financial reporting.

In our review of the hotel quarantine expenditure, we noted the accrual at 30 June 2021 was overstated by \$39.7 million because management relied on these reports to estimate the amount payable at 30 June 2021.

NSW Treasury corrected the error in the financial statements including the restatement of comparatives. Details of the misstatement are discussed in Section 2.2.

Insurance related matters

icare's after balance date event procedures were updated

Last year's 'Treasury 2021' NSW Auditor-General's Report to Parliament recommended that icare ensure that the impact of 'events after the reporting period' on financial statements is appropriately assessed. icare took specific action to address this recommendation by:

- ensuring the icare chief executive officer met with the audit team immediately prior to signing the representation letter and financial statements, to discuss post year-end developments
- management attesting that no matters were discussed at the board meeting to sign the financial statements, where minutes were not yet available to the audit team.

No further 'events after the reporting period' issues were noted by the audit team.

Further claim underpayment matters

Last year's '[Treasury 2021](#)' NSW Auditor-General's Report to Parliament recommended that icare improve its operational practices to ensure the correct payment of claims in compliance with legislative requirements. While this recommendation was prompted by historical underpayments for dust victims, in 2021–22, icare identified further issues with claims payments where indexation may have been incorrectly applied, or failed to have been applied, when determining injured worker entitlements. This relates to claim payments between 2012 and 2019 within the Nominal Insurer and potentially the NSW Self Insurance Corporation. Refer to Chapter 3 'Audit observations' for further details.

Last year's Report to Parliament also recommended that icare acts on legal advice received by amending operational practices on a timely basis, to ensure correct payments are made in compliance with legislative requirements. icare addressed this aspect of the recommendation by implementing procedures to ensure any legal advice obtained that indicates a potential breach of legislation is reported as an incident (and assessed and actioned) as part of its compliance framework.

The NSW Self Insurance Corporation's liability for abuse claims increased

The NSW Self Insurance Corporation's (SiCorp) total exposure to abuse claims increased by \$517 million to \$1.7 billion at 30 June 2022 (\$1.2 billion at 30 June 2021), for unreported and reported claims.

The increase in SiCorp's exposure to abuse claims is largely due to November 2021 amendments to the *Civil Liability Act 2002*. The amendments remove restrictions to access compensation when the abuse occurred while a child was an offender in custody. The outstanding claims liability was increased by \$116 million in 2020–21 for the (then proposed) amendments, but recent experience indicates this is not sufficient.

While the liability for unreported abuse claims can be measured sufficiently and reliably for financial reporting, its measurement involves significant uncertainty and judgement. The level of subjectivity and judgement required in the selection of assumptions means that the range of reasonable estimates for this component of the outstanding claims liability is wider than usual. The long-term nature of the exposure means that the valuation of the outstanding claims liability could change significantly and unexpectedly due to changes in assumptions.

The NSW Government funds payments to victims of abuse through:

- the NSW Self Insurance Corporation, which covers civil litigation claims when the abuse occurred within a NSW Government institution through its NSW Treasury Managed Fund, and Pre-Managed Fund Reserve
- the NSW Victims Support Scheme, which is administered by the Department of Communities and Justice and provides counselling, recognition payments and financial assistance for victims of violent crime in New South Wales
- the National Redress Schemes, of which the NSW Government is a member. The scheme provides redress to people who were abused while in the care of NSW Government institutions, as an alternative to seeking compensation through the courts.

More details are included on page 17 to 19 of the '[Stronger Communities 2021](#)' and page 18 of the '[Stronger Communities 2022](#)' NSW Auditor-General's Reports to Parliament.

Superannuation related matters

The Independent Auditor's Reports for Energy Industries Superannuation Scheme Pool A and Pool B included an 'emphasis of matter' paragraph

On 17 December 2021, EISS entered into a memorandum of understanding with United Super as trustee of Construction and Building Unions Superannuation Fund (Cbus Super) to commence a formal due diligence process exploring whether a merger of the two funds is in the best interests of their respective members. The due diligence has been successfully completed and the two funds continue to work together towards completion. As noted in 1.3 above, a Merger Implementation Deed was signed on the 26 September 2022.

As a result, EISS intends to wind up Energy Industries Superannuation Scheme Pool A (Pool A) and Energy Industries Superannuation Scheme Pool B (Pool B) following its merger with the Cbus Super within the next 12 months.

Accordingly, management determined that the going concern basis of preparation of the financial statements for Pool A and Pool B for 30 June 2022 was not appropriate, and they were instead prepared on a liquidation basis.



We included emphasis of matter paragraphs in the Independent Auditor's Reports for the 30 June 2022 financial statements for Pool A and Pool B. This was to draw users' attention to management's disclosures that the financial statements were prepared on a liquidation basis and describe EISS's intention to wind up Pool A and Pool B following its merger with Cbus Super within the next 12 months.

2.5 Key financial statement risks

The table below details 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.

NSW Treasury

NSW Treasury leads the economic, jobs and investment conversation across New South Wales. From its position at the centre of government, NSW Treasury drives the economic development strategy to guide the State's growth for the benefit of the people who live, work and study in New South Wales.

	Key financial statement risk	Audit response
 Machinery of Government changes	<p>NSW Treasury was impacted by Machinery of Government changes in 2021–22. Refer to Section 1.2 above.</p> <p>Our audit risk rating is higher due to the financial significance of the value of assets and liabilities transferred to and from NSW Treasury, and the complexity and judgement involved in assessing the completeness and accuracy of the transfer of assets and liabilities at fair value.</p>	<p>Our audit procedures included:</p> <ul style="list-style-type: none"> obtaining an understanding of how assets and liabilities were identified and transferred between agencies assessing the reasonableness of the fair value of assets and liabilities transferred into, and out of, Treasury obtaining inter-entity confirmations for transferred functions, funds and activities reviewing the appropriateness of disclosures in the financial statements arising from the changes.
 COVID-19 expenses (accommodation)	<p>NSW Treasury was responsible for managing the quarantining of incoming travellers to New South Wales, incurring \$362 million in 2021–22 (\$496 million in 2020–21).</p> <p>Our audit risk rating is higher due to the financial significance of this activity outside of Treasury's normal operations, and the complexity and urgency involved in processing a large volume of transactions in a short period of time.</p>	<p>Our audit procedures included:</p> <ul style="list-style-type: none"> obtaining an understanding of the processes and key controls Treasury had in place to manage this activity assessing the accuracy and completeness of source data from key systems testing payments related to these activities on a sample basis, to ensure they were accurately and completely recorded assessing the adequacy of the financial statement disclosures against the requirements of applicable Accounting Standards and Treasurer's Directions. <p>We identified a material prior period error relating to the recognition of COVID-19 accommodation expenditure, resulting in the retrospective restatement of 2020–21 figures. This is discussed in Section 2.2.</p>



Significant accounting estimates

Key financial statement risk

NSW Treasury administers the following financially significant accounting estimates:

- unfunded superannuation liabilities (2021–22: \$43.4 billion)
- employee provisions primarily for long service leave (2021–22: \$9.6 billion)
- provision for Commonwealth Redress Scheme (2021–22: \$317.7 million)
- States share of universities' superannuation liabilities (2021–22: \$1 billion).

Our audit risk rating is **higher** due to the financial significance of these accounting estimates and the measurement of these requiring the use of significant judgements and assumptions (including actuarial valuations).

Audit response

With the assistance of actuarial specialists, our audit procedures included reviewing key assumptions and judgements adopted, and performing an overall assessment of the valuation methodologies, key assumptions and models used to value these various liabilities.

New South Wales Treasury Corporation (the corporation)

The corporation provides financial services for the NSW Government, public authorities and other public bodies of New South Wales.



Valuation of Financial Instruments - comprising financial assets \$121 billion and financial liabilities \$121 billion

Key financial statement risk

Our audit risk rating is **higher** due to the:

- significance of financial assets and financial liabilities in the balance sheet
- impact small changes in inputs and assumptions can have on the fair values of financial assets and financial liabilities
- significant judgements used to value offshore foreign currency borrowings where there is limited trading activity, and client loans directly funded by these borrowings (Level 3 financial instruments).

Audit response


Our audit procedures involved reviewing the valuation models applied to different categories of financial instruments and comparing key valuation inputs against independent market data (including the key inputs and assumptions management used for Level 3 financial instruments).

We tested the effectiveness of key operational and information technology controls supporting the valuation of financial instruments and reperformed fair value calculations for a selection of financial instruments.

For 30 June 2022 we obtained external confirmations from counterparties confirming the existence and completeness of amounts reported on balance sheet and evaluated the adequacy of financial statement disclosures against the requirements of applicable Australian Accounting Standards.


Insurance and Care NSW (icare)


icare provides services including staff and facilities for NSW Government managed insurance and compensation schemes. It also monitors the performance of the insurance or compensation schemes in respect of which it provides services.

	Key financial statement risk	Audit response
 <p>Service fee revenue of \$939 million</p>	<p>Our audit risk rating is higher because costs are incurred by icare as the service entity of the statutory schemes it administers which are then subsequently recovered from the schemes through service fees.</p> <p>Expenses are recognised by icare and then allocated to cost centres based on fixed percentages approved by cost centre owners. Some cost centres are fully allocated to a scheme if the goods or services directly relate to a scheme, or are based on an allocation model if related to multiple or all schemes.</p>	<p>We tested the design and implementation of key controls including the management's approval of cost centre percentages applied, and recalculated the cost allocated to each scheme.</p> <p>We assessed the reasonableness of reported values and costs allocated to each scheme.</p> <p>We also considered the requirements of applicable Australian Accounting Standards.</p>

NSW Self Insurance Corporation (SiCorp)


SiCorp has responsibility for the direction, control and management of a range of funds including the NSW Treasury Managed Fund.

	Key financial statement risk	Audit response
 <p>Valuation of claims liability of \$15.0 billion</p>	<p>Our audit risk rating is higher because:</p> <ul style="list-style-type: none"> the provision for outstanding claims is material to the financial statements management with the assistance of specialist actuaries make significant judgements and assumptions as part of the valuation process, including the timing and value of expected future claims payments and related costs of settlement. 	<p>We engaged a qualified independent actuary to assist with our review of the outstanding claims liability.</p> <p>We reviewed the appropriateness of the methods and valuation models used by management and management's actuary to calculate the value of the outstanding claims liability. We assessed the reasonableness of management's judgements, key assumptions and reported values with specific emphasis on the trends in incidence and claim cost for psychological, child abuse and medical indemnity claims.</p> <p>We also considered the requirements of applicable Australian Accounting Standards (including those relating to financial statement disclosures), underlying claims exposure and the potential impacts of the COVID-19 pandemic (including business interruption, event cancellation claims costs and changes to the building cycle) on the outstanding claims liability.</p>

	Key financial statement risk	Audit response
 <p>Outsourced claims activities</p>	<p>Our audit risk rating is higher because:</p> <ul style="list-style-type: none"> external claims managers are responsible for processing material transactions relating to claims and policyholder data which is used to value outstanding claims liabilities an effective control environment is important in ensuring the completeness and accuracy of claims data. 	<p>We tested the key reconciliations performed by the claims managers, agreeing amounts back to Insurance for NSW's financial systems for 30 June 2022.</p> <p>We performed additional audit procedures required by Australian Auditing Standard ASA 402 'Auditing Considerations Relating to an Entity Using a Service Organisation', which included obtaining an understanding of relevant claim processes, testing key controls and reconciliations, and performing sample testing on key claim fields back to supporting evidence.</p>

Lifetime Care and Support Authority of New South Wales (the authority)



The authority monitors the operation of the scheme which pays for treatment, rehabilitation and care for people severely injured in a motor accident in New South Wales.

	Key financial statement risk	Audit response
 <p>Valuation of outstanding claims liability of \$7.7 billion</p>	<p>Our audit risk rating is higher because:</p> <ul style="list-style-type: none"> the provision for outstanding claims is material to the financial statements management with the assistance of specialist actuaries make significant judgements and assumptions as part of the valuation process, including the timing and value of expected future claims payments. 	<p>We engaged a qualified independent actuary to assist with our review of the outstanding claims liability.</p> <p>We reviewed the appropriateness of the methods and valuation models used by management and management's actuary to calculate the value of the outstanding claims liability. We assessed the reasonableness of management's judgements, key assumptions and reported values.</p> <p>We also considered the requirements of applicable Australian Accounting Standards (including those relating to financial statement disclosures), and industry practice.</p>

Workers Compensation Nominal Insurer (Nominal Insurer)

The Nominal Insurer operates as a licensed workers compensation insurer. The Nominal Insurer is not, and does not, represent New South Wales (the State) or any authority of the State. The scheme is not consolidated as part of the NSW Total State Sector Accounts. The *Workers Compensation Act 1987* requires the Auditor-General to inspect and audit the accounts and records of financial transactions of, or relating to, the Nominal Insurer.

