

# audit office

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annual report  
2013/14

# annual report 2013/14

This annual report summarises the activities and performance of the Audit Office of New South Wales for 2013/14 against the main objectives, strategies and targets in its strategic plan. As well as reporting on the financial results for the past year, the report looks to the year ahead. This and earlier annual reports are available on our website.

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



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Parliament House  
Sydney NSW 2000

Under section 12A of the *Annual Reports (Statutory Bodies) Act 1984*, I have pleasure in submitting for information of members, the reports of the activities of the Audit Office of New South Wales for the year ended 30 June 2014.

A handwritten signature in black ink, appearing to read "Grant Hehir".

**Grant Hehir**

Auditor-General

29 August 2014

## Contents

• Our organisation	3
• Highlights	4
• Parliament	11
• Agencies	19
• People	35
• Profession	43
• Governance	47
• Finances	59
• Financial report	63
• Appendices	95
• Index and glossary	119

## The history of the Auditor-General

- 1824** William Lithgow appointed Colonial Auditor-General, to compile and examine the colony's accounts and report on government departments to the Governor.
- 1855** The *UK Constitution Act 1855* formalised government in New South Wales, and Auditor-General made a member of the government.
- 1870** Powers and duties of Auditor-General first set in legislation, in the *Audit Act 1870*.
- 1902** *Audit Act 1902* prohibited the Auditor-General from being a member of the Executive Council or of the parliament.
- 1929** *Audit (Amendment) Act 1929* changed the tenure of office of the Auditor-General from life to ceasing at 65.
- 1984** *Public Finance and Audit Act 1983* established Auditor-General's Office (6 January 1984).
- 1989** Auditor-General's Office declared a statutory body, allowing it to be both more independent and more commercial.
- 1991** The *Public Finance and Audit Act 1983* expanded the Auditor-General's role to include performance audits, limited tenure to seven years and prevented acceptance of any other post in the NSW public service.
- 2001** Auditor-General's role expanded to reporting on issues of waste, probity and financial judgement.
- 2004** Auditor-General given power to employ staff directly, and set wages and conditions.
- 2013** Tenure of Auditor-General extended to eight years.



# Our organisation

## Built on strategic foundations

### Our vision

Making a difference through audit excellence.

### Our mission

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

### Our values

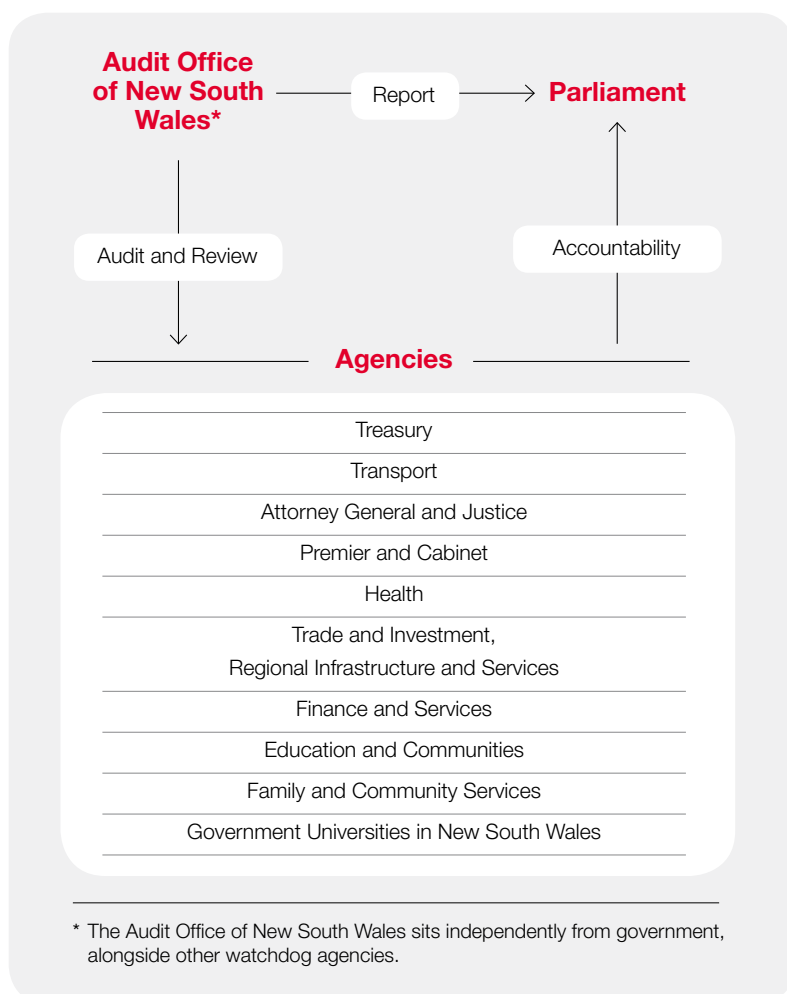
**Purpose** – we have an impact, are accountable, and work as a team.

**People** – we trust and respect others and have a balanced approach to work.

**Professionalism** – we are recognised for our independence and integrity and the value we deliver.

### Our main clients

- Parliament of New South Wales
- NSW Government agencies
- The people of New South Wales.



### Who we are

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

The Auditor-General helps parliament hold government accountable for its use of public resources.

### What we do

The Auditor-General is responsible for audits and related services.

The Audit Office conducts financial and performance audits, principally under the *Public Finance and Audit Act 1983* and the *Corporations Act 2001*.

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

Performance audits build on our financial audits by reviewing whether taxpayers' money is spent efficiently, effectively, economically and in accordance with the law.

Special reports seek to confirm that specific legislation, directions and regulations have been adhered to by government agencies.

The Auditor-General also provides certain assurance services for Commonwealth grants and payments to the State under Commonwealth legislation.

### Our resources

248 full-time equivalent staff at the Audit Office at 30 June 2014.

\$34.9 million revenue from government agencies for audits of their financial statements.

\$7.0 million from the government for performance audits and reports to parliament.

10 contract audit agents assist with our 2013–14 financial statement audits, representing about 9.1 per cent of our financial audit work.



# 2013–14 highlights

## Parliament

94% of parliamentarians satisfied with the Audit Office's reports and services

100 per cent agreed we provide valuable information on public sector performance.

100 per cent agreed we perform reports with integrity.

97 per cent believed our financial audit reports assist in monitoring the financial performance of the NSW public sector.

93 per cent believed our performance audit reports are easy to understand.

97 per cent of 30 June financial audits reported on time.

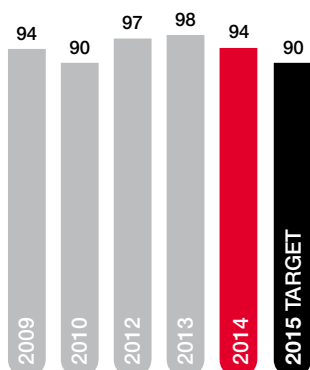
100 per cent of 31 December financial audits reported on time.

8 performance audits followed up by the Parliament of New South Wales' Public Accounts Committee.

• Refer to page 11

### Overall satisfaction

% satisfied or very satisfied  
Survey not conducted in 2011



## Agencies

97% of financial audit and 86% of performance audit recommendations accepted

Client surveys included CFOs, and Audit and Risk Committee Chairs.

93 per cent of agencies believed we conducted our audits professionally.

97 per cent of financial audit recommendations accepted.

86 per cent of performance audit recommendations accepted.

Three new modified audit opinions issued and 16 cleared.

425 financial audits completed.

13 performance audits completed.

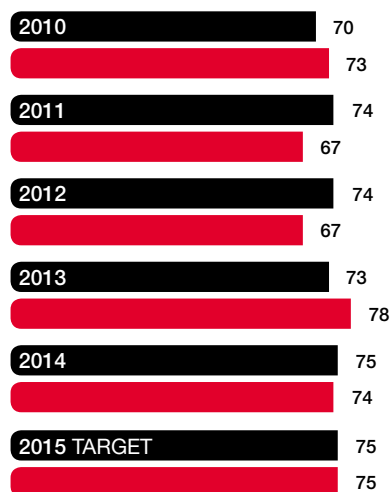
We received and examined 23 public interest disclosures.

• Refer to page 19

### Overall satisfaction %

Aggregate performance indices

Financial audit clients (CFO only)  
Performance audit clients



## People

82% of employees describe the Audit Office as 'a great place to work'

73 per cent employee satisfaction, a drop from last year.

82 per cent of employees describe the Audit Office as 'a great place to work'.

84 per cent of employees expressed pride in working at the Audit Office.

74 per cent of employees moderately to highly engaged.

64 per cent of employees report reasonable to very high morale, a significant drop from last year.

62 per cent employee productivity, a slight increase from last year.

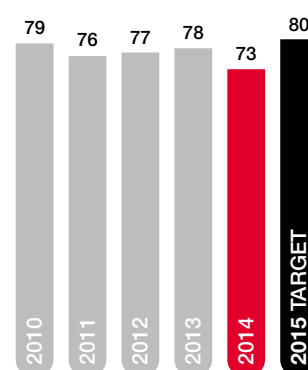
55 per cent of middle management are women, slightly higher than last year.

12 per cent staff turnover, up from 11 per cent last year.

4-star greenhouse building rating maintained.

• Refer to page 35

### Employee satisfaction %



## Profession

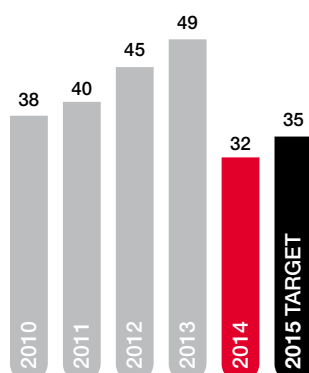
32 presentations made,  
17 less than last year

32 presentations delivered to the public and the profession.

16 submissions made on proposed changes to accounting and auditing standards.

• Refer to page 43

### Presentations given



## Governance

Our governance framework reflects the eight core principles of the ASX Corporate Governance Principles and Recommendations

No internal suspected or actual frauds were reported.

The Audit Office received one GIPA access application.

• Refer to page 47

## Finances

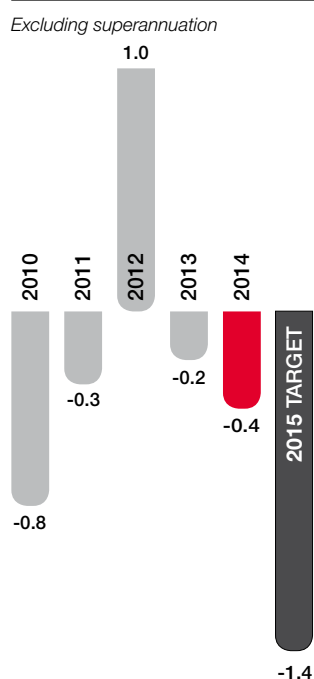
\$0.4 million loss (excluding superannuation adjustments)

Current ratio (solvency) is healthy.

88 per cent of our creditors paid on time.

• Refer to page 59

### Operating results/\$m



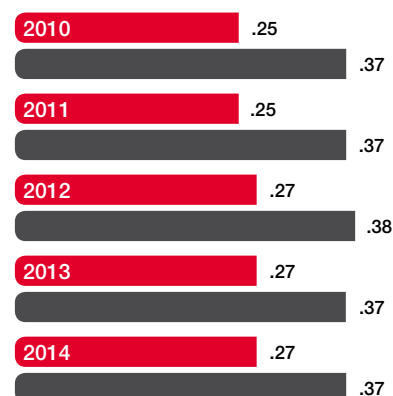
## Benchmarks

Our costs compare favourably with other Australian audit offices

We benchmark ourselves against the national average for audit offices.

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

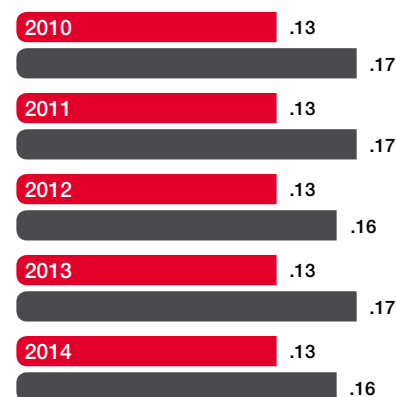
**Audit Office of New South Wales**  
Average of Australian audit offices\*



\* Excluding the Australian National Audit Office.

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

**Audit Office of New South Wales**  
Average of Australian audit offices\*



\* Excluding the Australian National Audit Office.



# Auditor-General's message

I am pleased to present my first annual report for the Audit Office of New South Wales.

## Joining the Audit Office

I am pleased to present my first annual report for the Audit Office of New South Wales.

A highlight for me on joining the office has been the warm welcome and support I received from all the staff. Their competence and professionalism has ensured a smooth transition to my new role as Auditor-General and made it rewarding and enjoyable.

I would like to acknowledge the work and commitment of my predecessor, Peter Achterstraat. During his time, there were definite improvements in the quality of financial reporting in public sector agencies and in the government services he reviewed.

I look forward to building on this work.

## Improvements in NSW Government agencies' financial statements

The recent improvements to financial reporting are a significant start to delivering a good practice financial management culture in the NSW public sector.

In 2013, the accuracy and timeliness of NSW Government agencies' financial statements significantly improved. The number of audit qualifications of financial statements and errors in financial statements submitted for audit were down on previous years.

These improvements were due in part to NSW Government agencies successfully implementing early close procedures allowing for timely resolution of accounting and reporting issues.

## Recent improvements a building block to drive improved financial management

NSW Treasury's Financial Management Transformation Program aims to further raise the quality of financial management and financial reporting across the NSW public sector.

My future reports to parliament will comment on the NSW Government's progress with this program by focussing on four themes that will shape my financial and performance audits:

- financial and performance reporting
- financial controls
- governance
- service delivery.

Performance audits will focus on service delivery, and report on the economy, efficiency and effectiveness with which the government is progressing its policy objectives and reform agenda. The government's policy objectives are largely outlined in its State Plan 'NSW 2021 – A plan to make NSW number one' and its reform agenda which was set following recommendations by the 2012 NSW Commission of Audit.

## A multi-year performance audit program

In March 2014, I released my performance audit program. This program covers my anticipated performance audits for the current financial year and the subsequent three years and supports parliament's Public Accounts Committee recommendation to give agencies more clarity around my audit intentions. I will regularly review the audit topics.

## A more robust audit mandate needed

In recent times, the NSW Public Accounts Committee and government-sponsored reviews have recommended legislative changes to improve the efficiency and effectiveness of my work. I encourage the NSW Government to act on these recommendations.

The Public Accounts Committee in 2013 recommended to the NSW Government that I have 'follow the dollar' powers. These powers will allow me to go beyond government agencies and audit how well non-government organisations or other external service providers have spent public money. This recognises government's increasing use of private contractors and other non-government organisations to deliver government services. The Commonwealth and several other State Auditors-General already have these powers.

In another review, the 'Independent Local Government Review Panel: Revitalising Local Government' recommended that New South Wales local council auditors come under my control. Currently, local government councils in New South Wales appoint their own auditors. All other eastern State Auditors-General appoint local council auditors.

The Public Accounts Committee and the NSW Financial Audit 2011 Report (the Lambert Report) recommended that I have explicit powers to undertake compliance audits. This recognised the limitations I have in doing compliance audits as performance audits or as a request from the Treasurer. A far more efficient way is to allow me to independently initiate such reviews.

The Lambert Report made a number of other recommendations including giving me powers to access cabinet documents; allowing me to choose not to audit dormant entities; reducing the number of days an agency has to respond to a performance audit; and requiring me to include agency comments in my financial audit reports to parliament.



## A new vision and strategic direction

'Making a difference through audit excellence' is the new vision for the Audit Office and is designed to emphasise our desire to have a real impact. Our impact comes through the adoption of our recommendations and supporting parliament hold government to account for its use of public resources. Ultimately, we are here to produce better outcomes for the State and the people of New South Wales.

To do this we will continue to work closely with parliament's Public Accounts Committee who is increasingly questioning agencies on their response to our recommendations.

We also need to be highly effective at influencing and engaging our stakeholders by being relevant, credible and respected.

We will be relevant by building our capability to focus on the government's progress against its policy objectives and reform agenda. We will continue to provide parliament with a better understanding of what is behind the numbers, how well public money is being used and whether it is spent in accordance with the law.

To be credible we will develop a business model which allows us to 'walk the talk' in terms of operational excellence. The model will allow us to demonstrate our efficiency and productivity while having a strong focus on performance and achievement.

We will be respected by combining this relevance and credibility with a quality product produced from a constructive approach.

In future annual reports I will report on the Audit Office's progress in these critical areas.

## The importance of our people

Our capacity to influence will largely come down to the quality of our people.

Since I commenced in early November 2013, I have personally experienced and have received positive feedback on the technical competence of Audit Office staff. The agencies we audit regularly recognise improvements in the value of our services and how we interact with them. The competence and dedication of my staff have made these achievements possible.

I believe we can build on these qualities by shifting behaviours across all tiers of the Audit Office to a culture that better encourages people to take opportunities to develop to their full potential.

We will have a new employment agreement and performance management framework that promotes flexible, performance-based working arrangements. Our leaders will demonstrate that they listen, set realistic and challenging goals, provide constructive feedback, and enthusiastically pursue our purpose in a cost effective way.

Together, these measures will provide a major boost to achieving our vision.

The 'People' section of this annual report goes into a lot more detail about planned changes to our human resources systems to achieve the best results for and from our staff.

## Future focus

I am committed to making a difference for New South Wales – to improving public sector reporting and performance through the audits I conduct. I, along with my office, will closely monitor what we achieve, the value we provide to parliament and our audit clients, our organisational capability, and our sustainability.



**Grant Hehir** Auditor-General



## Grant Hehir

### Auditor-General

Prior to being appointed Auditor-General of New South Wales, Grant Hehir was Secretary of the Victorian Department of Treasury and Finance from 2006, and was Secretary of the Department of Education and Training from May 2003 to 2006. As Secretary of the Department of Treasury and Finance, he led the department, providing advice on economic and financial policy and resource allocation decisions. Grant also worked in the Federal Department of Finance and Administration for several years.



# Office Executive

## Experience and performance

The Office Executive provides the leadership necessary for the Audit Office to achieve its strategic direction and goals. The Office Executive is led by the Deputy Auditor-General and draws on the expertise of other staff when required.



### Tony Whitfield

#### Deputy Auditor-General

B.Comm, FCA

Before joining the Audit Office in 1994, Tony Whitfield spent 29 years in the private sector, including 17 years as an audit partner in a 'Big Four' accounting firm. During that time, he was responsible for delivering audit and other services to a portfolio of clients, and for audit technology within the firm. Tony has also worked in the USA, and is a past NSW State Chairman of the Institute of Chartered Accountants in Australia.



### Rob Mathie

#### Assistant Auditor-General, Performance Audit

MA (Hons), Master of City Planning

Rob Mathie rejoined the Audit Office in 2010 after ten years with a 'Big Four' accounting firm, where he worked on internal audits and performance reviews of government agencies across Australia. Rob joined the Audit Office originally in 1993 from the Audit Commission in England after an early career in consulting and public sector management.

## Organisational structure at 30 June 2014

### Audit Office of New South Wales

**Auditor-General**  
Grant Hehir

**Governance  
Executive Officer**  
Barry Underwood

**Office Executive**

**Deputy Auditor-General**  
Tony Whitfield

**Performance Audit  
Assistant  
Auditor-General**  
Rob Mathie

**Financial Audit  
Assistant  
Auditors-General**  
John Viljoen  
Scott Stanton  
Steven Martin

**Corporate Services  
Assistant  
Auditor-General**  
Louise Mooney





### **John Viljoen**

**Assistant Auditor-General,  
Financial Audit**  
B.Acc, FCPA

John Viljoen joined the Audit Office in 1996, after 18 years in the private sector. He spent nine years with a 'Big Four' accounting firm, where he was responsible for delivering audit services to clients in Australia and Africa. John is responsible for financial audit quality and methodology, technical audit support, information systems audit and compliance audits.



### **Louise Mooney**

**Assistant Auditor-General,  
Corporate Services**  
LLB (Hons), FCA, GAICD

Louise Mooney commenced her accounting career with a 'Big Four' accounting firm as a member of the audit staff before moving on to a wide variety of roles within both public and private sector service industries in Australia and overseas. Prior to joining the Audit Office in 2008, Louise was Finance Director at The Children's Hospital at Westmead and two large Australian law firms.



### **Scott Stanton**

**Assistant Auditor-General,  
Financial Audit**  
B.Comm, FCPA

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



### **Steven Martin**

**Assistant Auditor-General,  
Financial Audit**  
B.Bus, CA

Steven Martin joined the Audit Office in 2008 after 18 years with a 'Big Four' accounting firm where he was responsible for delivering audit services to clients. This included ten years in Europe where he specialised in advisory on cross-border transactions and acquisitions. He also worked as the commercial accountant in the head office of a blue chip multinational logistics company based in Sydney.

Further details on the role, management and activities of the Office Executive can be found on page 50.



# The year ahead

Our activity in 2014–15 will be driven by our strategic planning process and our four strategic focus areas.

## Strategic planning process

The Leadership Team, made up of the Office Executive, Financial and Performance Audit Directors and Corporate Services Executive Managers, work together to develop clear goals, strategies and targets for the office. A lead manager is assigned to a specific strategy to guide activity, monitor progress against targets and report achievement against quarterly deliverables. The Leadership Team meets every 30 days to review progress on the plan and set new quarterly deliverables to achieve the stated strategies.

## Vision and mission

Our 2014–15 strategic implementation plan is reflective of our new vision of 'Making a difference through audit excellence' and our mission 'To help parliament hold government accountable for its use of public resources'.

Our new vision aims to deliver better outcomes for the State and the people of New South Wales through our audits. To achieve our vision, we will support parliament to hold government to account for its use of public resources and through the adoption of our recommendations.

## Business unit plans

Our four business units – Financial Audit, Performance Audit, Corporate Services and Governance – each have a business plan aligned to the overall strategic goals of the Audit Office.

## Strategic priorities

We have determined four strategic focus areas for 2014–15 and have set strategies to achieve our expected goals in the twelve-month period. The overall goal of each strategic focus area and the supporting strategies are detailed throughout this report and referenced below, along with the planned activities to achieve these strategic outcomes.

## Operational Excellence

We operate in a business-like manner with competitive models for pricing, resourcing and outsourcing. Our structure and skill mix is regularly reviewed, to deliver excellent products in a transparent manner.

### Strategies for 2015:

- Deliver value through the right skills, resources and structure of audits

- Implement an outsourcing model for audits with benchmarking and demonstration of value for money
- Develop a transparent pricing model.

### Planned activities for 2014–15 include:

- Identifying and analysing data to inform the development of benchmarks and models for resource allocation
- Analysing Audit Office financial performance and activity data to better understand costs and their drivers
- Examining current models of contracting out audit work and analysing current Audit Office contracted audits.

See pages 15, 21, 23 and 53 to 61 for further details.

## Product Delivery

We have a strong understanding of the public sector to deliver products and services that have impact and relevance, and improve client assessment of value for money.

### Strategies for 2015:

- Implement a program to build knowledge of public sector reforms and government priorities.

### Planned activities for 2014–15 include:

- Establishing a database of key public sector reform information
- Identifying key public sector reform information relevant to specific business team needs
- Special interest groups providing reports against relevant issues in the NSW 2021 State Plan.

See pages 13, 15, 21, 54 and 57 for further details.

## Constructive Leadership

Our leaders are agile and adaptable. They listen and communicate a shared vision and direction, model constructive behaviours and set challenging but realistic goals that are rigorously pursued with enthusiasm.

### Strategies for 2015:

- Develop constructive behaviours across the Leadership Team to build a high achieving team
- Articulate and share the Audit Office vision.

### Planned activities for 2014–15 include:

- Assessing our leadership styles using the Life Styles Inventory (LSI) tool to determine actions required to create a constructive Leadership Team

- Developing key strategies to embed our new vision throughout the Audit Office.

See pages 36 and 39 for further details.

## People

We create a constructive and achievement oriented environment for our people that requires them to take opportunities to achieve their potential. Our people are flexible and receive regular and honest performance feedback.

### Strategies for 2015:

- Implement a modern employee relations framework
- Implement an achievement oriented performance management framework
- Implement a reward and recognition framework
- Implement a learning and development strategy to build core capabilities required.

### Planned activities for 2014–15 include:

- Implementing Project Blue to deliver the multiple streams of activity designed to achieve our goals in this area.

See pages 36, 37, 39 and 40 for further details.

## Strategic projects

Our strategic projects are designed to achieve our goals. They encompass multiple streams of cohesive activity and each operates under a clear governance structure. They currently include:

- ELITE: delivering to our 'Operational Excellence' goal, to develop a new Practice Management Information System (PMIS) with an end-to-end solution from time entry to debt recovery (see page 37)
- IRIS: delivering to our 'Product Delivery' goal, to continue development of a risk based audit methodology, supported by an electronic document system, which complies with auditing standards and supports our primary business activity of financial assurance services (see page 37)
- PROJECT BLUE: delivering to our 'People' goal, to provide a modern and competitive workplace environment, with flexible and cost effective conditions of employment, the right staff skill mix, a method of measuring staff performance, and appropriate reward and recognition processes (see pages 36, 37, 40, 49 and 54).





# Parliament



## Regularly seeks and uses our advice

The Auditor-General and the Audit Office of New South Wales assess the performance and accountability of NSW Government agencies by:

- reporting to the Parliament of New South Wales on our audits
- working closely with parliamentary committees

# Satisfaction

## Parliamentarians satisfied with reports and services

94% satisfied overall with our reports and services

100% believe we provide valuable information on public sector performance

### Satisfaction remains high

Our mission is to help parliament hold NSW Government accountable for its use of public resources, and it is critical that we understand parliamentarians' views of our performance through their direct feedback on our reports and services.

We continually strive to ensure parliamentarians value our work and that we meet their expectations. We are committed to enhancing our public sector knowledge to ensure our work is relevant and impactful, as driven by our 'Product Delivery' strategic focus area for 2014–15.

Our most recent survey of parliamentarians was conducted over three months in April, May and June of this year. Twenty-five per cent of parliamentarians responded, as compared to 33 per cent in both 2012 and 2013.

We are proud of parliamentarians' continued satisfaction with the Audit Office's reports and services overall. Ninety-four per cent of parliamentarians were satisfied this year, similar with our result of 98 per cent last year. Parliamentarians were particularly positive about:

- the Audit Office performing audits with integrity, with 100 per cent of parliamentarians agreeing, up from 94 per cent in 2013

- our financial audits reports assisting parliamentarians to monitor the accountability and financial performance of the NSW public sector, with 97 per cent agreeing, up from 91 per cent in 2013
- the Audit Office providing high quality reports and services, with 97 per cent in agreement, similar to 98 per cent in 2013
- our reports and services providing valuable information on public sector performance, 100 per cent agreed, consistent with 100 per cent in 2013.

These survey results also provide us with clear areas for improvement. While nine in ten parliamentarians provided very positive ratings on all aspects of our reports and services, we will focus on parliamentarians' suggestions to improve the clarity of our reports, the rating down from 98 per cent in 2013 to 92 per cent, and ensure our advice and information addresses their needs, down from 91 per cent in 2013 to 79 per cent.

We will also work to improve parliamentarians' views that the Audit Office operates independently from the government, down from 100 per cent in 2013 to 91 per cent.

### Financial audit reports rate highly

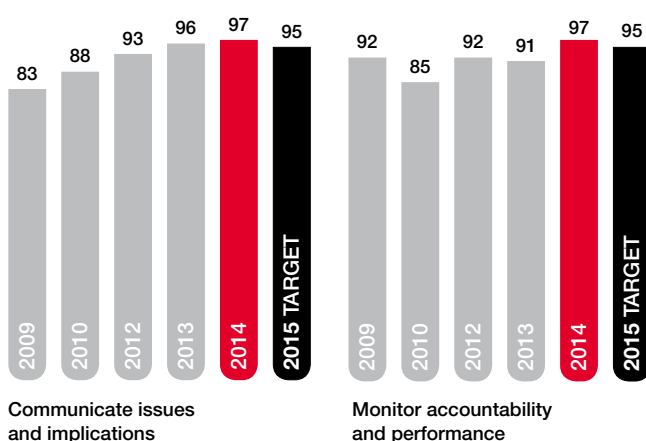
Parliamentarians rate the Auditor-General's Reports to Parliament on financial audits highly. Almost all parliamentarians who had referred to financial reports provided a positive rating on all aspects of the reports.

Ninety-seven per cent of parliamentarians who responded agreed the reports clearly communicated the significant issues and implications, consistent with 96 per cent last year.

The results reflect our ongoing work in improving layout and design, with 97 per cent of respondents agreeing they were effectively presented, consistent with 98 per cent in 2013. Ninety-seven per cent found the reports easy to understand, up from 95 per cent last year, maintaining the positive trend in this area.

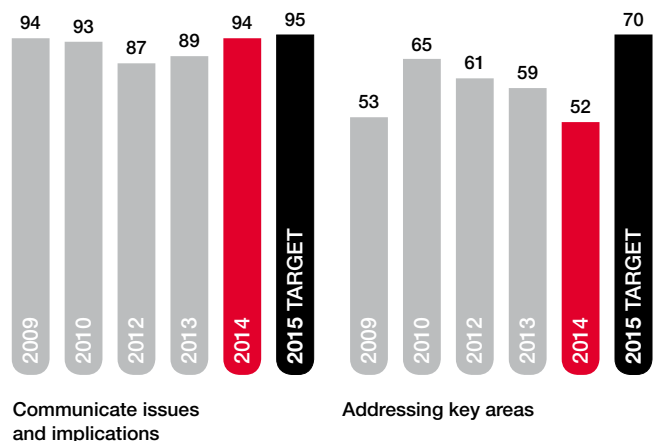
### Satisfaction with financial audit reports %

Survey not conducted in 2011.



### Satisfaction with performance audit reports %

Survey not conducted in 2011.



## Performance audit satisfaction improved

Parliamentarians continue to rate the Auditor-General's Reports to Parliament for performance audits highly, with results generally consistent with 2013. Around nine in ten parliamentarians who had referred to the performance audit reports provided positive ratings for all aspects relating to them. Fifty-two per cent of parliamentarians felt the performance audits were addressing their key areas of interest to a high or very high extent, down from 59 per cent last year. We were pleased parliamentarians took the opportunity to suggest topics for future performance audits.

Satisfaction with our performance audit reports' layout and design continues to improve with 93 per cent of parliamentarians agreeing, up from 90 per cent in 2013. Ninety-three per cent of parliamentarians agreed that reports were easy to understand, consistent with 92 per cent last year. Ninety-four per cent agreed the reports clearly communicated significant issues and implications, an increase from 89 per cent in 2013.

## Our reports and services rate above other audit offices

Since 2005, we have been comparing our parliamentarian survey results against results from other Australian audit offices as endorsed by the Australasian Council of Auditors-General (ACAG). In 2013 (the last survey results available at time of publication), the Australian National Audit Office and the audit offices in Queensland, Tasmania, Victoria and Western Australia participated in the benchmarking survey.

On an overall measure of satisfaction with reports and services, 98 per cent of our parliamentarians were satisfied, further improved from 97 per cent last year. This is well above the 88 per cent average of all participating audit offices.

We rated above the average of the six audit offices for the other three key areas (see graph below). One hundred per cent of our parliamentarians believed we provide valuable information on public sector performance, compared to the 95 per cent average. Ninety-eight per cent believed we communicate issues clearly, compared to the average of 91 per cent. Ninety-six per cent believed we help improve public sector administration, well above the average of 88 per cent.

## The year ahead

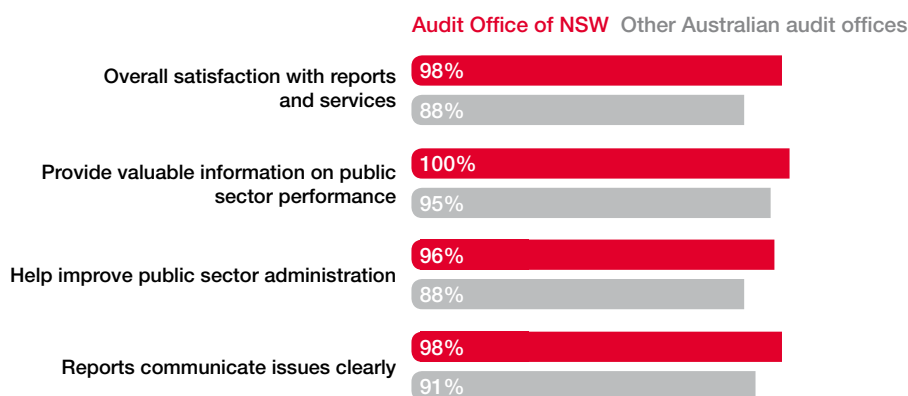
Through our 'Product Delivery' strategic focus area, we will work towards ensuring:

- we build upon our knowledge of public sector reforms and government priorities
- we deliver products and services that are relevant and have impact
- we maintain effective stakeholder relationships with parliamentarians and the Public Accounts Committee (PAC)
- we live up to stakeholder expectations and fulfill our mandate
- we strengthen government accountability through our collaborative relationship with the PAC.

(See page 10 for further details of our strategic focus areas.)

## Satisfaction compared with other participating Australian audit offices

Survey data from 2012–13. Benchmarking data for 2013–14 is not yet available.





# Assurance

## Our financial audits provide assurance to parliament

425 financial audits completed

10 audit opinions and 4 conclusions required modification

### Providing an independent opinion

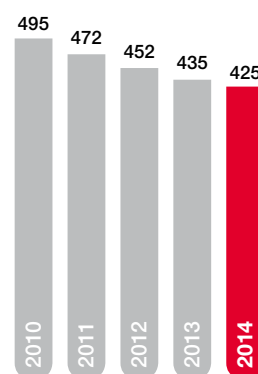
Parliament requires reliable financial information on the operation of NSW public sector agencies. We provide parliament with independent audit opinions on agencies' financial statements. Our audits comply with professional quality and independence requirements as parliament needs to be assured our audits are independent. A strong demonstration of our independence is that we do not provide non-audit services that other accounting firms provide.

We completed 425 financial audits this year compared to 435 last year.

In addition to audits of individual agencies, we audit the financial statements at the whole-of-government level, the Total State Sector Accounts. These accounts provide financial information to parliament on a Statewide basis, for example total State borrowings.

We also provide other assurance audits and reviews to help agencies deliver their services. At the request of the Treasurer, we reviewed the mid-year and annual budget process in 2013–14. Our reviews focused on the consistent application of policies and assumptions, and the methodologies used to determine those assumptions.

### Number of audited entities



### Modified auditor's opinions and conclusions

During the year our opinions and conclusions included:

- 10 qualified opinions on agency financial statements (just over two per cent)
- 1 qualified conclusion on a compliance audit
- 3 qualified conclusions on a compliance review.

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

Adverse opinions are issued when misstatements in the financial statements are material and pervasive. Qualified opinions are issued when there are material misstatements in the financial statements or we cannot get all the evidence we require. We will disclaim our opinion only where we cannot get the evidence we need and the effects could be material and pervasive.

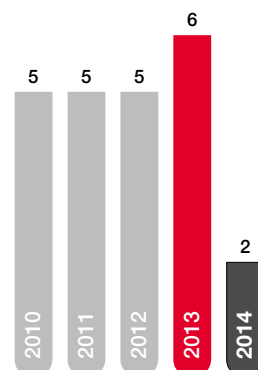
### Repeat modifications

During 2013–14, we issued 11 repeat modifications, four less than last year. We continue to notify parliament of these modifications and encourage the agencies concerned to act on our recommendations.

### New modifications

We issued three new modified opinions in 2013–14. For details of these modifications see pages 25 to 26.

### Modified audit opinions %

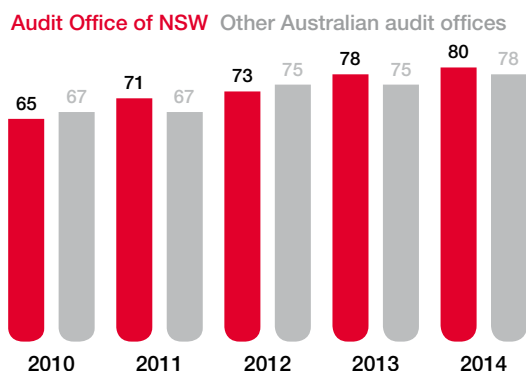


### Comparing costs with other audit offices

We compare our financial audit costs with other Australian audit offices. In 2013–14, our cost per financial audit opinion was \$79,608, about two and half per cent more than last year. Consistent with recent years, our costs per financial audit opinion are slightly higher than the average of other Australian audit offices.

The restructure within NSW Government, effective 24 February 2014, resulted in further consolidation of a number of agencies and contributed to the reduced number of audit opinions. At the same time, those agency amalgamations, the consequent changes to financial systems and early close procedures increased audit hours. This impacted on our costs per financial audit opinion.

### Cost per financial audit opinion (\$'000)



## Timeliness of reporting to parliament

The results of our financial statement audits were reported to parliament in ten volumes of the Auditor-General's Report to Parliament in 2013–14.

We have a strategic focus to demonstrate a strong understanding of the public sector with our reports being impactful and relevant. Each of our volumes has a focus on a particular industry and includes overviews summarising significant issues and activities.

In addition to our public sector-wide overview focusing on the major themes coming from all our audits, our industry overviews now cover:

- Arts and Cultural Institutions
- Education
- Electricity
- Environment
- Health
- Insurance and Compensation
- Law and Order and Emergency Services
- Ports
- Superannuation
- Transport
- Universities
- Water.

We recognise parliament and other stakeholders need timely reports to help prompt scrutiny of agencies' financial performance. For agencies with a 30 June balance date (most of our clients) our internal benchmark is to report to parliament before the end of the calendar year. Our other financial audits (mainly universities) have a 31 December balance date and our reporting to parliament benchmark is by the end of May each year.

Previously, our internal benchmark was to report on agencies within 19 weeks of receiving their financial statements. With the move to industry-based reporting, this benchmark was no longer appropriate due to the need to group similar agencies in specific reports. We started measuring against our new benchmarks from 2012.