	Key financial statement risk	Audit response
 <p>Valuation of claims liability \$18.2 billion</p>	<p>Our audit risk is higher because:</p> <ul style="list-style-type: none"> the valuation involves significant judgement in determining the timing and value of expected future payments for claims incurred and related costs to settle the claims the Scheme engages actuarial specialists to model and develop assumptions to estimate the outstanding claims liability the level of judgement means that the valuation may change significantly and unexpectedly due to changes in assumptions. 	<p>We engaged a qualified independent actuary to assist with our review of the outstanding claims liability.</p> <p>We reviewed the appropriateness of the methods and valuation models used by management and management's actuary to calculate the value of the outstanding claims liability. We assessed the reasonableness of judgements, key assumptions and reported values.</p> <p>We also considered the requirements of applicable Australian Accounting Standards (including those relating to financial statement disclosures), industry practice, underlying claims exposure and the potential impact of the COVID-19 pandemic on the outstanding claims liability.</p>
 <p>Valuation of investments of \$2.4 billion classified under Level 3 of the fair value hierarchy</p>	<p>Our audit risk rating is higher because:</p> <ul style="list-style-type: none"> Level 3 investments require an additional level of judgement using non-observable market data and complex models which increase the subjectivity of the valuation small changes in assumptions may significantly alter the valuation outcome. 	<p>We performed additional audit procedures over these investments. In particular, we reviewed the relevant investment models (including their mathematical accuracy) and assumptions including, where appropriate, discount rates and terminal values. For unit trust investments, we reviewed a sample of valuation statements and considered the capabilities and objectivity of the investment manager providing the valuation, as well as the pricing frequency and liquidity of trust units.</p> <p>We also assessed the adequacy of the related financial statement disclosures against the requirements of applicable Australian Accounting Standards.</p>

	Key financial statement risk	Audit response
 <p>Operation of information technology (IT) systems and controls</p>	<p>Our audit risk rating is higher because the volume of transactions processed by the IT systems relies on effective IT controls for successful financial reporting.</p>	<p>We engaged information technology audit specialists to assist us with assessing the critical IT controls in these systems, including access controls, data change controls and the business/accounting rules embedded in these systems.</p> <p>For technology services provided by third parties we reviewed system and organisation control reports from the third party's auditor confirming the design and operating effectiveness of controls.</p> <p>We undertook additional procedures on information sourced from IT systems where control design or effectiveness exceptions were identified.</p>
 <p>Outsourced claims activities</p>	<p>Our audit risk rating is higher because:</p> <ul style="list-style-type: none"> external claims managers are responsible for a substantial component of the end-to-end claims management and payment process an effective control environment is important in ensuring the completeness and accuracy of claims data used to value the outstanding claims liability. 	<p>We tested the key reconciliations performed by the claims managers, agreeing amounts back to the Nominal Insurer's financial systems for 30 June 2022 and the claim database used by the scheme's actuary.</p> <p>We performed additional audit procedures required by Australian Auditing Standard ASA 402 'Auditing Considerations Relating to an Entity Using a Service Organisation', which included obtaining an understanding of relevant claim processes, testing key controls and reconciliations, and performing sample testing on key claim fields back to supporting evidence.</p>

SAS Trustee Corporation Pooled Fund (the fund)

The fund is the NSW Government's largest defined benefit superannuation fund with over 93,000 members and \$42.1 billion in assets at 30 June 2022.

	Key financial statement risk	Audit response
 <p>Valuation of unquoted investment assets of \$16.6 billion</p>	<p>Our audit risk rating is higher because:</p> <ul style="list-style-type: none"> the high level of judgement and estimation involved in the valuation approach, including determination of future cash flows, discount rates and other assumptions, with limited comparable market information available complexities in applying the requirements of AASB 13 'Fair Value Measurement' financial significance of the assets valued, which are a key driver of the fund's net asset value and total return. 	<p>Our audit procedures involved reviewing the independent valuation reports and comparing assumptions applied to ranges for comparable infrastructure and property investments, and testing the mathematical accuracy of the valuation models. For 30 June 2022 we obtained valuation statements provided by external investment managers in respect of unit trusts and hedge funds, and independent assurance reports prepared for the existence and valuation of certain unitised investments.</p> <p>With the assistance of a valuation specialist, for those investments with higher risk characteristics we assessed the reasonableness of management's judgements and valuation inputs against industry information/indices of comparable market transactions. We also determined whether the methodologies used were consistent with methods commonly used by market participants for those types of investments.</p>
 <p>Valuation of defined benefit member liabilities of \$59 billion</p>	<p>Our audit risk rating is higher due to:</p> <ul style="list-style-type: none"> the high level of judgement and estimation involved in the valuation approach, including determination of discount rates, salary inflation, mortality and other assumptions the financial significance of the member liabilities, which impact the estimate of required future contributions and investment returns to fund future outflows the sensitivity of the defined benefit liabilities balance to small changes in any of the valuation inputs. 	<p>With the assistance of an actuarial specialist, key audit procedures included:</p> <ul style="list-style-type: none"> assessing the accuracy and completeness of member data included in the assessment the appropriateness of the methodology used the key assumptions and judgements adopted the sufficiency and appropriateness of management's actuarial assessment against the requirements of applicable Australian Accounting Standards.

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 statement audits of agencies in the Treasury cluster.

Section highlights

- Eight high-risk issues were identified in 2021–22, an increase from four high-risk and one extreme risk in 2020–21. A further 31 moderate risk findings were reported in 2021–22, of which 12 were repeat findings.
- Inconsistencies in the *Government Sector Finance Act 2018* (GSF Act) and *Government Sector Audit Act 1983* (GSA Act) relating to key statutory timeframes have been addressed.
- Further to last year's reporting, some agencies have again spent moneys without an authorised delegation.
- There was a lack of quality review of submissions for audit by NSW Treasury.
- The Nominal Insurer's net assets decreased from a \$2.5 billion surplus at 30 June 2018, to a \$1.2 billion deficiency at 30 June 2022.
- The Nominal Insurer's return-to-work rates stabilised, but remain below the performance levels prior to the COVID-19 pandemic.
- The Nominal Insurer paid \$29.5 million in 2021–22 to remediate historical underpayment of compensation benefits to workers (Pre-Injury Average Weekly Earnings (PIAWE) payments), and a further \$8.5 million was payable at 30 June 2022.
- During its review of historical PIAWE errors, icare found that indexation may have been incorrectly applied, or failed to have been applied when determining injured worker entitlements within the Nominal Insurer between 2012 and 2019. Based on calculations provided by icare, the Audit Office reported an uncorrected judgemental misstatement of \$28.5 million (understatement).

3.1 Findings reported to management

The number of findings reported to management has increased, and 30% 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 2021–22, there were 61 findings raised across the cluster (59 in 2020–21). Thirty per cent of all issues were repeat issues (29% in 2020–21).

The most common repeat issues related to internal control deficiencies in business processes over claim payments and weaknesses in controls over information technology user access administration.

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.

2021–22 audits identified eight high-risk findings









High-risk findings were reported at the following cluster agencies:






Agency	Description
2021–22 findings	
NSW Treasury New finding: Suspension of a \$4.5 billion appropriation was legally ineffective	NSW Treasury initially advised that a \$4.5 billion appropriation had not been paid into the NSW Generations (Debt Retirement) Fund (DRF) as the NSW Government suspended contributions to the DRF. NSW Treasury subsequently confirmed that it should not have suspended an appropriation made by Parliament. This high-risk issue is included in 'Governance and oversight' below and discussed later in this chapter.
NSW Treasury New finding: Accounting for the appropriation of hypothecated funds to Special Deposit Accounts (SDA) and compliance with the GSF Act	NSW Treasury administers DRF and, in the past, it has not reported the amount of hypothecated appropriations to be paid from the Consolidated Fund into the DRF. This means NSW Treasury has not complied with section 4.16 of the GSF Act (relating to the requirements of record keeping by responsible managers) since 1 July 2020 in its capacity as responsible manager for the fund. This high-risk issue is included in Chapter 4 'Financial reporting' below and discussed later in this chapter.
NSW Treasury New finding: Management and oversight of COVID-19 hotel quarantine expenditure	Hotel quarantine costs were incurred by a third party and reimbursed by NSW Treasury. Our review of the hotel quarantine program identified control deficiencies in the management and oversight of the expenditure. There was insufficient evidence of NSW Treasury's review of these costs. Further, a prior period error was corrected retrospectively regarding these expenses. Refer to Section 2.2. This high-risk issue is included in 'Governance and oversight' below and discussed later in this chapter.
NSW Treasury New finding: Monitoring and approval of administration costs incurred by Service NSW	Service NSW administered a range of economic stimulus and disaster recovery support programs in 2021–22, and some of the project agreements required the Secretary of NSW Treasury to sign-off the finalised costings and funding source for the agency's administration costs. NSW Treasury failed to action this during the year, and Service NSW withdrew \$255 million from the administered bank accounts for its administration costs, without any approval from the Secretary of NSW Treasury. This high-risk issue is included in 'Governance and oversight' below and discussed later in this chapter.
NSW Treasury New finding: Lack of quality review of submissions for audit	NSW Treasury's financial statements and supporting evidence submitted for audit included deficiencies that indicated a lack of quality review of information prior to its submission. This high-risk issue is included in 'Governance and oversight' below and discussed later in this chapter.




Agency	Description
2021–22 findings	
icare New finding: Further issues with claims processing	<p>Over the last five years, the Audit Office, icare, SIRA and other parliamentary reviews have identified errors in claim processes or weakness in controls, some of which have required extensive remediation. These included underpayments of benefits due to PIAWE errors, claim payment indexation errors (see below), weaknesses in the peer review process, lack of documentation to support claim calculations, and delays in processing invoices and other payments.</p> <p>In the 'Treasury 2021' NSW Auditor-General's Report to Parliament, we recommended icare ensure it has sufficient controls in place over claim payments, including an effective quality assurance program, to minimise claim payment errors.</p> <p>Given further claims processing issues were identified in 2021–22 (refer to the 'Insurance related matters' section below), we recommended that icare continue to uplift its control environment over claims management, by addressing the areas of weakness. This high-risk issue is included in internal control deficiencies or improvements below.</p>
Workers Compensation Nominal Insurer New finding: Underpayment of injured worker entitlements	<p>Some claims paid to injured workers between 2012 and 2019 may have been underpaid because indexation was incorrectly applied, or not applied at all.</p> <p>This high-risk issue is included in the 'Internal control deficiencies' section below and discussed later in this chapter. It was also discussed in Chapter 4 'Financial reporting' as the \$28.5 million potential impact was reported as a judgemental uncorrected misstatement in the Nominal Insurer's financial statements.</p>
Workers Compensation Nominal Insurer New finding: Assumptions used in significant accounting estimates need to be reviewed	<p>The Nominal Insurer's unclosed premium receivable is an estimate of the amounts due to the scheme, where the scheme has accepted insurance risk but has not (yet) billed the policy to the counterparty at reporting date. The accrual was understated because the assumptions used in the estimate were not updated for recent claims data.</p> <p>This high-risk issue is included in the 'financial reporting' section below, and was discussed in Chapter 4 'Financial reporting' as it was a significant uncorrected misstatement in the Nominal Insurer's financial statements.</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	
 Moderate: 1 new, 1 repeat  Low: 4 new, 2 repeat	<p>The financial audits identified deficiencies in information technology processes and controls that support the integrity of financial data used to prepare agencies' financial statements, including:</p> <ul style="list-style-type: none"> poor user access administration with terminated users not being deactivated timely user activities caused by inappropriate access granted that was not requested because account mirroring was used (account mirroring is when an access request for a new user is patterned to the profile of an existing employee with the same job function) weaknesses in information technology general controls and processes.
Internal control deficiencies	
 High: 1 new  Moderate: 3 new, 7 repeat  Low: 3 new	<p>A high-risk issue was identified due to significant deficiencies in internal controls resulting in further underpayment of injured workers. This was discussed in the table above.</p> <p>The financial audits identified other internal control deficiencies across key business processes, including:</p> <ul style="list-style-type: none"> ineffective key controls including peer review and quality assurance frameworks designed to ensure the accuracy of payments to injured workers and manually written premium and highlight adjustments ineffective controls over changes in bank details an external administrator appointed for the business processing and financial reporting functions of two superannuation funds were not included in the administrator's service organisation controls assurance report oversight of transactions related to Machinery of Government (MoG) changes.
Financial reporting	
 High: 2 new, 1 repeat  Moderate: 6 new, 3 repeat  Low: 9 new	<p>Three high-risk issues were identified with regards to accounting for appropriations of hypothecated funds, accounting estimates processes and a lack of quality review processes before accounting information was submitted for audit. These were discussed in the table above.</p> <p>The financial audits identified other areas to strengthen financial reporting, including:</p> <ul style="list-style-type: none"> significant judgements and assumptions need to be reconsidered when updated information becomes available. This was particularly relevant this year with frequently changing inflation forecasts documentation of climate change risk assessments accounting for Commonwealth grants.

Risk rating	Issue
Governance and oversight	
 High: 3 new, 1 repeat	Four high-risk issues were identified which are discussed in the table above.
 Moderate: 5 new, 1 repeat	The financial audits identified other areas to improve governance and oversight processes, including:
 Low: 1 new, 2 repeat	<ul style="list-style-type: none"> the need to implement a capital management plan to ensure schemes can continue to meet key objectives of having sufficient capital to pay their obligations to participants or injured workers internal and external audit recommendations are not being resolved within the original timeline and those charged with governance were not consulted on extensions to timelines which may breach risk appetite improvements to processes relating to contracts management.
Non-compliance with key legislation and/or central agency policies	
 Moderate: 4 new	The financial audits identified the need for agencies to improve its compliance with key legislation and central agency policies, including:
 Low: 1 new	<ul style="list-style-type: none"> contracts register has insufficient details to ensure compliance with other legislation failure to notify key stakeholders when significant breach of licensing condition occurs. Refer to 'Superannuation related matters' below non-compliances with enabling legislation of special deposit accounts.

-  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

Thirty-one moderate risk findings were reported in 2021–22, representing a 47.6% increase from 2020–21. Of these, 12 were repeat findings and 19 were new findings.

NSW Treasury related matters

Accounting for the NSW Government's investment in Transport Asset Holding Entity

Last year's ['State Finances 2021'](#) report highlighted that NSW Government actions avoided a qualified opinion to the Total State Sector Accounts in 2020–21 relating to the General Government Sector's \$2.4 billion cash contribution to Transport Asset Holding Entity (TAHE). These actions included the NSW Government agreeing to provide additional future funding to TAHE's key government customers Sydney Trains and NSW Trains (the Operators) to support increases in access and license fees to be paid to TAHE.

The additional funding by the government was necessary to demonstrate that a reasonable expectation of a sufficient rate of return would be earned on its equity invested in TAHE. The report also highlighted that there was no government policy on what the minimum return should be on investments in other public sector entities, so the long-term inflation rate was used as a benchmark.

On 18 December 2021, Transport for NSW (TfNSW) and the Operators entered into a Heads of Agreement (HoA). This formed the basis of negotiations to revise the pricing within the existing ten-year contracts for the period 2021–22 to 2030–31 and deliver upon the shareholders' expected return of 2.5 per cent on contributed equity to be earned over the estimated weighted average remaining useful lives of TAHE's assets.

On 23 June 2022, commercial agreements were signed between TAHE, the Operators and Transport for NSW through a deed of variation. The revised access and license fees for the ten-year period was \$16.6 billion, which is \$520 million less than the HoA fees of \$17.1 billion. Whilst TAHE has agreed ten-year access and license fees with its two main customers Sydney Trains and NSW Trains, these two Operators significantly rely on government funding when making these payments to TAHE.

On 6 September 2022, NSW Treasury finalised its policy relating to the government's returns on equity investments. The application of this policy is limited to State Owned Corporations and similar to the Commonwealth framework for commercial businesses, which requires the expected return be at least equal to the long-term inflation rate.

This year, TAHE and NSW Treasury worked together with the assistance from an external expert to develop a revised model which supports the expected returns on the government's investment in TAHE. This model was used in 2021–22 to justify the accounting treatment of the GGS's equity investment into TAHE.

While the ten-year access and license fee agreements were communicated to the NSW Government's Expenditure Review Committee, it is yet to be fully provided for in the government's budget figures. As TAHE's projections are highly dependent on the Operators as its key customers, it remains critical that the government continue to provide sufficient funding to the Operators so they can pay for access and use TAHE assets. This means the significant funding uncertainties reported in last year's TSSA audit opinion remain for 2021–22.

Further information on this year's audit of the government's investment in TAHE can be found on page 12 of the '[State Finances 2022](#)' NSW Auditor-General's Report to Parliament.

NSW Treasury concluded Catholic Metropolitan Cemeteries is a controlled entity of the State

In response to our recommendation in the '[State Finances 2021](#)' report, NSW Treasury reconfirmed that the Catholic Metropolitan Cemeteries Trust (CMCT) is a controlled entity of the State. The Audit Office accepted the position of NSW Treasury.

The reaffirmation of this position means CMCT is a GSF agency under the provisions of the *Government Sector Finance Act 2018* (GSF Act). Section 7.6 of the GSF Act places an obligation on CMCT to prepare financial statements and give them to the Auditor-General. Further, section 34 of the *Government Sector Audit Act 1983* (the GSA Act) requires the Auditor-General to furnish an audit report on these financial statements.

To date, CMCT has not met its statutory obligations to prepare financial statements under the GSF Act and give them to the Auditor-General. CMCT has not submitted their financial statements to the Auditor-General for audit despite repeated requests and has not provided access to its books and records for the purposes of a financial audit.

The opinion in the TSSA Independent Auditor's Report was modified with a limitation of scope due to an inability to access management and the books and records of CMCT.

Further detail on this matter is included on page 10 of the '[State Finances 2022](#)' NSW Auditor-General's Report to Parliament.

There was a lack of quality review of submissions for audit

Treasury's financial statements and supporting evidence submitted for audit included deficiencies that indicated a lack of quality review of information prior to its submission. Trial balances were submitted for audit that did not reconcile to the financial statements. Evidence of quality review on financial statement related disclosures including the prior period error restatement was not observed. Multiple iterations of working papers were required to support the final MoG balances recorded in Treasury's financial statements.

The process of information sharing by NSW Treasury continues to require improvement

In last year's '[State Finances 2021](#)' NSW Auditor-General's Report to Parliament, an extreme risk management letter finding was reported for NSW Treasury to ensure it significantly improve its processes so that all relevant information is identified and shared with the Audit Office to support material transactions and balances of the State.

A number of events reconfirmed that NSW Treasury needs to continue improving its process with respect to information sharing with the Audit Office. Notably, NSW Treasury's finance team had not demonstrated that all available information (on their systems) was considered by them when assessing the State's control over CMCT.

Critical information relating to CMCT was in the possession of NSW Treasury since late October 2021 but not considered when reconfirming their accounting position on the State's control of CMCT this year. A further reconfirmation of the State's control over CMCT was needed by NSW Treasury to ensure this information was considered in their accounting assessment.

Further detail on this matter is included on page 11 of the '[State Finances 2022](#)' NSW Auditor-General's Report to Parliament.

Planning for access to Cabinet in Confidence documents

There has been an increase in the volume of information relevant to financial and performance audits being classified as Cabinet in Confidence (CIC), which coupled with processes to identify if material is CIC, has led to lengthy delays in getting access to information required to conduct audits.

To avoid delays in finalising agency audits and ultimately the TSSA, agencies can better plan by bringing to the auditors' attention key Cabinet records relating to audit issues in order to minimise the impact of delays.

Further detail on this matter is included on page 34 of the '[State Finances 2022](#)' NSW Auditor-General's Report to Parliament.

State-wide accounting policy for borrowings

The '[State Finances 2021](#)' NSW Auditor-General's Report to Parliament recommended Treasury develop an accounting policy using the key principles in the standard AASB 9 'Financial Instruments' to determine a state-wide policy on the recognition of borrowings.

Treasury updated Treasury Policy Paper TPP21-10 'Accounting for Financial Instruments' to assist agencies' compliance with AASB 9 when recognising borrowings with the NSW Treasury Corporation. The policy requires an agency recognise a financial asset or financial liability when, and only when, the agency becomes a party to the contractual provisions of the instrument.

Further detail on this matter is included on page 34 of the '[State Finances 2022](#)' NSW Auditor-General's Report to Parliament.

Inconsistencies in the GSF Act and GSA Act related to key statutory timeframes have been resolved

The '[State Finances 2021](#)' NSW Auditor-General's Report to Parliament reported inconsistencies in the *Government Sector Finance Act 2018* (GSF Act) and *Government Sector Audit Act 1983* (GSA Act) relating to key statutory timeframes and recommended that Treasury seek legislative amendments in Parliament to resolve these inconsistencies.

The inconsistencies were resolved through the *Treasury Legislation Amendment (Miscellaneous) Act 2022* (Miscellaneous Act) that commenced on 1 July 2022.

Further detail on this matter is included on page 49 of the '[State Finances 2022](#)' NSW Auditor-General's Report to Parliament.

Treasury addressed our recommendations from last year to put a framework in place to monitor expenditure incurred from a minister's appropriation authority

In last year's '[State Finances 2021](#)' NSW Auditor-General's Report to Parliament, we recommended that Treasury should ensure a framework exists to monitor and provide assurance to ministers that expenditure incurred across a financial year by agencies under the relevant minister's coordination does not exceed the appropriation authority conferred by the annual Appropriation Act and the GSF Act.

To demonstrate that ministers were materially compliant with the appropriations framework, Treasury required agencies to estimate expenditure incurred against the ministers' appropriation limit at 30 June 2022 and 30 June 2021.

There are limitations associated with this approach as:

- a progressive examination is required throughout the year to determine if a minister has remained within their appropriation limit. A point in time assessment at 30 June 2022 and 30 June 2021 does not guarantee that a minister's appropriation limit has not been exceeded at some point throughout the year
- it is not possible to accurately determine the carry forward for deemed appropriations for each agency. This is due to the fact that a progressive examination is not performed, Consolidated Fund money is fungible, and agencies receive lapsing and non-lapsing appropriations.

To further address these limitations, Treasury also implemented a legislative solution through the *Treasury and Energy Legislation Amendment Act 2022* to:

- deem transactions between GSF agencies as a new category of deemed appropriations from 14 November 2022
- validate cross-appropriation payments made between GSF agencies in previous years, to ensure they are taken to have been made under authorised appropriations.

Further detail on this matter is included on page 52 of the '[State Finances 2022](#)' NSW Auditor-General's Report to Parliament.

Treasury has clarified the financial reporting requirements on appropriations for agencies

In last year's '[State Finances 2021](#)' NSW Auditor-General's Report to Parliament, we noted that there remains uncertainty around how the Crown Solicitor's Office advice received by the Audit Office on the appropriations framework impacts the 'Summary of Compliance' disclosures, as the total spending authority given by Parliamentary Appropriations and expenditure against these appropriations cannot generally be attributed to an individual agency. The report recommended that Treasury should assess how the requirement to prepare a Summary of Compliance under Australian Accounting Standards impacts relevant lead departments' and agencies' financial statement disclosures.

Treasury performed a review of the requirements of the appropriations framework and the requirements of AASB 1058 'Income of Not-for-Profit Entities' to ensure these disclosure requirements of this standard are satisfied.

Further detail on this matter is included on page 53 of the '[State Finances 2022](#)' NSW Auditor-General's Report to Parliament.

Further to last year's reporting, some agencies have again spent moneys without an authorised delegation

Last year's 'State Finances 2021' NSW Auditor-General's Report to Parliament reported instances where government agencies spent money received from an annual appropriation and/or deemed appropriation money without an authorised delegation from the relevant minister(s), as required by the GSF Act. The report recommended that NSW Treasury needs to promptly improve the guidance it provides agencies to ensure that expenditure of public moneys is properly supported by authorised delegations.