## The year ahead

In 2014–15, we will continue to provide assurance to parliament by focusing on the following initiatives in our 'Operational Excellence' and 'Product Delivery' strategic focus areas.

### Operational Excellence

- We will deliver value through the right skills, resources and structure of audits.
- We will implement an outsourcing model for audits with benchmarking and demonstration of value for money.
- We will develop a transparent pricing model.

### Product Delivery

- We will implement a program to build knowledge of public sector reforms and government priorities.

(See page 10 for further details of our strategic focus areas.)

## Reports to parliament



30 June audits reported by end of December %



31 December audits reported by end of May %





# Effectiveness, efficiency and economy

## ***Our performance and financial audits help parliament assess agency performance***

13 performance audits completed

Supported the Public Accounts Committee in following up eight earlier performance audits

### **Helping to improve public administration**

Performance audits assess the effectiveness, efficiency, economy and compliance of government agencies. They aim to inform NSW Parliament and the public about how well government programs are delivered. Where we find performance gaps, we make practical recommendations to improve service delivery and efficiency.

We reported on 13 performance audits in 2013–14, one more than our target of 12. In those reports we made 143 recommendations to improve public administration. The agencies concerned accepted 73 per cent of those recommendations unequivocally and another 13 per cent conditionally.

The extracts below from the published agency responses to our reports indicate the value they attach to them in improving public administration.

### **Adding value to parliament**

Parliament is our primary stakeholder and our work supports its role in holding the government to account. Our reports are frequently referred to in parliamentary debates and in budget estimates hearings.

Parliament is an important source of suggestions for performance audit topics and audits required by specific legislation. Two such 'statutory audits' were completed during the year – reviews of government advertising and of changes to the Police Death and Disability Scheme.

The value we add to the parliamentary process is illustrated by the comments made by parliamentarians in our recent survey:

**'I think the Audit Office does a good and difficult job. It plays a critical role in terms of governance of programs and is very useful in program design and implementation.'**

**'The Auditor-General and his team perform an important function and fulfil their role professionally and competently.'**

See page 12 for more information on the parliamentary survey.

#### **Housing NSW:**

Thank you for providing the revised NSW Auditor-General's final report on the performance audit – Making the Best Use of Public Housing and inviting a management response.

The report is welcome because it makes clear a number of deep and systemic challenges facing the public housing system in New South Wales, challenges the Department of Family and Community Services (FACS) is aware of and working hard to address. The system is failing to break disadvantage and improve the lives of vulnerable families and citizens, at an unacceptable cost to those families and NSW taxpayers via the NSW Government.

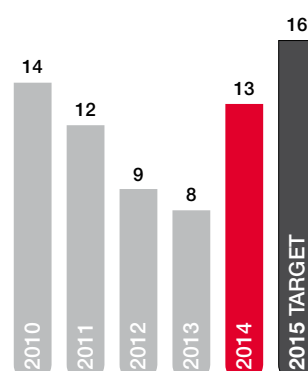
FACS welcomes and supports the report's recommendations. The NSW Government is considering a social housing policy with the support of FACS and central agencies, which will not only address the recommendations in this report but outline how housing assistance can break disadvantage by increasing clients' personal responsibility, better integrating services and working more effectively with our non-government partners.

#### **NSW Treasury:**

Thank you for the opportunity to respond to your performance audit on the use by government of more efficient payment methods [Use of Purchasing Cards and Electronic Payment Methods]. We acknowledge the concerns you have identified and support the need to reinstate reforms in this area.

To this end, and with the support of Cabinet, we are implementing stronger governance oversight through the NSW Procurement Board to ensure cluster implementation and benefit realisation plans are in place by December 2014 with full implementation by the end of 2017. This governance arrangement will be supported by regular reporting to the Expenditure Review Committee of Cabinet. We will also look towards further incentives under the government banking contract to support cluster implementation plans.

**Number of performance audits completed**



## Cost of performance audits

The average cost of performance audits published in 2013–14 was \$266,000. The cost increase over the previous year was due to extra time spent on audits. This reflects more complex subject matter and wider coverage, including multiple agency audits, for example, our audits on purchase cards and telecommunications. We also conducted audits on controversial and difficult issues, including our audits dealing with legal and safe driving among Aboriginal people, and public housing.

Our targeted average cost for performance audits for 2015 has increased largely due to improvements in our attribution of research costs to audits.

## New three-year audit program

We have a new three-year performance audit program, with a greater focus on the NSW Government's State Plan 'NSW 2021' and key public sector reforms. Such reforms include commissioning of vocational education courses under the Department of Education's Smart and Skilled reforms, and the implementation of activity-based funding in the Ministry of Health. Major projects include the Westconnex road building program, and the Department of Education's learning management, budgeting and reporting system.

In these more complex audits, the Performance Audit Branch draws heavily on support from senior management and from expertise and disciplines across the office. This provides industry knowledge, agency liaison and data analysis. It also uses specialist advisers for cultural advice, survey design, industry expertise, research and analysis. In 2013–14, external advisors were used on a quarter of our audits.

## Reporting on agency performance information

During 2013–14, our financial audit reports to parliament included comments on agencies' performance indicators and focused on:

- Arts and Cultural Institutions
- Education
- Electricity
- Environment
- Health
- Insurance and Compensation
- Law and Order and Emergency Services
- Ports
- Superannuation
- Transport
- Universities
- Water.

The reports included recommendations for financial and operational improvements on agencies across these sectors.

We believe that publishing key performance information offers parliament a balanced 'report card' on agencies' performance. Such information helps the people of New South Wales assess whether their tax dollars have been spent efficiently and effectively.

## The year ahead

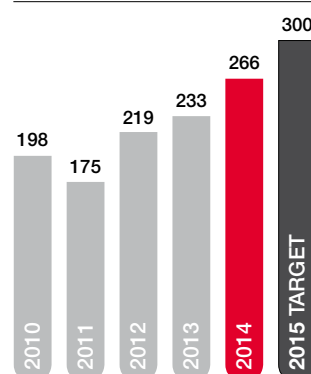
In 2014–15, we will focus on audit topics which cover the activities of the nine departmental clusters responsible for delivering the government's priorities under its State Plan 'NSW 2021':

- rebuild the economy
- return quality services
- renovate infrastructure
- strengthen our local environment and communities
- restore accountability to government.

The Public Accounts Committee (PAC) reviewed our audit mandate as part of its inquiry 'Effectiveness and Efficiency of the Audit Office of New South Wales'. It recommended the Auditor-General be given 'follow the dollar' powers, to scrutinise local government, private contractors and non-government organisations that perform functions on behalf of the NSW Government. It also recommended compliance audits be included in the Auditor-General's mandate (see page 18 for further details).

At time of publication, the government is still considering the PAC's recommendations, so it is not yet certain what impact these recommendations will have.

## Average cost of performance audits \$'000



# Parliamentary response to our work

## Promoting improvements

### Parliament follows up on agency progress in implementing our recommendations

The NSW Public Accounts Committee (PAC) holds agencies to account for implementing the actions they agree to on performance audit and financial audit recommendations. It does so through follow-up inquiries conducted a year after the reports are tabled. The PAC makes further recommendations for action when it considers them necessary. In 2013–14, it completed two such inquiries on reports we tabled in 2011–12, following up on eight of our audits.

In September 2013, the Chair of the PAC said in his foreword to the first of these inquiry reports 'Follow-up of the Auditor-General's Performance Audits October 2011 – March 2012':

The [Public Accounts] Committee's examination is designed to test action taken on all performance audits in order to maintain a high level of scrutiny of the agencies under review. Concrete outcomes of this process have demonstrated the value of following up the Auditor-General's report recommendations.

In both inquiries, the PAC was pleased to find most recommendations were addressed and implemented by agencies, and raised concerns about slow progress on some. In the first inquiry:

The Committee particularly had concerns about the limited action taken to address the Auditor-General's recommendations on responding to domestic and family violence.

The Committee heard that the government is developing a whole-of-government Domestic and Family Violence Framework, which aims to address a number of issues surrounding domestic and family violence. The Committee has recommended that agencies re-address the Auditor-General's recommendations to ensure they are fully implemented in the context of that framework, as action to date has been inadequate.

And in the second:

Regarding settling legal humanitarian entrants in New South Wales, the PAC noted that the Audit Office identified various challenges. The PAC found the government's response to such matters and the needs of

these vulnerable people somewhat confusing and inadequate. The PAC made two recommendations aimed at promoting better accountability in this area.

### The year ahead

In 2014–15, we plan to further strengthen our support to parliament and the PAC by:

- responding constructively to the recommendations of the 2013 PAC statutory review and the PAC inquiry into the Audit Office's performance
- supporting changes to the *Public Finance and Audit Act 1983* which strengthen our efficiency and independence
- continuing to respond promptly and thoroughly to all requests from parliament for Audit Office support, including all audit suggestions
- producing 16 performance audit reports.

(See page 10 for further details of our strategic focus areas.)

## Case study

### Improving the efficiency and effectiveness of the Audit Office

The PAC plays a key oversight role for the Audit Office, and reviews the operations of the Audit Office every four years.

In September 2013, it released the report of its latest inquiry into the efficiency and effectiveness of the Audit Office.

The Chair of the PAC said:

This inquiry has essentially confirmed the Committee's long held opinion that the Audit Office is doing a very good job and provides value for money to the State of New South Wales in delivering financial and performance auditing services. As with any organisation, there are aspects of its work that can continue to improve, but the Committee believes that the Auditor-General has created an Audit Office culture to ensure this will occur.

The Committee recommended additional 'follow the dollar' powers for the Auditor-General to scrutinise the performance of private contractors and other non-government organisations that perform functions on behalf of the State. It also recommended the Auditor-General be afforded similar powers

over local governments, as well as seeking the inclusion of compliance audits in the Auditor-General's mandate under the *Public Finance and Audit Act 1983*. The Chair stated:

At a time when a growing number of services are provided by third parties on behalf of the government, it is imperative that the Auditor-General is able to confirm that those parties are delivering services in an effective and efficient manner. Without such oversight, the Committee considers that there is an increased risk for New South Wales, which is not adequately addressed by existing policies and controls.

At the time of publication, the government is still considering the PAC's recommendations.

The review also made a number of recommendations to improve the Audit Office's internal procedures for greater efficiency and transparency. All of these were accepted and most are complete. This includes a recommendation to publish our proposed performance audit program to provide greater transparency and certainty for agencies, parliament and the public on our activities. We did this in March 2014 by publishing a three-year anticipated audit program on our website. We include details of the agency clusters and the relevant NSW Government State Plan 2021 priority outcome areas.





# Agencies



## **Act on our recommendations and regularly seek our advice**

- We work collaboratively with our financial and performance audit clients
- Together with our financial audit clients we identify opportunities to improve financial reporting and management
- Our performance audits examine agency programs critically in order to identify potential improvements

# Agency response to our work

## Our audits continue to be well regarded

93% of agencies believe we conduct our audits professionally

Significant improvements in financial audit reporting satisfaction

### Satisfaction with our services

#### Surveying our clients

Each year, we survey our audit clients' satisfaction with our services. The survey results and feedback give us valuable information on our performance and forms part of our stakeholder engagement strategy.

We use an independent research company to conduct the survey for us and clients have the option of responding anonymously.

For our financial audit clients we invited 183 agency Chief Financial Officers (CFOs) and 94 Audit and Risk Committee Chairs (ARC Chairs), from top tier agencies, to participate. We achieved great response rates of 74 per cent for CFOs and 73 per cent for ARC Chairs, an increase from a 71 per cent rate for both last year.

We did not conduct a survey of top tier agency CEOs as we did in 2013 – we plan to conduct this survey every two years.

The overall performance index for CFO satisfaction remained positive at 75 per cent, an increase from last year's 73 per cent, and ARC Chairs reported a very positive 81 per cent satisfaction, up from 79 per cent last year.

For our performance audits clients, we invited 27 agency contacts to respond to the survey and received a very strong response rate of 89 per cent.

Our overall performance index for performance audit clients was 74 per cent, a decrease from last year's 78 per cent.

### Satisfaction with audit process

#### Financial audit satisfaction remains positive

CFO results were generally consistent with those in 2013, with 93 per cent agreeing the auditors conducted themselves professionally during the audit, similar to 96 per cent in 2013, and 93 per cent agreed that auditors communicated effectively with them, consistent with 94 per cent last year. We achieved a big increase with 91 per cent of CFOs agreeing that auditors met agreed deadlines, up from 85 per cent last year.

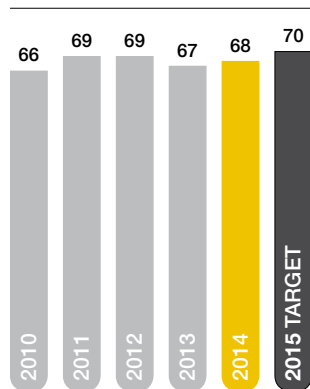
The only decline in positive ratings related to CFOs agreeing that senior staff were appropriately involved in the audit, dropping to 86 per cent, down from 91 per cent in 2013.

At least 90 per cent of all ARC Chairs provided positive assessment across all ratings of our audit process. A significant increase was achieved with 93 per cent of Chairs agreeing that auditors met agreed deadlines, a strong increase from 85 per cent in 2013.

#### Mixed results for performance audit satisfaction

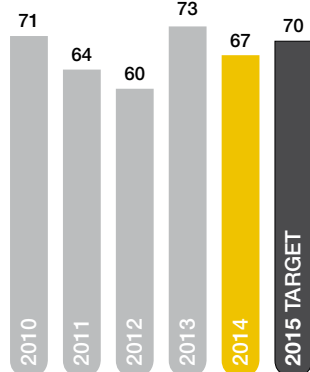
Results for all aspects of the audit process were positive and generally higher than those in previous years. One hundred per cent of respondents agreed our auditors were professional, in line with 100 per cent achieved last year, and there was a large increase in respondents agreeing our auditors communicated with them effectively, up to 96 per cent, from 85 per cent in 2013.

Satisfaction with audit value %



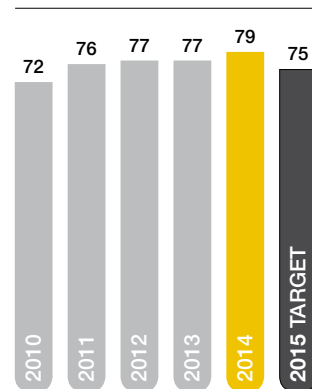
Financial audit clients (CFO only)\*

\*(for valid comparison, results have been weighted from 2012 onwards)



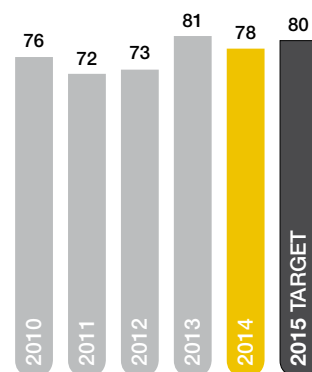
Performance audit clients

Satisfaction with audit process %



Financial audit clients (CFO only)\*

\*(for valid comparison, results have been weighted from 2012 onwards)



Performance audit clients





However, some results showed notable declines from last year. Seventy-one per cent of respondents agreed our auditors demonstrated the required professional skills and knowledge, a substantial fall from 92 per cent in 2013, and 83 per cent agreed our auditors used their staff members' time efficiently, a drop from 92 per cent last year.

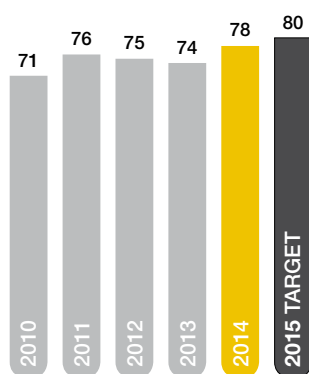
### Satisfaction with audit reporting

#### Higher satisfaction than last two years' results

CFOs were very satisfied with all aspects of our audit reporting, with big increases in CFOs agreeing that management letters were balanced and fair, up from 73 per cent in 2013 to 92 per cent, and agreeing that management letters contained 'no surprises', up from 87 per cent last year to 94 per cent.

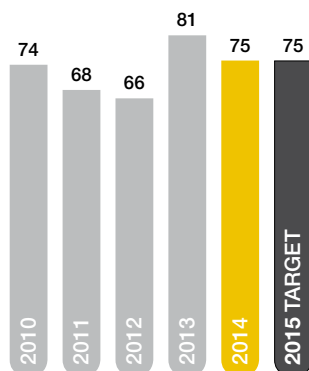
A higher result was achieved for CFOs agreeing they had adequate opportunity to comment on audit findings and issues prior to management letters being formally issued, up to 96 per cent from 89 per cent in 2013. Further, we achieved significant improvements with 87 per cent of CFOs agreeing that our reports to parliament were balanced and fair, up from 82 per cent last year.

#### Satisfaction with audit reporting %



#### Financial audit clients (CFO only)\*

\*for valid comparison, 2012 results have been weighted from what was reported last year)



#### Performance audit clients

At least four in five ARC Chairs were positive about all aspects of audit reporting, with 97 per cent, up from 91 per cent in 2013, agreeing our management letters communicated audit findings and issues clearly.

#### Declines in performance audit reporting results

Ninety-two per cent of respondents agreed that our final performance audit report contained 'no surprises', and 92 per cent agreed their organisation had adequate opportunity to comment on audit findings and issues before finalisation of the report. Both results represented a decrease from the 100 per cent agreeing in 2013, though are consistent with results from previous years.

Some declines in positive results related to whether we clearly communicated audit findings. Seventy-one per cent of respondents agreed the final audit report clearly communicated the audit findings and issues, down from 100 per cent last year, and 73 per cent agreed our media releases clearly communicated the key audit findings and issues, down from 90 per cent in 2013. While 71 per cent agreed the final audit report was balanced and fair, lower than last year's 85 per cent, this result is higher than those achieved in previous years.

### Satisfaction with audit value

#### Positive contributions to client organisations

At least four in five CFOs agreed they value the assurance obtained from our audit, and recommendations to improve the financial management and internal controls of their organisation from our audit.

ARC Chairs were similarly positive, with 99 per cent agreeing our audit provided their organisation with a sense of assurance, and 91 per cent agreeing they valued our audit recommendations to improve the financial management of the organisation.

CFOs were less likely to agree that our audit services delivered value for money, with just 58 per cent agreeing, similar to last year's result of 55 per cent, but still significantly lower than the 68 per cent achieved in 2012. Only 54 per cent agreed that our audit fees are reasonable relative to the level of audit activity undertaken, which while consistent with last year's result of 52 per cent, remains notably lower than 67 per cent in 2012.

### Performance audit value declined

Improvements we saw in results in this area in 2013 experienced some declines this year. Respondents agreeing that the audit will help them improve the performance of the audited activity dropped to 65 per cent, a strong decline from 85 per cent in 2013. Fifty-eight per cent agreed the timing of the audit was appropriate, down from 69 per cent in 2013, and only 50 per cent of respondents agreed the audit provided a balanced assessment of the management of the audited activity, down from 84 per cent last year.

#### Comparing with other audit offices

We began comparing our client satisfaction with other Australian audit offices in 2005. In 2013 (the latest survey results available at time of publication), our financial and performance audit report results were benchmarked against those of the audit offices in Queensland, Tasmania, Victoria and Western Australia, as well as the Australian National Audit Office.

When compared with these other audit offices, our financial audit clients were mostly satisfied. They agreed our reports to parliament presented audit findings and issues in an accurate manner (87 per cent, compared to an average of 83 per cent), although were less likely to agree management letters presented audit findings in a balanced and fair manner (79 per cent, compared to an average of 87 per cent). Ninety-two per cent of our performance audit clients agreed we presented audit findings and issues in an accurate manner, above the average of 81 per cent. In all other areas performance audit clients rated satisfaction consistent with, or above, the average of the other audit offices.

#### The year ahead

Through two of our strategic focus areas in 2014–15, 'Operational Excellence' and 'Product Delivery', we aim to deliver exceptional and professional services and products to our clients, and demonstrate our value and relevance. We will measure the success of our targeted activities by continuing to seek feedback from our clients on our performance.

(See page 10 for further details of our strategic focus areas).



# Influencing for impact

## Our work is topical, relevant and has high impact

97% of financial audit recommendations and 86% of performance audit recommendations accepted

### Improving public sector accountability and agency performance

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

Of the 511 recommendations we made to our top 50 financial audit agencies in 2013–14, 498 (97 per cent) were accepted by the agencies, above our target of 95 per cent. Eighty-six per cent of performance audit recommendations were accepted, a drop from 97 per cent last year.

The more strategic recommendations take time to implement. However, it is pleasing to see continuing progress in 2013–14 on recommendations made in earlier years, as the following case studies highlight.

### Case studies

#### 1 Transfer of Royalties – Office of State Revenue

In 2013–14, the government acted on our recommendation to transfer the collection of mining royalties from NSW Trade and Investment to the Office of State Revenue. This transfer will enable the government to:

- apply a consistent approach to all taxpayer revenue sources across the State with possible savings
- address any perceived conflict of interest in the role of NSW Trade and Investment, as both regulator of the mining industry and facilitator of increased investment in the industry.

#### 2 Building Energy Use in NSW Public Hospitals

In June 2013, we published a performance audit report on building energy use in public hospitals in New South Wales, the biggest energy users in State Government.

In August 2013, the Minister for the Environment published the NSW Energy Efficiency Action Plan, adopting key recommendations from our audit to improve energy management across all NSW Government agencies.

#### 3 Two Ways Together

In 2011, our report on Two Ways Together, the Aboriginal Affairs Plan for New South Wales, found this plan had not delivered the intended improvement in overall outcomes for Aboriginal people. Recommendations included:

- agencies delivering programs and services to improve the wellbeing of Aboriginal people be made more publicly accountable for achieving results
- an independent auditor undertake an annual review of government programs and services delivered to Aboriginal people
- there should be clear recognition that the local community is best placed to understand its own needs and be responsible for its own future.

The government established a Ministerial Taskforce for Aboriginal Affairs in 2011 to address these concerns. The result was a new plan for Aboriginal affairs in New South Wales, OCHRE – Opportunity, Choice, Healing, Responsibility and Empowerment.

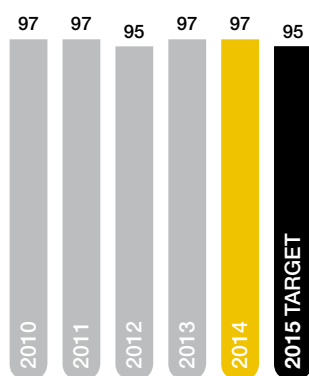
#### 4 Digital Information Security Policy

In 2010, we reported on agencies' implementation of the then policy on electronic information security.

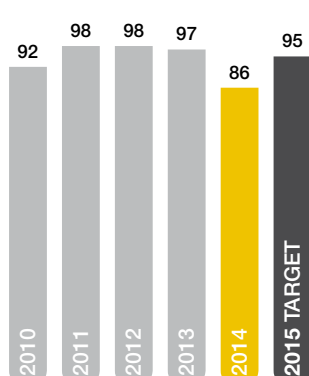
We concluded the policy was ineffective and needed to be reviewed.

In November 2012, the NSW Government's new Digital Information Security Policy was released, with a requirement that all agencies were to have completed implementation by 1 December 2013. We expect to monitor its impact in 2015.

Recommendations accepted %



Financial audits



Performance audits





# Timeliness

## Timeframes for reporting to agencies

Audit opinions issued before 30 September improved from 138 to 229

### Financial audit timeliness needs to improve

We have a target of issuing all financial audit opinions within ten weeks of receiving agencies' financial statements. Seventy-nine per cent of our opinions were issued within ten weeks in 2013–14, an improvement of one per cent. This is still some way off our 100 per cent target. Our goal may seem ambitious, but in the interests of public sector accountability it is necessary. The earlier we give agencies our audit opinions and management letters, the sooner they can implement our recommendations. The number of opinions issued before 30 September for our 30 June clients improved from 138 in 2012–13 (64 in 2011–12) to 229 in 2013–14. While a significant improvement, it still represents unsatisfactory performance. We continue to work with agencies to improve performance in this area.

We report our concerns about the quality and timeliness of financial reporting across the sector. High quality and timely financial reporting is essential for the government to make informed decisions. We adopted key strategies, including enhanced early close procedures and active engagement with Chief Financial Officers and Audit and Risk Committee Chairs, to influence improvements in financial reporting.

Another significant strategy for improving quality is Treasury's requirement for agencies to perform early financial reporting procedures. In 2013–14, we reviewed agencies' early close procedures and gave them feedback before they submitted their year-end financial statements for audit, enabling them to correct deficiencies or identified misstatements before finalising the financial statements.

We aim to issue 100 per cent of our management letters within six weeks of issuing our respective audit opinions. In 2013–14, we achieved 46 per cent, a decrease from last year's 51 per cent. We are developing strategies to significantly improve the timeliness of our management letters.

### Reducing the time to complete performance audits

The time to complete performance audits depends on scope and the number of agencies involved. In the past year we have made a concerted effort to reduce the length of time to complete audits.

Some audits take more than 12 months to complete because of analysis of complex issues and necessary consultation with multiple agencies, for example, in our performance audit report Making Best Use of Public Housing.

Long elapsed times can also be caused by unplanned factors – delays requested by agencies, revisions of scope, and changes in personnel. We have now published a three-year audit program, and started earlier consultation with agencies on upcoming audits, to continue reducing the elapsed audit time.

Three audits started during 2013–14 – Out-of-Home Care, Pre-Employment Checks, and Chronic Disease Management – have been postponed to allow agencies time to implement revised processes or evaluations. These topics will be reconsidered for future audits.

The average elapsed time across the 13 audits completed in 2013–14 was ten months.

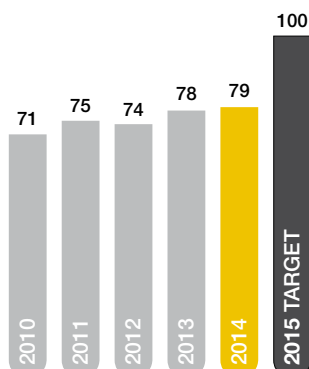
### The year ahead

In 2014–15, we will focus on increasing our audit output through innovation and streamlined processes within our 'Operational Excellence' strategic focus area by:

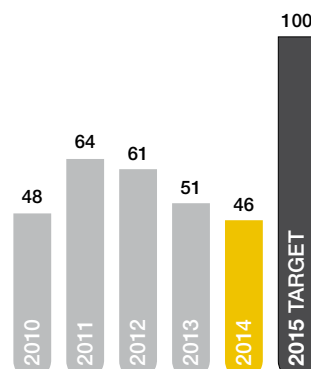
- strengthening government accountability through collaborative relationships with the Public Accounts Committee (see page 18 for more on our work with the Public Accounts Committee)
- working with clients and central agencies to achieve improved quality and timeliness of financial reports as recommended by the Public Accounts Committee
- using stakeholder feedback to maintain effective relationships delivering value through the right skills, resources and structure of audits.

(See page 10 for further details of our strategic focus areas.)

Audit opinions within 10 weeks %



Management letters to clients within 6 weeks %



# Our financial audits

## Providing value to our financial audit clients

Three new modified audit opinions issued and 16 cleared

### What are financial audits?

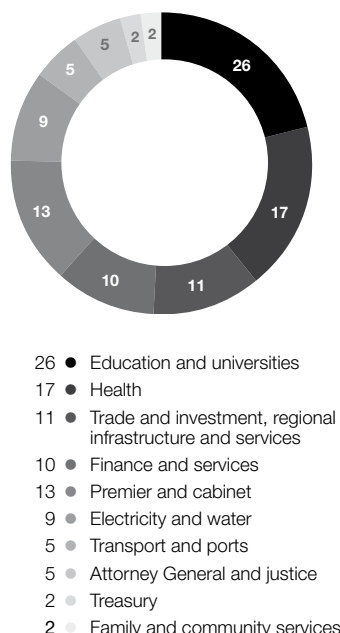
Financial audits provide independent opinions on NSW Government agencies' financial statements and whether they give a true and fair view of the agency's financial position, financial performance and cash flows in compliance with accounting standards and relevant laws, regulations and government directions.

Additional financial audits are undertaken each year on the General Government and Total State Sector Accounts (see below). Financial statement audits also highlight opportunities for agencies to improve their accounting, financial and internal control systems.

### Our client base

We completed 425 financial audits of NSW Government agencies in 2013–14 (see Appendix Two for the full list of our clients). These agencies collected income of approximately \$97 billion, spent about \$83 billion and managed more than \$404 billion in assets. They provide a diverse range of services and vary in size from large government departments, universities, State superannuation entities and utilities, to small boards and trusts.

### Financial audit clients per sector %

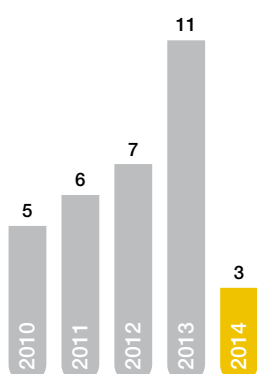


### NSW General Government and Total State Sector opinion

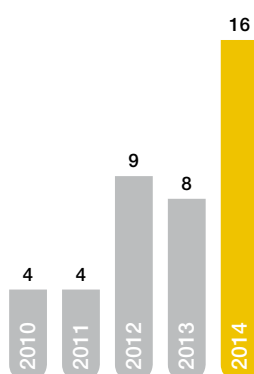
For the first time in over a decade, the NSW General Government and Total State Sector Accounts received an unqualified auditor's opinion for the year ended 30 June 2013. This outcome shows the government's commitment to improve the quality of financial reporting across the NSW public sector.

Longstanding issues and new matters in 2011–12 that gave rise to qualifications were addressed sufficiently to enable removal of all qualifications from the independent auditor's report in 2013–14.

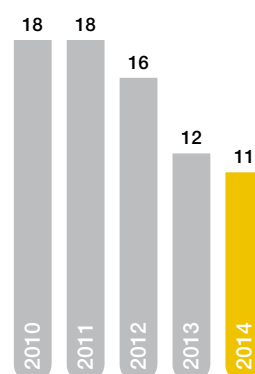
### Number of new modifications



### Number of modifications cleared



### Number of repeat modifications



## New modified auditor's opinions and conclusions

We issued 14 modified auditor's opinions and conclusions on assurance engagements in 2013–14. These included three new modifications, eight fewer than in 2012–13. We work closely with agencies to resolve qualification issues. We resolved and removed 15 previous modifications, compared with eight in 2012–13, and resolved the modification of a review conclusion issued earlier in the same year.

Agency	Reason for modification
<b>Qualified opinions and conclusions</b>	
Department of Education and Communities (inc. New South Wales Technical and Further Education (TAFE) Commission)  Review of the Summary of Australian Vocational Education and Training Management Information Statistical Standard (AVETMISS) Financial Data for New South Wales (2012 Summary)	Insufficient information to complete review of the value of depreciation within the total expense from ordinary activities and gain on sale of property, plant and equipment.
State Emergency Service	It was not possible to obtain the information required to form an opinion on the existence and value of inventory held at the State Emergency Service's 229 units. The State Emergency Service finds it impractical to maintain an effective system of internal controls over fundraising revenue and voluntary donations until their initial entry in the financial records.
The Sydney Children's Hospitals Network (Randwick and Westmead) (incorporating the Royal Alexandra Hospital for Children)  Review of compliance with the <i>Health Insurance Act 1973</i> and Guidelines	Trust monies were not paid directly into compartmentalised accounts in a timely manner.  Patients' statement accounts did not set out the amount payable by the patient for each service.
<b>Modified opinions cleared</b>	
Corporation Sole 'Minister Administering the <i>Environmental Planning and Assessment Act 1979</i> '	The previous qualification related to insufficient appropriate audit evidence to form an opinion on the corporation's land assets. It has now obtained this information.
Department of Trade and Investment, Regional Infrastructure and Services and its controlled entity (DTIRIS)	The previous qualification related to insufficient appropriate audit evidence to form an opinion on long-term leases, trust funds and investments in joint ventures. The department has now obtained this information.  The previous qualification relating to comparability of 2011–12 disclosures and balances because the DTIRIS included the former Department of Primary Industries' balances in its 2010–11 report was no longer relevant.
Department of Education and Communities (inc. TAFE Commission)	The previous qualification related to insufficient appropriate audit evidence to form an opinion on building values and related transactions. The department has now obtained this information.
New South Wales TAFE Commission	The previous qualification related to insufficient appropriate audit evidence to form an opinion on building values and related transactions. The commission has now obtained this information.
Gosford Water Supply Authority	The previous qualification related to insufficient appropriate evidence to support the fair value and recoverability of the authority's investment portfolio. The authority has now obtained that information.
NSW General Government and Total State Sectors (Total State Sector Accounts)	The previous qualification related to insufficient appropriate audit evidence available to form an opinion on the value of land, infrastructure holdings and State archives. The quality and timeliness of financial reporting across the NSW public sector improved significantly in 2013 and resulted in the removal of all Total State Sector audit qualifications.
Review of the reasonableness of estimates and forecasts in the 2012–13 Half-Yearly Review	The previous qualification related to insufficient appropriate audit evidence available to form a conclusion on the value of land, infrastructure holdings and State archives. The quality and timeliness of financial reporting across the NSW public sector improved significantly in 2013 and resulted in the removal of all Total State Sector audit qualifications.
Review of the reasonableness of estimates and forecasts in the 2013–14 Budget Papers	The previous qualification related to insufficient appropriate audit evidence available to form a conclusion on the value of land, infrastructure holdings and State archives. The quality and timeliness of financial reporting across the NSW public sector improved significantly in 2013 and resulted in the removal of all Total State Sector audit qualifications.
Riverina Citrus	The previous qualification related to insufficient appropriate audit evidence available to form an opinion on the completeness of income from grower levies. The qualification was cleared when Riverina Citrus was abolished.
State Records Authority of New South Wales	The previous qualification related to insufficient information confirming the existence and value of State archives that were recognised for the first time. The authority has now obtained that information.
Sydney Water Corporation	The previous qualification arose because the corporation incorrectly accounted for contractual arrangements concerning three water filtration plants. This no longer materially impacts the corporation's financial statements.
The Sydney Children's Hospitals Network (Randwick and Westmead) (incorporating The Royal Alexandra Hospital for Children)	The previous qualification arose because it was not possible to form an opinion on whether the network had recorded all fundraising revenue and voluntary donations. It was removed because the network demonstrated it had effective controls over the recording of its fundraising revenue and donations.



Agency	Reason for modification
<b>Modified opinions cleared (continued)</b>	
UNE Foundation	The previous qualification arose because it was not possible to form an opinion on whether the foundation had recorded all fundraising revenue and voluntary donations. It was removed because the foundation demonstrated it had effective controls over the recording of its fundraising revenue and donations.
UNSW Study Abroad – Friends US Alumni Incorporated	The previous qualification arose because it was not possible to form an opinion on whether the company had recorded all fundraising revenue and voluntary donations. It was removed because the company demonstrated it had effective controls over the recording of its fundraising revenue and donations.
Whitlam Institute within the University of Western Sydney Trust	The previous qualification arose because it was not possible to form an opinion on whether the trust had recorded all fundraising revenue and voluntary donations. It was removed because the trust demonstrated it had effective controls over the recording of its fundraising revenue and donations.
Department of Education and Communities (inc. TAFE Commission) Review of the Summary of Australian Vocational Education and Training Management Information Statistical Standard (AVETMISS) Financial Data for New South Wales (2012 Summary)	The qualification on the 2012 Summary was issued earlier in the year because there was insufficient information to complete a review of the value of depreciation within the total expense from ordinary activities and gain on sale of property, plant and equipment. The department has now obtained that information.

### Remaining modified opinions

Eleven modifications remain unresolved. However, four of these relate to instances where agencies find it impractical to maintain an effective system of internal controls over fundraising revenue and voluntary donations until their initial entry in the financial records. In these instances, a limitation of scope exists regarding our ability to confirm the completeness of such revenue.

Agency	Reason for modification
Ministry of Health Report on Compliance with Division 3 of Part 4 of the User Rights Principles 1997 issued under section 96-1 of the <i>Aged Care Act 1997</i>	The Ministry of Health did not refund two accommodation bonds within the timeframe specified in the User Rights Principles 1997.
Ministerial Holding Corporation	The previous qualification arose because the corporation prepared financial statements for the first time since it was established in 1989. There was insufficient audit evidence to form an opinion over the completeness of the opening balances presented as comparative information and certain disclosures in the financial statements. The audit for the year ended 30 June 2013 was not complete as at 30 June 2014.
Murray Catchment Management Authority	The previous qualification related to insufficient and appropriate audit evidence to support the value of seed inventories. Consequently, there is uncertainty over the correctness of opening balances and the possible impact in the financial statements for the year ended 30 June 2013.
New South Wales Self Insurance Corporation	In accounting for its general insurance contracts, the corporation applied the incorrect accounting standard, resulting in it materially understating its liabilities and failing to disclose some required information about these insurance contracts.
Sport Knowledge Australia Pty Limited (year ended 31 December 2012)	Inability to obtain sufficient and/or appropriate evidence to support material transactions pervasive to the company's operations. Alternative records were not adequate for the purpose of applying necessary audit procedures.
Sport Knowledge Australia Pty Limited (year ended 31 December 2013)	Inability to obtain sufficient and/or appropriate evidence to support opening balances in the company's financial statements. Alternative records were not adequate for the purpose of applying necessary audit procedures.
The Legislature	A compliance review of the annual determination of the Parliamentary Remuneration Tribunal. Five member claims were not submitted to The Legislature for payment within 60 days of receipt or occurrence of the expense. Ten members did not return their unsubstantiated Sydney Allowance amounts to The Legislature by 30 September 2013. Twenty-two members did not complete an annual declaration stating the benefits accrued by way of loyalty/incentive schemes were used for parliamentary duties and not for private purposes. One member was unable to provide documentary evidence to demonstrate three charter transport allowance claims were for parliamentary purposes.