Treasury issued additional guidance on delegations under the GSF Act and communications on the importance of delegations and ensuring that expenditure is authorised in July 2022 and held short information sessions in August and September 2022. However, instances of non-compliances were noted relating to expenditure of public moneys during the year. This included:

- the TAFE Commission spent money received from an annual Appropriation without an authorised delegation from the relevant minister, as required by sections 4.6(1) and 5.5(3) of the GSF Act
- Rental Bond Board paid operating expenses from the Rental Bond Interest Account without an authorised delegation from the Commissioner for Fair Trading and was therefore non-compliant with section 186 of the *Residential Tenancies Act 2010* and section 5.5 of the GSF Act.

Further detail on this matter is included on page 54 of the 'State Finances 2022' NSW Auditor-General's Report to Parliament.

Control deficiencies at NSW Treasury's service providers

Treasury's business processes and information technology services are provided by Infosys, Unisys and the Department of Customer Service. Together this constitutes the GovConnect environment.

Last year, the GovConnect information technology general controls (ITGC) were qualified. The key controls over user access, system changes and batch process failed in all ITGC reports. Most of these deviations were not mitigated or sufficiently mitigated to address the risk of unauthorised user access.

In 2021–22, only one report was qualified. This related to a lack of supporting documentation and, in some cases, retrospective approvals over nine account additions on the Windows network. We assessed these deviations and concluded that they did not have an impact on the business process controls or IT dependencies of Treasury.

Refer to the 'Customer Service 2022' NSW Auditor-General's Report to Parliament for further details.

In previous years, records have not been adequately maintained to support amounts appropriated to particular Special Deposit Accounts

During the 2021–22 audit of the NSW Generations (Debt Retirement) Fund (the DRF), the Audit Office identified an appropriation of \$4.5 billion to the DRF was not paid into the DRF as required by section 4(a) of the *NSW Generations Funds Act 2018* (NGF Act). Section 9(1)(a) of the NGF Act requires 'all money appropriated by Parliament, or advanced by the Treasurer' to be paid into the DRF. NSW Treasury initially advised that the appropriation had not been paid into the DRF as the NSW Government suspended contributions to the DRF.

NSW Treasury subsequently confirmed that:

- the NSW Government does not have the power to suspend an appropriation made by Parliament that is required by section 9(1)(a) of the NGF to be paid into the DRF
- the effect of section 16 of the *Appropriation Act 2021* and section 9(1)(a) of the NGF Act is to hypothecate approximately \$4.5 billion of the total amount appropriated under the *Appropriation Act 2021* for the purpose of the DRF
- there will not be a breach of section 9(1)(a) of the NGF as long as the amounts appropriated to the DRF continue to be held for that purpose even if no cash has been transferred to a separate bank account.

NSW Treasury then undertook an exercise to determine the full extent of amounts appropriated to the relevant Special Deposits Accounts (SDA), including the DRF, that had not been identified as being available for immediate use for the purposes of the relevant SDAs. This exercise identified a cumulative amount of \$11.0 billion not previously identified that had been appropriated for 2021–22 and prior years, as detailed below:

Authority	Special Deposits Account (SDA)	2022 \$'000	2021 \$'000
<i>NSW Generations Funds Act 2018</i>	NSW Generations (Debt Retirement) Fund	4,582,033	84,810
<i>Digital Restart Fund Act 2020</i>	Digital Restart Fund	102,000	--
<i>Transport Administration Act 1988</i>	Transport for NSW Fund	6,341,881	5,861,293
Total funds held by the SDAs		11,025,914	5,946,103

Note 22 'Administered Items' of NSW Treasury's Financial Statements for the 2021–22 financial year was subsequently updated to disclose that the above amounts form part of the relevant SDA and are available for the relevant SDA's immediate use.

The responsible managers of SDAs are required, under section 4.16 of the GSF Act, to keep 'records and other information' concerning the operation of an SDA, including information about the amounts appropriated under any Act or law for payment into the account. To the extent this has not occurred, it should be corrected going back to the inception of the relevant SDA account.

NSW Treasury administers the DRF. Historically it has not reported the amount of hypothecated appropriations to be paid from the Consolidated Fund into the DRF. This means NSW Treasury has not complied with section 4.16 of the GSF Act since 1 July 2020 in its capacity as responsible manager for the fund.

Further detail on this matter is included on page 50 of the '[State Finances 2022](#)' NSW Auditor-General's Report to Parliament.

Management and oversight of COVID-19 hotel quarantine expenditure was insufficient

Hotel quarantine costs were incurred by a third-party government supplier (under a service level agreement) and reimbursed by NSW Treasury via a monthly direct debit. The costs incurred by the third party were reported to Treasury on a dashboard.

As part of our review of NSW Treasury's COVID-19 hotel quarantine expenditure, we could not identify:

- evidence of documented review by NSW Treasury of the monthly costs reported by the third party in the dashboard, prior to the monthly direct debit occurring
- documented evidence of approval by NSW Treasury of the monthly direct debit charged by the third party.

Monitoring and approval of administration costs incurred by Service NSW

Service NSW administered a range of economic stimulus and disaster recovery support programs in 2021–22 on behalf of Treasury. Service NSW signed grant project agreements which had a requirement for the Secretary of NSW Treasury to sign-off the finalised grant administration costings and funding source for the administration costs once they were determined.

Service NSW recognised \$256 million grant administration revenue and withdrew this amount of cash from a few administered bank accounts without prior written sign-off from Treasury.

On 21 November 2022, the Secretary of NSW Treasury confirmed the administration costs incurred by Service NSW were reasonable and within the expected range of a program's expenditure for administration as a proportion of total program funds.

Further detail on this matter is included on page 25 of the '[Customer Service 2022](#)' NSW Auditor-General's Report to Parliament.

Non-compliances with legislation

During 2021–22, the Audit Office identified a number of non-compliances with key legislation by Treasury. This included non-compliances with:

- the *Energy and Utilities Administration Act 1987* (the EUA Act) – NSW Treasury did not comply with section 35 of the EUA Act as they did not pay all their moneys into or out of the SDA established under this Act
- the *Social and Affordable Housing Fund Act 2016* – six payments totalling \$22 million were made from the Social and Affordable Housing Fund that exceeded the Treasurer's delegation under this Act
- the *Electricity Retained Interest Corporations Act 2015* – two payments totalling \$8,338 were made from the Electricity Retained Interest Corporation Fund - Ausgrid (ERIC-A Fund) that did not comply with the Act, and certain payments were made out of both the ERIC-A Fund and the Electricity Retained Interest Corporation Fund - Endeavour (ERIC-E Fund) in excess of the amounts approved by the Treasurer. The total value of payments made in excess of the Treasurer's Standing Authorisations was \$7,350.

Further detail on these matters is included on page 54 of the '[State Finances 2022](#)' NSW Auditor-General's Report to Parliament.

Forty-five Category 2 Statutory Land Managers (SLM) did not submit their 2021–22 financial statements for audit

Category 2 SLM is a type of Crown Land Manager (CLM) that is controlled by the State. It excludes Category 1 SLMs such as the metro cemeteries, Catholic Metropolitan Cemeteries Trust and Crown Holiday Parks land manager. 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 GSF Act requires Category 2 SLMs to prepare annual financial statements. Treasurer's Direction TD 21-03 requires these land managers to submit financial statements for audit within six weeks following the end of the annual reporting period.

During 2019–20, NSW Treasury established reporting exemption criteria for the CLMs. These criteria are outlined in Division 2, Part 3A of the Government Sector Finance Regulation 2018 (GSF Regulation). The Department of Planning and Environment (DPE) did not finalise the 2021–22 reporting exemption assessment for the 596 Category 2 SLMs (excluding Wentworth Park Sporting Complex Land Manager) by the statutory reporting deadline. The Wentworth Park Sporting Complex Land Manager currently prepares and submits financial statements for audit every year.

After the statutory reporting deadline to submit 30 June 2022 financial statements had passed, DPE assessed 551 Category 2 SLMs met the reporting exemption criteria, and would therefore not be required to prepare 2021–22 financial statements. To date, none of the 45 non-exempted Category 2 SLMs have submitted their 30 June 2022 financial statements for audit.

Further detail on these matters is included on page 33 of the '[State Finances 2022](#)' NSW Auditor-General's Report to Parliament.

None of the Commons Trusts have submitted their financial statements for audit

Commons 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 Commons Trusts are considered to be controlled entities of the minister who administers the *Commons Management Act 1989*. Commons Trusts are not CLMs.

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

Currently there are 119 Commons Trusts in New South Wales. None of these trusts have prepared and submitted financial statements as required under the GSF Act.

Further detail on these matters is included on page 33 of the '[State Finances 2022](#)' NSW Auditor-General's Report to Parliament.

Guidance on establishing working accounts

The Government Sector Finance Regulation 2018 (GSF Regulation) specifies that a GSF agency may only establish and operate a working account if the agency's accountable authority applies to the Treasurer, and the Treasurer gives written authority for the account to be established and operated.

Before the commencement of section 4.17 of the GSF Act on 1 July 2019, working accounts were established under section 13A of the *Public Finance and Audit Act 1983* (PF&A Act). The GSF Act included transitional provisions that specified that working accounts established under the PF&A Act were taken to be a working account established under section 4.17 of the GSF Act for a period of three years up to 30 June 2022, after which they would lapse.

While section 4.17 of the GSF Act sets the framework for establishing and operating a working account, there are no guidelines that set out when an agency may require a working account. This creates a risk that working accounts may be applied for, or established, without a valid need.

Further detail on these matters is included on page 56 of the '[State Finances 2022](#)' NSW Auditor-General's Report to Parliament.

Insurance related matters

icare is in the process of implementing organisational reform in response to findings in external reviews. These reviews have identified 152 recommendations for icare to improve in the areas of risk and governance, performance, and culture and accountability. The reviews include the April 2021 'McDougall Review', and the February 2021 'Independent Review of icare governance, accountability and culture' which was recommended by SIRA in the Dore Report.

A number of the observations referred to in this report were also identified in the above reviews and are expected to be actioned as part of the improvement program.

Workers Compensation Nominal Insurer

The Nominal Insurer's net asset deficiency worsened to 30 June 2022

The Workers Compensation Nominal Insurer (Nominal Insurer) held negative net assets of \$1.2 billion at 30 June 2022. The following table shows that over the last five years, the Nominal Insurer's financial position has deteriorated from a net asset surplus of \$2.5 billion at 30 June 2018 to a net asset deficiency of \$1.2 billion at 30 June 2022.

	2022 \$m	2021 \$m	2020 \$m	2019 \$m	2018 \$m
Total assets	18,549	19,878	19,196	19,333	18,480
Total liabilities	19,795	20,131	19,512	17,755	16,027
Net assets / (deficiency)	(1,246)	(253)	(316)	1,578	2,453
Assets to liabilities %	93.7	98.7	98.4	101	115

Source: Audited financial statements.

The negative net assets means that the Nominal Insurer does not hold sufficient capital to meet the estimated present value of its future payment obligations, when measured in accordance with the accounting framework. The financial statements continue to be prepared on a going concern basis because the future payment obligations are not all due for settlement within the next 12 months.

Last year's Report to Parliament noted that icare changed from an 'Accounting Ratio', to an 'Insurance Ratio' to assess the Nominal Insurer's capital sufficiency from 2020–21. The insurance ratio uses a (higher) discount rate based on the expected earnings rate on the Nominal Insurer's assets, rather than the 'risk free' rate which is used for financial reporting.

The deterioration in the value of the Nominal Insurer's net assets has resulted in its insurance ratio being outside of the 'target operating zone' set by the board of icare. The insurance ratio at 30 June 2022 is 102% (122% at 30 June 2021), which is less than icare's target operating zone of over 130%. The insurance ratio is calculated on the assumption that its investments will earn five per cent per annum.

Investment losses in 2021–22 were partially offset by changes in outstanding claims liability assumptions

The Nominal Insurer's net investment revenue decreased from \$1.5 billion in 2020–21 to a loss of \$890 million in 2021–22 (a change of \$2.4 billion).

The investment losses were partially offset by the \$428 million decrease in the outstanding claims liability, to \$18.2 billion at 30 June 2022. Key reasons for the overall decrease in 2021–22 include:

- a decrease of \$1.4 billion for changes in economic assumptions, especially for the significant increase in the risk free rate, which more than offset the increase in economic inflation projections over the period
- an increase of \$850 million for new claims for the 2022 accident year, less expected claim payments across all accident years
- an increase of \$339 million for the expected volume and cost of psychological claims.