### Modifications relating to fundraising and voluntary donations revenue

ANZAC Health and Medical Research Foundation – Trust Fund	The trust fund finds it impractical to maintain an effective system of internal controls over fundraising revenues and voluntary donations until their initial entry in the financial records.
Charles Sturt University Foundation Trust	The trust finds it impractical to maintain an effective system of internal controls over fundraising revenues and voluntary donations until their initial entry in the financial records.
University of Western Sydney Foundation Trust	The trust finds it impractical to maintain an effective system of internal controls over fundraising revenues and voluntary donations until their initial entry in the financial records.
UWS Early Learning Limited	The company finds it impractical to maintain an effective system of internal control over fundraising revenues and voluntary donations until their initial entry in the financial records.



# Our performance audits

## Addressing issues of public concern

### What is a performance audit?

Performance audits build on our financial audits by reviewing whether taxpayers' money is spent efficiently, economically and in accordance with the law.

A performance audit may cover:

- the whole of an agency's operations
- specific activities of an agency
- an activity across a number of agencies.

We report the results of these audits to the CEO of each agency, the responsible minister, the Treasurer and parliament.

See pages 28 to 32 for in-depth details of each audit.

### Choosing a topic

We choose topics that reflect the interests of parliament in holding the government to account. When selecting and scoping topics, we combine our own research with suggestions from parliamentarians and agency CEOs.

In 2013–14, we established a new three-year program taking into account the government's priorities, as outlined in the State Plan 'NSW 2021' and reform agenda, and its five priority outcome areas:

- rebuild the economy
- return quality services
- renovate infrastructure
- strengthen our local environment and communities
- restore accountability to government.

The program covers the activities of the nine departmental clusters responsible for delivering the government's priorities.

This three-year program, published on our website, is reviewed monthly to ensure it addresses significant issues of interest to parliament, aligns with government priorities, and reflects contemporary thinking on public sector management. When examining agency performance, we also refer to some

broad themes that are relevant to today's government administration and reform:

- governance
- devolution
- partnerships
- outsourcing
- efficient service delivery
- transparency.

### Are recommendations followed up?

Twelve months after a performance audit is tabled, parliament's Public Accounts Committee (PAC) examines whether agencies have implemented recommendations from performance audits and whether any changes in practice or performance have occurred in response to these audits. In some cases, the PAC will hold a hearing and invite the agency and the Auditor-General to attend and answer questions. More information on our work with the PAC is on page 18.

Agencies audited	Performance audit report	Tabled in parliament
• NSW Health	Managing Operating Theatre Efficiency for Elective Surgery	17 July 2013
• Ambulance Service of NSW	Reducing Ambulance Turnaround Time at Hospitals	24 July 2013
• NSW Ministry of Health		
• Housing NSW	Making the Best Use of Public Housing	30 July 2013
• NSW Land and Housing Corporation		
• NSW Treasury	Cost of Alcohol Abuse to the NSW Government	6 August 2013
• NSW Police Force		
• NSW Ministry of Health		
• Department of Premier and Cabinet		
• Department of Attorney General and Justice		
• Department of Premier and Cabinet	Government Advertising 2012–13	23 September 2013
• NSW Ministry of Health – Cancer Institute NSW		
• Transport for NSW – Rail Corporation NSW		
• Department of Education and Communities	Management of Casual Teachers	3 October 2013
• Transport for NSW	Improving Legal and Safe Driving Among Aboriginal People	19 December 2013
• Department of Attorney General and Justice		
• Department of Finance and Services		
• Roads and Maritime Services		
• NSW Police Force		
• Department of Education and Communities		
• Fire and Rescue NSW	Fitness of Firefighters	1 April 2014
• NSW Rural Fire Service		
• NSW State Emergency Services	Management of Volunteers – NSW State Emergency Services	15 April 2014
• Roads and Maritime Services	Regional Road Funding – Block Grant and REPAIR Programs	8 May 2014
• NSW Police Force	Effectiveness of the New Death and Disability Scheme	22 May 2014
• NSW Treasury	Use of Purchasing Cards and Electronic Payment Methods	5 June 2014
• Office of Finance and Services	Making the Most of Government Purchasing Power – Telecommunications	26 June 2014
• Department of Education and Communities		
• Forestry Corporation of NSW		
• Fire and Rescue NSW		
• NSW Businesslink Pty Ltd		
• Essential Energy		
• Sydney Trains		



# This year's performance audits

## Addressing issues of public concern

### Managing Operating Theatre Efficiency for Elective Surgery

This audit assessed how efficiently public hospital operating theatres are being managed to deliver elective surgery. It concluded that more operations could be achieved for the same money by making sure someone is clearly in charge and operations start on time and stay on time.

More patients are receiving elective surgery and most are treated within national clinical targets. However, operating theatre efficiency targets are not being met. If NSW Health met its own theatre utilisation targets, approximately 20,000 more operations could be achieved.

Hospitals need to:

- set realistic operating theatre schedules
- start operations on time
- stay on time
- minimise cancellations on the day of surgery.

There needs to be someone clearly in charge of the operating theatre, backed up by strong, active operating theatre committees bringing together surgeons, anaesthetists, nurses and hospital executives. Hospitals need better information on costs and productivity, and a greater understanding of the number of theatre hours, operations funded and the degree of spare capacity.

Hospitals should also question why over a quarter of theatre cases are non-surgical, such as endoscopies and colonoscopies, which could be done in procedure rooms.

#### Response

All recommendations were accepted by NSW Health.

Report release date:  
17 July 2013

### Reducing Ambulance Turnaround Time at Hospitals

This audit examined whether there are effective strategies in place to reduce the time spent by ambulance crews at emergency departments.

It found that although NSW Health has put in place initiatives to free up ambulances, the average time spent by ambulances at hospital emergency departments has increased over the last seven years. In 2011–12, only 65 per cent of ambulance crews handed over patients within 30 minutes of arriving, well below NSW Health's target of 90 per cent.

Ultimately, hospitals need to move emergency department patients waiting for a hospital bed into their wards faster. One way to do this is to free up beds in the wards. Improved discharge practices to reduce unnecessary waits for drugs or review by inpatient doctors will help. But this requires all parts of a hospital to be responsible for ambulance delays.

The audit also found that there is more scope to limit the number of patients taken by ambulance to hospital. Paramedics should be allowed to say 'no', that is, refuse to transport patients whose clinical assessment indicates that hospital treatment is not warranted.

#### Response

Acceptance of recommendations was as follows:

- nine supported plus one supported in principle
- three noted and one indication of further analysis required before deciding whether to support or not.

Report release date:  
24 July 2013

### Making the Best Use of Public Housing

This audit examined the current and future direction of public housing, with a focus on the changing needs and circumstances of tenants. It found that the current portfolio and funding arrangements do not enable Housing NSW and the Land and Housing Corporation to meet the changing public housing need. Public housing is ageing and much is not fit for purpose.

There is also an increasing shortfall between the supply of and demand for public housing. With constraints on funding, the Land and Housing Corporation balances its budget by reducing some maintenance and capital programs and selling properties. There is no clear direction to address the challenges for public housing, although both organisations are working towards one.

The government needs to answer key questions about the direction for public housing, such as who is housed and how funding and asset ownership will achieve a sustainable long-term social housing sector. The audit also found existing public housing could be used better. Both organisations should assess their current procedures, continue current initiatives and promote proposals that improve efficient use of public housing.

#### Response

Of the 15 recommendations made, 14 were accepted and one accepted in principle.

Report release date:  
30 July 2013





## Cost of Alcohol Abuse to the NSW Government

This audit examined whether the NSW Government knows the cost incurred by State agencies as a result of alcohol abuse.

We found that although government agencies monitor and report incidents of alcohol-related harm, they do not monitor or report the total cost of alcohol abuse. This information is fragmented at best.

The audit estimated that alcohol abuse costs government services over \$1.0 billion per annum, or around \$416 from each household in New South Wales.

The government must have good information on the cost of alcohol abuse to respond effectively. If costs are increasing, this could be a trigger for a different policy approach to the issue. The community also has a right to know this information so it can inform public debate on alcohol abuse and the best ways to combat it.

The government should also consider introducing 'abuser pays' schemes to ensure people who abuse alcohol pay for any costs they inflict.

### Response

Three recommendations regarding the estimation and public reporting of costs were accepted in principle (in the combined response from the Department of Premier and Cabinet). Two recommendations relating to recouping costs from individuals and further alcohol-related education, were not accepted.

Report release date:  
6 August 2013

## Government Advertising 2012–13

The *Government Advertising Act 2011* commenced in October 2012. The Act requires the Auditor-General to conduct a performance audit to check agency compliance with the Act in each financial year.

This was the first performance audit conducted under these new obligations. It examined campaigns planned and implemented while the new frameworks were still being bedded down. Our findings and conclusions should be read in that context.

We reviewed two campaigns, the Cancer Institute NSW 'Break the Chain' anti-smoking campaign and the former Rail Corporation NSW 'Fixing the Trains' recruitment campaign. The second campaign was selected by the public via a survey on our website. Both advertising campaigns complied with the Act, regulations, other laws and government advertising guidelines.

Future performance audits, especially the one covering the 2014–15 period, will provide an assessment of the effectiveness of the new framework on a wider range of campaigns, including capturing advertising in the run up to the next State election in March 2015.

### Response

We made three recommendations to the Department of Premier and Cabinet to improve the communication of changed requirements to agencies, and strengthen some areas of oversight, which were all accepted.

Report release date:  
23 September 2013

## Management of Casual Teachers

This audit assessed whether the Department of Education and Communities manages the supply, availability and performance of casual teachers effectively.

While the supply of casual teachers to metropolitan schools has improved significantly, rural and remote schools continue to struggle. Quality is an issue, with only one quarter of surveyed principals rating the casual teachers assigned by the department highly. Its call centre sends out teachers, who principals refuse to hire, to other schools. When the department chooses who to send, it does not favour a teacher who has good reports from other schools.

The department needs to review its register of casual teachers to make the assignment of teachers more efficient. One quarter of the 49,300 casual teachers registered by the call centre have not worked recently, and some are no longer seeking casual work.

We recommended the department do more to support rural and remote schools, consider feedback about performance when deciding which casual teacher to assign and remove inactive teachers from its register.

### Response

The department accepted the recommendations in principle and considered that the 'Local Schools Local Decisions' reform will enable schools to improve the management of casual teachers locally.

Report release date:  
3 October 2013





# This year's performance audits (continued)

## Addressing issues of public concern

### Improving Legal and Safe Driving Among Aboriginal People

A driver licence improves mobility, meaning improved access to health care, family, cultural and recreational activities as well as general wellbeing. Well-trained drivers make for safer roads, with fewer accidents and injuries. Less than half the eligible Aboriginal people in New South Wales currently hold a driver licence. This audit examined how well government responses have worked to improve legal and safe driving among Aboriginal people. It found Aboriginal people continue to be over-represented in traffic-related offending and imprisonments, and barriers exist in the licensing and vehicle registration process, fines enforcement process and the justice system.

A coherent and coordinated approach is needed to develop strategies to support Aboriginal people to obtain, retain and regain their driver licences, across all the agencies involved – the Department of Attorney General and Justice, Corrective Services NSW, the Department of Finance and Services, the State Debt Recovery Office, Transport for NSW, Roads and Maritime Services, the NSW Police Force, the Department of Education and Communities, and TAFE NSW.

#### Response

We made 35 recommendations in our report. All but one were accepted.

Report release date:  
19 December 2013

### Fitness of Firefighters

In this audit we examined whether Fire and Rescue NSW and the NSW Rural Fire Service know that their firefighters are fit for duty.

Fire and Rescue NSW do not know whether all its firefighters are fit to perform their full range of operational duties. Once they are employed, there are no formal checks on firefighters' health and fitness during their career.

The NSW Rural Fire Service does not know whether all its firefighters are currently fit to perform their full range of operational duties. Volunteers with the NSW Rural Fire Service self-declare any health and fitness issues that may impact on their ability to carry out their roles.

Our recommendations included that Fire and Rescue NSW should implement regular mandatory health and fitness assessments for firefighters and the NSW Rural Fire Service should undertake a risk analysis on the current approach to managing the health and fitness of volunteer members, particularly those who actively fight fires.

#### Response

Fire and Rescue NSW and the NSW Rural Fire Service have accepted all the recommendations.

Report release date:  
1 April 2014

### Management of Volunteers – NSW State Emergency Services

The NSW State Emergency Service (SES) is the lead agency responsible for preparing the community for, and responding to, storm, flood and tsunami events. This audit examined whether the SES had a sustainable volunteer workforce, with effective strategies to attract, retain and train volunteers.

The SES lacked a good understanding of what volunteer workforce it needed and had no effective plans to attract and retain volunteers. The turnover of NSW SES volunteers is higher than in other States, and only half of the estimated 1,700 volunteers who join each year are active members 12 months later. Many volunteers do not respond to emergency call outs and training needs were not being met.

We recommended the SES develop workforce plans, focus on recruiting volunteers that suit local unit needs, improve induction and training, have clear pathways for volunteers to take on responsibility, and improve consultation, communication and recognition.

#### Response

The SES accepted the recommendations and agreed to an action plan to address them.

Report release date:  
15 April 2014



## Regional Road Funding – Block Grant and REPAIR Programs

‘Regional Roads’ link Roads and Maritime Services (RMS) controlled main arterial roads to council controlled local roads. Government provides funding assistance to councils to manage Regional Roads. Our audit examined whether the Block Grant and REPAIR programs are effective in promoting value for money outcomes.

The Block Grant program, which received \$142.2 million, is aimed at road maintenance, while the REPAIR program, funded at \$29 million, is directed at major road improvements. Under the Block Grant program each council receives an annual allocation, primarily based on road length and traffic count. Under the REPAIR program, project funding is merit-based within each of the six RMS regions.

The audit concluded RMS could not show that the money provided through the Block Grant program was spent well and allocated to where it achieved most benefit. We found the REPAIR program to be well-designed, and focused on minimising whole-of-life costs and providing positive net economic benefits. However, the six RMS regions need to improve how they are implementing aspects of the program.

### Response

Nine out of the 13 recommendations were accepted and four noted.

Report release date:  
8 May 2014

## Effectiveness of the New Death and Disability Scheme

The *Police Act 1990* required an audit of the effectiveness of the new arrangements under the 2012 NSW Police Death and Disability Scheme.

Under the new scheme, more NSW Police officers are returning to work after being injured and there are fewer medical discharges.

The growing number of injured officers returning to work has increased the operational strength of NSW Police but is placing pressure on them to find these officers appropriate roles, especially in commands outside metropolitan areas. To handle the increasing numbers of injured officers returning to work as part of their rehabilitation, we recommended NSW Police revise workforce strategies to maximise the scope and type of roles available to the injured officers.

The overall cost of the new scheme is lower than the previous scheme. However, during 2013–14, the government’s annual insurance premium for the new scheme increased to 8.3 per cent of the total remuneration paid to officers who are members of the scheme. This is above its statutory cost target of 4.6 per cent.

To achieve this target, NSW Police must maintain the number of claims, payments and medical discharges close to current levels. This will provide more certainty around potential costs which in combination with greater competition amongst insurers should lower the premium. Actuarial advice found the target could be reached in the medium to long-term if the current trends continue. The audit recommended NSW Police clarify who is responsible for the target and set a date to achieve it.

### Response

The agency accepted all recommendations.

Report release date:  
22 May 2014

## Use of Purchasing Cards and Electronic Payment Methods

In December 2011, the NSW Government mandated the use of purchasing cards (pcards) for all transactions below \$3,000 and the replacement of cheques with Electronic Fund Transfers (EFTs) where applicable. Around 85 per cent of government transactions are below \$3,000.

This audit assessed whether the use of pcards and electronic payment methods for low value transactions was achieving expected benefits.

The audit found the government’s initiative is in danger of stalling. Estimated gross savings of \$127.4 million over the first six years are unlikely to be achieved, and ongoing annual savings of \$33 million are also at risk. The uptake of pcards is low and not all departments have targets for use of pcards and EFTs. Departments with potential to achieve most of the savings have made little progress. Expense management systems to streamline processes and maximise savings are not widely used. Treasury has not provided guidance and oversight to ensure consistent and timely implementation of the policy.

The audit recommended setting adoption targets, monitoring progress, making better use of bank transaction data and enabling technologies, and providing incentives to encourage greater uptake of pcards.

### Response

Treasury accepted all recommendations.

Report release date:  
5 June 2014



## Addressing issues of public concern

### Making the Most of Government Purchasing Power – Telecommunications

This audit examined whether the 2014 State telecommunications procurement framework assists agencies to achieve value for money. We also assessed whether six review agencies demonstrated that they achieved value for money in their telecommunications arrangements.

The new framework replaced the Government Telecommunications Agreement, which did not use the government's purchasing power to deliver the full potential for savings in telecommunications.

Regardless of the State procurement model, the main determinant of whether agencies achieved value for money is how well they managed their procurement processes, contracts and expenses.

Only one agency in our review did this well and could demonstrate value for money in its telecommunications arrangements.

Our conclusion is most of the agencies we reviewed do not have the level of expertise in procurement, contract management and expense management that is needed in the fast-changing telecommunications area to achieve value for money.

We made three recommendations to the Office of Finance and Services to improve transparency. We also made recommendations to each of the six review agencies to strengthen their procurement, contract management and expense management processes.

#### Response

All 34 recommendations across the six review agencies and the Office of Finance and Services were accepted.

📅 Report release date:  
26 June 2014

# The year ahead for performance audit

## A strong performance audit program planned

Our audits will focus on the State Plan 'NSW 2021' goals and reform agenda

The NSW Public Accounts Committee recommended in its 2013 review of the efficiency and effectiveness of the Audit Office that we publish our proposed performance audit program. I am pleased to do so.

The audit topics within the program have been developed taking into account the government's priorities, as outlined in the State Plan 'NSW 2021' and its five priority outcome areas.

When examining agency performance I will refer to some broad themes that are relevant to today's government administration and reform: governance, devolution, partnerships, outsourcing, efficient service delivery and transparency.

**Grant Hehir** Auditor-General

Proposed topics for 2014–15	Agency cluster
<b>State Plan NSW 2021 – Rebuild the economy</b>	
Taxation revenue management in New South Wales	Treasury/Finance and Services
Public sector productivity – trends and patterns across NSW Government	Premier and Cabinet
Industry assistance programs	Trade and Investment, Regional Infrastructure and Services (DTIRIS)
Effectiveness of government initiatives to reduce red tape	Treasury/Finance and Services/ Premier and Cabinet
<b>State Plan NSW 2021 – Return quality services</b>	
Implementing new commissioning arrangements for Vocational Education and Training	Education and Communities
Maximum security prisons – performance framework	Police and Justice
Introduction of activity based funding for hospital services	Health
Managing cost and quality drivers in health – length of stay and readmissions	Health
Mid-implementation review of ServiceNSW	Premier and Cabinet/Transport/ Treasury/Finance and Services
<b>State Plan NSW 2021 – Renovate infrastructure</b>	
Transfer of community housing title/management to Community Housing Providers	Family and Community Services
Planning major projects – WestConnex	Transport
Governance and performance of major capital works projects	Treasury/Finance and Services
Realising the benefits of integrated ticketing (Opal card)	Transport
<b>State Plan NSW 2021 – Strengthen our local environment and communities</b>	
Management and maintenance of water infrastructure in regional New South Wales	DTIRIS
Managing contaminated sites	Premier and Cabinet/DTIRIS
<b>State Plan NSW 2021 – Restore accountability to government</b>	
Government advertising 2014–15	Premier and Cabinet
Security of IT systems – critical infrastructure	Treasury/Finance and Services/ Premier and Cabinet
Implementation of the government's Risk Management Framework	Treasury/Finance and Services
Learning Management and Business Reform (LMBR) Program	Education and Communities



# Investigating allegations of waste

## Engaging with the public on complaints about government

47 complaints or concerns examined

23 public interest disclosures assessed

### Public interest disclosures

The Audit Office has a specific responsibility to examine allegations of serious and substantial waste of public money under the *Public Interest Disclosures Act 1994*. This Act protects public officials who make such public interest disclosures in good faith.

### Case study

A public interest disclosure in late 2013 alleged Visiting Medical Officers were claiming for hours they didn't work. Since the person making the allegation worked with the doctors at one of the hospitals concerned, protecting that person's identity was an important consideration in the investigation. To ensure such protection, and in consultation with the Independent Commission Against Corruption who had received separate but similar allegations, the internal auditor for the local health district agreed to include consideration of the matter as part of a regular audit of such arrangements across all hospitals in the district.

The allegations could not be proven, mainly due to ambiguities in historic (and poorly-documented) local agreements made with such Visiting Medical Officers in some hospitals on what hours could be claimed, both onsite and on call. The internal auditor has indicated they will be making recommendations to address these ambiguities in new agreements locally and in the new State-wide five-year review of contracts for Visiting Medical Officers, scheduled to be negotiated in 2014.

The Audit Office and the Public Accounts Committee has a long-standing interest in controls on payments to doctors. Our performance audit report in 2011 on Visiting Medical Officers and Staff Specialists made recommendations in this area. The Public Account Committee's follow-up report in 2013 expressed concerns about delays in implementing the improvements, including the VMoney payment system, agreed in the report. It recommended:

That NSW Health completes the Statewide rollout of VMoney by the end of June 2014, and that NSW Health provides a progress report on implementation as part of the government response to this report ...

That NSW Health conducts clinical audits using the VMoney system and continues to analyse data in VMoney to detect inconsistent Visiting Medical Officer claims, by September 2014.

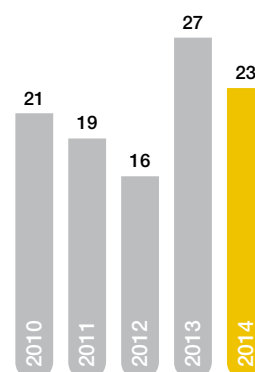
### Working with the public and other watchdog agencies

As this case study illustrates, we work closely with other watchdog agencies in New South Wales and audit offices in other jurisdictions to improve our services and increase the impact of our work. This includes important work in responding to public complaints and public interest disclosures where serious and substantial waste is involved. We refer complaints involving allegations of corruption, maladministration or privacy to the Independent Commission Against Corruption, the NSW Ombudsman or to other watchdog agencies responsible.

This year we received and assessed 47 complaints or concerns about other agencies and examined 23 public interest disclosures. We concluded that most did not demonstrate serious or substantial waste. However, we are working closely with the NSW Ombudsman, the Independent Commission Against Corruption and the agencies concerned on a few cases where waste is an issue and warrants further investigation.

During 2013–14, we improved coordination between our management of public interest disclosures and other complaints (see page 55 for more information on complaints management). In 2014–15, we will review our public interest disclosure policies to ensure they continue to reflect best practice and provide clear and practical advice.

### Number of public interest disclosures





# People



## **Our people are highly skilled and dedicated to improving the public sector**

At the Audit Office of New South Wales, we have built a working environment that:

- is founded on respect for staff, clients and stakeholders
- strives to maintain a balance between work life and personal life
- fosters and values trust and allows staff to be the best they can be
- attracts and retains highly skilled staff who share our commitment to lifelong learning



# Employee satisfaction

*Our employees have sent us a clear message on areas for improvement*

88% response rate to our employee survey, our highest ever  
Performance has dropped on all key employee survey measures

## Employee satisfaction down

The employee survey continues to be an important measure of employee satisfaction. It calculates a weighted satisfaction index about working at the Audit Office, and an overall 'gut feel' measure of employee satisfaction.

Results for this year reversed the trend of previous surveys, with a drop in our employee satisfaction index of five per cent to 73 per cent compared with 2012–13. The 'gut feel' satisfaction level also declined, with 81 per cent of respondents 'satisfied' to 'extremely satisfied' working at the Audit Office, down from 92 per cent.

The Audit Office experienced significant change in 2013–14, with a new Auditor-General starting in November 2013, efficiency dividend pressures and resultant cost-savings measures, proposed changes to our employee Award, and the introduction of a new audit methodology and technology. The 'verbatim' comments from employees in the survey show the uncertainty around these changes had a significant impact on employee satisfaction.

## Employee engagement down

Morale is at a five-year low, with 64 per cent of respondents reporting 'reasonable' to 'very high' morale, significantly lower than 82 per cent in 2012–13. Eighty-four per cent of respondents expressed pride in working at the Audit Office.

Employee engagement correlates measures of staff satisfaction, morale, loyalty and commitment to the Audit Office's success, and whether they feel

trusted or valued. Over 74 per cent of respondents reported being moderately to highly engaged, a drop from 82 per cent in 2012–13, and 82 per cent said they would recommend the Audit Office as a 'great place to work'. Eighty-nine per cent of respondents were willing to put in extra effort to achieve a professional result, below the 94 per cent in 2012–13.

## Performance gaps

The staff survey tells us what employees consider to be most important, and the gaps between their expectation of the 'ideal' and how well we are currently performing. Gaps of more than 20 points between importance and delivery are signals that we need to focus on these areas. In the 2013–14 survey, 16 of the 20 performance gaps were above 20 points. Not only is this a significant increase on the number of gaps above 20 points in comparison to previous surveys, but the gaps are also much greater than in previous years with several gaps over 30 points for the first time.

The biggest performance gaps in the 2013–14 survey, all of which are over 30 points, are:

- good communication exists throughout the office
- the Office Executive communicate a clear direction for the Audit Office
- the Audit Office has sufficient resources to deliver value to clients
- I feel valued
- I am able to balance work with my personal life.

## The year ahead

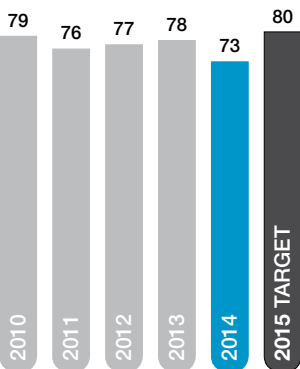
In 2014–15, under our 'People' strategic focus area, we will aim to transform the way we manage, develop and reward our people through 'Project Blue' – this should have a significant and positive impact on the engagement and morale of our people. The project aims to build a constructive, achievement-focused culture, with engaged and empowered staff who take responsibility for their own goals and development.

We will focus on the communication-related staff survey results and put in place a range of measures to increase the transparency, quality and frequency of communications to give our people the certainty they need to be able to perform to the best of their ability. Activity planned in our strategic focus area 'Constructive Leadership' will also improve the way our Leadership Team communicates and interacts with our people.

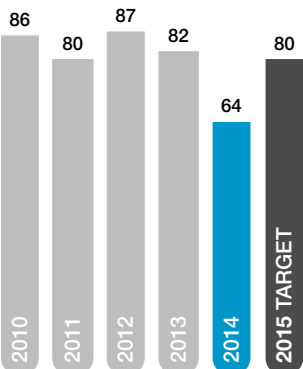
Business teams will also take action at a local level in 2014–15 to address problem areas, and to encourage best practice, those ideas and solutions will be shared across the organisation.

(See page 10 for further details of our strategic focus areas.)

Employee satisfaction %



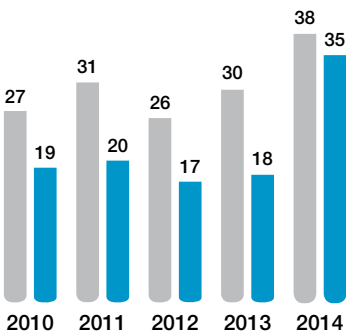
Employee morale %



## Significant performance gaps

Good communications exists throughout the office

The Office Executive communicate a clear direction for the Audit Office



# Performance

## A focus on effective, quality results

62% productivity achieved, a slight increase from last year

### Productivity

The vision of the Audit Office is 'Making a difference through audit excellence', so the result of our work needs to make a difference to the State's performance. Professional standards and expectations grow continually, and our employee productivity (the percentage of total staffing hours that we charge to our audit work) remains fairly close to target.

Our overall productivity increased from 61 per cent to 62 per cent.

Total hours include the time worked by all staff in the office, including those responsible for administration and governance.

During 2013–14, we successfully implemented some major technology and infrastructure strategic initiatives which have resulted in greater efficiencies. These include the continuing rollout of our new financial audit methodology and technology, and completion of our Records Management Project.

### Leveraging our performance management framework

In line with our strategy to build a more achievement-oriented and constructive culture, in 2013–14 we made further improvements to our performance management framework. These improvements included a new program to educate managers on how to have more effective performance conversations with their staff including how to give honest and constructive feedback.

Managers continue to have regular formal performance conversations with their staff, which are underpinned by clearly determined goals around quality and client service standards. These are designed to focus on key improvement areas resulting in a more direct and positive impact on our business and clients.

### Enhancing technology infrastructure and systems

In 2013–14, we continued with our technology strategy of enhancing audit delivery. We did this by further enabling our mobile workforce through modern auditing tools and reliable business management platforms. Some of the more critical projects included:

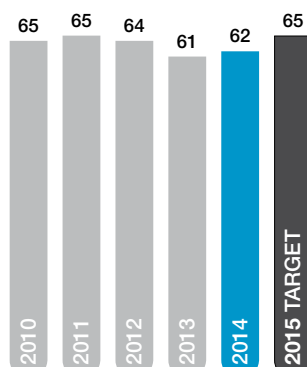
- rollout of Project Iris, which included replacing our laptop-based auditing tool with a modern client server tool
- replacing the ageing financial system and time recording system with a single, integrated practice management platform via Project Elite, providing improved financial management, reporting and time recording
- deploying Microsoft Lync to all staff. This replaced the legacy PABX telephone system with an integrated unified communications platform that enables mobile staff to collaborate via video, phone and instant messaging.

We also continued to focus on improved technology service levels and cost savings. Some key initiatives included:

- telecommunications cost savings through the transfer of mobile services to new government plans
- replacement and consolidation of ageing printers with new multifunction printer devices that have reduced printer maintenance and consumable costs
- implementing and testing our remote disaster recovery service.

We also complied with AS/NZS ISO/IEC 27001 Information Technology – Security techniques – Information security management systems (see page 115).

### Productivity %



### Remuneration focusing on achievement

We aim to remain competitive and reward good performance. The Remuneration Committee ensures the remuneration review process remains transparent and equitable, and that managers are highly engaged in the process.

In 2012–13, we reported the 2013 Remuneration Review was delayed until November due to unresolved Award negotiations. These negotiations are settled, with a 2.5 per cent increase in all salary bands in 2014–15.

In 2013–14, we simplified the annual staff remuneration review, focusing on contribution and achievement. The Executive was more closely involved in this review, ensuring greater equity, consistency and transparency when assessing an individual's contribution.

### The year ahead

In 2014–15, 'Project Blue' will deliver the following goal from our 'People' strategic focus area – 'We create a constructive and achievement oriented environment for our people that requires them to take opportunities to achieve their potential. Our people are flexible and receive regular and honest performance feedback'. This will include the development and implementation of a new Employee Relations and Remuneration Framework and a new Capability and Performance Framework.

We will also complete the final stages of our three-year technology strategy by:

- implementing a new integrated and streamlined Practice Management Information System (PMIS), resulting in significant efficiencies and productivity improvements
- implementing a resource scheduling tool integrated with the practice management platform, to more easily identify and allocate the right people with the right skills.

(See page 10 for further details of our strategic focus areas.)



# Staffing and recruitment

## Continuing to retain and attract high quality employees

248 full-time equivalent staff

55% of middle management are women

### Audit Office brand continues to strengthen

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

The number of full-time equivalent permanent staff has dropped over the year from 259 to 248. This is the lowest number of employees in the last five years, and reflects improved efficiencies in an environment of tightening fiscal responsibility.

Our improved and targeted graduate recruitment strategy resulted in an 11 per cent increase in graduate applications in 2013–14, with 18 graduates offered employment for 2015. The graduate program continues to be a great source of talent, creating a sustainable pool of staff for succession into senior positions at the Audit Office.

We also continued to strengthen our relationship with key universities across Australia through internet advertising and campus publications, and with professional accounting bodies at their careers events. Assessment centres continue to play an important role in our selection process and underpin recruitment practices for all levels of the organisation. This has become a valuable tool both in ensuring the right people are selected and in highlighting development opportunities for all applicants.

### Creating development opportunities

Employee turnover was 12 per cent, slightly higher than the 11 per cent in 2012–13, largely due to an increase in retirements. We planned for these retirements of senior staff, and facilitated a smooth transition of people and knowledge to ensure effective business continuity.

These retirements created more opportunities for growth and advancement for our existing employees, and supported by formal development, planning will ensure our people both achieve to expectations and reach their potential.

Throughout 2013–14, we continued to offer our staff a variety of work and development opportunities. One employee engaged in a secondment opportunity to Treasury, and we continued secondment opportunities between various business units within the organisation. Several staff acted up into more senior positions, including up to Director level, and there were opportunities for staff to work on strategic projects.

### Employee relations

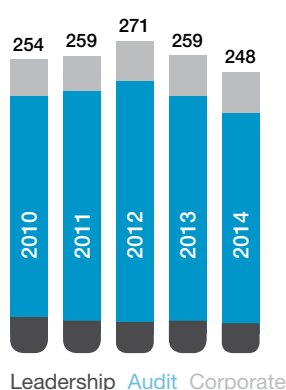
Like all NSW public sector agencies, the Audit Office continues to work within the NSW Government's labour expense cap and wages policy.

This has meant a continued focus on efficiency and the need to find productivity savings.

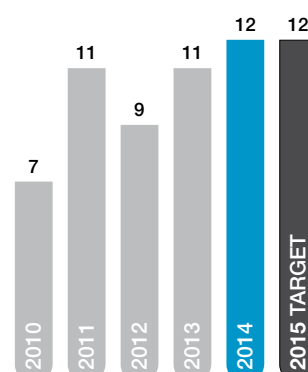
We recognise our remuneration framework, which is embedded in our Award, needs to be more flexible and achievement-focused to better support our business needs. A more modern agreement will ensure we can continue to attract and retain the talent we need to fulfil the Audit Office's mandate now and into the future.

Total staff\*

\*FTE: Full-time equivalent.



Staff turnover %



## Equity and diversity

The Audit Office is rich in talent and diversity. This reflects our approach to recruitment, selection and promotion, and our efforts to ensure we mirror the constantly changing external workforce and client base.

The number of women as a percentage of the total workforce has remained constant at 51 per cent. The representation of women within middle management has steadily increased from 53 per cent to 55 per cent, again demonstrating our commitment to promoting women through all layers of the Audit Office. The percentage of women in executive and senior leadership positions has remained constant at 34 per cent. We anticipate these figures will continue to rise over the next few years with our strong ongoing commitment to supporting the growth and development of talented women in the organisation.

In 2013–14, we celebrated two key cultural festivals in the workplace – Diwali and Eid-ul-Adh. These celebrations help us recognise the diversity of our workplace and encourage our staff to learn about other cultures.

Improving the representation of Aboriginal people and Torres Strait Islanders in the Audit Office is important, because we don't receive many job applicants from these groups. We aim to thoughtfully respond to this as part of our broader diversity and inclusion strategy in 2014–15.

For more information on equal employment opportunity groups and their distribution, see our 'EEO, ethnic affairs priorities and disability action plan' in Appendix Six.

## Supporting our employees

We continue our strong commitment to health and wellbeing practices. In 2013–14, we significantly improved our Work Health and Safety framework and system (see Workplace and environment on page 41 for more information). Many of our staff have benefited from our upgraded Employee Assistance Program, which has more features and services accessible to all staff. This includes an independent, confidential counselling service for staff and their immediate families. We also provided training for our senior managers on how to manage mental health issues.

We maintained our provision of assorted fruit every day to promote healthier eating and make available a variety of non-caffeinated drink options in our break area. We also provided free flu vaccinations to all staff.

We continued to provide support to those competing in the Corporate Cup competitions and encourage work-life balance and exercise. In 2013–14, we maintained our corporate partnership with a local gym, providing low cost membership to our staff. Staff also compete regularly as teams in major sporting events such as the City to Surf, Indoor Soccer Competition and Relay for Life.

## Recreation club

The recreation club, known as the ReClub, is a social organisation run by staff, for staff. Approximately 64 per cent of staff are members of the ReClub, although all events are open to both members and non-members.

The club is fully funded by employees and run by a representative committee. Some of the events held in the past year include the Annual Harbour Picnic, the Annual Dinner, the Christmas Party, Australia's Biggest Morning Tea Annual Bake-Off and numerous Happy Hours.

The club encourages and supports participation in sporting events, such as the City to Surf, JP Morgan Chase & Co Corporate Challenge Run and the MS Walk+Fun Run. The club is an integral part of our culture providing our staff with fun activities and a chance to network with their colleagues.

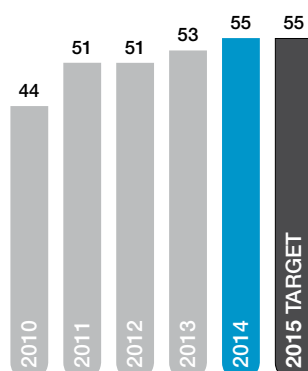
### The year ahead

The strategic focus areas of 'Constructive Leadership' and 'People' will play an important role next year in helping to shape a more constructive and achievement-focused culture. We expect to see improvements in a number of areas including:

- better working conditions for staff with an emphasis on greater workplace flexibility
- a more flexible remuneration structure that rewards achievement and quality
- more honest and better quality performance conversations between managers and staff
- more learning opportunities that inspire individual growth and maximise potential.

(See page 10 for further details of our strategic focus areas.)

Women in middle management %



# Professional development

## Continuing to invest in our talent

7.5 training days per employee

### Well-developed skills

Our ability to fulfill our mandate and add genuine value to our clients' business depends on the skills and proficiency of our staff.

In 2013–14, staff training days reduced in response to changing business needs. This year there was greater focus on implementing essential training. The ongoing audit methodology training was given the highest priority with significant support provided through on-the-job coaching. Other priority training related to workplace health and safety.

Nine financial audit staff qualified as Chartered Accountants in 2013–14 and four as Certified Practising Accountants (CPA). These qualifications, along with consistent performance on the job and demonstrated leadership potential, will enable them to be considered for Senior Auditor roles.

Four Corporate Services employees continued with their tertiary studies in the areas of public administration, CPA, management and human resources.

In 2013–14, we assisted with professional accounting and professional memberships by paying 100 per cent of tertiary and professional education fees for our graduates and granting study leave.