At 30 June 2022, Nominal Insurer held investments of \$16.2 billion (\$17.6 billion at 30 June 2021) within NSW Treasury Corporation's Workers Compensation Insurance Fund (the Fund). NSW Treasury Corporation report that the Fund returned a loss of 5.1% in 2021–22, and positive returns of 4.3% over the last five years, and 5.9% over the last 10 years. As noted above, the Nominal Insurer's insurance ratio assumes that its investments will earn five per cent annum.

The Fund invests in a range of sectors including Australian and international equities, and unlisted property. The fund returns, including the loss in 2021–22, are broadly in line with benchmark returns.

Increases in premium rates per NSW Government direction

icare continues to assess how it can increase the Nominal Insurer's funding ratio, and advises that actions taken to date include the (ongoing) execution of the Nominal Insurer Improvement Program (improvement program) and increases in premium rates.

The State Insurance Regulatory Authority (SIRA) approved a 2.9% increase in workers compensation premium rates from 1.4% to 1.44% of wages for the 2021–22 policy year, and from 1.44% to 1.48% for the 2022–23 policy year.

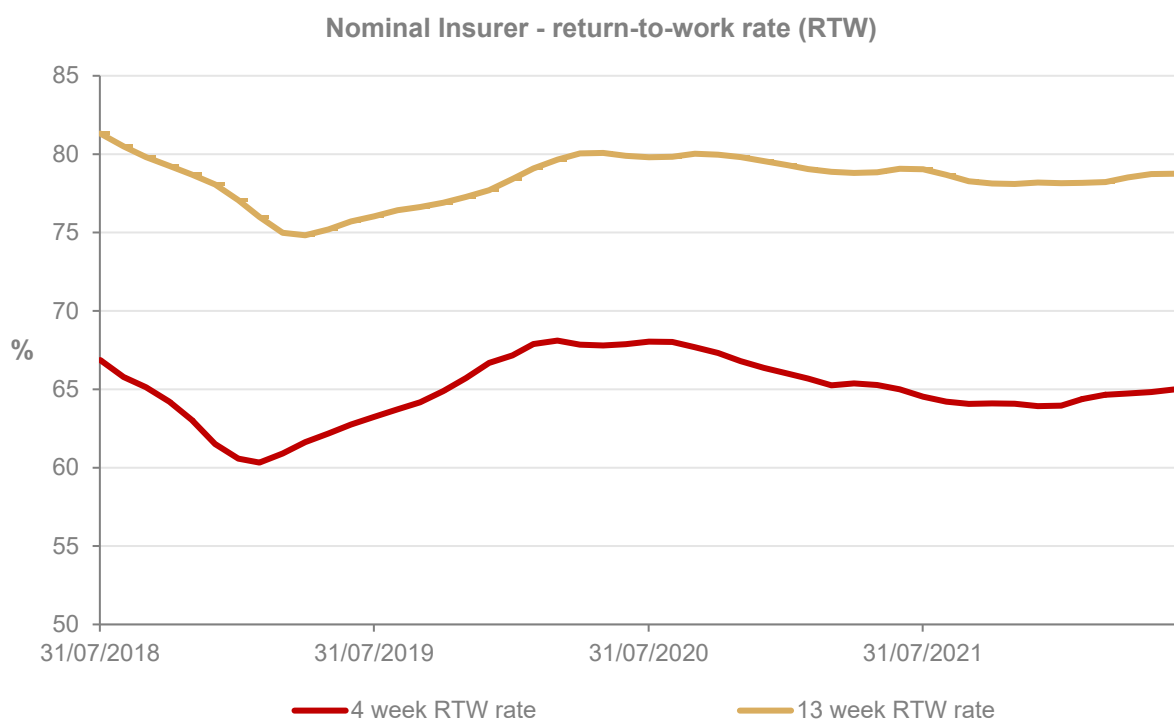
The NSW Government issued a direction to icare in April 2022 which limited the average premium rate increases in 2022–23 to the 2.9% approved by SIRA.

Return-to-work rates have stabilised, but remain below performance levels prior to the COVID-19 pandemic

A key assumption when measuring the Nominal Insurer's outstanding claims liability is the amount of time that injured workers will remain on benefits (that is, on 'continuance rates'). This assumption is significantly aligned with return-to-work rate measures. The longer workers are assumed to remain on benefits, the higher the Nominal Insurer's outstanding claims liability.

Last year's 'Treasury 2021' NSW Auditor-General's Report to Parliament noted that the Nominal Insurer's monthly four-week return-to-work rate had fallen from 68% at 30 June 2020 to 65% at 30 June 2021. SIRA data for 2021–22 shows that the monthly four-week return-to-work rate fell to 64% between August 2021 and March 2022, before increasing to 65% from April 2022 onwards. Similarly, the 13-week return-to-work rate remained relatively steady in 2021–22 ranging from 78.1% to 79%.

The four-week and 13-week return-to-work rates trend since July 2018 is shown in the graph below. It shows the Nominal Insurer's return-to-work rates throughout 2021–22 were below the schemes performance prior to the COVID-19 pandemic.



Source: State Insurance Regulatory Authority - four-week and 13-week RTW rate (unaudited; data as at June 2022)

Primary drivers for the below target return-to-work rates in 2021–22 include:

- an increasing number of psychological injury claims being reported, which on average remain on benefits for longer relative to physical injury claims
- the impacts of COVID-19 lockdowns which have resulted in both operational impacts to claims handling processes and increased barriers to claimants returning to work.

Return-to-work rates are one measure of the effectiveness of the scheme. They measure the proportion of injured workers who had returned to work after having time off work following a work-related injury. Falling return-to-work rates may indicate injured workers are not receiving the treatment and support needed to enable them to return to work. They may also indicate a shift in the mix of claims with a large proportion of psychological claims with longer injury periods.

Claim processing errors not identified and corrected by quality review controls

Recommendation (repeat)

icare needs to ensure it has sufficient controls in place over claim payments, including an effective quality assurance program, to minimise claim payment errors.

Last year's '[Treasury 2021](#)' NSW Auditor-General's Report to Parliament included the above recommendation, aimed at minimising claim payment errors. The audit team found further errors after reviewing a sample of claim payments in 2021–22:

- two instances where the SIRA gazetted rate code did not agree to the code applied in the invoice. While the dollar amounts of the rates were the same, this input error could have led to the payment of a claim above the gazetted rate
- an instance where the claimant continued to be paid when there was no longer a certificate of capacity in place.

While the above exceptions did not result in material financial statement errors, they were not identified and addressed prior to payment by the peer review process.

Insufficient documentation to support claims

Recommendation (repeat)

icare should ensure that documentation to support PIAWE calculations is appropriately maintained, and that the minimum documentation requirements are set out in a policy.

Last year, our audit found insufficient documentation was retained to support PIAWE calculations. The audit found further instances in 2021–22 where documentation supporting the calculation and payment of claims, such as PIAWE calculations, communication with claimants and electronic fund transfer forms, could not be located on icare's Guidewire system.

PIAWE calculations are used to determine weekly benefit payments to injured workers. The absence of appropriate information to support PIAWE calculations reduces the effectiveness of secondary review procedures, thereby increasing the risk of claim over or underpayment errors not being identified.

PIAWE is the weekly average of the gross earnings received by a worker at the time of the injury and is based on the sum paid for things such as earning for hours worked, allowances and loadings. PIAWE calculations can be complex because of the different pay and conditions in industrial arrangements.

Pre-Injury Average Weekly Earnings (PIAWE) underpayments

Last year's '[Treasury 2021](#)' NSW Auditor-General's Report to Parliament reported that icare had identified historical PIAWE calculation errors between 2012 and 2019, and that these errors led to the underpayment of compensation benefits to workers. It also reported that on 11 November 2021, icare announced it would 'proactively' pay \$38 million to 53,000 injured workers to remediate the underpayments.

A proactive payment involves icare paying a pre-defined cohort of injured workers on the assumption that they have been underpaid, rather than waiting for underpayments to be first identified by file reviews.

According to the announcement:

- the payment is directed to those most vulnerable and where there is likely to have been a financial impact
- the payment scheme does not limit injured workers from requesting a further review.

As at 30 June 2022, \$8.5 million of proactive payments were still to be paid.

A remediation provision of \$5.4 million at 30 June 2022 was also recognised within the NSW Self Insurance Corporation's financial statements, to remediate similar past underpayments to workers within the Treasury Managed Fund.

In 2019–20, icare commenced a project to review historical PIAWE calculations for the period 2012–19. The review was in response to changes to the *Workers Compensation Act 1987* in 2012 which caused the PIAWE calculation to be more comprehensive than before. It also required detailed information from injured workers to be received, assessed and processed within a legislative timeframe of seven days. This resulted in the calculation being susceptible to incomplete data, untimely receipt of data, incorrect application or interpretations of the legislation or transcription issues and error.

Indexation may not have been correctly applied to injured worker entitlements

During the review of historical PIAWE calculations referred to above, a potential issue was raised where indexation may have been incorrectly applied, or failed to have been applied, when determining injured worker entitlements between 2012 and 2019. Based on calculations provided by icare, the Audit Office reported uncorrected judgemental misstatements of \$28.5 million (understatement) for the Nominal Insurer, and \$3.5 million for the Treasury Managed Fund.

This issue relates to claims which were managed by icare's external claims management providers using their own claims management systems between 2012 and 2019. From 2019 these claims were moved onto icare's Guidewire system, and this system has automated controls in place that support the correct application of indexation.

We understand that icare's investigations into this matter to date has found that:

- the process to apply indexation to weekly benefits is a manual process in most cases
- the process relies on case managers to apply the indexation rate correct in line with legislation
- it is likely that the root cause any misstatements was human error when applying a manual process.

The impact of this issue on the Nominal Insurer and SiCorp's financial statements will be considered further as part of the 2022–23 financial audits.

New South Wales Self Insurance Corporation (SiCorp)

SiCorp operates the following government managed schemes:

- NSW Treasury Managed Fund*
- Pre-Managed Fund Reserve*
- Home Building Compensation Fund (formerly the Home Warranty Insurance Fund)
- Construction Risk Insurance Fund
- Transport Accidents Compensation Fund*
- Governmental Workers Compensation Account*
- Residual Workers Compensation Liabilities of the Crown*
- Bush Fire Fighters Compensation Fund
- Emergency and Rescue Workers Compensation Fund
- Supplementary Sporting Injuries Fund.

*Covered by the Net Asset Holding Level Policy funding arrangement (refer below).

SiCorp reported an underwriting loss of \$2 billion

SiCorp's financial statements disclose an underwriting result and net result, representing the combined performance of all ten schemes. In 2021–22, SiCorp reported:

- an underwriting result comprising a loss of \$2 billion (\$1.2 billion loss in 2020–21)
- a net result comprising a loss of \$550 million (\$993 million surplus).

An underwriting result represents the Corporation's performance from insurance (and insurance-like) activities, while a net result represents the underwriting result plus non-insurance-related income and expenses, including grants from Treasury and investment returns.

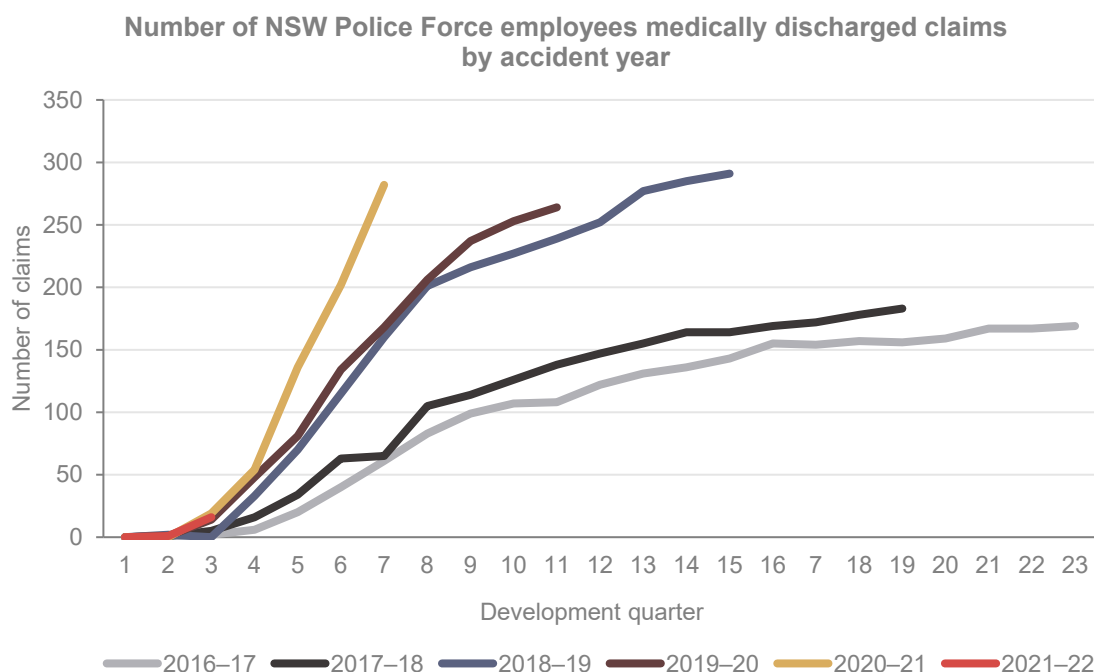
The underwriting result largely reflects the \$1.9 billion increase in the overall outstanding claims liability, which increased by:

- \$517 million for higher than expected volumes of child abuse claims, in response to a November 2021 amendment the *Civil Liability Act 2002*. This amendment removed restrictions to civil compensation for abuse which occurred while a child was in custody. Refer also to Section 2.4
- \$513 million due to workers staying on benefits for longer, and increases in psychological injury claims across both the non-emergency services and emergency services sectors
- \$206 million for increases in medical malpractice claims
- \$209 million in property damage claims as a result of adverse flood and weather events during the year.