### Technical and leadership development

All financial audit staff completed compulsory audit methodology and technology training in 2013–14, along with on-the-job coaching to embed this learning. Further improvements were made to our graduate induction program, creating an integrated curriculum and training plan for staff at all levels. All Business Team Leaders and Audit Leaders attended performance conversation training designed to improve managers' skills in giving constructive feedback and coaching for improved performance.

Performance audit staff continued with their attendance at relevant industry conferences and seminars, assisting them to further understand clients' businesses better, in turn producing high quality and effective audits.

Corporate Services team members worked together in collaborative work groups assigned to business initiatives and projects through the Corporate Services business planning process. This process enables every staff member to experience work outside their area of expertise. Corporate Services staff also participated in performance conversation training and attended other relevant training and conferences.

The Audit Office also held change management training for all senior leaders to better prepare them for the major transformation projects currently underway.

In 2013–14, we held another successful 'business simulation' for newly promoted and recruited staff and managers at various levels across the business. This diversity in participants added to the richness of the experience and greatly helped the learning process. The Auditor-General and Office Executive provide attendees with coaching and leadership. After the simulation, team members were provided one-on-one coaching by external business coaches, with detailed debriefing from the program and support to improve in key development areas.

We have also continued to focus on personal one-on-one coaching for our Office Executive, Business Team Leaders, Audit Leaders and Corporate Services managers.

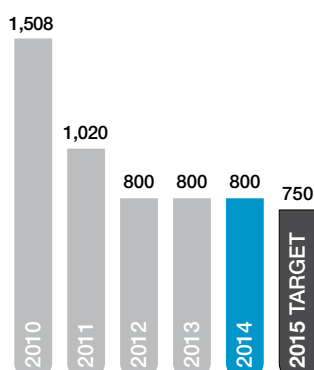
### The year ahead

The strategic focus areas of 'Constructive Leadership', 'People' and 'Product Delivery' will deliver further development of leadership capability and a new focus on whole-of-government knowledge in 2014–15. This work will be predominantly delivered through the Learning and Development stream of 'Project Blue'. Developing staff in these areas will be critical to our ongoing commitment to providing value for money and high quality services to our stakeholders. Over the next year we will be focusing on:

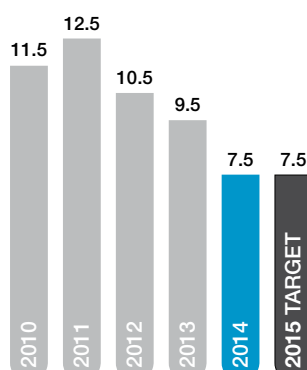
- building a more constructive leadership to encourage more positive communication between staff and management, and the development of an achievement-focused culture
- enhancing the skills and capability of staff to better fulfil the mandate of the Audit Office and support corporate objectives
- implementing a program to build knowledge of public sector reforms and whole-of-government priorities.

(See page 10 for more information on our strategic focus areas.)

Training spending \$'000



Training days per employee





# Workplace and environment

## Keeping our people safe a high priority

21 reported safety incidents

1 new workers' compensation claim

### Workplace health and safety

The Audit Office is committed to providing the best possible standard of workplace health and safety (WHS) for employees on site and at client premises, and for visitors to the office. We strive for early intervention and support when employees are injured to ensure every opportunity for a quick recovery and return to the workplace. As a result, we have made further improvements in 2013–14 to our WHS Management System, WHS Risk Management Framework and WHS policies.

Our Workplace Health and Safety Committee is made up of elected staff and nominated management representatives. In 2013–14, the committee was involved in workplace safety inspections, developing the WHS survey and drafting a WHS annual plan. Committee members improved staff consultation to ensure all issues are pro-actively identified and resolved.

During the year there were 21 reported health and safety incidents. Six of these related to people becoming sick during the work day. Four involved one individual with an ongoing illness unrelated to work. The issues directly related to safety were immediately reported and addressed by the committee and the WHS manager. There was only one new claim for workers' compensation during the year – we responded quickly to assist the individual concerned with a 'return-to-work' plan and adjusted their work space, resulting in little time lost.

In 2013–14, we conducted a far more comprehensive WHS survey than previous years. The survey highlighted the need to improve working conditions at client sites and to further increase employee safety awareness. The Audit Office 'Terms of Engagement and Client Service Plans' have been strengthened to ensure clients acknowledge their responsibilities towards our staff when they are onsite.

To improve safety awareness we also improved WHS posters and other collateral as part of a safety awareness campaign to highlight important safety issues.

The Audit Office regularly reviews and monitors WHS performance at Office Executive and Audit and Risk Committee meetings, as well as at WHS Committee meetings. In 2013–14, we introduced five key WHS measures, along with eight KPIs, targeting key WHS priority areas. These KPIs are reported against regularly to the Office Executive and Audit and Risk Committee.

### Reducing our environmental impact

The Audit Office continued to implement its Waste Reduction and Purchasing Plan (WRAPP) which guides us towards meeting environmental targets. In 2013–14, we stopped printing copies of our Auditor-General's Reports to Parliament and our Annual Report, now publishing only online. This completed the transition from print to electronic publishing and reporting.

We currently use 50 per cent recycled content paper in all of our photocopiers and printers and recycle 100 per cent of waste paper using secure disposal processes. We recycle 100 per cent of our ink and toner cartridges and ensure all laptop batteries are disposed of in an environmentally-friendly way.

In 2013–14, we continued to reduce paper usage by completing a number of initiatives including:

- developing more self-service online forms, including a new electronic travel form
- introducing swipe-card access to printers and photocopiers to allow tracking and costing of individual usage
- running a successful mail-scanning pilot with several business teams which will move us towards complete electronic mail distribution
- completing the Records Management Project, with hundreds of paper files being disposed of and business teams moving to paperless files.

### Greenhouse performance maintained

The Audit Office again maintained its greenhouse building rating of four stars in line with government targets by:

- buying 40 per cent green electricity
- using timers on lights and equipment
- buying energy efficient equipment
- running small, fuel efficient vehicles in our fleet.

### The year ahead

In 2014–15, our Respectful Workplace Policy will be reinforced with the introduction of compulsory bullying and harassment training for all staff. We will also conduct a series of visits to client sites that staff identified in our WHS survey as being potentially hazardous. The WHS Annual Plan will continue to focus on reducing key risks and improving overall safety awareness.

We also have several initiatives aimed at reducing our environmental footprint in 2014–15 including:

- continuing the conversion of manual forms to electronic with all forms aimed to be converted by the end of the financial year
- finalising the mail-scanning pilot and ensuring all inbound physical mail is distributed electronically
- working with our clients to encourage the electronic submission of financial statements and other audit inputs, including the development of an online client portal to allow the exchange of data and other materials electronically.





## Developing the leadership capability and creativity of our staff

### 1 Business leadership coaching continues

In July 2013, we held another 'business simulation' that included new managers as well as other staff identified as ready for this leadership development opportunity.

The simulation included five groups and for the first time this year included a team leader in each group whose role was to provide business and leadership coaching. Each team leader was supported by a member of the Office Executive. Every participant completed their 360-degree Life Styles Inventory (LSI) feedback and received coaching to support implementation of their learning on the job.

#### Some comments from this year's business simulation were:

The business simulation was a fantastic opportunity to think more strategically and the coaching was very helpful as well.

I plan for achieving productivity targets and incorporating time for coaching team members.

The simulation has been the strongest in providing me with the tools to encourage constructive behaviour in myself as well as others.

### 2 Recognition program launched

In November 2013, the Auditor-General launched the Audit Office's inaugural recognition program, 'The Audies'. The program is designed to recognise excellence across the organisation under four categories:

- Leadership and Coaching
- Innovation
- Efficiency
- Customer Service.

Staff and managers can nominate either individuals or teams in any category, with 'Leadership and Coaching' an individual category only. There is a list of criteria and behaviours that nominators have to address and all nominations must be supported by detailed examples.

There are two nomination periods per year and the nominations are reviewed by a Recognition Committee chaired by a senior business manager and including a cross section of managers and staff.

Annual winners will be announced at our Office Forum in November.

At the May 2013 Office Forum three individual winners were announced in the categories of 'Leadership and Coaching', 'Efficiency' and 'Customer Service'.

It was a total shock to hear my name called out at the forum, but it was a very proud moment to realise that my contribution had been recognised and acknowledged. My certificate now has pride of place at home!

Tahsin Hossain Auditor



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# Profession

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## **We are known for influencing auditing in Australia**

We work closely with the auditing profession, commenting on draft accounting and auditing standards, and presenting to various forums on auditing and governance

This helps us maintain our professional presence and influence the direction of auditing in Australia

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# Professional influence

## Making positive and varied contributions

32 presentations delivered to the public and the profession

### Professional services

The Audit Office has an Audit Support team responsible for technical advice on the application of professional standards, legislation and regulation. It contributes to high quality public sector financial reporting by ensuring Financial Audit staff understand, implement and apply auditing and accounting standards consistently and fairly. It reviews modifications to clients' audit opinions before they are issued, to ensure they are fair and in accordance with applicable standards. Audit Support helps our Financial Audit Branch maintain its professional knowledge and keep up-to-date with latest developments.

The Audit Support team is seen as a leader in the profession, particularly in public sector accounting issues. Their input is regularly sought by professional bodies and Treasury on a wide variety of financial reporting matters.

It coordinates and contributes to the effort of the Australasian Council of Auditors-General (ACAG) when commenting on new pronouncements.

The team produces a monthly publication, 'Professional Update', available on the Audit Office website. It provides commentary on emerging issues, the activities of standard setters, Treasury, regulators, professional bodies and the courts.

In 2013–14, Audit Support continued to play a major role in implementing our new financial audit methodology IRIS, which is based on one used by a 'Big Four' professional services firm. The new methodology, which addresses the requirements of the professional standard setters and legislators and uses world leading audit software, is designed to target risks and deliver effective, value adding audits. This will positively impact audit outcomes for parliament and agencies. The methodology has been rolled out to all business teams.

### Services to the public sector

The Audit Office aims to be recognised as a leader and expert in the auditing and accounting profession. We do this via presentations, submissions, contributions to external committees, and appearances before parliamentary committees.

We delivered 32 presentations to a variety of audiences in 2013–14, 17 to the public sector. This was 17 presentations less than delivered in 2012–13. One of the main reasons for this decrease was the timing of the transition between Auditors-General. Presentation topics included best practice governance (including our Governance Lighthouse, see page 48), financial reporting and financial management in the NSW public sector, contract audit agents, future audits on infrastructure, implementation of accrual accounting, the value of public engagement, risk appetites and ensuring audit impact (see pages 105 and 108).

### Influencing by educating, mentoring and advising

#### Educating

Audit Office staff have, for many years, been involved in determining the content of training modules, leading training and focus sessions, and marking exam papers for the Institute of Chartered Accountants in Australia and CPA Australia (see page 106). Graduates employed by the Audit Office must gain membership of a professional accounting body and their professional qualifications by completing the training and passing exams for a recognised Australian professional accounting qualification.

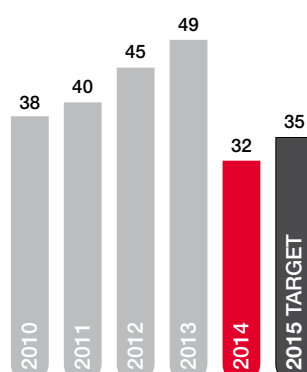
#### Mentoring

The Audit Office provides formal mentoring to all our candidates for memberships of professional accounting bodies. This program has achieved consistently outstanding results, and produces well trained, high calibre professionals for our audit teams.

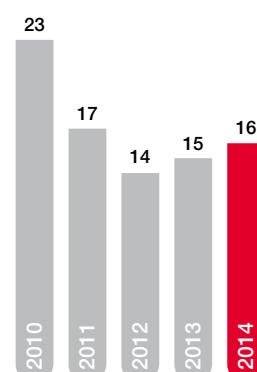
#### Advising

The Audit Office interacts with Australian accounting bodies, participating in their committees, research groups and working parties. We aim to help them gain an understanding of the issues facing the public sector. Our representatives attend roundtables hosted by the standard setters. We develop comments in conjunction with other Australian audit offices to help the boards develop standards that can be applied with equal ease in the public as well as private sectors.

**Presentations**



**Submissions made**



## Influencing through the Australasian Council of Auditors-General

The Audit Office is an active participant in the Australasian Council of Auditors-General (ACAG), established in 1993 to encourage sharing and cooperation between audit offices in Australasia.

The Audit Office provides administrative support for the ACAG Executive Director and the ACAG Financial Reporting and Auditing Committee, which deals with accounting and auditing issues.

Audit Office staff also chair, sponsor and support council subgroups, participating in working parties and committees. We contribute to the council's position on various issues, including submissions to public inquiries on matters of public sector accountability, and to its position on accounting and audit standard setting in both international and Australian jurisdictions.

### ACAG Performance Audit Managers Workshop 2014

This workshop, held in March 2014, brought together managers from audit offices in Australia and New Zealand. Participants discussed current practice issues and emerging challenges of performance auditing.

## Peer reviews

The Audit Office makes a significant contribution to the quality assurance panel of ACAG. This panel is made up of auditing staff from around Australasia. In 2013–14, some of our staff led a review of the audit practices and quality assurance procedures in the ACT Auditor-General's Office, evaluating matters such as compliance with auditing standards.

## Knowledge sharing

The heads of performance audit in all Australian States and Territories meet twice a year to share ideas on performance audit topics, methodologies and better practice. Through these meetings, and subsequent liaison between audit teams in the different jurisdictions, we have helped other offices develop new audits on topics that have proved useful to them. These have included efficiency of operating theatres, chronic disease management and tendering bus contracts. In turn, our performance audit program has benefited from topics successfully delivered elsewhere. Our current audits on major capital projects and IT security are two examples (see page 33).

## The year ahead

In 2014–15, we will maintain our professional presence by:

- liaising with Treasury and the Department of Premier and Cabinet to determine and confirm our mandate
- liaising with Treasury about the development of public sector accounting policy
- liaising with regulators on their focus areas, application of requirements and policy development
- engaging with professional bodies about issues facing the profession and the development and focus of educational programs
- continuing to actively participate in consultation forums and make submissions on proposed changes to professional standards
- continuing our annual support for the training and development of financial audit staff from Papua New Guinea by hosting two secondees.



### 1 Collaborating with other audit offices worldwide

Staff from one of our financial audit teams delivered four days of training in accrual accounting and auditing to members of the Audit Board of the Republic of Indonesia (BPK) in Jakarta. The exercise was funded by AusAid and coordinated by the Australian National Audit Office (ANAO). The training sessions were attended by 120 team leaders and senior managers from central and provincial audit offices across Indonesia.

The training was designed to provide some theory, but mainly focused on working through practical examples in group-based workshops on how to recognise events giving rise to accruals, how to account for them and how to audit them.

The training was very well received, and 84 per cent of participants indicated the training had increased their knowledge of accrual accounting and auditing, with 22 per cent of participants indicating it had 'significantly' increased their knowledge. Participants commented that the training was useful and interactive, but too short. The participants had a real hunger for as much information as the team could give them, but this was limited by cost budgets and timeframes.

The ANAO and BPK were very satisfied with the workshops' outcomes. They praised our staff and described them in their feedback as:

- experienced professionals who understood the subject matter
- dedicated to preparing the training materials within the Indonesian context and cost and time constraints
- a solid, hard-working team.

We are proud of our staff who participated, for their hard work, commitment and for being excellent ambassadors for the Audit Office.

### 2 Developing our profession

The Audit Office makes a significant contribution to the accounting profession through our involvement with the Institute of Chartered Accountants in Australia (the Institute).

One of our Audit Leaders in our Financial Audit Branch, Vijyata Kirpalani, has been a member of the Institute's Young Chartered Accountants panel for three years and Chair in 2013 representing the public sector. The panel develops strategic objectives for the Institute, organises events and briefs the NSW Regional Council on its strategies and activities.

The panel proactively engages with young chartered accountants during certificate presentation ceremonies and at social networking events and assists the Institute in the organisation of career progression events such as 'The Art of Networking' and 'The Secrets of My Success'.

Vijyata was one of six young members of the Institute to be nominated for the President's Prize in 2013 and is also one of the five Brand Ambassadors for the Institute representing young Chartered Accountants in Australia. Vijyata also facilitates focus group sessions, checks projects and marks exams for audit modules.

Details of other Audit Office staff who actively contribute to both the accounting profession and the public sector can be found on pages 104 to 108.



# Governance



## **We have sound corporate governance which guides us to achieve our purpose**

At the Audit Office we:

- have a governance framework that reflects the eight core principles of good corporate governance
- are committed to legislative compliance and ethical behaviour
- meet public expectations of probity, accountability and transparency
- have a dedicated governance unit to administer, support and guide our governance processes

**Emily Watson** Governance Manager

Client location – NSW Police Force



# Strong governance foundations

*Driven by the eight core Australian Securities Exchange corporate governance principles*

## Corporate governance leading the way

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

## ASX Corporate Governance Principles and Recommendations

Our governance framework, the Governance Lighthouse (see image below), reflects the eight core Australian Securities Exchange (ASX) Corporate Governance Principles. We structured our governance framework around these eight core principles, and developed 17 major points of good governance. We use this framework as a way to develop, implement, review and report on our corporate governance.

## Best practice governance

We use a lighthouse to symbolise good corporate governance. It shines a light on the right way forward and warns of danger before it hits. This is the essence of good public sector governance.

## Continuous enhancement

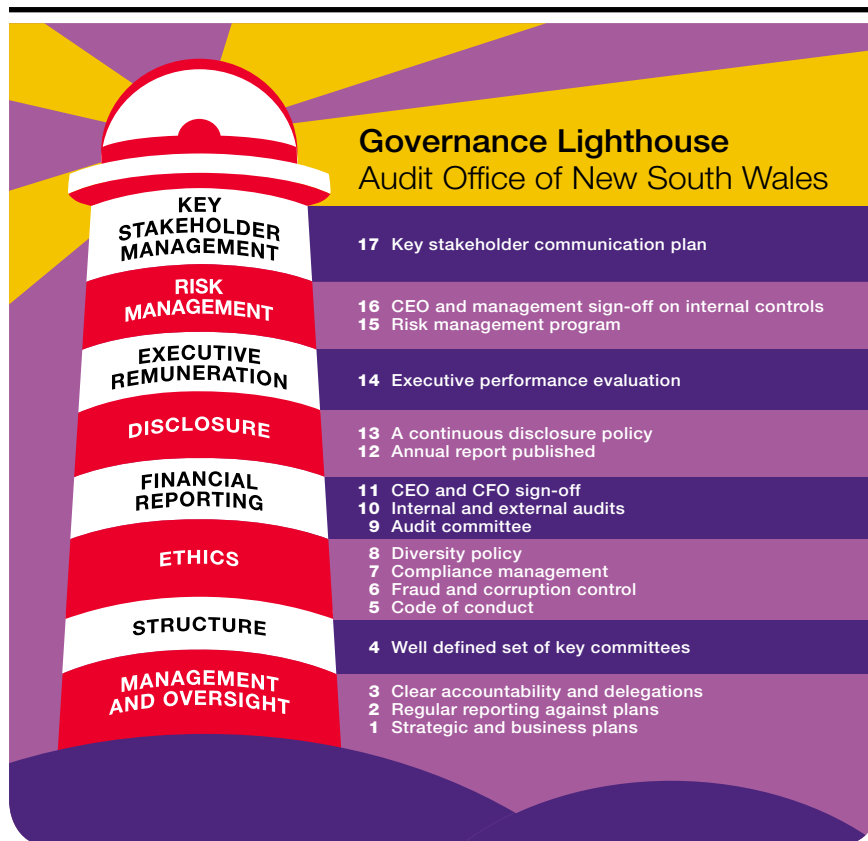
In 2013–14, we enhanced our governance framework by:

- conducting a biennial fraud control health check
- developing a new Agency Information Guide to help the public access our information
- developing a new Privacy Management Plan and communicating our privacy obligations to all staff
- reviewing and enhancing our Gifts and Benefits Policy
- reviewing our Code of Conduct.

## The year ahead

In 2014–15, we will:

- undertake the biennial fraud risk assessment
- review the strategic risks in line with our 2014–15 strategic goals and strategies
- implement a new policy framework
- implement the revised Code of Conduct.



# Setting direction

## We have a strong commitment to strategic planning

LIGHTHOUSE PRINCIPLE:  
**MANAGEMENT AND OVERSIGHT**  
(based on ASX Principle 1)

### Lay solid foundations

The Audit Office of New South Wales is a statutory authority established under the *Public Finance and Audit Act 1983* to conduct audits for the Auditor-General, who is accountable to the Parliament of New South Wales. The Auditor-General is responsible for the Audit Office and its activities.

### Our strategic plan

Our 2013–14 strategic plan was developed by the Office Executive and the Leadership Team to meet the strategic priorities for the Audit Office. Lead managers and executive sponsors met each quarter to review milestones and key performance indicators and track progress towards achieving overall outcomes.

The four focus areas for 2013–14 are summarised below.

### Fiscal Responsibility

#### Outcomes in 2013–14:

- We have the right financial strategy for our business
- We understand the cost of our operations
- Information to make the right financial decisions is available at the right levels
- Our pricing is transparent
- We assign responsibility for generating revenue and managing costs.

#### Key achievements include:

- Strengthened monthly branch reporting against budgets incorporating savings targets
- Progressed development of a new invoicing template to increase pricing transparency
- Progressed towards better understanding the cost of our operations at a branch level
- Greater awareness of the cost of our operations and increased financial responsibility at the executive level.

### Our Mandate

#### Outcomes in 2013–14:

- We have an expanded mandate
- The new Auditor-General has effective relationships with internal and external stakeholders
- We have a shared vision with the new Auditor-General
- We strengthen government accountability
- The government continues to use the Audit Office for university audits.

#### Key achievements include:

- The new Auditor-General met extensively with external and internal stakeholders
- Our new performance audit program and financial audit reporting focused on holding agencies to account for delivery of government priorities
- Continued delivery of cost-effective audits to university clients using our new audit methodology.

### Organisational Capability

#### Outcomes in 2013–14:

- Our organisational capability meets stakeholders' needs
- We understand our resource skills to service our mandate
- Effective management and use of business information
- We leverage and retain skills and knowledge
- Our employee value proposition attracts and retains the right people
- We have constructive and inspirational leaders
- We have a clear picture of the culture we need.

#### Key achievements include:

- Enhanced financial audit reports and performance audit program to reflect stakeholder and staff feedback
- Identification of audit methodology champions and redesign of special interest groups
- Auditor progression guidelines revised and performance management and coaching skills initiatives developed
- Project Blue commenced to deliver human resource management reform.

### Audit of Local Government

#### Outcomes in 2013–14:

- We have influenced legislation and have the mandate we want
- We have analysed risks and mitigation strategies
- Comprehensive transition plan in place.

#### Key achievements include:

- Developed transition plan to use if our mandate is changed to include local government audits
- Developed a specific risk register for potential future local government audit activity.

### The year ahead

Our 2014–15 Strategic Plan reflects the new vision and strategic direction of the Audit Office under our new Auditor-General.

We have four streams of strategic focus with clear goals, strategies and targets. The four areas are:

- 1 Operational Excellence
- 2 Product Delivery
- 3 Constructive Leadership
- 4 People.

See page 10 for full details on these new strategic focus areas.



# Structured to add value

## Key committees provide leadership and guidance

LIGHTHOUSE PRINCIPLE:  
**STRUCTURE**  
(based on ASX Principle 2)

### Office Executive

The Auditor-General has established and delegated operational responsibility to the Office Executive, comprising the Deputy Auditor-General and Assistant Auditors-General within Financial Audit, Performance Audit and Corporate Services. The Office Executive meets informally each week and formally each month. The monthly meetings are attended by the Auditor-General.

The Office Executive leads and guides the Audit Office to achieve its strategic priorities, manage strategic risks, monitor financial and operational performance and comply with relevant codes, practices, laws and directions.

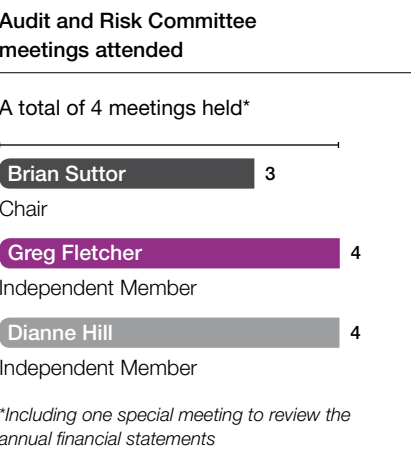
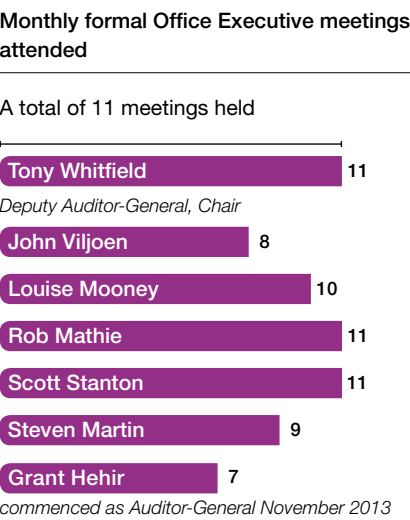
It has a charter setting out the roles and responsibilities of the executives, delegated responsibilities to management, a code of conduct and administrative arrangements for meetings.

In 2013–14, the Governance Unit continued to support the Office Executive by providing secretarial support and other services to improve the effectiveness of its meetings and ensure good practices. These included maintaining a conflict of interest register, updating the annual reporting plan and ensuring the principles and requirements of the charter were adhered to. These activities helped the Office Executive discharge its responsibilities by having timely and qualitative information to allow constructive discussion and adequate lines of enquiry.

Key focus areas for the Office Executive during 2013–14 included:

- reassessing the Audit Office strategy and vision (see page 10 for full details on the new strategic focus areas)
- reviewing the Audit Office's strategic risks which included rigorous assessment and monitoring to mitigate each strategic risk to an acceptable level
- overseeing key Audit Office projects including the audit methodology replacement project, records management project, practice management system project, unified communications project and human resources strategy and framework project
- ensuring a sound financial position to meet budget, the government labour expense cap and efficiency dividend targets
- ensuring key policies are regularly reviewed, up-to-date and relevant.

Reports to the Office Executive are prepared by staff and various committees in accordance with the meeting agenda and annual reporting plan, and include recommended actions for approval. For further details on the experience and performance of the Office Executive and the Audit Office's organisational structure, see pages 8, 9, 96 and 97.



## Audit and Risk Committee

The Audit and Risk Committee provides the Auditor-General with independent assurance on the Audit Office's financial reporting, risk management and organisational processes. During 2013–14, the independence of the Audit and Risk Committee was strengthened with the appointment of a third independent member, Dianne Hill, who replaced the only internal member, Tony Whitfield (Deputy Auditor-General). Brian Suttor (Chair) and Greg Fletcher continued as independent members.

The independence, integrity, and experience of the Audit and Risk Committee members are key strengths, providing insight and enhancing the operations of the Audit Office.

Brian Suttor has been a partner in a major accounting firm and brings an independent perspective to the committee. He is Chair of several audit and risk committees of NSW public sector agencies. Greg Fletcher was reappointed on 4 December 2013 for a final four-year term and brings considerable experience as a former partner in a major accounting firm. He is an Audit and Risk Committee Chair for several NSW public sector agencies and a director of a number of publicly listed companies.

Dianne Hill was reappointed, effective from 29 August 2014 for a further three years, following an initial one-year term. She brings considerable experience having been an independent non-executive director for 20 years and currently sits on four boards and five audit and risk committees for both NSW public sector agencies and a number of listed companies. Her background is in chartered accounting, financial services and project management.

The Auditor-General, internal and external auditors and management representatives attend committee meetings.

In 2013–14, the committee:

- completed a performance self-assessment, confirming it effectively met its obligations
- reviewed the integrity of the Audit Office's financial statements and related disclosures
- reviewed its charter
- confirmed it is constituted and operated in accordance with the requirements of Treasury Circular NSW TC 09/08 Internal Audit and Risk Management Policy via a self-assessment against this circular (for a copy of our Attestation Statement see page 56).
- met independently, without management, with the internal and external auditors
- provided written declarations to the Auditor-General stating any potential conflicts of interest, confirmed at the start of each meeting.

LIGHTHOUSE PRINCIPLE:

## EXECUTIVE REMUNERATION

(based on ASX Principle 8)

## Remuneration Committee

The Audit Office has had a Remuneration Committee in place since 2005. This committee includes the Deputy Auditor-General and the Assistant Auditor-General, Corporate Services. The Executive Manager, Human Resources and the Remuneration and IR Manager provide guidance and advice to the committee.

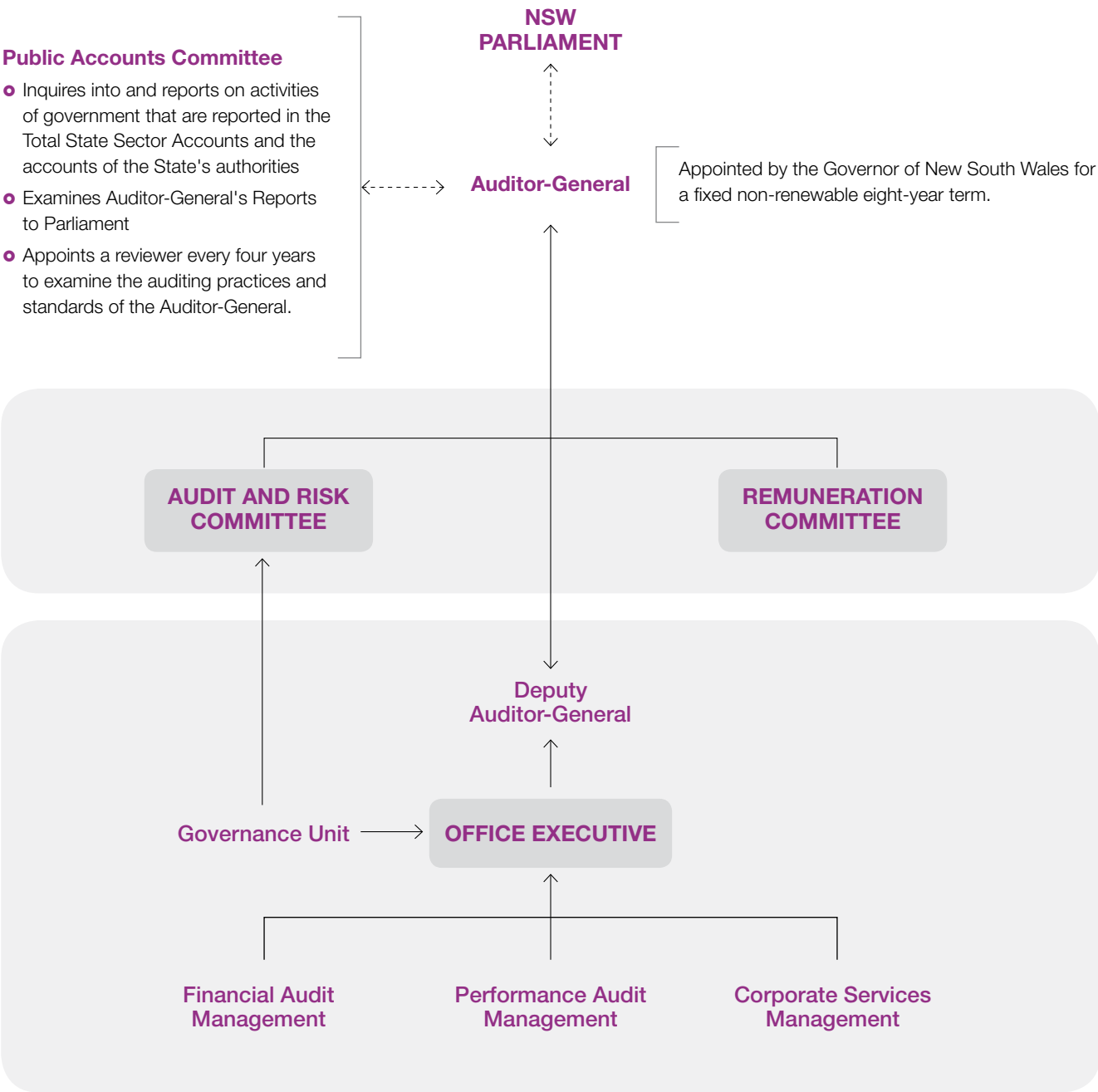
The committee is guided by the following principles:

- pay employees fairly, taking into account market relativities, job scope and other conditions and benefits
- be transparent
- consistently apply reward and recognition policies and procedures across the organisation
- have a strong achievement and performance focus
- link reward and recognition to progression against core competencies as described in the Crown Employees (Audit Office) Award 2009.



# Governance framework

## Our corporate governance framework and organisational structure



# Ethical and responsible decision-making

## We are driven by strong values and ethical behaviour

### LIGHTHOUSE PRINCIPLE:

#### ETHICS

(based on ASX Principle 3)

#### High standards of conduct are instilled

We aim to be recognised for our independence and integrity. To do this, we foster a culture that strongly values ethical behaviour, integrity, respect and professionalism throughout the organisation.

Our framework for managing ethical and lawful behaviour includes our Code of Conduct, which we reviewed against best practice standards and the Ethical Framework for the Public Sector, included in the new *Government Sector Employment Act 2013*. The Audit Office's Professional Independence Policy and Gifts and Benefits Policy provide guidance for managing actual and perceived conflicts of interest, and the acceptance of gifts and benefits.

During induction, all new employees are trained on our policies around ethical and lawful behaviour. All staff are required to sign the Code of Conduct and Professional Independence Policy when they join the Audit Office, and then re-sign annually.

In 2013–14, we strengthened our Gifts and Benefits Policy by including the requirement for all gifts and benefits to be reported within ten business days irrespective of value. This has resulted in more effective monitoring.

#### Protecting privacy

The Audit Office is committed to protecting individual privacy and managing personal information in accordance with the *Privacy and Personal Information Protection Act 1998*. We comply with the Act by ensuring personal information:

- collection is lawful, direct, open and relevant
- storage is secure
- access is transparent
- use is accurate and limited
- disclosure is restricted and safeguarded.

During 2013–14, we comprehensively updated our privacy management plan to accurately reflect the legislation. We used Privacy Awareness Week to promote our updated plan and raise privacy awareness.

#### Zero tolerance on fraud

The Audit Office has zero tolerance for fraud and is committed to minimising fraud by implementing and regularly reviewing strategies that prevent, detect and investigate fraud.

The Audit Office's fraud control framework is based on ten fraud control attributes within the themes of prevention, detection and response.

The Audit Office adheres to the Australian Standard AS 8001-2008 Fraud and Corruption Controls, and the Auditor-General has a direct responsibility under the *Independent Commission Against Corruption Act 1988* to report any suspected fraud, either internally or at other organisations.

During 2013–14, we:

- conducted our biennial fraud control health check
- updated our Fraud Control Policy and Procedure to provide clearer guidance to staff.

No internal suspected or actual frauds were reported during 2013–14.

#### Compliance management

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

The Audit Office's compliance program is based on Australian Standard AS 3806-2006 Compliance Programs, and includes:

- a Compliance Policy, recently reviewed in June 2014
- a Register of Compliance Obligations, which is formally reviewed twice a year
- annual verification of compliance through the Management Internal Control Sign-Off (see page 56)
- financial and performance audit methodologies mapped to professional standards and legislation
- management reviews through regular reporting to the Office Executive and Audit and Risk Committee.

During 2013–14, an internal audit review on Legislative Compliance was completed. It found the Audit Office had an effective compliance framework with good practices, was 'committed to implementing, monitoring, measuring and continuously improving its compliance program and processes' and 'demonstrated that it undertakes regular risk assessments to identify actions/strategies to minimise risks of non-compliance'. A few minor control weaknesses were found relating to information collected in the register, which management has committed to address.

During 2013–14, a detailed review of the Corporate Services and Governance Policy Register was completed to ensure Audit Office policies are regularly reviewed, kept up to date and remain relevant.

#### The year ahead

In 2014–15, in line with our 'Operational Excellence' and 'People' strategic focus areas, we will:

- develop and roll out a program to the entire organisation to raise fraud awareness
- conduct the biennial fraud risk assessment
- undertake a review of our compliance with privacy legislation.

(For more details on our strategic focus areas, see page 10.)





# Safeguarding the integrity of financial reporting

## Sound financial reporting structure

### LIGHTHOUSE PRINCIPLE:

#### FINANCIAL REPORTING

(based on ASX Principle 4)

The integrity of our financial information is safeguarded by several key mechanisms.

#### Audit and Risk Committee

The Audit and Risk Committee independently reviews the objectivity and reliability of the Audit Office's financial information, and ensures the financial statements are supported by appropriate management sign-off on the adequacy of internal controls. At each meeting, financial reports and budgets are presented to the committee for review. A special meeting is held to review the Audit Office's annual financial statements. See page 51 for more information about the Audit and Risk Committee.

#### Internal audit

Our internal auditors add value and improve our operations by monitoring and providing independent and objective assurance to the Audit and Risk Committee and ultimately the Auditor-General. The audit function brings a systematic, disciplined approach to evaluate and improve organisational systems, processes and reporting. The internal auditors attend each quarterly Audit and Risk Committee meeting to report on the status of the Internal Audit Plan and present the findings of their reviews. Our internal audit function is externally resourced, provided by O'Connor Marsden and Associates.

In 2013–14, the internal auditors reviewed:

- legislative compliance
- the information security management system
- staff utilisation
- post implementation – Records Management Project
- the Project Management Office (PMO)
- IT security
- previous internal audit findings.

#### External audit

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

#### Quality assurance

Quality assurance in the Audit Office is monitored through the Audit and Risk Committee, the Office Executive and through various reviews including:

- parliamentarian and client surveys (see pages 4, 12, 13, 16, 20 and 21)
- an annual program of internal audits
- regular peer reviews of financial and performance audit processes
- internal quality reviews of our audits for compliance with applicable professional standards and legislative requirements
- four-yearly Public Accounts Committee reviews of the Audit Office (see pages 18 and 52)
- benchmarking against other State audit offices (see pages 5, 13 and 14)
- reviewing trends within complaints received which may identify any areas for improvement.

#### Auditor-General and Management Internal Control Sign-Off

The Auditor-General certifies the financial statements give a true and fair view and are prepared in accordance with applicable Australian Accounting Standards, the *Public Finance and Audit Act 1983*, the Public Finance and Audit Regulation 2010 and Treasurer's Directions.

This sign-off is supported by the Management Internal Control Sign-Off (further explained on page 56). The Assistant Auditor-General, Corporate Services, provides written assurance that the financial statements are founded on a sound system of risk management and internal control. A checklist of minimum required procedures for this process is also completed.

#### The year ahead

In 2014–15, in line with our 'Operational Excellence' and 'Product Delivery' strategic focus areas, our internal auditors will review:

- the information security management system
- revenue
- procurement
- post implementation – Audit Methodology Replacement Project
- post implementation – Practice Management System Project
- post implementation – Unified Communications Project
- pre implementation – Human Resources Framework Project (Project Blue)
- benefit realisation review – Records Management Project
- previous internal audit findings.

(For more information on our strategic focus areas, see page 10.)



# Disclosure – timely and balanced

## We are accountable to parliament and the public for our performance

### LIGHTHOUSE PRINCIPLE:

#### DISCLOSURE

(based on ASX Principle 5)

#### Accountability and transparency

These principles of accountability and transparency are directly aligned with our strategic focus areas (see page 10).

Our Continuous Disclosure Policy demonstrates our commitment to accountability and transparency. We keep the public informed about our performance, expenditure of public funds and of any significant issues through our annual report, the Auditor-General's Reports to Parliament and updates to our website.

#### Open access information

We continue to be committed to complying with the *Government Information (Public Access) Act 2009* (the GIPA Act).

The Audit Office holds a significant amount of government information, most of which deals with providing core financial and performance audit services. The Audit Office also holds information dealing with administrative matters.

Members of the public can request information held by the Audit Office that is not available on the website and we will deal with requests informally with no charge. Information held by the Audit Office relating to the Audit Office's auditing, investigative and reporting functions is classed as 'excluded information' under the GIPA Act and is not released to the public. Our Right to Information Officer provides advice within the office and to members of the public about what can and cannot be released under the GIPA Act.

In 2013–14, we made significant updates to our website to include the publication of:

- an extensively revised Agency Information Guide
- policies released under the open access provisions of the GIPA Act
- a disclosure log recording the GIPA Act applications we received
- a GIPA Act access application form, including general advice on how to apply to the Audit Office for information.

During 2013–14, the Audit Office received one formal GIPA Act access application. We granted partial access to the request on the grounds that part of the information requested was excluded information and another part was covered by overriding secrecy obligations.

We also continued our commitment to proactively disclose information to the public and our key stakeholders, including information on current and planned audit work, and our performance outcomes and expenditure. A new section was created on our website which details our planned performance audit program for the next three years.

#### Award-winning annual report

Our annual report is a key part of our commitment to continuous disclosure and we voluntarily adopt full and open reporting on our performance. Our annual report contains details of not only of our executive remuneration but also extensive comment on what our key stakeholders, parliament and our audit clients think of our services.

A key measure of our success is whether agencies have accepted and acted on our recommendations. As the Audit Office only has the power to inform and influence, agency acceptance of our recommendations is central to our success as an organisation and features heavily in our report (see pages 22 and 28 to 32).

For the fifth consecutive year, we won a Gold Australasian Reporting Award for our 2012–13 annual report. Our report also won Non-Commercial Report of the Year for the first time, and was shortlisted for the Special Award in Governance.

#### Complaints management

We are committed to actively seeking and using feedback to improve our performance and services. We made a number of improvements to our complaints management process during 2013–14 including:

- developing a new complaints management policy and procedure
- establishing a central register to record all key correspondence, including complaints
- regular reporting on, and analysis of, complaints received.

In 2013–14, we received 47 complaints about other agencies and four complaints about the Audit Office itself. The complaints were varied in nature and this, combined with the low numbers, makes identification of trends difficult. We received 13 complaints about the Transport cluster and eight complaints about the Department of Education and Communities. The most common complaints were about infrastructure projects (six complaints) and procurement processes (three complaints).

Of the four complaints received about the Audit Office, two related to the content of a performance audit report, one was from a client about the conduct of a member of our staff, and one was from a client about how the Audit Office responded to their concerns during an audit.

Complaints which are classified as public interest disclosures are covered by our public interest disclosure policies (see page 34).

#### The year ahead

In 2014–15, in line with our 'Operational Excellence' strategic focus area, we will:

- review what information should be made available under the proactive disclosure provisions of the GIPA Act
- undertake a review of our compliance with the GIPA Act across the organisation.

(For more information on our strategic focus areas, see page 10.)



# Risks – recognised and managed

## Our risk management framework is embedded in our strategy

### LIGHTHOUSE PRINCIPLE:

#### RISK MANAGEMENT

(based on ASX Principle 7)

#### Recognising and managing risk

The Auditor-General assumes ultimate responsibility for our risk management framework, which is embedded in our strategic and operational policies and practices. We maintain and regularly review our risk registers for key strategic, operational and significant project risks.

The Audit and Risk Committee regularly reviews what the Audit Office is doing to address key strategic risks. The Office Executive continuously reviews the strategic risk register and undertakes an in-depth analysis of one risk each month.

The Audit Office's risk management framework is developed in line with NSW Treasury's Internal Audit and Risk Management Policy for the NSW Public Sector (TPP 09-05), the Risk Management Toolkit (TPP 12-03), the Australian/New Zealand Risk Management Standard, AS/NZS ISO 31000:2009, and the Accounting Professional & Ethical Standards Board's professional risk management standard, APES 325 Risk Management for Firms.

Our insurance cover is provided by the Treasury Managed Fund (TMF) in respect of:

- workers' compensation according to NSW statute
- property (full replacement, new for old, consequential loss, and business continuity costs or losses of revenue)
- liability, including but not limited to, public liability, professional indemnity and directors and officers liability
- motor vehicles
- miscellaneous losses including those due to employee dishonesty, personal accident, and protection for local and overseas travel.

Exposures not included are:

- illegal activities
- wear and tear and inherent vice
- pollution (not being sudden and accidental pollution).

#### Strategic risks

In 2013–14, our key strategic risks were:

- failure to anticipate, manage and live up to stakeholder expectations and fulfil our mandate
- insufficient funding to meet Audit Office needs
- financial audit methodology not applied correctly
- our reputation/brand is damaged
- inability to effectively manage our workforce
- inadequate information and supporting systems
- inability to adapt to a changing public sector
- inability to adapt to and influence changes in our audit mandate and requirements.

#### Internal control

The Auditor-General is ultimately responsible for ensuring an effective system of internal control over the financial and related operations of the Audit Office, in line with the requirements of the *Public Finance and Audit Act 1983*. The Deputy Auditor-General, as CEO, is responsible for the Audit Office's Internal Control Framework and Risk Management Policy and Procedures. Our Internal Control Policy and Framework is based on internal control guidelines recommended by the

Committee of Sponsoring Organisations of the Treadway Commission.

The Management Internal Control Sign-Off is completed annually in line with the Audit Office's financial statements and covers the financial year. Managers sign off on compliance with internal controls and Audit Office policies for the areas they are responsible for.

The Auditor-General annually attests to the quality of Audit Office internal audit and risk management processes, based on an annual review of the Audit Office's compliance with the core requirements of Treasury Circular NSW TC 09/08 Internal Audit and Risk Management Policy. Our internal audit and risk management Attestation Statement is below.

#### The year ahead

In 2014–15, in line with our 'Operational Excellence' strategic focus area, the Audit Office will:

- review the strategic risks in line with our 2014–15 strategic goals and strategies
- continue to monitor and review the strategic risks for the Audit Office.

(See page 10 for further details of our strategic focus areas.)

#### Internal Audit and Risk Management Statement for the 2013–14 Financial Year for the Audit Office of New South Wales

I, Grant Hehir, am of the opinion that The Audit Office of New South Wales has internal audit and risk management processes in operation that are, in all material respects, compliant with the core requirements set out in Treasury Circular NSW TC 09/08 Internal Audit and Risk Management Policy.

I, Grant Hehir, am of the opinion that the Audit and Risk Committee for the Audit Office of New South Wales is constituted and operates in accordance with the independence and governance requirements of Treasury Circular NSW TC 09/08, excluding the exception below.

Recent clarification of Treasury Circular NSW TC 09/08 Internal Audit and Risk Management Policy, requires that the Chair of the Audit and Risk Committee must be appointed for a maximum term of four years. Prior to this clarification, for reasons of continuity and maintaining the delivery of robust and effective leadership of the Audit and Risk Committee, the Chair had been reappointed for a further and final four year term. To reinforce the independence of the Audit and Risk Committee, all members are now independent.

The Chair and Members of the Audit and Risk Committee are:

- Independent Chair, Brian Suttor, reappointed on 28 November 2012 for a final four year term
- Independent Member, Greg Fletcher, reappointed on 4 December 2013 for a final four year term
- Independent Member, Dianne Hill, reappointed, effective from 29 August 2014, for a further three years, following an initial one-year term.



Grant Hehir Auditor-General

27 August 2014



# Stakeholder engagement

## We regularly connect with our stakeholders

### LIGHTHOUSE PRINCIPLE:

#### KEY STAKEHOLDER MANAGEMENT

(based on ASX Principle 6)

#### Building effective relationships

In 2013–14, with the arrival of our new Auditor-General, the Audit Office continued to focus on building effective relationships with our key stakeholders:

- Parliament of New South Wales
- NSW Government agencies
- the people of New South Wales.

Our 2013–14 strategic focus areas 'Fiscal Responsibility', 'Our Mandate' and 'Organisational Capability' (see page 49) were key drivers to achieve effective stakeholder relations through:

- a transparent pricing model for our clients (Fiscal Responsibility)
- the new Auditor-General having effective relationships with internal and external stakeholders (Our Mandate)
- strengthening government accountability (Our Mandate)
- continuing to conduct university audits for the government (Our Mandate)
- meeting stakeholder needs (Organisational Capability).

The Auditor-General met extensively with our stakeholders including parliamentarians, the secretaries of all nine agency clusters, the Independent Commission Against Corruption Commissioner, the NSW Ombudsman and the Public Service Commissioner.

The Auditor-General and Deputy Auditor-General met regularly with NSW Treasury and the Department of Premier and Cabinet.

Our targeted engagement was supported by our senior management team which meets regularly with our audit clients including CEOs and CFOs of agencies and Audit and Risk Committee Chairs.

Our strategic risk, 'Failure to anticipate, manage and live up to stakeholder expectations and fulfil mandate', is a further driver of our stakeholder engagement activity and we worked to ensure we:

- helped parliament hold government to account for achieving priorities
- had effective relationship management and communication strategies and processes
- achieved positive satisfaction ratings from audit clients and parliamentarians
- continue to be highly regarded, respected, relevant and credible
- had our recommendations adopted.

We aligned the themes in our financial audit volumes with the government priorities in the State Plan 'NSW 2021' and the government's reform agenda to better deliver relevance and value to parliament through our reports. Our reports now focus on four themes: financial and performance reporting, financial controls, governance and service delivery.

We consulted our stakeholders widely when developing our performance audit three-year plan and published it on our website to promote ongoing comment and feedback from relevant parties.

We conducted our annual survey of parliamentarians, audit clients and Audit and Risk Committee Chairs, to gain their feedback on our performance to ensure we deliver what they want and expect, and to ensure we are still doing everything we can to retain their respect, support and trust (see pages 4, 12, 13, 16, 20 and 21 for more details).

#### The year ahead

In 2014–15, we will ensure our work continues to deliver clear positive outcomes for New South Wales through assisting parliament in holding government to account for its use of public resources. We will achieve this by working closely with the Public Accounts Committee and helping them with their response to our recommendations to agencies.

Our 2014–15 strategic focus areas of 'Operational Excellence' and 'Product Delivery' will be key drivers for us in achieving effective stakeholder relationships which will ultimately deliver our new vision, 'Making a difference through audit excellence'.

We will:

- develop a key external stakeholder communication and engagement plan to strengthen our relationship with parliament and the Public Accounts Committee
- continue to seek feedback from our audit clients and Audit and Risk Committee Chairs on our performance
- continue to consult with stakeholders on our three-year performance audit plan.

(For more details on our strategic focus areas, see page 10.)



### **Collaborating with agency Audit and Risk Committee Chairs to improve financial reporting and management**

In May 2014, we held our annual forum of the Audit and Risk Committee Chairs of the largest public sector departments, State owned corporations and universities. The new Treasurer, the Honourable Andrew Constance, MP, his Deputy Chief of Staff and our Office Executive attended.

The Auditor-General and the Treasurer recognised the contribution Chairs have made to the recent improvements in NSW Government agencies' financial statements and supporting working papers. Chairs were encouraged to further improve the quality and timeliness of financial information, critical to government making informed decisions on the best use of public resources.

The Auditor-General also took the opportunity to explain the Audit Office's new vision and key areas of strategic focus for 2014–15. A key focus will be Audit Office efficiency and value for money in the eyes of the agencies we audit. Reports to parliament will increasingly focus on strategic financial management through four key themes – financial and performance reporting, financial controls, services delivery and governance. Performance audits will examine government achievements against its State Plan 'NSW 2021' and reform agenda, with more reviews focussing on economy and efficiency as well as effectiveness.

Chairs reported that the forum continues to be worthwhile and that they appreciated the opportunity to chat informally with the executive members of the Audit Office and to share ideas.



# Finances



**We have a financial framework that supports our business objectives**

We aim to:

- collect our debts within a reasonable time
- pay our creditors promptly
- break even over the medium-term



# Financial performance

## Meeting our goal to break even over the medium-term

\$0.4 million deficit (excluding superannuation adjustments), a five-year cumulative result achieving our medium-term break-even target and improving

### Close to our break-even target

The work of the Audit Office is largely self-funded, generated from audit fees paid by our clients. These fees are set to cover our expenses while maximising value for the NSW public sector. Unlike private sector auditors, we aim to break even overall rather than make a profit.

In monitoring our financial performance, we exclude the impact of the annual superannuation adjustments that affect our operating results. Like all government agencies with staff in the State's defined benefit superannuation schemes, the schemes' assessment of our liability to them varies substantially from year to year. These annual variations are outside our control and reflect the investment performance of the schemes and changes in actuarial assumptions and disclosure requirements of the Australian Accounting Standards.

These superannuation adjustments are fully reflected in our audited financial statements, but are excluded from the information presented here so we can focus on our own performance.

Our 2013–14 result was a loss of \$0.4 million, excluding defined benefit superannuation adjustments. Over the five years to 2013–14, the cumulative result was a small deficit of \$0.7 million representing 0.35 per cent of turnover, a result impacted by the investment in systems to improve audit service delivery.

Our 2013–14 revenue of \$42.3 million was \$0.2 million lower than the previous year's \$42.5 million. Government agencies paid \$34.9 million for the audit of their financial statements. Parliament contributed \$7.0 million towards our performance audits and reports to parliament. Our 2013–14 total expenditure of \$42.7 million, excluding the defined benefit schemes superannuation adjustments, was consistent with the previous year's \$42.7 million.

Audit fees increased by only \$0.02 million compared to the previous year mainly due to the reduced number of audited entities.

Total expenditure, excluding superannuation adjustments, is consistent with the previous year. Employee related expenses decreased by \$0.5 million mainly due to a reduced headcount. Other expenditure increased by \$0.5 million due to additional expenses incurred on depreciation and amortisation, training in audit methodology system implementation, and the engagement of contract audit agents and consultants for audit related work.

### Budgeting

We are budgeting for a \$1.4 million deficit in 2014–15. Revenue is expected to be \$45.0 million, about six per cent more than the 2013–14 actual \$42.3 million. The budget was prepared before the February 2014 NSW Government restructure and does not reflect any of its impact on audit fees.

We expect our expenditure to be higher than 2013–14, mainly in remuneration, consultancy and legal fees, due to the additional costs incurred in implementing new remuneration, performance and development frameworks and systems, and other technology replacement projects.

Our 2013–14 operating result was favourable to budget by \$2.5 million, due to lower expenditure compared to budget. Total expenses were lower than budget by \$2.7 million, mainly in employee related expenses. It reflected capitalisation of budgeted employee related expenditure for systems implementations, and a reduced headcount as more work was contracted out than planned.

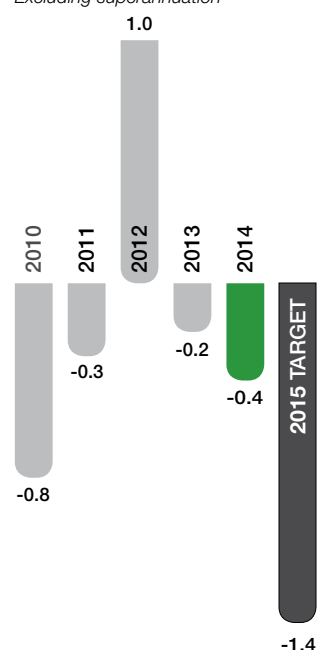
Depreciation and amortisation was favourable to budget by \$0.5 million from lower amortisation costs due to the delay in completion of the audit methodology. The amortisation planned for July 2013 actually commenced in February 2014.

Legal expenses exceeded budget due to protracted negotiations of the Audit Office Award.

Revenues were lower than budget by \$0.2 million as a result of prior years adjustment of \$1.2 million, reducing the current year's revenue by \$0.6 million. This adjustment is required as a result of the change in accounting policy to recognise audit fees from the time when an invoice is raised to when the service is provided.

### Operating results/\$m

Excluding superannuation



# Financial position

## Our financial management is sound

### Our financial position is sound

Most of our assets and liabilities are of a financial rather than physical nature, as we do not own major buildings or machinery.

We report a net liability position as a result of the actuarial losses on the defined benefit superannuation schemes. We considered the impact of the actuarial valuation and our operations. The liability is a long-term non-current liability and our operating indicators remain positive.

Cash remains our largest asset with a balance of \$6.9 million at 30 June 2014. The decreased cash balances were expected and due to planned outlays on intangible assets, the new audit methodology, new practice management system and other key information system projects.

Our assets include \$7.1 million for the Crown's assumption of the liability for our staff's long service leave entitlements. This offsets the liability in our accounts. We also have \$6.7 million in receivables, mostly from government agencies for our auditing services.

Our liabilities at 30 June 2014 were \$48.0 million, decreased from \$48.2 million in the previous year. This is the impact of a combination of reduction in annual and long service leave liabilities. Our largest liability was \$34.3 million for superannuation. We also have a leave liability of \$9.3 million, a decrease on last year of \$0.3 million.

### Effective solvency, debtor management needs to improve

Our current ratio at 30 June 2014 shows we had \$1.70 in current assets to meet every \$1.00 of our current liabilities. This is a small decrease on the previous year's ratio and still at the upper level of our target range of between one and two dollars.

Our debtors continue to pay us at a slow rate. In 2013–14, it took us an average of 42 days from invoice to collection. Our target was 28 days from invoice date.

### Timely creditor payments

During the year we paid 88 per cent of our creditors on time. We are expected to pay all creditors within 30 days, unless contracts state otherwise.

For more detail on our performance with creditor payments, see Appendix Seven.

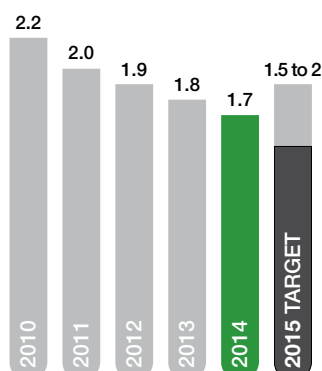
### The year ahead

In 2014–15, we will be driven by our 'Operational Excellence' strategic focus area and aim to:

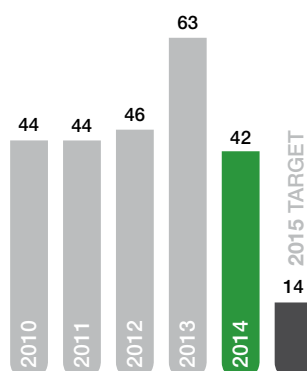
- define financial management responsibilities and communicate this to managers
- develop monthly income and expense information for business units
- have the capacity to share costing information with external clients
- develop a new pricing strategy which includes a focus on charge-out rates, and a transparent pricing model that will generate sustainable revenues while driving efficiency and value.

(See page 10 for further details of our strategic focus areas.)

Solvency – current ratio



Debtor management – average days to collect



# Key financial statistics

	2009–10 \$'000	2010–11 \$'000	2011–12 \$'000	2012–13 \$'000	2013–14 \$'000
			Restated*	Restated*	
<b>Five year trend</b>					
<b>Financial performance<sup>1</sup></b>					
Total revenue	35,316	39,102	42,859	42,541	42,271
Total expenses	36,117	39,392	41,869	42,659	42,658
(Loss) on disposal	(40)	(2)	–	(38)	(22)
Operating profit/(loss)	(841)	(292)	990	(156)	(409)
<b>Financial position<sup>2</sup></b>					
Total assets	25,146	26,206	28,823	28,555	27,587
Accumulated funds	619	1,270	(31,303)	(19,601)	(20,288)
<b>Solvency and debtor management</b>					
Current ratio	2.2	2.0	1.9	1.8	1.7
Average days to collect debts	44	44	46	53	42
		2013–14 Budget \$'000	2013–14 Actual \$'000	2014–15 Budget \$'000	

## Performance against budget<sup>1</sup>

### Revenue

Audit fees	42,147	41,943	44,607
Interest	251	199	250
Other revenue	100	129	104
Total revenue	42,498	42,271	44,961

### Expenditure

Salaries and related expenses	34,127	31,084	33,876
Other expenses including operating expenses, maintenance, loss on disposal and finance costs	7,531	7,789	8,382
Contract audit agent costs	1,931	2,529	2,135
Depreciation and amortisation	1,818	1,278	1,975
<b>Total expenditure</b>	<b>45,407</b>	<b>42,680</b>	<b>46,368</b>
<b>Operating (loss)</b>	<b>(2,909)</b>	<b>(409)</b>	<b>(1,407)</b>

\* Restated to include impact of changes in accounting policies for Revenue, and Work in Progress, and revised AASB 119 Employee Benefits.

<sup>1</sup> Includes impact of changes in accounting policies for Revenue and Work In Progress and excludes defined benefit superannuation scheme adjustments of \$1,843,000 in 2013–14 (\$2,226,000 in 2012–13 and \$608,000 in 2011–12).

<sup>2</sup> Includes impact of the changes in accounting policies for Revenue and revised AASB 119 Employee Benefits for defined benefits superannuation scheme adjustments.



# Financial Report

## Contents

Independent Auditor's Report	64
Statement by Auditor-General of New South Wales	65
Statement of comprehensive income	66
Statement of financial position	67
Statement of changes in equity	68
Statement of cash flows	69
Notes to and forming part of the financial statements	
1 Summary of significant accounting policies	70
2 Expenses excluding losses	79
3 Revenue	80
4 Loss on disposal	80
5 Superannuation	81
6 Current assets – cash and cash equivalents	84
7 Current assets – receivables	85
8 Other financial assets	85
9 Non-current assets – property, plant and equipment	86
10 Intangible assets	87
11 Current/non-current assets – other	88
12 Current liabilities – payables	88
13 Current/non-current liabilities – provisions	88
14 Current/non-current liabilities – other	89
15 Commitments for expenditure	90
16 Contingent assets and contingent liabilities	90
17 Auditor's remuneration	90
18 Audit and Risk Committee	90
19 Budget review	90
20 Reconciliation of cash flows from operating activities to net results	92
21 Financial instruments	92
22 Events after the reporting period	94

**Liz Ames** Senior Auditor

Client location – Fire and Rescue New South Wales



# Independent Auditor's Report

to the Members of the New South Wales Parliament



## To the Members of the New South Wales Parliament

I have audited the accompanying financial report of The Audit Office of New South Wales (the 'Audit Office'), which comprises the Statement of Financial Position as at 30 June 2014, the Statement of Comprehensive Income, the Statement of Changes in Equity, and the Statement of Cash Flows for the year then ended, a summary of significant accounting policies, and other explanatory notes numbered 2 to 22.

## Auditor-General's Responsibility for the Financial Statements

The Auditor-General of New South Wales is responsible for the preparation of the financial statements that gives a true and fair view in accordance with Australian Accounting Standards and the *Public Finance and Audit Act 1983* (the 'PF&A Act'), and for such internal control as the Auditor-General determines is necessary to enable the preparation of financial statements that give a true and fair view and that are free from material misstatement, whether due to fraud or error.

## Auditor's Responsibility

My responsibility is to express an opinion on the financial statements based on my audit. I conducted my audit in accordance with Australian Auditing Standards. Those Auditing Standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Audit Office's preparation of the financial statements that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Audit Office's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Auditor-General of New South Wales, as well as evaluating the overall presentation of the financial statements.

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

My opinion does not provide assurance:

- about the future viability of the Audit Office;
- that it has carried out its activities effectively, efficiently and economically;
- about the effectiveness of its internal control;
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented;
- about other information which may have been hyperlinked to or from the financial statements; and
- about the assumptions used in formulating the budget figures disclosed in the financial statements.

## Independence

In conducting my audit, I have complied with the independence requirements of the Australian Auditing Standards and other relevant ethical pronouncements.

## Auditor's Opinion

In my opinion, the financial statements:

- give a true and fair view of the financial position of the Audit Office as at 30 June 2014, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards; and
- are in accordance with section 41B of the *Public Finance and Audit Act 1983* (the 'PF&A Act') and the Public Finance and Audit Regulation 2010.

Lester Wills

Chartered Accountant

Sydney, 27 August 2014

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# Statement by Auditor-General of New South Wales

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**for the year ended 30 June 2014**

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Under section 41C of the *Public Finance and Audit Act 1983*, I state that, in my opinion, the accompanying financial statements and notes thereto exhibit a true and fair view of the financial position of the Audit Office of New South Wales at 30 June 2014 and its performance for the year then ended.

I further state:

(a) that the financial statements and notes thereto comply with applicable Australian Accounting Standards, the *Public Finance and Audit Act 1983*, the Public Finance and Audit Regulation 2010, the Financial Reporting Code for NSW General Government Sector Entities and the Treasurer's Directions.

(b) that I am not aware of any circumstances which would make any details in the financial statements misleading or inaccurate.



**Grant Hehir**

Sydney, 27 August 2014



# Audit Office of New South Wales

## Statement of comprehensive income for the year ended 30 June 2014

	Notes	Actual 2014 \$'000	Budget 2014 \$'000	Actual 2013 \$'000 Restated*
<b>Expenses excluding losses</b>				
<b>Operating expenses</b>				
– employee related	2(a)	32,927	34,127	33,799
– other operating expenses	2(b)	10,114	9,426	10,017
Depreciation and amortisation	2(c)	1,278	1,818	945
Finance costs	2(d)	18	–	18
Other expenses	2(e)	164	36	106
<b>TOTAL EXPENSES EXCLUDING LOSSES</b>		<b>44,501</b>	<b>45,407</b>	<b>44,885</b>
<b>Revenue</b>				
Sale of goods and services	3(a)	41,943	42,147	41,920
Investment revenue	3(b)	199	251	301
Other revenue	3(c)	129	100	320
<b>TOTAL REVENUE</b>		<b>42,271</b>	<b>42,498</b>	<b>42,541</b>
<b>Loss on disposal</b>	<b>4</b>	<b>22</b>	<b>–</b>	<b>38</b>
<b>NET RESULT</b>		<b>(2,252)</b>	<b>(2,909)</b>	<b>(2,382)</b>
<b>Other comprehensive income</b>				
Items that will not be reclassified to net result:				
Superannuation actuarial gain/(loss) on liabilities	1(l)(ii)	(4,276)	–	6,997
Superannuation actual return on Fund assets less interest income	1(l)(ii)	5,841	–	7,087
<b>Total remeasurement in other comprehensive income</b>	<b>5</b>	<b>1,565</b>	<b>–</b>	<b>14,084</b>
<b>TOTAL COMPREHENSIVE (EXPENSES)/INCOME</b>		<b>(687)</b>	<b>(2,909)</b>	<b>11,702</b>

The accompanying notes form part of these financial statements.

\* Refer to Note 1(l)(iii).

# Audit Office of New South Wales

## Statement of financial position as at 30 June 2014

	Notes	Actual 2014 \$'000	Budget 2014 \$'000	Actual 2013 \$'000 Restated*	1 July 2012 \$'000 Restated*
<b>Assets</b>					
<b>Current assets</b>					
Cash and cash equivalents	6	6,949	2,135	9,129	11,226
Receivables	7	6,747	6,202	6,399	6,202
Other financial assets	1(l)(iv); 8	642	797	1,233	1,383
Other	11	6,791	8,302	6,830	7,514
<b>Total current assets</b>		<b>21,129</b>	<b>17,436</b>	<b>23,591</b>	<b>26,325</b>
<b>Non-current assets</b>					
Property, plant and equipment	9				
– plant and equipment		719	1,151	1,023	321
– leasehold improvements		842	734	1,267	968
<b>Total property, plant and equipment</b>		<b>1,561</b>	<b>1,885</b>	<b>2,290</b>	<b>1,289</b>
Intangible assets	10	4,540	4,935	2,244	889
Other	11	357	320	430	320
<b>Total non-current assets</b>		<b>6,458</b>	<b>7,140</b>	<b>4,964</b>	<b>2,498</b>
<b>Total assets</b>		<b>27,587</b>	<b>24,576</b>	<b>28,555</b>	<b>28,823</b>
<b>Liabilities</b>					
<b>Current liabilities</b>					
Payables	12	2,336	2,150	2,376	2,150
Provisions	13	9,987	10,753	10,282	11,119
Other	14	109	101	232	101
<b>Total current liabilities</b>		<b>12,432</b>	<b>13,004</b>	<b>12,890</b>	<b>13,370</b>
<b>Non-current liabilities</b>					
Provisions	1(l)(iv); 13	35,403	40,114	35,189	46,641
Other	14	40	115	77	115
<b>Total non-current liabilities</b>		<b>35,443</b>	<b>40,229</b>	<b>35,266</b>	<b>46,756</b>
<b>Total liabilities</b>		<b>47,875</b>	<b>53,233</b>	<b>48,156</b>	<b>60,126</b>
<b>Net assets</b>		<b>(20,288)</b>	<b>(28,657)</b>	<b>(19,601)</b>	<b>(31,303)</b>
<b>Equity</b>					
Accumulated losses		(20,288)	(28,657)	(19,601)	(31,303)
<b>Total equity</b>		<b>(20,288)</b>	<b>(28,657)</b>	<b>(19,601)</b>	<b>(31,303)</b>

The accompanying notes form part of these financial statements.

\* Refer to Note 1(l)(iv).



# Audit Office of New South Wales

## Statement of changes in equity for the year ended 30 June 2014

	Notes	2014 Accumulated Funds \$'000
<b>Balance at 1 July 2013</b>		<b>(15,386)</b>
Impact of changes in accounting policies	1 (l)(i)(iv)	619
Impact of revised AASB 119 Employee Benefits	1 (l)(ii)(iv)	(4,834)
<b>Restated total equity at 1 July 2013</b>		<b>(19,601)</b>
Net result for the year		(2,252)
Other comprehensive income:		
Superannuation actuarial gain and return on Fund assets	1 (l)(ii)	1,565
<b>Total comprehensive income for the year</b>		<b>(687)</b>
<b>Balance at 30 June 2014</b>		<b>(20,288)</b>
<b>Balance at 1 July 2012</b>		<b>(25,344)</b>
Impact of changes in accounting policies	1 (l)(i)(iv)	586
Impact of revised AASB 119 Employee Benefits	1 (l)(ii)(iv)	(6,545)
<b>Restated total equity at 1 July 2012</b>		<b>(31,303)</b>
Net result for the year		(2,382)
Other comprehensive income:		
Superannuation actuarial gain and return on Fund assets	1 (l)(ii)	14,084
<b>Total comprehensive income for the year</b>		<b>11,702</b>
<b>Balance at 30 June 2013</b>		<b>(19,601)</b>

The accompanying notes form part of these financial statements.

# Audit Office of New South Wales

## Statement of cash flows for the year ended 30 June 2014

	Notes	Actual 2014 \$'000	Budget 2014 \$'000	Actual 2013 \$'000
<b>Cash flows from operating activities</b>				
<b>Payments</b>				
Employee related		(31,963)	(34,313)	(33,758)
Other		(14,921)	(9,462)	(14,233)
<b>Total payments</b>		<b>(46,884)</b>	<b>(43,775)</b>	<b>(47,991)</b>
<b>Receipts</b>				
Sale of goods and services		42,549	42,147	46,163
Interest received		236	251	390
Other		4,578	100	2,124
<b>Total receipts</b>		<b>47,363</b>	<b>42,498</b>	<b>48,677</b>
<b>Net cash flows from operating activities</b>	20	<b>479</b>	<b>(1,277)</b>	<b>686</b>
<b>Cash flows from investing activities</b>				
Purchases of property, plant and equipment		(104)	(573)	(1,373)
Intangible assets		(2,555)	(2,976)	(1,410)
<b>Net cash flows from investing activities</b>		<b>(2,659)</b>	<b>(3,549)</b>	<b>(2,783)</b>
<b>Net decrease in cash</b>				
Opening cash and cash equivalents		9,129	6,961	11,226
<b>Closing cash and cash equivalents</b>	6	<b>6,949</b>	<b>2,135</b>	<b>9,129</b>

The accompanying notes form part of these financial statements.



### 1. Summary of significant accounting policies

#### (a) Reporting entity

The Audit Office of New South Wales (the 'Audit Office') is a NSW Government entity. The Audit Office is a not-for-profit entity (as profit is not its principal objective). Its financial report is consolidated as part of the NSW Total State Sector Accounts.

These financial statements for the year ended 30 June 2014 have been authorised for issue by the Auditor-General on 27 August 2014.

#### (b) Basis of preparation

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

- applicable Australian Accounting Standards (which include Australian Accounting Interpretations)
- the requirements of the *Public Finance and Audit Act 1983* and *Public Finance and Audit Regulation 2010* and
- the Financial Reporting Directions published in the Financial Reporting Code for NSW General Government Sector Entities or issued by the Treasurer.

The Audit Office incurred a deficit of \$2,252,000 (2013: \$2,382,000) and a net liability position is reported as a result of the recognition of the actuarial valuation losses on the defined benefit superannuation schemes. The liability is a long-term non-current liability. A triennial review was completed in 2012 and the economic assumptions were reviewed. The expected salary increase rate has decreased in the past twelve months and the decreased liability is a direct reflection of this. The solvency ratio of the Audit Office decreased slightly to 1.7 (2013: 1.8) but the actual cash flows from operating activities remain positive. The assumption that the Audit Office is a going concern is justified.

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

Judgements, key assumptions and estimations management has made are disclosed in the relevant notes to the financial statements.

All amounts are rounded to the nearest one thousand dollars and expressed in Australian currency.

#### (c) Statement of compliance

The financial statements and notes comply with Australian Accounting Standards, which include Australian Accounting Interpretations.

#### (d) Insurance

Insurance activities are conducted through the NSW Treasury Managed Fund Scheme of

self insurance for Government entities. The expense (premium) is determined by the Fund Manager based on past claim experience.

#### (e) Accounting for the Goods and Services Tax (GST)

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

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

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

#### (f) Income recognition

Income is measured at the fair value of the consideration or contribution received or receivable. Additional comments regarding the accounting policies for the recognition of income are discussed below.

##### (i) Rendering of services – audit fees

Revenue from rendering of service is recognised by reference to the stage of completion of audit assignments at the reporting date. The revenue is recognised when:

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

The stage of completion of audit assignments at the reporting date is determined by reference to the proportion that costs incurred to date bear to the estimated total costs of the transaction.

##### (ii) Investment revenue

Interest revenue is recognised using the effective interest method as set out in AASB 139 Financial Instruments: Recognition and Measurement.

#### (g) Assets

##### (i) Acquisition of assets

Assets acquired are initially recognised at cost. Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire the asset at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when initially recognised in accordance with the requirements of other Australian Accounting Standards.

Assets acquired at no cost, or for nominal consideration, are initially recognised at their fair value at the date of acquisition.

Fair value is the price that would be received to sell an asset in an orderly transaction between market participants at measurement date.

Where payment for an asset is deferred beyond normal credit terms, its cost is the cash price equivalent, i.e. the deferred payment amount is effectively discounted at an asset-specific rate.

##### (ii) Capitalisation thresholds

Property, plant and equipment and intangible assets individually costing \$1,000 and above or forming part of a network costing more than \$1,000 are capitalised.

##### (iii) Revaluation of property, plant and equipment

Physical non-current assets are valued in accordance with the 'Valuation of Physical Non-Current Assets at Fair Value' Policy and Guidelines Paper (TPP 14-01). This policy adopts fair value in accordance with AASB 13 Fair Value Measurement and AASB 116 Property, Plant and Equipment.

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

Non-specialised assets with short useful lives are measured at depreciated historical cost, as a surrogate for fair value.

##### (iv) Impairment of property, plant and equipment

As a not-for-profit entity with no cash generating units, impairment under AASB 136 Impairment of Assets is unlikely to arise. AASB 136 modifies the recoverable amount test to the higher of fair value less costs to sell and depreciated replacement cost. This means, that where an asset is already measured at fair value, impairment can only arise if selling costs are material. Selling costs are regarded as immaterial.

##### (v) Depreciation of property, plant and equipment

Depreciation is provided for on a straight-line basis for all depreciable assets to write off their depreciable amount as it is consumed over its useful life as follows:

- computer equipment – three years
- office equipment – five years
- furniture and fittings – ten years
- leasehold improvements – over the term of the lease.

##### (vi) Restoration costs

The estimated cost of restoration for our leasehold improvements is included in this asset



to the extent it is recognised as a liability.

### (vii) Maintenance

Day-to-day servicing costs or maintenance of assets are charged as expenses as incurred. Where they relate to the replacement of a part or component of an asset, the costs are capitalised and depreciated.

### (viii) Leased assets

A distinction is made between finance leases which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to ownership of the leased assets, and operating leases where the lessor does not transfer substantially all the risks and benefits.

Operating lease payments for office accommodation and motor vehicles are recognised as expenses on a straight line basis over the period of the lease term.