Increases in psychological claims, including NSW Police Force medical discharges

A high proportion (more than 90%) of NSW Police Force medical discharges relate to psychological injury, such as Post Traumatic Stress Disorder. These claims generally involve long-term benefits, usually to retirement age unless otherwise settled through a Work Injury Damages payment.

The following graph shows the number of NSW Police Force medical discharges since 2016. The graph shows that number of medical discharges has been consistently increasing year on year over this period, with a particularly significant jump in 2019.



Source: SiCorp's actuary (unaudited).

The 'Development quarter' in the graph is the delay between when the accident occurred and when it is claimed, presented in three-monthly (or quarterly) intervals. In 2016-17, there were 169 medical discharged claims that emerged over 24 development quarters. In comparison, there has already been 282 medical discharge claims that have emerged relating to the 2020-21 accident year, and if the trend seen above in earlier accident years occurs, this number is likely to increase. The increasing steepness of the curves demonstrates the increasing rate of psychological claims by current or former NSW Police Force officers.

The '[Stronger Communities 2022](#)' NSW Auditor-General's Report to Parliament includes the results of our audit of NSW Police Force.

The trend with NSW Police Force medical discharges reflects the general increase in psychological injury claims within the Treasury Managed Fund (TMF). Changes in assumptions for the increases in psychological claims and continuance rates have resulted in the TMF Workers Compensation provision increasing by:

- \$200 million for non-emergency services claims
- \$313 million for emergency services claims, mainly driven by NSW Police Force (\$242 million) and NSW Ambulance (\$52 million).

As noted above, the Nominal Insurer's outstanding claims provision has also been impacted by the increasing prevalence in psychological claims over the past four years. Similar to TMF, Nominal Insurer claimants with psychological injuries generally remain on benefits for longer, leading to increases in claim costs, compared to physical injury claims.

The Standing Committee on Law and Justice is currently reviewing the NSW Workers Compensation Scheme and has resolved to focus their review on the increase in psychological claims. Refer to the ['2022 Review of the Workers Compensation Scheme'](#) for further details.

The State has contributed \$5.1 billion to SiCorp in Net Asset Holding Level Policy payments over the last five years

The value of SiCorp's assets fell to less than 105% of its reported scheme liabilities during 2021–22, reflecting the underwriting loss (as discussed above) and investment losses of \$650 million (\$2.1 billion investment gains in 2021–22). In response, Treasury contributed \$1.9 billion, in accordance with the Net Asset Holding Level Policy (NAHLP).

The NAHLP is a policy statement, approved by the Treasurer, that governs the target funding ratio of participating SiCorp schemes. The NAHLP states that the value of participating scheme assets should be between 105% and 115% of its reported scheme liabilities. Where assets are in surplus of 115%, they are paid to Treasury, while asset positions of less than 105% are addressed through payments from Treasury.

While SiCorp returned funds to Treasury in years prior to 2017–18, over the last five years SiCorp has received contributions from the government as follows:

Net Asset Holding Level Policy contributions						
	2021–22 \$m	2020–21 \$m	2019–20 \$m	2018–19 \$m	2017–18 \$m	Total
Contributions	1,900	--	2,010	1,135	40	5,085

Source: Audited financial statements.

As noted above, SiCorp's net asset position in 2021–22 was impacted by the increase in outstanding claims liability and investment losses. As contributions received from NSW Government agencies were not sufficient to offset these impacts, this triggered the NAHLP payment. This also occurred in 2019–20 and 2018–19. For details refer to the [Central Agencies 2020](#), and [Central Agencies 2019](#) Reports.

Insurance and Care NSW (icare)

icare systems continue to have user access control weaknesses

The audit team continued to find information technology user access control weaknesses. These include:

- instances where the system access of terminated employees was not cancelled (revoked) in a timely manner. This was raised in 2018–19 and the same issues continue to be found
- an instance where the level of access provided to a user did not align with the requested level of access. In this case, additional access was provided
- a user account that had inappropriate privileged access. The audit team was able to confirm that the account was not used to perform system administration level actions during the year.

Inadequate user access controls increase the risk of inappropriate or invalid access to systems going undetected. This in turn could enable unauthorised (and undetected) activities within systems, such as privacy breaches or possibly fraud.

Superannuation related matters

Breach of Australian Financial Services Licence (AFSL) – Energy Industries Superannuation Scheme Pty Limited

Energy Industries Superannuation Scheme Pty Limited (EISS) is the trustee to the Energy Industries Superannuation Scheme Pool A and Energy Industries Superannuation Scheme Pool B.

On 12 November 2021 the Australian Prudential Regulation Authority (APRA) imposed Additional Licence Condition (ALC) on EISS under section 29EA(1) of the *Superannuation Industry (Supervision) Act 1993*. This required EISS to provide APRA with a plan and timeline, by 14 January 2022, for implementing a successor fund transfer or merger for Energy Industries Superannuation Scheme Pool A by 30 June 2022.

EISS provided APRA with a plan to implement a successor fund transfer by November 2022. EISS management assessed that the successor fund transfer timeframe of November 2022, instead of 30 June 2022, was a breach of ALC under section 29JA of the *Superannuation Industry (Supervision) Act 1993* and section 912A(b) of the *Corporations Act 2001*.

EISS became aware of this matter on 11 January 2022 and formally notified APRA and the Australian Securities and Investments Commission (ASIC) on 13 May 2022. We were notified of this matter on 7 September 2022. We notified ASIC on 12 September 2022 to satisfy our reporting duty under section 990K of the *Corporations Act 2001*. This was reported in our 2021–22 Management Letter.

Section two

Appendices

Appendix one – Misstatements in financial statements submitted for audit

	2021–22			2020–21		
	Uncorrected	Corrected	Total	Uncorrected	Corrected	Total
Cluster lead entity						
NSW Treasury	2	1	3	1	3	4
Treasury cluster (other)						
Alpha Distribution Ministerial Holding Corporation	--	--	--	--	--	--
Electricity Assets Ministerial Holding Corporation	--	--	--	--	--	--
Electricity Retained Interest Corporation - Ausgrid	--	1	1	--	1	1
Electricity Retained Interest Corporation - Endeavour Energy	--	1	1	--	1	1
Twenty-four controlled entities of the Electricity Retained Interest Corporation - Ausgrid^	N/A	N/A	N/A	N/A	N/A	N/A
Twenty-four controlled entities of the Electricity Retained Interest Corporation - Endeavour Energy^	N/A	N/A	N/A	N/A	N/A	N/A
Electricity Transmission Ministerial Holding Corporation	1	1	2	--	--	--
Epsilon Distribution Ministerial Holding Corporation	--	--	--	--	--	--
ERIC Alpha Holdings Pty Ltd	--	1	1	--	1	1
ERIC Epsilon Holdings Pty Ltd	--	1	1	--	1	1
Generator Property Management Pty Ltd	--	4	4	--	1	1

	2021–22			2020–21		
	Uncorrected	Corrected	Total	Uncorrected	Corrected	Total
ICNSW Australian Equities Fund	N/A	N/A	N/A	--	--	--
ICNSW International Equities Hedged Fund	N/A	N/A	N/A	1	--	1
ICNSW International Equities Fund (Unhedged)	N/A	N/A	N/A	1	--	1
Insurers' Guarantee Fund Investment Trust	--	--	--	--	--	--
Liability Management Ministerial Corporation	--	--	--	--	--	--
Long Service Corporation Investment Fund	--	--	--	--	--	--
Ministerial Holding Corporation^	N/A	N/A	N/A	N/A	N/A	N/A
43 NSW TCorp Investment Management Funds	--	--	--	5	--	5
New South Wales Treasury Corporation	--	--	--	--	--	--
NSW Generations (Debt Retirement) Fund Investment Trust	--	--	--	--	--	--
NSW Infrastructure Future Fund	--	--	--	--	--	--
Parliamentary Contributory Superannuation Fund Investment Trust	--	--	--	--	--	--
Port Botany Lessor Pty Limited	--	--	--	--	--	--
Port Kembla Lessor Pty Ltd	--	--	--	--	--	--
Port of Newcastle Lessor Pty Ltd	--	--	--	--	--	--
Ports Assets Ministerial Holding Corporation	--	--	--	--	--	--
Roads Retained Interest Pty Ltd	--	--	--	--	--	--
Snowy Hydro Legacy Fund Investment Trust	--	--	--	N/A	N/A	N/A

	2021–22			2020–21		
	Uncorrected	Corrected	Total	Uncorrected	Corrected	Total
Social and Affordable Housing NSW Fund Investment Trust	--	--	--	--	--	--
State Rail Authority Residual Holding Corporation^	N/A	N/A	N/A	N/A	N/A	N/A
Treasury Managed Fund Investment Portfolio	--	--	--	--	--	--
Treasury cluster (Insurance and compensation) excluding Nominal Insurer						
Building Insurers' Guarantee Corporation	--	--	--	--	--	--
Home Building Compensation Fund	--	--	--	--	--	--
Insurance and Care NSW	--	--	--	1	1	2
Lifetime Care and Support Authority of New South Wales	--	--	--	--	--	--
NSW Self Insurance Corporation	1	--	1	--	--	--
Sporting Injuries Compensation Authority	--	--	--	1	--	1
Workers Compensation (Dust Diseases) Authority	--	--	--	--	--	--
Treasury cluster (superannuation)						
Buroba Pty Ltd^	N/A	N/A	N/A	N/A	N/A	N/A
Crown Employees (NSW Fire Brigades Firefighting Staff Death and Disability) Superannuation Fund	--	--	--	--	--	--
EIF Pty Limited	--	--	--	--	--	--
Energy Industries Superannuation Scheme Pool A	--	--	--	--	--	--
Energy Industries Superannuation Scheme Pool B	--	--	--	--	--	--
Energy Industries Superannuation Scheme Pty Limited	--	--	--	--	--	--

	2021–22			2020–21		
	Uncorrected	Corrected	Total	Uncorrected	Corrected	Total
Energy Investment Fund	--	--	--	--	--	--
LGSS Pty Limited	1	--	1	2	--	2
Macquarie University Professorial Superannuation Scheme	--	--	--	--	--	--
NSW Fire Brigades Superannuation Pty Ltd	--	--	--	--	--	--
Parliamentary Contributory Superannuation Fund	--	--	--	--	--	--
Trustees of the Parliamentary Contributory Superannuation Fund	--	--	--	--	--	--
SAS Trustee Corporation - Pooled Fund	--	--	--	2	--	2
SAS Trustee Corporation	4	--	4	1	--	1
SAS Trustee Corporation Staff Agency^	N/A	N/A	N/A	N/A	N/A	N/A
University of Sydney Professorial Superannuation System	--	--	--	--	--	--
Valley Commerce Pty Ltd^	N/A	N/A	N/A	N/A	N/A	N/A
Treasury cluster (Workers Compensation Nominal Insurer)						
Workers Compensation Nominal Insurer	2	--	2	2	1	3
Total	11	10	21	17	7	24

^ Agency is exempt from financial reporting.