### (ix) Intangible assets

Intangible assets are recognised only if it is probable that future economic benefits will flow to the Audit Office and the cost of the asset can be measured reliably. Intangible assets are measured initially at cost. Where an asset is acquired at no or nominal cost, the cost is its fair value at the date of acquisition.

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

The useful lives of intangible assets are assessed to be finite.

Intangible assets are subsequently measured at fair value only if there is an active market. As there is no active market for our intangible assets, the assets are carried at cost less any accumulated amortisation.

All intangible assets are amortised using the straight line method over a period of three to ten years, as follows:

- audit methodology software – ten years
- management information systems (MIS) software – five years
- other software licences – three to five years.

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

### (x) Receivables

Receivables are recognised at fair value based on the original invoice amount. The receivables are due for settlement within fourteen days from the date of issue of the invoice, hence are not amortised or discounted as the effect of discounting is immaterial.

### (xi) Other financial assets

Work in progress (WIP) represents staff time

measured at standard charge rates and other expenses directly chargeable to the client, which are unbilled to the client at balance date.

WIP is assessed for impairment annually and is not carried at an amount in excess of its recoverable amount.

### (xii) Impairment of financial assets

All financial assets, most notably, receivables, are reviewed on an ongoing basis. An allowance for impairment is established when there is objective evidence that the amounts due will not be collected. The amount of the allowance is the difference between the receivable's carrying amount and the present value of estimated future cash flows, discounted at the effective rate.

The amount of the impairment loss is recognised in the net result for the year. Any reversals of impairment losses are reversed through the net result for the year, where there is objective evidence of recovery.

### (xiii) Derecognition of financial assets and financial liabilities

A financial asset is derecognised when the contractual rights to the cash flows from the financial assets expire or if all the risks and rewards have substantially been transferred.

A financial liability is derecognised when the obligation specified in the contract is discharged, cancelled or expires.

### (xiv) Other assets

Other assets are recognised on a historical cost basis.

The 'Crown Acceptance of Long Service Leave Liability' is recognised as an asset, which is offset by the liability.

## (h) Liabilities

### (i) Payables

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

### (ii) Employee benefits and related on-costs provisions

#### (a) Salaries and wages, annual leave, sick leave and on-costs

Liabilities for salaries and wages, including non-monetary benefits, annual leave and sick leave are measured on an undiscounted basis. Where annual leave is not expected to be settled within 12 months, it is accounted for as a long-term benefit at the present value in accordance with AASB 119 Employee Benefits. Unused non-vested sick leave entitlement does

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

### (b) Long service leave

The Crown Finance Entity takes on the Audit Office's liability for long service leave. The liability is accounted for and then offset by showing a corresponding asset as 'Crown Acceptance of Long Service Leave Liability'. It is a statutory asset/liability and not considered as a financial asset/liability within the scope of AASB 7 Financial Instruments: Disclosures.

A long service leave liability is recognised as a long-term employee benefit and measured for all employees with five or more years of service. The present value method based on remuneration rates approved to be payable post 30 June, is used to measure the liability. The on-cost factors specified in Treasury Circular 14/04 are applied when calculating the liability.

### (c) Superannuation

The superannuation expense for the financial year is determined by using the formulae specified in the Treasurer's Directions. The expense for certain superannuation schemes (First State Super) is calculated as a percentage of the employees' salary. For other superannuation schemes (State Superannuation Scheme and State Authorities Superannuation Scheme), the expense is calculated as a multiple of the employees' superannuation contribution.

The superannuation schemes for the Audit Office are:

- the State Superannuation Scheme (SSS)
- the State Authorities Superannuation Scheme (SASS)
- the State Authorities Non Contributory Superannuation Scheme (SANCS – Basic Benefits Scheme)
- the First State Super Scheme (FSS) and other schemes to receive Superannuation Guarantee Contributions (SGC).

The first three schemes are multi-employer defined benefit schemes. At least a component of the final benefit is derived from a multiple of member salary and years of membership. Members receive lump sum or pension benefits on retirement, death, disablement and withdrawal. The Pooled Fund holds in trust the investments of these closed NSW public sector superannuation schemes.

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





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

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

The New South Wales Government prudentially monitors and audits the Pooled Fund and the Trustee Board activities in a manner consistent with the prudential controls of the SIS legislation. These provisions are in addition to other legislative obligations on the Trustee Board and internal processes that monitor the Trustee Board's adherence to the principles of the Commonwealth's retirement incomes policy. An actuarial investigation of the Pooled Fund is performed every three years. The last actuarial investigation was performed as at 30 June 2012.

### Other entities' responsibilities for the governance of the fund

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

- administration of the fund and payment to the beneficiaries from fund assets when required in accordance with the fund rules;
- management and investment of the fund assets; and
- compliance with other applicable regulations.

### Risks

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

- Investment risk – The risk that investment returns will be lower than assumed and the Audit Office will need to increase contributions to offset this shortfall.
- Longevity risk – The risk that pensioners live longer than assumed, increasing future pensions.
- Pension indexation risk – The risk that pensions will increase at a rate greater than assumed, increasing future pensions.
- Salary growth risk – The risk that wages or salaries (on which future benefit amounts for active members will be based) will rise more rapidly than assumed, increasing defined benefit amounts and thereby requiring additional employer contributions.
- Legislative risk – The risk is that legislative

changes could be made which increase the cost of providing the defined benefits.

The defined benefit fund assets are invested with independent fund managers and have a diversified asset mix. The Fund has no significant concentration of investment risk or liquidity risk.

### Significant events

There were no fund amendments, curtailments or settlements during the year.

### Asset-Liability matching strategies

The Trustee monitors its asset-liability risk continuously in setting its investment strategy. It also monitors cash flows to manage liquidity requirements.

### Funding arrangements

Funding arrangements are reviewed at least every three years following the release of the triennial actuarial review and was last reviewed following completion of the triennial review as at 30 June 2012. Contribution rates are set after discussions between the Audit Office, State Trustee Corporation and NSW Treasury.

Funding positions are reviewed annually and funding arrangements may be adjusted as required after each annual review.

AASB 119 Employee Benefits requires detailed narrative information regarding the key actuarial assumptions underlying the reported superannuation figures. Note 5 details the disclosures provided by the Schemes Administrator's actuary.

Actuarial gains and losses are recognised immediately in other comprehensive income in the year in which they occur.

The Audit Office has no ongoing liability for First State Superannuation (FSS) and the other SGC schemes because they are accumulation schemes.

### d) Consequential on-costs

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

### (iii) Other provisions

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

Provisions for the restoration costs of our leasehold improvements asset are recognised.

### (i) Equity and reserves

Accumulated funds:

The accumulated funds include all current and prior period retained funds.

### (j) Budgeted amounts

The budgeted amounts are drawn from the original budgeted financial statements presented to Parliament. Other amendments made to the budget are not reflected in the budgeted amounts.

### (k) Comparative information

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

### (l) Changes in accounting policies

#### (i) Revenue from audit services and work in progress

In previous financial years:

- a) revenue from the provision of audit services was recognised when an invoice was issued to the client, except to the extent that the invoiced amount was in excess of the service provided in which case the excess was recognised as fees in advance;
- b) work in progress was measured as unbilled staff time attributed to an audit engagement calculated at the direct staff cost, plus any directly attributable expenses; and
- c) the movement in work in progress was recognised as an adjustment to employee expenses.

In the current year, the above accounting policies have been changed so that:

- a) revenue from the provision of audit services is recognised on a stage of completion basis, as described in note (f)(i);
- b) work in progress is measured by reference to the time incurred by professional staff at their respective charge rates plus any directly attributable client expenses, as described in note (g)(xi); and
- c) the movement in balance of work in progress is recognised as an adjustment to revenue.

In the opinion of the Auditor-General, the above voluntary changes in accounting policies provide equally reliable and more relevant information because it is probable that the economic benefits associated with the services provided will flow to the Audit Office. This was done to align the accounting with the generally adopted revenue policy of professional services firms.

The financial impact of the above changes are disclosed in notes (iii) and (iv) below.



### (ii) First time application of the revised AASB 119 'Employee Benefits' with an application date of 1 July 2013

The amended AASB 119 'Employee Benefits' has changed accounting for defined benefit superannuation scheme obligations. The revised standard requires superannuation expense to include net interest (interest cost less interest income) measured at and reported as defined benefit costs. Note 5 details the Net Benefit Defined Fund Assets and obligation and other disclosures provided by the Scheme actuary.

The standard does not allow investment credits to be netted off against superannuation's tax. This changed the calculation of the defined benefits liability/asset presented in the statement of financial position. As a result, the defined benefit liability related to the defined benefit cost has increased.

The amended accounting standard requires the amounts recorded in profit or loss to be limited to current and past service costs, gains or losses, settlements and net interest income (expense). All other changes in the net defined benefit asset (liability), including actuarial gains and losses, are recognised in other comprehensive income with no subsequent recycling to profit or loss. The expected return on plan assets is no longer recognised in profit or loss. Instead, interest income is now measured using the same discount rate used to measure the defined benefit obligation (market yields on 10 year Commonwealth government bonds).

The 10 year Commonwealth government bond yield is generally lower than expected rate of return on assets that was used to determine the expected return on assets in the previous standard. As a result the service cost for members has increased. The impact on the statement of comprehensive income for the financial year is:

### Impact of New AASB 119 with respect to the financial years:

30 June 2014	Previous AASB 119	Current AASB 119	
<b>Net result</b>			
Service cost	302	549	
Net interest (current AASB 119 only)	n/a	1,294	
Interest expense (previous AASB 119 only)	3,300	n/a	
Expected return on assets (previous AASB 119 only)	(4,954)	n/a	
<b>Superannuation expense/(net interest income) in net result</b>	<b>(1,352)</b>	<b>1,843</b>	
<b>Other Comprehensive Income</b>			
Actuarial gains/(losses) on liabilities	(4,693)	(4,276)	
Return on plan assets excluding amounts included in net interest <sup>^</sup>	3,120	5,841	
<b>Amount recognised in Other Comprehensive (Expenses)/Income</b>	<b>(1,573)</b>	<b>1,565</b>	
<b>Total amount recognised in Statement of Comprehensive Income</b>	<b>(221)</b>	<b>(278)</b>	
	Previously reported \$'000	Revised AASB 119 Adjustment \$'000	Restated \$'000
<b>30 June 2013</b>			
<b>Net result</b>			
Service cost	474	347	821
Net interest (current AASB 119 only)	–	1,405	1,405
Interest expense (previous AASB 119 only)	2,829	(2,829)	–
Expected return on assets (previous AASB 119 only)	(4,564)	4,564	–
<b>Superannuation expense/(net interest income) in net result</b>	<b>(1,261)</b>	<b>3,487</b>	<b>2,226</b>
<b>Other Comprehensive Income</b>			
Actuarial gains/(losses) on liabilities	8,886	(1,889)	6,997
Return on plan assets excluding amounts included in net interest	–	7,087	7,087
<b>Amount recognised in Other Comprehensive Income</b>	<b>8,886</b>	<b>5,198</b>	<b>14,084</b>
<b>Total amount recognised in Statement of Comprehensive Income</b>	<b>10,147</b>	<b>1,711</b>	<b>11,858</b>

<sup>^</sup> This item is the actual return on assets in excess of expected return on assets under the previous AASB 119 standard, and in excess of interest income under the current AASB 119 standard.



# Audit Office of New South Wales

## Notes to and forming part of the financial statements for the year ended 30 June 2014

(iii) Impact of changes in accounting policies on the Statement of Comprehensive Income for:

30 June 2014	Previous policies \$'000	Change to revenue recognition policy \$'000	Revised AASB 119 adjustments \$'000	Current policies \$'000
<b>Expenses excluding losses</b>				
Operating expenses				
– employee related	31,364	(280)	1,843	32,927
– other operating expenses	10,128	(14)	–	10,114
Depreciation and amortisation	1,278	–	–	1,278
Finance costs	18	–	–	18
Other expenses	164	–	–	164
<b>TOTAL EXPENSES EXCLUDING LOSSES</b>	<b>42,952</b>	<b>(294)</b>	<b>1,843</b>	<b>44,501</b>
<b>Revenue</b>				
Sale of goods and services	42,534	(591)	–	41,943
Investment revenue	199	–	–	199
Other revenue	1,481	–	(1,352)	129
<b>TOTAL REVENUE</b>	<b>44,214</b>	<b>(591)</b>	<b>(1,352)</b>	<b>42,271</b>
<b>Loss on disposal</b>	<b>22</b>			<b>22</b>
<b>NET RESULT</b>	<b>1,240</b>	<b>(297)</b>	<b>(3,195)</b>	<b>(2,252)</b>
<b>Other comprehensive income</b>				
Items that will not be reclassified to net result:				
Superannuation actuarial gain/(loss) on liabilities	(4,693)	–	417	(4276)
Superannuation actual return on Fund assets	3120	–	2,721	5,841
<b>Total remeasurement in other comprehensive income</b>	<b>(1,573)</b>	<b>–</b>	<b>3,138</b>	<b>1,565</b>
<b>TOTAL COMPREHENSIVE (EXPENSES)</b>	<b>(333)</b>	<b>(297)</b>	<b>(57)</b>	<b>(687)</b>

# Audit Office of New South Wales

## Notes to and forming part of the financial statements for the year ended 30 June 2014

(iii) Impact of changes in accounting policies on the Statement of Comprehensive Income for (continued):

30 June 2013	Previously reported \$'000	Change to revenue recognition policy \$'000	Revised AASB 119 adjustments \$'000	Restated \$'000
<b>Expenses excluding losses</b>				
Operating expenses				
– employee related	31,655	(34)	2,178	33,799
– other operating expenses	10,167	(150)	–	10,017
Depreciation and amortisation	945	–	–	945
Finance costs	18	–	–	18
Other expenses	106	–	–	106
<b>TOTAL EXPENSES EXCLUDING LOSSES</b>	<b>42,891</b>	<b>(184)</b>	<b>2,178</b>	<b>44,885</b>
<b>Revenue</b>				
Sale of goods and services	42,071	(151)	–	41,920
Investment revenue	301	–	–	301
Other revenue	1,629	–	(1,309)	320
<b>TOTAL REVENUE</b>	<b>44,001</b>	<b>(151)</b>	<b>(1,309)</b>	<b>42,541</b>
<b>Loss on disposal</b>	<b>38</b>			<b>38</b>
<b>NET RESULT</b>	<b>1,072</b>	<b>33</b>	<b>(3,487)</b>	<b>(2,382)</b>
<b>Other comprehensive income</b>				
Items that will not be reclassified to net result:				
Superannuation actuarial gain/(loss) on liabilities	8,886	–	(1,889)	6,997
Superannuation actual return on Fund assets	–	–	7,087	7,087
<b>Total remeasurement in other comprehensive income</b>	<b>8,886</b>	<b>–</b>	<b>5,198</b>	<b>14,084</b>
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>9,958</b>	<b>33</b>	<b>1,711</b>	<b>11,702</b>



# Audit Office of New South Wales

## Notes to and forming part of the financial statements for the year ended 30 June 2014

(iv) Impact of changes in accounting policies on the Statement of Financial Position:

30 June 2014	Previous accounting policies \$'000	Change to revenue recognition policy \$'000	Revised AASB 119 standard \$'000	Current accounting policies \$'000
<b>Assets</b>				
<b>Current assets</b>				
Cash and cash equivalents	6,949	–	–	6,949
Receivables	6,747	–	–	6,747
Other financial assets	320	322	–	642
Other	6,791	–	–	6,791
<b>Total current assets</b>	<b>20,807</b>	<b>322</b>	<b>–</b>	<b>21,129</b>
<b>Non-current assets</b>				
Property, plant and equipment				
– plant and equipment	719	–	–	719
– leasehold improvements	842	–	–	842
Total property, plant and equipment	1,561	–	–	1,561
Intangible assets	4,540	–	–	4,540
Other	357	–	–	357
<b>Total non-current assets</b>	<b>6,458</b>	<b>–</b>	<b>–</b>	<b>6,458</b>
<b>Total assets</b>	<b>27,265</b>	<b>322</b>	<b>–</b>	<b>27,587</b>
<b>Liabilities</b>				
<b>Current liabilities</b>				
Payables	2,336	–	–	2,336
Provisions	9,987	–	–	9,987
Other	109	–	–	109
<b>Total current liabilities</b>	<b>12,432</b>	<b>–</b>	<b>–</b>	<b>12,432</b>
<b>Non-current liabilities</b>				
Provisions	30,512	–	4,891	35,403
Other	40	–	–	40
<b>Total non-current liabilities</b>	<b>30,552</b>	<b>–</b>	<b>4,891</b>	<b>35,443</b>
<b>Total liabilities</b>	<b>42,984</b>	<b>–</b>	<b>4,891</b>	<b>47,875</b>
<b>Net assets</b>	<b>(15,719)</b>	<b>322</b>	<b>(4,891)</b>	<b>(20,288)</b>
<b>Equity</b>				
Accumulated losses	(15,719)	322	(4,891)	(20,288)
<b>Total equity</b>	<b>(15,719)</b>	<b>322</b>	<b>(4,891)</b>	<b>(20,288)</b>

# Audit Office of New South Wales

## Notes to and forming part of the financial statements for the year ended 30 June 2014

(iv) Impact of changes in accounting policies on the Statement of Financial Position (continued):

30 June 2013	Previously reported \$'000	Change to revenue recognition policy \$'000	Revised AASB 119 standard \$'000	Restated \$'000
<b>Assets</b>				
<b>Current assets</b>				
Cash and cash equivalents	9,129	–	–	9,129
Receivables	6,399	–	–	6,399
Other financial assets	614	619	–	1,233
Other	6,830	–	–	6,830
<b>Total current assets</b>	<b>22,972</b>	<b>619</b>	<b>–</b>	<b>23,591</b>
<b>Non-current assets</b>				
Property, plant and equipment				
– plant and equipment	1,023	–	–	1,023
– leasehold improvements	1,267	–	–	1,267
Total property, plant and equipment	2,290	–	–	2,290
Intangible assets	2,244	–	–	2,244
Other	430	–	–	430
<b>Total non-current assets</b>	<b>4,964</b>	<b>–</b>	<b>–</b>	<b>4,964</b>
<b>Total assets</b>	<b>27,936</b>	<b>619</b>	<b>–</b>	<b>28,555</b>
<b>Liabilities</b>				
<b>Current liabilities</b>				
Payables	2,376	–	–	2,376
Provisions	10,282	–	–	10,282
Other	232	–	–	232
<b>Total current liabilities</b>	<b>12,890</b>	<b>–</b>	<b>–</b>	<b>12,890</b>
<b>Non-current liabilities</b>				
Provisions	30,355	–	4,834	35,189
Other	77	–	–	77
<b>Total non-current liabilities</b>	<b>30,432</b>	<b>–</b>	<b>4,834</b>	<b>35,266</b>
<b>Total liabilities</b>	<b>43,322</b>	<b>–</b>	<b>4,834</b>	<b>48,156</b>
<b>Net assets</b>	<b>(15,386)</b>	<b>619</b>	<b>(4,834)</b>	<b>(19,601)</b>
<b>Equity</b>				
Accumulated losses	(15,386)	619	(4,834)	(19,601)
<b>Total equity</b>	<b>(15,386)</b>	<b>619</b>	<b>(4,834)</b>	<b>(19,601)</b>





# Audit Office of New South Wales

## Notes to and forming part of the financial statements for the year ended 30 June 2014

(iv) Impact of changes in accounting policies on the Statement of Financial Position (continued):

1 July 2012	Previously reported \$'000	Change to revenue recognition policy \$'000	Revised AASB 119 standard \$'000	Restated \$'000
<b>Assets</b>				
<b>Current assets</b>				
Cash and cash equivalents	11,226	–	–	11,226
Receivables	6,202	–	–	6,202
Other financial assets	797	586	–	1,383
Other	7,514	–	–	7,514
<b>Total current assets</b>	<b>25,739</b>	<b>586</b>	<b>–</b>	<b>26,325</b>
<b>Non-current assets</b>				
Property, plant and equipment				
– plant and equipment	321	–	–	321
– leasehold improvements	968	–	–	968
Total property, plant and equipment	1,289	–	–	1,289
Intangible assets	889	–	–	889
Other	320	–	–	320
<b>Total non-current assets</b>	<b>2,498</b>	<b>–</b>	<b>–</b>	<b>2,498</b>
<b>Total assets</b>	<b>28,237</b>	<b>586</b>	<b>–</b>	<b>28,823</b>
<b>Liabilities</b>				
<b>Current liabilities</b>				
Payables	2,150	–	–	2,150
Provisions	11,119	–	–	11,119
Other	101	–	–	101
<b>Total current liabilities</b>	<b>13,370</b>	<b>–</b>	<b>–</b>	<b>13,370</b>
<b>Non-current liabilities</b>				
Provisions	40,096	–	6,545	46,641
Other	115	–	–	115
<b>Total non-current liabilities</b>	<b>40,211</b>	<b>–</b>	<b>6,545</b>	<b>46,756</b>
<b>Total liabilities</b>	<b>53,581</b>	<b>–</b>	<b>6,545</b>	<b>60,126</b>
<b>Net assets</b>	<b>(25,344)</b>	<b>586</b>	<b>(6,545)</b>	<b>(31,303)</b>
<b>Equity</b>				
Accumulated losses	(25,344)	586	(6,545)	(31,303)
<b>Total equity</b>	<b>(25,344)</b>	<b>586</b>	<b>(6,545)</b>	<b>(31,303)</b>

(v) New Australian Accounting Standards issued but not yet effective

At the reporting date, a number of accounting standards and interpretations adopted by the AASB had been issued but not yet operative and have not been early adopted by the Audit Office. The initial application of these standards will have no material impact on our financial results. The standards are operative for annual reporting periods ending after 30 June 2014.



# Audit Office of New South Wales

## Notes to and forming part of the financial statements for the year ended 30 June 2014

2. Expenses excluding losses	2014 \$'000	2013 \$'000
<b>(a) Employee related expenses</b>		
Salaries and wages (including annual leave)	25,525	26,356
Superannuation – defined benefits plans (Note 5)	1,843	2,226
Superannuation – defined contribution plans	1,832	1,753
Long service leave	844	763
Workers' compensation insurance	103	84
Payroll tax	1,627	1,654
Temporary employees	1,153	963
	<b>32,927</b>	<b>33,799</b>

Employee related costs of \$754,000 (2013: \$558,000) have been capitalised to fixed and intangible asset accounts and are excluded from the above. Workers' compensation includes hindsight adjustments on prior years. The premium paid during the year was \$105,000 (2013: \$84,000).

### (b) Other operating expenses include the following:

Auditor's remuneration		
– audit of the financial statements	36	36
Operating lease rental expense		
– minimum lease payments	1,567	1,514
Maintenance*	363	423
Insurance	32	30
Consultants	521	511
Other contractors	3,605	3,411
Staff development and training (excluding salaries)	941	917
Fees for services rendered	1,229	969
Other operating expenses	1,820	2,206
	<b>10,114</b>	<b>10,017</b>

Operating expenses include \$234,000 (2013: \$159,000) for training and \$262,000 (2013: \$158,000) for fees for services on capital projects.

### \*Reconciliation – total maintenance

Maintenance expense – contracted labour and other (non-employee related), as above	363	423
Employee related maintenance expense included in Note 2(a)	–	–
<b>Total maintenance expenses included in Note 2(a) + 2(b)</b>	<b>363</b>	<b>423</b>

### (c) Depreciation and amortisation expense

Depreciation		
– leasehold improvements	426	337
– plant and equipment	385	296
	811	633
Amortisation		
– intangible assets	467	312
<b>Total depreciation and amortisation expense</b>	<b>1,278</b>	<b>945</b>

### (d) Finance costs

Unwinding of the discount rate for the make-good of premises	18	18
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### (e) Other expenses

Legal	164	106
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# Audit Office of New South Wales

## Notes to and forming part of the financial statements for the year ended 30 June 2014

	2014 \$'000	2013 \$'000
<b>3. Revenue</b>		
<b>(a) Sale of goods and services</b>		
Rendering of services – audit fees	41,943	41,920
<b>(b) Investment revenue</b>		
Interest received	199	301
<b>(c) Other revenue</b>		
Recoupment of salaries and oncosts	121	315
Other	8	5
	<b>129</b>	<b>320</b>
<b>4. Loss on disposal</b>		
Plant and equipment	22	4
Intangible assets	–	34
	<b>22</b>	<b>38</b>



# Audit Office of New South Wales

## Notes to and forming part of the financial statements for the year ended 30 June 2014

### 5. Superannuation

The defined benefits schemes from 30 June 2013 have remained at an unfunded liability position, a net movement of \$278,000 (2013: \$11,858,000). Employer contributions to all funds have been suspended since 1 December 2005.

The following information has been prepared by the Scheme actuary.

	2014 \$'000	2013 \$'000
<b>Reconciliation of the net defined benefit liability/(asset)</b>		
Net defined benefit liability at start of year	34,059	45,917
<b>Expenses:</b>		
Current service cost	549	821
Net interest on the net defined benefit liability	1,294	1,405
<b>Superannuation expense in net result*</b>	<b>1,843</b>	<b>2,226</b>
<b>Less other comprehensive income:</b>		
Actual return on Fund assets less interest income	5,841	7,087
Actuarial (losses) arising from changes in demographic assumptions	–	(3,477)
Actuarial gains/(losses) arising from changes in financial assumptions	(3,711)	11,438
Actuarial (losses) arising from liability experience	(565)	(964)
<b>Amount recognised in other comprehensive income*</b>	<b>1,565</b>	<b>14,084</b>
<b>Net defined benefit liability at end of year</b>	<b>34,337</b>	<b>34,059</b>
<b>Reconciliation of the fair value of Fund assets:</b>		
Fair value of Fund assets at beginning of the year	59,777	54,990
Interest income	2,189	1,624
Actual return on Fund assets less interest income	5,842	7,088
Employer contributions	–	–
Contributions by participants	339	432
Benefits paid	(4,446)	(4,804)
Taxes, premiums and expenses paid	310	447
Transfers in	–	–
Contributions to the accumulation section	–	–
Settlements	–	–
Exchange rate changes	–	–
<b>Fair value of Fund assets at end of the year</b>	<b>64,011</b>	<b>59,777</b>

\*Refer to Note 1(i)(ii).



# Audit Office of New South Wales

## Notes to and forming part of the financial statements for the year ended 30 June 2014

	2014 \$'000	2013 \$'000
<b>Reconciliation of the defined benefit obligation:</b>		
Present value of defined benefit obligations at beginning of the year	93,836	100,907
Current service cost	549	821
Interest cost	3,484	3,030
Contributions by participants	339	432
Actuarial losses arising from changes in demographic assumptions	–	3,477
Actuarial (gains)/losses arising from changes in financial assumptions	3,711	(11,438)
Actuarial losses arising from liability experience	565	964
Benefits paid	(4,446)	(4,804)
Taxes, premiums and expenses paid	310	447
Transfers in	–	–
Contributions to the accumulation section	–	–
Past service cost	–	–
Settlements	–	–
Exchange rate changes	–	–
Present value of defined benefit obligations at end of the year	98,348	93,836

### Fair value of Fund assets:

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

### As at 30 June 2014

Asset category	Quoted prices in active markets for identical assets Level 1 \$'000	Significant observable inputs Level 2 \$'000	Unobservable inputs Level 3 \$'000	Total \$'000	Percentage invested in each asset class
Short-term securities	1,572,615	880,140	–	2,452,755	6.5%
Australian fixed interest	10,928	2,354,086	–	2,365,014	6.2%
International fixed interest	–	880,529	–	880,529	2.3%
Australian equities	11,494,549	241,423	2,664	11,738,636	30.9%
International equities	8,172,677	2,780,531	121	10,953,329	28.8%
Property	894,113	692,296	1,686,577	3,272,986	8.6%
Alternatives	565,401	4,897,152	866,857	6,329,410	16.7%
<b>TOTAL*</b>	<b>22,710,283</b>	<b>12,726,157</b>	<b>2,556,219</b>	<b>37,992,659</b>	<b>100.0%</b>

\* Additional to the assets disclosed above, at 30 June 2014 Pooled Fund has provisions for receivables estimated to be around \$2.2 billion, giving an estimated assets totalling around \$40.2 billion.

### Fair value of entity's own financial instruments:

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

The fair value of the Pooled Fund assets include as at 30 June 2014 \$173.9 million in NSW Government bonds.



# Audit Office of New South Wales

## Notes to and forming part of the financial statements for the year ended 30 June 2014

### Significant Actuarial Assumptions at the Reporting Date:

As at	30 June 2014	30 June 2013
Discount rate	3.57% pa	3.80% pa
Salary increase rate (excluding promotional increases)	2.27% pa to June 2015, then 2.5% pa to 30 June 2018, 3.0% pa from 1 July 2018 to 30 June 2023, and 3.5% pa thereafter	2.25% pa for June 2014, 2.25% pa for June 2015, 2.00% pa for 1 July 2016 to 30 June 2020, 2.50% pa thereafter
Rate of Consumer Price Index (CPI) increase	2.5% pa	2.5% pa
Pensioner mortality	as per the 2012 Actuarial investigation of the Pooled Fund	as per the 2012 Actuarial investigation of the Pooled Fund

### Sensitivity analysis:

The Audit Office's total defined benefit obligation as at 30 June 2014 under several scenarios is presented below. The total defined benefit obligation disclosed is inclusive of the contribution tax provision which is calculated based on the asset level at 30 June 2014.

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

	Base case	Scenario A -1.0% discount rate	Scenario B +1.0% discount rate
Discount rate	3.57%	2.57%	4.57%
Rate of CPI increase	as above	as above	as above
Salary inflation rate	as above	as above	as above
Defined benefit obligation (A\$'000)	98,348	114,302	85,477

	Base case	Scenario C +0.5% rate of CPI increase	Scenario D -0.5% rate of CPI increase
Discount rate	as above	as above	as above
Rate of CPI increase	2.5%	3.0%	2.0%
Salary inflation rate	as above	as above	as above
Defined benefit obligation (A\$'000)	98,348	105,413	91,932

	Base case	Scenario E +0.5% salary increase rate	Scenario F -0.5% salary increase rate
Discount rate	as above	as above	as above
Rate of CPI increase	as above	as above	as above
Salary inflation rate	as above	above rates plus 0.5% pa	above rates less 0.5% pa
Defined benefit obligation (A\$'000)	98,348	98,896	97,818

	Base case	Scenario G +0.5% pensioner mortality rates	Scenario H -0.5% pensioner mortality rates
Defined benefit obligation (A\$'000)	98,348	97,307	99,449

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





# Audit Office of New South Wales

## Notes to and forming part of the financial statements for the year ended 30 June 2014

### Surplus

The following is a summary of the 30 June 2014 financial position of the Fund calculated in accordance with AAS 25 'Financial Reporting by Superannuation Plans':

	2014 \$'000	2013 \$'000
Accrued benefits*	(56,884)	(55,427)
Net market value of Fund assets	64,011	59,777
<b>Net surplus</b>	<b>7,127</b>	<b>4,350</b>

\* There is no allowance for a contribution tax provision with the Accrued Benefits figure for AAS 25. Allowance for contributions tax is made when setting the contribution rates.

### Economic assumptions

The economic assumptions adopted for the 30 June 2012 actuarial investigation of the Pooled Fund are:

Weighted average assumptions	2014	2013
Expected rate of return on Fund assets backing current pension liabilities	8.3% pa	8.3% pa
Expected rate of return on Fund assets backing other liabilities	7.3% pa	7.3% pa
Expected salary increase rate	2.7% pa to 30 June 2018, then 4.0% thereafter	2.7% pa for 6 years, then 4.0% pa
Expected rate of CPI increase	2.5% pa	2.5% pa

### Economic contributions:

	SASS	SANCS	SSS
Financial year to 30 June 2015			
<b>Expected employer contributions</b>	<b>-</b>	<b>-</b>	<b>-</b>

### Maturity profile of defined benefit obligation

The weighted average duration of the defined benefit obligation is 13.8 years.

## 6. Current assets – cash and cash equivalents

Cash at bank and on hand	6,949	9,129
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For the purposes of the statement of cash flows, cash and cash equivalents include cash at bank and cash on hand.

Cash and cash equivalent assets recognised in the statement of financial position are reconciled at the end of the financial year to the statement of cash flows as follows:

Cash and cash equivalents (per statement of financial position)	6,949	9,129
Closing cash and cash equivalents (per statement of cash flows)	6,949	9,129

Refer Note 21 for details regarding credit risk, liquidity risk and market risk arising from financial instruments.

## Notes to and forming part of the financial statements for the year ended 30 June 2014

### 7. Current assets – receivables

	2014 \$'000	2013 \$'000
Sale of goods and services	6,138	5,635
Less allowance for impairment	–	–
Prepayments	227	259
Interest receivable	87	124
GST available from ATO	255	214
Other	40	167
	<b>6,747</b>	<b>6,399</b>

Details regarding credit risk, liquidity risk and market risk, including financial assets that are either past due or impaired, are disclosed in Note 21.

### 8. Other financial assets

Work in Progress	<b>642</b>	<b>1,233</b>
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Details regarding credit risk, liquidity risk and market risk, including financial assets that are either past due or impaired, are disclosed in Note 21.

### 9. Non-current assets – property, plant and equipment

	Plant and Equipment \$'000	Leased Assets (Leasehold Improvements) \$'000	TOTAL \$'000
<b>2014:</b>			
<b>At 1 July 2013 – fair value</b>			
Gross carrying amount	2,242	3,095	5,337
Accumulated depreciation and impairment	(1,219)	(1,828)	(3,047)
<b>Net carrying amount</b>	<b>1,023</b>	<b>1,267</b>	<b>2,290</b>
<b>At 30 June 2014 – fair value</b>			
Gross carrying amount	2,063	3,096	5,159
Accumulated depreciation and impairment	(1,344)	(2,254)	(3,598)
<b>Net carrying amount</b>	<b>719</b>	<b>842</b>	<b>1,561</b>

#### Reconciliation

A reconciliation of the carrying amount of each class of property, plant and equipment at the beginning and end of the current reporting period is set out below:

#### Year ended 30 June 2014

Net carrying amount at start of year	1,023	1,267	2,290
Additions	103	1	104
Disposals	(283)	–	(283)
Depreciation expense	(385)	(426)	(811)
Write-back of depreciation on disposal	261	–	261
<b>Net carrying amount at end of year</b>	<b>719</b>	<b>842</b>	<b>1,561</b>

#### 2013:

<b>At 1 July 2012 – fair value</b>			
Gross carrying amount	1,916	2,459	4,375
Accumulated depreciation and impairment	(1,595)	(1,491)	(3,086)
<b>Net carrying amount</b>	<b>321</b>	<b>968</b>	<b>1,289</b>
<b>At 30 June 2013 – fair value</b>			
Gross carrying amount	2,242	3,095	5,337
Accumulated depreciation and impairment	(1,219)	(1,828)	(3,047)
<b>Net carrying amount</b>	<b>1,023</b>	<b>1,267</b>	<b>2,290</b>

#### Reconciliation

A reconciliation of the carrying amount of each class of property, plant and equipment at the beginning and end of the prior reporting period is set out below:

#### Year ended 30 June 2013

Net carrying amount at start of year	321	968	1,289
Additions	1,002	636	1,638
Disposals	(676)	–	(676)
Depreciation expense	(296)	(337)	(633)
Write-back of depreciation on disposal	672	–	672
<b>Net carrying amount at end of year</b>	<b>1,023</b>	<b>1,267</b>	<b>2,290</b>



# Audit Office of New South Wales

## Notes to and forming part of the financial statements for the year ended 30 June 2014

### 10. Intangible assets

	Systems Software \$'000	Intangible Assets Under Development \$'000	TOTAL \$'000
<b>2014:</b>			
<b>At 1 July 2013</b>			
Cost (gross carrying amount)	2,739	1,482	4,221
Accumulated amortisation and impairment	(1,977)	–	(1,977)
<b>Net carrying amount</b>	<b>762</b>	<b>1,482</b>	<b>2,244</b>
<b>At 30 June 2014</b>			
Cost (gross carrying amount)	4,362	1,890	6,252
Accumulated amortisation and impairment	(1,712)	–	(1,712)
<b>Net carrying amount</b>	<b>2,650</b>	<b>1,890</b>	<b>4,540</b>

The fully depreciated Audit Methodology and Records Managements systems (\$732,392) were written off during the year. The replacement systems (\$2,296,710) became operational and have been included under Systems Software. The Practice Management System remained under development at 30 June 2014.

#### Reconciliation

A reconciliation of the carrying amount of each class of intangible assets at the beginning and end of the current reporting period is set out below:

#### Year ended 30 June 2014

Net carrying amount at start of year	762	1,482	2,244
Transfer from systems development to software	1,316	(1,316)	–
Additions	1,039	1,724	2,763
Retirements/disposals	(732)	–	(732)
Amortisation (recognised in 'depreciation and amortisation')	(467)	–	(467)
Write-back of amortisation on retirement/disposal	732	–	732
<b>Net carrying amount at end of year</b>	<b>2,650</b>	<b>1,890</b>	<b>4,540</b>

#### 2013:

<b>At 1 July 2012</b>			
Cost (gross carrying amount)	2,604	–	2,604
Accumulated amortisation and impairment	(1,715)	–	(1,715)
<b>Net carrying amount</b>	<b>889</b>	<b>–</b>	<b>889</b>
<b>At 30 June 2013</b>			
Cost (gross carrying amount)	2,739	1,482	4,221
Accumulated amortisation and impairment	(1,977)	–	(1,977)
<b>Net carrying amount</b>	<b>762</b>	<b>1,482</b>	<b>2,244</b>

#### Reconciliation

A reconciliation of the carrying amount of each class of intangible assets at the beginning and end of the prior reporting period is set out below:

#### Year ended 30 June 2013

Net carrying amount at start of year	889	–	889
Additions	219	1,482	1,701
Retirements/disposals	(83)	–	(83)
Amortisation (recognised in 'depreciation and amortisation')	(312)	–	(312)
Write-back of amortisation on disposal	49	–	49
<b>Net carrying amount at end of year</b>	<b>762</b>	<b>1,482</b>	<b>2,244</b>



# Audit Office of New South Wales

## Notes to and forming part of the financial statements for the year ended 30 June 2014

	2014 \$'000	2013 \$'000
<b>11. Current/non-current assets – other</b>		
Crown acceptance of long service leave liability – current	6,791	6,830
Crown acceptance of long service leave liability – non-current	357	430
	<b>7,148</b>	<b>7,260</b>

## 12. Current liabilities – payables

Accrued salaries, wages and on-costs	820	891
Creditors and accruals	952	941
Payroll tax	119	124
GST payable to ATO	445	414
Other	–	6
	<b>2,336</b>	<b>2,376</b>

Details regarding credit risk, liquidity risk and market risk, including a maturity analysis of the above payables, are disclosed in Note 21.