Source: 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 reviewed the statements and the supporting working papers.
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	Update employee annual leave provisions	Reconcile and calculate annual leave provisions. The balances calculated for the early close 31 March financial statements must be rolled forward with adjustments for monthly accruals and actual payments as part of the 30 June financial statements.
5	Inter and intra (cluster) agency transactions and balances	Agree and confirm all inter and intra (cluster) agency balances and transactions with the counterparty agency.
6	Significant management judgements and assumptions	Document all significant management judgements and assumptions made when estimating transactions and balances.
7	Reconciliation of key account balances	Reconcile all key account balances (including annual leave provisions) and clear reconciling items.
8	Reconcile March 2022 month-end Prime submission to the proforma financial statements	Reconcile the March 2022 month-end Prime submission to the proforma financial statements and provide explanations for variances above \$5 million.
9	Changes in accounting policy	Review and agree changes in accounting policy with the principal cluster agency.
10	Finalise right-of-use assets and lease liability balances	Ensure that all lease arrangements are accurate and complete.
11	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'.
12	Correction of material prior period errors	Confirm there are no changes to the 2020–21 closing balances. Proposed changes are accompanied by journals, explanations and proposed disclosures.
13	Monthly management reports	Perform variance analysis with meaningful explanations for actuals versus budget, and year-to-date actuals for the previous year.
14	Accounting treatment for restructures and discontinued /abolished agencies	Identify and document the accounting treatment for changes to agency structures resulting from legislative or other changes.
15	Delegations	Ensure all material transactions are supported by appropriate delegations.




No.	Procedure	Description
16	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).
17	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 2021–22 financial year.

Appendix three – Timeliness of financial reporting

Cluster agencies	2021–22 Financial statements submission	Date audit report was issued
Cluster lead entity		
NSW Treasury	✓	31 October 2022
Treasury cluster (other)		
Alpha Distribution Ministerial Holding Corporation	✓	28 October 2022
Electricity Assets Ministerial Holding Corporation	✓	28 October 2022
Electricity Retained Interest Corporation - Ausgrid	✓	27 October 2022
Electricity Retained Interest Corporation - Endeavour Energy	✓	28 October 2022
Electricity Transmission Ministerial Holding Corporation	✓	28 October 2022
Epsilon Distribution Ministerial Holding Corporation	✓	28 October 2022
ERIC Alpha Holdings Pty Ltd	✓	10 October 2022
ERIC Epsilon Holdings Pty Ltd	✓	5 October 2022
Generator Property Management Pty Ltd	✓	14 October 2022
Insurers' Guarantee Fund Investment Trust	✓	6 October 2022
Liability Management Ministerial Corporation	✓	28 October 2022
Long Service Corporation Investment Fund	✓	6 October 2022
Ministerial Holding Corporation	N/A	N/A - Exempt from financial reporting
43 NSW TCorp Investment Management Funds	✓	6 October 2022
New South Wales Treasury Corporation	✓	31 August 2022
NSW Generations (Debt Retirement) Fund Investment Trust	✓	6 October 2022
NSW Infrastructure Future Fund	✓	6 October 2022
Parliamentary Contributory Superannuation Fund Investment Trust	✓	6 October 2022
Port Botany Lessor Pty Limited	✓	25 November 2022
Port Kembla Lessor Pty Limited	✓	25 November 2022
Port of Newcastle Lessor Pty Limited	✓	25 November 2022
Ports Assets Ministerial Holding Corporation	✓	25 November 2022
Roads Retained Interest Pty Ltd	✓	20 July 2022
Snowy Hydro Legacy Fund Investment Trust	✓	6 October 2022
Social and Affordable Housing NSW Fund Investment Trust	✓	6 October 2022

Cluster agencies	2021–22 Financial statements submission	Date audit report was issued
State Rail Authority Residual Holding Corporation	N/A	N/A - Exempt from financial reporting
Twenty-four controlled entities of the Electricity Retained Interest Corporation - Ausgrid	N/A	N/A - Exempt from financial reporting
Twenty-four controlled entities of the Electricity Retained Interest Corporation - Endeavour Energy	N/A	N/A - Exempt from financial reporting
Treasury Managed Fund Investment Portfolio	✓	6 October 2022
Treasury cluster (Insurance and Compensation) excluding Nominal Insurer		
Building Insurers' Guarantee Corporation	✓	29 September 2022
Home Building Compensation Fund	✓	29 September 2022
Insurance and Care NSW	✓	29 September 2022
Lifetime Care and Support Authority of New South Wales	✓	29 September 2022
NSW Self Insurance Corporation	✓	29 September 2022
Sporting Injuries Compensation Authority	✓	29 September 2022
Workers Compensation (Dust Diseases) Authority	✓	29 September 2022
Treasury cluster (superannuation)		
Buroba Pty Ltd	N/A	N/A - Exempt from financial reporting
Crown Employees (NSW Fire Brigades Firefighting Staff Death and Disability) Superannuation Fund	✓	30 September 2022
EIF Pty Limited	✓	23 September 2022
Energy Industries Superannuation Scheme Pool A	✓	23 September 2022
Energy Industries Superannuation Scheme Pool B	✓	23 September 2022
Energy Industries Superannuation Scheme Pty Limited	✓	23 September 2022
Energy Investment Fund	✓	23 September 2022
LGSS Pty Limited	✓	23 September 2022
Macquarie University Professorial Superannuation Scheme	✓	14 October 2022
NSW Fire Brigades Superannuation Pty Limited	✓	30 September 2022
Parliamentary Contributory Superannuation Fund	✓	30 September 2022
Trustees of the Parliamentary Contributory Superannuation Fund	✓	30 September 2022
SAS Trustee Corporation - Pooled Fund	✓	4 October 2022
SAS Trustee Corporation	✓	4 October 2022
SAS Trustee Corporation Staff Agency	N/A	N/A - Exempt from financial reporting
University of Sydney Professorial Superannuation System	✓	23 March 2022
Valley Commerce Pty Ltd	N/A	N/A - Exempt from financial reporting

Cluster agencies	2021–22 Financial statements submission	Date audit report was issued
Treasury cluster (Workers Compensation Nominal Insurer)		
Workers Compensation Nominal Insurer		29 September 2022

-  Treasury's reporting deadline was met.
-  Treasury's approved extension timeframe was met.
-  Treasury's reporting deadline was not met.

Appendix four – Financial data

	Total assets		Total liabilities		Total revenue*		Total expense**	
	2022 \$m	2021 \$m	2022 \$m	2021 \$m	2022 \$m	2021 \$m	2022 \$m	2021 \$m
Principal department								
NSW Treasury	564	346	159	178	761	1,180	828	1,094
Treasury cluster (other)								
Alpha Distribution Ministerial Holding Corporation	191	194	10	16	20	19	22	10
Electricity Assets Ministerial Holding Corporation	138	147	52	53	2	1	10	9
Electricity Retained Interest Corporation - Ausgrid	5,804	4,976	--	--	302	117	1	1
Electricity Retained Interest Corporation - Endeavour Energy	3,054	2,632	--	--	90	136	25	38
Electricity Transmission Ministerial Holding Corporation	196	195	93	150	5	5	3	4
Epsilon Distribution Ministerial Holding Corporation	42	41	5	8	5	5	4	3
ERIC Alpha Holdings Pty Ltd***	5,804	4,976	--	--	302	116	--	--
ERIC Epsilon Holdings Pty Ltd***	3,054	2,632	--	--	89	135	24	37
Generator Property Management Pty Ltd	46	36	19	18	23	29	13	7
Insurers' Guarantee Fund Investment Trust	200	223	3	--	(16)	21	--	--
Liability Management Ministerial Corporation	298	297	--	--	1	68	--	--
Long Service Corporation Investment Fund	2,060	2,055	20	--	(150)	175	2	1

	Total assets		Total liabilities		Total revenue*		Total expense**	
	2022 \$m	2021 \$m	2022 \$m	2021 \$m	2022 \$m	2021 \$m	2022 \$m	2021 \$m
Ministerial Holding Corporation^	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
43 NSW TCorp Investment Management Funds	74,590	66,920	443	646	(2,048)	8,207	179	144
New South Wales Treasury Corporation	124,546	117,231	124,316	117,003	256	225	159	143
NSW Generations (Debt Retirement) Fund Investment Trust	14,945	15,263	180	48	(440)	1,912	11	8
NSW Infrastructure Future Fund	8,962	12,086	122	60	(424)	996	11	14
Parliamentary Contributory Superannuation Fund Investment Trust	326	366	2	--	(14)	56	--	--
Port Botany Lessor Pty Limited	227	212	--	--	47	45	32	31
Port Kembla Lessor Pty Limited	25	23	--	--	8	8	6	6
Port of Newcastle Lessor Pty Limited	35	33	--	--	7	7	5	5
Ports Assets Ministerial Holding Corporation	288	269	--	1	62	60	44	42
Roads Retained Interest Pty Ltd	--	6,297	--	--	4,677	--	101	295
Snowy Hydro Legacy Fund Investment Trust	1,577	N/A	26	N/A	(165)	N/A	1	N/A
Social and Affordable Housing NSW Fund Investment Trust	1,532	1,667	14	3	(84)	215	1	1
State Rail Authority Residual Holding Corporation^	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Treasury Managed Fund Investment Portfolio	11,847	12,797	104	10	(503)	1,937	10	10

	Total assets		Total liabilities		Total revenue*		Total expense**	
	2022 \$m	2021 \$m	2022 \$m	2021 \$m	2022 \$m	2021 \$m	2022 \$m	2021 \$m
Treasury cluster (Insurance and compensation) excluding Nominal Insurer								
Building Insurers' Guarantee Corporation	--	53	--	53	--	7	--	56
Home Building Compensation Fund	716	617	1,222	1,151	181	319	152	108
Insurance and Care NSW	335	319	322	306	946	926	946	926
Lifetime Care and Support Authority of New South Wales	8,398	8,406	7,752	8,232	220	1,598	(248)	1,128
NSW Self Insurance Corporation	16,596	15,164	16,278	14,297	3,767	4,139	4,317	3,146
Sporting Injuries Compensation Authority	6	6	2	2	1	1	1	--
Workers Compensation (Dust Diseases) Authority	2,052	2,265	2,052	2,265	31	206	31	206
Treasury cluster (superannuation)								
Buroba Pty Ltd^	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Crown Employees (NSW Fire Brigades Firefighting Staff Death and Disability) Superannuation Fund	4	3	3	2	1	1	1	1
EIF Pty Limited	--	--	--	--	--	--	--	--
Energy Industries Superannuation Scheme Pool A	3,635	4,369	3,608	4,343	(287)	667	287	667
Energy Industries Superannuation Scheme Pool B	1,802	2,078	1,723	1,884	(142)	335	(26)	197
Energy Industries Superannuation Scheme Pty Limited	20	19	20	19	38	42	38	42
Energy Investment Fund	5,395	6,422	71	42	(429)	1,002	--	--
LGSS Pty Limited	14	13	14	13	45	41	45	41

	Total assets		Total liabilities		Total revenue*		Total expense**	
	2022 \$m	2021 \$m	2022 \$m	2021 \$m	2022 \$m	2021 \$m	2022 \$m	2021 \$m
Macquarie University Professorial Superannuation Scheme	8	11	10	11	(1)	2	2	2
NSW Fire Brigades Superannuation Pty Ltd	--	--	--	--	--	--	--	--
Parliamentary Contributory Superannuation Fund	326	368	413	415	(14)	60	24	1
Trustees of the Parliamentary Contributory Superannuation Fund	--	--	--	--	--	--	--	--
SAS Trustee Corporation	14	13	14	13	39	38	39	38
SAS Trustee Corporation - Poole d Fund	42,088	46,109	59,379	59,352	(100)	5,940	3,948	4,895
SAS Trustee Corporation Staff Agency^	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
University of Sydney Professorial Superannuation System	32	31	20	21	4	1	2	1
Valley Commerce Pty Limited^	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Treasury cluster (Workers Compensation Nominal Insurer)								
Workers Compensation Nominal Insurer	18,549	19,878	19,795	20,131	2,599	4,721	3,592	4,658

* Include other gains.

** Include other losses and taxes, if applicable.

^ Agency is exempt from financial reporting.

Source: Agencies audited 2021–22 financial statements.