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

### Employee benefits and related on-costs

Annual leave	2,145	2,371
Long service leave	7,148	7,260
Superannuation (Note 5)	34,337	34,059
Related on-costs	1,089	1,128
Employee benefits provision	<b>44,719</b>	<b>44,818</b>
Accrued salaries, wages and on-costs (Note 12)	820	891
<b>Aggregated employee benefits and related on-costs</b>	<b>45,539</b>	<b>45,709</b>

### Provisions

#### Current

– employee benefits provision	<b>9,987</b>	<b>10,282</b>
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#### Non-current

– employee benefits provision	34,732	34,536
Other provisions – leasehold improvements – restoration costs	671	653

<b>Non-current</b>	<b>35,403</b>	<b>35,189</b>
<b>TOTAL PROVISIONS</b>	<b>45,390</b>	<b>45,471</b>

# Audit Office of New South Wales

## Notes to and forming part of the financial statements for the year ended 30 June 2014

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

#### Annual leave

The liability at 30 June 2014 was \$2,145,000 (2013: \$2,371,000). This is based on leave entitlements at 30 June using remuneration rates to be payable post 30 June.

Of this liability, the value expected to be paid within twelve months is \$1,302,000 (2013: \$1,368,000) and \$843,000 (2013: \$1,003,000) after twelve months. This calculation of leave for the next twelve months is the minimum required to be taken to achieve the target of a maximum of 30 days per staff member at 30 June 2015.

Leave paid and entitlement for the year are as follows:	2014 \$'000	2013 \$'000
Balance at beginning of the financial year	2,371	2,447
Less: Value of leave paid during the year	2,277	2,209
	94	238
Add: Value of increased entitlement during the year	2,051	2,133
<b>Balance at the end of the financial year</b>	<b>2,145</b>	<b>2,371</b>

The amount of annual leave as disclosed above is increased by on-costs in the determination of the total provision.

#### Long service leave

The total liability at 30 June 2014 was \$7,148,000 (2013: \$7,260,000) shown as current \$6,791,000 (2013: \$6,830,000) and non-current \$357,000 (2013: \$430,000). This liability comprises:

Short term – expected to be settled within 12 months	703	1,255
Long term – not expected to be settled within 12 months	6,445	6,005
	<b>7,148</b>	<b>7,260</b>

Contributions of \$844,000 (2013: \$763,000) were made to the Crown Finance Entity pool account during this financial year. Reimbursements from the Crown Finance Entity because of payments to staff, or transfers of entitlements to other agencies, were \$1,468,000 (2013: \$1,443,000). The amount of long service leave as disclosed above is increased by on-costs in the determination of the total provision.

### (b) Other provisions

#### Restoration costs

The costs of restoration for the leasehold improvements at 1 Margaret Street are recognised as a provision in accordance with AASB 137 – Provisions, Contingent Liabilities and Contingent Assets. The provision for the costs of restoration is reviewed every three years by the Government Property Authority. The last valuation was conducted on 30 June 2013.

Movements in provision during the financial year are set out below:

Carrying amount at the beginning of financial year	653	370
Additional provisions recognised	–	265
Unwinding/change in the discount rate	18	18
<b>Carrying amount at end of financial year</b>	<b>671</b>	<b>653</b>

## 14. Current/non-current liabilities – other

<b>Current – other</b>		
Fees in advance – audit fees – current	72	195
Rental incentive – current	37	37
	<b>109</b>	<b>232</b>
<b>Non-current – other</b>		
Rental incentive – other	40	77
	<b>149</b>	<b>309</b>





### 15. Commitments for expenditure

#### (a) Capital commitments

Aggregate capital expenditure for the acquisition of intangible assets contracted for at balance date and not provided for:

	2014 \$'000	2013 \$'000
Not later than one year	180	1,378
<b>Total (including GST)</b>	<b>180</b>	<b>1,378</b>

#### (b) Operating lease commitments

Future non-cancellable operating lease rentals not provided for and payable:

Not later than one year	1,391	1,271
Later than one year and not later than five years	1,563	2,788
<b>Total (including GST)</b>	<b>2,954</b>	<b>4,059</b>

Commitments exist for leased accommodation and motor vehicles under operating leases.

These commitments include GST of \$285,000 (2013: \$494,000). A contingent asset exists for the calculated GST, being an input tax credit recoverable from the Australian Taxation Office after this payment.

### 16. Contingent assets and contingent liabilities

At the reporting date, the Audit Office was not aware of any contingent assets or contingent liabilities.

### 17. Auditor's remuneration

In April 2014, the Governor appointed Mr Lester Wills, a partner of Nexia Court & Co, to audit our accounts for a period of three years, commencing in the 2013–14 financial year. Nexia Court & Co does not provide any other services to the Audit Office. Refer to Note 2(b).

### 18. Audit and Risk Committee

The Audit Office has three independent members on the Audit and Risk Committee. Mr Brian Suttor was appointed as Chair on 28 November 2008 and was paid \$9,413 excluding GST in 2013–14. His appointment as chairperson has been extended for a final four-year term. Mr Greg Fletcher was appointed as a member on 4 December 2009 and was paid \$5,020 excluding GST in 2013–14. His appointment as independent member has been extended for a final four-year term. Ms Dianne Hill was appointed as an independent member on 29 August 2013. Her term is for four years and was paid \$5,020 excluding GST in 2013–14.

## 19. Budget review

### Net result

The actual net result for the year was \$2,252,000 deficit (2013: \$2,382,000) including the revised AASB 119 Employee Benefits adjustment of \$1,843,000 (2013: \$2,226,000). The deficit was less than the budgeted net result by \$657,000. The major variations to budgets are:

Total Revenue was \$227,000 lower than budget, mainly in sale of goods and services. The sale of goods and services was \$204,000 unfavourable to budget primarily due to the unrecoverable cost during the implementation and transition to the new audit methodology.

Total Expenses were \$906,000 lower than budget, mainly in employee related expenses, depreciation and amortisation. The employee related expenses were \$1,200,000 lower than budget mainly due to the capitalisation of internal labour costs for major projects. The favourable employee related expenses offset the contractor fees reported in other operating expenses. Depreciation and amortisation was \$540,000 lower than budget due to the delay in completion of a system implementation from June 2013 to February 2014 when amortisation commenced.

### Assets and liabilities

Net Liabilities: The actual negative equity of \$20,288,000 was primarily due to the actuarial valuation of our defined benefit superannuation scheme, which resulted in an unfunded liability of \$34,337,000 consistent with the revised valuation of \$34,059,000 for 2012–13. The Net Liabilities were lower than budget by \$8,369,000. The major factors are:

Current assets are favourable by \$3,693,000, mainly due to a favourable cash position of \$4,814,000 offset by lower than budget Crown Acceptance of Long Service Leave Liability of \$1,511,000. The 2013–14 cash budget was based on a lower cash position at the beginning of the financial year. The actual movement in cash is a reduction of \$2,180,000 due to the investment in audit methodology and technology to improve the delivery of audit services.

Non current assets are lower than budget by \$682,000 due to delay in a planned systems implementation, software upgrades and completion of current projects.

At the time of the 2013–14 budget submissions, the impact of the actuarial defined benefit superannuation adjustments on the previous financial year was not available. As a result, the impact of \$10,024,000 variations (excluding the impact of revised AASB 119 Employee Benefits) in the financial year at 30 June 2013 from 30 June 2012 were not factored into the 2013–14 superannuation provision budget. The amount contributes to the \$5,358,000 favourable result in 2013–14 total liabilities.

### Cash flows

The actual cash movement was \$2,646,000 favourable to budget. The majority of the favourability was from operating activities as included in the Net Result. The employee related payments were \$2,350,000 lower than budget, primarily due to the delay in software upgrades, systems implementation and savings from transition to the new audit methodology.

### 20. Reconciliation of cash flows from operating activities to net result

Reconciliation of cash flows from operating activities to the net result as reported in the statement of comprehensive income	2014 \$'000	2013 \$'000
Net cash used from operating activities	479	686
Depreciation and amortisation	(1,278)	(945)
Finance costs	(18)	(18)
(Increase)/decrease in provisions	(1,307)	(1,604)
Increase/(decrease) in prepayments and other assets	(355)	(527)
(Increase)/decrease in creditors	249	64
Net loss on disposal of plant and equipment and intangible assets	(22)	(38)
<b>Net result</b>	<b>(2,252)</b>	<b>(2,382)</b>

### 21. Financial instruments

The Audit Office's principal financial instruments and the main risks associated are outlined below. These financial instruments arise directly from operations. The Audit Office does not enter into or trade financial instruments for speculative purposes.

Quantitative and qualitative disclosures together with our objectives, policies and processes for measuring and managing risk are included throughout this financial report.

The Office Executive has overall responsibility for the establishment and oversight of risk management and reviews and agrees policies for managing each of these risks. Risk management policies are established to identify and analyse risks, to set risk controls and to monitor the risks faced by the Audit Office. Compliance with policies is reviewed by the Audit and Risk Committee on a continuous basis.

#### (a) Financial instrument categories

	Note	Category	Carrying Amount 2014 \$'000	Carrying Amount 2013 \$'000
<b>Financial assets class:</b>				
Cash and cash equivalents	6	N/A	6,949	9,129
Receivables*	–	Receivables	6,266	5,926
Work in Progress	8	Other financial assets	642	1,233
<b>Financial liabilities class:</b>				
Payables**	–	Financial liabilities measured at amortised cost	1,772	1,838

\* Excludes statutory receivables and prepayments (not within scope of AASB 7).

\*\* Excludes statutory payables and unearned revenue (not within scope of AASB 7).

# Audit Office of New South Wales

## Notes to and forming part of the financial statements for the year ended 30 June 2014

### (b) Credit risk

Credit risk is the risk of financial loss arising from another party to a contract or financial obligation. The Audit Office's maximum exposure to credit risk is represented by the carrying amounts of the financial assets (net of any allowance for impairment).

Credit risk arises from the financial assets held, which are cash and receivables. The Audit Office does not hold collateral and has not granted any financial guarantees.

### Cash

Cash comprises cash on hand and bank balances within the NSW Treasury Banking System. Interest rate as determined by NSW Treasury is earned on daily bank balances and paid twice yearly.

### Receivables

All trade debtors are recognised as amounts receivable at balance date. Debtors are reviewed on an ongoing basis and their status is reported to the Office Executive on a regular basis. Procedures as established in the Treasurer's Directions are followed to recover outstanding amounts, including letters of demand. Debts which are known to be uncollectible are written off. An allowance for impairment is raised when there is objective evidence that we are not able to collect all amounts due. No interest is earned on our receivables. Invoices are raised on 14 day terms.

The Audit Office is not materially exposed to concentrations of credit risk to a single debtor or group of debtors. Most of the debtors are government agencies whose credit ratings are considered less risky. There are no debtors whose terms have been renegotiated.

The following table outlines our financial assets that are past due or impaired, which are the receivables category in the statement of financial position.

	Total \$'000	Past due but not impaired* \$'000	Considered impaired* \$'000
<b>2014</b>			
< 3 months overdue	6,058	6,058	–
3 months – 6 months overdue	102	102	–
> 6 months overdue	–	–	–
	<b>6,160</b>	<b>6,160</b>	<b>–</b>
<b>2013</b>			
< 3 months overdue	5,560	5,560	–
3 months – 6 months overdue	80	80	–
> 6 months overdue	–	–	–
	<b>5,640</b>	<b>5,640</b>	<b>–</b>

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

### Work in progress (WIP)

Work in progress is recognised as an amount receivable not billed at the balance date. WIP is reviewed and monitored by the Directors responsible for the audit assignments and the Office Executive monthly. A provision for unrecoverable amounts is raised when there is objective evidence that the WIP may not be recoverable.



### (c) Liquidity risk

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

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

The liabilities are recognised for amounts due to be paid in the future for goods or services received, whether or not invoiced. Amounts owing to suppliers (which are unsecured) are settled in accordance with the policy set out in NSW Treasury Circular 11/12. For small business suppliers, where terms are not specified, payment is made not later than 30 days from date of receipt of a correctly rendered invoice. For other suppliers, if trade terms are not specified, payment is made no later than the end of the month following the month in which an invoice or a statement is received. For small business suppliers, where payment is not made within the specified time period, simple interest must be paid automatically unless an existing contract specifies otherwise. For payments to other suppliers, the Assistant Auditor-General, Corporate Services may automatically pay the supplier simple interest. The rate of interest applied during the year was 10.63% (2013: 11.37%).

The table below summarises the maturity profile of the Audit Office's financial liabilities, together with the interest rate exposure.

	Nominal Amount	Interest Rate Exposure			Maturity Dates		
		Fixed Interest Rate	Variable Interest Rate	Non-Interest Bearing	< 1 year	1–5 yrs	> 5 yrs
	\$'000	\$'000			\$'000		
<b>2014</b>							
Payables	1,772	–	–	1,772	1,772	–	–
	1,772	–	–	1,772	1,772	–	–
<b>2013</b>							
Payables	1,838	–	–	1,838	1,838	–	–
	1,838	–	–	1,838	1,838	–	–

The amounts disclosed are the contractual undiscounted cash flows, therefore, the amounts disclosed above will not reconcile to the statement of financial position.

### (d) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The Audit Office has no exposure to foreign currency risk and does not enter into commodity contracts.

### Interest rate risk – sensitivity analysis

The sensitivity analysis is performed based on risk exposures in existence at the balance sheet date to show how profit or loss and equity would have been affected by changes in the relevant risk variable that were reasonably possible at that date. This is determined after taking into account the economic environment in which the Audit Office operates and the time frame for the assessment (i.e. until the end of the next annual reporting period).

At reporting date, if interest rates had been 100 basis points higher or lower and all other variables were held constant, the profit and equity would have increased or decreased by \$69,000 (2013: \$91,000).

### (e) Credit facility

The Audit Office has no current standing credit facility. The Audit Office's cash position has been consistently adequate to meet its liquidity requirements.

### (f) Fair value measurement

Financial instruments as shown in Note 21(a) are recognised in the statement of financial position at amortised cost, which approximates the fair value because of the short-term nature of these financial instruments.

## 22. Events after the reporting period

There were no events subsequent to reporting date that require disclosure.

### End of audited financial statements



# Appendices

## Contents

### Appendix one

Senior executive and leadership positions	96
---	----

### Appendix two

Financial audit clients, reviews and other related services	98
---	----

### Appendix three

Services to the public sector	104
-------------------------------	-----

### Appendix four

Services to the profession	106
----------------------------	-----

### Appendix five

Publications	109
--------------	-----

### Appendix six

EEO, ethnic affairs priorities and disability action plan	111
---	-----

### Appendix seven

Accounts payable performance	113
------------------------------	-----

### Appendix eight

Consultants	114
-------------	-----

### Appendix nine

Digital information security attestation statement	115
--	-----

### Appendix ten

GIPA application information	116
------------------------------	-----

### Appendix eleven

Public interest disclosures information	118
---	-----



# Senior executive and leadership positions

## 1 Appendix one

### Performance statements for Senior Executive positions

#### Grant Hehir

Position	Auditor-General
Remuneration package	\$481,119

#### Comment

The Auditor-General is responsible to parliament. There is no performance agreement with, or annual review by, a minister.

#### Tony Whitfield

Position	Deputy Auditor-General
Remuneration package	\$379,361 plus retention allowance of \$43,000

#### Comment

As Deputy Auditor-General, the main functions of Tony's position are to:

- lead the Audit Office of New South Wales as CEO, taking charge of the day-to-day operations of the business and providing strategic leadership and oversight
- assume the role and responsibilities of the Auditor-General in his absence
- oversee and coordinate the Audit Office's financial and performance audit operations, including policy, research and other professional support activities.

#### Deliverables in 2013–14 included:

- liaising closely with and assisting members of parliament, including the Public Accounts Committee
- developing and progressing the Audit Office's strategic plan, particularly with respect to meeting our mandate in a fiscally responsible way and building organisational capability
- maintaining sound professional relations with audit clients, agency CEOs and the Chairs of agency audit and risk committees
- chairing the Office Executive Committee
- representing the Audit Office in briefing a number of overseas parliamentary, audit and public sector delegations
- continuing to make a strong external contribution to the accounting and auditing profession.

Tony successfully met the required performance criteria.

### SES remuneration band equivalent range and average remuneration\*

	Band range \$	Average remuneration
Band Four (equivalent)	\$422,501–\$488,100	\$481,119
Band Three (equivalent)	\$299,751–\$422,500	\$361,206
Band Two (equivalent)	\$238,301–\$299,750	\$272,269
Band One (equivalent)	\$167,100–\$238,300	\$209,991

### Senior executives, by SES remuneration band equivalent and gender

	Female	Male
Band Four (equivalent) \$422,501–\$488,100	0	1
Band Three (equivalent) \$299,751–\$422,500	0	2
Band Two (equivalent) \$238,301–\$299,750	1	6
Band One (equivalent) \$167,100–\$238,300	10	11

\*Due to the nature of our business, twenty-one per cent of the Audit Office's employee-related expenditure was related to senior executives.



## John Viljoen

<b>Position</b>	Assistant Auditor-General
<b>Remuneration package</b>	\$300,050

As an Assistant Auditor-General, Financial Audit, the main function of John's position is to oversee and coordinate the Audit Office's financial audit operations, in particular the financial audit methodology, quality and reporting aspects, and information systems auditing.

### Deliverables in 2013–14 included:

- overseeing the implementation of the new financial audit methodology and supporting technology
- further refining the format and content of the Auditor-General's financial audit reports to parliament
- overseeing the quality assurance program
- overseeing the information systems audit team's strategic direction
- maintaining sound professional relations with audit clients
- actively participating in creating development opportunities for staff.

John successfully met the required performance criteria.

## Louise Mooney

<b>Position</b>	Assistant Auditor-General
<b>Remuneration package</b>	\$297,323

As Assistant Auditor-General, Corporate Services, the main function of Louise's position is to oversee the Audit Office's Corporate Services operations, in particular finance, human resources, technology, communications, marketing and Audit Office strategic planning.

### Deliverables in 2013–14 included:

- maintaining and promoting sound professional relationships with government agencies, service providers and key stakeholders, including the Public Service Association of New South Wales during the annual renegotiation of the Audit Office Award
- initiating and leading key human resources transformation including the successful design and launch of Project Blue
- overseeing delivery of all corporate services functions to the Audit Office
- providing leadership and guidance on the content and administration of the Audit Office strategic planning process
- managing a number of key strategic projects including a new Practice Management Information System, major upgrade to the records management systems and processes, and the implementation of a new unified communications system.

Louise successfully met the required performance criteria.

### Number of senior executive and leadership positions filled by women

2009–10	5
2010–11	5
2011–12	8
2012–13	11*
2013–14	11*

\*These figures, since 2012–13, include Corporate Services Executive Managers.

## Scott Stanton

<b>Position</b>	Assistant Auditor-General
<b>Remuneration package</b>	\$283,691

As an Assistant Auditor-General, Financial Audit, the main function of Scott's position is to assist in overseeing and coordinating the Audit Office's financial audit operations, in particular the financial and resourcing aspects.

### Deliverables in 2013–14 included:

- developing the budget for fees and production costs in Financial Audit, monitoring results and business management improvements
- in conjunction with the Assistant Auditor-General, Corporate Services, as part of the steering committee, and representing Financial Audit, contributing to the enhancement of the Practice Management Information System
- continuing to make a strong contribution to the accounting and auditing professions
- actively participating in creating development opportunities for staff.

Scott successfully met the required performance criteria.

## Rob Mathie

<b>Position</b>	Assistant Auditor-General
<b>Remuneration package</b>	\$280,383

As Assistant Auditor-General, Performance Audit, the main function of Rob's position is to oversee the delivery of performance audits to the Auditor-General.

### Deliverables in 2013–14 included:

- managing the finances and human resources of the performance audit team
- delivery of a program of performance audits agreed with the Auditor-General, following consultation with a wide range of stakeholders
- liaison and engagement with the Public Accounts Committee
- receiving protected disclosures and complaints and managing their resolution.

Rob successfully met the required performance criteria.

## Steven Martin

<b>Position</b>	Assistant Auditor-General
<b>Remuneration package</b>	\$246,200

As Assistant Auditor-General, Financial Audit, the main function of Steven's position is to assist in overseeing and coordinating the Audit Office's financial audit operations, in particular technical training of staff.

### Deliverables in 2013–14 included:

- monitoring the eight special interest groups in the Audit Office
- ensuring structured technical training and development programs for staff
- maintaining sound professional relations with audit clients
- actively participating in creating development opportunities for staff.

Steven successfully met the required performance criteria.

Assistant Auditor-General, Greg Gibson, was on pre-retirement leave for the entirety of 2013–14. His remuneration package was \$298,687.



# Financial audit clients, reviews and other related services

## 2 Appendix two

### Financial audit clients

Aboriginal and Torres Strait Islander Health Practice Council of New South Wales

Aboriginal Housing Office

Art Gallery of New South Wales Foundation, The

Art Gallery of New South Wales Trust  
Australian Institute of Asian Culture and Visual Arts Limited, The

Arts Education Foundation Trust

Ausgrid  
Ausgrid Pty Limited

Australian Centre for Advanced Computing and Communications Pty Ltd

Australian Museum Trust

Barangaroo Delivery Authority  
Barangaroo Delivery Authority Staff Agency

Belgenny Farm Agricultural Heritage Centre Trust

Biamanga National Park Board of Management

Board of Studies  
Board of Studies Casual Staff Division

Board of Surveying and Spatial Information

Brett Whiteley Foundation, The

Building Insurers' Guarantee Corporation

Building Professionals Board

Bush Fire Coordinating Committee

Cancer Institute NSW  
Cancer Institute Division

Catchment Management Authorities (13)

C.B. Alexander Foundation

Centennial Park and Moore Park Trust

Central Coast Regional Development Corporation

Charles Sturt University  
Charles Sturt Campus Services Limited (2)  
Charles Sturt Services Limited (3)  
Charles Sturt University Foundation Trust (1)

Chief Investigator of the Office of Transport Safety Investigations

Chipping Norton Lake Authority

City West Housing Pty Limited

Cobar Water Board

Cobbora Holding Company Pty Limited  
Cobbora Coal Mine Pty Limited  
Cobbora Rail Company Pty Limited

Combat Sports Authority of NSW

Community Relations Commission  
For a multicultural NSW

Compensation Authorities Staff Division

Corporation Sole 'Minister Administering the *Environmental Planning and Assessment Act 1979*'

Corporation Sole 'Minister Administering the *Heritage Act 1977*'

Cowra Japanese Garden Maintenance Foundation Ltd  
Cowra Japanese Garden Trust

Crown Employees (NSW Fire Brigades Firefighting Staff Death and Disability) Superannuation Fund

Crown Entity, The

Dams Safety Committee

Delta Electricity  
Delta Electricity Australia Pty Ltd (in receivership)

Department of Education and Communities

Department of Family and Community Services  
John Williams Memorial Charitable Trust

Department of Attorney General and Justice

Department of Finance and Services

Department of Planning and Infrastructure

Department of Premier and Cabinet

Department of Trade and Investment, Regional Infrastructure and Services  
Milk Marketing (NSW) Pty Limited

Department of Transport  
Transport Cleaning Services  
Transport for NSW  
Transport Services of NSW  
MTS Holding Company Pty Limited

Destination NSW

Election Funding Authority of New South Wales

Endeavour Energy

Energy Industries Superannuation Scheme  
EIF Pty Limited  
Energy Industries Superannuation Scheme (EISS) – Pool A and Pool B  
Energy Industries Superannuation Scheme Pty Limited  
Energy Investment Fund

Environment Protection Authority

Environmental Trust

Eraring Energy

Essential Energy  
NorthPower Energy Services Pty Limited

Fair Trading Administration Corporation

Financial Counselling Trust Fund

Fire and Rescue New South Wales

Forestry Commission of New South Wales (trading as Forests NSW)  
Forestry Commission Division

Gaagal Wanggaan (South Beach) National Park Board of Management

Game Council of New South Wales  
Game Council Division

Gosford Water Supply Authority

Government Property NSW

Green State Power Pty Limited

Gulaga National Park Board of Management

Health Care Complaints Commission  
Office of the Health Care Complaints Commission

Health Professional Councils (13)

Historic Houses Trust of New South Wales  
Foundation for the Historic Houses Trust of NSW  
Foundation for the Historic Houses Trust of NSW Limited  
Hamilton Rouse Hill Trust, The  
Rouse Hill Hamilton Collection Pty Limited

Home Care Service of New South Wales  
Home Care Staff Agency

Home Purchase Assistance Fund

Hunter Development Corporation

Hunter Water Corporation  
Hunter Water Australia Pty Limited

Illawarra Health and Medical Research Institute Limited

Independent Commission Against Corruption

Independent Liquor and Gaming Authority

Independent Pricing and Regulatory Tribunal  
Independent Pricing and Regulatory Staff Agency

Independent Transport Safety Regulator  
Independent Transport Safety Regulator Staff Agency

Information Privacy Commission NSW

Infrastructure NSW  
Infrastructure NSW Division

Internal Audit Bureau of New South Wales



Jenolan Caves Reserve Trust  
Jenolan Caves Reserve Trust Division

Judicial Commission of New South Wales

Lake Illawarra Authority

Landcom

Lands Administration Ministerial Corporation

Legal Aid Commission of New South Wales  
Office of the Legal Aid Commission

Legal Profession Admission Board

Legislature, The

Legislature (Audit of Members' Additional Entitlements), The

Liability Management Ministerial Corporation

Library Council of New South Wales  
State Library of New South Wales Foundation

Lifetime Care and Support Authority of New South Wales

Local Government Engineering Services Pty Ltd

Local Government Superannuation Scheme Trustee

Long Service Corporation

Lord Howe Island Board

Lotteries Assets Ministerial Holding Corporation

Luna Park Reserve Trust

Macquarie Generation

Macquarie University  
Access Macquarie Limited  
Australian Proteome Analysis Facility Ltd  
CMBF Limited  
COH Property Trust  
Learning Activity Management Systems (LAMS) Foundation Limited  
Learning Activity Management Systems (LAMS) International Pty Limited  
Macquarie Graduate School of Management Ltd  
Macquarie Education South Africa NPC  
Macquarie University Professorial Superannuation Scheme  
Macquarie University Property Investment Company Pty Limited  
Macquarie University Property Investment Trust  
MUH Operations No. 2 Limited  
Risk Frontiers Flood (Australia) Pty Limited  
Risk Frontiers Group Pty Limited  
U@MQ Limited

Marine Parks Authority

Mental Health Commission of New South Wales  
Mental Health Commission Division

Mine Subsidence Board

Ministerial Corporation for Industry

Ministerial Holding Corporation

Ministry for Police and Emergency Services

Ministry of Health  
Agency for Clinical Innovation Special Purpose Service Entity  
Albury Base Hospital  
Albury Wodonga Health Employment Division  
Bureau of Health Information  
– Bureau of Health Information Special Purpose Service Entity  
Clinical Excellence Commission  
– Clinical Excellence Commission Special Purpose Service Entity  
Graythwaite Charitable Trust  
Health Administration Corporation  
– Public Health System Support Division Special Purpose Service Entity  
Health Education and Training Institute  
– Health Education and Training Institute Special Purpose Entity  
Justice and Forensic Mental Health Network  
– Justice and Forensic Mental Health Network Special Purpose Service Entity  
Local Health Networks  
– Central Coast  
– Central Coast Local Health District Special Purpose Entity  
– Far West  
– Far West Local Health District Special Purpose Entity  
– Hunter New England  
– Hunter New England Local Health District Special Purpose Entity  
– Illawarra Shoalhaven  
– Illawarra Shoalhaven Local Health District Special Purpose Entity  
– Mid North Coast  
– Mid North Coast Local Health District Special Purpose Entity  
– Murrumbidgee  
– Murrumbidgee Local Health District Special Purpose Entity  
– Nepean Blue Mountains  
– Nepean Blue Mountains Local Health District Special Purpose Entity

– Northern NSW  
– Northern NSW Local Health District Special Purpose Entity  
– Northern Sydney  
– Northern Sydney Health District Special Purpose Entity  
– South Eastern Sydney  
– South Eastern Sydney Local Health Network Special Purpose Service Entity  
– Southern NSW  
– Southern NSW Local Health Network Special Purpose Service Entity  
– South Western Sydney  
– South Western Sydney Local Health Network Special Purpose Service Entity  
– Sydney  
– ANZAC Health and Medical Research Foundation Trust Fund  
– Sydney Local Health Network Special Purpose Service Entity  
– Sydney Children's Hospitals Network  
– The Sydney Children's Hospital Network Special Purpose Service Entity  
– Western NSW  
– Western NSW Local Health District Special Purpose Entity  
– Western Sydney  
– Western Sydney Local Health District Special Purpose Entity  
NSW Kids and Families

**Motor Accidents Authority of New South Wales**

**Motor Vehicle Repair Industry Authority**

**Mount Grenfell National Park Board of Management**

**Mutawintji Board of Management**

**National Art School**

**Natural Resources Commission**

Natural Resources Commission Division

**Networks NSW Pty Limited**

**New South Wales Aboriginal Land Council**

**New South Wales Crime Commission**

New South Wales Crime Commission Division

Office of the New South Wales Crime Commission

**New South Wales Electoral Commission**

Office of the New South Wales Electoral Commission

**New South Wales Film and Television Office**



# Financial audit clients, reviews and other related services

## 2 Appendix two (continued)

New South Wales Health Foundation	Police Integrity Commission	State Council of Rural Lands Protection Boards of NSW
New South Wales Institute of Psychiatry	Policy Integrity Commission Division	State Council of Rural Lands Protection Boards Division
New South Wales Institute of Sport	Port Assets Ministerial Holding Corporation	State Emergency Service
Institute of Sport Division	Port Botany Lessor Pty Limited	State Infrastructure Trust
New South Wales Institute of Teachers	Port Kembla Lessor Pty Limited	State Management Council of Livestock Health and Pest Authorities of New South Wales
Office of the Institute of Teachers	Port Kembla Port Corporation	State Management Council of Livestock Health and Pest Authorities of New South Wales Division
New South Wales Rural Assistance Authority	Public Service Commission	State Rail Authority Residual Holding Corporation
Office of the New South Wales Rural Assistance Authority	Public Trustee NSW Common Fund	State Records Authority of New South Wales
New South Wales Rural Fire Service	Rail Corporation New South Wales	State Rescue Board
New South Wales Telecommunications Authority, The	Trainworks Limited	State Sporting Venues Authority
New South Wales Treasury Corporation	Rental Bond Board	State Transit Authority of New South Wales
TCorp Nominees Pty Limited	Residual Business Management Corporation	State Transit Authority Division
Treasury Corporation Division of the Government Service	Responsible Gambling Fund	Western Sydney Buses Division
Newcastle Port Corporation	Rice Marketing Board for the State of New South Wales	State Water Corporation
NSW Architects Registration Board	Roads and Maritime Services	Superannuation Administration Corporation (trading as Pillar Administration)
NSW Board of Vocational Education and Training	Roads and Maritime Services Division	Sydney Catchment Authority
NSW Businesslink Pty Ltd	Royal Botanic Gardens and Domain Trust	Sydney Catchment Authority Division
NSW Commission for Children and Young People	SAS Trustee Corporation	Sydney Cricket and Sports Ground Trust
NSW Fire Brigades Superannuation Pty Limited	SAS Trustee Corporation Division of the Government Services of NSW	Sydney Cricket and Sports Ground Trust Division
NSW Food Authority	SAS Trustee Corporation – Pooled Fund	Sydney Ferries
Office of the NSW Food Authority	Buroba Pty Limited	Sydney Harbour Foreshore Authority
Pacific Industry Services Corporation Pty Limited	STC Pisco 1 Unit Trust	Cooks Cove Development Corporation
NSW Land and Housing Corporation	STC Pisco 2 Unit Trust	Sydney Harbour Foreshore Authority Casual Staff Division
NSW Ovine Johne's Disease Transaction-Based Contribution Scheme	Southern Way Unit Trust	Sydney Metro
NSW Police Force	State Infrastructure Holdings (SEA Gas) Pty Ltd	Sydney Olympic Park Authority
NSW Self Insurance Corporation	State Infrastructure Trust	Parklands Foundation Limited
NSW Trustee and Guardian	State Superannuation Scheme	Sydney Opera House Trust
NSW Trustee and Guardian Common Fund – Financial Management	State Super Financial Services Australia Limited	Sydney Ports Corporation
Office of Hawkesbury-Nepean	State Super Fixed Term Allocated Pension Fund	Sydney Water Corporation
Office of the Director of Public Prosecutions	State Super Investment Fund	Taronga Conservation Society Australia
Office of the Protective Commissioner and Public Guardian – Administration Fund	State Super Retirement Fund	Taronga Conservation Society Australia Division
Office of the Protective Commissioner – Common Fund	Valley Commerce Pty Limited	Teacher Housing Authority of New South Wales
Ombudsman's Office	Services NSW Division	Technical and Further Education Commission, New South Wales
Parliamentary Contributory Superannuation Fund	Sesquicentenary of Responsible Government Trust Fund	Technical Education Trust Funds
Parramatta Park Trust	Small Business Development Corporation of New South Wales	TransGrid
	Southern Cross University	Transport Construction Authority
	Asia Pacific Football Institute Operations Pty Ltd	
	Norsearch Limited	
	SCU College Pty Ltd	





Treasury	Sydney Educational Broadcasting Limited	Wine Grapes Marketing Board for the City of Griffith and the Shires of Leeton, Carrathool and Murrumbidgee
Trustees of the ANZAC Memorial Building	UTS Global Pty Limited	
Trustees of the Farrer Memorial Research Scholarship Fund	University of Sydney, The	Worimi Board of Management
Trustees of the Museum of Applied Arts and Sciences	Bandwidth Foundry International Pty Ltd	WorkCover Authority of New South Wales
Universities Admission Centre (NSW & ACT) Pty Limited	Sports Knowledge Australia Pty Limited	Workers Compensation Commission of New South Wales
University of Newcastle, The	SydneyLearning Pty Limited	Workers' Compensation (Dust Diseases) Board
Newcastle Innovation Limited	Sydney Talent Pty Limited	Workers Compensation Nominal Insurer (trading as The NSW WorkCover Scheme)
UON Services Limited	The Warren Centre for Advanced Engineering Limited	Wyong Water Supply Authority
UON Singapore Pte Ltd	United States Studies Centre Limited	
University of New England	University of Sydney Professorial Superannuation System	
Agricultural Business Research Institute Limited	Wayahead Pty Limited	
Services UNE Limited	University of Western Sydney, The	
Sport UNE Limited	Television Sydney (TVS) Limited	
UNE Foundation	University of Western Sydney Foundation Limited	
UNE Foundation Limited	University of Western Sydney Foundation Trust	
UNE Health Pty Ltd	UWS College Pty Limited	
UNE Open Pty Ltd	UWS Early Learning Limited	
UNE Partnerships Pty Limited	uwsconnect Limited	
University of New South Wales	Whitlam Institute within the University of Western Sydney Limited and Whitlam Institute within the University of Western Sydney Trust	
NewSouth Global Pty Limited	University of Wollongong	
– Australian Education Consultancy Limited	Sydney Business School Pty Limited	
– NewSouth Global (Thailand) Limited	UOWD Limited	
– UNSW Global India Pvt Limited	– International Film School Sydney Pty Limited	
– UNSW Global (Singapore) Pte Limited	– UOWC Limited	
– UNSW (Hong Kong) Limited	Unicentre Conferences and Functions Pty Limited	
– UNSW (Thailand) Limited	University of Wollongong Recreation and Aquatic Centre Limited	
NewSouth Innovations Pty Limited	University of Wollongong USA Foundation	
– Cystemix Pty Limited	Wollongong UniCentre Limited	
Qucor Pty Limited		
The New South Wales Minerals Industry/ University of New South Wales	Venues NSW	
– Education Trust	Newcastle International Sports Centre Club	
University of New South Wales Foundation	Veterinary Practitioners Board	
University of New South Wales Foundation Limited	Waste Assets Management Corporation	
University of New South Wales Press Limited	Waste Recycling and Processing Corporation	
UNSW Hong Kong Foundation Limited	Water Administration Ministerial Corporation	
UNSW Study Abroad – Friends and US Alumni Inc	Wentworth Park Sporting Complex Trust	
University of Technology, Sydney	Western Sydney Parklands Trust	
accessUTS Pty Limited	Wild Dog Destruction Board	
AustLii Foundation Ltd	Wild Dog Destruction Board Division	
Insearch Limited		
– Insearch Education		
– Insearch Education International Pty Limited		
– Insearch (Shanghai) Limited		



# Financial audit clients, reviews and other related services

## 2 Appendix two (continued)

### **Audit-related services requested by the Treasurer under s. 27B(3)(c) of the Public Finance and Audit Act 1983**

Any audit or audit related services for which:

- a Commonwealth or State Government Body requires, for regulatory purposes, a NSW public sector agency to have information, reports or returns audited, reviewed, examined or certified by an auditor, and
- a NSW public sector agency asks the Audit Office to undertake the audit, review, examination or certification.

Audit of concise financial reports of NSW public sector agencies

Audit or audit related services to enable NSW public sector agencies to meet requirements under the *Corporations Act 2001* or the *Superannuation Industry (Supervision) Act 1993*

Audit reports required by s. 24 of the *Charitable Fundraising Act 1991* for NSW Government agencies that conduct fundraising appeals

Audit of a contract summary's compliance with the requirements specified in the NSW Public Private Partnership Guidelines (2012)

Audit of data returns or reports required under the Australian Government/State Agreements

Audit of data returns or reports to acquit Disaster Relief Payments from the Commonwealth

Audit of data returns or reports to acquit grants provided by the Commonwealth and other donors to NSW Government agencies

Audit of financial data returns or reports by universities to the Department of Industry, Innovation, Climate Change, Science, Research and Tertiary Education as required by the Commonwealth funding arrangements and/or agreements

Audit of general purpose financial statements for the NSW Trustee and Guardian – Common Fund and the NSW Office of the Protective Commissioner – Common Fund

Audit of special purpose and trust funds for controlled entities of the Department of Health

Audit of the financial report of the Nippon Foundation Fund for Japanese Language Education in accordance with an agreement between Macquarie University and the Nippon Foundation

Certify financial management, control systems and other matters for the Audit Office's clients required by AusAID as a condition of AusAID funding

Issue letters of comfort to interested parties of NSW Treasury Corporation regarding its domestic and offshore funding activities

Issue letters of comfort to interested parties of NSW Treasury Corporation regarding the Euro Medium Term Note Program

Review of agency compliance with Treasury Policy Paper TPP 09-5 'Internal Audit and Risk Management Policy for the NSW Public Sector'

Review of the reasonableness of the estimates and forecasts in the Half Year Review for 2013–14

Review of the reasonableness of the estimates and forecasts in the 2014–15 Budget





## Overseas visits

Staff member	Date of travel	Return date	Destination	Reason
Peter Achterstraat	9 September 2013	16 September 2013	Guam	To attend the Australasian Council of Auditors General/CPA Australia International Public Sector convention
Bola Oyetunji	21 January 2014	24 January 2014	Thailand	To undertake an audit of the University of New South Wales (Thailand) Limited and New South Global (Thailand)
Maria Spriggins	1 February 2014	9 February 2014	Canada	To undertake an audit of Charles Sturt University, Ontario campus
Weini Liao	2 March 2014	7 March 2014	Hong Kong	To undertake an audit of UNSW Hong Kong Limited, Australian Education Consultancy Limited and UNSW Hong Kong Foundation
Amanda Souter	2 March 2014	7 March 2014	Hong Kong	To undertake an audit of UNSW Hong Kong Limited, Australian Education Consultancy Limited and UNSW Hong Kong Foundation
Jan Gao	4 March 2014	7 March 2014	Singapore	To undertake an audit of UNSW Global (Singapore) Pte Limited
Natalia Bello Calderon	4 March 2014	7 March 2014	Singapore	To undertake an audit of UNSW Global (Singapore) Pte Limited
John Viljoen	8 March 2014	13 March 2014	Indonesia	To assist the Audit Board of the Republic of Indonesia on its preparation on the adoption of accrual accounting and to continue bilateral cooperation together with the Australian National Audit Office
Susanti Tedja	8 March 2014	16 March 2014	Indonesia	To assist the Audit Board of the Republic of Indonesia on its preparation on the adoption of accrual accounting and to continue bilateral cooperation together with the Australian National Audit Office
Bola Oyetunji	25 March 2014	30 March 2014	USA	To undertake an audit of UNSW Study Abroad – Friends and Alumni Inc
Grant Hehir	6 April 2014	12 April 2014	Canada	To attend the Performance Audit symposium and (ACAG-CCOLA) forum
John Rosier	6 April 2014	12 April 2014	Canada	To attend the Performance Audit Symposium and (ACAG-CCOLA) forum as part of his role as ACAG Executive Officer
Susanti Tedja	25 June 2014	7 July 2014	Indonesia	To facilitate the 'Auditing of Accrual Accounting' workshop for the Audit Board of the Republic of Indonesia staff in preparation for its adoption of accrual accounting
Jessica Huang	28 June 2014	4 July 2014	Indonesia	To facilitate the 'Auditing of Accrual Accounting' workshop for the Audit Board of the Republic of Indonesia staff in preparation for its adoption of accrual accounting
Lydian Sutadji	29 June 2014	4 July 2014	Indonesia	To facilitate the 'Auditing of Accrual Accounting' workshop for the Audit Board of the Republic of Indonesia staff in preparation for its adoption of accrual accounting
Sanjay Ram	29 June 2014	4 July 2014	Indonesia	To facilitate the 'Auditing of Accrual Accounting' workshop for the Audit Board of the Republic of Indonesia staff in preparation for its adoption of accrual accounting



# Services to the public sector

## 3 Appendix three

### Appearances before parliamentary committees

We appeared before the following parliamentary committees.

Date	Committee	Event	Who
13 February 2014	Public Accounts Committee	Inquiry into the follow-up of the Auditor-General's Performance Audits April 2012 to September 2012	Grant Hehir Rob Mathie Sean Crumlin
23 June 2014	Public Accounts Committee	Inquiry into follow-up of the Auditor-General's Performance Audits 'Monitoring Local Government' and 'Managing Drug Exhibits and other High Profile Goods'	Grant Hehir Tony Whitfield Rob Mathie

### Memberships

Audit Office staff were members of the following public sector organisations and committees.

Peter Achterstraat	Australasian Council of Auditors-General Federal Electoral Division Redistribution Committee Institute of Public Administration NSW
Grant Hehir	Australasian Council of Auditors-General Institute of Public Administration Australia CPA Australia Australian Institute of Company Directors
Peter Barnes	Taxation Hardship Relief Board
Rosemary Chung	NSW Community of Finance Professionals
Kriti Bhasin	NSW Public Sector Community of Finance Professionals
Alison Gatt	Australian Council of Auditors-General – Financial Reporting and Auditing Committee
Vijyata Kirpalani	Institute of Chartered Accountants Young Professionals Panel – Chair
Louise Mooney	Australian Institute of Company Directors NSW Community of Finance Professionals
James Sugumar	NSW Public Sector Community of Finance Professionals Advisory Board
Barry Underwood	Corruption Prevention Network – Board Member (ex officio)
John Viljoen	Australasian Council of Auditors-General – Quality Assurance Review Panel
Emily Watson	Enterprise Risk Management Group
Tony Whitfield	Australasian Council of Auditors-General – Financial Reporting and Auditing Committee



## Presentations

Audit Office staff gave the following presentations to various public sector audiences.

Title	Presenter(s)	Date	Who
Reflections of my experiences as Auditor-General	Peter Achterstraat	16 July 2013	CPA Australia's Sydney Accounts Discussion Group
Reflection of my seven-year term	Peter Achterstraat	7 August 2013	NSW Treasury – Chief Financial Officer's Forum
General address	Peter Achterstraat	14 September 2013	Department of Premier and Cabinet Leadership Development Program – NSW public service executives
Understanding the way public sector audit functions in Australia, particularly financial audit	Steven Martin	1 August 2013	Chinese National Audit Office delegation
Relationships and audit – sealing the deal	Steven Martin	1 August 2013	NSW Public Sector Community of Finance Professionals Hot Topics Forum 2014
The background regarding the Australian context	Peter Achterstraat	26 August 2013	Institute of Public Administration Australia – Vietnamese delegation
Connecting people and ideas to improve the public sector – Vietnamese delegation	Peter Achterstraat	2 September 2013	Institute of Public Administration Australia – Vietnamese delegation
Topical university issues for 2013	James Sugumar Scott Stanton	25 November 2013	Universities Australia Finance Officers Group
Financial reporting and financial management in the NSW public sector	Grant Hehir	14 February 2014	Panel discussion – NSW Ministry of Health
Financial reporting	Steven Martin	14 February 2014	NSW Health Financial Reporting Workshop
Contract audit agents	Steven Martin	27 February 2014	Contract Audit Agents Discussion Forum
Sharing ideas on contemporary issues	Grant Hehir	13 March 2014	NSW Public Sector Community of Finance Professionals
General address	Grant Hehir	1 May 2014	NSW Treasurer and NSW public sector Audit and Risk Committee Chairs
Future audits on infrastructure – planning NSW infrastructure for the 22nd century	Grant Hehir	9 May 2014	Public Accounts Committee
Breakfast general address	Grant Hehir	13 May 2014	Audit and Risk Committee Chairpersons breakfast
Role of the Auditor-General, challenges of good governance, the Lighthouse model and risk management to the achievement of organisational objectives	Grant Hehir	26 May 2014	Department of Planning and Infrastructure
Implementation of accrual accounting	Susanti Tedja Jessica Huang Sanjay Ram Lydian Sutadji	30 June 2014	The Audit Board of The Republic of Indonesia



# Services to the profession

## 4 Appendix four

### Memberships

Audit Office staff were members of the following committees, professional associations, panels or working parties.

Chris Bowdler	CPA Australia Sydney Accountants in Government Discussion Group, Facilitator
Alison Gatt	Module Advisory Committee for the Audit and Assurance module
Alison Gatt	The Institute of Chartered Accountants in Australia – Research Group
Alison Gatt	Superannuation National Audit Consultative Committee (Australian Prudential Regulatory Authority)
Chris Giumelli	CPA Australia – Public Sector Committee
Lambros Lambropoulos	Information Systems Audit and Control Association (ISACA) – Director, Sydney Chapter
Steven Martin	Member of the Institute of Chartered Accountants in Australia Accounting, Assurance and Governance Discussion Group
Scott Stanton	CPA Australia – NSW Divisional Councillor
Scott Stanton	CPA Australia – NSW Divisional Council representative to the Public Sector Committee
Heather Watson	The Institute of Chartered Accountants in Australia – Vice Chair, NSW Regional Council

### Education

Members of staff contributed to professional qualification programs (CA, CPA and CSA designations).

Chris Clayton	The Institute of Chartered Accountants in Australia – CA Program – member of the Audit and Assurance Exam Panel
Vijyata Kirpalani	The Institute of Chartered Accountants in Australia – CA Program – member of the Audit and Assurance Exam Panel



## Submissions to professional bodies

The Audit Office coordinates the efforts of all Australian audit offices developing responses to professional bodies on pronouncements they have exposed for comment. We determine which will impact audit offices, our clients or the public sector in general. We have prepared or contributed to the following responses by the Australasian Council of Auditors-General.

Title	Date
<b>AASB – Australian Accounting Standards Board</b>	
Exposure Draft 243 'Withdrawal of AASB 1031 Materiality'	22 August 2013
Invitation to Comment 29 'A Review of the IASB's Conceptual Framework for Financial Reporting'	8 November 2013
<b>IASB – International Auditing and Assurance Standards Board</b>	
Exposure Draft ED/2013/6 'Leases'	13 September 2013
Discussion Paper DP/2013/1 'A Review of the Conceptual Framework for Financial Reporting'	8 November 2013
<b>AUASB – Auditing and Assurance Standards Board</b>	
Invited Comments on 'IAASB Reporting on Audited Financial Statements: Proposed New and Revised International Standards on Auditing (ISAs)'	5 November 2013
Exposure Draft 05/13 'Proposed Standard on Assurance Engagements ASAE 3000 – Assurance Engagements Other than Audits or Reviews of Historical Financial Information'	3 February 2014
<b>IAASB – International Auditing and Assurance Standards Board</b>	
Exposure Draft 'Reporting on Audited Financial Statements: Proposed New and Revised International Standards on Auditing (ISAs)'	5 November 2013
<b>IPSASB – International Public Sector Accounting Standards Board</b>	
Exposure Draft 4 'Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities: Presentation in General Purpose Financial Reports'	14 August 2013
Exposure Draft 48 'Separate Financial Statements'	26 February 2014
Exposure Draft 49 'Consolidated Financial Statements'	26 February 2014
Exposure Draft 50 'Investments in Associates and Joint Ventures'	26 February 2014
Exposure Draft 51 'Joint Arrangements'	26 February 2014
Exposure Draft 52 'Disclosure of Interests in Other Entities'	26 February 2014
Exposure Draft 54 'Proposed Recommended Practice Guideline - Reporting Service Performance Indicators'	28 May 2014
<b>APESB – Accounting Professional &amp; Ethical Standards Board</b>	
Exposure Draft 02/13 'Proposed Amendments to APES 110 Code of Ethics for Professional Accountants due to revisions to IESBA's Code of Ethics for Professional Accountants'	1 October 2013
<b>Other</b>	
IFAC and CIPFA Consultation Draft 'Good Governance in the Public Sector – Consultation Draft for an International Framework'	10 September 2013



# Services to the profession

## 4 Appendix four (continued)

### Presentations

Audit Office staff gave the following presentations to various professional auditing and accounting and other audiences.

Title	Presenter(s)	Date	Who
Observations of statutory officers on performance within the public sector	Peter Achterstraat	8 August 2013	ANZSOG Annual Conference
Democratic government and managing public expenditure – the role of the Auditor-General	Peter Achterstraat	19 August 2013	ANZSOG Graduate School of Government
Reflections on my term as Auditor-General	Peter Achterstraat	3 September 2013	Ernst & Young
Value of public engagement	Peter Achterstraat	11 September 2013	Pacific Association of Supreme Audit Institutions (PASAI) Conference in Guam
Turning on lights through performance auditing	Chris Bowdler	21 October 2013	CPA Australia Congress
Performance auditing	Chris Bowdler	28 October 2013	Hangzhou Municipal Audit Bureau, in association with the Institute of Chartered Accountants of Australia
Performance auditing	Chris Bowdler	6 November 2013	Guandong Provincial Audit Office, in association with the Institute of Chartered Accountants of Australia
Estimates – how do you audit something for which there is no ‘right’ answer?	Heather Watson	14 March 2014	Institute of Chartered Accountants of Australia Conference – Sydney
Estimates – how do you audit something for which there is no ‘right’ answer?	Heather Watson	25 March 2014	Institute of Chartered Accountants of Australia Conference – Melbourne
Ensuring audit impact – practices ACAG Auditors-General have found effective to improve their impact	Grant Hehir	7 April 2014	ACAG-CCOLA, Toronto
Estimates – how do you audit something for which there is no ‘right’ answer?	Heather Watson	11 April 2014	Institute of Chartered Accountants of Australia Conference – Brisbane
Preparing for the reporting season	Grant Hehir	14 May 2014	Financial reporting executive forum – Ernst & Young
Chief Financial Officers as leaders in the public sector	Grant Hehir	27 June 2014	CPA Australia
IT risk appetite	Lambros Lambropoulos	10 June 2014	IT risk professionals, held at Deloitte
IT service management and IT governance	Lambros Lambropoulos	10 June 2014	IT Service Management and IT Governance

# Publications

## 5 Appendix five

### Financial audit reports

Volume	Focus	Date released
Volume Three 2013	New South Wales State Finances	31 October 2013
Volume Four 2013	Electricity	4 November 2013
Volume Five 2013	Education	13 November 2013
Volume Six 2013	Law, Order and Emergency Services	26 November 2013
Volume Seven 2013	Superannuation and Insurance	28 November 2013
Volume Eight 2013	Transport and Ports	9 December 2013
Volume Nine 2013	Environment, Water and Infrastructure	12 December 2013
Volume Ten 2013	Health	18 December 2013
Volume One 2014	Areas of focus from 2013	27 March 2014
Volume Two 2014	Universities	27 May 2014

### Performance audit reports

Agencies audited	Performance audit report	Date released
<ul style="list-style-type: none"> <li>NSW Health</li> </ul>	Managing Operating Theatre Efficiency for Elective Surgery	17 July 2013
<ul style="list-style-type: none"> <li>Ambulance Service of NSW</li> <li>NSW Ministry of Health</li> </ul>	Reducing Ambulance Turnaround Time at Hospitals	24 July 2013
<ul style="list-style-type: none"> <li>Housing NSW</li> <li>NSW Land and Housing Corporation</li> </ul>	Making the Best Use of Public Housing	30 July 2013
<ul style="list-style-type: none"> <li>NSW Treasury</li> <li>NSW Police Force</li> <li>NSW Ministry of Health</li> <li>Department of Premier and Cabinet</li> <li>Department of Attorney General and Justice</li> </ul>	Cost of Alcohol Abuse to the NSW Government	6 August 2013
<ul style="list-style-type: none"> <li>Department of Premier and Cabinet</li> <li>NSW Ministry of Health – Cancer Institute NSW</li> <li>Transport for NSW – Rail Corporation NSW</li> </ul>	Government Advertising 2012–13	23 September 2013
<ul style="list-style-type: none"> <li>Department of Education and Communities</li> </ul>	Management of Casual Teachers	3 October 2013
<ul style="list-style-type: none"> <li>Transport for NSW</li> <li>Department of Attorney General and Justice</li> <li>Department of Finance and Services</li> <li>Roads and Maritime Services</li> <li>NSW Police Force</li> <li>Department of Education and Communities</li> </ul>	Improving Legal and Safe Driving Among Aboriginal People	19 December 2013
<ul style="list-style-type: none"> <li>Fire and Rescue NSW</li> <li>NSW Rural Fire Service</li> </ul>	Fitness of Firefighters	1 April 2014
<ul style="list-style-type: none"> <li>NSW State Emergency Services</li> </ul>	Management of Volunteers – NSW State Emergency Services	15 April 2014
<ul style="list-style-type: none"> <li>Roads and Maritime Services</li> </ul>	Regional Road Funding – Block Grant and REPAIR Programs	8 May 2014
<ul style="list-style-type: none"> <li>NSW Police Force</li> </ul>	Effectiveness of the New Death and Disability Scheme	22 May 2014
<ul style="list-style-type: none"> <li>NSW Treasury</li> </ul>	Use of Purchasing Cards and Electronic Payment Methods	5 June 2014
<ul style="list-style-type: none"> <li>Office of Finance and Services</li> <li>Department of Education and Communities</li> <li>Forestry Corporation of NSW</li> <li>Fire and Rescue NSW</li> <li>NSW Businesslink Pty Ltd</li> <li>Essential Energy</li> <li>Sydney Trains</li> </ul>	Making the Most of Government Purchasing Power – Telecommunications	26 June 2014





# Publications

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## 5 Appendix five (continued)

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### Professional Update

Professional Update is produced by our Audit Support team with the main purpose of informing our readers of current issues in the accounting and auditing industry.

Professional Update was published in the following months:

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July 2013

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August 2013

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September 2013

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October 2013

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November 2013

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January 2014

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February 2014

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March 2014

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April 2014

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May 2014

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June 2014

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### Annual Report

Annual Report 2012/13

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Total external production costs for the Annual Report 2013/14: \$0.

# EEO, ethnic affairs priorities and disability action plan

## 6 Appendix six

### Trends in the Representation of EEO Groups

	Benchmark/Target	2012	2013	2014
EEO Group	%	% of total staff		
Women	60	50.9	52.7	51.2
Aboriginal people and Torres Strait Islanders	2.6	0	0	0
People whose first language was not English	19	44.7	44.9	45.7
People with a disability	n/a	3.8	3.1	2.2
People with a disability requiring work-related adjustment	1.5	1.7	1.4	0.9

### Trends in the Distribution of EEO Groups<sup>1</sup>

	Benchmark	2012	2013	2014
EEO Group	%	% of total staff		
Women	100	93	94	93
Aboriginal people and Torres Strait Islanders	100	0	0	0
People whose first language was not English	100	84	85	89
People with a disability	100	n/a	n/a	n/a
People with a disability requiring work-related adjustment	100	n/a	n/a	n.a

<sup>1</sup> A Distribution Index of 100 indicates that the centre of the distribution of the EEO group across salary levels is equivalent to that of other staff. Values less than 100 mean that the EEO group tends to be more concentrated at lower salary levels than is the case for other staff. The more pronounced this tendency is, the lower the index will be. In some cases the index may be more than 100, indicating that the EEO group is less concentrated at lower salary levels.

The Distribution Index is not calculated where EEO group or non-EEO group numbers are less than 20.



## 6 Appendix six (continued)

### EEO outcomes

In 2013–14, the Audit Office prioritised the following policies and programs:

- further reviewed and updated all workplace health and safety policies and reinforced, to all staff levels, their individual responsibilities
- released a new Diversity and Inclusion Policy
- created a new Position Description Policy to be implemented in 2014–15
- implemented 'Back Basics and Ergonomics' training for all staff
- reviewed and updated the Study Support Policy and implemented the graduate Pre-employment Program to retain graduates.

In 2014–15, we will focus on the following policies and programs:

- measuring the effectiveness of our workplace health and safety policies and practices to mitigate serious injury or risk
- educate all employees to eliminate bullying, harassment and anti-discrimination behaviour
- continue to leverage workforce data to inform the development of key policies and practices
- continue to champion work/life balance and the use of flexible work practices
- further improve the performance management system
- review our remuneration process and build strong links to performance
- modernise our employee relations and remuneration frameworks
- take a more contemporary approach to learning and development
- clarify and strengthen our employee value proposition.

### Multicultural Policies and Services Program

The Audit Office's activities are centred on providing services to parliament and government agencies, not directly to members of the public. Therefore we have limited capacity to address multicultural services issues.

We respect the rights of Australian citizens and residents who wish to become citizens to seek employment from advertised vacancies in the Audit Office.

Our employment record is evidence of our support for cultural diversity. Our commitment is reflected in the number of racial, ethnic and ethno religious groups that comprise our staff.

Our Multicultural Policies and Services Program Statement is our planning document showing we will address the needs of a culturally diverse society.

### Disability Action Plan

Our Disability Action Plan continues to meet the needs of people with a disability both as employees and clients by:

- ensuring their access to Audit Office premises and the premises they need to visit in the course of their duties
- ensuring their access to information about services of the Audit Office
- improving their employment opportunities at the Audit Office.

# Accounts payable performance

## 7 Appendix seven

### Aged analysis at the end of each quarter

Quarter	Current (i.e. within due date) \$'000	Less than 30 days overdue \$'000	Between 30 and 60 days overdue \$'000	Between 60 and 90 days overdue \$'000	More than 90 days overdue \$'000
All suppliers					
September	4,644	662	91	–	–
December	3,020	1,011	2	1	321
March	2,352	12	–	–	29
June	4,730	1	–	–	–
Small business suppliers					
September	35	32	11	–	–
December	121	69	–	–	–
March	81	–	–	–	–
June	165	–	–	–	–

### Accounts due or paid within each quarter

Measure	September \$'000	December \$'000	March \$'000	June \$'000
<b>All suppliers</b>				
Number of accounts due for payment	580	479	299	572
Number of accounts paid on time	471	378	295	571
Actual percentage of accounts paid on time (based on number of accounts)	81%	79%	99%	100%
Dollar amount of accounts due for payment (\$'000)	5,398	4,356	2,393	4,731
Dollar amount of accounts paid on time (\$'000)	4,644	3,020	2,352	4,730
Actual percentage of accounts paid on time (based on \$)	86%	69%	98%	100%
Number of payments for interest on overdue accounts	3	–	–	–
Interest paid on overdue accounts (\$'000)	–	–	–	–
<b>Small business suppliers</b>				
Number of accounts due for payment to small businesses	38	43	25	49
Number of accounts due to small businesses paid on time	28	39	25	49
Actual percentage of small business accounts paid on time (based on number of accounts)	74%	91%	100%	100%
Dollar amount of accounts due for payment to small businesses (\$'000)	79	190	81	165
Dollar amount of accounts due to small businesses paid on time (\$'000)	35	121	81	165
Actual percentage of small business accounts paid on time (based on \$)	45%	64%	100%	100%
Number of payments to small business for interest on overdue accounts	3	–	–	–
Interest paid to small businesses on overdue accounts (\$)	–	–	–	–

#### Commentary

During the year, we paid most of our accounts on time. We achieved our target of 95 per cent for each quarter in two of the four quarters. The actual payment of accounts on time at 88 per cent was lower than the previous year at 95 per cent. The high staff turnover during the first quarter of the financial year caused delay in processing payments during the recruitment and training period. We encouraged staff to take leave across the Christmas and early new year period, contributing to delays in submission of invoices for approval and payment processing. This occurred in the second quarter of the financial year where we did not meet our target. We have identified the number of invoices paid late due to the approval process. We have improved the process in order to improve the turnaround of invoices for payments.

#### Interest on late payments

We had three instances of penalty interest for a delayed payment of small suppliers. The delay was contributed to the invoices held up in the verification and approval process. The total late interest payments amount to \$308 (average 30 days over 14 days term).

#### Credit Card Certification

The Corporate Credit Card Policy was last reviewed and updated in January 2014 and considered current. All corporate credit cards were replaced by purchasing cards in January 2014 at the Audit Office in accordance with Treasury's requirement. The policy and controls applied to the use of credit cards are applicable and applied to the use of the purchasing cards. The rules are consistent with government policy as outlined in NSW Treasurer's Directions and Treasury Circulars. For the 2013–14 financial year the credit/purchasing card use by officers of the Audit Office has been in line with government requirements.



# Consultants

## 8 Appendix eight

### Consultants

Our consultancy expense for 2013–14 was \$521,000 provided by 12 organisations. The consultancies primarily related to expert advice on audits, all of which was recovered in our fees from clients.

Consultant	Nature of service	Amount \$
BDO East Coast Partnership	Tax review	19,000
Crowe Horwath (Aust) Pty Ltd	Tax review	58,000
Cumpston Sarjeant Pty Ltd	Actuarial review	123,000
Deloitte Touche Tohmatsu	Tax review Review of audit financial instruments	70,000 8,000
Deloitte Access Economics Pty	Half-year budget review	107,000
Ernst & Young	Audit on NSW Health Pathology, South Eastern Area Laboratory Service (SEALS)	15,000
KPMG	Tax review	10,000
Peter Berry Consultancy Pty Ltd	Employee related advice	2,000
PriceWaterhouseCoopers Sydney	Tax review	90,000
Ryall Consultancy	Advice on environment issues on Department of Trade and Investment, Regional Infrastructure and Services audit	9,000
Shirley Liew Probus Advisory	Enterprise risk management	6,000
The University of Sydney	Performance audit review	4,000
		<b>521,000</b>

# Digital information security annual attestation statement

## 9 Appendix nine

### Digital Information Security Annual Attestation Statement for the 2013–14 Financial Year for the Audit Office of New South Wales

I, Grant Hehir, am of the opinion that the Audit Office of New South Wales had an Information Security Management System in place during the financial year being reported as consistent with the Core Requirements set out in the Digital Information Security Policy for the NSW Public Sector.

I, Grant Hehir, am of the opinion that the security controls in place to mitigate identified risks to the digital information and digital information systems of the Audit Office of New South Wales are adequate for the foreseeable future.

I, Grant Hehir, am of the opinion that all Public Sector Agencies, or part thereof, under the control of the Audit Office of New South Wales with a risk profile sufficient to warrant an independent Information Security Management System, have developed an Information Security Management System in accordance with the Core Requirements of the Digital Information Security Policy for the NSW Public Sector.

I, Grant Hehir, am of the opinion that, where necessary in accordance with the Digital Information Security Policy for the NSW Public Sector, certified compliance with AS/NZS ISO/IEC 27001 Information technology – Security techniques – Information security management systems – Requirements had been maintained by all or part of the Audit Office of New South Wales and all or part of any Public Sector Agencies under its control.



**Grant Hehir** Auditor-General

Sydney, 20 August 2014

# GIPA application information

## 10 Appendix ten

Commentary on applications for information under the *Government Information (Public Access) Act 2009* (the GIPA Act) can be found on page 55.

**Table A: Number of applications by type of applicant and outcome\***

	Access granted in full	Access granted in part	Access refused in full	Information not held	Information already available	Refuse to deal with application	Refuse to confirm/deny whether information is held	Application withdrawn
Media	0	0	0	0	0	0	0	0
Members of parliament	0	0	0	0	0	0	0	0
Private sector business	0	0	0	0	0	0	0	0
Not for profit organisations or community groups	0	0	0	0	0	0	0	0
Members of the public (application by legal representative)	0	0	0	0	0	0	0	0
Members of the public (other)	0	1	0	0	0	0	0	0

\* More than one decision can be made in respect of a particular access application. If so, a recording must be made in relation to each such decision. This also applies to table B.

**Table B: Number of applications by type of application and outcome**

	Access granted in full	Access granted in part	Access refused in full	Information not held	Information already available	Refuse to deal with application	Refuse to confirm/deny whether information is held	Application withdrawn
Personal information applications*	0	0	0	0	0	0	0	0
Access applications (other than personal information applications)	0	0	0	0	0	0	0	0
Access applications that are partly personal information applications and partly other	0	0	0	0	0	0	0	0

\* A 'personal information application' is an access application for personal information (as defined in clause 4 of Schedule 4 to the Act) about the applicant (the applicant being an individual).

**Table C: Invalid applications**

Reason for invalidity	Number of applications
Application does not comply with formal requirements (section 41 of the Act)	0
Application is for excluded information of the agency (section 43 of the Act)	0*
Application contravenes restraint order (section 110 of the Act)	0
Total number of invalid applications received	0
Invalid applications that subsequently became valid applications	0

\* As the one formal application we received also contained valid requests for information, the Audit Office deemed the request as valid and provided access in part to the information requested.





**Table D: Conclusive presumption of overriding public interest against disclosure: matters listed in Schedule 1 of the Act**

	Number of times consideration used*
Overriding secrecy laws	1
Cabinet information	0
Executive Council information	0
Contempt	0
Legal professional privilege	0
Excluded information	1
Documents affecting law enforcement and public safety	0
Transport safety	0
Adoption	0
Care and protection of children	0
Ministerial code of conduct	0
Aboriginal and environmental heritage	0

\* More than one public interest consideration may apply in relation to a particular access application and, if so, each such consideration is to be recorded (but only once per application). This also applies in relation to Table E.

**Table E: Other public interest considerations against disclosure: matters listed in table to section 14 of the Act**

	Number of occasions when application not successful
Responsible and effective government	0
Law enforcement and security	0
Individual rights, judicial processes and natural justice	0
Business interests of agencies and other persons	0
Environment, culture, economy and general matters	0
Secrecy provisions	0
Exempt documents under interstate Freedom of Information legislation	0

**Table F: Timeliness**

	Number of applications
Decided within the statutory timeframe (20 days plus any extensions)	1
Decided after 35 days (by agreement with applicant)	0
Not decided within time (deemed refusal)	0
<b>Total</b>	<b>1</b>

**Table G: Number of applications reviewed under Part 5 of the Act (by type of review and outcome)**

	Decision varied	Decision upheld	Total
Internal review	0	0	0
Review by Information Commissioner*	0	0	0
Internal review following recommendation under section 93 of Act	0	0	0
Review by Administrative Decisions Tribunal	0	0	0
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>

\* The Information Commissioner does not have the authority to vary decisions, but can make recommendation to the original decision-maker. The data in this case indicates that a recommendation to vary or uphold the original decision has been made by the Information Commissioner.

**Table H: Applications for review under Part 5 of the Act (by type of applicant)**

	Number of applications for review
Applications by access applicants	0
Applications by persons to whom information the subject of access application relates (see section 54 of the Act)	0



# Public interest disclosures information

## 11 Appendix eleven

Commentary on public interest disclosures and the *Public Interest Disclosures Act 1994* can be found on page 34.

### Statistical information on Public Interest Disclosures (PIDs) for the period 1 July 2013 to 30 June 2014

	Categories of wrongdoing																	
	Corrupt conduct			Mal-administration			Serious and substantial waste			Government information contravention			Local government pecuniary interest contravention			TOTAL		
	Function	Stat.	Other	Function	Stat.	Other	Function	Stat.	Other	Function	Stat.	Other	Function	Stat.	Other	Function	Stat.	Other
Number of public officials who made PIDs direct to the Audit Office	2	–	–	5	–	–	10	–	–	–	–	–	–	–	–	17	–	–
Number of PIDs made directly to the Audit Office	2	–	–	5	1	–	10	–	–	–	–	–	–	–	–	17	–	–
Number of PIDs received by the Audit Office under section 26 of the PID Act	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	6	–
<b>Total number of PIDs</b>	<b>2</b>	<b>–</b>	<b>–</b>	<b>5</b>	<b>1</b>	<b>–</b>	<b>10</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>23</b>		

	Corrupt conduct			Mal-administration			Serious and substantial waste			Government information contravention			Local government pecuniary interest contravention			TOTAL		
Number of PIDs referred to a public authority under section 25 of the PID Act	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Number of PIDs referred to another investigating authority under section 25 of the PID Act	1	–	–	2	–	–	1	–	–	–	–	–	–	–	–	4	–	–
Number of PIDs handled solely by the Audit Office	1	–	–	4	–	–	14	–	–	–	–	–	–	–	–	19	–	–
Number of PIDs handled with a public authority	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Number of PIDs handled with another investigating authority	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
<b>Total number of PIDs</b>	<b>2</b>	<b>–</b>	<b>–</b>	<b>6</b>	<b>–</b>	<b>–</b>	<b>15</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>23</b>		
Number of PIDs to be finalised	–	–	–	–	–	–	1	–	–	–	–	–	–	–	–	1	–	–
Number of PIDs finalised	2	–	–	6	–	–	14	–	–	–	–	–	–	–	–	22	–	–



# Index and glossary

<b>a</b>		
allegations of waste	34	
annual report		
– contact details	2	
– external costs	110	
Audit and Risk Committee	41, 51-54, 56, 57, 60	
– Chairs	20, 23, 27	
Auditor-General		
– history	2	
– message	6	
Australasian Council of Auditors-General	13, 44-45, 104, 107	
<b>b</b>		
benchmarking	5, 14, 21, 34	
budget	5, 60, 62, 66-69	
business risks	50-58	
<b>c</b>		
case studies	18, 34, 42, 46, 58	
code of conduct	48, 50	
committees <i>see</i> Audit and Risk Committee, Public Accounts Committee, Work Health Safety Committee and Remuneration Committee		
consultants	60, 79, 114	
corporate governance	48-58	
credit card certification	113	
creditor payments	61	
<b>d</b>		
Digital Information Security	37, 115	
disability action plan	39, 111, 112	
<b>e</b>		
employee satisfaction	4, 36	
equal employment opportunity	111, 112	
equity	37, 39	
executive positions	8-9, 96-7	
external audit	54	
<b>f</b>		
financial audits		
– client list	98-101	
– modified opinions	4, 14, 24-26	
– recommendations, acceptance of	4, 22	
– reports	109	
– satisfaction with	4, 12, 20-21	
– timeliness	15, 23	
financial commentary	60-61	
– accounts payable performance	113	
– break-even target	60	
– financial statistics	62	
– financial statements	66	
freedom of information <i>see</i> Government Information (Public Access) Act		
<b>g</b>		
governance	47	
– committees	51-52	
– disclosure	55	
– ethics	53	
– management	50-52	
– reporting, financial	54	
– risk management	56	
– stakeholders	57	
– structure	50-52	
Government Information (Public Access) Act	57, 116	
– application information	116	
<b>h</b>		
highlights	4-5	
<b>i</b>		
industrial relations	37, 38	
internal audit	54	
Internal Audit and Risk Management Statement	54, 56	
<b>l</b>		
legislation	3, 18, 34, 49, 55	
letter of transmission	2	
<b>m</b>		
management	49-52	
memberships	104	
mission	2, 10	
modifications	4, 14, 24-26	
multicultural policies and services program	112	
<b>o</b>		
occupational health and safety <i>see</i> work health and safety		
office executive	8-9, 50	
– performance statements	96-97	
office hours	2	
overseas		
– travel	103	
<b>p</b>		
parliamentarian satisfaction	4, 12-13	
parliamentary committees, appearances before	104	
people <i>see also</i> staff	35	
performance audits	4, 16-7, 27-33	
– follow-up	27	
– recommendations, acceptance of	4, 16, 22, 27-33	
– program	6, 17, 27, 33	
– reports	27-33, 109	
– satisfaction	4, 12-13	
performance management	10, 37	
presentations	5, 44, 105, 108	
– private sector	44, 108	
– public sector	44, 105	
privacy	34, 48	
professional activities	52, 105, 108	
professional development	38, 40	
Project Blue	10, 36-37, 40, 54	
Public Accounts Committee	4, 6-7, 13, 16-8, 27, 52, 57 104, 105	
– hearings	104	
publications	109-10	
<b>q</b>		
quality assurance	54	
<b>r</b>		
recreation club	39	
reporting, financial	5, 23-4, 44, 51, 54, 58	
Remuneration Committee	37, 51-2	
reviews, internal and external	18, 54, 56	
risk management	48, 53, 56	
<b>s</b>		
social club <i>see</i> recreation club		
stakeholders/clients	49, 57	
staff		
– counselling	39	
– productivity	37	
– recruitment	38	
– turnover	38	
State Plan NSW 2021	6, 10, 17, 27, 33, 58	
strategic plan	6, 10, 49	
structure		
– governance	50-52	
– organisation	3, 8	
<b>t</b>		
training	38, 104, 106	
turnover, staff	38	
<b>v</b>		
values	2-3	
vision	2, 3, 6, 10	
<b>w</b>		
Waste Reduction and Purchasing Plan	41	
work health and safety	41	
– committee	41	
<b>y</b>		
year ahead, the	10	

## Glossary

### Audit evidence

Audit evidence is examined to determine the accuracy of account balances in the financial statements. Main sources of audit evidence are: inspection (records or tangible assets); observation; external confirmation; re-calculation; re-performance; analytical procedures; and enquiry.

### Audit methodology

A particular set of processes or procedures that when applied in combination will provide adequate assurance about the risk of material misstatement in financial statements, and will document the audit in compliance with Australian Auditing Standards.

### Audit and Risk Committee

Provides the Auditor-General with independent assurance on the Audit Office's financial reporting, risk management and organisational processes.

### Australasian Council of Auditors-General

Association established by Auditors-General for their mutual support and the sharing of information.

### Controlled entity

A controlled entity exists when another entity has the power to govern its financial and operating policies over and obtain benefits from its activities.

### CPA

Accounting body CPA Australia.

### ICAA

Accounting body Institute of Chartered Accountants in Australia.

### Internal control framework

An integrated set of policies and procedures designed to assist management achieve its goals and objectives.

### Management letter

Letter sent to management and those charged with governance outlining our findings from the audit.

### Material misstatements

Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

### Modified auditor's opinion

Modifications of an audit opinion can be adverse, qualified or disclaimed. Adverse opinions are issued when misstatements in the financial statements are material and pervasive. Qualified opinions are issued when there are material misstatements in the financial statements or we cannot get all the evidence we require. An opinion is disclaimed only where auditors cannot get the evidence they need and the effects could be material and pervasive.

### Risk management policy

A policy setting out the how risks are identified, managed and controlled.