Appendix five – Acquittals and other opinions

In addition to audits on agencies' general purpose financial statements, the following other audits were completed during 2021–22:

Agency	Nature of engagement
Electricity Retained Interest Corporation – Ausgrid (ERIC-A) Fund	An audit conducted to provide reasonable assurance that the 2021–22 special purpose financial report of the Fund was, in all material respects, fairly stated and that payments made from the Fund were made in accordance with the <i>Electricity Retained Interest Corporations Act 2015</i> .
Electricity Retained Interest Corporation – Endeavour (ERIC-E) Fund	An audit conducted to provide reasonable assurance that the 2021–22 special purpose financial report of the Fund was, in all material respects, fairly stated and that payments made from the Fund were made in accordance with the <i>Electricity Retained Interest Corporations Act 2015</i> .
NSW Generations (Community Services and Facilities) Fund	An audit conducted to provide reasonable assurance that the 2021–22 special purpose financial report of the Fund was, in all material respects, fairly stated and that payments made from the Fund were made in accordance with the <i>NSW Generations Funds Act 2018</i> .
NSW Generations (Debt Retirement) Fund	An audit conducted to provide reasonable assurance that the 2021–22 special purpose financial report of the Fund was, in all material respects, fairly stated and that payments made from the Fund were made in accordance with the <i>NSW Generations Funds Act 2018</i> .
Restart NSW Fund	An audit conducted to provide reasonable assurance that the 2021–22 special purpose financial report of the Fund was, in all material respects, fairly stated and that payments made from the Fund were made in accordance with the <i>Restart NSW Fund Act 2011</i> .
Social and Affordable Housing NSW Fund	An audit conducted to provide reasonable assurance that the 2021–22 special purpose financial report of the Fund was, in all material respects, fairly stated and that payments made from the Fund were made in accordance with the <i>Social and Affordable Housing NSW Fund Act 2016</i> .
New South Wales Treasury Corporation (TCorp)	<p>An audit conducted to provide reasonable assurance over TCorp's description of controls, their design and operating effectiveness over managed asset portfolios</p> <p>An audit conducted to provide reasonable assurance over TCorp's description of controls, their design and operating effectiveness over investment management services</p> <p>An audit to provide reasonable assurance over TCorp's Commonwealth Guarantee Fee Forms for the period from 1 July 2021 to 30 June 2022, that they had been prepared in accordance with the 'Australian Government Guarantee of State and Territory Borrowing Scheme Rules'.</p>

Agency	Nature of engagement
Energy Industries Superannuation Scheme Pty Limited	<p>An audit conducted to determine if:</p> <ul style="list-style-type: none"> the financial statements give a true and fair view of the financial performance and financial position of the Licensee and comply with Australian Accounting Standards internal controls operating effectiveness of internal controls used by the Licensee to comply with Divisions 2, 3, 4, 4A, 5 and 6 of Part 7.8 of the <i>Corporations Act 2001</i>, Division 7 of Part 7.8 other than section 991A (the 'specified internal controls') of the <i>Corporations Act 2001</i> the operation and control of each account required by sections 981B and 982B of the <i>Corporations Act 2001</i> to be maintained by the Licensee (the required accounts) that we received all necessary records, information and explanations from the Licensee under regulation 7.8.13 of the Corporations Regulations 2001.
Energy Industries Superannuation Scheme Pool A	<p>A reasonable assurance audit conducted to determine if:</p> <ul style="list-style-type: none"> the relevant APRA reporting forms are prepared in all material respects in accordance with the requirements of the APRA reporting standards, trustee of Pool A has complied in all material respects with the reporting requirements of the APRA reporting standards pertaining to the preparation of the APRA reporting forms trustee's compliance with the following applicable provisions under the <i>Superannuation Industry (Supervision) Act 1993</i> (SIS Act), Superannuation Industry (Supervision) Regulations 1994 (SIS Regulations), APRA reporting standards, <i>Corporations Act 2001</i> (Corporations Act) and Corporations Regulations 2001 (Corporations Regulations) the requirement to maintain an operational risk reserve and trustee capital at the required target amount in accordance with its ORFR strategy.
Energy Industries Superannuation Scheme Pool B	<p>A reasonable assurance audit conducted to determine if:</p> <ul style="list-style-type: none"> the relevant APRA reporting forms are prepared in all material respects in accordance with the requirements of the APRA reporting standards, trustee of Pool B has complied in all material respects with the reporting requirements of the APRA reporting standards pertaining to the preparation of the APRA reporting forms trustee's compliance with the following applicable provisions under the <i>Superannuation Industry (Supervision) Act 1993</i> (SIS Act), Superannuation Industry (Supervision) Regulations 1994 (SIS Regulations), APRA reporting standards, <i>Corporations Act 2001</i> (Corporations Act) and Corporations Regulations 2001 (Corporations Regulations) the requirement to maintain an operational risk reserve and trustee capital at the required target amount in accordance with its ORFR strategy.
Energy Industries Superannuation Scheme Pool A	<p>A limited assurance audit conducted to determine if:</p> <ul style="list-style-type: none"> anything has come to our attention that APRA reporting forms are not prepared, in all material respects, in accordance with the APRA reporting standards the trustee's systems, procedures and internal controls are designed to ensure that the trustee has complied with all applicable prudential requirements the trustee's systems, procedures and internal controls provided reliable data to APRA as required under the APRA reporting standards compliance with the Risk Management Framework.
Energy Industries Superannuation Scheme Pool B	<p>A limited assurance audit conducted to determine if:</p> <ul style="list-style-type: none"> the trustee's systems, procedures and internal controls are designed to ensure that the trustee has complied with all applicable prudential requirements the trustee's systems, procedures and internal controls provided reliable data to APRA as required under the APRA reporting standards compliance with the Risk Management Framework.

Agency	Nature of engagement
The Macquarie University Professorial Superannuation Scheme	<p>A reasonable assurance audit conducted to determine if:</p> <ul style="list-style-type: none"> the relevant APRA reporting forms are prepared in all material respects in accordance with the requirements of the APRA reporting standards, trustee of the Scheme has complied in all material respects with the reporting requirements of the APRA reporting standards pertaining to the preparation of the APRA reporting forms trustee's compliance with the following applicable provisions under the <i>Superannuation Industry (Supervision) Act 1993</i> (SIS Act), Superannuation Industry (Supervision) Regulations 1994 (SIS Regulations), APRA reporting standards, <i>Corporations Act 2001</i> (Corporations Act) and Corporations Regulations 2001 (Corporations Regulations) the requirement to maintain an operational risk reserve and trustee capital at the required target amount in accordance with its ORFR strategy.
The Macquarie University Professorial Superannuation Scheme	<p>A limited assurance audit conducted to determine if:</p> <ul style="list-style-type: none"> the trustee's systems, procedures and internal controls are designed to ensure that the trustee has complied with all applicable prudential requirements the trustee's systems, procedures and internal controls provided reliable data to APRA as required under the APRA reporting standards.
The University of Sydney Professorial Superannuation System	<p>A reasonable assurance audit conducted to determine if:</p> <ul style="list-style-type: none"> the relevant APRA reporting forms are prepared in all material respects in accordance with the requirements of the APRA reporting standards, trustee of the System has complied in all material respects with the reporting requirements of the APRA reporting standards pertaining to the preparation of the APRA reporting forms trustee's compliance with the following applicable provisions under the <i>Superannuation Industry (Supervision) Act 1993</i> (SIS Act), Superannuation Industry (Supervision) Regulations 1994 (SIS Regulations), APRA reporting standards, <i>Corporations Act 2001</i> (Corporations Act) and Corporations Regulations 2001 (Corporations Regulations) the requirement to maintain an operational risk reserve and trustee capital at the required target amount in accordance with its ORFR strategy.
The University of Sydney Professorial Superannuation System	<p>A limited assurance audit conducted to determine if:</p> <ul style="list-style-type: none"> the trustee's systems, procedures and internal controls are designed to ensure that the trustee has complied with all applicable prudential requirements the trustee's systems, procedures and internal controls provided reliable data to APRA as required under the APRA reporting standards.
SAS Trustee Corporation Pooled Fund	<p>An Independent Auditor's Reasonable Assurance Report on APRA Reporting Forms for the year ended 30 June 2022. Audit conducted to determine if:</p> <ul style="list-style-type: none"> the relevant APRA reporting forms are prepared in all material respects in accordance with the requirements of the APRA reporting standards, the financial position of the Fund as at 30 June 2022 and its performance for the year then ended or accounting records with regard to other information that was not directly derived from the financial statements the trustee of the Fund has complied in all material respects with the reporting requirements of the APRA reporting standards pertaining to the preparation of the APRA reporting forms.
SAS Trustee Corporation Pooled Fund	<p>An Independent Auditor's Limited Assurance Report on APRA Controls and Compliance for the year ended 30 June 2022. Audit conducted to determine if the trustee's systems, procedures and internal controls provided reliable data to APRA as required under the APRA reporting standards.</p>

Agency	Nature of engagement
Parliamentary Contributory Superannuation Fund	<p>An Independent Auditor's Reasonable Assurance Report on APRA Reporting Forms for the year ended 30 June 2022. Audit conducted to determine if:</p> <ul style="list-style-type: none"> the relevant APRA reporting forms are prepared in all material respects in accordance with the requirements of the APRA reporting standards, the financial position of the Fund as at 30 June 2022 and its performance for the year then ended or accounting records with regard to other information that was not directly derived from the financial statements the trustees of the Fund has complied in all material respects with the reporting requirements of the APRA reporting standards pertaining to the preparation of the APRA reporting forms.
Parliamentary Contributory Superannuation Fund	<p>An Independent Auditor's Limited Assurance Report on APRA Controls and Compliance for the year ended 30 June 2022. Audit conducted to determine if the trustees' systems, procedures and internal controls provided reliable data to APRA as required under the APRA reporting standards.</p>
NSW Fire Brigades Superannuation Pty Ltd	<p>An audit conducted to determine if:</p> <ul style="list-style-type: none"> the financial statements give a true and fair view of the financial performance and financial position of the Licensee and comply with Australian Accounting Standards internal controls operating effectiveness of internal controls used by the Licensee to comply with Divisions 2, 3, 4, 4A, 5 and 6 of Part 7.8 of the <i>Corporations Act 2001</i>, Division 7 of Part 7.8 other than section 991A (the 'specified internal controls') of the <i>Corporations Act 2001</i> the operation and control of each account required by sections 981B and 982B of the <i>Corporations Act 2001</i> to be maintained by the Licensee (the required accounts) that we received all necessary records, information and explanations from the Licensee under regulation 7.8.13 of the Corporations Regulations 2001.
The Crown Employees (NSW Fire Brigades Firefighting Staff, Death and Disability) Superannuation Fund	<p>An Independent Auditor's Reasonable Assurance Report on APRA Reporting Forms and on Compliance for the year ended 30 June 2022. Audit conducted to determine if:</p> <ul style="list-style-type: none"> the relevant APRA reporting forms are prepared in all material respects in accordance with the requirements of the APRA reporting standards, the financial position of the Fund as at 30 June 2022 and its performance for the year then ended or accounting records with regard to other information that was not directly derived from the financial statements the trustee of the Fund has complied in all material respects with the reporting requirements of the APRA reporting standards pertaining to the preparation of the APRA reporting forms trustee's compliance with the applicable provisions under the <i>Superannuation Industry (Supervision) Act 1993</i> (SIS Act), Superannuation Industry (Supervision) Regulations 1994 (SIS Regulations), APRA reporting standards, <i>Corporations Act 2001</i> (Corporations Act) and Corporations Regulations 2001 (Corporations Regulations) the requirement to maintain an operational risk reserve and trustee capital at the required target amount in accordance with its ORFR strategy.

Agency	Nature of engagement
The Crown Employees (NSW Fire Brigades Firefighting Staff, Death and Disability) Superannuation Fund	<p data-bbox="485 248 1422 338">An Independent Auditor's Limited Assurance Report on APRA Reporting Forms and on Controls and Compliance for the year ended 30 June 2022. Audit conducted to determine if:</p> <ul data-bbox="485 349 1422 595" style="list-style-type: none"> <li data-bbox="485 349 1422 416">• anything has come to our attention that APRA reporting forms are not prepared, in all material respects, in accordance with the APRA reporting standards <li data-bbox="485 421 1422 488">• the trustee's systems, procedures and internal controls are designed to ensure that the trustee has complied with all applicable prudential requirements <li data-bbox="485 492 1422 560">• the trustee's systems, procedures and internal controls provided reliable data to APRA as required under the APRA reporting standards <li data-bbox="485 564 1422 595">• compliance with the Risk Management Framework.

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.